VÚB BANKA

Annual Report 2011

ERNST & YOUNG

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Appendix to the auditors' report
on the consistency of annual report with audited financial statements
in accordance with Act No. 540/2007 Z.z. § 23 par. 5

To the Shareholders of Všeobecná úverová banka, a.s.:

I. We have audited the financial statements of Všeobecná úverová banka, a.s. ("the Bank") as at 31 December 2011 presented in the annual report on pages 29 - 106 (Consolidated financial statements) and on pages 108 - 181 (Separate financial statements). We issued the following audit report dated 21 February 2012 on the Consolidated financial statements:

"Independent Auditors' Report

To the Shareholders of Všeobecná úverová banka, a.s.:

We have audited the accompanying consolidated financial statements of Všeobecná úverová banka, a.s. and its subsidiaries ('the Group'), which comprise the consolidated statement of financial position as at 31 December 2011 and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and presentation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

21 February 2012
Bratislava, Slovak Republic

Ernst & Young Slovakia, spol. s r.o.	*Ing. Peter Matejička*
SKAU Licence No. 257	*SKAU Licence No. 909"*

Spoločnosť zo skupiny Ernst & Young Global Limited
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a v zozname audítorov vedenom Slovenskou komorou audítorov pod č. 257.

We issued the following audit report dated 21 February 2012 on the Separate financial statements:

"Independent Auditors' Report

To the Shareholders of Všeobecná úverová banka, a.s.:

We have audited the accompanying separate financial statements of Všeobecná úverová banka, a.s. ('the Bank'), which comprise the statement of financial position as at 31 December 2011 and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and presentation of separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the separate financial statements give a true and fair view of the financial position of the Bank as at 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

21 February 2012
Bratislava, Slovak Republic

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Ing. Peter Matejička
SKAU Licence No. 909"

II. We have also audited the consistency of the annual report with the above-mentioned financial statements. The management of the Bank is responsible for the accuracy of preparation of the annual report. Our responsibility is to express an opinion on the consistency of the annual report with the financial statements, based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the accounting information presented in the annual report and derived from the financial statements is consistent, in all material respects, with the financial statements. We have checked that the information presented in the annual report is consistent with that contained in the audited financial statements as at 31 December 2011. We have not audited information that has not been derived from audited financial statements or Bank accounting records. We believe that our audit provides a reasonable basis for our opinion.

Based on our audit, the accounting information presented in the annual report is consistent, in all material respects, with the financial statements of the Bank as at 31 December 2011, and is in accordance with the Act on Accounting No 431/2002 Z.z., as amended by later legislation.

21 February 2012
Bratislava, Slovak Republic

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Ing. Peter Matejička
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Content

Address by the Chairman of the VUB Supervisory Board

Dear Shareholders, Clients and Business Partners, Employees

VUB has had a successful year in 2011. The Bank has managed to further strengthen its position on the core credit and deposit markets, and at the same time further improve its already outstanding profitability and cost efficiency. Even when judged by independent outside observers, VUB's superior performance clearly stands out. In particular, the financial magazine Global Finance ranked VUB bank as the safest bank in Central and Eastern Europe. On behalf of the Supervisory Board, I would like to thank the management and employees for these excellent achievements.

The year 2011 marked an anniversary, as for VUB it has been the tenth full year under the strategic ownership of Intesa Sanpaolo. During these ten years, VUB has undergone tremendous changes that have turned the Bank completely around to become an undisputed leader on the Slovak market, as well as among its Intesa Sanpaolo sister banks. Looking at our common 10-year journey, I see evolution and progress. In terms of size, for example, the loan book of VUB has nearly quadrupled over this time period. In terms of efficiency, the cost-to-income ratio has improved from levels close to 75% to the current 43%. In terms of quality, I now see a modern distribution network, with well accessible branches, and friendly and competent personnel for whom superior service to clients is the utmost priority. Finally, I would like to mention the value VUB creates for its stakeholders and society as a whole. Indeed, I now see a well-respected institution, an upstanding corporate citizen, who respects rules, and with a deep sense of responsibility promotes sustainable development and the cohesion of the community in which it operates.

Looking ahead, a difficult year 2012 is in front of us. Distress on the financial markets and the euro debt crisis undermine the Eurozone's growth prospects. Although the outlook for Slovakia's key trading partner, Germany, appears relatively positive, other trading partners are sliding into recession, which inevitably worsens its own growth prospects and the operating environment for banks in Slovakia. Still, I remain an optimist. Our successful common 10-year partnership has revealed the talent and dedication of VUB management and employees in the good as well as less benign times. I am confident that with the continued trust of its clients and business partners, VUB will continue to deliver and firmly remain the best bank in Slovakia.

György Surányi
Chairman of the Supervisory Board

Address by the Chairman of the VUB Management Board

Dear Shareholders, Clients and Business Partners,

VUB has had a successful year in 2011. We have outgrown the market in banking assets, and improved our share of both the credit and deposit markets. We have also continued to deliver fine results in terms of profitability and efficiency, our long standing strengths. VUB has been presented with the prestigious award for the best banking institution in Slovakia by the magazine Trend for the third year in a row. And independent customer surveys again ranked VUB as the number one in Slovakia for customer satisfaction. This tells best of the professionalism, daily commitment and enthusiasm of VUB's employees in the front line. Indeed, it is thanks primarily to our VUB staff that I can present in this report the great results we have achieved also this past year.

Before doing so, let me start with a brief overview of the external environment. The year 2011 as a whole was benign for the Slovak economy and banking industry. The positive momentum, however, has been slipping as the year was coming to a close. Indeed, in the full year, real GDP expanded by about three percent, but this growth owed primarily to the solid first half of the year. In the latter part of 2011, the weight of the Eurozone debt crisis and uncertainty about global growth prospects also grounded the small, open Slovak economy. Hence, while in the first year half firms' profits, investments, and jobs all posted positive increments, in the second half, these positive trends reversed. In particular, by end-2011, twenty thousand more people had registered with labor offices than a year ago. Resumed increase in unemployment unsettled job security once again, affecting households' demand for consumer durables and housing. In contrast to buoyant demand for mortgage loans in the first half of the year, the latter part thus saw the market nearly stall.

Looking at developments in the banking sector through numbers, I notice an acceleration in loan growth, from 5% a year ago to 9%, well distributed among retail and corporate sectors. Deposit growth, on the other hand, slowed down markedly, to less than 2% from 6% in 2010. In volume terms, the increase in primary deposits amounted to a mere quarter of new loan volume. Constricted liquidity is a new development in Slovakia, as loan growth in past years was funded almost solely by primary deposits. The slowdown in deposit volume in 2011 owed to the corporate and public sectors, which drew down funds from the banks as their own financial situation began to worsen in the latter part of the year. Households, on the other hand, were still able to grow their deposits with the banks at a solid 7% rate. This growth, however, was achieved partially at the expense of the mutual funds industry, which saw assets under its management plunge by 16% – the result of the turmoil on the global financial markets erupting in the summer. Taken together, growth of household deposits and mutual fund assets halved compared to a year earlier, to just 3%.

Against this backdrop, VUB did well. We were able to outgrow the market in primary deposits, loans and assets volume overall. To be sure, however, while fine overall, our commercial results continue to vary by segments. As liquidity became the top priority for the banking industry, the market remained especially tough on the household deposit front, in which we were losing position at the beginning of the year. Later on, however, we adopted several corrective measures and were able to turn the tide, ending the year 2011 with 17.2% market share of household deposits, the same as in 2010. On the corporate deposit front, we improved our market share to 18.7%, from 17.3% a year ago. This increase, though, owes primarily to rather volatile public and financial sector deposits. In the more stable, but recently contracting deposit market of nonfinancial firms, we saw our position worsen and market share decline. A similar statement holds true for our asset management arm, which saw its share of the market – contracting in volume terms – decrease. Overall though, we held 18.0% share of the combined volume of primary bank deposits and assets under management at the end of 2011, up from 17.7% a year earlier.

Our activities in managing personal financial assets in Slovakia extend also to pension savings, in which we are active together with our joint venture partner Generali Slovensko. Also in 2011, we managed to deliver to our almost 200 thousand clients the highest increase in the value of their pension assets of the operators on this market. By year end, their assets under our management grew 24%, accounting for a stable 14.5% market share.

On the loan market, we utilized our healthy financial position and continued to improve our market share steadily, to 18.7%, from 18.0% in 2010 and 17.6% in 2009, respectively. The improvement in 2011 though owed solely to our corporate banking arm, which saw its loan book on the Slovak market increase by one fifth, outgrowing the sector nearly three times. As a result, our share of credit extended to nonfinancial firms thus increased from 15% in 2010 to 16.6%, a record high in the post-privatization era of VUB. Importantly, besides SMEs we were able to grow loan volumes in the segment of large corporate clients, unlike the previous two years. On the retail market, to be sure, we also continued to grow volumes, expanding evenly both mortgages and consumer loans, by 10% each. The market, though, grew even faster and thus pulled our share of bank loans extended to households down a bit, from 23.6% at the end of 2010 to 23.0%. Unlike our main competitors, though, besides banking loans we expanded on the consumer finance market also via our specialized subsidiary Consumer Finance Holding, which increased its loan book by 9% and further established itself as the market leader in this segment. Last but not least, on the group level, we managed to grow nicely the volume of leased assets via our leasing subsidiary, VUB Leasing, which improved its share of the relevant market to 8.5% from 7.3% a year ago.

In terms of financial results, on the consolidated basis the VUB Group in 2011 grew net operating margin by 9% and total operating costs by 4%, respectively. Our the cost-to-income ratio thus fell from 46% in 2010 to an all-time low of 45%. On the group level, we generated net operating profit of € 289.6 million, 9.3% more than a year ago. After adjustment for provisions, impairment losses, and income tax, the Group posted in the year 2011 net profit of € 176.9 million, 17.7% more than a year earlier.

In addition to the quantitative results, I would also like this year to turn your attention to our efforts to transmit the principles of Corporate Social Responsibility (CSR) in the business community in Slovakia. As you will read in our 2011 CSR Annual Report attached to this Financial Report, there is a lot be proud of in this area too. Equally important is the fact that VUB is a pioneer in using the Global Reporting Initiative Standards in CSR reporting, and our Bank is still the only financial institution in Slovakia that adheres to such a commitment.

Looking ahead, 2012 appears an exceptionally difficult year for the banking industry. Uncertainty runs high. On the macro front, economic slowdown will pose a challenge, but a relatively predictable one for which banks can prepare. Much less predictable and manageable appears the uncertainty related to the political interference in the banking industry and regulatory zeal, driven in particular by the still unresolved sovereign debt crisis in Europe. As to the Slovak political environment, the government decided to charge banks operating in Slovakia an additional levy. Originally aimed to siphon € 50 million cash from the banks, the effective tax is now double that amount and even a further increase is flagged in the future. Taxing bank deposits on one hand and asking banks to strengthen their capital on the other may be counterproductive. Furthermore, the tax, basically a levy on wholesale funding, threatens to undermine the stability of the corporate deposit base just at a time when liquidity is becoming an issue also for the Slovak banking sector. Against this backdrop, previously agreed growth targets will have to be carefully monitored and reassessed.

To close the speech, I would like to thank our employees for their commitment, hard work, and great results of 2011. I also would like to thank VUB clients and business partners for the trust they hold in the Bank, and the shareholders for their support. Clearly, the year 2012 will be extremely challenging. I nonetheless firmly believe that the VUB team will continue to deliver the best possible performance for the benefit of our clients.

Ignacio Jaquotot
CEO and Chairman of the Management Board

VUB Management Board Report on the business activities of the Company

Development of the External Environment

External Environment

For the Slovak economy, the year 2011 was a year of two halves. The first half continued the positive growth momentum from late 2010, which allowed the overall economic output to surpass its pre-crisis peak. Firms' profits, investments, and, importantly, number of jobs all continued to post positive increments. The ongoing recovery of the real economy lifted the volumes of both bank deposits and loans sizably in the first half of the year, allowing banks to deliver healthy improvements in revenues and profitability.

Unfortunately, the positive momentum did not last through the second half of 2011. Sentiment turned sour as financial markets froze over the lingering euro periphery debt crisis. Increased uncertainty induced many firms and households to postpone investment decisions. The threat of renewed recession in the Eurozone led to a marked slowdown of export orders for manufacturing – the backbone of the Slovak economy. Profitability of firms stopped improving and unemployment began to rise again. These developments have in the second half of 2011 slowed demand for credit down, and stalled primary deposit creation.

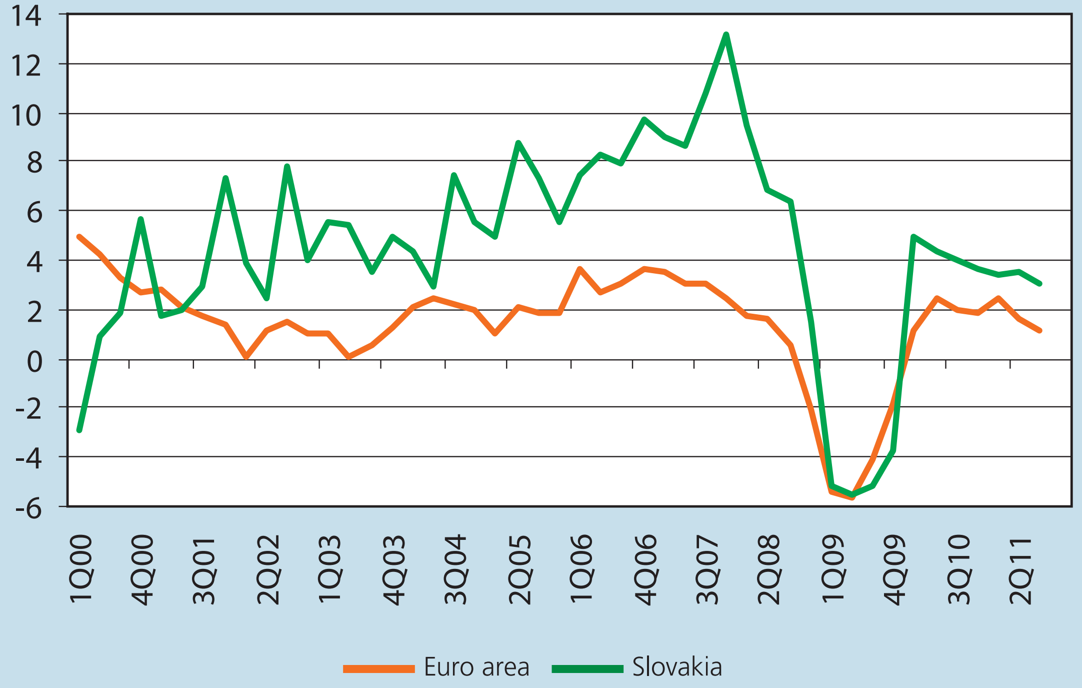
In terms of interest rates too, the year was split into opposite halves. The first half saw official interest rates set by the ECB increase by 50 basis points as inflation picked up. In contrast, the second half saw official rates fall back the same 50 bps as downside risks to the Eurozone economy began to materialize. In terms of long-term yields, Slovakia, thanks to its relatively still low indebtedness, was lucky to be spared investor concern and actually saw its 10-year government bond yields decline slightly in the first half the of year. In the latter part of the year, however, bonds were sold off as investors saw the risk of fiscal slippage increase due to the government break-up in October, and the abandonment of agreed budget plans thereafter. As a result, 10-year yield Slovak sovereign bonds yielded 4.7% at the end-2011, compared to 4.1% a year ago.

Evaluating the year as a whole, the cumulative result of its two dichotomous halves for the banking sector was actually not entirely negative. GDP increased over 2010 by about three percent in real terms and nearly five percent in nominal terms, respectively. Volumes of bank loans increased by 9%, and volumes of leased assets, spurred by investments in green energy, by 14%, respectively. Volumes of primary deposits increased over the previous year too, albeit only at a rate of less than 2%. Growth of loans was reflected in revenues, which for the whole banking sector increased last year by 11%. Banks meanwhile continued to control their costs, allowing them to increase by a mere 1% over the year. As a result, the cost-to-income ratio of the banking sector decreased below 50% for the first time ever. The operating profit and net profit of the Slovak banking sector increased in 2011 over 2010 by a quarter and a third, respectively, in absolute terms both reaching record levels.

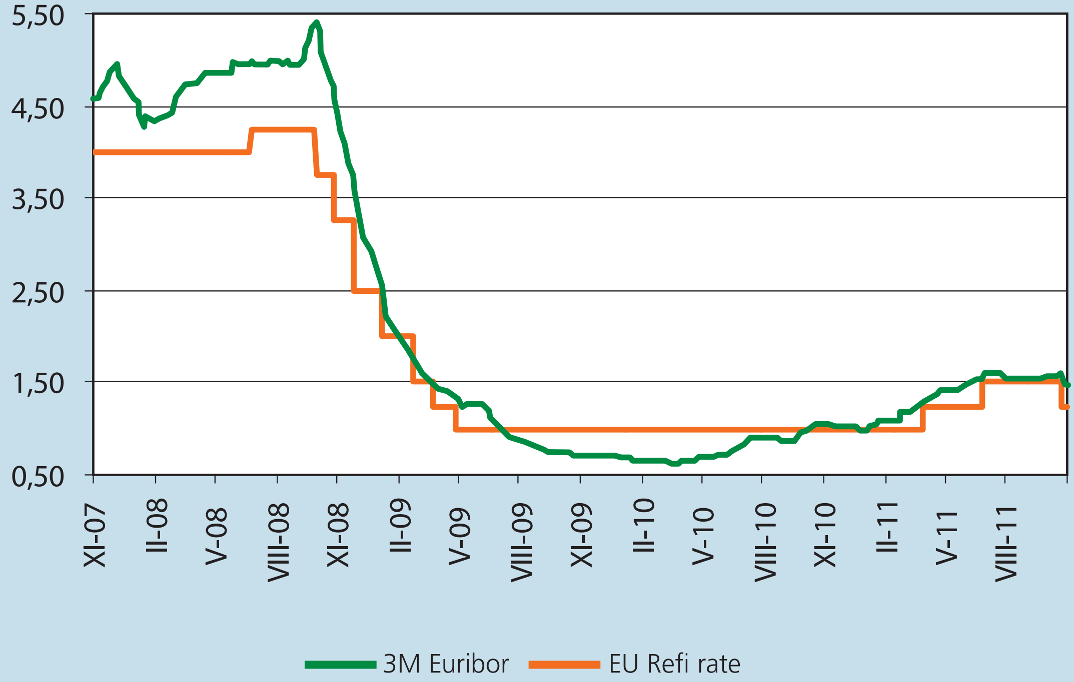
Outlook 2012

The outlook for 2012 is exceptionally uncertain. Several Eurozone countries are sliding into recession, which will weigh heavily on the export-dependent Slovak economy. It appears that our key trading partner, Germany, may sustain positive growth. This could help to maintain positive real GDP growth also in Slovakia, albeit at a slow 1% rate. At this forecast growth rate, though, the unemployment rate will continue to increase, which will impact negatively on household confidence and demand for financial products. Corporates, with a few exceptions such as car manufacturers, appear cautious to expand. Several sectors linked to domestic demand, such as construction and retail trade, have been contracting now for three years and there appears little chance of a turnaround soon. For the banks, besides a slowing economy, the year 2012 is also bringing new regulations governing capital adequacy and liquidity, as well as a special bank levy. Against this background, any growth expectations for the banking sector have to be scaled down or even revised.

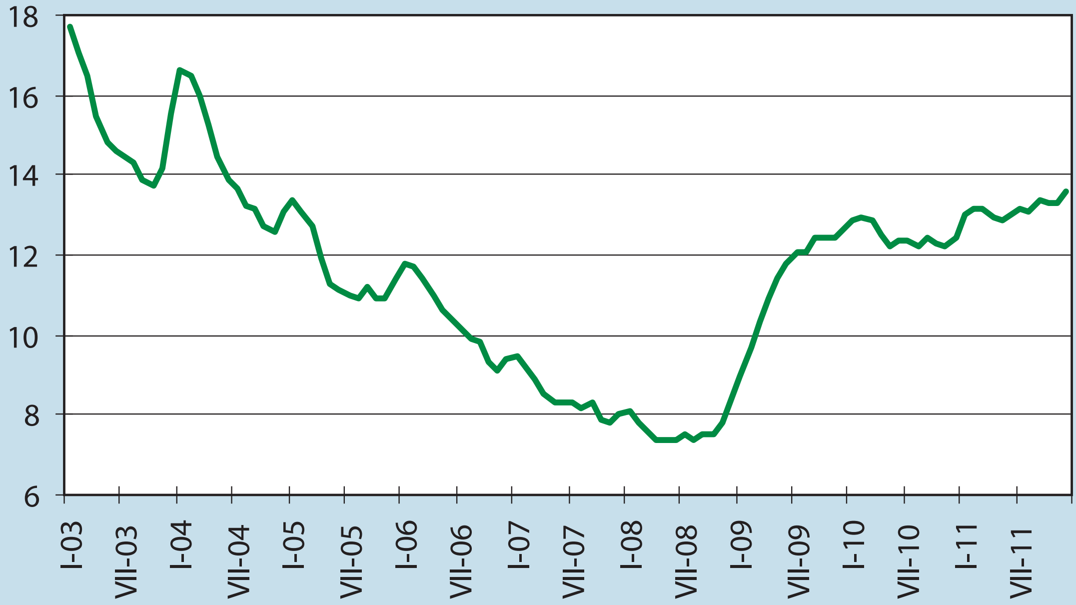
Real GDP growth (% y/y)



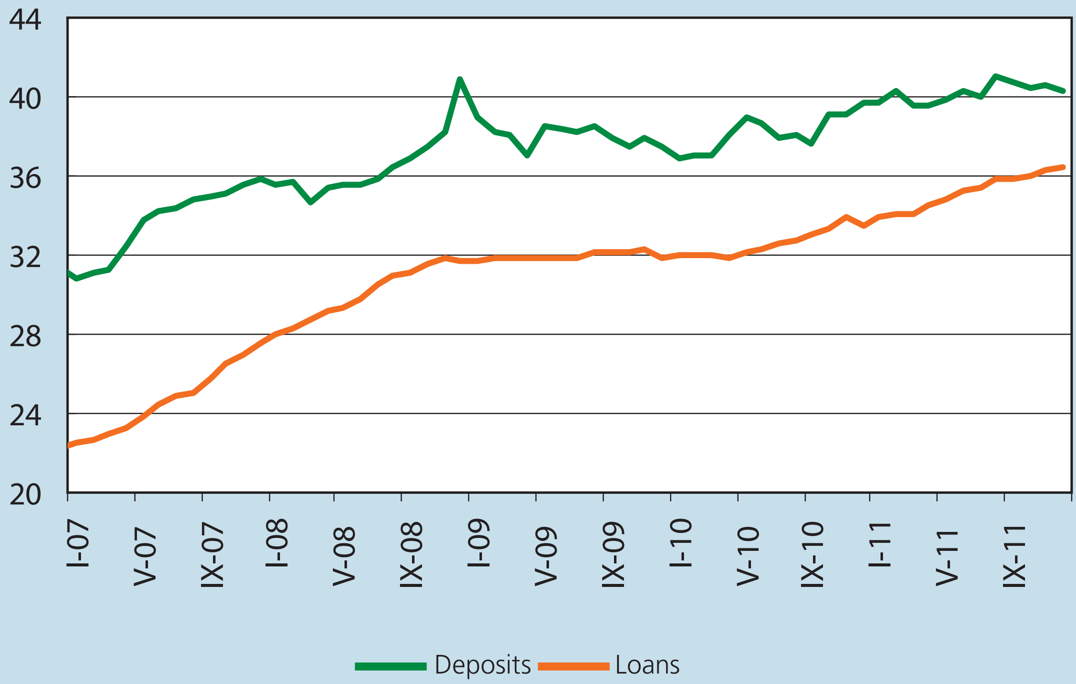
3M Euribor and ECB's refi rate



Registered unemployment rate (%)



Development of bank volume (EUR bn)



VUB's 2011 Commercial Performance

The previous year was influenced by economic growth slowdown, along with inflation pressures and growing fears of the potentially returning crisis. Especially the second half of the year was an extraordinarily turbulent period, with the financial markets, exhibiting intensive uncertainty as investors were facing the issue of Eurozone countries' capability to curb their fiscal debts. For VUB as well as the whole banking sector in Slovakia, the key point was the impact of such developments and the respective expectations on the loan and deposit markets. Due to the increased risk of further economic contraction, the key interest rates on financial markets remained unchanged as the historically lowest, while interest rates on customer loans followed the similar development in turn. On the other hand, interest rates on customer deposits were going up in line with increasing demand of banks for these funds. The attention of banks was concentrated on the collection of stable funding through deposits as the most appreciated funds for business growth. As a result, there was fierce competition since demand of banks exceeded the supply of customers' savings. Owing to a suitably chosen strategy, VUB Bank managed to achieve successful performance.

Also, the mortgage market was marked by uncertainty as banks were behaving more prudently and cautiously. Although demand on the real estate market and mortgage loans rose as well in the first half of the year, the new production of such loans began to stagnate as the year end was coming closer. Interest rates on mortgages started to go up slowly due to rising liquidity costs having an impact on demand for mortgages. Unlike the rest of the market, VUB was focused on mortgage lending funded by mortgage backed bonds, while we sustained the position of the leader in this kind of market and increase market share to 46.5% from 44.1%. Despite underperforming the market in other housing loans, VUB remained the biggest mortgage lender on the market.

By contrast, consumer lending posted a better performance in 2011 than one year ago. It seems the effort of households to maintain required consumption behaviour was at the back of higher consumer loan demand. In parallel, this unsecured lending priced by higher margins was one of the most attractive channels to gain higher income, in turn. As a result, consumer loans grew faster last year. In contrast, overdrafts and credit card loans shrank over the year due to lower demand. Also in VUB, the pace of the consumer loans' growth accelerated. However, it was below the market due to a more prudential approach compared to the competition as a whole. In addition, we have retained one of the lowest default rates on the market.

The corporate segment of the loan market exhibited quite solid performance, though the macroeconomic development uncertainty was threatening firms. Corporate profit growth deceleration along with the fall of the confidence of the industry had no significant effect on corporate loan demand. As regards corporate loan growth, the basically picked up from the low bottom of 2010. And only VUB bank achieved remarkable results in corporate lending, posting almost three times stronger growth than the market, notably thanks to the segment of large corporations. Undoubtedly, this improvement stems from the Bank's corporate culture, laying emphasis predominantly on the satisfaction of clients with the quality of service provision and the enhancement of their trust. To make a breakthrough in a market marked by fierce competition has required an ever greater focus on the client.

At VUB Bank, the customer approach is an intrinsic strategic priority within the joint project with our parent company Intesa Sanpaolo: "Listening 100%" with the basic goal of further enhancing customer service. Therefore, the Bank continued to further improve its processes, innovating products, redesigning its broad business network consisting of 207 retail, 32 corporate branches, and 11 mortgage centres, and developing its alternative distribution channels. Evidence of a successful business policy is the winning of several awards in various categories of the Golden Coin competition in 2011. And last but not least, VUB was awarded by TREND, the local economic magazine, as the Bank of the Year for the third time in a row.

Deposits

The volume of bank deposits in VUB at the end of 2011 amounted to EUR 7.5 bn, 3% up against the previous year, mainly fuelled by retail deposits as well as those from financial institutions and non-residents. Higher saving rate of individuals and mainly attractive interest rates on term deposits was reflected on the retail deposit market. Deposits of retail clients, i.e. individuals and sole traders, increased in VUB Bank by more than 6%, i.e. only marginally less than the whole market, which was dominated by aggressive price competition. Notwithstanding, VUB managed to maintain its market share in retail deposits at 17.5%. However, extremely turbulent financial markets affected mutual funds very promptly and heavily. Deteriorated expectations and redemptions of mutual funds caused the net asset value of the funds managed by our subsidiary VÚB Asset management, správ. spol. to fall by 25% over the year. Nevertheless, thanks to a higher demand of individuals for term deposits because of more attractive interest rates on such deposits, most of the mutual funds' decline was switched into term accounts. Thus, the market share in total deposits received from retail clients including mutual funds amounted to 17.5%, i.e. 0.4 percentage point lower than one year ago.

It appears that the slowdown of the economy and worries about slipping into recession undermined confidence indicators and caused corporate deposits to shrink by 1% over the year, in turn, notably in the segment of small and medium enterprises. Large nonfinancial corporations' deposits overall even grew by 1.5% last year. The loss of the funds of nonfinancial corporations was more than compensated by the increase of deposits from financial institutions by a robust 25%. Market share in the whole corporate (nonfinancial and financial institutions) deposits jumped to 18.7% from 17.3% over the year.

Electronic Banking

In 2011, VUB Bank continued to improve the quality of its non-stop banking services, including Kontakt Service, Internet Banking, Internet Banking Plus, Mobile Banking and Business Banking.

As at 31 December 2011, the Bank had over 737,000 clients with activated electronic banking services. Compared to 2010, we posted a growth in the number of clients with activated services of non-stop banking, and an increase in the number of transactions performed through electronic channels by more than 34%.

Last year the security of non-stop banking services in the area of Internet Banking Plus was enhanced by an improvement of the special encryption algorithm. Also, SMS authorization was enabled as a way of payment confirmation through the Kontakt Service also including foreign phone lines. The system of answers to client questions, as well as the system of receiving a new feedback form from customers within the Internet Banking was improved and is much faster.

In the Contact Centre, we handled nearly 1 million calls (inbound and outbound) and 42,000 e-mails. Based on these data it is apparent that the trend of preferring email communication went on continued further. We kept specializing operators in specific product fields to be able in order to meet customer requirements by phone or email so that they could receive complete information in one place. In addition, new technology was implemented in the Contact Centre last year.

In 2011, we were focused on new selling activities directed to customers without the need to visit a branch of the bank. There are intensions to continue this way and extend the portfolio of services and products being able to arrange without visiting a branch.

The Contact Centre also deals with the intermediation of customer requirements being processed in branches. In this field, growth of almost 50% was posted in 2011.

Bank Cards

Last year VUB was among the first banks, that started to sell the non-embossed debit payment card known as Bratislavská mestská karta to the residents of the capital city Bratislava in association with the city. This multi-function card is an international payment card, as well as an identification card with chip technology serving as an electronic wallet in public transport or library card and bringing many benefits and discounts on public services provided in Bratislava. This card is issued in VUB without any fee and its main benefit is a discount on public transport.

Another new common card issued by VUB bank within the whole Intesa Sanpaolo Group called VISA Inspire is a non-embossed international contactless debit card bringing simpler and faster payments. The main benefit is no fee for cash withdrawals in the ATMs of Intesa Sanpaolo abroad, including countries such as Albania, Bosna and Herzegovina, Egypt, Croatia, Hungary, Romania, Russia, Slovenia, Serbia, Italy and the Ukraine.

We continued improving the quality of our services and adopted full (100%) encashment referring to other credit cards such as MasterCard and American Express. So far this kind of service was linked to American Express Gold and corporate credit cards.

VUB also started to issue the new international embossed payment card called VISA Euro 26 in association with travel agency CKM SYTS and is offered to students and young people up to 26 years old. The specific feature is that this payment card also provides the benefits of the traditional card Euro 26, and monthly fees instead of an annual fee are imposed on such card.

As of the end of 2011, VUB's market share in the number of ATMs amounted to 23.3 % with 560 ATMs, while 6 of them were absolutely new ones placed in new locations and 10 were replaced. At the same time, 52 old ATMs were exchanged for new ones. In addition, all ATMs started to offer new services, i.e. credit renewal for cards known as Funfón and Disney.

Also, higher security for setting PIN code when using ATMs was implemented last year as new more secure screens were installed with a new anti-skimming technology giving instructions on how to safely set the PIN code.

A total number of 1,664 new EFT POS terminals was installed for business customers during the year 2011. VUB's market share posted 20.2 % at the end of the year, with the total number of EFT POS terminals amounting 7,689, while 24% share on the market was achieved in the volume of transactions made through these terminals.

Loans

Individuals – Mortgage and Consumer Loans

After a year of solid growth, uncertainty returned to the mortgage market-weighing down development of market demand and supply. While the increasing trend continued in the first half of the year, the growth came to a halt. There was no room to achieve the excellent results from 2010 since liquidity sources started to become considerably expensive. In turn, it was reflected by lower performance in mortgage lending than one year ago. Total mortgages (including 'American mortgages') grew by 10% compared to 13% on the whole market. With a market share exceeding 25%, the Bank kept its strong position on the mortgage loan market. In addition, we continued to outperform the rest of the market separately in typical mortgages with mortgage backed bonds' funding. Thanks to the successful sale of Flexi mortgages amounting to EUR 549 million, VUB increased market share in mortgages provided to households by 2.4 percentage points to 46.5%. A similar trend was followed by consumer loans. Due to remarkably higher demand, consumer loan growth in VUB accelerated to 9% from 7% one year ago, while EUR 550 million of Flexiloans were extended to households. In addition, the new production of Flexiloans posted growth of 25% compared to 13% one year ago, while the number of contracts rose by 14% last year. In contrast to these quite successful results, the market position of the Bank has weakened by approx. 1%. However, we still keep the position of the second largest bank in terms of consumer finance on the Slovak market with 25% market share. Besides, our subsidiary Consumer Finance Holding separately provided consumers with EUR 262 million, i.e. almost 9% more than a year ago, which represents a slight recovery (7% in 2010).

Corporate Finance

Last year, VUB bank successfully benefited from the increase of corporate loan demand continuing on further. While corporate loans grew by 7% on the market, the pace of growth even posted 20% in VUB thanks mainly to the lending to large corporations with growth of 19.5% over the year. As a result, VUB's market share in loans to nonfinancial corporations went up to 17% from 15%. Project finance as well as real estate and trade finance loans accounted for such improvement. In parallel, loans to small and medium enterprises grew by a solid 8% over the year. Moreover, lending to municipalities is worth a mention since the bank strengthened its position to nearly 12% from 7% one year ago, or just 4% before. On the other hand, VUB Leasing, another VUB subsidiary, achieved solid performance on the leasing market with the growth of leasing assets by a robust 27% compared to the drop of 5.5% one year ago.

Domestic and International Payments

Throughout 2011, VUB Bank mediated domestic payments in the volume approaching nearly EUR 59 bn, and international payments in the volume of nearly EUR 19.5 bn, maintaining a significant market position in the field of payment services provision. While in domestic payments VUB Bank reached a market share at 17%, in international payments the bank mediated 9% of all payments performed in the banking sector.

Review of the Economic and Financial Position of VUB

For 2011, the Bank set itself a target of sustaining its leading position in the banking sector and continuing the trend of increasing its profitability and efficiency, which it effectively managed to meet. At a time of fragile economic growth undermined by inflation pressures and growing fears for its further development brought by more serious problems about the upcoming debt crisis in Eurozone, VUB became one of the most profitable banks on the Slovak market. While the operating income of the VUB Group grew by nearly 7%, total operating costs rose by 4%. The increase in profitability was thus mainly driven by revenues, mostly net interest income increased by 8.7%. The net fee and commissions income growth by almost 1% together with other income from banking activities overall, which was higher by 3% than a year ago, contributed to the profit growth only marginally. The Group closed the year ending 31 December 2011 with a consolidated operating profit before impairment based on IFRS up by more than 9% compared to the previous year, and its efficiency kept improving over the year, when its cost-income ratio was cut below 45% from the 46% one year ago.

The stronger financial condition of the VUB Group, i.e. including VUB bank and its subsidiaries stems from its successful performance on the market, even though last year's progress still remained somehow limited. There was a greater opportunity in terms of increased loan demand, especially in the first half of 2011, the scope for potential growth was finally narrowed as banks in general were short on the funding side, missing particularly supply of the most liquid deposit funds from customers as it was required for faster business growth. As a result, slower total asset growth was on the market as well as in VUB in 2011 than one year ago. In this context, VUB's consolidated assets overall grew by 3.5% compared to 9% in 2010, outperforming the market, and having increased the market share in total assets to 19% from 18.7% over the year. The key effort of that time was to maintain high bank liquidity as well as resilience against the potential adverse impact of external environment could not be achieved together with more robust growth as well. Moreover, uncertainty on financial markets concerning future development in the Eurozone brought an impact on the Slovak bank market during the second half of the year, as the expectations of banks primarily as well as of households and firms worsened, affecting credit standards and loan demand. Nevertheless, VUB even managed to obtain customer loans growth of nearly one third faster than one year ago. The largest kind of assets with a share of 65% on the balance sheet overall went up by almost 13% in 2011 against 10% one year ago. We also successfully outpaced the competition as a whole and increased market share in this field by 0.7 percentage point to 18.7%. Since there was substantially weaker growth in funding, mainly customer deposits, faster growth of customer loans was derived from a re-allocation of other assets. This refers to the decline of securities' investments unexpectedly getting bad due to turmoil on the financial markets. However, VUB managed to adjust and outperform the market in customer loans and total assets growth thanks to a well-tailored strategy. By this, VUB confirmed its strong position on the Slovak market. At the same time, the nonperforming loan ratio was cut slightly more than the market average. Thus, VUB successfully kept maintaining one of the lowest key credit risk ratios, confirming VUB as the bank with one of the highest credit portfolio qualities on the Slovak market. Undoubtedly, this was also driven by intensified client-centered and an even more thorough approach to the satisfaction of clients' financial needs.

The Bank's subsidiary, Consumer Finance Holding, which takes its share in the expansion of the loan portfolio by an ever increasing spectrum of retail clients, granted this year 8% more loans to households compared to growth of 2% a year ago and remained a leader on the consumer financing market. On the other hand, VUB leasing, another VUB subsidiary, achieved solid performance on the leasing market with the growth of leasing assets by a robust 27% compared to a fall of 5.5% one year ago.

It seems the slowdown of economic growth in the second half of the year, as well as growing worries about its next performance caused by lost confidence on the financial markets about the ability of some Eurozone countries in fiscal troubles to curb their sovereign debt burden, were very quickly reflected by the deposit market. As a result, a considerable deceleration of customer deposits emerged due to the slowing down of corporate profit growth as well as the decline of real household incomes and savings. The VUB Group managed to increase customer deposits by 3% over the last year compared to 10% a year ago. However, VUB successfully strengthened its position on the deposit market with fierce competition especially in the retail segment, to 18% from 17.4%. This improvement was driven by corporate deposits as we outpaced the market in deposits from financial institutions and corporate non-residents. At the same time, deposits from nonfinancial corporations and the public sector declined on the whole market as well as in VUB. On the other hand, although household deposits went up faster than one year ago, this growth came mostly from the redemption of mutual funds as a result of household savings reallocation. The volume of assets managed by VUB Asset Management at year-end of 2011 was up to one fourth lower than one year ago and amounted to EUR 683 million. The pension management company VUB Generali, d.s.s., which is a 50% subsidiary of the Bank, has been successful in maintaining its position in the pension saving market (14.5%), posting year-end assets under management of EUR 666 million.

Information about the Expected Economic and Financial Situation for 2012

Slowdown of economic growth or even potential recession, stricter regulation of capital adequacy and liquidity, and the new bank levy are conditions that the banking sector as well as VUB will have to face in 2012. There is a very difficult year ahead of us marked by high uncertainty, hence the key point will be to achieve the best possible performance on the market. From year to year, increased competition requires a more thorough approach to clients, and better satisfaction with the Bank's services is the direction the Bank plans to head. The already started-up joint project with the parent company 'Listening 100%' is precisely aimed at improving the quality of services and ultimately also market shares, which remains the Bank's priority for 2012. The key element for the Bank is to explore clients' needs even deeper, being able to respond to them in the fastest and simplest way possible, and thus remain from the clients' perspective the market leader. Higher trust of clients should also be achieved through the improvement of processes, product innovation, and the enhancement of the Bank's distribution channels.

