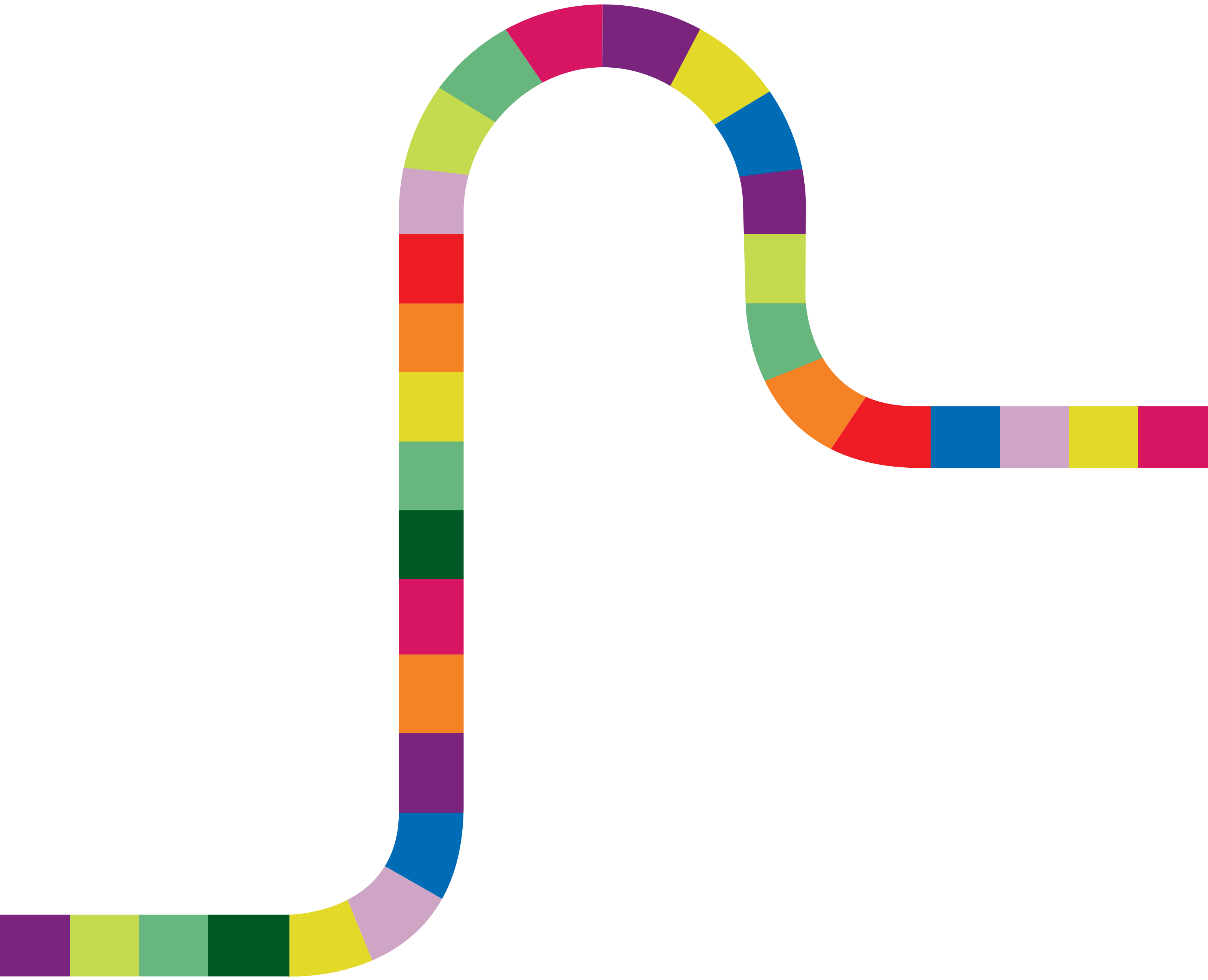
UniCredit Bank

For whatever
life brings

2010 Annual Report



UniCredit Bank

Introduction

Everyone knows that life can be surprising. Many of these surprises are good things. Some are not so good. That is why people need their bank to be a reliable partner, helping them to deal with *whatever life brings*.

Because this year's report is inspired by real life, its graphics portray some of life's more pleasant aspects, as well as a few of its less enjoyable features. Thus, the images present a range of contrasts, and our cover offers up a kaleidoscope of moments drawn from daily life.

That is simply how life works. From the exciting to the ordinary, from the expected to the unanticipated, life is always changing and makes demands on all of us.

And UniCredit is here to lend a hand.

Our job is about more than offering products and managing transactions. It is about understanding the needs of our customers as individuals, families and enterprises.
Our goal is to deliver solutions for the everyday issues that people face. This means providing them with concrete answers – day by day, customer by customer, need by need.

2010 Annual Report

For whatever life brings

Contents

Supervisory Board, Board of Directors

From January 1, 2010 to December 31, 2010 the membership of the Management Board was as follows:

Chairman:	Jozef Barta	
Vice-Chairman:	Mag. Franz Wolfger	(from April 12, 2010)
	Mag. Helmut Horvath	(until April 11, 2010)
Members:	Ing. Miroslav Štrokendl	
	RNDr. Zuzana Žemlová	(from January 1, 2010)
	Ing. Monika Kohútová, MBA	(from May 4, 2010)

From January 1, 2010 to December 31, 2010 the membership of the Supervisory Board was as follows:

Heinz Meidlinger	
Gerhard Deschkan	
Carmine Ferraro	
Ľubomír Partika	
Claudio Cesario	
Jaroslav Hazlinger	
Viera Durajová	(from February 25, 2010)
Alessio Pomasan	(from April 8, 2010)
Jana Szászová	(from December 9, 2010)
Herbert Hangel	(until February 19, 2010)
Zuzana Šťastná	(until October 29, 2010)

Management

As of December 31, 2010 the management of UniCredit Bank Slovakia a. s. operated in the following structure:

Chief Executive Officer	Jozef Barta	
Internal Control and Internal Audit Division	Christian Hamberger	(from July 1, 2010)
	Stefano Cotini	(until Feb. 28, 2010)
Bank Secretariat	PhDr. Rudolf Hanuljak	
Compliance Officer	JUDr. Mário Tuchscher	(from Jan. 1, 2010)
Human Resources Division	Svetlana Radan	
Identity and Communications	Ing. Martina Fatyková	
Legal and Compliance Division	Mgr. Vladimír Nagy	
Market Research & Strategy	MPA Vladimír Zlacký	(from Oct.15, 2010)
	Ing. Ján Tóth	(until Sept. 15, 2010)
Private Banking	Raymond Kopka	
Corporate and Investment Banking Division	Ing. Miroslav Štrokendl	
Structured Finance and Large Corporates	Ing. Jaroslav Habo	
Mid Corporates	Ing. František Doležal	
Global Transaction Banking	Ing. Roland Viskupič	
Markets	MVDr. Martin Salaj	
Financial Division	Mag. Franz Wolfger	(from April 12, 2010)
	Mag. Helmut Horvath	(until April 11, 2010)
Accounting	Ing. Viera Durajová	
Planning and Controlling	Ing. Jaroslav Šinák	
Global Banking Services Division	JUDr. Marián Áč	(from Feb. 1, 2010)
	Carlo Furlan	(until Jan. 31, 2010)
Organization and IT	Mgr. Daša Gogaľová	(until Sept. 30, 2010)
ICT Support and Process Management	Mgr. Daša Gogaľová	(from Oct. 1, 2010 until Dec. 14, 2010)
Change Management	Ing. Uramová Ľuboslava	(from Dec. 6, 2010)
Logistics	Ing. Kristián Lichtblau	(until Sept. 30, 2010)
Organization and Logistics	Ing. Kristián Lichtblau	(from Oct. 1, 2010)
Bank Operations	Mgr. Ján Grujbar	(from Feb. 1, 2010)
Loan Administration	Ing. Miroslav Kešelák	(from April 1, 2010)
	JUDr. Marian Áč	(until Jan. 31, 2010)
Retail Division	Ing. Monika Kohútová, MBA	
Segments and Products	Ing. Marian Burian	
Retail Sales and Services	Ing. Jozef Adamkov	(until August 15, 2010)
Risk Management Division	RNDr. Zuzana Žemlová	(from Jan.1, 2010)
Special Credit	JUDr. Marek Melíšek	(from Sept. 1, 2010)
Strategic Credit Risk Management	Steffen Kuhnle	(from Sept. 20, 2010)
Underwriting	Ing. Miroslav Gálus	(from Sept. 1, 2010)
Workout	JUDr. Marek Melíšek	(until August 31, 2010)

Opinion of the Supervisory Board

„UniCredit Bank has focused on an increase of the volume of granted loans.“

Dear Ladies and Gentlemen,
Dear shareholders,

In light of the positive domestic economy outlook, the Bank focused on an increase of the volume of granted loans. The Bank grew in all segments – loans to individuals by 44.8 %, corporate banking by 11.4 %. We consider the increase in the area of new housing loans (+39.4 %) to be a particularly great success. In 2010, UniCredit Bank strengthened its position in the corporate banking segment, in which it has been one of the stable leaders. Despite the 2010 market stagnation, the Bank's growth was significant also in the area of loans to companies.

As of December 31, 2010, the share capital of UniCredit Bank Slovakia a. s. was in the amount of EUR 235,492,694.26, which represents 38,353,859 pieces of registered shares in book entry form with the nominal value of EUR 6.14 per share.

During 2010 the Supervisory Board actively carried out controls of the Bank's business strategy implementation and business activities management in accordance with the legislation of the Slovak Republic, the Articles of Association and in close cooperation with the Internal Control and Internal Audit Division. The Supervisory Board was regularly informed during its 2010 meetings about the financial results of the Bank and about the credit portfolio risk development. The Audit Committee as an advisory body of the Supervisory Board reported on its activities to the Supervisory Board at regular meetings and submitted relevant recommendations. The Audit Committee ensured that the Management Board reacted to recommendations of both internal and external auditors and that the Supervisory Board was aware of issues which could have a significant impact on the financial condition or business matters of the Bank. As well as this, it also supported clear communication between internal audit, external auditors and the Supervisory Board.

The Supervisory Board, based on its activity, hereby confirms that the account books and accounting documents of UniCredit Bank Slovakia a. s. were kept in compliance with the law, the Articles of Association and internal regulations of the Bank. In the opinion of the Supervisory Board, the financial statements of 2010 present fairly the financial situation and results of the Bank, which was also affirmed by the opinion of KPMG, the external auditor.

The Supervisory Board certifies that according to the financial statements for the year 2010, the Bank generated a profit after taxation of EUR -11,501,410.25 according to International Financial Reporting Standards.

The Supervisory Board consents to the proposal of the Management Board for the year 2010 profit after taxation distribution in the amount of EUR 11,501,410.25 and recommends its approval.

Heinz Meidlinger
Chairman of the Supervisory Board

Foreword of the Chairman of the Board of Directors and CEO

„UniCredit Bank managed to increase the total volume of assets significantly (by 32.6 % year-on-year) especially thanks to the growth of client loans and deposits.“

Dear shareholders,

at the beginning of 2010, the crisis could still be felt on the Slovak banking market, in particular in the corporate segment. Despite certain investment recovery in the second half of the year, investment activities of companies remained relatively low, which was reflected in a lower demand for new loans on the market.

Despite the starting recovery of the domestic economy, many companies were still struggling with the fading crisis. Non-performing loans on the Slovak banking market did not stabilize before 2nd half of the year.

Inspite of the obvious impact of the fading crisis mainly at the beginning of 2010, the Bank managed to increase the total volume of assets significantly (by 32.6 % year-on-year) especially in 2nd half of the year thanks to the growth of client loans and deposits.

The Bank increased its market share in all business areas: up to 7.7 % in total assets, 8.5 % in client loans and 7.7 % in client deposits.

In light of the positive outlook of the domestic economy, the Bank focused on increase in volumes of granted loans.
We view the increase in new housing loans (39.4 %) as exceptionally successful. From among the important players on the market, we recorded the fastest year-on-year growth and our market share in housing loans went up by 0.8 %. As regards the segment of individuals, the Bank will continue with its active lending strategy in 2011. Apart from the housing loans the Bank will attempt to strengthen its position in the segment of consumer loans as well.
The Bank is one of the leaders in the corporate segment and it confirmed this position also in 2010. Its market share in corporate financing kept growing – the volume of loans increased by 11.4 %, which was notably more than the development of the market (0.2 %).

Although the total volume of gross loans increased by 16.5 % year-on-year, the Bank still has enough capital for further growth. The capital adequacy remained at a relatively high level of 13.04 %, providing comfortable space for further expansion in the future.

The remarkably high growth of loans was accompanied by an exceptional increase in client deposits (33.6 % year-on-year). Deposits in corporate banking had the highest share in this growth (55.7 %), small and medium entrepreneurs contributed with 25.0 % and deposits of individuals grew by 6.4 %. The Bank was successful in keeping the loans to deposits ratio at a sound level of 94.9 %.

The economy of the Bank in 1st half of the year was influenced by low interest rates and negative impact of the crisis, however, 2nd half of the year saw a significant recovery. In 2nd half of the year, the operating profit after taxation increased by 91.2 % as compared with 1st half of the year and by 42.1 % as compared with the same period of the previous year. In the end, the total operating profit of the Bank in 2010 was at the same level as in the previous year, i.e. EUR 36.6 million.
The Bank's profit after taxation amounted to EUR 11.5 million, i.e. a decrease of 47.97 % year-on-year, mainly as a result of higher creation of provisions. In the area of risk management, the Bank continued to apply prudential strategies and created sufficient provisions and reserves.

Dear shareholders,

The 2010 economic results are in line with the expectations of the Bank. UniCredit Bank is one of the banks which have remained profitable. It is important that after a difficult period of downturn positive growth tendencies can be seen again. UniCredit Bank is a sound and stable bank in good shape, having a considerable surplus of capital.

We would like to thank you for your trust and we believe that we will not let you down in 2011 either but will continue to follow the positive trends in accordance with the objectives of the entire financial group.

Jozef Barta
Chairman of the Management Board
and Chief Executive Officer

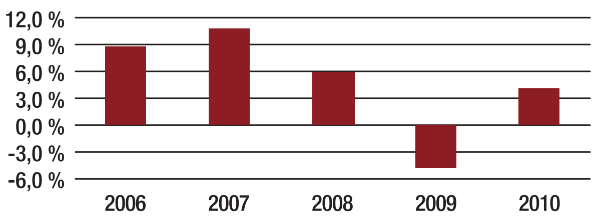
For whatever life brings

Report on Business Activity and Assets in 2010

Economic and competitive environment in the SR

In the course of the year 2010 the Slovak economy kept recovering after the steep slump in 2008 – 2009. The GDP returned to the growing trend. It increased 4.0 % in comparison with previous year. The economy was driven mainly by revival of the domestic industry in 2010, mainly as a result of the increasing demand from Germany. The German economy recorded the strongest growth since its unification and became a moving force of the economies of the most Central European countries including Slovakia. At the end of year 2010 the Slovak industry even exceeded the pre-crisis level of production. However, the growth of industry did not result fully in the labor market. The industry gradually started generating new jobs, though, but the employment in industry still remains about 20 % below the pre-crisis level. Besides, the services and building industry lagged. Therefore the unemployment in 2010 was relatively on high level. In combination with the expected growth of prices and announced government austerity package, the consumer confidence of households deteriorated again at the end of the year. The consumption of household remained weak and it does not contribute to the growth of economy. The GDP growth was thus still driven mainly by foreign demand, but in the second half of the year also by the gradually recovering investment activities of domestic companies.

