

Privatbanka, a.s.

Financial Statements

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

Year Ended 31 December 2014
and Independent Auditor's Report

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Privatbanka, a.s.

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Privatbanka, a.s. (the "Bank"), which comprise the statement of financial position as at 31 December 2014, and the income statement, statement of comprehensive income, statement of changes in shareholder's equity and cash flows statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Statutory Body's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Privatbanka, a.s. as of 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Bratislava, 12 March 2015



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



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

Statement of Financial Position as at 31 December 2014
Prepared in accordance with International Financial Reporting Standards,
as adopted by the European Union

	Note	2014 EUR '000	2013 EUR '000
Assets			
Cash and balances with central banks	4.	41 153	9 545
Loans and advances to banks	5.	2 299	11 085
Loans and advances to customers	6.	216 090	203 540
Available-for-sale securities	8.	204 653	128 329
Securities at fair value through profit or loss	9.	3 831	4 378
Held-to-maturity securities	10.	174 790	254 556
Investments in subsidiaries	11.	7	7
Tangible and intangible assets	12.	1 457	1 632
Other assets	13.	1 117	1 118
Total assets		645 397	614 190
Liabilities and equity			
Due to banks	14.	165 043	152 072
Deposits from customers	15.	403 119	377 859
Debt securities issued	16.	16 237	25 495
Current tax liability	17.	917	442
Deferred tax liability	18.	865	279
Provisions for liabilities		337	326
Other liabilities	19.	4 341	10 034
Total liabilities		590 859	566 507
Equity			
Share capital	20.	25 121	25 121
Capital reserves and funds from profit	20.	4 215	3 779
Revaluation reserves on available-for-sale securities, including deferred tax	20.	3 059	791
Revaluation reserves on the translation of hedging derivative instruments, including deferred tax	20.	(177)	
Retained earnings		22 320	17 992
Total equity		54 538	47 683
Total liabilities and equity		645 397	614 190

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

Income Statement for the year ended 31 December 2014
Prepared in accordance with International Financial Reporting Standards,
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	Note	2014 EUR '000	2013 EUR '000
Interest income and similar income	26.	23 434	24 302
Interest expense and similar expense	27.	(8 930)	(12 241)
Net interest income		14 504	12 061
Fee and commission income	28.	7 873	6 477
Fee and commission expense	29.	(559)	(671)
Net fee and commission income		7 314	5 806
Trading profit	30.	1 665	1 333
Other income		6	11
Operating income		23 489	19 211
General operating expenses	31.	(10 988)	(10 777)
Depreciation and amortisation of TA and IA	12.	(588)	(635)
Operating expense		(11 576)	(11 412)
Operating profit		11 913	7 799
(Creation)/release of impairment losses, write-off and assignment of receivables	32.	(4 388)	(1 529)
Net profit/(loss) on the sale of tangible assets		(17)	(6)
(Creation)/release of provisions for liabilities		(11)	(13)
Profit before income taxes		7 497	6 251
Current tax	22.	(2 736)	(1 901)
Deferred tax	22.	3	6
Net profit		4 764	4 356

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Statement of Comprehensive Income for the year ended 31 December 2014
Prepared in accordance with International Financial Reporting Standards,
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	Note	2014 EUR '000	2013 EUR '000
Profit after tax from the Income Statement		4 764	4 356
Remeasurement of available-for-sale securities		2 908	348
Deferred tax on available-for-sale securities		(640)	(70)
Remeasurement of cash flow hedging derivative instruments		(227)	-
Deferred tax on cash flow hedging derivative instruments		50	-
Comprehensive income		6 855	4 634

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

**Statement of Changes in Shareholder's Equity
for the year ended 31 December 2014**
Prepared in accordance with International Financial Reporting Standards,
as adopted by the European Union

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

	Share capital	Retained earnings	Capital reserves and funds from profit	Revaluation reserves on available-for-sale securities (including deferred tax)	Revaluation reserves on the translation of hedging derivative instruments, (including deferred tax)	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
At 1 January 2014	25 121	17 992	3 779	791	-	47 683
Additions to statutory reserve fund 2014	-	(436)	436	-	(177)	-
comprehensive income At 31 December 2014	-	4 764	-	2 268	(177)	6 855
	25 121	22 320	4 215	3 059	(177)	54 538

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

Cash Flow Statement for the year ended 31 December 2014
Prepared in accordance with International Financial Reporting Standards,
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	Note	2014 EUR '000	2013 EUR '000
Cash flow from operating activities			
Profit before changes in operating assets and liabilities	33.	13 273	11 808
(Increase)/decrease in minimum reserve deposits with the NBS		(31 438)	(1 532)
(Increase)/decrease in loans and advances to banks		(330)	-
(Increase)/decrease in loans and advances to customers		(16 842)	(1 727)
(Increase)/decrease in securities at fair value through profit or loss		577	737
(Increase)/decrease in available-for-sale securities		(72 495)	(48 605)
(Increase)/decrease in other assets		1	553
Increase/(decrease) in amounts due to banks		12 723	-
Increase/(decrease) in deposits from customers		25 270	(73 696)
Increase/(decrease) in debt securities issued – promissory notes		(4 235)	2 378
Income tax paid		(2 260)	(1 497)
Increase/(decrease) in other liabilities		(5 496)	4 307
Net cash flow from operating activities		(81 252)	(107 274)
Cash flow from investing activities			
(Increase)/decrease in held-to-maturity securities		77 778	79 592
Purchase of tangible and intangible assets		(430)	(413)
Sale of tangible and intangible assets		-	4
Net cash flow from investment activities		77 348	79 183
Cash flow from financing activities			
Increase upon issue of long-term debt securities - bonds		6 965	5 041
Decrease upon maturity of long-term debt securities - bonds		(12 007)	(11 991)
Net cash flow from financing activities		(5 042)	(6 950)
Net increase in cash and cash equivalents		(8 946)	(35 041)
Cash and cash equivalents at the beginning of the year	34.	12 806	47 847
Cash and cash equivalents at the end of the year	34.	3 860	12 806

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

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

1. GENERAL INFORMATION

Incorporation

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

Principal activities

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

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

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

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

Shareholders' structure

The shareholders' structure is as follows:

%	2014	2013
Penta Investments Ltd., Limassol	100,00	100,00
Total	100,00	100,00

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

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

The consolidated financial statements are available at Penta Investments Limited.

Investments in subsidiaries

As at 31 December 2014, the Bank had the following subsidiary:

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

Privatfin, s.r.o., with its registered office at Einsteinova 25, 851 01 Bratislava, Identification number: 36 037 869, is registered in the Commercial Register of the District Court, Bratislava I, section: Sro, No. 40865/B. The subsidiary does not perform activities in significant volumes. As at 31 December 2014, it reported a loss of EUR 1 thousand (2013: loss of EUR 1.7 thousand).

Geographical network

As at 31 December 2014, the Bank performed its activities in the Slovak Republic through the Centre of Banking Services in Bratislava (Centrum bankových služieb), its network of three regional investment branches in Banská Bystrica, Bratislava and Košice, and eight regional investment centres for non-cash operations in Brezno, Nitra, Dunajská Streda, Žilina, Trenčín, Prešov, Trnava and Prievidza. As at 31 December 2014, the Bank also carried out banking activities in the Czech Republic based on the right to the free provision of cross-border banking services without establishing a branch in line with Directive No. 2006/48/EC of the European Parliament and of the Council dated 14 June 2006 on establishing and carrying out activities of credit institutions.

Members of the Board of Directors

The members of the Bank's Board of Directors as at 31 December 2014 are as follows:

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

Supervisory Board

The members of the Bank's Supervisory Board as at 31 December 2014 are as follows:

Elected by the General Meeting:

1. Ing. Jozef Špirko	- Chairman	- Appointed on 29 April 2011
2. Ing. Marek Hvožd'ara	- Vice-Chairman	- Appointed on 27 September 2012

Elected by the employees:

3. Ing. Mgr. Milan Čerešňa	- Member	- Appointed on 24 August 2012
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2. ACCOUNTING POLICIES

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

(2.1) Basis of presentation

The annual separate financial statements of the Bank (hereinafter the “financial statements”) for 2014 and comparative data for 2013 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) in Commission Regulation (EC) 1126/2008, and current interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC).

