Tatra banka
Annual Report 2009

Slovakia

Member of Raiffeisen International

TATRA BANKA

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TATRA BANKA
Member of Raiffeisen International

Results are best achieved if you have a direction, you know your goal and also have a clear idea about how to achieve it. A clear definition of our Mission, Vision and Values moves us forward on the road to success.

Tatra banka's Mission

Pushing forward the boundaries of banking

We provide exceptional personal and financial comfort to clients, for whom it is important who is looking after their money, and how.

Each of us creates an inspiring environment that we like to work in; we achieve our personal goals and strive to be better.

We achieve above-average growth in the company's value over the long term.

Tatra banka's Vision

We are perceived as the strongest and most attractive bank, with the distinguishably highest quality of services.

Tatra banka is a prestigious employer, the best place to work, a place we enjoy being.

Tatra banka's Values

Seriousness

We do things the best we can; the average is not good enough for us.

Honour

We act honourably and with respect toward everyone; we promote transparency in everything we do.

Enthusiasm

We strive to uplift people and exceed their expectations.

Creativity

We come up with new solutions; we support bold and innovative thinking.

Responsibility

We care about the success of our clients, our employees, and the society in which we live. We take responsibility for everything we do.

Teamwork

We appreciate the power of the team, and we are part of it. We believe in willing cooperation and mutual respect.

Statement by the Chairman of the Board of Directors

Dear Shareholders, Clients and Business Partners,

We are now entering the final year of the first decade of the new millennium, and it is this final phase that is possibly the most important in terms of the overall evaluation of this period. After successfully coping with the changeover from the Slovak koruna to the euro, the culmination of our inclusion to the European Monetary Union, we had our first year with the new currency, which is not just of European significance, as it is a world currency as well. This was not so simple in practical terms, however, as we had to face the phenomenon of the world economic crisis, which in today's very global world naturally affected also Slovakia. Even though we are just a small country dependent chiefly on export, the banking sphere in Slovakia is healthy and is built on strong foundations. Unlike certain other advanced countries of the western world, our government did not have to prop up banks in Slovakia or otherwise bail them out. From a macroeconomic perspective, this is good news for Slovakia, because only "healthy" banks can provide a strong base for positive economic development.

As I mentioned, the past year was marked by the integration of the new euro currency. This fact had, and has, an undisputed positive impact on the macroeconomic results of Slovakia and its economy. This step came in the "twelfth hour" at a time of major economic crisis. The stability of the exchange rate became a firm foundation and important stimulus for future development of investment capital in our country. Naturally, we must continue to improve the business environment further. This can be strengthened also by the stability of banks and the banking sector, which is a key pillar for a working economy and something that I feel is extremely important to realise. Banks can now continue to develop in a healthy way, assuming they will not be restricted by attempts to introduce various forms of regulation, as only a free market and healthy competition can strengthen their position. This also means in relation to customers, who will have the chance to decide freely according to their possibilities and needs. It was with this interest in mind that the Slovak Banking Association, of which Tatra banka is a key part, signed a Memorandum of Co-operation with the Slovak government in 2009 aimed at resolving the impacts of the economic crisis on Slovak society, and it is in the interests of citizens that both sides respect this document to the letter.

Even though the euro is primarily a benefit for our economy and society, it is important to emphasise that for banks this transition meant not only assuming the responsibility for successfully coping with the whole process, but also that they should finance the process from their own sources and so the changeover to the new currency would logically mean also anticipated outages in income and so also lower profits than before. We were well aware of this, of course. In any case, membership in the European Monetary Union is far more important to us than the potentially higher profits that we managed to generate in the past. With this in mind, it is therefore only logical that banks saw profits hit not just by the economic crisis, but also by the outage in income from exchange operations, or due to changes affecting payments abroad, which as part of specifically regulated cross-border transactions are now charged like domestic payment.

I am therefore glad that despite the exceptionally complex year, affected above all by the economic crisis, we still managed to achieve very respectable results. The basis of these results lies in the fact that we are a conservative bank with innovative potential. It is this conservative approach and our prudent credit policy that we can thank today for making sure we were below the average of other Slovak banks in terms of the number of failed loans. I am confident that despite projections of further growth in unemployment we will continue to deal with this phenomenon successfully. A signal of gradual improvement can also be seen in the restored confidence in mutual funds, which fragmented when the crisis broke out as clients were dissatisfied with yields. Nowadays, investing in funds is becoming a popular part of cash investments once again. In any case, we want to appeal to clients by providing a service that meets even the highest expectations. We are well aware that our services are used mostly by clients from the premium segment and that the standard

of our services must be a benefit that convinces them they have made the right choice. That is why we will continue to concentrate on strengthening our position and eradicating any reserves in this area. In the context of legislative changes, we proceeded to change all the service packages offered to date to both retail and corporate clientele. We conceived our new service packages **Tatra Personal**TB and **Tatra Business**TB based on a professional survey that we used to probe our clients' requirements. This led to the creation of a product that offers them comfort, a premium standard of services and, in particular, no limitations in various aspects. We also incorporated an advantageous system of bonuses into the packages, by which we not only accommodated our customers, but also set it up to produce increased financial weight for them, which we regard as a general social responsibility.

So just how were our results affected by the euro and the crisis? Well, as per our expectations and based on objective facts, we registered an overall drop in results, but I must reiterate that this development was fully in line with our prognoses. From an overall perspective, I can therefore refer to the Bank's results for 2009 as satisfactory. In this regard, I would just like to thank all my co-workers for all the effort they generated to achieve these results throughout the year. This was no simple matter, also when considering another objective factor, i.e. downsizing the workforce. Our main reason for taking this step was not because of the crisis. It was part of our overall objective, which we put together even before the fall of the Lehman Brothers in September 2008, which set the global crisis spinning. The real reason for this decision was over employment in the Bank, which it had been aware of for some time. In 2009 we therefore cut the number of employees by 10% of what we had at the beginning of the year. This was a continuation of the process of increasing the efficiency of the Bank's operation that we started back in 2007, when we reduced the number of management levels from six to three. Considering this internal process of the Bank, which we regarded as entirely necessary, I appreciate the achieved results all the more, as they copy that of the bank sector in terms of the total drop. The balance of Tatra banka for last year came to EUR 8.98 billion, which was down 14.6% over the previous year. Where assets are concerned, we registered a slight decline of 1.9% in loans granted to clients, and in deposits by 7.6%. Our net profit was down 24.5% to reach EUR 90.8 million, which is a pretty decent figure considering the 45.2% decline seen in the banking sector as a whole. We also managed to cut costs by 11.7%, but despite this cut we still saw the costs/income ratio worsen from 54.06% to 57.74%, which we regard as a very good result at a time of outages in revenue caused by adoption of the euro and the financial crisis. The overall result influenced also the formation of provisions, which came to EUR 52.6 million last year, meaning a growth of 21.1%. Just like in previous years, again now we were able to depend on the Raiffeisen International group, within which our results were among the best.

While 2008 was an "extraordinary" year for the Raiffeisen International Group as a whole, 2009 will be remembered for being "extreme" and "challenging". The global economic crisis and its effects on the comparatively young market economies of Central and Eastern Europe presented our banking group with completely new challenges. We were able to cope with them well thanks to our business model, which is geared to the real needs of businesses and private individuals in 17 countries in the region and has proved sustainably robust even in these difficult times. Obviously, the record result the Group achieved in 2008 could not be sustained in an environment that was without doubt the worst in many decades and lead to many banks posting losses and being sold off. While consolidated profit (after tax and minorities) dropped significantly to € 212 million, this result still underlined the strength of the Raiffeisen business model and clearly exceeded the market's expectations.

The Group made good use of the crisis year 2009, adjusting the parameters of its strategy to the difficult conditions and making the organization even fitter for the times and tasks that lie ahead. While growth and earnings were previously in the foreground, the focus of 2009 was on strengthening capital, managing liquidity and risk, raising efficiency, and lowering costs. Unsurprisingly, the year was also shaped by the sharp rise of non-performing loans and related increase of provisioning for impairment losses. However, the upward momentum of non-performing loans slowed down in the second half of the year, and overall economic conditions improved. Many market observers share our view that this trend will continue in 2010. We may have passed the worst point of the economic crisis, but the current year will be another one of great challenges. We therefore consider it extremely important that we continue to focus fully on the agenda set in 2009.

I am convinced that CEE will prove to be the driving force in Europe again after the crisis. The region as a whole obviously suffered a setback last year. In some CEE countries, this setback was more severe than in Western Europe, in others it was much less so. But the convergence process that started more than two decades ago is still far from over. The continuing need to catch up after about five decades of communism will, according to practically all forecasts, see to it that the region again undergoes stronger growth than Western Europe in the years ahead. Added to that is its comparatively lower penetration rate with respect to banking products. All that should be a solid basis of renewed successful development for banks operating in the region. Speaking of success: the confidence of our customers has been and remains our most important indicator in that respect. The increase in the number of Raiffeisen customers during the year from 14.7 million to 15.1 million documents that we enjoy this confidence despite, or even because of, the extraordinarily difficult times.

In addition to classic banking activities, we are still very much actively involved in social activities. The Tatra banka brand, and its non-profit foundation, have been closely linked for years to providing support in two areas – education and art. We are proud once again to be the general sponsor of the Slovak National Theatre, which we see as a central pillar of art and culture in our country, and which spreads our good name not just at home, but also abroad. We equally support smaller theatres and galleries in regions and other forms of art. For us, supporting education is a very important part of our activities. Our endeavour is to give the most talented students the chance to apply themselves in the Bank, and so we create the conditions for them symbolically in the spirit of our slogan; "The best follow us". We assigned more than three quarters of the foundation's funds to educational activities. We carried out several grant programmes in practice and we invite leading figures from the world economic "scene" to Slovakia. Key events from last year include the second year of the programme Nobel Prize Lecture Series, pursuant to which we present laureates of the Sveriges Riksbank Prize in Economics Sciences in Memory of Alfred Nobel (the Nobel prize for Economy). Whereas our guest in 2008 was Professor Robert J. Aumann, this year the students and professional community had before them Professor Edward C. Prescott on the theme "Economic Integration of Sovereign States and Their Development. We plan to continue with this theme also this year through an established course and by inviting a world format guest to Slovakia once again.

Despite the turbulent waters that we have had to navigate in the past year, I am happy to be able to say that we coped well with this "navigation". We proved that we have a team that is capable of working effectively and of producing good output not just "while the sun shines". Our results are satisfactory and we now face a year that with all probability will be just as demanding as the last one. I would be glad to see banks afforded the space to operate in a healthy business environment, without senseless regulations and efforts to impose all kinds of pressures, because only the market can positively influence development in this sector, also in terms of competition, which works in favour of the consumer. Only a free market and a healthy business environment can drive our economy forward. In any case, our ambition is to keep moving forward and to be among the most profitable banks with the accent on an altogether higher quality of services. I am confident that Tatra banka has the necessary potential for such an ambition. In closing, I would traditionally therefore like to express my gratitude and respect also to all our shareholders, clients, business partners and my colleagues. Our good co-operation to date drives us toward more effective work and success. We will act in accordance with the Vision, Mission and Values that we have set ourselves and which we started to put into practice last year in particular.

Ing. Igor Vida
Chairman of the Board of Directors
and General Director

Survey of key data

according to International Financial Reporting Standards

TATRA BANKA
Member of Raiffeisen International

Survey of key data

according to International Financial Reporting Standards

Tatra banka Group (in EUR thousands)	2009	2008	Change
Income statement			
Net interest and dividend income after provisioning	242 348	261 816	**(7,4)%**
Net fees and commission income	89 550	112 359	**(20,3)%**
Net profit (loss) from trading instruments	40 808	74 306	**(45,1)%**
General administrative expenses	(208 110)	(237 064)	**(12,2)%**
Profit before income taxes	121 822	165 967	**(26,6)%**
Consolidated profit after tax	94 884	131 308	**(27,7)%**
Earnings per ordinary share (nominal value per share: 800 EUR)	1 525,36	2 340,59	**(34,8)%**
Earnings per ordinary share (nominal value per share: 4 000 EUR) [1]	7 626,82	0,00	-
Balance sheet			
Loans and advances to banks	1 066 737	2 012 599	**(47,0)%**
Loans and advances to customers, gross	5 484 549	5 763 925	**(4,8)%**
Deposits from banks	103 448	859 462	**(88,0)%**
Deposits from customers	6 716 322	7 455 054	**(9,9)%**
Equity (including consolidated profit)	808 233	662 723	**22,0%**
Balance sheet total	9 013 941	10 551 053	**(14,6)%**
Performance			
Return on equity (ROE) before tax	17,71%	29,6%	**(40,2)%**
Cost/income ratio	55,4%	53,1%	**4,3%**
Return on assets (ROA) before tax	1,2%	1,8%	**(33,3)%**
Resources			
Number of staff on balance sheet date	3 521	3 893	**(9,6)%**
Branches on balance sheet date [2]	148	158	**(6,3)%**

Ratings	Long-term	Outlook	Short-term	Bank Financial Strength
Moody´s Investors Service	A2	negative	Prime - 1	C -

[1] new issue of ordinary shares in year 2009

[2] Inclusive of Corporate centres, "Centrum bývania" branches and the Investment centre

Tatra banka – Strong Member of a Strong Group

TATRA BANKA
Member of Raiffeisen International

Tatra banka – Strong Member of a Strong Group

Tatra banka is a subsidiary of *Raiffeisen International Bank-Holding AG*, which in turn is a fully consolidated subsidiary of Vienna-based *Raiffeisen Zentralbank Österreich AG (RZB).* Founded in 1927, RZB is Austria's third-largest bank and the central institution of the Austrian *Raiffeisen Banking Group,* the country's largest banking group by total assets with the widest local distribution network.

RZB and Raiffeisen International have time and again underpinned their reputation as early movers and pioneers in CEE, having founded the first subsidiary bank in Hungary already in 1986, three years prior to the fall of *the Iron Curtain*. In more than 20 years of market presence, ten banks were founded and another ten were acquired. The resulting network covers the region with universal banks in the following 15 markets, servicing more than 15 million customers in over 3,000 business outlets.

• Albania	**Raiffeisen Bank Sh. a.**
• Belarus	**Priorbank, OAO**
• Bosnia and Herzegovina	**Raiffeisen Bank d. d. Bosna i Hercegovina**
• Bulgaria	**Raiffeisenbank (Bulgaria) EAD**
• Croatia	**Raiffeisenbank Austria d. d.**
• Czech Republic	**Raiffeisenbank a. s.**
• Hungary	**Raiffeisen Bank Zrt.**
• Kosovo	**Raiffeisen Bank Kosovo J. S. C.**
• Poland	**Raiffeisen Bank Polska S. A.**
• Romania	**Raiffeisen Bank S. A.**
• Russia	**ZAO Raiffeisenbank**
• Serbia	**Raiffeisen banka a. d.**
• Slovakia	**Tatra banka, a. s.**
• Slovenia	**Raiffeisen Banka d. d.**
• Ukraine	**VAT Raiffeisen Bank Aval**

Raiffeisen International acts as these banks' steering company, owning the majority of shares (in most cases 100 or almost 100 per cent). Furthermore, many finance-leasing companies (including one in Kazakhstan and in Moldova) are part of the Raiffeisen International Group. RZB owns about 70 per cent of Raiffeisen International's common stock. The balance is free float, owned by institutional and retail investors. The company's shares are traded on the Vienna Stock Exchange.

The Raiffeisen International Group posted a consolidated profit (after tax and minorities) of € 212 million in 2009. While this marks a decrease of 78 per cent against 2008, the result nevertheless underlines the strength of the company's operative business and business model when seen in light of the sharply deteriorated economic environment and the record result the Group achieved in the previous year. Raiffeisen International's balance sheet total declined by 11 per cent to € 76.3 billion as of year-end 2009, reflecting both currency effects and the reduction in lending business on account of the economic crisis.

The RZB Group's balance sheet total amounted to € 147.9 billion as of year-end 2009, down 6 per cent year-on-year. The Group achieved a pre-tax profit of € 824 million in 2009, up 38 per cent against the preceding year. This result represents a significant accomplishment when seen against the backdrop of worldwide crisis and the fact that most of the countries in the RZB Group's home market experienced recession in 2009. At the reporting date, the Group employed a staff of 59,800 worldwide.

In addition to its banking operations – which are complemented by a representative office in Russia (Moscow) – RZB runs several specialist companies in CEE offering solutions, among others, in the areas of M&A, real estate development, fund management and mortgage banking.

In Western Europe and the USA, RZB operates a branch in London and representative offices in Brussels, Frankfurt, Madrid, Milan, Paris, Stockholm, and New York. A finance company in New York (with representative offices in Chicago and Houston) and a subsidiary bank in Malta complement the scope. In Asia, RZB runs branches in Beijing (with representative offices in Harbin and Zhuhai), Xiamen and Singapore as well as representative offices in Ho Chi Minh City, Hong Kong, Mumbai and Seoul. This international presence clearly underlines the bank's emerging markets strategy.

RZB is rated as follows (as of March 2010):

Standard & Poor's	Short term A-1 Long term A
Moody's	Short term P-1 Long term A1

www.ri.co.at
www.rzb.at

Raiffeisen Banking Group

The Raiffeisen Banking Group (RBG) is Austria's largest banking group by total assets. As per year-end 2009, RBG's consolidated balance-sheet total amounted to € 260 billion. It represents about a quarter of all domestic banking business and comprises the country's largest banking network with 2,250 independent banks and branches and approximately 23,350 employees. RBG consists of Raiffeisen Banks on the local level, *Regional Raiffeisen Banks* on the provincial level and RZB as central institution. RZB also acts as the "link" between its international operations and RBG. Raiffeisen Banks are private cooperative credit institutions, operating as general service retail banks. Each province's Raiffeisen Banks are owners of the respective Regional Raiffeisen Bank, which in their entirety own approximately 88 per cent of RZB's ordinary shares.

The Raiffeisen Banks go back to an initiative of the German social reformer *Friedrich Wilhelm Raiffeisen* (1818 - 1888), who, by founding the first cooperative banking association in 1862, has laid the cornerstone of the global organization of Raiffeisen cooperative societies. Only 10 years after the foundation of the first Austrian Raiffeisen banking cooperative in 1886, already 600 savings and loan banks were operating according to the Raiffeisen system throughout the country. According to Raiffeisen's fundamental principle of self-help, the promotion of their members' interests is a key objective of their business policies.

Raiffeisen International

Raiffeisen International Bank-Holding AG is a fully consolidated subsidiary of RZB. It acts as the steering company for the RZB Group's subsidiaries in Central and Eastern Europe, above all the Group's banking and leasing units. RZB is Raiffeisen International's majority shareholder owning about 70 per cent of the capital stock. The balance is free-float, owned by institutional and retail investors. Raiffeisen International's shares are traded on the Vienna Stock Exchange

RZB

Raiffeisen Zentralbank Österreich AG (RZB) is the central institution of the Austrian Raiffeisen Banking Group. Founded in 1927 and domiciled in Vienna, RZB is the third-largest Austrian bank and a specialist in commercial and investment banking. As the parent company of the RZB Group, it ranks among Central and Eastern Europe's leading banking groups, offering the full scope of commercial, investment and retail banking services practically throughout the region.

RZB Group

The group owned and steered by RZB. Raiffeisen International forms the Group's largest unit, acting as holding and steering company for the network of banks and leasing companies in Central and Eastern Europe. The RZB Group's second geographical focus is Asia. Branches, specialised companies and representative offices in Europe and the USA complement the presence on the world's most important financial markets.

Report on the activities of Tatra banka Group

- The Slovak Economy in 2009
- Risk Management and Basel II
- Summary of consolidated performance

TATRA BANKA
Member of Raiffeisen International

The Slovak Economy in 2009

The fall of Lehman Brothers investment bank in September 2008 marked a fundamental turnaround in economic development in the world, and also in Slovakia. The repercussions of the global financial and economic crisis did not start to hit us full on until 2009, and they will continue to have an influence over us in the years to come.

The final days of 2008 were marked by massive decline in industrial production, and by the end of 2009 it had still not recovered from the shock. The gas crisis in January 2009 just inflamed the situation further, and the Statistical Office of the Slovak Republic reported a 28,2% y/y downturn in industrial production for the month, which was the worst decline seen since 1993. The situation gradually stabilised and so no more substantial m/m declines were seen during the first half of 2009. Production companies, however, immediately started making redundancies and reappraising their investment plans. Services that were closely linked to industry (e.g. transport, wholesale) immediately felt the drop in production in their own sales revenues. The secondary effects of the spiralling production reflected also in services for the population, as they also started to feel the drop in demand a few months later.

The publication of the first estimate of GDP growth for the first quarter of 2009 provided undeniable proof that the Slovak economy had been fully hit by the crisis, and the y/y drop in its performance by 5.7% was among the worst in Central and Eastern Europe (with the exception of the Baltic states). The situation slowly improved and in the second quarter we noted a surprising q/q GDP growth of 1.2%. On a y/y comparison the economic decline only slightly improved to 5.5%, but even this result was fairly favourable, as we expected the services sector to pull the economy down even further.

The structure of growth in the first half of the year was basically in line with expectations. The deepest y/y decline was felt by exports, followed by investments. In the first half of the year, to a large extent companies converted their inventories, which were then gradually replenished at the close of the year. Household consumption in the first half of the year reacted to the growth in unemployment and weak growth in wages with only a slight y/y drop. The only entry to enjoy a positive y/y growth was government consumption, which was due to the unwillingness of the government to adjust the approved plan of expenditures that was compiled back in the autumn of 2008.

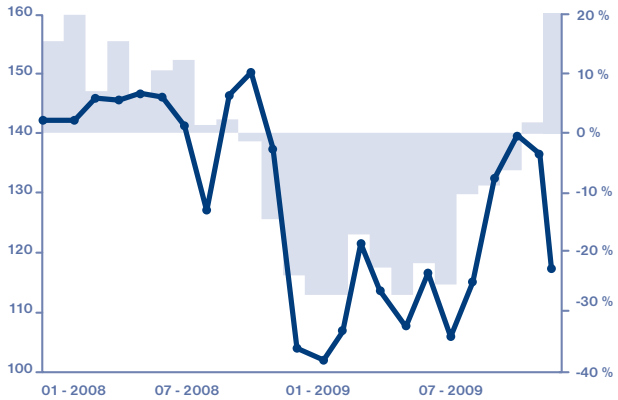
Advance indicators of economic activity in the eurozone gave us great hope already in the summer of 2009 that an improvement in industry was on the horizon. New orders of long-term consumption goods in the countries of Western Europe started to develop just as encouragingly in the autumn. They were the first to be hit hard back in September 2008, and so should also be the first to signal an improvement in manufacturing. Already in the summer of 2009 we could witness how industry had clearly started to catch its breath again. Improved performance in industry and also in services in the second half of 2009 was accompanied by a slower y/y decline in GDP. In 3Q 2009 the GDP registered a y/y decline of 4.9%, but by the close of the year this had slowed to 2,6%. The overall annual decline of the Slovak economy on the level of 4.7% classed us on the eurozone average.

Industrial production

Slovak IP index (2005=100)

Slovak IP yoy in %

Source: Statistical Office of the SR



Slovak GDP growth

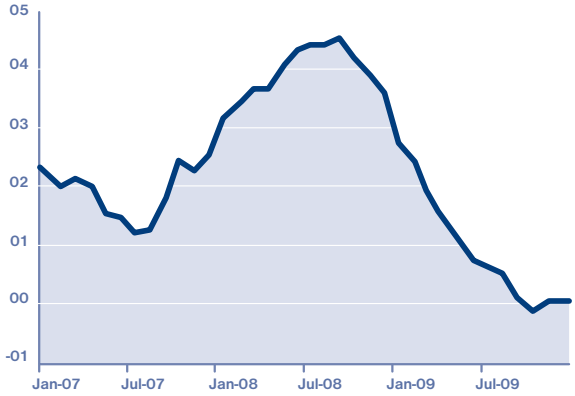
GDP growth. yoy in%

Source: Statistical Office of the SR

One of the few indicators to show positive development was the balance of foreign trade, which for the whole of 2009 showed a y/y improvement of EUR 1.9 billion. The drop in exports also reflected in a drop in imports, and so the trade balance did not worsen that much. Fallen imports of investment goods, on the contrary, positively contributed to a lower balance, as investment goods account for as much as one quarter of all imports. This improvement cannot be regarded as entirely positive, however, because without investments it is not possible to expect economic growth in future.

Another positive aspect of the current crisis is the low level of inflation. This is caused by very weak demand pressures and strong competition from the surrounding countries, whose currencies weakened significantly at the start of the year. In January 2009 the y/y growth in prices was still on the level of 2.7%, but inflation dropped with each new month until it reached -0.1% in October, i.e. the first (even if only symbolic) deflation in the history of Slovakia. The biggest drop in prices could be seen in foodstuffs and fuels. Even the prices of services fell slightly or stagnated. Inflation wavered on practically a zero level also in November and December. The average level of y/y inflation (by EU methodology) produced a record low value in 2009 of +0.9%. "Thanks to the crisis", our first year as a eurozone member was therefore not accompanied by a growth in inflation, but slight short-term deflation instead.

Development of the unemployment rate mirrored the downturn in production. Official unemployment figures started to soar already at the end of 2008, with the growth continuing practically for the whole of 2009. While in December 2008 it was still on the level of 8.4%, one year later it had reached 12.7% already, as the number of unemployed increased y/y by almost 120,000. Data for the last two months of 2009 indicate, though, that the growth in unemployment could very well halt in the spring of 2010. The growth in unemployment in Slovakia was one of the biggest unemployment hikes to be seen in the EU.



Headline inflation

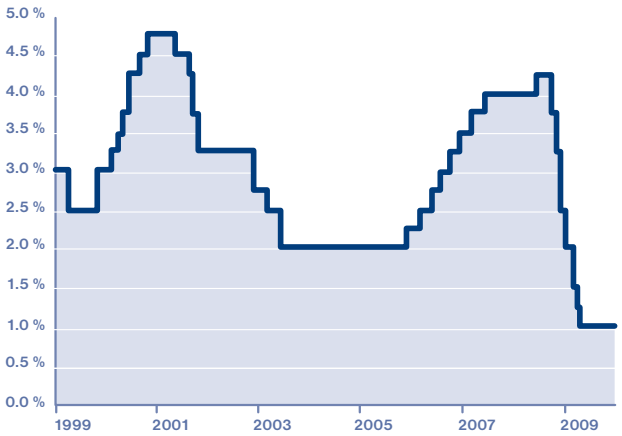
(in %, EU harmonised)

Source: Statistical Office of the SR

The effect of the drop in production together with rising unemployment naturally also reflected in the development of wages. From the beginning of 2009 the development of average wages in the private sphere corresponded to the strained position in which companies found themselves. Wages saw only very slight growth and companies cut back on various bonuses and remuneration. Growth in nominal wages in industrial production came to just 2.5%, which is the lowest figure ever. The public sector did not yet feel the crisis in that year, and so the development of wages more or less followed the original pre-crisis plans. The growth in wages in the public sector (public administration, schools and the health service) was according to our calculations 5.5 – 6.0%. For 2009 the average nominal wage in the Slovak economy rose by 3.0%, which is less than half the growth of previous years. On the other hand, thanks to the lowest ever rate of inflation, real wages grew by 1.4%, which is not so bad considering the depth of the crisis. From this perspective, the impact of the crisis on the average earner is not really that negative. In the past the Slovak population has experienced far worse negative development in real wages, like in 2000 when the real wage fell by as much as 4.9% under the weight of double-digit inflation.

When it comes to the level of the public finance deficit in 2009, Slovakia is somewhere near the European average. In fact, according to government projections, the deficit should reach 6.4% of the GDP, which is way above the level of 1.7% that was planned before the crisis. In absolute terms, this means an increase in the deficit by EUR 3 billion. The total public debt should increase from the level of 28% to 35% of the GDP. This means rapid growth in indebtedness, but we do not expect public finances to follow a similar line in the years to come. To constrain this negative development, the government will have to adopt various fundamental measures both in terms of income and expenses. In terms of total public debt we are among the more fortunate countries of Europe, and the difference compared to certain other countries could even give us a false sense of security. The favourable starting position in public finances that the current government had, unlike others, basically made it possible to avoid unpopular measures targeting public finance spending.

The ECB tried to prop up the European economy as best as it could. Key interest rates fell from 2.50% in January to just 1.00% in May, and we expect it to stay on this level until the end of 2010, as well. At the same time, the central bank imposed non-standard operations with the aim of improving liquidity on the interbank market. In addition to standard 1-week operations, the bank started to provide liquidity also over a lengthier base of 1, 3, 6 and 12 months. From the perspective of the financial markets, it was the 12-month tender that was of particular interest, for which the bank announced in advance that it would satisfy the full demand with a rate of 1.00%. In June 2009 commercial banks borrowed almost EUR 440 billion. This tender, even though not a tender in the true sense of the word, pushed rates on the money market even lower. As the ECB continued generously to provide liquidity also for the rest of the year, rates on the money market stayed on a low level. We do not expect to see the first growth in key rates of the ECB until beginning of 2011, with a level of 1.50% projected.



Key ECB rate

Source: ECB

The yields from 10-year German government bonds were around 3% in the first half of 2009, which translates as a record low level. This was caused mainly by the interest of banks to invest into secure assets during exceptionally uncertain times. The yields increased gradually to the level of 3.7% at the end of 2009. From the beginning of the year the development of Slovak bonds copied that of German ones with a fairly large spread of 150 - 180 points, but this fell progressively till it reached 90 points at the end of the year. The total yield of a Slovak 10-year bond was 4% in December, which is still pretty attractive considering record low inflation. The large deficit in Slovak public finances will probably keep these rates afloat on the same or higher levels for the upcoming period.

Risk Management and Basel II

A well organised and consolidated system of risk management plays a very crucial role for the long-term effective functioning of the Bank. This role is perceived very responsibly in Tatra banka, also in the context of its systemic importance for the whole banking sector. As part of this, the Bank thoroughly satisfies the requirements of European directives implementing the rules known as Basel II, whereby their application is based on local legislative norms, in particular the revision of Act No. 483/2001 Coll. on Banks, and Measure No. 4/2007 as per its revision no. 17/2008. During the process of negotiating and approving the respective local legislative norms, the Bank actively participates in the activities of the Slovak Banking Association and its individual committees and working groups. The Bank plays just as important a role also in multilateral meetings with regulatory authorities and other organisations.

The concept, methodology and documentation for activities concerning risk management and Basel II are prepared in close co-operation with RZB and Raiffeisen International Bank–Holding AG, while respecting the local specifics of the Bank and the whole banking environment. Respective methodological concepts and process procedures then become an integrated part of the process of managing individual fields in the Bank, and are regularly updated in line with legislative or internal changes and strictly controlled by internal audit.

The aim of activities carried out in the field of risk management and Basel II is foremost to ensure as best as possible the most accurate evaluation, quality management and mitigation/elimination of credit, market and operating risks. Achieving this goal depends chiefly on ensuring the quality collation and preservation of relevant and potentially-relevant data, in order to produce a reliable methodology for measuring individual types of risk, to ensure effective and quality processes for prudent management of individual types of risk, to ensure quality and secure IT systems for automating processes, the collection and analysis of data, calculations and the provision of outputs. These processes, also considering the changes in the economic environment, are becoming a key element for ensuring the long-term stability of the Bank's risk profile and its capital requirements, as well as the return from its own sources.

Likewise, pursuant to legislative requirements the Bank regularly publishes information about its activities, working procedures and results in great detail, which ensures transparency in relation to regulators, business partners and clients, also in the area of risk management.

Credit risk

To quantify risk-balanced assets and regulatory capital requirements for credit risk, which accounts for the biggest part of bank risks, from 1.1.2008 the Bank has been using a Standardised procedure, the aim of which was, and is, to switch to using the Internal Rating Based approach (IRB approach) as soon as possible. This is based on the use of internal rating models and internal estimates of risk parameters for the management, quantification and reporting of individual types of credit-related risks in line with its Implementation plan.

From 1.1.2009 the Bank has calculated the capital requirement in terms of the approved IRB approach for a large part of the non-retail portfolio (i.e. for sovereign entities, institutions, corporate entities, project financing,

insurance companies, investment in funds and purchased receivables). Based on the approved IRB approach, the Bank is authorised to quantify capital adequacy for the aforementioned organisations through its own estimates of the projected likelihood of the counterparty defaulting, making the quantification of credit risk much more risk-sensitive, and also the capital requirement corresponds to the assumed risk much more in real time. Especially at a time of economic crisis, this approach made it possible for the Bank to include in its capital requirement the influence that the period of economic decline had on its portfolio.

Based on the Implementation Plan, in the course of 2009 the Bank actively prepared for the transition to the IRB approach also for its other portfolios, with its effort paying off with the consent of regulators to use the IRB approach for the retail part of its portfolios. This approval process is currently in the finalisation stage. This approach makes it possible for the Bank to evaluate the risk of its retail portfolio based on its own estimates of all fundamental risk parameters, especially the probability of default of retail customers and their exposures, losses in the case of default and credit conversion factors for off-balance sheet exposition and then to utilise these estimates for comprehensive portfolio risk management.

An essential part of the activities of 2009 concerned implementation of complex change management with regard to key non-retail risk processes, which is an essential requirement for the long-term stability and trustworthiness of the IRB approach. This activity will be carried out in 2010 also for retail risk processes.

The basic principles of managing the credit risk of corporate clients, including SME, are set out in the Credit Manual, which is binding for the whole RI group and is based on the RZB Group Credit Manual. The direction of the Bank in managing non-retail credit risk is elaborated in more detail in the Credit Policy of Tatra banka, which is approved each year by the Supervisory Board. For the upcoming period, the Credit Policy defines target, restricted and excluded sectors of financing, the minimum requirements for a credit transaction with each client (rating, value of collateral, requested margin), and also the target structure of the loan portfolio. The Bank is very conservative in the formation of provisions, and apart from individual provisions it forms also portfolio provisions for the non-retail loan portfolio.

Regarding retail risk, in 2009 the Bank concentrated primarily on stabilising the quality of the loan portfolio and the development of infrastructure. The process of regularly developing and updating scorecards greatly helps also to have reliable and consistently managed portfolios. The goal of building up infrastructure is to create a reliable solution that makes flexible reaction to external changes possible. A fundamental part of this is to define targets for individual components of credit risk management, and also for employees themselves. The mentioned process can be characterised as a comprehensive approach comprising the thorough preparation and subsequent application of the principles of credit risk, credit policy and guidelines, as well as effective management tools.

Market risk

In respect of market risks, in 2009 the Bank continued to face greater risks due to the prevailing financial crisis. The methods and models used for monitoring all types of market risk are therefore subject to strict supervision and the parameters affecting the outputs that serve for managing market risks are regularly re-appraised. The limits protecting the Bank from turbulences on the markets are set prudently and conservatively in order to constrain potential losses.

The liquidity of the Bank continues to be regarded a top priority in terms of the healthy functioning of the Bank. This is another reason why models for monitoring the state of liquidity are set very conservatively, so as not to endanger the functioning of the Bank even in the event of stress scenarios.

Operating risk

Calculation of own sources to cover operating risk is done in the Bank by the standardised approach method. As the Bank is well aware of the seriousness and possible impact of operating incidents on the profit and value of the Bank, it uses progressive qualitative and quantitative methods to manage operating risks. By applying this approach, in 2009 the Bank managed to identify various risk areas from the perspective of operating risk and take steps leading to mitigation or complete elimination of the identified risks.

In connection with the global economic crisis and its consequences, in 2009 the Bank did not register any major operating losses (with the exception of external credit retail frauds, which manifested in connection with increased loan defaults).

Basel II, Pillar 2 and economic capital

The Bank has implemented and is continually modifying and supplementing the methodology and process procedures also for the internal process of determining capital adequacy (so-called Pillar 2). As part of this process, all relevant risks are evaluated regularly in the Bank in line with the risk profile, their quantification and evaluation in the context of the risk appetite that the Bank is willing to undergo and the projected formation of capital and subsequent reporting for the Bank management.

The process of capital allocation is an integral part of this, as it is closely linked to the budgeting process. As part of this process, by using an approved allocation key individual commercial units of the Bank are assigned an expected level of performance indicator of Return on risk adjusted capital (RORAC). This indicator expresses the level of yield in relation to risk, which individual transactions, portfolio and business units should achieve in order to satisfy the anticipated goals of the shareholder at an acceptable level of risk.

Forecasting and stress testing capital adequacy

Due to the transition to more advanced ways of measuring risk and capital adequacy, together with changes in the economic environment, a crucial aspect of risk management is the thorough prediction of capital adequacy, as well as stress testing, with the aim of eliminating the impact of unforeseeable events and for the sake of effective capital planning. Information about individual risks facing the Bank and about capital are taken into account in the actual running of the Bank and in its sales strategies so as to achieve an optimum compromise between reducing individual types of risk and increasing market share, profit and return on capital. The risk-sensitive quantification of regulatory capital requirements and economic capital constitute the basis of an objective decision-making process.

