

**Annual
Report 2008**

Výročná sprava 2008

Austria
Bosnia-Herzegovina
Croatia
Czech Republic
Hungary
Romania
Serbia
SLOVAKIA
Slovenia
Ukraine

Vysoká 9
P. O. BOX 81
810 00 Bratislava
Tel.: +421/2/5965 1111

Fax: +421/2/5441 2453

VOLKSBANK Slovensko, a. s.

market@volksbank.sk
www.volksbank.sk

CONTENTS

FOREWORD FROM THE MANAGING BOARD	4
KEY FIGURES 2005 - 2008	7
SHAREHOLDERS	8
NETWORK	9
GOVERNING BODIES	10
SLOVAK ECONOMY IN 2008	11
BUSINESS ACTIVITIES	13
SEPARATE FINANCIAL STATEMENTS	19
Independent Auditors' Report	20
Separate balance sheet	21
Separate income statement	22
Separate statement of changes in shareholders' equity	23
Separate cash flow statement	24
Notes to the separate financial statements	25
CONSOLIDATED FINANCIAL STATEMENTS	87
Independent Auditors' Report	88
Consolidated balance sheet	89
Consolidated income statement	90
Consolidated statement of changes in shareholders' equity	91
Consolidated cash flow statement	92
Notes to the consolidated financial statements	93
SUPPLEMENTARY AUDITORS' REPORT ON THE AUDIT OF THE CONSISTENCY OF THE ANNUAL REPORT	154
REPORT OF SUPERVISORY BOARD	155
DECLARATION ON THE CORPORATE GOVERNANCE OF VOLKSBANK SLOVENSKO, A.S.	156
OUR NETWORK	160

FOREWORD FROM THE MANAGING BOARD



Mag. Dr. Kurt Nikolaus Kapeller
Dipl.-Kfm. Manfred Gram
Dr. iur. Barbara Neiger, MBA
Dr. Martin Florián (from 1. November 2008)
(from left to right and from top to bottom)

Dear Customers, Shareholders and Friends.

In 2008, the Slovak Republic successfully completed the multi-year integration process when, upon the country meeting the Maastricht criteria, the EU Council resolved on the introduction of the Euro in Slovakia. The setting of the conversion rate also initiated the final stage of preparations for the changeover to the new currency in VOLKSBANK Slovensko. A team of more than a hundred worked on the Euro-project for almost two years. Over this period, substantial changes in a number of banking systems were prepared and tested, training sessions and classes were held, and the Bank engaged in an intensive communication with its customers; this latter was used to generate customer awareness of the new currency, as well as of the particular steps the Bank would take at the turn of the year. The tremendous effort and enthusiasm on the part of all VOLKSBANK Slovensko employees resulted in a seamless conversion and so the Bank was able to offer its customers a complex portfolio of services as early as the afternoon of 2 January 2009, which was three days earlier than planned. Thereby, VOLKSBANK Slovensko became one of the first banks to successfully convert all their systems to EUR.

FOREWORD FROM THE MANAGING BOARD (CONTINUED)

In 2008, Slovakia achieved its seventh consecutive year of higher than average, 6.4 % GDP growth – all despite the global slowdown. The favourable economic situation and the country's dynamic development were reflected also in the results of VOLKSBANK Slovensko. In 2008, the Bank made a pre-tax profit of € 15.69 million (SKK 472.8 million), which represents a year-on-year growth of 30 %. Total assets attained the value of € 1.53billion (SKK 46.1 billion), which represents a 19.51 % year-on-year increase.

The Bank fared exceptionally well in the domain of customer deposits, which recorded a 20.53 % year-on-year increase in volume. As has become the tradition, we achieved spectacular results in one of the key segments – in financing sole traders and small businesses. The volume of these loans attained a 43 % year-on-year increase. VOLKSBANK Slovensko also put in a strong performance in providing housing loans with their volume rising by 25 % on the prior year. This result was also enhanced by implementation of the automated retail loan approval system for loans secured by property, which has facilitated the approvals process for customers.

By opening a new branch office in Prievidza and implementing an electronic distribution channel, in the past year we have continued to meet one of our key objectives, which is to be close to our customers. We were one of the first banks in Slovakia to bring to our customers the VeBkonto and VeBkonto young direct banking services, which can be opened on the Internet without the need to visit a bank outlet.

The quality of care for our existing customers was significantly enhanced by the roll-out of the front-end system application, which provides banking staff with a comprehensive review of a customer "at first glance" and enables them to provide more appropriate and complex counselling. We are well aware of the need for ongoing professional growth on the part of our employees who are in daily contact with our customers. Therefore, in the period just past, we have enhanced our system of continuous education with certification training courses.

In collaboration with MasterCard, we introduced onto the market a new, advanced method of payment - the MasterCard® *PayPass*™ contactless technology, whereby, in 2008, VOLKSBANK Slovensko once more confirmed its leading position in the card business. To our young customers, those under 26 years of age, we offered a multi-function card with this technology, and in 2009 this unique method of payment will also be provided to other customers, without the application of any age cap.

In the corporate banking sector, we have placed an even greater emphasis on individual care for small to medium-sized enterprises. The favourable economic environment in Slovakia boosted these kinds of entrepreneurial entities and, at the same time, increased demand for a higher standard of services. Thanks to the high level of professionalism of our managers, VOLKSBANK Slovensko managed to meet the changing demands in a dependable manner which was corroborated not only by the stability of the customer portfolio, but also by successful acquisition activities. The result has been an 8.15 % year-on-year increase in the volume of loans in this sector, as well as a 10 % increase in the volume of deposits.

The active provision of services to international clients, especially to those who come to Slovakia from our shareholders' countries - Austria, France, Germany or Italy - represents an important part of corporate banking. Through our International Desk, we provide them with a full portfolio of professional counselling services in their native languages. So there is not even any language barrier to impede them from pursuing their business activities in Slovakia.

FOREWORD FROM THE MANAGING BOARD (CONTINUED)

Project Financing is an exceptionally demanding business area. Our business partners not only expect highly professional services in the area of structured loans, but also first-class care throughout the project implementation stage. VOLKSBANK Slovensko is able to meet all these high standards, which makes our achievements in this area all the more significant. We are proud that VOLKSBANK Slovensko has succeeded in becoming a respected and reliable business partner for all big and small investors coming not only from Slovakia but also from abroad (half of the new customers who entered into collaboration with the Bank last year are international investors).

In 2008 the number of projects financed rose by 28 % and the volume of loans recorded a 45 % year-on-year increase.

In the area of risk management, the appropriacy of the firm strategy adopted by VOLKSBANK Slovensko was confirmed. It is now, at a time of economic turbulence, that the conservative approach in the risk policy of our Bank has proved to be a real advantage. With the goal of being well prepared for complex development across the entire economy, we created the respective reserves for risk cover. In the credit risk area, further systematic improvements to the early identification of potential risk, as well as back-testing of rating and scoring instruments, were successfully implemented. Also in 2008, we continued in the BASEL II project with preparations for transition to IRB access, as well as activities aimed at upgrading and updating the ICAAP process. In 2008, the liquidity risk resulting from the situation on the global markets assumed a new quality. VOLKSBANK Slovensko responded to these challenges by implementing identification of the parameters which, at any time, provide an objective reflection of the Bank's liquidity status, thus creating room for an early and active response.

In the area of operational risk, VOLKSBANK Slovensko introduced additional technological instruments intended for the monitoring and active steering of operational risk, which led to a substantial improvement in the course of the processes. The update of Bank-wide plans and emergency strategies for the preservation of business activities, as well as the testing thereof under real conditions, acted as another centre of gravity for our activities in 2008.

Dear Shareholders, Customers and Friends.

The year 2008, which was fraught with far-reaching changes in the global financial markets, demonstrated clearly that the strategy adopted by VOLKSBANK Slovensko is both correct and sustainable. Owing to its traditionally conservative and cautious approach to risk policy, its active financing confined exclusively to the domestic market focused on small- to medium-sized businesses, its continuous liquidity excess, as well as due to the fact that it was not involved in any speculative transactions, VOLKSBANK Slovensko has not in any form experienced the problems that have affected financial institutions in other countries across the world.

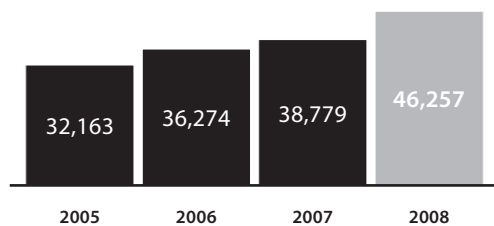
The slow-down in the development of the Slovak economy and the complex situation on the global markets are clear indicators that in 2009 we will all face demanding challenges in a complex environment with changed conditions. However, we believe that, by maintaining its strategy, VOLKSBANK Slovensko will continue in its successful development and in the creation of new values for its customers and shareholders. We continue to increase the knowledge, fervour and professional commitment on the part of all the bank's employees. We wish to acknowledge the dedication and creative enthusiasm of our employees and express our sincere gratitude that, in their daily contact with clients, they can be depended on to enthusiastically fulfil our Bank's slogan "United in Trust." We also thank our shareholders for their support and trust. We have full confidence that, in the coming year, we will work together to lead VOLKSBANK Slovensko on to further achievements.

The Board of Directors of VOLKSBANK Slovensko, a.s.

KEY FIGURES 2005–2008

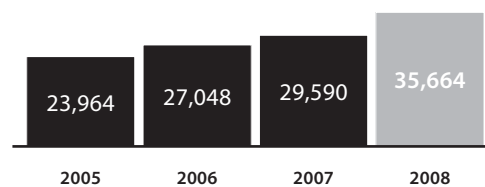
TOTAL ASSETS

in millions of SKK



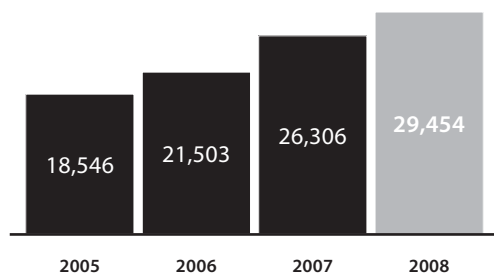
AMOUNTS OWED TO CUSTOMERS

in millions of SKK



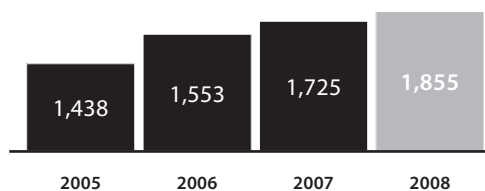
LOANS AND ADVANCES TO CUSTOMERS

V mil. Sk



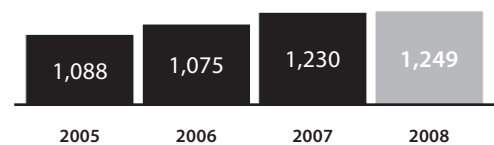
OPERATING INCOME

in millions of SKK



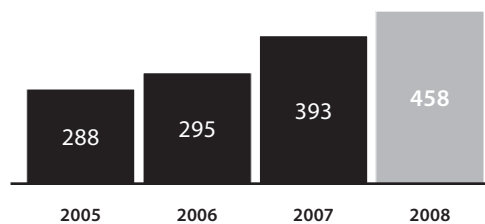
OPERATING EXPENSES

in millions of SKK



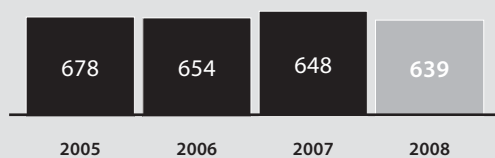
PROFIT BEFORE TAXATION

in millions of SKK

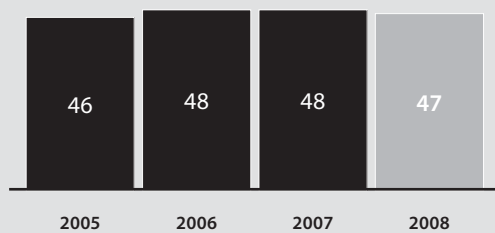


KEY FIGURES 2005–2008 (CONTINUED)

NUMBER OF STAFF



NUMBER OF BRANCHES

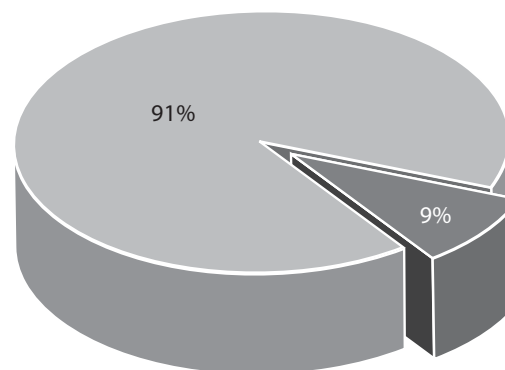


SHAREHOLDERS

share in %

Volksbank International AG	91.0
Volksbank Donau-Weinland	0.1
Volksbank Ötscherland	1.7
Waldviertler Volksbank	0.1
EM.RO. POPOLARE S.P.A.	3.4
Banca Popolare di Vicenza	2.3
Small Shareholders	1.4
Total	100.0

status as of 31 December 2008



NETWORK



VOLKSBANK Slovensko, a.s. has prospered in the Slovak market since 1991. The bank's main shareholder is Volksbank International AG.

Volksbank International AG (VBI), located in Vienna, Austria, is majority-owned by VBAG (51 %), the remaining shares are equally held by the German DZ BANK / WGZ BANK and the French Banque Fédérale des Banques Populaires (both 24.5 %). VBI is managing a successful and steadily expanding network of more than 600 outlets in nine Central and Eastern European countries: Slovakia, Czech Republic, Hungary, Slovenia, Croatia, Bosnia-Herzegovina, Serbia, Romania and Ukraine.

As of 2008 the total assets of VBI Group amount to EUR 14.7 billion. More than 5,800 employees offer a full range of modern banking products and services to both private and corporate clients.

www.vbi.at

GOVERNING BODIES

Board of Directors

Chairman:

Mag. Dr. Kurt Nikolaus Kapeller

Members:

Dipl.-Kfm. Manfred Gram

Dr. iur. Barbara Neiger, MBA

Dr. Martin Florián (from 1 November 2008)

Supervisory Board

Chairman:

Dr. Michael Oberhummer (till 19 May 2008)

Dr. Udo Szekulics (from 19 May 2008)

Vice-Chairman:

Mag. Gerhard Wöber

Members:

Dr. Wolfgang Hofstetter

Prof. Ing. Milan Buček, DrSc.

Dr. Fausto Maritan

Mag. Harald Beyer

SLOVAK ECONOMY IN 2008

For the Slovak economy, 2008 was the seventh consecutive year of economic growth. Despite the increasing turbulence in autumn in the global financial marketplaces, Slovakia achieved a better than steady 6.4% GDP growth, which put it at the top of the V4 ranking.

Apart from that, the year just past went down in Slovak history as the year of successful completion of integration into the Economic and Monetary Union, the Eurozone. The adoption of the Euro at the ratio of SKK 30.1260/EUR 1, which was the rate irrevocably fixed by the Council of Finance Ministers on 8 July 2008, helped Slovakia steer clear of the significant exchange rate fluctuations experienced by the neighbouring states following the intense turbulence on the global capital markets after September.

The exchange rate stability thus gained, but also, at the year-end, the decrease in the inter-bank interest rates combined with the start of the ECB easing its monetary policy, helped Slovakia to avoid the more perceptible impacts of the global economic slowdown virtually up to the end of the year. At the turn of the year, however, it became apparent that the small and open economy which the Slovak Republic has become was unable to avoid the impact from the grave slowdown in growth suffered by its most important economic partners.

Despite perceptible signs of cooling down in the last quarter, the Slovak economy recorded above-average economic growth. The lion's share of this period of strong expansion can be attributed to the strengthening of Slovak export performance, i.e., the strength of external demand. As early as the last half-year, the export demand started to evince symptoms of a substantial reduction of growth in Slovakia's most important export territories. Over half of Slovak exports are destined for countries paying in the common currency, the Euro, over 80 % of Slovak exports are destined for EU member states. In 2008, the gradual reduction in external demand was offset by continuing strong domestic demand. This boosted the continuous increase in employment and the decrease in the registered unemployment level to 7.4 % in August 2008. Combined with the real growth in average wages, it contributed to the fact that the lynchpin for Slovak growth in 2008 became household final consumption expenditure, which recorded a real 6.1 % year-on-year increase. Another not insignificant, pro-growth contribution was the 6.8 % real growth in investment. The slowdown in GDP real growth rate to 2.5 % in the last quarter served as a reminder that, with the inevitable delay, Slovakia too is affected by the grave deterioration in the economic situation in the Eurozone. This came as a result of the reduction in foreign trade and decrease in the demand for Slovak exports.

SLOVAK ECONOMY IN 2008 (CONTINUED)

The pessimistic scenarios related to the accelerated inflation in 2008 failed to materialise. Although the year-on-year inflation rate gauged by the Harmonized Index of Consumer Prices in the summer of 2008 accelerated to as much as 4.5 %, the faster inflation drive was fuelled above all by the commodity market bubble and the rise in energy and grocery prices related thereto. Even that, however, did not jeopardise fulfilment of the Maastricht inflation criterion (12-month HICP average in May 2008 hovered around the level of 2.6 %). As attested in the autumn, in the wake of the commodity fever, inflation in Slovakia, too, slowed to 3.5 %. The Euro-changeover had no impact on the gradual inflation slowdown.

The trajectory of appreciation of the Slovak koruna also continued from the previous years into the beginning of 2008. The Slovak koruna gained strength along with the neighbouring currencies, although the rate of its appreciation was abetted by further revaluations of the central parity of the ERM II pre-entry regime. Also thanks to them, the Slovak koruna was one of the currencies of the CE region with the most marked strengthening. The expectations of a further revaluation within the ERM II regime were met at the end of May, and the new central parity of SKK 30.1260/EUR 1 also became the official conversion rate at the meeting of EU finance ministers on 8 July 2008, at which Slovakia was given the green light for joining the Eurozone as of January 1 2009. Thanks to the above decision, Slovakia avoided the turbulence experienced by the neighbouring currencies during the memorable events in the autumn of 2008, and the koruna exchange rate also maintained its more than 11 % gain on the Euro for the remainder of the year. Thus, in the final year of its existence, the Slovak koruna was the only currency in the CEE region not to wind up the year with losses against the EUR common currency.

At the end of 2008, the NBS monetary policy also gradually became harmonized with the ECB monetary policy; in late 2008, the NBS base interest rate gradually dropped to the end-of-the-year 2.5 %. Since January 2009, Slovakia, as the 16th fully-fledged member of the Eurozone, has had a part in shaping the monetary policy of the European Central Bank.

BUSINESS ACTIVITIES

Retail Banking

The strong customer demand for loans continued in 2008, to which VOLKSBANK Slovensko responded by offering this type of loan with advantageous conditions and benefits. Thanks to that also, we managed a 25 % year-on-year increase in the volume of loans awarded intended for the purchase of a home or the renovation thereof.

In the area of deposits received from customers, we made a strategic point of primary deposits, whilst upgrading the offer with customer-attractive 2, 5, 9 and 13-month terms. As regards structured products, the Bank made three issues of structured products in 2008.

The product portfolio was complemented with new types of accounts, the VeBkonto and VeBkonto young. The services are directed towards customers preferring electronic contact with the Bank. Applications for the service can be made via Internet and contracts can be concluded not only at the Branches, but wherever is most convenient for the Customer.

In 2008, we also upgraded our selection of service programs for the young, namely by introducing the "Young" service. As part of this program, we became the first bank to market the multi-functional MasterCard® *PayPass*™ EURO<26 payment card, featuring the implemented state-of-the-art MasterCard® *PayPass*™ technology for contactless payments at the point-of-use. In 2009, we will offer the option of convenient and quick card payment to other existing or potential customers without any age cap.

Since commencement of its activities, VOLKSBANK Slovensko has been a dependable business partner in financing sole traders and small businesses. In the past period, too, we continued in providing loans as requested for the renovation of housing to Flat Owners' Associations, caretaker companies and apartment cooperatives. Also, thanks to the fact that our employees have ample experience and are capable of providing our customers with qualified counselling, in the area of loans we increased the volume of loans awarded by 43 %.

By opening a branch in Prievidza, in 2008 we extended our services to clients in the Trenčín region. The positive business results from this branch indicate that it was a correct strategic decision.

We are aware that, as well as acquiring new customers, it is just as important to care for customers who have used our services for a long time. The improvement of activities in this area was enhanced by application of the Front End System, providing employees in direct contact with customers with a "360-degree view of the customer". Our personal advisors thus gain readier and more efficient access to information, which enables them to provide complex and insightful counselling.

During the last year, we paid a great deal of attention to the professional growth of our employees, in order to empower them to meet the demands and increasingly sophisticated requirements of our customers. In introducing the certification training and coaching programs, we provide for a continuous improvement of sales skills and professional knowledge for all customer counsellors.

Throughout the Bank, 2008 rode on the wave of Euro-changeover. The retail banking staff at the HQ formed the core of the project team and played a leading part in the multiplicity of activities related to this important change. Thanks to their expertise, huge commitment and selflessness, VOLKSBANK Slovensko managed the currency changeover hands down..

BUSINESS ACTIVITIES (CONTINUED)

Alternative Sales Channels

In 2008, VOLKSBANK Slovensko once more confirmed its position as an innovator in the Slovak banking market card business, where, in collaboration with MasterCard, we marketed a payment technology MasterCard® *PayPass*™, which is innovative and state-of-the-art for both the issuer and acquirer. For our young customers, under 26 years of age, we prepared a multi-functional card which, thanks to the above technology, also facilitates contactless payments in addition to the “standard” functionalities.

VOLKSBANK Slovensko also oversaw the launch of the first unattended petrol station, the so-called CAT and UAT terminal. This project was demanding in its implementation but its total novelty quickly won the hearts of many customers which, from the Bank’s viewpoint, attests to the efficiency of our efforts.

In the prior period, the Bank significantly enhanced its portfolio of electronic Banking products. In addition to VeBkonto and VeBkonto young (accounts that can be opened via the web), we offered our customers the option of secure payments on the Internet through the VeBpay and VeBcard services.

Later in the year, we concentrated on implementation of the payment card clearing and settlement software which significantly contributes to the automation and transparency of individual processes in card management, as well in the adjustment of all systems to the Euro-changeover.

The Bank’s multiple activities were aimed at extending the number of POS terminals for cashless payments, as well as providing our clients with incentives to use payment cards for this type of payment. The number of POS terminals with which VOLKSBANK Slovensko has fitted its business partners recorded an 86 % year-on-year increase, the volume of cashless transactions increased by 93 % and the year-on-year increase in the number of transactions amounted to 93 %.

We expect this trend to continue even after the Euro-changeover. Consequently, our activities will concentrate on further increasing the number of terminals, even in association with the launch of another type of the contactless payment card without any age limit.

BUSINESS ACTIVITIES (CONTINUED)

Corporate Banking

The dynamic development of the Slovak economy in the past year also had an impact on the needs, requirements and expectations of our Corporate Banking customers. Thanks to the professional expertise and business skills shown by our staff in all regions of Slovakia, we were successful in acting as professional partners to our existing customers. This was substantiated by the 10 % increase in the volume of deposits, as well as the 8.15 % increase in volume of loans for this segment. We regard 2008 as showing a strong result, especially in the light of building new opportunities, in particular in the segment of small-to-medium-sized enterprises and local tier corporates.

In the prior period, we reviewed the localisation of regional branches with regard to the customer base and potential, which resulted in the relocation of our branch from Lučenec to Zvolen. We concentrated on seeking new business opportunities and enhanced our cooperation with Eximbanka and other financial institutions in the area of factoring services and debt insurance.

From the outset of our Bank's business activities, we have placed an emphasis on servicing the international customers who come to do business in Slovakia, especially those coming from the countries of our shareholders - Austria, Germany, Switzerland or Italy. Our experienced staff provide them with services as well as with professional counselling in their native language, so that these customers, in pursuing their business activities, can enjoy the full support afforded by our financial institution.

Treasury

In the area of providing Treasury products to our corporate customers, VOLKSBANK Slovensko has focused on structured deposits, the volume of which reached € 70 million. They predominantly consisted of short-term deposits with a maturity not exceeding 1 month with the underlying asset of the foreign currency exchange rate. These short-term deposits were offered as an alternative to NBS repo operations. To our retail customers we offered a number of structured product issues with shares forming the underlying asset. In addition to products intended to increase yields, we concentrated on offering products related to foreign exchange and interest rate risk management, especially by means of structured forwards, interest rate swaps and options.

Last year, the Bank performed the implementation of asset and liability management software designed to simulate the Bank's net interest rate results in a dynamic manner. This represents a significant contribution enhancing the Bank's efficiency in managing assets and liabilities, improving the quality of decision-making and protection against risk of interest rate fluctuations.

Another important contribution in the area of Treasury activities was completion of the implementation of the Spectrum system, facilitating the revaluation of customer positions and significantly improving the quality of counterparty risk-management. This improvement in the quality of trading with customers will thus create a new space for increasing corporate customer sales.

Throughout the year, intensive preparation for conversion of the existing inter-bank and customer Treasury transactions denominated in SKK was under way, as well as transition to the new "Euro-mode" of operations in the financial market and management of the minimum reserves with the ECB.

Last year, the Bank issued two editions of mortgage bonds amounting to SKK 690 million (€ 22.9 million).

BUSINESS ACTIVITIES (CONTINUED)

Project Financing

2008 brought further significant achievements to this latest operation of VOLKSBANK Slovensko. The Bank enhanced its position as a respected and reliable business partner of both big and small developers in the Slovak market. This may be corroborated also by the fact that as many as 46 % of the business partners we had teamed up with previously in implementing their projects opted for partnership with our Bank in their subsequent business activities and the volume of loans agreed amounted to a 45 % increase year-on-year. Project financing earnings increased by 44 % on the prior year.

The financing that VOLKSBANK Slovensko provided to its partners in the past year was predominantly destined for residential buildings - as much as 60 %.

Even in the prior periods, VOLKSBANK Slovensko took a traditionally conservative approach to assessing project financing risk, and now account needs to be taken of the changed global economic situation. The coming period will present VOLKSBANK Slovensko Project Financing with the challenge of proving that, even in the most difficult of times, it is capable of engaging as a business partner in meaningful prospective projects.

Payment System

One of the most important services which VOLKSBANK Slovensko provides to its customers in all segments is, of course, the domestic and international payment system. In this area, the Bank once again concentrated in the past year on increasing the use of electronic channels, including e-banking, and that across all customer segments. Customers may choose, according to their requirements, from multiple options for performing their domestic and international payments electronically which, in practice, is not just convenient and secure, but is also cheaper. This strategy proved successful, a fact corroborated in that the proportion of international payment orders submitted electronically up to the end of 2008 amounted to 72 % and the proportion of domestic orders attained a value of almost 82 %.

The past year was once again marked by a significant increase in international payments; in a year-on-year comparison, the customers of VOLKSBANK Slovensko performed 15 % more international payments, whereas the number of incoming international payments rose by 10 %.

BUSINESS ACTIVITIES (CONTINUED)

Marketing and Communication

After the Bank's rebranding in late 2007 as VOLKSBANK Slovensko, we faced the challenge of presenting the new brand on the Slovak market and ensuring that it penetrated the hearts and minds of the greatest possible number of existing or potential customers. As a consequence, we chose to address the target groups directly and conducted multiple waves of direct-marketing campaigns. In this, as well as in the subsequent communications, we focused on the promotion of the key retail banking products, i.e., housing loans and deposit products.

As corporate customers, including Treasury and Project Financing customers, require a customised approach, in the prior period we not only held professional seminars which, besides the representatives of the Bank, were also attended by personalities from the Slovak economic life, but also less formal social, cultural and sporting events.

Throughout 2008, VOLKSBANK Slovensko was involved in an intensive communication with the Slovak print and broadcast media, which brought us ample and spontaneous publicity and helped to boost brand awareness.

Last year, also, VOLKSBANK Slovensko continued to sponsor charity projects and events. Once again, we acted as the main partner in the nation-wide event White Crayon (Biela pastelka) organised by the Slovak Blind and Partially Sighted Union. In addition to that, we provided financial and spiritual support to multiple regional activities related to healthcare, education, social care and sports.