Standards and Interpretations effective in the current period

The Bank has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that have been endorsed for use in the EU and that are relevant to its operations and are effective for reporting periods beginning on 1 January 2014. The following amendments to the existing standards issued by the International Accounting Standards Board and adopted by the EU are effective for the current reporting period:

- **IFRS 10 “Consolidated Financial Statements”**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- **IFRS 11 “Joint Arrangements”**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- **IFRS 12 “Disclosures of Interests in Other Entities”**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- **IAS 27 (revised in 2011) “Separate Financial Statements”**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- **IAS 28 (revised in 2011) “Investments in Associates and Joint Ventures”**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- **Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 11 “Joint Arrangements” and IFRS 12 “Disclosures of Interests in Other Entities”** – Transition Guidance, adopted by the EU on 4 April 2013 (effective for annual periods beginning on or after 1 January 2014);
- **Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosures of Interests in Other Entities” and IAS 27 (revised in 2011) “Separate Financial Statements”** – Investment Entities, adopted by the EU on 20 November 2013 (effective for annual periods beginning on or after 1 January 2014);
- **Amendments to IAS 32 “Financial Instruments: Presentation”** – Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- **Amendments to IAS 36 “Impairment of Assets”** – Recoverable Amount Disclosures for Non-Financial Assets, adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014); and
- **Amendments to IAS 39 “Financial Instruments: Recognition and Measurement”** – Novation of Derivatives and Continuation of Hedge Accounting, adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014).

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

At the date of authorisation of these financial statements, the following standards and interpretations were not yet effective:

IASB documents endorsed by the EU:

- **Amendments to various standards “Improvements to IFRSs (cycle 2010 – 2012)”** resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording, adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015);
- **Amendments to various standards “Improvements to IFRS (cycle 2011 – 2013)”** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording, adopted by the EU on 18 December 2014 (effective for annual periods beginning on or after 1 January 2015);
- **Amendments to IAS 19 “Employee Benefits”** – Defined Benefit Plans: Employee Contributions, adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015); and
- **IFRIC 21 “Levies”** adopted by the EU on 13 June 2014 (effective for annual periods beginning on or after 17 June 2014).

The Bank has elected not to adopt these standards, revisions and interpretations in advance of their effective dates. The Bank anticipates that the adoption of these standards, revisions and interpretations will have no material impact on the financial statements of the Bank in the period of initial application.

At present, IFRS as adopted by the EU do not significantly differ from the regulations adopted by the IASB, except for the following standards, amendments and interpretations that were not endorsed for use in the EU as at 31 December 2014.

IASB documents not yet endorsed by the EU:

- **IFRS 9 “Financial Instruments” and subsequent amendments** (effective for annual periods beginning on or after 1 January 2018);
- **IFRS 14 “Regulatory Deferral Accounts”** (effective for annual periods beginning on or after 1 January 2016);
- **IFRS 15 “Revenue from Contracts with Customers”** (effective for annual periods beginning on or after 1 January 2017);
- **Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures”** – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective for annual periods beginning on or after 1 January 2016);
- **Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosure of Interests in Other Entities” and IAS 28 “Investments in Associates and Joint Ventures”** – Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016);

- **Amendments to IFRS 11 “Joint Arrangements”** – Accounting for Acquisitions of Interests in Joint Operations (effective for annual periods beginning on or after 1 January 2016);
- **Amendments to IAS 1 “Presentation of Financial Statements”** – Disclosure Initiative (effective for annual periods beginning on or after 1 January 2016);
- **Amendments to IAS 16 “Property, Plant and Equipment” and IAS 38 “Intangible Assets”** - Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after 1 January 2016);
- **Amendments to IAS 16 “Property, Plant and Equipment” and IAS 41 “Agriculture”** – Agriculture: Bearer Plants (effective for annual periods beginning on or after 1 January 2016);
- **Amendments to IAS 27 “Separate Financial Statements”** – Equity Method in Separate Financial Statements (effective for annual periods beginning on or after 1 January 2016); and
- **Amendments to various standards “Improvements to IFRSs (cycle 2012 – 2014)”** resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 January 2016).

The Bank’s management anticipates that adopting these standards, amendments to the existing standards and interpretations will have no material impact on the Bank’s financial statements in the period of initial application.

(2.2) Statement of compliance

The purpose of preparing these financial statements in the Slovak Republic is to comply with the Act on Accounting No. 431/2002 Coll. The Bank prepares its financial statements and annual report under special regulations – Regulation (EC) 1606/2002 of the European Parliament and of the Council on the Application of International Accounting Standards (IFRS).

Pursuant to Article 22 (12) of Act No. 431/2002 Coll. on Accounting as amended, the Bank does not prepare consolidated financial statements for the year ended 31 December 2014, since the subsidiary Privatfin, s.r.o. does not have a significant impact on Privatbanka’s consolidated group. The judgment on the financial position, expenses, revenues and results of operations of Privatbanka’s consolidated group has not been significantly affected by preparing only the Bank’s separate financial statements.

On 23 April 2014, the Bank’s General Meeting approved the Bank’s financial statements prepared in accordance with IFRS as at 31 December 2013.

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

(2.3) Basis of preparation

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

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

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

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

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

(2.4) Significant accounting judgements and estimates

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

Significant areas that require judgment and estimates:

- The on-going impact of recent financial crisis on financial markets and the economic environment have resulted in material adjustments to the valuation of the Bank's assets. The management of the Bank has considered all relevant factors in making prudent and reasonable valuation estimates in the circumstances. The financial markets continue to be affected by market liquidity issues and price volatility. There is also a continued increased level of uncertainty about future economic developments. These factors could result in future changes in the valuation of assets and such changes could be material.
- Provisions for liabilities are based on the management's judgments and represent the best estimate of the expenditures required to settle a liability of an uncertain timing or amount resulting from an obligation.
- The Bank regularly (on a quarterly basis) monitors the loan portfolio and performs an individual or portfolio assessment of receivables from loan transactions in order to identify loss events. Subsequently, the Bank quantifies the impact of a loss event on the recognised financial assets while taking into account estimated income from received collateral. Considering the current economic conditions, the final outcome of these estimates could differ from the amounts of impairment losses recognised as at 31 December 2014.

(2.5) Summary of significant accounting policies

(1) Foreign currency translation

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

(2) Cash and cash equivalents

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

(3) Financial instruments – recognition and measurement

(i) Date of initial recognition

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

(ii) Initial measurement of financial instruments

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

(iii) Held-to-maturity financial investments

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

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

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

(v) Financial assets at fair value through profit or loss

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

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

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

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

(i) Fair Value Hedge

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

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

(ii) Cash Flow Hedge

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

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

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

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

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

Embedded Derivatives

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

(vi) Available-for-sale securities

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

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

(vii) Deposits from customers, due to banks and debt securities issued

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

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

(4) Derecognition of financial assets and financial liabilities

(i) Financial assets

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

- The rights to receive cash flows from the asset have expired; or
- The Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; or
- The Bank has transferred substantially all the risks and rewards of the asset; or
- The Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

(ii) Financial liabilities

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

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

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

(6) Repurchase and reverse repurchase agreements

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

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

(7) Determination of fair value

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

- Level 1: Quoted prices from active markets for identical assets or liabilities
- Level 2: Inputs other than “Level 1” quoted prices, which can be obtained for assets or liabilities either directly (eg prices) or indirectly (derived from interest rates etc)
- Level 3: Input data for assets or liabilities, which cannot be derived from market data

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

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

- The fair value of government and NBS treasury bills is determined by discounting the face value to present value by the required proceeds by maturity derived from the applicable rates effective on the interbank market.
- For OTC derivatives the fair value is determined by discounting future cash flows to their present value using verifiable market data.

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

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

(8) Impairment of financial assets

The Bank assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is reduced if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or necessary reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows.

(i) Loans and advances to banks and loans and advances to customers

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

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

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

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

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

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

In 2014, no new loan portfolios were created. At present, the Bank has eight portfolios created for the collective assessment of receivables with common characteristics, of which four portfolios were created for loans granted to individuals and four portfolios for corporate or project loans.

The Bank does not have a sufficiently-long time series for the calculation of an historical default rate for the loan portfolios. The portfolio provision is created based on management estimates, considering the current stagnation of the real estate market, the value of received collateral, and expected recovery rates. The recorded estimated provision relates to the impairment of the whole portfolio. The management assumes that the incurred but not identified losses are in the volume of 3.5% (2013: 3.5%) of the total amount of the loans included in the portfolio of loans for real estate project financing and 2.5% (2013: 2.5%) of the total amount of the loans included in the portfolio of loans for clients engaged in the real estate lease and operations sector (refer also to Note 6 and 7). The Bank recorded a provision in the amount of 2.0% (2013: 2.0%) of the total amount of the loans for the portfolio of loans provided to finance new investment projects. Based on the assessment of the development of loans provided to finance photovoltaic power plants, the Bank concluded that no portfolio provision is currently required for this loan portfolio. It is expected that as future events and uncertainties develop, the management will be able to improve its estimates of incurred losses that will result in future adjustments to impairment losses.

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

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

(ii) Held-to-maturity financial investments

For held-to-maturity investments, the Bank assesses individually whether there is objective evidence of impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced and the amount of the loss is recognised in the Income Statement.

