UniCredit Bank

Make it simple. It's easy with UniCredit.

2009 Annual Report

We UniCredit people are committed to generating value for our customers.

As a leading European bank, we are dedicated to the development of the communities in which we live, and to being a great place to work.

We aim for excellence and we consistently strive to be easy to deal with.

These commitments will allow us to create sustainable value for our shareholders.

Times change, but commitments do not. We emerged from 2009 with a renewed sense of purpose and direction. What was important to us before is even more important today. Namely, our customers.

Accordingly, we developed a new mission statement in 2009 to reinforce those principles and practices that we believe to be drivers of greater customer centricity. Emphasized in this mission is the desire to make banking as easy as possible for our customers by offering the kind of simple, straightforward solutions that can assist them in achieving their financial goals reliably and efficiently.

This is what we call "real-life banking". It means providing our clients with more than just financial services by giving them the right support at the right time and in the right way. It is about looking our customers in the eye, working closely with them to assess their real-life needs, and then using our expertise to deliver effective solutions through smooth and easy interactions.

We believe that our rigorous dedication to simplicity and transparency will continue to advance excellence in all that we do. It will also maintain and grow the trust of our customers - a trust that is exemplified in the following pages.

This year's report features photographs and personal stories from UniCredit Group customers across Europe, highlighting the concrete role that our company has played in their lives. Each of these individuals, who represent the foundation upon which we are structuring our shared future, has told us about a time we made their life easier.

2009 Annual Report

Radoslav Bardún
Medirex
Corporate Banking Client - Slovakia

„In our business, we count on the synergies that come from our financial partnership and friendship with UniCredit Bank. We are always forward looking and have plenty of ideas for further development and growth. With UniCredit Bank, we can find new solutions and then put our ideas into practice.“

It’s easy with UniCredit.

Contents

Supervisory Board, Board of Directors

From January 1, 2009 to December 31, 2009 the membership of the Management Board was as follows:

Chairman:	Jozef Barta	
Vice-Chairman:	Mag. Helmut Horvath	
Members:	Friedrich Plail	(until June 26, 2009)
	Ing. Miroslav Štrokendl	(from June 26, 2009)

From January 1, 2009 to December 31, 2009 the membership of the Supervisory Board was as follows:

Carlo Vivaldi	(until 26. 6. 2009)
Heinz Meidlinger	
Carmine Ferraro	
Herbert Hangel	
Gerhard Deschkan	(from 26. 3. 2009)
Claudio Cesario	(from 24. 9. 2009)
Ľubomír Partika	(from 26. 3. 2009)
Thomas Groß	(until 11. 3. 2009)
Eva Vavrová	(until 11. 3. 2009)
Jaroslav Hazlinger	
Zuzana Šťastná	
Gabriel Gavula	(until 18. 12. 2009)

Management

At December 31, 2009 the management of UniCredit Bank Slovakia a. s. operated in the following structure:

Chief Executive Officer	Jozef Barta	
Internal Control and Internal Audit Division	Stefano Cotini	
Risk Management Division	Doc. Ing. Anna Pilková, PhD., MBA	(until 31. 7. 2009)
Workout	JUDr. Marek Melíšek	
Compliance Officer	Mgr. Oľga Petrovicová	(until 30. 11. 2009)
Bank Secretariat	PhDr. Rudolf Hanuljak	
Identity and Communications	Ing. Martina Fatyková	(from 1. 6. 2009)
External and Internal Public Relations	Ing. Jana Tomková	(until 15. 4. 2009)
Marketing Communication	Ing. Martina Fatyková	(until 31. 5. 2009)
Trading Desk	Ing. Viktor Štrauch	(until 31. 8. 2009)
Custody	Mgr. Matej Letko	
Legal Division	Mgr. Vladimír Nagy	
Market Research & Strategy	Mgr. Ján Tóth	
Corporate and Investment Banking Division	Ing. Miroslav Štrokendl	(until 30. 6. 2009 Friedrich Plail)
Structured Finance and Large Corporates	Ing. Jaroslav Habo	
Mid Corporates	Ing. František Doležal	(from 1. 7. 2009)
	Ing. Miroslav Štrokendl	(until 30. 6. 2009)
Global Transaction Banking	Ing. Roland Viskupič	(from 1. 7. 2009)
Retail Banking Division	Ing. Monika Kohútová, MBA	
Segments and Products for Individuals	Ing. Marian Burian	
Retail Sales and Services	Ing. Jozef Adamkov	(from 1. 4. 2009)
	Ing. Róbert Nemčický	(until 31. 3. 2009)
Private Banking Division	Raymond Kopka	
Financial Division	Mag. Helmut Horvath	
Planning and Controlling	Ing. Jaroslav Šinák	
Accounting	Ing. Viera Durajová	
Global Banking Services Division	Carlo Furlan	
Organization and IT	Mgr. Daša Gogaľová	
Logistics	Ing. Kristián Lichtblau	
Bank Operations	Ingrid Prcúchová	
Loan Administration	JUDr. Marián Áč	
Human Resources Division	Svetlana Radan	(from 12. 1. 2009)

Opinion of the Supervisory Board

„Despite the financial crisis and the drop in yields caused by the introduction of the euro, UniCredit Bank Slovakia a. s. achieved the results that were expected.“

Dear Ladies and Gentlemen,
Dear shareholders,

Despite the financial crisis and the drop in yields caused by the introduction of the euro, UniCredit Bank Slovakia a. s. achieved the results that were expected in light of the changed conditions in the business environment. Due to these external factors, the bank adopted measures that resulted in operating cost reduction, maintenance of high quality credit portfolios and a profit adequate in terms of the above-mentioned facts.

As of December 31, 2009 the registered capital of UniCredit Bank Slovakia a. s. was in the amount of EUR 235,492,694.26, which represents 38,353,859 pieces of registered shares in book entry form with the nominal value of EUR 6.14 per share.

During 2009 the Supervisory Board actively carried out an inspection of the business strategy implementation and business activities management in accordance with the legislation of the Slovak Republic, the Articles of Association and in close cooperation with the Internal Inspection and Internal Audit Division. The Supervisory Board was regularly informed during its 2009 meetings about the financial results of the bank and about the credit portfolio risk development.

The Supervisory Board, based on its activity, hereby confirms that the account books and accounting documents of UniCredit Bank Slovakia a. s. were kept in compliance with the law, the Articles of Association and internal regulations of the bank. In the opinion of the Supervisory Board, the financial statements of 2009 present fairly the financial situation and results of the bank, which was also affirmed by the opinion of KPMG, the external auditor.

The Supervisory Board certifies that according to the 2009 annual balance of the books, the bank generated a net profit of EUR 22,103,790.79 according to International Financial Reporting Standards as adopted by the European Union.

The Supervisory Board consents to the proposal of the Management Board for the year 2009 net profit distribution in the amount of EUR 22,103,790.79 and recommends its approval.

Heinz Meidlinger
Chairman of the Supervisory Board

Foreword of the Chairman of the Board of Directors and CEO

„UniCredit Bank is a sound and stable bank in good condition with a considerable surplus of capital, a sound credit portfolio; showing profit and meeting the set objectives.“

Dear shareholders,

The economic results in 2009 were particularly affected by two events – the introduction of the euro and by the global financial and economic crisis. Despite these general factors, from the Bank's point of view the year 2009 can be considered successful. In accordance with the anti-crisis measures, we took a prudent approach in 2009 to new development projects. We managed to decrease notably operating costs and at the same time aimed our effort at sales efficiency improvement, consistent market analysis, product competitiveness and customer service improvement. I am very happy that unlike many others, we did not have to reduce the number of employees or limit employee benefits.

Net profit in 2009 amounted to EUR 22.1 million, and in accordance with predictions it was 69.2 % lower than in the comparable period of the previous year.

Operating costs decreased by 37.3 % on a year-over-year basis, which was impacted in particular by the shortfall in non-interest income due to the introduction of the euro. The lower demand for banking products on the market was also a direct result of the economic crisis.

In this situation the bank shows a considerable surplus of capital and on the Slovak banking market is among the banks with the highest capital adequacy (15.54 %), which resolutely exceeds the regulatory requirement (8 % according to Pillar 1 of Basel 2). The surplus of capital is a good prerequisite for future growth, and the Bank would like to use it for active lending in the future, when we expect the stabilization of the Slovak economy and corporate sector.
Following this strategy, as early as in 2009 UniCredit Bank became involved in financing projects of remarkable social importance related to the creation of the supra-regional traffic structure of Slovakia despite the financial crisis. UniCredit Bank, as the only local bank, directly participated in the financial close of the R1 speedway project. It acts in this project also as the Account Bank, Security Agent and Exclusive Arranger of the VAT Facility. The Bank also granted a loan for financing the preparatory work of the D1 speedway construction and is involved in financing the construction itself.
In household lending the Bank increased its activity, especially at the end of the year. In the last months of the year, the slump in the price of real estate stopped mainly in big cities. At the same time, we took into account the fact that a substantial part of the growth of unemployment caused by the crisis was over. Having been focused on effective sale, we managed to strengthen the Bank's position amidst the declining housing market.
Despite the slower growth of new mortgage loans in the last year, sales revived in the second half so that we increased year-over-year almost

10 % in the volume of new mortgage loans. It is rather an exception on the Slovak banking market that we surpassed through dynamic growth. Despite efforts to increase the activity of the Bank in corporate financing as well as in financing individuals, the Bank will continue to lay emphasis on risk coverage in the future. We can see our responsible approach to risk in the quality of our credit portfolio. Throughout the financial crisis, UniCredit Bank had an exceptionally stable and sound credit portfolio and the rate of defaulted loans represented 3.63 % of the total volume of gross loans at the end of 2009, which is significantly below the average of the entire banking sector (5.49 % as of December 31, 2009). In the defaulted loans for individuals we showed even a moderate improvement, were the defaulted loans ratio represents 2.4%, while it declined 0.04% year-over-year.

The year 2009 was specific in terms of the growth of deposits. As far as corporations are concerned, we could see the outflow of deposits of large, multinational corporations abroad as a result of the introduction of the euro, especially early in the year. We also noticed this process in our Bank. The corporate deposits were also negatively affected by lower corporate receipts and profitability. Therefore UniCredit Bank showed a remarkable decline of corporate deposits in 2009, in accord with the market.
The bank showed a decrease in deposits for individuals, particularly early in the year, due to the euro effect and from the half year the development of deposits commenced to stabilize. In the upcoming period we already expect modest growth.

Dear shareholders,
Despite the deterioration of the global economic environment and the shortfall in income related to the euro's introduction, the 2009 economic results meet expectations. UniCredit Bank is a sound and stable bank in good condition with a considerable surplus of capital, a sound credit portfolio; showing profit and meeting the set objectives.

Thank you for your trust; we are confident that we will not betray it in 2010, which will be another challenging year for the banking sector due to the global situation. We believe that despite this challenge, we will maintain the continuity of positive trends in compliance with the objectives of the entire financial Group.

Jozef Barta
Chairman of the Management Board
and Chief Executive Officer

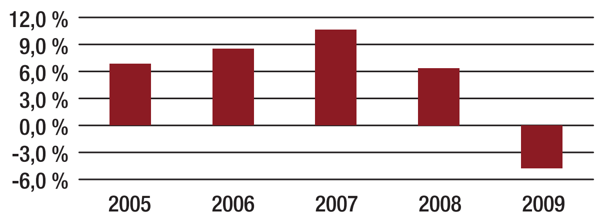
Report on Business Activity and Assets in 2009

Economic and competitive environment in the SR

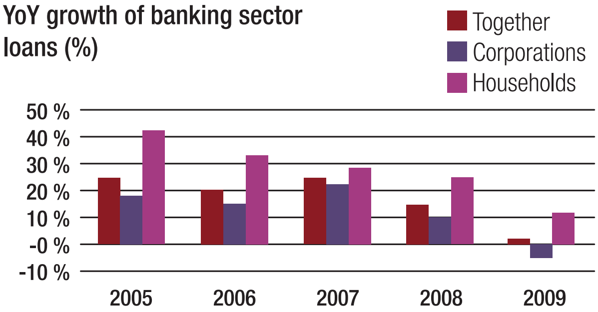
In 2009 the Slovak economy was particularly affected by two events – the introduction of the euro and the global financial and economic crisis. After years of record-breaking growth, in 2009 Slovakia showed a significant 4.7 % decrease in GDP, which was mainly influenced by the global trade collapse and the resulting steep recession of industry. The domestic industry problems had an impact on the deterioration of the labour market, which subsequently affected the service sector. Moreover, the conversion to the euro complicated the price competitive ability of trade and tourism amidst falling neighbour currencies. Unemployment reached a 5-year peak. On the other hand, anxiety for increased "euroinflation" was postponed by up to 2 to 3 years.

Throughout the year the banking sector faced a shortfall in receipts due to the euro (on the level of approximately 11 % of revenues, or a shortfall in ROE of almost 5 percentage points), lower demand and an increase in defaulted loans. The net profit of the banking sector slumped 45 % yoy with an 11 % decrease of total assets. Profitability, however, was also negatively influenced by the impaired loan portfolio quality that forced banks to create additional reserves. The defaulted loans ratio increased during the year from 3.2 % to 5.5 %, with a more considerable increase particularly in the corporate segment (from 2.8 % to 5.8 %). The dynamism of the growth of loans and deposits significantly slowed down. Corporate loans as well as corporate deposits and deposits of individuals dropped on a year-on-year basis in 2009. Therefore only the loans for individuals showed increase yoy, but the dynamism of their growth slowed down almost half in comparison with the previous years.

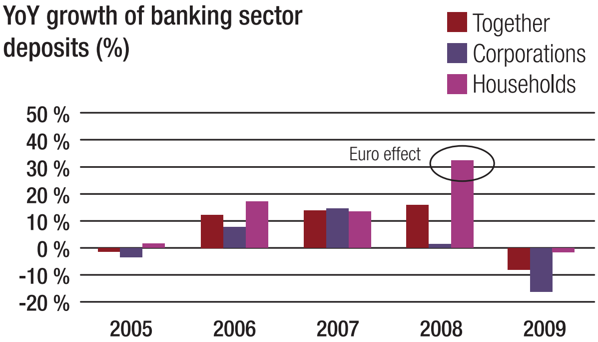
YoY growth of GDP in Slovakia (constant prices)



YoY growth of banking sector loans (%)



YoY growth of banking sector deposits (%)



Expected Development of the Bank in 2010

Along with the partial recovery of worldwide trade, we also expect a certain revival in Slovak industry, including ongoing new investments in the automotive and electrical industries. The services will still be under the pressure of higher unemployment and the real estate development industry will also reach its bottom this year. Since the Bank prudently reduced its exposure in the loan business before the crisis, the year 2010 can be a good opportunity to sensitively increase it again. The above-standard capital resources allow us to continue financing large projects.

We also anticipate that if people are employed at the end of 2009, they are very likely to survive the crisis without losing their jobs. Therefore, the Bank also wants to increase its lending activity towards individuals. Despite the risky environment, one of the main objectives of the Bank in the year 2010 is to keep risky costs under control. The Bank is intensively working on further improvement of risk management procedures in the area of consumer loans, as well as in the continuing implementation of Basel II principles for corporate loans. With costs under control and also a favourable lower volume of classified loans towards the market, we expect year-on-year growth of profit in 2010.

Report on Business Activity and Assets in 2009 (CONTINUED)

Selected results of the Bank in 2009

In 2009 UniCredit Bank Slovakia a. s. generated a net profit in the amount of € 22.104 million, which represented a € 49.673 million reduction in comparison with the previous year. The entry of Slovakia into the European Monetary Union and the financial crisis resulted in a 37.33 % decline of operating income. The introduction of the euro brought unquestionable advantages for the inhabitants of Slovakia as well as for companies, but on the other hand the introduction of the euro and application of the Single Euro Payments Area (SEPA) fundamentally affected the exchange-rate profit of the Bank and the foreign payment system fees as well.

The significant impact on revenues caused by the introduction of the euro and by the financial crisis that appeared also in relation to our customers was partially eliminated by the Bank through operating expense measures. They decreased on a year-over-year basis by € 8.881 million, which represents a 10.7 % savings in comparison with 2008.

Profit and loss statement	2008	2009	2009/2008	
in thousands of €			+/-	+/-
			Eur '000	%
Interest income	217,763	121,160	-96,603	-44.36
Interest expense	-108,269	-44,705	63,564	58.71
Net interest income	**109,494**	**76,455**	**-33,039**	**-30.17**
Fee and commission income	38,112	30,180	-7,932	-20.81
Fee and commission expenses	-6,327	-6,491	-164	-2.59
Net fee and commission income	**31,785**	**23,689**	**-8,096**	**-25.47**
Net trading income	**31,006**	**6,415**	**-24,591**	**-79.31**
Other income	4,145	4,010	-135	-3.26
Operating income	**176,430**	**110,569**	**-65,861**	**-37.33**
Depreciation and amortisation	-10,097	-11,259	-1,162	-11.51
Administrative expenses	-72,402	-62,359	10,043	13.87
Operating expenditure	**-82,499**	**-73,618**	**8,881**	**10.77**
Impairment losses	-7,026	-9,582	-2,556	-36.38
Provisions	2,245	73	-2,172	-96.75
Expenses after impairment losses and provisions	**-87,280**	**-83,127**	**4,153**	**4.76**
Profit before taxation	**89,150**	**27,442**	**-61,708**	**-69.22**
Income tax	-17,373	-5,338	12,035	69.27
Profit after taxation	**71,777**	**22,104**	**-49,673**	**-69.20**

The prudent approach to new project financing was one of the measures adopted by the Bank in respect to the impact of the crisis on company operation. This approach resulted in a 5 % decrease of the volume of loans in comparison with the previous year. On the other hand, the bank maintained its extraordinary level of credit portfolio quality without the need for additional provisioning.

Two factors influenced the balance sheet structure and magnitude amounting to € 3.185 billion, 32 % lower than in 2008. The introduction of the euro substantially changed the currency structure of the balance sheet, where the need to close the FX positions by means of

BALANCE SHEET	2008	2009	2009/2008	
in thousands of €			+/-	+/-
ASSETS			**Eur '000**	**%**
Cash and cash equivalents	1,329,640	169,728	-1,159,912	-87.24
Trading assets	165,516	98,136	-67,380	-40.71
Derivative assets held for risk management	4,286	8,378	4,092	95.47
Loans and advances to banks	229,709	65,053	-164,656	-71.68
Loans and advances to customers	2 537,610	2,410,365	-127,245	-5.01
Investment securities	315,094	358,434	43,340	13.75
Property and equipment	46,898	46,035	-863	-1.84
Intangible assets	14,977	14,928	-49	-0.33
Other assets	8,449	13,458	5,009	59.29
Total assets	**4,652,179**	**3,184,515**	**-1,467,664**	**-31.55**
LIABILITIES				
Trading liabilities	66,804	45,954	-20,850	-31,21
Derivative liabilities held for risk management	15,071	12,198	-2,873	-19,06
Deposits by banks	1,094,682	112,091	-982,591	-89,76
Customer accounts	2,727,050	2,207,692	-519,358	-19,04
Loans received	129,956	266,249	136,293	104,88
Debt securities issued	112,311	91,565	-20,746	-18,47
Provisions	8,105	7,222	-883	-10,90
Other liabilities	29,876	13,498	-16,378	-54,82
Total liabilities	**4,183,855**	**2,756,469**	**-1,427,386**	**-34,12**
Share capital	235 526	235 493	-33	-0,01
Reserve funds, retained earnings, profit	232 798	192 553	-40 245	-17,29
Share capital and reserves	**468 324**	**428 046**	**-40 278**	**-8,60**
TOTAL LIABILITIES AND EQUITY	**4 652 179**	**3 184 515**	**-1 467 664**	**-31,55**

interbank transactions remarkably decreased. The outflow of companies' capital equipment caused by the crises was another factor that resulted in the 19 % year-on-year decrease in the volume of deposits on customer accounts.
The equity of the bank amounted to € 428.046 million. This amount is fully sufficient to meet all prudent business criteria and it is sufficient for the fulfilment of 2010 objectives as well.

Risk management

In 2009 the Bank set the following objectives in risk management:
a/ to adapt the Bank strategy to the increased rate of risk related to the economic and financial crisis, minimize possible loss, improve the early warning system, monitoring and security. Despite the increased rate of risk of the environment, keep fulfilling the key risk indicators in compliance with the set objectives of the Bank in risk management and capital management as well;
b/ to continue implementing Basel 2 principles according to the project plan;
c/ to ensure the solution of strategically important tasks of risk management in factual and time terms within the centrally (Group) or locally managed projects.

Over the assessed period of time, the risks of the Bank developed in accordance with the set objectives, internal regulations and guidelines as well as with the regulatory requirements.

The Bank achieved a very good level of credit portfolio quality within the area of credit risk despite difficult external conditions, with 3.63 % of the share of classified loans in total volume of loans at the end of the year, which is considerably below the banking sector value (5.49 %). The corporate portfolio represents the highest part of credit risk, with 80.72 % of the total credit portfolio. Both the portfolio of individual customers (15.54 %) and the small business portfolio (3.74 %) have a modestly rising trend. The cost of risk reached the amount of EUR 10.95 million.
Within the area of credit risk, the Bank solved the following key projects:
a/ Basel 2 – preparation for the approach of capital requirement calculation based on internal ratings (IRB approach) that the Bank will apply from 2010 to 2014;
b/ preparation and development of score cards for the whole scale of retail products as a part of the Basel 2 project – IRB approach.

Market and liquidity risk was managed so as to accomplish the set limits of the following key indicators: Value at Risk (VaR), basic points shit (BP shifts), FX position limits, Stop/Loss limits, liquidity trigger points and short-term liquidity limits, including the limits set by the NBS. In the monitored period of time, the Bank met the mentioned limits in compliance with the trend of the Group.

The Bank showed loss due to operational risks amounting to EUR 128.2 thousand, what represents a notable positive trend compared to the previous year in the volume (93 % fall) and also in the frequency of occurrence of the monitored events (13 % decrease). The Bank implemented the advanced measurement approach (AMA approach) for operational risk on the basis of the approval of the National Bank of Slovakia and the Bank of Italy.

Report on Business Activity and Assets in 2009 (CONTINUED)

Corporate Banking including the Structured Finance activities

Structured Finance and Large Corporates

In 2009 the corporate and project financing was also affected by the global and economic crisis. In this period UniCredit Bank focused on financing projects in anti-cyclic industries like power engineering or transport infrastructure.

