Privatbanka, a.s.

Financial Statements

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

Year Ended 31 December 2013

and Independent Auditor's Report

Contents

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Privatbanka, a.s.

INDEPENDENT AUDITOR'S REPORT

To the Shareholder and Board of Directors of Privatbanka, a.s.:

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

Statutory Body's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Banks' internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the statutory body, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

Bratislava, 14 March 2014

Deloitte

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Licence SKAu No. 014

Mgr. Renáta Ihringová, FCCA
Responsible Auditor
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Statement of Financial Position as at 31 December 2013
Prepared in accordance with International Financial Reporting Standards, as adopted by the European Union

	Note	2013 EUR '000	2012 EUR '000
Assets			
Cash and balances with central banks	4.	9 545	8 475
Loans and advances to banks	5.	11 085	45 665
Loans and advances to customers	6.	203 540	204 099
Available-for-sale securities	8.	128 329	79 130
Securities at fair value through profit or loss	9.	4 378	5 129
Held-to-maturity securities	10.	254 556	336 072
Investments in subsidiaries	11.	7	7
Tangible and intangible assets	12.	1 632	1 864
Other assets	13.	1 118	1 671
Total assets		**614 190**	**682 112**
Liabilities and equity			
Due to banks	14.	152 072	151 230
Deposits from customers	15.	377 859	451 453
Debt securities issued	16.	25 495	30 087
Current income tax liability	17.	442	38
Deferred tax liability	18.	279	215
Provisions for liabilities		326	367
Other liabilities	19.	10 034	5 673
Total liabilities		**566 507**	**639 063**
Equity			
Share capital	20.	25 121	25 121
Capital reserves and profit funds	20.	3 779	3 349
Revaluation reserves on available-for-sale securities, including deferred tax	20.	791	513
Retained earnings		17 992	14 066
Total equity		**47 683**	**43 049**
Total liabilities and equity		**614 190**	**682 112**

The notes on pages 9 to 73 form an integral part of these financial statements.

Privatbanka

Income Statement for the year ended 31 December 2013
Prepared in accordance with International Financial Reporting Standards, as adopted by the European Union

	Note	2013 EUR '000	2012 EUR '000
Interest income and similar income	26.	24 302	25 717
Interest expense and similar expense	27.	(12 241)	(14 130)
Net interest income		**12 061**	**11 587**
Fee and commission income	28.	6 477	5 656
Fee and commission expense	29.	(671)	(679)
Net fee and commission income		**5 806**	**4 977**
Trading profit	30.	1 333	1 003
Other income		11	3
Operating income		**19 211**	**17 570**
General operating expenses	31.	(10 777)	(10 541)
Depreciation and amortisation	12.	(635)	(578)
Operating expense		**(11 412)**	**(11 119)**
Operating profit		**7 799**	**6 451**
Provisions for impairment losses on loans, net, write-off and assignment of receivables	32.	(1 529)	(1 023)
Release of provisions for securities		-	469
Income/(loss) from sale of tangible assets		(6)	1
Provisions for liabilities		(13)	(367)
Profit before income taxes		**6 251**	**5 531**
Current income tax	22.	(1 901)	(1 205)
Deferred income tax	22.	6	(24)
Net profit		**4 356**	**4 302**

The notes on pages 9 to 73 form an integral part of these financial statements.

	Note	2013 EUR '000	2012 EUR '000
Profit after tax from the Income Statement		**4 356**	**4 302**
Revaluation of available-for-sale securities		348	1 489
Deferred tax on available-for-sale securities		(70)	(309)
Comprehensive income		**4 634**	**5 482**

The notes on pages 9 to 73 form an integral part of these financial statements.

	Share capital	Retained earnings	Capital reserves and profit funds	Revaluation reserves on available-for-sale securities (including deferred tax)	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
At 1 January 2012	**25 121**	**10 138**	**2 975**	**(667)**	**37 567**
Additions to statutory reserve fund	-	(374)	374	-	**-**
2012 comprehensive income	-	4 302	-	1 180	**5 482**
At 31 December 2012	**25 121**	**14 066**	**3 349**	**513**	**43 049**

	Share capital	Retained earnings	Capital reserves and profit funds	Revaluation reserves on available-for-sale securities (including deferred tax)	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
At 1 January 2013	**25 121**	**14 066**	**3 349**	**513**	**43 049**
Additions to statutory reserve fund	-	(430)	430	-	**-**
2013 comprehensive income	-	4 356	-	278	**4 634**
At 31 December 2013	**25 121**	**17 992**	**3 779**	**791**	**47 683**

The notes on pages 9 to 73 form an integral part of these financial statements.

	Note	2013 EUR '000	2012 EUR '000
Cash flow from operating activities			
Profit before changes in operating assets and liabilities	33.	11 808	5 826
(Increase)/decrease in minimum reserve deposits with the NBS		(1 532)	4 412
(Increase)/decrease of loans to customers		(1 727)	(7 463)
(Increase)/decrease in securities at fair value through profit or loss		737	(212)
(Increase)/decrease in available-for-sale securities		(48 605)	35 409
(Increase)/decrease in other assets		553	(904)
Increase/(decrease) in amounts due to banks		-	80 000
Increase/(decrease) in deposits from customers		(73 696)	(29 501)
Increase/(decrease) in debt securities issued – promissory notes		2 378	(5 622)
Income tax paid		(1 497)	(1 072)
Increase/(decrease) in other liabilities		4 307	(748)
Net cash flow from operating activities		**(107 274)**	**80 125**
Cash flow from investing activities			
(Increase)/decrease in held-to-maturity securities		79 592	(61 232)
Purchase of tangible and intangible assets		(413)	(832)
Sale of tangible and intangible assets		4	11
Net cash flow from investment activities		**79 183**	**(62 053)**
Cash flow from financing activities			
Increase upon issue of long-term debt securities - bonds		5 041	14 082
Decrease upon maturity of long-term debt securities - bonds		(11 991)	(19 573)
Net cash flow from financing activities		**(6 950)**	**(5 491)**
Net increase in cash and cash equivalents		**(35 041)**	**12 581**
Cash and cash equivalents at the beginning of the year	34.	**47 847**	**35 266**
Cash and cash equivalents at the end of the year	34.	**12 806**	**47 847**

The Cash Flow Statement has been prepared using an indirect method.

The notes on pages 9 to 73 form an integral part of these financial statements.

1. GENERAL INFORMATION

Incorporation
Privatbanka, a.s. (hereinafter also the "Bank") was established on 2 August 1995 and incorporated on 9 August 1995. The Bank commenced its activities on 22 May 1996. The Bank's registered office is Einsteinova 25, 851 01 Bratislava. The Bank's identification number is 31 634 419 and its tax identification number is 2020461905.

Principal activities
The principal activities of the Bank, as a holder of a banking license, include the provision of a wide range of banking and financial services to corporate and private customers.

The banking licence was granted to the Bank for the following activities:

1. Receipt of deposits
2. Provision of loans
3. Investment in securities on own account
4. Trading on own account
   a) With money market financial instruments in euros and foreign currency including foreign exchange activities
   b) With capital market financial instruments in euros and foreign currency
   c) With coins made of precious metal, commemorative banknotes and coins, sheets of banknotes, and sets of coins for circulation
5. Administration of customer's receivables on its account including advisory services
6. Finance lease
7. Provision of guarantees; opening and confirmation of letters of credit
8. Provision of business advisory services
9. Issue of securities, participation in issuing securities, and provision of related services
10. Financial intermediation
11. Custody of valuables
12. Safe hire
13. Provision of banking information
14. Acting as a depository according to a special regulation
15. Processing of banknotes, coins, commemorative banknotes and coins
16. Provision of investment services, investment activities, and ancillary services in accordance with Article 79 (1) and in connection with Article 6 (1) and (2) of Act 566/2001 Coll. on Securities and Investment Services and on an amendment to certain acts, as amended, in the following scope:
    I. Acceptance and forwarding of the client's instructions for one or several financial instruments related to the following financial instruments:
       a) Convertible securities
       b) Money market instruments
       c) Trustee shares or securities issued by foreign collective investment entities
       d) Futures, swaps, forwards concerning currencies, interest rates or yields to be settled by their delivery or cash
    II. Execution of the client's instructions on its account in relation to the following financial instruments:
       a) Convertible securities
       b) Money market instruments
       c) Trustee shares or securities issued by foreign collective investment entities
       d) Futures, swaps, forwards concerning currencies, interest rates or yields to be settled by their delivery or cash

III. Trading on own account in relation to the following financial instruments:
   a) Convertible securities
   b) Money market instruments
   c) Trustee shares or securities issued by foreign collective investment entities
   d) Futures, swaps, forwards concerning currencies, interest rates or yields to be settled by their delivery or cash
IV. Portfolio management in relation to the following financial instruments:
   a) Convertible securities
   b) Money market instruments
   c) Trustee shares or securities issued by foreign collective investment entities
   d) Futures, swaps, forwards concerning currencies, interest rates or yields to be settled by their delivery or cash
V. Investment consulting in relation to the following financial instruments:
   a) Convertible securities
   b) Money market instruments
   c) Trustee shares or securities issued by foreign collective investment entities
   d) Futures, swaps, forwards concerning currencies, interest rates or yields to be settled by their delivery or cash
VI. Underwriting and placement of financial instruments upon a firm commitment in relation to the following financial instruments:
   a) Convertible securities
   b) Money market instruments
   c) Trustee shares or securities issued by foreign collective investment entities
VII. Placement of financial instruments without a firm commitment in relation to the following financial instruments:
   a) Convertible securities
   b) Money market instruments
   c) Trustee shares or securities issued by foreign collective investment entities
VIII. Keeping in custody and management of financial instruments on the client's account, including custodian management and related services, in particular management of cash and financial collaterals in relation to the following financial instruments:
   a) Convertible securities
   b) Money market instruments
   c) Trustee shares or securities issued by foreign collective investment entities
IX. Granting of loans and borrowings to an investor to be able to trade one or several financial instruments if the lender or provider of the borrowing is involved in the business
X. Trading of foreign exchange values if they are associated with the provision of investment services
XI. Performance of investment surveys and financial analysis or other forms of general recommendations for trading the financial instruments
XII. Services related to the underwriting of these financial instruments

17. Provision of payment and clearing services
18. Issue and administration of electronic money

Shareholders' structure
The shareholders' structure is as follows:

%	2013	2012
Penta Investments Ltd., Limassol	100,00	100,00
Total	**100,00**	**100,00**

The immediate consolidating entity is Penta Investments Limited, with its registered office at 47 Esplanade, JE1 0BD St. Helier, Jersey, Channel Islands.

The ultimate parent company is Penta Investments Group Limited, with its registered office at 47 Esplanade, JE1 0BD St. Helier, Jersey, Channel Islands.

The consolidated financial statements are available at Penta Investments Limited.

Investments in subsidiaries
As at 31 December 2013 and 31 December 2012, the Bank had the following subsidiary:

Name	Activity	Share (%)
Privatfin, s.r.o.	Factoring, forfaiting, business advisory services, leasing services	100

Privatfin, s.r.o., with its registered office at Einsteinova 25, 851 01 Bratislava, Identification number: 36 037 869, is registered in the Commercial Register of the District Court, Bratislava I, section: Sro, No. 40865/B. The subsidiary does not perform activities in significant volumes. As at 31 December 2013, it reported a loss of EUR 1.7 thousand (2012: loss of EUR 1.4 thousand).

Geographical network
In 2013, the Bank performed its activities in the Slovak Republic through the Centre of Banking Services in Bratislava (Centrum bankových služieb), its network of three regional investment branches in Banská Bystrica, Bratislava and Košice, and eight regional investment centres for non-cash operations in Brezno, Nitra, Dunajská Streda, Žilina, Trenčín, Prešov, Trnava and Prievidza. In 2013, the Bank also carried out banking activities in the Czech Republic based on the right to the free provision of cross-border banking services without establishing a branch in line with Directive No. 2006/48/EC of the European Parliament and of the Council dated 14 June 2006 on establishing and carrying out activities of credit institutions.

Members of the Board of Directors
The members of the Bank's Board of Directors as at 31 December 2013 are as follows:

1. Mgr. Ing. Ľuboš Ševčík, CSc.	- Chairman	- Appointed on 4 September 2007
2. RNDr. Miron Zelina, CSc.	- Member	- Appointed on 1 September 2012
3. Ing. Vladimír Hrdina	- Member	- Appointed on 6 August 2003

Supervisory Board
The members of the Bank's Supervisory Board as at 31 December 2013 are as follows:

Elected by the General Meeting:		
1. Ing. Jozef Špirko	- Chairman	- Appointed on 29 April 2011
2. Ing. Marek Hvožďara	- Vice-Chairman	- Appointed on 27 September 2012
Elected by the employees:		
3. Ing. Mgr. Milan Čerešňa	- Member	- Appointed on 24 August 2012

2. ACCOUNTING POLICIES

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

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

Standards and interpretations valid in the current reporting period

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

- **IFRS 13 "Fair Value Measurement"**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),

- **Amendments to IFRS 1 "First-time Adoption of IFRS"** – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),

- **Amendments to IFRS 1 "First-time Adoption of IFRS"** – Government Loans, adopted by the EU on 4 March 2013 (effective for annual periods beginning on or after 1 January 2013),

- **Amendments to IFRS 7 "Financial Instruments: Disclosures"** – Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2013),

- **Amendments to IAS 1 "Presentation of Financial Statements"** – Presentation of Items of Other Comprehensive Income, adopted by the EU on 5 June 2012 (effective for annual periods beginning on or after 1 July 2012),

- **Amendments to IAS 12 "Income Taxes"** – Deferred Tax: Recovery of Underlying Assets, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),

- **Amendments to IAS 19 "Employee Benefits"** – Improvements to the Accounting for Post-employment Benefits, adopted by the EU on 5 June 2012 (effective for annual periods beginning on or after 1 January 2013),

- **Amendments to various standards "Improvements to IFRSs (cycle 2009-2011)"** resulting from the annual improvement project of IFRS (IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34) primarily with a view to removing inconsistencies and clarifying wording, adopted by the EU on 27 March 2013 (amendments are to be applied for annual periods beginning on or after 1 January 2013), and

The adoption of these amendments to the existing standards has not led to any changes in the Bank's accounting policies.

Standards and Interpretations issued by IASB and adopted by the EU but not yet effective

At the authorisation date of these financial statements the EU endorsed for issue the following standards, amendments to the existing standards and interpretations issued by IASB, which have not yet been effective:

- **IFRS 10 "Consolidated Financial Statements"**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),

- **IFRS 11 "Joint Arrangements"**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),

- **IFRS 12 "Disclosures of Interests in Other Entities"**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),

- **IAS 27 (revised in 2011) "Separate Financial Statements"**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),

- **IAS 28 (revised in 2011) "Investments in Associates and Joint Ventures"**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),

- **Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosures of Interests in Other Entities"** – Transition Guidance, adopted by the EU on 4 April 2013 (effective for annual periods beginning on or after 1 January 2014),

- **Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosures of Interests in Other Entities" and IAS 27 (revised in 2011) "Separate Financial Statements"** – Investment Entities, adopted by the EU on 20 November 2013 (effective for annual periods beginning on or after 1 January 2014),

- **Amendments to IAS 32 "Financial Instruments: Presentation"** – Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2014),

- **Amendments to IAS 36 "Impairment of Assets"** – Recoverable Amount Disclosures for Non-Financial Assets, adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014), and

- **Amendments to IAS 39 "Financial Instruments: Recognition and Measurement"** – Novation of Derivatives and Continuation of Hedge Accounting, adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014).

