Annual Report 2011

2011

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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 2011:

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, s.r.o., 51%
Procurement Services SK, s.r.o., 51%
Slovak Banking Credit Bureau, s.r.o., 33.33%
s IT Solutions SK, s.r.o., 23.50%
Prvá stavebná sporiteľňa, a.s., 9.98%

Contact:
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www.slsp.sk
info@slsp.sk

Credit ratings of Slovenská sporiteľňa, a.s. at 31 December 2011

Fitch Ratings
Long-term liabilities – A
Short-term liabilities – F1
Individual rating – C
Support rating – 1
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.
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 the date of the Report's preparation, and that the Report does not omit any data or information which could affect its meaning.

Statement by the Chairman of the Board of Directors and General Director

Dear partners,

The year 2011 was another thorough test for the banking sector, but I am pleased to report that Slovakia is in a good shape in this respect. This was also confirmed by the financial results of Slovenská sporiteľňa, for which 2011 was a very successful year. The Bank‘s results attested to its financial strength and stability, as well as to the correctness of its business strategy focusing on retail banking. We achieved a higher profit, mainly as a result of growth in the volume of transactions with clients and a strict cost management. Owing to the rise in profitability, we managed to strengthen the Bank‘s capital adequacy despite the economic turbulences. We maintained our leading position in the domestic market, and remained one of the strongest banks within the Erste Group.

In 2011, we continued to extend our range of products and services for various customer segments, and to upgrade our banking systems. We successfully completed the implementation of our new information system; this is now being reflected in the improved sales process.

Last year, Slovenská sporiteľňa again participated in the successful sale of Slovak government bond issues. In order to strengthen our position in the public sector, we entered into a strategic partnership with the Slovak Association of Towns and Villages. We were the first bank in Slovakia to launch a special internet banking service for smartphones to satisfy the younger generation‘s needs. In the area of POS terminals, we established a partnership with Slovnaft, the leading oil refinery, operating the largest filling station network in Slovakia. Last year, our efforts were also appreciated by the financial world: Euromoney, one of the world‘s leading financial magazines, recognized Slovenská sporiteľňa as Slovakia‘s best bank in its prestigious 2011 Awards for Excellence. Although the Slovak team’s performance did not meet expectations at last year‘s ice hockey championship, our bank operated mobile ATMs around the stadium during the championship, and aided thousands of foreign visitors.

Owing to our successful operations in the domestic market, we could afford to allocate more than one million euros for non-profit projects in 2011. We financed the construction of four football stadiums in towns and villages which urgently needed such facilities. We also created financial conditions for numerous arts festivals, including five local theatres. A significant part of the funds were traditionally allocated for the educational system, and for physically or socially disadvantaged groups of the population.

Especially in these turbulent times, the stability and the strength of the banking sector is of key importance for proper functioning of the country. I strongly believe that when important measures are taken, which will lead to higher stability of the country, professional arguments will prevail to ensure that the Slovak economy will not be adversely affected.

The year ahead is not expected to be an easy one either. A major breakthrough in the handling of Europe‘s debt crisis is not yet in sight, and this situation will undoubtedly affect us to a significant extent. However, our business strategy based on long-term customer relations appears to be a secure foundation. It proved to be effective in 2009, as well as in the subsequent years. I am convinced that the correctness of this strategy will also be confirmed in 2012.

As Chairman of the Board of Directors of Slovenská sporiteľňa, I would like to take this opportunity to thank all our clients for the confidence they show in us. Slovenská sporiteľňa will continue providing financial services to the population of Slovakia, while supporting the corporate and public sectors, too. In doing so, we will do our best to generate a profit for our shareholders in compliance with the rules of prudent banking business.

Jozef Síkela

Chairman of the Board of Directors
and General Director of Slovenská sporiteľňa

Financial highlights

According to IFRS Prepared in accordance with the International Financial Reporting Standards	**as of 31 Dec 2008 (mil. eur)**	**as of 31 Dec 2009 (mil. eur)**	**as of 31 Dec 2010 (mil. eur)**	**as of 31 Dec 2011 (mil. eur)**
Balance sheet total	12 557	11 485	11 028	11 349
Receivables from banks	2 713	1 198	1 253	613
Receivables from clients	5 711	6 050	6 075	6 697
Securities and participations	2 435	3 714	3 331	3 656
Liabilities towards clients	8 563	7 802	8 158	8 034
Equity	802	782	929	1 039
After tax profit	142	30	150	195

Selected ratios	**(in %)**	**(in %)**	**(in %)**	**(in %)**
ROE	18.7	3.9	17.7	20.0
ROA	1.3	0.3	1.3	1.7
Cost income ratio	49.7	48.6	40.5	39.6
Non-interest income to Operating income	28.6	23.2	21.6	20.8
Net interest margin	4.0	4.0	4.3	4.5
Loans to Deposits ratio	66.7	77.6	74.4	83.4
Capital adequacy (%) according to NBS	9.6	10.5	13.2	15.2

Other figures				
Number of employees	4961	4255	4022	4173
No. of branches	275	279	291	292
No of ATMs	627	660	705	748
No of Payment cards	1 340 427	1 288 139	1 334 079	1 307 393

The 2008 financial data were converted into euro using the official conversion rate of 30.1260 SKK/EUR, set on 30 June 2008.

Top management
Board of directors of Slovenská sporiteľňa

JOZEF SÍKELA
Chairman of the Board and CEO

Jozef Síkela is a graduate of the University of Economics in Prague and has worked in the banking sector since 1992. His banking career began at Creditanstalt AG in Vienna, where he worked in the International Risk Management Department. In 1999, he moved to Bank Austria Creditanstalt in the Czech Republic, where he was Director of the Corporate Customers Division, and then, in 2001, he took charge of corporate banking at Česká spořitelna. In 2006, he joined Erste Bank Ukraine, serving as Deputy CEO responsible for corporate banking and regional network development, and in 2009 he became CEO of Erste Bank Ukraine, with responsibility for corporate banking, financial markets, controlling, accounting, human resources and communication.
The Supervisory Board of Slovenská sporiteľňa elected Mr Síkela as Chairman of the Board of Directors and CEO of Slovenská sporiteľňa with effect from 1 June 2010. He is responsible for risk management, compliance, human resources, marketing, market analyses, legal services, and communication.

Positions with other companies:
Mr Síkela is a member of the Managing Board of the Slovak Banking Association, the Council of the Deposit Protection Fund, the Board of the Slovak-Austrian Trade Chamber, the Supervisory Boards of Prvá stavebná sporiteľňa, Factoring Slovenskej sporiteľne and Leasing Slovenskej sporiteľne, and Chairman of the Administrative Board of Nadácia Slovenskej sporiteľne.

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 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. Mr Máj was a member of the Slovak Finance Ministry's Steering Group for the restructuring and privatization of selected banks and restructuring of the financial sector.
He is the Bank's Chief Financial Officer and has responsibility for accounting and controlling, property management, balance sheet management, physical security, and the Bank's participations. As from 1 July 2011, he is also responsible temporarily for information technologies, payments and settlement, and for organization.

Positions with other companies:
Štefan Máj is a member of the Supervisory Boards of Factoring Slovenskej sporiteľne, Leasing Slovenskej sporiteľne, LANED, Realitná spoločnosť Slovenskej sporiteľne, and Nadácia Slovenskej sporiteľne. He is a member of the Advisory Board of ITA SK, managing director of Procurement Services SK, and Chairman of the Administrative Board of the non-profit civic association Včelí dom.

JIŘÍ HUML
Member of the Board and Deputy CEO

Jiří Huml studied economics at the Czech University of Agriculture and then at New York State University/CEU. From 1989, he worked at the Ministry of Agriculture and Federal Ministry of Economy as deputy director for agricultural policy and economics. In 1992, he joined McKinsey & Company in Frankfurt am Main, where he specialized in banking, insurance and corporate finance. During his employment with McKinsey (8 years), he worked for customers in the Czech Republic, Germany, Hungary and Russia. From 1999, he worked for Komerční banka in Prague as member of the Board of Directors and COO. Later, he moved to Česká pojišťovna as Deputy CEO in charge of operations, customer services and IT.
In 2007, he started to specialize in retail business at Česká spořitelna, with responsibility for private banking and the retail distribution of financial market products. He was involved in private banking implementation projects at Erste Group members in Hungary, Romania and Slovakia. As of 1 June 2010, he was elected a member of the Board of Directors of Slovenská sporiteľňa, with responsibility for retail sales management, product management, private banking, card centre and Central back-office retail.

Positions with other companies:
Mr Huml is a member of the Supervisory Board of Prvá stavebná sporiteľňa and a member of the Administrative Board of Nadácia Slovenskej sporiteľne.

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, where he worked on the introduction of new companies on the Bratislava Stock Exchange. In 1993, he joined Tatra banka as a dealer in the money and capital market. Later that year, he took up a senior management position at Creditanstalt Securities, 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.

Positions in other companies:
Mr Krutil is a member of the Supervisory Boards of Factoring Slovenskej sporiteľne, Leasing Slovenskej sporiteľne, Erste Corporate Finance, and Nadácia Slovenskej sporiteľne.

ANDREA GUĽOVÁ
Member of the Board and Deputy CEO

Andrea Guľová is a graduate of the Slovak Technical University in Bratislava (Mechanical Engineering) and the University of Economics in Bratislava (Business Management). She has been working for Slovenská sporiteľňa since her graduation in 1994. First, she was responsible for the sale, promotion and development of electronic banking services. In 2001, she became director of the electronic sales channels division, with responsibility for electronic banking, as well as for the Bank's call centre and card products department. From 2005 to 2008, she was in charge of the Product Management Division. From 2008, she worked as senior programme manager for the implementation of the new banking system, which she subsequently managed (as from January 2010) as executive of the subsidiary s-IT Solutions Slovakia, s.r.o. As of 1 February 2011, she was appointed Board member of Slovenská sporiteľňa, with responsibility for information technologies, payments and settlement, and for organization. Since 1 July 2011, she is on maternity leave; her responsibilities have been assumed temporarily by Mr Štefan Máj.

Positions in other companies:
Andrea Guľová is a member of the Advisory Board of ITA SK.

The following person served as a member of the Board of Directors of Slovenská sporiteľňa, a. s., in 2011:
Martin Pilecký from 1 January 2011 to 31 January 2011

Supervisory Board members
of Slovenská sporiteľňa

Martin Škopek
Chairman of the Supervisory Board

Wolfgang Schopf
Deputy Chairman of the Supervisory Board

Franz Hochstraser
Member of the Supervisory Board

Herbert Juranek
Member of the Supervisory Board

Beatrica Melichárová
Member of the Supervisory Board

Štefan Šipoš (from 24 June 2011)
Member of the Supervisory Board

The Slovak economy in 2011

Developments in 2011 mirrored the European debt crisis

Economic developments in 2011 showed some signs of recovery. In the second half of the year, mood on the markets deteriorated due to the escalated European debt crisis as well as fears of renewed recession. The tension on financial markets led to a decline in equity markets, growth of European government bonds yields, including Slovak government bonds.

The Slovak economy continued to grow, with unemployment falling

The Slovak economy continued to grow in 2011, with gross domestic product rising by 3.3% y/y in real terms. Economic growth was driven mainly by foreign demand: Slovakia‘s output was favourably influenced by industrial growth in the countries of our key trading partners – Germany and the Czech Republic. Household consumption remained subdued due to uncertain outlook, as well as persistent high unemployment rate. Although the pace of economic growth was rather slow, roughly 35,000 new jobs were created according to the Statistics Office of the Slovak Republic. The rate of unemployment fell to 13.5% in 2011, from 14.4% in 2010.

Developments in 2012 will depend on the euro area

Economic developments in 2012 will be influenced by various factors, such as the pace of recovery in the euro area, mainly in Germany, where one fifth of Slovak exports goes. Other important factors will be the solution of the debt crisis and the new rules set for the further functioning of the euro area. As for local factors, the most significant will be the early general elections, the new government‘s economic policy, mainly the pace and method of fiscal consolidation. These factors may influence the business environment in Slovakia, the country‘s financial sector, rating and perception in the eyes of investors.

Inflation rose as a result of higher energy prices and VAT rates

Inflation rose to almost 4% in 2011, after reaching an all-time low in the previous year. The rise was caused by higher energy and food prices, as well as by administrative measures taken to reduce the public finance deficit. Inflation was also affected by fiscal measures, such as higher excise tax rates for selected goods and the value added tax increase (from 19% to 20% at the beginning of 2011).

Consolidation of public finances launched in 2011

After the public finance deficit reached around 8% of GDP in 2009 and 2010, the Government introduced consolidation measures in 2011 in order to reduce the deficit below 5% of GDP (the final figures will be known in April). The mix of measures included savings on the government’s current expenditure and measures to increase revenues (e.g. higher VAT). There will be early parliamentary elections in March 2012. The key questions after the elections will be whether the new government will accept the planned fiscal deficit reduction below 3% of GDP until 2013, and how the consolidation will continue.

The government introduced banking tax

In October, the Slovak parliament approved a special tax for the banking sector effective 2012. The annual rate was set at 0.4% from relevant liabilities (total liabilities less total equity, value of funds provided to foreign banks’ subsidiaries, subordinated debt and value of guaranteed deposits). The government aims to raise around €80 million to the state budget. The tax will have bigger impact on coporate than on retail banks.

The ECB responded to the market situation

Since the Euro zone entry, Slovakia‘s monetary policy is administered by the European Central Bank. With Germany at the helm, the Euro area started to recover in the first half of 2011, at a relatively fast pace. Under pressure exerted by higher commodity prices, however, inflation rose to above the ECB‘s target rate. The European Central Bank responded to the situation by raising its key interest rates by a total of 50 basis points to 1.5%. In summer, however, the stock markets experienced a downturn and fears of renewed recession arose. Hence, the ECB lowered its key interest rates, back to 1.0%. In addition, the ECB again used non-standard long-term refinancing tenders in order to increase the level of market liquidity. At the end of the 2011 and in February 2012 , the ECB conducted two three-year refinancing tenders. In addition, the ECB continued to purchase government bonds from certain European countries in order to push down the yields required for these bonds. The nervousness in the markets, coupled with a decline in confidence in the euro-area countries, affected the values of Slovak bonds, too. Their yields rose sharply at the end of the year (8-year bond yields rose briefly to 6%) and, like in the other euro-area countries, the demand for Slovak government bonds declined. The situation calmed at the beginning of 2012: demand at auctions grew to a significant extent and yields on Slovak government bonds fell in comparison with their end-2011 level (8-year maturities dropped to below 5%).

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 the date of the Report‘s preparation, and that the Report does not omit any data or information which could affect its meaning.

Management report on activities in 2011

Figures are taken from the Consolidated Financial Statements.

REVIEW OF FINANCIAL RESULTS

- **Slovenská sporiteľňa reached the net profit of almost €195 million in 2011, which represented the best financial result of the Bank**
- **The Bank‘s cost-to-income ratio fell from 40.5% in 2010 to 39.6% in 2011**
- **The balance sheet total increased by 3% year-on-year, mainly as a result of growth in the volume of transactions with clients, with the loan-to-deposit ratio rising to 83.4% by the end of the year**
- **The Bank strengthened its market leader position in the area of retail lending, while increasing lending to the public sector too**
- **Net interest income increased as a result of growing volumes, effective liquidity management, and appropriate price policy in the areas of assets as well as liabilities**
- **Through responsible credit risk management, the Bank significantly improved the asset quality, thus reducing the creation of provisions in comparison with 2010**
- **Year-on-year increase in income from fees and commissions (more than 5%), mainly as a result of growth in loans and transactions**
- **Net income from trading was negatively affected by an increase in credit premia (securities, derivatives)**
- **Operating costs increased by 1.3% year-on-year, well below inflation**
- **The downgraded ratings of countries in relation to the debt crisis were negatively reflected in the lower valuation of financial assets (mainly securities available for sale and fair value portfolio)**

Lending to clients grew by more than 10% year-on-year

In 2011, Slovenská sporiteľňa’s balance sheet total reached €11.3 billion, representing a year-on-year increase of 3% (around €320 million) and the market share of 20%. The balance sheet structure continued to show positive changes in favour of transactions with clients. Lending to clients grew by more than 10% compared with 2010. The total volume of loans to clients reached almost €6.7 billion, representing 59% of the total assets.

The value of securities and participations reached €3.7 billion at the end of 2011, with securities held to maturity accounting for more than 70%. The most significant asset-side decrease was recorded in interbank loans, the volume of which fell by more than 50%, to €613 million. On the other hand, the value of intangible assets almost doubled, to €116 million, in connection with the launch of the Bank‘s new information system.

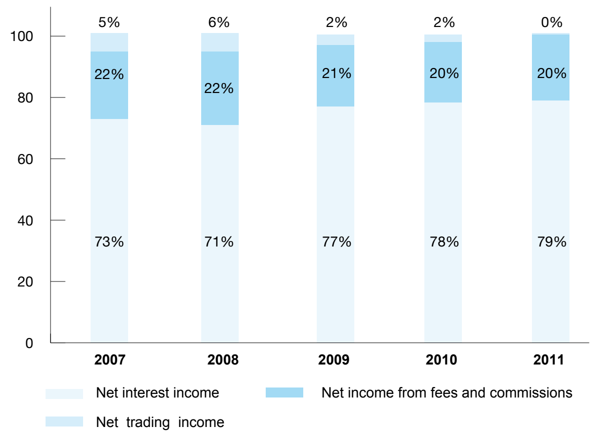
On the liability side, the total volume of client deposits fell slightly by 1.5% (i.e. €125 million) to €8.2 billion, representing 71% of total liabilities. This fall was caused mainly by a significant decrease in deposits from the government sector (Treasury/ARDAL), which fell in volume by roughly €390 million. At the same time, however, the Bank recorded an increase of almost €80 million in deposits from the population, despite the aggressive pricing policy pursued by rival banks. The loan-to-deposit ratio stood at 83.4% at the end of 2011. This ensured a secure position in the area of liquidity. Slovenská sporiteľňa recorded a 24% increase in deposits from banks (to €1.4 billion) and its equity has exceeded €1 billion. Subordinated liabilities increased as a result of subordinated bond issues for customers in the total amount of €36 million.

The overall balance sheet structure is tilted towards customer assets and liabilities. This creates a potential for sustainable rise in the key indicators in the years ahead.

Net interest margin increased

Slovenská sporiteľňa maintained its market leader position despite growing pressure from rival banks, while increasing its net interest income by almost €22 million, representing a year-on-year increase of almost 5%. This increase can be attributed mainly to the Bank‘s prudent pricing policy, growing volumes and effective liquidity management practices. Net interest income as a share of total income increased to 79.2% (from 78.2% in 2010), with the net interest margin growing from approximately 4.3% in 2010 to 4.5% in 2011. Net interest income was also influenced positively by the management of interest expenses, which, however, led to a more moderate growth in retail deposits and a decline in the Bank‘s market share.

Weight of interest income increased

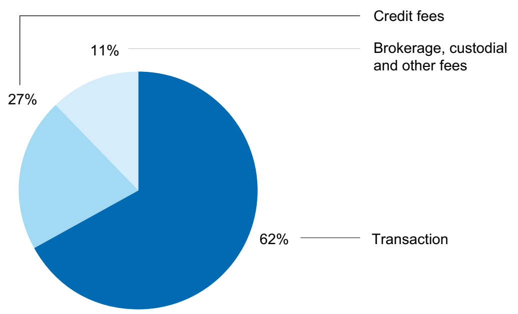


Fee income grew, net trading income declined

Net income from fees and commissions grew by 5.0% year-on-year, to almost €121 million, mainly as a result of growth in the volume of loans provided and in the number of transactions. A significant contribution also came from insurance fees, which increased by almost €2.5 million year-on-year. Income from securities brokerage fees and asset management fees decreased, mainly as a result of unfavourable developments in financial markets caused by the debt crisis. As a share of the Bank‘s total income, net fee and commission income remained unchanged in 2011, at the previous year‘s level (around 20%).

Net trading income fell by €6.8 million in year-on-year terms, to less than €1.9 million. This was mainly due to an increase in credit premia. Negative revaluation directly affected the Bank‘s financial results.

Transactions generated 62% of fee income



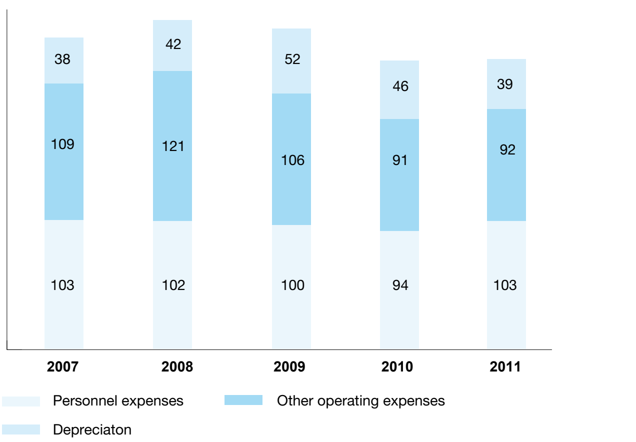
Provisions were substantially lower

The net amount of provisions reached €72 million in 2011, which was almost €58 million less than in 2010 (a year-on-year fall of more than 44%). This positive trend was supported mainly by the Bank‘s prudent lending policy as well as by the improving economic situation and consequent slight improvement in the risk profiles of customers. By setting an acceptable degree of risk and using a strict lending policy, the Bank managed to cushion the negative impacts of the debt crisis on its loan portfolio. The ratio of defaulted loans to total loans decreased slightly in year-on-year terms (to 7.6% at the end of 2011).

The rise in expenses remained below inflation

Operating expenses rose by 1.3% in year-on-year terms. This rise took place mostly in personnel expenses, which increased by 9.6% year-on-year, to €103 million. The Bank managed to reduce its key efficiency indicator, i.e. the cost-to-income ratio, to 39.6% in 2011 (from 40.5% in 2010). The overall reduction in expenses reflects the streamlining of processes and strict cost management.

Operating expenses rose by only 1% year-on-year (€ millions)



Net profit

In 2011, Slovenská sporiteľňa achieved a consolidated net profit of almost €195 million. The increase was largely driven by growth in net interest income, reduction in provisioning, and growth in fee and commission income. Operating profit increased by 5.3% (€18 million), to €357 million. Operating income grew by €21 million in year-on-year terms, to €591 million. Return on equity (ROE) reached 19.9% as of 31 December 2011, compared with 17.7% in 2010.

RETAIL SERVICES

- **The Bank's retail loan market share stood at 26.4% at the end of 2011**
- **The share of longer-term deposits increased still further**
- **The new savings account offered clients a decent return on their savings**

Successful sale of housing loans

The Bank provided new housing loans in the amount of roughly €958 million, representing a year-on-year increase of 30% in lending for housing purposes. Customers continued to show preference for longer interest rate fixation periods – mainly three and five years.
Our historical loan sales tables were rewritten several times in 2011. Most intense lending was recorded in the fourth quarter, when new housing loans were provided in the amount of €337 million, which was 2.5 times more than the figure for the last quarter of 2010. The average size of a housing loan increased by almost €3,000 year-on-year, to €46,100. Housing loans were provided with an average maturity of 25 years, similarly as in 2010. Slovenská sporiteľňa maintained its leading position in the housing loan market; its market share increased to 26.3%.

Within the scope of a sales promotion campaign, the Bank offered a new housing loan with guaranteed installment for the loan's lifetime. In November to December 2011, one-tenth of all new loans were provided this way. The Bank's successful products, such as the Housing Loan and the Mortgage Long for Young Clients, remained on sale. Housing loans were also in demand among customers who wanted to refinance their loans from other banks. The sale of this product was promoted on the Bank's website, where an online calculator was available to help customers to calculate how much money they can save on monthly loan repayments to SLSP, compared with loan repayments to other banks.

In 2011, the Bank also focused on implementing the new information system (NIS) for its entire branch network and on completing the centralization of certain activities at the new Central Back Office in Banská Bystrica. At the same time, the Bank simplified the sales process and optimized the parameters of all products.

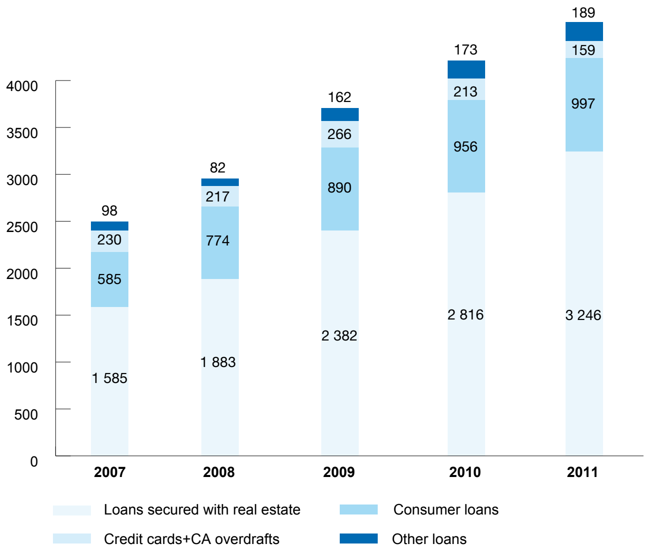
Easy and quick access to consumer loans

The successful sale of consumer loans continued in 2011, with the Bank's market share reaching 44.4% at the year-end. This was attributable to the simplified sales process and the optimized product parameters. In the year under review, the Bank conducted various direct mail activities and campaigns, tailored to the needs of customers. The time needed to obtain a consumer loan was shortened considerably. Slovenská sporiteľňa continued providing its successful pre-approved credit limits, too.

A new service was the provision of loans via telephone, without the need to visit a branch. Within the scope of this pilot project, the Bank introduced a new channel for providing consumer loans simply and quickly via telephone. Customers continued to show interest in loan insurance and lending via the electronic banking facility. Loan insurance was purchased by more than 60% of the borrowers last year.

The volume of new consumer loans reached more than €417 million in 2011. The average size of a consumer loan decreased slightly in comparison with 2010 (from €5,400 to €5,323), but the number of new loans increased by almost 4,000 year-on-year, to stand at 78,405 in 2011. There was steady demand for consumer loans for university students, which accounted for almost 2% of the total amount of new loans.

Retail loans continued to grow (€ millions)



The most successful deposit products

In 2011, Slovenská sporiteľňa introduced a new term deposit product with interest payment in advance. During last year, customers deposited €140 million in SLSP through this product. The population's propensity to save is clearly indicated by the number of active savings accounts. Slovenská sporiteľňa maintained savings accounts for almost 83,000 clients, of whom 53,000 started to save in 2011.
In November 2011, the Bank launched another innovative product, i.e. Dobrý vklad (Good Deposit) – a nine-month term deposit earning interest at a rising rate. This product attracted €100 million of funds in less than six weeks and became the Bank's most successful product in 2011.

Stabilization of private deposits

In 2011, Slovenská sporiteľňa continued to stabilize its private deposit portfolio. The share of long-term deposits (2 and 3 years) increased somewhat in comparison with 2010, to almost 43% of the term deposit portfolio.
In 2011, like in 2010, Slovenská sporiteľňa recorded a modest year-on-year increase (1.5%) in the volume of deposits. Household deposits reached €6.2 billion and accounted for 77% of the Bank's deposit portfolio.

In the area of accounts, Slovenská sporiteľňa focused on improving the quality of the entire portfolio. Although the number of accounts decreased somewhat, the Bank maintained the volume of funds held on these accounts and thus achieved a higher average account balance than in the previous year.

The amount of securities sold to retail customers increased

Slovenská sporiteľňa continued to dominate the domestic market for securities in 2011. We achieved a share of over 70% of the volume traded on the Bratislava Stock Exchange, owing to our bond market activities. Another positive achievement was that retail clients increased their activities on the secondary market, mainly in trading in SLSP mortgage-backed securities. These transactions accounted for 90% of the total volume traded in mortgage-backed securities for retail customers.

Slovenská sporiteľňa's activity also showed up in new issues of mortgage bond issues for retail clients (in the total amount of €70 million).

PAYMENTS AND TRANSACTIONS

- **The number of cross-border payments increased by 17%**
- **Electronic payments accounted for more than 90% of all payments**

Both domestic and foreign payments increased in number; electronic payments dominated

The number of cross-border payments abroad increased by 17% year-on-year and cross-border payments from abroad grew by 22% in 2011, compared with the previous year. Domestic payments recorded a year-on-year increase of around 5%. In the area of domestic payments, Slovenská sporiteľňa maintained its significant position: 21% of all payments processed in the Slovak banking sector were processed in SLSP. Almost 90% of all transfers abroad and from abroad were carried out through the electronic banking facility. The number of payment orders made in paper form dropped by 7% compared with the previous year. Such orders account for less than 10% of the total number of payment orders.

In December 2011, electronic banking services were used by 747,000 customers, representing 5% year-on-year increase.

Cash processing grew in volume

In 2011, Slovenská sporiteľňa processed cash in the total amount of €6.6 billion, 8% more than in 2010. In connection with payments received, the Bank processed more than 40 millions banknotes (an increase of 8% compared with 2010) and 15 million coins (a decrease of 17% compared with 2010). Slovenská sporiteľňa processed foreign-currency cash in the amount of €175 million, which was 7% more than in the previous year.

DISTRIBUTION NETWORK

- **More investments into new branches and their modernization**
- **Increase in the number of issued payment cards and card payments**

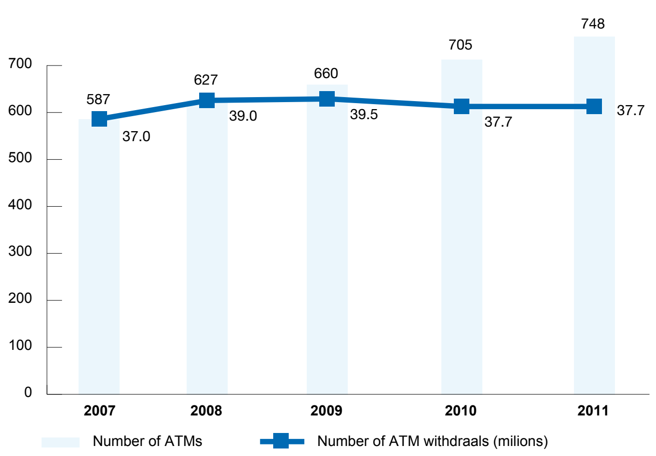
Slovenská sporiteľňa has 292 branches; 19 branches were modernized in 2011

With 292 branches and 748 automated teller machines (ATMs), Slovenská sporiteľňa has the most extensive bank distribution network in Slovakia. The Bank expanded its network in 2011, opening 16 new branches. Ten branches were relocated to new premises and nineteen branches were modernized.

The number of ATMs and withdrawals increased

In 2011, the number of ATMs increased by 43 (6%) compared with 2010, to 748 at the end of December. This represented more than 31% of all ATMs in Slovakia. The total volume of transactions grew by 5% year-on-year, to more than €4 billion. The average amount of an ATM withdrawal was approximately €107, representing a year-on-year increase of €5. Since October 2011, a new operation is enabled by the Bank's ATMs: change of the PIN code.

Growing number of ATMs



Mobile banking

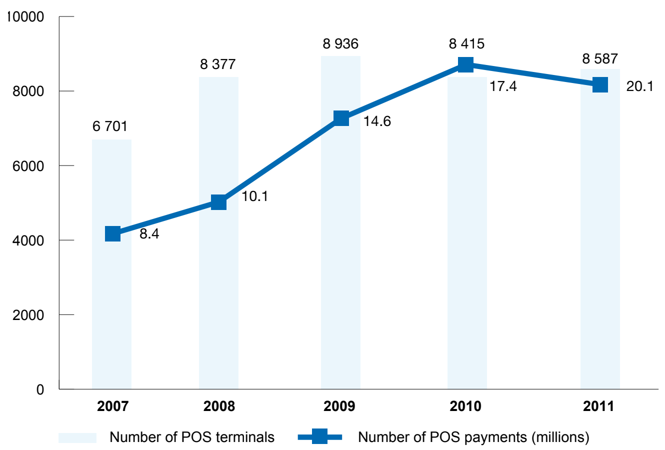
At the beginning of 2011, Slovenská sporiteľňa launched IB MINI, an internet banking service for all main mobile phone platforms:
iOS (Apple)
Android (HTC, Samsung)
Symbian (Nokia)
RIM (Blackberry)
WinMobile 7
Regarding the range of its functions, IB MINI enables all operations that are available under full-scale internet banking.

In the fourth quarter of 2011, Slovenská sporiteľňa introduced a novelty referred to as ‚Scanner', i.e. a new mobile banking application for smartphones. This single-purpose application enables the client to scan, easily and quickly, bar codes from postal orders, and to execute the payment order without having to type in any data from the postal order. The Scanner application is supported in Slovakia by the most commonly used mobile platforms, i.e. iOS and Android.

Slovenská sporiteľňa operates almost a quarter of all POS terminals in the market

Slovenská sporiteľňa has a network of 8,587 point-of-sale terminals, accounting for 23% of the total number of POS terminals in Slovakia. More than 20 million transactions were carried out through POS terminals in 2011, representing an increase of 16% compared with 2010. The amount of POS payments exceeded €567 million, an increase of 11% year-on-year. The average amount of a transaction was approximately €28.3.

Growing number of POS payments (by 16% in 2011).



Card market position of Slovenská sporiteľňa also strengthened

In 2011, Slovenská sporiteľňa maintained its significant position in the Slovak card market. The total number of payment cards issued by the Bank stood at 1,307,393 at the year-end. Customers carried out 75.5 million card transactions, representing an increase of 11% compared with 2010. The amount of transactions also increased, to €4.8 billion, which was 6.4% more than in 2010.