The Bank's important activity in 2008 consisted of active communication with all the Bank's customers aimed at providing them with useful information on the Euro changeover. In accordance with the target groups we had previously identified, we designed a complex communication plan which was ongoing throughout the year, although most intensively in its second half. Besides the other activities, we sent our customers information material describing in detail all the activities of the Bank and customers related to the Euro changeover. Once the conversion rate was fixed in August, pursuant to the Euro Changeover Act, we altered all the information materials, including leaflets, posters, web information, etc., and subsequently prepared another change in the materials as of 1 January 2009. We focused on consistent and rapid communication with customers via the Internet, where we responded, over the course of the year, to a spate of queries related to the Euro changeover. During the key period, at the turn of the year, the Bank became involved in an intensive external communication with the Slovak Banking Association, as well as in ensuring regular contact with the National Bank of Slovakia. Thanks to this thorough preparation and consistent implementation of all the communication activities, we contributed to the smooth and efficient transition to the Euro by keeping our customers fully informed.

BUSINESS ACTIVITIES (CONTINUED)

Information Technologies

At the start of 2008, VOLKSBANK Slovensko completed a complex project of rolling out the Front End System which is, first and foremost, intended for employees at the Bank's branches, affording them a readily available, 360-degree view of the customer. The Bank thus acquired an important instrument in fostering relationship management and an individual approach to each customer.

For some years, VOLKSBANK Slovensko has concentrated on upgrading and improving the electronic channels intended for customer contact with the Bank. By implementing the option of submitting bulk payment orders through e-banking, we catered to the needs of our corporate customers, in particular.

The Euro changeover required that, in the area of information technologies, from the very start of the year, the Bank had to fully concentrate on activities related to Euro-conversion. Up to 52 systems required modifications, mainly substantial ones. We performed seven rounds of testing of the main banking system and four rounds of integration tests. Besides other things, the Euro changeover required complete or partial amendments to the Bank's 50 internal regulations and the creation of 100 pages of process and decision methodology. We are very pleased and proud that, even within IT and the internal organisation, VOLKSBANK Slovensko managed the Euro changeover without any problems.

Separate financial statements

**VOLKSBANK
Slovensko a. s.**

Prepared in accordance with International Financial Reporting Standards
as adopted by the European Union. Year ended 31 December 2008

INDEPENDENT AUDITORS' REPORT



KPMG Slovensko spol. s r. o.
Mostovú 2
P. O. Box 7
820 04 Bratislava 24
Slovakia

Telephone +421 2 59984 111
Fax +421 2 59984 222
Internet www.kpmg.sk

Translation of the Independent Auditors' Report originally prepared in Slovak

Independent Auditors' Report

To the Shareholders, Supervisory Board and Board of Directors of VOLKSBANK Slovensko, a.s.:

We have audited the accompanying separate financial statements of VOLKSBANK Slovensko, a.s. ('the Bank'), which comprise the separate balance sheet as at 31 December 2008, the separate income statement, the separate statement of changes in shareholders' equity and the separate cash flow statement for the year then ended, and the notes to the separate financial statements.

Management's responsibility for the separate financial statements

Management, as represented by the Board of Directors, is responsible for the preparation and fair presentation of these separate 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 separate financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

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

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

Opinion

In our opinion, the separate financial statements present fairly, in all material respects, the unconsolidated financial position of the Bank as at 31 December 2008 and its unconsolidated financial performance and unconsolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

27 March 2009

Audit company:
KPMG Slovensko spol. s r. o.
SKAU licence No. 96



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

KPMG Slovensko spol. s r. o., a Slovak limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

Obchodný register Okresného súdu Bratislava I, oddiel Sro, vložka č. 4894/B
Commercial register of District court Bratislava I, section Sro, file No. 4894/B

ICO/Registration number:
31 348 238
Evidenčné číslo licencie audítora: 96
Licence number of statutory auditor: 96

SEPARATE BALANCE SHEET AT 31 DECEMBER 2008

Sk'000	Notes	2008	2007
Assets			
Cash and cash equivalents	7	8,106,391	6,540,510
Trading assets	9	25,639	23,371
Derivative assets held for risk management	10	589,478	165,685
Loans and advances to banks	11	2,676,914	619,549
Loans and advances to customers	12	29,454,247	26,306,203
Investment securities	13	4,106,018	3,815,475
Investments in associates and subsidiary	14	33,608	31,555
Investment property	15	28,966	27,000
Property and equipment	16	953,453	935,995
Deferred tax asset	23	39,394	-
Other assets		79,007	103,284
		46,093,115	38,568,627
Liabilities			
Derivative liabilities held for risk management	10	669,658	140,949
Deposits by banks	18	1,663,279	1,573,974
Loans received	19	40,137	118,732
Customer accounts	20	35,664,687	29,589,565
Debt securities issued	21	3,703,627	3,000,713
Provisions	22	40,723	44,513
Corporate income tax payable	17	108,785	54,722
Deferred tax liability	23	-	2,605
Other liabilities	24	159,991	201,129
		42,050,887	34,726,902
Share capital and reserves			
Share capital	25	1,000,000	1,000,000
Share premium		1,170,300	1,170,300
Reserves	26	1,871,928	1,671,425
		4,042,228	3,841,725
		46,093,115	38,568,627

The separate financial statements, which include the notes on pages 25 to 86, were approved on 27 March 2009 by:

Dipl.-Kfm. Manfred Gram

Member of the Board



Ing. Lenka Mičudová

Person responsible for financial statements



Ing. Norbert Strieženec

Director of Finance Department



Ing. Marta Ráčzová

Person responsible for accounting



SEPARATE INCOME STATEMENT YEAR ENDED 31 DECEMBER 2008

Sk '000	Notes	2008	2007
Interest income	28	2,131,505	1,856,471
Interest expense	29	(834,807)	(691,893)
Net interest income		1,296,698	1,164,578
Fee and commission income		577,878	548,941
Fee and commission expense		(104,350)	(92,670)
Net fee and commission income	30	473,528	456,271
Net trading income	31	108,365	91,502
Income from associates		7,773	-
Other expenses	32	(17,643)	(16,806)
		98,495	74,696
Operating income		1,868,721	1,695,545
Administrative expenses	33	(1,056,044)	(1,010,733)
Depreciation and impairment losses	16	(192,021)	(219,242)
Operating expenses		(1,248,065)	(1,229,975)
Operating profit before impairment losses on loans and advances		620,656	465,570
Impairment losses on loans and advances to customers	34	(147,794)	(102,785)
Profit before taxation		472,862	362,785
Income tax expense	35	(155,852)	(78,553)
Profit for the year		317,010	284,232

The notes on pages 25 to 86 form part of these separate financial statements.

SEPARATE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY YEAR ENDED 31 DECEMBER 2008

Sk '000	Share capital	Share premium account	Retained earnings	Legal reserve fund	Revaluation reserve	Hedging rreserve	Other reserve	Total
At 1 January 2007	1,000,000	1,170,300	1,356,183	202,959	27,205	-	34,506	3,791,153
Dividends	-	-	(194,986)	-	-	-	-	(194,986)
Net loss from available-for-sale assets, net of tax	-	-	-	-	(39,302)	-	-	(39,302)
Net profit from revaluation of derivatives held for risk management, net of tax	-	-	-	-	-	628	-	628
Profit for 2007	-	-	284,232	-	-	-	-	284,232
At 31 December 2007	1,000,000	1,170 300	1,445 429	202,959	(12,097)	628	34,506	3,841,725
Dividends	-	-	(94,985)	-	-	-	-	(94,985)
Net profit from available-for-sale assets, net of tax assets	-	-	-	-	9,185	-	-	9,185
Net loss from revaluation of derivatives held for risk management, net of tax	-	-	-	-	-	(30,707)	-	(30,707)
Profit for 2008	-	-	317,010	-	-	-	-	317,010
At 31 December 2008	1,000,000	1,170,300	1, 667,454	202,959	(2,912)	(30,079)	34,506	4,042,228

The notes on pages 25 to 86 form part of these separate financial statements.

SEPARATE CASH FLOW STATEMENT YEAR ENDED 31 DECEMBER 2008

Sk '000	Notes	2008	2007
Cash flows from operating activities			
Profit before changes in operating assets and liabilities	36	836,402	697,889
Increase in trading assets		(2,268)	(18,580)
(Increase)/decrease in derivative assets held for risk management		(423,793)	321,652
(Increase)/decrease in loans and advances to banks		(2,057,365)	237,851
Increase in loans and advances to customers		(3,315,155)	(4,910,995)
Decrease/(increase) in other assets		24,277	(36,688)
Increase/(decrease) in derivative liabilities held for risk management		490,799	(320,673)
Increase/(decrease) in deposits by banks		89,305	(1,133,391)
Decrease in loans received		(78,595)	(80,580)
Increase in customer accounts		6,072,974	2,543,921
(Decrease)/increase in other liabilities		(41,138)	45,656
Corporate income tax paid		(138,740)	(9,720)
Net cash from/(used in) operating activities		1,456,703	(2,663,658)
Cash flows from investing activities			
(Purchase)/redemption of investment securities		(278,159)	83,639
Purchase of property and equipment		(229,813)	(140,788)
Proceeds on sale of property and equipment		11,274	904
Acquisition of subsidiary		(535)	-
Investments in associates		(1,518)	(476)
Net cash used in investing activities		(498,751)	(56,721)
Cash flows from financing activities			
Dividends paid		(94,985)	(194,986)
Issue of debt securities		702,914	1,326,125
Net cash from financing activities		607,929	1,131,139
Net increase/(decrease) in cash and cash equivalents		1,565,881	(1,589,240)
Cash and cash equivalents at beginning of year		6,540,510	8,129,750
Cash and cash equivalents at end of year	7	8,106,391	6,540,510

The notes on pages 25 to 86 form part of these separate financial statements.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2008

1) GENERAL INFORMATION

VOLKSBANK Slovensko, a. s. ('the Bank') was formed on 26 August 1991 and incorporated in the Commercial Register on 30 August 1991. Volksbank International AG, a company with its registered office at Leonard-Bernstein-Straße 10, A-1220 Vienna, Saturn Tower, Austria, owns 91% of the Bank's shares and other member companies of the Volksbank Group own a further 2%. The ultimate parent company is Österreichische Volksbanken-Aktiengesellschaft, with its registered office at A1090, Wien, Kolingasse 19, Austria.

The principal activities of the Bank are the provision of banking and financial services to commercial and private customers in the Slovak Republic.

The Bank operates through 30 branches and 17 sub-branches in the Slovak Republic.

Other statutory information:

Registered office: Vysoká 9, 810 00 Bratislava
Income tax number: 17 321 123
VAT registration number: 2020412460

Associates

The Bank owns 24% of the registered capital of VB LEASING SK, spol. s r.o., Bratislava, a company incorporated in the Slovak Republic which is engaged in equipment and vehicle leasing.

In 2008 the Bank sold its 22.8% share of the registered capital of Team Nový Dom s.r.o., a real estate management company incorporated in the Slovak Republic.

Subsidiary

In March 2006, the Bank acquired 24% of the registered capital of VOLKSBANK REALITY, s.r.o. (formerly known as IMMO-CONTRACT Slovakia, s.r.o.) a company incorporated in the Slovak Republic and engaged in real estate activities. The Bank increased its share of the registered capital to 34% in December 2007, and in November 2008, acquired the remaining 66% of the registered capital at a cost of Sk 535 thousand.

Board of Directors

Mag. Dr. Kurt Nikolaus Kapeller
Dipl.-Kfm. Manfred Gram
Dr.Jur. Barbara Neiger, MBA
Dr. Martin Florián (from 1 November 2008)

Supervisory Board

Dr. Udo Szekulics (from 19 May 2008)
Dr. Wolfgang Hofstetter
Mag. Gerhard Wöber
Prof. Milan Buček
Dr. Fausto Maritan
Mag. Harald Beyer
Dr. Michael Oberhummer (to 19 May 2008)

Audit Committee

Mag. Gerhard Wöber
Mag. Harald Beyer
Dr. Wolfgang Hofstetter

The separate financial statements for the year ended 31 December 2007 were approved on 19 May 2008 by general shareholders' meeting.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2008

1) GENERAL INFORMATION (CONTINUED)

The Bank's financial statements are included in the consolidated financial statements of Österreichische Volksbanken-Aktiengesellschaft, with its registered office at A-1090 Wien, Kolingasse 19. The consolidated financial statements of Österreichische Volksbanken-Aktiengesellschaft are available for inspection at its registered office or on the webpage, www.volksbank.com.

2) BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union.

These financial statements are prepared as the separate financial statements required by Section 17 (a) of the Slovak Act on Accounting 431/2002, as amended. Consequently, in these financial statements, the Bank's investments in associates and a subsidiary are accounted for at cost less allowances for impairment.

(b) Basis of measurement

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

- derivative financial instruments are measured at fair value;
- financial instruments at fair value through profit or loss are measured at fair value;
- available-for-sale financial assets are measured at fair value;
- investment properties are measured at fair value.

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

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

(e) Comparative figures

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

3) SIGNIFICANT ACCOUNTING POLICIES

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

(a) Foreign currency

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

(b) Interest income and expense

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

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

(c) Fees and commissions

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

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

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

(d) Net trading income

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

(e) Dividends

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Lease payments

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

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(g) Income tax expense

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

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

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

(h) Financial assets and liabilities

(i) Recognition

The Bank initially recognises loans and advances to banks and customers, deposits by banks, customer accounts, loans received and issued debt securities in issue on the date that they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Bank becomes a party to the contractual provisions of the instrument.

(ii) Derecognition

The Bank derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Bank is recognised as a separate asset or liability.

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial assets and liabilities (continued)

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

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

(iii) Offsetting

Financial assets and liabilities are set off and the net amount presented in the balance sheet when, and only when, the Bank has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

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

(iv) Amortised cost measurement

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

(v) Fair value measurement

The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets. For all other financial instruments, fair value is determined by using valuation techniques. Valuation techniques include the discounted cash flow method, comparison to similar instruments for which market-observable prices exist and valuation models. The Bank uses widely recognised valuation models for determining the fair value of the more common financial instruments like options and interest rate and currency swaps. For these financial instruments, inputs into models are market observable.

(vi) Identification and measurement of impairment

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

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

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

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial assets and liabilities (continued)

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in the income statement and reflected in an allowance account against loans and advances. Interest on the impaired asset continues to be recognised through the unwinding of the discount.

When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through the income statement.

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

However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised directly in equity. Changes in impairment losses attributable to time value are reflected as a component of interest income.

(vii) Designation at fair value through profit or loss

The Bank has designated financial assets and liabilities at fair value through profit or loss when either:

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis;
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

A description of the basis for each designation is set out in the note for the relevant asset or liability class.

(i) Cash and cash equivalents

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

Cash and cash equivalents are carried at amortised cost in the balance sheet.

(j) Trading assets and liabilities

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

Trading assets and liabilities are initially recognised and subsequently measured at fair value in the balance sheet with transaction costs taken directly to income. All changes in fair value are recognised as part of Net trading income in the income statement. Trading assets and liabilities are not reclassified subsequent to their initial recognition.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2008

3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Derivatives held for risk management purposes

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value in the balance sheet. The treatment of changes in their fair value depends on their classification into the following categories:

(i) Fair value hedge

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

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

(ii) Cash flow hedge

When a derivative is designated as a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect income, the effective portion of changes in the fair value of the derivative are recognised directly in equity. The amount recognised in equity is removed and included in income in the same period as the hedged cash flows affect income under the same income statement line item as the hedged item.

Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the income statement.

If the derivative expires or is sold, terminated or exercised, no longer meets the criteria for cash flow hedge accounting, or the designation is revoked, then hedge accounting is discontinued and the amount recognised in equity remains in equity until the forecast transaction affects income. If the forecast transaction is no longer expected to occur, then hedge accounting is discontinued and the balance in equity is recognised immediately in the income statement.

(iii) Other non-trading derivatives

When a derivative is not held for trading and is not designated in a qualifying hedge relationship, all changes in its fair value are recognised immediately in income as a component of net income on the other financial instruments carried at fair value.

(iv) Embedded derivatives

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Loans and advances

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

When the Bank is the lessor in a lease agreement that transfers substantially all of the risks and rewards incidental to ownership of an asset to the lessee, the agreement is presented within loans and advances.

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

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

(m) Investment securities

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

(i) Held-to-maturity investments

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

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

(ii) Investments at fair value through profit or loss

The Bank carries some investment securities at fair value, with fair value changes recognised immediately in the income statement as described in accounting policy 3 (h) (vii).

(iii) Available-for-sale investments

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

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

Other fair value changes are recognised directly in equity until the investment is sold or impaired. The cumulative gain and loss previously recognised in equity is then recognised in income.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2008

3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Investments in associates

Associates are companies in which the Bank has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Bank holds more than 20% of the voting rights of the enterprise. The Bank recognises shares in associated companies at acquisition cost less impairment.

(o) Investments in subsidiary

Subsidiaries are those enterprises controlled by the Bank. Control exists when the Bank has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The Bank recognises shares in subsidiaries at acquisition cost less impairment.

(p) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses.

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

	Years	Method
Buildings	20	straight-line
Furniture, fittings and equipment	4 - 12	straight-line
Motor vehicles	5	straight-line
Software	4	straight-line

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

(q) Leased assets

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

All other leases are operating leases and the leased assets are not recognised on the Bank's balance sheet.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are stated at fair value. Properties are valued annually by an internal valuer, having a recognised professional qualification and appropriate experience.

Any gain or loss arising from a change in fair value is recognised in the income statement.

When an item of property and equipment is transferred to investment property following a change in its use, any gain arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity. On disposal of the item, the gain is transferred to retained earnings. Any loss arising in this manner is recognised immediately in the income statement.

If an investment property becomes owner-occupied it is reclassified as property and equipment and its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

(s) Impairment of non-financial assets

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

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

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

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

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

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

Deposits, customer accounts, debt securities issued and loans received are the Bank's sources of debt funding.

Deposits, customer accounts, debt securities issued and loans received are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost, including accrued interest.

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

(u) Provisions and contingent liabilities

A provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2008

3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Provisions and contingent liabilities (continued)

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

A contingent liability is disclosed if, as a result of a past event, the Bank has a probable liability and its existence will only be confirmed by one or more events in the future over which the Bank has no control, or if the Bank has a present obligation as a result of past event but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

(v) Employee benefits

(i) *Defined contribution plans*

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as they become due.

(ii) *Termination benefits*

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

(iii) *Short-term benefits*

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

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

(w) Segment reporting

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

(x) New standards and interpretations not yet adopted

The following recently issued standards, amendments to standards and interpretations are not effective for the year ended 31 December 2008, and have not been applied in preparing these financial statements:

- Amendment to IFRS 2 *Share-based Payment – Vesting Conditions and Cancellations* clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The amendments to IFRS 2 will become mandatory for the Bank's 2009 financial statements, with retrospective application. The Bank is currently in the process of evaluating the potential effect of this amendment.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) New standards and interpretations not yet adopted (continued)

- Revised IFRS 3 *Business Combinations* (2008) incorporates several changes in the assessment of business combinations. Revised IFRS 3 will be mandatory for the Bank's 2010 financial statements and will be applied prospectively to business combinations and, therefore, there will be no impact on periods prior to the Bank's 2010 financial statements.
- *IFRS 8 Operating Segments* requires segment disclosure based on the components of the entity that management monitors in making decisions about operating matters. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by management in deciding how to allocate resources and in assessing performance. IFRS 8 will become mandatory from 1 January 2009 and the Bank expects the new Standard not to significantly alter the presentation and disclosure of its operating segments in the financial statements.
- Revised IAS 1 *Presentation of Financial Statements* (2007) introduces the term "total comprehensive income," which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income. Revised IAS 1, which becomes mandatory for the Bank's 2009 financial statements, is expected to have a significant impact on the presentation of the financial statements.
- Revised IAS 23 *Borrowing Costs* removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Revised IAS 23 will become mandatory for the Bank's 2009 financial statements but is not expected to have a significant impact on those statements.
- Amended IAS 27 *Consolidated and Separate Financial Statements* (2008) requires all dividends from a subsidiary, jointly controlled entity or associate to be recognised as income in the separate financial statements of the investor when the right to receive the dividend is established. This amendment to IAS 27 which becomes mandatory for the Bank's 2009 separate financial statements, is not expected to have any impact on these separate financial statements when adopted as the amendment applies prospectively

Amended IAS 27 also requires accounting for changes in ownership interests in a subsidiary that occur without loss of control, to be recognised as an equity transaction. When the Bank loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. This amendment to IAS 27, which becomes mandatory for the Bank's 2010 financial statements, is not expected to have a significant impact on the financial statements.

- Amendments to IAS 32 and IAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation* require puttable instruments and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation to be classified as equity if certain conditions are met. The amendments, which become mandatory for the Bank's 2009 financial statements with retrospective application required, are not expected to have any significant impact on the financial statements.
- Amendments to IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. The amendments will become mandatory for the Bank's 2010 financial statements, with retrospective application required. The Bank is currently in the process of evaluating the potential effect of this amendment.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2008

3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) New standards and interpretations not yet adopted (continued)

- IAS 40 *Investment Property* is amended to include property under construction or development for future use as investment property in its definition of "investment property". This results in such property being within the scope of IAS 40; previously it was within the scope of IAS 16. The amendment is effective beginning on or after 1 January 2009. The Bank is currently in the process of evaluating the potential effect of this amendment.
- The International Accounting Standards Board made certain amendments to existing standards as part of its first annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Bank's 2009 financial statements. The Bank does not expect these amendments to have any significant impact on the financial statements
- IFRIC 13 *Customer Loyalty Programmes* addresses the accounting by entities that operate or otherwise participate in customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. IFRIC 13 becomes mandatory for the Bank's 2009 financial statements and will be applicable retrospectively. The Bank does not expect that this interpretation will have any impact on the financial statements.

4) USE OF ESTIMATES AND JUDGEMENTS

These disclosures supplement the commentary on financial risk management.

Key sources of estimation uncertainty

Allowances for impairment

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

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

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

Determining fair values

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

4) USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

Critical accounting judgements in applying the Bank's accounting policies (continued)

Valuation of financial instruments

The Bank's accounting policy on fair value measurements is discussed under note 3 (h) (v).

The Bank measures fair values using the following hierarchy of methods:

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

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Bank determines fair values using valuation techniques. Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist, and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date, that would have been determined by market participants acting at arm's length.

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

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

4) USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

Critical accounting judgements in applying the Bank's accounting policies (continued)

Valuation of financial instruments continued

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

Sk '000	Note	Quoted market prices in active markets	Valuation techniques: observable inputs	Total
31 December 2008				
Assets				
Trading assets	9	25,639	-	25,639
Derivative assets held for risk management	10	-	589,478	589,478
Investment securities	13	2,096,025	2,009,993	4,106,018
		2,121,664	2,599,471	4,721,135
Liabilities				
Derivative liabilities held for risk management	10	-	669,658	669,658
Customer accounts at fair value through profit or loss	20	224,529	-	224,529
		224,529	669,658	894,187

Sk '000	Note	Quoted market prices in active markets	Valuation techniques: observable inputs	Total
31 December 2007				
Assets				
Trading assets	9	23,371	-	23,371
Derivative assets held for risk management	10	-	165,685	165,685
Investment securities	13	2,608,899	1,206,576	3,815,475
		2,632,270	1,372,261	4,004,531
Liabilities				
Derivative liabilities held for risk management	10	-	140,949	140,949
Customer accounts at fair value through profit or loss	20	343,063	-	343,063
		343,063	140,949	484,012

At 31 December 2008, there were no financial instruments included in the financial statements at fair values established using valuations techniques employing unobservable inputs (2007: Nil).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2008

4) USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

Critical accounting judgements in applying the Bank's accounting policies (continued)

Financial asset and liability classification

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

- In classifying financial assets or liabilities as 'trading', management has determined that the Bank meets the description of trading assets and liabilities set out in accounting policy 3 (j).
- In designating financial assets or liabilities at fair value through profit or loss, the Bank has determined that it has met one of the criteria for this designation set out in accounting policy 3 (h) (vii).
- In classifying financial assets as held to maturity, management has determined that the Bank has both the positive intention and ability to hold the assets until their maturity date as required by accounting policy 3 (m) (i).

5) FINANCIAL RISK MANAGEMENT

(a) Introduction

The Bank has defined principles for handling the risks, processes and technical-organisational structures, risk objectives and limits. The Bank identifies on a regular basis, and subsequently manages, monitors, minimises and reports all risks relating to its use of financial instruments, as well as the risks arising from carrying on its activities. The Bank has exposure to the following main risks:

- credit risk
- liquidity risk
- market risk
- operational risk

In connection with the deterioration in the economic situation worldwide as well as in Slovakia, the Bank is monitoring and analysing the short-term evolution of all risks and, as a consequence, continuously adjusting its processes. At the same time, the Bank places a great emphasis on the management of liquidity risk and compliance with regulatory requirements in this area set out by the National Bank of Slovakia in 2008.

Information on monitoring, measurement, management and reporting of the above risks and on the management of the Bank's capital is set out below.

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Risk Controlling Department and the Asset and Liability Committee (ALCO) and Credit Committee are bodies (authorities), which are responsible for developing and monitoring risk management policies in their specific areas.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly, based on the annual plan which reflects changes in market conditions, products and services offered, processes and systems in the Bank. The Bank, through process standardisation, continuous trainings, management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2008

5) FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit Risk Management sets the acceptable level of credit risk exposure, ensures the minimisation of potential losses that can arise from the credit transaction concluded with a client. This is ensured by organisation of credit risk management in the Bank, i.e. by procedures set out in the system of internal guidelines governing credit risk management, and supported by credit risk management systems.

The basis for credit risk management is the credit risk strategy, which reflects the entire risk management strategy and the business policy of the Bank. The credit risk strategy sets out the general framework, principles for handling risks, design of procedures, technical and organisational structures, operational management parameters, such as the business focus, risk objectives and limits. The Credit Risk Management Department has direct control over the internal guidelines governing the provision of credit and is involved in their design.

These guidelines define:

- Authorisation of a credit trade,
- Assessment of credit risk arising from a credit trade,
- Authorisation competences,
- Risk measurement methods,
- Limits,
- Monitoring and evaluation of loan portfolio performance,
- Projection of changes in the loan portfolio in relation to change in conditions for loan provision or launch of new loan products,
- Backward and stress testing of rating and scoring models,
- Methods for the calculation and creation of loan loss allowances.

Credit risk is strictly monitored, and within the organisational structure the separate managing of the credit risk from the business is provided.

Methods for credit risk measurement

The Bank assesses each client/trade at the moment of provision and subsequently using a rating tool with parameters specific for each client segment with the aim to eliminate (minimise) credit risk. The rating level relating to a client/trade reflects the level of quality of customer, type, amount and maturity. The Bank sorts clients/trades according to their rating from the best to the worst, where the worst level represents the highest probability of loss. Risk arising from mortgage loans is monitored and managed separately. The Bank has defined the process of setting up and regular updates of rating and controlling in its internal guidelines. The Bank continuously monitors, evaluates and considers whether limits on segment, maximum exposure, rating level, industry group and related party are met.

Limit system

The Bank has a defined limit system in its guidelines governing credit risk management. Credit appraisal procedures include assessment of individual borrowers, establishing counterparty credit limits and obtaining collateral with the aim to mitigate credit risk. The Bank also continually monitors performance of the portfolio to ensure that prompt action can be taken to minimise potential losses.

To mitigate credit risk, the Bank uses defined limits according to:

- | | |
|--------------------------------------------|----------------------------|
| a. segment of client, | d. client – related party, |
| b. client's rating, | e. industry groups, |
| c. group of clients and connected clients, | f. country. |

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

5) FINANCIAL RISK MANAGEMENT CONTINUED (CONTINUED)

(b) Credit risk (continued)

The gross amounts of individually and collectively impaired loans and advances to customers by risk grade and allowances for impairment are as follows::

Sk '000	2008	2007
Individually impaired		
<i>Rating classification:</i>		
grade 1	-	-
grade 2	-	-
grade 3	667,111	-
grade 4	152,262	-
grade 5	577,849	157,175
Without rating	-	-
Gross amount	1,397,222	157,175
Allowance for impairment	(308,889)	(122,014)
Carrying amount	1,088,333	35,161
Collectively impaired		
<i>Rating classification:</i>		
grade 1	5	-
grade 2	397	3,225
grade 3	107,325	412,026
grade 4	65,675	120,070
grade 5	334,546	538,896
Without rating	46,148	10,043
Gross amount	554,096	1,084,260
Allowance for impairment	(291,548)	(478,300)
Carrying amount	262,548	605,960
Neither past due nor impairment identified		
<i>Rating classification:</i>		
grade 1	1,342,081	4,966,751
grade 2	5,381,688	1,825,708
grade 3	18,684,707	16,666,568
grade 4	2,341,894	1,875,095
grade 5	-	26,146
Without rating	232,292	304,814
Gross amount	27,982,662	25,665,082
Allowance for impairment	(28,217)	-
Carrying amount	27,954,445	25,665,082

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

5) FINANCIAL RISK MANAGEMENT CONTINUED (CONTINUED)

(b) Credit risk (continued)

Sk'000	2008	2007
Against past due but not impaired loans		
<i>Rating classification:</i>		
grade 1	-	-
grade 2	15,148	-
grade 3	62,726	-
grade 4	70,952	-
grade 5	-	-
Without rating	2,105	-
Gross amount	150,931	-
Allowance for impairment	(2,010)	-
Carrying amount	148,921	-
Total gross amount	30,084,911	26,906,517
Total allowance for impairment	(630,664)	(600,314)
Total carrying amount	29,454,247	26,306,203

Past due but not impaired loans are overdue 1 to 30 days.

