Consolidated Financial Statements

for the year ended 31 December 2013

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

and Independent Auditor's Report

Contents

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Independent Auditor's Report

To the Shareholder of Československá obchodná banka, a.s.:

We have audited the accompanying consolidated financial statements of Československá obchodná banka, a.s. and its subsidiaries ('the Group'), which comprise the consolidated statement of financial position as at 31 December 2013 and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

19 March 2014
Bratislava, Slovak Republic

Ernst & Young

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Ing. Marek Mikolaj
UDVA Licence No. 1038

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

Consolidated Statement of Financial Position at 31 December 2013

(in accordance with the International Financial Reporting Standards as adopted by the EU)

(EUR '000)	Note	31 Dec 2013	31 Dec 2012
Assets			
Cash and balances with central bank	3	123,058	126,262
Financial assets at fair value through profit or loss	4	196,536	405,020
Available-for-sale financial assets	5	466,687	346,464
Loans and advances to financial institutions	6	42,151	40,266
Loans and advances to customers	7	4,247,378	4,132,132
Held-to-maturity investments	8	1,072,658	846,855
Current income tax asset		425	851
Deferred income tax asset	30	18,674	16,212
Property and equipment	9	71,801	79,272
Intangible assets	10	15,381	11,874
Assets held for sale	11	11,988	9,553
Other assets	12	17,972	13,067
Total assets		**6,284,709**	**6,027,828**
Liabilities and equity			
Financial liabilities at fair value through profit or loss	14	253,445	220,921
Amounts owed to financial institutions	15	309,017	677,727
Amounts owed to customers	16	4,199,620	4,076,314
Debt securities issued	17	750,017	304,550
Provisions	18	9,214	10,281
Other liabilities	19	94,373	84,998
Current income tax liability		9,186	3,530
Deferred income tax liability	30	41	293
Total liabilities		**5,624,913**	**5,378,614**
Share capital		248,004	248,004
Share premium		484,726	484,726
Reserve funds		37,990	32,750
Revaluation surplus		(198,302)	(192,981)
Retained earnings		24,313	20,969
Net profit for year		63,065	55,746
Total equity	21	**659,796**	**649,214**
Total liabilities and equity		**6,284,709**	**6,027,828**

Daniel Kollár
Chief Executive Officer

Stefan Delaet
Chief Officer for Finance, Credits and ALM

The Notes on pages 8 to 83 form an integral part of these Consolidated Financial Statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income for year ended 31 December 2013

(in accordance with the International Financial Reporting Standards as adopted by the EU)

(EUR '000)	Note	31 Dec 2013	31 Dec 2012
Interest income		248,100	243,461
Interest expense		(53,507)	(68,512)
Net interest income	24	**194,593**	**174,949**
Fee and commission income		61,942	57,644
Fee and commission expense		(11,653)	(11,189)
Net fee and commission income	25	**50,289**	**46,455**
Net trading result	26	21,172	22,823
Other operating result	27	9,890	6,628
Total income		**275,944**	**250,855**
Personnel expenses	28	(66,586)	(68,727)
Depreciation and amortization		(10,895)	(11,477)
Other operating expenses	29	(83,511)	(87,427)
Operating expenses		**(160,992)**	**(167,631)**
Profit for year before impairment losses, financial guarantees and tax		**114,952**	**83,224**
Impairment losses and financial guarantees	13	(29,459)	(17,313)
Profit for year before tax		**85,493**	**65,911**
Income tax expense	30	(22,428)	(10,165)
Net profit for year		**63,065**	**55,746**
Net profit attributable to:			
Owners of the parent		63,065	55,746
Non-controlling interests		-	-
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets		(5,321)	22,490
thereof: income tax relating to available-for-sale financial assets		1,952	(6,762)
Other comprehensive income for year, net of tax		**(5,321)**	**22,490**
Total comprehensive income for year		**57,744**	**78,236**
Total comprehensive income attributable to:			
Owners of the parent		57,744	78,236
Non-controlling interests		-	-
Basic and diluted earnings per share in EUR	22	8,442	7,463

The Notes on pages 8 to 83 form an integral part of these Consolidated Financial Statements.

Consolidated Statement of Changes in Equity for year ended 31 December 2013

(in accordance with the International Financial Reporting Standards as adopted by the EU)

(EUR '000)	Share capital	Share premium	Reserve funds	Revaluation surplus on available-for-sale financial assets	Other revaluation surplus	Retained earnings	Total
Equity as at 1 January 2012	**248,004**	**484,726**	**24,001**	**691**	**(216,162)**	**108,455**	**649,715**
Total comprehensive income for year	-	-	-	22,490	-	55,746	**78,236**
Profit distribution – reserve funds	-	-	8,749	-	-	(8,749)	**-**
Dividends paid	-	-	-	-	-	(78,737)	**(78,737)**
Equity as at 31 December 2012	**248,004**	**484,726**	**32,750**	**23,181**	**(216,162)**	**76,715**	**649,214**
Equity as at 1 January 2013	**248,004**	**484,726**	**32,750**	**23,181**	**(216,162)**	**76,715**	**649,214**
Total comprehensive income/(loss) for year	-	-	-	(5,321)	-	63,065	**57,744**
Profit distribution – reserve funds	-	-	5,240	-	-	(5,240)	**-**
Dividends paid	-	-	-	-	-	(47,162)	**(47,162)**
Equity as at 31 December 2013	**248,004**	**484,726**	**37,990**	**17,860**	**(216,162)**	**87,378**	**659,796**

The Notes on pages 8 to 83 form an integral part of these Consolidated Financial Statements.

Consolidated Statement of Cash Flows for year ended 31 December 2013

(in accordance with the International Financial Reporting Standards as adopted by the EU)

(EUR ’000)	Note	31 Dec 2013	31 Dec 2012
Profit before taxes		**85,493**	**65,911**
Adjustments for:			
Depreciation and amortization		10,895	11,477
Unrealized gains from financial instruments		(8,241)	(21,473)
Dividend income		(3)	(4)
Interest income		(248,100)	(243,461)
Interest expense		53,507	68,512
Impairment losses and provisions		29,823	18,584
Loss on disposal of property and equipment, intangible assets and assets held for sale		33	168
Operating loss before working capital changes		*(76,593)*	*(100,286)*
Cash flow from operating activities			
Loans and advances to financial institutions		1,740	1,336
Financial assets at fair value through profit or loss		181,970	(112,550)
Available-for-sale financial assets		(125,297)	136,280
Loans and advances to customers		(142,706)	(158,451)
Other assets		(7,150)	3,576
Amounts owed to financial institutions		(368,664)	(228,123)
Financial liabilities at fair value through profit or loss		59,622	14,754
Amounts owed to customers		127,745	489,303
Provisions		(1,103)	(1,302)
Other liabilities		9,375	(3,854)
Interest received		249,169	250,699
Interest paid		(57,497)	(62,740)
Income taxes paid		(17,109)	(6,561)
Net cash flow from/(on) operating activities		**(166,498)**	**222,081**
Cash flow from investing activities			
Acquisition of held-to-maturity investments		(325,869)	(227,245)
Repayment of held-to-maturity investments		101,776	62,058
Dividends received		3	4
Purchase of property and equipment, intangible assets		(14,241)	(14,331)
Proceeds from sale of property and equipment, intangible assets and assets held for sale		2,698	2,288
Net cash flow on investing activities		**(235,633)**	**(177,226)**
Cash flow from financing activities			
Proceeds from issue of debt securities		503,015	107,701
Repayment of debt securities		(61,806)	(51,497)
Dividends paid		(47,162)	(78,737)
Net cash flow from/(on) financing activities		**394,047**	**(22,533)**
Net change in cash and cash equivalents		**(8,084)**	**22,322**
Cash and cash equivalents at beginning of year	38	163,158	140,836
Cash and cash equivalents at end of year	38	155,074	163,158
Net change		(8,084)	22,322

The Notes on pages 8 to 83 form an integral part of these Consolidated Financial Statements.

1. INTRODUCTION

Československá obchodná banka, a.s., ('ČSOB SR' or 'the Bank'), is an universal commercial bank conducting its operations in the Slovak Republic. As at 31 December 2013 ČSOB SR had 136 branches.

On 1 January 2008, Československá obchodná banka, a.s., pobočka zahraničnej banky v SR became a separate legal entity from Československá obchodní banka, a. s., Praha ('ČSOB Praha') and became an universal commercial bank with its business name Československá obchodná banka a.s. and registered office at Michalská ulica 18, 815 63 Bratislava, identification number 36 854 140.

ČSOB SR is a part of the group of KBC Bank N.V, with its registered office at Havenlaan 2, 1080 Brussels, Belgium ('KBC'). The place of deposit of the last consolidated financial statements of this immediate parent company is Nationale Bank van België NV, Balanscentrale, de Berlaimontlaan 14, 1000 Brussels, Belgium.

The ultimate parent company of ČSOB SR is KBC GROUP N.V, with its registered seat at Havenlaan 2, 1080 Brussels, Belgium. The final consolidated financial statements of the ultimate parent company are deposited at the same place, Nationale Bank van België NV, Balanscentrale, de Berlaimontlaan 14, 1000 Brussels, Belgium.

The main aim of KBC is to ensure that ČSOB SR is a strong independent economic subject with equal rights, position and liability to other entities within the KBC group in Europe. ČSOB SR is a universal commercial bank providing a wide range of financial and banking services for retail, small and medium-sized entrepreneurs, corporate and private banking domestic and foreign customers in both local and foreign currencies.

These financial statements comprise of financial statements of ČSOB SR and its subsidiaries ('ČSOB Group SR' or 'the Group').

ČSOB SR has the following subsidiaries within its group ('ČSOB Group SR'):

- ČSOB Stavebná sporiteľňa, a.s.
- ČSOB Leasing, a.s.
- ČSOB Factoring, a.s.
- Nadácia ČSOB

From 1 June 2013, ČSOB Asset management, a.s., the subsidiary of ČSOB SR, was integrated into ČSOB SR. ČSOB SR assumed all the rights and obligations of ČSOB Asset management, a.s. This integration has no impact on the consolidated result.

The Chief Executive Officer and Chairman of the ČSOB SR Board of Directors as at 31 December 2013 is Daniel Kollár. Other members of the Board of Directors are: Evert Vandenbussche, Branislav Straka, Ľuboš Ondrejko, Juraj Ebringer and Stefan Delaet.

The Chairman of the Supervisory Board is Marko Voljč. The members of the Supervisory Board are: Henrieta Dunčková, Danny de Raymaeker, Jan Gysels and Peter Leška.

2. SIGNIFICANT ACCOUNTING PRINCIPLES AND METHODS

2.1. Basic accounting principles

The Group's Consolidated Financial Statements for the year ended 31 December 2013 ('consolidated financial statements') have been prepared in accordance with the International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU') and Act N° 431/2002 Coll. on Accounting. The Group also prepares Separate Financial Statements for ČSOB SR in accordance with the International Financial Reporting Standards as adopted by the EU and Act N° 431/2002 Coll. on Accounting.

The ČSOB Group SR prepared and issued Separate and Consolidated Financial Statements for the year ended 31 December 2013 on 19 March 2014.

Separate and Consolidated Financial Statements for the preceding accounting period (as at 31 December 2012) were approved and authorized for issue on 20 March 2013.

These consolidated financial statements have been prepared under the going-concern assumption, that the ČSOB Group SR will continue in operation for the foreseeable future, using the historical cost method and modified by revaluations of available-for-sale financial assets and financial assets and financial liabilities revalued at fair value through profit or loss.

Figures in brackets represent negative values. The reporting currency in the consolidated financial statements is the Euro ('EUR') and the amounts are disclosed in thousands of EUR unless stated otherwise.

Basis of Consolidation

The consolidated financial statements present the accounts and results of the Bank and its controlled and associated companies. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. All intra-group balances and transactions, including unrealized intra-group profits, are eliminated on consolidation. Where necessary, accounting policies for subsidiaries and associates have been changed to ensure consistency with the policies adopted by the Bank.

Non-controlling interests ('NCI') is the equity in a subsidiary not attributable, directly or indirectly, to a parent. Where the Group does not hold the whole of the share capital of a subsidiary, an adjustment is necessary to take account of the interests of the outside shareholders. Their interests on the net assets of the subsidiary are recognized within equity and their share of the subsidiary's profit or loss for the year are disclosed as an allocation of total profit or loss.

The amount of non-controlling interests in the net assets of consolidated subsidiaries is calculated as the amount of non-controlling interests arising at the date of the original combination and the non-controlling interests' share of changes in equity since the date of the combination.

Subsidiary Undertakings

An investment in a subsidiary is one in which the Bank holds, directly or indirectly, more than 50% of such subsidiary's share capital or in which the Bank can exercise more than 50% of the voting rights, or where the Bank can appoint or dismiss the majority of the Board of Directors or Supervisory Board members, or have other means of governing the financial and operating policies of an entity so as to obtain benefits from its activities. Where an entity either began or ceased to be controlled during the year, the results are included only from the date such control commenced or up to the date control ceased.

Associated Undertakings

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

As at 31 December 2013 and 31 December 2012 the Bank has no associated undertakings.

Goodwill

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities, and contingent liabilities of the subsidiary, or jointly controlled entity recognized at the date of acquisition.

Goodwill is measured at the acquisition date as the difference between the acquisition-date fair value of the consideration transferred and the amount of any NCI in the entity acquired and the acquisition-date fair value of any previously held equity interest in the entity acquired and the net of the acquisition-date fair value of the identifiable assets acquired and liabilities assumed. Accordingly, where an acquirer chooses to measure NCI at fair value at the acquisition date, the goodwill reported will typically be higher, reflecting goodwill attributable to the NCI.

Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

As at 31 December 2013 and 31 December 2012 the Group has no goodwill recognized from any of its investments.

2.2. Significant accounting judgments and estimates

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain significant accounting estimates. While applying the Group's accounting methods, management has also made other judgments in addition to those involving estimates which have a significant impact on the amounts recognized in the consolidated financial statements. The most significant judgments and estimates are as follows:

Fair value of financial instruments

Where financial instruments are not traded in active public markets, their fair values are estimated using valuation models. Where possible, the input for these models is taken from market data. In circumstances where no market data is available, the Group's management has to use a significant number of estimates. These estimates largely entail the determination of anticipated cash flows and discount rates. The greater part of fair value is determined based on models arising from observable market data.

Impairment losses on loans

The ČSOB Group SR reviews its loan portfolio at each reporting date and assesses whether an allowance for impairment should be recorded in the consolidated statement of profit or loss and other comprehensive income. In particular, judgment is required on the part of the management to estimate the amount and timing of future cash flows and to determine the level of allowance required. Such estimates are based on assumptions using a number of factors. The actual results may differ from these estimates.

The ČSOB Group SR creates individual impairment for individually significant loans and portfolio impairment for those loans which are not individually significant or where no impairment was identified on the basis of an individual assessment. The ČSOB Group SR monitors and evaluates loan portfolios in terms of concentration in sectors, industries, their distribution to individual ratings, the existence of collateral and territorial exposure.

Deferred tax assets

Deferred tax assets are recognized for all deductible temporary differences between the carrying and tax value of assets and liabilities, to the extent that it is probable that a taxable profit will be available against which the losses may be utilized in the future. Judgment is required on the part of management to determine the amount of deferred tax assets that may be recognized, based on the probable timing and levels of future taxable profits together with future tax planning strategies.

Provisions

Provisions for liabilities are recognized when the ČSOB Group SR has a current legal obligation or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision for liability is the best estimate of the consideration required to settle the current obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision for a liability is measured using the cash flows estimated to settle the current obligation, its carrying amount is the current value of those cash flows.

2.3. Foreign currencies

The EUR is the currency of the primary economic environment in which the ČSOB Group SR operates (functional currency).

Foreign currency transactions are translated into the functional currency at the exchange rates of the European Central Bank prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are recognized in the consolidated statement of profit or loss and other comprehensive income under ‘Net trading result’.

2.4. Financial instruments – accounting of recognition and derecognition

Financial assets and liabilities are recognized in the consolidated statement of financial position when the ČSOB Group SR becomes a party to the contractual provisions of the financial instrument, except for ‘regular way’ purchases and sales of financial assets. A financial asset is derecognized from the consolidated statement of financial position when the contractual rights to the cash flows from the financial asset expire or are transferred by the ČSOB Group SR to another party. A financial liability is derecognized from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expires.

A ‘regular way’ purchase or sale of a financial asset is one in which delivery of the asset is made within the time-frame generally established by regulation or within the convention of the particular market. For all categories of financial asset, the ČSOB Group SR recognizes ‘regular way’ purchases and sales using settlement date accounting. In settlement date accounting, a financial asset is recognized or derecognized in the consolidated statement of financial position on the date it is physically transferred to or from the ČSOB Group SR (‘settlement date’). For financial assets at fair value through profit or loss and available-for-sale financial assets, fair value movements between ‘trade date’ and ‘settlement date’ in connection with purchases and sales are recognized in the consolidated statement of profit or loss and other comprehensive income.

2.5. Financial instruments – classification, initial and subsequent measurement

All financial instruments are measured initially at their fair value plus, in the case of financial assets and financial liabilities not at fair value through profit or loss, these are increased by transaction costs.

The classification of financial instruments depends on the purpose for which the financial instruments were acquired and their characteristics. The ČSOB Group SR classifies financial assets in the following categories:

- Financial assets and liabilities at fair value through profit or loss
- Loans and advances to financial institutions and Loans and advances to customers
- Held-to-maturity investments
- Available-for-sale financial assets
- Financial liabilities at amortized cost

Financial assets and liabilities at fair value through profit or loss

The category has two sub-categories:

- Financial assets and liabilities held for trading. This category also includes all derivatives agreed by the ČSOB Group SR.
- Financial assets and financial liabilities designated at fair value through profit or loss on initial recognition. Financial assets and liabilities may be classified in this sub-category when at least one of the following criteria is met:

    - The classification eliminates or significantly reduces inconsistencies in treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis.
    - The assets and liabilities are a part of a group of financial assets, financial liabilities, or both, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.
    - The financial instruments contain an embedded derivative, unless the embedded derivative does not significantly modify the cash flow or it is obvious, with little or no analysis, that it could not be recorded separately.

Financial assets and liabilities designated at fair value through profit or loss are recorded in the consolidated statement of financial position at fair value. Gains and losses resulting from changes in fair value are recorded in the consolidated statement of profit or loss and other comprehensive income as ‘Net trading result’ as incurred. Interest income or expense is recorded in the consolidated statement of profit or loss and other comprehensive income as ‘Net interest income’.

Where the transaction price in a non-active market differs from the fair value of other observable current market transactions in the same instrument or the fair value based on a valuation technique, the Group immediately recognizes the difference between the transaction price and the fair value (a Day 1 profit) in the consolidated statement of profit or loss and other comprehensive income as ‘Net trading result’. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of profit or loss and other comprehensive income when the inputs become observable, or when the instrument is derecognized.

Loans and advances to financial institutions and Loans and advances to customers

Loans and advances to financial institutions and loans and advances to customers are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market and where the ČSOB Group SR has no intention of trading the financial asset.

Loans and advances to financial institutions and loans and advances to customers are recorded in the consolidated statement of financial position at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium and fees that are an integral part of the effective interest rate.

The amortization is included in the consolidated statement of profit or loss and other comprehensive income as 'Interest income'. Losses arising from the impairment of these investments are recognized in the consolidated statement of profit or loss and other comprehensive income as 'Impairment losses and financial guarantees'.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Where the ČSOB Group SR plans to sell more than an insignificant amount of held-to-maturity assets, the entire category would be impaired and reclassified as available-for-sale financial assets.

Held-to-maturity investments are recognized in the consolidated statement of financial position at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium and fees that are an integral part of the effective interest rate. The amortization is included in the consolidated statement of profit or loss and other comprehensive income under 'Interest income'. Any losses arising from the impairment of these investments are recognized in the consolidated statement of profit or loss and other comprehensive income under 'Impairment losses and financial guarantees'.