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

(iii) Available-for-sale financial investments

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

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or long-term decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the Income Statement – is removed from equity and recognised in the Income Statement. Provisions for equity investments are not reversed through the Income Statement. Increases in their fair value after impairment are recognised directly in equity.

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

(iv) Renegotiated loans

The Bank prefers to restructure loans rather than perfect the collateral if such procedure improves or strengthens its position as a creditor. Restructuring may include the extension of repayment dates and the agreement of new credit terms and conditions. Once the terms have been renegotiated, the loan is no longer considered a past-due asset. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

(9) Accrued interest income and expense

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

(10) Tangible and intangible assets

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

Buildings and structures	20 to 40 years, linear
Software	Up to 5 years, linear
Other assets	4 to 12 years, linear

Land and assets under construction are not depreciated.

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

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

(11) Impairment of tangible and intangible assets

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

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

(12) Guarantees issued

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

(13) Provisions for liabilities

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

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

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

(14) Recognition of income and expenses

(i) Interest expense and interest income

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

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

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

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

(ii) Fee and commission income and expenses

Fees earned for the administration of loans and other received and paid fees are recorded in the Income Statement when the service is provided or received.

(iii) Income tax

Income tax includes current tax and deferred tax.

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

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

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

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

(15) Subsidiaries and other equity investments

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

Subsidiaries

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

Subsidiaries are valued at cost less provisions for impairment.

Other equity participations

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

(16) Transactions with securities for clients

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

(17) Regulatory requirements

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

3. SEGMENT REPORTING

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

An operating segment is a component of the reporting entity:

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

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

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

Notes to the Financial Statements for the year ended 31 December 2014
Prepared in accordance with International Financial Reporting Standards,
as adopted by the European Union

Classification by geographical area as at 31 December 2014:

EUR '000	Cash and balances with central banks	Loans and advances to banks	Loans and advances to customers	Available-for- sale securities	Securities at fair value through profit or loss	Securities held- to-maturity	Investments in subsidiaries
Australia	-	-	-	2 118	-	-	-
Bulgaria	-	-	-	3 277	-	-	-
Czech Republic	152	438	21 251	6 200	586	4 016	-
China	-	-	-	10 022	-	-	-
Finland	-	-	-	-	-	2 056	-
France	-	-	-	10 287	-	-	-
Netherlands	-	330	21	-	-	1 977	-
Hongkong	-	-	-	2 502	-	-	-
Croatia	-	-	-	-	-	3 193	-
Ireland	-	-	-	5 435	-	2 158	-
Jersey	-	-	-	2 817	857	2 144	-
Canada	-	-	-	-	-	2 095	-
Lithuania	-	-	-	11 736	-	-	-
Luxembourg	-	-	-	8 564	-	1 675	-
Hungary	-	-	-	-	-	6 497	-
Germany	-	210	-	2 088	17	-	-
Poland	-	196	12 216	24 495	-	7 879	-
Austria	-	145	-	18 267	-	3 102	-
Seychelles Islands	-	-	369	-	-	-	-
Slovak Republic	40 730	838	194 375	35 494	2 136	120 011	7
USA	136	142	-	26 241	235	5 903	-
Spain	-	-	-	-	-	5 629	-
Switzerland	60	-	-	-	-	-	-
Sweden	-	-	-	10 398	-	4 532	-
Italy	-	-	-	13 960	-	1 923	-
United Kingdom	75	-	1	10 752	-	-	-
Total gross	41 153	2 299	228 233	204 653	3 831	174 790	7
Provisions (Note 7)	-	-	(12 143)	-	-	-	-
Total net	41 153	2 299	216 090	204 653	3 831	174 790	7

The Bank did not recognise the balances of tangible and intangible assets and other assets as at 31 December 2014 by geographical segment owing to the immateriality of those amounts for the segment reporting.

Notes to the Financial Statements for the year ended 31 December 2014
Prepared in accordance with International Financial Reporting Standards,
as adopted by the European Union

Classification by geographical area as at 31 December 2013:

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

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

4. CASH AND BALANCES WITH CENTRAL BANKS

EUR '000	2014	2013
Cash on hand	1 891	1 721
Minimum reserve deposits at NBS	39 262	7 824
Total cash and balances with central banks	41 153	9 545

Receivables from central banks are not secured by any collateral.

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

5. LOANS AND ADVANCES TO BANKS

EUR '000	2014	2013
Current accounts	1 647	1 252
Time deposits	431	9 741
Other amounts due from banks	221	92
Total loans and advances to banks	2 299	11 085

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

6. LOANS AND ADVANCES TO CUSTOMERS

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

EUR '000	2014	2013
Loans and advances to		
entrepreneurs and corporate entities	213 915	199 782
individuals	14 318	12 022
Total loans and advances to customers, gross	228 233	211 804
Provisions for receivables from customers (Note 7)	(12 143)	(8 264)
Total loans and advances to customers, net	216 090	203 540

As at 31 December 2014, the 15 largest customers accounted for 46.5% of the gross loan portfolio, which amounted to EUR 106 141 thousand (2013: 40.5%, EUR 85 787 thousand).

Further details on credit risk are described in Note 41.

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

EUR '000	2014	2013
Residents		
Financial institutions	14 644	3 945
Non-financial institutions	164 409	159 216
Non-profit organisations	2 309	2 725
Public administration	-	2
Self-employed	15	-
Individuals	12 998	11 226
Non-residents		
Non-financial institutions	32 553	33 895
Individuals	1 305	795
Total loans and advances to customers, gross	228 233	211 804
Provisions for amounts due from customers (Note 7)	(12 143)	(8 264)
Total loans and advances to customers, net	216 090	203 540

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

EUR '000	2014 Share in %		2013 Share in %	
Short-term loans	82 496		88 404	
Of which: project financing	9 692	4,25	10 307	4,87
Operating	11 834	5,19	15 324	7,23
Real estate loans	11 785	5,16	11 328	5,35
Overdrafts	10 559	4,63	11 684	5,52
Other	48 318	21,17	50 068	23,64
Long-term loans	145 737		123 400	
Of which: project financing	17 876	7,83	15 661	7,39
Investment	29 098	12,75	28 415	13,42
Real estate loans	29 379	12,87	24 895	11,75
Photovoltaic power plants	4 863	2,13	12 494	5,90
New investment projects	14 697	6,44	8 288	3,91
Other	67 700	29,66	49 308	23,28
Total loans and advances to customers, gross	228 233	100,00	211 804	100,00
Provisions for amounts due from customers (Note 7)	(12 143)		(8 264)	
Total loans and advances to customers, net	216 090		203 540	

The share of project financing loans to the gross receivables from customers at the end of 2014 represents 12.1% (2013: 12.3%).

(d) Risk categorisation of loans to customers

The table below details the breakdown of loans to customers according to the type of exposure and the level of risk identified within the Bank's portfolio of loans and advances as at 31 December 2014. Exposure information includes undrawn loan commitments and issued guarantees.

EUR '000	Exposure	Provisions	Provisions coverage	Estimated value of collateral	Provisions and collateral coverage
Portfolio provisions	67 938	1 590	2,34%	63 135	95,27%
Individuals	6 684	-	0,00%	5 517	82,55%
<i>Of which: defaults</i>	-	-	-	-	-
Entrepreneurs and corporate entities	61 254	1 590	2,60%	57 618	96,66%
<i>Of which: defaults</i>	-	-	-	-	-
Individual provisions	160 295	10 553	6,58%	123 910	83,88%
Non-impaired exposures	136 428	-	-	106 749	78,25%
Impaired exposures	23 867	10 553	44,22%	17 161	116,12%
Subtotal, balance-sheet items	228 233	12 143	5,32%	187 045	87,27%
Off-balance sheet Retail Asset Class	2 342	-	-	-	-
Off-balance sheet Corporate Asset Class	26 710	-	-	-	-
Subtotal, off-balance sheet items	29 052	-	-	-	-
Total	257 286	12 143	4,72%	-	-

In 2014, the interest income on impaired loans to customer amounted to EUR 1 101 thousand (2013: EUR 1 079 thousand).