Impaired loans and securities

Impaired loans are loans for which the Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan agreement. These loans are classified into particular categories of the Bank's internal credit risk rating system.

Rating grades 1-5 reflect the degree of risk of financial loss from a borrower determined by probability of default, where grade 1 represents the lowest risk and grade 5 default of the customer and trade (default). The classification of borrower into rating category is determined by a combination of Hard Facts (i.e. financial ratios based on Balance Sheet and Income Statement) and Soft Facts (i.e. non-financial information relating to a borrower's business and its risk characteristics).

Allowances for impairment

The Bank establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The Bank has established a methodology which defines triggers of impairment, receivables in default, their identification, evaluation and subsequent method of calculation of allowances for impairment in compliance with IFRS. The Bank creates portfolio allowances on non-significant receivables, where calculation parameters are revalidated regularly, based on the methodology. Allowances on significant items are created on an individual basis through discounting expected future cash flows using the effective interest rate.

The Bank assesses impairment on off-balance sheet items on an individual basis.

Past due but not impaired loans

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2008

5) FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk continued

Recovery of delinquent receivables

Receivables whose repayment is threatened are administrated by the Legal Department. The Legal Department takes the necessary legal steps to obtain the maximum recovery from default receivables, including realisation of collateral, and acts as a representative of the Bank in creditor committees when the debtor is in bankruptcy.

Write-off policy

The Bank writes off a loan/security balance (and any related allowances for impairment losses) when it determines that the loans/security is uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised loans, charge-off decisions generally are based on a product-specific past due status.

The Bank holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered security over assets, and guarantees. Estimates of collateral's fair values are based on the value of collateral assessed at the time of granting the loan and this estimate of collateral's fair value is re-assessed on the basis of Bank's internal directives, which fully meet the requirements set out in the review of the collateral's value provided in the relevant documents of the National Bank of Slovakia or in the legislation applicable in the Slovak Republic. Collateral, generally, is not held over loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activity. Usually, collateral is not held against investment securities, and no such collateral was held at 31 December 2008 or 2007.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

5) FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

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

Loans and advances to customers		
Sk'000	2008	2007
Against individually impaired loans		
Real estate	1,092,759	50,556
Moveables	-	-
Pledged accounts, term deposits	-	-
Guarantees (bank, state)	-	-
Securities	-	-
Against collectively impaired loans		
Real estate	164,966	369,937
Moveables	1,564	262
Pledged accounts, term deposits	185	211
Guarantees (bank, state)	-	13,396
Securities	-	-
Against neither past due nor impaired loans		
Real estate	14,384,982	10,561,147
Moveables	351,594	20,621
Pledged accounts, term deposits	102,794	62,988
Guarantees (bank, state)	1,030,096	1,381,754
Securities	938,648	1,174,397
Against loans past due and not impaired		
Real estate	92,077	-
Movables	145	-
Pledged accounts, term deposits	435	-
Guarantees (bank, state)	7,458	-
	18,167,703	13,635,269

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

5) FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

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

Sk '000	Loans and advances to customers		Investment securities	
	2008	2007	2008	2007
Services (financial)	11,832,114	10,218,554	2,253,644	3,189,764
Building industry	890,219	1,107,436	-	-
Consumer goods	2,592,674	2,077,536	112,364	30,813
Manufacturing companies	497,090	459,949	-	-
Mass media	433,943	421,780	-	-
Mining industry and power engineering	216,309	117,884	-	-
Private individuals	5,577,095	4,704,118	-	-
Retail and wholesale distribution	5,740,276	5,643,615	-	-
Wood processing industry	486,532	549,531	-	-
Tourism	565,203	110,217	-	-
Transport	949,426	752,324	-	-
Other	304,030	743,573	1,740,010	594,898
	30,084,911	26,906,517	4,106,018	3,815,475

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

Sk '000	Loans and advances to customers		Loans and advances to banks		Investment securities	
	2008	2007	2008	2007	2008	2007
Austria	146	1,835	206,090	-	360,515	443,017
Belgium	56,676	60,038	-	-	452	504
Czech Republic	7,978	2,073	-	-	-	-
France	13,187	18,270	-	-	-	-
Germany	1,035	561	3,013	-	152,072	147,380
Italy	2	2,040	-	-	-	-
Canada	43	5,619	-	-	-	-
Russia	2	1,406	-	-	-	-
Slovakia	29,993,601	26,806,443	2,465,417	619,549	3,590,968	3,222,424
USA	3	4	-	-	2,011	2,150
Other	12,238	8,228	2,394	-	-	-
	30,084,911	26,906,517	2,676,914	619,549	4,106,018	3,815,475

NOTES TO THE SEPARATE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2008

5) FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

Collateral

Before providing loans to commercial clients, the Bank generally requires collateral. The following collateral types are used:

- o Securities
- o Real estate
- o State and bank guarantees
- o Pledge over moveables
- o Guarantees provided by third parties

The Bank's assessment of the net realisable value of the collateral is based on independent expert appraisals revised by the Bank's specialists, or internal evaluations prepared by the Bank. The net realisable value of collateral is derived from this appraisal using a correction coefficient to reflect the Bank's ability to realise the collateral when needed.

The exposure to the various business segments according to main product types is as follows:

Sk'000	31 December 2008			31 December 2007		
	Gross amount	Impairment allowance	Carrying amount	Gross amount	Impairment allowance	Carrying amount
Mortgage lending	3,971,068	24,771	3,946,297	3,706,877	21,671	3,685,206
Loans to individuals	1,684,625	113,673	1,570,952	919,632	236,281	683,351
Small business loans (Micro)	3,371,121	159,891	3,211,230	2,383,914	121,844	2,262,070
Large loans (Corporate)	21,058,097	332,329	20,725,768	19,896,094	220,518	19,675,576
	30,084,911	630,664	29,454,247	26,906,517	600,314	26,306,203

Settlement risk

The Bank's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of a company to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions, the Bank mitigates this risk by conducting settlements through a settlement/ clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual obligations. Settlement limits form part of the credit approval/limit monitoring process.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

5) FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk

Liquidity risk is the risk that the Bank will not have sufficient sources necessary for its operating activities.

Management of liquidity risk

The management of liquidity risk is included in the Bank's procedures for managing its assets and liabilities. Procedures include the regular projection and matching of future cash flows according to currencies. The management of the structure of assets and liabilities is the responsibility of the Treasury Division

Information on cash flows is obtained from the Bank's reporting system, as well as from regular monitoring of cash flows from realised transactions which have an impact on the Bank's liquidity. Liquidity is monitored and managed according to currencies; the most common are the Slovak crown, euro, Czech crown and United States dollar. The Treasury Division ensures optimal coverage of the compulsory minimum reserves account, and in the case of foreign currencies, optimal coverage of the Bank's nostro accounts. This is performed on a daily basis.

Other responsible organisational units participate in the Assets and Liabilities Committee ('ALCO'), which discusses expected future trends in the Bank's assets and liabilities. Committee members provide information on matters which could have an impact on the Bank's liquidity. Reports on the liquidity position of the Bank are produced regularly by the Risk Controlling Department, which is responsible for risk management.

In November 2008, a limit for positions due within 1 month was set by the National Bank of Slovakia, which was subsequently followed by the Bank and which forms the basis for the liquidity risk management process.

Apart from this limit, the Bank has defined internal process for monitoring and evaluation of liquidity ratios to be used for the prediction of negative developments in the liquidity situation, and the results of this monitoring are considered by the ALCO.

The liquidity ratio which is based on the ratio of liquid assets, including off balance sheet assets, to liabilities, including off balance sheet liabilities, for a period of 7 days (its maximum/minimum values) at the reporting date and during the reporting period was as follows:

	31 December 2008	31 December 2007
	yearly	yearly
End of period	0.71	0.52
Average for the period	0.58	0.68
Maximum for the period	0.71	0.94
Minimum for the period	0.34	0.52

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

5) FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

The remaining period to maturity of financial assets and liabilities at 31 December 2008 are set out in the following table, which shows the undiscounted cash flows on the basis of their earliest contractual maturity. The Bank's expected cash flows may vary significantly from this analysis. For example, customer account liabilities are expected to maintain a stable or increasing balance:

Sk'000	Within 1 year	1-5 years	More than 5 years	Not specified	Total
Assets					
Cash and cash equivalents	8,106,391	-	-	-	8,106,391
Trading assets	903	9,623	15,113	-	25,639
Derivative assets held for risk management	587,437	2,041	-	-	589,478
Loans and advances to banks	2,676,914	-	-	-	2,676,914
Loans and advances to customers	10,890,116	10,889,685	7,384,119	290,327	29,454,247
Investment securities	1,241,408	2,153,208	679,217	32,185	4,106,018
Investments in associates and subsidiary	-	-	-	33,608	33,608
Deferred tax asset	39,394	-	-	-	39,394
Other assets	79,007	-	-	-	79,007
	23,621,570	13,054,557	8,078,449	356,120	45,110,696
Liabilities					
Derivative liabilities held for risk management	620,746	48,912	-	-	669,658
Deposits by banks	1,663,279	-	-	-	1,663,279
Loans received	34,674	5,463	-	-	40,137
Customer accounts	34,850,699	813,988	-	-	35,664,687
Debt securities issued	785,374	2,918,253	-	-	3,703,627
Corporate income tax payable	108,785	-	-	-	108,785
Other liabilities	159,991	-	-	-	159,991
	38,223,548	3,786,616	-	-	42,010,164

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

5) FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

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

Sk '000	Within 1 year	1-5 years	More than 5 years	Not specified	Total
Assets					
Cash and cash equivalents	6,540,510	-	-	-	6,540,510
Trading assets	-	23,371	-	-	23,371
Derivative assets held for risk management	165,685	-	-	-	165,685
Loans and advances to banks	619,549	-	-	-	619,549
Loans and advances to customers	11,537,572	8,354,733	6,312,566	101,332	26,306,203
Investment securities	386,425	2,647,018	749,655	32,377	3,815,475
Investments in associates	-	-	-	31,555	31,555
Other assets	103,284	-	-	-	103,284
	19,353,025	11,025,122	7,062,221	165,264	37,605,632
Liabilities					
Derivative liabilities held for risk management	140,949	-	-	-	140,949
Deposits by banks	1,573,974	-	-	-	1,573,974
Loans received	75,025	43,534	173	-	118,732
Customer accounts	29,339,858	249,707	-	-	29,589,565
Debt securities issued	20,615	2,980,098	-	-	3,000,713
Corporate income tax payable	54,722	-	-	-	54,722
Deferred tax liability	2,605	-	-	-	2,605
Other liabilities	201,129	-	-	-	201,129
	31,408,877	3,273,339	173	-	34,682,389

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

5) FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

The remaining period to maturity of off-balance sheet items at 31 December 2008 are set out in the following table, which shows the undiscounted cash flows on the basis of their earliest contractual maturity:

Sk '000	Within 1 year	1-5 years	More than 5 years	Not specified	Total
Off-balance sheet					
Guarantees issued to banks	171,565	264,864	1,214	-	437,643
Guarantees issued to customers	1,038,260	172,766	37,659	-	1,248,685
Irrevocable letters of credit	107,619	240,169	-	-	347,788
Confirmed credit lines	9,384,042	-	-	-	9,384,042
	10,701,486	677,799	38,873	-	11,418,158
Cash flows from derivatives – non delivery					
Currency swaps	51,819	-	-	-	51,819
Foreign exchange forwards	18,139	-	-	-	18,139
	69,958	-	-	-	69,958
Cash flows from derivatives – delivery					
Inflow					
Currency swaps	9,777,042	-	-	-	9,777,042
Foreign exchange forwards	91,287	-	-	-	91,287
Options	1,179,880	51,760	-	-	1,231,640
	11,048,209	51,760	-	-	11,099,969
Outflow					
Currency swaps	9,885,355	-	-	-	9,885,355
Foreign exchange forwards	87,206	-	-	-	87,206
Options	1,179,880	51,760	-	-	1,231,640
	11,152,441	51,760	-	-	11,204,201

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

5) FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

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

Sk '000	Within 1 year	1-5 years	More than 5 years	Not specified	Total
Off-balance sheet					
Guarantees issued to banks	1,233	374,236	1,354	-	376,823
Guarantees issued to customers	432,024	126,002	38,309	-	596,335
Irrevocable letters of credit	1,372	107,619	-	-	108,991
Confirmed credit lines	5,839,498	2,119,276	-	-	7,958,774
	6,274,127	2,727,133	39,663	-	9,040,923
Cash flows from derivatives – non delivery					
Currency swaps	(5,431)	-	-	-	(5,431)
Foreign exchange forwards	(20,701)	-	-	-	(20,701)
	(26,132)	-	-	-	(26,132)
Cash flows from derivatives – delivery					
Inflow					
Currency swaps	11,302,958	-	-	-	11,302,958
Foreign exchange forwards	2,298,498	-	-	-	2,298,498
Options	2,423,450	-	-	-	2,423,450
	16,024,906	-	-	-	16,024,906
Outflow					
Currency swaps	11,238,236	-	-	-	11,238,236
Foreign exchange forwards	2,310,448	-	-	-	2,310,448
Options	2,423,247	-	-	-	2,423,247
	15,971,931	-	-	-	15,971,931

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

5) FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, as defined by the parent company. The Risk Controlling Department ensures regular control over meeting the parameters set out in Bank's internal guidelines.

The Treasury Division's activities include complying with statutory requirements, liquidity management, covering customer orders (payments, refinancing) and, primarily, the sale of products to Treasury clients. Treasury Division can trade only with those financial instruments (on the regulated markets and through OTC), which have been duly approved under the current process for the introduction of treasury products. The inclusion of transactions in the trading and banking book is based on defined rules and there is a system of internal limits set for positions in the trading and banking book, which is regularly monitored.

Management of market risk

Foreign exchange risk

Foreign exchange risk is defined as the risk of changes in value of certain position as consequence of changes in foreign exchange rates. Foreign exchange risk management is understood as set of rules and activities aimed at minimizing the negative impact of foreign currency fluctuations on the position and profit of the Bank.

The Bank's aim is to maintain an open net foreign currency position within limits defined internally or by the parent company. Limits are set for each individual currency, basket of currencies, as well as for the total foreign currency position of the Bank.

Interest rate risk

Interest rate risk is understood as the risk of (negative) change in the value of positions / portfolios of the Bank due to changes in interest rates. The impact of changes in interest rates on the Bank's positions depends on the overall structure of the balance sheet and off-balance sheet assets and liabilities and the overall structure of interest income and expenses. The principal risk to which non-trading portfolios is exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates.

Interest rate risk is managed by the Treasury Division, which uses various instruments for this purpose, such as investment securities, advances to banks, deposits from banks and derivative instruments, including gap reporting. The Bank's interest rate position is managed by limits set in relation to the Bank's own sources. For positions in individual time periods, weights representing a modified duration for a parallel fall or rise in interest curves by 200 bp are used. This approach was implemented after approval by the parent company in 2007. The final exposure of the Bank is represented by a summary of the weighted positions. For long term positions (over 1 year), a maximum volume of positions is defined. The Bank uses both an internal system and a separate reporting system for continuous monitoring and checking of market risks.

Impact of change in interest on the Bank's equity

200 bp parallel shift

	2008	%	2007
		of equity	
As 31 December	7.37%		10.18%
Average for the period	9.07%		9.27%
Maximum for the period	12.35%		10.18%
Minimum for the period	4.41%		7.65%

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

5) FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (continued)

The quantification of Value at Risk (VaR) for positions managed by the Treasury Division is performed daily by the parent company. The calculation is performed for both foreign exchange and interest rate risk, and the limit system is defined for both the individual areas and for the total position.

In the case of any excess, the Bank is required to analyse the situation and, subsequently, send a written report to the parent company.

For verification of the model in use, backward testing is performed. This includes comparison of VaR values calculated on a daily basis to the trading results achieved within a defined monitoring period.

The model is considered reliable when actual results do not exceed VaR values. Assuming 99% confidence level excesses are not expected to occur more than 2-3 times on a yearly basis.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

5) FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (continued)

The Bank had the following foreign currency positions at 31 December 2008:

Sk'000	Euro	US dollar	Other	Slovak crown	Total
Monetary assets					
Cash and cash equivalents	479,320	308,829	171,609	7,146,633	8,106,391
Trading assets	-	-	-	25,639	25,639
Derivative assets held for risk management	-	-	-	589,478	589,478
Loans and advances to banks	5,407	-	-	2,671,507	2,676,914
Loans and advances to customers	5,864,893	93,138	161,794	23,334,422	29,454,247
Investment securities	452	2,011	-	4,103,555	4,106,018
Investments in associates and subsidiary	-	-	-	33,608	33,608
Deferred tax asset	-	-	-	39,394	39,394
Other assets	5,595	938	181	72,293	79,007
	6,355,667	404,916	333,584	38,016,529	45,110,696
Monetary liabilities					
Derivative liabilities held for risk management	-	-	-	669,658	669,658
Deposits by banks	991,293	507	1,620	669,859	1,663,279
Loans received	31,713	-	-	8,424	40,137
Customer accounts	3,874,479	803,243	415,567	30,571,398	35,664,687
Debt securities issued	-	-	-	3,703,627	3,703,627
Corporate income tax payable	-	-	-	108,785	108,785
Other liabilities	37,048	1,112	1,174	120,657	159,991
	4,934,533	804,862	418,361	35,852,408	42,010,164

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

5) FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (continued)

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

Sk '000	Euro	US dollar	Other	Slovak crown	Total
Monetary assets					
Cash and cash equivalents	212,692	175,071	68,466	6,084,281	6,540,510
Trading assets	-	-	-	23,371	23,371
Derivative assets held for risk management	-	-	-	165,685	165,685
Loans and advances to banks	-	-	-	619,549	619,549
Loans and advances to customers	5,058,987	75,034	182,705	20,989,477	26,306,203
Investment securities	504	2,150	-	3,812,821	3,815,475
Investments in associates	-	-	-	31,555	31,555
Other assets	4,525	740	153	97,866	103,284
	5,276,708	252,995	251,324	31,824,605	37,605,632
Monetary liabilities					
Derivative liabilities held for risk management	-	-	-	140,949	140,949
Deposits by banks	42,448	309,623	9,937	1,211,966	1,573,974
Loans received	106,202	-	-	12,530	118,732
Customer accounts	4,148,638	756,851	419,800	24,264,276	29,589,565
Debt securities issued	-	-	-	3,000,713	3,000,713
Corporate income tax payable	-	-	-	54,722	54,722
Deferred tax liability	-	-	-	2,605	2,605
Other liabilities	47,656	1,256	607	151,610	201,129
	4,344,944	1,067,730	430,344	28,839,371	34,682,389

NOTES TO THE SEPARATE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2008

5) FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Operational risk

The principal objective of operational risk management set by the Bank is to create a continuous and transparent environment and to monitor the potential losses that could arise from weaknesses in procedures, systems or human errors, as well as from external impacts on all of the Bank's operations.

The Bank's management of operational risks aims to implement a standardised approach for the calculation of capital adequacy requirements as established by the national regulator. The use of this approach requires the following criteria to be met:

- operational risk of the Bank is covered by the Bank's own resources,
- development and implementation of procedures for operational risk management.

The overall responsibility for the management of operational risks, including the continuous definition of systems and instruments required for this purpose, is assigned to the Risk Controlling Department, which reports directly to the Board of Directors.

The Bank uses the following methods in the process of risk management:

1. identification, monitoring and management of the risk
 - a. collection of data relating to loss-making situations
 - b. risk analysis
 - c. procedures and strategy for maintaining business operations
 - d. information security
 - e. system of internal control
 - f. evaluation of contracts, cooperation with third parties (outsourcing)
 - g. insurance analysis
 - h. education and training within the Bank.
2. reporting
 - a. internal reporting
 - b. external reporting.

Specialised units, so-called risk owners, are primarily responsible for:

1. identification and documentation of operational risk relevant situations.
2. risk analysis – identification and documentation of relevant procedures, and risk assessment.
3. incentives for documentation of latent risks.
4. risk management
 - a. development of regulations governing management of identified operational risks
 - b. implementation of provisions resulting from procedures for maintaining business operations
 - c. ensuring that all actions resulting from directives, guidelines and instructions are taken
 - d. initiation and implementation of selected provisions.
5. supervision over the results
 - a. implementation supervision
 - b. efficiency supervision.

Retrospective supervision over operational risk management procedures is performed by Internal Control and the Internal Audit Department.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2008

5) FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Capital management

The Bank's regulator, the National Bank of Slovakia ('NBS'), sets and monitors capital requirements.

With effect from 1 January 2008, the Bank adheres to the provisions of the Basel II framework in respect of regulatory capital. The Bank uses the standardised approaches to credit and operational risk management.

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

- Tier 1 capital includes ordinary share capital, share premium, revaluation reserves and reserve funds and other funds created from profit after deduction of losses of the current year, intangible assets and other specified deductible items.
- Tier 2 capital includes items such as additional own funds of high quality (e.g. revaluation reserves not included in Tier 1), equity funds transferred to additional own funds, revaluation funds, perpetual debt securities, excess reserves and specific additional own funds of higher quality and additional own funds of lower quality (e.g. subordinated debt and other specific additional own funds of lower quality) after deduction of items specified in the NBS regulation.

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

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

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

5) FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Capital management (continued)

There were no significant changes in the Bank's capital management processes, systems, measurement and reporting during the year.

The Bank's regulatory capital position was as follows:

Sk'000	2008	2007
Regulatory capital		
<i>Tier 1 capital</i>		
Ordinary share capital (note 25)	1,000,000	1,000,000
Share premium	1,170,300	1,170,300
Reserve funds and other funds created from profit (note 26)	237,465	237,465
Retained earnings less current year profit (note 26)	1,350,444	1,161,197
Less: certain intangible assets	(122,741)	(87,012)
Total	3,635,468	3,481,950
<i>Tier 2 capital</i>		
Subordinated debt	-	-
Other reserves	-	-
Total	-	-
Items deductible from the regulatory capital		
Net book value of the Bank's investment in other banks or financial institutions, greater than 10% ownership (note 14)	(30,005)	(30,005)
	3,605,463	3,451,945

Capital ratios	2008
Equity requirements	
Equity requirements for covering credit risk	2,357,617
Equity requirements for covering market risk	108,395
Equity requirements for covering operational risk	227,927
Total equity requirements	2,693,939
Total regulatory capital expressed as a percentage of risk-weighted assets 8% x (3,605,463/2,693,939)	10.71%
Total tier 1 capital expressed as a percentage of risk-weighted assets 8% x (3,635,468/2,693,939)	10.8%

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

5) FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Capital management (continued)

Capital ratios	2007
Risk-weighted assets (RWA)	
RWA - weight 20%	780,386
RWA - weight 50%	1,711,257
RWA - weight 100%	22,188,274
<hr/>	
Risk weighted assets in the banking book	24,679,917
Risk weighted assets in the trading book	5,093
Other risk weighted assets	148,750
	24,833,760
<hr/>	
Total regulatory capital expressed as a percentage of risk-weighted assets (3,451,945/24,833,760)	13.9%
Total tier 1 capital expressed as a percentage of risk-weighted assets (3,481,950/24,833,760)	14.02%

- Year 2008 – the calculation of regulatory capital and capital adequacy is based on decree No. 4/2007 from 13 March 2007, as amended on NBS decree No. 10/2007 and decree No. 17/2008
 – the figures for 2008 are derived from preliminary reporting to the NBS
- Year 2007 – the calculation of regulatory capital is based on NBS decree No. 4/2004 from 16 January 2004

Management uses regulatory capital ratios established by the National Bank of Slovakia in order to monitor its capital base. The National Bank of Slovakia's approach to measurement based on Basel II is now primarily concerned with monitoring the relationship of the Capital Resources Requirement (measured as 8 percent of risk-weighted assets) to available capital resources.

Capital allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital, but in some cases the regulatory requirements do not reflect fully the varying degree of risk associated with different activities. In such cases the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes. The process of allocating capital to specific operations and activities is undertaken independently of those responsible for the operation, by Risk Controlling Department, and is subject to review by the Board of Directors.

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2008

6) SEGMENT REPORTING

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

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

Transactions between segments are conducted at arm's length.

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

Business segments

- a) Corporate banking – incorporating direct debt instruments, current accounts, deposits, overdrafts, loans and other credit facilities, foreign currency and derivative products.
- b) Retail banking – incorporating private customer current accounts, deposits, credit and debit cards, consumer loans and mortgages.
- c) Treasury – incorporating T-bills, repo trades with NBS, receivables and commitments with commercial banks, securities, foreign currency and derivative products.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

6) SEGMENT REPORTING (CONTINUED)

Sk '000	Corporate banking 2008	Retail banking 2008	Treasury 2008	Unallocated 2008	Bank 2008
Net interest income	419,449	543,200	329,113	4,936	1,296,698
Net fee and commission income	174,419	298,037	1,072	-	473,528
Net trading income	-	-	108,365	-	108,365
Income from associates	-	-	-	7,773	7,773
Other expenses	55	(9,837)	(1)	(7,860)	(17,643)
Operating income	593,923	831,400	438,549	4,849	1,868,721
Administrative expenses	(341,661)	(572,460)	(141,923)	-	(1,056,044)
Depreciation and impairment losses	(36,922)	(139,447)	(15,652)	-	(192,021)
Operating expenses	(378,583)	(711,907)	(157,575)	-	(1,248,065)
Operating profit before impairment losses on loans and advances	215,340	119,493	280,974	4,849	620,656
Impairment losses on loans and advances to customers	(120,021)	(27,773)	-	-	(147,794)
Profit before taxation	95,319	91,720	280,974	4,849	472,862
Income tax expense					(155,852)
Profit for the year					317,010
Other information:					
Assets	20,756,192	10,204,249	14,465,825	666,849	46,093,115
Liabilities	9,667,442	22,526,442	2,373,074	7,483,929	42,050,887
Property and equipment additions	3,076	65,374	9,950	151,413	229,813

NOTES TO THE SEPARATE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2008

6) SEGMENT REPORTING (CONTINUED)

Sk'000	Corporate banking 2007	Retail banking 2007	Treasury 2007	Unallocated 2007	Bank 2007
Net interest income	369,503	556,070	238,972	33	1,164,578
Net fee and commission income	176,675	279,298	298	-	456,271
Net trading income	-	-	91,502	-	91,502
Other expenses	(614)	(513)	(142)	(15,537)	(16,806)
Operating income	545,564	834,855	330,630	(15,504)	1,695,545
Administrative expenses	(273,408)	(636,569)	(100,756)	-	(1,010,733)
Depreciation and impairment losses	(51,906)	(150,196)	(17,140)	-	(219,242)
Operating expenses	(325,314)	(786,765)	(117,896)	-	(1,229,975)
Operating profit before impairment losses on loans and advances	220,250	48,090	212,734	(15,504)	465,570
Impairment losses on loans and advances to customers	(35,464)	(67,321)	-	-	(102,785)
Profit before taxation	184,786	(19,231)	212,734	(15,504)	362,785
Income tax expense					(78,553)
Profit for the year					284,232
Other information:					
Assets	19,628,569	7,921,726	10,362,796	655,536	38,568,627
Liabilities	8,877,595	19,902,786	1,833,655	4,112,866	34,726,902
Property and equipment additions	-	878	-	139,910	140,788

NOTES TO THE SEPARATE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2008

7) CASH AND CASH EQUIVALENTS

Sk '000	2008	2007
Cash and balances at the central bank (note 8)	7,348,555	6,201,023
Loans and advances to banks with original contractual maturity up to 3 months (note 11)	757,836	339,487
	8,106,391	6,540,510

8) CASH AND BALANCES AT THE CENTRAL BANK

Sk '000	2008	2007
<i>Balances with the National Bank of Slovakia:</i>		
Compulsory minimum reserve	2,259,972	311,091
Loans provided to central bank	5,792,438	5,273,177
Other	517,502	123,960
	8,569,912	5,708,228
Less compulsory minimum reserves (note 11)	(2,259,972)	(311,091)
	6,309,940	5,397,137
Cash in hand	1,038,615	803,886
	7,348,555	6,201,023

The compulsory minimum reserve balance is maintained in accordance with the requirements of the National Bank of Slovakia and is not available for day-to-day use.

