ANNUAL REPORT 2012

SLOVENSKÁ SPORITEĽŇA

Contents

The company at a glance

Registered office: Tomášikova 48
832 37 Bratislava
Slovak Republic
Company Registration Number (IČO): 00151653
Legal form: joint stock company
Line of business: universal bank

Shareholders as of 31 December 2012:

EGB Ceps Holding GmbH – 100.00%

Significant participations:

Realitná spoločnosť Slovenskej sporiteľne, a. s., 100.00%
Factoring Slovenskej sporiteľne, a. s., 100.00%
Leasing Slovenskej sporiteľne, a. s., 100.00%
Derop B.V., 85.00%
Erste Group IT SK, spol. s r.o., 51.00%
Procurement Services SK, spol. s r.o., 51.00%
Slovak Banking Credit Bureau, spol. s r.o., 33.33%
Prvá stavebná sporiteľňa, a. s., 9.98%

Contact:
Sporotel: 0850 111 888
www.slsp.sk
info@slsp.sk

Credit ratings of Slovenská sporiteľňa, a. s. as of 31 December 2012

Fitch Ratings

Long-term Issuer Default Rating	**A**
Short-term Issuer Default Rating	**F1**
Viability rating	**bbb**
Support rating	**1**
Outlook	**stable**

Standard and Poor's
Credit rating **A pi** (based on public information)

This Annual Report was prepared in accordance with Act no. 431/2002 Coll. on Accounting as amended.
This explanatory report was prepared in accordance with Section 20(8) of the Accounting Act.
The members of the Board of Directors of Slovenská sporiteľňa, a. s. hereby confirm that the Summary Corporate Governance Report of Slovenská sporiteľňa, a. s. (hereinafter referred to as „the Report") was prepared with due professional care and is based on the best knowledge and expertise of the members of the Board of Directors of Slovenská sporiteľňa, a. s.; they declare that the information contained in the Report was up to date, complete and true as at the date of the Report's preparation, and that the Report does not omit any data or information which could affect its meaning.

Statement by the Chairman of the Board of Directors/CEO

Dear partners,

we have come through a year that many feared. Whilst the year did, indeed, bring challenges, I am pleased that reports evaluating Slovenská sporiteľňa over the past year have been prevailingly positive.

The Slovak economy in 2012 grew at a slower rate than in the previous year; nonetheless, economic growth did hold up and was one of the highest in Europe. Slovakia benefited from external demand, though this was not enough to push down unemployment or increase real wages. Looking back at the previous year overall, Slovak's early parliamentary elections must be mentioned. A priority of the newly-elected government is to consolidate public finances. The consequence has been, among others, a higher tax burden on corporate entities and people, special taxes for banks and a reduction in contributions to the private pension pillar. Our results have been greatly affected by a bank levy, which is one of the highest in the European Union. In addition to this, we were also required to pay a special one-off levy to the state in the last quarter.

Despite the weakening economy and its consequent impacts on households and companies and despite impacts of the new government's measures, the year 2012 was an exceptional one for Slovenská sporiteľňa. We provided loans to thousands of households, financed projects of small and large companies, and were a reliable partner for the public sector.

New tailor-made products for young people enabled us to significantly grow our client portfolio in this important target group. We continued to expand our branch network, increased the number of ATMs and upgraded our product portfolio to include new innovative products. All the business results achieved are a positive reflection of our successful banking in various segments. Similarly, key indicators, such as return on equity, coverage of non-performing loans, loans to deposit ratio or our extraordinary solvency rate, all confirm our position as the market leader.

The work of all colleagues at our bank received recognition in three major awards. Our bank's economic results, profitability, operating efficiency and ability to increase market share have made sure that after several years Slovenská sporiteľňa has regained the title "Bank of the Year", awarded by the prestigious business weekly Trend. Slovenská sporiteľňa's high-quality services, professionalism and innovative approach have also been praised by foreign experts – our bank was awarded the prize "Best Bank in Slovakia – Euromoney 2012 Awards for Excellence" by the British magazine Euromoney. We received the highest award "Best Bank in Slovakia" also from the international financial monthly magazine The Banker.

These prestigious awards have been very motivating for us. Though, most important for us are our clients. They are and will remain the focus of our attention.

We have a challenging year ahead of us. I believe that the coming decisions of European regulators and Slovak legislators will not have a negative impact on the credit availability, and that none of their decisions will be to the detriment of our clients. For our part, we will do our best so that the banking sector does not become a problem for our country. We will seek to conduct our business so that Slovenská sporiteľňa remains a strong pillar of the Slovak economy.

Jozef Síkela
Chairman of the Board of Directors
and CEO of Slovenská sporiteľňa

Financial highlights

According to IFRS	31 Dec 2009	31 Dec 2010	31 Dec 2011	31 Dec 2012
Prepared in accordance with the International Financial Reporting Standards	(EUR million)	(EUR million)	(EUR million)	(EUR million)
Balance sheet total	11 485	11 028	11 349	11 777
Loans and advances to credit institutions	1 198	1 253	613	290
Loans and advances to customers	6 050	6 075	6 697	7 093
Financial assets	3 714	3 331	3 656	3 925
Customer deposits	7 802	8 158	8 034	8 413
Equity	782	929	1 039	1 205
Net profit	30	150	195	188
Selected ratios	(in %)	(in %)	(in %)	(in %)
Return on equity	3.9	17.7	20.0	16.9
Return on assets	0.3	1.3	1.7	1.6
Cost income ratio	48.6	40.5	39.6	42.3
Net interest margin	4.0	4.3	4.5	4.2
Loans to deposits ratio	77.6	74.5	83.4	84.3
Capital adequacy	10.4	13.5	15.6	20.2
Tier 1 ratio	8.7	10.6	11.6	16.3
Other figures				
Number of employees	4 188	4 008	4 170	4 199
Number of branches	279	291	292	297
Number of ATMs	660	705	748	773
Number of payment cards	1 288 139	1 334 079	1 307 393	1 261 358

Top management of Slovenská sporiteľňa

BOARD OF DIRECTORS OF SLOVENSKÁ SPORITEĽŇA, a. s.

JOZEF SÍKELA
Chairman of the Board and CEO

Jozef Síkela is a graduate of the University of Economics in Prague and has worked in the banking sector since 1992. His banking career began at Creditanstalt AG in Vienna, where he worked in the International Risk Management Department. In 1999, he moved to Bank Austria Creditanstalt in the Czech Republic, where he was Director of the Corporate Customers Division, and then, in 2001, he took charge of corporate banking at Česká spořitelna. In 2006, he joined Erste Bank Ukraine, serving as Deputy CEO responsible for corporate banking and regional network development, and in 2009 he became CEO of Erste Bank Ukraine, with responsibility for corporate banking, financial markets, controlling, accounting, human resources and communication.

The Supervisory Board of Slovenská sporiteľňa elected Mr. Síkela as Chairman of the Board of Directors and CEO of Slovenská sporiteľňa with effect from 1 June 2010. He is responsible for risk management, compliance, human resources, communication and sponsoring, marketing and market research, legal services, and participations.

Positions with other companies:
Mr. Síkela is a member of the Managing Board of the Slovak Banking Association, the Council of the Deposit Protection Fund, the Board of the Slovak-Austrian Trade Chamber, the Supervisory Boards of Prvá stavebná sporiteľňa, Factoring Slovenskej sporiteľne and Leasing Slovenskej sporiteľne, and Chairman of the Administrative Board of Nadácia Slovenskej sporiteľne.

ŠTEFAN MÁJ
Deputy Chairman of the Board and First Deputy CEO

Štefan Máj, is a graduate of the Management Faculty at the University of Economics in Bratislava. From 1991 to 1995, he worked for Slovenská sporiteľňa, first as head of the Property Management Staff Unit, then as general director of the Technology Division, and later as a member of the Board of Directors. In 1995, he joined Komerční banka Bratislava, serving as a member of the Board of Directors and deputy CEO until December 1998, when he returned to Slovenská sporiteľňa to become Deputy Chairman of the Board of Directors. Mr. Máj was a member of the Slovak Finance Ministry's Steering Group for the restructuring and privatization of selected banks and restructuring of the financial sector.

He is the Bank's Chief Financial Officer and has responsibility for accounting and controlling, property management, and balance sheet management.

Positions with other companies:

Štefan Máj is a member of the Supervisory Boards of Factoring Slovenskej sporiteľne, Leasing Slovenskej sporiteľne, LANED, Realitná spoločnosť Slovenskej sporiteľne, and Nadácia Slovenskej sporiteľne. He is managing director of Procurement Services SK and Chairman of the Administrative Board of the non-profit civic association Včelí dom.

PETER KRUTIL
Member of the Board and Deputy CEO

Peter Krutil graduated from the Management Faculty at the University of Economics in Bratislava, and served internships at Creditanstalt Vienna and Creditanstalt London. From 1991 to 1993, he was a securities dealer for VÚB, where he worked on the introduction of new companies on the Bratislava Stock Exchange. In 1993, he joined Tatra banka as a dealer in the money and capital market. Later that year, he took up a senior management position at Creditanstalt Securities, o.c.p., a. s., Bratislava, where he stayed until 1998, eventually becoming a member of the Board of Directors. In 1998, Mr. Krutil moved to the Slovak Economy Ministry, and in December of the same year he was elected a member of the Board of Directors of Slovenská sporiteľňa. He is responsible for the management of corporate banking and capital markets.

Positions in other companies:
Mr. Krutil is a member of the Supervisory Boards of Factoring Slovenskej sporiteľne, Leasing Slovenskej sporiteľne, Erste Corporate Finance, and Nadácia Slovenskej sporiteľne.

PETR BRÁVEK
Member of the Board and Deputy CEO

Petr Brávek began his career in banking at the company Creditanstalt, where he was involved in the implementation of a number of key banking projects.
In 2001, he moved to HVB Czech Republic, as a member of the Board of Directors responsible for organization, finance and private banking. From 2005 he served on the Board of Directors of Prague airport, from where he moved in 2007 to Česká spořitelna), as director of organization and CIO. He came to Slovenská sporiteľňa from the position of chairman and CEO of sIT Solutions Holding in Vienna. There he was involved in the important project of restructuring IT at Erste Group.
On 1 April 2012 he became a BoD member of Slovenská sporiteľňa.
He is responsible for information technology, payments, organization and the central back office.

Positions in other companies:

JIŘÍ HUML
Member of the Board and Deputy CEO

Jiří Huml studied economics at the Czech University of Agriculture and then at New York State University/CEU. From 1989, he worked at the Ministry of Agriculture and Federal Ministry of Economy as deputy director for agricultural policy and economics. In 1992, he joined McKinsey & Company in Frankfurt am Main, where he specialized in banking, insurance and corporate finance. During his employment with McKinsey (8 years), he worked for customers in the Czech Republic, Germany, Hungary and Russia. Since 2000, he worked for Komerční banka in Prague as a member of the Board of Directors and COO. Later, he moved to Česká pojišťovna as Deputy CEO in charge of operations, customer services and IT. In 2007, he started to specialize in retail business at Česká spořitelna, with responsibility for private banking and the retail distribution of financial market products. He was involved in private banking implementation projects at Erste Group members in Hungary, Romania and Slovakia. As of June 2010, he was elected a member of the Board of Directors of Slovenská sporiteľňa, with responsibility for retail sales management, product management, private banking, Sporotel, and for the cards centre.

Positions with other companies:
Mr. Huml is a member of the Supervisory Board of Prvá stavebná sporiteľňa.

As a member of the Board of Directors of Slovenská sporiteľňa, a. s., in 2012 was:
Andrea Guľová until 31 March 2012

Supervisory Board members

of Slovenská sporiteľňa, a. s.:

Gernot Mittendorfer from 23 March 2012
Chairman of the Supervisory Board

Wolfgang Schopf
Deputy Chairman of the Supervisory Board

Herbert Juranek
Member of the Supervisory Board

Jan Homan since 4 May 2012
Member of the Supervisory Board

Beatrica Melichárová
Member of the Supervisory Board

Štefan Šipoš
Member of the Supervisory Board

In the Slovenská sporiteľňa Supervisory Board served in 2012:
Martin Škopek until 31 January 2012
Franz Hochstrasser until 3 May 2012

The Slovak economy in 2012

Slovak economy grew at a slower rate, with unemployment rising

The Slovak economy in 2012 continued to grow, though at a slower rate than in 2011. Over the entire year 2012, real GDP growth reached 2%. Growth slowed down towards the end of the year, due to the worsening economic situation in the Euro area. Economic growth was driven entirely by foreign demand, with Slovakia's performance benefiting particularly from an expansion in the car-making capacities in the first half of the year. Household consumption remained subdued, given the uncertain outlook and continuing high unemployment rate. The slowing economy, together with an amendment to the Labor Code led to an increase in unemployment in the last months of 2012, to 14.4% in December (compared to 13.6% in December 2011).

Inflation fell due to slower growth in energy and food prices

Inflation slightly decelerated from 3.9% in 2011 to 3.6% in 2012. This was due particularly to lower growth in energy prices as well as the absence of further VAT increases, as were introduced in 2011. Growth in food prices was also slower. On the other hand, prices of tradable goods grew at a faster rate.

European debt crisis eased in 2012

Economic growth in Europe last year saw a significant slowdown and the Euro area as a whole entered mild recession. The situation in the financial markets did, however, calm down over the course of the year, especially due to the steps taken by the European Central Bank. At the start of the year, the ECB injected additional liquidity to the market via a long-term refinancing operation. The ECB then reduced its base rate to 0.75% and the overnight deposit rate to 0%. In autumn, it announced the beginning of a bond purchase program for countries requesting assistance from the EFSF/EFSM rescue funds. These measures succeeded in calming the markets and pushing yields on peripheral countries' bonds down to lower levels. The additional liquidity led to improved conditions at government bond markets throughout Central & Eastern Europe, with stock markets also benefiting. Yields on Slovak bonds declined to all-time lows. Yields on bonds maturing in 2020, which reached 6% at the end of 2011 – the time of the greatest tension in markets – fell to 2.3% at the end of 2012.

Development this year will depend on recovery in the Euro area

Economic developments in 2013 will be influenced by various factors – particularly the pace of recovery in the Euro area, mainly in Germany, where one fifth of Slovak exports goes. In terms of local factors, the consequences of fiscal consolidation will be particularly important and may negatively impact on Slovakia's economic growth. This year, the government must reduce the general government deficit to below 3% of GDP. It is, however, possible that further consolidation measures will be required during the year.

Government plans major fiscal consolidation in 2013

Following improvements in general government finances in 2011, the pace of fiscal consolidation last year halted. This was especially due to early parliamentary elections in March. On the other hand, the state throughout the year struggled with a decline in tax revenues, especially VAT. The deficit in 2012, thus, probably remained at a level similar to that of 2011, when the deficit reached 4.9% of GDP. The year 2013 remains a key year for fiscal consolidation, with the state planning to reduce the deficit to 2.9% of GDP. Consolidation is to occur mainly on the revenue side of the budget. This will include an increase in corporate income tax, the introduction of a higher tax rate for high-income individuals, increases in healthcare and social security contributions for the self-employed and an increase in ceilings on contributions. Special taxes apply to banks and regulated enterprises, and a part of the contribution to the second pension pillar has been redirected to the PAYG pillar.

Government extends bank levy

At the start of 2012 a new bank levy entered into force, under which banks have to pay 0.4% annually on liabilities outside protected deposits and regulatory capital. Later, the tax base was extended also to include individuals' deposits protected under the Deposit Protection Fund. In addition to regular payments, banks also had to make a one-off contribution to the state in the fourth quarter.

Transactions accounted for 64% of net fee and commission income

- Payment transactions
- Lending business
- Brokerage, custodial & other fees

Management report on activities in 2012

Data taken from the Consolidated Financial Statements

REVIEW OF FINANCIAL RESULTS

- **Slovenská sporiteľňa reached the net profit of EUR 188 million in 2012, despite difficult macroeconomic and legislative environment**
- **Total balance sheet rose by 3.8% over the year, especially due to the growth in the volume of client business**
- **The loan-to-deposit ratio reached 84.3% at the year-end**
- **The Bank reinforced its position as the market leader in loans and retail deposits while it maintained market share in the corporate and public sectors**
- **The cost-to-income ratio slightly increased from 39.6% in 2011 to 42.3% in 2012**
- **Net interest income fell slightly due to the significant fall in market interest rates and also due to more competitive market environment**
- **Provisioning fell significantly, as a result of the responsible credit risk management combined with improvement in clients' risk parameters**
- **Fee and commission income fell slightly by 2.3% over the year, due to lower fees from lending business and lower fees from securities transactions and asset management**
- **Net trading income benefited from improvement in credit spreads**
- **Operating expenses rose by 5.2% over the year, mainly due to increased amortization costs of the Bank's new information system**

Growth in loans and deposits

Slovenská sporiteľňa's balance sheet reached almost EUR 11.8 billion in 2012, representing year-on-year growth of 3.8% (EUR 428 million). Market share of Slovenská sporiteľňa's balance sheet reached 20.2% (based on individual results). Changes in the balance sheet structure were seen particularly in loans and deposits, while the positive growth trend in volumes continued in 2012. Loans to clients increased by almost 6% compared to 2011, while retail loans grew by 10%. The total volume of loans to clients reached almost EUR 7.1 billion, representing 60% of the total balance sheet.

The portfolio of securities reached EUR 3.8 billion at the end of 2012, with securities held to maturity represented a 64% share. The available-for-sale portfolio increased by almost EUR 380 million year-on-year, mainly due to Treasury bill purchases. On the other hand, the sharpest fall in assets was seen in interbank loans, the volume of which fell by more than half to EUR 290 million. The slight decrease in intangible assets to EUR 104 million is linked mainly to amortization costs of the Bank's new information system. Annual increase of cash by EUR 78 million was due to higher clients' demand for cash services. Other asset items changed little against 2011.

On the liabilities side, the total volume of deposits rose by 4.7% (EUR 380 million) over the year to EUR 8.4 billion, representing 71% of all liabilities. This growth was especially due to a significant increase in deposits from retail clients, rising by EUR 363 million, thanks mainly to the saving account. The volume of deposits from corporate clients and the public sector remained at roughly the same level as in 2011, at EUR 1.3 billion. The loans-to-deposits ratio at the end of 2012 stood at 84.3% (compared to 83.4% in 2011). The liquidity position is stable and sets the stage for further growth in lending. Slovenská sporiteľňa saw a fall in deposits from banks of almost EUR 300 million, to reach EUR 1.1 billion at the end of 2012.The Bank issued mortgage bonds in 2012, which represent a long-term source of financing, in a total volume of almost EUR 193 million. The volume of subordinated liabilities grew by almost EUR 20 million against 2011 as a result of subordinated bond issues for clients. The growth in equity to a level exceeding EUR 1.2 billion is related to distribution of last year's retained earnings and with positive revaluation of available for sale (AFS) portfolio reported through equity.

The overall balance sheet structure is dominated by client deposits and loans. This creates the potential for sustainable development of the profit also in the upcoming period.

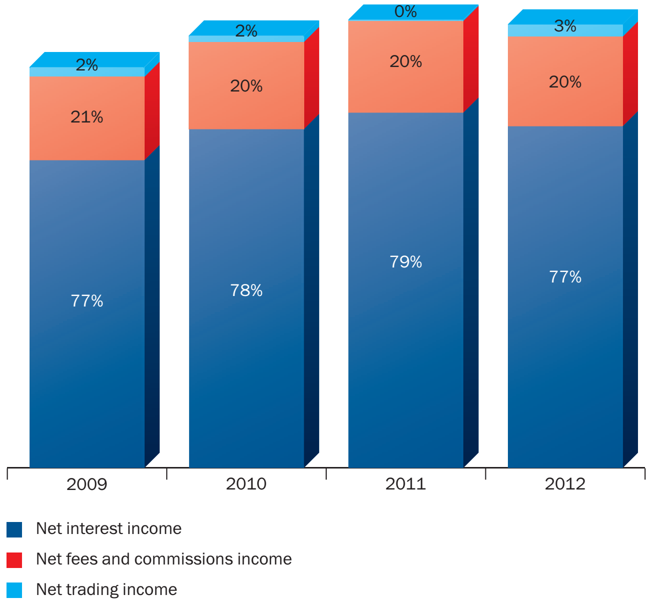
Decline in interest rates, competitive pressure on the interest margin

Slovenská sporiteľňa strengthened its position as the market leader in the face of escalating competition, which together with the significant decrease in market interest rates led to a decline in interest income. Net interest income fell by almost EUR 18 million, representing a year-on-year fall of 3.8%. The share of net interest income in the Bank's total income decreased to 77% (from 79% in 2011), while the net interest margin decreased from 4.5% in 2011 to 4.2% in 2012. Campaigns featuring advantageous interest rates for clients had also negative impact on the net interest income. Excess liquidity was invested solely in short-term interbank assets and securities. Nonetheless, prudent pricing policy, growing volumes of loans and deposits and effective liquidity management together lay the foundations for growth in interest income in the near term.

This explanatory report was prepared in accordance with Section 20(8) of the Accounting Act.

The members of the Board of Directors of Slovenská sporiteľňa, a. s. hereby confirm that the Summary Corporate Governance Report of Slovenská sporiteľňa, a. s. (hereinafter referred to as „the Report") was prepared with due professional care and is based on the best knowledge and expertise of the members of the Board of Directors of Slovenská sporiteľňa, a. s.; they declare that the information contained in the Report was up to date, complete and true as at the date of the Report's preparation, and that the Report does not omit any data or information which could affect its meaning.

Structure of income

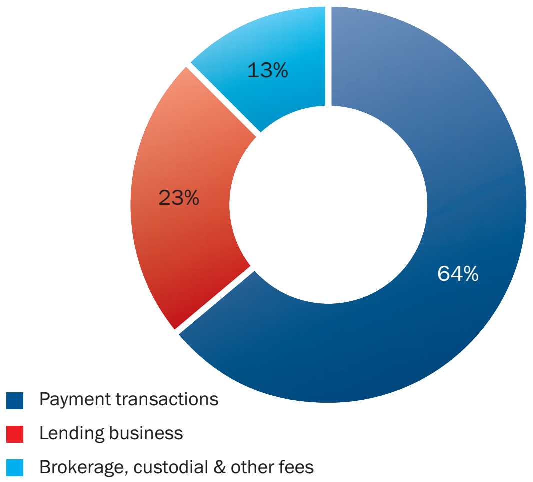


Fee income declined, net trading income grew

Net fee and commission income fell over the year by 2.3% to EUR 118 million. The main factors in this decline were mainly lower brokerage fees for trading in securities, lower fines and penalties and a fall in asset management fees, where this can be attributed to the downturn in financial markets and the debt crisis. Again in 2012 the main sources in fee income remained fees from payment transactions and fees from lending business. The share of net fee and commission income in the Bank's total income remained stable against 2011 at roughly 20%.

Net trading income increased significantly over the year, by EUR 14.2 million to reach more than EUR 16 million. The main reason lay in a reduction in credit spreads, where the revaluation of credit derivatives (CDS) had a direct positive impact on trading income. Another reason was the higher share on income from Erste Group trading (profit transfer), representing an increase of approximately EUR 4.1 million against 2011.

Transactions accounted for 64% of net fee and commission income



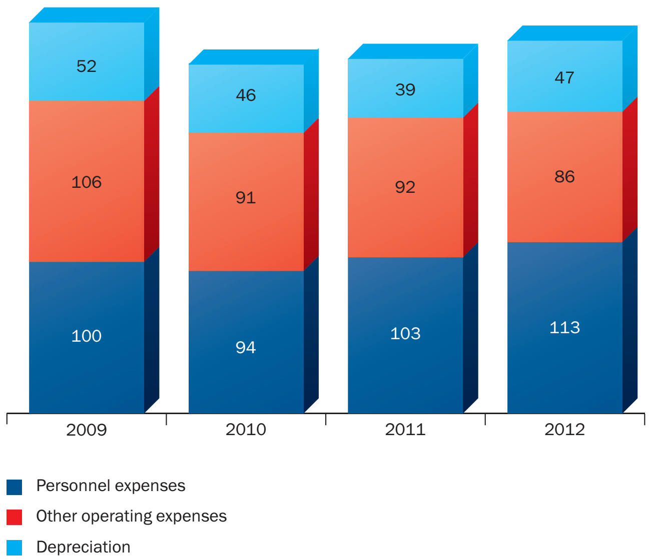
Significantly lower provisioning

Net provisioning reached EUR 54.5 million in 2012. This is almost EUR 18 million less than in 2011, representing a decrease of more than 24%. The positive trend was thanks to a prudent lending policy and favorable development of risk parameters at the market. This resulted in improved risk profiles of the Bank's clients. By setting an acceptable degree of risk and strict lending policy, the Bank largely eliminated negative impacts of the debt crisis on its credit portfolio. The share of non-performing loans on total loans fell significantly over the year by 1.3 percentage points to 6.3% at the end of 2012.

Growth in expenses

Operating expenses increased over the year by 5.2%. Among major factors of the growth were personnel expenses, rising by 9.4% to almost EUR 113 million. Wages grew also due to the bigger volume of shared IT services that the Bank provides to Erste Group. Another important factor of expenses growth was the increase in amortization costs of IT systems, which rose by EUR 8.4 million to EUR 25 million and were related to investments in the new banking IT system. The key indicator of efficiency, the cost-to-income ratio rose to 42.3% (compared to 39.6% in 2011). The Bank is constantly working to streamline processes together with strict cost management.

Operating expenses grew by 5% y/y (in EUR million)



Net profit

Slovenská sporiteľňa's consolidated net profit fell by EUR 7 million over the year, to EUR 188 million. The decline was subtle despite negative impact of the bank levy and special one-off levy. These amounted to EUR 31.5 million in total.

The operating profit fell by 5.2% (EUR 18.6 million) to EUR 338 million. Operating income fell against the previous year by EUR 6.5 million to EUR 585 million, whilst operating expenses rose by 5.2% (EUR 12.1 million) to EUR 246 million. Return on equity (ROE) declined from 20.0% in 2011 to 16.9% in 2012, mainly due to the growth of equity and decline of net profit compared to 2011. Despite the slight decline in net profit, the Bank was the clear leader in profitability and efficiency in the Slovak banking market.

RETAIL SERVICES

- **The Bank provided a record volume of housing loans in 2012**
- **Market share in the retail lending grew to 26.5% at the year-end**
- **Saving account was the most successful deposit product**

Historically successful sales of housing loans

The volume of new housing loans provided by Slovenská sporiteľňa exceeded EUR 1 billion for the first time in 2012. The Bank provided 16% more new loans than in 2011. Slovenská sporiteľňa not only confirmed its position as market leader in housing loans, but increased its market share in housing loans to 27.2%.

The average housing loan amount increased by more than EUR 1,000 over the year to EUR 47,300, with clients again showing a preference for longer interest rate fixation periods, particularly for three and five years. These types of fixations were preferred by more than 90% of clients with a new housing loan. The average loan maturity was approximately 25 years, as in previous years.

The optimization effort of the Bank focused among others on implementing the new lending process for housing loans. Further the Bank optimized and streamlined workflows with regard to the sales network and Central Back Office in Banská Bystrica.

The most important legislative measures included the introduction of a notification duty. Two months prior to the end of interest rate fixation period, the Bank is required to advise each housing loan client of the new interest rate and installment amount for the next fixation period.

Consumer loans simply and quickly

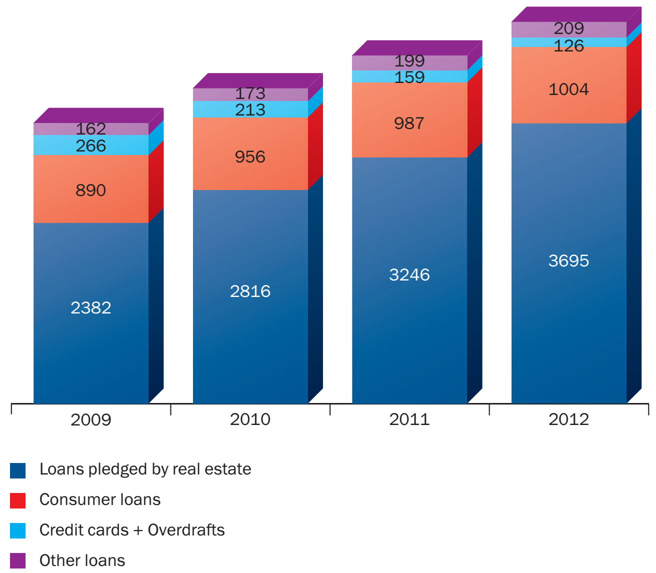
Slovenská sporiteľňa continued in successful sales of consumer loans, achieving a 40% market share at the year-end. At the start of 2012, the Bank began providing consumer loans from EUR 300 with installments from EUR 10 per month, whereby we addressed also clients interested in small loans. Slovenská sporiteľňa successfully continued providing preapproved credit limits.

The volume of new consumer loans reached EUR 426 million, representing 8% growth against 2011. The average amount of a consumer loan remained at approximately the same level as a year earlier at EUR 5,300.

At the end of the year, the Bank cancelled the fee for early repayment of a consumer loan, irrespective of the volume. This has been required under new legislation in the case of loans provided since the start of 2013. The Bank, however took the initiative as a courtesy also to those clients with older loans.

In the case of housing loans and consumer loans, clients continued to show interest in loan insurance. Roughly 70% of clients with a consumer loan and 35% of clients with a housing loan opted for loan repayment insurance.

Retail loans continued to grow (in EUR million)



Growth in retail deposits

Slovenská sporiteľňa again grew in retail deposits in 2012, similarly as in 2011. While in 2011 the volume of retail deposits grew by 1.5% over the year, in 2012 the growth accelerated to 5.4%. Retail deposits reached EUR 7.1 billion and formed 85% of all deposits in the Bank at the end of the year.

Saving account the most successful deposit product

Slovenská sporiteľňa brought innovation to the saving product in the beginning of the year, thanks to which it became the most successful deposit product of the Bank last year. Clients were given the option of making extraordinary deposits, the maximum permitted regular saving amount was increased, and the Bank made the product available to all segments. This was reflected also in the number of newly opened savings accounts. Total number of savings accounts more than doubled to 262,000 by the end of the year. The volume of funds on savings accounts rose eightfold over the year to EUR 403 million.

In accounts Slovenská sporiteľňa focused particularly on the sale of personal accounts and accounts for young people and students. Over the year the Bank recorded 2.5% growth in the number of accounts and almost 7.0% growth in the volume of funds deposited.

Since May Slovenská sporiteľňa has offered new "Space" account to young people, enabling them independently to take care of their own money. The Personal Account for Students is intended for students in secondary and higher education, aged 15 to 26 years. Other young people might open Personal Account for Young, which they can use until 28 years of age. Almost 45,000 young people established these accounts since May.

New loyalty program for clients

In March 2012 Slovenská sporiteľňa introduced a new loyalty program ("Výhodný súčet"), which motivates the client to bank solely with the Bank. If the client remits income to the Bank's account, the client receives favorable rates on savings and term deposits. In addition to this, the client can get a discount of up to 0.7 percentage points on a housing loan and 2 percentage points on a consumer loan, if the client gets the loan insured. Rewards for card payments motivate clients to actively use their payment cards. Clients with a high volume of deposits have their account free of charge.

A successful year for the Private Banking

Erste Private Banking recorded almost 25% growth in the portfolio under management in 2012. This increase of managed assets was achieved also thanks to sources outside the Bank, which formed a share of some 65% in the total growth in the portfolio under management.

The sale of the product "Gold Certificate" was very successful, with clients showing great interest in the three tranches issued. This is a unique product in the Slovak market, suitable as a complement to investment portfolios of clients who expect that the price of gold will rise and thus give an attractive yield.

PAYMENTS AND TRANSACTIONS

- **Electronic payments accounted for more than 93% of all payments**
- **The number of payments abroad increased by more than 19%**

Both domestic and foreign payments increased, electronic transfers dominate

Slovenská sporiteľňa maintained its dominant position in the area of domestic payments. Total number of transactions reached 28.2 million in 2012 and the Bank's share on total payments processed in the Slovak banking sector reached 21%.

Almost 93% of all transfers, local and cross-border, were carried out through the electronic banking facility. The number of payment orders made in paper form dropped by 30% compared with the previous year.

The number of payments abroad increased by 19% year-on-year and cross-border payments from abroad grew by 22% in 2012, compared with the previous year. Domestic payments recorded a year-on-year growth 10%.

Electronic banking services were used by more than 810,000 customers. This represents a year-on-year increase of 8%.

In 2012, Slovenská sporiteľňa processed cash in the total amount of EUR 8.2 billion (of which three quarters were refills and collections of cash from ATMs). This represents growth of 24% compared to 2011. In connection with payments received, the Bank processed more than 48 million banknotes (20% increase) and 36 million coins (140% increase). Slovenská sporiteľňa processed foreign currency cash in a volume of EUR 63.5 million, which was 64% less than a year earlier.

DISTRIBUTION NETWORK

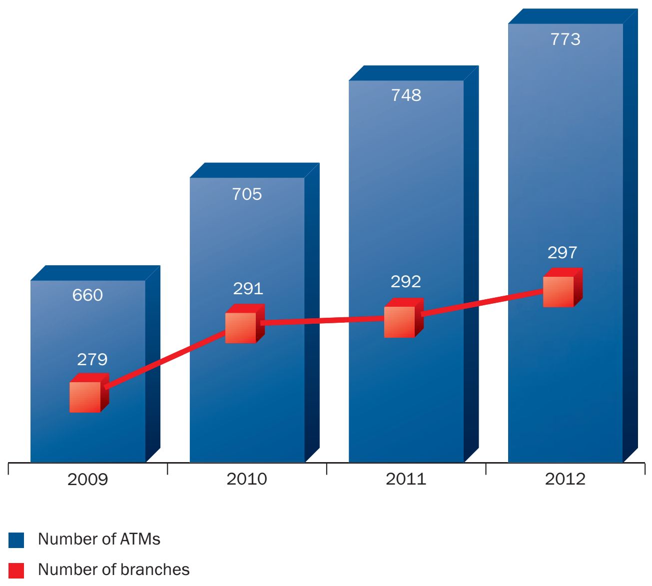
- **Extension and modernization of the branch network continues**
- **Number of payments via POS terminals grew by 25%**

Number of branches and ATMs increased

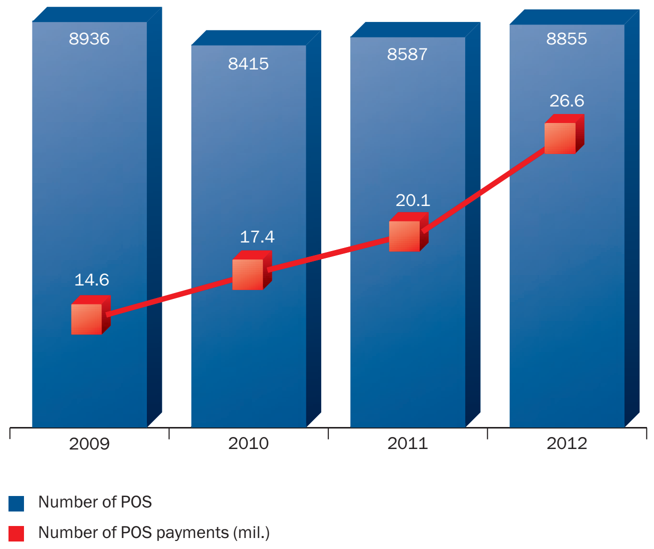
With 297 branches and 773 automated teller machines (ATMs), Slovenská sporiteľňa has the most extensive bank distribution network in Slovakia. The Bank opened 9 new branches, 7 branches were relocated to new premises and 14 branches were modernized.

Total volume of cash withdrawn from ATMs grew by 3% year-on-year, to more than EUR 4.1 billion. The average amount of withdrawal was EUR 109, representing a year-on-year increase of EUR 2. Since November some ATMs has been adapted for visually-impaired users.

Growing number of ATMs and branches



Growing number of POS payments (by 33% in 2012)



Easybanking – a new form of banking

Slovenská sporiteľňa prepared for clients a new attractive form of banking over the internet in 2012. Easybanking allows clients to use three mobile applications for smart phones – Accounts, Payments and Locator for the most popular platforms – iOS and Android, and two web applications intended for use from a computer – Accounts & Payments, Timeline.
These applications feature an attractive design and an intuitive interface that are unique in the Slovak market.

At the same time, Slovenská sporiteľňa extended its offer of active selling of products via internet banking. The client can simply open saving account or take loans, travel insurance and other products directly from the convenience of their home, without having to visit the bank.

Transactions via POS terminals rose by almost 33%

At the end of 2012, Slovenská sporiteľňa had a network of 8,855 point-of-sale (POS), which is an increase by 3% compared to 2011. More than 26.6 million transactions were carried out through POS terminals in 2012, representing an increase by almost 33% compared with 2011. The amount of POS payments exceeded EUR 731 million, an increase of 29% year-on-year. The average amount of a transaction was EUR 27.5.

Contactless cards formed almost a third of payment cards

Slovenská sporiteľňa had more than 1.26 million cards at the end of the year, ranking it among the top card issuers in Slovakia. Clients made 85.6 million transactions, representing a year-on-year growth of 12%. The volume of transactions also grew, reaching EUR 5 billion, i.e. 5% more than in 2011. The Bank launched a contactless cards project in April, and almost 32% of all cards had contactless functionality at the end of December.

Sporotel contact centre supported the sale

Within the Bank's distribution network, a special position is held by the Sporotel contact centre. In the past, Sporotel had operated as an extension and support to electronic banking services, POS terminals, ATMs and payment cards. It is now a dynamically developing sales channel for the Bank. Sporotel operators have contributed to fulfilling the Bank's business objectives through actively addressing clients with an offer of products and services during service calls or in processing e-mails. Sporotel made a significant contribution in 2012 to the increased use of Slovenská sporiteľňa accounts by way of actively contacting and reminding clients as well as setting up services that the client previously did not have or did not use.

Automatization of the back office processes

Central Back Office Retail positively contributed to the results of Slovenská sporiteľňa. It processed more than 865,000 processes in 2012, twice compared to previous year. Since February, a phone support HelpDesk CBO has been available for internal clients. In order to increase clients' satisfaction, the complaint process was centralized. Continuous optimization and automatization of processes play the key role in growing efficiency. The complex change of the lending process for housing and consumer loans supported the service quality. Optimization of processes applied also to the redesign of electronic banking last year.

CORPORATE BANKING

- **The bank extended the product offer for agricultural sector**
- **Increased deposits from large corporates**
- **Strategic partner for the public sector**

Comprehensive product offer for small and medium-sized enterprises

Small and medium-sized enterprises ("SMEs") with an annual turnover of EUR 1 million to EUR 50 million belong to important clients of Slovenská sporiteľňa. This segment is served through the Bank's nine regional centers and eight corporate centers located in smaller towns.

In 2012, the Bank continued to develop and strengthen relationships with these clients, helping them fulfill their needs and requirements. The product portfolio included current, investment, project and trade finance, syndicated loans, quick and efficient payments, innovative electronic banking services and others. Slovenská sporiteľňa engaged more in financing projects connected with the operation of renewable energy sources, with the expansion of manufacturing capacities and product portfolios. The Bank supported export-oriented firms and businesses from the agricultural sector. Corporate clients received not just comprehensive financing, but also the professional advice specialists, who also used know-how from the parent Erste Group. The Bank's specialized office - the International Desk - was available to clients expanding their business abroad.

The Bank successfully increased the number of SME clients to almost 5,600 in 2012. As of December 2012, the volume of loans provided to this segment reached EUR 749 million, and the volume of deposits administered for clients who actively use the Bank's products and services reached EUR 333 million.

The most successful activities in 2012 were:
- **New long-term program AGRO PRO**
- **BUSINESS PRO program**
- **Introduction of new electronic banking services**
- **Successful collaboration with EBRD and Slovak Guarantee & Development Bank**

AGRO PRO
It is a program for supporting the lending to agricultural businesses, with the aim of helping them to achieve their objectives in the agriculture and food sectors, to successfully operate in the domestic market, and to improve their competitiveness within the EU.
The program includes pre-financing of direct payments from the Agricultural Paying Agency, investment loans for the purchase of agricultural land, co-financing of EU projects, operating loans, expert advice and services of partner organizations. The program also includes various benefits from the field of financing or payment services.

BIZNIS PRO
Biznis Pro is a program for the support of medium-sized enterprises, aimed at increasing their competitive edge in the international market. The program enables customers to obtain new loans under preferential conditions, or to draw a special loan for the coverage of unpredictable situations or business risks, enabling export or import risk coverage up to 100%. Biznis Pro includes professional support in the field of project financing as well as professional advisory services. The program also provides incentives in the field of payments.

New electronic banking services
A high share of electronic transactions and long-term growth of interest in electronic banking services led to the innovation and expansion of these services. In 2012 the Bank began to offer a new service: publication of electronic invoices for corporate clients. This significantly accelerated and streamlined payments.

Cooperation with the EBRD and SZRB
Slovenská sporiteľňa expanded its successful collaboration with the European Bank for Reconstruction & Development (EBRD), focused on support for energy-saving projects in the housing and industrial sectors, as well as renewable energy projects. The Bank signed a credit line agreement – the MUNSEFF program (Municipal Sustainable Energy Finance Facility) with EU grant support of EUR 30 million. Funds are intended for promoting energy-saving projects in the municipal and residential sectors.

Another important program was quick guarantees for corporate clients, conducted in cooperation with the Slovak Guarantee and Development Bank, aimed at providing SMEs easier access to finance.

Large corporate clients maintained their credit portfolio and increased corporate deposits

Slovenská sporiteľňa increased the volume of deposits from large corporate clients in 2012 by more than EUR 100 million on a year-on-year basis. This growth was achieved through corporate clients' increased current account balances, as well as through increased volumes of transactions.

Total volume of loans slightly increased in 2012. Despite the difficult situation in the corporate segment, the Bank managed to maintain an acceptable risk profile on loan portfolio. The need for external financing was focused largely on short-term financing for operational needs. The demand for long-term investment financing was weaker and thus the growth in this segment was mild.

Slovenská sporiteľňa continued to monitor the loan portfolio in 2012, in terms of returns on risk-weighted assets (RWA). Individual approach to new investment opportunities and orientation on client's overall revenue, or "wallet size", means that besides corporate client financing, the Bank focused more on providing passive products and transactional banking services.

Conservative approach to risk in project and real estate financing

The real estate financing saw a third year of decline in the volume of the loan portfolio. The decline was caused by the continuous low number and volume of new transactions in the real estate market and also planned repayments of existing loans. In 2012 the Bank concluded new loan agreements particularly for office projects in Bratislava.

Strategic partner for public sector

Slovenská sporiteľňa became the strategic partner of the Association of Slovak Municipalities in 2012. This partnership arose as a result of the long-term and meaningful orientation of the Bank towards the public sector, with special focus on municipalities. In last two years, the Bank increased the market share from 6% to 22% in this segment, and became the second largest business partner for municipalities.

Slovenská sporiteľňa participated in different workgroups in order to enhance mutual information flow, education in the legal area, economic coherence and prevention of risks at municipalities. The Bank cooperates on regular basis with professional organizations of municipalities such as Association of Municipality Economists, Association of Heads of Municipalities and Association of Slovak Chief Controllers.

FINANCIAL MARKETS

- **The Bank participated in two syndicated issues of government bonds**
- **Positive review received from clients for custody services**

Slovenská sporiteľňa was successful in both issuing its own bond issues, as well as issuing for clients

Total issued volume of own debt securities reached EUR 227 million in 2012. The Bank issued mortgage bonds, senior bonds, subordinated bonds and investment certificates. Investment certificates were issued in Slovakia for the first time. Slovenská sporiteľňa also participated as leading co-manager in a syndicated issue of government bonds in CZK, in a total volume of CZK 12.5 billion, and a benchmark issue of government bonds in a volume of EUR 1.25 billion.

Positive review from clients for custody services

According to statistics from the National Bank of Slovakia, Slovenská sporiteľňa achieved a share of almost 16% in the domestic banking market for custody services.

Slovenská sporiteľňa participated in the survey conducted by the international magazine Global Custodian, in which clients evaluate the level of custody services provided by the bank in the securities market. Clients assessed custody services of the Bank as "impressive".

Growing number of ATMs and branches

Risk management in 2012

- **Share of non-performing loans decreased at both retail and corporate loans**
- **Capital adequacy increased from 15.6% to 20.2%**
- **New centre for validation of retail rating models for whole Erste Group**
- **While extending the clients base, the Bank focused on clients with good risk profile**
- **New rating models for corporate clients**

Risk management principles

Effective risk management is one of the basic pillars of success for business operations in Slovenská sporiteľňa. Hence, the Bank makes every effort in the long term to improve the process of monitoring, assessing and managing all the major risks that are inherent in its activities. The most significant of these risks are credit risk, market risk, operational risk and liquidity risk.

The Bank's objective in the area of risk management is to be able to identify all these risks, to estimate their potential adverse effects correctly, and to have appropriate procedures for their effective management. Risk management at SLSP is governed by the following basic principles:

- Prudent approach to risk management, with emphasis on long-term sustainability
- Risk management is independent of the business lines to the greatest possible extent, it is centralized and has sufficient resources and powers for the performance of its tasks
- Risk management is fully integrated, the overall risk profile reflects links between individual types of risks, and risk exposures are permanently controlled with regard to the amount of capital available
- The Bank never enters into a transaction, investment or product involving risks that cannot be assessed or controlled

Share of non-performing loans decreased

Slovenská sporiteľňa recorded a significant improvement in the share of non-performing loans from 7.6% in 2011 to 6.3% in 2012. The reasonable lending policy and the regular write-offs and sales of non-performing loans were major factors of improvement. In view of the positive trend in the area of non-performing loans, the amount of provisions created significantly decreased to EUR 54.5 million in 2012, from EUR 72.2 million in the previous year.

Improved capital position

The Bank's consolidated capital adequacy rose from 15.6% in 2011 to 20.2% in 2012. Own stress testing results confirmed the Bank's financial stability and capital adequacy even in pessimistic stress scenarios. The Bank fulfilled the Core Tier I capital requirement throughout the year (set at 9% of risk-weighted assets), effective since June 2012.

Risk management as part of strategic plans

A binding Risk Appetite Statement has been redefined in 2012, which is a set of indicators defining the Bank's targeted risk profile. This statement was one of the key documents taken into account when the Bank's strategic business plan was drawn up.

The Bank carried out comprehensive stress tests, which covered all major risks (including reverse stress testing for market risk). The test results were taken into account in capital management (the creation of capital reserves for unpredictable stress events) and strategic planning.

Further improvements were made in the Bank's liquidity risk management system. Using the new cash flow report, it is currently possible to perform the main liquidity risk analyses daily (term survival analysis, static gap, concentration, new Basel III ratio indicators).

New Competence Centre for whole Erste Group

The Bank created a Risk Management Competence Centre in 2012. The centre oversees the competence centre for validation of risk models and a competence centre for risk costs. The former is responsible for validating rating systems and risk parameters in the private clients segment for the whole Erste Group. The latter is responsible for the group methodology and support for banks in the group in the field of calculating risk premiums and provisions. In so doing Slovenská sporiteľňa took up a strategic position and crucial role in risk management within Erste Group, which chose Slovenská sporiteľňa for these activities due to the high expertise of its staff and their years' of experience in this field.

The quality of retail portfolio improved

The share of non-performing retail loans declined from 5.3% in 2011 to 4.6% in 2012. Continuous decline confirms that the quality of retail loan portfolio further improved together with the ratio of tied capital in these loans.

After improvements in 2011, the Bank continued to improve the efficiency of early collection in 2012. The Bank focused mainly on fine-tuning the communication intensity with clients and with emphasis on clients with higher risk of default.

Improvement in the share of non-performing loans was influenced by continuous regular sales of claims over 1080 days past due, by expanding outsourcing of claims past due to include claims secured by real estate in the framework of pre-auction recovery, by intensifying recovery via the courts, by intensifying the number of initiated voluntary auctions and favorable development in recovery, particularly in the field of claims secured by real estate.

The results of early collection were affected by unfavorable situation on the labor market. The Bank managed to fully offset that by improving the efficiency of collection in the case of unsecured loans and partly in secured loans. The impact of rising unemployment on portfolio quality was thus milder than expected by the Bank.

While extending the clients base, the Bank focused on low-risk clients

Slovenská sporiteľňa continued to expand its base of creditworthy clients with focus particularly on those client segments with high-quality risk profiles. This has enabled the Bank to enlarge the loan portfolio and at the same time to improve the risk profile. A substantial component of the loan portfolio growth was the base of its own clients, where Slovenská sporiteľňa utilized its dominant position in the retail banking sector in Slovakia, as well as the fact that the Bank knows its clients and therefore is able to assess their risk profiles.

Faster evaluation of real estates and more precise monitoring

The Bank continued developing contractual collaboration with property surveyors. A new web application was created for external surveyors for electronic document exchange. In this way the Bank receives relatively quickly and efficiently documentation for valuing property serving as security, something which can greatly streamline the entire lending process.

In the framework of internal processes, the most significant change was seen in the implementation of a new statistical model for revaluation real estates. The current model provides the Bank a more realistic picture of the quality and composition of the real estate portfolio.

The Bank, following successful automation of the lending process for small exposures, continued in fine-tuning its processes and improving efficiency in processing loan applications, particularly for secured loans.

The share of corporate non-performing loans declined

In the area of risk management for corporate clients, the share of investment-grade loans increased. It is a result of better quality of new loans.

The Bank validated the configured version of the Early Warning System (EWS) for corporate clients. Attention in the EWS focused on prevention and work with the standard portfolio. The set rules, processes and indicators delivered results in the corporate segment in the form of a reduction in the share of non-performing loans from 11.0% to 9.1%. The emphasis placed on prevention, on work with the standard portfolio, on configuring the process and professional specialization has been the right move. Considering the results achieved, the Bank will continue in the steps taken.

New rating models for corporate clients

Slovenská sporiteľňa defined new rating models for corporate clients. Based on these, the Bank can better estimate the risk of non-performing loans. Thanks to updated models, the Bank decreased the volume of risk weighted assets. Increased predictive power of models and more accurate probability of the client’s default, supported new business with reasonable risk profile, and thus contributed to healthy growth of loan portfolio. The share of approved loan applications increased due to the introduction of tools for eliminating applications that are not in line with the Bank’s credit policy.

The Bank automated the preparation of loan agreements and partly automated the process of loan agreements in the segment of small and medium-sized enterprises.

Credit approving procedures are implemented and adjusted with the aim of reducing the risks that may arise from a credit transaction, mainly in the phases of preparation and approval, as well as in the phases of contract preparation and credit transaction monitoring, until the date of credit repayment.

Human resources

- **Slovenská sporiteľňa focused on improving sale skills**
- **Award for effective human resources management from the PwC**

Slovenská sporiteľňa continued in optimizing human resources in the organizational structure of the branch network so as to achieve the desired ratio of sales staff to back-office staff. In the first quarter of 2012, the Bank adopted a plan to reduce the number of staff in support departments at head office, and implemented it over the course of the following quarters for the purpose of optimizing personnel costs. In the last quarter, the Bank optimized the organizational structure in the framework of unified management of the Bank's IT and bank operations.

The average number of years' in service per employee slightly increased; 55.4% of managerial positions were held by women. Voluntary and total turnover fell below the level of 2011, with voluntary fluctuation falling to 6.3%, the lowest level since 2006.

Training and professional development in the branch network was focused mainly on strengthening sales through unified piece production. Implementation of an "internal coaches" project, focused on coaching the sales teams of area directors over eight months, increased the sales teams' average piece production by 8%. Slovenská sporiteľňa introduced a project for certifying sales persons according to Erste Group standards and by the end of the third quarter of 2012 had certified all retail sales staff, including relationship managers, with an 88.9% success rate.

In the corporate stream, Slovenská sporiteľňa launched a project for strengthening sales skills in the SME client segment through internal coach for sales skills for corporate sales.

Award for the human resources management

During implementation of the program Raising Staff Involvement in Management Training, Slovenská sporiteľňa piloted inspirational leadership projects such as an Evening of Inspiration for Leaders and SPORKA HYDE PARK.

Slovenská sporiteľňa received the prestigious PricewaterhouseCoopers prize "Company with the Most Efficient Human Resources Management in the Banking Sector" in 2012, awarded on the basis of an evaluation of measurable parameters of efficiency in human resources management processes.