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

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

7. PROVISIONS FOR IMPAIRMENT LOSSES

EUR '000	1 Jan 2014		Release	Use for written-off receivables		Exchange rate gain/loss	31 Dec 2014
	(Creation)						
Loans and advances to customers (Note 6)	(8 264)	(10 674)	6 116	660	19		(12 143)
Other assets (Note 13)	(179)	(26)	-	-	-		(205)
Total impairment losses	(8 443)	(10 700)	6 116	660	19		(12 348)

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

8. AVAILABLE-FOR-SALE SECURITIES

Breakdown of available-for-sale securities per type of security and issuer's country as at 31 December 2014:

EUR '000	State Bonds		Bank Bonds	Corporate Bonds	Trustee Shares	Shares	Warrants	Total
Australia	-	2 118	-	-	-	-	-	2 118
Bulgaria	3 277	-	-	-	-	-	-	3 277
Czech Republic	-	16	6 184	-	-	-	-	6 200
China	-	10 022	-	-	-	-	-	10 022
France	-	-	10 287	-	-	-	-	10 287
Hongkong	-	2 502	-	-	-	-	-	2 502
Ireland	-	-	5 435	-	-	-	-	5 435
Jersey	-	-	2 817	-	-	-	-	2 817
Lithuania	11 736	-	-	-	-	-	-	11 736
Luxembourg	-	-	-	8 564	-	-	-	8 564
Germany	-	-	-	2 087	-	1	-	2 088
Poland	5 317	-	19 178	-	-	-	-	24 495
Austria	-	18 267	-	-	-	-	-	18 267
Slovak Republic	16 559	165	18 718	-	52	-	-	35 494
USA	-	25 240	1 001	-	-	-	-	26 241
Sweden	-	-	10 398	-	-	-	-	10 398
Italy	13 960	-	-	-	-	-	-	13 960
United Kingdom	-	10 752	-	-	-	-	-	10 752
Total	50 849	69 082	74 018	10 651	52	1		204 653

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

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

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

In connection with the transfer of securities from the "available-for-sale securities" portfolio to the "held-to-maturity securities" portfolio in 2011, the Bank continues to recognise as at 31 December 2014 revaluation reserves from available-for-sale securities in the amount of EUR 121 thousand (loss) in equity; the loss will be amortised in the income statement until the maturity of these securities (2013: a loss of EUR 280 thousand). In 2014, a loss in the amount of EUR 159 thousand (2013: a loss of EUR 178 thousand) was amortised in the Income Statement line "Interest income and similar income".

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

EUR '000	2014	2013
State bonds domestic	7 980	21 973
State bonds foreign	34 290	-
Bank bonds foreign	18 388	-
Corporate bonds domestic	8 612	-
Corporate bonds foreign	15 665	-
Total	84 935	21 973

Securities in pooling are provided as collateral for refinancing transactions with the NBS and loans from the ECB (see Note 14).

9. SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Breakdown of securities at fair value through profit or loss per type of security and issuer's country as at 31 December 2014:

EUR '000	Municipality			Corporate			Total
	State Bonds	Bonds	Bank Bonds	Bonds	Warrants	Certificates	
Czech Republic	-	-	586	-	-	-	586
Jersey	-	-	-	857	-	-	857
Germany	-	-	-	-	17	-	17
Slovak Republic	650	-	1 486	-	-	-	2 136
USA	-	-	235	-	-	-	235
Total	650	-	2 307	857	17	-	3 831

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

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

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

As at 31 December 2014, the Bank's portfolio of securities at fair value through profit or loss included domestic bank bonds at the fair value of EUR 1 486 thousand (31 December 2013: EUR 1 478 thousand) provided to the NBS as collateral for pooling and loans from the ECB (see Note 14).

10. HELD-TO-MATURITY SECURITIES

Breakdown of held-to-maturity securities per type of security and issuer's country as at 31 December 2014:

EUR '000	State Bonds	Bank Bonds	Corporate Bonds	Total
Czech Republic	-	2 078	1 938	4 016
Finland	-	-	2 056	2 056
Netherlands	-	-	1 977	1 977
Croatia	3 193	-	-	3 193
Ireland	-	-	2 158	2 158
Jersey	-	-	2 144	2 144
Canada	-	-	2 095	2 095
Luxembourg	-	-	1 675	1 675
Hungary	-	-	6 497	6 497
Poland	7 879	-	-	7 879
Austria	-	3 102	-	3 102
Slovak Republic	112 747	7 264	-	120 011
USA	-	5 903	-	5 903
Spain	-	-	5 629	5 629
Sweden	-	-	4 532	4 532
Italy	942	981	-	1 923
Total	124 761	19 328	30 701	174 790

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

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

As at 31 December 2014, the Bank's portfolio of held-to-maturity securities included domestic state bonds at amortised cost of EUR 2 001 thousand (2013: EUR 1 977 thousand) provided as collateral to a local bank.

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The structure of securities provided as collateral for pooling to the National Bank of Slovakia and loans from the ECB (see Note 14) is as follows:

EUR'000	2014	2013
State bonds domestic	110 746	130 812
State bonds foreign	7 879	34 326
Bank bonds domestic	7 068	8 062
Bank bonds foreign	3 101	7 529
Corporate bonds foreign	5 963	3 919
Total	134 757	184 648

11. INVESTMENTS IN SUBSIDIARIES

Name	Registered office	Share in the registered capital EUR '000	Share in the reserve fund EUR '000	Share in the registered capital (%)	Carrying amount EUR '000
At 31 Dec 2014					
Privatfin, s.r.o.	Bratislava	6,7	0,3	100	7
At 31 Dec 2013					
Privatfin, s.r.o.	Bratislava	6,7	0,3	100	7

12. TANGIBLE AND INTANGIBLE ASSETS
a) Changes in tangible and intangible assets as at 31 December 2014

EUR '000	Tangible assets					Intangible assets				Total
	Buildings	Furniture, fittings and equipment	Motor vehicles	Acquisition of tangible assets	Prepayments made for tangible assets	Software	Patents and licences	Acquisition of intangible assets	Prepayments made for intangible assets	
Cost										
At 1 Jan 2014	585	2 944	243	6	-	4 133	70	44	-	8 025
Additions	25	149	-	168	-	219	11	262	9	843
Disposals	(29)	(88)	-	(174)	-	(14)	(12)	(231)	(9)	(557)
At 31 Dec 2014	581	3 005	243	-	-	4 338	69	75	-	8 311
Accumulated depreciation										
At 1 Jan 2014	(133)	(2 157)	(175)	-	-	(3 858)	(70)	-	-	(6 393)
Depreciation and amortisation	(26)	(401)	(30)	-	-	(120)	(11)	-	-	(588)
Disposals	12	89	-	-	-	14	12	-	-	127
At 31 Dec 2014	(147)	(2 469)	(205)	-	-	(3 964)	(69)	-	-	(6 854)
Net book value										
At 31 Dec 2014	434	536	38	-	-	374	-	75	-	1 457

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

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

c) Insurance of assets

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

13. OTHER ASSETS

EUR '000	2014	2013
Positive fair value of derivatives for trading (Note 25)	45	70
Other debtors	1 061	1 028
Operating advance payments made	61	49
Inventory	31	37
Deferred expenses	106	105
Other receivables from customers	16	7
Other	2	1
Total other assets, gross	1 322	1 297
Provisions for other debtors (Note 7)	(205)	(179)
Total other assets, net	1 117	1 118

14. DUE TO BANKS

EUR '000	2014	2013
Loan received from the ECB	164 420	152 072
Other liabilities	623	-
Total due to banks	165 043	152 072

Loans received from the ECB as at 31 December 2014 represent a loan in the amount of EUR 70 000 thousand, falling due in January 2015, a loan in the amount of EUR 80 000 thousand, falling due in February 2015 and a loan in the amount of EUR 12 100 thousand, falling due in September 2018. These loans are secured by securities at the fair value of EUR 86 421 thousand (31 December 2013: EUR 23 451 thousand), which are disclosed in the Statement of Financial Position as "Available-for-sale securities" and "Securities at fair value through profit or loss", and securities at amortised cost of EUR 134 757 thousand (31 December 2013: EUR 184 648 thousand), which are disclosed in the Statement of Financial Position as "Held-to-maturity securities".

The Bank repaid the loan received from the ECB in the amount of EUR 70 000 thousand, falling due in January 2015 and the loan in the amount of EUR 80 000 thousand, falling due in February 2015. The Bank repaid the aforementioned loans from funds obtained from matured loans provided to customers and from matured securities; a portion of funds to repay loans are covered by the Bank from 3-month standard refinancing transactions with the ECB.

All payables due to banks are within maturity.

15. DEPOSITS FROM CUSTOMERS

(a) Breakdown of deposits from customers per type

EUR '000	2014	2013
Current accounts	112 169	100 252
Time deposits	290 053	275 647
Saving deposits	377	472
Deposit certificates	9	1 249
Other	511	239
Total deposits from customers	403 119	377 859

As at 31 December 2014, the 15 largest clients accounted for 23.4% of the total deposits from customers, which represents the amount of EUR 94 311 thousand (2013: 10.6%, EUR 40 112 thousand).

A portion of the deposits from customers comprises payables to related parties. Their share of the total deposits from customers as at 31 December 2014 represented 19%, totalling EUR 76 431 thousand (2013: 6.3%, EUR 23 767 thousand). Additional information on exposures to related parties is described in Note 36.

All deposits from customers are within maturity.

