Slovenská sporiteľňa, a. s., Member of Erste Group

Annual Report 2013

SLOVENSKÁ sporiteľňa

Contents

The Company at a glance

Registered office: Tomášikova 48
832 37 Bratislava
Slovak Republic
Company reg. no. (IČO): 00151653
Legal form: joint-stock company
Line of business: universal bank

Shareholders as at 31.12.2013:

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%

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info@slsp.sk

Credit ratings of Slovenská sporiteľňa, a.s. as at 31.12.2013

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

Statement by the Chairman of the Board of Directors and the CEO

Dear partners,

year 2013 was another successful for Slovenská sporiteľňa. This is confirmed by excellent results, maintaining our capital adequacy well above the established threshold, as well as offsetting the negative impact of bank tax by higher efficiency and good risk management. I am pleased that the Bank managed to defend the most prestigious award granted domestically, the Trend Top Bank of the Year, as well as awards for Best Bank in Slovakia from reputable magazines The Banker, Euromoney and Global Finance.

Last year was also the year of the first round anniversary of the euro introduction in Slovakia. Though after the economic turmoil, we can look at the euro with some criticism, there is no doubt that thanks to its adoption in the best possible time, for Slovakia the euro played and continues to play a very positive role. Like five years ago when we were adopting the euro, last year we concentrated our efforts on the successful implementation of the European standards in the SEPA payment system. Slovenská sporiteľňa was the first commercial bank in Slovakia to successfully implement SEPA payments in July last year.

In addition to the implementation of SEPA, also the new products that we brought to our clients in 2013 contributed to a higher level of service. Generous Card, Transparent Account and many technological innovations are among the best products offered on the Slovak banking market. In addition to a traditionally high level of lending to households we did extremely well in deposits, where we saw a year-on-year increase of more than 8% mainly due to deposits from the population. In the area of corporate banking we participated in one of the largest financial market transactions – the acquisition financing of 49% of SPP shares by EPH. Together with other deals concluded in the corporate and public sector, for the first three quarters of the year the Bank posted the largest increase in the lending market. This also confirms our ambition to become the bank of the first choice for corporate clients.

None of the aforementioned achievements, none of the awards achieved would be possible without the loyalty of our clients, professional work of all Slovenská sporiteľňa employees and trust of the shareholders.

Now we look to 2014. Slovakia's population is awaiting presidential elections and elections to the European Parliament. I wish that the results of elections we will achieve moved Slovakia in the right direction and contributed to overall prosperity and satisfaction of the Slovak population.
The European banking industry is facing a challenging ECB tests. I am convinced that Slovenská sporiteľňa will successfully pass the tests, and testing results confirm our good health, strength and stability. It is important for the performance of the Slovak economy so that tests are successful also for our competitors. I would be very happy if Slovakia continued to be a country with one of the most stable banking systems.

Jozef Síkela

Financial highlights

According to IFRS	31 Dec 2010	31 Dec 2011	31 Dec 2012	31 Dec 2013
Prepared in accordance with the International Financial Reporting Standards	(mil. EUR)	(mil. EUR)	(mil. EUR)	(mil. EUR)
Balance sheet total	11 028	11 349	11 777	11 699
Loans and advances to credit institutions	1 253	613	290	80
Loans and advances to customers	6 075	6 697	7 093	7 513
Financial assets	3 331	3 656	3 925	3 731
Customer deposits	8 158	8 034	8 413	9 091
Equity	929	1 039	1 205	1 291
Net profit	150	195	188	185
Selected ratios	(in %)	(in %)	(in %)	(in %)
Return on equity	17.7	20.0	16.9	15.1
Return on assets	1.3	1.7	1.6	1.6
Cost income ratio	40.5	39.6	42.3	42.8
Net interest margin	4.3	4.5	4.2	4.2
Loans to deposits ratio	74.5	83.4	84.3	82.6
Capital adequacy	13.5	15.6	20.1	25.2
Tier 1 ratio	10.6	11.6	16.3	20.8
Other figures				
Number of employees	4 008	4 170	4 199	4 208
Number of branches	291	292	297	292
Number of ATMs	705	748	773	770
Number of payment cards	1 334 079	1 307 393	1 261 358	1 327 197

Top management
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 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 Factoring Slovenskej sporiteľne and Leasing Slovenskej sporiteľne, chairman of the supervisory board of Prvá stavebná sporiteľňa, and of the board of trustees 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 Unit, then as general director of the Technology Division, and later as a Board Member. 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. Mr Máj was a member of the Slovak Finance Ministry's Steering Group for the restructuring and privatisation of selected banks and restructuring of the financial sector.
He is the currently the Bank's Chief Financial Officer and has responsibility for accounting, controlling, property management, balance sheet management and physical security.

Positions with other companies:
Štefan Máj is a member of the supervisory boards of Factoring Slovenskej sporiteľne, LANED and Realitná spoločnosť Slovenskej sporiteľne. He is a member of the supervisory boards of Leasing Slovenskej sporiteľne and Nadácia Slovenskej and an executive of Procurement Services SK. He is also chairman of the board of trustees of the non-profit civic association Včelí dom.

TOMÁŠ SALOMON
Board Member and Deputy CEO

Tomáš Salomon is a graduate of the Faculty of Services and Tourism of the University of Economics in Bratislava. He began his career in finance in 1997 at the GE Capital group in the Czech Republic, where he progressively focused on restructuring the company's processes and on project management. In 2000 he became a member of the board of directors of GE Capital Bank, with responsibility for retail banking, the distribution network and marketing. In 2003 he took over responsibility for the development of strategic products of the GE Capital group. In 2004 he left to become the chairman of the board of directors and CEO of Poštová banka in the Slovak Republic, and in 2008 was involved in private investment projects in the field of mobile payments in the Czech Republic.

He has been a Board Member at Slovenská sporiteľňa since 1 July 2013, when he was elected member of the board responsible for retail banking.

Positions with other companies:

PETER KRUTIL
Board Member 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 Board Member of Slovenská sporiteľňa. He is responsible for the management of corporate banking and capital markets.

Positions with other companies:
Mr Krutil is chairman of the supervisory board of Leasing Slovenskej sporiteľne, and a member of the supervisory boards of Factoring Slovenskej sporiteľne, and Nadácia Slovenskej sporiteľne.

PETR BRÁVEK
Board Member and Deputy CEO

Petr Brávek began his career in banking at 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 organisation, 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 organisation 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 Board Member of Slovenská sporiteľňa. He is responsible for information technology, organisation, information systems security, central back office retail and payments & settlement.

Positions with other companies:
Peter Brávek is a member of the supervisory board of Prvá stavebná sporiteľňa.

Jiří Huml was a Board Member of Slovenská sporiteľňa until 31 May 2013, when he resigned his position.

Supervisory Board of Slovenská sporiteľňa, a.s.

Gernot Mittendorfer
chairman

Franz Hochstrasser since 20 September 2013
deputy chairman

Herbert Juranek
member

Jan Homan
member

Beatrica Melichárová
member

Štefan Šipoš
member

Wolfgang Schopf was a member of the Supervisory Board of Slovenská sporiteľňa until 31 July 2013,, when he resigned his position upon becoming a board member at another banking institution.

Slovakia’s economy in 2013

Slovakia’s economy slowed, but avoided the recession

Economic growth in Slovakia slowed down in 2013, to 0.9% y/y, compared to 1.8% y/y in 2012. This lower growth is attributed particularly to the weak performance of the European economy. Unlike the previous year, Slovakia’s economy was no longer supported by expansion in carmaking capacities. In contrast to the Eurozone, Slovak economy avoided the recession. Industrial production and, relatedly, exports grew. The growth in industrial production was broad-based across various sectors. Exports were again the main driver of growth in 2013. The decline of household consumption has stopped and saw a mild recovery. On the other hand, companies remain cautious investments fell in 2013. As a result of the slow growth, unemployment also rose, particularly in the first half of the year. In 2013, the unemployment rate reached 14.3%, compared to 14.0% in 2012.

Inflation significantly declined

Inflation slowed significantly in 2013, reaching 1.4% on average, compared to 3.6% in 2012. The fall was largely due to lower energy prices and favourable harvest that pulled down food prices. Inflation fell not only in Slovakia, but throughout almost the whole euro zone. Inflation slowdown was more profound in the second half of the year. By the end of the year, the inflation decelerated to 0.4% y/y. Low-inflation environment will probably last in the first half of 2014. In the second half of 2014 we expect mild growth of inflation.

Eurozone returned to growth by the end of the year

In the second quarter of 2013, the Eurozone managed to break free of the second wave of recession and recorded a quarterly growth (in annual comparison, the growth remained negative throughout the year). The main driver of growth was Germany, whilst peripheral countries continued in economic decline. The year 2013 again saw unemployment increase in the European Union. Unemployment is troubling particularly crisis-hit countries such as Greece and Spain. The year brought a substantial fall in inflation, to well below the ECB target. In response to this development, the European Central Bank cut the main refinancing rate to 0.25% and the deposit rate to zero (governors even discussing the possibility of reducing it into negative numbers). The European Central Bank promised to keep rates on current or lower levels for an extended period. Depsite ECB steps, there was growth of swap curve and bond yields in 2013. This was related to expectations that the volume of purchases related to the quantitative easing in the US will decrease. Slovak government yields, however, remained relatively low and reached 2.6% by the end of 2013 (2023 maturity).

Economic growth this year will be driven by the Eurozone

Economic growth in 2014 should slightly accelerate. We believe that the economy will grow mainly due to continued recovery in the Eurozone. The main driver of growth will remain net exports, though a positive contribution may also come from household consumption. The ongoing fall in fixed capital formation should gradually cease.

The government will continue in consolidation in 2014

In 2013, the government continued in consolidating public finances, with the deficit estimated to be around 3% of GDP. Compared to the figure for 2012 (4.5% of GDP), this is a significant improvement. It has been achieved by increasing state budget revenues, particularly through raising corporate income taxes, increasing levies on sole proprietorships and temporary workers, while reducing contributions to the second pillar. The consolidation should continue in 2014, though at a slower pace. It will be based partly on one-off measures, e.g. higher dividends from state enterprises, or a temporary extension of the levy for regulated industries (pharmaceutical companies, telecommunications, and utilities). Better tax collection, the introduction of tax licences and savings achieved in the ESO public administration reform should all further contribute to the consolidation.

Management report on the Bank's activities in 2013
Data taken from the Consolidated Financial Statements

REVIEW OF FINANCIAL RESULTS

- **Slovenská sporiteľňa achieved a consolidated net profit of almost EUR 185 million in 2013, representing a slight decrease of EUR 3.5 million**
- **The overall balance sheet fell slightly by 0.7% to EUR 11.7 billion, mainly due to a decrease in interbank deposits and loans**
- **The volume of transactions with clients grew in 2013, while the Bank repaid the entire loan from the ECB (LTRO), in the volume of EUR 900 million**
- **The loan-to-deposit ratio at 82.6% confirms the Bank's stable liquidity position**
- **The cost-to-income ratio increased slightly from 42.3% in 2012 to 42.8% in 2013**
- **Net interest income increased slightly over the year by EUR 1.1 million, despite falling interest rates and increased competition in the loans market**
- **Fee and commission income decreased compared to previous year, largely due to the cancellation of fees for loan maintenance, whilst the Bank partially compensated this shortfall by a higher number of transactions and greater client activation**
- **General operating costs increased by 1.2% compared to previous year, below the inflation rate for 2013**
- **Other operating result was negatively affected by the higher bank levy in 2013, which increased by EUR 9.7 million to EUR 41.2 million**
- **This increase was partially compensated by the temporary cancellation of contributions into the deposit protection fund in 2013, which in a year-on-year comparison represents a saving of EUR 6.7 million**
- **The decline of provisioning is a result of the Bank's prudent credit risk management**

Growth in transactions with clients, repayment of ECB loan

The balance sheet of Slovenská sporiteľňa reached almost EUR 11.7 billion at the end of 2013, which represents a slight decrease of 0.7% (EUR 78 million) compared to previous year. The market share reached 19.6% (based on individual results). The decrease in assets was mainly due to a fall in the volume of interbank transactions, which was connected to the early repayment of a loan from the ECB (LTRO) in Q1 2013. The growth in the volume of loans and deposits continued in 2013. Loans to clients increased by almost 5.9% compared to 2012, while retail lending grew by 6.5% and lending to corporate clients including the public sector rose by 4.3%. The volume of loans to clients totalled more than EUR 7.5 billion, representing 64% of the balance sheet.

The securities portfolio as at the end of 2013 totalled EUR 3.7 billion, out of which securities held to maturity formed 76%. Almost all investments made in this portfolio in 2013 were purchases of Slovak government bonds. The portfolio available for sale decreased by almost EUR 500 million over the year, due to the repayment of treasury bills purchased in 2012. The fall in interbank loans by EUR 210 million was connected to the repayment of the ECB loan, as well as growth in client lending. The slight decline in intangible assets to EUR 97 million is related to the depreciation of the bank's new information system. The decrease in the volume of tangible assets was mainly dhe to the gradual depreciation, revaluation and sales of particular tangible assets.

The volume of total customer deposits grew by 8.1% (by EUR 678 million) to EUR 9.1 billion over the year, thanks to mainly retail deposits, which grew by almost 6% (EUR 421 million). The growth was helped by saving to personal accounts. The Bank, succeeded also in increasing the volume of deposits from corporate and public sector by EUR 256 million to almost EUR 1.6 billion. The loan- to-deposit ratio at the year-end stood at 82.6% (compared to 84.3% in 2012), while the Bank's liquidity position is stable and creates a good basis for further growth in lending. Slovenská sporiteľňa recorded a fall in deposits from banks at almost EUR 824 million, what was primarily due to the early repayment of a EUR 900 million loan from the ECB.

The Bank in 2013 issued mortgage bonds totalling EUR 147 million. The volume of subordinated debt fell by EUR 78 million against a year earlier, due to the repayment of subordinated debt towards the Erste Group at EUR 80 million. Growth in equity to EUR 1.3 billion was connected to the growth in retained earnings which add to the Bank's capital.

Interest rates at historic lows

Net interest income increased slightly over the year by EUR 1.1 million, despite historically low interest rates on the market and strong pressure on margins. Continued growth in lending contributed significantly to this growth in net interest income, as did the significant fall in interest rates on deposit products. Sufficient liquidity in the banking sector in 2013 was fully reflected in an intensifying competition among banks for clients, primarily in the field of loans, resulting in decline of interest income by EUR 26 million compared to previous year.

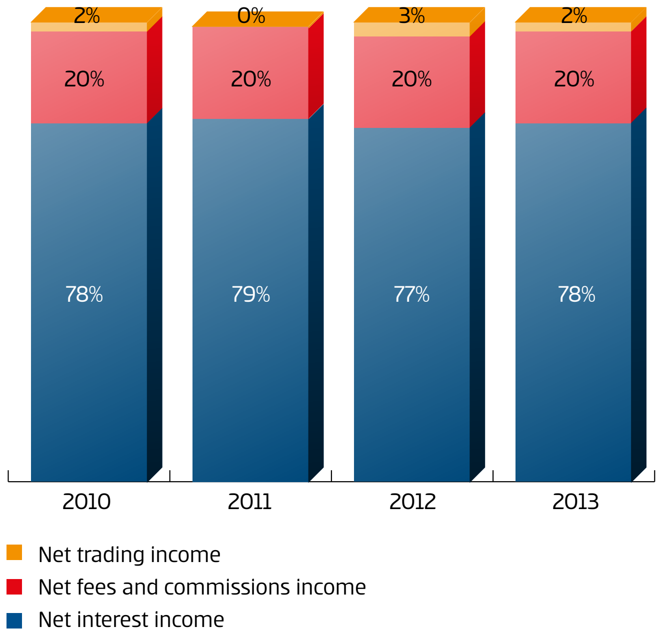
The fall in interest expenses on the liabilities side resulted primarily from the fall of interest rates on term deposits and savings accounts, as well as the repayment of the loan from the ECB and repayment of subordinated debt.

The share of net interest income in the Bank's total operating income increased to 78% (from 77% a year earlier), whilst the net interest margin remained unchanged at 4.2% compared to the previous year. The Bank invested surplus liquidity mostly in short-term interbank assets, particularly within the Erste Group, and also in Slovak government bonds. The Bank's transparent and responsible pricing policy, growing volumes of loans and deposits, as well as efficient liquidity management, create favourable conditions for growth in net interest income in the near term.

This explanatory report has been prepared in accordance with § 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") has been 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.

Income structure



Income from fees affected by regulation, net trading income fell

Net income from fees and commissions fell against a year earlier by 0.6% to EUR 117 million. The main reason for the fall was state regulation, which in spring 2013 prohibited the charging of loan maintenance fees. This resulted in the fall in fee income by EUR 6.6 million, which the Bank partially managed to compensate by activating of existing clients, and acquisition of new clients, as well as thanks to a higher number of transactions. The main source of fee income in 2013 consisted of transaction fees for payments and card-usage fees. Yet meanwhile, the volume of fees for providing loans fell by EUR 3.5 million against a year earlier, mainly as a result of regulation, but also in connection with several campaigns and discounts for clients. A positive impact on fee income came from an increase in fees for operations with securities by EUR 1 million. The share of net fee and commission income in the Bank's total income remained unchanged against a year earlier, at roughly 20%.

Net trading income fell by EUR 2.8 million against a year earlier to more than EUR 13 million. The main reason for the fall was a decrease in revenue from the revaluation of credit derivatives (CDS) against 2012 by EUR 3.9 million. Another reason was a lower share in Erste Group trading income (profit transfer), which was lower by EUR 2.3 million than in 2012. Income from the revaluation of interest rate derivatives and foreign currency transactions grew in total by EUR 3.4 million.

Lower provisioning

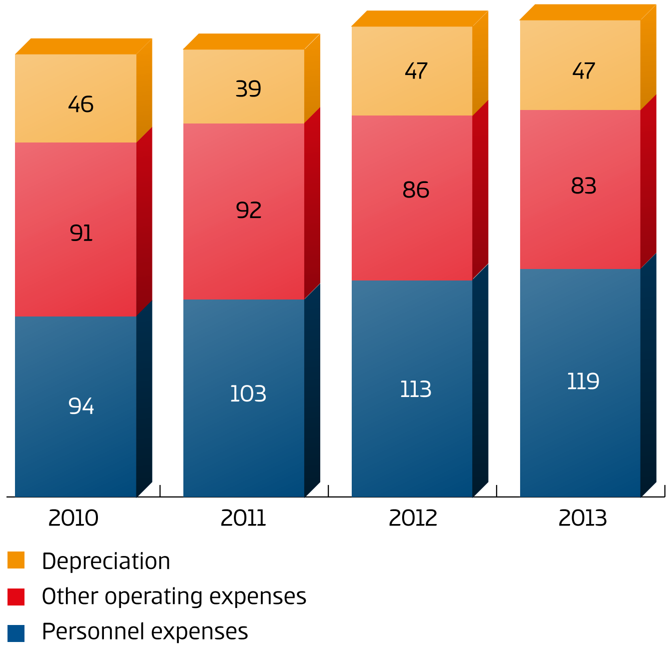
For the third consecutive year Slovenská sporiteľňa recorded a decline in net provisioning. In 2013 net provisions totalled EUR 49.4 million, what is EUR 5.2 million less than in 2012, representing a 10% fall compared to the previous year. The positive trend was supported by the prudent lending policy and a favourable development of risk parameters, reflected also in improved risk profiles among clients. By setting an acceptable degree of risk and strict lending policy, the Bank largely eliminated the negative impacts of the debt crisis on its loan portfolio. Similarly as provisioning, the last three years have seen favourable development also in the share of non-performing loans. The share fell by 0.8 percentage points against a year earlier and stood at 5.5% at the end of 2013.

Decline in risk provisioning and lower risk costs

Cost growth below the rate of inflation

Operating expenses rose by 1.2% against a year earlier, which is below inflation for 2013. Constant improvements in the efficiency and effectiveness of IT systems, together with greater integrating of activities have resulted in IT cost reductions. The cost-to-income ratio, which is a key indicator of the Bank's efficiency, rose to 42.8% (compared to 42.3% in 2012). The Bank is constantly working to streamline processes, while pursuing strict cost management.

Operating expenses rose by 1.2%



Net profit

The consolidated net profit of Slovenská sporiteľňa fell by EUR 3.5 million to EUR 184.9 million in 2013. The main reasons of the decline include state regulation at fees, a higher bank levy, historically low interest rates, as well as strengthening competition.

The operating result fell by EUR 5.3 million (by 1.6%) to EUR 333 million. Operating income declined by EUR 2.3 million to EUR 582 million compared to the previous year, while operating expenses increased slightly by EUR 2.9 million (by 1.2%) to EUR 249 million. The Bank's ROE in 2013 was 15.1% (compared to 16.9% in 2012). Despite the slight fall in net profit, Slovenská sporiteľňa is among leading banks in profitability and efficiency in the Slovak banking market.

RETAIL SERVICES

- **Strongest bank in retail lending**
- **Growth in retail deposits accelerated despite market slowdown**
- **The Bank broadened its range of saving products**

Market leader in housing loans

Slovenská sporiteľňa retained its dominant position in the housing loans segment in 2013, with EUR 1 billion of new loans provided. The market share reached 27% at the end of 2013. Clients again showed preference for longer interest-rate fixation periods – of 3 and 5 years. Average loan maturity was 25 years.

The Bank improved the attractiveness of its offer for clients by lowering interest rates. It also reduced the fee for property insurance, which is offered directly in loan agreements. Since the end of the year, the Bank added the possibility of early repayments annually of 10% of principal not just for new loans, but also for existing customers with older agreements. Borrowers were informed of their loan approval result automatically by SMS text messages. The Bank simplified the financing process for customers purchasing prefabricated homes.

The most important legislative measure was the cancellation of loan maintenance fees as of spring 2013 for all types of loans.

Slovenská sporiteľňa is the leading bank at consumer loans market

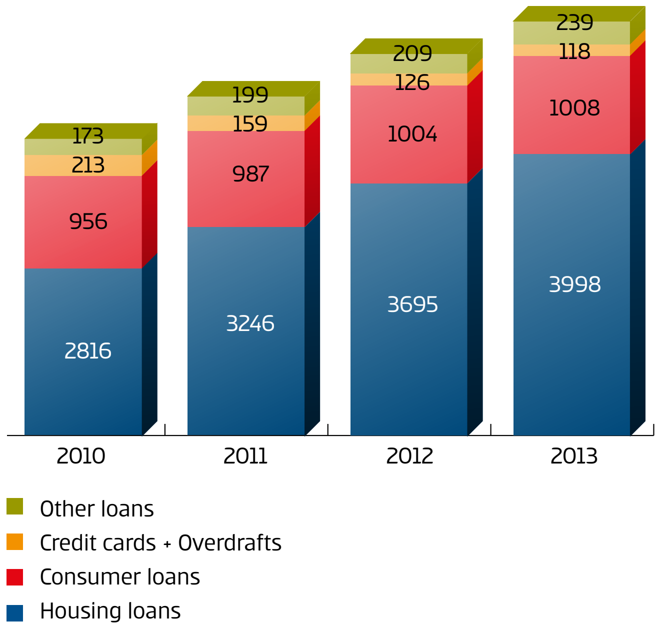
Slovenská sporiteľňa is the market leader also in consumer lending. Over the year the Bank provided more than EUR 450 million of new consumer loans, representing 6% growth against 2012. Growth in the number of new loans was higher, at roughly 10%, as the Bank focused more on smaller loans.

Besides loan maintenance fees, in May the Bank also cancelled the processing fee for consumer loans. It had also previously cancelled the fee for early repayment of consumer loans. Thanks to these modifications, the provision of a consumer loan is no longer subject to any standard fees whatsoever.

As for housing loans and consumer loans, clients continued to show interest in loan insurance. In 2013, approximately three-quarters of clients with consumer loans and almost 40% of clients with housing loans opted for loan repayment insurance.

Slovenská sporiteľňa successfully continued also in providing pre-approved credit limits.

Retail loans increased by 6.5% y/y



The Bank strengthened its leading position in retail deposits

Retail deposits at Slovenská sporiteľňa continued to grow also in 2013. Despite the slowdown in the Slovak banking market, the Bank saw faster growth in retail deposits inflow, rising from 5% in 2012 to almost 6% in 2013. Also thanks to this, the market share increased to 26.4%. Retail deposits at the end of the year reached EUR 7.5 billion, forming 83% of all deposits of the Bank.

Savings account the the most successful deposit product

Slovenská sporiteľňa in 2013 extended its range of saving products by introducing Saving for Children and Clever Investment Saving. Thanks to this, the Bank increased the number of savings accounts by 50%, and the volume of funds on savings accounts doubled to more than EUR 800 million, making saving account again the Bank's most successful deposit product in 2013.

Clever Investment Saving is a combination of standard saving and saving into mutual funds. The Bank has been offering it since April, responding to low market interest rates. Thanks to flexible management and splitting the amount of savings into investment and deposit part, the Bank offers clients more efficient management of their money.

In the area of accounts, Slovenská sporiteľňa focused on the sale of personal accounts and accounts for young people and students. As of the end of the year, the Bank recorded 12% growth in the volume of deposited funds.

Loyalty programme used by more and more clients

The loyalty programme has become a popular feature. Clients with a personal account who bank with Slovenská sporiteľňa are rewarded for card payments. Clients with deposits over EUR 10 thousands receive their personal account free of charge. Where a client remits income to Slovenská sporiteľňa, they receive favourable rates on both deposits and loans. In 2013, these advantages on savings, term deposits, housing loans or consumer loans were enjoyed by 9 out of 10 clients.

Private banking sees growth in managed portfolio

The product range for our clients is supplemented by Erste Private Banking, which portfolio under management grew by almost 20% in 2013. Sources outside the Bank made up more than 50% of this growth in the total portfolio under management.

In 2013, the Bank continued to sell managed portfolios as a basic private banking service. The Gold Certificate product, which is unique in the Slovak market, was successful complement to customers' investment portfolios. The product portfolio was expanded to include loans backed by financial collateral.

Strong emphasis on service quality

Slovenská sporiteľňa considers customer satisfaction to be a priority. For this purpose, it has established a separate Quality Management & Ombudsman department, with responsibility for raising customer satisfaction and addressing complaints.

Over the past year, the Bank focused on configuring a system for measuring and evaluating the client experience. The system defines a transparent set of key indicators constituting an index of quality. Orientation on the customer is an integral part of corporate culture at Slovenská sporiteľňa. Quality parameters are included in the performance-based pay of branch managers, head office managers and members of the Board of Directors.

For systematic work with customer feedback, a unified system of processing customer comments has been introduced, enabling the Bank to address them flexibly and transparently. Customer comments, whether regarding the Bank's products, services or attitude of branch staff, are an important source of inspiration for raising service quality and for change management.

Slovenská sporiteľňa receives prestigious awards at home and abroad

Slovenská sporiteľňa in 2013 received a number of major awards from both national and international institutions. For the second year in a row, the Bank won the most prestigious banking award in Slovakia – **TREND TOP Bank of the Year 2013**, by a wide margin over other banks. The prestigious British journal **The Banker**, which belongs to The Financial Times group, named Slovenská sporiteľňa Bank of the Year 2013 in Slovakia. This award is one of the most respected indices in global banking and is considered an internationally recognised indicator of a bank's health, strength and profitability. Slovenská sporiteľňa was also named Bank of the Year by the American journal **Global Finance**, and for the third year in a row was awarded the prize Best Bank in Slovakia by the British professional journal **Euromoney**. The project run by the Slovenská Sporiteľňa Foundation "Training Bank" was listed in the worldwide competition **eLearning Awards for Excellence**.

DISTRIBUTION NETWORK

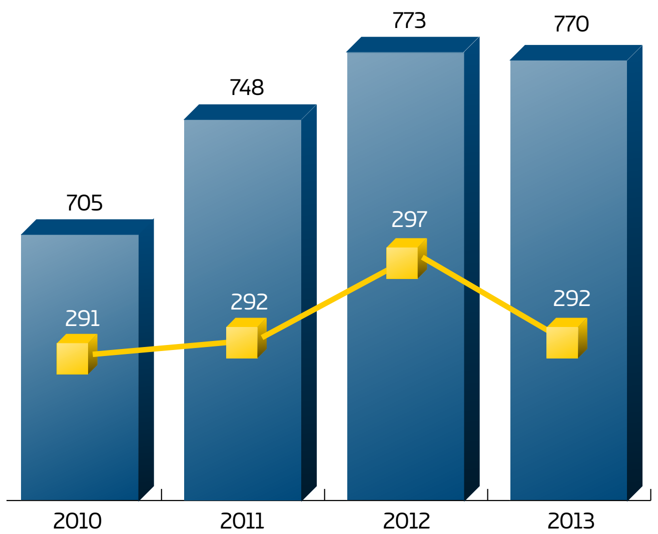
- **The Bank continued upgrading its branch network**
- **Number of payments via POS terminals rose by a quarter**

Branch upgrades continue

Slovenská sporiteľňa, with 292 branches and 770 ATMs, has the largest banking distribution network in Slovakia. In 2013 it opened 3 new branches, relocated 6 to new premises and upgraded a further 17. Over the past year, the Bank focused more on upgrading existing branches than opening new ones.

Total volume of transactions made via Slovenská sporiteľňa's ATMs increased by 2% to almost EUR 4.3 billion. The average amount withdrawn was EUR 111.