Supervisory Board report

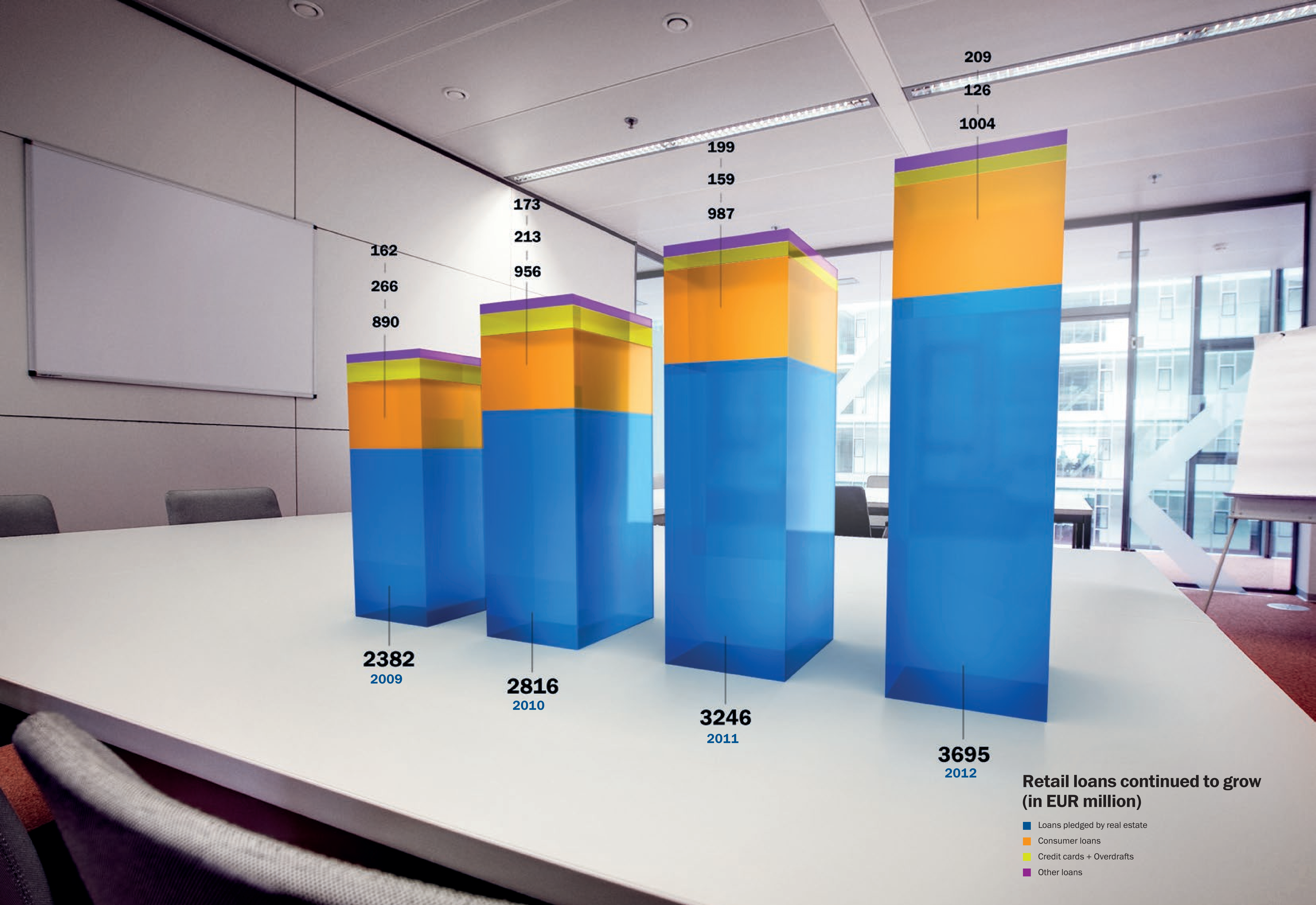
The Supervisory Board of Slovenská sporiteľňa performed its activities in compliance with statutory provisions, carried out its tasks arising under the Bank‘s Articles of Association and the Statute of the Supervisory Board, and took decisions on matters falling within its competence, as defined in the Bank‘s Competence Rules.
In 2012, the Supervisory Board convened 5 times (4 regular meetings and 1 extraordinary meeting) and voted on four occasions in the form of ‚per rollam‘. The Board of Directors kept the Supervisory Board regularly informed about the Bank‘s business activities, the implementation of its business plan, and submitted reports on the Bank‘s financial position. Matters discussed at Supervisory Board meetings included, among other things, consolidated financial statements, the proposal for profit distribution, and reports on the Bank‘s participations. The Supervisory Board paid particular attention to, and carried out detailed monitoring of the Bank‘s risk management situation on the basis of regular quarterly reports submitted by the Board of Directors. The Supervisory Board was regularly briefed about the implementation of the Bank‘s most significant projects, participations and other matters related to its development; it was also informed about the activities of the Bank‘s Internal Audit department and approved the IA operational plan for the next period. In 2012, the Supervisory Board effected a personnel change in the Board of Directors, because Ms Andrea Guľová had resigned her membership of the Board of Directors and the office of Deputy CEO. She was replaced by Petr Brávek, with effect from 1 April 2012.

The Supervisory Board has established three committees (Audit, Credit and Remuneration committees). The Audit Committee dealt with reports concerning internal control, held discussions with the Bank‘s external auditor regarding the conclusions from the audit of its financial results, and addressed the external auditors recommendations contained in the Letter to Management. The Committee was kept informed about the Bank‘s activities in the fields of compliance, fraud and anti-money-laundering.

The Credit Committee took decisions on an ad hoc basis, in accordance with the Bank‘s Competence Rules.

The Remuneration Committee was established in compliance with applicable provisions of the Banking Act No. 483/2001 Coll. that stipulates prudential rules for banks and securities dealers, whereby the Committee makes independent assessments of remuneration policies for selected categories of the Bank‘s employees as well as the Bank‘s overall liquidity situation. In its decision-making the Committee is mainly focusing on the mechanisms of considering all risks, liquidity and capital, and on compliance of remuneration system with prudent management of the company in the long term. Adherence to remuneration policies is subject to annual reviews of internal audit. Additionally to aforementioned activities the Committee has also assumed competences of the Personnel Committee, particularly decision-making on the issues associated with the Board of Directors (except for their election or recalling). The Personnel Committee was cancelled in April 2012.

The Supervisory Board discussed the audit of the consolidated and separate balance sheet of Slovenská sporiteľňa (and the related profit and loss statement) as at 31 December 2012. The audit was carried out by Ernst & Young Slovakia, spol. s r.o. in accordance with International Financial Reporting Standards as adopted by the European Union. The auditor confirmed that the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2012.
Considering these facts, the Supervisory Board recommended the General Assembly to approve the Bank‘s financial statements for 2012 and the distribution of the Bank‘s profits.



Retail loans continued to grow (in EUR million)

- Loans pledged by real estate
- Consumer loans
- Credit cards + Overdrafts
- Other loans

Summary corporate governance report

The management of Slovenská sporiteľňa fully recognizes the importance of the Code of Corporate Governance. The company takes all its decisions and actions in accordance with the Erste Group Code of Corporate Governance (hereinafter referred to as the "Code of Governance"), which is a key element of the corporate culture of the parent Erste Group. For the Bank, as a member of Erste Group, the Code of Governance is binding. Its principles and rules of governance are thoroughly based on the legally binding standards and OECD Principles of Corporate Governance and the Austrian Code of Corporate Governance.

The Code of Governance is publicly available on the website www.erstegroup.com. The methods of governance used are in accordance with the methods of governance of Erste Group companies. There were no deviations from the rules and principles of the Code of Governance at the company in 2012.

In its governance the Bank also complies with the Code of Corporate Governance issued by the Bratislava Stock Exchange, which is publicly available on the website www.bsse.sk. There were no deviations from this code of corporate governance in 2012.

The Bank applies the principles of transparency and responsible governance at all levels, towards its shareholder as well as in relation to clients and staff. Staff is informed about the Bank's strategy and results at regular meetings, regional meetings, conferences, by means of internal communication channels, training programs for managers at thematic management meetings.

Internal control system

Slovenská sporiteľňa has in place clearly defined principles of an Internal Control System (ICS). Effective internal control is the basis of sound risk management; it safeguards the Bank's assets, helps to reduce or prevent the potential occurrence of serious errors or operational risk events, and makes it more likely that any such occurrence will be detected in time.

The Internal Control System has the following objectives:

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

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

Managers at all levels are responsible for implementing ICS in their departments, and its compliance and efficiency. They are accountable for the execution of internal controls and may not delegate their accountability for internal controls.

The Bank's employees are accountable for their work and are to abide by ICS principles. They perform their duties in accordance with applicable laws and the Bank's internal guidelines, as well as in compliance with competence principles for approval and authorization. Internal controls constitute an integral part of their work and responsibilities.

The Internal Audit Department is an independent component of the ICS, which reports directly to the Bank's Supervisory Board. Internal Audit is fully independent from all activities performed by the Bank and this independence is reflected in all stages of its activities, particularly during the identification and analysis of risks, the planning and preparation of audits (including the selection of review and evaluation methods), the preparation and submission of audit reports, and the evaluation and monitoring of measures adopted on the basis of audit findings.

Internal Audit impartially and objectively performs analyses and evaluations and issues standpoints, information and recommendations, in order to enhance the streamlining of processes in the monitoring and evaluation of the adequacy and efficiency of the Bank's internal control system. Internal Audit also analyses and evaluates outsourced and internal activities as required by local legislation. The internal auditing of shared services is performed at the respective entity on a contractual basis.

The Company's organization

GENERAL ASSEMBLY

As the Bank's supreme body, the General Assembly has competence, inter alia, to amend the Articles of Association, to decide on share capital increases or reductions, to elect or recall members of the Supervisory Board and other bodies stipulated in the Articles of Association (except for members of the Supervisory Board elected or recalled by the employees), to approve the ordinary and extraordinary individual financial statements, to decide on the distribution of profits (or settlement of losses) and bonuses, to decide on the winding up of the Bank or a change in its legal form, to have the Bank's shares removed from trading on the stock exchange, and to decide that the Bank will cease to be a public joint stock company.

The Bank complies with statutory provisions concerning the protection of shareholder rights, particularly as regards timely provision of all relevant information about the Bank and the convening and holding of its General Assembly.

In 2012, one Ordinary General Assembly was held and one resolution of the sole shareholder was passed. The General Assembly approved the financial statements, the distribution of profit, and the 2011 Annual Report. It also approved the appointment of Ernst & Young Slovakia, spol. s r.o. as the auditor of the Bank's financial statements for 2012 as well as a change to the company's articles of association in the article governing the company's organization and management, in which there were defined remuneration rules for selected categories of staff at the Bank. These rules are derived from and based on the Bank's system of risk management and fully support it. Through adopting these changes in its articles of association the Bank implemented the statutory requirement and procedure arising from the Banking Act and Payment Services Act, respecting the Directive of the European Parliament and Council no. 2010/76/EU as regards the supervisory review of remuneration policies at banks ("CRD III").

By a decision of the sole shareholder a new member was elected to the company's Supervisory Board.

A full description of the activities and powers of the General Assembly, the rights of shareholders, and the procedure for exercising these rights is laid down in the Bank's Articles of Association, the full text of which is available at the Bank's registered office and on its website.

SUPERVISORY BOARD OF SLOVENSKÁ SPORITEĽŇA

The Supervisory Board is the Bank's supreme supervisory body and has six members. Two thirds of its members are elected by the General Assembly, and one third by employees. Each member is appointed for five year tenure, and their membership may not be substituted. The Supervisory Board oversees how the Board of Directors exercises its powers and how the Bank carries on its business activities. In 2012, the Supervisory Board held four regular meetings and one extraordinary meeting of the Supervisory Board. In exercising its competences, the Supervisory Board mainly checks the Bank's compliance with generally binding legal regulations, with the Articles of Association and with resolutions of the General Assembly; it examines the Bank's financial statements and proposal for profit distribution or settlement of losses, reviews the regular status reports on the Bank's business activities and assets, the Bank s risk management, submits opinions, recommendations and proposals for the decision of the General Assembly and Board of Directors, and assesses information submitted by the Board of Directors regarding the Bank's principal business objectives. The Supervisory Board approves in advance the establishment of any legal entities by the Bank and the appointment of the head of the Internal Audit department; it elects members of the Board of Directors, including the chairman, and performs other acts, too. The Supervisory Board may establish committees and set the scope of their activities. These committees, operating in accordance with the Bank's rules of corporate governance, currently include the following:

Audit Committee of the Supervisory Board
The Audit Committee oversees the financial reporting process, the efficiency of the internal control system (including IT security), compliance with statutory requirements, risk management efficiency, and internal audit activities, and it analyses recommendations made by external and internal auditors. In the process of selecting an external auditor for the Bank, the Audit Committee makes a recommendation to the General Assembly to approve the proposal of the Board of Directors. In accordance with applicable legal regulations, the committee includes an independent member with professional experience in accounting and audit. The Audit Committee convenes on a quarterly basis.

Credit Committee of the Supervisory Board
The Credit Committee, in accordance with the Bank's Competence Rules, approves credit facilities (new facilities, changes to existing facilities' conditions, restructuring and work-out) for corporate clients, local authorities, and retail clients. It does not approve loans or guarantees for persons in a special relationship to the Bank, which are approved at the level of the Board of Directors.

Remuneration Committee of the Supervisory Board
The committee independently assesses the remuneration principles of selected categories of staff at the Bank and the company's liquidity. It focuses primarily on the mechanism for considering all risks, liquidity and capital and on compliance with the remuneration system, with the aim of achieving long-term prudent management of the company. Implementation of the remuneration principles is subject to annual inspection by internal audit. In addition to the mentioned activities, the committee assumed competences of the Personnel Committee, namely the solution of personnel issues related to the Board of Directors members (other than their election and recall). The Personnel Committee was cancelled in April 2012.

BOARD OF DIRECTORS OF SLOVENSKÁ SPORITEĽŇA

The Board of Directors, in its capacity as the statutory body, manages the Bank's activities and acts in its name. It decides on all matters not subordinated to the General Assembly or Supervisory Board by generally binding legal provisions or the Bank's Articles of Association. The Board of Directors has five members, under a decision of the Supervisory Board.

In accordance with the Bank's Articles of Association, the Chairman of the Board of Directors also serves as the Chief Executive Officer, the Deputy Chairman of the Board also as the First Deputy CEO, and each member of the Board also as a Deputy CEO. The members and Chairman of the Board of Directors are elected by the Supervisory Board and under the Bank's Articles of Association each has tenure of five years.

The Board of Directors is to convene at least once a month. In 2012, the Board of Directors held 42 regular meetings on which BoD discussed the Bank's financial results. Special attention was paid to risk management, credit portfolio analyses, and the monitoring of customer behavior in regard to protecting the funds of shareholders and customers. In order to streamline and simplify working procedures, the Board of Directors made a number of decisions regarding organizational structure of the Bank. The Board of Directors discussed also responsibilities regarding control activities, such as discussions about reports evaluated by internal audit, compliance reports, evaluation of a program against legalization of profits from criminal activities and terrorism financing.

Members of the Board of Directors in 2012 were:

Jozef Síkela, Chairman of the Board and CEO – responsible for risk management, compliance, human resources, communication and sponsoring, marketing, market analyses, legal services, and participations. Due to a long term absence of the member of the Board of Directors responsible for retail business, Mr. Síkela is temporarily responsible for retail business since the end of the year.

Štefan Máj, Deputy Chairman of the Board and First Deputy CEO – responsible for accounting, controlling, property management, and balance sheet management. Due to a long term absence of the member of the Board of Directors responsible for retail business, Mr. Máj serves temporarily as the CRO of the Bank since the end of the year.

Jiří Huml, member of the Board and Deputy CEO – responsible for retail banking management, product management, card centre, Sporotel, and private banking.

Peter Krutil, member of the Board and Deputy CEO – responsible for corporate banking management and capital markets.

Petr Brávek, member of the Board of Directors and Deputy CEO (since 1 April 2012) – responsible for information technology, organization and information systems security, payments & settlement and central back office. He replaced Andrea Guľová, who went on maternity leave.

The Board of Directors may establish advisory committees with delegated tasks and competences.

Assets and Liabilities Committee (ALCO)
The ALCO evaluates and approves the management and control process for the Bank's financial flows and asset and liability structure, so as to achieve an optimal balance between the Bank's profitability and its exposure to market risks. The committee evaluates the Bank's current position in terms of liquidity, market risks, capital adequacy and the implementation of the planned balance sheet structure, and it sets strategy for the securities portfolio. The committee's remit covers also the Bank's liquidity risk management. In this regard, the separate Operating Liquidity Committee (OLC) was established for the purpose of analyzing and evaluating the Bank's liquidity position and, where necessary, submitting proposals to the ALCO concerning the Bank's liquidity management.

Credit Committee
The Credit Committee, in accordance with the Bank's Competence Rules and Lending Policy, approves credit facilities (new facilities, changes to existing facilities' conditions, restructuring and work-out) for corporate clients, local authorities, and retail clients. It does not approve loans or guarantees for persons in a special relationship to the Bank, which are approved at the level of the Board of Directors.

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

Bank IT Committee
The IT Committee is responsible for the cost-effectiveness of information systems development and change management in the Bank. It sets the timetable for implementing changes, and the content and number of changes, in accordance with the Bank's priorities and available funds. The Committee deals with any disputes arising in IS change management.

Business Committee
The Business Committee analyses the business results and adopts measures to implement the business plan.

Cost Committee
The Cost Committee oversees cost management. It makes recommendations to the Board of Directors on how to keep costs under control, sets priorities in line with the business strategy, develops a cost-saving strategy and monitors its implementation with the aim of supporting business activities. The committee oversees the supervisors' responsibility for budget allocation on a department by department basis, and the keeping of expenditure at or below the level stipulated in the business plan.

Operational Risk and Compliance Committee (ORCO)
The ORCO defines strategies and processes for operational risk management, sets the degree of acceptability and level of tolerance for operational risk, and decides on measures to reduce or mitigate such risk. It lays down procedures for managing and reducing compliance risk, the strategy for reducing or mitigating money laundering risk, and measures for reducing or mitigating financial crime.

Crisis Committee
The task of the Crisis Committee is to make a situation assessment in the event of a threatening crisis and to direct the Bank's procedures in a crisis. It takes decisions and assigns responsibilities during a crisis, regularly monitors and evaluates the situation, coordinates communication activities and oversees the Bank's procedures aimed at stabilizing and calming the situation.

Risk Appetite and Stress Testing Committee (RAST)
The tasks of this committee are to ensure that the ICAAP principles are integrated into the Bank's business objectives, and to coordinate the creation and approval of scenarios for stress testing purposes.

Marketing Council
The Marketing Council implements the marketing strategies of Erste Group, SLSP and its subsidiaries; approves the Bank's annual plan for marketing communications and campaigns, the plan for sponsoring activities and business events; approves the business and communication targets of the Bank's main campaigns in line with its marketing plan; allocates expenses according to the approved budgets; and evaluates the effectiveness of the Bank's campaigns on the basis of their goals.

Committee for Customer Satisfaction Management
The committee is tasked with monitoring and evaluating indices and key parameters of customer satisfaction, proposing concepts in the field of the system of quality management and measurement, as well as proposing measures for improving service quality and customer satisfaction at the Bank in accordance with its strategic objectives.

Share capital

The Bank has share capital of EUR 212,000,000 divided into 212,000 registered book-entry shares each with a par value of EUR 1,000.

Shares constituting the share capital of the Bank may be issued only as registered book-entry shares; changes to their form or type are forbidden by law. The company is a private joint stock company.

Securities issued by the Bank are transferable without restriction.

The Bank's share capital is wholly (100%) owned by EGB Ceps Holding GmbH, with its registered office at Graben 21, 1010 Vienna, Austria, which is a wholly (100%) owned subsidiary of EGB Ceps Beteiligungen GmbH, with its registered office at Graben 21, 1010 Vienna, Austria, which is a wholly (100%) owned subsidiary of Erste Group Bank AG, with its registered office at Graben 21, 1010 Vienna, Austria. As at the preparation date of this Annual Report, the Bank had not issued any employee shares.

A decision to increase or reduce the Bank's share capital may be taken only by the General Assembly. Regarding material agreements to which the Bank is a contracting party, the Bank is not aware of any that enter into force, are amended or cease to be valid as a result of a change in the control of the Bank related to a takeover bid.

The Bank's relations with members of its bodies and its employees in regard to the ending of their tenure or termination of employment are governed by the Labor Code, Banking Act and Commercial Code.

Slovenská sporiteľňa does not acquire any own shares, interim shares, or participating interests or shares, nor does it acquire any interim shares or participating interests in its parent accounting entity pursuant to Section 22 of the Accounting Act. Slovenská sporiteľňa does not have any organizational unit based in a foreign country and does not record any expenditure on research and development.

Disclosure and transparency

The Bank strictly observes and complies with legal regulations and corporate governance principles, and periodically provides the parent company's shareholders and investors with all relevant information on its business activities, financial and operating results, and other material events. The general public and customers are kept informed about the Bank's financial results and strategic progress through press conferences and press releases. All information is prepared and disclosed in accordance with standards of accounting and disclosure of financial and non-financial information.

The Bank performs its activities through its organizational units, comprising the head office, branch network, and any other units established under the Bank's internal regulations. The responsibility for producing, implementing, coordinating, monitoring and reviewing the Bank's business objectives lies with the Board of Directors.

In accordance with generally binding legal regulations, the Bank's competences and responsibilities are divided into:
a) The management of risks and bank activities
b) The conduct of lending and investment business
c) Monitoring of the risks to which the Bank is exposed when conducting banking activities with persons in a special relationship to the Bank

Risk management is strictly separated from banking activities, and likewise the lending business is separated from the investment business. The Bank maintains separate monitoring of the risks to which it is exposed when conducting banking activities with persons in a special relationship to the Bank.

The Bank places emphasis on anti-money laundering measures, and has established an independent Compliance unit reporting directly to the member of the Board of Directors responsible for risk management. The unit's tasks also include checking the Bank's internal regulations for compliance with legal regulations of regulatory bodies, and identifying and dealing with fraudulent acts.

Slovenská sporiteľňa has a Global Compliance Code governing the basic principles of compliance with ethical standards in the Bank. The Code was produced in response to the EU requirement for harmonization of legal provisions, and it brings the internal standards of Slovenská sporiteľňa into line with the internal standards of Erste Group. It also reflects the requirement for a higher level of corporate culture, especially in the field of securities trading – in which we consistently apply measures under the EU's Markets in Financial Instrument's Directive (MiFID) aimed at increasing the protection of consumers when using investment instruments. For Slovenská sporiteľňa, the Code represents a binding body of rules and serves as a source of information for employees. It is also a practical guide to the application of statutory provisions concerning day-to-day contact with information that could alter the behavior of market entities. It is, furthermore, a point of reference for preventing or solving conflicts of interest between the Bank, employees, management and customers.

Corporate social responsibility
Despite difficult economic situation on the market in 2012, Slovenská sporiteľňa continued supporting non-profit sector through its Slovenská sporiteľňa Foundation.

For the public
Last year, Slovenská sporiteľňa provided (via the Slovenská sporiteľňa Foundation) financial assistance for more than 200 high-quality public projects in the amount of more than EUR 1.2 million. The Slovenská sporiteľňa Foundation became one of the most significant donors of regional and community-oriented projects in Slovakia, thanks to its dedicated staff. Over the past twelve months, the foundation focused on innovative projects designed to raise the level of financial literacy among children and on organizing free-time activities for children. The largest projects in the area of sports were the building of five multifunctional sports grounds for children and adults in Košice, Banská Štiavnica, Sereď, Štúrovo, Šahy, and the implementation of the third round of the grant program ‚Futbal to je hra!' (‚Football, that's the game!'), during which the Bank allocated almost EUR 60,000 for 27 projects aimed at establishing non-professional football clubs throughout Slovakia.

In 2012, the Slovenská sporiteľňa Foundation continued its successful projects ‚Poznaj svoje peniaze' (‚Know your money') and ‚Myslím ekonomicky' (‚Think like an economist'), aimed at raising the level of financial literacy among secondary school students in Slovakia.

In the area of culture, Slovenská sporiteľňa supported the Radošina Naive Theatre, as well as theatres in Nitra, Martin and Prešov.

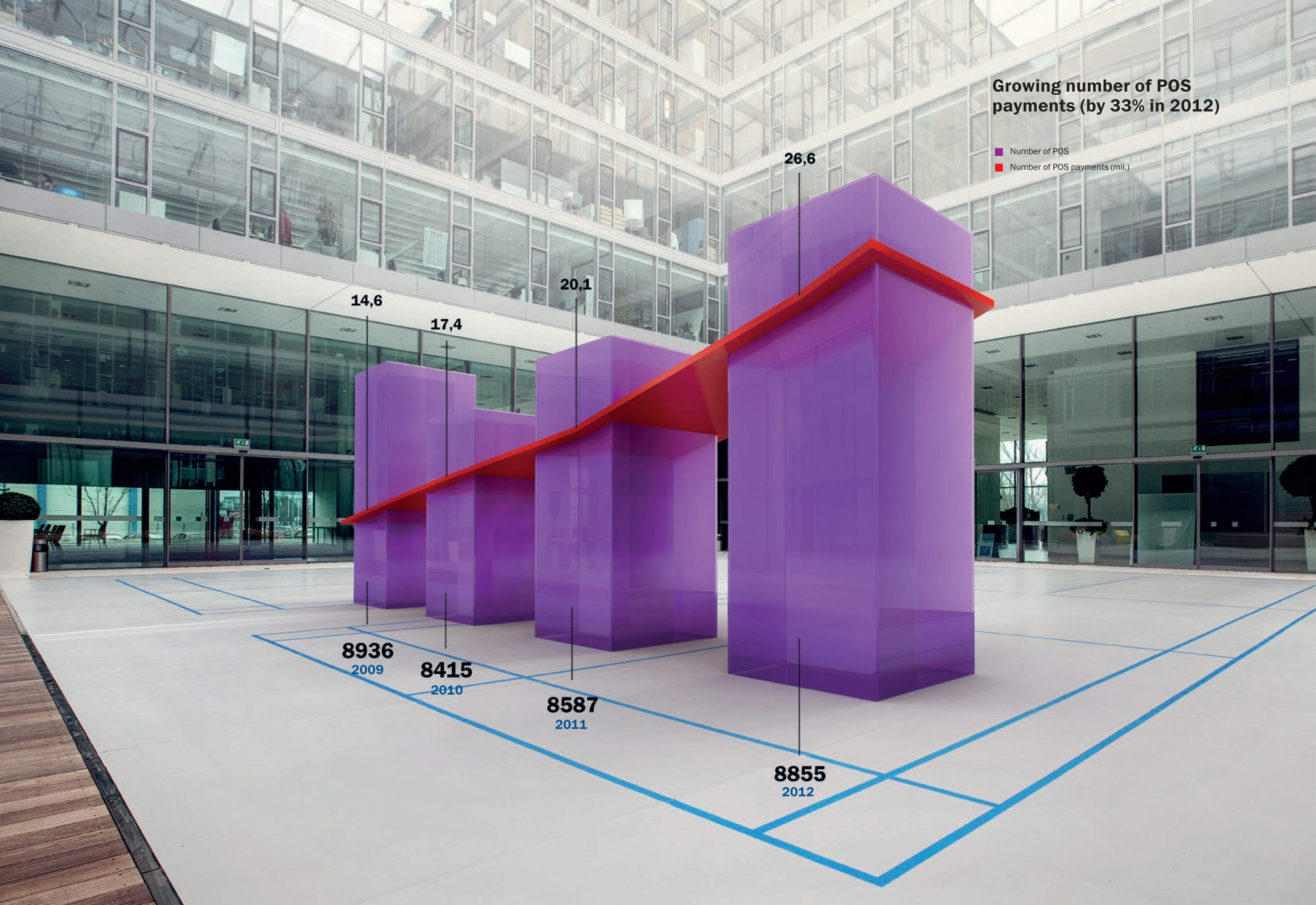
In cooperation with the civic association 'Inklúzia' ('Inclusion'), Slovenská sporiteľňa provided financial assistance for the seventh time for ‚Radničkine trhy' (‚Town Hall Markets'). It gives disabled people an opportunity to present and sell their products, to shape public opinion in their favor, and to address potential employers to contribute to the integration of disabled individuals into society.

In 2012, the Slovenská sporiteľňa Foundation helped various communities through employee program 'Euro k euru' ('Euro to Euro'). The aim of the grant project is to support civic projects, non-profit organizations, foundations, schools, sport clubs, dance clubs and other through financial co-participation of an employee or a subsidiary.

The program is based on the principle of contribution from an employee or a subsidiary, and contribution from the Bank's Foundation in the 1:2 ratio. Employees of the Bank and its subsidiaries delivered 104 applications, of which 90 projects were approved in the areas of sports, education and various free-time activities. The contribution of employees amounted to EUR 41,693 in 2012.

Targets for 2013

- **To strengthen the Bank's leading position in retail loans and deposits**
- **To increase the share of clients who actively use the Bank**
- **To strengthen position in the affluent clients segment**
- **Emphasis on long-term relationships with clients**
- **Bank of first choice for a larger number of clients from the corporate and public sectors**
- **Responsible banking (prudent lending policy)**
- **Emphasis on efficiency of internal processes**


Growing number of POS payments (by 33% in 2012)
Number of POS
Number of POS payments (mil.)
14,6
17,4
20,1
26,6
8936
2009
8415
2010
8587
2011
8855
2012

Annexes

Consolidated Financial Statements

prepared in accordance with International Financial Reporting Standards as adopted by the European Union for the Year Ended 31 December 2012

and Independent Auditors' Report

Independent Auditors' Report to the Shareholder of Slovenská sporiteľňa, a.s.

ERNST & YOUNG

Ernst & Young Slovakia, spol. s r.o.
Hodžovo námestie 1A
811 06 Bratislava
Slovenská republika

Tel: +421 2 3333 9111
Fax: +421 2 3333 9222
www.ey.com/sk

Independent Auditors' Report

To the Shareholder of Slovenská sporiteľňa, a.s.:

We have audited the accompanying consolidated financial statements of Slovenská sporiteľňa, a. s. and consolidated companies ('the Group'), which comprise the consolidated balance sheet as at 31 December 2012, the consolidated income statement, consolidated comprehensive income statement, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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 give a true and fair view of the financial position of the Group as at 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

5 February 2013
Bratislava, Slovak Republic

Ernst & Young

Ernst & Young Slovakia, spol. s r.o.
SKAU Licence No. 257

Ing. Dalimil Draganovský
SKAU Licence No. 893

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT

Spoločnosť zo skupiny Ernst & Young Global Limited
Ernst & Young Slovakia, spol. s r.o., IČO: 35 840 463, zapísaná v Obchodnom registri Okresného súdu Bratislava I, oddiel: Sro, vložka číslo: 27004/B a v zozname audítorov vedenom Slovenskou komorou audítorov pod č. 257.

Consolidated Income Statement
For the Year Ended 31 December 2012

ths. EUR	Note	2012	2011
Interest income	6	560 127	574 868
Interest expense	6	(112 621)	(109 241)
Net interest income	**6**	**447 506**	**465 627**
Provisions for losses on loans, advances and off-balance sheet credit risks	8	(54 539)	(72 174)
Net interest income after provisions		**392 967**	**393 453**
Fee and commission income	7	138 609	136 656
Fee and commission expense	7	(20 519)	(15 816)
Net fee and commission income	**7**	**118 090**	**120 840**
Net trading result	9	16 067	1 862
General administrative expenses	10	(247 166)	(234 083)
Other operating result	11	(42 680)	(40 078)
Profit for the year before income taxes		**237 278**	**241 994**
Income tax expense	12	(48 628)	(47 101)
Net profit for the year after income taxes		**188 650**	**194 893**
Net profit attributable to:			
Equity holders of the parent		188 395	194 854
Non Controlling Interest		255	39
Total		**188 650**	**194 893**
Basic and diluted earnings per EUR 1 000 share (EUR)	**33**	**890**	**919**

The notes on pages 71 to 135 are an integral part of these financial statements.

These financial statements were approved and authorised for issue by the Board of Directors of the Bank on 5 February 2013.

Ing. Jozef Síkela

Chairman of the Board of Directors and
Chief Executive Officer

Ing. Štefan Máj

Deputy Chairman of the Board of Directors and
First Deputy of the Chief Executive Officer

Consolidated Comprehensive Income Statement
For the Year Ended 31 December 2012

ths. EUR	2012	2011
Net profit for the year after income taxes	**188 650**	**194 893**
Available for sale reserves	68 896	(37 522)
Cash flow hedge reserves	(13)	(83)
Actuarial gains on defined benefit pension plans	(199)	29
Income tax relating to components of other comprehensive income	(14 175)	7 143
Other comprehensive (expense)/income for the year after income taxes	**54 509**	**(30 433)**
Total comprehensive income for the year	**243 159**	**164 460**
Attributable to:		
Equity holders of the parent	**242 904**	**164 416**
Non Controlling Interest	**255**	**44**

The notes on pages 71 to 135 are an integral part of these financial statements.

Consolidated Balance Sheet
As at 31 December 2012

ths. EUR	Note	2012	2011
ASSETS			
Cash and balances at the central bank	13	377 005	299 183
Loans and advances to financial institutions	14	289 938	613 237
Loans and advances to customers	15	7 092 535	6 697 442
Provisions for losses on loans and advances	16	(378 512)	(409 350)
Financial assets at fair value through profit or loss	17	98 118	90 833
Securities available for sale	18	1 358 335	979 906
Securities held to maturity	19	2 443 095	2 560 304
Investments in associates	20	25 141	25 160
Intangible assets	21	103 548	115 987
Property and equipment	22	226 130	239 101
Assets held for rental income	22	8 051	5 136
Current income tax asset	24	12 826	19
Deferred income tax asset	24	58 523	82 499
Other assets	25	62 605	49 449
Total assets		**11 777 338**	**11 348 906**
LIABILITIES AND EQUITY			
Amounts owed to financial institutions	26	1 148 279	1 447 807
Amounts owed to customers	27	8 412 567	8 033 726
Financial liabilities at fair value through profit or loss	41b	70 807	70 259
Debt securities in issue	28	536 729	367 381
Provisions	29	24 868	25 394
Other liabilities	30	127 763	133 033
Current income tax liability	24	-	677
Deferred income tax liability	24	-	77
Subordinated debt	31	251 268	231 582
Total liabilities		**10 572 281**	**10 309 936**
Total equity, thereof	32	1 205 057	1 038 970
- Equity attributable to equity holders of the parent		1 202 291	1 036 351
- Non Controlling Interest		2 766	2 619
Total liabilities and equity		**11 777 338**	**11 348 906**

The notes on pages 71 to 135 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity
As at 31 December 2012

ths. EUR	Attributable to equity holders of the parent								
	Share capital	Legal reserve fund	Other Funds	Retained earnings	Hedging reserves	Revaluation reserves	Total	Non Controlling Interest	Total
As at 31 December 2010	**212 000**	**79 795**	**39 326**	**598 966**	**85**	**(3 440)**	**926 734**	**2 576**	**929 310**
Net profit for the year	-	-	-	194 854	-	-	194 854	39	194 893
Other comprehensive income	-	-	-	29	(74)	(30 393)	(30 438)	5	(30 433)
Dividends paid	-	-	-	(54 800)	-	-	(54 800)	-	(54 800)
Other changes	-	-	-	1	-	-	1	-	1
As at 31 December 2011	**212 000**	**79 795**	**39 326**	**739 050**	**11**	**(33 833)**	**1 036 351**	**2 619**	**1 038 970**
Net profit for the year	-	-	-	188 395	-	-	188 395	255	188 650
Other comprehensive income	-	-	-	(199)	(13)	54 721	54 509	-	54 509
Dividends paid	-	-	-	(77 000)	-	-	(77 000)	-	(77 000)
Other changes	-	-	-	36	2	-	36	(108)	(72)
As at 31 December 2012	**212 000**	**79 795**	**39 326**	**850 282**	**-**	**20 888**	**1 202 291**	**2 766**	**1 205 057**

The notes on pages 71 to 135 are an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the Year Ended 31 December 2012

ths. EUR	Note	2012	2011
Cash flows from operating activities			
Profit before income taxes		237 278	241 994
Adjustments for:			
Provisions for losses on loans, advances, off-balance sheet, write-offs and unwinding	16	30 188	61 246
Provisions for liabilities and other provisions		21 521	249
Impairment of tangible and intangible assets	21, 22	(1 585)	7 045
Depreciation and amortisation	21, 22	46 937	38 891
Gain on disposal of fixed assets		651	317
Net loss from financial activities		19 426	17 116
Net (gain) from investing activities		(109 421)	(106 286)
Impairment of investments in subsidiaries and associates		3 515	3 040
Consolidation adjustment		(98)	-
Recycling of cash flow hedge reserve		-	(92)
Cash flows from operations before changes in operating assets and liabilities		**248 412**	**263 520**
(Increase)/decrease in operating assets:			
Minimum reserve deposits with the central bank	13	(14 064)	105 672
Loans and advances to financial institutions		334 809	643 049
Loans and advances to customers		(459 737)	(668 719)
Financial assets at fair value through profit or loss and securities available for sale		(312 661)	(78 839)
Other assets		(8 586)	(9 255)
Increase/(decrease) in operating liabilities:			
Amounts owed to financial institutions		(299 528)	282 844
Amounts owed to customers		378 841	(124 733)
Provisions		(272)	(246)
Other liabilities		(27 243)	36 883
Derivative financial instruments		(3 596)	6 941
Net cash flows provided by / (used in) operating activities before income tax		**(163 625)**	**457 118**
Income taxes paid		(51 858)	(62 442)
Net cash flows provided by / (used in) operating activities		**(215 483)**	**394 676**
Cash flows from investing activities			
Purchase of securities held to maturity		(347 620)	(389 960)
Proceeds from securities held to maturity		469 880	126 899
Interest received from securities held to maturity		102 990	92 746
Dividends received from associates		3 023	2 987
Purchase of share in associates		(3 515)	(631)
Proceeds from sale of subsidiaries and associates		2 453	(272)
Purchase of intangible assets, property and equipment		(31 179)	(91 031)
Proceeds from sale of intangible assets, property and equipment		2 571	284
Net cash flows provided by / (used in) investing activities		**198 603**	**(258 980)**
Cash flows from financing activities			
Dividends paid		(77 000)	(54 800)
Drawing of subordinated debt		18 415	35 650
Interest paid on subordinated debt		(4 896)	(4 942)
Issue of the bonds		207 552	74 801
Repayment of the bonds		(40 235)	(102 891)
Interest paid to the holders of the bonds		(11 228)	(11 075)
Net cash flows provided by / (used in) financing activities		**92 608**	**(63 257)**
Effect of foreign exchange rate changes on cash and cash equivalents		(459)	(140)
Net increase / (decrease) in cash and cash equivalents		**75 268**	**72 299**
Cash and cash equivalents at the beginning of the year	**34**	**302 076**	**229 777**
Cash and cash equivalents at the end of the year	**34**	**377 344**	**302 076**

The notes on pages 71 to 135 are an integral part of these financial statements.

Notes to the Consolidated Financial Statements Prepared in Accordance with International Financial Reporting Standards as adopted by the European Union Year Ended 31 December 2012

1. INTRODUCTION

Slovenská sporiteľňa, a. s. (hereafter 'the Bank' or 'Parent Company') has its registered office at Tomášikova 48, Bratislava, the Slovak Republic. The Bank was incorporated on 15 March 1994 and registered in the Commercial Register on 1 April 1994. The identification number of the Bank is 00 151 653 and its tax identification number is 2020411536. The Bank is a universal bank offering a wide range of banking and financial services to commercial, financial, and private customers, principally in the Slovak Republic.

As of 31 December 2012 and 2011, the only shareholder of the Bank was EGB Ceps Holding GmbH, with registered office at Graben 21, 1010 Vienna, Austria. Financial statements of Erste Group Bank (ultimate parent) will be available after their completion at Firmenbuchgericht Wien, Marxergasse 1a, 1030 Vienna, Austria Court.

The Board of Directors has 5 members:
Ing. Jozef Síkela (Chairman), Ing. Štefan Máj (Deputy Chairman), Ing. Peter Krutil (Member), Ing. Jiří Huml (Member) and Ing. Petr Brávek (Member) who replaced Ing. Andrea Guľová since 1 April, 2012.

The Chairman of the Board of Directors is also the Chief Executive Officer (CEO) of the Bank. The Deputy Chairman of the Board of Directors is the First Deputy of the Chief Executive Officer. Other members of the Board of Directors are simultaneously the Deputies of the Chief Executive Officer. Due to a long term absence of the member of the Board of Directors responsible for retail business, the following changes (with the consideration of the regulator NBS) in the management structure are valid as of 31.12.2012; CFO serves temporarily as the CRO of the Bank and CEO is temporarily responsible for retail business.

Supervisory Board has 6 members. As of 31 December 2012, the members of the Supervisory Board were as follows: Gernot Mittendorfer (Chairman), Wolfgang Schopf (Deputy Chairman), Herbert Juranek, Jan Homan, JUDr. Beatrica Melichárová and Štefan Šipoš as members.

The Bank is subject to the regulatory requirements of the Central Bank and other supervisory bodies. These regulations include those pertaining to minimum capital adequacy requirements, categorization of exposures and off-balance sheet commitments, credit risk connected with clients of the Bank, liquidity, interest rate risk, foreign currency positions and operating risk.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

Pursuant to Article 17a of Act no. 431/2002 Coll. on Accounting, effective from 1 January 2006 banks are required to prepare their 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). As a result, separate financial statements prepared in accordance with IFRS have effectively replaced financial statements prepared under Slovak Accounting Standards.

The financial statements of the Group for the previous period (31 December 2011) were signed and authorised for issue on 6 February 2012.

The consolidated financial statements comprising the accounts of the Group have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (the "EU"). Except for certain standards issued but not yet effective and certain hedge accounting requirements under IAS 39 which have not been endorsed by the EU, IFRS as adopted by the EU does not currently differ from IFRS and its effective standards and interpretations as issued by the International Accounting Standards Board (IASB). The Group has determined that the standards not endorsed by the EU would not impact the separate financial statements had such standards been endorsed by the EU at the balance sheet date.

(b) Basis of preparation

The financial statements have been prepared on a cost basis, except for available-for-sale financial assets, derivative financial instruments, financial assets and liabilities held for trading and financial assets and liabilities designated at fair value through profit or loss, all of which have been measured at fair value.

These financial statements were prepared using the going concern assumption that the Group will continue in operation for the foreseeable future.

The Bank holds controlling interests in subsidiaries as described in Note 5 and 20.
The subsidiaries are fully consolidated, associates are included using the equity method of accounting.

The unit of measurement is thousands of EUR (EUR thousand), unless stated otherwise. The amounts in parentheses represent negative values. The tables in this report may contain rounding differences.

(c) Basis of consolidation

Subsidiaries

All subsidiaries directly or indirectly controlled by The Bank are consolidated in the group financial statements on the basis of the subsidiaries' annual accounts as of 31 December 2012 and for the year then ended.

Subsidiaries are consolidated from the date upon which control is transferred to the Bank. Control is achieved when the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date of acquisition or up to the date of disposal. The financial statements of the Bank's subsidiaries are prepared for the same reporting year as that of the Bank and using consistent accounting policies. All intra-group balances, transactions, income and expenses as well as unrealised gains and losses and dividends are eliminated. Non-controlling interests represent those portions of total comprehensive income and net assets which are not attributable directly or indirectly to the owners of the Bank. Non-controlling interests are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated balance sheet. Losses applicable to the Non Controlling Interest in excess of the interest in the subsidiary's equity are allocated against the interests of the Group, except to the extent that the minority has a binding obligation and it is able to make an additional investment to cover the losses.

Acquisitions of non-controlling interests are accounted for as equity transactions, whereby the difference between the consideration transferred and the share in the carrying amount of the net assets acquired is recognised as equity. Disposals of non-controlling interests that do not lead to loss of control are accounted for in the same way.

Investments in associates

Investments in companies over which The Bank exercises significant influence ('associates') are accounted for under the equity method. As a general rule, significant influence is presumed to mean an ownership interest of between 20% and 50%. Under the equity method, an interest in an associate is recognised in the balance sheet at cost plus post-acquisition changes in the Group's share of the net assets of the entity. The Group's share of the associate's profit or loss is recognised in the income statement. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognised, unless the Group has incurred legal or constructive obligations or made payments on behalf of the associate. Entities accounted for under the equity method are recognised on the basis of annual financial statements as of 31 December 2012 and for the year then ended.

(d) Accounting and measurement methods

Transactions and balances in foreign currency

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

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

Financial instruments – recognition and measurement

A financial instrument is any contract giving rise to a financial asset of one party and a financial liability or equity instrument of another party. In accordance with IAS 39, all financial assets and liabilities – which also include derivative financial instruments – have to be recognised in the balance sheet and measured in accordance with their assigned categories.

The Group uses the following categories of financial instruments:

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

IAS 39 categories of financial instruments relevant for measurement are not necessarily the line items presented in the balance sheet. Specific relationships between the balance sheet line items and categories of financial instruments are described in the table at point (xi).

(i) Initial recognition

Financial instruments are initially recognised when The Group becomes a party to the contractual provisions of the instrument. Regular way (spot) purchases and sales of financial assets are recognised at settlement date, which is the date that an asset is delivered. The classification of financial instruments at initial recognition depends on their characteristics as well as the purpose and management's intention for which the financial instruments were acquired.

(ii) Initial measurement of financial instruments

Financial instruments are measured initially at their fair value including transaction costs. In the case of financial instruments at fair value through profit or loss, however, transaction costs are not included but are recognised directly in profit or loss. Subsequent measurement is described in the chapters below.

(iii) Cash and balances with central banks

Balances with central banks include only claims (deposits) against central banks which are repayable on demand. Repayable on demand means that it may be withdrawn at any time or with a term of notice of only one business day or 24 hours. Mandatory minimum reserves are also shown under this position.

(iv) Derivative financial instruments

Derivatives used by The Group include mainly interest rate swaps, futures, forward rate agreements, interest rate options, currency swaps and currency options as well as credit default swaps. Derivatives are measured at fair value. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. All kinds of derivatives disregarding their internal classification are disclosed under the line item 'Derivative financial instruments', which can be found, depending on their fair value as of the balance sheet date, on the assets or liabilities side of the balance sheet. Hence, the line item 'Derivative financial instruments' contains both derivatives held in the trading book and banking book. Changes in fair value (clean price) are recognised in the income statement in the line 'Net trading result', except for those resulting from the effective part of cash flow hedges which are reported in other comprehensive income. Interest income/expense related to derivative financial instruments is recognised in the income statement in the line 'Net interest income' for those held in the banking book or designated as hedging instruments in fair value hedges or in the line 'Net trading result' for those held in the trading book.

(v) Financial assets and financial liabilities held for trading

Financial assets and financial liabilities held for trading include debt securities as well as equity instruments acquired or issued principally for the purpose of selling or repurchasing in the near term. Financial instruments held for trading are measured at fair value and are presented as 'Trading assets' or 'Trading liabilities' in the balance sheet. Changes in fair value (clean price) resulting from financial instruments held for trading are reported in the income statement in the line 'Net trading result'. Nonetheless, interest income and expenses are reported in the income statement in the line 'Net interest income'.

If securities purchased under agreement to resell are subsequently sold to third parties, the obligation to return the securities is recorded as a short sale within 'Trading liabilities'.

(vi) Financial assets or financial liabilities designated at fair value through profit or loss

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

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

Financial assets designated at fair value through profit or loss are recorded in the balance sheet at fair value in the line 'Financial assets – at fair value through profit or loss' with changes in fair value recognised in the income statement in the line 'Result from financial instruments – at fair value through profit or loss'. Interest earned on debt instruments as well as dividend income on equity instruments is shown in the position 'Interest and similar income'.

The Group uses the fair value option in case of some hybrid financial liabilities, if:

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

The amount of fair value change attributable to changes in own credit risk for financial liabilities designated at fair value through profit or loss is calculated by the method described by IFRS 7. This amount is the difference between the present value of the liability and the observed market price of the liability at the end of the period. The rate used for discounting the liability is the sum of the observed (benchmark) interest rate at the end of the period and the instrument-specific component of the internal rate of return determined at the start of the period.

Financial liabilities designated at fair value through profit or loss are reported under the respective financial liabilities positions 'Customer deposits', 'Debt securities in issue' or 'Subordinated liabilities'. Changes in fair value are recognised in the income statement in the line 'Result from financial instruments – at fair value through profit or loss'. Interest incurred is reported in the line 'Interest and similar expenses'.

(vii) Available-for-sale financial assets

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

Available-for-sale financial assets are subsequently measured at fair value. Unrealised gains and losses are recognised in other comprehensive income and reported in the 'Available-for-sale reserve' until the financial asset is disposed of or impaired. If available-for-sale assets are disposed of or impaired, the cumulative gain or loss previously recognised in other comprehensive income is reclassified to profit or loss and reported under the line item 'Result from financial assets – available for sale'. In the balance sheet, available-for-sale financial assets are disclosed in the line item 'Financial assets – available for sale'.

If the fair value of investments in non-quoted equity instruments cannot be measured reliably, they are recorded at cost less impairment. This is the case when the range of reasonable fair value estimates as calculated by valuation models is significant and the probabilities of the various estimates cannot be reasonably assessed. There is no market for such investments. The Group does not have any specific plan to dispose of such investments.

Interest and dividend income on available-for-sale financial assets are reported in the income statement in the line 'Interest and similar income'.

(viii) Held-to-maturity financial investments
Non-derivative financial assets with fixed or determinable payments and fixed maturities are reported in the balance sheet as 'Financial assets – held to maturity' if The Group has the intention and ability to hold them until maturity. After initial recognition, held-to-maturity financial investments are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount, premium and/or transaction costs that are an integral part of the effective interest rate. Interest earned on financial assets held to maturity is reported in the income statement in the line 'Interest and similar income'. Losses arising from impairment of such investments as well as occasional realised gains or losses from selling are recognised in the income statement in the line 'Result from financial assets – held to maturity'.

(ix) Loans and advances
The balance sheet line items 'Loans and advances to credit institutions' and 'Loans and advances to customers' include assets meeting the definition of loans and receivables. Furthermore, finance lease receivables which are accounted for under IAS 17 are presented in these balance sheet line items.

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

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

After initial measurement, loans and receivables are subsequently measured at amortised cost. Finance lease receivables are subsequently measured as specified in the chapter leasing. Interest income earned is included in the line 'Interest and similar income' in the income statement.

Allowances for impairment and incurred but not reported losses are reported in the balance sheet line 'Risk provisions for loans and advances'. Losses arising from impairment are recognised in the income statement in the line 'Risk provisions for loans and advances'.

(x) Deposits and other financial liabilities
Financial liabilities are measured at amortised cost, unless they are measured at fair value through profit or loss. Except those which are held for trading, financial liabilities are reported in the balance sheet in the lines 'Deposits by banks', 'Customer deposits' 'Debt securities in issue' or 'Subordinated liabilities'. Interest expenses incurred are reported in the line 'Interest and similar expenses' in the income statement.

(xi) Relationships between balance sheet positions and categories of financial instruments:

Balance sheet positions	Measurement value		Financial instrument category
	Fair value	At amortised cost	
ASSETS			
Cash and balances with central banks	x		n/a
Loans and advances to financial institutions		x	Loans and receivables
Loans and advances to customers		x	Loans and receivables
Provisions for losses on loans and advances		x	Loans and receivables
Financial assets at fair value through profit or loss	x		Financial assets - at fair value through profit or loss
Hedging derivatives	x		n/a
Securities available for sale	x		Financial assets - available for sale
Securities held to maturity		x	Financial assets - held to maturity
LIABILITIES			
Amounts owed to financial institutions		x	Financial liabilities
Amounts owed to customers		x	Financial liabilities
Debt securities in issue		x	Financial liabilities
Financial liabilities at fair value through profit or loss	x		Financial liabilities - at fair value through profit or loss
Hedging derivatives	x		n/a
Subordinated liabilities	x	x	Financial liabilities / Financial liabilities - at fair value through profit or loss

Embedded derivatives

The Group, as part of its business, is confronted with debt instruments containing structured features. Structured features mean that a derivative is embedded in the host instruments. Embedded derivatives are separated from the host debt instruments if

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

Embedded derivatives which are separated are accounted for as stand-alone derivatives and presented in the balance sheet in the line 'Derivative financial instruments'.

At The Group, derivatives which are not closely related and are separated are predominantly embedded in issued host debt instruments recognised as liabilities. The most typical cases are issues of bonds and deposits which contain interest caps, floors or collars which are in the money, contractual features linking payments to non-interest variables such as FX rates, equity, commodity prices and indices or credit risk of third parties.