The strategic objective in the retail segment remains increasing the attractiveness of key products in the area of loans and deposits. In the interest of sustaining higher liquidity, the Bank shall continue to pay intensified attention to demand for deposit products, mainly on the part of individuals. Even higher competitiveness of loan products in the retail market will also be decisive for the Bank.

The first and foremost priority in corporate banking will be deposits and related cash management and payments. It is essential that the Bank maintains its position in the shrinking corporate deposit market. However, the Bank will focus on the corporate sector financing as well, and aims to strengthen its position on the corporate loan market.

The default risk could go up subject to the actual economic development, hence significant emphasis will be laid on risk management and the further improvement of its quality also next year.

Last but not least, an important task will be sustaining the efficiency achieved in control and support functions and processes. Also in 2012, the Bank's aim will be to keep the cost-income ratio under control and thus remain one of the most efficient banks in the sector.

The year 2012 will be marked by extreme uncertainty in terms of economic development and financial markets, thus forcing VUB to monitor and potentially also review its planned financial targets. However, we expect a further increase in revenues and subsequently also profitability, a goal towards which the Bank directs its business objectives and priorities.

Structure of VUB Shareholders

Information regarding VÚB shareholders is published quarterly, within 30 days from the end of the relevant quarter. Below is the status as at December 31, 2011.

Structure by Owner Type	Shares ths. EUR *	Stake %
Intesa Sanpaolo Holding International S.A. – majority owner	416,876	96.764
Other legal entities	3,848	0.893
Individuals	10,095	2.343
TOTAL (Registered Share Capital of VÚB, a.s.)	430,819	100.00

Structure by Nationality	Shares ths. EUR *	Stake %
Intesa Sanpaolo Holding International S.A. – majority owner	416,876	96.764
Domestic shareholders	12,507	2.903
Other foreign shareholders	1,436	0.333
TOTAL (Registered Share Capital of VÚB, a.s.)	430,819	100.00

* Shares (EUR) mean a value of held shares of VÚB, a.s. expressed in the nominal value of euro multiplied by number of held shares.

There were **43,486** shareholders as at December 31, 2011. Foreign VÚB shareholders come from the following countries: Luxembourg (96.764%), the Czech Republic (0.127%), Germany (0.077%), Switzerland (0.074%), Austria (0.049%), the United Kingdom (0.004%), U.S.A. (0.002%), Canada, Romania, Poland and Cyprus.

Subsidiaries with VUB majority stake

Consumer Finance Holding, a.s.

Registered office:	Hlavné nám. 12, 060 01 Kežmarok
Shareholders:	VÚB, a.s.
VÚB stake in registered capital:	100%
Core business:	Non-banking loans
Tel:	+421 52 787 6710
Fax:	+421 52 786 1764
General Manager:	Ing. Jaroslav Kiska

VÚB Asset Management, správ. spol., a.s.

Registered office:	Mlynské nivy 1, 820 04 Bratislava
Shareholders:	VÚB, a.s.
VÚB stake in registered capital:	100%
Core business:	Collective investments, Portfolio management
Tel:	+421 2 5055 2839
Fax:	+421 2 5055 2006
General Manager:	Ing. RNDr. Marian Matušovič, PhD.

VÚB Leasing, a.s.

Registered office:	Mlynské nivy 1, 820 05 Bratislava
Shareholders:	VÚB, a.s.
VÚB’s stake in registered capital:	100%
Core business:	Financial and operating leasing
Tel:	+421 2 4855 3601
Fax:	+421 2 5542 3176
General Manager:	Ing. Miloš Bikár, PhD.

VÚB Factoring, a.s.

Registered office:	Mlynské nivy 1, 829 90 Bratislava
Shareholders:	VÚB, a.s.
VÚB stake in registered capital:	100%
Core business:	Factoring and forfeiting
Tel:	+421 2 5055 2784
Fax:	+421 2 5055 2012
General Manager:	Ing. Dušan Čižmárik

Recovery, a.s.

Registered office:	Mlynské nivy 1, 829 90 Bratislava
Shareholders:	VÚB, a.s.
VÚB stake in registered capital:	100%
Core business:	Administration and recovery of receivables
Tel.:	+421 2 5055 2843
Fax:	+421 2 5055 8635
General Manager:	Ing. Dionýz Földes

VÚB Poisťovací maklér, s. r. o.

The company voluntarily dissolved as of 22 December 2011 for the purpose of merger. As a result of a merger the company ceased to exist on 1 January 2012. The successor company is VÚB Leasing, a.s.

Registered office:	Mlynské nivy 1, 820 05 Bratislava
Partner of the Company:	VÚB Leasing, a.s.
VÚB Leasing, a.s. stake in registered capital:	100%
Core business:	Brokerage activities in insurance

VÚB Leasingová, a.s. v likvidácii (in liquidation)

The Company ceased to exist on 19 January 2011 following its voluntary de-registration from the Slovak Companies Register.

Registered office:	Dunajská 24, 812 38 Bratislava
Shareholders:	VÚB, a.s.
VÚB stake in registered capital:	100%
Core business:	Leasing business

Statement on Compliance with the Corporate Governance Code

A. Company Organization

The structure of VÚB, a.s. bodies:

a) the General Meeting;
b) the Supervisory Board;
c) the Management Board.

General Meeting

The General Meeting is the main decision making body of VÚB, a.s. The General Meeting has the power to decide on issues that are in line with the mandatory provisions of legal regulations and VÚB Articles of Association.

The Ordinary General Meeting of the company was held on April 4, 2011. The shareholders at this meeting approved the 2010 Annual Report of VÚB, a.s., the 2010 Statutory Individual Financial Statements prepared in accordance with IFRS and Consolidated Financial Statements prepared in accordance with IFRS for a previous year as submitted by the Management Board of the bank. The shareholders also decided on distributing the profit earned in 2010 in the amount of € 149,377,048 by dividends to shareholders in the amount of € 59,691,798 and by retained earnings in the amount of € 89,685,250.

Supervisory Board

Members of the Supervisory Board in 2011

György Surányi – Chairman of the Supervisory Board
- Resident Regional Manager, International Subsidiary Banks Division, Intesa Sanpaolo, Italy

Fabrizio Centrone – Vice Chairman of the Supervisory Board
- Head of Central Eastern Europe (CEE) Area Department, International Subsidiary Banks Division, Intesa Sanpaolo, Italy

Adriano Arietti – Member of the Supervisory Board
- Independent member

Antonio Furesi – Member of the Supervisory Board
- Head of Coordination of VÚB Bank (Slovakia) and CIB Bank (Hungary) – International Subsidiary Banks Division, Intesa Sanpaolo, Italy

Massimo Malagoli – Member of the Supervisory Board
- Head of Planning & Control and Corporate Development Department – International Subsidiary Banks Division, Intesa Sanpaolo, Italy

Jana Finková – Member of the Supervisory Board
- Employee representative

Ján Gallo – Member of the Supervisory Board
- Employee representative

Juraj Jurenka – Member of the Supervisory Board
- Employee representative

The Supervisory Board is authorized to review the following issues, in particular:

a) Management Board proposal regarding termination of trading with the Company securities on stock exchange, and the decision on whether the Company should cease to operate as a public joint-stock company;
b) information by the Management Board on the major objectives related to the Company business management for the upcoming period, and expected development in VÚB assets, liabilities and revenues;
c) report by the Management Board on business activities and assets of the Company, with related projected developments.

Upon the Management Board's proposal, the Supervisory Board approves the following documents:

a) any increase or decrease in the registered capital of VÚB, a. s.;
b) any substantial change in the nature of VÚB business or in the way this business is executed, if not previously approved in the business and financial forecasts for the relevant year;
c) the Charter of the Management Board, mainly specifying the distribution of powers and responsibilities amongst the Management Board members, defining important financial and business transactions of VÚB, important transfers of VÚB real estates, key acquisition and disposal of equity interests including those in commercial companies, co-operatives and other enterprises that shall be subject to approval by the Supervisory Board, as well as delegating powers to the lower management levels and assigning proxies;
d) compensation policy applied to the managing staff directly reporting to the Management Board and the Supervisory Board, members of the Management Board, and members of the Supervisory Board;
e) material benefits for the Management Board members and parties related to them;
f) service agreements with Management Board members.

General

1. Supervisory Board members are elected by the General Meeting. The VÚB Management Board is elected by the Supervisory Board.
2. The below mentioned curricula vitae contain information on professional qualification of Supervisory Board members and Management Board members in the area of finance and banking, as well as information on their practical experience serving as assurance for the efficient management of the company.
3. All relevant information is available to all members of the Management Board and Supervisory Board in time. In the course of the financial year 2011, the VÚB Management Board held 26 meetings (thereof 25 regular and 1 extraordinary) and adopted three decisions on a per rollam basis. The VÚB Supervisory Board held 4 meetings and adopted three decisions on a per rollam basis during the 2011 financial year. Documents with detailed information are distributed sufficiently in advance – in the case of the Management Board usually 3 working days, in the case of the Supervisory Board 2 weeks prior to the meeting, ensuring the ability of members of the Supervisory and Management Boards to decide individual matters competently. If necessary, presentations are delivered in support of individual documents.
4. Currently, none of the Supervisory Board members is a member of the VÚB Management Board nor holds any other top managerial position in the Bank. Save for members of the Supervisory Board elected by the VÚB employees, a Supervisory Board member may not be an employee of VÚB.

Management Board

1. Management Board Members in 2011

Ignacio Jaquotot	Chairman of the Management Board and CEO
Elena Kohútiková	Member of the Management Board and Deputy CEO for Support
Tomislav Lazarić	Member of the Management Board and Deputy CEO for Business
Domenico Cristarella	Member of the Management Board (until July 19, 2011)
Andrea De Michelis	Member of the Management Board (since August 1, 2011)
Daniele Fanin	Member of the Management Board
Jozef Kausich	Member of the Management Board
Silvia Púchovská	Member of the Management Board
Alexander Resch	Member of the Management Board
Adrián Ševčík	Member of the Management Board

Ignacio Jaquotot – Chairman of the Management Board and CEO of VÚB, a. s.

Mr. Jaquotot was appointed Chairman of the Management Board and CEO of Všeobecná úverová banka, a. s. in July 2007. Mr. Jaquotot's career with Intesa Sanpaolo Group (formerly Banca Intesa) started in 1984. First he held the positions of Deputy General Manager and General Manager at the former Banca Commerciale Italiana branches in Madrid and Barcelona, respectively. In 1999, he went on to serve in South America as the General Manager in Banco Sudameris Uruguay, then Banco Sudameris Chile, and Banco Sudameris Paraguay. In Chile and Paraguay, he was involved in restructuring the banks' operations and later assisted as the local coordinator for the sale processes of the banks.

Elena Kohútiková – Member of the Management Board and Deputy CEO for Support

Ms. Kohútiková was appointed as Management Board Member and Head of the Financial and Capital Markets Division in October 2006. Since March 2009 Ms. Elena Kohútiková was appointed Deputy CEO for Support and at the same time she ceased acting as the Executive Director of Financial and Capital Markets Division. The main responsibilities related to the position of Deputy CEO for Support are in the areas of Risk Management, Finance, Planning and Controlling, Payments, Information Technologies, Compliance, Legal Services and Operational Services. She ranks amongst the top experts on Euro introduction in Slovakia. In 1994 she became a member of the Bank Board of the National Bank of Slovakia. From 2000 until 2006, she held the position of Deputy Governor of NBS and was in charge of the monetary policy management, transactions in the free market, management of foreign exchange assets and risk management, management of the IT division and Research. Furthermore, she represented the Central Bank in the Economic and Financial Committee of the European Commission (EFC), acted as a member of the International Relations Committee (IRC) of the European Central Bank and Alternate Governor of NBS in both the Directorate General of the European Central Bank and the World Bank. She was also a member of the Committee for Economic Policy of OECD. Prior to her career of central banker, Ms. Kohútiková entered the banking sector by her engagement in the State Bank of Czechoslovakia during 1990 – 1993 after 8 years spent in research at the Institute of Economics of the Slovak Academy of Sciences in Bratislava where she started working in 1982.

Tomislav Lazarić – Member of the Management Board, Deputy CEO for Business

Mr. Tomislav Lazarić was appointed as Deputy Chief Executive Officer for business, new Member of the Management Board and Executive Director of Retail Banking Division in February 2009. He has been working in the position of the Executive Director until April 2000. Prior to his current affiliation with VÚB Bank, Mr. Lazarić acted as a Deputy Chief Executive Officer and a member of the Management Board of Privredna Banka Zagreb (PBZ), the second largest bank in Croatia. He was responsible for developing a comprehensive retail strategy including its implementation and also was in charge of coordinating SME customers and foreign market development. Before 1997, Mr. Lazarić headed the Research and Development unit in Raiffeisenbank Austria in Croatia, where he conducted retail banking research and analysis.

Domenico Cristarella – Member of the Management Board and Executive Director of the Finance, Planning & Controlling Division (until July 19, 2011)

Mr. Domenico Cristarella was appointed Member of the VÚB Management Board and Executive Director responsible for the Administration, Accounting and Budget Control Division in December 2001. Mr. Cristarella came from Banca Commerciale Italiana (BCI) Milan Headquarters International Division, where since 1998 he had been in the position of Senior Manager responsible for budgeting and performance measurement for the whole foreign network of BCI (now Intesa Sanpaolo) – including subsidiaries, branches and representative offices. Mr. Cristarella spent most of his professional life with BCI. He originally started in the Turin Branch, which he joined in 1970. In 1976 he joined the HQ Organization Division and in 1978 he got his first overseas assignment as Deputy Chief Financial Officer of BCI Singapore, following which he was consecutively appointed as Chief Financial Officer of BCI branches in Abu Dhabi, Tokyo and New York. In 1993 he was appointed manager in charge of budgeting and performance measurement for foreign subsidiaries and Chief Financial Officer of Comit Holding International, Luxembourg.

Andrea De Michelis – Member of the Management Board and Executive Director of the Finance, Planning & Controlling Division (since August 1, 2011)

VÚB, a.s. Supervisory Board appointed Mr. Andrea De Michelis for the position of the Management Board member and Chief Financial Officer on its 3rd meeting held on July 19, 2011.
Mr. De Michelis has spent most of his professional life in the banking sector. Before starting working with VÚB he worked since 2007 for Bank of Alexandria, Cairo, Egypt as the Chief Financial Officer and Head of Accounting, Planning & Control. His responsibilities were focused mainly on preparation of Business Plans and Budgets, development of the Management Reporting, introduction of the Fund Transfer Pricing establishment of Cost Control, implementation of the new IFRS oriented Egyptian Accounting Standards.

During the period of 1989 and 2007 Mr. De Michelis worked for Inter-Europa Bank Rt. (IEB) Budapest, Hungary as the Executive Director – Head of Risk Management, Head of Planning and Control; Advisor to the Management Board for Banka Koper in Slovenia; Director and Head of Planning and Control and Accounting Sanpaolo for Wealth Management Milan Italy as well as for Sanpaolo IMI London Branch and Sanpaolo in Torino.

Daniele Fanin – Member of the Management Board and Head of VÚB Branch in Prague

In July 2008, the Supervisory Board of VÚB appointed Daniele Fanin, Head of the Czech Branch of VÚB since June 2008, as Member of the Management Board. The Prague-based operations of VÚB provide an extensive range of banking services to local and international corporations based in the Czech Republic. Daniele Fanin obtained a Law Degree (1982) and Political Sciences Degree (1987) both from the University of Padova. After his first graduation in 1982 he started practising law with two legal firms specialised respectively in Civil and Industrial Law. Two years later, he moved to the banking sector and joined Banca Commerciale Italiana, subsequently merged to form Intesa Sanpaolo, working first in the domestic network in his hometown and from 1989 at the HQs International Department as Area Manager for French-speaking countries such as France, Belgium and Luxembourg. From 1991 he was assigned to the London Branch being responsible for the Italian business in the U.K. and in 1995 he took over Abu Dhabi Branch and its hub role for the Group in the Gulf region. From 2003 to 2007 he was the Managing Director of the Group Hungarian subsidiary CIB Bank, Budapest (a 100% subsidiary of Intesa Sanpaolo, the former Banca Intesa) and after a brief and special assignment to the Group operations in Romania, he is presently heading from Prague the Czech activities of VÚB.

Jozef Kausich – Member of the Management Board and Executive Director of the Corporate Banking Division

Mr. Kausich has been heading the Corporate Banking Division in VÚB since April 2005. His banking experience includes mainly mergers and acquisitions, credit analysis and lending decision-making processes. In 1996, he joined Tatra banka as a branch account manager, and from 1997 he assumed the same position at the headquarters of Bank Austria – Creditanstalt Slovakia. In 2001, engaged with the new HVB Bank Slovakia, Mr. Kausich was appointed Head of the Corporate Customer and Product Management Division, and finally Head of Corporate Client Division.

Silvia Púchovská – Member of the Management Board and Executive Director of the Human Resources Division

Ms. Púchovská assumed the position of the Member of the Management Board and Executive Director of the Human Resources Division in February 2008. In the period 2003 – 2007, Silvia Púchovská worked for Emerson as an HR Director in Nové Mesto nad Váhom, and later in Moscow. Her responsibilities involved reporting for Emerson Headquarters in St. Louis, coordination of HR processes for Emerson Process Management and its acquisitions in CIS and Baltic countries, and management of all HR functions in Eastern Europe. In 1999 – 2003, as an HR and Training Manager in Generali Poisťovňa a. s., Bratislava, she was in charge of internal rules regulation, recruitment, remuneration policy and training programs for staff in Slovakia. In 1993 – 1996, Ms. Púchovská worked in Jagers Training & Consultancy, s. r. o. as a Training and Project Manager. She was responsible for sales of training programs, and managed and conducted different types of training projects.

Alexander Resch – Member of the Management Board and Executive Director of the Risk Management Division

In April 2008, the VÚB Supervisory Board appointed Alexander Resch to the position of Member of the VÚB Management Board and Executive Director of the Risk Management Division. Before his appointment to the position, Mr. Resch was the Vice Chairman of the Management Board of VÚB's subsidiary – Consumer Finance Holding. In the period 2004 – 2005 he was in charge of the acquisition of the TatraCredit group by VÚB bank. After this successful acquisition, Mr. Resch was appointed to the position of Vice Chairman of the Management Board and CFO of the newly established company Consumer Finance Holding, based in Poprad. Since 2007, Mr. Resch was responsible for risk management and operations in CFH. Alexander Resch studied economics at the Universita Cattolica del Sacro Cuore in Milan. After graduation in 1996, he worked as a Financial Controller for Bankhaus Lobbecke & Co. – a member of the Cariplo Group, one of the founders of Banca Intesa (today, Intesa Sanpaolo). In 1999, he was appointed Director of the Planning, Controlling and Reporting unit. In 2002, in addition to the existing terms of reference of the Executive Director, Mr. Resch also assumed responsibilities for areas such as risk management and IFRS and Basel II implementation.

Adrián Ševčík – Member of the Management Board and Executive Director of the Retail Banking Division

In April 2009, the VÚB Supervisory Board appointed Adrián Ševčík to the position of member of the Management Board. In March he assumed responsibilities of the Executive Director of the Retail Banking Division where he substituted Tomislav Lazarić. Adrián Ševčík is the first manager directly trained in VÚB to assume position in top management. Having graduated from the Slovak University of Agriculture in Nitra with master degree in Mechanization and Technology of Production Processes and Services (1995), he started his carrier in sales and marketing within production sector. At first, Mr. Ševčík worked for Chirana Prema, a.s., Stará Turá (1997) at the Marketing unit of the Medical Technology Plant and later for Medmilk Trade, a.s., Velký Meder (1997), where he was in charge of production and sales operations. Mr. Ševčík gained his banking experience as a head of the branch in Tatra banka (1999), where he started-up a new branch in Nové Mesto nad Váhom. In 2003, VÚB acquired him for position of the Regional Manager of the Trenčín region. Four years later, Mr. Ševčík was appointed Head of the Retail Branch Management Department and assumed responsibility for all branches in Slovakia.

2. The Management Board is authorized to manage the activities of VÚB, a. s. and to take decisions over any matters related to VÚB, which, under the legal regulations or Articles of Association have not been reserved for the authority of other VÚB bodies. The Management Board is primarily responsible for the following matters:

a) implementing decisions taken by the General Meeting and the Supervisory Board;
b) ensuring the accuracy of the mandatory bookkeeping and other records, trade books and other documentation of VÚB, a. s.;
c) managing the issuer's securities registry; VÚB Management Board Report on the business activities of the Company;
d) after prior approval by and upon a proposal of the Supervisory Board, submitting the following matters to the General Meeting for approval:

- amendments to the Articles of Association;
- proposals for increasing / decreasing registered capital and bond issues;
- ordinary, extraordinary, or consolidated financial statements;
- proposals for distribution of current or retained profits and/or proposals for settlement of outstanding losses from the current and/or previous years; and
- the annual report.

B. Relations between the Company and its Shareholders

1. The Bank observes the provisions of the Commercial Code and other relevant valid legislation applicable to the protection of shareholders' rights, as well as the regulation on timely provision of all relevant information on the company and provisions on convening and conducting its General Meetings.
2. The company applies the principle of shareholders rights, equal access to information for all shareholders and other relevant principles pursuant to the Corporate Governance Code.

C. Disclosure of Information and Transparency

1. The Bank applies strict rules in the area of insider dealing, and continually maintains and updates a list of insiders.
2. Members of the Management Board and Supervisory Board do not have any personal interest in the business activities of the Bank. The Bank strictly observes the provisions of the Banking Act No. 483/2001 Coll. (hereinafter 'Banking Act') as amended, applicable to the provision of deals to Bank's related parties. Under the Banking Act, the closing of such a deal requires the unanimous consent of all the Management Board members based on a written analysis of the respective deal; from a decision-making role is expelled a person with a personal interest in the given deal. The Bank does not perform with its related parties any such deals, which owing to their nature, purpose or risk, would not be performed with other clients.
3. The Bank abides by both the Code and the rules of the Bratislava Stock Exchange governing disclosure of all substantial information. The fact that the company observes the mentioned regulations ensures that all the shareholders and potential shareholders have access to information on financial standing, performance, ownership and management of the company, enabling them to take competent investment decisions.
4. The company actively supports constructive dialogue with institutional investors and promptly informs all shareholders of General Meetings and notices via its web page in Slovak and English languages. In this way it enables both foreign and local investors to actively participate in the meetings.

5. The Bank applies changes arising from Act No. 566/2001 Coll. on Securities (hereinafter 'Securities Act'), at European level, MiFID (Markets in Financial Instruments Directive), and has proceeded in activities towards investor protection and the strengthening of client trust in the provision of investment services. The aim of MiFID comprises the new categorization of clients according to their knowledge and experience with investments, the obligation to provide clients with best execution of their investments, in higher market transparency, and organization of the Bank as a securities trader, which shall secure internal control systems and the prevention of conflict of interests.
6. The Bank continuously informs clients on concluded deals related to quoted shares and bonds on its web page.
7. The Bank continues to provide the payment services according to the payment law, PSD (Payment Services Directive). The aim of this law is the provision of high level clear information about payment services for consumers in order to make well-informed choices and be able to shop around within the EU. In the interests of transparency are laid down the harmonized requirements needed for ensuring the necessary and suficient information to payment service users with regard to the payment service contract and payment transactions.

D. Audit Committee and Compensation Committee

The Audit Committee comprised of three members (including the Chairman) as of December 2011, who were appointed by the General Meeting on 7 April 2010. One member of the Audit Committee is a Member of the Supervisory Board. The Audit Committee held four meetings during 2011. The issues discussed at the meetings mainly related to: preparation of the financial statements and observation of the special regulations; eficiency of internal control and risk management system in the Bank; audit of the individual financial statements and audit of the consolidated financial statements. Further, the Audit Committee examines and monitors the independency of the auditor, especially services provided by the auditor according to a special regulation, recommends an auditor for appointment for carrying out the audit of the Bank, and sets a date for an auditor to submit a statutory declaration about his independency. The Audit Committee invited an external auditor to attend its meetings.

The Supervisory Board invited the Members of the Audit Committee to attend its meetings in 2011. The Internal Audit and Control Department, the authorities and duties of which are de_ned by the Supervisory Board, excluding those de_ned by law, performs the control function. The Head of the Internal Audit and Control Department may be appointed to/withdrawn from the position upon the recommendation and prior consent issued by the Supervisory Board. Furthermore, the Supervisory Board also de_nes the remuneration and compensation scheme for this position.

The Remuneration Committee was founded in VUB in June 2008. It has 5 members including the CEO of VÚB. The committee meets twice a year and approves the issues related to setting and evaluating of KPIs, base salary adjustment, remuneration, nominations to the Retention Program and amendments to the performance evaluation policy.

E. The Company's Approach to Shareholders

Principles of the corporate governance of the company ensure, facilitate and protect exercising of shareholders rights. The company duly and timely performs all its duties and obligations towards shareholders in compliance with relevant legislation and the Corporate Governance Code. The Company enables to duly and transparently exercise shareholders rights in compliance with relevant valid legislation.

Basic indicators

Selected Indicators (In thousands of euro)

	Individual financial statements prepared in accordance with IFRS			Consolidated financial statements prepared in accordance with IFRS		
	2011	2010	2009	2011	2010	2009
Statement of financial position						
Loans and advances to customers	6,917,544	6,141,301	5,549,836	7,266,546	6,437,675	5,863,647
Due to customers	7,498,151	7,276,689	6,613,327	7,487,408	7,265,367	6,609,926
Equity	1,072,459	1,020,205	963,790	1,115,258	1,043,758	986,394
Total assets	10,801,682	10,492,816	9,550,173	11,131,298	10,758,949	9,852,397
Income statement						
Operating income	464,931	422,838	419,918	525,893	492,707	481,183
Operating expenses	(199,940)	(191,511)	(190,135)	(236,269)	(227,671)	(228,124)
Operating profit before impairment	264,991	231,327	229,783	289,624	265,036	253,059
Profit from operations	197,693	183,270	162,187	221,689	188,541	160,029
Net profit for the year	157,664	149,377	146,240	176,903	150,323	141,671

Commercial indicators	2011	2010	2009
ATMs	560	554	558
EFT POS Terminals	7,689	7,147	6,543
Payment cards	1,327,282	1,299,871	1,290,415
there of Credit cards	407,656	405,166	408,812
Mortgage loans (€ thousand)	2,716,118	2,476,074	2,114,581
Consumer loans (€ thousand)	702,796	644,061	600,503
Number of employees (VUB group)	4,062	3,970	3,959
Number of branches in Slovakia (VUB Bank)	250	250	254

Rating (status as at 31 December 2011)	
Moody's	
Long-term deposits	A2
Short-term deposits	P-1
Financial strength	C–

Negative outlook

Consolidated financial statements

prepared in accordance with International Financial Reporting Standards and Independent Auditors' Report for the year ended 31 December 2011

ERNST & YOUNG

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Independent Auditors' Report

To the Shareholders of Všeobecná úverová banka, a.s.:

We have audited the accompanying consolidated financial statements of Všeobecná úverová banka, a.s. and its subsidiaries ('the Group'), which comprise the consolidated statement of financial position as at 31 December 2011 and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and presentation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

21 February 2012
Bratislava, Slovak Republic

Ernst & Young

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

Ing. Peter Matejička
SKAU Licence No. 909

Spoločnosť zo skupiny Ernst & Young Global Limited
Ernst & Young Slovakia, spol. s r.o., IČO: 35 840 463, zapísaná v Obchodnom registri Okresného súdu Bratislava I, oddiel: Sro, vložka číslo: 27004/B
a v zozname audítorov vedenom Slovenskou komorou audítorov pod č. 257.

Consolidated statement of financial position at 31 December 2011

(In thousands of euro)

	Note	2011	2010
Assets			
Cash and balances with central banks	4	90,977	179,093
Due from banks	5	502,291	108,843
Financial assets held for trading	6	273,962	253,025
Derivative financial instruments	7	80,399	45,205
Available-for-sale financial assets	8	1,455,626	1,615,823
Non-current assets held for sale	15	3	3,374
Loans and advances to customers	9	7,266,546	6,437,675
Held-to-maturity investments	11	1,137,540	1,788,263
Associates and jointly controlled entities	12	7,077	6,219
Intangible assets	13	41,486	41,342
Goodwill	14	29,305	29,305
Property and equipment	15	146,732	148,921
Current income tax assets	20	2,791	8,931
Deferred income tax assets	20	77,463	66,154
Other assets	16	19,100	26,776
		11,131,298	10,758,949
Liabilities			
Due to central and other banks	17	688,469	662,523
Derivative financial instruments	7	57,382	60,729
Due to customers	18	7,487,408	7,265,367
Debt securities in issue	19	1,660,487	1,624,253
Provisions	21	27,328	24,256
Other liabilities	22	94,966	78,063
		10,016,040	9,715,191
Equity			
Share capital	23	430,819	430,819
Share premium	23	13,368	13,368
Reserves		17,887	61,891
Retained earnings		653,184	537,680
		1,115,258	1,043,758
		11,131,298	10,758,949
Financial commitments and contingencies	24	2,691,354	2,588,428

The accompanying notes on pages 33 to 106 form an integral part of these financial statements.

These financial statements were authorised for issue by the Management Board on 21 February 2012.

Ignacio Jaquotot
Chairman of the Management Board

Andrea De Michelis
Member of the Management Board

Consolidated statement of comprehensive income for the year ended 31 December 2011

(In thousands of euro)

	Note	2011	2010
Interest and similar income		541,281	485,077
Interest expense and similar charges		(138,403)	(114,275)
Net interest income	25	402,878	370,802
Fee and commission income		141,406	143,344
Fee and commission expense		(32,979)	(35,602)
Net fee and commission income	26	108,427	107,742
Net trading income	27	942	6,303
Other operating income	28	13,646	7,860
Operating income		525,893	492,707
Salaries and employee benefits	29	(103,844)	(97,195)
Other operating expenses	30	(99,814)	(91,996)
Amortisation	13	(14,297)	(17,495)
Depreciation	15	(18,314)	(20,985)
Operating expenses		(236,269)	(227,671)
Operating profit before impairment		289,624	265,036
Impairment losses on financial assets	31	(67,935)	(76,495)
Profit from operations		221,689	188,541
Share of profit of associates and jointly controlled entities	12	850	596
Profit before tax		222,539	189,137
Income tax expense	32	(45,636)	(38,814)
NET PROFIT FOR THE YEAR		176,903	150,323
Other comprehensive income for the year, after tax:			
Exchange difference on translating foreign operation		(38)	485
Available-for-sale financial assets		(45,012)	(33,613)
Cash flow hedges		(1,006)	(1,437)
Other comprehensive income for the year, net of tax	33, 34	(46,056)	(34,565)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		130,847	115,758
Basic and diluted earnings per € 33.2 share in €	23	13.63	11.58

All of the Net profit and Total comprehensive income is attributable to owners of the parent.

The accompanying notes on pages 33 to 106 form an integral part of these financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2011
(In thousands of euro)

	Share capital	Share premium	Legal reserve fund	Retained earnings	Translation of foreign operation	Available for sale financial assets	Cash flow hedges	Total
At 1 January 2010	430,819	13,368	91,541	447,959	(1,649)	5,995	(1,639)	986,394
Total comprehensive income for the year	-	-	-	150,323	485	(33,613)	(1,437)	115,758
Dividends to shareholders	-	-	-	(58,394)	-	-	-	(58,394)
Legal reserve fund	-	-	1,549	(1,549)	-	-	-	-
Other*	-	-	-	(1,188)	1,188	-	-	-
Effect of FX hedge*	-	-	-	529	-	-	(529)	-
At 31 December 2010	430,819	13,368	93,090	537,680	24	(27,618)	(3,605)	1,043,758
At 1 January 2011	430,819	13,368	93,090	537,680	24	(27,618)	(3,605)	1,043,758
Total comprehensive income for the year	-	-	-	176,903	(38)	(45,012)	(1,006)	130,847
Dividends to shareholders	-	-	-	(59,692)	-	-	-	(59,692)
Reversal of dividends distributed but not collected	-	-	-	346	-	-	-	346
Legal reserve fund	-	-	2,203	(2,203)	-	-	-	-
Liquidation of VUB Leasingová, a.s. v likvidácii (in liquidation)	-	-	(32)	31	-	-	-	(1)
Other*	-	-	-	139	(139)	-	-	-
Effect of FX hedge*	-	-	-	(20)	-	-	20	-
At 31 December 2011	430,819	13,368	95,261	653,184	(153)	(72,630)	(4,591)	1,115,258

* The foreign currency difference disclosed under Translation of foreign operation was settled within the transfer of retained earnings and profit for 2009 and 2010 from the foreign branch. Retained earnings were originally generated in Czech Crowns ('CZK') and the foreign exchange effect of this translation was hedged.

The accompanying notes on pages 33 to 106 form an integral part of these financial statements.

Consolidated statement of cash flows for the year ended 31 December 2011

(In thousands of euro)

	Note	2011	2010
Cash flows from operating activities			
Profit before tax		222,539	189,137
Adjustments for:			
Amortisation		14,297	17,495
Depreciation		18,314	20,985
Securities held for trading, available-for-sale securities and FX differences		(1,282)	4,952
Share of profit of associates and jointly controlled entities		(858)	(599)
Interest income		(541,281)	(485,077)
Interest expense		138,403	114,275
Sale of property and equipment		(277)	(141)
Impairment losses on financial assets and similar charges		69,183	75,765
Interest received		535,640	467,041
Interest paid		(129,214)	(114,407)
Tax paid		(50,805)	(60,029)
Due from banks		(396,920)	(8,931)
Financial assets held for trading		(24,389)	(86,425)
Derivative financial instruments (assets)		(36,180)	(4,388)
Available-for-sale financial assets		113,544	(635,523)
Loans and advances to customers		(894,979)	(634,555)
Other assets		8,246	(8)
Due to central and other banks		25,201	(133,364)
Derivative financial instruments (liabilities)		(3,347)	8,258
Due to customers		215,138	654,883
Other liabilities		19,588	(10,269)
Net cash used in operating activities		(699,439)	(620,925)
Cash flows from investing activities			
Purchase of held-to-maturity investments		-	(19,083)
Repayments of held-to-maturity investments		650,449	261,962
Purchase of intangible assets and property and equipment		(31,891)	(24,515)
Disposal of property and equipment		6,259	1,932
Net cash from investing activities		624,817	220,296
Cash flows from financing activities			
Proceeds from issue of debt securities		311,504	487,050
Repayments of debt securities		(274,070)	(166,239)
Dividends paid		(59,692)	(58,394)
Net cash from/(used in) financing activities		(22,258)	262,417
Net change in cash and cash equivalents		(96,880)	(138,212)
Cash and cash equivalents at the beginning of the year	3	195,128	333,340
Cash and cash equivalents at the end of the year	3	98,248	195,128

The accompanying notes on pages 33 to 106 form an integral part of these financial statements.

Notes to the consolidated financial statements for the year ended 31 December 2011 prepared in accordance with IFRS

1. General information

1.1 The Bank

Všeobecná úverová banka, a.s. ('the Bank' or 'VUB') provides retail and commercial banking services. The Bank is domiciled in the Slovak Republic with its registered office at Mlynské nivy 1, 829 90 Bratislava 25 and has the identification number (IČO) 313 20 155.

At 31 December 2011, the Bank had a network of 250 points of sale (including Retail Branches, Corporate Branches and Mortgage centres) located throughout Slovakia (December 2010: 250). The Bank also has one branch in the Czech Republic.

The members of the Management Board are: Ignacio Jaquotot (Chairman), Andrea De Michelis, Daniele Fanin, Jozef Kausich, Elena Kohútiková, Tomislav Lazarić, Silvia Púchovská, Alexander Resch and Adrián Ševčík.

The members of the Supervisory Board are: György Surányi (Chairman), Fabrizio Centrone (Vice Chairman), Adriano Arietti, Jana Finková, Antonio Furesi, Ján Gallo, Juraj Jurenka and Massimo Malagoli.

1.2 The VUB Group

The consolidated financial statements comprise the Bank and its subsidiaries (together referred to as 'the VUB Group' or 'the Group') and the Group's interest in associates and jointly controlled entities as follows:

	Share 2011	Share 2010	Principal business activity
Subsidiaries			
Consumer Finance Holding, a.s. ('CFH')	100%	100%	Consumer finance business
VÚB Leasing, a. s. ('VÚB Leasing')	100%	100%	Finance and operating leasing
VÚB poisťovací maklér s. r. o.	100%	100%	Insurance mediation
VÚB Asset Management, správ. spol. a.s.	100%	100%	Asset management
VÚB Factoring, a.s.	100%	100%	Factoring of receivables
VÚB Leasingová, a.s. v likvidácii (in liquidation) *	-	100%	Finance leasing
Recovery, a.s.	100%	100%	Finance leasing
Associates			
Slovak Banking Credit Bureau, s.r.o.	33.3%	33.3%	Credit database administration
Jointly controlled entities			
VÚB Generali DSS, a.s.	50%	50%	Pension fund administration

* On 19 January 2011, VÚB Leasingová, a.s. v likvidácii (in liquidation) was removed from the Business Register of the Slovak Republic. This act concluded the process of liquidation and resulted in the loss of control of VUB Group over the subsidiary. The subsidiary was properly deconsolidated within the VUB Group as at the date when control was lost. No profit or loss on disposal of the subsidiary has been recognized in the consolidated financial statements.

Effective from 1 January 2012, VÚB poisťovací maklér s.r.o., the subsidiary of VÚB Leasing, a.s., was dissolved without liquidation as a result of a merger. The successor company is VÚB Leasing, a.s.

All entities are incorporated in the Slovak Republic.

At 31 December 2011, the VUB Group had a total network of 251 points of sale (31 December 2010: 255).

The VUB Group's ultimate parent company is Intesa Sanpaolo S.p.A., which is a joint-stock company and is incorporated and domiciled in Italy. The address of its registered office is Piazza San Carlo 156, 10121 Torino, Italy.

2. Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the VUB Group ('the financial statements') have been prepared in accordance with International Financial Reporting Standards ('IFRS') issued by the International Accounting Standards Board ('IASB') and with interpretations issued by the International Financial Reporting Interpretations Committee of the IASB ('IFRIC') as approved by the Commission of European Union in accordance with the Regulation of European Parliament and Council of European Union and in accordance with the Act No. 431/2002 Collection on Accounting.

The separate financial statements of the Bank were issued on 21 February 2012 and are available at the legal office of the Bank.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets held for trading and all derivative financial instruments to fair value.

The financial statements are presented in thousands of euro ('€'), unless indicated otherwise.

Negative balances are presented in brackets.

2.2 Changes in accounting policies

Standards and interpretations relevant to VUB Group's operations, effective in the current period

The following amendments to the existing standards issued by the IASB and adopted by the EU are effective for the current accounting period:

IAS 24 Related Party Disclosures (Amendment)

The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government related entities. The amendment to IAS 24 does not have any impact on the financial performance or position of the VUB Group.

IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (Amendment)

The amendment to IAS 32 is effective for annual periods beginning on or after 1 February 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. This amendment has no impact on the VUB Group's financial position or performance.

IFRIC 14 Prepayments of a minimum funding requirement (Amendment)

The amendment to IFRIC 14 is effective for annual periods beginning on or after 1 January 2011 with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The amendment is deemed to have no impact on the financial statements of the VUB Group.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

IFRIC 19 is effective for annual periods beginning on or after 1 July 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In cases where this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in profit or loss. The adoption of this interpretation has no effect on the financial statements of the VUB Group.

