

**Citibank Europe plc,
pobočka zahraničnej banky**

Interim financial statements
Prepared in accordance with
IAS 34 Interim Financial Reporting

For 9 months ended 30 September 2009

(English translation)

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Citibank Europe plc, pobočka zahraničnej banky

Balance sheet at 30 September 2009

	Notes	Sep 2009 Eur '000	Dec 2008 Eur '000
Assets			
Cash and cash equivalents	6	228,062	728,587
Trading assets	8	20,661	75,937
Loans and advances to banks	9	414,778	19,191
Loans and advances to customers	10	393,724	475,263
Investment securities	12	65,346	100,729
Property and equipment	13	1,624	1,885
Corporate income tax receivable	18	1,485	-
Deferred tax receivable	24	1,917	1,257
Other assets	14	1,535	1,217
		<u>1,129,132</u>	<u>1,404,066</u>
Liabilities			
0054 trading liabilities	8	12,793	56,265
Deposits by banks	15	484	304,613
Customer accounts	16	938,410	857,263
Subordinated debt	17	-	37,756
Corporate income tax payable	18	-	2,068
Provisions	19	596	431
Other liabilities	20	59,959	30,813
		<u>1,012,242</u>	<u>1,289,209</u>
Liabilities to head office			
Head office funding	21	54,770	-
Retained earnings	22	60,069	-
Profit of the current period	22	1,265	-
		<u>116,104</u>	<u>-</u>
Share capital and reserves			
Share capital	21	-	54,770
Reserves	22	786	60,087
		<u>116,890</u>	<u>114,857</u>
		<u>1,129,132</u>	<u>1,404,066</u>

The financial statements, which include the notes on pages 7 to 38 were approved on 29 October 2009 and signed by:

Martin Magda
Procura Holder

Martin Borodovčák
Procura Holder

Pavel Bubeliny
Chief Financial Officer

**Statement of comprehensive income
For 9 months ended 30 September 2009**

	Notes	Sep 2009 Eur '000	Sep 2008 Eur '000
Interest receivable and similar income arising from debt securities	25	17,545	38,012
Interest payable	26	<u>(4,720)</u>	<u>(20,293)</u>
Net interest income		12,825	17,719
Fees and commissions receivable	27	6,004	6,339
Fees and commissions payable	27	<u>(2,795)</u>	<u>(3,315)</u>
Net fee and commission income		3,209	3,024
Net trading income	28	4,202	12,617
Other operating income		<u>362</u>	<u>(42)</u>
		<u>4,564</u>	<u>12,575</u>
Operating income		20,598	33,318
Administrative expenses	29	(11,414)	(15,534)
Depreciation	13	<u>(598)</u>	<u>(799)</u>
Operating expenditure		<u>(12,012)</u>	<u>(16,333)</u>
Operating profit before impairment losses and provisions		8,586	16,985
Impairment losses on loans and advances	11	(6,823)	(2,586)
Provisions	19	<u>406</u>	<u>33</u>
Profit before taxation		2,169	14,432
Income tax expense	30	<u>(904)</u>	<u>(3,160)</u>
Profit after taxation		1,265	11,272
Other comprehensive income		<u>768</u>	<u>(352)</u>
Total comprehensive income		<u><u>2,033</u></u>	<u><u>10,920</u></u>

The notes on pages 7 to 38 are an integral part of these financial statements.

**Statement of comprehensive income
For 3rd quarter 2009**

	Notes	Q3 2009 Eur '000	Q3 2008 Eur '000
Interest receivable and similar income arising from debt securities	25	5,162	13,307
Interest payable	26	<u>(1,123)</u>	<u>(7,507)</u>
Net interest income		4,039	5,800
Fees and commissions receivable	27	1,978	2,075
Fees and commissions payable	27	<u>(908)</u>	<u>(1,160)</u>
Net fee and commission income		1,070	915
Net trading income	28	1,522	3,624
Other operating income		<u>93</u>	<u>72</u>
		<u>1,615</u>	<u>3,696</u>
Operating income		6,724	10,411
Administrative expenses	29	(3,235)	(4,683)
Depreciation	13	<u>(194)</u>	<u>(232)</u>
Operating expenditure		<u>(3,429)</u>	<u>(4,915)</u>
Operating profit before impairment losses and provisions		3,295	5,496
Impairment losses on loans and advances	11	(4,357)	(210)
Provisions	19	<u>781</u>	<u>20</u>
Profit before taxation		(281)	5,306
Income tax expense	30	<u>246</u>	<u>(1,137)</u>
Profit after taxation		(35)	4,169
Other comprehensive income		<u>451</u>	<u>472</u>
Total comprehensive income		<u><u>416</u></u>	<u><u>4,641</u></u>

The notes on pages 7 to 38 are an integral part of these financial statements.

Cash flow statement
For 9 months ended 30 September 2009

	Notes	Sep 2009 Eur '000	Sep 2008 Eur '000
Cash flows from operating activities			
Profit before changes in operating assets and liabilities	31	11,590	18,908
Decrease/(increase) in trading assets		55,276	51,500
Decrease/(increase) in loans and advances to banks		(395,232)	(14,083)
Decrease/(increase) in loans and advances to customers		74,182	(14,281)
Decrease/(increase) in other assets		(318)	515
(Decrease)/increase in trading liabilities		(43,472)	(16,047)
(Decrease)/increase in deposits by banks		(304,124)	96,627
(Decrease)/increase in customer accounts		80,795	20,827
(Decrease)/increase in other liabilities		29,146	32,069
Income tax paid		(5,117)	(3,928)
<i>Net cash (used in)/ from operating activities</i>		<u>(508,864)</u>	<u>153,199</u>
Cash flows from investing activities			
Acquisition of investment securities		34,576	1,191
Proceeds from sale of property and equipment		670	442
Purchase of property and equipment		(897)	(439)
<i>Net cash used in investing activities</i>		<u>34,349</u>	<u>1,194</u>
Cash flows from financing activities			
Loans paid		-	(4,979)
Subordinated debt paid		(37,600)	(4,126)
<i>Net cash used in financing activities</i>		<u>(37,600)</u>	<u>(9,105)</u>
<i>Net (decrease)/increase in cash and cash equivalents</i>		(500,525)	164,195
<i>Cash and cash equivalents at beginning of year</i>		<u>728,587</u>	<u>300,198</u>
Cash and cash equivalents at end of period	6	<u><u>228,062</u></u>	<u><u>464,393</u></u>

