Annual Report 2009

2009

Contents

The company at a glance

Registered office: Tomášikova 48
832 37 Bratislava
Slovak Republic
Company Registration Number (IČO): 00151653
Legal form: joint stock company
Line of business: universal bank

Shareholders as at 31 December 2009:

EGB Ceps Holding GmbH – 100%

Significant participations:

Realitná spoločnosť Slovenskej sporiteľne, a.s. 100.00%
Factoring Slovenskej sporiteľne, a.s. 100.00%
Leasing Slovenskej sporiteľne, a.s. 96.66%
Derop B.V. 85.00 %
Informations-Technologie Austria SK, spol. s r. o. 51%
Slovak Banking Credit Bureau, spol. s r.o 33.33%
Erste Corporate Finance, a. s. 25.00%
s IT Solutions SK, s.r.o. 23.50%
Prvá stavebná sporiteľňa, a.s. 9.98%

Contact:

Sporotel: 0850 111 888
www.slsp.sk
info@slsp.sk

Ratings of Slovenská sporiteľňa, a.s. as at 31 December 2009

Fitch Ratings
Long-term liabilities – A
Short-term liabilities – F1
Individual rating – C/D
Outlook – stable

Standard and Poor's

Credit rating – A-pi (based on published information)

This Annual Report was prepared in accordance with Act no.431/2002 Coll. on Accounting as amended.

Statement by the Chairman of the Board of Directors/CEO

Dear shareholders, dear customers,

For Slovakia, the year 2009 was the first year with the new currency – the euro, and at the same time a year when we witnessed a significant economic decline. Both these factors had considerable influence also on the Slovak banking market, including Slovenská sporiteľňa.

Slovenská sporiteľňa contributed significantly to the successful transition to the euro. However, the euro introduction has brought about a certain dropout in income for the whole banking sector, due to a lower volume of foreign exchange transactions, lower fees from transactions within the EEA and lower interest rate level as well. Slovenská sporiteľňa was able to cope with these impacts on the income side slightly better than the whole sector, thanks to its business growth and active approach to pricing.

Also in the year of a rather difficult macroeconomic situation, we continued to pursue our strategy, focused mainly on banking for private individuals and SMEs and on consistent growth of efficiency. Also thanks to a long-term stable liquidity position and a strong shareholder Erste Group Bank, we were able to stand by our customers also in difficult times and to continue financing their needs in a responsible way.

Owing to this, we managed to post a continuous year-on-year growth in total loans volume, in particular in housing and consumer loans area. We succeeded to significantly increase our market share in both categories. We also continued to support our corporate customers. All of this was achieved while maintaining a prudent approach to lending and with prices reflecting respective risk. In case of serious problems of our customers which might have arisen from negative macro-economic development, we were ready to help with suitable restructuring of their credit burden.

As for the deposit area, like the whole sector, we were also witnessing certain corrections after a rapid growth at the end of 2008 caused by the euro introduction. During the year, we were mainly focused on appropriate pricing and improvement of the deposit structure. We succeeded to considerably increase customer deposits with maturity of two years and more, which contributed to strengthening of our liquidity and further stabilisation of primary sources for financing of our customers.

In line with our strategy, we continued to simplify our processes and product offer and to increase transparency of our products and services. The new Personal Account, which we consider one of the tools to further strengthen long-term relationships with our customers, met with a positive response.

During 2009, we significantly streamlined the organisational structure of the company and reduced the number of managerial levels both in the head office and branches. The key goal of these steps was mainly to simplify the way we do business and to bring the whole company even closer to our customers. The result of this as well as other measures was, among others, the reduction in number of employees while maintaining a high operating performance and further strengthening market positions.

Despite increased focus on cost management, we continued to invest in future development of Slovenská sporiteľňa. We also improved the availability of our services by extending the network of branches and ATMs and we invested in reconstruction of existing branches in order to better meet customer needs. The significant growth in number of customers using our direct banking services also continued.

Business growth and our steps in the area of pricing had an overall positive impact on continuous growth of operating income during the year. Streamlining of organisational structure and stronger focus on costs contributed to decrease of operating expenses compared with last year. This resulted in a year-on-year increase of operating profit and further growth of efficiency (cost/income ratio improvement).

Final net profit of the company during a period of economic decline was significantly influenced by creation of provisions and revaluation of certain investments. These were the major factors that contributed to a year-on-year decrease of net profit.

The year 2009 was the year of further strengthening the leading position of Slovenská sporiteľňa on the Slovak banking market. Even in economically difficult times, we supported our customers, increased our operating efficiency and also thanks to the streamlining of our management structure and investments into the future, we are now well prepared for the demanding year 2010.

We will continue executing on our strategy also in the future. We will be building and further developing a stable and long-term sustainable business, with permanent focus on customers and their needs, high internal efficiency and overall performance. We will further build on the strengths of Slovenská sporiteľňa, long-term relationships with our customers, trustworthiness, largest distribution network and our employees, who with their pro-active approach and hard work are in the long run behind the success of our company.

Jan Rollo
February 2010

Financial highlights

According to IFRS Prepared in accordance with the International Financial Reporting Standards. Figures are taken from Consolidated Financial Statements.	**Dec. 31, 2006 (mil. €)**	**Dec. 31, 2007 (mil. €)**	**Dec. 31, 2008 (mil. €)**	**Dec. 31, 2009 (mil. €)**
Balance sheet total	9 889	10 088	12 557	11 485
Receivables from banks	2 294	1 132	2 713	1 198
Receivables from clients	4 299	5 204	5 711	6 050
Securities and participations	2 712	3 163	2 435	3 714
Liabilities towards clients	6 972	7 634	8 563	7 802
Equity	677	732	802	782
After tax profit	128	138	142	30

Selected ratios				
ROE	20.3%	19.8%	18.7%	3.9%
ROA	1.4%	1.5%	1.3%	0.3%
Cost income ratio	54.1%	51.8%	49.7%	48.9%
Non-interest income to Operating income	30.3%	27.0%	28.6%	23.2%
Net interest margin	3.5%	4.0%	4.0%	4.0%
Loans to Deposits ratio	61.7%	68.2%	66.7%	77.6%
Capital adequacy (%) according to NBS	9.1%	10.3%	9.6%	10.5%

Other figures – end year figures				
Number of employees	4 710	4728	4876	4137
No. of branches	271	273	275	279
No of ATMs	555	587	627	660
No of Payment cards	1 138 466	1 264 215	1 340 427	1 288 139

Corresponding financial information from years 2006 through 2008 was translated by the official conversion rate of 30.126 SKK/EUR set at June 30, 2008.

This explanatory report was prepared in accordance with Section 20(8) of the Accounting Act.

The members of the Board of Directors of Slovenská sporiteľňa, a.s. hereby confirm that the Summary Corporate Governance Report of Slovenská sporiteľňa, a.s. (hereinafter referred to as „the Report") was prepared with due professional care and is based on the best knowledge and expertise of the members of the Board of Directors of Slovenská sporiteľňa, a.s.; they declare that the information contained in the Report was up to date, complete and true as at date of the Report's preparation, and that the Report does not omit any data or information that could affect its meaning.

Top management
BOARD OF DIRECTORS OF SLOVENSKÁ SPORITEĽŇA

JAN ROLLO
Chairman of the Board and CEO

Jan Rollo graduated of the Czech Technical University in Prague. In 1989, he joined Swissair to work as a specialist in its IT Department in Switzerland. He later worked in the position of Phare programme manager at the Delegation of the European Commission in Prague.

His banking career began in 1994, when he joined Bank Austria to be responsible for relations with key customers, marketing and electronic banking.

He then moved to Citibank, where he was head of the product management department and also part of the management of the SME department. In 1999, he joined GE Money Bank in the Czech Republic as a head of sales to SME and corporate clients, and the following year he took the charge of corporate banking and was joined company's senior management. In 2003, Jan Rollo became head of retail banking and a member of GE Money Bank's Board of Directors. In March 2009, Jan Rollo took over as Chairman and CEO of Slovenská sporiteľňa, after being elected to the post by the Supervisory Board. He has direct responsibility for retail banking and product management, human resources, communication and sponsoring, marketing and market research. Mr Rollo is also a member of the Supervisory Board of Prvá stavebná sporiteľňa, a.s.

ŠTEFAN MÁJ

Deputy Chairman of the Board and First Deputy CEO

Štefan Máj is a graduate of the Management Faculty at the University of Economics in Bratislava. From 1991 to 1995, he worked for Slovenská sporiteľňa, first as head of the Property Management Staff Unit, then as general director of the Technology Division, and later as a member of the Board of Directors. In 1995, he joined Komerční banka, a.s., Bratislava, serving as a member of the Board of Directors and deputy CEO until December 1998, when he returned to Slovenská sporiteľňa to become Deputy Chairman of the Board of Directors. In his capacity as Chief Financial Officer of Slovenská sporiteľňa, he is responsible for accounting and controlling, property management, balance sheet management, and legal services.
Mr. Máj is a member of the Supervisory Boards of Factoring Slovenskej sporiteľne, a.s., member of the Supervisory Board of Asset Management Slovenskej sporiteľne, a.s, and LANED, a.s.

FRANK-MICHAEL BEITZ
Member of the Board and Deputy CEO

Frank-Michael Beitz is a graduate of the Vienna University of Economics and Business Administration. He has been working in Erste Bank since 1984. From 1988 to 1995, he was chief credit officer at the Erste Bank‘s London branch. Between 1995 and 1997, he led the International Finance Department in Vienna. From 1997 to 2000, he was a head of International Credit Risk Management in Erste Bank and went to Česká spořitelna from there. He was a member of the senior management and a head of the Credit Risk Management Department. His current responsibilities cover Slovenská sporiteľňa‘s risk management, participations and compliance.
Mr. Beitz is a member of the Supervisory Boards of the bank’s subsidiaries: Factoring Slovenskej sporiteľne, a.s., Leasing Slovenskej sporiteľne, a.s., and Realitná spoločnosť Slovenskej sporiteľne, a.s., he is also a member of the Supervisory Board of Prvá stavebná sporiteľňa.

PETER KRUTIL
Member of the Board and Deputy CEO

Peter Krutil graduated from the Management Faculty at the University of Economics in Bratislava, and served internships at Creditanstalt Vienna and Creditanstalt London. From 1991 to 1993, he was a securities dealer for VÚB, a.s., Bratislava, where he worked on the introduction of new companies on the Bratislava Stock Exchange. In 1993, he joined Tatra banka, a.s. as a dealer in the money and capital market. Later that year, he took up a senior management position at Creditanstalt Securities, o.c.p., a.s., Bratislava, where he stayed until 1998, eventually becoming a member of the Board of Directors. In 1998, Mr Krutil moved to the Slovak Economy Ministry, and in December of the same year he was elected a member of the Board of Directors of Slovenská sporiteľňa. He is responsible for the management of corporate banking and capital markets.
Mr Krutil is a member of the Supervisory Boards of Factoring SLSP, Leasing SLSP and Erste Corporate Finance.

MARTIN PILECKÝ

Member of the Board and Deputy CEO

Martin Pilecký is a graduate of the Czech Technical University in Prague. His banking career began in 1991 at Živnostenská banka a.s., in Prague, where he was responsible for electronic banking and payments, corporate banking, and, later on, the IT and organization division. From there he went to General Electric, and then to Komerční banka, as a Chief Information Officer he oversaw the bank‘s IT services and subsidiaries. Later, in Alfa-Bank Moscow, he was working first as the Board-level Chief Information Officer and then, from 2004, as a Chief Consultant to the Board of Directors with responsibility for managing the bank‘s IT and transaction activities. Mr. Pilecky came to Slovenská sporiteľňa on 1 August 2009, joining the Board of Directors as a member responsible for information technologies, payments and organization. He also works as managing director of the Slovenská sporiteľňa’s subsidiary Informations-Technologie Austria SK, s.r.o. and Erste Group‘s core banking system strategy.

Supervisory board
of Slovenská sporiteľňa

Franz Hochstrasser
Chairman of the Supervisory Board

Wolfgang Schopf
Deputy Chairman of the Supervisory Board

Beatrica Melichárová
Member of the Supervisory Board

Herbert Juranek
Member of the Supervisory Board

Bernhard Spalt
Member of the Supervisory Board

The following persons were members of the Board of Directors until the dates stated:
Regina Ovesny–Straka – 28 February, 2009
Michael Vogt – 31 March, 2009
Samuel Vlčan – 30 June, 2009

The Slovak economy in 2009

Economy faced a sharp decline in 2009

The Slovak economy slid into its deepest recession since the country's independence. Gross domestic product declined by 4.7% in 2009, after four years of growth by an annual average of 8%. This sudden turnaround reflected a slump in external demand and a consequent sharp decline in manufacturing and investment. As the year progressed, the effects of European governments' fiscal stimulus measures began to feed through, the economy gradually recorded a modest recovery that was particularly noticeable in industry. Household consumption stagnated in 2009 due to rising unemployment. The registered unemployment rate climbed to 12.7% by the year end, representing an increase of 4.3 percentage points year-on-year.

Inflation fell to zero

HICP inflation slowed down gradually, from 2.7% in January to zero at the end of the year. The decline in inflationary pressures was a corollary of the crisis and reduced household purchasing power. Inflation was low, mainly due to lower fuel and food prices, in some months it even reached negative figures (this was also the case for the euro area as a whole). Another cause of the lower prices of Slovak goods was the weakening of neighbouring countries' currencies against the euro, which drew in lower-priced imports and forced Slovak retailers to cut prices.

Public finances

The general government deficit for 2009 was expected to be around 6.3% of GDP, according to the official estimate. This represents a marked deterioration compared to the 2008 deficit of 2.2% of GDP. The economic slump was reflected in lower tax revenues and higher social expenditures, as well as new fiscal initiatives. With the Government planning to consolidate public finances in upcoming years, the 2010 budget projects the shortfall in public finances to be at 5.5% of GDP. Along with high general government deficits, government debt will rise and is expected to reach approximately 40% of GDP in 2010, up from 28% of GDP in 2008.

The central bank cut rates and provided liquidity to banks

Slovakia joined the euro area on 1 January 2009, thereby adopting the European single currency and accepting interest rates set by the European Central Bank (ECB). In the first half of the year, the ECB continued to cut rates – down to an all-time low of 1.0% – in response to the economic slowdown across the euro area and the drop in inflation. In further non-standard measures aimed at supporting market liquidity, the central bank provided banks with financing through longer term refinancing operations and purchased securities on the market. Towards the end of the year, however, the ECB outlined plans for an exiting strategy and returning to normal operation. Assuming that the recovery in the euro area continues as expected, the ECB is set to scale back liquidity-providing measures during 2010.

Management report on activities in 2009

Figures are taken from Consolidated Financial Statements

REVIEW OF FINANCIAL RESULTS FOR 2009

- Decline in balance sheet total: outflow of deposits after euro adoption, lower deposits in NBS
- Deposit structure more in favor of longer periods. (18.4% of retail deposits tied for period of two to three years)
- Continuing growth of retail loans
- Loans to deposit ratio grew to 77.6%
- Higher interest income compensated for decline in other sources of income
- Net income from fees and commissions declined after euro adoption, income from fees also limited by legal regulations
- Expenses fell, cost to income ratio stood at 48.9%

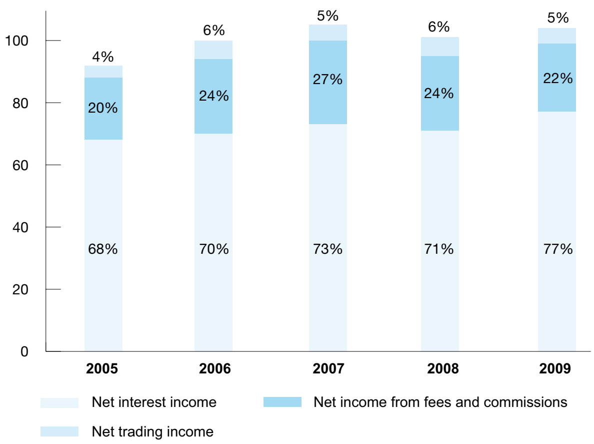
Loans to clients grew, deposits in NBS declined

As of 31 December 2009, Slovenská sporiteľňa reported a balance sheet total of € 11.4 bn. (12.5 bn.), representing a year-on-year decline of 8.5% (€ 1.07 bn.) and a market share of 21.4%. The sharpest drop among asset items was recorded in cash and loans to the National Bank of Slovakia (NBS), which fell by more than 77% (€1.1 bn.). This was largely related to an outflow of cash following the euro adoption – cash had been held on deposit with the NBS on 31 December 2008. Loans to customers rose by almost 5.9% to € 6 bn., and accounted for nearly 53% of the balance sheet total. Total deposits fell by 8.9% year-on-year (€ 761 mil.), to € 7.8 bn. This was related mainly to the withdrawal of deposits that followed the euro changeover. The structure of the balance sheet also underwent a change after the euro adoption, with some of the surplus liquidity being invested in securities available for trading and securities held to maturity.

Interest incomes grew rapidly

Slovenská sporiteľňa managed to increase its net interest income by around 6.5% year-on-year, or € 24.6 mil. The continuing rise in lending to households made a significant contribution to the interest income growth. This was due to the decline in interest expenses, as well as due to fall in deposits. The loan-to-deposit ratio rose year-on-year, to 77.6% (compared to 66.7% in 2008). Net interest income as a share of the Bank‘s total income rose to 76.7% (compared to 71.4% in 2008).

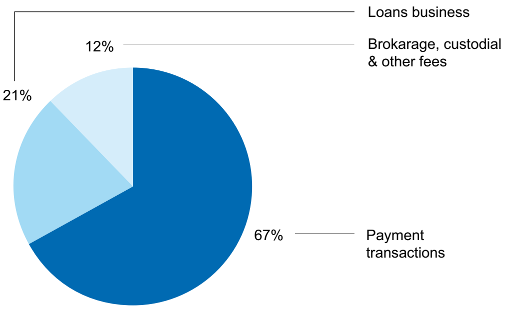
Weight of interest incomes grew



Fee incomes were lower due to euro adoption

Net income from fees and commissions fell by 7.3% year-on-year, to almost € 110 mil. as at the end of 2009. This was caused mainly by a drop in fee income on foreign payments following the euro adoption. In addition, the amended Prices Act came into force and ordered banks to handle euro cash transactions free of charge for 6 months. Also the gradual implementation of the EU‘s Payment Service Directive began in 2009. Fees from securities trading declined, especially in the area of asset management, which was influenced by unfavourable situation on financial markets.

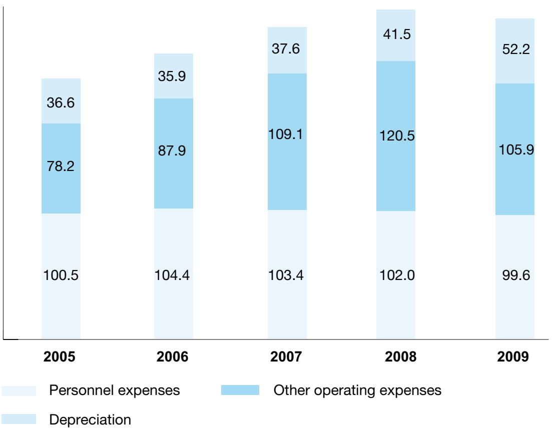
Transactions still create two thirds of fee incomes



Strict expense control

General operating expenses fell by 2.4% year-on-year, despite the cost increases related to investments in future development, for instance branch network enlargement and refurbishment and gradual implementation of new banking information systems. Wage costs fell by 2.4% year-on-year, to € 99.6 mil. The Bank managed a substantial improvement in its key efficiency indicator – the cost-to-income ratio – which was reported at 48.9% (compared to 49.7% at the end of 2008). The overall reduction in costs reflects the streamlining of processes and strict cost management.

Operating expenses slightly lower (mil. €)



Net profit influenced by single-shot factors

Operating income grew by 1% (€ 10 mil.) to € 268.8 mil., considering changes in recognition of interest revenues on impaired loans. The operating income of Slovenská sporiteľňa remained almost unchanged year-on-year, declining by € 4 mil. to € 526.5 mil. However, the Bank‘s consolidated net profit for 2009 stood at € 30.1 million, almost € 112 million less than in 2008 (decline by 79%). The decline was caused by a surge in credit risk costs, up by € 71.4 million (80%), as well as repricing of some investments and a drop in the other operating result, which in 2008 had included the one-off sale of Poisťovňa Slovenskej Sporiteľne, a.s. for a profit of € 35 million.

RETAIL SERVICES

- **Significant growth in retail loan market share (from 23.9% to 25.8%)**
- **Stabilization of market share in deposits, longer deposit periods preferred to short periods**
- **New "Osobný účet" (Personal account) creates a base for long term relationship with clients**
- **Reduction of product portfolio by a third**
- **Leaner organizational structure and more effective processes**

Slovenská sporiteľňa was closely monitoring development of the situation on the market and supported its clients in challenging times. It focused on strict pricing policy and cost management. 2009 also brought optimization activities, activities aimed at increasing in effectiveness and a leaner organizational structure.

The Bank‘s share of the retail lending market rose sharply last year (from 23.9% to 25.8%), and its average lending rate was slightly higher than that of competition. As for the retail deposit business, Slovenská sporiteľňa stabilized its market share at the level of 28.1%. The structure of the deposit portfolio saw a shift in demand away from short fixed terms to long fixed terms (2 to 3 years), which puts the Bank‘s lending capacity on a more stable footing.

The range of products was substantially trimmed down, from 165 to 110. On the other hand, the Personal Account was introduced as a simple and easy-to-use product that creates the base for development of a long-term relationship with the customers.

After a year, Bank is number one in housing loans, again

In 2009, the Bank arranged new housing loans worth more than € 706 mil., representing an increase of almost 8% year-on-year. It successfully introduced a housing loan through which the borrower can refinance a loan from another bank. This product, for which no expert opinion is required and no processing fee is charged, is designed for customers who want to refinance with more favourable conditions in Slovenská sporiteľňa. The Bank also introduced a housing loan for long-standing customers, which is dedicated to customers who already had arranged a loan secured by real estate.

Another novelty was an interest rate with a three-year initial fixed rate. Most of the loans arranged in the second half of the year were of precisely this type of interest rate. The Bank also brought out Loan Insurance product, whereby insurance for a loan is arranged quickly and easily at the same time as the loan, all within a single credit agreement. Almost 40% of customers buying a new housing loan opted for this insurance. There are three sets of insurance to choose from, each offering protection against various unexpected occurences in the course of client's life.

The average amount of a housing loan rose by € 2 200 year-on-year, to almost € 42 000. The average loan maturity period for housing loans increased, to around 24 years. Slovenská sporiteľňa took back the leading position in the housing loan market, with a market share of 24.4%.

Consumer loans arrangement possible via electronic banking

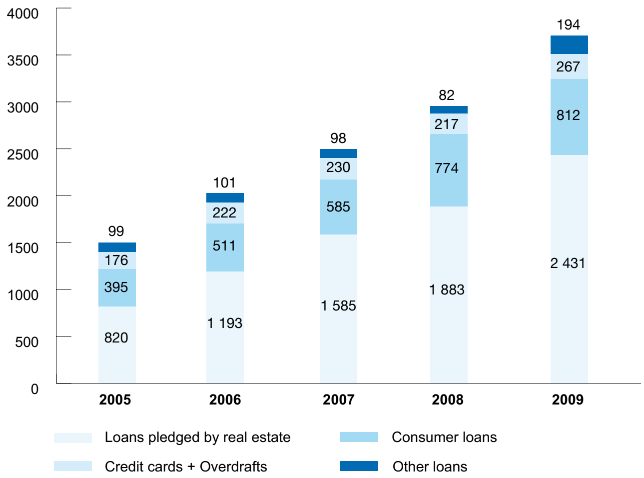
In this area of lending, too, the Bank introduced several new products and procedural improvements, for example Loan Insurance. Following its introduction, this product was provided in connection with more than 60% of new loans.

At the end of October, the Bank started offering any purpose loans through internet banking. Through the fast and automatic process, customers can, from the comfort of their home, obtain a loan within two hours of submitting the application – without having to visit the branch and without paying any processing fee.

Slovenská sporiteľňa continued to provide its successful pre-approved credit limits. The number of customers with the option to apply for a consumer loan, credit card or authorized overdraft increased remarkably, to 220 000. A third of all new consumer loans were provided using this fast and simple way.

The Bank's share of the consumer loans market represented 42.7% in December 2009, confirming its position as the long-time market leader in this field of consumer financing. For the period under review, newly arranged consumer loans amounted to more than € 384 million.

Significant rise of retail lending continued (mil. €)



New transparent "Osobný účet" (Personal account)

The amount of funds held in current accounts rose by 12.8% in comparison to 2008. By introducing Personal Account, the Bank realized its aim of offering a comprehensive current account product that meets all customers' needs for a single price. It was developed following results of complex analysis of customer transaction behaviour. Personal Account not only provides everything that a modern customer requires, it also offers a payment card that includes a moneyback reward scheme. The Personal Account is rather transparent – client does not have to put the account together from many components and it is clear what services are included and what the extras are. Everything that a client needs is included for one advantageous price.

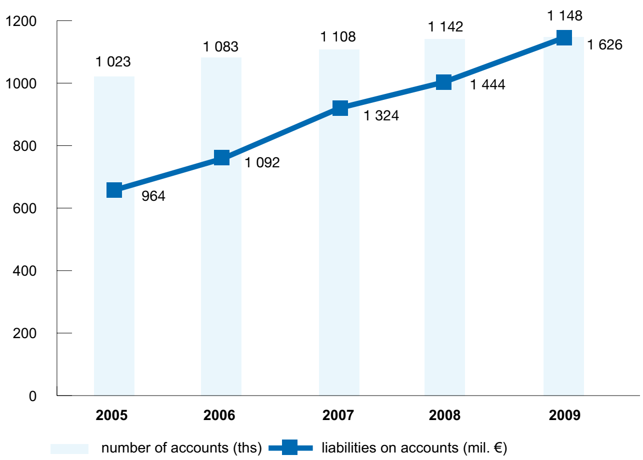
Deposits for longer periods represent almost a fifth of all private deposits

The focus of the Bank's private deposit business in 2009 was on the long-term deposits. Over the course of the year, funds were being switched from short-term deposits to long-term deposits, thereby creating a sounder portfolio. Deposits with longer periods recorded positive trend. Its portion among all types of periods with term deposits grew to 18.4%.

In 2009, retail deposits totalled € 6.0 bn. and accounted for almost 77% of the Bank's overall deposits. The largest increase in retail deposits held with the Bank was recorded back in the last quarter of

2008, when the amount of funds placed in deposit or retail accounts rose by 17%. Even following this surge in retail deposits, however, the year-on-year decline they recorded was about € 450 mil., or just 6.2%. These figures reflected the behaviour of customers, who towards the end of 2008 had been depositing cash in anticipation of the euro‘s adoption as the domestic currency and who then in 2009 withdrew part of these funds in euros.

Higher balances on personal accounts



Clients of mutual funds returned in the second half

Development on financial markets in the past year can be divided into roughly two phases - the first quarter and the rest of the year. The prevailing pessimistic mood dominated the first quarter of the year gradually began to turn around over the next three quarters. In the end, the yields recorded in 2009 were among the highest in the history of investing. The percentage returns in almost all stock markets reached double figures, and stock exchanges in emerging markets gained by more than 70% on average. The year turned out favourably for other segments of the financial market, too. The gradual reduction in interest rates and credit margins reflected in better performing bond markets. The incipient economic recovery put upward pressure on prices of commodities, particularly oil, industrial metals, and precious metals. Despite Bank’s traditionally conservative approach to portfolio management – with the security of investments being the highest priority – it responded very well to the growth trend.

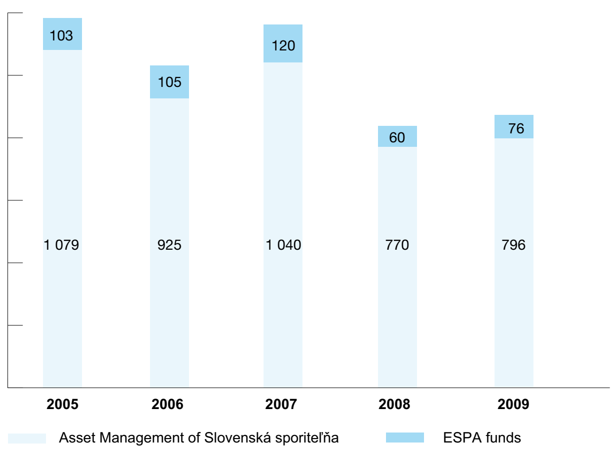
Successful sale of securities to retail clients

Securities investment confirmed its growing importance within Slovenská sporiteľňa‘s product portfolio. More than 15 000 customers now have their own asset account opened with the Bank. A popular alternative to conservative deposit products are the Bank‘s own issues of bond securities, especially mortgage bonds. In 2009, Slovenská sporiteľňa floated a record of nine issues (mortgage bonds and Slovenská sporiteľňa bonds in total), with the retail sector alone investing € 90 million in them.

The rising primary issues are also supporting a positive trend in secondary trading on anonymous stock markets.

A significant facilitator of securities trading is the on-line securities-trading system, through which customers can place orders to trade directly at a branch, as well as request other services involving the Central Securities Depository. Slovenská sporiteľňa is the only retail bank in Slovakia that provides a securities trading and registration service to such extent.

Mutual funds are gradually becoming interesting again (mil. €)



TRANSACTIONS

- **Rise in number of abroad payments**
- **More clients use electronic banking – the number of paper orders falls**

The number of outgoing foreign payments increased by 6% in 2009, copying the trend of year-on-year rises. Outgoing domestic payments rose by 3% year-on-year. Slovenská sporiteľňa is maintaining its significant position in the field of domestic payments, and handles 22% of the total number of payments made through the Slovak banking sector. Electronic banking services are clearly the preferred service channel, and their dominant position is confirmed by the fact that more than 85% of all customers‘ domestic and foreign transfers are made electronically. Regarding transfer orders made on paper forms, the number for domestic transfers fell by 23% year-on-year, and for foreign transfers, by 10%.

The strong preference for electronic banking services is also confirmed by the year-on-year rise in customer numbers. In December 2009, these services were used by 658 000 customers, representing an increase of 10% year-on-year.

PAYMENTS

- **Clients were supplied € 322 mil. worth of euro cash weighing 430 tons**
- **The bank has withdrawn 180 tons of Slovak crowns worth 441 mil. € from the circulation**

As for cash transactions, the key event in 2009 was the introduction of the euro into cash circulation and the withdrawal of the Slovak koruna from circulation. This was the largest logistical operation in the Bank's history. Before January, the amount of euro cash that the Bank had front-loaded for its customers amounted to € 322.5 mil. in total (€ 299.2 mil. in banknotes and € 23.3 mil. in coins) weighting 430 tons. At the same time, the amount of its customers' Slovak koruna that the Bank took out of circulation represented SKK 13.3 bn. (€ 441.5 mil.) weighing 180 tons. Out of this amount SKK 12.3 bn. (92%) was processed and transferred to the NBS in January and February. Of the total amount of koruna cash transfers made by commercial banks to the NBS, Slovenská sporiteľňa accounted for 23%. Overall, the Bank processed € 5.3 bn. last year, representing an increase of 8% year-on-year.

Regarding cashless payments, euro adoption also brought a change in the interbank payment system. Domestic interbank payments are now cleared through the EURO SIPS system at the NBS and they are then finally settled between the accounts of the Slovak banks in the TARGET2 system at the ECB. The change in the way payments are processed had minimal impact on customers.

DISTRIBUTION NETWORK

- **Investments in future development – the largest branch network grows even larger**
- **Card payments are becoming more frequent**
- **Even lower amounts are paid for by cards**

Bank has 279 branches, 65 branches has been modernized last year

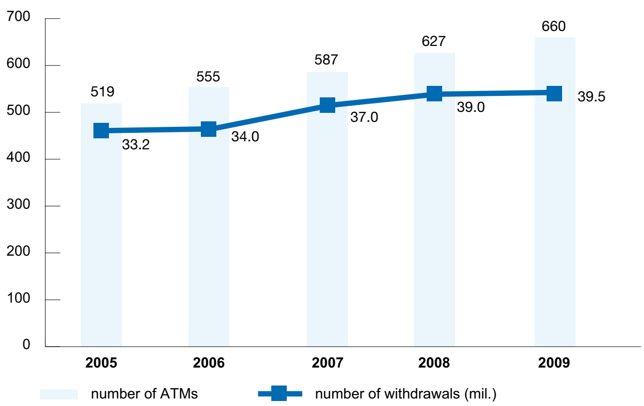
With 279 branches and 660 ATMs, Slovenská sporiteľňa has the most extensive bank distribution network in Slovakia. The Bank expanded its network in 2009, with the addition of seven new branches. A further 6 branches were relocated to new premises and 65 branches were modernized.

Number of ATMs and withdrawals grew

By the end of 2009, Slovenská sporiteľňa was operating 660 ATMs. That represented an increase of 5.3% year-on-year and 28.6% of all the ATMs in Slovakia, a share that maintained Slovenská sporiteľňa's leading position. The Bank also ranked first for the count and average volume of transactions per ATM, with more then 61 000 and € 5.8 mil., respectively. The number of cash withdrawals from the Bank's ATMs rose by 1.3%, to 39.5 mil. Their total amount represented almost € 3.8 bn. and the average amount over € 95.

Slovenská sporiteľňa was the first bank in Slovakia to provide ATMs that allowed customers to choose the type and number of banknotes withdrawn, thus making withdrawals more convenient.

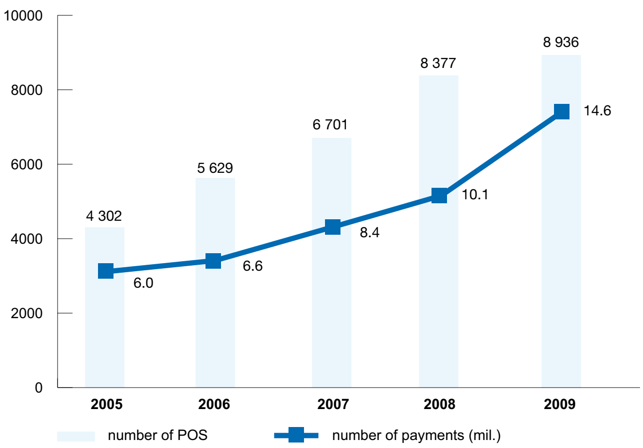
Number of ATMs and withdrawals is growing



Slovenská sporiteľňa has a quarter of POS terminals on the market

During 2009, Slovenská sporiteľňa increased the number of POS terminals in its network to 8 936, or by 6.7% year-on-year, which gave it a market share of 25.2%. More than 14.6 mil. transactions were carried out through terminals in 2009, representing a rise of 43.8% compared to 2008. These transactions amounted to more than € 447.7 million, an increase of 8.8% year-on-year, and the average transaction was € 30. This shift in favour of POS payments was also driven by the euro adoption.

Number of POS terminals and POS payments



Payment cards migrated to new, safe chip technology

In 2009, Slovenská sporiteľňa maintained its dominant position in the Slovak card market. By the year-end, the total number of payment cards issued by the Bank stood at 1 288 139. Slovenská sporiteľňa continued to be the market leader by number of debit cards, with a market share of 31%.

Slovenská sporiteľňa leads the Slovak payment card market by share of both the total number and total amount of card transactions – 37% and 33%, respectively.

Slovenská sporiteľňa was preparing for successful migration of its card products to smart technology (based on chip). Since February 2009.Smart debit cards are included in the new Personal Account for private customers, and holders can take advantage of a moneyback rewards scheme, when using them for payments.

Sporotel contact centre supported campaigns

The Sporotel Help Desk service has a special place among multiple sales channels, being an add-on provider of personal support for users of electronic banking services, POS terminals, ATMs and payment cards. In 2009, Sporotel's activities focused on bringing products and services to the attention of customers, whether during calls from customers or through calling customers directly. The number of processed electronic customer requests made through internet banking and the contact centre rose by almost 150% compared with 2008. Last year, Sporotel also began to communicate with customers through bulk SMS messages. Another new activity for Sporotel was issuing customers with reminders for past due payments.

CORPORATE BANKING

- **Relationship development and support to clients in challenging times**
- **The most loans supported infrastructure**
- **Usage of electronic banking grows instantly**

SMEs important part of clientele

The segment of small and medium-sized enterprises (SMEs) is serviced through nine regional commercial centres and nine corporate centres dedicated to them. Bank focused on supporting and monitoring of SME clients behaviour in a challenging year. Bank was monitorinf and analysing market signals and was offering its clients consulations, advice and loan restructuring, which created synergies and enforced mutual trust.

The Bank's lending to SMEs as of 31 December 2009 amounted to € 961 mil. Deposits held by SME customer with the Bank totalled € 356 mil. at the year-end.

The number of SME customers who were actively using the Bank's products and services represented 4 830. The number of clients making payments using accounts in Slovenská sporiteľňa grew again, while more than 90% of these were done through internet banking or internetbanking.

Lending to large corporate clients still at more than € 1 billion

In 2009, the main objective of Slovenská sporiteľňa in regard to large corporate clients was to maintain its portfolio, provide a high-quality and professional advisory service, and offer banking services. Through changes made last year to the Bank's organizational structure, internal processes in this area should become faster and simpler, especially in the following year. The result will be to accelerate and smooth the handling of clients' requirements and to ensure the acquisition of feedback as quickly as possible.

The linking of corporate clients at the group-level continued to prove advantageous in 2009, supporting uncomplicated communication between the subsidiaries of our clients and other bank members of Erste Group. This approach provided for new and efficient solutions to the financial needs of multinational companies with regard to their particular requirements specified by local markets.

Slovenská sporiteľňa maintained its amount of lending to large corporate clients at more than € 1 billion. This reflects the high-quality of its cooperation and communication with these clients, who include strategic partners in the energy sector, telecommunications sector, metal industry, and car industry. As for deposit facilities, we concentrated on improving and enhancing transaction banking and payment services.

Credit portfolio in project financing grew by 5%

Slovenská sporiteľňa confirmed its active position in the field of project financing. Its project financing portfolio amounted to € 600.2 mil., with most of the funds used to finance infrastructure and Public-Private projects (PPP), energy projects and syndications. The Bank was also heavily involved in trade and export financing. Last year, the Bank issued guarantees worth € 107 million and processed documentary credits amounting to € 13 mil.

As regards real estate financing, Slovenská sporiteľňa increased its credit portfolio by almost 5% in 2009, to € 797 mil., thus maintaining its long-standing position among banks as the second largest provider of real estate financing in Slovakia. Last year was not rich in new projects, and the portfolio growth was largely related to transactions entered into in 2008 – when the Bank took on several interesting projects outside Bratislava and when more than half of the rise in its assets was accounted for by real estate finance projects in the regions. Broken down by segment, the projects in 2009 focused mainly on commercial developments (such as shopping centres in larger regional towns) and smaller office developments.

FINANCIAL MARKETS

- **Bank focused on mortgage bonds issuing**
- **Trading on Bratislava Stock Exchange fell by half, Slovenská sporiteľňa kept its position**

Financial markets influenced by euro adoption

According to data from the National Bank of Slovakia for turnover in the interbank market in 2009, deposit transactions accounted for the largest share, almost 79%, followed by swap transactions (almost 20%), interest rate swaps (more than one percent), and repo operations and forward rate agreements (together less than one percent).

Capital market trading still low

Last year's turnover on the Bratislava Stock Exchange (BSSE) declined by 52%. The BSSE's cumulative turnover amounted to € 24 bn., and recorded 3 626 transactions. Again in 2009, the amount of shares traded on the stock market, € 243 mil., was dwarfed by the amount of bonds bought and sold, € 23.4 bn. Slovenská sporeteľňa's share on transaction turnover on the BSSE was the second highest and stood at € 5.9 bn. or 25.2%, and was accounted for by bond transactions.

Issues of securities for retail clients

In 2009, Slovenská sporiteľňa focused on issuing its own mortgage bonds and senior bonds, particularly for purchase by retail customers. Overall, it issued mortgage bonds amounting to around € 101 mil. and senior bonds worth approximately € 37 million.

HUMAN RESOURCES

- **Development of employee sales and performance management**
- **Steered staff holiday management saved bank € 1.4 mil**

Activities in Human resources have been completely focused on increase of organisational effectiveness throught the finding potential in present employees. As one of the biggest employers in Slovakia, Slovenská sporiteľňa maintained its focus on being a socially responsible organisation when executing organizational rationalization. As of March 2009, Human resources have implemented tight recruitment justification process for all staff levels, resulting in 109 positions saved within following 2 months.

Human resources division has implemented Personnel costs optimization process, through steered staff holiday management in order to decrease accrual for untaken holidays. Total number of untaken holidays decreased by 97%. Cost savings represent € 1.4 mil. Human resources division has been actively involved in rationalization of retail network organizational structure, when it has set up a leaner model by decreasing number of management levels from 7 to 4. The number of bank employees decreased by 15.3%, in comparison to December 2008.

Special focus was put on employee education. Nearly 180 managers from retail branch network underwent newly developed Sales and Performance management training, until end of 2009. Retail training department has also screened sales capabilities of 2 400 sales advisors and started to deploy targeted coaching programmes in order to increase sales effectiveness and cross sales.

Bank restructures setup of performed activities, by implementing HR business partner model, based on creation of dual role of HR managers. These are managing their respective departments and at the same time, they are being HR business partner, responsible for particular stream. This model allows operation with department costs lower by 24%.

Risk management in 2009

Slovenská sporiteľňa is, by virtue of its business activities, exposed to several risks, the most significant being credit risk, market risk, liquidity risk and operational risk. The Bank is paying due attention to them and has produced a risk management strategy approved by the Board of Directors.

Given the economic recession in 2009, the risk strategy faced specific challenges. A stress test carried out in the first quarter of 2009 at the request of the NBS produced satisfactory results and showed that the Bank has a reasonable capital position.

Organization of risk management

With effect from 1 May 2009, risk management is organized through the following units:

- **the Strategic Risk Management Division**
- **the Retail Credit Risk Management Division**
- **the Corporate Credit Risk Management Division**
- **the Financial Crime and Compliance Department**
- **the Participations Department**

The Bank has set up several committees that fulfil an important role in risk management:

- **the Credit Committee**
- **the Assets and Liabilities Committee (ALCO)**
- **the Operating Liquidity Committee (OLC)**
- **the Operational Risk and Compliance Committee (ORCO).**

Credit risk

Slovenská sporiteľňa has been reporting capital adequacy using the internal-ratings based (IRB) approach to credit risk since July 2008, as the first bank in Slovakia to do so. All exposure classes are covered by the approved IRB approach. The approval by the Financial Market Authority of Austria and the National Bank of Slovakia certified that the Bank‘s credit risk assessment system and control systems are sound and implemented properly into risk management, credit process and capital adequacy estimation as well as into internal controls and reporting and that they play a significant role in the Bank‘s activities.

For the development of its rating systems, the Bank uses statistical methods. On the basis of validation, the Bank improved its rating systems for both private and corporate clients. For private and micro clients, the Bank employs a behavioural rating.

The cornerstone of the loan process in Slovenská sporiteľňa is based on risk assessment using rating systems and the assignment of a rating grade. The final rating is a key factor for a loan decision, loan amount and price.

The Bank, in arranging loans, proceeds in accordance with the lending policy approved by the Board of Directors. This sets out the procedures, principles and hierarchy of competences in relation to lending activities. The detailed procedures and allocation of responsibilities are defined in the Bank‘s internal regulations.

Since 2005, the Bank has been using a methodology for the creation of provisions which complies with International Financial Reporting Standards (IFRS). In calculating provisions, the Bank has since 2008 made full use of risk parameters calculated under the IRB approach.

In 2009, the credit portfolio recorded a slight increase of 5.9%, from € 5 711 mil. to € 6 050 mil. The main driver of this rise was sales of retail loans secured by real estate. Their share of the total portfolio rose by 40% (compared with 33% in December 2008). Retail loans account for almost 60% of the total credit portfolio, which is in accordance with the Bank‘s strategy.

As a consequence of the ongoing financial crisis, the Bank‘s non-performing loans (NPLs) rose by € 152.5 mil. in 2009. The total coverage of NPLs fell from 82.5% in 2008 to 74.9% in 2009, though the coverall coverage of retail NPLs remained stable during the year, at more than 80%. The decline in NPL coverage in the corporate clients segment was largely due to certain real estate projects, for which the lower provisioning is compensated by reliable collateral coverage.

The Bank‘s credit portfolio includes bad loans past due by up to three years, and since its ability to effectively sell these non-performing loans (NPLs) is restricted by Slovak tax law, the share of NPLs in the overall portfolio represents the three-year cumulative default rate.

Market risk

Since February 2008, when the holding company Erste Group Bank introduced a new organizational structure, interbank trading operations in Slovenská sporiteľňa have been confined to the money market desk and the rest of these operations have been centralized at the holding‘s level. For the purpose of managing market risks in the trading book and reporting them in regard to capital adequacy, Slovenská sporiteľňa uses an internal model based on a value-at-risk (VAR) methodology and calculated by an historical simulation method (approved by the NBS since 2005). Risk management is further supplemented by a sensitivity analysis and by stress testing carried out on a monthly basis. The VAR model is subjected to daily back-testing. In order to restrict the maximum acceptable risk, a comprehensive system of limits has been adopted.

Liquidity risk

Liquidity risk with respect to structural liquidity is managed by the ALCO Committee. Responsibility for the operational management and analysis of the Bank‘s liquidity situation lies with the Operating Liquidity Committee.

The actual management of liquidity risk is the responsibility of the Strategic Risk Management Division. The management of structural liquidity is overseen by the Balance Sheet Management Division, and the task of ensuring the daily liquidity and required minimum reserves lies with the Treasury Division.

Liquidity risk is quantified in accordance with the NBS Decree on the liquidity of banks. Meanwhile, the Bank‘s own system for measuring and predicting financing requirements provides high-quality information for liquidity management.

The Bank‘s liquidity is secured by a high share of government securities in its balance sheet total. The investment strategy in 2009 was focused on bonds accepted by the ECB, mainly Slovak Government bonds. As at the end of 2009, the ratio of the Bank‘s fixed and illiquid assets to own funds and reserves (in accordance with regulatory requirements) was approximately 0.52 (it must not exceed 1.00). The liquid asset ratio (ratio of liquid assets to volatile liabilities, which must be more than 1.00) was 1.16 at the end of 2009. Last year the Bank met all statutory and internal liquidity limits and its overall liquidity situation over the course of the year was satisfactory.

Interest rate risk

Interest rate risk in the banking book is quantified using a model that contains detailed information on all of the Bank‘s interest rate positions. Analysis results for the sensitivity of interest income and the Bank‘s market value to interest rate changes, quantified by deterministic and stochastic models, are broken down by currency and submitted to the ALCO committee on a monthly basis. The Bank‘s resulting risk positions are, on the basis of the ALCO committee‘s decision, subsequently managed by means of bond investments and hedge transactions.

Operational risk

In 2009, Slovenská sporiteľňa successfully completed its transition to the advanced measurement approach (AMA) for the measurement of operational risk in accordance with Basel II. The AMA model for the capital adequacy calculation was officially approved by the regulator with effect from 1 July 2009.

Since 2004, Slovenská sporiteľňa has had in place a fully functional system for collecting internal data on operational risk losses. This database currently contains more than 6 000 data points used in calculations and modelling.

Another way in which the Bank identifies operational risk is through regular risk mapping based on the methodology of the Risk Management Association. The Bank is also a member of the ORX consortium – an external database of operational risk events which has more than 80 member banks and contains more than 100 000 events.

The results from all of the risk identification methods (internal and external data, risk mapping, new product checks, etc.) are finally used in scenario analyses. The scenarios are quantified and used directly in capital requirement calculations. Together with Erste Group, the Bank in 2008 developed a completely new method of scenario design, which involves both risk management experts and business experts. Last year, in this way, the Bank created a complete package of scenarios that supplement its risk profile areas where the internal data is insufficient.

Operational risk is overseen by the ORCO Committee, which adopts resolutions on the following matters:

- **the approval/rejection of strategies and procedures concerning operational risk management;**
- **the approval/rejection of degrees of acceptability and levels of tolerance for operational risk;**
- **decisions on measures to reduce or mitigate operational risk;**
- **the approval/rejection of strategies and procedures concerning the management or reduction of compliance risk;**
- **the approval/rejection of the strategy to reduce or mitigate money laundering risk;**
- **the approval/rejection of the strategy to reduce or mitigate fraud.**

Slovenská sporiteľňa is also part of a group-wide insurance programme that ensures comprehensive coverage of losses resulting from operational risk.