In 2009 the Bank continued to develop its stress testing of capital adequacy for credit risks based on internal estimates of risk parameters, this in relation to potential changes to estimated risk parameters, the migration of clients and receivables as part of rating levels, a drop in the value of security, the state of economic recession and other changes for all material sub-portfolios of the Bank. Integrated results of stress testing were presented to the Bank management and the National Bank of Slovakia.

Summary of consolidated performance

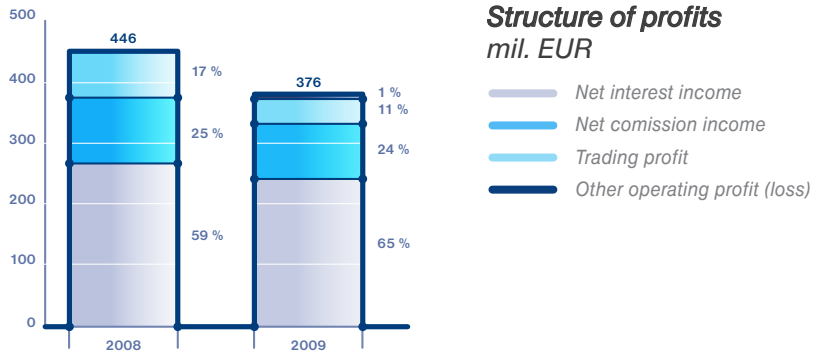
The consolidated after-tax profit of the Tatra banka Group was down 27.74% y/y, i.e. by EUR 36.42 million to reach EUR 94.88 million. This drop was attributable to the outage in revenues from currency conversions and hedging instruments as a consequence of entering the eurozone, lower interest income and greater provisioning. Despite a significant drop in costs by 12.21%, Tatra banka registered a moderate increase in the cost/income ratio from 53.14% to 55.4%, which is regarded as an excellent result considering the drop in income caused by the financial crisis and adoption of the euro. In consideration of the lower consolidated profit and increase in capital in 2009, the rate of return on equity dropped y/y to the level of 17.71%.

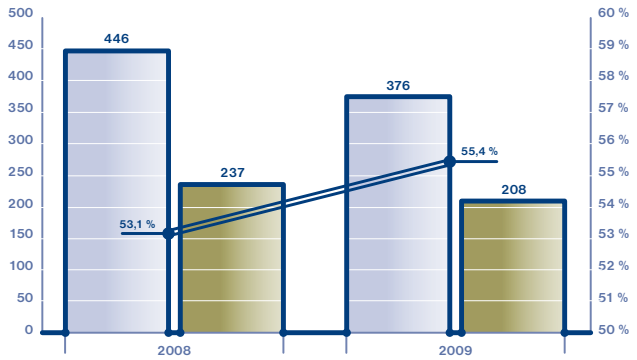
Development of income and expenses

The development of net interest income was influenced by growing pressure to cut margins on the side of liabilities due to rising competition, caused by sharp changes on the financial markets, which resulted in lower availability of liquidity and the Bank paying greater attention to client deposits. Another influence came in the shape of weakened growth of the loans business and a growth in liquidity premium. For these reasons, net interest income fell by 7.44%, i.e. by EUR 19.47 million. The retail segment (including small enterprises and micro) continues to be the largest contributor to Net interest income, i.e. this segment accounts for more than 70% of generated Net interest income. The share of Net interest income in the structure of consolidated operating income grew by 5.80% y/y to 64.5%.

Net fee and commission income, which accounts for just under 24% of total operating income, was down 20.3% y/y to EUR 89.55 million. This drop was caused by lower fees from transactions (re-classification of foreign payments within the eurozone to domestic ones), an overall drop in the number of transactions and cash operations compared to 2008 and a drop in fees from Tatra Asset Management (temporary reduction in entry and transfer fees). It can be therefore generalised that on one hand the change in income from fees was affected by the entry of the Slovak republic to the eurozone, while on the other hand the effect of the economic crisis led to a drop in the overall number of domestic and foreign payments made due to weaker export activities of Slovak companies.

The share of Net trading income in the structure of consolidated operating income dropped to 10.86%, with this 45% y/y drop strongly influencing the value of total income. The structure of trading income comprises chiefly foreign exchange gains, the reappraisal of interest and currency derivatives, revaluation of trading securities and profit from the sale of securities. It was this item in particular that was most affected by adoption of the euro, following which, the volume of currency conversions and hedging instruments fell dramatically, which reflected in a drop in revenues linked to these transactions.





Development of Cost-Income ratio
mil. EUR

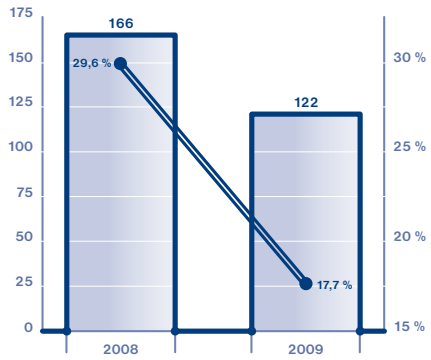
Operating income
General administrative experience
Cost/Income Ratio

General administrative expenses were down 12.2% y/y to EUR 208.1 million, this cut being thanks primarily to optimisation of IT expenditure, which had fallen dynamically compared to 2008. This area was previously very cost-demanding due to adoption of the euro. With the application of various austerity measures, Tatra banka managed to cut also other costs, which led to a strong overall y/y reduction. In line with the plan of making activities and resources more efficient, on a y/y basis we cut the number of employees by 9.6%, which produced also major savings in personnel expenses.

Balance sheet development

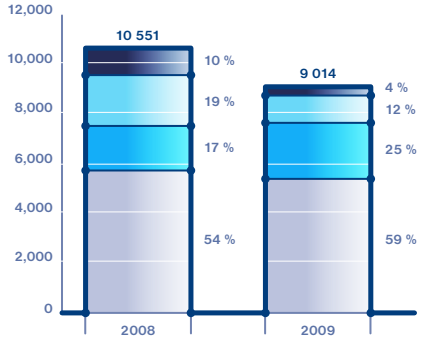
Consolidated assets of Tatra banka Group dropped 14.57% y/y to reach EUR 9.014 billion to the end of 2009. Entry to the eurozone strongly affected the interbank market, with an overall drop in liabilities toward foreign banks and also in deposits in the NBS, which to a large extent explains the reduction in the Bank's consolidated assets. Tatra banka's loan portfolio comprised EUR 5.48 billion, down 4.9% y/y, while the share of non-performing loans in the portfolio increased to the level of 4.63% as of 31.12.2009, which reflects the deterioration in the loan portfolio caused by the global financial and economic crisis.

A slight growth was seen in housing loans and home equity loan, so that by the end of 2009 they accounted for over 30% of the overall loan portfolio.



Development of profit and return on equity
mil. EUR

Profit before tax
ROE before tax

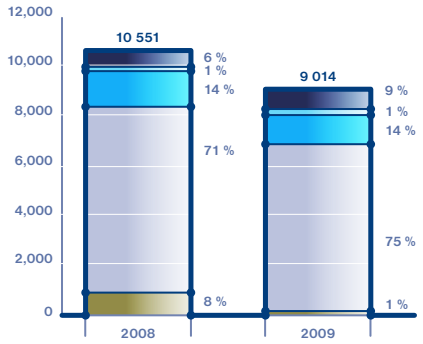


Structure of balance sheet assets
mil. EUR

- *Loans and advances to customers*
- *Securities*
- *Loans and advances to banks*
- *Others assets*

Client deposits were down almost 10% y/y, in absolute terms by EUR 738 million to the level of EUR 6.72 billion. This decline was due to retail and also corporate deposits. Loan deposit ratio on a consolidated base as of 31.12.2009 was 81.66%, meaning deposits adequately covered the credit operations of the Bank. To the end of last year loans comprised 77.3% of client deposits, i.e. loans fell slower in 2009 than deposits.

To boost the capital of the Bank and support its growth potential, Tatra banka successfully issued ordinary shares worth EUR 110 million in 2009. Despite the transition to the Basel II standard in 2008, the Bank has continually and with a sufficient margin fulfilled the measures of the National Bank of Slovakia on capital adequacy. The indicator of capital adequacy was on the level of 11.80% as of 31.12.2009.



Structure of balance sheet liabilities
mil. EUR

- *Deposits from banks*
- *Deposits from customers*
- *Others liabilities*
- *Subordinated capital*
- *Own funds*

Segment reports

The principle used for classifying individual segments reflects the segmentation principle of our shareholder Raiffeisen International. Segmentation in Tatra banka is as follows:

- Corporate Clients
- Retail Clients
- Treasury
- Domestic and foreign payments
- Equity participations
- Human Resources
- Tatra banka Support for Education and the Arts
- Nadácia Tatra banky (Tatra banka Foundation)
- Objectives for 2010
- Statement for Corporate Governance

TATRA BANKA
Member of Raiffeisen International

Corporate Clients

	12/2009 in EUR thsnd	12/2008 in EUR thsnd	12/2007 in EUR thsnd	12/2006 in EUR thsnd	12/2005 in EUR thsnd
Net interest income	68 141	60 180	48 111	38 991	32 345
Net provisioning	-23 186	-19 990	-7 428	-10 046	5 272
Net interest income after provisioning	44 955	40 190	40 683	28 945	37 617
Net income from commission and trading	17 636	35 601	33 565	28 375	26 740
Operating expenses	-33 774	-37 073	-32 883	-29 606	-25 364
Profit before tax	28 817	38 719	41 365	27 714	38 994
Cost/Income ratio	39,37%	38,71%	40,26%	43,95%	42,93%

Note: Large & Mid Market corporates

Tatra banka takes individual care of its corporate customers through relationship managers at our head office and nine Corporate Centres. These Corporate Centres are spread throughout the most important regions of Slovakia and together with representation offices make up the network of 17 contact points for clients in the SME segment. Caring for large corporate clients is concentrated at the Bratislava head office of the Bank. A professional service for companies from a wide variety of branches is guaranteed by a total of 173 relationship managers – corporate business experts who are in direct contact with the client, and 103 product specialists, who are responsible for processing client requests in the Bank.

Large corporate clients

Results in the segment of large corporate clients were influenced chiefly by the impact of the financial crisis and adoption of the euro. The outage in revenues from FX operations reached almost 30%, but despite this negative development, Tatra banka managed to compensate for it partially through sales of other products, especially with regard to hedging interest rates.

Regarding assets (+0.19%), main focus was on maintaining the quality of the loan portfolio. In the past year the dynamic growth in assets was halted, and the Bank concentrated on stabilising loans and supporting existing clients through the financial crisis.

Freshly granted loans went to the energy sector, infrastructure and partially also to increasing credit lines already in place.

In the segment of large corporate clients there was also a drop in the volume of deposits (- 17%), which was caused chiefly by the structure of clients. Following adoption of the euro, there was a natural outflow of deposits and stronger concentration of cash management operations to the treasuries of head offices of parent companies abroad.

Despite the major change in the economic environment, in the segment of large corporate clients the Bank still managed to achieve the planned results. In the structure of revenues the largest share falls to net interest income, while the Bank saw a stronger decline in fees and revenues from treasury operations.

Throughout the year particular attention was devoted to monitoring the loan portfolio and to implementing the new system for identifying potential problem clients. The crisis obviously took its toll on the quality of the portfolio in this segment, but the overall volume of problem loans was in line with projected development.

Regarding acquisitions, Tatra banka was successful foremost in gaining new foreign clients, which took the total number to over 1,000.

SME segment

The year 2009 was extremely demanding for the segment of Small and Medium-sized Enterprises (SME). It was marked by the climaxing of the financial and economic crisis, which hit a large part of the portfolio of companies classed to the SME segment. Companies registered a drop in demand, fewer contracts or the loss of contracts, and an overall decline in faith in the business sector. Despite this fact, the situation in the SME segment (regional clients) was relatively favourable. The year-end results of the Bank in 2009, just as in other segments, were affected mostly by adoption of the euro in Slovakia, which was linked to the outage in income from FX operations and fees for foreign payments. Because of this decline, in the segment of regional clients a drop in revenues by 19% compared to the previous year was registered, which mirrored the expectations of the Bank. Considering the fact that profits in the Slovak banking sector were down by an average of 50% for 2009, the status is regarded as positive.

In 2009 Tatra banka managed to generate the planned volume of revenues also thanks to changes in the segment strategy, the optimisation and automation of processes in the processing of loans, by the introduction of process management, by adapted training of the sales network and by supplementing the sale of loan products with intensive selling of deposit products. With these and other measures the Bank managed to keep the volume of deposits on the level of the previous year and so successfully coped with the general pressure on the Bank's liquidity.

As usual, in the SME segment special attention was devoted to acquisition activities, whereby in spite of the crisis year the number of clients increased by 3%, i.e. by 250 clients. In spite of the complex economic situation of many small and medium-sized companies, the Bank still managed to produce a fairly high y/y growth in the loan portfolio in the segment of regional clients, this by as much as 11%, even though in the first three quarters risk factors for loan deals were re-appraised and greater caution was paid to the granting of new loans. This percentage of growth translates as EUR 130 million, taking the average annual volume of the loan portfolio to over EUR 1.3 billion.

In the Middle market segment Tatra banka concentrated on stabilising and stricter monitoring of the existing loan portfolio due to the prevailing economic crisis. The Bank also paid great attention to raising the quality and effectiveness of the credit process. This activity accelerated the processing of loan applications and ensured prompter reaction to changes in the economic situation of individual clients.

In 2009, in the area of financing the Bank focused its attention on being more prudent in the provision of loans. In the SME segment Tatra banka tried to maintain a healthy existing portfolio of clients. It continued in co-operation with the Slovak guarantee bank Slovenská záručná a rozvojová banka, a.s. (SZRB). Fast loans with an SZRB guarantee helped especially smaller clients to gain credit, thanks to reduced demands for collateral. Tatra banka provided 718 of these loans worth a total of EUR 50.153 million (46% less than the preceding year). The Bank also continued with the special loans programme of the EBRD, earmarked for the financing of energy saving projects. The Bank managed to draw the whole credit line of EUR 15 million, which to a large extent was used to renovate the stock of flats, with the aim of reducing their energy demands.

Project financing

Even in the face of the economic crisis and a sharp drop in demand for new loans for financing property, in 2009 Tatra banka enjoyed a growth in the volume of drawn loans from EUR 673.12 million as of 31.12.2008 to EUR 762.20 million as of 31.12.2009. The main reason for increasing credit exposure was to complete loan drawdown in order to finish unfinished projects. In previous years the main task of project financing was to finance properties.

In 2009 Tatra banka concentrated more intensively on other types of projects – mostly in the field of energy. It had great success in this area, e.g. financing the first biogas station.

Tatra banka started financing renewable energy projects at a time when this kind of generation was still not supported by any legal norm on the compulsory purchase of electricity at a fixed price for a period of 15 years. This rule, which at the current time greatly simplifies the financing of similar energy projects, was not promulgated until June 2009 through the Act on Renewable Sources.

Investment into renewable energy projects that were financed by Tatra banka before this law acquired force, amounted to EUR 41 million, with the volume of actual financing coming to EUR 31 million. To the end of 2009 Tatra banka approved further financing, taking the overall amount of investment to EUR 77 million and the amount of financing to EUR 59 million.

Trade and export financing

Tatra banka confirmed its position as one of the strongest export banks in Slovakia, in particular by occupying the top spot in terms of volume of granted loans – Financing investments abroad with the insurance of EXIMBANKA SR, and also in terms of the volume of granted refinancing loans worth EUR 58 million.

Some of the most important financed territories: Europe, Great Britain, and also riskier territories like Egypt, Belarus, Cuba, Venezuela, Ukraine, Turkey, Algeria, Serbia and Russia, where Tatra banka supported export worth EUR 138 million in total. We managed to achieve this target also thanks to the team of experts in guarantees and letters of credits, for which Tatra banka holds the leading position among banks on the Slovak market. A challenge set by Tatra banka in 2010 is to become the top bank for Slovak exporters and to assist them in restoring disrupted business relations, and to enter new territories while minimising their risks through the insurance and guarantee products of EXIMBANKA SR.

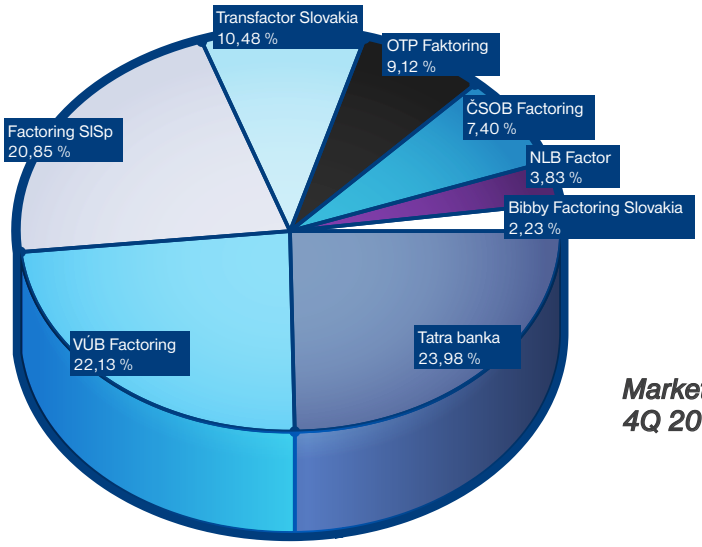
Factoring of Tatra banka confirmed itself as leader on the Slovak market

Following an extremely successful year in 2008, in 2009 factoring of Tatra banka posted an 11% y/y drop in the turnover of purchased receivables due to the economic crisis. This was the weakest decline on the factoring market, however, which saw an overall drop by more than 26%.

The fact that factoring of Tatra banka increased its market share in 2009 to a record high 24% reaffirmed its position as the largest factoring company in Slovakia.

The total volume of refinanced receivables in 2009 came to EUR 269 million. The shares of domestic and foreign factoring produced an exceptional balanced ratio of 50:50. The share of non-regressive factoring in total turnover once again grew from 9% in 2008 to 16% in 2009. The profitability of the product increased by 9% y/y despite a drop in factoring turnover.

The share of large clients in total turnover increased dynamically. This segment dominated with a 50% share, with medium-sized companies accounting for 33% and small companies for the remaining 17%.



Market share of members of AFS 4Q 2009

Agribusiness financing and EU projects

Tatra banka, as a bank that provides strong support and has a strong representation in the agriculture sector, continued to devote great attention to farmers, and even though there has been a drop in the provision of credit in the banking sector, the volume of credit sources that the Bank provided to the agriculture and food sectors actually increased. This led to a growth in the market share of the Bank to over 20%.

The boosted position of the Bank as a strong partner in the agriculture business proved that it had taken the right steps by creating a specialised team to deal exclusively with the financing of farmers and to resolve their specific needs, which in 2009 was boosted by the introduction of process management in order to rationalise and improve the quality of the loan process.

Just like in previous periods, financing was directed primarily at commodity financing, the financing of direct payments, environmental assistance or other subsidies, the provision of investment loans and loans for the purchase of agricultural equipment.

The desire and endeavour to understand this segment was not just to do with financing, but also with various other stable activities; involvement in discussions in the media, or at specialised conferences. Tatra banka was once again the general partner for awarding the NAJ prizes for the best breeders and growers in 2009 and as customary, it was the partner of the gala evening on the occasion of the Agrokomplex trade fair, where the most successful breeders and growers received their awards from the Agriculture Minister.

Treasury

In the client department, the year 2009 was strongly affected by the changeover from the Slovak koruna to the euro. Nevertheless, Tatra banka retained first spot on the Slovak market in terms of the number of deals with clients.

Compared to 2008 Tatra banka registered a drop in the number of direct deals, which were partially compensated by derivative products and products with higher added value.

In the previous year the department continued in the established trend of increased care of institutional clients, whereby it successfully launched several primary issues of securities.

It was yet another year in which the Bank proved that its endeavour is to provide its clients with an innovated and perfected product palette.

Retail Clients

	12/2009 in EUR thsnd	12/2008 in EUR thsnd	12/2007 in EUR thsnd	12/2006 in EUR thsnd	12/2005 in EUR thsnd
Net interest income	176 312	166 295	140 503	117 218	106 690
Net provisioning	-28 626	-23 356	-10 981	-6 371	-14 327
Net interest income after provisioning	147 686	142 940	129 521	110 847	92 362
Net income from commission and trading	73 961	112 464	100 020	84 062	82 775
Operating expenses	-153 977	-171 446	-153 331	-127 801	-126 241
Profit before tax	67 670	83 958	76 211	67 108	48 896
Cost/Income ratio	61,52%	61,50%	63,75%	63,49%	66,63%

Note: Private Individuals, Private banking, Micro companies, Small Enterprises and Special customers

The whole of 2009 was clouded by the financial crisis, but even in this situation Tatra banka continued in the established trend to increase the quality of services both on the side of sales and on the side of actual service. Retail continues to be a key segment in the Bank.

Many changes came in 2009 where retail in Tatra banka is concerned, a year in which Tatra banka collected the largest part of Slovak koruna cash as it was withdrawn from circulation, even through disproportionately fewer branches than the other banks from the top three.

A reaction to the prevailing financial crisis was to create the concept **Financial** diagnostics™ as an integral part of the client analysis process at all branches of Tatra banka. With this tool specialist at the branch produces **Financial Health Snapshot** for the client, which serves as the basic requirement for making the right decisions to purchase individual financial products.

Special attention was given also in 2009 to the training and professional development of employees. Cost cuts brought on by the global crisis were not made to the detriment of education for employees. On the contrary, planning and support for educational activities has always consistently focused to a great extent on the permanent development of workers, on forming their personalities and work skills. Tatra banka benefited strongly from extending education to include also electronic courses, which workers undergo before starting training. The volume and content of training were expanded to include communication and practical training.

The system of certifying branch workers was also changed, and they are now certified twice a year, thereby increasing the level of knowledge of personnel continually. In this way the Bank systematically increases the quality of services and the satisfaction of its customers.

Branch network remains stabilised

During this demanding period, Tatra banka stabilised its branch network without major changes. This year it once again provided clients with the chance to use the services of Tatra banka at newly opened branches, while at the same time making the long planned reallocation of branches, and the merging of activities of several branches into localities, which customers prefer and use more. Tatra banka thus optimised its branch network to a total of 127 branches. It continued fully in 2009 to provide specialised services concerning housing, this via our **Centres** of Living™ and a full service for investing via **Investment** Centre™.

Tatra banka played biggest part in withdrawing the Slovak currency

The precise and pedantic preparations made by the Bank for the unique task of participating in the withdrawal of the Slovak currency from circulation produced fruits in the end. During the period of dual circulation Tatra banka collected and submitted to the National Bank of Slovakia some 25 million coins and 17 million banknotes of the outgoing Slovak currency, which is 28% of the total and more than any other Slovak bank.

Financial advice

In line with the strategic goals of the Bank (Vision) and in order to establish long-term relations with clients (Mission), a new consulting tool was proposed. The standard of provided services emphasises the relationship between the client and the Bank so that the client will visit the Bank also during uncertain times.

According to its Mission and Values, in 2009 Tatra banka focused on improving the professionalism and quality of financial advice. Tatra banka's Mission is to provide exceptional personal and financial comfort to clients, who care about who is handling their money, and how. In reaction to the impacts of the economic crisis, in June 2009 Tatra banka started providing a new service aimed at analysis of the financial areas of the client using **Financial** diagnostics™. The point of this is to provide the client with a comprehensive picture of their financial situation in an easy to understand way. The output of this process is to point to inadequately secured areas of the client's financial life. As much as 40% of clients had a **Financial** diagnostics™ made when consulting with the Bank, which translates to over 150,000 **Financial health overviews**. The analysis aims to evaluate the available surplus of the client, to assess financial reserves, the level of indebtedness, secure risks and their pensions. The Bank employee provides the client with a recommendation tailor-made to their needs, based on the results of the **Financial** diagnostics™.

In order to ensure sufficient reserves, the Bank offers various saving options: conservative form of deposit accounts, or regular investing with **Saving programs** in the TAM mutual funds. In 2009 the Bank extended its product range by new possibilities aimed at appreciating the savings of clients: Managed deposit, 3-year time deposit account and Mortgage bonds.

Every client who in the second half of 2009 expressed an interest in some loan product, had a **Financial** diagnostics™ prepared to assess their ability to repay the loan even in critical situations.

The economic crisis reflected in the ability of the population to repay loans. Tatra banka reacted to this situation by providing advice in the field of loan restructuring.

In order to resolve the coverage of risks, Tatra banka offers its clients bank insurance products, which combine regular investing with life insurance. The Bank also offered its clients the possibility to insure their loan repayments.

Tatra banka supports pension assurance through its subsidiary, the supplementary pension company DDS Tatra banky.

In the affluent segment personal bankers used the **Financial** diagnostics[TB] and Financial audit products as advisory tools. Based on the results, they propose clients the most effective way to handle their finances and to use the Bank's services.

In the area of investment, clients had at their disposal a broad range of mutual funds of the asset management company Tatra Asset Management.

Just as in previous years, Tatra banka provided professional advice through its specialised branches known as **Centre** of Living[TB] and **Investment** Centre[TB].

Mortgage loans market dominated in 2009 by buyers

In 2009 Tatra banka registered a drop in the interest of clients in mortgage loans, which was caused by the economic crisis and expectations of falling property prices on the side of those interested in buying property. At the end of the year, the interest of clients in loans started to rise again.

In 2009 the Bank approved 2,952 mortgages worth EUR 176.81 million, 664 mortgages with state bonus for young families worth EUR 27.23 million and 2,618 home equity loans worth EUR 72.53 million.

2009 was a year full of new aspects

In April 2009 the Bank offered assistance regarding retail loans to clients who had lost their employment. Clients could request the deferral of repayments, extend the loan maturity, thereby reducing their monthly loan repayments. Tatra banka continues to work also on making the loan restructuring process more effective for its client.

In May 2009 the Bank provided various discounts for key clients, in the shape of a 100% discount on loan processing fees, and generously discounted interest rates.

At the same time, the Bank applied more cautious criteria for rating those applying for credit products, which was caused by the rising number of unemployed people and a sharp drop in property prices.

From August 2009 clients have had the chance to model their own mortgage from the comfort of their own home, using new attractively designed calculators directly on the Tatra banka website. The calculator is quick and is used to calculate the amount of monthly mortgage repayments and the amount of loan that can be provided.

In 2009 Tatra banka slashed its interest rates for its customers several times. In October 2009 the Bank cut the interest rates to the level of those from 2005, meaning interest rates ranged from 4.29%.

Non-purpose loans still a big hit

The provision of non-purpose loans, especially in the second half of 2009, were enhanced in Tatra banka by the unique service **Financial** diagnostics[TB]. Even though compared to the previous year the number and volume of granted non-purpose loans had dropped, Tatra banka endeavoured foremost to give loan applicants a complete picture of their financial situation, including information about the level of client indebtedness. **Financial** diagnostics[TB] created space for the overall evaluation of financial health, emphasising the importance of creating financial reserves, insurance and the securing of other risks also in the case of critical situations. In the processing of non-purpose loans, clients could appreciate not only the simplicity and speed of granting the loan, but also attractive interest rates, which Tatra banka cut in May 2009.

In the case of **Non-purpose** loan[TB] **Classic**, the total volume of granted loans soared to EUR 58.74 million, with a total of 13,849 approved applications.

Non-purpose loan[TB] **Classic**	**2009**
Granted loans	13 849
Granted loan volume	58,74 mil. EUR

Interest rates were cut in May also for loans secured by finances. In the form of an overdraft or instalment loan, the Bank granted a total of 3,481 **Non-purpose** loans[TB]**Garant** worth EUR 29.39 million.

Non-purpose loan[TB] **Garant**	**2009**
Granted loans	3 481
Granted loan volume	29,39 mil. EUR

In retail, the business segment is still the centre of interest

The popularity of the loan product **Business**Loan[TB]**Expres** among clients was confirmed once again in 2009. A total of 1,481 **Business**Loan[TB]**Expres** loans were granted either in overdraft or instalment form, taking the total volume to EUR 34.28 million.

BusinessLoan[TB] **Expres**	**2009**
Granted loans	1 481
Granted loan volume	34,28 mil. EUR

Total sales of **Business**Loan[TB]**Expres** in 2009 corresponded to the set budget, which represented the projection of the Bank for the said year.

Current and time deposit accounts, client assets

In 2009 the key importance of primary deposits for the Bank was confirmed once again, just as it was in 2008. This corresponded also to the structure of offered products that the Bank prepared for its clients. Great emphasis was put on 'classic' deposit products, but the various structured deposit products were also of interest for clients.

Tatra banka has a pretty demanding year behind it in terms of stabilising primary deposits, which can be classed as successful because despite a downturn, the level of primary deposits today is more than satisfactory.

The drop in primary deposits at the beginning of 2009 was to a large extent influenced by adoption of the euro, because customers had the tendency to withdraw converted cash. The volume of retail primary deposits as of 31.12.2009 came to EUR 3.02 billion.

The total volume of liabilities on current accounts reached the level of EUR 1.628 billion. This volume was contributed to by funds deposited in the new service **Saving System**, which Tatra banka started offering together with the new service package **Tatra Personal**TB.

In the shadow of current accounts, an important role was played also by time deposits, for which Tatra banka offered new terms of 24 and 36 months, and also weighed up the possibility of establishing i:deposit with a fixed term of 24 months.

The stabilisation of primary deposits was to a large extent made possible thanks to the "Nicest Passbook" product with special interest rate.

Time deposit accounts and passbooks combined to produce EUR 1.325 billion in Tatra banka.

Regarding structured deposits, Tatra banka started offering Guaranteed Investment II and in the second half of 2009 the new product First **Managed** DepositTB. In total clients deposited over EUR 50 million to these products.

A new element in the field of financial advice came with the new service that the Bank introduced to its clients under the name **Financial** diagnosticsTB in June 2009. This free service gives clients the chance to receive information about which areas are financially health or not. **Financial** diagnosticsTB also makes it possible to discover potential consequences that could threaten the client if any financial difficulties are not resolved. It has become the basis for the whole assessment of financial health of the client and is directly linked also to the offer of options on how they can improve their financial situation.

With the establishment of the EBIC (European Banking Industry Committee), from 1.1.2009 Tatra banka started offering its clients the possibility to transfer current accounts between banks. By the transfer of a current account we mean the transfer of payment transactions, especially standing orders and consents to debit orders from the current account of the client in the original bank to a different current account in the new bank, together with the possibility afterwards to cancel the original current account. The main advantage of this service is greater convenience and comfort for the client when switching current accounts.

Payment cards

The year 2009 was a year of many changes, but also successes that Tatra banka achieved. One of these successes was promotion to the TOP 5 in two categories of the first year of the pan-European competition VISA Europe Awards 2009, whereby in the category "Most memorable moment with VISA" a Bank was awarded first place for the memorable moment of the first euro transaction made using the VISA Platinum credit card, just two minutes after midnight on 1 January 2009 when the nation was changing over to the new euro currency.

In April 2009 the Bank replaced the original designs of student cards with four new DOODLES designs of VISA Electron cards called Redart, Blackofil, Sníwhite and Migreena.

In June 2009 it launched a new service at all ATMs of Tatra banka called "Change PIN code". The service is available to all customers who hold any kind of Tatra banka payment card.

With the arrival of new service packages from November 2009, Tatra banka changed the design and limits of debit cards. Furthermore, cards issued to Premium Banking clients have a stylish white design and those for Private Banking clients are issued in black, while for both the standard limit is up to EUR 3,000. Another new aspect is the first loyalty programme relating to the use of debit cards. When using the card ten times, the client qualifies for a 50% discount off the price of the monthly fee for the service package. The discount is combinable so that if clients meet also other criteria, they can have the service package completely free.

In 2009 the Bank again issued two limited edition VISA credit cards devoted to the holder of the Nadácia Tatra banky prize for art. The first of them, depicting leading Slovak jazzman Peter Lipa, was issued from June to August. At the close of 2009, clients had the chance to receive the sixth limited edition of credit cards, this time devoted to leading Slovak artist Matej Krén.

In the course of 2009 Tatra banka worked on implementing the requirements of SEPA, which is supported by the Payment Services Directive. In the first phase of the project, card processes and commercial terms were harmonised with legislative requirements, with adaptation of all related documents.

Payment instruments used in individual countries are gradually being replaced with SEPA payment instruments. All retail payments in euro are therefore treated like domestic payments within the eurozone, meaning there will be no difference between cross-border and domestic payments.

In connection with these changes, in November 2009 the Bank therefore started issuing all new, reissued and replacement credit cards with chip technology. Before the mandates of the card companies VISA and MasterCard took effect, it equipped cards with highly technological and secure chips using DDA (dynamic data authentication). At the same time, in the period from November 2009 until October 2010 the said types of cards are being renewed in advance after just one year of validity, which means that by the end of 2010 all Tatra banka payment cards will be installed with a chip that provides maximum security of payment card data. When paying with the card, preference is given to the use of a PIN code to identify the cardholder.

A change was also made in the frequency of charging private debit cards. From November 2009 the philosophy of charging fees is the same as with private credit cards, where Tatra banka charge clients a monthly fee for the card. Cards issued as part of a service package are, of course, not charged separately, as they are included in the price of the package. The Bank also improved account statements for clients to include new information and items concerning payment card transactions.

From 1 December extended cover against loss from misuse of payment cards is applicable to all Tatra banka payment cards. This protection is over and above the framework of legal requirements, whereby clients do not bear any liability for misuse of the card in cases determined by the commercial terms.

In 2009 the Bank maintained its position as leader on the market with payment cards thanks to a 30% market share, with over 1.5 million payment cards issued in total to the end of the year. The Bank also held its market leader position in respect of credit cards. The decline of the portfolio was caused by the decision of instalment sales company Home Credit to centralise its issue operations gradually to outside the Slovak Republic.

The total volume of transactions made by payment cards stagnated on a level over EUR 2.6 billion, while the number of transactions increased by 12%. There was an impressive growth of 30% in the area of cashless payments. Cardholders made almost 22 million cashless transactions in 2009, the total cash volume of which amassed to EUR 882 million. The growth in the share of payment cards is evident in the portfolios of both credit cards and debit cards alike. The share of purchases by credit card came to 87%, and in the case of debit cards it was more than 26%, while in December alone it was almost 90% for credit cards and 30% for debit cards.

Preserved market positions in the acceptance of payment cards, even at a time of crisis

The year 2009 was affected by the ongoing global financial crisis. Many retail companies that were considering entering the Slovak market postponed their decision. Planned and half-built shopping centres also moved their opening dates to later. Nevertheless, the volume of transactions at payment terminals of Tatra banky increased. Following adoption of the euro, it could be see that cardholders were using their cards more often than before. The overall annual volume of transactions by payment cards increased by 6.2% to EUR 1.18 billion. The number of transactions increased to 31.66 million, which constitutes a growth of 29.36%. In Decmber a turnover in excess of EUR 133 million was generated, making us the first bank to break yet another threshold, comprising four billion when converted to Slovak koruna.

In the course of 2009 Tatra banka successfully launched the new service Change PIN, which is intended for holders of credit and debit cards of Tatra banka. The Bank's clients therefore received a unique opportunity to change the PIN code for their payment card to make it easier to remember.

For internet traders accepting payment card payments using the CardPay service, the Bank implemented the so-called 3-D Secure authentication of the cardholder in 2009 (Verified by Visa, MasterCard SecureCode). This technology guarantees protection for the trader also when the payment is made using a card that is not included to the 3-D Secure programme. This increased the level of security of internet transactions to the highest level currently available.

As part of improving the effectiveness of the ATM network, Tatra banka reduced the overall number of ATMs by 50 to total 323 machines. With a 14% share of the number of ATMs, Tatra banka is still in third place on the market in the Slovak Republic.

Internet banking

Tatra banka kick-started 2009 with the successful conversion to the euro. After a difficult year of implementing the euro, it prepared for its clients five new versions of Internet banking containing nine key innovations. Internet banking also confirmed its position as the most used channel for making domestic payments and maintained a rising trend in both the number of transactions and clients. In 2009, clients made 13.9 million domestic transactions via Internet banking, compared to just 2.8 million domestic transactions made directly in branches.

At the beginning of 2009 Tatra banka became the first bank in Slovakia to produce a version of Internet banking for mobile equipment - smartphones. This version is intended for work with internet banking on mobile equipment that can view HTML pages. Internet banking for smartphones has a special design and functions adapted to make work with small screens of mobile phones more comfortable, while providing the full functionality of classic Internet banking.

Another development for clients is the version containing extended functionality for credit cards in Internet banking – the option to filter and export transactions to standard formats more easily was created (*xml and *txt). At the same time, the Bank enabled access to the new section "Personal account DDS", in which clients of supplementary pension company DDS Tatra banky can monitor the current balance of their personal account for supplementary pension savings and get an overview of transactions made on the personal account.

More changes were implemented in order to provide clients with a greater scope of information available in Internet banking during technical interruptions in the central bank system.

From 1 November 2009 Tatra banka has been offering its clients the new service package **Tatra Personal**TB, which is accompanied by new functionality in Internet banking – displaying the new **Saving system** to a current account, the option to activate saving by payment card, and also setting the preferences of Optional overdraft.

Accounting for the implementation of SEPA in Slovakia, the Bank started providing more information via Internet banking about domestic and foreign payments and payments made by debit card.