Standards and Interpretations issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except from the following standards, amendments to the existing standards and interpretations, which were not endorsed for use in the EU as at 31 December 2013:

- **IFRS 9 "Financial Instruments" and subsequent amendments** (effective date was not yet determined),

- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016),

- **Amendments to IAS 19 "Employee Benefits"** – Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after 1 July 2014),

- **Amendments to various standards "Improvements to IFRSs (cycle 2010-2012)"** resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 July 2014),

- **Amendments to various standards "Improvements to IFRSs (cycle 2011-2013)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 July 2014),

- **IFRIC 21 "Levies"** (effective for annual periods beginning on or after 1 January 2014).

The Bank's management anticipates that the adoption of these standards, amendments to the existing standards and interpretations will have no material impact on the Bank's financial statements in the period of initial application. At the same time, hedge accounting regarding the portfolio of financial assets and liabilities, whose principles have not been adopted by the EU, is still unregulated. According to the 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 have a significant impact on the financial statements, if applied as at the reporting date.

(2.2) Statement of compliance
The purpose of preparing these financial statements in the Slovak Republic is to comply with the Act on Accounting No. 431/2002 Coll. The Bank prepares its 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).

Pursuant to Article 22 (12) of Act No. 431/2002 Coll. on Accounting as amended, the Bank does not prepare consolidated financial statements for the year ended 31 December 2013, since the subsidiary Privatfin, s.r.o. does not have a significant impact on Privatbanka's consolidated group. The judgment on the financial position, expenses, revenues and results of operations of Privatbanka's consolidated group has not been significantly affected by preparing only the Bank's separate financial statements.

On 25 April 2013, the Bank's General Meeting approved the Bank’s financial statements prepared in accordance with IFRS as at 31 December 2012.

The financial statements are intended for general use and information, and are not intended for the purposes of any specific user or consideration of any specific transactions. Accordingly, users should not rely exclusively on these financial statements when making decisions.

(2.3) Basis of preparation
All data are stated in euros (EUR, €). The unit of measure are thousands of euros, unless specified otherwise. The data in parentheses represent negative values.

The financial statements are prepared under the historical cost convention, as modified by the revaluation of certain financial investments, financial assets, financial liabilities, and derivatives at fair value.

Financial assets at fair value through profit or loss and available-for-sale financial assets are measured at fair value. Other financial and non-financial assets and liabilities are measured at amortised cost or historical cost less provisions.

These financial statements were prepared under the assumption that the Bank will continue operating as a going concern for the foreseeable future.

The Bank has a controlling interest in the subsidiary as stated in Note 11. In these financial statements, the subsidiary is recognised at cost, taking into account losses from impairment.

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

Significant areas of judgment include the following:

- The on-going impact of recent financial crisis on financial markets and the economic environment have resulted in material adjustments to the valuation of the Bank’s assets. The management of the Bank has considered all relevant factors in making prudent and reasonable valuation estimates in the circumstances. The financial markets continue to be affected by market liquidity issues and price volatility. There is also a continued increased level of uncertainty about future economic developments. These factors could result in future changes in the valuation of assets and such changes could be material.

- Provisions for liabilities are based on the management’s judgments and represent the best estimate of the expenditures required to settle a liability of an uncertain timing or amount resulting from an obligation.

- The Bank regularly (on a quarterly basis) monitors the loan portfolio and performs an individual or portfolio assessment of receivables from loan transactions in order to identify loss events. Subsequently, the Bank quantifies the impact of a loss event on the recognised financial assets while taking into account estimated income from received collateral. Considering the current economic conditions, the final outcome of these estimates could differ from the amounts of impairment losses recognised as at 31 December 2013.

- Income tax rules and regulations have undergone significant changes in recent years and there is little historical precedent and few interpretative rulings with respect to the extensive and complex issues affecting the banking industry. Moreover, tax authorities have extensive powers in interpreting the application of the tax laws and regulations in the course of its tax examination of taxpayers. Accordingly, there is a high level of inherent uncertainty about the ultimate outcomes of examinations by the tax authorities.

(2.5) Summary of significant accounting policies

(1) Foreign currency translation

Transactions denominated in foreign currencies are translated to euros using the rates of exchange of the ECB or other commercial banks available on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are reported at the rates of exchange prevailing on the reporting date. Exchange rate gains/losses are included in the Income Statement in “Trading profit”.

(2) Cash and cash equivalents

The Bank considers cash, current accounts with the National Bank of Slovakia or other financial institutions, time deposits with other financial institutions with residual maturity up to three months, and treasury bills with a residual maturity up to three months, to be cash equivalents. For the purposes of determining cash flows, the minimum reserve deposit with the NBS is not included as cash equivalent due to restrictions on its availability.

(3) Financial instruments – recognition and measurement

(i) Date of initial recognition

Purchases or sales of financial assets that require the delivery of assets within the timeframe generally established by regulation or convention in the marketplace are recognised as at the date of settlement. Derivatives are recognised as at the trade date.

(ii) Initial measurement of financial instruments

The classification of financial assets and liabilities as at initial recognition depends on the purpose for which the financial assets and liabilities were acquired and also depends on their nature. At initial recognition, the financial instruments are measured at fair value, including the transaction costs.

(iii) Held-to-maturity financial investments

Held-to-maturity financial investments are those that carry fixed or determinable payments and have fixed maturities, and those which the Bank has the intention and ability to hold to maturity. After initial recognition, held-to-maturity financial investments are subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition cost and fees that are an integral part of the effective interest rate. Amortisation is included in “Interest income and similar income” in the Income Statement. The losses arising from the impairment of such investments are recognised in the Income Statement line “Release of provisions for securities”.

(iv) Loans and advances to banks and Loans and advances to customers

“Loans and advances to banks” and “Loans and advances to customers” are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as “Available-for-sale securities”. After initial recognition, the loans and advances to banks and the loans and advances to customers are subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition cost and fees that are an integral part of the effective interest rate. Amortisation is included in “Interest income and similar income” in the Income Statement. The losses arising from impairment are recognised in the Income Statement in “Provisions for impairment losses on loans, net, write-off and assignment of receivables”.

(v) Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss comprise financial derivatives and securities at fair value through profit or loss. Securities at fair value through profit or loss are financial assets held for the purpose of trading and generating profit from short-term fluctuations in prices.

Securities held for trading are measured at fair value. Gains and losses from revaluation are presented in the Income Statement as “Trading profit”. Interest earned while holding securities held for trading is reported using the effective interest rate as interest income in the Income Statement as “Interest income and similar income”. Dividends earned while holding financial investments are recognised in the Income Statement as “Trading profit” when the right to payment has been established.

Financial derivatives include currency and interest rate swaps, currency and interest rate forwards, FRA and currency options (call and put options) and other financial derivatives for the purposes of trading and interest rate risk and exchange rate risk management. Financial derivatives are measured at fair value. Unrealised gains and losses on financial derivatives are recognised as “Other assets” or “Other liabilities”. Realised and unrealised gains and losses on derivatives entered into for trading purposes are included in the Income Statement in “Trading profit”.

Derivatives held as hedging instruments for risk management purposes are remeasured to fair value at the end of each reporting period. The treatment of changes in their fair value depends on their classification into the following categories:

(i) Fair Value Hedge
When a derivative is designated as a hedge of the change in fair value of a recognised asset or liability or a firm off-balance sheet irrevocable commitment, changes in the fair value of the derivative are recognised immediately in the Income Statement together with changes in the fair value of the hedged item that are attributable to the hedged risk (in the same income statement line as the hedged item).

Hedge accounting is discontinued if the derivative expires or is sold, terminated, or exercised, no longer meets the criteria for fair value hedge accounting, or the designation is revoked. Any adjustment to a hedged item for which the effective interest method is used is amortised to income as part of the recalculated effective interest rate of the item over its remaining life.

(ii) Cash Flow Hedge
When a derivative is designated as a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect income, the effective portion of changes in the fair value of the derivative are recognised directly in equity. The amount recognised in equity is removed and included in the Income Statement in the same period as the hedged cash flows affect the Income Statement under the same income statement line as the hedged item.

Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the income statement.

If a derivative expires or is sold, terminated or exercised, no longer meets the criteria for cash flow hedge accounting, or the designation is revoked, then hedge accounting is discontinued and the amount recognised in equity remains in equity until the forecast transaction affects income. If the forecast transaction is no longer expected to occur, hedge accounting is discontinued and the balance in equity is recognised immediately in the income statement.

The relationship between the hedging instrument and the hedged item, risk management objectives, and the implementation strategy of various hedging transactions are documented at the beginning of the hedge relationship. From the origin of the hedging, the Bank continuously documents whether the hedging instrument is highly effective in offsetting changes in the fair values or cash flows of the hedged item.

Hedging derivatives are defined as derivatives following the Bank's risk management strategy, the hedge relationship is officially documented and the hedging is effective [run-on], ie at the beginning and during the existence of the hedge relationship changes in fair values or cash flows from hedged or hedging items are almost fully set off against final results within the range from 80% to 125%.

Embedded Derivatives
Derivatives may be embedded in another contractual arrangement (hereinafter the "host contract"). The Bank accounts for embedded derivatives separately from the host contract when the host contract is not itself carried at fair value through income and the characteristics of the embedded derivative are not clearly and closely related to the host contract. Separated embedded derivatives are recognised depending on their classification and are presented in the balance sheet together with the host contract.

(vi) Available-for-sale securities
Available-for-sale securities are all securities that are classified in this portfolio upon initial recognition. Also included in this portfolio are such financial investments that do not qualify to be classified in one of the following categories: held-to-maturity investments, financial instruments at fair value through profit or loss, or loans and advances to banks and loans and advances to customers. They include equity instruments, investments in mutual funds and money market, and other debt instruments.

Upon initial recognition, available-for-sale securities are measured at fair value. Unrealised gains and losses are recognised directly in equity in the "Revaluation reserves on available-for-sale securities including deferred tax". When the financial asset is sold, the cumulative gain or loss previously recognised in equity is recognised in the Income Statement in "Trading profit". Where the Bank holds more than one investment in the same financial asset, they are deemed to be disposed of on an average price basis. Interest earned while holding available-for-sale financial investments is reported using the effective interest rate as interest income in the Income Statement in "Interest income and similar income". Dividends earned while holding financial investments are recognised in the Income Statement as "Trading profit", when the right of the payment has been established. Losses arising from the impairment of such investments are recognised in the Income Statement in "Release of provisions for securities", and removed from the equity in the "Revaluation reserves on available-for-sale securities including deferred tax".

(vii) Deposits from customers, due to banks and debt securities issued
Deposits from customers, due to banks, and debt securities issued are financial instruments, where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder or other banks.

After initial recognition, deposits from customers, due to banks, and debt securities issued are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any discount or premium on the face value and initial costs that are an integral part of the effective interest rate. The corresponding interest expense is recognised in the Income Statement in line "Interest expense and similar expense".

(4) Derecognition of financial assets and financial liabilities

(i) Financial assets
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 rights to receive cash flows from the asset have expired; or
- 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; or
- The Bank has transferred substantially all the risks and rewards of the asset; or
- The Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Bank's continuing exposure. Continuing exposure that takes the form of a guarantee over the transferred asset is measured at the lower of a) the original carrying amount of the asset, and b) the maximum amount of consideration that the Bank could be required to repay.

(ii) Financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and recognition of a new liability, and the difference in the relevant carrying amounts is recognised in the Income Statement.

(5) Reclassification of available-for-sale financial assets to held-to-maturity financial assets

The fair value of the financial assets as at the date of reclassification represents their new acquisition cost or amortised cost. Any previous gains or losses on these financial assets that were recognised directly in equity as "Revaluation reserve from available-for-sale securities including deferred tax" are amortised in profit/(loss) as "Interest income and similar income" over the remaining useful life using the effective interest rate method. Any difference between the new amortised cost and the amount upon maturity is also amortised over the remaining useful life of the financial assets using the effective interest rate method, similarly as in the amortisation of a discount or premium. If financial assets are subsequently impaired, a gain or loss that is recognised directly in equity will be recognised in the profit/loss in accordance with Note 2.5 point 8.

(6) Repurchase and reverse repurchase agreements
Transactions where securities are sold under a commitment to repurchase (repos) at a predetermined price or purchased under a commitment to resell (reverse repos) are treated as received loans in "Due to banks" or "Deposits from customers" with the security transfer of securities or as loans granted in "Loans and advances to banks" or "Loans and advances to customers". The Bank recognises interest income on securities transferred under a repurchase commitment while interest income on securities received under a resale commitment is not accrued.

Income and expenses arising from repurchase and reverse repurchase commitments, being the difference between the selling and purchase prices of the securities, are accrued over the period of the transaction and recorded in the Income Statement as "Interest income and similar income" or "Interest expense and similar expense".

(7) Determination of fair value
Based on the used input data for the fair value estimates, the calculation of the fair values of the Group's financial assets and liabilities can be classified into one of three levels:

Level 1: Quoted prices from active markets for identical assets or liabilities

Level 2: Inputs other than "Level 1" quoted prices, which can be obtained for assets or liabilities either directly (eg prices) or indirectly (derived from interest rates etc)

Level 3: Input data for assets or liabilities, which cannot be derived from market data

For the determination of a fair value of financial instruments, the following applies:

- The fair value for the financial instruments corresponds to their quoted price in an active market as at the reporting date, without any deduction for transaction costs.
- If the quoted market price is not available or there is no active market for the applicable financial instrument, the fair values of financial instruments are determined using valuation techniques such as theoretical price derived from the proceeds as read from the yield curve of government bonds and the credit margin of issuers' debt securities with comparable credit risk under generally-accepted revaluation rules.
  Where valuation techniques are used to determine fair values, financial instruments are measured and periodically reviewed by qualified personnel independent of the field of their creation. If practically feasible, models use only observable data; however, areas such as credit risk, volatilities and liquidity require expert estimates. Changes in the assumptions related to these factors could affect the reported fair value of financial instruments.
- The fair value of shares and other equity securities in companies, the price of which is not listed on an active market and the fair value of which cannot be determined reliably, is recognised at cost less impairment.
- The fair value of government and NBS treasury bills is determined by discounting the face value to present value by the required proceeds by maturity derived from the applicable rates effective on the interbank market.
- For OTC derivatives the fair value is determined by discounting future cash flows to their present value using verifiable market data.

With respect to the definition of the fair value of financial instruments that are not revalued to fair value, the Bank applies the net present value method using the prime interest rates of individual currencies disclosed by central banks, which approximate market values. More-detailed information on the methods of calculation of fair values of financial instruments not revalued to fair value is provided in Note 43.

To determine the fair values of its financial assets and liabilities, the Bank uses information from the Bloomberg system and/or Reuters, where the value is determined by the values of various contributors (financial market entities contributing their prices into the information system) and other important market information.

(8) Impairment of financial assets
The Bank assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is reduced if, and only if, there is objective evidence of impairment as a result of one or more events that 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, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or necessary reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows.

(i) Loans and advances to banks and Loans and advances to customers
For loans and advances to banks and loans and advances to customers carried at amortised cost, the Bank first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset and such asset shows common indications characteristic for individual portfolios created by the Bank, whether significant or not, 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 are not included in a collective assessment of impairment.

If there is objective evidence that 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 (excluding future expected credit losses that have not yet been incurred as at the reporting date). The carrying amount of the asset is reduced through the use of an account of impairment losses and the amount of the loss is recognised in the Income Statement. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases owing to an event occurring after the impairment was recognised, the previously-recognised impairment loss is increased or reduced by adjusting the account of impairment losses. The unrecovered portion of the loans is written off by the Bank as a loss after all means for recovery of the receivable have been applied including the perfection of the collateral.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that will be generated from the realisation of the collateral less costs of sale.

