



OTP Banka Slovensko, a.s.

**Separate Financial Statements
for the Year Ended 31 December 2013
prepared in accordance with
International Financial Reporting
Standards as adopted by the European
Union and Independent Auditor's Report**

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OTP Banka Slovensko, a.s.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Board of Directors of OTP Banka Slovensko, a.s.:

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

Statutory Body's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the separate financial statements present fairly, in all material respects, the financial position of OTP Banka Slovensko, 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 European Union.

Bratislava, 28 February 2014



Deloitte Audit s.r.o.
Licence SKAu No. 014




Ing. Zuzana Letková, FCCA
Responsible Auditor
Licence SKAu No. 865

Separate Statement of Financial Position
as at 31 December 2013

(EUR '000)	Note	31 Dec 2013	31 Dec 2012
Assets			
Cash, due from banks and balances with the National Bank of Slovakia	4	45 552	32 242
Placements with other banks, net of provisions for possible placement losses	5	34 093	59 796
Financial assets at fair value through profit or loss	6	20	462
Available-for-sale financial assets	7	59 084	63 956
Loans and receivables, net of provisions for possible losses	8	1 056 086	917 222
Held-to-maturity financial investments	9	194 769	167 148
Investments in subsidiaries	10	151	151
Non-current tangible assets	11	21 401	19 762
Non-current intangible assets	11	6 510	7 128
Other assets	12	3 115	2 799
Total assets		1 420 781	1 270 666
Liabilities			
Due to banks and deposits from the National Bank of Slovakia and other banks	13	67 454	1 002
Amounts due to customers	14	1 124 414	1 032 022
Liabilities from issued securities	15	83 800	97 141
Deferred tax liability	20	220	249
Provisions for liabilities	21	2 738	2 845
Other liabilities	16	14 504	10 661
Subordinated debt	17	29 056	29 056
Total liabilities		1 322 186	1 172 976
Equity			
Share capital	18	78 508	78 508
Reserve funds		5 172	4 926
Retained earnings		13 379	15 446
Revaluation reserve – available-for-sale financial assets		522	877
Profit/(loss) for the year		1 014	(2 067)
Total equity		98 595	97 690
Total liabilities and equity		1 420 781	1 270 666

These financial statements were approved by the Board of Directors and authorised for issue on 25 February 2014.


Zita Zemková
Chairman of the Board of Directors


Rastislav Matejsko
Member of the Board of Directors

Separate Statement of Comprehensive Income
for the year ended 31 December 2013

(EUR '000)	Note	Year Ended 31 Dec 2013	Year Ended 31 Dec 2012
Interest income		62 518	66 763
Interest expense		(21 268)	(24 491)
Net interest income	23	41 250	42 272
Provisions for impairment losses on loans and off-balance sheet, net	24	(8 455)	(11 376)
Net interest income after provisions for impairment losses on loans and off-balance sheet		32 795	30 896
Fee and commission income		13 231	12 508
Fee and commission expense		(2 788)	(2 372)
Net fee and commission income	25	10 443	10 136
Gains/(losses) on financial transactions, net	26	(1 879)	(3 624)
Gains/(losses) on financial assets, net	27	218	(98)
General administrative expenses	28	(40 954)	(39 559)
Other operating revenues/(expenses), net	29	476	182
Profit/(loss) before income tax		1 099	(2 067)
Income tax	19	(85)	-
Net profit/(loss) after tax		1 014	(2 067)
Items of other comprehensive income that will be reclassified subsequently to profit or loss, net of tax			
Revaluation of available-for-sale financial assets	30	(355)	465
Total comprehensive income for the year		659	(1 602)
Profit/(loss) per share in face value of EUR 3.98 (in EUR)	40	0.051	(0.10)
Profit/(loss) per share in face value of EUR 39 832.70 (in EUR)	40	514.47	(1 048.77)
Profit/(loss) per share in face value of EUR 1.00 (in EUR)	40	0.013	(0.03)

Separate Statement of Changes in Equity
as at 31 December 2013

(EUR '000)	Share Capital	Reserve Funds	Retained Earnings	Revaluation of Available-for-Sale Financial Assets	Profit/ (Loss) for the Year	Total
Equity as at 1 Jan 2012	78 508	6 830	13 166	412	-	98 916
Transfers	-	(2 192)	2 192	-	-	-
Share-based payments	-	288	88	-	-	376
Total comprehensive income	-	-	-	465	(2 067)	(1 602)
Equity as at 31 Dec 2012	78 508	4 926	15 446	877	(2 067)	97 690

(EUR '000)	Share Capital	Reserve Funds	Retained Earnings	Revaluation of Available-for-Sale Financial Assets	Profit/ (Loss) for the Year	Total
Equity as at 1 Jan 2013	78 508	4 926	13 379	877	-	97 690
Transfers	-	-	-	-	-	-
Share-based payments	-	246	-	-	-	246
Total comprehensive income	-	-	-	(355)	1 014	659
Equity as at 31 Dec 2013	78 508	5 172	13 379	522	1 014	98 595

Separate Statement of Cash Flows
for the year ended 31 December 2013

(EUR '000)	Note	Year Ended 31 Dec 2013	Year Ended 31 Dec 2012
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit/(loss) after tax		1 014	(2 067)
<i>Adjustments to reconcile net income/(loss) to net cash provided by operating activities:</i>			
Provisions for loans and off-balance sheet		8 455	11 376
Provisions for other assets		96	-
Provisions for contingent liabilities		(94)	23
Provisions for investments in subsidiaries		-	100
Foreign exchange (gains)/losses on cash and cash equivalents		756	(1 089)
Depreciation and amortisation		5 535	5 800
Net effect of assets sold		-	6
Net effect of income tax		85	-
Share-based payments		246	376
<i>Changes in operating assets and liabilities:</i>			
Net decrease/(increase) in statutory minimum reserves stipulated by the National Bank of Slovakia		(1 571)	10 394
Net decrease in placements with other banks		-	104
Net decrease/(increase) in financial assets at fair value through profit or loss		442	(406)
Net decrease/(increase) in available-for-sale financial assets		4 402	(29 404)
Net increase in loans and receivables before provisions for possible losses		(147 332)	(40 772)
Net (decrease)/increase in amounts due to banks and deposits from the National Bank of Slovakia and other banks		39 643	(417)
Net increase in amounts due to customers		92 392	98 221
Net decrease/(increase) in other assets before provisions for possible losses		(412)	823
Net (decrease)/increase in other liabilities		3 843	(6 899)
Net cash flows from operating activities		7 500	46 169
CASH FLOW FROM INVESTMENT ACTIVITIES			
Net cash flows from held-to-maturity investments		(27 621)	(8 794)
Net additions to non-current tangible and intangible assets		(6 555)	(4 415)
Net cash flows from/(used in) investment activities		(34 176)	(13 209)
CASH FLOW FROM FINANCING ACTIVITIES			
Net cash flows from securities redeemed		(13 341)	(38 655)
Net decrease in subordinated debt		-	(53)
Net cash flows used in financial activities		(13 341)	(38 708)
Effect of exchange rate fluctuations on cash and cash equivalents		(756)	1 089
Net decrease in cash and cash equivalents		(40 773)	(4 659)
Cash and cash equivalents at the beginning of the reporting period	34	83 965	88 624
Cash and cash equivalents at the end of the reporting period	34	43 192	83 965

In 2013, OTP Banka Slovensko, a.s. received cash from interest in the amount of EUR 62 867 thousand (2012: EUR 66 820 thousand) and paid out interest in the amount of EUR 21 608 thousand (2012: EUR 21 119 thousand).

1. Introduction

OTP Banka Slovensko, a.s. (hereinafter the "Bank" or "OTP Slovensko") was established on 24 February 1992 and incorporated on 27 February 1992. The Bank's seat is at Štúrova 5, 813 54 Bratislava. The Bank's identification number (IČO) is 31318916 and its tax identification number (DIČ) is 2020411074.

Members of Statutory and Supervisory Boards as at 31 December 2013

Board of Directors:

Ing. Zita Zemková (Chairman)
Ing. Rastislav Matejsko
Mgr. Peter Leško
Dr. Sándor Patyi

Supervisory Board:

József Németh (Chairman)
Ágnes Rudas
Gábor Kovács
Péter Bese
Atanáz Popov
Ing. Katarína Mihók
Ing. Jozef Brhel
JUDr. Gábor Zászlós

Changes in the Bank in 2013:

Board of Directors:

Dr. Sándor Patyi, office held with effect from 1 January 2013

Supervisory Board:

Gábor Kovács, office held with effect from 12 April 2013
Atanáz Popov, office terminated with effect from 12 April 2013 and re-elected to the office with effect from 12 April 2013
Ing. Jozef Brhel, office terminated with effect from 12 October 2013 and re-elected to the office with effect from 12 October 2013
Ing. Katarína Mihóková, office terminated with effect from 12 October 2013 and re-elected to the office with effect from 12 October 2013
JUDr. Gábor Zászlós, office terminated with effect from 12 October 2013 and re-elected to the office with effect from 12 October 2013

Scope of Business

The Bank holds a universal banking licence issued by the National Bank of Slovakia ("NBS" or "National Bank of Slovakia") and carries out business in Slovakia.

The core activity of the Bank is the provision of a wide range of banking and financial services to various entities, mainly to large- and mid-sized enterprises, private individuals, and institutional customers.

The Bank's core scope of business, under the banking licence from the NBS, is as follows:

- Acceptance of deposits;
- Provision of loans;
- Provision of investment services, investment activities and non-core services under Act No. 566/2001 Coll. on Securities and Investment Services within the scope of the banking licence granted by the NBS;
- Trading on own account with money market financial instruments in both the local and foreign currency including the exchange activity;
- Trading on own account with capital market financial instruments in both the local and foreign currency;
- Trading on own account with coins made of precious metals, commemorative bank notes and coins, with bank note sheets and sets of circulating coins;
- Administration of receivables in the client's account including related advisory services;
- Financial leasing;
- Domestic transfers of funds and cross-border transfers of funds (payments and settlements);
- Issuance and administration of payment instruments;
- Granting of bank guarantees, opening and validation of letters of credit;
- Issuance of securities, participation in issues of securities and provision of related services;
- Financial brokerage;
- Business consulting services;
- Safe custody;
- Depository services pursuant to separate regulations;

- Banking information services;
- Renting of safe deposit boxes;
- Special mortgage instruments pursuant to Article 67 par. 1 under provision 2 par. 2 n) to Act No. 483/2001 Coll.; and
- Processing of bank notes, coins, commemorative bank notes and coins.

The Bank is authorised to provide investment services, investment activities, and non-core services under the Act on Securities as follows:

- Receipt and transfer of the client's instruction related to one or more financial instruments in relation to financial instruments: negotiable securities, money market instruments, trust certificates or securities issued by foreign entities of collective investment, swaps related to interest rates or earnings which can be settled by delivery or in cash;
- Execution of the client's instruction at its own account in relation to financial instruments: negotiable securities, money market instruments, trust certificates or securities issued by foreign entities of collective investment;
- Trading at own account in relation to financial instruments: negotiable securities, money market instruments, trust certificates or securities issued by foreign entities of collective investment, currency futures and forwards which can be settled by delivery or in cash;
- Investment advisory in relation to financial instruments: negotiable securities, money market instruments, trust certificates or securities issued by foreign entities of collective investment;
- Firm commitment underwriting and placement of financial instruments in relation to negotiable securities;
- Placement of financial instruments without firm commitment in relation to financial instruments: negotiable securities, trust certificates or securities issued by foreign entities of collective investment;
- Custody of trust certificates or securities issued by foreign entities of collective investment, custody and administration of negotiable securities at the client's account excluding holder's administration, and related services, mainly administration of cash and financial collaterals;
- Trading with foreign exchange values if relevant to the provision of investment services;
- Conducting of investment research and financial analysis or other form of general recommendation related to transactions with financial instruments; and
- Services related to underwriting of financial instruments.

On 17 September 2012, the National Bank of Slovakia decided to extend the banking licence of OTP Banka Slovensko, a. s. in banking activities of the provision of investment services, investment activities and ancillary services under Act No. 566/2001 Coll. on Securities and Investment Services for a new financial instrument, as follows:

- Execution of orders on behalf of clients under the provision of Article 6 (1b) of the Act on Securities with respect to swaps related to interest rates or interest income that may be settled physically or in cash, as stipulated in the provision of Article 5 (1d) of the Act on Securities;
- Dealing on own account under the provision of Article 6 (1c) of the Act on Securities with respect to swaps related to interest rates or interest income that may be settled physically or in cash, as stipulated in the provision of Article 5 (1d) of the Act on Securities.

Operating profit/loss was mainly generated from the provision of banking services in Slovakia.

Shareholders' Structure

The majority shareholder of the Bank is OTP Bank Nyrt. Hungary ("OTP Bank Nyrt.") with 99.21% share of the Bank's share capital. OTP Bank Nyrt. is the direct parent company of the Bank. The shareholders' structure (with respective shares exceeding 1%) and their share on the share capital are as follows:

Name/Business Name	Share in Subscribed Share Capital as at 31 Dec 2013	Share in Subscribed Share Capital as at 31 Dec 2012
OTP Bank Nyrt. Hungary	99.21%	98.94%
Other minority owners	0.79%	1.06%

The shareholders' shares of voting rights are equal to their shares of the share capital.

Organisational Structure and Number of Employees

As at 31 December 2013, the Bank operated 5 regional centres (31 December 2012: 5) and 63 branches (31 December 2012: 65) in Slovakia.

As at 31 December 2013, the full-time equivalent of the Bank's employees was 641 (31 December 2012: 615 employees), of which 22 managers (31 December 2012: 24).

As at 31 December 2013, the actual registered number of employees was 645 (31 December 2012: 629), of which 22 managers (31 December 2012: 23).

"Managers" means members of the Board of Directors and managers directly reporting to the statutory body or a member of the statutory body.

The full-time equivalent of employees and the actual registered number of employees does not include members of the Supervisory Board.

As at 31 December 2013, the Bank's Supervisory Board had 8 members (31 December 2012: 7).

Regulatory Requirements

The Bank is subject to the banking supervision and regulatory requirements of the NBS. These regulations include indicators, and limits pertaining to liquidity, capital adequacy ratios, risk management system and the currency position of the Bank.

Data on Consolidating Entity

The Bank is part of the consolidation group of OTP Group; consolidated financial statements for all groups of consolidation group entities are prepared by Országos Takarékpénztár és Kereskedelmi Bank Nyrt., the parent company with its seat at Nádor utca 16, 1051 Budapest, Hungary ("OTP Bank Nyrt."). OTP Bank Nyrt. is also an immediate consolidating entity of the Bank.

Data on the Subsidiary

Company's Name	Seat	Type of Interest	Auditor
Faktoring SK, a.s. v likvidácii	Tallerova 10, 811 02 Bratislava	Direct	Deloitte Audit, s.r.o.

In 2010, as part of the strategic decisions made at the OTP Group level, a decision was made to terminate the activities of OTP Faktoring Slovensko, a.s. On 1 April 2011, OTP Faktoring Slovensko, a.s. entered into liquidation and its business name was changed to "Faktoring SK, a.s. v likvidácii". As at 31 December 2013, the company's liquidation was not completed.

2. Principal Accounting Policies

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

Statement of Compliance

The separate financial statements of the Bank for the year ended 31 December 2013 and comparative data for the previous reporting periods have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

IFRS as adopted by the EU do not differ from the standards issued by the International Accounting Standards Board ("IASB"), except for portfolio hedge accounting under IAS 39, which has not been approved by the EU. The Company has determined that portfolio hedge accounting under IAS 39 would not impact these separate financial statements had it been approved by the EU at the reporting date.

Adaption of New and Revised Standards

a) Standards and Interpretations Effective in the Current Period

The Bank adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB as adopted by the EU that are relevant to its operations and effective for reporting periods commencing 1 January 2013:

- IFRS 13 "Fair Value Measurement" provides guidance for all fair value measurements under the standard. It does not change the requirements for when the reporting entity shall apply fair value measurement, rather sets out how to measure at fair value under IFRS in instances when the fair value measurement must or may be applied.
- Amendments to IFRS 1 "First-time Adoption of IFRS" – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters. The amendments include procedures for reporting entities facing severe hyperinflation; the reporting entities either resume presenting the financial statements in accordance with IFRS requirements or present financial statements in accordance with IFRS requirements for the first time. The amendments also provide certain relief to reporting entities that apply IFRS for the first-time.
- Amendments to IFRS 1 "First-time Adoption of IFRS" – Government Loans. The amendments address how a first-time adopter should account for a government loan with a below-market rate of interest when transitioning to IFRS.
- Amendments to IFRS 7 "Financial Instruments: Disclosures" – Offsetting Financial Assets and Financial Liabilities. The amendments require disclosures that would allow the user of the financial statements to assess an impact or potential impact of contractual provisions on offsetting assets and liabilities, including an impact of the right to offset in the net amount.
- Amendments to IAS 12 "Income Taxes" – Deferred Tax: Recovery of Underlying Assets. The amendments require that the reporting entity measure the deferred tax relating to assets depending on whether the entity expects to recover the carrying amount of the asset through use or sale. This can be difficult, especially when the assets are measured at fair value.
- Amendments to IAS 19 "Employee Benefits" – Improvements to the Accounting for Post-employment Benefits. The amendments require that all changes in long-term employee benefits be recognised immediately when incurred and presented either in profit/loss or in other comprehensive income. They also introduce an extended disclosure of information in notes. The amendments changes the recognition upon the termination of employment.
- 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).

Improvements to International Financial Reporting Standards. Revisions of standards result from the improvement project carried out in 2009 - 2011 primarily with a view to removing inconsistencies and clarifying wording; the improvements are related to the following standards:

- IFRS 1 "First-time Adoption of International Financial Reporting Standards" was amended so that the reporting entity that applied IFRS in the past and subsequently ceased applying them may but is not required to apply IFRS 1 when it again transitions to IFRSs.
- IAS 1 "Presentation of Financial Statements" was amended with a view to specifying disclosure requirements for comparative information if the reporting entity prepares a third balance sheet.
- IAS 16 "Property, Plant and Equipment" provides an amendment to the previous wording, which stated that servicing equipment is classified as inventory even if used longer than for one period. Under the amendment, such equipment is classified as a non-current tangible asset.
- IAS 32 "Financial Instruments: Presentation" was amended with a view to clarifying the accounting treatment of income tax on dividends and transaction costs; income tax on dividends is recognised in the income statement and income tax on transaction costs related to equity is recognised in equity.
- IAS 34 "Interim Financial Reporting" clarifies the requirements for the interim reporting of assets and liabilities per operating segment provided that such information is regularly presented to management and the amount has significantly changed since the previous financial statements.

The adoption of these standards and interpretations has not resulted in any changes in the Bank's accounting policies.

b) Standards and Interpretations in Issue not yet Effective

At the preparation date of these financial statements, the following standards and interpretations do not apply to the reporting period beginning 1 January 2013 and were not effective yet.

IASB documents endorsed by the EU:

- IFRS 10 "Consolidated Financial Statements" – effective for annual periods beginning on or after 1 January 2014. The standard replaces rules for control and consolidation set out in IAS 27 Consolidated and Separate Financial Statements and SIC 12 Special Purpose Entities. It changes the definition of control and the same criteria are applied for all reporting entities. The definition of control focuses on the need to have both the right to control and being exposed to variable profits for the control to exist. It includes a list of factors that should be considered when determining whether an investor has control or acts as an intermediary.
- IFRS 11 "Joint Arrangements" – effective for annual periods beginning on or after 1 January 2014. The standard replaces IAS 31 Investments in Joint Ventures and SIC 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers. The number of joint arrangements, based on changes in definitions, was reduced to two: joint operations and joint ventures. The standard also regulates accounting recognition by parties which participate in a joint venture but have no joint control.
- IFRS 12 "Disclosures of Interests in Other Entities" – effective for annual periods beginning on or after 1 January 2014. The standard replaces disclosure requirements in the existing IAS 28 Investments in Associates. It requires enhanced disclosure of information about both consolidated and unconsolidated entities in which an entity has participation so that the users of the financial statements can assess the type, risks and financial impact of investments.
- IAS 27 "Separate Financial Statements" – effective for annual periods beginning on or after 1 January 2014. The requirements relating to separate financial statements are unchanged and are included in the amended IAS 27. The other sections of IAS 27 are replaced by IFRS 10 Consolidated Financial Statements.
- IAS 28 "Investments in Associates and Joint Ventures" – effective for annual periods beginning on or after 1 January 2014. The standard was amended to reflect changes resulting from the issue of IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosures of Interests in Other Entities.

