UniCredit Bank

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UniCredit Bank

2008 Annual Report

UniCredit Bank

Our Commitment is Our Strength

2008 was a year that posed significant challenges to the global economy, to the financial services industry and to our business.
To date, our business model remains sound, and our outlook is positive for our future operations.

We remain positive because we know that we can count on our greatest strength. It is our solid and rigorous commitment – to our customers, to our people, to our investors, to the communities we serve, to our core values, to culture, to quality in everything we do, and to the sustainable success of our enterprise.

Every day we renew that commitment through the efforts and expertise of more than 174 000 people in 22 countries.

That is why this year's Annual Report features the photographs and words of UniCredit Group employees. No one could express our commitment more eloquently than the men and women who live it every day.

They speak to you from our branches and offices across Europe. Each message is different. Each expresses what commitment means to them, to their customers, and to their colleagues every single working day.

We feel that their words, their ideas truly capture the spirit of UniCredit Group – the spirit of commitment, our greatest strength.

2008 Annual Report

«The secret of our strength is quite simple: we do not follow corporate values handed down to us from a sheet of paper.
We exemplify through our own lives what the sheet of paper has to say!

Oliver Riedl
Germany

«The network of our Group allows us to support our customers with different specialized products. The values of the Integrity Charter differentiate our Group from other groups. Different languages, different cultures, different working experiences, but one Group, one commitment and one way – straight forward!
That is our strength.

Christian Kiss
Austria

Contents

Supervisory Board, Board of Directors and Management

From January 1, 2008 to December 31, 2008 the membership of the Board of Directors was as follows:

Chairman:	Jozef Barta	
Vice-Chairman:	Gianni Franco Papa	(1. 4. 2007 – 26. 2. 2008)
Members:	Helmut Horvath	(since 24. 4. 2008 Vice-Chairman)
	Friedrich Plail	

From January 1, 2008 to December 31, 2008 the membership of the Supervisory Board was as follows:

Carmine Ferraro	(from 5. 5. 2008)
Gabriel Gavula	(from 11. 9. 2008)
Elena Goitini	(to 24. 4. 2008)
Thomas Groß	
Herbert Hangel	
Jaroslav Hazlinger	
Heinz Meidlinger	
Zuzana Šťastná	
Slavomír Ťurek	(to 13. 6. 2008)
Eva Vavrová	
Carlo Vivaldi	

Until December 31, 2008 the Management of UniCredit Bank Slovakia a. s. was working in the following structure:

Chief Executive Officer	Jozef Barta	
General Manager	Dott. Gianni Franco Papa (to 26. 2. 2008)	
Internal Control and Internal Audit Division	Stefano Cotini	
Risk Management Division	Doc. Ing. Anna Pilková, PhD., MBA	
Credit Operations and Monitoring	Hermine Schöfnegger (to 1. 2. 2008)	
Workout	Marek Melíšek (to 1. 3. 2008 JUDr. Marián Áč, PhD.)	
Compliance Officer	Mgr. Oľga Petrovicová	
Bank Secretariat	PhDr. Rudolf Hanuljak	
External and internal Public Relations	Ing. Jana Tomková	
Marketing communication	Ing. Martina Fatyková	(from 1. 6. 2008)
Trading Desk	Ing. Viktor Štrauch	
Custody	Mgr. Matej Letko	
Legal Division	Mgr. Vladimír Nagy	
Corporate Banking Division	Friedrich Plail	
Structured Finance and Large Corporates	Ing. Jaroslav Habo	
Mid Corporates	Ing. Miroslav Štrokendl	
Retail Banking Division	Ing. Monika Kohútová, MBA (to 1. 9. 2008 Maurizio Volcich)	
Segments and Products for Individuals	Ing. Marian Burian	
Retail Sales and Services	Ing. Róbert Nemčický	
Segments and Products for Small Business	Ing. Monika Kohútová, MBA	
Privat Banking Division	Raymond Kopka (to 31. 5. 2008 Jaroslav Víťazka, MBA)	
Financial Division	Mag. Helmut Horvath	
Planning and Controling	Ing. Jaroslav Šinák	
Accounting	Ing. Viera Durajová	
Global Banking Services Division	Carlo Furlan	
Organizácia a IT	Mgr. Daša Gogaľová	
Logistics	Kristián Lichtblau (to 30. 6. 2008 Ing. Anna Habánová)	
Bank Operations	Ingrid Prcúchová	
Loan Administration	Ing. Danica Hlavatá	
Human Resources Division	Marco Berini	

Opinion of the Supervisory Board

„The year 2008 was the year of major changes and euro conversion preparations."

Dear Ladies and Gentlemen,
Dear shareholders,

The year 2008 was the year of major changes and euro conversion preparations. UniCredit Bank, member of UniCredit Group, raised its profile in the first year of its business activity as a universal bank with strong focus on retail banking with firm position in corporate banking and with the ambition to become a private banking brand in Slovakia. During 2008 the Bank was developing its activities in the same vein. The excellent results that UniCredit Bank Slovakia a. s. reached in 2008 affirmed the correctness of its strategy as well as the positive effect of synergies after the merger.

As at December 31, 2008 the equity of UniCredit Bank Slovakia a. s. was in the amount of SKK 7 095 463 915, what represents 38 353 859 pieces of registered shares in book entry form of nominal value SKK 185 per one share.

During 2008 the Supervisory Board actively carried out the control of business strategy implementation and business activities management in accordance with the legislation of the Slovak Republic, Articles of Association and in close cooperation with the Internal Control and Internal Audit Division. The Supervisory Board was regularly informed at its meetings held in 2008 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 law, Articles of Association and internal regulations of the Bank.
In opinion of the Supervisory Board the financial statements of 2008 fairly present the financial situation and results of the Bank, what was also affirmed by the opinion of KPMG, the external auditor.

The Supervisory Board certifies that according to the 2008 annual balance of the books the Bank generated a net profit of SKK 2 162 358 693.37 (i.e. € 71 777 159.04) according to the International Accounting Standards.

The Supervisory Board assents to the proposal of the Board of Directors for the year 2008 net profit distribution in the amount of SKK 2 162 358 693.37 (i.e. € 71 777 159.04) and recommends its approval.

Carlo Vivaldi
Chairman of the Supervisory Board

Note: conversion exchange rate 1 EUR = 30,1260 Sk

Foreword of the Chairman of the Board of Directors and CEO

„UniCredit Bank celebrated its first anniversary since the merger, confirmed stable position of a strong player on the banking market“

Dear shareholders,

The year 2008 in terms of events was exceptional for UniCredit Bank Slovakia a. s. In the year, which entailed the signs of preparations for conversion to Euro, UniCredit Bank celebrated its first anniversary since the merger, confirmed stable position of a strong player on the banking market and, at the end of the year, was facing events brought by the financial crisis.

The conversion to Euro was completed smoothly and ahead of schedule. All segments, Divisions and units participated in the introduction of Euro, while it was necessary not only the coordination between all parts of the Bank, but also within the banking sector.

The business results of the Bank indicate that the year 2008 was successful for the Bank. The net profit increase represented 32.9 %. It was generated by growth of Bank's revenues in all segments (19.1 %) with the controlled growth of costs (8.31 % including nonrecurring expenses on introduction of Euro).

The assets of the Bank increased 3.5 % whereby the UniCredit Bank confirmed its position of number five on Slovak market. Also in terms of volume of deposits the Bank was growing 6.7 % in all segments.

The conservative strategy and approach to risk proved to be provident, what can be noticed in credit portfolio quality. The non-performing loans ratio achieved 1.98 % of the total volume of loans of the Bank at the end of the year, what is significantly below the value of the banking sector (3.2 %).

The available capital of UniCredit Bank is sufficient, and on the Slovak banking market it counts among the banks with the highest capital adequacy of 13.5 %, what is far beyond the regulatory requirement (8 % according to Basel 2 Pillar 1).

The Bank offered an integrated service combined with an offer of complex services. We have implemented new internet banking both for retail and corporate customers. In the branch network, the Bank continued the strategy of improvement of its effectiveness with regard to its accessibility for customers taking into account the return on investment.

Dear shareholders,

On the basis of the aforesaid results I can say that the year 2008 was really a very successful year for the Bank. Thank you for your confidence and we are certain that we will not breach it even in 2009 that will be a very hard year for the banking sector due to the global situation. Nevertheless, we believe that we will sustain the positive trends in compliance with the objectives of the whole financial Group.

Jozef Barta
Chairman of the Board of Directors
and Chief Executive Officer

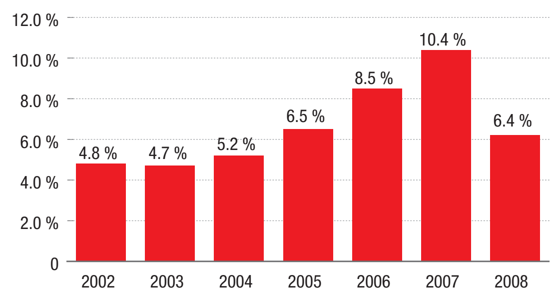
Note: While considering results of HVB Bank Slovakia for the 1st Q. 2007 in order to preserve a comparable basis.

Report on Business Activity and Assets in 2008

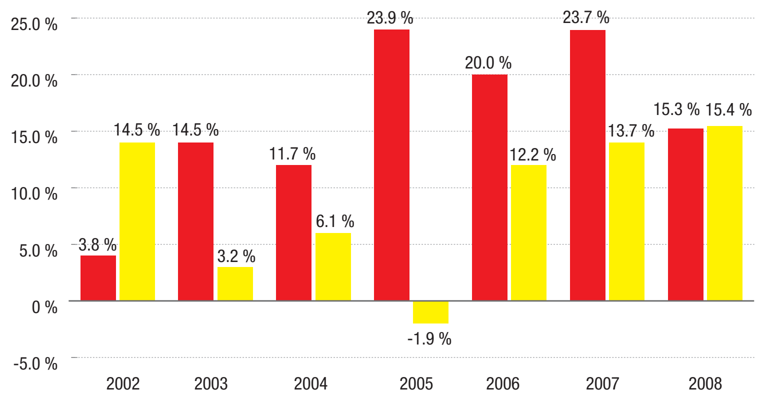
Economic and competitive environment in the SR

The year 2008 was the last "koruna" year for Slovakia. The country met the Maastricht criteria without any big difficulties and therefore on July 8 it was definitely decided on Slovakia's entry into the Euro zone as at January 1, 2009. The vision of early adoption of Euro had a positive impact on the development of Slovak Koruna, thereby counting as one of the fastest firming currencies in the world. On that account at the end of May 2008 the Slovak Koruna demanded the second revaluation of central parity in a raw. Its new rate as well as the consequent new conversion rate was set at the level 1 € = 30.1260 Sk. In the second half of the year the Koruna did not respond even to the regional turbulences and moved in narrow range tightly above the set conversion rate. The approval of entry of Slovakia into Euro zone affected the monetary policy of NBS. As early as in July the key interest rates in Slovakia and Eurozone were aligned. Then NBS only copied the ECB decisions. It cut the interest rate thus in three steps totally by 175 bp. to 2.5 %.

Besides the preparation for introduction of euro, the year 2008 was also the year of financial crisis. The Slovak banking sector proved relatively resistant against the global financial markets turbulences. The profitability of domestic banking sector did not suffer in 2008. The profit before taxation, quite the contrary, increased 2.0 % to SKK 21.3 billion (EUR 0.7 billion).



Year-to-year growth of GDP in Slovakia (constant prices)



Year-to-year growth of banking sector loans and deposits (%)

Loans Deposits

Selected results of the Bank in 2008

UniCredit Bank Slovakia a. s. achieved a very successful year 2008, what resulted in the profit that increased 32.93 % in comparison with 2007. The year 2008 confirmed in full extent the correct strategic decision on synergy effects resulted from the merger of UniBanka and HVB Bank Slovakia, a. s. that took place in 2007. Their influence positively reflected in notable growth of business revenues as well as in operational expenses rationalization and increased business efficiency. The Cost/Income Ratio reached the value of 46.76 %. (51.42 % in 2007).

AMMENDMENT ACCORDING OF AUDIT	2007		2008		2008/2007		
	UCB		UCB		+/-	+/-	
	000´ Sk	000´. EUR	000´ Sk	000´. EUR	%	000´ Sk	000´. EUR
Total Income	**4 461 490**	**132 771**	**5 315 121**	**176 430**	**19.13**	**853 631**	**43 659**
Operating expenses	-2 294 578	-68 285	-2 485 359	-82 499	-8.31	-190 781	-14 214
Provision and reserves	-141 422	-4 209	-144 034	-4 781	-1.85	-2 612	-572
Total Expenses	**-2 436 000**	**-72 494**	**-2 629 393**	**-87 280**	**-7.94**	**-193 393**	**-14 786**
Profit before taxation	**2 025 490**	**60 277**	**2 685 728**	**89 150**	**32.60**	**660 238**	**28 873**
Income tax expense	-398 849	-11 869	-523 369	-17 373	-31.22	-124 520	-5 503
Profit after texation	**1 626 641**	**48 408**	**2 162 359**	**71 777**	**32.93**	**535 718**	**23 370**
Conversion Exchange rate: Sk/ EUR		33,603		30,1260			

AMMENDMENT ACCORDING OF AUDIT	2007		2008		2008/2007		
	UCB		UCB		+/-	+/-	
	000´ Sk	000´ EUR	000´ Sk	000´ EUR	%	000´ Sk	000´ EUR
ASSETS							
Cash, and cash equivalents	39 180 638	1 165 986	40 056 720	1 329 640	2.24	876 082	163 653
Trading assets	1 809 072	53 837	4 986 338	165 516	175.63	3 177 266	111 679
Derivates assets held for risk management	299 324	8 908	129 134	4 286	-56.86	-170 190	-4 621
Loans and advances to bank	1 852 600	55 132	6 920 223	229 709	273.54	5 067 623	174 577
Loans and advances to customers	80 054 666	2 382 367	76 448 052	2 537 610	-4.51	-3 606 614	155 244
Investment securities	10 223 855	304 254	9 492 534	315 094	-7.15	-731 321	10 840
Tangible and intangible assets	1 877 831	55 883	1 864 054	61 875	-0.73	-13 777	5 992
Other assets	54 244	1 614	254 494	8 448	369.16	200 250	6 833
Assets Total	**135 352 230**	**4 027 981**	**140 151 549**	**4 652 179**	**3.55**	**4 799 319**	**624 199**
LIABILITIES							
Trading liabilities	898 315	26 733	2 012 545	66 804	124.04	1 114 230	40 071
Derivates liabilities held for risk management	112 255	3 341	454 015	15 071	304.45	341 760	11 730
Deposits by banks	36 083 140	1 073 807	32 978 395	1 094 682	-8.60	-3 104 745	20 875
Customer accounts	77 015 227	2 291 915	82 155 119	2 727 050	6.67	5 139 892	435 135
Loans recieved	3 035 886	90 346	3 915 068	129 956	28.96	879 182	39 611
Debt securities in issue	3 933 012	117 043	3 383 489	112 311	-13.97	-549 523	-4 732
Provisions	311 778	9 278	244 184	8 105	-21.68	-67 594	-1 173
Other liabilities	545 974	16 248	900 004	29 875	64.84	354 030	13 627
Liabilities Total	**121 935 587**	**3 628 711**	**126 042 819**	**4 183 855**	**3.37**	**4 107 232**	**555 144**

Report on Business Activity and Assets in 2008

(continued)

AMMENDMENT ACCORDING OF AUDIT	2007		2008		2008/2007		
	UCB		UCB		+/-	+/-	
	000´ Sk	000´ EUR	000´ Sk	000´ EUR	%	000´ Sk	000´ EUR
SHARE CAPITAL AND RESERVES							
Share Capital	7 095 464	211 156	7 095 464	235 526	0	0	24 371
Reserve funds, undistributed profit and economic result	6 321 179	188 114	7 013 266	232 798	10,95	692 087	44 684
Share Capital Total	**13 416 643**	**399 269**	**14 108 730**	**468 324**	**5,16**	**692 087**	**69 055**
LIABILITIES AND SHARE CAPITAL TOTAL	**135 352 230**	**4 027 981**	**140 151 549**	**4 652 179**	**3,55**	**4 799 319**	**624 199**

Net Profit		000´ Sk	000´ EUR	000´ Sk	000´ EUR
2007	**HVB Bank Slovakia a.s.**	225 227	6 703	**Spolu**	
	UniBanka a.s. + UniCredit Bank Slovakia a. s.	1 401 414	41 705	**1 626 641**	**48 408**
2008	**UniCredit Bank Slovakia a. s.**			**2 162 359**	**71 777**

The presentation of 2007 result is influenced by the merger of UniBanka and HVB Bank Slovakia on April 1, 2007. HVB Bank Slovakia, a. s. wound up on March 31, 2007 with the profit of SKK 225 227 thousand (EUR 6 703 thousand) and closed its accounts. The closing balance was transferred to the balance of UniBanka on April 1, 2007 that was simultaneously rebranded to UniCredit Bank Slovakia a. s.