Fraud risk

In order to minimize the risk of losses arising from fraud, the Financial Crime and Compliance (FCC) Department prepared several measures:

- **The FCC Department drafted and implemented an internal regulation entitled „Fraud Risk Management Policy for SLSP", which clearly defines internal and external fraud.**
- **In connection with the new regulation, the issue was included in induction training for new staff as well as in regular annual training.**
- **In order to support staff in the fight against internal or external fraud, the FCC Department prepared a system for the anonymous reporting of suspicious activities.**
- **Control measures for the reduction of credit fraud were incorporated into the lending process.**

Risk of money laundering and terrorist financing

Under Act no. 297/2008 on Protection against Money Laundering and Terrorist Financing and on amendments to certain laws, the Bank updated its „Programme of the Bank's Internal Activities" and implemented the Act's requirements. In order to reduce the risk arising from money laundering, the Financial Crime and Compliance Department ensured the following measures:

- **A selection of customers posing a higher risk in terms of money laundering was made on the basis of predetermined criteria. These customers were identified in the system as customers requiring special attention.**
- **The Bank, on the basis of the Programme, introduced an obligation to identify the final beneficiary and at the same time adapted the banking system to this obligation**
- **For identifying politically exposed persons the FCC Department uses the international PEP database. The obligation to identify politically exposed persons was also incorporated into the Bank's General Business Conditions.**
- **Comprehensive AML training in the form of e-learning was developed, in accordance with the specific requirements of the Act.**
- **To ensure smoother implementation of changes in the branch network, a new communication channel was established by the FCC Department and branch network.**
- **Based on analyses of unusual business transaction, the FCC Department in cooperation with Erste Group Vienna began to implement changes in the Alchemist monitoring system.**

On a regular, twice yearly basis, the Financial Crime and Compliance Department submits a report on its activities, including measures taken or changes implemented.

Supervisory Board report

The Supervisory Board of Slovenská sporiteľňa performed its activities in compliance with statutory provisions, carried out its tasks arising under the Bank‘s Articles of Association and the Statute of the Supervisory Board, and took decisions on matters falling within its competence, as defined in the Bank‘s Competence Rules.
The Supervisory Board convened five times in 2009. The Board of Directors kept the Supervisory Board regularly informed about the Bank‘s business activities, the implementation of the business plan, and the management of the Bank‘s assets. Matters discussed at Supervisory Board meetings included, among other, consolidated financial statements, the proposal for profit distribution, and reports on the Bank‘s participations. Considering economic situation, the Supervisory Board paid particular attention to, and carried out detailed monitoring of, the Bank‘s risk management situation on the basis of reports periodically submitted by the Board of Directors. The Supervisory Board was regularly briefed about the implementation of the Bank‘s most significant projects and other matters related to its development. As well as it was informed about the activities of the Bank‘s Internal Audit department, including its plans for the next period. The Board approved the Bank‘s business plan for 2010.
The composition of the Supervisory Board changed in 2009. In the first half of the year, three members ended their tenure, and in June 2009 the number of Supervisory Board members was reduced from six to five, effective from 1 July 2009.

The Supervisory Board has three committees established (Audit, Credit, and Personnel committees). In 2009, the Audit Committee dealt with reports concerning internal control, held discussions with the Bank‘s external auditor regarding the conclusions from the audit of its financial results, and addressed the external auditors recommendations contained in the Letter to Management. The Committee was kept informed about the Bank‘s activities in the fields of compliance, fraud and anti-money-laundering.
The Credit Committee and the Personnel Committee took decisions when required, in accordance with the Bank‘s Competence Rules (on a need basis).

The Supervisory Board discussed the audit of the consolidated and separate balance sheet of Slovenská sporiteľňa (and related profit and loss statement) as of 31 December 2009. Audit of the financial statements prepared in accordance with International Financial Reporting Standards adopted by the European Union was carried out by Ernst & Young Slovensko, s.r.o. The auditor confirmed that the financial statements present financial situation of the Bank as of 31 December 2009, fairly and in all relevant respects.

Considering these facts, the Supervisory Board recommended the General Meeting to approve the Bank‘s financial statements for 2009 and the distribution of the Bank‘s profits.

Summary corporate governance report

The management of Slovenská sporiteľňa acknowledges the importance of the Code of Corporate Governance, applies legally binding standards, and adopts appropriate measures in accordance with the OECD‘s Principles of Corporate Governance.

A key element of the corporate culture in the parent company Erste Group Bank is the Austrian Code of Corporate Governance. Erste Group Bank takes measures aimed at implementing the Code‘s principles in full and ensuring transparency for all shareholder groups.

The Bank adheres to the Corporate Governance Code of Erste Group Bank, its sole shareholder, which can be found online at www.erstebank.at (hereinafter referred to as „the Corporate Governance Code”). The Bank‘s governance methods are consistent with those of Erste Group Bank, as published at www.erstebank.at. In 2009, the Bank did not report any deviations from the Corporate Governance Code.

The Bank at the same time complies with the Code of Corporate Governance issued by the Bratislava Stock Exchange (BSSE), which is published on the BSSE‘s website at www.bcpb.sk. In 2009, the Bank did not report any deviations from the BSSE‘s Code.

The Bank‘s staff is kept informed about its results and objectives at periodic meetings, through online communication channels, and, in the case of managerial employees, at thematic managerial meetings. Staff input in the Bank‘s corporate governance is ensured also through regular independent surveys of the corporate culture, the results of which are reflected in the decisions of the Bank‘s management.

The corporate policy and culture in Erste Group allows the staff to share the profits of the Group.

Internal control system

Slovenská sporiteľňa has clearly defined principles of an internal control system in place. Effective internal control is the basis of sound risk management; it safeguards the Bank‘s assets, helps to reduce or prevent the potential occurrence of errors or events related to operational risks and makes their timely detection more likely if they do occur.

The internal control system has the following objectives:

- **to prevent and detect errors and the inefficient or wasteful utilization of resources;**
- **to prevent and detect abuses and fraud;**
- **to improve the effectiveness and efficiency of banking operations;**
- **to improve the integrity, accuracy, timeliness and reliability of information;**
- **to raise the quality of record-keeping;**
- **to comply with laws, regulations and internal policies.**

The Bank‘s Board of Directors is responsible for ensuring that an appropriate and efficient internal control system is implemented and that it is regularly monitored, evaluated and updated.

Managers at all levels are responsible for implementing a practical, appropriate and effective ICS in their departments. They are accountable for the execution of internal controls and may not delegate their accountability for internal controls.

All staff is accountable for their work and are to abide by ICS principles. They perform their duties in accordance with internal guidelines and applicable laws, as well as in compliance with competence principles for approval and authorization. Internal controls constitute an integral part of their work and responsibilities.

The Internal Audit Department is an independent component of the ICS, which reports directly to the Bank‘s Supervisory Board. It is fully independent from all activities performed by the bank. Independence of internal audit is reflected in all of its activities mainly in identification and analysis of the risks, planning and preparation of audit runs including check methodology and evaluation, audit reports and monitoring of follow up measures.

Internal Audit provides an objective, impartial review of banking activities, internal controls, and information system management, thereby helping the Bank‘s Board of Directors to monitor and evaluate the adequacy and effectiveness of internal controls. Other responsibilities include audit of outsourced activities as required by local legislative. Internal audit of shared services is executed in respective subject upon agreed contract.

Company organization

General Meeting

As the Bank‘s supreme body, the General Meeting has competence, inter alia, to amend the Articles of Association, to decide on share capital increases or reductions, to elect or recall members of the Supervisory Board and other bodies stipulated in the Articles of Association (except for members of the Supervisory Board elected or recalled by the employees), to approve the ordinary and extraordinary individual financial statements, to decide on the distribution of profits (or settlement of losses) and bonuses, to decide on the winding up of the Bank or a change in its legal form, to have the Bank‘s shares removed from trading on the stock exchange, and to decide that the Bank will cease to be a public joint stock company.

The Bank complies with statutory provisions concerning the protection of shareholder rights, particularly as regards timely provision of all relevant information about the Bank and the convening and holding of its General Meeting

In 2009, one Ordinary General Meeting was held and two resolutions of the sole shareholder were passed. Among the most significant decisions taken by the meeting were those concerning conversion of the share capital from Slovak koruna to euro and increase of the share capital, defining Bank‘s status as a private company, Bank‘s compliance with legislative changes and amendment of the line of business description. The Ordinary General Meeting approved the annual financial statements for 2008, the distribution of profit, and the 2008 Annual Report.

A full description of the activities of and powers of the General Meeting, the rights of shareholders, and the procedure for exercising these rights is laid down in the Bank‘s Articles of Association, the full text of which is available at the Bank‘s registered office and on its website.

Supervisory Board

The Supervisory Board is the Bank‘s supreme supervisory body and has six members. Two thirds of its members are elected by the General Meeting, and one third by employees. Each member is appointed for a five year tenure, and their membership may not be substituted. The Supervisory Board oversees how the Board of Directors exercises its powers and how the Bank carries on its business activities. It convenes on a quarterly basis and held five meetings in 2009. In exercising its competences, the Supervisory Board mainly checks the Bank‘s compliance with generally binding legal regulations, with the Articles of Association and with resolutions of the General Meeting, examines the Bank‘s financial statements and proposal for profit distribution (or settlement of losses), reviews the regular status reports on the Bank‘s business activities and assets, submits opinions, recommendations and proposals for the decision of the General Meeting and Board of Directors, and assesses information submitted by the Board of Directors regarding the Bank‘s principal business objectives. The Supervisory Board approves in advance the selection of the external auditor, the establishment of any legal entities by the Bank and the appointment of the head of the Internal Audit department; it elects members of the Board of Directors, including the chairman, and others. The Supervisory Board may establish committees and set the scope of their activities. These committees operate in accordance with the Bank‘s rules of corporate governance, and include the following:

Audit Committee of the Supervisory Board

The Audit Committee oversees the financial reporting process, the effectiveness of the internal control system (including IT security), compliance with statutory requirements, risk management efficiency and internal audit activities, and it analyses recommendations made by external and internal auditors. In accordance with applicable legal regulations, the committee includes an independent member with professional experience in accounting and audit. The Audit Committee convenes on a quarterly basis.

Credit Committee of the Supervisory Board

The Credit Committee, in accordance with the Bank's Competence Rules, approves credit facilities (new facilities, changes to existing facilities' conditions, restructuring and work-out) for corporate clients, local authorities, and retail clients. It does not approve loans or guarantees for persons in a special relationship to the Bank, which are approved at the level of the Board of Directors.

Personnel Committee of the Supervisory Board

The Personnel Committee deals with personnel issues relating to members of the Board of Directors, other than their election, recall or form of remuneration. Its decision-making is governed by principles laid down by the Supervisory Board and the Bank's internal regulations.

Details of the Supervisory Board's activities in 2009 are given in the Supervisory Board Report.

Board of Directors

The Board of Directors, in its capacity as the statutory body, manages the Bank's activities and acts in its name. It decides on all matters not subordinated to the General Meeting or Supervisory Board by generally binding legal provisions or the Bank's Articles of Association. By a decision of the Supervisory Board, the number of members of the Board of Directors was reduced from six to five as from 1 July 2009. Under the Bank's Articles of Association, the Chairman of the Board of Directors also serves as the Chief Executive Officer, the Deputy Chairman of the Board also as the First Deputy CEO, and each member of the Board also as a Deputy CEO. The members and Chairman of the Board of Directors are elected by the Supervisory Board. The tenure of each member of the Board of Directors is five years.

In 2009, the Board of Directors held 25 regular meetings. Under the Bank's Articles of Association, the Board of Directors is to convene at least once a month. Last year's BoD meetings included discussion of the Bank's financial results and they paid special attention to risk management, credit portfolio analyses and operational risk, as well as to the monitoring of customer behaviour in regard to protecting the funds of shareholders and customers and cost optimization. In order to streamline the Bank's management, the Board decided to review and simplify the product portfolio, to rationalize the Bank's organizational structure and to reduce the number of management levels.

The Board of Directors may establish advisory committees with delegated task and competences.

Assets and Liabilities Committee (ALCO)

The ALCO evaluates and approves the management and control process for financial flows and the Bank's asset and liability structure, so as to achieve an optimal balance between the Bank's profitability and its exposure to market risks. The committee evaluates the Bank's current position in terms of liquidity, market risks, capital adequacy and the implementation of the planned balance sheet structure, and it sets strategy for the securities portfolio. The committee's remit covers also the Bank's liquidity risk management; for this purpose, the separate Operating Liquidity Committee (OLC) was established to analyse and evaluate the Bank's liquidity position and, where necessary, to submit to the ALCO proposals concerning the Bank's liquidity management.

Members of the committee: all members of the Board of Directors and heads of the Treasury Division, Accounting and Controlling Division; Strategic Risk Management Division; and Balance Sheet Management Division.

Credit Committee

The Credit Committee, in accordance with the Bank's Competences Rules and Lending Policy, approves credit facilities (new facilities, changes to existing facilities' conditions, restructuring and work-out) for corporate clients, local authorities, and retail clients. It does not approve loans or guarantees for persons in a special relationship to the Bank, which are approved at the level of the Board of Directors.

Members of the committee: Deputy Chairman of the Board of Directors, BoD member responsible for risk management, BoD member responsible for corporate banking, and head of the Corporate Credit Risk Management Division.

Product Pricing Committee (PPC)
The PPC sets the prices at which the Bank and its subsidiaries sell products to customers. It approves the Bank‘s product-pricing strategy (interest and fees), receives information on structural developments in the Bank‘s products and subsidiaries‘ products, and on market position.

Members of the committee: Chairman of the Board of Directors, Deputy Chairman of the Board of Directors, BoD member responsible for corporate banking, BoD member responsible for risk management, and heads of the Product Management Division, Retail Sales Management Division, Specialized Finance Department, Commercial Centres Division, Treasury Division, Accounting and Controlling Division, Large Corporate Clients Department, and Balance Sheet Management Division.

Bank IT Committee
The IT Committee is responsible for the cost-effectiveness of information systems development and change management in the Bank. It sets the timetable for implementing changes, and the content and number of changes, in accordance with the Bank‘s priorities and available funds. The committee deals with any disputes arising in IS change management.

Members of the committee: heads of the Organization Division, ORG/IT Controlling Department, Demand Management and Business Applications Department, the manager responsible for IS security, and heads of the Test Management Department, Product Management Division, Retail Sales Management Division, Payments and Settlement Division, Corporate Credit Risk Management Division, Retail Credit Risk Management Division, and Accounting and Controlling Division.

Business Committee
The Business Committee analyses the business results and adopts measures to implement the business plan.

Members of the committee: all members of the Board of Directors, heads of the Accounting and Controlling Division, Retail Sales Management Division, Commercial Centres Division, Treasury Department, Large Corporate Clients Department, and Product Management Division, and the Bank‘s chief economist.

Cost Committee
Committee manages costs. It is responsible for submitting recommendation concerning cost control to the Board of Directors. Sets up priorities in line with business strategy, develops and monitors fulfilment of the cost saving strategy and supervisors budget allocation on a department by department basis, and the keeping of expenditures at or below the level stipulated in the business plan.
Members of the committee: Chairman of the Board of Directors, Deputy Chairman of the Board of Directors, BoD member responsible for banking operations, and heads of the Organization Division, Accounting and Controlling Division, Property Management Division, Human Resources Division, and Payments and Settlement Division.

Operational Risk and Compliance Committee (ORCO)

The ORCO defines strategies and processes for operational risk management, sets the degree of acceptability and level of tolerance for operational risk, and decides on measures to reduce or mitigate such risk. It lays down procedures for managing and reducing compliance risk, the strategy for reducing or mitigating money laundering risk, and measures for reducing or mitigating financial crime.

Members of the committee: member of the Board of Directors responsible for risk management, Deputy Chairman of the Board of Directors, BoD member responsible for banking operations, heads of the Organization Division, Strategic Risk Management Division, Human Resources Division, Market and Operational Risk Department and Payments and Settlement Division, and the Chief Security Officer and Compliance Officer.

Crisis Committee
The task of the Crisis Committee is to make a situation assessment in the event of a threatening crisis and to direct the Bank‘s procedures in a crisis. It takes decisions and assigns responsibilities during a crisis, regularly monitors and evaluates the situation, coordinates communication activities and oversees the Bank‘s procedures aimed at stabilizing and calming the situation.

Members of the committee: heads of the Treasury Division, Payments and Settlement Division, Retail Sales Management Division, Organization Division, Legal Services Division, Strategic Risk Management Division and Communication and Sponsoring Department.

Share capital

The Bank has share capital of € 212 000 000 divided into 212 000 registered book-entry shares each with a par value of € 1 000.

Shares constituting the share capital of the Bank may be issued only as registered book-entry shares; changes to their form or type are forbidden by law. The company is a private joint stock company.

Securities issued by the Bank are transferable without restriction.

The Bank‘s share capital is wholly (100%) owned by EGB Ceps Holding GmbH, with its registered office at Graben 21, 1010 Vienna, Austria, which is a wholly (100%) owned subsidiary of EGB Ceps Beteiligungen GmbH, with its registered office at Graben 21, 1010 Vienna, Austria, which is a wholly (100%) owned subsidiary of Erste Group Bank AG, with its registered office at Graben 21, 1010 Vienna, Austria. As at the preparation date of this Annual Report, the Bank had not issued any employee shares.

A decision to increase or reduce the Bank‘s share capital may be taken only by the General Meeting. Regarding material agreements to which the Bank is a contracting party, the Bank is not aware of any that enter into force, are amended or cease to be valid as a result of a change in the control of the Bank related to a takeover bid.

The Bank‘s relations with members of its bodies and its employees in regard to the ending of their tenure or termination of employment are governed by the Labour Code.

Disclosure and transparency

The Bank strictly observes and complies with legal regulations and corporate governance principles, and periodically provides the parent company‘s shareholders and investors with all relevant information on its business activities, financial and operating results, and other material events. The general public and customers are kept informed about the Bank‘s financial results and strategic progress through press conferences and press releases. All information is prepared and disclosed in accordance with standards of accounting and disclosure of financial and non-financial information.

Bank executes its activities through its organizational units – head office and branch network, possibly other units if established by internal regulations of bank. Board of directors is responsible for creation, execution, coordination, monitoring and control of business aims of the bank.

According to general guidelines, Bank has divided competences and responsibilities into:

a) **management of risk and bank activities**
b) **execution of loan and investment business**
c) **monitoring of the risk the bank is exposed to, executing activities with persons in a special relationship with the Bank**

Risk management is positioned strictly apart from executing loan business and investment business. Bank keeps risk monitoring separated from executing activities with persons in a special relationship with the Bank and takes measures against misuse of internal information.

The Bank places emphasis on anti-money laundering measures, and has established an independent Compliance unit reporting directly to the member of the Board of Directors responsible for risk management. The unit‘s tasks also include checking the Bank‘s internal regulations for compliance with legal regulations of regulatory bodies, and identifying and dealing with fraudulent acts.

Slovenská sporiteľňa has a Global Compliance Code governing the basic principles of compliance with ethical standards in the Bank. The Code was produced in response to the EU requirement for harmonization of legal provisions, and it brings the internal standards of Slovenská sporiteľňa into line with the internal standards of Erste Group Bank. It also reflects the requirement for a higher level of corporate culture, especially in the field of securities trading (Slovenská sporiteľňa is the first bank in Slovakia to apply measures under the EU‘s Markets in Financial Instrument‘s Directive [MiFID] aimed at increasing the protection of consumers when using investment instruments). For Slovenská sporiteľňa, the Code represents a binding body of rules and serves as a source of information for employees. It is also a practical guide to the application of statutory provisions concerning day-to-day contact with information that could alter the behaviour of market entities. It is, furthermore, a point of reference for preventing or solving conflicts of interest between the Bank, employees, management and customers.

Corporate social responsibility

In 2009, despite the Slovak economy facing the further negative headwinds, Slovenská sporiteľňa confirmed its leading position in the area of corporate social responsibility. Through projects focused on the development and support of communities the Bank continued long-running projects in education, culture and support of youth sport.

Education

Slovenská sporiteľňa has long term cooperation on educational projects with 13 Slovak universities. While the projects in 2008 were mostly related to the euro changeover, the majority of this year‘s projects concerned the position and role of education in the European context. Many projects were related to the 20th anniversary of the student-led Velvet Revolution in former Czechoslovakia.
Training for secondary school teachers was the focus of a project called „Thinking Economically”, which the Bank runs in cooperation with Trend, a respected economic weekly.
For secondary school students, Nadácia Slovenskej sporiteľne continued its education grant programme „Škola praxou” (School through Experience).

Culture

In cultural activities, Slovenská sporiteľňa focused on maintaining its long-running support for regional theatres in Nitra, Prešov and Martin, for the Žilina State Chamber Orchestra and for the Košice State Philharmonic Orchestra. As for the past seven years, the Bank was the general partner of Bratislava Jazz Days, the largest jazz festival in central Europe.

Slovenská sporiteľňa was nominated for the Via Bona corporate philanthropy award in recognition of its bold support for the unconventional educational project „Jazz Goes to School", which was ran for a second year in 2009. Applying an interactive approach, the project aims to bring secondary school students closer to the genre whose rhythms laid the basis for modern popular music. The possibilities that this music offers today are presented through concerts that include basic information, a cross-section of different styles, jazz development, work with electronic musical effects, scat demonstrations and musical instrument simulation. The project was introduced in six Slovak towns with great success and received an excellent reception from expert community.

Sport

Slovenská sporiteľňa has been supporting Slovakia's most successful sport – white water canoeing, for five years now. In 2009, we were again proud of the results achieved by Slovakia's canoeists, who won gold world championship medals in almost every category.

As a way of supporting sports clubs in which the Bank's staff is active participant, Nadácia Slovenskej sporiteľne launched the grant programme „Podpor svoj klub!" (Support Your Club). Last year it also continued the highly successful staff grant programme called „Koruna ku korune" (Crown to Crown), which supports communities in which the Bank's employees live in.

Environment

Regarding environmental renewal and protection, the Nadácia Slovenskej sporiteľne launched the grant programme „Zelené školské dvory" (Green Schoolyards), focused on the environment of the schoolyards at primary and secondary schools. Following the great success of the pilot grant, the Foundation's Administrative Board, in cooperation with the environmental NGO Jablonka, took decisions on a further 80 projects submitted for this grant.

Quality management

Slovenská sporiteľňa was measuring quality of provided services using Mystery Shopping, which created a base for service quality index calculation (CSI – Customer Service Index), and also through Customer Satisfaction Barometer (CSB) with retail and SME segments. Quality of client servicing in branch network reached CSI index of 86.2%, Sporotel call operators reached 95.2% and headquarters employees 91.1%.

Satisfaction of external clients - CSB index calculation is based on telephonic survey and it reached 86.9% in retail segment and 91.3% in SME.

Consolidated Financial Statements

prepared in Accordance with International Financial Reporting Standards as adopted by the European Union for the Year Ended 31 December 2009

and Independent Auditors' Report

Independent Auditors' Report to the Shareholder of Slovenská sporiteľňa, a.s.

ERNST & YOUNG

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Independent Auditors' Report

To the Shareholder of Slovenská sporiteľňa, a.s.:

We have audited the accompanying consolidated financial statements of Slovenská sporiteľňa, a. s. and consolidated companies ('the Group'), which comprise the consolidated balance sheet as at 31 December 2009, the consolidated income statement, consolidated comprehensive income statement, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

9 February 2010
Bratislava, Slovak Republic

Ernst & Young Slovakia, spol. s r.o.
SKAU Licence No. 257

Ing. Dalimil Draganovský
SKAU Licence No. 893

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

Consolidated Income Statement
For the Year Ended 31 December 2009

ths. EUR	Note	2009	2008
Interest income	6	535 284	602 442
Interest expense	6	(131 431)	(223 208)
Net interest income	**6**	**403 853**	**379 234**
Provisions for losses on loans, advances and off-balance sheet credit risks	8	(160 439)	(89 053)
Net interest income after provisions		**243 414**	**290 181**
Fee and commission income	7	124 305	132 835
Fee and commission expense	7	(14 477)	(14 374)
Net fee and commission income	**7**	**109 828**	**118 461**
Net trading result	9	12 800	32 804
General administrative expenses	10	(257 650)	(264 007)
Other operating result	11	(57 030)	(526)
Profit for the year before income taxes		**51 362**	**176 913**
Income tax expense	12	(20 857)	(34 758)
Net profit for the year after income taxes		**30 505**	**142 155**
Net profit attributable to:			
Equity holders of the parent		30 147	142 136
Minority interest		358	19
Total		**30 505**	**142 155**
Basic and diluted earnings per EUR 1 000 share (EUR)	**33**	**144**	**-**
Basic and diluted profit per EUR 33.19 share (EUR)	**32**	**-**	**22**
Basic and diluted profit per EUR 3 319 391.89 share (EUR)	**32**	**-**	**2 230 250**

The notes on pages 46 to 112 are an integral part of these financial statements

These financial statements were approved and authorised for issue by the Board of Directors of the Bank on 9 February 2010.

Ing. Jan Rollo

Chairman of the Board of Directors
and CEO

Ing. Štefan Máj

Vice Chairman of the Board of Directors
and First Deputy CEO

Consolidated Comprehensive Income Statement

For the Year Ended 31 December 2009

ths. EUR	Note	2009	2008
Net profit for the year after income taxes		**30 505**	**142 155**
Available for sale reserves		17 579	(23 821)
Cash flow hedge reserves		(357)	(318)
Actuarial gains / (losses) on defined benefit pension plans		157	(298)
Income tax relating to components of other comprehensive income		(3 272)	4 587
Other comprehensive income for the year after income taxes		**14 107**	**(19 851)**
Total comprehensive income for the year		**44 612**	**122 304**
Attributable to:			
Equity holders of the parent		**44 254**	**122 327**
Minority interest		**358**	**(23)**

The notes on pages 46 to 112 are an integral part of these financial statements

Consolidated Balance Sheet
As at 31 December 2009

ths. EUR	Note	2009	2008
ASSETS			
Cash and balances at the central bank	13	322 937	1 426 785
Loans and advances to financial institutions	14	1 197 756	2 712 768
Loans and advances to customers	15	6 050 148	5 711 366
Provisions for losses on loans and advances	16	(314 743)	(222 176)
Financial assets at fair value through profit or loss	17	127 758	155 570
Securities available for sale	18	1 137 643	836 941
Securities held to maturity	19	2 420 060	1 402 102
Investments in associates	20	28 325	40 344
Intangible assets	21	79 762	110 199
Property and equipment	22	224 860	239 419
Assets held for rental income	22	6 481	11 091
Non-current assets held for sale	23	31 793	29 376
Current income tax asset	24	24 088	315
Deferred income tax asset	24	55 340	30 118
Other assets	25	93 267	72 451
Total assets		**11 485 475**	**12 556 669**
LIABILITIES AND EQUITY			
Amounts owed to financial institutions	26	2 074 679	2 267 882
Amounts owed to customers	27	7 801 796	8 563 089
Debt securities in issue	28	475 260	473 345
Provisions	29	22 893	25 681
Financial liabilities at fair value through profit or loss	43b	57 255	107 352
Other liabilities	30	91 407	104 511
Current income tax liability	24	316	32 267
Deferred income tax liability	24	87	-
Subordinated debt	31	180 260	180 670
Total liabilities		**10 703 953**	**11 754 797**
Total equity, thereof		781 522	801 872
- Equity attributable to equity holders of the parent		779 120	799
- Minority interest		2 402	2 017
Total liabilities and equity		**11 485 475**	**12 556 669**

The notes on pages 46 to 112 are an integral part of these financial statements

Consolidated Statement of Changes in equity

As at 31 December 2009

ths. EUR	Share capital	Legal reserve fund	Other Funds	Retained earnings	Hedging reserves	Reva-luation reserves	Total	Minority interests	Total
	Attributable to equity holders of the parent								
As at 31 December 2007	**211 585**	**79 795**	**39 104**	**394 784**	**986**	**3 881**	**730 135**	**2 534**	**732 669**
Net profit for the year	-	-	-	142 136	-	-	142 136	19	142 155
Other comprehensive income	-	-	-	(298)	(216)	(19 295)	(19 809)	(42)	(19 851)
Dividends paid	-	-	-	(53 110)	-	-	(53 110)	-	(53 110)
Other funds contributed by shareholders	-	-	222	0	-	-	222	-	222
Transfers in the group	-	-	-	372	-	-	372	(492)	(120)
Other changes	-	-	-	(90)	-	-	(90)	(2)	(92)
As at 31 December 2008	**211 585**	**79 795**	**39 326**	**483 793**	**770**	**(15 414)**	**799 855**	**2 017**	**801 872**
Net profit for the year	-	-	-	30 147	-	-	30 147	358	30 505
Other comprehensive income	-	-	-	157	(289)	14 239	14 107	0	14 107
Dividends paid	-	-	-	(65 193)	-	-	(65 193)	-	(65 193)
Other funds contributed by shareholders	415	-	-		-	-	415	29	444
Other changes	-	-	-	(211)	-	-	(211)	(2)	(213)
As at 31 December 2009	**212 000**	**79 795**	**39 326**	**448 693**	**481**	**(1 175)**	**779 120**	**2 402**	**781 522**

The notes on pages 46 to 112 are an integral part of these financial statements

Consolidated Statement of Cash Flows
For the Year Ended 31 December 2009

ths. EUR	Note	2009	2008
Cash flows from operating activities			
Profit before income taxes		51 362	176 913
Adjustments for:			
Provisions for losses on loans, advances, off-balance sheet and write-offs	16	149 817	89 059
Provisions		5 888	6 041
Impairment of tangible and intangible assets	21, 22	62	(7 933)
Depreciation and amortisation	21, 22	52 201	41 492
Gain on disposal of fixed assets		(78)	(1 660)
Net (gain)/loss from financial activities		22 871	(67 124)
Net (gain)/loss from investing activities		(68 045)	(84 466)
Recycling of available for sale reserve		7 929	818
Cash flows from operations before changes in operating assets and liabilities		**222 007**	**153 142**
(Increase)/decrease in operating assets:			
Minimum reserve deposits with the central bank		827 640	(681 106)
Placements with the central bank		-	36 513
Loans and advances to financial institutions		(1 029 586)	237 038
Loans and advances to customers		(396 032)	(652 360)
Financial assets at fair value through profit or loss and securities available for sale		11 485 475	12 556 669
Other assets		(267 830)	37 144
Increase/(decrease) in operating liabilities:		12 591	(24 164)
Amounts owed to financial institutions			
Amounts owed to customers		(193 203)	1 530 671
Provisions		(761 293)	964 748
Other liabilities		(8 519)	-
Derivative financial instruments		(15 008)	(22 439)
Net cash flows provided by/(used in) operating activities before income tax		(48 061)	49 393
Income taxes paid		**(1 657 294)**	**1 628 579**
Net cash flows provided by/(used in) operating activities		(105 509)	(39 590)
		(1 762 803)	**1 588 989**
Cash flows from investing activities			
Purchase of securities held to maturity		(1 214 872)	(178 532)
Proceeds from securities held to maturity		209 691	521 240
Interest received from securities held to maturity		61 285	59 607
Dividends received from associates		2 981	3 850
Purchase of share in associates		(442)	3 386
Proceeds from sale of subsidiaries and associates		7 070	40 696
Purchase of intangible assets, property and equipment		(41 679)	(124 245)
Proceeds from sale of property and equipment		3 796	6 041
Net cash flows provided by / (used in) investing activities		**(972 170)**	**332 043**
Cash flows from financing activities		(65 193)	(53 110)
Dividends paid		-	80 000
Drawing of subordinated debt		(5 500)	(18 434)
Interest paid on subordinated debt		137 426	171 316
Issue of the bonds		(132 684)	(211 753)
Repayment of the bonds		(20 609)	(23 871)
Interest paid to the holders of the bonds		415	-
Other financing activities		**(86 145)**	**(55 852)**
Net cash flows provided by / (used in) financing activities		311	(6 837)
Effect of foreign exchange rate changes on cash and cash equivalents		**(2 820 807)**	**1 858 343**
Net increase / (decrease) in cash and cash equivalents	**34**	**3 085 257**	**1 226 914**
Cash and cash equivalents at the beginning of the year	**34**	**264 451**	**3 085 257**

The notes on pages 46 to 112 are an integral part of these financial statements

Notes to the Consolidated Financial Statements

Prepared in Accordance with International Financial Reporting Standards as adopted by the European Union
Year Ended 31 December 2009

1. INTRODUCTION

Slovenská sporiteľňa, a. s. (hereafter 'the Bank') has its registered office at Tomašikova 48, Bratislava, the Slovak Republic. The Bank, in legal form of joint stock company, was established on 15 March 1994 and incorporated in the Commercial Registry on 1 April 1994. The identification number of the Bank is 00 151 653, its tax identification number is 2020411536.The Bank is an universal bank offering a wide range of banking and financial services to commercial, financial and private customers, principally in the Slovak Republic. These consolidated financial statements comprise the accounts of the Bank and its subsidiaries (together 'the Group').

The Board of Directors of the Bank is comprised of Ing. Jan Rollo (the Chairman) who on 1 March 2009 replaced former chairwoman Mag. Regina Ovesny-Straka (resigned on 28 February 2009), Ing. Štefan Máj (Vice Chairman), Ing. Peter Krutil, Ing. Martin Pilecký replaced since 1 August 2009 Mr. Michael Vogt (resigned on 31 March 2009), JUDr. Samuel Vlčan (resigned on 30 June 2009) and Mag. Beitz Frank–Michael as members. The Chairman of the Board of Directors is also the Bank Managing Director. The Vice Chairman of the Board of Directors is also the First Deputy Managing Director of the Bank. Other members of the Board of Directors are simultaneously deputies of the Bank Managing Director.

The members of the Supervisory Board as at 31 December 2009 were as follows: Dr. Franz Hochstrasser (Chairman), Mr. Wolfgang Schopf (Vice Chairman), Mag. Bernhard Spalt, Mr. Herbert Juranek and JUDr. Beatrica Melichárová.

The Central and Eastern European ('CEE') banking subsidiaries of Erste Group Bank AG (Slovenská sporitelňa, Česká spořitelna, Erste Bank Hungary, BCR, Erste Bank Croatia, Erste Bank Serbia) were placed in 2009 under EGB Ceps Holding GmbH, a 100% indirect subsidiary of Erste Group Bank. Reorganisation did not affect Erste Group Bank's Consolidated Financial Statements, as its (indirect) stake in its CEE banking subsidiaries is equal to its direct stake before the reorganization.

As at 31 December 2009 and 2008, the ultimate shareholder of the Group was Erste Group Bank AG (hereafter 'Erste Group Bank'), with registered office Graben 21, 1010 Vienna, Austria. The consolidated financial statements of Erste Group Bank will be available after their completion at Firmenbuchgericht Wien, Marxergasse 1a, 1030 Vienna, Austria court.

2. ADOPTION OF NEW AND REVISED STANDARDS

The Group applied all Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB as adopted by the European Union ('EU') that are relevant to the Group's operations.

a) Standards and interpretations relevant to Group's operations, effective in the current period

The following amendments to the existing standards issued by the International Accounting Standards Board and adopted by the EU are effective for the current accounting period:

- **IFRS 8 "Operating Segments" adopted by the EU on 21 November 2007 (effective for accounting periods beginning on or after 1 January 2009);**

This standard requires disclosure of information about the Bank's operating segments and replaced the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group.

- **Amendments to IFRS 1 "First-time Adoption of IFRS" and IAS 27 "Consolidated and Separate Financial Statements" – Cost of investment in a subsidiary, jointly-controlled entity or associate, adopted by the EU on 23 January 2009 (effective for accounting periods beginning on or after 1 January 2009);**

IFRS 1 has been amended to allow an entity, in its separate financial statements, to determine the cost of investments in subsidiaries, jointly controlled entities or associates (in its opening IFRS financial statements) as one of the following amounts:

– Cost determined in accordance with IAS 27 Consolidated and Separate Financial Statements
– At the fair value of the investment at the date of transition to IFRS, determined in accordance with IAS 39 Financial Instruments: Recognition and Measurement

- **IFRS 7 "Financial Instruments: Disclosures" – Improving disclosures about financial instruments, adopted by the EU on 27 November 2009 (effective for accounting periods beginning on or after 1 January 2009);**

With respect to fair value, the amendments require disclosure of a three-level fair value hierarchy, by class, for all financial instruments recognised at fair value and specific disclosures related to the transfers between levels in the hierarchy and detailed disclosures related to level 3 of the fair value hierarchy. In addition, the amendments modify the required liquidity disclosures with respect to derivative transactions and assets used for liquidity management.

- **Amendments to various standards and interpretations resulting from the annual quality improvement project of IFRS published on 22 May 2008 (IAS 1, IFRS 5, IAS 8, IAS 10, IAS 16, IAS 19, IAS 20, IAS 23, IAS 27, IAS 28, IAS 29, IAS 31, IAS 34, IAS 36, IAS 38, IAS 39, IAS 40, IAS 41) primarily with a view to removing inconsistencies and clarifying wording, adopted by the EU on 23 January 2009 (most amendments are to be applied for accounting periods beginning on or after 1 January 2009);**
- **Amendments to IAS 32 "Financial Instruments: Presentation" and IAS 1 "Presentation of Financial Statements" – Puttable financial instruments and obligations arising on liquidation, adopted by the EU on 21 January 2009 (effective for accounting periods beginning on or after 1 January 2009);**

The amendment to IAS 32 requires certain puttable financial instruments and obligations arising on liquidation to be classified as equity if certain criteria are met. The amendments to IAS 1 require disclosure of certain information relating to puttable instruments classified as equity.

- **IAS 1 (revised) "Presentation of Financial Statements" – A revised presentation, adopted by the EU on 17 December 2008 (effective for accounting periods beginning on or after 1 January 2009);**

This standard requires an entity to present all owner changes in equity and all non-owner changes to be presented in either in one statement of comprehensive income or in two separate statements of income and comprehensive income. The revised standard also requires that the income tax effect of each component of comprehensive income be disclosed. In addition, it requires entities to present a comparative statement of financial position as at the beginning of the earliest comparative period when the entity has applied an accounting policy retrospectively, makes a retrospective restatement, or reclassifies items in the financial statements.

The Group has elected to present comprehensive income in two separate statements of income and comprehensive income. Information about the individual components of comprehensive income as well as the tax effects have been disclosed in the notes to the financial statements. The Bank has not provided a restated comparative set of financial position for the earliest comparative period, as it has not either adopted any new accounting policies retrospectively, made a retrospective restatement, or retrospectively reclassified items in the financial statements.

- **IAS 23 (revised) "Borrowing Costs" adopted by the EU on 10 December 2008 (effective for accounting periods beginning on or after 1 January 2009);**

The main change from the previous version is the removal of the option to immediately recognise as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale.

- **Amendments to IFRS 2 “Share-based Payment” – Vesting conditions and cancellations, adopted by the EU on 16 December 2008 (effective for accounting periods beginning on or after 1 January 2009);**

This amendment to IFRS 2 Share-based payment was published in January 2008 and became effective for financial years beginning on or after 1 January 2009. The Standard restricts the definition of “vesting condition” to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. In the case that the award does not vest as the result of a failure to meet a nonvesting condition that is within the control of either the entity or the counterparty, this must be accounted for as a cancellation..

- **Amendments to IFRIC 9 “Reassessment of Embedded Derivatives” and IAS 39 “Financial Instruments: Recognition and Measurement” – Embedded Derivatives, adopted by the EU on 30 November 2009 (effective for accounting periods beginning on or after 1 January 2009);**

The IFRIC has issued Embedded Derivatives: Amendments to IFRIC 9 and IAS 39 which requires entities to assess whether to separate an embedded derivative from a host contract in the case where the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. The amendments to IFRIC 9 require an assessment to be made either when the entity first became party to the contract or when a change in the terms of the contract significantly modifies expected cash flows.

- **IFRIC 13 “Customer Loyalty Programmes” adopted by the EU on 16 December 2008 (effective for accounting periods beginning on or after 1 January 2009); and**

The interpretation requires loyalty award credits granted to customers in connection with a sales transaction to be accounted for as a separate component of the sales transaction. The consideration received in the sales transaction would, therefore, be allocated between the loyalty award credits and the other components of the sale.

- **IFRIC 14 “IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction” adopted by the EU on 16 December 2008 (effective for accounting periods beginning on or after 1 January 2009).**

IFRIC 14 addressed how to assess the limit under IAS 19 Employee benefits, on the amount of the surplus that can be recognized as an asset particularly when a minimum funding requirement exists.

The adoption of these amendments to the existing standards has not led to any changes in the Group’s accounting policies.

b) Standards and interpretations issued but not yet effective

At the date of authorisation of these financial statements the following standards, revisions and interpretations adopted by the EU were in issue but not yet effective:

- **IFRS 1 (revised) “First-time Adoption of IFRS” adopted by the EU on 25 November 2009 (effective for accounting periods beginning on or after 1 January 2010);**
- **IFRS 3 (revised) “Business Combinations” adopted by the EU on 3 June 2009 (effective for accounting periods beginning on or after 1 July 2009);**
- **Amendments to IAS 27 “Consolidated and Separate Financial Statements” adopted by the EU on 3 June 2009 (effective for accounting periods beginning on or after 1 July 2009);**
- **Amendments to IAS 32 “Financial Instruments: Presentation” – Accounting for rights issues, adopted by the EU on 23 December 2009 (effective for accounting periods beginning on or after 1 January 2011);**
- **Amendments to IAS 39 “Financial Instruments: Recognition and Measurement” – Eligible hedged items, adopted by the EU on 15 September 2009 (effective for accounting periods beginning on or after 1 July 2009);**
- **IFRIC 12 “Service Concession Arrangements” adopted by the EU on 25 March 2009 (effective for accounting periods beginning on or after 30 March 2009);**
- **IFRIC 15 “Agreements for the Construction of Real Estate” adopted by the EU on 22 July 2009 (effective for accounting periods beginning on or after 1 January 2010);**
- **IFRIC 16 “Hedges of a Net Investment in a Foreign Operation” adopted by the EU on 4 June 2009 (effective for accounting periods beginning on or after 1 July 2009);**
- **IFRIC 17 “Distributions of Non-Cash Assets to Owners” adopted by the EU on 26 November 2009 (effective for accounting periods beginning on or after 1 November 2009); and**
- **IFRIC 18 “Transfers of Assets from Customers” adopted by the EU on 27 November 2009 (effective for accounting periods beginning on or after 1 November 2009).**

The Group has elected not to adopt these standards, revisions and interpretations in advance of their effective dates.

The Group anticipates that the adoption of these standards, revisions and interpretations will have no material impact on the financial statements of the Group in the period of initial application.

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following standards, amendments to the existing standards and interpretations, which were not endorsed for use as at 31 December 2009.

- **IFRS 9 "Financial Instruments" (effective for accounting periods beginning on or after 1 January 2013);**
- **Amendments to various standards and interpretations resulting from the annual quality improvement project of IFRS published on 16 April 2009 (IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38, IAS 39, IFRIC 9, IFRIC 16) primarily with a view to removing inconsistencies and clarifying wording (most amendments are to be applied for accounting periods beginning on or after 1 January 2010);**
- **Amendments to IAS 24 "Related Party Disclosures" – Simplifying the disclosure requirements for government-related entities and clarifying the definition of a related party (effective for accounting periods beginning on or after 1 January 2011);**
- **Amendments to IFRS 1 "First-time Adoption of IFRS"– Additional Exemptions for First-time Adopters (effective for accounting periods beginning on or after 1 January 2010);**
- **Amendments to IFRS 2 "Share-based Payment" – Group cash-settled share-based payment transactions (effective for accounting periods beginning on or after 1 January 2010);**
- **Amendments to IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" – Prepayments of a Minimum Funding Requirement (effective for accounting periods beginning on or after 1 January 2011); and**
- **IFRIC 19 "Extinguishing Liabilities with Equity Instruments" (effective for accounting periods beginning on or after 1 July 2010).**

The Group anticipates that the adoption of these standards, amendments to the existing standards and interpretations will have no material impact on the financial statements of the Group in the period of initial application.

At the same time, hedge accounting regarding the portfolio of financial assets and liabilities, whose principles have not been adopted by the EU, is still unregulated. Based on the Group's estimates, application of hedge accounting for the portfolio of financial assets or liabilities pursuant to IAS 39: "Financial Instruments: Recognition and Measurement", would not significantly impact the financial statements, if applied as at the balance sheet date.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

Pursuant to Article 17a of Act no. 431/2002 Coll. on Accounting, effective from 1 January 2006 banks are required to prepare their separate and consolidated financial statements and annual report under special regulations – Regulation (EC) 1606/2002 of the European Parliament and of the Council on the Application of International Accounting Standards (IFRS). As a result, separate financial statements prepared in accordance with IFRS have effectively replaced financial statements prepared under Slovak Accounting Standards.

These consolidated financial statements comprise the accounts of the Bank and its subsidiaries and have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (the "EU"). Except for certain standards issued but not yet effective (see note 2b) and certain hedge accounting requirements under IAS 39 which have not been endorsed by the EU, IFRS as adopted by the EU does not currently differ from IFRS and its effective standards and interpretations as issued by the International Accounting Standards Board (IASB). The Group has determined that the standards not endorsed by the EU would not impact the consolidated financial statements had such standards been endorsed by the EU at the balance sheet date.

The Bank prepared Separate Financial Statements for year ended 31 December 2009 on 9 February 2010.

The financial statements of the Group for the previous period (31 December 2008) were signed and authorised for issue on 17 February 2009.

(b) Basis of Preparation

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

These consolidated financial statements were prepared using the going concern assumption that the Group will continue in operation for the foreseeable future.

The Bank holds controlling interests in subsidiaries and has a significant influence in associates as described in Note 5 and 20. The subsidiaries are fully consolidated, associates are included using the equity method of accounting.

Since 1 January 2009, Slovak Republic entered the Euro zone and Slovak crown (SKK) was replaced by new currency Euro (EUR). The change in functional currency was implemented prospectively as of 1 January 2009 and all assets, liabilities and equity of the Group were converted into EUR based on the official conversion rate EUR1 = SKK30.1260. Corresponding financial information was translated by the official conversion rate of 30.1260 SKK/EUR. The average exchange rate of Euro during 2008 was SKK31.291/EUR1.

The unit of measurement is thousand of EUR (EUR thousand), unless stated otherwise. The amounts in parentheses represent negative values.

(c) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Bank and its controlled companies as at 31 December 2009.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intra-group balances and transactions, including unrealised intra-group profits, are eliminated on consolidation. Where necessary, accounting policies for subsidiaries and associates have been changed to ensure consistency with the policies adopted by the Bank.
Minority interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority interest in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group, except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Subsidiary Undertakings

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

Associated Undertakings

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

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognised, unless the Group has incurred legal or constructive obligations or made payments on behalf of the associate. Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities, and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities, and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the Income Statement.

Where a Group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

(d) Goodwill

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities, and contingent liabilities of the subsidiary, or jointly controlled entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

The Group's policy for goodwill arising on the acquisition of an associate is described under 'Associated Undertakings' above.

(e) Cash and Cash Equivalents

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

(f) Loans and Advances, and Provisions for Losses on Loans and Advances

Loans and advances are measured initially at their fair value plus transaction costs, subsequently carried at amortised cost using the effective interest rate, less any provisions for impairment. The effective interest rate represents the rate that exactly discounts estimated future cash flows through the expected life of the financial asset to that asset's carrying amount. Origination fees and directly attributable costs related to loans and advances are amortised over the contractual life of the loan. All loans and advances are initially recognised when cash is advanced to borrowers.

Provisions for loan impairment are recognised for the estimated irrecoverable amounts of Loans and Advances when there is objective evidence that they are impaired. Impairment provisions are created through the Income Statement in 'Provisions for losses on loans, advances and off-balance sheet credit risk'. If the reason for provisioning no longer exists or the provision is not appropriate, the redundant provisions are released through the Income Statement in 'Provisions for losses on loans, advances and off-balance sheet credit risks'.

Write-offs are generally recorded against provisions when all reasonable restructuring or collection activities have taken place and further recovery is considered to be ineffective taking into account loans outstanding, expenses on collection, and forecasted result. Recoveries of loans and advances previously written-off are reflected into income.

For financial assets carried at amortised cost (such as amounts due from banks, loans and advances to customers as well as held-to-maturity investments), the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

Individual assessment of impairment

Loans and advances to institutions, sovereign and corporate classes, are generally considered by the Group as being individually significant (generally clients with exposures exceeding EUR 1.3 million or turnover of more than EUR 1 million) and are analysed on an individual basis.

Loans and advances with identified impairment are internally rated as defaulted. The calculation of specific provisions is based on an estimate of expected cash flows reflecting the estimated delinquency in loan repayments, as well as proceeds from collateral. Impairment amount is determined by the difference between the loan's gross carrying amount and the net present value ('NPV') of the estimated cash flows discounted by the loan's original effective interest rate.

Portfolio assessment of impairment

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Group's internal credit rating system.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(g) Debt and Equity Securities

Securities held by the Group are categorised into portfolios in accordance with the Group's intent on the acquisition of securities and pursuant to the Group's security investment strategy. The Group has developed security investment strategies and, reflecting the intent of the acquisition, allocated securities to the 'Financial assets at fair value through profit or loss' portfolio, the 'Available for sale' portfolio, and the 'Held to maturity' portfolio. The main difference between the portfolios relates to the measurement of securities in fair value and amortised costs, and the reporting of unrealised gains or losses.

All 'regular way' purchases and sales of securities are recognised using settlement date accounting and are initially measured at fair value.

Financial Assets at Fair Value through Profit or Loss (´FVTPL´)

A financial asset at fair value through profit or loss is a financial asset classified as either held for trading or designated by the entity upon initial recognition.