- Amendments to IAS 32 "Financial Instruments: Presentation" – Offsetting Financial Assets and Financial Liabilities – effective for annual periods beginning on or after 1 January 2014. The amendments provide application guidance to IAS 32 with a view to removing inconsistencies in the application of certain offsetting rules, clarify the meaning of "currently has a legally enforceable right of set-off" as well as the fact that some offsetting regimes in gross amounts can be considered an equivalent of the settlement in net amounts.
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosures of Interests in Other Entities" – Transition Guidance – effective for annual periods beginning on or after 1 January 2014. The amendments clarify that the date of the initial application is the first day of the annual reporting period. When adopting IFRS, control must be considered as at the first date of the application. The recognition of historical data depends on the assessment of control.
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosures of Interests in Other Entities" and IAS 27 "Separate Financial Statements" – Investment Entities – effective for annual periods beginning on or after 1 January 2014. The amendments provide an exception to the consolidation requirements for investment entities; define an investment company and require that investments in companies in which the entity has control not be consolidated, but that such investments be measured at fair value with changes in the fair value recognised through profit or loss. These amendments also set out changes and additions to IFRS 1, IFRS 3, IFRS 7, IAS 7, IAS 12, IAS 24, IAS 32, IAS 34 and IAS 39 to ensure consistency within International Accounting Standards.
- Amendments to IAS 36 "Impairment of Assets" – effective for annual periods beginning on or after 1 January 2014. The aim of amendments is to clarify that the scope of disclosures about recoverable amounts when such amounts are based on fair value less costs of disposal is limited to impaired assets. The amendments are pertinent to the disclosures of the impairment of non-financial assets.
- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" – Novation of Derivatives and Continuation of Hedge Accounting – effective for annual periods beginning on or after 1 January 2014. The narrow-scope amendments allow hedge accounting to continue in situations when a derivative that has been designated as a hedging instrument is novated to effect clearing with a central counterparty as a result of laws or regulations, provided that specific conditions are met (in this context, a novation indicates that the parties agree to replace their original counterparty with a new one).

The Bank has elected not to adopt the standards and interpretations that were issued as at the reporting date but were not yet effective before their effective dates.

c) Standards and Interpretations Issued but not yet Endorsed by the EU

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

IASB Documents issued but not yet endorsed by the EU:

- IFRS 9 "Financial Instruments", the effective date of IFRS 9, ie 1 January 2015, was officially cancelled. No new effective date was yet determined, but is expected to be postponed to 2017 or 2018 assuming that IAS 39 will be effective until then.
- Amendments to IFRS 9 "Financial Instruments – Hedging Accounting" – new requirements ensure better linkage between hedging accounting and risk management; they should provide the users of financial statements with more information useful for the decision-making process. The amended standard deals with hedge accounting based on rules and principles and addresses certain conflicting points and shortcomings in the current model of IAS 39.
- IFRIC 21 – Levies clarifies accounting for an obligation to pay a levy that is not the income tax. The interpretation could lead to the recognition of a liability at a later time compared to the current rules, mainly for levies for which the relevant obligation arises on a specific day.

- Amendments to IAS 19 "Employee Benefits" (as amended in 2011) with a view to clarifying the application of the standard to the schemes that require that employees themselves or third parties make contributions to costs of benefits.
- IFRS 14 "Regulatory Deferral Accounts" (effective for annual periods beginning on or after 1 January 2016).
- Amendments to various standards "Improvements to IFRSs (cycle 2010-2012)" resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 July 2014).
- 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).

The Bank's management expects that the adoption of IFRS 9 in its current wording may have a significant impact on the financial statements mainly with respect to the classification of financial instruments. The Bank's management also expects that adopting the other standards, amendments to the existing standards and interpretations will have no material impact on the financial statements of the Bank in the period of initial application.

Purpose of Preparation

These separate financial statements were prepared in Slovakia so as to comply with the article 17a) of Act on Accounting No. 431/2002 Coll. as amended, under special regulations - Regulation (EC) 1606/2002 of the European Parliament and of the Council on the Application of International Accounting Standards (IFRS).

As described in Note 1 "Introduction" paragraph "Data on the Subsidiary", the Bank is a parent company of the subsidiary Faktoring SK, a.s. v likvidácii. Since the effect of consolidating the subsidiary is not material, the Bank had no obligation to prepare consolidated financial statements under Article 22 (12) of Act on Accounting No. 431/2002 Coll.

Since the Bank is not required to prepare consolidated financial statements according to national legislation, which is in compliance with Seventh Council Directive 83/349/EEC of 13 June 1983 on Accounting as amended, it's the European Commission's view that the IAS 27 requirements to prepare consolidated financial statements do not apply under IFRS as adopted by EU.

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.

Basis for the Financial Statements Preparation

Separate financial statements were prepared under the historical cost basis, except for certain financial instruments, which have been recognised at fair value. The financial statements were prepared under the accrual principle of accounting: transactions and recognised events are recorded in the period to which they are related in time.

Separate financial statements were prepared under the assumption that the Bank will continue as a going concern in the foreseeable future.

The reporting currency used for disclosure in these separate financial statements is the Euro, which is rounded to thousands of euros, unless stipulated otherwise. The amounts in brackets refer to negative values.

Significant Accounting Assessments and Judgements

The presentation of financial statements in conformity with IFRS requires the management of the Bank to make judgements 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 their reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and future changes in the economic conditions, business strategies, regulatory requirements, accounting rules or/and other factors could result in a change in estimates that could have a material impact on the reported financial position and results of operations.

Significant areas of judgment include the following:

In connection with the current economic environment, based on the currently-available information the management has considered all relevant factors which could have an impact on the valuation and impairment of assets and liabilities in these financial statements, impact on the liquidity, funding of operations of the Bank and other effects these may have on financial statements. All such impacts, if any, have been reflected in these financial statements. There is a persisting increased level of uncertainty about future development, which could result in a material change in the market value of the securities and the increased impairment of assets. The Bank's management continues to monitor the situation and any further possible impacts of the economic environment on its operations.

The provisioning for loan losses and identified contingent liabilities includes many uncertainties as to the outcomes of the aforementioned risks and requires the Bank's management to make subjective judgments when estimating loss amounts. As described below, the Bank creates provisions for the impairment of loans and receivables where there is objective evidence that, as a result of past events, the estimated future cash-flows are negatively impacted. These provisions are based on the Bank's historical and current experience concerning default rates, recovery rates of loans, or time needed from a loss event to loan default, as well as subjective judgments of the Bank's management about estimated future cash-flows. Considering current economic conditions, the outcome of these uncertainties could differ from the amounts of impairment provisions recognised as at 31 December 2013 and the difference could be material.

The amounts recognised as provisions for liabilities are based on the judgement of the Bank's management and represent the best estimate of expenditures required to settle a liability of uncertain timing or amount resulting from an obligation.

In recent years, income tax rules and regulations underwent significant changes. In connection with the broad and complex issues affecting the banking industry, there are no historical precedents and/or interpretation judgments. In addition, tax authorities have broad powers as regards the interpretation of the effective tax laws and regulations during the tax audit of a taxpayer. As a result, there is a higher degree of uncertainty as to the final outcome of a potential audit conducted by tax authorities.

Translation of Amounts Denominated in Foreign Currencies

Assets and liabilities denominated in a foreign currency are translated to euros using the reference exchange rate determined and announced by the European Central Bank valid as at the reporting date. Revenues and expenses denominated in a foreign currency are recognised as translated using the exchange rate valid as at the transaction date. Foreign exchange gains/losses on transactions are recognised on the statement of comprehensive income line "*Gains/(losses) on financial transactions, net*".

Cash and Cash Equivalents

Cash and cash equivalents comprise cash and balances in demand deposits with the NBS, and only include amounts of cash immediately available and highly-liquid investments with an original maturity of up to three months. For the purposes of the cash flow statement, such amounts exclude a mandatory minimum reserve deposited with the NBS. The items are recorded in the statement of financial position line "*Cash, due from banks and balances with the National Bank of Slovakia*".

Placements with Other Banks and Loans to Other Banks

Placements with other banks and loans to other banks are stated at amortised costs net of provisions for possible placement losses in the statement of financial position line "*Placements with other banks, net of provisions for possible placement losses*". Interest is accrued using the effective interest rate method and credited to the profit or loss based on the amount of an outstanding receivable. Such interest is recognised in the statement of comprehensive income in "*Interest income*".

Financial Instruments - Initial Recognition

All financial assets are recognised and derecognised on the trade date on which the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for financial assets at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity financial investments, and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss include securities and derivative financial instruments held for trading and for the purposes of profit generating. At acquisition, held-for-trading securities are measured at cost. Subsequently, they are remeasured to fair value. Revaluation gains and losses are recognised in the statement of comprehensive income line "*Gains/(losses) on financial assets, net*".

If quoted market prices are not available, the fair value of debt securities is determined based on a model using valuation techniques.

Net interest income from securities at fair value through profit or loss is accrued using the effective interest rate method and recognised directly in the statement of comprehensive income line "*Interest income*".

Available-for-sale financial assets

Available-for-sale financial assets include securities that the Bank intends to hold for an indefinite period or which may be sold as liquidity requirements arise or market conditions change. Upon acquisition, these investments are measured at cost. Available-for-sale financial assets are then remeasured to fair value. Gains and losses on revaluation are recognised in equity as "*Revaluation of available-for-sale financial assets*". Upon sale of the available-for-sale financial asset, accumulated gains/losses from revaluation previously recognised in equity are recognised through the statement of comprehensive income as "*Gains/(losses) on financial assets, net*".

Interest income is accrued using the effective interest rate and recognised directly through the statement of comprehensive income as "*Interest income*".

Available-for-sale financial assets also include investments with ownership interest less than 20% of the registered capital and/or voting rights. These investments are measured at cost less impairment provisions for a permanent decrease in value, as their market price in an active market cannot be reliably measured. The Bank assesses the value of such investments on an individual basis and compares movements in the equity of companies to their cost. A continued significant decrease in the equity is regarded by the Bank as objective evidence of the impairment and, thus, provisions are recorded. Impairment losses are recognised in the statement of comprehensive income line "*Gains/(losses) on financial assets, net*".

Treasury Bills

Treasury bills are debt securities issued by the central bank with a maturity of up to 12 months. Treasury bills are recognised as "*Available-for-sale financial assets*" in the separate statement of financial position. The accounting principles stated in the section "*Available-for-sale financial assets*" are applied to measure treasury bills.

Sale and Repurchase Agreements

Debt or equity securities sold under sale and repurchase agreements are recognised as assets in the statement of financial position line "*Financial assets at fair value through profit or loss*" and "*Available-for-sale financial assets*" and the contracted payable is recorded in "*Due to banks and deposits from the National Bank of Slovakia and other banks*" and/or in "*Amounts due to customers*".

Securities purchased under agreements to resell securities are recorded as assets in the statement of financial position line "*Cash, due from banks and balances with the National Bank of Slovakia*", and/or in "*Placements with other banks, net of provisions for possible losses*", or in "*Loans and receivables, net of provisions for possible losses*".

The difference between the sale and repurchase prices is treated as interest and accrued over the life of each REPO agreement using the effective interest rate method.

Loans and Receivables and Provisions for Possible Losses

Loans to customers are stated at amortised cost net of provisions for loan losses in the statement of financial position line *"Loans and receivables, net of provisions for possible losses"*. Interest is accrued using the effective interest rate method and credited to the profit or loss based on the amount of an outstanding receivable in the line *"Interest income"*. Interest is no longer accrued on loan receivables when bankruptcy is declared on a debtor, during the restructuring proceedings by law, in the case of withdrawal by either party from the loan agreement or in extraordinary cases when interest is waived based on the Bank's decision.

Fees and commissions related to loans are gradually amortised over the contractual term of the loan using the effective interest rate method and are recognised in the line *"Loans and receivables, net of provisions for possible losses"*.

In line with the Bank's objectives, loan receivables acquired through assignment are classified in accordance with IAS 39 as *"Loans and receivables"*. Upon initial recognition, loans are measured at cost including all transaction costs related to acquisition. For purchased loans, this means that their initial measurement equals the amount of financial settlement for assigned receivables.

Any differences between the carrying amount as at the date of acquisition of loan receivables acquired by an assignment and the due amount (acquisition cost, transfer fee, margin differentials etc) are accrued over the whole maturity period of the loan using the effective interest rate method.

Provisions cover estimated losses from impairment of loans if objective proof of impairment exists. Objective proof of impairment may include major financial difficulties of the debtor which led to a loss event (eg delay with loan repayment for more than 90 days, forced restructuring, declaration of immediate maturity of the loan, bankruptcy) after the initial recognition of the loan.

The Bank assesses credit risk on an individual and portfolio basis and creates specific and portfolio provisions.

Provisions are recorded and reversed through *"Provisions for impairment losses on loans and off-balance sheet, net"* in the statement of comprehensive income.

The Bank recognises write-offs of loans as *"Provisions for impairment losses on loans and off-balance sheet, net"* with releasing the relevant provisions for loan losses. Written-off loans and advances made to clients are recorded on the off-balance sheet, whereas the Bank continues to monitor and recover such loans except for loans where the Bank lost the legal title for their recovery or where the Bank ceased the recovery process as the recovery costs exceed the amount receivable. Each subsequent income on written-off receivables is recognised in the statement of comprehensive income as *"Provisions for impairment losses on loans and off-balance sheet, net"*.

Detailed information about the credit risk management is stated in Note 36 Credit Risk.

Held-to-Maturity Financial Investments

Held-to-maturity financial investments represent debt financial assets with pre-defined date of maturity that the Bank intends and has the ability to hold until their maturity. At acquisition, such assets are measured at cost, which include transaction costs. These investments are subsequently remeasured to the amortised cost based on the effective interest rate method, net of provisions for impairment.

Interest income, discounts and premiums on held-to-maturity securities are accrued using the effective interest rate method and recognised directly in the statement of comprehensive income line *"Interest income"*.

Investments in Subsidiaries

Investments in subsidiaries include the Bank's investments in companies with an ownership interest more than 50% of the registered capital or more than 50% of the voting rights. Investments in subsidiaries are recognised at cost less provisions for the impairment.

Impairment losses are recognised in the statement of comprehensive income line *"Gains/(losses) on financial assets, net"*. Income from dividends is recognised in the statement of comprehensive income as *"Gains/(losses) on financial assets, net"* at the moment when the Bank's title to receive dividends originates.

Non-Current Tangible Assets

Non-current tangible assets (Property, Plant and Equipment) are stated at cost, less accumulated depreciation and accumulated impairment losses. Depreciation charges are computed using the straight-line method over the estimated useful lives of the assets corresponding to future economic benefits from assets based on the annual percentage depreciation rates as follows:

Type of Asset	Useful Life in Years	Depreciation Rate per Annum in %
ATMs and motor vehicles, computers, office machines, telecommunication equipment, intangible assets	4	25.0
Software	5	20.0
Fixtures, fittings and office equipment, software, machines and equipment	6	16.7
Computers, machines, equipment, ATMs, furniture	8	12.5
Technical upgrade of leased buildings	10	10.0
Time vaults	10	10.0
Heavy bank program (safes), transportation means, air-conditioning facilities	12	8.4
Technical upgrade of leased buildings	15	6.7
Technical upgrade of leased buildings	10	10.0
Technical upgrade of leased buildings	20	5.0
Buildings and structures	40	2.5

Depreciation of tangible assets is charged to the statement of comprehensive income line "*General administrative expenses*". Depreciation commences in the month that such assets are put into use. Land and works of art are not depreciated.

At the reporting date, the Bank reviews the carrying value of its non-current tangible assets, and the estimated useful life and the method of depreciation thereof. The Bank also reassesses the recoverable amount of the asset, which is estimated to determine the extent (if any) of the impairment loss. Where the carrying value of buildings and equipment is greater than the estimated recoverable amount, it is written down to the estimated recoverable amount through the profit or loss. If the impairment is of a temporary nature, impairment provisions are recognised in the statement of comprehensive income as "*Other operating revenues/(expenses), net*".

At the reporting date, the Bank also assesses whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset. If the estimated recoverable amount exceeds the carrying value of an asset, it is dissolved through the statement of comprehensive income in "*Other operating revenues/(expenses), net*".

Non-Current Intangible Assets

Non-current intangible assets are stated at cost, less accumulated amortisation and accumulated impairment losses. The Bank amortises non-current intangible assets using the straight-line method over the estimated useful lives of the assets corresponding to future economic benefits from assets based on the annual percentage depreciation rates. In the Bank, non-current intangible assets mainly include software, which is amortised over 5 years; the annual amortisation rate is 20%.

Amortisation of non-current intangible assets is recognised in the statement of comprehensive income line "*General administrative expenses*". Amortisation starts in the month when the assets are put into use.

At the reporting date, the Bank reviews the carrying amount of its intangible assets, their estimated useful lives and methods of amortisation.

Accrued Interest Receivable/Payable

Accrued interest on loans and placements made is recognised in lines "*Placements with other banks, net of provisions for possible placement losses*" and "*Loans and receivables, net of provisions for possible losses*". Accrued interest on received loans and deposits is recognised in line "*Due to banks and deposits from the National Bank of Slovakia and other banks*" and "*Amounts due to customers*". Accrued interest on securities is recognised for individual items of securities in the statement of financial position.

The Bank recognises accrued interest on loans, deposits and securities using the effective interest rate method.

Recognition of Revenues and Expenses

Revenues and expenses are recognised in the profit or loss for all interest-bearing instruments on an accrual basis using the effective interest rate. Interest income on securities includes revenues from fixed and floating interest rate coupons and accrued discount and premium.

For loans in relation to which restructuring proceedings started pursuant to the Act on Bankruptcy and Restructuring, interest income is not recognised in the profit or loss from the commencement date of such restructuring proceedings, as it is unlikely that interest income will result in economic benefits for the Bank. If the court confirms the restructuring plan, the Bank loses its title to such interest.

Fees and commissions are recognised in the profit or loss on an accrual basis. Fees and commissions related to the provision of loans are accrued over the entire maturity period of a loan and recognised in the statement of comprehensive income line "*Interest income*".

Fees and commissions that are not part of the effective interest rate are recognised as expenses and income in the statement of comprehensive income line "*Fee and commission expense*" and "*Fee and commission income*" on an accrual basis and as at the date of transaction.

Income from dividends is recognised in the period of the origin of the title to receive dividends and is recognised in the statement of comprehensive income as "*Gains/(losses) on financial assets, net*".

Other expenses and revenues are recognised in the relevant period on an accrual basis.

Income Tax and Other Tax

The annual income tax liability is based on the tax base calculated from the profit/loss under IFRS and Slovak tax law. To determine the current income tax, tax rates valid as at the reporting date are applied.

The deferred income tax is calculated by the Bank using the balance sheet liability method in respect of all temporary differences between the tax bases of assets and liabilities and their carrying amount in the statement of financial position.

Deferred income taxes are computed using tax rates set for the subsequent taxable period and applicable at the moment of the tax asset realisation or the tax liability recognition. The tax rate of 22% was approved for 2014.

Deferred tax assets are recognised if it is probable, beyond reasonable doubt, that profits will be available in the future against which deductible temporary difference can be utilised. Tax assets are reassessed as at the reporting date.

Deferred tax is recognised in the profit or loss as "*Income Tax*", except for the deferred tax arising from items that are recognised through equity, such as available-for-sale financial assets. In this case, the deferred tax is also recognised through equity as part of items of comprehensive income.

The Bank is a payer of the value added tax and selected local taxes. Taxes are recognised in the statement of comprehensive income line "*General administrative expenses*", except for the value added tax on acquisition of tangible and intangible assets, which enters the cost of non-current tangible and intangible assets.

Special Levy on Selected Financial Institutions

As of 1 January 2012, Act No. 384/2011 Coll. on Special Levy of Selected Financial Institutions came into effect. The levy calculation is based on the amount of the Bank's liabilities less equity, subordinated debt and deposits protected by the Deposit Protection Fund. Data as at the last date of the preceding calendar quarter are used to determine the base for calculating the levy for the relevant calendar quarter. The annual levy rate for the relevant calendar year is 0.4%. The levy is paid in quarterly instalments at the beginning of the relevant quarter.

Act No. 233/2011 Coll. dated 26 July 2012 amended and supplemented the Act on the Special Levy of Selected Financial Institutions and Act 118/1996 Coll. on Deposit Protection was also supplemented. The base for the calculation of the special levy of selected financial institutions was changed – deposits protected by the Deposit Protection Fund are included in the levy calculation. Furthermore, to determine the base for the levy calculation for the relevant calendar quarter, the average amounts calculated from data as at the last date of individual calendar months of the preceding calendar quarter are used. These modifications to the Act were applied for the first time in the calculation of the special levy for the fourth quarter of 2012. This Act also introduces an extraordinary levy in the amount of 0.1% of the base for the levy calculation based on the data disclosed in the separate financial statements of the bank prepared pursuant to accounting standards as at 31 December 2011 and audited by an auditor. The extraordinary levy was paid with the quarterly instalment of the levy for the fourth calendar quarter of 2012. The Act rescinded contributions to the Deposit Protection Fund for the third and fourth quarters of 2012.