The P/L statements herein are presented in aggregate form in order to present the 2007 and 2008 fiscal years results correctly.

The synergy effect would have been even better, but the Bank had extraordinary expenses in 2008 on euro introduction in the amount of SKK 112 million (EUR 3.71 million).

The synergy effect of both banks merger reflected in a significant capital reinforcement of the Bank that proved in full extent in 2008 business activities. The shareholders' equity amounted SKK 14 108 million (EUR 0.468 million), what enabled the Bank to be involved in important credit transactions. The capital adequacy reached the value of 13.46 % (vs.15.71 % in 2007).

Risk management

In 2008 the following risk management objectives were set by the Bank:

a/ to ensure the consistent implementation of the new regulatory standards of BASEL 2, which have been valid in Slovakia since 1. 1. 2008,

b/ to achieve the key risk indicators in compliance with the objectives set by the Bank regarding both risk management and capital management,

c/ to ensure factually and from the point of view of time schedule the solution of strategically important tasks of risk management within the centrally (Group) or locally managed projects.

During the monitored period the Bank's risks were developing in compliance with the set objectives, risk management policies as well as the regulatory requirements.

As far as the credit risk is concerned, the Bank has achieved a very good level of loan portfolio quality because in the end of the year the nonperforming loan ratio of the total volume of loans of the Bank achieved 1.98 %, what is significantly below the banking sector value (3.2 %). The Corporate portfolio that represents 85.4 % of the total loan portfolio has the biggest share in credit risk. The portfolios of individuals (11.2 %) and small business (3.4 %) are moderately growing. The cost of risk reached the budgeted level of SKK 151.5 million.

Within the credit risk the Bank handled the following key projects:

a/ Basel 2 – preparation for the approach of capital requirement calculation based on internal ratings (IRB approach) that will be applied by the Bank from 2010 and 2014,

b/ the calculation of provisions and effective interest rate as a pilot within the central project of the sub-holding in Vienna,

c/ ACE6 – the central project of the sub-holding in Vienna (the Bank acted as the pilot) focused on automation of processing of corporate customers credit proposals and ratings,

d/ development of application scoring cards for SME and card products for individuals as a part of the Basel 2 project – IRB approach.

The market and liquidity risk was managed in the way to accomplish the determined limits of the following crucial indicators: Value at Risk (VaR), basic points shifts (BP shifts), FX position limits, Stop/Loss limits, liquidity trigger points and the short-term liquidity limits. During the monitored period the Bank was fulfilling the mentioned limits in compliance with the trend of the Group.

Within the operational risks, the Bank suffered losses due to the operational risks, amounting to SKK 6.74 million, what represents, however, a positive developmental trend compared to the previous year not only in the reported losses (reduction by 45 %) but also in the frequency of occurrence of the monitored operational risk incidents (a drop of 3 %). The Bank completed the drafts of the documents for validation of the Bank's readiness to implement the advanced approach of operational risk management (AMA approach) in 2009 by the National Bank of Slovakia and by the Bank of Italy.

Corporate Banking including the Structured Finance activities

Structured finance and large corporates

In the beginning of 2008, the growth of the Slovak economy was driven in particular by the continual growth of production in the companies, which had been established in Slovakia in the past as direct foreign investments. Taking the significant competitive advantage of UniCredit Bank that is an extensive international network of UniCredit Group, the Bank was able to offer an integrated service combined with the offer of complex services. We succeeded mostly in automotive and electrical engineering industries as well as power engineering and transport infrastructure.

However, in the second half of 2008 the first responses of global financial and economic crisis started to be shown also in the Slovak Republic, not only in the form of signals of declined global demand but also of in more limited access of global companies to loans. The international banks tightened the conditions of granted loan limits and at the same time the price of liquidity significantly increased on international markets. In such market environment we had decided to tighten the loan conditions for large corporates and multinationals stricter while paying more attention to the quality of loan portfolio from the credit risk point of view. We were also consistent in application of correct pricing of bank loans, taking into consideration mainly the current prices of liquidity on international financial markets.

Mid corporates

In 2008 the business strategy of Mid Corporates was focused on enhancement of the economic effectiveness of servicing by means of appropriate pricing of individual services provided to customers.

The acquisition of customers was focused on:

- the customers operating in several countries within the CBCG (Cross Border Country Group) project, where the Bank was continuing the acquisitions of customers, who decided to invest in Slovakia,
- the customers trading out of the Euro-zone with the objective to expand the customer's portfolio to foreign exchange transactions, where the Bank succeeded in acquiring of several tens of new customers,
- co-financing of agricultural corporations with the investment subsidies from EU funds, where the volume of the newly approved loans for the year 2008 achieved SKK 1 billion,
- the regional activities of mid size and small developers in the field of real estate financing, with the focus in particular on housing construction as well as on the construction of infrastructure for the sale of lands for individual housing construction activities, where the bank contracted new loans in the amount of SKK 450 million.

In 2008 the bank generally succeeded in increasing the volume of loans on year-to-year basis by SKK 1.5 billion, what represented almost 9 % YoY increase.

Customer Desk

Also in 2008 the Customer Desk services and products enjoyed intensive interest of customers. Compared to 2007, the Bank showed the profit growth of 25 % in comparable figures. The achieved result was supported by hedging transactions of customers for both FX as well as the interest rate market risk. At the same time the expected impact on profit reduction, due to euro introduction in 2009 in Slovakia, did not fully show in the second half of 2008. The supporting activities in the second half of 2008 were focused on smooth conversion to Euro and on mitigation of the impacts on the Customer Desk profit due to the shortfall in cash-flow transactions on the currency pair EUR/SKK in 2009, which had the biggest share in the profit in the previous years.

Report on Business Activity and Assets in 2008

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Retail Banking

The year 2008 was special for Retail Division particularly due to the upcoming Euro changeover, but at the same time successful due to the continuing growth in the volume of primary deposits and loans for individuals, as well as due to stabilization of the customer base and launching of product innovations.

In the area of transaction products and services, the group introduced a significant benefit for customers in the form of cash withdrawals from UniCredit Bank ATMs anywhere in Europe for the price charged in the domestic market, what represents in some types of packages the charge on zero level. In addition thereto, the Bank prepared also a special service package for seniors of the age over 60, who can also take the advantages of the large international bank for a token charge.

The electronic banking is one of the pillars of the bank's strategy in the area of retail banking. Since September 2008, the Bank can boast a completely new internet banking Online Banking (for individuals) and Business Net (for legal entities). This popular direct channel combines the advantages of both platforms used until then, while it is more secure, technologically more modern, more comfortable, and ready for further development. The customers can also select a new way of authentication, which is an SMS message.

In 2008, the Bank continued the long-term cooperation with the insurance group ERGO and it launches, as the first specific product, the investment life insurance, thereby significantly extending its product portfolio. Thus it comes closer to reaching the objective to sell integrated financial services under one roof.

In the area of the branch network, the Division continued developing its strategy of increasing the efficiency of the branch network and of optimum coverage of the area of Slovakia from the point of view of availability for customers, as well as of the growth potential and economic recoverability. New branches have been opened in the Bratislava region, as well as in some shopping centers.

Private Banking

The Private Banking Division has been serving customers whose income is above-average and with high volume of assets for five years already. The total volume of deposits under management of Private Banking was represented by the amount of SKK 8.7 billion at the end of the year 2008. The result implies maintaining of a stable position (the deposit volume is equal to the balance of the preceding year), which we consider a significant success in view of the financial crisis outbreak in the fourth quarter of the year 2008.

The revenues of Private Banking Division reached the amount of SKK 135 million in 2008, which represent only 6.5 % decrease in comparison with the year 2007. The decrease was caused by uncertainty in banking markets as of September 2008 and by an inadequate limit of Deposit Protection Fund for private customers. It was the subsequent 100 % guarantee of Deposit Protection Fund in November 2008, which supported the enormous effort of private bankers to calm down their customers, to stabilize the deposits, and to prevent mass diversification of customer's portfolio, which the customers had been carrying out since September.

Long-continuing fulfillment of the Bank's targets and customer satisfaction is based first of all on private bankers. Therefore, last but not least, we consider it a success of Private Banking that the staff of the Division remains loyal to the Bank in the long-term and that Private Banking Division has a significantly low staff turnover. It contributes to continuity of relations between a customer and the Bank and it considerably influences satisfaction of a customer with products and services of our Bank.

Human Resources

As on December 31, 2008 the overall registered headcount was 1 328 employees were in front office positions and 446 employees in back office positions. Hereof 60 % had university education. The share of employees with secondary education represented 39.9 % and with primary education 0.1 %. The average age of employees was 36.7 years. The share of women was 68.4 % of the registered number of employees.

In 2008 the Bank adopted several measures to improve the adaptative process of newcomers, their training in Bank products and systems.

During the year, a significant attention was paid to the job instruction trainings related to the conversion to Euro. It was emphasized the development of management and soft skills, particularly selling skills, following the individual development plans. The total number of training days was 6 763 and the trainings were attended by 5 577 employees in total. The average number of training days for employees in 2008 was almost 6.

High attention was paid to the definition and implementation of action plans to support the career development of the Bank employees by means of local career management system as well as Group development programs.

Sponsorship

UniCredit Bank considers sponsorship as an important part of communication activities and funds for these purposes are distributed evenly mainly to the social sphere, health care, education, culture and exceptionally also to sports. UniCredit Bank supports the activities in order to praise the values of UniCredit Group based on combination of Bank's profitability and responsibility for social environment in which the Bank operates. The Bank is trying to connect its name with interesting projects all over Slovakia. Each such activity is not only beneficial for people and helps people, but it creates conditions also for better awareness of our brand. Every year, the UniCredit Bank takes part in support of new projects through which it extends its field and scope of the existing activities. In the year 2008, we established a long-time cooperation with the Italian cultural institute whereby the UniCredit Bank supports in large extent the organization of Italian cultural events in Slovakia, which enable us to know the variety of this culture and, at the same time, they contribute to improvement of cultural awareness of Slovaks. In the area of Slovak filmmaking, we supported production of two Slovak movies. Another, this time charitable project, in which the UniCredit Bank was involved last year, was the exhibition of Martin Bandžák´s photographs – "Stratené životy" (Lost Lives). This project was carried out by "MAGNA Deti v núdzi" (MAGNA Children in Need), the citizen-action public, whose mission is to carry out humanitarian and development projects in crisis regions of the world with the aim to people in need caused either by poverty, illnesses, war or devastation of environment, regardless to ethnic group, religion or race.
Within the support of education, we took part in the project "SME v škole" (SME in School) under the auspices of "Knihy školám" (Books for Schools) foundation aimed at education in elementary, secondary schools and colleges.

The Bank intends continuing financial aid to interesting projects, which will, on one hand, support development of Slovak culture, education and development of young talents and, on the other hand, increase awareness of UniCredit Bank brand.

Report on Business Activity and Assets in 2008

(continued)

Shareholders

The share capital of UniCredit Bank Slovakia a. s. as at December 31, 2008 was registered in the Companies Register of District Court Bratislava I in the amount of SKK 7 095 463 915 what represents 38 353 859 pieces of registered shares issued in book entry form with nominal value of SKK 185 per one share.

With effect from September 27, 2008, the business name and the seat of the majority shareholder of UniCredit Bank Slovakia a. s. were changed from Bank Austria Creditanstalt AG to UniCredit Bank Austria AG with the seat at Schottengasse 6-8, 1010 Vienna, Austria.

Structure of shareholders of UniCredit Bank Slovakia a. s. as at December 31, 2008

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 31. 12. 2008

Region	Branch – address	Phone	Fax
BRATISLAVA	821 08 Bratislava, Krížna 50	02/49 50 42 04	02/55 42 27 74
		02/49 50 42 02	02/55 42 27 74
		02/49 50 41 06	02/49 50 44 12
	811 01 Bratislava, Ventúrska 7	02/59 30 28 20	02/59 30 28 21
		02/59 20 61 01	02/59 20 61 05
	811 03 Bratislava, Panenská 7	02/54 41 87 75	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 18, BSC AUPARK	02/68 20 20 30	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 80	02/58 10 30 85
	821 04 Bratislava, Rožňavská 34	02/48 21 39 10	02/43 41 05 35
	811 02 Bratislava, Mostová 6	02/59 10 05 10	02/59 10 05 33
	841 04 Bratislava, Dúbravská 2	02/59 41 83 00	02/59 41 83 11
	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 06	02/40 25 57 00
	841 02 Bratislava, Saratovská 6B, Rustica	02/60 30 10 05	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
		033/590 83 08	033/590 83 05
	917 00 Trnava, Hviezdoslavova 14	033/590 34 14	033/590 34 33
	901 01 Malacky, Záhorácka 51	034/797 92 01	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 13	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 11	033/735 10 15

Region	Branch – address	Phone	Fax
TRENČIN	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 03
	911 50 Trenčín, Pribinova 2	032/748 04 14	032/748 04 33
	915 01 Nové Mesto n/V, Čsl. armády 4	032/748 49 91	032/748 49 95
	907 01 Myjava, M. R. Štefánika 517	034/621 53 75	034/621 53 77
	971 01 Prievidza, G. Švéniho 3A	046/518 94 01	046/518 94 00
	957 01 Bánovce n/B, 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 38	037/692 60 51
		037/692 60 00	037/692 60 50
		037/692 60 13	037/692 60 50
	949 01 Nitra, ZOC MAX, Chrenovská 1661/30	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 03	035/642 80 12
	940 01 Nové Zámky, Majzonovo nám. 2	035/691 34 11	035/691 34 33
	934 01 Levice, Bernolákova 2	036/635 03 12	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 09	031/590 55 00
		031/590 55 32	031/590 55 20
	924 01 Galanta, Revolučná 1	031/788 45 10	031/778 45 00
	930 39 Zlaté Klasy, Pekná cesta 1	031/569 27 26	031/569 20 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 60	035/790 00 65

Branch network of UniCredit Bank Slovakia a. s. as of 31. 12. 2008

(continued)

Region	Branch – address	Phone	Fax
ŽILINA	010 01 Žilina, Národná 12	041/562 82 23	041/562 82 04
		041/562 82 24	041/562 82 04
		041/562 82 31	041/562 82 04
		041/562 82 38	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 Pov. Bystrica, M. R. Štefánika 161/4	042/437 99 51	042/437 99 55
	036 01 Martin, M. R. Štefánika 1	043/420 70 22	043/422 48 92
		043/420 70 02	043/422 48 92
	031 01 Lipt. Mikuláš, Nám. osloboditeľov 7	044/547 50 04	044/547 50 05
	034 01 Ružomberok, Mostová 2	044/432 06 59	044/432 06 60
	022 01 Čadca, Palárikova 85	041/430 28 11	041/430 28 15

ZVOLEN	960 01 Zvolen, Nám. SNP 50	045/524 80 13	045/532 07 00
		045/524 80 10	045/532 07 00
		045/524 80 25	045/524 80 16
		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, Europa SC	048/472 30 02	048/472 30 00
	974 01 Banská Bystrica, Nám. SNP 20	048/471 87 11	048/471 87 33
	974 01 Banská Bystrica, Na Troskách 16	048/471 52 10	048/415 66 90
	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 17	048/670 00 51	048/670 00 55

Region	Branch – address	Phone	Fax
KOŠICE	040 01 Košice, Roosveltova 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, Hlavná 116	055/720 51 11	055/720 51 15
	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 00	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 11	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
		051/772 96 39	051/772 96 05
	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 12	052/772 11 65
		052/787 03 11	052/772 11 65
		052/787 03 60	052/772 11 65
		052/787 03 41	052/772 11 65
	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 Sp. Nová Ves, Zimná 56	053/419 71 10	053/442 57 88
	054 01 Levoča, Nám. Majstra Pavla 19	053/418 26 07	053/418 26 00

Agnieszka Kuk
Poland

«Monday morning, my smiling face and the confidence that I am the right person in the right place. On the front of my desk is a plaque about my customers: SERVE ME THE WAY YOU WANT ME TO SERVE YOU. This is the golden rule of my commitment, which has given me the power and passion to work every day for the last ten years.