For the purpose of the collective recognition of impairments, financial assets are grouped on the basis of the Bank's internal credit grading system that considers the same credit risk characteristics, in particular financial asset type, industry, method of collateral, and other relevant factors.

The selected types of loans and advances to corporate customers where no impairment was identified on an individual basis, loans and advances are classified into groups – portfolios with similar credit risk characteristics. For portfolios where risk was identified resulting from a change in economic conditions, downturn in the relevant markets and portfolio-based impairment losses are estimated. Portfolio-based impairment losses cover are intended to reflect risk of loss that has not yet been individually identified, but based on historical experience and mainly the anticipated impact of current economic market conditions, are deemed to be inherent in the portfolios as at the reporting date.

Anticipated future cash flows on a group of financial assets that are collectively assessed for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics, actual and expected developments on the relevant market, based on the estimated market values of collateral. As the Bank has no historical loss experience for groups of assets, similar to those in the group, the amount of such assets is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the years on which the historical loss experience is based and to remove the effects of conditions in the historical period that no longer exist. Estimates of changes in future cash flows reflect changes in related observable data (such as changes in unemployment rates, property prices, GDP growth or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

In 2013, no new loan portfolios were created. At present, the Bank has eight portfolios created for the collective assessment of receivables with common characteristics, of which four portfolios were created for loans granted to individuals and four portfolios for corporate or project loans.

The Bank does not have a sufficiently-long time series for the calculation of an historical default rate for the loan portfolios. The portfolio provision is created based on management estimates, considering the current stagnation of the real estate market, the value of received collateral, and expected recovery rates. The recorded estimated provision relates to the impairment of the whole portfolio. The management assumes that the incurred but not identified losses are in the volume of 3.5% (2012: 3.5%) of the total amount of the loans included in the portfolio of loans for real estate project financing and 2.5% (2012: 2.5%) of the total amount of the loans included in the portfolio of loans for clients engaged in the real estate lease and operations sector (refer also to Note 6 and 7). The Bank recorded a provision in the amount of 2.0% (2012: 2.0%) of the total amount of the loans for the portfolio of loans provided to finance new investment projects. Based on the assessment of the development of loans provided to finance photovoltaic power plants, the Bank concluded that no portfolio provision is currently required for this loan portfolio. It is expected that as future events and uncertainties develop, the management will be able to improve its estimates of incurred losses that will result in future adjustments to impairment losses.

Provisioning for incurred credit losses and identified contingencies involve uncertainties resulting from the aforementioned risks and require the management of the Bank to make subjective judgments in estimating the loss amounts. There are significant uncertainties connected mainly with the ultimate implementation of the real estate development projects that is outside the control of management. In the real estate sector, the Bank focuses mainly on financing real estate intended for lease where the loan recovery is associated with regular cash flows from the lease of real estate.

The ultimate outcome could differ from those estimates and future changes in the economic conditions, and other factors impacting real estate markets and the development of new investment projects could subsequently result in a change in estimates that could have a material impact on loan loss provisions.

(ii) Held-to-maturity financial investments

For held-to-maturity investments, the Bank assesses individually whether there is objective evidence of impairment. If there is objective evidence that 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. The carrying amount of the asset is reduced and the amount of the loss is recognised in the Income Statement.

If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognised, any amounts previously disclosed in expenses are credited to the "Loss on impairment of financial investments".

(iii) Available-for-sale financial investments

For available-for-sale financial investments, the Bank assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or long-term decline in the fair value of the investment below its cost. 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 removed from equity and recognised in the Income Statement. Provisions for equity investments are not reversed through the Income Statement. Increases in their fair value after impairment are recognised directly in equity.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. Interest continues to be accrued at the original effective interest rate and is recorded as part of “Interest income and similar income”. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the Income Statement, the provision for the financial assets is reversed through the Income Statement.

(iv) Renegotiated loans
The Bank prefers to restructure loans rather than perfect the collateral if such procedure improves or strengthens its position as a creditor. Restructuring may include the extension of repayment dates and the agreement of new credit terms and conditions. Once the terms have been renegotiated, the loan is no longer considered a past-due asset. Management continuously 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 effective interest rate.

(9) Accrued interest income and expense
Accrued interest income and expense related to financial assets and liabilities are presented as at the reporting date together with the corresponding assets and liabilities in the statement of financial position.

(10) Tangible and intangible assets
Tangible and intangible assets are recognised at historical cost less accumulated depreciation and provisions for impairment losses. Tangible and intangible assets are depreciated on a straight-line basis over estimated useful economic life as follows:

Buildings and structures	20 to 40 years, linear
Software	Up to 5 years, linear
Other assets	4 to12 years, linear

Land and assets under construction are not depreciated.

Gains and losses on the sale of tangible and intangible assets are determined by reference to their net book value and are recognised in the Income Statement in the year of disposal. Low-value tangible and intangible assets and technical improvements costing less than EUR 1 700 in the case of tangible assets, and EUR 2 400 in the case of intangible assets, are recognised in the Income Statement when the expenditure is incurred.

Costs associated with the maintenance of existing software are expensed through “General operative expenses” as incurred, while the costs of technical improvements are capitalised and increase the cost of software.

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

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

(12) Guarantees issued
In the ordinary course of business, the Bank gives financial guarantees consisting of letters of credit, guarantees, and accepted notes. Financial guarantees are initially recognised at fair value, in "Other liabilities". Upon initial recognition, the Bank's liability under each guarantee granted is measured at the higher of the amortised cost and the best estimate of expenditures required to settle any financial obligation arising as a result of the guarantee, and is recognised in "Other liabilities".

(13) Provisions for liabilities
A provision is a liability of uncertain timing or amount. A reserve is recognised when the Bank has an obligation (legal or constructive) as a result of past events and it is probable that the satisfaction of the obligation will require a cash outflow and, at the same time, the amount of the obligation can be reliably estimated.

The amount of provisions for liability is recognised based on the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision for liability is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision for liability are expected to be recovered from a third party, the receivable is recognised as an asset if it is certain that a reimbursement will be received and the amount of the receivable can be measured reliably.

(14) Recognition of income and expenses

(i) Interest expense and interest income
Interest expense and interest income are recorded in the Income Statement on an accrual basis using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability, or a group of financial assets or financial liabilities, by allocating interest income and income expenses over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts over the expected life of the financial instrument so that they correspond to the net carrying amount of the financial asset or financial liability.

Fees earned for the provision of loans and loan commitments that compensate activities performed to maintain the instrument are recorded on an accrual basis and recognised as effective interest rate adjustments.

Interest expenses and interest income also include transaction fees at the origin of the financial instrument.

(ii) Fee and commission income and expenses
Fees earned for the administration of loans and other received and paid fees are recorded in the Income Statement when the service is provided or received.

(iii) Income tax
Income tax includes current tax and deferred tax.

Current income tax represents the expected tax liability resulting from taxable income for the year calculated at the tax rate as at the reporting date with any current income tax adjustments from previous years.

Deferred income tax is calculated using the balance sheet liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred income tax is calculated at the tax rates that are expected to apply to the period when the time differences are reversed.

Deferred income tax assets are only recognised to the extent that it is probable that taxable profits will be available against which non-utilised tax losses and credits can be applied. Deferred income tax assets are decreased to the extent that it is not probable that the related tax benefits can be realised.

Deferred income tax is charged or credited to the Income Statement, except when such deferred income tax relates to items charged or credited directly to equity, in which case the deferred tax is also recorded in equity. Deferred income tax assets and liabilities are offset when there is a legally-enforceable right to offset current income tax assets against current income tax liabilities, and when they relate to income taxes levied by the same tax authority and the Bank intends to settle its current income tax assets and liabilities on a net basis.

(15) Subsidiaries and other equity investments

The 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.

Subsidiaries are valued at cost less provisions for impairment.

Other equity participations
Other equity participations represent investments with less than a 20% share on the share capital and voting rights. Such investments are measured using the fair value model applicable on the available-for-sale securities. Investments for which no quoted market prices on an active market are available or investments the fair value of which cannot be determined reliably are recognised at cost.

(16) Transactions with securities for clients
Securities received by the Bank into custody, administration, or deposition are recognised at face value in the off-balance sheet. The securities taken over by the Bank for management are recognised at fair value in the off-balance sheet. The Bank's amounts due to customers are recognised as "Deposits from customers" in the balance sheet owing to cash received for purchase of securities, cash to be returned to clients etc.

(17) Regulatory requirements
The Bank is subject to the regulatory requirements of the central bank. These regulations include those pertaining to capital adequacy, classification of loans and off-balance sheet commitments, asset concentration, credit risks associated with the Bank's clients, liquidity, interest rates, and foreign currency position.

3. SEGMENT REPORTING

A segment is a distinguishable component of an entity that provides products and services with a significantly-different risk and return (hereinafter a “business segment”), or this difference is determined by political, geographical, or other factors (eg geographical segment). The Bank's activities and services represent primarily the provision of banking and other financial services in the Slovak Republic. The Bank acts on the market as a uniform segment.

An operating segment is a component of the reporting entity:

a) That is engaged in business activities that may generate revenues and expenses (including revenues and expenses related to transactions with other components of the same reporting entity);
b) Whose operating results are regularly reviewed by the executive decision-maker of the reporting entity to decide on the funds to be allocated to the segment and to evaluate its performance, and
c) To which separate financial information is available.

The Bank recognises segments by geographical area as the segmentation by activities associated with the provision of products and services is inapplicable. The segments are recognised in compliance with IFRS.

The Bank does not classify segments by revenue as no such internal reports for the use by the Bank’s management that would be regularly reviewed by the executive decision-maker to allocate funds to the segment and to assess its performance are not prepared by the Bank. The costs of preparing such information solely for the purpose of disclosure in the financial statements would be high.

Classification by geographical area as at 31 December 2013:

EUR '000	Cash and balances with central banks	Loans and advances to banks	Loans and advances to customers	Securities available for sale	Securities at fair value through profit or loss	Securities held to maturity	Investments in subsidiaries
Australia	-	-	-	2 050	-	-	-
Cyprus	-	-	10 475	-	-	-	-
Czech Republic	178	8 186	23 675	12 388	-	4 019	-
Finland	-	-	-	-	-	2 073	-
France	-	-	-	7 202	-	2 001	-
Netherlands	-	-	27	-	-	3 790	-
Croatia	-	-	-	-	-	3 235	-
Ireland	-	-	-	1 713	-	2 128	-
Jersey	-	-	-	2 759	846	2 117	-
Canada	-	-	-	-	-	2 146	-
Luxembourg	-	-	-	3 066	-	1 734	-
Hungary	-	-	-	-	-	6 389	-
Germany	-	378	-	35	342	2 137	-
Poland	-	878	-	-	53	34 326	-
Austria	-	58	-	-	-	7 109	-
Seychelles	-	-	513	-	-	-	-
Slovak Republic	9 137	651	177 114	61 151	2 745	145 087	7
USA	67	934	-	15 164	392	24 286	-
Spain	-	-	-	2 253	-	5 600	-
Switzerland	85	-	-	-	-	-	-
Sweden	-	-	-	6 908	-	4 490	-
Italy	-	-	-	13 640	-	1 889	-
United Kingdom	78	-	-	-	-	-	-
Total gross	9 545	11 085	211 804	128 329	4 378	254 556	7
Provisions (Note 7)	-	-	(8 264)	-	-	-	-
Total net	9 545	11 085	203 540	128 329	4 378	254 556	7

The Bank did not recognise the balances of tangible and intangible assets and other assets as at 31 December 2013 by geographical segment owing to the immateriality of those amounts for the segment reporting.

Classification by geographical area as at 31 December 2012:

EUR '000	Cash and balances with central banks	Loans and advances to banks	Loans and advances to customers	Securities available for sale	Securities at fair value through profit or loss	Securities held to maturity	Investments in subsidiaries
Bulgaria	-	-	-	-	-	6 443	-
Cyprus	-	-	15 234	-	-	-	-
Czech Republic	218	28 779	29 050	-	-	4 250	-
Finland	-	-	-	-	-	2 090	-
France	-	-	-	-	-	2 997	-
Holland	-	-	33	-	-	6 860	-
Croatia	-	-	-	-	-	3 276	-
Ireland	-	-	-	-	-	4 149	-
Jersey	-	-	-	16	1 128	2 257	-
South Korea	-	-	-	-	-	1 044	-
Canada	-	-	-	-	-	2 196	-
Luxembourg	-	-	-	4 711	-	3 379	-
Hungary	-	-	-	-	-	6 281	-
Germany	-	420	-	79	682	2 204	-
Poland	-	600	-	-	56	45 421	-
Austria	-	35	-	-	-	7 088	-
Seychelles	-	-	657	-	-	-	-
Slovak Republic	8 140	10 834	165 861	54 379	2 866	183 416	7
USA	60	4 997	-	10 066	397	28 060	-
Spain	-	-	-	-	-	5 572	-
Switzerland	11	-	-	-	-	-	-
Sweden	-	-	-	1 590	-	4 449	-
Italy	-	-	-	8 289	-	8 599	-
United Kingdom	46	-	-	-	-	6 041	-
Total gross	8 475	45 665	210 835	79 130	5 129	336 072	7
Provisions (Note 7)	-	-	(6 736)	-	-	-	-
Total net	8 475	45 665	204 099	79 130	5 129	336 072	7

The Bank did not recognise the balances of tangible and intangible assets and other assets as at 31 December 2012 by geographical segment owing to the immateriality of those amounts for the segment reporting.

4. CASH AND BALANCES WITH CENTRAL BANKS

EUR '000	2013	2012
Cash on hand	1 721	2 182
Minimum reserve deposits at NBS	7 824	6 293
Total cash and balances with central banks	**9 545**	**8 475**

Receivables from central banks are not secured by any collateral.

The minimum reserve deposits are recognised as an interest-bearing deposit under the regulations of the National Bank of Slovakia. The amount of the reserves depends on the level of deposits accepted by the Bank. The Bank's ability to withdraw the reserve is restricted by statutory legislation; therefore, it is not included in "Cash and balances with central banks" for the purposes of cash flow statement preparation (see Note 34).

5. LOANS AND ADVANCES TO BANKS

EUR '000	2013	2012
Current accounts	1 252	2 302
Time deposits	9 741	43 282
Other receivables due from banks	92	81
Total loans and advances to banks	**11 085**	**45 665**

Loans and advances to banks have not been secured by any collateral.

6. LOANS AND ADVANCES TO CUSTOMERS

(a) Breakdown of loans and advances to customers per type

EUR '000	2013	2012
Loans and advances to		
entrepreneurs and corporate entities	199 782	184 333
individuals	12 022	26 502
Total loans and advances to customers, gross	**211 804**	**210 835**
Provisions for receivables from customers (Note 7)	(8 264)	(6 736)
Total loans and advances to customers, net	**203 540**	**204 099**

As at 31 December 2013, the 15 largest customers accounted for 40.5% of the gross loan portfolio, which amounted to EUR 85 787 thousand (2012: 49.6%, EUR 104 644 thousand).

Further details on credit risk are described in Note 41.