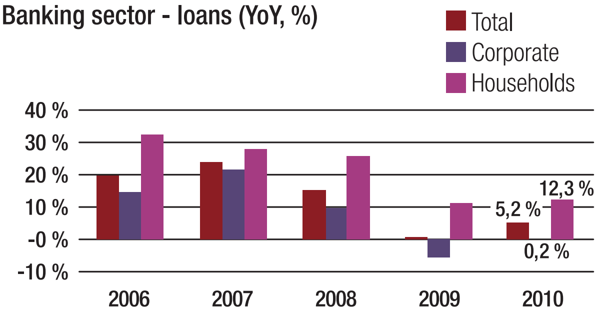
GDP in Slovakia (YoY, constant prices)



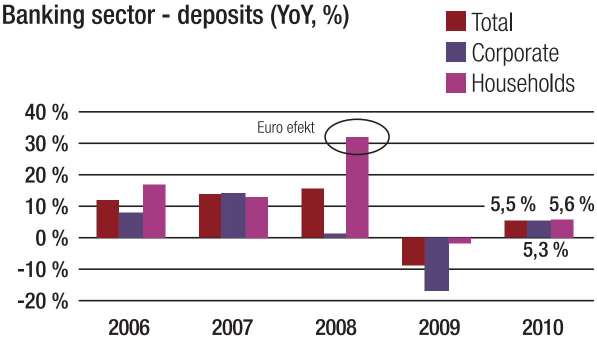
The weak consumption of households did not create space for the price increase in market services and tradable goods. The demand inflation remained close to zero during the whole year 2010. The gradual acceleration of consumer inflation at the end of the year influenced exclusively the supply factors – global growth of food and oil prices.
The Eurozone (or some of the Eurozone countries) was hit by the debt crisis in 2010. It negatively impacted the growth of economy in the countries like Greece, Ireland, Spain and Portugal. Also this is why the ECB did not proceed to monetary policy tightening in 2010. It left the key interest rate on the level of 1.0 %.
The gradual economic recovery helped in 2010 also the domestic banking sector. The profit after taxation increased 105 % and completely wiped off the decline in profit of previous year. The ROE of the banking sector increased from 4.9 % to 9.7 %. The banking sector profitability was positively impacted by the assets re-increase (3.2 %), falling cost of risk, but also persisting pressure on the cost efficiency improvement (fall in cost -1.2 %). The Cost-to-Income ratio declined from 56.5 % in 2009 to 51.0 % in 2010.
The loans and deposits growth dynamism accelerated in 2010 (especially in its second half). After decline in 2009 also the corporate loans and deposits increased. The tiny growth (0.2 %) of total corporate loans was driven clearly by non-financial corporations (+1.9 %), while loans of financial institutions continued to decline in 2010. Significant increase of loans was visible mainly in energy sector (+96.4 %). Backed by increasing sales and profit of domestic companies the corporate deposits resumed a growth in 2010 (+5.3 %).

The 12.3% growth of retail loans accelerated mainly due to the real estate market recovery. The housing loans grew up by 16.2 % in 2010. The Slovak households remained prudent in consumption. The propensity to save is still relatively high what positively resulted in growth of retail bank deposits (+5.6 %).

Banking sector - loans (YoY, %)



Banking sector - deposits (YoY, %)



Expected Development of the Bank in 2011

The GDP growth dynamism in 2011 could moderately slow down in particular due to the lower consumption of government and household sector as a result of the pack of fiscal measurements. The investment appetite of domestic companies, however, could gradually increase after the two years of postponement. It could result also in a more dynamic growth of corporate loans. UniCredit Bank intends to keep, or even strengthen its position in corporate funding also in 2011. The above standard capitalization enables us to finance also large projects.

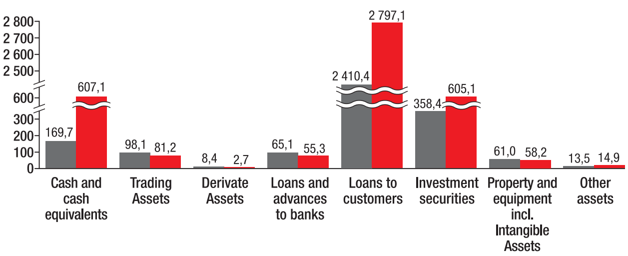
Despite growing economy the labor market recovery will be very slow. The continuing low consumer confidence will probably help in maintaining of still high propensity to save. Therefore despite expecting stagnation of real wages (or their slight decline, respectively) we assume that the growth of deposits of individuals could continue its trend from 2010. In the segment of loans for individuals we expect the continuing dominance of housing loans, which represents a key product of the Bank but UniCredit Bank intends to strengthen also its position in the consumer loan segment.

In 2011 UniCredit Bank expects the growth of profitability in particular as a result of increasing revenues. However, also in 2011 the Bank will endeavor to optimize its costs and put accent on risk management.

Selected Economic Results of the Bank in 2010

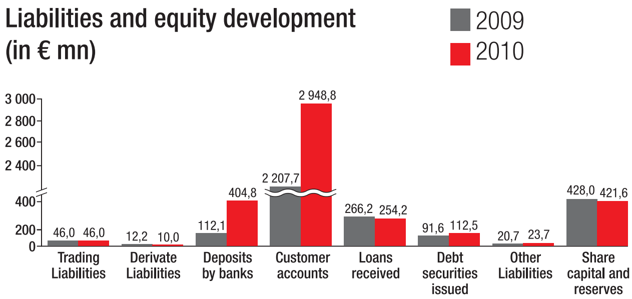
UniCredit Bank Slovakia created basis for positive future outlook with outstanding growth of volume of client business in 2010. Total customer net loans of the Bank reached the volume of EUR 2.8 billion increasing on y/y comparison by 16.5 % and significantly outperforming the market development of 5.2 %. The remarkable growth of loans was driven by all kinds of business; despite of lower demand in the market, the bank became the leader in growth of new granted loans for housing (+39.4 %) and improved the market share by 0.8 % in this segment, while corporate financing substantially outperformed the market development with double-digits y/y growth of 11.4 %.

Assets development (in € mn)



Total growth of the total volume of assets of the Bank by 32.6 % up to the volume of EUR 4.2 billion was on the side of liabilities driven by enormous increase of customer deposits which reached a volume of more than EUR 2.9 bn. Despite of overall market growth of deposit volume at the level of 5.5 %, UniCredit Bank Slovakia managed to increase the volume of customer deposits by exceptional 33.6 %, i.e. EUR 741 million. While the deposits in corporate banking had the highest share in this growth, i.e. 55.7 %, and the small and medium entrepreneurs contributed with 25.0 % and deposits of individuals with 6.4 %. Positive development of the total volume of assets was reflected also in its quality, when the loan/deposit ratio indicator as of December 31, 2010 reached the healthy level of 94.9 %.

Liabilities and equity development (in € mn)



Total capital of the Bank slightly decreased to the volume of EUR 421.6 million (-1.5%) due to dividends payoff in 2010 in the amount of EUR 19.6 million. The capital adequacy ratio remained at remarkably high level of 13.04 % providing comfortable space for further expansion in next years.

Despite of impact of macro economical environment on performance in first half of 2010, Bank stabilized revenue generation with subsequent business improvement in second half to reach the last year level of operating profit. Total operating income of the Bank reached with EUR 109.6 million the level of last year. The Bank eliminated the influence of the lower interest rates environment on the business environment through a targeted initiative of service sales recording a y/y increase of net fees by 18.2 %.

Several efficiency projects helped to keep operating expenditure under control and were reflected in a reduction of costs by 0.9 % as compared with 2009.

In area of risk management Bank continued in application of prudent credit, market and operational strategies and created sufficient amounts of provisions and reserves.

Risk Management in the Bank

In 2010, the Bank set the following objectives in risk management:

a. to minimize potential loss, improve the early risk identification system, monitoring and security in the conditions of the fading crisis. Despite the continued increased rate of environment risk, keep fulfilling the key risk indicators in compliance with the set objectives of the Bank in risk management and capital management as well;
b. to continue implementing Basel 2 principles according to the project plan;
c. to ensure the solution of strategically important tasks of risk management in factual and time terms within the centrally (Group) or locally managed projects.

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

The Bank achieved a very good level of credit portfolio quality within the area of credit risk despite difficult external conditions, with 6.68 % of the share of classified loans in total volume of loans at the end of the year, which is slightly above the banking sector value (6.01 %). The corporate portfolio represents the largest part of credit risk, with 76.8 % of the total credit portfolio. Both the portfolio of individual clients (19.1 %) and the small business portfolio (4.1 %) have a rising trend. The cost of risk reached the amount of EUR 22 million.

Within the area of credit risk, the Bank solved the following key projects:

a. Basel 2 – preparation for the approach of capital requirement calculation based on internal ratings (IRB approach) that the Bank will apply in 2011 - 2014;
b. preparation and development of score cards for the whole scale of retail products as a part of the Basel 2 project – IRB approach.

The Bank recorded loss due to operational risks amounting to EUR 998.1 thousand, which is a slight increase of the volume as compared with the previous year (20 % increase) and also in the frequency of occurrence of the monitored events (38 % increase). On the basis of the approval of the National Bank of Slovakia and the Bank of Italy, the Bank approved a new allocation mechanism for distribution of risk capital for operational risk calculated according to the AMA approach.

Corporate Banking including the Structured Finance activities

Structured Finance and Large Corporates

In 2010, energy industry and energetic infrastructure remained one of the key sectors in the area of project and structured financing. The Bank in accordance of 5 year Strategy Plan managed to become a market leader in the field of financing of photovoltaic power plants, when it financed power plants with a total installed output of 31.15 MWp on a project financing platform. Since the end of 2010, the Bank has been extended focus to other type of renewable energy sources, such as biogas stations, cogeneration biomass units and small water power plants. Strategic focus in renewable energy sources projects is closely connected with the strategy of social responsibility of UniCredit Bank in the area of environment protection, the main goal of which is to decrease the production of both direct and indirect emissions.

Year 2010 was the first year of the Bank strong activity in the area of healthcare thanks to acquisition financing and structured financing.

In addition, 2010 was significant also in terms of the Bank's support in the field of projects financed from EU structural funds. The Bank's contribution to the support of these projects had the form of bridge loans, co-financing or consulting. As usual, the Bank actively cooperated with multinational support institutions – European Investment Bank and European Bank for Reconstruction and Development, which approved credit lines for support of our clients' projects amounting to a total of almost EUR 100 million.

As regards Large Corporates and Multinationals, 2010 saw a year-on-year cumulative increase of the volume of provided loans by more than EUR 100 million, especially in energy industry, infrastructure and services. The Bank has been highly successful in this segment mainly thanks to its ability to offer professional and integrated service combined with a comprehensive offer of services while making use of an important competitive advantage in the form of an extensive international network of UniCredit Group.

One of the pillar of successful cooperation within network of UniCredit Group was oriented to acquire investors coming to Slovakia from Asia. This activity has been supported by opening cooperation and signing credit lines with Export Credit Agencies from Asian region.

Big part of commercial effort in Large segment was oriented to strengthen liquidity of the Bank, which was resulted almost doubling volume of deposits during year 2010.

Mid Corporates

In 2010, our principal aim was acquisition focused on sectors which were not notably impacted by the global recession, then on renewable sources of energy, selected segments of the economy oriented on the support of customers with foreign capital linked to the UniCredit Group and on the projects co-financed by the EU funds.

The 22 % growth of granted and drawn loans as well as the total 18.9 % growth of MID segment revenues proved that the acquisition activities were successful.

Very important part of commercial activity in Mid segment area was focused on products of Trade Finance. Thanks to the large number of new acquired customers the volume of deposits as well payment services provided by the Bank increased significantly.

Trading Desk and Treasury Sales

Activities of UniCredit Bank in 2010 confirmed a stable position in the area of Treasury and in terms of interbank deals the Bank remained a trustworthy partner for other banks operating on financial markets. Activities of the Bank on the foreign exchange market were in line with the chosen strategy and with a conservative approach to risk while attempting to provide full support to services for Treasury Sales clients.

The Bank recorded the whole year liquidity excess on the money market and had no difficulties to comply with all indicators and limits set by NBS and internally in UniCredit Group. As regards securities trading, the trend of the previous years continued and the Bank focused on trading of government bonds which constitute the entire portfolio of the trading book of the Bank. In the second half of the year 2010, we became members of a syndicate for issuing of a successful two-billion issue of government bonds SD 216 with a maturity of 15 years. The total demand of investors exceeded EUR 4.2 billion.

Retail Banking

A great success and a breakthrough – these words could be used to characterize the year 2010 in Retail Banking Division. We managed to make full use of favourable market conditions and the effect of implementation of a new sales management system, which was positively reflected in an increase of realized income. When looking at the end-of-year results, it is clear that retail banking focuses on loan products in all segments.

As regards housing loans, the Bank continued to support the so called transparent rate linked to Euribor and in the second half of the year, a significant innovation of this concept was introduced in the form of a decreasing margin for the client.

Two business campaigns contributed to record-breaking sales – a volume increase of close to 40 % year-on-year and a market share increase of approx. 1 %.

The Bank revived also the offer of consumer loans, which was reflected in results, which are more than twice as high as gross sales in 2009.

As for transaction products, the Bank introduced several innovations. A comprehensive review of the offer of service packages for individuals as well as for small and medium enterprises resulted in introduction of new packages Champion and Business Champion with a loyalty program. These packages were designed so that their content would support the official partnership of UniCredit Group and UEFA Champions League.

In the field of card products, our focus was chiefly on technological development – as well as introducing new payment cards designs, the Bank also increased their security through implementation of the Dynamic Data Authentication (DDA) technology and certified a new platform for contactless payments. The volume of credit card transactions grew by 12.5 % year-on-year. The percentage of active usage of credit cards for purchase of goods and services increased by 26 %. The largest increase was recorded in sales of Visa Classic Sphere and Maestro Champion products.

Private Banking

The Bank has now been serving clients with an above-standard income and a large volume of assets for seven years. The total volume of deposits under the management of Private Banking amounted to EUR 352.1 million as of the end of 2010 – an increase of 5.7 % year-on-year. The number of Private Banking clients went up by 6.4 % year-on-year, which strengthened our position on the Private Banking market.

At the end of the year, Private Banking clients participated in a satisfaction survey, the results of which were excellent for the bank. 96 % of the participating clients were highly satisfied with the service of Private Banking and private bankers.

In autumn 2010, UniCredit was the first bank on the Slovak market to include a prestigious debit payment card VISA Infinite into our offer of products and services for TOP private clients. This card ranks at the absolute top of VISA products. For UniCredit Bank, it is a high-quality tool for acquisition of new creditworthy private clients.

Human Resources

As of December 31, 2010, the total registered headcount of Bank employees was 1,234. There were 771 employees working in front office positions and 463 employees working in back office positions. Staff turnover increased by 3.21 % year-on-year. Of the total number of employees, 59.5 % had university education and the share of employees with secondary education was 41.5 %. The average age of employees was 37.8 years. Women made up 69.7 % of the registered headcount.

Throughout 2010, high attention was paid to employee training. The total number of training days was 5,117 and the trainings were attended by a total of 3,376 people. Professional trainings constituted the largest part (3,513 days) of training activities. Managers had an opportunity to develop their skills during managerial trainings and managerial workshops. Employees attended soft skills and PC skills trainings. Most of the trainings had the form of e-learning.

