Annual report 2009

Crédit Agricole Corporate and Investment Bank S.A., pobočka zahraničnej banky

CONTENTS

Statement of the Senior country officer

Our performance in 2009 continued to feel the effects of the global economic and financial crisis which has severely impacted the real economy worldwide, including Slovakia.

Under this new environment, we followed the re-focus strategy of our group CALYON under the 4 main goals:

1 – refocus our business on the key business lines

2 – reduce our risk profile

3 – concentrate our development on our existing clients

4 – reduce our costs.

Although these were already the core focus of our local strategy we have reinforced our activity under these specific criteria.

A closer follow up of some of our clients did not lead us to create further impairment provision and the current quality of our portfolio makes us reasonably optimistic about this field for the current year.

During the first quarter of 2010, an important step was undertaken by our group Credit Agricole to re-brand its Corporate and Investment Bank subsidiaries and branches from CALYON to Crédit Agricole Corporate and Investment Bank worldwide. The change in name was effective in Slovakia on 9 March 2010. This change in name confirms the strategy and the full support of our group to continue to invest and develop under its global brand, as well as its corporate and investment banking activities.

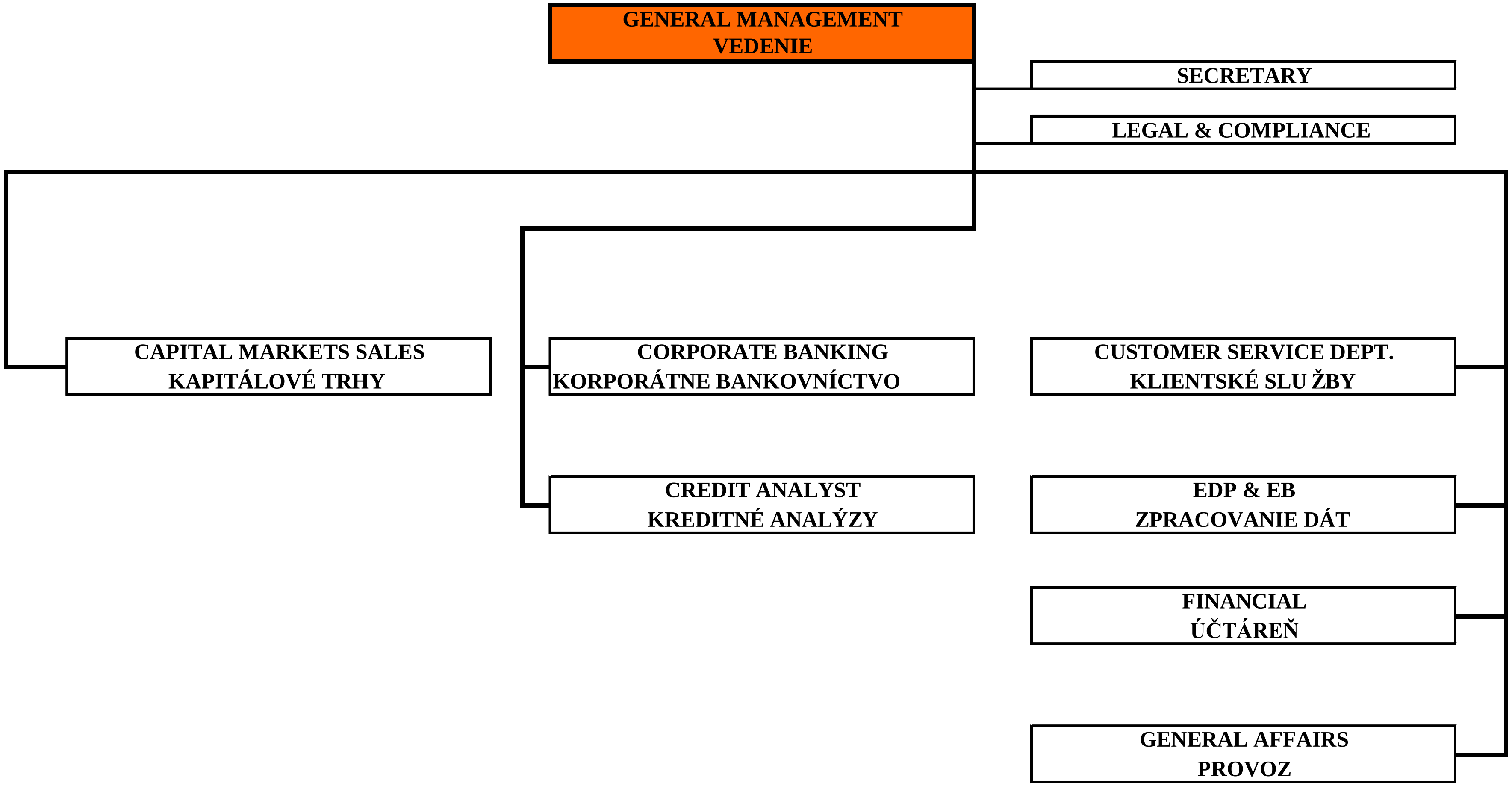
We are confident that Crédit Agricole Corporate and Investment Bank Slovakia, with the full support of Group Crédit Agricole, being one of the major international banking institutions, and thanks to the professionalism of its staff, will continue to strengthen its activities and market share alongside an improved profitability of our operations in Slovakia.

There were no events, which have occurred subsequent to the year end until the date of preparation of this annual report, which would have a material impact on the financial statements and the annual report of our bank as at 31 December 2009 and would require additional disclosure.

On behalf of the Management committee, I wish to extend our thanks to all the clients of the bank for their support and loyalty as well as to all the employees of the bank for their valuable contributions.

Thierry Hebraud
Senior country officer

Organization Chart / Organizačná schéma



Auditor's Report on Annual report

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers Slovensko, s.r.o.
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815 32 Bratislava
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Telephone +421 (0) 2 59350 111
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Report on Verifying Consistency of the Annual Report with the Financial Statements, as required by § 23 of Act No. 540/2007 Coll. (Addendum to the Auditor's Report)

To the management of Crédit Agricole Corporate and Investment Bank S.A., pobočka zahraničnej banky

We have audited the accompanying financial statements of Crédit Agricole Corporate and Investment Bank S.A., pobočka zahraničnej banky ("the Branch") at 31 December 2009 presented on pages 10 – 45, on which we issued an unqualified Auditor's Report on 30 March 2010 which is published on page 9.

In accordance with the Act No. 431/2002 Coll. on Accounting, as amended, we also verified whether accounting information included in the Branch's annual report at 31 December 2009 is consistent with the audited financial statements referred to above.

Statutory Body's Responsibility for the Annual Report

The Branch's statutory body is responsible for the preparation, accuracy, and completeness of the annual report in accordance with the Slovak Accounting Act.

Auditor's Responsibility for Verifying Consistency of the Annual Report with the Financial Statements

Our responsibility is to express an opinion on whether the accounting information presented in the annual report is consistent, in all material respects, with the information in the Branch's audited financial statements. We conducted the verification in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements, and plan and perform the verification to obtain reasonable assurance whether the annual report is free from accounting information that would significantly differ from the information stated in the financial statements.

The scope of work includes performing procedures to verify that the accounting information presented in the annual report is consistent with the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the annual report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Branch's preparation and fair presentation of the annual report in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Branch's internal controls. We did not verify those data and information in the annual report that were not derived from the financial statements.

We believe that the procedures performed provide a sufficient and appropriate basis for our opinion.

Opinion

In our opinion, the accounting information presented in the Branch's annual report prepared for the year ended on 31 December 2009 is consistent, in all material respects, with the audited financial statements referred to above.

The maintenance and integrity of the Branch's website is the responsibility of its Management; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

PricewaterhouseCoopers Slovensko, s.r.o.
SKAU licence No. 161
Bratislava, 24 August 2010

Ing. Eva Hupková
SKAU licence No. 672

Translation note

This version of our report is a translation from the original, which was prepared in Slovak language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Auditor's Report on Financial Statements

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ENGLISH TRANSLATION

INDEPENDENT AUDITOR'S REPORT

TO THE HEAD OFFICE OF CRÉDIT AGRICOLE CORPORATE AND INVESTMENT BANK S.A., POBOČKA ZAHRANIČNEJ BANKY

We have audited the accompanying financial statements of Crédit Agricole Corporate and Investment Bank S.A., pobočka zahraničnej banky, identification number 36 361 968, with registered office at Námestie 1. mája 18, 811 06 Bratislava, Slovakia ("the Branch"), which comprise the balance sheet as at 31 December 2009, the statement of comprehensive income and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

The company's ID (IČO) No. 35739347.
Tax Identification No. of PricewaterhouseCoopers Slovensko, s.r.o. (DIČ) 2020270021.
VAT Reg. No. of PricewaterhouseCoopers Slovensko, s.r.o. (IČ DPH) SK2020270021.
Spoločnosť je zapísaná v Obchodnom registri Okresného súdu Bratislava 1, pod vložkou č. 16611/B, oddiel: Sro.
The company is registered in the Commercial Register of Bratislava 1 District Court, ref. No. 16611/B, Section: Sro.