A financial asset is classified as held for trading if:

- **it has been acquired principally for the purpose of selling in the near future; or**
- **it is part of an identified portfolio of financial instruments that the Group manages together and has a recent**

actual pattern of short-term profit-taking; or

- **it is a derivative that is not designated and effective as a hedging instrument.**

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- **such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or**
- **the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or**
- **it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.**

Assets in this portfolio are initially recognised at fair value and are subsequently re-measured to fair value. Interest income is calculated and recognised in the 'Net interest and investment income'. Changes in the fair values of securities held for trading are recognised in the Income Statement as 'Net trading result'. Changes in the fair values of other financial assets designated as at FVTPL are recognised in 'Other operating result'.

Available for Sale Securities ('AFS securities')

Available-for-sale investments include equity and debt securities. Equity investments classified as available-for - sale are those which are neither classified as held-for-trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

AFS securities are initially recognised at fair value and are subsequently re-measured to fair value. Interest is recognised using the effective interest rate in the 'Net interest and investment income'. Unrealised changes in the fair values of AFS securities are recognised as adjustments to equity revaluation reserves, with the exception of the impairment losses.

When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in the equity revaluation reserve is included in income statement for the period as 'Other operating result'.

For available-for-sale financial investments, the Group assess at each balance sheet date whether there is objective evidence that an investment is impaired.

In the case of debt instruments classified as available-for-sale, the Group assesses individually whether there is objective evidence of impairment based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to a credit event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

In case of equity investments classified as available-for-sale, objective evidence of impairment also includes a 'significant' or 'prolonged' decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the profit or loss is removed from 'Available for sale reserve' in the equity and is reclassified and shown as impairment loss in 'Other operating result'. Impairment losses on equity investments are not reversed through the income statement; increases in the fair value after impairment are recognised directly in other comprehensive income. Impairment losses and their reversals are recognised directly against the assets in the balance sheet.

The investments in equity instruments which do not have a quoted market price in an active market and whose fair value cannot be reliably measured, are accounted for using the cost method and are subject to impairment test.

Securities Held to Maturity ('HTM securities')

Securities held to maturity are financial assets with fixed maturity that the Group has the positive intent and ability to hold to maturity. HTM securities are initially recognised at fair value. HTM securities are subsequently reported at amortised cost using the effective interest method, less any provision for impairment.

A financial asset held to maturity is impaired if its carrying amount is greater than its estimated recoverable amount. The amount of the impairment loss for assets carried at amortised cost is calculated as the difference between the asset's carrying amount and the present value of the expected future cash flows discounted at the financial instrument's original effective interest rate. When the impairment of assets is identified, the Group recognises provisions through the Income Statement.

Changes in the fair value of HTM securities are not recognised in the financial statements, but are disclosed in Note 44.

Fair value of financial instruments

The fair value is the amount for which a financial instrument could be exchanged or settled between knowledgeable, willing parties in an arm's length transaction.
The fair values of financial assets and financial liabilities are determined as follows:

- **the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices;**
- **the fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments;**
- **the fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.**

(h) Financial Guarantee Contract Liabilities

Financial guarantee contract liabilities are measured initially at fair value and are subsequently measured at the higher of:

- **the amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and**
- **the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.**

(i) Effective Interest Method

The effective interest method is a method of calculating the amortised cost of a financial asset (financial liability) and of allocating interest income (interest expense) over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset (financial liability), or, where appropriate, a shorter period.

(j) Recognition and Derecognition of Financial Assets and Financial Liabilities

All financial assets and liabilities except for Issued debt securities and derivative financial instruments are initially recognised on the settlement date, i.e., the date when an asset is delivered to or by the Group. Issued debt securities and derivative financial instruments are initially recognised on the trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument.
This includes "regular way trades": purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

(k) Sale and Repurchase Agreements

Where debt or equity securities are sold under a commitment to repurchase them at a pre-determined price, they remain at the fair value or amortised cost within the relevant portion on the assets and the consideration received is recorded in 'Amounts owed to financial institutions' or 'Amounts owed to customers'. Debt or equity securities purchased under a commitment to resell at a pre-determined price are recorded in 'Loans and advances to financial institutions' or 'Loans and advances to customers'. Interest is accrued using the effective interest rate.

(l) Intangible Assets

Intangible assets are stated at costs less accumulated amortisation and accumulated impairment losses. Intangible assets are amortised on a straight-line basis over their estimated useful life years through 'General administrative expenses' as follows:

Type of intangible assets	Depreciation period 2009 and 2008
Core banking system and related applications	8 years
Other software	4 years

The estimated useful lives and amortization method are reviewed at the end of each reporting period, with the effect of any changes in the estimate accounted for on a prospective basis. Impairment losses are recorded in 'Other operating result' in the Income statement.

Costs associated with the maintenance of existing software are expensed through 'General administrative expenses' as incurred, whilst the costs of technical improvements are capitalised and increase the acquisition cost of the software.

(m) Property and Equipment

Property and equipment is stated at historical cost less accumulated depreciation using a straight-line basis depreciation over estimated useful lives as follows:

Type of property and equipment	Depreciation period 2009 and 2008
Buildings and structures	30 years
Electronic machines and equipment	4 – 6 years
Hardware	4 years
Vehicles	4 years
Fixture and fittings	6 – 12 years
Leasehold improvements	Shorter of lease period or life of asset

Land and assets under construction are not depreciated.

(n) Assets Held for Rental Income

Assets held for rental income are property, i.e. land or building, and movable assets held to earn rental revenue. Assets held for rental income are stated at historical cost less impairment provisions and accumulated depreciation using a straight-line basis depreciation over estimated useful lives. The carrying amount of assets held for rental income, its depreciation, and rental revenues are disclosed in Note 22. The useful life of buildings classified as assets held for rental income is 30 years.

(o) Impairment of Property and Equipment

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The recoverable amount is determined as the higher of estimated fair value less cost to sell. The largest components of the Group's assets are periodically tested for impairment, and temporary impairments are provisioned through the Income Statement 'Other operating result'. Repairs are charged to the Income Statement in 'General administrative expenses' under 'Other administrative expenses' in the year in which the expenditures are incurred.

(p) Non-current assets Held for Sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. The Group's management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell.

Any gain or loss from sale and impairment losses and their reversals are included in 'Other operating result'.

(q) Provisions

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

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

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

(r) Long-term Employee Benefit Provisions

The Group operates unfunded defined long-term benefit programs comprising lump-sum post-employment and working anniversary.

The employee benefit costs are assessed using the projected unit credit method with actuarial valuation at the balance sheet date, measured as the present value of the estimated future cash outflows discounted by the interest yield on investment grade fixed income securities, which have terms to maturity approximating the terms of the related liability. Actuarial gains and losses from the jubilee benefit obligation are charged to the Income Statement in the current year. Actuarial gains and losses from post-employment defined benefit plans are recognised directly in equity in the period in which they occur.

See Note 29 (d) for key assumptions used in actuarial valuations.

(s) Dividends to Shareholder

Dividends to shareholders are deducted from equity in the period in which they are declared by the General Assembly.

(t) Taxation

Income tax on the Group's current year results consists of both current income tax and deferred tax.

Income tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided using the balance sheet liability method on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Currently enacted or substantially enacted tax rates are used to determine deferred income tax. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred income tax assets in respect of tax losses carried forward and other temporary differences are recognised to the extent that it is probable that the Group will be able to realise the deferred tax assets in the future. The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered, or realization of the tax benefit is otherwise impaired.

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

Dividends received by the Group are subject to income tax only if such dividends were paid from profit generated prior to 1 January 2004.

(u) Derivative Financial Instruments

Derivatives include foreign currency and interest rate swaps, currency forwards, forward rate agreements, foreign currency options (both put and call options) and other finance derivative instruments. The Group uses various types of derivative instruments in both its trading and hedging activities.

Financial derivative instruments entered into for trading purposes are stated at fair value. Unrealised gains and losses are reported as 'Financial assets at fair value through profit or loss' and 'Financial liabilities at fair value through profit or loss' on the balance sheet. Fair values of derivatives are based on quoted market prices or pricing models which take into account the current market and contractual prices of the underlying instruments, as well as time value and yield curve or volatility factors underlying the positions.

Certain derivatives embedded in other financial instruments are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract, and the host contract is not carried at fair value with gains and losses reported in the Income Statement.

Certain derivative transactions, while providing effective economic hedges under the Group's risk management positions, do not qualify for hedge accounting under the specific rules in IAS 39 and are therefore treated as derivatives held for trading with fair value gains and losses reported in 'Net trading result'.

Hedging derivatives are defined as derivatives that comply with the Group's risk management strategy. The hedging relationship is formally documented at the inception of the hedging relationship and the hedge is effective at inception and throughout the period. Changes in the fair value or cash flows of the hedged and hedging items are almost fully offset and the results are within the range of 80% to 125%.

The Group designates hedging derivatives as: either, (a) hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge); or, (b) hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge).

(a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. The adjustment to the carrying amount of a hedged item arising from the hedged risk is amortised to Income Statement over the period to maturity.

(b) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity adjustment. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement. Amounts accumulated in equity are recorded to the Income Statement in the periods in which the hedged item will affect the Income Statement (for example, when the forecast sale that is hedged takes place). When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative fair value adjustments reported in equity at that time remains in equity and is recognised in the Income Statement when the forecast transaction is ultimately recognised in the Income statement. When a forecast transaction is no longer expected to occur, the cumulative fair value adjustments reported in equity is immediately recorded to the Income Statement.
See also Note 43.

(v) Foreign Currency Transactions

Transactions denominated in foreign currencies are recorded in local currency at official exchange rates as announced by the NBS on the date of transaction. Financial assets and liabilities denominated in foreign currencies are translated into local currency at the prevailing NBS exchange rate on the balance sheet date. Realised and unrealised gains and losses on foreign exchange are recognised in the Income Statement in 'Net trading result'.

(w) Interest Income and Interest Expense

Interest income and expense are recognised in the Income Statement when earned or incurred, on an accrual basis using the effective interest rates.

(x) Fees and Commissions

The Group earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

Fee income earned from services that are provided over a certain period of time.

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate on the loan. When it is unlikely that a loan will be drawn down, the loan commitment fees are recognised over the commitment period on a straight line basis.

Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

(y) Leases

Group as the Lessee

Finance leases of property and equipment under which the Group assumes substantially all the risks and rewards incidental to ownership are recognised in the balance sheet by recording an asset and liability equal to the present value of all future lease payments. Leasehold improvements on leased assets are depreciated in accordance with the estimated useful life of the asset, or the lease term if shorter. Lease liabilities are reduced by repayments of principal, whilst the finance charge component of the lease payment is charged directly to the Income Statement.

Rentals payable under operating leases are charged to the Income Statement on a straight-line basis over the term of the relevant lease.

Group as the Lessor

Amounts due from lessees under finance leases are recorded as 'Loans and advances to customers' at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

(z) Earnings per Share

Earnings per share has been calculated by dividing the net profit or loss applicable to ordinary shares by the weighted average number of ordinary shares outstanding during the year, and has been calculated for shares with nominal value of EUR 1000 based on their share on rights to receive dividends.

(aa) Assets under Administration

Assets under administration are not recognised as assets or liabilities on the balance sheet, but are accounted for as off-balance sheet items since the Group does not bear risks and rewards of ownership associated with such items. See also Note 47.

(bb) Regulatory Requirements

The Group is subject to the regulatory requirements of the central bank. These regulations include those pertaining to minimum capital adequacy requirements, classification of loans and off-balance sheet commitments, asset concentration, credit risk connected to clients of the Group, liquidity, interest rate, and foreign currency position.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Significant areas of judgment include the following:

– Fair value of financial instruments

The recent financial crisis and resulting impact on financial markets and the economic environment have resulted in material adjustments to valuation of the Group's assets. The management of the Group has considered all relevant factors in making prudent and reasonable valuation estimates in the circumstances. The financial markets continue to be affected by market liquidity issues and high price volatility. There is also continuing increased level of uncertainty about future economic developments. These factors could result in future changes in valuation of assets and the changes could be material. Where the fair values of financial assets and financial liabilities recorded on the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values.

Financial assets at fair value through profit and loss and securities available for sale include credit investments and managed funds totaling EUR 26.8 million as of 31 December 2009 (2008: EUR 40.6 million). The estimated fair values of all of the abovementioned financial assets have been affected by decreased market liquidity and widening credit spreads in the financial markets mainly in 2008, during 2009 the Group has sold part of the portfolio with a NBV of EUR 11 million. The continuing high volatility in market prices and economic uncertainty could result in future valuation adjustments.

– Impairment of available for sale investments

The Group reviews its debt securities classified as available-for-sale investments at each balance sheet date to assess whether they are impaired. This requires similar judgment as applied to the individual assessment of loans and advances. The Group also records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Group evaluates, among other factors, historical share price movements and duration and extent to which the fair value of an investment is less than its cost.

– Impairment of loans and advances

As described in Note 14, 15 and 16 the Group creates provision for impairment of loans and receivables where there is objective evidence that, as a result of past events, the estimated future cash-flows are negatively impacted. In estimating these cash flows, the Group makes judgments about the borrower's financial situation and the net realisable value of collateral. These provisions are based on the Group's historical and current experience concerning default rates, recovery rates of loans, or time needed from a loss event to loan default, as well as subjective judgments of the Bank's management about estimated future cash-flows. Considering current economic conditions, the outcome of these estimates could differ from the amounts of impairment provisions recognized as of 31 December 2009.

– Provisions

The amounts recognized as provisions are based on the management's judgments and represent the best estimate of expenditures required to settle a liability of uncertain timing or amount resulting from an obligation. See Note 29 for more detailed disclosures of provisions.

– **Income taxes**

Income tax rules and regulations have undergone significant changes in recent years and there is little historical precedent or interpretative rulings on a number of complex issues affecting the banking industry. Also, tax authorities have broad powers in interpreting the application of the tax laws and regulations in the course of its examination of taxpayers. Accordingly there is a high level of inherent uncertainty about the ultimate outcome of examinations by the tax authorities. Judgment was also made with respect to future recoverability of deferred tax assets.

5. COMPANIES INCLUDED IN CONSOLIDATION

The consolidated financial statements include the following subsidiaries and associates:

Name of the company	Registered office	Principal activity	Group interest 2009	Group voting rights 2009
Subsidiaries – fully consolidated				
Realitná spoločnosť Slovenskej sporiteľne, a.s.	Námestie SNP 18 811 06 Bratislava, Slovak Republic	Real estate agency	100.00%	100.00%
Leasing Slovenskej sporiteľne, a.s.	Tomášikova 48 832 69 Bratislava, Slovak Republic	Financial and operational leasing	96.66%	96.66%
Factoring Slovenskej sporiteľne, a.s.	Tomášikova 48 832 67 Bratislava, Slovak Republic	Factoring	100.00%	100.00%
Derop B.V.	Naritaweg 165 1043 BW Amsterdam, The Netherlands	Incorporation, management and financing of companies	85.00%	85.00%
Laned, a.s. (100% subsidiary of Derop B.V.)	Tomášikova 48 832 71 Bratislava, Slovak Republic	SPE- Real estate agency	85.00%	85,00 %
Informations-Technologie Austria – SK, s. r. o.	Prievozská 10, 821 09 Bratislava	IT services and IT systems maintenance	51.00%	51.00%
Associates – accounted under equity method				
3on private equity, a.s.	Štefanovičova 12 811 04 Bratislava, Slovak Republic	Investment advisory	35.29%	35.29%
Prvá stavebná sporiteľňa, a.s. ('PSS')	Bajkalská 30 829 48 Bratislava, Slovak Republic	Banking	9.98%	35.00%
Slovak Banking Credit Bureau, s.r.o.	Malý trh 2/A 811 08 Bratislava, Slovak Republic	Retail credit register	33.33%	33.33%
Erste Corporate Finance, a.s.	Evropská 2690/17 160 00 Prague 6, Czech Republic	Financial and legal advisory	25.00%	25.00%
s IT Solutions SK, spol. s r.o.	Prievozská 14 821 09 Bratislava, Slovak Republic	Software company	23.50%	23.50%
Czech and Slovak Property Fund B.V.	Fred. Roeskestraat 123, Amsterdam, The Netherlands	Real estate fund	10.00%	10.00%

These consolidated financial statements for year 2008 and two month of 2009 include also Asset Management Slovenskej sporiteľne, správ. spol., a.s. that was sold to Erste Asset Management GmbH (see Note 11).

In October 2008, the Group acquired a residual 10% share of the ownership and voting rights in Factoring Slovenskej sporiteľne, a.s. and increased its share in the company to 100%.

Although the Bank's share and voting rights in the Czech and Slovak Property Fund represents only 10.00%, the Company is classified as an associate based on the Bank's equity share of its earnings amounting to 33.33%.

The Bank held a 9.98% shareholding in PSS at 31 December 2009 and 31 December 2008. The Bank, based on the contract with Erste Group Bank, represents shareholder interests of the parent company in PSS (25.02%). In 2004, following NBS approval, the Bank's representative replaced a representative of Erste Group Bank on the Supervisory board of PSS. As a result of the above mentioned, the Bank established significant influence over PSS from 2004.

6. NET INTEREST INCOME

ths. EUR	2009	2008
Interest income from:		
Loans and advances to financial institutions	26 580	98 581
Loans and advances to customers	382 368	408 935
Financial assets at fair value through profit and loss	2 150	3 674
Securities available for sale	48 698	33 019
Held to maturity securities	74 062	58 958
Other interest income and similar income	1 426	2 332
Loss from investments in associates	-	(3 057)
Total interest and similar income	**535 284**	**602 442**
Interest expense for:		
Amounts owed to financial institutions	(9 464)	(51 063)
Amounts owed to customers	(99 096)	(141 206)
Debts securities in issue	(17 781)	(23 346)
Subordinated debt	(5 090)	(7 594)
Total interest and similar expenses	**(131 431)**	**(223 208))**
Net interest income	**403 853**	**379 234**

In 2009, interest income includes a total of EUR 7.3 million (2008: EUR 5.8 million) relating to impaired financial assets.

Loss from investments in associates is presented under other operating result in 2009 (see note 11).

7. NET FEE AND COMMISSION INCOME

ths. EUR	2009	2008
Fee and commission income from:		
Payment transfers	81 866	83 169
Lending business	27 722	27 698
Securities	8 350	14 619
Other fees	6 367	7 349
Total fee and commission income	124 305	132 835
Fee and commission expense for:		
Payment transfers	(9 052)	(9 047)
Lending business	(4 417)	(3 792)
Securities	(604)	(1 132)
Other fees	(404)	(403)
Total fee and commission expense	**(14 477)**	**(14 374)**
Net fee and commission income	**109 828**	**118 461**

Security fees relate to fees earned or paid by the Group on trust and fiduciary activities.

8. PROVISIONS FOR LOSSES ON LOANS, ADVANCES AND OFF BALANCE SHEET CREDIT RISKS

ths. EUR	2009	2008
Provisioning charges for:		
Specific risk provisions	(68 899)	(47 203)
Portfolio risk provisions	(119 616)	(65 453)
Total provisioning charges	(188 515)	(112 656)
Release of provisions	-	-
Specific risk provisions	26 338	14 101
Portfolio risk provisions	5 075	7 601
Total release of provisions	31 413	21 703
Net provisions for losses on loans and advances (Note 16)	**(157 102)**	**(90 953)**
Direct write offs / Recoveries of loans written off	(1 316)	3 109
Net creation of provisions for off-balance risks	(2 021)	(1 209)
Net provisions	**(160 439)**	**(89 053)**

9. NET TRADING RESULT

ths. EUR	2009	2008
Foreign exchange gains and currency derivatives	7 678	20 761
Interest derivatives	3 413	5 652
Trading securities gains	1 711	6 329
Other gains/(losses)	(2)	62
Total	**12 800**	**32 804**

10. GENERAL ADMINISTRATIVE EXPENSES

ths. EUR	2009	2008
Personnel expenses		
Wages and salaries	(71 721)	(74 565)
Social security expenses	(24 037)	(25 224)
Long term employee benefits	(472)	(410)
Other personnel expenses	(3 339)	(1 847)
Total personnel expenses	**(99 569)**	**(102 046)**
Other administrative expenses		
Data processing expenses	(48 249)	(54 467)
Building maintenance and rent	(20 532)	(17 826)
Costs of bank operations	(18 668)	(24 481)
Advertising and marketing	(11 381)	(12 622)
Legal fees and consultation	(1 999)	(4 635)
Other administrative expenses	(5 051)	(6 434)
Total other administrative expenses	**(105 880)**	**(120 466)**
Depreciation		
Amortisation of intangible assets	(28 101)	(20 554)
Depreciation	(24 100)	(20 942)
Total depreciation, amortisation	**(52 201)**	**(41 496)**
Total	**(257 650)**	**(264 007)**

The average number of employees in the Group was 4 614 and 4 923, thereof members of the Board of Directors 5 and 6, in 2009 and 2008 respectively.

Other administrative expense includes the cost of audit services and other advisory services provided by the affiliate of the audit company:

ths. EUR	2009	2008
Audit of financial statements	511	372
Audit of group reporting	511	373
Tax advisory	-	57
Other related services provided to the Bank	46	760
Total	**1 068**	**1 562**

11. OTHER OPERATING RESULT

ths. EUR	2009	2008
Revaluation of securities at fair value, net	1 022	(9 443)
Loss on securities available-for-sale	(11 552)	(14 489)
Net gain from disposal of subsidiaries and associate	2 969	35 318
Loss on investments in associates	(9 727)	-
Contribution to deposit protection fund	(13 390)	(11 366)
Other operating result, other	(26 352)	(545)
Total other operating result	**(57 030)**	**(526)**

Revaluation of securities at fair value, net in 2008 comprised of credit derivatives negative revaluation, that were sold to Erste Group Bank in March 2008 for their market price.

Loss on available-for-sale securities contains recycling of revaluation reserve in amount of EUR 3.3 million related to sale and EUR 8.2 million related to impairment of these positions.

Net gain from disposal of subsidiaries and associates comprises of EUR 2.9 million profit on sale of the Asset management Slovenskej Sporiteľne, a.s. to Erste Asset Management GmbH for cash consideration of EUR 7 million in February 2009 and in 2008 includes sale of 28.33% ownership interest in Poisťovňa Slovenskej sporiteľne, a.s., for a consideration of EUR 40.7 million resulting in net gain of EUR 35.3 million (see Note 20).

Income/(loss) from investments in associates:

Company	2009	2008
Prvá stavebná sporiteľňa, a.s. (PSS)	2 918	1 971
Poisťovňa Slovenskej sporiteľne, a.s.	-	852
Erste Corporate Finance, a.s.	(177)	38
IT Solutions SK, spol. s r. o.	-	-
Czech and Slovak Property Fund B.V.	(12 541)	(6 778)
Other	73	860
Total	**(9 727)**	**(3 057)**

Loss on the investments in associates for period 2008 is presented under ‘Net interest income (see also Note 6).

The Bank is legally obliged to make a contribution to the deposit protection fund of Slovakia calculated based on its customer deposit liabilities.

Other operating result, other includes loss on significant legal case amounting to EUR 14.3 million. The Group released a related provision of EUR 7.3 million (Note 29). Impairment provisions for inventory (apartment buildings) in amount of EUR 4.5 million and VAT reclaim related to sale of the core software in amount of EUR 5 million are also included in this position.

12. INCOME TAX EXPENSE

ths. EUR	2009	2008
Current tax expense	49 218	60 889
Deferred tax income (Note 24)	(28 361)	(26 131)
Total	**20 857**	**34 758**

The actual tax on the Bank's profit before tax differs from the theoretical amount that would arise using the basic tax rate of the Slovak Republic as follows:

	2008 ths. EUR	%	2009 ths. EUR	%
Profit before tax	**51 362**		**176 913**	
Theoretical tax at income tax rate of 19%	**9 759**	**19**	**33 613**	**19**
Tax effect of expenses that are not deductible in determining taxable profit:				
- Allocation of provisions	15 185	29.6	1 693	1.0
- Other	6 656	13.0	7 311	4.1
Total tax effect of expenses that are not deductible in determining taxable profit	**21 841**	**42.5**	**9 004**	**5.1**
Tax effect of revenues that are deductible in determining taxable profit:				
- Release of provisions	(7 434)	(14.5)	(3 519)	(2.0)
- Income from dividends	(433)	(0.8)	-	-
- Other	(3 643)	(7.1)	(4 340)	(2.5)
Tax effect of revenues that are deductible in determining taxable profit	**(11 511)**	**(22.4)**	**(7 859)**	**(4.4)**
Additional tax (income)/expense on interest income from securities				
Tax loss current year non-valued	375	0.7	-	-
	393	0.8	-	-
Tax expense and effective tax rate for the year	**20 857**	**39.8**	**34 758**	**19.6**

13. CASH AND BALANCES AT THE CENTRAL BANK

ths. EUR	2009	2008
Cash balances	254 052	349 366
Nostro accounts with central banks	-	180 894
Minimum reserve deposit with NBS	68 885	896 525
Total	**322 937**	**1 426 785**

The minimum reserve deposit represents a mandatory deposit (bearing 1.5% interest as of 31 December 2009; 2008: 1.5%) calculated in accordance with regulations issued by the central bank (2% of certain Bank's liabilities) with restricted withdrawal. Nostro balances represent balances with the central bank related to settlement activities and is available for withdrawal.

During the one month period that included the year end date, the Bank maintained, as required, an average reserve balance at the NBS of approximately EUR 127.9 million (in 2008 EUR 179 million).

14. LOANS AND ADVANCES TO FINANCIAL INSTITUTIONS

ths. EUR	2009	2008
Loans and advances on demand (nostro accounts)	10 399	2 352
Repo trades with central bank treasury bills	-	2 552 646
Placements with financial institutions	1 187 357	157 771
Loans and advances to Financial institutions, gross	**1 197 756**	**2 712 768**
Provisions for impairment (Note 16)	(1 150)	-
Total	**1 196 606**	**2 712 768**

Repurchase agreements with the central bank are collateralised by the bills issued by the National Bank of Slovakia in an amount equal to the loan.

The recorded amounts represent the maximum exposure to credit risk.

15. LOANS AND ADVANCES TO CUSTOMERS

ths. EUR	2009	2008
Corporate clients	2 553 766	2 791 887
Syndicated loans	464 937	425 646
Overdrafts	449 892	551 218
Direct provided loans	1 470 763	1 575 031
Finance leasing	122 369	170 185
Factoring	45 805	69 807
Retail clients	3 440 026	2 864 137
Mortgage loans	2 431 390	1 883 722
Consumer loans	812 381	774 215
Social loans	21 232	27 319
Overdrafts	165 529	169 853
Finance leasing	9 493	9 029
Public sector	56 356	55 341
Loans and advances to Customers, gross	**6 050 148**	**5 711 366**
Loan loss provision (Note 16)	(313 539)	(222 176)
Total	**5 736 555**	**5 489 190**

As at 31 December 2009 the 15 largest customers accounted for 12.0% of the gross loan portfolio were in the amount of EUR 687 million (2008: 13.3%, EUR 762 million).

In 2009, the Group increased provisions for impaired leasing receivables by EUR 14.3 million to cover incurred losses in this portfolio of receivables (2008: EUR 10 million).

Mandate loans

As of 31 December 2009 Group cooperated with six external outsourcing companies. Under mandate contracts the management and administration of certain non-performing receivables is outsourced. The Group maintains the risks and rewards associated with the underlying exposures and shares part of recoveries with the external service providers. Total outsourced gross loans amounted to EUR 99 million as of 31 December 2009 (2008: EUR 107.4 million).

Write off and sale of receivables

In 2009, the Group sold total of EUR 43.8 million of loan receivables (2008: EUR 25.1 million) for a consideration of EUR 9.8 million (2008: EUR 4.3 million), and used corresponding provisions of EUR 33.5 million (EUR 24.9 million as at 31 December 2008).

Group has also written off loans in carrying amount of EUR 13.2 that were fully provided (2008: EUR 17.4 million).

Finance leases

Loans and advances to customers also include net investments in finance leases. The principal assets held under lease arrangements include cars and other technical equipment.

ths. EUR	2009	2008
Gross investment in finance leases	**147 833**	**204 939**
Thereof:		
-Less than 1 year	61 499	73 657
-From 1 year to 5 years	75 209	117 739
-Over 5 years	11 125	13 543
Unearned income	**15 971**	**25 725**
Net investment in finance leases	**131 862**	**179 214**
Thereof:		
-Less than 1 year	54 836	63 135
-From 1 year to 5 years	68 684	106 055
-Over 5 years	8 342	10 025

16. PROVISIONS FOR LOSSES ON LOANS AND ADVANCES

ths. EUR		2009	
	Loans and advances to financial institutions	Loans and advances to customers	Total
As at 1 January	-	222 176	222 176
Net allocation of provisions (excluding effect of unwind)	1 150	155 952	157 102
Use of provisions due to sale and write-off of receivables and other adjustments	-	(57 249)	(57 249)
Unwinding of discount on provisions	-	(7 286)	(7 286)
As at 31 December	**1 150**	**313 593**	**314 743**

ths. EUR		2008	
	Loans and advances to financial institutions	Loans and advances to customers	Total
As at 1 January	-	179 579	179 579
Net allocation / (release) of provisions (excluding effect of unwind)	-	90 953	90 953
Use of provisions due to sale and write-off of receivables and other adjustments	-	(42 526)	(42 526)
Unwinding of discount on provisions	-	(5 830)	(5 830)
As at 31 December	**-**	**222 176**	**222 176**

Use of provisions results mainly from write off and the sale of impaired receivables, see Note 16.

Unwinding represents a change in the impairment provisions amount, resulting from the unwinding of the cash flow discounting due to passage of time.

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

ths. EUR	2009	2008
Trading assets		
Financial derivatives with positive fair value (Note 43 b)	53 511	106 407
Interest Rate Agreements	43 376	44 015
Exchange Rate Agreements	8 403	58 741
Other	1 732	3 652
	53 511	106 407
Assets classified at fair value at acquisition		
Credit investments	7 855	8 033
Debt securities and participation certificates	66 392	41 129
	74 247	49 162
Total	**127 758**	**155 570**

The amounts represent the maximum exposure to credit risk.

Financial assets are designated at fair value portfolio based on the intention to manage these on the fair value basis.

With effect from 4 February 2008, the Group has adopted new business model of financial markets trading in cooperation with Erste Group Bank. Erste Group Bank has started to conduct all trading operations on a central trading book in order to better manage market risks from the group trading activities (i.e., transactions with retail, corporate and other institutional clients) with the exception of the equity risk trading and transactions for the Bank's liquidity management purposes.

Trading gains (i.e. from Erste Group Bank's market positions) are distributed according to approved rules based on the financial results back to the Group's local banks and reported in the 'Net trading result'. The basic principle underlying these rules involves Erste Group Bank absorbing potential losses in individual groups of assets in exchange for the risk premium derived from the VaR indicator. In the new business model of financial markets trading is reallocation of the trading costs for individual participating Erste Group Bank subsidiaries based on the local Cost Income Ratio.

Credit Linked Investments

The 'Fair Value Through Profit and Loss' portfolio includes credit investments in the amount of EUR 7.8 million as at 31 December 2009 (2008: EUR 8 million). As of 31 December 2009, these investments comprise credit linked notes (2008: credit linked notes).

In first quarter 2008, the Group has recognized total net loss of EUR 6.7 million attributable to revaluation of these securities, followed by disposal of EUR 109 million of credit investments to Erste Group Bank for their estimated fair value.

As of 31 December 2009 and 2008, fair values of credit investments held by the Group were determined with reference to third party quotations. Where available, these quotations were tested by reference to the quoted market prices.

The Group believes that the prices of asset backed securities used as of 31 December 2009 and 2008 are prudent and represent the best possible estimate of the fair value of these financial instruments.

Type of instrument	Rating range	Carrying amount 2009	Carrying amount 2008	Notional amount 2009	Notional amount 2008
Collateralized debt obligations	AA	3	-	690	863
Credit linked notes	AA	7 852	8 033	8 000	8 000
Total		**7 855**	**8 033**	**8 689**	**8 863**

Debt securities and participation certificates		
ths. EUR	2009	2008
State institutions in the Slovak Republic	8 831	1 072
Foreign state institutions	29 705	1 663
Financial institutions in the Slovak Republic	12 127	22 041
Foreign financial institutions	8 392	9 975
Other entities in the Slovak Republic	1 135	1 150
Other foreign entities	6 202	5 228
Total	**66 392**	**41 129**

18. SECURITIES AVAILABLE FOR SALE

ths. EUR	2009	2008
Debt securities and other fixed income securities – listed	1 106 764	796 155
Debt securities and other fixed income securities – unlisted	-	65
Managed Funds	22 512	32 555
Debt and other fixed income securities	1 129 276	828 775
Equity securities – shares	8 367	8 166
Listed	4 121	2 390
Unlisted	4 246	5 776
Net amount	**1 137 643**	**836 941**

Managed funds are investments in funds managed by third party fund managers who invests an administrated amount into different asset classes (fixed income assets, asset backed securities, funds, etc.) in accordance with prearranged regulations. In its portfolio the Bank has managed funds invested through the purchase of bonds and managed funds invested through the purchase of participating interest.

The maximum exposure to credit risk represents carrying amounts.

Debt securities and other fixed income securities at fair value by type of issuer comprise:		
ths. EUR	2009	2008
State institutions in the Slovak Republic	898 186	598 851
Financial institutions in the Slovak Republic	39 643	42 123
Foreign state institutions	45 988	19 186
Foreign financial institutions	124 752	147 481
Other entities in the Slovak Republic	20 707	21 134
Other foreign entities	-	-
Total	**1 129 276**	**828 775**

Fair value hedge

The Group has in its portfolio as at 31 December 2009 fixed rate EUR denominated bonds with face value of EUR 50 million (2008: EUR 50 million). As the purchase of the bonds increased the exposure to interest rate risk in the period from five to ten years, the Bank entered into an interest rate swap in order to hedge the changes of fair value caused by changes of risk-free interest rates, paying fixed and receiving floating rates. Notional and fair value of the aforementioned hedging derivative is reported in note 43 b.

During the period, the hedge was effective in hedging the fair value exposure to interest rate movements. For the year ended 31 December 2009, the Group recognised a net loss of EUR 730 thousand (2008: loss of EUR 4.6 million), representing the loss on the hedging instruments. The total gain on hedged item attributable to the hedged risk amounted to a gain of EUR 474 thousand (2008: gain of EUR 5 million).

Other matters

Additionally, corporate bonds in the amount of EUR 2.6 million (2008: EUR 2.6 million) were guaranteed by the State in the same volume (2008: EUR 2.6 million).

During 2009 the Group identified objective evidence that certain financial assets in available for sale portfolio are impaired, recognising impairment losses of EUR 8.1 million (2008: EUR 14.5 million) under ‘Other operating result’.

19. SECURITIES HELD TO MATURITY

ths. EUR	2009	2008
Debt securities and other fixed income securities		
Listed	2 420 060	1 402 102
Total	**2 420 060**	**1 402 102**

The amounts represent the maximum exposure to credit risk.

Debt securities and other fixed income securities at carrying value by type of issuer comprise:

ths. EUR	2009	2008
State institutions in the Slovak Republic	2 222 692	1 217 188
Financial institutions in the Slovak Republic	43 962	89 856
Foreign state institutions	55 384	-
Foreign financial institutions	46 812	43 982
Other entities in the Slovak Republic	23 586	23 634
Other foreign entities	27 624	27 442
Total	**2 420 060**	**1 402 102**

As at 31 December 2009, the securities included in the held to maturity portfolio placed as collateral for repo trades include State bonds with a notional value of EUR 1 553 million (2008: EUR 661 million).

As at 31 December 2009, in its held to maturity portfolio the Bank has mortgage bonds in the amount of EUR 17.3 million (2008: EUR 33.8 million) which were collateralised by State bonds in the amount of EUR 38.3 million (2008: EUR 38.3 million). Additionally, corporate bonds in the amount of EUR 24 million (2008: EUR 24 million) are fully guaranteed by the state in the same volume.

20. INVESTMENTS IN ASSOCIATES

Name of the company	Registered office	Principal activity	Bank interest 2009	Bank oting rights 2009
3on private equity, a.s.	Štefanovičova 12 811 04 Bratislava, Slovak Republic	Investment advisory	35.29%	35.29%
Prvá stavebná sporiteľňa, a.s.	Bajkalská 30 829 48 Bratislava, Slovak Republic	Banking	9.98%	35.00%
Slovak Banking Credit Bureau, s.r.o.	Malý trh 2/A 811 08 Bratislava, Slovak Republic	Retail credit register	33.33%	33.33%
Erste Corporate Finance, a.s.	Evropská 2690/17 160 00 Prague 6, Czech Republic	Financial and legal advisory	25.00%	25.00%
s IT Solutions SK, spol. s r.o.	Prievozská 14 821 09 Bratislava, Slovak Republic	Software company	23.50%	23.50%
Czech and Slovak Property Fund, B.V.	Fred. Roeskestraat 123, Amsterdam, The Netherlands	Real estate fund	10.00%	10.00%

2009

ths. EUR	Interest held (%)	Voting power held (%)	Net book value	Total assets	Total equity	Total Income	Total expense
3on private equity, a.s.	35.29%	35.29%	269	835	760	742	583
Prvá stavebná sporiteľňa, a.s.	9.98%	35.00%	25 239	1 999 750	252 900	138 005	110 075
Slovak Banking Credit Bureau, s.r.o.	33.33%	33.33%	35	114	106	806	775
Erste Corporate Finance, a.s.	25.00%	25.00%	373	1 765	1 492	2 418	3 164
s IT Solutions SK, spol. s r.o.	23.50%	23.50%	2 409	48 221	4 632	30 629	30 005
Czech and Slovak Property Fund, B.V.	10.00%	10.00%	-	311 210	603	17 462	39 434
Total			**28 325**	**2 361 895**	**260 492**	**190 062**	**184 036**

2008

ths. EUR	Interest held (%)	Voting power held (%)	Net book value	Total assets	Total equity	Total Income	Total expense
3on private equity, a.s.	35.29%	35.29%	245	863	664	896	697
Prvá stavebná sporiteľňa, a.s.	9.98%	35.00%	25 028	1 949 014	253 867	136 892	114 154
Slovak Banking Credit Bureau, s.r.o.	33.33%	33.33%	-	398	66	1 095	1 095
Erste Corporate Finance, a.s.	25.00%	25.00%	564	2 590	2 215	3 416	3 078
s IT Solutions SK, spol. s r.o.	23.50%	23.50%	2 722	19 651	963	38 372	37 509
Czech and Slovak Property Fund, B.V.	10.00%	10.00%	11 784	110 900	29 095	6 157	8 710
Total			**40 344**	**2 083 417**	**286 870**	**186 829**	**165 244**

During 2009, the Group received dividends from associates in the amount of EUR 2.9 million (2008: EUR 3 million).

In 2009, on the basis of significant deterioration in the fair values of the real estate investments in the Czech and Slovak Property Fund, B.V., the Group valued its investment in carrying value of EUR 0 (2008: EUR 12.4 million).

The Group held a 9.98% shareholding in Prvá stavebná sporiteľňa, a.s. ('PSS') at 31 December 2009 and 31 December 2008. The Group, based on the contract with Erste Group Bank, represents shareholder interests of the parent company in PSS (25.02%). In 2004, following NBS approval, the Bank's representative replaced a representative of Erste Group Bank on the Supervisory board of PSS. As a result of the above mentioned, the Bank established significant influence over PSS from 2004. The investment in PSS is therefore presented as associate, with the dividend income from this investment reported under 'Income from investment in subsidiaries and associates' in 2009 and 2008.

The Group's share and voting rights in Czech and Slovak Property Fund represents only 10.00%, the company is classified as an associate based on Bank's equity share on its earnings amounting to 33.33%.

21. INTANGIBLE ASSETS

ths. EUR	Software	Other intangible assets	Assets not yet put in service	Total
Cost				
1 January 2009	**169 486**	**8 209**	**56 629**	**234 324**
Additions	25	-	30 216	30 241
Disposals	(458)	(39)	(32 369)	(32 866)
Transfers	11 643	295	(11 936)	2
31 December 2009	**180 696**	**8 465**	**42 540**	**231 701**
Accumulated amortisation and impairment 1 January 2009	**(116 568)**	**(7 557)**	**-**	**(124 125)**
Amortisation	(27 814)	(287)	-	(28 101)
Disposals	238	49	-	287
Transfers	-	-	-	-
31 December 2009	**(144 144)**	**(7 795)**	**-**	**(151 939)**
Net book value				
31 December 2008	**52 917**	**653**	**56 629**	**110 199**
31 December 2009	**36 551**	**671**	**42 540**	**79 762**

Assets not yet put in service include the cost of a bank system development project in the amount of EUR 34 million as at 31 December 2009 (2008: EUR 39 million). The total cost of the system is estimated at EUR 67 million and its putting into use is expected in 2011.

The Group capitalizes borrowing costs related to these assets, based on the outstanding financed value and 5 year moving average group refinancing rate. Capitalized borrowing costs amount to EUR 3 479 thousand in 2009 (2008: EUR 1 540 thousand).

The Group sold EUR 33 million from assets not yet put in service to s IT solutions SK. These relate to the part of the banking system that will be used also by the other Erste Group Bank subsidiaries.

The original cost of fully amortised intangible assets that are still in use by the Bank amounts to EUR 93.2 million (2007: EUR 66.4 million).

ths. EUR	Software	Other intangible assets	Assets not yet put in service	Total
Cost				
1 January 2008	**144 955**	**7 944**	**33 327**	**186 226**
Additions	-	-	54 471	54 471
Disposals	(5 510)	(66)	(797)	(6 373)
Transfers	30 040	332	(30 372)	-
31 December 2008	**169 486**	**8 209**	**56 629**	**234 324**
Accumulated amortisation and impairment				
1 January 2008	**(100 702)**	**(7 225)**	**-**	**(107 926)**
Amortisation	(23 767)	(398)	-	(24 165)
Disposals	4 282	66	-	4 348
Provision for impairment	3 618	-	-	3 618
31 December 2008	(116 568)	(7 557)	-	(124 125)
Net book value				
31 December 2007	**44 254**	**719**	**33 327**	**78 299**
31 December 2008	**52 917**	**653**	**56 629**	**110 199**

22. PROPERTY, EQUIPMENT AND ASSETS HELD FOR RENTAL INCOME

ths. EUR	Land and buildings	Equipment fixtures and fittings	Motor vehicles	Assets not yet put in service	Total property and equipment	Invest-ment property	Other mova-ble properties held for rental income
Cost							
1 January 2009	**224 496**	**185 587**	**6 539**	**20 580**	**437 202**	**11 994**	**3 884**
Additions	151	910	125	11 012	12 198	-	1 443
Disposals	(1 868)	(15 859)	(1 852)	(23)	(19 602)	(595)	(959)
Transfers	16 433	7 935	3 627	(28 645)	(650)	(4 656)	(25)
31 December 2009	**239 212**	**178 573**	**8 439**	**2 924**	**429 148**	**6 743**	**4 343**
Accumulated depreciation and impairment							
1 January 2009	**(40 530)**	**(153 953)**	**(3 286)**	**-**	**(197 754)**	**(3 585)**	**(1 195)**
Depreciation	(9 186)	(12 675)	(1 319)	-	(23 179)	(257)	(664)
Disposals	151	15 703	1 101	-	16 955	87	396
Provisions for impairment	-	-	-	-	-	-	(364)
Transfers	806	(904)	(195)	-	(293)	971	13
31 December 2009	**(48 759)**	**(151 829)**	**(3 699)**	**-**	**(204 271)**	**(2 784)**	**(1 814)**
Net book value							
31 December 2008	**183 966**	**31 634**	**3 253**	**20 580**	**239 433**	**8 409**	**2 689**
31 December 2009	**190 453**	**26 744**	**4 740**	**2 924**	**224 877**	**3 959**	**2 529**

The original cost of property and equipment that is fully depreciated but still in use by the Group amounts to EUR 121.8 million (2008: EUR 119.5 million).

The Group has assessed the impairment of assets (buildings) that were unused or rented to other parties. Based on the estimated recoverable amounts the Group released total of EUR 347 thousand of impairment provisions into 'Other operating result' as of 31 December 2009 (2008: EUR 7.9 million). Provisions for impairment amounting to EUR 317 thousand as of 31 December 2009 (2008: EUR 664 thousand)

ths. EUR	Land and buildings	Equipment fixtures and fittings	Motor vehicles	Assets not yet put in service	Total property and equipment	Invest-ment property	Other movable properties held for rental income
Cost							
1 January 2008	**168 990**	**190 467**	**5 909**	**63 998**	**429 363**	**11 751**	**5 245**
Additions	-	-	-	71 898	71 898	-	697
Disposals	(3 552)	(20 182)	(1 792)	-	(25 526)	(996)	(2 058)
Transfers	96 362	15 302	2 423	(114 087)	-	-	-
Reclassification to/from non-current assets held for sale	(37 305)	-	-	(1 228)	(38 533)	1 239	-
31 December 2008	**224 496**	**185 587**	**6 539**	**20 580**	**437 202**	**11 994**	**3 884**
Accumulated depreciation and impairment							
1 January 2008	**(54 538)**	**(161 123)**	**(3 950)**	**-**	**(219 596)**	**(4 747)**	**(830)**
Depreciation	(6 606)	(12 713)	(797)	-	(20 116)	(133)	(697)
Disposals	1 095	19 883	1 461	-	22 439	365	332
Provisions for impairment	7 933	-	-	-	7 933	-	-
Transfers	-	-	-	-	-	-	-
Reclassification to/from non-current assets held for sale	11 585	-	-	-	11 585	929	-
31 December 2008	**(40 530)**	**(153 953)**	**(3 286)**	**-**	**(197 754)**	**(3 585)**	**(1 195)**
Net book value							
31 December 2007	**114 453**	**29 343**	**1 958**	**63 998**	**209 768**	**7 004**	**4 415**
31 December 2008	**183 966**	**31 634**	**3 253**	**20 580**	**239 448**	**8 409**	**2 689**

During 2008 the Bank has finished and moved to the new premises on Tomasikova 48. This new head office represent transfer of EUR 96.3 million to land and buildings.

Operating leases

The Group enters into operating leasing arrangements for premises used for banking operations as lessee.

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

Outstanding commitments from operating leases	2009	2008
Payable in period:		
- Less than 1 year	1 769	1 261
- From 1 year to 5 years	486	1 261
Operating leasing payments recognised as expense in the period	1 246	4 880

Assets held for rental income

The Group owns buildings rented to other parties ('investment property') with a total net book value of EUR 4 million (net of the effect of impairment, EUR 317 thousand) as at 31 December 2009 (2008: EUR 8.5 million net of impairment of EUR 664 thousand), and equipment under operating leasing at net book value of EUR 2.5 million as at 31 December 2009 (2008: EUR 2.7 million).The total rental income earned by the Group amounted to EUR 833 thousand (2008: EUR 2.3 million) and is presented as 'Interest income'. The depreciation of assets held for rental income is presented under 'General administrative expenses' and amounted to EUR 664 thousand (2008: EUR 830 thousand).

The estimated fair value of investment property as at 31 December 2009 was EUR 4 million (2008: EUR 11.1 million). The Group uses its own model for determining the fair value of investment property, which is based on discounting future rental income decreased by direct operating expenses. Future rental income was determined using market rental rates for buildings with similar conditions and location, and the calculation of an independent appraiser when appropriate.

Insurance coverage

The Group's insurance covers all standard risks to tangible and intangible assets (theft, robbery, natural hazards, vandalism, and other damages).

23. NON-CURRENT ASSETS HELD FOR SALE

ths. EUR	2009	2008
As at 1 January	**29 376**	**4 315**
Additions:		
Acquisitions	704	1 527
Reclassification from Property and Equipment	31 852	28 297
Revaluation	69	-
Total additions	**32 625**	**29 824**
Disposals:		
Sales	(1 364)	(1 328)
Reclassification to Property and Equipment	(28 906)	(3 503)
Revaluation	-	-
Provision for impairment	62	67
Total disposals	**(30 208)**	**(4 764)**
As at 31 December	**31 793**	**29 376**

Following the decision in December 2009, the Group intends to dispose of selected items of property within the next 12 months. A search is under way for a buyer(s).

The Group has used judgments in the valuation of particular components of fixed assets to reflect their recoverable amount. This is related to own land and buildings, property held for sale and software.

24. INCOME TAX ASSETS AND LIABILITIES

The structure of the tax position as at 31 December 2009 and 31 December 2008 was as follows:

ths. EUR	2009	2008
Deferred income tax assets	55 340	30 118
Current Income tax assets	24 088	315
Total income tax assets	**79 428**	**30 433**
Deferred income tax liability	87	-
Current income tax liability	316	32 267
Total income tax liabilities	**403**	**32 267**

Deferred tax booked	directly to equity					to Income statement						
ths. EUR	Securities available for sale	Cash flow hedges	Loans and advances to customers	Provisions for losses on loans and advances	Securities	Intangible assets	Property and equipment	Provisions	Associates and other inv.	Tax loss carried forward	Other	Total
31 December 2007	**(1 009)**	**(133)**	**-**	**-**	**664**	**33**	**(2 921)**	**797**	**863**	**1 095**	**(120)**	**(730)**
Charge / (credit) to equity for the year	4 984	(252)	-	-	-	-	-	-	-	-	-	**4 732**
Charge / (credit) to Income statement for the year	-	-	-	23 042	(66)	1 633	(1 958)	299	398	(697)	3 622	26 271
Recycled from equity to Income statement	(458)	303	-	-	-	-	-	-	-	-	-	(155)
31 December 2008	**3 517**	**(82)**	**-**	**23 042**	**597**	**1 666**	**(4 879)**	**1 095**	**1 261**	**398**	**3 502**	30 118
Charge / (credit) to equity for the year	(432)	(25)	-	-	-	-	-	-	-	-	-	**(457)**
Charge / (credit) to Income statement for the year	-	-	-	29 996	(611)	(1 086)	(391)	389	1 070	(485)	(475)	28 407
Recycled from equity to Income statement	(2 908)	93	-	-	-	-	-	-	-	-	-	(2 815)
31 December 2009	**177**	**(14)**	**-**	**53 038**	**(13)**	**580**	**(5 271)**	**1 484**	**2 331**	**(87)**	**3 028**	**55 253**

Certain deferred tax assets and liabilities have been offset in accordance with the Group's accounting policy.