The notes on pages 7 to 38 are an integral part of these financial statements.

**Notes to financial statements
For 9 months ended 30 September 2009**

1. General information

Effective 1 January 2009, the Bank became a branch of Citibank Europe plc with its seat 1 North Wall Quay Dublin 1, Ireland, when its legal status was changed from joint stock company to *branch of a foreign bank*. The branch conversion was implemented in the form of a cross-border merger, and was approved by both, the Irish and Slovak financial regulators. The name of the new entity is Citibank Europe plc, pobočka zahraničnej banky ('the Branch') with its registered office at Mlynské Nivy 43, 825 01 Bratislava; IČO: 36861260, DIČ: 4020239993.

The previous entity, Citibank (Slovakia) a.s. had its registered office at Mlynské Nivy 43, 825 01 Bratislava; IČO: 31401295; DIČ: 2020927271 was established and registered with the Commercial Register in 1995. The Bank was a wholly-owned subsidiary of Citibank Overseas Investment Corporation with registered office at One Penn's Way, New Castle, 19720 Delaware, U.S.A.

The ultimate parent company of the Branch is Citigroup Inc. 399 Park Avenue, 1043 New York, U.S.A.

Henricus Joseph Maria Alexander Lemmens was the Head of the Branch as of September 30, 2009.

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

The Branch operates through its head office located in Bratislava and of 2 marketing offices. There are marketing offices located in Nitra and Košice.

2. Basis of preparation

(a) Statement of compliance

The interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as required by Section 17(a) of the Slovak Act on Accounting 431/2002, as amended.

(b) Basis of measurement

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

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

(c) Functional and presentation currency

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

Notes to financial statements For 9 months ended 30 September 2009

2. Basis of preparation continued

(d) Use of estimates and judgements

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

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

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

(e) Comparative figures

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

3. Significant accounting policies

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

(a) Foreign currency

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

(b) Interest

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

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

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Branch's trading operations and are presented, together with all other changes in the fair value of trading assets and liabilities, in net trading income.

Notes to financial statements For 9 months ended 30 September 2009

3. Significant accounting policies continued

(c) Fees and commissions

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

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

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

(d) Net trading income

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

(e) Dividends

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

(f) Lease payments made

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

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

(g) Income tax expense

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

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

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

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

Notes to financial statements For 9 months ended 30 September 2009

3. Significant accounting policies continued

(h) Financial assets and liabilities

(i) Recognition

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

(ii) Derecognition

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

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

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

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

(iii) Offsetting

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

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

(iv) Amortised cost measurement

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

Notes to financial statements For 9 months ended 30 September 2009

3. Significant accounting policies continued

(h) Financial assets and liabilities continued

(v) Fair value measurement

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

(vi) Identification and measurement of impairment

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

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

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

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

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

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

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

Notes to financial statements For 9 months ended 30 September 2009

3. Significant accounting policies continued

(h) Financial assets and liabilities continued

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

(i) Cash and cash equivalents

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

(j) Trading assets and liabilities

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

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

(k) Derivatives held for risk management purposes

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

(i) Fair value hedge

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

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

(ii) Cash flow hedge

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

Notes to financial statements For 9 months ended 30 September 2009

3. Significant accounting policies continued

(k) Derivatives held for risk management purposes continued

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

(iii) Other non-trading derivatives

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

(iv) Embedded derivatives

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

(l) Loans and advances

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

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

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

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

(m) Investment securities

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

(i) Held-to-maturity

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

Notes to financial statements For 9 months ended 30 September 2009

3. Significant accounting policies continued

(m) Investment securities continued

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

(ii) Available-for-sale

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

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

Other fair value changes are recognised directly in equity until the investment is sold or impaired and the balance in equity is recognised in income.

(n) Property and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

The depreciation rates for the current and comparative periods are as follows:

	Rates
Leasehold improvements	10%
Furniture, fittings and equipment	12.5% - 33%
Motor vehicles	25%

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

Notes to financial statements For 9 months ended 30 September 2009

3. Significant accounting policies continued

(o) Intangible assets

Software

Software is stated at cost less accumulated amortisation and impairment losses.

Amortisation is recognised on a straight line basis over the 5-year estimated useful life of the software.

(p) Leased assets

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

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

(q) Impairment of non-financial assets

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

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

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

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

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

(r) Deposits, customer accounts, loans received and subordinated debt

Deposits, customer accounts, loans received and subordinated debt are the Branch's sources of debt funding.

Notes to financial statements For 9 months ended 30 September 2009

3. Significant accounting policies continued

(r) Deposits, customer accounts, loans received and subordinated debt continued

Deposits, customer accounts, loans received and subordinated debt are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost using the effective interest method.