Sales were promoted by the Sporotel contact centre

Within the Bank's distribution network, a special position is held by the Sporotel contact centre, which is an add-on provider of personal support for users of electronic banking services, POS terminals, ATMs and payment cards. Sporotel's operators contributed to the accomplishment of the Bank's business objectives by active communication with clients during service calls or through emails ent to customers. The new banking information system has opened up new opportunities for Sporotel to offer and sell SLSP products and services. In 2011, Slovenská sporiteľňa was the first bank in Slovakia to make it possible for customers to purchase consumer loans online, via the telephone service of Sporotel. Thus, the operators of Sporotel significantly contributed to the increase in the number of active SLSP clients.

CORPORATE BANKING

One of the most important customer segments of Slovenská sporiteľňa is that of small and medium-sized enterprises with an annual turnover of €1 million to €50 million. This segment is served through the Bank's nine regional centres and eight corporate centres located in smaller towns.

The Bank continued to provide a comprehensive range of financial services to small and medium-sized enterprises, mainly credits and loans, domestic and cross-border payment services, and investment banking services. Apart from standard products, the Bank also provided specialized services in the form of trade, export and project financing. The Bank also continued to foster and strengthen its relationships with such clients, and helped them overcome the difficult situation in the market.

The total number of clients in this segment increased from 4,647 to 5,078 in 2011. As at 31 December 2011, the volume of loans provided to this segment stood at €778 million and that of deposits administered for clients who actively use the Bank's products and services stood at €362 million at the end of the year.

The most successful activities in 2011 were the following:

- **the introduction of a new product, i.e. Quick Loan (Rýchly úver);**
- **the introduction of a unique programme, i.e. BUSINESS PRO (BIZNIS PRO);**
- **continued cooperation with the EBRD and SZRB.**

Quick loan

This product enables customers to obtain financing in a simple form in several days, up to the amount of €3 million.

BUSINESS PRO

A programme for the support of medium-sized enterprises, aimed at increasing their competitive edge in the international market. The programme enables customers to obtain new loans under preferential conditions, or to draw a special loan to cover unpredictable situations or business risks. The product enables export or import risk coverage up to 100%. The programme also includes preferential conditions for payments and settlement.

Cooperation with the EBRD and SZRB

The Bank continued to finance small and medium-sized enterprises in cooperation with the European Bank for Reconstruction and Development (EBRD). These were mainly projects aimed at improvement of energy efficiency in the housing and industrial sectors, and renewable energy projects. Another significant activity in 2011 was the quick guarantee programme for corporate clients implemented in cooperation with the Slovak Guarantee and Development Bank (SZRB), whose tasks include ensuring easy access to financing for small and medium-sized enterprises.

Lending to large corporate increased

In 2011, Slovenská sporiteľňa strengthened its corporate credit portfolio by increasing lending to large corporate clients by more than €110 million. This increase was achieved through lending to existing clients and by obtaining new clients despite the strong competition in the local market.

Despite the improving macroeconomic situation in the first half of 2011, large corporate clients pursued a cautious approach to external financing, which was reflected in the lower level of demand for long-term investment loans. Hence, the growth in lending took place predominantly in short-term loans (repayable in 1-2 years), provided mostly for operating needs.

In the third and fourth quarters in particular, some of the banks employed a selective approach to lending to corporate clients, owing to the continued downturn in the European capital and financial markets. Like other banks, Slovenská sporiteľňa monitored its credit portfolio more strictly in terms of the ratio of income to risk-weighted assets (RWA). Thus, the increase in the Bank's credit portfolio was achieved largely in the first three quarters of 2011. Therefore, the Bank now focuses more on providing ‚passive' products and transaction banking services.

The Bank also maintained its position in project and real estate financing

In the area of real estate financing, the Bank's credit portfolio continued to fall in volume; the first decrease was recorded in 2010. This trend was caused by the persistent lower number and volume of new transactions in the real estate market. The sharpest fall in the credit portfolio occurred in the segment of retail shops, multifunctional premises, and residential buildings. In 2011, the Bank financed mainly smaller housing projects in Bratislava and commercial projects throughout Slovakia.

FINANCIAL MARKETS

- **Slovenská sporiteľňa was the most active player at the stock exchange in 2011**
- **The Bank participated in two syndicated government bond issues**

Slovenská sporiteľňa - the most active player at the stock exchange

After two years of declines, the turnover of the Bratislava Stock Exchange (BSSE) grew by almost 180% in 2011, compared with 2010. The BSSE's cumulative turnover reached €37.8 billion at the end of December. Again in 2011, the amount of shares traded on the stock market was dwarfed by the amount of bonds bought and sold. In 2011, Slovenská sporiteľňa was the most active player at the stock exchange, with a turnover of almost €27 billion and a share of 71.4% of the total volume of BSSE transactions.

Slovenská sporiteľňa maintained its leading position in the market for new bond issues

The total volume of own bond issues (mortgage-backed securities, senior and subordinated bonds) reached €112 million in 2011. Slovenská sporiteľňa, as chief co-manager, participated in two syndicated government bond issues totalling €2.25 billion.

Slovenská sporiteľňa was declared a recommended bank for securities management in Slovakia

For the first time in its history, Global Custodian, the leading magazine covering the international securities services business, assigned a rating to Slovenská sporiteľňa, for the quality of custody services provided in the domestic securities market. Thus, Slovenská sporiteľňa was declared a recommended bank for securities portfolio management in Slovakia.

HUMAN RESOURCES

In 2011, the activities of Slovenská sporiteľňa in the area of human resources were again aimed at increasing the efficiency of organisational processes through the optimization of the existing organisation structure and staff numbers, and at ensuring a sufficient number of qualified staff for the implementation of the new information system with a minimal impact on the planned personnel expenses. The reduction of the number of employees at branches, who did supporting administration, allowed for opening 150 new sales advisor positions in 2011. The Bank continued to change the age structure of its staff in favour of employees aged 20 to 30 years; the number of newly recruited employees increased threefold. Staff turnover (both voluntary and total) remained below the level of 2010.

Training and career development in the branch network focused mainly on the correct use of the new information system and banking processes. In order to improve the effectiveness of staff utilization at the head office, the Bank prepared a specialized programme for managers (Responsibility - Effective Working Time Management) and retrained the entire middle management of its head office and auxiliary units.

In 2011, Slovenská sporiteľňa also took an active part in the sectoral project Employees Engagement Survey. The survey results were reported to all levels of management and the Bank prepared action plans to strengthen the motivation and commitment of its staff members. In 2011, Slovenská sporiteľňa launched a new cooperation programme for secondary schools under the title ‚WE'RE HOLDING A PLACE FOR YOU', with a view to obtaining new human resources for the retail network.

Risk management

Slovenská sporiteľňa is firmly convinced that effective risk management is one of the basic pillars of success for its business operations. Hence, the Bank makes long-term effort to improve the process of monitoring, assessing and managing all the major risks that are inherent in its activities. The most significant of these risks are credit risk, market risk, liquidity risk and operational risk.
The Bank‘s objective in the area of risk management is to be able to identify all these risks, to estimate their potential adverse effects correctly, and to have appropriate procedures for their efficient management. Risk management at SLSP is governed by the following basic principles:

- **prudent approach to risk management, with emphasis on long-term sustainability;**
- **risk management is independent of the business lines to the greatest possible extent, it is centralized and has sufficient resources and powers for the performance of its tasks;**
- **risk management is fully integrated, the overall risk profile reflects the links between the individual types of risks, and risk exposures are permanently controlled with regard to the amount of capital at hand;**
- **the Bank never enters into a transaction, investment or product involving risks that cannot be assessed or controlled.**

In 2011, the Bank recorded a slight decrease in the share of non-performing loans, to 7.6% (from 7.7% in 2010), owing to its reasonable lending policy and the regular write-offs and sales of defaulted loans. Owing to the positive trend in the area of non-performing loans, the amount of provisions created for such loans decreased to €72.2 million in 2011, from €129.8 million in the previous year.

In 2011, the Bank‘s capital adequacy increased to a comfortable level (15.4%), from 13.5% in the previous year (on the basis of consolidated data). The stress testing results confirmed the Bank‘s financial stability and capital adequacy even in pessimistic stress scenarios. The Bank has already met Core Tier I ratio in advance (set to 9% from risk weighted assets), that will be effective since June 2012.

Fitch Ratings improved the Bank‘s individual rating in 2011, from ‚C/D‘ to ‚C‘. Individual Rating is based on SLSP‘s market leading retail franchise and solid funding base, as well as improvements in efficiency, operating profitability and capitalisation.

In 2011, the following noteworthy improvements were achieved in the area of risk management:

- **The Bank issued a binding Risk Appetite Statement, which is a file of indicators defining the Bank‘s targeted risk profile. This document was approved by the Board of Directors and was taken into account when the Bank‘s strategic business plan for 2012 was drawn up.**
- **The Bank carried out comprehensive stress tests, which covered all the major risks (including reverse stress testing for market risk). The test results were taken into account in capital management (the creation of capital reserves for unpredictable stress events) and strategic planning.**
- **The Bank received permission from NBS to extend its AMA model used for capital requirement calculation (for operational risk) to include insurance against part of the losses. For that reason, the capital requirement for operational risk dropped by roughly 14%, compared with 2010.**
- **The Bank continued to develop an integrated risk management system (including ICAAP) and remade reporting, assessment of material risks, documentation, risk-weighted output measurement, and stress testing.**
- **The Bank substantially improved its liquidity risk management system. Numerous analyses were revised and modified, such as the analysis of the Bank‘s survival under various stress scenarios and the monitoring of liquidity and its potential sources. The minimum liquidity reserve was increased to €1.5 billion. The Bank also introduced a new report enabling cash-flow monitoring on a daily basis.**
- **The Bank set up a competence centre for the validation of risk models. Erste Group had selected Slovenská sporiteľňa for this task because the Bank has a highly qualified staff with long experience in the field of risk model validation. The competence centre is responsible for the validation of rating systems and risk parameters in the private clients segment for the entire Erste Group. Thus, Slovenská sporiteľňa has gained a strategic position and a key task in the area of risk management within the Erste Group.**
- **In February, the Bank implemented new rating models for micro and corporate clients. On the basis of these models, the Bank is able to estimate the risk of loan default more precisely. The amount of risk-weighted assets (RWA) could also have been reduced in 2011, owing to the updated models. The new models enable better default prediction and more precise default probability estimation, thus supporting transactions at a reasonable risk and contributing to sound credit portfolio growth.**
- **The Bank improved the process of concentration risk management, which is aimed at identifying, measuring, monitoring and reporting this type of risk. The Bank uses exposure limits (for clients, sectors, countries) in relation to Tier I capital. The Bank introduced reporting to inform the management of any change in the level of concentration risk.**

In the area of risk management for retail clients, the following changes were made in 2011:

- **The Bank completed the centralization of approval of all retail loans in specialized retail risk management centres in Banská Bystrica and Bratislava.**
- **The Bank introduced an automated decision-making process for applications for smaller loans and implemented a system for automated loan application processing and verification.**
- **The continuing decrease in loan defaults as a percentage of the retail loan portfolio indicates that the Bank maintained and improved the quality of retail loans and the ratio of capital tied up in these loans.**
- **Like in the previous years, the Bank continued to search for and focus on customers with a good-quality risk profile. This enabled the Bank to expand its loan portfolio, while improving its risk profile still further. A substantial component of this loan portfolio growth was due to own clients, where SLSP utilized its dominant position in the retail banking sector of Slovakia, as well as the fact that the Bank knows its clients and is therefore able to assess their risk profiles.**
- **In 2011, like in 2010, the Bank again focused on increasing the effectiveness of debt collection from clients in arrears. The Bank also placed emphasis on intense communication with its clients; the number of notifications and telephone calls increased by more than 60%, compared with 2010.**

The results of early collection were affected by the weak labour market in 2011, which the Bank managed to offset fully by improving the effectiveness of collection in the case of unsecured loans. In the case of loans secured with real estate, this effect was offset only in part. However, the impact of unemployment on portfolio quality remained below the level expected by the Bank.

In the area of risk management for corporate clients, the following improvements were achieved in 2011:

- **Change in the list of data and documents required from customers according to the type of process / analysis.**
- **Introduction of a tool for verifying the relevant internal and external information needed for the assessment of the client‘s solvency and for completing the client‘s analysis.**
- **Partial automation of documents for loan transaction processing for the purpose of accelerating the loan approval process, elimination of duplicates, and reduction of the operational risk in the course of data typing.**
- **Implementation of a tool for processing loan applications received from clients and for measuring the processing time.**
- **Changes in the competence rules governing the approval of loan transactions and the granting of authorisation to staff members to approve transactions.**
- **Standardization of the contractual terms &**

conditions for loans at the level of the borrower and at transaction level, i.e. ‚catalogue of the Bank's lending conditions'.

- **Changes in the process of loan portfolio monitoring – early waring signals at the level of the client; introduction of automated reporting to the staff members in charge on the occurrence of negative events and the subsequent actions.**
- **Implementation of monitoring of approved exemptions from the Bank's lending policy and from the valid criteria for the provision of credit.**

Credit approval procedures are implemented and adjusted with the aim of reducing the risks that may arise from a credit transaction, mainly in the phases of preparation and approval, as well as in the phases of contract preparation and credit transaction monitoring, until the date of credit repayment.

In the area of restructuring and workout, the following improvements were achieved in 2011:

- **The Restructuring & Workout Division, specifically the Corporate Workout Department, increased the effectiveness of its activities with the help of new specialized teams. The following teams were formed: restructuring team, workout team, and special financing team.**
- **The Bank implemented a pilot version of the Early Warning System (EWS) for corporate clients, designed to increase the effectiveness of credit risk monitoring and credit risk assessment, and to prevent the occurrence of negative developments in the corporate portfolio. The EWS also provides early assistance to clients hit by the weak performance of the global economy.**
- **In order to improve the efficiency of Slovenská sporiteľňa (in line with the Erste Bank's policy) and to share its know-how in restructuring and workout activities, the relevant activities of Factoring Slovenskej sporiteľne and Leasing Slovenskej sporiteľne (subsidiaries of SLSP), were integrated into the Bank. This resulted in an efficient, coordinated, and targeted activity in this area of credit risk management.**
- **In 2011, the Bank recorded favourable developments in its portfolio of non-performing loans (NPLs). This was attributable to the introduction of regular quarterly sales of receivables that were more than 1,080 days overdue, the extension of NPL outsourcing (including the implementation of judicial debt collection), and to a substantial upturn in recovery, mainly in the area of receivables secured with real estate.**
- **In 2011, the Bank set up a network of real estate appraisal experts for the valuation of land or property entering the lending process as loan collateral. Cooperation with these experts brought acceleration of the lending process, improved the quality of primary real estate appraisal, and enabled the Bank to offer a new type of service to its clients. The bank intends to extend the range of this network further in the futur**

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.

In 2011, the Supervisory Board convened three times and voted on four occasions ‚per rollam‘. The Board of Directors kept the Supervisory Board regularly informed about the Bank‘s business activities, the implementation of its business plan, and submitted reports on the Bank‘s financial position. Matters discussed at Supervisory Board meetings included, among other things, the consolidated financial statements, the proposal for profit distribution, and reports on the Bank‘s participations. The Supervisory Board paid particular attention to, and carried out detailed monitoring of the Bank‘s risk management situation on the basis of regular quarterly reports submitted by the Board of Directors. The Supervisory Board was regularly briefed about the implementation of the Bank‘s most significant projects, participations and other matters related to its development; it was also informed about the activities of the Bank‘s Internal Audit department and approved the IA operational plan for the next period. In 2011, the Supervisory Board effected a personnel change in the Board of Directors, because Mr Martin Pilecký had resigned his membership of the Board of Directors and the office of Deputy CEO. He was replaced by Ms Andrea Guľová, with effect from 1 February 2011.

The Supervisory Board has established three committees (Audit, Credit, and Personnel committees). In 2011, the Audit Committee dealt with reports concerning internal monitoring, 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 and Personnel committees took decisions on an ad hoc basis, in accordance with the Bank‘s Competence Rules.

The Supervisory Board discussed the audit of the consolidated and individual balance sheet of Slovenská sporiteľňa (and the related profit and loss statement) as of 31 December 2011. The audit was carried out by Ernst & Young Slovakia in accordance with International Financial Reporting Standards as adopted by the European Union. The auditor confirmed that the financial statements present fairly, in all material respects, the financial position of the Bank as of 31 December 2011.

Considering these facts, the Supervisory Board recommended the General Meeting to approve the Bank‘s financial statements for 2011 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 2011, 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.bsse.sk. In 2011, the Bank did not report any deviations from the BSSE‘s Code.

The Bank‘s employees are kept informed about its results and objectives at periodic meetings, through internal communication channels and, in the case of managers, at thematic managerial meetings. In the autumn months of 2011, the Board of Directors organized „road shows" for employees in all regions in order to present the Bank‘s strategy, objectives and results.

Internal control system

Slovenská sporiteľňa has in place clearly defined principles of an internal control system (ICS). Efficient internal control is the basis of sound risk management; it safeguards the Bank‘s assets, helps to reduce or prevent the potential occurrence of serious errors or operational risk events, and makes it more likely that any such occurrence will be detected in short time.

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.

The Bank‘s employees are accountable for their work and are to abide by ICS principles. They perform their duties in accordance with applicable laws and the Bank‘s internal guidelines, 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. Internal Audit is fully independent from all activities performed by the Bank and this independence is reflected in all stages of its activities, particularly during the identification and analysis of risks, the planning and preparation of audits (including the selection of review and evaluation methods), the preparation and submission of audit reports, and the evaluation and monitoring of measures adopted on the basis of audit findings.

Internal Audit (IA) impartially and objectively performs analyses and evaluations and issues standpoints, information and recommendations, in order to enhance the streamlining of processes, the monitoring and evaluation of the adequacy and efficiency of the Bank‘s internal control system, and so on. IA also audits outsourced activities as required by local legislation. The internal auditing of shared services is performed at the respective entity on a contractual basis.

The Company‘s 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 2011, one Ordinary General Meeting was held and one resolution of the sole shareholder was passed. The General Meeting approved the financial statements, the distribution of profit, and the 2010 Annual Report. It also approved the appointment of Ernst & Young Slovensko, spol. s r.o. as the auditor of the Bank‘s financial statements for 2011.
Under a decision of the sole shareholder taken in September 2011, the General Meeting determined the form of remuneration payment to Supervisory Board members who are elected by the Bank‘s employees.

A full description of the activities 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 of Slovenská sporiteľňa, a. s.

The 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 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. In 2011, the Supervisory Board held three regular meetings and voted on four occasions ‚per rollam‘. 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; it 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 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 performs other acts, too. The Supervisory Board may establish committees and set the scope of their activities. These committees, operating in accordance with the Bank‘s rules of corporate governance, currently include the following:

Audit Committee of the Supervisory Board

The Audit Committee oversees the financial reporting process, the efficiency 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 the process of selecting an external auditor for the Bank, the Audit Committee makes a recommendation to the General Meeting to approve the proposal of the Board of Directors. 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 (except for their election, recall or remuneration). Its decision-making is governed by principles laid down by the Supervisory Board and the Bank‘s internal regulations.

Board of Directors of Slovenská sporiteľňa, a. s.

The Board of Directors (BoD), 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. The Board of Directors has five members, under a decision of the Supervisory Board. In accordance with 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 and under the Bank‘s Articles of Association each has tenure of five years.

In 2011, the Board of Directors held 51 regular meetings. 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 also paid particular attention to risk management, credit portfolio analyses, and the monitoring of customer behaviour in regard to protecting the funds of shareholders and customers.

At the BoD meetings, special attention was also paid to the implementation of the Bank‘s new information system and the related process optimization. In order to simplify the work procedures and to increase their efficiency, the Board of Directors decided, in mid-2011, to make significant changes in the organizational structures of the Bank‘s business lines. The Board paid particular attention to monitoring activities – mainly to reports compiled by the Bank‘s Internal Audit Division.

The current members of the Board of Directors are:

Jozef Síkela, Chairman of the Board and CEO – responsible for risk management, human resources, communication and sponsoring, marketing and market research , and legal services.

Štefan Máj, Deputy Chairman of the Board and First Deputy CEO – responsible for accounting, controlling, property management, balance sheet management, and participations.

Jiří Huml, member of the Board and Deputy CEO – responsible for retail banking management, product management, and the Retail Central Back Office.

Peter Krutil, member of the Board and Deputy CEO – responsible for corporate banking management and capital markets.

Andrea Guľová, member of the Board of Directors and deputy CEO (since 1 February 2011) – responsible for information technologies, the Bank‘s organization, and payments and settlement.

The following person also served on the Board of Directors in 2011:

Martin Pilecký – until 31 January 2011

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

Assets and Liabilities Committee (ALCO)

The ALCO evaluates and approves the management and monitoring process for the Bank‘s financial flows and 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. In this regard, the separate Operating Liquidity Committee (OLC) was established for the purpose of analyzing and evaluating the Bank‘s liquidity position and, where necessary, submitting proposals to the ALCO concerning the Bank‘s liquidity management.

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

Credit Committee

The Credit Committee, in accordance with the Bank‘s Competence 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: the BoD member responsible for risk management, the BoD member who is the Chief Financial Officer, the BoD member responsible for corporate banking, and the 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: the BoD member responsible for retail banking, the BoD member responsible for risk management, the BoD Member who is the Chief Financial Officer, the BoD member responsible for corporate banking, and the heads of the Product Management Division 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 information system change management. During the implementation of the new information system, the Committee‘s activities were suspended.

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 and heads of commercial units.

Cost Committee

The Cost Committee oversees cost management. It makes recommendations to the Board of Directors on how to keep costs under control, sets priorities in line with the business strategy, develops a cost-saving strategy and monitors its implementation with the aim of supporting business activities, The committee oversees the supervisors‘ responsibility for budget allocation on a department by department basis, and the keeping of expenditure at or below the level stipulated in the business plan.

Members of the committee: the BoD member responsible for risk management, the BoD member responsible for IT and banking operations, and the 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: the BoD member responsible for risk management, the BoD member who is the Chief Financial Officer and the BoD member responsible for IT and banking operations; the heads of the Organization Division, Strategic Risk Management Division, Human Resources Division and Payments and Settlement Division; the head of the Market and Operational Risk Department, and the Compliance Officer.

Crisis Committee

The task of the Crisis Committee is to assess situation in the case of a threat of a 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: all members of the Board of Directors; the 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 Division.

Risk Appetite and Stress Testing Committee (RAST)

The tasks of this committee are to ensure that the ICAAP principles are integrated into the Bank‘s business objectives, and to coordinate the creation and approval of scenarios for stress testing purposes.

Members of the committee: the heads of the Strategic Risk Management Division, Accounting & Controlling Division, Balance Sheet Management Division, and Market Research Department.

Marketing Committee

The Marketing Committee implements the marketing strategies of Erste Group, SLSP and its subsidiaries; approves the Bank‘s annual plan for marketing communications and campaigns, the plan for sponsoring activities and business events; approves the business and communication targets of the Bank‘s main campaigns in line with its marketing plan; allocates expenses according to the approved budgets; and evaluates the effectiveness of the Bank‘s campaigns on the basis of their goals.

Members of the committee: the chairman of the Board of Directors; the BoD members in charge of retail banking, corporate banking, and finances; the heads of the Marketing & Market Research Division, Communication & Sponsoring Division, and Product Management Division.

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 and Commercial Code.

Slovenská sporiteľňa does not acquire any own shares, interim shares, or participating interests or shares, nor does it acquire any interim shares or participating interests in its parent accounting entity pursuant to Section 22 of the Accounting Act. Slovenská sporiteľňa does not have any organizational unit based in a foreign country and does not record any expenditure on research and development.

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.

The Bank performs its activities through its organizational units, comprising the head office, branch network, and any other units established under the Bank‘s internal regulations. The responsibility for producing, implementing, coordinating, monitoring and reviewing the Bank‘s business objectives lies with the Board of Directors.

In accordance with generally binding legal regulations, the Bank‘s competences and responsibilities are divided into:

a) the management of risks and bank activities;
b) the conduct of lending and investment business;
c) monitoring of the risks to which the Bank is exposed when conducting banking activities with persons in a special relationship to the Bank.

Risk management is strictly separated from banking activities, and likewise the lending business is separated from the investment business. The Bank maintains separate monitoring of the risks to which it is exposed when conducting banking activities with persons in a special relationship to the Bank.

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 – in which we consistently apply measures under the 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 everyday practice, Slovenská sporiteľňa continued to adhere to the principles of corporate social responsibility last year. Via Nadácia Slovenskej sporiteľne (the Slovenská sporiteľňa Foundation), the Bank provided financial assistance for beneficial activities aimed at strengthening the basic social values of society. By providing financial grants, the Bank attempted to make qualitative changes in the areas of culture, education, science, sports, health care, and environmental protection in Slovakia.

For customers

Our comprehensive financial services were used last year by almost 2.5 million clients. We helped them to implement their plans in the areas of housing financing, saving, investment, and other banking activities in which they were interested. In dealing with clients, we continued using an individual approach based on financial consulting and mutual confidence. To be always available to our clients, we optimized our branch network throughout the country. We have enriched our offer with new financial products and services based on the latest communication and information technologies (applications for the use of banking services via smartphones). The new information system enabled us to accelerate and simplify the banking processes. This led to a further increase in the number of satisfied clients. There was a growth in the number of clients who appreciate that banking services can now be used even more comfortably, quickly and cheaply from home, via the internet or via telephone. Last year, we provided the first specialized loan for the support of social undertakings to a civic association joining 15 sheltered workshops.

For employees

The greatest challenge to Slovenská sporiteľňa in 2011 was the implementation of the new information system, which placed increased demands on the entire staff, both at the head office and in the branch network. Thanks to the staff and to our successful cooperation with ONE IT, the new information system is now functional in every SLSP branch throughout Slovakia. In 2011, we continued to simplify the Bank‘s organizational structure, working procedures and selling processes in order to enable easy and quick access to our services, without unnecessary bureaucracy. We also centralized our back-office services; they are now provided from one place for the entire SLSP network. Thus, we created more room for our colleagues at the branches, who can now devote fully to clients and to the sale of SLSP products and services. Another positive achievement was that, in some of the segments (e.g. municipal financing, affluent clients), we created positions for dealing with clients promptly, directly in the regions concerned. This has created very good conditions for the Bank‘s successful operation in the year ahead, in which we intend to support our traditional business by focusing more intensely on lending to enterprises and municipalities.

For the public

Last year, Slovenská sporiteľňa provided (via the Slovenská sporiteľňa Foundation) financial assistance for more than 200 high-quality public projects in the total amount of more than €1.2 million, and thus created conditions for activities aimed at strengthening the basic social values of society. The Slovenská sporiteľňa Foundation became one of the most significant donors of regional and community-oriented projects in Slovakia, thanks to its dedicated staff. Over the past twelve months, the foundation focused on innovative projects designed to raise the level of financial literacy among students and on organizing free-time activities for children. The largest projects in the area of sports were the building of four multifunctional sports grounds for children and adults in Prievidza, Spišská Nová Ves, Poprad and Martin, and the implementation of the second round of the grant programme ‚Futbal to je hra!‘ (Football, that‘s the game!‘), during which the Bank allocated almost €60,000 for 32 projects aimed at establishing non-professional football clubs throughout Slovakia.

In 2011, the Slovenská sporiteľňa Foundation continued its successful projects ‚Poznaj svoje peniaze‘ (Know your money) and ‚Myslím ekonomicky‘ (Think like an economist), aimed at raising the level of financial literacy among secondary school students in Slovakia.

In the area of culture, Slovenská sporiteľňa has for many years supported the Radošina Naive Theatre, as well as theatres in Nitra, Martin and Prešov. The Bank also supports several philharmonic orchestras and the Bratislava Puppet Theatre.

In cooperation with the civic association Inklúzia (Inclusion), Slovenská sporiteľňa provided financial assistance, for the seventh time, for ‚Radničkine trhy‘ (Town Hall Markets), organized to give disabled people an opportunity to present and sell their products, to shape public opinion in their favour, and to address potential employers to contribute to the integration of disabled individuals into society.

Targets for 2012

- **To strengthen the leading position in the retail segment, increase the number of active clients end extend the branch network, the ATM & POS networks**
- **To strengthen position in corporate banking and increase the number of clients, who see Slovenska sporitelna as their main bank**
- **Further strengthening of position in the public sector segment**
- **Emphasis on long-term relationship with loyal clients**
- **Continuing thorough risk management and emphasis on responsible lending policy**
- **Stabilization of profitability growth and key indicators**
- **Continuing streamlining of processes and optimization of costs**

Consolidated Financial Statements

prepared in Accordance with International Financial Reporting Standards as adopted by the European Union for the Year Ended 31 December 2011

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 consolidated financial statements of Slovenská sporiteľňa, a. s. and consolidated companies ("the Group"), which comprise the consolidated balance sheet as at 31 December 2011, 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 presentation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2011, 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.

6 February 2012
Bratislava, Slovak Republic

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

Ing. Dalimil Draganovský
SKAU Licence No. 893

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT

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 2011

ths. EUR	Note	31.12.2011	31.12.2010
Interest income	6	574 868	535 943
Interest expense	6	(109 241)	(92 959)
Net interest income	**6**	**465 627**	**442 984**
Provisions for losses on loans, advances and off-balance sheet credit risks	8	(72 174)	(129 751)
Net interest income after provisions		**393 453**	**313 233**
Fee and commission income	7	136 656	128 924
Fee and commission expense	7	(15 816)	(14 168)
Net fee and commission income	**7**	**120 840**	**114 756**
Net trading result	9	1 862	8 672
General administrative expenses	10	(234 083)	(230 974)
Other operating result	11	(40 078)	(17 551)
Profit for the year before income taxes		**241 994**	**188 136**
Income tax expense	12	(47 101)	(38 014)
Net profit for the year after income taxes		**194 893**	**150 122**
Net profit attributable to:			
Equity holders of the parent		194 854	149 999
Non Controlling Interest		39	123
Total		**194 893**	**150 122**
Basic and diluted earnings per EUR 1 000 share (EUR)	**33**	**919**	**708**

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 6 February 2012.

Ing. Jozef Síkela

Chairman of the Board of Directors and
Chief Executive Officer

Ing. Štefan Máj

Deputy Chairman of the Board of Directors and
First Deputy of the Chief Executive Officer

Consolidated Comprehensive Income Statement
For the Year Ended 31 December 2011

ths. EUR	31.12.2011	31.12.2010
Net profit for the year after income taxes	**194 893**	**150 122**
Available for sale reserves	(37 522)	(2 796)
Cash flow hedge reserves	(83)	(459)
Actuarial gains on defined benefit pension plans	29	273
Income tax relating to components of other comprehensive income	7 143	618
Other comprehensive (expense)/income for the year after income taxes	**(30 433)**	**(2 364)**
Total comprehensive income for the year		
Attributable to:	164 460	147 758
Equity holders of the parent	**164 416**	**147 612**
Non Controlling Interest	**44**	**146**

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

Consolidated Balance Sheet
As at 31 December 2011

ths. EUR	Note	2011	2010
ASSETS			
Cash and balances at the central bank	13	299 183	335 356
Loans and advances to financial institutions	14	613 237	1 253 486
Loans and advances to customers	15	6 697 442	6 074 859
Provisions for losses on loans and advances	16	(409 350)	(394 240)
Financial assets at fair value through profit or loss	17	90 833	115 180
Securities available for sale	18	979 906	902 632
Securities held to maturity	19	2 560 304	2 285 263
Investments in associates	20	25 160	28 582
Intangible assets	21	115 987	63 325
Property and equipment	22	239 101	209 683
Assets held for rental income	22	5 136	4 809
Non-current assets held for sale	23	-	37 913
Current income tax asset	24	19	281
Deferred income tax asset	24	82 499	70 799
Other assets	25	49 449	39 941
Total assets		**11 348 906**	**11 027 869**
LIABILITIES AND EQUITY			
Amounts owed to financial institutions	26	1 447 807	1 164 963
Amounts owed to customers	27	8 033 726	8 158 459
Financial liabilities at fair value through profit or loss	41b	70 259	51 708
Debt securities in issue	28	367 381	395 199
Provisions	29	25 394	23 622
Other liabilities	30	133 033	97 948
Current income tax liability	24	677	11 364
Deferred income tax liability	24	77	191
Subordinated debt	31	231 582	195 105
Total liabilities		**10 309 936**	**10 098 559**
Total equity, thereof	32	1 038 970	929 310
- Equity attributable to equity holders of the parent		1 036 351	926 734
- Non Controlling Interest		2 619	2 576
Total liabilities and equity		**11 348 906**	**11 027 869**

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 2011

ths. EUR	Share capital	Legal reserve fund	Other Funds	Retained earnings	Hedging reserves	Revalua--tion reserves	Total	Non Con-trolling Interest	Total
	Attributable to equity holders of the parent								
As at 31 December 2009	**212 000**	**79 795**	**39 326**	**448 693**	**481**	**(1 175)**	**779 120**	**2 402**	**781 522**
Net profit for the year	-	-	-	149 999	-	-	149 999	123	150 122
Other comprehensive income	-	-	-	273	(395)	(2 265)	(2 387)	23	(2 364)
Other changes	-	-	-	1		-	1	29	30
As at 31 December 2010	**212 000**	**79 795**	**39 326**	**598 966**	**85**	**(3 440)**	**926 734**	**2 576**	**929 310**
Net profit for the year	-	-	-	194 854	-	-	194 854	39	194 893
Other comprehensive income	-	-	-	29	(74)	(30 393)	(30 438)	5	(30 433)
Dividends paid	-	-	-	(54 800)	-	-	(54 800)	-	(54 800)
Other changes	-	-	-	1	-	-	1	-	1
As at 31 December 2011	**212 000**	**79 795**	**39 326**	**739 050**	**11**	**(33 833)**	**1 036 351**	**2 619**	**1 038 970**

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 2011

ths. EUR	Note	2011	2010
Cash flows from operating activities			
Profit before income taxes		241 994	188 136
Adjustments for:			
Provisions for losses on loans, advances, off-balance sheet, write-offs and unwinding	16	61 246	116 424
Provisions		249	3 615
Impairment of tangible and intangible assets	21, 22	7 045	2 952
Depreciation and amortisation	21, 22	38 891	46 261
Gain on disposal of fixed assets		317	(462)
Net loss from financial activities		17 116	17 028
Net (gain) from investing activities		(106 286)	(94 059)
Impairment of investments in subsidiaries and associates		3 040	668
Recycling of cash flow hedge reserve		(92)	(488)
Cash flows from operations before changes in operating assets and liabilities		**263 520**	**280 075**
(Increase)/decrease in operating assets:			
Minimum reserve deposits with the central bank		105 672	(41 164)
Loans and advances to financial institutions		643 049	(61 659)
Loans and advances to customers		(668 719)	(64 069)
Financial assets at fair value through profit or loss and securities available for sale		(78 839)	244 793
Other assets		(9 255)	22 878
Increase/(decrease) in operating liabilities:			
Amounts owed to financial institutions		282 844	(909 716)
Amounts owed to customers		(124 733)	356 663
Provisions		(246)	(2 613)
Other liabilities		36 883	(5 547)
Derivative financial instruments		6 941	7 315
Net cash flows provided by / (used in) operating activities before income tax		**457 118**	**(173 045)**
Income taxes paid		(62 442)	(17 898)
Net cash flows provided by / (used in) operating activities		**394 676**	**(190 943)**
Cash flows from investing activities			
Purchase of securities held to maturity		(389 960)	(500 301)
Proceeds from securities held to maturity		126 899	645 997
Interest received from securities held to maturity		92 746	79 276
Dividends received from associates		2 987	3 100
Purchase of share in associates		(631)	(668)
Proceeds from sale of subsidiaries and associates		(272)	964
Purchase of intangible assets, property and equipment		(91 031)	(24 032)
Proceeds from sale of intangible assets, property and equipment		284	35 334
Net cash flows provided by / (used in) investing activities		**(258 980)**	**239 670**
Cash flows from financing activities			
Dividends paid		(54 800)	-
Drawing of subordinated debt		35 650	14 500
Interest paid on subordinated debt		(4 942)	(3 443)
Issue of the bonds		74 801	131 132
Repayment of the bonds		(102 891)	(212 620)
Interest paid to the holders of the bonds		(11 075)	(12 587)
Other financing activities		-	-
Net cash flows provided by / (used in) financing activities		**(63 257)**	**(83 018)**
Effect of foreign exchange rate changes on cash and cash equivalents		(140)	(383)
Net increase / (decrease) in cash and cash equivalents		**72 299**	**(34 674)**
Cash and cash equivalents at the beginning of the year	**34**	**229 777**	**264 451**
Cash and cash equivalents at the end of the year	**34**	**302 076**	**229 777**

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 2011

1. INTRODUCTION

Slovenská sporiteľňa, a. s. (hereafter 'the Bank' or 'Parent Company') has its registered office at Tomašikova 48, Bratislava, the Slovak Republic. The Bank was incorporated on 15 March 1994 and registered in the Commercial Registry on 1 April 1994. The identification number of the Bank is 00 151 653 and its tax identification number is 2020411536. The Bank is a universal bank offering a wide range of banking and financial services to commercial, financial, and private customers, principally in the Slovak Republic. The Bank and its subsidiaries (see note 5) represent the Group of Slovenská sporiteľňa, a.s. (hereafter 'the Group').