The first transport PPP (Public Private Partnership) project in Slovakia – the construction of the R1 speedway – was one of the most important transport infrastructure projects. UniCredit Bank is the only local Bank in this project that directly participated in this transaction, which was made in August 2009. UniCredit Bank Slovakia acts in this project also as the Account Bank, which means that it administers all accounts, payments and funds of the project. Furthermore, the Bank will perform the role of Security Agent and Exclusive Arranger of the VAT Facility. The Project Finance International Journal in cooperation with the Thomson Reuters agency awarded this project the prestigious Project Finance International Award in the category of Infrastructure Transaction of the Year. In the end of 2009, the Bank granted a loan for financing the preparatory work of another PPP project for the D1 speedway construction in the amount of EUR 18 million.

In energy project financing we stressed the financing the projects of renewable power sources, as the passed Act on Promotion of Renewable Energy Sources and High-Efficiency Cogeneration created suitable conditions for long-term financing on project basis. As early as before the end of 2009, several loans for long-term financing of photovoltaic power plants were approved.

In 2009 the Bank achieved great success with the Large and International Corporates in particular due to the ability to offer professional and integrated services while simultaneously making use of the significant competitive advantage that is the vast network of UniCredit Group. We applied quite conservative credit conditions in the segment of Large Corporates and Multinationals, paying higher attention to credit portfolio quality in terms of credit risk. We were also consistent in correct bank credits valuation, where we were taking into account particularly the current liquidity price on the international financial markets.

Mid Corporates

In 2009 the business strategy in Mid Corporates was influenced by the global crisis as well as by the introduction of the euro.

It was the Bank's primary aim to maintain credit portfolio quality, a conservative approach in the financing of new customers – projects, and last but not least, the fair valuation of our assets in accordance with the current development of the price of liquidity on international financial markets.
New acquisitions were primarily allocated by the Bank to the customers from the anti-cyclic environment, namely in the form of support of regional infrastructure co-financed by EU funds /water management/, to selected segments of the food industry, support of the existing farmer portfolio /direct payments, co-financing of investment projects with the subsidies from the EU resources/ and the co-financing of regional projects aimed at renewable power resources. Due to the above-mentioned allocation of new acquisitions, the Mid Corporates segment managed to reach a growth trend in the field of loans.
In Mid Corporates the Bank was also able to provide customers with an integrated package of services and consultancy of high quality that was influenced to a considerable degree by the vast international network of UniCredit Group.

Treasury a Customer Desk

The 2009 Treasury Sales results were impacted by the adoption of the euro in Slovakia. We showed remarkable decline mainly in currency cash flow and customers' hedging transactions that formerly represented the base of the unit's profit. The profit decrease was also impacted by the shortfall of customer transactions caused by the arrival of the global financial crisis in Slovakia. Despite the decline in profit, the conversion to the new currency was successful and all customer deals were fully converted to the new currency. As the EUR interest rate curve declined in 2009, it increased the attraction of interest rate hedging deals. During the year we achieved excellent results in dealings in interest rate hedging for several customers of the Bank on the basis of simple interest rate hedging tools.

Retail Banking

The year 2009 was, for the Retail Banking Division, a year of substantial changes in structure and amount of income due to the introduction of the euro in Slovakia, a year impacted by very low inter-bank interest rates as well as increased possible credit risk. On the other hand, 2009 brought an essential change of sales management with the introduction of so-called minimum sales, what resulted in a remarkable increase of products sold.

Within the field of investment products for individuals, the Bank launched a special term deposit in spring 2009 with structured revenue (SafeProfit) that met with exceptional customer interest. Therefore the Bank had to increase the original issue and sold more than EUR 20 million in total. The interest in long-term deposits with higher interest prevailed in standard term accounts, which positively affected the stabilization of primary resources in the Bank's balance sheet. Within active products the Bank focused again on loans secured by real estate. The fair price and construction of interest rates, higher flexibility, accelerated process, cooperation with third parties, and product changes contributed to the fact that on a year-to-year basis, the Bank managed to sell more loans and also achieved success through gradual market share increase while maintaining the high quality of its credit portfolio in comparison with other banks.

The Bank continued supporting and developing electronic banking. For the customers, who have come to like this channel, the Bank launched a special acquisition package called B-Smart for a very favourable price. We also launched several payment card innovations, namely a unique and exclusive Diners Club White credit card, a beneficial Visa Classic Sphere card and a charitable Magna card in cooperation with the Magna Deti v núdzi – Magna, Children in Need civic association.

In 2009 the Bank continued the strategy of increasing the efficiency and productivity of the existing branch network, where we approached moving the Branches to new premises. In this way we created space for better conditions in which to provide services to existing customers and for the acquisition of new ones.

Private Banking

The Private Banking division has now been serving customers with a high income and high volume of assets for six years. The total volume of deposits under the management of Private Banking represented EUR 284.8 million at the end of 2009. The final volume of deposits is almost the same as the previous year's volume despite the crisis period, which we consider very successful with regard to the deepening of the financial crisis in 2009 and maintaining a stable position.

In 2009 Private Banking revenues amounted to EUR 3.228 million, which is 27.4 % less than in 2008. The decline was caused by a shortfall in FX gains due to the conversion to the euro and the fall in interest rates.
Private Banking has been cooperating on a long-term basis with Diners Club Slovakia, which continued successfully in 2009. In the spring of 2009 the Private Banking department successfully participated in the structured income term deposit campaign SafeProfit. EUR 9.8 million was sold to private customers (approximately 43 % of the total issue), exceeding the volume for Private Banking by a successful 23 %.
The financial crisis also brought into the financial sector certain opportunities and therefore the existing services provided to customers were modified. In order to stabilize investment assets, the Bank decided to extend its service portfolio with an extra service that can be also used for customer portfolio diversification – the allocation of assets in pure gold. As the first bank on the domestic banking market, we were able to mediate to our private customers the safe purchase and custody of gold in Slovakia. We are also the first bank to offer the professional sale of memorial and collectors' coins covered by Private Banking.

The long-term fulfillment of objectives and customer satisfaction is based first of all on private bankers. Last but not least, we consider the fact that the unit staff remain loyal for a long time and thus staff turnover is notably low to be a success. This fact also contributes to the continuity of customers' relationships with the Bank and impacts customer satisfaction with the products and services of the Bank.

Human resources

As of December 31, 2009, the overall registered headcount of Bank employees was 1,293. There were 843 employees in front office positions and 450 employees in back office positions. Staff turnover declined 5 % in comparison with the previous year. Of the total number of employees, 56.3 % had a university education, while the share of employees with a secondary education represented 43.7 %. The average age of employees was 37.5. Women made up 69.6 % of registered employees.
Throughout 2009 high attention was paid to employee in-service trainings, which were of a professional character. We continued managerial and soft-skills trainings. Branch network staff attended both vocational product and system trainings and sales trainings. The trainings were supported in large by e-learning. The total number of training days was 5,542 and the total number of participants was 3,557.
We also paid attention to Bank employee development for employees who were a part of the programs of our Group.
Early this year an employee satisfaction survey took place. On the basis of its results, action plans were worked out that were implemented in the course of the year.

Report on Business Activity and Assets in 2009 (CONTINUED)

Sponsorship

We consider social responsibility to be an integral part of our business and communication. By means of this comprehensive concept, the Bank endeavours to join its entrepreneurial interests with the ethical principles, values and morals of society. In 2009 the Bank again took a considerable part in the financial support of projects through which it was able to emphasize the values of UniCredit Group, based on joining profitability with responsibility for the social environment in which it operates.

The Bank joins its name with interesting projects all over Slovakia, while its priority is to promote long-term cooperation projects focused on Slovak-wide or remarkable regional impacts as well as on brand awareness.

Besides the direct financial support provided to the civic association Magna – Children in Need, we prepared a unique charitable project in 2009 that combined a bank product and aid to children in developing countries. It is a new MAGNA payment card, by means of which customers contribute to the children with each payment carried out by the card in the amount of 0.5 % of the transaction, while an additional 0.5 % is paid by the Bank. In addition, the Bank will give to the aid of children 50 % of the annual fee of each issued MAGNA payment card. In this way the project multiplies the Bank's charitable contribution and at the same time supports the partnership between the Bank and the customers.

At the end of 2009, UniCredit Bank decided to enter into long-term cooperation with the organizers of the International Film Festival in Bratislava, becoming its general partner for the next 4 years. From the Bank's point of view it is an important cultural project crossing local borders and trying to bring to viewers the best in international film making, just as UniCredit Bank brings to its customers the know-how of the biggest banking group in Central and Eastern Europe. In 2009 the IFF Bratislava increased the number of festival days and presented a selected offer of films not only in Bratislava, but also in Banská Bystrica and Košice.

In the area of culture, the Bank was involved as usual in the promotion of such cultural projects in Slovak regions as the 50th year of the International Folklore Festival in Myjava, the European Day of Jewish Culture in Šaľa, the European Folk Crafts in Kežmarok, etc. The Bank was still also engaged to a significant degree in the support of Italian cultural events organized in Slovakia and established cooperation with the Italian Culture Institute, enabling the variety of Italian culture in Slovakia to be seen.

Within the support of education we entered into the "SME v škole" (SME at Schools) project under the auspices of the "Knihy školám" (Books for Schools) Foundation, which is aimed at elementary, secondary and university education. The Bank was also engaged in the support of the 2nd year of "Metamorphosis", the scientific and popular scientific discourses that try to popularise science among the lay public as well as the professional public.

Bank employees themselves were significantly involved with charity through the so-called "donations allocation" program organized yearly by the UniDea Foundation, which is funded solely by UniCredit Group. They helped non-profit organizations in their regions that are focused on social welfare, health care and international solidarity through fund-raising. Not only the Bank itself, but also its employees proved to be identified with the values of UniCredit Group. The active involvement of employees in the fund-raising for aid to the victims of the Abruzzo earthquake, as well as financial aid for all the families affected by the tragic traffic accident on the railway crossing in Polomka in February 2009, were other examples.

Shareholders

As of December 31, 2009, the share capital of UniCredit Bank Slovakia a. s. was listed in the Bratislava I District Court Company Register in the amount of EUR 235,492,694.26, with a nominal value of EUR 6.14 per share.

Effective January 01, 2009, the nominal value of initial contributions was converted to the share capital and the share capital from Slovak korunas to euros. The difference from rounding the nominal value of share capital was transferred to the company reserve fund in accordance with the provisions of Article 11, clause 2, of Act no. 659/2007 Z. z. on the introduction of euro in the Slovak Republic, as amended.

The Bank does not make any transactions of acquisition of its own shares, interim certificates, business shares or transactions of acquisition of shares, interim certificates or share in its parent company.

The structure of shareholders of UniCredit Bank Slovakia a. s. as of December 31, 2009

Shareholder	Share %
UniCredit Bank Austria AG	99.03
Ministry of Agriculture of the SR	0.36
Domestic shareholders with less than 1 %	0.60
Foreign shareholders with less than 1 %	0.01

Branch Network of UniCredit Bank Slovakia a. s. as of December 31, 2009

Region	Branch - address	Phone	Fax
BRATISLAVA	821 08 Bratislava, Krížna 50	02/49 50 44 01	02/55 42 40 13
		02/49 50 42 02	02/55 42 27 74
	811 01 Bratislava, Ventúrska 7	02/59 20 61 01 - 04	02/59 20 61 05
		02/59 30 28 20	02/59 30 28 21
	811 03 Bratislava, Panenská 7	02/54 41 89 55	02/54 41 32 28
	811 06 Bratislava, Nám. 1 mája 18, PARK ONE	02/57 20 23 10	02/57 20 23 00
	811 08 Bratislava, Dunajská 25	02/57 10 74 10	02/57 10 74 33
	821 08 Bratislava, Dulovo nám. 13	02/50 20 20 61	02/50 20 20 66
	821 01 Bratislava, Tomášikova 30/A	02/43 41 26 29	02/43 41 26 36
	813 33 Bratislava, Šancová 1/A	02/49 50 23 30	02/49 50 25 05
	813 33 Bratislava, Šancová 1/A, BiznisDom	02/49 50 25 98	02/49 50 25 95
	851 01 Bratislava, Einsteinova ul. 18, BSC AUPARK	02/68 20 20 34, 36	02/68 20 20 35
	851 04 Bratislava, Panónska cesta 3	02/62 41 06 27	02/62 41 06 29
	814 16 Bratislava, Hurbanovo nám. 1	02/59 30 54 10	02/54 41 66 96
	821 09 Bratislava, Plynárenská 7/A	02/58 10 30 81	02/58 10 30 85
	813 38 Bratislava, Rybné nám. 1, Park INN Danube	02/59 42 80 01	02/59 42 80 00
	841 04 Bratislava, Dúbravská 2	02/59 20 20 35	02/59 20 20 30
	821 09 Bratislava, Trenčianska 56/A	02/58 10 10 75	02/58 10 10 70
	821 07 Bratislava, Dudvážska 5, NC HRON	02/40 25 57 01 - 06	02/40 25 57 00
	841 02 Bratislava, Saratovská 6B, Rustica	02/60 30 10 01, 2	02/60 30 10 00
	821 09 Bratislava, Prievozská 4/A, Apollo BC II	02/58 10 14 01	02/58 10 14 00
	831 04 Bratislava, Vajnorská 100, Polus CC	02/49 11 48 01	02/49 11 48 00

TRNAVA	917 00 Trnava, Štefánikova 48	033/590 83 32	033/590 83 53
		033/590 83 33	033/590 83 53
		033/590 83 11	033/590 83 53
	901 01 Malacky, Záhorácka 51	034/797 92 11	034/797 92 79
	921 01 Piešťany, A. Hlinku 60	033/774 05 80	033/774 05 81
	921 01 Piešťany, Nitrianska 5	033/791 08 14	033/791 08 33
	902 01 Pezinok, Holubyho 27	033/690 54 01	033/690 54 05
	909 01 Skalica, Škarniclovská 1	034/690 61 21	034/690 61 25
	905 01 Senica, Hviezdoslavova 61	034/690 91 10	034/690 91 33
	920 01 Hlohovec, M. R. Štefánika 4	033/735 10 13	033/735 10 15

Region	Branch - address	Phone	Fax
TRENČÍN	911 01 Trenčín, Nám. sv. Anny 3	032/650 92 02	032/650 92 04
		032/650 92 25	032/650 92 04
		032/650 92 09	032/650 92 04
	915 01 Nové Mesto n/Váhom, Čsl. armády 4	032/748 49 91	032/748 49 95
	907 01 Myjava, Nám. M. R. Štefánika 581/29A	034/698 33 06	034/698 33 00
	971 01 Prievidza, Ul. G. Švéniho 3A	046/518 94 02	046/518 94 00
	957 01 Bánovce n/Bebravou, Jesenského 561/3	038/762 70 16	038/762 70 15

NITRA	949 01 Nitra, Štefánikova 13	037/692 60 00	037/692 60 50
		037/692 60 05	037/692 60 50
		037/692 60 13	037/692 60 50
	949 01 Nitra, Chrenovská ul. 1661/30, ZOC MAX	037/692 89 01	037/692 89 00
	955 01 Topoľčany, Krušovská 19	038/532 70 54	038/532 70 55
	940 62 Nové Zámky, Svätoplukova 1	035/691 12 01	035/691 12 00
	940 01 Nové Zámky, Majzonovo nám. 2	035/691 34 11	035/691 34 33
	934 01 Levice, Bernolákova 2	036/635 03 13	036/635 03 15

DUNAJSKÁ STREDA	929 01 Dunajská Streda, Hlavná 5599/3B	031/590 55 21	031/590 55 20
		031/590 55 22	031/590 55 20
		031/590 55 31	031/590 55 20
	924 01 Galanta, Revolučná 1	031/788 45 10	031/778 45 00
	930 39 Zlaté Klasy, Pekná cesta 1	031/591 10 14	031/591 10 15
	927 01 Šaľa, Hlavná 12A	031/783 87 01	031/783 87 00
	931 01 Šamorín, Gazdovský rad 49/B	031/562 79 60	031/562 79 62
	903 01 Senec, Lichnerova 30	02/40 20 20 52	02/40 20 20 55
	926 01 Sereď, Dionýza Štúra 1012	031/789 30 94	031/789 27 07
	945 01 Komárno, Nám. M. R. Štefánika 11	035/790 00 61	035/790 00 65

ŽILINA	010 01 Žilina, Národná 12	041/562 82 01	041/562 82 04
		041/562 82 24	041/562 82 04
		041/562 82 31	041/562 82 04
	010 01 Žilina, Nám. Ľ. Štúra 2	041/507 79 51	041/507 79 52
	010 01 Žilina, Bottova 6	041/707 01 11	041/707 01 20
	Pracovisko pobočky Bottova/MOBIS, 013 02 Gbeľany	041/500 30 08	041/ 569 10 48
	017 01 Považská Bystrica, M. R. Štefánika 161/4	042/437 99 51	042/437 99 55
	036 01 Martin, M. R. Štefánika č. 1	043/420 70 22	043/420 70 11
		043/420 70 02	043/422 48 92
	022 01 Čadca, Palárikova 85	041/430 28 12 - 14	041/430 28 15

Branch Network of UniCredit Bank Slovakia a. s. as of December 31, 2009 (CONTINUED)

Region	Branch - address	Phone	Fax
ZVOLEN	960 01 Zvolen, Nám. SNP 50	045/524 80 21	045/524 80 16
		045/524 80 10	045/532 07 00
		045/524 80 24	045/532 07 00
	960 01 Zvolen, Hviezdoslavova 16	045/524 14 10	045/524 14 33
	974 01 Banská Bystrica, Na Troskách 25, SC EUROPA	048/472 30 02	048/472 30 00
	974 01 Banská Bystrica, Nám. SNP 18	048/471 97 01	048/471 97 00
	984 01 Lučenec, Železničná 15	047/430 35 23	047/430 35 20
	965 01 Žiar nad Hronom, Š. Moyzesa 427	045/678 89 01	045/678 89 05
	977 01 Brezno, ul. ČSA č. 17	048/670 00 51	048/670 00 55
KOŠICE	040 01 Košice, Rooseveltova 10	055/680 51 21	055/623 27 41
		055/680 51 34	055/623 27 41
		055/680 51 83	055/680 51 84
	040 01 Košice, Toryská 1/C	055/788 18 64	055/788 18 60
	040 01 Košice, Mlynská 7	055/728 19 02	055/728 19 11
	040 01 Košice, Štúrova 14	055/611 25 31	055/611 25 66
	071 01 Michalovce, Nám. osloboditeľov 1	056/688 07 01	056/688 07 07
	048 01 Rožňava, Nám. baníkov 33	058/788 07 08	058/788 07 00
	076 43 Čierna nad Tisou, Hlavná 11	056/687 15 41	056/687 15 40
	075 01 Trebišov, M. R. Štefánika 20	056/667 00 19	056/667 00 15
PREŠOV	080 01 Prešov, Hlavná 29	051/772 96 23	051/772 96 00
		051/772 96 01	051/772 96 00
		051/772 96 09	051/772 96 00
	080 01 Prešov, Vihorlatská 2A, ZOC MAX	051/756 30 06	051/756 30 00
	085 01 Bardejov, Dlhý rad 17	054/488 04 15	054/488 04 10
	066 01 Humenné, Mierová 64/2	057/786 23 41	057/786 23 45
POPRAD	058 01 Poprad, Popradské nábr. 18	052/787 03 10	052/787 03 27
		052/787 03 11	052/772 11 65
		052/787 03 68	052/772 52 57
	058 01 Poprad, Nám. sv. Egídia 64	052/787 09 13	052/787 09 33
	059 60 Tatranská Lomnica, Dom služieb	052/478 09 51	052/478 09 55
	060 01 Kežmarok, Hlavné nám. 3	052/468 00 31	052/468 00 35
	052 01 Spiš. Nová Ves, Zimná 56	053/419 71 10	053/442 57 88
	031 01 Lipt. Mikuláš, Nám. osloboditeľov 7	044/547 50 04	044/547 50 05
	034 01 Ružomberok, Mostová 2	044/432 06 58	044/432 06 60
	054 01 Levoča, Nám. Majstra Pavla 19	053/418 26 07	053/418 26 00

Peter de Toma,
Retail Client – Austria

„High customer satisfaction demands systematic, innovative and reliable customer service at all levels. Bank Austria - UniCredit Group is constantly, and successfully, working to meet these goals.

It's easy with UniCredit.

Financial statements

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

Year ended 31 December 2009

Contents

Independent Auditors' Report

KPMG Slovensko spol. s r.o.
Mostová 2
P.O. Box 7
820 04 Bratislava 24
Slovakia

Telephone +421 2 59984 111
Fax +421 2 59984 222
Internet www.kpmg.sk

Translation of the Independent Auditors' Report originally prepared in Slovak

Independent Auditors' Report

To the Shareholders, Supervisory Board and Board of Directors of UniCredit Bank Slovakia a. s.:

We have audited the accompanying financial statements of UniCredit Bank Slovakia a. s. ('the Bank'), which comprise the statement of financial position as at 31 December 2009, the statement of comprehensive income, the statement of changes in shareholders' equity and the statement of cash flows for the year then ended, and the notes to the financial statements.

Management's responsibility for the financial statements
Management, as represented by the Board of Directors, is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 financial statements.

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2009 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

5 March 2010

Slovenská komora audítorov
SKAU
Č.licencie 96
KPMG
Slovensko spol. s r.o.

Audit company:
KPMG Slovensko spol. s r.o.
SKAU licence No. 96

Responsible auditor:
Ing. Richard Farkaš, PhD.
SKAU licence No. 406

UniCredit Bank Slovakia a. s.