Derecognition of financial assets and financial liabilities

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

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

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

Repurchase and reverse repurchase agreements

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

The corresponding cash received is recognised in the balance sheet with a corresponding obligation to return it as a liability in the respective lines 'Deposits by banks' or 'Customer deposits' reflecting the transaction's economic substance as a loan to The Group. The difference between the sale and repurchase prices is treated as interest expense and recorded in the income statement in the line 'Interest and similar expenses' and is accrued over the life of the agreement. Financial assets transferred out by The Group under repurchase agreements remain on The Group's balance sheet and are measured according to the rules applicable to the respective balance sheet item.

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

Securities lending and borrowing

In securities lending transactions, the lender transfers ownership of securities to the borrower on the condition that the borrower will retransfer, at the end of the agreed loan term, ownership of instruments of the same type, quality and quantity and will pay a fee determined by the duration of the lending. The transfer of the securities to counterparties via securities lending does not result in derecognition. Substantially all the risks and rewards of ownership are retained by The Group as a lender because the securities are received at the end of the securities lending transaction. Furthermore, The Group is the beneficiary of all the coupons and other income payments received on the transferred assets over the period of the securities borrowings.

Securities borrowed are not recognised on the balance sheet, unless they are then sold to third parties. In this case the obligation to return the securities is recorded as a trading liability.

Determination of fair value

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.

The best indication of a financial instrument's fair value is provided by quoted market prices in an active market. Where quoted market prices in an active market are available, they are used to measure the financial instrument's value (level 1 of the fair value hierarchy). The measurement of fair value at The Group is based primarily on external sources of data (stock market prices or broker quotes in highly liquid market segments). Where no market prices are available, fair value is determined on the basis of valuation models that are based on observable market information (level 2 of the fair value hierarchy). In some cases, the fair value of financial instruments can be determined neither on the basis of market prices nor of valuation models that rely entirely on observable market data. In such cases, individual valuation parameters not observable in the market are estimated on the basis of reasonable assumptions (level 3 of the fair value hierarchy).

Credit Value Adjustments (CVA) are too applied to all derivatives which are marked to model. The adjustment reflects the fair valued of credit risk embedded in a derivative for a given counterparty. The adjustment is driven by the expected positive exposure of the derivative or netting set and the credit quality of the counterparty.

The Group employs only generally accepted standard valuation models. Fair value is determined for non-option derivatives (e.g. interest rate swaps, cross currency swaps, foreign exchange forwards and forward rate agreements) by discounting the respective cash flows. OTC options are valued using appropriate market standard option pricing. The Group uses only valuation models which have been tested internally and for which the valuation parameters (such as interest rates, exchange rates and volatility) have been determined independently.

Impairment of financial assets and credit risk losses of contingent liabilities

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

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganisation, default or delinquency in interest or principal payments. For assessment at portfolio level, indications of impairment are observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. The Group uses Basel II definition of default as a primary indicator of loss events. More specifically default occurs when interest or principal payments on a material exposure are more than 90 days past due or full repayment is unlikely for reasons such as restructuring resulting in a loss to the lender, initiation of bankruptcy proceedings.

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

(i) Financial assets carried at amortised cost

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

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

In cases of loans and advances, any impairment is reported in the allowance account referred to as 'Risk provisions for loans and advances' in the balance sheet and the amount of the loss is recognised in the income statement in the line 'Risk provisions for loans and advances'. Risk provisions for loans and advances include specific risk provisions for loans and advances for which objective evidence of impairment exists. In addition, 'Risk provisions for loans and advances' include portfolio risk provisions for incurred but not reported losses. For held-to-maturity investments, impairment is recognised directly by reducing the asset account and in the income statement in the line 'Result from financial assets – held to maturity'.

Loans together with the associated allowance are removed from the balance sheet when there is no realistic prospect of future recovery and all collaterals have been realised by The Group.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases, the previously recognised impairment loss is increased or reduced by adjusting the allowance account in case of loans and advances. In case of impaired held-to-maturity investments no allowance account is used, but the carrying amount is increased or decreased directly.

(ii) Available-for-sale financial investments

In cases of debt instruments classified as available for sale, The Group assesses individually whether there is objective evidence of impairment based on the same criteria as used for financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement.

On recognising impairment, any amount of losses retained in the other comprehensive income item 'Available for sale reserve' is reclassified to the income statement and shown as impairment loss in the line 'Result from financial assets – available for sale'. If, in a subsequent period, the fair value of a debt instrument increases, the impairment loss is reversed through the income statement in the line 'Result from financial assets – available for sale'. Impairment losses and their reversals are recognised directly against the assets in the balance sheet.

In cases of equity investments classified as available for sale, objective evidence also includes a 'significant' or 'prolonged' decline in the fair value of the investment below its cost. For this purpose at The Group, 'significant' decline means a market price below 80% of the acquisition cost and 'prolonged' decline refers to a market price which is permanently below acquisition cost for a period of 9 months up to the reporting date.
Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement, is shown as impairment loss in the income statement in the line 'Result from financial assets – available for sale'. Any amount of losses previously recognised in the other comprehensive income item 'Available for sale reserve' has to be reclassified to the income statement as a part of impairment loss in the line 'Result from financial assets – available for sale'. Impairment losses on equity investments are not reversed through the income statement; increases in the fair value after impairment are recognised directly in other comprehensive income. Impairment losses and their reversals are recognised directly against the assets in the balance sheet.

(iii) Contingent liabilities

Provisions for credit losses of contingent liabilities (particularly financial guarantees as well as credit commitments) are included in the balance sheet line 'Provisions'. The related expense is reported in the income statement in the line 'Risk provisions for loans and advances'.

Hedge accounting

The Group makes use of derivative instruments to manage exposures to interest rate risk and foreign currency risk. At inception of a hedge relationship, the Group formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship. Also at the inception of the hedge relationship, a formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are expected to offset the fair value changes of the hedging instrument in a range of 80% to 125%. Exact conditions for particular types of hedges applied by The Group are specified internally in hedge policy.

(i) Fair value hedges

Fair value hedges are employed to reduce market risk. For qualifying and designated fair value hedges, the change in the fair value of a hedging instrument is recognised in the income statement in the line 'Net trading result'. The change in the fair value of the hedged item attributable to the hedged risk is also recognised in the income statement in the line 'Net trading result' and adjusts the carrying amount of the hedged item.

If the hedging instrument expires, is sold, is terminated or is exercised, or when the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated. In this case, the fair value adjustment of the hedged item shall be amortised to the income statement in the line 'Net interest income' until maturity of the financial instrument. Fair value of hedging instruments and revaluation of hedged items are disclosed in balance sheet in line 'Other assets' or 'Other liabilities'.

(ii) Cash flow hedges

Cash flow hedges are used to eliminate uncertainty in the future cash flows in order to stabilise net interest income. For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income and reported under the 'Cash flow hedge reserve'. The ineffective portion of the gain or loss on the hedging instrument is recognised in the income statement in the line 'Net trading result'. When the hedged cash flow affects the income statement the gain or loss on the hedging instrument is reclassified from other comprehensive income into the corresponding income or expense line in the income statement (mainly 'Net interest income').

When a hedging instrument expires, is sold, is terminated, is exercised, or when a hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated. In this case the cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive income shall remain separately in 'Cash flow hedge reserve' until the transaction occurs.

Offsetting financial instruments

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

Leasing

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

The Group as a lessor

The lessor in the case of finance lease reports a receivable against the lessee in the line 'Loans and advances to customers' or 'Loans and advances to customers'. The receivable is equal to the present value of the contractually agreed payments taking into account any residual value. Interest income on the receivable is reported in the income statement in the line 'Net interest income'.

In the case of operating leases, the leased asset is reported by the lessor in 'property and equipment' or in 'investment property' and is depreciated in accordance with the principles applicable to the assets involved. Lease income is recognised on a straight-line basis over the lease term in the income statement in the line 'Net interest income'.

The Group as a lessee

Finance leases of property and equipment under which the Group assumes substantially all the risks and rewards incidental to ownership are recognised in the balance sheet by recording an asset and liability equal to the present value of all future lease payments. Leasehold improvements on leased assets are depreciated in accordance with the estimated useful life of the asset, or the lease term if shorter. Lease liabilities are reduced by repayments of principal, whilst the finance charge component of the lease payment is charged directly to the Income Statement.

Rentals payable under operating leases are charged to the Income Statement on a straight-line basis over the term of the relevant lease.

Business combinations and goodwill

(i) Business combinations

Business combinations are accounted for using the acquisition method of accounting. Goodwill represents the future economic benefits resulting from the business combination, arising from assets that are not individually identified and separately recognised. Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests and the fair value of the previously held equity interest over the net of the acquisition-date amounts of the identifiable assets acquired as well as the liabilities assumed. At the acquisition date, the identifiable assets acquired and the liabilities assumed are generally recognised at their fair values.

If, after reassessment of all components described above, the calculation results in a negative amount, it is recognised as a bargain purchase gain and reported in the income statement in the line 'Other operating result' in the year of acquisition.

Non-controlling interests that are present ownership interests in the acquiree are measured at the proportionate share of the acquiree's identifiable net assets. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS. Acquisition costs incurred are expensed and included in the income statement line 'Other operating result'.

(ii) Goodwill and goodwill impairment testing

Goodwill arising on an acquisition of a business is carried at cost as established as of the date of acquisition of the business less accumulated impairment losses, if any. Goodwill is tested for impairment annually in November, or whenever there is an indication of possible impairment during the year, with any impairment determined recognised in profit or loss. The impairment test is carried out for each cash-generating unit (CGU) to which goodwill has been allocated. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Goodwill is tested for impairment by comparing the recoverable amount of each CGU to which goodwill has been allocated with its carrying amount. The carrying amount of a CGU is based on the amount of net asset value allocated to the CGU taking into account any goodwill and unamortised intangible assets recognised for the CGU at the time of business combination.

The recoverable amount is the higher of a CGU's fair value less costs to sell and its value in use. Where available, the fair value less costs to sell is determined based on recent transactions, market quotations or appraisals. The value in use is determined using a discounted cash flow model (DCF model), which incorporates the specifics of the banking business and its regulatory environment. In determining value in use, the present value of future earnings distributable to shareholders is calculated.

The estimation of future earnings distributable to shareholders is based on financial plans for the CGUs as agreed by the management taking into account the fulfilment of the respective regulatory capital requirements. The planning period is five years. Any forecasted earnings beyond the planning period are derived on the basis of the last year of the planning period and a long-term growth rate. The present value of such perpetual earnings growing at a stable rate (referred to as terminal value) takes into consideration macroeconomic parameters and economically sustainable cash flows for each CGU.

The cash flows were determined by subtracting the annual capital requirement generated by change in the amount of risk-weighted assets from the net profit. The capital requirement was defined through the target tier 1 ratio in light of the expected future minimum regulatory capital requirements.

The value in use is determined by discounting the cash flows at a rate that takes into account present market rates and the specific risks of the CGU. The discount rates have been determined based on the capital asset pricing model (CAPM). According to the CAPM, the discount rate comprises a risk-free interest rate together with a market risk premium that itself is multiplied by a factor that represents the systematic market risk (beta factor). Furthermore, a country-risk premium component is considered in calculating the discount rate. The values used to establish the discount rates are determined using external sources of information. Intangible assets, part Development of goodwill.

Where the recoverable amount of a CGU is less than its carrying amount, the difference is recognised as an impairment loss in the income statement in the line 'Other operating result'. The impairment loss is allocated first to write down the CGU's goodwill. Any remaining impairment loss reduces the carrying amount of the CGU's other assets, though not to an amount lower than their fair value less costs to sell. There is no need to recognise an impairment loss if the recoverable amount of the CGU is higher than or equal to its carrying amount. Impairment losses relating to goodwill cannot be reversed in future periods.

Property and equipment

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

Depreciation is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives. Depreciation is recognised in the income statement in the line 'General administrative expenses' and impairment in the line 'Other operating result'.

The estimated useful lives are as follows:

Type of property and equipment	Useful life in years 2012 and 2011
Buildings and structures	30 years
Office furniture and equipment	4 – 6 years
Computer hardware	4 years
Passenger cars	4 years
Fixture and fittings	6 – 12 years

Land is not depreciated.

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

Investment property

Investment property is property (land and buildings or part of a building or both) held for the purpose of earning rental income or for capital appreciation. In case of partial own use, the property is investment property only if the owner-occupied portion is insignificant. Investments in land and buildings under construction, where the future use is expected to be the same as for investment property, are treated as investment property.

Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at cost less accumulated depreciation and impairment. Together with rental income, depreciation is recognised in the income statement in the line 'Interest and similar income' using the straight-line method over an estimated useful life. The useful lives of investment properties are identical to those of buildings reported under property and equipment. Any impairment losses, as well as their reversals, are recognised in the income statement line 'Other operating result'. Investment property is presented in the balance sheet in the line 'Investment property'.

Property Held for Sale (Inventory)

The Group also invests in property that is held for sale in the ordinary course of business or property in the process of construction or development for such sale. This property is presented as "Other assets" and is measured at the lower of cost and net realizable value in accordance with IAS 2 Inventories.

The cost of acquiring inventory not only includes the purchase price but also all other directly attributable expenses such as transportation costs, customs duties, other taxes and costs of conversion of inventories, etc. Borrowing costs are capitalized to the extent to which they directly relate to the acquisition of real estate.

Sales of these assets/apartments are recognized as revenues in the income statement line "Other operating result", together with costs of sales and other costs incurred in selling the assets.

Intangible assets

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

Costs of internally generated software are capitalised if The Group can demonstrate technical feasibility and intention of completing the software, ability to use it, how it will generate probable economic benefits, availability of resources and ability to measure the expenditures reliably. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets with finite lives are amortised over their useful economic lives using the straight-line method. The amortisation period and method are reviewed at least at each financial year-end and adjusted if necessary. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the line 'General Administrative expenses'.

The estimated useful lives are as follow:

Type of intangible assets	Useful life in years 2012 and 2011
Core banking system and related applications	8 years
Computer software	4 years

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

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

If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. If the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In measuring value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For non-financial assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. The previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

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

Non-current assets and disposal groups held for sale

Non-current assets are classified as held for sale if they can be sold in their present condition and the sale is highly probable within 12 months of them being classified as held for sale. If assets are to be sold as a part of a group which may also contain liabilities (e.g. subsidiary) they are referred to as disposal group held for sale.

Assets classified as held for sale and assets belonging to disposal groups held for sale are reported under the balance sheet line 'Assets held for sale'. Liabilities belonging to the disposal groups held for sale are presented in the balance sheet in the line 'Liabilities associated with assets held for sale'. Non-current assets and disposal groups that are classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Financial guarantees

In the ordinary course of business, The Group gives financial guarantees, consisting of various types of letters of credit and guarantees. According to IAS 39, a financial guarantee is a contract that requires the guarantor to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with original or modified terms of a debt instrument. If The Group is in a position of being a guarantee holder, the financial guarantee is not recorded in the balance sheet but is taken into consideration as collateral when determining impairment of the guaranteed asset.

The Group as a guarantor recognises financial guarantees as soon as it becomes a contracting party, i.e., when the guarantee offer is accepted. Financial guarantees are initially measured at fair value. Generally the initial measurement is the premium received for a guarantee. If no premium is received at contract inception the fair value of a financial guarantee is nil, as this is the amount at which the guarantee could be settled in an arm's length transaction with an unrelated party. Subsequent to initial recognition the financial guarantee contract is reviewed for the possibility that provisioning will be required under IAS 37.

The premium received is recognised in the income statement in the line 'Net fee and commission income' on a straight-line basis over the life of the guarantee.

Defined employee benefit plans

The Group operates unfunded defined long-term benefit programs comprising lump-sum post-employment and working anniversary.

Obligations resulting from defined employee benefit plans are determined using the projected unit credit method. Future obligations are determined based on actuarial expert opinions. The calculation takes into account not only those salaries, pensions and vested rights to future pension payments known as of the balance sheet date but also anticipated future rates of increase in salaries and pensions.

See Note 29(c) for key assumptions used in actuarial valuations.

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 the interest yield on investment grade fixed income securities, which have terms to maturity approximating the terms of the related liability. Actuarial gains and losses from the jubilee benefit obligation are charged to the Income Statement in the current year. Actuarial gains and losses from post-employment defined benefit plans are recognised directly in equity in the period in which they occur.

Provisions

Provisions are recognised when the Goup has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. In the balance sheet, provisions are reported in the line 'Other provisions'. They include credit risk loss provisions for contingent liabilities (particularly financial guarantees and loan commitments) as well as provisions for litigations and restructuring. Expenses or income from allocation or release relating to credit risk loss provisions for contingent liabilities are presented in the income statement line 'Risk provisions for loans and advances'. All other expenses or income related to provisions are reported in the line 'Other operating result'.

Taxes

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

(ii) Deferred tax
Deferred tax is recognised for temporary differences between the tax bases of assets and liabilities and their carrying amounts as of the balance sheet date. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent it is probable that taxable profit will be available against which the deductible temporary differences and carry forward of unused tax losses can be utilised. Deferred taxes are not recognised on temporary differences arising from the initial recognition of goodwill.

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

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

Deferred tax relating to items recognised in other comprehensive income is also recognised in other comprehensive income and not in the income statement.

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

Fiduciary assets

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

Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by The Group's shareholders.

Recognition of income and expenses

Revenue is recognised to the extent that it is probable the economic benefits will flow to the entity and the revenue can be reliably measured. Regarding the lines reported in the income statement, their description and revenue recognition criteria are as follows:

(i) Net interest income
Interest income or expense is recorded using the effective interest rate (EIR) method. The calculation includes origination fees resulting from the lending business as well as transaction costs that are directly attributable to the instrument and are an integral part of the EIR (apart from financial instrument at fair value through profit or loss), but no future credit losses. Interest income from individually impaired loans is calculated by applying the original effective interest rate used to discount the estimated cash flows for the purpose of measuring the impairment loss.

Interest and similar income mainly includes interest income on loans and advances to credit institutions and customers, on balances with central banks and on bonds and other interest-bearing securities in all portfolios. Interest and similar expenses mainly include interest paid on deposits by banks and customer deposits, deposits of central banks, debt securities in issue and subordinated debt. In addition, net interest income includes interest on derivative financial instruments held in the banking book.

Net interest income also includes rental income and corresponding depreciation charge from investment properties. Such rental income constitutes income from operating leases and is recognised on a straight-line basis over the lease term.

Income from associates recorded by applying the equity method (share of profit or loss in associates) impairment losses, reversal of impairment losses, and realised gains and losses on investments in associates accounted for at equity are reported in the line 'Other operating result'.

(ii) Risk provisions for loans and advances
This item includes allocations to and releases of specific and portfolio risk provisions for loans and advances and for contingent liabilities bearing credit risk. Also reported in this item are direct write-offs of loans and advances as well as recoveries on written-off loans removed from the balance sheet. Furthermore allocations to and releases of portfolio

risk provisions for held-to-maturity investments with respect to incurred but not reported losses are part of this item.

(iii) Net fee and commission income
The Group earns fee and commission income from a diverse range of services it provides to its customers.

Fees earned for the provision of services over a period of time are accrued over that period. These fees include lending fees, guarantee fees, commission income from asset management, custody and other management and advisory fees as well as fees from insurance brokerage, building society brokerage and foreign exchange transactions.

Fee income earned from providing transaction services, such as arranging the acquisition of shares or other securities or the purchase or sale of businesses, is recognised on completion of the underlying transaction.

(iv) Net trading result
Results arising from trading activities include all gains and losses from changes in fair value (clean price) on financial assets and financial liabilities classified as held for trading, including all derivatives not designated as hedges. In addition, for derivative financial instruments held in the trading book, 'Net trading result' contains also interest income or expense. However, interest income or expenses on non-derivative trading assets and liabilities and on derivatives held in the banking book (include only those qualifying for hedge accounting) are not part of 'Net trading result' as they are reported as 'Net interest income'. It also includes any ineffective portions recorded in hedging transactions as well as foreign exchange gains and losses.

(v) General administrative expenses
General administrative expenses represent the following expenses accrued in the reporting period: personnel and other administrative expenses, as well as depreciation and amortisation, apart from amortisation of customer relationships and impairment of goodwill that are reported under 'Other operating result'.

Personnel expenses include wages and salaries, bonuses, statutory and voluntary social security contributions, staff-related taxes and levies. They also include expenses and income for jubilee obligations (covering service cost, interest cost, expected return on plan assets and actuarial gains and losses for jubilee obligations).

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

(vi) Other operating result
Other operating result reflects all other income and expenses not directly attributable to The Group's ordinary activities. This includes especially impairment losses or any reversal of impairment losses as well as results on the sale of property and equipment and other intangible assets. In addition, other operating result encompasses the following: expenses for other taxes, including special banking taxes and for deposit insurance contributions; income from the release of and expenses for allocations to other provisions; impairment losses (and their reversal if any) on investments in associates accounted for at equity; and realised gains and losses from the disposal of equity-accounted investments.

Other Operating Result also includes result from financial instruments consisting of the following lines in the income statement:

- **Result from financial instruments** – at fair value through profit or loss: changes in clean price of assets and liabilities designated at fair value through profit or loss are reported here.
- **Result from financial assets** – available for sale: realised gains and losses from selling as well as impairment losses and reversals of impairment losses from financial assets available for sale are reported in this position. However, interest and dividend element on these assets and reversals of impairment losses on equity instruments are not part of this position.
- **Result from financial assets** – held to maturity: impairment losses and reversals of impairment losses as well as occasional selling gains and losses from financial assets held to maturity are reported in this position. However, this position does not include incurred but not reported losses recognised for financial assets held to maturity on portfolio level which are part of the position Risk provisions for loans and advances.

Renegotiated loans
Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR.

Collateral repossessed
The Bank's policy is to determine whether a repossessed asset is best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets that are determined better to be sold are immediately transferred to assets held for sale at their fair value at the repossession date in line with the Bank's policy.

Collateral valuation
The Bank seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The fair value of collateral is generally assessed, at a minimum, at inception and based on the Bank's reporting schedule. To the extent possible, the Bank uses active market data for valuing financial assets, held as collateral. Other financial assets which do not have a readily determinable market value are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, housing price indices, and other independent sources.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ASSUMPTIONS AND ESTIMATES

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

Fair value of financial instruments
Where the fair values of financial assets and financial liabilities recorded on the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data is not available judgement is required to establish fair values. Disclosures for valuation models, fair value hierarchy and fair values of financial instruments can be found in Note 42 Fair value of financial instruments.

Impairment of financial assets
The Group reviews its financial assets not measured at fair value through profit or loss at each balance sheet date to assess whether an impairment loss should be recorded in the income statement. In particular, it is required to determine whether there is objective evidence of impairment as a result of a loss event occurring after initial recognition and to estimate the amount and timing of future cash flows, value of collateral when determining an impairment loss. 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 loan default.

Individual assessment of impairment
Loans and advances to institutions, sovereigns, corporate classes and retail clients with exposures exceeding EUR 200 thousand are generally considered by the Group as being individually significant and are analysed on an individual basis.

Loans and advances with identified impairment are internally rated as defaulted. The calculation of specific provisions is based on an estimate of expected cash flows reflecting the estimated delinquency in loan repayments, as well as proceeds from collateral. Impairment amount is determined by the difference between the loan's gross carrying amount and the net present value ('NPV') of the estimated cash flows discounted by the loan's original effective interest rate.

Portfolio assessment of impairment
For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Group's internal credit rating system.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Disclosures concerning impairment are provided in Note 36 'Credit risk'. Development of loan loss provisions is described in Note 14, 15 and 16.

Impairment of non-financial assets
The Group reviews its non-financial assets at each balance sheet date to assess whether there is an indication of impairment loss which should be recorded in the income statement. Judgement and estimates are required to determine the value in use and fair value less costs to sell by estimating the timing and amount of future expected cash flows and the discount rates.

Deferred tax assets
Deferred tax assets are recognised in respect of tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax planning strategies. Disclosures concerning deferred taxes are in Note 24) Tax assets and liabilities.

4. APPLICATION OF NEW AND AMENDED STANDARDS

The Group applied all Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB as adopted by the European Union ('EU') that are relevant to the Group's operations.

a) Standards and interpretations relevant to Group's operations, effective in the current period

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.

When the adoption of the standard or interpretation is considered to have an impact on the financial position or performance of the Group, its impact is described below:

- **IFRS 7 Financial Instruments: Disclosures (amendment)**

The IASB issued an amendment to IFRS 7 on 7 October 2010. The amendment provides enhanced disclosures for transferred financial assets that are derecognised in their entirety and transferred assets that are not derecognised in their entirety. The effective date is for annual periods beginning on or after 1 July 2011.

Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

- **IAS 12 Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets**
- **IFRS 1 First-Time Adoption of International Financial Reporting Standards (Amendment) – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopter**

b) Standards and interpretations not yet effective

Standards issued but not yet effective or not yet adopted by the EU up to the date of issuance of the Group's financial statements are listed below.
This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

- **IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income ('OCI')**

The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has there no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

- **IAS 32 Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32**

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". It will be necessary to assess the impact to the Group by reviewing settlement procedures and legal documentation to ensure that offsetting is still possible in cases where it has been achieved in the past. In certain cases, offsetting may no longer be achieved. In other cases, contracts may have to be renegotiated. The requirement that the right of set-off be available for all counterparties to the netting agreement may prove to be a challenge for contracts where only one party has the right to offset in the event of default. The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. Offsetting on the grounds of simultaneous settlement is particularly relevant for the Group as to where it engages in large numbers of sale and repurchases transactions. Currently, transactions settled through clearing systems are, in most cases, deemed to achieve simultaneous settlement. While many settlement systems are expected to meet the new criteria, some may not. Any changes in offsetting are expected to impact leverage ratios, regulatory capital requirements, etc. As the impact of the adoption depends on the Group's examination of the operational procedures applied by the central clearing houses and settlement systems it deals with to determine if they meet the new criteria, it is not practical to quantify the effects.
These amendments become effective for annual periods beginning on or after 1 January 2014.

- **IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7**

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments will not impact the financial position or performance of the Group and will become effective for annual periods beginning on or after 1 January 2013.

- **IFRS 9 Financial Instruments: Classification and Measurement**

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. Based on the IASB's decision from December 2011 the standard mandatory effective date has been postponed to annual periods beginning on or after 1 January 2015 with early application permitted. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The Board is deferring the mandatory effective date as a result of recent changes in the expected timing of completion of the remaining phases of the financial instruments project. The Board intends to allow entities to apply all phases concurrently. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets and on classification and measurements of financial liabilities. The Group is in process of assessment of the first phase and evaluating impact of the other phases as known to date. It is the intention of the Group to adopt the standard in its entirety once issued and endorsed.

- **IFRS 13 Fair Value Measurement**

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. Adoption of the standard is not expected to have a material impact on the financial position or performance of the Group. This standard becomes effective for annual periods beginning on or after 1 January 2013.

Following listing of standards and interpretations issued are those that the Group expects not to have any impact on disclosures, financial position or performance when applied at a future date:

- **IAS 19 Employee Benefits (Amendment)**
- **IAS 27 Separate Financial Statements (as revised in 2011)**
- **IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)**
- **IFRS 1 Government Loans — Amendments to IFRS 1**
- **IFRS 10 Consolidated Financial Statements**
- **IFRS 11 Joint Arrangements**
- **IFRS 12 Disclosure of Involvement with Other Entities**
- **IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine**
- **Annual Improvements May 2012**

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

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. Based on 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.

5. COMPANIES INCLUDED IN CONSOLIDATION

The consolidated financial statements include the following subsidiaries and associates:

Name of the company	Registered office	Principal activity	Group interest (%) 2012	Group voting rights (%) 2012
Subsidiaries – fully consolidated				
Realitná spoločnosť Slovenskej sporiteľne, a. s.	Tomášikova 48, 832 10 Bratislava, Slovak Republic	Real estate agency	100.00	100.00
Leasing Slovenskej sporiteľne, a. s.	Tomášikova 48 832 69 Bratislava Slovak Republic	Financial and operational leasing	100.00	100.00
Factoring Slovenskej sporiteľne, a. s.	Tomášikova 48 832 67 Bratislava Slovak Republic	Factoring	100.00	100.00
Derop B.V.	Naritaweg 165 1043 BW Amsterdam The Netherlands	Incorporation, management and financing of companies	85.00	85.00
Laned, a.s. (100% subsidiary of Derop B.V.)	Tomášikova 48 832 71 Bratislava Slovak Republic	SPE- Real estate agency	85.00	85.00
Erste Group IT SK, spol. s r. o.	Tomášikova 48 831 04 Bratislava Slovak Republic	IT services and IT systems maintenance	51.00	51.00
Procurement Services SK, s. r. o.	Tomášikova 48 832 75 Bratislava Slovak Republic	Procurement	51.00	51.00
Associates – accounted under equity method				
Prvá stavebná sporiteľňa, a. s. („PSS“)	Bajkalská 30 829 48 Bratislava Slovak Republic	Banking	9.98	35.00
Slovak Banking Credit Bureau, s. r. o.	Malý trh 2/A 811 08 Bratislava Slovak Republic	Retail credit register	33.33	33.33
s IT Solutions SK, spol. s r. o.	Tomášikova 48 831 04 Bratislava Slovak Republic	Software company	23.50	23.50

During 2012 the Bank increased its investment in the subsidiary Leasing Slovenskej sporiteľne, a.s. and now is the sole shareholder of this entity. The purchase price of the remaining share was EUR 1.

Even though the Bank's share and voting rights in the Czech and Slovak Property Fund represented 10.00%, the Company was classified as an associate and consolidated using the equity method based on other significant invested assets. In 2012 the Bank sold its investment in the Czech and Slovak Property Fund B.V. (see also note 20).

The Bank held a 9.98% shareholding in PSS at 31 December 2012 and 31 December 2011. The Bank, based on the contract with Erste Group Bank, represents shareholder interests of the parent company in PSS (25.02%). In 2004, following NBS approval, the Bank's representative replaced a representative of Erste Group Bank in the Supervisory board of PSS. As a result of the above mentioned, the Bank established significant influence over PSS from 2004. The investment in PSS is therefore presented as an associate, with the income from this investment reported under 'Other Operating Result' (Note 11).

Except for the changes described above there were no other changes in the group structure in comparison to 2011.

6. NET INTEREST INCOME

ths. EUR	2012	2011
Interest income from:		
Loans and advances to financial institutions	11 825	25 017
Loans and advances to customers	407 403	413 412
Financial assets at fair value through profit and loss	3 455	1 095
Securities available for sale	29 360	30 765
Held to maturity securities	108 041	104 725
Other interest income and similar income	43	(146)
Total interest income	**560 127**	**574 868**
Interest expense for:		
Amounts owed to financial institutions	(10 191)	(15 834)
Amounts owed to customers	(83 004)	(76 291)
Debts securities in issue	(13 259)	(11 347)
Subordinated debt	(6 167)	(5 769)
Total interest expenses	**(112 621)**	**(109 241)**
Net interest income	**447 506**	**465 627**

In 2012, interest income includes a total of EUR 8.0 million (2011: EUR 8.6 million) relating to impaired financial assets.

7. NET FEE AND COMMISSION INCOME

ths. EUR	2012	2011
Fee and commission income from:		
Payment transfers	91 171	87 967
Lending business	31 301	32 432
Securities	5 275	6 597
Other fees	10 862	9 660
Total fee and commission income	**138 609**	**136 656**
Fee and commission expense for:		
Payment transfers	(15 449)	(12 304)
Lending business	(3 664)	(2 371)
Securities	(844)	(752)
Other fees	(562)	(389)
Total fee and commission expense	**(20 519)**	**(15 816)**
Net fee and commission income	**118 090**	**120 840**

8. PROVISIONS FOR LOSSES ON LOANS, ADVANCES AND OFF BALANCE SHEET

ths. EUR	2012	2011
Provisioning charges for:		
Specific risk provisions	(136 172)	(149 235)
Portfolio risk provisions	(40 173)	(40 517)
Total provisioning charges	**(176 345)**	**(189 752)**
Release of provisions		
Specific risk provisions	82 055	70 945
Portfolio risk provisions	48 855	48 999
Total release of provisions	**130 909**	**119 945**
Net provisions for losses on loans and advances (Note 16)	**(45 435)**	**(69 807)**
Direct write offs / Recoveries of loans written off	(9 421)	(2 380)
Net creation of provisions for off-balance risks	317	13
Net provisions	**(54 539)**	**(72 174)**

9. NET TRADING RESULT

ths. EUR	2012	2011
Foreign exchange and currency derivatives	5 542	5 389
Interest derivatives	(2 059)	208
Trading securities gains	7 048	1 914
Other gains/(losses)	451	886
Credit risk instruments and related derivatives	5 085	(6 535)
Total	**16 067**	**1 862**

The line 'Trading securities gains' includes gains from Erste Group Bank's market positions distributed according to approved rules based on the financial results of the local banks as described in note 17.

10. GENERAL ADMINISTRATIVE EXPENSES

ths. EUR	2012	2011
Personnel expenses		
Wages and salaries	(82 839)	(76 034)
Social security expenses	(27 450)	(25 316)
Long term employee benefits	(450)	(16)
Other personnel expenses	(2 733)	(1 843)
Total personnel expenses	**(113 472)**	**(103 209)**
Other administrative expenses		
Data processing expenses	(32 075)	(37 277)
Building maintenance and rent	(22 780)	(17 925)
Costs of group operations	(12 866)	(10 935)
Advertising and marketing	(13 279)	(14 730)
Legal fees and consultation	(2 655)	(4 307)
Expenses for personal leasing	(93)	(256)
Other administrative expenses	(3 009)	(6 553)
Total other administrative expenses	**(86 757)**	**(91 983)**
Depreciation		
Amortisation of intangible assets	(25 952)	(17 521)
Depreciation	(20 985)	(21 370)
Total depreciation, amortisation	**(46 937)**	**(38 891)**
Total	**(247 166)**	**(234 083)**

The average number of employees in the Group was 4 216 in 2012 and 4 114 in 2011, thereof five members of the Board of Directors in both years.

During 2012 activities (including full time employees) from the company sIT solutions (non-consolidated participation) were transferred to EGIT SK (fully consolidated entity).

Other administrative expenses include the cost of audit services and other advisory services provided by the audit company:

ths. EUR	2012	2011
Audit of statutory financial statements	307	314
Audit of group reporting	307	330
Other related services provided to the Group	154	130
Total	**768**	**774**

11. OTHER OPERATING RESULT

ths. EUR	2012	2011
Revaluation of securities at fair value, net	(1 783)	(4 733)
Result on securities available-for-sale	(457)	(8 707)
Net gain/(loss) from disposal of subsidiaries and associates	(1 180)	195
Income/Loss on investments in associates	248	2 132
Contribution to Deposit protection fund	(6 673)	(13 198)
Special Levy of selected financial institutions	(31 507)	-
Other operating result, other	(1 328)	(15 767)
Total other operating result	**(42 680)**	**(40 078)**

Net gain / (loss) from disposal of subsidiaries and associates of EUR 1 180 thousands represents the loss on sale of CSPF.

Special Levy of selected financial institutions and contribution to the DPF
In the first six months of 2012 the Bank was still legally obliged to make a contribution to the Deposit Protection Fund ("DPF") of Slovakia calculated based on its customer deposit liabilities.

Beginning 1 January 2012 the Bank is subject to a special levy of selected financial institutions ("special levy") according to Act. 384/2011 Coll. The basis for calculation for the first 9 months of 2012 consisted of the banks' liabilities less the banks' equity, subordinated debt, and deposits which were subject to the protection of DPF. The rate valid for the financial year was 0.4%.

During the year 2012 the Law changed and the Bank is no longer obliged to make contributions to the DPF (the law stipulates that the contribution rate is 0%) but the burden representing the special levy increased. For the last 3 months the basis for calculation consists of the banks' liabilities less the bank's equity and subordinated debt. The rate remained unchanged.

Moreover the Bank made a special contribution of 0.1% based on the same calculation based on the financial statements for the year ended 31 December 2011. The amount of this one-off contribution represents EUR 10.1 million.

In 2012 the Group recognised a loss in the amount of EUR 4.9 million (2011: 7.0 million) as a result of impairment of assets classified as Property and equipment under IAS 16 (previously classified as non-current assets held for sale under IFRS 5 and reclassified in 2011, see also Note 22) and held for rental income under IAS 40. The amount is included under 'Other operating result, other'.

For the net effect of creation/release of provision for legal cases see Note 29.

Income / (loss) from investments in associates:

Company	2012	2011
Prvá stavebná sporiteľňa, a.s. (PSS)	2 787	2 575
Czech and Slovak Property Fund B.V.	(2 715)	(631)
Other	176	188
Total	**248**	**2 132**

12. INCOME TAX EXPENSE

ths. EUR	2012	2011
Current tax expense	(38 661)	(51 770)
Deferred tax income (Note 24)	(9 967)	4 669
Total	**(48 628)**	**(47 101)**

The actual tax on the Group's profit before tax differs from the theoretical amount that would arise using the basic tax rate of the Slovak Republic as follows:

ths. EUR	2012 (ths. EUR)	2012 %	2011 (ths. EUR)	2011 %
Profit before tax	**237 278**		**241 994**	
Theoretical tax at income tax rate of 19%	**45 083**	**19.0**	**45 979**	**19.0**
Tax effect of expenses that are not deductible in determining taxable profit:				
– Allocation of non-deductible risk provisions	15 931	6.7	2 361	1.0
– Other	2 173	0.9	2 217	0.9
Total tax effect of expenses that are not deductible in determining taxable profit	**18 103**	**7.6**	**4 577**	**1.9**
Tax effect of revenues that are deductible in determining taxable profit:				
– Release of non-deductible risk provisions	(937)	(0.4)	(1 917)	(0.8)
– Income from dividends	(584)	(0.2)	(581)	(0.2)
– Other	(1 797)	(0.8)	(2 020)	(0.8)
Total tax effect of revenues that are deductible in determining taxable profit	**(3 318)**	**(1.4)**	**(4 517)**	**(1.9)**
Tax loss current year non-valued	-	-	1 062	0.4
Other changes with the impact on theoretical tax:				
– change in statutory tax rate (4%)	(11 240)	(4.7)	-	-
Total tax effect of other changes with impact on theoretical tax	**(11 240)**	**(4.7)**	**-**	**-**
Tax expense and effective tax rate for the year	**48 628**	**20.5**	**47 101**	**19.4**

13. CASH AND BALANCES AT THE CENTRAL BANK

ths. EUR	2012	2011
Cash balances	358 564	294 806
Minimum reserve deposit with NBS	18 441	4 377
Total	**377 005**	**299 183**

The minimum reserve deposit represents a mandatory deposit (bearing 1% interest as of 31 December 2012; 2011: 1%) calculated in accordance with regulations issued by the central bank (1% of certain Group's liabilities) with restricted withdrawal.

During one month period that included the year end date, the Bank maintained, as required, an average reserve balance at the NBS of approximately EUR 124 million (2011: EUR 151.3 million).

14. LOANS AND ADVANCES TO FINANCIAL INSTITUTIONS

ths. EUR	2012	2011
Loans and advances on demand (nostro accounts)	18 780	7 270
Placements with financial institutions	271 158	605 967
Loans and advances to Financial institutions, gross	**289 938**	**613 237**

Repurchase agreements with Erste Group in the amount of EUR 210 million (2011: EUR 210 million) are collateralized by securities issued by financial institutions in the market value of EUR 271.9 million (2011: EUR 263.5 million). The nominal value was EUR 275.7 million and EUR 291 million in 2012 and 2011, respectively.

The recorded amounts represent the maximum exposure to credit risk.

15. LOANS AND ADVANCES TO CUSTOMERS

ths. EUR	2012	2011
Corporate clients	2 070 676	2 117 656
Syndicated loans	284 352	272 193
Overdrafts	339 390	380 299
Direct provided loans	1 386 913	1 407 665
Finance leasing	19 438	34 017
Factoring	28 603	23 482
Retail clients	4 798 310	4 354 077
Mortgage loans	3 702 870	3 247 355
Consumer loans	998 505	992 491
Social loans	4 108	10 050
Overdrafts	92 040	101 820
Finance leasing	787	2 361
Public sector	223 549	225 709
Loans and advances to Customers, gross	**7 092 535**	**6 697 442**
Loan loss provision (Note 16)	(378 512)	(409 350)
Total	**6 714 023**	**6 288 092**

As at 31 December 2012 the 15 largest customers accounted for 8.34% of the gross loan portfolio were in the amount of EUR 591 million (2011: 9.12%, EUR 611 million).

Mandate loans

As of 31 December 2012, the Group cooperated with 11 external outsourcing companies. Under mandate contracts the management and administration of certain non-performing receivables is outsourced. The Group maintains the risks and rewards associated with the underlying exposures and shares part of recoveries with the external service providers. Total outsourced gross loans amounted to EUR 185.1 million as of 31 December 2012 (2011: 144.6 EUR million).

Write off and sale of receivables

In 2012, the Bank sold a total of EUR 69.64 million of loan receivables (2011: EUR 44.94 million) for consideration of EUR 32.6 million (2011: EUR 10.8 million) and used corresponding provisions of EUR 37.44 million (2011: EUR 37.5 million).

The Group has also written off loans with a carrying amount of EUR 34.88 million, related provisions were created in the amount of EUR 23.58 million (2011: written off loans in the amount of EUR 15.6 million, provisions were created in the amount EUR 13.6 million).

Finance leases

Loans and advances to customers also include net investments in finance leases. The principal assets held under lease arrangements include cars and other technical equipment. Accumulated allowance for uncollectible minimum lease payments receivable is EUR 10.8 million (2011: EUR 13.3 million).

ths. EUR	2012	2011
Gross investment in finance leases	**23 514**	**41 008**
Thereof:		
– Less than 1 year	10 794	21 981
– From 1 year to 5 years	8 805	14 613
– Over 5 years	3 915	4 414
Unearned income	**3 290**	**4 630**
Net investment in finance leases	**20 225**	**36 378**
Thereof:		
– Less than 1 year	10 035	20 476
– From 1 year to 5 years	7 542	12 935
– Over 5 years	2 648	2 967

16. PROVISIONS FOR LOSSES ON LOANS AND ADVANCES

2012 ths. EUR	Loans and advances to financial institutions	Loans and advances to customers	Total
As at 1 January	-	409 350	409 350
Net allocation /(release) of provisions (excluding effect of unwinding)	-	45 435	45 435
Use of provisions due to sale and write-off of receivables and other adjustments	-	(61 026)	(61 026)
Transfer	-	(7 200)	(7 200)
Unwinding of discount on provisions	-	(8 047)	(8 047)
As at 31 December	**-**	**378 512**	**378 512**

2011 ths. EUR	Loans and advances to financial institutions	Loans and advances to customers	Total
As at 1 January	-	394 240	394 240
Net allocation / (release) of provisions (excluding effect of unwind)	-	69 807	69 807
Use of provisions due to sale and write-off of receivables and other adjustments	-	(46 120)	(46 120)
Unwinding of discount on provisions	-	(8 577)	(8 577)
As at 31 December	**-**	**409 350**	**409 350**

Use of provisions results mainly from write off and the sale of impaired receivables, see Note 15.

Unwinding represents the decrease in the impairment provisions, resulting from the unwinding of the cash flow discounting due to passage of time.

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

ths. EUR	2012	2011
Trading assets		
Financial derivatives with positive fair value (Note 43b)	67 243	63 099
Interest Rate Agreements	58 720	51 082
Exchange Rate Agreements	4 832	8 910
Other	3 691	3 107
	67 243	63 099
Assets classified at fair value at acquisition		
Credit investments	11	11
Debt securities and participation certificates	30 864	27 723
	30 875	27 734
Total	**98 118**	**90 833**

The amounts represent the maximum exposure to credit risk.

Financial assets are designated at fair value portfolio based on the intention to manage these on the fair value basis.

With effect from 4 February 2008, the Group has adopted a new business model of financial markets trading in cooperation with Erste Group Bank. Erste Group Bank has started to conduct all trading operations on a central trading book in order to better manage market risks from the group trading activities (i.e., transactions with retail, corporate and other institutional clients) with the exception of the equity risk trading and transactions for the Group's liquidity management purposes.

Trading gains (i.e. from Erste Group Bank's market positions) are distributed according to approved rules based on the financial results back to the Group's local banks and reported in the 'Net trading result'. The basic principle underlying these rules involves Erste Group Bank absorbing potential losses in individual groups of assets in exchange for the risk premium derived from the VaR indicator. Included in the new business model of financial markets trading is a reallocation of the trading costs for individual participating Erste Group Bank subsidiaries based on the Group's Cost Income Ratio.

Debt securities and participation certificates

ths. EUR	2012	2011
State institutions in Slovak Republic	6 783	6 314
Financial institutions in the Slovak Republic	10 209	7 697
Foreign state institutions	4 454	4 429
Foreign financial institutions	1 692	1 752
Other entities in the Slovak Republic	1 184	1 178
Other foreign entities	6 542	6 353
Total	**30 864**	**27 723**

18. SECURITIES AVAILABLE FOR SALE

ths. EUR	2012	2011
Debt securities and other fixed income securities – listed	1 349 188	960 687
Managed Funds	-	12 131
Debt and other fixed income securities	**1 349 188**	**972 818**
Equity securities – shares	**9 147**	**7 088**
Listed	8 466	6 407
Unlisted	681	681
Net amount	**1 358 335**	**979 906**

Managed funds are investments in funds managed by third party fund managers who invests an administrated amount into different asset classes (fixed income assets, asset backed securities, funds, etc.) in accordance with prearranged regulations. In its portfolio, the Group has managed funds invested through the purchase of bonds and managed funds invested through the purchase of the participating interest.

The maximum exposure to credit risk is represented by the carrying amounts.

Debt securities and other fixed income securities at fair value by type of issuer comprise:

ths. EUR	2012	2011
State institutions in Slovak Republic	1 190 299	763 347
Financial institutions in the Slovak Republic	62 326	86 723
Foreign state institutions	44 416	47 696
Foreign financial institutions	30 545	55 538
Other entities in the Slovak Republic	21 602	19 514
Total	**1 349 188**	**972 818**

Fair value hedge

The Group has in its portfolio as at 31 December 2012 fixed rate EUR denominated bonds with face value of EUR 91 million (2011: EUR 91 million). As the purchase of the bonds increased the exposure to interest rate risk in the period from five to ten years, the Group entered into an interest rate swap in order to hedge the changes of fair value caused by changes of risk-free interest rates, paying fixed and receiving floating rates. Notional and fair value of the aforementioned hedging derivative is reported in note 41b.

During the period, hedges were effective in hedging the fair value exposure to interest rate movements. For the year ended 31 December 2012, the Group recognised a net loss of EUR 7.02 million (2011: loss of EUR 8.98 million), representing the loss on the hedging instruments. The total gain on hedged item attributable to the hedged risk amounted to a gain of EUR 6.84 million (2011: gain of EUR 8.74 million).

19. SECURITIES HELD TO MATURITY

ths. EUR	2012	2011
Debt securities and other fixed income securities - listed	2 443 095	2 560 304
Total	**2 443 095**	**2 560 304**

The amounts represent the maximum exposure to credit risk.

Debt securities and other fixed income securities at carrying value by type of issuer comprise:

ths. EUR	2012	2011
State institutions in the Slovak Republic	2 311 138	2 379 998
Financial institutions in the Slovak Republic	2 064	2 064
Foreign state institutions	62 706	73 068
Foreign financial institutions	43 004	53 214
Other entities in the Slovak Republic	23 578	23 596
Other foreign entities	605	28 364
Total	**2 443 095**	**2 560 304**

20. INVESTMENTS IN ASSOCIATES

Name of the company	Registered office	Principal activity	Bank interest in % 2012	Bank voting rights in % 2012
Prvá stavebná sporiteľňa, a.s.	Bajkalská 30 829 48 Bratislava Slovak Republic	Banking	9.98	35.00
Slovak Banking Credit Bureau, s. r. o.	Malý trh 2/A 811 08 Bratislava Slovak Republic	Retail credit register	33.33	33.33
s IT Solutions SK, spol. s r. o.	Tomášikova 48 831 04 Bratislava Slovak Republic	Software company	23.50	23.50

2012 ths. EUR	Interest held (%)	Voting power held (%)	Net book value	Total assets	Total equity	Total Income	Total expense
Prvá stavebná sporiteľňa, a. s.	9.98	35.00	25 100	2 227 376	252 305	129 420	95 966
Slovak Banking Credit Bureau, s. r. o.	33.33	33.33	41	137	123	1 099	1 096
s IT Solutions SK, spol. s r. o.	23.50	23.50	-	592	543	3 748	3 691
Total			**25 141**	**2 228 105**	**252 971**	**134 267**	**100 753**

2011 ths. EUR	Interest held (%)	Voting power held (%)	Net book value	Total assets	Total equity	Total Income	Total expense
Prvá stavebná sporiteľňa, a. s.	9.98	35.00	25 122	2 224 052	251 037	147 792	100 212
Slovak Banking Credit Bureau, s. r. o.	33.33	33.33	38	663	126	1 361	1 330
s IT Solutions SK, spol. s r. o.	23.50	23.50	-	12 138	528	74 090	73 765
Czech and Slovak Property Fund B.V.	10.00	10.00	-	286 063	(15 753)	30 539	43 547
Total			**25 160**	**2 522 916**	**235 938**	**253 782**	**218 854**

During 2012, the Group received dividends from participations in the amount of EUR 3.2 million (2011: EUR 3.1 million).

During 2012 the Bank increased it's investment in Czech and Slovak Property Fund B.V. ("CSPF") by the means of various capital contributions in the amount of EUR 2.7 million and capitalisation of part of the subordinated loans provided to CSPF in the amount of EUR 10.8 mil, with a net book value of the loans as of the day of capitalization of EUR 3.6 mil.

Furthermore in 2012 the Bank sold its investment in the Czech and Slovak Property Fund B.V. Result of both of these transactions is presented in Other operating result (Note 11) in line "Net gain from disposal of subsidiaries and associates" and "Impairment of investments in subsidiaries and associates".

21. INTANGIBLE ASSETS

ths. EUR	Software	Other intangible assets	Total
Cost			
1 January 2012	**302 683**	**2 548**	**305 232**
Additions	13 116	397	13 513
Disposals	(17 012)	-	(17 012)
Transfers	67	(67)	-
31 December 2012	**298 854**	**2 878**	**301 733**
Accumulated amortisation and impairment			
1 January 2012	**(187 048)**	**(2 197)**	**(189 245)**
Amortisation	(25 755)	(197)	(25 952)
Disposals	17 012	-	17 012
31 December 2012	**(195 791)**	**(2 394)**	**(198 185)**
Net book value			
31 December 2011	**115 635**	**351**	**115 987**
31 December 2012	**103 063**	**484**	**103 548**

The original cost of fully amortized intangible assets that are still in use by the Group amounts to EUR 152 million (2011: 161.5 million).

In 2012 the Group put in use upgrade of the new core banking system in the total amount of EUR 7,8 million (upgrade was put in use quarterly and amount of EUR 0.3 million will be put in use in 2013).

Assets not yet put in service as of 31 December 2012 amounted to EUR 1.9 million. In 2011 the asset not yet put in service in the amount of EUR 6.4 million related to the development project of the bank system.

ths. EUR	Software	Other intangible assets	Total
Cost			
1 January 2011	**233 113**	**2 884**	**235 998**
Additions	70 429	-	70 429
Disposals	(859)	(336)	(1 195)
31 December 2011	**302 683**	**2 548**	**305 232**
Accumulated amortisation and impairment			
1 January 2011	**(170 364)**	**(2 309)**	**(172 673)**
Amortisation	(17 297)	(224)	(17 521)
Disposals	613	336	949
31 December 2011	**(187 048)**	**(2 197)**	**(189 245)**
Net book value			
31 December 2010	**62 749**	**575**	**63 325**
31 December 2011	**115 635**	**351**	**115 987**

22. PROPERTY, EQUIPMENT AND ASSETS HELD FOR RENTAL INCOME

ths. EUR	Land and buildings	Equipment fixtures and fittings	Total property and equipment	Investment property	Other movable properties held for rental income
Cost					
1 January 2012	**306 343**	**134 727**	**441 070**	**6 289**	**3 792**
Additions	5 256	9 301	14 557	-	4 162
Disposals	(4 502)	(6 769)	(11 271)	(812)	(629)
Transfers	(357)	-	(357)	357	-
31 December 2012	**306 740**	**137 259**	**443 999**	**5 834**	**7 325**
1 January 2012	**(92 206)**	**(109 763)**	**(201 969)**	**(3 234)**	**(1 711)**
Depreciation	(10 738)	(10 247)	(20 985)	(190)	(758)
Disposals	1 827	6 664	8 491	463	439
Provisions for impairment	(3 515)	-	(3 515)	44	(52)
Transfers	109	-	109	(109)	-
31 December 2012	**(104 523)**	**(113 346)**	**(217 869)**	**(3 026)**	**(2 082)**
Net book value					
31 December 2011	**214 137**	**24 964**	**239 101**	**3 055**	**2 081**
31 December 2012	**202 217**	**23 913**	**226 130**	**2 808**	**5 243**

The original cost of property and equipment that is fully depreciated but still in use by the Group as of 31 December 2012 amounts to EUR 87 million (2011: 82 million).