Modernization of existing branches continues

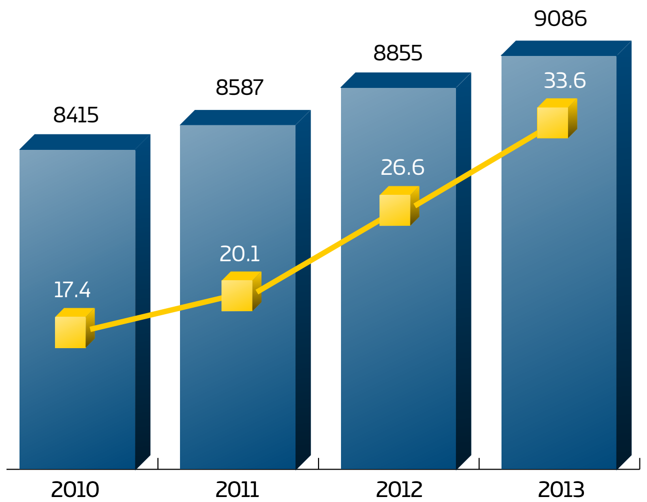


Number of branches
Number of ATMs

Transactions via POS terminals rose by quarter

Slovenská sporiteľňa operated 9,086 POS terminals, representing an increase of 2.5% compared to previous year. The number of transactions made via POS terminals reached 33.6 million, up a quarter against a year earlier. The volume of payments exceeded EUR 841 million, up 15% compared to 2012. Clients are increasingly using POS terminals also for small payments. The average amount of a transaction decreased by EUR 2 to EUR 25 compared to previous year.

Number of payments via POS terminals rose by a quarter



Number of POS payments (mil.)
Number of POS

Almost 60% of payment cards were contactless

Slovenská sporiteľňa's clients had more than 1.32 million cards at the end of 2013, which makes it one of the two largest card issuers in Slovakia. Clients made 95 million card transactions, up 11% compared to 2012. The volume of transactions also increased in 2013, reaching EUR 5.3 billion, up 6% compared to previous year. The Bank continued in issuing contactless cards, and by the end of the year, almost 60% of cards were contactless (in 2012 contactless cards made up 33%).

New ways of communicating with clients

Over the year 2013, Slovenská sporiteľňa opened new communication channels for clients: SporoChat, SporoCall and Skype, making the Bank more accessible to customers and reducing the cost of communication with the Bank.

Sporotel operators have contributed to fulfilling the Bank's objectives by actively addressing clients with offers of products and services during service calls. The sales part of Sporotel over the past year has focused on selling the product Generous Card and has also started selling consumer loans.

PAYMENTS AND TRANSACTIONS

- **The number of domestic and cross-border payments is still growing, with electronic payments dominant**
- **Slovenská sporiteľňa was one of the first commercial banks in Slovakia to introduce SEPA payments**

Slovenská sporiteľňa introduced SEPA payments among first banks

Slovenská sporiteľňa has a long-term strong position in domestic payments. The total number of outgoing interbank transactions in 2013 exceeded 36 million, forming a 20% share in the total number of payments made by Slovak banks.

In the second half of 2013, Slovenská sporiteľňa was one of the first banks in Slovakia to introduce SEPA payments, forming some 42% of the total number of outgoing transactions.

Electronic banking services were used by more than 845 thousand customers, with 94% of all transactions being made electronically. The Bank's customers made 40 million cash transactions in a total volume of EUR 11.5 billion in 2013. Foreign-currency cash transactions totalled an equivalent of EUR 108 million. The Bank processed more than 49 million banknotes and 45 million coins in 2013.

CORPORATE BANKING

- **Successful cooperation in European programmes for businesses**
- **Strengthened market position in the large corporates sector**
- **Strategic partner for the public sector**

Comprehensive product offer for small and medium-sized enterprises

Small and medium-size enterprises ("SMEs") with an annual turnover of EUR 1 million to EUR 75 million are important clients for Slovenská sporiteľňa. This segment is served through the Bank's nine regional centres and a further eight business centres located in smaller towns.

Slovenská sporiteľňa's product range for corporate clients in 2013 encompassed operating, investment, project and trade finance, syndicated loans, payments, specialised accounts, innovated electronic banking services, and much else. The Bank is becoming more significantly engaged in financing projects from various fields of business, including support for the agricultural sector.

Slovenská sporiteľňa sees potential for development particularly in the small clients segment (turnover EUR 1-3 million) and is seeking to provide this segment with easier access to finance. They are to be the target segment for quick corporate financing (loans of up to EUR 500 thousands. with quick approval of a request within 3 working days) and transaction banking products. For covering export and import risks arising from supplier-customer relationships, the Bank offers trade finance – documentary products, bank guarantees, contract and special financing.

The Bank's product range also includes cash management and POS terminals, factoring for financing short-term trade receivables and products offering efficient management of temporarily unused funds. The Bank seeks to actively support the agricultural sector and continue in providing the long-established successful programme Agro Pro.

The number of SME clients in 2013 increased to almost 4 200. The volume of loans provided as at the end of the year totalled almost EUR 730 million, whilst managed deposits of clients who actively use the Bank's products and services totalled EUR 360 million at the year-end.

Successful programme for the agricultural sector

One of the most successful activities was the long-established programme Agro Pro. The programme is focused on supporting lending to agricultural businesses, with the aim of helping them achieve their objectives in the agricultural and food sectors, to successfully operate in the domestic market and to improve their competitiveness within the EU.

The Bank's comprehensive product offer includes pre-financing of direct payments from the Agricultural Payment Agency, investment loans for purchasing agricultural land, co-financing EU projects, operating loans, expert advice and services of partner organisations.

Innovated product portfolio

The Bank again last year expanded its product portfolio. In the area of corporate accounts the Bank enabled clients managed at corporate centres to apply for higher types of corporate accounts – Corporate Account Basic, Corporate Account Plus or Corporate Account Extra. In electronic banking, Slovenská sporiteľňa greatly streamlined and accelerated payments.

Participation in European programmes for corporate clients

Over the course of 2013 Slovenská sporiteľňa participated in several programmes for corporate clients:

CEB – programme "Protection of the Environment/Housing Sector Energy Efficiency":
The Bank was involved in the implementation of a programme for supporting energy efficiency projects in the housing sector in Slovakia, financed by the Council of Europe Development Bank (CEB), in a volume of EUR 30 million. Loans from the CEB credit line are intended for apartment buildings managed by associations of owners of apartments and commercial premises, and associations of apartment administrators and are intended for supporting energy-efficiency projects in the housing sector.

EIB – programme "EIB Loan for SMEs, MidCaps and Other Priorities":
The Bank signed a credit line contract with the European Investment Bank (EIB) in a volume of EUR 50 million. Loans from the credit line are used for financing investment projects and making available the necessary working capital for business development.

EIF – programme "JEREMIE First Loss Portfolio Guarantee":
The Bank entered into a first loss portfolio guarantee contract with the European Investment Fund (EIF) and the Slovak Guarantee & Development Fund, focused on implementation of the JEREMIE Initiative First Loss Portfolio Guarantee for supporting SMEs in Slovakia through concessional financing terms (reduction of required loan collateral and reduction of the interest rate through the EIF covering part of the credit risk).

Further strengthening of position in the large corporates segment

Slovenská sporiteľňa achieved significant growth in the large corporate segment in almost all the monitored indicators, thanks to an active sales policy in 2013.

The volume of deposits from large corporate clients in 2013 increased by more than EUR 120 million, representing 56% growth. This improvement was due to higher volumes and numbers of payment transactions, as well as higher term deposit volumes.

Despite weak growth of the Slovak economy, the Bank increased lending by EUR 34 million, representing 6% growth compared to previous year. The Bank recorded a significant improvement in sectors of the production & distribution of gas and electricity, the retail sale and the automotive industry.

With the exception of construction, where the Bank saw risk-weighted assets increase against a year earlier, the overall client portfolio showed very good risk parameters.

Over the year 2013, the Bank intensively focused on expanding the services it provides to corporate clients also in other Erste Group countries. The Bank also focused more actively on providing transaction banking products, particularly contract and trade financing.

Conservative approach to risk in project and real-estate financing

Real estate financing continued a third year of decline in the volume of the loan portfolio. The decline was caused by a persistent low number and volume of new transactions in the real estate market, and also by planned repayments of existing loans. In 2013 the Bank concluded new loan agreements primarily for office projects in Bratislava.

Strategic partner for the public sector

Again in 2013 Slovenská sporiteľňa continued in successful growth in the public and non-profit sector. Assets increased by 36% and liabilities by 82% compared to previous year. This segment has for several years been characterised by high profitability and a low-level of failed loans.

The Bank continued in close cooperation with the Association of Towns and Municipalities in Slovakia, with the number of new clients doubling against the year earlier. The Bank's market share in loans to municipalities rose from 6% in 2010 to 25% in 2013.

Representatives of the Bank regularly attend working groups, with the aim of raising mutual understanding and knowledge in the field of legal awareness, economic relations and risk prevention at local and municipal authorities. There is also a high level of cooperation with professional organisations of towns and municipalities, such as the Association of Municipal Finance Officers, Association of Heads of Local Government Authorities and Association of Principal Controllers of the SR.

FINANCIAL MARKETS

- **Slovenská sporiteľňa in 2013 successfully conducted issues of its own and clients' bonds**

Slovenská sporiteľňa was an active player on the primary bond market

In 2013, there was a revival at the market for new bond issues, reflected in a growing number of own issues of mortgage bonds, bonds and investment certificates, as well as bond issues for clients.

The Bank participated as lead manager in a successful 10-year syndicated issue of state bonds in a total volume of EUR 1.25 billion, and also in two 7-year issues of bonds guaranteed by the company eustream worth EUR 500 million and EUR 250 million.

Slovenská sporiteľňa issued its own debt securities in 2013 worth more than EUR 165 million. These issues were then successfully sold to both retail and institutional clients. The Bank, however was active not only in the primary securities market, but also actively traded in the Bank's bonds on the secondary market in Slovakia.

Risk management

- **Share of non-performing loans decreased among both retail and corporate loans**
- **Capital adequacy in 2013 increased from 20.1% to 25.2%**
- **While extending the base of creditworthy clients, the Bank concentrated on groups with a good risk profile**
- **New rating model for private clients**

Risk management principles

Effective risk management is one of the basic pillars of success for Slovenská sporiteľňa's business. For this reason, the Bank has for many years striven to implement and improve processes for monitoring, evaluating and managing all important risks to which it is subject. 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 important risks to which it is exposed, accurately estimate their possible adverse impact and to have procedures in place to effectively manage and control them. Risk management at Slovenská sporiteľňa is governed by the following basic principles:

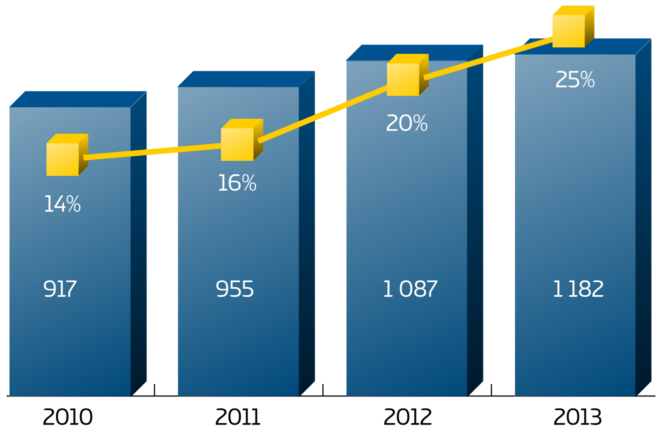
- prudent approach to risk, emphasising long-term sustainability;
- risk management is independent of business lines to the greatest possible degree, is centralised, and has sufficient resources and powers to fulfil its roles;
- risk management is integrated; the overall risk profile reflects links between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

In 2013 the Bank redefined its binding Risk Appetite Statement, which is a set of indicators determining the Bank's target risk profile. This document was one of the defining starting points in creating the Bank's strategic business plan.
The Bank carried out comprehensive stress testing, including all important risks (including reverse stress testing for market risk). The test results are used in capital management (creation of a capital reserve for unexpected stressful events) and in the Bank's strategic planning.

Strengthening the capital base

The Bank's consolidated capital adequacy increased from 20.1% in 2012 to 25.2% in 2013. The Bank's own stress testing results confirmed the Bank's financial stability and capital adequacy even in pessimistic stress scenarios. Throughout the year, the Bank fulfilled requirement set by the National Bank to maintain capital adequacy of at least 11.1%.

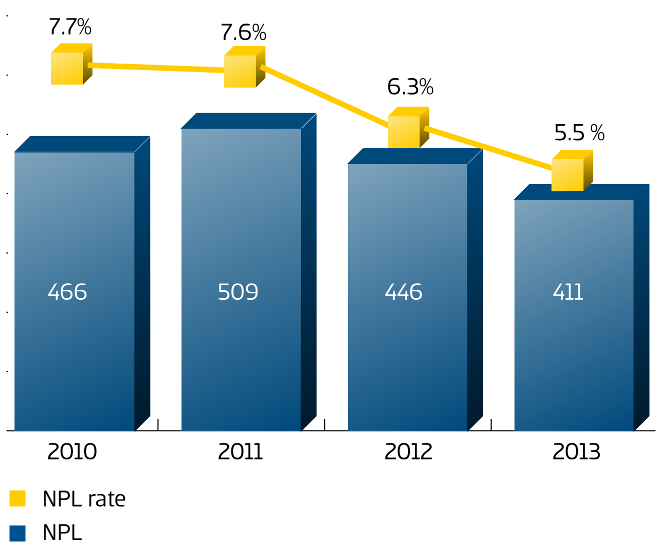
Strong capital adequacy



Share of non-performing loans decreased

The Bank recorded a significant improvement in the share of non-performing loans, falling from 6.3% in 2012 to 5.5% in 2013. This was achieved through a combination of prudent lending policy, prevention, streamlining collection, and regular write-offs and sales of bad loans. In the view of the positive trend in non-performing loans, the Bank also reported a reduction in provisioning to EUR 49.4 million in 2013, compared to EUR 54.6 million in the previous year.

Decline of NPLs continues



Quality of the retail portfolio improved

The share of non-performing retail loans decreased from 4.6% in 2012 to 4.4% in 2013. The continuing decline confirms that the quality of the retail loans portfolio has continued to improve, as has the volume of capital tied up in these loans.

Again in 2013, the emphasis was placed on efficiently dealing with delinquent clients.

The improvement in the share of non-performing loans was influenced by the continuing regular sale of claims-past-due (including a number of claims less than 1080 days past due at a favourable price), by further outsourcing the collection of claims past due secured by property in the framework of pre-auction recovery, through recovery via the courts, by increasing the number of initiated voluntary auctions and through favourable developments in recovery particularly in the field of claims secured by real estate.

The results of early collection for 2013 were better than in 2012, partly thanks to more favourable economic situation. Early recovery indicators improved and the rate of new failed loans was only slightly higher than in 2012, which corresponds to the growth in the Bank's portfolio.

The Bank has in place also a successful process of dealing with clients in difficult life situations, such as the temporary loss of employment or long-term incapacity for work, during which clients can move into a special loan repayment regime for a period of up to 6 months. The Bank's experience with this approach shows that more than 90% of these clients, following the expiry of this special regime period, return back into the standard regime of repaying the original instalments. The Bank has less than EUR 40 million in this regime and carefully monitors the quality of these loans.

In expanding the base of creditworthy clients, emphasis is on low-risk groups

Slovenská sporiteľňa continued in expanding its base of creditworthy clients. After 2012, when it optimised the creditworthiness of active clients, the Bank in 2013 focused on gradually penetrating the segments of clients who have a less intensive relationship with the Bank.

A substantial component of growth in the loan portfolio again came from the Bank's own clients. Slovenská sporiteľňa's dominant position in retail banking in Slovakia, and knowledge of its own clients enables it to best assess their risk profile. The strongest drivers of loan portfolio growth were loans secured by real estate. This portfolio is the most important in terms of the retail segment, and the Bank therefore tests it carefully also in terms of sensitivity to systemic risks.

Quicker real estate valuation and more accurate monitoring

The Bank continued in developing contractual collaboration with property surveyors. A new Internet application was created for external surveyors for electronic document exchange. In this way the Bank receives relatively quickly and efficiently the documentation for valuing pledged property, thus significantly streamlining 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 revaluing property. 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.

Fall in the share of non-performing corporate loans

In corporate banking, the share of investment-grade loans increased, due to better quality new lending.

The Bank adjusted the basic principles and policies for lending to each segment and consistently adhered to them. An important role is played by the Early Warning System, which was further improved. The main objective is to identify a potential problem while still in the bud and react immediately.

Attention in the Early Warning System 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 classified loans from 9.1% to 7.3%, representing also an absolute decrease in failed loans from EUR 191 million to EUR 161 million. The Bank also recorded a fall in the number of clients in arrears above one day, from 8.1% to 6.4%.

The Bank also plans to continue in steps already begun. The Bank sees as the right course the emphasis on prevention, good work with the failed loan portfolio, workflow configuration and expert specialisation.

New rating model for private clients

Slovenská sporiteľňa in 2013 introduced new rating models for private clients. Models providing more detailed segmentation and greater predictive power contributed to healthy growth in the loan portfolio and supported new lending at reasonable risk. Thanks to the new rating models, the Bank in 2013 also reduced its volume of risk-weighted assets.

Human resources

- **The Bank successfully certified SME sales team**

In 2013, Slovenská sporiteľňa implemented set of personnel costs optimization measures, as a part of ERSTE 2015 programme. One of the main goals of the optimization was managed drawing of holidays of employees at both the headquarters and the branch network, in order to reach zero transfer of holidays to the next year. The programme has been fulfilled to 100 % at the headquarters and 96 % at the branch network.

The average FTE level decreased by 108. It was significantly influenced by introduction of a managed slowdown when re-occupying job positions.

Total employee fluctuation declined to 12.7%, and voluntary fluctuation declined compared to 2012, to 5.6% in 2013. Share of women in management positions was 56%, while share of men reached 44%.

Training and professional management in the retail branch network has been tailored in order to boost sales through unified pieces production. The bank implemented a new model for comparing effectiveness of couching sessions with the sales production afterwards and introduced an electronic tool of client needs analysis.

In the corporate stream, Slovenská sporiteľňa continued in the project to improve sales skills and launched certification of salesmen in the SME segment. In the second quarter, the Bank certified all SME sales staff with the success rate of 87%.

Group Employee Engagement Survey in 2013 has been launched again after 2011 measurement. Slovenská sporiteľňa increased Employee Engagement Index by 9% in comparison with 2011, as well as Performance Excellence Index by 9%. Whithin Erste Group, Slovenska sporitelna showed the biggest improvement in both corporate culture building and performance improvement.

Supervisory Board Report

The Supervisory Board of Slovenská sporiteľňa in performing its activities was governed by statutory provisions applicable in the Slovak Republic. It fulfilled tasks arising to it from the Bank's articles of association, took decisions on matters falling within its competence pursuant to the Bank's Competence Rules, whilst being governed by the Supervisory Board's internal statute.

In 2013, the Supervisory Board convened 4 times, at which the Supervisory Board discussed, among others, and adopted an opinion regarding the individual and consolidated financial statements, the proposal for profit distribution and the Board of Directors' Report on the Company's Business Activities and Assets. During the year the Supervisory Board paid increased attention to monitoring the Bank's position in the field of risk management, through regular, quarterly reports submitted by the Board of Directors. At its meetings the Supervisory Board discussed the activity report of the Bank's Internal Audit Division and, within its competence, approved its plan of tasks. The Supervisory Board during the course of the year made one personnel change in the composition of the Board of Directors. The Bank's Board of Directors regularly informed the Supervisory Board of the business, fulfilment of the business plan, balance of the Company's assets, implementation of the Bank's major projects, participations and other matters related to the Company's development.

The Supervisory Board worked during 2013 with the support of its advisory committees, namely the audit, credit and remuneration committees.
The Audit Committee of the Supervisory Board dealt with reports concerning internal control, the external audit of the Company's financial results and discussed the recommendations made in the external auditor's letter to the management. The Committee also discussed reports on the Bank's activities in the field of compliance, fraud and money laundering.

The Credit Committee of the Supervisory Board took decisions on an ad hoc basis, in accordance with the Bank's Competence Code, regarding the Bank's lending business.
The Supervisory Board's Remuneration Committee dealt with the remuneration principles for members of the Board of Directors and selected categories of Bank employees, focusing primarily on the mechanism for balancing all risks with the remuneration system so as to ensure long-term prudent management of the Company, its liquidity, capital, etc.
With effect from 1 January 2014, the Supervisory Board established a Nomination Committee, which operates in the field of the personnel responsibilities of the Supervisory Board as regards the nomination of new members of the Bank's Board of Directors.

The Supervisory Board discussed the audit of the consolidated and individual balance sheets of Slovenská sporiteľňa and the related profit and loss statement as at 31.12.2013. The audit was performed by Ernst & Young Slovensko, s.r.o. in accordance with International Financial Reporting Standards as adopted by the European Union. The audit confirmed that the financial statements present fairly, in all material respects, the financial position of the Bank as at 31.12.2013.
Considering these facts, the Supervisory Board recommended the General Assembly approve the Bank's financial statements for 2013.

Summary Corporate Governance Report

Code of Corporate Governance

The management of Slovenská sporiteľňa fully recognises 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 the "Code of Governance"), which is a key element of the corporate culture of the parent Erste Group. Its principles and rules of governance are consistently based on legally binding standards and the OECD Principles of Corporate Governance and the Austrian Code of Corporate Governance. The Code of Governance is binding for the Bank as a member of this group. The Code of Governance is publicly available on the website www.erstegroup.com. Over the course of 2013 there were no deviations at the Company from the rules and principles contained in the Code of Governance.

The Bank applies the principles of transparency and responsible governments at all levels, towards its shareholders, as well as in relation to its clients and staff. Employees are informed about the Bank's strategy and results at regular meetings, regional meetings, conferences, by means of internal communication channels and training programmes for managers at thematic management meetings. The responsibility of the Bank and its staff towards its clients, as well as to one another is the basis for strict compliance with the adopted rules and standards of the Global Compliance Code, in which the Bank applies a policy of zero tolerance to any violation of the Code. Its configuration, implementation and compliance was verified in 2013 by the highest control authority in Slovakia – the National Bank of Slovakia – as the banking supervisor.

Internal control system

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

The internal control system has the following objectives:

- To prevent and detect errors and inefficient or wasteful utilisation 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 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 the practical implementation of and compliance with the internal control system within their organisational unit. Senior managers are responsible for internal control at the level of the executive, and may not delegate this responsibility.

The Bank's employees are responsible for their work and are governed by the principles of the internal control system. They perform their work in accordance with applicable laws and the Company's internal guidelines, whilst complying with competences relating to approval and authorisation in their work. Internal control is a part of their work and responsibilities.

An independent component of the internal control system is the Internal Audit Division, which reports directly to the Bank's Supervisory Board. Internal Audit is fully independent of all activities performed at the Bank, and this independence is reflected in all stages of its work, particularly during the identification and analysis of risks, the planning and preparation of audits, including the selection of review and evaluation methods, drafting and submission of audit reports, evaluation and monitoring of measures adopted on the basis of audit findings.

Internal Audit provides independent and objective services by performing analyses and evaluations, issues opinions, information and recommendations, aimed at improving the processes of monitoring and evaluation of the adequacy and effectiveness of the Company's internal control system. Outsourcing and insourcing of activities are also subject to internal review and evaluation pursuant to local legislation.

The Company's organisation

GENERAL ASSEMBLY OF SLOVENSKÁ SPORITEĽŇA

As the Bank's supreme body, the General Assembly has competence, inter alia, to amend the articles of association, 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 (with the exception of the Supervisory Board members elected and recalled by employees), to approve the Company's ordinary and extraordinary individual financial statements, to decide on the distribution of profits (or settlement of losses) and directors' pay, to decide to wind up the Company or change its legal form, to have the Bank's shares removed from trading on the Stock Exchange, and to decide that the Bank will cease to be a public joint-stock company.

The Bank complies with statutory provisions relating to the protection of shareholders' rights, with an emphasis on the timely provision of all relevant information on the state of the Company and in accordance with provisions on the convening and running of meetings of the General Assembly.

In 2013, one ordinary General Assembly was held and two resolutions of the sole shareholder were passed. The General Assembly approved the annual financial statements, the distribution of profit, as well as the Annual Report for 2012. It concurrently approved Ernst & Young Slovakia, spol. s r.o. as the company auditor for 2013.

The sole shareholder, in exercising the competence of the General Assembly, adopted a resolution updating the Company's articles of association in those provisions relating to the line of business in accordance with an extension to the Bank's licence; while a second resolution specified in greater detail the responsibility of the Board Member for the field of risk management in the field of compliance with duties relating to risk management, preventing the occurrence of a conflict of interests (compliance) and ensuring the implementation of rules against money laundering and the financing of terrorism. In September the sole shareholder adopted a decision electing Mr Franz Hochstrasser to the Supervisory Board. He replaces in this post Mr Wolfgang Schopf, who resigned his post for reason of his election as board member of a different banking institution.

All information on the General Assembly's activity, its powers, a description of shareholders' rights and the procedure for their application are set out in the Company's articles of association, the full text of which is held at the Bank's registered office and is available on its website.

SUPERVISORY BOARD OF SLOVENSKÁ SPORITEĽŇA

The Supervisory Board is the Bank's supreme control body. The Supervisory Board has 6 members. Two-thirds of its members are elected by the General Assembly, and one-third by staff. Each member is appointed for five-year tenure; membership on the Supervisory Board 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. Meetings are normally held quarterly. The competences of the Supervisory Board include, in particular, checking compliance with generally binding legal regulations, compliance with the Bank's articles of association and the General Assembly's resolutions, examining the Bank's financial statements and proposals for profit distribution or settlement of losses. The Supervisory Board regularly examines the report on the state of the Bank's business and balance of its assets, the Bank's situation in the field of risk management, submits its opinions, recommendations and proposals for decisions to the General Assembly and Board of Directors, and assesses information from the Board of Directors regarding the Bank's principal business objectives. It pre-approves the establishment of legal entities by the Bank, the appointment of the Internal Audit Division Director, elects members of the Board of Directors and, its Chairman. The Supervisory Board also informs the General Assembly of its activity to regularly submit reports of the Supervisory Board to the General Assembly.

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

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

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

Nomination Committee
This committee was established by the Supervisory Board as an advisory body in fulfilling its responsibilities relating to the nomination of new members of the Bank's Board of Directors. It was established in accordance with Directive of the European Parliament CRD IV with effect as of 1 January 2014.

BOARD OF DIRECTORS OF SLOVENSKÁ SPORITEĽŇA

The Board of Directors is the statutory body of the Bank, it manages the Bank's activity and acts on its behalf. It decides on all matters of the Bank not reserved under generally binding legal regulations or the Bank's articles of association for the General Assembly or Supervisory Board. Based on a decision of the Supervisory Board, the Board of Directors of Slovenská sporiteľňa has 5 members. In accordance with the Company's articles of association, the Chairman of the Board also serves as the CEO; the Deputy Chairman of the Board also serves as the Deputy CEO; other members of the Board of Directors concurrently serve as Deputy CEOs. Members of the Board of Directors are elected by the Bank's Supervisory Board, which also elects the Chairman of the Board. The term of office of members of the Board of Directors is, in accordance with the Company's articles of association, 5 years.

Meetings of the Board of directors are held at least once a month. There were 47 meetings held in 2013, at which the Board of Directors discussed on an ongoing basis the Bank's financial results, dealt with duties in the field of control activity, security policy, discussed internal audit reports, as well as reports concerning compliance and evaluation of the Bank's programme of own activity against money laundering and terrorist financing. Particular attention was paid to risk management, credit portfolio analyses, as well as monitoring customer behaviour in order to protect shareholders' and clients' funds. In the interest of streamlining and simplifying workflows, the Board of Directors decided also to make certain changes to the Company's organisational structure.

Members of the Board of Directors are:

Jozef Síkela, Chairman of the Board and CEO – responsible for risk management, compliance, human resources, quality management and ombudsman, communications and sponsoring, marketing and market analysis, legal services and participations.

Štefan Máj, Deputy Chairman of the Board and First Deputy CEO – responsible for accounting, controlling, property management, balance sheet management and physical security.

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

Petr Brávek, Board Member and Deputy CEO – responsible for information technology, organisation, information systems security, central back-office retail, payments & settlement.

Tomáš Salomon, Board Member and Deputy CEO (from 1.7.2013) – responsible for retail banking, electronic banking, product management, the branch network and direct sales.

Up until his resignation on 31.5.2013 Jiří Huml was also a member of the Company's Board of Directors. During his extended absence, his responsibilities were reallocated, following approval from the National Bank of Slovakia, among the other members of the Board of Directors until 30 June 2013.

The Chairman of the Board responsible for risk management assumed responsibility for retail sales management. In order to ensure separation of the management of business activities from risk management, responsibility for risk management during this period was transferred into the competence of the Deputy Chairman.

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

Assets and Liabilities Committee (ALCO)
The committee assesses and approves the management and control process for the Bank's financial flows, 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, fulfilment of the planned balance sheet structure, and sets the securities portfolio strategy. The committee's remit covers also the Bank's liquidity risk management. It has established for this purpose a separate advisory committee for operating liquidity management.

Operating Liquidity Management Committee
The committee's task is to analyse and evaluate the Bank's liquidity position, and where necessary submit proposals to ALCO regarding liquidity management.

Credit Committee
The Credit Committee, in accordance with the Bank's Competence Rules and lending policy, approves lending business (new business, amendment of terms of already-approved business, restructuring and work-out) with corporate clients, local authorities, retail clients. It does not approve loans and guarantees for persons with a special relationship to the Bank, which are approved at the level of the Board of Directors.

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

Committee for Change Management in Information Systems
The committee's purpose is to ensure and promote efficient management and use of financial resources for the development of the Bank's information systems and changes to them. It sets the time plan for deploying changes, their content and number, taking account of the Company's priorities and available resources. Resolves any disputes arising in the change management processes in information systems.

Business Committee
The committee analyses the business results achieved and adopts measures for ensuring the Bank's business plan is fully implemented.

Cost Committee
The committee's role is to make recommendations to the Board of Directors for keeping costs in accordance with the approved business plan. The committee sets business priorities, monitors the implementation of cost saving strategy, as well as the responsibility of departmental sponsors for budget allocation to individual bank units and for maintaining the level of costs at or below the level of the business plan.

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

Risk appetite and stress testing committee (RAST)
The tasks of this committee are primarily to ensure that the ICAAP principles are integrated into the Bank's business objectives, and to coordinate the creation and approval of summary stress testing scenarios.