PRICEWATERHOUSECOOPERS

Auditor's Responsibility (continued)

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Crédit Agricole Corporate and Investment Bank S.A., pobočka zahraničnej banky as at 31 December 2009, of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

PricewaterhouseCoopers Slovensko, s.r.o.
SKAU licence No.: 161
represented by partner

Ing. Mária Frühwaldová
Auditor, SKAU licence No.: 047

30 March 2010

Translation note

This version of our report is a translation from the original, which was prepared in Slovak language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

CONTENTS

In thousands of EUR	**Note**	**31 December 2009**	**31 December 2008**
ASSETS			
Cash and balances with central bank	5	263 595	303 164
Derivative financial instruments with positive fair value	6	1 354	2 432
Due from banks		88 964	-
Loans to customers	7	255 882	231 229
Current income tax receivable	18	310	1
Intangible assets	8	57	90
Property and equipment	8	196	246
Other assets	9	155	304
TOTAL ASSETS		**610 513**	**537 466**
LIABILITIES			
Deposits from banks	10	274 495	338 003
Due to customers	11	326 651	183 541
Derivative financial instruments with negative fair value	6	3 178	3 015
Other liabilities	12	495	650
Net assets attributable to the Head office	13	5 694	12 257
TOTAL LIABILITIES		**610 513**	**537 466**

The notes on pages 13 to 43 are an integral part of these financial statements.

Crédit Agricole Corporate and Investment Bank S.A., pobočka zahraničnej banky

Statement of comprehensive income for the year ended 31 December 2009

In thousands of EUR	Note	2009	2008
Interest income	14	9 065	28 387
Interest expense	14	- 3 474	- 24 337
Net interest income		**5 591**	**4 050**
Fee and commission income	15	1 127	1 491
Fee and commission expense	15	- 62	- 108
Net fee and commission		**1 065**	**1 383**
Net trading and foreign exchange gains less losses	16	- 405	1 136
Other operating income		3	2
Administrative and other operating expenses	17	- 3 277	- 3 002
Operating profit before tax and distributions to the Head office		**2 977**	**3 569**
Income tax expense	18	- 597	- 717
Profit for the year before distributions to the Head office		**2 380**	**2 852**
Profit distribution to the Head office in the period		**- 2 963**	**- 2 935**
Decrease in net assets from profit attributable to the Head office		**- 583**	**- 83**
Remeasurement of net assets from profit attributable to the Head office		**- 583**	**- 83**
Net profit for the year attibutable to the Branch		**-**	**-**
Total comprehensive income for the year attributable to the Head office		**-**	**-**

The notes on pages 13 to 43 are an integral part of these financial statements.

Crédit Agricole Corporate and Investment Bank S.A., pobočka zahraničnej banky

Statement of cash flows for the year ended 31 December 2009

In thousands of EUR	Note	2009	2008
Profit before tax		**2 977**	**3 569**
Interest income	14	- 9 065	- 28 387
Interest expense	14	3 474	24 337
Fee and commission income	15	- 1 127	- 1 491
Fee and commission expense	15	62	108
Depreciation and amortization expense	17	100	88
Other non cash items (revaluation of financial derivatives)		1 242	- 74
Profit after adjustments for non cash operations		**- 2 337**	**- 1 850**
Change in due from customers		- 25 430	18 162
Change in deposits from banks		- 62 883	- 92 373
Change in due to customers		142 997	- 82 971
Change in other assets		98	- 97
Change in other liabilities		- 154	- 842
Interest received		9 840	27 758
Interest paid		- 3 988	- 24 365
Fee and commission received		1 180	1 484
Fee and commission paid		-62	- 108
Income tax paid		- 906	- 1 166
Translation to presentation currency, net of tax		-	38 591
Net cash flow from operating activities		**58 355**	- **117 777**
Purchase of fixed assets		- 19	- 129
Income from the sale of fixed assets		2	2
Net cash flow used in investing activities		**- 17**	**- 127**
Profit distributions to the Head office		- 2 963	- 2 935
Decrease in capital contribution from the Head office	**13**	- 5 980	-
Net cash flow used in financing activities		**- 8 943**	**- 2 935**
Net increase/ (decrease) in cash and cash equivalents		**49 395**	**- 120 838**
Cash and cash equivalents at 1 January	**22**	**303 164**	**424 002**
Cash and cash equivalents at 31 December	**22**	**352 559**	**303 164**

The notes on pages 13 to 43 are an integral part of these financial statements.

1 Introduction

These financial statements were prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") for the year ended 31 December 2009 for Crédit Agricole Corporate and Investment Bank S.A., pobočka zahraničnej banky (the "Branch"). These financial statements are prepared on a going concern basis.

General information

Branch of the French bank Crédit Agricole Corporate and Investment Bank S.A. ("Head office") was registered in the commercial register on 23 May 2006 under its former name „CALYON S.A., pobočka zahraničnej banky" and it operates under the single European passport.

The Branch is domiciled in the Slovak Republic.

Principal activity. The Branch's principal business activity is commercial banking operations within the Slovak Republic.

Domicile and registered office. The Branch's registered address is:

Namestie 1. maja 18
811 09 Bratislava
Slovak Republic

Identification number (IČO): 36 361 968

Head of the Branch as at 31 December 2009: Slavomír Salát (Charles-Henri de Vanssay until 31 August 2009)

Presentation currency. These financial statements are presented in thousands of Euro. On 1 January 2009, Slovakia adopted the Euro as a new legal currency which replaced Slovak koruna (SKK) valid until 31 December 2008. An official conversion rate of 1 EUR = 30.126 SKK was approved by the ECB in July 2008 and this rate was also the official year-end exchange rate announced by National Bank of Slovakia at 31 December 2008.

Conversion of 2008 comparative financial information into Euros

The 2008 comparative information has been translated from SKK functional currency into EUR as follows:

- assets and liabilities were translated using the official conversion rate and were rounded to whole Euros and

- the 2008 income and expenses have been translated at average exchange rates (31.291 SKK/EUR);

The balance sheet as at 1 January 2008 is not affected by the conversion to Euro and by the inclusion of Statement of comprehensive income replacing the Income statement and is therefore not represented in these financial statements.

1 Introduction (continued)

The Branch is included in the individual financial statements of Crédit Agricole Corporate and Investment Bank S.A., which are part of the consolidated financial statements of Crédit Agricole S.A., 91, boulevard Pasteur, 75710 Paris cedex 15, France. These financial statements are available directly at the registered address of the companies stated above. Ultimate parent of Crédit Agricole Corporate and Investment Bank S.A. is SAS Rue La Boétie, 20, Rue la Boétie, 75008 Paris, France.

Number of staff and members of the Branch Management

	2009	2008
Average number of staff	16	21
Number of members of the		
- Head of the Branch	1	1
- Other management	3	4

2 Impacts of changes in the banking environment on the Branch

Volatility in financial markets and loan provisions. A sharp rise in foreclosures in the US subprime mortgage market occurred in 2007. The effects have spread beyond the US housing market as global investors were forced to re-evaluate the risks they were taking, resulting in increased volatility and lower liquidity in the fixed income, equity, and derivative markets. This financial crisis impacted the global real economy in 2008 as well as in 2009, which also resulted in reduction of economic output in the Slovak republic.

The deteriorating situation in the financial markets may affect the ability of the Branch to borrow to finance its loan portfolio, affect the value of its loan portfolio or cause premature customer deposit withdrawals. Under IFRS, a decline in the fair value of a financial asset below its amortised cost that results from an increase in the risk free interest rate is generally not evidence of impairment. According to IFRS, provisions for loans cover only losses for which objective evidence of their occurrence exists while it is prohibited to create provisions for losses which will only be incurred in the future as a result of future events regardless of how probable these future events and losses are. The management of the Branch cannot reliably estimate the impact of any further worsening of the financial crisis and deterioration of the country's economic situation on the future financial position of the Branch.

3 Basis of preparation and significant accounting policies

Basis of Preparation. The financial statements were prepared in accordance with International Financial Reporting Standards as adopted by the European Union under the historical cost convention, with the exception of the revaluation of financial instruments categorised as at fair value through profit or loss. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented.

The Branch didn't prepare Statement of changes in equity since it doesn't have equity. In accordance with IFRS net assets attributable to the Head office are classified as a non-financial liability.