The Group has assessed the impairment of assets (buildings) that were unused and/or rented to other parties. Based on the estimated recoverable amounts the Group recorded total of EUR 44 thousand of impairment provisions into 'Other operating result' as of 31 December 2012 (2011: EUR 105 thousand). Provisions for impairment amount to EUR 389 thousand as of 31 December 2012 (2011: EUR 434 thousand).

In 2012 the Bank recognised a loss in the amount of EUR 4.9 million (2011: 7 million) as a result of impairment of assets classified as Property and equipment under IAS 16.

Transfers also represent reclassification to/from the category Non-Current assets held for sale.

ths. EUR	Land and buildings	Equipment fixtures and fittings	Total property and equipment	Investment property	Other movable properties held for rental income
Cost					
1 January 2011	**228 870**	**162 515**	**391 385**	**6 735**	**2 944**
Additions	13 901	6 590	20 491	-	1 746
Disposals	(617)	(34 321)	(34 938)	-	(948)
Transfers	64 189	(57)	64 132	(446)	50
31 December 2011	**306 343**	**134 727**	**441 070**	**6 289**	**3 792**
Accumulated depreciation and impairment					
1 January 2011	**(48 821)**	**(132 881)**	**(181 702)**	**(3 280)**	**(1 590)**
Depreciation	(10 582)	(10 788)	(21 370)	(206)	(559)
Disposals	159	33 844	34 003	-	553
Provisions for impairment	(6 970)	-	(6 970)	105	(75)
Transfers	(25 992)	62	(25 930)	147	(40)
31 December 2011	**(92 206)**	**(109 763)**	**(201 969)**	**(3 234)**	**(1 711)**
Net book value					
31 December 2010	**180 049**	**29 634**	**209 683**	**3 455**	**1 354**
31 December 2011	**214 137**	**24 964**	**239 101**	**3 055**	**2 081**

Operating leases

The Group as a lessee

The following table summarizes future minimum lease payments under non-cancellable operating leases:

Outstanding commitments from operating leases	2012 ths. EUR	2011 ths. EUR
Payable in period:		
– Less than 1 year	369	257
– From 1 year to 5 years	1 311	813
– Over 5 years	201	273
Operating leasing payments recognised as expense in the period	-	1 986

According to a purchase agreement between Leasing Slovenskej sporiteľne, a.s. and the Bank on 1 January 2012 the technology and motor vehicles rented under operating lease were transferred to the Bank in the amount of EUR 5.5 million.

The Group as a lessor

The rental income from assets classified as operating lease under IAS 17 represented EUR 923 thousand (2011: EUR 364 thousand).

Investment property

The Group owns buildings rented to other parties with a total net book value of EUR 2.8 million (net of impairment, EUR 389 thousand) as at 31 December 2012 (2011: EUR 3.1 million net of impairment of EUR 434 thousand). The total rental income earned by the Group amounted to EUR 68 thousand (2011: EUR 255 thousand) and is presented as 'Interest income'. The depreciation of assets held for rental income is presented under 'Interest income' and amounted to EUR 190 thousand (2011: EUR 206 thousand).

The estimated fair value of investment property as at 31 December 2012 was EUR 2.4 million (2011: EUR 2.2 million). The Group uses its own model for determining the fair value of investment property, which is based on discounting future rental income decreased by direct operating expenses. Future rental income was determined using market rental rates for buildings with similar conditions and location.

Insurance coverage

The Group's insurance covers all standard risks to tangible and intangible assets (theft, robbery, natural hazards, vandalism, and other damages).

23. NON-CURRENT ASSETS HELD FOR SALE

During the year 2011 the Group reassessed its classification of non-current assets as held for sale. Due to current market conditions, even though the Group was committed to, it was not able to complete sale of these assets within the 12 months period after classification. The Group believes the market conditions will improve and will actively continue searching for a buyer but has not further reduced the price of the assets. As a result of this the assets are not available for immediate sale as defined by the standard. The assets were therefore reclassified as held for use and presented under 'Property, Equipment and Investment Property' (Note 22).

At the date of transfer the assets were measured at the lower of carrying amount before classification as held for sale adjusted for any depreciation or amortisation that would have been recognised had the asset not been classified as held for sale and the recoverable amount. No further value reduction was necessary as a result of this test.

24. INCOME TAX ASSETS AND LIABILITIES

The structure of the tax position as at 31 December 2012 and 31 December 2011 was as follows:

ths. EUR	2012	2011
Deferred income tax assets	58 523	82 499
Current Income tax assets	12 826	19
Total income tax assets	**71 349**	**82 518**
Deferred income tax liability	-	77
Current income tax liability	-	677
Total income tax liabilities	**-**	**754**

Deferred tax booked	directly to equity		to Income statement								
ths. EUR	Securities available for sale	Cash flow hedges	Provisions for losses on loans and advances	Securities	Intangible assets	Property and equipment	Provisions	Associates and other investments	Tax loss carried forward	Other	Total
31 December 2010	**807**	**(16)**	**67 237**	**296**	**(385)**	**(4 683)**	**2 861**	**864**	**194**	**3 433**	**70 608**
Charge / (credit) to equity for the year	6 381	-	-	-	-	-	-	-	-	-	6 381
Charge / (credit) to Income statement for the year	-	-	4 292	(63)	(73)	750	(75)	-	187	(349)	4 669
Recycled from equity to Income statement	748	16	-	-	-	-	-	-	-	-	764
31 December 2011	**7 936**	**-**	**71 529**	**233**	**(458)**	**(3 933)**	**2 786**	**864**	**381**	**3 084**	**82 422**
Charge / (credit) to equity for the year	(14 085)	-	-	-	-	-	-	-	-	-	(14 085)
Charge / (credit) to Income statement for the year	-	-	(7 261)	(233)	(203)	(262)	571	(621)	293	(2 248)	(9 964)
Recycled from equity to Income statement	(89)	-	-	-	-	-	-	-	-	-	(89)
31 December 2012	**(6 238)**	**-**	**64 268**	**-**	**(661)**	**(4 195)**	**3 357**	**243**	**673**	**836**	**58 283**

Certain deferred tax assets and liabilities have been offset in accordance with the Group's accounting policy.

The Group applies a conservative approach for the recognition of deferred tax assets and liabilities. All deferred tax liabilities are recognised in the full amount, while only those deferred tax assets are recognised for which the Bank expects to realise tax benefits in the future. During 2012 the Bank changed its approach to temporary differences resulting from the tax treatment of the loan loss provisions and part of the loan loss provisions are treated as a permanent difference (note 12). The main driver of this change in management estimate is the intention to speed up the recovery process of non-performing loans.

25. OTHER ASSETS

ths. EUR	2012	2011
Customers, advances, reinvoiced amounts and prepayments	19 452	14 266
Payment cards and cheques	12	1 353
Fair value of hedging instruments and revaluation of hedged items	30 895	22 473
Material and inventories	6 263	5 564
Other	5 983	5 793
Total	**62 605**	**49 449**

26. AMOUNTS OWED TO FINANCIAL INSTITUTIONS

ths. EUR	2012	2011
Amounts owed on demand	4 840	23 896
Repo trades with debt securities	938 670	944 658
Term deposits and clearing	204 769	479 253
Total	**1 148 279**	**1 447 807**

27. AMOUNTS OWED TO CUSTOMERS

ths. EUR	2012	2011
Amounts owed on demand	3 408 982	3 129 679
Savings deposits	891 636	553 421
Term deposits	4 111 949	4 350 626
Total	**8 412 567**	**8 033 726**

Savings deposits are deposits with a defined period of notice, term deposits have a defined maturity date. Savings deposits usually remain in place for a long-term period.

ths. EUR	2012	2011
Savings deposits	891 636	553 421
Term deposits and amounts owed on demand:		
Corporate clients	1 622 201	1 638 539
Retail clients	5 687 581	5 676 962
Public sector	40 289	18 246
Other	170 860	146 558
Total	**8 412 567**	**8 033 726**

As at 31 December 2012 and 31 December 2011, no amounts owed to clients were collateralised by securities.

As at 31 December 2012, amounts owed to customers include special guaranteed deposits in the amount of EUR 16.9 million (2011: EUR 127 million). These contracts include embedded currency, commodity and equity derivatives in the FV of EUR 19 098 (2011: EUR 72 077) which were separated and disclosed under 'Financial assets at fair value through profit or loss' and 'Financial liabilities at fair value through profit or loss'.

28. DEBT SECURITIES IN ISSUE

Bonds in issue are presented in the following table:

ths. EUR	2012	2011
Bonds in issue	519 170	362 623
Bonds in issue - Guaranteed deposit	17 559	4 758
Total	**536 729**	**367 381**

Bonds in issue are presented in the following table:

	Date of issue	Maturity date	Actual interest rate	Nominal value 2012 ths. EUR	Nominal value 2011 ths. EUR
Mortgage bonds	March 2006	March 2016	6M BRIBOR 0.09%	16 597	16 597
Mortgage bonds	July 2007	July 2027	4.95%	16 597	16 597
Mortgage bonds	September 2007	September 2012	6M BRIBOR+0.02%	-	19 916
Other bonds	March 2008	March 2013	3M BRIBOR + 0.35%	1 660	2 324
Mortgage bonds	April 2008	April 2012	6M BRIBOR 0.10%	-	664
Mortgage bonds	April 2008	April 2021	5.00%	16 597	16 597
Other bonds	May 2008	May 2012	4.52%	-	3 651
Other bonds	May 2009	May 2013	3M EURIBOR	4 450	4 450
Other bonds	May 2009	May 2012	3.25%	-	14 456
Mortgage bonds	July 2009	January 2013	3.50%	9 722	9 722
Mortgage bonds	August 2009	August 2013	3.60%	9 580	9 596
Mortgage bonds	August 2009	August 2013	3.60%	9 639	9 672
Mortgage bonds	October 2009	October 2013	3.30%	12 023	12 029
Mortgage bonds	December 2009	December 2013	3.50%	14 723	14 726
Mortgage bonds	December 2009	December 2013	3.50%	4 886	4 886
Mortgage bonds	January 2010	January 2014	3.50%	5 882	5 885
Mortgage bonds	February 2010	February 2015	3.62%	2 095	2 095
Mortgage bonds	March 2010	March 2014	3.30%	10 536	10 553
Mortgage bonds	March 2010	March 2015	6M EURIBOR + 0.95%	20 000	20 000
Mortgage bonds	April 2010	April 2015	3.50%	9 599	9 603
Mortgage bonds	May 2010	May 2014	2.80%	7 569	7 582
Mortgage bonds	July 2010	July 2015	3.10%	14 950	15 000
Mortgage bonds	July 2010	July 2015	6M EURIBOR + 1.00%	9 950	9 950
Mortgage bonds	August 2010	August 2015	3.09%	17 000	17 000
Mortgage bonds	September 2010	September 2014	2.80%	9 701	9 720
Mortgage bonds	October 2010	October 2014	2.35%	9 867	9 871
Mortgage bonds	November 2010	November 2015	2.65%	9 845	9 897
Other bonds	December 2010	December 2015	2.00%	2 858	2 865
Mortgage bonds	March 2011	September 2014	3.00%	8 199	8 208
Mortgage bonds	February 2011	August 2015	2.95%	9 824	9 916
Mortgage bonds	March 2011	September 2014	3.00%	14 496	14 536
Mortgage bonds	February 2011	August 2017	3.55%	2 550	2 550
Mortgage bonds	March 2011	March 2016	3.10%	14 771	14 893
Other bonds	March 2011	March 2017	3.65%	2 500	2 750
Mortgage bonds	June 2011	June 2015	3.20%	7 684	7 696
Mortgage bonds	July 2011	July 2016	3.20%	2 494	2 494
Mortgage bonds	August 2011	February 2016	3.20%	5 349	5 404
Mortgage bonds	December 2011	December 2016	3.50%	6 337	6 354
Mortgage bonds	February 2012	February 2015	KOMB	3 400	-
Mortgage bonds	February 2012	February 2016	3.70%	8 880	-
Mortgage bonds	February 2012	February 2014	3.28%	20 000	-
Mortgage bonds	January 2012	July 2016	3.70%	6 171	-
Mortgage bonds	June 2012	December 2016	2.85%	2 788	-
Mortgage bonds	May 2012	May 2017	3.30%	35 000	-
Mortgage bonds	June 2012	June 2017	2.92%	20 000	-
Mortgage bonds	July 2012	January 2017	2.88%	8 019	-
Mortgage bonds	August 2012	August 2014	1.25%	40 000	-
Mortgage bonds	September 2012	March 2015	1.40%	20 000	-
Mortgage bonds	September 2012	September 2018	2.85%	10 000	-
Mortgage bonds	October 2012	October 2017	1.95%	15 000	-
Other bonds	December 2012	December 2018	2.00%	2 118	-
Mortgage bonds	December 2012	December 2019	2.50%	3 300	-
Total nominal value				**515 206**	**360 705**
Accrued interest				5 623	3 571
Net debt securities in issue				**520 829**	**364 276**
less bonds held by the Group				(1 659)	(1 653)
Total				**519 170**	**362 623**

All bonds shown above are listed and traded on the Bratislava Stock Exchange ('BSE').

As at 31 December 2012, debt securities in issue include embedded derivatives (shares and commodities) in the amount of EUR 865 thousand (2011: EUR 80 thousand) which were separated and are disclosed under "Financial assets at fair value through profit or loss" and "Financial liabilities at fair value through profit or loss".

The Group set up a fair value hedge in July 2007 to hedge issued mortgage bonds in the amount of EUR 16.6 million with a fixed rate. To protect against interest rate risk, the Group entered into an interest rate swap. The notional and fair value of the aforementioned hedging derivative is reported in Note 41b.

During the period, the hedge was effective in the hedging of fair value exposure to interest rate movements. For the year ended 31 December 2012, the Group recognised a net gain of EUR 1.5 million (2011: gain of EUR 2.1 million), representing the gain on the hedging instruments. The total loss on hedged items attributable to hedged risk amounted to EUR 1.4 million (2011: loss of EUR 2.1 million).

29. PROVISIONS

ths. EUR	2011	Additions	Use	Reversals	2012
Provision for off-balance sheet items	10 999	4 123	(4 440)	-	10 682
Interest bearing deposit products	298	-	-	-	298
Legal cases	11 032	624	(59)	(1 210)	10 387
Employee benefit provisions	3 065	474	(213)	175	3 501
Total	**25 394**	**5 221**	**(4 712)**	**(1 035)**	**24 868**

(a) Provision for off-balance sheet and other risks

The provisions for credit risk of off-balance sheet items have been created to cover estimated losses present in the balances of unused loan commitments, guarantees, and letters of credits recorded in the off-balance sheet.

(b) Provision for legal cases

The Group conducted a review of legal proceedings outstanding against it as at 31 December 2012. These matters have arisen from normal banking activities. According to the updated status of these matters in terms of the risk of losses and the amounts claimed, the Bank has increased provision for these legal cases by EUR 0.6 million for existing cases and released a provision in the amount of 1.2 million. The Bank settled certain cases and used the related provision of EUR 59 thousand.

The net creation of provisions for legal cases of EUR 0.66 million is reported under 'Other operating result' in the Income Statement (2011: net creation of EUR 2.0 million).

(c) Long – term employee benefits provisions

The Parent company has a defined benefit program, under which employees are entitled to a lump-sum payment upon taking retirement or a working jubilee. As at 31 December 2012 there were 3 841 employees at the Parent company covered by this program (2011: 3 967 employees).

During the year ending 31 December 2012, the actuarial calculation based on the projected unit credit method was performed resulting in the final employee benefit obligation in the amount of EUR 3 470 thousand (2011: EUR 3 065 thousand).

The amounts recognised in the balance sheet and Income Statement as at 31 December 2012 are as follows:

ths. EUR	Pension provisions	Jubilee provisions	Total long-term provisions
Long-term employee provisions at 31 December 2010	**1 283**	**2 001**	**3 284**
Service costs	85	215	300
Interest costs	39	63	102
Payments	(58)	(149)	(207)
Actuarial (gains)	(29)	(385)	(414)
Long-term employee provisions at 31 December 2011	**1 320**	**1 745**	**3 065**
Service costs	172	199	371
Interest costs	44	59	103
Payments	(67)	(146)	(213)
Actuarial (gains)	199	(24)	175
Long-term employee provisions at 31 December 2012	**1 668**	**1 833**	**3 501**

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.

ths. EUR	2012	2011
Real annual discount rate	2.51%	3.37%
Annual future real rate of salary increases	0.00%	0.00%
Annual employee turnover	0.00% – 20.77%	0.00% – 46.67%
Retirement age	62 years	62 years

30. OTHER LIABILITIES

ths. EUR	2012	2011
Other short-term payables to customers related to money transfer	35 349	47 311
Employees, HR reserves, Social fund	20 437	22 698
Suppliers (including accruals)	9 320	16 047
Other payables (customers clearing)	15 666	10 098
Securities settlement	4 226	6 966
State budget, SHI, taxes	10 606	5 939
Other	1 777	1 999
Fair value of hedging instruments and revaluation of hedged items	30 382	21 975
Total	**127 763**	**133 033**

Summary of the social fund liability included in 'Other liabilities' - Employees, HR reserves, Social fund is as follows:

ths. EUR	2012	2011
As at 1 January	370	1 181
Additions	1 896	1 051
Drawings	(1 862)	(1 862)
As at 31 December	**403**	**370**

31. SUBORDINATED DEBT

	Date of issue/ drawdown	Maturity date	Interest rate	2012	2011
Other bonds	June 2010	June 2015	3.80%	5 099	5 099
Other bonds*	August 2010	August 2020	4.30%	10 660	10 180
Other bonds*	June 2011	June 2018	4.90%	6 731	6 755
Other bonds	June 2011	June 2018	4.90%	6 610	6 610
Other bonds*	August 2011	August 2021	4.30%	10 182	9 701
Other bonds*	October 2011	October 2018	4.70%	5 053	5 091
Other bonds*	November 2011	November 2023	4.43%	4 117	3 942
Other bonds*	December 2011	December 2018	4.82%	3 839	3 859
Other bonds*	June 2012	June 2022	5.50%	10 497	-
Other bonds*	November 2012	November 2022	4.23%	8 299	-
Total				**71 087**	**51 237**
Subordinated loan	February 2007	December 2016	3M/6M Euribor	100 035	100 098
Subordinated loan	August 2008	August 2013	3M Euribor	80 146	80 247
Total				**180 181**	**180 345**
Net debt securities in issue				**251 268**	**231 582**

Note: Interest rate represents actual interest expense as recorded by the Group.

*The bonds include embedded derivatives which were separated and disclosed under "Financial liabilities at fair value through profit or loss". Fair value of the derivatives as of December 31, 2012 was EUR 1.87 million (2011: value was EUR 1.31 million).

Subordinated debt ranks behind other liabilities in the case of financial difficulties of the Group.

32. EQUITY

Share capital

Authorised, called-up and fully paid share capital consists of the following:

Nominal value	2012 Number of shares	2012 ths. EUR	2011 Number of shares	2011 ths. EUR
EUR 1,000 each	212 000	212 000	212 000	212 000
Total		**212 000**		**212 000**

Voting rights and rights to receive dividends are attributed to each class of share pro rata to their share of the share capital of the Group.

The distribution of profit of the Parent Company is shown in the following table:

Dividends per share	Attributable from the profit for the year 2012*	2011
Profit of the year	184 790	195 199
Transfer to retained earnings	73 190	118 199
Dividends paid to shareholder from profit for the year	111 600	77 000
Number of shares EUR 1 000 each	212 000	212 000
Amount of dividends per EUR 1 000 share (EUR)	**526**	**363**

* Based on the proposed profit distribution.

Legal reserve fund

Under the Slovak Commercial Code, all companies are required to maintain a legal reserve fund to cover future adverse financial conditions. The Group is obliged to contribute an amount to the fund each year which is not less than 10% of its annual net profit (calculated in accordance with Slovak accounting regulations) until the aggregate amount reaches a minimum level equal to 20% of the issued share capital. The legal reserve Fund is not available for distribution to shareholders.

Other funds

Other funds as at 31 December 2012 included only the Statutory fund amounting to EUR 39.3 million (2011: EUR 39.3 million).

The Statutory fund was created from distributable profits to strengthen the Bank's capital base. The Statutory fund may be terminated and transferred back to distributable profits if the Bank's share capital or legal reserve fund is increased. Such termination and transfer requires the approval of the Supervisory Board and the General Assembly.

Revaluation reserves

Revaluation reserves represent the unrealised revaluation of Securities available for sale. Revaluation reserves are disclosed net of deferred tax effect.

Other funds and revaluation reserves are not available for distribution to shareholders.

33. EARNINGS PER SHARE

ths. EUR	2012	2011
Net profit applicable to ordinary shares	188 650	194 893
Number of shares EUR 1 000 each	212 000	212 000
Basic and diluted profit per EUR 1 000 share (EUR)	**890**	**919**

34. SUPPLEMENTARY DATA TO STATEMENTS OF CASH FLOWS

Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows are composed of the following items:

ths. EUR	2012	2011
Cash on hand (Note 13)	358 564	294 806
Accounts with other financial institutions repayable on demand (Note 14)	18 780	7 270
Total cash and cash equivalents	**377 344**	**302 076**

Operational cash flows from interests	2012	2011
Interest paid	(89 357)	(86 918)
Interest received	468 464	458 461

35. FINANCIAL RISK MANAGEMENT

The Group's primary risk management objective is to achieve a position where it will be able to identify all significant risks it faces, assess their potential impact and have policies in place to manage them effectively.

The most important categories of risk, that the group faces, include:

- **Credit risk** is the risk of loss arising from default by a creditor or counterparty.
- **Operational risk** is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events; it includes legal risk, but does not include strategic and reputation risk.
- **Market risk** is the risk of losses in on and off-balance-sheet positions arising from movements in market factors, i.e. prices, interest rates, foreign exchange rates, volatilities, etc.
- **Liquidity risk** is defined as the inability to meet group's cash obligations as they come due because of an inability to liquidate assets or obtain adequate funding.
- **Concentration risk** is the risk of losses due to potential adverse consequences which may arise from concentrations in risk factors or risk types, such as the risk arising from loans to the same client, to a group of connected clients, to clients from the same geographic region or industry, etc. Concentration risk may be both intra-risk and inter-risk, and is not limited to credit risk only.
- **Fraud risk** is the risk of financial or reputation losses originating from the intent to defraud the group or its entities by falsifying information or by misrepresentation by employees, existing or potential customers, or any third parties.
- **Compliance risk** is the risk of breaching regulatory rules and related litigation risk (with regulators or clients), financial risk (fines, compensation of damage), reputation risk and the risk of breaking of corporate culture.
- **Reputation risk** is the risk of losses arising from failure to meet stakeholders' reasonable expectations of the group's performance and behaviour.
- **Strategic and business risks** are risks to earnings and capital arising from changes in the business environment and from adverse business decisions, improper implementation of decisions or lack of responsiveness to changes in the business environment.
- **Macroeconomic risk** is the risk of losses due to adverse changes in the overall macroeconomic environment.

The ultimate risk management body is the Board of Directors. It delegates some of its authority for particular risk management areas to respective committees (ALCO, ORCO and CRC). Currently, the Chairman of the Board of Directors and CEO also serves as Chief Risk Officer (CRO).

Due to a long term absence of the member of the Board of Directors responsible for retail business, the following changes (with the consideration of the regulator NBS) in the management structure are valid as of 31.12.2012; CFO serves temporarily as the CRO of the Bank and CEO is temporarily responsible for retail business.

Asset & Liability Committee (ALCO) has ultimate authority over market risk of both trading and banking books (including interest rate risk) and over liquidity risk.

As for corporate credit risk, the ultimate decision making body is the Credit Committee (CRC) which consists of the members of the Board.

Operational Risk and Compliance Committee (ORCO) is the authorized body to make decisions on operational risk strategies and procedures, decides on risk appetite and tolerance levels, and decides on mitigation measures for operational risk, compliance, financial crime, and anti-money laundering issues.

ALCO, ORCO, and CRC are composed of members of the board and senior managers. Chief Risk Officer is a member of all three committees.
Operating Liquidity Committee (OLC) governs the execution of liquidity management. OLC reports directly to ALCO. It analyses the liquidity situation of the group on a regular basis and proposes measures to be taken. OLC consists of members of Treasury, BSM and Strategic Risk Management units.
Risk Appetite and Stress Testing Committee (RAST) consists of senior managers of BSM, Accounting & Controlling, and SRM. It serves as an advisory body which defines the overall risk appetite of the group and handles all issues related to comprehensive stress testing.

Risk Advisory Committee (RAC) is composed of senior risk managers and specialists from risk management areas. It analyses overall credit risk development on a monthly basis and proposes measures and follow-ups to be taken.
Watch List Committee (WLC) analyses actual and expected credit risk development of non-retail watch list clients (closely monitored clients are typically assigned to worse rating grades). It proposes actions to be taken, including decrease of client's exposure, increase of collateral, rescheduling, etc. The members of WLC are senior managers, responsible risk managers from Corporate Credit Risk Management, Restructuring & Workout and representatives of business lines.

Structure of risk management organization consists of five crucial units:

- **Strategic Risk Management (SRM)** – is responsible for integrated risk management (ICAAP), operational risk, liquidity risk, market risk (overall as well as particular trading and banking books), and credit risk control, provisioning, and credit risk statistical and rating models.
- **Corporate Credit Risk Management Division** - carries out all activities concerning operative credit risk of corporate clients.
- **Retail Credit Risk Management Division** – is responsible for management of credit risk for retail lending, specifically credit policy, organization of lending process, early collection process and portfolio management of the retail segment.
- **Restructuring & Workout** – responsible for effective debt recovery and write-off management. It is also responsible for monitoring, restructuring of receivables overdue, and for specific provisions and collateral management.
- **Financial Crime & Compliance** – responsible for compliance risk management (e.g. code of ethics, full compliance with legal requirements, anti-money laundering program) and for fraud risk management (prevention, detection, investigation, deterrence, and recovery of financial fraud).

The risk management function is completely independent from commercial business lines. Overall, risk management has the following roles:

- setting strategies and policies for risk management
- building a risk-aware culture within the group
- designing and reviewing processes of risk management
- risk identification, calculation, measurement, and control
- risk reporting
- setting of risk premium and risk price
- implementation, calibrating and periodical reviewing of models for risk measurement
- risk management action, including risk acceptance, elimination, mitigation, limits, etc.

36. CREDIT RISK

Credit risk is the risk that a loss will be incurred if the group's counterparty to a transaction does not fulfil its financial obligations in a timely manner. More precisely, credit risk is the risk of financial loss arising out of entering into a particular contract or portfolio investment.
Credit risk is the largest single risk in the group. It results from traditional lending activities where losses are incurred by default (deteriorating creditworthiness) of borrowers, as well as from trading in market instruments. Credit risk includes also sovereign, country, concentration, settlement, counterparty, and dilution risk.

The bank, as the first bank in Slovakia, reports capital adequacy using the "internal-ratings based" (IRB) approach to credit risk since July 2008. The approval by the Financial Market Authority of Austria and National Bank of Slovakia indicated that the Bank's credit risk measurement and control systems are sound and implemented properly into risk management, credit process and capital adequacy estimation as well as into internal controls and reporting and that they play the essential role.
The cornerstone of the loan process in the Group is based on risk assessment using rating systems and the assignment of a rating grade. The final rating is a key factor for a loan decision, loan amount, and price. The rating systems are developed, implemented and regularly validated in cooperation within Erste Group Bank using common Group standards and tools. The rating systems are used since the year 2006 and the Group collects all data necessary for accurate and efficient risk control and management. The rating systems and their validation are properly documented.

Strategic Risk Management ('SRM'), more specifically its Credit Risk Control department, is the independent risk control unit in line with Basel Capital Accord. SRM is not involved in operative credit decision-making. However, it is responsible for the design of rating systems, the testing and monitoring of the accuracy and selectivity of internal rating grades, production and analysis of summary reports from the group's rating systems. SRM is also responsible for the design and implementation of models for the calculation of risk parameters (Probability of default - PD, Loss-given default - LGD, Credit conversion factor - CCF etc.), standard risk costs and portfolio provisions. It is also responsible for the design and implementation of models for calculation of risk-weighted assets according to Basel II and the model for economic capital.

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

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

Restructuring & Workout is responsible for strategy and effective debt recovery (work-out and late collection) and write-off management. It is also responsible for monitoring, restructuring of overdue receivables, and for specific provisions and collateral management.

Regular audits of business units and the Group's credit processes are undertaken by Internal Audit.

Maximum exposure to credit risk

Maximum exposure to the credit risk of financial assets is represented by their net carrying amount (carrying amount in the case of derivatives measured at fair value).

Maximum exposure to credit risk for off balance sheet commitments (e.g. undrawn loan limits, financial guarantees granted) is represented by the maximum amount the group has to pay if the commitment is called on.

Information regarding exposure to credit risk arising from financial assets other than loans and off balance sheet commitments is detailed in individual notes.

Exposure to credit risk from loans, advances to customers, financial guarantees granted and undrawn loan commitments

The following table presents the maximum exposure to credit risk of loans, advances to customers, financial guarantees granted and undrawn loan commitments:

ths. EUR	2012	2011
Gross amount	**8 164 297**	**7 655 438**
On-balance sheet total (Note 15)	7 092 535	6 697 442
Off-balance sheet total (Note 41)	1 071 762	957 996
Gross amount	**8 164 297**	**7 655 438**
Retail	5 356 324	4 899 032
Corporate and other classes	2 807 972	2 756 406
Provision for impairment	**(389 194)**	**(420 349)**
Retail	(253 175)	(260 646)
Corporate and other classes	(136 018)	(159 703)
Net amount	**7 775 104**	**7 235 088**
Retail	5 103 149	4 638 386
Corporate and other classes	2 671 955	2 596 703

Note: Retail loans include small loans to entrepreneurs.

Provisions for impairment are structured as follows:

ths. EUR	2012	2011
Provisions for losses on loans and advances (Note 16)	378 512	409 350
Provisions for off-balance sheet items (Note 29)	10 682	10 999
Total provision for impairment	**389 194**	**420 349**

Information on the credit quality of loans advances to customers, financial guarantees granted and undrawn loan commitments, classified as retail asset class by the Group are as follows:

Retail asset class

ths. EUR	2012	2011
Total exposure		
Investment grade (1-5)	4 701 028	4 200 419
Subinvestment grade (6)	239 974	259 762
Subinvestment grade (7)	34 683	41 606
Subinvestment grade (8)	138 553	141 764
Rating R: Defaulted	242 086	255 480
Gross amount	**5 356 324**	**4 899 032**
Provisions for impairment	(253 175)	(260 646)
Net amount	**5 103 149**	**4 638 386**
Ageing of loans rated 1 – 8 is as follows:		
0 days	4 860 628	4 397 594
1 – 30 days	197 790	190 615
31 – 60 days	34 194	33 485
61 – 90 days	21 441	21 684
91 – days+*	184	173

* Overdue amount is non material, i.e. less than EUR 50 per client (materiality limit introduced in Q4/09).

Note: The increasing internal rating of exposures corresponds with their increasing credit risk; when assigning the rating the Group considers the financial position and performance of the counterparty, qualitative factors, as well as general economic trends in the particular industry and country. Categories of 1 to 8 represent individually non-impaired loans.

In case of private individuals the Group is using product definition of non-performing loans, i.e. if one loan of the client is more than 90 days overdue all clients' accounts within the same product must be reported in the non-performing category. In case of other segments loans with rating R are reported as non-performing.

Individually impaired loans and irrevocable commitments

Impaired loans and irrevocable commitments are those for which the Group determines that it is probable it will be unable to collect all principal and interest due according to the contractual terms of these financial instruments. These are graded 'R' in the Group's internal risk rating system.

Past due but not individually impaired loans

Loans, where contractual interest or principal payments are past due, but the Group believes that impairment is not appropriate.

Neither past due nor individually impaired loans

Loans where contractual interest or principal payments are not past due and the Group do not expect impairment.

Information regarding the credit quality of loans, advances to customers, financial guarantees granted and undrawn loan commitments (classified as corporate, institutional or sovereign asset class) are as follows:

Corporate and other asset classes

ths. EUR	2012	2011
Total exposure		
Investment grade (1-5)	2 285 876	2 116 143
Subinvestment grade (6)	185 915	189 129
Subinvestment grade (7)	50 870	91 260
Subinvestment grade (8)	70 630	104 134
Rating R: Defaulted	214 681	255 740
Gross amount	**2 807 972**	**2 756 406**
Provision for impairment	(136 018)	(159 703)
Net amount	**2 671 954**	**2 596 703**
Individually impaired		
Gross amount	**214 681**	**255 740**
Provision for impairment	(105 701)	(121 962)
Net amount	**108 980**	**133 778**
Past due (excluding individually impaired)		
Investment grade (1-5)	24 127	24 173
Subinvestment grade (6)	12 503	5 378
Subinvestment grade (7)	5 911	15 082
Subinvestment grade (8)	2 554	3 396
Rating R: Defaulted	-	-
Gross amount	**45 095**	**48 030**
Provision for impairment	(1 534)	(1 877)
Net amount	**43 560**	**46 152**
Past due but not impaired comprises:		
1-30 days	43 742	33 199
31-60 days	1 321	13 932
61-90 days	27	895
90 days+	5	4
Neither past due nor individually impaired		
Investment grade (1-5)	2 261 749	2 091 970
Subinvestment grade (6)	173 413	183 750
Subinvestment grade (7)	44 959	76 178
Subinvestment grade (8)	68 076	100 738
Rating R: Defaulted	-	-
Gross amount	**2 548 196**	**2 452 636**
Provision for impairment	(28 783)	(35 863)
Net amount	**2 519 413**	**2 416 772**

Note: The Increasing internal rating of exposures corresponds with their increasing credit risk; when assigning the rating the Group considers financial position and performance of counterparty, qualitative factors as well as general economic trends in particular industry and country.
Exposures rated as 1 – 8 according to the Group's internal rating are not considered to be individually impaired.
* Overdue amount is non material, i.e. less than EUR 250 per client.

Default events

Part of the Group's reporting is the monitoring of default events behind defaulted individually significant loans. The Group defines five default events:

- E1 - unlikeliness to pay
- E2 - 90 days overdue
- E3 - distressed restructuring of exposure
- E4 - exposure write-off
- E5 – bankruptcy

When a default event is recognized in the system, the rating of the client is automatically changed to default.

Collaterals

The Group holds collateral against loans and advances to customers in the form of real estates, securities, bank guaranties and other credit enhancements. Estimates of fair value are based on the value of collateral assessed at the time of borrowing that is regularly updated. Collateral is not generally held over loans and advances to banks, except when securities are held as a part of reverse repurchase activities (see Note 14).

Estimated fair values of collaterals and other credit enhancements held against loans, advances to customers, financial guarantees granted and undrawn loan commitments is shown below:

ths. EUR	2012	2011
Real estates	6 981 487	6 139 197
Securities	464 176	388 711
Bank guaranties	219 834	220 902
Other	247 927	266 625
Total	**7 913 424**	**7 015 435**

Renegotiated loans

The carrying amount of financial assets that would otherwise be past due or impaired and whose terms have been renegotiated during 2012 and 2011:

	Number of client		ths. EUR	
	2012	2011	2012	2011
Renegotiated loans	4	24	7 297	54 100

Concentration risk

A summary of concentrations of financial assets (including derivatives), loan commitments and guarantees as of 31 December 2012 and 2011 based on the debtors' industry are presented below:

31 December 2012 ths. EUR	Loans and advances to customers		Loans and advances to financial institutions		Investment securities and derivatives	
	Gross	Net	Gross	Net	Gross	Net
Activities of households as employers and Private Persons	5 009 202	4 801 062	-	-	-	-
Manufacturing	653 276	621 709	-	-	6 542	6 542
Real estate activities	609 947	582 438	-	-	11 901	11 901
Wholesale and retail trade	414 065	362 586	-	-	-	-
Electricity, gas, steam and air conditioning supply	357 702	357 134	-	-	-	-
Construction	312 722	284 232	-	-	605	605
Public administration and defences	215 237	214 807	-	-	3 619 797	3 619 797
Transportation and storage	201 929	192 137	-	-	26 448	26 448
Accommodation and food service activities	87 358	68 707	-	-	-	-
Professional, scientific and technical activities	78 979	76 817	-	-	-	-
Financial and insurance activities	64 958	64 582	289 938	289 938	214 339	214 339
Agriculture, forestry and fishing	48 187	44 789	-	-	-	-
Human health and social work activities	43 874	43 077	-	-	-	-
Administrative and support service activities	21 668	18 636	-	-	-	-
Arts, entertainment and recreation	17 941	17 154	-	-	-	-
Mining and quarrying	9 358	9 192	-	-	-	-
Other service activities	7 164	6 140	-	-	-	-
Information and communication	5 265	4 804	-	-	-	-
Water supply, sewerage, waste management	3 916	3 696	-	-	-	-
Education	1 546	1 404	-	-	-	-
Others	1	-	-	-	19 916	19 916
Total	**8 164 297**	**7 775 104**	**289 938**	**289 938**	**3 899 548**	**3 899 548**

31 December 2011 ths. EUR	Loans and advances to customers		Loans and advances to financial institutions		Investment securities	
	Gross	Net	Gross	Net	Gross	Net
Activities of households as employers and Private Persons	4 556 374	4 347 452	-	-	1 112	1 112
Public administration and defences	199 400	199 000	-	-	3 274 852	3 274 852
Financial and insurance activities	52 053	51 656	613 237	613 237	267 121	261 644
Real estate activities	710 197	679 991	-	-	-	-
Manufacturing	700 157	661 306	-	-	24 926	24 926
Wholesale and retail trade	446 438	391 197	-	-	-	-
Construction	211 457	192 865	-	-	593	593
Transportation and storage	177 391	165 347	-	-	54 245	54 245
Electricity, gas, steam and air conditioning supply	296 669	293 235	-	-	-	-
Accommodation and food service activities	113 178	74 876	-	-	-	-
Agriculture, forestry and fishing	46 510	42 266	-	-	-	-
Professional, scientific and technical activities	51 907	48 487	-	-	-	-
Human health and social work activities	38 661	38 032	-	-	-	-
Administrative and support service activities	18 601	16 677	-	-	-	-
Arts, entertainment and recreation	12 589	11 722	-	-	-	-
Information and communication	6 664	5 658	-	-	-	-
Other service activities	8 698	7 682	-	-	-	-
Water supply, sewerage, waste management	3 813	3 336	-	-	-	-
Mining and quarrying	2 850	2 715	-	-	-	-
Education	1 810	1 570	-	-	-	-
Others	19	19	-	-	13 671	13 671
Total	**7 655 438**	**7 235 088**	**613 237**	**613 237**	**3 636 520**	**3 631 043**

A summary of concentrations of loans and advances to customers, loan commitments, and guarantees classified by asset classes (as of 31 December 2012 and 2011) are presented below:

ths. EUR	2012		2011	
	Gross	Net	Gross	Net
Retail	5 356 324	5 103 149	4 899 032	4 638 386
Corporate	2 583 719	2 448 117	2 545 974	2 386 682
Institution	224 253	223 838	210 432	210 021
Carrying amount	**8 164 297**	**7 775 104**	**7 655 438**	**7 235 088**

The following table presents a summary of the Group's credit risk to the Slovak Republic, companies controlled by the Slovak government, self-governing regions, guarantees issued by the Slovak government, and similar exposures:

ths. EUR	2012		2011	
	Amount ths. EUR	Portion of total assets %	Amount ths. EUR	Portion of total assets %
Cash and balances at the central bank	18 441	0.16%	4 377	0.04%
Loans and advances to financial institutions	-	0.00%	-	0.00%
Loans and advances to customers	409 218	3.47%	386 724	3.41%
Securities portfolios	3 534 668	30.01%	3 176 133	27.99%
Total	**3 962 327**	**33.64%**	**3 567 234**	**31.43%**

The Group holds a large volume of State debt securities. A breakdown of State debt securities is shown below per portfolio and type of security:

ths. EUR	2012	2011
Financial assets at fair value through profit or loss	**6 783**	**6 314**
State bonds denominated in EUR	6 783	6 314
Securities available for sale	**1 193 169**	**766 225**
Treasury bills	324 725	-
Slovak government Eurobonds	865 574	763 347
Companies controlled by the Slovak government	2 870	2 878
Securities held to maturity	**2 334 716**	**2 403 594**
Slovak government Eurobonds	2 303 591	2 379 998
State bonds denominated in EUR	7 547	-
Companies controlled by the Slovak government	23 578	23 596
Total	**3 534 668**	**3 176 133**

The rating of the Slovak Republic according to the international rating agency Standard & Poor's is A (since January 13th 2012; A+ in 2011).

37. MARKET RISK

Market risk is the risk of losses in on and off-balance-sheet positions arising from movements in market factors, i.e. prices, interest rates, foreign exchange rates, volatilities, etc. The risk management process comprises of the four key elements:

- risk identification - identify all risks inherent in the trading operations and in new products (new products check), and ensure these are subject to adequate procedures and controls before being introduced or undertaken
- risk measurement – calculation of risk exposure using sensitivities and value-at-risk.
- limits management - comprehensive limit system and limit allocation in order to restrict the maximum risk exposure
- risk monitoring and reporting

The entire market risk management is independent from the business lines and is carried out by Strategic Risk Management (SRM). Trading and investment operations are subject to strict rules defined by SRM and approved by ALCO committee.

All positions of the group, both in banking and trading books, that are subject to market risk are re-valued daily (including positions held-to-maturity), either to market or to model, and respective Profit or Loss is calculated.

The main tool to measure market risk exposure in the Group is sensitivity analysis and value-at-risk (VAR) which is complemented by back testing and a stress testing programme.

VAR for trading book and investment portfolios of banking book estimates the maximum potential loss over 1-day holding period with 99% confidence interval and is based on historical simulation (2-year rolling history window, equally weighted) while all positions are treated via full valuation in the calculation (i.e. no simplification of positions for the purpose of VAR). VAR is measured consistently across all portfolios (both banking and trading book) and relevant market factors. The Group's VAR model was approved by the regulator to be used for the regulatory capital charge calculation.

VAR for the overall banking book uses 99% confidence interval, 10-day holding period, 6-year rolling window for the historical simulation and a decay factor of 0.99.

VAR is subject to some model assumptions (e.g. historical simulation), hence stress testing is established in order to partially tackle these shortcomings by estimating losses due to extreme changes in market factors, the probabilities of which are very small. Position or portfolios are tested under a number of potential extreme scenarios and their impact on value and hence profit and loss is computed.

In order to manage the maximum risk exposure, a comprehensive system of limits is established, including VAR, sensitivity, and stop-loss limits. Limits are structured according to individual subportfolios (separate limits are defined for derivative trades). Monitoring is performed daily by SRM.

Overall market risk of the entire balance sheet is also measured using market value of equity measure – all positions of the group are re-valued using an extreme (200bp) up and down parallel shift of the yield curve and the resulting sensitivity is related to available capital.

Risk reporting is done daily for relevant management and monthly for ALCO.

Current values of the risk measurements:

Measure	2012 (Amount mil. EUR)	2011 (Amount mil. EUR)
Trading book VAR	0.006	0.02
Banking book Investment Portfolios		
ALM portfolio VAR	9.40	14.35
Corporate portfolio VAR	0.03	0.07
ALCO portfolio VAR	0.07	0.04
Overall Banking Book VAR	57.78	81.53
Overall Banking Book sensitivity (200bp shock)	77.18	92.22

VAR figure is almost fully driven by interest rate risk, whilst foreign exchange and other risks are negligible.

38. LIQUIDITY RISK

Liquidity risk is the risk that the Group will encounter difficulties in raising funds to meet commitments associated with financial instruments.

Liquidity risk is within the authority of ALCO. The L-OLC (Local Operating Liquidity Committee) is responsible for operational managing and analysing of the liquidity situation of the Group.

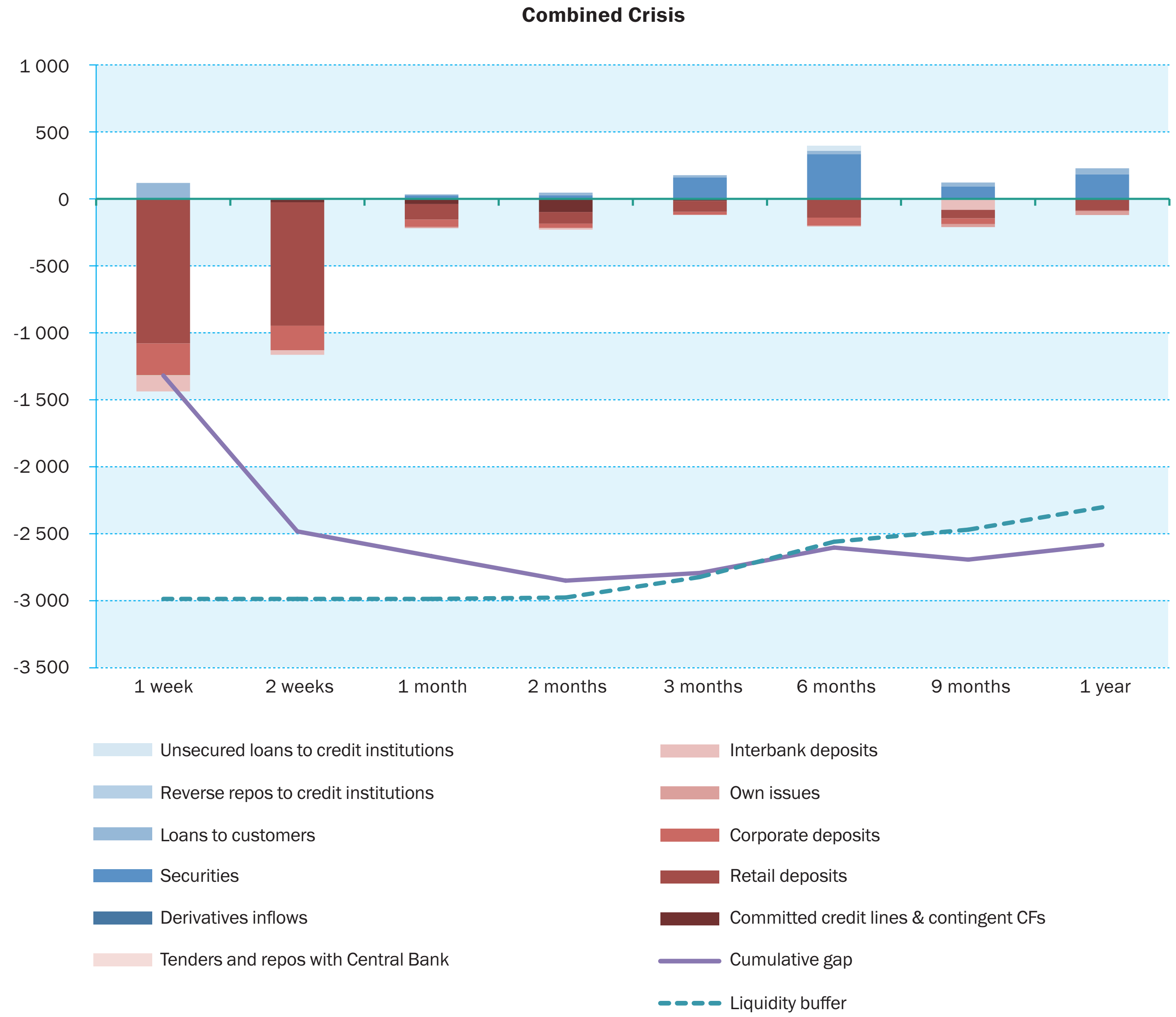
Actual management of liquidity risk is done by Strategic Risk Management. Structural liquidity management is performed by Balance Sheet Management and daily liquidity managing and the fulfilment of minimum required reserves is performed by the Treasury department.

Liquidity risk is quantified based on the liquidity regulation of NBS. The fixed and non-liquid assets ratio, that must be lower than 1.0, was 0.35 at the end of 2012 (end of 2011: 0.38). The liquid assets ratio, that must be greater than 1.0, was 1.41 at the end of 2012 (end of 2011: 1.23). Its average value during 2012 was 1.31.

In addition, own measurement and prediction system of financing needs offers information for liquidity management. It includes static liquidity gap, survival period analysis, short-term funding analysis, liquidity concentration analysis, several liquidity ratios, etc. A set of limits is defined in order to maintain the desired liquidity risk profile.

Survival period analysis ("SPA") is carried out on a weekly basis with the intention to provide information on the Group's survival period under three different stress scenarios, including name, market, and combined crisis. The results show that the group is in solid liquidity conditions, the survival period in most critical scenario was in the limit (1 month) throughout 2012. All other scenarios were in the limit during 2012 as well.

SPA combined crisis as of December 31, 2012:



There are internal limits set for funding concentrations. Their aim is to monitor and prevent the liquidity risk stemming from too large deposit concentration of one or small number of depositors (possibility of sudden withdrawal).

A minimal liquidity reserve of EUR 1.5 billion is defined. It consists of highly liquid ECB eligible bonds that the Group can use as collateral in unexpected situations. This reserve may not be touched unless a liquidity crisis is declared.

Maturity analysis

The following table shows the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on undiscounted cash flows of financial liabilities.

As at 31 December 2012 ths. EUR	On demand and less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Amounts owed to financial institutions	184 307	23 018	6 223	950 534	1 315	1 165 398
Amounts owed to customers	4 903 738	849 589	1 937 547	751 148	-	8 442 022
Debt securities in issue	10 283	2 097	72 149	434 854	60 207	579 589
Subordinated debt	-	-	81 306	111 752	81 267	274 325
Total	**5 098 328**	**874 704**	**2 097 225**	**2 248 288**	**142 789**	**10 461 334**

As at 31 December 2011 ths. EUR	On demand and less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Amounts owed to financial institutions	480 033	8 706	20 339	962 634	2 448	1 474 161
Amounts owed to customers	4 266 775	1 010 141	2 241 194	540 500	-	8 058 610
Debt securities in issue	397	1 448	41 368	308 099	48 537	399 850
Subordinated debt	-	346	198	197 765	57 276	255 585
Total	**4 747 203**	**1 020 641**	**2 303 099**	**2 008 998**	**108 621**	**10 188 204**

39. OPERATIONAL RISK

Operational risk is the risk of loss (direct and indirect) resulting from inadequate or failed internal processes, people and systems, or from external events which lead (or have the potential to lead) to losses, or have other negative impacts on the Group. This definition includes legal risk, but excludes strategic and reputation risk. Operational risks arise from all of the Group's operations and each of the business lines.
Primary responsibility for the day-to-day management of operational risk is assigned to every business unit. Strategic Risk Management unit performs activities of global scope and has a methodical, coordination, and harmonization role.

Decision-making in the area of operational risk is covered by high-level ORCO committee (Operational Risk and Compliance Committee), of which board members and senior managers are members, and which have the ultimate authority in making decisions regarding risk exposure against operational risk.

The main objectives of operational risk management are:
- to set up a Group-wide framework for operational risk management and to translate this framework into internal regulations,
- to properly identify major drivers of operational risk,
- to develop models for the quantification of risk exposure profile and for the calculation of both economic and regulatory capital,
- to prevent or minimize losses due to operational risk by the adaptation of suitable processes, preventive measures, or selecting suitable insurance,
- to continuously improve the operational risk management process,
- to provide quality reporting and documentation (quarterly reporting of operational risk events for the board of directors, senior management and regional directors).

Operational risk management is performed using the following main activities:
- risk acceptance and mitigation – activities of global scope handled by ORCO committee otherwise responsibility of senior management
- system of internal controls - each unit manager is responsible for the effectiveness and quality of the control system within his area of competence
- insurance – in order to minimize losses due to operational risk
- outsourcing – respective business units are responsible for the operational risk management related to outsourcing
- compliance & fraud management including anti-money laundering
- risk assessment of new products, activities, processes and systems before being introduced or undertaken

The Group measures its operational risk exposure using the loss distribution approach (LDA). In modelling the distribution, the following are used: internal data collection, external data, scenario analysis, risk mapping and key risk indicators (key risk indicators track the most important drivers of operational risk) and factors reflecting the business environment and internal control systems.