Available-for-sale financial assets

Available-for-sale financial assets are assets which are classified under this category on acquisition, or which do not qualify for classification at fair value through profit or loss, held-to-maturity investments or loans and advances to financial institutions and loans and advances to customers.

Available-for-sale financial assets are recognized in the consolidated statement of financial position at fair value. Unrealized gains and losses arising from changes in fair value of these financial assets are recognized in other comprehensive income. When an asset is derecognized from the other comprehensive income, the unrealized gain or loss is derecognized against 'Net trading result' in the consolidated statement of profit or loss and other comprehensive income. Interest income arising from available-for-sale assets calculated using the effective interest rate method is recorded in the consolidated statement of profit or loss and other comprehensive income as 'Interest income'. For impairment of available-for-sale financial assets, see Note 2.10.

Financial liabilities at amortized cost

Financial liabilities at amortized cost are non-derivative financial liabilities where the substance of the contractual arrangement results in the ČSOB Group SR being under an obligation to deliver either cash or another financial asset to the holder.

These liabilities are measured in the consolidated statement of financial position at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium and fees that are an integral part of the effective interest rate. The amortization is included in the consolidated statement of profit or loss and other comprehensive income as 'Interest expense'.

2.6. Embedded derivatives

The ČSOB Group SR occasionally purchases or issues financial instruments containing embedded derivatives. An embedded derivative is separated from the host contract and carried separately at fair value if the economic characteristics of the derivative are not closely related to the economic characteristics of the host contract and the hybrid instrument is not classified at fair value through profit or loss.

If a separated derivative does not qualify as a hedging derivative, it is designated as a trading derivative. When the ČSOB Group SR cannot reliably separate the embedded derivative, the entire hybrid instrument is classified at fair value through profit or loss.

2.7. Hedging derivative financial instruments

Within the Group's strategy hedging derivatives are determined for hedging some risks and meet all criteria for the classification of hedging derivatives in compliance with IFRS. The Group's criteria for the application of hedge accounting include:

- formal documentation of the hedging instrument, hedged item, hedging objective, strategy and relationship is prepared before hedge accounting is applied;
- the hedge is documented at inception showing that it is expected to be highly effective in offsetting the risk in the hedged item throughout the reporting period;
- the hedge is highly effective on an ongoing basis. The hedge is considered to be highly effective if the changes in fair value attributable to the hedged risk during the period for which the hedge is designated are expected to offset the fair value changes of the hedging instrument in a range of 80% to 125%.

The Group designates hedging derivatives as hedges of the fair value of recognized assets or liabilities. Changes in the fair value of hedging instruments are recognised in the consolidated statement of profit or loss and other comprehensive income in 'Net trading result' together with any changes in the fair value of the hedged items (assets or liabilities) that are attributable to the hedge risk. Interest income/Interest expense of hedging instrument is presented in the consolidated statement of profit or loss and other comprehensive income together with Interest income/Interest expense of hedged item. The positive fair value of hedging instruments and the revaluation of asset hedged items is presented in the consolidated statement of financial position as 'Other assets'. Negative value of hedging instruments and revaluation of liability hedged items is presented as 'Other liabilities'. For an overview of hedging derivatives, see Note 32.

Hedge accounting is discontinued, when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting.

2.8. Securities funded under repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase at a specified future date ('repos') remain in the consolidated statement of financial position as assets. The corresponding cash received is recognized in the consolidated statement of financial position in 'Financial liabilities at fair value through profit or loss', 'Amounts owed to financial institutions' or 'Amounts owed to customers', depending on the counterparty and reflecting the economic substance of the loan. The difference between the sale and repurchase prices is treated as 'Interest expense' and is accrued using the effective interest rate method in the consolidated statement of profit or loss and other comprehensive income over the life of the agreement.

Conversely, securities purchased under agreements to resell at a specified future date ('reverse repos') are not recognized in the consolidated statement of financial position. The corresponding cash paid is recognized in the consolidated statement of financial position in 'Financial assets at fair value through profit or loss', 'Loans and advances to financial institutions' or 'Loans and advances to customers', depending on the counterparty and the economic substance of the loan. The difference between the purchase and resale prices is treated as 'Interest income' and is accrued using the effective interest rate method in the consolidated statement of profit or loss and other comprehensive income over the life of the agreement.

2.9. Fair value of financial instruments

The fair value of the financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Financial instruments classified as financial assets and financial liabilities at fair value through profit or loss or available-for-sale are fairly valued using the quoted market prices if a price is quoted in an active public market. For financial instruments that are not traded in an active public market, their fair values are estimated using pricing models, quoted prices of instruments with similar characteristics, or discounted cash flows. These fair value estimation techniques are significantly affected by assumptions made by the ČSOB Group SR, including the discount rate and estimates of future cash flows.

2.10. Impairment of financial assets

At each balance sheet date, the ČSOB Group SR assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred subsequent to the initial recognition of the asset (a ‘loss event’) and that the loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of assets which can be reliably estimated.

Objective evidence that a financial asset or a group of assets is impaired includes observable data that is available to the ČSOB Group SR on the following loss events:

- significant financial difficulty of the issuer or obligor
- breach of contract, such as a default or delinquency in interest or principal payments
- the ČSOB Group SR granting to the borrower, for economic or legal reasons relating to the borrower’s financial difficulty, a concession that the lender would not otherwise have considered;
- the probability that the borrower will enter into bankruptcy or other financial restructuring procedures
- the disappearance of an active market for that financial asset because of financial difficulties
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets subsequent to the initial recognition of those assets, although the decrease cannot yet be identified with the separate financial assets in the group, including
    - adverse changes in the payment status of borrowers in the group; or
    - national or local economic conditions that correlate with defaults on assets in the group

Held-to-maturity investments, Loans and advances to financial institutions and Loans and advances to customers

The ČSOB Group SR assesses impairment of this category of financial assets separately for financial assets that are individually significant, and collectively for financial assets that are not individually significant. For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. If the ČSOB Group SR determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and assesses them for impairment collectively. Assets that are assessed for impairment individually and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

An impairment loss is measured as the difference between the asset’s carrying value and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate (in the case of assets with a fixed interest rate), or actual market interest rate (in the case of assets with a variable interest rate). The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that will result from foreclosure, less the costs of obtaining and selling the collateral.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and the historical loss experience for assets with credit risk characteristics similar to those in the group. The historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in the related observable data from period to period. The ČSOB Group SR regularly reviews the methodology and assumptions used for estimating future cash flows to reduce any differences between loss estimates and actual loss experience.

Where possible, the ČSOB Group SR seeks to restructure loans rather than to assume possession of collateral. This may involve the agreement of new contractual conditions and the need for a loan maturity extension. The ČSOB Group SR's management continually reviews renegotiated loans to ensure that all criteria concerning the recovery of such assets and credit risk minimising are met.

Impairment losses as well as changes to the amount of the loss are recorded in the form of allowances with a counter-entry in the consolidated statement of profit or loss and other comprehensive income under 'Impairment losses and financial guarantees'.

When a loan is uncollectable, it is written off against the related allowance for impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are recorded in the consolidated statement of profit or loss and other comprehensive income under 'Other operating result'.

Available-for-sale financial assets

In the case of equity investments classified as available-for-sale financial assets, a significant or prolonged decline in the fair value of the security below its cost is taken into consideration in determining whether the assets are impaired. The Group treats 'significant' generally as 20% and 'prolonged' as greater than 1 year. In the case of debt financial instruments classified as available-for-sale financial assets, impairment is determined based on expected cash flows.

The amount of loss is determined as the difference between the acquisition cost and the current fair value. Impairment losses are recognized as allowances and in the consolidated statement of profit or loss and other comprehensive income under 'Impairment losses and financial guarantees'. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the consolidated statement of profit or loss and other comprehensive income. Any loss from equity instruments classified as available-for-sale may not be reduced through profit or loss.

2.11. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability at the same time.

2.12. Leasing

Determination as to whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement and entails an assessment as to whether fulfilment of the arrangement is dependent on the use of a specific asset or assets and whether the arrangement conveys the right to use the asset.

The leases entered into by the ČSOB Group SR are primarily operating leases. The total payments made under operating leases are charged to the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the period of the lease. Income and expenses from operating leases are presented in the consolidated statement of profit or loss and other comprehensive income under 'Other operating result'.

When an operating lease is terminated before the lease period has expired, any payment made to the lessor by way of penalty is recognized as an expense in the period in which the termination takes place.

ČSOB Group SR as a lessor

Lease contracts under which the risks and rewards related to the ownership of the lease subject are substantially transferred from the ČSOB Group SR to the client are classified as finance leases. A finance lease is recognized in the accounting books when the leased subject is taken by the client on amount equal to the net investment into the leased subject (net receivable). The gross value of the lease receivables comprises of the sum of future minimum lease payments and the initial fee. The difference between gross and net values of receivables represent the future income from the lease, which is presented as 'Interest income' of the consolidated statement of profit or loss and other comprehensive income during the lease term in amount based on interest calculated from the net lease receivable using the fixed interest rate.

2.13. Recognition of income and expenses

Revenue is recognized in the consolidated statement of profit or loss and other comprehensive income to the extent that it is probable that economic benefits will flow to the ČSOB Group SR and the revenue can be reliably measured.

Interest received and interest paid

Interest income and interest expense are recognized in the consolidated statement of profit or loss and other comprehensive income on an accrual basis using the effective interest rate method.

The effective interest rate method is a method for calculating the amortized cost of a financial asset or financial liability and for allocating the interest income or interest expense over the respective period. The effective interest rate is the rate that precisely discounts estimated future cash payments or receipts over the expected life of the financial instrument precisely to the net carrying value of the financial asset or financial liability.

When calculating the effective interest rate, the ČSOB Group SR estimates cash flows taking into consideration all the contractual terms of the financial instrument but excluding any future credit losses. The calculation includes all fees and amounts paid or received between the contractual parties which are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fees and commissions paid and received

Fees and commissions are generally recognized on an accrual basis when the service has been provided. Loan origination fees for loans which may be drawn down are deferred and recognized as part of the loan's effective interest rate. Commissions and fees arising from transactions for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, are recognized on completion of the underlying transaction.

Portfolio and other management advisory and service fees are recognized based on the valid service contracts. Custodial and fiduciary services fees relating to investment funds are accrued over the period for which the service is provided.

2.14. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash and bank account balances payable upon request, deposits and loans to banks with an agreed maturity of up to three months, government treasury bills and treasury bills of the National Bank of Slovakia ('NBS') with an agreed maturity of up to three months.

2.15. Property, equipment and intangible assets

Land, buildings, equipment and intangible assets include real estate used by the ČSOB Group SR, software, IT and communications and other machines and equipment.

Property and equipment are carried at cost less accumulated depreciation and impairment losses. The cost includes the acquisition price and other related ancillary costs, e.g. transportation costs, customs duties or commissions. Depreciation is calculated using the straight-line method to write down the cost of each asset to its residual value over its estimated useful life for the following periods:

Buildings	30 years
Equipment	3 - 12 years
Other tangible assets	4 - 20 years

Intangible assets are carried at cost less accumulated amortization and impairment losses. Amortization is calculated using the straight-line method over the estimated useful life of assets. Amortization periods are determined on an individual basis (3 - 8 years).

Assets' residual values and useful lives are reviewed and adjusted, where appropriate, as at the balance sheet date.

Assets that are subject to depreciation are reviewed for impairment at each balance sheet date or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An asset's carrying value is written down immediately to its recoverable amount if the asset's carrying value is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use.

Investment property

Investment properties are properties, land or building, held to earn rentals or for capital appreciation. Investment property is stated at historical cost less impairment provisions and accumulated depreciation using depreciation on a straight-line basis over the estimated useful lives. The depreciation of investment property is presented in the consolidated statement of profit or loss and other comprehensive income under 'Other operating result'. The estimated useful life of buildings classified as investment property is 30 years. The carrying amount of investment property, its depreciation, and rental revenues are disclosed in Note 9.

Internally generated intangible assets

Internally generated intangible assets are outputs of internal projects created through a development phase.

Expenditures on internal generated intangible assets comprise all directly attributable necessary expenditures to create, produce, and prepare the assets to be capable of operating in the manner intended by management. Intangible assets are reported at cost (internal and external expenditures) less any accumulated amortization. The amortization is used for straight-line amortization during the estimated useful life of the assets. Periods of the amortization are set individually.

Assets that are subject to amortization are reviewed for impairment at each balance sheet date or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An asset's carrying value is reduced immediately to its recoverable amount if the asset's carrying value is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use.

2.16. Financial guarantees

In the normal course of business, the ČSOB Group SR provides financial guarantees consisting of letters of credit and letters of guarantee. Financial guarantees are recognized in the consolidated financial statements at whichever is the higher of the accrued guarantee fee and the best estimates of the expenditure required to settle any financial obligation arising as a result of the guarantee and are presented in 'Provisions'. The fees accepted for guarantee issues are recognized in the consolidated statement of profit or loss and other comprehensive income under 'Fee and commission income'. Any increase and any decrease in the liability relating to financial guarantees is included in the consolidated statement of profit or loss and other comprehensive income under 'Impairment losses and financial guarantees'.

2.17. Employee benefits

Pensions to the Group's former employees are paid through the pensions system valid in the Slovak Republic. This system is funded from gross salary-derived social insurance contributions from employees and employers.

In addition to these contributions, the ČSOB Group SR contributes to the employees' additional pension insurance above the framework of legal social security. Contributions are charged to the consolidated statement of profit or loss and other comprehensive income as they are made.

The ČSOB Group SR operates unfunded defined long-term benefit programs comprising one-off retirement benefits, long service and jubilee benefits. In accordance with IAS 19 'Employee benefits', the employee benefits costs are assessed using the Projected Unit Credit Method. Under this method, the cost of providing pensions is charged to the consolidated statement of profit or loss and other comprehensive income so as to spread the regular cost over the service lives of employees. The liabilities related to the benefits are measured at the present value of the estimated future cash outflows discounted by interest rates derived from a forward curve according to the maturity periods of benefits. All actuarial gains and losses are recognized immediately in the consolidated statement of profit or loss and other comprehensive income. Past service cost is recognized when incurred to the extent of the benefits already paid and the remaining amount is amortized on a straight-line basis over the average period until the benefits become vested. Key assumptions used in the actuarial valuation are presented in Note 19.

2.18. Provisions

Provisions are created when the ČSOB Group SR has a current legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

2.19. Income tax

There are two components of income tax expense: current and deferred. Current income tax expense entails the amounts to be paid or refunded within income taxes for the respective period. The tax base for income tax purposes is determined from profit/loss for the current accounting period, adding tax non-deductible expenses and deducting revenues which are not subject to income tax.

Deferred tax assets and liabilities are recognized due to the different valuation of assets and liabilities as per the Income Tax Act and their carrying values in the consolidated financial statements.

Deferred tax is calculated using the balance sheet method. All deferred tax assets are recognized to the extent that it is probable that a future taxable profit will be available against which the deferred tax assets can be utilized. Deferred tax liabilities represent income taxes to be paid in future periods due to taxable temporary differences. Deferred taxes are disclosed in the consolidated financial statements at their net values.

The ČSOB Group SR also pays various indirect operating taxes which are a part of 'Other operating expenses'.

2.20. Fiduciary activities

The ČSOB Group SR commonly acts in fiduciary activities that result in the holding or placing of assets on the accounts of individuals and institutions. Assets under administration are not recognized as assets or liabilities in the consolidated statement of financial position but are accounted for as off-balance sheet items since the ČSOB Group SR does not bear the risks and rewards of ownership associated with such items. See also Note 20.

The income arising thereon is recognized in the consolidated statement of profit or loss and other comprehensive income under 'Fee and commission income'.

2.21. Changes in accounting policies

Effective from 1 January 2013

The accounting policies adopted are consistent with those used in the previous financial period except that the Group has adopted the following standards, amendments and interpretations. The adoption of these did not have any effect on the financial performance or position of the Group. However, in some cases, they give rise to additional disclosures.

IFRS 1 Government Loans (Amendments) is effective for periods beginning on or after 1 January 2013. The amendments add an exception to the retrospective application of IFRSs to require that first-time adopters apply the requirements in IAS 20 prospectively to government loans existing at the date of transition to IFRSs.

IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments) is effective for periods beginning on or after 1 January 2013. The amendment presents new required disclosures to include information that will enable users of an entity´s financial statements to evaluate the effect of netting arrangements, including rights of set-off associated with the entity´s recognised financial assets and recognised financial liabilities, on the entity's financial position.

IFRS 13 Fair Value Measurement is effective for periods beginning on or after 1 January 2013. The standard provides guidance on how to measure the fair value of financial and non-financial assets and liabilities. The standard will not have any significant effect on the statement of financial position or statement of profit or loss and other comprehensive income , but will increase the amount of information disclosed in the notes to improve its relevance.

IAS 1 Presentation of Items of Other Comprehensive Income (Amendments) is effective for annual periods beginning on or after 1 July 2012. The amendments change the grouping of items presented in other comprehensive income. Items that could be reclassified to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items which will never be reclassified. The option is retained to present profit or loss and other comprehensive income either in a single continuous statement or in two separate, but consecutive, statements.

IAS 19 Employee Benefits (Revision) is effective for periods beginning on or after 1 January 2013. The main changes within the standard relate to the accounting treatment of the category of post-employment benefits - defined benefit plans:

- the corridor mechanism for pension plans is abolished and all changes in the value of defined benefit plans will be recognised as they occur;
- the presentation options of actuarial results will be eliminated;
- the level of disclosures will be increased.

Other smaller changes to the short-term employee benefits and termination benefits and a number of minor clarifications and re-wording are included in the revised standard.

Improvements to IFRSs, issued in May 2012 with a view to remove inconsistencies and clarify wording. There are separate transitional provisions for each standard. None of these have a significant impact on the accounting policies, financial position or performance of the Group.

Effective after 1 January 2013

The following standards, amendments and interpretations were issued and are effective after 1 January 2013 onwards. The Group decided not to early adopt them. Unless described otherwise below, the new standards, amendments and interpretations are not expected to significantly affect the Group's financial statements.

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

The project to replace the current IAS 39 Financial Instruments: Recognition and Measurement has been divided into three phases. The first phase focuses on the classification and measurement of financial instruments.

The new standard has reduced the number of asset measurement categories from four to two. Debt instruments are classified at amortized cost or fair value on the basis of both:

- the entity's business model for managing financial assets; and
- the contractual cash flow characteristics of the financial asset.

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

- the asset is held within the business model whose objective is to hold the assets to collect the contractual cash flows; and
- the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal outstanding.

Reclassifications between the two asset categories are required when the entity changes its business model. At initial recognition entities can elect to measure financial assets at fair value, although they would otherwise qualify for amortized cost measurement. IFRS 9 removes the separation of embedded derivatives and the instrument is assessed in its entirety as to whether it fulfils the above two conditions.

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

Financial liabilities are classified and measured either at amortized cost or at fair value through profit or loss. A financial liability can be designated as measured at fair value through profit or loss if doing so results in more relevant information, because either:

- it eliminates or reduces a measurement or recognition inconsistency;
- a group of financial liabilities is managed and its performance is evaluated on a fair value basis.

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

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

Original requirements related to derecognition of financial assets and financial liabilities are carried forward unchanged from IAS 39 to IFRS 9.

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

IFRS 9 and IFRS 7 Mandatory Effective Date and Transition Disclosures (Amendments). IFRS 9 does not currently indicate the mandatory effective date. The amendments modify the relief from restating prior periods.

IFRS 10 Consolidated Financial Statements is effective for periods beginning on or after 1 January 2013. The standard was endorsed by the European Commision for use on or after 1 January 2014 with a possible early application. The standard replaces the part relating to the consolidated portion of IAS 27 Consolidated and Separate Financial Statements. New definition of control is included and a single control model that applies to all entities is introduced.

IFRS 11 Joint Arrangements is effective for periods beginning on or after 1 January 2013. The standard was endorsed by the European Commission for use on or after 1 January 2014 with a possible early application. The standard replaces IAS 31 Interests in Joint Ventures and SIC 13 Jointly-controlled Entities – Non-monetary Contributions by Venturers. The standard will have an impact on consolidated financial statements of the Group, because not allowed proportionate method of consolidation.