In 2010, requirements in the field of education resulting from Act no. 186/2009 Coll. on Financial Intermediation and Financial Counselling were implemented. Attention was paid also to the development of employees who participate in our Group programs. At the beginning of the year, an employee satisfaction survey was conducted. Based on the results of the survey, action plans were prepared and implemented in the course of the year.

Corporate Philanthropy and Sponsorship

Corporate philanthropy is an integral part of the Bank's business concept. In 2010, the Bank continued its strategy of long-term support of cultural projects, which highlighted the values of UniCredit Group based on a connection of profitability and responsibility for the environment in which the Bank operates.

One of such projects is the support of the International Film Festival Bratislava, where UniCredit Bank acted as a general partner of the festival. Thanks to financial contribution of the Bank, the organizers of this project could offer the festival to audiences in several Slovak towns.

During summer months, the Bank, which is one of the main partners of the event, linked its name also with a prominent Italian cultural festival DOLCE VITAJ, which spreads the atmosphere of Italian culture and lifestyle throughout Slovakia.

As regards sport sponsorship activities, one of the largest is the group wide partnership with UEFA Champions League. Probably the greatest recognition for the UniCredit brand in Slovakia was brought by the prestigious UEFA Champions League Trophy Tour, which took place last autumn, and for the first time in history, presented the famous football trophy in several Slovak towns.

In the area of charity projects, the Bank continued its cooperation with the civic association MAGNA Children at Risk. Besides the direct financial support provided to the civic association, the cooperation with association continued with a long-term charity project combining a bank product – MAGNA payment card – with aid for children in developing countries.

In cooperation with UniCredit Foundation, the Group foundation, the Bank promotes an active approach to philanthropy among its employees through the Gift Matching Program. It is an initiative of the UniCredit Foundation providing financial support, which matches employee gifts to a non-profit organization operating in the area of social work, healthcare, environment protection, international solidarity, education and research.

Environmental Policy

In line with the Group environment protection policy, the Bank prepared an Environmental Sustainability Program in 2010. The objective of this program is to reduce production of direct and indirect emissions, improve prevention in view of the possibility of occurrence of environmental damage, increase environmental co-responsibility of employees and clients of the Bank and to discover potential energy saving possibilities by means of regular monitoring of consumption of different kinds of energy.

In addition to this, UniCredit Bank's loan policy supports financing of projects in the area of renewable energy sources, which positively contribute to protection of the environment.

Successful implementation of environmental management in activities of the Bank was confirmed by a certificate on implementation of the environmental management system (EMS) according to the international standard ISO 14001, which UniCredit Bank obtained at the end of last year. For the time being, UniCredit Bank Slovakia is the only certified bank of UniCredit Group in the CEE region, whose activities help achieve the ecological objectives of the Group.

Shareholders

As of December 31, 2010, the share capital of UniCredit Bank Slovakia a. s. was listed in the Bratislava I District Court Commercial Register in the amount of EUR 235,492,694.26, with a nominal value of EUR 6.14 per share.

In 2010, there were no changes in the amount of the Bank's share capital.

The structure of shareholders of UniCredit Bank Slovakia a. s. as of December 31, 2010

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

For whatever life brings

Branch Network of UniCredit Bank Slovakia a. s. as of December 31, 2010

Region	Branch – address	Phone	Fax
BRATISLAVA	821 08 Bratislava, Krížna 50	02/49 50 44 01	02/55 4 240 13
		02/49 50 42 02	02/55 42 27 74
	811 01 Bratislava, Ventúrska 7	02/59 20 61 01-04	02/59 20 61 05
		02/59 30 28 20	02/59 30 28 21
	811 03 Bratislava, Panenská 7	02/54 41 89 54, 55	02/54 41 32 28
	811 06 Bratislava, Nám. 1. mája 18, PARK ONE	02/57 20 23 10	02/57 20 23 00
	811 08 Bratislava, Dunajská 25	02/57 10 74 10	02/57 10 74 33
	821 08 Bratislava, Dulovo nám. 13	02/50 20 20 61	02/50 20 20 66
	821 01 Bratislava, Tomášikova 30/A	02/43 41 26 33	02/43 41 26 36
	813 33 Bratislava, Šancová 1/A	02/49 50 23 30, 29, 34	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, Aupark	02/68 20 20 33, 34, 36	02/68 20 20 35
	814 16 Bratislava, Hurbanovo nám. 1	02/59 30 54 12-16	02/54 41 66 96
	821 09 Bratislava, Plynárenská 7/A	02/58 10 30 81	02/58 10 30 85
	813 38 Bratislava, Rybné nám. 1, Park INN Danube	02/59 42 80 01	02/59 42 80 00
	841 04 Bratislava, Dúbravská cesta 2, Westend	02/59 20 20 35	02/59 20 20 30
	821 09 Bratislava, Trenčianska 56/A	02/58 10 10 75	02/58 10 10 70
	821 07 Bratislava, Dudvážska 5, NC Hron	02/40 25 57 01-06	02/40 25 57 00
	841 02 Bratislava, Saratovská 6B, Rustica	02/60 30 10 01-2	02/60 30 10 00
	821 09 Bratislava, Prievozská 4/A, Apollo BC II	02/58 10 14 01	02/58 10 14 00
	831 04 Bratislava, Vajnorská 100, Polus CC	02/49 11 48 01	02/49 11 48 00

TRNAVA	917 00 Trnava, Štefánikova 48	033/590 83 09	033/590 83 53
		033/590 83 33	033/590 83 53
		033/590 83 11	033/590 83 53
	901 01 Malacky, Záhorácka 51	034/797 92 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 14	033/791 08 33
	902 01 Pezinok, Holubyho 27	033/690 54 01	033/690 54 05
	909 01 Skalica, Škarniclovská 1	034/690 61 21	034/690 61 25
	905 01 Senica, Hviezdoslavova 61	034/690 91 10	034/690 91 33
	920 01 Hlohovec, M. R. Štefánika 4	033/735 10 19, 11-12, 14	033/735 10 15

TRENČÍN	911 01 Trenčín, Nám. sv. Anny 3	032/650 92 02	032/650 92 04
		032/650 92 25	032/650 92 04
		032/650 92 09	032/650 92 04
	915 01 Nové Mesto nad Váhom, Čsl. armády 4	032/748 49 91	032/748 49 95
	907 01 Myjava, Nám. M. R. Štefánika 581/29A	034/698 33 06	034/698 33 00
	971 01 Prievidza, Ul. G. Švéniho 3A	046/518 94 02	046/518 94 00
	957 01 Bánovce nad Bebravou, Jesenského 561/3	038/762 70 11	038/762 70 15

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

DUNAJSKÁ STREDA	929 01 Dunajská Streda, Hlavná 5599/3B	031/590 55 09	031/590 55 20
		031/590 55 22	031/590 55 20
		031/590 55 31	031/590 55 20
	924 01 Galanta, Revolučná 1	031/788 45 10	031/778 45 00
	930 39 Zlaté Klasy, Pekná cesta 1	031/591 10 14	031/591 10 15
	927 01 Šaľa, Hlavná 12A	031/783 87 01-6	031/783 87 00
	931 01 Šamorín, Gazdovský rad 49/B	031/562 79 60	031/562 79 62
	903 01 Senec, Lichnerova 30	02/4020 20 52	02/4020 20 55
	926 01 Sereď, Dionýza Štúra 1012	031/789 30 94	031/789 27 07
	945 01 Komárno, Nám. M. R. Štefánika 11	035/790 00 61	035/790 00 65

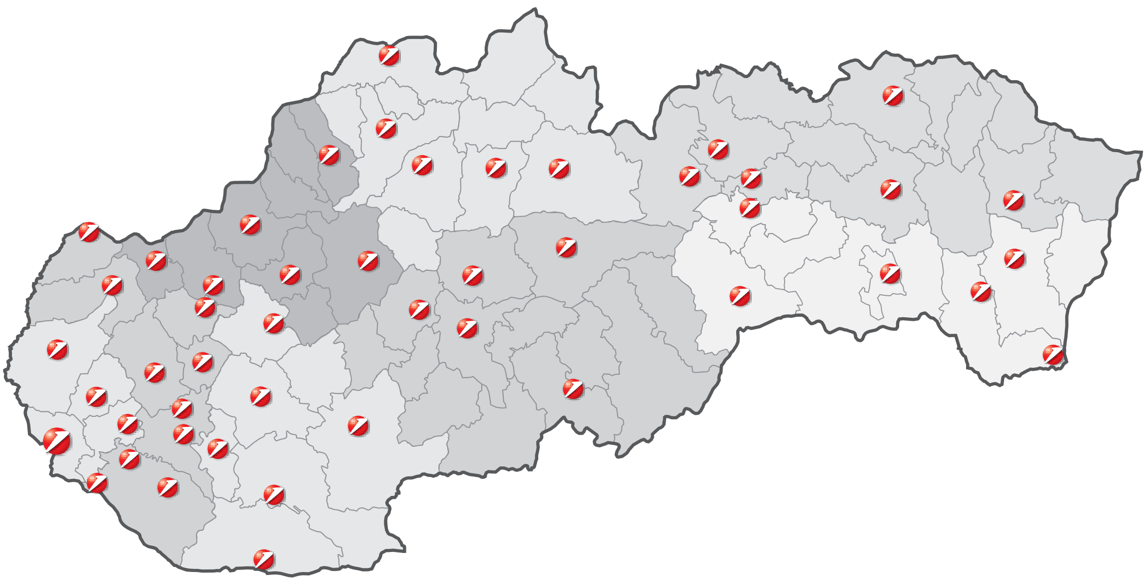
ŽILINA	010 01 Žilina, Národná 12	041/562 82 01	041/562 82 04
		041/562 82 24	041/562 82 04
		041/562 82 31	041/562 82 04
	010 01 Žilina, Nám. Ľ. Štúra, Aupark	041/562 85 01-6	041/562 85 00
	017 01 Považská Bystrica, M. R. Štefanika 161/4	042/437 99 51	042/437 99 55
	036 01 Martin, M. R. Štefánika 1	043/420 70 22	043/420 70 11
		043/420 70 02	043/422 48 92
	022 01 Čadca, Palárikova 85	041/430 28 12-14	041/430 28 15

ZVOLEN	960 01 Zvolen, Nám. SNP 50	045/524 80 21	045/524 80 16
		045/524 80 10	045/532 07 00
		045/524 80 24	045/532 07 00
	960 01 Zvolen, Hviezdoslavova 16	045/524 14 10	045/524 14 33
	974 01 Banská Bystrica, Na Troskách 25, SC EUROPA	048/472 30 02	048/472 30 00
	974 01 Banská Bystrica, Nám. SNP 18	048/471 97 01	048/471 97 00
	984 01 Lučenec, Železničná 15	047/430 35 23	047/430 35 20
	965 01 Žiar nad Hronom, Š. Moyzesa 427	045/678 89 01	045/678 89 05
	977 01 Brezno, Ul. ČSA 17	048/670 00 51	048/670 00 55

Branch Network of UniCredit Bank Slovakia a. s. as of December 31, 2010 (CONTINUED)

Region	Branch – address	Phone	Fax
KOŠICE	040 01 Košice, Rooseveltova 10	055/680 51 21	055/623 27 41
		055/680 51 34	055/623 27 41
		055/680 51 83	055/680 51 84
	040 01 Košice, Toryská 1/C	055/788 18 64	055/788 18 60
	040 01 Košice, Mlynská 7	055/728 19 02	055/728 19 11
	040 01 Košice, Štúrova 14	055/611 25 31	055/611 25 66
	071 01 Michalovce, Nám. osloboditeľov 1	056/688 07 01	056/688 07 07
	048 01 Rožňava, Nám. baníkov 33	058/788 07 08	058/788 07 00
	076 43 Čierna nad Tisou, Hlavná 11	056/687 15 41	056/687 15 40
	075 01 Trebišov, M. R. Štefánika 20	056/667 00 11	056/667 00 15
	080 01 Prešov, Hlavná 29	051/772 96 38	051/772 96 05
		051/772 96 01	051/772 96 00
	080 01 Prešov, Vihorlatská 2A, ZOC MAX	051/756 30 06	051/756 30 00
	085 01 Bardejov, Dlhý rad 17	054/488 04 15	054/488 04 10
	066 01 Humenné, Mierová 64/2	057/786 23 41	057/786 23 45

POPRAD	058 01 Poprad, Popradské nábr. 18	052/787 03 10	052/772 11 65
		052/787 03 11	052/772 11 65
		052/787 03 68	052/772 11 65
	060 01 Kežmarok, Hlavné nám. 3	052/468 00 31	052/468 00 35
	052 01 Spišská Nová Ves, Zimná 56	053/419 71 10	053/442 57 88
	031 01 Lipt. Mikuláš, Nám. osloboditeľov 7	044/547 50 04	044/547 50 05
	034 01 Ružomberok, Mostová 2	044/432 06 58	044/432 06 60
	054 01 Levoča, Nám. Majstra Pavla 19	053/418 26 01	053/418 26 00



For whatever life brings

Financial statements

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

Year ended 31 December 2010

Contents

Independent Auditors' Report

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Dvořákovo nábrežie 10
P.O. Box 7
820 04 Bratislava 24
Slovakia

Telephone +421 (0)2 59 98 41 11
Fax +421 (0)2 59 98 42 22
Internet www.kpmg.sk

Translation of the Independent Auditors' Report originally prepared in Slovak

Independent Auditors' Report

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

We have audited the accompanying financial statements of UniCredit Bank Slovakia a. s. ("the Bank"), which comprise the statement of financial position as at 31 December 2010, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management as represented by the statutory body is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on 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 of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the 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 give a true and fair view of the financial position of the Bank as at 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

28 February 2011
Bratislava, Slovak Republic

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

Auditing company:
KPMG Slovensko spol. s r.o.
License SKAU No. 96

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

Statement of financial position
Year Ended 31 December 2010

UniCredit Bank Slovakia a. s.

Statement of financial position
As at 31 December 2010

	Notes	2010 EUR'000	2009 EUR'000
Assets			
Cash and cash equivalents	7	607,079	169,728
Trading assets	9	81,188	98,136
Derivative assets held for risk management	10	2,741	8,378
Loans and advances to banks	11	55,287	65,053
Loans and advances to customers	12	2,797,100	2,410,365
Investment securities	14	605,079	358,434
Property and equipment	15	43,085	46,035
Intangible assets	16	15,142	14,928
Corporate income tax – prepayment	23	-	1,706
Deferred tax asset	24	12,788	9,669
Other assets	17	1,182	1,117
Prepayments and accrued income		884	966
		4,221,555	3,184,515
Liabilities			
Trading liabilities	9	46,043	45,954
Derivative liabilities held for risk management	10	9,982	12,198
Deposits by banks	18	404,763	112,091
Customer accounts	19	2,948,805	2,207,692
Loans received	20	254,185	266,249
Debt securities issued	21	112,494	91,565
Provisions	22	8,714	7,222
Corporate income tax – payable	23	1,823	-
Other liabilities		7,535	8,042
Accruals and deferred income		5,660	5,456
		3,800,004	2,756,469
Share capital and reserves			
Share capital	25	235,493	235,493
Reserves	26	186,058	192,553
		421,551	428,046
		4,221,555	3,184,515

The financial statements, which include the notes on pages 34 to 101, were approved by the Board of Directors on 28 February 2011 and signed by:

Jozef Barta
Chairman of the Management Board

Franz Wolfger
Vice-Chairman of the Management Board

The financial statements were prepared by the person responsible for the preparation of the financial statements and signed by:

Viera Durajová
Head of Accounting

Statement of comprehensive income
Year ended 31 December 2010

	2010	2009	
	Notes	Eur'000	Eur'000
Interest income	28	112,775	121,160
Interest expense	29	(39,029)	(44,705)
Net interest income		**73,746**	**76,455**
Fee and commission income	30	33,783	30,180
Fee and commission expense	30	(5,773)	(6,491)
Net fee and commission income	**30**	**28,010**	**23,689**
Net trading income	31	5,542	6,415
Other income		2,265	4,010
		7,807	10,425
Operating income		**109,563**	**110,569**
Administrative expenses	32	(61,446)	(62,359)
Depreciation	15	(6,361)	(6,437)
Amortisation	16	(5,179)	(4,822)
Operating expenditure		**(72,986)**	**(73,618)**
Operating profit before impairment losses and provisions		**36,577**	**36,951**
Impairment losses on loans and advances	13	(20,896)	(9,725)
Net release of impairment losses on property and equipment	15, 16	728	179
Impairment losses on other assets	17	(384)	(36)
Provisions	22	(1,492)	73
Profit before taxation		**14,533**	**27,442**
Income tax expense	33	(3,032)	(5,338)
Profit after taxation		**11,501**	**22,104**
Other comprehensive income			
Cash flow hedges:			
Effective portion of changes in fair value, net of tax		2,901	889
Available-for-sale assets:			
Change in fair value, net of tax		(1,498)	1,332
Net amount transferred to profit or loss		162	(160)
Disposal of capital funds		-	(9)
Other comprehensive income		**1,565**	**2,052**
Total comprehensive income for the year		**13,066**	**24,156**
Basic and diluted earnings per share (expressed in EUR per share)	**34**	**0.30**	**0.58**

The notes on pages 34 to 101 are an integral part of these financial statements.