Improvements to IFRSs (issued in May 2010)

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

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

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

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

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

- IFRIC 13 Customer Loyalty Programmes
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

Standards and interpretations relevant to VUB Group's operations issued but not yet effective

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

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

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

IAS 19 Employee Benefits (Amendment)

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The application of this amendment will have no impact on the financial position of the VUB Group. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IAS 27 Separate Financial Statements (as revised in 2011)

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

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

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

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

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

IFRS 7 Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment becomes effective for annual periods beginning on or after 1 July 2011. The amendment affects disclosure only and has no impact on the VUB Group's financial position or performance.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The completion of this project is expected over the course of 2012. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the VUB Group's financial assets and on classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation – Special Purpose Entities.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 11 Joint Arrangements

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

IFRS 12 Disclosure of Involvement with Other Entities

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

IFRS 13 Fair Value Measurement

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

The VUB Group has elected not to adopt these standards, revisions and interpretations in advance of their effective dates.

2.3 Basis of consolidation

(a) Subsidiaries
Subsidiaries are entities controlled by the Bank. Control exists when the Bank has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date at which effective control commences until the date at which control ceases.

The financial statements of the Bank and its subsidiaries are combined on a line-by-line basis by adding together like items of assets, liabilities, equity, income and expenses. Intra-group balances, transactions and resulting profits are eliminated in full.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the VUB Group. The cost of an acquisition is measured as the fair value of the assets acquired, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The excess of the cost of the acquisition over the fair value of the VUB Group's share of the identifiable net assets acquired is recognised as goodwill.

(b) Associates
Associates are entities, in which the Group has significant influence, but not control, over the financial and operating policies. The financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases.

(c) Jointly controlled entities
Jointly controlled entities are entities over whose activities the Group has joint control, established by contractual agreement. The financial statements include the Group's share of the total recognised gains and losses of jointly controlled entities on an equity accounted basis, from the date that joint control commences until the date that joint control ceases.

2.4 Segment reporting

The Group reports financial and descriptive information about its operating segments in these financial statements. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group), whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance, and for which separate financial information is available.

The Group operates in three operating segments – Retail Banking, Corporate Banking and Central Treasury. Each segment is exposed to different risks and differs in the nature of its services, business processes and types of customers for its products and services.

For all segments the Group reports a measure of segment assets and liabilities and income and expense items, a reconciliation of total reportable segment revenues, total profit or loss, total assets, liabilities and other amounts disclosed for reportable segments to corresponding amounts in the Group's financial statements.

Most of the transactions of the VUB Group are related to the Slovak market. Due to the market size, the VUB Group operates as a single geographical segment unit.

2.5 Foreign currency transactions

Monetary assets and liabilities in foreign currencies are translated to euro at the official European Central Bank ('ECB') or National Bank of Slovakia ('NBS') exchange rates prevailing at the end of the reporting period. Income and expenses denominated in foreign currencies are reported at the ECB or NBS exchange rates prevailing at the date of the transaction.

The difference between the contractual exchange rate of a transaction and the ECB or NBS exchange rate prevailing at the date of the transaction is included in 'Net trading income', as well as gains and losses arising from movements in exchange rates after the date of the transaction.

2.6 Foreign operations

The financial statements include foreign operations in the Czech Republic. The assets and liabilities of foreign operations are translated to euro at the foreign exchange rate prevailing at the end of the reporting period. The revenues and expenses of foreign operations are translated to euro at rates approximating the foreign exchange rates prevailing at the dates of the transactions. Foreign exchange differences arising on these translations are recognised directly in equity.

2.7 Cash and balances with central banks

Cash and balances with central banks comprise cash in hand and balances with the NBS and other central banks, including compulsory minimum reserves.

2.8 Treasury bills and other eligible bills

Treasury bills and other eligible bills represent highly liquid securities that could be used for rediscounting in the NBS in the case of Slovak treasury bills or in a central bank of a foreign country in the case of foreign treasury bills without any time or other constraints.

2.9 Due from banks

Due from banks include receivables from current accounts in other than central banks, term deposits and loans provided to commercial banks.

Balances are presented at amortised cost including interest accruals less any impairment losses. An impairment loss is established if there is objective evidence that the VUB Group will not be able to collect all amounts due.

2.10 Debt securities

Debt securities held by the VUB Group are categorised into portfolios in accordance with the VUB Group's intent on the acquisition date and pursuant to the investment strategy. The VUB Group has developed security investment strategies and, reflecting the intent on acquisition, allocated securities into the following portfolios:

(a) Held for trading
(b) Available-for-sale
(c) Held-to-maturity

The principal differences among the portfolios relate to the measurement and recognition of fair values in the financial statements. All securities held by the VUB Group are recognised using settlement date accounting and are initially measured at fair value plus, in the case of financial assets not held for trading, any directly attributable incremental costs of acquisition. Securities purchased, but not settled, are recorded in the off-balance sheet and changes in their fair values, for purchases into the trading and the available-for-sale portfolios, are recognised in the Statement of comprehensive income and in equity respectively.

(a) Securities held for trading
These securities are financial assets acquired by the VUB Group for the purpose of generating profits from short-term fluctuations in prices. Subsequent to their initial recognition these assets are accounted for and re-measured at fair value.

The fair value of securities held for trading, for which an active market exists, and a market value can be estimated reliably, is measured at quoted market prices. In circumstances where the quoted market prices are not readily available, the fair value is estimated using the present value of future cash flows.

The VUB Group monitors changes in fair values on a daily basis and recognises unrealised gains and losses in the Statement of comprehensive income in 'Net trading income'. Interest earned on securities held for trading is accrued on a daily basis and reported in the Statement of comprehensive income in 'Interest and similar income'.

Day 1 profit or loss

When the transaction price is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Group immediately recognises the difference between the transaction price and fair value (a 'Day 1 profit or loss') in 'Net trading income' if the 'Day 1 profit or loss' is not significant. In cases where 'Day 1 profit or loss' is significant, the difference is amortised over the period of the respective deals. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the Statement of comprehensive income when the inputs become observable, or when the instrument is derecognised.

(b) Available-for-sale securities

'Available-for-sale' securities are those financial assets that are not classified as 'held for trading' or 'held-to-maturity'. Subsequent to their initial recognition, these assets are accounted for and re-measured at fair value.

Unrealised gains and losses arising from changes in the fair value of 'available-for-sale' securities are recognised on a daily basis in the 'Available-for-sale financial assets' in equity.

Interest earned whilst holding 'available-for-sale' securities is accrued on a daily basis and reported in the Statement of comprehensive income in 'Interest and similar income'.

The fair value of 'available-for-sale' securities, for which an active market exists, and a market value can be estimated reliably, is measured at quoted market prices. In circumstances where the quoted market prices are not readily available, the fair value is estimated using the present value of future cash flows.

Equity investments whose fair value cannot be reliably measured are held at cost less impairment. For 'available-for-sale' equity investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of debt instruments classified as 'available-for-sale', impairment is assessed based on the same criteria as financial assets carried at amortised cost. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in 'Impairment losses on financial assets' in the Statement of comprehensive income, the impairment loss is reversed through the Statement of comprehensive income.

In the case of equity investments classified as 'available-for-sale', objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss – is removed from equity and recognised in 'Impairment losses on financial assets' in the Statement of comprehensive income. Impairment losses on equity investments are not reversed through Statement of comprehensive income; increases in their fair value after impairment are recognised directly in Other comprehensive income.

(c) Held-to-maturity investments

'Held-to-maturity' investments are financial assets with fixed or determinable payments and maturities that the VUB Group has the positive intent and ability to hold to maturity.

'Held-to-maturity' investments are carried at amortised cost less any impairment losses. Amortised cost is the amount at which the asset was initially measured minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount. The amortisation is recognised in the Statement of comprehensive income in 'Interest and similar income'.

The VUB Group assesses on a regular basis whether there is any objective evidence that a 'held-to-maturity' investment may be impaired. A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount.

2.11 Repurchase and reverse repurchase agreements

Securities sold under sale and repurchase agreements ('repo transactions') remain as assets in the Statement of financial position under the original caption and the liability from the received loan is included in 'Due to central and other banks' or 'Due to customers'.

Securities purchased under agreements to purchase and resell ('reverse repo transactions') are recorded only in the off-balance sheet and the loan provided is reported in the Statement of financial position in 'Due from banks' or 'Loans and advances to customers', as appropriate.

The price differential between the purchase and sale price of securities is treated as interest income or expense and deferred over the life of the agreement.

2.12 Derivative financial instruments

In the normal course of business, the VUB Group is a party to contracts with derivative financial instruments, which represent a very low initial investment compared to the notional value of the contract. The derivative financial instruments used include foreign exchange forwards, interest rate/foreign exchange swaps and options, forward rate agreements and cross currency swaps. The VUB Group also uses financial instruments to hedge interest rate risk and currency exposures associated with its transactions in the financial markets. They are accounted for as trading derivatives if they do not fully comply with the definition of a hedging derivative as prescribed by IFRS. The VUB Group also acts as an intermediary provider of these instruments to certain customers.

Derivative financial instruments are initially recognised and subsequently re-measured in the Statement of financial position at fair value. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Changes in the fair value of derivatives are included in 'Net trading income'.

Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate. The fair values of derivative positions are computed using standard formulas and prevailing interest rates applicable for respective currencies available on the market at reporting dates.

In the normal course of business, the VUB Group enters into derivative financial instrument transactions to hedge its liquidity, foreign exchange and interest rate risks. The Group also enters into proprietary derivative financial transactions for the purpose of generating profits from short-term fluctuations in market prices. The VUB Group operates a system of market risk and counterparty limits, which are designed to restrict exposure to movements in market prices and counterparty concentrations. The VUB Group also monitors adherence to these limits on a daily basis.

Credit risk of financial derivatives

Credit exposure or the replacement cost of derivative financial instruments represents the VUB Group's credit exposure from contracts with a positive fair value, that is, it indicates the estimated maximum potential losses of the VUB Group in the event that counterparties fail to perform their obligations. It is usually a small proportion of the notional amounts of the contracts. The credit exposure of each contract is indicated by the credit equivalent calculated pursuant to the generally applicable methodology using the current exposure method and involves the market value of the contract (only if positive, otherwise a zero value is taken into account) and a portion of the nominal value, which indicates the potential change in market value over the term of the contract. The credit equivalent is established depending on the type of contract and its maturity. The VUB Group assesses the credit risk of all financial instruments on a daily basis.

The VUB Group is selective in its choice of counterparties and sets limits for transactions with customers. As such, the VUB Group considers that the actual credit risk associated with financial derivatives is substantially lower than the exposure calculated pursuant to credit equivalents.

Embedded derivatives

The VUB Group assesses whether any embedded derivatives contained in the contract are required to be separated from the host contract and accounted for as derivatives under IAS 39. An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract-with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

The VUB Group accounts for embedded derivatives separately from the host contract if: the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid (combined) instrument is not measured at fair value with changes in fair value recognised in the Statement of comprehensive income.

Hedging derivatives

The Group makes use of derivative instruments to manage exposures to interest rate, foreign currency and credit risks, including exposures arising from expected transactions. In order to manage individual risks, the Group applies hedge accounting for transactions which meet the specified criteria.

At the inception of the hedge relationship, the Group formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship.

Also at the inception of the hedge relationship, a formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. Hedges are formally assessed each month. A hedge is regarded as highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are expected to offset in a range of 80% to 125%.

In situations where that hedged item is an expected transaction, the Group assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect the Statement of comprehensive income.

Cash flow hedges

For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is initially recognised in other comprehensive income as 'Cash flow hedges'. The ineffective portion of the gain or loss on the hedging instrument is recognised immediately as gain or loss in the Statement of comprehensive income in 'Net trading income'.

When the hedged cash flow affects profit or loss, the gain or loss on the hedging instrument is reclassified from other comprehensive income to profit or loss as a reclassification adjustment. When a hedging instrument expires, or is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss that has been recognised in other comprehensive income remains separately in equity and is reclassified from other comprehensive income to profit or loss as a reclassification adjustment when the hedged expected transaction is ultimately recognised. When an expected transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified from other comprehensive income to profit or loss as a reclassification adjustment.

Fair value hedges

For designated and qualifying fair value hedges, the change in the fair value of a hedging derivative is recognised in the Statement of comprehensive income in 'Net trading income'. Meanwhile, the change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the Statement of comprehensive income in 'Net trading income'.

If the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated. For hedged items recorded at amortised cost, the difference between the carrying value of the hedged item on termination and the face value is amortised over the remaining term of the original hedge using the effective interest rate ('EIR'). If the hedged item is derecognised, the unamortised fair value adjustment is reclassified from other comprehensive income to profit or loss as a reclassification adjustment.

2.13 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of financial position, if, and only if, there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the Statement of financial position.

2.14 Non-current assets held for sale

Non-current assets held for sale are assets where the carrying amount will be recovered principally through a sale transaction rather than through continuing use. Non-current assets held for sale comprise buildings, which are available for immediate sale in their present condition and their sale is considered to be highly probable.

Assets classified as held for sale are measured at the lower of their carrying amount and fair value less cost to sell.

2.15 Loans and advances to customers and impairment losses

Loans and advances are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market and are recorded at amortised cost less any impairment losses. All loans and advances to customers are recognised in the Statement of financial position when cash is advanced to borrowers.

Loans and advances to customers are subject to periodic impairment testing. An impairment loss for a loan, or a group of similar loans, is established if their carrying amount is greater than their estimated recoverable amount. The recoverable amount is the present value of expected future cash flows, including amounts recoverable from guarantees and collaterals, discounted based on the loan's original effective interest rate. The amount of the impairment loss is included in the Statement of comprehensive income.

Impairment and uncollectability is measured and recognised individually for loans that are individually significant. Impairment and uncollectability for a group of similar loans that are not individually identified as impaired or loans that are not individually significant are measured and recognised on a portfolio basis.

The VUB Group writes off loans and advances when it determines that the loans and advances are uncollectible. Loans and advances are written off against the reversal of the related impairment losses. Any recoveries of written off loans are credited to the Statement of comprehensive income on receipt.

2.16 Intangible assets

Intangible assets are recorded at historical cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis in order to write off the cost of each asset to its residual value over its estimated useful economic life as follows:

	Years
Software	5 – 10
Other intangible assets	5 – 10

Intangible assets acquired in a business combination are capitalised at fair values as at the date of acquisition and tested for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Acquired intangible assets are amortised in line with their future cash flows over the estimated useful economic lives as follows:

	Years
Software	3
Customer contracts and relationships including brand names	3 – 9

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

2.17 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary at the date of acquisition.

Goodwill is measured at cost less impairment, if any. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired.

2.18 Property and equipment

Property and equipment are recorded at historical cost less accumulated depreciation and impairment losses. Acquisition cost includes the purchase price plus other costs related to acquisition such as freight, duties or commissions. The costs of expansion, modernisation or improvements leading to increased productivity, capacity or efficiency are capitalised. Repairs and renovations are charged to the Statement of comprehensive income when the expenditure is incurred.

Depreciation is calculated on a straight-line basis in order to write off the cost of each asset to its residual value over its estimated useful economic life as follows:

	Years
Buildings	20 – 40
Equipment	4, 6, 10, 12
Other tangibles	4, 6, 12

Land, assets in progress and art collections are not depreciated. The depreciation of assets in progress begins when the related assets are put into use.

The VUB Group periodically tests its assets for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to this recoverable amount.

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

2.19 Leasing

The determination of whether an arrangement is a finance lease is based on the substance of the arrangement and requires an assessment of whether:

– the fulfilment of the arrangement is dependent on the use of a specific asset or assets that could only be used by the lessee without major modifications being made;
– the lease transfers ownership of the asset at the end of the lease term;
– the VUB Group has the option to purchase the asset at a price sufficiently below fair value at exercise date,
– it is reasonably certain the option will be exercised;
– the lease term is for a major part of the asset's economic life even if title is not transferred;
– the present value of minimum lease payments substantially equals the asset's fair value at inception.

VUB Group as a lessee

Finance leases, which transfer to the VUB Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments and included in 'Property and equipment' with the corresponding liability to the lessor included in 'Other liabilities'. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income in 'Interest expense and similar charges'.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the VUB Group will obtain ownership by the end of the lease term.

Operating lease payments are not recognised in the Statement of financial position. Any rentals payable are accounted for on a straight-line basis over the lease term and included in 'Other operating expenses'.

VUB Group as a lessor

Leases where the VUB Group transfers substantially all the risk and benefits of ownership of the asset are classified as finance leases. Leases are recognised upon acceptance of the asset by the customer at an amount equal to the net investment in the lease. The sum of future minimum lease payments and initial origination fees equate to the gross investment in the lease. The difference between the gross and net investment in the lease represents unearned finance income, which is recognised as revenue in 'Interest and similar income' over the lease term at a constant periodic rate of return on the net investment in the lease.

2.20 Provisions

Provisions are recognised when the VUB Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

2.21 Provisions for employee benefits

The Group's obligation in respect of retirement and jubilee employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. The discount rate is determined by reference to a risk-free curve, with a term consistent with the estimated term of the benefit obligation. The calculation is performed using the projected unit credit method. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise. All employees of the Group are covered by the retirement and jubilee employee benefits program.

The calculation for the respective program takes into account the following parameters:

	Jubilee benefits	Retirement benefits
Discount rate	1.7 %	2.6 %
Future growth of wages	n/a	2.5 %
Fluctuation of employees (based on age)	8 – 45%	8 – 45%
Retirement age	Based on valid legislation	
Mortality	Based on mortality tables issued by the Statistical Office of the Slovak Republic	

The Group also calculates a reserve for retention applicable to employees that are subject to the retention program using the projected unit credit method.

All gains or losses in relation to the employee benefits are recognised in 'Salaries and employee benefits'. Employee benefit reserves are disclosed in the Statement of financial position in 'Other liabilities'.

2.22 Financial guarantees

Financial guarantees are contracts that require the VUB Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make a payment when it falls due, in accordance with the terms of a debt instrument consisting of letters of credit, guarantees and acceptances.

Financial guarantee liabilities are initially recognised at their fair value, and the initial fair value is amortised over the life of the financial guarantee in the Statement of comprehensive income in 'Fee and commission income' on a straight line basis. The guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment (when a payment under the guarantee has become probable). Financial guarantees are included within 'Other liabilities'. Any increase in the liability relating to financial guarantees is recorded in the Statement of comprehensive income in 'Impairment losses on financial assets'.

2.23 Legal reserve fund

In accordance with the law and statutes of the VUB Group companies, the VUB Group companies are obliged to contribute at least 10% of its annual net profit to the 'Legal reserve fund' until it reaches 20% of their share capital. Usage of the 'Legal reserve fund' is restricted by the law and the fund can be used for the coverage of the losses of VUB Group companies.

2.24 Equity reserves

The reserves recorded in equity that are disclosed in the Statement of financial position include:

'Translation of foreign operation' reserve which is used to record exchange differences arising from the translation of the net investment in foreign operations.

'Available-for-sale financial assets' reserve which comprises changes in the fair value of available-for-sale investments.

'Cash flow hedges' reserve which comprises the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

2.25 Interest income

Interest income and expense is recognised in the Statement of comprehensive income on an accrual basis using the effective interest rate method. Interest income and expense includes the amortisation of any discount or premium on financial instruments. Interest income also includes up-front and commitment fees, which are subject to the effective interest rate calculation and are amortised over the life of the loan.

2.26 Fee and commission income

Fee and commission income arises on financial services provided by the VUB Group including account maintenance, cash management services, brokerage services, investment advice and financial planning, investment banking services, project finance transactions and asset management services. Fee and commission income is recognised when the corresponding service is provided.

2.27 Net trading income

Net trading income includes gains and losses arising from purchases, disposals and changes in the fair value of financial assets and liabilities including securities and derivative instruments. It also includes the result of all foreign currency transactions.

2.28 Dividend income

Dividend income is recognised in the Statement of comprehensive income on the date that the dividend is declared.

2.29 Income tax

Income tax is calculated in accordance with the regulations of the Slovak Republic and other jurisdictions, in which the VUB Group operates.

Deferred tax assets and liabilities are recognised, using the balance sheet method, for all temporary differences arising between tax bases of assets or liabilities and their carrying amounts for financial reporting purposes. Expected tax rates, applicable for the periods when assets and liabilities are realised, are used to determine deferred tax.

The Group is also subject to various indirect operating taxes, which are included in 'Other operating expenses'.

2.30 Fiduciary assets

Assets held in a fiduciary capacity are not reported in the financial statements, as such are not the assets of the VUB Group.

2.31 Significant accounting judgements and estimates

Judgements

In the process of applying the VUB Group's accounting policies, management has made judgements, apart from those involving estimations, that significantly affect the amounts recognised in the financial statements. The most significant judgements relate to the classification of financial instruments.

Held-to-maturity investments

The VUB Group follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the VUB Group evaluates its intention and ability to hold such investments to maturity. If the VUB Group fails to hold these investments to maturity other than for a specific circumstance, for example selling a higher than insignificant amount close to maturity, it will be required to reclassify the entire class as available for sale. The investments would therefore be measured at fair value and not at amortised cost.

Financial assets held for trading

The VUB Group classifies a financial asset as 'held for trading' if it is acquired principally for the purpose of selling it in the near term, or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of recent actual pattern of short-term profit taking, or if it is a derivative.

Estimates

The preparation of the financial statements requires management to make certain estimates and assumptions, which impact the carrying amounts of the VUB Group's assets and liabilities and the disclosure of contingent items at the end of reporting period and reported revenues and expenses for the period then ended.

Estimates are used for, but not limited to: fair values of financial instruments, impairment losses on loans and advances to customers, impairment losses for off-balance sheet risks, depreciable lives and residual values of tangible and intangible assets, impairment losses on tangible and intangible assets, liabilities from employee benefits and provisions for legal claims.

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the Statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques which include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of liquidity and model inputs such as correlation and volatility for longer dated financial instruments.

Impairment losses on loans and advances

The VUB Group reviews its loans and advances at each reporting date to assess whether a specific allowance for impairment should be recorded in the Statement of comprehensive income. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the specific allowance.

In addition to specific allowances against individually significant loans and advances, the VUB Group also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This takes into consideration factors such as any deterioration in country risk, industry and technological obsolescence, as well as identified structural weaknesses or deterioration in cash flows.

Future events and their effects cannot be perceived with certainty. Accordingly, the accounting estimates made require the exercise of judgement and those used in the preparation of the financial statements will change as new events occur, as more experience is acquired, as additional information is obtained and as the VUB Group's operating environment changes. Actual results may differ from those estimates.

3. Cash and cash equivalents

For the purposes of the Statement of cash flows, cash and cash equivalents comprise the following balances with contractual maturity of less than 90 days:

	Note	2011	2010
Cash and balances with central banks	4	90,977	179,093
Current accounts in other banks	5	7,271	8,493
Term deposits with other banks	5	-	7,542
		98,248	195,128

4. Cash and balances with central banks

	2011	2010
Balances with central banks:		
Compulsory minimum reserves	5,146	87,693
Current accounts	36	33
	5,182	87,726
Cash in hand	85,795	91,367
	90,977	179,093

The compulsory minimum reserve is maintained as an interest bearing deposit under the regulations of the NBS and the Czech National Bank. The amount of the compulsory minimum reserve depends on the level of customer deposits accepted by the VUB Group and the amount of issued bonds, both with a maturity of up to 2 years. The rate for the calculation of the compulsory minimum reserve is 2% and the required balance is calculated as the total of individual items multiplied by the valid rate.

The daily balance of the compulsory minimum reserve can vary significantly based on the amount of incoming and outgoing payments. The VUB Group's ability to withdraw the compulsory minimum reserve is restricted by local legislation.

Since January 2009, the compulsory minimal reserves account ('CMR') is maintained under the Target2 system. Target2 is a Trans-European Automated Real-Time Gross Settlement Express Transfer System, where payments with priority are realised in real-time.

5. Due from banks

	Note	2011	2010
Current accounts	3	7,271	8,493
Term deposits			
with contractual maturity less than 90 days	3	-	7,542
with contractual maturity over 90 days		3,141	5,081
Loans and advances			
with contractual maturity over 90 days		492,081	87,878
Impairment losses	10	(202)	(151)
		502,291	108,843

At 31 December 2011, the balance of 'Loans and advances' comprises of a short term reverse repo trade in the nominal amount of € 399,587 thousand concluded with Intesa Sanpaolo S.p.A, maturing in May 2012 (at 31 December 2010: nil). The repo trade is secured by state bonds and cash collateral.

6. Financial assets held for trading

	2011	2010
Treasury bills and other eligible bills		
with contractual maturity over 90 days	192,233	174,201
State bonds		
with contractual maturity over 90 days	77,619	75,772
Mutual funds	4,110	3,052
	273,962	253,025

At 31 December 2011 and 31 December 2010, no financial assets held for trading were pledged by the VUB Group to secure transactions with counterparties.

7. Derivative financial instruments

	2011 Assets	2010 Assets	2011 Liabilities	2010 Liabilities
Trading derivatives	80,255	45,179	42,424	46,834
Cash flow hedges of interest rate risk	-	-	5,668	4,451
Fair value hedges of interest rate risk	144	26	9,290	9,444
	80,399	45,205	57,382	60,729

Trading derivatives also include hedge instruments that are non-qualifying according to IAS 39, which are held for risk management purposes rather than for trading. The instruments used include cross-currency interest rate swaps. At 31 December 2011, the total positive fair value of such derivatives was € 4,346 thousand (31 December 2010: € 6,386 thousand) and the negative fair value was nil (31 December 2010: nil).

	2011 Assets	2010 Assets	2011 Liabilities	2010 Liabilities
Trading derivatives – Fair values				
Interest rate instruments				
Swaps	18,035	21,632	19,489	23,780
Options	4,224	1,806	4,248	1,813
	22,259	23,438	23,737	25,593
Foreign currency instruments				
Forwards and swaps	45,773	2,059	10,794	7,894
Cross currency swaps	4,346	6,386	-	-
Options	6,152	8,842	6,168	8,893
	56,271	17,287	16,962	16,787
Equity and commodity instruments				
Equity options	1,725	4,047	1,725	4,047
Commodity options	-	407	-	407
	1,725	4,454	1,725	4,454
	80,255	45,179	42,424	46,834

	2011 Assets	2010 Assets	2011 Liabilities	2010 Liabilities
Trading derivatives – Notional values				
Interest rate instruments				
Swaps	1,045,710	954,181	1,045,710	954,181
Options	145,649	78,991	145,649	78,991
	1,191,359	1,033,172	1,191,359	1,033,172
Foreign currency instruments				
Forwards and swaps	824,781	280,758	790,494	288,177
Cross currency swaps	69,803	71,825	65,433	65,433
Options	45,481	50,266	45,395	49,754
	940,065	402,849	901,322	403,364
Equity and commodity instruments				
Equity options	23,297	22,630	23,297	22,630
Commodity options	234	3,280	234	3,280
	23,531	25,910	23,531	25,910
	2,154,955	1,461,931	2,116,212	1,462,446

Cash flow hedges of interest rate risk

The VUB Group uses four interest rate swaps to hedge the interest rate risk arising from the issuance of four variable rate mortgage bonds. The cash flows on the floating legs of these interest rate swaps substantially match the cash flow profiles of the variable rate mortgage bonds.

Below is a schedule indicating as at 31 December 2011, the periods when the hedged cash flows are expected to occur. The cash flows of mortgage bonds represent the future undiscounted value of coupons:

	Up to 1 year	1 to 5 years	Over 5 years
2011			
Mortgage bonds – interest rate risk	4,982	12,848	1,674
2010			
Mortgage bonds – interest rate risk	5,070	22,413	3,218

The net expense on cash flow hedges reclassified from ‘Other comprehensive income’ to the ‘Net interest income’ during 2011 was € 2,455 thousand (2010: € 3,468 thousand).

Fair value hedges of interest rate risk

The VUB Group uses three interest rate swaps to hedge the interest rate risk of three fixed rate bonds from the available-for-sale ('AFS') portfolio. The changes in fair value of these interest rate swaps substantially offset the changes in fair value of AFS portfolio bonds, both in relation to changes of interest rates.

Furthermore, the VUB Group uses one interest rate swap to hedge the interest rate risk arising from the issuance of one fixed rate mortgage bond. The changes in fair value of this interest rate swap substantially offset the changes in fair value of the mortgage bond, both in relation to changes of interest rates.

In 2011, the Group recognised a net gain of € 455 thousand (2010: net loss of € 3,465 thousand) in relation to the fair value hedging instruments above. The net loss on hedged items attributable to the hedged risks amounted to € 300 thousand (2010: net gain of € 3,564 thousand). Both items are disclosed within ‘Net trading income’.

During 2011, interest and similar income from hedged AFS securities in the amount of € 8,038 thousand (2010: € 8,024 thousand) was compensated by interest expense from interest rate swaps hedging instruments in the amount of € 2,559 thousand (2010: € 3,807 thousand).

At 31 December 2011, interest expense from a hedged mortgage bond in the amount of € 163 thousand (31 December 2010: nil) was compensated by interest income from an interest rate swap hedging instrument in the amount of € 17 thousand (31 December 2010: nil).

The foreign branch of VUB uses four interest rate swaps to hedge the interest rate risk of four fixed income loans originated in the Czech Republic. The changes in fair value of these interest rate swaps substantially offset the changes in fair value of the loans, both in relation to changes of interest rates.

In 2011, the Group recognised in relation to the fair value hedging instruments of the foreign branch of VUB a net loss of € 275 thousand (2010: net gain of € 48 thousand). The net gain on hedged items attributable to the hedged risks amounted to € 287 thousand (2010: net loss of € 47 thousand). Both items are disclosed within ‘Net trading income’.

In 2011, interest and similar income from hedged fixed income loans in the amount of € 463 thousand (2010: € 29 thousand) was compensated by interest expense from interest rate swaps hedging instruments in the amount of € 86 thousand (2010: € 8 thousand).

8. Available-for-sale financial assets

	Share 2011	Share 2010	2011	2010
State bonds			1,439,321	1,595,839
Bank bonds			15,666	19,345
Equity shares at cost				
RVS, a.s.	8.38%	8.38%	574	574
S.W.I.F.T.	0.06%	0.06%	65	65
			1,455,626	1,615,823

At 31 December 2011 and 31 December 2010, no available-for-sale financial assets were pledged by the VUB Group to secure transactions with counterparties.

9. Loans and advances to customers

31 December 2011	Amortized cost	Impairment losses (note 10)	Carrying amount
Sovereigns			
Municipalities	150,654	(294)	150,360
Corporate			
Large Corporates	960,423	(8,943)	951,480
Specialized lending	738,004	(31,765)	706,239
Small and medium enterprises ('SME')	691,524	(36,853)	654,671
Other Financial Institutions	270,187	(588)	269,599
Private Sector Entities	102,304	(706)	101,598
Leasing	221,804	(20,592)	201,212
Factoring	191,559	(3,091)	188,468
	3,175,805	(102,538)	3,073,267
Retail			
Small business	200,154	(15,538)	184,616
Small business – Leasing	19,376	(1,643)	17,733
Consumer Loans	962,405	(116,013)	846,392
Mortgages	2,716,118	(34,102)	2,682,016
Credit Cards	252,728	(43,861)	208,867
Overdrafts	104,731	(17,788)	86,943
Leasing	4,928	(219)	4,709
Flat Owners Associations	3,811	(63)	3,748
Other	8,267	(372)	7,895
	4,272,518	(229,599)	4,042,919
	7,598,977	(332,431)	7,266,546

The segmentation of Loans and advances to customers in both 2011 and 2010 is based on the internal definition of segments which is continuously being improved to reflect the Group's needs. The revised segment definition caused transfers among the individual sectors.

Restated 31 December 2010	Amortized cost	Impairment losses (note 10)	Carrying amount
Sovereigns			
Municipalities	101,730	(205)	101,525
Municipalities – Leasing	65	-	65
	101,795	(205)	101,590
Corporate			
Large Corporates	847,014	(17,011)	830,003
Specialized lending	651,086	(16,443)	634,643
Small and medium enterprises ('SME')	636,480	(39,651)	596,829
Other Financial Institutions	295,550	(203)	295,347
Private Sector Entities	3,253	(39)	3,214
Leasing	177,715	(22,324)	155,391
Factoring	85,581	(3,032)	82,549
	2,696,679	(98,703)	2,597,976
Retail			
Small business	188,861	(14,053)	174,808
Small business – Leasing	20,342	(2,035)	18,307
Consumer Loans	882,232	(121,528)	760,704
Mortgages	2,476,074	(26,690)	2,449,384
Credit Cards	260,141	(39,763)	220,378
Overdrafts	112,084	(13,736)	98,348
Leasing	5,168	(282)	4,886
Flat Owners Associations	3,534	(42)	3,492
Other	7,963	(161)	7,802
	3,956,399	(218,290)	3,738,109
	6,754,873	(317,198)	6,437,675

At 31 December 2011, the 20 largest corporate customers represented a total balance of € 808,010 thousand (2010: € 660,240 thousand) or 10.63% (2010: 9.8%) of the gross loan portfolio.

Maturities of gross finance lease receivables are as follows:

	2011	2010
Up to 1 year	77,554	72,136
1 to 5 years	155,255	125,221
Over 5 years	53,426	39,175
	286,235	236,532
Unearned future finance income on finance leases	(40,127)	(33,241)
Impairment losses	(22,454)	(24,642)
	223,654	178,649

Maturities of net finance lease receivables are as follows:

	2011	2010
Up to 1 year	65,481	60,944
1 to 5 years	133,002	106,932
Over 5 years	47,625	35,415
	246,108	203,291
Impairment losses	(22,454)	(24,642)
	223,654	178,649

10. Impairment losses

	Note	1 Jan 2011	Creation/ (Reversal) (note 31)	Loans written-off/sold (note 31)	FX losses/ (gains)	Other*	31 Dec 2011
Due from banks	5	151	51	-	-	-	202
Non-current assets held for sale	15	1,272	-	-	-	(1,272)	-
Loans and advances to customers	9	317,198	67,721	(46,050)	194	(6,632)	332,431
Held-to-maturity investments	11	249	92	-	-	-	341
Property and equipment	15	770	(14)	-	-	-	756
Other assets	16	16,625	482	-	19	(1,052)	16,074
		336,265	68,332	(46,050)	213	(8,956)	349,804

* 'Other' represents the following movements:
– Release of impairment loss to sold buildings in the amount of € 1,272 thousand (see also note 15)
– Interest portion (unwinding of interest) in the amount of € 6,632 thousand
– Release of impairment loss to other receivables written off in the amount of € 1,052 thousand

	Note	1 Jan 2010	Creation/ (Reversal) (note 31)	Loans written-off/sold (note 31)	FX losses/ (gains)	Other*	31 Dec 2010
Due from banks	5	151	-	-	-	-	151
Non-current assets held for sale	15	-	1,272	-	-	-	1,272
Loans and advances to customers	9	265,777	65,069	(12,718)	413	(1,343)	317,198
Held-to-maturity investments	11	377	(128)	-	-	-	249
Property and equipment	15	305	461	-	-	4	770
Other assets	16	10,752	5,411	-	49	413	16,625
		277,362	72,085	(12,718)	462	(926)	336,265

* Interest portion (unwinding of interest)

11. Held-to-maturity investments

	Note	2011	2010
State restructuring bonds		-	617,613
State bonds		1,125,948	1,123,031
Bank bonds and other bonds issued by financial sector		10,052	9,974
Corporate notes and bonds with contractual maturity over 90 days		1,881	37,894
		1,137,881	1,788,512
Impairment losses	10	(341)	(249)
		1,137,540	1,788,263

At 31 December 2011, state bonds in the total nominal amount of € 230,058 thousand were pledged by the Group (31 December 2010: € 106,460 thousand) to secure transactions with counterparties.

The last two 10-year state restructuring bonds held in the held-to-maturity portfolio at 31 December 2010, with nominal values of € 366,594 thousand and € 248,855 thousand were fully redeemed on 30 January 2011 and 29 March 2011, respectively.

12. Associates and jointly controlled entities

	Share %	Cost	Revaluation	Carrying amount
At 31 December 2011				
Slovak Banking Credit Bureau, s.r.o.	33.3	3	39	42
VÚB Generali DSS, a.s.	50.0	16,597	(9,562)	7,035
		16,600	(9,523)	7,077
At 31 December 2010				
Slovak Banking Credit Bureau, s.r.o.	33.3	3	31	34
VÚB Generali DSS, a.s.	50.0	16,597	(10,412)	6,185
		16,600	(10,381)	6,219

The share of profit and revaluation reserves of associates and jointly controlled entities reported in the Statement of comprehensive income is as follows:

	2011	2010
Revaluation at 1 January	(10,381)	(10,980)
Share of profit	850	596
Share of revaluation reserves	8	3
Revaluation at 31 December	(9,523)	(10,381)

The aggregate amounts of the VUB Group's interest in VÚB Generali DSS, a.s. are as follows:

	2011	2010
Assets	7,266	6,374
Liabilities	231	189
Equity	7,035	6,185
Net profit for the year	842	591
Change of revaluation reserves for the year	(31)	(39)

The aggregate amounts of the VUB Group's interest in Slovak Banking Credit Bureau, s.r.o. are as follows:

	2011	2010
Assets	200	163
Liabilities	158	129
Equity	42	34
Net profit for the year	8	5

13. Intangible assets

	Software	Other intangible assets	Assets in progress	Total
Cost				
At 1 January 2011	150,167	52,439	5,187	207,793
Additions	8	-	14,439	14,447
Disposals	(3,671)	(22)	(6)	(3,699)
Transfers	6,536	648	(7,184)	-
FX differences	(12)	(1)	-	(13)
At 31 December 2011	153,028	53,064	12,436	218,528
Accumulated amortisation				
At 1 January 2011	(123,971)	(42,480)	-	(166,451)
Amortisation for the year	(8,908)	(5,389)	-	(14,297)
Disposals	3,671	22	-	3,693
FX differences	12	1	-	13
At 31 December 2011	(129,196)	(47,846)	-	(177,042)
Carrying amount				
At 1 January 2011	26,196	9,959	5,187	41,342
At 31 December 2011	23,832	5,218	12,436	41,486

Assets in progress include mainly the costs for development of new software applications that have not yet been put to use.

	Software	Other intangible assets	Assets in progress	Total
Cost				
At 1 January 2010	159,778	55,258	3,697	218,733
Additions	-	-	11,863	11,863
Disposals	(19,392)	(3,386)	(48)	(22,826)
Transfers	9,759	566	(10,325)	-
FX differences	22	1	-	23
At 31 December 2010	150,167	52,439	5,187	207,793
Accumulated amortisation				
At 1 January 2010	(134,847)	(36,864)	-	(171,711)
Amortisation for the year	(8,494)	(9,001)	-	(17,495)
Disposals	19,392	3,386	-	22,778
FX differences	(22)	(1)	-	(23)
At 31 December 2010	(123,971)	(42,480)	-	(166,451)
Carrying amount				
At 1 January 2010	24,931	18,394	3,697	47,022
At 31 December 2010	26,196	9,959	5,187	41,342

Gross book value of fully depreciated assets that are still used by the Group amounts to € 81,256 thousand (€ 76,919 thousand as at 31 December 2010).

14. Goodwill

	2011	2010
VÚB Leasing, a.s.	10,434	10,434
Consumer Finance Holding, a.s.	18,871	18,871
	29,305	29,305

Goodwill related to VÚB Leasing, a. s. includes both goodwill related to the majority (70%) shareholding in the amount of € 7,304 thousand (Sk 219 million) and goodwill arising from the purchase of the remaining 30% shareholding in the amount of € 3,130 thousand (Sk 96 million). Goodwill related to Consumer Finance Holding, a.s. ('CFH') arose in 2005 on the acquisition of CFH, the VUB Group's sales finance subsidiary.