In this, the probability distribution of both the frequency of loss and the amount of loss is modelled, and is recombined into a compound distribution of yearly losses. From this distribution, both expected and unexpected losses can be calculated. In accordance with Basel II, the confidence interval for unexpected loss is 99.9% and the holding period is one year.

The LDA approach is used as a basis for measurement and allocation of the capital charge within AMA (Advanced Measurement Approach). Permission for use of AMA was granted by NBS effective from July 2009. The inclusion of insurance as a mitigating factor into AMA was officially approved in Q4 2011, thus decreases the capital charge for operational risk by about 10%.

Since 2005 the Group has been involved in a comprehensive group-wide captive insurance program. Under this program, the vast majority of operational risks - property damage, internal & external fraud, IT failures, civil liability, etc. - are covered for both the Bank and its subsidiaries.

40. CAPITAL MANAGEMENT

The Group's lead regulator, the NBS, sets and monitors capital requirements. The Group assesses the volume of its regulatory and economic capital (ICAAP).

Regulatory capital

In implementing current capital requirements the NBS requires the Group to maintain a prescribed ratio of total capital to total risk weighted assets (minimum 8%). As of 31 December 2012 and 2011, the Group has complied with the capital adequacy requirement. The Group calculates requirements for credit risk using the Basel II IRB approach, for market risk in its trading portfolios using internal VaR models and AMA approach for operational risk.

The Group's regulatory capital is analysed in two tiers:
- Tier 1 capital, which includes ordinary share capital, share premium, retained earnings, translation reserve after deduction for goodwill, intangible assets, AFS reserve (negative revaluation only) and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.
- Tier 2 capital, which includes qualifying subordinated liabilities and the element of fair value reserve relating to unrealised gains on equity instruments classified as available for sale.

Various limits are applied to elements of the capital base. The amount of qualifying tier 2 capital cannot exceed tier 1 capital and qualifying term subordinated loan capital may not exceed 50% of Tier 1 capital. Other deductions from capital include the carrying amounts of investments qualifying as financial institutions exceeding 10% participation on their share capital.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor, and market confidence and to sustain the future development of the business. The Group's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

The Group's regulatory capital position at 31 December 2012 and 2011 was as follows:

ths. EUR	2012	2011
Tier 1 capital		
Ordinary share capital	212 000	212 000
Capital reserves	118 899	118 899
Retained earnings	662 364	544 498
Non Controlling Interest	2 766	2 619
Less intangible assets	(103 548)	(115 987)
Other regulatory adjustments	(15 458)	(51 631)
Total	**877 023**	**710 398**
Tier 2 capital		
Fair value reserve for available-for-sale equity securities	34 053	7 870
IRB SURPLUS	7 357	7 396
Qualifying subordinated liabilities	169 350	230 350
Total	**210 760**	**245 616**
Deductions from Tier I and Tier II capital	(678)	(678)
Total regulatory capital	**1 087 105**	**955 336**

ICAAP
Internal Capital Adequacy Assessment Process (ICAAP) is a process in which all significant risks that the Group faces must be covered by internal capital (coverage potential). This means that all material risks are quantified, aggregated, and compared to the coverage potential. A maximum risk exposure limit and lower trigger level are defined, so that corrective actions may be taken, thus avoiding situations when risk exposures are not sufficiently covered by capital.

The Group's ICAAP is defined by the group ICAAP framework. The key term within the context of ICAAP is the concept of economic capital. This is a measure of risk that captures unexpected losses. As opposed to expected loss, which is the anticipated probability-weighted average loss on a portfolio or business, and is considered a part of doing business, and is typically covered by reserves or income, unexpected loss describes the volatility of actual losses around this anticipated average. Typically, a very high confidence interval is assumed, in order to cover even very severe loss events (except for the most catastrophic ones for which it is impossible to hold capital). In the Group, the confidence interval is set at 99.9% and the holding period is one year.

Objectives of ICAAP are:
- to integrate risk management for different risk types into a single high-level process
- to relate risk exposures to internal capital
- to continuously monitor and adjust capital levels to changing risk profile

ICAAP is a process that within the Group consists of the following steps:
- Risk materiality assessment
  - identification of the most important risk types which are to be the major focus and which will be included into economic capital calculation
- Risk-bearing capacity calculation
  - calculation of the risk exposure for each particular material risk
  - aggregation of the individual risks into a single economic capital figure
  - calculation of internal capital (coverage potential)
  - relating economic to internal capital
- Stress testing
  - verification of economic capital figures via severe, yet plausible stress scenarios
- Capital management
  - management of consistency between economic and internal capital including forecasting

The group has a Risk Appetite Statement in place, which is a set of indicators that define the targeted risk profile of the group. This document is approved by the Board of Directors and is used extensively while creating strategic business plans and budgets.

The group also has a comprehensive stress testing exercise in place in which two complex scenarios covering all significant risks were assessed. Risk Appetite and Stress Testing Committee (RAST) was created for this purpose.

In 2012, credit risk for sovereign counterparties was incorporated into ICAAP calculation. It is evaluated based on the IRB methodology (in Pillar I not included since risk weights for sovereigns are 0%).

ICAAP is regularly (quarterly) reported to the Board of Directors. Currently credit, operational, and market risk of both trading and banking books are included in the capital coverage. Capital cushion based on stress testing results is deducted from available internal capital in order to account for risks not directly covered by capital charge.

41. OFF-BALANCE SHEET ITEMS AND DERIVATIVE FINANCIAL INSTRUMENTS

In the normal course of business, the Group is a party to various financial transactions that are not reflected on the balance sheet and are referred to as off-balance sheet financial instruments. The following represent notional amounts of these off-balance sheet financial instruments, unless stated otherwise.

(a) Loan commitments, Guarantees and Letters of Credit

Group guarantees and letters of credit cover liabilities to clients (payment and non-payment liabilities) against beneficiaries (third parties). Group guarantees represents an irrevocable liability of the Group to pay a certain amount as stated in the group guarantee in the case that the debtor fails to fulfil an obligation or other conditions as stated in the guarantee.

Letter of credit represents a written obligation of the Group performed according to the instruction of the buyer to pay a specified amount to the seller against the documents that meet the letter of credit requirements. The Group deals with letters of credit subject to 'Unified Rules and Customs for Documentary Letter-of-credit' in the version published by the International Chamber of Commerce.

The primary purpose of these instruments is to ensure that funds are available as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees, or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards.

The following table contains off-balance sheet credit exposures and also treasury commitments:

ths. EUR	2012	2011
Guarantees given	208 602	209 401
Guarantees from letters of credit	320	1 860
Loan commitments and undrawn loans	862 840	746 735
Total	**1 071 762**	**957 996**

(b) Derivatives

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

Derivatives in notional and fair value

2012 ths. EUR	Receivables		Liabilities	
	Notional value	Fair value	Notional value	Fair value
Hedging	107 821	6 643	107 821	24 109
Total hedging instruments	**107 821**	**6 643**	**107 821**	**24 109**
Trading derivatives				
Foreign currency forwards	218 110	1 778	218 039	1 707
Option contracts	236 958	1 908	237 041	4 084
Interest rate swaps (IRS)	1 028 935	58 225	1 028 935	58 533
Currency interest rate swaps (CIRS)	338 979	1 377	338 979	1 351
Currency swaps	251 169	3 955	250 767	3 472
Credit derivatives	50 000	-	50 000	1 660
Total trading derivatives	**2 124 151**	**67 243**	**2 123 761**	**70 807**
Total	**2 231 972**	**73 886**	**2 231 582**	**94 916**

2011 ths. EUR	Receivables		Liabilities	
	Notional value	Fair value	Notional value	Fair value
Hedging	107 821	5 030	107 821	16 826
Total hedging instruments	**107 821**	**5 030**	**107 821**	**16 826**
Trading derivatives				
Foreign currency forwards	218 185	2 705	218 089	2 610
Option contracts	288 758	4 127	281 906	5 418
Interest rate swaps (IRS)	1 078 609	49 959	1 078 609	49 472
Currency interest rate swaps (CIRS)	21 542	338	21 542	337
Currency swaps	293 866	5 970	293 796	5 784
Credit derivatives	50 000	-	50 000	6 638
Total trading derivatives	**1 950 960**	**63 099**	**1 943 942**	**70 259**
Total	**2 058 781**	**68 129**	**2 051 763**	**87 085**

All derivative transactions during 2012 and 2011 were traded on the over-the-counter 'OTC' markets.

(c) Assets pledged as collateral

Liabilities secured by the Bank's assets:

ths. EUR	2012	2011
Amounts owed to financial institutions		
repo trade with ECB	900 000	900 000
Other	30 351	44 342
Total	**930 351**	**944 342**

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

ths. EUR	2012	2011
Securities available for sale		
repo trade with ECB	-	344 075
Other		
Securities held to maturity		
repo trade with ECB	922 525	1 062 843
Other	25 183	43 811
Total	**947 708**	**1 450 729**

The Bank pledged in favour of ECB government and corporate bonds. The Bank can draw a credit line up the amount of the pledged securities. The total amount (fair value -market value after haircut) of the pledged securities is EUR 1 851.8 million. As of 31 December 2012 the Bank used EUR 900 million of this credit line (2011: EUR 900 million).

42. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

(a) Fair values of financial assets and liabilities measured at amortized cost

In the following table, the fair values of the balance sheet items are compared with the carrying amounts.

ths. EUR	Carrying value 2012	Estimated fair value 2012	Carrying value 2011	Estimated fair value 2011
Financial assets				
Loans and advances to financial institutions	289 938	290 476	613 237	613 841
Loans and advances to customers	6 714 023	6 888 224	6 288 092	6 425 958
Held to maturity securities	2 443 095	2 706 608	2 560 304	2 463 391
Financial liabilities				
Amounts owed to financial institutions	1 148 279	1 149 503	1 447 807	1 448 458
Amounts owed to customers and debt securities in issue	8 949 296	8 744 090	8 401 107	8 039 942

Loans and advances to financial institutions

The fair value of current account balances approximates their carrying amount, as the Group's term placements generally re-price within relatively short time periods.

Loans and advances to customers

Loans and advances are net of specific and other provisions for impairment. The fair value represents management's estimate of the ultimate fair value of the loans and advances to customers. The credit risk of each instrument is taken into account in the way that the yield curve used for the discounting of this instrument is increased by the value of the relevant credit risk margin.

Held to maturity securities

The fair value of held-to-maturity securities was calculated based on the same principles used for the valuation of available-for-sale securities and trading, and at fair value through profit and loss securities as described in Note 2(v).

Deposits and borrowings

The estimated fair value of deposits with no stated maturity is the amount repayable on demand. On demand deposits are modelled according to generally accepted assumptions within the Erste Group Bank. The estimated fair value of fixed interest bearing deposits and other borrowings without a quoted market price is based on discounted cash flows using interest rates for new debts with a similar remaining maturity.

(b) Determination of fair values of residual financial assets and liabilities

Fair values are subject to a control framework designed to ensure that they are either determined, or validated, by a function independent of the risk taker. To this end, ultimate responsibility for the determination of fair values lies with SRM. SRM establishes the pricing policies and procedures governing valuation, and is responsible for ensuring that these comply with all relevant pricing sources.

For fair values determined by reference to external quotation or evidenced pricing parameters, independent price determination or validation is utilised. In less liquid markets, direct observation of a traded price may not be possible. In these circumstances, SRM source Erste Group Bank to validate the financial instrument's fair value. Greater weight is given to information that is considered to be more relevant and reliable. The factors that are considered in this regard are, inter alia:

- the extent to which prices may be expected to represent genuine traded or tradable prices;
- the degree of similarity between financial instruments;
- the degree of consistency between different sources;
- the process followed by the pricing provider to derive the data;
- the elapsed time between the date to which the market data relates and the balance sheet date; and
- the manner in which the data was sourced.

The results of Erste Group Bank independent validation process are reported to SRM.

The best indicator of the fair value is the price which can be obtained in an active market. If prices from an active market are available they are used. For fair value valuation mainly external data sources (like quotes from exchanges or broker quotations) are used. In case no market prices are available, the fair value is derived via pricing models, which use observable inputs. In some cases it is not possible either to get prices from exchanges or using a pricing model which is based on observable inputs. In such cases inputs are estimated based on similar risk factors.

Erste Group Bank uses only common, market approved models for the evaluations. For linear derivatives (e.g., Interest Rate Swaps, Cross Currency Swaps, FX-Forwards, Forward Rate Agreements) market values are calculated by discounting the expected cash flows. Plain Vanilla-OTC-Options (Equity, Currency and Interest Options) are evaluated using option pricing models of the Black Scholes generation, complex interest derivatives using Hull White and BGM models.

Only models which have went through an internal approval process and where the independent determination of the inputs (e.g. interest rates, volatilities) is ensured are used. Models are applied only if an internal approval process and the independent determination of inputs (e.g. interest rates, volatilities) is ensured.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:
Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The table below details the valuation methods used to determine the fair value of financial instruments measured at fair value:

31 December 2012 ths. EUR	Level 1	Level 2	Level 3	Total
Securities available for sale	304 807	1 010 369	34 011	1 349 188
Securities at fair value through profit or loss	11 237	6 552	13 085	30 875
Derivative financial assets	-	67 243	-	67 243
Total assets	**316 045**	**1 084 164**	**47 096**	**1 447 306**
Derivative financial liabilities	-	(70 807)	-	(70 807)
Total liabilities	**-**	**(70 807)**	**-**	**(70 807)**

31 December 2011 ths. EUR	Level 1	Level 2	Level 3	Total
Securities available for sale	318 138	615 217	39 463	972 818
Securities at fair value through profit or loss	17 299	7 505	2 930	27 734
Derivative financial assets	-	63 025	74	63 099
Total assets	**335 436**	**685 748**	**42 467**	**1 063 651**
Derivative financial liabilities	-	(70 187)	(72)	(70 259)
Total liabilities	**-**	**(70 187)**	**(72)**	**(70 259)**

The volume of products whose fair values are determined using valuation models based on non-observable market data is driven in large part by the market trend in the structured credit segment (CLNs). The decrease in trading activity led to a reduction in the proportion of observable transactions and thus to the allocation of more instruments to this category.

The table shows the development of fair value of financial instruments for which valuation models are based on non observable inputs:

ths. EUR	Securities available for sale	Securities at fair value through profit or loss	Derivative financial assets	Derivative financial liabilities
MV as of 31 Dec 2011	**38 963**	**2 922**	**-**	**-**
accrued coupon	500	8	-	-
Balance as of 31 Dec 2011	**39 463**	**2 930**	**74**	**(72)**
Total gains or losses:				
in profit or loss	1	(2 402)	-	-
in other comprehensive income	4 633	-	-	-
Issues	6 400	-	-	-
Settlements	(16 335)	-	-	-
Transfers into Level 3	-	12 556	-	-
MV as of 31 Dec 2012	**33 661**	**13 077**	**-**	**-**
accrued coupon	350	8	-	-
Balance as of 31 Dec 2012	**34 011**	**13 085**	**-**	**-**
Total gains /(losses) for the period included in profit or loss for assets/liabilities held at the end of the reporting period	(1)	(2 402)	-	-

There were no significant transfers between Level 1 and Level 2 of the fair value hierarchy.

43. CURRENT AND NON-CURRENT ASSETS AND LIABILITIES

The following table shows the distribution of assets and liabilities and equity to current (due within one year) and non-current (due over one year) based on their remaining contractual maturity.

ths. EUR	2012			2011		
	Current	Non-current	Total	Current	Non-current	Total
Cash and balances at the central bank	377 005	-	377 005	299 183	-	299 183
Loans and advances to financial institutions	289 938	-	289 938	398 373	214 864	613 237
Loans and advances to customers	1 354 466	5 738 070	7 092 535	1 334 942	5 362 500	6 697 442
Provisions for losses on loans and advances	-	(378 512)	(378 512)	-	(409 350)	(409 350)
Financial assets at fair value through profit or loss	8 913	89 205	98 118	13 185	77 648	90 833
Securities available for sale	636 300	722 035	1 358 335	106 947	872 959	979 906
Securities held to maturity	139 474	2 303 621	2 443 095	316 761	2 243 543	2 560 304
Investments in associates and other investments	-	25 141	25 141	-	25 160	25 160
Intangible assets	-	103 548	103 548	2	115 985	115 987
Property and equipment	-	226 130	226 130	-	239 101	239 101
Assets held for rental income	-	8 051	8 051	-	5 136	5 136
Current income tax asset	12 826	-	12 826	19	-	19
Deferred income tax asset	-	58 523	58 523	141	82 358	82 499
Other assets	26 572	36 033	62 605	21 704	27 745	49 449
Total assets	**2 845 494**	**8 931 844**	**11 777 338**	**2 701 257**	**8 647 649**	**11 348 906**
Amounts owed to financial institutions	213 465	934 814	1 148 279	508 735	939 072	1 447 807
Amounts owed to customers	7 678 844	733 723	8 412 567	7 505 150	528 576	8 033 726
Financial liabilities at fair value through profit or loss	8 138	62 669	70 807	12 043	58 216	70 259
Debt securities in issue	83 513	453 216	536 729	42 633	324 748	367 381
Provisions for liabilities and other provisions	688	24 180	24 868	673	24 721	25 394
Other liabilities	97 661	30 102	127 763	111 234	21 799	133 033
Current income tax	-	-	-	677	-	677
Deferred income tax liability	-	-	-	77	-	77
Subordinated capital	80 277	170 991	251 268	544	231 038	231 582
Equity	-	1 205 057	1 205 057	-	1 038 970	1 038 970
Total liabilities	**8 162 586**	**3 614 752**	**11 777 338**	**8 181 766**	**3 167 140**	**11 348 906**

44. SEGMENT REPORTING

The segment reporting of the Group follows the presentation and measurement requirements of IFRS as well as Erste Group standards.

Segment Structure
For the purpose of transparent presentation of the group structure, the segment reporting has been harmonised with the structure of Erste Group and is divided into the following segments:

- Retail
- Local corporates
- Real Estate
- Assets and Liabilities management
- Group Large Corporates
- Group Capital Markets
- Corporate Center
- Free capital.

The segment reporting follows the rules used in the Group controlling report which is produced on a monthly basis for the Holding Board. The report is reconciled with the monthly reporting package and the same segments used in the Group Controlling report are also applied in the External segment reporting for Erste Group.

By adding up Retail, Local corporates, Real estate, ALM and the Corporate centre a core business for the Group is defined, for which the Group is primarily responsible from a Holding Group point of view.

For the definition of segments/business lines in the Group, the Group applies account manager principle, which means that each client has assigned an account manager, who is assigned to a particular business line/segment. In other words, profit/loss is allocated to an account manager and a customer can only be allocated to one account manager.

Within the segment report the local fully consolidated subsidiaries as well as other participations, are allocated to the respective business line (please see the definitions below).

Retail
The Retail segment is constituted by the branch network where SLSP sells products mainly to private, free professionals and micro customers. The Retail stream is divided into 8 regions, then to 76 areas and then 297 branches (status as of 31 December 2011). In addition the Retail segment also includes at the equity results of PSS (building society).

Local corporates
Local corporates segment primarily consists of SME (Small and medium enterprises), the Public sector, Leasing SLSP and Factoring SLSP. Local corporates includes mainly the following client segments:

- Small SME (up to EUR 5 million, gross domestic product 'GDP' weighted turnover)
- Medium SME (up to EUR 30 million, GDP weighted turnover)
- Large SME (up to EUR 175 million, GDP weighted turnover)
- Non-profit Sector
- Public Sector (financing of public projects like highways, infrastructure, etc.).
- Certain MICRO clients are treated as Local Corporates (e.g. small members of a group of companies)

Real Estate
Real estate segment covers all the commercial and residential projects financed by the Group.

Assets and Liabilities Management
Business line Assets and Liabilities Management manages the structure of balance sheet (banking book) according to market conditions in order to cover the group's liquidity needs and to ensure a high degree of capital utilization. ALM also contains the transformation margin as a result of the mismatch in balance sheet from a time and currency point of view. The transformation margins as well as ALM own business (HTM, AFS, FV portfolio on assets side and Bonds issued on liability side) form the main part of this segment.

Group Large Corporates
The Group Large Corporates segment includes all group large corporate customers operating in the markets of Erste Group. The GLC client is a company which has a GDP/Head adjusted annual turnover of more than EUR 175 million in at least one of the EBG core markets.

Group Capital Markets
GCM is responsible for trading in foreign exchange and interest rate products as well as securities for all customer groups and for the development of market-oriented products. The segment Group capital markets in terms of the Group includes divisionalised business lines like Treasury Trading and Treasury Sales (Retail, Corporate and Institutional Sales).

Corporate Center
Primarily, corporate Centre contains the non-client business of the Group. The Corporate Centre segment includes mainly positions and items which cannot be directly allocated to specific segment or business line like parts. Additionally, all non-allocated participations like Laned, Derop, Realitná spoločnosť SLSP, Erste Group IT SK, Procurement Services SK and other participations are recognised within this segment.

Free Capital
Free capital is not a segment but the difference between the total recorded equity according to the balance sheet and the sum of the allocated equity of Business lines. Under the free capital also subordinated liabilities are also presented.

2012 ths. EUR	Retail	Local Corporates	Real Estate	ALM	Corporate centre	Core business
Net interest income	301 120	39 544	11 691	76 668	(6 809)	422 215
Risk provisions for loans and advances	(36 611)	(12 048)	(8 791)	-	(20)	(57 470)
Net fee and commission income	108 682	8 925	561	(1 803)	(6 327)	110 039
Net trading result	3 309	654	27	(1 016)	(143)	2 831
General administrative expenses	(190 066)	(18 259)	(1 664)	(2 400)	(26 124)	(238 512)
Other result	(14 494)	(2 057)	(3 998)	(4 389)	(15 710)	(40 647)
Pre-tax profit	**171 940**	**16 759**	**(2 174)**	**67 061**	**(55 132)**	**198 455**
Taxes on income	(32 139)	(3 352)	413	(12 742)	6 568	(41 252)
Non Controlling Interest	-	-	-	-	(255)	(255)
Net profit after Non Controlling Interest	**139 801**	**13 407**	**(1 761)**	**54 320**	**(48 819)**	**156 948**
Average risk-weighted assets	2 379 535	1 132 133	327 419	106 203	202 814	4 148 105
Average attributed equity	295 012	117 607	33 201	68 622	61 574	576 017
Cost/income ratio	**46.01%**	**37.17%**	**13.55%**	**3.25%**	**(196.74%)**	**44.39%**
ROE based on net profit after Non Controlling Interest[1)]	**47.39%**	**11.40%**	**(5.30%)**	**79.16%**	**(79.28%)**	**27.25%**

2012 ths. EUR	GLC	GCM	Free capital	SLSP group
Net interest income	10 709	7 335	10 210	450 469
Risk provisions for loans and advances	2 931	-	-	(54 539)
Net fee and commission income	4 271	3 780	-	118 090
Net trading result	226	13 010	-	16 067
General administrative expenses	(2 689)	(5 965)	-	(246 187)
Other result	(670)	(4 325)	-	(46 622)
Pre-tax profit	**14 778**	**13 835**	**10 210**	**237 278**
Taxes on income	(2 808)	(2 629)	(1 940)	(48 628)
Non Controlling Interest	-	-	-	(255)
Net profit after Non Controlling Interest	**11 971**	**11 206**	**8 270**	**188 395**
Average risk-weighted assets	710 896	77 317	-	4 936 317
Average attributed equity	71 860	14 898	449 665	1 112 440
Cost/income ratio	**17.68%**	**24.72%**	**-**	**42.28%**
ROE based on net profit after Non Controlling Interest[1)]	**16.66%**	**75.22%**	**1.84%**	**16.94%**

Notes: 1) ROE = return on equity.

2011 ths. EUR	Retail	Local Corporates	Real Estate	ALM	Corporate centre	Core business
Net interest income	311 086	38 783	15 156	77 021	375	442 421
Risk provisions for loans and advances	(40 100)	(19 985)	(13 564)	-	45	(73 603)
Net fee and commission income	106 833	9 524	1 327	(3)	(5 467)	112 213
Net trading result	3 000	724	121	(40)	(8 445)	(4 640)
General administrative expenses	(194 128)	(17 034)	(1 637)	(2 423)	(9 292)	(224 514)
Other result	(12 901)	(577)	(495)	(12 416)	(16 437)	(42 827)
Pre-tax profit	**173 790**	**11 435**	**907**	**62 139**	**(39 221)**	**209 050**
Taxes on income	(32 531)	(2 238)	(172)	(11 806)	5 906	(40 842)
Non Controlling Interest	-	5	-	-	(44)	(39)
Net profit after Non Controlling Interest	**141 259**	**9 202**	**735**	**50 332**	**(33 359)**	**168 169**
Average risk-weighted assets	2 901 261	1 178 321	457 811	72 603	214 876	4 824 871
Average attributed equity	293 157	102 098	38 637	81 668	60 721	576 280
Cost/income ratio	**46.12%**	**34.74%**	**9.86%**	**3.15%**	**(68.64%)**	**40.82%**
ROE based on net profit after Non Controlling Interest[1)]	**48.19%**	**9.01%**	**1.90%**	**61.63%**	**(54.94%)**	**29.18%**

2011 ths. EUR	GLC	GCM	Free capital	SLSP group
Net interest income	11 887	5 663	8 419	468 390
Risk provisions for loans and advances	1 429	-	-	(72 174)
Net fee and commission income	4 439	4 187	-	120 840
Net trading result	569	5 933	-	1 862
General administrative expenses	(2 710)	(6 859)	-	(234 083)
Other result	(5)	(10)	-	(42 841)
Pre-tax profit	**15 611**	**8 914**	**8 419**	**241 994**
Taxes on income	(2 966)	(1 694)	(1 600)	(47 101)
Non Controlling Interest	-	-	-	(39)
Net profit after Non Controlling Interest	**12 645**	**7 220**	**6 820**	**194 854**
Average risk-weighted assets	801 108	143 237	-	5 769 217
Average attributed equity	67 546	16 525	316 152	976 503
Cost/income ratio	**16.04%**	**43.46%**	**-**	**39.60%**
ROE based on net profit after Non Controlling Interest[1)]	**18.72%**	**43.69%**	**2.16%**	**19.95%**

Notes: 1) ROE = return on equity.

45. ASSETS UNDER ADMINISTRATION

The Group provides custody, trustee, investment management, and advisory services to third parties, which involves the Group making allocation and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these financial statements.

The Group accepted in custody EUR 533 million and EUR 736 million of assets as at 31 December 2012 and 2011, respectively, representing securities from customers in its custody for administration, including assets managed by Asset Management Slovenskej sporiteľne, a wholly owned subsidiary of the Bank before 2009.

46. RELATED PARTY TRANSACTIONS

(a) Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The Group is controlled by Erste Group Bank, which indirectly holds 100% of the voting rights of the Group's total shares. Related parties include subsidiaries and associates of the Group and other members of Erste Group Bank group.

A number of banking transactions are entered into with related parties in the normal course of business. These primarily include loans and deposits.

(b) Transactions with Erste Group Bank group

Assets and liabilities include accounting balances with the parent bank and companies under its direct control, as follows:

ths. EUR	2012		2011	
	Erste Group Bank	Companies under the control of Erste Group Bank	Erste Group Bank	Companies under the control of Erste Group Bank
Assets				
Loans and advances to financial institutions	225 479	58 509	552 835	51 132
Loans and advances to customers	-	54 817	-	72 754
Trading assets	29 149	960	8 983	103
Available for sale portfolio	-	-	-	-
Other assets	7 063	1 991	2 739	2 976
Total	**261 691**	**116 277**	**564 557**	**126 965**
Liabilities				
Amounts owed to financial institutions	30 375	1 776	323 537	75 558
Amounts owed to customers	-	4 784	-	10 424
Debt securities in issue	-	-	-	-
Trading liabilities	65 371	1 408	51 242	25
AFS revaluation	-	-	-	-
Other liabilities	429	554	-	3 330
Subordinated debt	180 181	-	180 345	-
Total	**276 356**	**8 522**	**555 124**	**89 337**

The guarantee issued by its parent bank with a maximum value of EUR 50 million matured in January 23, 2012 (2011: EUR 50 million) covering all the Group's exposures to the parent bank and its group companies. Under the agreement, the parent bank pledged securities issued or guaranteed by the Republic of Italy with a face value amounting to EUR 50 million (2011: EUR 50 million).

The Group has received a guarantee issued by its sister bank (Česká spořitelna, a. s.) with a maximum value of EUR 100 million (2011: EUR 100 million) covering the Group's exposures towards Slovenské elektrárne, a. s. Under the agreement, the sister bank (Česká spořitelna, a. s.) pledged securities issued by the Slovak Republic with a face value amounting to EUR 100 million (2011: EUR 100 million).

In 2012, the Group received a bank guarantee provided by its parent bank in the amount of EUR 141 million covering exposures towards subsidiaries and other group members (2011: EUR 144 million).

Exposures towards corporate clients covered by the parent's bank guarantees (excluding exposures towards ERSTE Group entities) are in the amount of EUR 62 million (2011: EUR 113.47 million).

The Group purchased software from companies under the control of Erste Group Bank in 2011 in the amount of EUR 61.75 million. In 2011 the Group purchased part of the core banking system from s IT Solutions SK, spol. s r. o. in the amount of EUR 56.5 million.

The Group entered into two loan contracts with its parent company Erste Group Bank in the amount of EUR 180 million subordinated loan (2011: EUR 180 million) (Note 31).

Income and expenses related to the parent bank and its subsidiaries include the following:

ths. EUR	2012		2011	
	Erste Group Bank	Companies under the control of Erste Group Bank	Erste Group Bank	Companies under the control of Erste Group Bank
Interest income	9 076	5 241	21 034	5 641
Interest expense	(3 690)	(455)	(8 133)	(7 382)
Net fees and commissions	69	2 631	114	4 278
Net trading result	6 767	(1 268)	792	-
General administrative expenses	(892)	(8 999)	(1 058)	(11 052)
Other operating result	135	2 345	1	312
Total	**11 465**	**(505)**	**12 750**	**(8 203)**

(c) Transactions with associates, other than those under control of Erste Group Bank

Assets and liabilities include accounting balances with the associates, as follows:

ths. EUR	2012	2011
Assets		
Financial assets at fair value through profit or loss	-	1 125
Securities available for sale	-	12 910
Total	**-**	**14 035**
Liabilities		
Amounts owed to financial institutions	2 286	4 389
Total	**2 286**	**4 389**

Income and expenses from the associates include the following:

ths. EUR	2012	2011
Interest income	-	-
Interest expense	(22)	(112)
General administrative expenses	-	-
Total	**(22)**	**(112)**

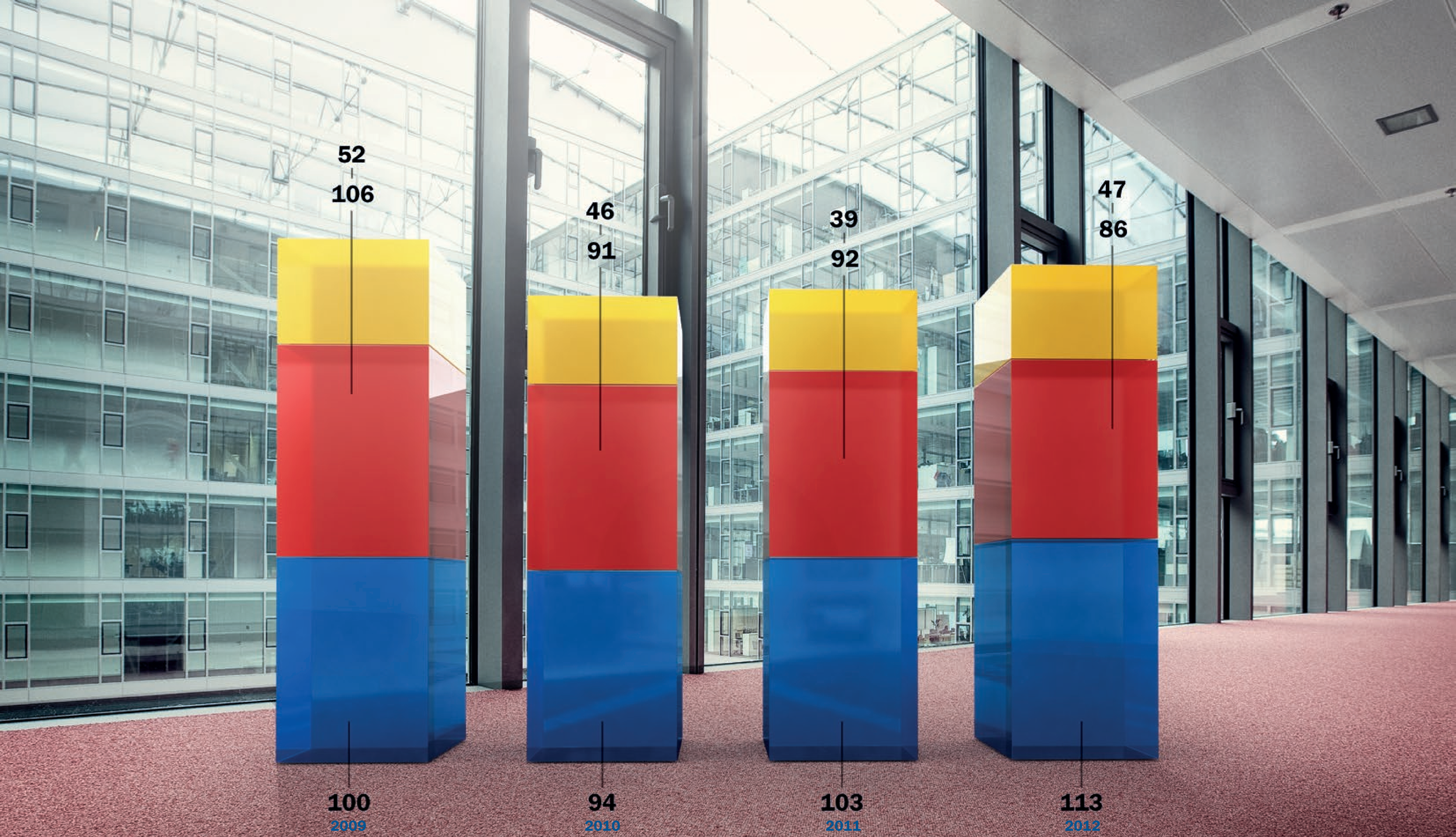
The Group received dividends from its associates in the amount of EUR 3.0 million in 2012 (2011: EUR 3.1 million).

(d) Transactions with key management personnel

Remuneration of members of the Board of Directors and Supervisory Board paid during 2012 amounts to EUR 2.5 million (2011: EUR 1.5 million) which represents short-term employee benefits. Remuneration policy of the members of Board of Directors is in compliance with the CRD as adopted in the national legislation.

47. POST BALANCE SHEET EVENTS

From 31 December 2012 up to the date of issue of these financial statements there were no events identified that would require adjustments to or disclosure in these financial statements.



Operating expenses grew by 5% y/y (in EUR million)

- Personnel expenses
- Other operating expenses
- Depreciation

Separate Financial Statements

prepared in accordance with International Financial Reporting Standards as adopted by the European Union for the Year Ended 31 December 2012

and Independent Auditors' Report

Správa nezávislých audítorov akcionárovi Slovenskej sporiteľne, a. s.

Ernst & Young Slovakia, spol. s r.o.
Hodžovo námestie 1A
811 06 Bratislava
Slovenská republika

Tel: +421 2 3333 9111
Fax: +421 2 3333 9222
www.ey.com/sk

Independent Auditors' Report

To the Shareholder of Slovenská sporiteľňa, a. s.:

We have audited the accompanying separate financial statements of Slovenská sporiteľňa, a. s. ('the Bank'), which comprise the balance sheet as at 31 December 2012, the income statement, comprehensive income statement, 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 notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these separate 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 whether the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of separate financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the separate 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 separate financial statements give a true and fair view of the financial position of the Bank as at 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

5 February 2013
Bratislava, Slovak Republic

Ernst & Young
Ernst & Young Slovakia, spol. s r.o.
SKAU Licence No. 257

Ing. Dalimil Draganovský
SKAU Licence No. 893

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT

Spoločnosť zo skupiny Ernst & Young Global Limited
Ernst & Young Slovakia, spol. s r.o., IČO: 35 840 463, zapísaná v Obchodnom registri Okresného súdu Bratislava I, oddiel: Sro, vložka číslo 27004/B a v zozname audítorov vedenom Slovenskou komorou audítorov pod č. 257.

Separate Income Statement
For the Year Ended 31 December 2012

ths. EUR	Note	2012	2011
Interest income		560 597	572 809
Interest expense		(112 272)	(107 273)
Income from investments in subsidiaries, associates and others		3 184	3 114
Net interest and investment income	**5**	**451 509**	**468 650**
Provisions for losses on loans, advances and off-balance sheet credit risks	7	(54 667)	(70 987)
Net interest and investment income after provisions		**396 842**	**397 663**
Fee and commission income		138 565	136 533
Fee and commission expense		(20 305)	(15 609)
Net fee and commission income	**6**	**118 260**	**120 924**
Net trading result	8	16 179	2 015
General administrative expenses	9	(246 862)	(236 324)
Other operating result	10	(51 044)	(41 992)
Profit for the year before income taxes		**233 375**	**242 286**
Income tax expense	11	(48 585)	(47 087)
Net profit for the year after income taxes		**184 790**	**195 199**
Basic and diluted earnings per EUR 1 000 share (EUR)	**32**	**872**	**921**

The notes on pages 145 to 207 are an integral part of these financial statements.

These financial statements were approved and authorised for issue by the Board of Directors of the Bank on 5 February 2013.

Ing. Jozef Síkela

Chairman of the Board of Directors and
Chief Executive Officer

Ing. Štefan Máj

Deputy Chairman of the Board of Directors and
First Deputy of the Chief Executive Officer

Separate Comprehensive Income Statement
For the Year Ended 31 December 2012

ths. EUR	2012	2011
Net profit for the year after income taxes	**184 790**	**195 199**
Available for sale reserves	68 498	(37 375)
Cash flow hedge reserves	-	(83)
Actuarial gains on defined benefit pension plans	(199)	29
Income tax relating to components of other comprehensive income	(14 078)	7 117
Other comprehensive (expense)/income for the year after income taxes	**54 221**	**(30 312)**
Total comprehensive income for the year	**239 011**	**164 887**

The notes on pages 145 to 207 are an integral part of these financial statements.

Separate Balance Sheet
As at 31 December 2012

ths. EUR	Note	2012	2011
ASSETS			
Cash and balances at the central bank	12	377 004	299 183
Loans and advances to financial institutions	13	289 887	613 170
Loans and advances to customers	14	7 145 868	6 733 360
Provisions for losses on loans and advances	15	(359 425)	(386 884)
Financial assets at fair value through profit or loss	16	98 425	91 225
Securities available for sale	17	1 359 994	981 559
Securities held to maturity	18	2 443 095	2 560 304
Investments in subsidiaries and associates	19	12 348	12 348
Intangible assets	20	103 543	115 984
Property and equipment	21	146 915	150 336
Investment property	21	2 809	3 056
Current income tax asset	23	12 773	-
Deferred income tax asset	23	58 516	82 605
Other assets	24	54 111	43 446
Total assets		**11 745 863**	**11 299 692**
LIABILITIES AND EQUITY			
Amounts owed to financial institutions	25	1 148 279	1 427 425
Amounts owed to customers	26	8 427 509	8 047 984
Financial liabilities at fair value through profit or loss	40b	70 807	70 259
Debt securities in issue	27	536 729	366 717
Provisions	28	24 148	24 721
Other liabilities	29	122 077	127 304
Current income tax liability	23	-	665
Subordinated debt	30	251 268	231 582
Total liabilities		**10 580 817**	**10 296 657**
Equity	31	1 165 046	1 003 035
Total liabilities and equity		**11 745 863**	**11 299 692**

The notes on pages 145 to 207 are an integral part of these financial statements.

Separate Statement of Changes in Equity
For the Year Ended 31 December 2012

ths. EUR	Share capital	Legal reserve fund	Other Funds	Retained earnings	Hedging reserves	Revaluation reserves	Total
As at 31 December 2010	**212 000**	**79 795**	**39 328**	**565 437**	**67**	**(3 677)**	**892 950**
Net profit for the year	-	-	-	195 199	-	-	195 199
Other comprehensive income	-	-	-	29	(67)	(30 274)	(30 312)
Dividends paid	-	-	-	(54 800)	-	-	(54 800)
Other changes	-	-	(2)	-	-	-	(2)
As at 31 December 2011	**212 000**	**79 795**	**39 326**	**705 865**	**-**	**(33 951)**	**1 003 035**
Net profit for the year	-	-	-	184 790	-	-	184 790
Other comprehensive income	-	-	-	(199)	-	54 420	54 221
Dividends paid	-	-	-	(77 000)	-	-	(77 000)
As at 31 December 2012	**212 000**	**79 795**	**39 326**	**813 456**	**-**	**20 469**	**1 165 046**

The notes on pages 145 to 207 are an integral part of these financial statements.

Separate Statement of Cash Flows
For the Year Ended 31 December 2012

ths. EUR	Note	2012	2011
Cash flows from operating activities			
Profit before income taxes		233 375	242 286
Adjustments for:			
Provisions for losses on loans, advances, off-balance sheet write-offs and unwinding	15	30 348	59 837
Provisions for liabilities and other liabilities		21 474	139
Impairment of tangible and intangible assets net	20, 21	3 515	6 970
Depreciation and amortisation	20, 21	42 495	33 157
Gain on disposal of fixed assets		651	317
Transfer of interest for financing activity		19 423	16 835
Net (gain) from investing activities		(109 586)	(107 454)
Impairment of investments in subsidiaries and associates	10	3 515	3 040
Recycling of cash flow hedge reserve		-	(83)
Cash flows from operations before changes in operating assets and liabilities		**245 210**	**255 044**
(Increase)/decrease in operating assets:			
Minimum reserve deposits with the central bank		(14 064)	105 672
Loans and advances to financial institutions		334 809	643 049
Loans and advances to customers		(473 948)	(693 269)
Financial assets at fair value through profit or loss and securities available for sale		(313 078)	(78 723)
Other assets		(10 947)	(13 878)
Increase/(decrease) in operating liabilities:			
Amounts owed to financial institutions		(279 146)	301 265
Amounts owed to customers		379 525	(121 071)
Increase/(decrease)in derivative financial instruments (net)		(3 511)	7 239
Provision for liabilities and other provisions		(272)	(246)
Other liabilities		(27 200)	35 401
Net cash flows provided by / (used in) operating activities before income tax		**(162 622)**	**(440 483)**
Income taxes paid		(51 730)	(62 314)
Net cash flows provided by / (used in) operating activities		**(214 352)**	**378 169**
Cash flows from investing activities			
Purchase of securities held to maturity		(347 620)	(389 960)
Proceeds from securities held to maturity		469 880	126 899
Interest received from securities held to maturity		102 990	92 746
Dividends received from subsidiaries, associates and other investments		3 184	2 987
Purchase of share in subsidiaries and associates		(3 515)	(631)
Proceeds from sale of subsidiaries and associates		2 453	272
Purchase of intangible assets, property and equipment		(33 123)	(88 941)
Proceeds from sale of intangible assets, property and equipment		2 571	284
Net cash flows provided by / (used in) investing activities		**196 820**	**(256 345)**
Cash flows from financing activities			
Dividends paid		(77 000)	(54 800)
Drawing of subordinated debt		18 415	35 650
Interest paid on subordinated debt		(4 896)	(4 942)
Issue of the bonds		207 552	74 801
Repayment of the bonds		(39 569)	(89 613)
Interest paid to the holders of the bonds		(11 228)	(10 470)
Net cash flows provided by / (used in) financing activities		**93 275**	**(49 374)**
Effect of foreign exchange rate changes on cash and cash equivalents		(459)	(140)
Net increase / (decrease) in cash and cash equivalents		**75 284**	**72 310**
Cash and cash equivalents at the beginning of the year	**33**	**302 009**	**229 700**
Cash and cash equivalents at the end of the year	**33**	**377 292**	**302 009**

The notes on pages 145 to 207 are an integral part of these financial statements.

Separate Financial Statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union Year Ended 31 December 2012

1. INTRODUCTION

Slovenská sporiteľňa, a. s. (hereafter 'the Bank') has its registered office at Tomášikova 48, Bratislava, the Slovak Republic. The Bank was incorporated on 15 March 1994 and registered in the Commercial Register on 1 April 1994. The identification number of the Bank is 00 151 653 and its tax identification number is 2020411536. The Bank is a universal bank offering a wide range of banking and financial services to commercial, financial, and private customers, principally in the Slovak Republic.

As of 31 December 2012 and 2011, the only shareholder of the Bank was EGB Ceps Holding GmbH, with registered office at Graben 21, 1010 Vienna, Austria. Financial statements of Erste Group Bank AG (ultimate parent) will be available after their completion at Firmenbuchgericht Wien, Marxergasse 1a, 1030 Vienna, Austria Court.

The Board of Directors has 5 members:
Ing. Jozef Síkela (Chairman), Ing. Štefan Máj (Deputy Chairman), Ing. Peter Krutil (Member), Ing. Jiří Huml (Member) and Ing. Petr Brávek (Member) who replaced Ing. Andrea Guľová since 1 April, 2012.

The Chairman of the Board of Directors is also the Chief Executive Officer (CEO) of the Bank. The Deputy Chairman of the Board of Directors is the First Deputy of the Chief Executive Officer. Other members of the Board of Directors are simultaneously the Deputies of the Chief Executive Officer. Due to a long term absence of the member of the Board of Directors responsible for retail business, the following changes (with the consideration of the regulator NBS) in the management structure are valid as of 31.12.2012; CFO serves temporarily as the CRO of the Bank and CEO is temporarily responsible for retail business.

Supervisory Board has 6 members. As of 31 December 2012, the members of the Supervisory Board were as follows: Gernot Mittendorfer (Chairman), Wolfgang Schopf (Deputy Chairman), Herbert Juranek, Jan Homan, JUDr. Beatrica Melichárová and Štefan Šipoš as members.

The Bank is subject to the regulatory requirements of the Central Bank and other supervisory bodies. These regulations include those pertaining to minimum capital adequacy requirements, categorization of exposures and off-balance sheet commitments, credit risk connected with clients of the Bank, liquidity, interest rate risk, foreign currency positions and operating risk.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

Pursuant to Article 17a of Act no. 431/2002 Coll. on Accounting, effective from 1 January 2006 banks are required to prepare their 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). As a result, separate financial statements prepared in accordance with IFRS have effectively replaced financial statements prepared under Slovak Accounting Standards.

The financial statements of the Bank for the previous period (31 December 2011) were signed and authorised for issue on 6 February 2012.

The separate financial statements comprising the accounts of the Bank, have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (the "EU"). Except for certain standards issued but not yet effective and certain hedge accounting requirements under IAS 39 which have not been endorsed by the EU, IFRS as adopted by the EU does not currently differ from IFRS and its effective standards and interpretations as issued by the International Accounting Standards Board (IASB). The Bank has determined that the standards not endorsed by the EU would not impact the separate financial statements had such standards been endorsed by the EU at the balance sheet date.

(b) Basis of preparation

The Bank is required to prepare Separate Financial Statements. These separate financial statements do not include consolidation of assets, liabilities, or operational results of subsidiaries. The Bank prepared and issued Consolidated Financial Statements for the year ended 31 December 2012 on 5 February 2013.

The financial statements have been prepared on a cost basis, except for available-for-sale financial assets, derivative financial instruments, financial assets and liabilities held for trading and financial assets and liabilities designated at fair value through profit or loss, all of which have been measured at fair value

These financial statements were prepared using the going concern assumption that the Bank will continue in operation for the foreseeable future.

The Bank holds controlling interests in subsidiaries as described in Note 19. The subsidiaries are accounted for at cost in these separate financial statements less any impairment losses.

The unit of measurement is thousands of EUR (EUR thousand), unless stated otherwise. The amounts in parentheses represent negative values. The tables in this report may contain rounding differences.

(c) Subsidiaries and associates

The separate financial statements present the accounts and results of the Bank only.

Subsidiary Undertakings
An investment in a subsidiary is one in which the Bank holds, directly or indirectly, more than 50% of such subsidiary's share capital or in which the Bank can exercise more than 50% of the voting rights, or where the Bank can appoint or dismiss the majority of the Board of Directors or Supervisory Board members, or have other means of governing the financial and operating policies of an entity so as to obtain benefits from its activities.

Investments in subsidiaries are accounted for using the cost method. Dividend income is recognized in the Income Statement under 'Income from investments in subsidiaries and associates'. Impairment losses are recognized in the Income Statement under 'Other operating result' when the recoverable amount of the Bank's investment in a subsidiary is determined to be less than its carrying amount, or the value is otherwise impaired.

Associated Undertakings
An associate is an entity in which the Bank normally holds, directly or indirectly, more than 20% but less than 50% over which the Bank has significant influence and that is neither a subsidiary nor an interest in a joint venture. 'Significant influence' is the power to participate in the financial and operating policy decisions of the investee, without having control or joint control over those policies.

Associates are accounted for using the cost method. Dividend income is recognized in the Income Statement under 'Income from investments in subsidiaries and associates'. Impairment losses are recognized in the Income Statement under 'Other operating result' when the recoverable amount of the Bank's investment in an associate is determined to be less than its carrying amount, or the value is otherwise impaired.

(d) Accounting and measurement methods

(i) Transactions and balances in foreign currency
Transactions in foreign currencies are initially recorded at the functional currency exchange rate effective as of the date of the transaction. Subsequently, monetary assets and liabilities denominated in foreign currencies are translated at the functional currency exchange rate as of the balance sheet date. All resulting exchange differences that arise are recognised in the income statement in the line 'Net trading result' or in the line 'Result from financial instruments – at fair value through profit or loss'. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as of the dates of the initial transactions.

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

Financial instruments – recognition and measurement
A financial instrument is any contract giving rise to a financial asset of one party and a financial liability or equity instrument of another party. In accordance with IAS 39, all financial assets and liabilities – which also include derivative financial instruments – have to be recognised in the balance sheet and measured in accordance with their assigned categories.

The Bank uses the following categories of financial instruments:

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

IAS 39 categories of financial instruments relevant for measurement are not necessarily the line items presented in the balance sheet. Specific relationships between the balance sheet line items and categories of financial instruments are described in the table at point (xi).

(i) Initial recognition
Financial instruments are initially recognised when The Bank becomes a party to the contractual provisions of the instrument. Regular way (spot) purchases and sales of financial assets are recognised at settlement date, which is the date that an asset is delivered. The classification of financial instruments at initial recognition depends on their characteristics as well as the purpose and management's intention for which the financial instruments were acquired.

(ii) Initial measurement of financial instruments
Financial instruments are measured initially at their fair value including transaction costs. In the case of financial instruments at fair value through profit or loss, however, transaction costs are not included but are recognised directly in profit or loss. Subsequent measurement is described in the chapters below.

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

(iv) Derivative financial instruments
Derivatives used by the Bank include mainly interest rate swaps, futures, forward rate agreements, interest rate options, currency swaps and currency options as well as credit default swaps. Derivatives are measured at fair value. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. All kinds of derivatives disregarding their internal classification are disclosed under the line item 'Derivative financial instruments', which can be found, depending on their fair value as of the balance sheet date, on the assets or liabilities side of the balance sheet. Hence, the line item 'Derivative financial instruments' contains both derivatives held in the trading book and banking book and includes also derivatives designated for hedge accounting. Changes in fair value (clean price) are recognised in the income statement in the line 'Net trading result', except for those resulting from the effective part of cash flow hedges which are reported in other comprehensive income. Interest income/expense related to derivative financial instruments is recognised in the income statement in the line 'Net interest income' for those held in the banking book or designated as hedging instruments in fair value hedges or in the line 'Net trading result' for those held in the trading book.

(v) Financial assets and financial liabilities held for trading
Financial assets and financial liabilities held for trading include debt securities as well as equity instruments acquired or issued principally for the purpose of selling or repurchasing in the near term. Financial instruments held for trading are measured at fair value and are presented as 'Trading assets' or 'Trading liabilities' in the balance sheet. Changes in fair value resulting from financial instruments held for trading are reported in the income statement in the line 'Net trading result'.

If securities purchased under agreement to resell are subsequently sold to third parties, the obligation to return the securities is recorded as a short sale within 'Trading liabilities'.

(vi) Financial assets or financial liabilities designated at fair value through profit or loss
Financial assets or financial liabilities classified in this category are those that have been designated by management on initial recognition (fair value option).