Tatra banka culminated another unique project in Slovakia in 2009 – at present a beta version of Internet banking is online with totally new functionality - **Spending** ReportTB and Advice of invoices. **Spending** ReportTB is available to retail clients and shows the categorised expenditure of the client in a simple overview. Clients can adjust the set category according to their needs, and then manage their expenses with the help of a graph and tables.

Bills Advice represents a simple system for administering bills provided only through Internet banking – this functionality lets users of Internet banking receive electronic bills from selected providers, and to settle them with just "one click".

Tatra banka also made a change to the portal Shopping Zone, which is a catalogue of all internet shops that use the TatraPay and CardPay services. The new design provides clients with more information and makes searching for internet shops easier.

DIALOG contact centre

The DIALOG contact centre confirmed its position as a major distribution channel of the Bank also in 2009, not only in terms of how clients are served, but also in terms of active telemarketing – the sale of credit cards and the arrangement of meetings with the client to consult bank products. In 2009 the DIALOG contact centre successfully oversaw the activities for discovering customer satisfaction with services provided at branch level, and with the provision of retail and corporate loans.

The DIALOG contact centre is now available to clients also through the internet – using the service enabling call via internet. Clients can therefore utilise also this simple and free-of-charge way to contact the Bank. Clients can make calls to DIALOG via the internet by simply clicking on the green telephone of the service Call us via the internet directly on the Tatra banka website, where they will find all necessary information about how to use the service. Because communication between the client and the DIALOG contact centre is encrypted, using the service Call us via the internet is secure and calls are protected against possible call tapping.

Also in 2009 the DIALOG contact centre expanded its services to include activation of credit cards (VISA), the setting of savings schemes, preferred limit of permitted overdraft and for arranging meetings at the branch in connection with restructuring and **Financial** diagnostics™.

Private banking

The year 2009 was a hectic one for Private banking, partly due to external influences, but also internal ones, as the department was caught up in the movements on the markets, which in terms of scope were unheard of so often in the past. Private banking managed to maintain the trend of positive growth in assets and increase the number of managed clients even during this turbulent time.

The volume of client assets being administered increased to more than EUR 1.5 billion, which is a 34% y/y growth. Private banking of Tatra banka confirmed its position as leader in the private banking segment in Slovakia, and the count of clients increased y/y by 854, meaning 38% growth in this indicator.

It continued in 2009 with the introduction of secured structured products. The department successfully moved forward also with primary bond issues of the companies of the Tatra banka group, extending the offer to include corporate and state bonds based on co-operation with Raiffeisen RESEARCH GmbH.

The core provider of private banking products regarding fund investments is Tatra Asset Management. The volume of client assets in these funds amounted to EUR 302 million. Investment into funds is also offered by Raiffeisen Capital Management, thereby supplementing the range of fund investments on offer to clients.

In the third quarter of 2009 Private banking of Tatra banka became the first bank on the Slovak market to enable clients successfully to purchase gold, whereby the counterparty of the client in the purchase of the gold is Tatra banka, a.s. directly. The purchased gold can be handled in safe boxes in the premises of Private banking on Gorkého street in Bratislava.

A priority of Private banking in 2009 was to increase the quality of the provided service. New representative outlets in Trenčín and in Poprad were opened.

In 2009 maximum attention was given to risk in client portfolios. The risk of the client portfolio is its primary characteristic, about which is meant to be communicated continually with the aim of balancing client portfolios according to client preferences.

In the past year, the premises of Private banking were used to give various Slovak artists the chance to present their works, where on one side the idea was to support Slovak fine arts and on the other to offer clients also this rather untraditional form of investment opportunity.

Treasury

Treasury – transaction summary (in EUR bn)	2009	2008	2007
Foreign exchange operations with Tatra banka clients	6,1	**15,2**	**13,3**
Tatra banka client deposits*	1,6	**2,2**	**1,7**

* Average volume

The Treasury segment continued also in 2009 discharging of the tasks for which it received a mandate from the Bank's management. The Treasury Division, as the product point for investment services, fulfilled its tasks with four departments: Trading Department, Clients Department, Investment Banking Department and Asset and Liability Management Department. In the course of the year the division's activities were made more efficient, which was accompanied by some downsizing. The activities of the Investment Products Department were spread between the other departments. For several years the Treasury Division prepared in a commercial sense for adoption of the euro. As the first year with the new euro currency, the year 2009 was marked by an unrepeatable situation, with strong instability on the financial market and the need for central banks to adopt many non-standard measures. In this environment, it was necessary to revise the Treasury strategy regularly, and this has been shown to be a key element in adapting flexibly to changing market conditions.

The department representing the Bank on the interbank market, the Trading Department, was the first to come into direct contact with the crisis on the financial markets. The department was confronted day after day with reappraising the risks of counterparties on one hand, while maintaining the high standard of service quality on the other. The business plan of the department counted with the arrival of the euro and activities focused on the surrounding FX markets. Tatra banka was one of the few Slovak banks that managed to continue with interbank trading actively even after the Slovak koruna ceased to exist. On the money market, in 2009 the Bank linked up to the pan-European payment settlement system Target. The Bribor reference value was replaced by the Euribor. The Bank continued to participate in fixing the benchmark curves for state bonds.

Regarding corporate customer care, in addition to instruments for managing exchange risk, in 2009 product catalogues already contained other instruments for managing interest and commodity risk. Even so, it turned out to be a year in which the Bank devoted much more time to the short-term management of the liquidity of our clients, with the use of deposit and credit operations. Even so, clients had many opportunities to utilise derivate instruments to buffer the rising volatility on the markets. As was expected, following the extinction of the Slovak koruna, activity concerning conversions slumped by more than 50%. Likewise, telephone network was continuously improving reaching 97% availability rate.

Ensuring an adequate liquidity position was the greatest challenge to face the Assets and Liability Management Department in 2009, and the prudent loan policy of the Bank served to help it meet this challenge. The ratio of granted loans to received primary sources remained on the level of 85%. During the period of strongly deteriorating liquidity on the interbank market, the Bank was therefore not dependent on interbank market instruments. External debt was acquired only to satisfy legislative requirements for the coverage of granted mortgage loans by way of mortgage debenture issues. A key task of the department was to deal with the interest sensitivity of the Bank's portfolio to a change of interest rates. The introduction of new products, especially on the liabilities side, posed new challenges to the Assets and Liability Management Department upon the centralisation of market risks.

The Investment Banking Department underwent transformation in 2009. The return to classic banking saw a decline in activities in the field of structured products. The Bank utilised this period to make changes to product and process preparations in support of private banking and retail in the area of investment products and services.

Domestic and foreign payments

Regarding payment transactions, 2009 was a year of dynamic changes and challenges. Following the successful entry of the Slovak Republic to the European Monetary Union, Tatra banka moved forward with projects that made processing of client payments more effective and swifter. One of the most distinct changes was the creation of new printed forms for making payment orders, which satisfy the requirements for their automated processing – scanning of payment orders with identification of characters by the use of Optical Character Recognition technology (OCR). The solution entitled "Automated processing of payment orders PayScan in Tatra banka, a.s." was declared Microsoft Industry Award Winner 2009 in the category "Best solution for banking, insurance, finance management and utility" in June 2009.

Another key change came with incorporation of the EU Payment Services Directive (PSD) into national legislation. This meant that in the Slovak Republic, by adoption of the Act on Payment Services No. 492/2009 Coll., which represents a major benefit for clients, the common legislative framework for payment services providers within the EU and the EEA was adopted, with support for SEPA payment instruments.

Last year, Tatra banka again maintained the upward trend in the number of processed domestic payment orders. This was thanks mostly to payment orders sent through electronic distribution channels, which represent more than 85% of all transactions made. Regarding foreign payments, the share of transactions send through electronic distribution channels is even more distinct, in the range of 90% of the total volume of payment orders. The sheer volume and rising number of Bank transactions made through these channels goes to prove that electronic banking is now a common part of everyday life.

Equity participations

Tatra Asset Management

EUR in mill.	2003	2004	2005	2006	2007	2008
Total revenues	6,21	7,68	14,27	16,86	23,20	21,29
Profit after tax	0,30	1,60	3,28	3,76	5,94	6,54
ROE	14,8%	53,9%	60,8%	42,2%	43,1%	32,7%

Following a drop in the volume of managed assets in 2008, on the market of collective investment in Slovakia the year 2009 saw a return to asset growth in mutual funds managed by asset management companies. In the first quarter of 2009, managers of mutual funds still registered negative net sales, but from the second half of the year net sales got into the black again, mostly thanks to the sale of conservative money market funds, when for the whole of 2009 it came to almost EUR 111 million. The volume of assets in open-end mutual funds increased to the end of 2009 to reach EUR 4.1 billion, while the total volume of assets managed by asset management companies, including assets in managed portfolios and assets in funds for institutional investors, reached the level of almost EUR 6.1 billion. The total volume of assets in open-end mutual funds therefore increased by EUR 361 million in 2009 compared to 2008, which represents a 9.6% growth.

In 2009 Tatra Asset Management (TAM) defended its position as market leader with open-end mutual funds, but it did hold onto its high market share, because the rise in net sales of mutual funds from the second quarter of 2009 was enjoyed mostly by the other asset management companies. TAM's market share of 38% on the market of open-end mutual funds to the end of 2008 dropped to 32%, mostly as a result of lagging behind in terms of net sales of open-end mutual funds, when for 2009 TAM posted negative net sales. The main/primary reason for this was competition in deposit products and the conservatism of Slovak investors, who, unlike in the case of mutual funds, sought mostly fixed interest investment products in banks in the wake of the crisis.

The total sales volume of TAM mutual funds in 2009 registered a y/y slump of 64% to EUR 339 million. A major negative influence on this drop in the volume of TAM mutual fund sales came from the financial crisis, which affected the behaviour of investors as they gave priority to conservative banking products. The greatest share in the total volume of sales was recorded by low-risk money market mutual funds. Net sales of TAM mutual funds (total sales minus redemption) were down EUR 165 million, but on a y/y comparison it was an improvement of EUR 95 million, as net sales in 2008 had dropped by as much as EUR 260 million. Due to the said circumstances, the total volume of assets in TAM mutual funds was down 7.7% for 2009, reaching EUR 1.31 bn. compared to EUR 1.42 bn. to the end of 2008.

This situation on the mutual funds market and the drop in managed assets had an impact also on company revenues, which were down 39.4% y/y to EUR 12.9 million. A decisive portion of the revenues came from fund management fees (84%).

Total costs of the company fell 29% y/y to EUR 9.4 million (SKK 282.2 million). A major part of costs, just as in the previous year, were absorbed by costs for distribution of mutual fund sales (67%), but these had dropped also mainly due to a low sales volume of mutual funds. In the spring of 2009 TAM strongly consolidated operating expenses, which was essential because of the sharp drop in revenues, and thanks to which the company was able to cut operating costs by 25.6% against 2008.

In 2009 the company generated an after-tax profit of EUR 2.8 million, which is 57.1% down from the revious calendar year.

Supplementary pension company DDS Tatra banky

EUR in mill.	2003	2004	2005	2006	2007	2008
Total revenues	-	-	-	2,23	4,16	5,17
Profit after tax	-	-	-	0,28	1,30	1,81
ROE	-	-	-	13,4%	47,2%	41,8%

For the supplementary pensions savings market it was a year of legislative changes, because no sooner had supplementary pension savings companies adapted to the revision to the act which come into force from 1.1.2009, when preparations were already started on another revision to the Act on Supplementary Pension Savings, laying down additional conditions for how supplementary pension companies should operate. Although the combined total number of people with supplementary pension savings in all companies was down from last year's 800,000 to 750,000, the total volume of assets under management in supplementary pension funds actually increased to reach EUR 1.05 billion, which is a y/y growth of 11.2%.

As the market number two, Doplnková dôchodková spoločnosť Tatra banky (DDS Tatra banky) increased its market share of assets managed by supplementary pension companies by almost 1%, from last year's 27.9% to 29% at the end of 2009. The total volume of assets in supplementary pension funds of DDS Tatra banky was up 16% y/y to almost EUR 304 million, with the greatest value of assets placed in the Balanced Fund (85%) and in the Growth Fund (10 %).

The overall number of DDS Tatra banky clients fell 4% in the past year, making 202,000 clients. The drop was caused primarily by an increased number of pension payout requests (mostly pension accounts cancellations) as a consequence of the financial crisis impacting clients, and also by a lower number of newly concluded contracts. There were 7,264 contracts concluded with employers to the end of last year, which is a y/y growth of 4%.

	2003	2004	2005	2006	2007	2008
Employers contracts	4 255	5 040	5 837	6 366	6 610	6 965
Individuals contracts	127 264	143 638	157 159	187 333	204 996	210 725
Supplementary pension insurance contributions (EUR thsnd)	38 904,37	44 837,98	49 200,23	9 708,79	-	-
Supplementary pension savings contributions (EUR thsnd)	-	-	-	41 138,09	56 315,77	60 670,38
Paid out supplementary pension insurance allowances (EUR thsnd)	7 813,42	13 261,30	14 066,16	6 028,78	-	-
Paid out supplementary pension savings (EUR thsnd)	-	-	-	6 138,39	12 363,57	16 692,52

At the beginning of 2009 DDS Tatra banky enjoyed a problem-free changeover to the euro and adapted all processes, activities and individual products of the company to the new currency. Then in February 2009 DDS Tatra banky launched the new Conservative fund for the most conservative of investors and for those who are soon to request a supplementary pension allowances and who prefer a low-risk investment strategy for their savings. To the end of 2009 the volume of assets in the Conservative fund came to EUR 1.7 million.

Revenues of DDS Tatra banky for last year amounted to EUR 6.8 million, which is a growth of 32.1% over the previous year's figure of EUR 5.17 million, with the biggest share of revenues generated by supplementary pension fund management fees (79%). The biggest contributor to the y/y growth in revenues, however, were fees from pension accounts cancellations worth EUR 1.38 million, with which DDS Tatra banky enjoyed more than fourfold growth over 2008. Total costs of the company came to EUR 3.91 million (SKK 117.8 million), and the structure compared to 2008 had changed greatly. A major share of costs comprised operating costs (59%) again, and compared to 2008 DDS Tatra banky registered an increase in costs for distribution of supplementary pension sales, the share of which in total costs rose to 41%. In the spring of 2009 DDS Tatra banky strictly consolidated operating costs, which in addition to other measures led also to the outsourcing of certain operating activities, thanks to which the company was capable of cutting operating costs by 14.6% compared to 2008.

In 2009 the company made EUR 2.34 million in profit after tax, which was a growth of 29.8% compared to the previous calendar year.

Tatra Leasing

Leasing market in the year 2009 was represented by thousands of repossessed leased assets rather than by achieved business volume. In this period Tatra Leasing capitalized its long-term conservative strategy and we entered the year of the crisis with a healthy portfolio of clients as well as of financed assets. By using instruments like payment deferrals, restructuring of instalment schedules and assignment of contractual rights and obligations, in co-operation with clients Tatra Leasing avoided the impending losses on both sides.

The volume of new deals on the leasing market which as a secondary sector copies the cautious investment and consumption plans of businesses and households, fell by more than 45% y/y (in acquisition prices exc. VAT), while the financing of businesses was affected most. In the ranking of leasing companies, Tatra Leasing occupied globally 5th position. However, it reached a better result in the segment of trucks and trailers (2nd place) and in the segment of equipment (4th place).

The structure of leasing deals (in volume of acquisition prices) of Tatra Leasing in 2009 comprised the following commodity categories:

- trucks, trailers and semi-trailers 29.11%
- equipment 21.66%
- passenger cars 18.00%
- light commercial vehicles 14.24%
- ships, airplanes and railway wagons 9.65%
- PC and office equipment 4.12%
- real estate 3.22%

Human Resources

Tatra banka continued to build a successful brand as an employer

The year 2009 was marked by the economic downturn, and so also by cost cutting. An array of measures were planned and carried out to reduce staffing costs. One of the largest and most demanding projects was SLIM, focused on reducing the headcount and so also cost savings on payroll expenses. The project was executed very sensitively, especially since the number of employees was being reduced by 370 from the prior year. The dismissed staff were offered generous severance packages, bonuses for the prior year and consulting in their search for new employment through an external company.

The Bank was able to reduce the bank's staff turnover substantially, not just due to the hostile external economic environment but also through a proactive approach to resolving the problems that cause fluctuation. The result is a staff turnover of 11.7% throughout the bank, compared to 16.4% for 2008. Reducing the bank's staff turnover – which ultimately causes us financial losses – will continue to be our priority also to the future.

Regarding the building up of brand as an employer, Tatra banka concentrated on completing the tasks which emerged from the most recent employee opinion survey. Salaries for employees that were substantially undervalued compared to the market were adjusted. Compensations of high overtime levels were given by additional holidays, level of work from home expanded, relaxation areas and children's corners for employees' children were set up. Since the number of mothers on maternity leave has risen to around 700, this is one of the measures to produce a benefit not just for parents, but for the organisation, as well.

In 2009 Tatra banka ranked by one of the research agencies as one of the three most attractive employers in Slovakia. This also comes thanks to the projects we carried out at universities, through which the Bank endeavours to promote brand as an employer. Some 46,200 job-seekers applied for employment in Tatra banka, but it was able to oblige only 556 of them.

This high number of applicants is not merely by chance, but as a result of the systematic work in building up the employer brand, which ultimately reduces the organisation's expenses and enables the bank to raise the professional quality level of its employees.

Staffing structure remained unchanged; 70% of the bank's staff are women, and 30% men. Additionally, the organisation is young with an average age of 30, and a share of university-educated staff exceeding 50%.

Tatra banka Support for Education and the Arts

Tatra banka remained faithful to its strategic orientation on the arts and education also in 2009.

Once again Tatra banka was a general partner to the Slovak National Theatre and participated in premiere presentations with the Astorka Theatre, the Slovak Dance Theatre and the GunaGU theatrical association.

In Slovakia's regions, Tatra banka supported the City Theatre in Žilina, the Chamber Theatre in Martin, the J. G. Tajovský Theatre in Zvolen, the J. Palárik Theatre in Trnava, the J. Záborský Theatre in Prešov and the State Theatre in Košice.

At exhibition halls, Tatra banka played its part in preparing the unique exhibition of Josef Čapek at the Bratislava City Gallery and the "Nineteen-Eighties" exhibition project at the Slovak National Gallery.

Besides established artistic troupes, the Bank did not forget about young artists and in 2009 supported an exhibition hall especially for young artists, Galéria mladých (Youth Gallery) M++, also known as the "Shipboard Gallery", including the international "Sculpture and Object" exhibition at Bratislava's Zichy Palace. Tatra banka supported youth art through a partnership in the auction of the Foundation for Contemporary Art, in collaboration with Sotheby's auction exhibition hall.

Some of the large art projects that Tatra banka collaborated on in 2009 in the area of film include the prestigious film festival Art Film Fest in Trenčianske Teplice and GEN.sk (Galéria elity národa, Gallery of the Nation's Elite), a cycle of short television documentaries portraying prominent living public figures in Slovakia. Besides the big projects, the Bank also covered smaller, high-quality events such as the Revivals classical music festival in Kremnica under the auspices of Peter Michalica and an exhibition by Peter Pollág at Galéria u anjela in Kežmarok.

Tatra banka has invested several thousand euros in quality educational projects for universities where it sees a desperate need to support academic knowledge and improve the quality of the educational process. In particular Tatra banka has supported educational events in the field of economics and finance, principally by means of academic conferences, the publication of university textbooks, the development of library systems, and various other interesting and innovative projects at universities.

Tatra banka regularly contributes to the development of education also by supporting established conferences for top professionals and concerning work experience. In 2009, it once again became the exclusive partner of the TREND conferences and a partner to the prestigious HN Club discussion event. In collaboration with Eastone Books, this year Tatra banka once again published three book titles from the Business Class series: Richard Branson's Business Stripped Bare, Ted Turner's Call Me Ted and Warren Buffet's The Snowball. In collaboration with Petum publishing house, Tatra banka supported the publication of Hranice geometrie (The Borders of Geometry).

In the field of improving the quality of schooling, the Bank supported the non-profit non-governmental organisation INEKO, its monitoring of the reform of school curricula and information about key competencies for elementary and high schools. A socially important project in financial education for socially disadvantaged groups was developed in collaboration with the INTEGRA foundation.

Nadácia Tatra banky (Tatra banka Foundation)

In 2009 Nadácia Tatra banky (Foundation) concentrated its attention again on development of its strategic objective, which is to support and develop quality education in universities. It was a year that saw the successful application of four grant programmes, supporting 33 unique projects, with over 20 economic experts and scientists from abroad giving lectures at Slovak universities. Lectures from the laureates of The Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel, the Nobel Prize, as well as lectures by renowned scientific experts, are gradually becoming something of a tradition in the Slovak university community. In 2009 the Foundation donated over EUR 600,000 in support of educational projects and grants, which accounts for over three quarters of the Foundation's budget, with the other quarter going in support of Slovak art.

In 2009 the Tatra banka Foundation donated EUR 55,373 to gifted students in support of work experience and study stays abroad as part of the grant programme Students to the World. This grant programme has profiled as one of the most popular grant schemes of the Foundation. The activities of NGOs in the field of education in universities is a source of innovation and new unorthodox forms of teaching and the use of information, which is why the Foundation continued its grant programme Knowing More, specifically tailored to NGO educational activities. Grants as part of the Knowing More scheme were awarded to 14 projects in 2009, comprising a total of EUR 49,768. Supported projects were mostly workshops given by experts from abroad, select lectures with innovative themes, and projects focusing on exceptionally talented students. The E-Talent grant scheme, which was set up in 2009 to support research and education in applied information sciences, received EUR 32,697 from the Foundation, with 8 top projects receiving support. Support as part of the Quality Education round of grants, earmarked for development of the teaching process in universities, was awarded to as many as 11 university teams in 2009, which shared a total of EUR 35,379 in assistance.

It was also an exceptionally rich year in terms of names of renowned world economists. The topic of economic transformation in Central Europe was the focus of specialists from the economic institute CATO at a specialised workshop in March 2009. A workshop and lectures on institutional economy given by experts from the Ronald Coase Institute in May 2009 interested the professional community. Part of the series of lectures was a lecture by Professor Robert Aliber on the theme Four Financial Crises in the past 25 years. On 19 October university students had the chance to hear a lecture on the theme Lesson from crisis development given by Professor Ľuboš Pástor, a top Slovak economist who lectures at the University of Chicago Booth. The topic from the area of experimental economics "Trust – the key to productivity and development" was the focus of Maroš Servátka, PhD, in November 2009. Thanks to the turbulent situation on the financial markets, the visits by foreign professors became all the more significant. The educational activities of the Foundation culminated with the second year of the prestigious Nobel Prize Lecture Series, when on 22 September Slovakia was blessed by a visit of laureate of The Sveriges Riksbank Prize in Economic Sciences, Professor Edward C. Prescott.

As is the custom in the Foundation, November belonged more to artists and art. The Nadácia Tatra banky awards were presented for the 14th time on 12 November at the prestigious venue of the Slovak National Theatre. The laureate of the main prize for 2009 for audiovisual work was Peter Kerekes for directing the film 'Ako sa varia dejiny' (How to cook up history), while in the category of theatre the prize went to set designer Boris Kudlička for his stage design for the theatrical production Orpheus and Eurydice, in the category of music it went to opera singer Dalibor Jenis, and for literature the prize went to Pavol Rankov for his successful novel 'Stalo sa prvého septembra' (It happened on the first of September). Dezidet Tóth, who exhibits under the pseudonym Monogramist T.D., received the main prize in the category of fine art for the album 'Repartitúry'. The winners of the Young Artist awards for 2009 were Ondrej Kovaľ for the lead role in the play Amadeus and the character of Stiva in Anna Karenina, and for the contribution to music the prize went to Stanislav Palúch for his co-operation on the twin-CD Šeban - Godár – Breiner – Kolkovič, while Peter Pavlac took the young artist prize for literature for the theatre production 'Červená princezná' (The Red Princess). Lucia Nimcová received the award for fine art for her recent photographic work. On 22 November the Foundation co-operated as usual on the Open Days event of the Slovak National Theatre.

Nadácia Tatra banky also supported art with financial donations to regional theatres and theatre groups, which are a pillar of cultural life in regions. This was supported by the Foundation also through the employee programme Dobré srdce (Good Hearts), which provided support for 39 projects selected by employees which focused primarily on development of education, culture and art in regions. In 2009 Nadácia Tatra banky also supported the civil association Divé maky, which deals with the education and development of young Roma talent. As part of the programme Quality Education, the Foundation provided bursaries to students of the Academy of Performing Arts, who thus had the chance to develop their practical experience in the Slovak Radio Symphony Orchestra. Financial support also went to the issue of educational aids for students of secondary schools in the field of finance and economics, in co-operation with daily SME and the Nadácia Knihy školám (Books for Schools Foundation). Last but not least, the programme for developing and protecting cultural heritage monuments was also supported, under the auspices of the educational institute AINova.

Objectives for 2010

In the context of the financial crisis – which has affected economic activity not only in Slovakia, but practically all over the world – several challenges await us in 2010. One of these is to strengthen our market position, even at a time when several new players are announcing their entry to the banking market. Rising competition is always an impetus to improve the quality of the services that banks offer their clients. Flowing from the Mission we have established for ourselves, we want to provide our clients with exceptional personal and financial comfort. Therefore, having a distinct quality of services in comparison with the competition is an objective we seek to focus on, and in this way return to our former position. This is no easy task, as every bank wants to provide their clients with the maximum possible, and to constantly progress and improve.

We want out conduct to reflect the spirit of the Mission, Vision and Values we have set for ourselves. This means achieving long-term goals in a fundamentally transparent way. Our values include teamwork, enthusiasm, honour, seriousness, creativity and responsibility, which we also take note of at a company-wide level. We do not consider just our activities in support of education and the arts as responsible, as we are also interested in assisting those regions of Slovakia that are wrestling with problems. We are therefore moving some of our work sites to outside Bratislava. For a long time we have operated our call centres in Banská Bystrica and Nitra. Last year we decided to be active in another region currently battling with the mentioned unemployment levels. We decided to help the region in its fight against the current negative social phenomenon, and so opened a processing centre in Prešov. It is our ambition to strengthen and improve the quality of this centre so that it brings added value to our clients, to us and to the region itself. This year we aim to continue expanding the implementation of "Lean" methodology, the bonus system and process optimisation in operational processes. We intend to make a presentation and evaluation of the processing centre's successes as a reference processing centre with "Lean" methodology introduced, and to do so both within the Raiffeisen International group and outside it, in collaboration with reputable partners in Slovakia and, more particularly, abroad. We would also be pleased to utilise the processing centre to establish a "Lean Academy", which could boost the reputation not only of Tatra banka itself, but also of the Raiffeisen International group.

Despite the crisis, the market is beginning to revive gradually. We therefore expect to see the start of slow growth in interest in loans, both in retail and the corporate sphere (large, medium-sized and small firms). It is therefore necessary to get ready for increased demand and to set the stage so that we are able to satisfy as many of our clients as possible. Of course, this process must be set up responsibly. It is certainly not our ambition to provide loans at any cost with the goal of increasing our market share, but to be a conservative bank, which alongside progress takes into account also all potential risks. We must establish a lending policy such that we have the fewest possible loans in default and so that they are in good condition. As for the financing of real estate development, our endeavour will be to keep our place among the market leaders. We see greater potential for providing loans to finance other types of projects, mainly in the area of renewable energy resources. From the business perspective, we plan to start active trading progressively, while maintaining a careful risk policy and continuing to monitor our loan portfolio in a responsible way. We are interested in maintaining a stable base of deposits and are counting on the implementation of our CRM project (Customer Relationship Management).

In retail, we aim to continue our strategy of maintaining and attracting deposits by improving our services and through our innovative policy. We brought comfort to clients last year in the form of a new services package, TatraPersonalTB. In the field of current account packages, this year we plan to release further innovations: Detské konto (Children's Account), **Manželská** zľava^{TB} (**Spousals** Discount^{TB}) as well as the ever-evolving **Spending** Report^{TB}. Another important aspect will be to address individual age categories via **TatraPersonal**^{TB} life cycle packages such as **TatraPersonal**^{TB} Young, **TatraPersonal**^{TB} Academy and the like. We also aim to continue with a classic and popular product, the passbook savings account, so we will remain on the market with our "Nicest Passbook" with its triple bonus interest. Last but not least, we will continue the success of the products **Guaranteed** Investment^{TB}

as well as **Managed** Deposit[TB]. Progress and quality client care in the field of classic time deposit accounts is a matter of course. In the lending business we will further concentrate on eliminating the consequences of the financial crisis and we are working on the implementation of a restructuring package for clients, including government aid for mortgage loans. We will continually devote ourselves to automating processes, which will produce a better service for our clients.

An important area which is seeing progress every year is payment cards. We will continue to devote attention to reinforcing security features, and so we will then issue payment cards with Chip&PIN technology (not just for debit cards, but credit cards as well), and we will also continue converting more clients to using today's most secure technology for Internet Banking, Card & Reader. We feel that persisting with the issue of limited edition payment cards dedicated to Slovak public figures is a must. One new item we want to present to the market this year is Darčeková karta (Gift Card). We believe that we will be able to continue implementing the most modern technology in the field of payment card usage, with the goal of bringing clients additional added value and payment security. Concerning payment card acceptance, it is our goal to maintain or increase our market share in the volume of transactions made by means of our payment terminals. At our DIALOG contact centre, we intend to focus on further improvements to the quality of services provided. Our goal is to see the intensive use of a "satisfaction measurement system", a tool for monitoring service quality by getting feedback from clients. Of course, we also plan to improve service quality through the aforementioned Internet Banking, and to do so via the continuous introduction of new functionality based on our clients' suggestions and requests.

We certainly intend to focus our attention also on our subsidiaries. We plan to concentrate on three main points for Tatra Leasing: to deepen collaboration with the parent bank, to automate and optimise working processes and to amalgamate capacities for modification and innovation of working procedures. As for Tatra Asset Management, we are pleased that client trust in mutual fund investment has been restored, and at DDS Tatra banky we further plan to carry out the tasks set for us by the amendment to the Act on Supplementary Pension Companies in a responsible way.

The objectives we have set for ourselves for 2010 are ambitious, all the more so since we seek to meet them in what is far from a simple period. Big challenges, though, can move us ahead. Tatra banka has always had the highest ambitions and we aim to meet them, to the satisfaction of our shareholders, clients and employees.

Statement for Corporate Governance

The corporate governance system of Tatra banka is regulated by the Code of Corporate Governance in Slovakia, which is an integral part of the Stock Exchange rules for the acceptance of securities on the regulated market (hereinafter "Codex"). It is publicly available on-line at http://www.bcpb.sk/.

Specifically, the applied governance methods are based on the Codex and on regulations laid down in the internal guidelines of the Bank and its subsidiaries, such as competency guidelines, branch procedures, organisation, and management of the operation.

Internal controls applied in Tatra banka, a.s. constitute a control system covering all levels of the organisational structure and job positions, which includes process control, both direct and indirect control, as well as out of process control.

Internal controls are designed to ensure the safety and protection of assets and individuals, to guarantee the reliability and accuracy of bookkeeping, to support compliance with and communication of the strategy and goals, to enhance effectiveness and compliance with applicable regulations, and to minimise risks.

Direct control refers to all forms of continuous control measures, procedures and mechanisms in individual units of the Bank or its branches, which are a direct and immediate part of business processes on a daily basis and without which the working process cannot be deemed complete. Direct process control is conducted by employees or the organisational units that are directly involved in specific processes.

Indirect control means all forms of ongoing control measures, procedures and mechanisms in individual units of the Bank or its branches, which are an indirect part of processes. Indirect process control is carried out by the managers of individual Bank units or branches who are responsible for the controlled processes and for the results of controls, or by employees authorised by them.

Out of process control is independent of operational and business procedures. Out of process control is conducted by a separate and independent internal control and internal audit unit as a regular review of the functionality of the internal control system and evaluation of its efficiency.

Organisationally the unit is divided into the Internal control and internal audit retail department, the Headquarters' and subsidiaries' internal control and internal audit department and the Internal control and internal audit security and information system security department.

Within the organisational structure of Tatra banka, a.s., the Internal control and internal audit unit reports to the Board of Managing Directors and the Supervisory Board. The findings of its audit and internal control activities are communicated to the Supervisory Board in semi-annual summary reports. The Board of Managing Directors is informed about conducted audits and controls in audit and control reports. The Director of the Internal control and internal audit unit informs the Board of Directors and Supervisory Board about all significant events that occur in the Bank.

As part of risk management, the Bank (the Group) monitors, evaluates and ultimately manages the following types of risks in particular: credit risk, market risks and operational risk.

Credit risk, i.e. the risk that some counterparty will not be able to repay full amounts owed upon maturity, is monitored on a regular basis, and the financial position of each client is reviewed and assessed at least once a year. Exposure to any single debtor is constrained by limits of capital exposure, which are evaluated daily and reported to the NBS on a monthly basis. Retail debtors are assessed using scoring models developed for individual products; SME and corporate clients are assessed using the rating models.

The Group is exposed to market risks in connection with its activity from open positions chiefly from transactions with interest rate, cross-currency and equity products. To determine the level of market risk of its positions, the Group applies internal procedures and models for individual types of risks that the Group is exposed to. These limits are monitored daily.

Operational risk is governed by a standard procedure defined by the parent company as well as By internally developed methods and procedures. To identify operational risk, the Bank (the Group) uses a three-dimensional model consisting of three components: risk categories, business functions and business lines. The Bank (the Group) puts emphasis on improving process quality and on actions aimed at mitigating operational risks.

More information on individual risks that the Bank (the Group) is exposed to can be found in the notes to the financial statements ending 31 December 2009, which were prepared in accordance with International Financial Reporting Standards as adopted by the European Union, comprising an integral part of the Annual Report for 2009.

The highest body of the Company is the General Meeting. The General Meeting takes decisions on issues that fall under its jurisdiction pursuant to the Commercial Code. In 2009 the Annual General Meeting of the Company was convened on 30 April. The right to attend the General Meeting and exercise other rights was used by 91.63% of owners of ordinary shares. Among other issues, the shareholders approved individual and consolidated financial statements and the Annual Report, decided on the distribution of profit and the payment of directors' fees, on increasing the amount of share capital, entrusted the Board of Managing Directors to increase the share capital by the issue of preference shares, approved changes to the Memorandum, the issue of debentures and lien over own shares, and elected two new members of the Supervisory Board. The shareholders were paid dividends to the amount approved by the General Meeting at the ratio of their respective shares in the share capital.

The Board of Managing Directors is the statutory body of the Company. Members of the Board are elected and recalled by the Bank's Supervisory Board. The Supervisory Board appoints and recalls the chairperson and vice-chairpersons of the Board of Managing Directors. In 2009 the Board of Managing Directors comprised six members. The Board of Managing Directors convenes usually once a week. The Board makes decisions on all issues related to the Company except for those issues falling under the jurisdiction of the General Meeting or Supervisory Board. At the General Meeting's authorisation, once a year the Board is authorised to decide on the issue of preference shares up to the total approved amount of the share capital, which is EUR 60,380,000.

The share capital of the company is EUR 54,554,928. It is split into 50,216 ordinary shares with a par value of EUR 800 per share, which accounts for 73.64% of the share capital, 2,095 ordinary shares with a par value of EUR 4,000, accounting for 15.36% of the share capital, and 1,500,532 preferred shares with a par value EUR 4, which accounts for 11% of the share capital.

A share in the share capital of the company corresponding to a qualifying share (minimum of 10%) is held by Raiffeisen International Bank-Holding, AG and Tatra Holding, GmbH, both based in Austria.

Each holder of ordinary shares is the company's shareholder. Each shareholder enjoys fundamental shareholder rights as laid down by the Commercial Code and the company's Articles, in particular: the right to share in the company's profit, based on the proportion of total face value of their shares to the share capital; the right to attend the General Meeting, vote at the General Meeting, request information and explanations at the meeting, and raise motions at the General Meeting, whereby the voting right is determined by the proportion of total face value of shares to the share capital, and also the right to share in the liquidation balance

Each holder of preferred shares enjoys similar rights; the only difference being that preferred shares are not accompanied by the right to vote at the General Meeting, except in cases where the law acknowledges voting rights also to such shares. In such cases the voting right is based on the proportion of total face value of their shares to share capital. Preferred shares are assigned a preferential right applicable to dividends, i.e. if the Company generates a minimum net profit equal to the number of issued preferred shares, a minimum dividend of EUR 0.03 per preferred share will be paid to the holders of preferred shares.

The negotiability of ordinary shares is not limited. The company has pre-emption rights to preference shares at the price determined according to the principles set out in the company's Articles. Preference shares can be transferred to a party other than the company or pledged in favour of a party other than the company only if approved by the Board of Managing Directors. The Board of Managing Directors can refuse to grant approval if the preference shares were not offered firstly for sale to the company.

The General Meeting decides on changes to the Articles by a two thirds majority of the votes of present shareholders. The consent of the National Bank of Slovakia is required for a change to the Articles to acquire force and effect.