The Board of Directors has 5 members:
Ing. Jozef Síkela (Chairman of the Board), Ing. Štefan Máj (Deputy Chairman), Ing. Peter Krutil (Member), Ing. Jiří Huml (Member) and Ing. Andrea Guľová (Member) who replaced Ing. Martin Pilecký- since 1 February, 2011. Andrea Guľová - left for her maternity leave on 1 July 2011, her scope of responsibilities being temporarily taken over by Ing. Štefan Máj.

The Chairman of the Board of Directors is also the Chief Executive Officer (CEO) of the Bank. The Deputy Chairman of the Board of Directors is the First Deputy of the Chief Executive Officer. Other members of the Board of Directors are simultaneously Deputies of the Chief Executive Officer.

Supervisory Board has 6 members. As of 31 December 2011, the members of the Supervisory Board were as follows: Martin Škopek (Chairman), Wolfgang Schopf (Deputy Chairman) and Dr. Franz Hochstrasser, Herbert Juranek, JUDr. Beatrica Melichárová and Mr. Štefan Šipoš as members. Štefan Šipoš is a new member of Supervisory Board elected by company employees, his term of office has started on 24 June 2011.

As of 31 December 2011 and 2010, the only shareholder of the Bank was EGB Ceps Holding GmbH, with registered office Graben 21, 1010 Vienna, Austria. The Separate 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:

- **IAS 24 Related Party Disclosures (Revised)**
- **IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (Amendment)**
- **IFRIC 14 Prepayments of a minimum funding requirement (Amendment)**
- **IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments**
- **Improvements to IFRSs (issued in May 2010)**

When the adoption of the standard or interpretation is considered to have an impact on the financial position or performance of the Group, its impact is described below:

- **IAS 24 Related Party Disclosures (Amendment)**

The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government related entities. The Group does not expect any impact on its financial position or performance. Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard.

- **Improvements to IFRSs (issued in May 2010)**

In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies, but no impact on the financial position or performance of the Group.

- **IFRS 7 Financial Instruments — Disclosures: The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context.**
- **IAS 1 Presentation of Financial Statements: The amendment clarifies that an entity may present an analysis of each component of other comprehensive income maybe either in the statement of changes in equity or in the notes to the financial statements.**

Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

- **IFRS 3 Business Combinations**
- **IAS 27 Consolidated and Separate Financial Statements**
- **IAS 34 Interim Financial Statements**

The following interpretation and amendments to interpretations did not have any impact on the accounting policies, financial position or performance of the Group:

- **IFRIC 13 Customer Loyalty Programmes (determining the fair value of award credits)**
- **IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments**

b) Standards and interpretations issued but not yet effective

Standards issued but not yet effective or not yet adopted by the EU up to the date of issuance of the Group's financial statements are listed below. This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

- **IFRS 7 Financial Instruments: Disclosures - Transfers of Financial Assets (Amendments to IFRS 7)**

The IASB has amended the required disclosures relating to transfers of financial assets. The objective of the amendments is to help users of financial statements evaluate the risk exposures relating to such transfers and the effect of those risks on an entity's financial position. The amendment becomes effective for annual periods beginning on or after 1 July 2011.

- **IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income ('OCI')**

The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has there no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

- **IAS 19 Employee Benefits (Amendment)**

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The Group is currently assessing the full impact of the remaining amendments. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

- **IAS 27 Separate Financial Statements (as revised in 2011)**

As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

– IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)

As a consequence of the new IFRS 11 and IFRS 12; IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

– IFRS 7 Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment becomes effective for annual periods beginning on or after 1 July 2011.

– IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. Based on the IASB's decision from December 2011 the standard mandatory effective date has been postponed to annual periods beginning on or after 1 January 2015 with early application permitted. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The Board is deferring the mandatory effective date as a result of recent changes in the expected timing of completion of the remaining phases of the financial instruments project. The Board intends to allow entities to apply all phases concurrently. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets and on classification and measurements of financial liabilities. The Group is in process of assessment of the first phase and evaluating impact of the other phases as known to date. It is the intention of the Group to adopt the standard in its entirety once issued and endorsed.

– IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation — Special Purpose Entities.
IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27.
This standard becomes effective for annual periods beginning on or after 1 January 2013.

– IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The application of this new standard will have no impact on the financial position of the Group. This standard becomes effective for annual periods beginning on or after 1 January 2013.

– IFRS 12 Disclosure of Involvement with Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after 1 January 2013.

– IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

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, 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.

The financial statements of the Group for the previous period (31 December 2010) were signed and authorised for issue on 8 February 2011.

The consolidated financial statements comprising the accounts of the Group 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 2011 on 6 February 2012.

(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.

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 2011.

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 Group.

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

Associated Undertakings
An associate is an entity in which the Bank normally holds, directly or indirectly, more than 20% but less than 50% over which the 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.

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.
Impairment losses are recognized in the Income Statement under 'Other operating result' when the recoverable amount of the Group's investment in an associate is determined to be less than its carrying amount, or the value is otherwise impaired.

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. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated 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 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.

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 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 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. Threshold for significant is the decline of market price below 80% of the acquisition cost. The decline in fair value is prolonged when market price is permanently below acquisition cost during a period of 9 months before the reporting date. Where there is evidence of impairment, the cumulative loss is 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 42.

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 the asset to the extent of continuing involvement 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	Amortisation period 2011 and 2010
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 straight-line basis depreciation over estimated useful lives as follows:

Type of property and equipment	Depreciation period 2011 and 2010
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 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 and Intangible assets

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 and value in use. The largest components of the Group's assets are periodically tested for impairment, and 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) Amounts owed to financial institutions, Amounts owed to customers and Debt securities issued

Financial instruments issued by the bank that are not designated at fair value through profit or loss, are classified as liabilities under 'Amounts owed to financial institutions', 'Amounts owed to customers' and 'Debt securities issued', where the substance of the contractual arrangement results in the bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.
After initial measurement, the liabilities are subsequently measured at amortised cost using the EIR. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR.

(r) Provisions

Provisions are recognised when the Group has a current legal 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.

(s) 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.

(t) Dividends to Shareholder

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

(u) 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.

(v) 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. Positive fair value of hedging instruments and positive revaluation of hedged items is presented in 'Other assets'. Similarly, negative fair value of hedging instruments and negative revaluation of hedged items is presented in 'Other liabilities'.
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 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.

(w) 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'.
Non–monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non–monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(x) 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.

(y) 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.

(z) 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.

(aa) 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.

(bb) 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 45.

(cc) 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 management of the Group has considered all relevant factors in making prudent and reasonable valuation estimates in the current economic circumstances. 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.
The Group believes that the prices used as of 31 December 2011 and 2010 are prudent and reasonable and represent the best possible estimate of the fair value of these financial instruments.
Financial assets at fair value through profit and loss and securities available for sale include credit linked investments and managed funds totalling EUR 23.5 million as of 31 December 2011 (2010: EUR 37.5 million).

– 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 Group's management about estimated future cash-flows.

– 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

Tax authorities have broad powers in interpreting the application of the tax laws and regulations in the course of its examination of taxpayers. Therefore 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 (%) 2011	Group voting rights (%) 2011
Subsidiaries – fully consolidated				
Realitná spoločnosť Slovenskej sporiteľne, a,s,	Tomášikova 48 832 69 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.	Tomášikova 48 831 04 Bratislava Slovak Republic	IT services and IT systems maintenance	51.00	51.00
Procurement Services SK, s.r.o..	Tomášikova 48 832 75 Bratislava Slovak Republic	Procurement	51.00	51.00
Associates – accounted under equity method				
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
s IT Solutions SK, spol. s r.o.	Prievozská 14 821 09 Bratislava Slovak Republic	Software com-pany	23.50	23.50
Czech and Slovak Property Fund, B.V.	Fred. Roeskestraat 123 Amsterdam The Netherlands	Real estate fund	10.00	10.00

At the end of the year 2011 the Group sold an associate Erste Corporate Finance, a .s. with 25% share accounted under equity method.

These consolidated financial statements for the last three months of the year 2010 include a new subsidiary Procurement Services SK with 51% share of the ownership and voting rights.

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 2011 and 31 December 2010. 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 an associate, with the income from this investment reported under 'Other Operating Result' (Note 11).

6. NET INTEREST INCOME

ths. EUR	2011	2010
Interest income from:		
Loans and advances to financial institutions	25 017	23 972
Loans and advances to customers	413 412	390 708
Financial assets at fair value through profit and loss	1 095	1 450
Securities available for sale	30 765	29 904
Held to maturity securities	104 725	90 175
Other interest income and similar income	(146)	(266)
Total interest income	**574 868**	**535 943**
Interest expense for:		
Amounts owed to financial institutions	(15 834)	(13 749)
Amounts owed to customers	(76 291)	(62 182)
Debts securities in issue	(11 347)	(13 240)
Subordinated debt	(5 769)	(3 788)
Total interest expenses	**(109 241)**	**(92 959)**
Net interest income	**465 627**	**442 984**

In 2011, interest income includes a total of EUR 8.6 million (2010: EUR 8.4 million) relating to impaired financial assets.

7. NET FEE AND COMMISSION INCOME

ths. EUR	2011	2010
Fee and commission income from:		
Payment transfers	87 967	83 872
Lending business	32 432	30 408
Securities	6 597	7 048
Other fees	9 660	7 596
Total fee and commission income	136 656	128 924
Fee and commission expense for:		
Payment transfers	(12 304)	(10 615)
Lending business	(2 371)	(2 471)
Securities	(752)	(719)
Other fees	(389)	(363)
Total fee and commission expense	**(15 816)**	**(14 168)**
Net fee and commission income	**120 840**	**114 756**

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	2011	2010
Provisioning charges for:		
Specific risk provisions	(149 235)	(151 850)
Portfolio risk provisions	(40 517)	(84 676)
Total provisioning charges	**(189 752)**	**(236 526)**
Release of provisions		
Specific risk provisions	70 945	55 313
Portfolio risk provisions	48 999	56 412
Total release of provisions	**119 945**	**111 725**
Net provisions for losses on loans and advances (Note 16)	**(69 807)**	**(124 801)**
Direct write offs / Recoveries of loans written off	(2 380)	(469)
Net creation of provisions for off-balance risks	13	(4 481)
Net provisions	**(72 174)**	**(129 751)**

9. NET TRADING RESULT

ths. EUR	2011	2010
Foreign exchange and currency derivatives	5 389	7 273
Interest derivatives	208	(805)
Trading securities gains	1 914	2 058
Other gains/(losses)	886	146
Credit risk instruments and related derivatives	(6 535)	-
Total	**1 862**	**8 672**

10. GENERAL ADMINISTRATIVE EXPENSES

ths. EUR	2011	2010
Personnel expenses		
Wages and salaries	(76 034)	(69 966)
Social security expenses	(25 316)	(22 634)
Long term employee benefits	(16)	(995)
Other personnel expenses	(1 843)	(546)
Total personnel expenses	**(103 209)**	**(94 141)**
Other administrative expenses		
Data processing expenses	(37 277)	(34 777)
Building maintenance and rent	(17 925)	(18 794)
Costs of group operations	(10 935)	(15 570)
Advertising and marketing	(14 730)	(12 298)
Legal fees and consultation	(4 307)	(3 309)
Expenses for personal leasing	(256)	(108)
Other administrative expenses	(6 553)	(5 716)
Total other administrative expenses	**(91 983)**	**(90 572)**
Depreciation		
Amortisation of intangible assets	(17 521)	(25 331)
Depreciation	(21 370)	(20 930)
Total depreciation, amortisation	**(38 891)**	**(46 261)**
Total	**(234 083)**	**(230 974)**

The average number of employees in the Group was 4 114 in 2011 and 4 100 in 2010, thereof five members of the Board of Directors in both years.

Other administrative expenses include the cost of audit services and other advisory services provided by the audit company:

ths. EUR	2011	2010
Audit of statutory financial statements	314	328
Audit of group reporting	330	328
Other related services provided to the Group	130	191
Total	**774**	**847**

11. OTHER OPERATING RESULT

ths. EUR	2011	2010
Revaluation of securities at fair value, net	(4 733)	(173)
Result on securities available-for-sale	(8 707)	1 688
Net gain from disposal of subsidiaries and associate	195	695
Income/Loss on investments in associates	2 132	2 945
Contribution to deposit protection fund	(13 198)	(13 096)
Other operating result, other	(15 767)	(9 610)
Total other operating result	**(40 078)**	**(17 551)**

Loss on securities available-for-sale contains recycling of the revaluation reserve in the amount of EUR 5.8 million.

Net loss from disposal of associates (Erste Corporate Finance, a.s.) comprises of EUR 238 ths. The result from sale of other investments represents a gain of EUR 433 ths.

Income / (loss) from investments in associates:

Company	2011	2010
Prvá stavebná sporiteľňa, a.s. (PSS)	2 575	3 347
Erste Corporate Finance, a.s.	-	137
IT Solutions SK, spol. s r. o.	-	113
Czech and Slovak Property Fund, B.V.	(631)	(668)
Other	188	16
Total	**2 132**	**2 945**

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

In 2011 the Group recognised a loss in the amount of EUR 7 million as a result of impairment of assets classified as held for rental income under IAS 40 and assets held for sale under IFRS 5. The amount is included under 'Other operating result, other'.

For the net effect of creation/release of provision for legal cases see Note 29.

12. INCOME TAX EXPENSE

ths. EUR	2011	2010
Current tax expense	(51 770)	(52 742)
Deferred tax income (Note 24)	4 669	14 728
Total	**(47 101)**	**(38 014)**

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

	2011		2010	
	ths. EUR	%	ths. EUR	%
Profit before tax	**241 994**		**188 136**	
Theoretical tax at income tax rate of 19%	**45 979**	**19.0**	**35 746**	**19.0**
Tax effect of expenses that are not deductible in determining taxable profit:				
- Allocation of provisions	2 361	1.0	3 861	2.1
- Other	2 217	0.9	3 027	1.6
Total tax effect of expenses that are not deductible in determining taxable profit	**4 577**	**1.9**	**6 888**	**3.7**
Tax effect of revenues that are deductible in determining taxable profit:				
- Release of provisions	(1 917)	(0.8)	(2 226)	(1.2)
- Income from dividends	(581)	(0.2)	(557)	(0.3)
- Other	(2 020)	(0.8)	(2 625)	(1.4)
Tax effect of revenues that are deductible in determining taxable profit	**(4 517)**	**(1.9)**	**(5 408)**	**(2.9)**
Additional tax (income)/expense on interest income from securities	-	-	21	0.0
Tax loss current year non-valued	1 062	0.4	767	0.4
Tax expense and effective tax rate for the year	**47 101**	**19.4**	**38 014**	**19.8**

13. CASH AND BALANCES AT THE CENTRAL BANK

ths. EUR	2011	2010
Cash balances	294 806	225 307
Minimum reserve deposit with NBS	4 377	110 049
Total	**299 183**	**335 356**

The minimum reserve deposit represents a mandatory deposit (bearing 1% interest as of 31 December 2011; 2010: 1%) calculated in accordance with regulations issued by the central bank (2% of certain Group's liabilities) with restricted 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 151.3 million (2010: EUR 196.2 million).

14. LOANS AND ADVANCES TO FINANCIAL INSTITUTIONS

ths. EUR	2011	2010
Loans and advances on demand (nostro accounts)	7 270	4 470
Placements with financial institutions	605 967	1 249 016
Loans and advances to Financial institutions, gross	**613 237**	**1 253 486**
Provisions for impairment (Note 16)	-	-
Total	**613 237**	**1 253 486**

Repurchase agreements with Erste Group in the amount of EUR 210 million (2010: EUR 655.6 million) are collateralized by securities issued by financial institutions in the market value of EUR 263.5 million (2010: EUR 814 million). The nominal value was EUR 291 million and EUR 865 million in 2011 and 2010, respectively.

The recorded amounts represent the maximum exposure to credit risk.

15. LOANS AND ADVANCES TO CUSTOMERS

ths. EUR	2011	2010
Corporate clients	2 117 656	2 099 887
Syndicated loans	272 193	376 696
Overdrafts	380 299	343 367
Direct provided loans	1 407 665	1 276 371
Finance leasing	34 017	67 705
Factoring	23 482	35 748
Retail clients	4 354 077	3 907 898
Mortgage loans	3 247 355	2 846 515
Consumer loans	992 491	904 650
Social loans	10 050	14 018
Overdrafts	101 820	137 345
Finance leasing	2 361	5 370
Public sector	225 709	67 074
Loans and advances to Customers, gross	**6 697 442**	**6 074 859**
Loan loss provision (Note 16)	(409 350)	(394 240)
Total	**6 288 092**	**5 680 619**

As at 31 December 2011 the 15 largest customers accounted for 9.1% of the gross loan portfolio were in the amount of EUR 611 million (2010: 9.0%, EUR 550 million).

Mandate loans

As of 31 December 2011, the Group cooperated with ten 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 144.6 million as of 31 December 2011 (2010: EUR 63.6 million).

Write off and sale of receivables

In 2011, the Group sold a total of EUR 44.94 million of loan receivables (2010: EUR 44.3 million) for a consideration of EUR 10.8 million (2010: EUR 11.7 million), and used corresponding provisions of EUR 37.5 million (2010: EUR 38.2 million).

The Group has also written off loans with a carrying amount of EUR 15,6 million , related provisions were created in the amount of EUR 13.6 million (2010: written off loans in the amount of EUR 14.1 million. These loans were almost fully provided).

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	2011	2010
Gross investment in finance leases	**41 008**	**80 821**
Thereof:		
-Less than 1 year	21 981	41 932
-From 1 year to 5 years	14 613	33 297
-Over 5 years	4 414	5 592
Unearned income	**4 630**	**7 746**
Net investment in finance leases	**36 378**	**73 075**
Thereof:		
-Less than 1 year	20 476	38 701
-From 1 year to 5 years	12 935	30 454
-Over 5 years	2 967	3 920

16. PROVISIONS FOR LOSSES ON LOANS AND ADVANCES

	2011		
ths. EUR	Loans and advances to financial institutions	Loans and advances to customers	Total
As at 1 January	-	394 240	394 240
Net allocation /(release) of provisions (excluding effect of unwind)	-	69 807	69 807
Use of provisions due to sale and write-off of receivables and other adjustments	-	(46 120)	(46 120)
Unwinding of discount on provisions	-	(8 577)	(8 577)
As at 31 December	**-**	**409 350**	**409 350**

	2010		
ths. EUR	Loans and advances to financial institutions	Loans and advances to customers	Total
As at 1 January	1 500	313 243	314 743
Net allocation / (release) of provisions (excluding effect of unwind)	(1 500)	126 301	124 801
Use of provisions due to sale and write-off of receivables and other adjustments	-	(43 239)	(43 239)
Unwinding of discount on provisions	-	(2 065)	(2 065)
As at 31 December	**-**	**394 240**	**394 240**

Use of provisions results mainly from write off and the sale of impaired receivables, see Note 15.

Unwinding represents the decrease in the impairment provisions, 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	2011	2010
Trading assets		
Debt securities and other fixed income securities – listed	-	19 880
Financial derivatives with positive fair value (Note 43b)	63 099	51 489
Interest Rate Agreements	51 082	43 390
Exchange Rate Agreements	8 910	5 975
Other	3 107	2 124
	63 099	71 369
Assets classified at fair value at acquisition		
Credit investments	11	7 935
Debt securities and participation certificates	27 723	35 876
	27 734	43 811
Total	**90 833**	**115 180**

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 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 Group'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 a reallocation of the trading costs for individual participating Erste Group Bank subsidiaries based on the Group's Cost Income Ratio.

Credit Linked Investments

The 'Fair Value Through Profit and Loss' portfolio includes credit investments in the amount of EUR 7.9 million as at 31 December 2010. As at 31 December 2010, these investments comprise credit linked notes with rating A. In 2011 as a result of credit events the credit linked note was transformed into a perpetual loan valued at fair value. This loan is presented within the line 'Loans and advances to financial institutions' (Note 14) in the amount of EUR 4.0 million. On transformation the bank recognized a loss of EUR 3.8 million and this is included in 'Other operating result - Revaluation of securities at fair value' (Note 11).

Debt securities and participation certificates

ths. EUR	2011	2010
State institutions in Slovak Republic	6 314	6 599
Financial institutions in the Slovak Republic	7 697	10 299
Foreign state institutions	4 429	9 695
Foreign financial institutions	1 752	1 720
Other entities in the Slovak Republic	1 178	1 169
Other foreign entities	6 353	6 394
Total	**27 723**	**35 876**

18. SECURITIES AVAILABLE FOR SALE

ths. EUR	2011	2010
Debt securities and other fixed income securities – listed	960 687	880 021
Managed Funds	12 131	16 337
Debt and other fixed income securities	972 818	896 358
Equity securities – shares	7 088	6 274
Listed	6 407	3 826
Unlisted	681	2 448
Net amount	**979 906**	**902 632**

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 Group 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 is represented by the carrying amounts.

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

ths. EUR	2011	2010
State institutions in Slovak Republic	763 347	658 065
Financial institutions in the Slovak Republic	86 723	43 265
Foreign state institutions	47 696	50 583
Foreign financial institutions	55 538	119 325
Other entities in the Slovak Republic	19 514	25 120
Total	**972 818**	**896 358**

Fair value hedge

The Group has in its portfolio as at 31 December 2011 fixed rate EUR denominated bonds with face value of EUR 91 million (2010: EUR 91 million). As the purchase of the bonds increased the exposure to interest rate risk in the period from five to ten years, the Group 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 41b.

During the period, hedges were effective in hedging the fair value exposure to interest rate movements. For the year ended 31 December 2011, the Group recognised a net loss of EUR 8.98 million (2010: loss of EUR 2.2 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 8.74 million (2010: gain of EUR 2.48 million).

19. SECURITIES HELD TO MATURITY

ths. EUR	2011	2010
Debt securities and other fixed income securities - listed	2 560 304	2 285 263
Total	**2 560 304**	**2 285 263**

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	2011	2010
State institutions in the Slovak Republic	2 379 998	2 099 259
Financial institutions in the Slovak Republic	2 064	27 122
Foreign state institutions	73 068	57 572
Foreign financial institutions	53 214	48 562
Other entities in the Slovak Republic	23 596	23 589
Other foreign entities	28 364	29 159
Total	**2 560 304**	**2 285 263**

20. INVESTMENTS IN ASSOCIATES

Name of the company	Registered office	Principal activity	Bank interest in % 2011	Bank voting rights in % 2011
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
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

2011

ths. EUR	Interest held (%)	Voting power held (%)	Net book value	Total assets	Total equity	Total Income	Total expense
Prvá stavebná sporiteľňa, a.s.	9.98	35.00	25 122	2 224 052	251 037	147 792	100 212
Slovak Banking Credit Bureau, s.r.o.	33.33	33.33	38	663	126	1 361	1 330
s IT Solutions SK, spol. s r.o.	23.50	23.50	-	12 138	528	74 090	73 765
Czech and Slovak Property Fund B.V.	10.00	10.00	-	286 063	(15 753)	30 539	43 547
Total			**25 160**	**2 522 916**	**235 938**	**253 782**	**218 854**

2010

ths. EUR	Interest held (%)	Voting power held (%)	Net book value	Total assets	Total equity	Total Income	Total expense
Prvá stavebná sporiteľňa, a.s.	9.98	35.00	25 625	2 070 081	254 554	132 045	93 363
Slovak Banking Credit Bureau, s.r.o.	33.33	33.33	38	117	114	888	861
Erste Corporate Finance, a.s.	25.00	25.00	510	2 506	2 147	1 524	1 955
s IT Solutions SK, spol. s r.o.	23.50	23.50	2 409	55 908	47 983	8 297	11 634
Czech and Slovak Property Fund, B.V.	10.00	10.00	-	315 211	(3 984)	37 108	42 820
Total			**28 582**	**2 443 823**	**300 814**	**179 862**	**150 633**

During 2011, the Group received dividends from participations in the amount of EUR 3.1 million (2010: EUR 3.1 million).

21. INTANGIBLE ASSETS

ths. EUR	Software	Other intangible assets	Total
Cost			
1 January 2011	**233 113**	**2 884**	**235 998**
Additions	70 429	-	70 429
Disposals	(859)	(336)	(1 195)
31 December 2011	**302 683**	**2 548**	**305 232**
Accumulated amortisation and impairment			
1 January 2011	**(170 364)**	**(2 309)**	**(172 673)**
Amortisation	(17 297)	(224)	(17 521)
Disposals	613	336	949
31 December 2011	**(187 048)**	**(2 197)**	**(189 245)**
Net book value			
31 December 2010	**62 749**	**575**	**63 325**
31 December 2011	**115 635**	**351**	**115 987**

In 2011 the Group put in use new core banking system in the total amount of EUR 106.3 million. Included in this amount are borrowing costs capitalized under IAS 23 in the amount of EUR 5.8 million (amount capitalized until 31.12.2010: 4.8 million). The asset was put in use in August 2011 and the depreciation costs were affected accordingly.

Assets not yet put in service as of 31 December 2011 amounted to EUR 6.4 million. In 2010 the assets not yet put in service in the amount of EUR 40.2 million related to the development project of the bank system.

The original cost of fully amortised intangible assets that are still in use by the Group amounts to EUR 161.5 million (2010: EUR 128.2 million).

ths. EUR	Software	Other intangible assets	Total
Cost			
1 January 2010	**223 236**	**8 465**	**231 701**
Additions	9 939	199	10 138
Disposals	(67)	(5 774)	(5 841)
Transfers	6	(6)	-
31 December 2010	**233 114**	**2 884**	**235 998**
Accumulated amortisation and impairment			
1 January 2009	**(144 134)**	**(7 805)**	**(151 939)**
Amortisation	(25 051)	(280)	(25 331)
Disposals	60	5 776	5 836
Provision for impairment	(1 239)	-	(1 239)
31 December 2010	**(170 364)**	**(2 309)**	**(172 673)**
Net book value			
31 December 2009	**79 102**	**660**	**79 762**
31 December 2010	**62 750**	**575**	**63 325**

22. PROPERTY, EQUIPMENT AND ASSETS HELD FOR RENTAL INCOME

ths. EUR	Land and buil-dings	Equipment fixtures and fittings	Total property and equipment	Investment property	Other movable properties held for rental income
Cost					
1 January 2011	**228 870**	**162 515**	**391 385**	**6 735**	**2 944**
Additions	13 901	6 590	20 491	-	1 746
Disposals	(617)	(34 321)	(34 938)	-	(948)
Transfers	64 189	(57)	64 132	(446)	50
31 December 2011	**306 343**	**134 727**	**441 070**	**6 289**	**3 792**
Accumulated depreciation and impairment					
1 January 2011	**(48 821)**	**(132 881)**	**(181 702)**	**(3 280)**	**(1 590)**
Depreciation	(10 582)	(10 788)	(21 370)	(206)	(559)
Disposals	159	33 844	34 003	-	553
Provisions for impairment	(6 970)		(6 970)	105	(75)
Transfers	(25 992)	62	(25 930)	147	(40)
31 December 2011	**(92 206)**	**(109 763)**	**(201 969)**	**(3 234)**	**(1 711)**
Net book value					
31 December 2010	**180 049**	**29 634**	**209 683**	**3 455**	**1 354**
31 December 2011	**214 137**	**24 964**	**239 101**	**3 055**	**2 081**

The original cost of property and equipment that is fully depreciated but still in use by the Group as of 31 December 2011 amounts to EUR 82 million (2010: EUR 103.6 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 recorded total of EUR 105 thousand of impairment provisions into 'Other operating result' as of 31 December 2011 (2010: release of EUR 221 thousand). Provisions for impairment amount to EUR 434 thousand as of 31 December 2011 (2010: EUR 539 thousand).

Transfers also represent reclassification to/from the category Non-Current assets held for sale.

ths. EUR	Land and buil-dings	Equipment fixtures and fittings	Total property and equipment	Investment property	Other movable properties held for rental income
Cost					
1 January 2010	**241 639**	**187 508**	**429 147**	**6 697**	**4 385**
Additions	5 772	9 627	15 399	-	615
Disposals	(1 183)	(34 707)	(35 890)	-	(1 970)
Transfers	(17 357)	86	(17 271)	38	(86)
31 December 2010	**228 871**	**162 514**	**391 385**	**6 735**	**2 944**
Accumulated depreciation and impairment					
1 January 2010	**(48 759)**	**(155 528)**	**(204 287)**	**(2 738)**	**(1 863)**
Depreciation	(9 370)	(11 560)	(20 930)	(206)	(622)
Disposals	435	34 271	34 706	-	809
Provisions for impairment	(349)	-	(349)	(221)	24
Transfers	9 222	(64)	9 158	(115)	62
31 December 2010	**(48 821)**	**(132 881)**	**(181 702)**	**(3 280)**	**(1 590)**
Net book value					
31 December 2009	**192 880**	**31 980**	**224 860**	**3 959**	**2 522**
31 December 2010	**180 050**	**29 633**	**209 683**	**3 455**	**1 354**

Operating leases

The Group enters into operating leasing arrangements for motor vehicles, technology, and premises used for banking operations as lessee.

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

Outstanding commitments from operating leases	2011 ths. EUR	2010 ths. EUR
Payable in period:		
- Less than 1 year	257	240
- From 1 year to 5 years	813	984
- Over 5 years	273	299
Operating leasing payments recognised as expense in the period	1 986	1 329

Investment property

The Group owns buildings rented to other parties with a total net book value of EUR 3.1 million (net of impairment, EUR 434 thousand) as at 31 December 2011 (2010: EUR 3.5 million net of impairment of EUR 539 thousand) and movable properties held for rental income at net book value of EUR 2.1 million as at 31 December 2011 (2010: EUR 1.3 million).The total rental income earned by the Group amounted to EUR 619 thousand (2010: EUR 561 thousand) and is presented as 'Interest income'. The depreciation of assets held for rental income is presented under 'Interest income' and amounted to EUR 765 thousand (2010: EUR 827 thousand).

The estimated fair value of investment property as at 31 December 2011 was EUR 2.2 million (2010: EUR 4.1 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.