IFRS 12 Disclosure of Interest in Other Entities is effective for periods beginning on or after 1 January 2014 with a possible early application. The standard includes all of the disclosure requirements that were included in IAS 27, IAS 28 and IAS 31. The entity will be required to disclose judgements made to determine whether it controls an entity.

IFRS 10, 11, 12 Transition Guidance (Amendments) is effective for periods beginning on or after 1 January 2013. The standard was endorsed by the European Commission for use on or after 1 January 2014 with a possible early application. The amendments change the transition guidance to provide further relief from full retrospective application. The amendments clarify that an entity is not required to make adjustments to the previous accounting for its involvement with entities if the consolidation conclusion reached at the date of initial application is the same when applying IAS 27/SIC-12 and when applying IFRS 10.

Investment Entities (Amendments to IFRS 10, 12 and IAS 27) is effective for periods beginning on or after 1 January 2014. The amendments define an investment entity and introduce an exception to consolidating particular subsidiaries for investment entities. These amendments require an investment entity to measure those subsidiaries at fair value through profit or loss in its consolidated and separate financial statements. The amendments also introduce new disclosure requirements for investment entities in IFRS 12 and IAS 27.

IAS 27 Separate Financial Statements (Amendments) is effective for periods beginning on or after 1 January 2013. The standard was endorsed by the European Commission for use on or after 1 January 2014 with a possible early application. The standard contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.

IAS 28 Investments in Associates and Joint Ventures (Amendment) is effective for periods beginning on or after 1 January 2013. The standard was endorsed by the European Commission for use on or after 1 January 2014 with a possible early application. The standard prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

IAS 32 Offsetting Financial Assets and Financial Liabilities (Amendments) is effective for periods beginning on or after 1 January 2014. These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous.

Recoverable Amount Disclosures for Non-financial Assets (Amendments to IAS 36) is effective for periods beginning on or after 1 January 2014. The amendment clarifies the disclosure requirements of IAS 36 in relation to the standard IFRS 13 *Fair value measurement*.

IFRIC 21 Levies is effective for periods beginning on or after 1 January 2014. IFRIC 21 provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 and those where the timing and amount of the levy is certain. IFRIC 21 identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation.

Novation derivatives and continued hedge accounting (Amendments IAS 39) is effective for periods beginning on or after January 2014. The amendment provides option not to stop hedging relationship as novation derivative designated as a hedging instrument meets certain criteria. Similar relief is planned also for the new IFRS 9 Financial Instruments.

3. CASH AND BALANCES WITH CENTRAL BANK

(EUR '000)	31 Dec 2013	31 Dec 2012
Cash balances	114,785	116,928
Mandatory minimum reserves	8,273	9,334
	123,058	**126,262**

Mandatory minimum reserves are maintained in the amount required by the regulations of the NBS and are not designed for daily use. They are accounted for as interest-bearing deposits in accordance with the regulations of the NBS. The NBS paid interest on the mandatory minimum reserve balances at 0.25% p.a. as at 31 December 2013. The amount of the reserves depends on the volume of deposits received.

4. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(EUR '000)	31 Dec 2013	31 Dec 2012
Financial assets held for trading:		
Loans and deposits to banks	-	8,532
Financial trading derivatives (Note 32)	53,140	62,636
Government debt securities	57,044	207,642
Bank bonds	63,004	79,782
Other bonds	23,348	26,603
	196,536	**385,195**
Financial assets designated at fair value through profit or loss on initial recognition:		
Government debt securities	-	19,825
	-	**19,825**
Total	**196,536**	**405,020**

5. AVAILABLE-FOR-SALE FINANCIAL ASSETS

(EUR '000)	31 Dec 2013	31 Dec 2012
Government debt securities	449,071	336,493
Bank bonds	5,564	9,703
Other bonds	11,784	-
Shares	895	895
	467,314	**347,091**
Impairment losses (Note 13)	(627)	(627)
	466,687	**346,464**

As at 31 December 2013, the ČSOB Group SR does not hold in its portfolio of securities available–for-sale any securities placed as collateral for loans from the central bank. As at 31 December 2012, the Group held in its portfolio of securities available–for-sale securities with a market value of EUR 114,179 thousand placed as collateral for a loan from the central bank.

(EUR '000)	31 Dec 2013	31 Dec 2012
Shares		
Kerametal, a.s.	511	511
RVS, a.s.	212	212
Drevoúnia, a.s. in bankruptcy	17	17
BCPB, a.s.	24	24
CHIRANA EXPORT-IMPORT, a.s.	100	100
SWIFT London	11	11
Spoločnosť pre rozvoj bývania v Bratislave	13	13
Nadácia ČSOB	7	7
	895	**895**
Impairment losses (Note 13)	(627)	(627)
	268	**268**

6. LOANS AND ADVANCES TO FINANCIAL INSTITUTIONS

(EUR ’000)	**31 Dec 2013**	**31 Dec 2012**
Current accounts	31,517	28,364
Loans and advances to banks	10,781	12,045
	42,298	**40,409**
Impairment losses (Note 13)	(147)	(143)
	42,151	**40,266**

7. LOANS AND ADVANCES TO CUSTOMERS

Loans and advances to customers, according to risk categories based on individual assessment as at 31 December 2013, are as follows:

(EUR ’000)	**Exposure**	**Impairment losses (Note 13)**	**Net carrying amount**
Unimpaired loans and advances to customers	4,146,439	(9,871)	4,136,568
Impaired loans and advances to customers	213,849	(103,039)	110,810
Total	**4,360,288**	**(112,910)**	**4,247,378**

Loans and advances to customers, according to risk categories based on individual assessment as at 31 December 2012, are as follows:

(EUR ’000)	**Exposure**	**Impairment losses (Note 13)**	**Net carrying amount**
Unimpaired loans and advances to customers	4,056,158	(11,413)	4,044,745
Impaired loans and advances to customers	186,168	(98,781)	87,387
Total	**4,242,326**	**(110,194)**	**4,132,132**

Finance lease

Loans and advances to customers include also net investments into finance lease. Lease contracts relate to cars and other technical equipment.

	Minimum lease payments		**Net present value of lease payments**	
(EUR ’000)	**31 Dec 2013**	**31 Dec 2012**	**31 Dec 2013**	**31 Dec 2012**
Finance lease receivable				
Payable in less than 1 year	143,338	130,320	124,805	111,939
Payable 1-5 years	259,798	245,515	238,445	221,794
Payable in more than 5 yeas	24,295	31,245	22,206	28,918
	427,431	**407,080**	**385,456**	**362,651**
Less: future finance income (unrealized finance lease income)	(41,975)	(44,429)	-	-
Present value of future lease payments	**385,456**	**362,651**	**385,456**	**362,651**
Allowance for uncollectible lease payments	(5,142)	(4,071)	(5,142)	(4,071)

Operating lease

Loans and advances to customers include also receivables from operating lease. Lease contracts relate to cars. The following table summarises future minimum lease payments under non-cancellable operating leases:

(EUR ’000)	**31 Dec 2013**	**31 Dec 2012**
Operating lease receivable		
Payable in less than 1 year	5,197	5,380
Payable 1-5 years	10,702	10,095
Total	**15,899**	**15,475**

8. HELD-TO-MATURITY INVESTMENTS

(EUR ’000)	**31 Dec 2013**	**31 Dec 2012**
Government debt securities	1,034,500	801,988
Bank bonds	30,089	36,751
Other bonds	8,069	8,116
	1,072,658	**846,855**

At 31 December 2013, the Group holds in its portfolio of held-to-maturity investments government debt securities in the amount of EUR 35,257 thousand (2012: EUR 31,015 thousand) placed as collateral for the part of mortgage bonds issued.

9. PROPERTY AND EQUIPMENT

(EUR ’000)	Investment property	Land and buildings	ICT equipment	Office equipment	Other	Total
Cost at 1 January 2013	**2,272**	**97,619**	**22,669**	**10,989**	**49,875**	**183,424**
Additions	-	1,456	495	238	10,936	13,125
Disposals	-	(824)	(7,185)	(1,518)	(10,246)	(19,773)
Transfer to Assets held for sale (Note 11)	-	(6,498)	-	-	(1,422)	(7,920)
Transfer from Assets held for sale (Note 11)	-	1,062	-	-	-	1,062
Other transfers	-	5	(112)	-	285	178
Cost at 31 December 2013	**2,272**	**92,820**	**15,867**	**9,709**	**49,428**	**170,096**
Accumulated depreciation at 1 January 2013	**(239)**	**(43,444)**	**(21,532)**	**(10,201)**	**(28,728)**	**(104,144)**
Additions	(72)	(4,336)	(824)	(249)	(1,169)	(6,650)
Disposals	-	517	7,132	1,469	3,156	12,274
Transfer to Assets held for sale (Note 11)	-	2,123	-	-	725	2,848
Transfer from Assets held for sale (Note 11)	-	(359)	-	-	-	(359)
Other transfer	-	(5)	112	-	5	112
Additions in operating lease*	-	-	-	-	(5,010)	(5,010)
Disposals in operating lease*	-	-	-	-	3,840	3,840
Accumulated depreciation at 31 December 2013	**(311)**	**(45,504)**	**(15,112)**	**(8,981)**	**(27,181)**	**(97,089)**
Impairment loss at 1 January 2013	**(16)**	**(1,572)**	**-**	**-**	**(275)**	**(1,863)**
Creation	-	(1,684)	-	-	-	(1,684)
Release/Use	-	210	-	-	49	259
Transfer to Assets held for sale (Note 11)	-	618	-	-	-	618
Transfer from Assets held for sale (Note 11)	-	(335)	-	-	-	(335)
Other transfers	-	-	-	-	(392)	(392)
Impairment loss at 31 December 2013	**(16)**	**(2,763)**	**-**	**-**	**(618)**	**(3,397)**
Net book value at 31 December 2013	**1,945**	**44,553**	**755**	**728**	**21,629**	**69,610**
Acquisition of property and equipment						2,191
Net book value at 31 December 2013	**1,945**	**44,553**	**755**	**728**	**21,629**	**71,801**

**Additions and disposals on accumulated depreciation for the property classified as operating leases. Additions on accumulated depreciation are presented in the consolidated statement of profit or loss and other comprehensive income under ‘Other operating result’.*

(EUR '000)	Investment property	Land and buildings	ICT equipment	Office equipment	Other	Total
Cost at 1 January 2012	**2,497**	**119,215**	**25,785**	**11,244**	**46,056**	**204,797**
Additions	6	2,090	479	121	10,372	13,068
Disposals	-	(1,854)	(3,595)	(376)	(6,384)	(12,209)
Transfer to Assets held for sale (Note 11)	(400)	(21,832)	-	-	-	(22,232)
Transfer to Investment property	169	-	-	-	(169)	-
Cost at 31 December 2012	**2,272**	**97,619**	**22,669**	**10,989**	**49,875**	**183,424**
Accumulated depreciation at 1 January 2012	**(186)**	**(46,060)**	**(24,042)**	**(10,241)**	**(26,516)**	**(107,045)**
Additions	(70)	(5,692)	(1,006)	(316)	(1,320)	(8,404)
Disposals	-	1,041	3,516	356	1,205	6,118
Transfer to Assets held for sale (Note 11)	135	7,267	-	-	-	7,402
Transfer to Investment property	(118)	-	-	-	118	-
Additions in operating lease*	-	-	-	-	(4,386)	(4,386)
Disposals in operating lease*	-	-	-	-	2,171	2,171
Accumulated depreciation at 31 December 2012	**(239)**	**(43,444)**	**(21,532)**	**(10,201)**	**(28,728)**	**(104,144)**
Impairment loss at 1 January 2012	**-**	**(1,183)**	**-**	**-**	**-**	**(1,183)**
Creation (Note 13)	(16)	(5,971)	-	-	-	(5,987)
Release/Use (Note 13)	-	30	-	-	-	30
Transfer to Assets held for sale (Note 11)	-	5,277	-	-	-	5,277
Other transfers	-	275	-	-	(275)	-
Impairment loss at 31 December 2012	**(16)**	**(1,572)**	**-**	**-**	**(275)**	**(1,863)**
Net book value at 31 December 2012	**2,017**	**52,603**	**1,137**	**788**	**20,872**	**77,417**
Acquisition of property and equipment						1,855
Net book value at 31 December 2012	**2,017**	**52,603**	**1,137**	**788**	**20,872**	**79,272**

**Additions and disposals on accumulated depreciation for the property classified as operating leases. Additions on accumulated depreciation are presented in the consolidated statement of profit or loss and other comprehensive income under 'Other operating result'.*

The original costs of fully depreciated property and equipment, still in use by the Group and amounts to EUR 55,605 thousand as of 31 December 2013 (2012: EUR 53,223 thousand).

Investment property

As at 31 December 2013, the Group owns land and buildings rented to other parties with a total net book value of EUR 1,945 thousand (2012: EUR 2,017 thousand). Total rental income earned from investment property amounted to EUR 322 thousand (2012: EUR 366 thousand) and is presented under 'Other operating result' in the consolidated statement of profit or loss and other comprehensive income. The depreciation of investment property is presented under 'Other operating result' and amounted to EUR 72 thousand (2012: EUR 70 thousand).

10. INTANGIBLE ASSETS

(EUR '000)	Software	Internally generated software	Total
Cost at 1 January 2013	**28,648**	**-**	**28,648**
Transfer to Internally generated software	(2,059)	2,059	**-**
Additions	4,993	1,911	**6,904**
Disposals	(184)	-	**(184)**
Other transfers	(341)	-	**(341)**
Cost at 31 December 2013	**31,057**	**3,970**	**35,027**
Accumulated depreciation at 1 January 2013	**(17,687)**	**-**	**(17,687)**
Transfer to Internally generated software	302	(302)	**-**
Additions	(3,527)	(790)	**(4,317)**
Disposals	49	-	**49**
Other transfers	157	-	**157**
Accumulated depreciation at 31 December 2013	**(20,706)**	**(1,092)**	**(21,798)**
Impairment loss at 1 January 2013	**(135)**	**-**	**(135)**
Release/Use (Note 13)	135	-	**135**
Accumulated depreciation at 31 December 2013	**-**	**-**	**-**
Net book value at 31 December 2013	**10,351**	**2,878**	**13,229**
Acquisition of intangible assets			2,152
Net book value at 31 December 2013	**10,351**	**2,878**	**15,381**

(EUR '000)	Software	Total
Cost at 1 January 2012	**22,401**	**22,401**
Additions	6,821	6,821
Disposals	(574)	(574)
Cost at 31 December 2012	**28,648**	**28,648**
Accumulated depreciation at 1 January 2012	**(14,592)**	**(14,592)**
Additions	(3,143)	(3,143)
Disposals	48	48
Accumulated depreciation at 31 December 2012	**(17,687)**	**(17,687)**
Impairment loss at 1 January 2012	-	-
Creation (Note 13)	(135)	(135)
Impairment loss at 31 December 2012	**(135)**	**(135)**
Net book value at 31 December 2012	**10,826**	**10,826**
Acquisition of intangible assets		1,048
Net book value at 31 December 2012	**10,826**	**11,874**

The original costs of fully amortized intangible assets, still in use by the ČSOB Group SR, represent EUR 12,194 thousand as of 31 December 2013 (2012: EUR 10,364 thousand).

Insurance cover

The ČSOB Group SR's insurance covers all standard risks to tangible and intangible assets. Tangible and intangible assets of the Group are insured against the following risks:

- natural disasters
- theft, robbery
- insurance of machines and electronic equipment
- insurance of transport of electronic equipment
- insurance against fire causing an interruption of operations

Tangible and intangible assets are insured up to the amount of their cost, which is recalculated by the index determined by the insurance company.

11. ASSETS HELD FOR SALE

As at 31 December 2013 and 31 December 2012, the ČSOB Group SR reclassified assets which met the held for sale criteria from 'Property and equipment' to 'Assets held for sale'. Assets which no longer met the criteria for classification as assets held for sale were reclassified from 'Assets held for sale' to 'Property and equipment'.

The movement table for the assets held for sale is presented below.

(EUR '000)	**Assets held for sale**
Cost at 1 January 2013	**22,232**
Additions	23
Disposals	(1,438)
Transfer to Property and equipment (Note 9)	(1,062)
Transfer from Property and equipment (Note 9)	7,920
Cost at 31 December 2013	**27,675**
Accumulated depreciation at 1 January 2013	**(7,402)**
Disposals	568
Transfer to Property and equipment (Note 9)	359
Transfer from Property and equipment (Note 9)	(2,848)
Accumulated depreciation at 31 December 2013	**(9,323)**
Impairment loss at 1 January 2013	**(5,277)**
Creation (Note 13)	(864)
Release/Use (Note 13)	60
Transfer to Property and equipment (Note 9)	335
Transfer from Property and equipment (Note 9)	(618)
Accumulated depreciation at 31 December 2013	**(6,364)**
Net book value at 31 December 2013	**11,988**

(EUR '000)	Assets held for sale
Cost at 1 January 2012	**-**
Transfer from Property and equipment (Note 9)	22,232
Cost at 31 December 2012	**22,232**
Accumulated depreciation at 1 January 2012	**-**
Transfer from Property and equipment (Note 9)	(7,402)
Accumulated depreciation at 31 December 2012	**(7,402)**
Impairment loss at 1 January 2012	**-**
Transfer from Property and equipment (Note 9)	(5,277)
Impairment loss at 31 December 2012	**(5,277)**
Net book value at 31 December 2012	**9,553**

The net book value of Group´s assets held for sale represents its fair value. The discounted cash flow method, based on observable market data, was performed based on its highest and best use from a market participant´s perspective. Therefore in the fair value hierarchy it is considered as a Level 2 categorisation.

12. OTHER ASSETS

(EUR '000)	31 Dec 2013	31 Dec 2012
Prepaid charges	5,426	3,349
Accrued non interest income	644	975
Advances	7,479	8,337
Fair value changes of hedged item	1,318	43
Hedging derivatives	283	-
Other assets	3,886	1,152
	19,036	**13,856**
Impairment losses (Note 13)	(1,064)	(789)
	17,972	**13,067**

13. IMPAIRMENT LOSSES AND FINANCIAL GUARANTEES

(EUR '000)	**1 Jan 2013**	**Use (mainly receiv. written off/ceded)**	**Creation/ (Release)**	**Transfer to Assets held for sale**	**FX diff. and other adjust.**	**31 Dec 2013**
Impairment losses and financial guarantees to:						
Loans and advances to financial institutions (Note 6)	143	-	4	-	-	147
Loans and advances to customers (Note 7)	110,194	(25,631)	27,346	-	1,001	112,910
Available-for-sale financial assets (Note 5)	627	-	-	-	-	627
Assets held for sale (Note 11)	5,277	(22)	826	283	-	6,364
Property and equipment (Note 9)	1,863	-	1,474	(283)	-	3,054
Intangible assets (Note 10)	135	(135)	-	-	-	-
Other assets (Note 12)	789	(26)	294	-	7	1,064
Provisions for off-balance sheet risks	2,005	-	(485)	-	-	1,520
	121,033	**(25,814)**	**29,459**	**-**	**1,008**	**125,686**

(EUR '000)	**1 Jan 2012**	**Use (mainly receiv. written off/ceded)**	**Creation/ (Release)**	**Transfer to Assets held for sale**	**FX diff. and other adjust.***	**31 Dec 2012**
Impairment losses and financial guarantees to:						
Loans and advances to financial institutions (Note 6)	167	-	(24)	-	-	143
Loans and advances to customers (Note 7)	184,197	(85,828)	11,061	-	764	110,194
Available-for-sale financial assets (Note 5)	627	-	-	-	-	627
Assets held for sale (Note 11)	-	-	-	5,277	-	5,277
Property and equipment (Note 9)	1,183	-	5,957	(5,277)	-	1,863
Intangible assets (Note 10)	-	-	135	-	-	135
Other assets (Note 12)	659	(19)	158	-	(9)	789
Provisions for off-balance sheet risks	1,979	-	26	-	-	2,005
	188,812	**(85,847)**	**17,313**	**-**	**755**	**121,033**

** FX differences and other adjustments include changed presentation of impairment losses in compliance with the International Financial Reporting Standards.*

In 2013, receivables written off/ceded amounted to EUR 25,657 thousand (2012: EUR 85,847 thousand).