The Bank recognises the levies as incurred in the statement of comprehensive income line "*General administrative expenses*". (Note 28)

Derivative Financial Instruments

In the ordinary course of business, the Bank is a party to contracts for derivative financial instruments, which represent a low initial value investment compared to the notional value of the contract. Generally, derivative financial instruments include currency forwards, currency swaps and interest rate swaps. The Bank mainly uses these financial instruments for business purposes and to hedge its currency exposures associated with transactions in financial markets.

Derivative financial instruments are initially recognised at acquisition cost, which includes transaction expenses and which is subsequently again re-measured to fair value. Their fair values are determined using valuation techniques by discounting future cash flows by a rate derived from the market yield curve and foreign currency translations using the ECB rates valid on the calculation day.

Changes in the fair value of derivative financial instruments that are not defined as hedging derivatives are recognised in the statement of comprehensive income line "*Gains/(losses) on financial transactions, net*". Derivatives with positive fair values are recognised as assets in the in the statement of financial position line "*Financial assets at fair value through profit or loss*". Derivatives with negative fair values are recognised as liabilities in the statement of financial position line "*Other liabilities*".

Transactions with derivative financial instruments, although providing the Bank with an effective economic hedging in risk management, do not qualify for the recognition of hedging derivatives under specific rules of IAS 39, and therefore, they are recognised in the accounting books as derivative financial instruments held for trading, and gains and losses from the fair value are recognised as "*Gains/(losses) on financial transactions, net*".

Liabilities from Issued Securities

Liabilities from issued securities are recognised at amortised cost. The Bank mainly issues mortgage bonds. Interest expense is included in the statement of comprehensive income line "*Interest expense*", and it is accrued using the effective interest rate method.

Subordinated Debts

Subordinated debt refers to the Bank's external debt where in the event of the Bank's bankruptcy, composition or liquidation the entitlement to its repayment is subordinated to liabilities to other creditors. The Bank's subordinated debt is recognised on a separate line of the statement of financial position as "*Subordinated debt*". Interest expenses paid for the received subordinated debt are recognised in the statement of comprehensive income line "*Interest expense*".

Provision for Off-Balance Sheet Liabilities

In the ordinary course of business, off-balance sheet liabilities, such as guarantees, financial commitments to grant a loan and a letter of credit are recorded by the Bank. Provisions for expected losses from off-balance sheet contingent liabilities are recognised in such amounts that enable the covering of possible future losses. The management determines the adequacy of the provisions based on the reviews of individual items, recent loss experience, current economic conditions, the risk characteristics of the various categories of products, and other pertinent factors.

To cover estimated losses on contingent unused loans, guarantees and letters of credit, the Bank creates provisions in the case when a payable - as a result of past events - has to be settled and it is likely that such settlement of a payable will require a cash outflow and the amount payable can be reliably determined. The calculation of the provisions for off-balance sheet liabilities is analogical to credit exposures. Issued guarantees, irrevocable letters of credit, and unused loan commitments are subject to similar monitoring of credit risks and credit principles, as in the case of extended loans.

Provisions for estimated losses are recognised through the profit or loss when the Bank has a present legal or implied obligation to make a payment as a result of a past event, when it is probable that an outflow of resources representing economic benefits will be required, and when a reliable estimate of the amount to be paid can be reliably determined.

Provisions are recognised in the statement of financial position line "*Provisions for liabilities*". Expenses for the recorded provision are recognised in the statement of comprehensive income as "*Provisions for impairment losses on loans and off-balance sheet, net*".

Provision for Liabilities and Employee Benefits

The amount of provisions for liabilities is recognised as an expense and a liability when the Bank is exposed to potential liabilities from litigation or indirect liabilities as a result of past events, and when it is probable that to settle such liabilities a cash outflow will be required, which will result in the reduction of resources embodying the economic benefits and a reasonable estimate of the amount of the resulting loss can be made. Any amount related to the recognition of the provision for liabilities is recognised in the profit or loss for the period.

In line with the valid legislation, the Bank provides a lump-sum payment upon retirement. The recorded provision represents a liability to an employee that is calculated using the set actuarial methods; the calculation is based on discounted future expenditures. As at the reporting date, the liability is measured at the present value.

The provision is recognised in the statement of financial position line "*Provisions for liabilities*". Expenses for the recorded provision are recognised through the statement of comprehensive income line "*General administrative expenses*".

Representatives of the Bank's statutory body and selected employees receive remuneration for rendered services in a form of a cash-settled payment and an equity-settled financial instrument in the form of parent company's shares. The remuneration is paid based on the compensation policy of the OTP Group. In the case of a cash-settled remuneration, the payment is recognised in the statement of comprehensive income in "*General administrative expenses*" with the counter entry in "*Other liabilities*" in the statement of financial position. A portion of the remuneration in the form of a financial instrument being the parent company's shares is recognised in the statement of comprehensive income in "*General administrative expenses*" with the corresponding entry in "*Reserve funds*" in the statement of financial position (see Note 32). The Bank recognises remuneration and share-based payments from the moment when the claim can be exercised.

The compensation policy within the OTP Group is consistent with the compensation policy and principles for risk management under Act No. 483/2001 Coll. on Banks, as amended.

Bank's Regulatory Capital

In the administration of its regulatory capital, the Bank aims to ensure business prudence and to maintain the Bank's regulatory capital continuously at least at the level required for Bank's own funds. To accomplish this, when preparing the yearly business plan the Bank also prepares a plan of adequacy of regulatory capital considering its business objectives and applying the knowledge gained from previous experience.

During the year the Bank monitors, on a monthly basis, the development of requirements for regulatory capital and prepares reports on the required levels of the Bank's regulatory capital, which are submitted to the National Bank of Slovakia. The achieved results are also discussed at the Board of Directors and Supervisory Board meetings on a quarterly basis.

The Bank's regulatory capital is stipulated by the provision of the National Bank of Slovakia and comprises:

- Bank's original own funds and additional own funds (including subordinated debt) less the value of deductible items under a special regulation; and
- Supplementary own funds.

Segment Reporting

When preparing segment reporting, the Bank uses its internal information, which is presented to the Bank's management on a regular basis. The breakdown by individual segment categories recognised in the notes is based on the principle applied for the classification of the Bank's customers as follows:

- Retail customers;
- Corporate customers;
- Treasury;
- Not specified.

The "retail customers" segment includes the following customers: individuals. The segment also includes private banking customers who are defined separately according to the individual management of their funds. The Bank provides to retail customers standard bank products, particularly: consumer loans, mortgage loans, general-purpose loans, deposit products. The most common deposit products offered are current accounts, term deposits, saving accounts, credit and payment cards. Housing loans and general-purpose loans secured by real estate were the core products of this segment.

The segment of "corporate customers" includes domestic and foreign companies and state-owned entities. This segment comprises the SME subsegment (small and medium-sized enterprises with sales of up to EUR 17 million) and the large client and project financing subsegment (enterprises with sales of over EUR 17 million).

In terms of products, corporate customers were mostly provided with overdraft facilities, EU Agro loans for the MSE segment and with long- and medium-term loans for housing cooperatives as well as loans for the apartment owners associations for the insulation of apartment buildings.

The segment of "Treasury" includes transactions performed on the Bank's own account or on the client's account and comprises the following types of transaction: trading with securities, trading with derivative instruments, trading on money markets, management of the Bank's liquidity, investment portfolio on the Bank's account.

Geographically, operating profit was primarily generated by the provision of banking services in Slovakia. Some assets and liabilities are placed outside Slovakia.

The breakdown of selected items of the financial statements by segments, the summary of the most significant exposures of total assets and liabilities to foreign entities and information on the amount of total revenues from foreign entities is included in Note 31.

Statement of Cash Flows

Cash and cash equivalents for the purposes of cash flow presentation include cash, amounts due from banks and balances with the National Bank of Slovakia, excluding the compulsory minimum reserve required by the NBS and amounts due to banks due up to three months as these form an integral part of the Bank's cash flow management.

3. Fair Value of the Bank's Financial Assets and Liabilities

The fair value of the Bank's financial assets and liabilities is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Where available, fair value estimates are made based on quoted market prices. In circumstances where the quoted market prices are not readily available, the fair value is estimated using discounted cash flow models or other valuation models as appropriate. Market inputs are used in valuation models to the maximum extent. Changes in underlying assumptions, including discount rates and estimated future cash flows or other factors, significantly impact the estimates. Therefore, the estimated fair market values may not be realised in the current sale of the financial instrument.

Based on the used input data for the fair value estimates, the calculation of fair value of the Bank's financial assets and liabilities can be classified into one of the 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.

The following tables present an analysis of financial instruments that are measured after their initial recognition at fair value. Financial instruments are classified into three levels/categories based on the level of the fair value determination:

31 December 2013 (EUR'000)	Level 1	Level 2	Level 3	TOTAL
Assets				
Financial assets at fair value through profit or loss	-	20	-	20
<i>Derivative financial instruments for trading</i>	-	20	-	20
Available-for-sale financial assets	8 450	50 108	-	58 558
<i>Available-for-sale securities - government bonds</i>	1 138	-	-	1 138
<i>Available-for-sale securities - treasury bills of foreign central banks</i>	-	50 108	-	50 108
<i>Available-for-sale securities - bonds issued by foreign banks</i>	7 312	-	-	7 312
Liabilities				
Liabilities from derivative transactions	-	99	-	99

31 December 2012 (EUR'000)	Level 1	Level 2	Level 3	TOTAL
Assets				
Financial assets at fair value through profit or loss	-	462	-	462
<i>Derivative financial instruments for trading</i>	-	462	-	462
Available-for-sale financial assets	33 865	29 565	-	63 430
<i>Available-for-sale securities - government bonds</i>	33 865	-	-	33 865
<i>Available-for-sale securities - treasury bills of foreign central banks</i>	-	29 565	-	29 565
Liabilities				
Liabilities from derivative transactions	-	7	-	7

The following tables present the fair value hierarchy for financial instruments measured at amortised cost:

31 December 2013 (EUR'000)	Level 1	Level 2	Level 3	TOTAL
Assets				
Loans and receivables	-	1 056 086	-	1 056 086
Held-to-maturity financial investments	194 769	-	-	194 769
Liabilities				
Amounts due to customers	-	1 124 414	-	1 124 414
Liabilities from issued securities	-	83 800	-	83 800
Subordinated debt	-	29 056	-	29 056

31 December 2012 (EUR'000)	Level 1	Level 2	Level 3	TOTAL
Assets				
Loans and receivables	-	917 222	-	917 222
Held-to-maturity financial investments	167 148	-	-	167 148
Liabilities				
Amounts due to customers	-	1 032 022	-	1 032 022
Liabilities from issued securities	-	97 141	-	97 141
Subordinated debt	-	29 056	-	29 056

When estimating the fair value of its financial instruments, the Bank used the following methods and assumptions:

Cash, Amounts due from Banks, and Balances with the National Bank of Slovakia and Placements with Other Banks

The net book values of cash and balances with central banks are generally deemed to approximate their fair value.

The estimated fair value of amounts due from banks that mature in 365 days or less approximates their net book values. The fair value of other amounts due from banks is estimated based upon discounted cash flow analyses using interest rates currently offered for investments with similar terms (market rates adjusted to reflect credit risk). The fair value of non-performing amounts due from banks is estimated using a discounted cash flow analysis or the estimated value of the underlying collateral – level 2 of the fair value estimate. Provisions are not taken into consideration when calculating fair values.

Loans and Receivables

Generally, the fair value of variable yield loans that are regularly re-valued approximates their net book values with no significant changes in credit risks. The fair value of loans at fixed interest rates is estimated using discounted cash flow analyses, based upon interest rates currently offered for loans with similar terms to borrowers of similar credit risks. The fair value of non-performing loans to customers is estimated using a discounted cash flow analysis or the estimated value of the underlying collateral, where available.

Held-to-Maturity Financial Investments

The fair value of securities recorded in the held-to-maturity portfolio was determined based on quoted prices on active markets, if available, and using valuation techniques when applying market input factors. In government and banking bonds, whose issuers have rating comparable with the country rating, the fair value is calculated using the market yield curve without credit margin. For other types of securities the credit margin reflecting the issuer's credit risk is applied in addition to the market yield curve.

Amounts due to Banks and Deposits from the National Bank of Slovakia and Other Banks and Amounts due to Customers

The estimated fair value of amounts due to banks with maturity within 365 days approximates their net book values. The fair value of term deposits payable on demand represents the net book value of amounts payable on demand as at the statement of financial position date. The fair value of term deposits at variable interest rates approximates their net book values. The fair value of deposits at fixed interest rates is estimated by discounting their future cash flows, while interbank interest rates (EURIBOR, LIBOR) are used for discounting deposits within one year, and for deposits over one year, the yield curve of government bonds - Level 2 of the fair value estimate is used.

Liabilities from Issued Securities and Subordinated Debt

The fair value of issued securities and subordinated debt is determined using valuation techniques by discounting future cash flows by a rate derived from the market yield curve by level 2 of the fair value estimate. Fair value is determined separately for individual issues of securities considering the relevant credit margin.

The following table includes reconciliation between the fair value of selected financial assets and liabilities and their net book value with carrying amount different from their fair value:

(EUR '000)	Fair Value 31 Dec 2013	Net Book Value 31 Dec 2013	Difference 31 Dec 2013
Assets			
Loans and receivables	1 226 115	1 056 086	170 029
Held-to-maturity financial investments	196 481	194 769	1 712
Liabilities			
Amounts due to customers	1 134 837	1 124 414	10 423
Liabilities from issued securities	82 425	83 800	(1 375)
Subordinated debt	29 056	29 056	-

(EUR '000)	Fair Value 31 Dec 2012	Net Book Value 31 Dec 2012	Difference 31 Dec 2012
Assets			
Loans and receivables	1 112 405	917 222	195 183
Held-to-maturity financial investments	169 233	167 148	2 085
Liabilities			
Amounts due to customers	1 053 133	1 032 022	21 111
Liabilities from issued securities	94 479	97 141	(2 662)
Subordinated debt	29 058	29 056	2

The difference between the fair value and the net book value of loan receivables is caused by a decrease in value of the yield curves used in discounting future cash flows entering the calculation of fair value.

Supplementary Data to the Financial Statements

4. Cash, Due from Banks and Balances with the National Bank of Slovakia

(EUR '000)	31 Dec 2013	31 Dec 2012
Cash on hand:		
In EUR	24 026	19 951
In foreign currency	2 564	2 618
	26 590	22 569
Due from banks and balances with NBS:		
Residual maturity within one year:		
In EUR	10 257	8 658
In foreign currency	8 705	1 015
	18 962	9 673
Total	45 552	32 242

Included in the 'Due from banks and balances with NBS' denominated in EUR is the compulsory minimum reserve with the NBS in the amount of EUR 9 222 thousand (31 December 2012: EUR 7 651 thousand), the withdrawal of which is restricted.

The average amount of the Bank's compulsory minimum reserves during the period bears an average threshold interest rate of the Eurosystem main refinancing operation. Excess monetary reserves bear no interest. As at 31 December 2013, compulsory minimum reserves bear interest at 0.25% (31 December 2012: 0.75%).

5. Placements with Other Banks, Net of Provisions for Possible Placement Losses

(EUR '000)	31 Dec 2013	31 Dec 2012
Residual maturity within one year:		
In EUR	15 001	42 028
In foreign currency	19 092	17 768
Total	34 093	59 796

Interest on deposits with other banks, loans to other banks:

	31 Dec 2013 in %		31 Dec 2012 in %	
	From	Until	From	Until
Contractual maturity within one year:				
In EUR	1.36	1.78	2.13	2.28
In foreign currency	0.02	2.00	0.03	5.52

The majority of foreign currency short-term deposits with other banks as at 31 December 2013 are denominated in CZK, GBP, HUF and USD (31 December 2012: CZK, GBP, HUF, PLN and USD).

6. Financial Assets at Fair Value through Profit or Loss

(EUR '000)	31 Dec 2013	31 Dec 2012
Derivative financial instruments held for trading (Note 22)	20	462
Total financial instruments held for trading	20	462

As at 31 December 2013 and 31 December 2012, the held-for-trading securities portfolio included ordinary shares of businesses which are in the bankruptcy proceedings.

Derivative financial instruments held for trading do not comprise hedging derivatives; they are held to earn profit. They include forward interest rate and currency swaps.

As at 31 December 2013, the Bank recognised a net gain/loss on financial assets at FVTPL from derivative transactions in the amount of EUR -2 610 thousand (31 December 2012: EUR -4 273 thousand).

7. Available-for-sale financial assets

(EUR '000)	31 Dec 2013	31 Dec 2012
Available-for-sale securities – government bonds	1 138	33 865
Available-for-sale securities – treasury bills of foreign central banks	50 108	29 565
Available-for-sale securities – bonds issued by foreign banks	7 312	-
Investments in corporate entities	526	526
Total financial instruments available-for-sale	59 084	63 956

The structure as per interest rates and residual maturities is provided below:

(EUR '000)	31 Dec 2013	31 Dec 2012
Less than five years, fixed interest rates	8 450	33 865
More than five years, fixed interest rates	-	-
Zero-coupon	50 108	29 565
Total	58 558	63 430

All bonds are denominated in EUR and were bearing interest in the range of 4.90% and 5.875% as at 31 December 2013 (31 December 2012 in the range of 4.90% and 5.00%).

Treasury bills acquired from a foreign bank into the portfolio of available-for-sale securities are denominated in HUF and bear no interest. Treasury bills are acquired with a discount.

As at 31 December 2013, the Bank recognised pledged securities with the total face value of EUR 1 002 thousand as available-for-sale financial assets (31 December 2012: EUR 31 202 thousand).

In 3Q 2013, the Bank purchased for the available-for-sale financial assets portfolio subordinated bonds issued by the parent company, OTP Nyrt. The proceeds from such bonds are recognised in the statement of comprehensive income as "Interest income".

Under the conditions of issue, the subordinated bond has no fixed maturity of the face value. The Bank's management expects that it is very likely that the bond will be repaid at face value in November 2016; under this assumption interest income from this bond is recognised using the effective interest rate method.

During 2012 and 2013, the Bank purchased short-term treasury bills of a foreign central bank into the portfolio of available-for-sale financial assets. The proceeds from such securities are recognised in the statement of comprehensive income as "Interest income".

As at 31 December 2013, government bonds with the total face value of EUR 1 002 thousand were pledged in favour of customers as security for liabilities from financial transactions (31 December 2012: EUR 15 269 thousand).

Under the Securities Pledge Agreements, the pledger (the Bank) cannot handle the pledged securities without prior approval by the pledgee (the client).

As at 31 December 2013, the portfolio of available-for-sale debt securities was remeasured to fair value. A loss on revaluation for 2013 amounts to EUR 355 thousand (2012: a gain of EUR 465 thousand), net of deferred income tax. The revaluation of the portfolio is recognised through equity as "Revaluation reserve – available-for-sale financial assets".

An analysis of investments in corporate entities as at 31 December 2013 and 31 December 2012 (unless otherwise indicated, the companies are incorporated in Slovakia) is as follows:

Company Name	Business Activity	Share	Cost	Provision	Net
OTP Buildings, s.r.o.	Real estate	19.00%	6	6	-
S.W.I.F.T (Belgium)	International clearing	0.005%	6	-	6
RVS, a.s.	Wellness	12.65%	867	347	520
Total (EUR '000)			879	353	526

An analysis of movements in the provision for available-for-sale financial assets related to equity share in corporate entities is as follows:

(EUR '000)	31 Dec 2013	31 Dec 2012
Balance at the beginning of reporting period	353	353
Creation/(release) of provision during the reporting period, net	-	-
Balance at the end of reporting period	353	353

The Bank is not an unlimited guarantee partner in any reporting entities.

8. Loans and Receivables, Net of Provisions for Possible Losses

Loans and Receivables by Type of Product

31 Dec 2013 (EUR '000)	Carrying Amount Before Provisions	Specific Provision	Portfolio Provision	Carrying Amount After Provisions
Corporate loans	492 845	30 101	14 863	447 881
Corporate clients	421 669	23 459	2 287	395 923
Overdrafts	57 384	6 642	852	49 890
Mass loans*	9 634	-	9 452	182
Mortgage loans	264	-	36	228
Other	3 894	-	2 236	1 658
Retail loans	623 075	-	14 870	608 205
Mortgage loans	88 157	-	4 696	83 461
Consumer loans	530 095	-	7 772	522 323
Other	4 823	-	2 402	2 421
Total	1 115 920	30 101	29 733	1 056 086

31 Dec 2012 (EUR '000)	Carrying Amount Before Provisions	Specific Provision	Portfolio Provision	Carrying Amount After Provisions
Corporate loans	471 680	28 414	14 904	428 362
Corporate clients	407 474	22 018	2 359	383 097
Overdrafts	50 273	6 396	1 065	42 812
Mass loans*	9 918	-	9 729	189
Mortgage loans	302	-	37	265
Other	3 713	-	1 714	1 999
Retail loans	500 558	-	11 698	488 860
Mortgage loans	124 066	-	4 564	119 502
Consumer loans	371 833	-	4 939	366 894
Other	4 659	-	2 195	2 464
Total	972 238	28 414	26 602	917 222

*Mass loans include fast corporate loans and solvent business card product for corporate clients.