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

Effective from 1 January 2008, revisions to Income Tax Act were introduced which retrospectively limited tax deductibility of provisions for losses on loans. Its retrospective application resulted in additional current tax liability of EUR 41.5 million recognized in 2009. The Group expects to realize full benefits from tax non-deductible provisions in the future. Accordingly, it recognized an additional deferred income tax asset of EUR 23.5 million, arising both from tax non-deductible provisions created in 2009 and those subject to additional tax assessment settled in 2008.

25. OTHER ASSETS

ths. EUR	2009	2008
Customers, advances, reinvoiced amounts and prepayments	41 235	4 766
Payment cards and cheques	5 222	8 031
Hedging derivatives	6 955	7 128
Accruals	176	170
Material and inventories	34 036	28 119
Other	5 643	24 237
Total	**93 267**	**72 451**

Other assets increased mainly due to the receivable from s IT solutions SK related to the sold software amounting to EUR 33 million (Note 21).

26. AMOUNTS OWED TO FINANCIAL INSTITUTIONS

ths. EUR	2009	2008
Amounts owed on demand	100 844	48 430
Repo trades with debt securities	1 293 569	1 141 738
Term deposits and clearing	680 266	1 077 714
Total	**2 074 679**	**2 267 882**

The liabilities at 31 December 2009 in the amount of EUR 1 294 million from repo trade are collateralised by State bonds and treasury bills in the amount of EUR 1 267 million (2008: EUR 1 114 million) and by corporate bonds in the amount of EUR 27 million (2008: EUR 28 million).

27. AMOUNTS OWED TO CUSTOMERS

ths. EUR	2009	2008
Amounts owed on demand	3 056 013	2 867 208
Savings deposits	480 800	460 735
Term deposits	4 264 983	5 235 146
Total	**7 801 796**	**8 563 089**

Savings deposits are deposits with a defined period of notice, term deposits have a defined maturity date. Savings deposits usually remain in place for a long-term period.

ths. EUR	2009	2008
Savings deposits	480 800	460 732
Term deposits and amounts owed on demand:		
Corporate clients	1 504 841	1 617 241
Retail clients	5 533 622	5 948 749
Public sector	151 760	414 360
Other	130 773	122 008
Total	**7 801 796**	**8 563 089**

As at 31 December 2009 and 31 December 2008, no amounts owed to clients were collateralised by securities.

As at 31 December 2009, Amounts owed to customers includes special guaranteed deposits in the amount of EUR 164 million (2008: EUR 485 million). These contracts include embedded currency, commodity and equity derivatives in the amount of EUR 6.2 million (2008: EUR 13.1 million) which were separated and disclosed under 'Financial assets at fair value through profit or loss' and 'Financial liabilities at fair value through profit or loss'.

28. DEBT SECURITIES IN ISSUE

ths. EUR	2009	2008
Bonds in issue	451 464	454 030
Bonds in issue - Guaranteed deposit	23 795	19 315
Short term debt securities	1	-
Total	**475 260**	**473 345**

Bonds in issue are presented in the following table:

	Date of issue	Maturity date	Actual interest rate	Nominal value 2009 ths. EUR	Nominal value 2008 ths. EUR
Mortgage bonds	August 2003	August 2010	4.65%	16 597	16 597
Mortgage bonds	June 2004	June 2009	4.50%	-	33 194
Mortgage bonds	August 2004	August 2010	4.40%	16 597	16 597
Mortgage bonds	November 2004	November 2009	4.50%	-	36 513
Other bonds	May 2005	April 2009	2W REPO	-	1 992
Mortgage bonds	March 2006	March 2016	6M BRIBOR + 0.09%	16 597	16 597
Other bonds	June 2006	June 2010	3M BRIBOR + 0.15%	16 597	16 597
Other bonds	November 2006	November 2010	6M BRIBOR + 0.15%	19 916	19 916
Other bonds	June 2007	June 2010	6M BRIBOR + 0.04%	62 537	69 243
Other bonds	June 2007	June 2011	FIX -4.48%	13 278	13 278
Mortgage bonds	July 2007	July 2027	4.95%	18 553	16 597
Mortgage bonds	September 2007	September 2012	6M BRIBOR + 0.02%	19 916	19 916
Other bonds	March 2008	March 2013	3M BRIBOR + 0.32%	2 324	16 597
Mortgage bonds	April 2008	April 2012	6M BRIBOR + 0.10%	6 639	6 639
Mortgage bonds	April 2008	April 2021	5.00%	16 597	16 597
Other bonds	May 2008	May 2012	4.52%	3 651	3 651
Mortgage bonds	July 2008	July 2010	5.30%	44 812	44 812
Mortgage bonds	July 2008	July 2011	6M BRIBOR + 0.20%	14 273	14 273
Other bonds	September 2008	September 2009	8.18%	-	15 343
Mortgage bonds	September 2008	September 2010	5.00%	5 089	5 145
Mortgage bonds	September 2008	September 2010	5.00%	9 726	9 726
Mortgage bonds	October 2008	October 2010	5.00%	8 215	8 299
Mortgage bonds	October 2008	October 2009	5.00%	-	8 298
Mortgage bonds	October 2008	April 2011	6M BRIBOR + 0.40%	8 299	8 299
Mortgage bonds	November 2008	November 2009	5.00%	-	8 298
Mortgage bonds	December 2008	December 2009	5.00%	-	6 901
Mortgage bonds	February 2009	February 2011	2.70%	3 650	-
Other bonds	March 2009	March 2011	3M EURIBOR + 0.80%	2 000	-
Other bonds	April 2009	April 2011	2.70%	9 931	-
Other bonds	May 2009	May 2013	3M EURIBOR	4 950	-
Other bonds	May 2009	May 2012	3.25%	14 840	-
Mortgage bonds	July 2009	January 2013	3.50%	9 970	-
Mortgage bonds	August 2009	August 2011	3M EURIBOR + 1.15%	10 000	-
Mortgage bonds	August 2009	August 2013	3.60%	9 945	-
Mortgage bonds	August 2009	August 2013	3.60%	9 913	-
Mortgage bonds	October 2010	October 2013	3.03%	12 258	-
Mortgage bonds	November 2009	November 2011	3M EURIBOR + 0.64	25 000	-
Mortgage bonds	December 2009	December 2013	3.50%	15 000	-
Mortgage bonds	December 2009	December 2013	3.50%	5 000	-
Total nominal value			**450 714**	**449 915**	
Accrued interest				4 322	7 624
Net debt securities in issue			**455 036**	**457 539**	
less bonds held by the Group			(3 572)	(3 509)	
Total			**451 464**	**454 030**	

All of the bonds shown above are listed and traded on the Bratislava Stock Exchange ('BSE').

Part of the mortgage bonds issued is collateralised by State bonds included in the HTM portfolio in the carrying amount of EUR 38.3 million (2008: EUR 38.3 million).

As at 31 December 2009, debt securities in issue include embedded commodity derivatives and shares in the amount of EUR 657 thousand (2008: EUR 576 thousand) which were separated and are disclosed under “Financial assets at fair value through profit or loss” and “Financial liabilities at fair value through profit or loss”.

The Group set up a fair value hedge in July 2007 to hedge issued mortgage bonds in the amount of EUR 16.6 million (former SKK 500 million) with fixed rate. To protect against interest rate risk, the Group entered into an interest rate swap. The notional and fair value of the aforementioned hedging derivative is reported in Note 43b.

During the period, the hedge was effective in the hedging of fair value exposure to interest rate movements. For the year ended 31 December 2009, the Group recognised a net loss of EUR 221 thousand (2008: gain of EUR 2 million), representing the loss on the hedging instruments. The total gain on hedged items attributable to hedged risk amounted to gain EUR 238 thousand (2008: loss of EUR 2.3 million).

29. PROVISIONS

ths. EUR	2008	Additions	Use	Reversals	2009
Provision for off-balance sheet items	4 509	4 182	-	(2 161)	6 530
Interest bearing deposit products	906	896	(896)	-	906
Legal cases	14 355	2 217	(7 307)	-	9 265
Employee benefit provisions	2 758	430	(316)	(114)	2 758
Supplementary pension fund	3 153	617	(320)	(16)	3 434
Total	**25 681**	**8 342**	**(8 839)**	**(2 591)**	**22 893**

(a) Provision for off-balance sheet and other risks

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

(b) Provisions for interest-bearing products

Provision has been made for prize-saving books for the amount of the estimated probable awards attributed to the holders.

(c) Provision for legal cases

The Group conducted a review of legal proceedings outstanding against it as at 31 December 2009. These matters have arisen from normal banking activities. According to the updated status of these matters in terms of the risk of losses and the amounts claimed, the Group has increased provision for these legal cases by EUR 2.2 million to EUR 9.3 million as of 31 December 2009.

The net release (see also Note 11) in the provisions for legal cases of EUR 5.1 million is reported under ‘Other operating result’ in the Income Statement (2008: increase of EUR 5 million of provisions).

(d) Long – term employee benefits provisions

The Group has a defined benefit program, under which employees are entitled to a lump-sum payment upon taking retirement or a working jubilee. As at 31 December 2009 there were 4 466 employees at the Group covered by this program (2008: 4 736 employees).

During the year ending 31 December 2009, the actuarial calculation based on the projected unit credit method was performed resulting in the final employee benefit obligation in the amount of EUR 3 445 thousand (2008: EUR 3 164 thousand).

The amounts recognised in the balance sheet and Income Statement as at 31 December 2009 are as follows:

ths. EUR	Pension provisions	Jubilee provisions	Total long-term provisions
Long-term employee provisions at 31 December 2007	**1 129**	**1 195**	**2 324**
New commitments from acquisitions of companies	133	166	299
Service costs	66	67	134
Interest costs	(66)	(198)	(265)
Payments	299	(32)	267
Actuarial losses	**1 560**	**1 198**	**2 758**
Long-term employee provisions at 31 December 2008	111	188	299
New commitments from acquisitions of companies	73	58	131
Service costs	(154)	(162)	(316)
Interest costs	(157)	43	(114)
Payments	**1 433**	**1 325**	**2 758**

Key assumptions used in actuarial valuation:

Long-term employee provisions were calculated in accordance with the currently valid mortality tables issued by the Statistical Office of the Slovak Republic.

ths. EUR	2009	2008
Real annual discount rate	4.27%	4.79%
Annual future real rate of salary increases	0.00%	3.90%
Annual employee turnover	0.00%-8.14%	0.00%-21.05%
Retirement age	62 years	62 years

30. OTHER LIABILITIES

ths. EUR	2009	2008
Other short-term payables to customers related to money transfer	28 982	48 602
Accruals for general administrative expenses	27 635	10 162
Various creditors	26 141	43 192
Fair value of hedging instrument	8 649	2 556
Total	**91 407**	**104 511**

Summary of the social fund liability included in Other liabilities - various creditors is as follows:

ths. EUR	2009	2008
As at 1 January	469	1 719
Additions	1 700	997
Drawings	(1 785)	(2 248)
As at 31 December	**383**	**469**

31. SUBORDINATED DEBT

With the ultimate objective to strengthening the Group's own funds, the Group entered into subordinated loan contracts with its parent company Erste Group Bank on 21 December 2006 and 26 August 2008. Based on the first contract, the Group drew EUR 100 million subordinated loan in February 2007 with a repayment date of 21 December 2016, with floating interest rate based on selected 3M or 6M EURIBOR. Based on the second contract, the Group drew EUR 80 million subordinated loan in August 2008 with a maturity five years and floating interest rate 3M EURIBOR.

Subordinated debt ranks behind other liabilities in case of financial difficulties of the Group.

32. EQUITY

Share capital

Authorised, called-up and fully paid share capital consists of the following:

Nominal value	Number of shares	2009	Number of shares	2008
EUR 1,000 each	212 000	212 000	-	-
EUR 33.19 each	-	-	2 174 207	72 170
EUR 3 319 391.89 each	-	-	42	139 414
Total		**212 000**		**211 585**

Voting rights and rights to receive dividends are attributed to each class of share pro rata to their share of the share capital of the Group.

The distribution of profit is shown in the following table:

Dividends per share	Attributable from the profit for the year 2009	2008
Dividends paid to shareholder from profit for the year (thousand EUR)	-	65 193
Number of shares EUR 1 000 each	212 000	
Number of shares EUR 33.19 each (SKK 1 000)	-	2 174 207
Number of shares EUR 3,319,391.89 each (SKK 100 million)	-	42
Amount of dividends per EUR 1 000 share (EUR)	**-**	**-**
Amount of dividends per EUR 33.19 share (EUR)	**-**	**10**
Amount of dividends per EUR 3 319 391.89 share (EUR)	**-**	**1 022 804**

* Based on the proposed profit distribution.

Legal reserve fund

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

Other funds

Other funds as at 31 December 2009 included only the Statutory fund amounting to EUR 39.2 million (2008: EUR 39.2 million).

The Statutory fund was created from distributable profits to strengthen the Bank's capital base. The statutory fund may be terminated and transferred back to distributable profits if the Bank's share capital or legal reserve fund is increased. Such termination and transfer requires the approval of the Supervisory Board and the General Assembly.

Hedging reserves

Hedging reserves represent the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges. Hedging reserves are disclosed net of deferred tax effect.

Revaluation reserves

Revaluation reserves represent the unrealised revaluation of Securities available for sale. Revaluation reserves are disclosed net of deferred tax effect.

Other funds, hedging reserves, and revaluation reserves are not available for distribution to shareholders.

33. EARNINGS PER SHARE

ths. EUR	2009	2008
Net profit applicable to ordinary shares (TEUR)	30 505	142 155
Number of shares EUR 1 000 each	212 000	
Number of shares EUR 33.19 each		2 174 207
Number of shares EUR 3 319 391.89 each		42
Basic and diluted profit per EUR 1 000 share (EUR)	**144**	**-**
Basic and diluted profit per EUR 33.19 share (EUR)	**-**	**22**
Basic and diluted profit per EUR 3 319 391.89 share (EUR)	**-**	**2 230 250**

The nominal EUR amount per share of EUR 33.19 and EUR 3 319 391.89 for 2008 presented in the above table represents the EUR equivalent of shares with nominal values amounting to SKK 1 000 and SKK 100 million respectively.

34. SUPPLEMENTARY DATA TO STATEMENTS OF CASH FLOWS

Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows are composed of the following items:

ths. EUR	2009	2008
Cash on hand (Note 13)	254 052	349 366
Nostro accounts with the NBS (Note 13)	-	180 894
Accounts with other financial institutions repayable on demand (Note 14)	10 399	2 352
Repo trades with the central bank treasury bills (Note 14)	-	2 552 646
Treasury Bills	**264 451**	**3 085 257**

Operational cash flows from interests	2009	2008
Interest paid	124 144	199 959
Interest received	485 470	521 541

35. FINANCIAL RISK MANAGEMENT

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial instruments may result in certain risks to the Group. The most significant risks the Group faces include:

- **credit risk is the risk of loss arising from default by a creditor or counterparty.**
- **market risk is the risk of losses in on and off-balance-sheet positions arising from movements in market factors, i.e. prices, interest rates, foreign exchange rates, volatilities, etc.**
- **operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, and includes legal risk.**
- **liquidity risk is the risk of loss resulting from the inability of the Group to meet its investment and financing requirements with regard to cash flows discrepancy.**
- **fraud risk is the risk of financial or reputation losses originating from the intent to defraud the Group by falsifying information or by misrepresentation by employees, existing or potential customers, or any third parties.**
- **compliance is the risk of breaching regulatory rules and related litigation risk (with regulars or clients), financial risk (fines, compensation of damage), reputation risk and the risk of breaking of corporate culture.**
- **reputation risk is the risk of losses arising from failure to meet stakeholders' reasonable expectations of Group's performance and behaviour.**
- **strategic and business risks are the risks to earnings and capital arising from changes in the business environment and from adverse business decisions, improper implementation of decisions or lack of responsiveness to changes in the business environment.**

The ultimate risk management body is the Board of Directors. It may, however, delegate some of its authority for particular risk management areas to respective committees (ALCO, ORCO and CRC). The board also designates one of its members to serve as Chief Risk Officer (CRO).

Asset & Liability Committee (ALCO) has ultimate authority over market risk of both trading and banking books and over liquidity risk.

As for corporate credit risk, the ultimate decision making body is the Credit Committee of Supervisory Board, which consists of the members of the Supervisory Board. Credit Committee of Board of Directors (CRC) is next in line with direct authority over the credit risk area.

Operational Risk and Compliance Committee (ORCO) is the authorized body to make decisions on operational risk strategies and procedures, decides on risk appetite and tolerance levels, and decides on mitigation measures for operational risk, compliance, financial crime, and anti-money laundering issues.

ALCO, ORCO, and CRC are composed of members of the board and senior managers. The Chief Risk Officer is a member of all three committees.

The Operating Liquidity Committee (OLC) governs the execution of liquidity management. OLC reports directly to ALCO. It analyzes the liquidity situation of the Group on a regular basis and proposes measures to be taken. OLC consists of members of Trading, BSM and Strategic Risk Management units.

Structure of risk management organization consists of five key units:

- **Corporate Credit Risk Management Division - carries out all activities concerning operative credit risk of corporate clients & Financial Institutions.**
- **Retail Credit Risk Management Division - responsible for management of credit risk for retail lending, specifically credit policy, organization of lending process, collection process, and portfolio management for retail segment.**
- **Strategic Risk Management (SRM) - responsible for overall evaluation and control of credit risk at the Group level. Planning, coordination, and monitoring of credit risk loss provisions. Evaluation and management of operational risk. Evaluation and management of market risk. Evaluation of liquidity risk. Calculation of risk capital charge, its planning and allocation to business lines.**
- **Financial Crime & Compliance - responsible for compliance risk management (e.g. code of ethics, full compliance with legal requirements, anti-money laundering program) and for fraud risk management (prevention, detection, investigation, deterrence, and recovery of financial fraud). The Compliance Officer has a direct reporting line to the CRO.**
- **Balance Sheet Management - mainly responsible for financial market analysis. To achieve planned Net Interest Income (NII) of the Group along with the effective management of liquidity and market risk on the Banking Book.**

The risk management function is completely independent from business lines. Overall, risk management has the following roles:

- **setting strategies and policies for risk management**
- **building a risk-aware culture within the Group**
- **design and oversight internal risk policies, processes, and structures for business units**
- **designing and reviewing processes of risk management**
- **risk reporting**
- **cost of risk identification, calculation, and measurement, and setting of risk premiums**
- **implementation, calibrating and periodical reviewing of models for risk measurement including risk weighted assets ('RWA') calculations**
- **to protect against losses from financial crime activities and compliance violations**

36. CREDIT RISK

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet contractual obligations.

Credit risk is the largest single risk in the Group. It arises from traditional lending activities (loans and advances to customers) where losses are incurred by default (deteriorating creditworthiness) of borrowers, as well as from trading in market instruments. Credit risk also includes sovereign, country, concentration, settlement, and dilution risk.

In the year 2008 the Group confirmed its local leading position in risk management with the successful implementation of new Basel II rules. The Group reports capital adequacy using the "internal-ratings based" ('IRB') approach to credit risk since July 2008 as the first bank in Slovakia. The approval by Financial Market Authority of Austria and National Bank of Slovakia indicated that the Group's credit risk measurement and control systems are sound and implemented properly into risk management, credit process and capital adequacy estimation as well as into internal controls and reporting and that they play the essential role.

The cornerstone of the loan process in the Group is based on risk assessment using rating systems and the assignment of a rating grade. The final rating is a key factor for a loan decision, loan amount, and price. The rating systems are developed, implemented and regularly validated in cooperation within Erste Group Bank using common Group standards and tools. The rating systems are used since the year 2006 and the Group collects all data necessary for accurate and efficient risk control and management. The rating systems and their validation are properly documented.

The Corporate Credit Risk Management Division formulates credit policy and internal provisions on credit approval process for corporate clients. It is responsible for risk analysis of counterparties and credit facilities (financial analysis, rating assignment, credit transaction assessment). It furthermore monitors the development credit portfolio of corporate clients. It regularly reviews assigned ratings and counterparty financial situation. It also designs, sets and monitors limits, maintains deal and limit documentation for corporate clients, work-out, effective debt recovery for corporate clients, and collateral management. This Division is also involved in credit approval process or taking direct credit decisions.

The Retail Credit Risk Management Division formulates credit policy and internal provisions on the credit approval process for retail clients. It is responsible for risk assessment of counterparties and credit facilities (rating assignment, credit transaction assessment). It furthermore monitors the development of the credit portfolio of retail clients. It also designs, sets and monitors limits, maintains deal and limit documentation, performs early & late collection, and effective debt recovery.

Strategic Risk Management ('SRM'), more specifically its Credit Risk Section, is the independent risk control unit in the meaning of Basel II. SRM is not involved in operative credit decision-making. However, it is responsible for the design of rating systems, the testing and monitoring of the accuracy and selectivity of internal rating grades, and the production and analysis of summary reports from the Group's rating systems. SRM is also responsible for the design and implementation of models for the calculation of risk parameters (Probability of default - PD, Loss-given default - LGD, Credit conversion factor - CCF etc.), standard risk costs, and portfolio provisions. It is also responsible for the design and implementation of models for the calculation of risk-weighted assets according to Basel II and the model for economic capital.

Regular audits of business units and the Group's credit processes are undertaken by Internal Audit.

Maximum exposure to credit risk

Maximum exposure to the credit risk of financial assets is represented by their net carrying amount (carrying amount in the case of derivatives measured at fair value).

Maximum exposure to credit risk for off balance sheet commitments (e.g. undrawn loan limits, financial guarantees granted) is represented by the maximum amount the Group has to pay if the commitment is called on.

Information regarding exposure to credit risk arising from financial assets other than loans and off balance sheet commitments is detailed in individual notes.

Exposure to credit risk from loans, advances to customers, financial guarantees granted and undrawn loan commitments

The following table presents the maximum exposure to credit risk of loans, advances to customers, financial guarantees granted and undrawn loan commitments:

ths. EUR	2009	2008
Gross amount	**7 128 447**	**7 217 869**
Retail	4 056 864	3 508 862
Corporate and other classes	3 071 583	3 709 007
Provision for impairment	**(320 123)**	**(226 690)**
Retail	(215 392)	(160 526)
Corporate and other classes	(104 731)	(66 164)
Net amount	**6 808 324**	**6 991 178**
Retail	3 841 472	3 348 336
Corporate and other classes	2 966 852	3 642 843

Note: Retail loans include small loans to entrepreneurs.

Provisions for impairment are structured as follows:

ths. EUR	2009	2008
Provisions for losses on loans and advances (Note 16)	314 743	222 176
Provisions for off-balance sheet items (Note 29)	6 530	4 509
Total provision for impairment	**321 273**	**226 685**

Information on the credit quality of loans, advances to customers, financial guarantees granted and undrawn loan commitments, classified as retail asset class by the Group are as follows:

Retail asset class

ths. EUR	2009	2008
Total exposure		
Investment grade (1-5)	3 306 286	2 807 040
Subinvestment grade (6)	248 815	301 763
Subinvestment grade (7)	84 139	75 826
Subinvestment grade (8)	152 100	116 882
Rating R: Defaulted	265 523	207 352
Gross amount	**4 056 864**	**3 508 862**
Provisions for impairment	(215 392)	(160 526)
Net amount	**3 841 472**	**3 348 336**
Ageing of loans rated 1 – 8 is as follows:		
0 days	3 584 309	3 126 265
1 – 30 days	158 540	133 710
31 – 60 days	29 145	27 029
61 – 90 days	18 677	14 507
91 – days+*	670	-

* Overdue amount is non material, i.e. less than EUR 50 per client (materiality limit introduced in Q4/09).
Note: The increasing internal rating of exposures corresponds with their increasing credit risk; when assigning the rating the Group considers the financial position and performance of the counterparty, qualitative factors, as well as general economic trends in the particular industry and country. Categories of 1 to 8 represent individually non-impaired loans.
In case of private individuals the Group is using product definition of non-performing loans, i.e. if one loan of the client is more than 90 days overdue all client's accounts within the same product must be reported in the non-performing category. In case of other segments loans with rating R are reported as non-performing.

Individually impaired loans and irrevocable commitments

Impaired loans and irrevocable commitments are those for which the Group determines that it is probable it will be unable to collect all principal and interest due according to the contractual terms of these financial instruments. These are graded 'R' in the Group's internal risk rating system.

Past due but not individually impaired loans

Loans where contractual interest or principal payments are past due but the Group believes that impairment is not appropriate.

Neither past due nor individually impaired loans

Loans where contractual interest or principal payments are not past due and the Group does not expect impairment.

Information regarding the credit quality of loans, advances to customers, financial guarantees granted and undrawn loan commitments (classified as corporate, institutional or sovereign asset class) are as follows:

Corporate and other asset classes		
ths. EUR	**2009**	**2008**
Total exposure		
Investment grade (1-5)	2 193 219	2 999 886
Subinvestment grade (6)	333 333	486 130
Subinvestment grade (7)	268 165	37 776
Subinvestment grade (8)	115 226	117 883
Rating R: Defaulted	161 640	67 332
Gross amount	**3 071 583**	**3 709 007**
Provision for impairment	(104 731)	(66 164)
Net amount	**2 966 852**	**3 642 843**
Individually impaired		
Gross amount	**161 640**	**67 332**
Provision for impairment	(71 365)	(54 112)
Net amount	**90 276**	**13 219**
Past due (excluding individually impaired)	9 472	9 638
Investment grade (1-5)	5 023	6 563
Subinvestment grade (6)	4 995	1 903
Subinvestment grade (7)	17 231	22 804
Subinvestment grade (8)	-	-
Rating R: Defaulted	**36 721**	**40 908**
Gross amount	(1 112)	(3 329)
Provision for impairment	**35 609**	**37 579**
Net amount		
Past due but not impaired comprises:		
1-30 days	18 470	10 574
31-60 days	10 768	23 161
61-90 days	7 483	7 172
90 days+	-	-
Neither past due nor individually impaired		
Investment grade (1-5)	2 183 747	2 990 248
Subinvestment grade (6)	328 310	479 567
Subinvestment grade (7)	263 169	35 873
Subinvestment grade (8)	97 995	95 079
Rating R: Defaulted	-	-
Gross amount	**2 873 221**	**3 600 767**
Provision for impairment	(32 254)	(8 722)
Net amount	**2 840 967**	**3 592 044**

Note: The Increasing internal rating of exposures corresponds with their increasing credit risk; when assigning the rating the Group considers financial position and performance of counterparty, qualitative factors as well as general economic trends in particular industry and country.
Exposures rated as 1 – 8 according to Group's internal rating are not considered to be individually impaired.

Default events

Part of the Group's reporting is the monitoring of default events behind defaulted individually significant loans. The Group defines five default events:

- **E1 - unlikeliness to pay**
- **E2 - 90 days overdue**
- **E3 - distressed restructuring of exposure**
- **E4 - Exposure write-off**
- **E5 – Bankruptcy**

When a default event is recognized in the system, the rating of the client is automatically changed to defaulted.

Collaterals

The Group holds collateral against loans and advances to customers in the form of real estates, securities, bank guaranties and other credit enhancements. Estimates of fair value are based on the value of collateral assessed at the time of borrowing that is regularly updated. Collateral is not generally held over loans and advances to banks, except when securities are held as a part of reverse repurchase activities (see Note 14). Collaterals against investment securities are described in Note 18 and 19.

Estimated fair values of collaterals and other credit enhancements held against loans, advances to customers, financial guarantees granted and undrawn loan commitments is shown below:

ths. EUR	2009	2008
Real estates	5 035 066	4 116 511
Securities	163 178	232 789
Bank guaranties	332 699	415 521
Other	195 080	119 598
Total	**5 726 023**	**4 884 419**

Renegotiated loans

The carrying amount of financial assets that would otherwise be past due or impaired and whose terms have been renegotiated during 2009:

ths. EUR	Number of clients	ths. EUR
Private persons	550	8 989
Legal persons	108	87 916
Total	**658**	**96 905**

Concentration risk

A summary of concentrations of financial assets (including derivatives), loan commitments and guarantees as of 31 December 2009 and 2008 are presented below:

31 December 2009 ths. EUR	Loans and advances to customers		Loans and advances to financial institutions		Investment securities	
	Gross	**Net**	**Gross**	**Net**	**Gross**	**Net**
Activities of households as employers	3 658 467	3 488 741	-	-	779	779
Agriculture, forestry and fishing	53 880	49 672	-	-		
Mining and quarrying	8 563	8 453	-	-		
Manufacturing	823 602	797 532	-	-	17 150	17 150
Electricity, gas, steam and air conditioning supply	222 139	221 762	-	-		
Water supply, sewerage, waste management	5 953	5 418	-	-		
Construction	377 966	362 697	-	-	572	572
Wholesale and retail trade	543 486	486 465	-	-		
Transportation and storage	280 044	268 558	-	-	53 713	53 713
Accommodation and food service activities	122 665	108 073	-	-		
Information and communication	14 239	13 122	-	-		
Financial and insurance activities	71 758	70 593	1 197 756	1 196 606	340 011	333 963
Real estate activities	682 465	673 611	-	-		
Professional, scientific and technical activities	60 759	55 923	-	-		
Administrative and support service activities	26 255	23 716	-	-		
Public administration and defense	104 342	104 316	-	-	3 269 213	3 269 213
Education	1 848	1 683	-	-		
Human health and social work activities	45 031	44 066	-	-		
Arts, entertainment and recreation	12 785	12 434	-	-		
Other service activities	7 264	6 884	-	-		
Other	4 937	4 605	-	-	10 071	10 071
Total	**7 128 447**	**6 808 324**	**1 197 756**	**1 196 606**	**3 691 509**	**3 685 461**

31 December 2009 ths. EUR	Loans and advances to customers Gross	 Net	Loans and advances to financial institutions Gross	 Net	Investment securities Gross	 Net
Activities of households as employers	3 092 739	2 960 536	-	-	14 307	14 307
Agriculture, forestry and fishing	52 659	49 724	-	-	-	-
Mining and quarrying	2 214	2 191	-	-	-	-
Manufacturing	909 615	893 016	-	-	24 796	24 796
Electricity, gas, steam and air conditioning supply	222 139	221 762	-	-		
Water supply, sewerage, waste management	290 504	290 434	-	-	-	-
Construction	4 982	4 747	-	-	-	-
Wholesale and retail trade	241 324	233 818	-	-	564	564
Transportation and storage	747 208	721 137	-	-	-	-
Accommodation and food service activities	323 631	316 450	-	-	53 608	53 608
Information and communication	128 433	126 502	-	-	-	-
Financial and insurance activities	30 459	29 303	-	-	-	-
Real estate activities	253 891	234 510	2 712 768	2 712 768	457 777	453 200
Professional, scientific and technical activities	721 854	719 251	-	-	-	-
Administrative and support service activities	140 131	134 522	-	-	-	-
Public administration and defense	65 321	63 244	-	-	-	-
Education	109 328	109 328	-	-	1 836 321	1 836 321
Human health and social work activities	2 602	2 449	-	-	-	-
Arts, entertainment and recreation	52 327	52 069	-	-	-	-
Other service activities	17 623	17 361	-	-	-	-
Other	9 536	9 239	-	-	-	-
Total	21 489	21 347	-	-	11 817	11 817
Spolu	**7 217 869**	**6 991 178**	**2 712 768**	**2 712 768**	**2 399 190**	**2 394 613**

A summary of concentrations of loans and advances to customers, loan commitments, and guarantees classified by asset classes (as of 31 December 2009 and 2008) are presented below:

ths. EUR	2009 Gross	 Net	2008 Gross	 Net
Retail	4 056 864	3 841 472	3 508 862	3 348 336
Corporate	2 956 813	2 852 417	3 584 730	3 518 569
Institution	7 146	6 811	10 340	10 338
Sovereigns	107 624	107 624	113 936	113 936
Carrying amount	**7 128 447**	**6 808 324**	**7 217 869**	**6 991 178**

As of 31 December 2009 and 2008 the following loans and off balance sheet exposures are related to property business activities. These loans were provided mainly to finance the acquisition, operation or construction of properties:

ths. EUR	Maximum exposure	2009 On-balance	Maximum exposure	2008 On-balance
Residential developments	182 239	114 745	301 936	105 125
Office schemes	302 905	168 992	197 127	152 128
Hotels, Pensions	72 877	124 899	178 554	108 411
Retail premises	140 009	120 001	145 375	119 100
Mixed schemes	120 725	97 801	126 607	62 670
Lands	104 169	62 770	123 036	90 088
Rental flats	30 375	24 412	31 646	27 750
Leisures	13 908	3 833	14 240	4 315
Logistics	5 948	3 612	10 370	8 431
Total	**973 155**	**721 065**	**1 128 891**	**678 019**

The following table presents a summary of the Group's credit risk to the Slovak Republic, companies controlled by the Slovak government, self-governing regions, guarantees issued by the Slovak government, and similar exposures:

ths. EUR	Amount ths. EUR	2009 Portion of total assets %	Amount ths. EUR	2008 Portion of total assets %
Cash and balances at the central bank	68 885	0.60%	1 077 408	8.58%
Loans and advances to financial institutions	0	0.00%	2 552 646	20.33%
Loans and advances to customers	255 659	2.23%	260 771	2.08%
Securities portfolios	3 156 366	27.48%	1 846 644	14.71%
Total	**3 480 910**	**30.31%**	**5 737 469**	**45.69%**

The Group holds a large volume of state debt securities. A breakdown of state debt securities is shown below per portfolio and type of security:

ths. EUR	2009	2008
Financial assets at fair value through profit or loss	**8 831**	**1 062**
Treasury bills	-	-
State bonds denominated in EUR	8 831	1 062
Securities available for sale	**901 259**	**604 727**
Treasury bills	298 983	170 949
State bonds denominated in EUR	-	314 844
Slovak government Eurobonds	599 202	115 814
Companies controlled by the Slovak government	3 074	3 120
Securities held to maturity	**2 246 276**	**1 240 855**
Treasury bills	119 900	11 684
Slovak government Eurobonds	-	52 048
State bonds denominated in EUR	2 102 791	1 153 489
Companies controlled by the Slovak government	23 585	23 634
Total	**3 156 366**	**1 846 644**

The rating of the Slovak Republic according to the international rating agency Standard & Poor's is A + (14 January 2010).

37. MARKET RISK

Market risk is the risk of losses in on and off-balance-sheet positions arising from movements in market factors, i.e. prices, interest rates, foreign exchange rates, volatilities, etc. In the current year, the financial market has been disrupted, resulting in higher volatility and significant uncertainty. The risk management process comprises of four key elements:

- **risk identification – identify all risks inherent in the trading operations and in new products (new products check), and ensure these are subject to adequate procedures and controls before being introduced or undertaken.**
- **risk measurement – calculation of risk exposure using sensitivities and value-at-risk.**
- **limits management – development of a comprehensive limit system and limit allocation. Limit setting is a way to restrict the maximum risk exposure.**
- **risk monitoring and reporting.**

The main tool to measure market risk exposure in the Group is Value-at-Risk (VaR) which is complemented by back testing and stress testing programme.

The Group separates its exposure to market risk between the Trading Book and Banking Book.

Market Risk - Trading Book

The trading book represents the Group's positions in financial instruments – cash, derivative or securities - held either with trading intent (i.e. for short-term resale and/or with the intent of benefiting from actual or expected short-term price movements), or in order to hedge other instruments of the trading book.

For the purpose of market risk measurement of the trading book, VaR with complementary stress testing and extreme value theory measurements is used.

The VaR risk measurement estimates the maximum potential loss in pre-taxation profit over a given holding period for a specified confidence level. VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities, changes in interest rates, foreign exchange rates, and other market factors. Risks can be measured consistently across all markets and products of the trading book, and risk measures can be aggregated to arrive at a single risk number. The one-day 99% VaR number used by the Group reflects the 99% probability that the daily loss will not exceed the reported VaR. Value-at-Risk is not an indication of actual future performance of investments which may increase or decrease in value. An important part of the VaR model is Back Testing that compares the ex-post computed VaR with the profit and loss actually achieved over the holding period, and thus ascertains whether the actual loss of overdrafts is in accordance with the selected confidence level.

Value-at-risk is subject to some model assumptions (normality of distribution, historical simulation, etc.). Stress testing partially tackles these shortcomings by estimating losses due to extreme changes in market factors, the probabilities of which are very small. Position or portfolios are tested under a number of potential extreme scenarios and their impact on value and hence profit and loss is computed.

In order to manage the maximum risk exposure, comprehensive system of limits is established, including VaR, sensitivity, and stop-loss limits.

A new Erste Bank holding structure is effective as of February 2008. As a part of this strategic decision only money market desk remains within the responsibility of SLSP, a.s. from interbank trading. In addition, no new derivatives are allowed on the desk and the eligible products are limited to deposits, treasury bills, FX swaps and repurchase agreements.

As of 31 December 2009, the maximum one day expected loss from exposures of the trading book, that may result from changes in interest rates, exchange rates and other market factors, are as follows:

ths. EUR	2009					
Desk	**Interest**	**Currency**	**Price**	**Volatility**	**Total**	**Limit**
Foreign Exchange	0.0	0.2	0.0	0.0	0.2	100
Money Market	18.1	0.0	0.0	0.0	18.1	620
Fixed Income	0.0	0.0	0.0	0.0	0.0	0
Total	**18.1**	**0.2**	**0.0**	**0.0**	**18.1**	**660**

ths. EUR	2008					
Desk	**Interest**	**Currency**	**Price**	**Volatility**	**Total**	**Limit**
Foreign Exchange	0.0	3.3	0.0	0.0	3.3	66
Money Market	26.6	0.0	0.0	0.0	26.6	498
Fixed Income	0.0	0.0	0.0	0.0	0.0	66
Total	**26.6**	**3.3**	**0.0**	**0.0**	**27.7**	**531**

Limit represents the Group's internally defined maximum one day loss that is used as a benchmark for managing the market risk of the trading book.

Market Risk - Banking Book

Market Risk of Banking book is managed by the Balance Sheet Management Division (BSM) with cooperation of Strategic risk Management Division (SRM).
The main steps to market risk analyzing and managing:

- **data collection – on the Group's portfolio and market data.**
- **assumptions set-up – on products, scenarios and strategies building.**
- **analysis results:**
  - **MVE risk - risk of change of market value of the portfolio in the case of change of interest rates curve (see note 39).**
  - **deterministic net interest income and net interest income risk - forecast of net interest income in future periods and change of net interest income in the case of defined development of yield curve (see note 39).**
  - **stochastic net interest income - stochastic distribution of net interest income in the case of stochastic rate changes.**
- **tools to manage the market risk exposure of the banking book – investment strategy must be prepared on an annual basis:**
  - **investments to BSM Department portfolio.**
  - **hedging.**

Results of standard analysis (stable balance sheet, stable margins, parallel shocks) are included in the ALCO report and presented at the ALCO meeting on a monthly basis. Based on the requests and market situation, non-standard analysis is presented at ALCO meetings on an irregular basis.

The recent financial crisis and changes in market conditions resulted in high market price volatility, decreased market liquidity for some securities, significant changes in interest rates, widening credit spreads and changes in ratings by rating agencies on many issuers. In response to this situation, the Bank's management increased its monitoring of events and the impact and potential impact on the Bank's portfolios and financial position. Methods used included monitoring of global, regional and local economic news, research on counterparties and markets, and scenario analysis.
Banking book has only been purchasing ECB eligible bonds through the year.

Market risk of investment portfolios

Investment portfolios of the banking book (including derivatives) are subject to strict rules of market risk management which are set up by SRM and approved by ALCO committee.

SRM daily executes portfolio revaluation, risk measurement and monitoring. Primary measure is value-at-risk with the same parameters as for the trading book (i.e. two-year historical simulation, 99% confidence interval, one day holding period). Additionally, other measures are used, mainly interest rate sensitivity. Positions are also subject to periodic (at least monthly) stress testing.

In order to limit the risk, comprehensive system of limits is set up, primarily based on VaR and stop-loss limits. Limits are structured according to individual subportfolios, while separate limits are defined for derivative trades. Monitoring is done by SRM on daily basis.

Risk reporting is done daily for relevant managers and monthly for ALCO.

38. FOREIGN CURRENCY RISK

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. This risk is primarily eliminated by daily closing of open FX positions against Erste Group Bank. The Group is permitted to hold strategic FX positions, however, these are strictly limited by VaR and stop-loss limits. Monitoring is done on daily basis by SRM.

Following table summarizes FX position of the Group:

ths. EUR	EURO	US Dollar	Czech Crown	Other	Slovak Crown	Total
Cash and balances at the central bank	304 833	3 754	6 699	7 651	-	322 937
Loans and advances to financial institutions	1 193 123	2 140	517	1 976	-	1 197 756
Loans and advances to customers	5 991 810	6 692	45 086	6 560	-	6 050 148
Provisions for losses on loans and advances	(313 971)	(154)	(546)	(72)	-	(314 743)
Financial assets at fair value through profit or loss	118 443	3	-	9 312	-	127 758
Securities available for sale	1 120 437	4 121	10 663	2 422	-	1 137 643
Securities held to maturity	2 385 750	7 256	27 054	-	-	2 420 060
Total financial assets	**10 800 425**	**23 812**	**89 473**	**27 849**	**-**	**10 941 559**
Amounts owed to financial institutions	2 039 041	554	26 561	8 523	-	2 074 679
Amounts owed to customers	7 687 176	66 058	29 984	18 578	-	7 801 796
Debt securities in issue	475 260	-	-	-	-	475 260
Financial liabilities at fair value through profit or loss	57 255	-	-	-	-	57 255
Subordinated debt	180 260	-	-	-	-	180 260
Total financial liabilities	**10 438 992**	**66 612**	**56 545**	**27 101**	**-**	**10 589 250**
Total net FX position of financial assets and liabilities at 31 December 2009	**361 433**	**(42 800)**	**32 928**	**748**	**-**	**352 309**
Total financial assets at 31 December 2008	1 352 055	37 443	110 801	28 016	10 495 087	12 023 402
Total financial liabilities at 31 December 2008	1 077 176	73 093	114 021	57 591	10 270 464	11 592 345
Total net FX position of financial assets and liabilities at 31 December 2008	**274 879**	**(35 650)**	**(3 220)**	**(29 576)**	**224 623**	**431 056**

The following table details the Group's sensitivity to percentage movement of exchange rates. These changes represent the management's assessment of reasonably possible changes in foreign exchange rates:

Currency	Appreciation of EUR	Depreciation of EUR	Appreciation impact (ths. EUR)	Depreciation impact (ths. EUR)
USD	n/a	1.24%	-	(529)
CZK	9.31%	n/a	(3 067)	-

Movement changes in foreign exchange rates would not have direct impact on equity as at 31 December 2009 and 31 December 2008.

Effective 1 January 2009, the Slovak Crown was replaced by the Euro as the national currency of Slovakia at a fixed conversion rate of EUR 1 = SKK 30.126.

Corresponding figures for year 2008 includes volatility against former currency SKK recalculated to EUR:

Currency	Appreciation of SKK	Depreciation of SKK	Appreciation impact on net income (ths. EUR)	Depreciation impact on net income (ths. EUR)
USD	n/a	7.91%	-	2 821
CZK	8.11%	n/a	261	-

39. INTEREST RATE RISK

Interest rate risk indicators

Interest rate risk is the risk that net interest income ('NII') of the value of financial instruments will fluctuate due to changes in market interest rates. The Group manages its interest rate risk through monitoring interest rate behaviour and the re-pricing dates of the Group's assets and liabilities, and developing models showing the potential impact that changes in interest rates may have on the Group's net interest income and market value of the Group's assets and liabilities. Interest rate risk limits are approved by ALCO. The one year forecasted net interest income in the case of 200 basis points (bp) parallel change of interest rates should not exceed 15% of the forecasted NII according to the base market scenario (stable yield curve). The change of the market value of the portfolio of Group's interest earning assets and liabilities in the case of 200 bp parallel changes of interest rates should not exceed 20% of the capital of the Group.

At end of 2009 year, the 200 bp change in interest rates would affect net interest income (comparison with 2008 year) as follows:

Net interest income	2009	2008
+ 200 bp	2.36%	0.31%
- 200 bp	(4.47%)	(4.83%)

Change in yield curve by + 200 bp would affect the market value of interest bearing assets and liabilities totaling to EUR (33 800) thousand, out of it revaluation directly in equity EUR (45 904) thousand as at 31 December 2009 (2008: EUR (19 300) thousand, directly in equity (51 587) thousand).

The limit defined by risk management for the maximum change of interest bearing assets and liabilities established at +200 bp parallel change of interest rates amounts to EUR 157 million as of 31 December 2009 (2008: EUR 132 million).

40. LIQUIDITY RISK

Liquidity risk is the risk that the Group will encounter difficulties in raising funds to meet commitments associated with financial instruments.

Liquidity risk is within the authority of ALCO. The Local OLC (Ordinary liquidity committee) is responsible for operational managing and analysing of the liquidity situation of the Group.

Actual management of liquidity risk is done by Strategic Risk Management. Structural liquidity management is done by Balance Sheet Management and daily liquidity managing and the fulfilment of minimum required reserves is performed by the Treasury department.

Liquidity risk is quantified under the liquidity arrangement of the NBS. In addition, own measurement and prediction system of financing needs offers superior information for liquidity managing. The liquidity of the Group is covered by a high share of government bonds on the total balance sheet. The overall liquidity situation of the Group was good in all year 2009.

Maturity analysis

The following table shows the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on undiscounted cash flows of financial liabilities.

As at 31 December 2009 ths. EUR	On demand and less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Amounts owed to financial institutions	689 362	72 623	1 256 140	66 276	8 606	**2 093 007**
Amounts owed to customers	4 399 071	1 178 793	1 188 775	1 065 009	27 125	**7 858 772**
Debt securities in issue	235	555	219 023	230 978	67 063	**517 854**
Subordinated debt	-	1 250	3 750	99 444	104 861	**209 305**
Total	**5 088 668**	**1 253 220**	**2 667 688**	**1 461 707**	**207 655**	**10 678 938**

As at 31 December 2008 ths. EUR	On demand and less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Amounts owed to financial institutions	2 044 598	141 538	43 837	28 794	21 352	**2 280 119**
Amounts owed to customers	4 938 031	1 594 949	1 508 782	539 057	33 415	**8 614 234**
Debt securities in issue	299	14 439	118 045	321 930	71 911	**526 625**
Subordinated debt	-	1 250	3 750	20 000	189 306	**214 306**
Total	**6 982 927**	**1 752 177**	**1 674 414**	**909 781**	**315 984**	**11 635 284**

The following table details the Group's liquidity analyses for its derivative financial instruments. The table has been drawn up based on the undiscounted cash inflows/outflows.

As at 31 December 2009 ths. EUR	On demand and less than 1 month	1 to 3 month	3 months to 1 year	1 to 5 years	Over 5 years	Total
Positive						
Foreign exchange contracts (with change of nominal)	237 848	80 414	122 808	997	-	442 067
Foreign exchange contracts (without change of nominal)	891	137	622	3 041	-	4691
Interest rate contracts	3 191	4 629	21 202	60 263	26 424	115 709
Negative						
Foreign exchange contracts (with change of nominal)	237 682	80 347	121 102	995	-	440 126
Foreign exchange contracts (without change of nominal)	891	135	622	3 010	-	4658
Interest rate contracts	4 237	5827	21 004	59 791	25 320	116 179

As at 31 December 2008 ths. EUR	On demand and less than 1 month	1 to 3 month	3 months to 1 year	1 to 5 years	Over 5 years	Total
Positive						
Foreign exchange contracts (with change of nominal)	6 786 098	177 455	396 369	25 626	-	7 385 547
Foreign exchange contracts (without change of nominal)	299	7 137	14 506	4 514	465	26 920
Interest rate contracts	8 830	5 411	31 833	77 010	30 804	153 887
Negative						
Foreign exchange contracts (with change of nominal)	6 784 472	177 388	397 265	24 165	-	7 383 290
Foreign exchange contracts (without change of nominal)	299	12 315	13 742	4 382	465	31 202
Interest rate contracts	8 066	5 377	27 617	76 313	30 040	147 414

41. OPERATIONAL RISK

Operational risk is the risk of loss (direct and indirect) resulting from inadequate or failed internal processes, people and systems, or from external events which lead (or have the potential to lead) to losses, or have other negative impacts on the Group. This definition includes legal risk, but excludes strategic and reputation risk. Operational risks arise from all of the Group's operations and each of the business lines.