Liabilities for off-balance sheet risks

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

14. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

(EUR ’000)	31 Dec 2013	31 Dec 2012
Term deposits – banks	40,913	27,236
Term deposits – non-bank customers	139,141	80,236
Debt securities issued	5,915	27,076
Financial trading derivatives (Note 32)	67,476	86,373
	253,445	**220,921**

15. AMOUNTS OWED TO FINANCIAL INSTITUTIONS

(EUR ’000)	31 Dec 2013	31 Dec 2012
Current accounts of banks	11,651	11,379
Term deposits and loans received from banks	4,192	350,034
Deposits and loans received from central and multilateral banks	293,174	316,314
	309,017	**677,727**

As at 31 December 2013, the Group does not have any loans received from the central bank that are secured by government bonds. As at 31 December 2012, loans received from the central bank in the amount of EUR 111,022 thousand were secured by government bonds with a market value of EUR 114,179 thousand.

As at 31 December 2013 the Group has:

- eight loans received from European Investment bank in the carrying amount of EUR 220,192 thousand (2012: EUR 165,169 thousand) - maximum maturity till year 2018, interest rate 3M EURIBOR + range 0.31% - 1.04%. This credit line is intended to fund the industrial sector and the sector of services of the small and medium-sized enterprises predominantly, as well as the investment projects of the selected large enterprises and the public sector;
- loan received from European Bank for Reconstruction and Development amounting to EUR 12,927 thousand (2012: EUR 15,086 thousand) - maximum maturity till year 2016, interest rate 6M EURIBOR + 1.20%. Sources were as the matter of priority used for sub-project of thermal insulation of residential buildings;
- three loans received from Council of Europe Development Bank in the carrying amount of EUR 60,055 thousand (2012: EUR 25,037 thousand) – maximum maturity till year 2020, interest rate 3M EURIBOR + range 0.60% - 1.38%. This credit line is intended for financing of municipal projects aimed at the improvement of the living conditions in urban and rural areas and social housing. Sources are intended also for supporting competitiveness of small and medium-sized enterprises and health care.

16. AMOUNTS OWED TO CUSTOMERS

(EUR ’000)	31 Dec 2013	31 Dec 2012
Current accounts – customers	1,695,299	1,547,993
Current accounts – government bodies and funds	52,840	36,045
Term deposits – customers	2,443,861	2,480,748
Term deposits – government bodies	7,620	11,528
	4,199,620	**4,076,314**

17. DEBT SECURITIES ISSUED

(EUR ’000)	31 Dec 2013	31 Dec 2012
Bills of exchange	16,215	-
Bonds	380,503	-
Mortgage bonds	353,299	304,550
	750,017	**304,550**

The table below shows the structure of bonds and mortgage bonds in book-entry form as at 31 December 2013:

Issue name	Issue date	Curr.	Interest rate fix/float	Nominal value 1 item (original currency)	No. of items	Total value of issue (EUR ‘000)	Net book value at 31 Dec 2013 (EUR ‘000)	Maturity
Mortgage bonds:								
ČSOB XI.	March 10	EUR	3.80%	10,000.00	3,000	30,000	30,926	March 15
ČSOB XII.	November 10	EUR	6M EURIBOR + 1.00%	10,000.00	3,798	37,980	37,986	November 15
ČSOB XIII.	November 11	EUR	5.50%	10,000.00	2,500	25,000	25,207	November 31
ČSOB XIV.	November 11	EUR	6M EURIBOR + 1.40%	10,000.00	2,000	20,000	19,895	November 16
ČSOB XV.	April 12	EUR	3.80%	10,000.00	4,000	40,000	40,805	April 17
ČSOB XVI.	April 12	CZK	ZERO	100,000.00	4,500	16,407	15,488	October 15
ČSOB XVII.	April 12	CZK	ZERO	100,000.00	4,000	14,584	13,650	January 16
ČSOB XVIII.	April 12	CZK	ZERO	100,000.00	4,000	14,584	13,534	April 16
ČSOB XIX.	July 12	EUR	4.70%	10,000.00	2,500	25,000	24,913	July 36
ČSOB XX.	March 13	EUR	1.60%	10,000.00	6,000	60,000	60,755	March 17
ČSOB XXI.	August 13	EUR	1.10%	10,000.00	5,300	53,000	52,923	August 16
ISTRO 5	March 05	EUR	4.20%	33,193.92	500	16,597	17,217	March 15
							353,299	
Bonds:								
ČSOB Leasing Float 2018	December 13	EUR	3M EURIBOR	100,000.00	3,500	350,000	348,629	December 18
ČSOB Leasing Fix 2018	December 13	EUR	1.34%	100,000.00	320	32,000	31,874	December 18
							380,503	

The issuer and also the owner of the ČSOB Leasing Float 2018 bond has the right to ask for the precocious maturity of the bond or a part of the bond. The notional of matured bonds should be at least EUR 5 milion or multiple of EUR 5 milion. The bond could be matured upon any coupon payment.

The table below shows the structure of mortgage bonds in book-entry form as at 31 December 2012:

Issue name	Issue date	Curr.	Interest rate fix/float	Nominal value 1 item (original currency)	No. of items	Total value of issue (EUR '000)	Net book value at 31 Dec 2012 (EUR '000)	Maturity
ČSOB VII.	February 08	EUR	12M EURIBOR + 0.10%	33,193.92	650	21,576	21,885	February 13
ČSOB VIII.	May 08	EUR	12M EURIBOR + 0.10%	33,193.92	500	16,597	16,681	May 13
ČSOB IX.	October 08	EUR	12M EURIBOR + 0.60%	33,193.92	200	6,639	6,658	October 13
ČSOB XI.	March 10	EUR	3.80%	10,000.00	3,000	30,000	30,959	March 15
ČSOB XII.	November 10	EUR	6M EURIBOR + 1.00%	10,000.00	3,828	38,280	38,257	November 15
ČSOB XIII.	November 11	EUR	5.50%	10,000.00	2,500	25,000	25,207	November 31
ČSOB XIV.	November 11	EUR	6M EURIBOR + 1.40%	10,000.00	2,000	20,000	19,841	November 16
ČSOB XV.	April 12	EUR	3.80%	10,000.00	4,000	40,000	40,705	April 17
ČSOB XVI.	April 12	CZK	ZERO	100,000.00	4,500	17,892	16,333	October 15
ČSOB XVII.	April 12	CZK	ZERO	100,000.00	4,000	15,904	14,388	January 16
ČSOB XVIII.	April 12	CZK	ZERO	100,000.00	4,000	15,904	14,261	April 16
ČSOB XIX.	July 12	EUR	4.70%	10,000.00	2,500	25,000	24,884	July 36
ISTRO2	April 03	EUR	5.15%	33,193.92	500	16,597	17,218	April 13
ISTRO5	March 05	EUR	4.20%	33,193.92	500	16,597	17,273	March 15
							304,550	

As at 31 December 2013, part of mortgage bonds issued is collateralised by government debt securities included in the portfolio of held-to-maturity investments in the carrying value of EUR 35,257 thousand (2012: EUR 31,015 thousand).

18. PROVISIONS

(EUR '000)	1 Jan 2013	Creation/ (Release)	Use	31 Dec 2013*
Provision for litigation	6,574	499	(8)	7,065
Provision for restructuring	1,696	22	(1,089)	629
Other provision	6	-	(6)	-
	8,276	**521**	**(1,103)**	**7,694**

(EUR '000)	1 Jan 2012	Creation/ (Release)	Use	FX difference	31 Dec 2012*
Provision for litigation	7,848	(431)	(839)	(4)	6,574
Provision for restructuring	463	1,696	(463)	-	1,696
Other provision	-	6	-	-	6
	8,311	**1,271**	**(1,302)**	**(4)**	**8,276**

**Provisions total does not include provision for off-balance sheet risks which is presented in Note 13.*

Provision for litigation

The ČSOB Group SR conducted a review of legal proceedings outstanding against it as at 31 December 2013. These matters have arisen from normal banking activities. With reference to the update on the status of these matters in terms of the risk of losses and the amounts claimed, the Group has increased the provision for these legal cases by a net amount of EUR 491 thousand (2012: decrease by EUR 1,274 thousand). As at 31 December 2013 this provision amounts to EUR 7,065 thousand (2012: 6,574 thousand). The loss from the increase in the provision for legal cases is presented in the consolidated statement of profit or loss and other comprehensive income under 'Other operating result'.

The particular requirements pursuant to IAS 37.85 are not disclosed in accordance with IAS 37.92 in order not to compromise the Bank's position in the ongoing legal proceedings and disputes

Provision for restructuring

In 2012 the Group decided to update its overall strategy. As a part of a change process a restructuring program began with the aim of reducing the number of management levels and in the context of market development to decrease also the total number of employees. Based on this decision, a restructuring provision amounting to EUR 1,696 thousand was created as at 31 December 2012 to cover the related costs, presented under 'Personnel expenses'. The outstanding provision amounting to EUR 629 thousand as at 31 December 2013 will be used in 2014.

19. OTHER LIABILITIES

(EUR '000)	31 Dec 2013	31 Dec 2012
Employee benefits and other employee funds	1,413	2,053
Wages and social security charges	13,186	11,852
Accrued non interest charges	7,671	6,986
Income received in advance	1,020	841
Other liabilities (mainly clearing and settlement)	69,265	63,192
Hedging derivatives	1,818	74
	94,373	**84,998**

Employee benefits

The ČSOB Group SR has a defined benefit programme, under which employees are entitled to a lump-sum payment upon taking retirement or a working or life jubilee. As of 31 December 2013, the programme was applicable to 1,982 employees of the ČSOB Group SR (2012: 2,358 employees).

In the year ending 31 December 2013, an actuarial calculation based on the projected unit credit method was performed, resulting in the final employee benefit obligation of EUR 1,051 thousand (2012: EUR 1,462 thousand).

(EUR '000)	31 Dec 2013	31 Dec 2012
Present value of benefits paid on retirement	558	586
Present value of length of service benefits	338	704
Present value of anniversary benefits	155	172
Total	**1,051**	**1,462**

Key assumptions used in the actuarial valuation:

(EUR ’000)	31 Dec 2013	31 Dec 2012
Discount rate – long-term forward rate (p.a.)	2.96%	3.08%
Annual future real rate of salary increases (p.a.)	2.50%	2.50%
Annual employee turnover (p.a.)	9.30%	9.50%
Retirement age	62	62

Social fund

Social fund liabilities, presented within ‘Employee benefits and other employee funds’, are as follows:

(EUR ’000)	31 Dec 2013	31 Dec 2012
Opening balance at 1 January	136	136
Creation	1,009	1,453
Drawing	(1,117)	(1,453)
Closing balance at 31 December	**28**	**136**

20. OVERVIEW OF CONTINGENT LIABILITIES

a) Contingent liabilities

(EUR ’000)	31 Dec 2013	31 Dec 2012
Credit facilities issued but not drawn	877,307	841,143
Guarantees issued	191,317	170,535
	1,068,624	**1,011,678**

Bank guarantees and letters of credit cover liabilities to clients (payment and non-payment liabilities) against beneficiaries (third parties). Bank guarantees represent an irrevocable liability on the part of the ČSOB Group SR to pay a certain amount as stated in the Bank guarantee in the event, that the debtor fails to fulfil an obligation or other conditions as stated in the guarantee.

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

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

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

Operating leases

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

(EUR '000)	**31 Dec 2013**	**31 Dec 2012**
Less than 1 year	1,180	1,027
From 1 year to 5 years	1,183	1,605
Total	**2,363**	**2,632**
Minimum lease payments recognized as an expense for the year	517	552

The operating leases related to information technologies to KBC Group, N.V, are included in 'Less than 1 year' in the amount of EUR 677 thousand (2012: EUR 524 thousand). They represent expected half-year lease payments according to the committed notice period.

b) Values in custody

The values received into custody and management by the Group amounted to EUR 10,706,536 thousand as at 31 December 2013 (2012: EUR 7,724,408 thousand).

c) Lawsuits

In addition to the litigation for which provisions are created (Note 18), the ČSOB Group SR is named in and is defending a number of legal actions arising in the ordinary course of business. The management of the ČSOB Group SR does not believe that these legal actions will result in any material loss. Consequently, no provisions were created for these cases as at 31 December 2013 and 31 December 2012.

d) Taxation

The methodology of Slovak tax legislation and interpretation is still evolving. Consequently, in the current taxation environment, there is uncertainty concerning the interpretations and procedures that the respective tax authorities may apply in a number of areas. Due to this, the ČSOB Group SR is obliged to develop its own interpretation of the tax legislation when setting up its plan and accounting standards. It is not possible to calculate the effect resulting from this uncertainty.

21. EQUITY

The structure of shareholders of the ČSOB Group SR is as follows:

	% of share capital 31 Dec 2013	**% of share capital 31 Dec 2012**
KBC Bank N.V. Belgium	100.00%	100.00%
Total	**100.00%**	**100.00%**

Share capital

At 31 December 2013 and 31 December 2012, authorized and fully paid share capital consists of 7,470 ordinary shares in a nominal amount of EUR 33,200. Share capital was registered with the Commercial Register in the full amount of EUR 248,004 thousand.

Share premium

Share premium represents the difference between the nominal amount of own shares and their market value. As at 31 December 2013 and 31 December 2012, the share premium amounted to EUR 484,726 thousand.

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 legal reserve fund represents accumulated transfers from retained earnings. The ČSOB Group SR is obliged to contribute an amount to the fund each year which is not less than 10% of its annual net profit (calculated in accordance with Slovak accounting regulations) until the aggregate amount reaches a minimum level equal to 20% of the issued share capital. The legal reserve fund is not available for distribution to shareholders and may be used only for compensation of losses incurred. As at 31 December 2013, the ČSOB Group SR allocated EUR 5,240 thousand to the reserve fund, thus its value increased to EUR 37,990 thousand. As at 31 December 2012, the ČSOB Group SR held a legal reserve fund of EUR 32,750 thousand.

Revaluation surplus

Revaluation surplus from available-for-sale financial assets:

(EUR ’000)	**31 Dec 2013**	**31 Dec 2012**
As at 1 January	23,181	691
Net gain/(loss) arising on the revaluation of available-for-sale financial assets	(4,046)	30,367
Income tax relating to gain/(loss) arising on the revaluation of available-for-sale financial assets	1,952	(6,762)
Cumulative gain reclassified to consolidated statement of profit or loss and other comprehensive income on sale of available-for-sale financial assets	(3,227)	(1,115)
As at 31 December	**17,860**	**23,181**

The revaluation reserve from available-for-sale financial assets represents accumulated gains and losses arising on the revaluation of available-for-sale financial assets that have been recognized in other comprehensive income. This revaluation surplus is presented net of the amounts reclassified to consolidated statement of profit or loss and other comprehensive income when those assets have been disposed of or are determined to be impaired. As at 31 December 2013 and 31 December 2012, there was no new impairment recognized for available-for-sale financial assets.

Other revaluation surplus

In 2007, KBC Bank decided to transform Československá obchodná banka, a.s., pobočka zahraničnej banky in SR into a separate legal entity with effect from 1 January 2008. Due to this, a reorganization reserve was created as the difference between the fair value of non-cash deposits to the equity of the new company and their carrying amount. The fair value of non-cash deposits was determined based on expert opinion as at the date of formation of the new company. The reorganization reserve is presented within the equity of the new legal entity, as at 31 December 2013 and 31 December 2012 in the negative amount of EUR 216,162 thousand.

Profit distribution

The profit distribution of the ČSOB Group SR is as follows:

	Attributable from profit for the year	
(EUR ’000)	**2013***	**2012**
Addition to legal reserve fund	6,179	5,240
Dividends	55,608	47,162
Retained earnings	1,278	3,344

* *Based on the proposed profit distribution.*

(EUR ’000)	**31 Dec 2013**	**31 Dec 2012**
Dividends per share		
Dividends	55,608	47,162
Number of shares in nominal value of EUR 33,200	7,470	7,470
Dividends per share in EUR	**7,444**	**6,314**

22. EARNINGS PER SHARE

(EUR ’000)	**31 Dec 2013**	**31 Dec 2012**
Earnings per share		
Net profit for year	63,065	55,746
Number of shares in nominal value of EUR 33,200	7,470	7,470
Earnings per share in EUR	**8,442**	**7,463**

23. INFORMATION ON SEGMENTS

The ČSOB Group SR distinguishes between the following segments:

Retail banking/Small and medium entrepreneurs ('SME'): natural persons, entrepreneurs and companies with turnover below EUR 3.3 million.
Loan products: mortgages, consumer loans, credit cards and overdrafts, operating and investment loans, revolving loans, building loans of ČSOB Stavebná sporiteľňa, financing through ČSOB Leasing (lease, operating lease - SME, consumer loans)
Deposit products: current accounts and service packages, saving and term deposits, funds and savings programmes.
Retail banking offers electronic banking services and performs a system of payments (domestic, foreign, cash and non-cash transactions), investments of free financial sources of customers to portfolio of financial assets (saving and term deposits, mutual funds, life insurance and bills of exchange).

Private banking: customer with assets under management at the ČSOB Group SR at the minimal level of EUR 200 thousand.
Products offered to private clients: current accounts, term and saving programs, insurance products, bonds, bills of exchange, mortgage bonds, structured products, physical gold and other instruments of financial markets.
Finally, Private banking clients can invest into equities via the KBC group company, Patria.

Corporate banking: corporations with turnover above EUR 3.3 million and non-banking institutions in the financial sector.
Loan products: overdrafts, revolving loans, purpose loans, credit cards, specialized and trade finance, financing through ČSOB Leasing (lease, operating lease, consumer loans)
Deposit products: current accounts and service packages, term deposits, time deposits
Corporate banking offers services of electronic banking and performs a system of payments (domestic, foreign, cash and non-cash transactions). It also provides investments into short-term financial instruments, bonds and mutual funds.

Financial markets and ALM: segment of assets and liabilities management, segment dealing.
This segment performs the custody and management of securities, intermediation of purchase and sale of Slovak and foreign bonds on secondary markets, participation in subscription of shares in primary sale, purchase and sale of foreign currencies. The segment also offers structured products for investments of free financial sources.
ALM is responsible for management of assets, liabilities, interest rates, risk management (currency risk, interest risk, etc.) and also management of the foreign exchange position of the ČSOB Group SR.

Other: headquarters, banking and investment products (administration of bad debts), non-assigned net interest income, eliminations and non-material unallocated items.