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

Financial assets designated at fair value through profit or loss are recorded in the balance sheet at fair value in the line 'Financial assets – at fair value through profit or loss' with changes in fair value recognised in the income statement in the line 'Result from financial instruments – at fair value through profit or loss'. Interest earned on debt instruments as well as dividend income on equity instruments is shown in the position 'Interest and similar income'.

The Bank uses the fair value option in case of some hybrid financial liabilities, if:

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

The amount of fair value change attributable to changes in own credit risk for financial liabilities designated at fair value through profit or loss is calculated by the method described by IFRS 7. This amount is the difference between the present value of the liability and the observed market price of the liability at the end of the period. The rate used for discounting the liability is the sum of the observed (benchmark) interest rate at the end of the period and the instrument-specific component of the internal rate of return determined at the start of the period.

Financial liabilities designated at fair value through profit or loss are reported under the respective financial liabilities positions 'Customer deposits', 'Debt securities in issue' or 'Subordinated liabilities'. Changes in fair value are recognised in the income statement in the line 'Result from financial instruments – at fair value through profit or loss'. Interest incurred is reported in the line 'Interest and similar expenses'.

(vii) Available-for-sale financial assets
Available-for-sale assets include equity and debt securities as well as other interests in non-consolidated companies. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

Available-for-sale financial assets are subsequently measured at fair value. Unrealised gains and losses are recognised in other comprehensive income and reported in the 'Available-for-sale reserve' until the financial asset is disposed of or impaired. If available-for-sale assets are disposed of or impaired, the cumulative gain or loss previously recognised in other comprehensive income is reclassified to profit or loss and reported under the line item 'Result from financial assets – available for sale'. In the balance sheet, available-for-sale financial assets are disclosed in the line item 'Financial assets – available for sale'.

If the fair value of investments in non-quoted equity instruments cannot be measured reliably, they are recorded at cost less impairment. This is the case when the range of reasonable fair value estimates as calculated by valuation models is significant and the probabilities of the various estimates cannot be reasonably assessed. There is no market for such investments. The Bank does not have any specific plan to dispose of such investments.

Interest and dividend income on available-for-sale financial assets are reported in the income statement in the line 'Interest and similar income'.

(viii) Held-to-maturity financial investments
Non-derivative financial assets with fixed or determinable payments and fixed maturities are reported in the balance sheet as 'Financial assets – held to maturity' if the Bank

has the intention and ability to hold them until maturity. After initial recognition, held-to-maturity financial investments are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount, premium and/or transaction costs that are an integral part of the effective interest rate. Interest earned on financial assets held to maturity is reported in the income statement in the line 'Interest and similar income'. Losses arising from impairment of such investments as well as occasional realised gains or losses from selling are recognised in the income statement in the line 'Other operating result'.

(ix) Loans and advances
The balance sheet line items 'Loans and advances to credit institutions' and 'Loans and advances to customers' include assets meeting the definition of loans and receivables. Furthermore, finance lease receivables which are accounted for under IAS 17 are presented in these balance sheet line items.

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

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

After initial measurement, loans and receivables are subsequently measured at amortised cost. Finance lease receivables are subsequently measured as specified in the chapter leasing. Interest income earned is included in the line 'Interest and similar income' in the income statement.

Allowances for impairment and incurred but not reported losses are reported in the balance sheet line 'Risk provisions for loans and advances'. Losses arising from impairment are recognised in the income statement in the line 'Risk provisions for loans and advances'.

(x) Deposits and other financial liabilities
Financial liabilities are measured at amortised cost, unless they are measured at fair value through profit or loss. Except those which are held for trading, financial liabilities are reported in the balance sheet in the lines 'Deposits by banks', 'Customer deposits' 'Debt securities in issue' or 'Subordinated liabilities'. Interest expenses incurred are reported in the line 'Interest and similar expenses' in the income statement.

(xi) Relationships between balance sheet positions and categories of financial instruments:

Balance sheet positions	Measurement value		Financial instrument category
	Fair value	At amortised cost	
ASSETS			
Cash and balances with central banks		x	Loans and receivables
Loans and advances to financial institutions		x	Loans and receivables
Loans and advances to customers		x	Loans and receivables
Provisions for losses on loans and advances		x	Loans and receivables
Financial assets at fair value through profit or loss	x		Financial assets - at fair value through profit or loss
Hedging derivatives	x		n/a
Securities available for sale	x		Financial assets - available for sale
Securities held to maturity		x	Financial assets - held to maturity
LIABILITIES			
Amounts owed to financial institutions		x	Financial liabilities
Amounts owed to customers		x	Financial liabilities
Debt securities in issue		x	Financial liabilities
Financial liabilities at fair value through profit or loss	x		Financial liabilities - at fair value through profit or loss
Hedging derivatives	x		n/a
Subordinated liabilities		x	Financial liabilities

Embedded derivatives
The Bank, as part of its business, is confronted with debt instruments containing structured features. Structured features mean that a derivative is embedded in the host instruments. Embedded derivatives are separated from the host debt instruments if

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

Embedded derivatives which are separated are accounted for as stand-alone derivatives and presented in the balance sheet in the line 'Derivative financial instruments'.

At the Bank, derivatives which are not closely related and are separated are predominantly embedded in issued host debt instruments recognised as liabilities. The most typical cases are issues of bonds and deposits which contain interest caps, floors or collars which are in the money, contractual features linking payments to non-interest variables such as FX rates, equity, commodity prices and indices or credit risk of third parties.

Derecognition of financial assets and financial liabilities
A financial asset (or where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the contractual rights to receive cash flows from the asset have expired; or
- as The Bank has transferred its rights to receive cash flows from the asset
- or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement;

and either:

- has transferred substantially all the risks and rewards connected with the ownership of the asset, or
- has neither transferred nor retained substantially all the risks and rewards connected with the ownership of the asset but has transferred control of the asset.

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

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

The corresponding cash received is recognised in the balance sheet with a corresponding obligation to return it as a liability in the respective lines 'Deposits by banks' or 'Customer deposits' reflecting the transaction's economic substance as a loan to the Bank. The difference between the sale and repurchase prices is treated as interest expense and recorded in the income statement in the line 'Interest and similar expenses' and is accrued over the life of the agreement. Financial assets transferred out by the Bank under repurchase agreements remain on the Bank's balance sheet and are measured according to the rules applicable to the respective balance sheet item.

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

Securities lending and borrowing
In securities lending transactions, the lender transfers ownership of securities to the borrower on the condition that the borrower will retransfer, at the end of the agreed loan term, ownership of instruments of the same type, quality and quantity and will pay a fee determined by the duration of the lending. The transfer of the securities to counterparties via securities lending does not result in derecognition. Substantially all the risks and rewards of ownership are retained by the Bank as a lender because the securities are received at the end of the securities lending transaction. Furthermore, the Bank is the beneficiary of all the coupons and other income payments received on the transferred assets over the period of the securities borrowings.

Securities borrowed are not recognised on the balance sheet, unless they are then sold to third parties. In this case the obligation to return the securities is recorded as a trading liability.

Determination of fair value
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.

The best indication of a financial instrument's fair value is provided by quoted market prices in an active market. Where quoted market prices in an active market are available, they are used to measure the financial instrument's value (level 1 of the fair value hierarchy). The measurement of fair value at the Bank is based primarily on external sources of data (stock market prices or broker quotes in highly liquid market segments). Where no market prices are available, fair value is determined on the basis of valuation models that are based on observable market information (level 2 of the fair value hierarchy). In some cases, the fair value of financial instruments can be determined neither on the basis of market prices nor of valuation models that rely entirely on observable market data. In such cases, individual valuation parameters not observable in the market are estimated on the basis of reasonable assumptions (level 3 of the fair value hierarchy).

Credit Value Adjustments (CVA) are to applied to all derivatives which are marked to model. The adjustment reflects the fair valued of credit risk embedded in a derivative for a given counterparty. The adjustment is driven by the expected positive exposure of the derivative or netting set and the credit quality of the counterparty.

The Bank employs only generally accepted, standard valuation models. Fair value is determined for non-option derivatives (e.g. interest rate swaps, cross currency swaps, foreign exchange forwards and forward rate agreements) by discounting the respective cash flows. OTC options are valued using appropriate market standard option pricing. The Bank uses only valuation models which have been tested internally and for which the valuation parameters (such as interest rates, exchange rates and volatility) have been determined independently.

Impairment of financial assets and credit risk losses of contingent liabilities

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

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganisation, default or delinquency in interest or principal payments. For assessment at portfolio level, indications of impairment are observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. The Bank uses Basel II definition of default as a primary indicator of loss events. More specifically default occurs when interest or principal payments on a material exposure are more than 90 days past due or full repayment is unlikely for reasons such as restructuring resulting in a loss to the lender, initiation of bankruptcy proceedings.

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

(i) Financial assets carried at amortised cost

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

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

In cases of loans and advances, any impairment is reported in the allowance account referred to as 'Risk provisions for loans and advances' in the balance sheet and the amount of the loss is recognised in the income statement in the line 'Risk provisions for loans and advances'. Risk provisions for loans and advances include specific risk provisions for loans and advances for which objective evidence of impairment exists. In addition, 'Risk provisions for loans and advances' include portfolio risk provisions for incurred but not reported losses. For held-to-maturity investments, impairment is recognised directly by reducing the asset account and in the income statement in the line 'Result from financial assets – held to maturity'...

Loans together with the associated allowance are removed from the balance sheet when there is no realistic prospect of future recovery and all collaterals have been realised by the Bank.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases, the previously recognised impairment loss is increased or reduced by adjusting the allowance account in case of loans and advances. In case of impaired held-to-maturity investments no allowance account is used, but the carrying amount is increased or decreased directly.

(ii) Available-for-sale financial investments

In cases of debt instruments classified as available for sale, the Bank assesses individually whether there is objective evidence of impairment based on the same criteria as used for financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement.

On recognising impairment, any amount of losses retained in the other comprehensive income item 'Available for sale reserve' is reclassified to the income statement and shown as impairment loss in the line 'Result from financial assets – available for sale'. If, in a subsequent period, the fair value of a debt instrument increases, the impairment loss is reversed through the income statement in the line 'Result from financial assets – available for sale'. Impairment losses and their reversals are recognised directly against the assets in the balance sheet.

In cases of equity investments classified as available for sale, objective evidence also includes a 'significant' or 'prolonged' decline in the fair value of the investment below its cost. For this purpose at the Bank, 'significant' decline means a market price below 80% of the acquisition cost and 'prolonged' decline refers to a market price which is permanently below acquisition cost for a period of 9 months up to the reporting date.

Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement, is shown as impairment loss in the income statement in the line 'Result from financial assets – available for sale'. Any amount of losses previously recognised in the other comprehensive income item 'Available for sale reserve' has to be reclassified to the income statement as a part of impairment loss in the line 'Result from financial assets – available for sale'. Impairment losses on equity investments are not reversed through the income statement; increases in the fair value after impairment are recognised directly in other comprehensive income. Impairment losses and their reversals are recognised directly against the assets in the balance sheet.

(iii) Contingent liabilities

Provisions for credit losses of contingent liabilities (particularly financial guarantees as well as credit commitments) are included in the balance sheet line 'Provisions'. The related expense is reported in the income statement in the line 'Risk provisions for loans and advances'.

Hedge accounting

The Bank makes use of derivative instruments to manage exposures to interest rate risk and foreign currency risk. At inception of a hedge relationship, the Bank formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship. Also at the inception of the hedge relationship, a formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are expected to offset the fair value changes of the hedging instrument in a range of 80% to 125%. Exact conditions for particular types of hedges applied by the Bank are specified internally in hedge policy.

(i) Fair value hedges

Fair value hedges are employed to reduce market risk. For qualifying and designated fair value hedges, the change in the fair value of a hedging instrument is recognised in the income statement in the line 'Net trading result'. The change in the fair value of the hedged item attributable to the hedged risk is also recognised in the income statement in the line 'Net trading result' and adjusts the carrying amount of the hedged item. Fair value of hedging instruments and revaluation of hedged items are disclosed in balance sheet in line 'Other assets' or 'Other liabilities'.

If the hedging instrument expires, is sold, is terminated or is exercised, or when the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated. In this case, the fair value adjustment of the hedged item shall be amortised to the income statement in the line 'Net interest income' until maturity of the financial instrument. Fair value of hedging instruments and revaluation of hedged items are disclosed in balance sheet in line 'Other assets' or 'Other liabilities'.

(ii) Cash flow hedges

Cash flow hedges are used to eliminate uncertainty in the future cash flows in order to stabilise net interest income. For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income and reported under the 'Cash flow hedge reserve'. The ineffective portion of the gain or loss on the hedging instrument is recognised in the income statement in the line 'Net trading result'. When the hedged cash flow affects the income statement the gain or loss on the hedging instrument is reclassified from other comprehensive income into the corresponding income or expense line in the income statement (mainly 'Net interest income').

When a hedging instrument expires, is sold, is terminated, is exercised, or when a hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated. In this case the cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive income shall remain separately in 'Cash flow hedge reserve' until the transaction occurs.

Offsetting financial instruments

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

Leasing

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

The Bank as a lessor

The lessor in the case of finance lease reports a receivable against the lessee in the line 'Loans and advances to customers' or 'Loans and advances to customers'. The receivable is equal to the present value of the contractually agreed payments taking into account any residual value. Interest income on the receivable is reported in the income statement in the line 'Net interest income'.

In the case of operating leases, the leased asset is reported by the lessor in 'property and equipment' or in 'investment property' and is depreciated in accordance with the principles applicable to the assets involved. Lease income is recognised on a straight-line basis over the lease term in the income statement in the line 'Net interest income'.

The Bank as a lessee
Finance leases of property and equipment under which the Bank assumes substantially all the risks and rewards incidental to ownership are recognised in the balance sheet by recording an asset and liability equal to the present value of all future lease payments. Leasehold improvements on leased assets are depreciated in accordance with the estimated useful life of the asset, or the lease term if shorter. Lease liabilities are reduced by repayments of principal, whilst the finance charge component of the lease payment is charged directly to the Income Statement.

Rentals payable under operating leases are charged to the Income Statement on a straight-line basis over the term of the relevant lease.

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

Depreciation is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives. Depreciation is recognised in the income statement in the line 'General administrative expenses' and impairment in the line 'Other operating result'.

The estimated useful lives are as follows:

Type of property and equipment	Useful life in years 2012 and 2011
Buildings and structures	30 years
Office furniture and equipment	4 – 6 years
Computer hardware	4 years
Passenger cars	4 years
Fixture and fittings	6 – 12 years

Land is not depreciated.

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

Investment property
Investment property is property (land and buildings or part of a building or both) held for the purpose of earning rental income or for capital appreciation. In case of partial own use, the property is investment property only if the owner-occupied portion is insignificant. Investments in land and buildings under construction, where the future use is expected to be the same as for investment property, are treated as investment property.

Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at cost less accumulated depreciation and impairment. Together with rental income, depreciation is recognised in the income statement in the line 'Interest and similar income' using the straight-line method over an estimated useful life. The useful lives of investment properties are identical to those of buildings reported under property and equipment. Any impairment losses, as well as their reversals, are recognised in the income statement line 'Other operating result'. Investment property is presented in the balance sheet in the line 'Investment property'.

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

Intangible assets with finite lives are amortised over their useful economic lives using the straight-line method. The amortisation period and method are reviewed at least at each financial year-end and adjusted if necessary. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the line 'General Administrative expenses'.

The estimated useful lives are as follow:

Type of intangible assets	Useful life in years 2012 and 2011
Core banking system and related applications	8 years
Computer software	4 years

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

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

For non-financial assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Bank estimates the asset's or CGU's recoverable amount. The previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

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

Non-current assets and disposal groups held for sale
Non-current assets are classified as held for sale if they can be sold in their present condition and the sale is highly probable within 12 months of them being classified as held for sale. If assets are to be sold as a part of a group which may also contain liabilities (e.g. subsidiary) they are referred to as disposal group held for sale.

Assets classified as held for sale and assets belonging to disposal groups held for sale are reported under the balance sheet line 'Assets held for sale'. Liabilities belonging to the disposal groups held for sale are presented in the balance sheet in the line 'Liabilities associated with assets held for sale'. Non-current assets and disposal groups that are classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Financial guarantees
In the ordinary course of business, the Bank gives financial guarantees, consisting of various types of letters of credit and guarantees. According to IAS 39, a financial guarantee is a contract that requires the guarantor to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with original or modified terms of a debt instrument. If the Bank is in a position of being a guarantee holder, the financial guarantee is not recorded in the balance sheet but is taken into consideration as collateral when determining impairment of the guaranteed asset.

The Bank as a guarantor recognises financial guarantees as soon as it becomes a contracting party, i.e., when the guarantee offer is accepted. Financial guarantees are initially measured at fair value. Generally the initial measurement is the premium received for a guarantee. If no premium is received at contract inception the fair value of a financial guarantee is nil, as this is the amount at which the guarantee could be settled in an arm's length transaction with an unrelated party. Subsequent to initial recognition the financial guarantee contract is reviewed for the possibility that provisioning will be required under IAS 37.

The premium received is recognised in the income statement in the line 'Net fee and commission income' on a straight-line basis over the life of the guarantee.

Defined employee benefit plans
The Bank operates unfunded defined long-term benefit programs comprising lump-sum post-employment and working anniversary.

Obligations resulting from defined employee benefit plans are determined using the projected unit credit method. Future obligations are determined based on actuarial expert opinions. The calculation takes into account not only those salaries, pensions and vested rights to future pension payments known as of the balance sheet date but also anticipated future rates of increase in salaries and pensions.

See Note 28(c) for key assumptions used in actuarial valuations.

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 the interest yield on investment grade fixed income securities, which have terms to maturity approximating the terms of the related liability. Actuarial gains and losses from the jubilee benefit obligation are charged to the Income Statement in the current year. Actuarial gains and losses from post-employment defined benefit plans are recognised directly in equity in the period in which they occur.

Provisions
Provisions are recognised when the Bank has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. In the balance sheet, provisions are reported in the line 'Provisions'. They include credit risk loss provisions for contingent liabilities (particularly financial guarantees and loan commitments) as well as provisions for litigations and restructuring. Expenses or income from allocation or release relating to credit risk loss provisions for contingent liabilities are presented in the income statement line 'Risk provisions for loans and advances'. All other expenses or income related to provisions are reported in the line 'Other operating result'.

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

(ii) Deferred tax
Deferred tax is recognised for temporary differences between the tax bases of assets and liabilities and their carrying amounts as of the balance sheet date. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent it is probable that taxable profit will be available against which the deductible temporary differences and carry forward of unused tax losses can be utilised. Deferred taxes are not recognised on temporary differences arising from the initial recognition of goodwill.

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

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

Deferred tax relating to items recognised in other comprehensive income is also recognised in other comprehensive income and not in the income statement.

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

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

Dividends on ordinary shares
Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Bank's shareholders.

Recognition of income and expenses
Revenue is recognised to the extent that it is probable the economic benefits will flow to the entity and the revenue can be reliably measured. Regarding the lines reported in the income statement, their description and revenue recognition criteria are as follows:

(i) Net interest income
Interest income or expense is recorded using the effective interest rate (EIR) method. The calculation includes origination fees resulting from the lending business as well as transaction costs that are directly attributable to the instrument and are an integral part of the EIR (apart from financial instrument at fair value through profit or loss), but no future credit losses. Interest income from individually impaired loans is calculated by applying the original effective interest rate used to discount the estimated cash flows for the purpose of measuring the impairment loss.

Interest and similar income mainly includes interest income on loans and advances to credit institutions and customers, on balances with central banks and on bonds and other interest-bearing securities in all portfolios. Interest and similar expenses mainly include interest paid on deposits by banks and customer deposits, deposits of central banks, debt securities in issue and subordinated debt. In addition, net interest income includes interest on derivative financial instruments held in the banking book.

Also reported in interest and similar income is current income from shares and other equity-related securities (especially dividends) as well as income from other investments in companies categorised as available for sale. Such dividend income is recognised when the right to receive the payment is established.

Net interest income also includes rental income and corresponding depreciation charge from investment properties. Such rental income constitutes income from operating leases and is recognised on a straight-line basis over the lease term.

(ii) Risk provisions for loans and advances
This item includes allocations to and releases of specific and portfolio risk provisions for loans and advances and for contingent liabilities bearing credit risk. Also reported in this item are direct write-offs of loans and advances as well as recoveries on written-off loans removed from the balance sheet. Furthermore allocations to and releases of portfolio risk provisions for held-to-maturity investments with respect to incurred but not reported losses are part of this item.

(iii) Net fee and commission income
The bank earns fee and commission income from a diverse range of services it provides to its customers.

Fees earned for the provision of services over a period of time are accrued over that period. These fees include lending fees, guarantee fees, commission income from asset management, custody and other management and advisory fees as well as fees from insurance brokerage, building society brokerage and foreign exchange transactions.

Fee income earned from providing transaction services, such as arranging the acquisition of shares or other securities or the purchase or sale of businesses, is recognised on completion of the underlying transaction.

(iv) Net trading result
Results arising from trading activities include all gains and losses from changes in fair value (clean price) on financial assets and financial liabilities classified as held for trading, including all derivatives not designated as hedges. In addition, for derivative financial instruments held in the trading book, 'Net trading result' contains also interest income or expense. However, interest income or expenses on non-derivative trading assets and liabilities and on derivatives held in the banking book (include only those qualifying for hedge accounting) are not part of 'Net trading result' as they are reported as 'Net interest income'. It also includes any ineffective portions recorded in hedging transactions as well as foreign exchange gains and losses.

(v) General administrative expenses
General administrative expenses represent the following expenses accrued in the reporting period: personnel and other administrative expenses, as well as depreciation and amortisation, apart from amortisation of customer relationships and impairment of goodwill that are reported under 'Other operating result'.

Personnel expenses include wages and salaries, bonuses, statutory and voluntary social security contributions, staff-related taxes and levies. They also include expenses and income for jubilee obligations (covering service cost, interest cost, expected return on plan assets and actuarial gains and losses for jubilee obligations).

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

(vi) Other operating result
Other operating result reflects all other income and expenses not directly attributable to the Bank's ordinary activities. This includes especially impairment losses or any reversal of impairment losses as well as results on the sale of property and equipment and other intangible assets. In addition, other operating result encompasses the following: expenses for other taxes, including special banking taxes and for deposit insurance contributions; income from the release of and expenses for allocations to other provisions; impairment losses (and their reversal if any) on investments in associates accounted for at equity; and realised gains and losses from the disposal of equity-accounted investments.

Other Operating Result also includes result from financial instruments consisting of the following lines in the income statement:

- **Result from financial instruments** – at fair value through profit or loss: changes in clean price of assets and liabilities designated at fair value through profit or loss are reported here.
- **Result from financial assets** – available for sale: realised gains and losses from selling as well as impairment losses and reversals of impairment losses from financial assets available for sale are reported in this position. However, interest and dividend element on these assets and reversals of impairment losses on equity instruments are not part of this position.
- **Result from financial assets** – held to maturity: impairment losses and reversals of impairment losses as well as occasional selling gains and losses from financial assets held to maturity are reported in this position. However, this position does not include incurred but not reported losses recognised for financial assets held to maturity on portfolio level which are part of the position Risk provisions for loans and advances.

Renegotiated loans
Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR.

Collateral repossessed
The Bank's policy is to determine whether a repossessed asset is best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets that are determined better to be sold are immediately transferred to assets held for sale at their fair value at the repossession date in line with the Bank's policy.

Collateral valuation
The Bank seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, securities, letters of credit/ guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The fair value of collateral is generally assessed, at a minimum, at inception and based on the Bank's reporting schedule, To the extent possible, the Bank uses active market data for valuing financial assets, held as collateral. Other financial assets which do not have a readily determinable market value are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, housing price indices, and other independent sources.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ASSUMPTIONS AND ESTIMATES

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

Fair value of financial instruments
Where the fair values of financial assets and financial liabilities recorded on the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data is not available judgement is required to establish fair values. Disclosures for valuation models, fair value hierarchy and fair values of financial instruments can be found in Note 41) Fair value of financial instruments.

Impairment of financial assets
The Bank reviews its financial assets not measured at fair value through profit or loss at each balance sheet date to assess whether an impairment loss should be recorded in the income statement. In particular, it is required to determine

whether there is objective evidence of impairment as a result of a loss event occurring after initial recognition and to estimate the amount and timing of future cash flows, value of collateral when determining an impairment loss. These provisions are based on the Bank's historical and current experience concerning default rates, recovery rates of loans, or time needed from a loss event to loan default.

Individual assessment of impairment
Loans and advances to institutions, sovereigns, corporate classes and retail clients with exposures exceeding EUR 200 thousand are generally considered by the Group as being individually significant and are analysed on an individual basis.

Loans and advances with identified impairment are internally rated as defaulted. The calculation of specific provisions is based on an estimate of expected cash flows reflecting the estimated delinquency in loan repayments, as well as proceeds from collateral. Impairment amount is determined by the difference between the loan's gross carrying amount and the net present value ('NPV') of the estimated cash flows discounted by the loan's original effective interest rate.

Portfolio assessment of impairment
For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Bank's internal credit rating system.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Disclosures concerning impairment are provided in Note 35 'Credit risk'. Development of loan loss provisions is described in Note 13, 14 and 15).

Impairment of non-financial assets
The Bank reviews its non-financial assets at each balance sheet date to assess whether there is an indication of impairment loss which should be recorded in the income statement. Judgement and estimates are required to determine the value in use and fair value less costs to sell by estimating the timing and amount of future expected cash flows and the discount rates.

Deferred tax assets
Deferred tax assets are recognised in respect of tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax planning strategies. Disclosures concerning deferred taxes are in Note 23) Tax assets and liabilities.

4. APPLICATION OF NEW AND AMENDED STANDARDS

The Bank applied all Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB as adopted by the European Union ('EU') that are relevant to the Bank's operations.

a) Standards and interpretations relevant to Bank's operations, effective in the current period

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.

When the adoption of the standard or interpretation is considered to have an impact on the financial position or performance of the Bank, its impact is described below:

- **IFRS 7 Financial Instruments: Disclosures (amendment)**

The IASB issued an amendment to IFRS 7 on 7 October 2010. The amendment provides enhanced disclosures for transferred financial assets that are derecognised in their entirety and transferred assets that are not derecognised in their entirety. The effective date is for annual periods beginning on or after 1 July 2011.

Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Bank:
- **IAS 12 Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets**
- **IFRS 1 First-Time Adoption of International Financial Reporting Standards (Amendment) – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopter**

b) Standards and interpretations not yet effective

Standards issued but not yet effective or not yet adopted by the EU up to the date of issuance of the Bank's financial statements are listed below.

This listing of standards and interpretations issued are those that the Bank reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Bank intends to adopt these standards when they become effective.

- **IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income ('OCI')**

The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has there no impact on the Bank's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

- **IAS 32 Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32**

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". It will be necessary to assess the impact to the Bank by reviewing settlement procedures and legal documentation to ensure that offsetting is still possible in cases where it has been achieved in the past. In certain cases, offsetting may no longer be achieved. In other cases, contracts may have to be renegotiated. The requirement that the right of set-off be available for all counterparties to the netting agreement may prove to be a challenge for contracts where only one party has the right to offset in the event of default. The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. Offsetting on the grounds of simultaneous settlement is particularly relevant for the Bank as to where it engages in large numbers of sale and repurchase transactions. Currently, transactions settled through clearing systems are, in most cases, deemed to achieve simultaneous settlement. While many settlement systems are expected to meet the new criteria, some may not. Any changes in offsetting are expected to impact leverage ratios, regulatory capital requirements, etc. As the impact of the adoption depends on the Bank's examination of the operational procedures applied by the central clearing houses and settlement systems it deals with to determine if they meet the new criteria, it is not practical to quantify the effects.
These amendments become effective for annual periods beginning on or after 1 January 2014.

- **IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7**

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments will not impact the Bank's financial position or performance and will become effective for annual periods beginning on or after 1 January 2013.

- **IFRS 9 Financial Instruments: Classification and Measurement**

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. Based on the IASB's decision from December 2011 the standard mandatory effective date has been postponed to annual periods beginning on or after 1 January 2015 with early application permitted. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The Board is deferring the mandatory effective date as a result of recent changes in the expected timing of completion of the remaining phases of the financial instruments project. The Board intends to allow entities to apply all phases concurrently. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Bank's financial assets and on classification and measurements of financial liabilities. The Bank is in process of assessment of the first phase and evaluating impact of the other phases as known to date. It is the intention of the Bank to adopt the standard in its entirety once issued and endorsed.

- **IFRS 13 Fair Value Measurement**

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. Adoption of the standard is not expected to have a material impact on the financial position or performance of the Bank. This standard becomes effective for annual periods beginning on or after 1 January 2013.

Following listing of standards and interpretations issued are those that the Bank expects not to have any impact on disclosures, financial position or performance when applied at a future date:
- **IAS 19 Employee Benefits (Amendment)**
- **IAS 27 Separate Financial Statements (as revised in 2011)**
- **IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)**
- **IFRS 1 Government Loans — Amendments to IFRS 1**
- **IFRS 10 Consolidated Financial Statements**
- **IFRS 11 Joint Arrangements**
- **IFRS 12 Disclosure of Involvement with Other Entities**
- **IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine**
- **Annual Improvements May 2012**

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

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. Based on the Bank'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.

5. NET INTEREST AND INVESTMENT INCOME

ths. EUR	2012	2011
Interest income from:		
Loans and advances to financial institutions	11 812	25 017
Loans and advances to customers	407 723	410 988
Financial assets at fair value through profit and loss	3 455	1 095
Securities available for sale	29 388	30 811
Securities held to maturity	108 041	104 725
Other interest income and similar income	178	173
Total interest income	**560 597**	**572 809**
Interest expense for:		
Amounts owed to financial institutions	(9 791)	(14 209)
Amounts owed to customers	(83 058)	(76 229)
Debts securities in issue	(13 256)	(11 066)
Subordinated debt	(6 167)	(5 769)
Total interest expenses	**(112 272)**	**(107 273)**
Net interest income	**448 325**	**465 536**
Income from investments in subsidiaries, associates and others	3 184	3 114
Net interest and investment income	**451 509**	**468 650**

In 2012, interest income includes a total of EUR 8 million (2011: EUR 8.6 million) relating to impaired financial assets.

Income from investments in subsidiaries, associates and other investments

Company	2012 tis. EUR	2011 tis. EUR
Prvá stavebná sporiteľňa, a.s. (PSS)	2 987	2 987
Poisťovňa Slovenskej sporiteľne, a.s.	139	-
Procurement Services SK	24	-
IT Solutions SK, spol. s r.o	13	110
Visa Inc	5	7
Mastercard Incorporated	16	10
Total	**3 184**	**3 114**

6. NET FEE AND COMMISSION INCOME

ths. EUR	2012	2011
Fee and commission income from:		
Payment transfers	91 178	87 976
Lending business	31 314	32 448
Securities	5 275	6 597
Other fees	10 798	9 512
Total fee and commission income	**138 565**	**136 533**
Fee and commission expense for:		
Payment transfers	(15 449)	(12 299)
Lending business	(3 452)	(2 172)
Securities	(842)	(749)
Other fees	(562)	(389)
Total fee and commission expense	**(20 305)**	**(15 609)**
Net fee and commission income	**118 260**	**120 924**

7. PROVISIONS FOR LOSSES ON LOANS, ADVANCES AND OFF BALANCE SHEET CREDIT RISKS

ths. EUR	2012	2011
Provisioning charges for:		
Specific risk provisions	(135 479)	(145 381)
Portfolio risk provisions	(39 921)	(40 333)
Total provisioning charges	**(175 400)**	**(185 714)**
Release of provisions		
Specific risk provisions	81 375	68 353
Portfolio risk provisions	48 431	48 962
Total release of provisions	**129 806**	**117 315**
Net provisions for losses on loans and advances (Note 15)	**(45 594)**	**(68 399)**
Direct write offs / Recoveries of loans written off	(9 390)	(2 601)
Net creation of provisions for off-balance risks	317	13
Net provisions	**(54 667)**	**(70 987)**

8. NET TRADING RESULT

ths. EUR	2012	2011
Foreign exchange and currency derivatives	5 555	5 411
Interest derivatives	(1 960)	339
Trading securities gains	7 048	1 914
Other gains/(losses)	451	886
Credit risk instruments and related derivatives	5 085	(6 535)
Total	**16 179**	**2 015**

The line Trading securities gains includes gains from Erste Group Bank's market positions distributed according to approved rules based on the financial results of the local banks as described in note 16.

9. GENERAL ADMINISTRATIVE EXPENSES

ths. EUR	2012	2011
Personnel expenses		
Wages and salaries	(75 321)	(69 705)
Social security expenses	(25 335)	(23 274)
Long term employee benefits	(419)	(16)
Other personnel expenses	(2 539)	(1 681)
Total personnel expenses	**(103 614)**	**(94 676)**
Other administrative expenses		
Data processing expenses	(40 841)	(46 387)
Building maintenance and rent	(29 723)	(24 781)
Costs of bank operations	(12 391)	(11 734)
Advertising and marketing	(13 168)	(14 635)
Legal fees and consultation	(2 023)	(3 759)
Expenses for personal leasing	(93)	(256)
Other administrative expenses	(2 514)	(6 939)
Total other administrative expenses	**(100 753)**	**(108 491)**
Depreciation		
Amortisation of intangible assets	(25 950)	(17 469)
Depreciation	(16 545)	(15 688)
Total depreciation, amortization	**(42 495)**	**(33 157)**
Total	**(246 862)**	**(236 324)**

The average number of employees in the Bank was 3 871 in 2012 and 3 908 in 2011, thereof five members of the Board of Directors in both years.

Other administrative expenses include the cost of audit services and other advisory services provided by the audit company:

ths. EUR	2012	2011
Audit of statutory financial statements	(243)	(257)
Audit of group reporting	(243)	(257)
Other related services provided to bank	(121)	(130)
Total	**(607)**	**(644)**

10. OTHER OPERATING RESULT

ths. EUR	2012	2011
Revaluation of securities at fair value, net	(1 783)	(4 733)
Result from securities available-for-sale	(457)	(6 681)
Result from securities held to maturity	2 114	-
Net gain from disposal of subsidiaries and associates	(1 180)	(118)
Impairment of investments in subsidiaries and associates	(3 515)	(3 040)
Contribution to Deposit protection fund	(6 673)	(13 198)
Special Levy of selected financial institutions	(31 507)	-
Other operating result	(8 043)	(14 222)
Total other operating result	**(51 044)**	**(41 992)**

See Note 19 for information concerning impairment of investments in subsidiaries and associates.

Special Levy of selected financial institutions and contribution to the DPF

In the first six months of 2012 the Bank was still legally obliged to make a contribution to the Deposit Protection Fund ("DPF") of Slovakia calculated based on its customer deposit liabilities.

Beginning 1 January 2012 the Bank is subject to a special levy of selected financial institutions ("special levy") according to Act. 384/2011 Coll. The basis for calculation for the first 9 months of 2012 consisted of the banks' liabilities less the banks' equity, subordinated debt, and deposits which were subject to the protection of DPF. The rate valid for the financial year was 0.4%.

During the year 2012 the Law changed and the Bank is no longer obliged to make contributions to the DPF (the law stipulates that the contribution rate is 0%) but the burden representing the special levy increased. For the last 3 months the basis for calculation consists of the banks' liabilities less the bank's equity and subordinated debt. The rate remained unchanged.

Moreover the Bank made a special contribution of 0.1% based on the same calculation based on the financial statements for the year ended 31 December 2011. The amount of this one-off contribution represents EUR 10.1 mil.

In 2012 the Bank recognised a loss in the amount of EUR 4.9 mil. (2011: 7.0 mil.) as a result of impairment of assets classified as Property and equipment under IAS 16 (previously classified as non-current assets held for sale under IFRS 5 and reclassified in 2011, see also Note 22) and held for rental income under IAS 40. The amount is included under 'Other operating result, other'.

For the net effect of creation/release of provision for legal cases see Note 28.

11. INCOME TAX EXPENSE

ths. EUR	2012	2011
Current tax expense	38 574	51 642
Deferred tax expense/ (income) (Note 23)	10 011	(4 555)
Total	**48 585**	**47 087**

The actual tax on the Bank's profit before tax differs from the theoretical amount that would arise using the basic tax rate of the Slovak Republic as follows:

ths. EUR	2012 (ths. EUR)	2012 %	2011 (ths. EUR)	2011 %
Profit before tax	**233 375**		**242 286**	
Theoretical tax at income tax rate of 19%	**44 341**	**19.0**	**46 034**	**19.0**
Tax effect of expenses that are not deductible in determining taxable profit:				
– Allocation of non- deductible risk provisions	15 438	6.6	1 867	0.8
– Other	1 808	0.8	1 976	0.8
Total tax effect of expenses that are not deductible in determining taxable profit	**17 246**	**7.4**	**3 844**	**1.6**
Tax effect of revenues that are deductible in determining taxable profit:				
– Release of non-deductible risk provisions	-	-	(873)	(0.4)
– Income from dividends	(584)	(0.3)	(581)	(0.2)
– Other	(1 178)	(0.5)	(1 337)	(0.6)
Total tax effect of revenues that are deductible in determining taxable profit	**(1 762)**	**(0.8)**	**(2 791)**	**(1.2)**
Other changes with the impact on theoretical tax:				
– change in statutory tax rate (4%)	(11 240)	(4.8)	-	-
Total tax effect of other changes with impact on theoretical tax	**(11 240)**	**(4.8)**	**-**	**-**
Tax expense and effective tax rate for the year	**48 585**	**20.80**	**47 087**	**19.40**

12. CASH AND BALANCES AT THE CENTRAL BANK

ths. EUR	2012	2011
Cash balances	358 563	294 806
Minimum reserve deposit with NBS	18 441	4 377
Total	**377 004**	**299 183**

The minimum reserve deposit represents a mandatory deposit (bearing 1% interest as of 31 December 2012; 2011: 1%) calculated in accordance with regulations issued by the central bank (1% of certain Bank's liabilities) with restricted withdrawal.

During the one month period that included the year end date, the Bank maintained, as required, an average reserve balance at the NBS of approximately EUR 124 million (2011: EUR 151.3 million).

13. LOANS AND ADVANCES TO FINANCIAL INSTITUTIONS

ths. EUR	2012	2011
Loans and advances on demand (nostro accounts)	18 729	7 203
Placements with financial institutions	271 158	605 967
Loans and advances to Financial institutions, gross	**289 887**	**613 170**
Provisions for impairment (Note 15)	-	-
Total	**289 887**	**613 170**

Repurchase agreements with Erste Group in the amount of EUR 210 million (2011: EUR 210 million) are collateralized by securities issued by financial institutions in the market value of EUR 271.9 million (2011: EUR 263.5 million). The nominal value was EUR 275.7 million and EUR 291 million in 2012 and 2011, respectively.

The recorded amounts represent the maximum exposure to credit risk.

14. LOANS AND ADVANCES TO CUSTOMERS

ths. EUR	2012	2011
Corporate clients	2 124 802	2 155 951
Syndicated loans	284 352	272 193
Overdrafts	376 339	407 729
Direct provided loans	1 464 111	1 476 029
Retail clients	4 797 517	4 351 700
Mortgage loans	3 702 870	3 247 355
Consumer loans	998 499	992 475
Social loans	4 108	10 050
Overdrafts	92 040	101 820
Public sector	223 549	225 709
Total	**7 145 868**	**6 733 360**
Provisions for impairment (Note 15)	(359 425)	(386 884)
Total	**6 786 443**	**6 346 476**

As at 31 December 2012, the 15 largest customers accounted for 9.1% of the gross loan portfolio in the amount of EUR 651.3 million (2011: 9.8%, EUR 660.2 million).

Mandate loans

As of 31 December 2012, the Bank cooperated with 11 external outsourcing companies. Under mandate contracts the management and administration of certain non-performing receivables is outsourced. The Bank maintains the risks and rewards associated with the underlying exposures and shares part of recoveries with the external service providers. Total outsourced gross loans amounted to EUR 185.1 million as of 31 December 2012 (2011: 144.6 EUR million).

Write off and sale of receivables

In 2012, the Bank sold a total of EUR 69.64 million of loan receivables (2011: EUR 44.94 million) for a consideration of EUR 32.7 million (2011: EUR 10.8 million), and used corresponding provisions of EUR 34.33 million (2011: EUR 32.6 million).

The Bank has also written off loans with a carrying amount of EUR 31.15 million, related provisions were created in the amount EUR 23.47 million (2011: written off loans in the amount of EUR 10.7 million, provisions were created in the amount EUR 8.7 million).

15. PROVISIONS FOR LOSSES ON LOANS AND ADVANCES

ths. EUR	2012 Loans and advances to financial institutions	Loans and advances to customers	Total
As at 1 January	-	386 884	386 884
Net allocation / (release) of provisions (excluding effect of unwinding)	-	45 595	45 595
Use of provisions due to sale and write-off of receivables and other adjustments	-	(57 807)	(57 807)
Transfer	-	(7 200)	(7 200)
Unwinding of discount on provisions	-	(8 047)	(8 047)
As at 31 December	**-**	**359 425**	**359 425**

ths. EUR	2011 Loans and advances to financial institutions	Loans and advances to customers	Total
As at 1 January	-	368 259	368 259
Net allocation / (release) of provisions (excluding effect of unwind)	-	68 398	68 398
Use of provisions due to sale and write-off of receivables and other adjustments	-	(41 212)	(41 212)
Unwinding of discount on provisions	-	(8 561)	(8 561)
As at 31 December	**-**	**386 884**	**386 884**

Use of provisions results mainly from write off and the sale of impaired receivables, see Note 14.

Unwinding represents the decrease in the impairment provisions, resulting from the unwinding of the cash flow discounting due to passage of time.

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

ths. EUR	2012	2011
Trading assets		
Financial derivatives with positive fair value (Note 40b)	67 550	63 491
Interest Rate Agreements	59 027	51 474
Exchange Rate Agreements	4 832	8 910
Other	3 691	3 107
	67 550	63 491
Assets classified at fair value at acquisition		
Credit investments	10	11
Debt securities and participation certificates	30 865	27 723
	30 875	27 734
Total	**98 425**	**91 225**

The amounts represent the maximum exposure to credit risk.

Financial assets are designated at fair value portfolio based on the intention to manage these on the fair value basis.

With effect from 4 February 2008, the Bank has adopted a new business model of financial markets trading in cooperation with Erste Group Bank. Erste Group Bank has started to conduct all trading operations on a central trading book in order to better manage market risks from the group trading activities (i.e., transactions with retail, corporate and other institutional clients) with the exception of the equity risk trading and transactions for the Bank's liquidity management purposes.

Trading gains (i.e. from Erste Group Bank's market positions) are distributed according to approved rules based on the financial results back to the Group's local banks and reported in the 'Net trading result'. The basic principle underlying these rules involves Erste Group Bank absorbing potential losses in individual groups of assets in exchange for the risk premium derived from the VaR indicator. Included in the new business model of financial markets trading is a reallocation of the trading costs for individual participating Erste Group Bank subsidiaries based on the Bank's Cost Income Ratio.

Debt securities and participation certificates

ths. EUR	2012	2011
State institutions in Slovak Republic	6 783	6 314
Financial institutions in the Slovak Republic	10 209	7 697
Foreign state institutions	4 454	4 429
Foreign financial institutions	1 693	1 752
Other entities in the Slovak Republic	1 184	1 178
Other foreign entities	6 542	6 353
Total	**30 865**	**27 723**

17. SECURITIES AVAILABLE FOR SALE

ths. EUR	2012	2011
Debt securities and other fixed income securities – listed	1 350 847	962 340
Managed Funds	-	12 131
Debt and other fixed income securities	**1 350 847**	**974 471**
Equity securities – shares	**9 147**	**7 088**
Listed	8 466	6 407
Unlisted	681	681
Net amount	**1 359 994**	**981 559**

Managed funds are investments in funds managed by third party fund managers who invests an administrated amount into different asset classes (fixed income assets, asset backed securities, funds, etc.) in accordance with prearranged regulations. In its portfolio, the Bank has managed funds invested through the purchase of bonds and managed funds invested through the purchase of the participating interest.

The maximum exposure to credit risk is represented by the carrying amounts.

Debt securities and other fixed income securities at fair value by type of issuer comprise:

ths. EUR	2012	2011
State institutions in the Slovak Republic	1 190 299	763 347
Financial institutions in the Slovak Republic	63 985	86 723
Foreign state institutions	44 416	47 696
Foreign financial institutions	30 545	55 538
Other entities in the Slovak Republic	21 602	21 167
Total	**1 350 847**	**974 471**

Fair value hedge

The Bank has in its portfolio as at 31 December 2012 fixed rate EUR denominated bonds with face value of EUR 91 million (2011: EUR 91 million). As the purchase of the bonds increased the exposure to interest rate risk in the period from five to ten years, the Bank entered into an interest rate swap in order to hedge the changes of fair value caused by changes of risk-free interest rates, paying fixed and receiving floating rates. Notional and fair value of the aforementioned hedging derivative is reported in note 40.

During the period, hedges were effective in hedging the fair value exposure to interest rate movements. For the year ended 31 December 2012, the Bank recognised a net loss of EUR 7.02 million (2011: loss of EUR 8.98 million), representing the loss on the hedging instruments. The total gain on hedged item attributable to the hedged risk amounted to a gain of EUR 6.84 million (2011: gain of EUR 8.74 million).

18. SECURITIES HELD TO MATURITY

ths. EUR	2012	2011
Debt securities and other fixed income securities – listed	2 443 095	2 560 304
Total	**2 443 095**	**2 560 304**

The amounts represent the maximum exposure to credit risk.

Debt securities and other fixed income securities at carrying value by type of issuer, comprise:

ths. EUR	2012	2011
State institutions in the Slovak Republic	2 311 138	2 379 998
Financial institutions in the Slovak Republic	2 064	2 064
Foreign state institutions	62 706	73 068
Foreign financial institutions	43 004	53 214
Other entities in the Slovak Republic	23 578	23 596
Other foreign entities	605	28 364
Total	**2 443 095**	**2 560 304**

19. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

ths. EUR	2012	2011
Investment in subsidiaries	11 251	11 251
Investment in associates	1 097	1 097
Total	**12 348**	**12 348**

During 2012, the Bank received dividends from participations in the amount of EUR 3.2 million (2011: EUR 3.1 million) see Note 5.

During 2012 the Bank increased its investment in Czech and Slovak Property Fund B.V. ("CSPF") by the means of various capital contributions in the amount of EUR 2.7 million and capitalisation of part of the subordinated loans provided to CSPF in the amount of EUR 10.8 mil, with a net book value of the loans as of the day of capitalization of EUR 3.6 mil. Furthermore in 2012 the Bank sold its investment in the Czech and Slovak Property Fund B.V. Result of both of these transactions is presented in Other operating result (Note 10) in line "Net gain from disposal of subsidiaries and associates" and "Impairment of investments in subsidiaries and associates".

During 2012 the Bank increased its investment in the subsidiary Leasing Slovenskej sporiteľne, a.s. and now is the sole shareholder of this entity. The purchase price of the remaining share was EUR 1.

The Bank tests its investment in subsidiaries and associates for possible impairment. Impairment losses are recognized in 'Other operating result' (Note 10) of the Income statement.

Company	Cost ths. EUR 2012	Cost ths. EUR 2011	Impairment ths. EUR 2012	Impairment ths. EUR 2011	Net book value ths. EUR 2012	Net book value ths. EUR 2011
Realitná spoločnosť Slovenskej sporiteľne, a.s.	13 679	13 679	(13 679)	(13 679)	-	-
Leasing Slovenskej sporiteľne, a.s.	36 967	36 967	(36 967)	(36 967)	-	-
Factoring Slovenskej sporiteľne, a.s.	9 060	8 260	(9 060)	(8 260)	-	-
Derop B.V.	11 244	11 244	-	-	11 244	11 244
Erste Group IT SK, spol. s r.o.	3	3	-	-	4	4
Procurement Services SK, s.r.o.	3	3	-	-	4	4
Subsidiaries	**70 956**	**70 156**	**(59 706)**	**(58 906)**	**11 250**	**11 250**
Prvá stavebná sporiteľňa, a.s.	1 093	1 093	-	-	1 093	1 093
Slovak Banking Credit Bureau, s.r.o.	3	3	-	-	3	3
Erste Corporate Finance, a.s.	-	-	-	-	-	-
s IT Solutions SK, spol. s r.o.	2 409	2 409	(2 409)	(2 409)	-	-
Czech and Slovak Property Fund B.V.	-	19 045	-	(19 045)	-	-
Associates	**3 505**	**22 550**	**(2 409)**	**(21 454)**	**1 096**	**1 096**
Total	**74 461**	**92 706**	**(62 115)**	**(80 360)**	**12 348**	**12 348**

ths. EUR	Impairment provision on subsidiaries 2012	Impairment provision on subsidiaries 2011	Impairment provisions on Associates 2012	Impairment provisions on Associates 2011	Total 2012	Total 2011
As at 1 January	58 906	58 906	21 454	18 414	80 360	77 320
Allocation	800	-	2 715	3 040	3 515	3 040
Release	-	-	-		-	-
Transfer	-	-	7 200	-	7 200	-
Use/Realized (gains)-losses	-	-	(28 960)	-	(28 960)	-
As at 31 December	**59 706**	**58 906**	**2 409**	**21 454**	**62 115**	**80 360**

(a) Investment in subsidiaries

Name of the company	Registered office	Principal activity	Bank interest (%) 2012	Bank voting rights (%) 2012
Realitná spoločnosť Slovenskej sporiteľne, a. s.	Tomášikova 48 832 10 Bratislava Slovak Republic	Real estate agency	100.00	100.00
Leasing Slovenskej sporiteľne, a. s.	Tomášikova 48 832 69 Bratislava Slovak Republic	Financial and operational leasing	100.00	100.00
Factoring Slovenskej sporiteľne, a. s.	Tomášikova 48 832 67 Bratislava Slovak Republic	Factoring	100.00	100.00
Derop B.V.	Naritaweg 165 1043 BW Amsterdam The Netherlands	Incorporation, management and financing of companies	85.00	85.00
Erste Group IT SK, spol. s r. o.	Tomášikova 48 831 04 Bratislava Slovak Republic	IT services and IT systems maintenance	51.00	51.00
Procurement Services SK, s. r. o.	Tomášikova 48 832 75 Bratislava Slovak Republic	Procurement	51.00	51.00

2012 ths. EUR	Interest held (%)	Voting power held (%)	Net book value	Total assets	Total equity	Total income	Total expense
Realitná spoločnosť Slovenskej sporiteľne, a.s.	100.00	100.00	-	6 370	5 713	5 187	1 020
Leasing Slovenskej sporiteľne, a.s.	100.00	100.00	-	27 887	5 385	3 315	3 504
Factoring Slovenskej sporiteľne, a.s.	100.00	100.00	-	25 339	312	1 611	2 465
Derop B.V.	85.00	85.00	11 245	10 425	10 418	-	24
Erste Group IT SK, spol. s r.o.	51.00	51.00	3	4 543	921	16 076	15 369
Procurement Services SK, s.r.o.	51.00	51.00	3	410	70	1 207	1 138
Total			**11 251**				

2011 ths. EUR	Interest held (%)	Voting power held (%)	Net book value	Total assets	Total equity	Total income	Total expense
Realitná spoločnosť Slovenskej sporiteľne, a.s.	100.00	100.00	-	5 338	1 546	1 095	746
Leasing Slovenskej sporiteľne, a.s.	96.66	96.66	-	49 927	5 487	6 912	6 433
Factoring Slovenskej sporiteľne, a.s.	100.00	100.00	-	18 387	366	2 945	3 768
Derop B.V.	85.00	85.00	11 245	10 454	10 442	-	19
Erste Group IT SK, spol. s r.o.	51.00	51.00	3	3 391	390	11 544	11 305
Procurement Services SK, s.r.o.	51.00	51.00	3	372	66	1 029	980
Total			**11 251**				

(b) Investment in associates

Name of the company	Registered office	Principal activity	Bank interest (%) 2012	Bank voting rights (%) 2012
Prvá stavebná sporiteľňa, a. s.	Bajkalská 30 829 48 Bratislava Slovak Republic	Banking	9.98	35.00
Slovak Banking Credit Bureau, s. r. o.	Malý trh 2/A 811 08 Bratislava Slovak Republic	Retail credit register	33.33	33.33
s IT Solutions SK, spol. s r. o.	Tomášikova 48 831 04 Bratislava Slovak Republic	Software company	23.50	23.50

2012 ths. EUR	Interest held (%)	Voting power held (%)	Net book value	Total assets	Total equity	Total Income	Total expense
Prvá stavebná sporiteľňa, a.s.	9.98	35.00	1 093	2 227 376	252 305	129 420	95 966
Slovak Banking Credit Bureau, s.r.o.	33.33	33.33	3	137	123	1 099	1 096
s IT Solutions SK, spol. s r.o.	23.50	23.50	-	592	543	3 748	3 691
Total			**1 097**				

2011 ths. EUR	Interest held (%)	Voting power held (%)	Net book value	Total assets	Total equity	Total Income	Total expense
Prvá stavebná sporiteľňa, a.s.	9.98	35.00	1 093	2 224 052	251 037	147 792	100 212
Slovak Banking Credit Bureau, s.r.o.	33.33	33.33	3	663	126	1 361	1 330
s IT Solutions SK, spol. s r.o.	23.50	23.50	-	12 138	528	74 090	73 765
Czech and Slovak Property Fund B.V.	10.00	10.00	-	286 063	(15 753)	30 539	43 547
Total			**1 097**				

Even though the Bank's share and voting rights in the Czech and Slovak Property Fund represented 10.00%, the Company was classified as an associate and consolidated using the equity method based on other significant invested assets.