Relations between the Bank (the Group) and members of its bodies or employees in connection with termination of employment and/or resigning from a post for any reason, are governed in accordance with the applicable Labour Code.

Auditor's Report

TATRA BANKA
Member of Raiffeisen International

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Tatra banka, a.s.

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors of Tatra banka, a.s.:

1. We have audited the accompanying consolidated financial statements of Tatra banka, a.s. and its subsidiaries, which comprise the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

The Board of Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

4. In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Tatra banka, a.s. and its subsidiaries as of 31 December 2009, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Bratislava 3 March 2010

Deloitte

Deloitte Audit s.r.o.
Licence SKAu No. 014

Renak

Mgr. Renata Ihringová, FCCA
Responsible auditor
Licence SKAu No. 881

Consolidated financial statements

for the year ended 31 December 2009prepared in accordance with International Financial Reporting Standards as adopted by the European Union

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TATRA BANKA
Member of Raiffeisen International

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2009 prepared in accordance with International Financial Reporting Standards as adopted by the European Union (in thousands of EUR)

	Note	2009	2008
Interest and similar income		357 974	454 725
Interest and similar expenses		(115 626)	(192 909)
Net interest income	**(1)**	**242 348**	**261 816**
Provisions for impairment losses	(2)	(52 574)	(43 400)
Net interest after provisioning		**189 774**	**218 416**
Fees and commissions income		108 203	129 373
Fees and commissions expense		(18 653)	(17 014)
Net fees and commission income	**(3)**	**89 550**	**112 359**
Net profit (loss) from trading instruments	(4)	40 808	74 306
Net profit (loss) from financial instruments at fair value through profit or loss	(5)	8 054	(537)
Net profit (loss) from available-for-sale financial instruments	(6)	4	-
Net profit (loss) from investments in associated undertakings	(7)	(1 212)	872
General administrative expenses	(8)	(208 110)	(237 064)
Other operating profit (loss)	(9)	2 954	(2 385)
Profit before income taxes		**121 822**	**165 967**
Income taxes	(10)	(26 938)	**(34 659)**
Comprehensive consolidated profit after tax		**94 884**	**131 308**
Basic and diluted earnings per ordinary share (face value EUR 800) in EUR	**(11)**	**1 525**	**2 341**
Basic and diluted earnings per ordinary share (face value EUR 4 000) in EUR	**(11)**	**7 627**	**-**
Basic and diluted earnings per preference share (face value EUR 4) in EUR	**(11)**	**8**	**12**

Consolidated Statement of Financial Position

for the year ended 31 December 2009 prepared in accordance with International Financial Reporting Standards as adopted by the European Union (in thousands of EUR)

	Note	2009	2008
Assets			
Cash and deposits in central banks	(12)	165 514	927 618
Loans and advances to banks	(13)	1 066 737	2 012 599
Loans and advances to customers, gross	(14)	5 484 549	5 763 925
Impairment losses for loans and advances	(15)	(164 258)	(108 670)
Held for trading financial assets	(16)	546 227	422 437
Financial assets at fair value through profit or loss	(17)	209 150	364 779
Held to maturity financial assets	(18)	1 524 294	1 008 333
Available for sale financial assets	(19)	644	664
Investments in associated undertakings	(20)	11 477	12 929
Non-current intangible assets	(21, 23)	34 870	34 773
Non-current tangible assets	(22, 23)	84 054	89 149
Current income tax asset	(24)	13 453	33
Deferred income tax asset	(10, 25)	13 567	1 060
Other assets	(26)	23 663	21 424
Total assets		**9 013 941**	**10 551 053**
Equity and liabilities			
Deposits from banks	(27)	103 448	859 462
Deposits from customers	(28)	6 716 322	7 455 054
Held for trading financial liabilities	(29)	130 592	231 655
Liabilities from debt securities	(30)	1 069 618	1 123 795
Provisions for liabilities and charges	(31)	31 880	37 804
Current income tax liability	(32)	146	21 376
Deferred tax liability	(33)	749	672
Other liabilities	(34)	32 580	37 818
Subordinated debt	(35)	120 373	120 694
Total liabilities		**8 205 708**	**9 888 330**
Equity (excluding current year profit)	(36)	713 349	531 415
Comprehensive consolidated profit after tax		94 884	131 308
Total equity		**808 233**	**662 723**
Total equity and liabilities		**9 013 941**	**10 551 053**

The accompanying Notes are an integral part of these financial statements.
This is an English language translation of the original Slovak language document

Consolidated Statement of Changes in Equity

for the year ended 31 December 2009 prepared in accordance with International Financial Reporting Standards as adopted by the European Union (in thousands of EUR)

	Share capital	Share capital – treasury shares	Share premium	Share premium – treasury shares	Reserve fund and other funds	Retained earnings	Comprehensive consolidated profit after tax	Total
Equity as of 1 January 2009	38 318	(176)	49 012	(1 726)	10 426	435 561	131 308	662 723
Transfer to retained earnings	-	-	-	-	31	69 784	(69 815)	-
Dividends paid	-	-	-	-	-	-	(61 493)	(61 493)
Issue of ordinary shares	8 380	-	101 608	-	-	-	-	109 988
Sale of own preference shares	-	851	-	6 936	-	-	-	7 787
Amortisation of discount on preference shares	-	-	2 572	-	-	-	-	2 572
Loss on sale of ordinary and preference shares	-	-	(686)	686	-	-	-	-
Repurchase of preference shares	-	(729)	-	(7 499)	-	-	-	(8 228)
Increase of share capital from the Parent Company's equity	7 857	(111)	-	111	-	(7 857)	-	-
Comprehensive consolidated profit after tax	-	-	-	-	-	-	94 884	94 884
Equity as of 31 December 2009	**54 555**	**(165)**	**152 506**	**(1 492)**	**10 457**	**497 488**	**94 884**	**808 233**

	Share capital	Share capital – treasury shares	Share premium	Share premium – treasury shares	Reserve fund and other funds	Retained earnings	Comprehensive consolidated profit after tax	Total
Equity as of 1 January 2008	37 419	(126)	38 820	(1 030)	10 272	391 906	114 539	591 800
Transfer to retained earnings	-	-	-	-	154	43 655	(43 809)	-
Dividends paid	-	-	-	-	-	-	(70 730)	(70 730)
Issue of preference shares	899	-	7 997	-	-	-	-	8 896
Sale of own preference shares	-	287	-	2 549	-	-	-	2 836
Amortisation of discount on preference shares	-	-	2 319	-	-	-	-	2 319
Loss on sale of preference shares	-	-	(135)	135	-	-	-	-
Repurchase of preference shares	-	(337)	11	(3 380)	-	-	-	(3 706)
Comprehensive consolidated profit after tax	-	-	-	-	-	-	131 308	131 308
Equity as of 31 December 2008	**38 318**	**(176)**	**49 012**	**(1 726)**	**10 426**	**435 561**	**131 308**	**662 723**

Consolidated Cash Flow Statement

for the year ended 31 December 2009 prepared in accordance with International Financial Reporting Standards as adopted by the European Union (in thousands of EUR)

	2009	2008
Cash flows from operating activities		
Profit before tax	121 822	165 967
Adjustments (Note 38):	(227 155)	(224 944)
Cash flow used in operating activities before changes in working capital, interest received and paid and income taxes paid (Note 38)	*(105 333)*	*(58 977)*
(Increase)/decrease in operating assets:		
Obligatory reserve with National Bank of Slovakia	204 345	(232 851)
Loans and advances to banks	926 512	(551 454)
Loans and advances to customers	272 849	(1 123 586)
Held for trading financial assets and liabilities	(229 704)	(27 810)
Financial assets and liabilities at fair value through profit or loss	158 489	73 051
Available for sale financial assets	20	-
Other assets	(2 239)	12 510
Increase/(decrease) in operating liabilities:		
Deposits from banks	(749 059)	515 289
Deposits from customers	(731 750)	1 278 628
Liabilities from debt securities	(49 658)	204 259
Other liabilities	(5 238)	(4 029)
Cash (used in) earned from operations before interest paid and received and income taxes paid	*(310 766)*	*85 030*
Interest paid	(134 403)	(171 589)
Interest received	374 414	411 781
Income taxes paid	(74 018)	(33 223)
Net cash flows from operating activities	**(144 773)**	**291 999**
Cash flows from investing activities		
Net (increase) in held to maturity financial assets	(1 209 456)	(32 833)
Net decrease in held to maturity financial assets	687 516	136 875
Interest received from held to maturity financial assets	42 418	46 521
Proceeds from sale or disposal of non-current tangible and intangible assets	1 431	1 088
Purchase of non-current tangible and intangible assets	(17 381)	(30 224)
Acquisition or establishment of a subsidiary	(8)	-
Sale of subsidiary	12 000	-
Dividends received	7	1 394
Net cash flows from investing activities	**(483 473)**	**122 821**
Cash flows from financing activities		
(Redemption) issue of preference shares	(441)	8 025
Issue of ordinary shares	109 988	-
Subordinated debt	-	36 344
Dividends paid	(61 493)	(70 730)
Net cash flows used in financing activities	**48 054**	**(26 361)**
Effects of exchange rate changes on cash and cash equivalents	148	(12 274)
Change in cash and cash equivalents	**(580 044)**	**376 185**
Cash and cash equivalents, beginning of the year (Note 38)	691 954	315 769
Cash and cash equivalents, end of the year (Note 38)	**111 910**	**691 954**

The accompanying Notes are an integral part of these financial statements.
This is an English language translation of the original Slovak language document

Notes to the Consolidated Financial Statements

as at 31 December 2009 prepared in accordance with International Financial Reporting Standards as adopted by the European Union (in thousands of EUR)

I. General Information

Scope of activities

The Tatra banka consolidated group ("the Group") includes the parent company – Tatra banka, akciová spoločnosť, ("the Bank" or "the Parent Company") whose registered seat is at Hodžovo námestie 3, Bratislava and eleven subsidiaries and associated undertakings. The Bank was established on 17 September 1990 and incorporated with the Commercial Register on 1 November 1990. The identification number of the Parent Company is 00 686 930; the tax identification number is 202 040 8522.

The principal activities of the Parent Company are as follows:

- Receiving deposits
- Providing of loans
- System of payments and clearing
- Investing activities for its clients; investing activities and supplementary services under Act No. 566/2001 Coll. on Securities and Investing Services, and on amendments and additions to certain legislation, as amended, including:
  1. **Accepting and forwarding the client's instructions for one or several financial instruments related to the following financial instruments:**
     a) Convertible securities
     b) Money market instruments
     c) Trustee shares or securities issued by foreign entities of collective investments
     d) Options, futures, swaps, forwards and other derivatives concerning currencies, interest rates, or yields to be settled by their delivery or cash
  2. **Executing the client's instructions on his/her account in relation to the following financial instruments:**
     a) Convertible securities
     b) Money market instruments
     c) Trustee shares or securities issued by foreign entities of collective investments
     d) Options, futures, swaps, forwards and other derivatives concerning currencies, interest rates or yields, to be settled by their delivery or cash
  3. **Trading on own account in relation to the following financial instruments:**
     a) Convertible securities
     b) Money market instruments
     c) Trustee shares or securities issued by foreign entities of collective investments
     d) Options, futures, swaps, forwards and other derivatives concerning securities, currencies, interest rates or yields, or other derivative instruments, financial indices or financial measures, to be settled by their delivery or cash
     e) Options, futures, swaps, forwards and other derivatives concerning commodities, which must be settled cash or which may be settled cash based on the decision of one of the contracting parties; that does not apply if the reason for the settlement is insolvency or other event resulting in termination of the contract
     f) Options, futures, swaps and other derivatives concerning commodities, which can be settled cash if traded at a regulated market or under a multilateral business system
     g) Options, futures, swaps, forwards and derivatives other than those described under par. f), concerning commodities, which are not used for business purposes, have the nature of other derivative financial instruments, and are cleared or settled through clearing or settlement systems or are subject to regular margin calls

Notes to the Consolidated Financial Statements as at 31 December 2009
prepared in accordance with International Financial Reporting Standards as adopted by the European Union
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4. **Portfolio management in relation to the following financial instruments:**
   a) Convertible securities
   b) Money market instruments
   c) Trust certificates or securities issued by foreign collective investing entities
   d) Options, futures, swaps, forwards and other derivatives concerning currencies, interest rates or yields, to be settled by their delivery or cash
5. **Investment consulting in relation to the following financial instruments:**
   a) Convertible securities
   b) Money market instruments
   c) Trust certificates or securities issued by foreign collective investing entities
   d) Options, futures, swaps, forwards and other derivatives concerning currencies, interest rates or yields, to be settled by their delivery or cash
6. **Underwriting and placement of financial instruments upon a fixed liability in relation to the following financial instruments:**
   a) Convertible securities
   b) Coney market instruments
   c) Trustee shares or securities issued by foreign entities of collective investments
7. **Placement of financial instruments without a fixed liability in relation to the following financial instruments:**
   a) Convertible securities
   b) Money market instruments
   c) Trustee shares or securities issued by foreign entities of collective investments
8. **Keeping in custody and management of financial instruments on the client's account, including custodian management and related services, in particular management of cash and financial collaterals in relation to the following financial instruments:**
   a) Convertible securities
   b) Money market instruments
   c) Trustee shares or securities issued by foreign entities of collective investments
9. **Granting loans and borrowings to an investor to be able to trade one or several financial instruments if the lender or provider of the borrowing is involved in the business,**
10. **Provision of consulting on capital structure, business strategy and consulting and services in relation to merger, fusion, change or split of the company or company acquisition**
11. **Trading foreign exchange values if such are associated with investment services provision**
12. **Making investment survey and financial analysis of other form of general recommendation for trading the financial instruments**
13. **Services related to underwriting of these financial instruments and investing into securities on its own account,**

Notes to the Consolidated Financial Statements as at 31 December 2009
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- Dealing on its own account
  - a) financial instruments of the money market in Euro and in foreign currencies, including exchange services,
  - b) financial instruments of the capital market in Euro and in foreign currencies,
  - c) coins of precious metals, commemorative banknotes and coins, groups of banknotes and circulation coins
- Managing clients' receivables and securities on clients' accounts including consulting service (portfolio management)
- Financial leasing
- Providing guarantees, opening and confirming Letters of Credit
- Issuing and managing mediums of payment
- Providing consulting services in business
- Issues of securities, participation in securities issues, and provision of related services
- Financial mediation activities
- Depositing of valuables
- Leasing safes
- Providing banking information
- Special mortgage activities under Article 67 (1) of the Banking Act
- Acting as a depositary Processing of banknotes, coins, commemorative banknotes and coins

The Parent Company's shareholders as a percentage of voting rights:

	31 December 2009	31 December 2008
Raiffeisen International Bank-Holding AG	73,88 %	72,44 %
Tatra Holding GmbH	14,38 %	14,11 %
Others	11,74 %	13,45 %

The Parent Company's shareholders as a percentage of subscribed share capital:

	31 December 2009	31 December 2008
Raiffeisen International Bank-Holding AG	65,75 %	63,02 %
Tatra Holding GmbH	12,80 %	12,28 %
Others	21,45 %	24,70 %

Notes to the Consolidated Financial Statements as at 31 December 2009
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Tatra Holding GmbH is a member of the Raiffeisen Ostbanken-Holding GmbH Group. The ultimate parent company of Tatra Holding GmbH is Raiffeisenlandesbank Niederosterreich-Wien AG.

The Group performs its activities in the Slovak Republic through its 148 branches, corporate centres and corporate centre sub-agencies, **Centrum** bývania™ branches and the **Centrum** investovania™ branch.

The Parent Company's ordinary shares are publicly traded on the Bratislava Stock Exchange.

The members of the statutory and supervisory bodies of the Parent Company as at 31 December 2009:

	Supervisory Board
Chairman:	Rainer FRANZ
Vice-Chairman:	Herbert STEPIC
Members:	Peter BALÁŽ
	Renate KATTINGER
	Ján NEUBAUER
	Pavol FEITSCHER
	Reinhard KARL (since 28 May 2009)
	Aris BOGDANERIS (since 10 June 2009)

	Board of Directors
Chairman:	Igor VIDA
Vice-Chairman:	Miroslav ULIČNÝ
Members:	Marcel KAŠČÁK
	Michal LIDAY
	Martin PYTLIK
	Peter NOVÁK

Changes in the Parent Company's Supervisory Board in 2009:

Robert Gruber – termination of office as Member of the Supervisory Board on 5 June 2009
Reihard Karl – appointment to office as Member of the Supervisory Board on 28 May 2009
Aris Bogdaneris - appointment to office as Member of the Supervisory Board on 10 June 2009

Business name of ultimate parent company:

Raiffeisen-Landesbanken Holding GmbH, Austria

Business name of ultimate parent company preparing consolidated financial statements:

Raiffeisen Zentralbank Österreich AG, Austria

Business name of immediate parent company:

Raiffeisen International Bank–Holding AG, Austria

Business name of immediate parent company preparing consolidated financial statements:

Raiffeisen International Bank–Holding AG, Austria

Consolidated financial statements of the Raiffeisen Zentralbank Group ("RZB Group") are maintained with the Handelsgericht Vienna Register Court at Marxergasse 1a, 1030 Vienna, Austria.

The RZB Group represents the parent company (Raiffeisen Zentralbank) and its subsidiaries and associates, owned directly or indirectly through its subsidiaries.

Raiffeisen International Bank–Holding AG also prepares consolidated financial statements.
The shares of Raiffeisen International Bank–Holding AG are listed on the Vienna Stock Exchange.

Notes to the Consolidated Financial Statements as at 31 December 2009
prepared in accordance with International Financial Reporting Standards as adopted by the European Union
(in thousands of EUR)

Definition of consolidated group

As at 31 December 2009, the Group comprised the Parent Company and the following companies (hereinafter the "consolidated entities"):

Company	Direct share in %	Share of the Group in %	Indirect share through consolidated entities	Company ID No.	Principal activities	Consolidation method	Seat
Tatra Group Servis, s. r. o.	99,5 %	100 %	Tatra Billing, s. r. o.	35 730 561	Business activities	FCM	BA
Tatra Asset Management, správ. spol., a. s.	100 %	100 %	n/a	35 742 968	Asset management	FCM	BA
ELIOT, s. r. o.	0,5 %	100 %	Tatra Group Servis, s. r. o	31 392 687	Asset leasing and management	FCM	BA
Tatra Office, s. r. o.	0 %	100 %	Tatra Group Servis, s. r. o.	35 780 860	IT support	FCM	BA
CENTRUM BÝVANIA, s. r. o.	0 %	100 %	Tatra Group Servis, s. r. o	35 707 682	Asset leasing and management, DDP administrator	FCM	BA
Tatra Billing, s. r. o.	100 %	100 %	n/a	35 810 572	Services	FCM	BA
TL Leasing, s. r. o.	0 %	100 %	Tatra Group Servis, s. r. o	31 398 456	Leasing	FCM	BA
Tatra Residence, s. r. o.	0 %	100 %	Tatra Group Servis, s. r. o	35 805 498	Asset leasing and management	FCM	BA
Tatra-Leasing, s. r. o.	48 %	48 %	n/a	31 326 552	Leasing	EQ	BA
Slovak Banking Credit Bureau, s. r. o.	33,33 %	33,33 %	n/a	35 869 810	Services	UDTI	BA
Doplnková dôchodková spoločnosť Tatra banky, a. s.	100 %	100 %	n/a	36 291 111	Supplementary retirement savings	FCM	BA

Note:

FCM — *Full consolidation method*
EQ — *Equity method*
UDTI — *Unconsolidated due to immateriality*
BA — *Bratislava*

Sale of subsidiary

In June 2009, the Parent Company sold its 100% ownership share in its subsidiary, Regional Card Processing Centre, s. r. o. for the selling price of EUR 12 000 thousand to Raiffeisen International Bank–Holding AG. The net profit on the sale is disclosed in Note 9.

Other changes in Parent Company's group

In June 2009, CENTRUM BÝVANIA, s.r.o. merged with Tatra Group Finance, s.r.o. and Tatra Group Finance, s.r.o. became the legal successor of both companies and changed its business name to CENTRUM BÝVANIA, s.r.o.

CENTRUM BÝVANIA, s.r.o. (the original company) was subsequently deleted from the Commercial Register as was all related data recorded in the Commercial Register as at 18 June 2009.

Profit Distribution of the Parent Company for 2008

Profit for the year ended 31 December 2008 in accordance with International Financial Reporting Standards in the amount of EUR 120 331 thousand was distributed based on the decision of the General Assembly held on 30 April 2009:

Dividends – ordinary shares	53 840
Dividends – preference shares	8 043
Contribution to retained earnings from previous years	58 448
Total	**120 331**

The financial statements for 2008 and payment of compensation to the members of the supervisory board in the amount of EUR 213 thousand were approved by the General Meeting on 30 April 2009. Dividends in the amount of EUR 390 thousand without claim to payment as of the date the General Assembly was held were posted to retained earnings as of 31 December 2009.

Profit distribution proposal of the Parent Company for 2009

Dividends – ordinary shares	57 050
Dividends – preference shares	7 052
Allotment to statutory reserve fund	2 684
Contribution to retained earnings from previous years	24 014
Total	**90 800**

The profit distribution for 2009 is subject to the approval of the Parent Company's General Assembly.

Increase of the Parent Company's share capital from the Parent Company's equity

Under Act No. 659/2007 Coll. on Introduction of the Euro in the Slovak Republic and the amendment to and supplementation of certain acts, and Decree No. 240/2008 Coll. stipulating the number of decimal places to which the par value of certain types of security is to be rounded when converted from Slovak currency to euros, and Decree No. 246/2008 Coll. on rules and procedures for the conversion of the nominal value of contributions in the equity and nominal value of the share capital from the Slovak crown to euros, the Parent Company converted nominal values of ordinary shares from SKK 20 000 to EUR 663.88 and preference shares from SKK 100 to EUR 3.32 with effect from 21 January 2009.

On 30 April 2009 the General Meeting of the Parent Company approved an increase of the Bank's share capital from the Parent Company's equity for the purpose of rounding nominal values of the ordinary and preference shares. The nominal value of an ordinary share was increased from EUR 663.88 to EUR 800 and the nominal value of a preference share was increased from EUR 3.32 to EUR 4. The change became effective on 5 June 2009 when the increase of the share capital was registered in the Commercial Register. Information on the number and nominal values of the shares is stated in Note 36. The changes relating to the increase of the share capital are disclosed in the Statement of Changes in Equity.

Impact of the change on the equity arising from the increase of the share capital from the Parent Company's equity is set out in the table below:

Share capital	7 857
Retained earnings	(7 857)
Total impact on the equity	**-**

Increase of the Parent Company's share capital by subscription of new ordinary shares

In order to strengthen the capital and stimulate further growth of the Parent Company, on 30 April 2009 the General Meeting of the Parent Company approved an increase of the Parent Company's share capital by EUR 8 380 000 by the subscription of 2 095 ordinary shares in the nominal value of EUR 4 000 per ordinary share at an issue price of EUR 52 500. The General Meeting's decision to increase the share capital by the subscription of new ordinary shares took effect on 6 June 2009. The total amount of the issued new ordinary shares was paid to the Parent Company's account on 31 December 2009. The change became effective on 8 October 2009 when the increase of the share capital was registered in the Commercial Register. Information on the number and nominal values of the shares is specified in Note 36. The changes relating to the increase of the share capital are disclosed in the Statement of Changes in Equity.

The impact of the change on the equity arising from the increase of the share capital by the subscription of new shares is set out in the table below:

Share capital	8 380
Share premium	101 608
Total impact on the equity	**109 988**

Regulatory requirements

The Group is subject to the regulatory requirements of the National Bank of Slovakia, which include limits and other restrictions pertaining to minimum capital adequacy requirements, provisioning to cover credit risk, liquidity, interest rate, and foreign currency position. In 2009, the Group fulfilled all such regulatory requirements.

Notes to the Consolidated Financial Statements as at 31 December 2009
prepared in accordance with International Financial Reporting Standards as adopted by the European Union
(in thousands of EUR)

II. Principal Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out below:

a) Statement of compliance

The consolidated financial statements of the Group for 2009 and comparatives for 2008 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") in Commission Regulation (EC) 1126/2008, and current interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

Commission Regulation (EC) 1126/2008 of 3 November was issued to incorporate in a single document all standards presented by the International Accounting Standards Board (IASB) and all interpretations presented by the International Financial Reporting Interpretations Committee (IFRIC), which were fully endorsed in the Community as at 15 October 2008, except for IAS 39 (relating to recognition and measurement of financial instruments). Commission Regulation (EC) 1126/2008 of 3 November 2008 replaces Commission Regulation (EC) 1725/2003 of 29 September 2003.

IFRS as adopted by the EU do not currently differ from IFRS as issued by the International Accounting Standards Board ("IASB"), except for certain requirements for portfolio hedge accounting under IAS 39, which has not been approved by the EU. The Group has determined that portfolio hedge accounting under IAS 39 would have no impact on the financial statements had it eventually been approved by the EU at the balance sheet date.

In 2009, the Group adopted all of the new and revised Standards and Interpretations issued by the IASB and IFRIC as adopted by the EU that are relevant to its operations and effective for accounting periods commencing 1 January 2009 as follows:

- Amendments to IAS 1 Presentation of Financial Statements (revised in 2007)
  (effective for the reporting periods beginning on or after 1 January 2009)
- Amendment to IAS 23 Borrowing costs
  (effective for the reporting periods beginning on or after 1 January 2009)
- Amendment to IAS 27 – Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate and IFRS 1 First-time Adoption of IFRS
  (effective for the reporting periods beginning on or after 1 January 2009)
- Amendments to IAS 32 "Financial Instruments" and IAS 1 "Presentation of Financial Statements": Presentation - Puttable Financial Instruments and Obligations Arising on Liquidation"
  (effective for reporting periods beginning on or after 1 January 2009)
- Amendments to IAS 39 and IFRS 7 "Reclassification of Financial Assets, Effective Date and Transition"
  (applied by the reporting entity on or after 1 July 2008)
- Amendments to IFRS 7 Financial Instruments: Disclosures — Enhanced Disclosures about Fair Value and Liquidity Risk (effective for the reporting periods beginning on or after 1 January 2009),
- Amendments to IFRS 4 Insurance Contracts
  (effective for the reporting periods beginning on or after 1 January 2009)
- Amendment to IFRS 2 Share-based payments: Vesting conditions and cancellations
  (effective for the reporting periods beginning on or after 1 January 2009)
- Improvements to IFRS (effective for the reporting periods beginning on or after 1 January 2009)

- Amendments to IFRIC 9 "Reassessment of Embedded Derivatives" and IAS 39 "Financial Instruments: Recognition and Measurement" - Embedded Derivatives, adopted by the EU on 30 November 2009 (effective for annual periods beginning on or after 1 January 2009)
- IFRIC 13 Customer Loyalty Programmes (effective for the reporting periods beginning on or after 1 July 2008)
- IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" adopted by the EU on 16 December 2008 (effective for annual periods beginning on or after 1 January 2009)
- IFRIC 15 – Agreements for Construction of Real Estate (effective for the reporting periods beginning on or after 1 January 2009)
- IFRIC 16 – Hedges of a Net Investment in a Foreign Operation (effective for the reporting periods beginning on or after 1 October 2008)

The adoption of these new and revised standards and interpretations has not resulted in changes to the Group's accounting policies to an extent that would have affected the amounts reported for the current or prior years.

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

- Revised IFRS 3 – Business Combinations (effective for the reporting periods beginning on or after 1 July 2009)
- Revisions of and Amendments to IAS 27 Consolidated and Separate Financial Statements (effective for the reporting periods beginning on or after 1 July 2009)
- Modification and Amendment to IAS 39 (revised in 2008) "Financial Instruments: Recognition and Measurement – Eligible Hedged Items" (effective for the reporting periods beginning on or after 1 July 2009)
- IFRS 1 First-time Adoption of International Financial Reporting Standards – it supersedes IFRS 1 (issued in 2003; revised and amended in May 2008), (the reporting entity shall adopt the standard if the first IFRS financial statements are prepared for the period beginning on or after 1 July 2009)
- Amendments to IAS 32 "Financial Instruments: Presentation" – Accounting for rights issues, adopted by the EU on 23 December 2009 (effective for annual periods beginning on or after 1 January 2011)
- IFRIC 12 – Service Concession Arrangements (effective for the reporting periods beginning on or after 1 January 2008; may not be adopted prior to the endorsement of arrangements currently accounted for under IFRIC 4)
- IFRIC 17 – Distributions of Non-cash Assets to Owners (effective for the reporting periods beginning on or after 1 July 2009)
- IFRIC 18 – Transfers of Assets from Customers (effective to transfers of assets from customers received on or after 1 July 2009)

The Group has not elected to adopt these standards, revisions and interpretations in advance of their effective dates. The Group anticipates that adopting these standards and interpretations in future periods will have no material impact on the financial statements of the Group.

At the authorisation date of these financial statements, the following standards, amendments to the existing standards, and interpretations have not yet been endorsed for use in the EU; however, endorsement is expected by the time the standards and interpretation become effective except for IFRS 9, the endorsement of which is uncertain and was postponed:

- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2013)
- Amendments to various standards and interpretations resulting from the Annual quality improvement project of IFRS published on 16 April 2009 (IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38, IAS 39, IFRIC 9, IFRIC 16) primarily with a view to removing inconsistencies and clarifying wording (most amendments are to be applied for annual periods beginning on or after 1 January 2010)
- Revised IAS 24 "Related Party Disclosures" - Simplifying the disclosure requirements for government-related entities and clarifying the definition of a related party (effective for annual periods beginning on or after 1 January 2011)
- Amendments to IFRS 1 "First-time Adoption of IFRS" - Additional Exemptions for First-time Adopters (effective for annual periods beginning on or after 1 January 2010)
- Amendments to IFRS1 "First-time Adoption of IFRS" – Limited Exemptions from Comparative IFRS 7 Disclosures for First-time Adopters (effective for annual periods beginning on 1 July 2010)
- Amendments to IFRS 2 "Share-based Payment" – Group cash-settled share-based payment transactions (effective for annual periods beginning on or after 1 January 2010)
- Amendments to IFRIC 14 "IAS 19 — The Limit on a defined benefit Asset, Minimum Funding Requirements and their Interaction" – Prepayments of a Minimum Funding Requirement (effective for annual periods beginning on or after 1 January 2011)
- IFRIC 19 "Extinguishing Liabilities with Equity Instruments" (effective for annual periods beginning on or after 1 July 2010)

The Group anticipates that adopting 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.

The IFRS 9 should have no material impact on the historical financial statements, once endorsed, however the Group did not evaluate the impact of this standard yet.

Purpose of preparation

The purpose of preparing these consolidated financial statements in the Slovak Republic is to comply with Act on Accounting No. 431/2002 Coll. Pursuant to Article 22 of Act on Accounting No. 431/2002 Coll., effective from 1 January 2005, the Group is required to prepare its consolidated financial statements under Regulation (EC) 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the Application of International Accounting Standards (IFRS). The financial statements are intended for general use and information, and are not intended for the purposes of any specific user or consideration of any specific transactions. Accordingly users should not rely exclusively on these financial statements when making decisions.

Notes to the Consolidated Financial Statements as at 31 December 2009
prepared in accordance with International Financial Reporting Standards as adopted by the European Union
(in thousands of EUR)

Basis of preparation

The financial statements are prepared on an accrual basis of accounting whereby the effects of transactions and other events are recognised when they occur and reported in the financial statements of the periods to which they relate and on the going concern assumption.

The financial statements are prepared under the historical cost convention; certain financial instruments were revalued to fair value.

As at 1 January 2009, the Slovak Republic entered the eurozone and the Slovak crown (SKK) was replaced by the euro (EUR). As a result the Group converted its accounting books to euros as at this date, and the financial statements for 2009 and subsequent years are and will be prepared in euros. Comparative data were translated using the conversion exchange rate of EUR/SKK 30.1260.

The reporting currency used in the financial statements is the euro ("EUR") with accuracy to EUR thousand, unless otherwise indicated.

Significant accounting judgements

The presentation of financial statements in conformity with IFRS requires the preparation of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of 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 subsequently result in a change in estimates or other adjustments that could have a material impact on the reported financial position and results of operations.

The effect of a change in an accounting estimate shall be recognised prospectively by including it in profit or loss in the period of the change, if the change affects that period only, or the period of the change and future periods, if the change affects both.

Significant areas of judgement include the following:

- The current negative development of the economic environment resulted in the valuation adjustment of selected items of the Group's assets. In determining prudent and reasonable valuation estimates under the given circumstances, the Group's management took into consideration all significant events that could have an impact on the financial statements, measurement of assets and liabilities recognised in these financial statements, liquidity, and availability of funds with respect to the current economic situation. There is an increased level of uncertainty about future economic development that could result in material future adjustments to the valuation and impairment of assets.

  As described in section f) paragraph 1 below and disclosed in detail in Note 2 and 15, the Group creates provisions for the 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. 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 crystallise in loan default, as well as subjective judgments of the Group's management about estimated future cash-flows. The provisioning for loan losses and identified future contingent liabilities, however, includes many uncertainties as to the outcomes of the aforementioned risks and requires the Group's management to make many subjective judgments when estimating loss amounts. Given the current economic conditions, the result of such estimates may differ from impairment provisions recognised as at 31 December 2009.

- The income taxes rules and regulations have recently experienced significant changes; there is limited historical precedent and/or interpretation judgement with respect to the extensive and complex issues affecting the banking sector. Furthermore, tax authorities have broad powers as regards the interpretation of tax laws and regulations during the tax audit of a taxpayer. As a result, there is a higher degree of uncertainty as to the final outcome of the potential reviews conducted by tax authorities.

b) Consolidation principles

Subsidiary undertakings are those companies in which the Group, directly or indirectly, has an interest of more than 50% of the voting rights or otherwise has power to exercise control over their operations; these were included in consolidation using the full consolidation method except for those where the influence was insignificant. Subsidiaries were consolidated as of the date when the Group gained control over them, and deconsolidated on the date of their disposal or loss of the controlling interest. All receivables and payables, disposals and purchases, as well as expenses, revenues, profits, and losses on transactions within the Group were eliminated.

Investments in associated undertakings represent entities in which the Bank has more than a 20% but less than 50% share in the share capital and voting rights and in which the Bank has a significant influence. Investments in associated undertakings are valued using the equity method in the consolidated financial statements. Under the equity method, investments are initially measured at cost and subsequently adjusted for post-acquisition changes in the Group's share of the net assets of an entity wherein the investment was made. The profit or loss of respective investors includes their share in the profit or loss of the entity wherein the investment was made. Gains/(losses) resulting from the revaluation of associates using the equity method are disclosed as *"Net gains/(losses) from investments in associated undertakings"* in the income statement.

All acquisitions of subsidiaries are accounted for using the acquisition method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. If the cost of the business combination exceeds the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised, the difference is disclosed as goodwill [Note j II. of Principal Accounting Policies].

c) Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into euros and reported in the financial statements as at the exchange rate declared by the European Central Bank (ECB) valid as of the balance sheet date. Income and expenses denominated in foreign currencies are recorded in euros in the underlying accounting system of the Group and are reported in the financial statements at the actual exchange rate of the European Central Bank valid as of the date of the transaction.

Exchange rate gains (losses) from all foreign exchange transactions are included in the Statement of Comprehensive Income item *"Net profit (loss) from trading instruments"*.

Off-balance sheet transactions denominated in foreign currency are translated into euros in the Group's off-balance sheet using the ECB spot exchange rate valid as of the balance sheet date.

The unrealised gain or loss from fixed term transactions is calculated using the anticipated forward rate based on a standard mathematical formula, which takes into account the European Central Bank spot rate and interest rates effective as of the balance sheet date and is reported in the item *"Held for trading financial assets"* or in the item *"Financial liabilities held for trading"* in the statement of financial position, and *"Net profit (loss) from trading instruments"* in the comprehensive income statement.

d) Cash and deposits in central banks

Cash and deposits in central banks comprise cash held, and cash balances with the National Bank of Slovakia, including the compulsory minimum reserve with the National Bank of Slovakia.

The compulsory minimum reserve with the National Bank of Slovakia is a required deposit with restricted drawing to be held by all commercial banks licensed in the Slovak Republic.

Since 1 January 2009, the system of creating and monitoring compulsory minimum reserves changed, as did the interest rate applicable on the compulsory minimum reserves. The interest rate is determined by the European Central Bank on a regular basis after the end of each period.

e) Government and other treasury bills

Government and other treasury bills are debt securities with maturity up to 12 months issued by the National Bank of Slovakia or the Ministry of Finance of the Slovak Republic. Accounting principles stated in paragraph f) 2a) are applied to measure and recognise government and other treasury bills from the portfolio of securities held for trading. Treasury bills from the portfolio of securities held for trading are recognised as *"Financial assets held for trading".* Accounting principles stated in paragraph f) 3) are applied to measure and recognise government and other treasury bills from the portfolio of securities held to maturity. Treasury bills from the portfolio of securities held to maturity are recognised as *"Financial assets held to maturity"*.

f) Financial instruments

A financial instrument is any contract that results in a financial asset in one entity and a financial liability in another.