Standards, interpretations and amendments to published standards that became effective in 2009

The following standards, amendments and interpretations, which became effective in 2009 are aplicable to the Branch:

Interpretation	Content	Applicable for financial years beginning on/after
IFRS 7	Improving disclosures about financial instruments	1 January 2009
IAS 1	Presentation of financial statements	1 January 2009

Amendments to IFRS 7, Financial instruments: Disclosures

The IASB published amendments to IFRS 7 in March 2009. The amendment requires enhanced disclosures about fair value measurements and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The adoption of the amendment results in additional disclosures but does not have an impact on the financial position or the statement of comprehensive income of the Branch.

3 Basis of preparation and significant accounting policies (continued)

IAS 1 (revised), Presentation of financial statement

A revised version of IAS 1 was issued in September 2007. It prohibits the presentation of items of income and expenses (that is, non-owner changes in equity) in the statement of changes in equity, requiring non-owner changes in equity to be presented separately from owner changes in equity in a statement of comprehensive income. Since the Branch's head office has full control over the net assets of the Branch and full obligation to cover any net asset deficit, there is no equity of the Branch, therefore no Statement of changes in equity is prepared by the Branch.

The following interpretations became effective in 2009, but were not relevant for the Branch's operations:

Interpretation	Content	Applicable for financial years beginning on/after
IFRS 2	Share-based payment – Vesting conditions and cancellations	1 January 2009
IFRS 8	Operating segments	1 January 2009
IAS 23	Borrowing costs	1 January 2009
IAS 32 and IAS 1	Puttable financial instruments and obligations arising on liquidation	1 January 2009
IFRIC 13	Customer loyalty programmes	1 July 2008
IFRIC 16	Hedges of a net investment in a foreign operation	1 October 2008

IFRS 2, Share-based payment – Vesting conditions and cancellations

The IASB published an amendment to IFRS 2, Share-based payment, in January 2008. The changes pertain mainly to the definition of vesting conditions and the regulations for the cancellation of a plan by a party other than the company. IFRS 2 is not relevant to the Branch's operations.

IFRS 8, Operating segments

IFRS 8 was issued in November 2006 and excluding early adoption would first be required to be applied to the Branch's accounting period beginning on 1 January 2009. The standard replaces IAS 14, Segment reporting, with its requirement to determine primary and secondary reporting segments. IFRS 8 is not relevant for the disclosures because the Branch operates only in single segment.

IAS 23, Borrowing costs

A revised version of IAS 23 was issued in March 2007. It eliminates the option of immediate recognition of borrowing costs as an expense for assets that require a substantial period of time to get ready for their intended use. IAS 23 is not relevant for the Branch's operation.

IAS 32 and IAS 1, Puttable financial instruments and obligations arising on liquidation

The IASB amended IAS 32 in February 2008. It now requires some financial instruments that meet the definition of a financial liability to be classified as equity. Puttable financial instruments that represent a residual interest in the net assets of the entity are now classified as equity provided that specified conditions are met. Similar to those requirements is the exception to the definition of a financial liability for instruments that entitle the holder to a pro rata share of the net assets of an entity only on liquidation. The adoption of the IAS 32 amendment does not have any effects to the Branch.

IFRIC 13, Customer loyalty programmes

IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple element arrangement. The consideration receivable from the customer is allocated between the components of the arrangement using fair values. IFRIC 13 is not relevant to the Branch's operations because Branch does not operate any loyalty programme.

3 Basis of preparation and significant accounting policies (continued)

Standards and interpretations that have been published on or after 1 January 2009 and which the Branch has not early adopted

The Branch has not early adopted the following or other new standards, interpretations or amendments when preparing these financial statements at 31 december 2009:

Interpretation	Content	Applicable for financial years beginning on/after
IFRS 9	Financial instruments part 1: Classification and measurement	1 January 2013
IFRIC 16	Hedges of a net investment in a foreign operation	1 January 2010

IFRS 9, Financial instruments part 1: Classification and measurement

IFRS 9 was issued in November 2009 and replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Key features are as follows:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.
- An instrument is subsequently measured at amortised cost only if its is a debt instrument and both the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows represent only payments of principal and interest (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.
- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.
- While adoption of IFRS 9 is mandatory from 1 January 2013, earlier adoption is permitted. However, this Standard has not yet been adopted by the European Union and hence cannot be applied by the Branch.

IFRIC 16, Hedges of a net investment in a foreign operation

This interpretation clarifies the accounting treatment in respect of net investment hedging. This includes the fact that net investment hedging relates to differences in functional currency not presentation currency. IFRIC 16 is not relevant to the Branch's operations.

Key measurement terms

Depending on their classification financial instruments are carried at cost, fair value, or amortised cost as described below.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition and includes transaction costs. Transaction costs are the incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place.

Transaction costs include fees and commissions paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

3 Basis of preparation and significant accounting policies (continued)

Key measurement terms (continued)

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair value is the current bid price for financial assets and current asking price for financial liabilities which are quoted in an active market. For assets and liabilities with offsetting market risks, the Branch may use mid-market prices as a basis for establishing fair values for the offsetting risk positions and apply the bid or asking price to the net open position as appropriate. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or other institution and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Valuation techniques such as discounted cash flows models and consideration of financial data of the investees are used to fair value certain financial instruments for which external market pricing information is not available. Valuation techniques may require assumptions not supported by observable market data.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method.

The effective interest method is a method of allocating interest income or interest expense over the relevant period so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (refer to income and expense recognition policy).

Financial instruments. The Branch classifies its financial assets in the following categories: financial assets at fair value through profit or loss and loans and receivables. Management determines the classification of its investments at initial recognition.

Financial assets at fair value through profit or loss. This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. The Branch uses this designation only when doing so results in more relevant information, because either it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different basis or a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy. Derivatives are categorised in this category unless they are designated as hedges (hedging derivative instruments).

The Branch has not applied the fair value option to financial assets or financial liabilities.

Loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Branch provides money to a debtor with no intention of trading the receivable.

Financial guarantee contracts. Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, the bank's liabilities under such guarantees are measured at the higher of the initial measurement, less amortisation calculated to recognise in the fee income earned on a straight line basis over the life of the guarantee and the best estimate of the expenditure required to settle any financial obligation arising at the balance sheet date.

3 Basis of preparation and significant accounting policies (continued)

***Initial recognition of financial instruments*.** Derivatives and other financial instruments at fair value through profit or loss are initially recorded at fair value. All other financial instruments are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

Subsequent measurement of financial instruments. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the statement of comprehensive income in the period in which they arise.

All purchases and sales of financial instruments that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date that the Branch commits to deliver a financial instrument. All other purchases and sales are recognised on the settlement date with the change in value between the commitment date and settlement date not recognised for assets carried at amortised cost and recognised in profit or loss for derivatives and spot transactions.

Cash and cash equivalents. For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash and balances with central banks, obligatory minimum reserves and loans and advances to banks.

Derivative financial instruments*.* Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. The Branch designates certain derivatives as hedges of the fair value of recognised assets or liabilities ("fair value hedge"). Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

The Branch documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Branch also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values of hedged items.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of comprehensive income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. If the hedge no longer meets the criteria for hedged accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

Impairment of financial assets. *Assets carried at amortised cost.* The Branch assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Branch first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Branch determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

3 Basis of preparation and significant accounting policies (continued)

Impairment of financial assets (continued).

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the bases of similar credit risk characteristics (i.e. on the bases of the grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors´ ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets and historical loss experience for assets with similar credit risk characteristics. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss in impairment charge for credit losses.

Due from banks. Amounts due from banks are recorded when the Branch advances money to counterparty banks with no intention of trading the resulting unquoted non-derivative receivable due on fixed or determinable dates. Amounts due from banks are carried at amortised cost.

Loans to customers. Loans to customers are recorded when the Branch advances money to purchase or originate an unquoted non-derivative receivable from a customer due on fixed or determinable dates and has no intention of trading the receivable. Loans to customers are carried at amortised cost.

Securities purchased under agreements to resell. Securities purchased under agreements to resell ("reverse repo agreements") are recorded as due from other banks or loans to customers, as appropriate. The difference between the sale and repurchase price is treated as interest income and accrued over the life of reverse repo agreements using the effective interest method.

3 Basis of preparation and significant accounting policies (continued)

Property and equipment. Property and equipment are stated at cost, less accumulated depreciation and provision for impairment, where required.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Branch and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in the statement of comprehensive income.