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

(s) Provisions

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

A provision for restructuring is recognised when the Branch has approved a detailed and formal restructuring plan and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

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

(t) Employee benefits

(i) *Defined contribution plans*

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

(ii) *Termination benefits*

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

(iii) *Short-term benefits*

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

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

(iv) *Share-based payment transactions*

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognised as an expense, with a corresponding increase in liabilities, over the period in which the employees become unconditionally entitled to payment. The liability is

Notes to financial statements For 9 months ended 30 September 2009

remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expense in the income statement.

4. Use of estimates and judgements

These disclosures supplement the commentary on financial instruments.

Key sources of estimation uncertainty

Allowances for credit losses

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

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

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

Determining fair values

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

Critical accounting judgements in applying the Branch's accounting policies

Critical accounting judgements made in applying the Branch's accounting policies include:

Financial asset and liability classification

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

- In classifying financial assets or liabilities as 'trading', management has determined that the Branch meets the description of trading assets and liabilities set out in accounting policy 3 (j).
- In classifying financial assets as available-for-sale, management has determined that the Branch meets the description of available-for-sale assets set out in accounting policy 3 (m) (ii).

Notes to financial statements For 9 months ended 30 September 2009

5. Financial risk management

(a) Introduction

The Branch has exposure to the following risks from its use of financial instruments:

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

Information on the exposure to each of the above risks; the objectives, policies and processes for measuring and managing risk is set out below.

Risk management framework

The Management has overall responsibility for the establishment and oversight of the Branch's risk management framework. The Management has established the Asset and Liability Committee (ALCO), Credit and Operational Risk committees, which are responsible for developing and monitoring the Branch's risk management policies in their specified areas. All Management committees have both executive and non-executive members and report regularly to the Management on their activities.

The Branch's risk management policies are established to identify and analyse the risks faced by the Branch, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Branch, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Risk and Compliance Committee (RCC) is responsible for monitoring compliance with the Branch's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Branch. The RCC is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the RCC and the Management Committee.

b) Credit risk

Credit risk is the risk of financial loss to the Branch if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arise principally from the Branch's loans and advances to customers and other financial instruments. For risk management reporting purposes, the Branch considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, economic group, geography and industry risk).

For risk management purposes, credit risk arising on trading securities is managed independently, and reported as a component of market risk exposure.

Management of credit risk

The Management delegated responsibility for the management of credit risk to the Credit Committee. Management of credit risk is performed by the Portfolio Management department, headed by the Country Risk Manager. Additionally, an independent Credit Risk Management Services department is responsible for the maintenance and monitoring of credit exposures and the custody of documentation.

Notes to financial statements For 9 months ended 30 September 2009

5. Financial risk management continued

(b) Credit risk continued

Credit risk management consists of the following components:

- *Formulating local credit* policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- *Establishing the authorisation structure* for the approval and renewal of credit facilities. Authorisation limits are allocated to the Credit Officers. Credit facilities require approval of at least two credit officers, one of them being from the Independent Risk Department, who have to have a credit delegation sufficient for the facility on question.
- *Reviewing and assessing credit risk*. All extensions of credit are subject to at least an annual review cycle, whereupon all facilities have to be re-approved at the appropriate level. All new facilities in the interim period, prior to being committed to customers are subject to the same review process.
- *Limiting concentrations of exposure* to counterparties, geographies and industries.
- *Implementation of the risk rating models*, in order to categorise exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The current risk rating framework consists of grades reflecting varying degrees of risk of default. At facility level, the model reflects collateral or other credit risk mitigation. The responsibility for setting risk ratings lies with the final approvers as appropriate. Risk ratings models are reviewed periodically at the headquarter level (Citibank NY).
- *Reviewing compliance* of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports are provided to the senior risk management on the credit quality of local portfolios and appropriate corrective action is taken.
- *Providing advice, guidance and specialist skills* to business units to promote best practice throughout the Branch in the management of credit risk.

Each business unit is required to implement corporate credit policies and procedures, with credit approval authorities delegated from the Senior Credit Officers as appropriate. Each business unit is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to central approval.

Regular audits of business units and Group Credit processes are undertaken by Internal Audit.

Impaired loans and securities

Impaired loans and securities are loans and securities for which the Branch determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan/securities agreement(s).

Past due but not impaired loans

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

Notes to financial statements For 9 months ended 30 September 2009

5. Financial risk management continued

(b) Credit risk continued

Allowances for impairment

The Branch establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

Write-off policy

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

The Branch holds collateral against loans and advances to customers in the form of pledges over property, notarial pledges over movable assets and guarantees. Estimates of fair values are based on the value of collateral assessed at the time of borrowing, and periodically updated as per the Collateral management policy.

Concentration by location for loans and advances is measured based on the location of the entity holding the assets, which has a high correlation with the location of the borrower. Concentration by location of the investment securities is measured based on the location of the issuer of the security.

Settlement risk

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

For certain types of transactions the Branch mitigates this risk by conducting settlements through a settlement/clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual obligations. Alternatively, some customer trades are executed on a payment versus delivery basis, which eliminates settlement risk. Settlement limits form part of the credit approval/limit monitoring process.

(c) Liquidity risk

Liquidity risk is the risk that the Branch will encounter difficulty in meeting obligations from its financial liabilities.

Management of liquidity risk

The Branch's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Branch's reputation.

Notes to financial statements For 9 months ended 30 September 2009

5. Financial risk management continued

(c) Liquidity risk continued

Treasury Department receives daily information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows. Treasury then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Branch. The liquidity requirements of business units and subsidiaries are met through short-term loans from Treasury to cover any short-term fluctuations and longer term funding to address any structural liquidity requirements.

There is a combination of liquidity ratios and limits which is used to manage the liquidity position of the Branch. Monitoring and reporting of these ratios and limits is performed by the Independent unit, and Treasury is obliged to comply with these requirements. Any exceptions are reviewed and addressed by country ALCO and properly documented in the minutes.