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	2011	2010
As at 1 January	**37 913**	**31 793**
Additions:		
Acquisitions	-	3
Reclassification from Property and Equipment	-	8 212
Revaluation	-	-
Total additions	**-**	**8 215**
Disposals:		
Sales	-	(952)
Reclassification to Property and Equipment	(37 913)	-
Provision for impairment	-	(1 143)
Total disposals	**(37 913)**	**(2 095)**
As at 31 December	**-**	**37 913**

During the year 2011 the Group reassessed its classification of non-current assets as held for sale. Due to current market conditions, even though the Group was committed to, it was not able to complete sale of these assets within the 12 month period after classification. The Group believes the market conditions will improve and will actively continue searching for a buyer but has not further reduced the price of the assets. As a result of this the assets are not available for immediate sale as defined by the standard. The assets were therefore reclassified as held for use and presented under 'Property, Equipment and Investment Property' (Note 22).

At the date of transfer the assets were measured at the lower of carrying amount before classification as held for sale adjusted for any depreciation or amortisation that would have been recognised had the asset not been classified as held for sale and the recoverable amount. No further value reduction was necessary as a result of this test.

The Group recognised an impairment loss of EUR 7.0 million (2010: EUR 1.1 million) relating to these assets. The Group has used judgments in the valuation of particular components of fixed assets to reflect recoverable amount.

24. INCOME TAX ASSETS AND LIABILITIES

The structure of the tax position as at 31 December 2011 and 31 December 2010 was as follows:

ths. EUR	2011	2010
Deferred income tax assets	82 499	70 799
Current Income tax assets	19	281
Total income tax assets	**82 518**	**71 080**
Deferred income tax liability	77	191
Current income tax liability	677	11 364
Total income tax liabilities	**754**	**11 555**

Deferred tax booked	directly to equity		to Income statement								
ths. EUR	Securities available f or sale	Cash flow hedges	Provisions for losses on loans and advances	Securities	Intangible assets	Property and equipment	Provisions	Associates and other investments	Tax loss carried forward	Other	Total
31 December 2009	**177**	**(14)**	**53 038**	**(13)**	**580**	**(5 271)**	**1 484**	**2 331**	**(87)**	**3 028**	**55 253**
Charge / (credit) to equity for the year	1 275	(95)	-	-	-	-	-	-	-	-	1 180
Charge / (credit) to Income statement for the year	-	-	14 199	309	(965)	588	1 377	(1 467)	281	405	14 727
Recycled from equity to Income statement	(645)	93	-	-	-	-	-	-	-	-	(552)
31 December 2010	**807**	**(16)**	**67 237**	**296**	**(385)**	**(4 683)**	**2 861**	**864**	**194**	**3 433**	**70 608**
Charge / (credit) to equity for the year	6 381	-	-	-	-	-	-	-	-	-	6 381
Charge / (credit) to Income statement for the year	-	-	4 292	(63)	(73)	750	(75)	-	187	(349)	4 669
Recycled from equity to Income statement	748	16	-	-	-	-	-	-	-	-	764
31 December 2011	**7 936**	**-**	**71 529**	**233**	**(458)**	**(3 933)**	**2 786**	**864**	**381**	**3 084**	**82 422**

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.

25. OTHER ASSETS

ths. EUR	2011	2010
Customers, advances, reinvoiced amounts and prepayments	14 266	9 370
Payment cards and cheques	1 353	4 529
Fair value of hedging instruments and revaluation of hedged items	22 473	11 606
Material and inventories	5 564	1 146
Other	5 793	13 290
Total	**49 449**	**39 941**

26. AMOUNTS OWED TO FINANCIAL INSTITUTIONS

ths. EUR	2011	2010
Amounts owed on demand	23 896	40 615
Repo trades with debt securities	944 658	808 232
Term deposits and clearing	479 253	316 116
Total	**1 447 807**	**1 164 963**

27. AMOUNTS OWED TO CUSTOMERS

ths. EUR	2011	2010
Amounts owed on demand	3 129 679	3 195 777
Savings deposits	553 421	537 442
Term deposits	4 350 626	4 425 240
Total	**8 033 726**	**8 158 459**

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	2011	2010
Savings deposits	553 421	537 442
Term deposits and amounts owed on demand:		
Corporate clients	1 638 539	1 486 349
Retail clients	5 676 962	5 600 014
Public sector	18 246	405 747
Other	146 558	128 907
Total	**8 033 726**	**8 158 459**

As at 31 December 2011 and 31 December 2010, no amounts owed to clients were collateralised by securities.

As at 31 December 2011, amounts owed to customers include special guaranteed deposits in the amount of EUR 127 million (2010: EUR 142 million). These contracts include embedded currency, commodity and equity derivatives in the amount of EUR 0.5 million (2010: EUR 5.9 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	2011	2010
Bonds in issue	362 623	382 262
Bonds in issue - Guaranteed deposit	4 758	12 937
Total	**367 381**	**395 199**

Bonds in issue are presented in the following table:

	Date of issue	Maturity date	Actual interest rate	Nominal value 2011 ths. EUR	Nominal value 2010 ths. EUR
Mortgage bonds	March 2006	March 2016	6M BRIBOR 0.09%	16 597	16 597
Other bonds	June 2007	June 2011	FIX -4.48%	0	13 278
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
Other bonds	March 2008	March 2013	3M BRIBOR + 0.32%	2 324	2 324
Mortgage bonds	April 2008	April 2012	6M BRIBOR +0.10%	664	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 2011	6M BRIBOR +0.20%	-	14 273
Mortgage bonds	October 2008	April 2011	6M BRIBOR +0.40%	-	8 166
Mortgage bonds	February 2009	February 2011	2.70%	-	3 640
Other bonds	March 2009	March 2011	3M EURIBOR +0.80%	-	2 000
Other bonds	April 2009	April 2011	2.70%	-	9 755
Other bonds	May 2009	May 2013	3M EURIBOR	4 450	4 900
Other bonds	May 2009	May 2012	3.25%	14 456	14 632
Mortgage bonds	July 2009	January 2013	3.50%	9 722	9 781
Mortgage bonds	August 2009	August 2011	3M EURIBOR +1.15%	0	10 000
Mortgage bonds	August 2009	August 2013	3.60%	9 596	9 740
Mortgage bonds	August 2009	August 2013	3.60%	9 672	9 741
Mortgage bonds	October 2009	October 2013	3.30%	12 029	12 099
Mortgage bonds	November 2009	November 2011	3M EURIBOR +0.64	-	25 000
Mortgage bonds	December 2009	December 2013	3.50%	14 726	14 867
Mortgage bonds	December 2009	December 2013	3.50%	4 886	5 000
Mortgage bonds	January 2010	January 2014	3.50%	5 885	5 994
Mortgage bonds	February 2010	February 2015	3.62%	2 095	2 095
Mortgage bonds	March 2010	March 2014	3.30%	10 553	10 697
Mortgage bonds	March 2010	March 2015	6M EURIBOR+0.95%	20 000	20 000
Mortgage bonds	April 2010	April 2015	3.50%	9 603	9 759
Mortgage bonds	May 2010	May 2014	2.80%	7 582	7 749
Mortgage bonds	July 2010	July 2015	3.10%	15 000	15 000
Mortgage bonds	July 2010	July 2015	6M EURIBOR+1.00%	9 950	10 000
Mortgage bonds	August 2010	August 2015	3.09%	17 000	17 000
Mortgage bonds	September 2010	September 2014	2.80%	9 720	9 975
Mortgage bonds	October 2010	October 2014	2.35%	9 871	9 960
Mortgage bonds	November 2010	November 2015	2.65%	9 897	9 998
Other bonds	December 2010	December 2015	2.00%	2 865	2 905
Mortgage bonds	March 2011	September 2014	3.00%	8 208	-
Mortgage bonds	February 2011	August 2015	2.95%	9 916	-
Mortgage bonds	March 2011	September 2014	3.00%	14 536	-
Mortgage bonds	February 2011	August 2017	3.55%	2 550	-
Mortgage bonds	March 2011	March 2016	3.10%	14 893	-
Other bonds	March 2011	March 2017	3.65%	2 750	-
Mortgage bonds	June 2011	June 2015	3.20%	7 696	-
Mortgage bonds	July 2011	July 2016	3.20%	2 494	-
Mortgage bonds	August 2011	February 2016	3.20%	5 404	-
Mortgage bonds	December 2011	December 2016	3.50%	6 354	-
Total nominal value				**360 705**	**380 325**
Accrued interest				3 571	3 576
Net debt securities in issue				**364 276**	**383 901**
less bonds held by the Group				(1 653)	(1 639)
Total				**362 623**	**382 262**

As at 31 December 2011, debt securities in issue include embedded shares indexes derivatives and shares in the amount of EUR 80 thousand (2010: EUR 363 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 with a 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 41b.

During the period, the hedge was effective in the hedging of fair value exposure to interest rate movements. For the year ended 31 December 2011, the Group recognised a net gain of EUR 2.1 million (2010: gain of EUR 726 thousand), representing the gain on the hedging instruments. The total loss on hedged items attributable to hedged risk amounted to EUR 2.1 million (2010: loss of EUR 774 thousand).

29. PROVISIONS

ths. EUR	2009	Additions	Use	Reversals	2011
Provision for off-balance sheet items	11 009	2 797	-	(2 807)	10 999
Interest bearing deposit products	299	-	-	(1)	298
Legal cases	9 030	2 296	(40)	(254)	11 032
Employee benefit provisions	3 284	401	(206)	(414)	3 065
Total	**23 622**	**5 494**	**(246)**	**(3 476)**	**25 394**

(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) Provision for legal cases

The Group conducted a review of legal proceedings outstanding against it as at 31 December 2011. 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 1 million for existing cases and 1.2 million for a new case. The Group settled certain cases and used the related provision of EUR 40 thousand.

The net creation of provisions for legal cases of EUR 2.0 million is reported under 'Other operating result' in the Income Statement (2010: net release of EUR 0.2 million).

(c) Long – term employee benefits provisions

The Parent company 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 2011 there were 3 967 employees at the Parent company covered by this program (2010: 3 816 employees).

During the year ending 31 December 2011, the actuarial calculation based on the projected unit credit method was performed resulting in the final employee benefit obligation in the amount of EUR 3 065 thousand (2010: EUR 3 284 thousand).

The amounts recognised in the balance sheet and Income Statement as at 31 December 2011 are as follows:

ths. EUR	Pension provisions	Jubilee provisions	Total long-term provisions
Long-term employee provisions at 31 December 2009	**1 433**	**1 325**	**2 758**
Service costs	90	949	1 039
Interest costs	60	57	117
Payments	(27)	(168)	(195)
Actuarial losses	(273)	(162)	(435)
Long-term employee provisions at 31 December 2010	**1 283**	**2 001**	**3 284**
Service costs	85	215	300
Interest costs	39	63	102
Payments	(58)	(149)	(207)
Actuarial (gains)	(29)	(385)	(414)
Long-term employee provisions at 31 December 2011	**1 320**	**1 745**	**3 065**

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.

	2011	2010
Real annual discount rate	3.37%	3.13%
Annual future real rate of salary increases	0.00%	0.00%
Annual employee turnover	0.00%-46.67%	0.00%-13.08%
Retirement age	62 years	62 years

30. OTHER LIABILITIES

ths. EUR	2011	2010
Other short-term payables to customers related to money transfer	47 311	22 881
Employees, HR reserves, Social fund	22 698	23 055
Suppliers (including accruals)	16 047	16 860
Other payables (customers clearing)	10 098	11 237
Securities settlement	6 966	4 339
State budget, SHI, taxes	5 939	6 042
Other	1 999	1 804
Fair value of hedging instruments and revaluation of hedged items	21 975	11 730
Total	**133 033**	**97 948**

Summary of the social fund liability included in 'Other liabilities' - Employees, HR reserves, Social fund is as follows:

ths. EUR	2011	2010
As at 1 January	1 181	383
Additions	1 051	3 011
Drawings	(1 862)	(2 213)
As at 31 December	**370**	**1 181**

31. SUBORDINATED DEBT

	Date of issue/ drawdown	Maturity date	Interest rate	2011	2010
Other bonds	June 2010	June 2015	3.80%	5 000	4 521
Other bonds*	August 2010	August 2020	4.30%	9 571	10 000
Other bonds*	June 2011	June 2018	4.90%	6 749	-
Other bonds	June 2011	June 2018	4.90%	6 600	-
Other bonds*	August 2011	August 2021	4.30%	9 129	-
Other bonds*	October 2011	October 2018	4.70%	5 430	-
Other bonds*	November 2011	November 2023	4.43%	3 913	-
Other bonds*	December 2011	December 2018	4.82%	3 849	-
Total				**50 241**	**14 521**
Subordinated loan	February 2007	December 2016	3M/6M Euribor	100 000	100 000
Subordinated loan	August 2008	August 2013	3M Euribor	80 000	80 000
Total				**180 000**	**180 000**
Accrued interest				1 341	584
Total				**231 582**	**195 105**

Note: Interest rate represents actual interest expense as recorded by the Group.

*The bonds include embedded derivatives which were separated and disclosed under "Financial liabilities at fair value through profit or loss". Fair value of the derivatives as of December 31, 2011 was EUR 1.31 million (2010: value was close to zero).

Subordinated debt ranks behind other liabilities in the 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	2011 ths. EUR	Number of shares	2010 ths. EUR
EUR 1,000 each	212 000	212 000	212 000	212 000
Total		**212 000**		**212 000**

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 of the Parent Company is shown in the following table:

	Attributable from the profit for the year	
Dividends per share	**2011***	**2010**
Profit of the year	195 199	142 464
Transfer to retained earnings	118 199	87 664
Dividends paid to shareholder from profit for the year	77 000	54 800
Number of shares EUR 1 000 each	212 000	212 000
Amount of dividends per EUR 1 000 share (EUR)	**363**	**258**

* 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 2011 included only the statutory fund amounting to EUR 39.3 million (2010: 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 the 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	2011	2010
Net profit applicable to ordinary shares	194 893	150 122
Number of shares EUR 1 000 each	212 000	212 000
Basic and diluted profit per EUR 1 000 share (EUR)	**919**	**708**

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	2011	2010
Cash on hand (Note 13)	294 806	225 307
Accounts with other financial institutions repayable on demand (Note 14)	7 270	4 470
Total cash and cash equivalents	**302 076**	**229 777**

Operational cash flows from interests	2011	2010
Interest paid	(86 918)	(58 779)
Interest received	458 461	451 245

35. FINANCIAL RISK MANAGEMENT

The Group's primary risk management objective is to achieve a position where it will be able to identify all significant risks it faces, assess their potential impact and have policies in place to manage them effectively.

The most important categories of risk, that the Group faces, include:

- **Credit risk is the risk of loss arising from default by a creditor or counterparty.**
- **Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events; it includes legal risk, but does not include strategic and reputation 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.**
- **Liquidity risk is defined as the inability to meet bank's cash obligations as they come due because of an inability to liquidate assets or obtain adequate funding.**
- **Concentration risk is the risk of losses due to potential adverse consequences which may arise from concentrations in risk factors or risk types, such as the risk arising from loans to the same client, to a group of connected clients, to clients from the same geographic region or industry, etc. Concentration risk may be both intra-risk and inter-risk, and is not limited to credit risk only.**
- **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 risk is the risk of breaching regulatory rules and related litigation risk (with regulators 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 the Group's performance and behaviour.**
- **Strategic and business risks are 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.**
- **Macroeconomic risk is the risk of losses due to adverse changes in the overall macroeconomic environment.**

The ultimate risk management body is the Board of Directors. It delegates some of its authority for particular risk management areas to respective committees (ALCO, ORCO and CRC). Currently, the Chairman of the Board of Directors and CEO also serves as Chief Risk Officer (CRO).

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

As for corporate credit risk, the ultimate decision making body is the Credit Committee (CRC) which consists of the members of the Board.

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. Chief Risk Officer is a member of all three committees.

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 Treasury, BSM and Strategic Risk Management units.

Risk Appetite and Stress Testing Committee (RAST) consists of senior managers of BSM, Accounting & Controlling, and SRM. It serves as an advisory body which defines the overall risk appetite of the bank and handles all issues related to comprehensive stress testing.

Risk Advisory Committee (RAC) is composed of senior risk managers and specialists from risk management areas. It analyzes overall credit risk development on a monthly basis and proposes measures and follow-ups to be taken.

Watch List Committee (WLC) analyzes actual and expected credit risk development of non-retail watch list clients (closely monitored clients are typically assigned to worse rating grades). It proposes actions to be taken, including decrease of client's exposure, increase of collateral, rescheduling, etc. The members of WLC are senior managers, responsible risk managers from Corporate Credit Risk Management, Restructuring & Workout and representatives of business lines.

Structure of risk management organization consists of six crucial units:

- **Strategic Risk Management (SRM) – is responsible for integrated risk management (ICAAP), operational risk, liquidity risk, market risk (overall**

as well as particular trading and banking books), and credit risk control, provisioning, and credit risk statistical and rating models.

- **Corporate Credit Risk Management Division - carries out all activities concerning operative credit risk of corporate clients.**
- **Retail Credit Risk Management Division – is responsible for management of credit risk for retail lending, specifically credit policy, organization of lending process, early collection process and portfolio management of the retail segment.**
- **Restructuring & Workout – responsible for effective debt recovery and write-off management. It is also responsible for monitoring, restructuring of receivables overdue, and for specific provisions and collateral management.**
- **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 risk management function is completely independent from commercial business lines. Overall, risk management has the following roles:

- **setting strategies and policies for risk management**
- **building a risk-aware culture within the Group**
- **designing and reviewing processes of risk management**
- **risk identification, calculation, measurement, and control**
- **risk reporting**
- **setting of risk premium and risk price**
- **implementation, calibrating and periodical reviewing of models for risk measurement**
- **risk management action, including risk acceptance, elimination, mitigation, limits, etc.**

36. CREDIT RISK

Credit risk is the risk that a loss will be incurred if the Group's counterparty to a transaction does not fulfil its financial obligations in a timely manner. More precisely, credit risk is the risk of financial loss arising out of entering into a particular contract or portfolio investment.

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

The Group, as the first bank in Slovakia, reports capital adequacy using the "internal-ratings based" (IRB) approach to credit risk since July 2008. The approval by the 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.

Strategic Risk Management ('SRM'), more specifically its Credit Risk Control department, is the independent risk control unit in line with Basel Capital Accord. 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, 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 calculation of risk-weighted assets according to Basel II and the model for economic capital.

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 of the credit portfolio of corporate clients. It regularly reviews assigned ratings and counterparty financial situation. It also designs, sets and monitors limits and maintains deal and limit documentation for corporate clients.

The Retail Credit Risk Management Division formulates the credit policy and internal provisions on credit approval process for retail clients and designs and oversees processes in retail lending activity. 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 limits documentation, and performs early collection.

Restructuring & Workout is responsible for strategy and effective debt recovery (work-out and late collection) and write-off management. It is also responsible for monitoring, restructuring of overdue receivables, and for specific provisions and collateral management.

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	2011	2010
Gross amount	**7 655 438**	**7 118 445**
On-balance sheet total (Note 15)	6 697 442	6 074 859
Off-balance sheet total (Note 41)	957 996	1 043 586
Gross amount	**7 655 438**	**7 118 445**
Retail	4 899 032	4 458 520
Corporate and other classes	2 756 406	2 659 925
Provision for impairment	**(420 349)**	**(405 249)**
Retail	(260 646)	(266 218)
Corporate and other classes	(159 703)	(139 031)
Net amount	**7 235 088**	**6 713 196**
Retail	4 638 386	4 192 302
Corporate and other classes	2 596 703	2 520 893

Note: Retail loans include small loans to entrepreneurs.

Provisions for impairment are structured as follows:

ths. EUR	2011	2010
Provisions for losses on loans and advances (Note 16)	409 350	394 240
Provisions for off-balance sheet items (Note 29)	10 999	11 009
Total provision for impairment	**420 349**	**405 249**

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	2011	2010
Total exposure		
Investment grade (1-5)	3 760 199	3 306 286
Subinvestment grade (6)	224 435	248 815
Subinvestment grade (7)	49 066	84 139
Subinvestment grade (8)	136 983	152 100
Rating R: Defaulted	287 837	265 523
Gross amount	**4 458 520**	**4 056 864**
Provisions for impairment	(266 218)	(215 392)
Net amount	**4 192 302**	**3 841 472**
Ageing of loans rated 1 – 8 is as follows:		
0 days	3 993 946	3 584 309
1 – 30 days	134 481	158 540
31 – 60 days	25 809	29 145
61 – 90 days	16 017	18 677
91 – days+*	429	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 clients' 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 do 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	2011	2010
Total exposure		
Investment grade (1-5)	2 116 143	1 894 227
Subinvestment grade (6)	189 129	279 610
Subinvestment grade (7)	91 260	112 571
Subinvestment grade (8)	104 134	193 283
Rating R: Defaulted	255 740	180 235
Gross amount	**2 756 406**	**2 659 925**
Provision for impairment	(159 703)	(139 031)
Net amount	**2 596 703**	**2 520 893**
Individually impaired		
Gross amount	**255 740**	**180 235**
Provision for impairment	(121 962)	(91 799)
Net amount	**133 778**	**88 435**
Past due (excluding individually impaired)		
Investment grade (1-5)	24 173	2 788
Subinvestment grade (6)	5 378	11 696
Subinvestment grade (7)	15 082	1 881
Subinvestment grade (8)	3 396	10 643
Rating R: Defaulted	-	-
Gross amount	**48 030**	**27 008**
Provision for impairment	(1 877)	(1 314)
Net amount	**46 152**	**25 694**
Past due but not impaired comprises:		
1-30 days	33 199	10 923
31-60 days	13 932	13 218
61-90 days	895	2 866
90 days+	4	-
Neither past due nor individually impaired		
Investment grade (1-5)	2 091 970	1 891 438
Subinvestment grade (6)	183 750	267 914
Subinvestment grade (7)	76 178	110 690
Subinvestment grade (8)	100 738	182 640
Rating R: Defaulted	-	-
Gross amount	**2 452 636**	**2 452 682**
Provision for impairment	(35 863)	(45 918)
Net amount	**2 416 772**	**2 406 764**

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 the Group's internal rating are not considered to be individually impaired.
* Overdue amount is non material, i.e. less than EUR 250 per client.

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 default.

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).

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	2011	2010
Real estates	6 139 197	5 755 643
Securities	388 711	148 443
Bank guaranties	220 902	240 033
Other	266 625	274 417
Total	**7 015 435**	**6 418 536**

Renegotiated loans

The carrying amount of financial assets that would otherwise be past due or impaired and whose terms have been renegotiated during 2011 and 2010:

	Number of client		ths. EUR	
	2011	2010	2011	2010
Renegotiated loans	24	28	54 100	67 007

Concentration risk

A summary of concentrations of financial assets (including derivatives), loan commitments and guarantees as of 31 December 2011 and 2010 based on the debtors' industry are presented below:

31 December 2011	Loans and advances to customers		Loans and advances to financial institutions		Investment securities	
ths. EUR	Gross	Net	Gross	Net	Gross	Net
Activities of households as employers	4 556 374	4 347 452	-	-	1 112	1 112
Public administration and defences	199 400	199 000	-	-	3 274 852	3 274 852
Financial and insurance activities	52 053	51 656	613 237	613 237	267 121	261 644
Real estate activities	710 197	679 991	-	-	-	-
Manufacturing	700 157	661 306	-	-	24 926	24 926
Wholesale and retail trade	446 438	391 197	-	-	-	-
Construction	211 457	192 865	-	-	593	593
Transportation and storage	177 391	165 347	-	-	54 245	54 245
Electricity, gas, steam and air conditioning supply	296 669	293 235	-	-	-	-
Accommodation and food service activities	113 178	74 876	-	-	-	-
Agriculture, forestry and fishing	46 510	42 266	-	-	-	-
Professional, scientific and technical activities	51 907	48 487	-	-	-	-
Human health and social work activities	38 661	38 032	-	-	-	-
Administrative and support service activities	18 601	16 677	-	-	-	-
Arts, entertainment and recreation	12 589	11 722	-	-	-	-
Information and communication	6 664	5 658	-	-	-	-
Other service activities	8 698	7 682	-	-	-	-
Water supply, sewerage, waste management	3 813	3 336	-	-	-	-
Mining and quarrying	2 850	2 715	-	-	-	-
Education	1 810	1 570	-	-	-	-
Others	19	19	-	-	13 671	13 671
Total	**7 655 438**	**7 235 088**	**613 237**	**613 237**	**3 636 520**	**3 631 043**

31 December 2010 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	4 085 898	3 876 885	-	-	417	417
Public administration and defence	103 768	103 760	-	-	2 901 654	2 901 654
Financial and insurance activities	27 353	27 016	1 253 486	1 253 486	308 695	300 852
Real estate activities	741 071	718 354	-	-	-	-
Manufacturing	702 874	664 094	-	-	29 482	29 482
Wholesale and retail trade	458 160	402 027	-	-	-	-
Construction	278 250	257 642	-	-	582	582
Transportation and storage	196 786	183 336	-	-	55 222	55 222
Electricity, gas, steam and air conditioning supply	208 578	206 460	-	-	-	-
Accommodation and food service activities	118 952	93 503	-	-	-	-
Agriculture, forestry and fishing	44 278	40 146	-	-	-	-
Professional, scientific and technical activities	42 264	37 783	-	-	-	-
Human health and social work activities	42 001	41 086	-	-	-	-
Administrative and support service activities	22 230	20 056	-	-	-	-
Arts, entertainment and recreation	17 340	16 386	-	-	-	-
Information and communication	7 673	6 754	-	-	-	-
Other service activities	7 228	6 159	-	-	-	-
Water supply, sewerage, waste management	3 029	2 497	-	-	-	-
Mining and quarrying	2 538	2 455	-	-	-	-
Education	2 221	1 981	-	-	-	-
Others	5 953	4 818	-	-	14 866	14 866
Total	**7 118 445**	**6 713 196**	**1 253 486**	**1 253 486**	**3 310 918**	**3 303 075**

A summary of concentrations of loans and advances to customers, loan commitments, and guarantees classified by asset classes (as of 31 December 2011 and 2010) are presented below:

ths. EUR	2011 Gross	2011 Net	2010 Gross	2010 Net
Retail	4 899 032	4 638 386	4 458 520	4 192 302
Corporate	2 545 974	2 386 682	2 549 022	2 409 992
Institution	210 432	210 021	60 902	60 902
Sovereigns	-	-	50 000	50 000
Carrying amount	**7 655 438**	**7 235 088**	**7 118 445**	**6 713 196**

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	2011 Amount ths. EUR	2011 Portion of total assets %	2010 Amount ths. EUR	2010 Portion of total assets %
Cash and balances at the central bank	4 377	0.04%	110 049	1.00%
Loans and advances to financial institutions	-	0.00%	-	0.00%
Loans and advances to customers	386 724	3.41%	230 908	2.09%
Securities portfolios	3 176 133	27.99%	2 810 449	25.48%
Total	**3 567 234**	**31.43%**	**3 151 406**	**28.58%**

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	2011	2010
Financial assets at fair value through profit or loss	**6 314**	**6 599**
Treasury bills	-	-
State bonds denominated in EUR	6 314	6 599
Securities available for sale	**766 225**	**661 121**
Treasury bills	-	39 760
State bonds denominated in EUR	-	-
Slovak government Eurobonds	763 347	618 305
Companies controlled by the Slovak government	2 878	3 056
Securities held to maturity	**2 403 594**	**2 122 849**
Treasury bills	-	-
Slovak government Eurobonds	2 379 998	2 099 260
Companies controlled by the Slovak government	23 596	23 589
Trading Book Securities	**-**	**19 880**
Treasury bills	-	19 880
State bonds denominated in EUR	-	-
Total	**3 176 133**	**2 810 449**

The rating of the Slovak Republic according to the international rating agency Standard & Poor's is A (since January 13th 2012; A+ in 2011).

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. 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 - comprehensive limit system and limit allocation in order to restrict the maximum risk exposure**
- **risk monitoring and reporting**

The entire market risk management is independent from the business lines and is carried out by Strategic Risk Management (SRM). Trading and investment operations are subject to strict rules defined by SRM and approved by ALCO committee.

All positions of the bank, both in banking and trading books, that are subject to market risk are re-valued daily (including positions held-to-maturity), either to market or to model, and respective Profit or Loss is calculated.

The main tool to measure market risk exposure in the Group is sensitivity analysis and value-at-risk (VAR) which is complemented by back testing and a stress testing programme.

VAR for trading book and investment portfolios of banking book estimates the maximum potential loss over 1-day holding period with 99% confidence interval and is based on historical simulation (2-year rolling history window, equally weighted) while all positions are treated via full valuation in the calculation (i.e. no simplification of positions for the purpose of VAR). VAR is measured consistently across all portfolios (both banking and trading book) and relevant market factors. The Group's VAR model was approved by the regulator to be used for the regulatory capital charge calculation.

VAR for the overall banking book uses 99% confidence interval, 10-day holding period, 6-year rolling window for the historical simulation and a decay factor of 0.99.

VAR is subject to some model assumptions (e.g. historical simulation) hence stress testing is established in order to partially tackle 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, a comprehensive system of limits is established, including VAR, sensitivity, and stop-loss limits. Limits are structured according to individual subportfolios (separate limits are defined for derivative trades). Monitoring is performed daily by SRM.

Overall market risk of the entire balance sheet is also measured using market value of equity measure – all positions of the bank are re-valued using an extreme (200bp) up and down parallel shift of the yield curve and the resulting sensitivity is related to available capital.

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

Current values of the risk measurements:

Measure	2011 (Amount mil. EUR)	2010 (Amount mil. EUR)
Trading book VAR	0.02	0.03
Banking book Investment Portfolios		
ALM portfolio VAR	14.35	11.87
Corporate portfolio VAR	0.07	0.08
ALCO portfolio VAR	0.04	0.10
Overall Banking Book VAR	81.53	80.94
Overall Banking Book sensitivity (200bp shock)	92.22	59.90

VAR figure is almost fully driven by interest rate risk, whilst foreign exchange and other risks are negligible.

Change in yield curve by + 200 bp would affect the market value of interest bearing assets and liabilities totalling to EUR (92.2) million, of which the revaluation directly in equity is EUR (42.98) million as at 31 December 2011 (2010: EUR (59.9) million, directly in equity (42.8) million).

38. 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 L-OLC (Local Operating Liquidity Committee) is responsible for operational managing and analyzing of the liquidity situation of the Group.

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 based on the liquidity regulation of NBS. The fixed and non-liquid assets ratio was 0.38 at the end of 2011 (end of 2010: 0.34) (must be lower than 1.0). The liquid assets ratio, that must be greater than 1.0, was 1.23 at the end of 2011 (end of 2010:1.22) (average value during 2011 was 1.26).

In addition, own measurement and prediction system of financing needs offers information for liquidity management. It includes static liquidity gap, survival period analysis, short-term funding analysis, liquidity concentration analysis, several liquidity ratios, etc. A set of limits is defined in order to maintain the desired liquidity risk profile.

The following table compares the static liquidity gap of 2011 and 2010:

EUR mil.	On demand and less than 1 month	1 to 3 months	3 months to 6 months	6 months to 1 year	1 – 2 years	2 – 5 years	More than 5 years
GAP 2010	889	(656)	231	(495)	(863)	**(88)**	1 320
GAP 2011	1 298	(810)	(647)	(769)	(193)	**71**	1 569
Limit	**(1 300)**	**(1 300)**	**(1 300)**	**(1 300)**	**(1 300)**	**(1 300)**	**(1 300)**

Survival period analysis is carried out on monthly basis with intention to provide information on the Group's survival period under five different stress scenarios, including name, market, and combined crisis. The results show that the bank is in very solid liquidity conditions, the survival period has not been shorter than three months throughout 2011.

There are internal limits set for funding concentrations. Their aim is to monitor and prevent the liquidity risk stemming from too large deposit concentration of one or small number of depositors (possibility of sudden withdrawal).
A minimal liquidity reserve of EUR 1.5 billion is defined. It consists of highly liquid ECB eligible bonds that the Group can use as collateral in unexpected situations. This reserve may not be touched unless a liquidity crisis is declared.

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 2011 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	480 033	8 706	20 339	962 634	2 448	**1 474 161**
Amounts owed to customers	4 266 775	1 010 141	2 241 194	540 500	-	**8 058 610**
Debt securities in issue	397	1 448	41 368	308 099	48 537	**399 850**
Subordinated debt		346	198	197 765	57 276	**255 585**
Total	**4 747 203**	**1 020 641**	**2 303 099**	**2 008 998**	**108 621**	**10 188 204**

As at 31 December 2010 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	1 067 697	36 219	16 097	42 068	4 630	**1 166 710**
Amounts owed to customers	4 446 693	909 651	1 261 753	1 558 500	20 212	**8 196 808**
Debt securities in issue	448	6 627	91 944	266 219	62 480	**427 717**
Subordinated debt	-	1 010	3 030	91 602	121 356	**216 998**
Total	**5 514 838**	**953 506**	**1 372 823**	**1 958 388**	**208 678**	**10 008 233**

39. 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. Strategic Risk Management unit performs activities of global scope and has a methodical, coordination, and harmonization role.

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.

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 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 using the following main activities:

- **risk acceptance and mitigation – activities of global scope handled by ORCO committee otherwise responsibility of senior management**
- **system of internal controls - each unit manager is responsible for the effectiveness and quality of the control system within his area of competence**
- **insurance – in order to minimize losses due to operational risk**
- **outsourcing – respective business units are responsible for the operational risk management related to outsourcing**
- **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 (LDA). 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 is 99.9% and the holding period is 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 July 2009. The inclusion of insurance as a mitigating factor into AMA was officially approved in Q4 2011, thus decreases the capital charge for operational risk by about 15%.

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 both the Bank and its subsidiaries.

40. CAPITAL MANAGEMENT

The Group's lead regulator, the NBS, sets and monitors capital requirements. The Group assesses the volume of its regulatory and economic capital (ICAAP).