Primary responsibility for the day-to-day management of operational risk is assigned to every business unit. The Strategic Risk Management unit performs activities of global scope and has a methodical, coordination, and harmonization role.

The main objectives of operational risk management are:

- **to set up a Group-wide framework for operational risk management and to translate this framework into internal regulations,**
- **to properly identify major drivers of operational risk,**
- **to develop models for the quantification of risk exposure profile and for the calculation of both economic and regulatory capital,**
- **to prevent or minimize losses due to operational risk by the adaptation of suitable processes, preventive measures, or selecting suitable insurance,**
- **to create an effective system of business continuity management,**
- **to continuously improve the operational risk management process,**
- **to provide quality reporting and documentation (quarterly reporting of operational risk events for the board of directors, senior management and regional directors).**

Operational risk management is performed within the following main activities:

- **system of internal controls – each unit manager is responsible for the effectiveness and quality of the control system within its area of competence,**
- **business continuity management – to ensure the uninterrupted provision of business operations and services,**
- **insurance – to minimize losses due to operational risk,**

- **outsourcing – the respective business unit is responsible for the operational risk management related to outsourcing, internal audit can also exercise periodic controls,**
- **anti-money laundering,**
- **risk assessment of new products, activities, processes and systems before being introduced or undertaken.**

The Group measures its operational risk exposure using the loss distribution approach. In modelling the distribution, the following are used: internal data collection, external data, scenario analysis, risk mapping and key risk indicators (key risk indicators track the most important drivers of operational risk) and factors reflecting the business environment and internal control systems.

In this, the probability distribution of both the frequency of loss and the amount of loss is modelled, and is recombined into a compound distribution of yearly losses. From this distribution, both expected and unexpected losses can be calculated. In accordance with Basel II, the confidence interval for unexpected loss should be at least 99.9% and the holding period should be one year.

The LDA approach is used as a basis for measurement and allocation of the capital charge within AMA (Advanced Measurement Approach). Permission for use of AMA was granted by NBS effective from 1 July 2009.

Since 2005 the Group has been involved in a comprehensive group-wide captive insurance program. Under this program, the vast majority of operational risks – property damage, internal & external fraud, IT failures, civil liability, etc. – are covered for the Group.

Decision-making in the area of operational risk is covered by high-level ORCO committee (Operational Risk and Compliance Committee), of which board members and senior managers are members, and which have the ultimate authority in making decisions regarding risk exposure against operational risk.

42. CAPITAL MANAGEMENT

The Group‘s lead regulator, the NBS, sets and monitors capital requirements. In implementing current capital requirements the NBS requires the Group to maintain a prescribed ratio of total capital to total risk weighted assets (minimum 8%). As of 31 December 2009 and 2008, the Group has complied the capital adequacy requirement. The Group calculates requirements for credit risk using the Basel II IRB approach and for market risk in its trading portfolios using internal VaR models. Basel II has also come with a new capital requirement on operational risk.

The Group‘s regulatory capital is analysed in two tiers:
- **Tier 1 capital, which includes ordinary share capital, share premium, retained earnings, translation reserve after deduction 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, which includes qualifying subordinated liabilities and the element of fair value reserve relating to unrealised gains on equity instruments classified as available for sale.**

Various limits are applied to elements of the capital base. The amount of qualifying tier 2 capital cannot exceed tier 1 capitaland qualifying term subordinated loan capital may not exceed 50% of Tier 1 capital. Other deductions from capital include the carrying amounts of investments qualifying as financial institutions exceeding 10% participation on their share capital.

The Group‘s policy is to maintain a strong capital base so as to maintain investor, creditor, and market confidence and to sustain the future development of the business. The Group‘s policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

The Group's regulatory capital position at 31 December 2009 and 2008 was as follows:

ths. EUR	2009	2008
Tier 1 capital		
Ordinary share capital	212 000	211 585
Capital reserves	118 899	118 899
Retained earnings	419 152	341 794
Minority interests	2 402	-
Less intangible assets	(79 100)	(109 548)
Total	**673 353**	**562 730**
Tier 2 capital		
Fair value reserve for available-for-sale equity securities	3 338	1 935
Qualifying subordinated liabilities	180 000	180 000
Total	**183 338**	**181 935**
Deductions from Tier I and Tier II capital	(47 794)	(34 627)
Total regulatory capital	**808 897**	**710 038**

43. OFF-BALANCE SHEET ITEMS AND DERIVATIVE FINANCIAL INSTRUMENTS

In the normal course of business, the Group is a party to various financial transactions that are not reflected on the balance sheet and are referred to as off-balance sheet financial instruments. The following represent notional amounts of these off-balance sheet financial instruments, unless stated otherwise.

(a) Commitments from Guarantees and Letters of Credit

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

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

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

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

The following table contains off-balance sheet credit exposures and also treasury commitments:

ths. EUR	2009	2008
Guarantees given	221 596	299 833
Guarantees from letters of credit	2 480	-
Loan commitments and undrawn loans	854 223	1 206 670
Total	**1 078 299**	**1 506 503**

(b) Derivatives

The Group 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 Group (i.e. assets), which in relation to derivatives is only a small fraction of the contract or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits vis-à-vis customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except for trading with clients, where the Group in most cases requires margin deposits.

Foreign currency contracts are agreements to exchange specific amounts of currencies at a specified rate of exchange, at a spot date (settlement occurs two days after the trade date) or at a forward date (settlement occurs more than two days after the trade date).

Foreign currency contracts are used by the Group for risk management and trading purposes. The Group's risk management foreign currency contracts provide effective economic hedges against exchange rate fluctuations on loans and advances to credit institutions denominated in foreign currency. The Group holds an open currency position. Part of this position qualifies for hedge accounting under the specified rules of IAS 39. The rest of the position is monitored on a daily basis using sensitivity analysis – delta and VaR methodology.

Interest rate swaps obligate two parties to exchange one or more payments calculated with reference to fixed or periodically reset rates of interest applied to a specific notional principal amount. Notional principal is the amount upon which interest rates are applied to determine the payment streams under interest rate swaps. Such notional principal amounts are often used to express the volume of these transactions but are not actually exchanged between the counter-parties. The Group's interest rate swaps were used for the management of interest rate exposures and have been accounted for at marked-to-market fair value. The Group designates two interest rate swaps for hedging of changes in fair value of bonds. Both contracts qualify for hedge accounting under the specified rules of IAS 39.

Option contracts represent the formal reservation of the right to buy or sell an asset at the specified quantity, within a given time in the future and at a certain price. The buyer of the option has the right, but not the obligation, to exercise the right to buy or sell an asset and the seller has the obligation to sell or purchase the asset at the specified quantity and at the price defined in the option contract.

A forward rate agreement is an agreement to settle amounts at a specific future date based on the difference between an interest rate index and an agreed upon fixed rate. Market risk arises from changes in the market value of contractual positions caused by movements in interest rates. The Group limits its exposure to market risk by entering into generally matching or offsetting positions and by establishing and monitoring limits on unmatched positions. Credit risk is managed through approval procedures that establish specific limits for individual counterparties. The Group's forward rate agreements were transacted for the management of interest rate exposures and have been accounted for at mark to market fair value.

Currency interest rate swaps are combinations of interest rate swaps and a series of foreign currency contracts. As with interest rate swaps, the Group agrees to make fixed versus floating interest payments at periodic dates over the life of the instrument. These payments are, however, in different currencies, gross, and not settled on a net basis. Unlike interest rate swaps, the notional balances of the different currencies to which these interest payments are based are typically exchanged at the beginning and re-exchanged at the end of the contract period.

Credit derivatives are financial instruments that consist of two or more underlying interest instruments and the value of which is influenced by risk interest rate of a particular party. They facilitate one party (protection buyer or originator) to transfer the credit risk of a reference asset, which it may or may not own, to one or more other parties (the protection sellers).

1. Derivatives in notional and fair value

	2009			
	Receivables		Liabilities	
ths. EUR	Notional value	Fair value	Notional value	Fair value
Hedging	**66 597**	**3 759**	**66 597**	**5 045**
Total hedging instruments	**66 597**	**3 759**	**66 597**	**5 045**
Trading derivatives				
Forward rate agreements (FRA)	-	-	-	-
Foreign currency forwards	262 772	2 323	262 611	2 163
Option contracts	733 864	4 691	737 262	4 658
Interest rate swaps (IRS)	1 480 025	42 445	1 480 025	48 484
Currency interest rate swaps (CIRS)	61 749	1 752	61 481	1 496
Currency swaps	179 295	2 300	177 515	454
Total trading derivatives	**2 717 705**	**53 511**	**2 718 894**	**57 255**
Total	**2 784 302**	**57 270**	**2 785 491**	**62 300**

Negative value of derivatives of 2009 EUR 59.2 million (2008: EUR 107.3 million) are presented as 'Financial liabilities at fair value through profit and loss'.

	2008			
	Receivables		Liabilities	
ths. EUR	Notional value	Fair value	Notional value	Fair value
Hedging	**66 587**	**2 224**	**66 587**	**3 751**
Total hedging instruments	**66 587**	**2 224**	**66 587**	**3 751**
Trading derivatives				
Forward rate agreements (FRA)	477 760	2 290	477 760	597
Foreign currency forwards	6 802 762	29 164	6 801 434	27 821
Option contracts	1 627 066	26 920	1 625 838	31 202
Interest rate swaps (IRS)	2 139 414	41 094	2 139 414	40 131
Currency interest rate swaps (CIRS)	78 470	2 722	76 047	2 954
Currency swaps	582 786	4 216	581 856	3 319
Total trading derivatives	**11 708 259**	**106 407**	**11 702 350**	**106 025**
Total	**11 774 846**	**108 631**	**11 768 937**	**109 776**

All derivative transactions during 2009 and 2008 were traded on the over-the-counter 'OTC' markets.

2. Maturity analysis

ths. EUR	Receivables	2009 Liabilities	Receivables	2008 Liabilities
Hedging				
Up to 1 month	-	-	-	-
From 1 to 3 months	-	-	-	-
From 3 to 12 months	-	-	-	-
From 1 to 5 years	-	-	-	-
Over 5 years	66 597	66 597	66 587	66 587
Hedging – total	**66 597**	**66 597**	**66 587**	**66 587**
Trading derivatives				
Forward rate agreements (FRA)	-	-	477 760	477 760
Up to 1 month	-	-	126 369	126 369
From 1 to 3 months	-	-	0	0
From 3 to 12 months	-	-	351 391	351 391
From 1 to 5 years	-	-	-	-
Over 5 years	-	-	-	-
Foreign currency forwards	262 772	262 611	6 802 762	6 801 434
Up to 1 month	109 144	109 079	6 238 034	6 235 843
From 1 to 3 months	77 563	77 497	175 662	175 596
From 3 to 12 months	75 068	75 040	384 917	385 846
From 1 to 5 years	997	995	4 149	4 149
Over 5 years	-	-	-	-
Option contracts	733 864	737 262	1 627 066	1 625 838
Up to 1 month	71 301	72 434	29 908	30 007
From 1 to 3 months	106 035	106 035	473 976	474 175
From 3 to 12 months	89 762	89 762	559 484	557 957
From 1 to 5 years	466 766	469 031	473 113	473 113
Over 5 years	0	0	90 586	90 586
Interest rate swaps (IRS)	1 480 025	1 480 025	2 139 414	2 139 414
Up to 1 month	66 388	66 388	265 551	265 551
From 1 to 3 months	11 329	11 329	42 422	42 422
From 3 to 12 months	142 584	142 584	411 472	411 472
From 1 to 5 years	948 261	948 261	1 068 545	1 068 545
Over 5 years	311 463	311 463	351 424	351 424
Currency interest rate swaps (CIRS)	61 749	61 481	78 470	76 047
Up to 1 month	-	-	-	-
From 1 to 3 months	-	-	-	-
From 3 to 12 months	18 311	18 043	25 725	23 302
From 1 to 5 years	37 230	37 230	46 538	46 538
Over 5 years	6 208	6 208	6 207	6 207
Currency swaps	179 295	177 515	582 786	581 856
Up to 1 month	128 704	128 603	548 065	548 629
From 1 to 3 months	2 851	2 850	1 792	1 792
From 3 to 12 months	47 740	46 062	11 452	11 419
From 1 to 5 years	-	-	21 476	20 016
Over 5 years	-	-	-	-
Total trading derivatives	**2 717 705**	**2 718 894**	**11 708 259**	**11 702 350**
Total	**2 784 302**	**2 785 491**	**11 774 845**	**11 768 936**

44. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

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

The fair value is the amount for which a financial instrument could be exchanged or settled between knowledgeable, willing parties in an arm‘s length transaction. In those cases where market prices were available, they were used in measurement, otherwise internal valuation models were applied, in particular the discounted cash flows method.

tis. Eur	Carrying value 2009	Estimated fair value 2009	Carrying value 2008	Estimated fair value 2008
Financial assets				
Loans and advances to financial institutions	1 196 606	1 198 512	2 712 768	2 713 604
Loans and advances to customers	5 736 555	5 869 556	5 489 190	5 549 030
Held to maturity securities	2 420 060	2 449 923	1 402 102	1 413 928
Financial liabilities				
Amounts owed to financial institutions	2 074 679	2 073 375	2 267 882	2 267 875
Amounts owed to customers and debt securities in issue	8 277 056	7 819 535	9 036 434	9 054 744

Loans and advances to financial institutions

The fair value of current account balances approximates their carrying amount, as the Group’s term placements generally re-price within relatively short time periods.

Loans and advances to customers

Loans and advances are net of specific and other provisions for impairment. The fair value represents management’s estimate of the ultimate fair value of the loans and advances to customers. The credit risk of each instrument is taken into account in the way that the yield curve used for the discounting of this instrument is increased by the value of the relevant credit risk margin.

Held to maturity securities

The fair value of held-to-maturity securities was calculated based on the same principles used for the valuation of available-for-sale securities and trading and at fair value through profit and loss securities as described in Note 3(g).

Deposits and borrowings

The estimated fair value of deposits with no stated maturity is the amount repayable on demand. This demand deposits are modelled according general accepted assumptions within the Erste Bank Group. The estimated fair value of fixed interest bearing deposits and other borrowings without quoted market price is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

(b) Determination of fair values of residual financial assets and liabilities

Fair values are subject to a control framework designed to ensure that they are either determined, or validated, by a function independent of the risk taker. To this end, ultimate responsibility for the determination of fair values lies with SRM. SRM establishes the pricing policies and procedures governing valuation, and is responsible for ensuring that these comply with all relevant pricing sources.

For fair values determined by reference to external quotation or evidenced pricing parameters, independent price determination or validation is utilised. In less liquid markets, direct observation of a traded price may not be possible. In these circumstances, SRM source Erste Group Bank to validate the financial instrument's fair value. Greater weight is given to information that is considered to be more relevant and reliable. The factors that are considered in this regard are, inter alia:

- **the extent to which prices may be expected to represent genuine traded or tradable prices;**
- **the degree of similarity between financial instruments;**
- **the degree of consistency between different sources;**
- **the process followed by the pricing provider to derive the data;**
- **the elapsed time between the date to which the market data relates and the balance sheet date; and**
- **the manner in which the data was sourced.**

The results of Erste Group Bank independent validation process are reported to SRM.

The best indicator of the fair value is the price which can be obtained in an active market. If prices from an active market are available they are used. For fair value valuation mainly external data sources (like quotes from exchanges or broker quotations) are used. In case no market prices are available, the fair value is derived via pricing models, which use observable inputs. In some cases it is not possible either to get prices from exchanges or using a pricing model which is based on observable inputs. In such cases inputs are estimated based on similar risk factors.

Erste Group Bank uses only common, market approved models for the evaluations. For linear derivatives (e.g., Interest Rate Swaps, Cross Currency Swaps, FX-Forwards, Forward Rate Agreements) market values are calculated by discounting the expected cash flows. Plain Vanilla-OTC-Options (Equity, Currency and Interest Options) are evaluated using option pricing models of the Black Scholes generation, complex interest derivatives using Hull White, BGM models.

Only models which been through an internal approval process and where the independent determination of the inputs (e.g. interest rates, volatilities) is ensured are used.
Models are applied only if an internal approval process and the independent determination of inputs (e.g. interest rates, volatilities) is ensured.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:
Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The table below details the valuation methods used to determine the fair value of financial instruments (excl. derivatives in banking book) measured at fair value:

31 December 2009 ths. EUR	Level 1	Level 2	Level 3	Total
Securities available for sale	417 860	668 165	43 251	1 129 276
Securities at fair value through profit or loss	49 499	7 368	17 379	74 246
Derivative financial assets	-	51 701	1 810	53 511
Total assets	**467 359**	**727 234**	**62 440**	**1 257 033**
Derivative financial liabilities	-	55 478	1 777	57 255
Total liabilities	**-**	**55 478**	**1 777**	**57 255**

31 December 2008 ths. EUR	Level 1	Level 2	Level 3	Total
Securities available for sale	611 998	194 090	22 687	828 775
Securities at fair value through profit or loss	11 608	7 768	29 786	49 162
Derivative financial assets	-	91 501	14 906	106 407
Total assets	**623 606**	**293 360**	**67 379**	**984 345**
Derivative financial liabilities	-	86 820	19 199	106 019
Total liabilities	**-**	**86 820**	**19 199**	**106 019**

The volume of products whose fair values are determined using valuation models based on non-observable market data is driven in large part by the market trend in the structured credit segment (CLNs). The decrease in trading activity led to a reduction in the proportion of observable transactions and thus to the allocation of more instruments to this category.

The follwing table shows the development of fair value of financial instruments for which valuation models are based on non observable inputs:

ths. EUR	Securities available for sale	Securities at fair value through profit or loss	Derivative financial assets	Derivative financial liabilities
MV as of 31 Dec 2008	**22 070**	**29 763**	**14 906**	**(19 199)**
accrued coupon	617	23	-	-
Balance as of 31 Dec 2008	**22 687**	**29 786**	**14 906**	**(19 199)**
Total gains or losses:				
in profit or loss	(108)	(1 257)	(13 177)	17 502
in other comprehensive income	96	-	-	-
Issues	3 000	-	80	-
Settlements	-	(13 361)	-	(80)
Transfers into Level 3	**39 931**	**1 354**	**-**	**-**
Transfers out of Level 3	(22 004)	(3)	-	-
Exchange rate change	(90)	844	-	-
MV as of 31 Dec 2009	**42 895**	**17 363**	**-**	**-**
accrued coupon	355	17	-	-
Balance as of 31 Dec 2009	**43 251**	**17 380**	**1 809**	**(1 777)**
Total gains /(losses) for the period included in profit or loss for assets/liabilities held at the end of the reporting period	(36)	(1 739)	(13 177)	17 502

The Group has transferred Available for sale securities of EUR 6.3 million from level 1 to level 2 of the fair value hierarchy for financial assets. Similarly, the Group has transferred Available for sale securities of EUR 217.7 million from level 2 to level 1 of the fair value hierarchy for financial assets. The financial assets were transferred from level 2 to level 1 as they begun to be actively traded during the year and fair values were consequently obtained from the market.

45. CURRENT AND NON-CURRENT ASSETS AND LIABILITIES

The following table shows the distribution of assets and liabilities and equity to current (due within one year) and non-current (due over one year) based on their contractual maturity.

	2009			2008		
ths. EUR	**Current**	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Cash and balances at the central bank						
Loans and advances to financial institutions	406 559	791 197	1 197 756	2 710 677	2 091	2 712 768
Loans and advances to customers	1 834 540	4 215 608	6 050 148	1 906 294	3 805 072	5 711 366
Provisions for losses on loans and advances	-	(314 743)	(314 743)	-	(222 176)	(222 176)
Financial assets at fair value through profit or loss	20 833	106 925	127 758	65 193	90 377	155 570
Securities available for sale	498 557	639 086	1 137 643	204 143	632 799	836 941
Securities held to maturity	430 096	1 989 964	2 420 060	240 656	1 161 446	1 402 102
Investments in associates and other investments	-	28 325	28 325	-	40 344	40 344
Intangible assets	-	79 762	79 762	-	110 199	110 199
Property and equipment	-	224 860	224 860	-	239 419	239 419
Assets held for rental income	-	6 481	6 481	-	11 091	11 091
Non-current assets held for sale	-	31 793	31 793	-	29 376	29 376
Current income tax asset	24 088	-	24 088	315	-	315
Deferred income tax asset	1	55 339	55 340	-	30 118	30 118
Other assets	53 812	39 455	93 267	35 849	36 602	72 451
Total assets	**3 591 423**	**7 894 052**	**11 485 475**	**6 589 911**	**5 966 757**	**12 556 669**
Amounts owed to financial institutions	2 004 200	70 479	2 074 679	2 225 387	42 495	2 267 882
Amounts owed to customers	6 752 421	1 049 375	7 801 796	8 019 916	543 172	8 563 089
Debt securities in issue	215 647	259 613	475 260	130 419	342 926	473 345
Provisions for liabilities and other provisions	467	22 426	22 893	-	25 681	25 681
Financial liabilities at fair value through profit or loss	11 039	46 216	57 255	63 799	43 553	107 352
Other liabilities	83 857	7 550	91 407	99 283	5 228	104 511
Current income tax	316	-	316	32 267	-	32 267
Deferred income tax liability	-	87	87	-	-	-
Subordinated debt	260	180 000	180 260	664	180 006	180 670
Equity	-	781 522	781 522	-	801 872	801 872
Total liabilities and equity	**9 068 207**	**2 417 268**	**11 485 475**	**10 571 735**	**1 984 935**	**12 556 669**

46. SEGMENT REPORTING

The segment reporting of the Group follows the presentation and measurement requirements of IFRS.

New Segment Structure

In the interest of a clearer presentation of the group structure, the segment reporting has been aligned with the new structure of Erste Group and is now divided into following segments: Retail, Local corporates, Real Estate, Assets and Liabilities management, Group Large Corporate, Group Markets, Corporate Center and Free capital.

The segment reporting follows the rules used in Group controlling report which is produced on monthly basis for Holding Board. The report is reconciled with monthly reporting package and the same segments used in Group Controlling report are also applied in external reporting for Erste Group. Adding up by Retail, Local corporates, Real estate, ALM and Corporate centre a core business for SLSP is defined, for which the bank is primarily responsible from holding point of view.

For the definition of segments/business lines in SLSP we use account manager principle, which means that each client has assigned account manager, who is assigned to particular business line/segment. In other words, profit/loss is allocated to account manager and one customer can have exactly one account manager.

Within the segment report the local fully consolidated subsidiaries as well as other participations are allocated to the business lines (please see the definitions below)

Retail

The Retail segment is constituted by the branch network where SLSP sells products mainly to private, free professionals and micro customers. The Retail stream is divided into 8 regions, then to 76 areas and 279 branches (status as of 31 December 2009). In addition individual results of Asset Management of SLSP are shown under Retail over the years 2008 and 2009. Moreover results of PSS (Building society) and Poisťovňa SLSP (Insurance SLSP) are also included in retail segment.

Local corporates

Local corporates segment consists of SME (Small and medium enterprises), Local large corporates, Public sector, Leasing and Factoring. Local corporates includes mainly following client segments: Small SME (up to EUR 5 mil GDP weighted turnover), Medium SME (up to EUR 30 mil GDP weighted turnover), Large SME (up to EUR 175 mil GDP weighted turnover),Non Profit Sector and Public Sector (financing of public projects like highways, infrastructure,etc.)

Real Estates

Real estates segment covers all the commercial and residential projects financed by SLSP. Results of Czech and Slovak property fund are also included in that segment.

Assets and Liabilities Management

Business line Assets and Liabilities Management is responsible for the management of the following risks: Interest risk, FX risk and Liquidity risk. Dealing with those risks means to manage the structure of the balance sheet (banking book) according to market conditions in order to cover the bank's liquidity needs and to ensure a high degree of capital utilisation. ALM also contains the transformation margin as a result of mismatch in balance sheet from time and currency point of view. The transformation margins as well as ALM own business (HTM, AFS, FV portfolio on assets side and Bonds issued on liability side) are the main part of this segment.

Group Large Corporate

The Group Large Corporate segment includes all group large corporate customers operating in the markets of Erste Group. The GLC client is a company which has a GDP/Head adjusted annual turnover of more than EUR 175 million in at least one of EBG core market.

Group Markets

The segment Group markets in terms of SLSP includes divisionalised business lines like Treasury Trading and Institutional Sales. Results and positions coming from Corporate and Retail Sales are included in particular business line eg. Retail, SME, Real estates etc. as a result of using account manager principle..

Corporate Center

The Corporate Center segment includes mainly positions and items which can not be directly allocated to specific segment or business line like Organisation, Information Technology and other departments that support the bank business. Consolidation effects and non-operating one-off items are also recorded in this segment. Additionally, all non-allocated participations like Laned, Derop, Realitná spoločnosť SLSP, sIT Solutions are recognised within segment.

Free Capital

Free capital is not a segment but the difference between allocated/assigned capital from holding and actual capital in our books. Under the free capital we also show subordinated debt taken from holding.

2009 ths. EUR	Retail	Local Corporates	Real Estate	ALM	Corporate centre	Core business
Net interest income	285 858	52 985	13 868	30 214	(1 503)	**381 422**
Risk provisions for loans and advances	(89 094)	(66 132)	(17 084)	(330)	16 189	(156 451)
Net fee and commission income	101 457	10 244	643	-	(7 793)	104 551
Net trading result	5 400	3 600	264	4 787	(5 768)	8 284
General administrative expenses	(201 262)	(22 710)	(2 214)	(3 445)	(19 927)	(249 558)
Other result	(13 368)	(2 308)	(12 564)	(11 577)	(20 019)	(59 836)
Pre-tax profit	**88 991**	**(24 321)**	**(17 087)**	**19 649**	**(38 822)**	**28 411**
Taxes on income	(16 617)	(685)	1 113	(3 733)	3 430	(16 494)
Profit from discontinued operations net of tax	-	-	-	-	-	-
Minority interests	-	-	-	-	(358)	(358)
Net profit after minority interests	**72 374**	**(25 006)**	**(15 974)**	**15 916**	**(35 749)**	**11 559**
Average risk-weighted assets	2 611 780	1 806 926	624 593	112 120	248 945	5 404 364
Average attributed equity	233 260	144 308	49 976	13 551	21 003	462 098
Cost/income ratio	**51.25%**	**33.98%**	**14.99%**	**9.84%**	**(132.28%)**	**50.49%**
ROE based on net profit after minority interests[1)]	**31.03%**	**(17.33%)**	**(31.96%)**	**117.46%**	**(170.21%)**	**2.50%**

2009 ths. EUR	GLC	GM	Free capital	SLSP group
Net interest income	10 499	6 922	6 903	405 746
Risk provisions for loans and advances	(3 987)	-	-	(160 439)
Net fee and commission income	2 466	2 811	-	109 828
Net trading result	401	4 115	-	12 800
General administrative expenses	(3 247)	(3 926)	-	(256 729)
Other result	(8)	-	-	(59 844)
Pre-tax profit	**6 125**	**9 921**	**6 903**	**51 362**
Taxes on income	(1 164)	(1 885)	(1 312)	(20 857)
Profit from discontinued operations net of tax	-	-	-	-
Minority interests	-	-	-	(358)
Net profit after minority interests	**4 961**	**8 036**	**5 591**	**30 147**
Average risk-weighted assets	698 194	186 259	-	6 288 817
Average attributed equity	56 431	15 888	243 713	778 130
Cost/income ratio	**24.29%**	**28.35%**	**0.00%**	**48.59%**
ROE based on net profit after minority interests[1)]	**8.79%**	**50.58%**	**2.29%**	**3.87%**

Notes:
1) ROE = return on equity.

2008 ths. EUR	Retail	Local Corporates	Real Estate	ALM	Corporate centre	Core business
Net interest income	280 220	46 054	5 245	31 639	(9 274)	**353 884**
Risk provisions for loans and advances	(56 097)	(16 989)	199	-	(16 471)	(89 357)
Net fee and commission income	115 055	8 121	1 346	-	(11 860)	112 661
Net trading result	18 963	6 144	325	2 064	(6 602)	20 894
General administrative expenses	(225 515)	(22 904)	(1 610)	(2 130)	(4 725)	(256 884)
Other result	(11 655)	(192)	(10)	(23 944)	35 289	(512)
Pre-tax profit	**120 971**	**20 234**	**5 495**	**7 630**	**(13 643)**	**140 685**
Taxes on income	(22 999)	(4 437)	(1 044)	(1 450)	2 055	(27 875)
Profit from discontinued operations net of tax	-	-	-	-	-	-
Minority interests	-	-	-	-	(19)	(19)
Net profit after minority interests	**97 971**	**15 796**	**4 451**	**6 180**	**(11 607)**	**112 791**
Average risk-weighted assets	1 926 354	1 803 161	537 722	146 291	263 726	4 677 254
Average attributed equity	183 611	144 609	43 024	47 435	21 201	439 880
Cost/income ratio	**54.44%**	**37.97%**	**23.28%**	**6.32%**	**(17.04%)**	**52.70%**
ROE based on net profit after minority interests [1]	**53.36%**	**10.92%**	**10.35%**	**13.03%**	**(54.75%)**	**25.64%**

2008 ths. EUR	GLC	GM	Free capital	SLSP group
Net interest income	7 739	5 378	11 396	378 396
Risk provisions for loans and advances	304	-	-	(89 053)
Net fee and commission income	1 866	3 934	-	118 461
Net trading result	537	11 373	-	32 804
General administrative expenses	(3 067)	(3 218)	-	(263 170)
Other result	(14)	-	-	(526)
Pre-tax profit	**7 365**	**17 467**	**11 396**	**176 913**
Taxes on income	(1 399)	(3 319)	(2 165)	(34 758)
Profit from discontinued operations net of tax	-	-	-	-
Minority interests	-	-	-	(19)
Net profit after minority interests	**5 965**	**14 148**	**9 230**	**142 135**
Average risk-weighted assets	700 688	279 919	-	5 657 861
Average attributed equity	56 071	18 236	306 384	820 572
Cost/income ratio	**30,24 %**	**15,56 %**	**0,00 %**	**49,69 %**
ROE based on net profit after minority interests [1]	**10,64 %**	**77,58 %**	**3,01 %**	**17,32 %**

Notes:
1) ROE = return on equity.

47. ASSETS UNDER ADMINISTRATION

The Group provides custody, trustee, investment management, and advisory services to third parties, which involve the Group making allocation and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these financial statements.

The Group administered EUR 744 million and EUR 1 080 million of assets as at 31 December 2009 and 2008, respectively, representing securities from customers in its custody for administration, including assets managed by Asset Management Slovenskej sporiteľne, a wholly owned subsidiary of the Bank during 2008.

48. RELATED PARTY TRANSACTIONS

(a) Related parties

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

A number of banking transactions are entered into with related parties in the normal course of business. These primarily include loans and deposits. These transactions were carried out on commercial terms and conditions and at market rates.

(b) Transactions with Erste Group Bank group

Assets and liabilities include accounting balances with the parent bank and companies under its direct control, as follows:

ths. EUR	2009 Erste Group Bank	2009 Companies under the control of Erste Group Bank	2008 Erste Group Bank	2008 Companies under the control of Erste Group Bank
Assets				
Loans and advances to financial institutions	961 004	700	13 648	333
Loans and advances to customers	-	79 856	-	84 915
Trading assets	14 260	-	31 630	-
Available for sale portfolio	-	10 662	4 669	11 115
Securities held to maturity	-	-	-	-
Other assets	3 451	34 568	8 009	6 141
Total	**978 715**	**125 786**	**57 956**	**102 504**
Liabilities				
Amounts owed to financial institutions	318 363	112 362	1 815 478	87 899
Amounts owed to customers	926	8 509	-	3 326
Debt securities in issue	-	18	37 660	-
Trading liabilities	17 408	-	-	-
AFS revaluation	-	(646)	-	-
Other liabilities	4 695	1 811	-	4 997
Subordinated debt	180 260	-	180 670	-
Total	**521 652**	**122 054**	**2 033 807**	**96 221**

The Group received a guarantee issued by its parent bank with a maximum value of EUR 50 million (2008: EUR 50 million) covering all the Group's exposures to the parent bank and its group companies. Under the agreement, the parent bank pledged securities issued or guaranteed by the Republic of Italy in face value amounts totalling EUR 50 million (2008: EUR 50 million).

In 2009 Slovenská sporiteľňa, a. s., received bank guarantee provided by its parent bank in amount of EUR 113 million covering exposures towards other group members (2008: EUR 113 million).

Exposures towards corporate clients covered by the parent's bank guarantees (excluding exposures towards ERSTE Group entities) are in the amount of EUR 63.25 million (2008: EUR 99.6 million).

The Group purchased software from companies under the control of Erste Group Bank in 2009 in the amount of EUR 19.7 million (2008: EUR 19.8 million).

The Group entered into two loan contracts with its parent company Erste Group Bank in amount of EUR 180 million subordinated (2008: EUR 180 million).

Income and expenses related to the parent bank and its subsidiaries include the following:

tis. Eur	2009 Erste Group Bank	2009 Companies under the control of Erste Group Bank	2008 Erste Group Bank	2008 Companies under the control of Erste Group Bank
Interest income	14 543	4 873	5 746	7 677
Interest expense	(5 845)	(2 015)	(32 830)	(1 518)
Net fees and commissions	(107)	2 433	159	915
Net trading result	3 122	-	(5 403)	-
General administrative expenses	(1 585)	(15 336)	(99)	(15 269)
Other operating result	-	303	-	172
Total	**10 128**	**(9 742)**	**(32 428)**	**(8 023)**

(c) Transactions with associates of the Bank, other than those under control of Erste Group Bank

Assets and liabilities include accounting balances with the associates, as follows:

ths. EUR	2009	2008
Assets		
Loans and advances to financial institutions	2 338	849
Loans and advances to customers	-	-
Financial assets at fair value through profit or loss	1 163	1 149
Securities available for sale	13 343	13 177
Other assets	-	-
Total	**16 844**	**15 175**
Liabilities		
Amounts owed to financial institutions	30 644	106
Amounts owed to customers	415	410
Total	**31 059**	**516**

Income and expenses from the associates include the following:

ths. EUR	2009	2008
Interest income	62	237
Interest expense	(95)	(16)
General administrative expenses	(281)	-
Total	**(314)**	**221**

The Group received dividends from its associates in the amount of EUR 3 million in 2009 (2008: EUR 3 million).

(d) Transactions with key management personnel

Loans and advances granted to members of the Board of Directors and Supervisory Board represent EUR 0 thousand and EUR 544 thousand, and liabilities EUR 2.1 million and EUR 2.36 million as at 31 December 2009 and 2008, respectively.

Remuneration of members of the Board of Directors and Supervisory Board paid during 2009 amounts to EUR 1.4 million (2008: EUR 1.8 million) which represents short-term employee benefits.

49. POST BALANCE SHEET EVENTS

From 31 December 2009 up to the date of issue of these financial statements there were no events identified that would require adjustments to or disclosure in these financial statements.

Separate Financial Statements
prepared in Accordance with International Financial Reporting Standards as adopted by the European Union for the Year Ended 31 December 2009

and Independent Auditors' Report

Independent Auditors‘ Report to the Shareholder of Slovenská sporiteľňa, a.s.

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Independent Auditors' Report

To the Shareholder of Slovenská sporiteľňa, a. s.:

We have audited the accompanying separate financial statements of Slovenská sporiteľňa, a. s. ('the Bank'), which comprise the balance sheet as at 31 December 2009, the income statement, comprehensive income statement, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

9 February 2010
Bratislava, Slovak Republic

Ernst & Young

Ernst & Young Slovakia, spol. s r.o.
SKAU Licence No. 257

Ing. Dalimil Draganovský
SKAU Licence No. 893

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

Separate Income Statement
For the Year Ended 31 December 2009

ths. EUR	Note	2009	2008
Interest income		523 463	590 419
Interest expense		(125 882)	(216 786)
Income / (Loss) from investments in subsidiaries and associates		2 992	(5 634)
Net interest and investment income	**5**	**400 573**	**367 999**
Provisions for losses on loans, advances and off-balance sheet credit risks	7	(145 766)	(74 527)
Net interest and investment income after provisions	**6**	**254 807**	**293 472**
Fee and commission income		124 334	129 116
Fee and commission expense		(13 793)	(13 276)
Net fee and commission income	**6**	**110 541**	**115 840**
Net trading result	8	13 943	33 957
General administrative expenses	9	(257 051)	(255 331)
Other operating result	10	(89 941)	1 991
Profit for the year before income taxes		**32 299**	**189 929**
Income tax expense	11	(20 379)	(34 209)
Net profit for the year after income taxes		**11 920**	**155 720**
Basic and diluted earnings per EUR 1 000 share (EUR)	**32**	**56**	
Basic and diluted earnings per EUR 33.19 share (EUR)	**32**		**24**
Basic and diluted earnings per EUR 3 319 391.88 share (EUR)	**32**		**2 443 069**

The notes on pages 122 to 189 are an integral part of these financial statements

These financial statements were approved and authorised for issue by the Board of Directors of the Bank on 9 February 2010.

Ing. Jan Rollo

Chairman of the Board of Directors
and CEO

Ing. Štefan Máj

Vice Chairman of the Board of Directors
and First Deputy CEO

Separate Comprehensive Income Statement
For the Year Ended 31 December 2009

ths. EUR	2009	2008
Net profit for the year after income taxes	**11 920**	**155 720**
Available for sale reserves	16 813	(24 134)
Cash flow hedge reserves	(489)	(181)
Actuarial gains / (losses) on defined benefit pension plans	157	(298)
Income tax relating to components of other comprehensive income	(3 101)	4 619
Other comprehensive income for the year after income taxes	**13 380**	**(19 993)**
Total comprehensive income for the year	**25 300**	**135 727**

The notes on pages 122 to 189 are an integral part of these financial statements

Separate Balance Sheet
As at 31 December 2009

ths. EUR	Note	2009	2008
ASSETS			
Cash and balances at the central bank	12	322 934	1 426 782
Loans and advances to financial institutions	13	1 191 727	2 703 935
Loans and advances to customers	14	6 013 146	5 626 059
Provisions for losses on loans and advances	15	(289 360)	(191 192)
Financial assets at fair value through profit or loss	16	129 405	156 973
Securities available for sale	17	1 141 199	834 663
Securities held to maturity	18	2 420 061	1 402 102
Investments in subsidiaries and associates	19	19 777	58 512
Intangible assets	20	79 430	109 806
Property and equipment	21	129 426	138 010
Investment property	21	3 959	8 409
Non-current assets held for sale	22	31 020	29 376
Current income tax asset	23	24 078	-
Deferred income tax asset	23	55 520	29 850
Other assets	24	60 719	27 421
Total assets		**11 333 041**	**12 360 706**
LIABILITIES AND EQUITY			
Amounts owed to financial institutions	25	1 976 818	2 142 867
Amounts owed to customers	26	7 835 708	8 574 802
Debt securities in issue	27	426 454	410 197
Provisions	28	22 426	25 331
Financial liabilities at fair value through profit or loss	42.b	57 255	107 352
Other liabilities	29	81 244	94 867
Current income tax liability	23	-	32 267
Subordinated debt	30	180 260	180 670
Total liabilities		**10 580 165**	**11 568 354**
Equity	31	752 876	792 352
Total liabilities and equity		**11 333 041**	**12 360 706**

The notes on pages 122 to 189 are an integral part of these financial statements

Separate Statement of Changes in Equity

For the Year Ended 31 December 2009

ths. EUR	Share capital	Legal reserve fund	Other Funds	Retained earnings	Hedging reserves	Reva-luation reserves	Total
As at 31 December 2007	**211 585**	**79 795**	**39 104**	**373 503**	**981**	**4 543**	**709 511**
Net profit for the year	-	-	-	155 720	-	-	155 720
Other comprehensive income	-	-	-	(297)	(147)	(19 549)	(19 993)
Dividends paid	-	-	-	(53 110)	-	-	(53 110)
Other funds contributed by shareholders	-	-	222	-	-	-	222
Other change	-	-	-	-	1	1	2
As at 31 December 2008	**211 585**	**79 795**	**39 326**	**475 816**	**835**	**(15 005)**	**792 352**
Net profit for the year	-	-	-	11 920	-	-	11 920
Other comprehensive income	-	-	-	157	(396)	13 619	13 380
Dividends paid	-	-	-	(65 193)	-	-	(65 193)
Other funds contributed by shareholders	415	-	-	-	-	-	415
Other change	-	-	2	-	-	-	2
As at 31 December 2009	**212 000**	**79 795**	**39 328**	**422 700**	**439**	**(1 386)**	**752 876**

The notes on pages 122 to 189 are an integral part of these financial statements

Separate Statement of Cash Flows
For the Year Ended 31 December 2009

ths. EUR	Note	2009	2008
Cash flows from operating activities			
Profit before income taxes		32 299	189 930
Adjustments for:			
Provisions for losses on loans, advances, off-balance sheet and write-offs	15	136 652	74 520
Provisions		5 771	5 676
Impairment of tangible and intangible assets	20, 21	62	(7 934)
Depreciation and amortisation	20, 21	45 896	38 239
Gain on disposal of fixed assets		(140)	(1 656)
Net (gain)/loss from financial activities		20 507	(10 220)
Net (gain)/loss from investing activities		(82 618)	(92 633)
Impairment of investments in subsidiaries and associates	10	51 014	10 002
Recycling of available for sale reserve		7 611	(400)
Cash flows from operations before changes in operating assets and liabilities		**217 054**	**205 525**
(Increase)/decrease in operating assets:			
Minimum reserve deposits with the central bank		827 602	(681 106)
Placements with the central bank		-	36 513
Loans and advances to financial institutions		(1 049 634)	257 585
Loans and advances to customers		(425 571)	35 883
Financial assets at fair value through profit or loss and securities available for sale		(270 255)	(724 656)
Other assets		(398)	(6 088)
Increase/(decrease) in operating liabilities:			
Amounts owed to financial institutions		(166 049)	1 517 028
Amounts owed to customers		(739 094)	968 034
Provisions		(8 519)	(25 360)
Other liabilities		(48 193)	(3 585)
Financial liabilities at fair value through profit or loss		(4 765)	28 115
Net cash flows provided by / (used in) operating activities before income tax		**(1 667 822)**	**1 607 887**
Income taxes paid		(105 509)	(39 422)
Net cash flows provided by / (used in) operating activities		**(1 773 331)**	**1 568 465**
Cash flows from investing activities			
Purchase of securities held to maturity		(1 214 873)	(178 532)
Proceeds from securities held to maturity		209 691	521 240
Interest received from securities held to maturity		61 285	59 608
Dividends received from associates		2 981	5 211
Purchase of share in subsidiaries and associates		(25 032)	-
Proceeds from sale of subsidiaries and associates		7 070	44 159
Purchase of intangible assets, property and equipment		(40 116)	(79 002)
Proceeds from sale of property and equipment		3 177	6 030
Net cash flows provided by / (used in) investing activities		**(995 816)**	**378 714**
Cash flows from financing activities			
Dividends paid		(65 193)	(53 110)
Drawing of subordinated debt		-	80 000
Interest paid on subordinated debt		(5 500)	(18 434)
Issue of the bonds		137 426	156 341
Repayment of the bonds		(118 411)	(213 280)
Interest paid to the holders of the bonds		(18 176)	(21 857)
Other financing activities		417	222
Net cash flows provided by / (used in) financing activities		**(69 436)**	**(70 118)**
Effect of foreign exchange rate changes on cash and cash equivalents		494	(6 871)
Net increase / (decrease) in cash and cash equivalents		**(2 838 089)**	**1 870 191**
Cash and cash equivalents at the beginning of the year	**33**	**3 096 507**	**1 226 316**
Cash and cash equivalents at the end of the year	**33**	**258 419**	**3 096 507**

The notes on pages 122 to 189 are an integral part of these financial statements

Notes to the Separated Financial Statements
Prepared in Accordance with International Financial Reporting Standards as adopted by the European Union Year Ended 31 December 2009

1. INTRODUCTION

Slovenská sporiteľňa, a. s. (hereafter 'the Bank') has its registered office at Tomašikova 48, Bratislava, the Slovak Republic. The Bank, in legal form of joint stock company, was established on 15 March 1994 and incorporated in the Commercial Registry on 1 April 1994. The identification number of the Bank is 00 151 653, its tax identification number is 2020411536. The Bank is an universal bank offering a wide range of banking and financial services to commercial, financial, and private customers, principally in the Slovak Republic.

The Board of Directors of the Bank is comprised of Ing. Jan Rollo (the Chairman) who on 1 March 2009 replaced former chairwoman Mag. Regina Ovesny-Straka (resigned on 28 February 2009), Ing. Štefan Máj (Vice Chairman), Ing. Peter Krutil, Ing. Martin Pilecký replaced since 1 August 2009 Mr. Michael Vogt (resigned on 31 March 2009), JUDr. Samuel Vlčan (resigned on 30 June 2009) and Mag. Beitz Frank–Michael as members. The Chairman of the Board of Directors is also the Bank Managing Director. The Vice Chairman of the Board of Directors is also the First Deputy Managing Director of the Bank. Other members of the Board of Directors are simultaneously deputies of the Bank Managing Director.

The members of the Supervisory Board as at 31 December 2009 were as follows: Dr. Franz Hochstrasser (Chairman), Mr. Wolfgang Schopf (Vice Chairman), Mag. Bernhard Spalt, Mr. Herbert Juranek and JUDr. Beatrica Melichárová.

The Central and Eastern European ('CEE') banking subsidiaries of Erste Group Bank AG (Slovenská sporiteľňa, Česká spořitelna, Erste Bank Hungary, BCR, Erste Bank Croatia, Erste Bank Serbia) were placed in 2009 under EGB Ceps Holding GmbH, a 100% indirect subsidiary of Erste Group Bank. Reorganisation did not affect Erste Group Bank's Consolidated Financial Statements, as its (indirect) stake in its CEE banking subsidiaries is equal to its direct stake before the reorganisation.

As at 31 December 2009 and 2008, the ultimate shareholder of the Bank was Erste Group Bank AG (hereafter 'Erste Group Bank'), with registered office Graben 21, 1010 Vienna, Austria. The consolidated financial statements of Erste Group Bank will be available after their completion at Firmenbuchgericht Wien, Marxergasse 1a, 1030 Vienna, Austria court.

2. ADOPTION OF NEW AND REVISED STANDARDS

The Bank applied all Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB as adopted by the European Union ('EU') that are relevant to the Bank's operations.

a) Standards and interpretations relevant to Bank's operations, effective in the current period

The following amendments to the existing standards issued by the International Accounting Standards Board and adopted by the EU are effective for the current accounting period:

- **IFRS 8 "Operating Segments" adopted by the EU on 21 November 2007 (effective for accounting periods beginning on or after 1 January 2009);**

This standard requires disclosure of information about the Bank's operating segments and replaced the requirement to determine primary (business) and secondary (geographical) reporting segments of the Bank.

- **Amendments to IFRS 1 "First-time Adoption of IFRS" and IAS 27 "Consolidated and Separate Financial Statements" – Cost of investment in a subsidiary, jointly-controlled entity or associate, adopted by the EU on 23 January 2009 (effective for accounting periods beginning on or after 1 January 2009);**

IFRS 1 has been amended to allow an entity, in its separate financial statements, to determine the cost of investments in subsidiaries, jointly controlled entities or associates (in its opening IFRS financial statements) as one of the following amounts:

- **Cost determined in accordance with IAS 27 Consolidated and Separate Financial Statements**
- **At the fair value of the investment at the date of transition to IFRS, determined in accordance with IAS 39 Financial Instruments: Recognition and Measurement**

- **IFRS 7 "Financial Instruments: Disclosures" – Improving disclosures about financial instruments, adopted by the EU on 27 November 2009 (effective for accounting periods beginning on or after 1 January 2009);**

With respect to fair value, the amendments require disclosure of a three-level fair value hierarchy, by class, for all financial instruments recognised at fair value and specific disclosures related to the transfers between levels in the hierarchy and detailed disclosures related to level 3 of the fair value hierarchy. In addition, the amendments modify the required liquidity disclosures with respect to derivative transactions and assets used for liquidity management.

- **Amendments to various standards and interpretations resulting from the annual quality improvement project of IFRS published on 22 May 2008 (IAS 1, IFRS 5, IAS 8, IAS 10, IAS 16, IAS 19, IAS 20, IAS 23, IAS 27, IAS 28, IAS 29, IAS 31, IAS 34, IAS 36, IAS 38, IAS 39, IAS 40, IAS 41) primarily with a view to removing inconsistencies and clarifying wording, adopted by the EU on 23 January 2009 (most amendments are to be applied for accounting periods beginning on or after 1 January 2009);**
- **Amendments to IAS 32 "Financial Instruments: Presentation" and IAS 1 "Presentation of Financial Statements" – Puttable financial instruments and obligations arising on liquidation, adopted by the EU on 21 January 2009 (effective for accounting periods beginning on or after 1 January 2009);**

The amendment to IAS 32 requires certain puttable financial instruments and obligations arising on liquidation to be classified as equity if certain criteria are met. The amendments to IAS 1 require disclosure of certain information relating to puttable instruments classified as equity.