Goodwill is tested for impairment semi-annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. Management considers VÚB Leasing, a. s. and CFH to be separate cash generating units for the purposes of impairment testing.

The basis on which the recoverable amount of VÚB Leasing, a. s. and CFH has been determined is the value in use calculation, using cash flow projections based on the most recent financial budgets approved by senior management covering a 5-year period. The discount rates applied to cash flow projections beyond the five year period are adjusted by the projected growth rate.

The following rates are used by the Group:

	VUB Leasing		CFH	
	2011	2010	2011	2010
Discount rate	11.99%	12.93%	14.44%	16.38%
Projected growth rate	3.00%	5.00%	0.50%	2.00%

In the case of VÚB Leasing a. s., a change in the discount rate of 1% would cause the carrying amount to exceed the recoverable amount by approximately € 1.9 million at 31 December 2011 (31 December 2010: no impact). A decrease in the projected growth rate of 1% would cause the carrying amount to exceed the recoverable amount by approximately € 1.4 million at 31 December 2011 (31 December 2010: no impact).

The recoverable amount of CFH is not sensitive to changes of key assumptions in both 2011 and 2010.

The calculation of value in use for both VÚB Leasing a. s. and CFH considers the following key assumptions:

– interest margins,
– discount rates,
– market share during the budget period,
– projected growth rates used to extrapolate cash flows beyond the budget period,
– current local Gross Domestic Product (GDP),
– local inflation rates.

Interest margins

Key assumptions used in the cash flow projections are the development of margins and volumes by product line.

Discount rates

Discount rates are determined based on the Capital Asset Pricing Model ('CAPM'). The parameters used reflect market interest rates, industry and size of the subsidiary. The impairment calculation is most sensitive to market interest rates, expected cash-flows and growth rates.

VUB Leasing

VUB Leasing will focus on strengthening its market position through the cross-selling potential of the Bank's SME and large corporate clients. Moreover, the company will increase cooperation with intermediaries.

CFH

According to the product curve, maturing products, market development, credit cards and instalment sales through catalogue and leaflets are forecasted to have a slightly decreasing volume and decreasing margins assuming that the market share of CFH is kept constant.

More recent product lines, such as instalment sales at points of sale and personal loans with or without collateral, are forecasted to have an increasing volume and slightly decreasing margins assuming that the market share of CFH is increasing.

15. Property and equipment and Non-current assets held for sale

	Note	Buildings and land	Equipment	Other tangibles	Assets in progress	Total
Cost						
At 1 January 2011		198,847	94,275	41,006	3,866	337,994
Additions		-	-	-	17,328	17,328
Disposals		(934)	(18,710)	(4,931)	(270)	(24,845)
Transfers		3,267	7,208	6,676	(17,152)	(1)
FX differences		(2)	(4)	(3)	-	(9)
At 31 December 2011		201,178	82,769	42,748	3,772	330,467
Accumulated depreciation						
At 1 January 2011		(80,431)	(76,723)	(31,149)	-	(188,303)
Depreciation for the year		(6,822)	(7,836)	(3,656)	-	(18,314)
Disposals		805	18,569	4,255	-	23,629
FX differences		3	4	2	-	9
At 31 December 2011		(86,445)	(65,986)	(30,548)	-	(182,979)
Impairment losses	10					
At 1 January 2011		(504)	-	(266)	-	(770)
Additions		-	-	14	-	14
At 31 December 2011		(504)	-	(252)	-	(756)
Carrying amount						
At 1 January 2011		117,912	17,552	9,591	3,866	148,921
At 31 December 2011		114,229	16,783	11,948	3,772	146,732

	Note	Buildings and land	Equipment	Other tangibles	Assets in progress	Total
Cost						
At 1 January 2010		207,287	97,028	40,507	3,783	348,605
Additions		-	-	-	14,074	14,074
Disposals		(10,637)	(10,434)	(3,645)	-	(24,716)
Transfers		2,192	7,660	4,139	(13,991)	-
FX differences		5	21	5	-	31
At 31 December 2010		198,847	94,275	41,006	3,866	337,994
Accumulated depreciation						
At 1 January 2011		(76,614)	(79,155)	(28,427)	-	(184,196)
Depreciation for the year		(9,092)	(7,864)	(4,029)	-	(20,985)
Disposals		5,280	10,316	1,311	-	16,907
FX differences		(5)	(20)	(4)	-	(29)
At 31 December 2010		(80,431)	(76,723)	(31,149)	-	(188,303)
Impairment losses	10					
At 1 January 2010		(43)	-	(262)	-	(305)
Additions		(461)	-	(4)	-	(465)
At 31 December 2010		(504)	-	(266)	-	(770)
Carrying amount						
At 1 January 2010		130,630	17,873	11,818	3,783	164,104
At 31 December 2010		117,912	17,552	9,591	3,866	148,921

Gross book value of fully depreciated assets that are still used by the Group amounts to € 69,367 thousand (€ 68,838 thousand as at 31 December 2010).

The Bank's insurance covers all standard risks to tangible and intangible assets (theft, robbery, natural hazards, vandalism, and other damages).

At 31 December 2011 and 31 December 2010, the VUB Group held in its portfolio of non-current assets held for sale buildings as follows:

	Note	2011	2010
Cost		6	7,768
Accumulated depreciation		(3)	(3,122)
Impairment	10	-	(1,272)
		3	3,374

16. Other assets

	Note	2011	2010
Operating receivables and advances		10,102	15,296
Inventories (incl. repossessed leased assets)		8,249	10,873
Receivables from termination of leasing		7,505	7,233
Prepayments and accrued income		4,857	4,803
Other tax receivables		2,626	4,490
Settlement of operations with financial instruments		1,517	185
Other		318	521
		35,174	43,401
Impairment losses	10	(16,074)	(16,625)
		19,100	26,776

Impairment losses for 'Other assets' relates mostly to inventories and receivables from the termination of leasing.

17. Due to central and other banks

	2011	2010
Due to central banks		
Current accounts	68,111	53,019
Loans received	115,947	-
	184,058	53,019
Due to other banks		
Current accounts	9,600	8,374
Term deposits	110,561	330,642
Loans received	384,250	270,488
	504,411	609,504
	688,469	662,523

Due to central banks include loan received from the NBS with maturity less than one month.

18. Due to customers

	2011	2010
Current accounts	2,909,565	3,057,737
Term deposits	3,750,924	3,328,893
Savings accounts	247,784	285,567
Government and municipal deposits	327,652	434,586
Loans received	159,642	75,180
Promissory notes	56,767	58,136
Other deposits	35,074	25,268
	7,487,408	7,265,367

19. Debt securities in issue

	2011	2010
Bonds	41,986	59,663
Mortgage bonds	1,410,797	1,383,033
Mortgage bonds subject to cash flow hedges	180,232	181,557
Mortgage bonds subject to fair value hedge	27,278	-
	1,618,307	1,564,590
Revaluation of fair value hedged mortgage bonds	194	-
	1,660,487	1,624,253

The repayment of mortgage bonds is funded by the mortgage loans provided to customers of the Group (see also note 9).

Name	Interest rate (%)	CCY	Number of mortgage bonds issued at 31 Dec 2011	Nominal value in CCY per piece	Issue date	Maturity date	2011	2010
Mortgage bonds VÚB, a.s. VII.	5.10	EUR	10,000	3,319	15.4.2003	15.4.2013	34,398	34,398
Mortgage bonds VÚB, a.s. VIII.	5.10	EUR	1,000	33,194	29.5.2003	29.5.2013	34,191	34,191
Mortgage bonds VÚB, a.s. XVII.	1.58	EUR	1,678	33,194	28.11.2005	28.11.2015	55,780	55,757
Mortgage bonds VÚB, a.s. XX.	4.30	EUR	50	331,939	9.3.2006	9.3.2021	17,176	17,176
Mortgage bonds VÚB, a.s. XXI.	1.10	EUR	500	33,194	10.3.2006	10.3.2011	-	16,608
Mortgage bonds VÚB, a.s. XXII.	1.18	EUR	1,200	50,000	29.6.2006	29.6.2011	-	60,004
Mortgage bonds VÚB, a.s. XXIII.	1.18	EUR	60	1,000,000	26.10.2006	26.10.2011	-	60,128
Mortgage bonds VÚB, a.s. XXIV.	1.35	EUR	1,500	33,194	24.11.2006	24.11.2011	-	49,860
Mortgage bonds VÚB, a.s. XXV.	1.19	EUR	30	1,000,000	5.12.2006	5.12.2011	-	30,026
Mortgage bonds VÚB, a.s. XXVIII.	1.95	CZK	1,000	1,000,000	20.6.2007	20.6.2012	38,905	40,240
Mortgage bonds VÚB, a.s. XXIX.	1.80	EUR	500	33,194	16.10.2007	16.10.2012	16,657	16,637
Mortgage bonds VÚB, a.s. XXX.	5.00	EUR	1,000	33,194	5.9.2007	5.9.2032	33,346	33,327
Mortgage bonds VÚB, a.s. XXXI.	4.90	EUR	600	33,194	29.11.2007	29.11.2037	19,638	19,624
Mortgage bonds VÚB, a.s. 32.	2.95	CZK	800	1,000,000	17.12.2007	17.12.2017	33,412	34,791
Mortgage bonds VÚB, a.s. 35.	4.40	EUR	630	33,194	19.3.2008	19.3.2016	21,257	21,167
Mortgage bonds VÚB, a.s. 36.	4.75	EUR	560	33,194	31.3.2008	31.3.2020	18,846	18,796
Mortgage bonds VÚB, a.s. 37.	1.47	EUR	40	1,000,000	30.4.2008	30.4.2011	-	40,103
Mortgage bonds VÚB, a.s. 39.	2.10	EUR	60	1,000,000	26.6.2008	26.6.2015	60,017	60,012
Mortgage bonds VÚB, a.s. 40.	2.21	EUR	70	1,000,000	28.8.2008	28.8.2015	70,146	70,117
Mortgage bonds VÚB, a.s. 41.	5.63	USD	34	1,000,000	30.9.2008	30.9.2013	26,651	25,807
Mortgage bonds VÚB, a.s. 42.	4.00	EUR	400	50,000	28.4.2009	28.4.2012	20,540	20,540
Mortgage bonds VÚB, a.s. 43.	5.10	EUR	500	33,194	26.9.2008	26.9.2025	15,484	15,387
Mortgage bonds VÚB, a.s. 44.	4.75	EUR	300	50,000	11.2.2009	11.2.2012	15,633	15,633
Mortgage bonds VÚB, a.s. 46.	4.61	EUR	150	1,000,000	19.5.2009	19.5.2016	154,264	154,264
Mortgage bonds VÚB, a.s. 48.	4.00	EUR	19,961	1,000	11.5.2009	11.5.2013	20,472	20,511
Mortgage bonds VÚB, a.s. 49.	3.92	EUR	100	1,000,000	28.7.2009	28.7.2014	101,666	101,666

Mortgage bonds VÚB, a.s. 50.	3.40	EUR	8,391	1,000	2.11.2009	2.11.2013	8,438	8,454
Mortgage bonds VÚB, a.s. 51.	2.14	EUR	100	1,000,000	8.4.2010	8.4.2014	100,492	100,355
Mortgage bonds VÚB, a.s. 52.	2.16	EUR	161	50,000	15.3.2010	15.3.2014	8,101	8,102
Mortgage bonds VÚB, a.s. 53.	2.28	EUR	100	1,000,000	8.4.2010	8.4.2017	100,525	100,387
Mortgage bonds VÚB, a.s. 54.	3.00	EUR	15,000	1,000	1.7.2010	1.7.2014	15,225	15,225
Mortgage bonds VÚB, a.s. 55.	2.85	EUR	14,000	1,000	1.10.2010	1.10.2015	14,100	14,100
Mortgage bonds VÚB, a.s. 56.	3.07	EUR	70	1,000,000	30.9.2010	30.9.2017	70,543	70,434
Mortgage bonds VÚB, a.s. 57.	3.06	EUR	100	1,000,000	30.9.2010	30.9.2018	100,772	100,620
Mortgage bonds VÚB, a.s. 58.	3.50	EUR	80	1,000,000	10.12.2010	10.12.2019	80,164	80,143
Mortgage bonds VÚB, a.s. 59.	3.00	EUR	25,000	1,000	1.3.2011	1.3.2015	25,625	-
Mortgage bonds VÚB, a.s. 60.	2.05	CZK	4,345	100,000	20.5.2011	20.5.2014	16,856	-
Mortgage bonds VÚB, a.s. 61.	3.10	EUR	467	10,000	7.6.2011	7.6.2015	4,666	-
Mortgage bonds VÚB, a.s. 62.	3.82	EUR	100	1,000,000	28.7.2011	28.7.2018	101,624	-
Mortgage bonds VÚB, a.s. 63.	3.75	EUR	35,000	1,000	16.9.2011	16.3.2016	35,383	-
Mortgage bonds VÚB, a.s. 64.	3.25	CZK	7,000	100,000	26.9.2011	26.9.2016	27,278	-
Mortgage bonds VÚB, a.s. 65.	2.19	EUR	60	1,000,000	26.10.2011	26.10.2012	59,362	-
Mortgage bonds VÚB, a.s. 66.	3.40	EUR	517	50,000	28.11.2011	28.11.2014	25,603	-
Mortgage bonds VÚB, a.s. 67.	5.35	EUR	300	50,000	29.11.2011	29.11.2030	15,071	-
							1,618,307	1,564,590

20. Current and deferred income taxes

	2011	2010
Current income tax assets	2,791	8,931

	2011	2010
Deferred income tax assets	77,463	66,154

Deferred income taxes are calculated on all temporary differences using a tax rate of 19% (31 December 2010: 19%) as follows:

	2011	Profit/ (loss) (note 32)	Equity	2010
Due from banks	38	9	-	29
Derivative financial instruments designated as cash flow hedges	1,077	-	231	846
Available-for-sale financial assets	17,029	-	10,560	6,469
Loans and advances to customers	60,218	2,036	-	58,182
Held-to-maturity investments	65	18	-	47
Intangible assets identified on acquisition	(501)	809	-	(1,310)
Property and equipment	(3,303)	(729)	-	(2,574)
Other liabilities	4,367	(146)	-	4,513
Other	(1,527)	(1,479)	-	(48)
Deferred income tax assets	77,463	518	10,791	66,154

21. Provisions

	2011	2010
Litigations	27,328	24,256

The movement in provisions was as follows:

	1 Jan 2011	Creation/ (Reversal)	FX diff	Other	31 Dec 2011
Litigations (note 24, note 30)	24,256	3,134	(14)	(48)	27,328

	1 Jan 2010	Creation/ (Reversal)	FX diff	Other	31 Dec 2010
Litigations (note 24, note 30)	25,111	(826)	(11)	(18)	24,256

22. Other liabilities

	2011	2010
Factoring	24,796	9,115
Various creditors	24,218	22,970
Settlement with employees	21,539	20,741
Financial guarantees and commitments	10,800	13,674
Accruals and deferred income	6,253	4,006
VAT payables and other tax payables	2,547	2,704
Severance and Jubilee benefits	1,942	1,392
Settlement with shareholders	974	1,178
Retention program	904	1,016
Settlement with securities	99	1
Other	894	1,266
	94,966	78,063

The movements in Financial guarantees and commitments, Severance and Jubilee benefits and Retention program were as follows:

	Note	1 Jan 2011	Creation/ (Reversal)	FX diff	31 Dec 2011
Financial guarantees and commitments	31	13,674	(2,860)	(14)	10,800
Severance and Jubilee benefits	29	1,392	550	-	1,942
Retention program	29	1,016	(112)	-	904
		16,082	(2,422)	(14)	13,646

	Note	1 Jan 2010	Creation/ (Reversal)	FX diff	31 Dec 2010
Financial guarantees and commitments	31	9,595	4,079	-	13,674
Severance and Jubilee benefits	29	1,286	106	-	1,392
Retention program	29	1,026	(10)	-	1,016
		11,907	4,175	-	16,082

23. Share capital

	2011	2010
Authorized, issued and fully paid:		
89 ordinary shares of € 3,319,391.89 each, not traded	295,426	295,426
4,078,108 ordinary shares of € 33.2 each, publicly traded	135,393	135,393
	430,819	430,819
Net profit for the year attributable to shareholders	176,903	150,323
Divided by 12,976,478 ordinary shares of € 33.2 each		
Basic and diluted earnings per € 33.2 share in Euro	13.63	11.58

The principal rights attached to shares are to take part in and vote at the general meeting of shareholders and to receive dividends.

The structure of shareholders is as follows:

	2011	2010
Intesa Holding International S.A.	96.76%	96.76%
Domestic shareholders	2.91%	2.97%
Foreign shareholders	0.33%	0.27%
	100.00%	100.00%

The primary objectives of the Group's capital management are to ensure that the Group complies with externally imposed capital requirements and that the Group maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payments to shareholders, return capital to shareholders or issue capital securities. No changes have yet been made in the objectives, policies and processes from the previous years, however, it is under the constant scrutiny of the Board.

The VUB Group's regulatory capital position at 31 December 2011 and 31 December 2010 was as follows:

	2011	2010
Tier 1 capital		
Share capital	430,819	430,819
Share premium	13,368	13,368
Retained earnings without net profit for the year	476,281	387,357
Legal reserve fund	95,261	93,090
Less goodwill and software (including software in Assets in progress)	(65,573)	(60,688)
Less negative revaluation of available-for-sale financial assets*	(85,726)	-
Less expected loss	(57,073)	-
	807,357	863,946
Tier 2 capital		
Positive revaluation of available-for-sale financial assets*	759	-
Regulatory adjustment		
Associates and jointly controlled entities	(7,035)	(6,185)
Expected loss (incl. equity instruments)	(4,286)	-
	(11,321)	(6,185)
Total regulatory capital	796,795	857,761

* Calculated based on NBS regulatory requirement.

Regulatory capital includes items forming the value of basic own funds (ordinary share capital, share premium, retained earnings, legal reserve fund) and items decreasing the value of basic own funds (intangible assets, goodwill and investments with significant influence). Since 1 January 2011, a new item is deducted from regulatory capital – the difference between the expected loss and impairment losses on exposures treated under the standardised approach. The methodology is prescribed by NBS decree 11/2010 stipulating methods of valuing banking book positions and details of the valuation of banking book positions, including the frequency of such valuations. Since February 2011, the VUB Group is also obliged to deduct difference between the expected loss and impairment losses if positive for the IRB portfolio (Corporate segment) and the expected loss for equities (Simple IRB approach). Furthermore, according to the amendment to NBS decree 4/2007 (amendment number 3/2011), since 30 May 2011 the VUB Group is obliged to decrease the value of regulatory capital by the negative revaluation differences arising from the revaluation of available-for-sale financial assets.

	2011	2010
Tier 1 capital	807,357	863,946
Tier 2 capital	759	-
Regulatory adjustment	(11,321)	(6,185)
Total regulatory capital	796,795	857,761
Total Risk Weighted Assets	7,508,276	6,854,299
Tier 1 capital ratio	10.75%	12.60%
Total capital ratio	10.61%	12.51%

Regulatory capital consists of Tier 1 capital, which comprises share capital, share premium, retained earnings without profit for the current year, foreign currency translation and reserves. Certain adjustments are made to IFRS-based results and reserves, as prescribed by the NBS. The other component of regulatory capital is Tier 2 capital, which includes subordinated long term debt, preference shares and available-for-sale reserves relating capital instruments.

The VUB Group must maintain a capital adequacy ratio of at least 8% according to the act on banks. The capital adequacy ratio is the ratio between the Group's capital and the risk-weighted assets. Risk weighted assets include risk weighted assets from positions recorded in the trading book and risk weighted assets from positions recorded in the banking book. The VUB Group complied with the Act on Banks requirement for the capital adequacy ratio as at 31 December 2011 and 31 December 2010.

In addition to the requirement of the Act on Banks, from December 2011 the Group is obliged to fulfil also the additional requirement due to the joint decision of the NBS and Banca d'Italia supervision authorities, issued on 21 December 2011. Based on this decision the Group is obliged to maintain the Total capital ratio of at least 10% for both the separate and consolidated level. The VUB Group complied with this requirement as at 31 December 2011.

24. Financial commitments and contingencies

	2011	2010
Issued guarantees	549,239	594,173
Commitments and undrawn credit facilities	2,142,115	1,994,255
	2,691,354	2,588,428

(a) Issued guarantees
Commitments from guarantees represent irrevocable assurances that the VUB Group will make payments in the event that a borrower cannot meet its obligations to third parties. These assurances carry the same credit risk as loans and therefore the VUB Group books liabilities against these instruments on a similar basis as is applicable to loans.

(b) Commitments and undrawn credit facilities
The primary purpose of commitments to extend credit is to ensure that funds are available to the customer as required. Commitments to extend credit issued by the VUB Group represent undrawn portions of commitments and approved overdraft loans.

(c) Lease obligations
In the normal course of business, the VUB Group enters into operating lease agreements for branch facilities and cars. The total value of future payments arising from non-cancellable operating leasing contracts at 31 December 2011 and 31 December 2010 was as follows:

	2011	2010
Up to 1 year	577	1,615
1 to 5 years	282	1,313
Over 5 years	-	-
	859	2,928

(d) Operating lease – the Group as a lessor
The VUB Group has entered into a number of non-cancellable operating lease contracts with its customers. Future minimum rentals receivable under such contracts as at 31 December 2011 and 31 December 2010 are as follows:

	2011	2010
Up to 1 year	598	2,443
1 to 5 years	1,683	3,025
Over 5 years	-	-
	2,281	5,468

e) Legal
In the normal course of business the VUB Group is subject to a variety of legal actions. The VUB Group conducted a review of legal proceedings outstanding against it as of 31 December 2011. Pursuant to this review, management has recorded total provisions of € 27,328 thousand (31 December 2010: € 24,256 thousand) in respect of such legal proceedings (see also note 21). The VUB Group will continue to defend its position in respect of each of these legal proceedings. In addition to the legal proceedings covered by provisions, there are contingent liabilities arising from legal proceedings in the total amount of € 21,078 thousand, as at 31 December 2011 (31 December 2010: € 19,039 thousand). This amount represents existing legal proceedings against the VUB Group that in the opinion of the Legal Department of the VUB will most probably not result in any payments due by the VUB Group.

The particular requirements pursuant to IAS 37.85 are not disclosed in accordance with IAS 37.92 in order not to compromise the Group's position in the ongoing legal proceedings and disputes.

25. Net interest income

	2011	2010
Interest and similar income		
Due from banks	16,397	8,822
Loans and advances to customers	413,022	362,670
Bonds, treasury bills and other securities:		
Financial assets held for trading	8,969	9,386
Available-for-sale financial assets	53,348	44,830
Held-to-maturity investments	49,545	59,369
	541,281	485,077
Interest expense and similar charges		
Due to banks	(9,004)	(9,272)
Due to customers	(76,213)	(62,005)
Debt securities in issue	(53,186)	(42,998)
	(138,403)	(114,275)
	402,878	370,802

Interest income on individually impaired loans and advances to customers for 2011 amounted to € 9,964 thousand (2010: € 15,024 thousand).

26. Net fee and commission income

	2011	2010
Fee and commission income		
Received from banks	6,395	5,718
Received from customers:		
Current accounts	46,430	44,046
Mutual funds	7,057	6,951
Term deposits	1,003	638
Insurance mediation	11,429	9,079
Loans and guarantees	39,285	40,922
Overdrafts	1,921	2,438
Securities	1,757	1,079
Transactions and payments	23,702	30,179
Other	2,427	2,294
	141,406	143,344
Fee and commission expense		
Paid to banks	(13,803)	(19,966)
Paid to mediators:		
Credit cards	(7,332)	(9,932)
Securities	(629)	(678)
Services	(8,810)	(2,558)
Other	(2,405)	(2,468)
	(32,979)	(35,602)
	108,427	107,742

27. Net trading income

	2011	2010
Foreign currency derivatives and transactions	766	(4,341)
Customer FX margins	4,839	5,584
Cross currency swaps	(1,908)	4,352
Equity derivatives	80	106
Interest rate derivatives*	(1,086)	(3,755)
Securities:		
Financial assets held for trading	(1,307)	792
Available-for-sale financial assets*	(248)	3,565
Debt securities in issue*	(194)	-
	942	6,303

* Includes the revaluation of financial instruments that are part of the hedging relationship, i.e. fair value hedges of interest rate risk (see also note 7).

At 31 December 2011, the amount still to be recognised in income resulting from Day 1 profit amounted to € 134 thousand (31 December 2010: € 257 thousand), thereof € 124 thousand is to be recognized within one year (31 December 2010: € 241 thousand) and the remaining € 10 thousand in the period 1 to 5 years (31 December 2010: € 16 thousand).

28. Other operating income

	2011	2010
Compensation settlement from Generali Slovensko poisťovňa, a.s. *	4,100	-
Income from leasing	3,071	2,618
Rent	1,133	1,425
Other services	366	385
Net profit/(loss) from sale of fixed assets	277	141
Sales of consumer goods	191	158
Other	4,508	3,133
	13,646	7,860

* Represents the settlement for new clients' acquisition done by the VUB Bank after the incorporation of VUB Generali DSS, a.s.

29. Salaries and employee benefits

	Note	2011	2010
Remuneration		(75,881)	(70,989)
Social security costs		(26,193)	(25,218)
Social fund		(1,332)	(892)
Retention program	22	112	10
Severance and Jubilee benefits	22	(550)	(106)
		(103,844)	(97,195)

At 31 December 2011, the total number of employees of the VUB Group was 4,062 (31 December 2010: 3,970).

The VUB Group does not have any pension arrangements separate from the pension system established by the law, which requires mandatory contributions of a certain percentage of gross salaries to the State owned social insurance and privately owned pension funds. These contributions are recognised in the period when salaries are earned by employees. No further liabilities are arising to the VUB Group from the payment of pensions to employees in the future.

30. Other operating expenses

	Note	2011	2010
Property related expenses		(14,815)	(13,889)
IT systems maintenance		(13,475)	(12,622)
Post and telecom		(12,344)	(12,787)
Advertising and marketing		(11,446)	(10,179)
Contribution to the Deposit Protection Fund		(8,562)	(8,437)
VAT and other taxes		(7,543)	(6,844)
Equipment related expenses		(6,668)	(7,366)
Security		(3,708)	(3,621)
Stationery		(3,564)	(3,368)
Professional services		(3,209)	(3,603)
Provisions for litigations	21	(3,134)	826
Insurance		(1,692)	(773)
Transport		(919)	(815)
Audit*		(868)	(832)
Travelling		(853)	(923)
Training		(778)	(757)
Litigations paid		(617)	(1,126)
Other damages		(215)	(1,842)
Sale of repossessed leased assets		-	(893)
Other operating expenses		(5,404)	(2,145)
		(99,814)	(91,996)

* As at 31 December 2011 the audit expense consists of fees for the statutory audit in the amount of € 347 thousand (31 December 2010: € 333 thousand), group reporting in the amount of € 347 thousand (31 December 2010: € 333 thousand) and other reporting in the amount of € 174 thousand (31 December 2010: € 166 thousand).

31. Impairment losses on financial assets

	Note	2011	2010
Net creation of impairment losses	10	(68,332)	(72,085)
Net reversal/(creation) of liabilities – financial guarantees and commitments	22	2,860	(4,079)
		(65,472)	(76,164)
Nominal value of loans written-off		(33,054)	(13,554)
Nominal value of loans sold		(27,661)	(5,040)
Proceeds from loans written-off		5,787	3,754
Proceeds from loans sold		6,415	1,791
		(48,513)	(13,049)
Release of impairment losses to loans written-off/sold	10		
Loans written-off		22,101	8,916
Loans sold		23,949	3,802
		46,050	12,718
		(67,935)	(76,495)

32. Income tax expense

	Note	2011	2010
Current income tax		(46,154)	(48,787)
Deferred income tax	20	518	9,973
		(45,636)	(38,814)

The movement in the Statement of comprehensive income in deferred taxes is as follows:

	2011	2010
Due from banks	9	1
Loans and advances to customers	2,036	7,496
Held-to-maturity investments	18	(24)
Property and equipment	(729)	193
Other liabilities and provisions	(146)	835
Intangible assets identified on acquisition	809	1,489
Other	(1,479)	(17)
	518	9,973

The effective tax rate differs from the statutory tax rate in 2011 and in 2010.

Reconciliation of the VUB Group's profit before tax with the actual corporate income tax is as follows:

	2011	2010
Profit before tax	222,539	189,137
Applicable tax rate	19%	19%
Theoretical tax charge	(42,282)	(35,936)
Tax non-deductible items	(3,426)	(3,070)
Adjustments for current tax of prior periods	72	192
Tax expense	(45,636)	(38,814)
Effective tax rate	20.51%	20.52%

33. Components of other comprehensive income

	2011	2010
Exchange differences on translating foreign operations	(38)	485
Available-for-sale financial assets:		
Revaluation losses arising during the year	(55,572)	(41,498)
Cash flow hedges:		
Revaluation losses arising during the year	(1,242)	(1,774)
Total other comprehensive income	(56,852)	(42,787)
Income tax relating to components of other comprehensive income	10,796	8,222
Other comprehensive income for the year	(46,056)	(34,565)

34. Income tax effects relating to comprehensive income

			2011			2010
	Before tax amount	Tax benefit	Net of tax amount	Before tax amount	Tax benefit	Net of tax amount
Exchange differences on translating foreign operations	(38)	-	(38)	485	-	485
Available-for-sale financial assets	(55,572)	10,560	(45,012)	(41,498)	7,885	(33,613)
Net movement on cash flow hedges	(1,242)	236	(1,006)	(1,774)	337	(1,437)
	(56,852)	10,796	(46,056)	(42,787)	8,222	(34,565)

35. Estimated fair value of financial assets and liabilities

The fair value of financial instruments is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Where available, fair value estimates are made based on quoted market prices. However, no readily available market prices exist for a significant portion of the Group's financial instruments. In circumstances where the quoted market prices are not readily available, the fair value is estimated using discounted cash flow models or other pricing models as appropriate. Changes in underlying assumptions, including discount rates and estimated future cash flows, significantly affect the estimates. Therefore, the calculated fair market estimates might not be realised in a current sale of the financial instrument.

In estimating the fair value of the Group's financial instruments, the following methods and assumptions were used:

(a) Cash and balances with central banks
The carrying values of cash and cash equivalents are generally deemed to approximate their fair value.

(b) Due from banks
The fair value of due from banks balances with longer maturities and material amounts is estimated using discounted cash flow analyses, based upon the risk free interest rate curve. By shorter maturities and not significant balances, the estimated fair value of amounts due from banks approximates their carrying amounts. Impairment losses are taken into consideration when calculating fair values.

(c) Loans and advances to customers
The fair value of loans and advances to customers is estimated using discounted cash flow analyses, based upon the risk free interest rate curve. Impairment losses and liquidity premiums are taken into consideration when calculating fair values.

(d) Held-to-maturity investments
The fair value of securities carried in the 'Held-to-maturity investments' portfolio is based on quoted market prices. Where no market prices are available, the fair value is calculated by discounting future cash flows using risk free interest rate curve adjusted to reflect credit risk.

(e) Due to banks and customers
The estimated fair value of due to banks approximates their carrying amounts. The fair value of due to customers with short term maturity (under one year, including current accounts) is estimated by discounting their future expected cash flows using the risk free interest rate curve. The fair value of deposits with maturity over one year is discounted using the risk free interest rate curve adjusted by credit spreads reflecting the credit quality of the Group as the borrower.

(f) Debt securities in issue
The fair value of debt securities issued by the Group is based on quoted market prices. Where no market prices are available, the fair value was calculated by discounting future cash flows using the risk free interest rate curve adjusted by credit spreads reflecting the credit quality of VUB as the issuer.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

31 December 2011	Note	Trading	Held–to–maturity	Loans and receivables	Available–for–sale	Other amortized cost	Total carrying amount	Fair value
Cash and balances with central banks	4	-	-	90,977	-	-	90,977	90,977
Due from banks	5	-	-	502,291	-	-	502,291	503,177
Financial assets held for trading	6	273,962	-	-	-	-	273,962	273,962
Derivative financial instruments	7	80,399	-	-	-	-	80,399	80,399
Available-for-sale financial assets	8	-	-	-	1,455,626	-	1,455,626	1,455,626
Loans and advances to customers	9	-	-	7,266,546	-	-	7,266,546	7,471,031
Held-to-maturity investments	11	-	1,137,540	-	-	-	1,137,540	1,116,000
		354,361	1,137,540	7,859,814	1,455,626	-	10,807,341	10,991,172
Due to central and other banks	17	-	-	-	-	(688,469)	(688,469)	(688,469)
Derivative financial instruments	7	(57,382)	-	-	-	-	(57,382)	(57,382)
Due to customers	18	-	-	-	-	(7,487,408)	(7,487,408)	(7,305,140)
Debt securities in issue	19	-	-	-	-	(1,660,487)	(1,660,487)	(1,498,658)
		(57,382)	-	-	-	(9,836,364)	(9,893,746)	(9,549,649)

31 December 2010	Note	Trading	Held–to–maturity	Loans and receivables	Available–for–sale	Other amortized cost	Total carrying amount	Fair value
Cash and balances with central banks	4	-	-	179,093	-	-	179,093	179,093
Due from banks	5	-	-	108,843	-	-	108,843	108,843
Financial assets held for trading	6	253,025	-	-	-	-	253,025	253,025
Derivative financial instruments	7	45,205	-	-	-	-	45,205	45,205
Available-for-sale financial assets	8	-	-	-	1,615,823	-	1,615,823	1,615,823
Loans and advances to customers	9	-	-	6,437,675	-	-	6,437,675	6,899,879
Held-to-maturity investments	11	-	1,788,263	-	-	-	1,788,263	1,819,302
		298,230	1,788,263	6,725,611	1,615,823	-	10,427,927	10,921,170
Due to central and other banks	17	-	-	-	-	(662,523)	(662,523)	(662,523)
Derivative financial instruments	7	(60,729)	-	-	-	-	(60,729)	(60,729)
Due to customers	18	-	-	-	-	(7,265,367)	(7,265,367)	(6,887,012)
Debt securities in issue	19	-	-	-	-	(1,624,253)	(1,624,253)	(1,550,718)
		(60,729)	-	-	-	(9,552,143)	(9,612,872)	(9,160,982)

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	Note	Level 1	Level 2	Level 3	2011 Total	Level 1	Level 2	Level 3	2010 Total
Financial assets									
Financial assets held for trading	6								
Treasury bills and other eligible bills		23,098	169,135	-	192,233	-	174,201	-	174,201
State bonds		47,279	30,340	-	77,619	75,772	-	-	75,772
Mutual funds		4,110	-	-	4,110	-	3,052	-	3,052
		74,487	199,475	-	273,962	75,772	177,253	-	253,025
Derivative financial instruments	7								
Interest rate instruments		-	22,403	-	22,403	-	23,464	-	23,464
Foreign currency instruments		-	56,271	-	56,271	-	17,287	-	17,287
Equity and commodity instruments		-	1,725	-	1,725	-	4,454	-	4,454
		-	80,399	-	80,399	-	45,205	-	45,205
Available-for-sale financial assets	8								
State bonds		256,449	1,182,872	-	1,439,321	272,747	1,323,092	-	1,595,839
Bank bonds		-	15,666	-	15,666	-	19,345	-	19,345
Equity shares		-	639	-	639	-	639	-	639
		256,449	1,199,177	-	1,455,626	272,747	1,343,076	-	1,615,823
Financial liabilities									
Derivative financial instruments	7								
Interest rate instruments		-	38,695	-	38,695	-	39,488	-	39,488
Foreign currency instruments		-	16,962	-	16,962	-	16,787	-	16,787
Equity and commodity instruments		-	1,725	-	1,725	-	4,454	-	4,454
		-	57,382	-	57,382	-	60,729	-	60,729

There were no significant transfers of financial instruments among the levels during 2011 and 2010.

36. Financial risk management

Introduction and overview

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

(a) credit risk,
(b) market risk,
(c) liquidity risk,
(d) operational risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk.

Risk management framework

The Management Board is the statutory body governing the executive management of the Bank, and has absolute authority over all matters concerning risk. The Management Board has primary responsibility for the creation and dissolution of risk related governance bodies. The primary governance bodies overseeing risk issues are:

– Asset/Liability Committee ('ALCO'),
– Credit Risk Committee ('CRC'),
– Operational Risk Committee ('ORC').

The Management Board delegates its risk authority to these governance bodies in the form of statutes, which identify members of the governance bodies, competencies and responsibilities of the members. The competency of each governance body is established in relevant Charters.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, 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 Group, 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 Group's Internal Audit Department is responsible for monitoring compliance with the Group's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Group. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures.

(a) Credit risk

The credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's loans and advances to customers and banks as well as investment securities. For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk). For risk management purposes, the credit risk arising on trading securities is managed independently, but reported as a component of market risk exposure.

Credit Risk Charter establishes the guidelines for measurement, control and management of credit risk by defining the legal framework, main responsibilities, policies and methodologies that support the credit risk management process of VUB Group.

More specifically, the Credit Risk Charter defines both the general and specific (retail, corporate) credit risk requirements for applied methodologies and procedures, and includes, as separate sections, the policies governing the key aspects of the Group's credit risk management process:

– Authorized Approval Authority,
– Collateral Management Policy,
– Loan, Non Credit Receivables And Off Balance Sheet Credit Products Loss Provisioning Policy,
– Credit Concentration Limits,
– Default Definition,
– Risk Management Client Segmentation Policy,
– Corporate Credit Policy, Retail Credit Policy,
– Retail and Corporate Remedial Management and Collections.

Management of credit risk

The Risk Management Division is established within the Bank as a Control Unit and managed by the Chief Risk Officer, who is a member of the Bank's Management Board. The Risk Management Division is organisationally structured to provide support to the Business Units, as well as to provide reporting of credit, market and operational risks to the Supervisory Board and Management Board. The Risk Management Division is responsible for overseeing the Group's credit risk including:

– The development of credit risk strategies, policies, processes and procedures covering rules for credit assessment, collateral requirements, risk grading and reporting.
– Setting limits for the concentration of exposure to counterparties, related parties, countries and total assets and monitoring compliance with those limits.
– Establishment of the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are set in the Credit Risk Charter.
– Credit risk assessment according to defined policy.
– Monitoring of quality portfolio performance and its compliance with set limits (regulatory, internal). Regular reports are provided to Management Board and CRC on the credit quality of Group's portfolios and appropriate corrective measures are taken.
– Development, maintenance and validation of scoring and rating models – both application and behavioural.
– Development, maintenance and back-testing of impairment losses model (the Markov chains methodology is used).

Allowances for impairment

The Group establishes an allowance for impairment losses, which represents its estimate of incurred losses in its loan portfolio.

If there is evidence of impairment for any individually significant client of the Group, such as a breach of contract, problems with repayments or collateral, the Group transfers such a client to the Recovery Department, for pursuing collection activities. Such clients are considered to be individually impaired. For collective impairment, the Group uses historical evidence of impairment on a portfolio basis, mainly based on the payment discipline of clients.

Impairment losses are calculated individually for individually significant clients for which evidence of impairment exists and collectively for individually significant clients without evidence of impairment and for individually insignificant client groups of homogeneous assets. Collective impairment losses are calculated for each group using a mathematical model (IRB approach as well as the Markov chains methodology is used).

Rules for Identifying significant clients and methodology for calculation are set in Credit Risk Charter or can be found in the Internal Provisioning Policy procedure.