The Bank held a 9.98% shareholding in PSS at 31 December 2012 and 31 December 2011. The Bank, based on the contract with Erste Group Bank, represents shareholder interests of the parent company in PSS (25.02%). In 2004, following NBS approval, the Bank's representative replaced a representative of Erste Group Bank in the Supervisory board of PSS. As a result, the Bank established significant influence over PSS from 2004. The investment in PSS is therefore presented as an associate, with the dividend income from this investment reported under 'Income / (Loss) from investment in subsidiaries and associates' (Note 5).

20. INTANGIBLE ASSETS

ths. EUR	Software	Other intangible assets	Total
Cost			
1 January 2012	**302 689**	**2 539**	**305 228**
Additions	13 113	397	13 510
Disposals	(17 012)	-	(17 012)
Transfers	67	(67)	-
31 December 2012	**298 857**	**2 869**	**301 726**
Accumulated amortisation and impairment			
1 January 2012	**(187 055)**	**(2 188)**	**(189 244)**
Amortisation	(25 753)	(197)	(25 950)
Disposals	17 011	-	17 011
Provision for impairment	-	-	-
Transfers	-	-	-
31 December 2012	**(195 797)**	**(2 385)**	**(198 183)**
Net book value			
31 December 2011	**115 634**	**351**	**115 984**
31 December 2012	**103 060**	**484**	**103 543**

The original cost of fully amortized intangible assets that are still in use by the Bank amounts to EUR 152 million (2011:161.5 million).

ths. EUR	Software	Other intangible assets	Total
Cost			
1 January 2011	**232 348**	**2 875**	**235 223**
Additions	70 378	-	70 378
Disposals	(37)	(336)	(373)
Transfers	-	-	-
31 December 2011	**302 689**	**2 539**	**305 228**
Accumulated amortisation and impairment			
1 January 2011	**(169 846)**	**(2 301)**	**(172 148)**
Amortisation	(17 246)	(223)	(17 469)
Disposals	37	336	373
Provision for impairment	-	-	-
Transfers	-	-	-
31 December 2011	**(187 055)**	**(2 188)**	**(189 244)**
Net book value			
31 December 2010	**62 502**	**574**	**63 075**
31 December 2011	**115 634**	**351**	**115 984**

In 2012 the Bank put in use upgrade of the new core banking system in the total amount of EUR 7.8 million.(upgrade was put in use quarterly and amount of EUR 0.3 million will be put in use in 2013).

Assets not yet put in service as of 31 December 2012 amounted to EUR 1.9 million. In 2011 the asset not yet put in service in the amount of EUR 6.4 million related to the development project of the bank system.

21. PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY

ths. EUR	Land and buildings	Equipment fixtures and fittings	Total property and equipment	Investment property
Cost				
1 January 2012	**214 041**	**122 349**	**336 390**	**6 288**
Additions	5 174	14 494	19 668	-
Disposals	(4 502)	(6 769)	(11 271)	(812)
Transfers	(357)	-	(357)	357
31 December 2012	**214 356**	**130 074**	**344 430**	**5 833**
Accumulated depreciation and impairment				
1 January 2012	**(81 601)**	**(104 453)**	**(186 054)**	**(3 232)**
Depreciation	(6 840)	(9 705)	(16 545)	(190)
Disposals	1 827	6 663	8 490	461
Provisions for impairment	(3 515)	-	(3 515)	46
Transfers	109	-	109	(109)
31 December 2012	**(90 020)**	**(107 495)**	**(197 515)**	**(3 024)**
Net book value				
31 December 2011	**132 440**	**17 896**	**150 336**	**3 056**
31 December 2012	**124 336**	**22 579**	**146 915**	**2 809**

The original cost of property and equipment that is fully depreciated but still in use by the Bank as of 31 December 2012 amounts to EUR 87 million (2011: 82 million).

The Bank has assessed the impairment of assets (buildings) that were unused and/or rented to other parties. Based on the estimated recoverable amounts the Bank released total of EUR 44 thousand of impairment provisions into 'Other operating result' as of 31 December 2012 (2011: EUR 105 thousand). Provisions for impairment amount to EUR 389 thousand as of 31 December 2012 (2011: EUR 434 thousand).

In 2012 the Bank recognised a loss in the amount of EUR 4.9 million (2011: 7.0 million) as a result of impairment of assets classified as Property and equipment under IAS 16 (note 10).

ths. EUR	Land and buildings	Equipment fixtures and fittings	Total property and equipment	Investment property
Cost				
1 January 2011	**136 576**	**149 819**	**286 395**	**6 734**
Additions	13 878	4 719	18 597	-
Disposals	(617)	(32 167)	(32 784)	-
Transfers	64 204	(22)	64 182	(446)
31 December 2011	**214 041**	**122 349**	**336 390**	**6 288**
Accumulated depreciation and impairment				
1 January 2011	**(42 113)**	**(127 562)**	**(169 675)**	**(3 279)**
Depreciation	(6 685)	(9 003)	(15 688)	(206)
Disposals	159	32 090	32 249	-
Provisions for impairment	(6 970)	-	(6 970)	105
Transfers	(25 992)	22	(25 970)	147
31 December 2011	**(81 601)**	**(104 453)**	**(186 054)**	**(3 232)**
Net book value				
31 December 2010	**94 463**	**22 257**	**116 720**	**3 455**
31 December 2011	**132 440**	**17 896**	**150 336**	**3 056**

Transfers also represent reclassification to/from the category Non-Current assets held for sale.

Operating leases

The following table summarises future minimum lease payments under non-cancellable operating leases:

Outstanding commitments from operating leases	2012 ths. EUR	2011 ths. EUR
Payable in period:		
– Less than 1 year	369	257
– From 1 year to 5 years	1 208	934
– Over 5 years	262	289
Operating leasing payments recognised as expense in the period	331	3 540

According to a purchase agreement between Leasing Slovenskej sporiteľne, a.s. and the Bank on 1 January 2012 the technology and motor vehicles rented under operating lease were transferred to the Bank in the amount of EUR 5.5 million.

Investment property

The Bank owns buildings rented to other parties with a total net book value of EUR 2.8 million (net of impairment, EUR 389 thousand) as at 31 December 2012 (2011: EUR 3.1 million net of impairment of EUR 434 thousand). Total rental income earned by the Bank amounted to EUR 368 thousand (2011: EUR 379 thousand) and is presented as 'Interest income'. The depreciation of assets held for rental income is presented under 'Interest income' and amounted to EUR 190 thousand (2011: EUR 206 thousand).

The estimated fair value of investment property as at 31 December 2012 was EUR 2.4 million (2011: EUR 2.2 million). The Bank uses its own model for determining the fair value of investment property, which is based on discounting future rental income decreased by direct operating expenses. Future rental income was determined using market rental rates for buildings with similar conditions and location.

Insurance coverage

The Bank's insurance covers all standard risks to tangible and intangible assets (theft, robbery, natural hazards, vandalism, and other damages).

22. NON-CURRENT ASSETS HELD FOR SALE

During the year 2011 the Bank reassessed its classification of non-current assets as held for sale. Due to current market conditions, even though the Bank was committed to, it was not able to complete sale of these assets within the 12 months period after classification. The Bank believes the market conditions will improve and will actively continue searching for a buyer but has not further reduced the price of the assets. As a result of this the assets are not available for immediate sale as defined by the standard. The assets were therefore reclassified as held for use and are presented under 'Property, Equipment and Investment Property' (Note 21).

At the date of transfer the assets were measured at the lower of carrying amount before classification as held for sale adjusted for any depreciation or amortisation that would have been recognised had the asset not been classified as held for sale and the recoverable amount. No further value reduction was necessary as a result of this test.

23. INCOME TAX ASSETS AND LIABILITIES

The structure of the tax position as at 31 December 2012 and 31 December 2011 was as follows:

ths. EUR	2012	2011
Deferred income tax asset	58 516	82 605
Current income tax asset	12 773	-
Total income tax assets	**71 289**	**82 605**
Current income tax liability	-	665
Total income tax liabilities	**-**	**665**

Deferred tax booked	directly to equity		to Income Statement						
ths. EUR	Securities available for sale	Cash flow hedges	Provisions for losses on loans and advances	Securities	Property and equipment	Provisions	Associates and other investments	Other	Total
31 December 2010	**863**	**(16)**	**67 238**	**295**	**(4 455)**	**2 862**	**864**	**3 344**	**70 934**
Charge / (credit) to equity for the year	6 381	-	-	-	-	-	-	-	6 381
Charge / (credit) to Income Statement for the year	-	-	4 292	(63)	743	(76)		(402)	4 554
Transferred from equity to Income Statement	720	16	-	-	-	-	-	-	736
31 December 2011	**7 964**	**-**	**71 530**	**232**	**(3 712)**	**2 786**	**864**	**2 943**	**82 605**
Charge / (credit) to equity for the year	(14 085)	-	-	-	-	-	-	-	(14 085)
Charge / (credit) to Income Statement for the year	-	-	(7 261)	(232)	(271)	561	(621)	(2 188)	(10 012)
Transferred from equity to Income Statement	8	-	-	-	-	-	-	-	8
31 December 2012	**(6 113)**	**-**	**64 268**	**-**	**(3 983)**	**3 347**	**243**	**755**	**58 516**

Certain deferred tax assets and liabilities have been offset in accordance with the Bank's accounting policy.

The Bank applies a conservative approach for the recognition of deferred tax assets and liabilities. All deferred tax liabilities are recognised in the full amount, while only those deferred tax assets are recognised for which the Bank expects to realise tax benefits in the future. During 2012 the Bank changed its approach to temporary differences resulting from the tax treatment of the loan loss provisions and part of the loan loss provisions are treated as a permanent difference (note 11). The main driver of this change in management estimate is the intention to speed up the recovery process of non-performing loans.

24. OTHER ASSETS

ths. EUR	2012	2011
Hedging derivatives	30 641	22 473
Customers, advances, reinvoiced amounts and prepayments	19 625	15 092
Material and inventories	314	352
Payment cards and cheques	12	1 353
Other	3 519	4 176
Total	**54 111**	**43 446**

25. AMOUNTS OWED TO FINANCIAL INSTITUTIONS

ths. EUR	2012	2011
Amounts owed on demand	4 840	3 514
Repo trades with debt securities (Note 40c)	938 670	944 658
Term deposits and clearing	204 769	479 253
Total	**1 148 279**	**1 427 425**

26. AMOUNTS OWED TO CUSTOMERS

ths. EUR	2012	2011
Amounts owed on demand	3 423 924	3 143 937
Savings deposits	891 636	553 421
Term deposits	4 111 949	4 350 626
Total	**8 427 509**	**8 047 984**

Savings deposits are deposits with a defined period of notice, term deposits have a defined maturity date. Savings deposits usually remain in place for a long-term period.

ths. EUR	2012	2011
Savings deposits	891 636	553 421
Term deposits and amounts owed on demand:		
Corporate clients	1 637 143	1 652 797
Retail clients	5 687 581	5 676 962
Public sector	40 289	18 246
Other	170 860	146 558
Total	**8 427 509**	**8 047 984**

As at 31 December 2012 and 31 December 2011, no amounts owed to clients were collateralised by securities.

As at 31 December 2012, amounts owed to customers include special guaranteed deposits in the amount of EUR 16.9 million (2011: EUR 127 million). These contracts include embedded currency, commodity and equity derivatives in the FV of EUR 19 098 (2011: EUR 72 077) which were separated and disclosed under 'Financial assets at fair value through profit or loss' and 'Financial liabilities at fair value through profit or loss'.

27. DEBT SECURITIES IN ISSUE

Bonds in issue are presented in the following table:

ths. EUR	2012	2011
Bonds in issue	519 170	361 959
Bonds in issue - Guaranteed deposit	17 559	4 758
Total	**536 729**	**366 717**

ths. EUR	Date of issue	Maturity date	Actual interest rate	Nominal value 2012 ths. EUR	Nominal value 2011 ths. EUR
Mortgage bonds	March 2006	March 2016	6M BRIBOR+0.09%	16 597	16 597
Mortgage bonds	July 2007	July 2027	4.95%	16 597	16 597
Mortgage bonds	September 2007	September 2012	6M BRIBOR+0.02%	-	19 916
Mortgage bonds	April 2008	April 2012	6M BRIBOR+0.10%	-	664
Mortgage bonds	April 2008	April 2021	5.00%	16 597	16 597
Other bonds	May 2008	May 2012	4.52%	-	3 651
Other bonds	May 2009	May 2013	3M EURIBOR	4 450	4 450
Other bonds	May 2009	May 2012	3.25%	-	14 456
Mortgage bonds	July 2009	January 2013	3.50%	9 722	9 722
Mortgage bonds	August 2009	August 2013	3.60%	9 580	9 596
Mortgage bonds	August 2009	August 2013	3.60%	9 639	9 672
Mortgage bonds	October 2009	October 2013	3.30%	12 023	12 029
Mortgage bonds	December 2009	December 2013	3.50%	14 723	14 726
Mortgage bonds	December 2009	December 2013	3.50%	4 886	4 886
Mortgage bonds	January 2010	January 2014	3.50%	5 882	5 885
Mortgage bonds	February 2010	February 2015	3.62%	2 095	2 095
Mortgage bonds	March 2010	March 2014	3.30%	10 536	10 553
Mortgage bonds	March 2010	March 2015	6M EURIBOR+0.95%	20 000	20 000
Mortgage bonds	April 2010	April 2015	3.50%	9 599	9 603
Mortgage bonds	May 2010	May 2014	2.80%	7 569	7 582
Mortgage bonds	July 2010	July 2015	3.10%	14 950	15 000
Mortgage bonds	July 2010	July 2015	6M EURIBOR+1.00%	9 950	9 950
Mortgage bonds	August 2010	August 2015	3.09%	17 000	17 000
Mortgage bonds	September 2010	September 2014	2.80%	9 701	9 720
Mortgage bonds	October 2010	October 2014	2.35%	9 867	9 871
Mortgage bonds	November 2010	November 2015	2.65%	9 845	9 897
Other bonds	December 2010	December 2015	2.00%	2 858	2 865
Mortgage bonds	March 2011	September 2014	3.00%	8 199	8 208
Mortgage bonds	February 2011	August 2015	2.95%	9 824	9 916
Mortgage bonds	March 2011	September 2014	3.00%	14 496	14 536
Mortgage bonds	February 2011	August 2017	3.55%	2 550	2 550
Mortgage bonds	March 2011	March 2016	3.10%	14 771	14 893
Other bonds	March 2011	March 2017	3.65%	2 500	2 750
Mortgage bonds	June 2011	June 2015	3.20%	7 684	7 696
Mortgage bonds	July 2011	July 2016	3.20%	2 494	2 494
Mortgage bonds	August 2011	February 2016	3.20%	5 349	5 404
Mortgage bonds	December 2011	December 2016	3.50%	6 337	6 354
Mortgage bonds	February 2012	February 2015	KOMB	3 400	-
Mortgage bonds	February 2012	February 2016	3.70%	8 880	-
Mortgage bonds	February 2012	February 2014	3.28%	20 000	-
Mortgage bonds	January 2012	July 2016	3.70%	6 171	-
Mortgage bonds	June 2012	December 2016	2.85%	2 788	-
Mortgage bonds	May 2012	May 2017	3.3%	35 000	-
Mortgage bonds	June 2012	June 2017	2.92%	20 000	-
Mortgage bonds	July 2012	January 2017	2.88%	8 019	-
Mortgage bonds	August 2012	August 2014	1.25%	40 000	-
Mortgage bonds	September 2012	March 2015	1.40%	20 000	-
Mortgage bonds	September 2012	September 2018	2.85%	10 000	-
Mortgage bonds	October 2012	October 2017	1.95%	15 000	-
Other bonds	December 2012	December 2018	2.00%	2 118	-
Mortgage bonds	December 2012	December 2019	2.50%	3 300	-
Total nominal value				**513 546**	**358 381**
Accrued interest				5 624	3 578
Total				**519 170**	**361 959**

All bonds shown above are listed and traded on the Bratislava Stock Exchange ('BSE').

As at 31 December 2012, debt securities in issue include embedded derivatives (shares and commodities) in the amount of EUR 865 thousand (2011: EUR 80 thousand) which were separated and are disclosed under "Financial assets at fair value through profit or loss" and "Financial liabilities at fair value through profit or loss".

The Bank set up a fair value hedge in July 2007 to hedge issued mortgage bonds in the amount of EUR 16.6 million with a fixed rate. To protect against interest rate risk, the Bank entered into an interest rate swap. The notional and fair value of the aforementioned hedging derivative is reported in Note 40.

During the period, the hedge was effective in the hedging of fair value exposure to interest rate movements. For the year ended 31 December 2012, the Bank recognised a net gain of EUR 1.5 million (2011: gain of EUR 2.1 million), representing the gain on the hedging instruments. The total loss on hedged items attributable to hedged risk amounted to EUR 1.4 million (2011: loss of EUR 2.1 million).

28. PROVISIONS

ths. EUR	2011	Additions	Use	Reversals	2012
Provision for off-balance sheet items	10 999	4 123	(4 441)	-	10 681
Interest bearing deposit products	298	-	-	-	298
Legal cases	10 359	609	(59)	(1 210)	9 699
Employee benefit provisions	3 065	443	(213)	175	3 470
Total	**24 721**	**5 175**	**(4 713)**	**(1 035)**	**24 148**

(a) Provision for off-balance sheet and other risks

The provisions for credit risk of off-balance sheet items have been created to cover estimated losses present in the balances of unused loan commitments, guarantees, and letters of credits recorded in the off-balance sheet.

(b) Provision for legal cases

The Bank conducted a review of legal proceedings outstanding against it as at 31 December 2012. These matters have arisen from normal banking activities. According to the updated status of these matters in terms of the risk of losses and the amounts claimed, the Bank has increased provision for these legal cases by EUR 0.6 million for existing cases and released a provision in the amount of 1.2 million. The Bank settled certain cases and used the related provision of EUR 59 thousand.

The net creation of provisions for legal cases of EUR 0.66 million is reported under 'Other operating result' in the Income Statement (2011: net creation of EUR 1.9 million).

(c) Long – term employee benefits provisions

The Bank has a defined benefit program, under which employees are entitled to a lump-sum payment upon taking retirement or a working jubilee. As at 31 December 2012 there were 3 841 employees at the Bank covered by this program (2011: 3 967 employees).

During the year ending 31 December 2012, the actuarial calculation based on the projected unit credit method was performed resulting in the final employee benefit obligation in the amount of EUR 3 470 thousand (2011: EUR 3 065 thousand).

The amounts recognised in the balance sheet and Income Statement as at 31 December 2012 are as follows:

ths. EUR	Pension provisions	Jubilee provisions	Total long-term provisions
Long-term employee provisions at 31 December 2010	**1 283**	**2 001**	**3 284**
New commitments from acquisitions of companies			
Service costs	85	215	300
Interest costs	39	63	102
Payments	(58)	(149)	(207)
Actuarial (gains)	(29)	(385)	(414)
Long-term employee provisions at 31 December 2011	**1 320**	**1 745**	**3 065**
New commitments from acquisitions of companies			
Service costs	141	199	340
Interest costs	44	59	103
Payments	(67)	(146)	(213)
Actuarial (gains)	199	(24)	175
Long-term employee provisions at 31 December 2012	**1 637**	**1 833**	**3 470**

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.

	2012	2011
Real annual discount rate	2.51%	3.37%
Annual future real rate of salary increases	0.00%	0.00%
Annual employee turnover	0.00% – 20.77%	0.00% – 46.67%
Retirement age	62 years	62 years

29. OTHER LIABILITIES

ths. EUR	2012	2011
Other short-term payables to customers related to money transfer	32 989	47 311
Employees, HR reserves, Social fund	20 253	22 698
Suppliers (including accruals)	8 962	12 129
Other payables (customers clearing)	13 888	10 098
Securities settlement	4 226	6 966
State budget, SHI, taxes	9 828	4 740
Other	1 549	1 387
Fair value of hedging instruments and revaluation of hedged items	30 382	21 975
Total	**122 077**	**127 304**

Summary of the social fund liability included in Other liabilities – Employees, HR reserves, Social fund is as follows:

ths. EUR	2012	2011
As at 1 January	366	1 172
Additions	1 732	900
Drawings	(1 706)	(1 705)
As at 31 December	**392**	**366**

30. SUBORDINATED DEBT

	Date of issue/ drawdown	Maturity date	Interest rate	2012	2011
Other bonds	June 2010	June 2015	3.80%	5 099	5 099
Other bonds*	August 2010	August 2020	4.30%	10 660	10 180
Other bonds*	June 2011	June 2018	4.90%	6 731	6 755
Other bonds	June 2011	June 2018	4.90%	6 610	6 610
Other bonds*	August 2011	August 2021	4.30%	10 182	9 701
Other bonds*	October 2011	October 2018	4.70%	5 053	5 091
Other bonds*	November 2011	November 2023	4.43%	4 117	3 942
Other bonds*	December 2011	December 2018	4.82%	3 839	3 859
Other bonds*	June 2012	June 2022	5.50%	10 497	-
Other bonds*	November 2012	November 2022	4.23%	8 299	-
Total				**71 087**	**51 237**
Subordinated loan	February 2007	December 2016	3M/6M Euribor	100 035	100 098
Subordinated loan	August 2008	August 2013	3M Euribor	80 146	80 247
Total				**180 181**	**180 345**
Net debt securities in issue				**251 268**	**231 582**

Note: Interest rate represents actual interest expense as recorded by the bank.

*The bonds include embedded derivatives which were separated and disclosed under "Financial liabilities at fair value through profit or loss". Fair value of the derivatives as of December 31, 2012 was EUR 1.87 million (2011: value was EUR 1.31 million).

Subordinated debt ranks behind other liabilities in the case of financial difficulties of the Bank.

31. EQUITY

Share capital

Authorised, called-up, and fully paid share capital consists of the following:

Nominal value	2012 Number of shares	2012 ths. EUR	2011 Number of shares	2011 ths. EUR
EUR 1.000 each	212 000	212 000	212 000	212 000
Total		**212 000**		**212 000**

Voting rights and rights to receive dividends are attributed to each class of share, pro rata to their share of the share capital of the Bank.

The distribution of profit is shown in the following table:

Dividends per share	Attributable from the profit for the year 2012*	2011
Profit of the year	184 790	195 199
Transfer to retained earnings	73 190	118 199
Dividends paid to shareholder from profit for the year	111 600	77 000
Number of shares EUR 1 000 each	212 000	212 000
Amount of dividends per EUR 1 000 share (EUR)	**526**	**363**

* Based on the proposed profit distribution.

Legal reserve fund

Under the Slovak Commercial Code, all companies are required to maintain a legal reserve fund to cover future adverse financial conditions. The Bank is obliged to contribute an amount to the fund each year which is not less than 10% of its annual net profit (calculated in accordance with Slovak accounting regulations) until the aggregate amount reaches a minimum level equal to 20% of the issued share capital. The legal reserve Fund is not available for distribution to shareholders.

Other funds

Other funds as at 31 December 2012 included only the Statutory fund amounting to EUR 39.3 million (2011: EUR 39.3 million).

The Statutory fund was created from distributable profits to strengthen the Bank's capital base. The Statutory fund may be terminated and transferred back to distributable profits if the Bank's share capital or legal reserve fund is increased. Such termination and transfer requires the approval of the Supervisory Board and the General Assembly.

Revaluation reserves

Revaluation reserves represent the unrealised revaluation of Securities available for sale. Revaluation reserves are disclosed net of deferred tax effect.

Other funds and revaluation reserves are not available for distribution to shareholders.

32. EARNINGS PER SHARE

ths. EUR	2012	2011
Net profit applicable to ordinary shares	184 790	195 199
Number of shares EUR 1 000 each	212 000	212 000
Basic and diluted profit per EUR 1 000 share (EUR)	**872**	**921**

33. SUPPLEMENTARY DATA TO STATEMENTS OF CASH FLOWS

Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows are composed of the following items:

ths. EUR	2012	2011
Cash on hand (Note 12)	358 563	294 806
Accounts with other financial institutions repayable on demand (Note 13)	18 729	7 203
Total cash and cash equivalents	**377 292**	**302 009**

Operational cash flows from interests	2012	2011
Interest paid	(88 713)	(84 778)
Interest received	469 075	454 592

34. FINANCIAL RISK MANAGEMENT

The bank's primary risk management objective is to achieve a position where it will be able to identify all significant risks it faces, assess their potential impact and have policies in place to manage them effectively.

The most important categories of risk, that the bank faces, include:

- **Credit risk** is the risk of loss arising from default by a creditor or counterparty.
- **Operational risk** is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events; it includes legal risk, but does not include strategic and reputation risk.
- **Market risk** is the risk of losses in on and off-balance-sheet positions arising from movements in market factors, i.e. prices, interest rates, foreign exchange rates, volatilities, etc.
- **Liquidity risk** is defined as the inability to meet bank's cash obligations as they come due because of an inability to liquidate assets or obtain adequate funding.
- **Concentration risk** is the risk of losses due to potential adverse consequences which may arise from concentrations in risk factors or risk types, such as the risk arising from loans to the same client, to a group of connected clients, to clients from the same geographic region or industry, etc. Concentration risk may be both intra-risk and inter-risk, and is not limited to credit risk only.
- **Fraud risk** is the risk of financial or reputation losses originating from the intent to defraud the bank or its entities by falsifying information or by misrepresentation by employees, existing or potential customers, or any third parties.
- **Compliance risk** is the risk of breaching regulatory rules and related litigation risk (with regulators or clients), financial risk (fines, compensation of damage), reputation risk and the risk of breaking of corporate culture.
- **Reputation risk** is the risk of losses arising from failure to meet stakeholders' reasonable expectations of the bank's performance and behaviour.
- **Strategic and business risks** are risks to earnings and capital arising from changes in the business environment and from adverse business decisions, improper implementation of decisions or lack of responsiveness to changes in the business environment.
- **Macroeconomic risk** is the risk of losses due to adverse changes in the overall macroeconomic environment.

The ultimate risk management body is the Board of Directors. It delegates some of its authority for particular risk management areas to respective committees (ALCO, ORCO and CRC). Currently, the Chairman of the Board of Directors and CEO also serves as Chief Risk Officer (CRO).

Due to a long term absence of the member of the Board of Directors responsible for retail business, the following changes (with the consideration of the regulator NBS) in the management structure are valid as of 31.12.2012; CFO serves temporarily as the CRO of the Bank and CEO is temporarily responsible for retail business.

Asset & Liability Committee (ALCO) has ultimate authority over market risk of both trading and banking books (including interest rate risk) and over liquidity risk.

As for corporate credit risk, the ultimate decision making body is the Credit Committee (CRC) which consists of the members of the Board.

Operational Risk and Compliance Committee (ORCO) is the authorized body to make decisions on operational risk strategies and procedures, decides on risk appetite and tolerance levels, and decides on mitigation measures for operational risk, compliance, financial crime, and anti-money laundering issues.

ALCO, ORCO, and CRC are composed of members of the board and senior managers. Chief Risk Officer is a member of all three committees.

Operating Liquidity Committee (OLC) governs the execution of liquidity management. OLC reports directly to ALCO. It analyzes the liquidity situation of the bank on a regular basis and proposes measures to be taken. OLC consists of members of Treasury, BSM and Strategic Risk Management units.

Risk Appetite and Stress Testing Committee (RAST) consists of senior managers of BSM, Accounting & Controlling, and SRM. It serves as an advisory body which defines the overall risk appetite of the bank and handles all issues related to comprehensive stress testing.

Risk Advisory Committee (RAC) is composed of senior risk managers and specialists from risk management areas. It analyzes overall credit risk development on a monthly basis and proposes measures and follow-ups to be taken.

Watch List Committee (WLC) analyzes actual and expected credit risk development of non-retail watch list clients (closely monitored clients are typically assigned to worse rating grades). It proposes actions to be taken, including decrease of client's exposure, increase of collateral, rescheduling, etc. The members of WLC are senior managers, responsible risk managers from Corporate Credit Risk Management, Restructuring & Workout and representatives of business lines.

Structure of risk management organization consists of five crucial units:

- **Strategic Risk Management (SRM)** – is responsible for integrated risk management (ICAAP), operational risk, liquidity risk, market risk (overall as well as particular trading and banking books), and credit risk control, provisioning, and credit risk statistical and rating models.
- **Corporate Credit Risk Management Division** – carries out all activities concerning operative credit risk of corporate clients.
- **Retail Credit Risk Management Division** – is responsible for management of credit risk for retail lending, specifically credit policy, organization of lending process, early collection process and portfolio management of the retail segment.
- **Restructuring & Workout** – responsible for effective debt recovery and write-off management. It is also responsible for monitoring, restructuring of receivables overdue, and for specific provisions and collateral management.
- **Financial Crime & Compliance** – responsible for compliance risk management (e.g. code of ethics, full compliance with legal requirements, anti-money laundering program) and for fraud risk management (prevention, detection, investigation, deterrence, and recovery of financial fraud).

The risk management function is completely independent from commercial business lines. Overall, risk management has the following roles:

- setting strategies and policies for risk management
- building a risk-aware culture within the bank
- designing and reviewing processes of risk management
- risk identification, calculation, measurement, and control
- risk reporting
- setting of risk premium and risk price
- implementation, calibrating and periodical reviewing of models for risk measurement
- risk management action, including risk acceptance, elimination, mitigation, limits, etc.

35. CREDIT RISK

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

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

The bank, as the first bank in Slovakia, reports capital adequacy using the "internal-ratings based" (IRB) approach to credit risk since July 2008. The approval by the Financial Market Authority of Austria and National Bank of Slovakia indicated that the Bank's credit risk measurement and control systems are sound and implemented properly into risk management, credit process and capital adequacy estimation as well as into internal controls and reporting and that they play the essential role.

The cornerstone of the loan process in the Bank is based on risk assessment using rating systems and the assignment of a rating grade. The final rating is a key factor for a loan decision, loan amount, and price. The rating systems are developed, implemented and regularly validated in cooperation within Erste Group Bank using common Group standards and tools. The rating systems are used since the year 2006 and the Bank collects all data necessary for accurate and efficient risk control and management. The rating systems and their validation are properly documented.

Strategic Risk Management ('SRM'), more specifically its Credit Risk Control department, is the independent risk control unit in line with Basel Capital Accord. SRM is not involved in operative credit decision-making. However, it is responsible for the design of rating systems, the testing and monitoring of the accuracy and selectivity of internal rating grades, production and analysis of summary reports from the bank's rating systems. SRM is also responsible for the design and implementation of models for the calculation of risk parameters (Probability of default - PD, Loss-given default - LGD, Credit conversion factor - CCF etc.), standard risk costs and portfolio provisions. It is also responsible for the design and implementation of models for calculation of risk-weighted assets according to Basel II and the model for economic capital.

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

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

Restructuring & Workout is responsible for strategy and effective debt recovery (work-out and late collection) and write-off management. It is also responsible for monitoring, restructuring of overdue receivables, and for specific provisions and collateral management.

Regular audits of business units and the Bank's credit processes are undertaken by Internal Audit.

Maximum exposure to credit risk

Maximum exposure to the credit risk of financial assets is represented by their net carrying amount (carrying amount in the case of derivatives measured at fair value).

Maximum exposure to credit risk for off balance sheet commitments (e.g. undrawn loan limits, financial guarantees granted) is represented by the maximum amount the bank has to pay if the commitment is called on.

Information regarding exposure to credit risk arising from financial assets other than loans and off balance sheet commitments is detailed in individual notes.

Exposure to credit risk from loans, advances to customers, financial guarantees granted and undrawn loan commitments

The following table presents the maximum exposure to credit risk of loans, advances to customers, financial guarantees granted and undrawn loan commitments:

ths. EUR	2012	2011
Gross amount	**8 228 578**	**7 704 223**
On-balance sheet total (Note 14)	7 145 868	6 733 360
Off-balance sheet total (Note 40.a)	1 082 710	970 863
Gross amount	**8 228 578**	**7 704 223**
Retail	5 341 815	4 869 136
Corporate and other classes	2 886 763	2 835 087
Provision for impairment	**(370 106)**	**(397 883)**
Retail	(244 653)	(250 169)
Corporate and other classes	(125 453)	(147 714)
Net amount	**7 858 472**	**7 306 340**
Retail	5 097 162	4 618 967
Corporate and other classes	2 761 310	2 687 373

Note: Retail loans include small loans to entrepreneurs.

Provisions for impairment are structured as follows:

ths. EUR	2012	2011
Provisions for losses on loans and advances (Note 15)	359 425	386 884
Provisions for off-balance sheet items (Note 28)	10 681	10 999
Total provision for impairment	**370 106**	**397 883**

Information on the credit quality of loans, advances to customers, financial guarantees granted and undrawn loan commitments, classified as retail asset class by the Bank are as follows:

Retail asset class

ths. EUR	2012	2011
Total exposure		
Investment grade (1-5)	4 696 088	4 182 798
Subinvestment grade (6)	239 972	259 737
Subinvestment grade (7)	34 602	41 115
Subinvestment grade (8)	138 385	141 764
Non-performing loans (NPL)	232 768	243 721
Gross amount	**5 341 815**	**4 869 136**
Provisions for impairment	(244 653)	(250 169)
Net amount	**5 097 162**	**4 618 967**
Ageing of loans rated 1 – 8 is as follows:		
0 days	4 855 438	4 379 748
1 – 30 days	197 790	190 368
31 – 60 days	34 194	33 442
61 – 90 days	21 441	21 683
90 days+ *	184	173

* Overdue amount is non material, i.e. less than EUR 50 per client (materiality limit introduced in Q4/09).
Note: The increasing internal rating of exposures corresponds with their increasing credit risk; when assigning the rating the Bank considers the financial position and performance of the counterparty, qualitative factors, as well as general economic trends in the particular industry and country. Categories of 1 to 8 represent individually non-impaired loans.
In case of private individuals the Bank is using product definition of non-performing loans, i.e. if one loan of the client is more than 90 days overdue all client's accounts within the same product must be reported in the non-performing category. In case of other segments loans with rating R are reported as non-performing.

Individually impaired loans and irrevocable commitments

Impaired loans and irrevocable commitments are those for which the Bank determines that it is probable it will be unable to collect all principal and interest due according to the contractual terms of these financial instruments. These are graded 'R' in the Bank's internal risk rating system.

Past due but not individually impaired loans

Loans where contractual interest or principal payments are past due but the Bank believes that impairment is not appropriate.

Neither past due nor individually impaired loans

Loans where contractual interest or principal payments are not past due and the Bank does not expect impairment.

Information regarding the credit quality of loans, advances to customers, financial guarantees granted and undrawn loan commitments (classified as corporate, institutional or sovereign asset class) are as follows:

Corporate and other asset classes

ths. EUR	2012	2011
Total exposure		
Investment grade (1-5)	2 386 548	2 214 743
Subinvestment grade (6)	183 499	188 666
Subinvestment grade (7)	46 140	89 819
Subinvestment grade (8)	68 599	102 510
Rating R: Defaulted	201 977	239 348
Gross amount	**2 886 763**	**2 835 087**
Provision for impairment	(125 453)	(147 714)
Net amount	**2 761 310**	**2 687 373**
Individually impaired		
Gross amount	**201 977**	**239 348**
Provision for impairment	(95 774)	(110 634)
Net amount	**106 203**	**128 714**
Past due (excluding individually impaired)		
Investment grade (1-5)	23 346	22 210
Subinvestment grade (6)	12 226	5 292
Subinvestment grade (7)	5 029	14 905
Subinvestment grade (8)	2 180	2 935
Gross amount	**42 781**	**45 342**
Provision for impairment	(1 490)	(1 839)
Net amount	**41 291**	**43 503**
Past due (excluding individually impaired)		
1-30 days	41 613	30 845
31-60 days	1 139	13 606
61-90 days	24	887
90 days+ *	5	4
Neither past due nor individually impaired		
Investment grade (1-5)	2 363 202	2 192 533
Subinvestment grade (6)	171 273	183 374
Subinvestment grade (7)	41 111	74 914
Subinvestment grade (8)	66 419	99 576
Gross amount	**2 642 005**	**2 550 397**
Provision for impairment	(28 189)	(35 241)
Net amount	**2 613 816**	**2 515 156**

Note: The Increasing internal rating of exposures corresponds with their increasing credit risk; when assigning the rating the Bank considers financial position and performance of counterparty, qualitative factors as well as general economic trends in particular industry and country.
Exposures rated as 1 – 8 according to the Bank's internal rating are not considered to be individually impaired.
* Overdue amount is non material, i.e. less than EUR 250 per client.

Default events

Part of the Bank's reporting is the monitoring of default events behind defaulted individually significant loans. The Bank defines five default events:

- E1 - unlikeliness to pay
- E2 - 90 days overdue
- E3 - distressed restructuring of exposure
- E4 - exposure write-off
- E5 – bankruptcy

When a default event is recognized in the system, the rating of the client is automatically changed to default.

Collaterals

The Bank holds collateral against loans and advances to customers in the form of real estates, securities, bank guaranties and other credit enhancements. Estimates of fair value are based on the value of collateral assessed at the time of borrowing that is regularly updated. Collateral is not generally held over loans and advances to banks, except when securities are held as a part of reverse repurchase activities (see Note 13).

Estimated fair values of collaterals and other credit enhancements held against loans, advances to customers, financial guarantees granted and undrawn loan commitments is shown below:

ths. EUR	2012	2011
Real estates	6 980 168	6 136 714
Securities	464 176	388 711
Bank guaranties	219 834	220 902
Other	247 602	266 013
Total	**7 911 780**	**7 012 340**

Renegotiated loans

The carrying amount of financial assets that would otherwise be past due or impaired and whose terms have been renegotiated during 2012 and 2011:

	Number of clients		ths. EUR	
	2012	2011	2012	2011
Renegotiated loans	4	24	7 297	54 100

Concentration risk

A summary of concentrations of financial assets (including derivatives), loan commitments and guarantees as of 31 December 2012 and 2011 based on the debtors' industry are presented below:

31 December 2012 ths. EUR	Loans and advances to customers		Loans and advances to financial institutions		Investment securities and derivatives	
	Gross	Net	Gross	Net	Gross	Net
Activities of households as employers and private persons	5 008 410	4 800 410	-	-	-	-
Public administration defence	215 228	214 798	-	-	3 619 797	3 619 797
Financial and insurance activities	116 584	116 223	289 887	289 887	216 305	216 305
Real estate activities	684 819	657 405	-	-	11 901	11 901
Manufacturing	638 712	609 625	-	-	6 542	6 542
Wholesale and retail trade	387 284	346 801	-	-	-	-
Construction	309 696	282 498	-	-	605	605
Transportation and storage	189 632	183 009	-	-	26 448	26 448
Electricity, gas, steam and air conditioning supply	357 696	357 128	-	-	-	-
Accommodation and food service activities	86 859	68 219	-	-	-	-
Agriculture forestry and fishing	47 551	44 473	-	-	-	-
Professsional, scientific and technical activities	78 596	76 437	-	-	-	-
Human health and social work activities	41 972	41 325	-	-	-	-
Administrative and support service activities	21 245	18 476	-	-	-	-
Other	1	-	-	-	19 916	19 916
Arts, entertainment and recreation	17 277	16 538	-	-	-	-
Information and communication	5 227	4 766	-	-	-	-
Other service activities	7 144	6 119	-	-	-	-
Water supply, sewerage, waste management	3 886	3 687	-	-	-	-
Education	1 516	1 373	-	-	-	-
Mining and quarrying	9 243	9 162	-	-	-	-
Total	**8 228 578**	**7 858 472**	**289 887**	**289 887**	**3 901 514**	**3 901 514**

31 December 2011 ths. EUR	Loans and advances to customers		Loans and advances to financial institutions		Investment securities	
	Gross	Net	Gross	Net	Gross	Net
Activities of households as employers and private persons	4 553 826	4 345 186	-	-	1 112	1 112
Public administration defence	199 356	198 955	-	-	3 274 852	3 274 852
Financial and insurance activities	98 445	98 092	613 170	613 170	269 166	263 689
Real estate activities	791 226	761 126	-	-	-	-
Manufacturing	689 319	653 273	-	-	24 926	24 926
Wholesale and retail trade	413 933	370 667	-	-	-	-
Construction	207 193	190 144	-	-	593	593
Transportation and storage	157 136	149 800	-	-	54 245	54 245
Electricity, gas, steam and air conditioning supply	296 653	293 220	-	-	-	-
Accommodation and food service activities	112 477	74 240	-	-	-	-
Agriculture forestry and fishing	45 201	41 289	-	-	-	-
Professional, scientific and technical activities	51 461	48 050	-	-	-	-
Human health and social work activities	35 275	34 777	-	-	-	-
Administrative and support service activities	18 107	16 439	-	-	-	-
Other	19	18	-	-	13 671	13 671
Arts, entertainment and recreation	11 473	10 699	-	-	-	-
Information and communication	6 605	5 600	-	-	-	-
Other service activities	8 603	7 589	-	-	-	-
Water supply, sewerage, waste management	3 728	3 272	-	-	-	-
Education	1 724	1 484	-	-	-	-
Mining and quarrying	2 464	2 421	-	-	-	-
Total	**7 704 223**	**7 306 340**	**613 170**	**613 170**	**3 638 565**	**3 633 088**

A summary of the concentrations of loans and advances to customers, loan commitments, and guarantees classified by asset classes (as of 31 December 2012 and 2011) is presented below:

ths. EUR	2012		2011	
	Gross	Net	Gross	Net
Retail	5 341 815	5 097 162	4 869 136	4 618 967
Corporate	2 662 515	2 537 477	2 624 691	2 477 387
Institution	224 248	223 833	210 396	209 986
Carrying amount	**8 228 578**	**7 858 472**	**7 704 223**	**7 306 340**

The following table presents a summary of the bank's credit risk to the Slovak Republic, companies controlled by the Slovak government, self-governing regions, guarantees issued by the Slovak government, and similar exposures:

ths. EUR	2012		2011	
	Amount ths. EUR	Portion of total assets %	Amount ths. EUR	Portion of total assets %
Cash and balances at the central bank	18 441	0.16%	4 377	0.04%
Loans and advances to customers	409 218	3.48%	386 724	3.42%
Securities portfolios	3 534 668	30.09%	3 176 133	28.11%
Total	**3 962 327**	**33.73%**	**3 567 234**	**31.57%**

The Bank holds a large volume of State debt securities. A breakdown of State debt securities is shown below per portfolio and type of security:

ths. EUR	2012	2011
Financial assets at fair value through profit or loss	**6 783**	**6 314**
State bonds denominated in EUR	6 783	6 314
Securities available for sale	**1 193 169**	**766 225**
Treasury bills	324 725	-
Slovak government Eurobonds	865 574	763 347
Companies controlled by the Slovak government	2 870	2 878
Securities held to maturity	**2 334 716**	**2 403 594**
State bonds denominated in EUR	2 303 591	2 379 998
State bonds denominated in USD	7 547	-
Companies controlled by the Slovak government	23 578	23 596
Total	**3 534 668**	**3 176 133**

The rating of the Slovak Republic according to the international rating agency Standard & Poor's is A (since January 13th 2012; A+ in 2011).

36. MARKET RISK

Market risk is the risk of losses in on and off-balance-sheet positions arising from movements in market factors, i.e. prices, interest rates, foreign exchange rates, volatilities, etc. The risk management process comprises of the four key elements:

- risk identification - identify all risks inherent in the trading operations and in new products (new products check), and ensure these are subject to adequate procedures and controls before being introduced or undertaken
- risk measurement – calculation of risk exposure using sensitivities and value-at-risk.
- limits management - comprehensive limit system and limit allocation in order to restrict the maximum risk exposure
- risk monitoring and reporting

The entire market risk management is independent from the business lines and is carried out by Strategic Risk Management (SRM). Trading and investment operations are subject to strict rules defined by SRM and approved by ALCO committee.

All positions of the bank, both in banking and trading books, that are subject to market risk are re-valued daily (including positions held-to-maturity), either to market or to model, and respective Profit or Loss is calculated.

The main tool to measure market risk exposure in the Bank is sensitivity analysis and value-at-risk (VAR) which is complemented by back testing and a stress testing programme.

VAR for trading book and investment portfolios of banking book estimates the maximum potential loss over 1-day holding period with 99% confidence interval and is based on historical simulation (2-year rolling history window, equally weighted) while all positions are treated via full valuation in the calculation (i.e. no simplification of positions for the purpose of VAR). VAR is measured consistently across all portfolios (both banking and trading book) and relevant market factors. The Bank's VAR model was approved by the regulator to be used for the regulatory capital charge calculation.

VAR for the overall banking book uses 99% confidence interval, 10-day holding period, 6-year rolling window for the historical simulation and a decay factor of 0.99.

VAR is subject to some model assumptions (e.g. historical simulation), hence stress testing is established in order to partially tackle these shortcomings by estimating losses due to extreme changes in market factors, the probabilities of which are very small. Position or portfolios are tested under a number of potential extreme scenarios and their impact on value and hence profit and loss is computed.

In order to manage the maximum risk exposure, a comprehensive system of limits is established, including VAR, sensitivity, and stop-loss limits. Limits are structured according to individual subportfolios (separate limits are defined for derivative trades). Monitoring is performed daily by SRM.

Overall market risk of the entire balance sheet is also measured using market value of equity measure – all positions of the bank are re-valued using an extreme (200bp) up and down parallel shift of the yield curve and the resulting sensitivity is related to available capital.

Risk reporting is done daily for relevant management and monthly for ALCO.

Current values of the risk measurements:

Measure	2012 (Amount mil. EUR)	2011 (Amount mil. EUR)
Trading book VAR	0.006	0.02
Banking book Investment Portfolios		
ALM portfolio VAR	9.40	14.35
Corporate portfolio VAR	0.03	0.07
ALCO portfolio VAR	0.07	0.04
Overall Banking Book VAR	57.78	81.53
Overall Banking Book sensitivity (200bp shock)	77.18	92.22

VAR figure is almost fully driven by interest rate risk, whilst foreign exchange and other risks are negligible.

37. LIQUIDITY RISK

Liquidity risk is the risk that the Bank will encounter difficulties in raising funds to meet commitments associated with financial instruments.

Liquidity risk is within the authority of ALCO. The L-OLC (Local Operating Liquidity Committee) is responsible for operational managing and analysing of the liquidity situation of the Bank.

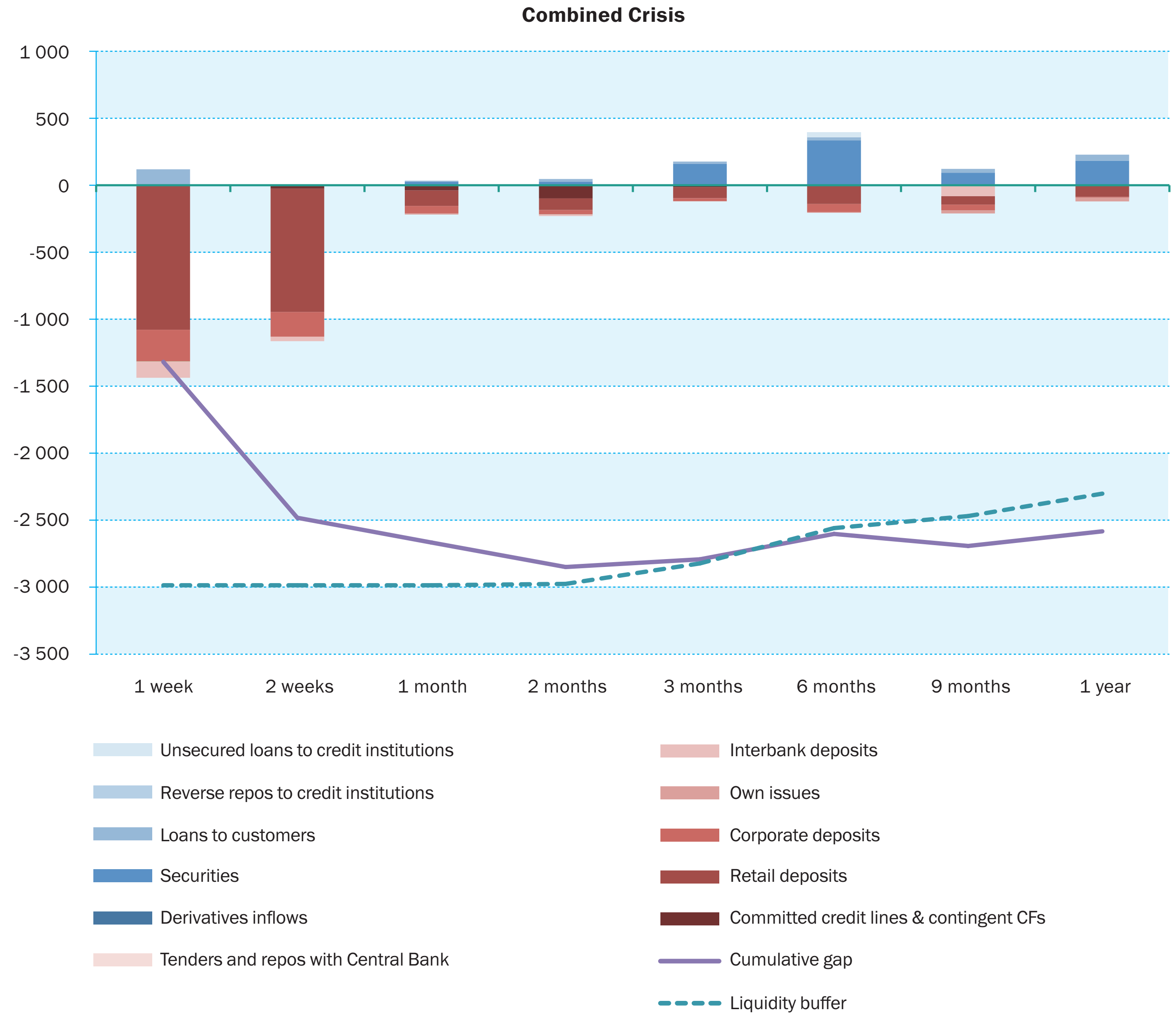
Actual management of liquidity risk is done by Strategic Risk Management. Structural liquidity management is performed by Balance Sheet Management and daily liquidity managing and the fulfilment of minimum required reserves is performed by the Treasury department.

Liquidity risk is quantified based on the liquidity regulation of NBS. The fixed and non-liquid assets ratio, that must be lower than 1.0, was 0.35 at the end of 2012 (end of 2011: 0.38). The liquid assets ratio, that must be greater than 1.0, was 1.41 at the end of 2012 (end of 2011: 1.23). Its average value during 2012 was 1.31.

In addition, own measurement and prediction system of financing needs offers information for liquidity management. It includes static liquidity gap, survival period analysis, short-term funding analysis, liquidity concentration analysis, several liquidity ratios, etc. A set of limits is defined in order to maintain the desired liquidity risk profile.

Survival period analysis ("SPA") is carried out on a weekly basis with the intention to provide information on the Bank's survival period under three different stress scenarios, including name, market, and combined crisis. The results show that the bank is in solid liquidity conditions, the survival period in most critical scenario was in the limit (1 month) throughout 2012. All other scenarios were in the limit during 2012 as well.

SPA combined crisis as of December 31, 2012:



There are internal limits set for funding concentrations. Their aim is to monitor and prevent the liquidity risk stemming from too large deposit concentration of one or small number of depositors (possibility of sudden withdrawal).

A minimal liquidity reserve of EUR 1.5 billion is defined. It consists of highly liquid ECB eligible bonds that the Bank can use as collateral in unexpected situations. This reserve may not be touched unless a liquidity crisis is declared.

Maturity analysis

The following table shows the Bank's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on undiscounted cash flows of financial liabilities.