Risk Management Committee
The committee's responsibility is to analyse and monitor the overall development of credit risk and to propose corrective measures, to approve changes in the IRB approach according to the National Bank of Slovakia's definition, as well as internal models in the risk management process.

Crisis Committee
The committee's role is to assess the situation in the case of an impending crisis and to manage the Bank's procedures at a time of crisis, to take decisions and establish responsibilities during a crisis, to regularly monitor and evaluate the situation, to coordinate communication activities, to manage the Bank's procedures for stabilising and calming the situation.

Marketing Committee
The Committee ensures the implementation of marketing strategies of the group, Bank and its subsidiaries. It approves the annual plan for the Bank's marketing communications and its individual campaigns, the plan of sponsorship activities and business events, including the business and communication targets of campaigns. It allocates costs to campaigns and evaluates their effectiveness.

Committee for the Customer Satisfaction Management
The committee is tasked with monitoring and evaluating indices and key parameters of customer satisfaction, proposing policy in the field 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 Company has share capital of EUR 212 million, divided into 212 000 registered book-entry shares each with a par value of EUR 1000.

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

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 date of preparing this report Slovenská sporiteľňa had not issued any employee shares.

Any decision to increase or decrease the Bank's share capital may be taken only by the General Assembly. As regards material agreements to which the Bank is a contracting party, the Bank is not aware of any that enter into effect, are amended or expire in consequence of a change in the Bank's control relations related to a takeover bid.

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

Slovenská sporiteľňa does not acquire any own shares, interim shares, participating interests or shares; neither does it acquire any interim shares or participating interests in its parent accounting entity pursuant to § 22 of the Accounting Act. Slovenská sporiteľňa does not have any organisational units 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, corporate governance principles and regularly provides the parent company's shareholders and investors with all relevant information on its business activities, financial and operating results and other material events. It provides customers and the general public with information on the Bank's financial results and strategic progress through press conferences and press releases, which are also available on the Bank's website. All information is prepared and disclosed in accordance with standards of accounting and disclosure of financial and non-financial information.

The Company performs its activities through its organisational units, comprising the head office, branch network, and other units established under the Bank's internal regulations. Responsibility for the creation, implementation, coordination, monitoring and control of the Bank's business objectives lies with the Board of Directors.

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

Risk management is strictly separated from banking activities, and likewise lending business is separated from investment business. The Bank maintains separate monitoring of risks to which it is exposed in banking activities toward persons with a special relationship to the Bank and takes measures to prevent misuse of inside information.

The Bank places emphasis on anti-money laundering measures, and has established an independent compliance unit reporting directly to the Board Member 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 fraud.

The Bank has a Global Compliance Code governing the basic principles of compliance with ethical standards at the Bank. The Code was produced in response to the EU's requirements for harmonisation of legal regulations, and 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, particularly in the field of securities trading, where the Bank consistently applies measures arising under the EU Markets in Financial Instruments Directive (MiFID) and aimed at increasing protection of consumers in their use of investment instruments. The Code represents for Slovenská sporiteľňa a binding body of rules and serves as a source of information for staff. It is also a practical guide on how to apply statutory provisions in day-to-day contact with information that could alter the behaviour of market entities. It is, furthermore, a point of reference for preventing or resolving conflicts of interest between the Bank, its staff, management and customers.

Corporate social responsibility

In 2013, owing to good financial results, Slovenská sporiteľňa continued to support non-profit sector through the activities of Nadácia Slovenskej sporiteľne and Nadačný fond Slovenskej sporiteľne.

For the public

Last year, financial assistance worth more than EUR 1.5 million was provided to almost 300 high-quality public projects. Nadácia Slovenskej sporiteľne thus ranked among the most significant corporate donors in Slovakia.

Financial literacy improvement

In 2013, Nadácia Slovenskej sporiteľne 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.
Almost 400 secondary schools took part in on-line project ´Hra Milión´ (´A Million Game´), and the project became the most successful project to support financial literacy among the secondary school students. An e-learning course ´Cvičná banka´ (´Training Bank´), explaining banking products in a playful form, was nominated among 5 non-profit sector projects which took part in a contest ´E-learning Awards 2013´ in London.

Young sports

The largest project in the area of sports was the construction of five exterior multifunctional sports grounds for children and adults In Lučenec, Humenné, Stará Ľubovňa, Žilina and Nové Zámky. During five years Slovenská sporiteľňa managed to build up as many as 22 sports grounds. In the fourth round of the grant program ‚Futbal to je hra!' (‚Football, that's the game!'), the Bank allocated almost EUR 100.000 for 41 projects aimed at the establishing of non-professional football clubs throughout Slovakia.

Culture

In the area of culture, Slovenská sporiteľňa has been providing a long-term support for regional theatres in Nitra, Martin and Prešov. In Bratislava, the Bank is a partner to Divadlo Arena and Štúdio L+S.

Social inclusion

In cooperation with the civic association 'Inklúzia' ('Inclusion'), Slovenská sporiteľňa for the eighth time provided assistance for ‚Radničkine trhy' (‚Town Hall Markets'). The aim of this event is to present the results of the work of disabled individuals to the general public, to shape public opinion on their overall abilities, and to address potential employers to contribute to the integration of disabled individuals into society. At Christmas and Easter time, markets of goods are held also in the bank´ s headquarters.

Employee grants

Also in 2013, owing to the employee grant programme ´Euro k Euru´ (´Euro to Euro´) Nadácia Slovenskej sporiteľne supported various communities through its foundation. The aim of the grant programme is to support civic projects, non-profit organizations, foundations, schools, sport clubs, dance clubs and other entities through financial co-participation of an employee or a subsidiary.
Through 84 projects, employees of the Bank and its subsidiaries improved the quality of activities carried out by various communities in the areas of sports, education or free-time activities. The contribution of employees within the Programme amounted to EUR 42.023 in 2013.

Objectives for 2014

One of the main priorities of Slovenská sporiteľňa for the coming years are retail loans. The Bank wants to further keep its leading position in this segment while maintaining an acceptable degree of risk. The Bank also wants to focus more intensively on sales via alternative distribution channels such as the internet, mobile applications, mail and telephone sales. The care for existing customers should reduce customer outflow at the time when the trend in refinancing loans on the market is intensifying.

Slovenská sporiteľňa considers it important to build long-term relationships with customers. It places special emphasis on active clients, who send money to an account at the Bank and actively use their payment cards. The Bank has a number of benefits in place for these customers, in the form of better rates on deposits and loans and rewards for card payments. Slovenská sporiteľňa wants to increase the share of active clients in the future. In the field of customer acquisition, the Bank has a special product offer for young people.

Slovenská sporiteľňa wants to be a bank of the first choice for corporate clients, particularly in the segment of small and medium-sized enterprises and for the public sector. Key priorities in the corporate segment include transaction banking, particularly trade finance.

Slovenská sporiteľňa will continue to place emphasis on effective cost management while respecting revenues. The Bank wants its cost-to-income ratio to be below those of its competitors.

Annexes

Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union for the Year Ended 31 December 2013

and Independent Auditors' Report

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

Building a better working world

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Independent Auditors' Report

To the Shareholder of Slovenská sporiteľňa, a.s. v skratke SLSP, a.s.:

We have audited the accompanying consolidated financial statements of Slovenská sporiteľňa, a.s. v skratke SLSP, a.s. and consolidated companies ("the Group"), which comprise the consolidated balance sheet as at 31 December 2013, 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 2013, 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.

25 February 2014
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 2013

ths. EUR	Note	2013	2012
Interest income	6	533 893	560 127
Interest expense	6	(85 356)	(112 621)
Net interest income	**6**	**448 537**	**447 506**
Provisions for losses on loans, advances and off-balance sheet credit risks	8	(49 362)	(54 539)
Net interest income after provisions		**399 175**	**392 967**
Fee and commission income	7	141 199	138 609
Fee and commission expense	7	(23 771)	(20 519)
Net fee and commission income	**7**	**117 428**	**118 090**
Net trading result	9	13 256	16 067
General administrative expenses	10	(249 101)	(247 166)
Other operating result	11	(41 434)	(42 680)
Profit for the year before income taxes		**239 324**	**237 278**
Income tax expense	12	(53 950)	(48 628)
Net profit for the year after income taxes		**185 374**	**188 650**
Net profit attributable to:			
Equity holders of the parent		184 918	188 395
Non Controlling Interest		456	255
Total		**185 374**	**188 650**
Basic and diluted earnings per EUR 1 000 share (EUR)	**32**	**874**	**890**

The notes on pages 63 to 127 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 18 February 2014.

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 2013

ths. EUR	2013	2012
Net profit for the year after income taxes	**185 374**	**188 650**
Available for sale reserves	16 089	68 896
Cash flow hedge reserves	-	(13)
Actuarial gains on defined benefit pension plans	(430)	(199)
Income tax relating to components of other comprehensive income	(3 274)	(14 175)
Other comprehensive (expense)/income for the year after income taxes	**12 385**	**54 509**
Total comprehensive income for the year	**197 759**	**243 159**
Attributable to:		
Equity holders of the parent	**197 303**	**242 904**
Non Controlling Interest	**456**	**255**

The notes on pages 63 to 127 are an integral part of these financial statements.

Consolidated Balance Sheet
As at 31 December 2013

ths. EUR	Note	2013	2012
ASSETS			
Cash and balances at the central bank	13	329 978	377 005
Loans and advances to financial institutions	14	80 122	289 938
Loans and advances to customers	15	7 512 747	7 092 535
Provisions for losses on financial assets	16	(351 550)	(378 512)
Financial assets at fair value through profit or loss	17	81 879	98 118
Securities available for sale	18	859 401	1 358 335
Securities held to maturity	19	2 764 887	2 443 095
Investments in associates	20	24 785	25 141
Intangible assets	21	97 233	103 548
Property and equipment	22	205 334	226 130
Assets held for rental income	22	7 711	8 051
Current income tax asset	23	5	12 826
Deferred income tax asset	23	36 582	58 523
Other assets	24	49 932	62 605
Total assets		**11 699 046**	**11 777 338**
LIABILITIES AND EQUITY			
Amounts owed to financial institutions	25	324 358	1 148 279
Amounts owed to customers	26	9 090 560	8 412 567
Financial liabilities at fair value through profit or loss	40b	51 991	70 807
Debt securities in issue	27	624 234	536 729
Provisions	28	23 875	24 868
Other liabilities	29	116 860	127 763
Current income tax liability	23	2 612	-
Deferred income tax liability	23	342	-
Subordinated debt	30	173 041	251 268
Total liabilities		**10 407 873**	**10 572 281**
Total equity, thereof	31	1 291 173	1 205 057
- Equity attributable to equity holders of the parent		1 287 958	1 202 291
- Non Controlling Interest		3 215	2 766
Total liabilities and equity		**11 699 046**	**11 777 338**

The notes on pages 63 to 127 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity
As at 31 December 2013

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 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**
Net profit for the year	-	-	-	184 918	-	-	184 918	456	185 374
Other comprehensive income	-	-	-	(430)	-	12 815	12 385	-	12 385
Dividends paid	-	-	-	(111 623)	-	-	(111 623)	(22)	(111 645)
Other changes	-	-	-	(13)	-	-	(13)	15	2
As at 31 December 2013	**212 000**	**79 795**	**39 326**	**923 134**	**-**	**33 703**	**1 287 958**	**3 215**	**1 291 173**

The notes on pages 63 to 127 are an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the Year Ended 31 December 2013

ths. EUR	Note	2013	2012
Cash flows from operating activities			
Profit before income taxes		239 324	237 278
Adjustments for:			
Provisions for losses on loans, advances, off-balance sheet,write-offs and unwinding	16	38 384	30 188
Provisions for liabilities and other provisions		24 456	21 521
Impairment of tangible and intangible assets	21, 22	163	(1 585)
Depreciation and amortisation	21, 22	47 100	46 937
Gain on disposal of fixed assets		1 150	651
Net loss from financial activities		20 025	19 426
Net (gain) from investing activities		(110 189)	(109 421)
Impairment of investments in subsidiaries and associates		-	3 515
Consolidation adjustment		15	(98)
Cash flows from operations before changes in operating assets and liabilities		**260 427**	**248 412**
(Increase)/decrease in operating assets:			
Minimum reserve deposits with the central bank	13	(21 232)	(14 064)
Loans and advances to financial institutions		198 919	334 809
Loans and advances to customers		(485 282)	(459 737)
Financial assets at fair value through profit or loss and securities available for sale		514 727	(312 661)
Other assets		12 757	(8 586)
Increase/(decrease) in operating liabilities:			
Amounts owed to financial institutions		(823 921)	(299 528)
Amounts owed to customers		677 993	378 841
Provisions		(3 498)	(272)
Other liabilities		(33 478)	(27 243)
Derivative financial instruments		(2 281)	(3 596)
Net cash flows provided by / (used in) operating activities before income tax		**295 132**	**(163 625)**
Income taxes paid		(19 591)	(51 858)
Net cash flows provided by / (used in) operating activities		**275 541**	**(215 483)**
Cash flows from investing activities			
Purchase of securities held to maturity		(471 196)	(347 620)
Proceeds from securities held to maturity		147 336	469 880
Interest received from securities held to maturity		108 498	102 990
Dividends received from associates		2 901	3 023
Purchase of share in associates		-	(3 515)
Proceeds from sale of subsidiaries and associates		-	2 453
Purchase of intangible assets, property and equipment		(25 406)	(31 179)
Proceeds from sale of intangible assets, property and equipment		4 445	2 571
Net cash flows provided by / (used in) investing activities		**(233 422)**	**198 603**
Cash flows from financing activities			
Dividends paid		(111 600)	(77 000)
Drawing of subordinated debt		-	18 415
Interest paid on subordinated debt		(80 000)	(4 896)
Issue of the bonds		(3 403)	207 552
Repayment of the bonds		164 444	(40 235)
Interest paid to the holders of the bonds		(77 664)	(11 228)
Other financing activities		(13 968)	-
Net cash flows provided by / (used in) financing activities		**(122 191)**	**92 608**
Effect of foreign exchange rate changes on cash and cash equivalents		926	(459)
Net increase / (decrease) in cash and cash equivalents		**(79 146)**	**75 268**
Cash and cash equivalents at the beginning of the year	**33**	**377 344**	**302 076**
Cash and cash equivalents at the end of the year	**33**	**298 198**	**377 344**

The notes on pages 63 to 127 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 2013

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 2013 and 2012, 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. Petr Brávek (Member) and Ing. Tomáš Salomon (Member) from July 1, 2013.

Till May 31, 2013 was member of the Board of Directors Mr. Jiří Huml who resigned on his function.

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, a temporary changes (with the consideration of the regulator NBS) in the competences of the Board of Directors members were valid till 30 June 2013 - The Chairman of the Board of Directors, which was responsible for Risk Management, assumed the responsibility for the Retail Banking. The responsibility for the Risk Management passed to the responsibility of the Deputy Chairman of the Board of Directors additionally to his current responsibility for the Finance Management.

Supervisory Board has 6 members. As of 31 December 2013, the members of the Supervisory Board were as follows: Gernot Mittendorfer (Chairman), Franz Hochstrasser (Deputy Chairman from 20 September 2013) who replaced Wolfgang Schopf, Herbert Juranek, Jan Homan, Beatrica Melichárová and Štefan Šipoš as members.

Till August 31, 2013 was Deputy Chairman of the Supervisory Board Mr. Wolfgang Schopf who resigned on his function due to the fact that he was appointed to the Board of Directors another financial institution.

The Bank is subject to the regulatory requirements of the Central Bank and other supervisory bodies.

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 2012) were signed and authorised for issue on 5 February 2013.

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 2013 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.

Associated Undertakings

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 'Financial assets at fair value through profit or loss' and Financial liabilities at fair value through profit or loss. Hence, the line item 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'.

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 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 'Other Operting Result'. Interest incurred is reported in the line 'Interest 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 'Other operating result'. 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 '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 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	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 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 price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
(i) In the principal market for the asset or liability, or
(ii) In the absence of a principal market, in the most advantageous market for the asset or liability
The principal or the most advantageous market must be accessible to by the Bank.
The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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) and Debit Value Adjustment (DVA) 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 or own credit risk. 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. 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 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 2013 and 2012
Own buildings and structures	30 years
Rented premises	10 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 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.

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 2013 and 2012
Core banking system and related applications	8 years
Computer software	4 - 8 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.

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 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 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 Group has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. 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 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.

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.

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:

- Revaluation of securities at fair value, net: changes in clean price of assets and liabilities designated at fair value through profit or loss are reported here.
- Result from securities – 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 securities – 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 Group 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 Group'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 Group's policy.

Collateral valuation

The Group 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 Group's reporting schedule, To the extent possible, the Group 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 41) 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 35 '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 23) 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 new standards or 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:

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

The amendments to IAS 1 introduce a grouping of items presented in OCI. Items that will be reclassified ('recycled') to profit or loss at a future point in time (e.g., net loss or gain on AFS financial assets) have to be presented separately from items that will not be reclassified (e.g., revaluation of land and buildings). The amendments affect presentation only and have no impact on the Group's financial position or performance.

- ♦AS 1 Clarification of the requirement for comparative information (Amendment)

These amendments clarify the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The amendments clarify that the opening statement of financial position (as at 1 January 2012 in the case of the Group), presented as a result of retrospective restatement or reclassification of items in financial statements does not have to be accompanied by comparative information in the related notes. As a result, the Group has not included comparative information in respect of the opening statement of financial position as at 1 January 2012. The amendments affect presentation only and have no impact on the Group's financial position or performance.

- 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. The amendments affect presentation only and have no impact on the Group's financial position or performance.

- ♦FRS 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. IFRS 13 defines fair value as an exit price. As a result of the guidance in IFRS 13, the Group

re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. IFRS 13 also requires additional disclosures.
Application of IFRS 13 has not materially impacted the fair value measurements of the Group. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined.

- IAS 19 Employee Benefits (Amendment)

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. These amendments have no impact the Group's financial position or performance. The amendments affect presentation only and have no impact on the Group's financial position or performance.

Adoption of the following standards, which apply for the first time in 2013, did not have any impact on the accounting policies, financial position or performance of the Group:

- IFRS 1 Government Loans — Amendments to IFRS 1
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine
- Annual Improvements May 2012

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.

- IFRS 9 Financial Instruments: Classification and Measurement

The IFRS 9 was originally issued in November 2009 and is intended to replace IAS 39 Financial Instruments: Recognition and measurement. The standard introduces new requirements for classifying and measuring financial assets and liabilities. In October 2010 the IASB added to IFRS 9 the requirements for classification and measurement of financial liabilities and derecognition of financial assets and liabilities. Most of the requirements in IAS 39 for classification and measurement of financial liabilities and derecognition of financial assets and liabilities were carried forward unchanged to IFRS 9. The standard eliminates categories of financial instruments currently existing in IAS 39: available-for-sale and held-to-maturity. According to IFRS 9 all financial assets and liabilities are initially recognized at fair value plus transaction costs.

Financial assets
Debt instruments may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if:

- The asset is held within a business model that has the objective to hold the assets to collect the contractual cash flows

and

- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding.

All other debt instruments, where the above mentioned conditions are not met, are subsequently measured at fair value.

All equity investment financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity instruments held for trading must be measured at fair value through profit or loss. Entities have an irrevocable choice of recognizing changes in fair value either in OCI or profit or loss by instrument for all other equity investment financial assets.

Financial liabilities

For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss.

Hedge accounting

a new chapter on hedge accounting has been added to IFRS 9. This represents a major overhaul of hedge accounting and puts in place a new model that introduces significant improvements principally by aligning the accounting more closely with risk management. There are also improvements to the disclosures about hedge accounting and risk management.

The standard does not currently indicate the mandatory effective date. The IASB decided to defer the mandatory effective date of IFRS 9 until the date of the completed version of IFRS 9 is known. The standard has not yet been endorsed by EU.

The adoption of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets and liabilities. The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

- 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 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 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.

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:

- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Involvement with Other Entities
- IAS 27 Separate Financial Statements (as revised in 2011)
- IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)
- Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36 Impairment of Assets
- IAS 39 Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39
- IFRIC Interpretation 21 Levies (IFRIC 21)
- IAS 19 Defined Benefit Plans: Employee Contributions
- Annual Improvements to IFRSs 2010–2012 Cycle
- Annual Improvements to IFRSs 2011–2013 Cycle

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 (%) 2013	Group voting rights (%) 2013
Subsidiaries – fully consolidated				
Realitná spoločnosť Slovenskej sporiteľne, a. s.	Tomášikova 48, 832 69 Bratislava, Slovak Republic	Real estate agency	100.00	100.00
Leasing Slovenskej sporiteľne, a. s.	Tomášikova 48 832 69 Bratislava Slovak Republic	Financial and operatio-nal 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 2013 and 31 December 2012. 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 2012.

6. NET INTEREST INCOME

ths. EUR	2013	2012
Interest income from:		
Loans and advances to financial institutions	1 997	11 825
Loans and advances to customers	403 998	407 403
Financial assets at fair value through profit and loss	908	3 455
Securities available for sale	19 887	29 360
Held to maturity securities	106 696	108 041
Other interest income and similar income	407	43
Total interest income	**533 893**	**560 127**
Interest expense for:		
Amounts owed to financial institutions	(2 063)	(10 191)
Amounts owed to customers	(63 424)	(83 004)
Debts securities in issue	(14 693)	(13 259)
Subordinated debt	(5 176)	(6 167)
Total interest expenses	**(85 356)**	**(112 621)**
Net interest income	**448 537**	**447 506**

In 2013, interest income includes a total of EUR 6.2 million (2012: EUR 8.0 million) relating to impaired financial assets.

7. NET FEE AND COMMISSION INCOME

ths. EUR	2013	2012
Fee and commission income from:		
Payment transfers	96 772	91 171
Lending business	26 953	31 301
Securities	6 182	5 275
Other fees	11 292	10 862
Total fee and commission income	**141 199**	**138 609**
Fee and commission expense for:		
Payment transfers	(18 284)	(15 449)
Lending business	(4 168)	(3 664)
Securities	(705)	(844)
Other fees	(614)	(562)
Total fee and commission expense	**(23 771)**	**(20 519)**
Net fee and commission income	**117 428**	**118 090**

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

ths. EUR	2013	2012
Provisioning charges for:		
Specific risk provisions	(82 053)	(136 172)
Portfolio risk provisions	(15 571)	(40 173)
Total provisioning charges	**(97 624)**	**(176 345)**
Release of provisions		
Specific risk provisions	27 638	82 055
Portfolio risk provisions	25 413	48 855
Total release of provisions	**53 051**	**130 909**
Net provisions for losses on loans and advances (Note 16)	**(44 573)**	**(45 435)**
Direct write offs / Recoveries of loans written off	(2 608)	(9 421)
Net creation of provisions for off-balance risks	(2 181)	317
Net provisions	**(49 362)**	**(54 539)**

9. NET TRADING RESULT

ths. EUR	2013	2012
Foreign exchange and currency derivatives	5 711	5 542
Interest derivatives	2 486	(2 059)
Trading securities gains	3 664	7 048
Other gains/(losses)	224	451
Credit risk instruments and related derivatives	1 171	5 085
Total	**13 256**	**16 067**

The line 'Trading securities gains and Foreign exchange and currency derivatives' 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	2013	2012
Personnel expenses		
Wages and salaries	(86 052)	(82 839)
Social security expenses	(29 361)	(27 450)
Long term employee benefits	(436)	(450)
Other personnel expenses	(3 055)	(2 733)
Total personnel expenses	**(118 904)**	**(113 472)**
Other administrative expenses		
Data processing expenses	(29 931)	(32 075)
Building maintenance and rent	(21 145)	(22 780)
Costs of group operations	(12 467)	(12 866)
Advertising and marketing	(13 483)	(13 279)
Legal fees and consultation	(2 958)	(2 655)
Expenses for personal leasing	(7)	(93)
Other administrative expenses	(3 106)	(3 009)
Total other administrative expenses	**(83 097)**	**(86 757)**
Depreciation		
Amortisation of intangible assets	(21 058)	(25 952)
Depreciation	(26 042)	(20 985)
Total depreciation, amortisation	**(47 100)**	**(46 937)**
Total	**(249 101)**	**(247 166)**

The average number of employees in the Group was 4 213 in 2013 and 4 216 in 2012, 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	2013	2012
Audit of statutory financial statements	(307)	(307)
Audit of group reporting	(224)	(307)
Other related services provided to the Group	(121)	(154)
Total	**(652)**	**(768)**

11. OTHER OPERATING RESULT

ths. EUR	2013	2012
Revaluation of securities at fair value, net	(1 653)	(1 783)
Result on securities available-for-sale	1 695	(457)
Net gain/(loss) from disposal of subsidiaries and associates	-	(1 180)
Income/Loss on investments in associates, net	3 052	248
Contribution to Deposit protection fund	-	(6 673)
Special Levy of selected financial institutions	(41 234)	(31 507)
Other operating result, other	(3 294)	(1 328)
Total other operating result	**(41 434)**	**(42 680)**

Special Levy of selected financial institutions and contribution to the DPF

In the first six months of 2012 the Group 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 Group is subject to a special levy of selected financial institutions ("special levy") according to Act. 384/2011 Z.z.. 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 Group 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 consisted of the banks' liabilities less the bank's equity and subordinated debt. The rate and the conditions remained unchanged and were valid throughout 2013. Additionally, the Group was obliged to pay one special contribution of 0.1% from the base for the contribution calculated according to the audited separate financial statements as of 31 December 2011.

In 2012 the Group recognised a loss in the amount of EUR 163 thousand (2012: 4.9 million) as a result of impairment of assets classified as Property and equipment under IAS 16 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.

Income / (loss) from investments in associates:

Company	2013	2012
Prvá stavebná sporiteľňa, a.s. (PSS)	2 845	2 787
Czech and Slovak Property Fund B.V.	-	(2 715)
Other	207	176
Total	**3 052**	**248**

12. INCOME TAX EXPENSE

ths. EUR	2013	2012
Current tax expense	(35 080)	(38 661)
Deferred tax income (Note 23)	(18 870)	(9 967)
Total	**(53 950)**	**(48 628)**

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	2013 (ths. EUR)	2013 %	2012 (ths. EUR)	2012 %
Profit before tax	**241 581**		**233 375**	
Theoretical tax at income tax rate of 23%	**55 564**	**23.0**	**44 341**	**19.0**
Tax effect of expenses that are not deductible:	4 688	1.9	17 246	7.4
Total tax effect of expenses that are not deductible in determining taxable profit	**4 688**	**1.9**	**17 246**	**7.4**
Tax effect of tax-exempt revenues :	(3 933)	(1.6)	(1 762)	(0.8)
Tax effect of revenues that are deductible in determining taxable profit	**(3 933)**	**(1.6)**	**(1 762)**	**(0.8)**
Other changes with the impact on theoretical tax:				
- change in statutory tax rate (4%)	-	-	(11 240)	(4.8)
- change in statutory tax rate (1%)	2 078	0.9	-	-
- tax expense/income attributable to prior period(s)	(5 074)	(2.1)	-	-
Tax effect	**(2 996)**	**(1.2)**	**(11 240)**	**(4.8)**
Tax expense and effective tax rate for the year	**53 322**	**22.10**	**48 585**	**20.80**

13. CASH AND BALANCES AT THE CENTRAL BANK

ths. EUR	2013	2012
Cash balances	290 305	358 564
Minimum reserve deposit with NBS	39 673	18 441
Total	**329 978**	**377 005**

The minimum reserve deposit represents a mandatory deposit (bearing 1% interest as of 31 December 2013; 2012: 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 92.6 million (2012: EUR 124 million).

14. LOANS AND ADVANCES TO FINANCIAL INSTITUTIONS

ths. EUR	2013	2012
Loans and advances on demand (nostro accounts)	7 893	18 780
Placements with financial institutions	72 239	271 158
Loans and advances to Financial institutions, gross	**80 132**	**289 938**
Provisions for impairment (Note 16)	(10)	-
Total	**80 122**	**289 938**

At the end of 2012 there were reverse repurchase agreements with Erste Group in the amount EUR 210 million collateralized by securities issued by financial institutions in the market value of EUR 271.9 million. The nominal value was EUR 275.7 million. At the end of 2013 there were no reverse repurchase agreements.

The recorded amounts represent the maximum exposure to credit risk.

15. LOANS AND ADVANCES TO CUSTOMERS

ths. EUR	2013	2012
Corporate clients	2 182 981	2 070 676
Syndicated loans	410 322	284 352
Overdrafts	331 256	339 390
Direct provided loans	1 392 249	1 386 913
Finance leasing	14 666	19 438
Factoring	28 253	28 603
Retail clients	5 092 255	4 798 310
Mortgage loans	4 002 658	3 702 870
Consumer loans	1 001 991	998 505
Social loans	2 428	4 108
Overdrafts	84 957	92 040
Finance leasing	221	787
Public sector	237 511	223 549
Loans and advances to Customers, gross	**7 512 747**	**7 092 535**
Loan loss provision (Note 16)	(351 550)	(378 512)
Total	**7 161 197**	**6 714 023**

As at 31 December 2013 the 15 largest customers accounted for 9.34% of the gross loan portfolio were in the amount of EUR 702 million (2012: 8.34%, EUR 591 million).

Mandate loans

As of 31 December 2013, the Group cooperated with 8 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 132.7 million as of 31 December 2013 (2012: EUR 185.1 million).

Write off and sale of receivables

In 2013, the Group sold a total of EUR 46 million of loan receivables (2012: EUR 69.64 million) for consideration of EUR 10.7 million (2012: EUR 32.6 million) and used corresponding provisions of EUR 39.9 million (2012: EUR 37.44 million).