From September 2010, the VUB Group implemented the definitions of non-performing loans derived from the Harmonisation project. The Harmonisation project is driven by Intesa Sanpaolo in order to unify the definitions and categories of non-performing loans across the foreign subsidiaries of the Intesa Sanpaolo Group. The definition covers non-performing (past due, substandard, doubtful) loans as well as the restructured exposures. The definition of non-performing loans is based on delinquency (days past due - DPD) and materiality threshold of client (corporate clients) respectively of the loan (retail clients). Generally, all credit receivables with a delinquency of higher than or equal to 90 days and a materiality threshold of higher than or equal to 5% of outstanding total credit exposures to client (corporate clients) respectively 50 € (retail clients) are considered to be non-performing.

Credit risk measurement

The Bank generally uses the standardised approach for the calculation of the capital requirement. However, for the calculation of credit and counterparty risk capital requirements, the Bank, having received authorisation from the Supervisory Authority, uses the Foundation IRB approach for the Corporate segment from February 2011. The Bank is also proceeding with the development of the rating models for other segments, to which the standard methods are currently applied, and also with the extension of the scope of subsidiaries in accordance with the gradual rollout plan for the advanced approaches presented to the Supervisory Authority.

The following table describes the Group's credit portfolio in terms of classification categories:

				2011			Restated 2010
	Category	Amortized cost	Impairment losses	Carrying amount	Amortized cost	Impairment losses	Carrying amount
Banks							
	Performing	502,342	(51)	502,291	108,666	-	108,666
	Doubtful	151	(151)	-	328	(151)	177
		502,493	(202)	502,291	108,994	(151)	108,843
Sovereigns							
	Performing	149,881	(172)	149,709	100,865	(163)	100,702
	Past due	307	-	307	95	-	95
	Substandard	173	(5)	168	835	(42)	793
	Doubtful	293	(117)	176	-	-	-
		150,654	(294)	150,360	101,795	(205)	101,590
Corporate							
	Performing	2,968,757	(25,640)	2,943,117	2,516,292	(32,243)	2,484,049
	Past due	430	(186)	244	287	(61)	226
	Restructured	17,974	(5,997)	11,977	19,719	(4,352)	15,367
	Substandard	137,387	(35,791)	101,596	102,025	(24,592)	77,433
	Doubtful	51,257	(34,924)	16,333	58,356	(37,455)	20,901
		3,175,805	(102,538)	3,073,267	2,696,679	(98,703)	2,597,976

Retail							
	Performing	3,985,747	(59,699)	3,926,048	3,688,253	(55,671)	3,632,582
	Past due	41,710	(18,147)	23,563	41,254	(18,468)	22,786
	Substandard	33,411	(13,590)	19,821	34,915	(17,367)	17,548
	Doubtful	211,650	(138,163)	73,487	191,977	(126,784)	65,193
		4,272,518	(229,599)	4,042,919	3,956,399	(218,290)	3,738,109
Securities							
	Performing	2,865,588	(231)	2,865,357	3,655,479	-	3,655,479
	Substandard	1,881	(110)	1,771	1,881	(249)	1,632
		2,867,469	(341)	2,867,128	3,657,360	(249)	3,657,111

The comparative balances for 2010 were restated to better reflect the actual split to individual categories.

The table below shows the maximum amount of credit risk of derivative financial instruments, issued guarantees, commitments and undrawn credit facilities. The credit risk of the remaining financial assets not reported in the table below approximates their carrying amounts.

	2011	**2010**
Financial assets		
Derivative financial instruments	106,471	65,554
Financial commitments and contingencies		
Issued guarantees	549,239	594,173
Commitments and undrawn credit facilities	2,142,115	1,994,255
	2,691,354	2,588,428
	2,797,825	2,653,982

The payment discipline of each client is monitored regularly. If a client is past due with some payments, appropriate action is taken. The following table shows the Group's credit portfolio in terms of delinquency of payments.

			2011			Restated 2010
	Amortized cost	Impairment losses	Carrying amount	Amortized cost	Impairment losses	Carrying amount
Banks						
No delinquency	502,341	(51)	502,290	96,254	-	96,254
1 – 30 days	1	-	1	12,412	-	12,412
Over 181 days*	151	(151)	-	328	(151)	177
	502,493	(202)	502,291	108,994	(151)	108,843
Sovereigns						
No delinquency	149,991	(172)	149,819	98,632	(163)	98,469
1 – 30 days	124	-	124	2,042	-	2,042
31 – 60 days	73	-	73	191	-	191
61 – 90 days	-	-	-	95	-	95
91 – 180 days	464	(122)	342	834	(42)	792
Over 181 days*	2	-	2	1	-	1
	150,654	(294)	150,360	101,795	(205)	101,590
Corporate						
No delinquency	3,029,064	(60,815)	2,968,249	2,554,876	(49,173)	2,505,703
1 – 30 days	51,766	(1,422)	50,344	33,683	(1,106)	32,577
31 – 60 days	13,868	(450)	13,418	13,928	(2,439)	11,489
61 – 90 days	2,576	(193)	2,383	6,642	(1,284)	5,358
91 – 180 days	10,115	(1,425)	8,690	6,449	(1,822)	4,627
Over 181 days*	68,416	(38,233)	30,183	81,101	(42,879)	38,222
	3,175,805	(102,538)	3,073,267	2,696,679	(98,703)	2,597,976
Retail						
No delinquency	3,750,683	(37,949)	3,712,734	3,458,477	(34,090)	3,424,387
1 – 30 days	164,888	(10,769)	154,119	159,750	(10,418)	149,332
31 – 60 days	45,840	(6,136)	39,704	45,938	(6,224)	39,714
61 – 90 days	27,970	(5,565)	22,405	25,704	(5,221)	20,483
91 – 180 days	43,571	(18,628)	24,943	44,260	(19,325)	24,935
Over 181 days*	239,566	(150,552)	89,014	222,270	(143,012)	79,258
	4,272,518	(229,599)	4,042,919	3,956,399	(218,290)	3,738,109
Securities						
No delinquency	2,867,469	(341)	2,867,128	3,657,360	(249)	3,657,111
	2,867,469	(341)	2,867,128	3,657,360	(249)	3,657,111

*** Write-off policy**

The Group writes off a loan or security balance (and any related allowances for impairment losses) when it determines that the loans or securities are uncollectible. As the standard, the Group considers the credit balances to be uncollectible based on the past due days. Since 1 January 2008 the write-off policy has been changed from 180 to 1,080 days past due. Thus receivables are no longer written off and sold after 180 days past due, but are collected by external collection agencies until they qualify for write-off and tax deductibility.

The credit balance can be written off earlier than defined in the conditions described above if there is evidence that the receivable cannot be collected. The write-off of such receivables is subject to the approval of the Credit Risk Officer.

The Group holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and generally the Group updates the fair value on a regular basis.

Value of collateral and other security enhancements held against financial assets is shown below:

		2011		Restated 2010
	Clients	Banks	Clients	Banks
Debt securities	23,028	326,581	27,505	-
Other	832,676	107,079	560,513	22,522
Property	3,370,404	-	3,023,028	-
	4,226,108	433,660	3,611,046	22,522

The value of collateral and other security enhancements as at 31 December 2010 was restated to reflect the approach of accepting the collateral value up to the total amount of receivable as well as Basel II eligibility of the collateral.

The Group monitors concentrations of credit risk by geographic location. An analysis of concentrations of credit risk at the reporting date is shown below.

			2011			Restated 2010
	Amortized cost	Impairment losses	Carrying amount	Amortized cost	Impairment losses	Carrying amount
Europe						
Banks	472,808	(185)	472,623	76,947	(151)	76,796
Sovereigns	150,654	(294)	150,360	101,795	(205)	101,590
Corporate	3,175,805	(102,538)	3,073,267	2,696,666	(98,703)	2,597,963
Retail	4,270,146	(229,543)	4,040,603	3,954,173	(218,258)	3,735,915
Securities	2,865,588	(231)	2,865,357	3,652,023	-	3,652,023
	10,935,001	(332,791)	10,602,210	10,481,604	(317,317)	10,164,287
America						
Banks	29,123	(17)	29,106	31,856	-	31,856
Retail	625	(22)	603	739	(16)	723
Securities	1,881	(110)	1,771	5,337	(249)	5,088
	31,629	(149)	31,480	37,932	(265)	37,667

Asia						
Banks	211	-	211	99	-	99
Corporate	-	-	-	13	-	13
Retail	980	(28)	952	686	(15)	671
	1,191	(28)	1,163	798	(15)	783
Rest of the World						
Banks	351	-	351	92	-	92
Retail	767	(6)	761	801	(1)	800
	1,118	(6)	1,112	893	(1)	892

An analysis of concentrations of credit risk of securities at the reporting date is shown below.

			2011			2010
	Amortised cost	Impairment losses	Carrying amount	Amortised cost	Impairment losses	Carrying amount
Europe						
Slovakia	2,451,700	(231)	2,451,469	3,193,206	-	3,193,206
Poland	202,521	-	202,521	194,596	-	194,596
Ireland	120,427	-	120,427	113,137	-	113,137
Italy	34,050	-	34,050	99,525	-	99,525
Portugal	27,219	-	27,219	45,093	-	45,093
Czech Republic	23,098	-	23,098	-	-	-
Other	8,454	(110)	8,344	6,466	-	6,466
	2,867,469	(341)	2,867,128	3,652,023	-	3,652,023
America						
USA	-	-	-	5,337	(249)	5,088

An analysis of exposures by industry sector is shown in the table below.

31 December 2011	Banks	Sovereigns	Corporate	Retail	Securities
Agriculture	-	-	47,324	22,520	-
Construction	-	-	144,013	17,488	-
Consumers	-	-	61	3,835,736	-
Energy and water supply	-	-	283,201	1,480	-
Financial services	502,291	-	232,546	705	29,886
Government	-	138,747	-	-	2,834,897
Manufacturing	-	-	517,369	29,371	-
Professional services	-	-	69,839	9,442	-
Real estate	-	-	441,444	11,444	-
Retail & Wholesale	-	-	706,428	67,538	-
Services	-	-	158,558	17,154	574
Transportation	-	11,613	362,981	10,060	-
Other	-	-	109,503	19,981	1,771
	502,291	150,360	3,073,267	4,042,919	2,867,128

Restated 31 December 2010	Banks	Sovereigns	Corporate	Retail	Securities
Agriculture	-	-	43,656	21,973	-
Construction	-	-	128,963	15,391	-
Consumers	-	-	-	3,539,468	-
Energy and water supply	-	-	202,985	1,416	-
Financial services	108,843	-	256,658	698	68,383
Government	-	88,333	-	-	3,587,096
Manufacturing	-	-	428,086	30,580	-
Professional services	-	-	84,371	8,476	-
Real estate	-	-	389,860	9,223	-
Retail & Wholesale	-	-	587,930	63,510	-
Services	-	-	95,820	16,592	-
Transportation	-	12,501	293,040	10,581	-
Other	-	756	86,607	20,201	1,632
	108,843	101,590	2,597,976	3,738,109	3,657,111

The table below shows the credit quality by class of assets for all financial assets exposed to credit risk, based on the Group's internal credit rating system. The amounts presented are gross of impairment allowances. Past due but not impaired financial assets are more than one day overdue.

31 December 2011	Neither past due nor impaired			Impaired (non-performing)			Past due but not impaired		
	Amortised cost	Impairment losses	Carrying amount	Amortised cost	Impairment losses	Carrying amount	Amortised cost	Impairment losses	Carrying amount
Banks	502,341	(51)	502,290	151	(151)	-	1	-	1
Sovereigns									
Municipalities	149,776	(172)	149,604	773	(122)	651	105	-	105
Corporate									
Large Corporates	942,886	(5,472)	937,414	9,757	(3,448)	6,309	7,780	(23)	7,757
Specialized lending	645,585	(6,608)	638,977	90,743	(25,066)	65,677	1,676	(91)	1,585
SME	617,813	(7,691)	610,122	71,152	(29,218)	41,934	2,685	(70)	2,615
Other Fin. Institutions	270,186	(588)	269,598	1	-	1	-	-	-
Private Sector Entities	102,291	(706)	101,585	8	-	8	5	-	5
Leasing	144,734	(2,154)	142,580	31,982	(16,705)	15,277	44,962	(1,607)	43,355
Factoring	179,023	(608)	178,415	3,405	(2,461)	944	9,131	(22)	9,109
	2,902,518	(23,827)	2,878,691	207,048	(76,898)	130,150	66,239	(1,813)	64,426
Retail									
Small business	175,705	(4,513)	171,192	19,555	(10,256)	9,299	4,895	(770)	4,125
Small business – Leasing	11,297	(168)	11,129	2,243	(1,315)	928	5,836	(160)	5,676
Consumer Loans	747,976	(16,092)	731,884	127,637	(88,170)	39,467	86,791	(11,750)	75,041
Mortgages	2,534,845	(8,954)	2,525,891	66,925	(19,709)	47,216	114,348	(5,439)	108,909
Credit Cards	177,153	(3,719)	173,434	52,603	(36,349)	16,254	22,972	(3,793)	19,179
Overdrafts	85,221	(3,707)	81,514	17,077	(13,587)	3,490	2,433	(494)	1,939
Leasing	3,851	(29)	3,822	180	(145)	35	897	(45)	852
Flat Owners Associations	3,796	(63)	3,733	-	-	-	15	-	15
Other	7,716	(3)	7,713	551	(369)	182	-	-	-
	3,747,560	(37,248)	3,710,312	286,771	(169,900)	116,871	238,187	(22,451)	215,736
Securities									
Trading	273,962	-	273,962	-	-	-	-	-	-
AFS	1,455,626	-	1,455,626	-	-	-	-	-	-
HTM	1,136,000	(231)	1,135,769	1,881	(110)	1,771	-	-	-
	2,865,588	(231)	2,865,357	1,881	(110)	1,771	-	-	-

Restated 31 December 2010	Neither past due nor impaired			Impaired (non-performing)			Past due but not impaired		
	Amortised cost	Impairment losses	Carrying amount	Amortised cost	Impairment losses	Carrying amount	Amortised cost	Impairment losses	Carrying amount
Banks	96,254	-	96,254	328	(151)	177	12,412	-	12,412
Sovereigns									
Municipalities	98,586	(163)	98,423	930	(42)	888	2,214	-	2,214
Municipalities – Leasing	65	-	65	-	-	-	-	-	-
	98,651	(163)	98,488	930	(42)	888	2,214	-	2,214
Corporate									
Large Corporates	808,778	(5,682)	803,096	38,236	(11,329)	26,907	-	-	-
Specialized lending	619,057	(11,272)	607,785	31,436	(5,123)	26,313	593	(48)	545
SME	561,233	(11,542)	549,691	70,242	(27,932)	42,310	5,131	(303)	4,828
Other Fin. Institutions	295,549	(203)	295,346	1	-	1	-	-	-
Private Sector Entities	3,224	(39)	3,185	7	-	7	22	-	22
Leasing	102,945	(1,351)	101,594	36,290	(19,724)	16,566	38,354	(1,123)	37,231
Factoring	78,594	(673)	77,921	4,175	(2,352)	1,823	2,812	(7)	2,805
	2,469,380	(30,762)	2,438,618	180,387	(66,460)	113,927	46,912	(1,481)	45,431
Retail									
Small business	164,804	(1,484)	163,320	18,158	(11,473)	6,685	5,899	(1,096)	4,803
Small business – Leasing	13,040	(195)	12,845	2,351	(1,597)	754	4,951	(243)	4,708
Consumer Loans	674,552	(21,707)	652,845	125,113	(87,535)	37,578	82,567	(12,286)	70,281
Mortgages	2,312,865	(7,604)	2,305,261	56,756	(14,633)	42,123	106,453	(4,453)	102,000
Credit Cards	184,798	(1,701)	183,097	48,406	(33,567)	14,839	26,937	(4,495)	22,442
Overdrafts	94,201	(959)	93,242	15,179	(12,410)	2,769	2,704	(367)	2,337
Leasing	4,211	(24)	4,187	290	(232)	58	667	(26)	641
Flat Owners Associations	3,534	(42)	3,492	-	-	-	-	-	-
Other	7,796	(17)	7,779	161	(144)	17	6	-	6
	3,459,801	(33,733)	3,426,068	266,414	(161,591)	104,823	230,184	(22,966)	207,218
Securities									
Trading	253,025	-	253,025	-	-	-	-	-	-
AFS	1,615,824	-	1,615,824	-	-	-	-	-	-
HTM	1,786,630	-	1,786,630	1,881	(249)	1,632	-	-	-
	3,655,479	-	3,655,479	1,881	(249)	1,632	-	-	-

The overview of the internal rating scales applicable for corporate and retail exposures is shown below.

Large Corporates, Specialized Lending, SME	Retail Small business and Flat Owners Associations	Risk Profile	Description
I1 - I4	I1 - I4	Very Low	Good quality of assets, strong market penetration, steady activity, proven distinctive managerial skills, broad debt coverage capacity.
I5 - I6	I5 - I6	Low	Satisfactory quality and chargeability of assets, market penetration and managerial quality on the average; well set solvency, capital structure and debt composition; above average debt coverage capacity.
M1 - M2	M1 - M2	Lower - Intermediate	Acceptable quality and chargeability of available assets, even if with a not negligible degree of risk; well-balanced solvency, capital structure and debt composition with slight liquidity surplus and weaker debt coverage capacity.
M3 - M4	M3 - M4	Intermediate	Acceptable quality and chargeability of available assets even if with a significant degree of risk; vulnerable margin at times, capital structure and debt composition that show worsening signals; low level of liquidity and short debt coverage margin
R1 - R3	R1 - R3	Upper - Intermediate	Still acceptable asset quality even if with possible liquidity stress; high level of gearing; managerial weakness, little market penetration and positioning; margins and competitiveness under pressure.
R4 - R5	R4 - R5	High	In addition to riskiness features for R1-R3 rating, there are evident difficulties as well as stressful and painting debt management.

For mortgages and unsecured retail, the retail segment incorporates many individually insignificant exposures with various characteristics, therefore the description of ratings correlates with the risk profiles.

Retail Mortgages	Unsecured retail	Risk Profile
L1 - L4	U1	Very Low
N1	U2 - U3	Low
N2 - N3	U4 - U5	Lower - Intermediate
W1	U6 - U7	Intermediate
W2	U8 - U10	Upper - Intermediate
W3	U11 - U12	High

The following table shows the quality of Group's credit portfolio in terms of internal ratings used for IRB purposes:

31 December 2011	Internal rating	Amortised cost	Impairment losses	Carrying amount
Banks	Unrated	502,493	(202)	502,291
Sovereigns				
Municipalities	Unrated - PPU approach *	150,654	(294)	150,360
		150,654	(294)	150,360
Corporate				
Large Corporates,				
Specialized lending, SME	I1 - I6	657,685	(3,326)	654,359
	M1 - M4	944,909	(4,816)	940,093
	R1 - R5	686,237	(27,531)	658,706
	D (default)	99,696	(41,846)	57,850
	Unrated	1,550	(168)	1,382
Financial Institutions,				
Private Sector Entities	Unrated - PPU approach*	372,491	(1,294)	371,197
Leasing, Factoring	Unrated	413,237	(23,557)	389,680
		3,175,805	(102,538)	3,073,267
Retail				
Small business,				
Flat Owners Associations	I1 - I6	26,914	(49)	26,865
	M1 - M4	75,823	(856)	74,967
	R1 - R5	77,560	(4,014)	73,546
	D (default)	18,604	(10,594)	8,010
	Unrated	5,064	(88)	4,976
Mortgages	L1 - L4	1,820,399	(365)	1,820,034
	N1 - N3	491,611	(949)	490,662
	W1 - W3	333,712	(12,033)	321,679
	D (default)	70,396	(20,755)	49,641
Unsecured retail	U1	68,720	(54)	68,666
	U2 - U3	106,979	(257)	106,722
	U4 - U5	148,610	(860)	147,750
	U6 - U7	114,949	(1,420)	113,529
	U8 - U10	133,123	(4,367)	128,756
	U11 - U12	73,382	(9,901)	63,481
	D (default)	76,743	(57,512)	19,231
	Unrated	597,358	(103,291)	494,067
Small business - Leasing, Leasing	Unrated	24,304	(1,862)	22,442
Other	Unrated	8,267	(372)	7,895
		4,272,518	(229,599)	4,042,919
Securities	Unrated	2,867,469	(341)	2,867,128

* Permanent Partial Use ('PPU') approach is applied to exposures for which the Foundation IRB approach will never be used in respect of the capital requirement calculation.

Due to the phased development of the internal rating models, comparative data as of 31 December 2010 is available only for the corporate segment and mortgages.

31 December 2010	Internal rating	Amortised costs	Impairment losses	Carrying amount
Corporate				
Large Corporates,				
Specialized lending, SME	I1 - I6	523,608	(580)	523,028
	M1 - M4	890,205	(7,443)	882,762
	R1 - R5	639,043	(28,921)	610,122
	D (default)	81,724	(36,161)	45,563
Financial Institutions,				
Private Sector Entities	Unrated - PPU approach	298,803	(242)	298,561
Leasing, Factoring	Unrated	263,296	(25,356)	237,940
		2,696,679	(98,703)	2,597,976
Retail				
Mortgages	L1 - L4	1,604,361	(344)	1,604,017
	N1 - N3	474,088	(969)	473,119
	W1 - W3	337,903	(10,026)	327,877
	D (default)	59,722	(15,351)	44,371
		2,476,074	(26,690)	2,449,384

(b) Market risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices or foreign exchange rate will affect the Group'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 optimizing the return on risk.

Management of market risk

The Group separates its exposures to market risk between trading ('trading book') and non-trading portfolios ('banking book'). Trading portfolios are held by the Trading department and include positions arising from market-making and proprietary position taking. All foreign exchange risk within the Group is transferred each day to the Trading department and forms part of the trading portfolio for risk management purposes. The non-trading portfolios are managed by the ALM department, and include all positions which are not intended for trading.

Overall authority for market risk is vested in ALCO. The Enterprise Risk Management Division is responsible for the development of detailed risk management policies (subject to review and approval by ALCO) and for their implementation and day-to-day risk monitoring and reporting.

Exposure to market risk – trading portfolios

The principal tool used to measure and control market risk exposures within the Group's trading portfolio is Value at Risk (VaR). The VaR of a trading portfolio is the estimated loss that will arise on the portfolio over a specified period of time (holding period) from an adverse market movement with a specified probability (confidence level). The VaR model used by the Group is based upon a 99% confidence level and assumes a one-day holding period. The VaR model used is based on historical simulation. Taking account of market data from the previous year, and observed relationships between different markets and prices, the model generates a wide range of plausible future scenarios for market price movements. The model was approved by the NBS as a basis for the calculation of the capital charge for market risk of the trading book.

The Group uses VaR limits for total market risk in the trading book, foreign exchange risk and interest rate risk. The overall structure of VaR limits is subject to review and approval by ALCO and Intesa Sanpaolo. VaR is measured on a daily basis. Daily reports of utilisation of VaR limits are submitted to the trading unit, the head of the Risk Management division and the head of the Finance and Capital Markets division. Regular summaries are submitted to Intesa Sanpaolo and ALCO.

A summary of the VaR position of the Bank's trading portfolios:

				2011				2010
€ ´000	Balance	Avg	Max	Min	Balance	Avg	Max	Min
Foreign currency risk	63	83	228	15	58	99	307	8
Interest rate risk	43	148	372	43	96	105	161	75
Overall	58	182	440	46	113	163	367	80

The limitations of the VaR methodology are recognised by supplementing VaR limits with other position limit structures. In addition, the Group uses a wide range of stress tests to model the financial impact of a variety of exceptional market scenarios on the Group's position.

Exposure to interest rate risk

The main risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments due to a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps. Financial instruments are mapped to re-pricing gaps either by the maturity, i.e. fixed rate instruments, or by the next re-pricing date, i.e. floating rate instruments. Assets and liabilities that do not have a contractual maturity date or are not interest - bearing are mapped according to internal models based on behavioural assumptions.

The Risk Management division is responsible for monitoring these gaps at least on a monthly basis. The management of interest rate risk is measured by shift sensitivity analysis which is defined as a parallel and uniform shift of + 1 basis point of the rate curve and + 200 basis points of the rate curve. These standard scenarios are applied on monthly basis.

The sensitivity of the interest margin is also measured on the basis of a parallel and instantaneous shock in the interest rate curve of ±100 basis points, in a period of 12 months and for all following periods. It should be noted that this measure highlights the effect of variations in market interest rates on the portfolio being measured, and excludes assumptions on future changes in the mix of assets and liabilities and, therefore it cannot be considered as a predictor of the future levels of the interest margin.

Overall banking book interest rate risk positions are managed by Asset and Liability Management, which uses different balance and off balance sheet instruments to manage the overall positions arising from the Group's banking book activities.

Interest rate risk comprises of the risk that the value of a financial instrument will fluctuate due to changes in market interest rates and the risk that the maturities of interest bearing assets differ from the maturities of the interest bearing liabilities used to fund those assets. The length of time for which the rate of interest is fixed on a financial instrument therefore indicates the extent to which it is exposed to the interest rate risk.

Models applied for the calculation of interest rate gap

Each financial and non-financial instrument is mapped to the gap based on contractual or behavioural re-pricing date.

Contractual

This category includes instruments where the Group knows exactly when the maturity or next re-pricing takes place. This treatment is applied mainly to: securities bought and issued loans and term deposits.

Behavioural

These are items for which it is not exactly known when the maturity or next re-pricing will take place (e.g. current accounts). In this case, it is necessary to make certain assumptions to reflect the actual behaviour of these items. The assumptions are based on a detailed analysis of the Group's historical data and statistical models. The Group also includes items such as fixed assets, equity, provisions, etc., which have an indefinite maturity and also have to be modelled.

Based on statistical methods and historical data a core portion of cash is calculated and this portion is amortised on a linear basis over 10 years, the remaining amount is classified as an overnight item. For current accounts the non-sensitive core portion of some clients' categories is calculated and is mapped to the interest rate gap as a linearly amortised item over 10 years. The remaining amount is classified in the overnight segment. Fixed assets such as tangible and intangible assets and fixed liabilities like equity are amortised over 10 years.

At 31 December 2011, interest margin sensitivity in a one year time frame in the event of a 100 basis points rise in interest rates, was € 5,754 thousand (31 December 2010: € 6,032 thousand).

At 31 December 2011, interest rate risk generated by the Group banking book, measured through shift sensitivity analysis to 1 basis point, registered € 142 thousand (31 December 2010: € 111 thousand).

€ ´000	2011	2010
EUR	135	102
CZK	5	8
Other	2	1
	142	111

The re-pricing structure of financial assets and liabilities based on contractual undiscounted cash-flows for the non-trading portfolios was as follows:

31 December 2011	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Assets						
Cash and balances with central banks	18,710	-	7,217	28,869	36,181	90,977
Due from banks	65,325	4,127	414,060	14,093	-	497,605
Available-for-sale financial assets	317,886	22,909	47,486	875,038	501,241	1,764,560
Loans and advances to customers	2,187,352	1,401,119	1,725,214	2,542,088	784,785	8,640,558
Held-to-maturity investments	-	18,435	197,446	545,895	602,153	1,363,929
	2,589,273	1,446,590	2,391,423	4,005,983	1,924,360	12,357,629
Liabilities						
Due to central and other banks	(457,039)	(122,999)	(60,980)	(52,861)	(80)	(693,959)
Due to customers	(2,354,355)	(634,172)	(1,296,114)	(2,218,181)	(1,116,804)	(7,619,626)
Debt securities in issue	(303,001)	(428,906)	(321,400)	(627,040)	(205,744)	(1,886,091)
	(3,114,395)	(1,186,077)	(1,678,494)	(2,898,082)	(1,322,628)	(10,199,676)
Net position of financial instruments	(525,122)	260,513	712,929	1,107,901	601,732	2,157,953

31 December 2010	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Assets						
Cash and balances with central banks	94,488	-	8,543	34,174	42,717	179,922
Due from banks	66,757	-	12,031	11,807	-	90,595
Available-for-sale financial assets	319,427	233,748	23,425	475,204	842,893	1,894,697
Loans and advances to customers	1,850,776	1,250,164	1,860,208	2,095,658	804,068	7,860,874
Held-to-maturity investments	378,474	280,997	66,838	727,168	626,757	2,080,234
	2,709,922	1,764,909	1,971,045	3,344,011	2,316,435	12,106,322
Liabilities						
Due to central and other banks	(389,383)	(110,171)	(116,932)	(28,502)	(319)	(645,307)
Due to customers	(2,664,660)	(372,646)	(822,787)	(2,285,797)	(1,198,383)	(7,344,273)
Debt securities in issue	(301,147)	(515,372)	(259,626)	(396,848)	(364,090)	(1,837,083)
	(3,355,190)	(998,189)	(1,199,345)	(2,711,147)	(1,562,792)	(9,826,663)
Net position of financial instruments	(645,268)	766,720	771,700	632,864	753,643	2,279,659

The average interest rates for financial assets and liabilities were as follows:

	2011 %	2010 %
Assets		
Cash and balances with central banks	1.22	1.04
Due from banks	2.80	2.10
Financial assets held for trading	3.64	3.96
Available-for-sale financial assets	3.43	2.94
Loans and advances to customers	5.85	5.73
Held-to-maturity investments	4.02	3.21
Liabilities		
Due to central and other banks	1.51	1.16
Due to customers	1.04	0.88
Debt securities in issue	3.06	2.87

Currency denominations of assets and liabilities

Foreign exchange rate risk comprises the risk that the value of financial assets and liabilities will fluctuate due to changes in market foreign exchange rates. It is the policy of the Group to manage its exposure to fluctuations in exchange rates through the regular monitoring and reporting of open positions and the application of a matrix of exposure and position limits.

31 December 2011	EUR	USD	CZK	Other	Total
Assets					
Cash and balances with central banks	80,458	1,050	7,261	2,208	90,977
Due from banks	478,374	19,635	3,206	1,076	502,291
Financial assets held for trading	68,601	-	23,098	182,263	273,962
Derivative financial instruments	80,394	-	5	-	80,399
Available-for-sale financial assets	1,455,626	-	-	-	1,455,626
Loans and advances to customers	6,823,077	141,605	270,645	31,219	7,266,546
Held-to-maturity investments	1,137,540	-	-	-	1,137,540
	10,124,070	162,290	304,215	216,766	10,807,341
Liabilities					
Due to central and other banks	(487,990)	(127,950)	(65,880)	(6,649)	(688,469)
Derivative financial instruments	(57,146)	-	(236)	-	(57,382)
Due to customers	(7,121,122)	(140,250)	(160,732)	(65,304)	(7,487,408)
Debt securities in issue	(1,517,385)	(26,651)	(116,451)	-	(1,660,487)
	(9,183,643)	(294,851)	(343,299)	(71,953)	(9,893,746)
Net position	940,427	(132,561)	(39,084)	144,813	913,595

31 December 2010	EUR	USD	CZK	Other	Total
Assets					
Cash and balances with central banks	168,955	1,251	6,556	2,331	179,093
Due from banks	79,019	19,156	1,538	9,130	108,843
Financial assets held for trading	78,824	-	-	174,201	253,025
Derivative financial instruments	45,179	-	26	-	45,205
Available-for-sale financial assets	1,615,823	-	-	-	1,615,823
Loans and advances to customers	6,026,871	90,147	302,637	18,020	6,437,675
Held-to-maturity investments	1,788,263	-	-	-	1,788,263
	9,802,934	110,554	310,757	203,682	10,427,927
Liabilities					
Due to central and other banks	(450,569)	(101,110)	(83,810)	(27,034)	(662,523)
Derivative financial instruments	(60,730)	-	1	-	(60,729)
Due to customers	(6,887,318)	(120,467)	(216,181)	(41,401)	(7,265,367)
Debt securities in issue	(1,523,415)	(25,807)	(75,031)	-	(1,624,253)
	(8,922,032)	(247,384)	(375,021)	(68,435)	(9,612,872)
Net position	880,902	(136,830)	(64,264)	135,247	815,055

(c) Liquidity risk

Liquidity risk is defined as the risk that the Group is not able to meet its payment obligations when they fall due (funding liquidity risk). Normally, the Group is able to cover cash outflows with cash inflows, highly liquid assets and its ability to obtain credit. With regard to the highly liquid assets in particular, there may be strains in the market that make them difficult (or even impossible) to sell or be used as collateral in exchange for funds. From this perspective, the Group's liquidity risk is closely tied to the market liquidity conditions (market liquidity risk).

The Guidelines for Liquidity Risk Management adopted by the VUB Group outline the set of principles, methods, regulations and control processes required to prevent the occurrence of a liquidity crisis and call for the Group to develop prudential approaches to liquidity management, making it possible to maintain the overall risk profile at extremely low levels.

The basic principles underpinning the Liquidity Policy of the VUB Group are:

- the existence of an operating structure that works within set limits and of a control structure that is independent from the operating structure;
- a prudential approach to the estimate of the cash inflow and outflow projections for all the balance sheet and off-balance sheet items, especially those without a contractual maturity;
- an assessment of the impact of various scenarios, including stress testing scenarios, on the cash inflows and outflows over time;
- the maintenance of an adequate level of unencumbered highly liquid assets, capable of enabling ordinary operations, also on an intraday basis, and overcoming the initial stages of a shock involving the Group's liquidity or system liquidity.

The VUB Group directly manages its own liquidity and coordinates its management at VUB Group level, ensures the adoption of adequate control techniques and procedures, and provides complete and accurate information to ALCO and the Statutory Bodies.

The departments of the Bank that are responsible for ensuring the correct application of the Guidelines are the Treasury Department, responsible for short term liquidity management, the ALM department (responsible for medium and long term liquidity management) and the Market Risk Department (responsible for monitoring indicators and verifying the observation of limits).

These Guidelines are broken down into three macro areas: 'Short term Liquidity Policy', 'Structural Liquidity Policy' and 'Contingency Liquidity Plan'.

The Short term Liquidity Policy includes the set of parameters, limits and observation thresholds that enable measurement, both under normal market conditions and under conditions of stress, of liquidity risk exposure over the short term, setting the maximum amount of risk to be assumed and ensuring the utmost prudence in its management.

The Structural Liquidity Policy of the VUB Group incorporates the set of measures and limits designed to control and manage the risks deriving from the mismatch of the medium to long-term maturities of the assets and liabilities, essential for the strategic planning of liquidity management. This involves the adoption of internal limits for the transformation of maturity dates aimed at preventing the medium to long-term operations from giving rise to excessive imbalances to be financed in the short term.

Rule 1: Real Estate + Equity Investments <= Regulatory Capital

Rule 2: Medium term assets + 0.5 x Long Term Assets <= Long term liabilities + 0.5 x Medium term liabilities + 0.25 x (short term customer liabilities + interbank liabilities) + excess in Rule 1

Together with the Short term and Structural Liquidity Policy, the Guidelines provide for the management methods of a potential liquidity crisis, defined as a situation of difficulty or inability of the Group to meet its cash commitments falling due, without implementing procedures and/or employing instruments that, due to their intensity or manner of use, do not qualify as ordinary administration.

The Contingency Liquidity Plan sets the objectives of safeguarding the Group's capital and, at the same time, guarantees the continuity of operations under conditions of extreme liquidity emergency. It also ensures the identification of the pre-warning signals and their ongoing monitoring, the definition of procedures to be implemented in situations of liquidity stress, the immediate lines of action, and intervention measures for the resolution of emergencies. The pre-warning indices, aimed at identifying signs of a potential liquidity strain, both systemic and specific, are continuously recorded and reported to the departments responsible for the management and monitoring of liquidity.

The liquidity position of the Bank and the subsidiaries is regularly presented by Market Risk Department and discussed during the ALCO meetings.

The remaining maturities of assets and liabilities based on contractual undiscounted cash-flows were as follows:

31 December 2011	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Not specified	Total
Assets							
Cash and balances							
with central banks	90,977	-	-	-	-	-	90,977
Due from banks	10,914	591	422,887	65,283	32,208	-	531,883
Financial assets							
held for trading	11,000	170,481	91,222	115	-	4,110	276,928
Available-for-sale							
financial assets	6,610	22,909	53,110	1,207,657	501,241	-	1,791,527
Loans and advances							
to customers	482,445	355,029	1,331,352	3,108,586	4,223,002	12,296	9,512,710
Held-to-maturity investments	-	18,435	187,474	556,232	602,052	-	1,364,193
	601,946	567,445	2,086,045	4,937,873	5,358,503	16,406	13,568,218
Liabilities							
Due to central							
and other banks	(456,992)	(1,845)	(86,203)	(170,248)	(35,028)	-	(750,316)
Due to customers	(4,399,295)	(726,411)	(1,173,994)	(1,202,070)	(88,363)	(66)	(7,590,199)
Debt securities in issue	(3,001)	(22,524)	(220,624)	(993,096)	(711,089)	-	(1,950,334)
	(4,859,288)	(750,780)	(1,480,821)	(2,365,414)	(834,480)	(66)	(10,290,849)
Net position of financial instruments	(4,257,342)	(183,335)	605,224	2,572,459	4,524,023	16,340	3,277,369
Cash inflows from derivatives	315,300	305,479	335,645	170,188	161,261	-	1,287,873
Cash outflows from derivatives	(316,359)	(282,394)	(322,662)	(183,002)	(160,687)	-	(1,265,104)
Net position from derivatives	(1,059)	23,085	12,983	(12,814)	574	-	22,769
Total net position	(4,258,401)	(160,250)	618,207	2,559,645	4,524,597	16,340	3,300,138

31 December 2010	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Not specified	Total
Assets							
Cash and balances with central banks	179,923	-	-	-	-	-	179,923
Due from banks	20,135	2,929	51,666	23,208	32,435	-	130,373
Financial assets held for trading	25,161	62,894	90,584	77,748	25	3,052	259,464
Available-for-sale financial assets	5,509	229,579	28,059	823,133	842,893	-	1,929,173
Loans and advances to customers	515,930	576,230	1,167,536	2,726,188	4,203,875	1,647	9,191,406
Held-to-maturity investments	368,397	268,514	63,263	737,753	626,757	-	2,064,684
	1,115,055	1,140,146	1,401,108	4,388,030	5,705,985	4,699	13,755,023
Liabilities							
Due to central and other banks	(396,565)	(137,426)	(138,219)	(97,918)	(36,777)	-	(806,905)
Due to customers	(4,925,390)	(453,290)	(570,538)	(1,271,639)	(50,137)	(25,208)	(7,296,202)
Debt securities in issue	(1,146)	(23,201)	(295,641)	(843,750)	(787,847)	-	(1,951,585)
	(5,323,101)	(613,917)	(1,004,398)	(2,213,307)	(874,761)	(25,208)	(10,054,692)
Net position of financial instruments	(4,208,046)	526,229	396,710	2,174,723	4,831,224	(20,509)	3,700,331
Cash inflows from derivatives	26,404	103,025	180,837	200,101	98,132	-	608,499
Cash outflows from derivatives	(28,242)	(104,400)	(186,119)	(203,652)	(96,838)	-	(619,251)
Net position from derivatives	(1,838)	(1,375)	(5,282)	(3,551)	1,294	-	(10,752)
Total net position	(4,209,884)	524,854	391,428	2,171,172	4,832,518	(20,509)	3,689,579

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled.