9) TRADING ASSETS

Sk '000	2008	2007
Trading assets		
Securities – Government bonds	25,639	23,371

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

10) DERIVATIVES HELD FOR RISK MANAGEMENT

Sk '000	2008	2007
Derivative assets held for risk management		
Non-trading derivative instruments (a)	589,478	165,685
Derivative liabilities held for risk management		
Non-trading derivative instruments (a)	622,696	131,518
Cash flow hedge:		
Interest rate swaps (b)	46,962	9,431
	669,658	140,949

(a) *Non-trading derivative instruments*

Sk '000	Contract/ notional amount	2008 Fair value		Contract/ notional amount	2007 Fair value	
		Assets	Liabilities		Assets	Liabilities
Interest rate derivatives:						
Interest rate swaps	135,792	1,780	1,665	1,961,534	12,262	3,877
Currency derivatives:						
Currency forwards	1,228,017	71,127	44,959	8,108,551	40,856	63,579
Currency swaps	10,742,559	498,089	557,590	13,437,783	103,212	54,704
Foreign currency options	1,231,640	18,482	18,482	2,423,247	9,355	9,358
		589,478	622,696		165,685	131,518

(b) *Cash flow hedge*

During 2007, the Bank entered into interest rate swap agreements with a notional value of Sk 840 million in order to hedge the variable interest rate exposure on issued mortgage bonds (see note 21). At 31 December 2008, the Bank was not party to any such cash flow hedge agreements.

The transfer from hedging reserve to the income statement during the year ended 31 December 2008 was Sk 215 thousand (2007: Sk 184 thousand).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

11) LOANS AND ADVANCES TO BANKS

Sk '000	2008	2007
Repayable on demand	320,192	187,707
Other loans and advances by remaining maturity:		
- 3 months or less	443,052	255,502
- 1 year or less but over 3 months	411,534	204,736
Compulsory minimum reserves (note 8)	2,259,972	311,091
	3,434,750	959,036
Less:		
amounts with original contractual maturity up to 3 months (note 7)	(757,836)	(339,487)
	2,676,914	619,549

12) LOANS AND ADVANCES TO CUSTOMERS

Sk '000	2008	2007
Loans and advances to customers	30,084,911	26,906,517
Allowances for impairment	(630,664)	(600,314)
	29,454,247	26,306,203

Impairment on loans and advances

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

Sk '000	2008	2007
Specific allowances for impairment:		
At 1 January	122,014	155,124
Exchange rate movement	7,222	(347)
Charge/(credit) for the year	55,456	(19,333)
Release of impairment losses on loans written-off	-	(40,308)
Re-classification from collective allowances	124,197	26,878
At 31 December	308,889	122,014

NOTES TO THE SEPARATE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2008

12) LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

Sk '000	2008	2007
Collective allowances for impairment:		
At 1 January	478,300	385,061
Exchange rate movement	(12,607)	(385)
Charge for the year	111,655	125,183
Release of impairment losses on loans written-off	(131,376)	(4,681)
Re-classification to specific allowances	(124,197)	(26,878)
At 31 December	321,775	478,300
	630,664	600,314

13) INVESTMENT SECURITIES

Sk '000	2008	2007
<i>Available-for-sale securities</i>		
Equity shares (a)	32,185	32,377
Debt securities (b)	3,848,890	3,439,149
	3,881,075	3,471,526
<i>Investment securities at fair value through profit or loss</i>		
Debt securities – index linked (see note 20)	224,943	343,949
	4,106,018	3,815,475

(a) *Equity shares*

Name	Activity	Sk '000	2008	2007
RVS, a.s.	Leisure and training centre		4,500	4,500
S.W.I.F.T.	International funds transfer		452	504
Victoria Volksbanken Poistovňa, a.s.	Insurance		25,223	25,223
Mastercard	Credit cards		2,010	2,150
			32,185	32,377

The Bank owns 10% (2007: 10%) of the issued capital of Victoria Volksbanken Poistovňa, a.s. and the holdings in the other companies are all less than 5%. Except for S.W.I.F.T. and Mastercard, which are registered in Belgium and the U.S.A., respectively, all companies are incorporated in the Slovak Republic.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

13) INVESTMENT SECURITIES (CONTINUED)

(b) *Debt securities*

Sk '000	2008	2007
Slovak government	1,735,510	2,165,883
Slovak corporates	112,364	30,813
Slovak banks	1,713,372	996,005
Foreign banks	287,644	246,448
	3,848,890	3,439,149

Slovak government bonds totalling Sk 982,591 thousand were provided as collateral to the National Bank of Slovakia for euro currency delivery as at 31 December 2008. The total amount of the euro delivery was repaid in three equal installments ending on 4 February 2009, on which date the collateral was returned.

14) INVESTMENTS IN ASSOCIATES AND SUBSIDIARY

Sk '000	2008	2007
<i>Associates</i>		
VB LEASING SK, spol. s r.o.	30,005	30,005
Team Nový Dom s.r.o.	-	114
VOLKSBANK REALITY, s.r.o. (formerly IMMO-CONTRACT Slovakia, s.r.o.)	-	1,436
	30,005	31,555
<i>Subsidiary</i>		
VOLKSBANK REALITY, s.r.o. (formerly IMMO-CONTRACT Slovakia, s.r.o.)	3,603	-
	33,608	31,555

Investments in associates comprises 24% of the issued capital of VB LEASING SK, spol. s r.o., a company incorporated in the Slovak Republic with its registered office at Nám. 1. mája 11, 810 00 Bratislava. VB LEASING SK, spol. s r.o. is engaged in equipment and vehicle leasing.

In 2008 the Bank sold its share of the registered capital in Team Nový Dom s.r.o., a real estate management company incorporated in the Slovak Republic with its registered office at Nám. 1. mája 14, 811 06 Bratislava.

In March 2006, the Bank acquired 24% of the registered capital of IMMO-CONTRACT Slovakia, s.r.o., a company incorporated in the Slovak Republic and engaged in real estate activities. In December 2007, the Bank increased its share of the registered capital to 34%. In November 2008 the Bank increased its share of the registered capital of the company to 100% by purchasing the remaining 66% of the capital. The company was renamed to VOLKSBANK REALITY, s.r.o., in August 2008.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2008

14) INVESTMENTS IN ASSOCIATES AND SUBSIDIARY (CONTINUED)

Summary of investments in associates:

Sk'000	Assets	Liabilities	Equity	Revenues	(Loss)/profit for the year
At 31 December 2008	10,244,022	9,429,606	814,416	335,707	(39,838)
At 31 December 2007	10,784,911	9,787,366	997,545	347,957	114,193

15) INVESTMENT PROPERTY

Sk'000	Land	Building	Total
At 1 January 2007	1,486	25,514	27,000
Fair value adjustment	-	-	-
At 31 December 2007	1,486	25,514	27,000
Fair value adjustment	-	1,966	1,966
At 31 December 2008	1,486	27,480	28,966

The carrying amount of the investment property is the fair value of the property as determined by a registered appraiser. The appraisal was made having regard to recent market transactions for similar properties in the same location as the Bank's investment property.

Sk'000	2008	2007
Revenues from investment property rental	1,362	1,028

The investment property is an office building which is substantially leased to third parties. Leases are entered into for indefinite periods and no contingent rents are charged.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

16) PROPERTY AND EQUIPMENT

Sk '000	Land and buildings	Furniture fittings and equipment	Motor vehicles	Software	Assets not yet in use	Total
Cost						
At 1 January 2007	801,291	981,434	46,146	312,849	24,798	2,166,518
Additions	-	-	-	-	140,788	140,788
Transfers	6,502	40,202	5,672	44,514	(96,890)	-
Disposals	(3,211)	(34,907)	(7,517)	(87)	-	(45,722)
At 31 December 2007	804,582	986,729	44,301	357,276	68,696	2,261,584
At 1 January 2008	804,582	986,729	44,301	357,276	68,696	2,261,584
Additions	-	-	-	-	229,813	229,813
Transfers	35,281	88,239	5,333	90,105	(218,958)	-
Disposals	(33,036)	(110,269)	(6,353)	(422)	-	(150,080)
At 31 December 2008	806,827	964,699	43,281	446,959	79,551	2,341,317
Accumulated depreciation and impairment losses						
At 1 January 2007	200,151	714,231	31,817	203,465	-	1,149,664
Charge for the year	38,414	106,264	5,645	51,538	-	201,861
Net impairment losses	8,125	8,895	-	361	-	17,381
Disposals	(1,261)	(34,452)	(7,517)	(87)	-	(43,317)
At 31 December 2007	245,429	794,938	29,945	255,277	-	1,325,589
At 1 January 2008	245,429	794,938	29,945	255,277	-	1,325,589
Charge for the year	38,627	86,153	5,735	61,506	-	192,021
Disposals	(15,440)	(107,580)	(6,304)	(422)	-	(129,746)
At 31 December 2008	268,616	773,511	29,376	316,361	-	1,387,864
Net book value						
At 31 December 2007	559,153	191,791	14,356	101,999	68,696	935,995
At 31 December 2008	538,211	191,188	13,905	130,598	79,551	953,453

The Bank's buildings and equipment are insured against fire, burglary, floods and storms, and are insured for the replacement value as at 31 December of the respective period. The insurance premium is calculated based on the acquisition price as at 31 December of the previous period.

The Bank has motor insurance for fire, theft and other risks to motor vehicles („KASKO“) as well as compulsory car insurance.

The Bank's software is not insured.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2008

17) CORPORATE INCOME TAX

Sk '000	2008	2007
Tax for the current year (note 35)	192,803	83,926
Tax prepayments	(84,018)	(29,204)
Corporate income tax payable	108,785	54,722

18) DEPOSITS BY BANKS

Sk '000	2008	2007
Repayable on demand	548,152	162,009
Deposits by banks with remaining maturity:		
- 3 months or less	908,896	1,411,965
- 1 year or less but over 3 months	206,231	-
	1 663,279	1,573,974

19) LOANS RECEIVED

Sk '000	2008	2007
European Bank for Reconstruction and Development	31,713	106,202
Slovenská záručná a rozvojová banka, a.s.	8,424	12,530
	40,137	118,732

20) CUSTOMER ACCOUNTS

Sk '000	2008	2007
Customer accounts at fair value through profit or loss	224 529	343,063
Customer accounts at amortised cost	35,440,158	29,246,502
	35,664,687	29,589,565

Customer accounts are designated at fair value through profit or loss when the future cash flows are linked to equity indices (see also note 13).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2008

20) CUSTOMER ACCOUNTS (CONTINUED)

The remaining maturity of customer accounts was as follows:

Sk '000	2008	2007
Repayable on demand	16,583,595	15,979,532
Other deposits with contractual maturity dates or periods of notice, by remaining maturity:		
- 3 months or less	13,130,869	10,854,135
- 1 year or less but over 3 months	5,136,235	2,506,191
- 5 years or less but over 1 year	813,988	249,707
	35,664,687	29,589,565

21) DEBT SECURITIES ISSUED

Sk '000	2008	2007
Mortgage bonds		
Issue 1	753,573	754,231
Issue 2	494,297	490,713
Issue 3	432,164	432,253
Issue 4	464,492	463,940
Issue 5	387,749	387,546
Issue 6	471,762	471,930
Issue 7	498,453	-
Issue 8	201,137	-
	3,703,627	3,000,713

Issue 1 comprises 7,500 mortgage bonds with a nominal value of Sk 100 thousand each, which were issued on 30 November 2004, at an issue price at 100.439% of nominal value with a coupon of 4.6% per annum. The mortgage bonds will be redeemed on 30 November 2009 from repayments of mortgage loans provided to customers.

Issue 2 comprises 5,000 mortgage bonds with a nominal value of Sk 100 thousand each, which were issued on 1 December 2005, at an issue price at 96.418% of nominal value with a coupon of 3.00% per annum. The mortgage bonds will be redeemed on 1 December 2010 from repayments of mortgage loans provided to customers.

Issue 3 comprises 4,300 mortgage bonds with a nominal value of Sk 100 thousand each, which were issued on 1 December 2006, at an issue price at 100.22% of nominal value with a coupon of 4.50% per annum. The mortgage bonds will be redeemed on 1 December 2011 from repayments of mortgage loans provided to customers.

Issue 4 comprises 4,600 mortgage bonds with a nominal value of Sk 100 thousand each, which were issued on 28 March 2007, at an issue price at 99.65% of nominal value with a floating rate coupon (as of 31 December 2008: 4.56% per annum). The mortgage bonds will be redeemed on 28 March 2012 from repayments of mortgage loans provided to customers.

Issue 5 comprises 3,800 mortgage bonds with a nominal value of Sk 100 thousand each, which were issued on 20 July 2007, at an issue price at 100% of nominal value with a floating rate coupon (as of 31 December 2008: 4.56% per annum). The mortgage bonds will be redeemed on 20 July 2012 from repayments of mortgage loans provided to customers.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

21) DEBT SECURITIES ISSUED (CONTINUED)

Issue 6 comprises 4,700 mortgage bonds with a nominal value of Sk 100 thousand each, which were issued on 28 November 2007, at an issue price at 100% of nominal value with a floating rate coupon (as of 31 December 2008: 4.09% per annum). The mortgage bonds will be redeemed on 28 November 2010 from repayments of mortgage loans provided to customers.

Issue 7 comprises 4,900 mortgage bonds with a nominal value of Sk 100 thousand each, which were issued on 28 May 2008 at an issue price at 98.91% of nominal value with a coupon of 4.4% per annum. The mortgage bonds will be redeemed on 28 May 2011 from repayments of mortgage loans provided to customers.

Issue 8 comprises 2 000 mortgage bonds with a nominal value of Sk 100 thousand each which were issued on 26 November 2008 at an issue price of 100% of nominal value with a coupon of 5.76% per annum valid for the first period and with a floating rate coupon valid thereafter to redemption. The mortgage bonds will be redeemed on 15 October 2013 from repayments of mortgage loans provided to customers.

22) PROVISIONS

Sk'000	At 1 Jan 2008	(Release)/charge for the year	At 31 Dec 2008
Litigations and claims (note 32)	40,119	(12,523)	27,596
Severance obligations (note 33)	4,394	112	4,506
Anniversaries (note 33)	-	8,621	8,621
	44,513	(3,790)	40,723

23) DEFERRED TAX

Deferred tax related to the following items:

Sk'000	Assets		Liabilities		Net	
	2008	2007	2008	2007	2008	2007
Loans and advances to customers	25,139	-	-	(2,861)	25,139	(2,861)
Investment securities	683	2,838	-	-	683	2,838
Derivatives held for risk management	7,056	-	-	(148)	7,056	(148)
Investment property	-	-	(551)	(216)	(551)	(216)
Property and equipment	-	-	(5,903)	(3,238)	(5,903)	(3,238)
Other liabilities	12,722	887	-	-	12,722	887
Other assets	248	133	-	-	248	133
Deferred tax asset/(liability)	45,848	3,858	(6,454)	(6,463)	39,394	(2,605)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2008

23) DEFERRED TAX (CONTINUED)

Deferred tax was calculated using a corporate income tax rate of 19% for the year ended 31 December 2008 (2007: 19%).

The movements on deferred tax were as follows:

Sk '000	2008	2007
At 1 January	(2,605)	(17,306)
Charge to income statement (note 35)	36,951	5,629
Charge to revaluation reserve in equity	5,048	9,072
At 31 December	39,394	(2,605)

24) OTHER LIABILITIES

Sk '000	2008	2007
Liabilities to employees	57,010	58,833
Other taxes	16,061	23,943
Social and health insurance	1	9,736
Other creditors	68,512	92,240
Accrued expenses and deferred income	13,490	12,817
Other	4,917	3,560
	159,991	201,129

Social fund:

Sk '000	2008	2007
At 1 January	2,152	1,655
Creation	4,531	4,162
Withdrawals	(3,196)	(3,665)
At 31 December	3,487	2,152

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

25) SHARE CAPITAL

Sk '000	2008	2007
Issued and fully paid:		
89,550 ordinary shares of 5,600 Sk each	501,480	501,480
99,704 preference shares of 5,000 Sk each	498,520	498,520
	1 000,000	1,000,000

The rights of ordinary shareholders are as described in the Slovak Commercial Code. Preference shareholders have priority claims in relation to dividends but are not entitled to vote at the General Meeting of shareholders unless no preference dividends are declared or the dividends are overdue. These voting rights commence from either the day following the General Meeting or from when the dividends are overdue until preference dividends are declared or paid. When entitled, the preference shareholders may vote on declaration of the preference dividend.

On approval of the payment of dividends by the General Meeting, the profit must be divided among the shareholders according to the ratio of the nominal value of shares to total share capital. The preference dividend should be at least 1% higher, expressed as a percentage of the nominal value of the preference shares, compared to the ordinary dividend expressed as a percentage of the nominal value of the ordinary shares.

26) RESERVES

Sk '000	Retained earnings	Legal reserve fund	Revaluation reserve	Hedging reserve	Other reserves	Total
At 1 January 2008	1,445,429	202,959	(12,097)	628	34,506	1,671,425
Net profit from available-for-sale assets (a)	-	-	9,185	-	-	9,185
Net loss from hedge	-	-	-	(30,707)	-	(30,707)
Dividends (c)	(94,985)	-	-	-	-	(94,985)
Profit for 2008 (d)	317,010	-	-	-	-	317,010
At 31 December 2008	1,667,454	202,959	(2,912)	(30,079)	34,506	1,871,928

(a) *Revaluation reserve*

The revaluation reserve includes the cumulative net change in the fair value of available-for-sale investment securities until the investment is derecognised or impaired. The cumulative gain of Sk 27,339 thousand which was previously recognised in equity was included in the income statement during 2008 (2007: nil).

(b) *Legal reserve fund*

Under the Slovak Commercial Code, all companies are required to maintain a legal reserve fund to cover future adverse financial conditions. The Bank is obliged to contribute an amount to the fund each year which is not less than 10% of its annual net profit until the aggregate amount reaches a minimum level equal to 20% of the registered share capital. The legal reserve fund reached the required amount in 2006. The legal reserve fund is not readily distributable to shareholders.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

26) RESERVES (CONTINUED)

(c) *Dividends*

The General Meeting of shareholders held on 19 May 2008 approved the payment of the following dividends:

Sk '000	
<i>From profit for the year 2007:</i>	
<i>Ordinary shares:</i>	
Dividend of Sk 504 per share	45,133
<i>Preference shares:</i>	
Dividend of Sk 500 per share	49,852
	94,985

(d) *Proposed allocation of profit*

The Directors will propose the following allocation of the statutory profit of the Bank for the year ended 31 December 2008:

Sk '000	
Dividends	-
Transfer to retained earnings	317,010
	317,010

(e) *Other reserves*

These reserves are not distributable to shareholders.

27) OFF BALANCE SHEET ITEMS

Sk '000	2008	2007
Guarantees and irrevocable letters of credit	2,034,116	1,082,149
Loan commitments	9,384,042	7,958,774
	11,418,158	9,040,923

28) INTEREST INCOME

Sk '000	2008	2007
Loans and advances to banks	243,370	304,192
Loans and advances to customers	1,721,560	1,392,581
Debt securities	166,575	159,698
	2,131,505	1,856,471

Interest income for the year ended 31 December 2008 includes interest of Sk 23,535 thousand accrued on impaired financial assets (2007: Sk 22,354 thousand).

Interest income from financial assets which are not carried at fair value through profit or loss amounted to Sk 2,120,106 thousand for the year ended 31 December 2008 (2007: Sk 1,852,624 thousand).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2008

29) INTEREST EXPENSE

Sk'000	2008	2007
Deposits by banks	64,906	65,359
Loans received	3,728	3,987
Customer accounts	610,787	525,754
Debt securities	155,386	96,793
	834,807	691,893

Interest expense on financial liabilities, which are not carried at fair value through profit or loss, amounted to Sk 825,084 thousand for the year ended as at 31 December 2008 (2007: Sk 688,695 thousand).

30) NET FEE AND COMMISSION INCOME

Sk'000	2008	2007
Fee and commission income		
Loans	43,183	42,019
Securities and custody business	12,249	17,089
Payment transactions	404,157	380,370
Foreign exchange	46,088	37,085
Other	72,201	72,378
	577,878	548,941
Fee and commission expense		
Lending business	(7,253)	(8,626)
Securities and custody business	(8,817)	(9,780)
Payment transactions	(15,993)	(15,771)
Foreign exchange	(601)	(739)
Other	(71,686)	(57,754)
	(104,350)	(92,670)
Net fee and commission income	473,528	456,271

31) NET TRADING INCOME

Sk'000	2008	2007
Trading securities	30,481	(490)
Foreign currency derivatives	70,925	85,720
Interest rate derivatives	8,063	5,298
Financial assets at fair value through profit or loss	(1,104)	974
	108,365	91,502

NOTES TO THE SEPARATE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2008

32) OTHER EXPENSES

Sk '000	2008	2007
<i>Other (cost)/income:</i>		
Gain on sale of property and equipment	1,026	904
Other taxes and fees	(1,448)	(2,614)
Other costs	(35,861)	(15,826)
Other income	6,117	8,351
Litigations and claims (note 22)	12,523	(7,621)
	(17,643)	(16,806)

33) ADMINISTRATIVE EXPENSES

Sk '000	2008	2007
<i>Personnel expenses:</i>		
Wages and salaries	397,222	386,223
Other employee benefits	10,099	8,550
Social insurance, social fund	100,526	91,526
Provision for severance obligations and anniversaries (note 22)	8,733	68
	516,580	486,367
<i>Other administrative expenses:</i>		
Services related to buildings	130,926	105,448
Cost of materials and communication	58,136	45,826
Marketing and representation	36,190	52,384
Training	13,249	13,996
Professional services	66,737	55,724
IT services	139,569	100,323
Other costs	94,657	150,665
	539,464	524,366
	1,056,044	1,010,733

The average number of employees during the year was 646 (2007: 648), of which 17 were members of management (2007: 18).

Services provided by the statutory auditor during the year were as follows:

Sk '000	2008	2007
Statutory audit	5,525	5,346
Other assurance services	888	1,332
Tax advisory	119	50
Other advisory	961	582
	7,493	7,310

NOTES TO THE SEPARATE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2008

34) IMPAIRMENT LOSSES ON LOANS AND ADVANCES TO CUSTOMERS

Sk'000	2008	2007
Charge for the year (note 12)	(167,111)	(105,850)
Losses on sold receivables and write-offs	(27,993)	(1,795)
Income from sold receivables and recoveries	47,310	4,860
	(147,794)	(102,785)

35) INCOME TAX EXPENSE

Sk'000	2008	2007
<i>Current tax expense:</i>		
Current year (note 17)	192,803	83,926
Underprovision in respect of previous year	-	256
	192,803	84,182
<i>Deferred tax:</i>		
Deferred tax (note 23)	(36,951)	(5,629)
	155,852	78,553

NOTES TO THE SEPARATE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2008

35) INCOME TAX EXPENSE (CONTINUED)

The accounting profit before taxation at tax rate is reconciled to the tax expense as follows:

Sk '000	Tax base 2008	Tax at 19% 2008	Tax base 2007	Tax at 19% 2007
Profit before taxation	472,862	89,844	362,785	68,929
Non-taxable income:				
Tax adjustments due to transformation to IFRS	-	-	15,895	3,020
Release of provision for litigation and claims	(12,523)	(2,379)	-	-
Tax exempt income from equity interests	(7,810)	(1,484)	(39)	(7)
Other	(497)	(95)	(5,912)	(1,123)
		(3,958)		1,890
Tax non-deductible expenses:				
Representation expenses	11,998	2,280	7,715	1,466
Impairment loss allowances	204,474	38,850	-	-
Litigations and claims	-	-	7,621	1,448
Losses on write-offs and sold receivables	115,513	21,947	1,530	291
Gifts	224	42	539	102
Penalties	62	12	140	26
Motor vehicles	367	70	436	83
Damages and other losses	21,584	4,101	12,730	2,419
Other	14,020	2,664	8,647	1,643
		69,966		7,478
Underprovision in respect of previous year		-		256
Total income tax expense		155,852		78,553
Effective tax rate		32,96%		21,65%

NOTES TO THE SEPARATE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2008

36) PROFIT BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES

Sk'000	2008	2007
Profit before taxation	472,862	362,785
Adjustments for non-cash items:		
Depreciation and impairment losses	192,021	219,242
Impairment losses on loans and advances to customers	167,111	107,645
Provisions	(3,790)	7,689
Net loss on disposal of property and equipment	9,060	1,501
Fair value adjustment on investment property	(1,966)	-
Revaluation of financial assets and liabilities at fair value through profit or loss	1,104	(973)
	836,402	697,889

Sk'000	2008	2007
Net cash from operating activities includes the following cash flows:		
Interest received	2,110,712	1,876,925
Interest paid	(761,788)	(648,230)
	1,348,924	1,228,695

37) LEASE COMMITMENTS

At 31 December 2008, non-cancellable commitments under operating leases of 1 year or less were Sk 58,686 thousand (2007: Sk 59,723 thousand), of 1-5 years were Sk 172,182 thousand (2007: Sk 190,306 thousand) and of more than 5 years were Sk 74,263 thousand (2007: Sk 105,294 thousand).

38) RELATED PARTY TRANSACTIONS

The Bank was engaged in the normal course of business in transactions with other members of the Volksbank Group and related parties. These transactions, which include the taking and placing of deposits, foreign currency operations and the provision of management and technology services, are conducted on an arm's length basis.

Parties with controlling influence

Österreichische Volksbanken Aktiengesellschaft
Volksbank International AG

Parties with significant influence

The Bank has no relationship with any parties holding significant influence.

Subsidiary

VOLKSBANK REALITY, s.r.o. (formerly IMMO-CONTRACT Slovakia, s.r.o.)
(from November 2008)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

38) RELATED PARTY TRANSACTIONS (CONTINUED)

Associate

VB LEASING SK, spol. s r.o. (to November 2008)

VOLKSBANK REALITY, s.r.o. (originally IMMO-CONTRACT Slovakia, s.r.o.) (to November 2008)

Team Nový Dom s.r.o. (to augusta 2008)

Key management

Board of Directors

see note 1.

Supervisory Board

see note 1.

(a) Parties with controlling influence

Sk '000	2008	2007
<i>Amounts due from/(due to) Volksbank International AG at 31 December were as follows:</i>		
Loans and advances to customers	-	904
Customer accounts	(20,092)	(30,825)
Other expenses	(66,260)	(77,656)
Guarantees received	91,815	-
<i>Amounts due from/(due to) Österreichische Volksbanken Aktiengesellschaft at 31 December were as follows:</i>		
Loans and advances to customers	456,230	457,923
Customer accounts	(1,322,125)	(25,775)
Interest income	5,316	9,199
Interest expense	(28,970)	(7,541)
Fees and commissions income	2	218
Fees and commissions expense	(12,444)	(14,906)
Other expenses	-	(23)
Guarantees received	347,163	473,845

The Bank has no contingent liabilities with related parties.

(b) Subsidiary

Sk '000	2008	2007
Customer accounts	(253)	-
Fee and commission income	5	-
Fee and commission expense	(574)	-

NOTES TO THE SEPARATE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2008

38) RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Associate

Sk'000	2008	2007
Loans and advances to customers	213,384	367,995
Customer accounts	(33,729)	(47,736)
Interest income	11,708	63,233
Interest expense	(125)	(6,764)
Fee and commission income	2,799	2,239
Fee and commission expense	(34)	(19)
Other income	1,548	1,709
Other expenses	(18)	(702)

(d) Key management

Sk'000	2008	2007
Assets		
Board of Directors	-	-
Management	16,219	10,063
Supervisory Board	-	-
Others	2,196	2,196
	18,415	12,468
Former Board members	4,925	5,712
	23,340	18,180
Liabilities		
Board of Directors	(7,248)	203
Management	(22,981)	23,184
Supervisory Board	(2,468)	2,294
Others	(3,545)	3,902
	(36,242)	29,583
Remuneration		
Board of Directors	22,685	22,891
Management	37,071	36,277
Supervisory Board	-	-
	59,756	59,168
Former Board members	-	20,904
	59,756	80,072

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

39) CUSTODIAL SERVICES

The Bank administers securities and other valuables totalling Sk 3,097 million (2007: Sk 2,553 million) on behalf of customers.