- **IAS 1 (revised) "Presentation of Financial Statements" – A revised presentation, adopted by the EU on 17 December 2008 (effective for accounting periods beginning on or after 1 January 2009);**

This standard requires an entity to present all owner changes in equity and all non-owner changes to be presented in either in one statement of comprehensive income or in two separate statements of income and comprehensive income. The revised standard also requires that the income tax effect of each component of comprehensive income be disclosed. In addition, it requires entities to present a comparative statement of financial position as at the beginning of the earliest comparative period when the entity has applied an accounting policy retrospectively, makes a retrospective restatement, or reclassifies items in the financial statements.

The Bank has elected to present comprehensive income in two separate statements of income and comprehensive income. Information about the individual components of comprehensive income as well as the tax effects have been disclosed in the notes to the financial statements. The Bank has not provided a restated comparative set of financial position for the earliest comparative period, as it has not either adopted any new accounting policies retrospectively, made a retrospective restatement, or retrospectively reclassified items in the financial statements.

- **IAS 23 (revised) "Borrowing Costs" adopted by the EU on 10 December 2008 (effective for accounting periods beginning on or after 1 January 2009);**

The main change from the previous version is the removal of the option to immediately recognise as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale.

- **Amendments to IFRS 2 “Share-based Payment” – Vesting conditions and cancellations, adopted by the EU on 16 December 2008 (effective for accounting periods beginning on or after 1 January 2009);**

This amendment to IFRS 2 Share-based payment was published in January 2008 and becomes effective for financial years beginning on or after 1 January 2009. The Standard restricts the definition of “vesting condition” to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. In the case that the award does not vest as the result of a failure to meet a nonvesting condition that is within the control of either the entity or the counterparty, this must be accounted for as a cancellation.

- **Amendments to IFRIC 9 “Reassessment of Embedded Derivatives” and IAS 39 “Financial Instruments: Recognition and Measurement” – Embedded Derivatives, adopted by the EU on 30 November 2009 (effective for accounting periods beginning on or after 1 January 2009);**

The IFRIC has issued Embedded Derivatives: Amendments to IFRIC 9 and IAS 39 which requires entities to assess whether to separate an embedded derivative from a host contract in the case where the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. The amendments to IFRIC 9 require an assessment to be made either when the entity first became party to the contract or when a change in the terms of the contract significantly modifies expected cash flows.

- **IFRIC 13 “Customer Loyalty Programmes” adopted by the EU on 16 December 2008 (effective for accounting periods beginning on or after 1 January 2009); and**

The interpretation requires loyalty award credits granted to customers in connection with a sales transaction to be accounted for as a separate component of the sales transaction. The consideration received in the sales transaction would, therefore, be allocated between the loyalty award credits and the other components of the sale.

- **IFRIC 14 “IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction” adopted by the EU on 16 December 2008 (effective for accounting periods beginning on or after 1 January 2009).**

IFRIC 14 addressed how to assess the limit under IAS 19 Employee benefits, on the amount of the surplus that can be recognized as an asset particularly when a minimum funding requirement exists.

The adoption of these amendments to the existing standards has not led to any changes in the Bank’s accounting policies.

b) Standards and interpretations issued but not yet effective

At the date of authorisation of these financial statements the following standards, revisions and interpretations adopted by the EU were in issue but not yet effective:

- **IFRS 1 (revised) “First-time Adoption of IFRS” adopted by the EU on 25 November 2009 (effective for accounting periods beginning on or after 1 January 2010);**
- **IFRS 3 (revised) “Business Combinations” adopted by the EU on 3 June 2009 (effective for accounting periods beginning on or after 1 July 2009);**
- **Amendments to IAS 27 “Consolidated and Separate Financial Statements” adopted by the EU on 3 June 2009 (effective for accounting periods beginning on or after 1 July 2009);**
- **Amendments to IAS 32 “Financial Instruments: Presentation” – Accounting for rights issues, adopted by the EU on 23 December 2009 (effective for accounting periods beginning on or after 1 January 2011);**
- **Amendments to IAS 39 “Financial Instruments: Recognition and Measurement” – Eligible hedged items, adopted by the EU on 15 September 2009 (effective for accounting periods beginning on or after 1 July 2009);**
- **IFRIC 12 “Service Concession Arrangements” adopted by the EU on 25 March 2009 (effective for accounting periods beginning on or after 30 March 2009);**
- **IFRIC 15 “Agreements for the Construction of Real Estate” adopted by the EU on 22 July 2009 (effective for accounting periods beginning on or after 1 January 2010);**
- **IFRIC 16 “Hedges of a Net Investment in a Foreign Operation” adopted by the EU on 4 June 2009 (effective for accounting periods beginning on or after 1 July 2009);**
- **IFRIC 17 “Distributions of Non-Cash Assets to Owners” adopted by the EU on 26 November 2009 (effective for accounting periods beginning on or after 1 November 2009); and**

- **IFRIC 18 "Transfers of Assets from Customers" adopted by the EU on 27 November 2009 (effective for accounting periods beginning on or after 1 November 2009).**

The Bank has elected not to adopt these standards, revisions and interpretations in advance of their effective dates.

The Bank anticipates that the adoption of these standards, revisions and interpretations will have no material impact on the financial statements of the Bank in the period of initial application.

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following standards, amendments to the existing standards and interpretations, which were not endorsed for use as at 31 December 2009.

- **IFRS 9 "Financial Instruments" (effective for accounting periods beginning on or after 1 January 2013);**
- **Amendments to various standards and interpretations resulting from the annual quality improvement project of IFRS published on 16 April 2009 (IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38, IAS 39, IFRIC 9, IFRIC 16) primarily with a view to removing inconsistencies and clarifying wording (most amendments are to be applied for accounting periods beginning on or after 1 January 2010);**
- **Amendments to IAS 24 "Related Party Disclosures" – Simplifying the disclosure requirements for government-related entities and clarifying the definition of a related party (effective for accounting periods beginning on or after 1 January 2011);**
- **Amendments to IFRS 1 "First-time Adoption of IFRS"– Additional Exemptions for First-time Adopters (effective for accounting periods beginning on or after 1 January 2010);**
- **Amendments to IFRS 2 "Share-based Payment" – Group cash-settled share-based payment transactions (effective for accounting periods beginning on or after 1 January 2010);**
- **Amendments to IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" – Prepayments of a Minimum Funding Requirement (effective for accounting periods beginning on or after 1 January 2011); and**
- **IFRIC 19 "Extinguishing Liabilities with Equity Instruments" (effective for accounting periods beginning on or after 1 July 2010).**

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

At the same time, hedge accounting regarding the portfolio of financial assets and liabilities, whose principles have not been adopted by the EU, is still unregulated. Based on the Bank's estimates, application of hedge accounting for the portfolio of financial assets or liabilities pursuant to IAS 39: "Financial Instruments: Recognition and Measurement", would not significantly impact the financial statements, if applied as at the balance sheet date.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

Pursuant to Article 17a of Act no. 431/2002 Coll. on Accounting, effective from 1 January 2006 banks are required to prepare their separate and consolidated financial statements and annual report under special regulations – Regulation (EC) 1606/2002 of the European Parliament and of the Council on the Application of International Accounting Standards (IFRS). As a result, separate financial statements prepared in accordance with IFRS have effectively replaced financial statements prepared under Slovak Accounting Standards.

The financial statements of the Bank for the previous period (31 December 2008) were signed and authorised for issue on 17 February 2009.

The separate financial statements comprising the accounts of the Bank, have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (the "EU"). Except for certain standards issued but not yet effective (see note 2b) and certain hedge accounting requirements under IAS 39 which have not been endorsed by the EU, IFRS as adopted by the EU does not currently differ from IFRS and its effective standards and interpretations as issued by the International Accounting Standards Board (IASB). The Bank has determined that the standards not endorsed by the EU would not impact the separate financial statements had such standards been endorsed by the EU at the balance sheet date.

(b) Basis of preparation

The Bank is required to prepare Separate Financial Statements. These separate financial statements do not include consolidation of assets, liabilities, or operational results of subsidiaries. The Bank prepared and issued Consolidated Financial Statements for the year ended 31 December 2009 on 9 February 2010.

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

These financial statements were prepared using the going concern assumption that the Bank will continue in operation for the foreseeable future.
The Bank holds controlling interests in subsidiaries as described in Note 19. The subsidiaries are accounted for at cost in these separate financial statements less any impairment losses.

Since 1 January 2009, Slovak Republic entered the Euro zone and Slovak crown (SKK) was replaced by new currency Euro (EUR). The change in functional currency was implemented prospectively as of 1 January 2009 and all assets, liabilities and equity of the Bank were converted into EUR based on the official conversion rate EUR1 = SKK30.1260. Corresponding financial information was translated by the official conversion rate of 30.1260 SKK/EUR. The average exchange rate of Euro during 2008 was SKK31.291/EUR1.

The unit of measurement is thousand of EUR (EUR thousand), unless stated otherwise. The amounts in parentheses represent negative values.

(c) Subsidiaries and associates

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

Subsidiary Undertakings

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

Investments in subsidiaries are accounted for using the cost method. Dividend income is recognized in the Income Statement under 'Income / (Loss) from investments in subsidiaries and associates'. Impairment losses are recognized in the Income Statement under 'Other operating result' when the recoverable amount of the Bank's investment in a subsidiary is determined to be less than its carrying amount, or the value is otherwise impaired.

Associated Undertakings

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

Associates are accounted for using the cost method. Dividend income is recognized in the Income Statement under "Income / (Loss) from investments in subsidiaries and associates".

(d) Cash and Cash Equivalents

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

(e) Loans and Advances, and Provisions for Losses on Loans and Advances

Loans and advances are measured initially at their fair value plus transaction costs, subsequently carried at amortised cost using the effective interest rate, less any provisions for impairment. The effective interest rate represents the rate that exactly discounts estimated future cash flows through the expected life of the financial asset to that asset's carrying amount. Origination fees and directly attributable costs related to loans and advances are amortised over the contractual life of the loan. All loans and advances are initially recognised when cash is advanced to borrowers.

Provisions for loan impairment are recognised for the estimated irrecoverable amounts of Loans and Advances when there is objective evidence that they are impaired. Impairment provisions are created through the Income Statement in 'Provisions for losses on loans, advances and off-balance sheet credit risk'. If the reason for provisioning no longer exists or the provision is not appropriate, the redundant provisions are released through the Income Statement in 'Provisions for losses on loans, advances and off-balance sheet credit risks'.

Write-offs are generally recorded against provisions when all reasonable restructuring or collection activities have taken place and further recovery is considered to be ineffective taking into account loans outstanding, expenses on collection, and forecasted result. Recoveries of loans and advances previously written-off are reflected into income.

For financial assets carried at amortised cost (such as amounts due from banks, loans and advances to customers as well as held-to-maturity investments), the Bank first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

Individual assessment of impairment

Loans and advances to institutions, sovereign and corporate classes, are generally considered by the Bank as being individually significant (generally clients with exposures exceeding EUR 1.3 million or turnover of more than EUR 1 million) and are analysed on an individual basis.

Loans and advances with identified impairment are internally rated as defaulted. The calculation of specific provisions is based on an estimate of expected cash flows reflecting the estimated delinquency in loan repayments, as well as proceeds from collateral. Impairment amount is determined by the difference between the loan's gross carrying amount and the net present value ('NPV') of the estimated cash flows discounted by the loan's original effective interest rate.

Portfolio assessment of impairment

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Bank's internal credit rating system.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(f) Debt and Equity Securities

Securities held by the Bank are categorised into portfolios in accordance with the Bank's intent on the acquisition of securities and pursuant to the Bank's security investment strategy. The Bank has developed security investment strategies and, reflecting the intent of the acquisition, allocated securities to the 'Financial assets at fair value through profit or loss' portfolio, the 'Available for sale' portfolio, and the 'Held to maturity' portfolio. The main difference between the portfolios relates to the measurement of securities in fair value and amortised costs, and the reporting of unrealised gains or losses.

All 'regular way' purchases and sales of securities are recognised using settlement date accounting and are initially measured at fair value.

Financial Assets at Fair Value through Profit or Loss (´FVTPL´)

A financial asset at fair value through profit or loss is a financial asset classified as either held for trading or designated by the entity upon initial recognition.

A financial asset is classified as held for trading if:
- **it has been acquired principally for the purpose of selling in the near future; or**
- **it is part of an identified portfolio of financial instruments that the Bank manages together and has a recent actual pattern of short-term profit-taking; or**
- **it is a derivative that is not designated and effective as a hedging instrument.**

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:
- **such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or**
- **the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Bank's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or**
- **it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.**

Assets in this portfolio are initially recognised at fair value and are subsequently re-measured to fair value. Interest income is calculated and recognised in the 'Net interest and investment income'. Changes in the fair values of securities held for trading are recognised in the Income Statement as ‘Net trading result’. Changes in the fair values of other financial assets designated as at FVTPL are recognised in ‘Other operating result’.

Available for Sale Securities (‘AFS securities’)

Available-for-sale investments include equity and debt securities. Equity investments classified as available-for - sale are those which are neither classified as held-for-trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

AFS securities are initially recognised at fair value and are subsequently re-measured to fair value. Interest is recognised using the effective interest rate in the ‘Net interest and investment income’. Unrealised changes in the fair values of AFS securities are recognised as adjustments to equity revaluation reserves, with the exception of the impairment losses.

When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in the equity revaluation reserve is included in income statement for the period as ‘Other operating result’.

For available-for-sale financial investments, the Bank assess at each balance sheet date whether there is objective evidence that an investment is impaired.

In the case of debt instruments classified as available-for-sale, the Bank assesses individually whether there is objective evidence of impairment based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to a credit event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

In case of equity investments classified as available-for-sale, objective evidence of impairment also includes a ‘significant’ or ‘prolonged’ decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the profit or loss is removed from ’Available for sale reserve’ in the equity and is reclassified and shown as impairment loss in ’Other operating result’. Impairment losses on equity investments are not reversed through the income statement; increases in the fair value after impairment are recognised directly in other comprehensive income. Impairment losses and their reversals are recognised directly against the assets in the balance sheet.

The investments in equity instruments which do not have a quoted market price in an active market and whose fair value cannot be reliably measured, are accounted for using the cost method and are subject to impairment test.

Securities Held to Maturity (‘HTM securities’)

Securities held to maturity are financial assets with fixed maturity that the Bank has the positive intent and ability to hold to maturity. HTM securities are initially recognised at fair value. HTM securities are subsequently reported at amortised cost using the effective interest method, less any provision for impairment.

A financial asset held to maturity is impaired if its carrying amount is greater than its estimated recoverable amount. The amount of the impairment loss for assets carried at amortised cost is calculated as the difference between the asset’s carrying amount and the present value of the expected future cash flows discounted at the financial instrument’s original effective interest rate. When the impairment of assets is identified, the Bank recognises provisions through the Income Statement.

Changes in the fair value of HTM securities are not recognised in the financial statements, but are disclosed in Note 43.

Fair value of financial instruments

The fair value is the amount for which a financial instrument could be exchanged or settled between knowledgeable, willing parties in an arm‘s length transaction.
The fair values of financial assets and financial liabilities are determined as follows:

- **the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices;**
- **the fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments;**
- **the fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.**

(g) Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at fair value and are subsequently measured at the higher of:

- **the amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities, and Contingent Assets; and**
- **the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.**

(h) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset (financial liability) and of allocating interest income (interest expense) over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs, and other premiums or discounts) through the expected life of the financial asset (financial liability), or, where appropriate, a shorter period.

(i) Recognition and derecognition of financial assets and financial liabilities

All financial assets and liabilities except for Issued debt securities and derivative financial instruments are initially recognised on the settlement date, i.e., the date when an asset is delivered to or by the Bank. Issued debt securities and derivative financial instruments are initially recognised on the trade date, i.e., the date that the Bank becomes a party to the contractual provisions of the instrument.
This includes “regular way trades”: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

The Bank derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

(j) Sale and Repurchase Agreements

Where debt or equity securities are sold under a commitment to repurchase them at a pre-determined price, they remain at the fair value or amortised cost within the relevant portion on the assets and the consideration received is recorded in ‘Amounts owed to financial institutions’ or ‘Amounts owed to customers’. Debt or equity securities purchased under a commitment to resell at a pre-determined price are recorded in ‘Loans and advances to financial institutions’ or ‘Loans and advances to customers’. Interest is accrued using the effective interest rate.

(k) Intangible Assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Intangible assets are amortised on a straight-line basis over their estimated useful life years through ‘General administrative expenses’ as follows:

Type of intangible assets	**Depreciation period 2009 and 2008**
Core banking system and related applications	8 years
Other software	4 years

The estimated useful lives and amortization method are reviewed at the end of each reporting period, with the effect of any changes in the estimate accounted for on a prospective basis. Impairment losses are recorded in ‘Other operating result’ in the Income statement.

Costs associated with the maintenance of existing software are expensed through ‘General administrative expenses’ as incurred, whilst the costs of technical improvements are capitalised and increase the acquisition cost of the software.

(l) Property and Equipment

Property and equipment is stated at historical cost less accumulated depreciation using a straight-line basis depreciation over estimated useful lives as follows:

Type of property and equipment	**Depreciation period 2009 and 2008**
Buildings and structures	30 years
Electronic machines and equipment	4 – 6 years
Hardware	4 years
Vehicles	4 years
Fixture and fittings	6 - 12 years
Leasehold improvements	Shorter of lease period or life of asset

Land and assets under construction are not depreciated.

(m) Investment Property

Investment property is property, i.e. land or building, held to earn rental revenue. Investment property is stated at historical cost less impairment provisions and accumulated depreciation using a straight-line basis depreciation over estimated useful lives. The carrying amount of investment property, its depreciation, and rental revenues are disclosed in Note 21. The estimated useful life of buildings classified as investment property is 30 years.

(n) Impairment of Property and Equipment

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The recoverable amount is determined as the higher of estimated fair value less cost to sell. The largest components of the Bank's assets are periodically tested for impairment, and temporary impairments are provisioned through the Income Statement 'Other operating result'. Repairs are charged to the Income Statement in 'General administrative expenses' under 'Other administrative expenses' in the year in which the expenditures are incurred.

(o) Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. The Bank's management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell.

Any gain or loss from sale and impairment losses and their reversals are included in 'Other operating result'.

(p) Provisions

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

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

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

(q) Long-term Employee Benefit Provisions

The Bank operates unfunded defined long-term benefit programs comprising lump-sum post-employment and working anniversary.

The employee benefit costs are assessed using the projected unit credit method with actuarial valuation at the balance sheet date, measured as the present value of the estimated future cash outflows discounted by the interest yield on investment grade fixed income securities, which have terms to maturity approximating the terms of the related liability. Actuarial gains and losses from the jubilee benefit obligation are charged to the Income Statement in the current year. Actuarial gains and losses from post-employment defined benefit plans are recognised directly in equity in the period in which they occur.

See Note 28(d) for key assumptions used in actuarial valuations.

(r) Dividends to shareholder

Dividends to shareholders are deducted from equity in the period in which they are declared by the General Assembly.

(s) Taxation

Income tax on the Bank's current year results consists of both current income tax and deferred tax.

Income tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. The Bank's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided using the balance sheet liability method on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Currently enacted or substantially enacted tax rates are used to determine deferred income tax. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Bank expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred income tax assets in respect of tax losses carried forward and other temporary differences are recognised to the extent that it is probable that the Bank will be able to realise the deferred tax assets in the future. The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered, or realization of the tax benefit is otherwise impaired.

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

Dividends received by the Bank are subject to income tax only if such dividends were paid from profit generated prior to 1 January 2004.

(t) Derivative Financial Instruments

Derivatives include foreign currency and interest rate swaps, currency forwards, forward rate agreements, foreign currency options (both put and call options) and other finance derivative instruments. The Bank uses various types of derivative instruments in both its trading and hedging activities.

Financial derivative instruments entered into for trading purposes are stated at fair value. Unrealised gains and losses are reported as ‘Financial assets at fair value through profit or loss’ and ‘Financial liabilities at fair value through profit or loss’ on the balance sheet. Fair values of derivatives are based on quoted market prices or pricing models which take into account the current market and contractual prices of the underlying instruments, as well as time value and yield curve or volatility factors underlying the positions.

Certain derivatives embedded in other financial instruments are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract, and the host contract is not carried at fair value with gains and losses reported in the Income Statement.

Certain derivative transactions, while providing effective economic hedges under the Bank’s risk management positions, do not qualify for hedge accounting under the specific rules in IAS 39 and are therefore treated as derivatives held for trading with fair value gains and losses reported in ‘Net trading result’.

Hedging derivatives are defined as derivatives that comply with the Bank’s risk management strategy. The hedging relationship is formally documented at the inception of the hedging relationship and the hedge is effective at inception and throughout the period. Changes in the fair value or cash flows of the hedged and hedging items are almost fully offset and the results are within the range of 80% to 125%.

The Bank designates hedging derivatives as: either, (a) hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge); or, (b) hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge).

(a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.
Hedge accounting is discontinued when the Bank revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. The adjustment to the carrying amount of a hedged item arising from the hedged risk is amortised to the Income Statement over the period to maturity.

(b) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity adjustment. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement. Amounts accumulated in equity are recorded to the Income Statement in the periods in which the hedged item will affect the Income Statement (for example, when the forecast sale that is hedged takes place). When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative fair value adjustments reported in equity at that time remains in equity and is recognised in the Income Statement when the forecast transaction is ultimately recognised in the Income Statement. When a forecast transaction is no longer expected to occur, the cumulative fair value adjustments reported in equity is immediately recorded to the Income Statement.
See also Note 42.

(u) Foreign Currency Transactions

Transactions denominated in foreign currencies are recorded in local currency at official exchange rates as announced by the NBS on the date of transaction. Financial assets and liabilities denominated in foreign currencies are translated into local currency at the prevailing NBS exchange rate on the balance sheet date. Realised and unrealised gains and losses on foreign exchange are recognised in the Income Statement in ‘Net trading result’.

(v) Interest Income and Interest Expense

Interest income and expense are recognised in the Income Statement when earned or incurred, on an accrual basis, using the effective interest rates.

(w) Fees and Commissions

The Bank earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

Fee income earned from services that are provided over a certain period of time.

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate on the loan. When it is unlikely that a loan will be drawn down, the loan commitment fees are recognised over the commitment period on a straight line basis.

Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

(x) Leases

Bank as the Lessee

Finance leases of property and equipment under which the Bank assumes substantially all the risks and rewards incidental to ownership are recognised in the balance sheet by recording an asset and liability equal to the present value of all future lease payments. Leasehold improvements on leased assets are depreciated in accordance with the estimated useful life of the asset, or the lease term if shorter. Lease liabilities are reduced by repayments of principal, whilst the finance charge component of the lease payment is charged directly to the Income Statement.

Rentals payable under operating leases are charged to the Income Statement on a straight-line basis over the term of the relevant lease.

Bank as the Lessor

Amounts due from lessees under finance leases are recorded as ‘Loans and advances to customers’ at the amount of the Bank’s net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Bank’s net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

(y) Earnings per Share

Earnings per share has been calculated by dividing the net profit or loss applicable to ordinary shares by the weighted average number of ordinary shares outstanding during the year, and has been calculated for shares with nominal value of EUR 1 000 based on their share on rights to receive dividends.

(z) Assets under Administration

Assets under administration are not recognised as assets or liabilities on the balance sheet, but are accounted for as off-balance sheet items since the Bank does not bear risks and rewards of ownership associated with such items. See also Note 46.

(aa) Regulatory Requirements

The Bank is subject to the regulatory requirements of the central bank. These regulations include those pertaining to minimum capital adequacy requirements, classification of loans and off-balance sheet commitments, asset concentration, credit risk connected to clients of the Bank, liquidity, interest rate, and foreign currency position.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Significant areas of judgment include the following:

– Fair value of financial instruments

The recent financial crisis and resulting impact on financial markets and the economic environment have resulted in material adjustments to valuation of the Bank's assets. The management of the Bank has considered all relevant factors in making prudent and reasonable valuation estimates in the circumstances. The financial markets continue to be affected by market liquidity issues and high price volatility. There is also continuing increased level of uncertainty about future economic developments. These factors could result in future changes in valuation of assets and the changes could be material. Where the fair values of financial assets and financial liabilities recorded on the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values.

Financial assets at fair value through profit and loss and securities available for sale include credit investments and managed funds totaling EUR 26.8 million as of 31 December 2009 (2008: EUR 40.6 million). The estimated fair values of all of the abovementioned financial assets have been affected by decreased market liquidity and widening credit spreads in the financial markets mainly in 2008, during 2009 the Bank has sold part of the portfolio in NBV of EUR 11 million. The continuing high volatility in market prices and economic uncertainty could result in future valuation adjustments.

– Impairment of available for sale investments

The Bank reviews its debt securities classified as available-for-sale investments at each balance sheet date to assess whether they are impaired. This requires similar judgment as applied to the individual assessment of loans and advances. The Bank also records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Bank evaluates, among other factors, historical share price movements and duration and extent to which the fair value of an investment is less than its cost.

– Impairment of loans and advances

As described in Note 13, 14 and 15 the Bank creates provision for impairment of loans and receivables where there is objective evidence that, as a result of past events, the estimated future cash-flows are negatively impacted. In estimating these cash flows, the Bank makes judgments about the borrower's financial situation and the net realisable value of collateral. These provisions are based on the Bank's historical and current experience concerning default rates, recovery rates of loans, or time needed from a loss event to loan default, as well as subjective judgments of the Bank's management about estimated future cash-flows. Considering current economic conditions, the outcome of these estimates could differ from the amounts of impairment provisions recognized as of 31 December 2009.

– Provisions

The amounts recognized as provisions are based on the management's judgments and represent the best estimate of expenditures required to settle a liability of uncertain timing or amount resulting from an obligation. See Note 28 for more detailed disclosures of provisions.

– Income taxes

Income tax rules and regulations have undergone significant changes in recent years and there is little historical precedent or interpretative rulings on a number of complex issues affecting the banking industry. Also, tax authorities have broad powers in interpreting the application of the tax laws and regulations in the course of its examination of taxpayers. Accordingly there is a high level of inherent uncertainty about the ultimate outcome of examinations by the tax authorities. Judgment was also made with respect to future recoverability of deferred tax assets.

5. NET INTEREST AND INVESTMENT INCOME

ths. EUR	2009	2008
Interest income from:		
Loans and advances to financial institutions	26 579	98 573
Loans and advances to customers	371 192	394 489
Financial assets at fair value through profit and loss	2 150	3 674
Securities available for sale	48 887	33 278
Securities held to maturity	74 062	58 958
Other interest income and similar income	593	1 446
Total interest and similar income	**523 463**	**590 419**
Interest expense for:		
Amounts owed to financial institutions	(6 518)	(47 356)
Amounts owed to customers	(98 856)	(141 572)
Debts securities in issue	(15 417)	(20 263)
Subordinated debt	(5 091)	(7 594)
Total interest and similar expenses	**(125 882)**	**(216 786)**
Net interest income	**397 581**	**373 633**
Income/(loss) from investments in subsidiaries and associates	2 992	(5 634)
Net interest and investment income	**400 573**	**367 999**

In 2009, interest income includes a total of EUR 7.3 million (2008: EUR 5.8 million) relating to impaired financial assets.

See Note 19 for information concerning subsidiaries and associates.

Income/(loss) from investments in subsidiaries and associates		
Company	**2009 ths. EUR**	**2008 ths. EUR**
Prvá stavebná sporiteľňa, a.s. (PSS)	2 981	2 981
Asset Management Slovenskej sporiteľne, správ. spol., a.s.	-	1 378
Factoring Slovenskej sporiteľne, a.s.	-	166
Leasing SLSP, a.s.	-	(9 958)
Czech and Slovak Property Fund, B.V.	-	(1 062)
Visa Europe Limited	2	851
Other	9	11
Total	**2 992**	**(5 634)**

The impairment losses on subsidiaries and associated was presented within 'Other operating result' (Note 10) in 2009.

6. NET FEE AND COMMISSION INCOME

ths. EUR	**2009**	**2008**
Fee and commission income from:		
Payment transfers	81 905	83 226
Lending business	28 545	27 766
Securities	7 749	11 019
Other fees	6 135	7 106
Total fee and commission income	**124 334**	**129 116**
Fee and commission expense for:		
Payment transfers	(9 047)	(9 041)
Lending business	(3 792)	(3 037)
Securities	(547)	(834)
Other fees	(407)	(363)
Total fee and commission expense	**(13 793)**	**(13 276)**
Net fee and commission income	**110 541**	**115 840**

Security fees relate to fees earned or paid by the Bank on trust and fiduciary activities.

7. PROVISIONS FOR LOSSES ON LOANS, ADVANCES AND OFF BALANCE SHEET CREDIT RISKS

ths. EUR	2009	2008
Provisioning charges for:		
Specific risk provisions	(51 409)	(28 674)
Portfolio risk provisions	(119 616)	(66 244)
Total provisioning charges	**(171 022)**	**(94 918)**
Release of provisions		
Specific risk provisions	22 849	10 855
Portfolio risk provisions	4 236	7 601
Total release of provisions	**27 085**	**18 456**
Net provisions for losses on loans and advances (Note 15)	**(143 937)**	**(76 462)**
Recoveries of loans written off / other	192	3 144
Net creation of provisions for off-balance risks	(2 021)	(1 209)
Net provisions	**(145 766)**	**(74 527)**

8. NET TRADING RESULT

ths. EUR	2009	2008
Foreign exchange gains and currency derivatives	7 565	20 529
Interest derivatives	4 668	7 037
Trading securities gains	1 711	6 329
Other (losses)/gains	(1)	62
Total	**13 943**	**33 957**

9. GENERAL ADMINISTRATIVE EXPENSES

ths. EUR	2009	2008
Personnel expenses		
Wages and salaries	(69 684)	(71 667)
Social security expenses	(23 373)	(24 414)
Long term employee benefits	(472)	(410)
Other personnel expenses	(3 308)	(1 759)
Total personnel expenses	**(96 837)**	**(98 250)**
Other administrative expenses		
Data processing expenses	(48 499)	(54 879)
Building maintenance and rent	(29 216)	(19 967)
Costs of bank operations	(18 369)	(24 059)
Advertising and marketing	(11 104)	(11 837)
Legal fees and consultation	(1 732)	(2 012)
Other administrative expenses	(5 398)	(6 093)
Total other administrative expenses	**(114 318)**	**(118 848)**
Depreciation	**-**	
Amortisation of intangible assets	(27 977)	(20 402)
Depreciation	(17 919)	(17 832)
Total depreciation, amortization	**(45 896)**	**(38 234)**
Total	**(257 051)**	**(255 331)**

The average number of employees in the Bank was 4 466 and 4 799, thereof members of the Board of Directors 5 and 6, in 2009 and 2008 respectively.

Other administrative expense includes the cost of audit services and other advisory services provided by the affiliate of the audit company:

ths. EUR	2009	2008
Audit of financial statements	336	282
Audit of group reporting	336	282
Tax advisory	-	49
Other related services provided to bank	46	156
Total	**718**	**769**

10. OTHER OPERATING RESULT

ths. EUR	2009	2008
Revaluation of securities at fair value, net	1 022	(9 443)
Loss on available-for-sale securities	(14 100)	(14 461)
Net gain from disposal of subsidiaries and associates	5 079	36 878
Impairment of investments in subsidiaries and associates	(51 014)	-
Contribution to deposit protection fund	(13 390)	(11 366)
Other operating result	(17 538)	383
Total other operating result	**(89 941)**	**1 991**

Revaluation of securities at fair value, net in 2008 comprised of credit derivatives negative revaluation, that were sold to Erste Group Bank in March 2008 for their market price.

Loss on available-for-sale securities contains recycling of revaluation reserve in the amount of EUR 5.9 million related to the sale and EUR 8.2 million related to impairment of these positions.

Net gain from disposal of subsidiaries and associates comprises of EUR 5.1 million profit on sale of the Asset management Slovenskej Sporiteľne, a.s. to Erste Asset Management GmbH for cash consideration of EUR 7 million in February 2009 and in 2008 includes sale of 28.33% ownership interest in Poisťovňa Slovenskej sporiteľne, a.s., for a consideration of EUR 40.7 million, resulting in net gain of EUR 36.9 million (Note 19).

See Note 19 for information concerning impairment of investments in subsidiaries and associates. The impairment losses of investments in subsidiaries and associates were presented within Net interest and investment income (Note 5) in 2008.

The Bank is legally obliged to make a contribution to the deposit protection fund of Slovakia calculated based on its customer deposit liabilities.

Year 2009 was influenced by the loss on a significant legal case amounting to EUR 14.3 million. The Bank released a related provision of EUR 7.3 million (Note 28)

11. INCOME TAX EXPENSE

ths. EUR	2009	2008
Current tax expense	49 151	60 623
Deferred tax income (Note 23)	(28 772)	(26 414)
Total	**20 379**	**34 209**

The actual tax on the Bank's profit before tax differs from the theoretical amount that would arise using the basic tax rate of the Slovak Republic as follows:

	2008 (ths. EUR)	%	2009 (ths. EUR)	%
Profit before tax	**32 299**		**189 929**	
Theoretical tax at income tax rate of 19%	**6 137**	**19.0**	**36 087**	**19.0**
Tax effect of expenses that are not deductible in determining taxable profit:				
- Allocation of provisions to capital participations	11 738	36.3		-
- Other	11 238	34.8	5 477	2.9
Total tax effect of expenses that are not deductible in determining taxable profit	**22 976**	**71.1**	**5 477**	**2.9**
Tax effect of revenues that are deductible in determining taxable profit:				
- Release of provisions to capital participations	(3 626)	(11.2)	-	-
- Income from dividends	(433)	(1.3)	(830)	(0.4)
- Other	(4 675)	(14.5)	(6 525)	(3.4)
Total tax effect of revenues that are deductible in determining taxable profit	**(8 734)**	**(27.0)**	**(7 355)**	**(3.9)**
Tax expense and effective tax rate for the year	**20 379**	**63.1**	**34 209**	**18.0**

12. CASH AND BALANCES AT THE CENTRAL BANK

ths. EUR	**2009**	**2008**
Cash balances	254 049	349 387
Nostro accounts with central banks	-	180 908
Minimum reserve deposit with NBS	68 885	896 487
Total	**322 934**	**1 426 782**

The minimum reserve deposit represents a mandatory deposit (bearing 1.5% interest as of 31 December 2009; 2008: 1.5%) calculated in accordance with regulations issued by the central bank (2% of certain Bank's liabilities) with restricted withdrawal. Nostro balances represent balances with the central bank related to settlement activities and are available for withdrawal.

During the one month period that included the year end date, the Bank maintained, as required, an average reserve balance at the NBS of approximately EUR 127.9 million (2008: EUR 179 million).

13. LOANS AND ADVANCES TO FINANCIAL INSTITUTIONS

ths. EUR	2009	2008
Loans and advances on demand (nostro accounts)	4 370	13 580
Repo trades with central bank treasury bills	-	2 552 632
Placements with financial institutions	1 187 357	137 723
Loans and advances to Financial institutions, gross	**1 191 727**	**2 703 935**
Provisions for impairment (Note 15)	(1 150)	-
Total	**1 190 577**	**2 703 935**

Repurchase agreements with the central bank are collateralised by the bills issued by the National Bank of Slovakia in an amount equal to the loan.

The recorded amounts represent the maximum exposure to credit risk.

14. LOANS AND ADVANCES TO CUSTOMERS

ths. EUR	2009	2008
Corporate clients	2 526 367	2 715 771
Syndicated loans	464 937	425 646
Overdrafts	451 002	624 477
Direct provided loans	1 610 563	1 665 649
Retail clients	3 430 447	2 855 022
Mortgage loans	2 431 390	1 883 735
Consumer loans	812 162	774 115
Social loans	21 232	27 319
Overdrafts	165 529	169 853
Public sector	56 332	55 265
Total	**6 013 146**	**5 626 059**
Provisions for impairment (Note 15)	(288 210)	(191 192)
Total	**5 724 936**	**5 434 867**

As at 31 December 2009, the 15 largest customers accounted for 12.8% of the gross loan portfolio in the amount of EUR 770.2 million (2008: 15.4%, EUR 865.5 million).

Mandate loans

As of 31 December 2009 Bank cooperated with six external outsourcing companies. Under mandate contracts the management and administration of certain non-performing receivables is outsourced. The Bank maintains the risks and rewards associated with the underlying exposures and shares part of recoveries with the external service providers. Total outsourced gross loans amounted to EUR 99 million as of 31 December 2009 (2008: EUR 107.4 million).

Write off and sale of receivables

In 2009, the Bank sold a total of EUR 43.8 million of loan receivables (2008: EUR 25.1 million) for a consideration of EUR 9.8 million (2008: EUR 4.3 million), and used corresponding provisions of EUR 27 million (2008: EUR 24.9 million).

Bank has also written off loans with a carrying amount of EUR 13.2 million that were fully provided (2008: EUR 17.4 million).

15. PROVISIONS FOR LOSSES ON LOANS AND ADVANCES

ths. EUR	2009 Loans and advances to financial institutions	Loans and advances to customers	Total
As at 1 January	-	191 192	191 192
Net allocation / (release) of provisions (excluding effect of unwind)	1 150	142 787	143 937
Use of provisions due to sale and write-off of receivables and other adjustments	-	(38 484)	(38 484)
Unwinding of discount on provisions	-	(7 285)	(7 285)
As at 31 December	**1 150**	**288 210**	**289 360**

ths. EUR	2008 Loans and advances to financial institutions	Loans and advances to customers	Total
As at 1 January	-	162 949	162 949
Net allocation / (release) of provisions (excluding effect of unwind)	-	76 479	76 479
Use of provisions due to sale and write-off of receivables and other adjustments	-	(42 394)	(42 394)
Unwinding of discount on provisions	-	(5 842)	(5 842)
As at 31 December	**-**	**191 192**	**191 192**

Use of provisions results mainly from write off and the sale of impaired receivables, see Note 14.

Unwinding represents decrease in the impairment provisions, resulting from the unwinding of the cash flow discounting due to passage of time.

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

ths. EUR	2009	2008
Trading assets		
Financial derivatives with positive fair value (Note 42 b)	55 159	107 813
Interest Rate Agreements	45 024	45 409
Exchange Rate Agreements	8 403	58 753
Other	1 732	3 651
	55 159	107 813
Assets classified at fair value at acquisition		
Credit investments	7 855	8 033
Debt securities and participation certificates	66 391	41 127
	74 246	49 160
Total	**129 405**	**156 973**

The amounts represent the maximum exposure to credit risk.

Financial assets are designated at fair value portfolio based on the intention to manage these on the fair value basis.

With effect from 4 February 2008, the Bank has adopted a new business model of financial markets trading in cooperation with Erste Group Bank. Erste Group Bank has started to conduct all trading operations on a central trading book in order to better manage market risks from the group trading activities (i.e., transactions with retail, corporate and other institutional clients) with the exception of the equity risk trading and transactions for the Bank's liquidity management purposes.

Trading gains (i.e. from Erste Group Bank's market positions) are distributed according to approved rules based on the financial results back to the Group's local banks and reported in the 'Net trading result'. The basic principle underlying these rules involves Erste Group Bank absorbing potential losses in individual groups of assets in exchange for the risk premium derived from the VaR indicator. Included in the new business model of financial markets trading is reallocation of the trading costs for individual participating Erste Group Bank subsidiaries based on the Bank's Cost Income Ratio.

Credit Linked Investments

The 'Fair Value Through Profit and Loss' portfolio includes credit investments in the amount of EUR 7.8 million as at 31 December 2009 (2008: EUR 8 million). As of 31 December 2009, these investments comprise credit linked notes (2008: credit linked notes).

In first quarter 2008, the Bank has recognized a total net loss of EUR 6.7 million attributable to revaluation of these securities, followed by a disposal of EUR 109 million of credit investments to Erste Group Bank at their estimated fair value.

As of 31 December 2009 and 2008, fair values of credit investments held by the Bank were determined with reference to third party quotations. Where available, these quotations were tested by reference to the quoted market prices.

The Bank believes that the prices of asset backed securities used as of 31 December 2009 and 2008 are prudent and reasonable and represent the best possible estimate of the fair value of these financial instruments.

		Carrying amount		Notional amount	
Type of instrument	**Rating range**	**2009 ths. EUR**	**2008 ths. EUR**	**2009 ths. EUR**	**2008 ths. EUR**
Collateralized debt obligations	AA	3	4	690	863
Credit linked notes	AA	7 852	8 029	8 000	8 000
Total		**7 855**	**8 033**	**8 689**	**8 863**

Debt securities and participation certificates

ths. EUR	2009	2008
State institutions in Slovak Republic	8 831	1 072
Financial institutions in the Slovak Republic	12 127	22 041
Foreign state institutions	29 705	1 663
Foreign financial institutions	8 392	9 975
Other entities in the Slovak Republic	1 135	1 150
Other foreign entities	6 201	5 226
Total	**66 391**	**41 127**

17. SECURITIES AVAILABLE FOR SALE

ths. EUR	2009	2008
Debt securities and other fixed income securities - listed	1 113 909	793 966
Managed Funds	18 940	32 564
Debt and other fixed income securities	1 132 849	826 530
Equity securities – shares	8 350	8 133
Listed	4 121	2 390
Unlisted	4 229	5 743
Net amount	**1 141 199**	**834 663**

Managed funds are investments in funds managed by third party fund managers who invests an administrated amount into different asset classes (fixed income assets, asset backed securities, funds, etc.) in accordance with prearranged regulations. In its portfolio, the Bank has managed funds invested through the purchase of bonds and managed funds invested through the purchase of the participating interest.

The maximum exposure to credit risk represents carrying amounts.

Debt securities and other fixed income securities at fair value by type of issuer comprise:

ths. EUR	2009	2008
State institutions in the Slovak Republic	898 186	598 851
Financial institutions in the Slovak Republic	39 643	42 123
Foreign state institutions	45 988	19 186
Foreign financial institutions	124 752	144 825
Other entities in the Slovak Republic	24 280	21 544
Total	**1 132 849**	**826 530**

Fair value hedge

The Bank has in its portfolio as at 31 December 2009 fixed rate EUR denominated bonds with face value of EUR 50 million (2008: EUR 50 million). As the purchase of the bonds increased the exposure to interest rate risk in the period from five to ten years, the Bank entered into an interest rate swap in order to hedge the changes of fair value caused by changes of risk-free interest rates, paying fixed and receiving floating rates. Notional and fair value of the aforementioned hedging derivative is reported in note 42.

During the period, the hedge was effective in hedging the fair value exposure to interest rate movements. For the year ended 31 December 2009, the Bank recognised a net loss of EUR 730 thousand (2008: loss of EUR 4.6 million), representing the loss on the hedging instruments. The total gain on hedged item attributable to the hedged risk amounted to a gain of EUR 474 thousand (2008: gain of EUR 5 million).

Other matters

Additionally, Corporate bonds in the amount of EUR 2.6 million (2008: EUR 2.6 million) were guaranteed by the State in the same amount (2008: EUR 2.6 million).

During 2009 the Bank identified objective evidence that certain financial assets in available for sale portfolio are impaired, recognising impairment losses of EUR 8.1 million (2008: EUR 14.5 million) under ‘Other operating result’.

18. SECURITIES HELD TO MATURITY

ths. EUR	2009	2008
Debt securities and other fixed income securities		
listed	2 420 061	1 402 102
Total	**2 420 061**	**1 402 102**

The amounts represent the maximum exposure to credit risk.

Debt securities and other fixed income securities at carrying value by type of issuer, comprise:

ths. EUR	2009	2008
State institutions in the Slovak Republic	2 222 692	1 217 188
Financial institutions in the Slovak Republic	43 962	89 856
Foreign state institutions	55 384	-
Foreign financial institutions	46 812	43 982
Other entities in the Slovak Republic	23 586	23 634
Other foreign entities	27 625	27 442
Total	**2 420 061**	**1 402 102**

As at 31 December 2009, the securities included in the held to maturity portfolio placed as collateral for repo trades include state bonds with a notional value amounting to EUR 1 553 million (2008: EUR 661 million).

As at 31 December 2009, in its held to maturity portfolio the Bank has mortgage bonds in the amount of EUR 17.3 million (2008: EUR 33.8 million) which were collateralised by State bonds in the amount of EUR 38.3 million (2008: EUR 38.3 million). Additionally, corporate bonds in the amount of EUR 24 million (2008: EUR 24 million) are fully guaranteed by the State in the same volume.

19. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

ths. EUR	2009	2008
Investment in subsidiaries	15 675	37 210
Investment in associates	4 102	21 302
Total	**19 777**	**58 512**

During 2009, the Bank received dividends from participations in the amount of EUR 3 million (2008: EUR 4.36 million).

Due to the deterioration of the economic conditions mainly on real estate and leasing markets the Bank performed impairment testing on its subsidiaries and associates portfolio; and recognized impairment loss provisions in the 'Other operating result' of the Income statement as follows:

	Cost ths. EUR		Impairment ths. EUR		Net book value ths. EUR	
Company	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
Realitná spoločnosť Slovenskej sporiteľne, a.s.	7 678	7 668	(5 504)	-	2 174	7 668
Asset Management Slovenskej sporiteľne, správ. spol., a.s.	n/a	1 992	n/a	-	n/a	1 992
Leasing Slovenskej sporiteľne, a.s.	36 967	25 225	(35 734)	(9 958)	1 233	15 302
Factoring Slovenskej sporiteľne, a.s.	4 000	10 148	(2 980)	(9 128)	1 020	996
Derop B.V.	11 244	11 253	-	-	11 244	11 253
Informations-Technologie Austria – SK, s. r. o.	3	n/a	-	n/a	3	n/a
Subsidiaries	**59 892**	**56 297**	**(44 218)**	**(19 086)**	**15 674**	**37 211**
3on private equity, a.s.	207	199	-	-	207	207
Prvá stavebná sporiteľňa, a.s.	1 093	1 095	-	-	1 093	1 095
Slovak Banking Credit Bureau, s.r.o.	3	-	-	-	3	-
Erste Corporate Finance, a.s.	390	398	-	-	390	398
s IT Solutions SK, spol. s r.o.	2 409	2 722	-	-	2 409	2 722
Czech and Slovak Property Fund B.V.	18 710	17 949	(18 710)	(1 061)	-	16 888
Associates	**22 812**	**22 363**	**(18 710)**	**(1 061)**	**4 102**	**21 302**
Total	**82 704**	**78 660**	**(62 928)**	**(20 147)**	**19 776**	**58 513**

	Impairment provision on subsidiaries		Impairment provisions on Associates		Total	
ths. EUR	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
As at 1 January	19 086	9 294	1 061	-	20 147	9 294
Allocation	34 002	10 456	17 649	1 061	51 651	11 517
Release	(546)	(664)	-	-	(546)	(664)
Use	(8 324)	-	-		(8 324)	-
As at 31 December	**44 218**	**19 086**	**18 710**	**1 061**	**62 928**	**20 147**

(a) Investment in subsidiaries

Name of the company	Registered office	Principal activity	Bank interest 2009	Bank voting rights 2009
Realitná spoločnosť Slovenskej sporiteľne, a.s.	Námestie SNP 18, 811 06 Bratislava, Slovak Republic	Real estate agency	100.00%	100.00%
Leasing Slovenskej sporiteľne, a.s.	Tomášikova 48, 832 69 Bratislava, Slovak Republic	Financial and operational leasing	96.66%	96.66%
Factoring Slovenskej sporiteľne, a.s.	Tomášikova 48, 832 67 Bratislava, Slovak Republic	Factoring	100.00%	100.00%
Derop B.V.	Naritaweg 165 1043 BW Amsterdam, The Netherlands	Incorporation, management and financing of companies	85.00%	85.00%
Informations-Technologie Austria – SK, s. r. o.	Prievozská 10, 821 09 Bratislava	IT services and IT systems maintenance	51.00%	51.00%

2009

ths. EUR	Interest held (%)	Voting power held (%)	Net book value	Total assets	Total equity	Total income	Total expense
Realitná spoločnosť Slovenskej sporiteľne, a.s.	100.00	100.00	2 174	20 857	1 598	53	4 829
Leasing Slovenskej sporiteľne, a.s.	96.66	96.66	1 233	197 691	2 503	12 156	35 606
Factoring Slovenskej sporiteľne, a.s.	100.00	100.00	1 020	51 751	1 046	3 157	6 265
Derop B.V.	85.00	85.00	11 244	10 945	10 487	-	21
Informations-Technologie Austria SK, s.r.o.	51.00	51.00	3	5 360	55	9 461	9 413
Total			**15 675**				

2008

ths. EUR	Interest held (%)	Voting power held (%)	Net book value	Total assets	Total equity	Total income	Total expense
Asset Management Slovenskej sporiteľne, správ. spol., a.s.	100.00	100.00	1 992	8 099	4 016	11 651	10 456
Realitná spoločnosť Slovenskej sporiteľne, a.s.	100.00	100.00	7 668	18 887	6 406	33	963
Leasing Slovenskej sporiteľne, a.s.	96.66	96.66	15 302	243 511	3 950	17 062	16 531
Factoring Slovenskej sporiteľne, a.s.	90.00	90.00	996	84 545	1 261	6 606	10 257
Derop B.V.	85.00	85.00	11 253	10 522	10 522	0	33
Total			**37 210**				

The Bank took over non-performing receivables from Leasing Slovenskej sporiteľne, a.s. and Factoring Slovenskej sporiteľne, a.s. in April 2009 in the amount of EUR 2.6 million and EUR 5.7 million respectively, immediately utilizing losses and using provisions recognized in 2007 and 2008.