Regulatory capital

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 2011 and 2010, the Group has complied with the capital adequacy requirement. The Group calculates requirements for credit risk using the Basel II IRB approach for market risk in its trading portfolios using internal VaR models and AMA approach for 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, intangible assets, AFS reserve (negative revaluation only) 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 capital and 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 2011 and 2010 was as follows:

ths. EUR	2011	2010
Tier 1 capital		
Ordinary share capital	212 000	212 000
Capital reserves	118 899	118 899
Retained earnings	544 498	449 318
Non Controlling Interest	2 619	2 576
Less intangible assets	(115 987)	(62 750)
Other regulatory adjustments	(51 631)	-
Total	**710 398**	**720 043**
Tier 2 capital		
Fair value reserve for available-for-sale equity securities	7 870	3 099
IRB SURPLUS	7 396	224
Qualifying subordinated liabilities	230 350	194 000
Total	**245 616**	**197 323**
Deductions from Tier I and Tier II capital	(678)	(678)
Total regulatory capital	**955 336**	**916 688**

ICAAP

Internal Capital Adequacy Assessment Process (ICAAP) is a process in which all significant risks that the Group faces must be covered by internal capital (coverage potential). This means that all material risks are quantified, aggregated, and compared to the coverage potential. A maximum risk exposure limit and lower trigger level are defined, so that corrective actions may be taken, thus avoiding situations when risk exposures are not sufficiently covered by capital.

The Group's ICAAP is defined by the group ICAAP framework. The key term within the context of ICAAP is the concept of economic capital. This is a measure of risk that captures unexpected losses. As opposed to expected loss, which is the anticipated probability-weighted average loss on a portfolio or business, and is considered a part of doing business, and is typically covered by reserves or income, unexpected loss describes the volatility of actual losses around this anticipated average. Typically, a very high confidence interval is assumed, in order to cover even very severe loss events (except for the most catastrophic ones for which it is impossible to hold capital). In the Group, the confidence interval is set at 99.9% and the holding period is one year.

Objectives of ICAAP are:

- **to integrate risk management for different risk types into a single high-level process**
- **to relate risk exposures to internal capital**
- **to continuously monitor and adjust capital levels to changing risk profile.**

ICAAP is a process that within the Group consists of the following steps:

- **Risk materiality assessment**
  - **identification of the most important risk types which are to be the major focus and which will be included into economic capital calculation**
- **Risk-bearing capacity calculation**
  - **calculation of the risk exposure for each particular material risk**
  - **aggregation of the individual risks into a single economic capital figure**
  - **calculation of internal capital (coverage potential)**
  - **relating economic to internal capital**
- **Stress testing**
  - **verification of economic capital figures via severe, yet plausible stress scenarios**
- **Capital management**
  - **management of consistency between economic and internal capital including forecasting**

In 2011 the Group has developed a Risk Appetite Statement, which is a set of indicators that define the targeted risk profile of the bank. This document was approved by the Board of Directors and has been decisive while creating strategic business plan & budget for 2012.

Furthermore, the Group has conducted a comprehensive stress testing exercise in which two complex scenarios covering all significant risks were assessed. New Risk Appetite and Stress Testing Committee (RAST) were created for this purpose.

ICAAP is regularly (quarterly) reported to the Board of Directors. Currently credit, operational, and market risk of both trading and banking books are included in the capital coverage. Capital cushion based on stress testing results is deducted from available internal capital in order to account for risks not directly covered by capital charge.

41. 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) Loan commitments, 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.

(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 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.

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

ths. EUR	2011	2010
Guarantees given	209 401	244 271
Guarantees from letters of credit	1 860	2 804
Loan commitments and undrawn loans	746 735	796 511
Total	**957 996**	**1 043 586**

Derivatives in notional and fair value

	2011			
	Receivables		Liabilities	
ths. EUR	Notional value	Fair value	Notional value	Fair value
Hedging	**107 821**	**5030**	**107 821**	**16 826**
Total hedging instruments	**107 821**	**5 030**	**107 821**	**16 826**
Trading derivatives				
Foreign currency forwards	218 185	2 705	218 089	2 610
Option contracts	288 758	4 127	281 906	5 418
Interest rate swaps (IRS)	1 078 609	49 959	1 078 609	49 472
Currency interest rate swaps (CIRS)	21 542	338	21 542	337
Currency swaps	293 866	5 970	293 796	5 784
Credit derivatives	50 000	-	50 000	6 638
Total trading derivatives	**1 950 960**	**63 099**	**1 943 942**	**70 259**
Total	**2 058 781**	**68 129**	**2 051 763**	**87 085**

	2010			
	Receivables		Liabilities	
ths. EUR	Notional value	Fair value	Notional value	Fair value
Hedging	**107 821**	**2 955**	**107 821**	**7 960**
Total hedging instruments	**107 821**	**2 955**	**107 821**	**7 960**
Trading derivatives				
Foreign currency forwards	77 378	804	77 311	738
Option contracts	383 720	4 655	367 866	4 585
Interest rate swaps (IRS)	1 394 936	41 954	1 394 936	42 413
Currency interest rate swaps (CIRS)	44 203	1 702	44 203	1 701
Currency swaps	106 081	2 374	105 998	2 271
Total trading derivatives	**2 006 318**	**51 489**	**1 990 314**	**51 708**
Total	**2 114 139**	**54 444**	**2 098 135**	**59 668**

All derivative transactions during 2011 and 2010 were traded on the over-the-counter 'OTC' markets.

(c) Assets pledged as collateral

Liabilities secured by the Bank's assets:

ths. EUR	2011	2010
Amounts owed to financial institutions		
repo trade with ECB	900 000	750 000
Other	44 342	58 000
Total	**944 342**	**808 000**

The pledge attributable to the aforementioned liabilities comprised the following assets recognised in the statement of financial position:

ths. EUR	2011	2010
Securities available for sale		
repo trade with ECB	344 075	301 023
Other		
Securities held to maturity	1 062 843	1 976 012
repo trade with ECB	43 811	57 947
other	**1 450 729**	**2 334 981**

The Group pledged in favour of ECB government and corporate bonds. For the pledged securities, the Group can draw a credit line in the amount of EUR 1 376.6 million. As of 31 December 2011 the Group used EUR 900 million of this credit line (2010: EUR 750 million).

During 2011 the Group entered into a "securities lending" deal with Erste Bank Austria. In this transaction the Group received state bonds of the Czech Republic, Hungary and Romania in exchange for Slovak government bonds. As of 31 December 2011 the notional amount of exchanged bonds from HTM portfolio amounted to EUR 247.1 million (fair value: EUR 253.3 million) and the notional amount of bonds received amounted to EUR 350.4 million (fair value: EUR 334.7 million). Both Banks have the right to trade with the received bonds. The substance of this transaction is to provide Erste Bank with ECB eligible bonds for liquidity purposes. This transaction is in line with the internal as well as regulatory limits and regulations for liquidity management.

42. 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.

ths. EUR	Carrying value 2011	Estimated fair value 2011	Carrying value 2010	Estimated fair value 2010
Financial assets				
Loans and advances to financial institutions	613 237	613 841	1 253 486	1 253 925
Loans and advances to customers	6 288 092	6 425 958	5 680 619	5 807 439
Held to maturity securities	2 560 304	2 463 391	2 285 263	2 326 636
Financial liabilities				
Amounts owed to financial institutions	1 447 807	1 448 458	1 164 963	1 165 330
Amounts owed to customers and debt securities in issue	8 401 107	8 039 942	8 553 658	8 060 846

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. On demand deposits are modelled according to generally 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 and 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 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 measured at fair value:

31 December 2011 ths. EUR	Level 1	Level 2	Level 3	Total
Securities available for sale	318 138	615 217	39 463	972 818
Securities at fair value through profit or loss	17 299	7 505	2 930	27 734
Financial assets - trading	-	-	-	-
Derivative financial assets	-	63 025	74	63 099
Total assets	**335 436**	**685 748**	**42 467**	**1 063 651**
Derivative financial liabilities	-	(70 187)	(72)	(70 259)
Total liabilities	**-**	**(70 187)**	**(72)**	**(70 259)**

31 December 2010 ths. EUR	Level 1	Level 2	Level 3	Total
Securities available for sale	323 888	525 848	46 622	896 358
Securities at fair value through profit or loss	25 420	7 577	10 813	43 811
Financial assets - trading	-	19 880	-	19 880
Derivative financial assets	-	49 470	2 019	51 489
Total assets	**349 308**	**602 775**	**59 454**	**1 011 538**
Derivative financial liabilities	-	49 760	1 949	51 708
Total liabilities	**-**	**49 760**	**1 949**	**68 262**

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 Dec 2010	**46 164**	**10 795**	**2 019**	**(1 949)**
accrued coupon	458	18	-	-
Balance as of 31 Dec 2010	**46 622**	**10 813**	**2 019**	**(1 949)**
Total gains or losses:				
in profit or loss	(4)	(3 668)	(1 945)	1 877
in other comprehensive income	(1 654)	-	-	-
Issues	270	-	-	-
Settlements	(5 814)	(4 206)	-	-
MV as of 31 Dec 2011	**38 963**	**2 922**	**-**	**-**
accrued coupon	500	8	-	-
Balance as of 31 Dec 2011	**39 463**	**2 930**	**74**	**(72)**
Total gains /(losses) for the period included in profit or loss for assets/liabilities held at the end of the reporting period	(2)	41	(268)	270

There were no significant transfers between Level 1 and Level 2 of the fair value hierarchy.

43. 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 remaining contractual maturity.

	2011			2010		
ths. EUR	Current	Non-current	Total	Current	Non-current	Total
Cash and balances at the central bank						
Loans and advances to financial institutions	398 373	214 864	613 237	914 890	338 596	1 253 486
Loans and advances to customers	1 334 942	5 362 500	6 697 442	1 363 338	4 711 521	6 074 859
Provisions for losses on loans and advances	-	(409 350)	(409 350)	-	(394 240)	(394 240)
Financial assets at fair value through profit or loss	13 185	77 648	90 833	42 502	72 678	115 180
Securities available for sale	106 947	872 959	979 906	159 326	743 306	902 632
Securities held to maturity	316 761	2 243 543	2 560 304	186 089	2 099 174	2 285 263
Investments in associates and other investments	-	25 160	25 160	-	28 582	28 582
Intangible assets	2	115 985	115 987	-	63 325	63 325
Property and equipment	-	239 101	239 101	-	209 683	209 683
Assets held for rental income	-	5 136	5 136	-	4 809	4 809
Non-current assets held for sale	-	-	-	-	37 913	37 913
Current income tax asset	19	-	19	281	-	281
Deferred income tax asset	141	82 358	82 499	90	70 709	70 799
Other assets	21 704	27 745	49 449	17 910	22 031	39 941
Total assets	**2 701 257**	**8 647 649**	**11 348 906**	**3 019 782**	**8 008 087**	**11 027 869**
Amounts owed to financial institutions	508 735	939 072	1 447 807	1 119 511	45 452	1 164 963
Amounts owed to customers	7 505 150	528 576	8 033 726	6 610 826	1 547 633	8 158 459
Debt securities in issue	42 633	324 748	367 381	97 708	297 491	395 199
Financial liabilities at fair value through profit or loss	12 043	58 216	70 259	8 715	42 993	51 708
Provisions for liabilities and other provisions	673	24 721	25 394	564	23 058	23 622
Other liabilities	111 234	21 799	133 033	86 272	11 676	97 948
Current income tax	677	-	677	11 364	-	11 364
Deferred income tax liability	77	-	77	191	-	191
Subordinated debt	544	231 038	231 582	405	194 700	195 105
Equity	-	1 038 970	1 038 970	-	929 310	929 310
Total liabilities and equity	**8 181 766**	**3 167 140**	**11 348 906**	**7 935 556**	**3 092 313**	**11 027 869**

44. SEGMENT REPORTING

The segment reporting of the Group follows the presentation and measurement requirements of IFRS as well as Erste Group standards.

Segment Structure

For the purpose of transparent presentation of the group structure, the segment reporting has been harmonised with the structure of Erste Group and is divided into the following segments:

- **Retail**
- **Local corporates**
- **Real Estate**
- **Assets and Liabilities management**
- **Group Large Corporates**
- **Group Capital Markets**
- **Corporate Center**
- **Free capital.**

The segment reporting follows the rules used in the Group controlling report which is produced on a monthly basis for the Holding Board. The report is reconciled with the monthly reporting package and the same segments used in the Group Controlling report are also applied in the External segment reporting for Erste Group.

By adding up Retail, Local corporates, Real estate, ALM and the Corporate centre a core business for the Group is defined, for which the Group is primarily responsible from a Holding Group point of view.

For the definition of segments/business lines in the Group, the Group applies account manager principle, which means that each client has assigned an account manager, who is assigned to a particular business line/segment. In other words, profit/loss is allocated to an account manager and a customer only be allocated to one account manager.

Within the segment report the local fully consolidated subsidiaries as well as other participations, are allocated to the respective business line (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 then 292 branches (status as of 31 December 2011). In addition the Retail segment also includes at equity results of PSS (building society).

Local corporates

Local corporates segment primarily consists of SME (Small and medium enterprises), the Public sector, Leasing SLSP and Factoring SLSP. Local corporates includes mainly the following client segments:

- **Small SME (up to EUR 5 million, gross domestic product 'GDP' weighted turnover)**
- **Medium SME (up to EUR 30 million, GDP weighted turnover)**
- **Large SME (up to EUR 175 million, GDP weighted turnover)**
- **Non-profit Sector**
- **Public Sector (financing of public projects like highways, infrastructure, etc.).**
- **Certain MICRO clients are treated as Local Corporates (e.g. small members of a group of companies)**

Real Estate

Real estate segment covers all the commercial and residential projects financed by the Group.

Assets and Liabilities Management

Business line Assets and Liabilities Management manages the structure of 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 utilization. ALM also contains the transformation margin as a result of the mismatch in balance sheet from a 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) form 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 the EBG core markets.

Group Capital Markets

GCM is responsible for trading in foreign exchange and interest rate products as well as securities for all customer groups and for the development of market-oriented products. The segment Group capital markets in terms of the Group includes divisionalised business lines like Treasury Trading and Treasury Sales (Retail, Corporate and Institutional Sales).

Corporate Centre

Primarily, corporate Centre contains the non-client business of the Group. The Corporate Centre segment includes mainly positions and items which cannot be directly allocated to specific segment or business line like parts. Additionally, all non-allocated participations like Laned, Derop, Realitná spoločnosť SLSP, sIT Solutions, sProserv and other participations are recognised within this segment.

Free Capital

Free capital is not a segment but the difference between the total recorded equity according to the balance sheet and the sum of the allocated equity of Business lines. Under the free capital also subordinated liabilities are also presented.

2011 ths. EUR	Retail	Local Corporates	Real Estate	ALM	Corporate centre	Core business
Net interest income	311 086	38 783	15 156	77 021	375	442 421
Risk provisions for loans and advances	(40 100)	(19 985)	(13 564)	-	45	(73 603)
Net fee and commission income	106 833	9 524	1 327	(3)	(5 467)	112 213
Net trading result	3 000	724	121	(40)	(8 445)	(4 640)
General administrative expenses	(194 128)	(17 034)	(1 637)	(2 423)	(9 292)	(224 514)
Other result	(12 901)	(577)	(495)	(12 416)	(16 437)	(42 827)
Pre-tax profit	**173 790**	**11 435**	**907**	**62 139**	**(39 221)**	**209 050**
Taxes on income	(32 531)	(2 238)	(172)	(11 806)	5 906	(40 842)
Non Controlling Interest	-	5	-	-	(44)	(39)
Net profit after Non Controlling Interest	**141 259**	**9 202**	**735**	**50 332**	**(33 359)**	**168 169**
Average risk-weighted assets	2 901 261	1 178 321	457 811	72 603	214 876	4 824 871
Average attributed equity	293 157	102 098	38 637	81 668	60 721	576 280
Cost/income ratio	**46.12%**	**34.74%**	**9.86%**	**3.15%**	**(68.64%)**	**40.82%**
ROE based on net profit after Non Controlling Interest[1)]	**48.19%**	**9.01%**	**1.90%**	**61.63%**	**(54.94%)**	**29.18%**

2011 ths. EUR	GLC	GCM	Free capital	SLSP group
Net interest income	11 887	5 663	8 419	468 390
Risk provisions for loans and advances	1 429	-	-	(72 174)
Net fee and commission income	4 439	4 187	-	120 840
Net trading result	569	5 933	-	1 862
General administrative expenses	(2 710)	(6 859)	-	(234 083)
Other result	(5)	(10)	-	(42 841)
Pre-tax profit	**15 611**	**8 914**	**8 419**	**241 994**
Taxes on income	(2 966)	(1 694)	(1 600)	(47 101)
Non Controlling Interest	-	-	-	(39)
Net profit after Non Controlling Interest	**12 645**	**7 220**	**6 820**	**194 854**
Average risk-weighted assets	801 108	143 237	-	5 769 217
Average attributed equity	67 546	16 525	316 152	976 503
Cost/income ratio	**16.04%**	**43.46%**	**0.00%**	**39.60%**
ROE based on net profit after Non Controlling Interest[1)]	**18.72%**	**43.69%**	**2.16%**	**19.95%**

Notes:
1) ROE = return on equity.

2010 ths. EUR	Retail	Local Corporates	Real Estate	ALM	Corporate centre	Core business
Net interest income	297 629	43 612	14 183	56 652	8 500	420 576
Risk provisions for loans and advances	(82 833)	(25 469)	(19 515)	109	(2)	(127 709)
Net fee and commission income	105 770	8 396	868	-	(8 456)	106 578
Net trading result	4 839	1 160	8	(1 064)	(908)	4 034
General administrative expenses	(192 099)	(18 516)	(2 169)	(2 487)	(6 936)	(222 207)
Other result	(12 790)	(166)	659	3 373	(12 222)	(21 146)
Pre-tax profit	**120 516**	**9 016**	**(5 966)**	**56 582**	**(20 023)**	**160 125**
Taxes on income	(22 830)	(2 157)	1 133	(10 751)	1 915	(32 689)
Non Controlling Interest	-	3	-	-	(126)	(123)
Net profit after Non Controlling Interest	**97 687**	**6 862**	**(4 832)**	**45 832**	**(18 234)**	**127 313**
Average risk-weighted assets	2 974 411	1 383 066	530 216	122 954	219 883	5 230 531
Average attributed equity	253 780	110 896	42 428	11 208	19 150	437 462
Cost/income ratio	**47.06%**	**34.83%**	**14.40%**	**4.47%**	**(802.83%)**	**41.83%**
ROE based on net profit after Non Controlling Interest[1)]	**38.49%**	**6.19%**	**(11.39%)**	**408.90%**	**(95.22%)**	**29.10%**

2010 ths. EUR	GLC	GCM	Free capital	SLSP group
Net interest income	14 718	3 248	8 055	446 597
Risk provisions for loans and advances	(2 042)	-	-	(129 751)
Net fee and commission income	4 284	3 894	-	114 756
Net trading result	656	3 982	-	8 672
General administrative expenses	(4 838)	(3 929)	-	(230 974)
Other result	(18)	(0)	-	(21 164)
Pre-tax profit	**12 760**	**7 195**	**8 055**	**188 136**
Taxes on income	(2 424)	(1 367)	(1 534)	(38 014)
Non Controlling Interest	-	-	-	(123)
Net profit after Non Controlling Interest	**10 336**	**5 828**	**6 522**	**149 999**
Average risk-weighted assets	995 402	162 952	-	6 388 885
Average attributed equity	79 665	14 556	290 195	821 877
Cost/income ratio	**24.61%**	**35.32%**	**0.00%**	**40.52%**
ROE based on net profit after Non Controlling Interest [1)]	**12.97%**	**40.04%**	**2.25%**	**18.25%**

Notes:
1) ROE = return on equity.

45. ASSETS UNDER ADMINISTRATION

The Group provides custody, trustee, investment management, and advisory services to third parties, which involves 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 accepted in custody EUR 736 million and EUR 730 million of assets as at 31 December 2011 and 2010, respectively, representing securities from customers in its custody for administration, including assets managed by Asset Management Slovenskej sporiteľne, a wholly owned subsidiary of the Group before 2009.

46. 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 subsidiaries and associates of the Group 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.

(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	2011		2010	
	Erste Group Bank	Companies under the control of Erste Group Bank	Erste Group Bank	Companies under the control of Erste Group Bank
Assets				
Loans and advances to financial institutions	552 835	51 132	1 127 414	112 359
Loans and advances to customers	-	72 754	-	76 990
Trading assets	8 983	103	13 852	-
Available for sale portfolio	-	-	-	11 278
Other assets	2 739	2 976	2 601	979
Total	**564 557**	**126 965**	**1 143 867**	**201 606**
Liabilities				
Amounts owed to financial institutions	323 537	75 558	35 431	69 707
Amounts owed to customers	-	10 424	37	7 554
Debt securities in issue	-	-	-	18
Trading liabilities	51 242	25	17 700	-
AFS revaluation	-	-	-	(749)
Other liabilities	-	3 330	7 960	1 325
Subordinated debt	180 345	-	180 306	-
Total	**555 124**	**89 337**	**241 434**	**77 855**

The Group received a guarantee issued by its parent bank with a maximum value of EUR 50 million (2010: EUR 50 million) covering all theBank'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 (2010: EUR 50 million).

In 2011, the Bank received a bank guarantee provided by its parent bank in the amount of EUR 144 million covering exposures towards subsidiaries and other group members (2010: EUR 144 million).

Exposures towards corporate clients covered by the parent's bank guarantees (excluding exposures towards ERSTE Group entities) are in the amount of EUR 113.47 million (2010: EUR 62.57 million).

The Group purchased software from companies under the control of Erste Group Bank in 2011 in the amount of EUR 61.75 million (2010: 2.4 million). In 2011 the Group purchase part of the core banking from s IT Solutions SK, spol. s r. o., in the amount of EUR 56.5 million.

The Group entered into two loan contracts with its parent company Erste Group Bank in the amount of EUR 180 million subordinated loan (2010: EUR 180 million) (Note 31).

As described in Note 41, the Group entered into a "securities lending" deal with Erste Bank Austria during 2011.

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

ths. EUR	2011		2010	
	Erste Group Bank	Companies under the control of Erste Group Bank	Erste Group Bank	Companies under the control of Erste Group Bank
Interest income	21 034	5 641	20 737	4 866
Interest expense	(8 133)	(7 382)	(4 349)	(593)
Net fees and commissions	114	4 278	2	4 455
Net trading result	792	-	2 836	304
General administrative expenses	(1 058)	(11 052)	(1 083)	(7 340)
Other operating result	1	312	60	609
Total	**12 750**	**(8 203)**	**18 203**	**2 301**

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

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

ths. EUR	2011	2010
Assets		
Financial assets at fair value through profit or loss	1 125	1 173
Securities available for sale	12 910	13 453
Total	**14 035**	**14 626**
Liabilities		
Amounts owed to financial institutions	4 389	21 090
Total	**4 389**	**21 090**

Income and expenses from the associates include the following:

ths. EUR	2011	2010
Interest income	-	6
Interest expense	(112)	(51)
General administrative expenses	-	(81)
Total	**(112)**	**(126)**

The Group received dividends from its associates in the amount of EUR 3.1 million in 2011 (2010: EUR 3.1 million).

(d) Transactions with key management personnel

Remuneration of members of the Board of Directors and Supervisory Board paid during 2011 amounts to EUR 1.5 million (2010: EUR 2.3 million) which represents short-term employee benefits.

47. POST BALANCE SHEET EVENTS

Commencing 1 January 2012, banks operating in the Slovak Republic are subject to special tax of 0.4% of selected liabilities presented at the end of each quarter. Tax will be recognized in income statement on an accrual basis and repayable quarterly.

From 31 December 2011 up to the date of issue of these financial statements there were no further 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 2011

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 separate financial statements of Slovenská sporiteľňa, a. s. ('the Bank'), which comprise the balance sheet as at 31 December 2011, 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 presentation of separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these separate 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 separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of separate financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the separate 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 give a true and fair view of the financial position of the Bank as at 31 December 2011, 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.

6 February 2012
Bratislava, Slovak Republic

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

Ing. Dalimil Draganovský
SKAU Licence No. 893

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT

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 2011

ths. EUR	Note	2011	2010
Interest income		572 809	530 343
Interest expense		(107 273)	(89 761)
Income from investments in subsidiaries and associates		3 114	3 113
Net interest and investment income	**5**	**468 650**	**443 695**
Provisions for losses on loans, advances and off-balance sheet credit risks	7	(70 987)	(124 703)
Net interest and investment income after provisions		**397 663**	**318 992**
Fee and commission income		136 533	128 903
Fee and commission expense		(15 609)	(13 969)
Net fee and commission income	**6**	**120 924**	**114 934**
Net trading result	8	2 015	9 193
General administrative expenses	9	(236 324)	(231 723)
Other operating result	10	(41 992)	(31 122)
Profit for the year before income taxes		**242 286**	**180 274**
Income tax expense	11	(47 087)	(37 810)
Net profit for the year after income taxes		**195 199**	**142 464**
Basic and diluted earnings per EUR 1 000 share (EUR)	**32**	**921**	**672**

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 6 February 2012.

Ing. Jozef Síkela

Chairman of the Board of Directors and
Chief Executive Officer

Ing. Štefan Máj

Deputy Chairman of the Board of Directors and
First Deputy of the Chief Executive Officer

Separate Comprehensive Income Statement
For the Year Ended 31 December 2011

ths. EUR	2011	2010
Net profit for the year after income taxes	**195 199**	**142 464**
Available for sale reserves	(37 375)	(2 828)
Cash flow hedge reserves	(83)	(459)
Actuarial gains on defined benefit pension plans	29	273
Income tax relating to components of other comprehensive income	7 117	624
Other comprehensive (expense)/income for the year after income taxes	**(30 312)**	**(2 390)**
Total comprehensive income for the year	**164 887**	**140 074**

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

Separate Balance Sheet
As at 31 December 2011

ths. EUR	Note	2011	2010
ASSETS			
Cash and balances at the central bank	12	299 183	335 352
Loans and advances to financial institutions	13	613 170	1 253 413
Loans and advances to customers	14	6 733 360	6 081 303
Provisions for losses on loans and advances	15	(386 884)	(368 259)
Financial assets at fair value through profit or loss	16	91 225	115 870
Securities available for sale	17	981 559	904 254
Securities held to maturity	18	2 560 304	2 285 263
Investments in subsidiaries and associates	19	12 348	15 147
Intangible assets	20	115 984	63 075
Property and equipment	21	150 336	116 720
Investment property	21	3 056	3 455
Non-current assets held for sale	22	-	37 913
Deferred income tax asset	23	82 605	70 934
Other assets	24	43 446	29 594
Total assets		**11 299 692**	**10 944 034**
LIABILITIES AND EQUITY			
Amounts owed to financial institutions	25	1 427 425	1 126 160
Amounts owed to customers	26	8 047 984	8 169 055
Financial liabilities at fair value through profit or loss	40.b	70 259	51 708
Debt securities in issue	27	366 717	380 933
Provisions	28	24 721	23 059
Other liabilities	29	127 304	93 701
Current income tax liability	23	665	11 363
Subordinated debt	30	231 582	195 105
Total liabilities		**10 296 657**	**10 051 084**
Equity	31	1 003 035	892 950
Total liabilities and equity		**11 299 692**	**10 944 034**

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 2011

ths. EUR	Share capital	Legal reserve fund	Other Funds	Retained earnings	Hedging reserves	Reva-luation reserves	Total
As at 31 December 2009	**212 000**	**79 795**	**39 328**	**422 700**	**439**	**(1 386)**	**752 876**
Net profit for the year	-	-	-	142 464	-		142 464
Other comprehensive income				273	(372)	(2 291)	(2 390)
As at 31 December 2010	**212 000**	**79 795**	**39 328**	**565 437**	**67**	**(3 677)**	**892 950**
Net profit for the year	-	-	-	195 199	-	-	195 199
Other comprehensive income	-	-	-	29	(67)	(30 274)	(30 312)
Dividends paid	-	-	-	(54 800)	-	-	(54 800)
Other change	-	-	(2)	-	-	-	(2)
As at 31 December 2011	**212 000**	**79 795**	**39 326**	**705 865**	**0**	**(33 951)**	**1 003 035**

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 2011

ths. EUR	Note	2011	2010
Cash flows from operating activities			
Profit before income taxes		242 286	180 274
Adjustments for:			
Provisions for losses on loans, advances, off-balance sheet write-offs and unwinding	15	59 837	111 360
Provisions		139	3 519
Impairment of tangible and intangible assets	20, 21	6 970	2 952
Depreciation and amortisation	20, 21	33 157	41 221
Gain on disposal of fixed assets		317	447
Net loss from financial activities		16 835	15 463
Net (gain) from investing activities		(107 454)	(93 596)
Impairment of investments in subsidiaries and associates	10	3 040	15 356
Recycling of cash flow hedge reserve		(83)	(459)
Cash flows from operations before changes in operating assets and liabilities		**255 044**	**276 537**
(Increase)/decrease in operating assets:			
Minimum reserve deposits with the central bank		105 672	(41 164)
Loans and advances to financial institutions		643 049	(61 659)
Loans and advances to customers		(693 269)	(100 618)
Financial assets at fair value through profit or loss and securities available for sale		(78 723)	247 652
Other assets		(13 878)	(1 762)
Increase/(decrease) in operating liabilities:			
Amounts owed to financial institutions		301 265	(850 658)
Amounts owed to customers		(121 071)	333 347
Provisions		(246)	(2 613)
Financial liabilities at fair value through profit or loss		7 239	(5 547)
Other liabilities		35 401	13 231
Net cash flows provided by / (used in) operating activities before income tax		**(440 483)**	**(193 255)**
Income taxes paid		(62 314)	(17 158)
Net cash flows provided by / (used in) operating activities		**378 169**	**(210 413)**
Cash flows from investing activities			
Purchase of securities held to maturity		(389 960)	(500 301)
Proceeds from securities held to maturity		126 899	645 997
Interest received from securities held to maturity		92 746	79 277
Dividends received from associates		2 987	3 100
Purchase of share in subsidiaries and associates		(631)	(10 932)
Proceeds from sale of subsidiaries and associates		272	964
Purchase of intangible assets, property and equipment		(88 941)	(22 708)
Proceeds from sale of intangible assets, property and equipment		284	33 647
Net cash flows provided by / (used in) investing activities		**(256 345)**	**(229 044)**
Cash flows from financing activities			
Dividends paid		(54 800)	-
Drawing of subordinated debt		35 650	14 500
Interest paid on subordinated debt		(4 942)	(3 443)
Issue of the bonds		74 801	131 132
Repayment of the bonds		(89 613)	(176 107)
Interest paid to the holders of the bonds		(10 470)	(12 995)
Net cash flows provided by / (used in) financing activities		**(49 374)**	**(46 913)**
Effect of foreign exchange rate changes on cash and cash equivalents		(140)	(438)
Net increase / (decrease) in cash and cash equivalents		**72 310**	**(28 719)**
Cash and cash equivalents at the beginning of the year	33	**229 700**	**258 419**
Cash and cash equivalents at the end of the year	33	**302 009**	**229 700**

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

Notes to the Separate Financial Statements
Prepared in Accordance with International Financial Reporting Standards as adopted by the European Union Year Ended 31 December 2011

1. INTRODUCTION

Slovenská sporiteľňa, a. s. (hereafter 'the Bank') has its registered office at Tomašikova 48, Bratislava, the Slovak Republic. The Bank was incorporated on 15 March 1994 and registered in the Commercial Registry on 1 April 1994. The identification number of the Bank is 00 151 653 and its tax identification number is 2020411536. The Bank is a 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 has 5 members:
Ing. Jozef Síkela (Chairman of the Board), Ing. Štefan Máj (Deputy Chairman), Ing. Peter Krutil (Member), Ing. Jiří Huml (Member) and Ing. Andrea Guľová (Member) who replaced Ing. Martin Pilecký since 1 February, 2011. Andrea Guľová left for her maternity leave on 1 July 2011, her scope of responsibilities being temporarily taken over by Ing. Štefan Máj.

The Chairman of the Board of Directors is also the Chief Executive Officer (CEO) of the Bank. The Deputy Chairman of the Board of Directors is the First Deputy of the Chief Executive Officer. Other members of the Board of Directors are simultaneously Deputies of the Chief Executive Officer.

Supervisory Board has 6 members. As of 31 December 2011, the members of the Supervisory Board were as follows: Martin Škopek (Chairman), Wolfgang Schopf (Deputy Chairman) and Dr. Franz Hochstrasser, Herbert Juranek, JUDr. Beatrica Melichárová and Mr. Štefan Šipoš as members. Štefan Šipoš is a new member of Supervisory Board elected by company employees, his term of office has started on 24 June 2011.

As of 31 December 2011 and 2010, the only shareholder of the Bank was EGB Ceps Holding GmbH, with registered office Graben 21, 1010 Vienna, Austria. The Separate 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:

- **IAS 24 Related Party Disclosures (Revised)**
- **IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (Amendment)**
- **IFRIC 14 Prepayments of a minimum funding requirement (Amendment)**
- **IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments**
- **Improvements to IFRSs (issued in May 2010)**

When the adoption of the standard or interpretation is considered to have an impact on the financial position or performance of the Bank, its impact is described below:

– IAS 24 Related Party Disclosures (Amendment)

The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government related entities. The Bank does not expect any impact on its financial position or performance. Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard.

– Improvements to IFRSs (issued in May 2010)

In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies, but no impact on the financial position or performance of the Bank.