The Summary of Provisions for Possible Loan Losses

(EUR '000)	31 Dec 2013	31 Dec 2012
Balance at the beginning of reporting period	55 016	47 582
Provisions for impairment losses on loans, net	8 468	11 495
Loan write-offs and assignments (Note 24)	(3 649)	(4 062)
Foreign exchange differences	(1)	1
Balance at the end of reporting period	59 834	55 016

Interest on loans and receivables:

	31 Dec 2013 in %		31 Dec 2012 in %	
	From	Until	From	Until
Contractual maturity within one year:				
In EUR	1.65	30.90	1.91	29.30
In foreign currency	-	-	-	-
Contractual maturity over one year:				
In EUR	0.65	30.50	0.43	29.50
In foreign currency	2.60	4.99	2.97	8.30

In 2013, interest rates on loans with a contractual maturity within one year in EUR increased due to the fact that the Bank started to provide consumer loans on a larger scale, which have a higher interest rate than other loans. Such rate is assigned to clients with a worse rating due to a higher risk margin.

Other Information on Loans and Receivables

In previous years, the Bank provided a loan for housing construction. The total loan amount recognised as at 31 December 2013 amounted to EUR 5 724 thousand. The repayment of the loan depends on the results of litigations held against a number of entities. Based on the legal counsels' opinion and the current status of the receivable recovery, the Bank's management has estimated the amount of the possible incurred loan loss as at the reporting date. Given the fact that the final outcome of all litigations and other actions related to the recovery of the loan as well as their timing is uncertain, the final outcome of such uncertainties may differ from the estimated volume of the impairment provisions recognised as at 31 December 2013, and this difference may be significant in relation to the total loan amount.

Loans with non-accrual status as at 31 December 2013 amounted to EUR 6 920 thousand, net of provisions for potential loan losses (31 December 2012: EUR 2 747 thousand). The Bank has stopped charging interest on these loans as bankruptcy was declared on the debtor or due to the Bank's withdrawal from the loan contract following the client's failure to meet contractual conditions.

With respect to loans in restructuring proceedings (under the Act on Bankruptcy and Restructuring) for 2013, the Bank records interest income that was not recognised in the statement of comprehensive income in the amount of EUR 185 thousand (2012: EUR 0) – interest accrued since the date on which the restructuring proceedings of such loans started (Note 2).

With respect to loans in bankruptcy for 2013, the Bank records interest income of EUR 1 161 thousand (31 December 2012: EUR 228), which were not recognised in the statement of comprehensive income due to their uncertain realisation.

Interest income of the Bank for 2013 from loans impaired as at 31 December 2013 amounted to EUR 2 417 thousand and are recognised in the income statement in "Interest income" (31 December 2012: EUR 3 161 thousand). The receivables from interest income are combined with related loan balances when determining impairment provision.

As at 31 December 2013, loans denominated in a foreign currency accounted for approximately 0.15% of the loan portfolio before provisions for potential loan losses (31 December 2012: 0.33%).

9. Held-to-Maturity Financial Investments

As at 31 December 2013 and 31 December 2012, the Bank recognised the following held-to-maturity investments:

(EUR '000)	31 Dec 2013	31 Dec 2012
Government bonds	138 007	104 725
Bonds issued by banks	56 762	62 423
Total held-to-maturity securities	194 769	167 148

All held-to-maturity securities are denominated in euros.

In 2013, the Bank purchased government bonds into the held-to-maturity securities portfolio. As at 31 December 2013, the value of such purchased securities amounted to EUR 70 659 thousand.

In 2012, the Bank purchased mortgage bonds issued by OTP Jelzálogbank ZRt, Hungary, thus increasing the total amount thereof in the portfolio. As at 31 December 2013, the total amount of such securities was EUR 55 102 thousand.

In 2013, the government bonds of the Slovak Republic with a face value of EUR 35 419 thousand were due and financially settled.

Interest on held-to-maturity investments:

	31 Dec 2013 in %		31 Dec 2012 in %	
	From	Until	From	Until
Contractual maturity within one year:				
In EUR	3.23	6.75	3.50	5.10
Contractual maturity over one year:				
In EUR	0.34	3.00	0.30	6.75

The following table includes a summary of held-to-maturity securities pledged as a security for the Bank's liabilities (data in the table represent the total face value of pledged securities):

(EUR '000)	31 Dec 2013	31 Dec 2012
Security for liabilities from financial transactions:		
Slovak government bonds	15 000	13 232
Bonds issued by banks	-	7 342
Security for liabilities from financial transactions with the NBS:		
Slovak government bonds	40 900	6 388
Bonds issued by banks	55 000	55 000
Total pledged securities	110 900	81 962

As at 31 December 2013, the Bank records a liability to the NBS from a received loan as part of a repurchase transaction. Securities are pledged in favour of the NBS pursuant to the framework contract; the Bank recognises them as securities pledged to secure liabilities from financial transactions with the NBS.

In accordance with the securities pledge contracts, the pledger (the Bank) cannot dispose of pledged securities without approval by the pledgee (client).

As at 31 December 2013 and 31 December 2012, the Bank did not record any other restrictions on the disposal of securities in its portfolio within held-to-maturity investments.

10. Investments in Subsidiaries

As at 31 December 2013 and 31 December 2012, the Bank recognised the following investments in subsidiaries and associates:

(EUR '000)	31 Dec 2013	31 Dec 2012
Subsidiaries	1 202	1 202
Total – gross value	1 202	1 202
Provision for investments in subsidiaries	(1 051)	(1 051)
Total – net value	151	151

An analysis of investments in subsidiaries, as at 31 December 2013 and 31 December 2012 (all companies incorporated in Slovakia), is as follows:

Company	Company Seat	Business Activity	Ownership Interest/ Voting Power Held
Faktoring SK, a.s. v likvidácii	Tallerova 10, 811 02 Bratislava	Factoring	100.00%

In 2010, as part of the strategic decisions made at the OTP Group level, a decision was adopted to terminate OTP Faktoring Slovensko, a.s.'s activities. On 1 April 2011, OTP Faktoring Slovensko, a.s. entered into liquidation and also its business name was changed from the original "OTP Faktoring Slovensko, a.s." to "Faktoring SK, a.s. v likvidácii". As at the issue date of the financial statements, the company's liquidation was not completed.

Additional information on investments in subsidiaries as at 31 December 2013 and 31 December 2012:

Company	Acquisition Cost	Provisions	Net
Faktoring SK, a.s. v likvidácii	1 202	(1 051)	151
Total	1 202	(1 051)	151

An analysis of movements in the provisions for investments in subsidiaries is as follows:

(EUR '000)	31 Dec 2013	31 Dec 2012
Balance at the beginning of reporting period	1 051	951
Creation/(release) of provisions – net	-	100
Balance at the end of reporting period	1 051	1 051

11. Non-Current Tangible and Intangible Assets

Movements of Assets (EUR '000)	Buildings and Land	Fittings and Fixtures	Motor Vehicles	Tangible Assets in Acquisition	Intangible Assets	Intangible Assets in Acquisition	Total
Cost at 1 Jan 2012	24 448	29 814	748	280	21 630	490	77 410
Additions (+)	1 318	1 312	99	2 830	1 420	1 832	8 811
Disposals (-)	(487)	(1 778)	(108)	(2 691)	(325)	(1 425)	(6 814)
Cost at 31 Dec 2012	25 279	29 348	739	419	22 725	897	79 407
Accumulated depreciation and provisions at 1 Jan 2012	9 190	25 974	427	-	13 538	-	49 129
Depreciation (+)	858	1 535	126	-	3 281	-	5 800
Disposal (-)	(237)	(1 758)	(92)	-	(325)	-	(2 412)
Accumulated depreciation and provisions at 31 Dec 2012	9 811	25 751	461	-	16 494	-	52 517
Net book value at 31 Dec 2012	15 468	3 597	278	419	6 231	897	26 890
Cost at 1 Jan 2013	25 279	29 348	739	419	22 725	897	79 407
Additions (+)	1 300	2 092	372	3 782	2 066	2 557	12 169
Disposals (-)	(176)	(5 550)	(165)	(3 778)	(51)	(2 051)	(11 771)
Cost at 31 Dec 2013	26 403	25 890	946	423	24 740	1 403	79 805
Accumulated depreciation and provisions at 1 Jan 2013	9 811	25 751	461	-	16 494	-	52 517
Depreciation (+)	907	1 286	158	-	3 184	-	5 535
Disposal (-)	(111)	(5 538)	(165)	-	(45)	-	(5 859)
Cancellation of provisions (-)	(299)	-	-	-	-	-	(299)
Accumulated depreciation and provisions at 31 Dec 2013	10 308	21 499	454	-	19 633	-	51 894
Net book value at 31 Dec 2013	16 095	4 391	492	423	5 107	1 403	27 911

Movements in accounts of provisions for non-current tangible and intangible assets:

(EUR '000)	31 Dec 2013	31 Dec 2012
Balance at the beginning of reporting period	299	299
Creation	-	-
Cancellation	(299)	-
Balance at the end of reporting period	-	299

As at 31 December 2013, provisions recorded for plots of land were cancelled. The Bank cancelled the provisions based on the estimated mitigation of the temporary impairment of property supported by the valuation of real estate prepared by a sworn expert during 2013. Revenues are recognised in the statement of comprehensive income line "*Other operating revenues/(expenses)*".

A summary of insurance of non-current tangible and intangible assets as at 31 December 2013:

(EUR '000)	Anticipated Annual Premium	Actual Insurance Costs
MTPL insurance	6	5
Motor hull insurance	26	26
Insurance of assets	94	106
Total	126	137

Costs of insurance coverage are recognised in the statement of comprehensive income line "*General administrative expenses*".

As at 31 December 2013, the Bank's non-current tangible and intangible assets were insured up to 100% of the total amount of assets (31 December 2012: 100%).

As at 31 December 2013, the Bank does not record as part of its non-current tangible and intangible assets the following:

- Assets encumbered by a pledge;
- Assets with a limited right of disposal;
- Acquired assets for which the ownership title was not recorded in the Land Register as at the reporting date, but which is used by the Bank; and
- Assets acquired in privatisation.

12. Other Assets

(EUR '000)	31 Dec 2013	31 Dec 2012
Loss receivables from various debtors	2 618	2 615
Loss receivables from securities	6 104	6 104
Operating advances made	182	163
Inventories	222	241
Deferred expenses	635	606
Receivables from various debtors	105	922
Receivables from shortages and damage	104	18
Other receivables from clients	1 371	240
Other receivables	599	621
Other assets before provisions	11 940	11 530
Provisions for possible losses from other assets	(8 825)	(8 731)
Total other assets	3 115	2 799

Provisions for possible losses from other assets mainly relate to the loss receivables from various debtors and loss receivables from securities.

An analysis of movements in provisions for possible losses from other assets is as follows:

(EUR '000)	31 Dec 2013	31 Dec 2012
Balance at the beginning of reporting period	8 731	8 737
Provisions for impairment losses on other assets, net (Note 29)	96	-
Other assets written-off and assigned (Note 29)	(1)	(6)
Foreign exchange difference	(1)	-
Balance at the end of reporting period	8 825	8 731

As at 31 December 2013 and 31 December 2012, the Bank does not recognise as part of other assets any amounts to which a pledge is attached or for which it has a limited right of disposal.

The Bank does not recognise any subordinated financial assets as part of other assets.

13. Due to Banks and Deposits from the National Bank of Slovakia and Other Banks

(EUR '000)	31 Dec 2013	31 Dec 2012
Residual maturity within one year:		
In EUR	67 427	496
In foreign currency	1	216
Residual maturity over one year:		
In EUR	26	290
Total	67 454	1 002

Amounts due to banks by type of product:

(EUR '000)	31 Dec 2013	31 Dec 2012
Deposits	28	7
Term accounts of other banks	40 039	215
Loans received from other financial institutions	27 386	777
Other liabilities to financial institutions	1	3
Total	67 454	1 002

An analysis of received loans by individual types of banks (all loans are denominated in EUR, unless stated otherwise):

(EUR '000)	Type of Loan According to Maturity	Contractual Maturity as at 31 Dec 2013	31 Dec 2013	31 Dec 2012
Loans received from issuing banks:				
Central banks	Short-term	8 Jan 2014	27 000	-
Loans received from banks:				
Reconstruction and development banks	Long-term	Individual	386	777
Total			27 386	777

Of the total amounts due to banks as at 31 December 2013 and 31 December 2012, the Bank does not recognise any overdue payables.

Interest on amounts due to banks:

	31 Dec 2013 in %		31 Dec 2012 in %	
	From	Until	From	Until
Contractual maturity within one year:				
In EUR	0.25	1.78	-	-
In foreign currency	-	-	0.03	3.30
Contractual maturity over one year:				
In EUR	1.50	4.30	1.18	1.70
In foreign currency	-	-	-	-

14. Amounts due to Customers

Amounts due to customers by type:

(EUR '000)	31 Dec 2013	31 Dec 2012
Current accounts and other short-term amounts due to customers	398 561	356 299
Term deposits	664 739	603 425
Pass books	18 056	17 946
Municipality accounts	43 051	54 346
Other liabilities	7	6
Total	1 124 414	1 032 022

Amounts due to customers by sector:

(EUR '000)	31 Dec 2013	31 Dec 2012
Non-financial organisations	228 374	208 274
Individuals	748 128	682 016
Financial institutions	16 833	15 493
Trade licence holders	15 702	16 420
Insurance companies	525	1 089
Non-profit organisations	17 616	16 084
Non-residents	54 178	38 294
Government sector	43 051	54 346
Not categorised in sectors	7	6
Total	1 124 414	1 032 022

Amounts due to customers by residual maturity:

(EUR '000)	31 Dec 2013	31 Dec 2012
Residual maturity within one year:		
In EUR	921 335	804 043
In foreign currency	30 860	23 670
Residual maturity over one year:		
In EUR	172 219	204 309
Total	1 124 414	1 032 022

Interest on amounts due to customers:

	31 Dec 2013 in %		31 Dec 2012 in %	
	From	Until	From	Until
Contractual maturity within one year:				
In EUR	0.01	3.10	0.01	3.45
In foreign currency	0.01	4.50	0.01	4.60
Contractual maturity over one year:				
In EUR	0.20	12.00	0.20	12.00
In foreign currency	-	-	-	-

As part of its liquidity risk management efforts, the Bank regularly monitors deposit exposures and adjusts the structure of its assets to ensure its sufficient liquidity (in the form of liquid assets) in the event it may need to access cash deposits.

As at 31 December 2013, the total of primary deposits of depositors with deposits exceeding EUR 3 320 thousand represented 10.09% of the Bank's funds (31 December 2012: 9.60%).

15. Liabilities from Issued Securities

(EUR '000)	31 Dec 2013	31 Dec 2012
Residual maturity within one year:		
Liabilities from financial bills of exchange	3 277	1 038
Liabilities from mortgage bonds	25 089	18 033
Residual maturity over one year:		
Liabilities from mortgage bonds	55 434	78 070
Total	83 800	97 141

Interest on liabilities from issued securities:

	31 Dec 2013 in %		31 Dec 2012 in %	
	From	Until	From	Until
Contractual maturity within one year:				
In EUR	0.50	3.12	0.80	3.50
In foreign currency	-	-	-	-
Contractual maturity over one year:				
In EUR	0.44	4.00	0.33	4.00
In foreign currency	-	-	-	-

In 2013, the Bank completed the sale of Mortgage Bonds, Issue XXV, with a total face value of EUR 7 962 thousand (31 December 2012: EUR 5 598 thousand).

In 2013, the Bank repaid Mortgage Bonds, Issue XXI, and a portion of Issue XXIV with a total face value of EUR 17 730 thousand. The outstanding amount of Mortgage Bonds, Issue XXIV, of EUR 3 thousand is subject of inheritance proceedings of a deceased holder of securities.

In 2012, the Bank repaid Mortgage Bonds, Issue I, XVII, XVIII and XIX, with a total face value of EUR 30 289 thousand.

Summary of mortgage bonds as at 31 December 2013 and 31 December 2012:

Mortgage Bonds Issued	Currency	Quantity	Face Value per Share in EUR	Face Value of Issue	Net Book Value 31 Dec 2013	Net Book Value 31 Dec 2012	Interest Income (coupon)	Frequency of Coupon Payout	Issue Date	Due Date
Mortgage bonds Issue VII	EUR	677	33 193.92	22 472	22 475	22 474	3M EURIBOR + 0.15% p. a.	Quarterly	21 Dec 2005	21 Dec 2015
Mortgage bonds Issue XIX	EUR	9 762	1 000.00	9 762	-	1	4.00%	Semi-annual	2 Nov 2009	2 Nov 2012
Mortgage bonds Issue XX	EUR	2 500	10 000.00	25 000	25 000	25 000	3M EURIBOR + 2.72% p. a.	Quarterly	30 Mar 2010	30 Mar 2015
Mortgage bonds Issue XXI	EUR	9 856	1 000.00	9 856	-	10 067	3.50%	Annual	20 May 2010	20 May 2013
Mortgage bonds Issue XXIII	EUR	2 500	10 000.00	25 000	25 002	25 002	3M EURIBOR + 2.83% p. a.	Quarterly	29 Sep 2010	29 Sep 2014
Mortgage bonds Issue XXIV	EUR	7 877	1 000.00	7 877	3	7 904	3.33%	Annual	23 Nov 2010	23 Nov 2013
Mortgage bonds Issue XXV.	EUR	7 962	1 000.00	7 962	8 043	5 655	4.00%	Annual	28 Sep 2012	28 Sep 2016
Total					80 523	96 103				

As at 31 December 2013, mortgage bonds Issues VII, XX, XXIII and XXV were listed and traded on the Bratislava Stock Exchange (31 December 2012: mortgage bonds Issues VII, XX, XXI, XXIII and XXIV).

According to the Banking Act, the mortgage bonds issued must cover at least 90% of the outstanding amount of mortgage loans provided by the Bank. This threshold was reduced to 70% for the Bank for the period from 1 March 2009 until – 28 February 2015 under the decision of the NBS. As at 31 December 2013, the Bank's coverage was 93.23% (31 December 2012: 78.11%).

16. Other Liabilities

(EUR '000)	31 Dec 2013	31 Dec 2012
Various creditors	1 664	1 041
Tax liabilities (except for income tax liabilities)	1 723	1 528
Provisions for unbilled and other liabilities	573	486
Social fund	92	99
Settlement with employees	1 314	1 172
Settlement with social institutions	333	292
Negative fair value of financial derivatives (Note 22)	99	7
Liabilities from payment transactions	3 947	4 179
Other liabilities	4 759	1 857
Total	14 504	10 661

A year-to-year increase in "Other liabilities" resulted from a higher volume of open items from payment cards transactions and transactions on nostro accounts performed in the last days of 2013, whose financial settlement was carried out in a standard manner in the following days, ie in 2014.

Summary of changes in the social fund:

(EUR '000)	31 Dec 2013	31 Dec 2012
Balance at the beginning of reporting period	99	99
Additions during the reporting period	170	162
Drawings during the reporting period	(177)	(162)
Balance at the end of reporting period	92	99

17. Subordinated Debt

Type of Loan	Curr.	Type of Loan by Maturity	Start of Loan Drawdown	Contractual Maturity	Carrying Amount of Loan	
					31 Dec 2013	31 Dec 2012
Subordinated debt:						
– OTP Financing Netherlands B.V.	EUR	Long-term	Mar 2008	Mar 2015	11 001	11 002
– OTP Financing Netherlands B.V.	EUR	Long-term	Apr 2008	Apr 2015	18 055	18 054
Total (EUR'000)					29 056	29 056

The interest rate on the subordinated debt received in March 2008 is based on 3M EURIBOR plus a 1.0% margin and for subordinated debt received in April 2008 the interest rate is based on 3M EURIBOR plus a 1.5% margin.

Subordinated debt totalling EUR 29 million represents additional own funds for the Bank in the amount of EUR 5.8 million pursuant to NBS Decree No. 4/2007, Article 5 Paragraph 2 (Note 33).