The structure of limits is derived from the forecast balance sheet and behavioural assumptions associated with each balance sheet category. The liquidity position is further tested by a set of different scenarios which cover business as usual as well as stress situations estimating the different level of severity of market conditions and its impact on the liquidity position of the Branch.

(d) Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will affect the Branch's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Management of market risks

The Branch separates its exposure to market risk between trading and banking portfolios.

Overall authority for market risk is vested in ALCO. Market Risk Management is responsible for the development of detailed risk management policies (subject to review and approval by ALCO) and for the day-to-day review of their implementation. The Country Risk Manager provides an independent oversight.

Trading portfolio

The Branch holds trading positions in various financial instruments including financial derivatives. The majority of the Branch's business activities are conducted based on the requirements of its customers. In accordance with the estimated demand of its customers, the Branch holds a certain supply of financial instruments and maintains access to the financial markets through the quoting of bid and ask prices and by trading with other market makers. These positions are also held for the purpose of speculation on the expected future developments of financial markets. The speculative expectation and market making thus affect the Branch's business strategy, and its goal is to maximise net income from trading.

The Branch manages the risks associated with its trading activities on the level of individual risks and individual types of financial instruments. The basic instruments used for risk management are volume limits for individual transaction types, stop loss limits and Value at Risk (VaR) limits. The quantitative methods applied to risk management are described below.

Notes to financial statements For 9 months ended 30 September 2009

5. Financial risk management continued

(d) Market risk continued

Risk management methods

Market risk is the risk of a change in a product portfolio value arising from changes in market conditions (i.e. changes in interest rates, exchange (FX) rates, prices of commodities, equity instruments and changes in volatility of market factors) that impact the value of the portfolio.

The Branch monitors market risks by modelling the result of a fixed change in the monitored market factor while keeping other factors constant. The potential change in the portfolio value is then defined depending on the current sensitivity of the opened position to the changes in the market factors.

The fixed changes in the market factors used by the Branch for the respective open positions to monitor the market risk are:

- FX rate – 1 % relative change in exchange rate,
- Interest rates – a simultaneous change at all points of the yield curve by 1 basis point (0.01 %) for the trading portfolio and 100 basis points for the banking portfolio,
- Commodity price – 1 % relative change in the commodity price,
- Equity instrument price – 1 % relative change in the share price.

The Branch sets limits for the individual sensitivities of the portfolio value to the fixed changes in market factors. These limits are regularly reassessed.

Interest rate risk

The Branch is exposed to an interest rate risk as its interest-bearing assets and liabilities have different maturity dates, periods of interest rate changes and volumes during these periods. For variable interest rates, the Branch is exposed to a basis risk due to the different mechanisms of setting different interest rates, such as LIBOR (BRIBOR), announced interest on deposits, etc. The Branch's interest rate risk management activities are aimed at optimising net interest income in accordance with the Branch's strategy.

Interest rate risk is measured separately for the banking portfolio and the trading portfolio.

The interest rate risk of the banking portfolio is measured using a gap analysis. From the results of this analysis, the value of the Interest Rate Exposure (IRE) is calculated. IRE shows the potential change in net interest income before taxation if interest rates for the monitored currency change by 100 basis points during the fixed period. The measurement of the banking portfolio risk also uses the calculation of Total Return (TRT), which shows the change in value of a hypothetically immunified banking portfolio at current levels of interest rates during the fixed period. The Branch also carries out stress testing of the banking portfolio. This testing is performed using the same methodology as the IRE calculation, but using the change in interest rates defined for the purpose of the stress testing instead of the change by 100 basis points.

Interest rate risk of the trading portfolio is measured by analysing the change in the value of the portfolio for a given modification of the yield curve. The Branch simulates changes to the yield curve of 1 basis point at particular points of the curve with unchanged values of the yield curve at non-tested periods. Finally, the sensitivity of the portfolio present value as a result of an increase of the whole yield curve by 1 basis point is performed.

Notes to financial statements For 9 months ended 30 September 2009

5. Financial risk management continued

(d) Market risk continued

A more complex view is obtained by calculating the Value at Risk (VaR). The Branch also carries out stress testing of the interest rate risk of the trading portfolio. These tests are based on the same methodology, but using the changes in interest rates defined for the purpose of stress testing instead of the changes in yield curves by 1 basis point.

Value at Risk (VaR)

Value at Risk represents a statistical estimate of the potential loss from an unfavourable market development within a certain time period and at a certain significance level. The Branch determines VaR using the stochastic simulation of a large number of scenarios of potential developments in the financial markets. The VaR is measured based on a one-day holding period and a confidence level of 99 %.

Foreign exchange risk

Foreign exchange risk arises from the impact on the value of financial assets and liabilities from changes in foreign exchange rates.

The policy of the Branch is to maintain minimal net exposures to foreign exchange risk. Limits are set for individual foreign currencies and the Branch also uses forward foreign currency contracts to hedge balance sheet positions.

(e) Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events. It includes reputation and franchise risks associated with Citi's business practices or market conduct. It also includes the risk of failing to comply with applicable laws, regulations, Regulatory Administrative Actions or Citi policies.

The Branch's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Branch's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Bank standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective.

Notes to financial statements For 9 months ended 30 September 2009

5. Financial risk management continued

(e) Operational risk continued

The Operational Risk Process is made up of the following components:

1. Identify and Assess Key Operational Risks

Key Operational Risks are derived from a judgmental assessment of the Important Risks identified through the Risk Compliance Self Assessment Processes (“RCSA”), as well as other relevant factors that can include internal operational risk loss data, industry events, and other forms of scenario analysis. The identification of Key Operational Risks benefits from a collaborative effort, with the input of business and functional experts.