Paolo Massola
Romania

«Often, at the end of a demanding day of hard work, we feel beat and dead tired and look for the meaning of all this. Often enough we don't need to look very far, because it's there, in our email inbox: a message from an unknown colleague with "a big thank for your help" in the subject field.

Financial statements

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

Year ended 31 December 2008

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 balance sheet as at 31 December 2008, the income statement, the statement of changes in shareholders' equity and the cash flow statement 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 2008 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.

2 March 2009

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. Dagmar Lukovičová
SKAU licence No. 754

Balance sheet

UniCredit Bank Slovakia a. s.

Balance sheet at 31 December 2008

	Notes	2008 Sk '000	2007 Sk '000
Assets			
Cash and cash equivalents	7	40 056 720	39 180 638
Trading assets	9	4 986 338	1 809 267
Derivative assets held for risk management	10	129 134	299 129
Loans and advances to banks	11	6 920 223	1 852 600
Loans and advances to customers	12	76 448 052	80 054 666
Investment securities	14	9 492 534	10 223 855
Property and equipment	15	1 412 867	1 457 389
Intangible assets	16	451 187	420 442
Deferred tax asset	24	166 808	-
Other assets	17	59 410	23 071
Prepayments and accrued income		28 276	31 173
		140 151 549	135 352 230
Liabilities			
Trading liabilities	9	2 012 545	898 315
Derivative liabilities held for risk management	10	454 015	112 255
Deposits by banks	18	32 978 395	36 083 140
Customer accounts	19	82 155 119	77 015 227
Loans received	20	3 915 068	3 035 886
Debt securities issued	21	3 383 489	3 933 012
Provisions	22	244 184	311 778
Corporate income tax payable	23	488 080	18 371
Deferred tax liability	24	-	1 010
Other liabilities		101 031	286 327
Accruals and deferred income		310 893	240 266
		126 042 819	121 935 587
Share capital and reserves			
Share capital	25	7 095 464	7 095 464
Reserves	26	7 013 266	6 321 179
Share capital and reserves		14 108 730	13 416 643
		140 151 549	135 352 230

The financial statements, which include the notes on pages 31 to 101, were approved by the Board of Directors on 2 March 2009 and signed by:

Jozef Barta
Chairman of the Board of Directors
and General Director

Helmuth Horvath
Member of the Board of Directors
and Financial Division Director

Income statement Year ended 31 December 2008

	Notes	2008 Sk '000	2007 Sk '000
Interest income	28	6 560 314	5 382 796
Interest expense	29	(3 261 700)	(2 831 267)
Net interest income		**3 298 614**	**2 551 529**
Fee and commission income	30	1 148 144	893 541
Fee and commission expense	30	(190 602)	(183 738)
Net fee and commission income	**30**	**957 542**	**709 803**
Net trading income	31	934 085	647 496
Other income / (expense)		124 880	(8 440)
		1 058 965	639 056
Operating income		**5 315 121**	**3 900 388**
Administrative expenses	32	(2 181 164)	(1 749 707)
Depreciation	15	(173 288)	(226 216)
Amortisation	16	(130 907)	(87 041)
Operating expenditure		**(2 485 359)**	**(2 062 964)**
Operating profit before impairment losses and provisio		**2 829 762**	**1 837 424**
Impairment losses on loans and advances	13	(184 326)	(173 782)
Impairment losses on investment securities	14	-	4 049
Impairment losses on property and equipment	15	(23 936)	25 600
Impairment losses on intangible assets	16	-	13 905
Impairment losses on other assets	17	(3 366)	1 217
Provisions	22	67 594	24 162
Profit before taxation		**2 685 728**	**1 732 575**
Income tax expense	33	(523 369)	(331 161)
Profit after taxation		**2 162 359**	**1 401 414**
Basic and diluted earnings per share (expressed in Sk per share)	**34**	**56,4**	**43,8**

The notes on pages 31 to 101 are an integral part of these financial statements.

Statement of changes in shareholders' equity Year ended 31 December 2008

	Share capital Sk '000	Retained earnings Sk '000	Legal reserve fund Sk '000	Fair value reserve Sk '000	Cash flow hedge reserve Sk '000	Merger deficit Sk '000	Capital fund Sk '000	Total Sk '000
At 1 January 2007	**2 377 062**	**1 183 691**	**139 393**	**(994)**	**-**	**-**	**1 408**	**3 700 560**
Transfer on merger	2 576 250	5 417 817	554 188	27 347	76 694	(209 203)	18 472	8 461 565
Transfer to share capital	2 142 152	(2 142 152)	-	-	-	-	-	-
Dividends	-	(192 735)	-	-	-	-	-	(192 735)
Transfers	-	(54 078)	54 078	-	-	-	-	-
Change in fair value of available -for-sale assets, net of tax	-	-	-	(38 528)	-	-	-	(38 528)
Effective portion of changes in fair value of cash flow hedge derivatives, net of tax	-	-	-	-	83 405	-	-	83 405
Additions	-	-	-	-	-	-	962	962
Profit for 2007	-	1 401 414	-	-	-	-	-	1 401 414
At 31 December 2007	**7 095 464**	**5 613 957**	**747 659**	**(12 175)**	**160 099**	**(209 203)**	**20 842**	**13 416 643**
Dividends	-	(1 227 324)	-	-	-	-	-	(1 227 324)
Transfers	-	(330 875)	140 142	-	-	209 203	(18 470)	-
Available-for-sale assets:								
Change in fair value, net of tax	-	-	-	35 995	-	-	-	35 995
Net amount transferred to income statement	-	-	-	1 040	-	-	-	1 040
Cash flow hedges:								
Effective portion of changes in fair value, net of tax	-	-	-	-	(302 886)	-	-	(302 886)
Net amount transferred to income statement	-	-	-	-	25 012	-	-	25 012
Disposal	-	-	-	-	-	-	(2 109)	(2 109)
Profit for 2008	-	2 162 359	-	-	-	-	-	2 162 359
At 31 December 2008	**7 095 464**	**6 218 117**	**887 801**	**24 860**	**(117 775)**	**-**	**263**	**14 108 730**

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

The notes on pages 31 to 101 are an integral part of these financial statements.

Cash flow statement
Year ended 31 December 2008

	Notes	2008 Sk '000	2007 Sk '000
Cash flows from operating activities			
Profit before changes in operating assets and liabilities	35	3 242 846	2 265 577
(Increase)/decrease in trading assets		(3 177 071)	1 407 852
Increase in derivative assets held for risk management		(198 071)	(35 679)
(Increase)/decrease in loans and advances to banks		(5 067 623)	1 333 677
Decrease/(increase) in loans and advances to customers		3 422 288	(7 679 884)
(Increase)/decrease in other assets		(39 705)	131 538
Decrease in prepayments and accrued income		2 897	2 388
Increase/(decrease) in trading liabilities		1 114 230	(607 121)
Increase in derivative liabilities held for risk management		341 760	44 192
(Decrease)/increase in deposits by banks		(3 104 745)	2 812 772
Increase in customer accounts		5 139 892	6 590 699
Provisions utilised		-	(114 180)
Decrease in other liabilities		(185 296)	(138 658)
Increase in accruals and deferred income		70 627	82 519
Income tax paid		(164 985)	(120 261)
Net cash from operating activities		**1 397 044**	**5 975 431**
Cash flows from investing activities			
Acquisition of investment securities		(1 532 515)	(39 210)
Proceeds from sale of investment securities		2 308 518	1 363 845
Purchase of property and equipment		(186 413)	(233 691)
Purchase of intangible assets		(210 778)	(253 637)
Net cash from investing activities		**378 812**	**837 307**
Cash flows from financing activities			
Proceeds from/(repayment of) loans received		879 182	(604 648)
Redemption of debt securities		(549 523)	(813 876)
(Disposals of)/additions to capital funds		(2 109)	962
Dividends paid		(1 227 324)	(192 735)
Net cash used in financing activities		**(899 774)**	**(1 610 297)**
Net increase in cash and cash equivalents		876 082	5 202 441
Cash and cash equivalents at beginning of year		39 180 638	13 470 823
Cash transferred on merger	41	-	20 507 374
Cash and cash equivalents at end of year	7	40 056 720	39 180 638

The notes on pages 31 to 101 are an integral part of these financial statements.

Notes to the financial statements
Year ended 31 December 2008

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 (see note 41).

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 10 branch offices and 85 sub-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 2007, were approved by the General Meeting of Shareholders on 24 April 2008.

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.

At 31 December 2008, the shareholders structure was as follows:	
Shareholders	**%**
UniCredit Bank Austria AG, Vienna, Austria (formerly known as Bank Austria Creditanstalt AG)	99,0
Ministry of Agriculture of the Slovak Republic	0,4
Other shareholders	0,6

The members of the Board of Directors are as follows:

Jozef Barta
Friedrich Plail

Mag. Helmut Horvath
Gianni Franco Papa, until 26 February 2008

The members of the Supervisory Board are as follows:

Heinz Meidlinger
Herbert Hangel
Ing. Eva Vavrová
Thomas Groß
Carlo Vivaldi
Ing. Zuzana Šťastná
Ing. Jaroslav Hazlinger
Gabriel Gavula, from 11 September 2008
Carmine Ferraro, from 5 May 2008
Elena Goitini, until 24 April 2008
Ing. Slavomír Ťurek, until 13 June 2008

The members of the Audit Committee are as follows:

Carmine Ferraro
Herbert Hangel
Heinz Meidlinger

Notes to the financial statements Year ended 31 December 2008 (continued)

2. Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union and as required by Section 17a of the Slovak Act on Accounting 431/2002 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 Slovak crowns, which is the Bank's functional currency. Except as indicated, financial information presented in Slovak crowns 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 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 are described 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.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Foreign currency

Transactions denominated in foreign currencies are translated into Slovak crowns at the exchange rates ruling on the date of the transaction. Monetary assets and liabilities are translated at the rates of exchange ruling on the balance sheet date. All resulting gains and losses are recorded in Net trading income in the income statement.

(b) Interest income and expense

Interest income and expense are recognised in the income statement 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 income statement 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 the income statement 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.

(g) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Notes to the financial statements Year ended 31 December 2008 (continued)

3. Significant accounting policies (continued)

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, 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 trans-ferred. 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 balance sheet, 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 balance sheet 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 the discounted cash flow method, comparison to similar instruments for which market-observable prices exist and valuation models. 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 balance sheet date, the Bank assesses whether there is objective evidence that financial assets not carried at fair value through profit and 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 the income statement 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 the income statement.

Impairment losses on available-for-sale investment securities are recognised by transferring the difference between the amortised acquisition cost and current fair value out of equity to income. When a subsequent event causes the amount of impairment loss on an available-for-sale debt security to decrease, the impairment loss is reversed through the income statement. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised directly in equity.

Changes in impairment loses attributable to time value are reflected as a component of interest income.

(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 balance sheet.

(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 balance sheet with transaction costs taken directly to income. All changes in fair value are recognised as part of Net trading income in the income statement. 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 balance sheet.

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

Notes to the financial statements Year ended 31 December 2008 (continued)

3. Significant accounting policies (continued)

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 income together with changes in the fair value of the hedged item that are attributable to the hedged risk (in the same income statement line item 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 income, the effective portion of changes in the fair value of the derivative are recognised directly in equity. The amount recognised in equity is removed and included in income in the same period as the hedged cash flows affect income under the same income statement line item as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the income statement.

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 equity remains in equity until the forecast transaction affects income. If the forecast transaction is no longer expected to occur, then the balance in equity is recognised immediately in the income statement.

(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 income 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 income 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 balance sheet 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 income 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 income.

Other fair value changes are recognised directly in equity until the investment is sold or impaired and the balance in equity is recognised in income.

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

(iii) Depreciation
Depreciation is recognised in income 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 balance sheet.

(q) Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets, other than deferred tax

Notes to the financial statements Year ended 31 December 2008 (continued)

3. Significant accounting policies (continued)

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 income. 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 cost 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 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 the income statement 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 segment is a distinguishable component of the Bank that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Bank's primary format for segment reporting is based on business segments.

(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 2008, and have not been applied in preparing these financial statements:

- IFRIC 13 Customer Loyalty Programmes addresses the accounting by entities that operate or otherwise participate in customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. IFRIC 13 becomes mandatory for the Bank's 2009 financial statements and will be applicable retrospectively. The Bank is currently in the process of evaluating the potential effect of this interpretation.

- Amendment to IFRS 2 Share-based Payment – Vesting Conditions and Cancellations clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The amendments to IFRS 2 will become mandatory for the Bank's 2009 financial statements, with retrospective application. It is not expected that this amendment will have a significant impact on the Bank's financial statements.

- Revised IFRS 3 Business Combinations (2008) incorporates the following changes that are likely to be relevant to the Bank's operations:
  – The definition of a business has been broadened, which may result in more acquisitions being treated as business combinations.
  – Contingent consideration will be measured at fair value, with subsequent changes in fair value recognized in profit or loss.
  – Transaction costs, other than share and debt issue costs, will be expensed as incurred.
  – Any pre-existing interest in an acquiree will be measured at fair value, with the related gain or loss recognized in profit or loss.
  – Any non-controlling (minority) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquiree, on a transaction-by-transaction basis.

  Revised IFRS 3, which becomes mandatory for the Bank's 2010 financial statements, will be applied prospectively and therefore there will be no impact on prior periods in the Bank's 2010 financial statements.

- IFRS 8 Operating Segments introduces the "management approach" to segment reporting. IFRS 8, which becomes mandatory for 2009 financial statements, will require presentation and disclosure of segment information based on the internal reports that are regularly reviewed by an entity's "chief operating decision maker" in order to assess each segment's performance and to allocate resources to them. This standard will have no effect on the Bank's reported total profit or loss or equity. The Bank is currently in the process of determining the potential effect of this standard on the Bank's segment reporting.