(b) Breakdown of deposits from customers by sector

EUR '000	2014	2013
Residents		
Financial institutions	61 025	15 894
Non-financial institutions	43 979	45 254
Insurance companies	802	998
Government	4 007	4 315
Non-profit organisations	4 088	4 848
Self-employed	2 440	563
Individuals	246 672	287 178
Non-residents		
Non-financial institutions	24 471	12 490
Non-profit organisations	23	426
Individuals	15 612	5 893
Total deposits from customers	403 119	377 859

16. DEBT SECURITIES ISSUED
(a) Breakdown of debt securities issued according to type

EUR '000	2014	2013
Bills of exchange	1 164	5 397
Coupon bonds	15 073	20 098
Total debt securities issued	16 237	25 495

All payables under the debt securities issued are within maturity.

(b) Summary of bonds issued

EUR '000	Date of issue	Maturity of issue	Interest rate	Face value 2014	Face value 2013
Bond 10 - 4.25% 20140914	09/2011	09/2014	4.25%	-	5 000
Bond 12 - 3.80% 20140320	03/2012	03/2014	3.80%	-	3 000
Bond 13 - 4.50% 20160330	03/2012	03/2016	4.50%	3 000	3 000
Bond 14 - 3.60% 20140220	02/2012	02/2014	3.60%	-	4 000
Bond 15 - 3.20% 20160131	01/2013	01/2016	3.20%	4 000	3 786
Bond 16 - 2.00% 20150716	07/2013	07/2015	2.00%	3 000	1 253
Bond 17 - 2.00% 20170821	08/2014	08/2017	2.00%	5 000	-
Total face value				15 000	20 039
Accrued interest				71	57
Accrued discount/premium				(2)	(6)
Total discount/premium (difference between face value and selling price)				4	8
Total liabilities from debt securities				15 073	20 098

The issued bonds are bearer bonds and all bonds were issued as uncertified securities. Bonds, except for the Privatbanka 10 bond, Privatbanka 12 bond, Privatbanka 13 bond, Privatbanka 15 and Privatbanka 17 bond, were not issued under a public offering. Bonds were not accepted at the listed securities market or any other stock market.

On 21 August 2014, the Bank issued Privatbanka 17 bonds (ISIN: SK4120010174) with a face value of EUR 1 thousand, with the total issue amounting to EUR 5 000 thousand. Yields on bonds are paid on a semi-annual basis and are set at a fixed interest rate of 2.00% p.a. of the bond's face value. Bonds are due on 21 August 2017. No request for admission at the stock market in the Slovak Republic or abroad will be filed for the bonds.

On 20 February 2014, the Bank repaid the face value of 4 000 units of Privatbanka 14 bonds (ISIN: SK4120008368) totalling EUR 4 000 thousand.

On 20 March 2014, the Bank repaid the face value of 3 000 units of Privatbanka 12 bonds (ISIN: SK4120008384) totalling EUR 3 000 thousand.

On 16 September 2014, the Bank repaid the face value of 5 000 units of Privatbanka 10 bonds (ISIN: SK4120008053) totalling EUR 5 000 thousand.

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

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

EUR '000	2014	2013
Residents		
Non-financial institutions	5 099	8 207
Government	107	103
Non-profit organisations	1 394	766
Self-employed	225	564
Individuals	8 508	15 721
Non-residents		
Individuals	904	134
Total liabilities from debt securities	16 237	25 495

17. CURRENT INCOME TAX LIABILITY

EUR '000	2014	2013
Tax prepayments	(1 818)	(1 459)
Current tax	2 735	1 901
Total	917	442

18. DEFERRED TAX LIABILITY

Deferred tax assets and liabilities are as follows:

EUR '000	Assets		Liabilities		Net	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Tangible and intangible assets	-	-	52	56	52	56
Securities - remeasurement in equity	-	-	863	223	863	223
Hedging derivative instruments - remeasurement in equity	(50)	-	-	-	(50)	-
Total	(50)	-	915	279	865	279

The deferred tax assets and liabilities have been calculated using the corporate income tax rate of 22% (2013: 22%).

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

The Bank does not expect to realise benefits from tax non-deductible provisions for impairment losses in the future. Therefore, as at 31 December 2014 the Bank did not recognise a deferred income tax asset of EUR 2 717 thousand arising from tax non-deductible provisions for impairment losses (2013: 1 712 thousand EUR).

As at 31 December 2014, the Bank does not recognise a deferred tax asset relating to provisions for bonuses of the Bank's employees and management in the amount of EUR 186 thousand (2013: EUR 162 thousand).

19. OTHER LIABILITIES

EUR '000	2014	2013
Negative fair value of derivatives for trading (Note 25)	254	706
Negative fair value of derivatives to hedge fair value (Note 25)	178	-
Negative fair value of derivatives to hedge cash flows (Note 25)	227	-
Other creditors	179	259
Settlement with employees	232	236
Social fund	9	9
Payables to State budget	1 353	1 512
Payables to social and health insurance companies	144	143
Deferred income	21	24
Accrued expenses	1 190	1 060
Payables from collection	-	1
Settlement with the securities market	15	-
Other amounts due to customers	539	6 084
Total other liabilities	4 341	10 034

Movements in the social fund:

EUR '000	
Balance at 31 Dec 2013	9
Creation	52
Drawing	(52)
Balance at 31 Dec 2014	9

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

Share capital

EUR '000	2014	2013
Issued and fully paid share capital:		
756 874 ordinary shares (ISIN SK1110001619 with a face value of EUR 33.19 each)	25 121	25 121

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

The structure of the Bank's shareholders as at 31 December 2014 and 31 December 2013:

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

Legal reserve fund

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

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

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

Revaluation reserves on the translation of hedging derivative instruments, including deferred tax

Revaluation reserves on the translation of hedging derivative instruments represent unrealised revaluation of hedging derivative instruments. The revaluation reserves are recognised net of deferred tax effect. Such revaluation reserves are not available for distribution to the shareholder.

21. PROPOSAL FOR DISTRIBUTION OF 2014 PROFIT

EUR '000	2014
Allotment to legal reserve fund	476
Allotment to retained earnings	4 288
Net profit for the current reporting period	4 764

22. TAX REVENUE/(EXPENSE)

EUR '000	2014	2013
Current income tax	(2 736)	(1 901)
Deferred tax due to temporary difference	3	6
Total	(2 733)	(1 895)

23. RECONCILIATION OF THEORETICAL AND RECORDED TAX

	2014		Impact on tax
	Balance (EUR '000)	Applicable rate	
Theoretical tax base	7 497	22%	1 649
Permanent non-deductible differences	896	22%	197
Permanent deductible differences	-	22%	-
Effect of use of tax losses carried forward- previously unrecognised deferred tax asset	-	22%	-
Unrecognised deferred tax asset - other	110	22%	24
Unrecognised deferred tax asset owing to temporary differences, utilisation of which is uncertain in the future	3 924	22%	863
Impact of a change of the tax rate			-
Adjusted tax			2 733
Effective tax expense			2 733

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

24. OFF-BALANCE SHEET ITEMS

EUR '000	Off-balance sheet assets	2014	2013
1.	Receivables from spot transactions with currency instruments	3 750	150
2.	Receivables from forwards, futures and swaps:	36 520	18 287
	a) With interest rate instruments	157	67
	b) With currency instruments	36 363	18 220
3.	Received collaterals:	217 214	173 149
	a) Immovables	77 632	75 469
	b) Cash	46 791	9 708
	c) Securites	66 447	57 112
	d) Other	26 344	30 860

EUR '000	Off-balance sheet liabilities	2014	2013
1.	Undrawn loan facilities	24 174	11 699
2.	Issued guarantees	4 878	4 654
3.	Liabilities from spot transactions with currency instruments	3 749	150
4.	Liabilities from futures, forwards and swaps:	37 134	18 923
	a) With interest rate instruments	709	766
	b) With FX instruments	36 425	18 157
5.	Securities provided as collateral	223 179	210 076
6.	Cash provided as collateral	330	-
7.	Consigned values	168 451	147 632

The whole amount of undrawn loan facilities and provided guarantees in 2014 and 2013 represents Irrevocable commitments.

25. FINANCIAL DERIVATIVES

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

2014 EUR '000	Face value in off-balance sheet		Fair value		Net fair value
	Receivable	Payable	Positive	Negative	
Interest rate swaps for trading	3 000	3 000	-	(147)	(147)
Currency swaps for trading	36 364	36 431	45	(107)	(62)
Interest rate swaps to hedge fair value	7 000	7 000	-	(178)	(178)
Interest rate swaps to hedge cash flows	15 000	15 000	-	(227)	(227)
Total financial derivatives	61 364	61 431	45	(659)	(614)

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

The positive fair value of derivatives as at 31 December 2014 in the amount of EUR 45 thousand (2013: EUR 70 thousand) is recognised in "Other assets" (Note 13). The negative fair value of derivatives as at 31 December 2014 in the amount of EUR 659 thousand (2013: EUR 706 thousand) is recognised in "Other liabilities" (Note 19).