Depreciation. Depreciation on other items of property and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives. Annual depreciation rates reflect the actual useful life of assets:

Property	over rental period
Cars and computers	3 to 6 years
Furniture and office equipment	4 to 15 years

Intangible assets. All of the Branch's intangible assets have definite useful life and primarily include capitalised computer software.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred. Capitalised computer software is amortised on a straight line basis over expected useful lives of 4 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Deposits from banks. Deposits from banks are recognised initially at fair value net of transaction costs incurred. Deposits from banks are subsequently stated at amortised cost; any difference between the amount at initial recognition and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Due to customers. Customer accounts are non-derivative liabilities to individuals, state or corporate customers and are carried at amortised cost.

Provisions. Provisions are recognised when the Branch has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

3 Basis of preparation and significant accounting policies (continued)

Income taxes. Income taxes have been provided for in the financial statements in accordance with Slovak legislation enacted or substantively enacted by the balance sheet date. The income tax charge comprises current tax and deferred tax and is recognised in the statement of comprehensive income.

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxes, other than on income, are recorded within administrative and other operating expenses.

Deferred income tax is provided using the balance sheet liability method for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax balances are measured at tax rates enacted or substantively enacted at the balance sheet date which are expected to apply to the period when the temporary differences will reverse. Deferred tax assets for deductible temporary differences are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Net assets attributable to the Head office As the Branch is part of the Head office there is a regular transfer of net assets on a yearly basis at the request of the Head office. The balance of the net assets is recognized as a non-financial liability in accordance with IAS 37.

Income and expense recognition. Interest income and expense are recorded in the statement of comprehensive income for all debt instruments on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fees integral to the effective interest rate include origination fees received by the entity relating to the creation or acquisition of a financial asset, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. The Branch does not designate loan commitments as financial liabilities at fair value through profit or loss.

When loans and other debt instruments become doubtful of collection, they are written down to present value of expected cash inflows and interest income is thereafter recorded for the unwinding of the present value discount based on the asset's effective interest rate which was used to measure the impairment loss.

All other fees, commissions and other income and expense items are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Foreign currency translation. Items included in the financial statements are measured using the currency of the primary economic environment in which the Branch operates ("the functional currency"), which was SKK in 2008 and EUR in 2009.

Monetary assets and liabilities are translated into the Branch's functional currency at the official exchange rate of the European central bank at the respective balance sheet dates. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into the Branch's functional currency at year-end official exchange rates of the European central bank are recognised in comprehensive income.

The exchange rates of EUR for the most important currencies were:

	31 December 2009 after conversion against EUR	**31 December 2008 before conversion against SKK**
1 USD	1,4406	21,385
1 EUR	1	30,126
1 CZK	26,473	1,131

3 Basis of preparation and significant accounting policies (continued)

Staff costs and related contributions. Wages, salaries, contributions to the pension and social insurance funds, paid annual leave and sick leave and bonuses are accrued in the year in which the associated services are rendered by the employees of the Branch.

Offsetting financial instruments. Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

4 Critical accounting estimates and judgments in applying accounting policies

The Branch makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Impairment losses on loans. The Branch regularly reviews its loan portfolios to assess impairment. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Branch makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the Branch.

5 Cash and balances with central bank

In thousands of EUR	**31 December 2009**	**31 December 2008**
At amortized cost		
Cash on hand	1	1
Reverse repo transactions with NBS	255 002	185 647
Mandatory reserve deposits with NBS	6 998	3 931
Current accounts and deposits with other banks	1 594	113 585
Total cash and balances with central bank	**263 595**	**303 164**

The figures stated in the table above also represent the maximum exposure to credit risk as at 31 December 2009 and 2008 for particular classes of financial assets reported within Cash and balances with central banks.

At 31 December 2009 amount due from NBS of EUR 255 002 thousand (2008: EUR 185 647 thousand) are effectively collateralised by securities purchased under reverse sale and repurchase agreements which had a fair value of EUR 254 998 thousand at 31 December 2009 (2008: EUR 185 662 thousand).

6 Derivative financial instruments

In thousands of EUR	**31 December 2009**	**31 December 2008**
Trading derivatives - assets		
IR swaps	511	238
Cross currency swaps	309	-
FX swaps	77	804
FX forwards	457	620
FX options	-	770
Total derivative financial instruments with positive fair value	**1 354**	**2 432**
Hedging derivatives - IR swaps	290	146
Trading derivatives - liabilities		
IR swaps	2 030	1 175
Cross currency swaps	309	-
FX swaps	81	704
FX forwards	468	220
FX options	-	770
Total derivative financial instruments with negative fair value	**3 178**	**3 015**
Derivative financial instruments – net fair value	**-1 824**	**-583**

Currency and interest rate analyses of derivative financial instruments are disclosed in Note 19. Positive fair value represents also maximum exposure to credit risk.

7 Loans to customers

In thousands of EUR	31 December 2009	31 December 2008
Loans	241 288	198 969
Overdrafts on current accounts	7 901	25 704
Loans hedged	6 693	6 556
Total Loans to customers	**255 882**	**231 229**

The amount of allowances at the beginning and at the end of the presented accounting periods was EUR nil. During the year 2009 and 2008, the Branch did not either create or release allowances, or restructure any receivables.

Currency, maturity and interest rate analyses of loans to customers are disclosed in Note 19. The information on related party balances is disclosed in Note 24.

The figures stated in the table above also represent the maximum exposure to credit risk as at 31 December 2009 and 2008 for particular classes of assets reported within Loans to customers. For the purpose of credit risk management, the Branch further classifies loans based on business sector (financial and non-financial), economic activity and geographical location (Note 19).

8 Property and equipment and intangible assets

In thousands of EUR	Property	Office and computer equipment	Computer software licences	Total
Net book amount at 1 January 2008	**88**	**94**	**114**	**296**
Additions	102	10	22	134
Disposals at cost	-	- 1	- 3	- 4
Accumulated depreciation cancelled at disposal	-	-	1	1
Depreciation charge	-9	- 38	- 44	- 91
Net book amount at 1 January 2009	**181**	**65**	**90**	**336**
Additions	-	-	17	17
Disposals at cost	-	- 25	-	- 25
Accumulated depreciation cancelled at disposal	-	25	-	25
Depreciation charge	- 15	- 35	- 50	- 100
Net book amount at 31 December 2009	**166**	**30**	**57**	**253**

The Branch has no assets held under finance leases.

9 Other assets

In thousands of EUR	31 December 2009	31 December 2008
Non-financial at cost		
Prepayments	99	64
Financial at amortized cost		
Accrued income	17	240
Other receivables	39	-
Total other assets	**155**	**304**

Currency and maturity analyses of other assets are disclosed in Note 19. The information on related party balances is disclosed in Note 24.

10 Deposits from banks

In thousands of EUR	31 December 2009	31 December 2008
At amortized cost		
Term deposits from other banks	199 459	80 336
Correspondent accounts and overnight placements from other banks		
- Slovakia	75 036	68 710
- other countries	-	188 957
Total deposits from banks	**274 495**	**338 003**

Currency, maturity and interest rate analyses of due to other banks are disclosed in Note 19. The information on related party balances is disclosed in Note 24.

11 Due to customers

In thousands of EUR	31 December 2009	31 December 2008
At amortized cost		
- Current/settlement accounts	55 731	52 950
- Term deposits	270 920	130 591
Total due to customers	**326 651**	**183 541**

11 Due to customers (continued)

Economic sector risk concentrations within due to customers are as follows:

In thousands of EUR	**31 December 2009**	**31 December 2008**
At amortized cost		
Non-financial institutions	128 260	116 097
Financial institutions	48 327	49 163
Insurance companies	-	18 281
Public sector	150 064	-
Total due to customers	**326 651**	**183 541**

Currency, maturity and interest rate analyses of customer accounts are disclosed in Note 19.

12 Other liabilities

Other liabilities comprise the following:

In thousands of EUR	**31 December 2009**	**31 December 2008**
Non-financial at nominal value		
Deferred income	44	24
Taxes due (except corporate income tax)	5	65
Financial at amortised cost		
Accrued expense	384	518
Estimated payables and other liabilities	62	43
Total other liabilities	**495**	**650**

13 Net assets attributable to the Head office

The Branch neither manages the capital nor is subject to any external capital requirements. For these purposes the net assets attributable to the Head office are considered to be the Branch's capital. Therefore, the Head office is fully responsible for management of the capital adequacy because the results of the Head office as well as the Branch's results are the subject of the requirements of the French central bank. An important aspect of capital adequacy management is to monitor the level of the risk weighted assets with regard to the credit risk of the whole group.

Net assets attributable to the Head office are transferred on a yearly basis from the Branch upon the demand of the Head office as the Branch is its ultimate part. The amount is classified as a non-financial liability in accordance with IAS 37.