Statement of changes in shareholders' equity Year ended 31 December 2010

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

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

The notes on pages 34 to 101 are an integral part of these financial statements.

Statement of changes in shareholders' equity Year ended 31 December 2010 (CONTINUED)

	Share capital EUR'000	Retained earnings EUR'000	Legal reserve fund EUR'000	Fair value reserve EUR'000	Cash flow hedge reserve EUR'000	Capital fund EUR'000	Total EUR'000
At 1 January 2010	**235,493**	**156,895**	**36,681**	**1,998**	**(3,021)**	**-**	**428,046**
Total comprehensive income for the year							
Profit for 2010	-	11,501	-	-	-	-	11,501
Other comprehensive income							
Available-for-sale assets:							
Change in fair value, net of tax	-	-	-	(1,498)	-	-	(1,498)
Net amount transferred to profit or loss	-	-	-	162	-	-	162
Cash flow hedges:	-	-	-	-	-	-	-
Effective portion of changes in fair value, net of tax	-	-	-	-	2,901	-	2,901
Total other comprehensive income	-	-	-	(1,336)	2,901	-	1,565
Total comprehensive income for the year	-	11,501	-	(1,336)	2,901	-	13,066
Transactions with owners							
Dividends	-	(19,561)	-	-	-	-	(19,561)
Transfers	-	(2,210)	2,210	-	-	-	-
At 31 December 2010	**235,493**	**146,625**	**38,891**	**662**	**(120)**	**-**	**421,551**

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

The notes on pages 34 to 101 are an integral part of these financial statements.

Statement of cash flows
Year ended 31 December 2010

	Notes	2010 EUR'000	2009 EUR'000
Cash flows from operating activities			
Profit before changes in operating assets and liabilities	35	47,997	48,676
Decrease in trading assets		16,948	67,380
Decrease/(increase) in derivative assets held for risk management		5,637	(4,092)
Decrease in loans and advances to banks		9,766	164,656
(Increase)/decrease in loans and advances to customers		(407,661)	117,520
(Increase)/decrease in other assets		(449)	820
Decrease/(increase) in prepayments and accrued income		82	(27)
Increase/(decrease) in trading liabilities		89	(20,850)
Decrease in derivative liabilities held for risk management		(2,216)	(2,873)
Increase/(decrease) in deposits by banks		292,672	(982,591)
Increase/(decrease) in customer accounts		741,113	(519,358)
Provisions utilised		-	(810)
(Decrease)/increase in other liabilities		(507)	4,687
Increase/(decrease) in accruals and deferred income		204	(4,864)
Income tax paid		(2,989)	(16,201)
Net cash from/(used in) operating activities		**700,686**	**(1,147,927)**
Cash flows from investing activities			
Acquisition of investment securities		(446,591)	(106,397)
Proceeds from sale of investment securities		202,070	53,782
Purchase of property and equipment		(3,012)	(5,899)
Purchase of intangible assets		(5,106)	(4,575)
Net cash (used in)/from investing activities		**(252,639)**	**(63,089)**
Cash flows from financing activities			
(Repayment of)/proceeds from loans received		(12,064)	136,293
Issuance/(redemption) of debt securities		20,929	(20,746)
Disposals of capital funds		-	(9)
Dividends paid		(19,561)	(64,434)
Net cash (used in)/from financing activities		**(10,696)**	**51,104**
Net increase/(decrease) in cash and cash equivalents		**437,351**	**(1,159,912)**
Cash and cash equivalents at beginning of year		**169169,728**	**1,329,640**
Cash and cash equivalents at end of year	**7**	**6 607,079**	**169,728**

The notes on pages 34 to 101 are an integral part of these financial statements.

Notes to the financial statements Year ended 31 December 2010

1. General information

UniCredit Bank Slovakia a. s. ('the Bank'), 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.

At 31 December 2010, the shareholders structure was as follows:	
Shareholders	**%**
UniCredit Bank Austria AG, Vienna, Austria	99.0
Ministry of Agriculture of the Slovak Republic	0.4
Other shareholders	0.6

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

The Bank's headquarter is in Bratislava. The Bank operates through 76 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 2009, were approved by the General Meeting of Shareholders on 8 April 2010.

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

The members of the Board of Directors are as follows:

Jozef Barta – chairman
Miroslav Štrokendl
Zuzana Žemlová, from 1 January 2010
Franz Wolfger – vice-chairman, from 12 April 2010
Monika Kohútová, from 4 May 2010
Helmut Horvath, until 11 April 2010

The members of the Supervisory Board are as follows:

Heinz Meidlinger – chairman
Gerhard Deschkan – vice-chairman
Carmine Ferraro
Ľubomír Partika
Claudio Cesario
Viera Durajová, from 25 February 2010
Alessio Pomasan, from 8 April 2010
Jaroslav Hazlinger, until 29 October 2010, from 9 December 2010
Jana Szászová, from 9 December 2010
Herbert Hangel, until 19 February 2010
Zuzana Šťastná, until 29 October 2010

The members of the Audit Committee are as follows:
Carmine Ferraro
Heinz Meidlinger
Claudio Cesario, from 4 May 2010
Herbert Hangel, until 19 February 2010

2. Basis of preparation

(a) Statement of compliance

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

(b) Basis of measurement

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

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

(c) Functional and presentation currency

These financial statements are presented in euro, which is the Bank´s functional currency. Except as otherwise indicated, financial information presented in euro has been rounded to the nearest thousand.

(d) Use of estimates and judgements

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

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

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

(e) Comparative figures

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

(f) Changes in accounting policies

There were no changes in accounting policy during the year ended 31 December 2010.

(g) Other accounting developments

Disclosures pertaining to fair values and liquidity risk for financial instruments

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

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

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

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

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

(b) Interest income and expense

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

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

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

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

(c) Fees and commissions

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

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

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

(d) Net trading income

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

(e) Dividends

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

(f) Lease payments made

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

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

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

(g) Income tax expense

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

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

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

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

(h) Financial assets and liabilities

(i) Recognition
The Bank initially recognises loans and advances, deposits by banks, customer accounts, loans received and debt securities in issue on the date that they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value though profit or 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 from the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Bank is recognised as a separate asset or liability.

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

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

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

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

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

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

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

3. Significant accounting policies (CONTINUED)

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

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

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

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

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

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

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

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

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

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

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

(i) Cash and cash equivalents

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

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

(j) Trading assets and liabilities

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

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

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

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

The Bank designates derivatives held for risk management as hedging instruments in qualifying hedging relationships. On initial designation of the hedge, the Bank formally documents the relationship between the hedging instruments and hedged items, including the risk management objective and strategy in undertaking the hedge transaction, together with the method that will be used to assess the effectiveness of the hedging relationship. The Bank makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of 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, of whether the forecast transaction is highly probable to occur and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

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

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

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

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

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

3. Significant accounting policies (CONTINUED)

profit or loss. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is recognised immediately in profit or loss.

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

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

(l) Loans and advances

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

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

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

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

(m) Investment securities

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

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

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

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

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

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

(n) Property and equipment

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

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

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

(ii) Subsequent costs
The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Bank and its cost can be reliably measured. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

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

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

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

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

(o) Intangible assets

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

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

(p) Leased assets

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

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

(q) Impairment of non-financial assets

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

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

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

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

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

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

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

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

(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,

3. Significant accounting policies (CONTINUED)

and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

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

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

(t) Employee benefits

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

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

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

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

(u) Earnings per share

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

(v) Segment reporting

An operating segment is a component of the Bank that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Bank's other components, whose operating results are reviewed regularly by the Board of Directors (being the chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available (see note 6).

(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 2010, and have not been applied in preparing these financial statements:

- Revised IAS 24 Related Party Disclosure (effective for annual periods beginning on or after 1 January 2011)

  The amendment exempts government-related entity from the disclosure requirements in relation to related party transactions and outstanding balances, including commitments, with (a) a government that has control, joint control or significant influence over the reporting entity; and (b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity. The revised Standard requires specific disclosures to be provided if a reporting entity takes advantage of this exemption.

  The revised Standard also amends the definition of a related party which results in new relations being included in the definition, such as, associates of the controlling shareholder and entities controlled, or jointly controlled, by key management personnel.

  Revised IAS 24 is not relevant to the financial statements as the Bank is not a government-related entity and the revised definition of a related party is not expected to result in new relations requiring disclosure in the financial statements.

- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010)

The Interpretation clarifies that equity instruments issued to a creditor to extinguish all or part of a financial liability in a 'debt for equity swap' are consideration paid in accordance with IAS 39.41. The initial measurement of equity instruments issued to extinguish a financial liability is at the fair value of those equity instruments, unless that fair value cannot be reliably measured, in which case the equity instrument should be measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability (or part of the financial liability) extinguished and the initial measurement amount of equity instruments issued should be recognized in profit or loss.

The Bank did not issue equity to extinguish any financial liability during the current period. Therefore, the Interpretation will have no impact on the comparative amounts in the financial statements for the year ending 31 December 2010. Further, since the Interpretation can relate only to transactions that will occur in the future, it is not possible to determine in advance the effects the application of the Interpretation will have.

- Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (effective for annual periods beginning on or after 1 February 2010)

  The amendment requires that rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments if the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments.

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

4. Use of estimates and judgements

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

Key sources of estimation uncertainty

Allowances for credit losses

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

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

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

Determining fair values

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

Critical accounting judgements in applying the Bank's accounting policies

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

Valuation of financial instruments

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

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

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

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

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

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

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

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

The reported amounts of financial instruments stated at fair value analysed according to valuation methodology at 31 December 2010 were as follows:

	Note	Level 1 Eur'000	Level 2 Eur'000	Level 3 Eur'000	Total Eur'000
Assets					
Trading assets	9	-	81,188	-	81,188
Derivative assets held for risk management	10	-	2,741	-	2,741
Investment securities	14	-	605,079	-	605,079
		-	**689,008**	**-**	**689,008**
Liabilities					
Trading liabilities	9		46,043		46,043
Derivative liabilities held for risk management	10	-	9,982	-	9,982
		-	**56,025**	**-**	**56,025**

4. Use of estimates and judgements (CONTINUED)

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

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

The Bank did not have financial assets or liabilities in the Level 3 fair value hierarchy during the years ended 31 December 2010 and 31 December 2009 and in the Level 1 during the year ended 31 December 2010.

Financial asset and liability classification

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

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

Qualifying hedge relationships

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

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

5. Financial risk management

(a) Introduction

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

- credit risk
- liquidity risk
- market risk

In addition, the Bank is exposed to operational risk from the normal course of its activities.

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

Risk management framework

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

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

Strategy in using financial instruments

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

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

Regulatory requirements

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

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

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

(b) Credit risk

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

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

5. Financial risk management (CONTINUED)

Management of credit risk

The responsibility for the management of credit risk is delegated to the Risk Management Division, headed by the Chief Risk Officer and reporting directly to the Board of Directors. Units within the 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.

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 usually every two weeks.

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

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

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

	Loans and advances to customers		Loans and advances to banks		Investment securities	
	2010	2009	2010	2009	2010	2009
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Individually impaired						
Grade 3: Impaired	217	44,541	-	-	-	-
Grade 4: Impaired	159,107	24,424	-	-	-	-
Grade 5: Impaired	12,545	2,502	-	-	-	-
Gross amount	171,869	71,467	-	-	-	-
Allowance for impairment	(47,787)	(29,909)	-	-	-	-
Carrying amount	124,082	41,558	-	-	-	-
Collectively impaired						
Grade 3: Impaired	13,700	6,478	-	-	-	-
Grade 4: Impaired	718	6,970	-	-	-	-
Grade 5: Impaired	4,742	4,397	-	-	-	-
Gross amount	19,160	17,845	-	-	-	-
Allowance for impairment	(6,460)	(5,918)	-	-	-	-
Carrying amount	12,700	11,927	-	-	-	-
Past due but not impaired						
Grade 1	119,929	115,884	-	-	-	-
Grade 2	53,256	17,218	-	5,092	-	-
Gross amount	173,185	133,102	-	5,092	-	-
Allowance for impairment	(2,122)	(1,558)	-	-	-	-
Carrying amount	171,063	131,544	-	5,092	-	-
Past due but not impaired comprises:						
0-30 days	167,682	124,347	-	5,092	-	-
30-60 days	2,873	3,655	-	-	-	-
60-90 days	248	2,982	-	-	-	-
90-180 days	53	553	-	-	-	-
180 days +	207	7	-	-	-	-
Carrying amount	171,063	131,544	-	5,092	-	-
Neither past due nor impaired						
Grade1: Low-fair risk	2,366,902	2,180,761	51,650	59,961	605,079	358,434
Grade2: Low-fair risk	130,174	52,194	3,637	-	-	-
Gross amount	2,497,076	2,232,955	55,287	59,961	605,079	358,434
Allowance for impairment	(7,821)	(7,619)	-	-	-	-
Carrying amount	2,489,255	2,225,336	55,287	59,961	605,079	358,434
Total carrying amount	**2,797,100**	**2,410,365**	**55,287**	**65,053**	**605,079**	**358,434**

5. Financial risk management (CONTINUED)

Impaired loans and investment securities

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

Past due but not impaired loans and investment securities

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

Allowances for impairment

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

Write-off policy

The Bank writes off a loan or investment security balance (and any related allowances for impairment losses) when the 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	Net	Gross	Net	Gross	Net
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
31 December 2010						
Grade 3: Individually impaired	217	-	-	-	-	-
Grade 4: Individually impaired	159,107	123,407	-	-	-	-
Grade 5: Individually impaired	12,545	675	-	-	-	-
	171,869	**124,082**	**-**	**-**	**-**	**-**
31 December 2009						
Grade 3: Individually impaired	44,541	24,977	-	-	-	-
Grade 4: Individually impaired	24,424	16,095	-	-	-	-
Grade 5: Individually impaired	2,502	486	-	-	-	-
	71,467	**41, 558**	**-**	**-**	**-**	**-**

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 2010 or 31 December 2009.