- Revised IAS 1 Presentation of Financial Statements (2007) introduces the term "total comprehensive income," which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income. Revised IAS 1, which becomes mandatory for the Bank's 2009 financial statements, is expected to have a significant impact on the presentation of the financial statements.

Notes to the financial statements Year ended 31 December 2008 (continued)

3. Significant accounting policies (continued)

- Revised IAS 23 Borrowing Costs removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Revised IAS 23 will become mandatory for the Bank's 2009 financial statements but is not expected to have a significant impact on those statements.

- Amended IAS 27 Consolidated and Separate Financial Statements (2008) requires accounting for changes in ownership interests in a subsidiary that occur without loss of control, to be recognised as an equity transaction. When the Bank loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The amendments to IAS 27, which become mandatory for the Bank's 2009 financial statements with prospective application, are not expected to have a significant impact on the financial statements.

- Amendments to IAS 32 and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation require puttable instruments and 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 to be classified as equity if certain conditions are met.
The amendments, which become mandatory for the Bank's 2009 consolidated financial statements with retrospective application required, are not expected to have any significant impact on the financial statements.

- The International Accounting Standards Board made certain amendments to existing standards as part of its first annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Bank's 2009 financial statements. The Bank does not expect these amendments to have any significant impact on the financial statements.

- Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. The amendments will become mandatory for the Bank's 2010 financial statements, with retrospective application required. The Bank is currently in the process of evaluating the potential effect of this amendment.

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 of methods:
- Quoted market price in an active market for an identical instrument.
- Valuation techniques based on observable inputs. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for 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.
- 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

Notes to the financial statements Year ended 31 December 2008 (continued)

4. Use of estimates and judgements (continued)

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 2008 were as follows:

	Note	Quoted market prices in active markets Sk'000	Valuation techniques – observable inputs Sk'000	Total Sk'000
Assets				
Trading assets	9	494 143	4 492 195	4 986 338
Derivative assets held for risk management	10	-	129 134	129 134
Investment securities	14	1 979 120	7 513 414	9 492 534
		2 473 263	**12 134 743**	**14 608 006**
Liabilities				
Trading liabilities	9	-	2 012 545	2 012 545
Derivative liabilities held for risk management	10	-	454 015	454 015
		-	**2 466 560**	**2 466 560**

The reported amounts of financial instruments stated at fair value analysed according to valuation methodology at 31 December 2007 were as follows:

	Note	Quoted market prices in active markets Sk'000	Valuation techniques – observable inputs Sk'000	Total Sk'000
Assets				
Trading assets	9	575 254	1 234 013	1 809 267
Derivative assets held for risk management	10	-	299 129	299 129
Investment securities	14	3 506 379	6 717 476	10 223 855
		4 081 633	**8 250 618**	**12 332 251**
Liabilities				
Trading liabilities	9	-	898 315	898 315
Derivative liabilities held for risk management	10	-	112 255	112 255
		-	**1 010 570**	**1 010 570**

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 relates to highly probable future cash flows.

Notes to the financial statements Year ended 31 December 2008 (continued)

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') and the Credit 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 fixed rates and for different 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 Sk 500 000 000;
- 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.

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

Notes to the financial statements Year ended 31 December 2008 (continued)

5. Financial risk management (continued)

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.

Exposure to credit risk	Loans and advances to customers		Loans and advances to banks		Investment securities	
	2008 Sk '000	2007 Sk '000	2008 Sk '000	2007 Sk '000	2008 Sk '000	2007 Sk '000
Individually impaired						
Grade 2: Impaired	274 075	170 024	200 014	-	-	-
Grade 3: Impaired	803 922	504 908	-	238 271	-	-
Grade 4: Impaired	274 362	131 171	-	-	-	-
Grade 5: Impaired	57 408	622 556	-	-	-	-
Gross amount	1 409 767	1 428 659	200 014	238 271	-	-
Allowance for impairment	(718 013)	(1 025 527)	-	-	-	-
Carrying amount	691 754	403 132	200 014	238 271	-	-
Collectively impaired						
Grade 2: Impaired	298 626	475 452	-	-	-	-
Grade 3: Impaired	133 849	90 177	-	-	-	-
Grade 4: Impaired	113 594	104 262	-	-	-	-
Grade 5: Impaired	157 012	119 608	-	-	-	-
Gross amount	703 081	789 499	-	-	-	-
Allowance for impairment	(278 861)	(275 754)	-	-	-	-
Carrying amount	424 220	513 745	-	-	-	-
Past due but not impaired						
Grade 1	3 018 672	46 380	-	-	-	-
Gross amount	3 018 672	46 380	-	-	-	-
Allowance for impairment	(12 654)	(388)	-	-	-	-
Carrying amount	3 006 018	45 992	-	-	-	-
Past due but not impaired comprises:						
0-30 days	2 673 012	45 992	-	-	-	
30-60 days	146 795	-	-	-	-	-
60-90 days	177 654	-	-	-	-	-
90-180 days	3 271	-	-	-	-	-
180 days +	5 286	-	-	-	-	-
Carrying amount	3 006 018	45 992	-	-	-	-
Neither past due nor impaired						
Grade1: Low-fair risk	72 517 919	79 250 093	6 720 209	1 614 329	9 492 534	10 223 855
Gross amount	72 517 919	79 250 093	6 720 209	1 614 329	9 492 534	10 223 855
Allowance for impairment	(191 859)	(158 296)	-	-	-	-
Carrying amount	72 326 060	79 091 797	6 720 209	1 614 329	9 492 534	10 223 855
Total carrying amount	**76 448 052**	**80 054 666**	**6 920 223**	**1 852 600**	**9 492 534**	**10 223 855**

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 2 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.

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 Sk '000	Net Sk '000	Gross Sk '000	Net Sk '000	Gross Sk '000	Net Sk '000
31 December 2008						
Grade 2: Individually impaired	274 075	204 993	200 014	200 014	-	-
Grade 3: Individually impaired	803 922	443 648	-	-	-	-
Grade 4: Individually impaired	274 362	37 014	-	-	-	-
Grade 5: Individually impaired	57 408	6 099	-	-	-	-
	1 409 767	**691 754**	**200 014**	**200 014**	**-**	**-**
31 December 2007						
Grade 2: Individually impaired	170 024	100 381	-	-	-	-
Grade 3: Individually impaired	504 908	291 094	238 271	238 271	-	-
Grade 4: Individually impaired	131 171	10	-	-	-	-
Grade 5: Individually impaired	622 556	11 647	-	-	-	-
	1 428 659	**403 132**	**238 271**	**238 271**	**-**	**-**

Notes to the financial statements Year ended 31 December 2008 (continued)

5. Financial risk management (continued)

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 2008 or 2007.

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

	Loans and advances to customers	
	2008	**2007**
	Sk '000	**Sk '000**
Against individually impaired		
Pledged accounts and pledged term deposits	-	188
Guarantees	71 780	104 756
Mortgages	435 493	219 759
Life assurance, promissory notes and securities	8 500	-
Pledged movables and other collateral	309 983	57 190
Against collectively impaired		
Pledged accounts and pledged term deposits	391	1 415
Guarantees	3 792	6 730
Mortgages	278 597	270 427
Life assurance, promissory notes and securities	797	2 278
Pledged movables and other collateral	30 732	58 897
Against past due but not impaired		
Pledged accounts and pledged term deposits	6 619	-
Guarantees	108 912	5 660
Mortgages	818 349	-
Life assurance, promissory notes and securities	-	-
Pledged movables and other collateral	651 974	14 176
Against neither past due nor impaired		
Pledged accounts and pledged term deposits	8 751 096	15 120 573
Guarantees	3 395 783	2 452 170
Mortgages	16 280 586	11 936 883
Life assurance, promissory notes and securities	8 032 715	741 903
Pledged movables and other collateral	15 275 799	9 600 970
	54 461 898	**40 593 975**

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	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
	Sk '000	**Sk '000**	**Sk '000**	**Sk '000**	**Sk '000**	**Sk '000**
Concentration by sector						
Government	202 868	1 306 854	-	-	6 412 236	6 926 840
Corporate	66 425 339	70 038 414	-	-	2 533 838	2 697 527
Bank	-	-	6 920 223	1 852 600	546 460	599 488
Retail	11 021 232	10 169 363	-	-	-	-
	77 649 439	**81 514 631**	**6 920 223**	**1 852 600**	**9 492 534**	**10 223 855**

	Loans and advances to customers		Loans and advances to banks		Investment securities	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
	Sk '000	**Sk '000**	**Sk '000**	**Sk '000**	**Sk '000**	**Sk '000**
Concentration by location						
Slovak Republic	75 132 387	79 290 636	6 081 763	1 558 122	8 212 032	8 829 725
Turkey	903 918	1 008 898	-	-	-	-
Croatia	688 597	721 764	-	-	-	-
Belgium	232 718	-	-	-	-	-
Romania	151 459	3	-	-	-	-
Hungary	137 151	142 317	-	-	-	-
Great Britain	132 665	133 614	-	-	-	1
Germany	82 695	47 198	-	-	-	-
Switzerland	49 143	-	-	-	-	-
Italy	48 757	50 447	-	-	-	-
Czech Republic	38 260	45 136	-	-	-	-
Austria	11 612	13 398	623 612	-	-	-
Netherlands	7 740	-	-	-	1 277 733	1 390 510
Belarus	-	-	200 013	241 427	-	-
Other	32 337	61 220	14 835	53 051	2 769	3 619
	77 649 439	**81 514 631**	**6 920 223**	**1 852 600**	**9 492 534**	**10 223 855**

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.

Notes to the financial statements Year ended 31 December 2008 (continued)

5. Financial risk management (continued)

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

	2008 Sk '000	2007 Sk '000
Agriculture and forestry	3 277 385	2 662 673
Industry:		
Metallurgy and machinery	8 868 152	9 467 333
Transport	3 732 700	4 820 351
Food	1 409 036	1 853 213
Energy	2 831 580	6 918 439
Construction	1 615 984	1 354 992
Chemical and pharmaceutical	621 081	946 732
Other	4 027 709	6 011 236
Trade and services	25 811 039	25 406 508
Housing	7 936 934	6 429 051
Public administration	156 144	1 408 166
Finance and insurance	11 974 360	9 882 705
Other industries	5 387 335	4 353 232
	77 649 439	**81 514 631**

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 projected 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 inter-bank 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. There are set two trigger points for this liquidity ratio – for the cumulative gap over one year and the cumulative gap over five years. Details of the reported Bank's liquidity ratios at the reporting date and during the reporting period were as follows:

	2008 Nad 1 rok	2008 Nad 5 rokov	2007 Nad 1 rok	2007 Nad 5 rokov
31. decembra	0.98	1.49	0.85	1.05
Priemer za obdobie	0.92	1.24	0.86	1.20
Maximum za obdobie	0.99	1.49	0.91	1.39
Minimum za obdobie	0.85	1.04	0.79	0.98

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.

Notes to the financial statements
Year ended 31 December 2008 (continued)

5. Financial risk management (continued)

The remaining period to maturity of monetary assets and liabilities at 31 December 2008 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 Sk '000	1-5 years Sk '000	More than 5 years Sk '000	Not specified Sk '000	Total Sk '000
Monetary assets					
Cash and cash equivalents	40 056 720	-	-	-	40 056 720
Trading assets	1 237 558	2 395 180	1 353 600	-	4 986 338
Derivative assets held for risk management	66 350	106	62 678	-	129 134
Loans and advances to banks	6 758 310	161 913	-	-	6 920 223
Loans and advances to customers	32 436 669	28 832 381	14 714 019	464 983	76 448 052
Investment securities	1 469 283	6 024 178	1 796 095	202 978	9 492 534
Deferred tax asset	-	-	-	166 808	166 808
Other assets	-	-	-	59 410	59 410
Prepayments and accrued income	-	-	-	28 276	28 276
	82 024 890	**37 413 758**	**17 926 392**	**922 455**	**138 287 495**

Monetary liabilities					
Trading liabilities	1 238 270	654 828	119 447	-	2 012 545
Derivative liabilities held for risk management	151 825	292 656	9 534	-	454 015
Deposits by banks	27 644 728	5 333 667	-	-	32 978 395
Customer accounts	80 162 316	1 990 926	1 877	-	82 155 119
Loans received	3 915 068	-	-	-	3 915 068
Debt securities issued	689 029	1 194 460	1 500 000	-	3 383 489
Corporate income tax payable	488 080	-	-	-	488 080
Other liabilities	-	-	-	101 031	101 031
Accruals and deferred income	-	-	-	310 893	310 893
	114 289 316	**9 466 537**	**1 630 858**	**411 924**	**125 798 635**

The remaining period to maturity of monetary assets and liabilities at 31 December 2007 was as follows:

	Within 1 year Sk '000	1-5 years Sk '000	More than 5 years Sk '000	Not specified Sk '000	Total Sk '000
Monetary assets					
Cash and cash equivalents	39 180 638	-	-	-	39 180 638
Trading assets	711 895	892 839	204 533	-	1 809 267
Derivative assets held for risk management	114 251	75 564	109 314	-	299 129
Loans and advances to banks	1 815 697	36 903	-	-	1 852 600
Loans and advances to customers	40 441 862	19 246 703	20 073 279	292 822	80 054 666
Investment securities	648 116	6 328 000	3 163 311	84 428	10 223 855
Other assets	-	-	-	23 071	23 071
Prepayments and accrued income	-	-	-	31 173	31 173
	82 912 459	**26 580 009**	**23 550 437**	**431 494**	**133 474 399**

Monetary liabilities					
Trading liabilities	543 373	329 767	25 175	-	898 315
Derivative liabilities held for risk management	10 392	101 863	-	-	112 255
Deposits by banks	32 582 921	1 500 219	2 000 000	-	36 083 140
Customer accounts	76 499 061	510 486	1 800	3 880	77 015 227
Loans received	3 035 886	-	-	-	3 035 886
Debt securities issued	786 359	1 646 653	1 500 000	-	3 933 012
Corporate income tax payable	18 371	-	-	-	18 371
Deferred tax liability	-	-	-	1 010	1 010
Other liabilities	-	-	-	286 327	286 327
Accruals and deferred income	-	-	-	240 266	240 266
	113 476 363	**4 088 988**	**3 526 975**	**531 483**	**121 623 809**

Notes to the financial statements
Year ended 31 December 2008 (continued)

5. Financial risk management (continued)

The remaining period to maturity on off balance sheet items at 31 December 2008 are set out in the following table, which shows the remaining terms of the off balance sheet instruments:

	Within 1 year Sk '000	1-5 years Sk '000	More than 5 years Sk '000	Total Sk '000
Off balance sheet				
Bank guarantees	188 168	78 407	56 200	322 775
Customer guarantees	1 318 388	1 267 712	882 218	3 468 318
Customer guarantees, classified	317	839	7 620	8 776
Irrevocable letters of credit	249 495	57 749	36 958	344 202
Confirmed credit lines	13 521 089	10 829 912	12 749	24 363 750
	15 277 457	**12 234 619**	**995 745**	**28 507 821**
Contract/notional amount of derivative instruments				
Trading derivatives				
Currency derivatives				
Currency forwards and swaps	32 268 529	-	-	32 268 529
Cross currency swaps	-	15 127	-	15 127
Currency options	14 913 850	328 982	-	15 242 832
Share options	-	599 362	-	599 362
Commodity options	-	510 000	-	510 000
Interest rate derivatives				
Interest rate swaps and forward rate agreements	9 744 173	19 158 779	3 656 300	32 559 252
Options	1 391 821	2 440 206	-	3 832 027
Derivatives held for risk management				
Designated as cash flow hedges: Interest rate swaps	9 660 710	6 559 450	750 630	16 970 790
Designated as fair value hedges: Interest rate swaps	-	500 000	84 594	584 594
	67 979 083	**30 111 906**	**4 491 524**	**102 582 513**

The remaining period to maturity on off balance sheet items at 31 December 2007 was as follows:

	Within 1 year Sk '000	1-5 years Sk '000	More than 5 years Sk '000	Not specified Sk '000	Total Sk '000
Off balance sheet					
Bank guarantees	-	6 383	152 557	-	158 940
Customer guarantees	2 119 433	1 092 940	725 723	9 659	3 947 755
Customer guarantees, classified	-	-	-	8 851	8 851
Irrevocable letters of credit	279 817	20 490	-	373 740	674 047
Confirmed credit lines	19 153 496	7 636 393	557 382	-	27 347 271
	21 552 746	**8 756 206**	**1 435 662**	**392 250**	**32 136 864**
Contract/notional amount of derivative instruments					
Trading derivatives					
Currency derivatives					
Currency forwards and swaps	22 097 221	151 213	-	-	22 248 434
Cross currency swaps	1 927 025	130 814	-	-	2 057 839
Currency options	14 613 490	3 241 429	-	-	17 854 919
Share options	-	1 200 000	-	-	1 200 000
Interest rate derivatives					
Interest rate swaps and forward rate agreements	6 736 030	10 685 764	4 080 150	-	21 501 944
Options	-	5 808 021	538 488	-	6 346 509
Derivatives held for risk management					
Designated as cash flow hedges: Interest rate swaps	10 436 030	9 740 450	2 897 060	-	23 073 540
Designated as fair value hedges: Interest rate swaps	-	500 000	107 832	-	607 832
	55 809 796	**31 457 691**	**7 623 530**	**-**	**94 891 017**

Notes to the financial statements Year ended 31 December 2008 (continued)

5. Financial risk management (continued)

(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.