The movement between Net assets attributable to the Head office as at 31 December 2009 (EUR 5 694 thousand) and as at 31 December 2008 (EUR 12 257 thousand) is attibutable to decrease in capital contribution from the Head office by EUR 5 980 thousand and decrease by EUR 583 thousand analysed in Statement of comprehensive income.

14 Interest income and expense

In thousands of EUR	**2009**	**2008**
Interest income		
Loans		
Loans to customers	7 944	12 679
Reverse repo agreements	89	13 371
Term deposits with other banks	359	2 074
Mandatory reserve deposits with NBS	83	226
Correspondent accounts with other banks	469	28
Gains and losses on the hedging instruments and hedge items		
Gains on hedged loans	262	150
Losses on hedging instruments	- 283	- 141
Total interest income	**9 065**	**28 387**

In thousands of EUR	**2009**	**2008**
Interest expense		
Financial liabilities at amortized cost		
Term placements from other banks	- 309	- 15 988
Term deposits from customers	- 2 145	- 7 533
Customers' current accounts	- 152	- 786
Correspondent accounts with other banks	- 868	- 30
Total interest expense	**- 3 474**	**- 24 337**
Net interest income	**5 591**	**4 050**

Interest income for the year ended as at 31 December 2009 includes interest income from impaired loans to customers in the amount of EUR nil (2008: EUR nil).

15 Fee and commission income and expense

In thousands of EUR	**2009**	**2008**
Fee and commission income		
- Current accounts, transfers and cash transactions	230	373
- Guarantees issued	250	393
- Transactions with securities and derivatives	307	588
- Syndicated loans	221	57
- Documentary letters of credit, documentary collections	15	5
- Other	104	75
Total fee and commission income	**1 127**	**1 491**
Fee and commission expense		
- Current accounts, transfers and cash transactions	- 56	- 92
- Transactions with securities and derivatives	- 6	- 9
- Other	-	- 7
Total fee and commission expense	**- 62**	**- 108**
Net fee and commission income	**1 065**	**1 383**

16 Net trading and foreign exchange gains less losses

In thousands of EUR	**2009**	**2008**
Net trading losses from derivative transactions	- 491	- 322
Foreign exchange gains less losses	86	1 458
Total net trading and foreign exchange gains less losses	**- 405**	**1 136**

17 Administrative and other operating expenses

In thousands of EUR	**2009**	**2008**
Staff costs:	**- 1 048**	**- 1 030**
- Salaries	- 766	- 862
- Social and health insurance	- 282	- 168
Purchase of services and goods:	**- 2 129**	**- 1 854**
- Professional services – third parties	- 639	- 429
- Overhead expenses	- 226	- 21
- Rent	- 127	- 152
- IT costs	- 120	- 302
- Communication	- 769	- 780
- Compulsory fees	- 6	- 46
- Advisory services	- 127	- 10
- Audit fees	- 58	- 55
- Other purchased services and goods	- 57	- 59
Depreciation and amortisation:	**- 100**	**- 88**
- Depreciation of property and equipment	- 50	- 45
- Amortization of software licences	- 50	- 43
Other operating expenses	-	- 30
Total administrative and other operating expenses	**- 3 277**	**- 3 002**

The state pension scheme contribution included in social and healt insurance cost in 2009 amounted to EUR 67 thousand (2008: 76 thousand). Operating lease commitments resulting from rental contract on the Branch’s premises as at 31 December 2009 were EUR 32 thousand (31 December 2008: EUR 38 thousand).

18 Income taxes

Branch applied tax rate of 19% (2008: 19%).
Reconciliation between the expected and the actual taxation charge is provided below.

In thousands of EUR	**2009**	**2008**
Operating profit before tax	**2 977**	**3 569**
Expected tax charge at statutory rate 19%	- 565	- 678
Permanent non-deductible expenses	- 24	- 42
Adjustment of prior year tax expense	- 8	3
Total income tax expense as reported in the comprehensive income	**- 597**	**- 717**
Translation to presentation currency, net of tax	-	- 31
Current income tax advances	907	749
Current income tax receivables	**310**	**1**

The tax authorities may at any time inspect the books and records of the Branch within a maximum period of five years subsequent to the reported tax year, under certain circumstances of up to ten years, and may impose additional tax assessments and penalties. The Branch's management is not aware of any circumstances which may give rise to a potential material liability in this respect.

18 Income taxes (continued)

The Branch has no other tax-related contingent liabilities and contingent assets in accordance with IAS 37. Also, there are no changes resulting from changes in tax rates or tax laws after the reporting period.

19 Financial risk management

The risk management function within the Branch is carried out in respect of financial risks (market, credit, currency, liquidity and interest rate risks), operational risks and legal risks. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise these risks.

Credit risk. The Branch determines the level of credit risk by allocating limits to individual borrowers or groups of borrowers. For the assessment of receivables, the Branch uses the internal rating system of Crédit Agricole Group, which is based on the methodology of Standard & Poor's, whereby the Standard & Poor's external rating constitutes one of the criteria of the Branch's rating scale.

For internal assessment, the Branch uses the standardised software of the Crédit Agricole Group, which includes financial analysis, market analysis, management quality analysis, country analysis, etc. At present, the Branch uses ANADEFI system, a tool, which records all proposed and approved ratings of counterparties, and meets the Basel II requirements. Based on the assessment, a rating is assigned to each client, whilst the collateral to be received has no influence on the allocated rating. Guarantors are rated in the same way. The risk exposure is monitored and reassessed on a regular basis.

The Branch monitors credit risks on a daily basis and each party is reassessed at least once a year. The Branch's maximum exposure to credit risk is reflected by the net carrying amount of each class of financial assets recognized in the balance sheet (disclosed in Notes 5, 6 and 7). The Branch's maximum exposure to credit risk is also up to the amont of commitments and guarantees given (disclosed in Note 20).

For the management of credit risk concentration by industrial and economic sector and by territory, the Branch uses its parent company's regulations.

Receivables are secured by the following assets and instruments: lien on cash, guarantees received from banks, lien on tangible and intangible assets, lien on receivables, guarantees received from third parties. The Branch performed a review of collaterals pursuant to Basel II (Credit Risk Mitigation) for the purposes of calculating the capital adequacy.

The Branch uses IRB-A approach for calculating the credit risk for its corporate loan portfolio. Debt collection is co-ordinated at the Crédit Agricole Group level. The approach of all banks within the Group is standardised.

19 Financial risk management

Credit risk concentration in the Branch's financial assets portfolio for the year 2009 was in accordance with the Branch's internal assessment as follows:

In thousands of EUR

Internal rating	**A+ to A**	**B+ to B**	**C+ to C-**	**D+ to D-**	**E+ to E-**	**F**	**Not specified**	**Total carrying value**
S&P equivalent	**AAA to AA-**	**A+ to A-**	**BBB+ to BBB-**	**BB+ to BB-**	**B+ to B-**	**CCC+**	**Not specified**	
Cash on hand	-	-	-	-	-	-	1	**1**
Current accounts and deposits with other banks	830	61	702	-	-	-	-	**1 594**
Reverse repo transactions and mandatory reserve deposits with NBS	-	262 000	-	-	-	-	-	**262 000**
Total cash and balances with central bank	**830**	**262 061**	**702**	**-**	**-**	**-**	**1**	**263 595**
Overdrafts on current accounts	415	6 668	48	709	61	-	-	**7 901**
Loans	14 623	68 855	59 228	76 438	11 393	13 160	4 284	**247 981**
Total Loans to customers	**15 038**	**75 523**	**59 276**	**77 147**	**11 455**	**13 160**	**4 284**	**255 882**

The derivatives portfolio as at 31 December 2009 includes counterparties with internal rating between A and C (S&P equivalent between AA – to BBB).

The balance due from banks as at 31 December 2009 included counterparties with internal rating of A+ (S&P equivalent of AAA).

Credit risk concentration in the Branch's financial assets portfolio for the year 2008 was in accordance with the Branch's internal assessment as follows:

In thousands of EUR

Internal rating	**A+ to A**	**B+ to B**	**C+ to C-**	**D+ to D-**	**E+ to E-**	**F**	**Not specified**	**Total carrying value**
S&P equivalent	**AAA to AA-**	**A+ to A-**	**BBB+ to BBB-**	**BB+ to BB-**	**B+ to B-**	**CCC+**	**Not specified**	
Cash on hand	-	-	-	-	-	-	1	**1**
Current accounts and deposits with other banks	113 174	413	-	-	-	-	-	**113 585**
Reverse repo transactions and mandatory reserve deposits with NBS	-	189 577	-	-	-	-	-	**189 577**
Total cash and balances with central bank	**113 174**	**189 990**	**-**	**-**	**-**	**-**	**1**	**303 164**
Overdrafts on current accounts	4 112	12 024	9 527	-	41	-	-	**25 704**
Loans	26 884	77 676	22 195	50 037	11 618	13 114	4 001	**205 525**
Total Loans to customers	**30 995**	**89 701**	**31 722**	**50 037**	**11 659**	**13 114**	**4 001**	**231 229**

The derivatives portfolio as at 31 December 2008 includes counterparties with internal rating between A and C (S&P equivalent between AA – to BBB).