(b) Breakdown of loans and advances to customers per sector

EUR '000	2013	2012
Residents		
Financial institutions	3 945	8 091
Non-financial institutions	159 216	145 396
Non-profit organisations	2 725	2 645
Public administration	2	6
Self-employed	-	4
Individuals	11 226	9 718
Non-residents		
Non-financial institutions	33 895	28 191
Individuals	795	16 784
Total loans and advances to customers, gross	**211 804**	**210 835**
Provisions for amounts due from customers (Note 7)	(8 264)	(6 736)
Total loans and advances to customers, net	**203 540**	**204 099**

(c) Breakdown of loans and advances to customers per purpose

EUR '000	2013	Share in %	2012	Share in %
Short-term loans	**88 404**		**86 564**	
Of which: project financing	10 307	4,87	24 576	11,66
Operating	15 324	7,23	22 303	10,58
Consumer	-	0,00	1	0,00
Real estate loans	11 328	5,35	24 324	11,54
Overdrafts	11 684	5,52	11 769	5,58
New investment projects	4 150	1,96	4 722	2,24
Photovoltaic power plants	817	0,39	-	0,00
Other	45 101	21,29	23 445	11,12
Long-term loans	**123 400**		**124 271**	
Of which: project financing	15 661	7,39	7 430	3,52
Investment	28 415	13,42	37 999	18,02
Consumer	82	0,04	330	0,16
Real estate loans	24 895	11,75	18 463	8,76
Photovoltaic power plants	12 494	5,90	13 993	6,64
New investment projects	8 288	3,91	12 583	5,97
Other	49 226	23,24	40 903	19,39
Total loans and advances to customers, gross	**211 804**	**100,00**	**210 835**	**100,00**
Provisions for amounts due from customers (Note 7)	(8 264)		(6 736)	
Total loans and advances to customers, net	**203 540**		**204 099**	

The share of project financing loans to the gross receivables from customers at the end of 2013 represents 12.3% (2012: 15.2%).

(d) Risk categorisation of loans to customers

The table below details the breakdown of loans to customers according to the type of exposure and the level of risk identified within the Bank's portfolio of loans and advances as at 31 December 2013. Exposure information includes undrawn loan commitments and issued guarantees.

EUR '000	Exposure	Provisions	Provisions coverage	Estimated value of collateral	Provisions and collateral coverage
Portfolio provisions	**76 504**	**1 593**	**2,08%**	**69 507**	**92,94%**
Individuals	7 237	-	0,00%	5 303	73,28%
Of which: defaults	-	-	-	-	-
Entrepreneurs and corporate entities	69 267	1 593	2,30%	64 204	94,99%
Of which: defaults	-	-	-	-	-
Individual provisions	**135 300**	**6 671**	**4,93%**	**96 863**	**76,52%**
Non-impaired exposures	113 505	-	-	80 778	71,17%
Impaired exposures	21 795	6 671	30,61%	16 085	104,41%
Subtotal, balance-sheet credit risks	**211 804**	**8 264**	**3,90%**	**166 370**	**82,45%**
Off-balance sheet Retail Asset Class	2 463	-	-		
Off-balance sheet Corporate Asset Class	13 890	-	-		
Subtotal, off-balance sheet credit risks	**16 353**	**-**	**-**		
Total	**228 157**	**8 264**	**3,62%**		

In 2013 the interest income on impaired loans to customer amounted to EUR 1 079 thousand (2012: EUR 436 thousand).

The table below details the breakdown of loans to customers according the type of exposure and the level of credit risk identified within the Bank's portfolio of loans and advances as at 31 December 2012. Exposure information includes undrawn loan commitments and issued guarantees.

EUR '000	Exposure	Provisions	Provisions coverage	Estimated value of collateral	Provisions and collateral coverage
Portfolio provisions	**82 788**	**1 833**	**2,21%**	**71 302**	**88,34%**
Individuals	5 568	19	0,34%	4 479	80,78%
Of which: defaults	-	-	-	-	-
Entrepreneurs and corporate entities	77 220	1 814	2,35%	66 823	88,89%
Of which: defaults	-	-	-	-	-
Individual provisions	**128 047**	**4 903**	**3,83%**	**103 129**	**84,37%**
Non-impaired exposures	107 329	-	-	90 935	84,73%
Impaired exposures	20 718	4 903	23,67%	12 194	82,52%
Subtotal, balance-sheet credit risks	**210 835**	**6 736**	**3,19%**	**174 431**	**85,93%**
Off-balance sheet Retail Asset Class	2 447	-	-		
Off-balance sheet Corporate Asset Class	7 205	-	-		
Subtotal, off-balance sheet credit risks	**9 652**	**-**	**-**		
Total	**220 487**	**6 736**	**3,06%**		

7. PROVISIONS FOR IMPAIRMENT LOSSES

EUR '000	1 Jan 2013	(Additions)	Release	Exchange rate gain/loss	31 Dec 2013
Loans and advances to customers (Note 6)	(6 736)	(7 356)	5 828	-	(8 264)
Other assets (Note 13)	(179)	-	-	-	(179)
Total impairment losses	**(6 915)**	**(7 356)**	**5 828**	**-**	**(8 443)**

EUR '000	1 Jan 2012	(Additions)	Release	Exchange rate gain/loss	31 Dec 2012
Loans and advances to customers (Note 6)	(5 809)	(6 607)	5 690	(10)	(6 736)
Other assets (Note 15)	(181)	-	2	-	(179)
Total provisions for receivables	(5 990)	(6 607)	5 692	(10)	(6 915)
Securities available for sale (Note 8)	(539)	-	539	-	-
Total impairment losses	**(6 529)**	**(6 607)**	**6 231**	**(10)**	**(6 915)**

8. AVAILABLE-FOR-SALE SECURITIES

Breakdown of available-for-sale securities per type of security and issuer's country as at 31 December 2013:

EUR '000	State Bonds	Bank Bonds	Corporate Bonds	Trustee Shares	Shares	Warrants	**Total**
Australia	-	2 050	-	-	-	-	**2 050**
Czech Republic	-	3 625	8 763	-	-	-	**12 388**
France	-	-	7 202	-	-	-	**7 202**
Ireland	-	-	-	1 713	-	-	**1 713**
Jersey	-	-	2 744	-	15	-	**2 759**
Luxembourg	-	-	-	3 066	-	-	**3 066**
Germany	-	-	-	-	-	35	**35**
Slovak Republic	40 913	4 318	15 868	-	52	-	**61 151**
USA	-	14 167	997	-	-	-	**15 164**
Spain	-	-	2 253	-	-	-	**2 253**
Sweden	-	-	6 908	-	-	-	**6 908**
Italy	13 640	-	-	-	-	-	**13 640**
Total	**54 553**	**24 160**	**44 735**	**4 779**	**67**	**35**	**128 329**

Breakdown of available-for-sale securities per type of security and issuer's country as at 31 December 2012:

EUR '000	State Bonds	Bank Bonds	Corporate Bonds	Shares	Warrants	Total
Jersey	-	-	-	16	-	**16**
Luxembourg	-	-	4 711	-	-	**4 711**
Germany	-	-	-	-	79	**79**
Slovak Republic	50 100	4 227	-	52	-	**54 379**
USA	-	9 071	995	-	-	**10 066**
Sweden	-	-	1 590	-	-	**1 590**
Italy	8 289	-	-	-	-	**8 289**
Total	**58 389**	**13 298**	**7 296**	**68**	**79**	**79 130**

The method for measuring the fair value of available-for-sale securities is described in Note 43.

In connection with the transfer of securities from the "available-for-sale" portfolio to the "held-to-maturity securities" portfolio in 2011, the Bank continues to recognise as at 31 December 2013 revaluation reserves from available-for-sale securities in the amount of EUR 280 thousand (loss) in equity; the loss will be amortised in the income statement until the maturity of these securities (2012: (loss) EUR 468 thousand). In 2013, a loss in the amount of EUR 178 thousand (2012: EUR 242 thousand) was amortised in the Income Statement line "Interest income and similar income".

As at 31 December 2013, the Bank recognised in the available-for-sale portfolio domestic state bonds with a fair value of EUR 21 973 thousand (2012: EUR 12 007 thousand) provided as pooling collateral to the National Bank of Slovakia.

Securities in pooling are provided as collateral for refinancing transactions with NBS.

In 2012, after the sale, the Bank reversed provisions for foreign corporate bonds in the amount of EUR 469 thousand.

In 2012, the Bank wrote off an ownership interest in the amount of EUR 70 thousand held in a privately-held company after bankruptcy proceedings were completed. A 100% provision for the aforementioned interest was reversed.

9. SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Breakdown of securities at fair value through profit or loss per type of security and issuer's country as at 31 December 2013:

EUR '000	State Bonds	Municipality Bonds	Bank Bonds	Corporate Bonds	Warrants	Certificates	Total
Jersey	-	-	-	846	-	-	**846**
Germany	-	-	-	-	90	252	**342**
Poland	-	53	-	-	-	-	**53**
Slovak Republic	684	-	2 061	-	-	-	**2 745**
USA	-	-	392	-	-	-	**392**
Total	**684**	**53**	**2 453**	**846**	**90**	**252**	**4 378**

Breakdown of securities at fair value through profit or loss per type of security and issuer's country as at 31 December 2012:

EUR '000	State Bonds	Municipality Bonds	Bank Bonds	Corporate Bonds	Warrants	Certificates	Total
Jersey	-	-	-	1 128	-	-	**1 128**
Germany	-	-	-	-	82	600	**682**
Poland	-	56	-	-	-	-	**56**
Slovak Republic	872	-	1 994	-	-	-	**2 866**
USA	-	-	397	-	-	-	**397**
Total	**872**	**56**	**2 391**	**1 128**	**82**	**600**	**5 129**

The method for measuring the fair value of securities at fair value through profit or loss is described in Note 43.

As at 31 December 2013, the Bank's portfolio of securities at fair value through profit or loss included domestic bank bonds at the fair value of EUR 1 478 thousand (31 December 2012: EUR 1 428 thousand) provided to the NBS as collateral for pooling.

10. HELD-TO-MATURITY SECURITIES

Breakdown of held-to-maturity securities per type of security and issuer's country as at 31 December 2013:

EUR '000	State Bonds	Bank Bonds	Corporate Bonds	Total
Czech Republic	2 041	-	1 978	**4 019**
Finland	-	-	2 073	**2 073**
France	-	2 001	-	**2 001**
Holland	-	-	3 790	**3 790**
Croatia	3 235	-	-	**3 235**
Ireland	-	-	2 128	**2 128**
Jersey	-	-	2 117	**2 117**
Canada	-	-	2 146	**2 146**
Luxembourg	-	-	1 734	**1 734**
Hungary	-	-	6 389	**6 389**
Germany	-	-	2 137	**2 137**
Poland	34 326	-	-	**34 326**
Austria	-	7 109	-	**7 109**
Slovak Republic	132 790	12 297	-	**145 087**
USA	-	21 287	2 999	**24 286**
Spain	-	-	5 600	**5 600**
Sweden	-	-	4 490	**4 490**
Italy	931	958	-	**1 889**
Total	**173 323**	**43 652**	**37 581**	**254 556**

Breakdown of held-to-maturity securities per type of security and issuer's country as at 31 December 2012:

EUR '000	State Bonds	Bank Bonds	Corporate Bonds	Total
Bulgaria	6 443	-	-	**6 443**
Czech Republic	2 074	-	2 176	**4 250**
Finland	-	-	2 090	**2 090**
France	-	2 997	-	**2 997**
Holland	-	3 008	3 852	**6 860**
Croatia	3 276	-	-	**3 276**
Ireland	-	-	4 149	**4 149**
Jersey	-	-	2 257	**2 257**
South Korea	-	1 044	-	**1 044**
Canada	-	-	2 196	**2 196**
Luxembourg	-	-	3 379	**3 379**
Hungary	-	-	6 281	**6 281**
Germany	-	-	2 204	**2 204**
Poland	45 421	-	-	**45 421**
Austria	-	7 088	-	**7 088**
Slovak Republic	173 194	10 222	-	**183 416**
USA	-	25 081	2 979	**28 060**
Spain	-	-	5 572	**5 572**
Sweden	-	-	4 449	**4 449**
Italy	920	7 679	-	**8 599**
United Kingdom	-	6 041	-	**6 041**
Total	**231 328**	**63 160**	**41 584**	**336 072**

In 2012, the Bank sold Slovenian state bonds representing less than 2% of the held-to-maturity portfolio after the ratings downgrade.

As at 31 December 2013, the Bank's portfolio of held-to-maturity securities included domestic state bonds at amortised cost of EUR 1 977 thousand (2012: EUR 1 957 thousand) provided as collateral to a local bank.

The structure of securities provided as collateral for pooling to the National Bank of Slovakia is as follows:

EUR'000	2013	2012
State bonds domestic	130 812	170 291
State bonds foreign	34 326	33 923
Bank bonds domestic	8 062	3 043
Bank bonds foreign	7 529	8 476
Corporate bonds foreign	3 919	-
Total	**184 648**	**215 733**

11. INVESTMENTS IN SUBSIDIARIES

Name	Registered office	Share on equity EUR '000	Share on reserve fund EUR '000	Share on equity (%)	Carrying amount EUR '000
At 31 Dec 2013					
Privatfin, s.r.o.	Bratislava	6,7	0,3	100	7
At 31 Dec 2012					
Privatfin, s.r.o.	Bratislava	6,7	0,3	100	7

12. TANGIBLE AND INTANGIBLE ASSETS

a) Changes in tangible and intangible assets as at 31 December 2013

	Tangible assets					Intangible assets				
EUR '000	Buildings	Furniture, fittings and equipment	Motor vehicles	Acquisition of tangible assets	Prepayment and acquisition of tangible assets	Software	Patents and licences	Acquisition of intangible assets	Prepayment and acquisition of intangible assets	**Total**
Cost										
At 1 Jan 2013	586	2 733	238	1	-	4 026	36	68	-	**7 688**
Additions	8	233	22	268	-	131	38	144	17	**861**
Disposals	(9)	(22)	(17)	(263)	-	(24)	(4)	(168)	(17)	**(524)**
At 31 Dec 2013	585	2 944	243	6	-	4 133	70	44	-	**8 025**
Accumulated depreciation										
At 1 Jan 2013	(108)	(1 846)	(152)	-	-	(3 682)	(36)	-	-	**(5 824)**
Depreciation and amortisation	(26)	(333)	(38)	-	-	(200)	(38)	-	-	**(635)**
Disposals	1	22	15	-	-	24	4	-	-	**66**
At 31 Dec 2013	(133)	(2 157)	(175)	-	-	(3 858)	(70)	-	-	**(6 393)**
Net book value										
At 31 Dec 2013	**452**	**787**	**68**	**6**	**-**	**275**	**-**	**44**	**-**	**1 632**

b) Changes in tangible and intangible assets as at 31 December 2012

	Tangible assets					Intangible assets				
EUR '000	Buildings	Furniture, fittings and equipment	Motor vehicles	Acquisition of tangible assets	Prepayment and acquisition of tangible assets	Software	Patents and licences	Acquisition of intangible assets	Prepayment and acquisition of intangible assets	**Total**
Cost										
At 1 Jan 2012	556	2 366	218	2	-	3 831	35	95	-	**7 103**
Additions	43	540	71	653	1	198	7	178	6	**1 697**
Disposals	(13)	(173)	(51)	(654)	(1)	(3)	(6)	(205)	(6)	**(1 112)**
At 31 Dec 2012	586	2 733	238	1	-	4 026	36	68	-	**7 688**
Accumulated depreciation										
At 1 Jan 2012	(87)	(1 769)	(162)	-	-	(3 430)	(35)	-	-	**(5 483)**
Depreciation and amortisation	(25)	(250)	(41)	-	-	(255)	(7)	-	-	**(578)**
Disposals	4	173	51	-	-	3	6	-	-	**237**
At 31 Dec 2012	(108)	(1 846)	(152)	-	-	(3 682)	(36)	-	-	**(5 824)**
Net book value										
At 31 Dec 2012	**478**	**887**	**86**	**1**	**-**	**344**	**-**	**68**	**-**	**1 864**

c) Insurance of assets

Tangible assets at the headquarters and the branches were insured against natural disasters for their full cost.