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

	Loans and advances to customers	
	2010	**2009**
	EUR'000	**EUR'000**
Against individually impaired		
Guarantees	49,593	-
Mortgages	54,132	22,451
Life assurance, promissory notes and securities	1,550	-
Pledged movables and other collateral	4,002	12,464
Against collectively impaired		
Mortgages	7,689	6,081
Life assurance, promissory notes and securities	123	-
Pledged movables and other collateral	216	1,114
Against past due but not impaired		
Pledged accounts and pledged term deposits	454	418
Guarantees	829	4,454
Mortgages	41,857	45,490
Life assurance, bills, securities	6,300	-
Pledged movables and other collateral	3,874	20,815
Against neither past due nor impaired		
Pledged accounts and pledged term deposits	383,968	224,925
Guarantees	138,026	243,192
Mortgages	753,220	703,198
Life assurance, promissory notes and securities	93,455	157,935
Pledged movables and other collateral	78,609	272,395
	1,617,897	**1,714,932**

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

	2010	**2009**
	EUR'000	**EUR'000**
Property	925	1,890
Other	319	-

5. Financial risk management (CONTINUED)

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

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

	Loans and advances to customers		Loans and advances to banks		Investment securities	
	2010	2009	2010	2009	2010	2009
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Concentration by sector						
Government	14,269	10,157	-	-	453,351	255,462
Corporate	2,266,691	2,034,853	-	-	83,211	84,593
Bank	-	-	55,287	65,053	68,517	18,379
Retail	580,330	410,359	-	-	-	-
	2,861,290	**2,455,369**	**55,287**	**65,053**	**605,079**	**358,434**

	Loans and advances to customers		Loans and advances to banks		Investment securities	
	2010	2009	2010	2009	2010	2009
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Concentration by location						
Slovak Republic	2,786,785	2,401,394	52,396	60,718	563,174	315,269
Czech Republic	21,340	872	-	-	-	-
Croatia	18,333	20,110	-	-	-	-
Turkey	15,030	15,001	-	-	-	-
Germany	6,343	197	-	-	-	-
Romania	4,424	5,009	-	-	-	-
Switzerland	3,273	2,628	-	-	-	-
Great Britain	2,772	2,769	-	-	-	-
Italy	1,027	830	-	-	-	-
Ireland	294	309	-	-	-	-
Netherlands	235	245	-	-	41,877	42,984
France	188	197	-	-	-	-
USA	154	192	-	-	-	-
Austria	126	376	-	-	-	-
Ukraine	123	-	-	-	-	-
Spain	119	-	-	-	-	-
Hungary	96	4,581	-	-	-	-
Belgium	-	-	-	-	28	23
Belarus	-	-	2,891	4,335	-	-
Other	628	659	-	-	-	158
	2,861,290	**2,455,369**	**55,287**	**65,053**	**605,079**	**358,434**

Concentration by location for loans and advances is measured based on the location of the borrower. Concentration by location of the investment securities is measured based on the location of the issuer of the security.

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

	2010 EUR'000	2009 EUR'000
Agriculture and forestry	105,837	119,902
Industry:		
Metallurgy and machinery	184,620	295,874
Transport	189,182	170,054
Food	48,013	30,640
Energy	224,936	85,952
Construction	133,750	71,886
Chemical and pharmaceutical	28,354	35,190
Other	93,588	110,914
Trade and services	969,240	878,428
Housing	438,731	301,299
Public administration	36,899	10,157
Finance and insurance	115,232	188,616
Other industries	292,908	156,457
	2,861,290	**2,455,369**

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.

The 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. ALM to-

5. Financial risk management (CONTINUED)

gether with the 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 usually every two weeks to ALCO.

Exposure to liquidity risk

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

	Over 1 year	Over 2 years	Over 3 years	Over 4 years	Over 5 years
31 December 2010	0.89	0.90	0.86	0.81	0.87
Average for the period	1.02	0.99	0.98	1.04	1.08
Maximum for the period	1.13	1.08	1.13	1.22	1.25
Minimum for the period	0.89	0.88	0.83	0.78	0.82

	Over 1 year	Over 2 years	Over 3 years	Over 4 years	Over 5 years
31 December 2009	1.06	1.02	1.11	1.19	1.19
Average for the period	1.04	1.12	1.09	1.14	1.36
Maximum for the period	1.16	1.25	1.22	1.30	1.49
Minimum for the period	0.95	1.02	1.01	1.05	1.19

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

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

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

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

The remaining period to maturity of monetary assets and liabilities at 31 December 2010 are set out in the following table, which shows 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:

	1 - 3 months EUR'00	4 - 12 months EUR'00	1 - 5 years EUR'00	Moreb than 5 years EUR'00	Not specified EUR'00	Total EUR'00
Monetary assets						
Cash and cash equivalents	607,079	-	-	-	-	607,079
Trading assets	2,071	737	71,063	7,317	-	81,188
Derivative assets held for risk management	-	-	539	2,202	-	2,741
Loans and advances to banks	52,396	723	2,168	-	-	55,287
Loans and advances to customers	310,267	829,466	834,290	698,353	124,724	2,797,100
Investment securities	32,418	86,523	339,822	139,743	6,573	605,079
Deferred tax asset	-	-	-	-	12,788	12,788
Other assets	-	-	-	-	1,182	1,182
Prepayments and accrued income	-	-	-	-	884	884
	1,004,231	**917,449**	**1,247,882**	**847,615**	**146,151**	**4,163,328**
Monetary liabilities						
Trading liabilities	5,184	812	34,363	5,684	-	46,043
Derivative liabilities held for risk management	-	3,607	1,391	4,984	-	9,982
Deposits by banks	321,443	847	82,473	-	-	404,763
Customer accounts	2,559,035	211,377	152,289	26,104	-	2,948,805
Loans received	2	151,219	24,267	78,697	-	254,185
Debt securities issued	268	9,947	102,279	-	-	112,494
Other liabilities	-	-	-	-	7,535	7,535
Accruals and deferred income	-	-	-	-	5,660	5,660
	2,885,932	**377,809**	**397,062**	**115,469**	**13,195**	**3,789,467**

5. Financial risk management (CONTINUED)

The remaining period to maturity of monetary assets and liabilities at 31 December 2009 was as follows:

	1 - 3 months EUR'00	4 - 12 months EUR'00	1 - 5 years EUR'00	Moreb than 5 years EUR'00	Not specified EUR'00	Total EUR'00
Monetary assets						
Cash and cash equivalents	169,728	-	-	-	-	169,728
Trading assets	17,140	4,922	72,550	3,524	-	98,136
Derivative assets held for risk management	5,234	-	526	2,618	-	8,378
Loans and advances to banks	60,717	723	3,613	-	-	65,053
Loans and advances to customers	606,451	507,064	806,685	442,404	47,761	2,410,365
Investment securities	14,492	32,638	232,811	71,734	6,759	358,434
Deferred tax asset	-	-	-	-	9,669	9,669
Other assets	-	-	-	-	1,117	1,117
Prepayments and accrued income	-	-	-	-	966	966
	873,762	**545,347**	**1,116,185**	**520,280**	**66,272**	**3,121,846**
Monetary liabilities						
Trading liabilities	2,587	4,209	34,647	4,511	-	45,954
Derivative liabilities held for risk management	127	4,366	6,948	757	-	12,198
Deposits by banks	17,709	7,333	87,049	-	-	112,091
Customer accounts	1,830,740	234,028	142,607	317	-	2,207,692
Loans received	156	50	187,354	78,689	-	266,249
Debt securities issued	476	32,280	25,615	33,194	-	91,565
Other liabilities	-	-	-	-	8,042	8,042
Accruals and deferred income	-	-	-	-	5,456	5,456
	1,851,795	**282,266**	**484,220**	**117,468**	**13,498**	**2,749,247**

The remaining period to maturity of commitments and contingencies at 31 December 2010 are set out in the following table:

	1 - 3 months EUR'000	4 - 12 months EUR'000	1 - 5 years EUR'000	More than 5 years EUR'000	Total EUR'000
Bank guarantees	3,240	9,366	2,581	-	15,187
Customer guarantees	43,539	22,878	52,676	1,001	120,094
Customer guarantees, classified	2,488	-	-	-	2,488
Irrevocable letters of credit	5,599	7,887	-	-	13,486
Confirmed credit lines	349,492	401,452	256,855	1621	1,009,420
	404,358	**441,583**	**312,112**	**2,622**	**1,160,675**
Contract/notional amount of derivative instruments					
Trading derivatives					
Currency derivatives					
Currency forwards and swaps	112,453	52,553	-	-	165,006
Cross currency swaps	-	-	203	-	203
Currency options	33,683	7,155	2,037	-	42,875
Share options	-	10,914	45,902	-	56,816
Commodity options	-	16,902	-	-	16,902
Interest rate derivatives	-	-	-	-	-
Interest rate swaps and forward rate agreements	44,930	18,754	1,264,541	195,580	1,523,805
Options	-	-	203,660	-	203,660
Derivatives held for risk management					
Designated as cash flow hedges:					
Interest rate swaps	-	93,027	31,597	35,597	160,221
Designated as fair value hedges:					
Interest rate swaps	-	-	19,006	129,059	148,065
	191,066	**199,305**	**1,566,946**	**360,236**	**2,317,553**

5. Financial risk management (CONTINUED)

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

	1 - 3 months EUR'000	4 - 12 months EUR'000	1 - 5 years EUR'000	More than 5 years EUR'000	Total EUR'000
Bank guarantees	901	6,893	2,332	2,883	13,009
Customer guarantees	7,213	25,309	42,228	34,770	109,520
Customer guarantees, classified	10	-	28	253	291
Irrevocable letters of credit	7,880	2,127	2,414	118	12,539
Confirmed credit lines	466,125	133,160	296,188	134	895,607
	482,129	167,489	343,190	38,158	1,030,966
Contract/notional amount of derivative instruments					
Trading derivatives					
Currency derivatives					
Currency forwards and swaps	51,656	60,674	20,975	-	133,305
Cross currency swaps	-	-	331	-	331
Currency options	34,859	7,243	6,039	-	48,141
Share options	-	8,892	56,877	-	65,769
Commodity options	-	-	16,910	-	16,910
Interest rate derivatives					
Interest rate swaps and forward rate agreements	36,513	127,512	1,157,424	194,790	1,516,239
Options	-	30,000	167,658	-	197,658
Derivatives held for risk management					
Designated as cash flow hedges:					
Interest rate swaps	303,319	108,111	114,623	35,597	561,650
Designated as fair value hedges:					
Interest rate swaps	-	16,597	17,000	64,240	97,837
	426,347	**359,029**	**1,557,837**	**294,627**	**2,637,840**

(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 Risk Integration 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 Risk Integration Department and submitted to the Trading desk, ALM and other responsible units. Regular summaries are submitted to ALCO.

5. Financial risk management (CONTINUED)

A summary of the VaR position of the Bank's trading portfolios at 31 December 2010 and 31 December 2009 and during the period is as follows:

	At 31 Dec EUR'000	Average EUR'000	Maximum EUR'000	Minimum EUR'000
2010				
Foreign currency risk ('FX')	8	11	133	2
Interest rate risk ('IR')	23	67	136	16
Overall	**25**	**70**	**170**	**17**

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

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

Exposure to interest rate risk – non-trading portfolios

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

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

Interest rate risk

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

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

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

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

Sensitivity of projected net interest income

	200 bp parallel increase EUR'000	200 bp parallel decrease EUR'000	50 bp parallel increase EUR'000	50 bp parallel decrease EUR'000
2010				
At 31 December	18,608	(22,332)	4,946	(5,172)
Average for the period	18,978	(22,076)	5,046	(5,291)
Maximum for the period	22,859	(25,860)	6,057	(4,024)
Minimum for the period	14,264	(16,874)	3,800	(6,356)
2009				
At 31 December	11,959	(16,835)	3,222	(3,426)
Average for the period	3,584	(4,673)	934	(979)
Maximum for the period	11,987	(16,835)	3,231	(3,438)
Minimum for the period	818	(1,096)	194	(238)

The scenarios are calculated from the whole Banking book except for available-for-sale assets and cash flow hedging derivatives.

Sensitivity of reported equity to interest rate movements

	200 bp parallel increase EUR'000	200 bp parallel decrease EUR'000	50 bp parallel increase EUR'000	50 bp parallel decrease EUR'000
2010				
At 31 December	(20,972)	22,214	(5,515)	5,714
Average for the period	(19,224)	20,908	(5,086)	5,284
Maximum for the period	(23,001)	24,382	(6,074)	6,310
Minimum for the period	(10,402)	13,002	(2,806)	2,950
2009				
At 31 December	(10,583)	12,982	(2,850)	3,000
Average for the period	(2,054)	2,702	(557)	587
Maximum for the period	1,888	14,443	480	3,248
Minimum for the period	(11,394)	(1,661)	(3,079)	(486)

5. Financial risk management (CONTINUED)

The scenarios are calculated from the balances of available-for-sale assets and cash flow hedging derivatives.

Interest rate movements affect equity in the following ways:

- fair value reserves arising from increases or decreases in fair values of available-for-sale financial instruments reported directly in equity
- hedging reserves arising from increases or decreases in fair values of hedging instruments designated in a qualifying cash flow hedge relationship.

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

Foreign exchange risk

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

The Bank had the following currency positions at 31 December 2010:

	Euro EUR'000	US dollar EUR'000	Other EUR'000	Total EUR'000
Assets				
Cash and cash equivalents	539,371	9,911	57,797	607,079
Trading assets	81,188	-	-	81,188
Derivative assets held for risk management	2,741	-	-	2,741
Loans and advances to banks	55,287	-	-	55,287
Loans and advances to customers	2,732,445	18,786	45,869	2,797,100
Investment securities	605,079	-	-	605,079
Deferred tax asset	12,788	-	-	12,788
Other assets	1,178	4	-	1,182
Prepayments and accrued income	884	-	-	884
	4,030,961	**28,701**	**103,666**	**4,163,328**
Liabilities				
Trading liabilities	46,043	-	-	46,043
Derivative liabilities held for risk management	9,982	-	-	9,982
Deposits by banks	404,487	-	276	404,763
Customer accounts	2,861,904	39,531	47,370	2,948,805
Loans received	254,185	-	-	254,185
Debt securities issued	112,165	280	49	112,494
Other liabilities	7,533	2	-	7,535
Accruals and deferred income	5,639	21	-	5,660
	3,701,938	**39,834**	**47,695**	**3,789,467**

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

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

(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

5. Financial risk management (CONTINUED)

- 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 and the Audit Committee.

(f) Capital management

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

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

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

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

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

Various limits are applied to elements of the capital base.

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

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

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

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

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

	2010 EUR'000	2009 EUR'000
Regulatory capital		
Tier 1 capital		
Ordinary share capital (note 25)	235,493	235,493
Reserve funds and other funds created from profit (note 26)	38,891	36,681
Retained earnings less profit for the year (note 26)	135,124	134,791
Less: Software (note 16)	(15,120)	(14,928)
Negative revaluation reserve	(157)	(161)
Total	**394,231**	**391,876**
Tier 2 capital		
Positive revaluation reserve	-	128
Total	**-**	**128**
Items deductible from the regulatory capital		
Net book value of the Bank's investment in other bank or financial institutions, greater than 10% (note 14)	(6,625)	(6,625)
	387,606	385,379
Capital resources requirements		
Capital required to cover credit risk	219,911	178,774
Capital required to cover business partner risk	2,839	2,976
Capital required to cover risks from debt financial instruments,		
capital instruments, foreign exchange and commodities	2,606	4,058
Capital required to cover operational risk	16,459	12,551
Total capital resources requirements	**241,815**	**198,359**
Capital ratios		
Regulatory capital	12.82%	15.54 %
Tier 1 capital	13.04%	15.80 %

5. Financial risk management (CONTINUED)

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

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

- Risk identification
- Risk profile assessment and management
- Risk appetite and capital planning
- Monitoring and reporting
- Risk internal governance

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

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

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

The 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, real estate risk and financial investment risk.