- **IFRS 7 Financial Instruments — Disclosures: The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context.**
- **IAS 1 Presentation of Financial Statements: The amendment clarifies that an entity may present an analysis of each component of other comprehensive income maybe either in the statement of changes in equity or in the notes to the financial statements.**

Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Bank:

- **IFRS 3 Business Combinations**
- **IAS 27 Consolidated and Separate Financial Statements**
- **IAS 34 Interim Financial Statements**

The following interpretation and amendments to interpretations did not have any impact on the accounting policies, financial position or performance of the Bank:

- **IFRIC 13 Customer Loyalty Programmes (determining the fair value of award credits)**
- **IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments**

b) Standards and interpretations issued but not yet effective

Standards issued but not yet effective or not yet adopted by the EU up to the date of issuance of the Bank's financial statements are listed below. This listing of standards and interpretations issued are those that the Bank reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Bank intends to adopt these standards when they become effective.

– IFRS 7 Financial Instruments: Disclosures - Transfers of Financial Assets (Amendments to IFRS 7)

The IASB has amended the required disclosures relating to transfers of financial assets. The objective of the amendments is to help users of financial statements evaluate the risk exposures relating to such transfers and the effect of those risks on an entity's financial position. The amendment becomes effective for annual periods beginning on or after 1 July 2011.

– IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income ('OCI')

The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has there no impact on the Bank's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

– IAS 19 Employee Benefits (Amendment)

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The Bank is currently assessing the full impact of the remaining amendments. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

– IAS 27 Separate Financial Statements (as revised in 2011)

As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

– IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)

As a consequence of the new IFRS 11 and IFRS 12. IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

– IFRS 7 Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Bank's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment becomes effective for annual periods beginning on or after 1 July 2011.

– IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. Based on the IASB's decision from December 2011 the standard mandatory effective date has been postponed to annual periods beginning on or after 1 January 2015 with early application permitted. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The Board is deferring the mandatory effective date as a result of recent changes in the expected timing of completion of the remaining phases of the financial instruments project. The Board intends to allow entities to apply all phases concurrently. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Bank's financial assets and on classification and measurements of financial liabilities. The Bank is in process of assessment of the first phase and evaluating impact of the other phases as known to date. It is the intention of the Bank to adopt the standard in its entirety once issued and endorsed.

– IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation — Special Purpose Entities.
IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27.
This standard becomes effective for annual periods beginning on or after 1 January 2013.

– IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The application of this new standard will have no impact on the financial position of the Bank. This standard becomes effective for annual periods beginning on or after 1 January 2013.

– IFRS 12 Disclosure of Involvement with Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after 1 January 2013.

– IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Bank is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

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, 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 2010) were signed and authorised for issue on 8 February 2011.

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 2011 on 6 February 2012.

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.

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 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 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 an associate is determined to be less than its carrying amount, or the value is otherwise impaired.

(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. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. 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 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.

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. Threshold for significant is the decline of market price below 80% of the acquisition cost. The decline in fair value is prolonged when market price is permanently below acquisition cost during a period of 9 months before the reporting date. Where there is evidence of impairment, the cumulative loss is 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 41.

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 the asset to the extent of continuing involvement 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 2011 and 2010
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 2011 and 2010
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 and Intangible assets

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 and value in use. The largest components of the Bank's assets are periodically tested for impairment, and 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) Amounts owed to financial institutions, Amounts owed to customers and Debt securities issued

Financial instruments issued by the bank that are not designated at fair value through profit or loss, are classified as liabilities under 'Amounts owed to financial institutions', 'Amounts owed to customers' and 'Debt securities issued', where the substance of the contractual arrangement results in the bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, the liabilities are subsequently measured at amortised cost using the EIR. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR.

(q) Provisions

Provisions are recognised when the Bank has a current legal 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 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(c) 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 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.

(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 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. Positive fair value of hedging instruments and positive revaluation of hedged items is presented in 'Other assets'. Similarly, negative fair value of hedging instruments and negative revaluation of hedged items is presented in 'Other liabilities'.

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 40.

(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'.

Non–monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non–monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(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 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.

(y) 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.

(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 1 000 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 Bank does not bear risks and rewards of ownership associated with such items. See also Note 44.

(bb) 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 management of the Bank has considered all relevant factors in making prudent and reasonable valuation estimates in the current economic circumstances. 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.

The Bank believes that the prices used as of 31 December 2011 and 2010 are prudent and reasonable and represent the best possible estimate of the fair value of these financial instruments. Financial assets at fair value through profit and loss and securities available for sale include credit linked investments and managed funds in the amount of EUR 23.52 million as of 31 December 2011 (2010: EUR 37.5 million).

– 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.

– 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

Tax authorities have broad powers in interpreting the application of the tax laws and regulations in the course of its examination of taxpayers. Therefore 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	2011	2010
Interest income from:		
Loans and advances to financial institutions	25 017	23 981
Loans and advances to customers	410 988	384 457
Financial assets at fair value through profit and loss	1 095	1 450
Securities available for sale	30 811	30 011
Securities held to maturity	104 725	90 175
Other interest income and similar income	173	269
Total interest income	**572 809**	**530 343**
Interest expense for:		
Amounts owed to financial institutions	(14 209)	(12 249)
Amounts owed to customers	(76 229)	(62 049)
Debts securities in issue	(11 066)	(11 675)
Subordinated debt	(5 769)	(3 788)
Total interest expenses	**(107 273)**	**(89 761)**
Net interest income	**465 536**	**440 582**
Income from investments in subsidiaries and associates	3 114	3 113
Net interest and investment income	**468 650**	**443 695**

In 2011, interest income includes a total of EUR 8.6 million (2010: EUR 8.4 million) relating to impaired financial assets.

Income from investments in subsidiaries and associates

Company	2011 ths. EUR	2010 ths. EUR
Prvá stavebná sporiteľňa, a.s. (PSS)	2 987	2 987
IT Solutions SK, spol. s r.o	110	113
Visa Inc	7	3
Mastercard Incorporated	10	10
Total	**3 114**	**3 113**

6. NET FEE AND COMMISSION INCOME

ths. EUR	2011	2010
Fee and commission income from:		
Payment transfers	87 976	83 890
Lending business	32 448	30 446
Securities	6 597	7 048
Other fees	9 512	7 519
Total fee and commission income	**136 533**	**128 903**
Fee and commission expense for:		
Payment transfers	(12 299)	(10 612)
Lending business	(2 172)	(2 281)
Securities	(749)	(712)
Other fees	(389)	(364)
Total fee and commission expense	**(15 609)**	**(13 969)**
Net fee and commission income	**120 924**	**114 934**

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	2011	2010
Provisioning charges for:		
Specific risk provisions	(145 381)	(146 285)
Portfolio risk provisions	(40 333)	(84 676)
Total provisioning charges	**(185 714)**	**(230 961)**
Release of provisions		
Specific risk provisions	68 353	54 912
Portfolio risk provisions	48 962	56 311
Total release of provisions	**117 315**	**111 223**
Net provisions for losses on loans and advances (Note 15)	**(68 399)**	**(119 738)**
Recoveries of loans written off / other	(2 601)	(485)
Net creation of provisions for off-balance risks	13	(4 480)
Net provisions	**(70 987)**	**(124 703)**

8. NET TRADING RESULT

ths. EUR	2011	2010
Foreign exchange and currency derivatives	5 411	7 270
Interest derivatives	339	(281)
Trading securities gains	1 914	2 058
Other gains/(losses)	886	146
Credit risk instruments and related derivatives	(6 535)	-
Total	**2 015**	**9 193**

9. GENERAL ADMINISTRATIVE EXPENSES

ths. EUR	2011	2010
Personnel expenses		
Wages and salaries	(69 705)	(65 724)
Social security expenses	(23 274)	(21 394)
Long term employee benefits	(16)	(995)
Other personnel expenses	(1 681)	(360)
Total personnel expenses	**(94 676)**	**(88 473)**
Other administrative expenses		
Data processing expenses	(46 387)	(39 843)
Building maintenance and rent	(24 781)	(25 303)
Costs of bank operations	(11 734)	(16 034)
Advertising and marketing	(14 635)	(12 148)
Legal fees and consultation	(3 759)	(2 964)
Expenses for personal leasing	(256)	(108)
Other administrative expenses	(6 939)	(5 629)
Total other administrative expenses	**(108 491)**	**(102 029)**
Depreciation		
Amortisation of intangible assets	(17 469)	(25 211)
Depreciation	(15 688)	(16 010)
Total depreciation, amortization	**(33 157)**	**(41 221)**
Total	**(236 324)**	**(231 723)**

The average number of employees in the Bank was 3 908 in 2011 and 3 922 in 2010, thereof five members of the Board of Directors in both years.

Other administrative expenses include the cost of audit services and other advisory services provided by the audit company:

ths. EUR	2011	2010
Audit of statutory financial statements	(257)	(272)
Audit of group reporting	(257)	(272)
Other related services provided to bank	(130)	(161)
Total	**(644)**	**(705)**

10. OTHER OPERATING RESULT

ths. EUR	2011	2010
Revaluation of securities at fair value, net	(4 733)	(173)
Profit/(loss) on securities available-for-sale	(6 681)	1 688
Net gain from disposal of subsidiaries and associates	(118)	758
Impairment of investments in subsidiaries and associates	(3 040)	(15 356)
Contribution to deposit protection fund	(13 198)	(13 096)
Other operating result	(14 222)	(4 943)
Total other operating result	**(41 992)**	**(31 122)**

Loss on securities available-for-sale contains recycling of the revaluation reserve in the amount of EUR 5.8 million.

See Note 19 for information concerning impairment of investments in subsidiaries and associates.

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

In 2011 the Bank recognised a loss in the amount of EUR 7 million as a result of impairment of assets classified as held for rental income under IAS 40 and assets held for sale under IFRS 5. The amount is included under 'Other operating result, other'.

For the net effect of creation/release of provision for legal cases see Note 28.

11. INCOME TAX EXPENSE

ths. EUR	2011	2010
Current tax expense	51 642	52 599
Deferred tax income (Note 23)	(4 555)	(14 789)
Total	**47 087**	**37 810**

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:

	2011 (ths. EUR)	%	2010 (ths. EUR)	%
Profit before tax	**242 286**		**180 274**	
Theoretical tax at income tax rate of 19%	**46 034**	**19,0**	**34 252**	**19,0**
Tax effect of expenses that are not deductible in determining taxable profit:				
- Allocation of provisions to capital participations	1 867	0,8	4 938	2,7
- Other	1 976	0,8	2 324	1,3
Total tax effect of expenses that are not deductible in determining taxable profit	**3 844**	**1,6**	**7 262**	**4,0**
Tax effect of revenues that are deductible in determining taxable profit:				
- Release of provisions to capital participations	(873)	(0,4)	(1 540)	(0,9)
- Income from dividends	(581)	(0,2)	(557)	(0,3)
- Other	(1 337)	(0,6)	(1 608)	(0,9)
Total tax effect of revenues that are deductible in determining taxable profit	**(2 791)**	**(1.2)**	**(3 704)**	**(2,1)**
Tax expense and effective tax rate for the year	**47 087**	**19,4**	**37 810**	**21,0**

12. CASH AND BALANCES AT THE CENTRAL BANK

ths. EUR	2011	2010
Cash balances	294 806	225 303
Minimum reserve deposit with NBS	4 377	110 049
Total	**299 183**	**335 352**

The minimum reserve deposit represents a mandatory deposit (bearing 1% interest as of 31 December 2011; 2010: 1%) calculated in accordance with regulations issued by the central bank (2% of certain Bank's liabilities) with restricted 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 151.3 million (2010: EUR 196.2 million).

13. LOANS AND ADVANCES TO FINANCIAL INSTITUTIONS

ths. EUR	2011	2010
Loans and advances on demand (nostro accounts)	7 203	4 397
Placements with financial institutions	605 967	1 249 016
Loans and advances to Financial institutions, gross	**613 170**	**1 253 413**
Provisions for impairment (Note 15)	-	-
Total	**613 170**	**1 253 413**

Repurchase agreements with Erste Group in the amount of EUR 210 million (2010: EUR 655.6 million) are collateralized by securities issued by financial institutions in the market value of EUR 263.5 million (2010: EUR 814 million). The nominal value was EUR 291 million and EUR 865 million in 2011 and 2010, respectively.

The recorded amounts represent the maximum exposure to credit risk.

14. LOANS AND ADVANCES TO CUSTOMERS

ths. EUR	2011	2010
Corporate clients	2 155 951	2 111 743
Syndicated loans	272 193	376 696
Overdrafts	407 729	379 758
Direct provided loans	1 476 029	1 355 289
Retail clients	4 351 700	3 902 494
Mortgage loans	3 247 355	2 846 515
Consumer loans	992 475	904 616
Social loans	10 050	14 018
Overdrafts	101 820	137 345
Public sector	225 709	67 066
Total	**6 733 360**	**6 081 303**
Provisions for impairment (Note 15)	(386 884)	(368 259)
Total	**6 346 476**	**5 713 044**

As at 31 December 2011, the 15 largest customers accounted for 9.8% of the gross loan portfolio in the amount of EUR 660.2 million (2010: 10.1%, EUR 614.1 million).

Mandate loans

As of 31 December 2011, the Bank cooperated with ten 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 144.6 million as of 31 December 2011 (2010: EUR 63.6 million).

Write off and sale of receivables

In 2011, the Bank sold a total of EUR 44.94 million of loan receivables (2010: EUR 43.3 million) for a consideration of EUR 10.8 million (2010: EUR 11.3 million), and used corresponding provisions of EUR 32.6 million (2010: EUR 31.5 million).

The Bank has also written off loans with a carrying amount of EUR 10.7 million, related provisions were created in the amount EUR 8.7 million (2010: written off loans in the amount of EUR 7 million, these loans were almost fully provided).

15. PROVISIONS FOR LOSSES ON LOANS AND ADVANCES

ths. EUR	2011 Loans and advances to financial institutions	Loans and advances to customers	Total
As at 1 January	-	368 259	368 259
Net allocation / (release) of provisions (excluding effect of unwind)	-	68 398	68 398
Use of provisions due to sale and write-off of receivables and other adjustments	-	(41 212)	(41 212)
Unwinding of discount on provisions	-	(8 561)	(8 561)
As at 31 December	**-**	**386 884**	**386 884**

ths. EUR	2010 Loans and advances to financial institutions	Loans and advances to customers	Total
As at 1 January	1 150	288 209	289 359
Net allocation / (release) of provisions (excluding effect of unwind)	(1 150)	120 888	119 738
Use of provisions due to sale and write-off of receivables and other adjustments	-	(36 342)	(36 342)
Unwinding of discount on provisions	-	(4 496)	(4 496)
As at 31 December	**-**	**368 259**	**368 259**

Use of provisions results mainly from write off and the sale of impaired receivables, see Note 14.

Unwinding represents the 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	2011	2010
Trading assets		
Debt securities and other fixed income securities - listed	-	19 880
Financial derivatives with positive fair value (Note 40 b)	63 491	52 179
Interest Rate Agreements	51 474	44 080
Exchange Rate Agreements	8 910	5 975
Other	3 107	2 124
	63 491	72 059
Assets classified at fair value at acquisition		
Credit investments	11	7 935
Debt securities and participation certificates	27 723	35 876
	27 734	43 811
Total	**91 225**	**115 870**

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 an 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 7.9 million as at 31 December 2010. As at 31 December 2010, these investments comprised credit linked notes with rating A. In 2011 as a result of credit events the credit linked note was transformed into a perpetual loan valued at fair value. This loan is presented within the line 'Loans and advances to financial institutions' (Note 13) in the amount of EUR 4.0 million. On transformation the bank recognized loss of EUR 3.8 million and this is included in 'Other operating result - Revaluation of securities at fair value' (Note 10).

Debt securities and participation certificates

ths. EUR	2011	2010
State institutions in Slovak Republic	6 314	6 599
Financial institutions in the Slovak Republic	7 697	10 299
Foreign state institutions	4 429	9 695
Foreign financial institutions	1 752	1 720
Other entities in the Slovak Republic	1 178	1 169
Other foreign entities	6 353	6 394
Total	**27 723**	**35 876**

17. SECURITIES AVAILABLE FOR SALE

ths. EUR	2011	2010
Debt securities and other fixed income securities – listed	962 340	881 660
Managed Funds	12 131	16 337
Debt and other fixed income securities	974 471	897 997
Equity securities – shares	7 088	6 257
Listed	6 407	3 826
Unlisted	681	2 431
Net amount	**981 559**	**904 254**

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 is represented by the carrying amounts.

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

ths. EUR	2011	2010
State institutions in the Slovak Republic	763 347	658 065
Financial institutions in the Slovak Republic	86 723	43 265
Foreign state institutions	47 696	50 583
Foreign financial institutions	55 538	119 325
Other entities in the Slovak Republic	21 167	26 759
Total	**974 471**	**897 997**

Fair value hedge

The Bank has in its portfolio as at 31 December 2011 fixed rate EUR denominated bonds with face value of EUR 91 million (2010: EUR 91 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 40.

During the period, hedges were effective in hedging the fair value exposure to interest rate movements. For the year ended 31 December 2011, the Bank recognised a net loss of EUR 8.98 million (2010: loss of EUR 2.2 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 8.74 million (2010: gain of EUR 2.48 million).

18. SECURITIES HELD TO MATURITY

ths. EUR	2011	2010
Debt securities and other fixed income securities		
– listed	2 560 304	2 285 263
Total	**2 560 304**	**2 285 263**

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	2011	2010
State institutions in the Slovak Republic	2 379 998	2 099 259
Financial institutions in the Slovak Republic	2 064	27 122
Foreign state institutions	73 068	57 572
Foreign financial institutions	53 214	48 562
Other entities in the Slovak Republic	23 596	23 589
Other foreign entities	28 364	29 159
Total	**2 560 304**	**2 285 263**

19. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

ths. EUR	2011	2010
Investment in subsidiaries	11 251	11 251
Investment in associates	1 097	3 896
Total	**12 348**	**15 147**

During 2011, the Bank received dividends from participations in the amount of EUR 3.1 million (2010: EUR 3.1 million) see Note 5.

The Bank tests its investment in subsidiaries and associates for possible impairment. As a result of this testing the Bank recognized impairment loss provisions in the 'Other operating result' (Note 10) of the Income statement as follows:

	Cost ths. EUR		Impairment ths. EUR		Net book value ths. EUR	
Company	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Realitná spoločnosť Slovenskej sporiteľne, a.s.	13 679	13 679	(13 679)	(13 679)	-	-
Leasing Slovenskej sporiteľne, a.s.	36 967	36 967	(36 967)	(36 967)	-	-
Factoring Slovenskej sporiteľne, a.s.	8 260	8 260	(8 260)	(8 260)	-	-
Derop B.V.	11 244	11 244	-	-	11 244	11 244
Informations-Technologie Austria – SK, s. r. o.	3	3	-	-	3	3
Procurement Services SK, s.r.o.	3	3	-	-	3	3
Subsidiaries	**70 156**	**59 892**	**(58 906)**	**(44 218)**	**11 250**	**15 674**
Prvá stavebná sporiteľňa, a.s.	1 093	1 093	-	-	1 093	1 093
Slovak Banking Credit Bureau, s.r.o.	3	3	-	-	3	3
Erste Corporate Finance, a.s.	-	390	-	-	-	390
s IT Solutions SK, spol. s r.o.	2 409	2 409	(2 409)	-	-	2 409
Czech and Slovak Property Fund B.V.	19 045	18 414	(19 045)	(18 414)	-	-
Associates	**22 550**	**22 309**	**(21 454)**	**(18 414)**	**1 096**	**3 895**
Total	**92 706**	**92 465**	**(80 360)**	**(77 320)**	**12 346**	**15 145**

	Impairment provision on subsidiaries		Impairment provisions on Associates		TOTAL	
ths. EUR	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
As at 1 January	58 906	44 218	18 414	18 710	77 320	62 928
Allocation	-	14 688	3 040	668	3 040	15 356
Release	-	-	-		-	-
Use/Realized (gains)-losses	-	-	-	(964)	-	(964)
As at 31 December	**58 906**	**58 906**	**21 454**	**18 414**	**80 360**	**77 320**

(a) Investment in subsidiaries

Name of the company	Registered office	Principal activity	Bank interest (%) 2011	Bank voting rights (%) 2011
Leasing Slovenskej sporiteľne, a.s.	Tomášikova 48 832 69 Bratislava Slovak Republic	Real estate agency	100.00	100.00
Factoring Slovenskej sporiteľne, a.s.	Tomášikova 48 832 67 Bratislava Slovak Republic	Financial and operational leasing	96.66	96.66
Derop B.V.	Naritaweg 165 1043 BW Amsterdam The Netherlands	Factoring	100.00	100.00
Informations-Technologie Austria – SK, s. r. o.	Tomášikova 48 831 04 Bratislava Slovak Republic	Incorporation, management and financing of companies	85.00	85.00
Procurement Services SK, s.r.o..	Tomášikova 48 832 75 Bratislava Slovak Republic	IT services and IT systems maintenance	51.00	51.00

2011

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	-	5 338	1 546	1 095	746
Leasing Slovenskej sporiteľne, a.s.	96.66	96.66	-	49 927	5 487	6 912	6 433
Factoring Slovenskej sporiteľne, a.s.	100.00	100.00	-	18 387	366	2 945	3 768
Derop B.V.	85.00	85.00	11 245	10 454	10 442	0	19
Informations-Technologie Austria SK, s.r.o.	51.00	51.00	3	3 391	390	11 544	11 305
Procurement Services SK, s.r.o.	51.00	51.00	3	372	66	1 029	980
Total			**11 251**				

2010

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	-	8 974	1 198	6 472	12 859
Leasing Slovenskej sporiteľne, a.s.	96.66	96.66	-	88 237	4 949	13 869	12 106
Factoring Slovenskej sporiteľne, a.s.	100.00	100.00	-	30 513	1 189	3 398	7 515
Derop B.V.	85.00	85.00	11 245	10 468	10 461	-	26
Informations-Technologie Austria SK, s.r.o.	51.00	51.00	3	1 362	210	7 793	7 523
Procurement Services SK, s.r.o.	51.00	51.00	3	285	29	267	275
Total			**11 251**				

Throughout the years 2007 to 2010 the Bank provided support to the subsidiaries that were affected by the financial downturn. Capital injections were provided to Leasing Slovenskej sporiteľne, a.s., Factoring Slovenskej sporiteľne, a.s. and Realitná spoločnosť Slovenskej sporiteľne, a.s. and were immediately impaired and presented in 'Other operating result' (See note 10 and tables above). In 2010 additional equity was provided to Realitná spoločnosť and Factoring in the amount of EUR 6 million and EUR 4.3 million respectively.

(b) Investment in associates

Name of the company	Registered office	Principal activity	Bank interest (%) 2011	Bank voting rights (%) 2011
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
s IT Solutions SK, spol. s r. o.	Tomášikova 48 831 04 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

2011

ths. EUR	Interest held (%)	Voting power held (%)	Net book value	Total assets	Total equity	Total Income	Total expense
Prvá stavebná sporiteľňa, a.s.	9.98	35.00	1 093	2 224 052	251 037	147 792	100 212
Slovak Banking Credit Bureau, s.r.o.	33.33	33.33	3	666	132	1 361	1 330
s IT Solutions SK, spol. s r.o.	23.50	23.50	-	12 138	528	74 090	73 765
Czech and Slovak Property Fund B.V.	10.00	10.00	-	286 063	(15 753)	30 539	43 547
Total			**1 097**				

2010

ths. EUR	Interest held (%)	Voting power held (%)	Net book value	Total assets	Total equity	Total Income	Total expense
Prvá stavebná sporiteľňa, a.s.	9.98	35.00	1 093	2 070 081	254 554	132 045	93 363
Slovak Banking Credit Bureau, s.r.o.	33.33	33.33	3	117	114	888	861
Erste Corporate Finance, a.s.	25.00	25.00	390	2 506	2 147	1 524	1 955
s IT Solutions SK, spol. s r.o.	23.50	23.50	2 409	55 908	47 983	8 297	11 634
Czech and Slovak Property Fund B.V.	10.00	10.00	-	315 211	(3 984)	37 108	42 820
Total			**3 896**				

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 2011 and 31 December 2010. 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, the Bank established significant influence over PSS from 2004. The investment in PSS is therefore presented as an associate, with the dividend income from this investment reported under 'Income / (Loss) from investment in subsidiaries and associates' (Note 5).

20. INTANGIBLE ASSETS

ths. EUR	Software	Other intangible assets	Total
Cost			
1 January 2011	**232 348**	**2 875**	**235 223**
Additions	70 378	-	70 378
Disposals	(37)	(336)	(373)
Transfers	-	-	-
31 December 2011	**302 689**	**2 539**	**305 228**
Accumulated amortisation and impairment			
1 January 2011	**(169 846)**	**(2 301)**	**(172 148)**
Amortisation	(17 246)	(223)	(17 469)
Disposals	37	336	373
Provision for impairment	-	-	-
31 December 2011	**(187 055)**	**(2 188)**	**(189 244)**
Net book value			
31 December 2010	**62 502**	**574**	**63 075**
31 December 2011	**115 634**	**351**	**115 984**

In 2011 the Bank put in use new core banking system in the total amount of EUR 106.3 million. Included in this amount are borrowing costs capitalized under IAS 23 in the amount of EUR 5.8 million (amount capitalized until 31.12.2010: 4.8 million). The asset was put in use in August 2011 and the depreciation costs were affected accordingly.

Assets not yet put in service as of 31 December 2011 amounted to EUR 6.4 million. In 2010 the assets not yet put in service in the amount of EUR 40.2 million related to the development project of the bank system.

The original cost of fully amortised intangible assets that are still in use by the Bank amounts to EUR 161.5 million (2010: EUR 128.2 million).

ths. EUR	Software	Other intangible assets	Total
Cost			
1 January 2010	**222 506**	**8 277**	**230 783**
Additions	9 900	196	10 096
Disposals	(58)	(5 598)	(5 656)
Transfers	-	-	-
31 December 2010	**232 348**	**2 875**	**235 223**
Accumulated amortisation and impairment			
1 January 2010	**(143 733)**	**(7 620)**	**(151 353)**
Amortisation	(24 932)	(279)	(25 211)
Disposals	58	5 598	5 655
Provision for impairment	(1 239)	-	(1 239)
31 December 2010	**(169 846)**	**(2 301)**	**(172 148)**
Net book value			
31 December 2009	**78 773**	**657**	**79 430**
31 December 2010	**62 502**	**574**	**63 075**

21. PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY

ths. EUR	Land and buildings	Equipment fixtures and fittings	Total property and equipment	Investment property
Cost				
1 January 2011	**136 576**	**149 819**	**286 395**	**6 734**
Additions	13 878	4 719	18 597	-
Disposals	(617)	(32 167)	(32 784)	-
Transfers	64 204	(22)	64 182	(446)
31 December 2011	**214 041**	**122 349**	**336 390**	**6 288**
Accumulated depreciation and impairment				
1 January 2011	**(42 113)**	**(127 562)**	**(169 675)**	**(3 279)**
Depreciation	(6 685)	(9 003)	(15 688)	(206)
Disposals	159	32 090	32 249	-
Provisions for impairment	(6 970)	-	(6 970)	105
Transfers	(25 992)	22	(25 970)	147
31 December 2011	**(81 601)**	**(104 453)**	**(186 054)**	**(3 232)**
Net book value				
31 December 2010	**94 463**	**22 257**	**116 720**	**3 455**
31 December 2011	**132 440**	**17 896**	**150 336**	**3 056**

The original cost of property and equipment that is fully depreciated but still in use by the Bank as of 31 December 2011 amounts to EUR 82 million (2010: EUR 103.6 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 recorded total of EUR 105 thousand of impairment provisions into 'Other operating result' as of 31 December 2011 (2010: release of EUR 221 thousand). Provisions for impairment amount to EUR 434 thousand as of 31 December 2011 (2010: EUR 539 thousand).

Transfers also represent reclassification to/from the category Non-Current assets held for sale.

ths. EUR	Land and buildings	Equipment fixtures and fittings	Total property and equipment	Investment property
Cost				
1 January 2010	**149 508**	**173 219**	**322 727**	**6 697**
Additions	5 605	7 062	12 671	-
Disposals	(1 180)	(30 461)	(31 641)	-
Transfers	(17 362)	-	(17 362)	37
31 December 2010	**136 575**	**148 820**	**286 395**	**6 734**
Accumulated depreciation and impairment				
1 January 2010	**(44 998)**	**(148 303)**	**(193 301)**	**(2 738)**
Depreciation	(6 426)	(9 584)	(16 010)	(206)
Disposals	438	30 325	30 763	-
Provisions for impairment	(349)	-	(349)	(221)
Transfers	9 222	-	9 222	(114)
31 December 2010	**(42 113)**	**(127 562)**	**(169 675)**	**(3 279)**
Net book value				
31 December 2009	**104 510**	**24 916**	**129 426**	**3 959**
31 December 2010	**94 463**	**22 257**	**116 720**	**3 455**

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	2011 ths. EUR	2010 ths. EUR
Payable in period:		
- Less than 1 year	257	3 645
- From 1 year to 5 years	934	8 485
- Over 5 years	289	299
Operating leasing payments recognised as expense in the period	3 540	4 568

According to a purchase agreement between Leasing Slovenskej sporiteľne, a.s. and the Bank on 1 January 2012 the technology and motor vehicles rented under operating lease were transferred to the Bank in the amount of EUR 5.5 million.

Investment property

The Bank owns buildings rented to other parties with a total net book value of EUR 3.1 million (net of impairment, EUR 434 thousand) as at 31 December 2011 (2010: EUR 3.5 million net of impairment of EUR 539 thousand).Total rental income earned by the Bank amounted to EUR 379 thousand (2010: EUR 475 thousand) and is presented as 'Interest income'. The depreciation of assets held for rental income is presented under 'Interest income' and amounted to EUR 206 thousand (2010: EUR 206 thousand).

The estimated fair value of investment property as at 31 December 2011 was EUR 2.2 million (2010: EUR 4.1 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.

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	2011	2010
As at 1 January	**37 913**	**31 020**
Additions:		
Acquisitions	-	3
Reclassification from Property and Equipment	-	8 212
Total additions	**-**	**8 215**
Disposals:		
Sales	-	(179)
Reclassification to Property and Equipment	(37 913)	-
Provision for impairment	-	(1 143)
Total disposals	**(37 913)**	**(1 322)**
As at 31 December	**-**	**37 913**

During the year 2011 the Bank reassessed its classification of non-current assets as held for sale. Due to current market conditions, even though the Bank was committed to, it was not able to complete sale of these assets within the 12 month period after classification. The Bank believes the market conditions will improve and will actively continue searching for a buyer but has not further reduced the price of the assets. As a result of this the assets are not available for immediate sale as defined by the standard. The assets were therefore reclassified as held for use and presented under 'Property, Equipment and Investment Property' (Note 21).

At the date of transfer the assets were measured at the lower of carrying amount before classification as held for sale adjusted for any depreciation or amortisation that would have been recognised had the asset not been classified as held for sale and the recoverable amount. No further value reduction was necessary as a result of this test.

The Bank recognised an impairment loss of EUR 7.0 million (2010: EUR 1.1 million) relating to these assets. The Bank has used judgments in the valuation of particular components of fixed assets to reflect recoverable amount.

23. INCOME TAX ASSETS AND LIABILITIES

The structure of the tax position as at 31 December 2011 and 31 December 2010 was as follows:

ths. EUR	2011	2010
Deferred income tax asset	82 605	70 934
Current income tax asset	-	-
Total income tax assets	**82 605**	**70 934**
Current income tax liability	665	11 363
Total income tax liabilities	**665**	**11 363**

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 investments	Other	Total
31 December 2009	**253**	**(58)**	**53 051**	**597**	**541**	**(4 364)**	**1 413**	**869**	**3 219**	**55 520**
Charge/(credit) to equity for the year	1 255	-	-	-	-	-	-	-	-	1 255
Charge/(credit) to Income Statement for the year	-	-	14 187	(302)	(541)	(91)	775	(5)	739	14 762
Transferred from equity to Income Statement	(645)	42	-	-	-	-	-	-	-	(603)
31 December 2010	**863**	**(16)**	**67 238**	**295**	**-**	**(4 455)**	**2 188**	**864**	**3 958**	**70 934**
Charge/(credit) to equity for the year	6 381	-	-	-	-	-	-	-	-	6 381
Charge/(credit) to Income Statement for the year	-	-	4 292	(63)		743	(42)		(376)	4 554
Transferred from equity to Income Statement	720	16	-	-	-	-	-	-	-	736
31 December 2011	**7 964**	**-**	**71 530**	**232**	**-**	**(3 712)**	**2 146**	**864**	**3 582**	**82 605**

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.

24. OTHER ASSETS

ths. EUR	2011	2010
Customers, advances, reinvoiced amounts and prepayments	15 092	9 304
Payment cards and cheques	1 353	2 412
Fair value of hedging instruments and revaluation of hedged items	22 473	11 605
Material and inventories	352	1 146
Other	4 176	5 127
Total	**43 446**	**29 594**

25. AMOUNTS OWED TO FINANCIAL INSTITUTIONS

ths. EUR	2011	2010
Amounts owed on demand	3 514	1 812
Repo trades with debt securities (Note 40c)	944 658	808 232
Term deposits and clearing	479 253	316 116
Total	**1 427 425**	**1 126 160**

26. AMOUNTS OWED TO CUSTOMERS

ths. EUR	2011	2010
Amounts owed on demand	3 143 937	3 195 777
Savings deposits	553 421	537 442
Term deposits	4 350 626	4 435 836
Total	**8 047 984**	**8 169 055**

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	2011	2010
Savings deposits	553 421	537 442
Term deposits and amounts owed on demand:		
Corporate clients	1 652 797	1 496 945
Retail clients	5 676 962	5 600 014
Public sector	18 246	405 747
Other	146 558	128 907
Total	**8 047 984**	**8 169 055**

As at 31 December 2011 and 31 December 2010, no amounts owed to clients were collateralised by securities.