OTP Financing Netherlands B.V. is a financial company, a member of the OTP Group, with its seat at Schouwburgplein 30 – 34, 3012 CL Rotterdam, Netherlands.

The Company's scope of business mainly includes:

- Raising and provision of financial borrowings and loans, accession to a debt as a co-debtor;
- Provision of financial guarantees, provision of securities to third parties;
- Advisory and consulting activities;
- Investments of financial funds; and
- Lease, development, management, acquisition of movable and immovable assets.

18. Equity

The Bank's equity comprises:

(EUR '000)	31 Dec 2013	31 Dec 2012
Share capital	78 508	78 508
Reserve funds	5 172	4 926
Retained earnings	13 379	15 446
Revaluation of available-for-sale financial assets	522	877
Gain/(loss) for the reporting period	1 014	(2 067)
Total equity	98 595	97 690

Share Capital

The Bank's share capital as at 31 December 2013 and 31 December 2012 comprises:

Face Amount	ISIN	Number of Shares	Face Value of Shares
Repaid and registered in the Commercial Register			
EUR 3.98 per share	SK1110001452	3 000 000	11 940
EUR 3.98 per share	SK1110004613	8 503 458	33 843
EUR 39 832.70 per share	SK1110003003	570	22 705
EUR 1.00 per share	SK1110016559	10 019 496	10 020
Total share capital			78 508

The type, form, nature and tradability of shares as at 31 December 2013 and 31 December 2012 was as follows:

Face Amount	ISIN	Type	Form	Nature	Tradability
EUR 3.98 per share	SK1110001452	ordinary	registered	uncertified	publicly tradable
EUR 3.98 per share	SK1110004613	ordinary	registered	uncertified	publicly tradable
EUR 39 832.70 per share	SK1110003003	ordinary	registered	uncertified	publicly non-tradable
EUR 1.00 per share	SK1110016559	ordinary	registered	uncertified	publicly tradable

No special rights are attached to the shares. Voting rights per share are equivalent to the face value per share.

As at 31 December 2013, no shares of OTP Banka Slovensko, a.s. are held by the Bank and its subsidiaries.

Reserve Funds

As at 31 December 2013, reserve funds in the amount of EUR 5 172 thousand (31 December 2012: EUR 4 926 thousand) comprise the legal reserve fund in the amount of EUR 4 638 thousand (31 December 2012: EUR 4 638 thousand) and other capital reserves in the amount of EUR 534 thousand (31 December 2012: EUR 288 thousand).

The legal reserve fund is intended to cover potential future losses; its distribution to shareholders is restricted in accordance with the Slovak Commercial Code.

Retained Earnings

As at 31 December 2013, the Bank recognises in equity retained earnings in the amount of EUR 13 379 thousand (31 December 2012: EUR 15 446 thousand).

Based on a decision of the General Meeting (Note 41), in 2Q 2013 the Bank transferred the reporting loss for 2012 in the amount of EUR 2 067 thousand to retained earnings.

Revaluation of Available-for-sale financial assets

Available-for-sale financial assets are remeasured to fair value. Gains and losses on revaluation are recognised in equity as "Revaluation of available-for-sale financial assets".

As at 31 December 2013, the Bank recognises in equity the gain on revaluation of available-for-sale financial assets, net of income tax, in the amount of EUR 522 thousand (31 December 2012: EUR 877 thousand).

19. Income Taxes

(EUR '000)	31 Dec 2013	31 Dec 2012
Current tax expense/(revenue)	-	-
Deferred tax expense/(revenue)	85	-
Total	85	-

As at 31 December 2013, the Bank recognised a deferred tax expense relating to income tax in the amount of EUR 85 thousand in the statement of comprehensive income (31 December 2012: EUR 0 thousand). With respect to items recognised through equity, it recognised deferred tax for 2013 in the amount of EUR -114 thousand (2012: EUR 165 thousand).

The Bank's tax on pre-tax profit differs from the theoretical tax which would arise if the income tax rate was applied as follows:

(EUR '000)	31 Dec 2013	31 Dec 2012
Pre-tax profit/(loss)	1 099	(2 067)
Theoretical tax at 23% (2012: 19%)	253	(393)
Non-taxable income	(52)	(97)
Non-deductible expenses	1 034	483
Provisions for assets and provisions for liabilities, net	92	107
Adjustment of provisions for uncertain utilisation of deferred tax assets	(1 432)	889
Effect of the change in the corporate income tax rate	190	(989)
Income tax expense/(revenue) for the current reporting period	85	-
Effective tax for the reporting period	7.73%	0%

For the reporting period, the Bank recorded a positive tax base of EUR 956 thousand (31 December 2012: a negative tax base of EUR -1 839 thousand).

20. Deferred Income Taxes

Deferred income taxes are recognised using the liability method on a balance sheet basis. The application of this method reports temporary differences, ie the differences between the tax base of assets or liabilities and their carrying amount in the statement of financial position. The effective 22% tax rate valid for the following reporting period was applied (2012: 23%):

(EUR '000)	31 Dec 2013	31 Dec 2012
Deferred tax liability		
Difference between net book value and net tax value of tangible assets	(709)	(704)
Revaluation reserves on available-for-sale securities (recognised through equity)	(148)	(262)
Total deferred tax liability	(857)	(966)
Deferred tax asset		
Loans (provisions for loan impairment losses)	3 235	4 482
Provisions for liabilities	274	255
Tax losses that can be carried forward	1 389	1 655
Total deferred tax asset	4 898	6 392
Adjustment for uncertain utilisation of deferred tax asset	(4 261)	(5 675)
Net deferred tax asset/(liability)	(220)	(249)

(EUR '000)	31 Dec 2013	31 Dec 2012
Net deferred tax asset/(liability) – opening balance at 1 Jan	(249)	(84)
(Debited)/credited to profit/loss for the reporting period	(85)	-
(Debited)/credited to equity	114	(165)
Net deferred tax asset/(liability) – closing balance	(220)	(249)

When recognising the deferred tax asset, the Bank followed the prudence principle. Based on the approved budget and effective tax legislation, the Bank expects to report a positive tax base in the following year from which it will be able to deduct (claim) tax losses of prior years.

The Bank did not recognise a deferred tax asset of EUR 4 261 thousand (31 December 2012: EUR 5 675 thousand), associated mainly with temporary differences resulting from provisions for loans and a portion of tax losses carried-forward, owing to its uncertain timing and utilisation in future reporting periods.

21. Provisions for Liabilities, Contingent Liabilities and Other Off-Balance Sheet Items

In the ordinary course of business, the Bank becomes party to various financial transactions that are not reflected in the statement of financial position but recognised in the off-balance sheet. These include liabilities resulting from provided guarantees, unused loan commitments and issued letters of credit. The following represent notional amounts of these off-balance sheet financial liabilities, unless stated otherwise.

(EUR '000)	31 Dec 2013	31 Dec 2012
Unused loan commitments	23 568	34 267
Other guarantees provided to banks	761	-
Other guarantees provided to clients	19 435	19 944
Unused overdrafts and authorised overdraft facilities	17 223	23 043
Total	60 987	77 254

Loan commitments represent the unused part of permissions to provide financial funds as loans, guarantees, or letter of credits. The Bank faces potential losses related to credit risks resulting from loan commitments in the amount of unused loan commitments. The estimated amount of exposure is, however, lower than the total unused loan commitments, since the majority of such commitments are subject to loan covenants that clients are required to comply with.

To cover estimated losses on unused loans, guarantees, and letters of credit, the Bank creates provisions in the case when a payable - as a result of past events - has to be settled and it is likely that such settlement of a payable will require cash outflow, and the amount payable can be reliably estimated. The calculation of the provision for off-balance sheet liabilities is analogous to the case of credit exposure. Issued guarantees, irrevocable letters of credit, and unused loan commitments are subject to detailed monitoring of credit risks and loan principles, as in the case of loans extended.

Within its ordinary activities the Bank is party to court disputes and litigation. Each dispute is subject to monitoring and regular re-assessment as part of the Bank's standard procedures. If it is probable that the Bank will be required to settle the claim and a reliable estimate of the amount can be made, provisions are recorded.

The management of the Bank believes that obligations that could arise from these disputes and litigation would not significantly affect the current and future financial situation of the Bank. Considering the advice of lawyers and the status of individual cases, the Bank created provisions for these risks in the amount of EUR 2 498 thousand as at 31 December 2013 (31 December 2012: EUR 2 593 thousand).

The Bank recognised the following provisions:

(EUR '000)	31 Dec 2013	31 Dec 2012
Provisions for:		
Unused loan commitments	73	88
Guarantees	81	79
Litigations and other disputes	2 498	2 593
Retirement payments	86	85
Total	2 738	2 845

The creation and release of provisions for off-balance sheet liabilities is recognised in the statement of comprehensive income line "*Provisions for impairment losses on loans and off-balance sheet, net*". The creation and release of a provision for retirement payments is recognised in the income statements line "*General administrative expenses*". The creation and release of provisions for litigations and other disputes is recognised in the statement of comprehensive income line "*Other operating revenues/(expenses), net*".

An analysis of changes in provisions for off-balance sheet risks is as follows:

(EUR '000)	31 Dec 2013	31 Dec 2012
Balance at the beginning of reporting period	167	286
Creation of provision	319	403
Release of provision	(332)	(522)
Balance at the end of reporting period	154	167

An analysis of changes in the provision for litigations and other disputes:

(EUR '000)	31 Dec 2013	31 Dec 2012
Balance at the beginning of reporting period	2 593	2 579
Creation of provision	-	187
Release of provision	(95)	(173)
Balance at the end of reporting period	2 498	2 593

An analysis of changes in the provision for retirement payments:

(EUR '000)	31 Dec 2013	31 Dec 2012
Balance at the beginning of reporting period	85	76
Creation of provision	22	24
Release of provision	(21)	(15)
Balance at the end of reporting period	86	85

22. Derivative Financial Instruments

The Bank uses derivative financial instruments for trading purposes. The tables below represent the financial derivative instruments at face and fair values as at 31 December 2013 and 31 December 2012:

(EUR '000)	Face Value of Assets		Face Value of Liabilities	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Currency and interest rate instruments				
Currency and interest rate swaps	50 032	30 730	50 159	30 277
Total	50 032	30 730	50 159	30 277

(EUR '000)	Positive Fair Value		Negative Fair Value	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Currency and interest rate instruments				
Currency and interest rate swaps	20	462	99	7
Total	20	462	99	7

Positive fair value is included in "Financial assets at fair value through profit or loss" and negative fair value is included in "Other liabilities". Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the statement of comprehensive income line "Gains/(losses) on financial transactions, net".

23. Net Interest Income

(EUR '000)	Year Ended 31 Dec 2013	Year Ended 31 Dec 2012
Interest income:		
Loans and other receivables	49 310	48 933
Placements with other banks	857	2 620
Financial assets for sale	5 739	8 879
Held-to-maturity financial investments	6 612	6 331
Total interest income	62 518	66 763
Interest expense:		
Due to banks and deposits from the National Bank of Slovakia and other banks and other payables	(245)	(1 300)
Amounts due to customers	(18 090)	(18 268)
Liabilities from issued securities	(2 485)	(4 320)
Subordinated debt	(448)	(603)
Total interest expense	(21 268)	(24 491)
Net interest income	41 250	42 272

24. Provisions for Impairment Losses on Loans and Off-Balance Sheet, Net

(EUR '000)	Year Ended 31 Dec 2013	Year Ended 31 Dec 2012
Creation of provisions for loan receivables	(22 550)	(29 545)
Release of provisions for loan receivables	17 731	22 112
Loans written off and assigned (Note 8)	(3 649)	(4 062)
(Creation)/release of provisions for off-balance sheet risks, net (Note 21)	13	119
Provisions for impairment losses on loans and off-balance sheet, net	(8 455)	(11 376)

25. Net Fee and Commission Income

(EUR '000)	Year Ended 31 Dec 2013	Year Ended 31 Dec 2012
Fee and commission income:		
Banks	1 102	923
Public administration	911	916
Individuals	5 869	5 756
Other sectors	5 349	4 913
Total fee and commission income	13 231	12 508
Fee and commission expense:		
Banks	(907)	(688)
Individuals	(24)	(31)
Other sectors	(1 857)	(1 653)
Total fee and commission expense	(2 788)	(2 372)
Net fee and commission income	10 443	10 136

26. Gains/(Losses) on Financial Transactions, Net

(EUR '000)	Year Ended 31 Dec 2013	Year Ended 31 Dec 2012
Gain/(loss) from foreign exchange transactions	731	649
Gain/(loss) from futures and forwards	(2 610)	(4 273)
Net gains/(losses) on financial operations	(1 879)	(3 624)

27. Gains/(Losses) on Financial Assets, Net

(EUR '000)	Year Ended 31 Dec 2013	Year Ended 31 Dec 2012
Net gain/(loss) from transactions with available-for-sale financial assets		
Debt securities	218	-
Equity securities	-	-
Net gain/(loss) from transactions with issued securities		
Repurchase and early repayment of issued mortgage bonds	-	2
Net gain/(loss) from provisions for:		
Investments in subsidiaries	-	(100)
Net gain/(losses) on financial assets	218	(98)

28. General Administrative Expenses

(EUR '000)	Year Ended 31 Dec 2013	Year Ended 31 Dec 2012
Personnel expenses		
Wages and salaries	(11 960)	(11 312)
Social security expenses	(4 218)	(3 646)
Supplementary pension scheme contributions	(169)	(150)
Other social expenses	(170)	(162)
Expenses for provisions		
(Creation)/release of provisions for retirement payments, net	(1)	(9)
Other administrative expenses		
Purchased services	(7 149)	(7 078)
Expenses for IT administration and maintenance	(2 290)	(2 167)
Entertainment expenses	(1 198)	(1 378)
Other purchased supplies	(1 755)	(1 808)
Local and other taxes other than income tax	(1 239)	(1 180)
Contribution to Deposits Guarantee Fund	-	(767)
Special levy on selected financial institutions	(4 763)	(3 329)
Other expenses	(507)	(773)
Depreciation, amortisation and write-downs of non-current tangible and intangible assets		
Non-current tangible assets	(2 351)	(2 519)
Non-current intangible assets	(3 184)	(3 281)
General administrative expenses - total	(40 954)	(39 559)

In 2013, the costs of verification the financial statements by an auditor amounted to EUR 174 thousand (2012: EUR 172 thousand), costs of assurance services provided by an audit firm amounted to EUR 17 thousand (2012: EUR 17 thousand) and expenses for other related audit services to EUR 1 thousand (2012: EUR 1).

The Bank has no pension scheme other than Slovakia's state pension system. Pursuant to the Slovak legal regulations, an employer is obliged to pay contributions to social security, health insurance, medical insurance, accident insurance, unemployment insurance, and contributions to a guarantee fund set as a percentage of the assessment base. These expenses are charged to the statement of comprehensive income in the period in which the employee was entitled to receive the salary.

In 2013, the amount of "General administrative expenses" was affected by the special levy on selected financial institutions; the levy expense as at 31 December 2013 amounts to EUR 4 763 thousand (2012: EUR 3 329).

29. Other Operating Revenues/(Expenses), Net

(EUR '000)	Year Ended 31 Dec 2013	Year Ended 31 Dec 2012
Provisions for impairment losses on other assets		
Creation of provisions for other assets	(101)	(12)
Release of provisions for other assets	6	18
Other assets written-off and assigned (Note 12)	(1)	(6)
Costs for the creation of provisions		
(Creation)/release of provisions for litigations and other disputes, net	95	(14)
Other revenues		
Cancellation of provisions for plots of land (Note 11)	299	-
Revenues from sale of real estate and other assets	34	20
Lease revenues	9	13
Revenues from sale of commemorative coins	28	30
Other operating revenues	107	133
Other operating revenues/(expense), net	476	182

30. Items of Other Comprehensive Income

The items of other comprehensive income will be reclassified to profit or loss as at the derecognition of available-for-sale financial assets.

(EUR '000)	Year Ended 31 Dec 2013	Year Ended 31 Dec 2012
Net gain/(loss) on revaluation of available-for-sale financial assets	(469)	630
Deferred tax liability/(deferred tax asset) on revaluation reserves on available-for-sale financial assets	114	(165)
Items of other comprehensive income that will be reclassified subsequently to profit or loss, net of tax	(355)	465

31. Segment Reporting

The separate statement of comprehensive income and other indicators by segment as at 31 December 2013:

31 Dec 2013 (EUR '000)	Retail	Corporate	Treasury	Not specified	Total
Interest income	32 977	16 333	13 208	-	62 518
Interest expense	(15 754)	(2 336)	(3 178)	-	(21 268)
Net interest income	17 223	13 997	10 030	-	41 250
Provisions for impairment losses on loans and off-balance sheet, net	(5 208)	(3 247)	-	-	(8 455)
Net interest income net of provisions for impairment losses on loans and off-balance sheet	12 015	10 750	10 030	-	32 795
Fee and commission income	6 968	4 655	22	1 586	13 231
Fee and commission expense	(2 263)	(73)	(90)	(362)	(2 788)
Net fee and commission income	4 705	4 582	(68)	1 224	10 443
Gains/(losses) on financial transactions, net	-	-	(1 879)	-	(1 879)
Gains/(losses) on financial assets, net	-	-	218	-	218
General administrative expenses	-	-	-	(40 954)	(40 954)
Other operating revenues/(expenses), net	101	4	-	371	476
Profit/(loss) before income tax	16 821	15 336	8 301	(39 359)	1 099
Income tax	-	-	-	(85)	(85)
Net profit/(loss) after tax	16 821	15 336	8 301	(39 444)	1 014
Items of other comprehensive income that will subsequently be reclassified to profit or loss, net of tax					
Revaluation of available-for-sale financial assets	-	-	(355)	-	(355)
Total comprehensive income for the year	16 821	15 336	7 946	(39 444)	659
Assets by segment	604 681	450 983	302 164	62 953	1 420 781
Liabilities by segment	769 662	353 167	177 014	22 343	1 322 186

The separate statement of comprehensive income and other indicators by segment as at 31 December 2012:

31 Dec 2012 (EUR '000)	Retail	Corporate	Treasury	Not specified	Total
Interest income	28 744	20 189	17 830	-	66 763
Interest expense	(15 774)	(2 494)	(6 223)	-	(24 491)
Net interest income	12 970	17 695	11 607	-	42 272
Provisions for impairment losses on loans and off-balance sheet, net	(3 153)	(8 223)	-	-	(11 376)
Net interest income net of provisions for impairment losses on loans and off-balance sheet	9 817	9 472	11 607	-	30 896
Fee and commission income	6 608	4 352	22	1 526	12 508
Fee and commission expense	(2 021)	(24)	(113)	(214)	(2 372)
Net fee and commission income	4 587	4 328	(91)	1 312	10 136
Gains/(losses) on financial transactions, net	-	-	(4 158)	534	(3 624)
Gains/(losses) on financial assets, net	-	-	(98)	-	(98)
General administrative expenses	-	-	-	(39 559)	(39 559)
Other operating revenues/(expenses), net	8	4	-	170	182
Profit/(loss) before income tax	14 412	13 804	7 260	(37 543)	(2 067)
Income tax	-	-	-	-	-
Net profit/(loss) after tax	14 412	13 804	7 260	(37 543)	(2 067)
Items of other comprehensive income that will subsequently be reclassified to profit or loss, net of tax					
Revaluation of available-for-sale financial assets	-	-	465	-	465
Total comprehensive income for the year	14 412	13 804	7 725	(37 543)	(1 602)
Assets by segment	486 419	428 998	-	355 249	1 270 666
Liabilities by segment	698 456	328 660	-	145 860	1 172 976

Foreign Assets and Liabilities

The Bank provides banking services primarily in the territory of the Slovak Republic. Some assets and liabilities were placed outside of the Slovak Republic.

The structure of assets and liabilities related to counterparties outside the Slovak Republic:

(EUR '000)	31 Dec 2013	31 Dec 2012
Assets	267 294	238 762
Of which: Hungary	214 275	211 782
Of which: Other EU countries	43 307	16 618
Liabilities	173 619	117 947
Of which: Hungary	115 381	70 571
Of which: Other EU countries	52 351	42 384

As at 31 December 2013 and 31 December 2012, the Bank's non-current tangible and intangible assets were localised only in the territory of the Slovak Republic.

Revenues from Foreign Entities

(EUR '000)	Year Ended 31 Dec 2013	Year Ended 31 Dec 2012
Interest income on:		
Treasury bills of the Hungarian National Bank	3 976	7 346
Bonds issued by OTP Jelzálogbank Zrt. (Hungary)	1 795	1 380
Term deposits provided to the parent company, OTP Bank Nyrt, (Hungary)	424	1 499
Subordinated bonds issued by the parent company, OTP Bank Nyrt, (Hungary)	500	-
Government bonds of the Hungarian Republic	4 388	4 388

The amount of income from other foreign entities is not significant for the Bank.