13. OTHER ASSETS

EUR '000	2013	2012
Positive fair value of derivatives for trading (Note 25)	70	-
Other debtors	1 028	1 502
Advance payments made	49	49
Inventory	37	40
Deferred expenses	105	250
Other receivables from customers	7	7
Other	1	2
Total other assets, gross	**1 297**	**1 850**
Provisions for other debtors (Note 7)	(179)	(179)
Total other assets, net	**1 118**	**1 671**

14. DUE TO BANKS

EUR '000	2013	2012
Loans from the ECB	152 072	151 230
Total due to banks	**152 072**	**151 230**

Loans received from the ECB as at 31 December 2013 represent a loan in the amount of EUR 70 000 thousand, falling due on 29 January 2015, and a loan in the amount of EUR 80 000 thousand, falling due on 26 February 2015. These loans are secured by securities at the fair value of EUR 23 451 thousand (31 December 2012: EUR 13 435 thousand), which are disclosed in the Statement of Financial Position as “Available-for-sale securities” and "Securities at fair value through profit or loss”, and securities at amortised cost of EUR 184 648 thousand (31 December 2012: EUR 215 733 thousand), which are disclosed in the Statement of Financial Position as “Held-to-maturity securities”.

All payables due to banks are within maturity.

15. DEPOSITS FROM CUSTOMERS

(a) Breakdown of deposits from customers per type

EUR '000	2013	2012
Current accounts	100 252	104 024
Time deposits	275 647	341 552
Saving deposits	472	629
Deposit certificates	1 249	4 963
Other	239	285
Total deposits from customers	**377 859**	**451 453**

As at 31 December 2013, the 15 largest clients accounted for 10.6% of the total deposits from customers, which represents the amount of EUR 40 112 thousand (2012: 30.1%, EUR 136 094 thousand).

A portion of the deposits from customers comprises payables to related parties. Their share of the total deposits from customers as at 31 December 2013 represented 6.3%, totalling EUR 23 767 thousand (2012: 16.6%, EUR 74 803 thousand). Additional information on exposures to related parties is described in Note 36.

All deposits from customers are within maturity.

(b) Breakdown of deposits from customers by sector

EUR '000	2013	2012
Residents		
Financial institutions	15 894	34 414
Non-financial institutions	45 254	59 813
Insurance companies	998	2 095
Government	4 315	2 019
Non-profit companies	4 848	5 131
Self-employed	563	435
Individuals	287 178	268 042
Non-residents		
Non-financial institutions	12 490	75 958
Non-profit companies	426	435
Individuals	5 893	3 111
Total deposits from customers	**377 859**	**451 453**

16. DEBT SECURITIES ISSUED

(a) Breakdown of debt securities issued according to type

EUR '000	2013	2012
Bills of exchange	5 397	3 034
Coupon bonds	20 098	27 053
Total debt securities issued	**25 495**	**30 087**

All payables under the debt securities issued are within maturity.

(b) Summary of bonds issued

EUR ´000	Start of issue	Maturity of issue	Interest rate	Face value 2013	Face value 2012
Bond 09 - 3,50% 20130317	03/2011	03/2013	3,50%	-	7 000
Bond 10 - 4,25% 20140914	09/2011	09/2014	4,25%	5 000	5 000
Bond 11 - 3,60% 20130916	09/2011	09/2013	3,60%	-	5 000
Bond 12 - 3,80% 20140320	03/2012	03/2014	3,80%	3 000	3 000
Bond 13 - 4,50% 20160330	03/2012	03/2016	4,50%	3 000	3 000
Bond 14 - 3,60% 20140220	02/2012	02/2014	3,60%	4 000	4 000
Bond 15 - 3,20% 20160131	01/2013	01/2016	3,20%	3 786	-
Bond 16 - 2,00% 20150716	07/2013	07/2015	2,00%	1 253	-
Total face value				**20 039**	**27 000**
Acrued interest				57	50
Accrued discount/premium				(6)	7
Total discount/premium (difference between face value and selling price)				8	(4)
Total liabilities from debt securites				**20 098**	**27 053**

The issued bonds are bearer bonds and all bonds were issued as uncertified securities. Bonds, except for the Privatbanka 10 bond, Privatbanka 12 bond, Privatbanka 13 bond and Privatbanka 15 bond, were not issued under a public offering. Bonds were not accepted at the listed securities market or any other stock market.

On 31 January 2013, the Bank issued Privatbanka 15 bonds (ISIN: SK4120008962) with a face value of EUR 1 thousand, with the total issue amounting to EUR 4 000 thousand. Yields on bonds are paid on a quarterly basis and are set at a fixed interest rate of 3.20% p.a. of the bond's face value. Bonds are due on 31 January 2016. No request for admission at the stock market in the Slovak Republic or abroad will be filed for the bonds.

On 16 July 2013, the Bank issued Privatbanka 16 bonds (ISIN: SK4120009309) with a face value of EUR 1 thousand, with the total issue amounting to EUR 3 000 thousand. Yields on bonds are paid on a quarterly basis and are set at a fixed interest rate of 2.00% p.a. of the bond's face value. Bonds are due on 16 July 2015. As at 31 December 2013, the Bank sold 1 253 units of Privatbanka 16 bonds in the total face value of EUR 1 253 thousand. No request for admission at the stock market in the Slovak Republic or abroad will be filed for the bonds.

On 18 March 2013, the Bank repaid the face value of 7 000 units of Privatbanka 09 bonds (ISIN: SK4120007808) amounting to EUR 7 000 thousand.

On 16 September 2013, the Bank repaid the face value of 5 000 units of Privatbanka 11 bonds (ISIN: SK4210008087) amounting to EUR 5 000 thousand.

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

(c) Breakdown of debt securities issued per sector of creditors

EUR '000	2013	2012
Residents		
Non-financial institutions	8 207	8 844
Government	103	97
Non-profit companies	766	722
Self-employed	564	553
Individuals	15 721	19 505
Non-residents		
Non-financial institutions	-	202
Individuals	134	164
Total liabilities from debt securities	**25 495**	**30 087**

17. CURRENT INCOME TAX LIABILITY

EUR '000	2013	2012
Tax prepayments	(1 459)	(1 167)
Current tax	1 901	1 205
Total	**442**	**38**

18. DEFERRED TAX LIABILITY

Deferred income tax assets and liabilities are as follows:

	Assets		Liabilities		Net	
EUR '000	2013	2012	2013	2012	2013	2012
Tangible and intangible assets	-	-	56	62	56	62
Securities - revaluation in equity	-	-	223	153	223	153
Total	**-**	**-**	**279**	**215**	**279**	**215**

The deferred income tax assets and liabilities have been calculated using the corporate income tax rate of 22% (2012: 23%).

The Bank applies a conservative approach for recognising deferred income tax assets and liabilities. All deferred income tax liabilities are recognised in the full amount, while only those deferred income tax assets are recognised for which the Bank expects to realise tax benefits in the future.

The Bank does not expect to realise benefits from tax non-deductible provisions for impairment losses in the future. Therefore, as at 31 December 2013 the Bank did not recognise a deferred income tax asset of EUR 1 712 thousand arising from tax non-deductible provisions for impairment losses (2012: 1 438 thousand EUR).

As at 31 December 2013, the Bank does not recognise a deferred tax asset relating to provisions for bonuses of the Bank's employees and management in the amount of EUR 162 thousand (2012: EUR 95 thousand).

19. OTHER LIABILITIES

EUR '000	2013	2012
Negative fair value of derivatives for trading (Note 25)	706	1 256
Payables to creditors	259	209
Settlement with employees	236	235
Social fund	9	9
Payables to State budget	1 512	1 807
Payables to social and health insurance companies	143	161
Deferred income	24	31
Accrued expenses	1 060	734
Payables to securities market	-	11
Payables from collection	1	-
Other amounts due to customers	6 084	1 220
Total other liabilities	**10 034**	**5 673**

Movements in the social fund:

EUR '000	
Balance at 31 Dec 2012	9
Creation	46
Drawing	(46)
Balance at 31 Dec 2013	9

20. SHARE CAPITAL, CAPITAL RESERVES FROM PROFIT AND REVALUATION RESERVES

Share capital

EUR '000	2013	2012
Issued and fully paid share capital:		
756 874 ordinary shares (ISIN SK1110001619 with nominal values of EUR 33.19 each)	**25 121**	**25 121**

The total amount of the share capital in the amount of EUR 25 121 thousand is registered with the Commercial Register.

The structure of the Bank's shareholders as at 31 December 2013 and 31 December 2012:

Sharholder	Registered office	No. of shares (face value)	Share in registered capital (%)	Share in voting rights (%)
Penta Investments Ltd.	Limassol	25 121	100,00	100,00
Total		**25 121**	**100,00**	**100,00**

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 that is not less than 10% of its annual net profit (calculated in accordance with Slovak accounting regulations) until the aggregate amount reaches a minimum level equal to 20% of the issued share capital. The legal reserve fund is not available for distribution to shareholders.

Revaluation reserves on available-for-sale securities including deferred tax

Revaluation reserves on available-for-sale securities represent unrealised revaluation of available-for-sale securities and securities reclassified to the portfolio of held-to-maturity securities. The revaluation reserves are disclosed net of deferred tax effect. Such revaluation reserves are not available for distribution to the shareholder.

21. PROPOSAL FOR DISTRIBUTION OF 2013 PROFIT

EUR '000	2013
Allotment to legal reserve fund	436
Allotment to retained earnings	1 960
Dividends	1 960
Net profit for current accounting period	**4 356**

22. TAX REVENUE/(EXPENSE)

EUR '000	2013	2012
Current income tax	(1 901)	(1 205)
Deferred tax due to temporary difference	6	(24)
Total	**(1 895)**	**(1 229)**

23. RECONCILIATION OF THEORETICAL AND RECORDED TAX

	2013		
	Balance (EUR '000)	Applicable rate	Impact on tax
Theoretical tax base	6 251	23%	1 438
Permanent non-deductible differences	198	23%	46
Permanent deductible differences	(54)	23%	(12)
Effect of use of tax losses carried forward- previously unrecognised deferred tax asset	-	23%	-
Unrecognised deferred income tax asset - other	323	23%	74
Unrecognised deferred income tax asset owing to temporary differences for which realisation of future tax benefits is uncertain	1 528	23%	351
Impact of a change of the tax rate			(2)
Adjusted tax			1 895
Effective tax			1 895

	2012		
	Balance (EUR '000)	Applicable rate	Impact on tax
Theoretical tax base	5 531	19%	1 051
Permanent non-deductible differences	529	19%	101
Permanent deductible differences	-	19%	-
Effect of use of tax losses carried forward- previously unrecognised deferred tax asset	-	19%	-
Unrecognised deferred income tax asset - other	(196)	19%	(37)
Unrecognised deferred income tax asset owing to temporary differences for which realisation of future tax benefits is uncertain	547	19%	104
Impact of a change of the tax rate			10
Adjusted tax			1 229
Effective tax			1 229

24. OFF-BALANCE SHEET ITEMS

EUR '000	Off balance sheet assets	2013	2012
1. Receivables from spot operations:		150	1 000
a) With interest rate instruments		-	-
b) With FX instruments		150	1 000
2. Receivables from forwards, futures and swaps:		18 287	209
a) With interest rate instruments		67	199
b) With FX instruments		18 220	10
3. Received collaterals:		173 149	177 505
a) Immovables		75 469	80 555
b) Cash		9 708	22 030
c) Securites		57 112	56 850
d) Other		30 860	18 070

EUR '000	Off balance sheet liabilities	2013	2012
1. Undrawn loan facilities		11 699	7 343
2. Provided guarantees		4 654	2 309
3. Liabilities from spot transactions:		150	998
a) With interest rate instruments		-	-
b) With FX instruments		150	998
4.Liabilities from futures, forwards and swaps:		18 923	1 465
a) With interest rate instruments		766	1 455
b) With FX instruments		18 157	10
5. Securities provided as collaterals		210 076	231 125
6. Consigned values		147 632	172 703

The whole amount of undrawn loan facilities and provided guarantees in 2013 and 2012 represents Irrevocable commitments.

25. FINANCIAL DERIVATIVES

In its ordinary business activities, the Bank carries out transactions with financial derivatives to manage its liquidity, interest rate, and foreign exchange risks.

2013	Face value in off-balance sheet		Fair value		Net
EUR '000	Receivable	Payable	Positive	Negative	fair value
Interest rate swaps for trading	23 800	23 800	-	(699)	(699)
Currency forwards for trading	18 225	18 164	70	(7)	63
Total financial derivatives	**42 025**	**41 964**	**70**	**(706)**	**(636)**

2012 EUR '000	Face value in off-balance sheet Receivable	 Payable	Fair value Positive	 Negative	Net fair value
Interest rate swaps for trading	28 800	28 800	-	(1 256)	(1 256)
Currency forwards for trading	10	10	-	-	-
Total financial derivatives	**28 810**	**28 810**	**-**	**(1 256)**	**(1 256)**

The positive fair value of derivatives as at 31 December 2013 in the amount of EUR 70 thousand is recognised in “Other assets” (Note 13) and the negative fair value of derivatives amounting to EUR 706 thousand as at 31 December 2013 (2012: EUR 1 256 thousand) in “Other liabilities” (Note 19).