As at 31 December 2011, amounts owed to customers include special guaranteed deposits in the amount of EUR 127 million (2010: EUR 142 million). These contracts include embedded currency, commodity and equity derivatives in the amount of EUR 0.5 million (2010: EUR 5.9 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	2011	2010
Bonds in issue	361 959	367 996
Bonds in issue - Guaranteed deposit	4 758	12 937
Total	**366 717**	**380 933**

Bonds in issue are presented in the following table:

	Date of issue	Maturity date	Actual interest rate	Nominal value 2011 ths. EUR	Nominal value 2010 ths. EUR
Mortgage bonds	March 2006	March 2016	6M BRIBOR+0.09%	16 597	16 597
Other bonds	June 2007	June 2010	6M BRIBOR+0.04%	-	-
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%	664	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 2011	6M BRIBOR+0.20%	-	14 273
Mortgage bonds	October 2008	April 2011	6M BRIBOR+0.40%	-	8 166
Mortgage bonds	February 2009	February 2011	2.70%	-	3 640
Other bonds	March 2009	March 2011	3MEURIBOR+0.80%	-	2 000
Other bonds	April 2009	April 2011	2.70%	-	9 755
Other bonds	May 2009	May 2013	3M EURIBOR	4 450	4 900
Other bonds	May 2009	May 2632	3.25%	14 456	14 632
Mortgage bonds	July 2009	January 2013	3.50%	9 722	9 781
Mortgage bonds	August 2009	August 2011	3M EURIBOR+1.15%	-	10 000
Mortgage bonds	August 2009	August 2013	3.60%	9 596	9 740
Mortgage bonds	August 2009	August 2013	3.60%	9 672	9 741
Mortgage bonds	October 2009	October 2013	3.30%	12 029	12 099
Mortgage bonds	November 2009	November 2011	3M EURIBOR+0.64%	-	25 000
Mortgage bonds	December 2009	December 2013	3.50%	14 726	14 867
Mortgage bonds	December 2009	December 2013	3.50%	4 886	5 000
Mortgage bonds	January 2010	January 2014	3.50%	5 885	5 994
Mortgage bonds	February 2010	February 2015	3.62%	2 095	2 095
Mortgage bonds	March 2010	March 2014	3.30%	10 553	10 697
Mortgage bonds	March 2010	March 2015	6M EURIBOR+0.95%	20 000	20 000
Mortgage bonds	April 2010	April 2015	3.50%	9 603	9 759
Mortgage bonds	May 2010	May 2014	2.80%	7 582	7 749
Mortgage bonds	July 2010	July 2015	3.10%	15 000	15 000
Mortgage bonds	July 2010	July 2015	6M EURIBOR+1.00%	9 950	10 000
Mortgage bonds	August 2010	August 2015	3.09%	17 000	17 000
Mortgage bonds	September 2010	September 2014	2.80%	9 720	9 975
Mortgage bonds	October 2010	October 2014	2.35%	9 871	9 960
Mortgage bonds	November 2010	November 2015	2.65%	9 897	9 998
Other bonds	December 2010	December 2015	2.00%	2 865	2 905
Mortgage bonds	March 2011	September 2014	3.00%	8 208	-
Mortgage bonds	February 2011	August 2015	2.95%	9 916	-
Mortgage bonds	March 2011	September 2014	3.00%	14 536	-
Mortgage bonds	February 2011	August 2017	3.55%	2 550	-
Mortgage bonds	March 2011	March 2016	3.10%	14 893	-
Other bonds	March 2011	March 2017	3.65%	2 750	-
Mortgage bonds	June 2011	June 2015	3.20%	7 696	-
Mortgage bonds	July 2011	July 2016	3.20%	2 494	-
Mortgage bonds	August 2011	February 2016	3.20%	5 404	-
Mortgage bonds	December 2011	December 2016	3.50%	6 354	-
Total nominal value				**358 381**	**398 599**
Accrued interest				3 578	3 273
Total				**361 959**	**367 996**

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

As at 31 December 2011, debt securities in issue include embedded shares indexes derivatives and shares in the amount of EUR 80 thousand (2010: EUR 363 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 with a 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 40.

During the period, the hedge was effective in the hedging of fair value exposure to interest rate movements. For the year ended 31 December 2011, the Bank recognised a net gain of EUR 2.1 million (2010: gain of EUR 726 thousand), representing the gain on the hedging instruments. The total loss on hedged items attributable to hedged risk amounted to EUR 2.1 million (2010: loss of EUR 774 thousand).

28. PROVISIONS

ths. EUR	2010	Additions	Use	Reversals	2011
Provision for off-balance sheet items	11 010	2 796	-	(2 807)	10 999
Interest bearing deposit products	299	-	-	(1)	298
Legal cases	8 466	2 175	(40)	(242)	10 359
Employee benefit provisions	3 284	401	(206)	(414)	3 065
Other provisions	-	-	-	-	-
Total	**23 059**	**5 372**	**(246)**	**(3 464)**	**24 721**

(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) Provision for legal cases

The Bank conducted a review of legal proceedings outstanding against it as at 31 December 2011. 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 1 million for existing cases and 1.2 million for a new case. The Bank settled certain cases and used the related provision of EUR 40 thousand.

The net creation of provisions for legal cases of EUR 1.9 million is reported under 'Other operating result' in the Income Statement (2010: net release of EUR 0.3 million).

(c) 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 2011 there were 3 967 employees at the Bank covered by this program (2010: 3 816 employees).

During the year ending 31 December 2011, the actuarial calculation based on the projected unit credit method was performed resulting in the final employee benefit obligation in the amount of EUR 3 065 thousand (2010: EUR 3 284 thousand).

The amounts recognised in the balance sheet and Income Statement as at 31 December 2011 are as follows:

ths. EUR	Pension provisions	Jubilee provisions	Total long-term provisions
Long-term employee provisions at 31 December 2009	**1 433**	**1 324**	**2 757**
New commitments from acquisitions of companies			
Service costs	91	949	1 040
Interest costs	60	57	117
Payments	(28)	(167)	(195)
Actuarial (gains)	(273)	(162)	(435)
Long-term employee provisions at 31 December 2010	**1 283**	**2 001**	**3 284**
New commitments from acquisitions of companies			
Service costs	85	215	300
Interest costs	39	63	102
Payments	(58)	(149)	(207)
Actuarial (gains)	(29)	(385)	(414)
Long-term employee provisions at 31 December 2011	**1 320**	**1 745**	**3 065**

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.

	2011	2010
Real annual discount rate	3.37%	3.13%
Annual future real rate of salary increases	0.00%	0.00%
Annual employee turnover	0.00%-46.67%	0.00%-13.08%
Retirement age	62 years	62 years

29. OTHER LIABILITIES

ths. EUR	2011	2010
Other short-term payables to customers related to money transfer	47 311	22 881
Employees, HR reserves, Social fund	22 698	23 885
Suppliers (including accruals)	12 129	13 808
Other payables (customers clearing)	10 098	11 237
Securities settlement	6 966	4 339
State budget, SHI, taxes	4 740	4 353
Other	1 387	2 158
Fair value of hedging instruments and revaluation of hedged items	21 975	11 040
Total	**127 304**	**93 701**

Summary of the social fund liability included in Other liabilities – Employees, HR reserves, Social fund is as follows:

ths. EUR	2011	2010
As at 1 January	1 172	367
Additions	900	2 718
Drawings	(1 705)	(1 913)
As at 31 December	**367**	**1 172**

30. SUBORDINATED DEBT

	Date of issue/ drawdown	Maturity date	Interest rate	2011	2010
Other bonds	June 2010	June 2015	3.80%	5 000	4 521
Other bonds*	August 2010	August 2020	4.30%	9 571	10 000
Other bonds*	June 2011	June 2018	4.90%	6 749	-
Other bonds	June 2011	June 2018	4.90%	6 600	-
Other bonds*	August 2011	August 2021	4.30%	9 129	-
Other bonds*	October 2011	October 2018	4.70%	5 430	-
Other bonds*	November 2011	November 2023	4.43%	3 913	-
Other bonds*	December 2011	December 2018	4.82%	3 849	-
Total				**50 241**	**14 521**
Subordinated loan	February 2007	December 2016	3M/6M Euribor	100 000	100 000
Subordinated loan	August 2008	August 2013	3M Euribor	80 000	80 000
Total				**180 000**	**180 000**
Accrued interest	8 466	2 175	(40)	1 341	584
Total	**8 466**	**2 175**	**(40)**	**231 582**	**195 105**

Note: Interest rate represents actual interest expense as recorded by the bank.

* The bonds include embedded derivatives which were separated and disclosed under "Financial liabilities at fair value through profit or loss". Fair value of the derivatives as of December 31, 2011 was EUR 1.31 million (2010: value was close to zero).

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	2011 ths. EUR	Number of shares	2010 ths. EUR
EUR 1.000 each	212 000	212 000	212 000	212 000
Total		**212 000**		**212 000**

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	**2011***	**2010**
Profit of the year	195 199	142 464
Transfer to retained earnings	195 199	87 664
Dividends paid to shareholder from profit for the year	77 000	54 800
Number of shares EUR 1 000 each	212 000	212 000
Amount of dividends per EUR 1 000 share (EUR)	**363**	**258**

* 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 2011 included only the Statutory fund amounting to EUR 39.3 million (2010: 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 the 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	2011	2010
Net profit applicable to ordinary shares	195 199	142 464
Number of shares EUR 1 000 each	212 000	212 000
Basic and diluted profit per EUR 1 000 share (EUR)	**921**	**672**

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	2011	2010
Cash on hand (Note 12)	294 806	225 303
Accounts with other financial institutions repayable on demand (Note 13)	7 203	4 397
Total cash and cash equivalents	**302 009**	**229 700**

Operational cash flows from interests	2011	2010
Interest paid	(84 778)	(56 878)
Interest received	454 592	446 368

34. FINANCIAL RISK MANAGEMENT

The bank's primary risk management objective is to achieve a position where it will be able to identify all significant risks it faces, assess their potential impact and have policies in place to manage them effectively.

The most important categories of risk, that the bank faces, include:

- **Credit risk is the risk of loss arising from default by a creditor or counterparty.**
- **Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events; it includes legal risk, but does not include strategic and reputation 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.**
- **Liquidity risk is defined as the inability to meet bank's cash obligations as they come due because of an inability to liquidate assets or obtain adequate funding.**
- **Concentration risk is the risk of losses due to potential adverse consequences which may arise from concentrations in risk factors or risk types, such as the risk arising from loans to the same client, to a group of connected clients, to clients from the same geographic region or industry, etc. Concentration risk may be both intra-risk and inter-risk, and is not limited to credit risk only.**
- **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 risk is the risk of breaching regulatory rules and related litigation risk (with regulators 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 the bank's performance and behaviour.**
- **Strategic and business risks are 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.**
- **Macroeconomic risk is the risk of losses due to adverse changes in the overall macroeconomic environment.**

The ultimate risk management body is the Board of Directors. It delegates some of its authority for particular risk management areas to respective committees (ALCO, ORCO and CRC). Currently, the Chairman of the Board of Directors and CEO also serves as Chief Risk Officer (CRO).

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

As for corporate credit risk, the ultimate decision making body is the Credit Committee (CRC) which consists of the members of the Board.

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. Chief Risk Officer is a member of all three committees.

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 Treasury, BSM and Strategic Risk Management units.

Risk Appetite and Stress Testing Committee (RAST) consists of senior managers of BSM, Accounting & Controlling, and SRM. It serves as an advisory body which defines the overall risk appetite of the bank and handles all issues related to comprehensive stress testing.

Risk Advisory Committee (RAC) is composed of senior risk managers and specialists from risk management areas. It analyzes overall credit risk development on a monthly basis and proposes measures and follow-ups to be taken.

Watch List Committee (WLC) analyzes actual and expected credit risk development of non-retail watch list clients (closely monitored clients are typically assigned to worse rating grades). It proposes actions to be taken, including decrease of client's exposure, increase of collateral, rescheduling, etc. The members of WLC are senior managers, responsible risk managers from Corporate Credit Risk Management, Restructuring & Workout and representatives of business lines.

Structure of risk management organization consists of five crucial units:

- **Strategic Risk Management (SRM) – is responsible for integrated risk management (ICAAP), operational risk, liquidity risk, market risk (overall as well as particular trading and banking books), and credit risk control, provisioning, and credit risk statistical and rating models.**
- **Corporate Credit Risk Management Division - carries out all activities concerning operative credit risk of corporate clients.**
- **Retail Credit Risk Management Division – is responsible for management of credit risk for retail lending, specifically credit policy, organization of lending process, early collection process and portfolio management of the retail segment.**
- **Restructuring & Workout – responsible for effective debt recovery and write-off management. It is also responsible for monitoring, restructuring of receivables overdue, and for specific provisions and collateral management.**
- **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 risk management function is completely independent from commercial business lines. Overall, risk management has the following roles:

- **setting strategies and policies for risk management**
- **building a risk-aware culture within the bank**
- **designing and reviewing processes of risk management**
- **risk identification, calculation, measurement, and control**
- **risk reporting**
- **setting of risk premium and risk price**
- **implementation, calibrating and periodical reviewing of models for risk measurement**
- **risk management action, including risk acceptance, elimination, mitigation, limits, etc.**

35. CREDIT RISK

Credit risk is the risk that a loss will be incurred if the bank's counterparty to a transaction does not fulfill its financial obligations in a timely manner. More precisely, credit risk is the risk of financial loss arising out of entering into a particular contract or portfolio investment.

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

The bank, as the first bank in Slovakia, reports capital adequacy using the "internal-ratings based" (IRB) approach to credit risk since July 2008. The approval by the 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.

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.

Strategic Risk Management ('SRM'), more specifically its Credit Risk Control department, is the independent risk control unit in line with Basel Capital Accord. 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, 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 calculation of risk-weighted assets according to Basel II and the model for economic capital.

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 of the credit portfolio of corporate clients. It regularly reviews assigned ratings and counterparty financial situation. It also designs, sets and monitors limits and maintains deal and limit documentation for corporate clients.

The Retail Credit Risk Management Division formulates the credit policy and internal provisions on credit approval process for retail clients and designs and oversees processes in retail lending activity. 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, and performs early collection.

Restructuring & Workout is responsible for strategy and effective debt recovery (work-out and late collection) and write-off management. It is also responsible for monitoring, restructuring of overdue receivables, and for specific provisions and collateral management.

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	2011	2010
Gross amount	**7 704 223**	**7 129 362**
On-balance sheet total (Note 14)	6 733 360	6 081 303
Off-balance sheet total (Note 40.a)	970 863	1 048 059
Gross amount	**7 704 223**	**7 129 362**
Retail	4 869 136	4 400 737
Corporate and other classes	2 835 087	2 728 625
Provision for impairment	**(397 883)**	**(379 269)**
Retail	(250 169)	(253 112)
Corporate and other classes	(147 714)	(126 158)
Net amount	**7 306 340**	**6 750 093**
Retail	4 618 967	4 147 625
Corporate and other classes	2 687 373	2 602 468

Note: Retail loans include small loans to entrepreneurs.

Provisions for impairment are structured as follows:

ths. EUR	2011	2010
Provisions for losses on loans and advances (Note 15)	386 884	368 259
Provisions for off-balance sheet items (Note 28)	10 999	11 010
Total provision for impairment	**397 883**	**379 269**

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	2011	2010
Total exposure		
Investment grade (1-5)	4 182 798	3 722 042
Subinvestment grade (6)	259 737	222 593
Subinvestment grade (7)	41 115	48 453
Subinvestment grade (8)	141 764	136 863
Non-performing loans (NPL)	243 721	270 785
Gross amount	**4 869 136**	**4 400 737**
Provisions for impairment	(250 169)	(253 112)
Net amount	**4 618 967**	**4 147 625**
Ageing of loans rated 1 – 8 is as follows:		
0 days	4 379 748	3 953 368
1 – 30 days	190 368	134 330
31 – 60 days	33 442	25 807
61 – 90 days	21 683	16 017
90 days+ *	173	429

* 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	2011	2010
Total exposure		
Investment grade (1-5)	2 214 743	1 995 687
Subinvestment grade (6)	188 666	272 964
Subinvestment grade (7)	89 819	106 711
Subinvestment grade (8)	102 510	188 644
Rating R: Defaulted	239 348	164 620
Gross amount	**2 835 087**	**2 728 625**
Provision for impairment	(147 714)	(126 158)
Net amount	**2 687 373**	**2 602 468**
Individually impaired		
Gross amount	**239 348**	**164 620**
Provision for impairment	(110 634)	(80 275)
Net amount	**128 714**	**84 344**
Past due (excluding individually impaired)		
Investment grade (1-5)	22 210	1 063
Subinvestment grade (6)	5 292	10 980
Subinvestment grade (7)	14 905	1 558
Subinvestment grade (8)	2 935	10 326
Gross amount	**45 342**	**23 927**
Provision for impairment	(1 839)	(1 313)
Net amount	**43 503**	**22 614**
Past due (excluding individually impaired)		
1-30 days	30 845	8 292
31-60 days	13 606	12 831
61-90 days	887	2 803
90 days+ *	4	-
Neither past due nor individually impaired		
Investment grade (1-5)	2 192 533	1 994 624
Subinvestment grade (6)	183 374	261 984
Subinvestment grade (7)	74 914	105 154
Subinvestment grade (8)	99 576	178 317
Gross amount	**2 550 397**	**2 540 079**
Provision for impairment	(35 241)	(44 570)
Net amount	**2 515 156**	**2 495 509**

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 the Bank's internal rating are not considered to be individually impaired.
* Overdue amount is non material, i.e. less than EUR 250 per client.

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 default.

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).

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	2011	2010
Real estates	6 136 714	5 746 770
Securities	388 711	148 443
Bank guaranties	220 902	240 033
Other	266 013	271 369
Total	**7 012 340**	**6 406 615**

Renegotiated loans

The carrying amount of financial assets that would otherwise be past due or impaired and whose terms have been renegotiated during 2011 and 2010:

	Number of clients		ths. EUR	
	2011	2010	2011	2010
Renegotiated loans	24	28	54 100	67 077

Concentration risk

A summary of concentrations of financial assets (including derivatives), loan commitments and guarantees as of 31 December 2011 and 2010 based on the debtors' industry are presented below:

31 December 2011 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	4 553 826	4 345 186	-	-	1 112	1 112
Public administration defence	199 356	198 955	-	-	3 274 852	3 274 852
Financial and insurance activities	98 445	98 092	613 170	613 170	269 166	263 689
Real estate activities	791 226	761 126	-	-	-	-
Manufacturing	689 319	653 273	-	-	24 926	24 926
Wholesale and retail trade	413 933	370 667	-	-	-	-
Construction	207 193	190 144	-	-	593	593
Transportation and storage	157 136	149 800	-	-	54 245	54 245
Electricity, gas, steam and air conditioning supply	296 653	293 220	-	-	-	-
Accommodation and food service activities	112 477	74 240	-	-	-	-
Agriculture forestry and fishing	45 201	41 289	-	-	-	-
Professional, scientific and technical activities	51 461	48 050	-	-	-	-
Human health and social work activities	35 275	34 777	-	-	-	-
Administrative and support service activities	18 107	16 439	-	-	-	-
Other	19	18	-	-	13 671	13 671
Arts, entertainment and recreation	11 473	10 699	-	-	-	-
Information and communication	6 605	5 600	-	-	-	-
Other service activities	8 603	7 589	-	-	-	-
Water supply, sewerage, waste management	3 728	3 272	-	-	-	-
Education	1 724	1 484	-	-	-	-
Mining and quarrying	2 464	2 421	-	-	-	-
Total	**7 704 223**	**7 306 340**	**613 170**	**613 170**	**3 638 565**	**3 633 088**

31 December 2010 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	4 080 494	3 871 762	-	-	417	417
Public administration defence	103 666	103 659	-	-	2 901 654	2 901 654
Financial and insurance activities	83 111	82 807	1 253 413	1 253 413	311 007	303 164
Real estate activities	828 735	806 121	-	-	-	-
Manufacturing	681 970	645 722	-	-	29 482	29 482
Wholesale and retail trade	404 918	362 570	-	-	-	-
Construction	268 658	250 395	-	-	582	582
Transportation and storage	169 103	161 263	-	-	55 222	55 222
Electricity, gas, steam and air conditioning supply	207 764	205 646	-	-	-	-
Accommodation and food service activities	117 852	92 439	-	-	-	-
Agriculture forestry and fishing	41 881	37 954	-	-	-	-
Professsional, scientific and technical activities	41 062	36 584	-	-	-	-
Human health and social work activities	36 541	36 067	-	-	-	-
Administrative and support service activities	21 540	19 614	-	-	-	-
Other	5 722	4 736	-	-	14 866	14 866
Arts, entertainment and recreation	15 300	14 474	-	-	-	-
Information and communication	7 200	6 288	-	-	-	-
Other service activities	7 037	5 970	-	-	-	-
Water supply, sewerage, waste management	2 824	2 314	-	-	-	-
Education	2 068	1 830	-	-	-	-
Mining and quarrying	1 914	1 879	-	-	-	-
Total	**7 129 362**	**6 750 093**	**1 253 413**	**1 253 413**	**3 313 230**	**3 305 387**

A summary of the concentrations of loans and advances to customers, loan commitments, and guarantees classified by asset classes (as of 31 December 2011 and 2010) is presented below:

ths. EUR	2011 Gross	 Net	2010 Gross	 Net
Retail	4 869 136	4 618 967	4 400 737	4 147 625
Corporate	2 624 691	2 477 387	2 617 745	2 491 588
Institution	210 396	209 986	60 880	60 880
Sovereigns	-	-	50 000	50 000
Carrying amount	**7 704 223**	**7 306 340**	**7 129 362**	**6 750 093**

As of 31 December 2011 and 2010 the following loans and off balance sheet exposures are related to property business activities (based on the purpose of the loan). These loans were provided mainly to finance the acquisition, operation or construction of properties:

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	2011 Amount ths. EUR	 Portion of total assets %	2010 Amount ths. EUR	 Portion of total assets %
Cash and balances at the central bank	4 377	0.04	110 049	1.01
Loans and advances to customers	386 724	3.42	230 908	2.11
Securities portfolios	3 176 133	28.11	2 810 449	25.68
Total	**3 567 234**	**31.57**	**3 151 406**	**28.80**

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	2011	2010
Financial assets at fair value through profit or loss	**6 314**	**6 599**
STATE BONDS DENOMINATED IN EUR	6 314	6 599
Securities available for sale	**766 225**	**661 121**
Treasury bills	-	39 760
Slovak government Eurobonds	763 347	618 305
Companies controlled by the Slovak government	2 878	3 056
Securities held to maturity	**2 403 594**	**2 122 849**
Treasury bills	-	-
State bonds denominated in EUR	2 379 998	2 099 260
Companies controlled by the Slovak government	23 596	23 589
Trading Book Securities	**-**	**19 880**
Treasury bills	-	19 880
Total	**3 176 133**	**2 810 449**

The rating of the Slovak Republic according to the international rating agency Standard & Poor's is A (since January 13th 2012; A+ in 2011).´

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. 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 - comprehensive limit system and limit allocation in order to restrict the maximum risk exposure**
- **risk monitoring and reporting**

The entire market risk management is independent from the business lines and is carried out by Strategic Risk Management (SRM). Trading and investment operations are subject to strict rules defined by SRM and approved by ALCO committee.

All positions of the bank, both in banking and trading books, that are subject to market risk are re-valued daily (including positions held-to-maturity), either to market or to model, and respective Profit or Loss is calculated.

The main tool to measure market risk exposure in the Bank is sensitivity analysis and value-at-risk (VAR) which is complemented by back testing and a stress testing programme.

VAR for trading book and investment portfolios of banking book estimates the maximum potential loss over 1-day holding period with 99% confidence interval and is based on historical simulation (2-year rolling history window, equally weighted) while all positions are treated via full valuation in the calculation (i.e. no simplification of positions for the purpose of VAR). VAR is measured consistently across all portfolios (both banking and trading book) and relevant market factors. The Bank's VAR model was approved by the regulator to be used for the regulatory capital charge calculation.

VAR for the overall banking book uses 99% confidence interval, 10-day holding period, 6-year rolling window for the historical simulation and a decay factor of 0.99.

VAR is subject to some model assumptions (e.g. historical simulation), hence stress testing is established in order to partially tackle 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, a comprehensive system of limits is established, including VAR, sensitivity, and stop-loss limits. Limits are structured according to individual subportfolios (separate limits are defined for derivative trades).

Monitoring is performed daily by SRM.

Overall market risk of the entire balance sheet is also measured using market value of equity measure – all positions of the bank are re-valued using an extreme (200bp) up and down parallel shift of the yield curve and the resulting sensitivity is related to available capital.

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

Current values of the risk measurements:

Measure	2011 (Amount mil. EUR)	2010 (Amount mil. EUR)
Trading book VAR	0.02	0.03
Banking book Investment Portfolios		
ALM portfolio VAR	14.35	11.87
Corporate portfolio VAR	0.07	0.08
ALCO portfolio VAR	0.04	0.10
Overall Banking Book VAR	81.53	80.94
Overall Banking Book sensitivity (200bp shock)	92.22	59.90

VAR figure is almost fully driven by interest rate risk, whilst foreign exchange and other risks are negligible.

Change in yield curve by + 200 bp would affect the market value of interest bearing assets and liabilities totalling to EUR (92.2) million, of which the revaluation directly in equity is EUR (42.98) million as at 31 December 2011 (2010: EUR (59.9) million, directly in equity (42.8) million).

37. 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 L-OLC (Local Operating Liquidity Committee) is responsible for operational managing and analyzing 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 based on the liquidity regulation of NBS. The fixed and non-liquid assets ratio was 0.38 at the end of 2011 (end of 2010: 0.34). (must be lower than 1.0). The liquid assets ratio, that must be greater than 1.0, was 1.23 at the end of 2011 (end of 2010:1.22). Average value during 2011 was 1.26.

In addition, own measurement and prediction system of financing needs offers information for liquidity management. It includes static liquidity gap, survival period analysis, short-term funding analysis, liquidity concentration analysis, several liquidity ratios, etc. A set of limits is defined in order to maintain the desired liquidity risk profile.

The following table compares the static liquidity gap of 2010 and 2011:

EUR mil.	On demand and less than 1 month	1 to 3 months	3 months to 6 months	6 months to 1 year	1 – 2 years	2 – 5 years	More than 5 years
GAP 2010	889	(656)	231	(495)	(863)	(88)	**1 320**
GAP 2011	1 298	(810)	(647)	(769)	(193)	71	**1 569**
Limit	**(1 300)**	**(1 300)**	**(1 300)**	**(1 300)**	**(1 300)**	**(1 300)**	**(1 300)**

Survival period analysis is carried out on monthly basis with intention to provide information on the Bank's survival period under five different stress scenarios, including name, market, and combined crisis. The results show that the bank is in very solid liquidity conditions, the survival period has not been shorter than three months throughout 2011.

There are internal limits set for funding concentrations. Their aim is to monitor and prevent the liquidity risk stemming from too large deposit concentration of one or small number of depositors (possibility of sudden withdrawal).

A minimal liquidity reserve of EUR 1.5 billion is defined. It consists of highly liquid ECB eligible bonds that the Bank can use as collateral in unexpected situations. This reserve may not be touched unless a liquidity crisis is declared.

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 2011 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	480 033	4 027	5 047	962 121	2 412	**1 453 640**
Amounts owed to customers	4 281 037	1 010 135	2 241 244	540 500	-	**8 072 916**
Debt securities in issue	397	1 447	41 368	307 387	48 537	**399 136**
Subordinated debt	-	346	198	197 765	57 276	**255 585**
Total	**4 761 466**	**1 015 955**	**2 287 857**	**2 007 772**	**108 226**	**10 181 277**

As at 31 December 2010 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	1 067 699	31 354	2 177	21 544	4 631	**1 127 405**
Amounts owed to customers	4 448 050	918 794	1 261 809	1 558 619	20 220	**8 207 492**
Debt securities in issue	448	6 627	78 478	265 157	62 480	**413 189**
Subordinated debt	-	1 010	3 030	91 602	121 356	**216 998**
Total	**5 516 197**	**957 785**	**1 345 493**	**1 936 922**	**208 688**	**9 965 085**

38. 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. Strategic Risk Management unit performs activities of global scope and has a methodical, coordination, and harmonization role.

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.

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 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 using the following main activities:

- **risk acceptance and mitigation – activities of global scope handled by ORCO committee otherwise responsibility of senior management**
- **system of internal controls - each unit manager is responsible for the effectiveness and quality of the control system within his area of competence**
- **insurance – in order to minimize losses due to operational risk**
- **outsourcing – respective business units are responsible for the operational risk management related to outsourcing**
- **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 (LDA). 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 is 99.9% and the holding period is 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 July 2009. The inclusion of insurance as a mitigating factor into AMA was officially approved in Q4 2011, thus decreases the capital charge for operational risk by about 15%.

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.

39. CAPITAL MANAGEMENT

The Bank's lead regulator, the NBS, sets and monitors capital requirements. The Bank assesses the volume of its regulatory and economic capital (ICAAP).

Regulatory capital

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 2011 and 2010, the Bank has complied with the capital adequacy requirement. The Bank calculates requirements for credit risk using the Basel II IRB approach, for market risk in its trading portfolios using internal VaR models and AMA approach for 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, intangible assets, AFS reserve (negative revaluation only) 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 capital and 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 2011 and 2010 was as follows:

ths. EUR	2011	2010
Tier 1 capital		
Ordinary share capital	212 000	212 000
Capital reserves	118 899	118 899
Retained earnings	510 889	423 196
Less intangible assets	(115 984)	(62 502)
Other regulatory adjustments	(51 631)	-
Total	**674 173**	**691 593**
Tier 2 capital		
Fair value reserve for available-for-sale equity securities	7 870	3 099
IRB Surplus	7 249	66
Qualifying subordinated liabilities	230 350	194 000
Total	**245 469**	**197 165**
Deductions from Tier I and Tier II capital	(11 922)	(11 922)
Total regulatory capital	**907 720**	**876 836**

ICAAP

Internal Capital Adequacy Assessment Process (ICAAP) is a process in which all significant risks that the Bank faces must be covered by internal capital (coverage potential). This means that all material risks are quantified, aggregated, and compared to the coverage potential. A maximum risk exposure limit and lower trigger level are defined, so that corrective actions may be taken, thus avoiding situations when risk exposures are not sufficiently covered by capital.

The Bank's ICAAP is defined by the group ICAAP framework. The key term within the context of ICAAP is the concept of economic capital. This is a measure of risk that captures unexpected losses. As opposed to expected loss, which is the anticipated probability-weighted average loss on a portfolio or business, and is considered a part of doing business, and is typically covered by reserves or income, unexpected loss describes the volatility of actual losses around this anticipated average. Typically, a very high confidence interval is assumed, in order to cover even very severe loss events (except for the most catastrophic ones for which it is impossible to hold capital). In the Bank, the confidence interval is set at 99.9% and the holding period is one year.

Objectives of ICAAP are:

- **to integrate risk management for different risk types into a single high-level process**
- **to relate risk exposures to internal capital**
- **to continuously monitor and adjust capital levels to changing risk profile**

ICAAP is a process that within the Bank consists of the following steps:

- **Risk materiality assessment**
  - **identification of the most important risk types which are to be the major focus and which will be included into economic capital calculation**
- **Risk-bearing capacity calculation**
  - **calculation of the risk exposure for each particular material risk**
  - **aggregation of the individual risks into a single economic capital figure**
  - **calculation of internal capital (coverage potential)**
  - **relating economic to internal capital**
- **Stress testing**
  - **verification of economic capital figures via severe, yet plausible stress scenarios**
- **Capital management**
  - **management of consistency between economic and internal capital including forecasting**

In 2011 the bank has developed a Risk Appetite Statement, which is a set of indicators that define the targeted risk profile of the bank. This document was approved by the Board of Directors and has been decisive while creating strategic business plan & budget for 2012.

Furthermore, the bank has conducted a comprehensive stress testing exercise in which two complex scenarios covering all significant risks were assessed. New Risk Appetite and Stress Testing Committee (RAST) were created for this purpose.

ICAAP is regularly (quarterly) reported to the Board of Directors. Currently credit, operational, and market risk of both trading and banking books are included in the capital coverage. Capital cushion based on stress testing results is deducted from available internal capital in order to account for risks not directly covered by capital charge.

40. 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) Loan commitments, 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	2011	2010
Guarantees given	209 401	244 271
Guarantees from letters of credit	1 860	2 804
Loan commitments and undrawn loans	759 602	800 984
Total	**970 863**	**1 048 059**

(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 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.

Derivatives in notional and fair value

	2011			
	Receivables		Liabilities	
ths. EUR	Notional value	Fair value	Notional value	Fair value
Hedging	**107 821**	**5 030**	**107 821**	**16826**
Total hedging instruments	**107 821**	**5 030**	**107 821**	**16 826**
Trading derivatives				
Foreign currency forwards	218 185	2 705	218 089	2 610
Option contracts	288 758	4 127	281 906	5 418
Interest rate swaps (IRS)	1 083 588	50 351	1 083 588	49 472
Currency interest rate swaps (CIRS)	21 542	338	21 542	337
Currency swaps	293 866	5 970	293 796	5 784
Credit derivatives	50 000	-	50 000	6 638
Total trading derivatives	**1 955 939**	**63 491**	**1 948 921**	**70 259**
Total	**2 063 760**	**68 521**	**2 056 742**	**87 085**

	2010			
	Receivables		Liabilities	
ths. EUR	Notional value	Fair value	Notional value	Fair value
Hedging	**107 821**	**2 955**	**107 821**	**7 960**
Total hedging instruments	**107 821**	**2 955**	**107 821**	**7 960**
Trading derivatives				
Foreign currency forwards	77 378	804	77 311	738
Option contracts	383 720	4 655	367 866	4 585
Interest rate swaps (IRS)	1 409 144	42 644	1 409 144	42 413
Currency interest rate swaps (CIRS)	44 203	1 702	44 203	1 701
Currency swaps	106 081	2 374	105 998	2 271
Total trading derivatives	**2 020 526**	**52 179**	**2 004 522**	**51 708**
Total	**2 128 347**	**55 134**	**2 112 343**	**59 668**

All derivative transactions trade during 2011 and 2010 were on the over-the-counter 'OTC' markets.