40) FAIR VALUES

Fair value is the amount at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The estimated fair values of the Bank's financial assets and liabilities at year end were as follows:

Sk '000	Carrying value 2008	Fair value 2008	Carrying value 2007	Fair value 2007
Financial assets				
Cash and cash equivalents	8,106,391	8,106,391	6,540,510	6,540,510
Trading assets	25,639	25,639	23,371	23,371
Derivative assets held for risk management	589,478	589,478	165,685	165,685
Loans and advances to banks	2,676,914	2,676,914	619,549	619,549
Loans and advances to customers	29,454,247	27,500,007	26,306,203	26,306,203
Investment securities	4,106,018	4,106,018	3,815,475	3,815,475
Investments in associates and subsidiary	33,608	196,384	31,555	239,410
Investment property	28,966	28,966	27,000	27,000
Other assets	79,007	79,007	103,284	103,284
Financial liabilities				
Derivative liabilities held for risk management	669,658	669,658	140,949	140,949
Deposits by banks	1,663,279	1,663,279	1,573,974	1,573,974
Loans received	40,137	39,754	118,732	115,418
Customer accounts	35,664,687	35,625,471	29,589,565	29,571,863
Debt securities issued	3,703,627	3,744,244	3,000,713	2,631,830
Other liabilities	159,991	159,991	201,129	201,129

The following methods and assumptions were used in estimating the fair values of the Bank's financial assets and liabilities:

Cash and cash equivalents

The fair values of cash and balances with central banks approximate to the book values.

Trading assets

Trading assets are stated at quoted market prices.

Derivative assets held for risk management

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

40) FAIR VALUES (CONTINUED)

Loans and advances to banks

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

Loans and advances to customers

Loans and advances to customers are stated net of impairment losses. For loans and advances to customers with a remaining maturity of less than three months, it is reasonable to use the book value as an approximation of the fair value. The fair values of other loans and advances to customers are calculated by discounting future cash flows using current interest rates and taking into account the risk margin.

Investment securities

Debt securities and equity shares available for sale as well as financial assets at fair value through profit or loss are stated at quoted market prices or at net present value. The net present value of securities is calculated by discounting future cash flows using spot reference capital market interest rates for the relevant maturity period.

Investments in associates and subsidiary

The Bank's share of the associates' and subsidiary's net asset value is used as an approximation of fair value.

Investment property

Investment property is stated at market value (see note 15).

Other assets

The fair value of other assets approximates to book value as the remaining maturity is less than one year.

Derivative liabilities held for risk management

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

Deposits by banks

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

Loans received

For amounts with a remaining maturity of less than one year, it is reasonable to use book value as an approximation of fair value. The fair values of other loans received are calculated by discounting the future cash flows using current interbank rates.

Customer accounts

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

Customer accounts with cash flows linked to equity indices are stated at fair value through profit or loss. Valuations are obtained from the movements in the relevant indices.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2008

40) FAIR VALUES (CONTINUED)

Debt securities issued

The fair value of debt securities issued is calculated by discounting the future cash flows using current market rates.

Other liabilities

As the other liabilities are short-term in nature, their fair value approximates to the carrying value.

41) SUBSEQUENT EVENTS

On 1 January 2009, Slovakia joined the Euro Area and adopted the euro to replace the Slovak crown. Accordingly, with effect from that date, the Bank will prepare financial statements and maintain its accounting records in euro. The financial statements for the year ended 31 December 2009 will include comparative figures for 2008 translated into euro using the conversion rate of 1 euro to 30.126 Slovak crowns.

Consolidated financial statements

**VOLKSBANK
Slovensko a. s.**

Prepared in accordance with International Financial Reporting Standards
as adopted by the European Union. Year ended 31 December 2008

INDEPENDENT AUDITORS' REPORT



KPMG Slovensko spol. s r.o.
Mostová 2
P.O. Box 7
820 04 Bratislava 24
Slovakia

Telephone +421 2 59984 111
Fax +421 2 59984 222
Internet www.kpmg.sk

Translation of the Independent Auditors' Report originally prepared in Slovak

Independent Auditors' Report

To the Shareholders, Supervisory Board and Board of Directors of VOLKSBANK Slovensko, a.s.:

We have audited the accompanying consolidated financial statements of VOLKSBANK Slovensko, a.s. ('the Bank') and its subsidiary ('the Group'), which comprise the consolidated balance sheet as at 31 December 2008, the consolidated income statement, the consolidated statement of changes in shareholders' equity and the consolidated cash flow statement for the year then ended, and the notes to the consolidated financial statements.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2008 and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

30 March 2009

Audit company:
KPMG Slovensko spol. s r.o.
SKAU licence No. 96



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

KPMG Slovensko spol. s r.o., a Slovak limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

Obchodný register Okresného súdu Bratislava I, oddiel Sro, vložka č. 4864/B
Commercial register of District court Bratislava I, section Sro, file No. 4864/B

ICO/Registration number:
31 348 238
Evidenčné číslo licence audítora: 96
Licence number of statutory auditor: 96

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2008

Sk '000	Notes	2008	2007
Assets			
Cash and cash equivalents	7	8,106,393	6,540,510
Trading assets	9	25,639	23,371
Derivative assets held for risk management	10	589,478	165,685
Loans and advances to banks	11	2,676,914	619,549
Loans and advances to customers	12	29,454,247	26,306,203
Investment securities	13	4,106,018	3,815,475
Investments in associates	14	195,460	241,889
Investment property	15	28,966	27,000
Property and equipment	16	954,437	935,995
Deferred tax asset	23	39,394	-
Other assets		80,177	103,284
		46,257,123	38,778,961
Liabilities			
Derivative liabilities held for risk management	10	669,658	140,949
Deposits by banks	18	1,663,279	1,573,974
Loans received	19	40,137	118,732
Customer accounts	20	35,664,434	29,589,565
Debt securities issued	21	3,703,627	3,000,713
Provisions	22	40,723	44,513
Corporate income tax payable	17	108,785	54,722
Deferred tax liability	23	-	2,605
Other liabilities	24	161,476	201,129
		42,052,119	34,726,902
Share capital and reserves			
Share capital	25	1,000,000	1,000,000
Share premium		1,170,300	1,170,300
Reserves	26	2,034,704	1,881,759
		4,205,004	4,052,059
		46,257,123	38,778,961

The consolidated financial statements, which include the notes on pages 94 to 154, were approved on 30 March 2009 by:

Dipl.-Kfm. Manfred Gram

Member of the Board



Ing. Lenka Mičudová

Person responsible for financial statements



Ing. Norbert Strieženec

Director of Finance Department



Ing. Marta Ráčzová

Person responsible for accounting



CONSOLIDATED INCOME STATEMENT YEAR ENDED 31 DECEMBER 2008

Sk '000	Notes	2008	2007
Interest income	28	2,131,505	1,856,471
Interest expense	29	(834,811)	(691,893)
Net interest income		1,296,694	1,164,578
Fee and commission income		578,744	548,941
Fee and commission expense		(103,776)	(92,670)
Net fee and commission income	30	474,968	456,271
Net trading income	31	108,366	91,502
(Loss)/income relating to associates		(9,027)	29,777
Other expenses	32	(16,411)	(16,806)
		82,928	104,473
Operating income		1,854,590	1,725,322
Administrative expenses	33	(1,057,178)	(1,010,733)
Depreciation and impairment losses	16	(192,095)	(219,242)
Operating expenses		(1,249,273)	(1,229,975)
Operating profit before impairment losses on loans and advances		605,317	495,347
Impairment losses on loans and advances to customers	34	(147,794)	(102,785)
Profit before taxation		457,523	392,562
Income tax expense	35	(155,852)	(78,553)
Profit for the year		301,671	314,009
Basic and diluted earnings per share (expressed in Sk per share)	36	1,661	1,731

The notes on pages 94 to 154 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY YEAR ENDED 31 DECEMBER 2008

Sk '000	Share capital	Share premium account	Retained earnings	Legal reserve fund	Revaluation reserve	Hedging reserve	Other reserves	Total
At 1 January 2007	1,000,000	1,170,300	1,538,194	202,959	27,205	-	34,506	3,973,164
Dividends	-	-	(194,986)	-	-	-	-	(194,986)
Net loss from available-for-sale assets, net of tax	-	-	-	-	(39,302)	-	-	(39,302)
Net profit from revaluation of derivatives held for risk management, net of tax	-	-	-	-	-	628	-	628
Share of hedging reserve of associate, net of tax	-	-	-	-	-	(1,454)	-	(1,454)
Profit for 2007	-	-	314,009	-	-	-	-	314,009
At 31 December 2007	1,000,000	1,170,300	1,657,217	202,959	(12,097)	(826)	34,506	4,052,059
Dividends	-	-	(94,985)	-	-	-	-	(94,985)
Net profit from available-for sale assets, net of tax	-	-	-	-	9,185	-	-	9,185
Net loss from revaluation of derivatives held for risk management, net of tax	-	-	-	-	-	(30,707)	-	(30,707)
Share of hedging reserve of associate, net of tax	-	-	-	-	-	(29,095)	-	(29,095)
Other	-	-	(3,124)	-	-	-	-	(3,124)
Profit for 2008	-	-	301 671	-	-	-	-	301,671
At 31 December 2008	1,000,000	1,170,300	1,860,779	202,959	(2,912)	(60,628)	34,506	4,205,004

The notes on pages 94 to 154 form part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT YEAR ENDED 31 DECEMBER 2008

Sk '000	Notes	2008	2007
Cash flows from operating activities			
Profit before changes in operating assets and liabilities	37	829,172	697,889
Increase in trading assets		(2,268)	(18,580)
(Increase)/decrease in derivative assets held for risk management		(423,793)	321,652
(Increase)/decrease in loans and advances to banks		(2,057,365)	237,851
Increase in loans and advances to customers		(3,315,155)	(4,910,995)
Decrease/(increase) in other assets		23,845	(36,688)
Increase/(decrease) in derivative liabilities held for risk management		490,799	(320,673)
Increase/(decrease) in deposits by banks		89,305	(1,133,391)
Decrease in loans received		(78,595)	(80,580)
Increase in customer accounts		6,072,722	2,543,921
(Decrease)/increase in other liabilities		(41,391)	45,656
Corporate income tax paid		(138,740)	(9,720)
Net cash from/(used in) operating activities		1,448,536	(2,663,658)
Cash flows from investing activities			
(Purchase)/redemption of investment securities		(278,159)	83,639
Purchase of property and equipment		(229,813)	(140,788)
Proceeds on sale of property and equipment		11,274	904
Acquisition of subsidiary, net of cash acquired		(139)	-
Investments in associates		(1,518)	(476)
Dividends received from associate		7,773	-
Net cash used in investing activities		(490,582)	(56,721)
Cash flows from financing activities			
Dividends paid		(94,985)	(194,986)
Issue of debt securities		702,914	1,326,125
Net cash from financing activities		607,929	1,131,139
Net increase/(decrease) in cash and cash equivalents		1,565,883	(1,589,240)
Cash and cash equivalents at beginning of year		6,540,510	8,129,750
Cash and cash equivalents at end of year	7	8,106,393	6,540,510

The notes on pages 94 to 154 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2008

1) GENERAL INFORMATION

VOLKSBANK Slovensko, a.s. ('the Bank') was formed on 26 August 1991 and incorporated in the Commercial Register on 30 August 1991. Volksbank International AG, a company with its registered office at Leonard-Bernstein-Straße 10, A-1220 Vienna, Saturn Tower, Austria, owns 91% of the Bank's shares and other member companies of the Volksbank Group own a further 2%. The ultimate parent company is Österreichische Volksbanken-Aktiengesellschaft, with its registered office at A1090, Wien, Kolingasse 19, Austria.

The principal activities of the Bank are the provision of banking and financial services to commercial and private customers in the Slovak Republic.

The Bank operates through 30 branches and 17 sub-branches in the Slovak Republic.

Other statutory information:

Registered office: Vysoká 9, 810 00 Bratislava

Income tax number: 17 321 123

VAT registration number: 2020412460

Associates

The Bank owns 24% of the registered capital of VB LEASING SK, spol. s r.o., Bratislava, a company incorporated in the Slovak Republic which is engaged in equipment and vehicle leasing.

In 2008 the Bank sold its 22.8% share of the registered capital of Team Nový Dom s.r.o., a real estate management company incorporated in the Slovak Republic.

Subsidiary

In March 2006, the Bank acquired 24% of the registered capital of VOLKSBANK REALITY, s.r.o. (formerly known as IMMO-CONTRACT Slovakia, s.r.o.) a company incorporated in the Slovak Republic, with its registered office Vysoká 28, 810 00 Bratislava, and engaged in real estate activities. The Bank increased its share of the registered capital to 34% in December 2007, and in November 2008, acquired the remaining 66% of the registered capital at a cost of Sk 535 thousand.

The Group comprises the Bank and its subsidiary.

Board of Directors

Mag. Dr. Kurt Nikolaus Kapeller

Dipl.-Kfm. Manfred Gram

Dr.Jur. Barbara Neiger, MBA

Dr. Martin Florián (from 1 November 2008)

Supervisory Board

Dr. Udo Szekulics (from 19 May 2008)

Dr. Wolfgang Hofstetter

Mag. Gerhard Wöber

Prof. Milan Buček

Dr. Fausto Maritan

Mag. Harald Beyer

Dr. Michael Oberhummer (to 19 May 2008)

Audit Committee

Mag. Gerhard Wöber

Mag. Harald Beyer

Dr. Wolfgang Hofstetter

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2008

1) GENERAL INFORMATION (CONTINUED)

The Bank's financial statements are included in the consolidated financial statements of Österreichische Volksbanken-Aktiengesellschaft, with its registered office at A-1090 Wien, Kolingasse 19. The consolidated financial statements of Österreichische Volksbanken-Aktiengesellschaft are available for inspection at its registered office or on the webpage, www.volksbank.com.

2) BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union.

These financial statements have been prepared as the consolidated financial statements required by Section 22 of the Slovak Act on Accounting 431/2002, as amended.

(b) Basis of measurement

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

- derivative financial instruments are measured at fair value;
- financial instruments at fair value through profit or loss are measured at fair value;
- available-for-sale financial assets are measured at fair value;
- investment properties are measured at fair value,
- investments in associates are measured by the equity method.

(c) Functional and presentation currency

These financial statements are presented in Slovak crowns, which is the Group's functional currency. Except as otherwise indicated, financial information presented in Slovak crowns has been rounded to the nearest thousand.

(d) Use of estimates and judgements

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

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

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

(e) Comparative figures

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

3) SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

The consolidated financial statements include the financial statements of the Bank and those of its subsidiary (see note 1) prepared for the year ended 31 December 2008.

Subsidiaries are entities controlled by the Bank. Control is the power, directly or indirectly, to govern the financial and operating policies of an entity, so as to obtain benefits from its activities. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences to the date that control ceases.

Associates are companies in which the Bank has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Bank holds between 20 and 50% of the voting rights of the enterprise. Investments in associated companies are accounted for using the equity method. Initially, investments are recognised at cost, including any goodwill identified on acquisition. The Bank's share of subsequent profits or losses of the associates is recognised in the income statement, and any share in post-acquisition changes in equity reserves is recognised in the relevant reserve of the Bank. When the Bank's share of losses exceeds the carrying amount on an investment in an associate, the carrying amount is reduced to nil and recognition of future losses is discontinued.

(b) Foreign currency

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

(c) Interest income and expense

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

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

(d) Fees and commissions

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2008

3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Net trading income

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

(f) Dividends

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

(g) Lease payments

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

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(h) Income tax expense

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

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

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

(i) Financial assets and liabilities

(i) Recognition

The Group initially recognises loans and advances to banks and customers, deposits by banks, loans received, customer accounts and issued debt securities in issue on the date that they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2008

3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial assets and liabilities (continued)

(ii) Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

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

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

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

(iii) Offsetting

Financial assets and liabilities are set off and the net amount presented in the balance sheet when, and only when, the Group has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

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

(iv) Amortised cost measurement

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

(v) Fair value measurement

The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets. For all other financial instruments, fair value is determined by using valuation techniques. Valuation techniques include the discounted cash flow method, comparison to similar instruments for which market-observable prices exist and valuation models. The Group uses widely recognised valuation models for determining the fair value of the more common financial instruments like options and interest rate and currency swaps. For these financial instruments, inputs into models are market observable.

(vi) Identification and measurement of impairment

At each balance sheet date, the Group assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of the asset that can be reliably estimated.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial assets and liabilities (continued)

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

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

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in the income statement and reflected in an allowance account against loans and advances. Interest on the impaired asset continues to be recognised through the unwinding of the discount.

When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through the income statement.

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

However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised directly in equity. Changes in impairment losses attributable to time value are reflected as a component of interest income.

(vii) Designation at fair value through profit or loss

The Group has designated financial assets and liabilities at fair value through profit or loss when either:

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis;
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

A description of the basis for each designation is set out in the note for the relevant asset or liability class.

(j) Cash and cash equivalents

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

Cash and cash equivalents are carried at amortised cost in the balance sheet.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Trading assets and liabilities

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

Trading assets and liabilities are initially recognised and subsequently measured at fair value in the balance sheet with transaction costs taken directly to income. All changes in fair value are recognised as part of Net trading income in the income statement. Trading assets and liabilities are not reclassified subsequent to their initial recognition..

(l) Derivatives held for risk management purposes

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value in the balance sheet. The treatment of changes in their fair value depends on their classification into the following categories:

(i) Fair value hedge

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

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

(ii) Cash flow hedge

When a derivative is designated as a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect income, the effective portion of changes in the fair value of the derivative are recognised directly in equity. The amount recognised in equity is removed and included in income in the same period as the hedged cash flows affect income under the same income statement line item as the hedged item.

Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the income statement.

If the derivative expires or is sold, terminated or exercised, no longer meets the criteria for cash flow hedge accounting, or the designation is revoked, then hedge accounting is discontinued and the amount recognised in equity remains in equity until the forecast transaction affects income. If the forecast transaction is no longer expected to occur, then hedge accounting is discontinued and the balance in equity is recognised immediately in the income statement.

(iii) Other non-trading derivatives

When a derivative is not held for trading and is not designated in a qualifying hedge relationship, all changes in its fair value are recognised immediately in income as a component of net income on the other financial instruments carried at fair value.

(iv) Embedded derivatives

Derivatives may be embedded in another contractual arrangement (a 'host contract'). The Group accounts for embedded derivatives separately from the host contract when the host contract is not itself carried at fair value through income and the characteristics of the embedded derivative are not clearly and closely related to the host contract. Separated embedded derivatives are accounted for depending on their classification and are presented in the balance sheet together with the host contract.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Loans and advances

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

When the Group is the lessor in a lease agreement that transfers substantially all of the risks and rewards incidental to ownership of an asset to the lessee, the agreement is presented within loans and advances.

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

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

(n) Investment securities

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

(i) Held-to-maturity investments

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

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

(ii) Investments at fair value through profit or loss

The Group carries some investment securities at fair value, with fair value changes recognised immediately in the income statement as described in accounting policy 3 (i) (vii).

(iii) Available-for-sale investments

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

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

Other fair value changes are recognised directly in equity until the investment is sold or impaired. The cumulative gain and loss previously recognised in equity is then recognised in income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2008

3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses.

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

	Years	Method
Buildings	20	straight-line
Furniture, fittings and equipment	4 - 12	straight-line
Motor vehicles	5	straight-line
Software	4	straight-line

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

(p) Leased assets

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

All other leases are operating leases and the leased assets are not recognised on the Group's balance sheet.

(q) Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are stated at fair value. Properties are valued annually by an internal valuer, having a recognised professional qualification and appropriate experience.

Any gain or loss arising from a change in fair value is recognised in the income statement.

When an item of property and equipment is transferred to investment property following a change in its use, any gain arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity. On disposal of the item, the gain is transferred to retained earnings. Any loss arising in this manner is recognised immediately in the income statement.

If an investment property becomes owner-occupied it is reclassified as property and equipment and its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Impairment of non-financial assets

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

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

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

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

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

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

Deposits, customer accounts, debt securities issued and loans received are the Group's sources of debt funding.

Deposits, customer accounts, debt securities issued and loans received are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost, including accrued interest.

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

(t) Provisions and contingent liabilities

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Provisions and contingent liabilities (continued)

A contingent liability is disclosed if, as a result of a past event, the Group has a probable liability and its existence will only be confirmed by one or more events in the future over which the Group has no control, or if the Group has a present obligation as a result of past event but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

(u) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as they become due.

(ii) Termination benefits

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

(iii) Short-term benefits

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

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

(v) Earnings per share

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

(w) Segment reporting

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

(x) New standards and interpretations not yet adopted

The following recently issued standards, amendments to standards and interpretations are not effective for the year ended 31 December 2008, and have not been applied in preparing these financial statements:

- Amendment to IFRS 2 *Share-based Payment – Vesting Conditions and Cancellations* clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The amendments to IFRS 2 will become mandatory for the Group's 2009 financial statements, with retrospective application. The Group is currently in the process of evaluating the potential effect of this amendment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) New standards and interpretations not yet adopted (continued)

- Revised IFRS 3 *Business Combinations* (2008) incorporates several changes in the assessment of business combinations. Revised IFRS 3 will be mandatory for the Group's 2010 financial statements and will be applied prospectively to business combinations and, therefore, there will be no impact on periods prior to the Group's 2010 financial statements.
- IFRS 8 *Operating Segments* requires segment disclosure based on the components of the entity that management monitors in making decisions about operating matters. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by management in deciding how to allocate resources and in assessing performance. IFRS 8 will become mandatory from 1 January 2009 and the Group expects the new Standard not to significantly alter the presentation and disclosure of its operating segments in the financial statements.
- Revised IAS 1 *Presentation of Financial Statements* (2007) introduces the term "total comprehensive income," which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income. Revised IAS 1, which becomes mandatory for the Group's 2009 financial statements, is expected to have a significant impact on the presentation of the financial statements.
- Revised IAS 23 *Borrowing Costs* removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Revised IAS 23 will become mandatory for the Group's 2009 financial statements but is not expected to have a significant impact on those statements.
- Amended IAS 27 *Consolidated and Separate Financial Statements* (2008) requires accounting for changes in ownership interests in a subsidiary that occur without loss of control, to be recognised as an equity transaction. When the Bank loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. This amendment to IAS 27, which becomes mandatory for the Group's 2010 financial statements, is not expected to have a significant impact on the financial statements.
- Amendments to IAS 32 and IAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation* require puttable instruments and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation to be classified as equity if certain conditions are met. The amendments, which become mandatory for the Group's 2009 financial statements with retrospective application required, are not expected to have any significant impact on the financial statements.
- Amendments to IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. The amendments will become mandatory for the Group's 2010 financial statements, with retrospective application required. The Group is currently in the process of evaluating the potential effect of this amendment.
- IAS 40 *Investment Property* is amended to include property under construction or development for future use as investment property in its definition of "investment property". This results in such property being within the scope of IAS 40; previously it was within the scope of IAS 16. The amendment is effective beginning on or after 1 January 2009. The Group is currently in the process of evaluating the potential effect of this amendment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2008

3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) New standards and interpretations not yet adopted (continued)

- The International Accounting Standards Board made certain amendments to existing standards as part of its first annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Group's 2009 financial statements. The Group does not expect these amendments to have any significant impact on the financial statements.
- IFRIC 13 *Customer Loyalty Programmes* addresses the accounting by entities that operate or otherwise participate in customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. IFRIC 13 becomes mandatory for the Group's 2009 financial statements and will be applicable retrospectively. The Group does not expect that this interpretation will have any impact on the financial statements.

4) USE OF ESTIMATES AND JUDGEMENTS

These disclosures supplement the commentary on financial risk management.

Key sources of estimation uncertainty

Allowances for impairment

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

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

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

Determining fair values

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2008

4) USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

Critical accounting judgements in applying the Group's accounting policies

Valuation of financial instruments

The Group's accounting policy on fair value measurements is discussed under note 3 (i) (v).

The Group measures fair values using the following hierarchy of methods:

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

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Group determines fair values using valuation techniques. Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist, and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date, that would have been determined by market participants acting at arm's length.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2008

4) USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

Critical accounting judgements in applying the Group's accounting policies (continued)

Valuation of financial instruments continued

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

Sk '000 31 December 2008	Note	Quoted market prices in active markets	Valuation techniques: observable inputs	Total
Assets				
Trading assets	9	25,639	-	25,639
Derivative assets held for risk management	10	-	589,478	589,478
Investment securities	13	2,096,025	2,009,993	4,106,018
		2,121,664	2,599,471	4,721,135
Liabilities				
Derivative liabilities held for risk management	10	-	669,658	669,658
Customer accounts at fair value through profit or loss	20	224,529	-	224,529
		224,529	669,658	894,187
Assets				
Trading assets	9	23,371	-	23,371
Derivative assets held for risk management	10	-	165,685	165,685
Investment securities	13	2,608,899	1,206,576	3,815,475
		2,632,270	1,372,261	4,004,531
Liabilities				
Derivative liabilities held for risk management	10	-	140,949	140,949
Customer accounts at fair value through profit or loss	20	343,063	-	343,063
		343,063	140,949	484,012

At 31 December 2008, there were no financial instruments included in the financial statements at fair values established using valuations techniques employing unobservable inputs (2007: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2008

4) USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

Critical accounting judgements in applying the Group's accounting policies (continued)

Financial asset and liability classification

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

- In classifying financial assets or liabilities as 'trading', management has determined that the Group meets the description of trading assets and liabilities set out in accounting policy 3 (k).
- In designating financial assets or liabilities at fair value through profit or loss, the Group has determined that it has met one of the criteria for this designation set out in accounting policy 3 (i) (vii).
- In classifying financial assets as held to maturity, management has determined that the Group has both the positive intention and ability to hold the assets until their maturity date as required by accounting policy 3 (n) (i).

5) FINANCIAL RISK MANAGEMENT

(a) Introduction

The Bank has defined principles for handling the risks, processes and technical-organisational structures, risk objectives and limits. The Bank identifies on a regular basis, and subsequently manages, monitors, minimises and reports all risks relating to its use of financial instruments, as well as the risks arising from carrying on its activities. The Bank has exposure to the following main risks:

- credit risk
- liquidity risk
- market risk
- operational risk

In connection with the deterioration in the economic situation worldwide as well as in Slovakia, the Bank is monitoring and analysing the short-term evolution of all risks and, as a consequence, continuously adjusting its processes. At the same time, the Bank places a great emphasis on the management of liquidity risk and compliance with regulatory requirements in this area set out by the National Bank of Slovakia in 2008.

Information on monitoring, measurement, management and reporting of the above risks and on the management of the Bank's capital is set out below.

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Risk Controlling Department and the Asset and Liability Committee (ALCO) and Credit Committee are bodies (authorities), which are responsible for developing and monitoring risk management policies in their specific areas.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly, based on the annual plan which reflects changes in market conditions, products and services offered, processes and systems in the Bank. The Bank, through process standardisation, continuous trainings, management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2008

5) FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit Risk Management sets the acceptable level of credit risk exposure, ensures the minimisation of potential losses that can arise from the credit transaction concluded with a client. This is ensured by organisation of credit risk management in the Bank, i.e. by procedures set out in the system of internal guidelines governing credit risk management, and supported by credit risk management systems.

The basis for credit risk management is the credit risk strategy, which reflects the entire risk management strategy and the business policy of the Bank. The credit risk strategy sets out the general framework, principles for handling risks, design of procedures, technical and organisational structures, operational management parameters, such as the business focus, risk objectives and limits. The Credit Risk Management Department has direct control over the internal guidelines governing the provision of credit and is involved in their design.

These guidelines define:

- o Authorisation of a credit trade,
- o Assessment of credit risk arising from a credit trade,
- o Authorisation competences,
- o Risk measurement methods,
- o Limits,
- o Monitoring and evaluation of loan portfolio performance,
- o Projection of changes in the loan portfolio in relation to change in conditions for loan provision or launch of new loan products,
- o Backward and stress testing of rating and scoring models,
- o Methods for the calculation and creation of loan loss allowances.