The Group has also written off loans with a carrying amount of EUR 34.4 million, related provisions were created in the amount of EUR 25.2 million (2012: written off loans in the amount of EUR 34.88 million, provisions were created in the amount EUR 23.58 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 7.8 million (2012: EUR 10.8 million).

ths. EUR	2013	2012
Gross investment in finance leases	**16 565**	**23 514**
Thereof:		
-Less than 1 year	10 115	10 794
-From 1 year to 5 years	4 680	8 805
-Over 5 years	1 771	3 915
Unearned income	**3 290**	**3 290**
Net investment in finance leases	**14 887**	**20 225**
Thereof:		
-Less than 1 year	9 728	10 035
-From 1 year to 5 years	3 956	7 542
-Over 5 years	1 203	2 648

16. PROVISIONS FOR LOSSES ON FINANCIAL ASSETS

2013 ths. EUR	Loans and advances to financial institutions	Loans and advances to customers	Securities held to maturity	Total
As at 1 January	-	378 512	-	**378 512**
Net allocation /(release) of provisions (excluding effect of unwinding)	10	44 297	266	**44 573**
Use of provisions due to sale and write-off of receivables and other adjustments		(65 070)	-	**(65 070)**
Transfer	-	-	-	**-**
Unwinding of discount on provisions	-	(6 189)	-	**(6 189)**
As at 31 December	**10**	**351 550**	**266**	**351 826**

2012 ths. EUR	Loans and advances to financial institutions	Loans and advances to customers	Securities held to maturity	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**

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 and is presented as interest income.

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

ths. EUR	2013	2012
Trading assets		
Financial derivatives with positive fair value (Note 40b)	50 708	67 243
Interest Rate Agreements	24 864	58 720
Exchange Rate Agreements	20 613	4 832
Other	5 231	3 691
	50 708	67 243
Assets classified at fair value at acquisition		
Credit investments	28	11
Debt securities and participation certificates	31 143	30 864
	31 171	30 875
Total	**81 879**	**98 118**

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	2013	2012
State institutions in Slovak Republic	6 565	6 783
Financial institutions in the Slovak Republic	11 131	10 209
Foreign state institutions	4 226	4 454
Foreign financial institutions	1 462	1 692
Other entities in the Slovak Republic	1 158	1 184
Other foreign entities	6 601	6 542
Total	**31 143**	**30 864**

18. SECURITIES AVAILABLE FOR SALE

ths. EUR	2013	2012
Debt securities and other fixed income securities – listed	841 437	1 349 188
Equity securities – shares	17 964	9 147
Listed	17 283	8 466
Unlisted	681	681
Net amount	**859 401**	**1 358 335**

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	2013	2012
State institutions in Slovak Republic	583 643	1 190 299
Financial institutions in the Slovak Republic	67 201	62 326
Foreign state institutions	35 402	44 416
Foreign financial institutions	31 986	30 545
Other entities in the Slovak Republic	123 205	21 602
Total	**841 437**	**1 349 188**

Fair value hedge

The Group has in its portfolio as at 31 December 2013 fixed rate EUR denominated bonds with face value of EUR 91 million (2012: 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 40b.

During the period, hedges were effective in hedging the fair value exposure to interest rate movements. For the year ended 31 December 2013, the Group recognised a net gain of EUR 5.97 million (2012: loss of EUR 7.02 million), representing the loss on the hedging instruments. The total loss on hedged item attributable to the hedged risk amounted to a loss of EUR 5.84 million (2012: gain of EUR 6.84 million).

19. SECURITIES HELD TO MATURITY

ths. EUR	2013	2012
Debt securities and other fixed income securities - listed	2 765 153	2 443 095
Provisions for impairment (Note 16)	(266)	-
Total	**2 764 887**	**2 443 095**

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	2013	2012
State institutions in the Slovak Republic	2 630 797	2 311 138
Financial institutions in the Slovak Republic	10 188	2 064
Foreign state institutions	57 257	62 706
Foreign financial institutions	42 725	43 004
Other entities in the Slovak Republic	23 578	23 578
Other foreign entities	608	605
Total	**2 765 153**	**2 443 095**

20. INVESTMENTS IN ASSOCIATES

Name of the company	Registered office	Principal activity	Bank interest in % 2013	Bank voting rights in % 2013
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

2013 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%	24 747	2 355 313	247 748	131 431	95 518
Slovak Banking Credit Bureau, s. r. o.	33.33%	33.33%	38	118	115	1 343	1 357
s IT Solutions SK, spol. s r. o.	23.50%	23.50%	-	509	507	15	24
Total			**24 785**	**2 355 940**	**248 370**	**132 789**	**96 899**

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**

During 2013, the Group received dividends from participations in the amount of EUR 3.1 million (2012: EUR 3.2 million).

The Group tests its investment in subsidiaries and associates for possible impairment. Impairment losses are recognized in 'Other operating result' (Note 11) of the Income statement.

21. INTANGIBLE ASSETS

ths. EUR	Software	Other intangible assets	Total
Cost			
1 January 2013	**298 854**	**2 878**	**301 733**
Additions	14 471	473	14 944
Disposals	(83 210)	(247)	(83 457)
Transfers			-
31 December 2013	**230 115**	**3 104**	**233 220**
Accumulated amortisation and impairment			
1 January 2013	**(195 791)**	**(2 394)**	**(198 185)**
Amortisation	(20 858)	(200)	(21 058)
Disposals	83 009	247	83 256
31 December 2013	**(133 640)**	**(2 347)**	**(135 987)**
Net book value			
31 December 2012	**103 063**	**484**	**103 548**
31 December 2013	**96 475**	**757**	**97 233**

The original cost of fully amortized intangible assets that are still in use by the Group amounts to EUR 71 million (2012: 152 million). In 2013 the Group disposed the old core banking system in the amount of EUR 83.2 million.

In 2013 the Bank put in use upgrade of the new core banking system in the total amount of EUR 10.9 million (upgrade was put in use quarterly and amount of EUR 0.4 million will be put in use in 2014).

Assets not yet put in service as of 31 December 2013 amounted to EUR 1.6 million. In 2012 the asset not yet put in service in the amount of EUR 1.9 million related to the development project of the bank system.

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**

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 2013	**306 740**	**137 259**	**443 999**	**5 834**	**7 325**
Additions	4 698	6 131	**10 829**	-	958
Disposals	(9 216)	(14 131)	**(23 347)**	(14)	(823)
Transfers	(259)	-	**(259)**	259	-
31 December 2013	**301 963**	**129 259**	**431 222**	**6 079**	**7 460**
Accumulated depreciation and impairment					
1 January 2013	**(104 523)**	**(113 346)**	**(217 869)**	**(3 026)**	**(2 082)**
Depreciation	(16 846)	(9 196)	**(26 042)**	(197)	(1 229)
Disposals	4 051	14 073	**18 124**	10	572
Provisions for impairment	(164)	-	**(164)**	1	186
Transfers	63	-	**63**	(63)	-
31 December 2013	**(117 419)**	**(108 469)**	**(225 888)**	**(3 275)**	**(2 553)**
Net book value					
31 December 2012	**202 217**	**23 913**	**226 130**	**2 808**	**5 243**
31 December 2013	**184 544**	**20 790**	**205 334**	**2 804**	**4 907**

The original cost of property and equipment that is fully depreciated but still in use by the Group as of 31 December 2013 amounts to EUR 83.9 million (2012: EUR 87 million).

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**
Accumulated depreciation and impairment					
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**

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	2013 ths. EUR	2012 ths. EUR
Payable in period:		
- Less than 1 year	387	369
- From 1 year to 5 years	1 001	1 311
- Over 5 years	191	201

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 1 503 thousand (2012: EUR 923 thousand).

Investment property

The Group owns buildings rented to other parties with a total net book value of EUR 3.2 million (net of impairment, EUR 387.5 thousand) as at 31 December 2013 (2012: EUR 2.8 million net of impairment of EUR 389 thousand). The total rental income earned by the Group amounted to EUR 330 thousand (2012: EUR 68 thousand) and is presented as 'Interest income'. The depreciation of assets held for rental income is presented under 'Interest income' and amounted to EUR 196.6 thousand (2012: EUR 190 thousand).

The estimated fair value of investment property as at 31 December 2013 was EUR 2.4 million (2012: EUR 2.4 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. INCOME TAX ASSETS AND LIABILITIES

The structure of the tax position as at 31 December 2013 and 31 December 2012 was as follows:

ths. EUR	2013	2012
Deferred income tax assets	36 582	58 523
Current Income tax assets	5	12 826
Total income tax assets	**36 587**	**71 349**
Deferred income tax liability	342	-
Current income tax liability	2 612	-
Total income tax liabilities	**2 954**	**-**

Deferred tax booked	directly to equity		to Income statement								
ths. EUR	Securities available for sale	Cash flow hedges	Provisions for losses on loans advances	Securities	Intangible assets	Property and equipment	Provisions	Associates and other investments	Tax loss carried forward	Other	Total
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**
Charge / (credit) to equity for the year	(3 581)	-	-	-	-	-	-	-	-	-	(3 581)
Charge / (credit) to Income statement for the year	-	-	(23 972)	(11)	(354)	1 218	748	-	11	3 856	(18 504)
Recycled from equity to Income statement	41	-	-	-	-	-	-	-	-	-	41
31 December 2013	**(9 778)**	**-**	**40 296**	**(11)**	**(1 015)**	**(2 977)**	**4 105**	**243**	**684**	**4 692**	**36 240**

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.

24. OTHER ASSETS

ths. EUR	2013	2012
Customers, advances, reinvoiced amounts and prepayments	19 055	19 452
Payment cards and cheques	144	12
Fair value of hedging instruments and revaluation of hedged items	23 603	30 895
Material and inventories	2 493	6 263
Other	4 637	5 983
Total	**49 932**	**62 605**

25. AMOUNTS OWED TO FINANCIAL INSTITUTIONS

ths. EUR	2013	2012
Amounts owed on demand	3 059	4 840
Repo trades with debt securities (note 40c)	27 284	938 670
Term deposits and clearing	294 015	204 769
Total	**324 358**	**1 148 279**

26. AMOUNTS OWED TO CUSTOMERS

ths. EUR	2013	2012
Amounts owed on demand	3 825 098	3 408 982
Savings deposits	1 341 101	891 636
Term deposits	3 924 361	4 111 949
Total	**9 090 560**	**8 412 567**

Savings deposits are deposits with a defined manipulation period, term deposits have a defined maturity date. Savings deposits usually remain in place longer than the defined manipulation period and represent a stable source of financing.

ths. EUR	2013	2012
Savings deposits	1 341 101	891 636
Term deposits and amounts owed on demand:		
Corporate clients	1 668 486	1 622 201
Retail clients	5 596 385	5 687 581
Public sector	248 099	40 289
Other	236 489	170 860
Total	**9 090 560**	**8 412 567**

As at 31 December 2013 and 31 December 2012, 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 1.3 million (2012: EUR 16.9 million). These contracts include embedded currency, commodity and equity derivatives in the FV of EUR 0 (2012: EUR 19 098) 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	2013	2012
Bonds in issue	624 234	519 170
Total	**624 234**	**536 729**

Bonds in issue are presented in the following table:

	Date of issue	Maturity date	Actual interest rate	2013 ths. EUR	2012 ths. EUR
Mortgage bonds	March 2006	March 2016	6M BRIBOR 0.09%	16 615	16 620
Mortgage bonds	July 2007	July 2027	4.95%	16 950	16 946
Other bonds	March 2008	March 2013	3M BRIBOR + 0.35%	-	1 660
Mortgage bonds	April 2008	April 2021	5.00%	17 126	17 118
Other bonds	May 2009	May 2013	3M EURIBOR	-	4 478
Mortgage bonds	July 2009	January 2013	3.50%	-	9 870
Mortgage bonds	August 2009	August 2013	3.60%	-	9 711
Mortgage bonds	August 2009	August 2013	3.60%	-	9 757
Mortgage bonds	October 2009	October 2013	3.30%	-	12 105
Mortgage bonds	December 2009	December 2013	3.50%	-	14 742
Mortgage bonds	December 2009	December 2013	3.50%	-	4 893
Other bonds	August 2012	August 2013	7.00%	-	3 188
Other bonds	September 2012	September 2013	6.50%	-	4 850
Other bonds	November 2012	November 2013	7.00%	-	4 811
Mortgage bonds	January 2010	January 2014	3.50%	5 939	5 973
Mortgage bonds	February 2010	February 2015	3.62%	2 162	2 162
Mortgage bonds	March 2010	March 2014	3.30%	10 621	10 635
Mortgage bonds	March 2010	March 2015	6M EURIBOR + 0.95%	20 081	20 093
Mortgage bonds	April 2010	April 2015	3.50%	9 654	9 664
Mortgage bonds	May 2010	May 2014	2.80%	7 587	7 587
Mortgage bonds	July 2010	July 2015	3.10%	15 147	15 146
Mortgage bonds	July 2010	July 2015	6M EURIBOR + 1.00%	10 007	10 023
Mortgage bonds	August 2010	August 2015	3.09%	17 185	17 184
Mortgage bonds	September 2010	September 2014	2.80%	9 768	9 785
Mortgage bonds	October 2010	October 2014	2.35%	9 902	9 916
Mortgage bonds	November 2010	November 2015	2.65%	9 874	9 881
Other bonds	December 2010	December 2015	2.00%	2 883	2 936
Mortgage bonds	March 2011	September 2014	3.00%	8 257	8 261
Mortgage bonds	February 2011	August 2015	2.95%	9 932	9 940
Mortgage bonds	March 2011	September 2014	3.00%	14 554	14 606
Mortgage bonds	February 2011	August 2017	3.55%	2 586	2 585
Mortgage bonds	March 2011	March 2016	3.10%	14 890	14 920
Other bonds	March 2011	March 2017	3.65%	2 523	2 523
Mortgage bonds	June 2011	June 2015	3.20%	7 694	7 704
Mortgage bonds	July 2011	July 2016	3.20%	2 530	2 531
Mortgage bonds	August 2011	February 2016	3.20%	5 402	5 408
Mortgage bonds	December 2011	December 2016	3.50%	6 350	6 352
Mortgage bonds	February 2012	February 2015	KOMB	3 446	3 437
Mortgage bonds	February 2012	February 2016	3.70%	8 986	8 996
Mortgage bonds	February 2012	February 2014	3.28%	20 589	20 590
Mortgage bonds	January 2012	July 2016	3.70%	6 262	6 269
Mortgage bonds	June 2012	December 2016	2.85%	2 792	2 792
Mortgage bonds	May 2012	May 2017	3.30%	35 767	35 767
Mortgage bonds	June 2012	June 2017	2.92%	20 323	20 323
Mortgage bonds	July 2012	January 2017	2.88%	8 124	8 121
Mortgage bonds	August 2012	August 2014	1.25%	40 190	40 189
Mortgage bonds	September 2012	March 2015	1.40%	20 085	20 084
Mortgage bonds	September 2012	September 2018	2.85%	10 071	10 072
Mortgage bonds	October 2012	October 2017	1.95%	15 050	15 050
Other bonds	December 2012	December 2018	2.00%	2 121	2 121
Mortgage bonds	December 2012	December 2019	2.50%	3 304	3 304
Mortgage bonds	January 2013	January 2025	3.10%	4 412	-
Mortgage bonds	February 2013	August 2016	1.15%	12 058	-
Mortgage bonds	February 2013	February 2019	2.30%	5 042	-
Mortgage bonds	February 2013	February 2018	1.75%	23 354	-
Mortgage bonds	March 2013	March 2019	2.30%	5 034	-
Mortgage bonds	April 2013	April 2019	2.30%	5 025	-
Mortgage bonds	June 2013	December 2019	2.00%	4 189	-
Mortgage bonds	June 2013	June 2028	3.00%	6 615	-
Mortgage bonds	June 2013	December 2015	0.90%	9 970	-
Mortgage bonds	July 2013	January 2020	2.00%	2 256	-
Mortgage bonds	August 2013	August 2019	2.00%	2 595	-
Mortgage bonds	August 2013	August 2019	2.00%	4 340	-
Mortgage bonds	September 2013	September 2019	2.00%	6 530	-
Mortgage bonds	October 2013	October 2019	2.00%	5 954	-
Mortgage bonds	November 2013	November 2019	2.00%	6 713	-
Mortgage bonds	December 2013	December 2019	2.00%	9 711	-
Mortgage bonds	December 2013	December 2019	2.05%	3 504	-
Mortgage bonds	December 2013	December 2018	0.83%	30 010	-
Other bonds*	November 2009	November 2014	3.20%	4 679	4 710
Other bonds	December 2013	December 2016	3.00%	1 423	-
Other bonds	December 2013	December 2019	1.50%	658	-
Other bonds	February 2013	February 2014	5.50%	4 749	-
Other bonds	February 2013	February 2014	5.50%	2 640	-
Other bonds	February 2013	February 2014	5.50%	4 429	-
Other bonds	July 2013	July 2014	5.50%	1 158	-
Other bonds	August 2013	August 2016	4.50%	579	-
Other bonds	August 2013	August 2014	5.50%	1 331	-
Other bonds	October 2013	October 2014	5.50%	636	-
Other bonds	October 2013	October 2016	4.50%	587	-
Other bonds	December 2013	December 2018	5.00%	724	-
Net debt securities in issue				**624 234**	**538 389**
less bonds held by the Group				-	(1 660)
Total				**624 234**	**536 729**

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

As at 31 December 2013, debt securities in issue include embedded derivatives (shares and commodities) in the amount of EUR 3.926 million (2012: EUR 865 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 40b.

During the period, the hedge was effective in the hedging of fair value exposure to interest rate movements. For the year ended 31 December 2013, the Group recognised a net gain of EUR 1.6 million (2012: gain of EUR 1.5 million), representing the gain on the hedging instruments. The total loss on hedged items attributable to hedged risk amounted to EUR 1.5 million (2012: loss of EUR 1.4 million).

28. PROVISIONS

ths. EUR	2012	Additions	Use	Reversals	2013
Provision for off-balance sheet items	10 682	15 424	-	(13 244)	12 861
Interest bearing deposit products	298	-	-	-	298
Legal cases	10 387	691	(3 301)	(1 039)	6 738
Employee benefit provisions	3 501	480	(197)	193	3 977
Total	**24 868**	**16 595**	**(3 498)**	**(14 090)**	**23 874**

(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. Effect of discount is reflected in the calculation using actual market interest rates.

(b) Provision for legal cases

The Group conducted a review of legal proceedings outstanding against it as at 31 December 2013. 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 0.7 million for existing cases and released a provision in the amount of EUR 1 million. The Bank settled certain cases and used the related provision of EUR 3.3 million. .Effect of discount is considered immaterial.

The net creation of provisions for legal cases of EUR 0.35 million is reported under 'Other operating result' in the Income Statement (2012: net creation of EUR 0.66 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 2013 there were 3 796 employees at the Parent company covered by this program (2012: 3 841 employees).

During the year ending 31 December 2013, the actuarial calculation based on the projected unit credit method was performed resulting in the final employee benefit obligation in the amount of EUR 3 942 thousand (2012: EUR 3 470 thousand).

The amounts recognised in the balance sheet and Income Statement as at 31 December 2013 are as follows:

ths. EUR	Pension provisions	Jubilee provisions	Total long-term provisions
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**
Service costs	179	213	392
Interest costs	41	47	88
Payments	(49)	(148)	(197)
Actuarial (gains)	236	(43)	193
Long-term employee provisions at 31 December 2013	**2 075**	**1 902**	**3 977**

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	2013	2012
Real annual discount rate	2.72%	2.51%
Annual future real rate of salary increases	0.00%	0.00%
Annual employee turnover	0.00%-24.44%	0.00%-20.77%
Retirement age	62 years	62 years

29. OTHER LIABILITIES

ths. EUR	2013	2012
Other short-term payables to customers related to money transfer	33 048	35 349
Employees, HR reserves, Social fund	23 453	20 437
Suppliers (including accruals)	12 481	9 320
Other payables (customers clearing)	10 319	15 666
Securities settlement	7 388	4 226
State budget, SHI, taxes	5 145	10 606
Other	2 058	1 777
Fair value of hedging instruments and revaluation of hedged items	22 969	30 382
Total	**116 860**	**127 763**

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

ths. EUR	2013	2012
As at 1 January	403	370
Additions	1 638	1 896
Drawings	(1 825)	(1 862)
As at 31 December	**217**	**403**

30. SUBORDINATED DEBT

	Date of issue/ drawdown	Maturity date	Interest rate	2013	2012
Other bonds	June 2010	June 2015	3.80%	5 099	5 099
Other bonds*	August 2010	August 2020	4.30%	11 096	10 660
Other bonds*	June 2011	June 2018	4.90%	6 706	6 731
Other bonds	June 2011	June 2018	4.90%	6 611	6 610
Other bonds*	August 2011	August 2021	4.30%	10 610	10 182
Other bonds*	October 2011	October 2018	4.70%	5 013	5 053
Other bonds*	November 2011	November 2023	4.43%	4 299	4 117
Other bonds*	December 2011	December 2018	4.82%	3 818	3 839
Other bonds*	June 2012	June 2022	5.50%	11 074	10 497
Other bonds*	November 2012	November 2022	4.23%	8 674	8 299
Total				**73 000**	**71 087**
Subordinated loan	February 2007	December 2016	3M/6M Euribor	100 041	100 035
Subordinated loan	August 2008	August 2013	3M Euribor	-	80 146
Total				**100 041**	**180 181**
Net debt securities in issue				**173 041**	**251 268**

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, 2013 was EUR 1.98 million (2012: value was EUR 1.87 million).

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

31. EQUITY

Share capital

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

Nominal value	2013		2012	
	Number of shares	ths. EUR	Number of shares	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 proposed distribution of profit of the Parent Company is shown in the following table:

Dividends per share	Attributable from the profit for the year	
	2013*	2012
Profit of the year	188 259	184 790
Transfer to retained earnings	-	73 190
Dividends paid to shareholder from profit for the year	188 259	111 600
Number of shares EUR 1 000 each	212 000	212 000
Amount of dividends per EUR 1 000 share (EUR)	**867**	**526**

* 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 level of the legal reserve fund was higher then 20% of the issued share capital in both years. The legal reserve Fund is not available for distribution to shareholders.

Other funds

Other funds as at 31 December 2013 included only the Statutory fund amounting to EUR 39.3 million (2012: 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	2013	2012
Net profit applicable to ordinary shares	185 374	188 650
NUMBER OF SHARES EUR 1 000 EACH	212 000	212 000
Basic and diluted profit per EUR 1 000 share (EUR)	**874**	**890**

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	2013	2012
Cash on hand (Note 13)	290 305	358 564
Accounts with other financial institutions repayable on demand (Note 14)	7 893	18 780
Total cash and cash equivalents	**298 198**	**377 344**

Operational cash flows from interests	2013	2012
Interest paid	(88 420)	(89 357)
Interest received	426 845	468 464

34. 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 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 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).

The new member of the Board of Directors responsible for retail business is Tomáš Salomon since July 2013.

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 and the Head of Corporate Credit Risk Management.

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 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 SRM, Accounting & Controlling, BSM and Marketing & Market Research. 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 managers from risk management areas and senior manager from Acounting & Controlling. 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.
- **Compliance & Security** – responsible for compliance risk management (e.g. code of ethics, full compliance with legal requirements, anti-money laundering program), fraud risk management (prevention, detection, investigation, deterrence, and recovery of financial fraud) and setting up the the strategy for the Bank security

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.

35. 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 Group, 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 Group'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	2013	2012
Gross amount	**8 695 607**	**8 164 297**
On-balance sheet total (Note 15)	7 512 747	7 092 535
Off-balance sheet total (Note 40)	1 182 860	1 071 762
Gross amount	**8 695 607**	**8 164 297**
Retail	5 686 946	5 356 324
Corporate and other classes	3 008 661	2 807 972
Provision for impairment	**(364 411)**	**(389 194)**
Retail	(243 198)	(253 175)
Corporate and other classes	(121 214)	(136 018)
Net amount	**8 331 196**	**7 775 104**
Retail	5 443 748	5 103 149
Corporate and other classes	2 887 448	2 671 955

Note: Retail loans include small loans to entrepreneurs.

Provisions for impairment are structured as follows:

ths. EUR	2013	2012
Provisions for losses on loans and advances (Note 16)	351 550	378 512
Provisions for off-balance sheet items (Note 28)	12 861	10 682
Total provision for impairment	**364 411**	**389 194**

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	2013	2012
Total exposure		
Investment grade (1-5)	4 973 322	4 701 028
Subinvestment grade (6)	176 922	239 974
Subinvestment grade (7)	93 835	34 683
Subinvestment grade (8)	199 930	138 553
Rating R: Defaulted	242 937	242 086
Gross amount	**5 686 946**	**5 356 324**
Provisions for impairment	(243 198)	(253 175)
Net amount	**5 443 748**	**5 103 149**
Ageing of loans rated 1 – 8 is as follows:		
0 days	5 210 623	4 860 628
1 – 30 days	182 545	197 790
31 – 60 days	29 135	34 194
61 – 90 days	21 595	21 441
91 – days+ *	111	184

* 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 Groupis 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 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

'Past due but not individually impaired loans' are the loans where contractual interest or principal payments are past due but the Group believes that impairment is not applicable.

Neither past due nor individually impaired loans

Loans where contractual interest or principal payments are not past due and the Group 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	2013	2012
Total exposure		
Investment grade (1-5)	2 582 470	2 285 876
Subinvestment grade (6)	118 369	185 915
Subinvestment grade (7)	48 188	50 870
Subinvestment grade (8)	44 686	70 630
Rating R: Defaulted	214 950	214 681
Gross amount	**3 008 661**	**2 807 972**
Provision for impairment	(121 214)	(136 018)
Net amount	**2 887 448**	**2 671 954**
Individually impaired		
Gross amount	**214 950**	**214 681**
Provision for impairment	(98 935)	(105 701)
Net amount	**116 014**	**108 980**
Past due (excluding individually impaired)		
Investment grade (1-5)	34 214	24 127
Subinvestment grade (6)	9 970	12 503
Subinvestment grade (7)	1 729	5 911
Subinvestment grade (8)	29 465	2 554
Rating R: Defaulted	-	-
Gross amount	**75 378**	**45 095**
Provision for impairment	(3 291)	(1 534)
Net amount	**72 086**	**43 560**
Past due but not impaired comprises:		
1-30 days	49 123	43 742
31-60 days	12 642	1 321
61-90 days	13 606	27
90 days+	6	5
Neither past due nor individually impaired		
Investment grade (1-5)	2 548 256	2 261 749
Subinvestment grade (6)	108 399	173 413
Subinvestment grade (7)	46 459	44 959
Subinvestment grade (8)	15 221	68 076
Rating R: Defaulted	-	-
Gross amount	**2 718 334**	**2 548 196**
Provision for impairment	(18 987)	(28 783)
Net amount	**2 699 347**	**2 519 413**

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	2013	2012
Real estates	5 494 486	6 981 487
Securities	204 817	464 176
Bank guaranties	131 092	219 834
Other	236 958	247 927
Total	**6 067 353**	**7 913 424**

Renegotiated loans

The carrying amount of financial assets that would otherwise be past due or impaired and whose terms have been renegotiated during 2013 and 2012:

ths. EUR	2013	2012
Renegotiated loans	22 832	7 297

In 2012 the Group has used definition of renegotiated loans valid in the Erste Group known as Trouble Debt Restructuring (TDR). It consisted from retail and corporate clients not in default that were administrated by Workout department.

In 2013 the Group has implemented a wider definition currently only for retail clients. This consists of loans with renegotiated conditions not meeting the default definition.

Concentration risk

A summary of concentrations of financial assets (including derivatives), loan commitments and guarantees as of 31 December 2013 and 2012 based on the debtors' industry are presented below:

31 December 2013 ths. EUR	Loans and advances to customers		Loans and advances to financial institutions		Investment securities and derivatives	
	Gross	Net	Gross	Net	Gross	Net
Natural Resources & Commodities	495 330	477 170	-	-	-	-
Utilities & Renewable Energy	458 384	457 592	-	-	-	-
Construction and building materials	323 889	280 098	-	-	608	608
Automotive	78 780	75 548	-	-	-	-
Cyclical Consumer Products	151 666	135 853	-	-	-	-
Non-Cyclical Consumer Products	192 543	181 190	-	-	19 560	19 560
Machinery	101 990	94 719	-	-	6 601	6 601
Transportation	298 466	291 193	-	-	26 269	26 269
Telecommunications, Media, Technology and Paper & Packaging	145 576	144 101	-	-	-	-
Healthcare & Services	105 819	100 769	-	-	-	-
Hotels, Gaming & Leisure Industry	82 805	73 038	-	-	-	-
Real Estate	721 648	684 406	-	-	12 593	12 593
Public Sector	219 663	219 262	-		3 420 002	3 419 736
Financial Institutions	24 176	23 941	80 132	80 122	220 800	220 800
Private Households	5 294 848	5 092 291	-	-	-	-
Others	25	25	-	-	-	-
Total	**8 695 607**	**8 331 196**	**80 132**	**80 122**	**3 706 433**	**3 706 167**

31 December 2012 ths. EUR	Loans and advances to customrs		Loans and advances to financial institutions		Investment securities and derivatives	
	Gross	Net	Gross	Net	Gross	Net
Natural Resources & Commodities	345 484	326 414	-	-	-	-
Utilities & Renewable Energy	361 633	360 846	-	-	-	-
Construction and building materials	438 149	403 351	-	-	605	605
Automotive	99 869	93 312	-	-	-	-
Cyclical Consumer Products	152 107	132 310	-	-	-	-
Non-Cyclical Consumer Products	197 640	178 254	-	-	19916	19916
Machinery	93 923	87 195	-	-	6 542	6 542
Transportation	270 410	260 732	-	-	26 448	26 448
Telecommunications, Media, Technology and Paper & Packaging	38 158	36 971	-	-	-	-
Healthcare & Services	112 026	107 430	-	-	-	-
Hotels, Gaming & Leisure Industry	114 062	93 249	-	-	-	-
Real Estate	651 447	614 589	-	-	11 901	11 901
Public Sector	215 238	214 807	-	-	3 619 797	3 619 797
Financial Institutions	64 921	64 552	289 938	289 938	214 339	214 339
Private Households	5 009 230	4 801 090	-	-	-	-
Other	1	0	-	-	-	-
Total	**8 164 297**	**7 775 104**	**289 938**	**289 938**	**3 899 548**	**3 899 548**

A summary of concentrations of loans and advances to customers, loan commitments, and guarantees classified by asset classes (as of 31 December 2013 and 2012) are presented below:

ths. EUR	2013		2012	
	Gross	Net	Gross	Net
Retail	5 686 946	5 443 748	5 356 324	5 103 149
Corporate	2 783 293	2 662 480	2 583 719	2 448 117
Institution	225 368	224 968	224 253	223 838
Carrying amount	**8 695 607**	**8 331 196**	**8 164 297**	**7 775 104**

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	2013		2012	
	Amount ths. EUR	Portion of total assets %	Amount ths. EUR	Portion of total assets %
Cash and balances at the central bank	39 673	0.34%	18 441	0.16%
Loans and advances to financial institutions	0	0.00%	-	0.00%
Loans and advances to customers	566 306	4.84%	409 218	3.47%
Securities portfolios	3 247 034	27.75%	3 534 668	30.01%
Deferred income tax asset	36 287	0.31%	58 516	0.50%
Total	**3 889 300**	**33.24%**	**3 962 327**	**33.64%**

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	2013	2012
Financial assets at fair value through profit or loss	**6 565**	**6 783**
State bonds denominated in EUR	6 565	6 783
Securities available for sale	**586 334**	**1 193 169**
Treasury bills	-	324 725
Slovak government Eurobonds	583 643	865 574
Companies controlled by the Slovak government	2 691	2 870
Securities held to maturity	**2 654 135**	**2 334 716**
Slovak government Eurobonds	2 605 021	2 303 591
State bonds denominated in EUR	25 539	7 547
Companies controlled by the Slovak government	23 575	23 578
Total	**3 247 034**	**3 534 668**

The sovereign issuer rating of the Slovak Republic according to the international rating agency Standard & Poor's is A with stable outlook (since January 13th 2012).