As at 31 December 2012 ths. EUR	On demand and less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Amounts owed to financial institutions	184 307	23 018	6 223	950 534	1 315	1 165 398
Amounts owed to customers	4 918 693	849 592	1 937 577	751 205	-	8 457 067
Debt securities in issue	10 283	2 097	72 149	434 854	60 207	579 589
Subordinated debt	-	-	81 306	111 752	81 267	274 325
Total	**5 113 283**	**874 707**	**2 097 255**	**2 248 345**	**142 789**	**10 476 379**

As at 31 December 2011 ths. EUR	On demand and less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Amounts owed to financial institutions	480 033	4 027	5 047	962 121	2 412	1 453 640
Amounts owed to customers	4 281 037	1 010 135	2 241 244	540 500	-	8 072 916
Debt securities in issue	397	1 447	41 368	307 387	48 537	399 136
Subordinated debt	-	346	198	197 765	57 276	255 585
Total	**4 761 466**	**1 015 955**	**2 287 857**	**2 007 772**	**108 226**	**10 181 277**

38. OPERATIONAL RISK

Operational risk is the risk of loss (direct and indirect) resulting from inadequate or failed internal processes, people and systems, or from external events which lead (or have the potential to lead) to losses, or have other negative impacts on the Bank. This definition includes legal risk, but excludes strategic and reputation risk. Operational risks arise from all of the Bank's operations and each of the business lines.

Primary responsibility for the day-to-day management of operational risk is assigned to every business unit. Strategic Risk Management unit performs activities of global scope and has a methodical, coordination, and harmonization role.

Decision-making in the area of operational risk is covered by high-level ORCO committee (Operational Risk and Compliance Committee), of which board members and senior managers are members, and which have the ultimate authority in making decisions regarding risk exposure against operational risk.

The main objectives of operational risk management are:
- to set up a Bank-wide framework for operational risk management and to translate this framework into internal regulations,
- to properly identify major drivers of operational risk,
- to develop models for the quantification of risk exposure profile and for the calculation of both economic and regulatory capital,
- to prevent or minimize losses due to operational risk by the adaptation of suitable processes, preventive measures, or selecting suitable insurance,
- to continuously improve the operational risk management process,
- to provide quality reporting and documentation (quarterly reporting of operational risk events for the board of directors, senior management and regional directors).

Operational risk management is performed using the following main activities:
- risk acceptance and mitigation – activities of global scope handled by ORCO committee otherwise responsibility of senior management
- system of internal controls - each unit manager is responsible for the effectiveness and quality of the control system within his area of competence
- insurance – in order to minimize losses due to operational risk
- outsourcing – respective business units are responsible for the operational risk management related to outsourcing
- compliance & fraud management including anti-money laundering
- risk assessment of new products, activities, processes and systems before being introduced or undertaken

The Bank measures its operational risk exposure using the loss distribution approach (LDA). In modelling the distribution, the following are used: internal data collection, external data, scenario analysis, risk mapping and key risk indicators (key risk indicators track the most important drivers of operational risk) and factors reflecting the business environment and internal control systems.

In this, the probability distribution of both the frequency of loss and the amount of loss is modelled, and is recombined into a compound distribution of yearly losses. From this distribution, both expected and unexpected losses can be calculated. In accordance with Basel II, the confidence interval for unexpected loss is 99.9% and the holding period is one year.

The LDA approach is used as a basis for measurement and allocation of the capital charge within AMA (Advanced Measurement Approach). Permission for use of AMA was granted by NBS effective from July 2009. The inclusion of insurance as a mitigating factor into AMA was officially approved in Q4 2011, thus decreases the capital charge for operational risk by about 10%.

Since 2005 the Bank has been involved in a comprehensive group-wide captive insurance program. Under this program, the vast majority of operational risks - property damage, internal & external fraud, IT failures, civil liability, etc. - are covered for both the Bank and its subsidiaries.

39. CAPITAL MANAGEMENT

The Bank's lead regulator, the NBS, sets and monitors capital requirements. The Bank assesses the volume of its regulatory and economic capital (ICAAP).

Regulatory capital

In implementing current capital requirements the NBS requires the Bank to maintain a prescribed ratio of total capital to total risk weighted assets (minimum 8%). As of 31 December 2012 and 2011, the Bank has complied with the capital adequacy requirement. The Bank calculates requirements for credit risk using the Basel II IRB approach, for market risk in its trading portfolios using internal VaR models and AMA approach for operational risk.

The Bank's regulatory capital is analysed in two tiers:
- Tier 1 capital, which includes ordinary share capital, share premium, retained earnings, translation reserve after deduction for goodwill, intangible assets, AFS reserve (negative revaluation only) and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.
- Tier 2 capital, which includes qualifying subordinated liabilities and the element of fair value reserve relating to unrealised gains on equity instruments classified as available for sale.

Various limits are applied to elements of the capital base. The amount of qualifying tier 2 capital cannot exceed tier 1 capital and qualifying term subordinated loan capital may not exceed 50% of Tier 1 capital. Other deductions from capital include the carrying amounts of investments qualifying as financial institutions exceeding 10% participation on their share capital.

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor, and market confidence and to sustain the future development of the business. The Bank's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

The Bank's regulatory capital position at 31 December 2012 and 2011 was as follows:

ths. EUR	2012	2011
Tier 1 capital		
Ordinary share capital	212 000	212 000
Capital reserves	118 899	118 899
Retained earnings	628 888	510 889
Less intangible assets	(103 544)	(115 984)
Other regulatory adjustments	(16 791)	(51 631)
Total	**839 452**	**674 173**
Tier 2 capital		
Fair value reserve for available-for-sale equity securities	34 053	7 870
IRB Surplus	7 057	7 249
Qualifying subordinated liabilities	169 350	230 350
Total	**210 460**	**245 469**
Deductions from Tier I and Tier II capital	(11 922)	(11 922)
Total regulatory capital	**1 037 990**	**907 720**

ICAAP
Internal Capital Adequacy Assessment Process (ICAAP) is a process in which all significant risks that the Bank faces must be covered by internal capital (coverage potential). This means that all material risks are quantified, aggregated, and compared to the coverage potential. A maximum risk exposure limit and lower trigger level are defined, so that corrective actions may be taken, thus avoiding situations when risk exposures are not sufficiently covered by capital.

The Bank's ICAAP is defined by the group ICAAP framework. The key term within the context of ICAAP is the concept of economic capital. This is a measure of risk that captures unexpected losses. As opposed to expected loss, which is the anticipated probability-weighted average loss on a portfolio or business, and is considered a part of doing business, and is typically covered by reserves or income, unexpected loss describes the volatility of actual losses around this anticipated average. Typically, a very high confidence interval is assumed, in order to cover even very severe loss events (except for the most catastrophic ones for which it is impossible to hold capital). In the Bank, the confidence interval is set at 99.9% and the holding period is one year.

Objectives of ICAAP are:

- to integrate risk management for different risk types into a single high-level process
- to relate risk exposures to internal capital
- to continuously monitor and adjust capital levels to changing risk profile

ICAAP is a process that within the Bank consists of the following steps:

- Risk materiality assessment
  - identification of the most important risk types which are to be the major focus and which will be included into economic capital calculation
- Risk-bearing capacity calculation
  - calculation of the risk exposure for each particular material risk
  - aggregation of the individual risks into a single economic capital figure
  - calculation of internal capital (coverage potential)
  - relating economic to internal capital
- Stress testing
  - verification of economic capital figures via severe, yet plausible stress scenarios
- Capital management
  - management of consistency between economic and internal capital including forecasting

The bank has a Risk Appetite Statement in place, which is a set of indicators that define the targeted risk profile of the bank. This document is approved by the Board of Directors and is used extensively while creating strategic business plans and budgets.

The bank also has a comprehensive stress testing exercise in place in which two complex scenarios covering all significant risks were assessed. Risk Appetite and Stress Testing Committee (RAST) was created for this purpose.

In 2012, credit risk for sovereign counterparties was incorporated into ICAAP calculation. It is evaluated based on the IRB methodology (in Pillar I not included since risk weights for sovereigns are 0%).

ICAAP is regularly (quarterly) reported to the Board of Directors. Currently credit, operational, and market risk of both trading and banking books are included in the capital coverage. Capital cushion based on stress testing results is deducted from available internal capital in order to account for risks not directly covered by capital charge.

40. OFF-BALANCE SHEET ITEMS AND DERIVATIVE FINANCIAL INSTRUMENTS

In the normal course of business, the Bank is a party to various financial transactions that are not reflected on the balance sheet and are referred to as off-balance sheet financial instruments. The following represent notional amounts of these off-balance sheet financial instruments, unless stated otherwise.

(a) Loan commitments, Guarantees and Letters of Credit

Bank guarantees and letters of credit cover liabilities to clients (payment and non-payment liabilities) against beneficiaries (third parties). Bank guarantees represents an irrevocable liability of the Bank to pay a certain amount as stated in the bank guarantee in the case that the debtor fails to fulfil an obligation or other conditions as stated in the guarantee.

Letter of credit represents a written obligation of the Bank performed according to the instruction of the buyer to pay a specified amount to the seller against the documents that meet the letter of credit requirements. The Bank deals with letters of credit subject to 'Unified Rules and Customs for Documentary Letter-of-credit', in the version published by the International Chamber of Commerce.

The primary purpose of these instruments is to ensure that funds are available as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees, or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards.

The following table contains off-balance sheet credit exposures and also treasury commitments:

ths. EUR	2012	2011
Guarantees given	208 602	209 401
Guarantees from letters of credit	320	1 860
Loan commitments and undrawn loans	873 788	759 602
Total	**1 082 710**	**970 863**

(b) Derivatives

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

Derivatives in notional and fair value

2012 ths. EUR	Receivables		Liabilities	
	Notional value	Fair value	Notional value	Fair value
Hedging	107 821	6 643	107 821	24 109
Total hedging instruments	**107 821**	**6 643**	**107 821**	**24 109**
Trading derivatives				
Foreign currency forwards	218 110	1 778	218 039	1 707
Option contracts	236 958	1 908	237 041	4 084
Interest rate swaps (IRS)	1 033 914	58 532	1 033 914	58 533
Currency interest rate swaps (CIRS)	338 979	1 377	338 979	1 351
Currency swaps	251 169	3 955	250 767	3 472
Credit derivatives	50 000	-	50 000	1 660
Total trading derivatives	**2 129 130**	**67 550**	**2 128 740**	**70 807**
Total	**2 236 951**	**74 193**	**2 236 561**	**94 916**

2011 ths. EUR	Receivables		Liabilities	
	Notional value	Fair value	Notional value	Fair value
Hedging	107 821	5 030	107 821	16 826
Total hedging instruments	**107 821**	**5 030**	**107 821**	**16 826**
Trading derivatives				
Foreign currency forwards	218 185	2 705	218 089	2 610
Option contracts	288 758	4 127	281 906	5 418
Interest rate swaps (IRS)	1 083 588	50 351	1 083 588	49 472
Currency interest rate swaps (CIRS)	21 542	338	21 542	337
Currency swaps	293 866	5 970	293 796	5 784
Credit derivatives	50 000	-	50 000	6 638
Total trading derivatives	**1 955 939**	**63 491**	**1 948 921**	**70 259**
Total	**2 063 760**	**68 521**	**2 056 742**	**87 085**

All derivative transactions trade during 2012 and 2011 were on the over-the-counter 'OTC' markets.

(c) Assets pledged as collateral

Liabilities secured by the Bank's assets:

ths. EUR	2012	2011
Amounts owed to financial institutions		
repo trade with ECB	900 000	900 000
other	30 351	44 342
Total	**925 386**	**944 342**

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

ths. EUR	2012	2011
Securities held to maturity		
repo trade with ECB	922 525	900 000
Other	25 183	43 811
Total	**947 708**	**943 811**

The Bank pledged in favour of ECB government and corporate bonds. The Bank can draw a credit line up the amount of the pledged securities. The total amount (fair value -market value after haircut) of the pledged securities is EUR 1 851.8 mil. As of 31 December 2012 the Bank used EUR 900 million of this credit line (2011: EUR 900 million).

41. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

(a) Fair values of financial assets and liabilities measured at amortized cost

In the following table, the fair values of the balance sheet items are compared with the carrying amounts.

ths. EUR	Carrying value 2012	Estimated fair value 2012	Carrying value 2011	Estimated fair value 2011
Financial assets				
Loans and advances to financial institutions	289 887	290 425	613 170	613 774
Loans and advances to customers	6 786 443	6 960 644	6 346 476	6 484 342
Held to maturity securities	2 443 095	2 706 608	2 560 304	2 463 391
Financial liabilities				
Amounts owed to financial institutions	1 148 279	1 149 503	1 427 425	1 428 076
Amounts owed to customers and debt securities in issue	8 964 238	8 759 032	8 414 701	8 053 536

Loans and advances to financial institutions

The fair value of current account balances approximates their carrying amount, as the Bank's term placements generally re-price within relatively short time periods.

Loans and advances to customers

Loans and advances are net of specific and other provisions for impairment. The fair value represents management's estimate of the ultimate fair value of the loans and advances to customers. The credit risk of each instrument is taken into account in the way that the yield curve used for the discounting of this instrument is increased by the value of the relevant credit risk margin.

Held to maturity securities

The fair value of held-to-maturity securities was calculated based on the same principles used for the valuation of available-for-sale securities and trading, and at fair value through profit and loss securities as described in Note 3(f).

Deposits and borrowings

The estimated fair value of deposits with no stated maturity is the amount repayable on demand. On demand deposits are modelled according to generally accepted assumptions within the Erste Group Bank. The estimated fair value of fixed interest bearing deposits and other borrowings without a quoted market price is based on discounted cash flows using interest rates for new debts with a similar remaining maturity.

(b) Determination of fair values of residual financial assets and liabilities

Fair values are subject to a control framework designed to ensure that they are either determined, or validated, by a function independent of the risk taker. To this end, ultimate responsibility for the determination of fair values lies with SRM. SRM establishes the pricing policies and procedures governing valuation, and is responsible for ensuring that these comply with all relevant pricing sources.

For fair values determined by reference to external quotation or evidenced pricing parameters, independent price determination or validation is utilised. In less liquid markets, direct observation of a traded price may not be possible. In these circumstances, SRM source Erste Group Bank to validate the financial instrument's fair value. Greater weight is given to information that is considered to be more relevant and reliable. The factors that are considered in this regard are, inter alia:

- the extent to which prices may be expected to represent genuine traded or tradable prices;
- the degree of similarity between financial instruments;
- the degree of consistency between different sources;
- the process followed by the pricing provider to derive the data;
- the elapsed time between the date to which the market data relates and the balance sheet date; and
- the manner in which the data was sourced.

The results of Erste Group Bank independent validation process are reported to SRM.

The best indicator of the fair value is the price which can be obtained in an active market. If prices from an active market are available they are used. For fair value valuation mainly external data sources (like quotes from exchanges or broker quotations) are used. In case no market prices are available, the fair value is derived via pricing models, which use observable inputs. In some cases it is not possible either to get prices from exchanges or using a pricing model which is based on observable inputs. In such cases inputs are estimated based on similar risk factors.

Erste Group Bank uses only common, market approved models for the evaluations. For linear derivatives (e.g., Interest Rate Swaps, Cross Currency Swaps, FX-Forwards, Forward Rate Agreements) market values are calculated by discounting the expected cash flows. Plain Vanilla-OTC-Options (Equity, Currency and Interest Options) are evaluated using option pricing models of the Black Scholes generation, complex interest derivatives using Hull White and BGM models.

Only models which have went through an internal approval process and where the independent determination of the inputs (e.g. interest rates, volatilities) is ensured are used. Models are applied only if an internal approval process and the independent determination of inputs (e.g. interest rates, volatilities) is ensured.

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:
Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The table below details the valuation methods used to determine the fair value of financial instruments measured at fair value:

31 December 2012 ths. EUR	Level 1	Level 2	Level 3	Total
Securities available for sale	304 807	1 012 028	34 011	1 350 847
Securities at fair value through profit or loss	11 237	6 552	13 085	30 875
Derivative financial assets	-	67 550	-	67 550
Total assets	**316 045**	**1 086 130**	**47 097**	**1 449 272**
Derivative financial liabilities	-	(70 807)	-	(70 807)
Total liabilities	**-**	**(70 807)**	**-**	**(70 807)**

31. decembra 2011 tis. EUR	Level 1	Level 2	Level 3	Total
Securities available for sale	318 138	616 870	39 463	974 471
Securities at fair value through profit or loss	17 299	7 505	2 930	27 734
Derivative financial assets	-	63 417	74	63 491
Total assets	**335 436**	**687 793**	**42 467**	**1 065 696**
Derivative financial liabilities	-	(70 187)	(72)	(70 259)
Total liabilities	**-**	**(70 187)**	**(72)**	**(70 259)**

The volume of products whose fair values are determined using valuation models based on non-observable market data is driven in large part by the market trend in the structured credit segment (CLNs). The decrease in trading activity led to a reduction in the proportion of observable transactions and thus to the allocation of more instruments to this category.

The table shows the development of fair value of financial instruments for which valuation models are based on non observable inputs:

ths. EUR	Securities available for sale	Securities at fair value through profit or loss	Derivative financial assets	Derivative financial liabilities
MV as of 31 December 2011	**38 963**	**2 922**	**-**	**-**
accrued coupon	500	8	-	-
Balance as of 31 December 2011	**39 463**	**2 930**	**-**	**-**
Total gains or losses:				
in profit or loss	1	(2 402)	-	-
in other comprehensive income	4 633	-	-	-
Issues	6 400	-	-	-
Settlements	(16 335)	-	-	-
Transfers into Level 3	-	12 556	-	-
MV as of 31 December 2012	**33 661**	**13 077**	**-**	**-**
accrued coupon	350	8	-	-
Balance as of 31 December 2012	**34 011**	**13 085**	**-**	**-**
Total gains / (losses) for the period included in profit or loss for assets/liabilities held at the end of the reporting period	(1)	(2 402)	-	-

There were no significant transfers between Level 1 and Level 2 of the fair value hierarchy.

42. CURRENT AND NON-CURRENT ASSETS AND LIABILITIES

The following table shows the distribution of assets and liabilities and equity to current (due within one year) and non-current (due over one year) based on their remaining contractual maturity.

ths. EUR	2012			2011		
	Current	Non-current	Total	Current	Non-current	Total
Cash and balances at the central bank	377 004	-	**377 004**	299 183	-	**299 183**
Loans and advances to financial institutions	289 887	-	**289 887**	398 306	214 864	**613 170**
Loans and advances to customers	1 349 933	5 795 935	**7 145 868**	1 309 892	5 423 468	**6 733 360**
Provisions for losses on loans and advances	-	(359 425)	**(359 425)**	-	(386 884)	**(386 884)**
Financial assets at fair value through profit or loss	9 220	89 205	**98 425**	13 185	78 040	**91 225**
Securities available for sale	637 959	722 035	**1 359 994**	106 947	874 612	**981 559**
Securities held to maturity	139 474	2 303 621	**2 443 095**	316 761	2 243 543	**2 560 304**
Investments in associates and other investments	-	12 348	**12 348**	-	12 348	**12 348**
Intangible assets	-	103 543	**103 543**	-	115 984	**115 984**
Property and equipment	-	146 915	**146 915**	-	150 336	**150 336**
Investment property	-	2 809	**2 809**	-	3 056	**3 056**
Non-current assets held for sale	-	-	**-**	-	-	**-**
Current income tax asset	12 773	-	**12 773**	-	-	**-**
Deferred income tax asset	-	58 516	**58 516**	-	82 605	**82 605**
Other assets	23 470	30 641	**54 111**	20 912	22 534	**43 446**
Total assets	**2 839 720**	**8 906 143**	**11 745 863**	**2 658 796**	**8 640 896**	**11 299 692**
Amounts owed to financial institutions	213 465	934 814	**1 148 279**	488 853	938 572	**1 427 425**
Amounts owed to customers	7 693 786	733 723	**8 427 509**	7 519 408	528 576	**8 047 984**
Debt securities in issue	83 513	453 216	**536 729**	42 632	324 085	**366 717**
Financial liabilities at fair value through profit or loss	8 138	62 669	**70 807**	12 043	58 216	**70 259**
Provisions for liabilities and other provisions	-	24 148	**24 148**	-	24 721	**24 721**
Other liabilities	91 695	30 382	**122 077**	105 081	22 223	**127 304**
Current income tax	-	-	**-**	665	-	**665**
Deferred income tax liability	-	-	**-**	-	-	**-**
Subordinated debt	80 277	170 991	**251 268**	544	231 038	**231 582**
Equity	-	1 165 046	**1 165 046**	-	1 003 035	**1 003 035**
Total liabilities and equity	**8 170 874**	**3 574 989**	**11 745 863**	**8 169 226**	**3 130 466**	**11 299 692**

43. SEGMENT REPORTING

The segment reporting of the Bank follows the presentation and measurement requirements of IFRS as well as Erste Group standards.

Segment Structure
For the purpose of transparent presentation of the group structure, the segment reporting has been harmonised with the structure of Erste Group and is divided into the following segments:

- Retail
- Local corporates
- Real Estate
- Assets and Liabilities management
- Group Large Corporates
- Group Capital Markets
- Corporate Center
- Free capital.

The segment reporting follows the rules used in the Group controlling report which is produced on a monthly basis for the Holding Board. The report is reconciled with the monthly reporting package and the same segments used in the Group Controlling report are also applied in the External segment reporting for Erste Group.

By adding up Retail, Local corporates, Real estate, ALM and the Corporate centre a core business for the Bank is defined, for which the Bank is primarily responsible from a Holding Group point of view.

For the definition of segments/business lines in the Bank, the Bank applies account manager principle, which means that each client has assigned an account manager, who is assigned to a particular business line/segment. In other words, profit/loss is allocated to an account manager and a customer can only be allocated to one account manager.

Within the segment report the local fully consolidated subsidiaries as well as other participations, are allocated to the respective business line (please see the definitions below).

Retail
The Retail segment is constituted by the branch network where SLSP sells products mainly to private, free professionals and micro customers. The Retail stream is divided into 8 regions, then to 76 areas and then 297 branches (status as of 31 December 2011). In addition the Retail segment also includes at the equity results of PSS (building society).

Local corporates
Local corporates segment primarily consists of SME (Small and medium enterprises), the Public sector, Leasing SLSP and Factoring SLSP. Local corporates includes mainly the following client segments:

- Small SME (up to EUR 5 million, gross domestic product 'GDP' weighted turnover)
- Medium SME (up to EUR 30 million, GDP weighted turnover)
- Large SME (up to EUR 175 million, GDP weighted turnover)
- Non-profit Sector
- Public Sector (financing of public projects like highways, infrastructure, etc.).
- Certain MICRO clients are treated as Local Corporates (e.g. small members of a group of companies)

Real Estate
Real estate segment covers all the commercial and residential projects financed by the Bank.

Assets and Liabilities Management
Business line Assets and Liabilities Management manages the structure of balance sheet (banking book) according to market conditions in order to cover the bank's liquidity needs and to ensure a high degree of capital utilization. ALM also contains the transformation margin as a result of the mismatch in balance sheet from a time and currency point of view. The transformation margins as well as ALM own business (HTM, AFS, FV portfolio on assets side and Bonds issued on liability side) form the main part of this segment.

Group Large Corporates
The Group Large Corporates segment includes all group large corporate customers operating in the markets of Erste Group. The GLC client is a company which has a GDP/Head adjusted annual turnover of more than EUR 175 million in at least one of the EBG core markets.

Group Capital Markets
GCM is responsible for trading in foreign exchange and interest rate products as well as securities for all customer groups and for the development of market-oriented products. The segment Group capital markets in terms of the Bank includes divisionalised business lines like Treasury Trading and Treasury Sales (Retail, Corporate and Institutional Sales).

Corporate Center
Primarily, corporate Centre contains the non-client business of the Bank. The Corporate Centre segment includes mainly positions and items which cannot be directly allocated to specific segment or business line like parts. Additionally, all non-allocated participations like Laned, Derop, Realitná spoločnosť SLSP, Erste Group IT SK, Procurement Services SK and other participations are recognised within this segment.

Free Capital
Free capital is not a segment but the difference between the total recorded equity according to the balance sheet and the sum of the allocated equity of Business lines. Under the free capital also subordinated liabilities are also presented.

2012 ths. EUR	Retail	Local Corporates	Real Estate	ALM	Corporate centre	Core business
Net interest income	298 333	37 379	11 691	76 668	(817)	423 255
Risk provisions for loans and advances	(36 611)	(12 176)	(8 791)	-	(20)	(57 598)
Net fee and commission income	108 682	9 091	561	(1 803)	(6 323)	110 209
Net trading result	3 309	665	27	(1 016)	(42)	2 943
General administrative expenses	(190 066)	(15 833)	(1 664)	(2 400)	(28 246)	(238 208)
Other result	(14 494)	(1 484)	(3 998)	(4 389)	(21 684)	(46 048)
Pre-tax profit	**169 153**	**17 642**	**(2 174)**	**67 061**	**(57 131)**	**194 552**
Taxes on income	(32 139)	(3 352)	413	(12 742)	6 611	(41 209)
Net profit	**137 014**	**14 290**	**(1 761)**	**54 320**	**(50 520)**	**153 343**
Average risk-weighted assets	2 379 535	1 132 133	327 419	106 203	202 814	4 148 105
Average attributed equity	295 012	117 607	33 201	68 622	25 917	540 360
Cost/income ratio	**46.32%**	**33.59%**	**13.55%**	**3.25%**	**-393.32%**	**44.41%**
ROE based on net profit [1]	**46.44%**	**12.15%**	**-5.30%**	**79.16%**	**-194.93%**	**28.38%**

Notes:1) ROE = return on equity.

2012 ths. EUR	GLC	GCM	Free capital	SLSP
Net interest income	10 709	7 335	10 210	451 509
Risk provisions for loans and advances	2 931	-	-	(54 667)
Net fee and commission income	4 271	3 780	-	118 260
Net trading result	226	13 010	-	16 179
General administrative expenses	(2 689)	(5 965)	-	(246 862)
Other result	(670)	(4 325)	-	(51 044)
Pre-tax profit	**14 778**	**13 835**	**10 210**	**233 375**
Taxes on income	(2 808)	(2 629)	(1 940)	(48 585)
Net profit	**11 971**	**11 206**	**8 270**	**184 790**
Average risk-weighted assets	710 896	77 317	-	4 936 317
Average attributed equity	71 860	14 898	449 665	1 076 783
Cost/income ratio	**17.68%**	**24.72%**	**0.00%**	**42.13%**
ROE based on net profit [1]	**16.66%**	**75.22%**	**1.84%**	**17.16%**

Notes:1) ROE = return on equity.

2011 ths. EUR	Retail	Local Corporates	Real Estate	ALM	Corporate centre	Core business
Net interest income	308 511	36 529	15 156	77 021	5 463	442 681
Risk provisions for loans and advances	(40 100)	(18 798)	(13 564)	-	45	(72 416)
Net fee and commission income	106 833	9 604	1 327	(3)	(5 463)	112 297
Net trading result	3 000	715	121	(40)	(8 283)	(4 487)
General administrative expenses	(194 128)	(14 737)	(1 637)	(2 423)	(13 830)	(226 755)
Other result	(12 901)	(118)	(495)	(12 416)	(16 047)	(41 978)
Pre-tax profit	**171 215**	**13 196**	**907**	**62 139**	**(38 115)**	**209 342**
Taxes on income	(32 531)	(2 507)	(172)	(11 806)	6 189	(40 828)
Net profit	**138 684**	**10 688**	**735**	**50 332**	**(31 925)**	**168 514**
Average risk-weighted assets	2 901 261	1 178 321	457 811	72 603	214 876	4 824 871
Average attributed equity	293 157	102 098	38 637	81 668	24 822	540 381
Cost/income ratio	**46.40%**	**31.46%**	**9.86%**	**3.15%**	**(166.97%)**	**41.19%**
ROE based on net profit [1]	**47.31%**	**10.47%**	**1.90%**	**61.63%**	**(128.62%)**	**31.18%**

Notes:1) ROE = return on equity.

2011 ths. EUR	GLC	GCM	Free capital	SLSP
Net interest income	11 887	5 663	8 419	468 650
Risk provisions for loans and advances	1 429	-	-	(70 987)
Net fee and commission income	4 439	4 187	-	120 924
Net trading result	569	5 933	-	2 015
General administrative expenses	(2 710)	(6 859)	-	(236 324)
Other result	(5)	(10)	-	(41 992)
Pre-tax profit	**15 611**	**8 914**	**8 419**	**242 286**
Taxes on income	(2 966)	(1 694)	(1 600)	(47 087)
Net profit	**12 645**	**7 220**	**6 820**	**195 199**
Average risk-weighted assets	801 108	143 237	-	5 769 217
Average attributed equity	67 546	16 525	316 152	940 604
Cost/income ratio	**16.04%**	**43.46%**	**0.00%**	**39.95%**
ROE based on net profit [1]	**18.72%**	**43.69%**	**2.16%**	**20.75%**

Notes:1) ROE = return on equity.

44. ASSETS UNDER ADMINISTRATION

The Bank provides custody, trustee, investment management, and advisory services to third parties, which involves the Bank making allocation and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these financial statements.

The Bank accepted in custody EUR 533 million and EUR 736 million of assets as at 31 December 2012 and 2011, respectively, representing securities from customers in its custody for administration, including assets managed by Asset Management Slovenskej sporiteľne, a wholly owned subsidiary of the Bank before 2009.

45. RELATED PARTY TRANSACTIONS

(a) Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The Bank is controlled by Erste Group Bank, which indirectly holds 100% of the voting rights of the Bank's total shares. Related parties include subsidiaries and associates of the Bank and other members of Erste Group Bank group.

A number of banking transactions are entered into with related parties in the normal course of business. These primarily include loans and deposits.

(b) Transactions with Erste Group Bank group

Assets and liabilities include accounting balances with the parent bank and companies under its direct control, as follows:

	2012		2011	
ths. EUR	Erste Group Bank	Companies under the control of Erste Group Bank	Erste Group Bank	Companies under the control of Erste Group Bank
Assets				
Loans and advances to financial institutions	225 479	58 478	552 835	51 124
Loans and advances to customers	-	54 817	-	72 754
Trading assets	29 149	960	8 983	103
Available for sale portfolio	-	-	-	-
Other assets	6 883	818	2 739	2 821
Total	**261 511**	**115 073**	**564 557**	**126 802**
Liabilities				
Amounts owed to financial institutions	30 375	1 776	323 537	75 558
Amounts owed to customers	-	4 784	-	10 424
Debt securities in issue	-	-	-	-
Trading liabilities	65 371	1 408	51 242	25
AFS revaluation	-	-	-	-
Other liabilities	9	58	-	1 533
Subordinated debt	180 181	-	180 345	-
Total	**275 936**	**8 026**	**555 124**	**87 540**

The guarantee issued by its parent bank with a maximum value of EUR 50 million matured January 23, 2012 (2011: EUR 50 million) covering all the Bank's exposures to the parent bank and its group companies. Under the agreement, the parent bank pledged securities issued or guaranteed by the Republic of Italy with a face value amounting to EUR 50 million (2011: EUR 50 million).

The Bank has received a guarantee issued by its sister bank (Ceska sporitelna a.s.) with a maximum value of EUR 100 million (2011: EUR 100 million) covering the Bank's exposures towards Slovenske elektrarne a.s. Under the agreement, the sister bank (Ceska sporitelna a.s.) pledged securities issued by the Slovak Republic with a face value amounting to EUR 100 million (2011: EUR 100 million).

In 2012, the Bank received a bank guarantee provided by its parent bank in the amount of EUR 141 million covering exposures towards subsidiaries and other group members (2011: EUR 144 million).

Exposures towards corporate clients covered by the parent's bank guarantees (excluding exposures towards ERSTE Group entities) are in the amount of EUR 62 million (2011: EUR 113.47 million).

The Bank purchased software from companies under the control of Erste Group Bank in 2011 in the amount of EUR 61.75 million. In 2011 the Bank purchased part of the core banking system from s IT Solutions SK, spol. s r. o., in the amount of EUR 56.5 million.

The Bank entered into two loan contracts with its parent company Erste Group Bank in the amount of EUR 180 million subordinated loan (2011: EUR 180 million) (Note 30).

Income and expenses related to the parent bank and its subsidiaries include the following:

ths. EUR	2012		2011	
	Erste Group Bank	Companies under the control of Erste Group Bank	Erste Group Bank	Companies under the control of Erste Group Bank
Interest income	9 076	5 219	21 034	5 574
Interest expense	(3 690)	(270)	(8 133)	(6 985)
Net fees and commissions	69	2 631	114	4 279
Net trading result	6 767	(1 268)	792	-
General administrative expenses	(892)	(4 024)	(1 058)	(8 151)
Other operating result	135	622	1	123
Total	**11 465**	**2 910**	**12 750**	**(5 160)**

(c) Transactions with subsidiaries and associates of the Bank

Assets and liabilities include accounting balances with the subsidiaries and associates of the Bank as follows:

ths. EUR	2012		2011	
	Subsidiaries	Associates	Subsidiaries	Associates
Assets				
Loans and advances to financial institutions	-	-	-	-
Loans and advances to customers	116 897	-	115 621	-
Financial assets at fair value through profit or loss	307	-	-	1 125
Securities available for sale	1 659	-	1 653	12 910
Other assets	876	-	1 452	
Total	**119 739**	**-**	**118 726**	**14 035**
Liabilities				
Amounts owed to financial institutions	-	2 286	-	4 389
Amounts owed to customers	14 942	-	14 258	-
Other liabilities	1 143	-	1 231	-
Total	**16 085**	**2 286**	**15 489**	**4 389**

Income and expenses from the subsidiaries and associates of the Bank include the following:

ths. EUR	2012		2011	
	Subsidiaries	Associates	Subsidiaries	Associates
Interest income	3 965	-	4 075	-
Interest expense	(55)	(22)	(128)	(112)
Net fees and commissions	20	-	25	-
Net trading result	99	-	-	-
General administrative expenses	(21 233)	-	(20 209)	-
Other operating result	1 894	-	703	-
Total	**(15 310)**	**(22)**	**(15 534)**	**(112)**

(d) Transactions with key management personnel

Remuneration of members of the Board of Directors and Supervisory Board paid during 2012 amounts to EUR 2.5 million (2011: EUR 1.5 million) which represents short-term employee benefits. Remuneration policy of the members of Board of Directors is in compliance with the CRD as adopted in the national legislation.

46. POST-BALANCE SHEET EVENTS

From 31 December 2012 up to the date of issue of these financial statements there were no events identified that would require adjustments to or disclosure in these financial statements.

Information released

under Section 20 (7) of Act No. 431/2002 Coll. on Accounting

Any accounting unit that has issued securities and these have been accepted for trading in the regulated market is obliged to release, in its annual report, information about:

a) the structure of its registered capital, including data on securities that have not been accepted for trading in the regulated market in any of the Member States or the states of the European Economic Area, and information about the types of shares issued, the rights and duties attached to these shares by type, and their weight in the unit‘s registered capital in percentage terms;

b) the existence of restrictions on the transferability of these securities.

Securities issued to date, except for bonds, including securities that were not issued via public offering	ISIN	Class	Type	Form	Number of shares	Par value	The rights attached
	SK1110002799	ordinary shares	registered shares	book-entry shares	212 000	EUR 1 000	right to participate in the company's management, to share its profits, liquidation balance, and voting rights

Bonds issued (yes/ or, if there are no outstanding bonds, no) **YES**

ISIN	SK4120004961 series 01	SK4120005505 series 01	SK4120005927 series 01	SK4120006628 series 01	SK4120006685 series 01	SK4120006701 series 01	SK4120006735 series 01
Class	mortgage bond	mortgage bond	mortgage bond	bond	mortgage bond	mortgage bond	mortgage bond
Type	bearer bond	bearer bond	bearer bond	bearer bond	bearer bond	bearer bond	bearer bond
Form	book entry	book entry	book entry	book entry	book entry	book entry	book entry
Number of bonds	500	250	250	89	9 722	9 580	9 639
Par value	33 193.92 EUR	66 387.84 EUR	66 387.84 EUR	EUR 50 000	EUR 1 000	EUR 1 000	EUR 1 000
The rights attached	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them
First issue date	29 March 2006	27 July 2007	16 April 2008	4 May 2009	24 July 2009	14 August 2009	28 August 2009
Par value maturity date	29 March 2016	27 July 2027	16 April 2021	6 May 2013	24 January 2013	14 August 2013	28 August 2013
Method of yield calculation	6M E + 0.09% p.a.	4.95% p.a.	5.00% p.a.	combined, depending on 3M EURIBOR rate developments	3.50% p.a.	3.60% p.a.	3.60% p.a.
Redemption dates	semi-annually, 29 March and 29 September	annually, 27 July	annually, 16 April	quarterly, 4 May, 4 August, 4 November, 4 February, and 6 May 2013 (final payment)	semi-annually, 24 July and 24 January	semi-annually, 14 February and 14 August	semi-annually, 28 February and 28 August
Early redemption	no	no	no	no	no	no	no
Redemption guarantee	no	no	no	no	no	no	no
Guarantee accepted by:	-	-	-	-	-	-	-
Comp. Reg. No. (IČO)	-	-	-	-	-	-	-
Name of the company	-	-	-	-	-	-	-
Registered office	-	-	-	-	-	-	-
Procedure for the swap of bonds for shares, provided the bonds are convertible	-	-	-	-	-	-	

ISIN	SK4120006792 series 01	SK4120006834 series 01	SK4120006925 series 01	SK4120006909 series 01	SK4120006933 series 01	SK4120007055 series 01	SK4120007097 series 01
Class	mortgage bond	bond	mortgage bond	mortgage bond	mortgage bond	mortgage bond	mortgage bond
Type	bearer bond	bearer bond	bearer bond	bearer bond	bearer bond	bearer bond	bearer bond
Form	book entry	book entry	book entry	book entry	book entry	book entry	book entry
Number of bonds	12 023	4 704	4 886	14 723	5 882	2 095	400
Par value	EUR 1 000	EUR 1 000	EUR 1 000	EUR 1 000	EUR 1 000	EUR 1 000	EUR 50 000
The rights attached	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them
First issue date	16 October 2009	20 November 2009	17 December 2009	18 December 2009	22 January 2010	12 February 2010	9 March 2010
Par value maturity date	16 October 2013	20 November 2014	17 December 2013	18 December 2013	22 January 2014	12 February 2015	9 March 2015
Method of yield calculation	3.30% p.a.	combined, depending on the market prices of reference shares	3.50% p.a.	3.50% p.a.	3.50% p.a.	3.62% p.a.	6M E + 0.95% p.a.
Redemption dates	semi-annually, 16 April and 16 October	annually, 20 November	semi-annually, 17 December and 17 June	semi-annually, 18 June and 18 December	semi-annually, 22 January and 22 July	annually, 12 February	semi-annually, 9 March and 9 September
Early redemption	no	no	no	no	no	no	no
Redemption guarantee	no	no	no	no	no	no	no
Guarantee accepted by:	-	-	-	-	-	-	-
Comp. Reg. No. (IČO)	-	-	-	-	-	-	-
Name of the company	-	-	-	-	-	-	-
Registered office	-	-	-	-	-	-	
Procedure for the swap of bonds for shares, provided the bonds are convertible	-	-	-	-	-	-	-

ISIN	SK4120007063 series 01	SK4120007121 series 01	SK4120007238 series 01	SK4120007246 series 01	SK4120007360 series 01	SK4120007378 series 01	SK4120007287 series 01
Class	mortgage bond	mortgage bond	mortgage bond	bond with a claim related to a subordinated liability	mortgage bond	mortgage bond	bond with a claim related to a subordinated liability
Type	bearer bond	bearer bond	bearer bond	bearer bond	bearer bond	bearer bond	bearer bond
Form	book entry	book entry	book entry	book entry	book entry	book entry	book entry
Number of bonds	10 536	9 599	7 569	500	299	199	10 000
Par value	EUR 1 000	EUR 1 000	EUR 1 000	EUR 10 000	EUR 50 000	EUR 50 000	EUR 1 000
The rights attached	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them
First issue date	19 March 2010	21 April 2010	31 May 2010	23 June 2010	29 July 2010	30 July 2010	2 August 2010
Par value maturity date	19 March 2014	21 April 2015	30 May 2014	23 June 2015	29 July 2015	30 July 2015	2 August 2020
Method of yield calculation	3.30% p.a.	3.50% p.a.	2.80% p.a.	3.80% p.a.	3.10% p.a.	6M E + 1.00% p.a.	combined, depending on the prices of assets used for backing
Redemption dates	semi-annually, 19 March and 19 September	semi-annually, 21 April and 21 October	semi-annually, 31 May, 30 November, 30 May 2014 (final payment)	annually, 23 June	annually, 29 July	semi-annually, 30 January and 30 July	single payment, 2 August 2020
Early redemption	no	no	no	no	no	no	no
Redemption guarantee	no	no	no	no	no	no	no
Guarantee accepted by:	-	-	-	-	-	-	-
Comp. Reg. No. (IČO)	-	-	-	-	-	-	-
Name of the company	-	-	-	-	-	-	-
Registered office	-	-	-	-	-	-	-
Procedure for the swap of bonds for shares, provided the bonds are convertible	-	-	-	-	-	-	-

ISIN	SK4120007402 series 01	SK4120007410 series 01	SK4120007469 series 01	SK4120007535 series 01	SK4120007568 series 01	SK4120007675 series 01	SK4120007725 series 01
Class	mortgage bond	mortgage bond	mortgage bond	mortgage bond	bond	mortgage bond	mortgage bond
Type	bearer bond	bearer bond	bearer bond	bearer bond	bearer bond	bearer bond	bearer bond
Form	book entry	book entry	book entry	book entry	book entry	book entry	book entry
Number of bonds	340	9 701	9 867	9 845	2 858	9 824	51
Par value	EUR 50 000	EUR 1 000	EUR 1 000	EUR 1 000	EUR 1 000	EUR 1 000	EUR 50 000
The rights attached	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them
First issue date	25 August 2010	10 September 2010	14 October 2010	11 November 2010	10 December 2010	7 February 2011	10 February 2011
Par value maturity date	25 August 2015	10 September 2014	14 October 2014	11 November 2015	10 December 2015	7 August 2015	10 August 2017
Method of yield calculation	3.09% p.a.	2.80% p.a.	2.35% p.a.	2.65% p.a.	combined rate	2.95% p.a.	3.55% p.a.
Redemption dates	annually, 25 August	semi-annually, 10 March and 10 September	semi-annually, 14 April and 14 October	semi-annually, 11 May and 11 November	annually, 10 December	semi-annually, 7 February and 7 August	semi-annually, 10 February and 10 August
Early redemption	no	no	no	no	no	no	no
Redemption guarantee	no	no	no	no	no	no	no
Guarantee accepted by:	-	-	-	-	-	-	-
Comp. Reg. No. (IČO)	-	-	-	-	-	-	-
Name of the company	-	-	-	-	-	-	-
Registered office	-	-	-	-	-	-	-
Procedure for the swap of bonds for shares, provided the bonds are convertible	-	-	-	-	-	-	-

ISIN	SK4120007733 series 01	SK4120007790 series 01	SK4120007741 series 01	SK4120007816 series 01	SK4120007865 series 01	SK4120007881 series 01	SK4120007956 series 01
Class	mortgage bond	mortgage bond	mortgage bond	bond	mortgage bond	bond with a claim related to a subor-dinated liability	bond with a claim related to a subor-dinated liability
Type	bearer bond	bearer bond	bearer bond	bearer bond	bearer bond	bearer bond	bearer bond
Form	book entry	book entry	book entry	book entry	book entry	book entry	book entry
Number of bonds	14 771	14 496	8 199	50	7 684	700	132
Par value	EUR 1 000	EUR 1 000	EUR 1 000	EUR 50 000	EUR 1 000	EUR 10 000	EUR 50 000
The rights attached	the transferabi-lity of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferabi-lity of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferabi-lity of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferabi-lity of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferabi-lity of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferabi-lity of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferabi-lity of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them
First issue date	4 March 2011	30 March 2011	31 March 2011	31 March 2011	2 June 2011	13 June 2011	20 June 2011
Par value maturity date	4 March 2016	30 September 2014	30 September 2014	31 March 2017	2 June 2015	13 June 2018	20 June 2018
Method of yield calculation	3.10% p.a.	3.00% p.a.	3.00% p.a.	3.65% p.a.	3.20% p.a.	combined rate	4.90% p.a.
Redemption dates	semi-annually, 4 March and 4 September	semi-annually, 30 March and 30 September	semi-annually, 31 March and 30 September	semi-annually, 31 March and 30 September	semi-annually, 2 June and 2 December	semi-annually, 13 June and 13 December	semi-annually, 20 June and 20 December
Early redemption	no	no	no	no	no	no	no
Redemption guarantee	no	no	no	no	no	no	no
Guarantee accepted by:	-	-	-	-	-	-	-
Comp. Reg. No. (IČO)	-	-	-	-	-	-	-
Name of the company	-	-	-	-	-	-	-
Registered office	-	-	-	-	-	-	-
Procedure for the swap of bonds for shares, provided the bonds are convertible	-	-	-	-	-	-	-

ISIN	SK4120007964 series 01	SK4120007907 series 01	SK4120008020 series 01	SK4120008079 series 01	SK4120008111 series 01	SK4120008186 series 01	SK4120008194 series 01
Class	mortgage bond	bond with a claim related to a subor-dinated liability	mortgage bond	bond with a claim related to a subor-dinated liability	bond with a claim related to a subor-dinated liability	mortgage bond	bond with a claim related to a subor-dinated liability
Type	bearer bond	bearer bond	bearer bond	bearer bond	bearer bond	bearer bond	bearer bond
Form	book entry	book entry	book entry	book entry	book entry	book entry	book entry
Number of bonds	2 494	10 000	5 349	543	4 250	6 337	407
Par value	EUR 1 000	EUR 1 000	EUR 1 000	EUR 10 000	EUR 1 000	EUR 1 000	EUR 10 000
The rights attached	the transferabi-lity of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferabi-lity of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferabi-lity of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferabi-lity of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferabi-lity of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferabi-lity of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferabi-lity of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them
First issue date	15 July 2011	1 August 2011	26 August 2011	10 October 2011	2 November 2011	7 December 2011	12 December 2011
Par value maturity date	15 January 2016	1 August 2021	26 February 2016	10 October 2018	2 November 2023	7 December 2016	12 December 2018
Method of yield calculation	3.20% p.a.	combined rate	3.20% p.a.	combined rate	combined rate	3.50% p.a.	combined rate
Redemption dates	semi-annually, 15 January and 15 July	single payment, 1 August 2021	semi-annually, 26 February and 26 August	semi-annually, 10 April and 10 October	single payment, 2 November 2023	semi-annually, 7 June and 7 December	semi-annually, 12 June and 12 December
Early redemption	no	no	no	no	no	no	no
Redemption guarantee	no	no	no	no	no	no	no
Guarantee accepted by:	-	-	-	-	-	-	-
Comp. Reg. No. (IČO)	-	-	-	-	-	-	-
Name of the company	-	-	-	-	-	-	-
Registered office	-	-	-	-	-	-	
Procedure for the swap of bonds for shares, provided the bonds are convertible	-	-	-	-	-	-	-

ISIN	SK4120008269 series 01	SK4120008343 series 01	SK4120008251 series 01	SK4120008319 series 01	SK4120008533 series 01	SK4120008442 series 01	SK5110000018 series 01
Class	mortgage bond	mortgage bond	mortgage bond	mortgage bond	mortgage bond	bond with a claim related to a subordinated liability	investment certificate
Type	bearer bond	bearer bond	bearer bond	bearer bond	bearer bond	bearer bond	registered in name
Form	book entry	book entry	book entry	book entry	book entry	book entry	book entry
Number of bonds	6 171	400	340	8880	700	11 000	618
Par value	EUR 1 000	EUR 50 000	EUR 10 000	EUR 1 000	EUR 50 000	EUR 1 000	EUR 500
The rights attached	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferability of investment certificates is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them
First issue date	27 January 2012	7 February 2012	20 February 2012	24 February 2012	2 May 2012	1 June 2012	1 June 2012
Par value maturity date	27 July 2016	7 February 2014	20 February 2015	24 February 2016	2 May 2017	1 June 2022	1 June 2015
Method of yield calculation	3.70% p.a.	3.28% p.a.	combined rate	3.70% p.a.	3.30% p.a.	combined rate	6.90% p.a
Redemption dates	semi-annually, 27 January and 27 July	annually, 7 February	semi-annually, 20 February and 20 August	semi-annually, 24 February and 24 August	annually, 2 May	single payment, 1 June 2022	single payment, 1 June 2015
Early redemption	no	no	no	no	no	no	no
Redemption guarantee	no	no	no	no	no	no	no
Guarantee accepted by:	-	-	-	-	-	-	-
Comp. Reg. No. (IČO)	-	-	-	-	-	-	-
Name of the company	-	-	-	-	-	-	-
Registered office	-	-	-	-			
Procedure for the swap of bonds for shares, provided the bonds are convertible	-	-	-	-			

ISIN	SK4120008590 series 01	SK4120008327 series 01	SK4120008582 series 01	SK5110000026 series 01	SK4120008707 series 01	SK4120008780 series 01	SK5110000042 series 01
Class	mortgage bond	mortgage bond	mortgage bond	investment certificate	mortgage bond	mortgage bond	investment certificate
Type	bearer bond	bearer bond	bearer bond	bearer bond	bearer bond	bearer bond	registered in name
Form	book entry	book entry	book entry	book entry	book entry	book entry	book entry
Number of bonds	400	2 788	8 019	660	800	400	1000
Par value	EUR 50 000	EUR 1 000	EUR 1 000	4 EUR 500	EUR 50 000	EUR 50 000	EUR 500
The rights attached	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferability of investment certificates is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferability of investment certificates is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them
First issue date	12 June 2012	14 June 2012	18 July 2012	9 August 2012	15 August 2012	13 September 2012	27 September 2012
Par value maturity date	12 June 2017	14 December 2016	18 January 2017	9 August 2013	15 August 2014	13 March 2015	27 September 2013
Method of yield calculation	2.92% p.a	2.85% p.a.	2.88% p.a.	7.00% p.a	1.25% p.a.	1.40% p.a.	6.50% p.a
Redemption dates	annually, 12 June	semi-annually, 14 June and 14 December	semi-annually, 18 July and 18 January	single payment, 9 August 2013	annually, 15 August	semi-annually, 13 September and 13 March	single payment, 27 September 2013
Early redemption	no	no	no	no	no	no	no
Redemption guarantee	no	no	no	no	no	no	no
Guarantee accepted by:	-	-	-	-	-	-	-
Comp. Reg. No. (IČO)	-	-	-	-	-	-	-
Name of the company	-	-	-	-	-	-	-
Registered office	-	-	-	-	-	-	-
Procedure for the swap of bonds for shares, provided the bonds are convertible	-	-	-	-	-	-	-

ISIN	SK4120008772 series 01	SK4120008830 series 01	SK4120008749 series 01	SK5110000067 series 01	SK4120008848 series 01	SK4120008897 series 01
Class	mortgage bond	mortgage bond	bond with a claim related to a subordi-nated liability	investment certi-ficate	bond	mortgage bond
Type	bearer bond	bearer bond	bearer bond	registered in name	bearer bond	bearer bond
Form	book entry	book entry	book entry	book entry	book entry	book entry
Number of bonds	10 000	300	9000	900	2118	66
Par value	EUR 1 000	EUR 50 000	EUR 1 000	5 000 EUR	EUR 1 000	EUR 50 000
The rights attached	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferability of investment certificates is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them
First issue date	28 September 2012	30 October 2012	2 November 2012	5 November 2012	5 December 2012	12 December 2012
Par value maturity date	28 September 2018	30 October 2017	2 November 2022	5 November 2013	5 December 2018	12 December 2019
Method of yield calculation	2.85% p.a.	1.95% p.a.	combined rate	7.00% p.a	combined rate	2.50% p.a.
Redemption dates	semi-annually, 28 September and 28 March	annually, 30 October	single payment, 2 November 2022	single payment, 5 November 2013	semi-annually, 5 December and 5 June	semi-annually, 12 December and 12 June
Early redemption	no	no	no	no	no	no
Redemption guarantee	no	no	no	no	no	no
Guarantee accepted by:	-	-	-	-	-	-
Comp. Reg. No. (IČO)	-	-	-	-	-	-
Name of the company	-	-	-	-	-	-
Registered office	-	-	-	-	-	-
Procedure for the swap of bonds for shares, provided the bonds are convertible	-	-	-	-	-	-