The breakdown of the face value of financial derivatives by residual maturity as at the end of 2014 is as follows:

EUR '000	Within 1	1 to 3	3 months	1 year	Over	Total
	month	months	to 1 year	to 5 years	5 years	
Interest rate swaps for trading	-	-	-	3 000	-	3 000
Currency swaps for trading	27 316	2 000	7 048	-	-	36 364
Interest rate swaps to hedge fair value	-	-	-	7 000	-	7 000
Interest rate swaps to hedge cash flows	-	-	-	15 000	-	15 000
Total receivables	27 316	2 000	7 048	25 000	-	61 364
Interest rate swaps for trading	-	-	-	3 000	-	3 000
Currency swaps for trading	27 329	2 039	7 063	-	-	36 431
Interest rate swaps to hedge fair value	-	-	-	7 000	-	7 000
Interest rate swaps to hedge cash flows	-	-	-	15 000	-	15 000
Total payables	27 329	2 039	7 063	25 000	-	61 431

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

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

26. INTEREST INCOME AND SIMILAR INCOME

EUR '000	2014	2013
Interest income from amounts due from banks and central bank	65	52
Interest income from clients' current accounts	550	657
Interest income from clients' loans	11 987	12 529
Interest income from available-for-sale securities	4 027	2 070
Interest income from securities at fair value through profit or loss	70	83
Interest income from securities held-to-maturity	6 661	8 845
Interest rate swaps	70	57
Other	4	9
Total interest income and similar income	23 434	24 302

27. INTEREST EXPENSE AND SIMILAR EXPENSE

EUR '000	2014	2013
Interest expense from amounts due to banks	253	844
Interest expense from clients' current accounts	257	316
Interest expense from clients' time deposits	7 063	9 327
Interest expense from clients' savings deposits	6	6
Interest expense from clients' deposit certificates	7	136
Interest expense from debt securities	556	920
Interest rate swaps	788	692
Total interest expense and similar expense	8 930	12 241

28. FEE AND COMMISSION INCOME

EUR '000	2014	2013
Income from fees and commissions:		
Loans	506	331
Payments	120	121
Itemised fees	254	259
Securities trading	6 205	4 882
Portfolio management	748	815
Other	40	69
Total fee and commission income	7 873	6 477

29. FEE AND COMMISSION EXPENSE

EUR '000	2014	2013
For the following areas:		
Loans	63	5
Payments	215	188
Interbank transactions	28	29
Securities trading	226	243
Intermediation	27	206
Total fee and commission expense	559	671

30. TRADING PROFIT

EUR '000	2014	2013
Realised profit/loss from debt securities transactions (available-for-sale)	131	258
Profit/loss from debt securities transactions (at fair value through profit or loss)	(2)	41
Profit/loss from certificates transactions (at fair value through profit or loss)	16	50
Profit/loss from warrant transactions (at fair value through profit or loss)	25	(27)
Profit/loss from shares and trustee shares (available-for-sale)	619	40
Profit/loss from derivative transactions	426	621
Profit/loss from forex transactions	450	350
Total trading profit	1 665	1 333

31. GENERAL OPERATING EXPENSES

EUR '000	2014	2013
Personnel costs	5 735	5 391
Other general operating expenses	5 253	5 386
Of which: Expenses for audit of financial statements	91	94
Contributions to Deposits Protection Fund	350	-
Special levy of financial institutions	1 724	2 425
Rent	778	756
Energy	183	186
Advertising costs	139	89
IT systems	285	250
Training and education	33	25
Car maintenance and fuel	37	36
Membership fees	173	153
Other services	1 016	1 010
Other operating expenses	444	362
Total general operating expenses	10 988	10 777

The average number of employees in 4Q of 2014 was 159 (2013: 160). The number of employees as at 31 December 2014 was 160 (2013: 163). The number of members of management as at 31 December 2014 was 6 (2013: 6).

As of 1 January 2012, banks and branches of foreign banks in Slovakia are obliged to pay a special levy (the so-called bank tax) pursuant to Act No. 384/2011 Coll. on Special Levy of Selected Financial Institutions and on Amendment to and Supplementation of Certain Acts (hereinafter the "Special Levy Act"). Banks and branches of foreign banks are obliged to pay the levy in four quarterly instalments in the amount of one fourth of the annual rate (annual rate: 0.4%) of the amount of the Bank's liabilities defined in line with the Special Levy Act. The Bank was not obliged to pay a quarterly instalment of the levy for 4Q 2014. As of 1 January 2015, the annual special levy rate was changed to 0.2%.

The banks' obligation to pay an annual contribution to the Deposit Protection Fund arises from the provision of Article 5 (1b) of Act of the National Council of the Slovak Republic No. 118/1996 Coll. on the Protection of Bank Deposits and on Amendment to and Supplementation of Certain Acts, as amended. The annual contribution for the 2013 calendar year was set by the Board of the Deposit Protection Fund at 0% of the amount of the Bank's deposits protected by the Deposit Protection Act. The annual contribution for the 2014 calendar year was set by the Board of the Deposit Protection Fund at 0.2% of the amount of the Bank's deposits protected by the Deposit Protection Act, ie 0.05% per quarter. Due to a change in 2014, the Bank was obliged to pay to the Deposit Protection Fund a contribution of 0.01% for 3Q and 4Q. As of 1 January 2015, the annual contribution for banks has been changed to 0.03% of the amount of the Bank's deposits protected by the Deposit Protection Act, ie 0.0075% per quarter.

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

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

EUR '000	2014	2013
(Creation) of provisions for impairment losses (Note 7)	(10 700)	(7 356)
Use of provisions for impairment losses (Note 7)	6 116	5 828
Use of provisions for written-off receivables (Note 7)	660	-
Written-off receivables, gross	(671)	(6)
Income from assignment of receivables	207	5
Total	(4 388)	(1 529)

33. PROFIT BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES

EUR '000	2014	2013
Profit before income taxes	7 497	6 251
Adjustments for non-cash transactions:		
Interest income	(23 434)	(24 302)
Interest expense	8 930	12 241
Revaluation of securities recognised at fair value through profit or loss	(34)	-
Revaluation of derivatives for trading	(426)	-
Depreciation/amortisation of tangible and intangible assets	588	635
Provisions for receivables, write-off of receivables	4 388	1 529
Provisions for liabilities	11	13
Net book value of tangible assets disposed	17	10
Income from the sale of tangible assets	-	(4)
Total before interest received / (paid)	(2 463)	(3 627)
Interest received	24 409	26 752
Interest paid	(8 673)	(11 317)
Profit before changes in operating assets and liabilities	13 273	11 808

34. CASH AND CASH EQUIVALENTS

EUR '000	2014	2013
Cash on hand (Note 4)	1 891	1 721
Loans and advances to banks due within 3 months	1 969	11 085
Cash and cash equivalents	3 860	12 806

35. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Legal disputes

The Bank conducted a review of legal proceedings pending against the Bank as at 31 December 2014 and 31 December 2013. Under the review of risks of losses from major litigations and the involved amounts, the Bank recorded a provision for such litigations amounting to EUR 337 thousand as at 31 December 2014 (2013: EUR 326 thousand).

b) Commitments arising from issue of guarantees

Commitments from guarantees include issued guarantees that represent an irrevocable commitment that the Bank will make payments in the event that a customer cannot meet its obligations to third parties. Based on the risk assessment as at 31 December 2014 and 31 December 2013, the Bank did not create any provisions to cover losses included in balances of undrawn loan commitments and guarantees, which are recognised in off-balance sheet accounts.