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 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.

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 2013 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	170 566	65 835	8 479	65 673	14 511	325 063
Amounts owed to customers	6 318 312	770 702	1 699 905	315 905	-	9 104 823
Debt securities in issue	6 326	44 868	101 762	388 506	126 911	668 373
Subordinated debt	-	-	41	132 837	60 106	192 984
Total	**6 495 204**	**881 406**	**1 810 186**	**902 920**	**201 528**	**10 291 243**

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**

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 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 Group and its subsidiaries.

39. 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

Supervising authorities for the Group are National Bank of Slovakia and Austrian Financial Market Authority. Based on their common decision the Group is obliged to maintain capital adequacy at a minimum level of 11% or higher on individual level as well as on consolidated level. This minimum level of capital adequacy is valid from 31.12.2012. As of 31 December 2013 and 2012, the Group has fulfilled the minimum level of capital adequacy. The capital adequacy is defined as a ratio of total capital to 12.5 multiple of the capital requirements defined by the Slovak Banking Act and other related legislation.

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 2013 and 2012 was as follows:

ths. EUR	2013	2012
Tier 1 capital		
Ordinary share capital	212 000	212 000
Capital reserves	118 899	118 899
Retained earnings	739 122	662 364
Non Controlling Interest	3 215	2 766
Less intangible assets	(97 233)	(103 548)
Other regulatory adjustments	(1 741)	(15 458)
Total	**974 262**	**877 023**
Tier 2 capital		
Fair value reserve for available-for-sale equity securities	34 796	34 053
IRB SURPLUS	10 308	7 357
Qualifying subordinated liabilities	163 730	169 350
Total	**208 834**	**210 760**
Deductions from Tier I and Tier II capital	(678)	(678)
Total regulatory capital	**1 182 418**	**1 087 105**

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%).

In 2013, business & strategic risks were incorporated to ICAAP. They are modelled based on deviations of actually realized gross income against the budgeted one.

ICAAP is regularly (quarterly) reported to the Board of Directors. Currently credit, operational, market risk of both trading and banking books, and business & strategic risks 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 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	2013	2012
Guarantees given	334 666	208 602
Guarantees from letters of credit	2 559	320
Loan commitments and undrawn loans	845 635	862 840
Total	**1 182 860**	**1 071 762**

(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-à-vis customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except for trading with clients, where the Group in most cases requires margin deposits.

Derivatives in notional and fair value

2013 ths. EUR	Receivables		Liabilities	
	Notional value	Fair value	Notional value	Fair value
Hedging	16 597	5 119	91 224	18 159
Total hedging instruments	**16 597**	**5 119**	**91 224**	**18 159**
Trading derivatives				
Foreign currency forwards	67 276	2 353	65 313	2 277
Option contracts	329 437	6 255	335 349	8 306
Interest rate swaps (IRS)	503 779	24 099	393 505	22 829
Currency interest rate swaps (CIRS)	171 204	15 841	170 218	15 817
Currency swaps	174 473	2 159	256 195	2 166
Credit derivatives	-	-	50 000	595
Total trading derivatives	**1 246 167**	**50 708**	**1 270 580**	**51 991**
Total	**1 262 764**	**55 827**	**1 361 803**	**70 150**

2012 ths. EUR	Receivables		Liabilities	
	Notional value	Fair value	Notional value	Fair value
Hedging	16 597	6 643	91 224	24 109
Total hedging instruments	**16 597**	**6 643**	**91 224**	**24 109**
Trading derivatives				
Foreign currency forwards	109 949	1 778	109 857	1 707
Option contracts	235 386	1 908	244 322	4 084
Interest rate swaps (IRS)	526 845	58 225	507 069	58 533
Currency interest rate swaps (CIRS)	170 000	1 377	170 000	1 351
Currency swaps	149 496	3 955	102 708	3 472
Credit derivatives		-	50 000	1 660
Total trading derivatives	**1 191 676**	**67 243**	**1 183 956**	**70 807**
Total	**1 208 273**	**73 886**	**1 275 180**	**94 916**

All derivative transactions during 2013 and 2012 were traded on the over-the-counter 'OTC' markets.

(c) Assets pledged as collateral

Liabilities secured by the Group's assets:

ths. EUR	2013	2012
Amounts owed to financial institutions		
repo trade with ECB	-	900 000
Other	27 283	30 351
Total	**27 283**	**930 351**

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

ths. EUR	2013	2012
Securities available for sale		
repo trade with ECB	-	-
Other		
Securities held to maturity		
repo trade with ECB	-	922 525
Other	26 687	25 183
Total	**26 687**	**947 708**

In 2012 the Group pledged in favour of ECB government and corporate bonds. As of 31 December 2012 the Bank used EUR 900 million of this credit line. In the first quarter of 2013 the bank paid back this credit line in full amount.

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 2013	Estimated fair value 2013	Carrying value 2012	Estimated fair value 2012
Financial assets				
Loans and advances to financial institutions	80 132	80 247	289 938	290 476
Loans and advances to customers	7 160 921	6 940 426	6 714 023	6 888 224
Held to maturity securities	2 765 153	3 031 387	2 443 095	2 706 608
Financial liabilities				
Amounts owed to financial institutions	324 358	326 308	1 148 279	1 149 503
Amounts owed to customers and debt securities in issue	9 714 794	9 698 678	8 949 296	8 744 090

Loans and advances to financial institutions

The fair value of current account balances approximates their carrying amount, as the Group's term placements generally reprice 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 2013 ths. EUR	Level 1	Level 2	Level 3	Total
Securities available for sale	619 046	187 947	34 444	841 437
Securities at fair value through profit or loss	10 791	6 629	13 752	31 171
Derivative financial assets	-	50 708	-	50 708
Total assets	**629 836**	**245 284**	**48 196**	**923 317**
Derivative financial liabilities	-	(51 991)	-	(51 991)
Total liabilities	**-**	**(51 991)**	**-**	**(51 991)**

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)**

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

31 December 2013 ths. EUR	Level 1	Level 2	Level 3	Total
Loans and receivables	-	-	6 717 672	6 717 672
Held-to-maturity investments	1 722 853	1 308 534	-	3 031 387
Total assets	**1 722 853**	**1 308 534**	**6 717 672**	**9 749 059**
Deposits	-	-	(9 154 512)	(9 154 512)
Debt securities issued	-	(723 676)	-	(723 676)
Total liabilities	**-**	**(723 676)**	**(9 154 512)**	**(9 878 188)**

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 2012	**33 661**	**13 077**	**-**	**-**
accrued coupon	350	8	-	-
Balance as of 31 Dec 2012	**34 011**	**13 085**	**-**	**-**
Total gains or losses:				
in profit or loss	964	(1 070)	-	-
in other comprehensive income	436	-	-	-
Issues	-	1 800	-	-
Settlements	(967)	(63)	-	-
Transfers into Level 3	-	-	-	-
MV as of 31 Dec 2013	**34 095**	**13 743**	**-**	**-**
accrued coupon	350	8	-	-
Balance as of 31 Dec 2013	**34 444**	**13 752**	**-**	**-**
Total gains /(losses) for the period included in profit or loss for assets/liabilities held at the end of the reporting period	964	(1 070)	-	-

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

42. FINANCIAL ASSETS AND LIABILITIES SUBJECT TO OFFSETTING AND POTENCIAL OFFSETTING AGREEMENTS

Assets ths. EUR	Gross amounts of recognised financial assets	Amounts of financial liabilities set off against financial assets	Net amounts of financial assets in the balance sheet	Potential effects of netting agreements not qualifying for balance sheet offsetting			Net amount after potential offsetting
				Financial instruments	Cash collateral received	Non-cash financial collateral received	
Derivatives	50 708	-	**50 708**	-	-	-	50 708
Reverse repurchase agreements	-	-	-	-	-	-	-
Other financial instruments	-	-	-	-	-	-	-
Total	**50 708**	**-**	**50 708**	**-**	**-**	**-**	**50 708**

Liabilities ths. EUR	Gross amounts of recognised financial liabilities	Amounts of financial assets set off against financial liabilities	Net amounts of financial liabilities in the balance sheet	Potential effects of netting agreements not qualifying for balance sheet offsetting			Net amount after potential offsetting
				Financial instruments	Cash collateral pledged	Non-cash financial collateral pledged	
Derivatives	51 991	-	**51 991**	-	-	-	51 991
Repurchase agreements	27 284	-	**27 284**	-	-	26 768	516
Other financial instruments	-	-	-	-	-	-	-
Total	**79 275**	**-**	**79 275**	**-**	**-**	**26 768**	**52 507**

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	2013			2012		
	Current	Non-current	Total	Current	Non-current	Total
Cash and balances at the central bank	329 978	-	329 978	377 005	-	377 005
Loans and advances to financial institutions	67 651	12 471	80 122	289 938	-	289 938
Loans and advances to customers	1 233 516	6 279 231	7 512 747	1 354 466	5 738 070	7 092 535
Provisions for losses on loans and advances	(6 950)	(344 600)	(351 550)	-	(378 512)	(378 512)
Financial assets at fair value through profit or loss	16 542	65 337	81 879	8 913	89 205	98 118
Securities available for sale	58 425	800 976	859 401	636 300	722 035	1 358 335
Securities held to maturity	134 128	2 630 759	2 764 887	139 474	2 303 621	2 443 095
Investments in associates and other investments	-	24 785	24 785	-	25 141	25 141
Intangible assets	-	97 233	97 233	-	103 548	103 548
Property and equipment	-	205 334	205 334	-	226 130	226 130
Assets held for rental income	-	7 711	7 711	-	8 051	8 051
Current income tax asset	5	-	5	12 826	-	12 826
Deferred income tax asset	-	36 582	-	-	58 523	58 523
Other assets	24 751	25 181	24 751	26 572	36 033	62 605
Total assets	**1 858 046**	**9 841 000**	**11 699 046**	**2 845 494**	**8 931 844**	**11 777 338**
Amounts owed to financial institutions	244 817	79 541	324 358	213 465	934 814	1 148 279
Amounts owed to customers	8 780 241	310 319	9 090 560	7 678 844	733 723	8 412 567
Financial liabilities at fair value through profit or loss	10 727	41 264	51 991	8 138	62 669	70 807
Debt securities in issue	151 599	472 635	624 234	83 513	453 216	536 729
Provisions for liabilities and other provisions	688	23 187	23 875	688	24 180	24 868
Other liabilities	94 061	22 799	116 860	97 661	30 102	127 763
Current income tax	2 612	-	2 612	-	-	-
Deferred income tax liability	-	342	342	-	-	-
Subordinated capital	41	173 000	173 041	80 277	170 991	251 268
Equity		1 291 173	1 291 173	-	1 205 057	1 205 057
Total liabilities	**9 284 786**	**2 414 260**	**11 699 046**	**8 162 586**	**3 614 752**	**11 777 338**

44. SEGMENT REPORTING

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

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 292 branches (status as of 31 December 2013). 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.

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.

2013 ths. EUR	Retail	Local Corporates	Real Estate	ALM	Corporate centre	Core business
Net interest income	308 760	37 207	9 058	69 961	(598)	424 388
Risk provisions for loans and advances	(31 957)	(4 808)	(2 720)	(265)	283	(39 466)
Net fee and commission income	109 581	9 502	599	(1 777)	(11 901)	106 005
Net trading result	2 638	1 041	68	619	988	5 355
General administrative expenses	(198 254)	(19 584)	(1 808)	(2 310)	(17 754)	(239 711)
Other result	(28 928)	(2 234)	(174)	(4 801)	(4 882)	(41 020)
Pre-tax profit	**161 840**	**21 124**	**5 022**	**61 427**	**(33 863)**	**215 551**
Taxes on income	(36 568)	(5 082)	(1 155)	(14 128)	8 451	(48 482)
Non Controlling Interest	-	-	-	-	(456)	(456)
Net profit after Non Controlling Interest	**125 272**	**16 042**	**3 867**	**47 299**	**(25 867)**	**166 612**
Average risk-weighted assets	2 130 698	1 039 214	385 760	83 523	215 955	3 855 150
Average attributed equity	262 556	67 821	39 051	81 173	108 838	559 439
Cost/income ratio	**47.09%**	**41.01%**	**18.60%**	**3.36%**	**(154.25%)**	**44.74%**
ROE based on net profit after Non Controlling Interest[1]	**47.71%**	**23.65%**	**9.90%**	**58.27%**	**(23.77%)**	**29.78%**

2013 ths. EUR	GLC	GCM	Free capital	SLSP group
Net interest income	12 381	5 192	9 627	451 589
Risk provisions for loans and advances	(9 885)	(10)	-	(49 362)
Net fee and commission income	7 249	4 174	-	117 428
Net trading result	195	7 706	-	13 256
General administrative expenses	(3 737)	(5 653)	-	(249 101)
Other result	(923)	(2 543)	-	(44 486)
Pre-tax profit	**5 280**	**8 866**	**9 627**	**239 323**
Taxes on income	(1 214)	(2 039)	(2 214)	(53 950)
Non Controlling Interest	-	-	-	(456)
Net profit after Non Controlling Interest	**4 065**	**6 827**	**7 413**	**184 917**
Average risk-weighted assets	490 228	18 522	-	4 363 900
Average attributed equity	49 932	4 856	608 915	1 223 142
Cost/income ratio	**18.85%**	**33.11%**	**0.00%**	**42.78%**
ROE based on net profit after Non Controlling Interest[1]	**8.14%**	**140.57%**	**1.22%**	**15.12%**

Notes:

[1] ROE = return on equity.

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.

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 642 million and EUR 533 million of assets as at 31 December 2013 and 2012, 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:

	2013		2012	
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	15 643	14 622	225 479	58 509
Loans and advances to customers	-	43 586	-	54 817
Trading assets	5 517	703	29 149	960
Available for sale portfolio	-		-	-
Other assets	5 135	1 232	7 063	1 991
Total	**26 296**	**60 142**	**261 691**	**116 277**
Liabilities				
Amounts owed to financial institutions	77 482	2 738	30 375	1 776
Amounts owed to customers	-	6 049	-	4 784
Debt securities in issue	-	-	65 371	1 408
Trading liabilities	36 192	15 691		
AFS revaluation	-	-	-	-
Other liabilities	637	999	429	554
Subordinated debt	100 041	-	180 181	-
Total	**214 352**	**25 477**	**276 356**	**8 522**

The Group has received a guarantee issued by its sister bank (Ceska sporitelna a.s.) with a maximum value of EUR 100 million (2012: EUR 100 million) covering the Group'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 (2012: EUR 100 million). Another guarantee issued by Ceska sporitelna, a. s. with a maximum value of EUR 18.6 miilion covers exposures towards s_Autoleasing SK, s.r.o.

In 2013, the Group received a bank guarantee provided by its parent bank in the amount of EUR 38.5 million covering exposures towards subsidiaries and other group members (2012: EUR 141 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 (2012: EUR 62 million).

The Group entered into one loan contract with its parent company Erste Group Bank in the amount of EUR 100 million subordinated loan (2012: EUR 180 million) (Note 30).

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

ths. EUR	2013		2012	
	Erste Group Bank	Companies under the control of Erste Group Bank	Erste Group Bank	Companies under the control of Erste Group Bank
Interest income	610	1 849	9 076	5 241
Interest expense	(2 149)	(242)	(3 690)	(455)
Net fees and commissions	108	3 427	69	2 631
Net trading result	4 492	14 071	6 767	(1 268)
General administrative expenses	(628)	(7 660)	(892)	(8 999)
Other operating result	285	1 476	135	2 345
Total	**2 718**	**11 251**	**11 465**	**(505)**

(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	2013	2012
Assets		
Financial assets at fair value through profit or loss	-	-
Securities available for sale	-	-
Total	**-**	**-**
Liabilities		
Amounts owed to financial institutions	31 163	2 286
Total	**31 163**	**2 286**

Income and expenses from the associates include the following:

ths. EUR	2013	2012
Interest income	-	-
Interest expense	(21)	(22)
General administrative expenses	–	–
Total	**(21)**	**(22)**

The Group received dividends from its associates in the amount of EUR 2.9 million in 2013 (2012: EUR 3.0 million).

As at 31. December 2013 the Group owned a share in real estate fund "Sporo realitny fond SPF Y" of Asset Management Slovenskej sporiteľne in the amount of EUR 11.1 mil. (Note 17)

(d) Transactions with key management personnel

Remuneration of members of the Board of Directors and Supervisory Board paid during 2013 amounts to EUR 1.8 million (2012: EUR 2.5 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 2013 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.

Separate Financial Statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union for the Year Ended 31 December 2013

and Independent Auditors' Report

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

Building a better working world

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Independent Auditors' Report

To the Shareholder of Slovenská sporiteľňa, a.s. v skratke SLSP, a.s.:

We have audited the accompanying separate financial statements of Slovenská sporiteľňa, a.s. v skratke SLSP, a.s. ("SLSP"), which comprise the balance sheet as at 31 December 2013, 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 SLSP as at 31 December 2013, 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.

25 February 2014
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 2013

ths. EUR	Note	2013	2012
Interest income		532 690	560 597
Interest expense		(85 361)	(112 272)
Income from investments in subsidiaries, associates and others		3 139	3 184
Net interest and investment income	**5**	**450 468**	**451 509**
Provisions for losses on loans, advances and off-balance sheet credit risks	7	(49 297)	(54 667)
Net interest and investment income after provisions		**401 171**	**396 842**
Fee and commission income		141 200	138 565
Fee and commission expense		(23 557)	(20 305)
Net fee and commission income	**6**	**117 643**	**118 260**
Net trading result	8	13 241	16 179
General administrative expenses	9	(249 002)	(246 862)
Other operating result	10	(41 472)	(51 044)
Profit for the year before income taxes		**241 581**	**233 375**
Income tax expense	11	(53 322)	(48 585)
Net profit for the year after income taxes		**188 259**	**184 790**
Basic and diluted earnings per EUR 1 000 share (EUR)	**31**	**888**	**872**

The notes on pages 135 to 199 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 18 February 2014.

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 2013

ths. EUR	2013	2012
Net profit for the year after income taxes	**188 259**	**184 790**
Available for sale reserves	16 287	68 498
Actuarial gains on defined benefit pension plans	(236)	(199)
Income tax relating to components of other comprehensive income	(3 317)	(14 078)
Other comprehensive (expense)/income for the year after income taxes	**12 734**	**54 221**
Total comprehensive income for the year	**200 993**	**239 011**

The notes on pages 135 to 199 are an integral part of these financial statements.

Separate Balance Sheet

As at 31 December 2013

ths. EUR	Note	2013	2012
ASSETS			
Cash and balances at the central bank	12	329 977	377 004
Loans and advances to financial institutions	13	80 036	289 887
Loans and advances to customers	14	7 559 403	7 145 868
Provisions for losses on financial assets	15	(338 147)	(359 425)
Financial assets at fair value through profit or loss	16	81 997	98 425
Securities available for sale	17	859 401	1 359 994
Securities held to maturity	18	2 764 887	2 443 095
Investments in subsidiaries and associates	19	16 787	12 348
Intangible assets	20	97 231	103 543
Property and equipment	21	130 499	146 915
Investment property	21	2 805	2 809
Current income tax asset	22	-	12 773
Deferred income tax asset	22	36 287	58 516
Other assets	23	43 352	54 111
Total assets		**11 664 515**	**11 745 863**
LIABILITIES AND EQUITY			
Amounts owed to financial institutions	24	324 335	1 148 279
Amounts owed to customers	25	9 101 434	8 427 509
Financial liabilities at fair value through profit or loss	39b	51 991	70 807
Debt securities in issue	26	624 234	536 729
Provisions	27	23 151	24 148
Other liabilities	28	109 849	122 077
Current income tax liability	22	2 042	-
Subordinated debt	29	173 041	251 268
Total liabilities		**10 410 077**	**10 580 817**
Equity	30	1 254 438	1 165 046
Total liabilities and equity		**11 664 515**	**11 745 863**

The notes on pages 135 to 199 are an integral part of these financial statements.

Separate Statement of Changes in Equity

For the Year Ended 31 December 2013

ths. EUR	Share capital	Legal reserve fund	Other Funds	Retained earnings	Hedging reserves	Revaluation reserves	Total
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**
Net profit for the year	-	-	-	188 259	-	-	188 259
Other comprehensive income	-	-	-	-	-	12 734	12 734
Dividends paid	-	-	-	(111 600)	-	-	(111 600)
As at 31 December 2013	**212 000**	**79 795**	**39 326**	**890 115**	**-**	**33 203**	**1 254 438**

The notes on pages 135 to 199 are an integral part of these financial statements.

Separate Statement of Cash Flows

For the Year Ended 31 December 2013

ths. EUR	Note	2013	2012
Cash flows from operating activities			
Profit before income taxes		241 581	233 375
Adjustments for:			
Provisions for losses on loans, advances, off-balance sheet write-offs and unwinding	15	38 177	30 348
Provisions for liabilities and other liabilities		24 643	21 474
Impairment of tangible and intangible assets net	20, 21	163	3 515
Depreciation and amortisation	20, 21	42 656	42 495
Gain on disposal of fixed assets		1 150	651
Transfer of interest for financing activity		19 869	19 423
Net (gain) from investing activities		(110 761)	(109 586)
Impairment of investments in subsidiaries and associates	10	(3 925)	3 515
Cash flows from operations before changes in operating assets and liabilities		**253 554**	**245 210**
(Increase)/decrease in operating assets:			
Minimum reserve deposits with the central bank		(21 232)	(14 064)
Loans and advances to financial institutions		198 919	334 809
Loans and advances to customers		(472 714)	(473 948)
Financial assets at fair value through profit or loss and securities available for sale		516 584	(313 078)
Other assets		10 663	(10 947)
Increase/(decrease) in operating liabilities:			
Amounts owed to financial institutions		(823 944)	(279 146)
Amounts owed to customers		673 925	379 525
Increase/(decrease)in derivative financial instruments (net)		(2 092)	(3 511)
Provision for liabilities and other provisions		(3 303)	(272)
Other liabilities		(34 802)	(27 200)
Net cash flows provided by / (used in) operating activities before income tax		**295 558**	**(162 622)**
Income taxes paid		(19 499)	(51 730)
Net cash flows provided by / (used in) operating activities		**276 059**	**(214 352)**
Cash flows from investing activities			
Purchase of securities held to maturity		(471 196)	(347 620)
Proceeds from securities held to maturity		147 336	469 880
Interest received from securities held to maturity		108 498	102 990
Dividends received from subsidiaries, associates and other investments		3 139	3 184
Purchase of share in subsidiaries and associates		(514)	(3 515)
Proceeds from sale of subsidiaries and associates		-	2 453
Purchase of intangible assets, property and equipment		(25 683)	(33 123)
Proceeds from sale of intangible assets, property and equipment		4 445	2 571
Net cash flows provided by / (used in) investing activities		**(233 975)**	**196 820**
Cash flows from financing activities			
Dividends paid		(111 600)	(77 000)
Drawing of subordinated debt		-	18 415
Repayment of subordinated debt		(80 000)	-
Interest paid on subordinated debt		(3 403)	(4 896)
Issue of the bonds		164 444	207 552
Repayment of the bonds		(43 482)	(39 569)
Interest paid to the holders of the bonds		(48 150)	(11 228)
Net cash flows provided by / (used in) financing activities		**(122 191)**	**93 275**
Effect of foreign exchange rate changes on cash and cash equivalents		926	(459)
Net increase / (decrease) in cash and cash equivalents		**(79 181)**	**75 284**
Cash and cash equivalents at the beginning of the year	**32**	**377 292**	**302 009**
Cash and cash equivalents at the end of the year	**32**	**298 111**	**377 292**

The notes on pages 135 to 199 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 2013

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 2013 the sole 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. Petr Brávek (Member) and Ing. Tomáš Salomon (Member) from July 1, 2013.

Till May 31, 2013 was member of the Board of Directors Mr. Jiří Huml who resigned on his function.

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, a temporary changes (with the consideration of the regulator NBS) in the competences of the Board of Directors members were valid till 30 June 2013 - The Chairman of the Board of Directors, which was responsible for Risk Management, assumed the responsibility for the Retail Banking. The responsibility for the Risk Management passed to the responsibility of the Deputy Chairman of the Board of Directors additionally to his current responsibility for the Finance Management.

Supervisory Board has 6 members. As of 31 December 2013, the members of the Supervisory Board were as follows: Gernot Mittendorfer (Chairman), Franz Hochstrasser (Deputy Chairman from 20 September 2013) who replaced Wolfgang Schopf, Herbert Juranek, Jan Homan, Beatrica Melichárová and Štefan Šipoš as members.

Till August 31, 2013 was Deputy Chairman of the Supervisory Board Mr. Wolfgang Schopf who resigned on his function due to the fact that he was appointed to the Board of Directors another financial institution.

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

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 2012) were signed and authorised for issue on 5 February 2013.

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 2013 on 18 February 2014.

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

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 'Financial assets at fair value through profit or loss', Financial liabilities at fair value through profit or loss Hence, the line item 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 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 'Other Operting Result'. Interest incurred is reported in the line 'Interest 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 'Other operating result'. 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 price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
(i) In the principal market for the asset or liability, or
(ii) In the absence of a principal market, in the most advantageous market for the asset or liability
The principal or the most advantageous market must be accessible to by the Bank.
The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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) and Debit Value Adjustment (DVA) 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 or own credit risk. 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 2013 and 2012
Own buildings and structures	30 years
Rented premises	10 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 2013 and 2012
Core banking system and related applications	8 years
Computer software	4 - 8 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.

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 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 27(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:

- Revaluation of securities at fair value, net: changes in clean price of assets and liabilities designated at fair value through profit or loss are reported here.
- Result from securities – 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 securities 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 40) 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 Bank 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 34 '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 22) 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 new standards or 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:

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

The amendments to IAS 1 introduce a grouping of items presented in OCI. Items that will be reclassified ('recycled') to profit or loss at a future point in time (e.g., net loss or gain on AFS financial assets) have to be presented separately from items that will not be reclassified (e.g., revaluation of land and buildings). The amendments affect presentation only and have no impact on the Bank's financial position or performance.

- IAS 1 Clarification of the requirement for comparative information (Amendment)

These amendments clarify the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The amendments clarify that the opening statement of financial position (as at 1 January 2012 in the case of the Bank), presented as a result of retrospective restatement or reclassification of items in financial statements does not have to be accompanied by comparative information in the related notes. As a result, the Bank has not included comparative information in respect of the opening statement of financial position as at 1 January 2012. The amendments affect presentation only and have no impact on the Bank's financial position or performance.

- 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. The amendments affect presentation only and have no impact on the Bank's financial position or performance.

- 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. IFRS 13 defines fair value as an exit price. As a result of the guidance in IFRS 13, the Bank re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. IFRS 13 also requires additional disclosures.

Application of IFRS 13 has not materially impacted the fair value measurements of the Bank. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined.

- IAS 19 Employee Benefits (Amendment)

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. These amendments have no impact the Bank's financial position or performance. The amendments affect presentation only and have no impact on the Bank's financial position or performance.

Adoption of the following standards, which apply for the first time in 2013, did not have any impact on the accounting policies, financial position or performance of the Bank:

- IFRS 1 Government Loans — Amendments to IFRS 1
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine
- Annual Improvements May 2012

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.

- IFRS 9 Financial Instruments: Classification and Measurement

The IFRS 9 was originally issued in November 2009 and is intended to replace IAS 39 Financial Instruments: Recognition and measurement. The standard introduces new requirements for classifying and measuring financial assets and liabilities. In October 2010 the IASB added to IFRS 9 the requirements for classification and measurement of financial liabilities and derecognition of financial assets and liabilities. Most of the requirements in IAS 39 for classification and measurement of financial liabilities and derecognition of financial assets and liabilities were carried forward unchanged to IFRS 9. The standard eliminates categories of financial instruments currently existing in IAS 39: available-for-sale and held-to-maturity. According to IFRS 9 all financial assets and liabilities are initially recognized at fair value plus transaction costs.

Financial assets

Debt instruments may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if:

- The asset is held within a business model that has the objective to hold the assets to collect the contractual cash flows

and

- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding.

All other debt instruments, where the above mentioned conditions are not met, are subsequently measured at fair value.

All equity investment financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity instruments held for trading must be measured at fair value through profit or loss. Entities have an irrevocable choice of recognizing changes in fair value either in OCI or profit or loss by instrument for all other equity investment financial assets.

Financial liabilities

For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss.