A summary of the VaR position of the Bank's trading portfolios at 31 December 2008 and 31 December 2007 and during the period is as follows:

	At 31 Dec Sk '000	Average Sk '000	Maximum Sk '000	Minimum Sk '000
2008				
Foreign currency risk ('FX')	2 360	2 327	6 939	449
Interest rate risk ('IR')	16 581	5 006	18 527	1 020
Overall FXIR	**17 036**	**5 735**	**18 477**	**1 279**
	At 31 Dec Sk '000	**Average Sk '000**	**Maximum Sk '000**	**Minimum Sk '000**
2007				
Foreign currency risk ('FX')	3 723	2 348	6 263	372
Interest rate risk ('IR')	1 902	4 217	7 640	1 734
Overall FXIR	**4 231**	**5 434**	**8 970**	**1 788**

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.

Notes to the financial statements Year ended 31 December 2008 (continued)

5. Financial risk management (continued)

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 Sk '000	200 bp parallel decrease Sk '000	50 bp parallel increase Sk '000	50 bp parallel decrease Sk '000
2008				
At 31 December	(151 346)	150 496	(37 824)	37 827
Average for the period	(291 968)	303 501	(74 031)	74 752
Maximum for the period	(372 416)	383 966	(94 148)	94 868
Minimum for the period	(151 346)	150 496	(37 824)	37 827
2007				
At 31 December	(389 504)	403 662	(98 661)	99 544
Average for the period	(415 834)	435 581	(105 845)	107 140
Maximum for the period	(503 316)	526 455	(127 939)	129 387
Minimum for the period	(332 591)	350 213	(85 025)	86 317

Sensitivity of reported equity to interest rate movements

	200 bp parallel increase Sk '000	200 bp parallel decrease Sk '000	50 bp parallel increase Sk '000	50 bp parallel decrease Sk '000
2008				
At 31 December	60 578	(55 039)	14 670	(14 322)
Average for the period	132 457	(140 335)	33 826	(34 317)
Maximum for the period	235 355	(253 055)	60 431	(61 536)
Minimum for the period	60 578	(55 039)	14 670	(14 322)
2007				
At 31 December	176 679	(208 474)	46 955	(48 938)
Average for the period	270 226	(305 172)	70 626	(72 805)
Maximum for the period	355 181	(392 773)	92 108	(94 453)
Minimum for the period	96 194	(120 767)	26 164	(27 695)

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 the income statement
- 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.

Notes to the financial statements Year ended 31 December 2008 (continued)

5. Financial risk management (continued)

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 foreign exchange positions at 31 December 2008:

	Euro Sk '000	US dollar Sk '000	Other Sk '000	Slovak crown Sk '000	Total Sk '000
Assets					
Cash and cash equivalents	5 913 804	72 163	265 052	33 805 701	40 056 720
Trading assets	494 942	-	-	4 491 396	4 986 338
Derivative assets held for risk management	-	-	-	129 134	129 134
Loans and advances to banks	899 645	-	-	6 020 578	6 920 223
Loans and advances to customers	25 058 619	1 063 316	1 448 561	48 877 556	76 448 052
Investment securities	2 196 152	2 062	-	7 294 320	9 492 534
Deferred tax asset	-	-	-	166 808	166 808
Other assets	11 170	6	14	48 220	59 410
Prepayments and accrued income-	-	-	28 276	28 276	
	34 574 332	**1 137 547**	**1 713 627**	**100 861 989**	**138 287 495**

Liabilities					
Trading liabilities	-	-	-	2 012 545	2 012 545
Derivative liabilities held for risk management	-	-	-	454 015	454 015
Deposits by banks	20 269 823	266	1 784 129	10 924 177	32 978 395
Customer accounts	14 522 261	1 427 935	869 971	65 334 952	82 155 119
Loans received	2 158 472	-	-	1 756 596	3 915 068
Debt securities issued	7 535	5 881	-	3 370 073	3 383 489
Corporate income tax liability	-	-	-	488 080	488 080
Other liabilities	12 887	71	-	88 073	101 031
Accruals and deferred income	323	1	-	310 569	310 893
	36 971 301	**1 434 154**	**2 654 100**	**84 739 080**	**125 798 635**

The Bank had the following foreign exchange positions at 31 December 2007:

	Euro Sk '000	US dollar Sk '000	Other Sk '000	Slovak crown Sk '000	Total Sk '000
Assets					
Cash and cash equivalents	828 793	136 016	252 735	37 963 094	39 180 638
Trading assets	562 829	-	-	1 246 438	1 809 267
Derivative assets held for risk management	-	-	-	299 129	299 129
Loans and advances to banks	284 787	10 012	-	1 557 801	1 852 600
Loans and advances to customers	28 859 479	889 905	1 876 126	48 429 156	80 054 666
Investment securities	2 443 082	123 303	-	7 657 470	10 223 855
Other assets	-	-	-	23 071	23 071
Prepayments and accrued income	436	3	-	30 734	31 173
	32 979 406	**1 159 239**	**2 128 861**	**97 206 893**	**133 474 399**

Liabilities					
Trading liabilities	-	-	-	898 315	898 315
Derivative liabilities held for risk management	-	-	-	112 255	112 255
Deposits by banks	16 337 014	2 112	1 670 814	18 073 200	36 083 140
Customer accounts	13 798 746	1 498 598	1 001 770	60 716 113	77 015 227
Loans received	2 853 511	-	-	182 375	3 035 886
Debt securities issued	149 279	4 601	-	3 779 132	3 933 012
Corporate income tax liability	-	-	-	18 371	18 371
Deferred tax liability	-	-	-	1 010	1 010
Other liabilities	-	-	-	286 327	286 327
Accruals and deferred income	392	148	-	239 726	240 266
	33 138 942	**1 505 459**	**2 672 584**	**84 306 824**	**121 623 809**

Notes to the financial statements Year ended 31 December 2008 (continued)

5. Financial risk management (continued)

(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:

- 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 standardised approaches to credit and operational risk management.

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 management of capital during the year.

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

	2008 Sk '000	2007 Sk '000
Regulatory capital		
Tier 1 capital		
Ordinary share capital (note 25)	7 095 464	7 095 464
Reserve funds and other funds created from profit (note 26)	887 801	747 659
Merger deficit (note 26)	-	(209 203)
Retained earnings less profit for the year (note 26)	4 055 758	4 212 543
Less: Software (note 16)	(451 187)	(420 442)
Negative revaluation reserve	(5 534)	(6 305)
Total	**11 582 302**	**11 419 716**
Tier 2 capital		
Positive revaluation reserve	2 473	202
Total	**2 473**	**202**
Items deductible from the regulatory capital		
Net book value of the Bank's investment in other bank or financial institutions (note 14)	(199 572)	(80 172)
	11 385 203	11 339 746
Risk-weighted assets (RWA)		
Risk weighted assets in the banking book	72 797 473	70 611 979
Risk weighted assets in the trading book	3 222 213	1 315 138
Other risk weighted assets	8 591 278	249 338
	84 610 964	72 176 455
Capital ratios		
Total regulatory capital expressed as a percentage of total risk-weighted assets	13.46 %	15.71 %
Total tier 1 capital expressed as a percentage of risk weighted assets	13.69 %	15.82 %

For the year ended 31 December 2008, the calculation of regulatory capital and capital adequacy is based on Decree of the National Bank of Slovakia No. 17 from 21 October 2008 amending the Decree of the National Bank of Slovakia No. 4/2007 concerning own funds of banks and capital requirements for banks and on own funds of investment firms and capital requirements for investment firms, as amended by the Decree of the National Bank of Slovakia No. 10/2007.

For the year ended 31 December 2007, the calculation of regulatory capital is based on NBS decree No. 4/2007 from 13 March 2007.

Notes to the financial statements Year ended 31 December 2008 (continued)

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:
- Identification of risks
- Measurement of single types of risks
- Aggregation of risks
- Capital allocation
- Monitoring and reporting

Identification of risk
In addition to credit risk, market risk, liquidity risk and operational risk, the Bank identifies financial investment risk, business risk, real estate risk, strategic risk and reputational risk.

Measurement of single types of risk
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); and
- Risk management through limits (liquidity risk).

Aggregation of risks
The internal capital of the Bank represents the overall capital requirement for covering risks to which 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 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.

Capital allocation
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. The allocated capital is the difference between the economic capital and the regulatory capital. 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
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.

(f) International financial and economic conditions

In response to the current developments on the international financial and money markets, the Bank has prepared measures, which were approved by the Board of Directors in December 2008. The measures focus on changes in credit policy for segments, product parameters and approval levels. These measures established a new monitoring system which focuses on the impact of the external environment on each portfolio, of trends in the segments and sectors. The objective is the ability to respond promptly and to introduce appropriate corrective measures to minimise potential losses.

6. Segment reporting

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 the accounting policy note.

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, taxes, other assets and prepayments, provisions and other liabilities.

Business 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.

Notes to the financial statements
Year ended 31 December 2008 (continued)

6. Segment reporting

	Corporate banking 2008 Sk '000	Retail and Private banking 2008 Sk '000	International markets 2008 Sk '000	Unallocated 2008 Sk '000	Bank 2008 Sk '000
Net interest income	**1 274 450**	**873 325**	**(7 672)**	**1 158 511**	**3 298 614**
Net fee and commission income	542 380	451 382	(19 873)	(16 347)	957 542
Net trading income	514 212	156 067	208 909	54 897	934 085
Other (expense) / income	(14 160)	(26 877)	-	165 917	124 880
Operating income	**2 316 882**	**1 453 897**	**181 364**	**1 362 978**	**5 315 121**
Administrative expenses					
Depreciation and	-	-	-	(2 181 164)	(2 181 164)
amortisation	-	-	-	(304 195)	(304 195)
Operating expenditure	**-**	**-**	**-**	**(2 485 359)**	**(2 485 359)**
Operating profit before impairment losses and provisions	**2 316 882**	**1 453 897**	**181 364**	**(1 122 381)**	**2 829 762**
Impairment losses	-	-	-	(211 628)	(211 628)
Provisions	-	-	-	67 594	67 594
Profit before taxation	**2 316 882**	**1 453 897**	**181 364**	**(1 266 415)**	**2 685 728**
Income tax expense					(523 369)
Profit after taxation					**2 162 359**
Other information:					
Assets	**65 685 708**	**11 963 730**	**56 944 943**	**5 557 168**	**140 151 549**
Liabilities, share capital and reserves	**47 329 619**	**35 181 153**	**36 723 994**	**20 916 783**	**140 151 549**

	Corporate banking 2007 Sk '000	Retail and Private banking 2007 Sk '000	International markets 2007 Sk '000	Unallocated 2007 Sk '000	Bank 2007 Sk '000
Net interest income	**1 007 567**	**785 061**	**225 103**	**533 798**	**2 551 529**
Net fee and commission income	**426 978**	**346 744**	**9 486**	**(73 405)**	**709 803**
Net trading income/(loss)	384 815	146 262	133 632	(17 213)	647 496
Other income	-	-	-	(8 440)	(8 440)
Operating income	**1 819 360**	**1 278 067**	**368 221**	**434 740**	**3 900 388**
Administrative expenses	-	-	-	(1 749 707)	(1 749 707)
Depreciation and amortisation	-	-	-	(313 257)	(313 257)
Operating expenditure	**-**	**-**	**-**	**(2 062 964)**	**(2 062 964)**
Operating profit before impairment losses and provisions	**1 819 360**	**1 278 067**	**368 221**	**(1 628 224)**	**1 837 424**
Impairment losses	-	-	-	(129 011)	(129 011)
Provisions	-	-	-	24 162	24 162
Profit before taxation	**1 819 360**	**1 278 067**	**368 221**	**(1 733 073)**	**1 732 575**
Income tax expense					(331 161)
Profit after taxation					**1 401 414**
Other information:					
Assets	**71 051 332**	**10 463 298**	**50 551 157**	**3 286 443**	**135 352 230**
Liabilities, share capital and reserves	**45 410 288**	**32 154 241**	**38 803 668**	**18 984 033**	**135 352 230**

Notes to the financial statements
Year ended 31 December 2008 (continued)

7. Cash and cash equivalents

	2008 Sk '000	2007 Sk '000
Cash and balances at the central bank (note 8)	29 345 011	33 696 600
Loans and advances to banks with contractual maturity up to 3 months (note 11)	10 711 709	5 484 038
	40 056 720	39 180 638

8. Cash and balances at the central bank

	2008 Sk '000	2007 Sk '000
Balances with the National Bank of Slovakia:		
Compulsory minimum reserve	5 222 613	1 227 282
Receivables from repurchase agreements	25 966 478	30 870 248
Current accounts	723 377	2 107
Term deposits	-	1 315 082
	31 912 468	33 414 719
Cash in hand	2 655 156	1 509 163
	34 567 624	34 923 882
Less compulsory minimum reserve (note 11)	(5 222 613)	(1 227 282)
	29 345 011	**33 696 600**

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 Sk 25 990 432 thousand (2007: Sk 30 916 151 thousand).