32. Related Party Transactions

Under "IAS 24 – Related Party Disclosures" (IAS 24), a related party is defined as:

- a) A person or a close family member of that person if that person:
 - 1) *has control or joint control over the reporting entity*, whereas control means authority to control financial and operating policy of the reporting entity in order to gain benefits from its activities and joint control means contractually agreed participation in control of operating activities;
 - 2) *has significant influence over the reporting entity*, whereas significant influence means authority to participate in decisions on financial and operating policies of the reporting entity, but not control over such policies; significant influence can be gained by holding shares, through articles of association or an agreement; or
 - 3) *is a member of the key management personnel of the reporting entity or of a parent of the reporting entity*, whereas the key management personnel include individuals who have authority and responsibility for planning, governance and control of the reporting entity's activities, directly or indirectly, including each director (whether executive or other) of this reporting entity;
- b) The entity and the reporting entity are members of the same group;
- c) An associate or joint venture of the reporting entity (or an associate or joint venture of a member of the group of which the reporting entity is a member);
- d) The entity, if this entity and the reporting entity are joint ventures of the same third party;
- e) The entity, if this entity is a joint venture of the third party and the reporting entity is an associate of the third party and/or if the entity is an associate of the third party and the reporting entity is a joint venture of the third party;
- f) The entity is controlled or jointly controlled by a person identified in a);
- g) A person identified in a1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

In ordinary business, the Bank enters into transactions with related parties made on an arm's length basis.

The following tables present an overview of assets and liabilities, and expenses and revenues in relation to the Bank's related parties.

Overview of balances in the statement of financial position as at 31 December 2013:

31 Dec 2013 (EUR '000)	OTP Bank Nyrt.	Subsidiaries	Other Companies OTP Group	Transactions with Key Management Personnel of the Bank	Transactions with Key Management Personnel of OTP Bank Nyrt.	Other Related Parties	Total
Assets							
Cash, due from banks and balances with the National Bank of Slovakia	1 070	-	415	-	-	-	1 485
Placements with other banks, net of provisions for possible placement losses	11 840	-	-	-	-	-	11 840
Financial assets at fair value through profit or loss	20	-	-	-	-	-	20
Available-for-sale financial assets	7 312	-	526	-	-	-	7 838
Loans and receivables, net of provisions for possible losses	-	-	8 445	243	-	959	9 647
Held-to-maturity financial investments	-	-	55 102	-	-	-	55 102
Investments in subsidiaries and associates	-	151	-	-	-	-	151
Non-current tangible assets	4	-	3 631	-	-	-	3 635
Non-current intangible assets	233	-	-	-	-	-	233
Other assets	-	-	221	-	-	-	221
Total	20 479	151	68 340	243	-	959	90 172
Liabilities							
Due to banks and deposits from the National Bank of Slovakia and other banks	40 039	-	12	-	-	-	40 051
Amounts due to customers	-	153	1 406	2 731	-	2	4 292
Liabilities from issued securities	50 002	-	-	-	-	-	50 002
Other liabilities	502	-	62	-	-	-	564
Subordinated debt	-	-	29 056	-	-	-	29 056
Total	90 543	153	30 536	2 731	-	2	123 965

Overview of balances in the statement of financial position as at 31 December 2012:

31 Dec 2012 (EUR '000)	OTP Bank Nyrt.	Subsidiaries	Other Companies OTP Group	Transactions with Key Management Personnel of the Bank	Transactions with Key Management Personnel of OTP Bank Nyrt.	Other Related Parties	Total
Assets							
Cash, due from banks and balances with the National Bank of Slovakia	1 185	-	297	-	-	-	1 482
Placements with other banks, net of provisions for possible placement losses	29 055	-	-	-	-	-	29 055
Financial assets at fair value through profit or loss	462	-	-	-	-	-	462
Available-for-sale financial assets	-	-	526	-	-	-	526
Loans and receivables, net of provisions for possible losses	-	-	8 623	257	-	1 066	9 946
Held-to-maturity financial investments	-	-	54 864	-	-	-	54 864
Investments in subsidiaries and associates	-	151	-	-	-	-	151
Non-current tangible assets	9	-	2 155	-	-	-	2 164
Non-current intangible assets	303	-	-	-	-	-	303
Other assets	1	-	225	-	-	-	226
Total	31 015	151	66 690	257	-	1 066	99 179
Liabilities							
Due to banks and deposits from the National Bank of Slovakia and other banks	215	-	7	-	-	-	222
Amounts due to customers	-	159	1 748	2 324	351	-	4 582
Liabilities from issued securities	50 002	-	-	-	-	-	50 002
Other liabilities	71	-	91	-	-	-	162
Subordinated debt	-	-	29 056	-	-	-	29 056
Total	50 288	159	30 902	2 324	351	-	84 024

Overview of transactions in the statement of comprehensive income as at 31 December 2013:

31 Dec 2013 (EUR '000)	OTP Bank Nyrt.	Subsidiaries	Other Companies OTP Group	Transactions with Key Management Personnel of the Bank	Transactions with Key Management Personnel of OTP Bank Nyrt.	Other Related Parties	Total
Interest income	929	-	2 293	9	-	32	3 263
Interest expense	(1 533)	-	(536)	(52)	(4)	-	(2 125)
Provisions for impairment losses on loans and off- balance sheet, net	-	-	6	-	-	-	6
Fee and commission income	2	-	11	1	-	-	14
Fee and commission expense	(300)	-	(214)	-	-	-	(514)
Gains/(losses) on financial transactions (FX), net	(2 577)	-	-	-	-	-	(2 577)
Gains/(losses) on financial assets, net	-	-	-	-	-	-	-
Other operating revenues/(expenses), net	-	-	-	-	-	-	-
General administrative expenses	(311)	-	(1 460)	-	-	-	(1 771)
Total	(3 790)	-	100	(42)	(4)	32	(3 704)

Overview of transactions in the statement of comprehensive income as at 31 December 2012:

31 Dec 2012 (EUR '000)	OTP Bank Nyrt.	Subsidiaries	Other Companies OTP Group	Transactions with Key Management Personnel of the Bank	Transactions with Key Management Personnel of OTP Bank Nyrt.	Other Related Parties	Total
Interest income	1 508	-	1 710	5	-	39	3 262
Interest expense	(1 774)	-	(1 643)	(48)	(12)	-	(3 477)
Provisions for impairment losses on loans and off- balance sheet, net	-	-	(19)	-	-	-	(19)
Fee and commission income	2	1	8	-	-	-	11
Fee and commission expense	(254)	-	(171)	-	-	-	(425)
Gains/(losses) on financial transactions (FX), net	(4 299)	-	-	-	-	-	(4 299)
Gains/(losses) on financial assets, net	-	(100)	-	-	-	-	(100)
Other operating revenues/(expenses), net	-	-	2	-	-	-	2
General administrative expenses	(306)	-	(1 521)	-	-	-	(1 827)
Total	(5 123)	(99)	(1 634)	(43)	(12)	39	(6 872)

In 2013, the Bank performed the following transactions within the OTP Group:

- The Bank performed several spot and forward transactions with the parent company, OTP Bank Nyrt. – provided and received term deposits, currency spots and currency swaps.
- The Bank received term deposits and performed repurchase transactions with OTP Banka Srbija.
- The Bank purchased subordinated bonds issued by the parent company, OTP Bank Nyrt., with a total face value of EUR 9 000 thousand.

All of the aforementioned transactions were made on an arm's length basis.

In 2012, the Bank performed the following transactions within the OTP Group:

- The Bank assigned loan receivables to other OTP Group companies in the total gross carrying amount of EUR 2 793 thousand. Provisions for such loan receivables were recorded in the total amount of EUR 549 thousand in the period before their assignment. The assignment transactions were performed at the estimated fair value common for this type of transaction.
- The Bank purchased bonds issued by OTP Jelzálogbank Zrt. (member of the OTP Group) in a total face value of EUR 20 000 thousand.
- The Bank performed several spot and forward transactions with the parent company, OTP Bank Nyrt. – provided and received term deposits, currency spots and currency swaps.
- The Bank received term deposits and performed REPO transactions with OTP Banka Srbija.

All of the aforementioned transactions were made on an arm's length basis.

Key Management Personnel Compensation

Compensation includes all short-term employee benefits, including all forms of countervalues paid, payable or provided by or on behalf of the reporting entity in exchange for services provided to the reporting entity.

31 Dec 2013 (EUR '000)	Board of Directors OTP Banka Slovensko, a.s.	Supervisory Board OTP Banka Slovensko, a.s.	Key Management Personnel OTP Bank Nyrt.	Total
Short-term employee benefits	617	104	-	721
<i>of which: supplementary pension scheme contributions</i>	<i>15</i>	<i>-</i>	<i>-</i>	<i>15</i>
Post-employment benefits	-	-	-	-
Other long-term employee benefits	-	-	-	-
Employment termination benefits	-	-	-	-
Total	617	104	-	721

31 Dec 2012 (EUR '000)	Board of Directors OTP Banka Slovensko, a.s.	Supervisory Board OTP Banka Slovensko, a.s.	Key Management Personnel OTP Bank Nyrt.	Total
Short-term employee benefits	589	78	-	667
<i>of which: supplementary pension scheme contributions</i>	<i>10</i>	<i>-</i>	<i>-</i>	<i>10</i>
Post-employment benefits	-	-	-	-
Other long-term employee benefits	-	-	-	-
Employment termination benefits	-	-	-	-
Total	589	78	-	667

The remuneration policy for members of the Board of Directors is compliant with the CRD III Directive.

As at 31 December 2013, the Bank recognises loan receivables from the members of the Board of Directors amounting to EUR 243 thousand (31 December 2012: EUR 258 thousand). In 2013, the received loan instalments totalled EUR 24 thousand (2012: EUR 15 thousand). Loans provided as at 31 December 2013 and 31 December 2012 bore interest in the range of 1.5% to 4.19%.

As at 31 December 2013 and 31 December 2012, the Bank does not record loan receivables from the members of the Supervisory Board.

In 2013 and 2012, in respect of the members of the Board of Directors and Supervisory Board:

- The Bank did not waive or write off any loan or other receivables.
- The Bank does not record any other loans, advances, guarantees or other collateral.
- The Bank does not record any significant transactions.

Interest rates and other conditions of related party transactions do not differ from the Bank's standard interest rates and contractual terms and conditions.

33. Regulatory Capital

The Bank's original own funds consist of share capital, the legal reserve fund, other capital reserves, and retained earnings from previous years. Items decreasing the amount of original own funds comprise the net book value of software, the excess of the sum of expected losses over the sum of recorded provisions and reserves and the negative revaluation reserves on available-for-sale equity instruments. Additional own funds comprise subordinated debt and positive revaluation reserves on equity instruments in the portfolio of financial assets available-for-sale measured at fair value net of income tax. The Bank does not recognise any supplementary own funds as at 31 December 2013.

The aggregate of original and additional own funds is reduced for the net book value of the Bank's share in the share capital of a financial institution exceeding 10% of the share capital of this financial institution (Faktoring SK, a.s. v likvidácii).

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% or above. Furthermore, the National Bank of Slovakia recommends that banks maintain the adequacy of original own funds (TIER 1 ratio) at least 9%.

In the period under review, the ratio of the Bank's total own funds exceeded the minimum required level of 8%. The Bank achieved the adequacy of own funds at 10.62% and the adequacy of original own funds at 9.91%.

The structure of the Bank's regulatory capital is as follows:

(EUR '000)	31 Dec 2013	31 Dec 2012
Bank's original own funds	89 493	89 960
Items forming the Bank's original own funds	97 059	98 880
<i>Paid up share capital</i>	78 508	78 508
<i>Reserve funds and other capital reserves</i>	5 172	4 926
<i>Retained earnings from previous years</i>	13 379	15 446
Items deductible from the Bank's original own funds	(7 566)	(8 920)
<i>Accumulated loss of prior years</i>	-	-
<i>Loss for the current reporting period</i>	-	(2 067)
<i>Net book value of software</i>	(6 393)	(6 853)
<i>Negative revaluation reserves on available-for-sale equity instruments</i>	-	-
<i>Excess of the sum of expected losses over the sum of recorded provisions and reserves</i>	(1 173)	-
Additional own funds	6 322	12 477
<i>Subordinated debts</i>	5 800	11 600
<i>Positive revaluation reserves on equity instruments available-for-sale</i>	522	877
Items deductible from the Bank's original and additional own funds	(151)	(151)
<i>Net book value of the Bank's share on share capital of another financial institution</i>	(151)	(151)
Supplementary regulatory capital	-	-
Total regulatory capital	95 664	102 286
Capital adequacy (%)	10.62%	12.81%

34. Supplementary Data to Statements of Cash Flows

(EUR '000)	31 Dec 2013	31 Dec 2012
Cash, due from banks and balances with NBS except for mandatory minimum reserve	36 330	24 591
Deposits with other banks, falling due within three months	34 093	59 796
Due to banks, falling due within three months	(27 231)	(422)
Total cash and cash equivalents	43 192	83 965

Mandatory minimum reserve in the amount of EUR 9 222 thousand (31 December 2012: EUR 7 651 thousand) is excluded from cash and cash equivalents as its withdrawal is restricted (see Note 4).

Significant non-cash movements excluded from cash flows are as follows:

(EUR '000)	31 Dec 2013	31 Dec 2012
Write-off and assignments of loans (Note 8)	(3 649)	(4 062)

35. Financial Instruments and Risk Management

A financial instrument means any arrangement that entitles the entity to obtain cash or other financial assets from a counterparty (financial asset), or which binds the entity to pay cash or to provide other financial assets to a counterparty (financial liability).

Financial instruments are recorded by the Bank in the trading or banking book. The trading book includes those positions in financial instruments that are held by the Bank for trading purposes – short-term sale, and to achieve income from actual or expected differences between purchase and selling prices or from other changes in prices or interest rates.

The Bank's exposure to risks results from the use of financial instruments. The most significant risks include:

- Credit risk
- Market risk
 - Currency risk
 - Interest rate risk
 - Other price risk
- Liquidity risk
- Operational risk

Risk Management Framework

The Risk Division is responsible for risk management in the Bank and comprises the Corporate Credit Risk department, the CPM & Retail Credit Risk department, the Collections & Workout department and the stand-alone Market and Operational Risk department.

The Board of Directors represents a statutory body, including the Bank's executive management, which oversees risk-related issues. The authorities to manage risk are also delegated to the following individual steering committees, which oversee the risks:

- Asset/Liability Management Committee (ALCO)
Based on monitoring key information on assets and liabilities the ALCO makes decisions and proposes measures in order to optimise the structure of assets and liabilities to achieve maximum profitability of the Bank's own capital within the limits of acceptable risk;
- Credit committee;
- Monitoring committee;
- Workout committee; and
- Operational risk management committee (ORC)
ORC has an advisory and decision-making role in the areas of operational risk, bank security and business continuity management; acts as an emergency team in emergency situations.

The Board of Directors delegates its control over risks to the aforementioned committees in the form of statutes where the members of the steering committees, including their competencies and responsibilities, are designated.

The competencies of the advisory and working bodies are specified in the Board of Directors' instruction: "Signature and Competency Order in OTP Banka Slovensko, a.s.". An internal regulation is prepared for each type of risk and defines in detail the competencies and responsibilities of individual bodies of the Bank.

36. Credit Risk

Credit risk is the risk that a client or a counterparty of a financial instrument will fail to meet its contractual obligations, which would expose the Bank to the risk of a financial loss. This risk is predominantly driven by loans advanced to clients, receivables from banks and financial investments. The Bank classifies the level of accepted credit risk using limits for the risks accepted with respect to a single debtor or a group of debtors and with respect to industries.

The credit exposure limit is set based on an analysis of the borrower's ability to repay the granted loan. When analysing credit risks, the Bank takes into consideration the mitigation of risks with collateral instruments and guarantees from individuals and legal entities. The analysis is performed by specialists – loan analysts – who are not involved in the Bank's business activities.

The Bank also evaluates debtors using scoring/rating models developed for individual products and client segments.

Regular monitoring of the quality of the existing loan portfolio and monitoring of trends in the Bank's portfolio form a significant part of risk management that helps maintain the quality of the entire portfolio and the required level of the Bank's risk expenses.

When recovering debts, the Bank applies a wide range of recovery instruments and strategies depending on the type and amount of the relevant debt. Internal as well as external forms of securing the recovery of loan receivables are used for recovery. In the case of the unsuccessful recovery of debts from clients, such debts are then assigned to external entities specialising in debt recovery. In the event of the unsuccessful recovery of debts from clients or a failure to conclude an agreement with the client, the Bank performs the hard collection of receivables depending on the collateral type of the receivable and financial conditions of the client, or the Bank writes off the receivable if the costs of collection exceed the amount receivable. Large or specific debts are solved by the Bank's specialised internal team in cooperation with the Legal department and other specialised units.

When monitoring and managing credit risks, the Bank pays attention to concentration and residual risks.

A concentration risk is a risk arising from concentrating the Bank's transactions with an individual, parties economically related to the Bank, the state, a geographic area, an industry, a collateral provider etc. Bearing in mind concentration risk management efficiency, the Bank focuses on the quality aspect of portfolio management and appropriate portfolio diversification in compliance with the specified concentration limits (large asset exposure, industry or other limits).

Residual risk means the risk arising from the insufficient enforceability of rights resulting from the accepted collateral with respect to credit risk. The Bank predominantly eliminates the risk via consistently analysing the legal aspects of collateral and a conservative approach to collateral valuation.

Credit Risk Management Organisation

The Risk Division is a business unit managed by the Bank's Deputy CEO, who is a member of the Board of Directors. The division is responsible for reviewing credit risk, including:

- Preparation of the strategies, principles, processes and procedures applied to risk management, which cover the rules for loan assessment, collateral requirements for relevant risk levels and relating reporting;
- Setting limits for concentrating exposure to counterparties, related parties, and countries, and monitoring compliance with the limits;
- Assessment of credit risk in line with the defined principles;
- Monitoring of meeting portfolio quality requirements and compliance with limits, and taking relevant corrective measures;
- Preparation and validation of scoring and rating models;
- Preparation, maintenance and back testing of a provisioning model; and
- Preparation of reports on credit, market and operational risks to be submitted to the Board of Directors and the Supervisory Board.

Provisions

The Bank evaluates credit risk on an individual and portfolio basis and, subsequently, records specific and portfolio provisions.

Loans assessed on an individual basis comprise corporate receivables without any identified impairment with exposure to a customer exceeding EUR 850 thousand, corporate receivables with identified impairment with exposure to a customer exceeding EUR 200 thousand, corporate receivables in bankruptcy and in restructuring proceedings under the law. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of loans as at the processing date. Provisions for loan losses are assessed with reference to the credit and economic standing of the debtor and take into account the value of all collateral or third party guarantees. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

Receivables assessed on a portfolio basis include all retail receivables, corporate receivables from mass products (all types of Quick Loans, Solvent Business Card), and corporate receivables with exposure to a customer up to EUR 850 thousand and corporate receivables with identified impairment with exposure to a customer up to EUR 200 thousand. In the calculation of provisions for portfolio-measured receivables the Bank applies statistical modelling based on the historical portfolio behaviour trends. The calculation of portfolio provisions is based on the probability of default (PD), loss given default (LGD), and rate of return (RI). Portfolio provisions cover losses that have not been individually identified, but based on historical experience are inherent in the portfolio at the reporting date.

In the calculation of provisions, the Bank considers estimated future cash flows to be generated from impaired loans and their timing. These estimates are subject to a number of uncertainties and risks due to the high volatility of external factors affecting the portfolio quality.

The Bank believes that estimates used in the process of quantifying provisions for loan losses, including off-balance sheet exposures (in particular estimates regarding future cash-flows from impaired loans and probabilities of loan default), represent the most reasonable projection of the future development of relevant exposures available under current circumstances. The management considers the recognised amount of provisions to be adequate to cover incurred losses from impaired credit exposures.

The Bank continues to monitor current economic conditions and their impact on estimates used in the loan impairment calculation. All estimates and underlying assumptions are reviewed on an ongoing basis. Adjustments to estimates of loan impairment are recognised in the period in which the estimate is revised if the adjustment affects only that period, or in the period of the revision and future periods if the adjustment affects both current and future periods.

Policy for Writing-Off of Receivables

The Bank writes off its loans and placements once the Bank receives a document on the client's insolvency, the court's decision on discharge of a receivable, or based on a decision of the Bank's management to drop the collection, should the collection expenses exceed the amount receivable, or based on the decision of the Bank's management to write off such receivable if only a minimum or zero amount of proceeds is expected to be recovered over a long period of time.