Hedge accounting

a new chapter on hedge accounting has been added to IFRS 9. This represents a major overhaul of hedge accounting and puts in place a new model that introduces significant improvements principally by aligning the accounting more closely with risk management. There are also improvements to the disclosures about hedge accounting and risk management.

The standard does not currently indicate the mandatory effective date. The IASB decided to defer the mandatory effective date of IFRS 9 until the date of the completed version of IFRS 9 is known. The standard has not yet been endorsed by EU.

The adoption of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets and liabilities. The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

- 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.

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:

- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Involvement with Other Entities
- IAS 27 Separate Financial Statements (as revised in 2011)
- IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)
- Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36 Impairment of Assets
- IAS 39 Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39
- IFRIC Interpretation 21 Levies (IFRIC 21)
- IAS 19 Defined Benefit Plans: Employee Contributions
- Annual Improvements to IFRSs 2010–2012 Cycle
- Annual Improvements to IFRSs 2011–2013 Cycle

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	2013	2012
Interest income from:		
Loans and advances to financial institutions	1 997	11 812
Loans and advances to customers	403 038	407 723
Financial assets at fair value through profit and loss	908	3 455
Securities available for sale	19 890	29 388
Securities held to maturity	106 696	108 041
Other interest income and similar income	161	178
Total interest income	**532 690**	**560 597**
Interest expense for:		
Amounts owed to financial institutions	(2 064)	(9 791)
Amounts owed to customers	(63 428)	(83 058)
Debts securities in issue	(14 693)	(13 256)
Subordinated debt	(5 176)	(6 167)
Total interest expenses	**(85 361)**	**(112 272)**
Net interest income	**447 329**	**448 325**
Income from investments in subsidiaries, associates and others	3 139	3 184
Net interest and investment income	**450 468**	**451 509**

In 2013, interest income includes a total of EUR 6.2 million (2012: EUR 8 million) relating to impaired financial assets.

Income from investments in subsidiaries, associates and other investments

Company	2013 ths. EUR	2012 ths. EUR
Prvá stavebná sporiteľňa, a.s. (PSS)	2 900	2 987
Poisťovňa Slovenskej sporiteľne, a.s.	173	139
Procurement Services SK	23	24
IT Solutions SK, spol. s r.o	-	13
Visa Inc	10	5
Mastercard Incorporated	33	16
Total	**3 139**	**3 184**

6. NET FEE AND COMMISSION INCOME

ths. EUR	2013	2012
Fee and commission income from:		
Payment transfers	96 779	91 178
Lending business	26 974	31 314
Securities	6 182	5 275
Other fees	11 265	10 798
Total fee and commission income	**141 200**	**138 565**
Fee and commission expense for:		
Payment transfers	(18 284)	(15 449)
Lending business	(3 955)	(3 452)
Securities	(704)	(842)
Other fees	(614)	(562)
Total fee and commission expense	**(23 557)**	**(20 305)**
Net fee and commission income	**117 643**	**118 260**

7. PROVISIONS FOR LOSSES ON LOANS, ADVANCES AND OFF BALANCE SHEET CREDIT RISKS

ths. EUR	2013	2012
Provisioning charges for:		
Specific risk provisions	(81 282)	(135 479)
Portfolio risk provisions	(15 397)	(39 921)
Total provisioning charges	**(96 679)**	**(175 400)**
Release of provisions		
Specific risk provisions	27 303	81 375
Portfolio risk provisions	25 010	48 431
Total release of provisions	**52 313**	**129 806**
Net provisions for losses on loans and advances (Note 15)	**(44 366)**	**(45 594)**
Direct write offs / Recoveries of loans written off	(2 750)	(9 390)
Net creation of provisions for off-balance risks	(2 181)	317
Net provisions	**(49 297)**	**(54 667)**

8. NET TRADING RESULT

ths. EUR	2013	2012
Foreign exchange and currency derivatives	5 700	5 555
Interest derivatives	2 482	(1 960)
Trading securities gains	3 664	7 048
Other gains/(losses)	224	451
Credit risk instruments and related derivatives	1 171	5 085
Total	**13 241**	**16 179**

The line Trading securities gains and Foreign exchange and currency derivatives 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	2013	2012
Personnel expenses		
Wages and salaries	(76 211)	(75 321)
Social security expenses	(25 863)	(25 335)
Long term employee benefits	(432)	(419)
Other personnel expenses	(2 726)	(2 539)
Total personnel expenses	**(105 232)**	**(103 614)**
Other administrative expenses		
Data processing expenses	(42 569)	(40 841)
Building maintenance and rent	(28 116)	(29 723)
Costs of bank operations	(12 269)	(12 391)
Advertising and marketing	(13 346)	(13 168)
Legal fees and consultation	(2 343)	(2 023)
Expenses for personal leasing	(7)	(93)
Other administrative expenses	(2 463)	(2 514)
Total other administrative expenses	**(101 113)**	**(100 753)**
Depreciation		
Amortisation of intangible assets	(21 055)	(25 950)
Depreciation	(21 602)	(16 545)
Total depreciation, amortization	**(42 657)**	**(42 495)**
Total	**(249 002)**	**(246 862)**

The average number of employees in the Bank was 3 804 in 2013 and 3 871 in 2012, 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	2013	2012
Audit of statutory financial statements	(243)	(243)
Audit of group reporting	(243)	(243)
Other related services provided to bank	(121)	(121)
Total	**(607)**	**(607)**

10. OTHER OPERATING RESULT

ths. EUR	2013	2012
Revaluation of securities at fair value, net	(1 653)	(1 783)
Result from securities available-for-sale	1 695	(457)
Result from securities held to maturity	354	2 114
Net gain from disposal of subsidiaries and associates	-	(1 180)
Impairment of investments in subsidiaries and associates net	3 925	(3 515)
Contribution to Deposit protection fund	-	(6 673)
Special Levy of selected financial institutions	(41 234)	(31 507)
Other operating result	(4 559)	(8 043)
Total other operating result	**(41 472)**	**(51 044)**

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 Z.z.. 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 consisted of the banks' liabilities less the bank's equity and subordinated debt. The rate and the conditions remained unchanged and was valid throughout 2013. Additionally, the Bank was obliged to pay one special contribution of 0.1% from the base for the contribution calculated according to the audited separate financial statements as of 31.12.2011.

For the net effect of creation/release of provision for legal cases see note 27.

11. INCOME TAX EXPENSE

ths. EUR	2013	2012
Current tax expense	34 410	38 574
Deferred tax expense/ (income) (note 23)	18 912	10 011
Total	**53 322**	**48 585**

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:

	2013 (ths. EUR)	2013 %	2012 (ths. EUR)	2012 %
Profit before tax	**241 581**		**233 375**	
Theoretical tax at income tax rate of 23%	**55 564**	**23.0**	**44 341**	**19.0**
Tax effect of expenses that are not deductible:	4 688	1.9	17 246	7.4
Total tax effect of expenses that are not deductible in determining taxable profit	**4 688**	**1.9**	**17 246**	**7.4**
Tax effect of tax-exempt revenues:	(3 933)	(1.6)	(1 762)	(0.8)
Tax effect of revenues that are deductible in determining taxable profit	**(3 933)**	**(1.6)**	**(1 762)**	**(0.8)**
Other changes with the impact on theoretical tax:				
- change in statutory tax rate (4%)	-	-	(11 240)	(4.8)
- change in statutory tax rate (1%)	2 078	0.9	-	-
- tax expense/income attributable to prior period(s)	(5 074)	(2.1)	-	-
Tax effect	**(2 996)**	**(1.2)**	**(11 240)**	**(4.8)**
Tax expense and effective tax rate for the year	**53 322**	**22.10**	**48 585**	**20.80**

12. CASH AND BALANCES AT THE CENTRAL BANK

ths. EUR	2013	2012
Cash balances	290 304	358 563
Minimum reserve deposit with NBS	39 673	18 441
Total	**329 977**	**377 004**

The minimum reserve deposit represents a mandatory deposit (bearing 1% interest as of 31 December 2013; 2012: 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 92.6 million (2012: EUR 124 million).

13. LOANS AND ADVANCES TO FINANCIAL INSTITUTIONS

ths. EUR	2013	2012
Loans and advances on demand (nostro accounts)	7 807	18 729
Placements with financial institutions	72 239	271 158
Loans and advances to Financial institutions, gross	**80 046**	**289 887**
Provisions for impairment (note 15)	(10)	-
Total	**80 036**	**289 887**

At the end of 2012 there were reverse repurchase agreements with Erste Group in the amount EUR 210 million collateralized by securities issued by financial institutions in the market value of EUR 271.9 million. The nominal value was EUR 275.7 million. At the end of 2013 there were no reverse repurchase agreements.

The recorded amounts represent the maximum exposure to credit risk.

14. LOANS AND ADVANCES TO CUSTOMERS

ths. EUR	2013	2012
Corporate clients	2 229 859	2 124 802
Syndicated loans	410 322	284 352
Overdrafts	367 326	376 339
Direct provided loans	1 452 211	1 464 111
Retail clients	5 092 033	4 797 517
Mortgage loans	4 002 658	3 702 870
Consumer loans	1 001 990	998 499
Social loans	2 428	4 108
Overdrafts	84 957	92 040
Public sector	237 511	223 549
Total	**7 559 403**	**7 145 868**
Provisions for impairment (Note 15)	(338 147)	(359 425)
Total	**7 221 256**	**6 786 443**

As at 31 December 2013, the 15 largest customers accounted for 9.8% of the gross loan portfolio in the amount of EUR 737.8 million (2012: 9.1%, EUR 651.3 million).

Mandate loans

As of 31 December 2013, the Bank cooperated with 8 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 132.7 million as of 31 December 2013 (2012: 185.1 EUR million).

Write off and sale of receivables

In 2013, the Bank sold a total of EUR 46 million of loan receivables (2012: EUR 69.64 million) for a consideration of EUR 10.6 million (2012: EUR 32.7 million), and used corresponding provisions of EUR 34 million (2012: EUR 34.33 million).

The Bank has also written off loans with a carrying amount of EUR 27.7 million, related provisions were created in the amount EUR 25.2 million (2012: written off loans in the amount of EUR 31.15 million, provisions were created in the amount EUR 23.47 million).

15. PROVISIONS FOR LOSSES ON FINANCIAL ASSETS

ths. EUR	2013 Loans and advances to financial institutions	Loans and advances to customers	Securities held to maturity	Total
As at 1 January	-	359 425	-	359 425
Net allocation / (release) of provisions (excluding effect of unwinding)	10	44 090	266	44 366
Use of provisions due to sale and write-off of receivables and other adjustments	-	(59 179)	-	(59 179)
Transfer	-	-	-	-
Unwinding of discount on provisions	-	(6 189)	-	(6 189)
As at 31 December	**10**	**338 147**	**266**	**338 423**

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 unwind)	-	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**

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 and is presented as interest income.

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

ths. EUR	2013	2012
Trading assets		
Financial derivatives with positive fair value (Note 39b)	50 826	67 550
Interest Rate Agreements	24 982	59 027
Exchange Rate Agreements	20 613	4 832
Other	5 231	3 691
	50 826	67 550
Assets classified at fair value at acquisition		
Credit investments	28	10
Debt securities and participation certificates	31 143	30 865
	31 171	30 875
Total	**81 997**	**98 425**

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	2013	2012
State institutions in Slovak Republic	6 565	6 783
Financial institutions in the Slovak Republic	11 131	10 209
Foreign state institutions	4 226	4 454
Foreign financial institutions	1 462	1 693
Other entities in the Slovak Republic	1 158	1 184
Other foreign entities	6 601	6 542
Total	**31 143**	**30 865**

17. SECURITIES AVAILABLE FOR SALE

ths. EUR	2013	2012
Debt securities and other fixed income securities – listed	841 437	1 350 847
Equity securities – shares	17 964	9 147
Listed	17 283	8 466
Unlisted	681	681
Net amount	**859 401**	**1 359 994**

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	2013	2012
State institutions in the Slovak Republic	583 643	1 190 299
Financial institutions in the Slovak Republic	67 201	63 985
Foreign state institutions	35 402	44 416
Foreign financial institutions	31 986	30 545
Other entities in the Slovak Republic	123 205	21 602
Total	**841 437**	**1 350 847**

Fair value hedge

The Bank has in its portfolio as at 31 December 2013 fixed rate EUR denominated bonds with face value of EUR 91 million (2012: 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 39.

During the period, hedges were effective in hedging the fair value exposure to interest rate movements. For the year ended 31 December 2013, the Bank recognised a net gain of EUR 5.97 million (2012: loss of EUR 7.02 million), representing the loss on the hedging instruments. The total loss on hedged item attributable to the hedged risk amounted to a loss of EUR 5.84 million (2012: gain of EUR 6.84 million).

18. SECURITIES HELD TO MATURITY

ths. EUR	2013	2012
Debt securities and other fixed income securities – listed	2 765 153	2 443 095
Provisions for impairment (note 15)	(266)	-
Total	**2 764 887**	**2 443 095**

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	2013	2012
State institutions in the Slovak Republic	2 630 797	2 311 138
Financial institutions in the Slovak Republic	10 188	2 064
Foreign state institutions	57 257	62 706
Foreign financial institutions	42 725	43 004
Other entities in the Slovak Republic	23 578	23 578
Other foreign entities	608	605
Total	**2 765 153**	**2 443 095**

19. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

ths. EUR	2013	2012
Investment in subsidiaries	15 690	11 251
Investment in associates	1 097	1 097
Total	**16 787**	**12 348**

During 2013, the Bank received dividends from participations in the amount of EUR 3.1 million (2012: EUR 3.2 million) see note 5.

During 2012 the Bank increased its investment in subsidiary Leasing Slovenskej sporiteľne, a.s. and became 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/release of impairment are recognized in 'Other operating result' (note 10) of the Income statement.

	Cost ths. EUR		Impairment ths. EUR		Net book value ths. EUR	
Company	2013	2012	2013	2012	2013	2012
Realitná spoločnosť Slovenskej sporiteľne, a.s.	13 679	13 679	(9 304)	(13 679)	4 375	-
Leasing Slovenskej sporiteľne, a.s.	36 967	36 967	(36 967)	(36 967)	-	-
Factoring Slovenskej sporiteľne, a.s.	9 510	9 060	(9 510)	(9 060)	-	-
Derop B.V.	11 308	11 244	-	-	11 308	11 244
Erste Group IT SK, spol. s r.o.	3	3	-	-	3	4
Procurement Services SK, s.r.o.	3	3	-	-	3	4
Subsidiaries	**71 470**	**70 956**	**(55 781)**	**(59 706)**	**15 689**	**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.	-	-	-	-	-	-
Associates	**3 505**	**3 505**	**(2 409)**	**(2 409)**	**1 096**	**1 096**
Total	**74 975**	**74 461**	**(58 190)**	**(62 115)**	**16 785**	**12 348**

	Impairment provision on subsidiaries		Impairment provisions on Associates		TOTAL	
ths. EUR	2013	2012	2013	2012	2013	2012
As at 1 January	59 706	58 906	2 409	21 454	62 115	80 360
Allocation	450	800	-	2 715	450	3 515
Release	(4 375)	-	-	–	(4 375)	-
Transfer	-	-	-	7 200	-	7 200
Use/Realized (gains)-losses	-	-	-	(28 960)	-	(28 960)
As at 31 December	**55 781**	**59 706**	**2 409**	**2 409**	**58 190**	**62 115**

(a) Investment in subsidiaries

Name of the company	Registered office	Principal activity	Bank interest (%) 2013	Bank voting rights (%) 2013
Realitná spoločnosť Slovenskej sporiteľne, a. s.	Tomášikova 48 832 37 Bratislava Slovak Republic	Real estate agency	100.00	100.00
Leasing Slovenskej sporiteľne, a. s.	Tomášikova 48 832 37 Bratislava Slovak Republic	Financial and operating leasing	100.00	100.00
Factoring Slovenskej sporiteľne, a. s.	Tomášikova 48 832 37 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 48 832 37 Bratislava Slovak Republic	IT services and IT systems maintenance	51.00	51.00
Procurement Services SK, s. r. o.	Tomášikova 48 832 37 Bratislava Slovak Republic	Procurement	51.00	51.00

2013 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	4 375	6 238	5 929	999	783
Leasing Slovenskej sporiteľne, a.s.	100.00	100.00	-	22 786	5 504	3 082	3 310
Factoring Slovenskej sporiteľne, a.s.	100.00	100.00	-	26 323	21	1 546	2 286
Derop B.V.	85.00	85.00	11 309	10 479	10 472	-	21
Erste Group IT SK, spol. s r.o..	51.00	51.00	3	9 278	1 446	19 737	18 944
Procurement Services SK, s.r.o.	51.00	51.00	3	416	57	1 291	1 250
Total			**15 690**				

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**				

(b) Investment in associates

Name of the company	Registered office	Principal activity	Bank interest (%) 2013	Bank voting rights (%) 2013
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

2013 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	2 355 313	247 748	131 431	95 518
Slovak Banking Credit Bureau, s. r. o.	33.33	33.33	3	118	115	1 343	1 357
s IT Solutions SK, spol. s r. o.	23.50	23.50	-	509	507	15	24
Total			**1 097**				

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**				

The Bank held a 9.98% shareholding in Prvá stavebná sporiteľňa, a.s. (PSS) at 31 December 2013 and 31 December 2012. 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 2013	**298 857**	**2 869**	**301 726**
Additions	14 470	472	**14 942**
Disposals	(83 209)	(246)	**(83 455)**
Transfers	-	-	-
31 December 2013	**230 118**	**3 095**	**233 213**
Accumulated amortisation and impairment			
1 January 2013	**(195 797)**	**(2 385)**	**(198 183)**
Amortisation	(20 855)	(200)	(21 055)
Disposals	83 009	247	**83 256**
Provision for impairment	-	-	-
Transfers	-	-	-
31 December 2013	**(133 643)**	**(2 338)**	**(135 982)**
Net book value			
31 December 2012	**103 060**	**484**	**103 543**
31 December 2013	**96 475**	**757**	**97 231**

The original cost of fully amortized intangible assets that are still in use by the Bank amounts to EUR 71 million (2012: EUR 152 million). In 2013 the bank disposed the old core banking system in the amount of EUR 83.2 million.

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**

In 2013 the Bank put in use upgrade of the new core banking system in the total amount of EUR 10.9 million.(upgrade was put in use quarterly and amount of EUR 0.4 million will be put in use in 2014).

Assets not yet put in service as of 31 December 2013 amounted to EUR 1.6 million. In 2012 the asset not yet put in service in the amount of EUR 1.9 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 2013	**214 356**	**130 074**	**344 430**	**5 833**
Additions	4 601	6 131	10 732	-
Disposals	(9 180)	(14 131)	(23 311)	(14)
Transfers	(259)	-	(259)	259
31 December 2013	**209 518**	**122 074**	**331 592**	**6 078**
Accumulated depreciation and impairment				
1 January 2013	**(90 020)**	**(107 495)**	**(197 515)**	**(3 024)**
Depreciation	(12 945)	(8 657)	(21 602)	(197)
Disposals	4 051	14 074	18 125	10
Provisions for impairment	(164)	-	(164)	1
Transfers	63	-	63	(63)
31 December 2013	**(99 015)**	**(102 078)**	**(201 093)**	**(3 273)**
Net book value				
31 December 2012	**124 336**	**22 579**	**146 915**	**2 809**
31 December 2013	**110 503**	**19 996**	**130 499**	**2 805**

The original cost of property and equipment that is fully depreciated but still in use by the Bank as of 31 December 2013 amounts to EUR 83.9 million (2012: EUR 87 million).

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**

Operating leases

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

Outstanding commitments from operating leases	2013 ths. EUR	2012 ths. EUR
Payable in period:		
- Less than 1 year	387	369
- From 1 year to 5 years	1 317	1 208
- Over 5 years	207	262
Operating leasing payments recognised as expense in the period	369	331

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 3.2 million (net of impairment, EUR 387.5 thousand) as at 31 December 2013 (2012: EUR 2.8 million net of impairment of EUR 389 thousand). Total rental income earned by the Bank amounted to EUR 358.1 thousand (2012: EUR 368 thousand) and is presented as 'Interest income'. The depreciation of assets held for rental income is presented under 'Interest income' and amounted to EUR 196.6 thousand (2012: EUR 190 thousand).

The estimated fair value of investment property as at 31 December 2013 was EUR 2.4 million (2012: EUR 2.4 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. INCOME TAX ASSETS AND LIABILITIES

The structure of the tax position as at 31 December 2013 and 31 December 2012 was as follows:

ths. EUR	2013	2012
Deferred income tax asset	36 287	58 516
Current income tax asset	-	12 773
Total income tax assets	**36 287**	**71 289**
Current income tax liability	2 042	-
Total income tax liabilities	**2 042**	**-**

Deferred tax booked	directly to equity		to Income Statement						
ths. EUR	Securities available for sale	Cash flow hedges	Provisions for losses on loans advances	Securities	Property and equipment	Provisions	Associates and other investm	Other	Total
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**
Charge / (credit) to equity for the year	(3 315)	-	-	-	-	-	-	-	(3 315)
Charge / (credit) to Income Statement for the year	-	-	(23 972)	(11)	1 210	370	-	3 490	(18 913)
Transferred from equity to Income Statement	(2)	-	-	-	-	-	-	-	(2)
31 December 2013	**(9 430)**	**-**	**40 296**	**(11)**	**(2 773)**	**3 717**	**243**	**4 245**	**36 287**

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.

23. OTHER ASSETS

ths. EUR	2013	2012
Hedging derivatives and revaluation of hedged items	23 275	30 641
Customers, advances, reinvoiced amounts and prepayments	15 658	19 625
Material and inventories	253	314
Payment cards and cheques	144	12
Other	4 022	3 519
Total	**43 352**	**54 111**

24. AMOUNTS OWED TO FINANCIAL INSTITUTIONS

ths. EUR	2013	2012
Amounts owed on demand	3 036	4 840
Repo trades with debt securities (note 39c)	27 284	938 670
Term deposits and clearing	294 015	204 769
Total	**324 335**	**1 148 279**

25. AMOUNTS OWED TO CUSTOMERS

ths. EUR	2013	2012
Amounts owed on demand	3 835 972	3 423 924
Savings deposits	1 341 101	891 636
Term deposits	3 924 361	4 111 949
Total	**9 101 434**	**8 427 509**

Savings deposits are deposits with a defined manipulation period of, term deposits have a defined maturity date. Savings deposits usually remain in place longer then the defined manipulation period.

ths. EUR	2013	2012
Savings deposits	1 341 101	891 636
Term deposits and amounts owed on demand:		
Corporate clients	1 679 360	1 637 143
Retail clients	5 596 385	5 687 581
Public sector	248 099	40 289
Other	236 489	170 860
Total	**9 101 434**	**8 427 509**

As at 31 December 2013 and 31 December 2012, no amounts owed to clients were collateralised by securities.

As at 31 December 2013, amounts owed to customers include special guaranteed deposits in the amount of EUR 1.3 million (2012: EUR 16.9 million). These contracts include embedded currency, commodity and equity derivatives in the FV of EUR 0 (2012: EUR 19 098) 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'.

26. DEBT SECURITIES IN ISSUE

Bonds in issue are presented in the following table:

	Date of issue	Maturity date	Actual interest rate	2013 ths. EUR	2012 ths. EUR
Mortgage bonds	March 2006	March 2016	6M BRIBOR+0.09%	16 615	16 620
Mortgage bonds	July 2007	July 2027	4.95%	16 950	16 946
Mortgage bonds	April 2008	April 2021	5.00%	17 126	17 118
Other bonds	May 2009	May 2013	3M EURIBOR	-	4 478
Mortgage bonds	July 2009	January 2013	3.50%	-	9 870
Mortgage bonds	August 2009	August 2013	3.60%	-	9 711
Mortgage bonds	August 2009	August 2013	3.60%	-	9 757
Mortgage bonds	October 2009	October 2013	3.30%	-	12 105
Mortgage bonds	December 2009	December 2013	3.50%	-	14 742
Mortgage bonds	December 2009	December 2013	3.50%	-	4 893
Other bonds	August 2012	August 2013	7.00%	-	3 188
Other bonds	September 2012	September 2013	6.50%	-	4 850
Other bonds	November 2012	November 2013	7.00%	-	4 811
Mortgage bonds	January 2010	January 2014	3.50%	5 939	5 973
Mortgage bonds	February 2010	February 2015	3.62%	2 162	2 162
Mortgage bonds	March 2010	March 2014	3.30%	10 621	10 635
Mortgage bonds	March 2010	March 2015	6M EURIBOR+0.95%	20 081	20 093
Mortgage bonds	April 2010	April 2015	3.50%	9 654	9 664
Mortgage bonds	May 2010	May 2014	2.80%	7 587	7 587
Mortgage bonds	July 2010	July 2015	3.10%	15 147	15 146
Mortgage bonds	July 2010	July 2015	6M EURIBOR+1.00%	10 007	10 023
Mortgage bonds	August 2010	August 2015	3.09%	17 185	17 184
Mortgage bonds	September 2010	September 2014	2.80%	9 768	9 785
Mortgage bonds	October 2010	October 2014	2.35%	9 902	9 916
Mortgage bonds	November 2010	November 2015	2.65%	9 874	9 881
Other bonds	December 2010	December 2015	2.00%	2 883	2 936
Mortgage bonds	March 2011	September 2014	3.00%	8 257	8 261
Mortgage bonds	February 2011	August 2015	2.95%	9 932	9 940
Mortgage bonds	March 2011	September 2014	3.00%	14 554	14 606
Mortgage bonds	February 2011	August 2017	3.55%	2 586	2 585
Mortgage bonds	March 2011	March 2016	3.10%	14 890	14 920
Other bonds	March 2011	March 2017	3.65%	2 523	2 523
Mortgage bonds	June 2011	June 2015	3.20%	7 694	7 704
Mortgage bonds	July 2011	July 2016	3.20%	2 530	2 531
Mortgage bonds	August 2011	February 2016	3.20%	5 402	5 408
Mortgage bonds	December 2011	December 2016	3.50%	6 350	6 352
Mortgage bonds	February 2012	February 2015	KOMB	3 446	3 437
Mortgage bonds	February 2012	February 2016	3.70%	8 986	8 996
Mortgage bonds	February 2012	February 2014	3.28%	20 589	20 590
Mortgage bonds	January 2012	July 2016	3.70%	6 262	6 269
Mortgage bonds	June 2012	December 2016	2.85%	2 792	2 792
Mortgage bonds	May 2012	May 2017	3.3%	35 767	35 767
Mortgage bonds	June 2012	June 2017	2.92%	20 323	20 323
Mortgage bonds	July 2012	January 2017	2.88%	8 124	8 121
Mortgage bonds	August 2012	August 2014	1.25%	40 190	40 189
Mortgage bonds	September 2012	March 2015	1.40%	20 085	20 084
Mortgage bonds	September 2012	September 2018	2.85%	10 071	10 072
Mortgage bonds	October 2012	October 2017	1.95%	15 050	15 050
Other bonds	December 2012	December 2018	2.00%	2 121	2 121
Mortgage bonds	December 2012	December 2019	2.50%	3 304	3 304
Mortgage bonds	January 2013	January 2025	3.10%	4 412	-
Mortgage bonds	February 2013	August 2016	1.15%	12 058	-
Mortgage bonds	February 2013	February 2019	2.30%	5 042	-
Mortgage bonds	February 2013	February 2018	1.75%	23 354	-
Mortgage bonds	March 2013	March 2019	2.30%	5 034	-
Mortgage bonds	April 2013	April 2019	2.30%	5 025	-
Mortgage bonds	June 2013	December 2019	2.00%	4 189	-
Mortgage bonds	June 2013	June 2028	3.00%	6 615	-
Mortgage bonds	June 2013	December 2015	0.90%	9 970	-
Mortgage bonds	July 2013	January 2020	2.00%	2 256	-
Mortgage bonds	August 2013	August 2019	2.00%	2 595	-
Mortgage bonds	August 2013	August 2019	2.00%	4 340	-
Mortgage bonds	September 2013	September 2019	2.00%	6 530	-
Mortgage bonds	October 2013	October 2019	2.00%	5 954	-
Mortgage bonds	November 2013	November 2019	2.00%	6 713	-
Mortgage bonds	December 2013	December 2019	2.00%	9 711	-
Mortgage bonds	December 2013	December 2019	2.05%	3 504	-
Mortgage bonds	December 2013	December 2018	0.83%	30 010	-
Other bonds*	November 2009	November 2014	3.20%	4 679	4 710
Other bonds	December 2013	December 2016	3.00%	1 423	-
Other bonds	December 2013	December 2019	1.50%	658	-
Other bonds	February 2013	February 2014	5.50%	4 749	-
Other bonds	February 2013	February 2014	5.50%	2 640	-
Other bonds	February 2013	February 2014	5.50%	4 429	-
Other bonds	July 2013	July 2014	5.50%	1 158	-
Other bonds	August 2013	August 2016	4.50%	579	-
Other bonds	August 2013	August 2014	5.50%	1 331	-
Other bonds	October 2013	October 2014	5.50%	636	-
Other bonds	October 2013	October 2016	4.50%	587	-
Other bonds	December 2013	December 2018	5.00%	724	-
Total				**624 234**	**536 729**

*change in presentation of own issues

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

As at 31 December 2013, debt securities in issue include embedded derivatives (shares and commodities) in the amount of EUR 3.926 million (2012: EUR 865 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 39.

During the period, the hedge was effective in the hedging of fair value exposure to interest rate movements. For the year ended 31 December 2013, the Bank recognised a net loss of EUR 1.6 million (2012: gain of EUR 1.5 million), representing the loss on the hedging instruments. The total gain on hedged items attributable to hedged risk amounted to EUR 1.5 million (2012: loss of EUR 1.4 million).

27. PROVISIONS

ths. EUR	2012	Additions	Use	Reversals	Other changes	2013
Provision for off-balance sheet items	10 681	15 424	-	(13 242)	(2)	12 861
Interest bearing deposit products	298	-	-	-	-	298
Legal cases	9 699	691	(3 301)	(1 039)		6 050
Employee benefit provisions	3 470	476	(197)	193	-	3 942
Total	**24 148**	**16 591**	**(3 498)**	**(14 088)**	**(2)**	**23 151**

(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. Effect of discount is reflected in the calculation using actual market interest rates.