The Group classifies financial instruments in four categories, in accordance with the Bank's intent on the acquisition of the instruments and pursuant to the Bank's investment strategy, as follows:

1. Loans and receivables
2. Financial assets or financial liabilities at fair value through profit or loss
   a) Financial assets or financial liabilities held for trading
   b) Financial assets or financial liabilities at fair value through profit or loss
3. Held to maturity financial assets
4. Available-for-sale financial assets

1. Loans and receivables

Loans and other receivables represent non-derivative financial assets with fixed or determinable payments unlisted in an active market. Loans are measured at amortised costs using the effective interest rate method less impairment provisions.

When signing a loan agreement, the Group records the issued loan commitment on the off-balance sheet. Loans are recognised in the statement of financial position when the funds are provided to debtors. During the performance of their activities, the Group records contingent liabilities with inherent credit risk. The Group accounts for these contingent liabilities in off-balance sheet accounts, and records a provision for such liabilities that reflects the level of risk of issued guarantees, letters of credit, and unused credit limits as of the balance sheet date.

Provisions for loan impairment

Provisions are recorded to cover estimated losses from receivables for which objective evidence of impairment exists. The provision for possible loan losses is calculated to reduce loans to their recoverable amount representing expected future cash flows discounted to the present value using the original effective interest rate implicit in the loan at inception or the fair value of the related collateral. Provisions for losses from loans to customers are charged as *"Provisions for impairment losses"* in the comprehensive income statement. If there is no reason to record a provision or the amount of provisions is not adequate, excessive provisions are released using the same line of the statement of comprehensive income.

The Group records two types of provisions: specific and portfolio provisions. Specific provisions for identified potential losses on loans are assessed with reference to the credit standing and financial performance of the borrower and collateral. Portfolio provisions cover losses that have not been individually identified, but based on historical experience it is clear that they are inherent in the portfolio at the reporting date.

Loans and advances to corporate customers are generally individually significant and are analysed on an individual basis. The Group adjusts the value of a corporate receivable if there is reason to believe that the receivable demonstrates characteristics leading to the impairment of the receivable.

These characteristics mainly include: overdue receivables, information that a large-scope foreclosure procedure is pending against the debtor, that the debtor is in bankruptcy or liquidation, if an identified fraud is associated with the receivable, if the receivable was restructured due to the fact that the debtor did not have sufficient funds to repay the receivable in line with the original repayment schedule, or if the Group concludes - based on the regular monitoring of the client's financial position - that the client will be unable to fully repay the amount outstanding.

The calculation of specific provisions is based on an estimate of expected cash flows reflecting estimated delinquency in loan repayments, as well as income from loan collateral. The impairment amount is determined by the difference between the loan's carrying amount and the net present value ("NPV") of the estimated cash flows discounted by the loan's original effective interest rate. Specific provisions are recorded when there is objective evidence of a loss event that occurred after initial recognition.

For loans and advances to corporate customers where no impairment was identified on an individual basis, loans and advances are divided into groups with similar credit risk characteristics and portfolio-based provisions are calculated. Portfolio-based provisions cover losses that have not yet been individually identified, but based on historical experience, are deemed to be inherent in the portfolios of the balance sheet date. The provision depends on the client rating, historical default rate for the given client rating, collateral value, and recovery rate. For groups where the Group does not have a sufficiently long time period to calculate a historical default rate, the Group uses default probabilities derived from other similar groups or from RZB Group data.

Specific provisions are established: for foreclosures, bankruptcies and liquidations, frauds; in the event of the debtor's death. For the aforementioned cases, the Group creates provisions at 100% of the outstanding amount after considering the value of collateral.

For retail receivables where no impairment was identified individually portfolio-based provisions are created using a flow rate model. Portfolio provisions cover losses that were not identified individually, but, based on historical experience, they were inherent to the portfolios as at the balance sheet date. A flow rate model (also known as a roll rate model) is the model for calculating provisions based on the principle of a percentage flow of overdue receivables into saturation status (180 days overdue). A vintage based recovery rate with a time-span of no more than 36 months is applied to receivables in saturation status. For both the flow rate model and the vintage based recovery, the Group uses portfolio segmentation per products and their types (according to their risk characteristics), and 12-month flow rate averages are used to calculate the flow rates.

The Group provides for a retail receivable if there is evidence of impairment of the receivable. If such evidence is identified, specific provisions are established.

In line with the internal policy, according to a valid decision on ceasing the recovery of claims issued by the competent court, the Board of Directors, or other Group bodies (Problem Loan Committee, Executive Committee), the Bank writes off its loans to customers against the recorded provision. Should the amount of the receivable written-off exceed the amount of recorded provisions, the difference is recognised through the comprehensive income statement. Receivables written off that are still in the collection process under law are recorded in off-balance sheet accounts.

If, after the write off, the Group collects additional amounts from the client or obtains control of collateral worth more than initially estimated, a recovery is recognised through the comprehensive income statement in the caption *"Provisions for impairment losses"*.

Loan collateral

In terms of handling collateral, the Group places great emphasis mainly on the valuation and revaluation of individual collaterals, determination of the value of pledged collateral for secured loans, determination of collateral acceptability to mitigate credit risk, and collateral enforcement, should the client be in default.

The Group mainly accepts the following types of collateral:

- Financial collateral (guarantees)
- Real estates
- Chattels
- Receivables
- Life insurance

In terms of legal instruments, the Group uses:

- Pledges
- Assignments of receivable intended to serve as security
- Transfers of title intended to serve as security
- Blockages of cash
- Contracts for purchase of securities
- Agreements on liability replacement

The methodology of collateral valuation and the frequency of its revaluation depend on the type of collateral and the minimum requirements pursuant to the effective legislative standards implemented in the Group's internal regulations. Determination of the value of collateral is specific for each type of collateral, and the Group respects an adequate degree of prudence.

The value of pledged collateral is determined on a case-by-case basis for each type of collateral depending on the type of collateral and transaction, and individual risk characteristics. The value of pledged collateral is obtained by discounting the initial value of collateral obtained in valuation and revaluation. Factors based on which discounting factors are determined relate mainly to the enforceability of collateral if the counterparty defaults (e.g. type, location and condition of real estate), potential default of the security provider (e.g. credit quality and maturity of financial collateral), and other factors (business strategy and Group orientation). The discounting factors applied are subject to regular revaluation.

The claim value of collateral is derived from the value of pledged collateral up to the amount of the current amount receivable. If the value of pledged collateral is lower than the balance of the receivable, the Group will determine the claim value of collateral up to the amount of the value of pledged collateral.

The claim value of collateral contains a number of uncertainties and risks. The amounts that may be recovered in the course of liquidating the collateral for bad debts could differ from the estimated amounts, and the difference could be material.

The Group's decisions on the enforcement of collateral is individual and depends on factors such as the current condition and value of collateral, the current amount receivable, the promptness of the satisfaction of the receivable, collection-related costs, etc. The respective competent body of the Group decides which security instrument will be used in the specific case.

The Group mainly uses the following forms of enforcement of collateral:

- Voluntary auction
- Foreclosure procedure
- Realisation of the collateral for the Group's receivable in a bankruptcy procedure
- Sale of receivables

2. Financial assets or financial liabilities at fair value through profit or loss

a) Financial asset or financial liability held for trading

The Group has acquired held-for-trading financial assets and liabilities to utilise short-term price fluctuations in order to generate profits. In this category, the Group recognises securities (equity investments, debt securities, Treasury bills, shares) and financial derivative instruments (interest rate swaps, currency swaps and cross-currency swaps, forward exchange contracts, interest rate forwards, currency options, share index options, and commodity derivatives).

All purchases and sales of trading securities are recognised as of the settlement date.

All purchases and sales of financial assets or liabilities held for trading that require delivery within the time frame established by regulation or market convention ("standard way") are recognised as spot transactions. Transactions that do not meet the "standard way" settlement criteria are treated as financial derivatives.

Certain financial derivative transactions, while providing effective economic hedges under the Group's risk management policy, do not qualify for hedge accounting under the specific rules stipulated by IAS 39 and are therefore treated as derivatives held for trading.

Derivatives embedded in other financial instruments or other host contracts are treated, in terms of accounting, as separate derivatives if no close linkage exists between their risks and attributes, and risks and attributes of the host contract, and if the host contract is not recognised at fair value and changes in fair value are recognised in the comprehensive income statement.

The Group records unrealised gains and losses from the revaluation of these assets to their fair values in the comprehensive income statement line *"Net profit (loss) from trading instruments"*. Net interest income from held for trading securities is accrued on a daily basis and recorded in the comprehensive income statement line *"Net profit (loss) from trading instruments"*. The fair value of held for trading financial derivatives is disclosed in Note 50.

Refinancing costs of trading securities is disclosed in the comprehensive income statement line *"Net profit (loss) from trading instruments"*. Refinancing costs represent costs of refinancing positions contracted in trading activity.

Dividend income from held for trading securities is disclosed in the comprehensive income statement line *"Net profit (loss) from trading instruments"*.

b) Financial assets/liabilities at fair value through profit or loss ("FVTPL")

Based on the Group's documented risk management strategy and in accordance with its investment strategy, the Group mainly recognises debt securities in the given portfolio. The performance of these securities is evaluated on a fair value basis. The aforementioned debt securities are treated by the Group at initial recognition as financial assets at fair value through profit or loss.

Financial assets disclosed in the portfolio at fair value through profit or loss are initially recognised at cost excluding costs of transaction and are subsequently re-valued to fair value through comprehensive income statement.

The Group recognises unrealised gains and losses from the revaluation of these assets to their fair values in the comprehensive income statement line *"Net profit (loss) from financial instruments at fair value through profit or loss"*.

Net interest income from securities at fair value through comprehensive income statement is accrued on a daily basis and recorded in the comprehensive income statement line "Interest and similar income".

3. Held to maturity financial assets

This portfolio is a non-derivative financial asset with fixed or floating payments and fixed maturity that the Group intends and is able to hold to maturity. The held to maturity portfolio includes debt securities in line with the approved strategy for the creation of a strategic securities portfolio. It mainly includes securities issued by the government and other creditworthy securities.

Held to maturity financial assets are measured at amortised cost using the effective interest rate method less impairment. Interest income and discounts and premiums on held-to-maturity securities are accrued on a daily basis and recognised as *"Interest and similar income"* in the comprehensive income statement.

4. Available-for-sale financial assets (AFS)

The AFS portfolio includes the Group's investments in other entities, with a share of less than 20% of share capital and voting rights. The portfolio is measured at cost less impairment provisions, which are recognised as *"Net profit (loss) from investments in subsidiary and associated undertakings"* in the comprehensive income statement, as their market price in an active market cannot be reliably measured.

The portfolio mainly includes shares in privately held companies for which no market exists or companies in which participation is mandatory (Burza cenných papierov v Bratislave a. s., S.W.I.F.T. s. c., VISA INC., USA). As a result, in respect of these shares the Group applies the level 3 for fair value measurements (see Note g). In 2009, there were no changes in one or more input data that would have an impact on the fair value change. Therefore and also due to the insignificance of the given portfolio, the Group does not disclose any detailed requirements for reconciling opening and closing balances with separately described changes during the period. The Group does not expect the selling or otherwise disposing of the given participation shares in the near future. For companies against which bankruptcy proceedings are underway, 100% provisions are created and the participation shares will be written off after the completion of the bankruptcy proceedings.

Dividend income from available for sale financial assets is reported as *"Interest and similar income"* in the comprehensive income statement. Profit or loss from the sale of financial assets available-for-sale is recognised in the statement of comprehensive income as *"Net profit (loss) from available-for-sale financial instruments"*.

Derecognition of financial instruments

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 substantially retains all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

If the Group substantially retains 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.

The Group derecognises financial liabilities only when the Bank's obligations are discharged or cancelled, or when they expire.

Inland securities in the Group's portfolio are mainly listed and traded on the Bratislava Stock Exchange; foreign securities are listed on the foreign stock exchange, where they are traded. Foreign securities are traded in an inter-bank market.

g) Fair value of financial instruments

To determine the fair value of financial instruments, the following applies:

- Fair value of shares – the close price for the trading day on the given market is applied; if no close price of the trading day is known, the close price of the next trading day announced at the given stock exchange is applied. Fair value measurements of the aforementioned shares under IFRS 7 Level 1 are those derived from quoted prices in active markets.
- Fair value of shares and other equity interests in companies, the price of which is not listed on an active market and the fair value of which cannot be determined reliably, are recognised at cost less impairment. Fair value measurements are defined in IFRS 7 according to Level 3 – inputs for assets or liabilities, which are not based on observable market data (unobservable data).
- Fair value of debt securities – the close price as announced by the stock exchange or an average of quotes in the Bratislava Stock Exchange market makers module, the price announced in the NBS Benchmark, or the price announced via generally accepted information systems (Bloomberg, Reuters) is applied in accordance with the current legislation. Fair value measurements of the aforementioned debt securities under IFRS 7 Level 1 are those derived from quoted prices in active markets.
- Fair values of financial instruments not quoted in active markets are determined using valuation techniques such as the theoretical price derived from the yield as read from the yield curve of government bonds or the swap curve and the credit margin of issuers' debt securities with comparable credit risk under generally accepted revaluation rules. Where valuation techniques are used to determine fair values, financial instruments are measured and periodically reviewed by qualified personnel independent of the area that created them.
- Models only use observable data; however, areas such as credit risk, volatilities and liquidity require expert estimates. Changes in the assumptions related to these factors could affect the reported fair value of financial instruments. Fair value measurements under IFRS 7 Level 2 are those derived on the basis of active markets other than prices for identical assets or liabilities.

- The fair value of government and NBS treasury bills is determined by discounting the face value to the present value by the required proceeds by maturity, which is established as an average of the euro bid and ask quotes until the maturity of the respective treasury bill.
- Fair value of capital market derivatives – with respect to equity derivatives, the Bank uses the close price of the given day and/or last known close price to determine the face value; for OTC derivatives, the fair value is determined by discounting cash flows to their present value where construction of a zero curve and calculation of discounting factors form a basis for valuation. Fair value measurements of derivative instruments on capital markets under IFRS 7 Level 2 are those derived on the basis of active markets other than prices for identical assets or liabilities.
- Fair value of monetary market derivatives is determined by the latest price of the derivative as announced by the stock exchange on the given trading day. For OTC derivatives, the fair value is determined by valuation methods discounting future cash flows to the present value using verifiable market data. Fair value of options is determined by application of a generally recognised analytical revaluation model using verifiable market data. If the Group does not use a revaluation model to determine fair values, it can use a revaluation agent if the position is closed. Fair value measurements of derivative instruments on money markets under IFRS 7 Level 2 are those derived on the basis of active markets other than prices for identical assets or liabilities.

An analysis of financial instruments recognised at fair value divided according to their fair value measurement levels is stated in Note 50.

To determine the fair values of its financial assets and liabilities, the Group uses the following information:

Bloomberg – close prices of the last trading day, source: BGN – Bloomberg generic prices – where the value is determined by the values of various contributors (financial market entities contributing their prices into the information system) and other important market information. This Bloomberg method aims to establish a fair value.

Reuters – close prices of the last trading day; for prices that have no closing value, internal price fixing is performed at 3:00 pm of the current day using the prices disclosed by the contributors.

BCPB – an official website of Burza cenných papierov a.s. www.bsse.sk.

EBOS – an electronic trading system of BCPB through which the stock exchange provides its members with stock exchange information.

With respect to the definition of the fair value of financial instruments that are not revalued to fair value, the Group applies the net present value method using the prime interest rates of individual currencies disclosed by central banks, which approximate market values. More detailed information on the methods of calculating the fair values of financial instruments not revalued to fair value is provided in Note 50.

h) Sale and repurchase agreements - repo transactions

Securities sold under sale and repurchase agreements ("repo transactions") are recorded as assets in the statement of financial position lines *"Held for trading financial assets"*, *"Financial assets at fair value through profit or loss"* or *"Held to maturity financial asset"*, and the counterparty liabilities are included in *"Deposits from banks"* or *"Deposits from customers"*.

Securities purchased under agreements to purchase and resell ("reverse repos") are recorded as assets in the statement of financial position line *"Loans and advances to banks"* or *"Loans and advances to customers"* as appropriate.

The difference between the sale and repurchase price is treated as interest and accrued evenly over the life of the repo agreement using the effective interest rate.

i) Non-current tangible and intangible assets

Non-current tangible and intangible assets are stated at historical cost less accumulated depreciation/ amortisation together with accumulated impairment losses. Non-current assets are depreciated using the accelerated or straight–line method based on the estimated useful life. Tangibles in progress, land, and artwork are not depreciated.

The estimated useful economic lives (in years) are set out below:

Machinery and equipment, computers, vehicles	2 – 10
Software	up to 10
Fixtures, fittings and equipment	6 – 10
Energy machinery and equipment	10 – 15
Optical network	30
Buildings and structures	10 – 40

j) Goodwill

Goodwill represents the excess of the cost of the acquisition over the fair value of identifiable assets, liabilities and contingent liabilities of the acquired company as at the acquisition date. Goodwill is initially recognized at cost and subsequently its value is adjusted for accumulated losses from its impairment. Goodwill is tested once or several times a year provided that the events or changes in circumstances indicate that the impairment of value is in compliance with IAS 36 – Impairment of assets. Impairment of goodwill cannot be reversed in the following reporting periods.

k) Impairment of tangible and intangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount is the higher of the fair value less costs to sell and the present value of future cash flows expected to derive from the asset. If any of the amounts above exceeds the carrying amount, there is no need to estimate the other amount. If the estimated recoverable amount of an asset is lower than its carrying amount, the carrying amount of the asset shall be reduced to equal the recoverable amount. The impairment loss shall be recognised directly through comprehensive income statement.

l) Leases

A lease is classified as a finance lease when the terms of the lease provide for transferring all the risks and rewards of ownership of the leased asset to the lessee. All other leases are classified as operating leases.

1. The Group as lessor

Amounts due from leases under finance lease are recognised as receivables at the amount of the Group's net lease investment. Finance lease income is allocated to reporting periods so as to express a constant periodic rate of return on the Group's net investment in respect of the lease.

The present value of future lease payments is recognised in the statement of financial position as *"Loans to customers, gross"*, line "Finance lease receivables".

2. The Group as lessee

Assets under finance lease are recognised as the Group's assets at fair value as at the acquisition date, or if the fair value is lower, at the present value of minimum lease payments. The relevant payable to a lessor is recognised in the statement of financial position as a finance lease payable. Finance lease payments are apportioned between financial charges and reduction of outstanding lease payable (to produce a constant periodic rate of interest on the outstanding balance). Financial charges are recognised directly in the comprehensive income statement, unless they are allocated directly to the relevant asset. In this case, financial charges are capitalised.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which the economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of the rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which the economic benefits from the leased asset are consumed.

m) Liabilities from debt securities

Debt securities issued by the Group are stated at amortised cost using the effective interest rate method. The Group issues mortgage bonds and investment notes. Interest expense arising on the issue of securities is included in the comprehensive income statement line *"Interest and similar expenses".*

n) Subordinated debt

Subordinated debt refers to the Group's external funds and, in the event of bankruptcy, composition or Group's liquidation, the entitlement to its repayment is subordinated to liabilities to other creditors. The Group's subordinated debt is recognised in the separate statement of financial position as *"Subordinated debt"*. Interest expense paid on the received subordinated debt is recognised through comprehensive income statement in *"Interest and similar expenses".*

Subordinated debt is a financial liability initially measured at fair value, net of transaction costs. It is subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

o) Cash and cash equivalents in the cash flow statement

Cash and cash equivalents for the purpose of cash flow statement preparation comprise cash held and cash balances with the National Bank of Slovakia, except for the statutory minimum reserve. Cash equivalents include treasury bills, demand deposits with other banks, and short-term government bonds.

p) Provisions for liabilities

The amount of provisions for liabilities and charges is recognised as an expense and a liability when the Group has legal or constructive obligations as a result of past events. It is probable that an outflow of resources embodying economic benefits will be required to settle such obligation and a reasonable estimate of the amount of the resulting loss can be made. Any loss resulting from the recognition of provision for liability is recognised in the comprehensive income statement for the period.

q) Provision for employee benefits

The Group has a defined benefit program, under which employees are entitled to a lump-sum payment upon taking retirement or a work jubilee. As at 31 December 2009 there were 3 521 employees at the Group covered by this program (2008: 3 893 employees).

The method of calculating the liability applies actuarial calculations, based on employee's age, number of years worked, employee turnover, mortality tables, and discount rates.

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 interest approximating yield on investment grade fixed income securities. Actuarial gains and losses from both the jubilee benefit obligation and post-employment defined benefit plans are charged to the comprehensive income statement in the current year in *"General administrative expenses".* The provision for employee benefits is recognised in the statement of financial position as *"Provision for liabilities"*.

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.

Real annual discount rate	4 %
Annual future real rate of salary increases	2 %
Annual employee turnover	8 – 21 %
Retirement age	Based on valid law

The Group also has also a defined contribution plan for employees. All company contributions are expensed (see note 8).

r) Accrued interest

Accrued interest income and expense related to financial assets and liabilities are presented together with the corresponding assets and liabilities in the statement of financial position.

s) Recognition of income and expense

1. Interest income and expense, and interest related charges

Interest income and expense, and interest related charges arising on all interest-bearing instruments except for *"Held for trading financial assets or financial liabilities"* are accrued in the comprehensive income statement using the effective interest rate method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period.

Interest income from *"Held for trading financial assets or financial liabilities"* is recognised in the comprehensive income statement as *"Net profit (loss) from trading instruments"*.

Interest income (expense) from securities includes revenues from coupons with fixed and floating rates, and amortised discount or premium.

2. Fees and commissions income/expense

Fees and commissions that do not form part of the effective interest rate are recognised as expense and income in the comprehensive income statement in *"Net fees and commission income"* from financial assets and liabilities not restated to fair value on an accrual basis as earned.

3. Dividend income

Dividend income is recognised in the statement of comprehensive income when the dividend is approved to the Group.

t) Basic and diluted earnings per share

The Group reports earning per share attributable to the holders of each class of shares. The Group calculated earnings per share by dividing profits attributable to each class of shares by the weighted average number of each class of shares outstanding during the period.

The profit attributable to each class of shares is determined based on the face value of each class of shares in relation to the percentage of the total face value of all shares.

The Group does not report diluted earnings per share as there were no dilutive potential ordinary shares in issue as of 31 December 2009 nor 31 December 2008.

u) Taxation and deferred taxation

Income taxes are calculated in accordance with the provisions of the relevant legislation of the Slovak Republic, based on taxable profit. Taxable profit differs from profit as reported in the comprehensive 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, for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The tax rate anticipated for future periods was used to determine deferred income tax, i.e. 19%. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred 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.

The Group recognises the due corporate income tax in the statement of financial position line *"Current tax asset"* or *"Current tax liability"* and the deferred tax in *"Deferred tax asset"* or *"Deferred tax liability"*.

The Group is a payer of various statutory taxes and value added tax (VAT) recognised in the comprehensive income statement line *"Other operating profit (loss)"* except for VAT on the acquisition of non-current tangible and intangible assets, which is included in the cost of non-current tangible and intangible assets.

III. Segment Reporting

When reporting per segments, the Group applies IFRS 8 – "Operating Segments".

The basis for classifying per segments is an internal principle for the Group management that is customer oriented. It also reflects the segmentation principle of the majority shareholder (Raiffeisen International Bank-Holding AG). The segmentation applied by the Group is as follows:

- Corporate customers
- Financial institutions and public sector
- Retail customers
- Treasury and Investment Banking
- Equity investments

Corporate companies include all resident and non-resident companies including state-owned companies. A small company that is a subsidiary of a large company are treated within the corporate customer segment. The segment corporate customers consists of the sub-segments *Large customers and Mid Market*. Due to their tailor-made business, smaller sized companies with project finance or trade finance focus are also reported under Corporate Customers. In terms of products, corporate customers were mainly provided with investment and operating loans in the form of instalment credits or overdraft facilities, factoring and documentary financing, project financing of commercial real estate projects, office premises, construction of shopping centres, etc.

Financial institutions and the public sector consist of:

Banks/Supra-Nationals, which include all local and international banks and their majority-owned subsidiaries in the country and all institutions such as the World Bank, EBRD, EIB, IMF, and KfW. In terms of products on the side of assets, exposures to banks mainly included nostro accounts and term placements made. On the side of liabilities, they included mainly loro accounts, term placements received and loans received from banks.

Brokers & Asset Management Companies, which include foundations, all broker houses, mutual fund companies, leasing companies, investment banks, and other banks like these entities. Insurance companies include, for example, pension funds. These entities were mainly provided with investment and operating loans.

Public sector, which includes all government entities, ministries, municipalities, and similar institutions. Corporates that are owned by the public sector (state owned) are shown under the corporate customers segment. Banks that belong to the government are defined as financial institutions. Securities of the Slovak Republic are disclosed in the Treasury and Investment Banking segment. Embassies and trade representatives are shown in this segment.

Retail Customers consist of *Individuals (Consumers),* which include all consumer customers, from low-income to high-income. The retail customers segment also includes micro businesses. For private banking, individuals are defined locally, with special treatment to individually manage their assets. In terms of products, retail customers – micro businesses and sole traders – were mainly provided with operating loans called **Business**Úver[TB] Expres and **Business**Úver[TB] Comfort, company credit cards (VISA Standard/Gold/Platinum, MercedesCard, AMEX, Diners Club) and others. Retail customers – households were mainly provided with mortgage loans, equity home loans, mortgage loan, **Bezúčelový** úver[TB] Classic, **Bezúčelový** úver[TB] Garant, private credit cards (VISA Standard/Gold/Platinum, MercedesCard, AMEX, Diners Club) and others. Retail customers placed their financial funds mainly in current accounts and term deposits.

Treasury and Investment Banking consist of business transactions conducted on the Group's own accounts and risk that are originated from managing market risk positions like FX-dealing, securities and derivatives trading, money market trading, liquidity management and funding, strategic positioning (investment portfolio), interest rate gapping (maturity transformation).

Segment reporting is based on the schemes of contribution margins that are calculated as a basis for the management of the Group. In the schemes, revenues and expenses are allocated under the principles of causality, ie revenues and expenses are allocated to individual segments based on the place of their origin.

Revenue items in the statement per customer segment consist *of Net Interest Income, Provisions and Provisions for Losses, Net Fee and Commission Income, Net Profit (Loss) on Financial Instruments Available for Trading, Net Profit (Loss) on Financial Instruments at Fair Value through Profit or Loss* and *Other Operating Profit (Loss).*

The item *"Provisions and Provisions for Losses"* includes net additions to or release of specific and portfolio provisions resulting from credit risk, write-off of loan receivables, and also revenues from written-off loan receivables. *General administrative expenses* consist of direct and indirect expenses. Direct expenses (personnel expenses and other administrative expenses) are allocated as per individual segments and indirect expenses are allocated as per the approved ratios.

Geographically, operating profit was primarily generated by the provision of banking services in the Slovak Republic. Some assets and liabilities are placed outside the Slovak Republic. The summary of the most significant exposures of total assets and liabilities to customers in foreign countries is included in Note 41 *"Foreign assets and liabilities"*. Owing to their immateriality, the Group decided not to report the total amount of revenues from foreign entities.

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The consolidated comprehensive income statement and other indicators per segments as at 31 December 2009:

	Corporate customers	Financial institutions and public sector	Retail customers	Treasury and investment banking	Equity investments and other	Total
Net interest income	67 260	4 124	176 312	(4 525)	(823)	242 348
Provisions and provisions for losses	(23 186)	(661)	(28 626)	-	(101)	(52 574)
Net interest income after provisioning	**44 074**	**3 463**	**147 686**	**(4 525)**	**(924)**	**189 774**
Net fees and commissions income	10 641	(137)	75 688	602	2 756	89 550
Net profit (loss) from financial trading instruments	6 995	240	9 051	24 522	-	40 808
Net profit (loss) from financial instruments at fair value through profit or loss	-	-	-	8 054	-	8 054
Net profit (loss) from available-for-sale financial instruments	-	-	-	-	4	4
Net profit (loss) from investments in associated undertakings	-	-	-	-	(1 212)	(1 212)
General administrative expenses	(38 210)	(3 759)	(153 977)	(11 593)	(571)	(208 110)
Other operating profit (loss)	-	-	-	-	2 954	2 954
Consolidated profit before income taxes	**23 500**	**(193)**	**78 448**	**17 060**	**3 007**	**121 822**
Total assets	**2 837 906**	**145 114**	**2 507 763**	**3 434 495**	**88 663**	**9 013 941**

The consolidated comprehensive income statement and other indicators per segments as at 31 December 2008:

	Corporate customers	Financial institutions and public sector	Retail customers	Treasury and investment banking	Equity investments and other	Total
Net interest income	59 510	6 966	166 295	16 810	12 235	261 816
Provisions and provisions for losses	(19 990)	(48)	(23 356)	-	(6)	(43 400)
Net interest income after provisioning	**39 520**	**6 918**	**142 939**	**16 810**	**12 229**	**218 416**
Net fees and commissions income	12 651	129	94 409	1 047	4 123	112 359
Net profit (loss) from financial trading instruments	22 950	517	33 841	16 998	-	74 306
Net profit (loss) from financial instruments at fair value through profit or loss	-	-	-	(537)	-	(537)
Net profit (loss) from investments in associated undertakings	-	-	-	-	872	872
General administrative expenses	(37 073)	(4 171)	(177 841)	(13 517)	(4 462)	(237 064)
Other operating profit (loss)	-	-	-	-	(2 385)	(2 385)
Consolidated profit before income taxes	**38 048**	**3 393**	**93 348**	**20 801**	**10 377**	**165 967**
Total assets	**3 044 846**	**190 952**	**2 533 202**	**4 102 137**	**679 916**	**10 551 053**

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IV. Other Notes

1. Net interest income

	2009	2008
Interest and similar income	**357 974**	**454 725**
From loans and advances to banks	23 606	56 387
From loans and advances to central banks	*3 776*	43 501
From loans and advances to customers	286 019	335 423
From finance lease receivables	765	-
From held to maturity financial assets	36 439	43 963
From financial assets at fair value through profit or loss	11 138	17 043
From received dividends from financial assets available for sale	7	1 909
Interest and similar expenses	**(115 626)**	**(192 909)**
On deposits from banks	(3 153)	(15 209)
On deposits from central banks	*(1)*	(9)
On deposits from customers	(67 222)	(124 075)
On subordinated debts	(4 201)	(5 070)
On liabilities from debt securities issued by the Bank	(41 050)	(48 555)
Net interest income	**242 348**	**261 816**

2. Provisions for impairment losses

Movement in provisions for impairment losses for loans disclosed in the statement of financial position and provisions for off-balance sheet liabilities are as follows:

	2009	2008
Specific provisions for loan receivables	**(60 179)**	**(30 625)**
Additions to provisions	(83 633)	(54 322)
Released provisions	24 965	24 217
Written-off claims	(1 696)	(683)
Recovery from written-off claims	185	163
Portfolio provisions for loan receivables	**256**	**(8 503)**
Additions to provisions	(6 457)	(8 503)
Released provisions	6 713	-
Specific provisions for off-balance sheet items	**4 766**	**(4 230)**
Additions to provisions	(3 409)	(8 706)
Released provisions	8 175	4 476
Portfolio provisions for off-balance sheet items	**2 583**	**(42)**
Additions to provisions	-	(155)
Released provisions	2 583	113
Total	**(52 574)**	**(43 400)**

More information on provisions for loan losses and provisions for off-balance sheet liabilities are disclosed in Notes 15 and 31, respectively.

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3. Net fees and commission income

	2009	2008
Fees and commission income	**108 203**	**129 373**
From payment transfers business	66 225	81 765
From credit processing and guarantee business	14 328	12 477
From securities business	3 851	4 663
From activities regarding management of investment and pension funds	18 643	25 018
From activities regarding mediation for third parties	3 931	3 980
For other banking services	1 225	1 470
Fees and commission expense	**(18 653)**	**(17 014)**
From payment transfers business	(16 077)	(13 215)
From credit processing and guarantee business	(766)	(835)
From securities business	(286)	(479)
From activities regarding management of investment and pension funds	(496)	(498)
From activities regarding banknotes, foreign exchange and coins	(237)	(604)
For other banking services	(791)	(1 383)
Net fees and commission income	**89 550**	**112 359**

4. Net profit (loss) from trading instruments

	2009	2008
Securities	**11 119**	**4 060**
Interest income, net	*10 675*	*6 861*
Fair value adjustment	*3 027*	*2 503*
Profit (loss) from securities sold	*87*	*1 173*
Refinancing costs	*(2 675)*	*(6 480)*
Dividends	*5*	*3*
Interest-rate contracts	**15 198**	**1 228**
Interest income (expense)	*11 729*	*(3 803)*
Realised profit (loss) from derivatives	*(7)*	*34*
Fair value adjustment	*3 476*	*4 997*
Currency contracts	**6 032**	**(54 067)**
Profit (loss) from derivatives	6 016	(33 522)
Realised profit (loss) from derivatives	*22 348*	*(57 862)*
Fair value adjustment	*(16 332)*	*24 340*
Exchange differences from securities held for trading	16	(20 545)
Index-related contracts	**(365)**	**(1 048)**
Securities	(381)	(1 312)
Revaluation to fair value	*759*	*(817)*
Profit (loss) from securities sold	*(1 140)*	*(495)*
Profit (loss) from derivatives	16	264
Realised profit (loss) from derivatives	*23*	*63*
Fair value adjustment	*(7)*	*201*
Commodity contracts	**18**	**179**
Profit (loss) from derivatives	18	179
Realised profit (loss) from derivatives	*111*	*174*
Revaluation to fair value	*(93)*	*5*
Foreign exchange gains (losses)	**8 806**	**123 954**
Foreign exchange gains (losses)	8 806	123 954
Total	**40 808**	**74 306**

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5. Net profit (loss) from financial instruments at fair value through profit or loss ("FVTPL")

	2009	2008
Interest-rate contracts	**8 054**	**(537)**
Securities	8 054	(537)
Of which: Profit (loss) from securities sold	*(701)*	*(1 554)*
Of which: Fair value adjustment	*8 755*	*1 017*

6. Net profit (loss) from available-for-sale financial instruments

	2009	2008
Income from available-for-sale financial instruments	4	-
Total	**4**	**-**

7. Net profit (loss) from investments in associated undertakings

	2009	2008
From investments in associated undertakings	(1 212)	872
Total	**(1 212)**	**872**

8. General administrative expenses

The Group's general administrative expenses comprise staff expenses, other general expenses, depreciation, amortisation, and write-downs of non-current tangible and intangible assets. Such expenses break down as follows:

	2009	2008
Staff expenses	**(103 216)**	**(109 758)**
Wages and salaries	(78 748)	(85 171)
Social security costs	(21 742)	(22 105)
Other social expenses	(2 687)	(2 368)
Provisions for anniversaries and other loyalty benefits	(39)	(114)
Other general expenses	**(85 302)**	**(98 647)**
Costs on premises	(18 513)	(17 182)
Costs on information technology	(19 323)	(31 792)
Communication costs	(8 011)	(7 672)
Legal and consultancy costs	(9 324)	(2 713)
Of which: Costs of audit firm's services in respect of an audit of the financial statements	*(380)*	*(492)*
Costs of audit firm's services in respect of tax advisory services	*(44)*	*-*
Costs of audit firm's services in respect of other assurance services	*-*	*(37)*
Costs of audit firm's services in respect of other related services	*(84)*	*(75)*
Advertising and entertainment expenses	(8 128)	(12 471)
Deposits guarantee fund	(7 326)	(5 476)
Consumption of stationeries	(2 865)	(3 445)
Transport and processing of cash	(601)	(956)
Travelling expenses	(1 758)	(2 062)
Education of employees	(1 122)	(1 435)
Other items	(8 331)	(13 443)
Depreciation, amortisation and write-downs of non-current tangible and intangible assets	**(19 592)**	**(28 659)**
Non-current tangible assets	(13 979)	(18 348)
Non-current intangible assets	(5 613)	(10 311)
Total	**(208 110)**	**(237 064)**

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The Group does not have pension arrangements separate from the state pension system of the Slovak Republic. Pursuant to Slovak legal regulations, an employer is obliged to pay contributions to social security, health insurance, medical insurance, accident insurance, unemployment insurance, and contributions to a guarantee fund set as a percentage of gross salary. These expenses are charged to the comprehensive income statement in the period in which the employee was entitled to a salary.

The Group contributes to a defined contribution supplementary pension plan administered by a private pension fund, based on the employment period of the employee. No liabilities arise to the Group from the payment of pensions to employees in the future. Supplementary retirement insurance expenses amounted to EUR 748 thousand for 2009 (2008: EUR 736 thousand).