2. Establish Key Risk Indicators

Key Risk Indicators (‘KRIs’) are management tools that can be used to monitor exposure to a risk, or to monitor the control of a risk. They may be quantitative in nature, or they may be judgmental so far as possible, KRIs should:

- Recognise both improvements and deterioration in operational risk exposures on a timely basis;
- Provide forward-looking information to management;
- Translate into quantifiable measures that lend themselves to monitoring and verification; and
- Be identified through a collaborative effort, with the input of business and functional experts.

3. Comprehensive Quarterly Operational Risk Reporting

- Internal Operational Risk Events
- RCSA and ARR Results
- Key Operational Risks and KRI’s
- Operational Risk Capital Results
- Management Summary

The internal audit function is exercising independent control over management of operational risk by checking for compliance with statutes, other generally binding legal regulations, and the Branch’s internal regulations and procedures; in particular, examining and evaluating the functionality and effectiveness of the Branch’s management and control system, risk management system, and internal capital adequacy assessment process, the fulfilment of requirements for own funds and liquidity, and compliance with exposure limits; examining and evaluating the Branch’s preparedness in terms of risk management for performing new types of transactions.

The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the management of the Branch.

**Notes to financial statements
For 9 months ended 30 September 2009**

6. Cash and cash equivalents

	Sep 2009 Eur '000	Dec 2008 Eur '000
Cash and balances at the central bank (note 7)	1,148	713,634
Loans and advances to banks with contractual maturity up to 3 months (note 9)	<u>226,914</u>	<u>14,953</u>
	<u><u>228,062</u></u>	<u><u>728,587</u></u>

7. Cash and balances at the central bank

	Sep 2009 Eur '000	Dec 2008 Eur '000
<i>Balances with the National Bank of Slovakia:</i>		
Compulsory minimum reserve	5	18,283
Receivables from repurchase agreements	-	331,506
Other	<u>-</u>	<u>380,212</u>
		730,001
<i>Balances with other central banks</i>		
Other	<u>-</u>	<u>27</u>
	5	730,028
Cash in hand	<u>1,148</u>	<u>1,889</u>
	1,153	731,917
Less compulsory minimum reserve (note 9)	<u>(5)</u>	<u>(18,283)</u>
	<u><u>1,148</u></u>	<u><u>713,634</u></u>

The compulsory minimum reserve balance is maintained in accordance with the requirements of the National Bank of Slovakia and European Central Bank.

**Notes to financial statements
For 9 months ended 30 September 2009**

8. Trading assets and liabilities

	Sep 2009 Eur '000	Dec 2008 Eur '000
Trading assets		
Debt securities (a)	1,295	837
Derivative instruments (b)	<u>19,366</u>	<u>75,100</u>
	<u>20,661</u>	<u>75,937</u>

Trading liabilities

Derivative instruments (b)	<u>12,793</u>	<u>56,265</u>
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(a) Debt securities

	Sep 2009 Eur '000	Dec 2008 Eur '000
Slovak government bonds	<u>1,295</u>	<u>837</u>

(b) Derivative instruments

	Contract/ notional amount Eur '000	Sep 2009 Fair value		Contract/ notional amount Eur '000	Dec 2008 Fair value	
		Assets Eur '000	Liabilities Eur '000		Assets Eur '000	Liabilities Eur '000
Currency derivatives						
Forward exchange contracts	134,216	2,565	2,042	438,968	3,788	10,393
Currency and cross-currency swaps	268,948	9,118	3,068	2,387,041	63,393	37,953
Options	-	-	-	114,766	2,655	2,655
Interest rate derivatives						
Interest rate swaps	390,748	7,683	7,683	405,132	5,264	5,264
Interest rate options	<u>3,153</u>	<u>-</u>	<u>-</u>	<u>5,518</u>	<u>-</u>	<u>-</u>
	<u>797,065</u>	<u>19,366</u>	<u>12,793</u>	<u>3,351,425</u>	<u>75,100</u>	<u>56,265</u>

9. Loans and advances to banks

	Sep 2009 Eur '000	Dec 2008 Eur '000
Repayable on demand	78,267	14,820
Other loans and advances by contractual maturity:		
- 3 months or less	148,647	133
- over 3 month	414,773	908
Compulsory minimum reserve (note 7)	<u>5</u>	<u>18,283</u>
	641,692	34,144
Less amounts with contractual maturity up to 3 months (note 6)	<u>(226,914)</u>	<u>(14,953)</u>
	<u>414,778</u>	<u>19,191</u>

**Notes to financial statements
For 9 months ended 30 September 2009**

10. Loans and advances to customers

	Sep 2009 Eur '000	Dec 2008 Eur '000
Repayable on demand	148,402	174,322
Other loans and advances to customers by contractual maturity:		
- 3 months or less	79,392	69,134
- 1 year or less but over 3 months	67,030	99,383
- 5 years or less but over 1 year	62,486	82,101
- over 5 years	<u>50,014</u>	<u>59,330</u>
	407,324	484,270
Allowances for impairment (note 11)	<u>(13,600)</u>	<u>(9,007)</u>
	<u><u>393,724</u></u>	<u><u>475,263</u></u>

The exposure to the various business segments of loans and advances to customers according to main product types is as follows:

	September 2009			December 2008		
	Gross amount Eur '000	Impairment allowance Eur '000	Carrying amount Eur '000	Gross amount Eur '000	Impairment allowance Eur '000	Carrying amount Eur '000
Retail customers						
Personal loans	8,207	(337)	7,870	12,481	(369)	12,112
Staff loans	3,815	-	3,815	4,204	-	4,204
Credit cards	106	-	106	97	-	97
Corporate customers						
Large	327,820	(3,884)	323,936	368,134	(3,342)	364,792
Small business	<u>67,376</u>	<u>(9,379)</u>	<u>57,997</u>	<u>99,354</u>	<u>(5,296)</u>	<u>94,058</u>
	<u><u>407,324</u></u>	<u><u>(13,600)</u></u>	<u><u>393,724</u></u>	<u><u>484,270</u></u>	<u><u>(9,007)</u></u>	<u><u>475,263</u></u>

**Notes to financial statements
For 9 months ended 30 September 2009**

11. Impairment losses on loans and advances

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

	Sep 2009 Eur '000	Dec 2008 Eur '000
Specific allowances for impairment:		
At 1 January	5,296	1,363
Charge for the period	<u>4,083</u>	<u>3,933</u>
At 30 September/31 December	<u>9,379</u>	<u>5,296</u>
Collective allowances for impairment:		
At 1 January	3,711	268
Charge for the period	<u>510</u>	<u>3,443</u>
At 30 September/31 December	<u>4,221</u>	<u>3,711</u>
Total allowances for impairment	<u><u>13,600</u></u>	<u><u>9,007</u></u>

12. Investment securities

	Sep 2009 Eur '000	Dec 2008 Eur '000
Debt securities available for sale (a)	65,248	100,631
Equity shares available for sale (b)	<u>98</u>	<u>98</u>
	<u><u>65,346</u></u>	<u><u>100,729</u></u>

(a) Debt securities available for sale

	Sep 2009 Eur '000	Dec 2008 Eur '000
Slovak government securities	<u>65,248</u>	<u>100,631</u>

(b) Equity shares available for sale

Name	Activity	Sep 2009 Eur '000	Dec 2008 Eur '000
RVS, a.s.	Conference and leisure	100	100
VISA, Inc.	Financial services	<u>98</u>	<u>98</u>
		198	198
Specific allowance for impairment		<u>(100)</u>	<u>(100)</u>
		<u><u>98</u></u>	<u><u>98</u></u>

Notes to financial statements
For 9 months ended 30 September 2009

12. Investment securities continued

The Branch holds 1.29% (2007: 1.29%) share in RVS, a.s. - a company registered in the Slovak Republic. In 2007, a full impairment loss was recognised for the investment in RVS. In October 2008, the Branch received 2,682 shares of VISA Incorporated. The Branch's share on registered capital of VISA Inc. is less than 1%. The company is incorporated in the UK.

13. Property and equipment

	Leasehold improve- ments EUR '000	Furniture , fittings and equipment EUR '000	Motor vehicles EUR '000	Software EUR '000	Assets not yet in use EUR '000	Total EUR '000
Cost						
At 1 January 2008	1,202	5,672	1,745	1,291	77	9,987
Additions	19	42	134	54	298	547
Disposals	(498)	(429)	(450)	-	(249)	(1,626)
At 31 December 2008	<u>723</u>	<u>5,285</u>	<u>1,429</u>	<u>1,345</u>	<u>126</u>	<u>8,908</u>
At 1 January 2009	723	5,285	1,429	1,345	126	8,908
Additions	2	11	422	58	404	897
Disposals	(1)	(221)	(546)	-	(509)	(1,277)
At 30 September 2009	<u>724</u>	<u>5,075</u>	<u>1,305</u>	<u>1,403</u>	<u>21</u>	<u>8,528</u>
Depreciation and impairment losses						
At 1 January 2008	502	4,494	902	1,152	-	7,050
Charge for the year	100	427	399	87	-	1,013
Disposals	(290)	(372)	(377)	-	-	(1,039)
At 31 December 2008	<u>312</u>	<u>4,549</u>	<u>924</u>	<u>1,239</u>	<u>-</u>	<u>7,024</u>
At 1 January 2009	312	4,549	924	1,239	-	7,024
Charge for the year	55	254	243	46	-	598
Disposals	-	(215)	(503)	-	-	(718)
At 30 September 2009	<u>367</u>	<u>4,588</u>	<u>664</u>	<u>1,285</u>	<u>-</u>	<u>6,904</u>
Net book value:						
At 30 September 2009	<u>357</u>	<u>487</u>	<u>641</u>	<u>118</u>	<u>21</u>	<u>1,624</u>
At 31 December 2008	<u>411</u>	<u>736</u>	<u>505</u>	<u>106</u>	<u>126</u>	<u>1,885</u>

**Notes to financial statements
For 9 months ended 30 September 2009**

14. Other assets

	Sep 2009 Eur '000	Dec 2008 Eur '000
Prepaid expenses	271	306
Other	1,264	911
	<u>1,535</u>	<u>1,217</u>

15. Deposits by banks

	Sep 2009 Eur '000	Dec 2008 Eur '000
Repayable on demand	484	100,143
Other deposits by banks with contractual maturity:		
- 3 months or less	-	139,188
- 5 years or less but over 1 year	-	65,282
	<u>484</u>	<u>304,613</u>

16. Customer accounts

	Sep 2009 Eur '000	Dec 2008 Eur '000
Repayable on demand	293,537	649,334
Other deposits with agreed maturity dates or periods of notice, by contractual maturity:		
- 3 months or less	229,995	207,257
- 1 year or less but over 3 months	414,878	672
	<u>938,410</u>	<u>857,263</u>

**Notes to financial statements
For 9 months ended 30 September 2009**

17. Subordinated debt

	Sep 2009 Eur '000	Dec 2008 Eur '000
Citigroup Netherlands B.V.	<u>-</u>	<u>37,756</u>

The subordinated loan was provided under a contract entered into on 9 November 2005. The loan was denominated in Euro and the principal debt amounts to EUR 37,600 thousand. The interest rate was set as three-month EURIBOR plus 0.5% p.a. The original debt's tenor was 10 years. In the event of bankruptcy or similar the Branch was obliged to repay the debt with related interest after settling all other creditors' claims. The loan was fully repaid in February 2009.