Information on segments as at 31 December 2013 is as follows:

(EUR ’000)	**Retail banking/ SME/Private banking**	**Corporate banking**	**Financial markets and ALM**	**Other**	**Total**
Consolidated statement of profit or loss and other comprehensive income					
Net interest income	118,809	56,107	12,565	7,112	194,593
Net fee and commission income	38,252	13,089	132	(1,184)	50,289
Net trading result	6,959	2,675	11,001	537	21,172
Other operating result	6,151	(2,052)	700	5,091	9,890
Total income	**170,171**	**69,819**	**24,398**	**11,556**	**275,944**
Personnel expenses	(33,449)	(10,981)	(2,337)	(19,819)	(66,586)
Depreciation and amortization	(5,232)	(669)	(52)	(4,942)	(10,895)
Other operating expenses	(30,375)	(6,073)	(493)	(46,570)	(83,511)
Operating expenses	**(69,056)**	**(17,723)**	**(2,882)**	**(71,331)**	**(160,992)**
Profit/(loss) for year before impairment losses, financial guarantees and tax	**101,115**	**52,096**	**21,516**	**(59,775)**	**114,952**
Impairment losses and financial guarantees	(8,185)	(17,516)	2	(3,760)	(29,459)
Profit/(loss) for year before tax	**92,930**	**34,580**	**21,518**	**(63,535)**	**85,493**
Income tax expense	(19,188)	(6,513)	(3,960)	7,233	(22,428)
Net profit/(loss) for year	**73,742**	**28,067**	**17,558**	**(56,302)**	**63,065**
Total assets	**2,737,454**	**1,667,395**	**1,724,748**	**155,112**	**6,284,709**
Total liabilities and equity	**2,887,520**	**1,939,751**	**859,830**	**597,608**	**6,284,709**

Information on segments as at 31 December 2012 is as follows:

(EUR ’000)	**Retail banking/ SME/Private banking**	**Corporate banking**	**Financial markets and ALM**	**Other**	**Total**
Consolidated statement of profit or loss and other comprehensive income					
Net interest income	103,782	54,918	10,856	5,393	174,949
Net fee and commission income	35,727	11,218	383	(873)	46,455
Net trading result	7,100	1,164	14,841	(282)	22,823
Other operating result	6,906	(2,379)	1	2,100	6,628
Total income	**153,515**	**64,921**	**26,081**	**6,338**	**250,855**
Personnel expenses	(33,679)	(10,515)	(1,584)	(22,949)	(68,727)
Depreciation and amortization	(5,224)	(747)	(113)	(5,393)	(11,477)
Other operating expenses	(33,376)	(5,557)	(560)	(47,934)	(87,427)
Operating expenses	**(72,279)**	**(16,819)**	**(2,257)**	**(76,276)**	**(167,631)**
Profit/(loss) for year before impairment losses, financial guarantees and tax	**81,236**	**48,102**	**23,824**	**(69,938)**	**83,224**
Impairment losses and financial guarantees	(11,420)	(74)	-	(5,819)	(17,313)
Profit/(loss) for year before tax	**69,816**	**48,028**	**23,824**	**(75,757)**	**65,911**
Income tax expense	(12,113)	(8,448)	(4,527)	14,923	(10,165)
Net profit/(loss) for year	**57,703**	**39,580**	**19,297**	**(60,834)**	**55,746**
Total assets	**2,470,888**	**1,880,199**	**1,570,693**	**106,048**	**6,027,828**
Total liabilities and equity	**2,777,032**	**1,843,675**	**858,901**	**548,220**	**6,027,828**

24. NET INTEREST INCOME

(EUR '000)	31 Dec 2013	31 Dec 2012
Interest income		
From loans and advances to financial institutions	396	597
From deposits and loans provided to customers	191,682	185,868
Held-to-maturity investments	36,656	28,857
Available-for-sale financial assets	13,433	16,877
Financial assets held for trading (excluding derivatives)	5,365	10,462
Financial assets designated at fair value through profit or loss	372	642
ALM derivatives	196	158
	248,100	**243,461**
Interest expense		
From accounts and loans accepted from central and multilateral banks	(2,108)	(3,664)
From amounts owed to financial institutions	(2,591)	(4,612)
From deposits and loans received from customers	(30,454)	(43,769)
From debt securities issued	(10,557)	(10,298)
Financial liabilities at fair value through profit or loss	(2,547)	(2,622)
ALM derivatives	(4,171)	(3,544)
Hedge derivatives	(1,079)	(3)
	(53,507)	**(68,512)**
	194,593	**174,949**

25. NET FEE AND COMMISSION INCOME

(EUR '000)	31 Dec 2013	31 Dec 2012
Fee and commission income		
Securities	4,215	2,526
Trust and fiduciary activities	1,910	5,100
Credit commitments and guarantees	14,417	13,358
Payment services and account administration	31,208	30,341
Other	10,192	6,319
	61,942	**57,644**
Fee and commission expense		
Securities	(863)	(801)
Clearing and settlement	(196)	(173)
Credit commitments and guarantees	(1,745)	(1,907)
Payment services	(1,196)	(1,423)
Commissions to intermediaries	(688)	(851)
Trust and fiduciary activities	-	(47)
Other	(6,965)	(5,987)
	(11,653)	**(11,189)**
	50,289	**46,455**

26. NET TRADING RESULT

(EUR '000)	31 Dec 2013	31 Dec 2012
Available-for-sale financial assets	3,227	1,145
Held for trading interest rate instruments	3,593	4,642
Held for trading foreign exchange instruments	(10,790)	10,408
Held for trading commodity instruments	86	49
Net result from financial assets designated at fair value through profit or loss	(243)	719
Net result from financial liabilities at fair value through profit or loss	112	(33)
Net result from hedging derivatives	(1,039)	(70)
Net result from hedged items	1,275	43
Exchange differences	24,951	5,920
	21,172	**22,823**

27. OTHER OPERATING RESULT

(EUR '000)	31 Dec 2013	31 Dec 2012
Loss on disposal of property, plant and equipment	(239)	(16)
Gain on disposal of assets held for sale	17	-
Income from rental	688	689
Operating lease	911	266
Result from claims and legal disputes	(499)	437
Other income re provisions claims/losses	3,720	-
Shortages and damages from financial operations	(513)	(1,185)
Income from written off and ceded receivables	2,555	4,098
Other operating activities	3,250	2,339
	9,890	**6,628**

28. PERSONNEL EXPENSES

(EUR '000)	31 Dec 2013	31 Dec 2012
Wages and salaries	(50,017)	(49,734)
Social security	(15,615)	(15,026)
Pensions and similar expenses	(417)	(886)
Provisions for restructuring charges	(22)	(1,696)
Other staff expenses	(515)	(1,385)
	(66,586)	**(68,727)**

The number of employees of the ČSOB Group SR at 31 December 2013 was 2,308; thereof 313 managers (2012: 2,381; thereof 339 managers).

Remuneration to management is provided if accruals or other resources were created and the conditions of the Internal Remuneration Policy of the ČSOB Group SR were met, mainly: an annual bonus for the Group's performance based on the fulfilment of financial goals and the achievement of business goals and an individual bonus for employees based on the individual's performance measured by Key Performance Indicator.

The ČSOB Group SR provides contributions to the supplementary pension scheme on a monthly basis to all of its employees including top management. Since 1 March 2013, the contribution is calculated on the basis of the monthly salary as follows:

a) employer – 1% of salary base if the employee's contribution is from 1% to 1.99% of salary base,
b) employer – 2% of salary base if the employee's contribution is 2% and more of salary base. The monthly salary base for purposes of the supplementary pension scheme is determined from the basic monthly salary paid for working hours in the calendar month.

29. OTHER OPERATING EXPENSES

(EUR '000)	**31 Dec 2013**	**31 Dec 2012**
Information technology expenses	(20,125)	(24,348)
Rental expenses	(7,981)	(8,357)
Repair and maintenance	(2,686)	(2,474)
Marketing expenses	(7,815)	(8,641)
Professional fees	(4,847)	(3,824)
Including: Statutory Financial Statements audit expenses	*(244)*	*(247)*
Other audit expenses (including group reporting)	*(298)*	*(307)*
Other facilities expenses	(8,906)	(9,819)
Communication expenses	(151)	(190)
Travel expenses	(618)	(761)
Training and recruitment expenses	(400)	(456)
Personnel related expenses	(393)	(443)
Costs charged by other KBC group entities	(7,441)	(6,625)
Provisions related to general administrative expenses	-	(6)
Contributions to deposit protection funds	(38)	(2,231)
Bank levy*	(20,534)	(17,382)
Other operating expenses	(1,576)	(1,870)
	(83,511)	**(87,427)**

** Commencing 1 January 2012, banks operating in the Slovak Republic are subject to special levy calculated based on the % of their liabilities balances.*

30. TAXATION

The income tax structure is as follows:

(EUR '000)	31 Dec 2013	31 Dec 2012
Current tax	23,190	10,319
Deferred tax	(762)	(154)
	22,428	**10,165**

Below is a reconciliation of income tax and the theoretical amount, applying the effective tax rate:

(EUR '000)	31 Dec 2013	31 Dec 2012
Profit before tax	85,493	65,911
Tax rate	23%	19%
Tax expense calculated using applicable tax rates	19,663	12,523
Permanent differences between tax and accounting expenses and revenues	3,792	(2,244)
Additional tax expenses recognized for the prior year	(1,027)	(114)
	22,428	**10,165**

The deferred tax structure as at 31 December 2013 is as follows:

(EUR '000)	Temporary differences	Deferred income tax asset	Deferred income tax liability	Net
Loans and advances to customers – tax non-deductible provisions to customers	92,772	20,109	(301)	**20,410**
Employee benefits and accrual for unpaid bonuses	7,726	1,608	(92)	**1,700**
Tangible and intangible assets	6,592	(1,449)	1	**(1,450)**
Impairment loss on Assets held for sale	6,364	1,400	-	**1,400**
Other	7,026	1,519	(26)	**1,545**
Available-for-sale financial assets	22,832	(4,513)	459	**(4,972)**
	143,312	**18,674**	**41**	**18,633**

The deferred tax structure as at 31 December 2012 is as follows:

(EUR '000)	Temporary differences	Deferred income tax asset	Deferred income tax liability	Net
Loans and advances to customers – tax non-deductible provisions to customers	83,074	18,773	(334)	**19,107**
Employee benefits and accrual for unpaid bonuses	6,320	1,402	(52)	**1,454**
Tangible and intangible assets	3,670	(843)	1	**(844)**
Impairment loss on Assets held for sale	5,278	1,214	-	**1,214**
Other	8,314	1,826	(86)	**1,912**
Available-for-sale financial assets	30,105	(6,160)	764	**(6,924)**
	136,761	**16,212**	**293**	**15,919**

31. RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The ČSOB Group SR is controlled by KBC Bank, which holds 100 % of the voting rights of the Group's total votes. Related parties include also other members of the KBC Group.

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

Significant balances of transactions with related parties were as follows:

	31 Dec 2013		31 Dec 2012	
(EUR '000)	KBC Bank N.V.	KBC Group	KBC Bank N.V.	KBC Group
Loans and advances to financial institutions	1,556	1,633	1,608	571
Financial assets at fair value through profit or loss	4,007	454	6,289	8,740
Other assets	283	412	-	807
Amounts owed to financial institutions	4,911	6,671	352,580	4,475
Financial liabilities at fair value through profit or loss	27,402	18,772	31,638	899
Amounts owed to customers	-	15,637	-	14,689
Debt securities issued	380,504	115,397	-	84,975
Other liabilities	1,818	672	166	403

Expenses and incomes from transactions with related parties were as follows:

	31 Dec 2013		31 Dec 2012	
(EUR '000)	KBC Bank N.V.	KBC Group	KBC Bank N.V.	KBC Group
Interest income	49	26	250	614
Fee and commission income	273	4,132	278	4,221
Net trading result	(12,349)	(15,369)	(5,321)	548
Other operating result	-	697	-	634
Interest expense	(3,668)	(2,096)	(4,290)	(2,732)
Fee and commission expense	(568)	(30)	(467)	(211)
Other operating expense	(1,432)	(15,180)	(507)	(15,998)

At 31 December 2013, total guarantees received from related parties, represent EUR 37,729 thousand (2012: EUR 72,926 thousand).

At 31 December 2013, guarantees issued by the Group towards related parties are in the amount of EUR 5,452 thousand (2012: EUR 2,710 thousand).

As at 31 December 2013 and 31 December 2012, the Group did not create any provision for doubtful debts towards related parties.

Transactions with key management personnel

As at 31 December 2013, loans granted to members of the Board of Directors and Supervisory Board represent EUR 229 thousand (2012: EUR 416 thousand). Deposits from members of the Board of Directors and Supervisory Board as at 31 December 2013 amounted to EUR 428 thousand (2012: EUR 97 thousand).

Personnel expenses of senior management for the year ended 31 December 2013 were EUR 1,868 thousand (2012: EUR 2,165 thousand). These personnel expenses include the total remuneration and social expenses of members of the Board of Directors and Supervisory Board, which are regulated by the Internal Remuneration Policy of the ČSOB Group SR.

32. DERIVATIVE FINANCIAL INSTRUMENTS

The ČSOB Group SR uses derivative financial instruments for trading purposes and fair value hedging. Financial derivatives include swap, forwards and option contracts. A swap agreement is a contract between two parties to exchange cash flows based on specified underlying notional amounts, assets and/or indices. Forward contracts are agreements to buy or sell a quantity of a financial instrument, index, currency or commodity at a predetermined future date and rate or price. An option contract is an agreement that confers on the holder the right, but not the obligation, to buy or sell a quantity of a financial instrument, index, currency or commodity at a predetermined rate or price at a particular time or over a period in the future.

Credit risk associated with derivative financial instruments

By utilizing derivative financial instruments, the ČSOB Group SR is exposed to credit risk in the event of non-performance on the part of the counterparties to the derivative instruments. If the counterparty fails to perform, the credit risk is equal to the positive fair value of the derivatives agreed upon with that counterparty. When the fair value of a derivative is positive, the ČSOB Group SR bears the risk of loss; conversely, when the fair value of a derivative is negative, the counterparty bears the risk of loss (or credit risk). The ČSOB Group SR minimises credit risk through credit approvals, limits and monitoring procedures. In addition, the ČSOB Group SR obtains collateral where appropriate, and uses bilateral master netting arrangements. There are no significant credit risk exposures in derivatives outside of the standard international investment banking which is usually used in trading and managing banking risks.

The maximum credit risk on the Group’s outstanding non-credit derivatives is measured as the cost of replacing their cash flows with positive fair value if the counterparties default, less the effects of the bilateral netting arrangements and the collateral held. The Group’s actual credit exposures are less than the positive fair value amounts shown in the derivative tables, as netting arrangements and collateral have not been taken into consideration.

Trading derivative financial instruments

The trading activities of the ČSOB Group SR primarily involve providing its customers with various derivative products and managing trading positions on its own account. Trading derivatives also include those derivatives that are used for asset and liability management (‘ALM’) purposes to manage the interest rate position of the Banking Book and which do not meet the criteria for hedge accounting. For these purposes, the ČSOB Group SR uses single currency interest rate swaps to convert fixed rate assets to floating rates, cross-currency interest rate swaps for the transfer of cash flows in one currency to cash flows in another currency structure in such a way that their maturity meets the respective liabilities, or FX swaps to exchange a particular currency. The ČSOB Group SR minimizes its market risk when option contracts are traded through back-to-back sales.

Trading derivatives are stated at fair value. Unrealized gains and losses are reported in the consolidated statement of financial position as ‘Financial assets at fair value through profit or loss’ or ’Financial liabilities at fair value through profit or loss’. Changes in the fair value of derivatives are presented in the consolidated statement of profit or loss and other comprehensive income in ‘Net trading result’. Interest income/expense related to derivative financial instruments is recognized in ‘Net interest income’ for those held in the banking book or in ‘Net trading result’ for those held in the trading book.

Hedging derivative financial instruments

The ČSOB Group SR applies the portfolio hedging of fair value related to interest rate risk. The Group’s strategy is to hedge net interest income generated from interest-bearing assets and liabilities against unexpected movements in market interest rates. The aim is also a stable development of expenses and income from market revaluation of balance sheet and off-balance sheet transactions.

The hedged item represents a portfolio of fixed interest loans and advances to customers and the hedging instrument is a portfolio of interest rate swaps, in which the Group pays fixed and receives floating interest rate. As at 31 December 2013 the hedge was effective in hedging the fair value exposure to interest rate movements. The Group recognized a loss on hedging instruments in the amount of EUR 1,039 thousand (2012: loss of EUR 70 thousand) and a gain on hedged item attributable to the hedged risk amounted of EUR 1,275 thousand (2012: gain of EUR 43 thousand), which are presented in ‘Net trading result‘.

The contract or notional amounts and positive and negative fair values of the Group’s outstanding derivative trading and hedging positions as at 31 December 2013 and 31 December 2012 are shown below. The contract or nominal amounts represent the volume of outstanding transactions at one particular point in time; they do not represent the potential for gain or loss associated with the market risk or credit risk of such transactions.

	Nominal values		Fair values	
(EUR ’000)	**Receivables**	**Liabilities**	**Positive**	**Negative**
Derivative instruments as at 31 Dec 2013				
Hedging derivatives				
Interest rate swaps	770,000	770,000	283	1,818
Total hedging derivatives	**770,000**	**770,000**	**283**	**1,818**
Trading derivatives				
FX contracts				
FX forwards	11,035	10,960	147	70
FX swaps	729,457	729,298	1,044	924
Cross-currency interest rate swaps	357,497	361,630	14,531	18,440
FX options	141,353	141,353	410	407
Interest rate contracts				
Interest rate swaps	2,160,743	2,160,743	34,866	41,978
Interest rate options	182,111	182,111	2,142	5,657
Total trading derivatives	**3,582,196**	**3,586,095**	**53,140**	**67,476**

	Nominal values		Fair values	
(EUR ’000)	**Receivables**	**Liabilities**	**Positive**	**Negative**
Derivative instruments as at 31 Dec 2012				
Hedging derivatives				
Interest rate swaps	91,000	91,000	-	74
Total hedging derivatives	**91,000**	**91,000**	**-**	**74**
Trading derivatives				
FX contracts				
FX forwards	10,786	10,579	207	2
FX swaps	359,578	358,638	1,669	742
Cross-currency interest rate swaps	379,740	379,698	1,179	616
FX options	195,565	195,565	591	523
Interest rate contracts				
Interest rate swaps	1,925,860	1,925,860	57,196	75,885
Interest rate options	227,660	227,660	1,782	8,593
Commodity contracts				
Commodity swaps and options	253	253	12	12
Total trading derivatives	**3,099,442**	**3,098,253**	**62,636**	**86,373**

33. OFFSETTING FINANCIAL ASSETS AND LIABILITIES

The tables below show the financial assets subject to offsetting, enforceable master netting agreements or similar agreements:

(EUR '000)	Gross amounts of financial assets	Gross amounts of financial assets offset	Net amounts of financial assets	Related amounts not offset: Financial instruments	Related amounts not offset: Cash collateral received	Related amounts not offset: Securities collateral received	Net amount
31 Dec 2013							
Derivatives	53,423	-	53,423	17,226	-	-	36,197
Total	**53,423**	**-**	**53,423**	**17,226**	**-**	**-**	**36,197**

(EUR '000)	Gross amounts of financial assets	Gross amounts of financial assets offset	Net amounts of financial assets	Related amounts not offset: Financial instruments	Related amounts not offset: Cash collateral received	Related amounts not offset: Securities collateral received	Net amount
31 Dec 2012							
Derivatives	62,636	-	62,636	28,888	-	-	33,748
Total	**62,636**	**-**	**62,636**	**28,888**	**-**	**-**	**33,748**

The tables below show the financial liabilities subject to offsetting, enforceable master netting agreements or similar agreements:

(EUR '000)	Gross amounts of financial liabilities	Gross amounts of financial liabilities offset	Net amounts of financial liabilities	Related amounts not offset: Financial instruments	Related amounts not offset: Cash collateral pledged	Related amounts not offset: Securities collateral pledged	Net amount
31 Dec 2013							
Derivatives	69,294	-	69,294	17,226	-	-	52,068
Total	**69,294**	**-**	**69,294**	**17,226**	**-**	**-**	**52,068**

(EUR '000)	Gross amounts of financial liabilities	Gross amounts of financial liabilities offset	Net amounts of financial liabilities	Related amounts not offset: Financial instruments	Related amounts not offset: Cash collateral pledged	Related amounts not offset: Securities collateral pledged	Net amount
31 Dec 2012							
Derivatives	86,447	-	86,447	28,888	-	-	57,559
Total	**86,447**	**-**	**86,447**	**28,888**	**-**	**-**	**57,559**

34. FAIR VALUE OF ASSETS AND LIABILITIES

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Where market prices were available, these were used in measurement; otherwise internal valuation models were applied, especially the discounted cash flow method.