In October 2008, the Bank acquired a residual 10% share of the ownership and voting rights in Factoring Slovenskej sporiteľne, a.s. and increased its share in the company to 100%. In December 2009 the Bank further released EUR 546 thousand of its investment and released respective provision due to the stabilization of Factoring Slovenskej sporiteľne, a.s.

In 2008, the Bank increased its investment in Leasing Slovenskej sporiteľne, a.s. by EUR 9.96 million to cover losses from the core activities of this subsidiary. At the same time, the Bank recognized a liability towards this subsidiary, presented in 'Other liabilities'. Since the entire amount contributed to equity was expected to be utilized against incurred losses of Leasing Slovenskej sporiteľne, a.s., the Bank recognized a full impairment provision for this amount as of 31 December 2008 with a corresponding expense presented in 'Income / (Loss) from investments in subsidiaries and associates'. In 2009, after realizing loss from ceded receivables, the Bank injected a further EUR 21.7 million to the capital funds of Leasing to provide financial support and recognized immediately an impairment loss of EUR 28.4 million on its investment in subsidiary in 'Other operating result.

(b) Investment in associates

Name of the company	Registered office	Principal activity	Bank interest 2009	Bank voting rights 2009
3on private equity, a.s.	Štefanovičova 12 811 04 Bratislava, Slovak Republic	Investment advisory	35.29%	35.29%
Prvá stavebná sporiteľňa, a.s.	Bajkalská 30 829 48 Bratislava, Slovak Republic	Banking	9.98%	35.00%
Slovak Banking Credit Bureau, s.r.o.	Malý trh 2/A 811 08 Bratislava, Slovak Republic	Retail credit register	33.33%	33.33%
Erste Corporate Finance, a.s.	Evropská 2690/17 116 00 Praha, Czech Republic	Financial and legal advisory	25.00%	25.00%
s IT Solutions SK, spol. s r. o.	Prievozská 14 821 09 Bratislava, Slovak Republic	Software company	23.50%	23.50%
Czech and Slovak Property Fund B.V.	Fred. Roeskestraat 123, Amsterdam, The Netherland	Real estate fund	10.00%	10.00%

2009

ths. EUR	Interest held (%)	Voting power held (%)	Net book value	Total assets	Total equity	Total income	Total expense
3on private equity, a.s.	35.29	35.29	207	835	760	742	583
Prvá stavebná sporiteľňa, a.s.	9.98	35.00	1 093	1 999 750	252 900	138 005	110 075
Slovak Banking Credit Bureau, s.r.o.	33.33	33.33	3	114	106	806	775
Erste Corporate Finance, a.s.	25.00	25.00	390	1 765	1 492	2 418	3 164
s IT Solutions SK, spol. s r.o.	23.50	23.50	2 409	48 221	4 632	30 629	30 005
Czech and Slovak Property Fund B.V.	10.00	10.00	-	311 210	603	17 462	39 434
Total			**4 102**				

2008

ths. EUR	Interest held (%)	Voting power held (%)	Net book value	Total assets	Total equity	Total income	Total expense
3on private equity, a.s.	35.29	35.29	199	863	664	896	697
Prvá stavebná sporiteľňa, a.s.	9.98	35.00	1 095	1 949 014	253 867	136 892	114 154
Slovak Banking Credit Bureau, s.r.o.	33.33	33.33	0	398	66	1 095	1 095
Erste Corporate Finance, a.s.	25.00	25.00	398	2 590	2 215	3 416	3 078
s IT Solutions SK, spol. s r.o.	23.50	23.50	2 722	19 651	963	38 372	37 509
Czech and Slovak Property Fund B.V.	10.00	10.00	16 888	110 900	29 095	6 157	8 710
Total			**21 302**				

Although the Bank's share and voting rights in the Czech and Slovak Property Fund represents only 10.00%, the Company is classified as an associate based on the Bank's equity share of its earnings amounting to 33.33%.

In September 2008, the Bank sold a 28.33% ownership interest from its 33.33% ownership interest in Poisťovňa Slovenskej sporiteľne, a.s., following Erste Group Bank's strategic decision to dispose its insurance businesses, announced in March 2008 (see note 10). The remaining 5% interest is classified in the available for sale portfolio.

The Bank held a 9.98% shareholding in PSS at 31 December 2009 and 31 December 2008. The Bank, based on the contract with Erste Group Bank, represents shareholder interests of the parent company in PSS (25.02%). In 2004, following NBS approval, the Bank's representative replaced a representative of Erste Group Bank on the Supervisory board of PSS. As a result of the above mentioned, the Bank established significant influence over PSS from 2004. The investment in PSS is therefore presented as associate, with the dividend income from this investment reported under 'Income / (Loss) from investment in subsidiaries and associates' in 2009 and 2008.

20. INTANGIBLE ASSETS

ths. EUR	Software	Other intangible assets	Assets not yet put in service	Total
Cost				
1 January 2009	**168 663**	**8 014**	**56 593**	**233 270**
Additions	-	-	30 070	30 070
Disposals	(156)	(32)	(32 369)	(32 557)
Transfers	11 478	295	(11 773)	-
31 December 2009	**179 985**	**8 277**	**42 521**	**230 783**
Accumulated amortisation and impairment				
1 January 2009	**(116 090)**	**(7 374)**	**-**	**(123 464)**
Amortisation	(27 702)	(275)	-	(27 977)
Disposals	59	29	-	88
31 December 2009	**(143 733)**	**(7 620)**	**-**	**(151 353)**
Net book value				
31 December 2008	**52 573**	**640**	**56 593**	**109 806**
31 December 2009	**36 252**	**657**	**42 521**	**79 430**

Assets not yet put in service include the cost of a bank system development project in the amount of EUR 34 million as at 31 December 2009 (2008: EUR 39 million). The total cost of the system is estimated at EUR 67 million and its putting into use is expected in 2011.

The bank sold EUR 33 million from assets not yet put in service to s IT solutions SK. These relate to the part of the banking system that will be used also by the other Erste Group Bank subsidiaries.

The Bank capitalizes borrowing costs related to these assets, based on the outstanding financed value and 5 year moving average bank refinancing rate. Capitalized borrowing costs amount to EUR 3 479 thousand in 2009 (2008: EUR 1 540 thousand).

The original cost of fully amortised intangible assets that are still in use by the Bank amounts to EUR 93.2 million (2007: EUR 66.4 million).

ths. EUR	Software	Other intangible assets	Assets not yet put in service	Total
Cost				
1 January 2008	**144 365**	**7 749**	**33 224**	**185 338**
Additions	-	-	54 272	54 272
Disposals	(5 477)	(66)	(797)	(6 340)
Transfers	29 775	332	(30 107)	-
31 December 2008	**168 663**	**8 014**	**56 593**	**233 270**
Accumulated amortisation and impairment				
1 January 2008	**(100 323)**	**(7 075)**	**-**	**(107 399)**
Amortisation	(20 049)	(365)	-	(19 684)
Disposals	4 282	66	-	4 348
31 December 2008	**(116 090)**	**(7 374)**	**-**	**(123 464)**
Net book value				
31 December 2007	**44 042**	**673**	**33 224**	**77 939**
31 December 2008	**52 573**	**640**	**56 593**	**109 805**

21. PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY

ths. EUR	Land and buildings	Equipment fixtures and fittings	Motor vehicles	Assets not yet put in service	Total property and equipment	Investment property
Cost						
1 January 2009	**137 930**	**178 962**	**2 713**	**11 441**	**331 046**	**11 948**
Additions	-	-	-	11 008	**11 008**	-
Disposals	(1 029)	(15 658)	(826)	(23)	**(17 536)**	(595)
Transfers	10 184	7 397	132	(19 504)	**(1 791)**	(4 656)
31 December 2009	**147 085**	**170 701**	**2 019**	**2 922**	**322 727**	**6 697**
1 January 2009	**(39 703)**	**(150 805)**	**(2 528)**	**-**	**(193 036)**	**(3 539)**
Depreciation	(6 294)	(11 268)	(100)	-	**(17 662)**	(257)
Disposals	151	15 574	824	-	**16 549**	87
Transfers	848	-	-	-	**848**	971
31 December 2009	**44 998**	**146 499**	**1 804**	**-**	**193 301**	**2 738**
Net book value						
31 December 2008	**98 227**	**28 157**	**185**	**11 441**	**138 010**	**8 409**
31 December 2009	**102 087**	**24 202**	**215**	**2 922**	**129 426**	**3 959**

The original cost of property and equipment that is fully depreciated but still in use by the Bank amounts to EUR 121.8 million (2008: EUR 119.5 million).

The Bank has assessed the impairment of assets (buildings) that were unused or rented to other parties. Based on the estimated recoverable amounts the Bank released total of EUR 347 thousand of impairment provisions into ‘Other operating result’ as of 31 December 2009 (2008: EUR 7.9 million). Provisions for impairment amounting to EUR 317 thousand as of 31 December 2009 (2008: EUR 664 thousand)

ths. EUR	Land and buildings	Equipment fixtures and fittings	Motor vehicles	Assets not yet put in service	Total property and equipment	Investment property
Cost						
1 January 2008	**171 584**	**187 559**	**3 675**	**5 731**	**368 550**	**11 705**
Additions	-	-	-	25 526	**25 526**	-
Disposals	(3 552)	(19 983)	(963)	-	**(24 497)**	(996)
Transfers	(30 102)	11 386	-	(19 817)	**(38 533)**	1 239
31 December 2008	**137 930**	**178 962**	**2 713**	**11 441**	**331 046**	**11 948**
1 January 2008	**(54 541)**	**(158 772)**	**(3 225)**	**-**	**(216 538)**	**(4 688)**
Depreciation	(5 776)	(11 651)	(266)	-	**(17 692)**	(133)
Disposals	1 095	19 618	963	-	**21 676**	365
Provisions for impairment	7 933				**7 933**	
Transfers	11 585	-	-	-	**11 585**	-
31 December 2008	**(39 703)**	**(150 805)**	**(2 528)**	**-**	**(193 036)**	**(3 539)**
Net book value						
31 December 2007	**117 075**	**28 812**	**465**	**5 676**	**152 028**	**7 004**
31 December 2008	**98 227**	**28 157**	**185**	**11 441**	**138 010**	**8 409**

Operating leases

The Bank enters into operating leasing arrangements for motor vehicles, technology, and premises used for banking operations as lessee.

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

Outstanding commitments from operating leases	2009 ths. EUR	2008 ths. EUR
Payable in period:		
- Less than 1 year	5 458	5 643
- From 1 year to 5 years	9 061	11 485
Operating leasing payments recognised as expense in the period	4 568	7 701

Investment property

The Bank owns buildings rented to other parties with a total net book value of EUR 4 million (net of impairment, EUR 317 thousand) as at 31 December 2009 (2008: EUR 8.5 million net of impairment of EUR 664 thousand). Total rental income earned by the Bank amounted to EUR 593 thousand (2008: EUR 2.3 million) and is presented as 'Interest income'. The depreciation of assets held for rental income is presented under 'General administrative expenses' and amounted to EUR 257 thousand (2008: EUR 830 thousand).

The estimated fair value of investment property as at 31 December 2009 was EUR 4 million (2008: EUR 11.1 million).

The Bank uses its own model for determining the fair value of investment property, which is based on discounting future rental income decreased by direct operating expenses. Future rental income was determined using market rental rates for buildings with similar conditions and location, and included the calculation of an independent appraiser when appropriate.

Insurance coverage

The Bank's insurance covers all standard risks to tangible and intangible assets (theft, robbery, natural hazards, vandalism, and other damages).

22. NON-CURRENT ASSETS HELD FOR SALE

ths. EUR	2009	2008
As at 1 January	**29 376**	**4 315**
Additions:		
Acquisitions	-	1 527
Reclassification from Property and Equipment	31 852	28 313
Revaluation	-	-
Total additions	**31 852**	**29 840**
Disposals:		
Sales	(1 364)	(1 328)
Reclassification to Property and Equipment	(28 906)	(3 519)
Revaluation	-	-
Provision for impairment	62	66
Total disposals	**(30 208)**	**(4 780)**
As at 31 December	**31 020**	**29 376**

Following the decision in December 2009, the Bank intends to dispose of selected items of property within the next 12 months. A search is under way for a buyer (s).

The Bank has used judgments in the valuation of particular components of fixed assets to reflect recoverable amount. This is related to own land and buildings, property held for sale, and software.

23. INCOME TAX ASSETS AND LIABILITIES

The structure of the tax position as at 31 December 2009 and 31 December 2008 was as follows:

ths. EUR	2009	2008
Deferred income tax asset	55 520	29 850
Current income tax asset	24 078	-
Total income tax assets	**79 598**	**29 850**
Current income tax liability	-	32 267
Total income tax liabilities	**-**	**32 267**

Deferred tax booked	directly to equity		to Income Statement							
ths. EUR	Securities available for sale	Cash flow hedges	Provisions for losses on loans and advances	Securities	Intangible assets	Property and equipment	Provisions	Associates and other inv.	Other	Total
31 December 2007	**(1 138)**	**(189)**	**-**	**664**	**-**	**(2 257)**	**797**	**863**	**66**	**(1 194)**
Charge / (credit) to equity for the year	4 812	(265)	-	-	-	-	-	-	-	4 547
Charge / (credit) to Income Statement for the year	-	-	22 008	(66)	1 627	(1 726)	232	763	3 583	26 420
Transferred from equity to Income Statement	(227)	303	-	-	-	-	-	-	-	76
31 December 2008	**3 448**	**(151)**	**22 008**	**597**	**1 627**	**(3 983)**	**1 029**	**1 627**	**3 649**	**29 850**
Charge / (credit) to equity for the year	(347)	-	-	-	-	-	-	-	-	(347)
Charge / (credit) to Income Statement for the year	-	-	31 043	-	(1 086)	(381)	384	(758)	(430)	28 772
Transferred from equity to Income Statement	(2 848)	93	-	-	-	-	-	-	-	(2 755)
31 December 2009	**253**	**(58)**	**53 051**	**597**	**541**	**(4 364)**	**1 413**	**869**	**3 219**	**55 520**

Certain deferred tax assets and liabilities have been offset in accordance with the Bank's accounting policy.

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

Effective from 1 January 2008, revisions to the Income Tax Act were introduced which retrospectively limited tax deductibility of provisions for losses on loans. Its retrospective application resulted in an additional current tax liability of EUR 41.5 million recognized in 2009. The Bank expects to realize full benefits from tax non-deductible provisions in the future. Accordingly, it recognized an additional deferred income tax asset of EUR 23.5 million, arising both from tax non-deductible provisions created in 2009 and those subject to additional tax assessment settled in 2008.

24. OTHER ASSETS

ths. EUR	2009	2008
Customers, advances, reinvoiced amounts and prepayments	43 604	9 824
Payment cards and cheques	5 222	8 031
Hedging derivatives	7 084	7 292
Material and inventories	1 276	1 548
Other	3 532	726
Total	**60 719**	**27 421**

Other assets increased mainly due to the receivable from s IT solutions SK related to the sold software amounting to EUR 33 million (Note 20).

25. AMOUNTS OWED TO FINANCIAL INSTITUTIONS

ths. EUR	2009	2008
Amounts owed on demand	2 983	31 219
Repo trades with debt securities	1 293 569	1 141 725
Term deposits and clearing	680 266	969 923
Total	**1 976 818**	**2 142 867**

The liabilities at 31 December 2009 in the amount of EUR 1 294 million from repo trade are collateralised by State bonds and treasury bills in the amount of EUR 1 267 million (2008: EUR 1 114 million) and by corporate bonds in the amount of EUR 27 million (2008: EUR 28 million).

26. AMOUNTS OWED TO CUSTOMERS

ths. EUR	2009	2008
Amounts owed on demand	3 056 014	2 878 377
Savings deposits	477 373	460 732
Term deposits	4 302 321	5 235 693
Total	**7 835 708**	**8 574 802**

Savings deposits are deposits with a defined period of notice, term deposits have a defined maturity date. Savings deposits usually remain in place for a long-term period.

ths. EUR	2009	2008
Savings deposits	477 373	460 732
Term deposits and amounts owed on demand:		
Corporate clients	1 542 179	1 628 958
Retail clients	5 533 622	5 948 748
Public sector	151 760	414 360
Other	130 774	122 004
Total	**7 835 708**	**8 574 802**

As at 31 December 2009 and 31 December 2008, no amounts owed to clients were collateralised by securities.

As at 31 December 2009, amounts owed to customers includes special guaranteed deposits in the amount of EUR 164 million (2008: EUR 485 million). These contracts includes embedded currency, commodity and equity derivatives in the amount of EUR 6.2 million (2008: EUR 13.1 million) which were separated and disclosed under ‘Financial assets at fair value through profit or loss’ and ‘Financial liabilities at fair value through profit or loss’.

27. DEBT SECURITIES IN ISSUE

ths. EUR	2009	2008
Bonds in issue	402 658	390 882
Bonds in issue - Guaranteed deposit	23 796	19 315
Total	**426 454**	**410 197**

Bonds in issue are presented in the following table:

	Date of issue	Maturity date	Actual interest rate	Nominal value 2009 ths. EUR	Nominal value 2008 ths. EUR
Mortgage bonds	August 2003	August 2010	4.65%	16 597	16 597
Mortgage bonds	June 2004	June 2009	4.50%	-	33 194
Mortgage bonds	August 2004	August 2010	4.40%	16 597	16 597
Mortgage bonds	November 2004	November 2009	4.50%	-	36 513
Other bonds	May 2005	April 2009	2 W repo	-	1 992
Mortgage bonds	March 2006	March 2016	6M BRIBOR + 0.09%	16 597	16 597
Other bonds	June 2007	June 2010	6M BRIBOR + 0.04%	62 537	69 243
Mortgage bonds	July 2007	July 2027	4.95%	16 597	16 597
Mortgage bonds	September 2007	September 2012	6M BRIBOR + 0.02%	19 916	19 916
Mortgage bonds	April 2008	April 2012	6M BRIBOR 0.10%	6 639	6 639
Mortgage bonds	April 2008	April 2021	5.00%	16 597	16 597
Other bonds	May 2008	May 2012	4.52%	3 651	3 651
Mortgage bonds	July 2008	July 2010	5.30%	44 812	44 812
Mortgage bonds	July 2008	July 2011	6M BRIBOR + 0.20%	14 273	14 273
Other bonds	September 2008	September 2009	8.18%	-	15 343
Mortgage bonds	September 2008	September 2010	5.00%	5 089	5 145
Mortgage bonds	September 2008	September 2010	5.00%	9 726	9 726
Mortgage bonds	October 2008	October 2010	5.00%	8 215	8 299
Mortgage bonds	October 2008	October 2009	5.00%	-	8 298
Mortgage bonds	October 2008	April 2011	6M BRIBOR + 0.40%	8 299	8 299
Mortgage bonds	November 2008	November 2009	5.00%	-	8 298
Mortgage bonds	December 2008	December 2009	5.00%	-	6 901
Mortgage bonds	February 2009	February 2011	2.70%	3 650	-
Other bonds	March 2009	March 2011	3M EURIBOR + 0.80%	2 000	-
Other bonds	April 2009	April 2011	2.70%	9 931	-
Other bonds	May 2009	May 2013	3M EURIBOR	4 950	-
Other bonds	May 2009	May 2012	3.25%	14 840	-
Mortgage bonds	July 2009	January 2013	3.50%	9 970	-
Mortgage bonds	August 2009	August 2011	3M EURIBOR + 1.15%	10 000	-
Mortgage bonds	August 2009	August 2013	3.60%	9 945	-
Mortgage bonds	August 2009	August 2013	3.60%	9 913	-
Mortgage bonds	November 2009	November 2011	3M EURIBOR + 0.64	25 000	-
Mortgage bonds	December 2009	December 2013	3.50%	15 000	-
Mortgage bonds	December 2009	December 2013	3.50%	5 000	-
Mortgage bonds	October 2010	October 2013	3.03%	12 258	-
Total nominal value			**398 599**	**383 527**	**16 597**
Accrued interest				4 059	7 355
Total				**402 658**	**390 882**

All bonds shown above are listed and traded on the Bratislava Stock Exchange ('BSE').

Part of the mortgage bonds issued are collateralised by State bonds included in the HTM portfolio with the carrying amount of EUR 38.3 million (2008: EUR 38.3 million).

As at 31 December 2009, debt securities in issue include embedded commodity derivatives and shares in the amount of EUR 657 thousand (2008: EUR 576 thousand) which were separated and are disclosed under "Financial assets at fair value through profit or loss" and "Financial liabilities at fair value through profit or loss".

The Bank set up a fair value hedge in July 2007 to hedge issued mortgage bonds in the amount of EUR 16.6 million (former SKK 500 million) with fixed rate. To protect against interest rate risk, the Bank entered into an interest rate swap. The notional and fair value of the aforementioned hedging derivative is reported in Note 42.

During the period, the hedge was effective in the hedging of fair value exposure to interest rate movements. For the year ended 31 December 2009, the Bank recognised a net loss of EUR 221 thousand (2008: gain of EUR 2 million), representing the loss on the hedging instruments. The total gain on hedged items attributable to hedged risk amounted to gain EUR 238 thousand (2008: loss of EUR 2.3 million).

28. PROVISIONS

ths. EUR	2008	Additions	Use	Reversals	2009
Provision for off-balance sheet items	4 509	4 182	-	(2 161)	6 530
Interest bearing deposit products	896	896	(896)	-	896
Legal cases	14 005	2 100	(7 307)	-	8 798
Employee benefit provisions	2 757	430	(316)	(114)	2 757
Other provisions	3 164	617	(320)	(16)	3 445
Total	**25 331**	**8 225**	**(8 839)**	**(2 291)**	**22 426**

(a) Provision for off-balance sheet and other risks

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

(b) Provisions for interest-bearing products

Provision has been made for prize-saving books for the amount of the estimated probable awards attributed to the holders.

(c) Provision for legal cases

The Bank conducted a review of legal proceedings outstanding against it as at 31 December 2009. These matters have arisen from normal banking activities. According to the updated status of these matters in terms of the risk of losses and the amounts claimed, the Bank has increased provision for these legal cases by EUR 2.1 million to EUR 8.8 million as of 31 December 2009.

The net release (see also note 10) in the provisions for legal cases of EUR 5.2 million is reported under ‘Other operating result’ in the Income Statement (2008: increase of EUR 5 million of provisions).

(d) Long – term employee benefits provisions

The Bank has a defined benefit program, under which employees are entitled to a lump-sum payment upon taking retirement or a working jubilee. As at 31 December 2009 there were 4 466 employees at the Bank covered by this program (2008: 4 736 employees).

During the year ending 31 December 2009, the actuarial calculation based on the projected unit credit method was performed resulting in the final employee benefit obligation in the amount of EUR 3 445 thousand (2008: EUR 3 164 thousand).

The amounts recognised in the balance sheet and Income Statement as at 31 December 2009 are as follows:

ths. EUR	Pension provisions	Jubilee provisions	Total long-term provisions
Long-term employee provisions at 31 December 2007	**1 129**	**1 195**	**2 324**
New commitments from acquisitions of companies			
Service costs	133	166	299
Interest costs	66	66	133
Payments	(66)	(198)	(265)
Actuarial losses	299	(32)	267
Long-term employee provisions at 31 December 2008	**1 560**	**1 197**	**2 757**
New commitments from acquisitions of companies			
Service costs	111	188	299
Interest costs	73	58	131
Payments	(154)	(162)	(316)
Actuarial (gains)	(157)	43	(114)
Long-term employee provisions at 31 December 2009	**1 433**	**1 324**	**2 757**

Key assumptions used in actuarial valuation:

Long-term employee provisions were calculated in accordance with the currently valid mortality tables issued by the Statistical Office of the Slovak Republic.

ths. EUR	2009	2008
Real annual discount rate	4,27%	4,79%
Annual future real rate of salary increases	0,00%	3,90%
Annual employee turnover	0,00%-8,14%	0,00%-21,05%
Retirement age	62 rokov	62 rokov

29. OTHER LIABILITIES

ths. EUR	2009	2008
Other short-term payables to customers related to money transfer	20 728	10 276
Accruals for general administrative expenses	27 855	43 723
Various creditors	25 660	38 457
Fair value of hedging instrument	7 001	2 411
Total	**81 244**	**94 867**

Summary of the social fund liability included in Other liabilities – Various creditors is as follows:

ths. EUR	2009	2008
As at 1 January	449	1 702
Additions	1 691	979
Drawings	(1 773)	(2 232)
As at 31 December	**367**	**449**

30. SUBORDINATED DEBT

With the ultimate objective to strengthen the Bank's own funds, the Bank entered into subordinated loan contracts with its parent company Erste Group Bank on 21 December 2006 and 26 August 2008. Based on the first contract, the Bank drew EUR 100 million subordinated loan in February 2007 with a repayment date of 21 December 2016, with floating interest rate based on selected 3M or 6M EURIBOR. Based on the second contract, the Bank drew EUR 80 million subordinated loan in August 2008 with a maturity five years and floating interest rate 3M EURIBOR.

Subordinated debt ranks behind other liabilities in the case of financial difficulties of the Bank.

31. EQUITY

Share capital

Authorised, called-up, and fully paid share capital consists of the following:

Nominal value	Number of shares	2009 ths. EUR	Number of shares	2008 ths. EUR
EUR 1,000 each	212 000	212 000	-	-
EUR 33.19 each	-	-	2 174 207	72 170
EUR 3,319,391.89 each	-	-	42	139 414
Total		**212 000**		**211 585**

Voting rights and rights to receive dividends are attributed to each class of share, pro rata to their share of the share capital of the Bank.

The distribution of profit is shown in the following table:

	Attributable from the profit for the year	
Dividends per share	**2009***	**2008**
Dividends paid to shareholder from profit for the year (ths. EUR)	-	65 193
Number of shares EUR 1 000 each	212 000	
Number of shares EUR 33.19 each	-	2 174 207
Number of shares EUR 3,319,391.89 each	-	42
Amount of dividends per EUR 1 000 share (EUR)	**-**	**-**
Amount of dividends per EUR 33.19 share (EUR)	**-**	**10**
Amount of dividends per EUR 3,319,391.89 share (EUR)	**-**	**1 022 804**

*** Based on the proposed profit distribution.**

Legal reserve fund

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

Other funds

Other funds as at 31 December 2009 included only the Statutory fund amounting to EUR 39.3 million (2008: EUR 39.3 million).

The Statutory fund was created from distributable profits to strengthen the Bank's capital base. The Statutory fund may be terminated and transferred back to distributable profits if the Bank's share capital or legal reserve fund is increased. Such termination and transfer requires the approval of the Supervisory Board and the General Assembly.

Hedging reserves

Hedging reserves represent the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges. Hedging reserves are disclosed net of deferred tax effect.

Revaluation reserves

Revaluation reserves represent the unrealised revaluation of Securities available for sale. Revaluation reserves are disclosed net of deferred tax effect.

Other funds, hedging reserves, and revaluation reserves are not available for distribution to shareholders.

32. EARNINGS PER SHARE

ths. EUR	2009	2008
Net profit applicable to ordinary shares (ths. EUR)	11 920	155 720
Number of shares EUR 1 000 each	212 000	-
Number of shares EUR 33.19 each	-	2 174 207
Number of shares EUR 3,319,391.89 each	-	42
Basic and diluted profit per EUR 1 000 share (EUR)	**56**	
Basic and diluted profit per EUR 33.19 share (EUR)	**-**	**24**
Basic and diluted profit per EUR 3,319,391.89 share (EUR)	**-**	**2 443 069**

The nominal EUR amount per share of EUR 33.19 and EUR 3 319 391.89 for 2008 presented in the above table represents the EUR equivalent of shares with nominal values amounting to SKK 1 000 and SKK 100 million respectively.

33. SUPPLEMENTARY DATA TO STATEMENTS OF CASH FLOWS

Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows are composed of the following items:

ths. EUR	2009	2008
Cash on hand (Note 12)	254 049	349 387
Nostro accounts with the NBS (Note 12)	-	180 908
Accounts with other financial institutions repayable on demand (Note 13)	4 370	13 580
Repo trades with the central bank treasury bills (Note 13)	-	2 552 632
Total cash and cash equivalents	**258 419**	**3 096 507**

Operational cash flows from interests	2009	2008
Interest paid	(121 994)	(191 251)
Interest received	473 468	582 985

34. FINANCIAL RISK MANAGEMENT

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial instruments may result in certain risks to the Bank. The most significant risks the Bank faces include:

- **credit risk is the risk of loss arising from default by a creditor or counterparty.**
- **market risk is the risk of losses in on and off-balance-sheet positions arising from movements in market factors, i.e. prices, interest rates, foreign exchange rates, volatilities, etc.**
- **operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, and includes legal risk.**
- **liquidity risk is the risk of loss resulting from the inability of the Bank to meet its investment and financing requirements with regard to cash flows discrepancy.**
- **fraud risk is the risk of financial or reputation losses originating from the intent to defraud the Bank or its entities by falsifying information or by misrepresentation by employees, existing or potential customers, or any third parties.**
- **compliance is the risk of breaching regulatory rules and related litigation risk (with regulars or clients), financial risk (fines, compensation of damage), reputation risk and the risk of breaking of corporate culture.**
- **reputation risk is the risk of losses arising from failure to meet stakeholders' reasonable expectations of Bank's performance and behaviour.**
- **strategic and business risks are the risks to earnings and capital arising from changes in the business environment and from adverse business decisions, improper implementation of decisions or lack of responsiveness to changes in the business environment.**

The ultimate risk management body is the Board of Directors. It may, however, delegate some of its authority for particular risk management areas to respective committees (ALCO, ORCO and CRC). The board also designates one of its members to serve as Chief Risk Officer (CRO).

Asset & Liability Committee (ALCO) has ultimate authority over market risk of both trading and banking books and over liquidity risk.

As for corporate credit risk, the ultimate decision making body is the Credit Committee of Supervisory Board, which consists of the members of the Supervisory Board. Credit Committee of Board of Directors (CRC) is next in line with direct authority over the credit risk area.

Operational Risk and Compliance Committee (ORCO) is the authorized body to make decisions on operational risk strategies and procedures, decides on risk appetite and tolerance levels, and decides on mitigation measures for operational risk, compliance, financial crime, and anti-money laundering issues.

ALCO, ORCO, and CRC are composed of members of the board and senior managers. The Chief Risk Officer is a member of all three committees.

The Operating Liquidity Committee (OLC) governs the execution of liquidity management. OLC reports directly to ALCO. It analyzes the liquidity situation of the Bank on a regular basis and proposes measures to be taken. OLC consists of members of Trading, BSM and Strategic Risk Management units.

Structure of risk management organization consists of five key units:

- **Corporate Credit Risk Management Division - carries out all activities concerning operative credit risk of corporate clients & Financial Institutions.**
- **Retail Credit Risk Management Division - responsible for management of credit risk for retail lending, specifically credit policy, organization of lending process, collection process, and portfolio management for retail segment.**
- **Strategic Risk Management (SRM) - responsible for overall evaluation and control of credit risk at the Bank level. Planning, coordination, and monitoring of credit risk loss provisions. Evaluation and management of operational risk. Evaluation and management of market risk. Evaluation of liquidity risk. Calculation of risk capital charge, its planning and allocation to business lines.**
- **Financial Crime & Compliance - responsible for compliance risk management (e.g. code of ethics, full compliance with legal requirements, anti-money laundering program) and for fraud risk management (prevention, detection, investigation, deterrence, and recovery of financial fraud). The Compliance Officer has a direct reporting line to the CRO.**

– **Balance Sheet Management - mainly responsible for financial market analysis. To achieve planned Net Interest Income (NII) of the Bank along with the effective management of liquidity and market risk on the Banking Book.**

The risk management function is completely independent from business lines. Overall, risk management has the following roles:

– **setting strategies and policies for risk management**
– **building a risk-aware culture within the Bank**
– **design and oversight internal risk policies, processes, and structures for business units**
– **designing and reviewing processes of risk management**
– **risk reporting**
– **cost of risk identification, calculation, and measurement, and setting of risk premiums**
– **implementation, calibrating and periodical reviewing of models for risk measurement including risk weighted assets ('RWA') calculations**
– **to protect against losses from financial crime activities and compliance violations**

35. 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 contractual obligations.

Credit risk is the largest single risk in the Bank. It arises from traditional lending activities (loans and advances to customers) where losses are incurred by default (deteriorating creditworthiness) of borrowers, as well as from trading in market instruments. Credit risk also includes sovereign, country, concentration, settlement, and dilution risk.

In the year 2008 the Bank confirmed its local leading position in risk management with the successful implementation of new Basel II rules. The Bank reports capital adequacy using the "internal-ratings based" (IRB) approach to credit risk since July 2008 as the first bank in Slovakia. The approval by Financial Market Authority of Austria and National Bank of Slovakia indicated that the Bank's credit risk measurement and control systems are sound and implemented properly into risk management, credit process and capital adequacy estimation as well as into internal controls and reporting and that they play the essential role.

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The cornerstone of the loan process in the Bank is based on risk assessment using rating systems and the assignment of a rating grade. The final rating is a key factor for a loan decision, loan amount, and price. The rating systems are developed, implemented and regularly validated in cooperation within Erste Group Bank using common Group standards and tools. The rating systems are used since the year 2006 and the Bank collects all data necessary for accurate and efficient risk control and management. The rating systems and their validation are properly documented.

The Corporate Credit Risk Management Division formulates credit policy and internal provisions on credit approval process for corporate clients. It is responsible for risk analysis of counterparties and credit facilities (financial analysis, rating assignment, credit transaction assessment). It furthermore monitors the development credit portfolio of corporate clients. It regularly reviews assigned ratings and counterparty financial situation. It also designs, sets and monitors limits, maintains deal and limit documentation for corporate clients, work-out, effective debt recovery for corporate clients, and collateral management. This Division is also involved in credit approval process or taking direct credit decisions.

The Retail Credit Risk Management Division formulates credit policy and internal provisions on the credit approval process for retail clients. It is responsible for risk assessment of counterparties and credit facilities (rating assignment, credit transaction assessment). It furthermore monitors the development of the credit portfolio of retail clients. It also designs, sets and monitors limits, maintains deal and limit documentation, performs early & late collection, and effective debt recovery.

Strategic Risk Management ('SRM'), more specifically its Credit Risk Section, is the independent risk control unit in the meaning of Basel II. SRM is not involved in operative credit decision-making. However, it is responsible for the design of rating systems, the testing and monitoring of the accuracy and selectivity of internal rating grades, and the production and analysis of summary reports from the Bank's rating systems. SRM is also responsible for the design and implementation of models for the calculation of risk parameters (Probability of default - PD, Loss-given default - LGD, Credit conversion factor - CCF etc.), standard risk costs, and portfolio provisions. It is also responsible for the design and implementation of models for the calculation of risk-weighted assets according to Basel II and the model for economic capital.

Regular audits of business units and the Bank's credit processes are undertaken by Internal Audit.

Maximum exposure to credit risk

Maximum exposure to the credit risk of financial assets is represented by their net carrying amount (carrying amount in the case of derivatives measured at fair value).

Maximum exposure to credit risk for off balance sheet commitments (e.g. undrawn loan limits, financial guarantees granted) is represented by the maximum amount the Bank has to pay if the commitment is called on.

Information regarding exposure to credit risk arising from financial assets other than loans and off balance sheet commitments is detailed in individual notes.

Exposure to credit risk from loans, advances to customers, financial guarantees granted and undrawn loan commitments

The following table presents the maximum exposure to credit risk of loans, advances to customers, financial guarantees granted and undrawn loan commitments:

ths. EUR	2009	2008
Gross amount	**7 103 054**	**7 172 246**
Retail	3 965 142	3 368 766
Corporate and other classes	3 137 912	3 803 480
Provision for impairment	**(294 740)**	**(195 701)**
Retail	(202 711)	(155 650)
Corporate and other classes	(92 029)	(40 051)
Net amount	**6 808 314**	**6 976 545**
Retail	3 762 431	3 213 116
Corporate and other classes	3 045 883	3 763 429

Note: Retail loans include small loans to entrepreneurs.

Provisions for impairment are structured as follows:

ths. EUR	2009	2008
Provisions for losses on loans and advances (Note 15)	288 210	191 192
Provisions for off-balance sheet items (Note 28)	6 530	4 509
Total provision for impairment	**294 740**	**195 701**

Information on the credit quality of loans, advances to customers, financial guarantees granted and undrawn loan commitments, classified as retail asset class by the Bank are as follows:

Retail asset class

ths. EUR	2009	2008
Total exposure		
Investment grade (1-5)	3 236 995	2 688 231
Subinvestment grade (6)	246 868	298 338
Subinvestment grade (7)	83 547	73 228
Subinvestment grade (8)	152 058	116 487
Rating R: Defaulted	245 675	192 482
Gross amount	**3 965 142**	**3 368 766**
Provisions for impairment	(202 711)	(155 650)
Net amount	**3 762 431**	**3 213 116**
Ageing of loans rated 1 – 8 is as follows:		
0 days	3 512 545	3 001 723
1 – 30 days	158 445	133 236
31 – 60 days	29 131	26 877
61 – 90 days	18 677	14 448
90 days+ *	670	0

* Overdue amount is non material, i.e. less than EUR 50 per client (materiality limit introduced in Q4/09).
Note: The increasing internal rating of exposures corresponds with their increasing credit risk; when assigning the rating the Bank considers the financial position and performance of the counterparty, qualitative factors, as well as general economic trends in the particular industry and country. Categories of 1 to 8 represent individually non-impaired loans.
In case of private individuals the Bank is using product definition of non-performing loans, i.e. if one loan of the client is more than 90 days overdue all client's accounts within the same product must be reported in the non-performing category. In case of other segments loans with rating R are reported as non-performing.

Individually impaired loans and irrevocable commitments

Impaired loans and irrevocable commitments are those for which the Bank determines that it is probable it will be unable to collect all principal and interest due according to the contractual terms of these financial instruments. These are graded 'R' in the Bank's internal risk rating system.

Past due but not individually impaired loans

Loans where contractual interest or principal payments are past due but the Bank believes that impairment is not appropriate.

Neither past due nor individually impaired loans

Loans where contractual interest or principal payments are not past due and the Bank does not expect impairment.

Information regarding the credit quality of loans, advances to customers, financial guarantees granted and undrawn loan commitments (classified as corporate, institutional or sovereign asset class) are as follows:

Corporate and other asset classes

ths. EUR	2009	2008
Total exposure		
Investment grade (1-5)	2 303 619	3 146 010
Subinvestment grade (6)	328 909	474 260
Subinvestment grade (7)	258 725	35 121
Subinvestment grade (8)	107 656	100 080
Rating R: Defaulted	139 002	48 009
Gross amount	**3 137 912**	**3 803 480**
Provision for impairment	(92 029)	(40 051)
Net amount	**3 045 883**	**3 763 429**
Individually impaired		
Gross amount	**139 002**	**48 009**
Provision for impairment	(59 990)	(28 885)
Net amount	**79 012**	**19 124**
Past due (excluding individually impaired)		
Investment grade (1-5)	7 885	2 969
Subinvestment grade (6)	3 955	4 128
Subinvestment grade (7)	3 550	1 049
Subinvestment grade (8)	16 272	16 528
Gross amount	**31 663**	**24 674**
Provision for impairment	(1 070)	(3 097)
Net amount	**30 594**	**21 577**
Past due (excluding individually impaired)		
1-30 days	14 602	3 157
31-60 days	9 881	16 094
61-90 days	7 180	5 423
90 days+	-	-
Neither past due nor individually impaired		
Investment grade (1-5)	2 295 734	3 143 040
Subinvestment grade (6)	324 954	470 132
Subinvestment grade (7)	255 175	34 073
Subinvestment grade (8)	91 384	83 552
Gross amount	**2 967 247**	**3 730 797**
Provision for impairment	(30 970)	(8 069)
Net amount	**2 936 277**	**3 722 728**

Note: The Increasing internal rating of exposures corresponds with their increasing credit risk; when assigning the rating the Bank considers financial position and performance of counterparty, qualitative factors as well as general economic trends in particular industry and country.
Exposures rated as 1 – 8 according to Bank's internal rating are not considered to be individually impaired.

Default events

Part of the Bank's reporting is the monitoring of default events behind defaulted individually significant loans. The Bank defines five default events:

- **E1 – unlikeliness to pay**
- **E2 – 90 days overdue**
- **E3 – distressed restructuring of exposure**
- **E4 – Exposure write-off**
- **E5 – Bankruptcy**

When a default event is recognized in the system, the rating of the client is automatically changed to defaulted.

Collaterals

The Bank holds collateral against loans and advances to customers in the form of real estates, securities, bank guaranties and other credit enhancements. Estimates of fair value are based on the value of collateral assessed at the time of borrowing that is regularly updated. Collateral is not generally held over loans and advances to banks, except when securities are held as a part of reverse repurchase activities (see Note 13). Collaterals against investment securities are described in Note 17 and 18.

Estimated fair values of collaterals and other credit enhancements held against loans, advances to customers, financial guarantees granted and undrawn loan commitments is shown below:

ths. EUR	2009	2008
Real estates	5 024 962	4 109 396
Securities	163 178	232 789
Bank guaranties	332 699	415 521
Other	193 813	119 531
Total	**5 714 652**	**4 877 237**

Renegotiated loans

The carrying amount of financial assets that would otherwise be past due or impaired and whose terms have been renegotiated during 2009:

	Number of clients	ths. EUR
Private persons	550	8 989
Legal persons	108	87 916
Total	**658**	**96 905**

Concentration risk

A summary of concentrations of financial assets (including derivatives), loan commitments and guarantees as of 31 December 2009 and 2008 are presented below:

31 December 2009 ths. EUR	Loans and advances to customers		Loans and advances to financial institutions		Investment securities	
	Gross	Net	Gross	Net	Gross	Net
Activities of households as employers	3 648 699	3 479 239	-	-	779	779
Agriculture, forestry and fishing	48 527	44 539	-	-	-	-
Mining and quarrying	6 586	6 493	-	-	-	-
Manufacturing	785 202	762 506	-	-	17 150	17 150
Electricity, gas, steam and air conditioning supply	218 859	218 510	-	-	-	-
Water supply, sewerage, waste management	5 652	5 118	-	-	-	-
Construction	365 357	352 117	-	-	572	572
Wholesale and retail trade	485 083	441 467	-	-	-	-
Transportation and storage	233 149	225 805	-	-	53 713	53 713
Accommodation and food service activities	121 007	106 443	-	-	-	-
Information and communication	12 770	11 654	-	-	-	-
Financial and insurance activities	145 966	144 906	1 191 727	1 190 577	345 214	339 167
Real estate activities	778 407	769 641	-	-	-	-
Professional, scientific and technical activities	58 980	54 440	-	-	-	-
Administrative and support service activities	24 884	23 042	-	-	-	-
Public administration and defense	104 186	104 161	-	-	3 269 213	3 269 213
Education	1 621	1 458	-	-	-	-
Human health and social work activities	36 991	36 620	-	-	-	-
Arts, entertainment and recreation	9 400	9 135	-	-	-	-
Other service activities	6 807	6 429	-	-	-	-
Other	4 921	4 590	-	-	10 071	10 071
Total	**7 103 054**	**6 808 314**	**1 191 727**	**1 190 577**	**3 696 712**	**3 690 665**

31 December 2008 ths. EUR	Loans and advances to customers		Loans and advances to financial institutions		Investment securities	
	Gross	Net	Gross	Net	Gross	Net
Activities of households as employers	3 083 639	2 951 467	-	-	14 298	14 298
Agriculture, forestry and fishing	46 102	43 436	-	-	-	-
Mining and quarrying	185	182	-	-	-	-
Manufacturing	846 172	831 965	-	-	24 804	24 804
Electricity, gas, steam and air conditioning supply	289 335	289 265	-	-	-	-
Water supply, sewerage, waste management	4 952	4 734	-	-	-	-
Construction	222 984	216 186	-	-	562	562
Wholesale and retail trade	656 768	634 840	-	-	-	-
Transportation and storage	261 061	255 860	-	-	53 622	53 622
Accommodation and food service activities	123 731	121 819	-	-	-	-
Information and communication	30 329	29 278	-	-	-	-
Financial and insurance activities	384 537	384 285	2 703 935	2 703 935	456 888	452 341
Real estate activities	824 796	822 294	-	-	-	-
Professional, scientific and technical activities	136 523	132 960	-	-	-	-
Administrative and support service activities	63 751	61 674	-	-	-	-
Public administration and defense	109 188	109 188	-	-	1 836 319	1 836 319
Education	2 261	2 108	-	-	-	-
Human health and social work activities	42 661	42 429	-	-	-	-
Arts, entertainment and recreation	17 623	17 361	-	-	-	-
Other service activities	4 677	4 402	-	-	-	-
Other	20 971	20 812	-	-	11 792	11 792
Total	**7 172 246**	**6 976 545**	**2 703 935**	**2 703 935**	**2 398 285**	**2 393 738**

A summary of the concentrations of loans and advances to customers, loan commitments, and guarantees classified by asset classes (as of 31 December 2009 and 2008) is presented below:

ths. EUR	Gross	2009 Net	Gross	2008 Net
Retail	3 965 142	3 762 431	3 368 766	3 213 116
Corporate	3 023 369	2 931 673	3 679 245	3 639 192
Institution	6 956	6 623	10 299	10 296
Sovereigns	107 587	107 587	113 936	113 941
Carrying amount	**7 103 054**	**6 808 314**	**7 172 246**	**6 976 545**

As of 31 December 2009 and 2008 the following loans and off balance sheet exposures are related to property business activities. These loans were provided mainly to finance the acquisition, operation or construction of properties:

ths. EUR	2009 Maximum exposure	2009 On-balance	2008 Maximum exposure	2008 On-balance
Residential developments	182 239	114 745	301 936	105 125
Office schemes	302 905	252 152	286 551	232 623
Hotels, Pensions	157 521	124 899	178 554	108 411
Retail premises	140 009	120 001	145 375	119 100
Mixed schemes	120 725	97 801	126 607	62 670
Lands	104 169	62 770	123 036	90 088
Rental flats	30 375	24 412	31 646	27 750
Leisures	13 908	3 833	14 240	4 315
Logistics	5 948	3 612	10 370	8 431
Total	**1 057 800**	**804 226**	**1 218 315**	**758 514**

The following table presents a summary of the Bank's credit risk to the Slovak Republic, companies controlled by the Slovak government, self-governing regions, guarantees issued by the Slovak government, and similar exposures:

ths. EUR	2009 Amount ths. EUR	2009 Portion of total assets %	2008 Amount ths. EUR	2008 Portion of total assets %
Cash and balances at the central bank	68 885	0.61%	1 077 408	8.72%
Repo trades with NBS treasury bills	-	0.00%	2 552 646	20.65%
Loans and advances to customers	255 659	2.26%	260 771	2.11%
Securities portfolios	3 156 366	27.85%	1 846 644	14.94%
Total	**3 480 910**	**30.71%**	**5 737 469**	**46.42%**

The Bank holds a large volume of State debt securities. A breakdown of State debt securities is shown below per portfolio and type of security:

ths. EUR	2009	2008
Financial assets at fair value through profit or loss	**8 831**	**1 062**
Treasury bills	-	-
State bonds denominated in EUR	8 831	1 062
Securities available for sale	**901 259**	**604 727**
Treasury bills	298 983	170 949
State bonds denominated in EUR	0	314 844
Slovak government Eurobonds	599 202	115 814
Companies controlled by the Slovak government	3 074	3 120
Securities held to maturity	**2 246 276**	**1 240 855**
Treasury bills	119 900	11 684
Slovak government Eurobonds	-	52 048
State bonds denominated in EUR	2 102 791	1 153 489
Companies controlled by the Slovak government	23 585	23 634
Total	**3 156 366**	**1 846 644**

The rating of the Slovak Republic according to the international rating agency Standard & Poor's is A + (14 January 2010).

36. MARKET RISK

Market risk is the risk of losses in on and off-balance-sheet positions arising from movements in market factors, i.e. prices, interest rates, foreign exchange rates, volatilities, etc. In the current year, the financial market has been disrupted, resulting in higher volatility and significant uncertainty. The risk management process comprises of the four key elements:

- **risk identification - identify all risks inherent in the trading operations and in new products (new products check), and ensure these are subject to adequate procedures and controls before being introduced or undertaken.**
- **risk measurement – calculation of risk exposure using sensitivities and value-at-risk.**
- **limits management - development of a comprehensive limit system and limit allocation. Limit setting is a way to restrict the maximum risk exposure.**
- **risk monitoring and reporting.**

The main tool to measure market risk exposure in the Bank is Value-at-Risk (VaR) which is complemented by back testing and a stress testing programme.

The Bank separates its exposure to market risk between the Trading Book and Banking Book.

Market Risk - Trading Book

The trading book represents the Bank's positions in financial instruments – cash, derivative or securities - held either with trading intent (i.e. for short-term resale and/or with the intent of benefiting from actual or expected short-term price movements), or in order to hedge other instruments of the trading book.

For the purpose of market risk measurement of the trading book, VaR with complementary stress testing and extreme value theory measurements is used.