Loan Collaterals

The estimated value of collateral is subject to numerous uncertainties and risks. Amounts that may ultimately be realised on liquidation of collateral for defaulted loans could differ from estimated amounts and the difference may be material. Collateral represents an estimated amount that the Bank would receive upon enforcement of the collateral as a result of a failure to repay the loan.

Collateral fair value is estimated based on the value of collateral when the relevant loan is advanced. Collateral is monitored to review the current value and quality of the collateral in the entire loan period. Individual forms of collateral are subject to revaluation whose frequency depends on the collateral used.

In respect of collateral treatment, the Bank pays special attention to the valuation and revaluation of individual collateral instruments, calculation of accepted collateral value, specification of collateral permissibility for credit risk mitigation and realisation of collateral in case of default of a collateralised loan.

The Bank predominantly accepts the following types of collateral:

- Financial collateral (cash, securities etc);
- Immovable assets;
- Movable assets; and
- Receivables and inventory.

The Bank uses the following legal instruments:

- Pledge;
- Collateralising transfer of receivables;
- Blocking of cash.

The collateral valuation methodology and collateral revaluation frequency are dependent upon the type of collateral and minimum criteria pursuant to the valid legislative regulations implemented in the Bank's integral regulations. The monitoring of the value of collateral instruments is specific for each type of collateral and the Bank applies an appropriate measure of prudence and conservatism.

The Bank's decision-making in realising collateral is individual and depends on factors such as the current condition and value of collateral, the current value of the receivable, receivable collection speed, costs of recovery etc.

The Bank principally uses the following forms of collateral realisation:

- Voluntary auction;
- Foreclosure proceedings;
- Cash realisation of collateral held in support of the Bank's receivable in bankruptcy proceedings;
- Call to subdebtors to pay from pledged trade receivables;
- Enforcement of a bill of exchange in court;
- Assignment of a receivable; and
- Collection through external collection agencies based on a mandate agreement.

Defaulted Loans Portfolio

Defaulted loans represent a portfolio of loan receivables that meet the definition of default. In the Slovak Republic, the definition of default is set forth in Article 73 of NBS Decree No. 4/2007 on Banks' Own Funds of Financing and Banks' Capital Requirements.

To determine the client's default, the Bank mainly uses the following indicators, also depending on the client's segment: delay in repayment of a receivable of more than 90 days, declaration of early maturity, bankruptcy, writing-off of loan receivables, legal restructuring, sale of receivables from the client resulting in a loss or an anticipated loss from a deal.

Classification of Risks from Loans and Receivables

31 Dec 2013 (EUR '000)	Exposure	Provisions	Coverage by Provisions	Collateral	Coverage by Provisions and Collaterals
Loans measured on an individual basis	370 984	30 101	8.10%	183 406	57.60%
Corporate loans	370 984	30 101	8.10%	183 406	57.60%
Of which: defaulted loans	53 796	30 101	56.00%	27 956	107.90%
Loans measured on a portfolio basis	744 936	29 733	4.00%	573 562	81.00%
Corporate loans	121 861	14 863	12.20%	49 145	52.50%
Of which: defaulted loans	16 373	13 881	84.80%	1 578	94.40%
Retail loans	623 075	14 870	2.40%	524 417	86.60%
Consumer loans	530 095	7 772	1.50%	439 658	84.40%
Of which: defaulted loans	30 924	6 446	20.80%	25 458	103.20%
Mortgage loans	88 157	4 696	5.30%	84 759	101.50%
Of which: defaulted loans	13 546	4 392	32.40%	10 793	112.10%
Other	4 823	2 402	49.80%	-	49.80%
Of which: defaulted loans	2 556	2 359	92.30%	-	92.30%
Total	1 115 920	59 834		756 968	

31 Dec 2012 (EUR '000)	Exposure	Provisions	Coverage by Provisions	Collateral	Coverage by Provisions and Collaterals
Loans measured on an individual basis	358 221	28 414	7.90%	181 772	58.70%
Corporate loans	358 221	28 414	7.90%	181 772	58.70%
Of which: defaulted loans	58 416	28 414	48.60%	33 565	106.10%
Loans measured on a portfolio basis	614 017	26 602	4.30%	495 789	85.10%
Corporate loans	113 459	14 904	13.10%	40 297	48.70%
Of which: defaulted loans	15 632	13 838	88.50%	1 363	97.20%
Retail loans	500 558	11 698	2.30%	455 492	93.30%
Consumer loans	371 833	4 939	1.30%	334 845	91.40%
Of which: defaulted loans	22 965	4 357	19.00%	19 179	102.50%
Mortgage loans	124 066	4 564	3.70%	120 647	100.90%
Of which: defaulted loans	16 367	4 422	27.00%	13 690	110.70%
Other	4 659	2 195	47.10%	-	47.10%
Of which: defaulted loans	2 314	2 151	93.00%	-	93.00%
Total	972 238	55 016		677 561	

As for the credit exposure as at 31 December 2013, 10 major credit exposures amounted to 7% of the total gross amount of loans (31 December 2012: 7.87% of the total gross amount of loans).

Exposure to Credit Risk from Loans and Receivables by Business Industries

31 Dec 2013 (EUR '000)	Carrying Amount Before Provisions	Specific Provision	Portfolio Provision	Carrying Amount After Provisions
Electricity generation	29 987	-	111	29 876
Households	615 590	-	13 395	602 195
Agriculture and food- processing industry	38 831	819	787	37 225
Trade and services	87 876	6 337	6 895	74 644
Metallurgy and machinery	16 292	2 568	100	13 624
Chemical industry	4 001	1 225	8	2 768
Transport and infrastructure	7 469	475	1 005	5 989
Timber and paper production	4 346	112	325	3 909
Construction industry	20 625	5 529	1 228	13 868
Real estate	110 063	3 344	621	106 098
Public administration and defence	25 439	-	133	25 306
Financial services except insurance	5 551	-	149	5 402
Other industries	149 850	9 692	4 976	135 182
Total	1 115 920	30 101	29 733	1 056 086

31 Dec 2012 (EUR '000)	Carrying Amount Before Provisions	Specific Provision	Portfolio Provision	Carrying Amount After Provisions
Electricity generation	20 824	-	60	20 764
Households	493 849	-	10 263	483 586
Agriculture and food- processing industry	38 658	680	916	37 062
Trade and services	86 204	4 979	7 024	74 201
Metallurgy and machinery	14 019	2 549	133	11 337
Chemical industry	3 027	1 225	-	1 802
Transport and infrastructure	7 161	897	1 014	5 250
Timber and paper production	3 721	110	332	3 279
Construction industry	28 583	4 659	1 081	22 843
Real estate	104 940	3 900	420	100 620
Public administration and defence	28 642	-	288	28 354
Financial services except insurance	6 806	-	154	6 652
Other industries	135 804	9 415	4 917	121 472
Total	972 238	28 414	26 602	917 222

As at 31 December 2013, the Bank reported a developer project portfolio in the amount of EUR 43 171 thousand (31 December 2012: EUR 28 390 thousand) and created provisions both on a portfolio basis and on an individual basis in the amount of EUR 6 thousand (31 December 2012: EUR 45 thousand) and EUR 8 575 thousand (31 December 2012: EUR 3 681 thousand), respectively.

Analysis of Loans and Receivables Valued on an Individual Basis with Identified Impairment, Gross

31 Dec 2013 (EUR '000)	Debtor's Bankruptcy and Liquidation	Judicial Enforcement, Notice of Crime	Declaration of Loan to be Due	Restructuring	Late Payments Over 90 Days	Total	Collateral
Overdraft accounts	4 494	384	1 555	601	590	7 624	1 707
Corporate clients	16 509	2 058	12 200	13 332	2 073	46 172	26 249
Total	21 003	2 442	13 755	13 933	2 663	53 796	27 956

31 Dec 2012 (EUR '000)	Debtor's Bankruptcy and Liquidation	Judicial Enforcement, Notice of Crime	Declaration of Loan to be Due	Restructuring	Late Payments Over 90 Days	Total	Collateral
Overdraft accounts	4 395	276	1 405	605	182	6 863	1 147
Corporate clients	7 258	7 165	2 726	27 718	6 686	51 553	32 418
Total	11 653	7 441	4 131	28 323	6 868	58 416	33 565

Analysis of Restructured Loans and Receivables, Gross

The following table shows the quantitative analysis of all loan receivables where the Bank identified an event of default "debt restructuring" at the end of the reporting period; these receivables did not return from the default status. In addition to the "debt restructuring" indicator, these receivables can also be indicated by another default event.

(EUR '000)	31 Dec 2013	31 Dec 2012
Retail loans	4 826	5 867
Overdue up to 30 days	1 691	2 796
Overdue from 31 to 90 days	609	1 091
Overdue more than 90 days	2 526	1 980
Corporate loans	30 689	40 445
Overdue up to 30 days	11 431	23 662
Overdue from 31 to 90 days	1 651	303
Overdue more than 90 days	17 607	16 480
Total	35 515	46 312

Information on Credit Quality of Selected Categories of the Bank's Financial Assets

The table below summarises the quantitative distribution of individually-assessed corporate loans that are neither overdue nor impaired by rating class:

Rating Class (EUR '000)	31 Dec 2013	31 Dec 2012
Corporate loans		
I (the lowest risk of primary loan recoverability)	50 451	55 970
II	43 126	41 995
III	51 620	36 965
IV	37 464	38 382
V	44 487	10 870
VI	63 373	32 870
VII	5 520	43 758
VIII (the highest risk of primary loan recoverability)	3 568	22 400
Total – corporate loans	299 609	283 210
Loans granted to local governments		
AA (the lowest risk of primary loan recoverability)	1 792	-
AB, BA, BB	2 786	6 077
AC, BC, CA, CB	2 833	4 487
AD, AE, BD, BE, CC, CD, CE, DA, DB, DC, DD, DE, EA, EB, EC, ED, EE (the highest risk of primary loan recoverability)	4 417	1 807
Total - local governments	11 828	12 371
Total	311 437	295 581

They include corporate individually-measured loans and loans granted to local governments without identified impairment and without default per rating classes.

The table below summarises the quantitative structure of placements with other banks by individual rating category:

Rating Class (EUR '000)	31 Dec 2013	31 Dec 2012
I	-	-
II	32 901	59 793
III	1 189	-
IV	-	-
V	-	-
VI	-	-
VII	-	-
VIII	-	-
Non-classified	3	3
Total	34 093	59 796

The table below summarises the quantitative structure of available-for-sale financial assets (excl. investments in commercial companies) by individual rating category:

Rating Class (EUR '000)	31 Dec 2013	31 Dec 2012
I	-	-
II	1 138	33 865
III	-	-
IV	50 108	29 565
V	7 312	-
VI	-	-
VII	-	-
VIII	-	-
Total	58 558	63 430

The table below summarises the quantitative structure of held-to-maturity investments by individual rating category:

Rating Class (EUR '000)	31 Dec 2013	31 Dec 2012
I	-	-
II	125 761	98 961
III	1 660	-
IV	67 348	68 187
V	-	-
VI	-	-
VII	-	-
VIII	-	-
Total	194 769	167 148

Summary of Loans and Receivables Secured by a Pledge or Other Form of Collateral

(EUR '000)	Loans and Receivables by Category							
	Measured on an Individual Basis Without Identified Impairment		Measured on a Portfolio Basis		Measured on an Individual Basis With Identified Impairment		TOTAL	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
a) Pledge over	169 160	162 779	563 153	480 950	40 109	44 309	772 422	688 038
<i>Real estate</i>	136 391	117 560	556 543	475 002	35 030	42 464	727 964	635 026
<i>Securities</i>	3 504	6 546	73	87	3 035	-	6 612	6 633
<i>Movable assets</i>	16 527	21 426	4 720	4 646	2 044	1 845	23 291	27 917
<i>Trade receivables</i>	12 738	17 247	1 817	1 215	-	-	14 555	18 462
b) Other collateral	49 824	50 332	31 560	35 598	55	5 272	81 439	91 202
<i>State guarantees</i>	-	-	-	-	-	-	-	-
<i>Bank guarantees</i>	7 401	7 778	784	508	-	5 266	8 185	13 552
<i>Guarantees from other parties</i>	3 181	2 181	418	1 254	55	6	3 654	3 441
<i>Cash</i>	39 242	40 373	17 065	16 224	-	-	56 307	56 597
<i>Other</i>	-	-	13 293	17 612	-	-	13 293	17 612
Total amount of secured receivables	218 984	213 111	594 713	516 548	40 164	49 581	853 861	779 240

Note: The total amount of secured loans and receivables is higher than the total fair value of received collateral, as in the case of some loans the fair value of received collateral does not cover the total amount of a loan receivable.

As at 31 December 2013 and 31 December 2012, the Bank did not record any receivables in its loan portfolio over which a pledge would be established or receivables with a restricted right of handling.

Breakdown of Loans and Receivables by Number of Days Overdue

31 Dec 2013 (EUR '000)	Without Identified Impairment	With Identified Impairment*	Total
Within maturity	359 402	603 891	963 293
Up to 30 days overdue	4 874	27 588	32 462
From 31 to 90 days overdue	2 310	17 206	19 516
From 91 to 180 days overdue	-	18 870	18 870
From 181 to 360 days overdue	-	15 680	15 680
More than 360 days overdue	-	66 099	66 099
Total – gross	366 586	749 334	1 115 920
Provisions for loan losses	-	(59 834)	(59 834)
Total – net	366 586	689 500	1 056 086
Collateral	183 809	573 159	756 968

31 Dec 2012 (EUR '000)	Without Identified Impairment	With Identified Impairment*	Total
Within maturity	318 576	505 047	823 623
Up to 30 days overdue	4 442	41 111	45 553
From 31 to 90 days overdue	-	16 275	16 275
From 91 to 180 days overdue	-	12 981	12 981
From 181 to 360 days overdue	-	16 029	16 029
More than 360 days overdue	-	57 777	57 777
Total – gross	323 018	649 220	972 238
Provisions for loan losses	-	(55 016)	(55 016)
Total – net	323 018	594 204	917 222
Collateral	164 866	512 695	677 561

* This category includes exposures to which any provision is reported, either specific or portfolio.

If any portion of a loan receivable (principal amount, interest etc) is overdue, the entire loan receivable is considered an overdue receivable.

Ageing Structure of Loans and Receivables without Identified Impairments, Gross

31 Dec 2013 (EUR '000)	Within Maturity	Overdue 1 to 30 Days	Overdue More Than 30 Days	Total	Collateral
Consumer loans	39 362	1 432	-	40 794	26 694
Mortgage loans	144	-	-	144	128
Overdrafts	25 474	3 420	-	28 894	17 787
Corporate clients	294 422	22	2 310	296 754	139 200
Total	359 402	4 874	2 310	366 586	183 809

31 Dec 2012 (EUR '000)	Within Maturity	Overdue 1 to 30 Days	Overdue More Than 30 Days	Total	Collateral
Consumer loans	18 894	208	-	19 102	15 993
Mortgage loans	566	-	-	566	563
Overdrafts	19 718	3 860	-	23 578	22 206
Corporate clients	279 398	374	-	279 772	126 104
Total	318 576	4 442	-	323 018	164 866

Loans without identified impairments include portfolio- and individually-assessed loans.

Ageing Structure of Loans and Receivables with Identified Impairments, Gross

31 Dec 2013 (EUR '000)	Within Maturity	Overdue 1 to 30 Days	Overdue More Than 30 Days	Total	Collateral
Consumer loans	426 709	21 769	40 823	489 301	412 964
Mortgage loans	68 384	4 333	15 560	88 277	84 898
Overdrafts	19 539	10	8 941	28 490	8 544
Corporate clients	85 895	1 411	37 609	124 915	66 753
Other	3 364	65	14 922	18 351	-
Total	603 891	27 588	117 855	749 334	573 159

31 Dec 2012 (EUR '000)	Within Maturity	Overdue 1 to 30 Days	Overdue More Than 30 Days	Total	Collateral
Consumer loans	292 191	28 884	31 656	352 731	318 853
Mortgage loans	96 658	9 265	17 879	123 802	120 388
Overdrafts	18 203	378	8 114	26 695	6 484
Corporate clients	93 996	2 506	31 200	127 702	66 970
Other	3 999	78	14 213	18 290	-
Total	505 047	41 111	103 062	649 220	512 695

Concentration of Credit Risk to the Slovak Republic

The following table presents the Bank's credit risk to the Slovak Republic, companies controlled by the Slovak government, municipalities, and similar exposures:

(EUR '000)	31 Dec 2013		31 Dec 2012	
	Amount	Portion of Total Assets	Amount	Portion of Total Assets
Cash, due from banks and balances with the National Bank of Slovakia	9 222	0.65%	7 651	0.60%
Loans and receivables, net of provisions for possible losses	25 306	1.78%	28 354	2.23%
Available-for-sale financial assets	1 138	0.08%	33 865	2.67%
Held-to-maturity financial investments	70 659	4.97%	36 538	2.88%
Total	106 325	7.48%	106 408	8.38%

Concentration of Credit Risk to other EU Member States

The following table presents the Bank's credit risk to other EU Member States:

(EUR '000)	31 Dec 2013		31 Dec 2012	
	Amount	Portion of Total Assets	Amount	Portion of Total Assets
Available-for-sale financial assets	50 108	3.53%	29 565	2.33%
Held-to-maturity financial instruments	67 348	4.74%	68 187	5.37%
Total	117 456	8.27%	97 752	7.69%

Maximum Exposure to Credit Risk

The following table provides an overview of the Bank's maximum exposure to credit risk, regardless of any held collateral or other mitigation of credit risk resulting from financial instruments (assets):

(EUR '000)	31 Dec 2013	31 Dec 2012
Due from banks and balances with the National Bank of Slovakia	53 055	69 469
Financial assets at fair value through profit or loss	20	462
Available-for-sale financial assets, gross	59 437	64 309
Loans and receivables, gross	1 115 920	972 238
Held-to-maturity financial investments	194 769	167 148
Subtotal of balance sheet risks	1 423 201	1 273 626
Guarantees issued	20 196	19 944
Loan commitments to clients	40 791	57 310
Subtotal of off-balance sheet risks	60 987	77 254
Total	1 484 188	1 350 880

37. Market Risk

The Bank is exposed to market risks. Market risks arise from open positions in transactions with interest rate, foreign exchange, and equity instruments, all of which are exposed to general and specific market changes. The Bank does not undertake any transactions with gold, precious metals or other commodities.

Market Risk Management

Responsibility for market risk management in the Bank rests with the stand-alone Market & Operational Risks department, which is part of the Risk division. The Bank's principal risks include currency (foreign exchange) risks and interest rate risk.

The Bank categorises its financial instruments into the trading portfolio (trading book) or the non-trading portfolio (banking book) reflecting the purpose for which the financial instruments have been acquired.

The trading book also includes positions arising from selected banking instruments acquired by the Bank with a view to generating short-term profits from the difference between the purchase and sale price. All other positions in financial instruments are carried in the banking book.

The Treasury department is responsible for classifying financial instruments into the banking or trading books. The stand-alone Market & Operational Risks department is also responsible for managing counterparty risk (counterparties being professional participants in money and capital markets) and country risk.

The Bank has established maximum exposure limits to selected counterparties (banks). The counterparty limit is split into the credit limit, settlement limit and pre-settlement limit depending on the type of undertaken transactions.

Currency Risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

To analyse foreign currency risk sensitivity, the Bank uses the historical simulation method of Value-at-Risk (VaR) methodology. To calculate VaR, the Bank opted for a 99% confidence level, a one-year historical database of daily EUR/foreign currency movements, and a 1-day time limit. The VaR reflects the potential loss that will not be exceeded in 99% of overnight movements in foreign exchange rates.

The set of currency risk limits consists of the following restrictions in respect of the Bank's open positions:

- Overnight limits
- Intraday limits
- VaR limit
- PLA limit
- Stress test limit and extraordinary stress test limit

Net Foreign Exchange Position

The table below provides an analysis of the Bank's foreign currency exposures in primary currencies for selected categories of asset and liability:

31 Dec 2013 (EUR '000)	EUR	USD	HUF	Other Currencies	Total
Assets					
Cash, due from banks and balances with the National Bank of Slovakia	34 283	785	1 428	9 056	45 552
Placements with other banks, net of provisions for possible placement losses	15 001	9 608	7 527	1 957	34 093
Financial assets at fair value through profit or loss	20	-	-	-	20
Available-for-sale financial assets	8 976	-	50 108	-	59 084
Loans and receivables net of provisions for possible losses	1 054 402	1 332	350	2	1 056 086
Held-to-maturity financial investments	194 769	-	-	-	194 769
Liabilities					
Due to banks and deposits from the National Bank of Slovakia and other banks	67 453	-	1	-	67 454
Amounts due to customers	1 093 554	11 818	8 402	10 640	1 124 414
Liabilities from issued securities	83 800	-	-	-	83 800
Subordinated debt	29 056	-	-	-	29 056
Net currency exposure at 31 Dec 2013	33 588	(93)	51 010	375	84 880

As at 31 December 2013 the "Value at Risk" calculated from open foreign currency positions of the Bank was EUR 2 thousand.