Statement of financial position
As at 31 December 2009

	Notes	2009 Eur'000	2008 Eur'000
Assets			
Cash and cash equivalents	7	169,728	1,329,640
Trading assets	9	98,136	165,516
Derivative assets held for risk management	10	8,378	4,286
Loans and advances to banks	11	65,053	229,709
Loans and advances to customers	12	2,410,365	2,537,610
Investment securities	14	358,434	315,094
Property and equipment	15	46,035	46,898
Intangible assets	16	14,928	14,977
Corporate income tax – prepayment	23	1,706	-
Deferred tax asset	24	9,669	5,537
Other assets	17	1,117	1,973
Prepayments and accrued income		966	939
		3,184,515	4,652,179
Liabilities			
Trading liabilities	9	45,954	66,804
Derivative liabilities held for risk management	10	12,198	15,071
Deposits by banks	18	112,091	1,094,682
Customer accounts	19	2,207,692	2,727,050
Loans received	20	266,249	129,956
Debt securities issued	21	91,565	112,311
Provisions	22	7,222	8,105
Corporate income tax – payable	23	-	16,201
Other liabilities		8,042	3,355
Accruals and deferred income		5,456	10,320
		2,756,469	4,183,855
Share capital and reserves			
Share capital	25	235,493	235,526
Reserves	26	192,553	232,798
		428,046	468,324
		3,184,515	4,652,179

The financial statements, which include the notes on pages 32 to 101, were approved by the Board of Directors on 5 March 2010 and signed by:

Jozef Barta
Chairman of the Management Board

Helmut Horvath
Vice-Chairman of the Management Board

Statement of comprehensive income
Year ended 31 December 2009

	2009	2008	
	Notes	Eur'000	Eur'000
Interest income	28	121,160	217,763
Interest expense	29	(44,705)	(108,269)
Net interest income		**76,455**	**109,494**
Fee and commission income	30	30,180	38,112
Fee and commission expense	30	(6,491)	(6,327)
Net fee and commission income	**30**	**23,689**	**31,785**
Net trading income	31	6,415	31,006
Other income		4,010	4,145
		10,425	35,151
Operating income		**110,569**	**176,430**
Administrative expenses	32	(62,359)	(72,402)
Depreciation	15	(6,437)	(5,752)
Amortisation	16	(4,822)	(4,345)
Operating expenditure		**(73,618)**	**(82,499)**
Operating profit before impairment losses and provisions		**36,951**	**93,931**
Impairment losses on loans and advances	13	(9,725)	(6,119)
Impairment losses on property and equipment	15	179	(795)
Impairment losses on other assets	17	(36)	(112)
Provisions	22	73	2,245
Profit before taxation		**27,442**	**89,150**
Income tax expense	33	(5,338)	(17,373)
Profit after taxation		**22,104**	**71,777**
Other comprehensive income			
Cash flow hedges:			
Effective portion of changes in fair value, net of tax		889	(10,054)
Net amount transferred to profit or loss		-	830
Available-for-sale assets:			
Change in fair value, net of tax		1,332	1,195
Net amount transferred to profit or loss		(160)	35
Disposal of capital funds		(9)	(70)
Other comprehensive income/(loss)		**2,052**	**(8,064)**
Total comprehensive income for the year		**24,156**	**63,713**
Basic and diluted earnings per share (expressed in Eur per share)	**34**	**0.58**	**1.87**

The notes on pages 32 to 101 are an integral part of these financial statements.

Statement of changes in shareholders' equity Year ended 31 December 2009

	Share capital Eur'000	Retained earnings Eur'000	Legal reserve fund Eur'000	Fair value reserve Eur'000	Cash flow hedge reserve Eur'000	Merger deficit Eur'000	Capital fund Eur'000	Total Eur'000
At 1 January 2008	**235,526**	**186,349**	**24,818**	**(404)**	**5,314**	**(6,944)**	**692**	**445,351**
Total comprehensive income for the year								
Profit for 2008	-	71,777	-	-	-	-	-	71,777
Other comprehensive income								
Available-for-sale assets:								
Change in fair value, net of tax	-	-	-	1,195	-	-	-	1,195
Net amount transferred to profit or loss	-	-	-	35	-	-	-	35
Cash flow hedges:								
Effective portion of changes in fair value, net of tax	-	-	-	-	(10,054)	-	-	(10,054)
Net amount transferred to profit or loss					830			830
Disposal of capital funds	-	-	-	-	-	-	(70)	(70)
Total other comprehensive loss	-	-	-	1,230	(9,224)	-	(70)	(8,064)
Total comprehensive income for the year	-	71,777	-	1,230	(9,224)	-	(70)	63,713
Transactions with owners								
Dividends	-	(40,740)	-	-	-	-	-	(40,740)
Transfers	-	(10,983)	4,652	-	-	6,944	(613)	-
At 31 December 2008	**235,526**	**206,403**	**29,470**	**826**	**(3,910)**	**-**	**9**	**468,324**

See also notes 25 and 26 for details of movements in shareholders' equity accounts during the year.

The notes on pages 32 to 101 are an integral part of these financial statements.

Statement of changes in shareholders' equity Year ended 31 December 2009 (CONTINUED)

	Share capital Eur'000	Retained earnings Eur'000	Legal reserve fund Eur'000	Fair value reserve Eur'000	Cash flow hedge reserve Eur'000	Merger deficit Eur'000	Capital fund Eur'000	Total Eur'000
At 1 January 2009	**235,526**	**206,403**	**29,470**	**826**	**(3,910)**	**-**	**9**	**468,324**
Total comprehensive income for the year								
Profit for 2009	-	22,104	-	-	-	-	-	22,104
Other comprehensive income								
Available-for-sale assets:								
Change in fair value, net of tax	-	-	-	1,332	-	-	-	1,332
Net amount transferred to profit or loss	-	-	-	(160)	-	-	-	(160)
Cash flow hedges:								
Effective portion of changes in fair value, net of tax	-	-	-	-	889	-	-	889
Disposal of capital funds	-	-	-	-	-	-	(9)	(9)
Total other comprehensive income	-	-	-	1,172	889	-	(9)	2,052
Total comprehensive income for the year	-	22,104	-	1,172	889	-	(9)	24,156
Transactions with owners								
Dividends	-	(64,434)	-	-	-	-	-	(64,434)
Difference on Euro conversion	(33)	-	33	-	-	-	-	-
Transfers	-	(7,178)	7,178	-	-	-	-	-
At 31 December 2009	**235,493**	**156,895**	**36,681**	**1,998**	**(3,021)**	**-**	**-**	**428,046**

See also notes 25 and 26 for details of movements in shareholders' equity accounts during the year.

The notes on pages 32 to 101 are an integral part of these financial statements.

Statement of cash flows
Year ended 31 December 2009

	Notes	2009 Eur'000	2008 Eur'000
Cash flows from operating activities			
Profit before changes in operating assets and liabilities	35	48,676	107,643
Decrease/(increase) in trading assets		67,380	(105,459)
Increase in derivative assets held for risk management		(4,092)	(6,575)
Decrease/(increase) in loans and advances to banks		164,656	(168,214)
Decrease in loans and advances to customers		117,520	113,599
Decrease/(increase) in other assets		820	(1,318)
(Increase)/decrease in prepayments and accrued income		(27)	96
(Decrease)/increase in trading liabilities		(20,850)	36,986
(Decrease)/increase in derivative liabilities held for risk management		(2,873)	11,344
Decrease in deposits by banks		(982,591)	(103,059)
(Decrease)/increase in customer accounts		(519,358)	170,613
Provisions utilised		(810)	-
Increase/(decrease) in other liabilities		4,687	(6,151)
(Decrease)/increase in accruals and deferred income		(4,864)	2,344
Income tax paid		(16,201)	(5,476)
Net cash(used in)/from operating activities		**(1,147,927)**	**46,373**
Cash flows from investing activities			
Acquisition of investment securities		(106,397)	(50,870)
Proceeds from sale of investment securities		53,782	76,628
Purchase of property and equipment		(5,899)	(6,188)
Purchase of intangible assets		(4,575)	(6,996)
Net cash (used in)/from investing activities		**(63,089)**	**12,574**
Cash flows from financing activities			
Proceeds from loans received		136,293	29,183
Redemption of debt securities		(20,746)	(18,241)
Disposals of capital funds		(9)	(70)
Dividends paid		(64,434)	(40,740)
Net cash from/(used in) financing activities		**51,104**	**(29,868)**
Net (decrease)/increase in cash and cash equivalents		**(1,159,912)**	**29,079**
Cash and cash equivalents at beginning of year		**1,329,640**	**1,300,561**
Cash and cash equivalents at end of year	**7**	**169,728**	**1,329,640**

The notes on pages 32 to 101 are an integral part of these financial statements.

Notes to the financial statements
Year ended 31 December 2009

1. General information

UniCredit Bank Slovakia a. s. ('the Bank'), formerly known as UniBanka, a. s., is a company incorporated in the Slovak Republic. The Bank's registered office is at Šancová 1/A, 813 33 Bratislava, IČO: 00681709, tax identification number: 2020372618. The ultimate shareholder is UniCredit S.p.A., a bank incorporated in Italy.

On April 2007, UniBanka, a. s. merged with HVB Bank Slovakia a.s. and adopted the name UniCredit Bank Slovakia a. s. The merger was effected by the transfer of assets, liabilities and equity of HVB Bank Slovakia a.s. to UniBanka, a. s. on 1 April 2007.

At 31 December 2009, the shareholders structure was as follows:	
Shareholders	**%**
UniCredit Bank Austria AG, Vienna, Austria	99.0
Ministry of Agriculture of the Slovak Republic	0.4
Other shareholders	0.6

The principal activities of the Bank are the provision of banking operations, securities trading and investment banking services to commercial and private customers resident mainly in the Slovak Republic.

The Bank's headquarters are in Bratislava. The Bank operates through 81 branch offices located throughout the Slovak Republic.

The financial statements of UniCredit Bank Slovakia a. s. for the preceding accounting period, the year ended 31 December 2008, were approved by the General Meeting of Shareholders on 26 March 2009.

The financial statements of the Bank are included in the consolidated financial statements of UniCredit S.p.A. These financial statements are available at Piazza Corousio, 20123 Milan, Italy.

The members of the Board of Directors are as follows:

Jozef Barta
Helmut Horvath
Miroslav Štrokendl, from 26 June 2009
Zuzana Žemlová from 1 January 2010
Friedrich Plail, until 26 June 2009

The members of the Supervisory Board are as follows:

Heinz Meidlinger
Herbert Hangel
Ing. Zuzana Šťastná
Ing. Jaroslav Hazlinger
Carmine Ferraro
Gerhard Deschkan, from 9 July 2009
Ľubomír Partika, from 9 July 2009
Claudio Cesario, from 15 October 2009
Ing. Eva Vavrová, until 11 March 2009
Thomas Groß, until 11 March 2009
Carlo Vivaldi, until 26 June 2009
Gabriel Gavula, until 18 December 2009

The members of the Audit Committee are as follows:

Carmine Ferraro
Herbert Hangel
Heinz Meidlinger

2. Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union and as required by Section 17a of the Slovak Act No 431/2002 Coll. on Accounting as amended.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following:

- derivative financial instruments are measured at fair value
- financial instruments at fair value through profit and loss are measured at fair value
- available-for-sale financial assets are measured at fair value
- recognised financial assets designated as hedged items in qualifying fair value hedge relationships are adjusted for changes in fair value attributable to the risk being hedged

(c) Functional and presentation currency

These financial statements are presented in euro, which is the Bank's functional currency since the entry of Slovakia into the Euro Area on 1 January 2009. The comparative figures, which were originally reported in Slovak crowns ('Sk'), have been translated at the conversion rate of Eur 1 = Sk 30.1260.

Except as otherwise indicated, financial information presented in euro has been rounded to the nearest thousand.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is provided in notes 4 and 5.

(e) Comparative figures

The comparative figures have been regrouped or reclassified, where necessary, on a basis consistent with the current period.

(f) Changes in accounting policies

Effective 1 January 2009 the Bank has changed its accounting policies in the following areas:

- Determination and presentation of operating segments
- Presentation of financial statements

(i) Determination and presentation of operating segments
As of 1 January 2009 the Bank determines and presents operating segments based on the information that internally is provided to the Board of the Directors which is the Bank's chief operating decision maker. This change is due to the adoption of IFRS 8 Operating Segments. Previously, operating segments were determined and presented in accordance with IAS14 Segment Reporting. The new accounting policy in respect of operating segment disclosures is presented as follows.

Comparative segment information has been re-presented in conformity with the transitional requirements of this standard. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

An operating segment is a component of the Bank that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to the transactions with any of the Bank's other components, whose operating results are reviewed regularly by the Board of Directors to make decisions about resources allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results that are reported to the Board of Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Bank's headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property and equipment, and intangible assets other than goodwill.

2. Basis of preparation (CONTINUED)

(ii) Presentation of financial statements
The Bank applies revised IAS 1 Presentation of Financial Statements (2007), which became effective as of 1 January 2009. As a result, the Bank presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

(g) Other accounting developments

(i) Disclosures pertaining to fair values and liquidity risk for financial instruments
The Bank has applied Improving Disclosures about Financial Instruments (Amendments to IFRS 7), issued in March 2009, that require enhanced disclosures about fair value measurements and liquidity risk in respect of financial instruments.

The amendments require that fair value measurement disclosures use a three-level fair value hierarchy that reflects the significance of the inputs used in measuring fair values of financial instruments. Specific disclosures are required when fair value measurements are categorised as Level 3 (significant unobservable inputs) in the fair value hierarchy. The amendments require that any significant transfers between Level 1 and Level 2 of the fair value hierarchy be disclosed separately, distinguishing between transfers into and out of each level. Furthermore, changes in valuation techniques from one period to another, including the reason therefor, are required to be disclosed for each class of financial instruments.

Revised disclosures in respect of fair values of financial instruments are included in note 4.

Further, the definition of liquidity risk has been amended and it is now defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial instruments that are settled by delivering cash or another financial asset.

The amendments require disclosure of a maturity analysis for non-derivative and derivative financial liabilities, but contractual maturities are required to be disclosed for derivative financial liabilities only when contractual maturities are essential for an understanding of the timing of cash flows. For issued financial guarantee contracts, the amendments require the maximum amount of guarantee to be disclosed in the earliest period in which the guarantee could be called.

Revised disclosures in respect of liquidity risk are included in note 5.

(ii) Puttable financial instruments and obligations arising on liquidation
Effective 1 January 2009 the Bank has applied amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation that provide exemptions from financial liability classification for:

- Puttable financial instruments that meet certain conditions
- Certain instruments, or components of instruments, that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation.

The application of the amended requirements did not have any impact on the Bank's financial statements.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements except as explained in note 2(f), which addresses changes in accounting policies.

(a) Foreign currency

Transactions denominated in foreign currencies are translated to euro at the exchange rates ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at each end of reporting period are translated to euro at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. All resulting gains and losses are recorded in Net trading income in the profit or loss.

(b) Interest income and expense

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

The calculation of the effective interest rate includes all fees paid or received, transaction costs and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Bank's trading operations and are presented, together with all other changes in the fair value of trading assets and liabilities, in Net trading income.

Interest income and expense in the statement of comprehensive income include:
- interest on financial assets and liabilities at amortised cost calculated on an effective interest basis
- interest on available-for-sale investment securities calculated on an effective interest basis
- the effective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows, in the same period that the hedged cash flows affect interest income/expense
- fair value changes in qualifying derivatives (including hedge ineffectiveness) and related hedged items in fair value hedges of interest rate risk

(c) Fees and commissions

Fee and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fee and commission income, including account servicing fees, investment management fees, sales commission, placement fees and syndication fees, are recognised as the related services are performed. When a loan commitment is not expected to result in the drawn-down of a loan, loan commitment fees are recognised on a straight-line basis over the commitment period.

Other fee and commission expense relates mainly to transaction and service fees, which are expensed as the services are received.

(d) Net trading income

Net trading income comprises gains less losses related to trading assets and liabilities, and includes all realised and unrealised fair value changes, interest, dividends and foreign exchange differences.

(e) Dividends

Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for equity securities.

(f) Lease payments made

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

3. Significant accounting policies (CONTINUED)

(g) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at each end of reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(h) Financial assets and liabilities

(i) Recognition
The Bank initially recognises loans and advances, deposits by banks, customer accounts, loans received and debt securities in issue on the date that they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value though profit and loss) are initially recognised on the trade date at which the Bank becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus (for an item not subsequently measured at fair value through profit or loss) transaction costs that are directly attributable to its acquisition or issue.

(ii) Derecognition
The Bank derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Bank is recognised as a separate asset or liability.

The Bank derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Bank enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the balance sheet. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

The Bank also derecognises certain assets when it writes off assets deemed to be uncollectible.

(iii) Offsetting
Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Bank has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the reporting standards, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

(iv) Amortised cost measurement
The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(v) Fair value measurement
The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets. For all other financial instruments, fair value is determined by using valuation techniques. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, the discounted cash flow method and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Bank, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the fi-

nancial instrument. The Bank calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data. The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported by observable market data or the transaction is closed out.

Assets and long positions are measured at bid price; liabilities and short positions are measured at asking price. Where the Bank has positions with offsetting risks, mid-market prices are used to measure the offsetting risk positions and a bid or asking price adjustment is applied only to the net open position as appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the Bank believes a third-party market participant would take them into account in pricing a transaction.

The Bank uses widely recognised valuation models for determining the fair value of the more common financial instruments like options and interest rate and currency swaps. For these financial instruments, inputs into models are market observable.

(vi) Identification and measurement of impairment

At each end of reporting period, the Bank assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of the asset that can be reliably estimated.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Bank on terms that the Bank would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the Bank, or economic conditions that correlate with defaults in the Bank.

The Bank considers evidence of impairment at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are then collectively assessed for impairment by grouping together financial assets (carried at amortised cost) with similar risk characteristics.

In assessing collective impairment, the Bank uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and advances. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income to profit or loss as a reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

3. Significant accounting policies (CONTINUED)

The Bank writes off certain loans and advances and investment securities when they are determined to be uncollectable (see note 5).

(i) Cash and cash equivalents

Cash and cash equivalents comprises cash, unrestricted balances held with the National Bank of Slovakia and highly liquid financial assets with original maturities of less than three months which are subject to insignificant risk of changes in their fair value and are used by the Bank in the management of short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(j) Trading assets and liabilities

Trading assets and liabilities are those assets and liabilities that the Bank acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking.

Trading assets and liabilities are initially recognised and subsequently measured at fair value in the statement of financial position with transaction costs recognised in profit or loss. All changes in fair value are recognised as part of Net trading income in profit or loss. Trading assets and liabilities are not reclassified subsequent to their initial recognition.

(k) Derivatives held for risk management purposes and hedge accounting

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value in the statement of financial position.

The Bank designates derivatives held for risk management as hedging instruments in qualifying hedging relationships. On initial designation of the hedge, the Bank formally documents the relationship between the hedging instruments and hedged items, including the risk management objective and strategy in undertaking the hedge transaction, together with the method that will be used to assess the effectiveness of the hedging relationship. The Bank makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be 'highly effective' in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within the range of 80-125 percent. The Bank makes an assessment for a cash flow hedge of a forecast transaction, whether the forecast transaction is highly probable to occur and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

The treatment of changes in their fair value depends on classification of derivatives held for risk management purposes into the following categories:

(i) Fair value hedge
When a derivative is designated as a hedge of the change in fair value of a recognised asset or liability or a firm commitment, changes in the fair value of the derivative are recognised immediately in profit or loss together with changes in the fair value of the hedged item that are attributable to the hedged risk (in the same line item in the statement of comprehensive income as the hedged item).

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

(ii) Cash flow hedge
When a derivative is designated as a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative are recognised in other comprehensive income in the hedging reserve. The amount recognised in other comprehensive income is reclassified to profit or loss as a reclassification adjustment in the same period as the hedged cash flows affect profit or loss under the same line item in the statement of comprehensive income as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

If the derivative expires or is sold, terminated or exercised, or no longer meets the criteria for cash flow hedge accounting, or the designation is revoked, then hedge accounting is prospectively discontinued and the amount recognised in other comprehensive income and presented in the hedging reserve remains there until the forecast transaction affects profit or loss. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is recognised immediately in profit or loss.

(iii) Other non-trading derivatives
When a derivative is not held for trading and is not designated in a qualifying hedge relationship, all changes in its fair value are recognised immediately in profit or loss as a component of net income on the other financial instruments carried at fair value.

(iv) Embedded derivatives
Derivatives may be embedded in another contractual arrangement (a 'host contract'). The Bank accounts for embedded derivatives separately from the host contract when the host contract is not itself carried at fair value through profit or loss and the characteristics of the embedded derivative are not clearly and closely related to the host contract. Separated embedded derivatives are accounted for depending on their classification, and are presented in the statement of financial position together with the host contract.

(l) Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Bank does not intend to sell immediately or in the near term.

When the Bank is the lessor in a lease agreement that transfers substantially all of the risks and rewards incidental to ownership of an asset to the lessee, the arrangement is classified as a finance lease and a receivable equal to the net investment in the lease is recognised and presented within loans and advances.

When the Bank purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date ('reverse repo' or 'stock borrowing'), the agreement is accounted for as a loan or advance, and the underlying asset is not recognised in the Bank's financial statements.

Loans and advances are initially measured at fair value plus incremental direct transaction costs and subsequently measured at their amortised cost using the effective interest method.

(m) Investment securities

Investment securities are initially measured at fair value plus incremental direct transaction costs and subsequently accounted for depending on their classification as either held-to-maturity or available-for-sale.

(i) Held-to-maturity
Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold to maturity and which are not designated at fair value through profit and loss or available-for-sale.

Held-to-maturity investments are carried at amortised cost using the effective interest method. Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale and prevent the Bank from classifying investments securities as held-to-maturity for the current and the following two financial years.

(ii) Available-for-sale
Available-for-sale investments are non-derivative investments that are designated as available-for-sale or are not classified as another category of financial assets. Unquoted equity securities whose fair value cannot be reliably measured are carried at cost. All other available-for-sale investments are carried at fair value.

Interest income is recognised in profit or loss using the effective interest method. Dividend income is recognised in income when the Bank becomes entitled to the dividend. Foreign exchange gains or losses on available-for-sale debt security investments are recognised in profit or loss.

Other fair value changes are recognised directly in other comprehensive income until the investment is sold or impaired, whereupon the cumulative gains and losses previously recognised in other comprehensive income are reclassified to profit or loss as a reclassification adjustment.

(n) Property and equipment

(i) Recognition and measurement
Items of property and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

(ii) Subsequent costs
The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Bank and its

3. Significant accounting policies (CONTINUED)

cost can be reliably measured. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

(iii) Depreciation
Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Buildings	20 years, straight line
Furniture, fittings and equipment	4 to 12 years, straight line

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

(o) Intangible assets

Software
Software is stated at cost less accumulated amortisation and impairment losses.

Amortisation is recognised on a straight line basis over the 2 to 5 years estimated useful life of the software.

(p) Leased assets

Leases under which the Bank assumes substantially all the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

All other leases are operating leases and the leased assets are not recognised on the Bank's statement of financial position.

(q) Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(r) Deposits, customer accounts, debt securities issued and loans received

Deposits, customer accounts, debt securities issued and loans received are the Bank's sources of debt funding.

When the Bank sells a financial asset and simultaneously enters into a 'repo' or 'stock lending' agreement to repurchase the asset (or a similar asset) at a fixed price on a future date, the arrangement is accounted for as a deposit, and the underlying asset continues to be recognised in the Bank's financial statements.