The breakdown of the face value of financial derivatives by residual maturity as at the end of 2013 is as follows:

EUR '000	Within 1 month	1 to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Interest rate swaps for trading	6 700	6 600	7 500	3 000	-	**23 800**
Currency swaps for trading	10 700	7 000	525	-	-	**18 225**
Total receivables	**17 400**	**13 600**	**8 025**	**3 000**	**-**	**42 025**
Interest rate swaps for trading	6 700	6 600	7 500	3 000	-	**23 800**
Currency swaps for trading	10 633	7 005	526	-	-	**18 164**
Total payables	**17 333**	**13 605**	**8 026**	**3 000**	**-**	**41 964**

The breakdown of the face value of financial derivatives by residual maturity as at the end of 2012 is as follows:

EUR '000	Within 1 month	1 to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Interest rate swaps for trading	-	1 000	4 000	23 800	-	**28 800**
Currency forwards for trading	10	-	-	-	-	**10**
Total receivables	**10**	**1 000**	**4 000**	**23 800**	**-**	**28 810**
Interest rate swaps for trading	-	1 000	4 000	23 800	-	**28 800**
Currency forwards for trading	10	-	-	-	-	**10**
Total payables	**10**	**1 000**	**4 000**	**23 800**	**-**	**28 810**

26. INTEREST INCOME AND SIMILAR INCOME

EUR '000	2013	2012
Interest income from amounts due from banks and central bank	52	125
Interest income from clients' current accounts	657	641
Interest income from clients' loans	12 529	11 598
Interest income from securities available for sale	2 070	2 516
Interest income from securities at fair value through profit or loss	83	138
Interest income from securities held to maturity	8 845	10 346
Interest rate swaps	57	348
Other	9	5
Total interest income and similar income	**24 302**	**25 717**

27. INTEREST EXPENSE AND SIMILAR EXPENSE

EUR '000	2013	2012
Interest expense from amounts due to banks	844	1 280
Interest expense from clients' current accounts	316	394
Interest expense from clients' time deposits	9 327	10 349
Interest expense from clients' savings deposits	6	12
Interest expense from clients' deposit certificates	136	48
Interest expense from debt securities	920	1 108
Interest rate swaps	692	825
Other	-	114
Total interest expense and similar expense	**12 241**	**14 130**

28. FEE AND COMMISSION INCOME

EUR '000	2013	2012
Income from fees and commissions:		
Loans	331	206
Payments	121	91
Itemised fees	259	216
Securities trading	4 882	3 722
Portfolio management	815	1 305
Other	69	116
Total fee and commission income	**6 477**	**5 656**

29. FEE AND COMMISSION EXPENSE

EUR '000	2013	2012
For the following areas:		
Loans	5	-
Payments	188	177
Interbank transactions	29	33
Securities trading	243	242
Intermediation	206	227
Total fee and commission expense	**671**	**679**

30. TRADING PROFIT

EUR '000	2013	2012
Realised profit/loss from debt securities transactions (available-for-sale)	258	494
Realised profit/loss from debt securities transactions (held-to-maturity)	-	(37)
Profit/loss from debt securities transactions (at fair value through profit or loss)	41	192
Profit/loss from certificate transactions (at fair value through profit or loss)	50	-
Profit/loss from warrant transactions (at fair value through profit or loss)	(27)	-
Profit/loss from shares and trustee shares (available-for-sale)	40	11
Profit/loss from derivative transactions	621	(78)
Profit/loss from forex transactions	350	421
Total trading profit	**1 333**	**1 003**

31. GENERAL OPERATING EXPENSES

EUR '000	2013	2012
Personnel costs	5 391	5 174
Other general operating expenses	5 386	5 367
Of which: Expenses for audit of financial statements	94	91
Contribution to Deposits Protection Fund	-	255
Special levy of financial institutions	2 425	2 262
Rent	756	714
Energy	186	156
Advertising costs	89	107
IT systems	250	230
Training and education	25	20
Car maintenance and fuel	36	43
Membership fees	153	98
Other services	1 010	1 024
Other operating expenses	362	367
Total general operating expenses	**10 777**	**10 541**

The average number of employees in 2013 was 159 (2012: 150). The number of employees in 2013 was 163 (2012: 155). The number of members of management in 2013 was 6 (2012: 6).

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

The Bank does not have any pension arrangements other than the state compulsory pension system. Pursuant to Slovak legal regulations, employers are obliged to pay contributions to social security, health insurance, medical insurance, accident insurance, unemployment insurance, and contributions to a guarantee fund set as a percentage of the gross salary. These expenses are recognised in the Income Statement in the period in which the employee was entitled to the salary.

32. CREATION OF PROVISIONS FOR IMPAIRMENT LOSSES, WRITE-OFF AND ASSIGNMENT OF RECEIVABLES

EUR '000	2013	2012
(Creation) of provisions for impairment losses (Note 7)	(7 356)	(6 607)
Release of provisions for impairment losses (Note 7)	5 828	5 692
Net book value of written-off receivables	(6)	(108)
Expenses from assignment of receivables	5	-
Total	**(1 529)**	**(1 023)**

33. PROFIT BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES

EUR '000	2013	2012
Profit before income taxes	6 251	5 531
Adjustments for non-cash items:		
Interest income	(24 302)	(25 717)
Interest expense	12 241	14 130
Depreciation/amortisation of tangible and intangible assets	635	578
Provisions for receivables, write-off of receivables	1 529	1 023
Provisions for securities	-	(469)
Provisions for liabilities	13	367
Net book value of tangible assets disposed	10	10
Income from sale of tangible assets	(4)	(11)
Total before interest received / (paid)	**(3 627)**	**(4 558)**
Interest received	26 752	23 908
Interest paid	(11 317)	(13 524)
Profit before changes in operating assets and liabilities	**11 808**	**5 826**

34. CASH AND CASH EQUIVALENTS

EUR '000	2013	2012
Cash on hand (Note 4)	1 721	2 182
Loans and advances to banks (Note 5)	11 085	45 665
Cash and cash equivalents	**12 806**	**47 847**

35. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Legal disputes

The Bank conducted a review of legal proceedings pending against the Bank as at 31 December 2013 and 31 December 2012. Under the review of risks of losses from major litigations and the involved amounts, the Bank recorded a provision for such litigations amounting to EUR 326 thousand as at 31 December 2013 (2012: EUR 312 thousand).

b) Commitments arising from issue of guarantees

Commitments from guarantees include issued guarantees that represent an irrevocable commitment that the Bank will make payments in the event that a customer cannot meet its obligations to third parties. Based on the risk assessment as at 31 December 2013 and 31 December 2012, the Bank did not create any provisions to cover losses included in balances of undrawn loan commitments and guarantees, which are recognised in off-balance sheet accounts.

c) Commitments to extend credit, undrawn loan commitments, unused overdrafts, and approved overdraft loans

The primary purpose of commitments to extend credit is to ensure that funds are available to a customer as required. Commitments to extend credit represent unused authorisations to extend credits in the form of loans or guarantees. Commitments to extend credit issued by the Bank represent issued loan commitments or guarantees, undrawn and approved overdraft loans. Commitments to extend credit or guarantees issued by the Bank that are contingent upon customers maintaining specific credit standards (including the condition that a customer's solvency does not deteriorate) are revocable commitments. Irrevocable commitments represent undrawn portions of authorised loans and approved overdraft facilities as they result from contractual terms and conditions in loan agreements.

36. RELATED PARTY TRANSACTIONS

Related parties as defined by IAS 24 include:

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

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

The Bank is controlled by Penta Investments Limited, which holds 100% of the voting rights of the Bank's total votes.

A number of banking transactions are entered into with related parties in the normal course of business. These primarily include loans and deposits. These transactions were carried out on an arm's length basis and at market prices.

EUR '000	31 Dec 2013 balance	31 Dec 2013 accruals	Total	Interest income/ Interest expense 2013	Fee and commision income 2013	Trading profit /loss 2013	General operating expenses 2013	(Creation)/ release of provisions 2013
Receivables from parent company								
Loans and advances to customers	2 790	-	2 790	300	-	-	-	-
Other assets	52	-	52	-	286	214	-	-
Payables to parent company								
Deposits from customers	1 116	-	1 116	(1)	11	-	-	-
Receivables from parent's related parties								
Loans and advances to customers	10 151	-	10 151	462	2	-	-	105
Other assets	264	-	264	-	3 933	(1)	-	-
Payables to parent's related parties								
Due to banks	-	-	-	(1)	-	-	-	-
Deposits from customers	21 006	-	21 006	(732)	70	-	-	-
Debt securities issued	729	1	730	(26)	-	-	-	-
Other liabilities	25	-	25	-	-	-	(656)	-
Undrawn credit facilities	479	-	479	-	-	-	-	-
Received collateral	4 711	-	4 711	-	-	-	-	-

EUR '000	31 Dec 2013 balance	31 Dec 2013 accruals	Total	Interest income/ Interest expense 2013	Fee and commision income 2013	Trading profit 2013	General operating expenses 2013	(Creation)/ release of provisions 2013
Receivables from subsidiaries								
Investments in subsidiaries	-	-	-	2	-	-	-	-
Loans and advances to customers	7	-	7	-	-	-	-	-
Payables to subsidiaries								
Deposits from customers	6	-	6	-	-	-	-	-
Receivables from management members and their related parties								
Loans and advances to customers	167	-	167	5	-	-	-	-
Other assets	2	-	2	-	5	-	-	-
Payables due to management members and their related parties								
Deposits from customers	1 638	1	1 639	(21)	1	-	-	-
Debt securities issued	47	-	47	(2)	-	-	-	-
Other liabilities	352	-	352	-	-	-	(574)	-
Undrawn loan facilities	37	-	37	-	-	-	-	-
Provided guarantees	169	-	169	-	-	-	-	-

EUR '000	31 Dec 2012 balance	31 Dec 2012 accruals	Total	Interest income/ Interest expense 2012	Fee and commision income 2012	Trading profit 2012	General operating expenses 2012	(Creation)/ release of provisions 2012
Receivables from parent company								
Loans and advances to customers	3 966	-	3 966	208	-	-	-	-
Other assets	143	-	143	-	613	352	-	-
Payables to parent company								
Deposits from customers	7 369	-	7 369	(16)	15	-	-	-
Liabilities from debt securities	-	-	-	(13)	-	-	-	-
Receivables from parent's related parties								
Loans and advances to customers	10 160	1	10 161	457	-	-	-	(105)
Other assets	103	-	103	-	2 535	30	-	-
Payables to parent's related parties								
Due to banks	-	-	-	(10)	-	-	-	-
Deposits from customers	66 249	45	66 294	(1 275)	60	-	-	-
Debt securities issued	1 235	2	1 237	(15)	-	-	-	-
Other liabilities	27	-	27	-	-	-	(553)	-
Undrawn credit facilities	261	-	261	-	-	-	-	-
Received collateral	6 665	-	6 665	-	-	-	-	-

EUR '000	31 Dec 2012 balance	31 Dec 2012 accruals	Total	Interest income/ Interest expense 2012	Fee and commision income 2012	Trading profit 2012	General operating expenses 2012	(Creation)/ release of provisions 2012
Receivables from subsidiaries								
Investments in subsidiaries	7	-	7	-	-	-	-	-
Loans and advances to customers	126	-	126	-	-	-	-	-
Payables to subsidiaries								
Deposits from customers	19	-	19	-	-	-	-	-
Receivables from management members and their related parties								
Loans and advances to customers	236	-	236	9	-	-	-	-
Other assets	1	-	1	-	2	-	-	-
Payables due to management members and their related parties								
Deposits from customers	1 120	1	1 121	(16)	1	-	-	-
Debt securities issued	47	-	47	(2)	-	-	-	-
Other liabilities	267	-	267	-	-	-	(589)	-
Undrawn loan facilities	37	-	37	-	-	-	-	-
Provided guarantees	239	-	239	-	-	-	-	-

Wages and salaries and social insurance expenses with respect to the statutory representatives and members of the Supervisory Board were in the amount of EUR 574 thousand as at 31 December 2013 (2012: EUR 589 thousand). Members of the Bank's bodies in 2013 and 2012 did not receive any non-cash remuneration.

37. FINANCIAL INSTRUMENTS – MARKET RISK

When conducting its business activities, the Bank is exposed to market risks that depend on the level of exposure to individual risk factors, mainly including changes in interest rates, exchange rates, and prices of capital and financial market instruments.

Given the optimisation of debt securities' classification in the Bank's portfolios, the volatility of prices of these securities did not have a significant impact on the value of the Bank's own funds and its results of operations.

Subsequent to the end of the preceding reporting period, no events occurred that would have a significant impact on market risks resulting from financial instruments.

(a) Interest rate risk

Interest rate risk is the risk of a change in the value of the Bank's portfolios or a change in the net interest income as a result of changes in market interest rates in connection with the volume disagreement of the measurement of the Bank's assets and liabilities. To measure the interest rate sensitivity of assets and liabilities, the Bank uses interest gap analysis. Assets and liabilities are classified into time segments depending on the time of revaluation of the instrument or its reinvestment. The size of the interest gap represents the degree of the risk of a potential loss or profit against projected revenues in the form of a change in the net interest income resulting from changes in market interest rates under exactly specified restrictive conditions of the model. The Bank has set a limit for the maximum interest rate exposure defined by the maximum theoretical change of net interest income within one year starting from the moment of the valuation of the Bank's positions.

To measure the interest rate risk of the Banking and Trading Books, the Bank uses interest rate sensitivity based on modified duration and convexity. This method is used on a daily basis to monitor the interest rate sensitivity of all of the Bank's portfolios. The Bank measures its interest rate risk of the Trading Book using the VaR and interest sensitivity model for which it has set maximum risk exposures, which it monitors daily.

The average effective interest rates of assets and liabilities as at 31 December 2013 and the periods in which these rates are remeasured are as follows:

EUR '000	Effective interest rate	Up to 1 month	1 - 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Unspecified	**Total**
Cash and balances with central banks	0,25%	7 824	-	-	-	-	1 721	**9 545**
Loans to banks	0,50%	10 511	-	-	-	-	574	**11 085**
Loans to customers	5,38%	35 499	89 838	38 057	30 760	1 189	8 197	**203 540**
Securities available for sale	2,20%	5 354	19 437	36 283	53 880	8 771	4 604	**128 329**
Securities at fair value through profit or loss	1,73%	65	2 878	960	475	-	-	**4 378**
Securities held to maturity	3,37%	24 631	62 758	39 630	109 710	17 827	-	**254 556**
Investments in subsidiaries	-	-	-	-	-	-	7	**7**
Total assets		**83 884**	**174 911**	**114 930**	**194 825**	**27 787**	**15 103**	**611 440**
Due to banks	0,25%	71 039	81 033	-	-	-	-	**152 072**
Deposits from customers	2,26%	90 050	34 427	105 024	148 115	-	243	**377 859**
Debt securities issued	3,35%	120	11 342	5 993	8 040	-	-	**25 495**
Total liabilities		**161 209**	**126 802**	**111 017**	**156 155**	**-**	**243**	**555 426**
Difference		**(77 325)**	**48 109**	**3 913**	**38 670**	**27 787**	**14 860**	**56 014**
Cumulative difference		**(77 325)**	**(29 216)**	**(25 303)**	**13 367**	**41 154**	**56 014**	

The average effective interest rates of assets and liabilities as at 31 December 2012 and the periods in which these rates are remeasured are as follows:

EUR '000	Effective interest rate	Up to 1 month	1 - 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Unspecified	**Total**
Cash and balances with central banks	0,75%	6 293	-	-	-	-	2 182	**8 475**
Loans to banks	0,07%	45 585	-	-	-	-	80	**45 665**
Loans to customers	5,79%	58 648	71 518	25 302	43 103	257	5 271	**204 099**
Securities available for sale	2,08%	85	24 940	14 953	39 005	-	147	**79 130**
Securities at fair value through profit or loss	2,02%	150	3 130	1 169	598	-	82	**5 129**
Securities held to maturity	3,07%	34 149	87 854	42 984	161 733	9 352	-	**336 072**
Investments in subsidiaries	-	-	-	-	-	-	7	**7**
Total assets		**144 910**	**187 442**	**84 408**	**244 439**	**9 609**	**7 769**	**678 577**
Due to banks	0,75%	70 647	80 583	-	-	-	-	**151 230**
Deposits from customers	2,39%	130 558	83 292	56 989	177 330	3 000	284	**451 453**
Debt securities issued	3,68%	780	8 105	6 177	15 025	-	-	**30 087**
Total liabilities		**201 985**	**171 980**	**63 166**	**192 355**	**3 000**	**284**	**632 770**
Difference		**(57 075)**	**15 462**	**21 242**	**52 084**	**6 609**	**7 485**	**45 807**
Cumulative difference		**(57 075)**	**(41 613)**	**(20 371)**	**31 713**	**38 322**	**45 807**	

The interest rate sensitivity analysis is based on the assumption of a parallel movement of the yield curve. The table below shows the change in net profit and equity of the Bank due to possible changes in interest rates of the major currencies.

EUR '000	Impact on net profit	Impact on equity
2013		
+ 0,5% for all currencies	(9)	(997)
- 0,5% for all currencies	9	1 022
2012		
+ 0,5% for all currencies	(11)	(178)
- 0,5% for all currencies	11	180

(b) Currency risk

Currency risk is the risk of a change in the value of the Bank's portfolios as a result of changes in the value of exchange rates and open unsecured positions. The Bank manages currency risk by determining and daily monitoring of maximum limits of open positions of the banking book for individual currencies. A potential excessive open currency position of the Banking Book is immediately repurchased through an internal operation in the Trading Book. The currency risk of the trading book is limited by maximum exposure using the VaR model. The following tables show the volumes of assets and liabilities according to the individual main currencies and the resulting unsecured open currency positions as at the year-end of 2013 and 2012.