(b) Provision for legal cases

The Bank conducted a review of legal proceedings outstanding against it as at 31 December 2013. 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 0.7 million for existing cases and released a provision in the amount of EUR 1 million. The Bank settled certain cases and used the related provision of EUR 3.3 million. Effect of discount is considered immaterial.

The net creation of provisions for legal cases of EUR 0.35 million is reported under 'Other operating result' in the Income Statement (2012: net creation of EUR 0.66 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 2013 there were 3 796 employees at the Bank covered by this program (2012: 3 841 employees).

During the year ending 31 December 2013, the actuarial calculation based on the projected unit credit method was performed resulting in the final employee benefit obligation in the amount of EUR 3 942 thousand (2012: EUR 3 470 thousand).

The amounts recognised in the balance sheet and Income Statement as at 31 December 2013 are as follows:

ths. EUR	Pension provisions	Jubilee provisions	Total long-term provisions
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**
New commitments from acquisitions of companies			
Service costs	175	213	388
Interest costs	41	47	88
Payments	(49)	(148)	(197)
Actuarial (gains)	236	(43)	193
Long-term employee provisions at 31 December 2013	**2 040**	**1 902**	**3 942**

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.

	2013	2012
Real annual discount rate	2.72%	2.51%
Annual future real rate of salary increases	0.00%	0.00%
Annual employee turnover	0.00 % – 24.44%	0.00 % – 20.77%
Retirement age	62 years	62 years

28. OTHER LIABILITIES

ths. EUR	2013	2012
Other short-term payables to customers related to money transfer	34 020	32 989
Employees, HR reserves, Social fund	19 746	20 253
Suppliers (including accruals)	8 883	8 962
Other payables (customers clearing)	10 171	13 888
Securities settlement	7 388	4 226
State budget, SHI, taxes	4 750	9 828
Other	1 922	1 549
Fair value of hedging instruments and revaluation of hedged items	22 969	30 382
Total	**109 849**	**122 077**

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

ths. EUR	2013	2012
As at 1 January	392	366
Additions	1 473	1 732
Drawings	(1 652)	(1 706)
As at 31 December	**213**	**392**

29. SUBORDINATED DEBT

	Date of issue/ drawdown	Maturity date	Interest rate	2013	2012
Other bonds	June 2010	June 2015	3.80%	5 099	5 099
Other bonds*	August 2010	August 2020	4.30%	11 096	10 660
Other bonds*	June 2011	June 2018	4.90%	6 706	6 731
Other bonds	June 2011	June 2018	4.90%	6 611	6 610
Other bonds*	August 2011	August 2021	4.30%	10 610	10 182
Other bonds*	October 2011	October 2018	4.70%	5 013	5 053
Other bonds*	November 2011	November 2023	4.43%	4 299	4 117
Other bonds*	December 2011	December 2018	4.82%	3 818	3 839
Other bonds*	June 2012	June 2022	5.50%	11 074	10 497
Other bonds*	November 2012	November 2022	4.23%	8 674	8 299
Total				**73 000**	**71 087**
Subordinated loan	February 2007	December 2016	3M/6M Euribor	100 041	100 035
Subordinated loan	August 2008	August 2013	3M Euribor	-	80 146
Total				**100 041**	**180 181**
Net debt securities in issue				**173 041**	**251 268**

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, 2013 was EUR 1.98 million (2012: value was EUR 1.87 million).

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

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30. EQUITY

Share capital

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

Nominal value	2013		2012	
	Number of shares	ths. EUR	Number of shares	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 proposed distribution of profit is shown in the following table:

Dividends per share	Attributable from the profit for the year	
	2013*	2012
Profit of the year	188 259	184 790
Transfer to retained earnings	-	73 190
Dividends paid to shareholder from profit for the year	188 259	111 600
Number of shares EUR 1 000 each	212 000	212 000
AMOUNT OF DIVIDENDS PER EUR 1 000 SHARE (EUR)	**888**	**526**

* 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 level of the legal reserve fund was higher then 20% of the issued share capital in both years. The legal reserve Fund is not available for distribution to shareholders.

Other funds

Other funds as at 31 December 2013 included only the Statutory fund amounting to EUR 39.3 million (2012: 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.

31. EARNINGS PER SHARE

ths. EUR	2013	2012
Net profit applicable to ordinary shares	188 259	184 790
NUMBER OF SHARES EUR 1 000 EACH	212 000	212 000
Basic and diluted profit per EUR 1 000 share (EUR)	**888**	**872**

32. 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	2013	2012
Cash on hand (Note 12)	290 304	358 563
Accounts with other financial institutions repayable on demand (Note 13)	7 807	18 729
Total cash and cash equivalents	**298 111**	**377 292**

Operational cash flows from interests	2013	2012
Interest paid	(88 427)	(88 713)
Interest received	425 894	469 075

33. 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).

The new member of the Board of Directors responsible for retail business is Tomáš Salomon since July 2013.

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 and the Head of Corporate Credit Risk Management.

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 SRM, Accounting & Controlling, BSM and Marketing & Market Research. 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 managers from risk management areas and senior manager from Acounting & Controlling. 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.
- **Compliance & Security** – responsible for compliance risk management (e.g. code of ethics, full compliance with legal requirements, anti-money laundering program), fraud risk management (prevention, detection, investigation, deterrence, and recovery of financial fraud) and setting up the the strategy for the Bank security.

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.

34. 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	2013	2012
Gross amount	**8 752 722**	**8 228 578**
On-balance sheet total (Note 14)	7 559 403	7 145 868
Off-balance sheet total (Note 39.a)	1 193 319	1 082 710
Gross amount	**8 752 722**	**8 228 578**
Retail	5 678 904	5 341 815
Corporate and other classes	3 073 819	2 886 763
Provision for impairment	**(351 008)**	**(370 106)**
Retail	(236 876)	(244 653)
Corporate and other classes	(114 132)	(125 453)
Net amount	**8 401 715**	**7 858 472**
Retail	5 442 028	5 097 162
Corporate and other classes	2 959 687	2 761 310

Note: Retail loans include small loans to entrepreneurs.

Provisions for impairment are structured as follows:

ths. EUR	2013	2012
Provisions for losses on loans and advances (note 15)	338 147	359 425
Provisions for off-balance sheet items (note 27)	12 860	10 681
Total provision for impairment	**351 008**	**370 106**

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	2013	2012
Total exposure		
Investment grade (1-5)	4 971 657	4 696 088
Subinvestment grade (6)	176 912	239 972
Subinvestment grade (7)	93 818	34 602
Subinvestment grade (8)	199 929	138 385
Non-performing loans (NPL)	236 587	232 768
Gross amount	**5 678 904**	**5 341 815**
Provisions for impairment	(236 876)	(244 653)
Net amount	**5 442 028**	**5 097 162**
Ageing of loans rated 1 – 8 is as follows:		
0 days	5 208 931	4 855 438
1 – 30 days	182 545	197 790
31 – 60 days	29 135	34 194
61 – 90 days	21 595	21 441
90 days+ *	111	184

* 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

'Past due but not individually impaired loans' are the loans where contractual interest or principal payments are past due but the Bank believes that impairment is not applicable.

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	2013	2012
Total exposure		
Investment grade (1-5)	2 665 544	2 386 548
Subinvestment grade (6)	110 132	183 499
Subinvestment grade (7)	47 233	46 140
Subinvestment grade (8)	43 725	68 599
Rating R: Defaulted	207 184	201 977
Gross amount	**3 073 819**	**2 886 763**
Provision for impairment	(114 132)	(125 453)
Net amount	**2 959 687**	**2 761 310**
Individually impaired		
Gross amount	**207 184**	**201 977**
Provision for impairment	(92 298)	(95 774)
Net amount	**114 886**	**106 203**
Past due (excluding individually impaired)		
Investment grade (1-5)	31 663	23 346
Subinvestment grade (6)	8 524	12 226
Subinvestment grade (7)	1 465	5 029
Subinvestment grade (8)	29 401	2 180
Gross amount	**71 054**	**42 781**
Provision for impairment	(3 206)	(1 490)
Net amount	**67 847**	**41 291**
Past due (excluding individually impaired)		
1-30 days	45 083	41 613
31-60 days	12 358	1 139
61-90 days	13 606	24
90 days+ *	6	5
Neither past due nor individually impaired		
Investment grade (1-5)	2 633 881	2 363 202
Subinvestment grade (6)	101 608	171 273
Subinvestment grade (7)	45 767	41 111
Subinvestment grade (8)	14 324	66 419
Gross amount	**2 795 581**	**2 642 005**
Provision for impairment	(18 627)	(28 189)
Net amount	**2 776 954**	**2 613 816**

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	2013	2012
Real estates	5 493 656	6 980 168
Securities	204 817	464 176
Bank guaranties	131 092	219 834
Other	236 827	247 602
Total	**6 066 392**	**7 911 780**

Renegotiated loans

The carrying amount of financial assets that would otherwise be past due or impaired and whose terms have been renegotiated during 2013 and 2012:

ths. EUR	2013	2012
Renegotiated loans	22 832	7 297

In 2012 the Ban used definition of renegotiated loans valid in the Erste Group known as Trouble Debt Restructuring (TDR). It consisted of retail and corporate clients not in default that were administrated by Workout department.

In 2013 the Group has implemented a wider definition currently only for retail clients. This consists of loans with renegotiated conditions not meeting the default definition.

Concentration risk

A summary of concentrations of financial assets (including derivatives), loan commitments and guarantees as of 31 December 2013 and 2012 based on the debtors' industry are presented below:

31 December 2013 ths. EUR	Loans and advances to customers		Loans and advances to financial institutions		Investment securities and derivatives	
	Gross	Net	Gross	Net	Gross	Net
Natural Resources & Commodities	484 264	466 538	-	-	-	-
Utilities & Renewable Energy	458 228	457 445	-	-	-	-
Construction and building materials	315 747	275 097	-	-	608	608
Automotive	77 488	75 501	-	-	-	-
Cyclical Consumer Products	143 476	130 610	-	-	-	-
Non-Cyclical Consumer Products	188 296	177 645	-	-	19 560	19 560
Machinery	99 159	93 074	-	-	6 601	6 601
Transportation	289 581	283 471	-	-	26 269	26 269
Telecommunications, Media, Technology and Paper & Packaging	143 225	141 992	-	-	-	-
Healthcare & Services	103 598	99 429	-	-	-	-
Hotels, Gaming & Leisure Industry	80 152	71 311	-	-	-	-
Real Estate	782 024	745 213	-	-	12 593	12 593
Public Sector	219 661	219 261	-	-	3 420 002	3 419 736
Financial Institutions	73 154	72 929	80 046	80 036	220 918	220 918
Private Households	5 294 643	5 092 175	-	-	-	-
Other	26	25	-	-	-	-
Total	**8 752 722**	**8 401 715**	**80 046**	**80 036**	**3 706 551**	**3 706 285**

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
Natural Resources & Commodities	336 954	318 462	-	-	-	-
Utilities & Renewable Energy	361 582	360 816	-	-	-	-
Construction and building materials	430 402	400 512	-	-	605	605
Automotive	96 651	93 214	-	-	-	-
Cyclical Consumer Products	143 987	128 410	-	-	-	-
Non-Cyclical Consumer Products	192 808	174 155	-	-	19 916	19 916
Machinery	91 807	85 762	-	-	6 542	6 542
Transportation	251 278	244 531	-	-	26 448	26 448
Telecommunications, Media, Technology and Paper & Packaging	36 848	35 824	-	-	-	-
Healthcare & Services	109 598	105 237	-	-	-	-
Hotels, Gaming & Leisure Industry	111 178	91 175	-	-	-	-
Real Estate	725 262	688 942	-	-	11 901	11 901
Public Sector	215 228	214 798	-	-	3 619 797	3 619 797
Financial Institutions	116 584	116 223	289 887	289 887	216 305	216 305
Private Households	5 008 410	4 800 410	-	-	-	-
Other	1	-	-	-	-	-
Total	**8 228 578**	**7 858 472**	**289 887**	**289 887**	**3 901 514**	**3 901 514**

A summary of the concentrations of loans and advances to customers, loan commitments, and guarantees classified by asset classes (as of 31 December 2013 and 2012) is presented below:

ths. EUR	2013		2012	
	Gross	Net	Gross	Net
Retail	5 678 904	5 442 028	5 341 815	5 097 162
Corporate	2 848 453	2 734 722	2 662 515	2 537 477
Institution	225 366	224 965	224 248	223 833
Carrying amount	**8 752 722**	**8 401 715**	**8 228 578**	**7 858 472**

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	2013		2012	
	Amount ths. EUR	Portion of total assets %	Amount ths. EUR	Portion of total assets %
Cash and balances at the central bank	39 673	0.34%	18 441	0.16%
Loans and advances to customers	566 306	4.85%	409 218	3.48%
Securities portfolios	3 247 034	27.84%	3 534 668	30.09%
Deferred income tax asset	36 287	0.31%	58 516	0.50%
Total	**3 889 300**	**33.34%**	**4 020 843**	**34.23%**

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	2013	2012
Financial assets at fair value through profit or loss	**565**	**783**
State bonds denominated in EUR	6 565	6 783
Securities available for sale	**586 334**	**1 193 169**
Treasury bills	-	324 725
Slovak government Eurobonds	583 643	865 574
Companies controlled by the Slovak government	2 691	2 870
Securities held to maturity	**2 654 135**	**2 334 716**
State bonds denominated in EUR	2 605 021	2 303 591
State bonds denominated in USD	25 539	7 547
Companies controlled by the Slovak government	23 575	23 578
Total	**3 247 034**	**3 534 668**

The sovereign issuer rating of the Slovak Republic according to the international rating agency Standard & Poor's is A with stable outlook (since January 13th 2012).

35. 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	2013 (Amount mil. EUR)	2012 (Amount mil. EUR)
Trading book VAR	0.007	0.006
Banking book Investment Portfolios		
ALM portfolio VAR	11.16	9.40
Corporate portfolio VAR	1.35	0.03
ALCO portfolio VAR	-	0.07
Overall Banking Book VAR	92.68	57.78
Overall Banking Book sensitivity (200bp shock)	178.83	77.18

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

36. 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.

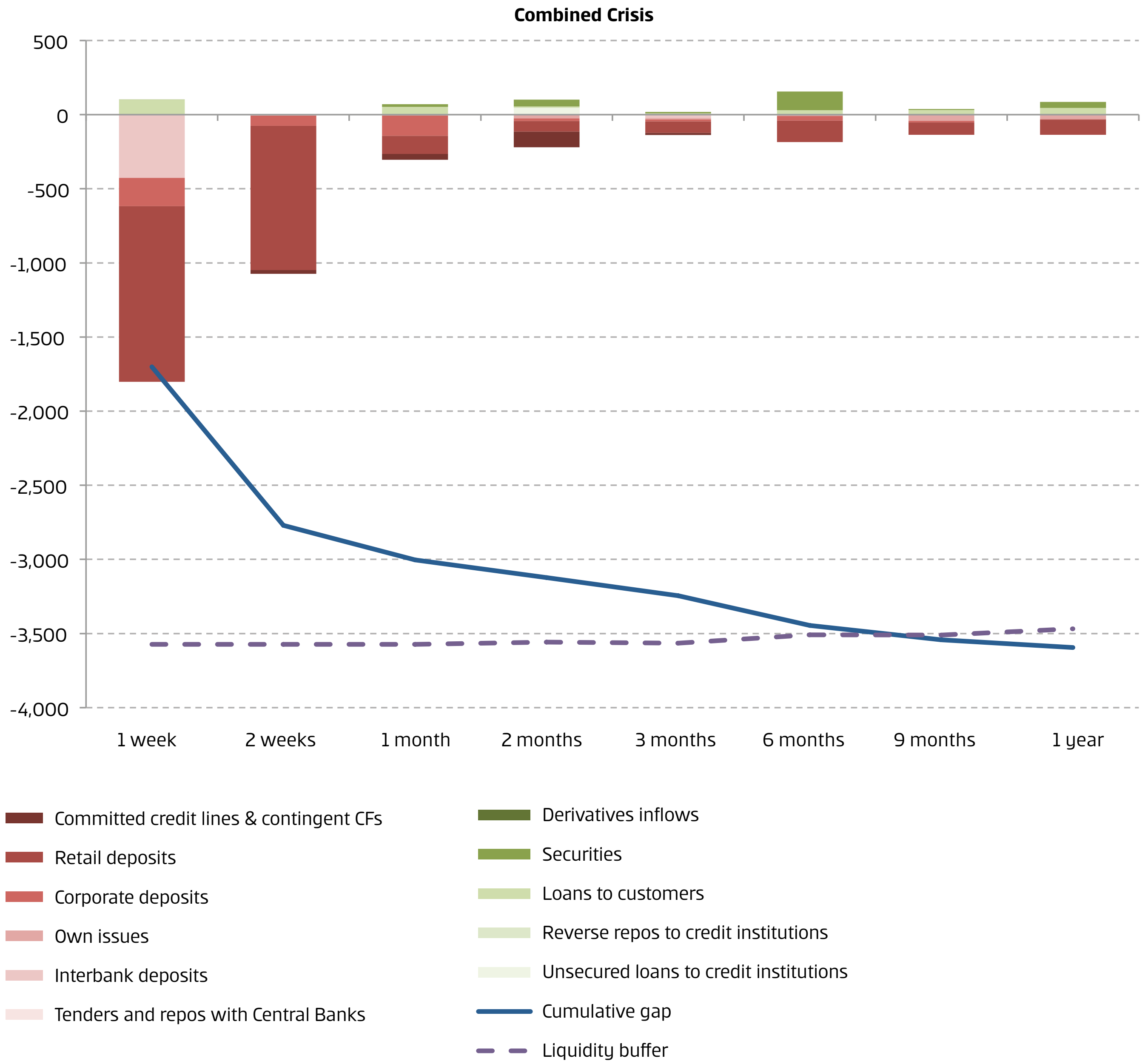
Actual management of liquidity risk is done by Strategic Risk Management. Structural liquidity management is performed by Balance Sheet Management and daily liquidity managing and the fulfilment of minimum required reserves is performed by the Treasury department.

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 0.36 at the end of 2013 (end of 2012: 0.35). The liquid assets ratio, that must be greater than 1.0, was 1.38 at the end of 2013 (end of 2012: 1.41). Its average value during 2013 was 1.42.

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 within the limit (1 month) throughout 2013. All other scenarios were within the limit during 2013 as well.

SPA combined crisis as of December 31, 2013:



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 2013 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	170 566	65 835	8 479	65 673	14 488	**325 040**
Amounts owed to customers	6 329 189	770 702	1 699 905	315 905	-	**9 115 701**
Debt securities in issue	6 326	44 868	101 762	388 506	126 911	**668 373**
Subordinated debt	-	-	41	132 837	60 106	**192 984**
Total	**6 506 081**	**881 406**	**1 810 186**	**902 920**	**201 505**	**10 302 098**

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**

37. 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.

38. 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

Supervising authorities for the Bank are National Bank of Slovakia and Austrian Financial Market Authority. Based on their common decision the Bank is obliged to maintain capital adequacy at a minimum level of 11% or higher on individual level as well as on consolidated level. This minimum level of capital adequacy is valid from 31.12.2012. As of 31 December 2013 and 2012, the Bank has fulfilled the minimum level of capital adequacy. The capital adequacy is defined as a ratio of total capital to 12.5 multiple of the capital requirements defined by the Slovak Banking Act and other related legislation.

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 2013 and 2012 was as follows:

ths. EUR	2013	2012
Tier 1 capital		
Ordinary share capital	212 000	212 000
Capital reserves	118 899	118 899
Retained earnings	701 842	628 888
Less intangible assets	(97 231)	(103 544)
Other regulatory adjustments	(2 846)	(16 791)
Total	**932 664**	**839 452**
Tier 2 capital		
Fair value reserve for available-for-sale equity securities	34 796	34 053
IRB Surplus	10 061	7 057
Qualifying subordinated liabilities	163 730	169 350
Total	**208 587**	**210 460**
Deductions from Tier I and Tier II capital	(11 986)	(11 922)
Total regulatory capital	**1 129 265**	**1 037 990**

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%).

In 2013, business & strategic risks were incorporated to ICAAP. They are modelled based on deviations of actually realized gross income against the budgeted one.

ICAAP is regularly (quarterly) reported to the Board of Directors. Currently credit, operational, market risk of both trading and banking books, and business & strategic risks 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.

39. 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	2013	2012
Guarantees given	334 666	208 602
Guarantees from letters of credit	2 559	320
Loan commitments and undrawn loans	856 094	873 788
Total	**1 193 319**	**1 082 710**

(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-à-vis customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except for trading with clients, where the Bank in most cases requires margin deposits.

Derivatives in notional and fair value

2013 ths. EUR	Receivables		Liabilities	
	Notional value	Fair value	Notional value	Fair value
Hedging	16 597	5 119	91 224	18 159
Total hedging instruments	**16 597**	**5 119**	**91 224**	**18 159**
Trading derivatives				
Foreign currency forwards	67 276	2 353	65 313	2 277
Option contracts	329 437	6 255	335 349	8 306
Interest rate swaps (IRS)	506 269	24 217	395 995	22 829
Currency interest rate swaps (CIRS)	171 204	15 841	170 218	15 817
Currency swaps	174 473	2 159	256 195	2 166
Credit derivatives	50 000	-	50 000	595
Total trading derivatives	**1 248 657**	**50 826**	**1 273 070**	**51 991**
Total	**1 265 254**	**55 945**	**1 364 293**	**70 150**

2012 ths. EUR	Receivables		Liabilities	
	Notional value	Fair value	Notional value	Fair value
Hedging	16 597	6 643	91 224	24 109
Total hedging instruments	**16 597**	**6 643**	**91 224**	**24 109**
Trading derivatives				
Foreign currency forwards	109 949	1 778	109 857	1 707
Option contracts	235 386	1 908	244 322	4 084
Interest rate swaps (IRS)	526 845	58 532	507 069	58 533
Currency interest rate swaps (CIRS)	170 000	1 377	170 000	1 351
Currency swaps	149 496	3 955	102 708	3 472
Credit derivatives	235 386	-	50 000	1 660
Total trading derivatives	**1 191 676**	**67 550**	**1 183 956**	**70 807**
Total	**1 208 273**	**74 193**	**1 275 180**	**94 916**

All derivative transactions trade during 2013 and 2012 were on the over-the-counter 'OTC' markets.

(c) Assets pledged as collateral

Liabilities secured by the Bank's assets:

ths. EUR	2013	2012
Amounts owed to financial institutions		
repo trade with ECB	-	900 000
other	27 283	30 351
Total	**27 283**	**930 351**

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

ths. EUR	2013	2012
Securities held to maturity		
repo trade with ECB	-	922 525
Other	26 687	25 183
Total	**26 687**	**947 708**

In 2012 the Bank pledged in favour of ECB government and corporate bonds. As of 31 December 2012 the Bank used EUR 900 million of this credit line. In the first quarter of 2013 the bank paid back this credit line in full amount.

40. 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 2013	Estimated fair value 2013	Carrying value 2012	Estimated fair value 2012
Financial assets				
Loans and advances to financial institutions	80 046	80 161	289 887	290 425
Loans and advances to customers	7 220 980	7 000 485	6 786 443	6 960 644
Held to maturity securities	2 765 153	3 031 387	2 443 095	2 706 608
Financial liabilities				
Amounts owed to financial institutions	324 335	326 285	1 148 279	1 149 503
Amounts owed to customers and debt securities in issue	9 725 668	9 709 552	8 964 238	8 759 032

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 2013 ths. EUR	Level 1	Level 2	Level 3	Total
Securities available for sale	619 046	187 947	34 444	841 437
Securities at fair value through profit or loss	10 791	6 629	13 752	31 171
Derivative financial assets	-	50 826	-	50 826
Total assets	**629 836**	**245 402**	**48 196**	**923 435**
Derivative financial liabilities	-	(51 991)	-	(51 991)
Total liabilities	**-**	**(51 991)**	**-**	**(51 991)**

31. decembra 2012 tis. 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)**

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

31 December 2013 ths. EUR	Level 1	Level 2	Level 3	Total
Loans and receivables	-	-	6 775 810	6 775 810
Held-to-maturity investments	1 722 853	1 308 534	-	3 031 387
Total assets	**1 722 853**	**1 308 534**	**6 775 810**	**9 807 197**
Deposits	-	-	(9 165 368)	(9 165 368)
Debt securities issued	-	(723 676)	-	(723 676)
Total liabilities	**-**	**(723 676)**	**(9 165 368)**	**(9 889 044)**

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 2012	**33 661**	**13 077**	**-**	**-**
accrued coupon	350	8	-	-
Balance as of 31 December 2012	**34 011**	**13 085**	**-**	**-**
Total gains or losses:				
in profit or loss	964	(1 070)	-	-
in other comprehensive income	436		-	-
Issues		1 800	-	-
Settlements	(967)	(63)	-	-
Transfers into Level 3	-	-	-	-
MV as of 31 December 2013	**34 095**	**13 743**	**-**	**-**
accrued coupon	350	8	-	-
Balance as of 31 December 2013	**34 444**	**13 752**	**-**	**-**
Total gains / (losses) for the period included in profit or loss for assets/liabilities held at the end of the reporting period	964	(1 070)	-	-

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

41. FINANCIAL ASSETS AND LIABILITIES SUBJECT TO OFFSETTING AND POTENTIAL OFFSETTING AGREEMENTS

Assets ths. EUR	Gross amounts of recognised financial assets	Amounts of financial liabilities set off against financial assets	Net amounts of financial assets in the balance sheet	Potential effects of netting agreements not qualifying for balance sheet offsetting			Net amount after potential offsetting
				Financial instruments	Cash collateral received	Non-cash financial collateral received	
Derivatives	50 826	-	**50 826**	-	-	-	**50 826**
Reverse repurchase agreements	-	-	-	-	-	-	-
Other financial instruments	-	-	-	-	-	-	-
Total	**50 826**	**-**	**50 826**	**-**	**-**	**-**	**50 826**

Liabilities ths. EUR	Gross amounts of recognised financial liabilities	Amounts of financial assets set off against financial liabilities	Net amounts of financial liabilities in the balance sheet	Potential effects of netting agreements not qualifying for balance sheet offsetting			Net amount after potential offsetting
				Financial instruments	Cash collateral pledged	Non-cash financial collateral pledged	
Derivatives	51 991	-	**51 991**	-	-	-	**51 991**
Repurchase agreements	27 284	-	**27 284**	-	-	26 768	**516**
Other financial instruments	-	-	-	-	-	-	-
Total	**79 275**	**-**	**79 275**	**-**	**-**	**26 768**	**52 507**

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	2013			2012		
	Current	Non-current	Total	Current	Non-current	Total
Cash and balances at the central bank	329 977	-	**329 977**	377 004	-	**377 004**
Loans and advances to financial institutions	67 565	12 471	**80 036**	289 887	-	**289 887**
Loans and advances to customers	1 226 000	6 333 403	**7 559 403**	1 349 933	5 795 935	**7 145 868**
Provisions for losses on loans and advances	-	(338 147)	**(338 147)**	-	(359 425)	**(359 425)**
Financial assets at fair value through profit or loss	16 660	65 337	**81 997**	9 220	89 205	**98 425**
Securities available for sale	58 425	800 976	**859 401**	637 959	722 035	**1 359 994**
Securities held to maturity	134 128	2 630 759	**2 764 887**	139 474	2 303 621	**2 443 095**
Investments in associates and other investments	-	16 787	**16 787**	-	12 348	**12 348**
Intangible assets	-	97 231	**97 231**	-	103 543	**103 543**
Property and equipment	-	130 499	**130 499**	-	146 915	**146 915**
Investment property	-	2 805	**2 805**	-	2 809	**2 809**
Non-current assets held for sale	-	-	**-**	-	-	**-**
Current income tax asset	-	-	**-**	12 773	-	**12 773**
Deferred income tax asset	-	36 287	**36 287**	-	58 516	**58 516**
Other assets	20 078	23 274	**43 352**	23 470	30 641	**54 111**
Total assets	**1 852 833**	**9 811 682**	**11 664 515**	**2 839 720**	**8 906 143**	**11 745 863**
Amounts owed to financial institutions	244 817	79 518	**324 335**	213 465	934 814	**1 148 279**
Amounts owed to customers	8 791 115	310 319	**9 101 434**	7 693 786	733 723	**8 427 509**
Debt securities in issue	151 599	472 635	**624 234**	83 513	453 216	**536 729**
Financial liabilities at fair value through profit or loss	10 727	41 264	**51 991**	8 138	62 669	**70 807**
Provisions for liabilities and other provisions	-	23 151	**23 151**	-	24 148	**24 148**
Other liabilities	86 880	22 969	**109 849**	91 695	30 382	**122 077**
Current income tax	2 042	-	**2 042**	-	-	**-**
Deferred income tax liability	-	-	**-**	-	-	**-**
Subordinated debt	41	173 000	**173 041**	80 277	170 991	**251 268**
Equity	-	1 254 438	**1 254 438**	-	1 165 046	**1 165 046**
Total liabilities and equity	**9 287 221**	**2 377 294**	**11 664 515**	**8 170 874**	**3 574 989**	**11 745 863**

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 292 branches (status as of 31 December 2013). 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.

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.