Deposits, customer accounts, debt securities issued, and loans received are initially measured at fair value plus directly attributable transaction costs, and subsequently measured at their amortised cost using the effective interest method.

(s) Provisions

A provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognised when the Bank has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Bank from a contract are lower than the unavoidable cost of meeting the obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Bank recognises any impairment loss on the assets associated with that contract.

(t) Employee benefits

(i) Defined contribution plans
Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss when they are due.

(ii) Termination benefits
Termination benefits are recognised as an expense when the Bank is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date.

(iii) Short-term benefits
Short-term employee benefits obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be reliably estimated.

(u) Earnings per share

The Bank presents basic and diluted earnings per share ('EPS') data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of any dilutive potential ordinary shares.

(v) Segment reporting

A operating segment is a component of the Bank that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Bank's other components, whose operating results are reviewed regularly by the Board of Directors (being the chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available (see note 2(f)(i)).

(w) New standards and interpretations not yet adopted

The following recently issued standards, amendments to standards and interpretations are not effective for the year ended 31 December 2009, and have not been applied in preparing these financial statements:

- IFRS 9 Financial Instruments, published on 12 November 2009 as part of phase I of the IASB's comprehensive project to replace IAS 39, deals with classification and measurement of financial assets. The requirements of this standard represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivables.

  For an investment in an equity instrument which is not held for trading, the standard permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment in other comprehensive income. No amount recognised in other comprehensive income would ever be reclassified to profit or loss at a later date. However, dividends on such investments are recognised in profit or loss, rather than other comprehensive income unless they clearly represent a partial recovery of the cost of the investment. Investments in equity instruments in respect of which an entity does not elect to present fair value

3. Significant accounting policies (CONTINUED)

changes in other comprehensive income would be measured at fair value with changes in fair value recognised in profit or loss.

The standard requires that derivatives embedded in contracts with a host that is a financial asset within the scope of the standard are not separated; instead the hybrid financial instrument is assessed in its entirety as to whether it should be measured at amortised cost or fair value.

The standard is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted.

Management is currently evaluating the potential effect of this standard. Given the nature of the Bank's operations, this standard is expected to have a pervasive impact on the financial statements.

- Revised IFRS 3 Business Combinations (effective for annual periods beginning on or after 1 July 2009) incorporates the following changes:

  The scope of the revised Standard has been amended and the definition of a business has been expanded. The revised Standard also includes a number of other potentially significant changes including:

  - All items of consideration transferred by the acquirer are recognised and measured at fair value as of the acquisition date, including contingent consideration.
  - Subsequent change in contingent consideration will be recognized in profit or loss.
  - Transaction costs, other than share and debt issuance costs, will be expensed as incurred.
  - The acquirer can elect to measure any non-controlling interest at fair value at the acquisition date (full goodwill), or at its proportionate interest in the fair value of the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

  As the revised Standard should not be applied to business combinations prior to the date of adoption, the revised Standard is expected to have no impact on the financial statements with respect to business combinations that occur before the date of adoption of the revised Standard.

- Revised IAS 27 *Consolidated and Separate Financial Statements* (effective for annual periods beginning on or after 1 July 2009) replaces the term minority interest by non-controlling interest, and is defined as "the equity in a subsidiary not attributable, directly or indirectly, to a parent". The revised Standard also amends the accounting for non-controlling interest, the loss of control of a subsidiary, and the allocation of profit or loss and other comprehensive income between the controlling and non-controlling interest.

  Revised IAS 27 is not relevant to the Bank's financial statements as the Bank does not have any interests in subsidiaries that will be affected by the revisions to the Standard.

- Amendment to IAS 32 *Financial Instruments: Presentation – Classification of rights issues* (effective for annual periods beginning on or after 1 February 2010) requires that rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency, are equity instruments if the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments.

  The amendments to IAS 32 are not relevant to the Bank's financial statements as the Bank has not issued such instruments at any time in the past.

- Amendment to IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* (effective for annual periods beginning on or after 1 July 2009) clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. In designating a hedging relationship the risks or portions must be separately identifiable and reliably measurable; however inflation cannot be designated, except in limited circumstances.

  The Bank is currently in the process of evaluating the potential effect of this amendment.

- IFRIC 12 *Service Concession Arrangements* (effective for annual periods beginning on or after 1 April 2009) provides guidance to private sector entities on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements.

  IFRIC 12 is not relevant to the Bank's financial statements as the Bank has not entered into any service concession arrangements.

- IFRIC *15 Agreements for the Construction of Real Estates* (effective for annual periods beginning on or after 1 January 2010) clarifies that revenue arising from agreements for the construction of real estate is recognised by reference to the stage of completion of the contract activity in the following cases:

- the agreement meets the definition of a construction contract in accordance with IAS 11.3;
- the agreement is only for the rendering of services in accordance with IAS 18 (e.g., the entity is not required to supply construction materials); and
- the agreement is for the sale of goods but the revenue recognition criteria of IAS 18.14 are met continuously as construction progresses.

In all other cases, revenue is recognised when all of the revenue recognition criteria of IAS 18.14 are satisfied (e.g., upon completion of construction or upon delivery).

IFRIC 15 is not relevant to the Bank's financial statements as the Bank does not provide real estate construction services or develop real estate for sale.

- IFRIC 16 *Hedges of a Net Investment in a Foreign Operation* (effective for annual periods beginning on or after 1 July 2009) explains the type of exposure that may be hedged, where in the group the hedged item may be held, whether the method of consolidation affects hedge effectiveness, the form the hedged instrument may take and which amounts are reclassified from equity to profit or loss on disposal of the foreign operation.

  IFRIC 16 is not relevant to the Bank's financial statements as the Bank has not designated any hedges of a net investment in a foreign operation.

  IFRIC 17 *Distribution of Non-cash Assets to Owners* (effective prospectively for annual periods beginning on or after 1 November 2009) applies to non-reciprocal distributions of non-cash assets to owners acting in their capacity as owners. In accordance with the Interpretation a liability to pay a dividend shall be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity and shall be measured at the fair value of the assets to be distributed. The carrying amount of the dividend payable shall be remeasured at each reporting date, with any changes in the carrying amount recognised in equity as adjustments to the amount of the distribution. When the dividend payable is settled the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the dividend payable shall be recognised in profit or loss.

  As the Interpretation is applicable only from the date of application, it will have no impact on the financial statements for periods prior to the date of adoption of the interpretation. Further, since it relates to future dividends that will be at the discretion of the board of directors/shareholders, it is not possible to determine the effects of application in advance.

- IFRIC 18 *Transfers of Assets from Customers* (effective prospectively for annual periods beginning on or after 1 November 2009) requires an entity that receives a contribution in the scope of the Interpretation to recognize the item as an asset at its fair value if the transferred item meets the criteria for property, plant, and equipment in IAS 16, Property, Plant and Equipment. The Interpretation also requires the entity to recognize the amount as revenue; the timing of revenue recognition depends on the facts and circumstances of the particular arrangement.

  IFRIC 18 is not relevant to the Bank's financial statements as the Bank does not normally receive contributions from customers.

4. Use of estimates and judgements

These disclosures supplement the commentary on financial risk management (see note 5).

Key sources of estimation uncertainty

Allowances for credit losses

Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy 3 (h)(vi).

The specific counterparty component of the total allowances for impairment applies to financial assets evaluated individually for impairment and is based on management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about the counterparty's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits and the workout strategy and estimate of cash flows considered recoverable are independently approved by the member of the Board of Directors responsible for Credit Risk Management.

Collectively assessed impairment allowances cover credit losses inherent in portfolios of loans and advances with similar economic characteristics when there is objective evidence to suggest that they contain impaired loans and advances, but the individual impaired items cannot yet be identified. In assessing the need for collective loan loss allowances, management considers factors such as credit quality, portfolio size, concentrations and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters based on historical experience and current economic conditions. The accuracy of the allowances depends on the estimates of future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances.

Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy 3 (h)(v). For financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Critical accounting judgements in applying the Bank's accounting policies

Critical accounting judgements made in applying the Bank's accounting policies include:

Valuation of financial instruments

The Bank's policy on fair value measurement is described in note 3(h)(v).

The Bank measures fair values using the following hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs could have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Bank determines fair values using valuation techniques.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist, and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia 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.

The Bank uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like interest rate and currency swaps that use only observable market data and require little management judgment and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives and simple over-the-counter derivatives like interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

For more complex instruments, the Bank uses proprietary valuation models, which usually are developed from recognised valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Example of instruments involving significant unobservable inputs include certain over-the-counter structured derivatives, certain loans and securities for which there is no active market and retained interests in securitisations. Valuation models that employ significant unobservable inputs require a higher degree of management judgment and estimation in determination of fair value. Management judgment and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of probability of counterparty default and prepayments and selection of appropriate discount rates.

The Bank has an established control framework with respect to the measurement of fair values. This framework includes a control function performed by the Bank Market risk personnel, which is independent of front office management. Specific controls include verification of observable pricing inputs and reperformance of model valuations; a review and approval process for new models and changes to models; calibration and back testing of models against observed market transactions; analysis and investigation of significant daily valuation movements; review of significant unobservable inputs and valuation adjustments.

The reported amounts of financial instruments stated at fair value analysed according to valuation methodology at 31 December 2009 were as follows:

	Note	Level 1 Eur'000	Level 2 Eur'000	Level 3 Eur'000	Total Eur'000
Assets					
Trading assets	9	-	98,136	-	98,136
Derivative assets held for risk management	10	-	8,378	-	8,378
Investment securities	14	158	358,276	-	358,434
		158	464,790	-	464,948
Liabilities					
Trading liabilities	9	-	45,954	-	45,954
Derivative liabilities held for risk management	10	-	12,198	-	12,198
		-	**58,152**	**-**	**58,152**

4. Use of estimates and judgements (CONTINUED)

The reported amounts of financial instruments stated at fair value analysed according to valuation methodology at 31 December 2008 were as follows:

	Note	Level 1 Eur'000	Level 2 Eur'000	Level 3 Eur'000	Total Eur'000
Assets					
Trading assets	9	-	165,516	-	165,516
Derivative assets held for risk management	10	-	4,286	-	4,286
Investment securities	14	68	315,026	-	315,094
		68	484,828	-	484,896
Liabilities					
Trading liabilities	9	-	66,804	-	66,804
Derivative liabilities held for risk management	10	-	15,071	-	15,071
		-	**81,875**	**-**	**81,875**

The Bank did not have financial assets or liabilities in the Level 3 fair value hierarchy during the years ended 31 December 2009 and 31 December 2008.

Financial asset and liability classification

The Bank's accounting policies provide scope for assets and liabilities to be designated at inception into different accounting categories in certain circumstances:

- In classifying financial assets or liabilities as 'trading', management has determined that the Bank meets the description of trading assets and liabilities set out in accounting policy 3 (j).
- In classifying financial assets as held-to-maturity, management has determined that the Bank has both the positive intention and ability to hold the assets until their maturity date as required by accounting policy 3 (m)(i).

Qualifying hedge relationships

In designating financial instruments in qualifying hedge relationships, the Bank has determined that it expects the hedges to be highly effective over the period of the hedging relationship.

In accounting for derivatives as cash flow hedges, the Bank has determined that the hedged cash flow exposures relate to highly probable future cash flows.

5. Financial risk management

(a) Introduction

The Bank has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- operational risk

Information on the exposure to each of the above risks; the objectives, policies and processes for measuring and managing risk; and on the management of the Bank's capital is set out below.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. In exercising this responsibility they have established the Asset and Liability Committee ('ALCO') , the Credit Committee and the Operational Risk Committee. The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Audit Committee is responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. The Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Strategy in using financial instruments

The Bank accepts deposits from customers at agreed rates and for various periods (although short-term periods of up to 3 months are most common). The Bank seeks to earn margins by investing these funds in quality assets such as state bonds, euro-denominated corporate bonds, treasury bills and loans to customers with acceptable credit risk. Corporate loans are most common, but retail lending is steadily increasing and the Bank has a licence for granting mortgage loans. Margins are achieved either through lending for longer periods or by using special funds with fixed rates, while liquidity risk is managed within approved limits which follow both National Bank of Slovakia ('NBS') and UniCredit S.p.A. requirements.

The Bank also trades in financial instruments (mainly state bonds and foreign currencies) where it takes positions to take advantage of short-term market movements in bond and currency prices. The Board places trading limits on the level of exposure that can be taken in relation to both overnight and intra-day market positions.

Regulatory requirements

The Bank is subject to the regulatory requirements of the National Bank of Slovakia. These requirements include limits and other restrictions concerning capital adequacy, the classification of loans and off-balance sheet liabilities, credit exposure with clients of the Bank and liquidity. These requirements apply to all banks in Slovakia and compliance is determined based on the Bank's financial reporting under Slovak statutory accounting and banking regulations.

A summary of some of the applicable requirements is as follows:

- Capital adequacy required to be at least 8% of risk weighted assets;
- Minimum capital of Eur 16,596,959.43 (Eur 33,193,918.87 for a bank with a mortgage licence);
- Credit exposure against one non-banking customer may not exceed 25% of the Bank's capital;
- Credit exposure to a related party may not exceed 20% of the Bank's capital;
- Compulsory minimum reserves are calculated as 2 % of primary deposits;
- The Bank's capital defined for the purpose of these requirements includes registered capital, non-distributable reserves and retained earnings less equity investments;
- The exposure of a person connected with the Bank should not exceed specified percentages of the Bank's capital:
    - 2% for an individual,
    - 10% for companies.

(b) Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers and other banks and investment securities. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

For risk management purposes, credit risk arising on trading securities is managed independently, but reported as a component of market risk exposure.

5. Financial risk management (CONTINUED)

Management of credit risk

The responsibility for the management of credit risk is delegated to Risk Management Division, headed by the Chief Risk Officer and reporting directly to the Board of Directors. Units within Risk Management Division are responsible for managing credit risk on a portfolio as well as an individual level, in line with regulatory requirements and common Group guidelines. The main responsibilities include:

- *Formulating credit policies* in consultation with the parent company, covering collateral requirements, credit assessment, risk rating and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- *Establishing the authorisation structure* for the approval and renewal of credit facilities. Authorisation limits are allocated to Competence Levels approved by the Board of Directors. Larger facilities require approval by the Board of Directors and/or by parent company bodies as appropriate.
- *Reviewing and assessing credit risk.* All credit exposures have to be reviewed and assessed by the appropriate competence level, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.
- *Limiting concentrations of exposure* to counterparties, geographies and industries (for loans and advances), and country, settlement and facility line (treasury trades).
- *Developing and maintaining the Bank's risk ratings* in order to categorise exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk rating system is used in determining where impairment provisions may be required against specific credit exposures. The current risk rating framework consists of ten grades reflecting varying degrees of risk of default. The responsibility for setting risk rating lies with the final approving competence level as appropriate. Risk ratings are subject to regular reviews.
- *Reviewing compliance* of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports are provided to the Bank's senior management on the credit quality of the portfolio and appropriate corrective action is taken.
- *Promoting best practice* throughout the Bank in the management of credit risk.

The Bank's risk management policies are consistent with both regulatory requirements and UniCredit S.p.A. risk management system.

The Board of Directors is responsible for overall risk management: it approves specific policies in all areas of financial risk management and decides on the allocation of excessive liquidity and capital. Overall bank risks are regularly reviewed with measurements being provided by the ALCO and Credit Committee. The Bank manages credit risk by:

a) applying established, clear rules for individual credit risk exposures,
b) credit portfolio risk management.

The Bank's credit risk exposure rules include: a) the placing of limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, based mainly on regulatory requirements; b) strict rules with respect to connected lending; c) rules for granting and monitoring loans; and d) rules for the collection of past due loans. Total exposure towards one client or group of clients includes all credit risk bearing products and individual limits can be adjusted in response to a client's declining financial or non-financial position. Limit utilisation is monitored regularly.

Derivatives

The Bank maintains strict control limits on net open derivative positions, i.e. the difference between purchase and sale contracts, by both amount and term. At any one time the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Bank (i.e. assets). This credit risk exposure is managed as part of the overall lending limits with customers and counterparties, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments.

The Bank's credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the Bank assesses counterparties using the same techniques as for its lending activities.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Bank's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable and thus the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans.

	Loans and advances to customers		Loans and advances to banks		Investment securities	
	2009	2008	2009	2008	2009	2008
	Eur'000	Eur'000	Eur'000	Eur'000	Eur'000	Eur'000
Individually impaired						
Grade 3: Impaired	44,541	35,783	-	-	-	-
Grade 4: Impaired	24,424	9,107	-	-	-	-
Grade 5: Impaired	2,502	1,906	-	-	-	-
Gross amount	71,467	46,796	-	-	-	-
Allowance for impairment	(29,909)	(23,834)	-	-	-	-
Carrying amount	41,558	22,962	-	-	-	-
Collectively impaired						
Grade 3: Impaired	6,478	4,443	-	-	-	-
Grade 4: Impaired	6,970	3,771	-	-	-	-
Grade 5: Impaired	4,397	5,212	-	-	-	-
Gross amount	17,845	13,426	-	-	-	-
Allowance for impairment	(5,918)	(6,599)	-	-	-	-
Carrying amount	11,927	6,827	-	-	-	-
Past due but not impaired						
Grade 1	115,884	100,201	-	-	-	-
Grade 2	17,218	3,752	5,092	6,639	-	-
Gross amount	133,102	103,953	5,092	6,639	-	-
Allowance for impairment	(1,558)	(1,449)	-	-	-	-
Carrying amount	131,544	102,504	5,092	6,639	-	-
Past due but not impaired comprises:						
0-30 days	124,347	90,115	5,092	6,639	-	-
30-60 days	3,655	5,395	-	-	-	-
60-90 days	2,982	6,124	-	-	-	-
90-180 days	553	261	-	-	-	-
180 days +	7	609	-	-	-	-
Carrying amount	131,544	102,504	5,092	6,639	-	-
Neither past due nor impaired						
Grade1: Low-fair risk	2,180,761	2,407,153	59,961	223,070	358,434	315,094
Grade2: Low-fair risk	52,194	6,161	-	-	-	-
Gross amount	2,232,955	2,413,314	59,961	223,070	358,434	315,094
Allowance for impairment	(7,619)	(7,997)	-	-	-	-
Carrying amount	2,225,336	2,405,317	59,961	223,070	358,434	315,094
Total carrying amount	**2,410,365**	**2,537,610**	**65,053**	**229,709**	**358,434**	**315,094**

5. Financial risk management (CONTINUED)

Impaired loans and investment securities

Impaired loans and securities are loans and advances and investment securities for which the Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan/investment security. These loans are graded 3 to 5 in the Bank's internal credit risk grading system.

Past due but not impaired loans and investment securities

Loans and securities where contractual interest or principal payments are past due but the Bank believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Bank.

Allowances for impairment

The Bank establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

Write-off policy

The Bank writes off a loan or investment security balance (and any related allowances for impairment losses) when Risk Division determines that the loans/securities are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller-balance standardised loans, charge-off decisions generally are based on a product-specific past due status.

The clients categorised in Grade 2 are no longer classified as impaired, in accordance with the Group policy implemented in January 2009.

Set out below is an analysis of the gross and net of allowance for impairment amounts of individually impaired assets by risk grade.

	Loans and advances to customers		Loans and advances to banks		Investment securities	
	Gross	Net	Gross	Net	Gross	Net
	Eur'000	Eur'000	Eur'000	Eur'000	Eur'000	Eur'000
31 December 2009						
Grade 3: Individually impaired	44,541	24,977	-	-	-	-
Grade 4: Individually impaired	24,424	16,095	-	-	-	-
Grade 5: Individually impaired	2,502	486	-	-	-	-
	71,467	**41,558**	**-**	**-**	**-**	**-**
31 December 2008						
Grade 3: Individually impaired	35,783	21,531	-	-	-	-
Grade 4: Individually impaired	9,107	1,229	-	-	-	-
Grade 5: Individually impaired	1,906	202	-	-	-	-
	46,796	**22,962**	**-**	**-**	**-**	**-**

The Bank holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair values are based on the value of collateral assessed at the time of borrowing and are periodically re-evaluated. Collateral generally is not held over loans and advances to banks, except when securities are held as part of reverse repurchase agreements. Collateral is not held against investment securities, and no such collateral was held at 31 December 2009 or 31 December 2008.

An estimate of the fair value of collateral and other security enhancement held against financial assets is shown below:

	Loans and advances to customers	
	2009	2008
	Eur'000	Eur'000
Against individually impaired		
Guarantees	-	2,383
Mortgages	22,451	14,456
Life assurance, promissory notes and securities	-	282
Pledged movables and other collateral	12,464	10,290
Against collectively impaired		
Pledged accounts and pledged term deposits	-	13
Guarantees	-	126
Mortgages	6,081	9,248
Life assurance, promissory notes and securities	-	26
Pledged movables and other collateral	1,114	1,020
Against past due but not impaired		
Pledged accounts and pledged term deposits	418	220
Guarantees	4,454	3,615
Mortgages	45,490	27,164
Pledged movables and other collateral	20,815	21,642
Against neither past due nor impaired		
Pledged accounts and pledged term deposits	224,925	290,483
Guarantees	243,192	112,719
Mortgages	703,198	540,416
Life assurance, promissory notes and securities	157,935	266,637
Pledged movables and other collateral	272,395	507,064
	1,714,932	**1,807,804**

Details of financial and non-financial assets obtained by the Bank during the year by taking possession of collateral held as security against loans and advances as well as calls made on credit enhancements and held at the year end are shown below:

	2009	2008
	Eur'000	Eur'000
Property	1,890	1,576
Debt securities	-	-
Other	-	414

5. Financial risk management (CONTINUED)

The Bank's policy is to pursue timely realisation of the collateral in an orderly manner. The Bank generally does not use the non-cash collateral for its own operations.