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

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

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

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

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

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

Risk internal governance
Capital adequacy management is one of the key processes of the UniCredit Group and therefore requires proper risk governance that relies on ensuring that senior management is involved and that ICAAP activities are properly allocated to organizational functions. The ultimate res-

ponsibility for capital adequacy rests with the Board of Directors because it requires the setting of the risk appetite and steering of the allocation of the scarce resource of the available capital. Senior management identifies the relevant bodies/structures involved in the capital adequacy process and the consequent reporting to the competent decision making body. The ICAAP process is subject to internal audit review both at parent company and legal entity level.

6. Operating segments

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

Corporate includes the loans, deposits and other transactions and balances with corporate customers and financial institutions (excluding small enterprises);

Retail and Private includes the loans, deposits and other transactions and balances with retail customers (including small enterprises);

Markets includes trading activities and sales activities with customers;

Others includes Asset Liabilities Management activities that contain the Group's funding and centralized risk management activities through borrowings, use of derivatives for banking book management purposes and investing in liquid assets such as short-term placements and corporate and government debt securities.

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

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

Transactions between segments are conducted at arm's length.

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

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

6. Operating segments (CONTINUED)

	Total Bank 2010 EUR'000	Retail and Private 2010 EUR'000	Corporate 2010 EUR'000	Markets 2010 EUR'000	Others 2010 EUR'000
Net interest income	**73,746**	**28,625**	**51,452**	**181**	**(6,512)**
Internal revenue	-	341	2,195	29	(2,565)
Net fee and commission income	**28,010**	**12,394**	**16,919**	**415**	**(1,718)**
Net trading income	5,542	2,945	3,373	(827)	51
Other income	2,265	132	-	-	2,133
Non-interest income	35,817	15,471	20,292	(412)	466
Total segment revenue	**109,563**	**44,096**	**71,744**	**(231)**	**(6,046)**
Operating expenditure	**(72,986)**	**(44,264)**	**(24,100)**	**(1,296)**	**(3,326)**
Indirect costs	-	(19,540)	(16,646)	(766)	36,952
Operating profit before impairment and provisions	**36,577**	**(168)**	**47,644**	**(1,527)**	**(9,372)**
Impairment losses	(20,552)	-	-	-	(20,552)
Provisions	(1,492)	-	-	-	(1,492)
Profit before taxation	**14,533**	**(168)**	**47,644**	**(1,527)**	**(31,416)**
Income tax expense	(3,032)				
Profit after taxation	**11,501**				
Other information:					
Reportable segment assets	**4,221,555**	**559,127**	**2,042,152**	**-**	**1,620,276**
Reportable segment liabilities	**3,800,004**	**1,118,717**	**1,226,672**	**-**	**1,454,615**

	Total Bank 2009 EUR'000	Retail and Private 2009 EUR'000	Corporate 2009 EUR'000	Markets 2009 EUR'000	Others 2009 EUR'000
Net interest income	**76,455**	**18,503**	**47,481**	**918**	**9,553**
Internal revenue	-	791	6,779	276	(7,846)
Net fee and commission income	**23,689**	**9,269**	**13,504**	**556**	**360**
Net trading income	6,415	1,720	4,460	313	(78)
Other income	4,010	-	-	-	4,01
Non-interest income	34,114	10,989	17,964	869	4,292
Total segment revenue	**110,569**	**29,492**	**65,445**	**1,787**	**13,845**
Operating expenditure	**(73,618)**	**(38,086)**	**(28,73)**	**(2,344)**	**(4,458)**
Indirect costs	-	(16,799)	(22,59)	(1,135)	40,524
Operating profit before impairment and provisions	**36,951**	**(8,594)**	**36,715**	**(557)**	**9,387**
Impairment losses	(9,582)	-	-	-	(9,582)
Provisions	73	-	-	-	73
Profit before taxation	**27,442**	**(8,594)**	**36,715**	**(557)**	**(122)**
Income tax expense	(5,338)				
Profit after taxation	**22,104**				
Other information:					
Reportable segment assets	**3,184,515**	**414,187**	**2,046,383**	**-**	**723,945**
Reportable segment liabilities	**2,756,469**	**1,095,654**	**1,230,062**	**-**	**430,753**

7. Cash and cash equivalents

	2010 EUR'000	2009 EUR'000
Cash and balances at the central bank (note 8)	51,122	49,824
Loans and advances to banks with contractual maturity up to 3 months (note 11)	555,957	119,904
	607,079	**169,728**

8. Cash and balances at the central bank

	2010 EUR'000	2009 EUR'000
Balances with the National Bank of Slovakia:		
Compulsory minimum reserve	52,396	60,714
Cash in hand	51,122	49,824
	103,518	110,538
Less compulsory minimum reserve (note 11)	(52,396)	(60,714)
	51,122	**49,824**

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.

9. Trading assets and liabilities

	2010 EUR'000	2009 EUR'000
Trading assets		
Securities (a)	41,187	55,913
Derivative instruments (b)	40,001	42,223
	81,188	98,136
Trading liabilities		
Derivative instruments (b)	46,043	
(a) Securities		
Slovak government bonds	41,187	55,913

(b) Derivative instruments

	Contract/ notional amount EUR'000	2010 Fair value Assets EUR'000	Liabilities EUR'000	Contract/ notional amount EUR'000	2009 Fair value Assets EUR'000	Liabilities EUR'000
Currency derivatives						
Currency forwards and swaps	161,876	1,272	4,472	133,408	613	719
Cross currency swaps	204	15	15	352	54	27
Currency options	42,812	749	739	48,141	2,041	2,042
Share options	**56,815**	**2,523**	**2,548**	**65,839**	**4,576**	**4,589**
Commodities options	**16,929**	**-**	**86**	**16,929**	**2**	**255**
Interest rate derivatives						
Interest rate swaps and forward rate agreements	1,523,805	31,958	34,699	1,516,239	30,693	34,078
Options	203,660	3,484	3,484	197,658	4,244	4,244
	2,006,101	**40,001**	**46,043**	**1,978,566**	**42,223**	**45,954**

10. Derivatives held for risk management

	Contract/ notional amount EUR'000	2010 Fair value Assets EUR'000	Liabilities EUR'000	Contract/ notional amount EUR'000	2009 Fair value Assets EUR'000	Liabilities EUR'000
Derivative instruments held for risk management						
Designated as cash flow hedges:						
Interest rate swaps	160,220	2,741	5,520	561,650	7,936	11,491
Designated as fair value hedges:						
Interest rate swaps	148,065	-	4,462	97,837	442	707
	308,285	**2,741**	**9,982**	**659,487**	**8,378**	**12,198**

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

	Within 1 year EUR'000	1-5 years EUR'000	Over 5 years EUR'000
31 December 2010			
Cash inflows	264	1,814	-
Cash outflows	1,055	3,608	1,295
31 December 2009			
Cash inflows	233	2,181	545
Cash outflows	2,266	4,709	2,382

During 2010, net gains of EUR 2,901 thousand (2009: net losses of EUR 889 thousand) relating to the effective portion of cash flow hedges were recognised in other comprehensive income.

11. Loans and advances to banks

	2010 EUR'000	2009 EUR'000
Repayable on demand	19,267	8,390
Other loans and advances by remaining maturity:		
- 3 months or less	536,690	111,514
- 1 year or less but over 3 months	723	726
- over 1 year	2,168	3,613
Compulsory minimum reserve (note 8)	52,396	60,714
	611,244	184,957
Less amounts with contractual maturity		
up to 3 months (note 7)	(555,957)	(119,904)
	55,287	**65,053**

12. Loans and advances to customers

	2010 EUR'000	2009 EUR'000
Repayable on demand	5,584	346,826
Other loans and advances to customers by remaining maturity:		
- 3 months or less	311,803	270,948
- 1 year or less but over 3 months	848,502	516,531
- 5 years or less but over 1 year	853,436	821,747
- over 5 years	714,379	450,664
- not specified	127,586	48,653
	2,861,290	2,455,369
Allowances for impairment (note 13)	(64,190)	(45,004)
	2,797,100	**2,410,365**

12. Loans and advances to customers (CONTINUED)

Pohľadávky voči klientom podľa jednotlivých odvetví a podľa hlavných typov produktov sú nasledujúce:

	31 December 2010			31 December 2009		
	Gross amount Eur'000	Impairment allowances Eur'000	Carrying amount Eur'000	Gross amount Eur'000	Impairment allowances Eur'000	Carrying amount Eur'000
Retail customers						
Mortgage lending	425,911	(692)	425,219	291,932	(462)	291,470
Personal loans	89,173	(755)	88,418	67,646	(787)	66,859
Credit cards	6,184	(281)	5,903	5,983	(252)	5,731
Other	25,249	(510)	24,739	16,015	(438)	15,577
Corporate customers						
Small business	117,610	(9,634)	107,976	91,883	(7,536)	84,347
Corporate	740,589	(28,122)	712,467	565,961	(21,965)	543,996
Large corporate	1,113,796	(15,710)	1,098,086	1,142,390	(7,602)	1,134,788
Real estate	342,778	(8,486)	334,292	273,559	(5,962)	267,597
	2,861,290	**(64,190)**	**2,797,100**	**2,455,369**	**(45,004)**	**2,410,365**

13. Impairment losses on loans and advances

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

	2010 EUR'000	2009 EUR'000
At 1 January	**29,909**	**23,834**
Charge for the year	18,860	7,721
Release of impairment losses on loans written-off	(982)	(1,646)
At 31 December	47,787	29,909
Collective allowances for impairment:		
At 1 January	15,095	16,045
Charge for the year	2,036	2,004
Release of impairment losses on loans written-off	(728)	(2,954)
At 31 December	16,403	15,095
Total allowances for impairment	**64,190**	**45,004**

14. Investment securities

	2010 EUR'000	2009 EUR'000
Debt securities held to maturity (a)	126,294	169,101
Debt securities available for sale (b)	472,111	182,506
Equity shares available for sale (c)	6,674	6,827
	605,079	**358,434**

At 31 December 2010, debt securities available for sale of Eur 59,342 thousand (2009: Eur 58,411 thousand) were pledged as collateral to the National Bank of Slovakia for inter-day credit. The Bank has pledged investment securities of Eur 67,277 thousand for the loan received from the European Investment Bank in 2010 and 2009. See note 20.

(a) Debt securities held to maturity

	2010 EUR'000	2009 EUR'000
Slovak government bonds	73,156	115,812
Slovak corporate and bank bonds	53,138	53,289
	126,294	**169,101**

At 31 December 2010, the fair value of held-to-maturity securities was EUR 127.8 million (2009: EUR 168.2 million).

(b) Debt securities available for sale

	2010 EUR'000	2009 EUR'000
Slovak government bonds	380,195	139,718
Slovak corporate and bank bonds	91,916	42,788
	472,111	**182,506**

14. Investment securities (CONTINUED)

Name	2010 Activity	2009 EUR'000	EUR'000
RVS, a.s.	Conference and leisure	-	-
S.W.I.F.T.	International funds Transfer	28	24
BCPB, a.s.	Stock exchange	21	21
UniCredit Leasing Slovakia, a.s.	Financial services	6,625	6,625
MasterCard Incorporated	Financial services	-	1
Visa Inc.	Financial services	-	155
Visa Europe Limited	Financial services	-	1
		6,674	**6,827**

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

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

	2010 EUR'000	2009 EUR'000
As at 1 January	189,333	113,819
Additions	446,591	106,397
Disposals	(155,490)	(32,330)
Gains from changes in fair value	(1,649)	1,447
As at 31 December	**478,785**	**189,333**

There was no impairment on investment securities in 2010 or in 2009.

15. Property and equipment

	Land and buildings Eur'000	Furniture, fittings and equipment Eur'000	Assets not yet in use Eur'000	Total Eur'000
Cost				
At 1 January 2009	52,281	44,377	2,586	99,244
Additions	-	-	5,899	5,899
Transfers	3,073	3,477	(6,550)	-
Disposals	(1,323)	(4,297)	(6)	(5,626)
At 31 December 2009	54,031	43,557	1,929	99,517
At 1 January 2010	54,031	43,557	1,929	99,517
Additions	-	-	3,012	3,012
Transfers	1,783	2,522	(4,305)	-
Disposals	(97)	(3,227)	(16)	(3,340)
At 31 December 2010	55,717	42,852	620	99,189
Depreciation and impairment losses				
At 1 January 2009	17,553	34,793	-	52,346
Charge for the year	2,831	3,606	-	6,437
Impairment losses	89	(54)	-	35
Disposals	(1,108)	(4,228)	-	(5,336)
At 31 December 2009	19,365)	34,117	-	53,482
At 1 January 2010	19,365	34,117	-	53,482
Charge for the year	2,742	3,619	-	6,361
Net release of impairment losses	(225)	(216)	-	(441)
Disposals	(90)	(3,208)	-	(3,298)
At 31 December 2010	21,792	34,312	-	56,104
At 31 December 2009	**34,666**	**9,440**	**1,929**	**46,035**
At 31 December 2010	**33,925**	**8,540**	**620**	**43,085**

The Bank reversed impairment losses of EUR 441 thousand (2009: created net additional provisions of EUR 35 thousand) on certain property and equipment.

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

16. Intangible assets

	Software Eur'000	Assets not yet in use Eur'000	Total Eur'000
Cost			
At 1 January 2009	45,501	3,663	49,164
Additions	-	4,575	4,575
Transfers	6,315	(6,315)	-
Disposals	-	(16)	(16)
At 31 December 2009	51,816	1,907	53,723
At 1 January 2010	51,816	1,907	53,723
Additions	-	5,106	5,106
Transfers	5,327	(5,327)	-
At 31 December 2010	57,143	1,686	58,829
Amortisation and impairment losses			
At 1 January 2009	34,187	-	34,187
Charge for the year	4,822	-	4,822
Impairment losses	(214)	-	(214)
At 31 December 2009	38,795	-	38,795
At 1 January 2010	38,795	-	38,795
Charge for the year	5,179	-	5,179
Net release of impairment losses	(287)	-	(287)
At 31 December 2010	43,687	-	43,687
At 31 December 2009	**13,021)**	**1,907**	**14,928**
At 31 December 2010	**13,456**	**1,686**	**15,142**

The Bank reversed impairment losses of EUR 287 thousand (2009: EUR 214 thousand) on certain software.