9. Trading assets and liabilities

	2008 Sk '000	2007 Sk '000
Trading assets		
Securities (a)	3 130 704	803 686
Derivative instruments (b)	1 855 634	1 005 581
	4 986 338	**1 809 267**
Trading liabilities		
Derivative instruments (b)	2 012 545	898 315

(a) Securities		
Slovak government bonds	3 130 704	803 686

b) Derivative instruments

	Contract/ notional amount Sk '000	2008 Fair value		Contract/ notional amount tis. Sk	2007 Fair value	
		Assets Sk '000	Liabilities Sk '000		Assets Sk '000	Liabilities Sk '000
Currency derivatives						
Currency forwards and swaps	32 268 529	205 734	223 347	22 248 434	230 599	311 767
Cross currency swaps	15 127	1 227	197	2 057 839	226 046	2 154
Currency options	15 242 832	911 025	911 025	17 854 919	362 163	362 163
Share options	599 362	9 324	9 278	1 200 000	73 891	73 891
Commodities options	510 000	1 403	17 715	-	-	-
Interest rate derivatives						
Interest rate swaps and forward rate agreements	32 559 252	624 982	747 873	21 501 944	89 856	125 314
Options	3 832 027	101 939	103 110	6 346 509	23 026	23 026
	85 027 129	**1 855 634**	**2 012 545**	**71 209 645**	**1 005 581**	**898 315**

Notes to the financial statements Year ended 31 December 2008 (continued)

10. Derivatives held for risk management

	Contract/ notional amount Sk '000	2008 Fair value		Contract/ notional amount tis. Sk	2007 Fair value	
		Assets Sk '000	Liabilities Sk '000		Assets Sk '000	Liabilities Sk '000
Derivative instruments held for risk management						
Designated as cash flow hedges:						
Interest rate swaps	16 970 790	129 134	437 396	23 073 540	293 818	112 255
Designated as fair value hedges:						
Interest rate swaps	584 594	-	16 619	607 832	5 311	-
	17 555 384	**129 134**	**454 015**	**23 681 372**	**299 129**	**112 255**

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

	Within 1 year Sk '000	1-5 years Sk '000	Over 5 years Sk '000
31 December 2008			
Cash inflows	329 104	189 035	13 320
Cash outflows	-	20 139	31 672
31 December 2007			
Cash inflows	516 814	783 622	317 884
Cash outflows	-	-	-

During 2008 net losses of Sk 302 886 thousand (2007: net profit of Sk 83 405 thousand) relating to the effective portion of cash flow hedges were recognised directly in equity.

11. Loans and advances to banks

	2008 Sk '000	2007 Sk '000
Repayable on demand	3 367 892	148 718
Other loans and advances by remaining maturity:		
- 3 months or less	7 610 275	5 335 320
- 1 year or less but over 3 months	1 269 239	588 415
- over 1 year	161 913	36 903
Compulsory minimum reserve (note 8)	5 222 613	1 227 282
	17 631 932	**7 336 638**
Less amounts with contractual maturity		
up to 3 months (note 7)	(10 711 709)	(5 484 038)
	6 920 223	**1 852 600**

12. Loans and advances to customers

	2008 Sk '000	2007 Sk '000
Repayable on demand	11 203 905	18 376 185
Other loans and advances to customers by remaining maturity:		
- 3 months or less	6 861 653	9 116 246
- 1 year or less but over 3 months	16 037 480	14 570 680
- 5 years or less but over 1 year	28 832 381	19 378 241
- over 5 years	14 714 020	20 073 279
	77 649 439	81 514 631
Allowances for impairment (note 13)	(1 201 387)	(1 459 965)
	76 448 052	**80 054 666**

Notes to the financial statements
Year ended 31 December 2008 (continued)

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 2008			31 December 2007		
	Gross amount Sk '000	Impairment allowances Sk '000	Carrying amount Sk '000	Gross amount Sk '000	Impairment allowances Sk '000	Carrying amount Sk '000
Retail customers						
Mortgage lending	8 557 653	(65 469)	8 492 184	7 229 201	(52 520)	7 176 681
Personal loans	1 124 583	(86 716)	1 037 867	1 111 970	(59 925)	1 052 045
Credit cards	172 812	(8 361)	164 451	177 396	(7 824)	169 572
Other	-	-	-	23 622	-	23 622
Corporate customers						
Small business	2 425 693	(185 009)	2 240 684	2 240 986	(180 062)	2 060 924
Corporate	20 098 281	(477 911)	19 620 370	19 374 460	(806 422)	18 568 038
Large corporate	32 278 382	(51 270)	32 227 112	41 433 691	(40 896)	41 392 795
Real estate	12 992 035	(326 651)	12 665 384	9 923 305	(312 316)	9 610 989
	77 649 439	**(1 201 387)**	**76 448 052**	**81 514 631**	**(1 459 965)**	**80 054 666**

13. Impairment losses on loans and advances

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

	2008 Sk '000	2007 Sk '000
Specific allowances for impairment:		
At 1 January	1 025 527	549 691
Transfer on merger (note 41)	-	1 047 456
Charge for the year	112 247	90 620
Release of impairment losses on loans written-off	(419 761)	(662 240)
At 31 December	**718 013**	**1 025 527**
Collective allowances for impairment:		
At 1 January	434 438	289 671
Transfer on merger (note 41)	-	78 359
Charge for the year	72 079	83 162
Release of impairment losses on loans written-off	(23 143)	(16 754)
At 31 December	**483 374**	**434 438**
Total allowances for impairment	**1 201 387**	**1 459 965**

14. Investment securities

	2008 Sk '000	2007 Sk '000
Debt securities held to maturity (a)	6 063 620	6 478 930
Debt securities available for sale (b)	3 225 936	3 660 497
Equity shares available for sale (c)	202 978	84 428
	9 492 534	**10 223 855**

Notes to the financial statements Year ended 31 December 2008 (continued)

14. Investment securities (continued)

At 31 December 2008, investment securities of Sk 1 950 300 thousand were pledged as collateral to the National Bank of Slovakia in respect of euro conversion (2007: Nil). In addition, the Bank pledged investment securities of Sk 2 026 800 thousand for the loan received from European Investment Bank (2007: Nil). See note 20.

(a) Debt securities held to maturity

	2008 Sk '000	2007 Sk '000
Slovak government bonds	4 452 045	4 647 058
Slovak corporate and bank bonds	1 611 575	1 831 872
	6 063 620	**6 478 930**

At 31 December 2008, the market value of held-to-maturity securities was Sk 6 107.2 million (2007: Sk 6 340.9 million).

(b) Debt securities available for sale

	2008 Sk '000	2007 Sk '000
Slovak government bonds	1 968 472	2 279 783
Slovak corporate and bank bonds	1 257 464	1 380 714
	3 225 936	**3 660 497**

(c) Equity shares available for sale

Name	Activity	2008 Sk '000	2007 Sk '000
RVS, a.s.	Conference and leisure	-	-
S.W.I.F.T.	International funds transfer	708	738
BCPB, a.s.	Stock exchange	636	636
UniCredit Leasing Slovakia, a.s.	Financial services	199 572	80 172
MasterCard Incorporated	Financial services	2 061	2 881
Visa Europe Limited	Financial services	1	1
		202 978	**84 428**

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.

14. Investment securities (continued)

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

	2008 Sk '000	2007 Sk '000
As at 1 January	3 744 925	7 005
Transfer on merger (note 41)	-	4 706 680
Additions	1 532 515	39 210
Disposals	(1 839 208)	(960 405)
Gains/(losses) from changes in fair value	44 682	(47 565)
As at 31 December	**3 428 914**	**3 744 925**

The movements on specific allowances for impairment on investment securities were as follows:

	2008 Sk '000	2007 Sk '000
At 1 January	-	1 382
Transfer on merger (note 41)	-	2 700
Exchange-rate difference	-	(33)
Release for the year	-	(4 049)
At 31 December	**-**	**-**

Notes to the financial statements Year ended 31 December 2008 (continued)

15. Property and equipment

	Land and buildings Sk '000	Furniture, fittings and equipment Sk '000	Assets not yet in use Sk '000	Total Sk '000
Cost				
At 1 January 2007	1 325 046	1 045 391	31 841	2 402 278
Transfer on merger (note 41)	182 452	333 127	804	516 383
Additions	-	-	233 691	233 691
Transfers	115 269	99 183	(214 452)	-
Disposals	(74 600)	(158 414)	(1 103)	(234 117)
At 31 December 2007	**1 548 167**	**1 319 287**	**50 781**	**2 918 235**
At 1 January 2008	1 548 167	1 319 287	50 781	2 918 235
Additions	-	-	186 413	186 413
Transfers	37 695	88 517	(126 212)	-
Disposals	(10 840)	(70 873)	(33 106)	(114 819)
At 31 December 2008	**1 575 022**	**1 336 931**	**77 876**	**2 989 829**
Depreciation and impairment losses				
At 1 January 2007	250 709	802 300	-	1 053 009
Transfer on merger (note 41)	150 250	241 309	-	391 559
Charge for the year	86 144	140 072	-	226 216
Impairment losses	(11 599)	(14 001)	-	(25 600)
Disposals	(30 402)	(153 936)	-	(184 338)
At 31 December 2007	**445 102**	**1 015 744**	**-**	**1 460 846**
At 1 January 2008	445 102	1 015 744	-	1 460 846
Charge for the year	80 938	92 350	-	173 288
Impairment losses	14 727	9 209	-	23 936
Disposals	(11 980)	(69 128)	-	(81 108)
At 31 December 2008	**528 787**	**1 048 175**	**-**	**1 576 962**
At 31 December 2008	**1 046 235**	**288 756**	**77 876**	**1 412 867**
At 31 December 2007	**1 103 065**	**303 543**	**50 781**	**1 457 389**

The recoverable amount of certain of the Bank's property and equipment was assessed in 2005 and 2006 following the decision to merge with HVB Bank Slovakia a.s. (see note 1). This resulted in the creation of impairment losses of Sk 99 790 thousand in order to reduce the carrying amount of property and equipment to the recoverable amount.

In 2007, following the disposal of property and equipment, the Bank released impairment losses on property and equipment in the amount of Sk 25 600 thousand.

In addition, during 2008 the Bank created additional provisions of Sk 23 936 thousand for impairment losses on property and equipment following a decision by management to close three of the Bank's branches.

The Bank's buildings and equipment are insured against fire, burglary, floods and storms and are insured for the 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 Sk '000	Assets not yet in use Sk '000	Total Sk '000
Cost			
At 1 January 2007	572 472	87 718	660 190
Transfer on merger (note 41)	613 898	62 851	676 749
Additions	-	253 637	253 637
Transfers	288 252	(288 252)	-
Disposals	(451)	(65 116)	(65 567)
At 31 December 2007	**1 474 171**	**50 838**	**1 525 009**
At 1 January 2008	1 474 171	50 838	1 525 009
Additions	-	210 778	210 778
Transfers	97 653	(97 653)	-
Disposals	(201 057)	(53 604)	(254 661)
At 31 December 2008	**1 370 767**	**110 359**	**1 481 126**
Amortisation and impairment losses			
At 1 January 2007	493 838	-	493 838
Transfer on merger (note 41)	538 043	-	538 043
Charge for the year	87 041	-	87 041
Impairment losses	(13 905)	-	(13 905)
Disposals	(450)	-	(450)
At 31 December 2007	**1 104 567**	**-**	**1 104 567**
At 1 January 2008	1 104 567	-	1 104 567
Charge for the year	130 907	-	130 907
Impairment losses	-	-	-
Disposals	(205,535)	-	(205,535)
At 31 December 2008	**1 029 939**	**-**	**1 029 939**
At 31 December 2008	**340 828**	**110 359**	**451 187**
At 31 December 2007	**369 604**	**50 838**	**420 442**

The recoverable amount of certain of the Bank's intangible assets was assessed in 2005 and 2006 following the decision to merge with HVB Bank Slovakia a.s. (see note 1). This resulted in the creation of impairment losses of Sk 47 068 thousand in order to reduce the carrying amount of intangible assets to the recoverable amount. In 2007, following the disposal of certain intangible assets, the Bank released the related impairment losses of Sk 13 905 thousand.

Notes to the financial statements Year ended 31 December 2008 (continued)

17. Other assets

	2008 Sk '000	2007 Sk '000
Inventory	6 826	5 528
Operating prepayments	6 905	6 767
Receivables	57 801	21 093
Other assets	-	326
	71 532	33 714
Impairment losses	**(12 122)**	**(10 643)**
K 31. decembru	**59 410**	**23 071**

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

	2008 Sk '000	2007 Sk '000
At 1 January	10 643	7 590
Transfer on merger (note 41)	-	4 270
Release/(charge) for the year	3 366	(1 217)
Write-offs	(1 887)	-
At 31 December	**12 122**	**10 643**

18. Deposits by banks

	2008 Sk '000	2007 Sk '000
Repayable on demand	2 122 370	17 704 704
Other deposits by banks with remaining maturity:		
- 3 months or less	24 022 139	14 163 061
- 1 year or less but over 3 months	1 500 219	715 156
- over 1 year	5 333 667	3 500 219
	32 978 395	**36 083 140**

	2008 Sk '000	2007 Sk '000
Current accounts	2 056 548	3 324 188
Term deposits	30 862 733	32 756 049
Other liabilities	59 114	2 903
	32 978 395	**36 083 140**

19. Customer accounts

	2008 Sk '000	2007 Sk '000
Repayable on demand	41 323 115	57 949 413
Other deposits with agreed maturity dates or periods of notice, by remaining maturity:		
- 3 months or less	32 609 847	15 687 011
- 1 year or less but over 3 months	6 229 354	2 862 637
- 5 years or less but over 1 year	1 990 926	510 486
- over 5 years	1 877	5 680
	82 155 119	**77 015 227**

Notes to the financial statements Year ended 31 December 2008 (continued)

19. Customer accounts (continued)

	2008 Sk '000	2007 Sk '000
Current accounts	39 224 483	38 993 347
Term deposits	33 268 998	28 438 045
Savings accounts	1 056 613	1 563 729
Current accounts from municipalities	5 074 419	107 903
Term deposits from municipalities	573 753	590 560
Loans received	595 217	72 481
Bills of exchange issued	1 455 868	4 782 803
Other liabilities	905 768	2 466 359
	82 155 119	**77 015 227**

Loans received comprise a Slovak crown loan from EXIMBANKA SR. The loan, drawn in tranches, amounted to Sk 595.217 as at 31 December 2008 (2007: Sk 72 481 thousand). The loan bears interest of 2.1% per annum and will mature in 2009 (2007: interest of 1.8 % per annum and maturity in 2008).

20. Loans received

	2008 Sk '000	2007 Sk '000
European Bank for Reconstruction and Development	168 264	311 043
European Investment Bank	3 609 381	2 372 345
The Bank of New York	-	170 123
Slovenská záručná a rozvojová banka, a.s.	137 423	182 375
	3 915 068	**3 035 886**

20. Loans received (continued)

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 €5.58 million (Sk 168 264 thousand) at the balance sheet date (2007: €9.2 million, Sk 311 043 thousand) were provided under two contracts dated 22 June 2004 and 25 October 2005. Principal and interest repayments are due semi-annually in the final three years of the loans. The loans mature on 22 June 2009 and 25 April 2011, respectively and bear interest at annual rates between 4.008 % and 5.592 %.

European Investment Bank

The amounts due to the European Investment Bank ('EIB') comprise one loan of €15.9 million, two loans of €25 million each, two Slovak crown loans (Sk 1.602 million and Sk 15.1 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 €15.9 million at the balance sheet date was provided under a contract entered into on 14 December 1999. Interest repayments are quarterly and principal twice annually. The loan bears interest at an annual rate equivalent to the EIB six-monthly interest rate plus 0.5 % and it has a maturity on 15 June 2012.

The second euro loan of €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 six-monthly interest rate plus 0.5 % and it has a maturity on 15 June 2014.

The third euro loan of €25 million at the balance sheet date was provided under a contract entered into on 15 September 2006. Interest is payable quarterly. The loan bears interest at an annual rate equivalent to the EIB six-monthly interest rate plus 0.5 % and it has a maturity on 15 June 2016.

The first Slovak crown loan of Sk 1.602 million at the balance sheet date was provided under a contract entered into on 15 March 2008. Interest is payable annually and principal will be repaid in one installment on 15 March 2016. The loan bears interest at an annual rate equivalent to the EIB three-monthly interest rate plus 0.13 %.