The Bank monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of gross credit risk is shown below:

	Loans and advances to customers		Loans and advances to banks		Investment securities	
	2009	2008	2009	2008	2009	2008
	Eur'000	Eur'000	Eur'000	Eur'000	Eur'000	Eur'000
Concentration by sector						
Government	10,157	5,183	-	-	255,462	212,847
Corporate	2,034,853	2,206,468	-	-	84,593	84,108
Bank	-	-	65,053	229,709	18,379	18,139
Retail	410,359	365,838	-	-	-	-
	2,455,369	**2,577,489**	**65,053**	**229,709**	**358,434**	**315,094**

	Loans and advances to customers		Loans and advances to banks		Investment securities	
	2009	2008	2009	2008	2009	2008
	Eur'000	Eur'000	Eur'000	Eur'000	Eur'000	Eur'000
Concentration by location						
Slovak Republic	2,401,394	2,493,938	60,718	201,878	315,269	272,589
Croatia	20,110	22,857	-	-	-	-
Turkey	15,001	30,005	-	-	-	-
Romania	5,009	5,028	-	-	-	-
Hungary	4,581	4,553	-	-	-	-
Great Britain	2,769	4,404	-	-	-	-
Switzerland	2,628	1,631	-	-	-	-
Czech Republic	872	1,270	-	-	-	-
Italy	830	1,618	-	-	-	-
Austria	376	385	-	20,700	-	-
Ireland	309	-	-		-	-
Netherlands	245	257	-	-	42,984	42,413
Germany	197	2,745	-	-	-	-
France	197	-	-		-	-
USA	192	-	-		-	-
Belgium	-	7,725	-	-	23	-
Belarus	-	-	4,335	6,639	-	-
Other	659	1,073	-	492	158	92
	2,455,369	**2,577,489**	**65,053**	**229,709**	**358,434**	**315,094**

Concentration by location for loans and advances is measured based on the location of the entity holding the assets, which has a high correlation with the location of the borrower. Concentration by location of the investment securities is measured based on the location of the issuer of the security.

Loans and advances were made to customers in the following sectors:

	2009 Eur'000	2008 Eur'000
Agriculture and forestry	119,902	108,789
Industry:		
Metallurgy and machinery	295,874	294,369
Transport	170,054	123,903
Food	30,640	46,771
Energy	85,952	93,991
Construction	71,886	53,641
Chemical and pharmaceutical	35,190	20,616
Other	110,914	133,695
Trade and services	878,428	856,770
Housing	301,299	263,458
Public administration	10,157	5,183
Finance and insurance	188,616	397,476
Other industries	156,457	178,827
	2,455,369	**2,577,489**

Settlement risk

The Bank's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of a counterparty to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions the Bank mitigates this risk by conducting settlements through a settlement/clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual obligations. Settlement limits form part of the credit approval/limit monitoring process. Acceptance of settlement risk on free settlement trades requires transaction-specific or counterparty specific approval from the Bank's Risk Department.

(c) Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations from its financial liabilities.

The Bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan and overdraft draw-downs, guarantees and from margin and other calls e.g. cash-settled derivatives. The Bank does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of accuracy. The Bank has a reliable historical database on withdrawals which enables it to perform a relatively accurate analysis of the stability of these types of withdrawals.

Management of liquidity risk

The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation.

Asset and Liability Department ('ALM') receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projec-

5. Financial risk management (CONTINUED)

ted future business. ALM together with Trading desk then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to banks and other interbank facilities, to ensure that sufficient liquidity is maintained within the Bank as a whole. The liquidity requirements of business units are met through short-term loans from ALM to cover any short-term fluctuations and longer term funding to address any structural liquidity requirements.

The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by ALCO. Daily and weekly reports cover the liquidity position of the Bank. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO.

Exposure to liquidity risk

The key measure used by the Bank for managing structural liquidity risk is the ratio defined as the cumulative gap ratio between liabilities and assets for the overall position and for the currencies EUR, USD, CHF, GBP and JPY. There are set limits for this liquidity ratio - for the cumulative gap over one year and warning limit over five years. Details of the reported Bank's liquidity ratios at the reporting date and during the reporting period were as follows:

	2009	**2009**	**2008**	**2008**
	Over 1 year	**Over 5 years**	**Over 1 year**	**Over 5 years**
31 December	1.06	1.19	0.98	1.49
Average for the period	1.04	1.36	0.92	1.24
Maximum for the period	1.16	1.49	0.99	1.49
Minimum for the period	0.95	1.19	0.85	1.04

Short term liquidity limits are applied on the cumulative liquidity gap (net flow including counterbalancing capacity). Short term liquidity limits are set for the currencies EUR, USD, GBP, CHF, JPY and across all currencies.

The Bank's liquidity risk management framework is governed by regulations of the National Bank of Slovakia and by internal procedures established by the Bank for liquidity management, taking into consideration the requirements of liquidity management of the UniCredit Group.

The National Bank of Slovakia's liquidity regulatory framework is based on compliance with the following ratios:

- Ratio of fixed and non-liquid assets to own resources and reserves of the Bank should not exceed 1;
- Compulsory reserves should amount to a minimum of 2 % of the primary deposits and deposits of non-resident clients (bank and non-bank clients); and
- Ratio of liquid assets to the sum of volatile liabilities of the Bank must not be lower than 1.

The remaining period to maturity of monetary assets and liabilities at 31 December 2009 are set out in the following table, which shows the undiscounted cash flows on the basis of their earliest contractual maturity. The Bank's expected cash flows may vary significantly from this analysis. For example, customer account liabilities are expected to maintain a stable or increasing balance:

	Within 1 year Eur'000	1-5 years Eur'000	More than 5 years Eur'000	Not specified Eur'000	Total Eur'000
Monetary assets					
Cash and cash equivalents	169,728	-	-	-	169,728
Trading assets	22,062	72,550	3,524	-	98,136
Derivative assets held for risk management	5,234	526	2,618	-	8,378
Loans and advances to banks	61,440	3,613	-	-	65,053
Loans and advances to customers	1,113,515	806,685	442,404	47,761	2,410,365
Investment securities	47,130	232,811	71,734	6,759	358,434
Deferred tax asset	-	-	-	9,669	9,669
Other assets	-	-	-	1,117	1,117
Prepayments and accrued income	-	-	-	966	966
	1 419 109	**1 116 185**	**520 280**	**66 272**	**3 121 846**
Monetary liabilities					
Trading liabilities	6,796	34,647	4,511	-	45,954
Derivative liabilities held for risk management	4,493	6,948	757	-	12,198
Deposits by banks	25,042	87,049	-	-	112,091
Customer accounts	2,064,768	142,607	317	-	2,207,692
Loans received	206	187,354	78,689	-	266,249
Debt securities issued	32,756	25,615	33,194	-	91,565
Other liabilities	-	-	-	8,042	8,042
Accruals and deferred income	-	-	-	5,456	5,456
	2,134,061	**484,220**	**117,468**	**13,498**	**2,749,247**

5. Financial risk management (CONTINUED)

The remaining period to maturity of monetary assets and liabilities at 31 December 2008 was as follows:

	Within 1 year Eur'000	1-5 years Eur'000	More than 5 years Eur'000	Not specified Eur'000	Total Eur'000
Monetary assets					
Cash and cash equivalents	1,329,640	-	-	-	1,329,640
Trading assets	41,080	79,505	44,931	-	165,516
Derivative assets held for risk management	2,201	4	2,081	-	4,286
Loans and advances to banks	224,335	5,374	-	-	229,709
Loans and advances to customers	1,076,700	957,060	488,416	15,434	2,537,610
Investment securities	48,771	199,966	59,619	6,738	315,094
Deferred tax asset	-	-	-	5,537	5,537
Other assets	-	-	-	1,973	1,973
Prepayments and accrued income	-	-	-	939	939
	2,722,727	**1,241,909**	**595,047**	**30,621**	**4,590,304**
Monetary liabilities					
Trading liabilities	41,103	21,736	3,965	-	66,804
Derivative liabilities held for risk management	5,040	9,714	317	-	15,071
Deposits by banks	917,637	177,045	-	-	1,094,682
Customer accounts	2,660,901	66,087	62	-	2,727,050
Loans received	129,956	-	-	-	129,956
Debt securities issued	22,872	39,649	49,790	-	112,311
Corporate income tax payable	16,201	-	-	-	16,201
Other liabilities	-	-	-	3,355	3,355
Accruals and deferred income	-	-	-	10,320	10,320
	3,793,710	**314,231**	**54,134**	**13,675**	**4,175,750**

The remaining period to maturity of commitments and contingencies at 31 December 2009 are set out in the following table:

	Within 1 year Eur'000	1-5 years Eur'000	More than 5 years Eur'000	Total Eur'000
Bank guarantees	7,794	2,332	2,883	13,009
Customer guarantees	32,522	42,228	34,770	109,520
Customer guarantees, classified	10	28	253	291
Irrevocable letters of credit	10,007	2,414	118	12,539
Confirmed credit lines	599,285	296,188	134	895,607
	649,618	**343,190**	**38,158**	**1,030,966**
Contract/notional amount of derivative instruments				
Trading derivatives				
Currency derivatives				
Currency forwards and swaps	112,330	20,975	-	133,305
Cross currency swaps	-	331	-	331
Currency options	42,102	6,039	-	48,141
Share options	8,892	56,877	-	65,769
Commodity options	-	16,910	-	16,910
Interest rate derivatives				
Interest rate swaps and forward rate agreements	164,025	1,157,424	194,790	1,516,239
Options	30,000	167,658	-	197,658
Derivatives held for risk management				
Designated as cash flow hedges:				
Interest rate swaps	411,430	114,623	35,597	561,650
Designated as fair value hedges:				
Interest rate swaps	16,597	17,000	64,240	97,837
	785,376	**1,557,837**	**294,627**	**2,637,840**

5. Financial risk management (CONTINUED)

The remaining period to maturity of commitments and contingencies at 31 December 2008 are set out in the following table

	Within 1 year Eur'000	1-5 years Eur'000	More than 5 years Eur'000	Total Eur'000
Bank guarantees	6,246	2,603	1,865	10,714
Customer guarantees	43,762	42,080	29,285	115,127
Customer guarantees, classified	11	28	252	291
Irrevocable letters of credit	8,282	1,917	1,226	11,425
Confirmed credit lines	448,818	359,487	423	808,728
	507,119	**406,115**	**33,051**	**946,285**
Contract/notional amount of derivative instruments				
Trading derivatives				
Currency derivatives				
Currency forwards and swaps	1,072,008	-	-	1,072,008
Cross currency swaps	-	469	-	469
Currency options	261,215	6,000	-	267,215
Share options	-	19,851	-	19,851
Commodity options	-	16,929	-	16,929
Interest rate derivatives				
Interest rate swaps and forward rate agreements	323,447	635,955	121,367	1,080,769
Options	46,200	81,000	-	127,200
Derivatives held for risk management				
Designated as cash flow hedges:				
Interest rate swaps	320,677	217,734	24,916	563,327
Designated as fair value hedges:				
Interest rate swaps	-	16,597	2,808	19,405
	2,023,547	**994,535**	**149,091**	**3,167,173**

(d) Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Management of market risks

The Bank separates its exposure to market risk between trading and non-trading portfolios. Trading portfolios mainly are held by the Trading desk unit, and include positions arising from market making and proprietary position taking, together with financial assets and liabilities that are managed on a fair value basis.

All foreign exchange risk within the Bank is transferred and sold down to the Trading desk unit. Accordingly, the foreign exchange position is treated as part of the Bank's trading portfolios for risk management purposes.

Overall authority for market risk is vested in ALCO. The Market and Integrated Risks Department is responsible for the development of detailed risk management policies (subject to review and approval by ALCO) and for the day-to-day review of their implementation.

Exposure to market risks – trading portfolios

The principal tool used to measure and control market risk exposure within the Bank's trading portfolios is Value at Risk (VaR). The VaR of a trading portfolio is the estimated loss that will arise on the portfolio over a specified period of time (holding period) from an adverse market movement with a specified probability (confidence level). The VaR model used by the Bank is based upon a 99 percent confidence level and assumes a 1-day holding period. The VaR model used is based mainly on historical simulation. Using market data from the previous two years, and observed relationships between different markets and prices, the model generates a wide range of plausible future scenarios for market price movements.

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based do give rise to some limitations, including the following:

- A 1-day holding period assumes that it is possible to hedge or dispose of positions within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period.
- A 99 percent confidence level does not reflect losses that may occur beyond this level. Even within the model used there is a one percent probability that losses could exceed the VaR.
- VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day.
- The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature.
- The VaR measure is dependent on the Bank's position and the volatility of market prices. The VaR of an unchanged position reduces if the market price volatility declines and vice versa.

The Bank uses VaR limits for the total market risk of the whole portfolio (interest rate risk together with foreign exchange risk and spread risk) and also VaR limits for ALM and Trading desk. The overall structure of VaR limits is subject to review and approval by ALCO. VaR is measured daily. Daily reports of utilisation of VaR limits are produced by the Market and Integrated Risks Department and submitted to the Trading desk, ALM and other responsible units. Regular summaries are submitted to ALCO.

5. Financial risk management (CONTINUED)

A summary of the VaR position of the Bank's trading portfolios at 31 December 2009 and 31 December 2008 and during the period is as follows:

	At 31 Dec Eur'000	Average Eur'000	Maximum Eur'000	Minimum Eur'000
2009				
Foreign currency risk ('FX')	3	45	188	1
Interest rate risk ('IR')	139	171	448	65
Overall	**139**	**177**	**519**	**63**

	At 31 Dec Eur'000	Average Eur'000	Maximum Eur'000	Minimum Eur'000
2008				
Foreign currency risk ('FX')	78	77	230	15
Interest rate risk ('IR')	550	166	615	34
Overall	**565**	**190**	**613**	**42**

The limitations of the VaR methodology are recognised by supplementing VaR limits with other position and sensitivity limit structures. In addition, the Bank uses a range of stress tests to model the financial impact of a variety of exceptional market scenarios on individual trading portfolios and the Bank's overall position.

Exposure to interest rate risk – non-trading portfolios

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands (basis point value limits). The ALCO is the monitoring body for compliance with these limits and is assisted by Risk Management in its day-to-day monitoring activities.

The same VAR methodology used for the trading portfolios is used for management of market risks in the non-trading portfolios.

Interest rate risk

The Bank has exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may decrease or create losses in the event that unexpected movements arise. The Board of Directors sets the basis point value limits on the level of mismatch of interest rate repricing that may be undertaken, which are monitored on a daily basis.

The Bank's interest rate risk policy reflects financial market conditions. To a large extent the Bank applies natural hedging as far as the structure and pricing of assets and liabilities is concerned. Interest rate risk is monitored and managed using repricing gap analysis, report variance analysis and spread analysis on a daily basis. The Bank has set a limit for the total mismatch of interest rate repricing.

Establishing interest rates for the Bank's products is the responsibility of ALCO.

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Bank's financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 200 basis point ('bp') parallel fall or rise in all yield curves worldwide and also other scenarios with irregular movements in yield curves. An analysis of the Bank's sensitivity to an increase or decrease in market interest rates (assuming no asymmetrical movement in yield curves and a constant balance sheet position) is as follows:

Sensitivity of projected net interest income

	200 bp parallel increase Eur'000	200 bp parallel decrease Eur'000	50 bp parallel increase Eur'000	50 bp parallel decrease Eur'000
2009				
At 31 December	11,959	(16,835)	3,222	(3,426)
Average for the period	3,584	(4,673)	934	(979)
Maximum for the period	11,987	(16,835)	3,231	(3,438)
Minimum for the period	818	(1,096)	194	(238)
2008				
At 31 December	(5,024)	4,996	(1,256)	1,256
Average for the period	(9,692)	10,074	(2,457)	2,481
Maximum for the period	(12,362)	12,745	(3,125)	3,149
Minimum for the period	(5,024)	4,996	(1,256)	1,256

Sensitivity of reported equity to interest rate movements

	200 bp parallel increase Eur'000	200 bp parallel decrease Eur'000	50 bp parallel increase Eur'000	50 bp parallel decrease Eur'000
2009				
At 31 December	(10,583)	12,982	(2,850)	3,000
Average for the period	(2,054)	2,702	(557)	587
Maximum for the period	1,888	14,443	480	3,248
Minimum for the period	(11,394)	(1,661)	(3,079)	(486)
2008				
At 31 December	2,011	(1,827)	487	(475)
Average for the period	4,397	(4,658)	1,123	(1,139)
Maximum for the period	7,812	(8,400)	2,006	(2,043)
Minimum for the period	2,011	(1,827)	487	(475)

5. Financial risk management (CONTINUED)

Interest rate movements affect equity in the following ways:

- retained earnings arising from increases or decreases in net interest income and the fair value changes reported in profit or loss
- fair value reserves arising from increases or decreases in fair values of available-for-sale financial instruments reported directly in equity
- hedging reserves arising from increases or decreases in fair values of hedging instruments designated in a qualifying cash flow hedge relationship.

Overall non-trading interest rate risk positions are managed by ALM, which uses investment securities, advances to banks, deposits from banks and derivative instruments to manage the overall position arising from the Bank's non-trading activities.

Foreign exchange risk

The Bank also has exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Bank mainly manages its currency exposures within the VaR limits approved by the Board of Directors and UniCredit Bank Austria Risk Management. The Board of Directors also approves limits on the level of exposure by each currency and in groups of currencies of both overnight and intra-day positions, which are monitored daily.

The Bank had the following currency positions at 31 December 2009:

	Euro Eur'000	US dollar Eur'000	Other Eur'000	Total Eur'000
Assets				
Cash and cash equivalents	146,186	3,288	20,254	169,728
Trading assets	98,136	-	-	98,136
Derivative assets held for risk management	8,378	-	-	8,378
Loans and advances to banks	65,053	-	-	65,053
Loans and advances to customers	2,295,896	19,017	95,452	2,410,365
Investment securities	358,276	158	-	358,434
Deferred tax asset	9,669	-	-	9,669
Other assets	1,117	-	-	1,117
Prepayments and accrued income	966	-	-	966
	2,983,677	**22,463**	**115,706**	**3,121,846**
Liabilities				
Trading liabilities	45,954	-	-	45,954
Derivative liabilities held for risk management	12,198	-	-	12,198
Deposits by banks	106,880	2,638	2,573	112,091
Customer accounts	2,132,891	39,037	35,764	2,207,692
Loans received	266,249	-	-	266,249
Debt securities issued	91,286	259	20	91,565
Other liabilities	7,813	228	1	8,042
Accruals and deferred income	5,450	6	-	5,456
	2,668,721	**42,168**	**38,358**	**2,749,247**

The Bank had the following currency positions at 31 December 2008:

	Euro Eur'000	US dollar Eur'000	Other Eur'000	Slovak crown Eur'000	Total Eur'000
Assets					
Cash and cash equivalents	196,302	2,395	8,799	1,122,144	1,329,640
Trading assets	16,429	-	-	149,087	165,516
Derivative assets held for risk management	-	-	-	4,286	4,286
Loans and advances to banks	29,863	-	-	199,846	229,709
Loans and advances to customers	831,794	35,295	48,083	1,622,438	2,537,610
Investment securities	72,899	68	-	242,127	315,094
Deferred tax asset	-	-	-	5,537	5,537
Other assets	371	-	-	1,602	1,973
Prepayments and accrued income	-	-	-	939	939
	1 147 658	**37,758**	**56,882**	**3,348,006**	**4,590,304**
Liabilities					
Trading liabilities	-	-	-	66,804	66,804
Derivative liabilities held for risk management	-	-	-	15,071	15,071
Deposits by banks	672,835	9	59,222	362,616	1,094,682
Customer accounts	482,051	47,399	28,878	2,168,722	2,727,050
Loans received	71,648	-	-	58,308	129,956
Debt securities issued	250	195	-	111,866	112,311
Corporate income tax liability	-	-	-	16,201	16,201
Other liabilities	429	2	-	2,924	3,355
Accruals and deferred income	11	-	-	10,309	10,320
	1,227,224	**47,605**	**88,100**	**2,812,821**	**4,175,750**

(e) Operational risk

Operational risk is the risk of loss due to errors, infringements, interruptions, damages caused by internal processes or personnel or systems or caused by external factors other than credit, market and liquidity risks. Legal and compliance risk is a sub-category of operational risk; it is the risk to earnings from violations or non compliance with laws, rules, regulations, agreements or ethical standards. Operational risks arise from all of the Bank's operations and are faced by all business units.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost-effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Bank standards for the management of operational risk in the following areas:

5. Financial risk management (CONTINUED)

- requirements for appropriate segregation of duties, including the independent authorisation of operational risk events
- requirements for the reconciliation and monitoring of operational risk events
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective.

Compliance with the Bank's standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Board of Directors.

(f) Capital management

The Bank's regulator, the National Bank of Slovakia ('NBS'), as well as its ultimate parent company, UniCredit S.p.A., set and monitor capital requirements. These ratios measure capital adequacy (minimum 8 % required by NBS) by comparing either the Bank's regulatory capital or its eligible capital in accordance with UniCredit S.p.A. requirements with its balance sheet assets and off-balance sheet commitments at weighted amounts to reflect their relative risk. In accordance with the regulatory requirements of the National Bank of Slovakia, these ratios reflect market risk.

With effect from 1 January 2008, the Bank is required to comply with the provisions of the Basel II framework in respect of regulatory capital. The Bank uses the standardized approaches to credit risk management. In accordance with the NBS decision on the Advance Measurement Approach model ('AMA'), the Bank uses the advanced approach to operational risk management with effect from 30 October 2009.

The Bank's regulatory capital is analysed into two tiers:

- Tier 1 capital includes ordinary share capital, share premium, retained earnings, translation reserve and minority interests after deductions for goodwill and intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.

- Tier 2 capital includes qualifying subordinated liabilities and the element of the fair value reserve relating to unrealised gains / losses on equity instruments classified as available for sale.

Various limits are applied to elements of the capital base.

Banking operations are categorised as either trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures.

The Bank's policy is to maintain a strong capital base so as to maintain shareholder, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is taken into account as the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Bank has complied with all externally imposed capital requirements throughout the year.

There have been no material changes in the Bank's capital management processes, systems, measurement and reporting during the year.

The Bank's regulatory capital position at 31 December was as follows:

	2009 Eur'000	2008 Eur'000
Regulatory capital		
Tier 1 capital		
Ordinary share capital (note 25)	235,493	235,526
Reserve funds and other funds created from profit (note 26)	36,681	29,470
Retained earnings less profit for the year (note 26)	134,791	134,626
Less: Software (note 16)	(14,928)	(14,977)
Negative revaluation reserve	(161)	(184)
Total	391,876	384,461
Tier 2 capital		
Positive revaluation reserve	128	82
Total	128	82
Items deductible from the regulatory capital		
Net book value of the Bank's investment in		
other bank or financial institutions, greater than 10 % (note 14)	(6,625)	(6,625)
	385,379	377,918
Capital resources requirements		
Capital required to cover credit risk	178,774	193,315
Capital required to cover business partner risk	2,976	3,882
Capital required to cover risks from debt financial instruments,		
capital instruments, foreign exchange and commodities	4,058	4,675
Capital required to cover operational risk	12,551	22,814
Total capital resources requirements	**198,359**	**224,686**
Capital ratios		
Regulatory capital	15.54 %	13.46 %
Tier 1 capital	15.80 %	13.69 %

5. Financial risk management (CONTINUED)

Management uses the regulatory capital ratios to monitor its capital. The NBS's requirements are based on Basel II. This primarily monitors the relationship of Capital Resources Requirement (measured as 8 % of risk-weighted assets) to available capital resources.