18. Corporate income tax

	Sep 2009 Eur '000	Dec 2008 Eur '000
Tax payable for the current period (note 30)	1,745	6,339
Tax prepayments	<u>(3,230)</u>	<u>(4,271)</u>
Corporate income tax (receivable)/payable	<u>(1,485)</u>	<u>2,068</u>

19. Provisions

The movements on provisions were as follows:

	Restruc- turing Eur '000	Other Eur '000	Total Eur '000
At 1 January 2008	121	106	227
Created through 'Employee costs'	254	-	254
Decrease for the year	<u>-</u>	<u>(50)</u>	<u>(50)</u>
At 31 December 2008	<u>375</u>	<u>56</u>	<u>431</u>
At 1 January 2009	375	56	431
Created through 'Employee costs'	-	-	-
Increase/(Decrease) for the year	<u>(220)</u>	<u>385</u>	<u>165</u>
At 30 September 2009	<u>155</u>	<u>441</u>	<u>596</u>

**Notes to financial statements
For 9 months ended 30 September 2009**

20. Other liabilities

	Sep 2009 Eur '000	Dec 2008 Eur '000
Items in course of settlement	55,741	25,967
Expense accruals	1,945	2,292
Social fund	19	4
Other	<u>2,254</u>	<u>2,550</u>
	<u><u>59,959</u></u>	<u><u>30,813</u></u>

The movements on the Social fund were as follows:

	Sep 2009 Eur '000	Dec 2008 Eur '000
At 1 January	4	4
Creation	59	118
Drawings	<u>(44)</u>	<u>(118)</u>
At 30 Sep/31 December	<u><u>19</u></u>	<u><u>4</u></u>

21. Liability to head office and share capital

	Sep 2009 Eur '000	Dec 2008 Eur '000
Head office funding	<u>54,770</u>	<u>-</u>

	Sep 2009 Eur '000	Dec 2008 Eur '000
Authorised, issued and fully paid share capital:		
1,650,000 ordinary shares of Sk 1,000 each	<u>-</u>	<u>54,770</u>

22. Reserves

	Retained earnings Eur '000	Reval- uation reserve Eur '000	Total Eur'000
At 1 January 2009	60,069	18	60,087
Net gain on available-for- sale assets, net of tax	-	768	768
Profit for 9 months of 2009	<u>1,265</u>	<u>-</u>	<u>1,265</u>
At 30 September 2009	<u><u>61,334</u></u>	<u><u>786</u></u>	<u><u>62,120</u></u>

Notes to financial statements
For 9 months ended 30 September 2009

23. Off balance sheet items

	Sep 2009 Eur '000	Dec 2008 Eur '000
<i>Contingent liabilities:</i>		
Guarantees	134,002	123,364
Irrevocable letters of credit	1,148	1,208
<i>Commitments:</i>		
Committed unused lines	119,693	77,791
Uncommitted unused lines	617,890	714,479
<i>Derivative instruments:</i>		
Trading assets and liabilities (note 8)	<u>797,065</u>	<u>3,351,425</u>
	<u><u>1,669,798</u></u>	<u><u>4,268,267</u></u>

24. Deferred tax

Deferred tax assets and liabilities are attributable to the following:

	Assets/ (liabilities) Sep 2009 Eur '000	Assets/ (liabilities) Dec 2008 Eur '000
Write-off of loans	110	92
Property and equipment	38	(74)
Allowances for impairment on loans and advances	1,782	1,006
Revaluation of available-for-sale securities	(184)	(4)
Other	<u>171</u>	<u>237</u>
	<u><u>1,917</u></u>	<u><u>1,257</u></u>

The deferred tax assets and liabilities have been calculated using a corporate income tax rate of 19%.

Notes to financial statements
For 9 months ended 30 September 2009

25. Interest receivable and similar income arising from debt securities

	Sep 2009 Eur '000	Sep 2008 Eur '000
<i>Interest receivable and similar income arising from:</i>		
Loans and advances to banks	3,082	9,677
Loans and advances to customers	12,108	24,360
Debt securities	2,355	3,975
	<u>17,545</u>	<u>38,012</u>
	<u><u>17,545</u></u>	<u><u>38,012</u></u>
	Q3 2009 Eur '000	Q3 2008 Eur '000
<i>Interest receivable and similar income arising from:</i>		
Loans and advances to banks	1,013	4,246
Loans and advances to customers	3,490	7,924
Debt securities	659	1,137
	<u>5,162</u>	<u>13,307</u>
	<u><u>5,162</u></u>	<u><u>13,307</u></u>

26. Interest payable

	Sep 2009 Eur '000	Sep 2008 Eur '000
Deposits by banks	423	6,338
Customer accounts	4,035	12,307
Subordinated debt	262	1,556
Loans received	-	92
	<u>4,720</u>	<u>20,293</u>
	<u><u>4,720</u></u>	<u><u>20,293</u></u>
	Q3 2009 Eur '000	Q3 2008 Eur '000
Deposits by banks	-	3,747
Customer accounts	1,123	3,218
Subordinated debt	-	522
Loans received	-	20
	<u>1,123</u>	<u>7,507</u>
	<u><u>1,123</u></u>	<u><u>7,507</u></u>