The second Slovak crown loan of Sk 15.1 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 installment on 15 March 2016. The loan bears interest at an annual rate equivalent to the EIB three-monthly interest rate plus 0.13 %.

The Bank of New York

The amount due to the Bank of New York comprised a loan of €20 million drawn down on 4 October 2005. Interest on the loan was at 5.075 % per annum. The loan was repaid on 3 April 2008.

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 2.60 % – 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-fulfillment of several conditions, including if the loans are not used for the specified purpose or if there is delay in repayment of principal.

Notes to the financial statements Year ended 31 December 2008 (continued)

21. Debt securities issued

	2008 Sk '000	2007 Sk '000
Mortgage bonds		
Issue 1 (a)	521 842	521 172
Issue 1 (b)	507 944	507 944
Issue 2 (a)	506 389	506 389
Issue 2 (b)	-	502 292
Issue 3 (a)	501 978	502 235
Issue 3 (b)	250 236	250 339
Issue 4	908 541	908 599
	3 196 930	3 698 970
Long-term bills	186 559	234 042
Debt securities issued	**3 383 489**	**3 933 012**

Issue 1 (a) comprises 5 000 bonds with a nominal value of Sk 100 thousand each, which were issued on 9 February 2004 with a coupon of 4.9 % per annum by UniBanka, a. s. The bonds will be 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 Sk 100 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 (a) comprises 500 bonds with a nominal value of Sk 1,000 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 2 (b) comprised 50 bonds with a nominal value of Sk 10 000 thousand each, which were issued on 2 December 2004 with a coupon of 4.45 % per annum by HVB bank Slovakia a.s. The bonds were redeemed on 2 December 2008 from repayments of mortgage loans provided to customers.

Issue 3 (a) comprises 5 000 bonds with a nominal value of Sk 100 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 Sk 2,500 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 Sk 100 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 2008 and 2007.

22. Provisions

	Litigations Sk '000	Restructuring Sk '000	Guarantee payments Sk '000	Euro conversion Sk '000	Other Sk '000	Total Sk '000
At 1 January 2007	168 970	92 520	-	-	10 947	272 437
Transfer on merger (note 41)	-	110 823	66 860	-	-	177 683
Utilised	-	(114 180)	-	-	-	(114 180)
(Decrease)/increase for the year	-	(6 933)	(34 021)	-	16 792	(24 162)
At 31 December 2007	**168 970**	**82 230**	**32 839**	**-**	**27 739**	**311 778**
At 1 January 2008	168 970	82 230	32 839	-	27 739	311 778
(Decrease)/increase for the year	(2 290)	(82 230)	(32 839)	62 737	(12 972)	(67 594)
At 31 December 2008	**166 680**	**-**	**-**	**62 737**	**14 767**	**244 184**

Litigations
This provision relates to claims and court cases where the Bank acts as the defendant.

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 the income statement.

Euro conversion
This provision relates to euro conversion costs related to modification of IT systems. See note 42.

Other
This provision relates to credit cards and other liabilities.

23. Corporate income tax payable

	2008 Sk '000	2007 Sk '000
Tax payable for the current period (note 33)	633 991	146 734
Tax prepayments	(145 911)	(128 363)
Corporate income tax payable	**488 080**	**18 371**

Notes to the financial statements
Year ended 31 December 2008 (continued)

24. Deferred tax

Deferred tax assets and liabilities are attributable to the following:

	Assets/ (liabilities) 2008 Sk '000	Assets/ (liabilities) 2007 Sk '000
Available-for-sale securities	(5 831)	2 856
Property and equipment	15 544	17 687
Provisions	40 588	16 001
Impairment losses on loans	88 881	-
Cash flow hedge	27 626	(37 554)
Deferred tax asset/(liability)	**166 808**	**(1 010)**

The deferred tax assets and liabilities have been calculated using a corporate income tax rate of 19 % (2007: 19 %).

The movements on deferred tax were as follows:

	2008 Sk '000	2007 Sk '000
At 1 January	(1 010)	194 044
Transfer on merger (note 41)	-	23 833
Charge to income statement (note 33)	111 325	(208 594)
Charge to equity	56 493	(10 293)
At 31 December	**166 808**	**(1 010)**

In 2007, included in the deferred tax transferred on merger is Sk 24 405 thousand deferred tax liability charged directly to equity.

25. Share capital

	2008 Sk '000	2007 Sk '000
Authorised, issued and fully paid:		
At 1 January	7 095 464	2 377 062
Issue of 25 504 875 ordinary shares of Sk 185 each	-	4 718 402
At 31 December 38 353 859 ordinary shares of Sk 185 each	**7 095 464**	**7 095 464**

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.

In relation to the transfer of assets, liabilities and equity of HVB Bank Slovakia a.s., an Extraordinary General Meeting of Shareholders on 20 February 2007 approved the issue of new shares of the Bank, where 1 share of HVB Bank Slovakia a.s. with a value of Sk 10 000 each was exchanged for 99 shares of UniCredit Bank Slovakia a. s. and 1 share of HVB Bank Slovakia a.s. with a value of Sk 1 000 000 each was exchanged for 9 900 shares of UniCredit Bank Slovakia a. s. The total exchanged was as follows:

	2008 Sk '000
Transfer of share capital of HVB Bank Slovakia a.s. (note 41)	2 576 250
Transfer of retained earnings of HVB Bank Slovakia a.s.	2 142 152
	4 718 402

Notes to the financial statements Year ended 31 December 2008 (continued)

26. Reserves

	Retained earnings Sk '000	Legal reserve fund Sk '000	Fair value reserve Sk '000	Cash flow hedge reserve Sk '000	Merger deficit Sk '000	Capital fund Sk '000	Total Sk '000
At 31 December 2007	**5 613 957**	**747 659**	**(12 175)**	**160 099**	**(209 203)**	**20 842**	**6 321 179**
Dividends	(1 227 324)	-	-	-	-	-	(1 227 324)
Transfers	(330 875)	140 142	-	-	209 203	(18 470)	-
Available-for-sale assets:							
Change in fair value, net of tax	-	-	35 995	-	-	-	35 995
Net amount transferred to income statement	-	-	1 040	-	-	-	1 040
Cash flow hedges:							
Effective portion of changes in fair value, net of tax	-	-	-	(302 886)	-	-	(302 886)
Net amount transferred to income statement	-	-		25 012	-	-	25 012
Disposals		-	-	-	-	(2 109)	(2 109)
Profit for 2008	**2 162 359**	**-**	**-**	**-**	**-**	**-**	**2 162 359**
At 31 December 2008	**6 218 117**	**887 801**	**24 860**	**(117 775)**	**-**	**263**	**7 013 266**

(a) Dividends
The General Meeting of Shareholders held on 24 April 2008 resolved that dividends be paid from the profit for the year ended 31 December 2007, in the amount of Sk 1 227 324 thousand (Sk 32 per share).

(b) Legal reserve fund
The General Meeting also approved the transfer to legal reserve fund of Sk 140 142 thousand from 2007 profit.

Under the Slovak Commercial Code, all companies are required to maintain a legal reserve fund to cover future adverse financial conditions. The Bank is obliged to contribute an amount to the fund each year 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 2008:

	Sk '000	€'000
Transfer to legal reserve fund	216 236	7 178
Dividends	1 941 153	64 434
Retained earnings	4 970	165
	2 162 359	**71 777**

Translated using an exchange rate of 30.1260 SKK/EUR

(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 income statement.

(f) Merger deficit
The merger deficit resulted from the merger of HVB Bank Slovakia a.s. with HVB Factoring s.r.o. on 1 January 2007. The Board of Directors approved the transfer of this deficit to retained earnings on 1 April 2008.

(g) 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 2008, the Bank sold 3 785 shares of Mastercard for Sk 2 109 thousand.

On 1 April 2008, the Board of Directors approved the transfer of Sk 18 470 thousand to retained earnings.

27. Off balance sheet items

	2008 Sk '000	2007 Sk '000
Contingent liabilities:		
Bank guarantees	322 775	158 940
Customer guarantees	3 468 318	3 947 755
Customer guarantees, classified	8 776	8 851
Irrevocable letters of credit	344 202	674 047
Commitments:		
Confirmed credit lines	24 363 750	27 347 271
Derivative instruments:		
Trading assets and liabilities (note 9)	85 027 129	71 209 645
Held for risk management (note 10)	17 555 384	23 681 372
	131 090 334	127 027 881

The Bank is able to cancel the confirmed credit lines.

28. Interest income

	2008 Sk '000	2007 Sk '000
Loans and advances to banks	1 236 387	1 612 807
Loans and advances to customers	4 825 009	3 294 099
Investment securities	498 486	472 750
Bills of exchange	432	3 140
	6 560 314	**5 382 796**

Interest income for the year ended 31 December 2008 includes interest of Sk 122 949 thousand accrued on impaired financial assets (2007: Sk 121 444 thousand).

Included within interest income for the year ended 31 December 2008 is total interest of Sk 273 649 thousand relating to debt securities held-to-maturity (2007: Sk 266 252 thousand).

Notes to the financial statements
Year ended 31 December 2008 (continued)

29. Interest expense

	2008 Sk '000	2007 Sk '000
Deposits by banks	1 279 571	1 113 414
Customer accounts	1 627 088	1 435 495
Loans received	182 511	113 927
Mortgage bonds	166 498	155 462
Long-term bills	6 032	12 969
	3 261 700	**2 831 267**

Included within interest expense for the year ended 31 December 2008, are fair value losses of Sk 21 894 thousand (2007: Sk 598 thousand) on derivatives held in qualifying fair value hedging relationships, and Sk 22 726 thousand (2007: Sk 16 136 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 2008, gains of Sk 33 720 thousand (2007: Nil) and losses of Sk 8 708 thousand (2007: Nil) relating to cash flow hedges were transferred from equity to income statement and are reflected in interest income or expense. There was no net ineffectiveness recognised on cash flow hedges during 2008 or 2007.

30. Net fee and commission income

	2008 Sk '000	2007 Sk '000
Fee and commission income:		
Corporate banking credit related fees	542 380	426 978
Retail banking customer fees	451 382	346 744
Asset management fees	85 096	84 587
Financial guarantee contracts issued	29 407	27 245
Payment services	38 560	7 811
Other	1 319	176
Total fee and commission income	**1 148 144**	**893 541**
Fee and commission expense:		
Payment services	(95 830)	(65 939)
Loans	(26 614)	(32 570)
Inter bank transaction fees	(20 192)	(24 881)
Brokerage	(11 866)	(6 108)
Other	(36 100)	(54 240)
Total fee and commission expense	**(190 602)**	**(183 738)**
Net fee and commission income	**957 542**	**709 803**

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 Sk 993 762 thousand (2007: Sk 773 722 thousand) and expense of Sk 46 806 thousand (2007: Sk 57 451 thousand) relating to financial assets and liabilities that are not at fair value through profit or loss.

Notes to the financial statements Year ended 31 December 2008 (continued)

31. Net trading income

	2008 Sk '000	2007 Sk '000
Net income from foreign exchange operations	627 120	926 415
Net income/(loss) from derivatives (a)	205 172	(216 511)
Net income/(loss) from trading securities (b)	101 793	(62 408)
	934 085	**647 496**

(a) Net income/(loss) from derivatives

	2008 Sk '000	2007 Sk '000
Income from currency derivatives	161 873	19 617
Losses relating to currency derivatives	(8 115)	(393 018)
Net income/(loss) from currency derivatives	**153 758**	**(373 401)**
Income from interest rate derivatives	1 812 833	907 091
Losses relating to interest rate derivatives	(1 698 472)	(786 159)
Net income from interest rate derivatives	**114 361**	**120 932**
Income from options	877 949	2 300 815
Losses relating to options	(940 896)	(2 264 857)
Net (loss)/income from options	(62 947)	35 958
	205 172	**(216 511)**

b) Net income/(loss) from trading securities

	2008 Sk '000	2007 Sk '000
Gains from trading securities	103 543	7 107
Losses from trading securities	(1 750)	(69 515)
	101 793	**(62 408)**

32. Administrative expenses

	2008 Sk '000	2007 Sk '000
Employee costs:		
Wages and salaries	722 384	617 390
Social insurance	177 384	174 815
Other personnel expenses	106 176	61 659
	1 005 944	**853 864**
Service-related expenses	478 254	310 304
Material-related expenses	73 492	64 149
Rent	123 036	132 479
Marketing expenses	103 108	71 238
Operating fees	12 734	13 340
Other services	161 985	123 871
Other administrative expenses	222 611	180 462
	2 181 164	**1 749 707**

The cost of services provided by the statutory auditor during the year ended 31 December 2008 was as follows:

	2008 Sk '000
Statutory audit	6 495
Other assurance services	1 656
IT advisory	644
	8 795

At 31 December 2008, the average number of full time employees was 1 298 (2007: 1 277).

Other administrative expenses include payments to the Deposit Protection Fund of Sk 44 548 thousand in 2008 (2007: Sk 39 126 thousand).

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

	2008 Sk '000	2007 Sk '000
At 1 January	12 642	13 694
Creation of social fund	29 116	18 058
Release of social fund	(27 263)	(19 110)
At 31 December	**14 495**	**12 642**

Notes to the financial statements Year ended 31 December 2008 (continued)

33. Income tax expense

	2008 Sk '000	2007 Sk '000
Income tax recognised in the income statement:		
Current tax expense		
Current year (note 23)	633 991	146 734
Adjustments in respect of prior years	703	(24 167)
	634 694	122 567
Deferred tax expense		
Originating and reversal of temporary differences (note 24)	(111 325)	208 594
Total income tax expense	**523 369**	**331 161**

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

	Tax base 2008 Sk '000	Tax at 19 % 2008 Sk '000	Tax base 2007 Sk '000	Tax at 19 % 2007 Sk '000
Profit before taxation	**2 685 728**	**510 288**	**1 732 575**	**329 189**
Tax non-deductible expenses				
Loans written-off	210 568	40 008	231 517	43 988
Other	186 189	35 376	256 536	48 742
Non-taxable income				
Non-taxable income from securities	(151 589)	(28 802)	(126 062)	(23 952)
Release of impairment losses on loans	(47 866)	(9 095)	(160 926)	(30 576)
Provisions	(132 155)	(25 109)	(63 493)	(12 063)
		522 666		355 328
Adjustments in respect of previous year		703		(24 167)
Total tax expense		**523 369**		**331 161**
Effective tax rate		**19,49 %**		**19,11 %**

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.

	2008	2007
Profit attributable to shareholders (Sk '000)	2 162 359	1 401 414
Weighted average number of ordinary shares in issue	38 353 859	31 977 640
Basic earning per share (expressed in Sk per share)	**56.4**	**43.8**

Diluted

There were no dilutive factors during either year.