Within the framework of the Internal Capital Adequacy Assessment Process, the Bank applies the following processes:

- Risk Identification
- Risk profile assessment and management
- Risk Appetite and Capital planning
- Monitoring and reporting
- Risk Internal Governance

Risk Identification
The first step for the assessment of the risk profile is the definition and identification of the risks. In addition to credit risk (including concentration risk), market risk (trading and banking book), liquidity risk and operational risk, the Bank identifies financial investment risk, business risk, real estate risk, strategic risk and reputational risk.

Risk profile assessment and management
The risk profile assessment implies the assessment of the single risk type, their aggregation to obtain the internal capital. Depending on the type of risk, the Bank applies:

- Quantitative risk evaluation (credit risk, market risk, operational risk, financial investment risk, business risk, real estate risk)
- Qualitative risk evaluation (strategic risk, reputational risk);
- Risk management through limits (liquidity risk).

the Bank is exposed in its activities. The internal capital is expressed as a sum of the aggregated economic capital and the capital cushion. The economic capital includes all types of risks which the Bank considers to be material and quantifiable in compliance with the requirements of Pillar 2: credit risk, market risk, operational risk, business risk, real estate risk and financial investment risk.

Available financial resources ('AFR') are resources which the Bank has at its disposal for covering unexpected losses from risks. The capital surplus represents the difference between the AFR and the internal capital. This reserve covers the possible increased risk appetite of the Bank, acquisition plans etc.

Risk Appetite and Capital planning
Risk Appetite can be defined as the variability in results, on both a short and a long term, which an organization and its senior executives are prepared to, accept in support of a stated strategy. In other terms, Risk Appetite embodies that risk and returns combination whereby the metrics capacities are directly related to strategy drivers such as material business benefits and target profit.

The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The goal is to manage the business mix through capital allocation to business units based on value creation targets. Allocated capital is calculated during the budget and the strategic planning processes, and absorbed capital during the control process. The Bank uses for value creation indicators: Economic Value Added ('EVA') and Risk Adjusted Return On Risk Adjusted Capital ('RARORAC').

Although maximisation of the return on risk-adjusted capital is the principal basis used to determine how capital is allocated within the Bank to particular operations or activities, it is not the sole basis used for decision-making. Also taken into account are synergies with other operations and activities, the availability of management and other resources, and how the activity fits with the Bank's longer term strategic objectives. The Bank's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

Monitoring and reporting
Capital adequacy is a dynamic cycle that requires a continuous monitoring in order to provide feed back to the decision-making processes. Further to the monitoring, a strong and proper communication process is needed, both for management purposes and disclosure to external stakeholders, above all regulators. Within the framework of internal capital adequacy monitoring under Pillar 2, the Bank monitors the development of Risk Taking Capacity on a quarterly basis. The principle is that the AFR must always cover the internal capital.

Within the framework of regular reporting, the Bank compares the results of Pillar 1, i.e. risk weighted assets, capital requirement (regulatory capital), Tier 1 and capital adequacy with the results of Pillar 2, i.e. capital requirement (economic capital or internal capital), AFR and Risk Taking Capacity. This report is prepared by the Market and Integrated Risk Management Department in cooperation with the Statistics and Reporting and Planning and Controlling Departments on a quarterly basis and submitted to the Board of Directors and Supervisory Board of the Bank.

Risk Internal Governance
The capital adequacy is one of the key processes of the UniCredit Group and therefore requires proper risk governance that relies on ensuring that senior management is involved and that ICAAP activities are properly allocated to organizational functions. The ultimate responsibility for capital adequacy rests with the Board of Directors because it requi-

res the setting of the risk appetite and steering of the allocation of the scarce resource of the available capital. The senior management identifies the relevant bodies/structures involved in the capital adequacy process and the consequent reporting to the competent decision making body. The ICAAP process is subject to internal audit review both at parent company and Legal Entity level.

6. Operating segments

The Bank has four basic reportable segments, as described below, which are the Bank's strategic business units. The strategic business units offer different products and services, and are managed separately based on the Bank's management and internal reporting structure. For each of the strategic business units, the Board of Directors reviews internal management reports on a monthly basis. The following summary describes the operations in each of the Bank's reportable segments:

a) Corporate banking – incorporating direct debit facilities, current accounts, deposits, overdrafts, loans, other credit facilities and recovery department;

b) Retail and Private banking – incorporating private customer current accounts, savings, deposits, credit and debit cards, customer loans and mortgages;

c) International markets – incorporating deposits, foreign currency and derivative products.

Segment reporting is presented in respect of the Bank's business segments. The Bank principally operates in Slovakia. Operations outside Slovakia are not significant.

The measurement of segment assets and liabilities and segment revenues and results is based on the accounting policies set out in note 3.

Transactions between segments are conducted at arm's length.

Segment revenues, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise cash, property and equipment, intangible assets, taxes, other assets and prepayments, provisions and other liabilities.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Board of Directors. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

6. Operating segments (CONTINUED)

	Corporate banking 2009 Eur'000	Retail and Private banking 2009 Eur'000	Market investment banking 2009 Eur'000	Unallocated 2009 Eur'000	Bank 2009 Eur'000
External revenue					
Net interest income	40,702	17,712	642	17,399	76,455
Internal revenue					
Net interest income	6,779	791	276	(7,846)	-
Net interest income	47,481	18,503	918	9,553	76,455
Net fee and commission income	**13,504**	**9,269**	**556**	**360**	**23,689**
Net trading income	4,460	1,720	313	(78)	6,415
Other income	-	-	-	4,010	4,010
Total segment revenue	**65,445**	**29,492**	**1,787**	**13,845**	**110,569**
Direct expenses					
Administrative expenses	(4,968)	(14,640)	(1,130)	(41,621)	(62,359)
Depreciation and amortisation	(1,172)	(6,647)	(79)	(3,361)	(11,259)
Indirect expenses	**(22,590)**	**(16,799)**	**(1,135)**	**40,524**	**-**
Operating expenditure	**(28,730)**	**(38,086)**	**(2,344)**	**(4,458)**	**(73,618)**
Operating profit before impairment losses and provisions	**36,715**	**(8,594)**	**(557)**	**9,387**	**36,951**
Impairment losses	-	-	-	(9,582)	(9,582)
Provisions	-	-	-	73	73
Reportable segment profit before income tax	**36,715**	**(8,594)**	**(557)**	**(122)**	**27,442**
Income tax expense					(5,338)
Profit after taxation					**22,104**
Other information:					
Reportable segment assets	**2,046,383**	**414,187**	**-**	**723,945**	**3,184,515**
Reportable segment liabilities	**1,230,062**	**1,095,654**	**-**	**430,753**	**2,756,469**

	Corporate banking 2009 Eur'000	Retail and Private banking 2009 Eur'000	Market investment banking 2009 Eur'000	Unallocated 2009 Eur'000	Bank 2009 Eur'000
External revenue					
Net interest income	42,304	28,989	1,277	36,924	109,494
Internal revenue					
Net interest income	7,101	791	6	(7,898)	-
Net interest income	49,405	29,780	1,283	29,026	109,494
Net fee and commission income	**15,673**	**16,016**	**1,351**	**(1,255)**	**31,785**
Net trading income	17,070	5,180	6,934	1,822	31,006
Other income	-	-	-	4,145	4,145
Total segment revenue	**82,148**	**50,976**	**9,568**	**33,738**	**176,430**
Direct expenses					
Administrative expenses	(5,752)	(17,712)	(1,307)	(47,631)	(72,402)
Depreciation and amortisation	(1,245)	(5,776)	(131)	(2,945)	(10,097)
Indirect expenses	**(8,600)**	**(21,961)**	**(1,089)**	**31,650**	**-**
Operating expenditure	**(15,597)**	**(45,449)**	**(2,527)**	**(18,926)**	**(82,499)**
Operating profit before impairment losses and provisions	**66,551**	**5,527**	**7,041**	**14,812**	**93,931**
Impairment losses	-	-	-	(7,026)	(7,026)
Provisions	-	-	-	2,245	2,245
Reportable segment profit before income tax	**66,551**	**5,527**	**7,041**	**10,031**	**89,150**
Income tax expense					(17,373)
Profit after taxation					**71,777**
Other information:					
Reportable segment assets	**2,310,199**	**374,412**	**-**	**1,967,568**	**4,652,179**
Reportable segment liabilities	**1,318,000**	**975,425**	**-**	**1,890,430**	**4,183,855**

7. Cash and cash equivalents

	2009 Eur'000	2008 Eur'000
Cash and balances at the central bank (note 8)	49,824	974,076
Loans and advances to banks with contractual maturity up to 3 months (note 11)	119,904	355,564
	169,728	**1,329,640**

8. Cash and balances at the central bank

	2009 Eur'000	2008 Eur'000
Balances with the National Bank of Slovakia:		
Compulsory minimum reserve	60,714	173,359
Receivables from repurchase agreements	-	861,929
Current accounts	-	24,012
	60,714	1,059,300
Cash in hand	49,824	88,135
	110,538	1,147,435
Less compulsory minimum reserve (note 11)	(60,714)	(173,359)
	49,824	**974,076**

The compulsory minimum reserve balance is maintained in accordance with the requirements of the National Bank of Slovakia and is not available for day-to-day use.

At 31 December 2008, the fair value of NBS treasury bills accepted as collateral in repurchase agreements was Eur 862,724 thousand.

9. Trading assets and liabilities

	2009 Eur'000	2008 Eur'000
Trading assets		
Securities (a)	55,913	103,920
Derivative instruments (b)	42,223	61,596
	98,136	165,516
Trading liabilities		
Derivative instruments (b)	45,954	66,804

(a) Securities		
Slovak government bonds	**55,913**	**103,920**

(b) Derivative instruments

	Contract/ notional amount Eur'000	2009 Fair value Assets Eur'000	Liabilities Eur'000	Contract/ notional amount Eur'000	2008 Fair value Assets Eur'000	Liabilities Eur'000
Currency derivatives						
Currency forwards and swaps	133,408	613	719	1,071,119	6,828	7,413
Cross currency swaps	352	54	27	502	41	7
Currency options	48,141	2,041	2,042	505,969	30,240	30,240
Share options	**65,839**	**4,576**	**4,589**	**19,895**	**310**	**308**
Commodities options	**16,929**	**2**	**255**	**16,929**	**47**	**588**
Interest rate derivatives						
Interest rate swaps and forward rate agreements	1,516,239	30,693	34,078	1,080,769	20,746	24,825
Options	197,658	4,244	4,244	127,200	3,384	3,423
	1,978,566	**42,223**	**45,954**	**2,822,383**	**61,596**	**66,804**

10. Derivatives held for risk management

	Zmluvná/ nominálna hodnota Eur'000	2009 Reálna hodnota Majetok Eur'000	2009 Reálna hodnota Záväzky Eur'000	Zmluvná/ nominálna hodnota Eur'000	2008 Reálna hodnota Majetok Eur'000	2008 Reálna hodnota Záväzky Eur'000
Derivative instruments held for risk management						
Designated as cash flow hedges:						
Interest rate swaps	561,650	7,936	11,491	563,327	4,286	14,519
Designated as fair value hedges:						
Interest rate swaps	97,837	442	707	19, 405	-	552
	659,487	**8,378**	**12,198**	**582,732**	**4,286**	**15,071**

The time periods in which the hedged cash flows are expected to occur and affect the statement of comprehensive income are as follows:

	Within 1 year Eur'000	1-5 years Eur'000	Over 5 years Eur'000
31 December 2009			
Cash inflows	233	2,181	545
Cash outflows	2,266	4,709	2,382
31 December 2008			
Cash inflows	949	2,405	1,051
Cash outflows	10,924	6,518	780

During 2009 net gains of Eur 889 thousand (2008: net losses of Eur 10,054 thousand) relating to the effective portion of cash flow hedges were recognised in other comprehensive income.

11. Loans and advances to banks

	2009 Eur'000	2008 Eur'000
Repayable on demand	8,390	111,794
Other loans and advances by remaining maturity:		
- 3 months or less	111,514	252,614
- 1 year or less but over 3 months	726	42,131
- over 1 year	3,613	5,375
Compulsory minimum reserve (note 8)	60,714	173,359
	184,957	585,273
Less amounts with contractual maturity		
up to 3 months (note 7)	(119,904)	(355,564)
	65,053	**229,709**

12. Loans and advances to customers

	2009 Eur'000	2008 Eur'000
Repayable on demand	340,469	371,902
Other loans and advances to customers by remaining maturity:		
- 3 months or less	265,982	227,765
- 1 year or less but over 3 months	599,829	532,347
- 5 years or less but over 1 year	806,685	957,060
- over 5 years	442,404	488,415
	2,455,369	2,577,489
Allowances for impairment (note 13)	(45,004)	(39,879)
	2,410,365	**2,537,610**

12. Loans and advances to customers (CONTINUED)

The exposure to the various business segments of loans and advances to customers according to main product types is as follows:

	31 December 2009			31 December 2008		
	Gross amount Eur'000	Impairment allowances Eur'000	Carrying amount Eur'000	Gross amount Eur'000	Impairment allowances Eur'000	Carrying amount Eur'000
Retail customers						
Mortgage lending	334,960	(402)	334,558	284,062	(2,173)	281,889
Personal loans	40,634	(1,285)	39,349	37,329	(2,878)	34,451
Credit cards	5,983	(252)	5,731	5,736	(278)	5,458
Other	-	-	-	-	-	-
Corporate customers						
Small business	91,883	(7,536)	84,347	80,518	(6,141)	74,377
Corporate	714,447	(26,806)	687,641	667,141	(15,864)	651,277
Large corporate	851,494	(2,398)	849,096	1,071,446	(1,702)	1,069,744
Real estate	415,968	(6,325)	409,643	431,257	(10,843)	420,414
	2,455,369	**(45,004)**	**2,410,365**	**2,577,489**	**(39,879)**	**2,537,610**

13. Impairment losses on loans and advances

The movements on impairment losses on loans and advances to customers were as follows:

	2009 Eur'000	2008 Eur'000
Specific allowances for impairment:		
At 1 January	23,834	34,041
Charge for the year	7,721	3,727
Release of impairment losses on loans written-off	(1,646)	(13,934)
At 31 December	29,909	23,834
Collective allowances for impairment:		
At 1 January	16,045	14,421
Charge for the year	2,004	2,392
Release of impairment losses on loans written-off	(2,954)	(768)
At 31 December	15,095	16,045
Total allowances for impairment	**45,004**	**39,879**

14. Investment securities

	2009 Eur'000	2008 Eur'000
Debt securities held to maturity (a)	169,101	201,275
Debt securities available for sale (b)	182,506	107,081
Equity shares available for sale (c)	6,827	6,738
	358,434	**315,094**

At 31 December 2009, debt securities available for sale of Eur 58,411 thousand were pledged as collateral to the National Bank of Slovakia for inter-day credit. At 31 December 2008, investment securities of Eur 64,738 thousand were pledged as collateral to the National Bank of Slovakia in respect of euro conversion. This collateral was settled on 2 February 2009. In addition, the Bank has pledged investment securities of Eur 67,277 thousand for the loan received from European Investment Bank (2008: Eur 67,277 thousand). See note 20.

(a) Debt securities held to maturity

	2009 Eur'000	2008 Eur'000
Slovak government bonds	115,812	147,781
Slovak corporate and bank bonds	53,289	53,494
	169,101	**201,275**

At 31 December 2009, the fair value of held-to-maturity securities was Eur 168.2 million (2008: Eur 202.7 million).

(b) Debt securities available for sale

	2009 Eur'000	2008 Eur'000
Slovak government bonds	139,718	65,341
Slovak corporate and bank bonds	42,788	41,740
	182,506	**107,081**

14. Investment securities (CONTINUED)

(c) Equity shares available for sale

Názov	Činnosť	2009 Eur'000	2008 Eur'000
RVS, a.s.	Conference and leisure	-	-
S.W.I.F.T.	International funds Transfer	24	24
BCPB, a.s.	Stock exchange	21	21
UniCredit Leasing Slovakia, a.s.	Financial services	6,625	6,625
MasterCard Incorporated	Financial services	1	67
Visa Inc.	Financial services	155	-
Visa Europe Limited	Financial services	1	1
		6 ,827	**6,738**

The Bank owns 19.9 % of the issued capital of UniCredit Leasing Slovakia a.s. and 2.63 % of RVS, a.s. Holdings in other companies are less than 1 %. SWIFT is registered in Belgium, MasterCard in the USA and Visa in the UK. Other companies are incorporated in the Slovak Republic.

The movements on available-for-sale securities during the year were as follows:

	2009 Eur'000	2008 Eur'000
As at 1 January	113,819	124,309
Additions	106,397	50,870
Disposals	(32,329)	(62,843)
Gains from changes in fair value	1,446	1,483
As at 31 December	**189,333**	**113,819**

There was no impairment on investment securities in 2009 or in 2008.

15. Property and equipment

	Land and buildings Eur'000	Furniture, fittings and equipment Eur'000	Assets not yet in use Eur'000	Total Eur'000
Cost				
At 1 January 2008	51,390	43,792	1,686	96,868
Additions	-	-	6,188	6,188
Transfers	1,251	2,938	(4,189)	-
Disposals	(360)	(2,353)	(1,099)	(3,812)
At 31 December 2008	52,281	44,377	2,586	99,244
At 1 January 2009	52,281	44,377	2,586	99,244
Additions	-	-	5,899	5,899
Transfers	3,073	3,477	(6,550)	-
Disposals	(1,323)	(4,297)	(6)	(5,626)
At 31 December 2009	54,031	43,557	1,929	99,517
Depreciation and impairment losses				
At 1 January 2008	14,775	33,716	-	48,491
Charge for the year	2,687	3,065	-	5,752
Impairment losses	489	306	-	795
Disposals	(398)	(2,294)	-	(2,692)
At 31 December 2008	17,553	34,793	-	52,346
At 1 January 2009	17,553	34,793	-	52,346
Charge for the year	2,831	3,606	-	6,437
Impairment losses	89	(54)	-	35
Disposals	(1,108)	(4,228)	-	(5,336)
At 31 December 2009	19,365	34,117	-	53,482
At 31 December 2009	**34,666**	**9,440**	**1,929**	**46,035**
At 31 December 2008	**34,728**	**9,584**	**2,586**	**46,898**

The Bank created net additional provisions of Eur 35 thousand (2008: Eur 795 thousand) for impairment losses on certain property and equipment following a decision by management.

The Bank's buildings and equipment are insured against fire, burglary, floods and storms for their replacement value as at year-end. The insurance premium is calculated based on the acquisition price as at 31 December of the previous period. The Bank has motor hull insurance (KASKO) and compulsory car-insurance.

16. Intangible assets

	Software Eur'000	Assets not yet in use Eur'000	Total Eur'000
Cost			
At 1 January 2008	48,934	1,687	50,621
Additions	-	6,996	6,996
Transfers	3,241	(3,241)	-
Disposals	(6,674)	(1,779)	(8,453)
At 31 December 2008	45,501	3,663	49,164
At 1 January 2009	45,501	3,663	49,164
Additions	-	4,575	4,575
Transfers	6,315	(6,315)	-
Disposals	-	(16)	(16)
At 31 December 2009	51,816	1,907	53,723
Amortisation and impairment losses			
At 1 January 2008	36,665	-	36,665
Charge for the year	4,345	-	4,345
Disposals	(6,823)	-	(6,823)
At 31 December 2008	34,187	-	34,187
At 1 January 2009	34,187	-	34,187
Charge for the year	4,822	-	4,822
Impairment losses	(214)	-	(214)
At 31 December 2009	38,795	-	38,795
At 31 December 2009	**13,021**	**1,907**	**14,928**
At 31 December 2008	**11,314**	**3,663**	**14,977**

The Bank reversed impairment losses of Eur 214 thousand (2008: Eur 4,345 thousand) on certain software following a decision by management.

17. Other assets

	2009 Eur'000	2008 Eur'000
Inventory	174	227
Operating prepayments	211	229
Receivables	1,122	1,919
Other assets	-	-
	1,507	2,375
Impairment losses	(390)	(402)
At 31 December	**1,117**	**1,973**

The movements on specific allowances for impairment on other assets were as follows:

	2009 Eur'000	2008 Eur'000
At 1 January	402	353
Increase for the year	36	112
Write-offs	(48)	(63)
At 31 December	**390**	**402**

18. Deposits by banks

	2009 Eur'000	2008 Eur'000
Repayable on demand	12,468	70,450
Other deposits by banks with remaining maturity:		
- 3 months or less	5,241	797,389
- 1 year or less but over 3 months	7,333	49,798
- over 1 year	87,049	177,045
	112,091	**1,094,682**

	2009 Eur'000	2008 Eur'000
Current accounts	11,896	68,265
Term deposits	99,627	1,024,455
Other liabilities	568	1,962
	112,091	**1,094,682**

19. Customer accounts

	2009 Eur'000	2008 Eur'000
Repayable on demand	1,126,089	1,371,675
Other deposits with agreed maturity dates or		
periods of notice, by remaining maturity:		
- 3 months or less	704,651	1,082,449
- 1 year or less but over 3 months	234,028	206,777
- 5 years or less but over 1 year	142,607	66,087
- over 5 years	317	62
	2,207,692	**2,727,050**

19. Customer accounts (CONTINUED)

	2009 Eur'000	2008 Eur'000
Current accounts	1,114,669	1,302,014
Term deposits	895,501	1,104,328
Savings accounts	39,761	35,073
Current accounts from municipalities	6,078	168,440
Term deposits from municipalities	101,449	19,045
Loans received	11,972	19,758
Bills of exchange issued	11,929	48,326
Other liabilities	26,333	30,066
	2,207,692	**2,727,050**

20. Loans received

	2009 Eur'000	2008 Eur'000
European Bank for Reconstruction and Development	2,501	5,585
European Investment Bank	110,510	119,809
UniCredit Bank Austria AG, Vienna	150,042	-
Slovenská záručná a rozvojová banka, a.s.	3,196	4,562
	266,249	**129,956**

European Bank for Reconstruction and Development

These loans comprise amounts drawn down by the Bank under loan facilities with the European Bank for Reconstruction and Development ('EBRD'). Amounts were provided by the EBRD to assist in the development of small and medium-size enterprises (SMEs) in Slovakia.