31 Dec 2012 (EUR '000)	EUR	USD	HUF	Other Currencies	Total
Assets					
Cash, due from banks and balances with the National Bank of Slovakia	28 609	418	1 833	1 382	32 242
Placements with other banks, net of provisions for possible placement losses	42 028	9 098	5 556	3 114	59 796
Financial assets at fair value through profit or loss	462	-	-	-	462
Available-for-sale financial assets	34 391	-	29 565	-	63 956
Loans and receivables net of provisions for possible losses	914 019	2 777	426	-	917 222
Held-to-maturity financial investments	167 148	-	-	-	167 148
Liabilities					
Due to banks and deposits from the National Bank of Slovakia and other banks	786	1	1	214	1 002
Amounts due to customers	1 008 352	12 433	6 696	4 541	1 032 022
Liabilities from issued securities	97 141	-	-	-	97 141
Subordinated debt	29 056	-	-	-	29 056
Net currency exposure at 31 Dec 2012	51 322	(141)	30 683	(259)	81 605

As at 31 December 2012 the "Value at Risk" calculated from open foreign currency positions of the Bank was EUR 6 thousand.

Interest Rate Risk

Interest rate risk is the risk that the net current value of financial instruments will change due to changes in market interest rates. An interest rate risk is a risk that the value of a financial instrument will fluctuate as a result of changes in market interest rates and the risk that the maturity of interest-accruing assets will differ from the maturity of interest-bearing liabilities used to finance these assets. Hence, the period for which the interest rate is attached to the financial instrument shows the extent to which this instrument is exposed to the interest rate risk.

In monitoring interest rate risk the Bank uses the following limits for the interest rate risk inherent in the trading book and for the interest rate risk inherent in the banking book:

Limits for the Interest Rate Risk Inherent in the Trading Book:

- Trading book position limit
- Duration-position limit

Limits for the Interest Rate Risk Inherent in the Banking Book:

- Interest rate risk limit (standard interest rate shock)
- Position-duration limit for the available-for-sale portfolio
- The interest rate risk limit upon a change in the shape of the yield curve for the whole portfolio (jointly the banking book and the trading book)

Classification of Interest Rate Sensitive Assets and Liabilities by Time Band

The tables below provide an analysis of the selected categories of assets and liabilities by time bands according to interest rate sensitivity. Assets and liabilities that are not sensitive to interest rates are classified as "not specified".

31 Dec 2013 (EUR '000)	On Call	Up to 3 Months	From 3 to 12 Months	From 1 Year to 5 Years	From 5 Years and Over	Not Specified	Total
Assets							
Cash, due from banks and balances with the National Bank of Slovakia	18 962	-	-	-	-	26 590	45 552
Placements with other banks, net of provisions for possible placement losses	-	34 088	-	-	-	5	34 093
Financial assets at fair value through profit or loss	-	-	-	-	-	20	20
Available-for-sale financial assets	-	51 198	-	7 234	-	652	59 084
Loans and receivables, net of provisions for possible losses	-	549 553	155 395	241 887	4 260	104 991	1 056 086
Held-to-maturity financial investments	-	56 515	65 473	-	68 961	3 820	194 769
Liabilities							
Due to banks and deposits from the National Bank of Slovakia and other banks	28	27 106	40 158	26	-	136	67 454
Amounts due to customers	78 597	217 488	340 999	329 662	139 265	18 403	1 124 414
Liabilities from issued securities	-	75 584	120	7 962	-	134	83 800
Subordinated debt	-	29 000	-	-	-	56	29 056
Interest rate risk at 31 Dec 2013	(59 663)	342 176	(160 409)	(88 529)	(66 044)	117 349	84 880
31 Dec 2012 (EUR '000)	On Call	Up to 3 Months	From 3 to 12 Months	From 1 Year to 5 Years	From 5 Years and Over	Not Specified	Total
Assets							
Cash, due from banks and balances with the National Bank of Slovakia	9 668	-	-	-	-	22 574	32 242
Placements with other banks, net of provisions for possible placement losses	-	59 761	-	-	-	35	59 796
Financial assets at fair value through profit or loss	-	-	-	-	-	462	462
Available-for-sale financial assets	-	32 835	-	29 171	-	1 950	63 956
Loans and receivables, net of provisions for possible losses	-	518 282	176 097	128 650	5 382	88 811	917 222
Held-to-maturity financial investments	-	91 737	5 693	66 312	-	3 406	167 148
Liabilities							
Due to banks and deposits from the National Bank of Slovakia and other banks	7	319	290	290	-	96	1 002
Amounts due to customers	415 915	148 384	249 672	202 617	-	15 434	1 032 022
Liabilities from issued securities	-	72 692	18 547	5 598	-	304	97 141
Subordinated debt	-	29 000	-	-	-	56	29 056
Interest rate risk at 31 Dec 2012	(406 254)	452 220	(86 719)	15 628	5 382	101 348	81 605

Interest Rate Risk Sensitivity Analysis

To measure the interest rate risk, a GAP analysis methodology is applied. A net balance sheet position of the Banking Book and a net off-balance sheet position of the Banking Book are calculated based on the difference between the value of assets and liabilities in particular time buckets. Their total (Banking Book GAP) is multiplied in every time bucket by the relevant weight factor, which shows the duration of the financial instrument payable (or re-measured) in the middle of the given time bucket, resulting in weighted positions that can be used to determine the impact of interest rate changes on the Bank's economic value. For a potential decrease in the Bank's economic value in the event of a parallel shift of the yield curve by 200 bp, the Bank has an internal limit of 10% of the Bank's own funds.

An analysis of interest rate risk sensitivity is based on the assumption of a shift of the yield curve by 100 base points during the following 2.5 years (straight-line). Therefore, assets and liabilities with residual maturities over 2.5 years will not have an impact on the Bank's economic value.

Portfolio EUR	Up to 1 Month	Up to 3 Month	Up to 6 Month	Up to 12 Month	Up to 2 Years	Up to 3 Years	Up to 4 Years	Up to 5 Years	Up to 7 Years	Up to 10 Years	Up to 15 Years	Over 15 Years
Net balance sheet position of Banking Book	166 045	64 191	(92 685)	(64 479)	(56 684)	53 885	(48 039)	(37 540)	(64 980)	(2 241)	1 048	168
Net off-balance sheet position of Banking Book	50 132	-	-	-	-	-	-	-	-	-	-	-
Banking Book GAP, total	216 177	64 191	(92 685)	(64 479)	(56 684)	53 885	(48 039)	(37 540)	(64 980)	(2 241)	1 048	168
Weight factor	0.04%	0.15%	0.31%	0.50%	0.55%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Weighted positions (total GAP x weight factor)	86	96	(287)	(322)	(312)	-	-	-	-	-	-	-

In the EUR portfolio, unfavourable movements in interest rates would have a negative impact on the Bank's economic value in the amount of EUR 739 thousand (31 December 2012: EUR 185 thousand).

In the USD portfolio, unfavourable movements in interest rates would have a negative impact on the Bank's economic value in the amount of EUR 16 thousand (31 December 2012: EUR 9).

In the CZK portfolio, unfavourable movements in interest rates would have a negative impact on the Bank's economic value in the amount of EUR 1 thousand (31 December 2012: EUR 1 thousand).

The overall impact on the Bank's economic value in all portfolios (USD, EUR, CZK, and other foreign currencies) represents a decrease by EUR 758 thousand (31 December 2012: decrease by EUR 198 thousand) due to unfavourable movements in all interest rates. When using the same scenario for the trading portfolio, there is no impact on the Bank's profit/loss as at 31 December 2013 (31 December 2012: nil effect).

Other Price Risks

Under the IFRS definition, other price risks represent the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices (other than changes arising from the interest rate risk or currency risks) irrespective of whether these changes are attributable to the factors that are specific for the individual financial instrument or factors affecting all similar financial instruments traded on the market.

Other price risks within the Bank primarily include equity and commodity risks. The Bank is not an active player on the equity or commodity markets and hence other price risks are immaterial.

38. Liquidity Risk

Liquidity risk is the risk that the Bank will encounter difficulties in raising funds to meet commitments associated with financial instruments. The Bank's liquidity position is monitored and managed based on expected cash inflows and outflows, and adjusting interbank deposits and placements accordingly.

The net on-balance sheet liquidity position represents the extent to which the Bank may be required to provide funding to settle its liabilities associated with financial instruments. The Bank maintains its liquidity profile in accordance with the requirements of the National Bank of Slovakia. The following tables show an analysis of the assets, liabilities and equity according to their maturities, reflecting the remaining period between the reporting date and the contractual maturity date.

This analysis was prepared on the basis of the most prudent consideration of maturity dates in cases where the repayment schedules facilitate earlier repayment. The assets and liabilities that could not be included into the relevant time buckets according the residual maturity are reported in the 'from 5 years and over' category. Liabilities to clients due within one month principally include current accounts from which the clients are authorised to make withdrawals at call. The Bank's historical experience suggests, however, that these accounts represent a stable source of funding.

Classification of Balance Sheet Assets and Liabilities into Time Bands per Residual Maturity as at 31 December 2013

(EUR '000)	Within 1 Month	From 1 Month to 3 Months	From 3 to 12 Months	From 1 Year to 5 Years	From 5 Years and Over	Total
Assets						
Cash, due from banks and balances with the National Bank of Slovakia	45 552	-	-	-	-	45 552
Placements with other banks, net of provisions for possible placement losses	34 093	-	-	-	-	34 093
Financial assets at fair value through profit or loss	20	-	-	-	-	20
Available-for-sale financial assets	50 108	1 138	78	7 234	526	59 084
Loans and receivables, net of provisions for possible losses	27 346	17 228	110 082	422 951	478 479	1 056 086
Held-to-maturity financial investments	-	1 945	122 203	1 660	68 961	194 769
Investments in subsidiaries	-	-	-	151	-	151
Non-current tangible assets	-	-	-	-	21 401	21 401
Non-current intangible assets	-	-	-	-	6 510	6 510
Other assets	1 959	1 093	63	-	-	3 115
Total assets	159 078	21 404	232 426	431 996	575 877	1 420 781
Liabilities						
Due to banks and deposits from the National Bank of Slovakia and other banks	27 056	175	40 197	26	-	67 454
Amounts due to customers	554 156	97 644	300 395	172 218	1	1 124 414
Liabilities from issued securities	3 003	161	25 202	55 434	-	83 800
Deferred tax liability	-	-	-	220	-	220
Provisions for liabilities	-	94	146	2 498	-	2 738
Other liabilities	10 555	2 996	953	-	-	14 504
Subordinated debts	55	1	-	29 000	-	29 056
Equity	-	-	-	-	98 595	98 595
Total liabilities and equity	594 825	101 071	366 893	259 396	98 596	1 420 781
Net balance sheet liquidity position at 31 Dec 2013	(435 747)	(79 667)	(134 467)	172 600	477 281	-
Cumulative net balance sheet liquidity position at 31 Dec 2013	(435 747)	(515 414)	(649 881)	(477 281)	-	-

The classification of balance sheet assets and liabilities into time bands per residual maturity as at 31 December 2013 represents in the within-one-month time band a GAP in the amount of EUR -436 mil. The GAP is mainly affected by the classification of clients' current accounts into this time band per contractual maturity. This estimated maturity is derived from clients' behaviour and the net balance sheet liquidity position is positive in the amount of EUR 86 million, representing sufficient liquidity. Throughout 2013, the Bank continuously complied with all of the NBS measures that regulate this area.

Classification of Balance Sheet Assets and Liabilities into Time Bands per Residual Maturity as at 31 December 2012

(EUR '000)	Within 1 Month	From 1 Month to 3 Months	From 3 to 12 Months	From 1 Year to 5 Years	From 5 Years and Over	Total
Assets						
Cash, due from banks and balances with the National Bank of Slovakia	32 242	-	-	-	-	32 242
Placements with other banks, net of provisions for possible placement losses	59 796	-	-	-	-	59 796
Financial assets at fair value through profit or loss	462	-	-	-	-	462
Available-for-sale financial assets	33 048	1 211	-	29 171	526	63 956
Loans and receivables, net of provisions for possible losses	26 733	20 778	100 827	356 000	412 884	917 222
Held-to-maturity financial investments	3 474	33 303	7 774	122 597	-	167 148
Investments in subsidiaries	-	-	-	151	-	151
Non-current tangible assets	-	-	-	-	19 762	19 762
Non-current intangible assets	-	-	-	-	7 128	7 128
Other assets	861	1 861	77	-	-	2 799
Total assets	156 616	57 153	108 678	507 919	440 300	1 270 666
Liabilities						
Due to banks and deposits from the National Bank of Slovakia and other banks	249	173	290	290	-	1 002
Amounts due to customers	499 826	67 967	259 920	204 309	-	1 032 022
Liabilities from issued securities	191	34	18 846	78 070	-	97 141
Deferred tax liability	-	-	-	249	-	249
Provisions for liabilities	-	109	143	2 593	-	2 845
Other liabilities	7 580	2 234	847	-	-	10 661
Subordinated debts	54	2	-	29 000	-	29 056
Equity	-	-	-	-	97 690	97 690
Total liabilities and equity	507 900	70 519	280 046	314 511	97 690	1 270 666
Net balance sheet liquidity position at 31 Dec 2012	(351 284)	(13 366)	(171 368)	193 408	342 610	-
Cumulative net balance sheet liquidity position at 31 Dec 2012	(351 284)	(364 650)	(536 018)	(342 610)	-	-

Classification of Selected Off-balance Sheet Liabilities into Time Bands per Residual Maturity

31 December 2013 (EUR '000)	Within 1 Month	From 1 Month to 3 Months	From 3 to 12 Months	From 1 Year to 5 Years	From 5 Years and Over	Total
Future loans granted	40 791	-	-	-	-	40 791
Guarantees issued (excluding commitments for guarantees)	5	981	1 860	2 260	13 397	18 503
Liabilities from spot transactions	300	-	-	-	-	300
Liabilities from forward transactions with a financial transfer	50 158	-	-	-	-	50 158
Provided guarantees from pledges	115 005	-	-	-	-	115 005
Total as at 31 Dec 2013	206 259	981	1 860	2 260	13 397	224 757

31 December 2012 (EUR '000)	Within 1 Month	From 1 Month to 3 Months	From 3 to 12 Months	From 1 Year to 5 Years	From 5 Years and Over	Total
Future loans granted	57 310	-	-	-	-	57 310
Guarantees issued (excluding commitments for guarantees)	69	1 078	1 268	1 225	16 304	19 944
Liabilities from spot transactions	680	-	-	-	-	680
Liabilities from forward transactions with a financial transfer	30 277	-	-	-	-	30 277
Provided guarantees from pledges	116 602	-	-	-	-	116 602
Total as at 31 Dec 2012	204 938	1 078	1 268	1 225	16 304	224 813

Classification of Non-discounted Future Cash Flows from Financial Liabilities into Time Bands per Residual Maturity

31 December 2013 (EUR '000)	Within 1 Year	From 1 Year to 5 Years	From 5 Years and Over	Adjustment	Total
Due to banks and deposits from the National Bank of Slovakia and other banks	67 955	26	-	(527)	67 454
Amounts due to customers	956 209	182 385	1	(14 181)	1 124 414
Liabilities from issued securities	33 297	56 041	-	(5 538)	83 800
Subordinated debts	455	29 183	-	(582)	29 056
Total as at 31 Dec 2013	1 057 916	267 635	1	(20 828)	1 304 724

31 December 2012 (EUR '000)	Within 1 Year	From 1 Year to 5 Years	From 5 Years and Over	Adjustment	Total
Due to banks and deposits from the National Bank of Slovakia and other banks	712	290	-	-	1 002
Amounts due to customers	832 602	218 584	-	(19 164)	1 032 022
Liabilities from issued securities	21 169	81 700	-	(5 728)	97 141
Subordinated debts	439	29 620	-	(1 003)	29 056
Total as at 31 Dec 2012	854 922	330 194	-	(25 895)	1 159 221

Note: Non-discounted future cash flows arising from interest are included in individual categories of financial liabilities. A difference between the carrying amount of financial liabilities and their contractual non-discounted cash flows is disclosed in the Adjustment Column.

39. Operational Risk

The Bank defines operational risk as the risk of loss arising from the inappropriateness or failure of internal processes in the Bank, human error, the failure of systems used by the Bank or the risk of loss arising from external events. Operational risk also includes legal risk, ie the risk of loss primarily due to a failure to enforce contracts, the threat of unsuccessful legal disputes or court rulings with adverse impacts.

Operational risk management is addressed in the Instructions of the Board of Directors entitled "Procedures for Operational Risk Management", which provide guidance on identifying, estimating, monitoring and mitigating operational risks. The Bank's principal objectives and principles in managing operational risks are outlined in the "Risk Management Strategy" document. The standalone Market & Operational Risks department ensures compliance with the operational risk management requirements, processes and techniques and coordinates the development of basic principles and the development and maintenance of consistent methodology for identifying, monitoring, assessing and mitigating operational risks.

The Bank's objective is to map operational risks in all processes and business activities and, based on an understanding and analysis thereof, to adopt effective measures to mitigate the impacts of operational risks and to improve process quality while sustaining the Bank's competitiveness. The key aspect of the operational risks management system is an active cooperation between process owners and all organisational units of the Bank, wide awareness, communication of information and understanding of the tasks assigned. The Bank has strictly-defined competencies and responsibilities for the respective work procedures in the operational risks area.

The Asset/Liability Management Committee (ALCO) is responsible for coordinating the risk management system. Operational risks reports are regularly submitted to the ALCO, the Bank's and parent company's managements and the regulator. Undesired disruptions of the Bank's activities and protection of critical processes from the consequences of serious errors and unforeseen events are covered by the Bank's business continuity plans.

In the regular self-assessment process, the Bank analyses significant sources of risk that the Bank is facing, identifies new risks and estimates the impact and likelihood of the origin thereof. The Bank adopts measures to mitigate and eliminate operational risks while considering efficiency and cost effectiveness of proposed measures in respect of the respective process efficiency.

The database of operational risks events serves for continuous monitoring and provides a base for assessing the efficiency of adopted measures and tools to mitigate operational risks. The Bank calculates the capital requirement for operational risks using a standardised approach.

40. Earnings/(Loss) Per Share

The earnings/(loss) per share attributable to ordinary shares of the Bank are computed as net profit for the relevant year attributable to the ordinary share-holders divided by weighted average number of ordinary shares outstanding during the year as follows:

	Note	31 Dec 2013	31 Dec 2012
Profit/(loss) (in EUR '000)		1 014	(2 067)
Profit/(loss) for the reporting period attributable to ordinary share-holder (in EUR '000)		1 014	(2 067)
Profit/(loss) per share			
At face value of EUR 3.98 (in EUR)		0.051	(0.10)
Weighted average number of ordinary shares	18	11 503 458	11 503 458
At face value of EUR 39 832.70 (in EUR)		514.47	(1 048.77)
Weighted average number of ordinary shares	18	570	570
At face value of EUR 1.00 (in EUR)		0.013	(0.03)
Weighted average number of ordinary shares	18	10 019 496	10 019 496

41. Settlement of Loss for the Previous Reporting Period

The General Meeting of OTP Banka Slovensko, a.s. was held on 12 April 2013, where the separate financial statements for 2012 and the settlement of the 2012 loss were approved as follows:

Settlement of the loss for 2012 (EUR '000)	
Net profit/(loss) for 2012 – loss	(2 067)
Settlement:	
- Retained earnings from previous years	(2 067)

42. Proposed Distribution of Profit for the Current Reporting Period

Proposed distribution of the profit for 2013 (EUR '000)	
Net profit/(loss) for 2013 – profit	1 014
Use:	
- Legal reserve fund	101
- Retained earnings from previous years	913

The proposed profit distribution is subject to approval by the General Meeting of OTP Banka Slovensko, a.s.

43. Events After the Reporting Date

As of 1 January 2014, several tax legislation changes take effect.

The most significant changes that affect the Bank are in the area of corporate income tax, namely:

- Decrease in the corporate income tax rate from the valid 23% to 22% of the tax base, decreased by a tax loss;
- Change in conditions for a tax loss deduction. The tax loss deduction changes from seven years to a maximum period of four years representing consecutive taxation periods. The tax loss deduction method has also been changed, ie transition from the tax loss deduction in any amount in the relevant taxation period to an equal amount in each taxation period.

Between the reporting date and the approval date of these financial statements there were no such events that would require any adjustment or additional disclosure.