Credit risk is strictly monitored, and within the organisational structure the separate managing of the credit risk from the business is provided.

Methods for credit risk measurement

The Bank assesses each client/trade at the moment of provision and subsequently using a rating tool with parameters specific for each client segment with the aim to eliminate (minimise) credit risk. The rating level relating to a client/trade reflects the level of quality of customer, type, amount and maturity. The Bank sorts clients/trades according to their rating from the best to the worst, where the worst level represents the highest probability of loss. Risk arising from mortgage loans is monitored and managed separately. The Bank has defined the process of setting up and regular updates of rating and controlling in its internal guidelines. The Bank continuously monitors, evaluates and considers whether limits on segment, maximum exposure, rating level, industry group and related party are met.

Limit system

The Bank has a defined limit system in its guidelines governing credit risk management. Credit appraisal procedures include assessment of individual borrowers, establishing counterparty credit limits and obtaining collateral with the aim to mitigate credit risk. The Bank also continually monitors performance of the portfolio to ensure that prompt action can be taken to minimise potential losses.

To mitigate credit risk, the Bank uses defined limits according to:

- | | |
|--------------------------------------------|----------------------------|
| a. segment of client, | d. client – related party, |
| b. client's rating, | e. industry groups, |
| c. group of clients and connected clients, | f. country. |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

5) FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

The gross amounts of individually and collectively impaired loans and advances to customers by risk grade and allowances for impairment are as follows::

Sk '000	2008	2007
Individually impaired		
<i>Rating classification:</i>		
grade 1	-	-
grade 2	-	-
grade 3	667,111	-
grade 4	152,262	-
grade 5	577,849	157,175
Without rating	-	-
Gross amount	1,397,222	157,175
Allowance for impairment	(308,889)	(122,014)
Carrying amount	1,088,333	35,161
Collectively impaired		
<i>Rating classification:</i>		
grade 1	5	-
grade 2	397	3,225
grade 3	107,325	412,026
grade 4	65,675	120,070
grade 5	334,546	538,896
Without rating	46,148	10,043
Gross amount	554,096	1 084,260
Allowance for impairment	(291,548)	(478,300)
Carrying amount	262,548	605,960
Neither past due nor impairment identified		
<i>Rating classification:</i>		
grade 1	1,342,081	4,966,751
grade 2	5,381,688	1,825,708
grade 3	18,684,707	16,666,568
grade 4	2,341,894	1,875,095
grade 5	-	26,146
Without rating	232,292	304,814
Gross amount	27,982,662	25,665,082
Allowance for impairment	(28,217)	-
Carrying amount	27,954,445	25,665,082

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

5) FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

Sk'000	2008	2007
Against past due but not impaired loans		
<i>Rating classification:</i>		
grade 1	-	-
grade 2	15,148	-
grade 3	62,726	-
grade 4	70,952	-
grade 5	-	-
Without rating	2,105	-
Gross amount	150,931	-
Allowance for impairment	(2,010)	-
Carrying amount	148,921	-
Total gross amount	30,084,911	26,906,517
Total allowance for impairment	(630,664)	(600,314)
Total carrying amount	29,454,247	26,306,203

Past due but not impaired loans are overdue 1 to 30 days.

Impaired loans and securities

Impaired loans are loans for which the Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan agreement. These loans are classified into particular categories of the Bank's internal credit risk rating system.

Rating grades 1-5 reflect the degree of risk of financial loss from a borrower determined by probability of default, where grade 1 represents the lowest risk and grade 5 default of the customer and trade (default). The classification of borrower into rating category is determined by a combination of Hard Facts (i.e. financial ratios based on Balance Sheet and Income Statement) and Soft Facts (i.e. non-financial information relating to a borrower's business and its risk characteristics).

Allowances for impairment

The Bank establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The Bank has established a methodology which defines triggers of impairment, receivables in default, their identification, evaluation and subsequent method of calculation of allowances for impairment in compliance with IFRS. The Bank creates portfolio allowances on non-significant receivables, where calculation parameters are revalidated regularly, based on the methodology. Allowances on significant items are created on an individual basis through discounting expected future cash flows using the effective interest rate.

The Bank assesses impairment on off-balance sheet items on an individual basis.

Past due but not impaired loans

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2008

5) FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

Recovery of delinquent receivables

Receivables whose repayment is threatened are administrated by the Legal Department. The Legal Department takes the necessary legal steps to obtain the maximum recovery from default receivables, including realisation of collateral, and acts as a representative of the Bank in creditor committees when the debtor is in bankruptcy.

Write-off policy

The Bank writes off a loan/security balance (and any related allowances for impairment losses) when it determines that the loans/security is uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised loans, charge-off decisions generally are based on a product-specific past due status.

The Bank holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered security over assets, and guarantees. Estimates of collateral's fair values are based on the value of collateral assessed at the time of granting the loan and this estimate of collateral's fair value is re-assessed on the basis of Bank's internal directives, which fully meet the requirements set out in the review of the collateral's value provided in the relevant documents of the National Bank of Slovakia or in the legislation applicable in the Slovak Republic. Collateral, generally, is not held over loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activity. Usually, collateral is not held against investment securities, and no such collateral was held at 31 December 2008 or 2007.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

5) FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

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

Loans and advances to customers		
Sk'000	2008	2007
Against individually impaired loans		
Real estate	1,092,759	50,556
Moveables	-	-
Pledged accounts, term deposits	-	-
Guarantees (bank, state)	-	-
Securities	-	-
Against collectively impaired loans		
Real estate	164,966	369,937
Moveables	1,564	262
Pledged accounts, term deposits	185	211
Guarantees (bank, state)	-	13,396
Securities	-	-
Against neither past due nor impaired loans		
Real estate	14,384,982	10,561,147
Moveables	351,594	20,621
Pledged accounts, term deposits	102,794	62,988
Guarantees (bank, state)	1,030,096	1,381,754
Securities	938,648	1,174,397
Against loans past due and not impaired		
Real estate	92,077	-
Movables	145	-
Pledged accounts, term deposits	435	-
Guarantees (bank, state)	7,458	-
	18,167,703	13,635,269

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

5) FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

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

Sk '000	Loans and advances to customers		Investment securities	
	2008	2007	2008	2007
Services (financial)	11,832,114	10,218,554	2,253,644	3,189,764
Building industry	890,219	1,107,436	-	-
Consumer goods	2,592,674	2,077,536	112,364	30,813
Manufacturing companies	497,090	459,949	-	-
Mass media	433,943	421,780	-	-
Mining industry and power engineering	216,309	117,884	-	-
Private individuals	5,577,095	4,704,118	-	-
Retail and wholesale distribution	5,740,276	5,643,615	-	-
Wood processing industry	486,532	549,531	-	-
Tourism	565,203	110,217	-	-
Transport	949,426	752,324	-	-
Other	304,030	743,573	1,740,010	594,898
	30,084,911	26,906,517	4,106,018	3,815,475

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

Sk '000	Loans and advances to customers		Loans and advances to banks		Investment securities	
	2008	2007	2008	2007	2008	2007
Austria	146	1,835	206,090	-	360,515	443,017
Belgium	56,676	60,038	-	-	452	504
Czech Republic	7,978	2,073	-	-	-	-
France	13,187	18,270	-	-	-	-
Germany	1,035	561	3,013	-	152,072	147,380
Italy	2	2,040	-	-	-	-
Canada	43	5,619	-	-	-	-
Russia	2	1,406	-	-	-	-
Slovakia	29,993,601	26,806,443	2,465,417	619,549	3,590,968	3,222,424
USA	3	4	-	-	2,011	2,150
Other	12,238	8,228	2,394	-	-	-
	30,084,911	26,906,517	2,676,914	619,549	4,106,018	3,815,475

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2008

5) FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

Collateral

Before providing loans to commercial clients, the Bank generally requires collateral. The following collateral types are used:

- o Securities
- o Real estate
- o State and bank guarantees
- o Pledge over moveables
- o Guarantees provided by third parties

The Bank's assessment of the net realisable value of the collateral is based on independent expert appraisals revised by the Bank's specialists, or internal evaluations prepared by the Bank. The net realisable value of collateral is derived from this appraisal using a correction coefficient to reflect the Bank's ability to realise the collateral when needed.

The exposure to the various business segments according to main product types is as follows:

Sk'000	31 December 2008			31 December 2007		
	Gross amount	Impairment allowance	Carrying amount	Gross amount	Impairment allowance	Carrying amount
Mortgage lending	3,971,068	24,771	3,946,297	3,706,877	21,671	3,685,206
Loans to individuals	1,684,625	113,673	1,570,952	919,632	236,281	683,351
Small business loans (Micro)	3,371,121	159,891	3,211,230	2,383,914	121,844	2,262,070
Large loans (Corporate)	21,058,097	332,329	20,725,768	19,896,094	220,518	19,675,576
	30,084,911	630,664	29,454,247	26,906,517	600,314	26,306,203

Settlement risk

The Bank's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of a company to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions, the Bank mitigates this risk by conducting settlements through a settlement/clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual obligations. Settlement limits form part of the credit approval/limit monitoring process.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2008

5) FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk

Liquidity risk is the risk that the Bank will not have sufficient sources necessary for its operating activities.

Management of liquidity risk

The management of liquidity risk is included in the Bank's procedures for managing its assets and liabilities. Procedures include the regular projection and matching of future cash flows according to currencies. The management of the structure of assets and liabilities is the responsibility of the Treasury Division.

Information on cash flows is obtained from the Bank's reporting system, as well as from regular monitoring of cash flows from realised transactions which have an impact on the Bank's liquidity. Liquidity is monitored and managed according to currencies; the most common are the Slovak crown, euro, Czech crown and United States dollar. The Treasury Division ensures optimal coverage of the compulsory minimum reserves account, and in the case of foreign currencies, optimal coverage of the Bank's nostro accounts. This is performed on a daily basis.

Other responsible organisational units participate in the Assets and Liabilities Committee ('ALCO'), which discusses expected future trends in the Bank's assets and liabilities. Committee members provide information on matters which could have an impact on the Bank's liquidity. Reports on the liquidity position of the Bank are produced regularly by the Risk Controlling Department, which is responsible for risk management.

In November 2008, a limit for positions due within 1 month was set by the National Bank of Slovakia, which was subsequently followed by the Bank and which forms the basis for the liquidity risk management process.

Apart from this limit, the Bank has defined internal process for monitoring and evaluation of liquidity ratios to be used for the prediction of negative developments in the liquidity situation, and the results of this monitoring are considered by the ALCO.

The liquidity ratio which is based on the ratio of liquid assets, including off balance sheet assets, to liabilities, including off balance sheet liabilities, for a period of 7 days (its maximum/minimum values) at the reporting date and during the reporting period was as follows:

	31 December 2008 yearly	31 December 2007 yearly
End of period	0.71	0.52
Average for the period	0.58	0.68
Maximum for the period	0.71	0.94
Minimum for the period	0.34	0.52

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

5) FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

The remaining period to maturity of financial assets and liabilities at 31 December 2008 are set out in the following table, which shows the undiscounted cash flows on the basis of their earliest contractual maturity. The Bank's expected cash flows may vary significantly from this analysis. For example, customer account liabilities are expected to maintain a stable or increasing balance:

Sk'000	Within 1 year	1-5 years	More than 5 years	Not specified	Total
Assets					
Cash and cash equivalent	8,106,393	-	-	-	8,106,393
Trading assets	903	9,623	15,113	-	25,639
Derivative assets held for risk management	587,437	2,041	-	-	589,478
Loans and advances to banks	2,676,914	-	-	-	2,676,914
Loans and advances to customers	10,890,116	10,889,685	7,384,119	290,327	29,454,247
Investment securities	1,241,408	2,153,208	679,217	32,185	4,106,018
Investments in associates	-	-	-	195,460	195,460
Deferred tax asset	39,394	-	-	-	39,394
Other assets	80,177	-	-	-	80,177
	23,622,742	13,054,557	8,078,449	517,972	45,273,720
Liabilities					
Derivative liabilities held for risk management	620,746	48,912	-	-	669,658
Deposits by banks	1,663,279	-	-	-	1,663,279
Loans received	34,674	5,463	-	-	40,137
Customer accounts	34,850,446	813,988	-	-	35,664,434
Debt securities issued	785,374	2,918,253	-	-	3,703,627
Corporate income tax payable	108,785	-	-	-	108,785
Other liabilities	161,217	259	-	-	161,476
	38,224,521	3,786,875	-	-	42,011,396

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

5) FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

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

Sk '000	Within 1 year	1-5 years	More than 5 years	Not specified	Total
Assets					
Cash and cash equivalents	6,540,510	-	-	-	6,540,510
Trading assets	-	23,371	-	-	23,371
Derivative assets held for risk management	165,685	-	-	-	165,685
Loans and advances to banks	619,549	-	-	-	619,549
Loans and advances to customers	11,537,572	8,354,733	6,312,566	101,332	26,306,203
Investment securities	386,425	2,647,018	749,655	32,377	3,815,475
Investments in associates	-	-	-	241,889	241,889
Other assets	103,284	-	-	-	103,284
	19,353,025	11,025,122	7,062,221	375,598	37,815,966
Liabilities					
Derivative liabilities held for risk management	140,949	-	-	-	140,949
Deposits by banks	1,573,974	-	-	-	1,573,974
Loans received	75,025	43,534	173	-	118,732
Customer accounts	29,339,858	249,707	-	-	29,589,565
Debt securities issued	20,615	2,980,098	-	-	3,000,713
Corporate income tax payable	54,722	-	-	-	54,722
Deferred tax liability	2,605	-	-	-	2,605
Other liabilities	201,129	-	-	-	201,129
	31,408,877	3,273,339	173	-	34,682,389

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

5) FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

The remaining period to maturity of off-balance sheet items at 31 December 2008 are set out in the following table, which shows the undiscounted cash flows on the basis of their earliest contractual maturity:

Sk'000	Within 1 year	1-5 years	More than 5 years	Not specified	Total
Off-balance sheet					
Guarantees issued to banks	171,565	264,864	1,214	-	437,643
Guarantees issued to customers	1,038,260	172,766	37,659	-	1,248,685
Irrevocable letters of credit	107,619	240,169	-	-	347,788
Confirmed credit lines	9,384,042	-	-	-	9,384,042
	10,701,486	677,799	38,873	-	11,418,158
Cash flows from derivatives – non delivery					
Currency swaps	51,819	-	-	-	51,819
Foreign exchange forwards	18,139	-	-	-	18,139
	69,958	-	-	-	69,958
Cash flows from derivatives – delivery					
Inflow					
Currency swaps	9,777,042	-	-	-	9,777,042
Foreign exchange forwards	91,287	-	-	-	91,287
Options	1,179,880	51,760	-	-	1,231,640
	11,048,209	51,760	-	-	11,099,969
Outflow					
Currency swaps	9,885,355	-	-	-	9,885,355
Foreign exchange forwards	87,206	-	-	-	87,206
Options	1,179,880	51,760	-	-	1,231,640
	11,152,441	51,760	-	-	11,204,201

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

5) FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

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

Sk '000	Within 1 year	1-5 years	More than 5 years	Not specified	Total
Off-balance sheet					
Guarantees issued to banks	1,233	374,236	1,354	-	376,823
Guarantees issued to customers	432,024	126,002	38,309	-	596,335
Irrevocable letters of credit	1,372	107,619	-	-	108,991
Confirmed credit lines	5,839,498	2,119,276	-	-	7,958,774
	6,274,127	2,727,133	39,663	-	9,040,923
Cash flows from derivatives –non delivery					
Currency swaps	(5,431)	-	-	-	(5,431)
Foreign exchange forwards	(20,701)	-	-	-	(20,701)
	(26,132)	-	-	-	(26,132)
Cash flows from derivatives – delivery					
Inflow					
Currency swaps	11,302,958	-	-	-	11,302,958
Foreign exchange forwards	2,298,498	-	-	-	2,298,498
Options	2,423,450	-	-	-	2,423,450
	16,024,906	-	-	-	16,024,906
Outflow					
Currency swaps	11,238,236	-	-	-	11,238,236
Foreign exchange forwards	2,310,448	-	-	-	2,310,448
Options	2,423,247	-	-	-	2,423,247
	15,971,931	-	-	-	15,971,931

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2008

5) FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, as defined by the parent company. The Risk Controlling Department ensures regular control over meeting the parameters set out in Bank's internal guidelines.

The Treasury Division's activities include complying with statutory requirements, liquidity management, covering customer orders (payments, refinancing) and, primarily, the sale of products to Treasury clients. Treasury Division can trade only with those financial instruments (on the regulated markets and through OTC), which have been duly approved under the current process for the introduction of treasury products. The inclusion of transactions in the trading and banking book is based on defined rules and there is a system of internal limits set for positions in the trading and banking book, which is regularly monitored.

Management of market risk

Foreign exchange risk

Foreign exchange risk is defined as the risk of changes in value of certain position as consequence of changes in foreign exchange rates. Foreign exchange risk management is understood as set of rules and activities aimed at minimizing the negative impact of foreign currency fluctuations on the position and profit of the Bank.

The Bank's aim is to maintain an open net foreign currency position within limits defined internally or by the parent company. Limits are set for each individual currency, basket of currencies, as well as for the total foreign currency position of the Bank.

Interest rate risk

Interest rate risk is understood as the risk of (negative) change in the value of positions / portfolios of the Bank due to changes in interest rates. The impact of changes in interest rates on the Bank's positions depends on the overall structure of the balance sheet and off-balance sheet assets and liabilities and the overall structure of interest income and expenses. The principal risk to which non-trading portfolios is exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates.

Interest rate risk is managed by the Treasury Division, which uses various instruments for this purpose, such as investment securities, advances to banks, deposits from banks and derivative instruments, including gap reporting. The Bank's interest rate position is managed by limits set in relation to the Bank's own sources. For positions in individual time periods, weights representing a modified duration for a parallel fall or rise in interest curves by 200 bp are used. This approach was implemented after approval by the parent company in 2007. The final exposure of the Bank is represented by a summary of the weighted positions. For long term positions (over 1 year), a maximum volume of positions is defined. The Bank uses both an internal system and a separate reporting system for continuous monitoring and checking of market risks.

Impact of change in interest on the Bank's equity

	200 bp parallel shift	
	2008	2007
	% of equity	
As 31 December	7.37%	10.18%
Average for the period	9.07%	9.27%
Maximum for the period	12.35%	10.18%
Minimum for the period	4.41%	7.65%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

5) FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (continued)

The quantification of Value at Risk (VAR) for positions managed by the Treasury Division is performed daily by the parent company. The calculation is performed for both foreign exchange and interest rate risk, and the limit system is defined for both the individual areas and for the total position.

In the case of any excess, the Bank is required to analyse the situation and, subsequently, send a written report to the parent company.

For verification of the model in use, backward testing is performed. This includes comparison of VaR values calculated on a daily basis to the trading results achieved within a defined monitoring period.

The model is considered reliable when actual results do not exceed VaR values. Assuming 99% confidence level excesses are not expected to occur more than 2-3 times on a yearly basis.

The Bank had the following foreign currency positions at 31 December 2008:

Sk '000	Euro	US dollar	Other	Slovak crown	Total
Monetary assets					
Cash and cash equivalents	479,322	308,829	171,609	7,146,633	8,106,391
Trading assets	-	-	-	25,639	25,639
Derivative assets held for risk management	-	-	-	589,478	589,478
Loans and advances to banks	5,407	-	-	2,671,507	2,676,914
Loans and advances to customers	5,864,893	93,138	161,794	23,334,422	29,454,247
Investment securities	452	2,011	-	4,103,555	4,106,018
Investments in associates	-	-	-	195,460	195,460
Deferred tax asset	-	-	-	39,394	39,394
Other assets	5,595	938	181	73,463	80,177
	6,355,669	404,916	333,584	38,179,551	45,273,720
Monetary liabilities					
Derivative liabilities held for risk management	-	-	-	669,658	669,658
Deposits by banks	991,293	507	1,620	669,859	1,663,279
Loans received	31,713	-	-	8,424	40,137
Customer accounts	3,874,226	803,243	415,567	30,571,398	35,664,434
Debt securities issued	-	-	-	3,703,627	3,703,627
Corporate income tax payable	-	-	-	108,785	108,785
Other liabilities	37,048	1,112	1,174	122,142	161,476
	4,934,280	804,862	418,361	35,853,893	42,011,396

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

5) FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (continued)

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

Sk'000	Euro	US dollar	Other	Slovak crown	Total
Monetary assets					
Cash and cash equivalents	212,692	175,071	68,466	6,084,281	6,540,510
Trading assets	-	-	-	23,371	23,371
Derivative assets held for risk management	-	-	-	165,685	165,685
Loans and advances to banks	-	-	-	619,549	619,549
Loans and advances to customers	5,058,987	75,034	182,705	20,989,477	26,306,203
Investment securities	504	2,150	-	3,812,821	3,815,475
Investments in associates	-	-	-	241,889	241,889
Other assets	4,525	740	153	97,866	103,284
	5,276,708	252,995	251,324	32,034,939	37,815,966
Monetary liabilities					
Derivative liabilities held for risk management	-	-	-	140,949	140,949
Deposits by banks	42,448	309,623	9,937	1,211,966	1,573,974
Loans received	106,202	-	-	12,530	118,732
Customer accounts	4,148,638	756,851	419,800	24,264,276	29,589,565
Debt securities issued	-	-	-	3,000,713	3,000,713
Corporate income tax payable	-	-	-	54,722	54,722
Deferred tax liability	-	-	-	2,605	2,605
Other liabilities	47,656	1,256	607	151,610	201,129
	4,344,944	1,067,730	430,344	28,839,371	34,682,389

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2008

5) FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Operational risk

The principal objective of operational risk management set by the Bank is to create a continuous and transparent environment and to monitor the potential losses that could arise from weaknesses in procedures, systems or human errors, as well as from external impacts on all of the Bank's operations.

The Bank's management of operational risks aims to implement a standardised approach for the calculation of capital adequacy requirements as established by the national regulator. The use of this approach requires the following criteria to be met:

- operational risk of the Bank is covered by the Bank's own resources,
- development and implementation of procedures for operational risk management.

The overall responsibility for the management of operational risks, including the continuous definition of systems and instruments required for this purpose, is assigned to the Risk Controlling Department, which reports directly to the Board of Directors.

The Bank uses the following methods in the process of risk management:

- 1 identification, monitoring and management of the risk
 - a. collection of data relating to loss-making situations
 - b. risk analysis
 - c. procedures and strategy for maintaining business operations
 - d. information security
 - e. system of internal control
 - f. evaluation of contracts, cooperation with third parties (outsourcing)
 - g. insurance analysis
 - h. education and training within the Bank.
2. reporting:
 - a. internal reporting
 - b. external reporting.

Specialised units, so-called risk owners, are primarily responsible for:

1. identification and documentation of operational risk relevant situations.
2. risk analysis – identification and documentation of relevant procedures, and risk assessment.
3. incentives for documentation of latent risks.
4. risk management
 - a. development of regulations governing management of identified operational risks
 - b. implementation of provisions resulting from procedures for maintaining business operations
 - c. ensuring that all actions resulting from directives, guidelines and instructions are taken
 - d. initiation and implementation of selected provisions.
5. supervision over the results
 - a. implementation supervision
 - b. efficiency supervision.

Retrospective supervision over operational risk management procedures is performed by Internal Control and the Internal Audit Department.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2008

5) FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Capital management

The Bank's regulator, the National Bank of Slovakia ('NBS'), sets and monitors capital requirements.

With effect from 1 January 2008, the Bank adheres to the provisions of the Basel II framework in respect of regulatory capital. The Bank uses the standardised approaches to credit and operational risk management.

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

- Tier 1 capital includes ordinary share capital, share premium, revaluation reserves and reserve funds and other funds created from profit after deduction of losses of the current year, intangible assets and other specified deductible items.
- Tier 2 capital includes items such as additional own funds of high quality (e.g. revaluation reserves not included in Tier 1), equity funds transferred to additional own funds, revaluation funds, perpetual debt securities, excess reserves and specific additional own funds of higher quality and additional own funds of lower quality (e.g. subordinated debt and other specific additional own funds of lower quality) after deduction of items specified in the NBS regulation.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

5) FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Capital management (continued)

There were no significant changes in the Bank's capital management processes, systems, measurement and reporting during the year.

The Bank's regulatory capital position was as follows:

Sk '000	2008	2007
Regulatory capital		
<i>Tier 1 capital</i>		
Ordinary share capital (note 25)	1,000,000	1,000,000
Share premium	1,170,300	1,170,300
Reserve funds and other funds created from profit	237,465	237,465
Retained earnings less current year profit (separate financial statements)	1,350,444	1,161,197
Less: certain intangible assets	(122,741)	(87,012)
Total	3,635,468	3,481,950
<i>Tier 2 capital</i>		
Subordinated debt	-	-
Other reserves	-	-
Total	-	-
Items deductible from the regulatory capital		
Net book value of the Bank's investment in other banks or financial institutions, greater than 10% ownership (note 14)	(30,005)	(30,005)
	3,605,463	3,451,945

Sk '000	2008
Capital ratios	
Equity requirements	
Equity requirements for covering credit risk	2,357,617
Equity requirements for covering market risk	108,395
Equity requirements for covering operational risk	227,927
Total equity requirements	2,693,939
Total regulatory capital expressed as a percentage of risk-weighted assets 8% x (3,605,463/2,693,939)	10.71%
Total tier 1 capital expressed as a percentage of risk-weighted assets 8% x (3,635,468/2,693,939)	10.80%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2008

5) FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Capital management (continued)

Sk '000 Capital ratios	2007
Risk-weighted assets (RWA)	
RWA - weight 20%	780,386
RWA - weight 50%	1,711,257
RWA - weight 100%	22,188,274
<hr/>	
Risk weighted assets in the banking book	24,679,917
Risk weighted assets in the trading book	5,093
Other risk weighted assets	148,750
	24,833,760
<hr/>	
Total regulatory capital expressed as a percentage of risk-weighted assets (3 451 945/24 833 760)	13.90%
<hr/>	
Total tier 1 capital expressed as a percentage of risk-weighted assets (3 481 950/24 833 760)	14.02%

- Year 2008 – the calculation of regulatory capital and capital adequacy is based on decree No. 4/2007 from 13 March 2007, as amended on NBS decree No. 10/2007 and decree No. 17/2008
– the figures for 2008 are derived from preliminary reporting to the NBS
- Year 2007 – the calculation of regulatory capital is based on NBS decree No. 4/2004 from 16 January 2004

Management uses regulatory capital ratios established by the National Bank of Slovakia in order to monitor its capital base. The National Bank of Slovakia's approach to measurement based on Basel II is now primarily concerned with monitoring the relationship of the Capital Resources Requirement (measured as 8 percent of risk-weighted assets) to available capital resources.

Capital allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital, but in some cases the regulatory requirements do not reflect fully the varying degree of risk associated with different activities. In such cases the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes. The process of allocating capital to specific operations and activities is undertaken independently of those responsible for the operation, by Risk Controlling Department, and is subject to review by the Board of Directors.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

6) SEGMENT REPORTING

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

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

Transactions between segments are conducted at arm's length.