2013 ths. EUR	Retail	Local Corporates	Real Estate	ALM	Corporate centre	Core business
Net interest income	305 912	35 396	9 058	69 961	2 940	423 268
Risk provisions for loans and advances	(31 957)	(4 743)	(2 720)	(265)	284	(39 401)
Net fee and commission income	109 581	9 712	599	(1 777)	(11 896)	106 220
Net trading result	2 638	1 018	68	619	996	5 340
General administrative expenses	(198 254)	(17 443)	(1 808)	(2 310)	(19 797)	(239 612)
Other result	(28 928)	(1 848)	(174)	(4 801)	(2 254)	(38 006)
Pre-tax profit	**158 992**	**22 093**	**5 022**	**61 427**	**(29 726)**	**217 808**
Taxes on income	(36 568)	(5 082)	(1 155)	(14 128)	9 079	(47 854)
Net profit	**122 424**	**17 011**	**3 867**	**47 299**	**(20 647)**	**169 954**
Average risk-weighted assets	2 130 698	1 039 214	385 760	83 523	215 955	3 855 150
Average attributed equity	262 556	108 193	39 051	81 173	26 642	517 614
Cost/income ratio	**47.41%**	**37.81%**	**18.60%**	**3.36%**	**(248.72)%**	**44.80%**
ROE based on net profit [1]	**46.63%**	**15.72%**	**9.90%**	**58.27%**	**(77.50)%**	**32.83%**

2013	GLC	GCM	Free capital	SLSP
Net interest income	12 381	5 192	9 627	450 468
Risk provisions for loans and advances	(9 885)	(10)	-	(49 297)
Net fee and commission income	7 249	4 174	-	117 643
Net trading result	195	7 706	-	13 241
General administrative expenses	(3 737)	(5 653)	-	(249 002)
Other result	(923)	(2 543)	-	(41 472)
Pre-tax profit	**5 280**	**8 866**	**9 627**	**241 580**
Taxes on income	(1 214)	(2 039)	(2 214)	(53 322)
Net profit	**4 065**	**6 827**	**7 413**	**188 258**
Average risk-weighted assets	490 228	18 522	-	4 363 900
Average attributed equity	49 932	4 856	608 915	1 181 318
Cost/income ratio	**18.85%**	**33.11%**	**0.00%**	**42.83%**
ROE based on net profit [1]	**8.14%**	**140.57%**	**1.22%**	**15.94%**

Notes:1) ROE = return on equity.

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%**

2012	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.

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 642 million and EUR 533 million of assets as at 31 December 2013 and 2012, respectively, representing securities in its custody for administration. These assets are 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:

ths. EUR	2013		2012	
	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	15 643	14 610	225 479	58 478
Loans and advances to customers	-	43 586	-	54 817
Trading assets	5 517	703	29 149	960
Available for sale portfolio	-	-	-	-
Other assets	4 498	951	6 883	818
Total	**25 659**	**59 850**	**261 511**	**115 073**
Liabilities				
Amounts owed to financial institutions	77 482	2 738	30 375	1 776
Amounts owed to customers	-	6 049	-	4 784
Debt securities in issue	-	-	-	-
Trading liabilities	36 192	15 691	65 371	1 408
AFS revaluation	-	-	-	-
Other liabilities	-	772	9	58
Subordinated debt	100 041	-	180 181	-
Total	**213 715**	**25 250**	**275 936**	**8 026**

The Bank has received a guarantee issued by its sister bank (Česká spořitelna, a.s.) with a maximum value of EUR 100 million (2012: EUR 100 million) covering the Bank'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 (2012: EUR 100 million). Another guarantee issued by Česká spořitelna, a.s. with a maximum value of EUR 17.6 million covers exposures towards s_Autoleasing SK, s.r.o.

In 2013, the Bank received a bank guarantee provided by its parent bank in the amount of EUR 38.5 million covering exposures towards subsidiaries and other group members (2012: EUR 141 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 (2012: EUR 62 million).

The Bank entered into one loan contracts with its parent company Erste Group Bank in the amount of EUR 100 million subordinated loan (2012: EUR 180 million) (note 29).

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

ths. EUR	2013		2012	
	Erste Group Bank	Companies under the control of Erste Group Bank	Erste Group Bank	Companies under the control of Erste Group Bank
Interest income	610	1 820	9 076	5 219
Interest expense	(2 149)	(58)	(3 690)	(270)
Net fees and commissions	108	3 427	69	2 631
Net trading result	4 492	14 071	6 767	(1 268)
General administrative expenses	(628)	(4 249)	(892)	(4 024)
Other operating result	285	104	135	622
Total	**2 718**	**13 444**	**11 465**	**2 910**

(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	2013 Subsidiaries	2013 Associates	2012 Subsidiaries	2012 Associates
Assets				
Loans and advances to financial institutions	-	-	-	-
Loans and advances to customers	99 488	-	116 897	-
Financial assets at fair value through profit or loss	-	-	307	-
Securities available for sale	-	-	1 659	-
Other assets	559	-	876	–
Total	**100 047**	**-**	**119 739**	**-**
Liabilities				
Amounts owed to financial institutions	-	31 163	-	2 286
Amounts owed to customers	10 873	-	14 942	-
Other liabilities	4 709	-	1 143	-
Total	**15 582**	**31 163**	**16 085**	**2 286**

Income and expenses from the subsidiaries and associates of the Bank include the following:

ths. EUR	2013 Subsidiaries	2013 Associates	2012 Subsidiaries	2012 Associates
Interest income	1 477	-	3 965	-
Interest expense	(5)	(21)	(55)	(22)
Net fees and commissions	29	-	20	-
Net trading result	-	-	99	-
General administrative expenses	(23 430)	-	(21 233)	-
Other operating result	2 127	-	1 894	–
Total	**(19 802)**	**(21)**	**(15 310)**	**(22)**

As at 31. December 2013 the Bank owned a share in real estate fund "Sporo realitný fond SPF Y" of Asset Management Slovenskej sporiteľne in the amount of EUR 11.1 mil. (Note 16)

(d) Transactions with key management personnel

Remuneration of members of the Board of Directors and Supervisory Board paid during 2013 amounts to EUR 1.8 million (2012: EUR 2.5 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 2013 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 on issues of securities pursuant

Information pursuant to § 20(7) of Act no. 431/2002 Coll. on accounting

An accounting entity that has issued securities admitted to trading on a regulated market is required to publish in its annual report information regarding

a) the structure of its registered capital, including data on securities not admitted for trading on a regulated market in any Member State or state of the European Economic Area, indicating the classes of shares, a description of the rights and obligations associated with them for each class of share, and their percentage in the total registered capital

b) any restrictions on the transferability of securities

Securities issued to date, other than bonds, including securities not issued via public offering	ISIN	Class	Type	Form	Quantity	Par value	Rights attached
	SK1110002799	ordinary shares	registered shares	book-entry	212 000 pcs	EUR 1 000	right to participate in the company's management, profit and liquidation proceeds and voting rights

Bonds issued (yes / if it does not have bonds currently issued or if all bonds have been redeemed, state no) **YES**

ISIN	SK4120004961 series 01	SK4120005505 series 01	SK4120005927 series 01	SK4120006834 series 01	SK4120006933 series 01	SK4120007055 series 01	SK4120007097 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
Quantity	500 pcs	250 pcs	250 pcs	4 667 pcs	5 849 pcs	2 095 pcs	400 pcs
Par value	EUR 33 193.92	EUR 66 387.84	EUR 66 387.84	EUR 1 000	EUR 1 000	EUR 1 000	EUR 50 000
Rights attached	transferability of the bonds is not limited; no pre--emptive rights or swap rights pertain to the bonds	transferability of the bonds is not limited; no pre--emptive rights or swap rights pertain to the bonds	transferability of the bonds is not limited; no pre--emptive rights or swap rights pertain to the bonds	transferability of the bonds is not limited; no pre--emptive rights or swap rights pertain to the bonds	transferability of the bonds is not limited; no pre--emptive rights or swap rights pertain to the bonds	transferability of the bonds is not limited; no pre--emptive rights or swap rights pertain to the bonds	transferability of the bonds is not limited; no pre--emptive rights or swap rights pertain to the bonds
First issue date	29 March 2006	27 July 2007	16 April 2008	20 November 2009	22 January 2010	12 February 2010	09 March 2010
Par value maturity date	29 March 2016	27 July 2027	16 April 2021	20 November 2014	22 January 2014	12 February 2015	09 March 2015
Method of yield calculation	6M E + 0.09% p.a.	4.95% p.a.	5.00% p.a.	combined, depending on the market price development of the reference shares	3.50% p.a.	3.62% p.a.	6M E + 0.95% p.a.
Payment dates	semi-annually, 29 March and 29 September	annually, 27 July	annually, 16 April	annually, 20 November	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
Guarantees accepted by	-	-	-	-	-	-	-
Corp. reg. no. (IČO)	-	-	-	-	-	-	-
Business name	-	-	-	-	-	-	-
Registered office	-	-	-	-	-	-	-
procedure for swapping bond for shares in the case of swappable bonds	-	-	-	-	-	-	

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 subor-dinated liability	mortgage bond	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
Quantity	10 521 pcs	9 588 pcs	7 568 pcs	500 pcs	299 pcs	199 pcs	10 000 pcs
Par value	EUR 1 000	EUR 1 000	EUR 1 000	EUR 10 000	EUR 50 000	EUR 50 000	EUR 1 000
Rights attached	transferability of the bonds is not limited; no pre--emptive rights or swap rights pertain to the bonds	transferability of the bonds is not limited; no pre--emptive rights or swap rights pertain to the bonds	transferability of the bonds is not limited; no pre--emptive rights or swap rights pertain to the bonds	transferability of the bonds is not limited; no pre--emptive rights or swap rights pertain to the bonds	transferability of the bonds is not limited; no pre--emptive rights or swap rights pertain to the bonds	transferability of the bonds is not limited; no pre--emptive rights or swap rights pertain to the bonds	transferability of the bonds is not limited; no pre--emptive rights or swap rights pertain to the bonds
First issue date	19 March 2010	21 April 2010	31 May 2010	23 June 2010	29 July 2010	30 July 2010	02 August 2010
Par value maturity date	19 March 2014	21 April 2015	30 May 2014	23 June 2015	29 July 2015	30 July 2015	02 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, depen-ding on the price development of the underlying assets
Payment dates	semi-annually, 19 March and 19 September	semi-annually, 21 April and 21 October	semi-annually, 31 May and 30 November, last payment 30 May 2014	annually, 23 June	annually, 29 July	semi-annually, 30 January and 30 July	once, 2 August 2020
Early redemption	no	no	no	no	no	no	no
Redemption guarantee	no	no	no	no	no	no	no
Guarantees accepted by	-	-	-	-	-	-	-
Corp. reg. no. (IČO)	-	-	-	-	-	-	-
Business name	-	-	-	-	-	-	-
Registered office	-	-	-	-	-	-	-
procedure for swapping bond for shares in the case of swappable bonds	-	-	-	-	-	-	

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
Quantity	340 pcs	9 684 pcs	9 852 pcs	9 837 pcs	2 823 pcs	9 815 pcs	51 pcs
Par value	EUR 50 000	EUR 1 000	EUR 1 000	EUR 1 000	EUR 1 000	EUR 1 000	EUR 50 000
Rights attached	transferability of the bonds is not limited; no pre--emptive rights or swap rights pertain to the bonds	transferability of the bonds is not limited; no pre--emptive rights or swap rights pertain to the bonds	transferability of the bonds is not limited; no pre--emptive rights or swap rights pertain to the bonds	transferability of the bonds is not limited; no pre--emptive rights or swap rights pertain to the bonds	transferability of the bonds is not limited; no pre--emptive rights or swap rights pertain to the bonds	transferability of the bonds is not limited; no pre--emptive rights or swap rights pertain to the bonds	transferability of the bonds is not limited; no pre--emptive rights or swap rights pertain to the bonds
First issue date	25 August 2010	10 September 2010	14 October 2010	11 November 2010	10 December 2010	07 February 2011	10 February 2011
Par value maturity date	25 August 2015	10 September 2014	14 October 2014	11 November 2015	10 December 2015	07 August 2015	10 August 2015
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.
Payment 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 De-cember	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
Guarantees accepted by	-	-	-	-	-	-	-
Corp. reg. no. (IČO)	-	-	-	-	-	-	-
Business name	-	-	-	-	-	-	-
Registered office	-	-	-	-	-	-	-
procedure for swapping bond for shares in the case of swappable bonds	-	-	-	-	-	-	-

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
Quantity	14 740 pcs	14 444 pcs	8 195 pcs	50 pcs	7 674 pcs	700 pcs	132 pcs
Par value	EUR 1 000	EUR 1 000	EUR 1 000	EUR 50 000	EUR 1 000	EUR 10 000	EUR 50 000
Rights attached	transferability of the bonds is not limited; no pre--emptive rights or swap rights pertain to the bonds	transferability of the bonds is not limited; no pre--emptive rights or swap rights pertain to the bonds	transferability of the bonds is not limited; no pre--emptive rights or swap rights pertain to the bonds	transferability of the bonds is not limited; no pre--emptive rights or swap rights pertain to the bonds	transferability of the bonds is not limited; no pre--emptive rights or swap rights pertain to the bonds	transferability of the bonds is not limited; no pre--emptive rights or swap rights pertain to the bonds	transferability of the bonds is not limited; no pre--emptive rights or swap rights pertain to the bonds
First issue date	04 March 2011	30 March 2011	31 March 2011	31 March 2011	02 June 2011	13 June 2011	20 June 2011
Par value maturity date	04 March 2016	30 September 2014	30 September 2014	31 March 2017	02 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.
Payment 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
Guarantees accepted by	-	-	-	-	-	-	-
Corp. reg. no. (IČO)	-	-	-	-	-	-	-
Business name	-	-	-	-	-	-	-
Registered office	-	-	-	-	-	-	-
procedure for swapping bond for shares in the case of swappable bonds	-	-	-	-	-	-	-

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 subordinated liability	mortgage bond	bond with a claim related to a subordinated liability	bond with a claim related to a subordinated liability	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
Quantity	2 493 pcs	10 000 pcs	5 342 pcs	543 pcs	4 250 pcs	6 335 pcs	407 pcs
Par value	EUR 1 000	EUR 1 000	EUR 1 000	EUR 10 000	EUR 1 000	EUR 1 000	EUR 10 000
Rights attached	transferability of the bonds is not limited; no pre-emptive rights or swap rights pertain to the bonds	transferability of the bonds is not limited; no pre-emptive rights or swap rights pertain to the bonds	transferability of the bonds is not limited; no pre-emptive rights or swap rights pertain to the bonds	transferability of the bonds is not limited; no pre-emptive rights or swap rights pertain to the bonds	transferability of the bonds is not limited; no pre-emptive rights or swap rights pertain to the bonds	transferability of the bonds is not limited; no pre-emptive rights or swap rights pertain to the bonds	transferability of the bonds is not limited; no pre-emptive rights or swap rights pertain to the bonds
First issue date	15 July 2011	01 August 2011	26 August 2011	10 October 2011	02 November 2011	07 December 2011	12 December 2011
Par value maturity date	15 January 2016	01 August 2021	26 February 2016	10 October 2018	02 November 2023	07 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
Payment dates	semi-annually, 15 January and 15 July	once, 01 August 2021	semi-annually, 26 February and 26 August	semi-annually, 10 April and 10 October	once, 02 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
Guarantees accepted by	-	-	-	-	-	-	-
Corp. reg. no. (IČO)	-	-	-	-	-	-	-
Business name	-	-	-	-	-	-	-
Registered office	-	-	-	-	-	-	-
procedure for swapping bond for shares in the case of swappable bonds	-	-	-	-	-	-	-

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 shares
Form	book-entry	book-entry	book-entry	book-entry	book-entry	book-entry	book-entry
Quantity	6 164 pcs	400 pcs	340 pcs	8 870 pcs	700 pcs	11 000 pcs	494 pcs
Par value	EUR 1 000	EUR 50 000	EUR 10 000	EUR 1 000	EUR 50 000	EUR 1 000	EUR 500
Rights attached	transferability of the bonds is not limited; no pre-emptive rights or swap rights pertain to the bonds	transferability of the bonds is not limited; no pre-emptive rights or swap rights pertain to the bonds	transferability of the bonds is not limited; no pre-emptive rights or swap rights pertain to the bonds	transferability of the bonds is not limited; no pre-emptive rights or swap rights pertain to the bonds	transferability of the bonds is not limited; no pre-emptive rights or swap rights pertain to the bonds	transferability of the bonds is not limited; no pre-emptive rights or swap rights pertain to the bonds	transferability of the investment certificates is not limited; no pre-emptive rights or swap rights pertain to the bonds
First issue date	27 January 2012	07 February 2012	20 February 2012	24 February 2012	02 May 2012	01 June 2012	01 June 2012
Par value maturity date	27 July 2016	07 February 2014	20 February 2015	24 February 2016	02 May 2017	01 June 2022	01 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.
Payment 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	once, 01 June 2022	once, 01 June 2015
Early redemption	no	no	no	no	no	no	no
Redemption guarantee	no	no	no	no	no	no	no
Guarantees accepted by	-	-	-	-	-	-	-
Corp. reg. no. (IČO)	-	-	-	-	-	-	-
Business name	-	-	-	-	-	-	-
Registered office	-	-	-	-	-	-	-
procedure for swapping bond for shares in the case of swappable bonds	-	-	-	-	-	-	-

ISIN	SK4120008590 series 01	SK4120008327 series 01	SK4120008582 series 01	SK4120008707 series 01	SK4120008780 series 01	SK4120008772 series 01	SK4120008830 series 01
Class	mortgage bond	mortgage 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
Quantity	400 pcs	2 788 pcs	8 019 pcs	800 pcs	400 pcs	9 997 pcs	300 pcs
Par value	EUR 50 000	EUR 1 000	EUR 1 000	EUR 50 000	EUR 50 000	EUR 1 000	EUR 50 000
Rights attached	transferability of the bonds is not limited; no pre--emptive rights or swap rights pertain to the bonds	transferability of the bonds is not limited; no pre--emptive rights or swap rights pertain to the bonds	transferability of the bonds is not limited; no pre--emptive rights or swap rights pertain to the bonds	transferability of the bonds is not limited; no pre--emptive rights or swap rights pertain to the bonds	transferability of the bonds is not limited; no pre--emptive rights or swap rights pertain to the bonds	transferability of the bonds is not limited; no pre--emptive rights or swap rights pertain to the bonds	transferability of the bonds is not limited; no pre--emptive rights or swap rights pertain to the bonds
First issue date	12 June 2012	14 June 2012	18 July 2012	15 August 2012	13 September 2012	28 September 2012	30 October 2012
Par value maturity date	12 June 2017	14 December 2016	18 January 2017	15 August 2014	13 March 2015	28 September 2018	30 October 2017
Method of yield calculation	2.92% p.a.	2.85% p.a.	2.88% p.a.	1.25% p.a.	1.40% p.a.	2.85% p.a.	1.95% p.a.
Payment dates	annually, 12 June	semi-annually, 14 June and 14 December	semi-annually, 18 July and 18 January	annually, 15 August	semi-annually, 13 September and 13 March	semi-annually, 28 September and 28 March	annually, 30 October
Early redemption	no	no	no	no	no	no	no
Redemption guarantee	no	no	no	no	no	no	no
Guarantees accepted by	-	-	-	-	-	-	-
Corp. reg. no. (IČO)	-	-	-	-	-	-	-
Business name	-	-	-	-	-	-	-
Registered office	-	-	-	-			
procedure for swapping bond for shares in the case of swappable bonds	-	-	-	-			

ISIN	SK4120008749 series 01	SK4120008848 series 01	SK4120008897 series 01	SK4120008947 series 01	SK4120008988 series 01	SK5110000059 series 01	SK5110000075 series 01
Class	bond with a claim related to a subor-dinated liability	bond	mortgage bond	mortgage bond	mortgage bond	investment certi-ficate	investment certificate
Type	bearer bond	bearer bond	bearer bond	bearer bond	bearer bond	registered shares	registered shares
Form	book-entry	book-entry	book-entry	book-entry	book-entry	book-entry	book-entry
Quantity	9 000 pcs	2 118 pcs	66 pcs	87 pcs	240 pcs	1 000 pcs	556 pcs
Par value	EUR 1 000	EUR 1 000	EUR 50 000	EUR 50 000	EUR 50 000	EUR 4 500	EUR 4 500
Rights attached	transferability of the bonds is not limited; no pre--emptive rights or swap rights pertain to the bonds	transferability of the bonds is not limited; no pre--emptive rights or swap rights pertain to the bonds	transferability of the bonds is not limited; no pre--emptive rights or swap rights pertain to the bonds	transferability of the bonds is not limited; no pre--emptive rights or swap rights pertain to the bonds	transferability of the bonds is not limited; no pre--emptive rights or swap rights pertain to the bonds	transferability of the investment certificates is not limited; no pre--emptive rights or swap rights pertain to the bonds	transferability of the investment certificates is not limited; no pre--emptive rights or swap rights pertain to the bonds
First issue date	02 November 2012	05 December 2012	12 December 2012	17 January 2013	01 February 2013	06 February 2013	14 February 2013
Par value maturity date	02 November 2022	05 December 2018	12 December 2019	17 January 2025	01 August 2016	06 February 2014	14 February 2014
Method of yield calculation	combined rate	combined rate	2.50% p.a.	3.10% p.a.	1.15% p.a.	5.50% p.a.	5.50% p.a.
Payment dates	once, 02 November 2022	semi-annually, 5 December and 5 June	semi-annually, 12 December and 12 June	semi-annually, 17 January and 17 July	semi-annually, 1 February and 1 August	once, 06 February 2014	once, 14 February 2014
Early redemption	no	no	no	no	no	no	no
Redemption guarantee	no	no	no	no	no	no	no
Guarantees accepted by	-	-	-	-	-	-	-
Corp. reg. no. (IČO)	-	-	-	-	-	-	-
Business name	-	-	-	-	-	-	-
Registered office	-	-	-	-	-	-	-
procedure for swapping bond for shares in the case of swappable bonds	-	-	-	-	-	-	-

ISIN	SK4120009028 series 01	SK4120008996 series 01	SK5110000083 series 01	SK4120009036 series 01	SK4120009085 series 01	SK5110000091 series 01	SK4120009218 series 01
Class	mortgage bond	mortgage bond	investment certi-ficate	mortgage bond	mortgage bond	investment certificate	mortgage bond
Type	bearer bond	bearer bond	registered shares	bearer bond	bearer bond	registered shares	bearer bond
Form	book-entry	book-entry	book-entry	book-entry	book-entry	book-entry	book-entry
Quantity	460 pcs	5 000 pcs	932 pcs	5 000 pcs	5 000 pcs	1 705 pcs	132 pcs
Par value	EUR 50 000	EUR 1 000	EUR 4 500	EUR 1 000	EUR 1 000	EUR 500	EUR 50 000
Rights attached	transferability of the bonds is not limited; no pre--emptive rights or swap rights pertain to the bonds	transferability of the bonds is not limited; no pre--emptive rights or swap rights pertain to the bonds	transferability of the investment certificates is not limited; no pre--emptive rights or swap rights pertain to the bonds	transferability of the bonds is not limited; no pre--emptive rights or swap rights pertain to the bonds	transferability of the bonds is not limited; no pre--emptive rights or swap rights pertain to the bonds	transferability of the investment certificates is not limited; no pre--emptive rights or swap rights pertain to the bonds	transferability of the bonds is not limited; no pre--emptive rights or swap rights pertain to the bonds
First issue date	15 February 2013	20 February 2013	27 February 2013	15 March 2013	15 April 2013	30 May 2013	05 June 2013
Par value maturity date	15 February 2018	20 February 2019	27 February 2014	15 March 2019	15 April 2019	30 May 2016	05 June 2028
Method of yield calculation	1.75% p.a.	2.30% p.a.	5.50% p.a.	2.30% p.a.	2.30% p.a.	4.50% p.a.	3.00% p.a.
Payment dates	annually, 15 February	semi-annually, 20 February and 20 August	once, 27 February 2014	semi-annually, 15 March and 15 September	semi-annually, 15 April and 15 October	once, 30 May 2016	semi-annually, 5 June and 5 December
Early redemption	no	no	no	no	no	no	no
Redemption guarantee	no	no	no	no	no	no	no
Guarantees accepted by	-	-	-	-	-	-	-
Corp. reg. no. (IČO)	-	-	-	-	-	-	-
Business name	-	-	-	-	-	-	-
Registered office	-	-	-	-			
procedure for swapping bond for shares in the case of swappable bonds	-	-	-	-			

ISIN	SK4120009226 series 01	SK4120009275 series 01	SK5110000109 series 01	SK4120009283 series 01	SK4120009317 series 01	SK5110000117 series 01	SK5110000125 series 01
Class	mortgage bond	mortgage bond	investment certificate	mortgage bond	mortgage bond	investment certificate	investment certificate
Type	bearer bond	bearer bond	registered shares	bearer bond	bearer bond	registered shares	registered shares
Form	book-entry	book-entry	book-entry	book-entry	book-entry	book-entry	book-entry
Quantity	4 186 pcs	200 pcs	274 pcs	2 235 pcs	2 574 pcs	521 pcs	313 pcs
First issue date	17 June 2013	17 June 2013	01 July 2013	10 July 2013	02 August 2013	02 August 2013	16 August 2013
Par value maturity date	17 December 2019	17 December 2015	01 July 2014	10 January 2020	02 August 2019	02 August 2016	16 August 2014
Method of yield calculation	2.00% p.a.	0.90% p.a.	5.50% p.a.	2.00% p.a.	2.00% p.a.	4.50% p.a.	5.50% p.a.
Payment dates	semi-annually, 17 June and 17 December	semi-annually, 17 June and 17 December	once, 01 July 2014	semi-annually, 10 July and 10 January	semi-annually, 2 August and 2 February	semi-annually, 2 August and 2 February	once, 16 August 2014
Early redemption	no	no	no	no	no	no	no
Redemption guarantee	no	no	no	no	no	no	no
Guarantees accepted by	-	-	-	-	-	-	-
Corp. reg. no. (IČO)	-	-	-	-	-	-	-
Business name	-	-	-	-	-	-	-
Registered office	-	-	-	-	-	-	-
procedure for swapping bond for shares in the case of swappable bonds	-	-	-	-	-	-	-

ISIN	SK4120009390 series 01	SK4120009457 series 01	SK5110000141 series 01	SK5110000158 series 01	SK4120009481 series 01	SK4120009549 series 01	SK4120009564 series 01
Class	mortgage bond	mortgage bond	investment certificate	investment certificate	mortgage bond	mortgage bond	bond
Type	bearer bond	bearer bond	registered shares	registered shares	bearer bond	bearer bond	bearer bond
Form	book-entry	book-entry	book-entry	book-entry	book-entry	book-entry	book-entry
Quantity	4 309 pcs	6 495 pcs	148 pcs	525 pcs	5 931 pcs	6 698 pcs	677 pcs
Par value	EUR 1 000	EUR 1 000	EUR 4 000	EUR 1 000	EUR 1 000	EUR 1 000	EUR 1 000
Rights attached	transferability of the bonds is not limited; no pre--emptive rights or swap rights pertain to the bonds	transferability of the bonds is not limited; no pre--emptive rights or swap rights pertain to the bonds	transferability of the investment certificates is not limited; no pre--emptive rights or swap rights pertain to the bonds	transferability of the investment certificates is not limited; no pre--emptive rights or swap rights pertain to the bonds	transferability of the bonds is not limited; no pre--emptive rights or swap rights pertain to the bonds	transferability of the bonds is not limited; no pre--emptive rights or swap rights pertain to the bonds	transferability of the bonds is not limited; no pre--emptive rights or swap rights pertain to the bonds
First issue date	23 August 2013	23 September 2013	03 October 2013	04 October 2013	23 October 2013	20 November 2013	04 December 2013
Par value maturity date	23 August 2019	23 September 2019	03 October 2014	04 October 2016	23 October 2019	20 November 2019	04 December 2019
Method of yield calculation	2.00% p.a.	2.00% p.a.	5.50% p.a.	4.50% p.a.	2.00% p.a.	2.00% p.a.	combined rate
Payment dates	semi-annually, 23 August and 23 February	semi-annually, 23 September and 23 March	once, 03 October 2014	semi-annually, 4 October and 4 April	semi-annually, 23 October and 23 April	semi-annually, 20 November and 20 May	annually, 4 December
Early redemption	no	no	no	no	no	no	no
Redemption guarantee	no	no	no	no	no	no	no
Guarantees accepted by	-	-	-	-	-	-	-
Corp. reg. no. (IČO)	-	-	-	-	-	-	-
Business name	-	-	-	-	-	-	-
Registered office	-	-	-	-			
procedure for swapping bond for shares in the case of swappable bonds	-	-	-	-			

ISIN	SK4120009689 series 01	SK4120009721 series 01	SK5110000174 series 01	SK4120009630 series 01	SK4120009648 series 01
Class	mortgage bond	mortgage bond	investment certificate	bond	mortgage bond
Type	bearer bond	bearer bond	registered shares	bearer bond	bearer bond
Form	book-entry	book-entry	book-entry	book-entry	book-entry
Quantity	70 pcs	600 pcs	612 pcs	1 181 pcs	9 705 pcs
First issue date	EUR 50 000	EUR 50 000	EUR 1 000	PLN 1 000	EUR 1 000
Par value maturity date	transferability of the bonds is not limited; no pre-emptive rights or swap rights pertain to the bonds	transferability of the bonds is not limited; no pre-emptive rights or swap rights pertain to the bonds	transferability of the investment certificates is not limited; no pre-emptive rights or swap rights pertain to the bonds	transferability of the bonds is not limited; no pre-emptive rights or swap rights pertain to the bonds	transferability of the bonds is not limited; no pre-emptive rights or swap rights pertain to the bonds
Method of yield calculation	11 December 2013	17 December 2013	18 December 2013	20 December 2013	20 December 2013
Payment dates	11 December 2019	17 December 2018	18 December 2018	20 December 2016	20 December 2019
Early redemption	2.05% p.a.	6M E + 0.45% p.a.	5.00% p.a.	3.00% p.a.	2.00% p.a.
Redemption guarantee	semi-annually, 11 December and 11 June	semi-annually, 17 December and 17 June	semi-annually, 18 December and 18 June	annually, 20 December	semi-annually, 20 December and 20 June
Guarantees accepted by	no	no	no	no	no
Corp. reg. no. (IČO)	no	no	no	no	no
Business name	-	-	-	-	-
Registered office	-	-	-	-	-
procedure for swapping bond for shares in the case of swappable bonds	-	-	-	-	-

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