(c) Assets pledged as collateral

Liabilities secured by the Bank's assets:

ths. EUR	2011	2010
Amounts owed to financial institutions		
repo trade with ECB	900 000	750 000
other	44 342	58 000
Total	**944 342**	**808 000**

The pledge attributable to the aforementioned liabilities comprised the following assets recognised in the statement of financial position:

ths. EUR	2011	2010
Securities available for sale		
repo trade with ECB	344 075	301 023
Other		
Securities held to maturity	1 062 843	1 976 012
repo trade with ECB	43 811	57 947
Other	**1 450 729**	**2 334 981**

The Bank pledged in favour of ECB government and corporate bonds. For the pledged securities, the Bank can draw a credit line in the amount of EUR 1 376.6 million. As of 31 December 2011 the Bank used EUR 900 million of this credit line (2010: EUR 750 million).

During 2011 the bank entered into a "securities lending" deal with Erste Bank Austria. In this transaction the Bank received state bonds of the Czech Republic, Hungary and Romania in exchange for Slovak government bonds. As of 31 December 2011 the notional amount of exchanged bonds from HTM portfolio amounted to EUR 247.1 million (fair value: EUR 253.3 million) and the notional amount of bonds received amounted to EUR 350.4 million (fair value: EUR 334.7 million). Both Banks have the right to trade with the received bonds. The substance of this transaction is to provide Erste Bank with ECB eligible bonds for liquidity purposes. This transaction is in line with the internal as well as regulatory limits and regulations for liquidity management.

41. 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.

ths. EUR	Carrying value 2011	Estimated fair value 2011	Carrying value 2010	Estimated fair value 2010
Financial assets				
Loans and advances to financial institutions	613 170	613 774	1 253 413	1 253 852
Loans and advances to customers	6 346 476	6 484 342	5 713 044	5 839 864
Held to maturity securities	2 560 304	2 463 391	2 285 263	2 326 636
Financial liabilities				
Amounts owed to financial institutions	1 427 425	1 428 076	1 126 160	1 126 527
Amounts owed to customers and debt securities in issue	8 414 701	8 053 536	8 549 988	8 057 176

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 to generally 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 and 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 measured at fair value:

31 December 2011 ths. EUR	Level 1	Level 2	Level 3	Total
Securities available for sale	318 138	616 870	39 463	974 471
Securities at fair value through profit or loss	17 299	7 505	2 930	27 734
Financial assets - trading	-	-	-	-
Derivative financial assets	-	63 417	74	63 491
Total assets	**335 436**	**687 793**	**42 467**	**1 065 696**
Derivative financial liabilities	-	(70 187)	(72)	(70 259)
Total liabilities	**-**	**(70 187)**	**(72)**	**(70 259)**

31 December 2010 ths. EUR	Level 1	Level 2	Level 3	Total
Securities available for sale	323 888	527 487	46 622	897 997
Securities at fair value through profit or loss	25 420	7 577	10 813	43 811
Financial assets - trading	-	19 880	-	19 880
Derivative financial assets	-	50 160	2 019	52 179
Total assets	**349 308**	**605 104**	**59 454**	**1 013 867**
Derivative financial liabilities	-	49 760	1 949	51 708
Total liabilities	**-**	**49 760**	**1 949**	**51 708**

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 2010	**46 164**	**10 795**	**2 019**	**(1 949)**
accrued coupon	458	18	-	-
Balance as of 31 December 2010	**46 622**	**10 813**	**2 019**	**(1 949)**
Total gains or losses:				
in profit or loss	(4)	(3 668)	(1 945)	1 877
in other comprehensive income	(1 654)	-	-	-
Issues	270	-	-	-
Settlements	(5 814)	(4 206)	-	-
MV as of 31 December 2011	**38 963**	**2 922**	**-**	**-**
accrued coupon	500	8	-	-
Balance as of 31 December 2011	**39 463**	**2 930**	**74**	**(72)**
Total gains / (losses) for the period included in profit or loss for assets/liabilities held at the end of the reporting period	(2)	41	(268)	270

There were no significant transfers between Level 1 and Level 2 of the fair value hierarchy.

42. 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 remaining contractual maturity.

ths. EUR	Current	2011 Non-current	Total	Current	2010 Non-current	Total
Cash and balances at the central bank	299 183	-	**299 183**	335 352	-	**335 352**
Loans and advances to financial institutions	398 306	214 864	**613 170**	914 817	338 596	**1 253 413**
Loans and advances to customers	1 309 892	5 423 468	**6 733 360**	1 319 338	4 761 965	**6 081 303**
Provisions for losses on loans and advances	-	(386 884)	**(386 884)**	-	(368 259)	**(368 259)**
Financial assets at fair value through profit or loss	13 185	78 040	**91 225**	42 502	73 368	**115 870**
Securities available for sale	106 947	874 612	**981 559**	159 326	744 928	**904 254**
Securities held to maturity	316 761	2 243 543	**2 560 304**	186 089	2 099 174	**2 285 263**
Investments in associates and other investments	-	12 348	**12 348**	-	15 147	**15 147**
Intangible assets	-	115 984	**115 984**	-	63 075	**63 075**
Property and equipment	-	150 336	**150 336**	-	116 720	**116 720**
Investment property	-	3 056	**3 056**	-	3 455	**3 455**
Non-current assets held for sale	-	-	**-**	-	37 913	**37 913**
Current income tax asset	-	-	**-**	-	-	**-**
Deferred income tax asset	-	82 605	**82 605**	-	70 934	**70 934**
Other assets	20 912	22 534	**43 446**	17 074	12 520	**29 594**
Total assets	**2 658 796**	**8 640 896**	**11 299 692**	**2 974 498**	**7 969 536**	**10 944 034**
Amounts owed to financial institutions	488 853	938 572	**1 427 425**	1 100 792	25 368	**1 126 160**
Amounts owed to customers	7 519 408	528 576	**8 047 984**	6 621 359	1 547 696	**8 169 055**
Debt securities in issue	42 632	324 085	**366 717**	84 431	296 502	**380 933**
Provisions for liabilities and other provisions	12 043	58 216	**70 259**	8 715	42 993	**51 708**
Financial liabilities at fair value through profit or loss	-	24 721	**24 721**	-	23 059	**23 059**
Other liabilities	105 081	22 223	**127 304**	81 283	12 418	**93 701**
Current income tax	665	-	**665**	11 363	-	**11 363**
Deferred income tax liability	-	-	**-**	-	-	**-**
Subordinated debt	544	231 038	**231 582**	405	194 700	**195 105**
Equity	-	1 003 035	**1 003 035**	-	892 950	**892 950**
Total liabilities and equity	**8 169 226**	**3 130 466**	**11 299 692**	**7 908 348**	**3 035 686**	**10 944 034**

43. SEGMENT REPORTING

The segment reporting of the Bank follows the presentation and measurement requirements of IFRS as well as Erste Group standards.

Segment Structure

For the purpose of transparent presentation of the group structure, the segment reporting has been harmonised with the structure of Erste Group and is divided into the following segments:

- **Retail**
- **Local corporates**
- **Real Estate**
- **Assets and Liabilities management**
- **Group Large Corporates**
- **Group Capital Markets**
- **Corporate Center**
- **Free capital.**

The segment reporting follows the rules used in the Group controlling report which is produced on a monthly basis for the Holding Board. The report is reconciled with the monthly reporting package and the same segments used in the Group Controlling report are also applied in the External segment reporting for Erste Group.

By adding up Retail, Local corporates, Real estate, ALM and the Corporate centre a core business for the Bank is defined, for which the Bank is primarily responsible from a Holding Group point of view.

For the definition of segments/business lines in the Bank, the Bank applies account manager principle, which means that each client has assigned an account manager, who is assigned to a particular business line/segment. In other words, profit/loss is allocated to an account manager and a customer can only be allocated to one account manager.

Within the segment report the local fully consolidated subsidiaries as well as other participations, are allocated to the respective business line (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 then 292 branches (status as of 31 December 2011). In addition the Retail segment also includes at the equity results of PSS (building society).

Local corporates

Local corporates segment primarily consists of SME (Small and medium enterprises), the Public sector, Leasing SLSP and Factoring SLSP. Local corporates includes mainly the following client segments:

- **Small SME (up to EUR 5 million, gross domestic product 'GDP' weighted turnover)**
- **Medium SME (up to EUR 30 million, GDP weighted turnover)**
- **Large SME (up to EUR 175 million, GDP weighted turnover)**
- **Non-profit Sector**
- **Public Sector (financing of public projects like highways, infrastructure, etc.).**
- **Certain MICRO clients are treated as Local Corporates (e.g. small members of a group of companies)**

Real Estate

Real estate segment covers all the commercial and residential projects financed by the Bank.

Assets and Liabilities Management

Business line Assets and Liabilities Management manages the structure of 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 utilization. ALM also contains the transformation margin as a result of the mismatch in balance sheet from a 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) form 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 the EBG core markets.

Group Capital Markets

GCM is responsible for trading in foreign exchange and interest rate products as well as securities for all customer groups and for the development of market-oriented products. The segment Group capital markets in terms of the Bank includes divisionalised business lines like Treasury Trading and Treasury Sales (Retail, Corporate and Institutional Sales).

Corporate Center

Primarily, corporate Centre contains the non-client business of the Bank. The Corporate Centre segment includes mainly positions and items which cannot be directly allocated to specific segment or business line like parts. Additionally, all non-allocated participations like Laned, Derop, Realitná spoločnosť SLSP, sIT Solutions, sProserv and other participations are recognised within this segment.

Free Capital

Free capital is not a segment but the difference between the total recorded equity according to the balance sheet and the sum of the allocated equity of Business lines. Under the free capital also subordinated liabilities are also presented.

2011 ths. EUR	Retail	Local Corporates	Real Estate	ALM	Corporate centre	Core business
Net interest income	308 511	36 529	15 156	77 021	5 463	**442 681**
Risk provisions for loans and advances	(40 100)	(18 798)	(13 564)	-	45	(72 416)
Net fee and commission income	106 833	9 604	1 327	(3)	(5 463)	112 297
Net trading result	3 000	715	121	(40)	(8 283)	(4 487)
General administrative expenses	(194 128)	(14 737)	(1 637)	(2 423)	(13 830)	(226 755)
Other result	(12 901)	(118)	(495)	(12 416)	(16 047)	(41 978)
Pre-tax profit	**171 215**	**13 196**	**907**	**62 139**	**(38 115)**	**209 342**
Taxes on income	(32 531)	(2 507)	(172)	(11 806)	6 189	(40 828)
Net profit	**138 684**	**10 688**	**735**	**50 332**	**(31 925)**	**168 514**
Average risk-weighted assets	2 901 261	1 178 321	457 811	72 603	214 876	4 824 871
Average attributed equity	293 157	102 098	38 637	81 668	24 822	540 381
Cost/income ratio	**46.40%**	**31.46%**	**9.86%**	**3.15%**	**(166.97%)**	**41.19%**
ROE based on net profit [1)]	**47.31%**	**10.47%**	**1.90%**	**61.63%**	**(128.62%)**	**31.18%**

2011 ths. EUR	GLC	GCM	Free capital	SLSP
Net interest income	11 887	5 663	8 419	468 650
Risk provisions for loans and advances	1 429	-	-	(70 987)
Net fee and commission income	4 439	4 187	-	120 924
Net trading result	569	5 933	-	2 015
General administrative expenses	(2 710)	(6 859)	-	(236 324)
Other result	(5)	(10)	-	(41 992)
Pre-tax profit	**15 611**	**8 914**	**8 419**	**242 286**
Taxes on income	(2 966)	(1 694)	(1 600)	(47 087)
Net profit	**12 645**	**7 220**	**6 820**	**195 199**
Average risk-weighted assets	801 108	143 237	-	5 769 217
Average attributed equity	67 546	16 525	316 152	940 604
Cost/income ratio	**16.04%**	**43.46%**	**0.00%**	**39.95%**
ROE based on net profit [1)]	**18.72%**	**43.69%**	**2.16%**	**20.75%**

Notes:1) ROE = return on equity.

2010 ths. EUR	Retail	Local Corporates	Real Estate	ALM	Corporate centre	Core business
Net interest income	294 283	39 307	14 183	56 652	13 147	417 571
Risk provisions for loans and advances	(82 833)	(20 421)	(19 515)	109	(2)	(122 661)
Net fee and commission income	105 770	8 447	868	-	(8 329)	106 756
Net trading result	4 839	1 468	8	(1 064)	(695)	4 555
General administrative expenses	(192 099)	(15 936)	(2 169)	(2 487)	(10 265)	(222 956)
Other result	(12 790)	(169)	659	3 373	(22 177)	(31 104)
Pre-tax profit	117 170	12 695	(5 966)	56 582	(28 321)	152 161
Taxes on income	(22 262)	(2 412)	1 133	(10 751)	1 823	(32 469)
Net profit	**94 908**	**10 283**	**(4 832)**	**45 832**	**(26 498)**	**119 693**
Average risk-weighted assets	2 974 411	1 383 066	530 216	122 954	219 883	5 230 531
Average attributed equity	253 780	110 896	42 428	11 208	19 150	437 462
Cost/income ratio	**47.44%**	**32.38%**	**14.40%**	**4.47%**	**249.01%**	**42.16%**
ROE based on net profit [1)]	**37.40%**	**9.27%**	**(11.39%)**	**408.90%**	**(138.37%)**	**27.36%**

2010 ths. EUR	GLC	GCM	Free capital	SLSP
Net interest income	14 718	3 248	8 157	443 695
Risk provisions for loans and advances	(2 042)	-	-	(124 703)
Net fee and commission income	4 284	3 894	-	114 934
Net trading result	656	3 982	-	9 193
General administrative expenses	(4 838)	(3 929)	-	(231 723)
Other result	(18)	(0)	-	(31 122)
Pre-tax profit	12 760	7 195	8 157	180 274
Taxes on income	(2 424)	(1 367)	(1 550)	(37 810)
Net profit	**10 336**	**5 828**	**6 608**	**142 464**
Average risk-weighted assets	995 402	162 952	-	6 388 885
Average attributed equity	79 665	14 556	290 195	891 877
Cost/income ratio	**24.61%**	**35.32%**	**0.00%**	**40.81%**
ROE based on net profit [1)]	**12.97%**	**40.04%**	**2.28%**	**17.33%**

Notes:1) ROE = return on equity.

44. ASSETS UNDER ADMINISTRATION

The Bank provides custody, trustee, investment management, and advisory services to third parties, which involves 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 accepted in custody EUR 736 million and EUR 730 million of assets as at 31 December 2011 and 2010, 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 before 2009.

45. 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.

(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:

	2011		2010	
ths. EUR	Erste Group Bank	Companies under the control of Erste Group Bank	Erste Group Bank	Companies under the control of Erste Group Bank
Assets				
Loans and advances to financial institutions	552 835	51 124	1 127 414	112 356
Loans and advances to customers	-	72 754	-	76 679
Trading assets	8 983	103	13 852	-
Available for sale portfolio	-	-	-	11 278
Other assets	2 739	2 821	2 601	973
Total	**564 557**	**126 802**	**1 143 867**	**201 286**
Liabilities				
Amounts owed to financial institutions	323 537	75 558	35 431	69 707
Amounts owed to customers	-	10 424	37	7 554
Debt securities in issue	-	-	-	18
Trading liabilities	51 242	25	17 700	-
AFS revaluation			-	(749)
Other liabilities	-	1 533	7 960	1 321
Subordinated debt	180 345	-	180 306	-
Total	**555 124**	**87 540**	**241 434**	**77 851**

The Bank received a guarantee issued by its parent bank with a maximum value of EUR 50 million (2010: EUR 50 million) covering all the Bank'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 (2010: EUR 50 million).

In 2011, the Bank received a bank guarantee provided by its parent bank in the amount of EUR 144 million covering exposures towards subsidiaries and other group members (2010: EUR 144 million).

Exposures towards corporate clients covered by the parent's bank guarantees (excluding exposures towards ERSTE Group entities) are in the amount of EUR 113.47 million (2010: EUR 62.57 million).

The Bank purchased software from companies under the control of Erste Group Bank in 2011 in the amount of EUR 61.75 million (2010: 2.4 million). In 2011 the Bank purchased part of the core banking system from s IT Solutions SK, spol. s r. o., in the amount of EUR 56.5 million.

The Bank entered into two loan contracts with its parent company Erste Group Bank in the amount of EUR 180 million subordinated loan (2010: EUR 180 million) (Note 30).

As described in Note 40, during 2011 the bank entered into a "securities lending" deal with Erste Bank Austria during 2011.

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

	2011		2010	
ths. EUR	Erste Group Bank	Companies under the control of Erste Group Bank	Erste Group Bank	Companies under the control of Erste Group Bank
Interest income	21 034	5 574	20 737	4 727
Interest expense	(8 133)	(6 985)	(4 342)	(593)
Net fees and commissions	114	4 279	2	4 455
Net trading result	792	-	2 836	-
General administrative expenses	(1 058)	(8 151)	(1 083)	(7 258)
Other operating result	1	123	60	571
Total	**12 750**	**(5 160)**	**18 210**	**1 902**

(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:

	2011		2010	
ths. EUR	Subsidiaries	Associates	Subsidiaries	Associates
Assets				
Loans and advances to financial institutions	-	-	-	-
Loans and advances to customers	115 621	-	141 373	-
Financial assets at fair value through profit or loss	-	1 125	-	1 173
Securities available for sale	1 653	12 910	1 639	13 453
Other assets	1 452		130	-
Total	**118 726**	**14 035**	**143 142**	**14 626**
Liabilities				
Amounts owed to financial institutions	-	4 389	-	21 090
Amounts owed to customers	14 258	-	10 596	-
Other liabilities	1 231	-	773	-
Total	**15 489**	**4 389**	**11 369**	**21 090**

Income and expenses from the subsidiaries and associates of the Bank include the following:

	2011		2010	
ths. EUR	**Subsidiaries**	**Associates**	**Subsidiaries**	**Associates**
Interest income	4 075	-	6 101	6
Interest expense	(128)	(112)	(263)	(51)
Net fees and commissions	25	-	173	-
General administrative expenses	(20 209)	-	(14 049)	(81)
Profit / (loss) on sale of investment	703	-	290	-
Total	**(15 534)**	**(112)**	**(7 748)**	**(126)**

(d) Transactions with key management personnel

Remuneration of members of the Board of Directors and Supervisory Board paid during 2011 amounts to EUR 1.5 million (2010: EUR 2.3 million) which represents short-term employee benefits.

46. POST-BALANCE SHEET EVENTS

Commencing 1 January 2012, banks operating in the Slovak Republic are subject to special tax of 0.4% of selected liabilities presented at the end of each quarter. Tax will be recognized in income statement on an accrual basis and repayable quarterly.

From 31 December 2011 up to the date of issue of these financial statements there were no further events identified that would require adjustments to or disclosure in these financial statements.

Information released

under Section 20(7) of Act No. 431/2002 Coll. on Accounting

Any accounting unit that has issued securities and these have been accepted for trading in the regulated market is obliged to release, in its annual report, information about:

a) the structure of its registered capital, including data on securities that have not been accepted for trading in the regulated market in any of the Member States or the states of the European Economic Area, and information about the types of shares issued, the rights and duties attached to these shares by type, and their weight in the unit's registered capital in percentage terms;

b) the existence of restrictions on the transferability of these securities.

	ISIN	Class	Type	Form	Number of shares	Par value	The rights attached
Securities issued to date, except for bonds, including securities that were not issued via public offering	SK1110002799	ordinary shares	registered shares	book-entry shares	212 000	EUR 1 000	right to participate in the company's management, to share its profits, liquidation balance, and voting rights

Bonds issued (yes/ or, if there are no outstanding bonds, **no)** **YES**

ISIN	SK4120004961 series 01	SK4120005505 series 01	SK4120005554 series 01	SK4120005919 series 01	SK4120005927 series 01	SK4120005984 series 01	SK4120006628 series 01
Class	mortgage bond	mortgage bond	mortgage bond	mortgage bond	mortgage bond	bond	bond
Type	bearer bond	bearer bond	bearer bond	bearer bond	bearer bond	bearer bond	bearer bond
Form	book entry	book entry	book entry	book entry	book entry	book entry	book entry
Number of bonds	500	250	300	10	250	55	89
Per value	EUR 33 193.92	EUR 66 387.84	EUR 66 387.84	EUR 66 387.84	EUR 66 387.84	EUR 66 387.84	EUR 50 000
The rights attached	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them
First issue date	29 March 2006	27 July 2007	5 September 2007	16 April 2008	16 April 2008	21 May 2008	4 May 2009
Par value maturity date	29 March 2016	27 July 2027	5 September 2012	16 April 2012	16 April 2021	21 May 2012	6 May 2013
Method of yield calculation	6M E + 0.09% p.a.	4.95% p.a.	6M E + 0.02% p.a.	6M E + 0.10% p.a.	5.00% p.a.	4.52% p.a.	combined, depending on 3M EURIBOR rate developments
Redemption dates	semi-annually, 29 March and 29 September	annually, 27July	semi-annually, 5 September and 5 March	semi-annually, 16 April and 16 October	annually, 16 April	annually, 21 May	quarterly, 4 May, 4 August, 4 November, 4 February, 6 May 2013 (final payment)
Early redemption	no	no	no	no	no	no	no
Redemption guarantee	no	no	no	no	no	no	no
Guarantee accepted by:	-	-	-	-	-	-	-
Comp. Reg. No. (IČO)	-	-	-	-	-	-	-
Name of the company	-	-	-	-	-	-	-
Registered office							
Procedure for the swap of bonds for shares, provided the bonds are convertible	-	-	-	-	-	-	-

ISIN	SK4120006602 series 01	SK4120006685 series 01	SK4120006701 series 01	SK4120006735 series 01	SK4120006792 series 01	SK4120006834 series 01	SK4120006925 series 01
Class	bond	mortgage bond	mortgage bond	mortgage bond	mortgage bond	bond	mortgage bond
Type	bearer bond	bearer bond	bearer bond	bearer bond	bearer bond	bearer bond	bearer bond
Form	book entry	book entry	book entry	book entry	book entry	book entry	book entry
Number of bonds	14456	9722	9596	9672	12029	4758	4886
Per value	EUR 1 000	EUR 1 000	EUR 1 000	EUR 1 000	EUR 1 000	EUR 1 000	EUR 1 000
The rights attached	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them
First issue date	15 May 2009	24 July 2009	14 August 2009	28 August 2009	16 October 2009	20 November 2009	17 December 2009
Par value maturity date	15 May 2012	24 January 2013	14 August 2013	28 August 2013	16 October 2013	20 November 2014	17 December 2013
Method of yield calculation	3.25% p.a.	3.50% p.a.	3.60% p.a.	3.60% p.a.	3.30% p.a.	combined, depending on developments of market prices in reference shares	3.50% p.a.
Redemption dates	annually, 15 May	semi-annually, 24July and 24 January	semi-annually, 14 February and 14 August	semi-annually, 28 February and 28 August	semi-annually, 16 April and 16 October	annually, 20 November	semi-annually, 17 December and 17 June
Early redemption	no	no	no	no	no	no	no
Redemption guarantee	no	no	no	no	no	no	no
Guarantee accepted by:	-	-	-	-	-	-	-
Comp. Reg. No. (IČO)	-	-	-	-	-	-	-
Name of the company	-	-	-	-	-	-	-
Registered office	-	-	-	-	-	-	-
Procedure for the swap of bonds for shares, provided the bonds are convertible	-	-	-	-	-	-	-

	ISIN	Class	Type	Form	Number of shares	Par value	The rights attached
Securities issued to date, except for bonds, including securities that were not issued via public offering	SK1110002799	ordinary shares	registered shares	book-entry shares	212 000	EUR 1 000	right to participate in the company's management, to share its profits, liquidation balance, and voting rights

Bonds issued (yes/ or, if there are no outstanding bonds, **no)** **YES**

ISIN	SK4120006909 series 01	SK4120006933 series 01	SK4120007055 series 01	SK4120007097 series 01	SK4120007063 series 01	SK4120007121 series 01	SK4120007238 series 01
Class	mortgage bond	mortgage bond	mortgage bond	mortgage bond	mortgage bond	mortgage bond	mortgage bond
Type	bearer bond	bearer bond	bearer bond	bearer bond	bearer bond	bearer bond	bearer bond
Form	book entry	book entry	book entry	book entry	book entry	book entry	book entry
Number of bonds	14726	5,885	2,095	400	10,553	9,603	7,582
Per value	EUR 1 000	EUR 1 000	EUR 1 000	EUR 50 000	EUR 1 000	EUR 1 000	EUR 1 000
The rights attached	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them
First issue date	18 December 2009	22 January 2010	12 February 2010	9 March 2010	19 March 2010	21 April 2010	31 May 2010
Par value maturity date	18 December 2013	22 January 2014	12 February 2015	9 March 2015	19 March 2014	21 April 2015	30 May 2014
Method of yield calculation	3.50% p.a.	3.50% p.a.	3.62% p.a.	6M E + 0,95% p.a.	3.30% p.a.	3.50% p.a.	2.80% p.a.
Redemption dates	semi-annually, 18 June and 18 December	semi-annually, 22 January and 22 July	annually, 12 February	semi-annually, 9 March and 9 September	semi-annually, 19 March and 19 September	semi-annually, 21 April and 21 October	semi-annually, 31 May and 30 November, 30 May 2014 (final payment)
Early redemption	no	no	no	no	no	no	no
Redemption guarantee	no	no	no	no	no	no	no
Guarantee accepted by:	-	-	-	-	-	-	-
Comp. Reg. No. (IČO)	-	-	-	-	-	-	-
Name of the company	-	-	-	-	-	-	-
Registered office							
Procedure for the swap of bonds for shares, provided the bonds are convertible	-	-	-	-	-	-	-

ISIN	SK4120007246 series 01	SK4120007360 series 01	SK4120007378 series 01	SK4120007287 series 01	SK4120007402 series 01	SK4120007410 series 01	SK4120007469 series 01
Class	bond with a claim related to a subordinated liability	mortgage bond	mortgage bond	bond with a claim related to a subordinated liability	mortgage bond	mortgage bond	mortgage bond
Type	bearer bond	bearer bond	bearer bond	bearer bond	bearer bond	bearer bond	bearer bond
Form	book entry	book entry	book entry	book entry	book entry	book entry	book entry
Number of bonds	500	300	199	10,000	340	9,720	9,871
Per value	EUR 10 000	EUR 50 000	EUR 50 000	EUR 1 000	EUR 50 000	EUR 1 000	EUR 1 000
The rights attached	the transferability of bonds is not limited; no pre-emptive right is attache d to the bonds, nor a right to swap them	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them
First issue date	23 June 2010	29 July 2010	30 July 2010	2 August 2010	25 August 2010	10 September 2010	14 October 2010
Par value maturity date	23 June 2015	29 July 2015	30 July 2015	2 August 2020	25 August 2015	10 September 2014	14 October 2014
Method of yield calculation	3.80% p.a.	3.10% p.a.	6M E + 1,00% p.a.	combined, depending on the prices of assets used for backing	3.09% p.a.	2.80% p.a.	2.35% p.a.
Redemption dates	annually, 23 June	annually, 29 July	semi-annually, 30 January and 30 July	once - 2 August 2020	annually, 25 August	semi-annually, 10 March and 10 September	semi-annually, 14 April and 14 October
Early redemption	no	no	no	no	no	no	no
Redemption guarantee	no	no	no	no	no	no	no
Guarantee accepted by:	-	-	-	-	-	-	-
Comp. Reg. No. (IČO)	-	-	-	-	-	-	-
Name of the company	-	-	-	-	-	-	-
Registered office							
Procedure for the swap of bonds for shares, provided the bonds are convertible	-	-	-	-	-	-	-

	ISIN	Class	Type	Form	Number of shares	Par value	The rights attached
Securities issued to date, except for bonds, including securities that were not issued via public offering	SK1110002799	ordinary shares	registered shares	book-entry shares	212 000	EUR 1 000	right to participate in the company's management, to share its profits, liquidation balance, and voting rights

Bonds issued (yes/ or, if there are no outstanding bonds, **no)** **YES**

ISIN	SK4120007535 series 01	SK4120007568 series 01	SK4120007675 series 01	SK4120007725 series 01	SK4120007733 series 01	SK4120007790 series 01	SK4120007741 series 01
Class	mortgage bond	bond	mortgage bond	mortgage bond	mortgage bond	mortgage bond	mortgage bond
Type	bearer bond	bearer bond	bearer bond	bearer bond	bearer bond	bearer bond	bearer bond
Form	book entry	book entry	book entry	book entry	book entry	book entry	book entry
Number of bonds	9897	2,865	9,916	51	14,893	14,536	8,208
Per value	EUR 1 000	EUR 1 000	EUR 1 000	EUR 50 000	EUR 1 000	EUR 1 000	EUR 1 000
The rights attached	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them
First issue date	11 November 2010	10 December 2010	7 February 2011	10 February 2011	4 March 2011	30 March 2011	31 March 2011
Par value maturity date	11 November 2015	10 December 2015	7 August 2015	10 August 2017	4 March 2016	30 September 2014	30 September 2014
Method of yield calculation	2.65% p.a.	combined rate	2.95% p.a.	3.55% p.a.	3.10% p.a.	3.00% p.a.	3.00% p.a.
Redemption dates	semi-annually, 11 May and 11 November	annually, 10 December	semi-annually, 7 February and 7 August	semi-annually, 10 February and 10 August	semi-annually, 4 March and 4 September	semi-annually, 30 March and 30 September	semi-annually, 31 March and 30 September
Early redemption	no	no	no	no	no	no	no
Redemption guarantee	no	no	no	no	no	no	no
Guarantee accepted by:	-	-	-	-	-	-	-
Comp. Reg. No. (IČO)	-	-	-	-	-	-	-
Name of the company	-	-	-	-	-	-	-
Registered office							
Procedure for the swap of bonds for shares, provided the bonds are convertible	-	-	-	-	-	-	-

ISIN	SK4120007816 series 01	SK4120007865 series 01	SK4120007881 series 01	SK4120007956 series 01	SK4120007907 series 01	SK4120007964 series 01	SK4120008020 series 01
Class	bond	mortgage bond	bond with a claim related to a subordinated liability	bond with a claim related to a subordinated liability	bond with a claim related to a subordinated liability	mortgage bond	mortgage bond
Type	bearer bond	bearer bond	bearer bond	bearer bond	bearer bond	bearer bond	bearer bond
Form	book entry	book entry	book entry	book entry	book entry	book entry	book entry
Number of bonds	55	7,696	700	132	10,000	2,494	5,404
Per value	EUR 50 000	EUR 1 000	EUR 10 000	EUR 50 000	EUR 1 000	EUR 1 000	EUR 1 000
The rights attached	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them
First issue date	31 March 2011	2 June 2011	13 June 2011	20 June 2011	1 August 2011	15 July 2011	26 August 2011
Par value maturity date	31 March 2017	2 June 2015	13 June 2018	20 June 2018	1 August 2021	15 January 2016	26 February 2016
Method of yield calculation	3.65% p.a.	3.20% p.a.	combined rate	4,90% p.a.	combined, depending on the prices of assets used for backing	3.20% p.a.	3.20% p.a.
Redemption dates	semi-annually, 31 March and 30 September	semi-annually, 2 June and 2 December	semi-annually, 13 June and 13 December	semi-annually, 20 June and 20 December	once - 1 August 2021	semi-annually, 15 January and 15 July	semi-annually, 26 February and 26 August
Early redemption	no	no	no	no	no	no	no
Redemption guarantee	no	no	no	no	no	no	no
Guarantee accepted by:	-	-	-	-	-	-	-
Comp. Reg. No. (IČO)	-	-	-	-	-	-	-
Name of the company	-	-	-	-	-	-	-
Registered office							
Procedure for the swap of bonds for shares, provided the bonds are convertible	-	-	-				

ISIN	SK4120008079 series 01	SK4120008111 series 01	SK4120008186 series 01	SK4120008194 series 01
Class	bond with a claim related to a subordinated liability	bond with a claim related to a subordinated liability	mortgage bond	bond with a claim related to a subordinated liability
Type	bearer bond	bearer bond	bearer bond	bearer bond
Form	book entry	book entry	book entry	book entry
Number of bonds	543	4250	6354	407
Par value	EUR 10 000	EUR 1 000	EUR 1 000	EUR 10 000
The rights attached	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them	the transferability of bonds is not limited; no pre-emptive right is attached to the bonds, nor a right to swap them
First issue date	10 October 2011	2 November 2011	7 December 2011	12 December 2011
Par value maturity date	10 October 2018	2 November 2023	7 December 2016	12 December 2018
Method of yield calculation	combined rate	combined, depending on the prices of assets used for backing	3.50% p.a.	combined rate
Redemption dates	semi-annually, 10 April and 10 October	once - 2 November 2023	semi-annually, 7 June and 7 December	semi-annually, 12 June and 12 December
Early redemption	no	no	no	no
Redemption guarantee	no	no	no	no
Guarantee accepted by:	-	-	-	-
Comp. Reg. No. (IČO)	-	-	-	-
Name of the company	-	-	-	-
Registered office				
Procedure for the swap of bonds for shares, provided the bonds are convertible	-	-	-	-