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

Business segments

- a) Corporate banking – incorporating direct debt instruments, current accounts, deposits, overdrafts, loans and other credit facilities, foreign currency and derivative products.
- b) Retail banking – incorporating private customer current accounts, deposits, credit and debit cards, consumer loans and mortgages.
- c) Treasury – incorporating T-bills, repo trades with NBS, receivables and commitments with commercial banks, securities, foreign currency and derivative products.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

6) SEGMENT REPORTING (CONTINUED)

Sk'000	Corporate banking 2008	Retail banking 2008	Treasury 2008	Unallocated 2008	Group 2008
Net interest income	419,449	543,200	329,113	4,932	1,296,694
Net fee and commission income	174,419	298,037	1,072	1,440	474,968
Net trading income	-	-	108,365	1	108,366
Loss from associates	-	-	-	(9,027)	(9,027)
Other expenses	55	(9,837)	(1)	(6,628)	(16,411)
Operating income	593,923	831,400	438,549	(9,282)	1,854,590
Administrative expenses	(341,661)	(572,460)	(141,923)	(1,134)	(1,057,178)
Depreciation and impairment losses	(36,922)	(139,447)	(15,652)	(74)	(192,095)
Operating expenses	(378,583)	(711,907)	(157,575)	(1,208)	(1,249,273)
Operating profit before impairment losses on loans and advances	215,340	119,493	280,974	(10,499)	605,317
Impairment losses on loans and advances to customers	(120,021)	(27,773)	-	-	(147,794)
Profit before taxation	95,319	91,720	280,974	(10,490)	457,523
Income tax expense					(155,852)
Profit for the year					301,671
Other information:					
Assets	20,756,192	10,204,249	14,465,825	830,857	46,257,123
Liabilities	9,667,442	22,526,442	2,373,074	7,485,161	42,052,119
Property and equipment additions	3,076	65,374	9,950	153,026	231,426

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

6) SEGMENT REPORTING (CONTINUED)

Sk '000	Corporate banking 2007	Retail banking 2007	Treasury 2007	Unallocated 2007	Group 2007
Net interest income	369,503	556,070	238,972	33	1,164,578
Net fee and commission income	176,675	279,298	298	-	456,271
Net trading income	-	-	91,502	-	91,502
Income from associates	-	-	-	29,777	29,777
Other expenses	(614)	(513)	(142)	(15,537)	(16,806)
Operating income	545,564	834,855	330,630	14,273	1,725,322
Administrative expenses	(273,408)	(636,569)	(100,756)	-	(1,010,733)
Depreciation and impairment losses	(51,906)	(150,196)	(17,140)	-	(219,242)
Operating expenses	(325,314)	(786,765)	(117,896)	-	(1,229,975)
Operating profit before impairment losses on loans and advances	220,250	48,090	212,734	14,273	495,347
Impairment losses on loans and advances to customers	(35,464)	(67,321)	-	-	(102,785)
Profit before taxation	184,786	(19,231)	212,734	14,273	392,562
Income tax expense					(78,553)
Profit for the year					314,009
Other information:					
Assets	19,628,569	7,921,726	10,362,796	865,870	38,778,961
Liabilities	8,877,595	19,902,786	1,833,655	4,112,866	34,726,902
Property and equipment additions	-	878	-	139,910	140,788

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2008

7) CASH AND CASH EQUIVALENTS

Sk'000	2008	2007
Cash and balances at the central bank (note 8)	7,348,557	6,201,023
Loans and advances to banks with original contractual maturity up to 3 months (note 11)	757,836	339,487
	8,106,393	6,540,510

8) CASH AND BALANCES AT THE CENTRAL BANK

Sk'000	2008	2007
<i>Balances with the National Bank of Slovakia:</i>		
Compulsory minimum reserve	2,259,972	311,091
Loans provided to central bank	5,792,438	5,273,177
Other	517,502	123,960
	8,569,912	5,708,228
Less compulsory minimum reserves (note 11)	(2,259,972)	(311,091)
	6,309,940	5,397,137
Cash in hand	1,038,617	803,886
	7,348,557	6,201,023

The compulsory minimum reserve balance is maintained in accordance with the requirements of the National Bank of Slovakia and is not available for day-to-day use.

9) TRADING ASSETS

Sk'000	2008	2007
Trading assets		
Securities – Government bonds	25,639	23,371

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2008

10) DERIVATIVES HELD FOR RISK MANAGEMENT

Sk '000	2008	2007
Derivative assets held for risk management		
Non-trading derivative instruments (a)	589,478	165,685
Derivative liabilities held for risk management		
Non-trading derivative instruments (a)	622,696	131,518
Cash flow hedge:		
Interest rate swaps (b)	46,962	9,431
	669,658	140,949

(a) *Non-trading derivative instruments*

Sk '000	Contract/ notional amount	2008 Fair value		Contract/ notional amount	2007 Fair value	
		Assets	Liabilities		Assets	Liabilities
Interest rate derivatives:						
Interest rate swaps	135,792	1,780	1,665	1,961,534	12,262	3,877
Currency derivatives:						
Currency forwards	1,228,017	71,127	44,959	8,108,551	40,856	63,579
Currency swaps	10,742,559	498,089	557,590	13,437,783	103,212	54,704
Foreign currency options	1,231,640	18,482	18,482	2,423,247	9,355	9,358
		589,478	622,696		165,685	131,518

(b) *Cash flow hedge*

During 2007, the Group entered into interest rate swap agreements with a notional value of Sk 840 million in order to hedge the variable interest rate exposure on issued mortgage bonds (see note 21).

The transfer from hedging reserve to the income statement during the year ended 31 December 2008 was Sk 215 thousand (2007: Sk 184 thousand).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2008

11) LOANS AND ADVANCES TO BANKS

Sk'000	2008	2007
Repayable on demand	320,192	187,707
Other loans and advances by remaining maturity:		
- 3 months or less	443,052	255,502
- 1 year or less but over 3 months	411,534	204,736
Compulsory minimum reserves (note 8)	2,259,972	311,091
	3,434,750	959,036
Less:		
amounts with original contractual maturity up to 3 months (note 7)	(757,836)	(339,487)
	2,676,914	619,549

12) LOANS AND ADVANCES TO CUSTOMERS

Sk'000	2008	2007
Loans and advances to customers	30,084,911	26,906,517
Allowances for impairment	(630,664)	(600,314)
	29,454,247	26,306,203

Impairment on loans and advances

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

Sk'000	2008	2007
Specific allowances for impairment:		
At 1 January	122,014	155,124
Exchange rate movement	7,222	(347)
Charge/(credit) for the year	55,456	(19,333)
Release of impairment losses on loans written-off	-	(40,308)
Re-classification from collective allowances	124,197	26,878
At 31 December	308,889	122,014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2008

12) LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

Sk '000	2008	2007
Collective allowances for impairment:		
At 1 January	478,300	385,061
Exchange rate movement	(12,607)	(385)
Charge for the year	111,655	125,183
Release of impairment losses on loans written-off	(131,376)	(4,681)
Re-classification to specific allowances	(124,197)	(26,878)
At 31 December	321,775	478,300
	630,664	600,314

13) INVESTMENT SECURITIES

Sk '000	2008	2007
<i>Available-for-sale securities</i>		
Equity shares (a)	32,185	32,377
Debt securities (b)	3,848,890	3,439,149
	3,881,075	3,471,526
<i>Investment securities at fair value through profit or loss</i>		
Debt securities – index linked (see note 20)	224,943	343,949
	4,106,018	3,815,475

(a) Equity shares

Name	Activity	Sk '000	2008	2007
RVS, a.s.	Leisure and training centre		4,500	4,500
S.W.I.F.T.	International funds transfer		452	504
Victoria Volksbanken Poistovňa, a.s.	Insurance		25,223	25,223
Mastercard	Credit cards		2,010	2,150
			32,185	32,377

The Bank owns 10% (2007: 10%) of the issued capital of Victoria Volksbanken Poistovňa, a.s. and the holdings in the other companies are all less than 5%. Except for S.W.I.F.T. and Mastercard, which are registered in Belgium and the U.S.A., respectively, all companies are incorporated in the Slovak Republic.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2008

13) INVESTMENT SECURITIES (CONTINUED)

(b) *Debt securities*

Sk '000	2008	2007
Slovak government	1,735,510	2,165,883
Slovak corporates	112,364	30,813
Slovak banks	1,713,372	996,005
Foreign banks	287,644	246,448
	3,848,890	3,439,149

Slovak government bonds totalling Sk 982,591 thousand were provided as collateral to the National Bank of Slovakia for euro currency delivery as at 31 December 2008. The total amount of the euro delivery was repaid in three equal installments ending on 4 February 2009, on which date the collateral was returned.

14) INVESTMENTS IN ASSOCIATES

(a) *Investments in associates*

Sk '000	2008	2007
Shares at cost	30,005	31,555
Share of post-acquisition results and reserves	165,445	210,334
	195,460	241,889

The movements on investments in associates during the year were as follows:

Sk '000	2008	2007
At 1 January	241,889	213,090
Dividends received from VB LEASING SK, spol. s r.o.	(7,773)	-
Increase in investment in VOLKSBANK REALITY, s.r.o. (formerly IMMO-CONTRACT Slovakia s.r.o.)	1,632	476
Transfer on acquisition of control in VOLKSBANK REALITY, s.r.o. (bod 14 (note 14 (b)))	(1,632)	-
Share of (loss)/profit for the year	(9,561)	29,777
Share of risk management revaluation reserve of VB LEASING SK, spol. s r.o.	(29,095)	(1,454)
At 31 December	195,460	241,889

Investments in associates comprises 24% of the issued capital of VB LEASING SK, spol. s r.o., a company incorporated in the Slovak Republic with its registered office at Nám. 1. mája 11, 810 00 Bratislava. VB LEASING SK, spol. s r.o. is engaged in equipment and vehicle leasing.

In 2008, the Bank sold its 22.8% share of the registered capital of Team Nový Dom s.r.o., a real estate management company incorporated in the Slovak Republic with its registered office at Nám. 1. mája 14, 811 06 Bratislava.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

14) INVESTMENTS IN ASSOCIATES (CONTINUED)

(a) *Investments in associates continued*

In November 2008, VOLKSBANK REALITY, s.r.o. ceased to be an associate when the Bank increased its interest in the share capital of that company from 34% to 100% by purchasing the remaining capital. See note 14 (b) below.

Summary of total financial information of the associates (not adjusted for the Group's percentage ownership):

Sk '000	Assets	Liabilities	Equity	Revenues	(Loss)/profit for the year
At 31 December 2008	10,244,022	9,429,606	814,416	335,707	(39,838)
At 31 December 2007	10,784,911	9,787,366	997,545	347,957	114,193

(b) *Acquisition of subsidiary*

On 12 November 2008, the Bank acquired sole ownership and control of VOLKSBANK REALITY, s.r.o. by purchasing the remaining 66% of the company's share capital at a cost Sk 535 thousand (see note 1).

15) INVESTMENT PROPERTY

Sk '000	Land	Building	Total
At 1 January 2007	1,486	25,514	27,000
Fair value adjustment	-	-	-
At 31 December 2007	1,486	25,514	27,000
Fair value adjustment	-	1,966	1,966
At 31 December 2008	1,486	27,480	28,966

The carrying amount of the investment property is the fair value of the property as determined by a registered appraiser. The appraisal was made having regard to recent market transactions for similar properties in the same location as the Group's investment property.

Sk '000	2008	2007
Revenues from investment property rental	1,362	1,028

The investment property is an office building which is substantially leased to third parties. Leases are entered into for indefinite periods and no contingent rents are charged.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

16) PROPERTY AND EQUIPMENT

Sk '000	Land and buildings	Furniture fittings and equipment	Motor vehicles	Software	Assets not yet in use	Total
Cost						
At 1 January 2007	801,291	981,434	46,146	312,849	24,798	2,166,518
Additions	-	-	-	-	140,788	140,788
Transfers	6,502	40,202	5,672	44,514	(96,890)	-
Disposals	(3,211)	(34,907)	(7,517)	(87)	-	(45,722)
At 31 December 2007	804,582	986,729	44,301	357,276	68,696	2,261,584
At 1 January 2008	804,582	986,729	44,301	357,276	68,696	2,261,584
Additions	590	544	479	-	229,813	231,426
Transfers	35,281	88,239	5,333	90,105	(218,958)	-
Disposals	(33,609)	(110,382)	(6,353)	(422)	-	(150,766)
At 31 December 2008	806,844	965,130	43,760	446,959	79,551	2,342,244
Accumulated depreciation and impairment losses						
At 1 January 2007	200,151	714,231	31,817	203,465	-	1,149,664
Charge for the year	38,414	106,264	5,645	51,538	-	201,861
Net impairment losses	8,125	8,895	-	361	-	17,381
Disposals	(1,261)	(34,452)	(7,517)	(87)	-	(43,317)
At 31 December 2007	245,429	794,938	29,945	255,277	-	1,325,589
At 1 January 2008	245,429	794,938	29,945	255,277	-	1,325,589
Charge for the year	38,633	86,197	5,759	61,506	-	192,095
Disposals	(15,519)	(107,632)	(6,304)	(422)	-	(129,877)
At 31 December 2008	268,543	773,503	29,400	316,361	-	1,387,807
Net book value						
At 31 December 2007	559,153	191,791	14,356	101,999	68,696	935,995
At 31 December 2008	538,301	191,627	14,360	130,598	79,551	954,437

The Group's buildings and equipment are insured against fire, burglary, floods and storms, and are insured for the replacement value as at 31 December of the respective period. The insurance premium is calculated based on the acquisition price as at 31 December of the previous period.

The Group has motor insurance for fire, theft and other risks to motor vehicles („KASKO“) as well as compulsory car insurance.

The Group's software is not insured.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

17) CORPORATE INCOME TAX

Sk '000	2008	2007
Tax for the current year (note 35)	192,803	83,926
Tax prepayments	(84,018)	(29,204)
Corporate income tax payable	108,785	54,722

18) DEPOSITS BY BANKS

Sk '000	2008	2007
Repayable on demand	548,152	162,009
Deposits by banks with remaining maturity:		
- 3 months or less	908,896	1,411,965
- 1 year or less but over 3 months	206,231	-
	1,663,279	1,573,974

19) LOANS RECEIVED

Sk '000	2008	2007
European Bank for Reconstruction and Development	31,713	106,202
Slovenská záručná a rozvojová banka, a.s.	8,424	12,530
	40,137	118,732

20) CUSTOMER ACCOUNTS

Sk '000	2008	2007
Customer accounts at fair value through profit or loss	224,529	343,063
Customer accounts at amortised cost	35,439,905	29,246,502
	35,664,434	29,589,565

Customer accounts are designated at fair value through profit or loss when the future cash flows are linked to equity indices (see also note 13).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2008

20) CUSTOMER ACCOUNTS (CONTINUED)

The remaining maturity of customer accounts was as follows:

Sk '000	2008	2007
Repayable on demand	16,583,342	15,979,532
Other deposits with contractual maturity dates or periods of notice, by remaining maturity:		
- 3 months or less	13,130,869	10,854,135
- 1 year or less but over 3 months	5,136,235	2,506,191
- 5 years or less but over 1 year	813,988	249,707
	35,664,434	29,589,565

21) DEBT SECURITIES ISSUED

Sk '000	2008	2007
Mortgage bonds		
Issue 1	753,573	754,231
Issue 2	494,297	490,713
Issue 3	432,164	432,353
Issue 4	464,492	463,940
Issue 5	387,749	387,546
Issue 6	471,762	471,930
Issue 7	498,453	-
Issue 8	201,137	-
	3,703,627	3,000,713

Issue 1 comprises 7,500 mortgage bonds with a nominal value of Sk 100 thousand each, which were issued on 30 November 2004, at an issue price at 100.439% of nominal value with a coupon of 4.6% per annum. The mortgage bonds will be redeemed on 30 November 2009 from repayments of mortgage loans provided to customers.

Issue 2 comprises 5,000 mortgage bonds with a nominal value of Sk 100 thousand each, which were issued on 1 December 2005, at an issue price at 96.418% of nominal value with a coupon of 3.00% per annum. The mortgage bonds will be redeemed on 1 December 2010 from repayments of mortgage loans provided to customers.

Issue 3 comprises 4,300 mortgage bonds with a nominal value of Sk 100 thousand each, which were issued on 1 December 2006, at an issue price at 100.22% of nominal value with a coupon of 4.50% per annum. The mortgage bonds will be redeemed on 1 December 2011 from repayments of mortgage loans provided to customers.

Issue 4 comprises 4,600 mortgage bonds with a nominal value of Sk 100 thousand each, which were issued on 28 March 2007, at an issue price at 99.65% of nominal value with a floating rate coupon (as of 31 December 2008: 4.56% per annum). The mortgage bonds will be redeemed on 28 March 2012 from repayments of mortgage loans provided to customers.

Issue 5 comprises 3,800 mortgage bonds with a nominal value of Sk 100 thousand each, which were issued on 20 July 2007, at an issue price at 100% of nominal value with a floating rate coupon (as of 31 December 2008: 4.56% per annum). The mortgage bonds will be redeemed on 20 July 2012 from repayments of mortgage loans provided to customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

21) DEBT SECURITIES ISSUED (CONTINUED)

Issue 6 comprises 4,700 mortgage bonds with a nominal value of Sk 100 thousand each, which were issued on 28 November 2007, at an issue price at 100% of nominal value with a floating rate coupon (as of 31 December 2008: 4.09% per annum). The mortgage bonds will be redeemed on 28 November 2010 from repayments of mortgage loans provided to customers.

Issue 7 comprises 4,900 mortgage bonds with a nominal value of Sk 100 thousand each, which were issued on 28 May 2008 at an issue price at 98.91% of nominal value with a coupon of 4.4% per annum. The mortgage bonds will be redeemed on 28 May 2011 from repayments of mortgage loans provided to customers.

Issue 8 comprises 2,000 mortgage bonds with a nominal value of Sk 100 thousand each which were issued on 26 November 2008 at an issue price of 100% of nominal value with a coupon of 5.76% per annum valid for the first period and with a floating rate coupon valid thereafter to redemption. The mortgage bonds will be redeemed on 15 October 2013 from repayments of mortgage loans provided to customers.

22) PROVISIONS

Sk '000	At 1 Jan 2008	(Release)/charge for the year	At 31 Dec 2008
Litigations and claims (note 32)	40,119	(12,523)	27,596
Severance obligations (note 33)	4,394	112	4,506
Anniversaries (note 33)	-	8,621	8,621
	44,513	(3,790)	40,723

23) DEFERRED TAX

Deferred tax related to the following items:

Sk '000	Assets		Liabilities		Net	
	2008	2007	2008	2007	2008	2007
Loans and advances to customers	25,139	-	-	(2,861)	25,139	(2,861)
Investment securities	683	2,838	-	-	683	2,838
Derivatives held for risk management	7,056	-	-	(148)	7,056	(148)
Investment property	-	-	(551)	(216)	(551)	(216)
Property and equipment	-	-	(5,903)	(3,238)	(5,903)	(3,238)
Other liabilities	12,722	887	-	-	12,722	887
Other assets	248	133	-	-	248	133
Deferred tax asset/(liability)	45,848	3,858	(6,454)	(6,463)	39,394	(2,605)

Deferred tax was calculated using a corporate income tax rate of 19% for the year ended 31 December 2008 (2007: 19%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2008

23) DEFERRED TAX (CONTINUED)

The movements on deferred tax were as follows:

Sk '000	2008	2007
At 1 January	(2,605)	(17,306)
Charge to income statement (note 35)	36,951	5,629
Charge to revaluation reserve in equity	5,048	9,072
At 31 December	39,394	(2,605)

24) OTHER LIABILITIES

Sk '000	2008	2007
Liabilities to employees	57,182	58,833
Other taxes	16,299	23,943
Social and health insurance	39	9,736
Other creditors	69,549	92,240
Accrued expenses and deferred income	13,490	12,817
Other	4,917	3,560
	161,476	201,129

Social fund:

Sk '000	2008	2007
At 1 January	2,180	1,655
Creation	4,537	4,162
Withdrawals	(3,196)	(3,665)
At 31 December	3,521	2,152

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

25) SHARE CAPITAL

Sk '000	2008	2007
Issued and fully paid:		
89,550 ordinary shares of 5,600 Sk each	501,480	501,480
99,704 preference shares of 5,000 Sk each	498,520	498,520
	1,000,000	1,000,000

The rights of ordinary shareholders are as described in the Slovak Commercial Code. Preference shareholders have priority claims in relation to dividends but are not entitled to vote at the General Meeting of shareholders unless no preference dividends are declared or the dividends are overdue. These voting rights commence from either the day following the General Meeting or from when the dividends are overdue until preference dividends are declared or paid. When entitled, the preference shareholders may vote on declaration of the preference dividend.

On approval of the payment of dividends by the General Meeting, the profit must be divided among the shareholders according to the ratio of the nominal value of shares to total share capital. The preference dividend should be at least 1% higher, expressed as a percentage of the nominal value of the preference shares, compared to the ordinary dividend expressed as a percentage of the nominal value of the ordinary shares.

26) RESERVES

Sk '000	Retained earnings	Legal reserve fund	Revaluation reserve	Hedging reserve	Other reserves	Total
At 1 January 2008	1,657,217	202,959	(12,097)	(826)	34,506	1,881,759
Net profit from available-for-sale assets (a)	-	-	9,185	-	-	9,185
Net loss from hedge derivatives	-	-	-	(30,707)	-	(30,707)
Dividends (c)	(94,985)	-	-	-	-	(94,985)
Share of derivatives held for risk management of associates, net of tax	-	-	-	(29,095)	-	(29,095)
Other	(3,124)	-	-	-	-	(3,124)
Profit for 2008 (d)	301,671	-	-	-	-	301,671
At 31 December 2008	1,860,779	202,959	(2,912)	(60, 628)	34,506	2,034,704

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

26) RESERVES (CONTINUED)

(a) *Revaluation reserve*

The revaluation reserve includes the cumulative net change in the fair value of available-for-sale investment securities until the investment is derecognised or impaired. The cumulative gain of Sk 27,339 thousand which was previously recognised in equity was included in the income statement during 2008 (2007: nil).

(b) *Legal reserve fund*

Under the Slovak Commercial Code, all companies are required to maintain a legal reserve fund to cover future adverse financial conditions. The Bank is obliged to contribute an amount to the fund each year which is not less than 10% of its annual net profit until the aggregate amount reaches a minimum level equal to 20% of the registered share capital. The legal reserve fund reached the required amount in 2006. The legal reserve fund is not readily distributable to shareholders.

(c) *Dividends*

The General Meeting of shareholders held on 19 May 2008 approved the payment of the following dividends:

Sk '000	From profit for the year 2007:
From profit for the year 2007:	
<i>Ordinary shares:</i>	
Dividend of Sk 504 per share	45,133
<i>Preference shares:</i>	
Dividend of Sk 500 per share	49,852
	94,985

(d) *Proposed allocation of profit*

The Directors will propose the following allocation of the statutory profit of the Bank for the year ended 31 December 2008:

Sk '000	
Dividends	-
Transfer to retained earnings	317,010
	317,010

(e) *Other reserves*

These reserves are not distributable to shareholders.

27) OFF BALANCE SHEET ITEMS

Sk '000	2008	2007
Guarantees and irrevocable letters of credit	2,034,116	1,082,149
Loan commitments	9,384,042	7,958,774
	11,418,158	9,040,923

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2008

28) INTEREST INCOME

Sk '000	2008	2007
Loans and advances to banks	243,370	304,192
Loans and advances to customers	1,721,560	1,392,581
Debt securities	166,575	159,698
	2,131,505	1,856,471

Interest income for the year ended 31 December 2008 includes interest of Sk 23,535 thousand accrued on impaired financial assets (2007: Sk 22,354 thousand).

Interest income from financial assets which are not carried at fair value through profit or loss amounted to Sk 2,120,106 thousand for the year ended 31 December 2008 (2007: Sk 1,852,624 thousand).

29) INTEREST EXPENSE

Sk '000	2008	2007
Deposits by banks	64,906	65,359
Loans received	3,728	3,987
Customer accounts	610,787	525,754
Debt securities	155,386	96,793
Other liabilities	4	-
	834,811	691,893

Interest expense on financial liabilities, which are not carried at fair value through profit or loss, amounted to Sk 825,084 thousand for the year ended as at 31 December 2008 (2007: Sk 688,695 thousand).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2008

30) NET FEE AND COMMISSION INCOME

Sk '000	2008	2007
Fee and commission income		
Loans	43,183	42,019
Securities and custody business	12,249	17,089
Payment transactions	404,157	380,370
Foreign exchange	46,088	37,085
Other	73,067	72,378
	578,744	548,941
Fee and commission expense		
Lending business	(7,253)	(8,626)
Securities and custody business	(8,817)	(9,780)
Payment transactions	(15,993)	(15,771)
Foreign exchange	(601)	(739)
Other	(71,112)	(57,754)
	(103,776)	(92,670)
Net fee and commission income	474,968	456,271

31) NET TRADING INCOME

Sk '000	2008	2007
Trading securities	30,481	(490)
Foreign currency derivatives	70,926	85,720
Interest rate derivatives	8,063	5,298
Financial assets at fair value through profit or loss	(1,104)	974
	108,366	91,502

32) OTHER EXPENSES

Sk '000	2008	2007
<i>Other (cost)/income:</i>		
Gain on sale of property and equipment	471	904
Other taxes and fees	(1,451)	(2,614)
Other costs	(35,883)	(15,826)
Other income	7,929	8,351
Litigations and claims (note 22)	12,523	(7,621)
	(16,411)	(16,806)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

33) ADMINISTRATIVE EXPENSES

Sk '000	2008	2007
<i>Personnel expenses:</i>		
Wages and salaries	397,638	386,223
Other employee benefits	10,099	8,550
Social insurance, social fund	100,616	91,526
Provision for severance obligations and anniversaries (note 22)	8,733	68
	517,086	486,367
<i>Other administrative expenses:</i>		
Services related to buildings	130,992	105,448
Cost of materials and communication	58,185	45,826
Marketing and representation	36,268	52,384
Training	13,249	13,996
Professional services	67,066	55,724
IT services	139,596	100,323
Other costs	94,736	150,665
	540,092	524,366
	1,057,178	1,010,733

The average number of employees during the year was 651 (2007: 653), of which 18 were members of management (2007: 18).

Services provided by the statutory auditor during the year were as follows:

Sk '000	2008	2007
Statutory audit	5,525	5,346
Other assurance services	888	1,332
Tax advisory	119	50
Other	961	582
	7,493	7,310

34) IMPAIRMENT LOSSES ON LOANS AND ADVANCES TO CUSTOMERS

Sk '000	2008	2007
Charge for the year (note 12)	(167,111)	(105,850)
Losses on sold receivables and write-offs	(27,993)	(1,795)
Income from sold receivables and recoveries	47,310	4,860
	(147,794)	(102,785)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2008

35) INCOME TAX EXPENSE

Sk'000	2008	2007
<i>Current tax expense:</i>		
Current year (note 17)	192,803	83,926
Underprovision in respect of previous year	-	256
	192,803	84,182
<i>Deferred tax:</i>		
Deferred tax (note 23)	(36,951)	(5,629)
	155,852	78,553

The accounting profit before taxation at tax rate is reconciled to the tax expense as follows:

Sk'000	Tax base 2008	Tax at 19% 2008	Tax base 2007	Tax at 19% 2007
Profit before taxation	457,523	86,929	392,562	74,587
<i>Non-taxable income:</i>				
Tax adjustments due to transformation to IFRS	-	-	(13,882)	(2,638)
Release of provision for litigation and claims	(12,523)	(2,379)	-	-
Tax exempt income from equity interests	(7,810)	(1,484)	(39)	(7)
Other	(497)	(95)	(5,912)	(1,123)
		(3,958)		(3,768)
<i>Tax non-deductible expenses:</i>				
Representation expenses	11,998	2,280	7,715	1,466
Impairment loss allowances	204,474	38,850	-	-
Litigations and claims	-	-	7,621	1,448
Losses on write-offs and sold receivables	115,513	21,947	1,530	291
Gifts	224	42	539	102
Penalties	62	12	140	26
Motor vehicles	367	70	436	83
Damages and other losses	21,584	4,101	12,730	2,419
Other	29,359	5,579	8,647	1,643
		72,881		7,478
Underprovision in respect of previous year		-		256
Total income tax expense		155,852		78,553
Effective tax rate		32.96%		20.01%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

36) EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing the net profit attributable to holders of ordinary shares by the weighted average number of ordinary shares in issue during the year.

Sk '000	2008	2007
Profit before taxation	457,523	392,562
Adjusted by:		
Income tax payable	(155,852)	(78,553)
Profit attributable to preference shareholders of the Bank	(152,890)	(159,040)
Profit attributable to ordinary shareholders of the Bank	148,781	154,969
Weighted average number of ordinary shares in issue	89,550	89,550
Basic earnings per share (expressed in Sk per share)	1,661	1,731

Diluted

There are no dilutive factors.

37) PROFIT BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES

Sk '000	2008	2007
Profit before taxation	457,523	392,562
Adjustments for non-cash items:		
Depreciation and impairment losses	192,095	219,242
Impairment losses on loans and advances to customers	167,111	107,645
Provisions	(3,790)	7,689
Loss/(income) relating to associates	7,481	(29,777)
Net loss on disposal of property and equipment	9,614	1,501
Fair value adjustment on investment property	(1,966)	-
Revaluation of financial assets and liabilities at fair value through profit or loss	1,104	(973)
	829,172	697,889

Sk '000	2008	2007
Net cash from operating activities includes the following cash flows:		
Interest received	2,110,712	1,876,925
Interest paid	(761,788)	(648,230)
	1,348,924	1,228,695

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

38) LEASE COMMITMENTS

At 31 December 2008, non-cancellable commitments under operating leases of 1 year or less were Sk 58,686 thousand (2007: Sk 59,723 thousand), of 1-5 years were Sk 172,182 thousand (2007: Sk 190,306 thousand) and of more than 5 years were Sk 74,263 thousand (2007: Sk 105,294 thousand).