19 Financial risk management (continued)

As at 31 December 2009 and 2008, the Branch did not have any overdue Loans to customers.

Economic sector risk concentrations within the customer loan portfolio are as follows:

In thousands of EUR	**31 December 2009**	**31 December 2008**
At amortized cost		
Non-financial institutions	184 177	175 128
Financial institutions	65 012	49 545
Hedge accounting		
Non-financial institutions	4 000	4 081
Financial institutions	2 693	2 475
Total Loans to customers	**255 882**	**231 229**

Economic activity risk concentrations within the customer loan portfolio are as follows:

In thousands of EUR	**31 December 2009**	**31 December 2008**
Car industry	13 336	22 722
Construction industry	19 297	17 105
Electronics	780	15 087
Financial services (leasing, factoring, insurance)	67 705	53 110
Primary production	19 945	13 169
Real estate	62 524	50 434
Transport	43 602	37 183
Utilities	17 300	4 941
Wholesale/retail trade	11 393	17 479
Total Loans to customers	**255 882**	**231 229**

Collaterals and guarantees received in relation to the portfolio of loans to customers are as follows:

	31 December 2009	**31 December 2008**
Bank guarantee	210 722	196 406
Client guarantee	93 154	82 873
Other (Letter of comfort, receivables, promissory notes)	75 478	37 825
Real estate	19 436	40 208
Total collateral/guarantee	**398 790**	**357 312**

Collateral received and pledges stated in the table above are presented in the amount at which they are contracted (guarantees and other types of pledges) or in the amount of last revaluation (real estate property), and are related to the overall amount of approved Loans to customers.

19 Financial risk management (continued)

Risk concentration by geographical segmentations to which the Branch is exposed as at 31 December 2009 is summarized in the following table:

In thousands of EUR	**Domestic**	**European Union**	**Other Europe**	**Other**	**Total**
Cash and balances with central banks	262 704	830	1	60	263 595
Derivative financial instruments	1 029	325	-	-	1 354
Due from banks	-	88 964	-	-	88 964
Loans to customers	255 882	-	-	-	255 882
Current income tax receivables	310	-	-	-	310
Property and equipment	196	-	-	-	196
Intangible fixed assets	57	-	-	-	57
Other assets	148	7	-	-	155
Total assets	**520 326**	**90 126**	**1**	**60**	**610 513**

Risk concentration by geographical segmentations to which the Branch is exposed as at 31 December 2008 is summarized in the following table:

In thousands of EUR	**Domestic**	**European Union**	**Other Europe**	**Other**	**Total**
Cash and balances with central banks	189 991	113 171	2	-	303 164
Derivative financial instruments	1 341	1 091	-	-	2 432
Loans to customers	231 229	-	-	-	231 229
Current income tax receivables	1	-	-	-	1
Property and equipment	246	-	-	-	246
Intangible fixed assets	90	-	-	-	90
Other assets	204	100	-	-	304
Total assets	**423 102**	**114 362**	**2**	**-**	**537 466**

Market risk. The Branch is exposed to a market risk resulting from interest rate and foreign currency open positions.

The Branch applies the “value at risk” (“VAR”) method separately for currency and interest rate risks in estimating the market risk of the positions held and the maximum losses expected, based on a number of assumptions concerning various changes in the market conditions. The Group’s Global Risk Management Department (“GRM”) sets the limits for acceptable risk which are monitored on a daily basis.

The daily market VAR is a 99%-reliable estimate of the potential loss, provided that the current positions do not change over the following business day. The calculation is structured so that daily losses exceeding the VAR level should not, on average, occur more frequently than once in 100 days. Actual outcomes are monitored regularly to test the validity of the assumptions and parameters/factors used in the VAR calculation.

Since VAR constitutes an integral part of the Branch’s market risk controls, VAR limits are established for all trading and portfolio operations. The management assesses the actual risk exposure against the limits on a daily basis.

Daily monitoring of VAR limits does not protect the Branch from losses arising from significant market movements. Therefore, the Branch also performs “stress scenario” testing. Based on the Branch’s previous historical experience and hypothetical stress models, the Branch defines the stress scenario situation as one where the Branch suffers a loss of USD 1 million on open positions as a result of a substantial devaluation of the local currency exchange rate, combined with a substantial growth of the local currency interest rates. The Branch defines a substantial devaluation of the local currency exchange rate as the devaluation of EUR against USD by 15% or CZK against USD by 10%. The Branch defines a substantial increase in the local currency interest rates as an increase of the EUR interest rates by 3% for all periods, or of the CZK interest rates by 1.5%, for a period of up to one month (1% for one to six months, 0.75% for a period of 12 months or more). The Branch monitors the stress scenario indicators on a daily basis. The Branch’s management is notified if the calculation of the stress scenario results in a hypothetical loss at 75% of the limit.

19 Financial risk management (continued)

In EUR thousands

	31 December 2009			31 December 2008		
	As of the year end	**Average for the period**	**Backtesting (number of breaches)**	**As of the year end**	**Average for the period**	**Backtesting (number of breaches)**
FX Line	0.790	0.597	3	2.257	0.664	9
IR Line	4.470	8.299	21	16.796	23.037	18

Currency risk. The Branch is exposed to currency risk due to changes in the exchange rates of foreign currencies in which the Branch keeps its assets and liabilities.

The GRM sets the limits for maximum open positions in individual currencies, separately for EUR, the reference currencies (USD and CZK) and separately for other currencies. The GRM also defines the limits for maximum tradable amounts in the individual currencies.

The accounting system automatically calculates and accounts for exchange rate differences for all open foreign exchange positions, using the European central bank official foreign exchange rate.

The table below summarises the Branch's exposure to foreign currency exchange rate risk at 31 December 2009:

In thousands of EUR	**EUR**	**USD**	**Other currencies**	**Total**
Cash and balances with central banks	263 387	80	128	263 595
Derivative financial instruments	1 354	-	-	1 354
Due from banks	60 026	-	28 938	88 964
Loans to customers	255 821	61	-	255 882
Current income tax receivables	310	-	-	310
Property and equipment	196	-	-	196
Intangible fixed assets	57	-	-	57
Other assets	155	-	-	155
Total assets	**581 306**	**141**	**29 066**	**610 513**
Deposits from banks	265 016	-	9 479	274 495
Derivative financial instruments	3 178	-	-	3 178
Due to customers	307 071	82	19 498	326 651
Other liabilities	446	48	1	495
Net assets attributable to The Head office	5 694	-	-	5 694
Total liabilities	**581 405**	**130**	**28 978**	**610 513**
Net balance sheet position	**99**	**-11**	**-88**	**-**
Off-balance sheet position				
Spot transactions	- 109	-	109	-
Net off-balance position	**- 109**	**-**	**109**	**-**
Total net position	**- 10**	**- 11**	**21**	**-**

19 Financial risk management (continued)

The table below summarises the Branch’s exposure to foreign currency exchange rate risk at 31 December 2008:

In thousands of EUR	**EUR**	**USD**	**Other currencies**	**Total**
Cash and balances with central banks	300 087	22	3 055	303 164
Derivative financial instruments	2 232	72	128	2 432
Loans to customers	231 188	41	-	231 229
Current income tax receivables	1	-	-	1
Property and equipment	246	-	-	246
Intangible fixed assets	90	-	-	90
Other assets	304	-	-	304
Total assets	**534 148**	**135**	**3 183**	**537 466**
Deposits from banks	336 146	1 856	1	338 003
Derivative financial instruments	2 875	11	129	3 015
Due to customers	180 695	2 799	47	183 541
Other liabilities	618	32	-	650
Net assets attributable to the Head office	12 257	-	-	12 257
Total liabilities	**532 591**	**4 698**	**177**	**537 466**
Net balance sheet position	**-1 557**	**4 563**	**- 3 006**	**-**
Off-balance sheet position				
FX derivatives	184	- 4 259	3 449	- 626
Spot transactions	851	- 406	- 439	6
Net off-balance position	**1 035**	**- 4 665**	**3 010**	**- 620**
Total net position	**- 522**	**- 102**	**4**	**- 620**

Liquidity risk. Liquidity means the ability to convert assets into cash without unnecessary losses in order to settle one’s liabilities properly and early. The Branch monitors its liquidity on a daily basis, using limits for 5-day and 10-day time to maturities that are determined by the GRM Department. The Branch manages the liquidity risk using discounted cash flows.
The table below shows assets and liabilities at 31 December 2009 by their remaining contractual maturity:

In thousands of EUR	**Less than 1 month**	**1 - 6 months**	**6 - 12 months**	**More than 12 months**	**Not specified**	**Total**
Cash and balances with central banks	263 595	-	-	-	-	263 595
Derivative financial instruments	56	432	46	820	-	1 354
Due from banks	79 520	9 444			-	88 964
Loans to customers	58 250	151 357	11 810	34 465	-	255 882
Current income tax receivables	-	310	-	-	-	310
Property and equipment	-	-	-	-	196	196
Intangible fixed assets	-	-	-	-	57	57
Other assets	63	92	-	-	-	155
Total assets	**401 484**	**161 635**	**11 856**	**35 285**	**253**	**610 513**
Deposits from banks	105 049	169 446	-	-	-	274 495
Derivative financial instruments	56	444	99	2 579	-	3 178
Due to customers	323 110	1 146	2 395	-	-	326 651
Other liabilities	461	6	3	25	-	495
Net assets attributable to the Head office	-	-	-	-	5 694	5 694
Total liabilities	**428 676**	**171 042**	**2 497**	**2 604**	**5 694**	**610 513**
Net liquidity gap	**- 27 192**	**- 9 407**	**9 359**	**32 681**	**- 5 441**	**-**

19 Financial risk management (continued)

The table below shows assets and liabilities at 31 December 2008 by their remaining contractual maturity:

In thousands of EUR	Less than 1 month	1 - 6 months	6 - 12 months	More than 12 months	Not specified	Total
Cash and balances with central banks	303 164	-	-	-	-	303 164
Derivative financial instruments	2 432	-	-	-	-	2 432
Loans to customers	66 093	114 547	10 746	39 843	-	231 229
Current income tax receivables	-	1	-	-	-	1
Property and equipment	-	-	-	-	246	246
Intangible fixed assets	-	-	-	-	90	90
Other assets	304	-	-	-	-	304
Total assets	**371 993**	**114 548**	**10 746**	**39 843**	**336**	**537 466**
Deposits from banks	170 107	167 896	-	-	-	338 003
Derivative financial instruments	3 015	-	-	-	-	3 015
Due to customers	180 028	1 003	-	2 510	-	183 541
Other liabilities	650	-	-	-	-	650
Net assets attributable to the Head office	-	-	-	-	12 257	12 257
Total liabilities	**353 800**	**168 899**	**-**	**2 510**	**12 257**	**537 466**
Net liquidity gap	**18 193**	**- 54 351**	**10 746**	**37 333**	**- 11 921**	**-**

The table below shows non-discounted cash flows from non-derivative financial assets and liabilities at 31 December 2009:

In thousands of EUR		Less than 1 month	1 - 6 months	6 - 12 months	More than 12 months	More than 60 months	Not specified	Total
Cash and balances with central banks	Inflow	263 559	-	-	-	-	1	263 600
Due from banks	Inflow	79 533	9 460	-	-	-	-	88 993
Due from customers	Inflow	55 749	153 105	12 763	32 160	4 153	-	257 930
Other financial assets	Inflow	56	-	-	-	-	-	56
Financial assets		**398 937**	**162 565**	**12 763**	**32 160**	**4 153**	1	**610 579**
Due to banks	Outflow	105 051	169 531	-	-	3 314	-	277 896
Due to customers	Outflow	323 132	1 138	2 748	179	-	-	327 197
Other financial liabilities	Outflow	446	-	-	-	-	-	446
Financial liabilities		**428 629**	**170 669**	**2 748**	**179**	**3 314**	-	**605 539**
Loan commitments given	**Outflow**	**154 624**	**-**	**-**	**-**	**-**	**-**	**154 624**
Letters of credit	**Outflow**	**8 645**	**-**	**-**	**-**	**-**	**-**	**8 645**
Guarantees issued	**Outflow**	**73 103**	**-**	**-**	**-**	**-**	**-**	**73 103**

19 Financial risk management (continued)

The table below shows non-discounted cash flows from non-derivative financial assets and liabilities at 31 December 2008:

In thousands of EUR		Less than 1 month	1 - 6 months	6 - 12 months	More than 12 months	More than 60 months	Not specified	Total
Cash and balances with central banks	Inflow	303 348	-	-	-	-	1	303 349
Due from customers	Inflow	66 242	118 170	10 841	38 047	4 354	-	237 654
Other financial assets	Inflow	240	-	-	-	-	-	240
Financial assets		**369 830**	**118 170**	**10 841**	**38 047**	**4 354**	1	**541 243**
Due to banks	Outflow	170 171	168 402	-	-	-	-	338 573
Due to customers	Outflow	180 291	1 018	-	2 478	-	-	183 787
Other financial liabilities	Outflow	561	-	-	-	-	-	561
Financial liabilities		**351 023**	**169 420**	**-**	**2 478**	**-**	-	**522 921**
Loan commitments given	**Outflow**	**303 348**	**-**	**-**	**-**	**-**	**-**	**167 506**
Letters of credit	**Outflow**	**1 856**	**-**	**-**	**-**	**-**	**-**	**1 856**
Guarantees issued	**Outflow**	**57 578**	**-**	**-**	**-**	**-**	**-**	**57 578**

The table below shows non-discounted cash flows from derivative and spot transactions at 31 December 2009:

In thousands of EUR		Less than 1 month	1 - 6 months	6 - 12 months	More than 12 months	More than 60 months	Total
Currency forwards	Inflow	760	23 996	2 734	-	-	27 490
	Outflow	713	23 603	2 776	-	-	27 092
Currency swaps	Inflow	713	23 603	2 776	-	-	27 092
	Outflow	760	23 996	2 734	-	-	27 490
Interest rate swaps	Inflow	409	779	2 205	14 081	11 585	29 059
	Outflow	432	1 233	2 351	14 244	11 545	29 805
Currency spots	Inflow	109	-	-	-	-	109
	Outflow	109	-	-	-	-	109
Total	**Inflow**	**1 990**	**48 378**	**7 715**	**14 081**	**11 585**	**83 750**
	Outflow	**2 014**	**48 832**	**7 861**	**14 244**	**11 545**	**84 496**

19 Financial risk management (continued)

The table below shows non-discounted cash flows from derivative and spot transactions at 31 December 2008:

In thousands of EUR		**Less than 1 month**	**1 - 6 months**	**6 - 12 months**	**More than 12 months**	**More than 60 months**	**Total**
Currency forwards	Inflow	31	3 989	3 197	-	-	7 217
	Outflow	35	3 620	2 910	-	-	6 565
Currency swaps	Inflow	7 794	6 624	2 910	-	-	17 328
	Outflow	7 284	6 985	3 192	-	-	17 461
Interest rate swaps	Inflow	79	902	576	4 428	12 245	18 230
	Outflow	47	922	798	4 760	12 165	18 692
Currency options	Inflow	-	783	180	-	-	963
	Outflow	-	783	180	-	-	963
Currency spots	Inflow	2 177	-	-	-	-	2 177
	Outflow	2 183	-	-	-	-	2 183
Total	**Inflow**	**10 081**	**12 298**	**6 863**	**4 428**	**12 245**	**45 915**
	Outflow	**9 549**	**12 310**	**7 080**	**4 760**	**12 165**	**45 864**

Currency options cashflows have been included based on their intrinsic value and the amounts actually receivable/payable in the future may vary if the conditions change.

Interest rate risk. The Branch takes on exposure resulting from different periods of maturities, repricing volumes of its interest-bearing assets and liabilities, fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The Branch is also exposed to a basic risk of changes in the prevailing levels of the reference market rates. These factors affect the Branch's interest margins. The Branch uses stress testing for its daily monitoring of interest rate risk.