As at 31 December 2013, the Bank reported the following structure of financial assets and liabilities in individual currencies:

EUR '000	EUR	CZK	USD	Other FX	**Total**
Cash and balances with central banks	9 137	178	67	163	**9 545**
Loans to banks	8 611	191	979	1 304	**11 085**
Loans to customers	198 686	4 853	1	-	**203 540**
Securities available for sale	110 741	7 330	10 258	-	**128 329**
Securities at fair value through profit or loss	3 157	1 221	-	-	**4 378**
Securities held to maturity	250 462	4 094	-	-	**254 556**
Investments in subsidiaries	7	-	-	-	**7**
Total assets	**580 801**	**17 867**	**11 305**	**1 467**	**611 440**
Due to banks	152 072	-	-	-	**152 072**
Deposits from customers	364 685	6 056	5 852	1 266	**377 859**
Debt securities issued	25 495	-	-	-	**25 495**
Total liabilities	**542 252**	**6 056**	**5 852**	**1 266**	**555 426**
Net FX position	**38 549**	**11 811**	**5 453**	**201**	**56 014**

As at 31 December 2012, the Bank reported the following structure of financial assets and liabilities in individual currencies:

EUR '000	EUR	CZK	USD	Other FX	**Total**
Cash and balances with central banks	8 140	218	60	57	**8 475**
Loans to banks	10 670	28 789	5 030	1 176	**45 665**
Loans to customers	197 585	6 513	1	-	**204 099**
Securities available for sale	70 264	8 866	-	-	**79 130**
Securities at fair value through profit or loss	3 584	1 545	-	-	**5 129**
Securities held to maturity	324 895	11 177	-	-	**336 072**
Investments in subsidiaries	7	-	-	-	**7**
Total assets	**615 145**	**57 108**	**5 091**	**1 233**	**678 577**
Due to banks	151 230	-	-	-	**151 230**
Deposits from customers	389 266	55 943	4 965	1 279	**451 453**
Debt securities issued	29 675	21	-	391	**30 087**
Total liabilities	**570 171**	**55 964**	**4 965**	**1 670**	**632 770**
Net FX position	**44 974**	**1 144**	**126**	**(437)**	**45 807**

The table below is a summary of the currencies in which the Bank has significant open positions as at 31 December 2013 and 31 December 2012. The sensitivity analysis calculates the effect of possible changes in the exchange rate against the selected currencies on the Income Statement. A positive amount reflects a net potential gain and a negative amount reflects net potential loss on the Income Statement.

EUR '000	Change in exchange rate	Impact on net profit
2013		
CHF	+10,85%	7
GBP	+16,85%	(35)
USD	+18,09%	20
CZK	+13,49%	(91)
2012		
CHF	+3,94%	(3)
GBP	+13,20%	16
USD	+19,83%	(36)
CZK	+14,98%	23

Other than an impact on the Income Statement, changes in FX rates have no impact on equity.

38. MANAGEMENT OF CAPITAL

The Bank's regulatory capital is used to cover unexpected losses to which the Bank may be exposed in performing its activities. The amount of the regulatory capital and requirements for regulatory capital are monitored on a regular basis, inter alia, by reference to and in compliance with the prudence principles set by the NBS. The Bank has complied with the statutory amount of requirements for the regulatory capital as well as with all other capital requirements set by the NBS.

In accordance with the prudence principle, regulatory capital is used to cover risks arising from the Banking Book, the Trading Book, to cover other risks, in particular foreign exchange risks and commodity risks, and to cover operational risks.

The basic requirement of the regulatory capital management process is to ensure that the Bank has fulfilled all requirements as established by the regulatory body while simultaneously observing the effective adequacy of regulatory capital. The Bank manages the structure of its regulatory capital and may apply changes in the structure of its regulatory capital provided in the event that there is a change in economic terms and conditions or a change in the Bank's appetite for risk. The Bank may influence its regulatory capital based on the decision with regard to distribution of profit in a relevant accounting period, or based on the decision about an issue of subordinated debt or based on other decisions to increase capital. No changes occurred in the policy on regulatory capital management compared to the previous reporting period.

The Bank also applies internal capital management procedures and assesses and calculates requirements for internal capital within the ICAAP process. Internal capital must cover not only legal requirements for individual types of regulatory risk, but also requirements for risks not covered by Tier 1, which are set by the Bank based on the assessment of its risk profile and risk appetite. The Bank has complied with all internal capital requirements.

The Bank's regulatory capital comprises original own funds, additional own funds and deductible items. The original own funds comprise share capital, reserve fund, retained earnings from previous years, software value (as an item reducing the original own funds), and negative financial investments revaluation reserves from the available-for-sale portfolio (as an item reducing the original own funds). The additional own funds comprise positive financial investments revaluation reserves from the available-for-sale portfolio. Deductible items are represented by an investment in the subsidiary Privatfin, s.r.o.

The structure of the Bank's regulatory capital as at the year-end of 2013 (unaudited) and 2012 is as follows:

EUR '000	2013	2012
The Bank's original own funds	**42 217**	**37 824**
Items creating original own funds	**42 536**	**38 234**
Paid up registered capital	25 121	25 121
Reserve fund and other profit funds	3 779	3 349
Retained earnings	13 636	9 764
(-) Items creating original own funds	**319**	**410**
(-) Accumulated losses from previous years	-	-
(-) Intangible assets	319	410
(-) Negative financial investments revaluation reserves from the AFS portfolio	-	-
Additional own funds	**791**	**513**
Subordinated debts	-	-
Positive financial investments revaluation reserves from the AFS portfolio	791	513
(-) Items deductible from the Bank's original and additional own funds	**7**	**7**
(-) From the Bank's original own funds	4	4
(-) From additional own funds	3	3
Supplementary own funds	**-**	**-**
Total regulatory capital	**43 001**	**38 330**

The indicators of the Bank's capital adequacy as at 31 December 2013 (unaudited) and 31 December 2012 are provided in the table below:

EUR '000	2013	2012
Adequacy of regulatory capital (%)	**12,19%**	**12,35%**
Regulatory capital	**43 001**	**38 330**
Risk-weighted assets (RWA)	**352 650**	**310 400**
RWA from receivables recorded in the Banking Book	309 938	263 425
RWA from positions recorded in the Trading Book	10 263	18 663
RWA from foreign exchange risk	912	-
RWA from operating risk	31 537	28 312

The National Bank of Slovakia, as the supervising authority, requires that the Bank maintain the proportion of the total regulatory capital to risk-weighted assets at least 8%.

In the reporting periods, the Bank’s regulatory capital exceeded the minimum requirement level at 8% of risk-weighted assets; thus, the Bank complied with the regulatory authority’s capital requirement.

39. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows the structure of the Bank's assets and liabilities by maturity as at 31 December 2013:

EUR '000	Up to 7 days	From 7 days to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	Unspecified	**Total**
Cash and balances with central banks	9 545	-	-	-	-	-	**9 545**
Loans and advances to banks	11 034	51	-	-	-	-	**11 085**
Loans and advances to customers	7	25 862	73 217	92 997	3 144	8 313	**203 540**
Securities available for sale	-	402	29 431	84 843	8 771	4 882	**128 329**
Securities at fair value through profit or loss	-	200	305	3 783	-	90	**4 378**
Securities held to maturity	193	53 445	34 937	148 154	17 827	-	**254 556**
Investments in subsidiaries	-	-	-	-	-	7	**7**
Tangible and intangible assets	-	-	-	-	-	1 632	**1 632**
Other assets	141	-	8	56	-	913	**1 118**
Total assets	**20 920**	**79 960**	**137 898**	**329 833**	**29 742**	**15 837**	**614 190**
Due to banks	-	-	-	152 072	-	-	**152 072**
Deposits from customers	109 815	44 270	105 279	118 494	-	1	**377 859**
Debt securities issued	-	11 462	5 994	8 039	-	-	**25 495**
Current tax liability	-	442	-	-	-	-	**442**
Deferred tax liability	-	-	-	-	-	279	**279**
Provisions for liabilities	-	-	-	-	-	326	**326**
Other liabilities	6 507	1 637	-	5	-	1 885	**10 034**
Total liabilities	**116 322**	**57 811**	**111 273**	**278 610**	**-**	**2 491**	**566 507**
Difference	**(95 402)**	**22 149**	**26 625**	**51 223**	**29 742**	**13 346**	**47 683**
Cummulative difference	**(95 402)**	**(73 253)**	**(46 880)**	**4 343**	**34 085**	**47 683**	

The bulk of deposits from customers payable within seven days in the amount of EUR 109 815 thousands include deposits payable on demand, which are unlikely to be paid to customers within the defined interval.

The table below shows the structure of the Bank's assets and liabilities by maturity as at 31 December 2012:

EUR '000	Up to 7 days	From 7 days to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	Unspecified	**Total**
Cash and balances with central banks	8 475	-	-	-	-	-	**8 475**
Loans and advances to banks	45 640	25	-	-	-	-	**45 665**
Loans and advances to customers	868	44 305	58 670	89 676	5 223	5 357	**204 099**
Securities available for sale	64	11 347	13 104	54 468	-	147	**79 130**
Securities at fair value through profit or loss	-	175	648	4 224	-	82	**5 129**
Securities held to maturity	193	62 509	35 245	228 773	9 352	-	**336 072**
Investments in subsidiaries	-	-	-	-	-	7	**7**
Tangible and intangible assets	-	-	-	-	-	1 864	**1 864**
Other assets	353	740	-	158	-	420	**1 671**
Total assets	**55 593**	**119 101**	**107 667**	**377 299**	**14 575**	**7 877**	**682 112**
Due to banks	-	-	-	151 230	-	-	**151 230**
Deposits from customers	113 510	120 509	57 145	157 258	3 000	31	**451 453**
Debt securities issued	764	8 122	6 176	15 025	-	-	**30 087**
Current tax liability	-	38	-	-	-	-	**38**
Deferred tax liability	-	-	-	-	-	215	**215**
Provisions for liabilities	-	-	-	-	-	367	**367**
Other liabilities	1 704	1 718	-	14	-	2 237	**5 673**
Total liabilities	**115 978**	**130 387**	**63 321**	**323 527**	**3 000**	**2 850**	**639 063**
Difference	**(60 385)**	**(11 286)**	**44 346**	**53 772**	**11 575**	**5 027**	**43 049**
Cummulative difference	**(60 385)**	**(71 671)**	**(27 325)**	**26 447**	**38 022**	**43 049**	

40. FINANCIAL INSTRUMENTS – LIQUIDITY RISK MANAGEMENT

Liquidity risk is the risk in the ability of the Bank to fulfil its obligations towards its business partners as a result of a difference in the maturity of assets and liabilities. The Bank monitors and manages liquidity on the basis of expected cash flows from assets and liabilities. To measure liquidity exposure, the Bank uses the liquidity gap method. The Bank defines and manages the risk of the ability to fulfil its obligations by means of specified limits of discrepancy in the maturity of assets and liabilities in individual time segments.

The remaining maturity of undiscounted amounts of financial liabilities as at 31 December 2013:

EUR'000	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Not specified	**Total**
Due to banks	-	-	-	152 218	-	-	**152 218**
Deposits from customers	99 817	54 492	106 456	129 351	-	-	**390 116**
Debt securities issued	-	11 814	6 106	8 601	-	-	**26 521**
Total liabilities	**99 817**	**66 306**	**112 562**	**290 170**	**-**	**-**	**568 855**

The remaining maturity of undiscounted amounts of financial liabilities as at 31 December 2012:

EUR'000	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Not specified	Total
Due to banks	-	-	-	152 831	-	-	**152 831**
Deposits from customers	103 670	130 154	58 689	173 494	3 788	-	**469 795**
Debt securities issued	-	9 065	6 764	15 549	-	-	**31 378**
Total liabilities	**103 670**	**139 219**	**65 453**	**341 874**	**3 788**	**-**	**654 004**

41. FINANCIAL INSTRUMENTS – CREDIT RISK

As a result of its business activities arising from the provision of loans, bank guarantees, hedging transactions, and investment and mediation activities, the Bank is exposed to credit risk representing the risk that the debtor or the counterparty will be unable to meet its contractual liabilities.

The Bank mitigates the credit risk by setting limits for exposures with respect to an individual debtor or economically-connected group of debtors or to individual sectors of the national economy in order to avoid inadequate credit risk concentration owing to the accumulation of receivables from a counterparty, an economically-connected group, and/or an economic sector. The actual exposure is regularly compared to the set limits. The Bank treats a receivable from a debtor or an economically connected group of debtors that exceeds 5% of the Bank's regulatory capital as a significant exposure. The excessive concentration of credit exposure to one entity has an effect on the ability of the debtor to pay its obligations. The Bank has created a system of internal reports on significant credit exposures to debtors which exceed the specified limit.

Credit risk is also managed by the regular monitoring of financial assets and the subsequent analysis of the debtor's ability to repay its liabilities and by obtaining solvent and liquid collateral for the Bank's receivables from credit activities.

Factors leading to the creation of impairment losses for financial assets assessed individually in 2013:

1. The client was unable to realise its business plan in the agreed time;
2. The client failed to meet the agreed contracting terms and conditions despite the Bank's notices;
3. The client failed to repay the granted loan in a due and timely manner.

Provisioning
The Bank has defined in its internal instructions loss events and assigned the corresponding reduction of future cash flows from debtors' economic activities; subsequently, it discounts all estimated cash flows, including cash flows from realising collateral, using the effective interest rate. In the event of impairment of a financial receivable, the Bank recognises a provision for the relevant financial asset to cover the identified risk.

In line with IFRS rules, the Bank creates portfolios of financial assets that have common characteristics, and for which there is a possibility of their impairment if objective circumstances arise in the relevant market. Based on the amount of individual loans provided, financial asset portfolios are divided into significant and insignificant. For portfolios where loss events were identified in the form of changed economic conditions or other objective events in respect of the relevant market, impairment losses can be recorded. Portfolio-based impairment losses are intended to reflect a potential risk of loss that cannot be individually identified, but based on historical experience and an impact of current economic market conditions are deemed that their disclosure in the statement of financial position is required.

Portfolios of significant financial assets include portfolios of loans provided to corporate customers to finance real estate development projects and activities in real estate lease and operations, to finance photovoltaic power plants and new investment projects where the recoverability of a loan is linked to generating future cash flows. The Bank monitors changes in economic conditions on the market and regularly re-assesses portfolio provisions for such portfolios the percentage of which is set based on an expert estimate, taking into account the existing situation on the real estate market, the value of the received collateral, and the expected recovery rates.

Credit exposure, collaterals

EUR '000	2013	2012
Total credit exposure	**211 804**	**210 835**
Value of received collaterals accepted by the Bank	271 542	264 515
of which: immovables	113 284	127 816
cash	13 873	24 612
securities	82 698	77 860
other	61 687	34 227
Secured portion of credit exposure	166 370	174 431
Unsecured portion of credit exposure	45 434	36 404

The value and type of collateral required to secure the credit risk of the counterparty in credit transactions depend on the extent of the credit risk in a specific credit transaction as identified by the Bank in the course of processing of the transaction. The Bank reassesses the value of collateral on a regular basis.

In its internal instructions, the Bank has defined acceptance procedures as well as procedures for valuing individual collateral types depending on their liquidity.