**Notes to financial statements
For 9 months ended 30 September 2009**

27. Fees and commissions receivable and payable

	Sep 2009	Sep 2008
	Eur '000	Eur '000
<i>Fees and commissions receivable:</i>		
Payment services income	4,754	4,731
Corporate banking credit related fees	69	297
Retail banking customer fees	265	334
Guarantee and letter of credit contracts issued	916	922
Other	-	55
	<hr/>	<hr/>
Total fees and commissions receivable	<u>6,004</u>	<u>6,339</u>
<i>Fees and commissions payable:</i>		
Payment services	(2,740)	(2,667)
Inter bank transaction fees	(55)	(124)
Brokerage	-	(152)
Other	-	(372)
	<hr/>	<hr/>
Total fees and commissions payable	<u>(2,795)</u>	<u>(3,315)</u>
Net fees and commissions income	<u>3,209</u>	<u>3,024</u>
	<hr/>	<hr/>
	Q3 2009	Q3 2008
	Eur '000	Eur '000
<i>Fees and commissions receivable:</i>		
Payment services income	1,536	1,589
Corporate banking credit related fees	69	2
Retail banking customer fees	87	102
Guarantee and letter of credit contracts issued	286	327
Other	-	55
	<hr/>	<hr/>
Total fees and commissions receivable	<u>1,978</u>	<u>2,075</u>
<i>Fees and commissions payable:</i>		
Payment services	(895)	(703)
Inter bank transaction fees	(13)	(43)
Brokerage	-	(42)
Other	-	(372)
	<hr/>	<hr/>
Total fees and commissions payable	<u>(908)</u>	<u>(1,160)</u>
Net fees and commissions income	<u>1,070</u>	<u>915</u>
	<hr/>	<hr/>

**Notes to financial statements
For 9 months ended 30 September 2009**

28. Net trading income

	Sep 2009 Eur '000	Sep 2008 Eur '000
Net income/(loss) from foreign exchange operations	16,165	20,460
Net (loss)/income from derivative instruments	(12,686)	(7,565)
Net income/(loss) from trading with securities	723	(278)
	<u>4,202</u>	<u>12,617</u>
	Q3 2009 Eur '000	Q3 2008 Eur '000
Net income/(loss) from foreign exchange operations	(144)	16,342
Net (loss)/income from derivative instruments	1,628	(12,682)
Net income from trading with securities	38	(36)
	<u>1,522</u>	<u>3,624</u>

29. Administrative expenses

	Sep 2009 Eur '000	Sep 2008 Eur '000
<i>Employee costs:</i>		
Wages and salaries	4,746	5,717
Social insurance	878	1,030
Restructuring reserve	(8)	634
Other	183	646
	<u>5,799</u>	<u>8,027</u>
Operating lease rentals	545	645
Other operating expenses	5,070	6,862
	<u>11,414</u>	<u>15,534</u>
	Q3 2009 Eur '000	Q3 2008 Eur '000
<i>Employee costs:</i>		
Wages and salaries	1,563	1,802
Social insurance	312	291
Restructuring reserve	(8)	(47)
Other	13	161
	<u>1,880</u>	<u>2,207</u>
Operating lease rentals	177	177
Other operating expenses	1,178	2,299
	<u>3,235</u>	<u>4,683</u>

**Notes to financial statements
For 9 months ended 30 September 2009**

30. Income tax expense

	Sep 2009 Eur '000	Sep 2008 Eur '000
Recognised in the income statement:		
Current tax expense	(1,719)	(3,966)
Taxes from previous years	(26)	(3)
Deferred tax expense	841	809
	<u> </u>	<u> </u>
Total income tax expense	<u> (904)</u>	<u> (3,160)</u>
	Q3 2009 Eur '000	Q3 2008 Eur '000
Recognised in the income statement:		
Current tax expense	(718)	(1,206)
Taxes from previous years	-	(3)
Deferred tax expense	964	72
	<u> </u>	<u> </u>
Total income tax expense	<u> 246</u>	<u> (1,137)</u>

31. Profit before changes in operating assets and liabilities

	Sep 2009 Eur '000	Sep 2008 Eur '000
Profit before taxation	2,169	14,432
Adjustments for non-cash items:		
Depreciation	598	799
(Gain)/loss on disposal of property and equipment	(110)	158
Interest receivable	(17,545)	(38,012)
Interest received	20,801	38,406
Interest payable	4,720	20,294
Interest paid	(4,529)	(19,799)
Impairment losses on loans and advances	5,321	2,586
Impairment losses on equity shares	-	-
Provisions	165	43
	<u> </u>	<u> </u>
	<u> 11,590</u>	<u> 18,907</u>

Notes to financial statements
For 9 months ended 30 September 2009

32. Related party transactions

In the normal course of business, the Branch is engaged in transactions with other members of Citigroup. These transactions, which include the taking and placing of deposits, foreign currency operations and the provision of management and technology services, are conducted on an arm's length basis.

	Sep 2009	Dec 2008
	Eur '000	Eur '000
Assets		
Cash and cash equivalents	225,210	13,385
Loans and advances to banks	414,772	-
Trading assets	8,933	64,899
Other assets	6	39
Liabilities		
Trading liabilities	10,672	34,552
Deposits by banks	218	289,028
Subordinated debt	-	37,756
Other liabilities	12	50

Transactions during the year were as follows:

	Sep 2009	Sep 2008
	Eur '000	Eur '000
Interest received and receivable	2,654	437
Interest paid and payable	(726)	(5,689)
Fees and commissions receivable	164	364
Fees and commissions payable	(293)	(1,000)
Net trading income/(loss)	(61,003)	48,100
Other operating income	262	344
Administrative expenses	(2,136)	(2,793)