The euro loans of Eur 2.50 million at the balance sheet date (2008: Eur 5.58 million) were provided under one contract dated 25 October 2005. Principal and interest repayments are due semi-annually in the final three years of the loans. The loans mature on 25 April 2011 and bear interest at annual rates of 1.621 %.

European Investment Bank
The amounts due to the European Investment Bank ('EIB') comprise loans of Eur 11.36 million, Eur 20.45 million, Eur 25 million and Eur 53.69 million, drawn down by the Bank under loan facilities arranged by the NBS with EIB. The loans were provided by the EIB to assist in the development of infrastructure, agriculture and tourism in Slovakia. The loans are secured by investment securities. See note 14.

The first euro loan of Eur 11.36 million at the balance sheet date was provided under a contract entered into on 15 December 1999. Interest repayments are quarterly and principal twice annually. The loan bears interest at an annual rate equivalent to the EIB three-monthly interest rate plus 0.13 % and it has a maturity on 15 June 2012.

The second euro loan of Eur 20.45 million at the balance sheet date was provided under a contract entered into on 28 March 2003. Interest is payable quarterly. The loan bears interest at an annual rate equivalent to the EIB three-monthly interest rate plus 0.13 % and it has a maturity on 15 June 2014.

20. Loans received (CONTINUED)

The third euro loan of Eur 25 million at the balance sheet date was provided under a contract entered into on 28 March 2003. Interest is payable quarterly. The loan bears interest at an annual rate equivalent to the EIB three-monthly interest rate plus 0.13 % and it has a maturity on 15 June 2016.

The fourth euro loan of Eur 53.69 million at the balance sheet date was provided under a contract entered into on 27 February 2008. Interest is payable annually and principal will be repaid in one instalment on 15 March 2016. The loan bears interest at an annual rate equivalent to the EIB three-monthly interest rate plus 0.864 %.

UniCredit Bank Austria AG, Vienna
The amount due to UniCredit Bank Austria AG, Vienna comprised a loan in two tranches of Eur 150 million in total. The first tranche of Eur 50 million bears interest at a rate of 1.153 %. The maturity date is 28 November 2011. The second tranche of Eur 100 million bears interest at a rate of 4.65 %. The maturity is on 29 December 2011.

Slovenská záručná a rozvojová banka, a.s.
The loans from Slovenská záručná a rozvojová banka, a.s. ('SZRB') were obtained under the programme Rozvoj for long and medium term assistance to small-to-medium size enterprises.

Under the Rozvoj programme, separate loan agreements are also entered into between the Bank and SZRB for loans provided to customers. Interest is currently 1.50 % – 4 % per annum and the repayment terms are in accordance with each individual contract. Should the customer default, the Bank is responsible for full repayment of the loan provided by SZRB.

Under the terms of the programme, SZRB may request early repayment in the event of non-fulfilment of several conditions, including if the loans are not used for the specified purpose or if there is delay in repayment of principal.

21. Debt securities issued

	2009 Eur'000	2008 Eur'000
Mortgage bonds		
Issue 1 (a)	-	17,322
Issue 1 (b)	16,861	16,861
Issue 2	16,809	16,809
Issue 3 (a)	16,615	16,663
Issue 3 (b)	8,301	8,306
Issue 4	29,928	30,157
	88,514	106,118
Long-term bills	3,051	6,193
Debt securities issued	91,565	112,311

Issue 1 (a) comprises 5,000 bonds with a nominal value of Eur 3.3 thousand each, which were issued on 9 February 2004 with a coupon of 4.9 % per annum by UniBanka, a. s. The bonds were redeemed on 9 February 2009 from repayments of mortgage loans provided to customers.

Issue 1 (b) comprises 5,000 bonds with a nominal value of Eur 3.3 thousand each, which were issued on 28 August 2003 with a coupon of 4.65 % per annum by HVB Bank Slovakia a.s. The bonds will be redeemed on 28 August 2014 from repayments of mortgage loans provided to customers.

Issue 2 comprises 500 bonds with a nominal value of Eur 33.2 thousand each, which were issued on 29 September 2004 with a coupon of 5 % per annum by UniBanka, a. s. The bonds will be redeemed on 29 September 2015 from repayments of mortgage loans provided to customers.

Issue 3 (a) comprises 5,000 bonds with a nominal value of Eur 3.3 thousand each, which were issued on 25 May 2005 with a coupon of 6M BRIBOR + 0.07 % per annum by UniBanka, a. s. The bonds will be redeemed on 25 May 2015 from repayments of mortgage loans provided to customers.

Issue 3 (b) comprises 100 bonds with a nominal value of Eur 83 thousand each, which were issued on 21 December 2006 with a coupon of of 6M BRIBOR + 0.08 % per annum by HVB Bank Slovakia a.s. The bonds will be redeemed on 21 December 2011 from repayments of mortgage loans provided to customers.

Issue 4 comprises 9,000 bonds with a nominal value of Eur 3.3 thousand each, which were issued on 13 October 2006 with a coupon of 3M BRIBOR + 0.09 % per annum by UniBanka, a. s. The bonds will be redeemed on 13 October 2010 from repayments of mortgage loans provided to customers.

Long-term bills comprise bills of exchange sold to customers with maturity longer than one year.

The Bank has not had any defaults on principal, interest or other breaches with respect to its debt securities during 2009 and 2008.

22. Provisions

The movements on provisions were as follows:

	Litigations Eur'000	Restructuring Eur'000	Guarantee payments Eur'000	Euro conversion Eur'000	Other Eur'000	Total Eur'000
At 1 January 2008	5,609	2,730	1,090	-	921	10,350
(Decrease)/increase for the year	(76)	(2,730)	(1,090)	2,082	(431)	(2,245)
At 31 December 2008	5,533	-	-	2,082	490	8,105
At 1 January 2009	5,533	-	-	2,082	490	8,105
(Decrease)/increase for the year	(454)	-	-	(1,269)	1,650	(73)
Provisions used during the year	-	-	-	(810)	-	(810)
At 31 December 2009	**5,079**	**-**	**-**	**3**	**2,140**	**7,222**

Litigations
This provision relates to claims and court cases which the Bank is defending.

Restructuring
During 2005 and 2006, the Board of Directors of the Bank approved a formal restructuring plan in preparation for the merger with HVB Bank Slovakia a.s. The provision related to staff and other expenses. During 2008, as a result of instructions received from the Bank's ultimate shareholder, the Bank stopped all activities related to the restructuring. The remaining portion of the unused restructuring provision, which was related to these post merger activities, was released to profit or loss.

Euro conversion
This provision related to euro conversion costs related to modification of IT systems.

Other
This provision relates to credit cards and other liabilities related to operating and credit risk.

23. Corporate income tax prepayments

	2009 Eur'000	2008 Eur'000
Tax payable for the current period (note 33)	9,383	21,045
Tax prepayments	(11,089)	(4,844)
Corporate income tax (prepaid)/payable	**(1,706)**	**16,201**

24. Deferred tax

Deferred tax assets and liabilities are attributable to the following:

	Assets / (liabilities) 2009 Eur'000	Assets / (liabilities) 2008 Eur'000
Available-for-sale securities	(468)	(194)
Property and equipment	299	516
Provisions	690	1,347
Impairment losses on loans	8,440	2,951
Cash flow hedge	708	917
Deferred tax asset	**9,669**	**5,537**

The deferred tax assets have been calculated using a corporate income tax rate of 19 % (2008: 19 %).

The movements on deferred tax were as follows:

	2009 Eur'000	2008 Eur'000
At 1 January	5,537	(33)
Charge to profit or loss (note 33)	4,045	3,695
Adjustments in respect of prior years	570	-
Charge to other comprehensive income (note 33)	(483)	1,875
At 31 December	**9,669**	**5,537**

25. Share capital

	2009 Eur'000	2008 Eur'000
Authorised, issued and fully paid: 38,353,859 ordinary shares of Eur 6.14 each	235,493	235,526

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Bank.

The conversion of the nominal value of shares and the amount of share capital from Slovak crowns to the euro resulted in a rounding difference of Eur 33 thousand. Following a decision by the Board of Directors, the difference was transferred to the legal reserve fund.

26. Reserves

	Retained earnings Eur'000	Legal reserve fund Eur'000	Fair value reserve Eur'000	Cash flow hedge reserve Eur'000	Capital fund Eur'000	Total Eur'000
At 31 December 2008	**206,403**	**29,470**	**826**	**(3,910)**	**9**	**232,798**
Dividends	(64,434)	-	-	-	-	(64,434)
Difference on Euro conversion (see note 25)	-	33	-	-	-	33
Transfers	(7,178)	7,178	-	-	-	-
Available-for-sale assets:						
Change in fair value, net of tax	-	-	1,332	-	-	1,332
Net amount transferred to profit or loss	-	-	(160)	-	-	(160)
Cash flow hedges:						
Effective portion of changes in fair value, net of tax	-	-	-	889		889
Disposal of capital funds	-	-	-		(9)	(9)
Profit for 2009	22,104	-	-	-	-	22,104
At 31 December 2009	**156,895**	**36,681**	**1,998**	**(3,021)**	**-**	**192,553**

26. Reserves (CONTINUED)

(a) Dividends
The General Meeting of Shareholders held on 26 March 2009 resolved that dividends be paid from the profit for the year ended 31 December 2008, in the amount of Eur 64,434 thousand (Eur 1.68 per share).

(b) Legal reserve fund
The General Meeting also approved the transfer to legal reserve fund of Eur 7,178 thousand from 2008 profit.

Under the Slovak Commercial Code, all companies are required to maintain a legal reserve fund to cover future losses. The Bank is obliged to contribute an amount to the fund each year which is not less than 10% of its annual net profit until the aggregate amount reaches a minimum level equal to 20 % of the issued share capital.

(c) Proposed allocation of profit
The Directors will propose the following allocations of the profit for the year ended 31 December 2009:

	Eur'000
Transfer to legal reserve fund	2,210
Dividends	19,561
Retained earnings	333
	22,104

(d) Fair value reserve
The fair value reserve includes the cumulative net change in the fair value of available-for-sale investments, excluding impairment losses, until the investment is derecognised or impaired.

(e) Cash flow hedge reserve
The cash flow hedge reserve comprises the effective portion of cumulative net changes in the fair value of cash flow hedging instruments related to hedged transactions that have not yet effected profit or loss.

(f) Capital fund
The capital fund includes the nominal value of shares obtained from Visa Europe Limited and Mastercard Incorporated in return for client payments processed through these companies. During 2009, the Bank sold 313 shares of Mastercard for Eur 9 thousand (2008: sale of 3,785 shares of Mastercard for Eur 70 thousand).

27. Off balance sheet items

	2009 Eur'000	2008 Eur'000
Contingent liabilities:		
Bank guarantees	13,009	10,714
Customer guarantees	109,520	115,127
Customer guarantees, classified	291	291
Irrevocable letters of credit	12,539	11,425
Commitments:		
Confirmed credit lines	895,607	808,729
Derivative instruments:		
Trading assets and liabilities (note 9)	1,978,566	2,822,383
Held for risk management (note 10)	659,487	582,732
	3,669,019	**4,351,401**

The Bank is able to cancel the confirmed credit lines.

A claim has been filed against the Bank at a court in relation to a currency derivatives contract concluded between the plaintiff and the Bank. The amount of the claim is Eur 100 million for damages, losses and legal costs. The Bank believes the claim to be unfounded and consequently no provision has been made.

28. Interest income

	2009 Eur'000	2008 Eur'000
Loans and advances to banks	6,000	41,041
Loans and advances to customers	102,055	160,161
Investment securities	13,105	16,547
Bills of exchange	-	14
	121,160	**217,763**

Interest income for the year ended 31 December 2009 includes interest of Eur 3,411 thousand accrued on impaired financial assets (2008: Eur 4,081 thousand).

Included within interest income for the year ended 31 December 2009 is total interest of Eur 7,268 thousand relating to debt securities held-to-maturity (2008: Eur 9,083 thousand).

29. Interest expense

	2009 Eur'000	2008 Eur'000
Deposits by banks	13,525	42,474
Customer accounts	20,186	54,010
Loans received	7,977	6,058
Mortgage bonds	2,810	5,527
Long-term bills	207	200
	44,705	**108,269**

Included within interest expense for the year ended 31 December 2009, are fair value losses of Eur 1,079 thousand (2008: Eur 727 thousand) on derivatives held in qualifying fair value hedging relationships, and Eur 1,175 thousand (2008: Eur 754 thousand) representing net increases in the fair value of the hedged item attributable to the hedged risk.

The only components of interest income and expense reported above that relate to financial assets or liabilities carried at fair value through profit or loss are the interest income and expense on derivative assets and liabilities held for risk management purposes.

During 2009, no gains (2008: Eur 1,119 thousand) or losses (2008: Eur 289 thousand) relating to cash flow hedges were transferred from hedging reserve to other comprehensive income and are reflected in interest income or expense. There was no net ineffectiveness recognised on cash flow hedges during 2009 or 2008.

30. Net fee and commission income

	2009 Eur'000	2008 Eur'000
Fee and commission income:		
Corporate banking credit related fees	13,505	18,005
Retail banking customer fees	9,269	14,983
Asset management fees	1,597	2,825
Financial guarantee contracts issued	1,103	976
Payment services	4,697	1,280
Other	9	43
Total fee and commission income	30,180	38,112
Fee and commission expense:		
Payment services	(3,309)	(3,181)
Loans	(1,654)	(883)
Inter bank transaction fees	(452)	(670)
Brokerage	(320)	(394)
Other	(756)	(1,199)
Total fee and commission expense	(6,491)	(6 327)
Net fee and commission income	**23,689**	**31,785**

Net fee and commission income above excludes amounts included in determining the effective interest rate on financial assets and liabilities that are not at fair value through profit or loss but includes income of Eur 22,773 thousand (2008: Eur 32,987 thousand) and expense of Eur 2,106 thousand (2008: Eur 1554 thousand) relating to financial assets and liabilities that are not at fair value through profit or loss.

31. Net trading income

	2009 Eur'000	2008 Eur'000
Net income from foreign exchange operations	5,935	20,817
Net (loss)/income from derivatives (a)	(1,732)	6,810
Net income from trading securities (b)	2,212	3,379
	6,415	**31,006**

(a) Net (loss)/income from derivatives

	2009 Eur'000	2008 Eur'000
Income from currency derivatives	4,236	5,373
Losses relating to currency derivatives	(6,207)	(269)
Net (loss)/income from currency derivatives	(1,971)	5,104
Income from interest rate derivatives	25,900	60,174
Losses relating to interest rate derivatives	(27,791)	(56,379)
Net (loss)/income from interest rate derivatives	(1,891)	3,795
Income from options	62,297	29,143
Losses relating to options	(60,167)	(31,232)
Net income/(loss) from options	2,130	(2,089)
	(1,732)	**6,810**

b) Net income from trading securities

	2009 Eur'000	2008 Eur'000
Gains from trading securities	3,024	3,437
Losses from trading securities	(812)	(58)
	2,212	**3,379**

32. Administrative expenses

	2009 Eur'000	2008 Eur'000
Employee costs:		
Wages and salaries	21,996	23,979
Social insurance	5,961	5,888
Other personnel expenses	2,611	3,524
	30,568	33,391
Service-related expenses	11,014	15,874
Material-related expenses	2,404	2,439
Rent	4,098	4,084
Marketing expenses	3,924	3,423
Operating fees	456	423
Other services	3,000	5,379
Other administrative expenses	6,895	7,389
	62,359	**72,402**

The cost of services provided by the statutory auditor during the year ended 31 December 2009 was as follows:

	2009 Eur'000	2008 Eur'000
Statutory audit (including regulatory reporting to NBS)	250	257

At 31 December 2009, the average number of full time employees was 1,295 (2008: 1,298).

Other administrative expenses include payments to the Deposit Protection Fund of Eur 1,839 thousand in 2009 (2008: Eur 1,479 thousand).

Movements on the social fund account included in Other personnel expenses were as follows:

	2009 Eur'000	2008 Eur'000
At 1 January	481	420
Creation of social fund	1,014	966
Release of social fund	(896)	(905)
At 31 December	**599**	**481**

33. Income tax expense

	2009 Eur'000	2008 Eur'000
Current tax expense		
Current year (note 23)	9,383	21,045
Adjustments in respect of prior years	570	23
	9,953	21,068
Deferred tax expense		
Originating and reversal of temporary differences (note 24)	(4,045)	(3,695)
Adjustments in respect of prior years	(570)	-
Total income tax expense	**5,338**	**17,373**

33. Income tax expense (CONTINUED)

The accounting profit before taxation is reconciled to the tax base as follows:

	Tax base 2009 Eur'000	Tax at 19 % 2009 Eur'000	Tax base 2008 Eur'000	Tax at 19 % 2008 Eur'000
Profit before taxation	27,442	5,214	89,150	16,939
Tax non-deductible expenses				
Loans written-off	319	61	7,707	1,464
Current year allowances for impairment	9,595	1,823	7,599	1,444
Previous year allowances for impairment	17,922	3,405	17,922	3,405
Other	8,432	1,602	8,258	1,569
Non-taxable income				
Non-taxable income from securities	(3,826)	(727)	(5,032)	(956)
Release of impairment losses on loans	(4,470)	(849)	(9,816)	(1,865)
Provisions	(3,033)	(576)	(5,025)	(955)
		9,953		21,045
Adjustments in respect of previous year		-		23
		9,953		21,068
Deferred tax		(4,615)		(3,695)
Total tax expense		5,338		17,373
Effective tax rate		19.45 %		19.49 %

		2009			2008	
	Before tax Eur'000	Tax (expense) benefit Eur'000	Net of tax Eur'000	Before tax Eur'000	Tax (expense) benefit Eur'000	Net of tax Eur'000
Cash flow hedges	1,097	(208)	889	(11,388)	2,164	(9,224)
Available-for-sale-assets	1,447	(275)	1,172	1,519	(289)	1,230
	2,544	(483)	2,061	(9,869)	1,875	7,994

34. Earnings per share

Basic
Basic earnings per share is calculated by dividing the net profit attributable to the shareholders by the weighted average number of ordinary shares in issue during the year, excluding the average number of any ordinary shares purchased by the Bank and held as treasury shares.

	2009	2008
Profit attributable to shareholders (Eur'000)	22,104	71,777
Weighted average number of ordinary shares in issue	38,353,859	38,353,859
Basic earnings per share		
(expressed in Eur per share)	0.58	1.87

Diluted
There were no dilutive factors during either year.

35. Profit before changes in operating assets and liabilities

	2009 Eur'000	2008 Eur'000
Profit before taxation	27,442	89,150
Adjustments for non-cash items:		
Depreciation	6,437	5,752
Amortisation	4,822	4,345
Loss on disposal of property and equipment	290	1,120
Loss on disposal of intangible assets	16	1,630
Impairment losses on loans	9,725	6,119
Impairment losses on property and equipment	35	795
Impairment losses on intangible assets	(214)	-
Impairment losses on other assets	36	112
Provisions	(73)	(2,245)
Net loss on available-for-sale assets transferred to profit or loss	160	35
Net loss on cash flow hedges transferred to profit or loss	-	830
	48,676	107,643
Net cash used in operating activities includes the following cash flows:		
Interest received	138,377	216,956
Interest paid	(62,205)	(105,439)
	76,172	**111,517**

36. Lease commitments

Non-cancellable operating lease rentals are payable as follows:

	2009 Eur'000	2008 Eur'000
Less than one year	1,160	291
Between one and five years	291	262
	1,451	**553**

The Bank leases cars and equipment under operating leases.

37. Related party transactions

Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operational decisions. The Bank is controlled by UniCredit Bank Austria AG, Vienna (incorporated in Austria), which owned 99.0 % of the ordinary shares at 31 December 2009 (2008: UniCredit Bank Austria AG, Vienna 99.0 %).

In the normal course of business, the Bank is engaged in transactions with related parties. These transactions, which include the taking and placing of deposits, loans and foreign currency operations are conducted on an arm's length basis.

(a) Shareholders

Amounts due from and to the majority shareholder, UniCredit Bank Austria AG, Vienna were as follows:

	2009 Eur'000	2008 Eur'000
Assets		
Loans and advances to banks	465	941
Liabilities		
Deposits by banks	238,748	837,733
Loans received	150,042	-
Transactions during the year were as follows:		
Interest income	-	513
Interest expense	(18,154)	(32,306)
Fee and commission income	61	556
Fee and commission expense	(738)	(1,005)

37. Related party transactions (CONTINUED)

(b) Enterprises related to the majority shareholder of the Bank

Amounts due from and to companies related to the majority shareholder were as follows:

	2009 Eur'000	2008 Eur'000
Assets		
Loans and advances to banks	11,127	146,296
Loans and advances to customers	6,111	6,816
Liabilities		
Deposits by banks	1,130	29,335
Customer accounts	626	685
Transactions during the year were as follows:		
Interest income	500	2,002
Interest expense	(578)	(4,318)
Fee and commission income	28	114
Fee and commission expense	(33)	(35)

(c) Key management personnel

Amounts due from and to directors, senior management or close relatives or companies in which they have a substantial interest, of the Bank were as follows:

	2009 Eur'000	2008 Eur'000
Assets		
Loans and advances to customers	1,006	775
Liabilities		
Customer accounts	1,742	1,592
Transactions during the year were as follows:		
Interest income	34	44
Interest expense	(34)	(89)
Fee and commission income	2	2

37. Related party transactions (CONTINUED)

Interest rates charged on loans are standard rates that would be charged in an arm's length transaction. Mortgages and loans are secured by property of the respective borrowers. Other balances are not secured and no guarantees have been obtained.

During the period, the Bank did not record impairment losses for loans and advances provided to related parties and no specific allowances have been made for impairment losses on loans and advances to related parties.

Key management personnel compensation for the period comprised:

	2009 Eur'000	2008 Eur'000
Board of Directors	117	330
Senior Managers	770	1,129
Supervisory Board	21	16
	908	**1,475**

In addition to their salaries, the Bank also provides non-cash benefits to directors and executive officers and contributes to a supplementary annuity insurance plan (see note 39).

38. Custodial services

The Bank administers securities and other valuables totalling Eur 1,627 million (2008: Eur 2,577 million), which have been received from customers into the Bank's custody.

39. Supplementary retirement annuity insurance plan

Since 1998, the Bank has participated in a supplementary retirement annuity insurance plan for its employees. Supplementary retirement annuity insurance is voluntary and is based on the contractual relationship between employee, employer and the supplementary retirement annuity insurance plan.