9. Other operating profit (loss)

Other operating profit (loss) includes revenues and expenses from non-banking activities, disposal of non-current tangible and intangible assets, and VAT that the Group in unable to claim:

	2009	2008
Income on sale of an ownership share in the subsidiary (Note I.)	11 489	-
Revenues from non-banking activities	8 726	18 737
Of which: Revenues from release of litigation provisions	*722*	*11 425*
Revenues from disposals of tangible and intangible assets	*1 431*	*1 088*
Expenses arising from non-banking activities	(16 331)	(21 918)
Of which: Other taxes	*(11 937)*	*(14 776)*
Creation of litigation provisions	*(2 110)*	*(5 598)*
Disposals of tangible and intangible assets	*(2 284)*	*(1 544)*
Other operating income	774	3 213
Other operating expenses	(1 704)	(2 417)
Total	**2 954**	**(2 385)**

10. Income taxes

	2009	2008
Current tax expense	(39 367)	(48 152)
Deferred tax benefit	12 429	13 493
Total	**(26 938)**	**(34 659)**

Slovak legal entities must individually report taxable income and remit corporate income taxes thereon to the appropriate authorities. In 2009, the corporate income tax rate amounted to 19% (2008: 19%).

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The tax on pre-tax profit differs from the theoretical tax which would arise if the valid income tax rate was applied as follows:

	2009	2008
Income before tax	**121 822**	**165 967**
Theoretical tax calculated at the tax rate of 19%	23 146	31 534
Tax effects of:		
Non-taxable income	(2 030)	(1 453)
Non-deductible expenses	1 719	2 830
Provisions for assets and provisions for liabilities, net	(1 755)	(2 145)
Additional taxation from previous periods	2 324	-
Creation/(release) of provisions for uncertain utilisation of deferred tax assets	2 948	3 857
Effect of non-tax losses	196	57
Effect of consolidation	390	(21)
Income tax expense	**26 938**	**34 659**
Effective tax for the reporting period	**22,11 %**	**20,88 %**

Deferred tax assets and liabilities as of 31 December 2009 and as of 31 December 2008 relate to the following items:

	Book value	Tax value	Temporary difference(gross)	2009	2008
Deferred tax assets					
Loans and advances to customers (net of impairment provisions)	5 320 291	5 483 387	163 677	31 099	20 516
Other assets	23 663	23 836	173	33	116
Provisions for liabilities and charges	31 880	-	8 746	1 662	3 140
Other liabilities	32 580	20 319	13 731	2 609	3 139
Total				**35 403**	**26 911**
Deferred tax liabilities					
Loans and advances to customers (net of impairment provisions)	5 320 291	5 320 872	-	-	(7 250)
Non-current tangible assets	84 054	67 217	16 837	(3 200)	(2 836)
Total				**(3 200)**	**(10 086)**
Net deferred tax asset/(liability)				**32 203**	**16 825**
Allowance for uncertain realisation of deferred tax asset				(19 385)	(16 437)
Net deferred tax asset/(liability)				**12 818**	**388**

In 2007, an amendment to the Income Tax Act resulted in new terms and conditions for banking institutions with regard to the tax deductibility of provisions for loans. By the end of 2009, the Group was required to pay the income tax from the difference between the provisions included in the tax base in accordance with the Income Tax Act effective up to 31 December 2007, and tax-deductible provisions pursuant to the Income Tax Act effective 1 January 2008. The effect of this change in the tax legislation for 2009 amounts to EUR 7 249 thousand; this amount was considered in the calculation of a current tax charge (2008: taxable temporary difference considered in the calculation of a deferred tax position).

As a result, the Group did not recognise deferred tax assets of EUR 19 385 thousand (2008: EUR 16 437 thousand), which mainly related to tax-deductible temporary differences resulting from provisions, due to their uncertain timing and realisation in future reporting periods.

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11. Earnings per share

2009	Ordinary shares Face value EUR 800	Ordinary shares* Face value EUR 4 000	Preference shares
Profit after tax in the accounting period attributable to	76 598	7 989	10 297
Weighted average number of shares outstanding during the period	50 216	1 048	1 350 130
Earnings per share	**1 525**	**7 627**	**8**

*) *As described in Note I, in 2009 the Bank increased its share capital by the subscription of new ordinary shares. The holders of the 2009 issue are entitled to the same share of profit recognised by the Bank for 2009, as if they have had held shares for the entire year.*

2008	Ordinary shares Face value EUR 800	Preference shares
Profit after tax in the accounting period attributable to	117 535	13 773
Weighted average number of shares outstanding during the period	50 216	1 350 130
Earnings per share	**2 341**	**12**

The process and methodology of the calculation of earnings per share is described in Note II.t).

12. Cash and deposits in central banks

	2009	2008
Cash in hand	71 230	170 742
Balances at central banks	94 284	756 876
Of which: Obligatory minimum reserves	*94 284*	*298 629*
Deposits repayable on demand	-	*126 294*
Overnight deposits with the National Bank of Slovakia	-	*331 953*
Total	**165 514**	**927 618**

The minimum obligatory reserve is maintained as an interest bearing deposit under the regulations of the National Bank of Slovakia. The amount of the reserve depends on the level of deposits accepted by the Bank. The Group's ability to withdraw the reserve is restricted by statutory legislation, and therefore it is not included in *"Cash and deposits in central banks"* for the purposes of cash flow statement preparation (see Note 38).

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13. Loans and advances to banks

	2009	2008
Giro and interbank clearing business	40 680	62 965
Money-market business	1 011 487	331 698
Reverse repo transactions with the National Bank of Slovakia	-	1 601 193
Other loans to banks	14 570	16 743
Total	**1 066 737**	**2 012 599**

Loans and advances to banks broken down along geographical lines are as follows:

	2009	2008
Slovak Republic	184 307	1 630 262
Other countries	882 430	382 337
Total	**1 066 737**	**2 012 599**

14. Loans and advances to customers, gross

An analysis of loans and advances to customers is as follows:

	2009	2008
Bank overdrafts	792 881	886 885
Receivables from credit cards	89 401	78 770
Factoring and loans backed by bills of exchange	65 401	64 499
Housing loans	281 688	143 033
Mortgage loans	1 048 740	1 142 279
American mortgages	343 304	335 115
Finance lease receivables	22 607	25 532
Consumer loans	193 797	204 107
Investment, operating and other loans	2 646 730	2 883 705
Total	**5 484 549**	**5 763 925**

As of 31 December 2009, the total amount of syndicated loans sponsored by the Group represented EUR 232 120 thousand (31 December 2008: EUR 256 573 thousand). The Group's contribution represented EUR 101 336 thousand (31 December 2008: EUR 116 284 thousand). Syndicated loans are included in *"Investment, operating and other loans".*

An analysis of loans by customer group is as follows:

	2009	2008
Public sector	12 948	21 186
Corporate clients	3 251 627	3 586 671
Retail clients	2 219 974	2 156 068
Total	**5 484 549**	**5 763 925**

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An analysis of loans by contractual maturity period is as follows:

	2009	2008
Short-term loans (up to 1 year)	1 564 447	1 939 114
Medium-term loans (1 year to 5 years)	949 984	899 609
Long-term loans (over 5 years)	2 970 118	2 925 202
Total	**5 484 549**	**5 763 925**

An analysis of loans and advances to customers by geographical segment is as follows:

	2009	2008
Slovenská republika	5 364 980	5 567 086
Ostatné štáty	119 569	196 839
Celkom	**5 484 549**	**5 763 925**

15. Impairment losses for loans and advances

The movement in provisions for loan losses during 2009 is as follows:

	As of 1 January 2009	Allocated	Released	Used	Transfers, exchange differences	As of 31 December 2009
Specific provision	**81 852**	**83 633**	**(24 965)**	**(2 832)**	**8**	**137 696**
Public sector	-	3	-	-	-	3
Corporate clients	55 166	57 104	(20 667)	(1 091)	(19)	90 493
Retail clients	26 686	26 526	(4 298)	(1 741)	27	47 200
Portfolio provision	**26 818**	**6 457**	**(6 713)**	**-**	**-**	**26 562**
Corporate clients	15 973	-	(6 713)	-	-	9 260
Retail clients	10 845	6 457	-	-	-	17 302
Total	**108 670**	**90 090**	**(31 678)**	**(2 832)**	**8**	**164 258**

The movement in provisions for loan losses during 2008 is as follows:

	As of 1 January 2009	Allocated	Released	Used	Transfers, exchange differences	As of 31 December 2009
Specific provision	**58 370**	**54 322**	**(22 619)**	**(7 561)**	**(660)**	**81 852**
Corporate clients	39 502	39 673	(19 425)	(3 931)	(653)	55 166
Retail clients	18 868	14 649	(3 194)	(3 630)	(7)	26 686
Portfolio provision	**18 315**	**8 503**	**-**	**-**	**-**	**26 818**
Corporate clients	12 799	3 174	-	-	-	15 973
Retail clients	5 516	5 329	-	-	-	10 845
Total	**76 685**	**62 825**	**(22 619)**	**(7 561)**	**(660)**	**108 670**

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16. Held for trading financial assets

	2009	2008
Debt securities and other fixed-interest securities	**376 247**	**151 549**
Government bonds	376 181	151 486
Bonds issued by other sectors	66	63
Shares, debt and other floating-rate securities	**24 990**	**15 235**
Equity securities	93	133
Of which: Issued by financial institutions in the Slovak Republic	*76*	*109*
Issued by other entities in the Slovak Republic	*17*	*24*
Government bonds	24 201	6 483
Other floating rate securities	330	8 619
Unit trust certificates	366	-
Debt securities provided as guarantee in repurchase transactions	**-**	**10 982**
Government bonds	-	10 982
Positive fair values arising from derivative financial instruments	**144 990**	**244 671**
Interest-rate contracts	119 500	145 936
Exchange-rate contracts	23 031	91 697
Index-related contracts	2 445	2 007
Commodity contracts	14	5 031
Total held for trading financial assets	**546 227**	**422 437**

Securities held for trading in the Bank's portfolio are as follows:

	2009	2008
Debt securities held for trading with fixed income	376 247	151 549
Debt securities held for trading with variable income	24 201	6 483
Equity securities held for trading	93	133
Other floating rate securities	330	8 619
Unit trust certificates	366	-
Debt securities held for trading provided as guarantee in repurchase transactions	-	10 982
Total securities held for trading	**401 237**	**177 766**

17. Financial assets at fair value through profit or loss

	2009	2008
Debt securities and other fixed income securities	**195 837**	**202 999**
Government bonds	178 677	186 400
Bonds issued by the banking sector	661	661
Bonds issued by other sectors	16 499	15 938
Shares, debt and other floating-rate securities	**13 313**	**11 786**
Bonds issued by other sectors	13 313	11 767
Unit trust certificates	-	19
Debt securities provided as guarantee in repurchase transactions	**-**	**149 994**
Government bonds	-	149 994
Total	**209 150**	**364 779**

In line with its amended asset and liability management strategy, the Group decreased the volume of debt securities held in the portfolio of financial assets at fair value through profit and loss in favour of the portfolio of debt securities held-to-maturity.

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18. Held to maturity financial assets

	2009	2008
Debt securities and other fixed income securities	**1 334 767**	**561 647**
Government treasury bills	228 741	-
Government bonds	1 041 124	389 927
Bonds issued by the banking sector	64 902	171 720
Bonds issued by other sectors	-	-
Shares, debt and other floating-rate securities	**189 527**	**446 686**
Government bonds	121 339	362 246
Bonds issued by the banking sector	68 188	68 555
Bonds issued by other sectors	-	15 885
Total	**1 524 294**	**1 008 333**

19. Available for sale financial assets

Company	Group investment (%)	Cost	Provision	Carrying amount 31 December 2009	Carrying amount 31 December 2008
RVS, a. s.	0,68	46	(46)	-	-
SLOVAKIA INDUSTRIES a. s., Banská Bystrica	N/A	48	(48)	-	-
Burza cenných papierov v Bratislave, a. s.	0,09	10	-	10	10
S.W.I.F.T. s. c., Belgicko	0,03	73	-	73	93
International Factors Group s. c., Belgicko	0,70	9	-	9	9
D. Trust Certifikačná Autorita, a. s.	10,00	37	-	37	37
VISA INC., USA	0,07	515	-	515	515
Total		**738**	**(94)**	**644**	**664**

Movements in provisions for available-for-sale financial assets:

	2009	2008
At 1 January	94	432
Reversals	-	(338)
Total	**94**	**94**

20. Investments in associated undertakings

	2009	2008
At 1 January	12 929	12 056
Share in profits of associated undertakings after tax (Note 7)	(1 212)	873
Elimination of received dividends	(240)	-
	11 477	12 929

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Associated undertaking	Ownership interest in %	Cost	Provision	Net book value	Share in net assets at 31. 12. 2009	Share in net assets at 31. 12. 2008
Tatra-Leasing, s. r. o.	48,00 %	3 187	-	3 187	11 474	12 926
Slovak Banking Credit Bureau, s. r. o.	33,33 %	3	-	3	3	3
		3 190	**-**	**3 190**	**11 477**	**12 929**

Basic financial information on associate Tatra-Leasing, s. r. o., Bratislava, is as follows:

	2009	2008
Total assets	372 914	485 271
Total liabilities	349 010	458 343
Net assets	23 904	26 928
The Parent Company's share on net assets	**11 474**	**12 926**
Interest income and similar income	24 860	28 105
Profit (loss) after tax	(2 524)	1 818
The Parent Company's share on profit (loss) after tax	**(1 212)**	**873**

21. Non-current intangible assets

	2009	2008
Software	22 115	24 251
Goodwill	9 020	9 020
Intangibles in progress	3 735	1 502
Total	**34 870**	**34 773**

22. Non-current tangible assets

	2009	2008
Land and buildings	45 875	49 228
Other non-current tangible assets	38 179	39 921
Total	**84 054**	**89 149**

As at 31 December 2009, the Group did not recognise any liabilities under contracts for the purchase of non-current tangible assets (2008: EUR 0 thousand).

"Land and buildings" include land held by the Group for the purposes of further investments, in the amount of EUR 6.6 million.

Insurance coverage

Non-current tangible assets are insured covering EUR 153 711 thousand against natural disaster, EUR 163 723 thousand against fire damage, EUR 140 426 thousand against water damage, and EUR 22 463 thousand against theft and vandalism. Electronic equipment is insured covering a maximum risk of EUR 75 034 thousand. Based on the effective motor hull insurance, vehicles have been insured up to EUR 10 158 thousand.

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23. Development of non-current tangible and intangible assets

Development of non-current tangible assets as at 31 December 2009:

	Land and buildings	Machinery & equipment	Other non-current assets	Means of transport	Construc-tion in progress	Total
Cost						
1 January 2009	68 977	109 821	32 387	9 436	3 407	224 028
Additions	-	-	-	-	12 567	12 567
Disposals	(2 910)	(7 808)	(1 985)	(1 205)	-	(13 908)
Transfer from tangibles in progress	1 475	6 207	1 110	563	(9 355)	-
31 December 2009	**67 542**	**108 220**	**31 512**	**8 794**	**6 619**	**222 687**
Accumulated depreciation						
1 January 2009	(19 749)	(88 170)	(23 238)	(3 722)	-	(134 879)
Depreciation charge	(2 267)	(8 167)	(1 723)	(1 822)	-	(13 979)
Disposals	349	7 298	1 890	688	-	10 225
31 December 2009	**(21 667)**	**(89 039)**	**(23 071)**	**(4 856)**	**-**	**(138 633)**
Net book value at 1 January 2009	**49 228**	**21 651**	**9 149**	**5 714**	**3 407**	**89 149**
Net book value at 31 December 2009	**45 875**	**19 181**	**8 441**	**3 938**	**6 619**	**84 054**

Development of non-current tangible assets as at 31 December 2008:

	Land and buildings	Machinery & equipment	Other non-current assets	Means of transport	Construc-tion in progress	Total
Cost						
1 January 2008	66 252	101 689	32 342	8 380	3 770	212 433
Additions	-	-	-	-	19 235	19 235
Disposals	(935)	(2 329)	(2 403)	(1 972)	-	(7 639)
Transfer from tangibles in progress	3 661	10 461	2 447	3 029	(19 598)	-
31 December 2008	**68 978**	**109 821**	**32 386**	**9 437**	**3 407**	**224 029**
Accumulated depreciation						
1 January 2008	(17 645)	(77 826)	(23 566)	(3 629)	-	(122 666)
Depreciation charge	(2 232)	(12 522)	(1 775)	(1 819)	-	(18 348)
Disposals	127	2 178	2 103	1 726	-	6 134
31 December 2008	**(19 750)**	**(88 170)**	**(23 238)**	**(3 722)**	**-**	**(134 880)**
Net book value at 1 January 2008	**48 607**	**23 863**	**8 776**	**4 751**	**3 770**	**89 767**
Net book value at 31 December 2008	**49 228**	**21 651**	**9 148**	**5 715**	**3 407**	**89 149**

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Development of non-current intangible assets as at 31 December 2009:

	Software	Goodwill	Intangible assets in progress	Total
Cost				
1 January 2009	81 674	10 122	1 502	93 298
Additions	-	-	6 147	6 147
Disposals	(12 958)	-	-	(12 958)
Transfer from intangibles in progress	3 856	-	(3 856)	-
31 December 2009	**72 572**	**10 122**	**3 793**	**86 487**
Accumulated amortisation				
1 January 2009	(57 423)	(1 102)	-	(58 525)
Amortisation charge	(5 613)	-	-	(5 613)
Disposals	12 521	-	-	12 521
31 December 2009	**(50 515)**	**(1 102)**	-	**(51 617)**
Net book value at 1 January 2009	**24 251**	**9 020**	**1 502**	**34 773**
Net book value at 31 December 2009	**22 057**	**9 020**	**3 793**	**34 870**

Development of non-current intangible assets as at 31 December 2008:

	Software	Goodwill	Other	Intangible assets in progress	Total
Cost					
1 January 2008	65 036	10 122	20	9 903	85 081
Additions	14	-	-	10 975	10 989
Disposals	(2 752)	-	(20)	-	(2 772)
Transfer from intangibles in progress	19 376	-	-	(19 376)	-
31 December 2008	**81 674**	**10 122**	-	**1 502**	**93 298**
Accumulated amortisation					
1 January 2008	(49 835)	(1 102)	(20)	-	(50 957)
Amortisation charge	(10 311)	-	-	-	(10 311)
Disposals	2 723	-	20	-	2 743
31 December 2008	**(57 423)**	**(1 102)**	-	-	**(58 525)**
Net book value at 1 January 2008	**15 201**	**9 020**	-	**9 903**	**34 124**
Net book value at 31 December 2008	**24 251**	**9 020**	-	**1 502**	**34 773**

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24. Current income tax asset

	2009	2008
Tax asset – current	13 453	33
Total current tax asset	**13 453**	**33**

An income tax asset for 2009 resulted from the amount of prepayments made by the Group during the year whose aggregate exceeds the Bank's tax liability calculated as at 31 December 2009.

25. Deferred income tax asset

	2009	2008
Income tax asset – deferred	13 567	1 060
Total deferred income tax asset	**13 567**	**1 060**

Net deferred income tax asset resulted mainly from temporary deductible differences described in Note 10.

26. Other assets

	2009	2008
Prepayments and other deferrals	6 312	8 258
Other receivables from the state budget	1 153	970
Values in transit	9 223	3 895
Other assets	6 975	8 301
Total	**23 663**	**21 424**

Prepayments for the acquisition of non-current tangible and intangible assets are recognised in *"Prepayments and other deferrals"* in the amount of EUR 68 thousand (31 December 2008: EUR 342 thousand). In *"Values in transit"* the Group recognises a receivable from an entity that provides services related to the operation of ATMs and cash transports.

27. Deposits from banks

	2009	2008
Giro and interbank clearing business	37 727	40 966
Money-market business	30 376	623 305
Loans received	35 345	38 501
Loans received – repurchase transactions	-	156 690
Total	**103 448**	**859 462**

Deposits from banks by geographical segment:

	2009	2008
Slovak Republic	29 749	59 880
Other countries	73 699	799 582
Total	**103 448**	**859 462**

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An analysis of loans received by type of counterparty is as follows:

Type of loan	Currency	Type of loan according to maturity	Contractual maturity	2009	2008
Loans received from central banks:					
– Central banks	EUR	Repaid	-	-	72
Loans received from banks:					
– Commercial banks	EUR	Long-term	June 2014	2 600	4 019
– Reconstruction and development banks	EUR	Long-term	May 2020	17 507	19 195
– Reconstruction and development banks	EUR	Long-term	March 2016	15 238	15 215
Repurchase loans received from banks:					
– Commercial banks	EUR	Repaid	-	-	156 690
Total				**35 345**	**195 191**

As of 31 December 2009, part of loans received from banks was secured by government bonds of the Slovak Republic included in the securities portfolios in the amount of EUR 33 793 thousand in favour of the following subjects (in thousand EUR):

	Carrying amount of debt securities	Carrying amount of received loan	Guarantee expiry date	In favour of
Government bond EUR	33 793	17 507	22. 1. 2013	Reconstruction and development banks

As of 31 December 2008, part of loans received from banks was secured by government bonds of the Slovak Republic included in the securities portfolios in the amount of EUR 194 065 thousand in favour of the following subjects (in thousands EUR):

	Carrying amount of debt securities	Carrying amount of received loan	Guarantee expiry date	In favour of
Government bond SKK	33 089	19 195	22. 1. 2013	Reconstruction and development banks
Government bond EUR	56 305	55 143	7. 1. 2009	Commercial banks
Government bond EUR	49 759	48 450	7. 1. 2009	Commercial banks
Government bond EUR	54 912	53 097	27. 1. 2009	Commercial banks

28. Deposits from customers

Deposits from customers by customer segment are as follows:

	2009	2008
Current accounts	3 842 948	3 866 182
Time deposits	2 468 129	3 340 891
Savings deposits	371 515	180 162
Loans received	33 730	67 819
Total	**6 716 322**	**7 455 054**

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Deposits from customers by customer segment are as follows:

	2009	2008
Public sector	190 352	398 645
Corporate clients	2 499 379	2 911 542
Retail clients	4 026 591	4 144 867
Total	**6 716 322**	**7 455 054**

Deposits from customers by geographical segment are as follows:

	2009	2008
Slovak Republic	6 420 598	7 267 414
Other countries	295 724	187 640
Total	**6 716 322**	**7 455 054**

Loans received by particular customer are as follows:

Type of loan	Currency	Type of loan according to maturity	Contractual maturity	2009	2008
Loans received from customers:					
– Other financial institutions	EUR	Short-term	November 2011	33 730	67 819
Total				**33 730**	**67 819**

29. Held for trading financial liabilities

	2009	2008
Negative fair value of financial derivatives		
Interest-rate contracts	110 896	149 373
Currency contracts	17 227	75 341
Index-related contracts	2 455	2 003
Commodity contracts	14	4 938
Total	**130 592**	**231 655**

30. Liabilities from debt securities

	2009	2008
Issued debt securities – bonds	33 802	20 438
Issued debt securities – mortgage bonds	1 035 816	1 103 357
Total	**1 069 618**	**1 123 795**

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The Group issued mortgage bonds with the following conditions:

Name	Interest rate	Curr.	Number of mortgage bonds issued	Mortgage bonds unit face value in currency	Issue date	Maturity date	Coupon payment	2009	2008
HZL II	5,50 %	EUR	9 890	3 319	17. 12. 2002	17. 12. 2012	Annually	33 322	33 544
HZL III	6,00 %	EUR	4 343	3 319	11. 3. 2003	11. 3. 2010	Annually	15 143	15 377
HZL V	5,00 %	EUR	10 000	3 319	21. 5. 2003	21. 5. 2013	Annually	34 519	34 612
HZL VIII	5,00 %	EUR	paid	-	31. 3. 2004	31. 3. 2009	Annually	-	34 439
HZL IX	4,50 %	EUR	paid	-	25. 6. 2004	25. 6. 2009	Annually	-	33 963
HZL XII	2,90 %	EUR	995	33 194	15. 11. 2005	15. 11. 2010	Annually	33 059	31 872
HZL XIII	12M EURIBOR	EUR	1 000	33 194	21. 11. 2005	21. 11. 2010	Annually	33 231	33 336
HZL XIV	3M EURIBOR	EUR	paid	-	22. 3. 2006	22. 3. 2009	Quarterly	-	16 608
HZL XVII	6M EURIBOR + 0,08 %	EUR	650	33 194	24. 11. 2006	24. 11. 2011	6-monthly	21 599	21 664
HZL XVIII	4,65 %	EUR	paid	-	6. 12. 2006	6. 3. 2009	Annually	-	20 673
HZL XX	4,24 %	EUR	paid	-	31. 1. 2007	31. 1. 2009	Annually	-	32 786
HZL XXI	3M EURIBOR + 0,04 %	EUR	paid	-	10. 5. 2007	10. 5. 2009	Quarterly	-	33 383
HZL XXII	4,6 %	EUR	500	33 194	25. 6. 2007	25. 6. 2012	Annually	16 992	16 992
HZL XXIII	0 %	EUR	2 141	3 319	1. 8. 2007	30. 7. 2010	-	7 047	8 495
HZL XXV	4,6 %	EUR	10 000	3 319	18. 10. 2007	18. 10. 2010	Annually	33 491	33 470
HZL XXVI	0 %	EUR	4 611	3 319	31. 10. 2007	29. 10. 2010	-	14 826	15 082
HZL XXVIII	3M EURIBOR + 0,30 %	EUR	1 000	100 000	31. 1. 2008	31. 1. 2010	Quarterly	100 127	100 260
HZL XXIX	4,25 %	EUR	4 663	3 319	20. 2. 2008	20. 2. 2010	Annually	16 052	16 424
HZL XXX	4,30 %	EUR	2 452	3 319	25. 2. 2008	25. 2. 2013	Annually	8 354	8 329
HZL XXXIII	4,75 %	EUR	200	1 000 000	27. 5. 2008	27. 5. 2010	Annually	205 753	205 752
HZL XXXIV	4,60 %	EUR	4 900	3 319	18. 6. 2008	18. 6. 2011	Annually	16 621	16 591
HZL XXXV	0 %	EUR	23 000	950	31. 10. 2008	31. 10. 2012	-	18 722	22 980
HZL XXXVI	3M EURIBOR + 0,70 %	EUR	1 000	66 388	30. 7. 2008	30. 7. 2010	Quarterly	66 551	66 939
HZL XXXVII	6M EURIBOR + 0,20 %	EUR	200	66 388	30. 7. 2008	30. 7. 2011	6-monthly	13 355	13 545
HZL XXXVIII	5,70 %	EUR	4 745	3 319	11. 8. 2008	11. 8. 2010	Annually	16 105	16 227
HZL XXXIX	3M EURIBOR + 0,20 %	EUR	100	1 000 000	18. 8. 2008	18. 8. 2010	Quarterly	99 685	99 427
HZL XL	3M EURIBOR + 0,30 %	EUR	50	1 000 000	18. 8. 2008	18. 8. 2011	Quarterly	49 481	49 335
HZL XLI	5,50 %	EUR	350	66 388	20. 8. 2008	20. 8. 2011	Annually	23 792	27 265
HZL XLII	5,70 %	EUR	3 124	3 319	17. 9. 2008	17. 9. 2010	Annually	10 542	10 596
HZL XLIII	5,50 %	EUR	paid	-	19. 11. 2008	19. 11. 2009	Annually	-	8 352
HZL XLIV	5,99 %	EUR	paid	-	19. 11. 2008	19. 11. 2009	Annually	-	8 358
HZL XLV	5,33 %	EUR	4 845	3 319	27. 11. 2008	7. 5. 2010	Annually	16 649	16 681
HZL XLVI	4,05 %	EUR	9 065	1 000	27 .2. 2009	27. 2. 2012	Annually	9 378	-
HZL XLVII	5,01 %	EUR	24 810	1 000	1. 7. 2009	1. 7. 2014	Annually	25 442	-
HZL XLVIII	3M EURIBOR +1,40 %	EUR	70 000	1 000	14. 8. 2009	14. 8. 2011	Quarterly	70 193	-
HZL XLIX	3,6 %	EUR	396	50 000	28. 9. 2009	28. 3. 2013	Annually	19 919	-
HZL L	0 %	EUR	6 862	1 000	19. 11. 2009	19. 11. 2013	-	5 866	
HZL Total								**1 035 816**	**1 103 357**

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The Group also issued other debt securities with the following conditions:

Name	Interest rate	Curr.	Number of debt securities issued	Face value per debt security in currency	Issue date	Maturity date	Coupon payment	2009	2008
BOND II	0 %	EUR	7 480	1 000	19. 11. 2009	19. 11. 2011	-	7 078	-
Tatra Residence01	5,75 %	EUR	5 000	3 319	5. 12. 2007	5. 12. 2010	Annually	16 666	16 666
Tatra Residence02	6,00 %	EUR	3 000	3 319	31. 10. 2008	31. 10. 2011	Annually	10 058	3 772
Total bonds								**33 802**	**20 438**
Total liabilities from debt securities								**1 069 618**	**1 123 795**

In accordance with Act on Banks No. 483/2001 Coll., the Bank is obliged to finance mortgage loans at least in the amount of 90% by issuing and selling mortgage bonds. Under its decision, the NBS set special conditions for financing of mortgage loans for the Bank, where the mortgage loans must be financed at least in the amount of 70%. As at 31 December 2009, the Bank met the aforementioned condition.

Mortgage bonds and bonds are in the form of bearer securities and all mortgage bonds and other debt securities are registered securities.

The bonds are negotiable and are not subject to any pre-emptive right. The entitlement to receiving the face value plus yield is governed by generally binding legal regulations and the bond issue terms and conditions, the full wording of which is published as required pursuant to Act No. 530/1990 Coll. on Bonds as amended.

Some issued mortgage bonds of the Group are quoted on the Bratislava Stock Exchange.

As at 31 December 2009, the entire issue of the mortgage bonds No. HZL XXXIII was secured by cash recognised in *"Loans and advances to banks"* in the amount of EUR 205 536 thousand (31 December 2008: EUR 205 691 thousand).

As of 31 December 2009, part of the issued mortgage bonds was secured by government bonds of the Slovak Republic included in securities portfolios in the amount of EUR 19 265 thousand in favour of the business entities below:

Description	Carrying amount of government bonds	Guarantee for issue of	Carrying amount of mortgage bonds	Security termination date	Pledged in favour of
Government bonds EUR	19 265	HZL XIII	16 616	21. 11. 2010	Commercial banks

As of 31 December 2008, part of the issued mortgage bonds was secured by government bonds of the Slovak Republic included in securities portfolios in the amount of EUR 97 408 thousand in favour of the below business entities:

Description	Carrying amount of government bonds	Guarantee for issue of	Carrying amount of mortgage bonds	Security termination date	Pledged in favour of
Government bonds SKK	38 707	HZL VIII	34 439	31. 3. 2009	Commercial banks
Government bonds SKK	19 018	HZL IX	16 981	25. 6. 2009	Commercial banks
Government bonds SKK	17 390	HZL XIII	16 668	21. 11. 2010	Commercial banks
Government bonds SKK	22 293	HZL XVIII	20 673	6. 3. 2009	Commercial banks

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31. Provisions for liabilities and charges

As at 31 December 2009, movements in provisions for liabilities and charges were as follows:

	1 January 2009	Allocated	Released	Used	Transfers, exchange differences	31 December 2009
Provisions for Anniversaries and other Long-service benefits	1 527	168	(129)	-	-	1 566
Legal disputes (Note 42)	20 340	2 110	(722)	-	-	21 728
Specific provision	9 764	3 409	(8 175)	-	(2)	4 996
Of which: Guarantees	*938*	*931*	*(455)*	-	*(8)*	*1 406*
Irrevocable loan commitments	*8 826*	*2 478*	*(7 720)*	-	*6*	*3 590*
Portfolio provision for off-balance sheet items	6 173	-	(2 583)	-	-	3 590
Total	**37 804**	**5 687**	**(11 609)**	-	**(2)**	**31 880**

As at 31 December 2008, movements in provisions for liabilities and charges were as follows:

	1 January 2008	Allocated	Released	Used	Transfers, exchange differences	31 December 2008
Provisions for anniversaries and other long-service benefits	1 413	235	(121)	-	-	1 527
Legal disputes (Note 42)	26 167	5 598	(11 425)	-	-	20 340
Specific provision	5 568	8 706	(4 476)	-	(34)	9 764
Of which: Guarantees	*1 126*	*654*	*(839)*	-	*(3)*	*938*
Irrevocable loan commitments	*4 442*	*8 052*	*(3 637)*	-	*(31)*	*8 826*
Portfolio provision for off-balance sheet items	6 131	155	(113)	-	-	6 173
Total	**39 279**	**14 694**	**(16 135)**	-	**(34)**	**37 804**

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32. Current income tax liability

Movements in the current corporate income tax liability as at 31 December 2009 were as follows:

	1 January 2009	Allocated	Used	31 December 2009
Current tax	21 376	39 367	(60 597)	146
Total	**21 376**	**39 367**	**(60 597)**	**146**

Movements in the current corporate income tax liability as at 31 December 2008 were as follows:

	1 January 2008	Allocated	Used	31 December 2008
Current tax	6 474	48 153	(33 251)	21 376
Total	**6 474**	**48 153**	**(33 251)**	**21 376**

33. Deferred income tax liability

Movements in the current corporate income tax liability as at 31 December 2009 were as follows:

	1 January 2009	Allocated	Used	31 December 2009
Deferred tax	672	81	(4)	749
Total	**672**	**81**	**(4)**	**749**

Movements in the current corporate income tax liability as at 31 December 2008 were as follows:

	1 January 2008	Allocated	Used	31 December 2008
Deferred tax	13 106	-	(12 434)	672
Total	**13 106**	**-**	**(12 434)**	**672**

34. Other liabilities

	2009	2008
Deferred items	1 644	2 893
Other liabilities to state budget	2 677	2 354
Liabilities from spot transactions	282	207
Social fund	665	725
Employee liabilities	14 928	19 018
Other liabilities	12 384	12 621
Total	**32 580**	**37 818**

The summary of social fund balances, additions, and drawings is as follows:

	2009	2008
At 1 January	725	993
Additions	1 048	1 086
Drawing	(1 108)	(1 354)
At 31 December	**665**	**725**

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35.Subordinated debt

	2009	2008
Subordinated debt	120 373	*120 694*
Total	**120 373**	**120 694**

Subordinated debt analysed by individual bank:

Type of loan	Curr.	Type of loan by maturity	Start of loan drawdown	Contractual maturity	2009	2008
Subordinated debt from banks:						
– Commercial banks	EUR	Long-term	September 2007	September 2012	75 003	75 000
– Commercial banks	EUR	Long-term	October 2008	October 2013	45 370	45 694
Celkom					**120 373**	**120 694**

In 2008, the Group drew subordinated debt, which is along with the subordinated debt drawn in 2007, in accordance with the Act on Banks No. 483/2001 Coll. as amended, and NBS Decree No. 4/2007 on banks' own funds of financing and banks' capital requirements and on securities dealers' own funds of financing and securities dealers' capital requirements to cover credit and operational risk of the Banking book and the market risks resulting from the Trading book.

36.Equity

Equity breaks down as follows:

	2009	2008
Share capital – ordinary shares	40 173	33 337
Share capital – ordinary shares – new shares subscribed in 2009	8 380	-
Share capital – preference shares	6 002	4 981
Treasury shares	(165)	(176)
Share premium – ordinary shares	3 323	3 334
Share premium – ordinary shares – new shares subscribed in 2009	101 608	-
Share premium – preference shares	47 575	45 678
Share premium – treasury shares	(1 492)	(1 726)
Reserve and other funds	10 457	10 426
Retained earnings (excluding current year net profit after tax)	497 488	435 561
Total	**713 349**	**531 415**

As at 31 December 2009, the share capital of the Parent Company consists of 50 216 ordinary shares with a par value of EUR 800 thousand each, 2 095 ordinary shares with a par value of EUR 4 000 thousand each and 1 500 532 preference shares with a fair value of EUR 4. The structure of shareholders is included in the *"General Information"* section. Earnings per share are disclosed in Note 11.

The type, form, nature, and par value of equity shares and preference shares issued by the Parent Company:

Type	Ordinary shares	Ordinary shares	Preference shares
Form	Registered	Registered	Registered
Nature	Non-certified	Non-certified	Non-certified
Number	50 216 shares	2 095 shares	1 500 532 shares
Par value	EUR 800	EUR 4 000	4 EUR
Issue No. (ISIN)	SK1110001502, 01-04 series	SK1110015510	SK1110007186, SK1110008424, SK1110010131, SK1110012103, SK1110013937, SK1110014901

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Description of rights:

Each holder of an equity share is the Company's shareholder. Each shareholder enjoys its fundamental shareholder rights resulting from the Commercial Code and from the Group's Articles, namely:

- The right to share in the Company's profit (dividend), based on the proportion of total face value of their shares to the total face value of all shareholders;
- The right to attend the General Meeting, vote at the General Meeting, ask for information thereon and explanations regarding the Company's issues and/or issues concerning the controlled entities and related to the agenda of the General Meeting, make motions at the General Meeting; and
- The right to share in the liquidation balance.

Each holder of preference shares enjoys similar rights as holders of equity shares; the only difference is that the preference shares are not equipped with the right to vote at a General Meeting, except for cases for which the law assigns voting power to such shares. Preference shares are assigned a preferential right applicable to dividends, ie if the Company generates minimum net profit in Euro equal to the number of issued preference shares, the holders of preference shares will be paid a dividend at least in the amount EUR 0.03 (in words three eurocents) per preference share.