35. Profit before changes in operating assets and liabilities

	2008 Sk '000	2007 Sk '000
Profit before taxation	**2 685 728**	**1 732 575**
Adjustments for non-cash items:		
Depreciation	173 288	226 216
Amortisation	130 907	87 041
Loss on disposal of property and equipment	33 711	49 779
Loss on disposal of intangible assets	49 126	65 117
Impairment losses on loans	184 326	173 782
Impairment losses on investment securities	-	(4 049)
Impairment losses on property and equipment	23 936	(25 600)
Impairment losses on intangible assets	-	(13 905)
Impairment losses on other assets	3 366	(1 217)
Provisions	(67 594)	(24 162)
Net loss on available-for-sale assets transferred to income statement	1 040	-
Net loss on cash flow hedges transferred to income statement	25 012	-
	3 242 846	**2 265 577**
Net cash used in operating activities includes the following cash flows:		
Interest received	6 536 004	5 254 423
Interest paid	(3 176 431)	(2 599 541)
	3 359 573	**2 654 882**

Notes to the financial statements
Year ended 31 December 2008 (continued)

36. Lease commitments

Non-cancellable operating lease rentals are payable as follows:

	2008 Sk '000	2007 Sk '000
Less than one year	8 769	12 823
Between one and five years	7 905	-
	16 674	12 823

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 2008 (2007: 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:

	2008 Sk '000	2007 Sk '000
Assets		
Loans and advances to banks	28 341	1 509 895
Liabilities		
Deposits by banks	25 237 533	29 358 648
Transactions during the year were as follows:		
Interest income	15 444	46 190
Interest expense	(973 257)	(824 881)
Fee and commission income	16 765	11 383
Fee and commission expense	(30 265)	(18 575)

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:

	2008 Sk '000	2007 Sk '000
Assets		
Loans and advances to banks	4 407 327	169 666
Loans and advances to customers	205 349	132 022
Liabilities		
Deposits by banks	883 754	172 451
Customer accounts	20 629	73 708
Transactions during the year were as follows:		
Interest income	60 311	53 851
Interest expense	(130 085)	(19 610)
Fee and commission income	3 431	1 693
Fee and commission expense	(1 050)	(425)

(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:

	2008 Sk '000	2007 Sk '000
Assets		
Loans and advances to customers	23 339	22 450
Liabilities		
Customer accounts	47 962	77 197
Transactions during the year were as follows:		
Interest income	1 311	995
Interest expense	(2 689)	(1 424)
Fee and commission income	57	31

Interest rates charged on loans are standard rates that would be charged in an arm's length transaction. The 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 to related parties.

Notes to the financial statements Year ended 31 December 2008 (continued)

37. Related party transactions (continued)

(c) Key management personnel continued

Key management personnel compensation for the period comprised:

	2008 Sk '000	2007 Sk '000
Board of Directors	9 933	7 670
Senior Managers	9 945	8 556
Supervisory Board	475	175
	20 353	**16 401**

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 Sk 77.627 million (2007: Sk 69.868 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 2008, the Bank paid Sk 2.2 million (2007: Sk 3.4 million) and employees paid Sk 4.2 million (2007: Sk 4.4 million) 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 20008 were as follows:

	Note	Trading Sk '000	Held-to-maturity Sk '000	Loans and receivables Sk '000	Available -for-sale Sk '000	Other amortised cost Sk '000	Carrying value Sk '000	Fair value Sk '000
Financial assets								
Cash and cash equivalents	7	-	-	40 056 720	-	-	40 056 720	40 056 720
Trading assets	9	4 986 338	-	-	-	-	4 986 338	4 986 338
Derivative assets held for risk management	10	129 134	-	-	-	-	129 134	129 134
Loans and advances to banks	11	-	-	6 920 223	-	-	6 920 223	6 849 580
Loans and advances to customers	12	-	-	76 448 052	-	-	76 448 052	65 377 711
Investment securities	14	-	6 063 620	-	3 428 914	-	9 492 534	9 536 088
Financial liabilities								
Trading liabilities	9	2 012 545	-	-	-	-	2 012 545	2 012 545
Derivative liabilities held for risk management	10	454 015	-	-	-	-	454 015	454 015
Deposits by banks	18	-	-	-	-	32 978 395	32 978 395	32 068 838
Customer accounts	19	-	-	-	-	82 155 119	82 155 119	81 750 607
Loans received	20	-	-	-	-	3 915 068	3 915 068	3 886 406
Debt securities issued	21	-	-	-	-	3 383 489	3 383 489	3 017 398

Notes to the financial statements Year ended 31 December 2008 (continued)

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 2007 were as follows:

	Note	Trading Sk '000	Held-to-maturity Sk '000	Loans and receivables Sk '000	Available -for-sale Sk '000	Other amortised cost Sk '000	Carrying value Sk '000	Fair value Sk '000
Financial assets								
Cash and cash equivalents	7	-	-	39 180 638	-	-	39 180 638	39 180 638
Trading assets	9	1 809 267	-	-	-	-	1 809 267	1 809 267
Derivative assets held for risk management	10	299 129	-	-	-	-	299 129	299 129
Loans and advances to banks	11	-	-	1 852 600	-	-	1 852 600	1 844 266
Loans and advances to customers	12	-	-	80 054 666	-	-	80 054 666	70 686 644
Investment securities	14	-	6 478 930	-	3 744 925	-	10 223 855	10 085 889
Financial liabilities								
Trading liabilities	9	898 315	-	-	-	-	898 315	898 315
Derivative liabilities held for risk management	10	112 255	-	-	-	-	112 255	112 255
Deposits by banks	18	-	-	-	-	36 083 140	36 083 140	35 322 072
Customer accounts	19	-	-	-	-	77 015 227	77 015 227	76 772 062
Loans received	20	-	-	-	-	3 035 886	3 035 886	2 915 477
Debt securities issued	21	-	-	-	-	3 933 012	3 933 012	3 333 531

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.

Certain loans and advances to customers shown within loans and receivables are designated in qualifying fair value interest rate hedging relationships (2008: Sk 587 000 thousand; 2007: Sk 612 335 thousand) and are stated at fair value with respect to the hedged interest rate.

40. Fair values and accounting classification (continued)

Investment securities
The quoted market prices for debt securities are set out in note 14. Non-quoted equity shares are stated net of allowances for impairment.

Investment securities include Sk 199 572 thousand (2007: Sk 80 172 thousand) of equity investment securities in both the carrying amount and fair value columns that are measured at cost and for which disclosure of fair value is not provided, because the fair value cannot be reliably measured. The investment is neither redeemable nor transferable and there is no market for it. The Bank does not intend to dispose of this investment.

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.

Notes to the financial statements Year ended 31 December 2008 (continued)

41. Merger with HVB Bank Slovakia a.s.

On 1 April 2007, UniBanka, a. s. merged with HVB Bank Slovakia a.s. The merger was effected by the transfer of the following assets, liabilities and equity of HVB Bank Slovakia a.s.:

	1 April 2007 Sk '000
Assets	
Cash and cash equivalents	20 507 374
Trading assets	984 576
Derivative assets held for risk management	160 093
Loans and advances to banks	1 776 524
Loans and advances to customers	46 107 272
Investment securities	6 794 534
Property and equipment	124 824
Intangible assets	138 706
Deferred tax asset	23 833
Other assets	132 911
	76 750 647
Liabilities, share capital and reserves	
Trading liabilities	914 501
Derivative liabilities held for risk management	68 063
Deposits by banks	26 277 682
Customer accounts	34 887 825
Loans received	3 397 979
Debt securities in issue	2 305 329
Provisions	177 683
Corporate income tax payable	16 065
Other liabilities	243 955
Share capital	2 576 250
Reserves (a)	5 885 315
	76 750 647
(a) Reserves	
Retained earnings	
Legal reserve fund	5 417 817
Fair value reserve	554 188
Cash flow hedge reserve	27 347
Merger deficit	76 694
Capital fund	(209 203)
	18 472
	5 885 315

41. Merger with HVB Bank Slovakia a.s. (continued)

Loans and advances to customers include specific allowances for impairment of Sk 1 047 456 thousand and collective allowances for impairment of Sk 78 359 thousand.

Investment securities include available for sale debt and equity securities of Sk 4 706 680 thousand and allowance for impairment for available for sale securities of Sk 2 700 thousand.

Other assets include allowance for impairment of Sk 4 270 thousand.

42. Subsequent event

On 1 January 2009, the Slovak Republic joined the Euro Area and the Slovak crown was replaced by the euro. Consequently, beginning on this date, the Company has converted its accounting records to euro, and the financial statements for 2009 and in the following years will also be presented in euro. Comparative data will be recalculated using the conversion exchange rate of 30.1260 SKK/EUR.

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

A.

The corporate governance of UniCredit Bank Slovakia a.s. (hereinafter referred to as the "Company" or the "Bank") pursuant to the Act No. 431/2002 Coll. on accounting is governed by the Code of Corporate Governance in Slovakia which is a part of the Stock Exchange Rules for Admission of Securities to Regulated Market.

B.

The 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 the internal control.

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

The highest rank of the Bank's hierarchy is occupied by the Board of Directors 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 directors;
d) and the lowest level of management is represented by sub-department managers.

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

Managers at each level are responsible for design, implementation, and efficiency of the internal control system. The internal control system is a set of rules, processes, and organizational structures aimed at the 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, which 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 Code of Corporate Governance in Slovakia is applicable to the Company.

D.

The internal control 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 a continuous review in the case of a change in circumstances and origination of new risks.

The following are the main features of the internal control system:
The risk management system is described above.
Written principles and procedures determining the lines of responsibility and delegation of powers, determination of the main controls and comprehensive reporting and analyses in accordance with the approved standards and budgets.
Minimization of the risk by attempting to provide for implementation of the appropriate infrastructure, controls, systems, and people within the entire scope of 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 control systems is warranted through management controls, internal audit controls, regular reporting to the Audit Committee, and regular meetings with external auditors.
The Internal Audit Unit controls, on an independent basis, adequacy of the entire system of internal control and reports to the Board of Directors and to the Audit Committee on main findings and on corrective measures recommended for the risk balancing purposes.
Directors are responsible for the internal control system of the Bank and for a regular control of their efficiency.
The risk management system has been developed in 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 14 June 2006 relating to the taking up and pursuit of the business of credit institutions, Council Directive 200/12 EC relating to 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 risk management system of the Bank 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 organization of business transactions in a manner to be in line with the risk profile of such transactions,
- create an adequate system for assigning the powers and responsibilities,
- have available an effective system for reporting – reporting system,
- have available an effective risk control system.

The Board of Directors of the Bank is responsible for the implementation of three independent functions which represent an effective system of internal control in the area of risks. These functions include:
- risk control function which ensures that the risk management policies are complied with,
- compliance function which identifies and assess the compliance risk,
- internal audit function which is an instrument used by the managing authority to ensure that the quality of the risk control 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 audit - Audit Committee, and approved its Charter. The Audit Committee is made up of three Supervisory Board members.
The responsibilities of the Audit Committee are set out in its Charter. At the same time, the Audit Committee may give an order to carry out inspections and special audits of banking activity, of other subdepartments/units of the Bank and subsidiaries. Besides, the Audit Committee may ask for the evaluation of the correctness of bank-to-bank transactions and other transactions which represent, directly or indirectly, the conflict of interests.

The Supervisory Board shall supervise the exercise of powers by the Board of Directors and the conduct of Company's business activities.

The Supervisory Board shall arrange for and perform such duties which 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 Board of Directors, to elect and recall members of the Board of Directors, to elect the Chairman and the Vice-Chairman of the Board of Directors from its members, to approve the rules of remuneration of the members of the Board of Directors, to take decisions concerning their bonuses and to approve agreements with members of the Board of Directors concerning their offices;
b) to approve the Rules of the Internal Control and Internal Audit Unit of the Company;
c) to supervise the compliance and implementation of the Holding Guidelines;
d) to be responsible for performance of duties which are vested to the authority of the Supervisory Board by the Holding Guidelines;
e) to grant an approval of the audit of the Company internal control system by the Internal Control 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 Board of Directors and any amendments thereof;
h) to approve annual and long-term business, financial and strategic plans of the Company prepared by the Board of Directors and to review the fulfillment 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 inspect accounting books and records of the Company related to its business activities;
l) to review compliance of the accounting books of the Company with legal regulations and the Articles of Association;
m)to review the ordinary individual and extraordinary individual financial statements, proposals of the Board of Directors concerning the distribution of profit or the settlement of loss, reports of the Board of Directors prior to their submission to the General Meeting and to submit to the General Meeting its opinion;
n) to convene meetings of the Board of Directors and the General Meetings if the interests of the Company so require;
o) to inform the General Meeting on results of its control activity and to propose to the General Meeting reasonable measures to be taken by the Company;
p) to approve external auditors of the Company;
q) to give prior approval for the appointment and removal of CEO and COO/General Manager of the Company
r) 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;
s) to give prior approval for the appointment and removal of the Head of the Internal Control and Internal Audit Unit;
t) 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.

The Supervisory Board shall be entitled to request that the Internal Control and Internal Audit Unit perform any internal control in the extent specified by the Supervisory Board.
The Supervisory Board shall be composed of 9 (nine) members who shall be elected for the term of office of 3 (three) years. Re-election

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

(continued)

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 Board of Directors shall be entitled to propose the candidates for the members of the Supervisory Board elected and recalled by the General Meeting as well as 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.

E.

The General Meeting is the supreme body of the Company.
The Board of Directors shall be obliged to convene the Ordinary General Meeting to be held within 4 (four) months of the end of the previous calendar year. The Board of Directors shall convene an Extraordinary General Meeting if so required by legal regulations or these Articles of Association. The Supervisory Board may convene the Extraordinary General Meeting, if 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 on 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 the ordinary individual financial statements, extraordinary individual financial statements, decisions concerning the distribution of the profits or the losses settlement and determination of royalties;
e) approve the Annual Report of the Company;
f) adopt decisions concerning winding up of the Company;
g) resolve on division, merger, consolidation of the Company or on the sale of an enterprise of the Company or its part;
h) acknowledge the Supervisory Board activity reports;
i) resolve on other matters which are reserved to the General Meeting by generally binding legal regulations, these Articles of Association or such matters which 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 winding up 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 on 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 Board of Directors. In the event that the shareholder's request for the information or the 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 the 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.

F.

The Board of Directors carried out its activity in 2008 consisting of four members and since February 2008 consisting of three members.
Advisory bodies of the Board of Directors 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 Board of Directors include:

Advisory body name	Number of members
HQ Claims Committee of UniCredit Bank Slovakia a.s.	8
Assets and Liabilities Committee (ALCO)	8
Occupational Safety and Health Committee of UniCredit Bank Slovakia a.s.	5
Security Committee of UniCredit Bank Slovakia a.s.	3
Industrial Accident Compensation Committee of UniCredit Bank Slovakia a.s.	5
Claim Settlement Committee of UniCredit Bank Slovakia a.s.	6
Personal Data Protection Committee	12
Operating Risk Committee of UniCredit Bank Slovakia a. s.	7

G.

The shareholders's equity is divided to 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 Euro and fourteen cents. The Company's shares are not admitted for trading in 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 Board of Directors shall be elected and dismissed by the Supervisory Board.

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

(continued)

When a member of the Board of Directors is elected or dismissed, each nominee is subject to a separate vote. If there are more nominees, the nominees awarded with the highest number of votes shall become the members of the Board of Directors. If the prior approval of the National Bank of Slovakia to the election or the dismissal of the member of the Board of Directors 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 Board of Directors, Vice-Chairman of the Board of Directors or a member of the Board of Directors resigns, is dismissed or the term of his or her office is terminated as a result of his or her death or other 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 newly elected member of the Board of Directors shall expire on the date of expiration of the term of the Board of Directors the term of office of which lasts at the time of election of the new member.

If a member of the Board of Directors resigns from office, the resignation on the membership of the Board of Directors is effective on the day of the first Supervisory Board meeting following delivery of the written resignation notice; if a Board of Directors' member resigns at the Supervisory Board meeting, the resignation is effective immediately. If, after delivery of the resignation notice on the membership in the Board of Directors or resignation at the Supervisory Board meeting, the Supervisory Board agrees with the member of the Board of Directors on a date of the termination of office, the office of the member of the Board of Directors 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 Board of Directors related to the decision-making on the issuance of shares are governed by the provisions of the Act No. 513/1991 Coll., the Commercial Code.

The Company entered in no agreements within the meaning of Section 20 (7) (j) and (k) of the Act No. 431/2002 Coll. on accounting.