The following methods and assumptions were applied in estimating the fair values of the Group's financial assets and liabilities:

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

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

(EUR ’000)	Carrying amount 31 Dec 2013	Fair value 31 Dec 2013	Carrying amount 31 Dec 2012	Fair value 31 Dec 2012
Financial assets				
Cash and balances with central bank	123,058	123,058	126,262	126,262
Loans and advances to financial institutions	42,151	42,222	40,266	40,339
Loans and advances to customers	4,247,378	4,457,716	4,132,132	4,257,199
Held-to-maturity investments	1,072,658	1,149,589	846,855	922,332
Financial liabilities				
Amounts owed to financial institutions	309,017	309,311	677,727	677,760
Amounts owed to customers	4,199,620	4,211,636	4,076,314	4,102,398
Debt securities issued	750,017	759,300	304,550	313,904

The following table shows the hierarchy levels for determining the fair value of financial assets and liabilities measured at amortized cost as at 31 December 2013:

EUR ’000)	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and balances with central bank	-	123,058	-	123,058
Loans and advances to financial institutions	-	-	42,222	42,222
Loans and advances to customers	-	-	4,457,716	4,457,716
Held-to-maturity investments	790,516	359,073	-	1,149,589
Total financial assets				**5,772,585**
Financial liabilities				
Amounts owed to financial institutions	-	180,753	128,558	309,311
Amounts owed to customers	-	3,968,426	243,210	4,211,636
Debt securities issued	-	759,300	-	759,300
Total financial liabilities				**5,280,247**

Loans and advances to financial institutions

The carrying values of current account balances are, by definition, equal to their fair values. The fair values of term placements with banks are estimated by discounting their future cash flows using the current inter-bank market rates including the respective credit spread. The majority of loans are repaid within relatively short time periods; it is assumed, therefore, that their carrying values approximate to their fair values.

Loans and advances to customers

The fair values of fixed-rate loans to customers, that relate to the substantial part of the Group's loan portfolio, are estimated by discounting their future cash flows using the current market rates including respective credit spread. Fair value incorporates expected future losses, while amortized cost and related impairment include only incurred losses at the end of the accounting period. The rest of loans and advances to customers is concluded for floating rates that are fixed for a relatively short period; it is assumed, therefore, that their carrying values approximate to their fair values.

Held-to-maturity investments

Fair values for held-to-maturity securities are based on the quoted market prices. These are used depending on the availability in the following order: Stock Exchange and Benchmark curve from Reuters, the price from Bloomberg and following, the price calculated on the basis of price quotations from Bloomberg and the NBS. If no quoted market prices are available, the fair values of securities are determined based on the expert prices. If the security is included in the benchmark bonds' list published by the NBS, the price from Reuters is used for the revaluation. If the security is not included in the benchmark bonds' list published by the NBS, the expert price used for the fair value is calculated based on the yield to maturity. The yield to maturity is obtained by interpolation of income from the securities that are included in the benchmark bonds' list published by the NBS.

If no quoted market price for mortgage bonds is available, the expert price is used. The calculation of the expert price is based on the Slovak government bond curve adjusted by the credit spread derived from trades realized on the Bratislava Stock Exchange (‘BCPB’) and by the credit spread of the company of the issuer. The expert price of other securities is gained based on the method of comparable bonds.

Amounts owed to financial institutions

The carrying values of current account balances are, by definition, equal to their fair values. For other amounts owed to financial institutions with one year or less remaining to maturity, it is assumed that their carrying values approximate to their fair values. The fair values of other amounts owed to financial institutions are estimated by discounting their future cash flows using the current inter-bank market rates.

Amounts owed to customers

The fair values of current accounts and term deposits with remaining maturity one year or less approximate to their carrying values. The fair values of other term deposits are estimated by discounting their future cash flows using the rates currently on offer for deposits with similar remaining maturities.

Debt securities issued

Mortgage bonds issued are publicly traded and their fair values are based on the quoted market prices. If no quoted market price is available, the expert price is used for determining the fair value. The calculation of the expert price is based on the Slovak government bond curve adjusted by the credit spread derived from trades realized on the BCPB and by the credit spread of the company of the issuer. The carrying values of promissory notes and the certificates of deposit approximate to their fair values.

b) Financial assets and liabilities measured at fair value

The ČSOB Group SR uses the following hierarchy for the determination and presentation of the fair value of financial instruments:

Level 1 – If available, published price quotations in active markets are used to determine the fair value of financial assets and liabilities. Revaluation is obtained using prices of identical asset or liability, which means that no model is involved in the process of revaluation. Fair values of the financial assets and liabilities that are traded in active markets are based on the quoted market prices or based on the prices declared by dealers. For fair value determination of other financial instruments, valuation techniques are used.

Level 2 – Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes financial instruments valued using: quoted market prices in active markets for similar financial instruments; quoted prices for identical or similar financial instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observed from the market.

Level 3 – Valuation techniques using significant unobservable inputs. This category includes all financial instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument´s valuation. The category includes the financial instruments that are valued based on quoted prices for similar financial instruments where significant unobservable adjustments or assumptions are required to reflect differences between the financial instruments.

The classification of the financial instrument into the fair value hierarchy is not static. Financial instruments can shift between different fair value levels for various reasons:

- market changes: The market can become inactive (shift from Level 1 to Level 2 or 3). As a result, previously observable parameters can become unobservable (possible shift from Level 2 to Level 3);
- model changes: The application of a new refined model that takes more observable input factors into account or reduces the fair value impact of unobservable inputs (possible shift from Level 3 to Level 2);
- change in sensitivity: The sensitivity of a valuation input to the entire fair values may change over time. An unobservable input that used to be significant to the entire fair value measurement may become insignificant (or vice versa). The fair value classification in the hierarchy would consequently change from Level 3 to Level 2 (or vice versa).

As the fair value of the financial instrument is dynamic, the ČSOB Group SR regularly evaluates the changes in observability of significant inputs when measuring the financial instrument.

The best indicator of fair value is the price from an active market. If there are quoted prices on the market, fair values are based upon the quoted market prices. External sources of information (i.e. prices from stock exchange or price bids from brokers) are generally used for fair value determination. If no quoted market prices are available, fair values are estimated based on valuation methods which use observable external inputs.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist, Black-Scholes and polynomial option pricing models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premium used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date, that would have been determined by market participants acting at arm’s length.

If no valuation model is available or a valuation model is available, but it is not validated by an entity, independent from the business unit, third party prices have to be used for determining fair value of financial instruments. The observability of the parameters used in the third party´s model cannot be judged, in case the ČSOB Group SR does not have any access to information on that model. From this perspective, instruments for which the fair value is based on prices, provided by a party that is independent from the ČSOB Group SR (a third party), are classified into Level 3.

The Market Risk and Capital Management Section and Financial Reporting, Accounting Governance and Procurement Division have responsibility for the determination of the valuation methods of financial assets and liabilities at fair value through profit or loss. The main task of Financial Reporting, Accounting Governance and Procurement Division is to objectively and independently assess whether the valuation is in accordance with IFRS and is properly used.

The Market Risks and Capital Management Section is also responsible for controlling the process of parameters used in valuation techniques and monitoring the correct implementation of valuation methods on a quarterly basis as the part of the Parameter review process. The results of the Parameter review are afterwards reported to the senior management of the ČSOB Group SR. In addition, based on these results, possible changes are defined and implemented in the valuation methodology. Implementation of valuation methods is performed by the Financial Market Middle Office Section. All responsibilities are organized in such a manner as to guarantee the independence of the entire valuation process. A valuation methodology and the exceptions in the valuation process have to be submitted for approval to the Market risk and Capital Management Section and to the Board of Directors.

Derivatives

Linear derivatives are valued through an internal system of the ČSOB Group SR, which calculates the present value (cash flows discounted using relevant yield curves). The price of exotic derivatives is obtained from professional counterparties.

Debt securities

The ČSOB Group SR classifies debt securities at Level 1, if the Group has available inputs from Reuters or Bloomberg quotations.

If there is no available quotation from these sources, the Group uses expert valuations:

- valuation of domestic government securities is based on the yield to maturity of comparable securities issued by the NBS;
- calculation of expert prices of mortgage bonds issued by Slovak banks is based on the Slovak government bond curve adjusted by the credit spread derived from trades realized on the BCPB and by the credit spread of the parent company of the issuer;
- valuation of other securities is based on the swap curve adjusted by the related credit spread of an identical security of the issuer or an identical security of the issuer's parent company.

Loans and deposits at fair value through profit or loss

Loans and deposits at fair value through profit or loss are valued using an internal system of the Group, which calculates the present value (cash flows discounted using inter-bank yield curves).

Shares

Shares represent investments with a share of less than 20% of the share capital and voting rights. They are valued at fair value valid for available-for-sale securities. Those investments which do not have a quoted market price in an active market and whose fair value cannot be reliably measured are accounted for using the cost method.

The following table represents an analysis of financial assets and liabilities recognized at fair value based on their fair value hierarchy as at 31 December 2013:

(EUR '000)	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets				
Financial assets at fair value through profit or loss				
Financial assets held for trading:				
Bank bonds	4,708	58,296	-	63,004
Government debt securities	45,624	11,420	-	57,044
Other bonds	23,348	-	-	23,348
Financial trading derivatives	-	50,957	2,183	53,140
Total				***196,536***
Available-for-sale financial assets				
Bank bonds	-	5,564	-	5,564
Government debt securities	314,212	134,859	-	449,071
Other bonds	11,784	-	-	11,784
Shares	-	-	268	268
Total				***466,687***
Other assets				
Fair value changes of hedged item	-	1,318	-	**1,318**
Hedging derivatives	-	283	-	**283**
Total				***1,601***
Total financial assets				**664,824**
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Term deposits – banks	-	40,913	-	40,913
Term deposits – non-bank customers	-	139,141	-	139,141
Debt securities issued	-	5,915	-	5,915
Financial trading derivatives	-	61,317	6,159	67,476
Total				***253,445***
Other liabilities				
Hedging derivatives	-	1,818	-	**1,818**
Total				***1,818***
Total financial liabilities				**255,263**

The following table represents an analysis of financial assets and liabilities recognized at fair value based on their fair value hierarchy as at 31 December 2012:

(EUR '000)	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss				
Financial assets held for trading:				
Loans and deposits to banks	-	8,532	-	8,532
Bank bonds	13,503	66,279	-	79,782
Government debt securities	199,254	8,388	-	207,642
Other bonds	26,574	29	-	26,603
Financial trading derivatives	-	60,957	1,679	62,636
				385,195
Financial assets designated at fair value through profit or loss on initial recognition:				
Government debt securities	19,825	-	-	19,825
				19,825
Total				***405,020***
Available-for-sale financial assets				
Bank bonds	-	9,703	-	9,703
Government debt securities	185,146	151,347	-	336,493
Shares	-	-	268	268
Total				***346,464***
Other assets				
Fair value changes of hedged item	-	43	-	43
Total				***43***
Total financial assets				**751,527**
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Term deposits – banks	-	27,236	-	27,236
Term deposits – non-bank customers	-	80,236	-	80,236
Debt securities issued	-	27,076	-	27,076
Financial trading derivatives	-	84,008	2,365	86,373
Total				***220,921***
Other liabilities				
Hedging derivatives	-	74	-	74
Total				***74***
Total financial liabilities				**220,995**

Transfers between Level 1 and 2

The following table shows significant movements between Level 1 and Level 2 as at 31 December 2013:

(EUR ’000)

	Transfers from Level 1 into Level 2	Transfers from Level 2 into Level 1
Financial assets at fair value through profit or loss		
Bank bonds	1,155	996
Other bonds	-	31
Available-for-sale financial assets		
Government debt securities	12,859	-

As at 31 December 2013, the Group made transfers in the portfolio of financial assets at fair value through profit or loss between Level 1 and Level 2 due to a change in the valuation source used for the financial instruments. Bank bonds of EUR 1,155 thousand were transferred from Level 1 into Level 2. Their fair value measurement was changed from a quoted price to an expert revaluation derived from inputs based on real observable market data.

Conversely, the Group moved bank bonds of EUR 996 thousand and other bonds of EUR 31 thousand from Level 2 to Level 1. As at 31 December 2013, these bonds had prices quoted on the public market.

In the portfolio of available-for-sale financial assets government debt securities of EUR 12,859 thousand were transferred from Level 1 to Level 2. These securities were no longer listed on the public market as at year-end 2013 and so were valued by an expert price.

The following table shows significant movements between Level 1 and Level 2 as at 31 December 2012:

(EUR ’000)

	Transfers from Level 1 into Level 2	Transfers from Level 2 into Level 1
Financial assets at fair value through profit or loss		
Bank bonds	1,879	884
Government debt securities	8,376	-
Available-for-sale financial assets		
Bank bonds	7,617	-
Government debt securities	105,922	-

As at 31 December 2012, the Group made transfers in the portfolio of financial assets at fair value through profit or loss between Level 1 and Level 2 due to change in the valuation source used for the financial instruments. Bank bonds of EUR 1,879 thousand and government debt securities of EUR 8,376 thousand were transferred from Level 1 into Level 2. Their fair value measurement was changed from a quoted price to an expert revaluation derived from inputs based on real observable market data.

Conversely, the Group moved bank bonds of EUR 884 thousand from Level 2 to Level 1. As at 31 December 2012, these bonds had prices quoted on the public market.

In the portfolio of available-for-sale financial assets bank bonds of EUR 7,617 thousand and government debt securities of EUR 105,922 thousand were transferred from Level 1 to Level 2. These securities were no longer listed on the public market as at year-end 2012 and so were valued by an expert price.

Reconciliation of fair value measurements of Level 3 financial instruments

The following table shows a reconciliation of the opening and closing amounts of Level 3 financial assets and liabilities which are recorded at fair value as at 31 December 2013:

(EUR '000)	Assets		Liabilities
	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Financial liabilities at fair value through profit or loss
As at 1 January 2013	1,679	261	2,365
Total losses recorded in the statement of profit or loss and other comprehensive income*	(309)	-	(1,546)
Purchases	21	-	-
Sales	-	-	21
Transfers into Level 3	792	-	5,319
As at 31 December 2013	**2,183**	**261**	**6,159**

** presented in 'Net trading result'*

The total gains or losses for the year relating to financial assets/liabilities held at the end of the reporting period as at 31 December 2013 included a gain of EUR 52 thousand presented in 'Net trading result'.

The following table shows a reconciliation of the opening and closing amounts of Level 3 financial assets and liabilities which are recorded at fair value as at 31 December 2012:

(EUR '000)	Assets		Liabilities
	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Financial liabilities at fair value through profit or loss
As at 1 January 2012	1,621	261	2,227
Total losses recorded in the statement of profit or loss and other comprehensive income*	(536)	-	(647)
Purchases	785	-	-
Sales	(191)	-	785
As at 31 December 2012	**1,679**	**261**	**2,365**

** presented in 'Net trading result' and 'Interest income'*

The total gains or losses for the year relating to financial assets/liabilities held at the end of the reporting period as at 31 December 2012 included a loss of EUR 859 thousand presented in 'Net trading result' and a gain of EUR 81 thousand presented under 'Interest income'.

Transfers in Level 3 financial instruments measured at fair value

As at 31 December 2013, the Group performed transfers from the Level 2 into Level 3 as a result of the change of source for valuation used in respect of trading derivatives. Derivatives with the positive fair value of EUR 792 thousand and derivatives with the negative fair value of EUR 5,319 thousand were transferred from level 2 to level 3. These financial instruments started to be valued based on third party prices. The parameters used for their calculation are not based on the observable information on the market.

In 2012, the Group did not perform any transfers into or out of Level 3.

All financial instruments in Level 3 are revalued to fair value based on a revaluation obtained from KBC.

35. ČSOB GROUP SR RISKS

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Group's continuing profitability. Each individual within the ČSOB Group SR is accountable for the risk exposures relating to his or her responsibilities. The ČSOB Group SR is exposed to credit risk, liquidity risk operational risk and the market risk of the trading and banking books.

The independent risk control process includes business risks such as changes in the environment, technology, industry and reputation risk. These are monitored through the KBC Group's internal capital adequacy assessment process ('ICAAP'). This process is managed centrally by the parent company, KBC, in Belgium which prepares policy and methodology for the whole KBC Group.

In accordance with NBS Regulation no. 13/2010 on other types of risks, on details about the system of risk management of banks and the subsidiaries of foreign banks and which establishes the definition of sudden and unexpected change of interest rates on market, the ČSOB Group SR implemented a strategy of risk management, which comprises the following component strategies: liquidity risk management, market risk management of the banking book and trading book, credit risk management, operational risk management, reputational risk management, business risk management, strategic risk management and ICAAP management. The risk management strategy includes the main objectives and principles of the risk management of the ČSOB Group SR and this strategy is reassessed at least once per year and approved by the Board of Directors.

35.1. Risk management structure and basic assumptions

The Board of Directors has direct responsibility for identifying and controlling risk; however, there are separate independent bodies responsible for managing and monitoring risk.

The risk management structure in the ČSOB Group SR is based on a uniform principle of risk management applied within the KBC Group; its model, the 'KBC Risk Management Framework', defines the responsibilities and tasks of individual committees, departments and persons within the organization for guaranteeing sound risk management. Risk management includes:

- Involvement of the Group's top bodies in the risk management process.
- The activities of specialized committees, forums and independent departments involved in risk management at the overall level of the ČSOB Group SR.
- Primary risk management within departments and organizational units.

<u>The organizational structure of senior bodies and committees for risk management is as follows:</u>

Board of Directors

The Board of Directors is fully responsible for the overall risk management approach and for approving risk management strategies and principles. The Board of Directors monitors the risk profile of the ČSOB Group SR, liquidity, capital adequacy (regulatory and economic capital) and capital utilization and also makes decisions concerning the risk mitigation actions, setting of limits and monitoring of limit overruns.

Supervisory Board

The Supervisory Board is responsible for monitoring the overall risk management process within the ČSOB Group SR.

Audit, Risk and Compliance Committee ('ARCC')

The ARCC is an advisory committee for the Supervisory Board. This advisory board performs supervision of the integrity and effectiveness of internal control measures, risk management and correctness of financial reports on behalf of the Board of Directors. The ARCC also monitors compliance of the Group's processes with legal requirements.

Assets and Liabilities Committee (‘ALCO’)

The ALCO is an advisory committee for the Board of Directors in the area of balance sheet management (banking and trading book). The ALCO has decision and recommendation power in the area of liquidity management and funding, interest rate and investment management, market and liquidity risk management and business strategy and planning. The focus, competences, membership and the decision making of ALCO are defined within the ALCO statutes. The results from ALCO meetings are submitted to the Board of Directors.

Operational Risk and Business Continuity Committee (‘ORBC’)

The ORBC is the platform with advisory and decision-making powers in the domains of operational risk and business continuity management. The ORBC discusses and approves the operational risk and business continuity management approach in various areas, proposed by the relevant units. The ORBC also monitors the strategy of operational risk management and business continuity management and implementation of principles and rules for management thereof. The chairman of the Committee is a member of the Board of Directors and the Chief Risk Officer.

Local Credit Committee (‘LCC’)

The LCC is a committee entrusted with the KBC Group-wide responsibility and authority for taking decisions on (individual) credit applications falling within the delegated powers of decision of the LCC. As such, in principle, it acts as the highest decision-making committee for the ČSOB Group SR.

<u>Other risk management bodies:</u>

Organizational unit Credits and Risks Management

Within the organizational unit Credits and Risks Management are the Risk and Capital Management Department and Credit Risk Management Department responsible for implementing and maintaining risk-related procedures to ensure an independent control process of risks. These departments are also responsible for the identification, quantification, monitoring, valuation and reporting of risks and for the independent control of risks, including monitoring the risk of exposure against limits and the assessment of risk from new products and structured transactions. Departments are also responsible for the strategy of risk management for particular risks and its adherence.

Asset and Liability Management Department (‘ALM’)

The ALM Department is responsible for managing the assets and liabilities in the banking book. It is also primarily responsible for the funding and liquidity risks of the ČSOB Group SR.

Financial Markets Division (‘FM’)

The FM Division is responsible for managing assets and liabilities on the Group's trading book.

Internal Audit Department

The risk management processes throughout the ČSOB Group SR are audited annually by the Internal Audit function, which scrutinizes both the adequacy of the procedures and the Group's compliance with them. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the ARCC.