Contributions for both the employee and the Bank are fixed and defined in the plan.

For the year ended 31 December 2009, the Bank paid Eur 64 thousand (2008: Eur 73 thousand) and employees paid Eur 142 thousand (2008: Eur 139 thousand) under this plan.

40. Fair values and accounting classification

Fair value is the amount at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The carrying amounts and estimated fair values of the Bank's financial assets and liabilities at 31 December 2009 were as follows:

	Note	Trading Eur'000	Held-to-maturity Eur'000	Loans and receivables Eur'000	Available-for-sale Eur'000	Other amortized cost Eur'000	Carrying value Eur'000	Fair value Eur'000
Financial assets								
Cash and cash Equivalents	7	-	-	169,728	-	-	169,728	169,728
Trading assets	9	98,136	-	-	-	-	98,136	98,136
Derivative assets held for risk management	10	8,378	-	-	-	-	8,378	8,378
Loans and advances to banks	11	-	-	65,053	-	-	65,053	64,769
Loans and advances to customers	12	-	-	2,410,365	-	-	2,410,365	2,208,881
Investment securities	14	-	169,101	-	189,333	-	358,434	357,523
Measured at fair value		-	-	-	189,333	-	189,333	189,333
Measured at amortised cost		-	169,101	-	-	-	169,101	168,190
Financial liabilities								
Trading liabilities	9	45,954	-	-	-	-	45,954	45,954
Derivative liabilities held for risk management	10	12,198	-	-	-	-	12,198	12,198
Deposits by banks	18	-	-	-	-	112,091	112,091	106,873
Customer accounts	19	-	-	-	-	2,207,692	2,207,692	2,201,018
Loans received	20	-	-	-	-	266,249	266,249	250,633
Debt securities issued	21	-	-	-	-	91,565	91,565	87,715

40. Fair values and accounting classification (CONTINUED)

The carrying amounts and estimated fair values of the Bank's financial assets and liabilities at 31 December 2008 were as follows:

	Note	Trading Eur'000	Held-to-maturity Eur'000	Loans and receivables Eur'000	Available -for-sale Eur'000	Other amortized cost Eur'000	Carrying value Eur'000	Fair value Eur'000
Financial assets								
Cash and cash Equivalents	7	-	-	1,329,640	-	-	1,329,640	1,329,640
Trading assets	9	165,516	-	-	-	-	165,516	165,516
Derivative assets held for risk management	10	4,286	-	-	-	-	4,286	4,286
Loans and advances to banks	11	-	-	229,709	-	-	229,709	227,364
Loans and advances to customers	12	-	-	2,537,610	-	-	2,537,610	2,170,142
Investment securities	14	-	201,275	-	113,819	-	315,094	316,540
Measured at fair value		-	-	-	113,819	-	113,819	113,819
Measured at amortised cost		-	201,275	-	-	-	201,275	202,721
Financial liabilities								
Trading liabilities	9	66,804	-	-	-	-	66,804	66,804
Derivative liabilities held for risk management	10	15,071	-	-	-	-	15,071	15,071
Deposits by banks	18	-	-	-	-	1,094,682	1,094,682	1,064,490
Customer accounts	19	-	-	-	-	2,727,050	2,727,050	2,713,623
Loans received	20	-	-	-	-	129,956	129,956	129,005
Debt securities issued	21	-	-	-	-	112,311	112,311	100,159

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

Trading assets and derivative assets held for risk management
The fair values of trading assets and derivative assets held for risk management are calculated using quoted market prices or theoretical prices determined by discounted cash flows. Fair value is calculated by discounting future cash flows by reference to the interbank interest rate for the relevant maturity period.

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

Loans and advances to customers
Loans and advances are stated net of allowances for impairment. For loans and advances to customers with a remaining maturity of less than three months, it is reasonable to use book value as an approximation of fair value. The fair values of other loans and advances to customers are calculated by discounting the future cash flows using current market rates.

40. Fair values and accounting classification (CONTINUED)

Certain loans and advances to customers shown within loans and receivables are designated in qualifying fair value interest rate hedging relationships (2009: Eur 19,004 thousand; 2008: Eur 19,485 thousand) and are stated at fair value with respect to the hedged interest rate.

Investment securities
The fair values of the investment securities are calculated by discounting future cash flows at market rates.

Trading liabilities and derivative liabilities held for risk management
The fair values of trading liabilities and derivative liabilities held for risk management are calculated using quoted market prices or theoretical prices determined by the present value method. Fair value is calculated by discounting future cash flows by reference to the interbank interest rate for the relevant maturity period.

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

Customer accounts
The fair values of current accounts and term deposits with a remaining maturity of less than three months approximate their carrying amounts. The fair values of other customer accounts are calculated by discounting the future cash flows using current deposit rates.

Loans received
The fair values of loans received are calculated by discounting the future cash flows using current interbank rates.

Debt securities issued
The fair values of debt securities issued are calculated by discounting the future cash flows using current interbank rates.

Declaration of corporate governance pursuant to Act No. 431/2002 Coll. on Accounting

A.
Pursuant to Act No. 431/2002 Coll. on Accounting, the corporate governance of UniCredit Bank Slovakia a.s. (hereinafter referred to as the "Company" or the "Bank") is governed by the Code of Corporate Governance in Slovakia, which is a part of the Stock Exchange Rules for Admission of Securities to the Regulated Market and which is publicly available at the web site of Burza cenných papierov Bratislava, a.s. (www.bcpb.sk). No deviations from the Code occurred in the Bank in 2009.

B.
Management activity is performed in the form of decisions taken by corporate bodies and decisions taken at individual levels of management which are in line with the Articles of Association, internal regulations of the Company, generally binding regulations, and strategic annual plans, and which are subject to internal inspection.

The levels of management, structured in organizational units, determine the scope of the subject-matter applicability and personal bindingness of individual types of decisions in managing the activity of the Company.

The highest rank in the Bank's hierarchy is occupied by the Management Board, which is the authorized representative of the Company and the top level of management. Other levels of management include:
a) CEO;
b) division directors;
c) department managers;
d) and the lowest level of management is represented by sub-department managers.

The Internal Audit and Inspection Division and the Risk Management Division report directly to the authorized representative of the Bank.

The managers at each level are responsible for design, implementation, and efficiency of the internal regulation system. The internal regulation system is a set of rules, processes, and organizational structures aimed at compliance with the Company's strategy and accomplishment of the following objectives:
a) economy and efficiency of processes and procedures;
b) protection of all property of the Bank;
c) reliability and integrity of all information;
d) compliance with laws, instructions and decrees of the National Bank of Slovakia;
e) compliance with Group guidelines and policies as well as with internal regulations and plans.

Managers at all levels are responsible for balancing the profit of the Company against the risk knowingly assumed, whose balancing must be in line with the financial position of the Company. Responsibility and powers of the managers are defined in the Organizational Rules of the Company.

Information about management methods is provided in the financial statements.

C.
The internal regulation systems of the Bank are designed and operated in a manner to support the identification, assessment and management of risks affecting the Bank and the business environment in which it operates. As such, they are subject to continuous review in the case of a change in circumstances and origination of new risks.

The following are the main features of the internal regulation system:
The written principles and procedures determining the lines of responsibility and delegation of powers, the determination of main regulations and comprehensive reporting and analyses in accordance with the approved standards and budgets.
Risk minimization by attempting to provide for implementation of the appropriate infrastructure, regulations, systems, and people within the entire scope of the business line. The main principles applied in the management of risks include the segregation of duties, approval of transactions, monitoring, financial and management reporting.
Alignment to and efficiency of the internal regulation systems is warranted through management inspections, internal audit inspections, regular reporting to the Audit Committee, and regular meetings with external auditors.
The Internal Audit Unit inspects, on an independent basis, the adequacy of the entire system of internal regulation and reports to the Management Board and to the Audit Committee on its main findings and on corrective measures recommended for risk-balancing purposes.
The directors are responsible for the internal regulation system of the Bank and for regular inspection of their efficiency.

Main features of the risk management system:
The risk management system has been developed by UniCredit Bank Slovakia a. s. in a manner to meet the requirements of the Directive 2006/48/EC of the European Parliament and of the Council of June 14, 2006, relating to the taking up and pursuit of the business of credit institutions, Act No. 483/2001 Coll. on Banks, as well as of the applicable decrees of the National Bank of Slovakia.
The objective of the Bank's risk management system is to:
- develop it in a manner to be in line with the set business objectives of the Bank as well as with its risk appetite,
- set up a system for the organization of business transactions in such a manner as to be in line with the risk profile of such transactions,
- create an adequate system for assigning powers and responsibilities,

- have available an effective system for reporting – reporting system,
- have available an effective risk control system.

The Management Board of the Bank is responsible for the implementation of three independent functions, which represent an effective system of internal regulation in the area of risk. These functions include:
- a risk regulation function which ensures compliance with risk management policies,
- a compliance function which identifies and assesses the compliance risk,
- an internal audit function, which is an instrument used by the managing authority to ensure that the quality of the risk regulation function is reasonable.

Subject to Section 9 (9.16) of the Articles of Association of the Company, the Supervisory Board has established an advisory committee for auditing – the Audit Committee, and approved its Statute. The Audit Committee is made up of three Supervisory Board members. The responsibilities of the Audit Committee are set out in its Statute. At the same time, the Audit Committee may give an order to carry out inspections and special audits of banking activity, of other sub-departments/units of the Bank and its subsidiaries. The Audit Committee may also ask for the evaluation of the correctness of bank-to-bank transactions and other transactions which represent, directly or indirectly, a conflict of interests.

The Supervisory Board shall supervise the exercise of powers by the Management Board and the conduct of the Company's business activities. Meetings of the Supervisory Board take place when needed, however, at least once in a quarter. In 2009 7 meetings of the Supervisory Board took place.

The Supervisory Board shall arrange for and perform such duties as are vested to its authority by the generally binding legal regulations and these Articles of Association, in particular:

a) to stipulate the exact number of the Management Board, to elect and recall members of the Management Board, to elect the Chairman and the Vice-Chairman of the Management Board from its members, to approve the rules of remuneration of the members of the Management Board, to take decisions concerning their bonuses and to approve agreements with members of the Management Board concerning their offices;
b) to approve the Rules of the Internal Inspection and Internal Audit Unit of the Company;
c) to supervise the compliance and implementation of the Holding Guidelines;
d) to be responsible for the performance of duties which are vested to the authority of the Supervisory Board by the Holding Guidelines;
e) to grant approval of the audit of the Company internal regulation system by the Internal Inspection and Internal Audit Unit of the Holding Company;
f) to approve the Rules of Procedure of the Supervisory Board and any amendments thereof;
g) to approve the Rules of Procedure of the Management Board and any amendments thereof;
h) to approve annual and long-term business, financial and strategic plans of the Company prepared by the Management Board and to review the fulfilment thereof;
i) to approve capital participation of the Company in other companies, including any disposal of such capital participation of the Company;
j) to approve establishment and closure of any branches and organizational units of the Company which are subject to registration at the Commercial Register pursuant to the applicable provisions of the Commercial Code;
k) to approve the concept of the Bank's internal capital adequacy assessment system;
l) to inspect accounting books and records of the Company related to its business activities;
m) to review compliance of the accounting books of the Company with legal regulations and the Articles of Association;
n) to review the ordinary individual and extraordinary individual financial statements, proposals of the Management Board concerning the distribution of profit or the settlement of loss, reports of the Management Board prior to their submission to the General Meeting and to submit to the General Meeting its opinion;
o) to convene meetings of the Management Board and the General Meetings if the interests of the Company so require;
p) to inform the General Meeting on results of its inspection activities and to propose to the General Meeting reasonable measures to be taken by the Company;
q) to approve external auditors of the Company;
r) to give prior approval for the appointment and removal of the CEO and COO/General Manager of the Company
s) to give prior approval for the appointment and removal of the holders of a special Power of Attorney registered with the Commercial Register (prokurista) of the Company;
t) to give prior approval for the appointment and removal of the Head of the Internal Control and Internal Audit Unit;
u) to take decisions in other matters which are vested to the powers and authority of the Supervisory Board by legal regulations or these Articles of Association.

Declaration of corporate governance pursuant to Act No. 431/2002 Coll. on Accounting

The Supervisory Board shall be entitled to request that the Internal Inspection and Internal Audit Unit perform any internal inspection in the extent specified by the Supervisory Board.

The Supervisory Board shall be composed of 9 (nine) members who shall be elected for a term of office of 3 (three) years. Re-election of the members of the Supervisory Board is permitted. 6 (six) members of the Supervisory Board shall be elected and recalled by the General Meeting. Each shareholder of the Company as well as each member of the Management Board shall be entitled to propose candidates for members of the Supervisory Board elected and recalled by the General Meeting as well as to propose the members of the Supervisory Board to be recalled. 3 (three) members of the Supervisory Board shall be elected and recalled by the employees of the Company. The Election Procedures concerning the election and recall of the members of the Supervisory Board and its amendments shall be prepared and adopted by the trade union.

The Supervisory Board may further establish committees from its members. The details of their operation, powers and membership conditions shall be determined in their statutes approved by the Supervisory Board.

D.
The General Meeting is the supreme body of the Company. The Annual General Meeting of shareholders took place on March 26, 2009. Shareholders approved annual individual financial statements and a motion to distribute profit, approved the annual report and the 2009 report of an external auditor, elected new members of the Supervisory Board and resolved to change the Articles of Association. At the Extraordinary General Meeting held on September 24, 2009, shareholders decided on a new member of the Supervisory Board and a further change of the Articles of Association.

The Management Board shall be obliged to convene the Annual General Meeting to be held within 4 (four) months of the end of the previous calendar year. The Management Board shall convene an Extraordinary General Meeting if so required by legal regulations or these Articles of Association. The Supervisory Board may convene an Extraordinary General Meeting if the Company's interest requires so or when the Articles of Association stipulate so.

It is within the powers of the General Meeting to:

a) approve the Articles of Association and its amendments;
b) decide to increase or decrease the registered capital and the issue of bonds;
c) elect and recall members of the Supervisory Board other than those who are elected and recalled by the employees of the Company and to approve the rules for remuneration of the members of the Supervisory Board;
d) approve ordinary individual financial statements, extraordinary individual financial statements, decisions concerning the distribution of profits or the losses settlement and determination of royalties;
e) approve the Annual Report of the Company;
f) approve external auditors of the Company;
g) adopt decisions concerning the abolishment of the Company;
h) resolve on division, merger, consolidation of the Company or on the sale of an enterprise of the Company or its part;
i) acknowledge the Supervisory Board activity reports;
j) resolve other matters which are reserved for the General Meeting by generally binding legal regulations, these Articles of Association or such matters which the General Meeting itself reserves for its resolution.

The shareholder shall be entitled to participate in the management of the Company, shall have the right to profits of the Company (right to a dividend), which are to be distributed among the shareholders by virtue of a decision of the General Meeting taken with reference to the business results of the Company and the right to share the liquidation balance upon the abolishment of the Company with liquidation. The shareholder principally exercises the right to participate in the management of the Company by voting at the General Meeting, while it is obliged to adhere to the organization measures governing the organization of the General Meeting. Each shareholder shall be entitled to vote at the General Meeting of the Company, to request information and explanations concerning matters of the Company or parties controlled by the Company, which are related to the agenda of the General Meeting and to make proposals at the General Meeting. The shareholder is entitled to perform its rights at the General Meeting in person or through an authorized representation holding a written power of attorney (the "proxy holder"). A member of the Supervisory Board may not act as the proxy holder.

The shareholder shall be entitled to raise its proposals at the General Meeting for a duration not exceeding 5 (five) minutes. In the event that the speech lasts longer than 5 (five) minutes, the Chairman of the General Meeting may ask the shareholder to make a proposal for the resolution on which the shareholder requests to vote, or to formulate its request for information or for an explanation. If the shareholder does not satisfy such request of the Chairman of the General Meeting, the Chairman of the General Meeting may terminate the shareholder's speech and such shareholder is then entitled to send the part of the speech which could not be presented in writing to the Management Board. In the event that the shareholder's request for information or an explanation does not relate to the respective item on the agenda of the

General Meeting that is being discussed, the General Meeting may ignore it.

The shareholder of the Company shall be entitled to inspect the minutes from the Supervisory Board meetings. The request of the shareholder for access to the minutes must be in writing and duly delivered to the Company and must contain the identification of the respective item of the agenda and the meeting of the Supervisory Board for which the access is required; such request must be dated and signed by the shareholder. The Company may refuse access to the minutes from the Supervisory Board meetings, if such access would be an infringement of the generally binding legal regulations or supply of the information could harm the Company. Any information provided by the Company to the shareholder must remain confidential.

E.

The Management Board carried out its activity in 2009 with a composition of three members. Meetings of the Management Board take place every two weeks. The Management Board met at 26 ordinary meetings last year.

Advisory bodies of the Management Board are special-purpose groups of employees responsible for the evaluation of problems and tasks in the area defined by the Charter of the advisory body. The advisory bodies of the Management Board include:

Loss Committee of the Head Office of UniCredit Bank Slovakia a. s.

The Loss Committee discusses specified loss cases incurred by the Bank, presents opinions on loss events based on submission of the relevant documentation, assesses origin of damage and submits proposals for settlement of damage incurred. The Loss Committee has 9 members.

Asset & Liability Committee (ALCO)

In compliance with the need to achieve financial and regulatory objectives of the Bank, the ALCO Committee adopts decisions concerning the subject and principles of asset and liability management and the plan and budget of the Bank and proposes asset and liability management, while taking into account the previous and anticipated development of balance items. The ALCO has 8 members.

Occupational Health and Safety Committee of UniCredit Bank Slovakia a. s.

The task of the Occupational Health and Safety Committee is to enforce observance of generally binding regulations, observance of the Articles of Association of the Company and resolutions of the Management Board related to occupational health and safety; to assess the condition of occupational health in the Bank, observance of obligations in the area of occupational health and safety; to propose to the Management Board measures in the area of management and control of the condition of occupational safety; and to regularly evaluate the condition of the working environment and working conditions for employees. The Committee has 5 members.

Security Committee of UniCredit Bank Slovakia a. s.

The Safety Committee, which has 3 members, has competences in the area of evaluating regulations of the current condition of the Bank's security, assessing security incidents and evaluating results of security inspections within the Bank, evaluating the condition of projects relating to security and performing other activities relating to security.

Committee for Industrial Accident Compensations of UniCredit Bank Slovakia a. s.

The Committee for Industrial Accident Compensations has 5 members and objectively assesses every job-related injury in terms of liability for its occurrence, establishes the cause of the job-related injury and proposes the means and amount of compensation for the job-related injury.

Liquidation Committee of UniCredit Bank Slovakia a. s.

The Liquidation Committee discusses all presented proposals for liquidation of the Bank's assets and submits to the Bank's Management Board proposals for performance of asset liquidation, discusses all motions concerning liquidation of small tangible and intangible assets, long-term tangible and intangible assets of the Bank and inventories recorded in the Bank. The Liquidation Committee has 6 members.

Personal Data Protection Committee

The Personal Data Protection Committee enforces observance of generally binding regulations, the Articles of Association of the Company and resolutions of the Management Board related to issues of personal data protection, and observance of personal data protection principles pursuant to internal regulations of the Bank; regularly examines the activity of persons performing supervision over personal data protection in the Bank; and proposes measures in the field of prevention against unauthorized manipulation of personal data. The Committee has 12 members.

Operational Risk Committee of UniCredit Bank Slovakia a. s.

The task of the Operational Risk Committee is to discuss proposals of policy, rules and methodology for operational risk management and insurance; propose and monitor limits; monitor risk exposures; monitor procedures proposed to mitigate risk; assess significant operational risk events; discuss operational risk reports; and to act as a steering committee for operational risk related projects. The Committee has 7 members.

F.
The shareholder's equity is divided into 38,353,859 (to wit: thirty-eight million three hundred and fifty-three thousand eight hundred and fifty-nine) pieces of registered shares in book entry form, while the nominal value of one share is EUR 6.14 (to wit: six euros and fourteen cents. The Company's shares are not admitted for trading on the regulated market.

No special rights or obligations are attached to the issued shares.
Transferability of shares is not restricted.

Qualifying interest in the registered capital of UniCredit Bank Slovakia, a. s. is held by UniCredit Bank Austria AG, seated in Schottengasse 6-8, 1010 Vienna, Austria.

With regard to the fact that no special rights or obligations are attached to the issued shares, no shareholder is vested with special rights of control.

The Company issued no employee shares.
The voting rights attached to the Company's shares are not restricted.
The Company is not aware of any agreements among the securities holders which might restrict transferability of both the securities and the voting rights.

The members of the Management Board shall be elected and dismissed by the Supervisory Board.
When a member of the Management Board is elected or dismissed, each nominee is subject to a separate vote. If there are more nominees, the nominees awarded the highest number of votes shall become the members of the Management Board. If the prior approval of the National Bank of Slovakia to the election or the dismissal of the member of the Management Board must be obtained pursuant to legal regulations, the Supervisory Board may decide on the election or the dismissal only if such approval is granted, otherwise the effectiveness of the decision of the Supervisory Board will be conditional upon acquiring such approval.

If the Chairman of the Management Board, Vice-Chairman of the Management Board or a member of the Management Board resigns, is dismissed or the term of his or her office is terminated as a result of his or her death or another reason, the Supervisory Board shall elect, within 3 (three) months, a new member or designate a new Chairman or Vice-Chairman. The term of office of such a newly elected member of the Management Board shall expire on the date of expiration of the term of the Management Board, whose term of office was being served at the time of the election of the new member.
If a member of the Management Board resigns from office, the resignation on the membership of the Management Board is effective on the day of the first Supervisory Board meeting following delivery of the written resignation notice; if a Management Board member resigns at the Supervisory Board meeting, the resignation is effective immediately. If, after delivery of the resignation notice on the membership in the Management Board or resignation at the Supervisory Board meeting, the Supervisory Board agrees with the member of the Management Board on a date of the termination of office, the office of the member of the Management Board shall terminate on such agreed date.

Any amendment of the Articles of Association is subject to a decision of the General Meeting and shall be approved by a two-third majority of votes of all shareholders. Such decision of the General Meeting shall be taken in the form of a notarial deed.
The powers of the Management Board related to decision-making on the issuance of shares are governed by the provisions of Act No. 513/1991 Coll., the Commercial Code.
The Company entered into no agreements within the meaning of Section 20 (7) (i) and (j) of the Act on Accounting No. 431/2002 Coll..
The Bank does not carry out any activities hostile to the environment.
The Bank does not have any organizational units abroad.
The Bank has no research and development costs.

UniCredit Bank