31 December 2011	Less than 12 months	Over 12 months	Total
Assets			
Cash and balances with central banks	90,977	-	90,977
Due from banks	431,489	70,802	502,291
Financial assets held for trading	269,743	4,219	273,962
Derivative financial instruments	80,399	-	80,399
Available-for-sale financial assets	65,397	1,390,229	1,455,626
Non-current assets held for sale	3	-	3
Loans and advances to customers	2,280,026	4,986,520	7,266,546
Held-to-maturity investments	192,576	944,964	1,137,540
Associates and jointly controlled entities	-	7,077	7,077
Intangible assets	501	40,985	41,486
Goodwill	-	29,305	29,305
Property and equipment	-	146,732	146,732
Current income tax assets	2,791	-	2,791
Deferred income tax assets	-	77,463	77,463
Other assets	19,100	-	19,100
	3,433,002	7,698,296	11,131,298
Liabilities			
Due to central and other banks	(591,254)	(97,215)	(688,469)
Derivative financial instruments	(57,382)	-	(57,382)
Due to customers	(6,410,500)	(1,076,908)	(7,487,408)
Debt securities in issue	(211,326)	(1,449,161)	(1,660,487)
Provisions	-	(27,328)	(27,328)
Other liabilities	(92,694)	(2,272)	(94,966)
	(7,363,156)	(2,652,884)	(10,016,040)
	(3,930,154)	5,045,412	1,115,258

31 December 2010	Less than 12 months	Over 12 months	Total
Assets			
Cash and balances with central banks	179,093	-	179,093
Due from banks	71,199	37,644	108,843
Financial assets held for trading	176,187	76,838	253,025
Derivative financial instruments	45,205	-	45,205
Available-for-sale financial assets	244,614	1,371,209	1,615,823
Non-current assets held for sale	3,374	-	3,374
Loans and advances to customers	1,993,131	4,444,544	6,437,675
Held-to-maturity investments	687,236	1,101,027	1,788,263
Associates and jointly controlled entities	-	6,219	6,219
Intangible assets	490	40,852	41,342
Goodwill	-	29,305	29,305
Property and equipment	-	148,921	148,921
Current income tax assets	8,931	-	8,931
Deferred income tax assets	-	66,154	66,154
Other assets	26,776	-	26,776
	3,436,236	7,322,713	10,758,949
Liabilities			
Due to central and other banks	(602,085)	(60,438)	(662,523)
Derivative financial instruments	(60,729)	-	(60,729)
Due to customers	(5,994,063)	(1,271,304)	(7,265,367)
Debt securities in issue	(290,108)	(1,334,145)	(1,624,253)
Provisions	-	(24,256)	(24,256)
Other liabilities	(76,302)	(1,761)	(78,063)
	(7,023,287)	(2,691,904)	(9,715,191)
	(3,587,051)	4,630,809	1,043,758

(d) Operational risk

Operational risk management strategies and processes

The VUB Group, in coordination with Intesa Sanpaolo, has defined the overall operational risk management framework by setting up a Group policy and organisational process for measuring, managing and controlling operational risk.

The control of operational risk was attributed to the Group Operational Risk Committee, which identifies risk management policies. The Supervisory and Management Board of the Bank ensures the functionality, efficiency and effectiveness of the risk management and controls system.

The Group Operational Risk Committee (composing of the heads of the areas of the governance centre and of the business areas more involved in operational risk management), has the task of periodically reviewing the Group's overall operational risk profile, authorising any corrective actions, coordinating and monitoring the effectiveness of the main mitigation activities and approving the operational risk transfer strategies.

Organisational structure of the associated risk management function

For some time, the Group has had a centralised function within the Risk Management Division for the management of the Group's operational risks. This function is responsible, in coordination with the parent company, for the definition, implementation and monitoring of the methodological and organisational framework, as well as for the measurement of the risk profile, the verification of mitigation effectiveness and reporting to senior Management. In compliance with current requirements, the individual organisational units participated in the process and each of them was assigned the responsibility for the identification, assessment, management and mitigation of its operational risks. Specific offices and departments have been identified within these organisational units to be responsible for Operational Risk Management. These functions are responsible for the collection and structured census of information relating to operational events, scenario analyses and evaluation of the level of risk associated with the business environment. The Risk Management Division carries out second level monitoring of these activities.

Scope of application and characteristics of the risk measurement and reporting system

Upon the request of the parent company, VUB Bank as part of the Group request has received in February 2010, from the relevant Supervisory authorities, approval for usage and thus adopted the Advanced Measurement Approach (AMA), for Operational Risk management and measurement.

As such, the VUB Group uses a combination of the Advanced Measurement Approach (for the Bank), and the Standardized and Basic Indicator Approach (for Bank's subsidiaries).

For the use of the AMA, the VUB Group has set up, in addition to the corporate governance mechanisms required by the Supervisory regulations, an effective system for the management of operational risk certified by the process of annual self-assessment carried out by the Bank and VUB Group Companies that fall within the scope of AMA and TSA. This self-assessment is verified by the Internal Audit Department and submitted to the Management Board for the annual certification of compliance with the requirements established by the regulation.

Under the AMA approach, the capital requirement is calculated by internal model, which combines all elements stipulated in Supervisory regulation, allowing to measure the exposure in a more risk sensitive way. Monitoring of operational risks is performed by an integrated reporting system, which provides management with the information necessary for the management and/or mitigation of the operational risk.

Policies for hedging and mitigating risk

The VUB Group, in coordination with its parent company, has set up a traditional operational risk transfer policy (insurance) aimed at mitigating the impact of any unexpected losses. The AMA calculation does not currently include the benefit from this transfer of operational risk through insurance policies, however, it is due to be included in the future, after its validation by the Supervisory authority, so that it can contribute to reducing the risk capital calculated through the internal models. The process required to obtain this approval is planned to start in 2012.

37. Segment reporting

Segment information is presented in respect of the Group's operating segments, based on the management and internal reporting structure.

Operating segments pay and receive interest to and from the Central Treasury on an arm's length basis in order to reflect the costs of funding.

The Group comprises the following main operating segments:

- Retail Banking
- Corporate Banking
- Central Treasury

Retail Banking includes loans, deposits and other transactions and balances with households, entrepreneurs and small business segment.

Corporate Banking comprises Small and Medium Enterprises ('SME') and the Corporate Customer Desk ('CCD'). SME includes loans, deposits and other transactions and balances with small and medium enterprises (company revenue in the range of € 1 million to € 40 million; if revenue information is not available, bank account turnover is used). The CCD includes loans, deposits and other transactions and balances with large corporate customers (company revenue over € 40 million).

Central Treasury undertakes the Group's funding, HTM Securities portfolio management, issues of debt securities as well as trading book operations. The Group also has a central Governance Centre that manages the Group's premises, equity investments and own equity funds as well as Risk Management that operates the workout loan portfolio.

31 December 2011	Retail Banking	Corporate Banking	Central Treasury	Other	Total
External revenue					
Interest income	302,269	101,223	129,067	8,722	541,281
Interest expense	(50,286)	(14,316)	(72,481)	(1,320)	(138,403)
Inter-segment revenue	(2,443)	(11,619)	(12,649)	26,711	-
Net interest income	249,540	75,288	43,937	34,113	402,878
Net fee and commission income	67,398	40,955	2,587	(2,513)	108,427
Net trading income	3,335	4,840	(7,297)	64	942
Other operating income	5,171	3,859	-	4,616	13,646
Total segment operating income	325,444	124,942	39,227	36,280	525,893
Depreciation and amortisation	(19,140)	(2,643)	(196)	(10,632)	(32,611)
Operating expenses					(203,658)
Operating profit before impairment					289,624
Impairment losses on financial assets	(51,786)	(15,664)	(574)	89	(67,935)
Share of profit of associates and jointly controlled entities					850
Income tax expense					(45,636)
Net profit for the year					176,903
Segment assets	4,062,560	3,203,892	3,256,231	608,615	11,131,298
Segment liabilities	4,796,796	2,032,282	3,131,908	1,170,312	11,131,298

31 December 2010	Retail Banking	Corporate Banking	Central Treasury	Other	Total
External revenue					
Interest income	278,873	81,586	120,311	4,307	485,077
Interest expense	(49,081)	(7,006)	(57,644)	(544)	(114,275)
Inter-segment revenue	(3,557)	(11,806)	(8,686)	24,049	-
Net interest income	226,235	62,774	53,981	27,812	370,802
Net fee and commission income	58,368	47,846	1,444	84	107,742
Net trading income	3,680	4,242	(1,452)	(167)	6,303
Other operating income	3,930	3,506	1	423	7,860
Total segment operating income	292,213	118,368	53,974	28,152	492,707
Depreciation and amortisation	(22,839)	(4,799)	(136)	(10,706)	(38,480)
Operating expenses					(189,191)
Operating profit before impairment					265,036
Impairment losses on financial assets	(46,687)	(27,468)	157	(2,497)	(76,495)
Share of profit of associates and jointly controlled entities					596
Income tax expense					(38,814)
Net profit for the year					150,323
Segment assets	3,760,447	2,944,337	3,568,183	485,982	10,758,949
Segment liabilities	4,427,781	2,022,837	3,220,700	1,087,631	10,758,949

38. Related parties

Related parties are those counterparties that represent:

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

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. The majority of the stated transactions have been made under arms-length commercial and banking conditions.

In 2011, the remuneration and other benefits provided to members of the Supervisory Board and the Management Board were € 5,404 thousand (2010: € 4,301 thousand).

At 31 December 2011, significant outstanding balances with related parties comprised:

	KMP *	Close members of KMP	Affiliated companies	Intesa Sanpaolo Group	Total
Assets					
Due from banks	-	-	-	458,321	458,321
Derivative financial instruments	-	-	-	9,596	9,596
Loans and advances to customers	1,229	584	-	-	1,813
Other assets	-	-	5	1,509	1,514
	1,229	584	5	469,426	471,244
Liabilities					
Due to central and other banks	-	-	-	356,281	356,281
Derivative financial instruments	-	-	-	4,176	4,176
Due to customers	2,365	-	113	-	2,478
Debt securities in issue					
Bonds	-	-	6,928	-	6,928
Mortgage bonds	-	-	-	1,027,101	1,027,101
	2,365	-	7,041	1,387,558	1,396,964
Received guarantees	-	-	-	77,075	77,075
Derivative transactions (notional amount – receivable)	-	-	-	376,035	376,035
Income and expense items					
Interest and similar income	46	3	-	12,312	12,361
Interest expense and similar charges	(46)	-	(165)	(35,569)	(35,780)
Fee and commission income	3	-	-	-	3
Fee and commission expense	-	-	-	(4,750)	(4,750)
Net trading income	-	-	-	(7,225)	(7,225)
Operating income	-	-	96	73	169
Operating expenses	-	-	-	(71)	(71)
	3	3	(69)	(35,230)	(35,293)

* Key management personnel

During the year 2011, VUB Group has purchased performing loans from an Intesa Sanpaolo Group bank in the total amount of € 116,973 thousand and HUF 3,505,620 thousand. The transaction was realised at fair value.

At 31 December 2010, significant outstanding balances with related parties comprised:

	KMP	Close members of KMP	Affiliated companies	Intesa Sanpaolo Group	Total
Assets					
Due from banks	-	-	-	65,319	65,319
Derivative financial instruments	-	-	-	6,260	6,260
Loans and advances to customers	931	878	-	-	1,809
Other assets	-	-	10	-	10
	931	878	10	71,579	73,398
Liabilities					
Due to central and other banks	-	-	-	349,167	349,167
Derivative financial instruments	-	-	-	1,537	1,537
Due to customers	1,567	-	114	-	1,681
Debt securities in issue					
Bonds	97	-	6,726	-	6,823
Mortgage bonds	-	-	-	1,054,067	1,054,067
	1,664	-	6,840	1,404,771	1,413,275
Received guarantees	-	-	-	35,000	35,000
Derivative transactions (notional amount – receivable)	-	-	-	136,382	136,382
Income and expense items					
Interest and similar income	40	48	-	5,567	5,655
Interest expense and similar charges	(49)	(59)	(124)	(25,278)	(25,510)
Fee and commission income	4	-	6	-	10
Fee and commission expense	-	-	-	(1,422)	(1,422)
Net trading income	-	-	-	1,408	1,408
Operating income	-	-	100	232	332
Operating expense	-	(23)	-	-	(23)
	(5)	(34)	(18)	(19,493)	(19,550)

39. Events after the end of the reporting period

Commencing 1 January 2012, banks operating in the Slovak Republic are subject to special levy of 0.4% of selected liabilities presented at the end of each quarter. The levy will be recognized in the statement of comprehensive income on an accrual basis and is payable at the beginning of the quarter.

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

Separate financial statements

prepared in accordance with International Financial Reporting Standards and Independent Auditors' Report for the year ended 31 December 2011

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Independent Auditors' Report

To the Shareholders of Všeobecná úverová banka, a.s.:

We have audited the accompanying separate financial statements of Všeobecná úverová banka, a.s. ('the Bank'), which comprise the statement of financial position as at 31 December 2011 and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and presentation of separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the separate financial statements give a true and fair view of the financial position of the Bank as at 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

21 February 2012
Bratislava, Slovak Republic

Ernst & Young

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

Ing. Peter Matejička
SKAU Licence No. 909

Spoločnosť zo skupiny Ernst & Young Global Limited
Ernst & Young Slovakia, spol. s r.o., IČO: 35 840 463, zapísaná v Obchodnom registri Okresného súdu Bratislava I, oddiel: Sro, vložka číslo: 27004/B a v zozname audítorov vedenom Slovenskou komorou audítorov pod č. 257.

Statement of financial position at 31 December 2011

(In thousands of euro)

	Note	2011	2010
Assets			
Cash and balances with central banks	4	90,918	179,064
Due from banks	5	501,444	108,598
Financial assets held for trading	6	269,852	249,973
Derivative financial instruments	7	80,399	45,205
Available-for-sale financial assets	8	1,455,626	1,615,823
Non-current assets held for sale	14	3	3,374
Loans and advances to customers	9	6,917,544	6,141,301
Held-to-maturity investments	11	1,137,540	1,788,263
Subsidiaries, associates and jointly controlled entities	12	96,014	113,810
Intangible assets	13	34,988	30,639
Property and equipment	14	137,126	142,801
Current income tax assets	19	550	6,882
Deferred income tax assets	19	64,601	54,092
Other assets	15	15,077	12,991
		10,801,682	10,492,816
Liabilities			
Due to central and other banks	16	429,725	439,151
Derivative financial instruments	7	57,382	60,729
Due to customers	17	7,498,151	7,276,689
Debt securities in issue	18	1,660,487	1,619,591
Provisions	20	24,285	23,517
Other liabilities	21	59,193	52,934
		9,729,223	9,472,611
Equity			
Share capital	22	430,819	430,819
Share premium	22	13,368	13,368
Reserves		10,150	56,333
Retained earnings		618,122	519,685
		1,072,459	1,020,205
		10,801,682	10,492,816
Financial commitments and contingencies	23	2,721,596	2,606,950

The accompanying notes on pages 112 to 181 form an integral part of these financial statements.

These financial statements were authorised for issue by the Management Board on 21 February 2012.

Ignacio Jaquotot
Chairman of the Management Board

Andrea De Michelis
Member of the Management Board

Statement of comprehensive income for the year ended 31 December 2011

(In thousands of euro)

	Note	2011	2010
Interest and similar income		484,924	433,504
Interest expense and similar charges		(131,819)	(108,628)
Net interest income	24	353,105	324,876
Fee and commission income		135,889	137,872
Fee and commission expense		(53,738)	(64,264)
Net fee and commission income	25	82,151	73,608
Net trading income	26	915	6,246
Other operating income	27	8,609	3,827
Dividend income		20,151	14,281
Operating income		464,931	422,838
Salaries and employee benefits	28	(93,603)	(87,723)
Other operating expenses	29	(81,953)	(76,646)
Amortisation	13	(8,440)	(8,001)
Depreciation	14	(15,944)	(19,141)
Operating expenses		(199,940)	(191,511)
Operating profit before impairment		264,991	231,327
Impairment losses on financial assets	30	(67,298)	(48,057)
Profit before tax		197,693	183,270
Income tax expense	31	(40,029)	(33,893)
NET PROFIT FOR THE YEAR		157,664	149,377
Other comprehensive income for the year, after tax:			
Exchange difference on translating foreign operation		(38)	485
Available-for-sale financial assets		(45,020)	(33,616)
Cash flow hedges		(1,006)	(1,437)
Other comprehensive income for the year, net of tax	32, 33	(46,064)	(34,568)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		111,600	114,809
Basic and diluted earnings per € 33.2 share in €	22	12.15	11.51

The accompanying notes on pages 112 to 181 form an integral part of these financial statements.

Statement of changes in equity for the year ended 31 December 2011

(In thousands of euro)

	Share capital	Share premium	Legal reserve fund	Retained earnings	Translation of foreign operation	Available for sale financial assets	Cash flow hedges	Total
At 1 January 2010	430,819	13,368	87,493	429,361	(1,649)	6,037	(1,639)	963,790
Total comprehensive income for the year	-	-	-	149,377	485	(33,616)	(1,437)	114,809
Dividends to shareholders	-	-	-	(58,394)	-	-	-	(58,394)
Other*	-	-	-	(1,188)	1,188	-	-	-
Effect of FX hedge *	-	-	-	529	-	-	(529)	-
At 31 December 2010	430,819	13,368	87,493	519,685	24	(27,579)	(3,605)	1,020,205
At 1 January 2011	430,819	13,368	87,493	519,685	24	(27,579)	(3,605)	1,020,205
Total comprehensive income for the year	-	-	-	157,664	(38)	(45,020)	(1,006)	111,600
Dividends to shareholders	-	-	-	(59,692)	-	-	-	(59,692)
Reversal of dividends distributed but not collected	-	-	-	346	-	-	-	346
Other*	-	-	-	139	(139)	-	-	-
Effect of FX hedge*	-	-	-	(20)	-	-	20	-
At 31 December 2011	430,819	13,368	87,493	618,122	(153)	(72,599)	(4,591)	1,072,459

* The foreign currency difference disclosed under Translation of foreign operation was settled within the transfer of retained earnings and profit for 2009 and 2010 from the foreign branch. Retained earnings were originally generated in Czech Crowns ('CZK') and the foreign exchange effect of this translation was hedged.

The accompanying notes on pages 112 to 181 form an integral part of these financial statements.

Statement of cash flows for the year ended 31 December 2011

(In thousands of euro)

	Note	2011	2010
Cash flows from operating activities			
Profit before tax		197,693	183,270
Adjustments for:			
Amortisation		8,440	8,001
Depreciation		15,944	19,141
Securities held for trading, available-for-sale securities and FX differences		(1,200)	5,007
Interest income		(484,924)	(433,504)
Interest expense		131,819	108,628
Dividend income		(20,151)	(14,281)
Sale of property and equipment		(331)	101
Impairment losses on financial assets and similar charges		66,221	46,688
Interest received		480,278	417,397
Interest paid		(122,552)	(108,687)
Dividends received		20,151	14,281
Tax paid		(44,206)	(48,634)
Due from banks		(396,921)	(8,930)
Financial assets held for trading		(23,372)	(85,889)
Derivative financial instruments (assets)		(36,180)	(3,642)
Available-for-sale financial assets		113,544	(635,523)
Loans and advances to customers		(825,795)	(628,681)
Other assets		(943)	(2,174)
Due to central and other banks		(9,951)	(120,127)
Derivative financial instruments (liabilities)		(3,347)	8,258
Due to customers		214,559	662,804
Other liabilities		8,654	(1,826)
Net cash used in operating activities		(712,570)	(618,322)
Cash flows from investing activities			
Purchase of held-to-maturity investments		-	(19,083)
Repayments of held-to-maturity investments		650,449	261,962
Purchase of intangible assets and property and equipment		(23,390)	(20,272)
Disposal of property and equipment		5,306	681
Liquidation/(acquisition) of subsidiaries		324	(13,701)
Net cash from investing activities		632,689	209,587
Cash flows from financing activities			
Proceeds from issue of debt securities		311,504	487,050
Repayments of debt securities		(269,443)	(158,252)
Dividends paid		(59,692)	(58,394)
Net cash from/(used in) financing activities		(17,631)	270,404
Net change in cash and cash equivalents		(97,512)	(138,331)
Cash and cash equivalents at the beginning of the year	3	194,854	333,185
Cash and cash equivalents at the end of the year	3	97,342	194,854

The accompanying notes on pages 112 to 181 form an integral part of these financial statements.

Notes to the separate financial statements for the year ended 31 December 2011 prepared in accordance with IFRS

1. General information

Všeobecná úverová banka, a.s. ('the Bank' or 'VUB') provides retail and commercial banking services. The Bank is domiciled in the Slovak Republic with its registered office at Mlynské nivy 1, 829 90 Bratislava 25 and has the identification number (IČO) 313 20 155.

At 31 December 2011, the Bank had a network of 250 points of sale (including Retail Branches, Corporate Branches and Mortgage centres) located throughout Slovakia (December 2010: 250). The Bank also has one branch in the Czech Republic.

The Bank's ultimate parent company is Intesa Sanpaolo S.p.A., which is a joint-stock company and which is incorporated and domiciled in Italy. The address of its registered office is Piazza San Carlo 156, 10121 Torino, Italy.

The members of the Management Board are: Ignacio Jaquotot (Chairman), Andrea De Michelis, Daniele Fanin, Jozef Kausich, Elena Kohútiková, Tomislav Lazarić, Silvia Púchovská, Alexander Resch and Adrián Ševčík.

The members of the Supervisory Board are: György Surányi (Chairman), Fabrizio Centrone (Vice Chairman), Adriano Arietti, Jana Finková, Antonio Furesi, Ján Gallo, Juraj Jurenka and Massimo Malagoli.

2. Summary of significant accounting policies

2.1 Basis of preparation

The separate financial statements of the Bank ('the financial statements') have been prepared in accordance with International Financial Reporting Standards ('IFRS') issued by the International Accounting Standards Board ('IASB') and with interpretations issued by the International Financial Reporting Interpretations Committee of the IASB ('IFRIC') as approved by the Commission of European Union in accordance with the Regulation of European Parliament and Council of European Union and in accordance with the Act No. 431/2002 Collection on Accounting.

The consolidated financial statements of the Bank were issued on 21 February 2012 and are available at the legal office of the Bank.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets held for trading and all derivative financial instruments to fair value.

The financial statements are presented in thousands of euro ('€'), unless indicated otherwise.

Negative balances are presented in brackets.

2.2 Changes in accounting policies

Standards and interpretations relevant to Bank's operations, effective in the current period

The following amendments to the existing standards issued by the IASB and adopted by the EU are effective for the current accounting period:

IAS 24 Related Party Disclosures (Amendment)

The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government related entities. The amendment to IAS 24 does not have any impact on the financial performance or position of the Bank.

IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (Amendment)

The amendment to IAS 32 is effective for annual periods beginning on or after 1 February 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. This amendment has no impact on the Bank's financial position or performance.

IFRIC 14 Prepayments of a minimum funding requirement (Amendment)

The amendment to IFRIC 14 is effective for annual periods beginning on or after 1 January 2011 with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The amendment is deemed to have no impact on the financial statements of the Bank.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

IFRIC 19 is effective for annual periods beginning on or after 1 July 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In cases where this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in profit or loss. The adoption of this interpretation has no effect on the financial statements of the Bank.

Improvements to IFRSs (issued in May 2010)

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

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

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

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

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

- IFRIC 13 Customer Loyalty Programmes
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

Standards and interpretations relevant to Bank's operations issued but not yet effective

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

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

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

IAS 19 Employee Benefits (Amendment)

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The application of this amendment will have no impact on the financial position of the Bank. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IAS 27 Separate Financial Statements (as revised in 2011)

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

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

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

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

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

IFRS 7 Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Bank's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment becomes effective for annual periods beginning on or after 1 July 2011. The amendment affects disclosure only and has no impact on the Bank's financial position or performance.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The completion of this project is expected over the course of 2012. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Bank's financial assets and on classification and measurements of financial liabilities. The Bank will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation – Special Purpose Entities.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 11 Joint Arrangements

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

IFRS 12 Disclosure of Involvement with Other Entities

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

IFRS 13 Fair Value Measurement

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

The Bank has elected not to adopt these standards, revisions and interpretations in advance of their effective dates.

2.3 Segment reporting

The Bank reports financial and descriptive information about its operating segments in these financial statements. An operating segment is a component of the Bank that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Bank), whose operating results are regularly reviewed by the Bank's management to make decisions about resources to be allocated to the segment and to assess its performance, and for which separate financial information is available.

The Bank operates in three operating segments – Retail Banking, Corporate Banking and Central Treasury. Each segment is exposed to different risks and differs in the nature of its services, business processes and types of customers for its products and services.

For all segments the Bank reports a measure of segment assets and liabilities and income and expense items, a reconciliation of total reportable segment revenues, total profit or loss, total assets, liabilities and other amounts disclosed for reportable segments to corresponding amounts in the Bank's financial statements.

Most of the transactions of the Bank are related to the Slovak market. Due to the market size, the Bank operates as a single geographical segment unit.

2.4 Foreign currency transactions

Monetary assets and liabilities in foreign currencies are translated to euro at the official European Central Bank ('ECB') or National Bank of Slovakia ('NBS') exchange rates prevailing at the end of the reporting period. Income and expenses denominated in foreign currencies are reported at the ECB or NBS exchange rates prevailing at the date of the transaction.

The difference between the contractual exchange rate of a transaction and the ECB or NBS exchange rate prevailing at the date of the transaction is included in 'Net trading income', as well as gains and losses arising from movements in exchange rates after the date of the transaction.

2.5 Foreign operations

The financial statements include foreign operations in the Czech Republic. The assets and liabilities of foreign operations are translated to euro at the foreign exchange rate prevailing at the end of the reporting period. The revenues and expenses of foreign operations are translated to euro at rates approximating the foreign exchange rates prevailing at the dates of the transactions. Foreign exchange differences arising on these translations are recognised directly in equity.

2.6 Cash and balances with central banks

Cash and balances with central banks comprise cash in hand and balances with the NBS and other central banks, including compulsory minimum reserves.

2.7 Treasury bills and other eligible bills

Treasury bills and other eligible bills represent highly liquid securities that could be used for rediscounting in the NBS in the case of Slovak treasury bills or in a central bank of a foreign country in the case of foreign treasury bills without any time or other constraints.

2.8 Due from banks

Due from banks include receivables from current accounts in other than central banks, term deposits and loans provided to commercial banks.

Balances are presented at amortised cost including interest accruals less any impairment losses. An impairment loss is established if there is objective evidence that the Bank will not be able to collect all amounts due.

2.9 Debt securities

Debt securities held by the Bank are categorised into portfolios in accordance with the intent on the acquisition date and pursuant to the investment strategy. The Bank has developed security investment strategies and, reflecting the intent on acquisition, allocated securities into the following portfolios:

(a) Held for trading
(b) Available-for-sale
(c) Held-to-maturity

The principal differences among the portfolios relate to the measurement and recognition of fair values in the financial statements. All securities held by the Bank are recognised using settlement date accounting and are initially measured at fair value plus, in the case of financial assets not held for trading, any directly attributable incremental costs of acquisition. Securities purchased, but not settled, are recorded in the off-balance sheet and changes in their fair values, for purchases into the trading and the available-for-sale portfolios, are recognised in the Statement of comprehensive income and in equity respectively.

(a) Securities held for trading
These securities are financial assets acquired by the Bank for the purpose of generating profits from short-term fluctuations in prices. Subsequent to their initial recognition these assets are accounted for and re-measured at fair value.

The fair value of securities held for trading, for which an active market exists, and a market value can be estimated reliably, is measured at quoted market prices. In circumstances where the quoted market prices are not readily available, the fair value is estimated using the present value of future cash flows.

The Bank monitors changes in fair values on a daily basis and recognises unrealised gains and losses in the Statement of comprehensive income in 'Net trading income'. Interest earned on securities held for trading is accrued on a daily basis and reported in the Statement of comprehensive income in 'Interest and similar income'.

Day 1 profit or loss

When the transaction price is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Bank immediately recognises the difference between the transaction price and fair value (a 'Day 1 profit or loss') in 'Net trading income' if the 'Day 1 profit or loss' is not significant. In cases where 'Day 1 profit or loss' is significant, the difference is amortised over the period of the respective deals. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the Statement of comprehensive income when the inputs become observable, or when the instrument is derecognised.

(b) Available-for-sale securities
'Available-for-sale' securities are those financial assets that are not classified as 'held for trading' or 'held-to-maturity'. Subsequent to their initial recognition, these assets are accounted for and re-measured at fair value.

Unrealised gains and losses arising from changes in the fair value of 'available-for-sale' securities are recognised on a daily basis in the 'Available-for-sale financial assets' in equity.

Interest earned whilst holding 'available-for-sale' securities is accrued on a daily basis and reported in the Statement of comprehensive income in 'Interest and similar income'.

The fair value of 'available-for-sale' securities, for which an active market exists, and a market value can be estimated reliably, is measured at quoted market prices. In circumstances where the quoted market prices are not readily available, the fair value is estimated using the present value of future cash flows.

Equity investments whose fair value cannot be reliably measured are held at cost less impairment. For 'available-for-sale' equity investments, the Bank assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of debt instruments classified as 'available-for-sale', impairment is assessed based on the same criteria as financial assets carried at amortised cost. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in 'Impairment losses on financial assets' in the Statement of comprehensive income, the impairment loss is reversed through the Statement of comprehensive income.

In the case of equity investments classified as 'available-for-sale', objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss – is removed from equity and recognised in 'Impairment losses on financial assets' in the Statement of comprehensive income. Impairment losses on equity investments are not reversed through Statement of comprehensive income; increases in their fair value after impairment are recognised directly in Other comprehensive income.

(c) Held-to-maturity investments

'Held-to-maturity' investments are financial assets with fixed or determinable payments and maturities that the Bank has the positive intent and ability to hold to maturity.

'Held-to-maturity' investments are carried at amortised cost less any impairment losses. Amortised cost is the amount at which the asset was initially measured minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount. The amortisation is recognised in the Statement of comprehensive income in 'Interest and similar income'.

The Bank assesses on a regular basis whether there is any objective evidence that a 'held-to-maturity' investment may be impaired. A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount.

2.10 Repurchase and reverse repurchase agreements

Securities sold under sale and repurchase agreements ('repo transactions') remain as assets in the Statement of financial position under the original caption and the liability from the received loan is included in 'Due to central and other banks' or 'Due to customers'.

Securities purchased under agreements to purchase and resell ('reverse repo transactions') are recorded only in the off-balance sheet and the loan provided is reported in the Statement of financial position in 'Due from banks' or 'Loans and advances to customers', as appropriate.

The price differential between the purchase and sale price of securities is treated as interest income or expense and deferred over the life of the agreement.

2.11 Derivative financial instruments

In the normal course of business, the Bank is a party to contracts with derivative financial instruments, which represent a very low initial investment compared to the notional value of the contract. The derivative financial instruments used include foreign exchange forwards, interest rate/foreign exchange swaps and options, forward rate agreements and cross currency swaps. The Bank also uses financial instruments to hedge interest rate risk and currency exposures associated with its transactions in the financial markets. They are accounted for as trading derivatives if they do not fully comply with the definition of a hedging derivative as prescribed by IFRS. The Bank also acts as an intermediary provider of these instruments to certain customers.

Derivative financial instruments are initially recognised and subsequently re-measured in the Statement of financial position at fair value. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Changes in the fair value of derivatives are included in 'Net trading income'.

Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate. The fair values of derivative positions are computed using standard formulas and prevailing interest rates applicable for respective currencies available on the market at reporting dates.

In the normal course of business, the Bank enters into derivative financial instrument transactions to hedge its liquidity, foreign exchange and interest rate risks. The Bank also enters into proprietary derivative financial transactions for the purpose of generating profits from short-term fluctuations in market prices. The Bank operates a system of market risk and counterparty limits, which are designed to restrict exposure to movements in market prices and counterparty concentrations. The Bank also monitors adherence to these limits on a daily basis.

Credit risk of financial derivatives

Credit exposure or the replacement cost of derivative financial instruments represents the Bank's credit exposure from contracts with a positive fair value, that is, it indicates the estimated maximum potential losses in the event that counterparties fail to perform their obligations. It is usually a small proportion of the notional amounts of the contracts. The credit exposure of each contract is indicated by the credit equivalent calculated pursuant to the generally applicable methodology using the current exposure method and involves the market value of the contract (only if positive, otherwise a zero value is taken into account) and a portion of the nominal value, which indicates the potential change in market value over the term of the contract. The credit equivalent is established depending on the type of contract and its maturity. The Bank assesses the credit risk of all financial instruments on a daily basis.

The Bank is selective in its choice of counterparties and sets limits for transactions with customers. As such, the Bank considers that the actual credit risk associated with financial derivatives is substantially lower than the exposure calculated pursuant to credit equivalents.

Embedded derivatives

The Bank assesses whether any embedded derivatives contained in the contract are required to be separated from the host contract and accounted for as derivatives under IAS 39. An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

The Bank accounts for embedded derivatives separately from the host contract if: the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid (combined) instrument is not measured at fair value with changes in fair value recognised in the Statement of comprehensive income.

Hedging derivatives

The Bank makes use of derivative instruments to manage exposures to interest rate, foreign currency and credit risks, including exposures arising from expected transactions. In order to manage individual risks, the Bank applies hedge accounting for transactions which meet the specified criteria.

At the inception of the hedge relationship, the Bank formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship.

Also, at the inception of the hedge relationship, a formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. Hedges are formally assessed each month. A hedge is regarded as highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are expected to offset in a range of 80% to 125%.

In situations where that hedged item is an expected transaction, the Bank assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect the Statement of comprehensive income.

Cash flow hedges

For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is initially recognised in other comprehensive income as 'Cash flow hedges'. The ineffective portion of the gain or loss on the hedging instrument is recognised immediately as gain or loss in the Statement of comprehensive income in 'Net trading income'.

When the hedged cash flow affects profit or loss, the gain or loss on the hedging instrument is reclassified from other comprehensive income to profit or loss as a reclassification adjustment. When a hedging instrument expires, or is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss that has been recognised in other comprehensive income remains separately in equity and is reclassified from other comprehensive income to profit or loss as a reclassification adjustment when the hedged expected transaction is ultimately recognised. When an expected transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified from other comprehensive income to profit or loss as a reclassification adjustment.

Fair value hedges

For designated and qualifying fair value hedges, the change in the fair value of a hedging derivative is recognised in the Statement of comprehensive income in 'Net trading income'. Meanwhile, the change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the Statement of comprehensive income in 'Net trading income'.

If the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated. For hedged items recorded at amortised cost, the difference between the carrying value of the hedged item on termination and the face value is amortised over the remaining term of the original hedge using the effective interest rate ('EIR'). If the hedged item is derecognised, the unamortised fair value adjustment is reclassified from other comprehensive income to profit or loss as a reclassification adjustment.

2.12 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of financial position, if, and only if, there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the Statement of financial position.

2.13 Non-current assets held for sale

Non-current assets held for sale are assets where the carrying amount will be recovered principally through a sale transaction rather than through continuing use. Non-current assets held for sale comprise buildings, which are available for immediate sale in their present condition and their sale is considered to be highly probable.

Assets classified as held for sale are measured at the lower of their carrying amount and fair value less cost to sell.

2.14 Loans and advances to customers and impairment losses

Loans and advances are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market and are recorded at amortised cost less any impairment losses. All loans and advances to customers are recognised in the Statement of financial position when cash is advanced to borrowers.

Loans and advances to customers are subject to periodic impairment testing. An impairment loss for a loan, or a group of similar loans, is established if their carrying amount is greater than their estimated recoverable amount. The recoverable amount is the present value of expected future cash flows, including amounts recoverable from guarantees and collaterals, discounted based on the loan's original effective interest rate. The amount of the impairment loss is included in the Statement of comprehensive income.

Impairment and uncollectability is measured and recognised individually for loans that are individually significant. Impairment and uncollectability for a group of similar loans that are not individually identified as impaired or loans that are not individually significant are measured and recognised on a portfolio basis.

The Bank writes off loans and advances when it determines that the loans and advances are uncollectible. Loans and advances are written off against the reversal of the related impairment losses. Any recoveries of written off loans are credited to the Statement of comprehensive income on receipt.

2.15 Subsidiaries, associates and jointly controlled entities

Subsidiaries, associates and jointly controlled entities are recorded at cost less impairment losses. The impairment loss is measured using the Dividend discount model.

Dividend discount model

The Management of the companies which are subject to the impairment test provide projection of dividends that are expected to be paid out by their companies in a period of 5 years. The model calculates the present value of these cash flows discounting them at the interest rate resulting from the CAPM (Capital Asset Pricing Model). Cash flows after the period are determined by a present value of the perpetuity with the particular estimated growth rate, provided by the Management of the companies.

CAPM uses as parameters the Risk free interest rate, Market/Risk Premium in the range of 5% – 7%, Size risk premium in the range of 1% – 1.8% and Business sector risk premium in the range of 0% – 6%.

2.16 Intangible assets

Intangible assets are recorded at historical cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis in order to write off the cost of each asset to its residual value over its estimated useful economic life as follows:

	Years
Software	5 – 10
Other intangible assets	5 – 10

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

2.17 Property and equipment

Property and equipment are recorded at historical cost less accumulated depreciation and impairment losses. Acquisition cost includes the purchase price plus other costs related to acquisition such as freight, duties or commissions. The costs of expansion, modernisation or improvements leading to increased productivity, capacity or efficiency are capitalised. Repairs and renovations are charged to the Statement of comprehensive income when the expenditure is incurred.

Depreciation is calculated on a straight-line basis in order to write off the cost of each asset to its residual value over its estimated useful economic life as follows:

	Years
Buildings	20 – 40
Equipment	4, 6, 10, 12
Other tangibles	4, 6, 12

Land, assets in progress and art collections are not depreciated. The depreciation of assets in progress begins when the related assets are put into use.

The Bank periodically tests its assets for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to this recoverable amount.

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

2.18 Provisions

Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

2.19 Provisions for employee benefits

The Bank’s obligation in respect of retirement and jubilee employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. The discount rate is determined by reference to a risk-free curve, with a term consistent with the estimated term of the benefit obligation. The calculation is performed using the projected unit credit method. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise. All employees of the Bank are covered by the retirement and jubilee employee benefits program.

The calculation for the respective program takes into account the following parameters:

	Jubilee benefits	Retirement benefits
Discount rate	1.7 %	2.6 %
Future growth of wages	n/a	2.5 %
Fluctuation of employees (based on age)	8 – 45 %	8 – 45 %
Retirement age	Based on valid legislation	
Mortality	Based on mortality tables issued by the Statistical Office of the Slovak Republic	

The Bank also calculates a reserve for retention applicable to employees that are subject to the retention program using the projected unit credit method.

All gains or losses in relation to the employee benefits are recognised in 'Salaries and employee benefits'. Employee benefit reserves are disclosed in the Statement of financial position in 'Other liabilities'.

2.20 Financial guarantees

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make a payment when it falls due, in accordance with the terms of a debt instrument consisting of letters of credit, guarantees and acceptances.

Financial guarantee liabilities are initially recognised at their fair value, and the initial fair value is amortised over the life of the financial guarantee in the Statement of comprehensive income in 'Fee and commission income' on a straight line basis. The guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment (when a payment under the guarantee has become probable). Financial guarantees are included within 'Other liabilities'. Any increase in the liability relating to financial guarantees is recorded in the Statement of comprehensive income in 'Impairment losses on financial assets'.

2.21 Legal reserve fund

In accordance with the law and statutes of the Bank, the Bank is obliged to contribute at least 10% of its annual net profit to the 'Legal reserve fund' until it reaches 20% of the share capital. Usage of the 'Legal reserve fund' is restricted by the law and the fund can be used for the coverage of the losses of the Bank.

2.22 Equity reserves

The reserves recorded in equity that are disclosed in the Statement of financial position include:

'Translation of foreign operation' reserve which is used to record exchange differences arising from the translation of the net investment in foreign operations.

'Available-for-sale financial assets' reserve which comprises changes in the fair value of available-for-sale investments.

'Cash flow hedges' reserve which comprises the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

2.23 Interest income

Interest income and expense is recognised in the Statement of comprehensive income on an accrual basis using the effective interest rate method. Interest income and expense includes the amortisation of any discount or premium on financial instruments. Interest income also includes up-front and commitment fees, which are subject to the effective interest rate calculation and are amortised over the life of the loan.