Preference shares are subscribed and/or purchased during a subscription period which is announced by the Group's management on an annual basis after the Parent Company's Annual General Meeting. The right to subscribe and/or purchase preference shares is vested in any employee who works in the Bank for at least one year as of the end of a subscription period, and is employed for an unlimited period of time. Preference shares are sold by the Group with a discount that is recognised in costs during a three-year period.

Voting power exercisable at the General Meeting is determined by the face value of the share, where one vote is assigned to each share at face value of EUR 800 and five voting rights to each ordinary share at face value of EUR 4 000. If the law requires voting by the preference shares' holders, their voting is conducted separately and each preference share at face value of EUR 4 is assigned one vote.

Ordinary shares are publicly tradable on stock markets, preference shares are not publicly tradable.

The following table shows the Group's contributions to consolidated share premium, equity restricted funds, and retained earnings (except for current year profits). The use of equity-restricted funds is restricted (legal reserve fund) as per the Commercial Code valid in the Slovak Republic.

	2009	2008
Parent Company	619 148	464 439
Entities consolidated using full consolidation method	30 072	19 967
Entities consolidated using equity method	9 739	8 867
Total share premium, equity restricted funds, and retained earnings	**658 959**	**493 273**

The contribution of the Group entities to the consolidated profit after tax for the respective period:

	2009	2008
Parent Company (bank)	90 800	120 331
Elimination of received dividends from associated undertakings	(240)	-
Entities consolidated using full consolidation method	5 536	10 105
Entities consolidated using equity method	(1 212)	872
Consolidated profit after tax	**94 884**	**131 308**

37. Capital management

For capital management purposes, the Group defines regulatory capital, internal capital and economic capital.

Regulatory capital is the capital defined by the capital adequacy rules under Pillar 1. When quantifying regulatory capital, the Group complies with current legislation (Decree of the National Bank of Slovakia No. 4/2007), defining its structure and minimum amount. As at the balance sheet date, the Group applied BASEL II – the standardised approach and the internal ratings-based (IRB) approach for calculating capital requirements. The general internal ratings-based (IRB) approach is applied by the Group for a non-retail portion of the portfolio.

Regulatory capital, designated as own funds of the Group's financing, comprises the sum of the Group's original own funds and additional own funds less the value of deductible items. The Group does not generate any supplementary own funds. Regulatory capital is assigned for the coverage of credit risk, risks arising from the positions recorded in the Trading book (market risks), foreign exchange risk and operational risk.

The National Bank of Slovakia, as the supervising authority, requires that the Group maintain the proportion of total regulatory capital to risk-weighted assets at 8% or above. In 2009 and 2008, the Group met the above minimum capital requirement. The amount of the Group's own funds as required by the regulator increased in 2009 as a result of the increase of the Parent Company's share capital through the subscription of new ordinary shares (see Section I General Information).

Capital represents such own sources of the Group's financing that are internally held and placed by the Group to cover its risks. The capital consists of capital components under the NBS Decree 4/2007 supplemented by other additional funds available to the Group. The Group's objective is to maintain the required amount of capital. For 2009, the Group met this objective.Economic capital is the necessary capital and/or it responds to the minimum capital requirement to cover unexpected losses resulting from internal risks, which are defined by the Group as material. Economic capital ensures the financial stability of the Group at the reliability level corresponding to the Group's credibility. The benefits of the knowledge of economic capital are important for the Group, eg for active portfolio management, valuation, controlling, etc.

The below table provides the outline of the structure of the Group's regulatory capital including the capital adequacy ratios for the years ending 31 December:

	2009*	2008
The Bank's original own funds	**713 349**	**531 415**
Paid-up share capital	54 555	38 318
(-) Treasury shares	(165)	(176)
Share premium	151 014	47 286
Funds from profit and other capital reserves	10 457	10 426
Other specific items of the Bank's original own funds	497 488	435 561
(-) Items deductible from the Bank's original own funds	**(34 870)**	**(34 773)**
(-) Intangible assets	(34 870)	(34 773)
Additional own funds	**118 061**	**120 000**
Subordinated debts	120 000	120 000
Recorded provisions in excess of expected losses	(1 939)	-
(-) Items deductible from the Bank's original and additional own funds	**(11 474)**	**(12 926)**
(-) From the Bank's original own funds	(5 737)	(6 463)
(-) From additional own funds	(5 737)	(6 463)
Supplementary own funds	-	-
Total own funds	**785 066**	**603 716**

* *Since 1 January 2009 the Parent Company applies a combination of the standardised approach and the IRB approach for calculating risk-weighted assets based on which it can include recorded provisions in excess of expected losses in the capital calculations.*

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	2009	2008*
Adequacy of own funds (%)	**12,23**	**9,05**
Own funds	**785 066**	**603 716**
Risk-weighted assets (RWA)	**6 421 285**	**6 672 338**
RWA from receivables recorded in the Banking book	5 577 214	5 684 713
RWA from positions recorded in the Trading book	183 175	325 592
RWA from operating risk – standardised approach	660 896	587 075
Other RWA (foreign exchange risk)	-	74 958

* *Comparable data for 2008 are calculated according to requirements of the BASEL II STA approach for the credit risk measurement*

38.Information for Cash Flow Statement

Profit from operating activities before changes in working capital and interest received and paid is summarised as follows:

	2009	2008
Cash flows from operating activities		
Profit before income taxes	121 822	165 967
Adjustments:	(227 155)	(224 944)
Interest expense	115 626	192 909
Interest income	(405 551)	(452 816)
Dividend income	(7)	(1 909)
Provisions for impairment losses on loans and advances and other provisions, net	54 007	30 511
(Profit) loss on sale and other disposals of non-current assets	853	446
(Profit) loss from financial derivative instruments and held for trading securities	4 851	(36 961)
(Profit) loss from securities at fair value through profit or loss	(8 913)	496
Profit from sale of ownership interest in subsidiary	(11 489)	-
Share on retained earnings of associated companies	1 452	(873)
Discount applicable to preference shares	2 572	2 320
Depreciation and amortization	19 592	28 659
Foreign exchange (gain) loss on cash and cash equivalents	(148)	12 274
Cash flow of operating activities before changes in working capital, interest received and paid and income taxes paid	**(105 333)**	**(58 977)**

Cash and cash equivalents as of 31 December 2009, 31 December 2008, and 31 December 2007 comprise of the following:

	2009	2008	*2007*
Cash in hand (Note 12)	71 230	170 742	108 711
Deposits with National Bank of Slovakia repayable on demand (Note 12)	-	126 294	41 086
NBS overnight deposits (Note 12)	-	331 953	132 784
Giro and interbank clearing business (Note 13)	40 680	62 965	33 188
Total	**111 910**	**691 954**	**315 769**

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39. Related parties

Related parties as defined by IAS 24 are those counterparties that represent:

a) Enterprises that directly, or indirectly through one or more intermediaries control, or are controlled by, or are under common control with the reporting enterprise. (This includes holding companies, subsidiaries and fellow subsidiaries);
b) Associates – enterprises in which the Group has significant influence and which is neither a subsidiary nor a joint venture of the investor;
c) Individuals owning, directly or indirectly, an interest in the voting power of the Parent Company that gives them significant influence over the Group, and anyone expected to influence, or be influenced by that person in their dealings with the Group;
d) Key management personnel, ie those persons with authority and responsibility for planning, directing and controlling the activities of the Group, including directors and officers of the Group and close members of the families of such individuals; and
e) Enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in (c) or (d) or over which such a person is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the Group and enterprises that have a member of key management in common with the Group.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely the legal form.

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

The following are assets, liabilities, revenues, expenses, commitments and contingencies with related parties as at 31 December 2009:

	RZB	RZB Group	Associates	Statutory bodies and Supervisory Board*	Other related parties	Total
Loans and advances to banks and customers	165 623	14 617	22 476	830	5 085	**208 631**
Receivables from financial derivative transactions	19 550	3 326	-	-	-	**22 876**
Other assets	83	484	-	-	-	**567**
Deposits from banks and customers	33 798	4 242	30	2 852	-	**40 922**
Liabilities from financial derivative transactions	21 322	72	-	-	-	**21 394**
Subordinated debt	75 003	45 370	-	-	-	**120 373**
Other liabilities	18	371	-	-	-	**389**
Guarantees issued	20 104	30 159	3 921	-	-	**54 184**
Commitments	-	3 843	37 544	171	1 450	**43 008**
Guarantees received	35 922	20 265	50	-	-	**56 237**

* *Including members of RZB and RIB Boards of Directors*

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The following are assets, liabilities, revenues, expenses, commitments and contingencies with related parties as at 31 December 2008:

	RZB	RZB Group	Associates	Statutory bodies and Supervisory Board*	Other related parties	Total
Loans and advances to banks and customers	99 496	12 851	8 752	146	5 796	**127 041**
Receivables from financial derivative transactions	23 444	11	-	-	-	**23 455**
Other assets	56	793	-	-	-	**849**
Deposits from banks and customers	422 721	25 142	13 427	4 635	-	**465 925**
Liabilities from financial derivative transactions	23 180	463	-	-	-	**23 643**
Subordinated debt	75 000	45 694	-	-	-	**120 694**
Other liabilities	-	241	-	-	-	**241**
Guarantees issued	25 629	3 630	3 871	-	-	**33 130**
Commitments	-		44 563	270	1 625	**46 458**
Guarantees received	36 361	20 910	116	-	-	**57 387**

* *Including members of RZB and RIB Boards of Directors*

The following are revenues and expenses with related parties as of 31 December 2009:

	RZB	RZB Group	Associates	Statutory bodies and Supervisory Board*	Other related parties	Total
Interest and similar income	5 402	494	91	10	291	**6 288**
Fees and commissions income	150	207	258	-	-	**615**
Unrealised gain (loss) on financial derivative transactions	44	1 995	-	-	-	**2 039**
Operating revenues	-	11 489	-	-	-	**11 489**
Interest and similar expenses	9	1 964	283	-	-	**2 256**
Expenses on charges and commissions	(2 218)	(2 559)	(21)	(86)	(125)	**(5 009)**
Administrative expenses	(345)	(3 075)	-	-	-	**(3 420)**
Operating expenses	(171)	(6 397)	-	(3 435)	-	**(10 003)**

* *Including proxies and members of the Boards of Directors of the subsidiaries*

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The following are revenues and expenses with related parties as of 31 December 2008:

	RZB	RZB Group	Associates	Statutory bodies and Supervisory Board*	Other related parties	Total
Interest and similar income	3 298	257	408	1	1	**3 965**
Fees and commissions income	198	3 993	261	-	-	**4 452**
Unrealised gain (loss) on financial derivative transactions	4 258	(37)	-	-	-	**4 221**
Operating revenues	27	338	286	-	-	**651**
Interest and similar expenses	(7 275)	(1 393)	(62)	(136)	-	**(8 866)**
Expenses on charges and commissions	(400)	(350)	-	-	-	**(750)**
Administrative expenses	(261)	(2 639)	-	(4 170)	-	**(7 070)**
Operating expenses	-	(3)	(10)	-	-	**(13)**

Salaries and bonuses of the statutory representatives and members of the supervisory board (gross):

	2009	2008
Statutory representatives*	3 263	3 000
Supervisory Board	172	607
Total	**3 435**	**3 607**

* *Including proxies and members of the Boards of Directors of the subsidiaries*

40. Foreign currency items

The Financial Statements contain the following volumes of assets and liabilities denominated in foreign currencies:

	2009	2008
Assets	130 129	151 179
Of which: USD	*71 015*	*78 938*
other currencies (CZK, PLN, HUF, GBP)	*59 114*	*72 241*
Liabilities	220 342	334 213
Of which: USD	*149 887*	*214 114*
other currencies (CZK, PLN, HUF, GBP)	*70 455*	*120 099*

41. Foreign assets and liabilities

Assets and liabilities with counterparties outside the Slovak Republic are as follows:

	2009	2008
Assets	1 104 094	724 038
Of which: Austrian assets	*774 696*	*385 891*
Foreign assets (mostly EU member states)	*329 398*	*338 147*
Liabilities	591 465	1 269 146
Of which: Austrian liabilities	*145 484*	*657 419*
Foreign assets (mostly EU member states)	*445 981*	*611 727*

42. Contingent liabilities and other off-balance-sheet items

The Group reports the following contingent liabilities and other off-balance sheet items:

	2009	2008
Contingent liabilities:	**448 802**	**370 551**
From guarantee credits	*332*	*1 275*
From other guarantees	*419 649*	*333 319*
From letters of credit	*28 821*	*35 957*
Commitments:	**2 207 349**	**2 563 099**
From irrevocable loan promises/stand-by facilities	1 607 687	2 029 996
Up to 1 year	*1 218 772*	*1 349 533*
More than 1 year	*388 915*	*680 463*
From revocable loan commitments	599 662	533 103
Up to 1 year	*341 607*	*89 308*
More than 1 year	*258 055*	*443 795*
Total contingent liabilities and other off-balance-sheet items	**2 656 151**	**2 933 650**

Off-balance sheet commitments from guarantees represent obligations that the Group will make payments in the event that a customer cannot fulfil its obligations against third parties.

A documentary letter of credit is an irrevocable undertaking of the issuing Group acting at the request of a customer (buyer) to make payment to the beneficiary (seller) or to pay or accept bills of exchange drawn by the beneficiary against stipulated documents, provided all terms and conditions of the letter of credit are complied with. The documentary letters of credit are collateralised depending on the creditworthiness of the customer and on the same basis as guarantees or loans.

The primary purpose of unused credit facilities (loan commitments) is to ensure that funds are available to a customer as required. Commitments to grant loans issued by the Group represent issued loan commitments and the unused part of approved overdraft loans.

The risk associated with off-balance sheet financial commitments and contingent liabilities is assessed similarly as for loans to customers, taking into account the financial position and activities of the entity to which the Group issued the guarantee and taking into account the collateral obtained. As of 31 December 2009, the Group created reserves for these risks amounting to EUR 8 586 thousand (2008: EUR 15 937 thousand) (Note 31).

Legal disputes

In the ordinary course of business, the Group is subject to legal actions and complaints. Each dispute is subject to a special monitoring and regular re-assessment as a part of the Bank's standard procedures. It is the policy of the Group not to disclose details of the pending legal actions and to rigorously defend unjustified claims. If it is probable that the Group will be required to settle the claim and a reliable estimate of the amount can be made, provisions are recorded. The total provision for litigation amount to EUR 21 728 thousand (31 December 2008: EUR 20 340 thousand), Note 31.

Contingent liabilities from operating lease

The Group recognises contingent liabilities from non-cancellable operating leases as a lessee on the off-balance sheet as follows:

	2009	2008
Total non-cancellable payments for operating leases	**36 934**	**32 829**
Less than 1 year	10 393	8 506
1 year to 5 years	19 967	18 778
More than 5 years	6 574	5 545
Operating lease expense in other administrative costs	11 547	12 458

43.Finance lease

The movements in finance lease receivables are analysed as follows:

	2009	2008
Gross investment	**25 273**	**31 238**
Up to 3 months	20	331
From 3 months up to 1 year	3 397	3 513
From 1 year up to 5 years	13 591	15 267
Over 5 years	8 265	12 127
Unearned finance income	**2 666**	**5 706**
Up to 3 months	168	328
From 3 months up to 1 year	495	951
From 1 year up to 5 years	1 791	3 627
Over 5 years	212	800
Net investment	**22 607**	**25 532**
Up to 3 months	(148)	3
From 3 months up to 1 year	2 903	2 562
From 1 year up to 5 years	11 800	11 640
Over 5 years	8 052	11 327

Finance lease receivables include lease receivables recognised as *"Loans to customers, gross"* (Note 14).

44.Values in custody and management

	2009	2008
Values in custody	**53 884**	**114 254**
Investment notes	29 748	62 254
Promissory notes	938	8 857
Merchandise and trust receipts	23 198	43 143
Values in management	**269 830**	**279 899**
Securities	269 830	279 899
Total	**323 714**	**394 153**

The Group reported values received in custody and administration at fair values. Values received in custody and administration does not represent the Bank's property and accordingly they are not part of the Group's assets. Revenues from custody and administration are disclosed in the comprehensive income statement as *"Fees and commissions income"*. As at 31 December 2009 they amounted to EUR 236 thousand (31 December 2008: EUR 264 thousand).In addition to amounts in the table above, in accordance with the depository function for Tatra Asset Management, správ. spol., a.s. (TAM), as of 31 December 2009 the Group reported deposited securities in custody of the TAM Unit Trusts in the amount of EUR 909 304 thousand (as of 31 December 2008: EUR 1 055 375 thousand).

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45.Repurchase agreements

The following repurchase and redelivery commitments were in place on 31 December 2009 (under reverse repo transactions):

	2009	2008
Repurchase transactions (debtor)		
Securities sold (carrying amount)	-	160 976
Total	**-**	**160 976**

	2009	2008
Reverse repurchase agreements (as lender)		
Securities purchased (fair value)	-	1 601 163
Of which: For loans granted to central banks (Note 13)	-	*1 601 163*
For loan commitments granted to central banks	-	-
Total	**-**	**1 601 163**

46.Assets pledged as collateral

Liabilities secured by the Group's assets:

	2009	2008
Deposits from banks (received loans)	17 507	19 195
Liabilities from debt securities	222 368	294 514
Total	**239 875**	**313 709**

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

	2009	2008
Loans and advances to banks	207 323	211 849
Financial assets held for trading	155 639	-
Financial assets at fair value through profit or loss	53 058	108 203
Held to maturity securities	127 990	228 707
Total	**544 010**	**548 759**

For information on securities pledged as collateral for the Group's liabilities, see Note 27 *"Deposits from banks"*, and Note 30 *"Liabilities from debt securities"*.

The Group opened margin accounts as a collateral for derivative transactions. The amount of cash deposited by the Group in margin accounts depends on the volume and risk exposures of the deals made. The amount of cash deposited in margin accounts equals the amount of assets pledged as collateral and is recognised in *"Loans and advances to banks".*

The Group pledged in favour of the NBS government bonds and bonds issued by the banking sector, which are held in the held-to-maturity securities portfolio and in the pooling trading portfolio in the amount of EUR 283 629 thousand.

47. Default loan portfolio

Default loans represent the loans receivable portfolio as defined by the "International Convergence of Capital Measurement and Capital Standards" issued by the Basel Committee and known as Basel II. In the Slovak Republic, the definition of default is set forth in Article 73 of the NBS Decree No. 4/2007 on banks' own funds of financing and banks' capital requirements.

There is no definition of default loans in the methodology of International Financial Reporting Standards.

The following summary analyses the default loan portfolio as at 31 December 2009:

	Public sector	Corporate clients	Retail clients	Total
Default loans	127	156 767	89 523	246 417
Provisions for default loans	3	70 909	45 986	116 898
Claim value of received collateral for default loans	-	64 721	39 712	104 433
% coverage by provisions for assets	2,4 %	45,2 %	51,4 %	47,4 %
% coverage by provisions for assets and received collaterals	2,4 %	86,5 %	95,7 %	89,8 %

The following summary analyses the default loan portfolio as at 31 December 2008:

	Corporate clients	Retail clients	Total
Default loans	43 986	35 053	79 039
Provisions for default loans	27 994	22 891	50 885
Claim value of received collateral for default loans	20 329	8 168	28 497
% coverage by provisions for assets	63,6 %	65,3 %	64,4 %
% coverage by provisions for assets and received collaterals	109,9 %	88,6 %	100,4 %

48. Average number of staff

The following is information on the Group's average headcount:

	2009	2008
Group employees	3 626	3 761
Of which: Members of the Board of Directors	*6*	*6*
Total	**3 626**	**3 761**

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49. Derivative financial instruments

The total volumes of unsettled derivative financial instruments are as follows on 31 December 2009:

	Nominal amounts by maturity				Fair values	
	Up to 1 year	From 1 to 5 years	More than 5 years	Total	Positive (Note 16)	Negative (Note 29)
a) Interest-rate contracts	**1 357 004**	**3 013 570**	**605 990**	**4 976 564**	**119 500**	**(110 896)**
OTC products:						
Interest rate swaps	1 357 004	2 962 598	605 990	4 925 592	118 966	(110 362)
Interest rate swaps – buy	-	22 686	-	22 686	534	-
Interest rate swaps – sell	-	22 686	-	22 686	-	(534)
Stock exchange products:						
Interest rate futures	-	5 600	-	5 600	-	-
b) Exchange-rate contracts	**1 264 429**	**67 538**	**-**	**1 331 967**	**23 031**	**(17 227)**
OTC products:						
Currency swaps	438 056	-	-	438 056	7 701	(669)
Foreign currency forwards	315 606	4 079	-	319 685	2 378	(3 675)
Currency options-buy	247 798	31 697	-	279 495	12 952	-
Currency options-sell	262 331	31 762	-	294 093	-	(12 883)
Stock exchange products:						
Currency futures	638	-	-	638	-	-
c) Index-related contracts	**-**	**51 030**	**1 035**	**52 065**	**2 445**	**(2 455)**
OTC products:						
Index call options	-	10 275	-	10 275	2 445	
Index put options	-	10 275	-	10 275		(2 445)
Index swaps		30 480	-	30 480	-	(10)
Stock exchange products:						
Index futures	-	-	1 035	1 035	-	-
d) Commodity contracts	**482**	**-**	**-**	**482**	**14**	**(14)**
OTC products:						
Commodity swaps	482	-	-	482	14	(14)
Total	**2 621 915**	**3 132 138**	**607 025**	**6 361 078**	**144 990**	**(130 592)**

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The total volumes of unsettled derivative financial instruments are as follows on 31 December 2008:

	Nominal amounts by maturity				Fair values	
	Up to 1 year	From 1 to 5 years	More than 5 years	Total	Positive (Note 16)	Negative (Note 29)
a) Interest-rate contracts	**2 134 535**	**2 813 816**	**718 290**	**5 666 641**	**145 936**	**(149 373)**
OTC products:						
Interest rate swaps	1 387 805	2 813 216	718 290	4 919 311	144 353	(147 874)
Forward rate agreements	746 730	-	-	746 730	1 580	(1 496)
Interest rate swaps – buy	-	300	-	300	3	-
Interest rate swaps – sell	-	300	-	300	-	(3)
b) Exchange-rate contracts	**2 974 643**	**494 603**	**-**	**3 469 246**	**91 697**	**(75 341)**
OTC products:						
Currency swaps	749 377	13 131	-	762 508	9 889	(7 407)
Currency and interest rate swaps	-	18 040	-	18 040	2 604	(2 596)
Foreign currency forwards	1 189 978	3 544	-	1 193 522	28 982	(15 333)
Currency options-buy	519 124	222 039	-	741 163	50 222	-
Currency options-sell	516 164	237 849	-	754 013	-	(50 005)
c) Index-related contracts	**11 702**	**-**	**-**	**11 702**	**2 007**	**(2 003)**
OTC products:						
Index call options	5 849	-	-	5 849	2 007	-
Index put options	5 853	-	-	5 853	-	(2 003)
d) Commodity contracts	**19 454**	**-**	**-**	**19 454**	**5 031**	**(4 938)**
OTC products:						
Commodity swaps	19 454	-	-	19 454	5 031	(4 938)
Total	**5 140 334**	**3 308 419**	**718 290**	**9 167 043**	**244 671**	**(231 655)**

50.Fair value of financial instruments

Financial assets at fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Insofar as market prices were available (which was mainly the case for securities and derivative instruments traded on stock exchanges and functioning markets), they were used. All other financial instruments were valued using internal measurement models, including present value models or accepted option price models in particular, or use was made of external expert opinions.

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The following table shows a summary of financial instruments recognised at fair value divided into Level 1 to Level 3 based on fair value measurements:

	Level 1*	Level 2**	Level 3***	Total
Financial assets at fair value	**401 237**	**144 990**	**-**	**546 227**
Debt securities and other fixed income securities	376 247	-	-	376 247
Shares, debt and other floating rate securities	24 990	-	-	24 990
Positive fair value of financial derivative instruments	-	144 990	-	144 990
Financial assets at fair value through profit or loss	**195 837**	**13 313**	**-**	**209 150**
Debt securities and other fixed income securities	195 837	-	-	195 837
Shares, debt and other floating rate securities	-	13 313	-	13 313
Available-for-sale financial assets	**-**	**-**	**644**	**644**
Available-for-sale securities	-	-	644	644
Total	**597 074**	**158 303**	**644**	**756 021**

	Level 1*	Level 2**	Level 3***	Total
Financial liabilities at fair value	**-**	**130 592**	**-**	**130 592**
Negative fair value of financial derivative instruments	-	130 592	-	130 592
Total	**-**	**130 592**	**-**	**130 592**

** Level 1 – derived from quoted prices in active markets.*
*** Level 2 – derived on the basis of active markets other than prices for identical assets or liabilities.*
**** Level 3 – inputs for assets or liabilities, which are not based on observable market data (unobservable inputs).*

Financial assets recognised at amortised cost

Fixed-interest receivables from and payables to banks or customers were only re-measured to fair values different from their carrying amount in the statement of financial position if they had a remaining term of more than one year. Variable-rate receivables and payables were only taken into account if they had an interest rollover period of more than one year. Only in those cases does discounting based on an assumed interest rate in line with market rates have a significant effect.

	Fair value 2009	Carrying amount 2009	Difference 2009	Fair value 2008	Carrying amount 2008	Difference 2008
Assets						
Loans and advances to banks, net	1 066 737	1 066 737	-	2 012 599	2 012 599	-
Loans and advances to customers, net	5 692 833	5 484 549	208 284	5 933 828	5 763 925	169 903
Held-to-maturity financial assets	1 553 701	1 524 294	29 407	1 009 028	1 008 333	695
Liabilities						
Deposits from banks	103 448	103 448	-	859 462	859 462	-
Deposit from customers	6 719 725	6 716 322	3 403	7 455 057	7 455 054	3
Liabilities from debt securities	1 082 266	1 069 618	12 648	1 129 231	1 123 795	5 436
Subordinated debt	120 373	120 373	-	120 694	120 694	-

51. Risk report

Credit risk

The Group bears a credit risk, ie the risk that the counterparty will not be able to repay in full the amounts owed at their maturity. The Group classifies loan exposure borne by the Bank by setting limits of risk accepted with respect to one debtor, or a group of debtors, and with respect to individual countries. The aforementioned risks are monitored on a regular basis and reviewed at least annually. Exposure to one debtor including banks and securities dealers is also limited by partial limits set for balance sheet and off-balance sheet exposures, and by daily limits of exposure in relation to items traded, such as forward foreign currency contracts. The actual exposure is compared to set limits on a daily basis.

The loan exposure is managed based on regular analyses of the debtor's and potential debtors' ability to repay the principal amount and interest, and based on potential adjustments to such loan limits. Credit risks are also partially managed by collaterals and guarantees received from private individuals or legal entities.

Retail debtors are assessed by the Group using the scoring models developed for individual products. Credit risk in the retail portfolio is managed by the following main tools: credit scoring is a tool used by the Group in the loan decision process for private individuals and also for small companies. The next important tool in the loan approval process is the system of underwriting by specialists whose goal is to optimise revenues from loans to the risk taken by the Group. The regular monitoring of the existing portfolio quality and trends together with appropriate strategies to secure the quality of the existing portfolio are also very important part of risk management that significantly contribute to retaining portfolio quality and to targeted level of risk charges.

When claiming receivables, the Group uses internal or external resources depending on the amount and type of receivable. Receivables up to a certain amount are forwarded to collecting agencies. In the case of unsuccessful collection of receivables, the receivable is sold to an external company that specialises in the enforcement of receivables using legal action. Receivables over a certain amount and specific or selected types of receivables are dealt with by an expert team of internal employees in co-operation with the legal function and professional divisions of the Group.

As part of credit risk monitoring and management, the Group also closely observes the area of exposure and residual risks:

Exposure risk represents the risk resulting from the concentration of the Group's transactions with an entity, a group of economically-related parties, state, geographical area, industry sector, collateral provider etc. The risk is closely related to both exposures in the Banking book and exposures in the Trading book. In order to manage exposure risk effectively, the Group's objective is to focus on quality portfolio management and its adequate diversification while adhering to set exposure limits (large assets' exposure and other). Simultaneously, the Group develops methods for exposure risk quantification.

Residual risk represents the risk stemming from insufficient enforceability of rights arising to the Group from received security against credit risk. The Group eliminates this risk in particular by means of consistently observing legal and operational requirements, and conservative valuation and revaluation methods, and by applying appropriate discounts depending on the type and quality of the received collateral.

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The table below shows the maximum amount of credit risk regardless of received collateral:

	2009	2008
Credit risk related to balance sheet assets:		
Loans and advances to banks	1 066 737	2 012 599
Loans and advances to customers, net	5 320 291	5 655 255
Held for trading financial assets	546 227	422 437
Financial assets at fair value through profit or loss	209 150	364 779
Held to maturity financial assets	1 524 294	1 008 333
Available-for-sale financial assets	644	664
Investments in associated undertakings	11 477	12 929
Current tax asset	13 453	33
Other assets	23 663	21 424
Total	**8 715 936**	**9 498 453**

	2009	2008
Credit risk related to off-balance sheet items:		
Contingent commitments from guarantees	448 802	370 551
Irrevocable loan commitments/stand-by facility	1 607 687	2 029 996
Revocable loan commitments/stand-by facility	599 662	533 103
Total	**2 656 151**	**2 933 650**

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The table below shows the summary of the quality of the loan portfolio as of 31 December 2009 (balance sheet amounts):

	Total carrying amount	Not impaired	Assessed on an individual basis – impaired	Specific provision	Portfolio provision	Net carrying amount	Claim value of received collateral	% coverage by provisions for assets	% coverage by provisions for assets and received collateral
Loans and advances to banks	1 066 737	1 066 737	-	-	-	1 066 737	-	-	-
Loans to customers	5 484 549	4 978 141	506 408	137 697	26 561	5 320 291	3 545 493	2,99 %	67,64 %
Of which:									
Public sector	*12 948*	*12 821*	*127*	*3*	*-*	*12 945*	*6 622*	*0,02 %*	*51,17 %*
Corporate clients	*3 251 627*	*2 805 569*	*446 058*	*90 494*	*9 259*	*3 151 874*	*1 802 634*	*3,07 %*	*58,51 %*
Retail clients	*2 219 974*	*2 159 751*	*60 223*	*47 200*	*17 302*	*2 155 472*	*1 736 237*	*2,91 %*	*81,12 %*
Total	**6 551 286**	**6 044 878**	**506 408**	**137 697**	**26 561**	**6 387 028**	**3 545 493**	**2,51 %**	**56,63 %**

The table below shows the summary of the quality of the loan portfolio as of 31 December 2008 (balance sheet amounts):

	Total carrying amount	Not impaired	Assessed on an individual basis – impaired	Specific provision	Portfolio provision	Net carrying amount	Claim value of received collateral	% coverage by provisions for assets	% coverage by provisions for assets and received collateral
Loans and advances to banks	2 012 599	2 012 599	-	-	-	2 012 599	1 601 163	-	79.56%
Loans to customers	5 763 925	5 415 363	348 563	81 853	26 817	5 655 255	3 218 503	1.89%	57.72%
Of which:									
Public sector	*21 186*	*21 186*	*-*	*-*	*-*	*21 186*	*9 664*	*-*	*45.61%*
Corporate clients	*3 586 671*	*3 275 714*	*310 958*	*55 167*	*15 972*	*3 515 532*	*1 840 220*	*1.98%*	*53.29%*
Retail clients	*2 156 068*	*2 118 463*	*37 605*	*26 686*	*10 845*	*2 118 537*	*1 368 619*	*1.74%*	*65.22%*
Total	**7 776 524**	**7 427 962**	**348 563**	**81 853**	**26 817**	**7 667 854**	**4 819 666**	**1.40%**	**63.37%**

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The table below shows the summary of the quality of the loan portfolio as at 31 December 2009 (off-balance sheet items):

	Total carrying amount	Not impaired	Assessed on an individual basis – impaired	Individual provision	Portfolio provision	Net carrying amount	Claim value of received collateral	% coverage by provisions for liabilities	Coverage by provisions for liabilities and received collateral in %
Contingent liabilities and other off-balance sheet liabilities to banks	51 171	51 171	-	-	-	51 171	14 858	-	29.04%
Contingent liabilities and other off-balance sheet liabilities to clients	2 604 980	2 545 080	59 900	4 996	3 590	2 596 394	465 043	0.33%	18.18%
Of which:									
Public sector	*17 073*	*17 073*	-	-	-	*17 073*	*1 292*	-	*7.57%*
Corporate clients	*2 153 830*	*2 094 179*	*59 651*	*4 990*	*3 590*	*2 145 250*	*395 674*	*0.40%*	*18.77%*
Retail clients	*434 077*	*433 828*	*249*	*6*	-	*434 071*	*68 077*	-	*15.68%*
Total	**2 656 151**	**2 596 251**	**59 900**	**4 996**	**3 590**	**2 647 565**	**479 901**	**0.32%**	**18.39%**

The table below shows the summary of the quality of the loan portfolio as at 31 December 2008 (off-balance sheet items):

	Total carrying amount	Not impaired	Assessed on an individual basis – impaired	Individual provision	Portfolio provision	Net carrying amount	Claim value of received collateral	% coverage by provisions for liabilities	Coverage by provisions for liabilities and received collateral in %
Contingent liabilities and other off-balance sheet liabilities to banks	42 159	42 159	-	-	-	42 159	3 902	-	9.26%
Contingent liabilities and other off-balance sheet liabilities to clients	2 891 491	2 788 173	103 318	9 764	6 173	2 875 554	490 516	0.55%	17.52%
Of which:									
Public sector	*1 398*	*1 398*	-	-	-	*1 398*	*694*	-	*49.64%*
Corporate clients	*2 324 986*	*2 221 668*	*103 318*	*9 764*	*6 173*	*2 309 049*	*425 164*	*0.69%*	*18.97%*
Retail clients	*565 107*	*565 107*	-	-	-	*565 107*	*64 658*	-	*11.44%*
Total	**2 933 650**	**2 830 332**	**103 318**	**9 764**	**6 173**	**2 917 713**	**494 418**	**0.54%**	**17.40%**

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The summary of individual types of received collateral for financial assets (balance sheet amounts) at claim value is as follows:

	2009	2008
Collateralisation of issued loans	**3 545 493**	**4 819 666**
Cash	39 085	36 898
Guarantees	490 222	471 978
Securities	89 683	1 684 679
Real estate	2 696 635	2 351 498
Movables	94 326	109 935
Receivables	135 542	164 678
Collateralisation of debt securities	**16 620**	**104 371**
Guarantees	-	15 885
Securities	16 620	88 486
Collateralisation of receivables from derivative transactions	**5 265**	**5 534**
Cash	5 265	5 534
Total	**3 567 378**	**4 929 571**

The summary of individual types of received collateral for contingent liabilities and other off-balance sheet liabilities at claimable value is as follows:

	2009	2008
To cover contingent liabilities and other off-balance sheet liabilities		
Cash	42 650	52 674
Guarantees	215 138	166 042
Securities	42 928	42 784
Real estate	106 553	149 664
Movables	24 380	23 539
Receivables	48 252	59 715
Total	**479 901**	**494 418**

The summary below represents an analysis of the non-impaired loan portfolio by overdue days as of 31 December 2009:

	Within maturity	Within 90 days	From 91 to 180 days	From 181 days up to 1 year	Over 1 year	Received collateral for overdue loans (in claim value)
Loans and advances to banks	1 066 737	-	-	-	-	-
Loans to customers	4 830 062	128 280	19 746	27	26	37 188
Of which:						
Public sector	*12 821*	-	-	-	-	-
Corporate clients	*2 775 110*	*29 906*	*500*	*27*	*26*	*23 210*
Retail clients	*2 042 131*	*98 374*	*19 246*	-	-	*13 978*
Total	**5 896 799**	**128 280**	**19 746**	**27**	**26**	**37 188**

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The summary below represents an analysis of non-impaired loan portfolio by overdue days as of 31 December 2008:

	Within maturity	Within 90 days	From 91 to 180 days	From 181 days up to 1 year	Over 1 year	Received collateral for overdue loans (in claim value)
Loans and advances to banks	2 012 599	-	-	-	-	-
Loans to customers	5 305 475	102 777	7 061	50	-	38 248
Of which:						
Public sector	*21 186*	-	-	-	-	-
Corporate clients	*3 237 898*	*37 750*	*16*	*50*	-	*30 114*
Retail clients	*2 046 391*	*65 027*	*7 045*	-	-	*8 134*
Total	**7 318 074**	**102 777**	**7 061**	**50**	-	**38 248**

The following summary represents an analysis of individually impaired loan portfolio as of 31 December 2009:

	Public sector	Corporate clients	Retail clients	Total
Loans assessed on an individual basis – impaired	127	446 058	60 223	**506 408**
Specific provisions	3	90 494	47 200	**137 697**
Claim value of received collateral	-	295 776	38 283	**334 059**
% coverage by provisions for assets	2,4 %	20,3 %	78,4 %	**27,2 %**
% coverage by provisions for assets and received collaterals	2,4 %	86,6 %	141,9 %	**93,2 %**
Interest income from impaired loans	-	1 420	2 128	**3 548**

The following summary represents an analysis of individually impaired loan portfolio as of 31 December 2008:

	Corporate clients	Retail clients	Total
Loans assessed on an individual basis – impaired	310 958	37 605	**348 563**
Specific provisions	55 167	26 686	**81 853**
Claim value of received collateral	177 905	15 620	**193 525**
% coverage by provisions for assets	17,7 %	71,0 %	**23,5 %**
% coverage by provisions for assets and received collaterals	75,0 %	112,5 %	**79,0 %**
Interest income from impaired loans	760	1 149	**1 909**

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The summary below represents the quality of the loan portfolio that is non-impaired and non-overdue in accordance with internal rating:

	2009	2008
Loans and advances to banks:	**1 066 737**	**2 012 599**
A2 – Excellent credit rating	2 082	3 812
A3 – Very good credit rating	964 527	1 989 371
B1 - Good credit rating	38 901	5 902
B2 - Standard credit rating	51 267	11 825
B3 - Ordinary credit rating	5 354	159
B4 - Sub-standard credit rating	-	134
B5 - Significantly sub-standard credit rating	-	226
With no assigned rating	4 606	1 170
Loans to customers:	**4 830 062**	**5 305 475**
Of which, public sector:	*12 821*	*21 186*
A1 – Minimum risk	-	3 693
A3 - Very good credit rating	5 758	9 472
B1 - Good credit rating	377	591
B2 - Standard credit rating	-	6 803
B3 - Ordinary credit rating	6 082	216
B4 - Sub-standard credit rating	148	352
B5 - Significantly sub-standard credit rating	333	40
C – Doubtful/high risk of default	67	1
With no assigned rating	56	18
Of which, corporate customers without project financing:	*2 191 952*	*2 632 729*
1.0 - Excellent credit rating	20 712	49 441
1.5 - Very good credit rating	232 031	262 286
2.0 - Good credit rating	219 080	335 943
2.5 - Standard credit rating	381 061	638 121
3.0 - Ordinary credit rating	410 190	383 355
3.5 - Sub-standard credit rating	535 117	535 477
4.0 - Significantly sub-standard credit rating	342 509	296 208
4.5 – High probability of default	50 768	114 457
5.0 – Defaulted	314	81
With no assigned rating	170	17 360
Of which, corporate customers – project financing:	*583 158*	*605 169*
6.1 – Excellent project financing profile rating	218 568	308 734
6.2 - Good project financing profile rating	276 752	233 338
6.3 – Acceptable project financing profile rating	78 451	60 825
6.4 – Weak project financing profile rating	9 025	2 272
6.5 – Defaulted	362	-
Of which, retail clients with no assigned rating	*2 042 131*	*2 046 391*
Total	**5 896 799**	**7 318 074**

The scoring system of the Group's corporate clients (applied for the entire RZB Group) is based on the client's economic rating and complies with the rules of the Internal Rating Based Approach (IRB) as required by the Basel II. The rating range has 10 grades from 0.5 to 5.0, and 5 grades for project financing from 6.1 to 6.5.