17. Other assets

	2010 EUR'000	2009 EUR'000
Inventory	317	174
Operating prepayments	294	211
Receivables	625	1,122
	1,236	1,507
Impairment losses	(54)	(390)
	1,182	**1,117**

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

	2010 EUR'000	2009 EUR'000
At 1 January	390	402
Increase for the year	384	36
Write-offs	(720)	(48)
	54	**390**

18. Deposits by banks

	2010 EUR'000	2009 EUR'000
Repayable on demand	11,310	12,468
Other deposits by banks with remaining maturity:		
- 3 months or less	310,133	5,241
- 1 year or less but over 3 months	847	7,333
- over 1 year	82,473	87,049
	404,763	**112,091**

	2010 EUR'000	2009 EUR'000
Current accounts	10,781	11,896
Term deposits	393,453	99,627
Other liabilities	529	568
	404,763	**112,091**

19. Customer accounts

	2010 EUR'000	2009 EUR'000
Repayable on demand	1,395,936	1,126,089
Other deposits with agreed maturity dates or periods of notice, by remaining maturity:		
- 3 months or less	1,163,099	704,651
- 1 year or less but over 3 months	211,377	234,028
- 5 years or less but over 1 year	152,289	142,607
- over 5 years	26,104	317
	2,948,805	**2,207,692**

19. Customer accounts (CONTINUED)

	2010 EUR'000	2009 EUR'000
Current accounts	1,356,503	1,114,669
Term deposits	1,322,257	895,501
Savings accounts	32,912	39,761
Current accounts from municipalities	6,168	6,078
Term deposits from municipalities	151,340	101,449
Loans received	29,986	11,972
Bills of exchange issued	11,988	11,929
Other liabilities	37,651	26,333
	2,948,805	**2,207,692**

20. Loans received

	2010 EUR'000	2009 EUR'000
European Bank for Reconstruction and Development	836	2,501
European Investment Bank	101,437	110,510
UniCredit Bank Austria AG, Vienna	150,045	150,042
Slovenská záručná a rozvojová banka, a.s.	1,867	3,196
	254,185	**266,249**

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

The euro loans of EUR 836 thousand at the balance sheet date (2009: EUR 2.50 million) were provided under one contract dated 25 October 2005. Principal and interest repayments are due semi-annually in the final three years of the loans. The loans mature on 25 April 2011 and bear interest at annual rates of 1.846%.

European Investment Bank
The amounts due to the European Investment Bank ('EIB') comprise loans of EUR 6.818 million, EUR 15.909 million, EUR 25 million and EUR 53.71 million, drawn down by the Bank under loan facilities arranged by the NBS with the EIB. The loans were provided by the EIB to assist in the development of infrastructure, agriculture and tourism in Slovakia. The loans are secured by investment securities. See note 14.

The first euro loan of EUR 6.818 million at the balance sheet date was provided under a contract entered into on 15 December 1999. Interest repayments are twice annually and principal annually. The loan bears interest at an annual rate equivalent of 1.156% and it matures on 15 June 2012.

The second euro loan of EUR 15.909 million at the balance sheet date was provided under a contract entered into on 28 March 2003. Interest is payable semi-annually and principal annually. The loan bears interest at an annual rate equivalent of 1.156% and it matures on 15 June 2014.

20. Loans received (CONTINUED)

The third euro loan of EUR 25 million at the balance sheet date was provided under a contract entered into on 28 March 2003. Interest is payable semi-annually. The loan bears interest at an annual rate equivalent of 1.156% and it matures on 15 June 2016.

The fourth euro loan of EUR 53.71 million at the balance sheet date was provided under a contract entered into on 27 February 2008. Interest is payable annually and principal will be repaid in one instalment on 15 March 2016. The loan bears interest at an annual rate of 1.156%.

UniCredit Bank Austria AG, Vienna

The amount due to UniCredit Bank Austria AG, Vienna comprised a loan in two tranches of EUR 150 million in total. The first tranche of EUR 50 million bears a variable interest at a rate of 1.484%. The maturity date is 28 November 2011. The second tranche of EUR 100 million bears a fixed interest at a rate of 4.65%. The maturity is on 29 December 2011.

Slovenská záručná a rozvojová banka, a. s.

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

Under the Rozvoj ('Development') programme, separate loan agreements are also entered into between the Bank and SZRB for loans provided to customers. Interest is currently 1.50% – 3.80% per annum and the repayment terms are in accordance with each individual contract. Should the customer default, the Bank is responsible for full repayment of the loan provided by SZRB.

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

21. Debt securities issued

	2010 EUR'000	2009 EUR'000
Mortgage bonds		
Issue 1 (b)	16,860	16,861
Issue 2	16,809	16,809
Issue 3 (a)	16,619	16,615
Issue 3 (b)	8,302	8,301
Issue 4	-	29,928
Issue 5	30,147	-
Issue 6	20,019	-
	108,756	88,514
Long-term bills	3,738	3,051
Debt securities issued	**112,494**	**91,565**

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

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

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

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

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

Issue 5 comprises 3,000 bonds with a nominal value of EUR 10 thousand each, which were issued on 13 October 2010 with a coupon of 6M EURIBOR + 1.00% per annum. The bonds will be redeemed on 13 October 2015 from repayments of mortgage loans provided to customers.

Issue 6 comprises 2,000 bonds with a nominal value of EUR 10 thousand each, which were issued on 17 December 2010 with a coupon of 6M EURIBOR + 1.00% per annum. The bonds will be redeemed on 17 December 2015 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 2010 and 2009.

22. Provisions

The movements on provisions were as follows:

	Litigations EUR'000	Euroconversion EUR'000	Other EUR'000	Total EUR'000
At 1 January 2009	5,533	2,082	490	8,105
(Decrease)/increase for the year	(454)	(1,269)	1,650	(73)
Provisions used during the year	-	(810)	-	(810)
At 31 December 2009	5,079	3	2,140	7,222
At 1 January 2010	5,079	3	2,140	7,222
(Decrease)/increase for the year	467	(3)	1,028	1,492
At 31 December 2010	**5 546**	**-**	**3,168**	**8,714**

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

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

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

23. Corporate income tax

	2010 EUR'000	2009 EUR'000
Tax payable for the current period (note 33)	6,521	9,383
Tax prepayments	(4,698)	(11,089)
Corporate income tax payable/(prepaid)	**1,823**	**(1,706)**

24. Deferred tax

Deferred tax assets and liabilities are attributable to the following:

	Assets/(liabilities) 2010 EUR'000	Assets/(liabilities) 2009 EUR'000
Available-for-sale securities	(155)	(468)
Property and equipment	209	299
Provisions	673	690
Impairment losses on loans	12,033	8,440
Cash flow hedge	28	708
Deferred tax asset	**12,788**	**9,669**

The deferred tax assets have been calculated using a corporate income tax rate of 19 % (2009: 19 %).

The movements in deferred tax were as follows:

	2010 EUR'000	2009 EUR'000
At 1 January	9,669	5,537
Charge to profit or loss (note 33)	3,486	4,045
Adjustments in respect of prior years	-	570
Charge to other comprehensive income (note 33)	(367)	(483)
At 31 December	**12,788**	**9,669**

25. Share capital

	2010 EUR'000	2009 EUR'000
Authorised, issued and fully paid: 38,353,859 ordinary shares of EUR 6.14 each	235,493	235,493

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

The conversion of the nominal value of shares and the amount of share capital from Slovak crowns to the euro resulted in a rounding difference of EUR 33 thousand. Following a decision by the Board of Directors, the difference was transferred to the legal reserve fund (see Statement of changes in shareholder's equity).

26. Reserves

	Retained earnings EUR'000	Fair Legal reserve fund EUR'000	Cash flow value reserve EUR'000	hedge reserve EUR'000	Total EUR'000
At 31 December 2009	**156,895**	**36,681**	**1,998**	**(3,021)**	**192,553**
Dividends (a)	(19,561)	-	-	-	(19,561)
Transfers (b)	(2,210)	2,210	-	-	-
Available-for-sale assets:					
Change in fair value, net of tax	-	-	(1,498)	-	(1,498)
Net amount transferred to profit or loss	-	-	162	-	162
Cash flow hedges:					
Effective portion of changes in fair value, net of tax	-	-	-	2,901	2,901
Profit for 2010	11,501	-	-	-	11,501
At 31 December 2010	**146,625**	**38,891**	**662**	**(120)**	**186,058**

26. Reserves (CONTINUED)

(a) Dividends

The General Meeting of Shareholders held on 8 April 2010 resolved that dividends be paid from the profit for the year ended 31 December 2009, in the amount of EUR 19,561 thousand (EUR 0.51 per share).

(b) Legal reserve fund

The General Meeting also approved the transfer to the legal reserve fund of EUR 2,210 thousand from the 2009 profit.

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

(c) Proposed allocation of profit

The Board of Directors will propose the following allocation of the profit for the year ended 31 December 2010:

	EUR'000
Transfer to legal reserve fund	1,150
Retained earnings	10,351
	11,501

(d) Fair value reserve

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

(e) Cash flow hedge reserve

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

27. Off balance sheet items

	2010 EUR'000	2009 EUR'000
Contingent liabilities:		
Bank guarantees	15,187	13,009
Customer guarantees	120,094	109,520
Customer guarantees, classified	2,488	291
Irrevocable letters of credit	13,486	12,539
Commitments:		
Confirmed credit lines	1,009,420	895,607
Derivative instruments:		
Trading assets and liabilities (note 9)	2,006,101	1,978,566
Held for risk management (note 10)	308,285	659,487
	3,475,061	**3,669,019**

The Bank is able to cancel the confirmed credit lines.

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

28. Interest income

	2010 EUR'000	2009 EUR'000
Loans and advances to banks	2,409	6,000
Loans and advances to customers	94,049	102,055
Investment securities	16,317	13,105
	112,775	**121,160**

Interest income for the year ended 31 December 2010 includes interest of EUR 4,476 thousand accrued on impaired financial assets (2009: EUR 3,411 thousand).

Included within interest income for the year ended 31 December 2010 is total interest of EUR 4,776 thousand relating to debt securities held-to-maturity (2009: EUR 7,268 thousand).

29. Interest expense

	2010 EUR'000	2009 EUR'000
Deposits by banks	12,420	13,525
Customer accounts	18,051	20,186
Loans received	6,254	7,977
Mortgage bonds	2,229	2,810
Long-term bills	75	207
	39,029	**44,705**

Included within interest expense for the year ended 31 December 2010, are fair value losses of EUR 3,710 thousand (2009: EUR 1,079 thousand) on derivatives held in qualifying fair value hedging relationships, and EUR 1,125 thousand (2009: EUR 1,175 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 2010, no gains (2009: 0) or losses (2009: 0) relating to cash flow hedges were transferred from the hedging reserve to other comprehensive income and are reflected in interest income or expense. There was no net ineffectiveness recognised on cash flow hedges during 2010 or 2009.

30. Net fee and commission income

	2010 EUR'000	2009 EUR'000
Fee and commission income:		
Corporate banking credit related fees	18,287	16,727
Retail and Private banking customer fees	15,034	12,427
Other	462	1,026
Total fee and commission income	33,783	30,180
Fee and commission expense:		
Corporate banking fees	(1,367)	(2,269)
Retail and Private banking fees	(2,640)	(3,157)
Other	(1,766)	(1,065)
Total fee and commission expense	(5,773)	(6,491)
Net fee and commission income	**28,010**	**23,689**

Net fee and commission income above excludes amounts included in determining the effective interest rate on financial assets and liabilities that are not at fair value through profit or loss but includes income of EUR 33,321 thousand (2009: EUR 29,154 thousand) and expense of EUR 4,007 thousand (2009: EUR 5,426 thousand) relating to financial assets and liabilities that are not at fair value through profit or loss.

31. Net trading income

	2010 EUR'000	2009 EUR'000
Net income from foreign exchange operations	7,572	5,935
Net loss from derivatives (a)	(3,336)	(1,732)
Net income from trading securities (b)	1,306	2,212
	5,542	**6,415**

(a) Net loss from derivatives

	2010 EUR'000	2009 EUR'000
Income from currency derivatives	12	4,236
Losses relating to currency derivatives	(6,031)	(6,207)
Net loss from currency derivatives	(6,019)	(1,971)
Income from interest rate derivatives	23,863	25,900
Losses relating to interest rate derivatives	(22,412)	(27,791)
Net income/(loss) from interest rate derivatives	1,451	(1,891)
Income from options	15,603	62,297
Losses relating to options	(14,371)	(60,167)
Net income from options	1,232	2,130
	(3,336)	**(1,732)**

b) Net income from trading securities

	2010 EUR'000	2009 EUR'000
Gains from trading securities	2,512	3,024
Losses from trading securities	(1,206)	(812)
	1,306	**2,212**

32. Administrative expenses

	2010 EUR'000	2009 EUR'000
Employee costs:		
Wages and salaries	21,606	21,996
Social insurance	6,687	5,961
Other personnel expenses	2,544	2,611
	30,837	30,568
Service-related expenses	10,436	11,014
Material-related expenses	2,037	2,404
Rent	3,989	4,098
Marketing expenses	3,955	3,924
Operating fees	437	456
Other services	3,208	3,000
Other administrative expenses	6,547	6,895
	61,446	**62,359**

The cost of services provided by the statutory auditor during the year ended 31 December 2010 and 2009 was as follows:

	2010 EUR'000	2009 EUR'000
Statutory audit (including regulatory reporting to NBS)	250	250

During the year 2010, the average number of full time employees was 1,264 (2009: 1,295).

Other administrative expenses include payments to the Deposit Protection Fund of EUR 1,839 thousand in 2010 (2009: EUR 1,839 thousand).

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

	2010 EUR'000	2009 EUR'000
At 1 January	599	481
Creation of social fund	1,070	1,014
Release of social fund	(1,034)	(896)
At 31 December	**635**	**599**

33. Income tax expense

	2010 EUR'000	2009 EUR'000
Current tax expense		
Current year (note 23)	6,521	9,383
Adjustments in respect of prior years	(3)	570
	6,518	9,953
Deferred tax expense		
Originating and reversal of temporary differences (note 24)	(3,486)	(4,045)
Adjustments in respect of prior years	-	(570)
Total income tax expense	**3,032**	**5,338**

33. Income tax expense (CONTINUED)

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

	Tax base 2010 EUR'000	Tax at 19 % 2010 EUR'000	Tax base 2009 EUR'000	Tax at 19 % 2009 EUR'000
Profit before taxation	14,533	2,761	27,442	5,214
Tax non-deductible expenses				
Loans written off	1,006	191	319	61
Current year allowances for impairment	20,353	3,867	9,595	1,823
Previous year allowances for impairment	-	-	17,922	3,405
Other	6,288	1,195	8,432	1,602
Non-taxable income				
Non taxable income from securities	(1,593)	(302)	(3,826)	(727)
Release of impairment losses on loans	(2,316)	(440)	(4,470)	(849)
Provisions	(1,252)	(238)	(3,033)	(576)
Other	(2,705)	(513)	-	-
		6,521		9,953
Adjustments in respect of previous year	(16)	(3)	-	-
		6,518		9,953
Deferred tax		(3,486)		(4,615)
Total tax expense		**3,032**		**5,338**
Effective tax rate		**20.86 %**		**19.45 %**

	2010 Before tax EUR'000	2010 Tax (expense) benefit EUR'000	2010 Net of tax EUR'000	2009 Before tax EUR'000	2009 Tax (expense) benefit EUR'000	2009 Net of tax EUR'000
Cash flow hedges	3,581	(680)	2,901	1,097	(208)	889
Available-for-sale-assets	(1,649)	313	(1,336)	1,447	(275)	1,172
	1,932	**(367)**	**1,565**	**2,544**	**(483)**	**2,061**

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.

	2010	2009
Profit attributable to shareholders (EUR'000)	11,501	22,104
Weighted average number of ordinary shares in issue	38,353,859	38,353,859
Basic earnings per share(expressed in EUR per share)		
	0.30	**0.58**

Diluted
There were no dilutive factors during either year.