2.24 Fee and commission income

Fee and commission income arises on financial services provided by the Bank including account maintenance, cash management services, brokerage services, investment advice and financial planning, investment banking services, project finance transactions and asset management services. Fee and commission income is recognised when the corresponding service is provided.

2.25 Net trading income

Net trading income includes gains and losses arising from purchases, disposals and changes in the fair value of financial assets and liabilities including securities and derivative instruments. It also includes the result of all foreign currency transactions.

2.26 Dividend income

Dividend income is recognised in the Statement of comprehensive income on the date that the dividend is declared.

2.27 Income tax

Income tax is calculated in accordance with the regulations of the Slovak Republic and other jurisdictions, in which the Bank operates.

Deferred tax assets and liabilities are recognised, using the balance sheet method, for all temporary differences arising between tax bases of assets or liabilities and their carrying amounts for financial reporting purposes. Expected tax rates, applicable for the periods when assets and liabilities are realised, are used to determine deferred tax.

The Bank is also subject to various indirect operating taxes, which are included in 'Other operating expenses'.

2.28 Fiduciary assets

Assets held in a fiduciary capacity are not reported in the financial statements, as such are not the assets of the Bank.

2.29 Significant accounting judgements and estimates

Judgements

In the process of applying the Bank's accounting policies, management has made judgements, apart from those involving estimations, that significantly affect the amounts recognised in the financial statements. The most significant judgements relate to the classification of financial instruments.

Held-to-maturity investments

The Bank follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Bank evaluates its intention and ability to hold such investments to maturity. If the Bank fails to hold these investments to maturity other than for a specific circumstance, for example selling a higher than insignificant amount close to maturity, it will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value and not at amortised cost.

Financial assets held for trading

The Bank classifies a financial asset as 'held for trading' if it is acquired principally for the purpose of selling it in the near term, or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of recent actual pattern of short-term profit taking, or if it is a derivative.

Estimates

The preparation of the financial statements requires management to make certain estimates and assumptions, which impact the carrying amounts of the Bank's assets and liabilities and the disclosure of contingent items at the end of reporting period and reported revenues and expenses for the period then ended.

Estimates are used for, but not limited to: fair values of financial instruments, impairment losses on loans and advances to customers, impairment losses for off-balance sheet risks, depreciable lives and residual values of tangible and intangible assets, impairment losses on tangible and intangible assets, liabilities from employee benefits and provisions for legal claims.

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the Statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques which include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of liquidity and model inputs such as correlation and volatility for longer dated financial instruments.

Impairment losses on loans and advances

The Bank reviews its loans and advances at each reporting date to assess whether a specific allowance for impairment should be recorded in the Statement of comprehensive income. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the specific allowance.

In addition to specific allowances against individually significant loans and advances, the Bank also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This takes into consideration factors such as any deterioration in country risk, industry and technological obsolescence, as well as identified structural weaknesses or deterioration in cash flows.

Future events and their effects cannot be perceived with certainty. Accordingly, the accounting estimates made require the exercise of judgement and those used in the preparation of the financial statements will change as new events occur, as more experience is acquired, as additional information is obtained and as the Bank's operating environment changes. Actual results may differ from those estimates.

3. Cash and cash equivalents

For the purposes of the Statement of cash flows, cash and cash equivalents comprise the following balances with contractual maturity of less than 90 days:

	Note	2011	2010
Cash and balances with central banks	4	90,918	179,064
Current accounts in other banks	5	6,424	8,248
Term deposits with other banks	5	-	7,542
		97,342	194,854

4. Cash and balances with central banks

	2011	2010
Balances with central banks:		
Compulsory minimum reserves	5,146	87,693
Current accounts	36	33
	5,182	87,726
Cash in hand	85,736	91,338
	90,918	179,064

The compulsory minimum reserve is maintained as an interest bearing deposit under the regulations of the NBS and the Czech National Bank. The amount of the compulsory minimum reserve depends on the level of customer deposits accepted by the Bank and the amount of issued bonds, both with a maturity of up to 2 years. The rate for the calculation of the compulsory minimum reserve is 2% and the required balance is calculated as the total of individual items multiplied by the valid rate.

The daily balance of the compulsory minimum reserve can vary significantly based on the amount of incoming and outgoing payments. The Bank's ability to withdraw the compulsory minimum reserve is restricted by local legislation.

Since January 2009, the compulsory minimal reserves account ('CMR') is maintained under the Target2 system. Target2 is a Trans-European Automated Real-Time Gross Settlement Express Transfer System, where payments with priority are realised in real-time.

5. Due from banks

	Note	2011	2010
Current accounts	3	6,424	8,248
Term deposits			
with contractual maturity less than 90 days	3	-	7,542
with contractual maturity over 90 days		3,141	5,081
Loans and advances			
with contractual maturity over 90 days		492,081	87,878
Impairment losses	10	(202)	(151)
		501,444	108,598

At 31 December 2011 the balance of 'Loans and advances' comprises of a short term reverse repo trade in the nominal amount of € 399,587 thousand concluded with Intesa Sanpaolo S.p.A, maturing in May 2012 (at 31 December 2010: nil). The repo trade is secured by state bonds and cash collateral.

6. Financial assets held for trading

	2011	2010
Treasury bills and other eligible bills		
with contractual maturity over 90 days	192,233	174,201
State bonds		
with contractual maturity over 90 days	77,619	75,772
	269,852	249,973

At 31 December 2011 and 31 December 2010, no financial assets held for trading were pledged by the Bank to secure transactions with counterparties.

7. Derivative financial instruments

	2011 Assets	2010 Assets	2011 Liabilities	2010 Liabilities
Trading derivatives	80,255	45,179	42,424	46,834
Cash flow hedges of interest rate risk	-	-	5,668	4,451
Fair value hedges of interest rate risk	144	26	9,290	9,444
	80,399	45,205	57,382	60,729

Trading derivatives also include hedge instruments that are non-qualifying according to IAS 39, which are held for risk management purposes rather than for trading. The instruments used include cross-currency interest rate swaps. At 31 December 2011, the total positive fair value of such derivatives was € 4,346 thousand (31 December 2010: € 6,386 thousand) and the negative fair value was nil (31 December 2010: nil).

	2011 Assets	2010 Assets	2011 Liabilities	2010 Liabilities
Trading derivatives – Fair values				
Interest rate instruments				
Swaps	18,035	21,632	19,489	23,780
Options	4,224	1,806	4,248	1,813
	22,259	23,438	23,737	25,593
Foreign currency instruments				
Forwards and swaps	45,773	2,059	10,794	7,894
Cross currency swaps	4,346	6,386	-	-
Options	6,152	8,842	6,168	8,893
	56,271	17,287	16,962	16,787
Equity and commodity instruments				
Equity options	1,725	4,047	1,725	4,047
Commodity options	-	407	-	407
	1,725	4,454	1,725	4,454
	80,255	45,179	42,424	46,834

	2011 Assets	2010 Assets	2011 Liabilities	2010 Liabilities
Trading derivatives – Notional values				
Interest rate instruments				
Swaps	1,045,710	954,181	1,045,710	954,181
Options	145,649	78,991	145,649	78,991
	1,191,359	1,033,172	1,191,359	1,033,172
Foreign currency instruments				
Forwards and swaps	824,781	280,758	790,494	288,177
Cross currency swaps	69,803	71,825	65,433	65,433
Options	45,481	50,266	45,395	49,754
	940,065	402,849	901,322	403,364
Equity and commodity instruments				
Equity options	23,297	22,630	23,297	22,630
Commodity options	234	3,280	234	3,280
	23,531	25,910	23,531	25,910
	2,154,955	1,461,931	2,116,212	1,462,446

Cash flow hedges of interest rate risk

The Bank uses four interest rate swaps to hedge the interest rate risk arising from the issuance of four variable rate mortgage bonds. The cash flows on the floating legs of these interest rate swaps substantially match the cash flow profiles of the variable rate mortgage bonds.

Below is a schedule indicating as at 31 December 2011, the periods when the hedged cash flows are expected to occur. The cash flows of mortgage bonds represent the future undiscounted value of coupons:

	Up to 1 year	1 to 5 years	Over 5 years
2011			
Mortgage bonds – interest rate risk	4,982	12,848	1,674
2010			
Mortgage bonds – interest rate risk	5,070	22,413	3,218

The net expense on cash flow hedges reclassified from 'Other comprehensive income' to the 'Net interest income' during 2011 was € 2,455 thousand (2010: € 3,468 thousand).

Fair value hedges of interest rate risk

The Bank uses three interest rate swaps to hedge the interest rate risk of three fixed rate bonds from the available-for-sale ('AFS') portfolio. The changes in fair value of these interest rate swaps substantially offset the changes in fair value of AFS portfolio bonds, both in relation to changes of interest rates.

Furthermore, the Bank uses one interest rate swap to hedge the interest rate risk arising from the issuance of one fixed rate mortgage bond. The changes in fair value of this interest rate swap substantially offset the changes in fair value of the mortgage bond, both in relation to changes of interest rates.

In 2011, the Bank recognised a net gain of € 455 thousand (2010: net loss of € 3,465 thousand) in relation to the fair value hedging instruments above. The net loss on hedged items attributable to the hedged risks amounted to € 300 thousand (2010: net gain of € 3,564 thousand). Both items are disclosed within 'Net trading income'.

During 2011, interest and similar income from hedged AFS securities in the amount of € 8,038 thousand (2010: € 8,024 thousand) was compensated by interest expense from interest rate swaps hedging instruments in the amount of € 2,559 thousand (2010: € 3,807 thousand).

At 31 December 2011, interest expense from a hedged mortgage bond in the amount of € 163 thousand (31 December 2010: nil) was compensated by interest income from an interest rate swap hedging instrument in the amount of € 17 thousand (31 December 2010: nil).

The foreign branch of VUB uses four interest rate swaps to hedge the interest rate risk of four fixed income loans originated in the Czech Republic. The changes in fair value of these interest rate swaps substantially offset the changes in fair value of the loans, both in relation to changes of interest rates.

In 2011, the Bank recognised in relation to the fair value hedging instruments of the foreign branch of VUB a net loss of € 275 thousand (2010: net gain of € 48 thousand). The net gain on hedged items attributable to the hedged risks amounted to € 287 thousand (2010: net loss of € 47 thousand). Both items are disclosed within 'Net trading income'.

In 2011, interest and similar income from hedged fixed income loans in the amount of € 463 thousand (2010: € 29 thousand) was compensated by interest expense from interest rate swaps hedging instruments in the amount of € 86 thousand (2010: € 8 thousand).

8. Available-for-sale financial assets

	Share 2011	Share 2010	2011	2010
State bonds			1,439,321	1,595,839
Bank bonds			15,666	19,345
Equity shares at cost				
RVS, a.s.	8.38%	8.38%	574	574
S.W.I.F.T.	0.06%	0.06%	65	65
			1,455,626	1,615,823

At 31 December 2011 and 31 December 2010, no available-for-sale financial assets were pledged by the Bank to secure transactions with counterparties.

9. Loans and advances to customers

31 December 2011	Amortized cost	Impairment losses (note 10)	Carrying amount
Sovereigns			
Municipalities	150,654	(294)	150,360
Corporate			
Large Corporates	960,423	(8,943)	951,480
Specialized lending	738,004	(31,765)	706,239
Small and medium enterprises ('SME')	690,100	(36,811)	653,289
Other Financial Institutions	413,213	(588)	412,625
Private Sector Entities	102,304	(706)	101,598
Factoring	123,479	(612)	122,867
	3,027,523	(79,425)	2,948,098
Retail			
Small business	199,625	(15,522)	184,103
Consumer Loans	702,796	(55,588)	647,208
Mortgages	2,716,118	(34,102)	2,682,016
Credit Cards	252,728	(43,861)	208,867
Overdrafts	104,731	(17,788)	86,943
Flat Owners Associations	3,811	(63)	3,748
Other	6,204	(3)	6,201
	3,986,013	(166,927)	3,819,086
	7,164,190	(246,646)	6,917,544

The segmentation of Loans and advances to customers in both 2011 and 2010 is based on the internal definition of segments which is continuously being improved to reflect the Bank's needs. The revised segment definition caused transfers among the individual sectors.

Restated 31 December 2010	Amortized cost	Impairment losses (note 10)	Carrying amount
Sovereigns			
Municipalities	101,730	(205)	101,525
Corporate			
Large Corporates	847,014	(17,011)	830,003
Specialized lending	651,086	(16,443)	634,643
Small and medium enterprises ('SME')	636,480	(39,651)	596,829
Other Financial Institutions	393,177	(203)	392,974
Private Sector Entities	3,253	(39)	3,214
Factoring	53,756	(695)	53,061
	2,584,766	(74,042)	2,510,724
Retail			
Small business	188,861	(14,053)	174,808
Consumer Loans	644,061	(67,635)	576,426
Mortgages	2,476,074	(26,690)	2,449,384
Credit Cards	260,141	(39,763)	220,378
Overdrafts	112,084	(13,736)	98,348
Flat owners associations	3,534	(42)	3,492
Other	6,216	-	6,216
	3,690,971	(161,919)	3,529,052
	6,377,467	(236,166)	6,141,301

At 31 December 2011, the 20 largest corporate customers represented a total balance of € 879,452 thousand (2010: € 701,128 thousand) or 12.28% (2010: 10.99%) of the gross loan portfolio.

10. Impairment losses

	Note	1 Jan 2011	Creation/ (Reversal) (note 30)	Loans written-off/sold (note 30)	FX losses/ (gains)	Other*	31 Dec 2011
Due from banks	5	151	51	-	-	-	202
Non-current assets held for sale	14	1,272	-	-	-	(1,272)	-
Loans and advances to customers	9	236,166	50,155	(35,966)	198	(3,907)	246,646
Held-to-maturity investments	11	249	92	-	-	-	341
Subsidiaries, associates and JVs	12	31,089	17,472	-	-	(7,443)	41,118
Property and equipment	14	461	-	-	-	-	461
Other assets	15	3,690	(91)	-	19	(1,052)	2,566
		273,078	67,679	(35,966)	217	(13,674)	291,334

* 'Other' represents the following movements:
- Release of impairment loss to sold buildings in the amount of € 1,272 thousand (see also note 14)
- Interest portion (unwinding of interest) in the amount of € 3,907 thousand
- Liquidation of VÚB Leasingová, a.s. v likvidácii (in liquidation) in the amount of € 7,443 thousand (see also note 12)
- Release of impairment loss to other receivables written off in the amount of € 1,052 thousand

	Note	1 Jan 2010	Creation/ (Reversal) (note 30)	Loans written-off/sold (note 30)	FX losses/ (gains)	Other*	31 Dec 2010
Due from banks	5	151	-	-	-	-	151
Non-current assets held for sale	14	-	1,272	-	-	-	1,272
Loans and advances to customers	9	207,967	39,079	(10,374)	420	(926)	236,166
Held-to-maturity investments	11	377	(128)	-	-	-	249
Subsidiaries, associates and JVs	12	29,639	1,450	-	-	-	31,089
Property and equipment	14	-	461	-	-	-	461
Other assets	15	2,877	764	-	49	-	3,690
		241,011	42,898	(10,374)	469	(926)	273,078

* Interest portion (unwinding of interest).

11. Held-to-maturity investments

	Note	2011	2010
State restructuring bonds		-	617,613
State bonds		1,125,948	1,123,031
Bank bonds and other bonds issued by financial sector		10,052	9,974
Corporate notes and bonds with contractual maturity over 90 days		1,881	37,894
		1,137,881	1,788,512
Impairment losses	10	(341)	(249)
		1,137,540	1,788,263

At 31 December 2011, state bonds in the total nominal amount of € 230,058 thousand were pledged by the Bank (31 December 2010: € 106,460 thousand) to secure transactions with counterparties.

The last two 10-year state restructuring bonds held in the held-to-maturity portfolio at 31 December 2010 with nominal values of € 366,594 thousand and € 248,855 thousand were fully redeemed on 30 January 2011 and 29 March 2011, respectively.

12. Subsidiaries, associates and jointly controlled entities

	Share %	Cost	Impairment losses (note 10)	Carrying amount
At 31 December 2011				
VÚB Factoring, a.s.	100.0	16,535	(10,533)	6,002
Recovery, a.s.	100.0	3,652	(3,204)	448
VÚB Asset Management, správ. spol. a.s.	100.0	2,821	-	2,821
Consumer Finance Holding, a.s.	100.0	53,114	-	53,114
VÚB Leasing, a. s.	100.0	44,410	(27,381)	17,029
VÚB Generali DSS, a.s.	50.0	16,597	-	16,597
Slovak Banking Credit Bureau, s.r.o.	33.3	3	-	3
		137,132	(41,118)	96,014
At 31 December 2010				
VÚB Factoring, a.s.	100.0	16,535	(12,300)	4,235
VÚB Leasingová, a.s. v likvidácii (in liquidation)	100.0	7,767	(7,443)	324
Recovery, a.s.	100.0	3,652	(3,194)	458
VÚB Asset Management, správ. spol. a.s.	100.0	2,821	-	2,821
Consumer Finance Holding, a.s.	100.0	53,114	-	53,114
VÚB Leasing, a. s.	100.0	44,410	(8,152)	36,258
VÚB Generali DSS, a.s.	50.0	16,597	-	16,597
Slovak Banking Credit Bureau, s.r.o.	33.3	3	-	3
		144,899	(31,089)	113,810

In January 2011, VÚB Leasingová, a.s. v likvidácii (in liquidation) was removed from the Business Register of the Slovak Republic. This act concluded the process of liquidation.

13. Intangible assets

	Software	Other intangible assets	Assets in progress	Total
Cost				
At 1 January 2011	140,687	7,246	4,679	152,612
Additions	-	-	12,789	12,789
Disposals	(3,597)	-	-	(3,597)
Transfers	5,398	648	(6,046)	-
FX differences	(12)	(1)	-	(13)
At 31 December 2011	142,476	7,893	11,422	161,791
Accumulated amortisation				
At 1 January 2011	(117,790)	(4,183)	-	(121,973)
Amortisation for the year	(7,313)	(1,127)	-	(8,440)
Disposals	3,597	-	-	3,597
FX differences	12	1	-	13
At 31 December 2011	(121,494)	(5,309)	-	(126,803)
Carrying amount				
At 1 January 2011	22,897	3,063	4,679	30,639
At 31 December 2011	20,982	2,584	11,422	34,988

Assets in progress include mainly the costs for development of new software applications that have not yet been put to use.

	Software	Other intangible assets	Assets in progress	Total
Cost				
At 1 January 2010	151,702	10,013	3,160	164,875
Additions	-	-	10,433	10,433
Disposals	(19,385)	(3,334)	-	(22,719)
Transfers	8,348	566	(8,914)	-
FX differences	22	1	-	23
At 31 December 2010	140,687	7,246	4,679	152,612
Accumulated amortisation				
At 1 January 2010	(130,322)	(6,346)	-	(136,668)
Amortisation for the year	(6,831)	(1,170)	-	(8,001)
Disposals	19,385	3,334	-	22,719
FX differences	(22)	(1)	-	(23)
At 31 December 2010	(117,790)	(4,183)	-	(121,973)
Carrying amount				
At 1 January 2010	21,380	3,667	3,160	28,207
At 31 December 2010	22,897	3,063	4,679	30,639

Gross book value of fully depreciated assets that are still used by the bank amounts to € 77,878 thousand (€ 75,732 thousand as at 31 December 2010).

14. Property and equipment and Non-current assets held for sale

	Buildings and land	Equipment	Other tangibles	Assets in progress	Total
Cost					
At 1 January 2011	197,348	91,537	31,565	3,492	323,942
Additions	-	-	-	10,606	10,606
Disposals	(930)	(18,568)	(1,417)	-	(20,915)
Transfers	3,267	7,037	487	(10,791)	-
FX differences	(2)	(4)	(3)	-	(9)
At 31 December 2011	199,683	80,002	30,632	3,307	313,624
Accumulated depreciation					
At 1 January 2011	(79,807)	(74,499)	(26,374)	-	(180,680)
Depreciation for the year	(6,752)	(7,489)	(1,703)	-	(15,944)
Disposals	801	18,426	1,351	-	20,578
FX differences	3	4	2	-	9
At 31 December 2011	(85,755)	(63,558)	(26,724)	-	(176,037)
Impairment losses (note 10)					
At 1 January 2011	(461)	-	-	-	(461)
Additions	-	-	-	-	-
At 31 December 2011	(461)	-	-	-	(461)
Carrying amount					
At 1 January 2011	117,080	17,038	5,191	3,492	142,801
At 31 December 2011	113,467	16,444	3,908	3,307	137,126

	Buildings and land	Equipment	Other tangibles	Assets in progress	Total
Cost					
At 1 January 2010	205,604	93,904	31,830	3,759	335,097
Additions	-	-	-	9,931	9,931
Disposals	(10,453)	(9,898)	(766)	-	(21,117)
Transfers	2,192	7,510	496	(10,198)	-
FX differences	5	21	5	-	31
At 31 December 2010	197,348	91,537	31,565	3,492	323,942
Accumulated depreciation					
At 1 January 2010	(75,910)	(76,881)	(24,314)	-	(177,105)
Depreciation for the year	(9,014)	(7,393)	(2,734)	-	(19,141)
Disposals	5,122	9,795	678	-	15,595
FX differences	(5)	(20)	(4)	-	(29)
At 31 December 2010	(79,807)	(74,499)	(26,374)	-	(180,680)
Impairment losses (note 10)					
At 1 January 2010	-	-	-	-	-
Additions	(461)	-	-	-	(461)
At 31 December 2010	(461)	-	-	-	(461)
Carrying amount					
At 1 January 2010	129,694	17,023	7,516	3,759	157,992
At 31 December 2010	117,080	17,038	5,191	3,492	142,801

Gross book value of fully depreciated assets that are still used by the bank amounts to € 67,566 thousand (€ 67,729 thousand as at 31 December 2010).

The Bank's insurance covers all standard risks to tangible and intangible assets (theft, robbery, natural hazards, vandalism, and other damages).

At 31 December 2011 and 31 December 2010, the Bank held in its portfolio of non-current assets held for sale buildings as follows:

	Note	2011	2010
Cost		6	7,768
Accumulated depreciation		(3)	(3,122)
Impairment	10	-	(1,272)
		3	3,374

15. Other assets

	Note	2011	2010
Operating receivables and advances		9,886	10,834
Prepayments and accrued income		4,058	3,940
Settlement of operations with financial instruments		1,517	185
Other tax receivables		1,453	1,274
Inventories		729	448
		17,643	16,681
Impairment losses	10	(2,566)	(3,690)
		15,077	12,991

16. Due to central and other banks

	2011	2010
Due to central banks		
Current accounts	68,111	53,019
Loans received	115,947	-
	184,058	53,019
Due to other banks		
Current accounts	9,600	8,374
Term deposits	110,561	330,642
Loans received	125,506	47,116
	245,667	386,132
	429,725	439,151

Due to central banks include loan received from the NBS with maturity less than one month.

17. Due to customers

	2011	2010
Current accounts	2,919,666	3,067,880
Term deposits	3,751,566	3,330,072
Savings accounts	247,784	285,567
Government and municipal deposits	327,652	434,586
Loans received	159,642	75,180
Promissory notes	56,767	58,136
Other deposits	35,074	25,268
	7,498,151	7,276,689

18. Debt securities in issue

	2011	2010
Bonds	41,986	55,001
Mortgage bonds	1,410,797	1,383,033
Mortgage bonds subject to cash flow hedges	180,232	181,557
Mortgage bonds subject to fair value hedge	27,278	-
	1,618,307	1,564,590
Revaluation of fair value hedged mortgage bonds	194	-
	1,660,487	1,619,591

The repayment of mortgage bonds is funded by the mortgage loans provided to customers of the Bank (see also note 9).

Name	Interest rate (%)	CCY	Number of mortgage bonds issued at 31 Dec 2011	Nominal value in CCY per piece	Issue date	Maturity date	2011	2010
Mortgage bonds VÚB, a.s. VII.	5.10	EUR	10,000	3,319	15.4.2003	15.4.2013	34,398	34,398
Mortgage bonds VÚB, a.s. VIII.	5.10	EUR	1,000	33,194	29.5.2003	29.5.2013	34,191	34,191
Mortgage bonds VÚB, a.s. XVII.	1.58	EUR	1,678	33,194	28.11.2005	28.11.2015	55,780	55,757
Mortgage bonds VÚB, a.s. XX.	4.30	EUR	50	331,939	9.3.2006	9.3.2021	17,176	17,176
Mortgage bonds VÚB, a.s. XXI.	1.10	EUR	500	33,194	10.3.2006	10.3.2011	-	16,608
Mortgage bonds VÚB, a.s. XXII.	1.18	EUR	1,200	50,000	29.6.2006	29.6.2011	-	60,004
Mortgage bonds VÚB, a.s. XXIII.	1.18	EUR	60	1,000,000	26.10.2006	26.10.2011	-	60,128
Mortgage bonds VÚB, a.s. XXIV.	1.35	EUR	1,500	33,194	24.11.2006	24.11.2011	-	49,860
Mortgage bonds VÚB, a.s. XXV.	1.19	EUR	30	1,000,000	5.12.2006	5.12.2011	-	30,026
Mortgage bonds VÚB, a.s. XXVIII.	1.95	CZK	1,000	1,000,000	20.6.2007	20.6.2012	38,905	40,240
Mortgage bonds VÚB, a.s. XXIX.	1.80	EUR	500	33,194	16.10.2007	16.10.2012	16,657	16,637
Mortgage bonds VÚB, a.s. XXX.	5.00	EUR	1,000	33,194	5.9.2007	5.9.2032	33,346	33,327
Mortgage bonds VÚB, a.s. XXXI.	4.90	EUR	600	33,194	29.11.2007	29.11.2037	19,638	19,624
Mortgage bonds VÚB, a.s. 32.	2.95	CZK	800	1,000,000	17.12.2007	17.12.2017	33,412	34,791
Mortgage bonds VÚB, a.s. 35.	4.40	EUR	630	33,194	19.3.2008	19.3.2016	21,257	21,167
Mortgage bonds VÚB, a.s. 36.	4.75	EUR	560	33,194	31.3.2008	31.3.2020	18,846	18,796
Mortgage bonds VÚB, a.s. 37.	1.47	EUR	40	1,000,000	30.4.2008	30.4.2011	-	40,103
Mortgage bonds VÚB, a.s. 39.	2.10	EUR	60	1,000,000	26.6.2008	26.6.2015	60,017	60,012
Mortgage bonds VÚB, a.s. 40.	2.21	EUR	70	1,000,000	28.8.2008	28.8.2015	70,146	70,117
Mortgage bonds VÚB, a.s. 41.	5.63	USD	34	1,000,000	30.9.2008	30.9.2013	26,651	25,807
Mortgage bonds VÚB, a.s. 42.	4.00	EUR	400	50,000	28.4.2009	28.4.2012	20,540	20,540
Mortgage bonds VÚB, a.s. 43.	5.10	EUR	500	33,194	26.9.2008	26.9.2025	15,484	15,387
Mortgage bonds VÚB, a.s. 44.	4.75	EUR	300	50,000	11.2.2009	11.2.2012	15,633	15,633
Mortgage bonds VÚB, a.s. 46.	4.61	EUR	150	1,000,000	19.5.2009	19.5.2016	154,264	154,264
Mortgage bonds VÚB, a.s. 48.	4.00	EUR	19,961	1,000	11.5.2009	11.5.2013	20,472	20,511
Mortgage bonds VÚB, a.s. 49.	3.92	EUR	100	1,000,000	28.7.2009	28.7.2014	101,666	101,666
Mortgage bonds VÚB, a.s. 50.	3.40	EUR	8,391	1,000	2.11.2009	2.11.2013	8,438	8,454

Mortgage bonds VÚB, a.s. 51.	2.14	EUR	100	1,000,000	8.4.2010	8.4.2014	100,492	100,355
Mortgage bonds VÚB, a.s. 52.	2.16	EUR	161	50,000	15.3.2010	15.3.2014	8,101	8,102
Mortgage bonds VÚB, a.s. 53.	2.28	EUR	100	1,000,000	8.4.2010	8.4.2017	100,525	100,387
Mortgage bonds VÚB, a.s. 54.	3.00	EUR	15,000	1,000	1.7.2010	1.7.2014	15,225	15,225
Mortgage bonds VÚB, a.s. 55.	2.85	EUR	14,000	1,000	1.10.2010	1.10.2015	14,100	14,100
Mortgage bonds VÚB, a.s. 56.	3.07	EUR	70	1,000,000	30.9.2010	30.9.2017	70,543	70,434
Mortgage bonds VÚB, a.s. 57.	3.06	EUR	100	1,000,000	30.9.2010	30.9.2018	100,772	100,620
Mortgage bonds VÚB, a.s. 58.	3.50	EUR	80	1,000,000	10.12.2010	10.12.2019	80,164	80,143
Mortgage bonds VÚB, a.s. 59.	3.00	EUR	25,000	1,000	1.3.2011	1.3.2015	25,625	-
Mortgage bonds VÚB, a.s. 60.	2.05	CZK	4,345	100,000	20.5.2011	20.5.2014	16,856	-
Mortgage bonds VÚB, a.s. 61.	3.10	EUR	467	10,000	7.6.2011	7.6.2015	4,666	-
Mortgage bonds VÚB, a.s. 62.	3.82	EUR	100	1,000,000	28.7.2011	28.7.2018	101,624	-
Mortgage bonds VÚB, a.s. 63.	3.75	EUR	35,000	1,000	16.9.2011	16.3.2016	35,383	-
Mortgage bonds VÚB, a.s. 64.	3.25	CZK	7,000	100,000	26.9.2011	26.9.2016	27,278	-
Mortgage bonds VÚB, a.s. 65.	2.19	EUR	60	1,000,000	26.10.2011	26.10.2012	59,362	-
Mortgage bonds VÚB, a.s. 66.	3.40	EUR	517	50,000	28.11.2011	28.11.2014	25,603	-
Mortgage bonds VÚB, a.s. 67.	5.35	EUR	300	50,000	29.11.2011	29.11.2030	15,071	-
							1,618,307	1,564,590

19. Current and deferred income taxes

	2011	2010
Current income tax assets	550	6,882

	2011	2010
Deferred income tax assets	64,601	54,092

Deferred income taxes are calculated on all temporary differences using a tax rate of 19% (31 December 2010: 19%) as follows:

	2011	Profit/ (loss) (note 31)	Equity	2010
Due from banks	38	9	-	29
Derivative financial instruments designated as cash flow hedges	1,077	-	231	846
Available-for-sale financial assets	17,029	-	10,560	6,469
Loans and advances to customers	46,707	1,996	-	44,711
Held-to-maturity investments	65	18	-	47
Property and equipment	(2,762)	(644)	-	(2,118)
Other liabilities	3,966	(142)	-	4,108
Other	(1,519)	(1,519)	-	-
Deferred income tax assets	64,601	(282)	10,791	54,092

20. Provisions

	2011	2010
Litigations	24,285	23,517

The movement in provisions was as follows:

	1 jan 2011	Creation/ (Reversal)	FX diff	31 Dec 2011
Litigations (note 23, note 29)	23,517	782	(14)	24,285

	1 jan 2010	Creation/ (Reversal)	FX diff	31 Dec 2010
Litigations (note 23, note 29)	24,993	(1,465)	(11)	23,517

21. Other liabilities

	2011	2010
Settlement with employees	19,861	19,160
Various creditors	18,249	11,927
Financial guarantees and commitments	10,800	13,674
Accruals and deferred income	3,901	1,976
VAT payable and other tax payables	2,507	2,681
Severance and Jubilee benefits	1,898	1,321
Settlement with shareholders	974	1,178
Retention program	904	1,016
Settlement with securities	99	1
	59,193	52,934

The movements in Financial guarantees and commitments, Severance and Jubilee benefits and Retention program were as follows:

	Note	1 Jan 2011	Creation/ (Reversal)	FX diff	31 Dec 2011
Financial guarantees and commitments	30	13,674	(2,860)	(14)	10,800
Severance and Jubilee benefits	28	1,321	577	-	1,898
Retention program	28	1,016	(112)	-	904
		16,011	(2,395)	(14)	13,602

	Note	1 Jan 2010	Creation/ (Reversal)	FX diff	31 Dec 2010
Financial guarantees and commitments	30	9,595	4,079	-	13,674
Severance and Jubilee benefits	28	1,215	106	-	1,321
Retention program	28	1,026	(10)	-	1,016
		11,836	4,175	-	16,011

22. Share capital

	2011	2010
Authorized, issued and fully paid:		
89 ordinary shares of € 3,319,391.89 each, not traded	295,426	295,426
4,078,108 ordinary shares of € 33.2 each, publicly traded	135,393	135,393
	430,819	430,819
Net profit for the year attributable to shareholders	157,664	149,377
Divided by 12,976,478 ordinary shares of € 33.2 each		
Basic and diluted earnings per € 33.2 share in Euro	12.15	11.51

The principal rights attached to shares are to take part in and vote at the general meeting of shareholders and to receive dividends.

The structure of shareholders is as follows:

	2011	2010
Intesa Holding International S.A.	96.76%	96.76%
Domestic shareholders	2.91%	2.97%
Foreign shareholders	0.33%	0.27%
	100.00%	100.00%

The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value.

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes have yet been made in the objectives, policies and processes from the previous years, however, it is under the constant scrutiny of the Board.

The Bank's regulatory capital position at 31 December 2011 and 31 December 2010 was as follows:

	2011	2010
Tier 1 capital		
Share capital	430,819	430,819
Share premium	13,368	13,368
Retained earnings without net profit for the year	460,458	370,308
Legal reserve fund	87,493	87,493
Less software (including software in Assets in progress)	(32,404)	(27,576)
Less negative revaluation of available-for-sale financial assets *	(85,695)	-
Less expected loss	(57,073)	-
	816,966	874,412
Tier 2 capital		
Positive revaluation of available-for-sale financial assets *	759	-
Regulatory adjustment		
Subsidiaries, associates and jointly controlled entities	(96,011)	(113,807)
Expected loss (incl. equity instruments)	(4,286)	-
	(100,297)	(113,807)
Total regulatory capital	717,428	760,605

*Calculated based on NBS regulatory requirement.

Regulatory capital includes items forming the value of basic own funds (ordinary share capital, share premium, retained earnings, legal reserve fund) and items decreasing the value of basic own funds (intangible assets and investments with significant influence). Since 1 January 2011, a new item is deducted from regulatory capital – the difference between the expected loss and impairment losses on exposures treated under the standardised approach. The methodology is prescribed by NBS decree 11/2010 stipulating methods of valuing banking book positions and details of the valuation of banking book positions, including the frequency of such valuations. Since February 2011, the Bank is also obliged to deduct difference between the expected loss and impairment losses if positive for the IRB portfolio (Corporate segment) and the expected loss for equities (Simple IRB approach). Furthermore, according to the amendment to NBS decree 4/2007 (amendment number 3/2011), since 30 May 2011 the Bank is obliged to decrease the value of regulatory capital by the negative revaluation differences arising from the revaluation of available-for-sale financial assets.

	2011	2010
Tier 1 capital	816,966	874,412
Tier 2 capital	759	-
Regulatory adjustment	(100,297)	(113,807)
Total regulatory capital	717,428	760,605
Total Risk Weighted Assets	7,077,041	6,473,350
Tier 1 capital ratio	11.54%	13.51%
Total capital ratio	10.14%	11.75%

Regulatory capital consists of Tier 1 capital, which comprises share capital, share premium, retained earnings without profit for the current year, foreign currency translation and reserves. Certain adjustments are made to IFRS-based results and reserves, as prescribed by the NBS. The other component of regulatory capital is Tier 2 capital, which includes subordinated long term debt, preference shares and available-for-sale reserves relating capital instruments.

The Bank must maintain a capital adequacy ratio of at least 8% according to the act on banks. The capital adequacy ratio is the ratio between the Bank's capital and the risk weighted assets. Risk weighted assets include risk weighted assets from positions recorded in the trading book and risk weighted assets from positions recorded in the banking book. The Bank complied with the Act on Banks requirement for the capital adequacy ratio as at 31 December 2011 and 31 December 2010.

In addition to the requirements of the Act on Banks, from December 2011 the Bank is obliged to fulfil also the additional requirement due to the joint decision of the NBS and Banca d'Italia supervision authorities, issued on 21 December 2011. Based on this decision the Bank is obliged to maintain the Total capital ratio of at least 10% for both the separate and consolidated level. The VUB Bank complied with this requirement as at 31 December 2011.

23. Financial commitments and contingencies

	2011	2010
Issued guarantees	547,302	585,782
Commitments and undrawn credit facilities	2,174,294	2,021,168
	2,721,596	2,606,950

(a) Issued guarantees

Commitments from guarantees represent irrevocable assurances that the Bank will make payments in the event that a borrower cannot meet its obligations to third parties. These assurances carry the same credit risk as loans and therefore the Bank books liabilities against these instruments on a similar basis as is applicable to loans.

(b) Commitments and undrawn credit facilities

The primary purpose of commitments to extend credit is to ensure that funds are available to the customer as required. Commitments to extend credit issued by the Bank represent undrawn portions of commitments and approved overdraft loans.

(c) Lease obligations

In the normal course of business, the Bank enters into operating lease agreements for branch facilities and cars. The total value of future payments arising from non-cancellable operating leasing contracts at 31 December 2011 and 31 December 2010 was as follows:

	2011	2010
Up to 1 year	1,309	1,501
1 to 5 years	2,201	1,272
Over 5 years	-	-
	3,510	2,773

d) Legal

In the normal course of business, the Bank is subject to a variety of legal actions. The Bank conducted a review of legal proceedings outstanding against it as of 31 December 2011. Pursuant to this review, management has recorded total provisions of € 24,285 thousand (31 December 2010: € 23,517 thousand) in respect of such legal proceedings (see also note 20). The Bank will continue to defend its position in respect of each of these legal proceedings. In addition to the legal proceedings covered by provisions, there are contingent liabilities arising from legal proceedings in the total amount of € 21,078 thousand, as at 31 December 2011 (31 December 2010: € 19,039 thousand). This amount represents existing legal proceedings against the Bank that in the opinion of the Legal Department of the Bank will most probably not result in any payments due by the Bank.

The particular requirements pursuant to IAS 37.85 are not disclosed in accordance with IAS 37.92 in order not to compromise the Bank's position in the ongoing legal proceedings and disputes.

24. Net interest income

	2011	2010
Interest and similar income		
Due from banks	16,397	8,822
Loans and advances to customers	356,665	311,097
Bonds, treasury bills and other securities:		
Financial assets held for trading	8,969	9,386
Available-for-sale financial assets	53,348	44,830
Held-to-maturity investments	49,545	59,369
	484,924	433,504
Interest expense and similar charges		
Due to banks	(2,557)	(3,849)
Due to customers	(76,143)	(61,991)
Debt securities in issue	(53,119)	(42,788)
	(131,819)	(108,628)
	353,105	324,876

Interest income on individually impaired loans and advances to customers for 2011 amounted to € 8,006 thousand (2010: € 13,119 thousand).