The VaR risk measurement estimates the maximum potential loss in pre-taxation profit over a given holding period for a specified confidence level. VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities, changes in interest rates, foreign exchange rates, and other market factors. Risks can be measured consistently across all markets and products of the trading book, and risk measures can be aggregated to arrive at a single risk number. The one-day 99% VaR number used by the Bank reflects the 99% probability that the daily loss will not exceed the reported VaR. Value-at-Risk is not an indication of actual future performance of investments which may increase or decrease in value. An important part of the VaR model is Back Testing that compares the ex-post computed VaR with the profit and loss actually achieved over the holding period, and thus ascertains whether the actual loss of overdrafts is in accordance with the selected confidence level.

Value-at-risk is subject to some model assumptions (normality of distribution, historical simulation, etc.). Stress testing partially tackles these shortcomings by estimating losses due to extreme changes in market factors, the probabilities of which are very small. Position or portfolios are tested under a number of potential extreme scenarios and their impact on value and hence profit and loss is computed.

In order to manage the maximum risk exposure, comprehensive system of limits is established, including VaR, sensitivity, and stop-loss limits.

A new Erste Bank holding structure is effective as of February 2008. As a part of this strategic decision only the money market desk remains within the responsibility of SLSP, a.s. from interbank trading. In addition, no new derivatives are allowed on the desk and the eligible products are limited to deposits, treasury bills, FX swaps and repurchase agreements.

As of 31 December 2009, the maximum one day expected loss from exposures of the trading book, that may result from changes in interest rates, exchange rates and other market factors, are as follows:

ths. EUR Desk	Interest	Currency	2009 Price	Volatility	Total	Limit
Foreign Exchange	0.0	0.2	0.0	0.0	0.2	100
Money Market	18.1	0.0	0.0	0.0	18.1	620
Fixed Income	0.0	0.0	0.0	0.0	0.0	0
Total	**18.1**	**0.2**	**0.0**	**0.0**	**18.1**	**660**

ths. EUR Desk	Interest	Currency	2008 Price	Volatility	Total	Limit
Foreign Exchange	0.0	3.3	0.0	0.0	3.3	66
Money Market	26.6	0.0	0.0	0.0	26.6	498
Fixed Income	0.0	0.0	0.0	0.0	0.0	66
Total	**0.0**	**3.3**	**0.0**	**0.0**	**27.7**	**531**

The limit represents the Bank's internally defined maximum one day loss that is used as a benchmark for managing the market risk of the trading book.

Market Risk - Banking Book

The market Risk of Banking book is managed by the Balance Sheet Management Division (BSM) with cooperation of Strategic Risk Management Division (SRM).
The main steps to market risk analyzing and managing:

- **data collection – on the Bank's portfolio and market data.**
- **assumptions set-up – on products, scenarios and strategies building.**
- **analysis results:**
  – MVE risk - risk of change of market value of the portfolio in the case of change of interest rates curve (see note 38).
  – deterministic net interest income and net interest income risk - forecast of net interest income in future periods and change of net interest income in the case of defined development of yield curve (see note 38).
  – stochastic net interest income - stochastic distribution of net interest income in the case of stochastic rate changes.
- **tools to manage the market risk exposure of the banking book – investment strategy must be prepared on an annual basis:**
  – investments to BSM Department portfolio.
  – hedging.

Results of standard analysis (stable balance sheet, stable margins, parallel shocks) are included in the ALCO report and presented at the ALCO meeting on a monthly basis. Based on the requests and market situation, non-standard analysis is presented at ALCO meetings on an irregular basis.

The recent financial crisis and changes in market conditions resulted in high market price volatility, decreased market liquidity for some securities, significant changes in interest rates, widening credit spreads and changes in ratings by rating agencies on many issuers. In response to this situation, the Bank's management increased its monitoring of events and the impact and potential impact on the Bank's portfolios and financial position. Methods used included monitoring of global, regional and local economic news, research on counterparties and markets, and scenario analysis.
The Banking book has only been purchasing ECB eligible bonds through the year.

Market risk of investment portfolios

Investment portfolios of the banking book (including derivatives) are subject to strict rules of market risk management which are set up by SRM and approved by ALCO committee.

SRM daily executes portfolio revaluation, risk measurement and monitoring. Primary measure is value-at-risk with the same parameters as for the trading book (i.e. two-year historical simulation, 99% confidence interval, one day holding period). Additionally, other measures are used, mainly interest rate sensitivity. Positions are also subject to periodic (at least monthly) stress testing.

In order to limit the risk, a comprehensive system of limits is set up, primarily based on VaR and stop-loss limits. Limits are structured according to individual subportfolios, while separate limits are defined for derivative trades. Monitoring is performed by SRM on a daily basis.

Risk reporting is done daily for relevant managers and monthly for ALCO.

37. FOREIGN CURRENCY RISK

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. This risk is primarily eliminated by daily closing of open FX positions against Erste Group Bank. The Bank is permitted to hold strategic FX positions, however, these are strictly limited by VaR and stop-loss limits. Monitoring is performed on a daily basis by SRM.

The following table summarizes the FX position of the Bank:

ths. EUR	EURO	US Dollar	Czech Crown	Other	Slovak Crown	Total
Cash and balances at the central bank	304 830	3 754	6 699	7 651	-	**322 934**
Loans and advances to financial institutions	1 187 106	2 140	516	1 965	-	**1 191 727**
Loans and advances to customers	5 954 567	6 784	45 235	6 560	-	**6 013 146**
Provisions for losses on loans and advances	(288 588)	(154)	(546)	(72)	-	**(289 360)**
Financial assets at fair value through profit or loss	120 090	3	-	9 312	-	**129 405**
Securities available for sale	1 124 010	4 121	10 663	2 405	-	**1 141 199**
Securities held to maturity	2 385 751	7 256	27 054	-	-	**2 420 061**
Total financial assets	**10 787 766**	**23 904**	**89 621**	**27 821**	**-**	**10 929 112**
Amounts owed to financial institutions	1 941 180	554	26 561	8 523	-	**1 976 818**
Amounts owed to customers	7 720 958	66 078	30 039	18 633	-	**7 835 708**
Debt securities in issue	426 454	-	-	-	-	**426 454**
Financial liabilities at fair value through profit or loss	57 255	-	-	-	-	**57 255**
Subordinated debt	180 260	-	-	-	-	**180 260**
Total financial liabilities	**10 326 107**	**66 632**	**56 600**	**27 156**	**-**	**10 476 495**
Total net FX position of financial assets and liabilities at 31 December 2009	**461 659**	**(42 728)**	**33 021**	**665**	**-**	**452 617**
Total financial assets at 31 December 2008	1 309 235	37 210	113 556	27 684	10 471 652	11 959 337
Total financial liabilities at 31 December 2008	998 440	73 093	114 021	57 691	10 172 642	11 415 887
Total net FX position of financial assets and liabilities at 31 December 2008	**310 795**	**(35 883)**	**(465)**	**(30 007)**	**299 010**	**543 450**

The following table details the Bank's sensitivity to percentage movement of exchange rates. These changes represent the management's assessment of reasonably possible changes in foreign exchange rates:

Currency	Appreciation of EUR	Depreciation of EUR	Appreciation impact on net income (ths. EUR)	Depreciation impact on net income (ths. EUR)
USD	n/a	1.24%	-	(528)
CZK	9.31%	n/a	(3 076)	-

Movement changes in foreign exchange rates would not have an impact on equity (other than the impact on net income) as at 31 December 2009 and 31 December 2008.

Effective 1 January 2009, the Slovak Crown was replaced by the Euro as the national currency of Slovakia at a fixed conversion rate of EUR 1 = SKK 30.126.

Corresponding figures for year 2008 includes volatility against former currency SKK recalculated to EUR:

Currency	Appreciation of EUR	Depreciation of EUR	Appreciation impact on net income (ths. EUR)	Depreciation impact on net income (ths. EUR)
USD	n/a	7.78%	-	(2 788)
CZK	8.09%	n/a	33	-

38. INTEREST RATE RISK

Interest rate risk indicators

Interest rate risk is the risk that net interest income ("NII") of the value of financial instruments will fluctuate due to changes in market interest rates. The Bank manages its interest rate risk through monitoring interest rate behaviour and the re-pricing dates of the Bank's assets and liabilities, and developing models showing the potential impact that changes in interest rates may have on the Bank's net interest income and market value of the Bank's assets and liabilities. Interest rate risk limits are approved by ALCO. The one year forecasted net interest income in the case of 200 basis points (bp) parallel change of interest rates should not exceed 15% of the forecasted NII according to the base market scenario (stable yield curve). The change of the market value of the portfolio of Bank interest earning assets and liabilities in the case of a 200 bp parallel changes of interest rates should not exceed 20% of the capital of the Bank.

At end of 2009 year, the 200 bp change in interest rates would affect net interest income (comparison with 2008 year) as follows:

Net interest income	2009 ths. EUR	2008 ths. EUR
+ 200 bp	8 818	1 158
- 200 bp	(16 701)	(18 046)

Change in yield curve by + 200 bp would affect the market value of interest bearing assets and liabilities totaling to EUR (33 800) thousand, out of it revaluation directly in equity EUR (45 904) thousand as at 31 December 2009 (2008: EUR (19 300) thousand, directly in equity (51 587) thousand).

The limit defined by risk management for the maximum change of interest bearing assets and liabilities established at +200 bp parallel change of interest rates amounts to EUR 157 million as of 31 December 2009 (2008: EUR 132 million).

39. LIQUIDITY RISK

Liquidity risk is the risk that the Bank will encounter difficulties in raising funds to meet commitments associated with financial instruments.

Liquidity risk is within the authority of ALCO. The Local OLC (Ordinary liquidity committee) is responsible for operational managing and analysing of the liquidity situation of the Bank.

Actual management of liquidity risk is done by Strategic Risk Management. Structural liquidity management is performed by Balance Sheet Management and daily liquidity managing and the fulfilment of minimum required reserves is performed by the Treasury department.

Liquidity risk is quantified under the liquidity arrangement of the NBS. In addition, own measurement and prediction system of financing needs offers information for liquidity managing. The liquidity of the Bank is covered by a high share of government bonds on the total balance sheet. The fixed and non-liquid assets ratio was 0.52 at the end of the year 2009 (must be lower than 1.00). The liquid assets ratio, that must be greater than 1.00, was 1.16 at the end of the year 2009. The overall liquidity situation of the Bank was good throughout 2009.

Maturity analysis

The following table shows the Bank's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on undiscounted cash flows of financial liabilities.

As at 31 December 2009 ths. EUR	**On demand and less than 1 month**	**1 to 3 months**	**3 months to 1 year**	**1 to 5 years**	**Over 5 years**	**Total**
Amounts owed to financial institutions	708 633	41 302	1 219 630	13 869	8 663	**1 992 098**
Amounts owed to customers	4 425 298	1 178 795	1 196 549	1 065 053	3 323	**7 869 018**
Debt securities in issue	235	556	181 454	217 819	67 046	**467 110**
Subordinated debt	-	1 250	3 750	99 444	104 861	**209 306**
Total	**5 134 166**	**1 221 903**	**2 601 383**	**1 396 185**	**183 893**	**10 537 532**

As at 31 December 2008 ths. EUR	**On demand and less than 1 month**	**1 to 3 months**	**3 months to 1 year**	**1 to 5 years**	**Over 5 years**	**Total**
Amounts owed to financial institutions	2 027 376	102 452	202	364	21 454	**2 027 376**
Amounts owed to customers	4 941 552	1 602 668	1 508 916	539 370	4 907	**4 941 552**
Debt securities in issue	299	199	117 571	268 343	71 911	**299**
Subordinated debt	-	1 250	3 750	20 000	189 306	**214 306**
Total	**6 969 227**	**1 706 569**	**1 630 439**	**828 076**	**287 579**	**11 421 890**

The following table details the Bank's liquidity analyses for its derivative financial instruments. The table has been drawn up based on the undiscounted cash inflows/outflows.

As at 31 December 2009 ths. EUR	On demand and less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Positive						
Foreign exchange contracts (with change of nominal)	237 848	80 414	122 808	997	-	442 067
Foreign exchange contracts (without change of nominal)	891	137	622	3 041	-	4 691
Interest rate contracts	3 251	4 899	21 644	60 469	26 426	116 689
Negative						
Foreign exchange contracts (with change of nominal)	237 682	80 347	121 102	995	-	440 126
Foreign exchange contracts (without change of nominal)	891	135	622	3 010	-	4 658
Interest rate contracts	4 237	5 827	21 004	59 791	25 320	116 179

As at 31 December 2008 ths. EUR	On demand and less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Positive						
Foreign exchange contracts (with change of nominal)	6 786 098	177 455	396 369	25 626	-	7 385 547
Foreign exchange contracts (without change of nominal)	299	7 137	14 506	4 514	465	26 920
Interest rate contracts	8 830	5 477	31 899	77 143	30 804	154 153
Negative						
Foreign exchange contracts (with change of nominal)	6 784 472	177 388	397 265	24 165	-	7 383 290
Foreign exchange contracts (without change of nominal)	299	12 315	13 742	4 382	465	31 202
Interest rate contracts	8 066	5 377	27 651	76 313	30 040	147 447

40. OPERATIONAL RISK

Operational risk is the risk of loss (direct and indirect) resulting from inadequate or failed internal processes, people and systems, or from external events which lead (or have the potential to lead) to losses, or have other negative impacts on the Bank. This definition includes legal risk, but excludes strategic and reputation risk. Operational risks arise from all of the Bank's operations and each of the business lines.

Primary responsibility for the day-to-day management of operational risk is assigned to every business unit. The Strategic Risk Management unit performs activities of global scope and has a methodical, coordination, and harmonization role.

The main objectives of operational risk management are:

- **to set up a Bank-wide framework for operational risk management and to translate this framework into internal regulations,**
- **to properly identify major drivers of operational risk,**
- **to develop models for the quantification of risk exposure profile and for the calculation of both economic and regulatory capital,**
- **to prevent or minimize losses due to operational risk by the adaptation of suitable processes, preventive measures, or selecting suitable insurance,**
- **to create an effective system of business continuity management,**
- **to continuously improve the operational risk management process,**
- **to provide quality reporting and documentation (quarterly reporting of operational risk events for the board of directors, senior management and regional directors).**

Operational risk management is performed within the following main activities:

- **system of internal controls – each unit manager is responsible for the effectiveness and quality of the control system within its area of competence,**
- **business continuity management – to ensure the uninterrupted provision of business operations and services,**

- **insurance – to minimize losses due to operational risk,**
- **outsourcing – the respective business unit is responsible for the operational risk management related to outsourcing, internal audit can also exercise periodic controls,**
- **anti-money laundering,**
- **risk assessment of new products, activities, processes and systems before being introduced or undertaken.**

The Bank measures its operational risk exposure using the loss distribution approach. In modelling the distribution, the following are used: internal data collection, external data, scenario analysis, risk mapping and key risk indicators (key risk indicators track the most important drivers of operational risk)and factors reflecting the business environment and internal control systems.

In this, the probability distribution of both the frequency of loss and the amount of loss is modelled, and is recombined into a compound distribution of yearly losses. From this distribution, both expected and unexpected losses can be calculated. In accordance with Basel II, the confidence interval for unexpected loss should be at least 99.9% and the holding period should be one year.

The LDA approach is used as a basis for measurement and allocation of the capital charge within AMA (Advanced Measurement Approach). Permission for use of AMA was granted by NBS effective from 1 July 2009.

Since 2005 the Bank has been involved in a comprehensive group-wide captive insurance program. Under this program, the vast majority of operational risks - property damage, internal & external fraud, IT failures, civil liability, etc. - are covered for both the Bank and its subsidiaries.

Decision-making in the area of operational risk is covered by high-level ORCO committee (Operational Risk and Compliance Committee), of which board members and senior managers are members, and which have the ultimate authority in making decisions regarding risk exposure against operational risk.

41. CAPITAL MANAGEMENT

The Bank‘s lead regulator, the NBS, sets and monitors capital requirements. In implementing current capital requirements the NBS requires the Bank to maintain a prescribed ratio of total capital to total risk weighted assets (minimum 8%). As of 31 December 2009 and 2008, the Bank has complied the capital adequacy requirement. The Bank calculates requirements for credit risk using the Basel II IRB approach and for market risk in its trading portfolios using internal VaR models. Basel II has also come with a new capital requirement on operational risk.

The Bank‘s regulatory capital is analysed in two tiers:

- **Tier 1 capital, which includes ordinary share capital, share premium, retained earnings, translation reserve after deduction 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, which includes qualifying subordinated liabilities and the element of fair value reserve relating to unrealised gains on equity instruments classified as available for sale.**

Various limits are applied to elements of the capital base. The amount of qualifying tier 2 capital cannot exceed tier 1 capitaland qualifying term subordinated loan capital may not exceed 50% of Tier 1 capital. Other deductions from capital include the carrying amounts of investments qualifying as financial institutions exceeding 10% participation on their share capital.

The Bank‘s policy is to maintain a strong capital base so as to maintain investor, creditor, and market confidence and to sustain the future development of the business. The Bank‘s policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

The Bank's regulatory capital position at 31 December 2009 and 2008 was as follows:

ths. EUR	2009	2008
Tier 1 capital		
Ordinary share capital	212 000	211 585
Capital reserves	118 899	118 899
Retained earnings	411 002	320 096
Less intangible assets	(78 771)	(109 157)
Total	**663 130**	**541 422**
Tier 2 capital		
Fair value reserve for available-for-sale equity securities	3 338	1 935
Qualifying subordinated liabilities	180 000	180 000
Total	**183 338**	**181 935**
Deductions from Tier I and Tier II capital	(61 468)	(64 252)
Total regulatory capital	**785 000**	**659 106**

42. OFF-BALANCE SHEET ITEMS AND DERIVATIVE FINANCIAL INSTRUMENTS

In the normal course of business, the Bank is a party to various financial transactions that are not reflected on the balance sheet and are referred to as off-balance sheet financial instruments. The following represent notional amounts of these off-balance sheet financial instruments, unless stated otherwise.

(a) Commitments from Guarantees and Letters of Credit

Bank guarantees and letters of credit cover liabilities to clients (payment and non-payment liabilities) against beneficiaries (third parties). Bank guarantees represents an irrevocable liability of the Bank to pay a certain amount as stated in the bank guarantee in the case that the debtor fails to fulfil an obligation or other conditions as stated in the guarantee.

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

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

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

The following table contains off-balance sheet credit exposures and also treasury commitments:

ths. EUR	2009	2008
Guarantees given	221 596	293 942
Guarantees from letters of credit	2 480	5 891
Loan commitments and undrawn loans	865 832	1 246 354
Total	**1 089 908**	**1 546 187**

(b) 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), which in relation to derivatives is only a small fraction of the contract or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits vis-à-vis customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except for trading with clients, where the Bank in most cases requires margin deposits.

Foreign currency contracts are agreements to exchange specific amounts of currencies at a specified rate of exchange, at a spot date (settlement occurs two days after the trade date) or at a forward date (settlement occurs more than two days after the trade date).

Foreign currency contracts are used by the Bank for risk management and trading purposes. The Bank's risk management foreign currency contracts provide effective economic hedges against exchange rate fluctuations on loans and advances to credit institutions denominated in foreign currency. The Bank holds an open currency positions. Part of this position qualifies for hedge accounting under the specified rules of IAS 39. The rest of the position is monitored on a daily basis using sensitivity analysis – delta and VAR methodology.

Interest rate swaps obligate two parties to exchange one or more payments calculated with reference to fixed or periodically reset rates of interest applied to a specific notional principal amount. Notional principal is the amount upon which interest rates are applied to determine the payment streams under interest rate swaps. Such notional principal amounts are often used to express the volume of these transactions but are not actually exchanged between the counterparties. The Bank's interest rate swaps were used for the management of interest rate exposures and have been accounted for at marked-to-market fair value. The Bank designates two interest rate swaps for hedging of changes in fair value of bonds. Both contracts qualify for hedge accounting under the specified rules of IAS 39.

Option contracts represent the formal reservation of the right to buy or sell an asset at the specified quantity, within a given time in the future and at a certain price. The buyer of the option has the right, but not the obligation, to exercise the right to buy or sell an asset and the seller has the obligation to sell or purchase the asset at the specified quantity and at the price defined in the option contract.

A forward rate agreement is an agreement to settle amounts at a specific future date based on the difference between an interest rate index and an agreed upon fixed rate. Market risk arises from changes in the market value of contractual positions caused by movements in interest rates. The Bank limits its exposure to market risk by entering into generally matching or offsetting positions and by establishing and monitoring limits on unmatched positions. Credit risk is managed through approval procedures that establish specific limits for individual counterparties. The Bank's forward rate agreements were transacted for the management of interest rate exposures and have been accounted for at mark to market fair value.

Currency interest rate swaps are combinations of interest rate swaps and a series of foreign currency contracts. As with interest rate swaps, the Bank agrees to make fixed versus floating interest payments at periodic dates over the life of the instrument. These payments are, however, in different currencies, gross, and not settled on a net basis. Unlike interest rate swaps, the notional balances of the different currencies to which these interest payments are based are typically exchanged at the beginning and re-exchanged at the end of the contract period.

Credit derivatives are financial instruments that consist of two or more underlying interest instruments and the value of which is influenced by risk interest rate of a particular party. They facilitate one party (protection buyer or originator) to transfer the credit risk of a reference asset, which it may or may not own, to one or more other parties (the protection sellers).

1. Derivatives in notional and fair value

	2009			
	Receivables		Liabilities	
ths. EUR	Notional value	Fair value	Notional value	Fair value
Hedging	66 597	3 759	66 597	5 045
Total hedging instruments	**66 597**	**3 759**	**66 597**	**5 045**
Trading derivatives				
Forward rate agreements (FRA)	-	-	-	-
Foreign currency forwards	262 772	2 323	262 611	2 163
Option contracts	733 864	4 691	737 262	4 658
Interest rate swaps (IRS)	1 521 150	44 093	1 521 150	48 484
Currency interest rate swaps (CIRS)	61 749	1 752	61 481	1 496
Currency swaps	179 295	2 300	177 515	454
Total trading derivatives	**2 758 830**	**55 159**	**2 760 019**	**57 255**
Total	**2 825 427**	**58 918**	**2 826 616**	**62 300**

The negative value of derivatives of 2009 EUR 57.2 million (2008: EUR 107.4 million) is presented as 'Financial liabilities at fair value through profit and loss'.

	2008			
	Receivables		Liabilities	
ths. EUR	Notional value	Fair value	Notional value	Fair value
Hedging	66 587	2 224	66 587	3 751
Total hedging instruments	**66 587**	**2 224**	**66 587**	**3 751**
Trading derivatives				
Forward rate agreements (FRA)	477 760	2 290	477 760	597
Foreign currency forwards	6 802 762	29 177	6 801 434	27 817
Option contracts	1 627 066	26 920	1 625 838	31 202
Interest rate swaps (IRS)	2 182 035	42 475	2 182 035	40 121
Currency interest rate swaps (CIRS)	78 470	2 722	76 047	2 954
Currency swaps	582 786	4 216	581 856	3 319
Total trading derivatives	**11 750 880**	**107 801**	**11 744 971**	**106 011**
Total	**11 817 467**	**110 025**	**11 811 558**	**109 763**

All derivative transactions during 2009 and 2008 were traded on the over-the-counter 'OTC' markets.

2. Maturity analysis

ths. EUR	2009 Receivables	2009 Liabilities	2008 Receivables	2008 Liabilities
Hedging				
Up to 1 month	-	-	-	-
From 1 to 3 months	-	-	-	-
From 3 to 12 months	-	-	-	-
From 1 to 5 years	-	-	-	-
Over 5 years	66 597	66 597	66 587	66 587
Hedging – total	**66 597**	**66 597**	**66 587**	**66 587**
Trading derivatives				
Forward rate agreements (FRA)	-	-	477 760	477 760
Up to 1 month	-	-	126 369	126 369
From 1 to 3 months	-	-	-	-
From 3 to 12 months	-	-	351 391	351 391
From 1 to 5 years	-	-	-	-
Over 5 years	-	-	-	-
Foreign currency forwards	262 772	262 611	6 802 762	6 801 434
Up to 1 month	109 144	109 079	6 238 034	6 235 843
From 1 to 3 months	77 563	77 497	175 662	175 596
From 3 to 12 months	75 068	75 040	384 917	385 846
From 1 to 5 years	997	995	4 149	4 149
Over 5 years	-	-	-	-
Futures	-	-	-	-
Option contracts	733 864	737 262	1 627 066	1 625 838
Up to 1 month	71 301	72 434	29 908	30 007
From 1 to 3 months	106 035	106 035	473 976	474 175
From 3 to 12 months	89 762	89 762	559 484	557 957
From 1 to 5 years	466 766	469 031	473 113	473 113
Over 5 years	-	-	90 586	90 586
Interest rate swaps (IRS)	1 521 150	1 521 150	2 182 035	2 182 035
Up to 1 month	66 388	66 388	265 551	265 551
From 1 to 3 months	13 829	13 829	42 422	42 422
From 3 to 12 months	167 000	167 000	412 966	412 966
From 1 to 5 years	959 980	959 980	1 107 183	1 107 183
Over 5 years	313 953	313 953	353 914	353 914
Currency interest rate swaps (CIRS)	61 749	61 481	78 470	76 047
Up to 1 month	-	-	-	-
From 1 to 3 months	-	-	-	-
From 3 to 12 months	18 311	18 043	25 725	23 302
From 1 to 5 years	37 230	37 230	46 538	46 538
Over 5 years	6 208	6 208	6 207	6 207
Currency swaps	179 295	177 515	582 786	581 856
Up to 1 month	128 704	128 603	548 065	548 629
From 1 to 3 months	2 851	2 850	1 792	1 792
From 3 to 12 months	47 740	46 062	11 452	11 419
From 1 to 5 years	-	-	21 476	20 016
Over 5 years	**-**	**-**	**-**	**-**
Total trading derivatives	**2 758 830**	**2 760 019**	**11 750 880**	**11 744 971**
Total	**2 825 427**	**2 826 616**	**11 817 467**	**11 811 558**

43. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

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

The fair value is the amount for which a financial instrument could be exchanged or settled between knowledgeable, willing parties in an arm‘s length transaction. In those cases where market prices were available, they were used in measurement, otherwise internal valuation models were applied, in particular the discounted cash flows method.

ths. EUR	Carrying value 2009	Estimated fair value 2009	Carrying value 2008	Estimated fair value 2008
Financial assets				
Loans and advances to financial institutions	1 190 577	1 192 483	2 703 935	2 704 766
Loans and advances to customers	5 724 936	5 857 937	5 434 867	5 494 685
Held to maturity securities	2 420 061	2 449 924	1 402 102	1 413 928
Financial liabilities				
Amounts owed to financial institutions	1 976 818	1 975 514	2 142 867	2 142 867
Amounts owed to customers and debt securities in issue	8 262 162	7 804 641	8 984 999	9 003 293

Loans and advances to financial institutions

The fair value of current account balances approximates their carrying amount, as the Bank’s term placements generally re-price within relatively short time periods.

Loans and advances to customers

Loans and advances are net of specific and other provisions for impairment. The fair value represents management’s estimate of the ultimate fair value of the loans and advances to customers. The credit risk of each instrument is taken into account in the way that the yield curve used for the discounting of this instrument is increased by the value of the relevant credit risk margin.

Held to maturity securities

The fair value of held-to-maturity securities was calculated based on the same principles used for the valuation of available-for-sale securities and trading, and at fair value through profit and loss securities as described in Note 3(f).

Deposits and borrowings

The estimated fair value of deposits with no stated maturity is the amount repayable on demand. On demand deposits are modelled according general accepted assumptions within the Erste Group Bank. The estimated fair value of fixed interest bearing deposits and other borrowings without a quoted market price is based on discounted cash flows using interest rates for new debts with a similar remaining maturity.

(b) Determination of fair values of residual financial assets and liabilities

Fair values are subject to a control framework designed to ensure that they are either determined, or validated, by a function independent of the risk taker. To this end, ultimate responsibility for the determination of fair values lies with SRM. SRM establishes the pricing policies and procedures governing valuation, and is responsible for ensuring that these comply with all relevant pricing sources.

For fair values determined by reference to external quotation or evidenced pricing parameters, independent price determination or validation is utilised. In less liquid markets, direct observation of a traded price may not be possible. In these circumstances, SRM source Erste Group Bank to validate the financial instrument's fair value. Greater weight is given to information that is considered to be more relevant and reliable. The factors that are considered in this regard are, inter alia:

- **the extent to which prices may be expected to represent genuine traded or tradable prices;**
- **the degree of similarity between financial instruments;**
- **the degree of consistency between different sources;**
- **the process followed by the pricing provider to derive the data;**
- **the elapsed time between the date to which the market data relates and the balance sheet date; and**
- **the manner in which the data was sourced.**

The results of Erste Group Bank independent validation process are reported to SRM.

The best indicator of the fair value is the price which can be obtained in an active market. If prices from an active market are available they are used. For fair value valuation mainly external data sources (like quotes from exchanges or broker quotations) are used. In case no market prices are available, the fair value is derived via pricing models, which use observable inputs. In some cases it is not possible either to get prices from exchanges or using a pricing model which is based on observable inputs. In such cases inputs are estimated based on similar risk factors.

Erste Group Bank uses only common, market approved models for the evaluations. For linear derivatives (e.g., Interest Rate Swaps, Cross Currency Swaps, FX-Forwards, Forward Rate Agreements) market values are calculated by discounting the expected cash flows. Plain Vanilla-OTC-Options (Equity, Currency and Interest Options) are evaluated using option pricing models of the Black Scholes generation, complex interest derivatives using Hull White, BGM models.

Only models which have went through an internal approval process and where the independent determination of the inputs (e.g. interest rates, volatilities) is ensured are used.
Models are applied only if an internal approval process and the independent determination of inputs (e.g. interest rates, volatilities) is ensured.

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:
Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The table below details the valuation methods used to determine the fair value of financial instruments (excl. derivatives in banking book) measured at fair value:

31 December 2009 ths. EUR	Level 1	Level 2	Level 3	Total
Securities available for sale	417 860	671 737	43 251	1 132 848
Securities at fair value through profit or loss	49 499	7 368	17 379	74 246
Derivative financial assets	-	53 349	1 810	55 159
Total assets	**467 359**	**732 454**	**62 440**	**1 262 253**
Derivative financial liabilities	-	55 478	1 777	57 255
Total liabilities	**-**	**55 478**	**1 777**	**57 255**

31 December 2008 ths. EUR	Level 1	Level 2	Level 3	Total
Securities available for sale	611 998	191 842	22 687	826 527
Securities at fair value through profit or loss	11 608	7 768	29 786	49 162
Derivative financial assets	-	92 904	14 906	107 810
Total assets	**623 606**	**292 514**	**67 379**	**983 499**
Derivative financial liabilities	-	86 820	19 199	106 019
Total liabilities	**-**	**86 820**	**19 199**	**106 019**

The volume of products whose fair values are determined using valuation models based on non-observable market data is driven in large part by the market trend in the structured credit segment (CLNs). The decrease in trading activity led to a reduction in the proportion of observable transactions and thus to the allocation of more instruments to this category.

The table shows the development of fair value of financial instruments for which valuation models are based on non observable inputs:

ths. EUR	Securities available for sale	Securities at fair value through profit or loss	Derivative financial assets	Derivative financial liabilities
MV as of 31 December 2008	**22 070**	**29 763**	**14 906**	**(19 199)**
accrued coupon	617	23	-	-
Balance as of 31 December 2008	**22 687**	**29 786**	**14 906**	**(19 199)**
Total gains or losses:				
in profit or loss	(108)	(1 257)	(13 177)	17 502
in other comprehensive income	96	-	-	-
Issues	3 000	-	80	-
Settlements	-	(13 361)	-	(80)
Transfers into Level 3	**39 931**	**1 354**	**-**	**-**
Transfers out of Level 3	(22 004)	(3)	-	-
Exchange rate change	(90)	844	-	-
MV as of 31 December 2009	**42 895**	**17 363**	**-**	**-**
accrued coupon	355	17	-	-
Balance as of 31 December 2009	**43 251**	**17 380**	**1 809**	**(1 777)**
Total gains / (losses) for the period included in profit or loss for assets/liabilities held at the end of the reporting period	(36)	(1 739)	(13 177)	17 502

The Bank has transferred Available for sale securities of EUR 6.3 million from level 1 to level 2 of the fair value hierarchy for financial assets. Similarly, the Bank has transferred Available for sale securities of EUR 217.7 million from level 2 to level 1 of the fair value hierarchy for financial assets. The financial assets were transferred from level 2 to level 1 as they begun to be actively traded during the year and fair values were consequently obtained from the market.

44. CURRENT AND NON-CURRENT ASSETS AND LIABILITIES

The following table shows the distribution of assets and liabilities and equity to current (due within one year) and non-current (due over one year) based on their contractual maturity.

	2009			2008		
ths. EUR	**Current**	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Cash and balances at the central bank	322 934	-	**322 934**	1 426 782	-	**1 426 782**
Loans and advances to financial institutions	400 530	791 197	**1 191 727**	2 701 844	2 091	**2 703 935**
Loans and advances to customers	1 784 336	4 228 810	**6 013 146**	1 846 611	3 779 448	**5 626 059**
Provisions for losses on loans and advances	-	(289 360)	**(289 360)**	-	(191 192)	**(191 192)**
Financial assets at fair value through profit or loss	20 833	108 572	**129 405**	65 193	91 780	**156 973**
Securities available for sale	498 557	642 642	**1 141 199**	204 143	630 520	**834 663**
Securities held to maturity	430 096	1 989 965	**2 420 061**	240 656	1 161 446	**1 402 102**
Investments in associates and other investments	-	19 777	**19 777**	-	58 512	**58 512**
Intangible assets	-	79 430	**79 430**	-	109 806	**109 806**
Property and equipment	-	129 426	**129 426**	-	138 010	**138 010**
Investment property	-	3 959	**3 959**	-	8 409	**8 409**
Non-current assets held for sale	-	31 020	**31 020**	-	29 376	**29 376**
Current income tax asset	24 078	-	**24 078**	-	-	**0**
Deferred income tax asset	-	55 520	**55 520**	-	29 850	**29 850**
Other assets	52 485	8 234	**60 719**	18 755	8 667	**27 421**
Total assets	**3 533 849**	**7 799 192**	**11 333 041**	**6 503 983**	**5 856 724**	**12 360 706**
Amounts owed to financial institutions	1 956 107	20 711	**1 976 818**	2 126 336	16 531	**2 142 867**
Amounts owed to customers	6 786 332	1 049 376	**7 835 708**	8 031 269	543 533	**8 574 802**
Debt securities in issue	178 797	247 657	**426 454**	115 714	294 483	**410 197**
Provisions for liabilities and other provisions	-	22 426	**22 426**	-	25 331	**25 331**
Financial liabilities at fair value through profit or loss	11 039	46 216	**57 255**	63 799	43 553	**107 352**
Other liabilities	73 887	7 357	**81 244**	91 781	3 086	**94 867**
Current income tax	-	-	**-**	32 267	-	**32 267**
Deferred income tax liability	-	-	**-**	-	-	**0**
Subordinated debt	260	180 000	**180 260**	664	180 006	**180 670**
Equity	-	752 876	**752 876**	-	792 352	**792 352**
Total liabilities and equity	**9 006 422**	**2 326 619**	**11 333 041**	**10 461 830**	**1 106 523**	**12 360 706**

45. SEGMENT REPORTING

The segment reporting of the Bank follows the presentation and measurement requirements of IFRS.

New Segment Structure

In the interest of a clearer presentation of the group structure, the segment reporting has been aligned with the new structure of Erste Group and is now divided into following segments: Retail, Local corporates, Real Estate, Assets and Liabilities management, Group Large Corporates, Group Markets, Corporate Center and Free capital.

The segment reporting follows the rules used in the Group controlling report which is produced on monthly basis for the Holding Board. The report is reconciled with monthly reporting package and the same segments used in the Group Controlling report are also applied in the external reporting for Erste Group. Adding up by Retail, Local corporates, Real estate, ALM and Corporate centre a core business for SLSP is defined, for which the Bank is primarily responsible from holding point of view.

For the definition of segments/business lines in SLSP we use account manager principle, which means that each client has assigned an account manager, who is assigned to particular business line/segment. In other words, profit/loss is allocated to an account manager and one customer can have exactly one account manager.

Within the segment report the local fully consolidated subsidiaries as well as other participations are allocated to the business lines (please see the definitions below)

Retail

The Retail segment is constituted by the branch network where SLSP sells products mainly to private, free professionals and micro customers. The Retail stream is divided into 8 regions, then to 76 areas and 279 branches (status as of 31 December 2009).

Local corporates

Local corporates segment consists of SME (Small and medium enterprises), Local large corporates, Public sector. Local corporates includes mainly following client segments: Small SME (up to EUR 5 mil gross domestic product ‘GDP’ weighted turnover), Medium SME (up to EUR 30 mil GDP weighted turnover), Large SME (up to EUR 175 mil GDP weighted turnover),Non-profit Sector and Public Sector (financing of public projects like highways, infrastructure, etc.).

Real Estate

Real estate segment covers all the commercial and residential projects financed by SLSP.

Assets and Liabilities Management

Business line Assets and Liabilities Management is responsible for the management of the following risks: Interest risk, FX risk and Liquidity risk. Dealing with those risks means to manage the structure of the balance sheet (banking book) according to market conditions in order to cover the bank’s liquidity needs and to ensure a high degree of capital utilisation. ALM also contains the transformation margin as a result of mismatch in balance sheet from time and currency point of view. The transformation margins as well as ALM own business (HTM, AFS, FV portfolio on assets side and Bonds issued on liability side) are the main part of this segment.

Group Large Corporates

The Group Large Corporates segment includes all group large corporate customers operating in the markets of Erste Group. The GLC client is a company which has a GDP/Head adjusted annual turnover of more than EUR 175 million in at least one of EBG core market.

Group Markets

The segment Group markets in terms of SLSP includes divisionalised business lines like Treasury Trading and Institutional Sales. Results and positions coming from Corporate and Retail Sales are included in particular business line e.g. Retail, SME, Real estates etc. as a result of using account manager principle.

Corporate Center

The Corporate Center segment includes mainly positions and items which cannot be directly allocated to specific segment or business line like parts Organisation, Information Technology (e.g. Euro project) and other departments that support the Bank’s business. Additionally, all non-allocated participations like Laned, Derop, Realitná spoločnosť SLSP, s IT Solutions are recognised within this segment.

Free Capital

Free capital is not a segment but the difference between allocated/ assigned capital and actual capital in the Bank’s books. Under free capital the subordinated debt taken from the holding company is presented.

2009 ths. EUR	Retail	Local Corporates	Real Estate	ALM	Corporate centre	Core business
Net interest income	282 937	46 417	13 868	30 214	2 162	**375 597**
Risk provisions for loans and advances	(89 094)	(40 697)	(17 084)	(330)	5 427	(141 779)
Net fee and commission income	100 912	11 497	643	-	(7 788)	105 264
Net trading result	5 496	3 533	264	4 787	(4 654)	9 426
General administrative expenses	(200 972)	(18 972)	(2 214)	(445)	(24 015)	(249 618)
Other result	(13 191)	(183)	(24)	(11 577)	(64 595)	(89 570)
Pre-tax profit	**86 088**	**1 595**	**(4 547)**	**19 649**	**(93 464)**	**9 321**
Taxes on income	(16 353)	(303)	864	(3 733)	3 511	(16 015)
Profit from discontinued operations net of tax	-	-	-	-	-	-
Minority interests	-	-	-	-	-	-
Net profit after minority interests	**69 734**	**1 292**	**(3 683)**	**15 916**	**(89 953)**	**(6 694)**
Average risk-weighted assets	2 611 780	1 806 926	624 593	112 120	248 945	5 404 364
Average attributed equity	**233 260**	**144 308**	**49 976**	**13 551**	**21 003**	**462 098**
Cost/income ratio	**51.62%**	**30.87%**	**14.99%**	**9.84%**	**-233.60%**	**50.91%**
ROE based on net profit after minority interests[1)]	**29.90%**	**0.90%**	**-7.37%**	**117.46%**	**-428.29%**	**-1.45%**

2009 ths. EUR	GLC	GM	Free capital	SLSP
Net interest income	10 499	7 317	6 903	400 316
Risk provisions for loans and advances	(3 987)	-	-	(145 766)
Net fee and commission income	2 466	2 811	-	110 541
Net trading result	401	4 115	-	13 943
General administrative expenses	(3 247)	(3 926)	-	(256 791)
Other result	(8)	(363)	-	(89 941)
Pre-tax profit	**6 125**	**9 953**	**6 903**	**32 302**
Taxes on income	(1 164)	(1 891)	(1 312)	(20 382)
Profit from discontinued operations net of tax	-	-	-	-
Minority interests	-	-	-	-
Net profit after minority interests	**4 961**	**8 062**	**5 591**	**11 920**
Average risk-weighted assets	698 194	186 259	0	6 288 817
Average attributed equity	56 431	15 888	243 713	778 130
Cost/income ratio	**24.29%**	**27.57%**	**0.00%**	**48.93%**
ROE based on net profit after minority interests[1)]	**8.79%**	**50.74%**	**2.29%**	**1.53%**

Notes:
1) ROE = return on equity.

2008 ths. EUR	Retail	Local Corporates	Real Estate	ALM	Corporate centre	Core business
Net interest income	280 171	36 956	12 031	31 639	(17 460)	**343 337**
Risk provisions for loans and advances	(56 097)	(12 255)	199	-	(6 679)	(74 831)
Net fee and commission income	111 762	8 768	1 346	-	(11 836)	110 040
Net trading result	18 871	5 996	325	2 064	(5 209)	22 047
General administrative expenses	(223 351)	(15 893)	(610)	(2 130)	(5 912)	(248 896)
Other result	(11 577)	(223)	(10)	(23 944)	37 759	2 005
Pre-tax profit	**119 779**	**23 349**	**12 281**	**7 630**	**(9 337)**	**153 702**
Taxes on income	(22 758)	(4 436)	(2 333)	(1 450)	3 652	(27 326)
Profit from discontinued operations net of tax	-	-	-	-	-	-
Minority interests	-	-	-	-	-	-
Net profit after minority interests	**97 021**	**18 913**	**9 948**	**6 180**	**(5 685)**	**126 376**
Average risk-weighted assets	1 926 354	1 803 161	537 722	146 291	263 726	4 677 254
Average attributed equity	183 092	144 482	43 024	47 435	21 201	439 234
Cost/income ratio	**54.37%**	**30.73%**	**11.75%**	**6.32%**	**-17.13%**	**52.35%**
ROE based on net profit after minority interests[1)]	**52.99%**	**13.09%**	**23.12%**	**13.03%**	**-26.82%**	**28.77%**

2008 ths. EUR	GLC	GM	Free capital	SLSP
Net interest income	7 739	5 378	11 396	367 849
Risk provisions for loans and advances	304	-	-	(74 527)
Net fee and commission income	1 866	3 934	-	115 840
Net trading result	537	11 373	-	33 957
General administrative expenses	(3 067)	(3 218)	-	(255 181)
Other result	(14)	-	-	1 991
Pre-tax profit	**7 365**	**17 467**	**11 396**	**189 930**
Taxes on income	(1 399)	(3 319)	(2 165)	(34 209)
Profit from discontinued operations net of tax	-	-	-	-
Minority interests	-	-	-	-
Net profit after minority interests	**5 965**	**14 148**	**9 230**	**155 721**
Average risk-weighted assets	700 688	279 919	-	5 657 861
Average attributed equity	56 071	18 236	306 384	819 926
Cost/income ratio	**30.24%**	**15.56%**	**0.00%**	**49.30%**
ROE based on net profit after minority interests[1)]	**10.64%**	**77.58%**	**3.01%**	**18.99%**

Notes:
1) ROE = return on equity.

46. ASSETS UNDER ADMINISTRATION

The Bank provides custody, trustee, investment management, and advisory services to third parties, which involve the Bank making allocation and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these financial statements.

The Bank administered EUR 744 million and EUR 1 080 million of assets as at 31 December 2009 and 2008, respectively, representing securities from customers in its custody for administration, including assets managed by Asset Management Slovenskej sporiteľne, a wholly owned subsidiary of the Bank during 2008.

47. RELATED PARTY TRANSACTIONS

(a) Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The Bank is controlled by Erste Group Bank, which indirectly holds 100% of the voting rights of the Bank's total shares. Related parties include subsidiaries and associates of the Bank and other members of Erste Group Bank group.

A number of banking transactions are entered into with related parties in the normal course of business. These primarily include loans and deposits. These transactions were carried out on commercial terms and conditions and at market rates.

(b) Transactions with Erste Group Bank group

Assets and liabilities include accounting balances with the parent bank and companies under its direct control, as follows:

ths. EUR	Erste Group Bank	2009 Companies under the control of Erste Group Bank	Erste Group Bank	2008 Companies under the control of Erste Group Bank
Assets				
Loans and advances to financial institutions	961 004	645	13 643	299
Loans and advances to customers	-	78 009	-	81 491
Trading assets	14 260	-	31 634	-
Available for sale portfolio	-	10 662	4 680	11 120
Securities held to maturity	-	-	-	-
Other assets	3 451	34 568	8 000	2 191
Total	**978 715**	**123 884**	**57 957**	**95 101**
Liabilities				
Amounts owed to financial institutions	318 363	112 362	1 815 475	87 897
Amounts owed to customers	926	8 509	-	3 319
Debt securities in issue	-	18	-	-
Trading liabilities	17 408	-	37 675	-
AFS revaluation	-	(646)	(465)	(232)
Other liabilities	4 695	1 811	-	3 751
Subordinated debt	180 260	-	180 675	-
Total	**521 652**	**122 054**	**2 033 360**	**94 735**

The Bank received a guarantee issued by its parent bank with a maximum value of EUR 50 million (2008: EUR 50 million) covering all the Group's exposures to the parent bank and its group companies. Under the agreement, the parent bank pledged securities issued or guaranteed by the Republic of Italy with a face value amounting to EUR 50 million (2008: EUR 50 million).

In 2009 Slovenská sporiteľňa, a. s., received a bank guarantee provided by its parent bank in the amount of EUR 242 million covering exposures towards subsidiaries and other group members (2008: EUR 242 million).

Exposures towards corporate clients covered by the parent's bank guarantees (excluding exposures towards ERSTE Group entities) are in the amount of EUR 63.25 million (2008: EUR 99.6 million).

The Bank purchased software from companies under the control of Erste Group Bank in 2009 in the amount of EUR 19.7 million (2008: EUR 19.8 million).

The Bank entered into two loan contracts with its parent company Erste Group Bank in the amount of EUR 180 million subordinated (2008: EUR 180 million).

Income and expenses related to the parent bank and its subsidiaries include the following:

ths. EUR	Erste Group Bank	2009 Companies under the control of Erste Group Bank	Erste Group Bank	2008 Companies under the control of Erste Group Bank
Interest income	14 543	4 663	5 746	7 481
Interest expense	(5 845)	(895)	(32 830)	(1 518)
Net fees and commissions	(107)	2 433	159	61
Net trading result	3 122	-	(5 403)	-
General administrative expenses	(1 585)	(15 318)	(99)	(13 165)
Other operating result	-	272	-	146
Total	**10 128**	**(8 845)**	**(32 427)**	**(6 995)**

(c) Transactions with subsidiaries and associates of the Bank

Assets and liabilities include accounting balances with the subsidiaries and associates of the Bank as follows:

		2009		2008
ths. EUR	Subsidiaries	Associates	Subsidiaries	Associates
Assets				
Loans and advances to financial institutions	-	2 338	-	849
Loans and advances to customers	165 025	-	190 367	-
Financial assets at fair value through profit or loss	-	1 163	-	1 149
Securities available for sale	3 572	13 343	3 485	13 177
Other assets	2 474	-	3 419	-
Total	**169 329**	**16 844**	**197 271**	**15 175**
Liabilities				
Amounts owed to financial institutions	-	30 644	-	106
Amounts owed to customers	37 339	415	11 717	410
Debt securities in issue	-	-	33	-
Other liabilities	732	-	19 484	-
Total	**38 071**	**31 059**	**31 235**	**516**

Income and expenses from the subsidiaries and associates of the Bank include the following:

ths. EUR	2009		2008	
	Subsidiaries	Associates	Subsidiaries	Associates
Interest income	3 895	62	5 338	237
Interest expense	(298)	(95)	(372)	(16)
Net fees and commissions	859	-	8 020	-
General administrative expenses	(9 634)	(281)	(2 819)	-
Profit / (loss) on sale of investment	200	-	(15)	-
Total	**(4 979)**	**(314)**	**10 152**	**221**

The Bank received dividends from its subsidiaries and associates in the amount of EUR 3 million in 2009 (2008: EUR 4.4 million).

(d) Transactions with key management personnel

Loans and advances granted to members of the Board of Directors and Supervisory Board represent EUR 0 thousand and EUR 544 thousand, and liabilities EUR 2.1 million and EUR 2.36 million as at 31 December 2009 and 2008, respectively.

Remuneration of members of the Board of Directors and Supervisory Board paid during 2009 amounts to EUR 1.4 million (2008: EUR 1.8 million) which represents short-term employee benefits.

48. POST-BALANCE SHEET EVENTS

From 31 December 2009 up to the date of issue of these financial statements there were no such events identified that would require adjustments to or disclosure in these financial statements.