Risk reporting and measurement systems

The Group's risks are measured using methods which reflect both the anticipated loss likely to arise in normal circumstances and unexpected losses which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The ČSOB Group SR also runs worst-case scenarios such as might arise in the event of the unlikely occurrence of extreme events.

Monitoring and controlling risk is performed primarily on the basis of limits established by the ČSOB Group SR. These limits reflect the business strategy and market environment of the ČSOB Group SR, as well as the level of risk that the ČSOB Group SR is willing to accept. In addition, the ČSOB Group SR monitors and measures its overall risk-bearing capacity in relation to the aggregated risk exposure across all risk types and activities.

Information compiled from all business units is examined and processed in order to analyse, control and identify risks as they arise. This information is presented and explained to the Group's Board of Directors and relevant risk management committees. The reports include aggregate credit exposure, hold limit exceptions, Value at Risk ('VaR') analyses, interest rate sensitivities, interest rate gaps, liquidity ratios and risk profile changes.

The Board of Directors receives a monthly integrated report designed to provide all the information necessary to assess and decide on risks of the Group. This report is also submitted to the ARCC on a quarterly basis.

The Daily Risk Report containing information regarding drawing of the limits is provided to the Board and all other relevant members of the Group.

Risk mitigation

As part of its overall risk management, the ČSOB Group SR uses derivative financial instruments and other instruments to manage exposures resulting from changes in interest rates, foreign currencies, equity risk, credit risk, and exposures arising from forecast transactions.

The Group's risk profile is assessed before entering into hedge transactions, which are authorized by the appropriate level of seniority within the ČSOB Group SR. The effectiveness of hedges is assessed by the Middle Office (based on economic considerations rather than on the IFRS hedge accounting criteria). The effectiveness of all hedge relationships is monitored by the Unit on a quarterly basis. In situations of ineffectiveness, the ČSOB Group SR will enter into a new hedge relationship to mitigate risk on an ongoing basis.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. The concentrations of credit risk thus identified are controlled and managed accordingly. Selective hedging is used within the ČSOB Group SR to manage risk concentrations at both the relationship and industry levels.

35.2. Credit risk

Credit risk is the risk of loss in the event that its customer, client or counterparty fails to meet its obligations to the ČSOB Group SR resulting from a contractual relationship. The ČSOB Group SR manages and checks credit risk by determining limits to the extent to which it is willing to accept exposure in respect of one counterparty, and individual geographical and industry sectors. The ČSOB Group SR regularly monitors the volume and quality of the exposures in respect of the imposed limits.

The ČSOB Group SR uses a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties. This includes regular collateral revisions. Counterparty limits are established by a credit risk classification system, which assigns each counterparty a Probability of Default risk rating (PD

rating). Risk ratings are subject to regular revision. The credit quality review process allows the ČSOB Group SR to assess the potential loss to which it is exposed as a result of the risk and to take corrective action.

Internal Rating Based approach ('IRB')

The ČSOB Group SR has implemented internal rating models/tools within the credit process for corporate customers, SMEs, private persons, municipalities, housing cooperatives and other customers. The models were developed and constructed in compliance with the Basel II and Basel III regulations as well as with valid Slovak and European legislation. The ČSOB Goup SR uses the Internal Rating Based approach to calculate internal capital requirement ('ICAAP').

The non-retail models produce rating grades on a unified KBC 'PD master scale'. Rating grades 1-9 are used for non-default/normal customers while rating grades 10-12 are used for customers in default. Each rating grade is associated with a predefined range of probability of default during the next 12 months (e.g. a client accorded PD rating 3 has a probability of default of between 0.20% - 0.40%). Customers with PD ratings 8 and 9 are considered as 'weak normal' and the management of such files is monitored by the Corporate Credits Recovery and Restructuring Section.

The IRB approach also includes the development of score-models for retail portfolios within the ČSOB Group SR, estimates of key parameters such as Probability of Default ('PD'), Exposure at Default ('EAD') and Loss Given Default ('LGD') within defined homogeneous sets of exposures and a process of regular recalculation, validation and monitoring. Retail portfolio clients (private persons and small SMEs especially) are scored and based on the derived score they are divided into pools with the same value of PD or other risk parameters for the whole pool. Score-models are used in the application process so that they influence the incoming population.

All models have to follow the standards defined within the KBC Group, to be independently validated by a specialist appointed from the Credit Risk Management Department and have to be approved by the director of the Credits and Risks Management Unit. The ČSOB Group SR applies models developed by the KBC Group to assess the quality of sovereign and banking counterparties. These models are also validated in KBC.

The ČSOB Group SR asked the NBS for the prior approval to use the IRB approach (submitted so called the Application file) in March 2012. Afterwards, the on-site inspection of the NBS focused on an assessment of the Group's readiness for the IRB, which took place in October and November 2012. A final decision regarding the application is expected within the first quarter of 2014. If approval is obtained, the Group is ready to start reporting under IRB immediately.

Corporate and large SME customers

In 2013, the Group ranked companies with an annual turnover exceeding EUR 33 million, multinational companies with special access required, especially in terms of granted products, international clients of the KBC Group in the category of Large Corporate clients. The clients in this segment are also individually negotiated municipalities, mainly the largest regional cities.

Within the category of Middle Corporate clients, the Group classified clients not meeting the requirements for the segment of Large Corporate clients, with an annual turnover from EUR 3.3 million, including, up to EUR 33 million, companies that are property linked with a foreign client, which is a Middle Corporate client outside Slovakia, within the KBC Group, according to the local definition. Middle Corporate clients also include autonomous regions and municipal clients requesting products or services, which the Group cannot provide technically or methodologically within the lower segments.

Credit acceptance process

The acceptance process for Corporate and large SME customers is organized in three stages. In the first stage, the relationship manager of the introducing entity prepares a written credit proposal. In the second stage, an advisor independent of the business line (i.e. reporting to Credits) screens the proposal and prepares a recommendation. The final decision is made at the appropriate decision-making level (committee). The ‘four eyes’ principle is always applied. The decision invariably includes an approved counterparty rating.

The established rating models that assign a specific probability of default to each client determine the level of risk and the acceptance process is adapted accordingly. Thus, the ČSOB Group SR can modify the acceptance authority, follow a simpler framework in cases of lower risk, adjust price policy, set more precise monitoring rules, implement advanced risk control based on the portfolio system, etc. The new rating models were integrated into specialized rating tools which can also be used for pricing purposes.

Retail and small SME customers

In 2013, the category of SME clients consisted of clients who do not qualify for inclusion into the Large and Middle Corporate clients and their annual turnover is less than EUR 3.3 million. These clients are managed by retail branches and their total credit exposure from loan-drawing is less than or equals EUR 1 million.

Credit acceptance process

The retail acceptance process is based on a number of scoring models (scorecards) that influence the loan portfolio quality. The retail acceptance process also uses access to external data sources (Credit Register) that provide additional information on a client’s risk profile. Each acceptance process runs on a score-model developed in-house as long as the data history allows it. Score-models are typically based on both socio-demographic and behavioural data. The acceptance process also covers pre-approved loans for existing retail customers based on the outcome from behavioural score-models.

Portfolio risk management

A number of loss-predicting models are used to manage the risk of the retail credit portfolios. Regular back-testing of those models reveals a high degree of precision in the predicted development. The use of these modelling techniques and score-models implemented in tandem with management techniques significantly reduces the credit risk undertaken within retail portfolios.

Derivative financial instruments

Credit risk arising from derivative financial instruments in respect of the Group’s existing rules and processes is limited and in general insignificant when compared to other instruments with credit risks.

Credit risk-related receivables

The ČSOB Group SR grants its customers guarantees that may result in a requirement for the ČSOB Group SR to make payments on their behalf. Such payments are collected from customers on the terms of a letter of credit. They expose the ČSOB Group SR to similar risks to loans and are mitigated by the same control processes and policies.

The table below shows the maximum exposure to credit risk for the components of the balance sheet and off-balance sheet. The maximum exposure is shown gross, without taking into account any collateral and other credit risk mitigation tools.

(EUR '000)	31 Dec 2013	31 Dec 2012
Mandatory minimum reserves (Note 3)	8,273	9,334
Financial assets at fair value through profit or loss	196,536	405,020
Available-for-sale financial assets	466,687	346,464
Loans and advances to financial institutions	42,151	40,266
Loans and advances to customers	4,247,378	4,132,132
Held-to-maturity investments	1,072,658	846,855
Assets held for sale	11,988	9,553
Other assets	17,972	13,067
Total	**6,063,643**	**5,802,691**
Contingent liabilities	190,712	249,325
Undrawn credit limits provided	876,392	760,348
Total	**1,067,104**	**1,009,673**
Total credit risk exposure	**7,130,747**	**6,812,364**

The financial assets described above represent the current credit risk exposure, but not the maximum risk exposure that could arise in the future as a result of changes in values.

Maximum credit risk exposure

The maximum exposure to the credit risk of financial assets is represented by their net carrying amount.

The maximum exposure to credit risk for off-balance sheet commitments (e.g. undrawn loan limits, financial guarantees granted) is represented by the maximum amount the Group has to pay if the commitment is called in, which is also equal to their carrying amount.

The maximum credit risk exposure for off-balance sheet positions of derivative transactions best represents the related credit equivalent of derivative transactions, as at 31 December 2013 amounting to EUR 59,989 thousand (2012: EUR 64,787 thousand).

Concentration risk in terms of credit risk

Concentration risk is monitored by client/counterparty, geographical region and industry sector from both the qualitative and quantitative perspectives.

The maximum credit exposure to a client or a counterparty as at 31 December 2013 was EUR 76,407 thousand (2012: EUR 94,147 thousand) before taking collateral or other credit enhancements into account and EUR 76,407 thousand (2012: EUR 94,147 thousand) with them taken into account.

The Group's financial assets and off-balance sheet items with credit risk, before taking any collateral or other credit enhancements into account, may be divided into the following geographical regions:

(EUR '000)	31 Dec 2013	31 Dec 2012
Slovak Republic	6,847,963	6,494,647
Belgium	14,418	24,401
Czech Republic	33,628	33,809
Germany	69,823	127,187
Netherlands	64,294	26,661
Hungary	37,914	38,135
Other	62,707	67,524
	7,130,747	**6,812,364**

Credit risk based on quality of financial assets

Quality of financial assets from the perspective of credit risk is managed based on internal ratings.

The net carrying amount of financial assets according to risk categories based on individual assessment as at 31 December 2013 is presented in the following table:

	Unimpaired			**Impaired**			**Total**		
(EUR '000)	**Amortised cost**	**Impair. loss/ Provision**	**Carrying value**	**Amortised cost**	**Impair. loss/ Provision**	**Carrying value**	**Amortised cost**	**Impair. loss/ Provision**	**Carrying value**
Mandatory minimum reserves (Note 3)	8,273	-	8,273	-	-	-	8,273	-	8,273
Financial assets at fair value through profit or loss	196,536	-	196,536	-	-	-	196,536	-	196,536
Available-for-sale financial assets	466,426	-	466,426	888	(627)	261	467,314	(627)	466,687
Loans and advances to financial institutions	42,206	(55)	42,151	92	(92)	-	42,298	(147)	42,151
Loans and advances to customers	4,146,839	(9,871)	4,136,968	213,449	(103,039)	110,410	4,360,288	(112,910)	4,247,378
from that:									
Public administration	*131,695*	*(2)*	*131,693*	*331*	*(331)*	-	*132,026*	*(333)*	*131,693*
Corporate	*1,438,134*	*(2,443)*	*1,435,691*	*114,180*	*(61,685)*	*52,495*	*1,552,314*	*(64,128)*	*1,488,186*
Retail:	*2,577,010*	*(7,426)*	*2,569,584*	*98,938*	*(41,023)*	*57,915*	*2,675,948*	*(48,449)*	*2,627,499*
- Mortgage loans	1,682,973	(2,052)	1,680,921	51,628	(11,110)	40,518	1,734,601	(13,162)	1,721,439
- Consumer loans	102,517	(1,559)	100,958	7,346	(5,811)	1,535	109,863	(7,370)	102,493
- Credit cards	13,980	-	13,980	1,464	(1,293)	171	15,444	(1,293)	14,151
- Overdrafts	19,463	-	19,463	6,774	(1,857)	4,917	26,237	(1,857)	24,380
- SME	269,631	(2,218)	267,413	18,101	(12,703)	5,398	287,732	(14,921)	272,811
- ČSOB stavebná sporiteľňa	149,404	(337)	149,067	3,572	(2,119)	1,453	152,976	(2,456)	150,520
- ČSOB leasing	339,042	(1,260)	337,782	10,053	(6,130)	3,923	349,095	(7,390)	341,705
Held-to-maturity investments	1,072,658	-	1,072,658	-	-	-	1,072,658	-	1,072,658
Assets held for sale	-	-	-	18,352	(6,364)	11,988	18,352	(6,364)	11,988
Other assets	18,250	(301)	17,949	786	(763)	23	19,036	(1,064)	17,972
Total	**5,951,188**	**(10,227)**	**5,940,961**	**233,567**	**(110,885)**	**122,682**	**6,184,755**	**(121,112)**	**6,063,643**
Off-balance sheet liabilities	**1,053,863**	**(700)**	**1,053,163**	**14,761**	**(820)**	**13,941**	**1,068,624**	**(1,520)**	**1,067,104**
Total credit risk exposure	**7,005,051**	**(10,927)**	**6,994,124**	**248,328**	**(111,705)**	**136,623**	**7,253,379**	**(122,632)**	**7,130,747**

The net carrying amount of financial assets according to risk categories based on individual assessment as at 31 December 2012 is presented in the following table:

	Unimpaired			**Impaired**			**Total**		
(EUR ’000)	**Amortised cost**	**Impair. loss/ Provision**	**Carrying value**	**Amortised cost**	**Impair. loss/ Provision**	**Carrying value**	**Amortised cost**	**Impair. loss/ Provision**	**Carrying value**
Mandatory minimum reserves (Note 3)	9,334	-	9,334	-	-	-	9,334	-	9,334
Financial assets at fair value through profit or loss	405,020	-	405,020	-	-	-	405,020	-	405,020
Available-for-sale financial assets	346,203	-	346,203	888	(627)	261	347,091	(627)	346,464
Loans and advances to financial institutions	40,317	(51)	40,266	92	(92)	-	40,409	(143)	40,266
Loans and advances to customers	4,056,158	(11,413)	4,044,745	186,168	(98,781)	87,387	4,242,326	(110,194)	4,132,132
from that:									
Public administration	*130,547*	*(5)*	*130,542*	*343*	*(302)*	*41*	*130,890*	*(307)*	*130,583*
Corporate	*1,658,083*	*(3,361)*	*1,654,722*	*90,607*	*(54,710)*	*35,897*	*1,748,690*	*(58,071)*	*1,690,619*
Retail:	*2,267,528*	*(8,047)*	*2,259,481*	*95,218*	*(43,769)*	*51,449*	*2,362,746*	*(51,816)*	*2,310,930*
- Mortgage loans	1,487,131	(2,710)	1,484,421	47,552	(11,137)	36,415	1,534,683	(13,847)	1,520,836
- Consumer loans	88,790	(1,463)	87,327	8,364	(7,025)	1,339	97,154	(8,488)	88,666
- Credit cards	12,530	-	12,530	1,744	(1,586)	158	14,274	(1,586)	12,688
- Overdrafts	20,328	-	20,328	6,045	(2,044)	4,001	26,373	(2,044)	24,329
- SME	236,897	(2,072)	234,825	19,588	(15,443)	4,145	256,485	(17,515)	238,970
- ČSOB stavebná sporiteľňa	132,434	(322)	132,112	3,395	(1,823)	1,572	135,829	(2,145)	133,684
- ČSOB leasing	289,418	(1,480)	287,938	8,530	(4,711)	3,819	297,948	(6,191)	291,757
Held-to-maturity investments	846,855	-	846,855	-	-	-	846,855	-	846,855
Assets held for sale	847	-	847	13,983	(5,277)	8,706	14,830	(5,277)	9,553
Other assets	13,856	(789)	13,067	-	-	-	13,856	(789)	13,067
Total	**5,718,590**	**(12,253)**	**5,706,337**	**201,131**	**(104,777)**	**96,354**	**5,919,721**	**(117,030)**	**5,802,691**
Off-balance sheet liabilities	**1,011,678**	**(2,005)**	**1,009,673**	-	-	**-**	**1,011,678**	**(2,005)**	**1,009,673**
Total credit risk exposure	**6,730,268**	**(14,258)**	**6,716,010**	**201,131**	**(104,777)**	**96,354**	**6,931,399**	**(119,035)**	**6,812,364**

The main considerations for loan impairment assessment include whether any payments of principal or interest are overdue by more than 90 days, or whether there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringements of the original terms of the contract. The ČSOB Group SR addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

The local management of the Group is responsible for deciding the length of the emergence period. In both 2013 and 2012, the Group used a uniform emergence period of four months.

Individually assessed allowances

The ČSOB Group SR determines allowances appropriate to each individually significant loan or receivable on an individual basis. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, the availability of other financial support and the realizable value of collateral, and the timing of expected cash flows. The impairment losses are evaluated at each reporting date (or as at the date the reports are submitted to the Group's management), unless extraordinary or unforeseen circumstances require more careful attention.

Collectively assessed allowances

Allowances are assessed collectively for losses on loans and advances that are not individually significant (including credit cards, residential mortgages and unsecured consumer loans) and for individually significant loans and receivables where there is not as yet any objective evidence of individual impairment.

The collective assessment takes account of impairments that are likely to be present in the portfolio even though there is no objective evidence of impairment in an individual assessment. Impairment losses are estimated by taking into consideration the following information: historical losses on the portfolio, current economic conditions, the approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance, and expected receipts and recoveries once impaired. Local management is responsible for deciding the length of this period which can extend for up to one year. The impairment allowance is then reviewed by the credit management to ensure its alignment with the Group's overall policy.

Financial guarantees and letters of credit are assessed and provisions made in a similar manner as for loans.

Ageing analysis of financial assets past due but not impaired based on individual assessment

The table shows a delinquency analysis of the Group's net overdue but not impaired loans and receivables based on individual assessment as at 31 December 2013:

(EUR '000)	**Due**	**Past due from 1 to 30 days**	**Past due from 31 to 90 days**	**Total**
Public administration	130,220	1,466	7	131,693
Corporate	1,362,579	54,419	18,693	1,435,691
Retail:	2,450,151	88,325	31,108	2,569,584
- Mortgage loans	1,631,782	37,354	11,785	1,680,921
- Consumer loans	96,553	3,357	1,048	100,958
- Credit cards	13,078	765	137	13,980
- Overdrafts	19,205	-	258	19,463
- SME	262,308	3,396	1,709	267,413
- ČSOB Bulding society	143,446	3,317	2,304	149,067
- ČSOB Leasing	283,779	40,136	13,867	337,782
Total	**3,942,950**	**144,210**	**49,808**	**4,136,968**

The table shows a delinquency analysis of the Group's net overdue but not impaired loans and receivables based on individual assessment as at 31 December 2012:

(EUR '000)	Due	Past due from 1 to 30 days	Past due from 31 to 90 days	Total
Public administration	130,535	7	-	130,542
Corporate	1,600,448	45,560	8,714	1,654,722
Retail:	2,147,668	88,908	22,905	2,259,481
- Mortgage loans	1,439,827	34,927	9,667	1,484,421
- Consumer loans	83,787	2,738	802	87,327
- Credit cards	11,621	771	138	12,530
- Overdrafts	20,090	-	238	20,328
- SME	229,755	3,346	1,724	234,825
- ČSOB Bulding society	127,027	4,805	280	132,112
- ČSOB Leasing	235,561	42,321	10,056	287,938
Total	**3,878,651**	**134,475**	**31,619**	**4,044,745**

The credit quality of loans and advances to customers that are neither past due nor impaired based on individual assessment are as follows. Each rating grade has a specified range of probability of default over the next 12 months:

(EUR '000) Rating	% possible default	Net carrying amount 31 Dec 2013	Net carrying amount 31 Dec 2012
1	0.00% - 0.10%	2,603	6,395
2	0.10% - 0.20%	313,593	310,254
3	0.20% - 0.40%	877,934	186,653
4	0.40% - 0.80%	566,949	1,487,519
5	0.80% - 1.60%	656,624	269,291
6	1.60% - 3.20%	509,586	590,471
7	3.20% - 6.40%	144,274	202,978
8	6.40% - 12.80%	139,894	147,010
9	12.80% - 100.00%	88,563	69,720
Undefined	-	642,930	608,360
Total		**3,942,950**	**3,878,651**

Collateral and other credit enhancements

The tables below provide the financial effect of collaterals and of other credit enhancements for all groups of financial assets. The financial effect represents the effect of mitigating the exposure to credit risk.