35. Profit before changes in operating assets and liabilities

	2010 EUR'000	2009 EUR'000
Profit before taxation	14,533	27,442
Adjustments for non cash items:		
Depreciation	6,361	6,437
Amortisation	5,179	4,822
Loss on disposal of property and equipment	42	290
Loss on disposal of intangible assets	-	16
Impairment losses on loans	20,896	9,725
Net release of impairment losses on property and equipment	(441)	35
Net release of impairment losses on intangible assets	(287)	(214)
Impairment losses on other assets	384	36
Provisions	1,492	(73)
Net profit on available-for-sale assets transferred to profit or loss	(162)	160
	47,997	**48,676**
Net cash used in operating activities includes the following cash flows:		
Interest received	115,068	138,377
Interest paid	(40,077)	(62,205)
	74,991	**76,172**

36. Lease commitments

Non-cancellable operating lease rentals are payable as follows:

	2010 EUR'000	2009 EUR'000
Less than one year	2,048	1,160
Between one and five years	-	291
	2,048	**1,451**

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 2010 (2009: 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:

	2010 EUR'000	2009 EUR'000
Assets		
Loans and advances to banks	87,342	465
Liabilities		
Deposits by banks	388,774	238,748
Loans received	150,045	150,042
Transactions during the year were as follows:		
Interest income	50	-
Interest expense	(11,704)	(18,154)
Fee and commission income	410	61
Fee and commission expense	(114)	(738)

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:

	2010 EUR'000	2009 EUR'000
Assets		
Loans and advances to banks	5,048	11,127
Loans and advances to customers	6,637	6,111
Liabilities		
Deposits by banks	400	1,130
Customer accounts	1,118	626
Transactions during the year were as follows:		
Interest income	154	500
Interest expense	(160)	(578)
Fee and commission income	182	28
Fee and commission expense	(1)	(33)

(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:

	2010 EUR'000	2009 EUR'000
Assets		
Loans and advances to customers	773	1,006
Liabilities		
Customer accounts	881	1,742
Transactions during the year were as follows:		
Interest income	45	34
Interest expense	(26)	(34)
Fee and commission income	5	2

37. Related party transactions (CONTINUED)

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

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

Key management personnel compensation for the period comprised:

	2010 EUR'000	2009 EUR'000
Board of Directors	680	401
Senior Managers	1,920	2,248
Supervisory Board	10	21
	2,610	**2,670**

During the year 2010 the number of members in the Board of Directors increased (see note 1). In addition to their salaries, the Bank also provides non-cash benefits to directors and executive officers and contributes to a supplementary annuity insurance plan (see note 39).

38. Custodial services

The Bank administers securities and other valuables totalling EUR 2,392 million (2009: EUR 1,627 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 2010, the Bank paid EUR 90 thousand (2009: EUR 64 thousand) and employees paid EUR 118 thousand (2009: EUR 142 thousand) under this plan.

40. Fair values and accounting classification

Fair value is the amount at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The carrying amounts and estimated fair values of the Bank's financial assets and liabilities at 31 December 2010 were as follows:

	Note	Trading EUR'000	Held to maturity EUR'000	Loans and receivables EUR'000	Available for sale EUR'000	Other amortized cost EUR'000	Carrying value EUR'000	Fair value EUR'000
Financial assets								
Cash and cash Equivalents	7	-	-	607,079	-	-	607,079	607,079
Trading assets	9	81,188	-	-	-	-	81,188	81,188
Derivative assets held for risk management	10	2,741	-	-	-	-	2,741	2,741
Loans and advances to banks	11	-	-	55,287	-	-	55,287	55,059
Loans and advances to customers	12	-	-	2,797,100	-	-	2,797,100	2,532,179
Investment securities	14	-	126,294	-	478,785	-	605,079	606,620
Measured at fair value		-	-	-	478,785	-	478,785	478,785
Measured at amortised cost		-	126,294	-	-	-	126,294	127,835
Financial liabilities								
Trading liabilities	9	46,043	-	-	-	-	46,043	46,043
Derivative liabilities held for risk management	10	9,982	-	-	-	-	9,982	9,982
Deposits by banks	18	-	-	-	-	404,763	404,763	398,064
Customer accounts	19	-	-	-	-	2,948,805	2,948,805	2,939,729
Loans received	20	-	-	-	-	254,185	254,185	244,725
Debt securities issued	21	-	-	-	-	112,494	112,494	105,179

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 2009 were as follows:

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

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 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 (2010: EUR 2,006 thousand; 2009: EUR 19,004 thousand) and are stated at fair value with respect to the hedged interest rate.

40. Fair values and accounting classification (CONTINUED)

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

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

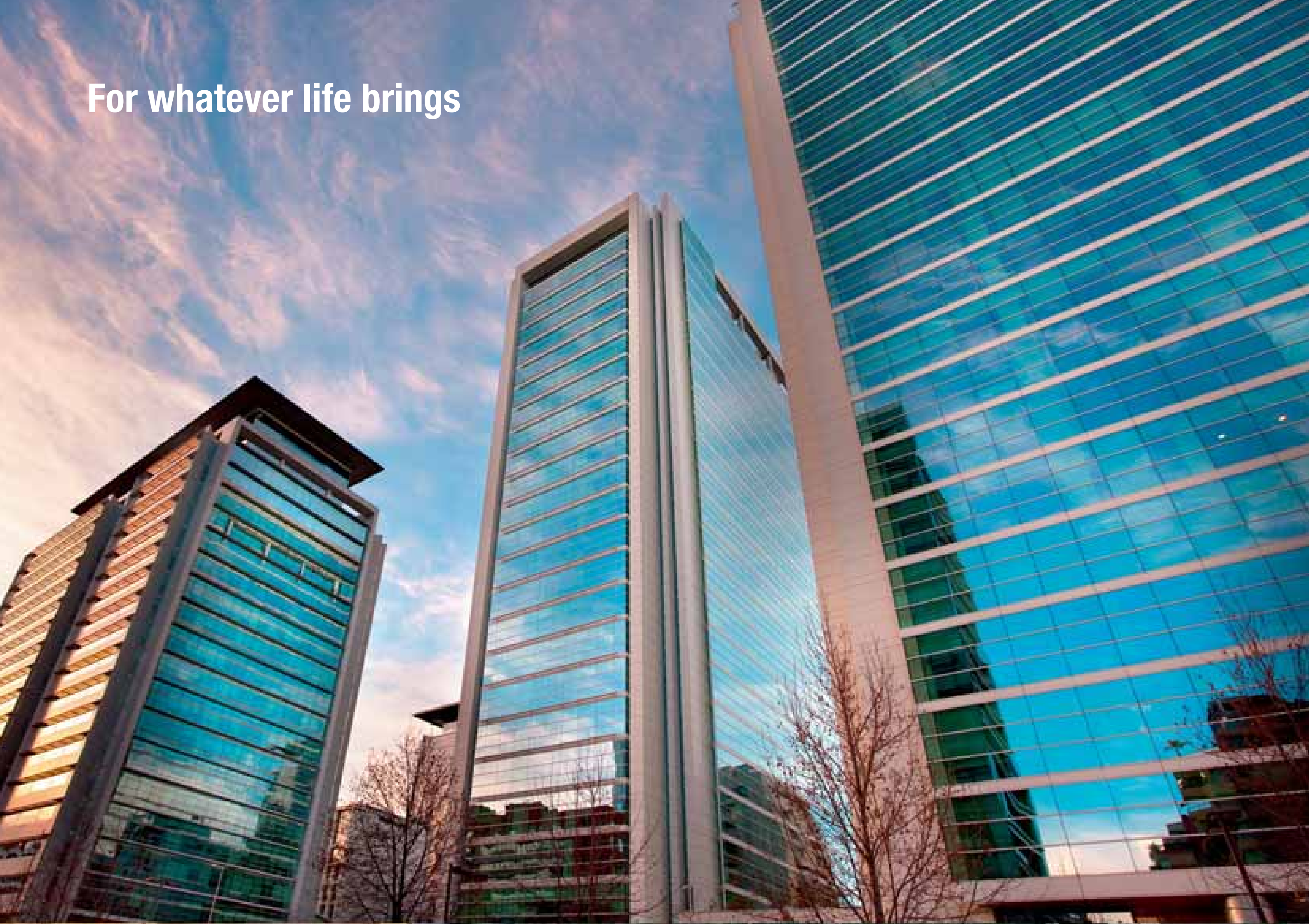
Deposits by banks
The fair value of current accounts with other banks approximates to book value. For other amounts owed to banks with a remaining maturity of less than three months, it is also reasonable to use book value as an approximation of fair value. The fair values of other deposits by banks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

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

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

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

For whatever life brings



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

A.
Pursuant to Act No. 431/2002 Coll. on Accounting, the corporate governance of UniCredit Bank Slovakia a.s. (hereinafter referred to as the "Company" or the "Bank") is governed by the Code of Corporate Governance in Slovakia, which is a part of the Stock Exchange Rules for Admission of Securities to the Regulated Market and which is publicly available at the web site of Burza cenných papierov Bratislava, a.s. (www.bcpb.sk). No deviations from the Code occurred in the Bank in 2010.

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

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

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

The Internal Control and Internal Audit Division and the Risk Management Division are independent Competence Lines. Furthermore the Director of the Internal Control and Internal Audit Division directly reports to the Supervisory Board via Audit Committee.

The 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 compliance with the Company's strategy and accomplishment of the following objectives:
a) economy and efficiency of processes and procedures;
b) protection of all property of the Bank;
c) reliability and integrity of all information;
d) compliance with laws, instructions and decrees of the National Bank of Slovakia;
e) compliance with Group guidelines and policies as well as with internal regulations and plans.

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

Information about management methods is provided in the financial statements.

C.
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 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 written principles and procedures determining the lines of responsibility and delegation of powers, the determination of main regulations and comprehensive reporting and analyses in accordance with the approved standards and budgets.
Risk minimization by attempting to provide for implementation of the appropriate infrastructure, regulations, systems and people within the entire scope of the business. 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 inspections, internal audit inspections, regular reporting to the Audit Committee and regular meetings with external auditors.
The Internal Audit unit inspects, on an independent basis, the adequacy of the entire system of internal control and reports to the Management Board and to the Audit Committee on its main findings and on corrective measures recommended for risk-balancing purposes.
The directors are responsible for the internal control system of the Bank and for regular inspection of its efficiency.

Main features of the risk management system:
The risk management system has been developed by UniCredit Bank Slovakia a. s. in a manner to meet the requirements of the Directive 2006/48/EC of the European Parliament and of the Council of June 14, 2006, relating to the taking up and pursuit of the business of credit institutions, Act No. 483/2001 Coll. on Banks, as well as of the applicable decrees of the National Bank of Slovakia.

The objective of the Bank's risk management system is to:
- develop it in a manner to be in line with the set business objectives of the Bank as well as with its risk appetite,

- set up a system for the organization of business transactions in such a manner as to be in line with the risk profile of such transactions,
- create an adequate system for assigning powers and responsibilities,
- have available an effective system for reporting – reporting system,
- have available an effective risk control system.

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

According to Article 9, Paragraph 9.16 of the Articles of Association of the Company, the Supervisory Board has established an advisory committee for auditing – the Audit Committee, and approved its Statute. The Audit Committee is made up of three Supervisory Board members. The responsibilities of the Audit Committee are set out in its Statute. At the same time, the Audit Committee may give an order to carry out inspections and special audits of banking activity, of other sub-departments/units of the Bank and its subsidiaries. The Audit Committee may also request evaluation of the correctness of bank-to-bank transactions and other transactions which represent, directly or indirectly, a conflict of interests. The Supervisory Board shall supervise the exercise of powers by the Management Board and the conduct of the Company's business activities. Meetings of the Supervisory Board take place when needed, however, at least once in a quarter. In 2010, 6 meetings of the Supervisory Board took place.

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

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

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

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

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

The Supervisory Board may further establish committees from its members. One such committee is the Remuneration Committee, which shall define the principles and approve remuneration of the Management Board members.

D.

The General Meeting is the supreme body of the Company. The Annual General Meeting of shareholders took place on April 8, 2010. Shareholders approved annual individual financial statements and a motion to distribute profit, approved the annual report and the external auditor for 2010 and elected new members of the Supervisory Board.

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

It is within the powers of the General Meeting to:

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

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

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

The shareholder of the Company shall be entitled to inspect the minutes from the Supervisory Board meetings. The request of the shareholder for access to the minutes must be in writing and duly delivered to the Company and must contain the identification of the respective item of the agenda and the meeting of the Supervisory Board for which the access is required; such request must be dated and signed by the shareholder.

The Company may refuse access to the minutes from the Supervisory Board meetings, if such access would be an infringement of the generally binding legal regulations or supply of the information could harm the Company. Any information provided by the Company to the shareholder must remain confidential.

E.

The Management Board carried out its activity in 2010 with a composition of five members. Meetings of the Management Board take place every two weeks. The Management Board met at 26 ordinary meetings last year.

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

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

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

Asset & Liability Committee (ALCO)

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

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

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

Security Committee of UniCredit Bank Slovakia a. s.

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

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

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

Liquidation Committee of UniCredit Bank Slovakia a. s.

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

Personal Data Protection Committee

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

Operational Risk Committee of UniCredit Bank Slovakia a. s.

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

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

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

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

Qualified interest in the registered capital of UniCredit Bank Slovakia a. s. is held by UniCredit Bank Austria AG, seated in Schottengasse 6-8, 1010 Vienna, Austria.
With regard to the fact that no special rights or obligations are attached to the issued shares, no shareholder is vested with special rights of control.

The Company issued no employee shares.

The voting rights attached to the Company's shares are not restricted.
The Company is not aware of any agreements among the securities holders which might restrict transferability of both the securities and the voting rights.
The members of the Management Board shall be elected and removed by the Supervisory Board.

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

If the Chairman of the Management Board, Vice-Chairman of the Management Board or a member of the Management Board resigns, is removed or the term of his or her office is terminated as a result of his or her death or another reason, the Supervisory Board shall elect, within 3 (three) months, a new member or designate a new Chairman or Vice-Chairman. The term of office of such a newly elected member of the Management Board shall expire on the date of expiration of the term of the Management Board, whose term of office was being served at the time of the election of the new member.

If a member of the Management Board resigns from office, the resignation on the membership of the Management Board is effective on the day of the first Supervisory Board meeting following delivery of the written resignation notice; if a Management Board member resigns at the Supervisory Board meeting, the resignation is effective immediately. If, after delivery of the resignation notice on the membership in the Management Board or resignation at the Supervisory Board meeting, the Supervisory Board agrees with the member of the Management Board on a date of the termination of office, the office of the member of the Management Board shall terminate on such agreed date.

Any amendment of the Articles of Association is subject to a decision of the General Meeting and shall be approved by a two-third majority of votes of all shareholders. Such decision of the General Meeting shall be taken in the form of a notary deed.
The powers of the Management Board related to decision-making on the issuance of shares are governed by the provisions of Act No. 513/1991 Coll., the Commercial Code.

The Company entered into no agreements pursuant to Article 20, Paragraph 7(i) and (j) of the Act No. 431/2002 Coll. on Accounting.
The Bank does not carry out any activities hostile to the environment.
Through its system for management of environment protection, health protection and work safety, the Bank creates safe and health-friendly environment for its employees, demonstrates its maximum effort in the area of environment protection management when executing bank activities and related activities and does not carry out any activities which would negatively influence the environment.
At the end of last year, UniCredit Bank Slovakia a. s. obtained a certificate on environment management system (EMS) in compliance with requirements of the international standard ISO 14001. In addition to this, the Bank also obtained a certificate on implementation of the work safety and health protection at work management system in compliance with requirements of the international standard OHSAS 18001.

The Bank does not have any organizational units abroad.
The Bank has no research and development costs.

UniCredit Bank

www.unicreditbank.sk