The most frequently-used collateral types:

- Project funding: real estate, current and future receivables resulting from sale agreements and other contracts on the sale or lease of developed real estate;
- Operational funding: trade receivables;
- Investment funding: clients' movable and immovable assets;
- Acquisition funding: securities (in particular shares); and
- Credits granted to individuals: real estate, securities, personal guarantees.

Assumptions in estimates of collateral realisable value

The value of collateral is determined as follows:

- Immovable and movable assets: on the basis of a comparison between the general value of assets in an expert's opinion and the fair value of assets as identified by means of an expert's estimate. If there is a difference between these two values, the lower shall be considered the value of the immovable asset;
- Cash collateral: the value of the collateral equals the nominal value of a receivable from deposit; in respect of securities, market prices as at the date of valuation are used; and
- Receivables, promissory notes, and accession to liability by a third party: on the basis of their nominal value, net of ratings of a sub-debtor, debtor under a promissory note or a guarantor.

The value accepted by the Bank is the value that results from multiplying the collateral's value by the relevant coefficient representing the degree of acceptance of a specific type of collateral. This value is concurrently the value for calculating impairment losses.

The value of collateral is regularly updated according to type and any anticipated volatility in prices, and is performed on at least an annual basis. In the event of collateral impairment, the Bank will require additional security for the credit transaction or will realise other measures to reduce the credit risk.

The amount the Bank can receive from the sale of collateral could differ from the value accepted by the Bank for credit risk management purposes, and such difference could be material.

Credit quality of assets recognised as neither past due nor impaired
Overview of the quality of financial assets resulting from credit transactions that are recognised as neither past due nor impaired:

Clients - transaction rating - 2013	Receivables (EUR '000)	Share (%)
Rating A - very good	24 445	12,86
Rating B - good	32 356	17,03
Rating C - below average	67 777	35,66
Rating D - bad	55 193	29,05
Retail	10 252	5,40
Total	**190 023**	**100,00**

Clients - transaction rating - 2012	Receivables (EUR '000)	Share (%)
Rating A - very good	26 542	13,96
Rating B - good	29 430	15,48
Rating C - below average	70 210	36,93
Rating D - bad	37 686	19,82
Retail	26 249	13,81
Total	**190 117**	**100,00**

Based on the balances as at 31 December 2013 and 31 December 2012, there are no clients with accredited external ratings in the Bank's loan portfolio.

The summary of external ratings of securities (Moody's Investors Service) that are not recognised as overdue or impaired as at 31 December 2013:

Available-for-sale securities	(EUR '000)	Share (%)
A1	3 789	2,95
A2	50 250	39,16
A3	3 059	2,38
AA2	2 050	1,60
B1	2 253	1,76
Baa1	5 639	4,39
Baa2	19 110	14,89
Baa3	7 201	5,61
No rating	34 978	27,26
Total	**128 329**	**100,00**

Out of the securities with no Moody's Investors Service rating, securities at fair value of EUR 3 755 thousand have an A- rating with Standard & Poor's.

Securities recognised at fair value through profit or loss	(EUR '000)	Share (%)
A1	1 478	33,76
A2	362	8,27
Baa1	243	5,55
Baa2	150	3,43
No rating	2 145	48,99
Total	**4 378**	**100,00**

Out of the securities with no Moody's Investors Service rating, the securities at fair value of EUR 376 thousand have an A- rating with Standard & Poor’s.

Securities held to maturity	(EUR '000)	Share (%)
A1	9 369	3,68
A2	175 565	68,97
A3	14 439	5,67
Ba1	7 105	2,79
Baa1	7 804	3,07
Baa2	19 577	7,69
No rating	20 697	8,13
Total	**254 556**	**100,00**

Out of the securities with no Moody's Investors Service rating, the securities at amortised cost of EUR 6 389 thousand have a BB rating with Standard & Poor’s.

The summary of external ratings of securities (Moody's Investors Service) that are not recognised as overdue or impaired as at 31 December 2012:

Available-for-sale securities	(EUR '000)	Share (%)
Aaa	4 712	5,95
A2	50 522	63,85
A3	5 514	6,97
Baa2	9 854	12,45
No rating	8 528	10,78
Total	**79 130**	**100,00**

Out of the securities with no Moody's Investors Service rating, the securities at fair value of EUR 4 155 thousand have an A- rating with Standard & Poor’s.

Securities recognised at fair value through profit or loss	(EUR '000)	Share (%)
A2	513	10,00
A3	248	4,84
Baa2	149	2,91
No rating	4 219	82,25
Total	**5 129**	**100,00**

Out of the securities with no Moody's Investors Service rating, the securities at fair value of EUR 415 thousand have an A- rating with Standard & Poor's.

Securities held to maturity	(EUR '000)	Share (%)
Aa3	1 044	0,31
A1	6 224	1,85
A2	241 327	71,81
A3	12 893	3,84
Ba1	3 379	1,01
Baa1	5 012	1,49
Baa2	36 644	10,90
Baa3	5 481	1,63
No rating	24 068	7,16
Total	**336 072**	**100,00**

Out of the securities with no Moody's Investors Service rating, the securities at amortised cost of EUR 6 281 thousand have a BB+ rating with Standard & Poor's.

Method of determining transaction ratings

The Bank determines the internal rating of corporate customers on the basis of their financial analysis and non-financial analysis.

The financial analysis is based on an assessment of individual items of clients' assets, liabilities, expenses and revenues, realisation of assets and equity, and the subsequent calculation of basic financial ratios (indebtedness, liquidity, profitability, activity and cash flow). The financial situation of clients is denoted by letters: A (very good), B (good), C (below average), and D (bad).

The non-financial analysis is based on clients' payment discipline, use of banking services, business sector, market position, sales commitments, management level, and overall performance of companies.

The non-financial analysis results in the classification of clients into four business risk classes: 1 (low risk), 2 (adequate risk), 3 (prevailing risk), 4 (high risk)

The client's internal rating – A, B, C or D – results from a combination of the financial analysis and non-financial analysis.

The resulting value of the collateral to determine the extent of credit risk represents the actually achievable market price at the time of collateral realisation, where the period to realise the collateral (representing its liquidity) should not exceed three months from the commencement of enforcing the pledge and/or exercising other rights securing the loan.

The resulting value of the collateral and the client's internal rating represents a transaction rating as an objective evaluation of the Bank's financial asset quality.

The Bank is monitoring the development of the financial and non-financial situations of clients and updates the respective ratings on a regular quarterly basis. The Bank remeasures the value of real estate at least annually and then updates the value of this type of collateral. Other types of collateral are remeasured on an on-going basis, upon identifying circumstances that have an impact on the recognised value of the collateral.

Ageing structure of financial assets overdue, recognised as unimpaired

As at 31 December 2013, the Bank recognised overdue loan receivables, which were classified as unimpaired in the total amount of EUR 4 162 thousand, of which the principal in the amount of EUR 3 716 thousand (of which principal in the amount of EUR 3 710 thousand overdue by more than 30 days), and interest and charges in the amount of EUR 446 thousand (of which interest and charges in the amount of EUR 318 thousand overdue by more than 30 days).

As at 31 December 2012, the Bank recognised overdue loan receivables, which were classified as unimpaired in the total amount of EUR 5 313 thousand, of which the principal in the amount of EUR 4 787 thousand overdue from 1 to 31 days (of which principal in the amount of EUR 3 977 thousand overdue one day), and interest and charges in the amount of EUR 526 thousand overdue one day.

Restructured assets

Pursuant to internal guidelines, the Bank considered as restructured assets those financial assets where certain risk was identified as a result of which the asset could be impaired or the receivable overdue could be recognised; however, based on the analysis, the Bank opted to change the agreed terms and conditions and did not terminate the credit relationship.

In 2013, the Bank mainly extended the maturity of financial assets – loan receivables in the total amount of EUR 28 423 thousand, of which short-term loans amounted to EUR 8 140 thousand and long-term loans amounted to EUR 20 283 thousand.

In 2012, the Bank mainly extended the maturity of financial assets – loan receivables in the total amount of EUR 23 114 thousand, of which short-term loans amounted to EUR 11 909 thousand and long-term loans amounted to EUR 11 205 thousand.

There were mainly objective reasons that led to the failure to implement the business plan, ie exit from a project on the anticipated deadline, owing to the inability to obtain permits from the relevant authorities (mainly change in the zoning plan or granting of land permit), and owing to on-going processes that did not allow the debtor to sell assets, the proceeds of which had been designated to repay the Bank's loan receivable. In all instances the Bank treated its position so that in the future the Bank is not exposed to higher risks than as at the moment of closing the deal.

Major credit risk exposures

(a) Concentrations to national economy sectors

EUR '000	2013	2012
Non-banking financial services	1 248	2 442
Manufacturing	43 558	27 891
Of which: photovoltaic power plants	*13 311*	*13 993*
Construction	1 951	4 398
Agriculture and forestry	3 529	1 126
Commercial real estate - cash flow based	28 861	21 595
Commercial real estate - collateral based	25 413	24 848
Commerce and services	58 301	67 154
Other	14 730	5 000
Of which: transport	*9 996*	-
Individuals	12 021	26 502
Healthcare services	18 266	17 860
Leisure, cultural and sports activities	3 926	12 019
Total	**211 804**	**210 835**

(b) Concentrations to significant connected groups of debtors

The Bank does not recognise significant exposures to connected groups. As at 31 December 2013, the maximum exposure to a debtor or an economically-connected group of corporate clients as defined by regulations is capped at EUR 10 750 thousand owing to the amount of the Bank's capital (2012: EUR 9 582 thousand).

Maximum credit exposure

EUR '000	2013	2012
Cash and balances with central bank	9 545	8 475
Loans and advances to banks	11 085	45 665
Loans and advances to customers	203 540	204 099
Securities available for sale	128 329	79 130
Securities at fair value through profit or loss	4 378	5 129
Securities held to maturity	254 556	336 072
Investments in subsidiaries	7	7
Other assets	1 118	1 671
Total	**612 558**	**680 248**
Undrawn loan facilities	11 699	7 343
Provided guarantees	4 654	2 309
Total	**16 353**	**9 652**
Total credit risk exposure	**628 911**	**689 900**

42. OPERATIONAL, LEGAL AND OTHER RISKS

The Bank creates a database of operational losses and events that represent a potential risk of loss. Given the size of the Bank and the related frequency of events of operational risks and losses, it is very unlikely that such archived cases of operational risks will represent a sufficiently-large sample with acceptable informative value for the creation of more-sophisticated solutions for operational risk management. The operational losses and events database is used by the senior management mainly as a general rule for the assessment and monitoring of this risk factor.

Legal and other risks are monitored in the Bank's internal control system in the event of reviews made by the Department of Internal Control and Audit and by divisions of the headquarters.

43. FAIR VALUES

The fair value is the amount at which an asset could be exchanged or a liability settled in an arm's length transaction. The estimated fair values of the Bank's financial assets and financial liabilities at the year-end were as follows:

EUR '000	Carrying amount 31.12.2013	Fair value 31.12.2013	Carrying amount 31.12.2012	Fair value 31.12.2012
Financial assets				
Cash and balances with central banks	9 545	9 545	8 475	8 475
Loans and advances to banks	11 085	11 085	45 665	45 665
Loans and advances to customers	203 540	211 974	204 099	211 759
Securities available for sale	128 329	128 329	79 130	79 130
Securities at fair value through profit or loss	4 378	4 378	5 129	5 129
Securities held to maturity	254 556	264 567	336 072	349 885
Investments in subsidiaries	7	7	7	7
Financial liabilites				
Due to banks	152 072	151 275	151 230	151 567
Deposits from customers	377 859	378 704	451 453	454 679
Debt securities issued	25 495	25 913	30 087	30 786

The method used to determine the fair values of selected financial assets as at 31 December 2013:

EUR '000	Market value **Level 1**	Own model with reference to market rates **Level 2**	Own model without reference to market rates **Level 3**	**Total**
Loans and advances to customers	-	211 974	-	**211 974**
Securities available for sale	119 116	9 161	52	**128 329**
Securities at fair value through profit or loss	1 230	3 148	-	**4 378**
Securities held to maturity	198 437	66 130	-	**264 567**
Investments in subsidiaries	-	-	7	**7**

The method used to determine the fair values of selected financial assets as at 31 December 2012:

EUR '000	Market value **Level 1**	Own model with reference to market rates **Level 2**	Own model without reference to market rates **Level 3**	**Total**
Loans and advances to customers	-	211 759	-	**211 759**
Securities available for sale	67 147	11 931	52	**79 130**
Securities at fair value through profit or loss	1 759	3 370	-	**5 129**
Securities held to maturity	276 324	73 561	-	**349 885**
Investments in subsidiaries	-	-	7	**7**

In 2013 compared with 2012, no reclassifications were made in the fair value measurement technique for selected financial assets between individual levels.

The following methods and assumptions were used to estimate the fair values of the Bank's financial assets and financial liabilities:

Cash and balances with central banks
The carrying value of cash and balances with central banks approximate their fair value.

Loans and advances to banks
The fair value of current accounts with other banks approximates their carrying value. For amounts with a remaining maturity of less than three months, it is also reasonable to use the carrying value as an approximation of their fair value. The fair values of other loans and advances to banks are calculated by discounting the future cash flows using current interbank rates.

Loans and advances to customers
Loans and advances to customers are measured net of impairment losses for receivables. The fair values of loans and advances to customers are calculated by discounting the future cash flows using the current market rates increased by updated risk interest margin by loans (Level 2).

Available-for-sale securities
Available-for-sale securities are stated at quoted market prices (Level 1). If the quoted market price is not available or if there is no active market for the relevant financial instrument, the fair value of a financial instrument is determined using valuation methods (Level 2 and Level 3). The method of calculating financial instruments' fair value is described in Note 2.5.

Securities at fair value through profit or loss
Securities at fair value through profit or loss are stated at quoted market prices (Level 1). If the quoted market price is not available or if there is no active market for the relevant financial instrument, the fair value of a financial instrument is determined using valuation methods (Level 2 and Level 3). The method of calculating financial instruments' fair value is described in Note 2.5.

Held-to-maturity securities
Held-to-maturity securities are stated at quoted market prices (Level 1). If the quoted market price is not available or if there is no active market for the relevant financial instrument, the fair value of a financial instrument is determined using valuation methods (Level 2 and Level 3). The method of calculating financial instruments' fair value is described in Note 2.5.

Investments in subsidiaries
Net value of assets approximates fair value.

Due to banks
The fair value of current accounts with other banks approximates their carrying value. For other amounts due to banks with a remaining maturity of less than three months, it is also reasonable to use the carrying values as an approximation of their fair value. The fair values of other deposits by banks are calculated by discounting the future cash flows using the current interbank rates.

Deposits from customers
The fair values of deposits from customers are calculated by discounting the future cash flows using the current market rates effective as at year-ends.

Debt securities issued
The fair values of debt securities issued are calculated by discounting the future cash flows using the current market rates effective as at year-ends.

44. SIGNIFICANT SUBSEQUENT EVENTS

As at the date of preparation of the financial statements, there have been no significant events that would require a material adjustment to the amounts or disclosures in the financial statements as at 31 December 2013.

45. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were signed and authorised by the Board of Directors on 14 March 2014.

Mgr. Ing. Ľuboš Ševčík, CSc.
Chairman of the Board of Directors and
General Director

Ing. Vladimír Hrdina
Member of the Board of Directors
and Executive Director

Ing. Radovan Fiala
Person responsible for preparation of financial statements

Ing. Eva Hiresová
Person responsible for bookkeeping

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