(EUR '000)	31 Dec 2013	31 Dec 2012
Real estates	2,417,814	2,192,580
Cash and cash equivalents	44,422	37,010
Bank guarantees	93,056	128,827
Other	912,207	891,248
Total	**3,467,499**	**3,249,665**

(EUR '000)	31 Dec 2013	31 Dec 2012
Loans and advances to financial institutions	5,330	6,683
Loans and advances to customers	3,297,238	3,091,774
Undrawn credit limits provided	164,931	151,208
Total	**3,467,499**	**3,249,665**

The amount and types of collateral required depend on an assessment of the credit risk of the counterparty. The ČSOB Group SR has internal guidelines in place to assess the separate types of collateral and determine the valuation parameters to be employed.

The ČSOB Group SR accepted guarantees from its parent company and other subsidiaries within the KBC Group for credit risk mitigation of the Group and for third parties (Note no. 31).

The ČSOB Group SR monitors the market value of collateral and requires collateral based on contractual conditions.

Collateral realization

The ČSOB Group SR employs different procedures when realizing collateral for retail and non-retail exposures. This divergent approach has resulted from legislation as well as the granularity of individual exposures in these classes of assets. In 2013 and 2012 the Group did not acquire any assets other than cash from the realization of collateral.

Collateral realization in the RETAIL segment

In the event of an unsuccessful early collection in respect of retail customers, the client and the owner of the collateral (usually real estate) are contacted in order to be informed of the realization of the collateral by the ČSOB Group SR. If the client is amenable to cooperation in resolving this problem, the Group usually proposes that the real estate be sold under conditions which it specifies (price, legal terms, etc.).

Otherwise, the ČSOB Group SR enters into contracts with external auction companies. An auction company holds an auction after which the Group obtains the funds acquired, without any charges and fees for the auction company. Subsequently, this amount is used to settle the respective receivable due from the client.

Collateral realization in the NON-RETAIL segment

In the non-retail segment, the ČSOB Group SR obtained assets from the realization of various collaterals in the form of cash only, i.e. by using the following types of realization: direct sale, unrestricted auction, auction under distraint and auction within bankruptcy proceedings. Other types of assets (e.g. real estate) are not transferred to the Group's assets but the ČSOB Group SR implements their sale.

35.3. Liquidity risk and funding management

Liquidity risk is the risk that the ČSOB Group SR will not, in effect, be able to meet its liabilities when they become due under standard and liquidity crisis developments.

The ČSOB Group SR limits this risk through the proper structure of the balance sheet, with the respect to the quality and maturity of assets and liabilities and through the stabilization and diversification of financial resources. Besides the stable source of primary deposits, the Group also has available secondary financial resources to maintain a sufficient liquidity level. The ČSOB Group SR creates and maintains regular contacts with clients and other counterparties, important for the Group in view of liquidity, regularly reviews the reliability of individual financial sources and the availability of high – quality collateral for additional financing.

The medium-term and long-term liquidity position of the ČSOB Group SR is assessed and managed under liquidity scenarios. The basic scenario reflects the expected trend in internal and external liquidity conditions (standard development in assets and liabilities of the ČSOB Group SR is expected), the stress scenario includes various stress factors related to the ČSOB Group SR and also the financial market. Short-term liquidity is monitored through liquidity ratios. The short-term liquidity risk resulted from the actual assets and liabilities of the ČSOB Group SR.

In addition, the Group measures and monitors indicators defined in the International framework for liquidity risk measurement, monitoring and standards issued by the Basel Committee on Banking Supervision – Liquidity coverage ratio (‘LCR’) and Net stable funding ratio (‘NSFR’). The Bank also plans and monitors economically adjusted indicator NSFR (‘ENSFR’), which is defined and used for liquidity management within the whole KBC Group. ENSFR is also one of the key performance measures of the ČSOB Group (i.e. KPI’s).

The most important liquidity ratios for the ČSOB Group SR are:

1. The Liquid asset indicator is a ratio defined by the regulator in accordance with the NBS Regulation no. 18/2008 as subsequently amended. It is defined as the percentage of total liquid assets to volatile liabilities. The ratio cannot be lower than 1.0.

Liquid asset indicator as at 31 Dec 2013	1.39
Average liquid asset indicator in 2013	1.37
Regulatory limit for liquid asset indicator	1.00

Liquid asset indicator as at 31 Dec 2012	1.33
Average liquid asset indicator in 2012	1.37
Regulatory limit for liquid asset indicator	1.00

2. The Loan-to-Deposits ratio (‘LtD’) is a liquidity ratio, the calculation of which was revised and approved by the Board of Directors on 11 June 2013 with respect to the NBS Recommendation No 1/2012, Article III, where the LtD is defined as a ratio of provided loans to stable funds. Stable funds are defined as the sum of deposits from clients and public authorities and issued debt securities. The ratio should not exceed 110%. As at 31 December 2013 and 31 December 2012, ČSOB SR met the limit for LtD as required by the NBS.

In addition to standard liquidity trends, the ČSOB Group SR has also prepared an emergency plan for liquidity management in the event of a liquidity crisis situation. This emergency plan defines the indicators for early warning of a potential liquidity crisis and determines the responsibilities of relevant bodies during a liquidity crisis.

The following tables show the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on undiscounted cash flows of financial liabilities. The tables include both interest and principal cash flows. The principal cash flows are the best estimates using average effective yields.

(EUR '000) **31 Dec 2013**	**Less than 1 month**	**1 - 3 months**	**3 - 12 months**	**1 - 5 years**	**5 years and more**	**Total**
Financial liabilities at fair value through profit or loss (excluding derivatives)	175,284	8,657	2,117	-	-	186,058
Amounts owed to financial institutions	15,816	318	19,730	277,760	2,000	315,624
Amounts owed to customers	2,811,143	742,452	451,235	196,238	9,962	4,211,030
Debt securities issued	-	-	357,984	351,286	110,131	819,401
Total financial liabilities	**3,002,243**	**751,427**	**831,066**	**825,284**	**122,093**	**5,532,113**

(EUR '000) **31 Dec 2012**	**Less than 1 month**	**1 - 3 months**	**3 - 12 months**	**1 - 5 years**	**5 years and more**	**Total**
Financial liabilities at fair value through profit or loss (excluding derivatives)	111,256	12,252	1,574	1,116	8,957	135,155
Amounts owed to financial institutions	11,398	91	349,294	298,171	27,042	685,996
Amounts owed to customers	2,950,384	370,683	461,506	299,952	7,778	4,090,303
Debt securities issued	-	-	68,761	214,153	91,587	374,501
Total financial liabilities	**3,073,038**	**383,026**	**881,135**	**813,392**	**135,364**	**5,285,955**

35.4. Market risk

Market risk for financial instruments in the Group's portfolios is defined as a change in the future cash flows and market prices of these financial instruments resulting from movements in market variables. In general, the most important variables are interest rates, foreign exchange rates and equity prices.

The ČSOB Group SR classifies exposures to market risk into either its trading (trading book) or non-trading portfolios (banking book). Market risk for the trading portfolio is managed and monitored based on a standard VaR rate that reflects the interdependence of risk variables. In addition to the VaR method, a further measure is an analysis of sensitivity using Basis Point Value ('BPV') indicators. Within the positions kept in the banking book, market risk is measured and managed using the BPV sensitivity analysis and cumulative interest rate GAPs.

Market risk – Trading Book

The Group's Board of Directors defines the maximum acceptable level of risk by using VaR and BPV limits. The ČSOB Group SR applies a VaR methodology to estimate the market risk in the financial instruments recorded in the Group's portfolios and to determine the potential economic loss resulting from unfavourable movements in market variables.

The risk rate of the VaR business portfolio in terms of its present value has been defined as the maximum potential loss to which the ČSOB Group SR may be exposed within a precisely defined time horizon and with probability specified in advance. To estimate VaR for interest rate as well as FX risks, the ČSOB Group SR currently uses the method of historical simulation based over a two-year period of the development of market risk factors. The reliability level is set at 99% within a ten working-day horizon. The adequacy and accuracy of the internal model is regularly evaluated using the results of back-tests performed on a daily basis.

An overview of actual VaR along with drawing up predefined limits forms part of a daily report to the Group's senior management.

In addition to the standard VaR calculations, the ČSOB Group SR also performs detailed stress-test analyses. These consist of various scenarios for unexpected movements in market risk factors and their impact on the market values of the positions currently held by the ČSOB Group SR. The set of predefined scenarios includes actual historical market shocks as well as artificially designed tests.

The ČSOB Group SR has no open position in equity, or in FX options. Technical limits are set for positions in interest rate options, permitting the opening of minor positions only.

VaR summary as at 31 December 2013 is as follows:

(EUR '000)	**Interest rate**	**FX**	**Effect of correlation**	**Global VaR total**
31 December 2013	1,772	286	(298)	1,760
Average	2,025	271	(233)	2,063
Max	3,043	983	-	3,047
Min	1,230	46	-	1,232

VaR summary as at 31 December 2012 is as follows:

(EUR '000)	**Interest rate**	**FX**	**Effect of correlation**	**Global VaR total**
31 December 2012	1,174	262	(207)	1,229
Average	1,188	242	(209)	1,221
Max	1,688	629	-	1,773
Min	498	49	-	680

Risk management of the Trading Book includes, besides the VaR limit and BPV limits, also limits for open FX position, limits for back-to-back trading, stop-loss limits, volume limits, limits for unquoted prices, limits for trades without physical delivery, limits for inadequate high margins and profits, Professional limits ('PRF') linked to credit risk.

Market risk –Banking Book

Interest rate risk

The interest rate risk of financial instruments positioned in the banking book has been defined as a change in the future cash flows of these financial instruments or in their actual market value resulting from movements in interest rates. The Board of Directors approved a set of BPV sensitivity limits and maximum interest rate exposure limits for predefined time periods which are used for monitoring and managing the interest rate risk. Positions are monitored weekly and hedging strategies are used to close potential open positions.

The sensitivity of the Group´s positions to the interest rate changes is described in the tables below.

The impact of interest rate changes on the non-tradable assets and liabilities is described by the sensitivity of net interest income. The impact of interest rate changes on financial assets held for trading is expressed by the sensitivity of the consolidated statement of profit or loss and other comprehensive income. Sensitivity of equity results from the revaluation of financial assets and liabilities held for sale. Shock parallel tests of the yield curve are used to measure sensitivity.

Sensitivity to change in interest rates as at 31 December 2013:

2013

(EUR '000)	**Growth in basis points**	**Net interest income sensitivity**	**Profit and loss sensitivity**	**Capital sensitivity**
EUR	+10	(1,716)	149	(1,529)
CZK	+10	93	(93)	-
USD	+10	(41)	-	(168)

Sensitivity to change in interest rates as at 31 December 2012:

2012

(EUR '000)	**Growth in basis points**	**Net interest income sensitivity**	**Profit and loss sensitivity**	**Capital sensitivity**
EUR	+10	(2,288)	621	(990)
CZK	+10	152	(149)	-
USD	+10	6	-	-

Security risk

Portfolio of the ČSOB Group SR is not exposed to material security risk.

Foreign currency risk

The FX risk of financial instruments posted in the banking book has been defined as a change in the future cash flows of these financial instruments resulting from movements in foreign exchange rates. The exchange rate risk management strategy approved by the Board of Directors does not allow any significant open currency positions to be held in non-trading portfolios. Only technically minimum open positions in foreign currencies are permitted. The values for each currency are determined by the Group's Board of Directors. Positions are monitored daily and hedging strategies are used to close potential open currency positions.

The table below provides an analysis of the Group´s net open foreign exchange positions. The remaining currencies are included under 'Other':

(EUR '000)	EUR	USD	CZK	Other	Total
31 Dec 2013					
Financial assets					
Cash and balances with central bank	115,440	2,042	3,543	2,033	**123,058**
Financial assets at fair value through profit or loss	175,059	11,806	9,626	45	**196,536**
Available-for-sale financial assets	444,124	22,563	-	-	**466,687**
Loans and advances to financial institutions	16,579	13,889	249	11,434	**42,151**
Loans and advances to customers	4,236,638	9,829	894	17	**4,247,378**
Held-to-maturity investments	1,065,364	7,294	-	-	**1,072,658**
Total financial assets	**6,053,204**	**67,423**	**14,312**	**13,529**	**6,148,468**
Financial liabilities					
Financial liabilities at fair value through profit or loss	169,676	10,910	834	72,025	**253,445**
Amounts owed to financial institutions	307,015	1,723	133	146	**309,017**
Amounts owed to customers	3,856,006	179,315	59,367	104,932	**4,199,620**
Debt securities issued	707,345	-	42,672	-	**750,017**
Total financial liabilities	**5,040,042**	**191,948**	**103,006**	**177,103**	**5,512,099**
Net FX position of financial assets and liabilities at 31 Dec 2013	**1,013,162**	**(124,525)**	**(88,694)**	**(163,574)**	**636,369**
Total financial assets at 31 Dec 2012	5,819,724	41,716	19,827	15,732	**5,896,999**
Total financial liabilities at 31 Dec 2012	4,895,740	143,138	99,173	141,461	**5,279,512**
Net FX position of financial assets and liabilities at 31 Dec 2012	**923,984**	**(101,422)**	**(79,346)**	**(125,729)**	**617,487**

35.5. Operational risk

Operational risk is the risk of a potential negative deviation from the expected value of the organization resulting from inadequate or failed internal processes, people and systems or from sudden man-made or natural external events.

Operational risk also includes legal risk. In the event of failure, the reputation of the Group may be damaged and the legal and regulatory consequences may cause financial losses. It is not possible to exclude all operational risk, but operational risk can be managed by regular monitoring actions and by actions taken against the possible risks.

Operational risk is managed by the implementation of key controls defined by the KBC Group, evaluating and addressing the risk identified in banking processes and a proactive approach to potential risks. The mitigation of operational risk is also ensured via application of insurance.

Regularly reviewed plans for business continuity performance ensure that, in the event of failure, the ČSOB Group SR will be able to perform its activities. The objective of these plans is to minimize the impacts of unexpected events on Group’s activity.

36. CURRENT AND NON-CURRENT ASSETS AND LIABILITIES

The following table shows the distribution of assets, liabilities and equity based on expected settlement:

(EUR '000)	31 Dec 2013 Current	31 Dec 2013 Non-current	31 Dec 2013 Total	31 Dec 2012 Current	31 Dec 2012 Non-current	31 Dec 2012 Total
Assets						
Cash and balances with central bank	123,058	-	**123,058**	126,262	-	**126,262**
Financial assets at fair value through profit or loss	11,962	184,574	**196,536**	21,805	383,215	**405,020**
Available-for-sale financial assets	19,005	447,682	**466,687**	27,198	319,266	**346,464**
Loans and advances to financial institutions	40,017	2,134	**42,151**	30,985	9,281	**40,266**
Loans and advances to customers	1,055,302	3,192,076	**4,247,378**	1,098,968	3,033,164	**4,132,132**
Held-to-maturity investments	29,035	1,043,623	**1,072,658**	62,018	784,837	**846,855**
Current income tax asset	425	-	**425**	851	-	**851**
Deferred income tax asset	-	18,674	**18,674**	-	16,212	**16,212**
Property and equipment	-	71,801	**71,801**	-	79,272	**79,272**
Intangible assets	-	15,381	**15,381**	-	11,874	**11,874**
Assets held for sale	11,988	-	**11,988**	9,553	-	**9,553**
Other assets	16,371	1,601	**17,972**	13,023	44	**13,067**
Total assets	**1,307,163**	**4,977,546**	**6,284,709**	**1,390,663**	**4,637,165**	**6,027,828**
Liabilities and equity						
Financial liabilities at fair value through profit or loss	185,957	67,488	**253,445**	125,608	95,313	**220,921**
Amounts owed to financial institutions	36,160	272,857	**309,017**	359,994	317,733	**677,727**
Amounts owed to customers	3,998,831	200,789	**4,199,620**	3,773,772	302,542	**4,076,314**
Debt securities issued	361,950	388,067	**750,017**	65,905	238,645	**304,550**
Provisions	-	9,214	**9,214**	53	10,228	**10,281**
Other liabilities	91,278	3,095	**94,373**	82,756	2,242	**84,998**
Current income tax liability	9,186	-	**9,186**	3,530	-	**3,530**
Deferrent income tax liability	-	41	**41**	-	293	**293**
Equity	-	659,796	**659,796**	-	649,214	**649,214**
Total liabilities and equity	**4,683,362**	**1,601,347**	**6,284,709**	**4,411,618**	**1,616,210**	**6,027,828**

37. CAPITAL

The Group actively manages the volume of its capital in accordance with NBS Regulation no. 1/2012, which changes and supplements the NBS Regulation no. 4/2007 of capital adequacy so as to ensure that the minimal ratio between the Group's capital and the risk-weighted asset is 8%.

The Group regularly evaluates the adequacy of internal capital, through the Internal Capital Adequacy Assessment Process ('ICAAP'), to cover the risks to which the Group's activity is exposed. The Group has an integrated process of internal capital management to existing risk management systems. Within ICAAP the Group applies a qualitative and quantitative approach to risk assessment.

The volume of internal capital covering potential losses should meet the level of economic capital at minimum. Economic capital is defined as an unexpected loss in fair value calculated as a one-year time horizon with a reliability level of 99.9%. The Group has a sufficient amount of available financial resources covering the risks to which the Group is subject.

The primary objectives of the Group are to maintain strong capital resources to meet the regulatory requirements, preserve its credibility and ensure continuity in its activities. The Board of Directors regularly reviews the principles of management and distribution of the Group's capital.

The ČSOB Group SR manages its capital structure with respect to the changes in economic environment and changes in risk profile of its activities.

(EUR '000)	**31 Dec 2013**	**31 Dec 2012**
Total regulatory capital	**555,232**	**555,160**
Tier 1 capital (core capital)	***537,302***	***531,979***
Share capital	248,004	248,004
Share premium	484,726	484,726
Legal reserve fund	37,990	32,750
Retained earnings	24,313	20,969
Software	(15,381)	(11,874)
Restructuring reserve fund	(216,162)	(216,162)
Negative revaluation of available for sale financial assets	(91)	-
Other items reducing capital	(26,097)	(26,434)
Tier 2 capital (supplementary funds)	***17,930***	***23,181***
Revaluation surplus on available-for-sale financial assets	17,930	23,181

As at 31 December 2013 and 31 December 2012, the ČSOB Group SR met the capital requirements of the NBS.

38. CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash and cash equivalents consist of the following items:

(EUR '000)	Note	31 Dec 2013	31 Dec 2012
Cash and balances with central bank	3	123,058	126,262
Loans and advances to financial institutions – Current accounts	6	31,517	28,364
Loans and advances to financial institutions – Loans and advances to banks	6	499	-
Financial assets at fair value through profit or loss – Loans and deposits to banks	4	-	8,532
		155,074	**163,158**

39. POST BALANCE SHEET EVENTS

From 31 December 2013 up to the date of issue of these financial statements, there were no such events identified that would require adjustments to or disclosure in these financial statements.

These Consolidated Financial Statements were approved and authorized for issue by the Board of Directors on 19 March 2014.

Daniel Kollár
Chief Executive Officer

Stefan Delaet
Chief Officer for Finance, Credits and ALM