19 Financial risk management (continued)

The table below shows Branch's exposure to interest rate risk at 31 December 2009. Included in the table are the Branch's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

In thousands of EUR	**Less than 1 month**	**1 - 6 months**	**6 - 12 months**	**More than 12 months**	**Not specified**	**Total**
Cash and balances with central banks	263 595	-	-	-	-	263 595
Derivative financial instruments	-	-	-	-	1 354	1 354
Due from banks	79 520	9 444	-	-	-	88 964
Loans to customers	57 967	150 287	10 969	36 375	284	255 882
Current income tax receivables	-	-	-	-	310	310
Property and equipment	-	-	-	-	196	196
Intangible fixed assets	-	-	-	-	57	57
Other assets	7	-	-	-	148	155
Total assets	**401 089**	**159 731**	**10 969**	**36 375**	**2 349**	**610 513**
Deposits from banks	105 049	169 446	-	-	-	274 495
Derivative financial instruments	-	-	4	488	2 686	3 178
Due to customers	323 110	1 146	2 395	-	-	326 651
Other liabilities	82	5	4	25	379	495
Net assets attributable to the Head office	-	-	-	-	5 694	5 694
Total liabilities	**428 241**	**170 597**	**2 403**	**513**	**8 759**	**610 513**

The table below shows Branch's exposure to interest rate risk at 31 December 2008. Included in the table are the Branch's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

In thousands of EUR	**Less than 1 month**	**1 - 6 months**	**6 - 12 months**	**More than 12 months**	**Not specified**	**Total**
Cash and balances with central banks	303 164	-	-	-	-	303 164
Derivative financial instruments	-	-	-	-	2 432	2 432
Loans to customers	68 260	114 989	9 450	38 530	-	231 229
Current income tax receivables	-	-	-	-	1	1
Property and equipment	-	-	-	-	246	246
Intangible fixed assets	-	-	-	-	90	90
Other assets	304	-	-	-	-	304
Total assets	**371 728**	**114 989**	**9 450**	**38 530**	**2 769**	**537 466**
Deposits from banks	170 254	167 749	-	-	-	338 003
Derivative financial instruments	-	-	-	-	3 015	3 015
Due to customers	180 354	996	-	2 191	-	183 541
Other liabilities	650	-	-	-	-	650
Net assets attributable to the Head office	-	-	-	-	12 257	12 257
Total liabilities	**351 258**	**168 745**	**-**	**2 191**	**15 272**	**537 466**

20 Contingencies and commitments

Legal proceedings. From time to time and in the normal course of business, claims against the Branch were received. On the basis of its own estimates and both internal and external professional advice the management of the Branch is of the opinion that no material losses will be incurred in respect of claims and accordingly no provision has been made in these financial statements.

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

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Branch is potentially exposed to loss in an amount equal to the total unused commitments.

Outstanding loan commitments given and guarantees issued are as follows:

In thousands of EUR	**31 December 2009**	**31 December 2008**
Loan commitments given	154 624	167 506
Letters of credit	8 645	1 856
Guarantees issued	73 103	57 578
Total loan commitments given and guarantees issued	**236 372**	**226 940**

21 Derivative financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price.

The estimated fair values of financial instruments have been determined by the Branch using available market information and appropriate valuation methods. However, judgement is necessarily required to interpret market data to determine the estimated fair value (see also note 23).

All derivative financial instruments are carried at fair value as assets when the fair value is positive and as liabilities when the fair value is negative.

In thousands of EUR	**Notional contract amount**	**Fair value**
31 December 2009		
FX forwards	27 090	376
FX swaps and IR swaps	150 936	- 2 200
Total (Note 6)	**178 026**	- **1 824**
31 December 2008		
FX forwards	94 646	400
FX swaps and IR swaps	128 444	- 983
FX options	22 587	-
Total (Note 6)	**245 677**	**-583**

22 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise all items in Cash and balances with central banks (Note 5) and Due from banks items with original maturity less than three months in amount EUR 88 964 thousand as at 31 December 2009 (2008: EUR nil).
Mandatory reserve deposits with NBS included in Cash and balances with central banks banks were in 2008 calculated as per regulatory requirements (2% of Due to customers balance). The Branch was in 2008 required to hold the regulatory reserves as an average balance for the period of one month.

The calculation of mandatory reserves in 2009 has been changed since Slovakia entered into Eurozone. The applications of new rules for mandatory reserves are directed in accordance with Regulation (EC) No 1745/2003 of the European Central Bank. The base for calculation of mandatory reserves is the deposits due to customers and banks and debt securities issued. Reserve ratio of 0% is applying for deposits, debt securities, repos with agreed maturity date over two years. A reserve ratio of 2% shall apply to all other liabilities included in the reserve base.

23 Fair values of financial assets and liabilities not carried at fair value

The estimate of the fair value of the financial instruments not carried at fair value is based on valuation techniques. These financial instruments and also other financial instruments of the Branch not presented in the table below are either short-term or bear variable interest, therefore the estimate of their fair values does not differ significantly from book values as reported in the financial statements. However, the judgement is necessary for the estimate of the fair value with respect to the facts listed in Note 2 of the financial statements.

	31 December 2009		**31 December 2008**	
In thousands of EUR	**Book value**	**Fair value**	**Book value**	**Fair value**
Financial assets				
Loans to customers				
- Loans	247 981	246 152	205 525	211 524
- Overdraft on current accounts	7 901	7 901	25 704	25 704
Financial liabilities				
Deposits from banks				
- Term deposits from other banks	199 459	198 869	80 336	81 114
- Correspondent accounts and overnight placements from other banks	75 036	75 036	257 667	257 667
Due to customers				
- Term deposits	270 920	271 283	130 591	130 834
- Current/settlement accounts	55 731	55 731	52 950	52 950

Fair value hierarchy. IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Branch's own assumptions. These two types of inputs have created the following fair value hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the over-the-counter derivative contracts. The sources of input parameters like EURIBOR or other yield curves are Bloomberg and Reuters.

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes financial instruments with significant unobservable components

23 Fair values of financial assets and liabilities not carried at fair value (continued)

This hierarchy requires the use of observable market data when available. The Branch considers relevant and observable market prices in its valuations where possible.

The derivatives are all categorised as at fair value through profit or loss and for the purposes of the IFRS 7 fair value hierarchy they are recognized on level 2. There are no financial assets or liabilities recognised at fair value on level 1 or 3.

24 Related party transactions

For the purposes of these financial statements, parties are considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Unsettled amounts with related parties were as follows:

In thousands of EUR	**31 December 2009**	**31 December 2008**
	Crédit Agricole Group	**Crédit Agricole Group**
Due from banks	89 782	113 166
Other assets	6	181
Derivative financial instruments at fair value	- 2 522	- 1 263
Deposits from banks	235 051	268 668
Net assets attributable to the Head office	5 694	12 257

Income and expense amounts with the related parties in the year 2009 and 2008 were as follows:

In thousands of EUR	**31 December 2009**	**31 December 2008**
	Crédit Agricole Group	**Crédit Agricole Group**
Interest income	59	1 534
Interest expense	- 935	- 15 449
Fee and commission expense	-34	-
Fee and commission income	1	617
Net trading result from derivatives	- 1 794	- 103
Administrative and other operating expenses	- 1 379	-1 194

Branch’s off-balance sheet items with related parties are as follows:

In thousands of EUR	**31 December 2009**	**31 December 2008**
	Crédit Agricole Group	**Crédit Agricole Group**
Guarantees received	140 203	16 203

Salaries and remuneration of the Branch’s Management in the amount of EUR 761 thousand for the year 2009 (2008: EUR 657 thousand) include the remuneration of five members of the Branch’s Management, who manage the Branch from the branch in the Czech Republic Calyon S.A., organizacni slozka (hereinafter referred to as “the Calyon Branch Prague”), and the salary of the Head of the Branch. The remuneration of five members of the Branch’s Management, who manage the Branch from the Calyon Branch Prague is paid by the Prague branch and reinvoiced within the administrative expenses to the Slovak Branch. The salary of the Head of the Branch is also included in the administrative expenses but it is not reinvoiced.

24 Related party transactions (continued)

The average interest rates for interest bearing balances due from related parties were in 2009 0.83% p.a. (2008: 4.25%) and for interest bearing balances due to related parties were in 2009 1.31% p.a. (2008: 3.85% p.a.). No provisions were required to be recognised in respect of loans given to related parties.

Banking transactions

A number of banking transactions are entered into with related parties in the normal course of business. These include loans, deposits and foreign currency transactions. The loans to related companies are unsecured.

Administrative expenses

The Branch has outsourced to Calyon Prague Branch the following activities: key management and other management levels, back office, payments and settlement, loan administration, human resources and accounting, IT, marketing and risk management.

25 Contingent assets

The Branch has a contingent receivable in the form of filed insurance claim for a compensation of losses (incurred in 2000 - 2007) of the Branch caused by an incident currently under prosecution. It is not practicable to estimate the amount of this contingent asset as at 31 December 2009 and 2008.

26 Subsequent events

The net profit of EUR 2 380 thousand is decided to be fully distributed to the Head office.

Calyon S.A. (Branch's former head office) changed its company and trade name to Crédit Agricole Corporate and Investment Bank S.A. on the on 6th February 2010. Based on that, the Branch changed its name to Crédit Agricole Corporate and Investment Bank S.A., pobočka zahraničnej banky with effect from 9 March 2010. The presentation of these financial statements was adjusted as appropriate.

There have been no post-balance-sheet events that would require adjustment or disclosure in the financial statements for the year ended 31 December 2009.

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