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

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

36. RELATED PARTY TRANSACTIONS

Related parties as defined by IAS 24 include:

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

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

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

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

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EUR '000	Balance at 31 Dec 2014	Accruals at 31 Dec 2014	Total	Interest expense/Interest income 2014	Fee and commision income 2014	Trading profit /loss 2014	General operating expenses 2014	(Creation)/ release of provisions 2014
Receivables from the parent company								
Loans and advances to customers	-	-	-	57	-	-	-	-
Other assets	21	-	21	-	141	59	-	-
Payables to the parent company								
Deposits from customers	1 015	-	1 015	(6)	5	-	-	-
Other liabilities	-	-	-	-	-	-	-	-
Receivables from parent's related parties								
Loans and advances to banks	-	-	-	1	-	-	-	-
Loans and advances to customers	33 026	287	33 313	1 106	7	-	-	(234)
Available-for-sale securities	19 064	114	19 178	114	-	-	-	-
Other assets	142	-	142	-	5 030	93	-	-
Payables to parent's related parties								
Deposits from customers	73 343	59	73 402	(257)	67	-	-	-
Debt securities issued	54	-	54	(7)	-	-	-	-
Other liabilities	34	-	34	-	-	-	(745)	-
Undrawn credit facilities	239	-	239	-	-	-	-	-
Received collateral	47 347	-	47 347	-	-	-	-	-

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EUR '000	Balance at 31 Dec 2014	Accruals at 31 Dec 2014	Total	Interest expense/ Interest income 2014	Fee and commision income 2014	Trading profit /loss 2014	General operating expenses 2014	(Creation)/ release of provisions 2014
Receivables from subsidiaries								
Investments in subsidiaries	7	-	7	-	-	-	-	-
Payables to subsidiaries								
Deposits from customers	5	-	5	-	-	-	-	-
Receivables from management members and their related parties								
Loans and advances to customers	98	-	98	4	-	-	-	-
Other assets	3	-	3	-	5	-	-	-
Payables due to management members and their related parties								
Deposits from customers	2 009	-	2 009	(8)	1	-	-	-
Debt securities issued	-	-	-	(1)	-	-	-	-
Other liabilities	480	-	480	-	-	-	(650)	-
Undrawn loan facilities	37	-	37	-	-	-	-	-
Received collateral	99	-	99	-	-	-	-	-

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

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

Wages and salaries and social insurance expenses with respect to the statutory representatives and members of the Supervisory Board were in the amount of EUR 650 thousand as at 31 December 2014 (2013: EUR 574 thousand). Members of the Bank's bodies in 2014 and 2013 did not receive any non-cash remuneration.

37. FINANCIAL INSTRUMENTS – MARKET RISK

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

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

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

(a) Interest rate risk

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

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

As the Bank has significant positions in fixed-interest bonds in its Banking Book, a decision was made on the partial hedging of such positions. Hedging instruments comprise interest-rate swaps through which the Bank maintains the total interest rate position of the Banking Book at an acceptable level and also eliminates profit/(loss) volatility.

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The average effective interest rates of assets and liabilities as at 31 December 2014 and the periods in which these rates are remeasured are as follows:

EUR '000	Effective interest rate	Up to 1 month	1 - 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Unspecified	Total
Cash and balances with central banks	0,05%	39 262	-	-	-	-	1 891	41 153
Loans to banks	0,36%	530	-	-	-	-	1 769	2 299
Loans to customers	5,27%	37 421	80 431	50 318	39 643	1 064	7 213	216 090
Available-for-sale securities	2,43%	43 444	19 973	42 554	80 174	7 805	10 703	204 653
Securities at fair value through profit or loss	1,57%	11	2 943	587	273	-	17	3 831
Securities held-to-maturity	3,64%	47 406	14 857	23 792	70 866	17 869	-	174 790
Investments in subsidiaries	-	-	-	-	-	-	7	7
Total assets		168 074	118 204	117 251	190 956	26 738	21 600	642 823
Due to banks	0,05%	71 778	81 165	-	12 100	-	-	165 043
Deposits from customers	1,89%	99 975	31 447	96 792	174 299	-	606	403 119
Debt securities issued	2,72%	129	976	3 130	12 002	-	-	16 237
Total liabilities		171 882	113 588	99 922	198 401	-	606	584 399
Difference		(3 808)	4 616	17 329	(7 445)	26 738	20 994	58 424
Cumulative difference		(3 808)	808	18 137	10 692	37 430	58 424	

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

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

The interest rate sensitivity analysis is based on the assumption of a parallel movement of the yield curve.

The table below shows the change in net profit and equity of the Bank due to possible changes in interest rates.

EUR '000	Impact on net profit	Impact on equity
2014		
+ 0,5% for all currencies	(6)	(1 306)
- 0,5% for all currencies	6	1 339
2013		
+ 0,5% for all currencies	(9)	(997)
- 0,5% for all currencies	9	1 022

(b) Currency risk

Currency risk is the risk of a change in the value of the Bank's portfolios as a result of changes in the value of exchange rates and open unsecured positions. The Bank manages currency risk by determining and daily monitoring of maximum limits of open positions of the banking book for individual currencies. A potential excessive open currency position of the Banking Book is immediately repurchased through an internal operation in the Trading Book. The currency risk of the trading book is limited by maximum exposure using the VaR model. The following tables show the volumes of assets and liabilities according to the individual main currencies and the resulting unsecured open currency positions as at the year-end of 2014 and 2013.

As at 31 December 2014, the Bank reported the following structure of financial assets and liabilities in individual currencies:

EUR '000	EUR	CZK	USD	Other FX	Total
Cash and balances with central banks	40 730	151	138	134	41 153
Loans to banks	859	436	218	786	2 299
Loans to customers	210 850	5 006	-	234	216 090
Available-for-sale securities	189 573	7 189	7 891	-	204 653
Securities at fair value through profit or loss	2 609	1 222	-	-	3 831
Securities held-to-maturity	170 708	4 082	-	-	174 790
Investments in subsidiaries	7	-	-	-	7
Total assets	615 336	18 086	8 247	1 154	642 823
Due to banks	164 420	623	-	-	165 043
Deposits from customers	370 191	20 083	7 465	5 380	403 119
Debt securities issued	16 237	-	-	-	16 237
Total liabilities	550 848	20 706	7 465	5 380	584 399
Net FX position	64 488	(2 620)	782	(4 226)	58 424

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

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

The table below is a summary of the currencies in which the Bank has significant open positions as at 31 December 2014 and 31 December 2013. The sensitivity analysis calculates the effect of possible changes in the exchange rate against the selected currencies on the Income Statement. A positive amount reflects a net potential gain and a negative amount reflects net potential loss on the Income Statement.

EUR '000	Change in exchange rate	Impact on net profit
2014		
CHF	+ 4,16%	-
GBP	+12,43%	(14)
USD	+13,91%	2
CZK	+ 4,71%	5
2013		
CHF	+10,85%	7
GBP	+16,85%	(35)
USD	+18,09%	20
CZK	+13,49%	(91)

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

38. MANAGEMENT OF CAPITAL

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

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In accordance with the prudence principle, regulatory capital is used to cover risks arising from the Banking Book, the Trading Book, to cover other risks (eg. FX risk, commodity risk) and to cover operational risks.

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

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

The Bank's regulatory capital comprises Tier 1 and Tier 2 capitals. The Bank's Tier 1 capital includes share capital, the legal reserve fund, retained earnings from previous years and intangible assets (as a decreasing item). The Bank has no Tier 2 capital.

Due to a change in the method of calculation of regulatory capital in 2014, the amount of regulatory capital as at 31 December 2014 and 31 December 2013 is presented separately in the tables below:

EUR '000	2014
Tier 1 capital	46 443
Paid up share capital	25 121
Reserve fund and other funds created from profit	4 215
Retained earnings from previous years	17 556
Accumulated other comprehensive accounting income/loss	3 059
(-) Intangible assets	(449)
Temporary adjustments of capital	(3 059)
Tier 2 capital	-
Subordinated debt	-
Regulatory capital	46 443

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

The indicators of the Bank's capital adequacy as at 31 December 2014 and 31 December 2013 are provided in the table below (the balance as at 31 December 2013 is recognised analogically as the balance as at 31 December 2014):

EUR '000	31 Dec 2014	31 Dec 2013
Adequacy of regulatory capital (%)	11,81%	12,19%
Regulatory capital	46 443	43 001
Total amount of risk exposures	393 396	352 650
RVE - credit risk and counterparty's credit risk	354 012	309 975
RE - position risk	2 413	10 225
RE - foreign exchange risk	-	912
RE - adjustment of the receivable measurement	1	-
RE - operational risk	36 970	31 538

The National Bank of Slovakia, as the supervising authority, requires that the Bank maintain the proportion of the regulatory capital to total risk-weighted exposure of at least 8%; moreover, as at 31 December 2014 a cushion to maintain capital in the amount of 2.5% is effective, ie the total proportion of the regulatory capital to the total risk-weighted exposures has to be maintained at least at 10.5% as at 31 December 2014.

In the reporting periods, the Bank's regulatory capital exceeded the minimum requirement level of risk-weighted exposures; thus, the Bank complied with the regulatory authority's capital requirement.

39. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows the structure of the Bank's assets and liabilities by maturity as at 31 December 2014:

EUR '000	Up to 7 days	From 7 days to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	Unspecified	Total
Cash and balances with central banks	41 153	-	-	-	-	-	41 153
Loans and advances to banks	2 154	145	-	-	-	-	2 299
Loans and advances to customers	1	22 333	80 319	103 688	2 435	7 314	216 090
Available-for-sale securities	-	14 552	17 193	138 936	23 268	10 704	204 653
Securities at fair value through profit or loss	-	254	3 287	273	-	17	3 831
Securities held-to-maturity	3 193	49 659	19 353	84 716	17 869	-	174 790
Investments in subsidiaries	-	-	-	-	-	7	7
Tangible and intangible assets	-	-	-	-	-	1 457	1 457
Other assets	45	748	14	-	-	310	1 117
Total assets	46 546	87 691	120 166	327 613	43 572	19 809	645 397
Due to banks	623	152 320	-	12 100	-	-	165 043
Deposits from customers	117 226	48 681	96 929	140 281	-	2	403 119
Debt securities issued	-	1 105	3 130	12 002	-	-	16 237
Current tax liability	-	917	-	-	-	-	917
Deferred tax liability	-	-	-	-	-	865	865
Provisions for liabilities	-	-	-	-	-	337	337
Other liabilities	842	1 353	-	-	-	2 146	4 341
Total liabilities	118 691	204 376	100 059	164 383	-	3 350	590 859
Difference	(72 145)	(116 685)	20 107	163 230	43 572	16 459	54 538
Cummulative difference	(72 145)	(188 830)	(168 723)	(5 493)	38 079	54 538	

The bulk of deposits from customers payable within seven days in the amount of EUR 117 226 thousand include deposits payable on demand, which are unlikely to be paid to customers within the defined interval.

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

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

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

40. FINANCIAL INSTRUMENTS – LIQUIDITY RISK MANAGEMENT

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

The remaining maturity of undiscounted amounts of financial liabilities as at 31 December 2014:

EUR'000	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Not specified	Total
Due to banks	-	152 950	-	12 170	-	-	165 120
Deposits from customers	112 169	53 396	98 222	149 324	-	-	413 111
Debt securities issued	-	1 165	3 406	12 081	-	-	16 652
Total liabilities	112 169	207 511	101 628	173 575	-	-	594 883

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

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

41. FINANCIAL INSTRUMENTS – CREDIT RISK

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

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

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

Factors leading to the creation of impairment losses for financial assets assessed individually in 2014:

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

Provisioning

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

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

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

Credit exposure, collaterals

EUR '000	2014	2013
Total credit exposure	228 233	211 804
Value of received collaterals accepted by the Bank	347 553	271 542
of which: immovables	133 491	113 284
cash	31 273	13 873
securities	101 947	82 698
other	80 842	61 687
Secured portion of credit exposure	187 045	166 370
Unsecured portion of credit exposure	41 188	45 434

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

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

The most frequently-used collateral types:

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

Assumptions in estimates of collateral realisable value

The value of collateral is determined as follows:

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

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

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

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

Credit quality of assets recognised as neither past due nor impaired

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

Clients - transaction rating - 2014	Receivables (EUR '000)	Share (%)
Rating A - very good	31 767	15,53
Rating B - good	21 847	10,68
Rating C - below average	95 662	46,75
Rating D - bad	41 541	20,30
Retail	13 792	6,74
Total	204 609	100,00

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

Based on the balances as at 31 December 2014 and 31 December 2013, there are no clients with accredited external ratings in the Bank's loan portfolio.

The summary of external ratings of securities (Moody's Investors Service) that are not recognised as overdue or impaired as at 31 December 2014:

Available-for-sale securities	(EUR '000)	Share (%)
A1	5 600	2,74
A2	29 174	14,26
AA2	2 118	1,03
Baa1	26 413	12,91
Baa2	42 186	20,61
Baa3	7 134	3,49
No rating	92 028	44,96
Total	204 653	100,00

Out of the securities with no Moody's Investors Service rating, securities at fair value of EUR 11 321 thousand have an A- rating with Standard & Poor's.

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Securities recognised at fair value through profit or loss	(EUR '000)	Share (%)
A1	1 486	38,79
A2	284	7,41
Baa1	235	6,13
No rating	1 826	47,67
Total	3 831	100,00

Out of the securities with no Moody's Investors Service rating, the securities at fair value of EUR 365 thousand have an A- rating with Standard & Poor's.

Securities-held-to maturity	(EUR '000)	Share (%)
A1	2 355	1,35
A2	124 117	71,01
A3	1 977	1,13
Ba1	4 869	2,79
Baa1	6 013	3,44
Baa2	12 639	7,23
No rating	22 820	13,05
Total	174 790	100,00

Out of the securities with no Moody's Investors Service rating, the securities at amortised cost of EUR 6 497 thousand have a BB rating with Standard & Poor's.

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

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

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

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

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

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

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

Method of determining transaction ratings

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

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

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

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

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

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

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

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

Ageing structure of financial assets overdue, recognised as unimpaired

As at 31 December 2014, the Bank recognised overdue loan receivables, which were classified as unimpaired in the total amount of EUR 3 852 thousand, of which the principal in the amount of EUR 3 462 thousand (of which principal in the amount of EUR 1 820 thousand overdue by more than 30 days), and interest and charges in the amount of EUR 390 thousand (of which interest and charges in the amount of EUR 248 thousand overdue by more than 30 days).

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

Restructured assets

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

In 2014, the Bank mainly extended the maturity of financial assets – loan receivables in the total amount of EUR 29 192 thousand, of which short-term loans amounted to EUR 8 672 thousand and long-term loans amounted to EUR 20 520 thousand.

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

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

Major credit risk exposures

(a) Concentrations to national economy sectors

EUR '000	2014	2013
Non-banking financial services	21 835	1 248
Manufacturing	28 473	43 558
<i>Of which: photovoltaic power plants</i>	5 484	13 311
Construction	6 495	1 951
Agriculture and forestry	4 022	3 529
Commercial real estate - cash flow based	22 119	28 861
Commercial real estate - collateral based	30 334	25 413
Commerce and services	58 347	58 301
Other	12 087	14 730
<i>Of which: transport</i>	9 996	9 996
Individuals	14 303	12 021
Healthcare services	23 838	18 266
Leisure, cultural and sports activities	6 381	3 926
Total	228 233	211 804

(b) Concentrations to significant connected groups of debtors

The Bank does not recognise significant exposures to connected groups. As at 31 December 2014, the maximum exposure to a debtor or an economically-connected group of corporate clients as defined by regulations is capped at EUR 11 610 thousand owing to the amount of the Bank's capital (2013: EUR 10 750 thousand).

Maximum credit exposure

EUR '000	2014	2013
Cash and balances with central bank	41 153	9 545
Loans and advances to banks	2 299	11 085
Loans and advances to customers	216 090	203 540
Available-for-sale securities	204 653	128 329
Securities at fair value through profit or loss	3 831	4 378
Securities held-to-maturity	174 790	254 556
Investments in subsidiaries	7	7
Other assets	1 117	1 118
Total	643 940	612 558
Undrawn loan facilities	24 174	11 699
Issued guarantees	4 878	4 654
Total	29 052	16 353
Total credit risk exposure	672 992	628 911

42. OPERATIONAL, LEGAL AND OTHER RISKS

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

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

43. FAIR VALUES

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

EUR '000	Carrying amount 31.12.2014	Fair value 31.12.2014	Carrying amount 31.12.2013	Fair value 31.12.2013
Financial assets				
Cash and balances with central banks	41 153	41 153	9 545	9 545
Loans and advances to banks	2 299	2 299	11 085	11 085
Loans and advances to customers	216 090	227 776	203 540	211 974
Securities available for sale	204 653	204 653	128 329	128 329
Securities at fair value through profit or loss	3 831	3 831	4 378	4 378
Securities held to maturity	174 790	183 795	254 556	264 567
Investments in subsidiaries	7	7	7	7
Financial liabilities				
Due to banks	165 043	163 098	152 072	151 275
Deposits from customers	403 119	404 719	377 859	378 704
Debt securities issued	16 237	16 216	25 495	25 913

The method used to determine the fair values of selected financial assets as at 31 December 2014:

EUR '000	Market value Level 1	Own model with reference to market rates Level 2	Own model without reference to market rates Level 3	Total
Loans and advances to customers	-	227 776	-	227 776
Securities available for sale	185 242	19 359	52	204 653
Securities at fair value through profit or loss	902	2 929	-	3 831
Securities held to maturity	178 331	5 464	-	183 795
Investments in subsidiaries	-	-	7	7

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

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

In 2014 compared with 2013, no reclassifications were made in the fair value measurement technique for selected financial assets between individual levels.

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

Cash and balances with central banks

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

Loans and advances to banks

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

Loans and advances to customers

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

Available-for-sale securities

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

Securities at fair value through profit or loss

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

Held-to-maturity securities

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

Investments in subsidiaries

Net value of assets approximates fair value.

Due to banks

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

Deposits from customers

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

Debt securities issued

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

44. SIGNIFICANT SUBSEQUENT EVENTS

As at the date of preparation of the financial statements, there have been no significant events that would require a material adjustment to the amounts or disclosures in the financial statements as at 31 December 2014.

45. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were signed and authorised by the Board of Directors on 12 March 2015.



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



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

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