Credit risk associated with the securities portfolio is low as the majority of purchased debt securities are government bonds issued by the Slovak Republic. In the case of exposure to corporate debt securities, which amount to EUR 29 878 thousand (2008: EUR 52 271 thousand), the risk category of the respective issuers is credit rating 1.5 – Very good in the amount of EUR 13 313 thousand (2008: EUR 43 099 thousand) and credit rating 2.0 -

Good in the amount of EUR 16 257 thousand (2008: EUR thousand). The remaining amount of corporate debt securities in the amount of EUR 309 thousand (2008: EUR 9 172 thousand) represents exposure to clients with no rating.

Credit risk from derivative transactions is also minimal as transactions are secured by a certain form of hedging (eg blockage of client's financial funds, etc.).

The structure of the Group's credit risk exposure to the Slovak Republic (entities controlled by the Slovak Republic, guarantees issued by the Slovak Republic, and similar exposures) is as follows:

	2009	2008
Deposits with the National Bank of Slovakia	-	126 294
Zero coupon government bonds and other securities received by the NBS for refinancing	840 837	235 165
Loans and advances to banks	94 284	2 231 775
Loans to customers	257 359	258 351
Debt securities	1 129 426	1 038 239
Total	**2 321 906**	**3 889 824**

The overall impact of the Slovak Republic on the Group's results of operations represented income of EUR 66 489 thousand (2008: EUR 107 840 thousand), which is mostly of an interest nature.

Credit risk exposure to the National Bank of Slovakia is as follows:

	2009	2008
Deposits with the National Bank of Slovakia	94 284	756 876
Of which: Compulsory minimum reserves	*94 284*	*298 629*
Demand deposits	-	*126 294*
Overnight deposits with the NBS	-	*331 953*
Reverse repo transactions with the NBS	-	1 601 193
Celkom	**94 284**	**2 358 069**

The overall impact of the National Bank of Slovakia on the Group's results of operations represented income of EUR 3 513 thousands (2008: EUR 43 546 thousand), which is mostly of an interest nature.

Restructuring

The Group can modify repayment terms of its loan receivables if the client's financial position is weak and the client would be unable to repay, within a specified period of time, its liabilities to the Group.

With overdraft loans, Agreement on Debt Instalments is concluded. This agreement cannot be extended, only transformed into an instalment credit after declaration of extraordinary maturity. In extraordinary circumstances, the overdraft loan can be extended but with the use of a gradual reduction.

In the case of instalment loans, repayment schedules are modified due to the client's inability to keep the agreed-upon deadlines.

In 2009, the carrying amount of loan receivables whose repayment terms were modified due to the client's default and deteriorated financial position amounted to EUR 42 178 thousand (2008: EUR 10 108 thousand).

In 2009, the Group turned into cash its pledges over property as received collateral for its bad debt totalling EUR 4 966 thousand (2008: EUR 2 239 thousand). In 2009, the Group also turned into cash its pledges over movable assets in the amount of EUR 3 883 thousand (2008: EUR - thousand).

Market risk

The Group is exposed to market risks. Market risks result from open positions from transactions with interest rate, cross-currency, and equity products that are subject to general and specific market changes. To assess the approximate level of market risks associated with the Group's positions, and the expected maximum amount of potential losses, the Group uses internal reports and models for individual types of risks faced by the Group. The Group uses a system of limits, the aim of which is to ensure that the level of risks the Group is exposed to at any time does not exceed the level of risks the Bank is willing and able to accept. These limits are monitored on a daily basis.

For risk management purposes, market risk is regarded as the risk of potential losses the Group may incur due to unfavourable development in market rates and prices. To manage market risks, the Group uses a system of limits imposed on individual positions and portfolios.

As to the structure of trades, the Group primarily faces the following market risks:

- Currency risk
- Interest rate risk

Market risks at which the Group faces insignificant exposure:

- Equity price risk
- Commodity risk

Currency risk

Currency risk represents the potential of loss resulting from unfavourable movements in foreign currency exchange rates. The Group controls this risk by determining and monitoring open position limits.

Open currency positions are subject to real-time monitoring through the banking information system. The currency position of the Group is monitored separately for each currency, as well as the group limit for specific currencies if monitoring is necessary, eg in the case of market turbulences. Limits for these positions are set in line with the RZB Group standards. Data on the Group currency positions and on the Group's compliance with the limits set by RZB are reported on a weekly basis.

In addition to the limit on an open currency position, the Group also sets a negative gamma limit on an option position for each currency match subject to trading. The Group also sets the vega limit on the overall option position.

Positions from client option trades to currency matches, where no gamma limit on trading has been specified by the Group, are closed in the market, so as to ensure that the Group has no open position for this currency match.

In addition, the Group has set three various *stop-loss* limits for the overall foreign exchange position.

The Group's net foreign exchange (FX) position of assets, liabilities and equity as of 31 December 2009 and 2008 were as follows:

	Net position 31 December 2009	Net FX position 31 December 2008
EUR	90 213	183 034
USD	(78 872)	(135 176)
Other	(11 341)	(47 858)
Total net FX balance sheet position	-	-
EUR	(95 228)	77 920
USD	79 162	134 483
Other	17 434	54 226
Total net FX off-balance sheet position	**1 368**	**266 629**
Total Net FX position	**1 368**	**266 629**

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The length of time for which the rate of interest is fixed on a financial instrument therefore indicates to what extent it is exposed to interest rate risk.

The Group controls and manages its interest rate risk for all trades, and for the Banking Book, and the Trading Book separately. Interest rate risk is monitored and assessed on a daily basis.

To monitor interest rate risk, the Group uses the gap analysis method (interest GAP), method of market value sensitivity to yield curve shift by defined number of basis points (basis point value – BPV), and three stop-loss limits to interest rate sensitive instruments.

Internal interest rate risk limits applicable in the Banking Book are set in the form of limits on open positions in each time band of the interest gap for each currency that is included in the Banking Book (mainly EUR, and USD).

The Group's limit on the interest rate risk of the Banking Book is set in the form of limits on the sensitivity of the overall position to the yield curve shifts (BPV) in the Banking Book, with a limit on the position concentration in one time basket and one currency.

The interest rate risk limits applicable in the Trading Book are set in the form of limits on sensitivity of the overall position to the yield curve shifts (BPV). The limits are set for individual currency included in the Trading Book. The loss resulting from interest rate variations is limited to three *stop-loss* limits.

Once a week, Integrated Risk Management submits to the Assets and Liabilities Committee information on the actual amount of credit risk by individual currency and information on the use of credit risk limits (ALCO).

In the case of exceeding the set limit, the interest rate positions are closed by using both traditional and derivative financial instruments.

The table below provides information in carrying amount on the extent of the Group's interest rate exposure based either on the contractual maturity date of its financial instruments or, in the case of instruments that re-price to a market rate of interest before maturity, the next re-pricing date. Those assets and liabilities that do not have a contractual maturity date or are not interest-bearing are grouped in the "unspecified" category.

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Interest rate gap of financial assets and liabilities as of 31 December 2009:

	Up to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Unspecified	Total
Assets						
Cash and balances with central banks	94 284		-	-	71 230	165 514
Loans and advances to banks	811 485	205 536	45 110		4 606	1 066 737
Loans and advances to customers, net	3 061 190	1 105 186	973 770	68 148	111 997	5 320 291
Held for trading financial assets	235 923	48 872	221 135	39 838	459	546 227
Financial assets at fair value through profit or loss	23 084	56 671	70 964	58 431	-	209 150
Held to maturity financial assets	208 119	330 161	773 640	212 374	-	1 524 294
Available for sale financial assets	-	-	-	-	644	644
Other assets	-	-	-	-	11 477	11 477
Interest rate position for financial assets as of 31 December 2009	**4 434 085**	**1 746 426**	**2 084 619**	**378 791**	**200 413**	**8 844 334**
Liabilities						
Deposits and advances from banks	99 839	656	1 668	-	1 285	103 448
Deposits from customers	2 371 206	2 607 050	1 713 244	1 876	22 946	6 716 322
Held for trading financial liabilities	11 816	14 636	72 779	31 361	-	130 592
Liabilities from debt securities	430 587	409 068	229 963	-	-	1 069 618
Provisions for liabilities and charges	-	-	-	-	31 880	31 880
Other liabilities	-	-	-	-	32 580	32 580
Subordinated debt	120 373	-	-	-	-	120 373
Interest rate position for financial assets as of 31 December 2009	**3 033 821**	**3 031 410**	**2 017 654**	**33 237**	**88 691**	**8 204 813**
Net interest rate position as of 31 December 2009	**1 400 264**	**(1 284 984)**	**66 965**	**345 554**	**111 722**	**639 521**

Notes to the Consolidated Financial Statements as at 31 December 2009
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(in thousands of EUR)

Interest rate gap of financial assets and liabilities as of 31 December 2008:

	Up to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Unspecified	Total
Assets						
Cash and balances with central banks	756 877	-	-	-	170 741	927 618
Loans and advances to banks	1 754 015	9 203	247 372	-	2 009	2 012 599
Loans and advances to customers, net	3 621 858	1 160 403	770 122	84 668	18 204	5 655 255
Held for trading financial assets	90 321	90 985	203 634	37 364	133	422 437
Financial assets at fair value through profit or loss	9 612	15 743	207 349	132 056	19	364 779
Held to maturity financial assets	431 490	355 018	221 825	-	-	1 008 333
Available for sale financial assets	-	-	-	-	664	664
Other assets	-	-	-	-	21 424	21 424
Interest rate position for financial assets as of 31 December 2008	**6 664 173**	**1 631 352**	**1 650 302**	**254 088**	**213 194**	**10 413 109**
Liabilities						
Deposits and advances from banks	800 845	55 592	2 523	78	424	859 462
Deposits from customers	3 196 123	2 958 876	1 286 647	798	12 610	7 455 054
Held for trading financial liabilities	84 275	74 206	47 011	26 163	-	231 655
Liabilities from debt securities	468 977	114 984	539 834	-	-	1 123 795
Provisions for liabilities and charges	-	-	-	-	37 804	37 804
Other liabilities	-	-	-	-	37 818	37 818
Subordinated debt	120 694	-	-	-	-	120 694
Interest rate position for financial assets as of 31 December 2008	**4 670 914**	**3 203 658**	**1 876 015**	**27 039**	**88 656**	**9 866 282**
Net interest rate position as of 31 December 2008	**1 993 259**	**(1 572 306)**	**(225 713)**	**227 049**	**124 538**	**546 827**

Equity price risk

Equity price risk arises from the Group's exposure to changes in equity investment prices. Equity price risk is determined at the Group level. Equity price risk is measured using individual exposures and by calculating and monitoring the overall equity investments position. Equity investments positions are reported on the level of the overall portfolio on a weekly basis.

Commodity risk

Commodity risk arises from the Group's exposure to changes in commodity prices. Commodity risk is determined at the Group level and is measured using positions in individual commodities. Sensitivity analysis is applied for the measurement and management of commodity risk.

Sensitivity analysis of market risks

Sensitivity analysis reflects the implications on the Group's profit/loss arising from the movements in market parameters (interest rates, exchange rates, share prices, etc.) by predetermined delta value. For monitoring and limiting of risk, the Group uses 100 basis points for interest rates, a 5% movement in exchange rates, and 50% movement in share prices, and 30% movement in commodity prices.

GAP method assorts the Group's positions into baskets and examines the Group's final position in individual baskets. This method is used in interest rate risk management. The stress scenario is similar to the sensitivity analysis; however, it takes into consideration a marginal situation on the market. It combines movements in the market parameters so that these are the least favourable for the Group.

The table below shows the Group's sensitivity to movements in exchange rate, assuming negative movements in exchange rates by 5% to the detriment of the Group.

Change in the present value of assets and liabilities of the Group following the movements in exchange rates of the selected currencies to the detriment of the Group as of 31 December 2009:

	Present value of exchange rate	Exchange rate in sensitivity scenario	Group's position in respective currency	Group's loss in respective scenario
USD	1,441	1,513	292	(15)
CZK	26,473	27,797	260	(13)
HUF	270,420	283,941	923	(46)
PLN	4,105	4,310	4 175	(209)
RON	4,236	4,448	6 733	(337)
Celkom			**12 383**	**(620)**

Change in the present value of assets and liabilities of the Group following the movements in exchange rates of the selected currencies to the detriment of the Group as of 31 December 2008:

	Present value of exchange rate	Exchange rate in sensitivity scenario	Group's position in respective currency	Group's loss in respective scenario
EUR*	30,126	30,126	73 845	-
USD	21,385	22,454	693	35
CZK	1,131	1,188	3 764	188
Celkom			**78 302**	**223**

* *Non-sensitive position due to the transition to euro*

The table below shows the Group's sensitivity to movements in the interest rate assuming negative movement of the yield curve to the detriment of the Group by 100 basis points.

Notes to the Consolidated Financial Statements as at 31 December 2009
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(in thousands of EUR)

Change in the present value of assets and liabilities of the Group following the change in the interest rate for the selected currencies as of 31 December 2009:

	Yield curve shift	Group's loss from yield curve shift
Trading Book:		
EUR	-100 BPV	1 101
USD	-100 BPV	(99)
Banking Book:		
EUR	-100 BPV	(2 276)
USD	-100 BPV	(316)
Total		**(1 590)**

Change in the present value of assets and liabilities of the Group following the change in the interest rate for the selected currencies as of 31 December 2008:

	Yield curve shift	Group's loss from yield curve shift
Trading Book:		
SKK	100 BPV	(6)
EUR	100 BPV	350
*SKK + EUR**	*100 BPV*	*344*
USD	100 BPV	15
Banking Book:		
SKK	100 BPV	(4 184)
EUR	100 BPV	4 439
*SKK + EUR**	*100 BPV*	*255*
USD	-100 BPV	16
Total		**630**

*) *Non-sensitive position due to the transition to euro*

Change in the present value of assets and liabilities of the Group's Trading Book following the change in share prices as of 31 December 2009:

Amount of shares in the Group's Trading Book	Decrease in share prices (in %)	Group's loss from decrease in share prices
93	50	46

Change in the present value of assets and liabilities of the Group's Trading Book following the change in share prices as of 31 December 2008:

Amount of shares in the Group's Trading Book	Decrease in share prices (in %)	Group's loss from decrease in share prices
133	50	67

In the Trading Book, the Group has no commodity position; therefore, the change in the present value of assets and liabilities in the Group's Trading Book following the change in commodity prices is also zero as of 31 December 2009 and 31 December 2008.

The Group in the sensitivity analysis scenario uses the negative development of exchange rates, yield curves movements, and decrease in share prices. In the case of exactly opposite movements, the Group would book profit instead of loss in approximately the same amount.

Liquidity risk

Liquidity risk is the risk that the Group may not be able to fulfil its obligation to settle its liabilities when they become due.

The Group wishes to maintain its solvency, ie the ability to meet its financial liabilities in a proper manner and in time, and to manage its assets and liabilities so as to ensure continuous liquidity. Liquidity management is the responsibility of the Assets and Liabilities Committee (ALCO) and the Treasury Division. Regular meetings of ALCO are held on a weekly basis, during which the Group's liquidity is evaluated and, subsequently, decisions are made based on the current state of affairs.

The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw downs, guarantees, and from margin and other calls on cash settled derivatives. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Group sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

The Integrated Risk Management function monitors the Group's liquidity on a daily basis and reports on its development. Information on the liquidity position is reported to ALCO weekly. The Asset and Liabilities Management function submits quarterly reports on the Group's structure of assets and liabilities to ALCO for approval, and proposes the size and structure of the portfolio of securities held strategically for the following period subject to monitoring.

The Group is obliged to perform its activities so as to ensure that, at any time, it meets the liquidity requirements and coefficients set by the National Bank of Slovakia. Before the year-end 2008, the liquidity requirements were tightened due to current developments on the financial markets. As of 31 December 2009, the Group was in compliance with the liquidity requirements set by the National Bank of Slovakia.

The Group monitors long-term liquidity risk by developing a liquidity and crisis liquidity gap (3 scenarios) based on internal rules and assumptions. The limits are approved by the Integrated Risk Management Department, ALCO, and the Group's management.

Deposits from customers are the primary funding source for the Group. Although the terms of the majority of the deposits permit customers withdrawals with little or no advanced notice, the actual balances maintained by customers provide a stable source of funding.

Notes to the Consolidated Financial Statements as at 31 December 2009
prepared in accordance with International Financial Reporting Standards as adopted by the European Union
(in thousands of EUR)

The Group's liquidity position reflecting the existing residual maturity of assets and liabilities as of 31 December 2009:

	Up to 12 months	Over 12 months	Unspecified	Total
Cash and balances in central banks	165 514	-	-	165 514
Loans and advances to banks	1 017 022	45 110	4 605	1 066 737
Loans and advances to customers, net	2 004 739	3 097 109	218 443	5 320 291
Held for trading financial assets	260 729	285 039	459	546 227
Financial assets at fair value through profit or loss	66 480	142 670	-	209 150
Held-to-maturity financial assets	382 701	1 141 593	-	1 524 294
Available-for-sale financial assets	-	-	644	644
Investments in associate undertakings	-	-	11 477	11 477
Non-current intangible assets	-	-	34 870	34 870
Non-current tangible assets	-	-	84 054	84 054
Current tax asset	-	-	13 453	13 453
Deferred tax asset	-	-	13 567	13 567
Other assets	9 216	-	14 447	23 663
Total assets	**3 906 401**	**4 711 521**	**396 019**	**9 013 941**
Liabilities				
Deposits from banks	72 235	29 997	1 216	103 448
Deposits from customers [1]	4 329 277	2 364 103	22 942	6 716 322
Held for trading financial liabilities	26 452	104 140	-	130 592
Liabilities from debt securities	687 644	381 974	-	1 069 618
Provisions for liabilities and charges	-	-	31 880	31 880
Current tax liability	-	-	146	146
Deferred tax liability	-	-	749	749
Other liabilities	-	-	32 580	32 580
Subordinated debt	373	120 000	-	120 373
Total liabilities	**5 115 981**	**3 000 214**	**89 513**	**8 205 708**
Equity (excluding current year profit)	-	-	713 349	713 349
Profit after tax	-	-	94 884	94 884
Total equity and liabilities	**5 115 981**	**3 000 214**	**897 746**	**9 013 941**
Net balance sheet position	**(1 209 580)**	**1 711 307**	**(501 727)**	**-**
Net off-balance sheet position [2]	**(2 251 223)**	**(656)**	**(2 601)**	**(2 254 480)**
Cumulative balance sheet and off-balance sheet position	**(3 460 803)**	**(1 750 152)**	**(2 254 480)**	**(2 254 480)**

[1] *Amounts for current accounts and savings books are recognised based on the estimated maturity model.*
[2] *Off-balance sheet position includes receivables and liabilities from spot transactions and financial derivative transactions where the supporting instrument is replaced, in particular from future loans and borrowings, guarantees and letters of credit, and delta option equivalents.*

Notes to the Consolidated Financial Statements as at 31 December 2009
prepared in accordance with International Financial Reporting Standards as adopted by the European Union
(in thousands of EUR)

The Group's liquidity position reflecting the existing residual maturity of assets and liabilities as of 31 December 2008:

	Do 12 mesiacov	Nad 12 mesiacov	Nešpecifikované	Celkom
Cash and balances in central banks	927 618	-	-	927 618
Loans and advances to banks	1 763 149	247 597	1 853	2 012 599
Loans and advances to customers, net	2 231 683	3 314 192	109 380	5 655 255
Held for trading financial assets	181 306	240 998	133	422 437
Financial assets at fair value through profit or loss	13 738	351 023	18	364 779
Held-to-maturity financial assets	715 889	292 444		1 008 333
Available-for-sale financial assets	-	-	664	664
Investments in associate undertakings	-	-	12 929	12 929
Non-current intangible assets	-	-	34 773	34 773
Non-current tangible assets	-	-	89 149	89 149
Current tax asset	33	-	-	33
Deferred tax asset	1 060	-	-	1 060
Other assets	3 888	-	17 536	21 424
Total assets	**5 838 364**	**4 446 254**	**266 435**	**10 551 053**
Liabilities				
Deposits from banks	824 088	35 183	191	859 462
Deposits from customers [1]	6 153 089	1 289 464	12 501	7 455 054
Held for trading financial liabilities	158 481	73 174	-	231 655
Liabilities from debt securities	198 377	925 418	-	1 123 795
Provisions for liabilities and charges	-	-	37 804	37 804
Current tax liability	21 376	-	-	21 376
Deferred tax liability	-	-	672	672
Other liabilities	-	-	37 818	37 818
Subordinated debt	694	120 000	-	120 694
Total liabilities	**7 356 105**	**2 443 239**	**88 986**	**9 888 330**
Equity (excluding current year profit)	-	-	531 415	531 415
Profit after tax	-	-	131 308	131 308
Total equity and liabilities	**7 356 105**	**2 443 239**	**751 709**	**10 551 053**
Net balance sheet position	**(1 517 741)**	**2 003 015**	**(485 274)**	**-**
Net off-balance sheet position [2]	**(1 009 275)**	**(1 805)**	**(44 416)**	**(1 055 496)**
Cumulative balance sheet and off-balance sheet position	**(2 527 016)**	**(525 806)**	**(1 055 496)**	**(1 055 496)**

[1] *Amounts for current accounts and savings books are recognised based on the estimated maturity model.*
[2] *Off-balance sheet position includes receivables and liabilities from spot transactions and financial derivative transactions where the supporting instrument is replaced, in particular from future loans and borrowings, guarantees and letters of credit, and delta option equivalents.*

Notes to the Consolidated Financial Statements as at 31 December 2009
prepared in accordance with International Financial Reporting Standards as adopted by the European Union
(in thousands of EUR)

The summary below represents the analysis of the earliest possible contractual maturity of financial liabilities, ie the worst-case scenario as of 31 December 2009 (in non-discounted values):

			Residual maturity			
	Carrying amount	Contractual cash flows	Up to 3 months incl.	From 3 months up to 1 year incl.	From 1 year up to 5 years incl.	Over 5 years incl.
Non-derivative financial liabilities:						
Deposits from banks	103 448	104 429	69 580	3 018	18 969	12 862
Deposits from customers	6 716 322	6 725 948	5 801 685	533 976	388 052	2 235
Liabilities from debt securities	1 069 618	1 116 205	133 457	574 266	408 482	-
Other liabilities	32 580	32 580	32 580	-	-	-
Subordinated debt	120 373	131 085	771	2 313	128 001	-
Derivative financial liabilities:						
Trading derivatives	130 592	1 791 441	1 105 844	405 761	230 170	49 666

The summary below represents the worst-case scenario of the analysis of the contractual maturity of contingent liabilities and other off-balance sheet items as at 31 December 2009 (at non-discounted values):

			Residual maturity			
	Carrying amount	Contractual cash flows	Up to 3 months incl.	From 3 months up to 1 year incl.	From 1 year up to 5 years incl.	Over 5 years incl.
Contingent liabilities and other off-balance sheet items:						
Contingent liabilities from guarantees	419 981	419 981	419 981	-	-	-
Contingent liabilities from letters of credit	28 821	28 821	21 364	1 421	6 036	-
From irrevocable loan commitments	1 607 687	1 607 687	499 005	719 767	350 249	38 666

The summary below represents the analysis of the earliest possible contractual maturity of financial liabilities, ie the worst-case scenario as of 31 December 2008 (in non-discounted values):

			Residual maturity			
	Carrying amount	Contractual cash flows	Up to 3 months incl.	From 3 months up to 1 year incl.	From 1 year up to 5 years incl.	Over 5 years incl.
Non-derivative financial liabilities:						
Deposits from banks	859 462	873 889	767 903	56 498	17 395	32 093
Deposits from customers	7 455 054	7 538 943	6 551 368	984 419	2 392	764
Liabilities from debt securities	1 123 795	1 216 687	121 519	133 325	961 843	-
Other liabilities	37 818	37 818	37 818	-	-	-
Subordinated debt	120 694	146 665	1 686	4 432	140 547	-
Derivative financial liabilities:						
Trading derivatives	231 655	3 390 352	2 363 545	674 452	323 185	29 170

Notes to the Consolidated Financial Statements as at 31 December 2009
prepared in accordance with International Financial Reporting Standards as adopted by the European Union
(in thousands of EUR)

The summary below represents the analysis of the earliest possible contractual maturity of financial liabilities, ie the worst-case scenario as of 31 December 2008 (in non-discounted values):

			Residual maturity			
	Carrying amount	Contractual cash flows	Up to 3 months incl.	From 3 months up to 1 year incl.	From 1 year up to 5 years incl.	Over 5 years incl.
Contingent liabilities and other off-balance sheet items:						
Contingent liabilities from guarantees	334 594	334 594	334 594	-	-	-
Contingent liabilities from letters of credit	35 957	35 957	31 585	336	4 036	-
From irrevocable loan commitments	2 039 796	2 039 796	307 965	266 498	1 465 333	-

Operational risk

Operational risk is the risk arising from inappropriate or erroneous procedures, human errors or failures of the Group's systems or from external events. Operational risk also includes legal risk, ie the risk of loss primarily due to the failure to enforce contracts, risk of unsuccessful legal disputes or court rulings with adverse impacts on the Group. As in the case of other types of risks, operational risk is managed by applying the standard principle including the separation of functions in risk management and controlling.

For the purposes of the capital requirement calculation to cover operational risk, the Group uses "The Standardised Approach" according to BASEL II requirements and the Banking Act. Under the Standardised Approach, the Group's activities and the related Gross Income are divided into eight business lines. Gross Income for each business line is represented by a general indicator serving as a representative for a range of business activities, thereby representing an operational risk rate for each business line. The capital to cover operational risk is calculated as net interest income and net interest-free income multiplied by an assigned ß factor for each business line separately. Total capital requirement equals the sum of eight partial requirements for each business line and the average for the past three years.

To identify operational risk, the Group uses a three-dimensional model compound of risk categories, business functions, and business lines (Risk Management Association methodology). Operational risk loss data collection covers the collection of all operational losses by individual risk categories of this three-dimensional model.

The Group puts the accent on process quality improvement and operational risk mitigation actions. The essential assumption of set goals is based on operational risk awareness and operational risk Group culture.

The Group also uses other tools to manage operational risk such as Key Risk Indicators and Self-Assessment of the operational risk, which are designated to identify, analyse and monitor areas with increased operational risk.

The Group is also active in preparing Business Continuity plans. The plans aim to minimising impacts of unexpected events on the Group's operation.

The next objective of the Group is to implement an advanced operational risk management model.

Other risks

Simultaneously, in terms of implementing an internal process of capital adequacy determination, the Group monitors and develops quantification and management methods aimed at other risks, in particular:

- Strategic risk
- Reputation risk
- Other risks and risk factors

Basel II

The Group rigorously meets the requirements of the European directives implementing the rules known as Basel II, while following in their implementation the local legislative standards, in particular amendment to Act No. 483/2001 Coll. on Banks and NBS Decree No. 4/2007 as amended by Decree No. 17/2008.

The concepts, methodology, and documentation for the activities in the Basel II Project are prepared in close co-operation with both RZB and Raiffeisen International Bank - Holding AG while reflecting the local specifics of the Group and the entire bank environment.

The objective of the Basel II implementation is primarily to ensure the most accurate assessment and proper management of credit, market, and operation risks. The achievement of this objective is based on, among other things, the appropriate collection and archiving of all comprehensive data or potential comprehensive data, on the development of a reliable measurement methodology for individual types of risks, on the maintenance of effective and well-developed processes for the prudent management of individual types of risks, on the maintenance of quality and secure IT systems for the automation of processes, data collection, data analysis, calculations, and provision of outputs.

The Group's intention is to implement the advanced approach to management, quantification, and reporting of individual risks as soon as possible. For credit risk, the Group's objective is to implement the IRB approach based on the use of internal rating models. As at the reporting date, the general IRB approach for calculating the capital requirement for the non-retail portfolio was approved for the Group.

The IRB approach is used for sovereign units, institutions, corporate entities, project financing, insurance companies, fund investments, and purchased receivables from 1 January 2009. In 2009, the Group also underwent a comprehensive process of testing the Group's readiness for using the IRB approach for the retail segment. The Group anticipates that the regulator will issue a positive ruling in respect of the use of the IRB approach by the Group in 1Q 2010. For the SME portfolio, the authorisation process will take place in the near future.

The Group continuously modifies and supplements its methodology and process procedures for Pillar 2 (internal process of capital adequacy assessment) in the context of its risk appetite and performed business activities. As part of this process, pursuant to the approved methodology, the Group performs on a regular basis risk relevance and materiality assessment, risk quantification and assessment with respect to the Group's capital and subsequent reporting. The process of capital allocation, which is closely linked with budgeting forms, an integral part.

Due to the transition to advanced approach risk and capital adequacy measurement (pursuant to Pillar 1 and Pillar 2) as well as the changes in the electronic environment, a thorough prediction of capital adequacy developments and its stress testing are significant aspects for eliminating the effects of unforeseen events and for efficient capital planning. Information on the Group's individual risks and capital are reflected in the management of the Group and its business strategies to achieve an optimum compromise between mitigation of individual risk types and augmentation of the Group's market share, profit and return on capital.

52. Events after the Balance Sheet date

Between the balance sheet date and the approval date of these financial statements, there were no such events that would require any adjustment or additional disclosure.

53. Approval of the consolidated financial statements

The most recent previous consolidated financial statements (as of 31 December 2008) were signed and approved for issue on 3 March 2009.

The financial statements were signed and authorised for issue on 3 March 2010.

Distribution of the Profit for the Year 2009

TATRA BANKA
Member of Raiffeisen International

Distribution of the Profit for the Year 2009

(in thousands of EUR)	2009
Profit after tax	**90 800**
Dividends - Ordinary shares	57 050
Dividends - Preferred shares	7 052
Allocation to statutory reserves	2 684
Allocation to retained earnings	24 014

Profit according to separate financial statements of Tatra banka, a.s., see Note 36 to the consolidated financial statements.

Dividends without claim to payment as of the date of holding of General Meeting will be settled to the retained earnings of previous years as of December 31, 2010.

The Financial statements, the proposal for distibution of the profit and annual remuneration in the amount of EUR 535 000 for the members of the Supervisory Board were approved by the Ordinary General Meeting of Shareholders on April 27, 2010.

Supervisory Board

TATRA BANKA
Member of Raiffeisen International

Supervisory Board

Dkfm. Rainer Franz
Chairman of the Supervisory Board,
Member of the Board of Directors
Raiffeisen International Bank-Holding AG,
Vienna

Dr. Herbert Stepic
Vice-Chairman of the Supervisory Board,
CEO of Raiffeisen International Bank-Holding AG,
Vienna

Ing. prof. Peter Baláž, PhD.
Member of the Supervisory Board,
Professor at the University of Economics,
Bratislava

Mag. Renate Kattinger
Member of the Supervisory Board,
Senior Vice-Prezident
Raiffeisen International Bank-Holding AG,
Vienna

Ing. Ján Neubauer, CSc.
Member of the Supervisory Board,
Financial director of FIT PLUS, s. r. o.
Bratislava

Dr. Robert Gruber
Member of the Supervisory Board (until 30.4.2009)
Vice-Chairman of the Board of Directors
Raiffeisenlandesbank Niederösterreich-Wien AG,
Vienna

Ing. Pavol Feitscher
Member of the Supervisory Board,
Head of the Project Management Department
Tatra banka, a.s.
Bratislava

Mag. Reinhard Karl
Member of the Supervisory Board (from 28.5.2009)
Executive Director
Raiffeisenlandesbank Niederösterreich-Wien AG,
Vienna

Aris Bogdaneris
Member of the Supervisory Board (from 10.6.2009)
Member of the Board of Directors
Raiffeisen International Bank-Holding AG,
Vienna

Management

Board of Directors

Ing. Igor Vida
Chairman of the Board of Directors
And General Director

Ing. Miroslav Uličný
Vice-Chairman of the Board of Directors
and Deputy General Director

Ing. Marcel Kaščák
Member of the Board of Directors

Mgr. Michal Liday
Member of the Board of Directors

Dr. Martin Pytlik
Member of the Board of Directors

Ing. Peter Novák
Member of the Board of Directors

Confidential Clerks

Ing. Eva Kollárová (until 10. 6. 2009)

Ing. Zuzana Koštialová

Mgr. Natália Major

Business Locations Network

TATRA BANKA
Member of Raiffeisen International

Business Locations Network

As of 31.12.2009 Tatra banka provided services to legal entities by way of its 9 Corporate Centres, 8 Corporate Centre sub-agencies and several satellite workplaces throughout Slovakia.

As of 31.12.2009 Tatra banka provided services to individual clients through 127 branches, 8 Centers of living[TB] **and 1 Investment** Centre[TB]**:**

Location		Centers of living branches			Investment centre	Corporate centre			
Bánovce nad Bebravou	1				Piešťany	2			
Banská Bystrica	4	1		1	Poprad	2			1
Bardejov	1				Považská Bystrica	1			
Bratislava	40	3	1	4	Prešov	5			1
Brezno	1				Prievidza	3			1
Čadca	1				Púchov	1			
Dolný Kubín	1				Rimavská Sobota	1			
Dubnica nad Váhom	1				Rožňava	1			
Dunajská Streda	1				Ružomberok	1			
Galanta	1				Senec	1			
Hlohovec	1				Senica	1			
Humenné	1			1	Sereď	1			
Kežmarok	1				Skalica	1			
Komárno	1				Snina	1			
Košice	7	1		1	Spišská Nová Ves	1			
Kysucké Nové Mesto	1				Stará Ľubovňa	1			
Levice	1				Stupava	1			
Liptovský Mikuláš	1				Šaľa	1			
Lučenec	1			1	Šamorín	1			
Malacky	1				Štúrovo	1			
Martin	2			1	Topoľčany	1			
Michalovce	1				Trebišov	1			
Modra	1				Trenčín	4			1
Myjava	1				Trnava	3			1
Námestovo	1				Vráble	1			
Nitra	3	1		1	Vranov nad Topľou	1			
Nové Mesto nad Váhom	1				Zlaté Moravce	1			
Nové Zámky	1			1	Zvolen	2			
Partizánske	1				Žiar nad Hronom	1			
Pezinok	1				Žilina	4			1

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