39) RELATED PARTY TRANSACTIONS

The Group was engaged in the normal course of business in transactions with other members of the Volksbank Group and related parties. These transactions, which include the taking and placing of deposits, foreign currency operations and the provision of management and technology services, are conducted on an arm's length basis.

Parties with controlling influence

Österreichische Volksbanken Aktiengesellschaft
Volksbank International AG

Parties with significant influence

The Group has no relationship with any parties holding significant influence.

Associates

VB LEASING SK, spol. s r.o. (to November 2008)
VOLKSBANK REALITY, s.r.o. (pôvodne IMMO-CONTRACT Slovakia, s.r.o.) (to November 2008)
Team Nový Dom s.r.o. (to August 2008)

Key management

Board of Directors (see note 1)
Supervisory Board (see note 1)

(a) Parties with controlling influence

Sk '000	2008	2007
<i>Amounts due from/(due to) Volksbank International AG at 31 December were as follows:</i>		
Loans and advances to customers	-	904
Customer accounts	(20,092)	(30,825)
Other expenses	(66,260)	(77,656)
Guarantees received	91,815	-
<i>Amounts due from/(due to) Österreichische Volksbanken Aktiengesellschaft at 31 December were as follows:</i>		
Loans and advances to customers	456,230	457,923
Customer accounts	(1,322,125)	(25,775)
Interest income	5,316	9,199
Interest expense	(28,970)	(7,541)
Fees and commissions income	2	218
Fees and commissions expense	(12,444)	(14,906)
Other expenses	-	(23)
Guarantees received	347,163	473,845

The Group has no contingent liabilities with related parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

39) RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Associates

Sk '000	2008	2007
Loans and advances to customers	213,384	367,995
Customer accounts	(33,729)	(47,736)
Interest income	11,708	63,233
Interest expense	(125)	(6,764)
Fee and commission income	2,799	2,239
Fee and commission expense	(34)	(19)
Other income	1,548	1,709
Other expenses	(18)	(702)

(c) Key management

Sk '000	2008	2007
Assets		
Board of Directors	-	-
Management	16,219	10,063
Supervisory Board	-	-
Others	2,196	2,405
	18,415	12,468
Former Board members	4,925	5,712
	23,340	18,180
Liabilities		
Board of Directors	(7,248)	203
Management	(22,981)	23,184
Supervisory Board	(2,468)	2,294
Others	(3,545)	3,902
	(36,242)	29,583
Remuneration		
Board of Directors	22,685	22,891
Management	37,071	36,277
Supervisory Board	-	-
	59,756	59,168
Former Board members	-	20,904
	59,756	80,072

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2008

40) CUSTODIAL SERVICES

The Group administers securities and other valuables totalling Sk 3,097 million (2007: Sk 2,553 million) on behalf of customers.

41) FAIR VALUES

Fair value is the amount at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The estimated fair values of the Group's financial assets and liabilities at year end were as follows:

Sk '000	Carrying value 2008	Fair value 2008	Carrying value 2007	Fair value 2007
Financial assets				
Cash and cash equivalents	8,106,393	8,106,393	6,540,510	6,540,510
Trading assets	25,639	25,639	23,371	23,371
Derivative assets held for risk management	589,478	589,478	165,685	165,685
Loans and advances to banks	2,676,914	2,676,914	619,549	619,549
Loans and advances to customers	29,454,247	27,500,007	26,306,203	26,306,203
Investment securities	4,106,018	4,106,018	3,815,475	3,815,475
Investments in associates	195,460	195,460	241,889	241,889
Investment property	28,966	28,966	27,000	27,000
Other assets	80,177	80,177	103,284	103,284
Financial liabilities				
Derivative liabilities held for risk management	669,658	669,658	140,949	140,949
Deposits by banks	1,663,279	1,663,279	1,573,974	1,573,974
Loans received	40,137	39,754	118,732	115,418
Customer accounts	35,664,434	35,625,471	29,589,565	29,571,863
Debt securities issued	3,703,627	3,744,244	3,000,713	2,631,830
Other liabilities	161,476	161,476	201,129	201,129

The following methods and assumptions were used in estimating the fair values of the Group's financial assets and liabilities:

Cash and cash equivalents

The fair values of cash and balances with central banks approximate to the book values.

Trading assets

Trading assets are stated at quoted market prices.

Derivative assets held for risk management

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

41) FAIR VALUES (CONTINUED)

Loans and advances to banks

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

Loans and advances to customers

Loans and advances to customers are stated net of impairment losses. For loans and advances to customers with a remaining maturity of less than three months, it is reasonable to use the book value as an approximation of the fair value. The fair values of other loans and advances to customers are calculated by discounting future cash flows using current interest rates and taking into account the risk margin.

Investment securities

Debt securities and equity shares available for sale as well as financial assets at fair value through profit or loss are stated at quoted market prices or at net present value. The net present value of securities is calculated by discounting future cash flows using spot reference capital market interest rates for the relevant maturity period.

Investments in associates

The Group's share of the associates' net asset value is used as an approximation of fair value.

Investment property

Investment property is stated at market value (see note 15).

Other assets

The fair value of other assets approximates to book value as the remaining maturity is less than one year.

Derivative liabilities held for risk management

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

Deposits by banks

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

Loans received

For amounts with a remaining maturity of less than one year, it is reasonable to use book value as an approximation of fair value. The fair values of other loans received are calculated by discounting the future cash flows using current interbank rates.

Customer accounts

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

Customer accounts with cash flows linked to equity indices are stated at fair value through profit or loss. Valuations are obtained from the movements in the relevant indices.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2008

41) FAIR VALUES (CONTINUED)

Debt securities issued

The fair value of debt securities issued is calculated by discounting the future cash flows using current market rates.

Other liabilities

As the other liabilities are short-term in nature, their fair value approximates to the carrying value.

42) SUBSEQUENT EVENTS

On 1 January 2009, Slovakia joined the Euro Area and adopted the euro to replace the Slovak crown. Accordingly, with effect from that date, the Group will prepare financial statements and maintain its accounting records in euro. The financial statements for the year ended 31 December 2009 will include comparative figures for 2008 translated into euro using the conversion rate of 1 euro to 30.126 Slovak crowns.

SUPPLEMENTARY AUDITORS' REPORT ON THE AUDIT OF THE CONSISTENCY OF THE ANNUAL REPORT



Supplementary auditors' report on the audit of the consistency of the annual report with the separate financial statements and consolidated financial statements

We have audited the consistency of the annual report with the separate financial statements and consolidated financial statements in accordance with the Act on Accounting.

The accuracy of the annual report is the responsibility of the management. Our responsibility is to audit the consistency of the annual report with the separate financial statements and consolidated financial statements, based on which we are required to issue a supplementary report to the auditors' report on the consistency of the annual report with the separate financial statements and the consolidated financial statements.

We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the information presented in the annual report, which is also presented in the separate financial statements and in the consolidated financial statements, is consistent, in all material respects, with the relevant separate financial statements and consolidated financial statements.


We have reviewed the consistency of the information presented in the annual report on pages 19 – 160 with the information presented in the separate financial statements and the consolidated financial statements as of 31 December 2008. We have not audited any data or information other than the accounting information obtained from the separate financial statements and the consolidated financial statements and accounting books. We believe that the audit performed provides a sufficient and appropriate basis for our opinion.

In our opinion, the accounting information presented in the annual report is consistent, in all material respects, with the separate financial statements as of 31 December 2008 and the consolidated financial statements as of 31 December 2008, presented on pages 19 – 160 of the annual report.

12 May 2009
Bratislava, Slovak Republic

Audit firm:
KPMG Slovensko spol. s r. o.
Licence SKAU No. 96




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

REPORT OF SUPERVISORY BOARD

Report of Supervisory Board

- I. In its operations, the Supervisory Board of VOLKSBANK Slovensko, a.s. (hereinafter referred to as "the Company") acted in accordance with the legal regulations applicable in the Slovak Republic, the Articles of Association of the Company, the Rules of Procedure of the Supervisory Board, as well as the requirement to address Company-related topical issues.

In 2008, the Supervisory Board of VOLKSBANK Slovensko, a.s., held four meetings. In its meetings, it was informed of the updated results of the Company's business activity, the fulfilment of the Company's operational plan, transactions performed with the approval of the Board of Directors, the status of bad debts, risk management, etc.

In its meetings, the Supervisory Board approved the Annual Report of the Head of the Internal Control and Audit Staff Unit for 2007, reviewed and approved the plan of the Internal Control and Audit Staff Unit for 2008, reviewed and approved the separate and individual Financial Statements for 2007, reviewed and approved the presentation of the proposal of the Board of Directors for distribution of the Company's FY 2007 net profit to the Company's Annual General Meeting. In addition, the Supervisory Board approved the appointment of a new member to the Company's Board of Directors, as well as the Appointment Contract of the new member of the Board, approved the new organizational structure of the Company and accorded procuracy to selected employees of the Company. The Supervisory Board also approved the planned budget of the Company for 2008, established the Audit Committee, reviewed and approved credits and loans subject to approval by the Supervisory Board, approved the Company's risk strategy, approved the issue of mortgage letters of credit, acquisition and the sale of the Company's stock

- II. In its meeting on 29 April 2009, the Supervisory Board reviewed the individual and consolidated Financial Statements for the FY 2008, as submitted, and, pursuant to §198 of the Commercial Code and § 20 Clause. 4 of the Articles of Association of the Company, unanimously approved the individual and consolidated Financial Statements for the FY 2008, which were confirmed by the auditor, KPMG Slovensko spol. s.r.o.

The Supervisory Board **agreed** that, at the Annual General Meeting of VOLKSBANK Slovensko, a.s., to be held on 29 April 2009, the Board of Directors should present the following proposal for the distribution of

net earnings of VOLKSBANK Slovensko, a.s. for 2008

amounting to	SKK	317,010,054.76
• to the reserve fund	SKK	0,00
• to dividend payout	SKK	0,00
of which ordinary shares (SKK 0,00/Aktie)	SKK	0,00
and preferred shares (SKK 0,00/Aktie)	SKK	0,00
• to retained earnings	SKK	317,010,054.76

DECLARATION ON THE CORPORATE GOVERNANCE OF VOLKSBANK SLOVENSKO, A.S.

VOLKSBANK Slovensko, pursuant to Article 20, § 6 and 7 of the Act No. 431/2002 Coll., on Accounting, and pursuant to the Corporate Governance Code of Slovakia issued by the Central European Corporate Governance Association, of which VOLKSBANK Slovensko is a member, hereby publishes the Declaration on Corporate Governance of VOLKSBANK Slovensko, a.s.

VOLKSBANK Slovensko is governed and managed by the legislation relevant to the area of banking and financial markets in the Slovak Republic. The essential legislative regulations for the activities pursued thereof are the Bank Law ¹ and the Act on Securities and Investment Services.²

VOLKSBANK Slovensko, according to the available information, meets all the conditions indicated in the Corporate Governance Code in Slovakia. The wording of the Code is accessible on the webpage of the Central European Association for Administration and Management of Companies at www.cecga.com.

System of Internal Control and Risk Management

The System of Internal Control of VOLKSBANK Slovensko, pursuant to the Bank Law³, consists of control processes and control activities, which are part of the operational work procedures and are performed by the employees and organization units, participating in the individual procedures. The managers of these organization units or personnel authorized by them are responsible for control processes and their results.

The control independent of the operational work procedures is performed by the independent unit of internal control and audit which, above all, controls the adherence to law and other generally binding legal regulations, internal regulations and procedures within VOLKSBANK Slovensko; above all, it assesses and evaluates the functionality and effectiveness of the control system, system of risk management and the system of evaluation of Internal Capital Adequacy, as well as the fulfilment of the requirements of own resources, cash-flow and adherence to restrictions of capital involvement.

The System of Risk management in VOLKSBANK Slovensko, pursuant to the Bank Law³, consists of the specialized operations, processes and instruments intended for risk identification, monitoring and management, covering the market, credit and operational risks. The main objective of these structures is, above all, the identification and assessment of individual types of risk. The identification and evaluation allow risk management and thereby preclude losses and damages in the operation of VOLKSBANK Slovensko.

The systems, processes and instruments intended for the performance of internal control and risk management are incorporated in the regulatory acts of VOLKSBANK Slovensko. The regulatory acts are regularly updated, whereby ensuring implementation of new instruments for the performance of internal control and risk management.

¹ Act No. 483/2001 Coll. On banks and on changes and amendments to related laws in the wording of subsequent regulations..

² Act No. 566/2001 Coll., On securities and investment services and on changes and amendments to related laws.

³ Article 23 of Act No. 483/2001 Coll. On banks and on changes and amendments to related laws in the wording of subsequent regulations..

DECLARATION ON THE CORPORATE GOVERNANCE OF VOLKSBANK SLOVENSKO, A.S. (CONTINUED)

Information on the Composition and Activities of the General Meeting

The General Meeting of VOLKSBANK Slovensko is the supreme body of VOLKSBANK Slovensko. The right to attend its meetings is granted to all shareholders. The Composition of the General Meeting of VOLKSBANK Slovensko is part of the Annual Report herein.

The Board of Directors of VOLKSBANK Slovensko is obliged to convene an ordinary General Meeting every year, no later than within 5 months of the end of the calendar year, unless the valid legal regulations state otherwise.

The General Meeting of VOLKSBANK Slovensko decides about all affairs concerning VOLKSBANK Slovensko, unless the Articles of Association or legal regulations transfer the authority to other bodies of VOLKSBANK Slovensko.

The exclusive authority of the General Meeting includes the following tasks:

- a) to approve and amend the Articles of Association of VOLKSBANK Slovensko
- b) to increase or decrease the registered capital of VOLKSBANK Slovensko
- c) to amend the rights associated with individual types of shares
- d) to determine on the dissolution of VOLKSBANK Slovensko
- e) to elect and recall the Supervisory Board members of VOLKSBANK Slovensko in proportion as specified hereto,
- f) to approve the individual or extraordinary individual financial statements and decide on profit sharing (the use of bottom line profits) or loss covering, as well as to determine the Directors' fees
- g) to determine on the issue of bonds
- h) to decide to cease trading in the shares of VOLKSBANK Slovensko, and decide to delist VOLKSBANK Slovensko from the Stock Exchange
- i) to decide to authorize the Board of Directors of VOLKSBANK Slovensko to increase the registered capital, pursuant
- j) to valid legislation and regulations
- k) to decide upon a contract on the transfer of a company or part of a company.

The Shareholders of VOLKSBANK Slovensko, depending on the proportion of their equity participation, shall be entitled to take part in the management of the company, in its profits (dividends) and in its liquidation proceeds, in the event that it is dissolved by liquidation. Shareholders shall exercise their essential rights to which they are entitled pursuant to the Articles and to the relevant legislation. Shareholders shall be entitled to participate in a General Meeting, to require explanations, to comment, to make proposals, and to vote on their own proposals and those of other shareholders. The voting right shall not be associated with the preference shares. Every Shareholder shall be entitled to request an excerpt from the General Meeting minutes or its copy, including the Annexes to the Minutes.

The shares of VOLKSBANK Slovensko shall be registered (inscribed) and shall be issued as booked and publicly marketable, pursuant to the relevant valid legislation of the Slovak Republic. The booked shares shall be registered with the Central Securities Depository of the Slovak Republic, a.s. The shares shall be indivisible. The transfer of the ownership of shares shall not be limited.

The shares of VOLKSBANK Slovensko shall be divided into common and preference shares. The common shares entail rights pursuant to the legislative regulation. The preference shares are associated with the right to a priority pay-out of dividends, however, they shall not entail the right to vote in the General Meeting. Providing the preference dividend is not paid out at all, preference shareholders shall enjoy the voting rights associated with these shares from the date following the date of the General Meeting's decision not to pay out the preference dividends, or the dividend pay-out defaulting date, up to the date of General Meeting's decision to pay out the dividends, or up to the dividend payment date, in the event of the Company's failure to pay-out the preference dividends. The preference shareholders shall be entitled to vote in the General Meeting's decision on preference dividend payment.

DECLARATION ON THE CORPORATE GOVERNANCE OF VOLKSBANK SLOVENSKO, A.S. (CONTINUED)

Information on the Composition and Activities of the Board of Directors

The Board of Directors shall be the statutory body of VOLKSBANK Slovensko, managing the operations of VOLKSBANK Slovensko. The Board of Directors of VOLKSBANK Slovensko is composed of four members. The composition of the Board of Directors of VOLKSBANK Slovensko is part of the Annual Report herein.

The Board of Directors of VOLKSBANK Slovensko shall be elected and dismissed by the Supervisory Board of VOLKSBANK Slovensko. The proposal for their election or dismissal can be submitted by a shareholder of the company or member of the Supervisory Board to the Chairman of the Supervisory Board. A recurrent vote is admissible. During their tenure, the Supervisory Board shall be entitled to dismiss individual members. At an early termination of the tenure a bi-election shall be held without undue delay, only if the minimum number of members is lower than stipulated by the Articles of Association of VOLKSBANK Slovensko, a.s. The Supervisory Board determines, which of the Members of the Board of Directors shall be the Chairman of the Board of Directors.

The Board of Directors acts on behalf of VOLKSBANK Slovensko. It shall be accountable for the creation, implementation and control of business intents of VOLKSBANK Slovensko as well as organizing the activity of VOLKSBANK Slovensko pursuant to the generally binding regulations as well as extraordinary regulations and performs the rights of an employer.

The Board of Directors shall be held accountable for the following:

- a) company management system, Company system of internal controls, including the internal control and audit department appropriate to the level of sophistication and risks of banking business
- b) system of risk management segregated from the banking business, including a system for identifying, monitoring, measuring, and managing material risks, including risks of dealing with people in special relation with the Company pursuant to valid legislation; and the transposition of this system in the organizational rules and other internal rules and regulations of the Company
- c) segregated performance of lending activities and investments
- d) system of preventing illicit income (proceeds from crime) legalization, and protection against financing terrorism
- e) information system.

The competences of the Board of Directors of VOLKSBANK Slovensko include the following:

- a) to convene a General Meeting and implement its decisions
- b) to prepare drafts, proposals, and suggestions for General Meeting sessions regarding the following issues:
 - ba) amendments to the level of equity, Articles of Association, and scope of business
 - bb) principal issues relating to Company financing
 - bc) ordinary individual annual financial statements and extraordinary individual financial statements and proposals for profit-sharing or loss coverage
- c) to provide for all means required to support the development and profitability of the Company's business
- d) to decide on investing, amending, and divesting in other companies, including equity interests in foreign companies
- e) to produce the following documents:
 - ea) annual report including the report on the Company's business performance and assets for the General Meeting session
 - eb) organization rules and regulations
 - ec) information report on the main aims and objectives of the Board of Directors for the coming period, as well as on the projected development of assets, cash-flows, and revenues for Supervisory Board meetings
- f) to confer and cancel procurement and other permanent powers and authorizations in writing, pursuant to Article 23 hereto
- g) to ensure proper Company book-keeping and accounting.

DECLARATION ON THE CORPORATE GOVERNANCE OF VOLKSBANK SLOVENSKO, A.S. (CONTINUED)

Committees of the Board of Directors

The Executive Committee of VOLKSBANK Slovensko, performs the activities and resolves matters related to strategic management of VOLKSBANK Slovensko, the Committee meetings are attended by the members of the Board of Directors and the key members of the senior management of VOLKSBANK Slovensko.

ALCO of VOLKSBANK Slovensko, a.s., (Asset and Liabilities Committee Asset and Liabilities Committee of VOLKSBANK Slovensko, a.s.), is intended to ensure an efficient approval and optimum decision-making in processes related to controlling assets and liabilities of VOLKSBANK Slovensko. The Committee Meetings are attended by the members of the Board of Directors and selected members of the senior management of VOLKSBANK Slovensko.

Credit Committee VOLKSBANK Slovensko, a.s., deals with revising and approving loans provided by VOLKSBANK Slovensko. The committee meetings are attended by by the members of the Board of Directors and members of the senior management of VOLKSBANK Slovensko.

The Risk Committee of VOLKSBANK Slovensko, a.s., is involved in managing risks and capital structure of VOLKSBANK Slovensko, as well as in communicating the generally accepted risk policy to the public through the risk strategies in general, as well as through the decisions on allocation capital to the respective risk areas, or through the provisions related to specific types of client segments/products. The Committee meetings are attended by members of the Board of Directors and the authorized members of the senior management of VOLKSBANK Slovensko.

OUR NETWORK

BANSKÁ BYSTRICA

Dolná 27, P. O. BOX 239
974 01 Banská Bystrica
Tel.: +421/48/4712 111
Fax: +421/48/4712 130

ČADCA

Kukučínova 2283
022 01 Čadca
Tel.: +421/41/4302 856
Fax: +421/41/4302 855

DUNAJSKÁ STREDA

Poštová 2, P. O. BOX 85
929 01 Dunajská Streda
Tel.: +421/31/5902 700
Fax: +421/31/5902 705

GALANTA

Hlavná 977/14, P. O. BOX 42
924 00 Galanta
Tel.: +421/31/780 2174
Fax: +421/31/780 2355

HLOHOVEC

Nám. sv. Michala 1
920 01 Hlohovec
Tel.: +421/33/7351 030
Fax: +421/33/7351 035

KOMÁRNO

Záhradnícka 15, P. O. BOX 178
945 01 Komárno
Tel.: +421/35/7900 010
Fax: +421/35/7900 015

KOŠICE

Mlynská 29, P. O. BOX G-43
043 73 Košice
Tel.: +421/55/7204 211
Fax: +421/55/7204 240

KOŠICE

Hlavná 108, P. O. BOX G-43
043 73 Košice
Tel.: +421/55/7206 511
Fax: +421/55/7206 515

LEVICE

Nám. hrdinov 7-8
934 01 Levice
Tel.: +421/36/6350 381
Fax: +421/36/6350 385

LIPTOVSKÝ MIKULÁŠ

Nám. osloboditeľov 75
031 01 Liptovský Mikuláš
Tel.: +421/44/5474 952
Fax: +421/44/5474 955

LUČENEC

Nám. Artézskych prameňov 4
P.O.BOX 125, 984 01 Lučenec
Tel.: +421/47/431 61 11
Fax: +421/47/433 05 66

MALACKY

Sasinkova 1A
901 01 Malacky
Tel.: +421/34/7975 1111
Fax: +421/34/7975 115

MARTIN

Francisciho 6
036 01 Martin
Tel.: +421/43/4213 906
Fax: +421/43/4213 905

MICHALOVCE

Hollého 7
071 01 Michalovce
Tel.: +421/56/6871 014
Fax: +421/56/6871 015

NITRA

Fraňa Mojtu 8, P. O. BOX 26/B
949 01 Nitra
Tel.: +421/37/6550 360
Fax: +421/37/6550 369

NITRA - ZOC MAX

Chrenovská 1661/30
949 01 Nitra
Tel.: +421/37/6930 351
Fax: +421/37/6930 355

NOVÉ MESTO NAD VÁHOM

Weisseho 16
915 01 Nové Mesto nad Váhom
Tel.: +421/32/7484 400
Fax: +421/32/7484 405

NOVÉ ZÁMKY

M. R. Štefánika 45, P. O. BOX 159
940 01 Nové Zámky
Tel.: +421/35/6911 330
Fax: +421/35/6911 335

PIEŠŤANY

Nám. slobody 13, P. O. BOX D-27
921 01 Piešťany
Tel.: +421/33/7970 000
Fax: +421/33/7970 005

PEZINOK

Nákupné centrum MÓLO
Myslenická 2/C, 902 01 Pezinok
(till August 28, 2008)

POPRAD

Ul. 1. mája 220/19, P. O. BOX 20
058 01 Poprad
Tel.: +421/52/7722 910
Fax: +421/52/7723 215

PREŠOV

Hlavná 45, P. O. BOX 70
080 01 Prešov
Tel.: +421/51/7580 555
Fax: +421/51/7580 530

PRIEVIDZA

Námestie slobody 38
971 01 Prievidza
Tel.: +421/46/5198 550 - 4
Fax: +421/46/5198 555
(from October 1, 2008)

PÚCHOV

Ul. 1. mája 899
020 01 Púchov
(till February 22, 2008)

OUR NETWORK (CONTINUED)

RUŽOMBEROK

Mostová 16, P. O. BOX 96
034 01 Ružomberok
Tel.: +421/44/4314 111
Fax: +421/44/4314 130

SENICA

Nám. oslobodenia 2560/ 18A
905 01 Senica
Tel.: +421/34/6946 021
Fax: +421/34/6946 025

SPIŠSKÁ NOVÁ VES

Letná 51
052 01 Spišská Nová Ves
Tel.: +421/53/4182 081
Fax: +421/53/4182 085

ŠAĽA

Hlavná 6/53, P. O. BOX 64
927 00 Šaľa
Tel.: +421/31/7707 181
Fax: +421/31/7707 180

TRENČÍN

Nám. Ľudovíta Štúra 16
P.O.BOX 90, 911 50 Trenčín
Tel.: +421/32/7441 938
Fax: +421/32/7441 935

TRNAVA

Paulínska 2, P. O. BOX 39
917 01 Trnava
Tel.: +421/33/5903 826
Fax: +421/33/5903 850

ZVOLEN

Nám. SNP 19
960 01 Zvolen
Tel.: +421/45/5249 071
Fax: +421/45/5249 075

ŽILINA

Národná 28, P. O. BOX B-165
010 01 Žilina
Tel.: +421/41/5626 293
Fax: +421/41/5626 319

BRATISLAVA

Vysoká 9
P. O. BOX 81
810 00 Bratislava
Tel.: +421/2/5965 1111
Fax: +421/2/5441 2453
Telex: 926 49 LBBA SK

Nám. SNP 15
P.O.BOX 81
810 00 Bratislava
Tel.: +421/2/5921 1111
Fax: +421/2/5296 3794

Jesenského 2
P. O. BOX 81
810 00 Bratislava
Tel.: +421/2/5930 8250
Fax: +421/2/5930 8255

Mlynské nivy 3
P. O. BOX 81
810 00 Bratislava
Tel.: +421/2/5720 1061
Fax: +421/2/5720 1064

Vazovova 22
P. O. BOX 81
810 00 Bratislava
Tel.: +421/2/5020 3028
Fax: +421/2/5020 3025

Dulovo nám. 1
P. O. BOX 81
810 00 Bratislava
Tel.: +421/2/5596 8511
Fax: +421/2/5596 8522

Kazanská 23
P. O. BOX 81
810 00 Bratislava
Tel.: +421/2/4020 3041
Fax: +421/2/4020 3045

Trnavská 50/A
P. O. BOX 81
810 00 Bratislava
Tel.: +421/2/4910 3010
Fax: +421/2/4910 3017

Seberíniho 2/B
P. O. BOX 81
810 00 Bratislava
Tel.: +421/2/4820 9082
Fax: +421/2/4820 9085

Miletičova 44
P. O. BOX 81
810 00 Bratislava
Tel.: +421/2/5020 3057
Fax: +421/2/5020 3055

Bank Shop - POLUS CITY CENTER
Vajnorská ulica
P. O. BOX 81
810 00 Bratislava
Tel.: +421/2/4464 5191-2
Fax: +421/2/4464 5193

Ľ. Fullu 62
P. O. BOX 81
810 00 Bratislava
Tel.: +421/2/6531 3600
Fax: +421/2/6531 3302

Sch. Trnavského 14
P. O. BOX 81
810 00 Bratislava
Tel.: +421/2/6920 2030
Fax: +421/2/6920 2035

Haanova 12
P. O. BOX 81
810 00 Bratislava
Tel.: +421/2/6231 8638
Fax: +421/2/6231 8978

Panónska cesta 17
P. O. BOX 81
810 00 Bratislava
Tel.: +421/2/6820 6051
Fax: +421/2/6820 6055

Nám. sv. Františka č. 8A
P. O. BOX 81
810 00 Bratislava
Tel.: +421/2/6020 2082
Fax: +421/2/6020 2085

AUPARK
Einsteinova 18
P. O. BOX 81
810 00 Bratislava
Tel.: +421/2/6720 2071
Fax: +421/2/6720 2075