25. Net fee and commission income

	2011	2010
Fee and commission income		
Received from banks	6,395	5,718
Received from customers:		
Current accounts	46,430	44,046
Term deposits	1,003	638
Insurance mediation	10,134	9,079
Loans and guarantees	37,525	38,042
Overdrafts	1,921	2,438
Securities	6,310	5,491
Transactions and payments	23,753	30,211
Other	2,418	2,209
	135,889	137,872
Fee and commission expense		
Paid to banks	(13,775)	(19,956)
Paid to mediators:		
Credit cards	(32,869)	(39,919)
Securities	(629)	(678)
Services	(5,417)	(2,455)
Other	(1,048)	(1,256)
	(53,738)	(64,264)
	82,151	73,608

26. Net trading income

	2011	2010
Foreign currency derivatives and transactions	769	(4,375)
Customer FX margins	4,839	5,584
Cross currency swaps	(1,908)	4,352
Equity derivatives	80	106
Interest rate derivatives*	(1,086)	(3,755)
Securities:		
Financial assets held for trading	(1,337)	769
Available-for-sale financial assets*	(248)	3,565
Debt securities in issue*	(194)	-
	915	6,246

* Includes the revaluation of financial instruments that are part of the hedging relationship, i.e. fair value hedges of interest rate risk (see also note 7).

At 31 December 2011, the amount still to be recognised in income resulting from Day 1 profit amounted to € 134 thousand (31 December 2010: € 257 thousand), thereof € 124 thousand is to be recognized within one year (31 December 2010: € 241 thousand) and the remaining € 10 thousand in the period 1 to 5 years (31 December 2010: € 16 thousand).

27. Other operating income

	2011	2010
Compensation settlement from Generali Slovensko poisťovňa, a.s.*	4,100	-
Rent	1,427	1,643
Net profit/(loss) from sale of fixed assets	331	(101)
Other	2,751	2,285
	8,609	3,827

* Represents the settlement for new clients' acquisition done by the VUB Bank after the incorporation of VUB Generali DSS, a.s.

28. Salaries and employee benefits

	Note	2011	2010
Remuneration		(68,199)	(63,894)
Social security costs		(23,714)	(22,951)
Social fund		(1,225)	(782)
Retention program	21	112	10
Severance and Jubilee benefits	21	(577)	(106)
		(93,603)	(87,723)

At 31 December 2011, the total number of employees of the Bank was 3,542 (31 December 2010: 3,487).

The Bank does not have any pension arrangements separate from the pension system established by the law, which requires mandatory contributions of a certain percentage of gross salaries to the State owned social insurance and privately owned pension funds. These contributions are recognised in the period when salaries are earned by employees. No further liabilities are arising to the Bank from the payment of pensions to employees in the future.

29. Other operating expenses

	Note	2011	2010
Property related expenses		(13,848)	(13,325)
IT systems maintenance		(11,151)	(10,245)
Post and telecom		(9,546)	(9,716)
Contribution to the Deposit Protection Fund		(8,562)	(8,437)
Advertising and marketing		(7,286)	(6,140)
Equipment related expenses		(6,849)	(7,030)
VAT and other taxes		(5,912)	(5,817)
Security		(3,678)	(3,587)
Professional services		(2,837)	(3,296)
Stationery		(2,656)	(2,614)
Provisions for litigations	20	(782)	1,465
Insurance		(776)	(724)
Travelling		(684)	(747)
Training		(631)	(623)
Audit*		(583)	(538)
Litigations paid		(583)	(1,084)
Transport		(531)	(451)
Other damages		(215)	(1,832)
Other operating expenses		(4,843)	(1,905)
		(81,953)	(76,646)

* As at 31 December 2011, the audit expense consists of fees for the statutory audit in the amount of € 233 thousand (31 December 2010: € 215 thousand), group reporting in the amount of € 233 thousand (31 December 2010: € 215 thousand) and other reporting in the amount of € 117 thousand (31 December 2010: € 108 thousand).

30. Impairment losses on financial assets

	Note	2011	2010
Net creation of impairment losses	10	(67,679)	(42,898)
Net reversal/(creation) of liabilities – financial guarantees and commitments	21	2,860	(4,079)
		(64,819)	(46,977)
Nominal value of loans written-off		(26,917)	(10,324)
Nominal value of loans sold		(21,732)	(5,040)
Proceeds from loans written-off		5,035	2,119
Proceeds from loans sold		5,169	1,791
		(38,445)	(11,454)
Release of impairment losses to loans written-off/sold	10		
Loans written-off		17,954	6,672
Loans sold		18,012	3,702
		35,966	10,374
		(67,298)	(48,057)

31. Income tax expense

	Note	2011	2010
Current income tax		(39,747)	(40,127)
Deferred income tax	19	(282)	6,234
		(40,029)	(33,893)

The movement in the Statement of comprehensive income in deferred taxes is as follows:

	2011	2010
Due from banks	9	1
Loans and advances to customers	1,996	5,290
Held-to-maturity investments	18	(24)
Property and equipment	(644)	173
Other liabilities and provisions	(142)	794
Other	(1,519)	-
	(282)	6,234

The effective tax rate differs from the statutory tax rate in 2011 and in 2010.

Reconciliation of the Bank's profit before tax with the actual corporate income tax is as follows:

	2011	2010
Profit before tax	197,693	183,270
Applicable tax rate	19%	19%
Theoretical tax charge	(37,562)	(34,821)
Tax non-deductible items	(2,539)	736
Adjustments for current tax of prior periods	72	192
Tax expense	(40,029)	(33,893)
Effective tax rate	20.25%	18.49%

32. Components of other comprehensive income

	2011	2010
Exchange differences on translating foreign operations	(38)	485
Available-for-sale financial assets:		
Revaluation losses arising during the year	(55,580)	(41,501)
Cash flow hedges:		
Revaluation losses arising during the year	(1,242)	(1,774)
Total other comprehensive income	(56,860)	(42,790)
Income tax relating to components of other comprehensive income	10,796	8,222
Other comprehensive income for the year	(46,064)	(34,568)

33. Income tax effects relating to comprehensive income

	2011 Before tax amount	2011 Tax benefit	2011 Net of tax amount	2010 Before tax amount	2010 Tax benefit	2010 Net of tax amount
Exchange differences on translating foreign operations	(38)	-	(38)	485	-	485
Available-for-sale financial assets	(55,580)	10,560	(45,020)	(41,501)	7,885	(33,616)
Net movement on cash flow hedges	(1,242)	236	(1,006)	(1,774)	337	(1,437)
	(56,860)	10,796	(46,064)	(42,790)	8,222	(34,568)

34. Estimated fair value of financial assets and liabilities

The fair value of financial instruments is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Where available, fair value estimates are made based on quoted market prices. However, no readily available market prices exist for a significant portion of the Bank's financial instruments. In circumstances where the quoted market prices are not readily available, the fair value is estimated using discounted cash flow models or other pricing models as appropriate. Changes in underlying assumptions, including discount rates and estimated future cash flows, significantly affect the estimates. Therefore, the calculated fair market estimates might not be realised in a current sale of the financial instrument.

In estimating the fair value of the Bank's financial instruments, the following methods and assumptions were used:

(a) Cash and balances with central banks
The carrying values of cash and cash equivalents are generally deemed to approximate their fair value.

(b) Due from banks
The fair value of due from banks balances with longer maturities and material amounts is estimated using discounted cash flow analyses, based upon the risk free interest rate curve. By shorter maturities and not significant balances, the estimated fair value of amounts due from banks approximates their carrying amounts. Impairment losses are taken into consideration when calculating fair values.

(c) Loans and advances to customers
The fair value of loans and advances to customers is estimated using discounted cash flow analyses, based upon the risk free interest rate curve. Impairment losses and liquidity premiums are taken into consideration when calculating fair values.

(d) Held-to-maturity investments
The fair value of securities carried in the 'Held-to-maturity investments' portfolio is based on quoted market prices. Where no market prices are available, the fair value is calculated by discounting future cash flows using risk free interest rate curve adjusted to reflect credit risk.

(e) Due to banks and customers
The estimated fair value of due to banks approximates their carrying amounts. The fair value of due to

customers with short term maturity (under one year, including current accounts) is estimated by discounting their future expected cash flows using the risk free interest rate curve. The fair value of deposits with maturity over one year is discounted using the risk free interest rate curve adjusted by credit spreads reflecting the credit quality of VUB as the borrower.

(f) Debt securities in issue

The fair value of debt securities issued by the Bank is based on quoted market prices. Where no market prices are available, the fair value was calculated by discounting future cash flows using the risk free interest rate curve adjusted by credit spreads reflecting the credit quality of VUB as the issuer.

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

31 December 2011	Note	Trading	Held–to–maturity	Loans and receivables	Available–for–sale	Other amortized cost	Total carrying amount	Fair value
Cash and balances with central banks	4	-	-	90,918	-	-	90,918	90,918
Due from banks	5	-	-	501,444	-	-	501,444	502,330
Financial assets held for trading	6	269,852	-	-	-	-	269,852	269,852
Derivative financial instruments	7	80,399	-	-	-	-	80,399	80,399
Available-for-sale financial assets	8	-	-	-	1,455,626	-	1,455,626	1,455,626
Loans and advances to customers	9	-	-	6,917,544	-	-	6,917,544	7,086,626
Held-to-maturity investments	11	-	1,137,540	-	-	-	1,137,540	1,116,000
		350,251	1,137,540	7,509,906	1,455,626	-	10,453,323	10,601,751
Due to central and other banks	16	-	-	-	-	(429,725)	(429,725)	(429,725)
Derivative financial instruments	7	(57,382)	-	-	-	-	(57,382)	(57,382)
Due to customers	17	-	-	-	-	(7,498,151)	(7,498,151)	(7,315,883)
Debt securities in issue	18	-	-	-	-	(1,660,487)	(1,660,487)	(1,498,658)
		(57,382)	-	-	-	(9,588,363)	(9,645,745)	(9,301,648)

31 December 2010	Note	Trading	Held–to–maturity	Loans and receiva-bles	Available–for–sale	Other amortized cost	Total carrying amount	Fair value
Cash and balances with central banks	4	-	-	179,064	-	-	179,064	179,064
Due from banks	5	-	-	108,598	-	-	108,598	108,598
Financial assets held for trading	6	249,973	-	-	-	-	249,973	249,973
Derivative financial instruments	7	45,205	-	-	-	-	45,205	45,205
Available-for-sale financial assets	8	-	-	-	1,615,823	-	1,615,823	1,615,823
Loans and advances to customers	9	-	-	6,141,301	-	-	6,141,301	6,575,787
Held-to-maturity investments	11	-	1,788,263	-	-	-	1,788,263	1,819,302
		295,178	1,788,263	6,428,963	1,615,823	-	10,128,227	10,593,752
Due to central and other banks	16	-	-	-	-	(439,151)	(439,151)	(439,151)
Derivative financial instruments	7	(60,729)	-	-	-	-	(60,729)	(60,729)
Due to customers	17	-	-	-	-	(7,276,689)	(7,276,689)	(6,898,324)
Debt securities in issue	18	-	-	-	-	(1,619,591)	(1,619,591)	(1,546,017)
		(60,729)	-	-	-	(9,335,431)	(9,396,160)	(8,944,221)

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	Note	Level 1	Level 2	Level 3	2011 Total	Level 1	Level 2	Level 3	2010 Total
Financial assets									
Financial assets held for trading	6								
Treasury bills and other eligible bills		23,098	169,135	-	192,233	-	174,201	-	174,201
State bonds		47,279	30,340	-	77,619	75,772	-	-	75,772
		70,377	199,475	-	269,852	75,772	174,201	-	249,973
Derivative financial instruments	7								
Interest rate instruments		-	22,403	-	22,403	-	23,464	-	23,464
Foreign currency instruments		-	56,271	-	56,271	-	17,287	-	17,287
Equity and commodity instruments		-	1,725	-	1,725	-	4,454	-	4,454
		-	80,399	-	80,399	-	45,205	-	45,205
Available-for-sale financial assets	8								
State bonds		256,449	1,182,872	-	1,439,321	272,747	1,323,092	-	1,595,839
Bank bonds		-	15,666	-	15,666	-	19,345	-	19,345
Equity shares			639	-	639	-	639	-	639
		256,449	1,199,177	-	1,455,626	272,747	1,343,076	-	1,615,823
Financial liabilities									
Derivative financial instruments	7								
Interest rate instruments		-	38,695	-	38,695	-	39,488	-	39,488
Foreign currency instruments		-	16,962	-	16,962	-	16,787	-	16,787
Equity and commodity instruments		-	1,725	-	1,725	-	4,454	-	4,454
		-	57,382	-	57,382	-	60,729	-	60,729

There were no significant transfers of financial instruments among the levels during 2011 and 2010.

35. Financial risk management

Introduction and overview

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

(a) credit risk,
(b) market risk,
(c) liquidity risk,
(d) operational risk.

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk.

Risk management framework

The Management Board is the statutory body governing the executive management of the Bank, and has absolute authority over all matters concerning risk. The Management Board has primary responsibility for the creation and dissolution of risk related governance bodies. The primary governance bodies overseeing risk issues are:

- Asset/Liability Committee ('ALCO'),
- Credit Risk Committee ('CRC'),
- Operational Risk Committee ('ORC').

The Management Board delegates its risk authority to these governance bodies in the form of statutes, which identify members of the governance bodies, competencies and responsibilities of the members. The competency of each governance body is established in relevant Charters.

The Bank's risk management policies are established to identify and analyze the risks faced by the Bank, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, 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 Bank's Internal Audit Department is responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures.

(a) Credit risk

The Credit risk is the risk of a financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers and banks as well as investment securities. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk). For risk management purposes, the credit risk arising on trading securities is managed independently, but reported as a component of market risk exposure.

Credit Risk Charter establishes the guidelines for measurement, control and management of credit risk by defining the legal framework, main responsibilities, policies and methodologies that support the credit risk management process of VUB Bank.

More specifically, the Credit Risk Charter defines both the general and specific (retail, corporate) credit risk requirements for applied methodologies and procedures, and includes, as separate sections, the policies governing the key aspects of the Bank's credit risk management process:

- Authorized Approval Authority,
- Collateral Management Policy,
- Loan, Non Credit Receivables And Off Balance Sheet Credit Products Loss Provisioning Policy,
- Credit Concentration Limits,
- Default Definition,
- Risk Management Client Segmentation Policy,
- Corporate Credit Policy, Retail Credit Policy,
- Retail and Corporate Remedial Management and Collections.

Management of credit risk

The Risk Management Division is established within the Bank as a Control Unit and managed by the Chief Risk Officer, who is a member of the Bank's Management Board. The Risk Management Division is organisationally structured to provide support to the Business Units, as well as to provide reporting of credit, market and operational risks to the Supervisory Board and Management Board. The Risk Management Division is responsible for overseeing the Bank's credit risk including:

- The development of credit risk strategies, policies, processes and procedures covering rules for credit assessment, collateral requirements, risk grading and reporting.
- Setting limits for the concentration of exposure to counterparties, related parties, countries and total assets and monitoring compliance with those limits.
- Establishment of the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are set in the Credit Risk Charter.
- Credit risk assessment according to defined policy.
- Monitoring of quality portfolio performance and its compliance with set limits (regulatory, internal). Regular reports are provided to Management Board and CRC on the credit quality of Bank's portfolios and appropriate corrective measures are taken.
- Development, maintenance and validation of scoring and rating models – both application and behavioural.
- Development, maintenance and back-testing of impairment losses model (the Markov chains methodology is used).

Allowances for impairment

The Bank establishes an allowance for impairment losses, which represents its estimate of incurred losses in its loan portfolio.

If there is evidence of impairment for any individually significant client of the Bank, such as a breach of contract, problems with repayments or collateral, the Bank transfers such a client to the Recovery Department, for pursuing collection activities. Such clients are considered to be individually impaired. For collective impairment, the Bank uses historical evidence of impairment on a portfolio basis, mainly based on the payment discipline of clients.

Impairment losses are calculated individually for individually significant clients for which evidence of impairment exists and collectively for individually significant clients without evidence of impairment and for individually insignificant client groups of homogeneous assets. Collective impairment losses are calculated for each group using a mathematical model (IRB approach as well as the Markov chains methodology is used).

Rules for identifying significant clients and methodology for calculation are set in Credit Risk Charter or can be found in the Internal Provisioning Policy procedure.

From September 2010, the Bank implemented the definitions of non-performing loans derived from the Harmonisation project. The Harmonisation project is driven by Intesa Sanpaolo in order to unify the definitions and categories of non-performing loans across the foreign subsidiaries of the Intesa Sanpaolo Group. The definition covers non-performing (past due, substandard, doubtful) loans as well as the restructured exposures. The definition of non-performing loans is based on delinquency (days past due - DPD) and materiality threshold of client (corporate clients) respectively of the loan (retail clients). Generally, all credit receivables with a delinquency of higher than or equal to 90 days and a materiality threshold of higher than or equal to 5% of outstanding total credit exposures to client (corporate clients) respectively 50 € (retail clients) are considered to be non-performing.

Credit risk measurement

The bank generally uses the standardised approach for the calculation of the capital requirement. However, for the calculation of credit and counterparty risk capital requirements, the Bank, having received authorisation from the Supervisory Authority, uses the Foundation IRB approach for the Corporate segment from February 2011. The Bank is also proceeding with the development of the rating models for other segments, to which the standard methods are currently applied, and also with the extension of the scope of companies in accordance with the gradual rollout plan for the advanced approaches presented to the Supervisory Authority.

The following table describes the Bank's credit portfolio in terms of classification categories:

				2011			Restated 2010
	Category	Amortized cost	Impairment losses	Carrying amount	Amortized cost	Impairment losses	Carrying amount
Banks							
	Performing	501,495	(51)	501,444	108,421	-	108,421
	Doubtful	151	(151)	-	328	(151)	177
		501,646	(202)	501,444	108,749	(151)	108,598
Sovereigns							
	Performing	149,881	(172)	149,709	100,800	(163)	100,637
	Past due	307	-	307	95	-	95
	Substandard	173	(5)	168	835	(42)	793
	Doubtful	293	(117)	176	-	-	-
		150,654	(294)	150,360	101,730	(205)	101,525
Corporate							
	Performing	2,855,988	(21,819)	2,834,169	2,444,800	(29,764)	2,415,036
	Past due	221	(133)	88	115	(15)	100
	Restructured	17,974	(5,997)	11,977	19,332	(4,314)	15,018
	Substandard	113,864	(27,409)	86,455	74,189	(12,643)	61,546
	Doubtful	39,476	(24,067)	15,409	46,330	(27,306)	19,024
		3,027,523	(79,425)	2,948,098	2,584,766	(74,042)	2,510,724
Retail							
	Performing	3,765,940	(47,776)	3,718,164	3,485,614	(45,762)	3,439,852
	Past due	34,471	(13,946)	20,525	33,551	(14,048)	19,503
	Substandard	27,298	(10,311)	16,987	27,353	(12,199)	15,154
	Doubtful	158,304	(94,894)	63,410	144,453	(89,910)	54,543
		3,986,013	(166,927)	3,819,086	3,690,971	(161,919)	3,529,052
Securities							
	Performing	2,861,478	(231)	2,861,247	3,652,427	-	3,652,427
	Substandard	1,881	(110)	1,771	1,881	(249)	1,632
		2,863,359	(341)	2,863,018	3,654,308	(249)	3,654,059

The comparative balances for 2010 were restated to better reflect the actual split to individual categories.

The table below shows the maximum amount of credit risk of derivative financial instruments, issued guarantees, commitments and undrawn credit facilities. The credit risk of the remaining financial assets not reported in the table below approximates their carrying amounts.

	2011	2010
Financial assets		
Derivative financial instruments	106,471	65,528
Financial commitments and contingencies		
Issued guarantees	547,302	585,782
Commitments and undrawn credit facilities	2,174,294	2,021,168
	2,721,596	2,606,950
	2,828,067	2,672,478

The payment discipline of each client is monitored regularly. If a client is past due with some payments, appropriate action is taken. The following table shows the Bank's credit portfolio in terms of delinquency of payments.

			2011			Restated 2010
	Amortized cost	Impairment losses	Carrying amount	Amortized cost	Impairment losses	Carrying amount
Banks						
No delinquency	501,494	(51)	501,443	96,009	-	96,009
1 – 30 days	1	-	1	12,412	-	12,412
Over 181 days*	151	(151)	-	328	(151)	177
	501,646	(202)	501,444	108,749	(151)	108,598
Sovereigns						
No delinquency	149,991	(172)	149,819	98,586	(163)	98,423
1 – 30 days	124	-	124	2,023	-	2,023
31 – 60 days	73	-	73	191	-	191
61 – 90 days	-	-	-	95	-	95
91 – 180 days	464	(122)	342	834	(42)	792
Over 181 days*	2	-	2	1	-	1
	150,654	(294)	150,360	101,730	(205)	101,525
Corporate						
No delinquency	2,963,155	(53,571)	2,909,584	2,519,206	(43,309)	2,475,897
1 – 30 days	9,777	(162)	9,615	6,924	(496)	6,428
31 – 60 days	6,075	(224)	5,851	3,099	(1,821)	1,278
61 – 90 days	35	(8)	27	965	(449)	516
91 – 180 days	2,979	(681)	2,298	837	(516)	321
Over 181 days*	45,502	(24,779)	20,723	53,735	(27,451)	26,284
	3,027,523	(79,425)	2,948,098	2,584,766	(74,042)	2,510,724

Retail						
No delinquency	3,569,981	(32,843)	3,537,138	3,294,635	(29,907)	3,264,728
1 – 30 days	138,346	(7,906)	130,440	134,639	(8,167)	126,472
31 – 60 days	37,317	(3,977)	33,340	36,934	(4,406)	32,528
61 – 90 days	23,472	(3,639)	19,833	20,992	(3,582)	17,410
91 – 180 days	35,985	(14,373)	21,612	36,275	(14,749)	21,526
Over 181 days*	180,912	(104,189)	76,723	167,496	(101,108)	66,388
	3,986,013	(166,927)	3,819,086	3,690,971	(161,919)	3,529,052
Securities						
No delinquency	2,863,359	(341)	2,863,018	3,654,308	(249)	3,654,059
	2,863,359	(341)	2,863,018	3,654,308	(249)	3,654,059

*** Write-off Policy**

The Bank writes off a loan or security balance (and any related allowances for impairment losses) when it determines that the loans or securities are uncollectible. As the standard, the Bank considers the credit balances to be uncollectible based on the past due days. Since 1 January 2008, the write-off policy has been changed from 180 to 1,080 days past due. Thus receivables are no longer written off and sold after 180 days past due, but are collected by external collection agencies until they qualify for write-off and tax deductibility.

The credit balance can be written off earlier than defined in the conditions described above if there is evidence that the receivable cannot be collected. The write-off of such receivables is subject to the approval of the Credit Risk Officer.

The Bank holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and generally the Bank updates the fair value on a regular basis.

Value of collateral and other security enhancements held against financial assets is shown below:

		2011		Restated 2010
	Clients	Banks	Clients	Banks
Debt securities	23,028	326,581	27,505	-
Other	549,169	107,079	381,418	22,522
Property	3,370,404	-	3,023,028	-
	3,942,601	433,660	3,431,951	22,522

The value of collateral and other security enhancements as at 31 December 2010 was restated to reflect the approach of accepting the collateral value up to the total amount of receivable as well as Basel II eligibility of the collateral.

The Bank monitors concentrations of credit risk by geographic location. An analysis of concentrations of credit risk at the reporting date is shown below.

			2011			Restated 2010
	Amortized cost	Impairment losses	Carrying amount	Amortized cost	Impairment losses	Carrying amount
Europe						
Banks	471,961	(185)	471,776	76,702	(151)	76,551
Sovereigns	150,654	(294)	150,360	101,730	(205)	101,525
Corporate	3,027,523	(79,425)	2,948,098	2,584,753	(74,042)	2,510,711
Retail	3,983,641	(166,871)	3,816,770	3,688,745	(161,887)	3,526,858
Securities	2,861,478	(231)	2,861,247	3,648,971	-	3,648,971
	10,495,257	(247,006)	10,248,251	10,100,901	(236,285)	9,864,616
America						
Banks	29,123	(17)	29,106	31,856	-	31,856
Retail	625	(22)	603	739	(16)	723
Securities	1,881	(110)	1,771	5,337	(249)	5,088
	31,629	(149)	31,480	37,932	(265)	37,667
Asia						
Banks	211	-	211	99	-	99
Corporate	-	-	-	13	-	13
Retail	980	(28)	952	686	(15)	671
	1,191	(28)	1,163	798	(15)	783
Rest of the World						
Banks	351	-	351	92	-	92
Retail	767	(6)	761	801	(1)	800
	1,118	(6)	1,112	893	(1)	892

An analysis of concentrations of credit risk of securities at the reporting date is shown below.

			2011			2010
	Amortised cost	Impairment losses	Carrying amount	Amortised cost	Impairment losses	Carrying amount
Europe						
Slovakia	2,447,590	(231)	2,447,359	3,190,154	-	3,190,154
Poland	202,521	-	202,521	194,596	-	194,596
Ireland	120,427	-	120,427	113,137	-	113,137
Italy	34,050	-	34,050	99,525	-	99,525
Portugal	27,219	-	27,219	45,093	-	45,093
Czech Republic	23,098	-	23,098	-	-	-
Other	8,454	(110)	8,344	6,466	-	6,466
	2,863,359	(341)	2,863,018	3,648,971	-	3,648,971
America						
USA	-	-	-	5,337	(249)	5,088

An analysis of exposures by industry sector is shown in the table below.

31 December 2011	Banks	Sovereigns	Corporate	Retail	Securities
Agriculture	-	-	43,835	21,581	-
Construction	-	-	136,568	15,254	-
Consumers	-	-	-	3,630,383	-
Energy and water supply	-	-	274,011	1,354	-
Financial services	501,444	-	375,438	584	25,776
Government	-	138,747	-	-	2,834,897
Manufacturing	-	-	458,549	28,395	-
Professional services	-	-	69,122	9,442	-
Real estate	-	-	427,891	9,433	-
Retail & Wholesale	-	-	659,940	65,214	-
Services	-	-	130,200	14,948	574
Transportation	-	11,613	330,379	8,018	-
Other	-	-	42,165	14,480	1,771
	501,444	150,360	2,948,098	3,819,086	2,863,018

Restated 31 December 2010	Banks	Sovereigns	Corporate	Retail	Securities
Agriculture	-	-	40,910	21,133	-
Construction	-	-	120,514	13,046	-
Consumers	-	-	-	3,348,756	-
Energy and water supply	-	-	197,858	1,213	-
Financial services	108,598	-	353,414	616	65,331
Government	-	88,268	-	-	3,587,096
Manufacturing	-	-	395,130	29,579	-
Professional services	-	-	82,965	8,476	-
Real estate	-	-	379,476	9,211	-
Retail & Wholesale	-	-	555,124	61,623	-
Services	-	-	68,908	14,077	-
Transportation	-	12,501	270,726	7,264	-
Other	-	756	45,699	14,058	1,632
	108,598	101,525	2,510,724	3,529,052	3,654,059

The table below shows the credit quality by class of assets for all financial assets exposed to credit risk, based on the Bank's internal credit rating system. The amounts presented are gross of impairment allowances. Past due but not impaired financial assets are more than one day overdue.

31 December 2011	Neither past due nor impaired			Impaired (non-performing)			Past due but not impaired		
	Amortised cost	Impairment losses	Carrying amount	Amortised cost	Impairment losses	Carrying amount	Amortised cost	Impairment losses	Carrying amount
Banks	501,494	(51)	501,443	151	(151)	-	1	-	1
Sovereigns									
Municipalities	149,776	(172)	149,604	773	(122)	651	105	-	105
Corporate									
Large Corporates	942,886	(5,472)	937,414	9,757	(3,448)	6,309	7,780	(23)	7,757
Specialized lending	645,585	(6,608)	638,977	90,743	(25,066)	65,677	1,676	(91)	1,585
SME	616,620	(7,658)	608,962	71,026	(29,092)	41,934	2,454	(61)	2,393
Other Fin. Institutions	413,212	(588)	412,624	1	-	1	-	-	-
Private Sector Entities	102,291	(706)	101,585	8	-	8	5	-	5
Factoring	121,211	(608)	120,603	-	-	-	2,268	(4)	2,264
	2,841,805	(21,640)	2,820,165	171,535	(57,606)	113,929	14,183	(179)	14,004
Retail									
Small business	175,281	(4,501)	170,780	19,555	(10,256)	9,299	4,789	(765)	4,024
Consumer Loans	584,824	(11,333)	573,491	63,909	(39,250)	24,659	54,063	(5,005)	49,058
Mortgages	2,534,845	(8,954)	2,525,891	66,925	(19,709)	47,216	114,348	(5,439)	108,909
Credit Cards	177,153	(3,719)	173,434	52,603	(36,349)	16,254	22,972	(3,793)	19,179
Overdrafts	85,221	(3,707)	81,514	17,077	(13,587)	3,490	2,433	(494)	1,939
Flat Owners Associations	3,796	(63)	3,733	-	-	-	15	-	15
Other	6,200	(3)	6,197	4	-	4	-	-	-
	3,567,320	(32,280)	3,535,040	220,073	(119,151)	100,922	198,620	(15,496)	183,124
Securities									
Trading	269,852	-	269,852	-	-	-	-	-	-
AFS	1,455,626	-	1,455,626	-	-	-	-	-	-
HTM	1,136,000	(231)	1,135,769	1,881	(110)	1,771	-	-	-
	2,861,478	(231)	2,861,247	1,881	(110)	1,771	-	-	-

Restated 31 December 2010	Neither past due nor impaired Amor-tised cost	Impair-ment losses	Carrying amount	Impaired (non-performing) Amor-tised cost	Impair-ment losses	Carrying amount	Past due but not impaired Amor-tised cost	Impair-ment losses	Carrying amount
Banks	96,009	-	96,009	328	(151)	177	12,412	-	12,412
Sovereigns									
Municipalities	98,586	(163)	98,423	930	(42)	888	2,214	-	2,214
Corporate									
Large Corporates	808,778	(5,682)	803,096	38,236	(11,329)	26,907	-	-	-
Specialized lending	619,057	(11,272)	607,785	31,436	(5,123)	26,313	593	(48)	545
SME	561,233	(11,542)	549,691	70,116	(27,806)	42,310	5,131	(303)	4,828
Other Fin. Institutions	393,176	(203)	392,973	1	-	1	-	-	-
Private Sector Entities	3,224	(39)	3,185	7	-	7	22	-	22
Factoring	53,507	(673)	52,834	170	(20)	150	79	(2)	77
	2,438,975	(29,411)	2,409,564	139,966	(44,278)	95,688	5,825	(353)	5,472
Retail									
Small business	164,804	(1,484)	163,320	18,158	(11,473)	6,685	5,899	(1,096)	4,803
Consumer Loans	526,745	(17,789)	508,956	65,124	(43,046)	22,078	52,192	(6,800)	45,392
Mortgages	2,312,865	(7,604)	2,305,261	56,756	(14,633)	42,123	106,453	(4,453)	102,000
Credit Cards	184,798	(1,701)	183,097	48,406	(33,567)	14,839	26,937	(4,495)	22,442
Overdrafts	94,201	(959)	93,242	15,179	(12,410)	2,769	2,704	(367)	2,337
Flat owners associations	3,534	(42)	3,492	-	-	-	-	-	-
Other	6,208	-	6,208	2	-	2	6	-	6
	3,293,155	(29,579)	3,263,576	203,625	(115,129)	88,496	194,191	(17,211)	176,980
Securities									
Trading	249,973	-	249,973	-	-	-	-	-	-
AFS	1,615,824	-	1,615,824	-	-	-	-	-	-
HTM	1,786,630	-	1,786,630	1,881	(249)	1,632	-	-	-
	3,652,427	-	3,652,427	1,881	(249)	1,632	-	-	-

The overview of the internal rating scales applicable for corporate and retail exposures is shown below.

Large Corporates, Specialized Lending, SME	Retail Small business and Flat Owners Associations	Risk Profile	Description
I1 - I4	I1 - I4	Very Low	Good quality of assets, strong market penetration, steady activity, proven distinctive managerial skills, broad debt coverage capacity.
I5 - I6	I5 - I6	Low	Satisfactory quality and chargeability of assets, market penetration and managerial quality on the average; well set solvency, capital structure and debt composition; above average debt coverage capacity.
M1 - M2	M1 - M2	Lower - Intermediate	Acceptable quality and chargeability of available assets, even if with a not negligible degree of risk; well-balanced solvency, capital structure and debt composition with slight liquidity surplus and weaker debt coverage capacity.
M3 - M4	M3 - M4	Intermediate	Acceptable quality and chargeability of available assets even if with a significant degree of risk; vulnerable margin at times, capital structure and debt composition that show worsening signals; low level of liquidity and short debt coverage margin
R1 - R3	R1 - R3	Upper - Intermediate	Still acceptable asset quality even if with possible liquidity stress; high level of gearing; managerial weakness, little market penetration and positioning; margins and competitiveness under pressure.
R4 - R5	R4 - R5	High	In addition to riskiness features for R1-R3 rating, there are evident difficulties as well as stressful and painting debt management.

For mortgages and unsecured retail, the retail segment incorporates many individually insignificant exposures with various characteristics, therefore the description of ratings correlates with the risk profiles.

Retail Mortgages	Unsecured retail	Risk Profile
L1 - L4	U1	Very Low
N1	U2 - U3	Low
N2 - N3	U4 - U5	Lower - Intermediate
W1	U6 - U7	Intermediate
W2	U8 - U10	Upper - Intermediate
W3	U11 - U12	High

The following table shows the quality of Bank's credit portfolio in terms of internal ratings used for IRB purposes:

31 December 2011	Internal rating	Amortised cost	Impairment losses	Carrying amount
Banks	Unrated	501,646	(202)	501,444
Sovereigns				
Municipalities	Unrated - PPU approach*	150,654	(294)	150,360
		150,654	(294)	150,360
Corporate				
Large Corporates,				
Specialized lending, SME	I1 - I6	657,685	(3,326)	654,359
	M1 - M4	944,909	(4,816)	940,093
	R1 - R5	686,237	(27,531)	658,706
	D (default)	99,696	(41,846)	57,850
Financial Institutions,				
Private Sector Entities	Unrated - PPU approach*	515,517	(1,294)	514,223
Factoring	Unrated	123,479	(612)	122,867
		3,027,523	(79,425)	2,948,098
Retail				
Small business,				
Flat Owners Associations	I1 - I6	26,914	(49)	26,865
	M1 - M4	75,823	(856)	74,967
	R1 - R5	77,560	(4,014)	73,546
	D (default)	18,604	(10,594)	8,010
	Unrated	4,535	(72)	4,463
Mortgages	L1-L4	1,820,399	(365)	1,820,034
	N1-N3	491,611	(949)	490,662
	W1-W3	333,712	(12,033)	321,679
	D (default)	70,396	(20,755)	49,641
Unsecured retail	U1	68,720	(54)	68,666
	U2 - U3	106,979	(257)	106,722
	U4 - U5	148,610	(860)	147,750
	U6 - U7	114,949	(1,420)	113,529
	U8 - U10	133,123	(4,367)	128,756
	U11 - U12	73,382	(9,901)	63,481
	D (default)	76,743	(57,512)	19,231
	Unrated	337,749	(42,866)	294,883
Other	Unrated	6,204	(3)	6,201
		3,986,013	(166,927)	3,819,086
Securities	Unrated	2,863,359	(341)	2,863,018

* Permanent Partial Use ('PPU') approach is applied to exposures for which the Foundation IRB approach will never be used in respect of the capital requirement calculation.

Due to the phased development of the internal rating models, comparative data as of 31 December 2010 is available only for the corporate segment and mortgages.

31 December 2010	Internal rating	Amortised costs	Impairment losses	Carrying amount
Corporate				
Large Corporates,				
Specialized lending, SME	I1 - I6	523,608	(580)	523,028
	M1 - M4	890,205	(7,443)	882,762
	R1 - R5	639,043	(28,921)	610,122
	D (default)	81,724	(36,161)	45,563
Financial Institutions,				
Private Sector Entities	Unrated - PPU approach	396,430	(242)	396,188
Factoring	Unrated	53,756	(695)	53,061
		2,584,766	(74,042)	2,510,724
Retail				
Mortgages	L1 - L4	1,604,361	(344)	1,604,017
	N1 - N3	474,088	(969)	473,119
	W1 - W3	337,903	(10,026)	327,877
	D (default)	59,722	(15,351)	44,371
		2,476,074	(26,690)	2,449,384

(b) Market risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices or foreign exchange rate will affect the Bank'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 optimizing the return on risk.

Management of market risk

The Bank separates its exposures to market risk between trading ('trading book') and non-trading portfolios ('banking book'). Trading portfolios are held by the Trading department and include positions arising from market-making and proprietary position taking. All foreign exchange risk within the Bank is transferred each day to the Trading department and forms part of the trading portfolio for risk management purposes. The non-trading portfolios are managed by the ALM department, and include all positions which are not intended for trading.

Overall authority for market risk is vested in ALCO. The Enterprise Risk Management Division is responsible for the development of detailed risk management policies (subject to review and approval by ALCO) and for their implementation and day-to-day risk monitoring and reporting.

Exposure to market risk – trading portfolios

The principal tool used to measure and control market risk exposures within the Bank's trading portfolio is Value at Risk (VaR). The VaR of a trading portfolio is the estimated loss that will arise on the portfolio over a specified period of time (holding period) from an adverse market movement with a specified probability (confidence level). The VaR model used by the Bank is based upon a 99% confidence level and assumes a one-day holding period. The VaR model used is based on historical simulation. Taking account of market data from the previous year, and observed relationships between different markets and prices, the model generates a wide range of plausible future scenarios for market price movements. The model was approved by the NBS as a basis for the calculation of the capital charge for market risk of the trading book.

The Bank uses VaR limits for total market risk in the trading book, foreign exchange risk and interest rate risk. The overall structure of VaR limits is subject to review and approval by ALCO and Intesa Sanpaolo. VaR is measured on a daily basis. Daily reports of utilisation of VaR limits are submitted to the trading unit, the head of the Risk Management division and the head of the Finance and Capital Markets division. Regular summaries are submitted to Intesa Sanpaolo and ALCO.

A summary of the VaR position of the Bank's trading portfolios:

				2011				2010
€ ´000	Balance	Avg	Max	Min	Balance	Avg	Max	Min
Foreign currency risk	63	83	228	15	58	99	307	8
Interest rate risk	43	148	372	43	96	105	161	75
Overall	58	182	440	46	113	163	367	80

The limitations of the VaR methodology are recognised by supplementing VaR limits with other position limit structures. In addition, the Bank uses a wide range of stress tests to model the financial impact of a variety of exceptional market scenarios on the Bank's position.

Exposure to interest rate risk

The main risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments due to a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps. Financial instruments are mapped to re-pricing gaps either by the maturity, i.e. fixed rate instruments, or by the next re-pricing date, i.e. floating rate instruments. Assets and liabilities that do not have a contractual maturity date or are not interest - bearing are mapped according to internal models based on behavioural assumptions.

The Risk Management division is responsible for monitoring these gaps at least on a monthly basis. The management of interest rate risk is measured by shift sensitivity analysis which is defined as a parallel and uniform shift of + 1 basis point of the rate curve and + 200 basis points of the rate curve. These standard scenarios are applied on monthly basis.

The sensitivity of the interest margin is also measured on the basis of a parallel and instantaneous shock in the interest rate curve of ±100 basis points, in a period of 12 months and for all following periods. It should be noted that this measure highlights the effect of variations in market interest rates on the portfolio being measured, and excludes assumptions on future changes in the mix of assets and liabilities and, therefore it cannot be considered as a predictor of the future levels of the interest margin.

Overall banking book interest rate risk positions are managed by Asset and Liability Management, which uses different balance and off balance sheet instruments to manage the overall positions arising from the Bank's banking book activities.

Interest rate risk comprises of the risk that the value of a financial instrument will fluctuate due to changes in market interest rates and the risk that the maturities of interest bearing assets differ from the maturities of the interest bearing liabilities used to fund those assets. The length of time for which the rate of interest is fixed on a financial instrument therefore indicates the extent to which it is exposed to the interest rate risk.

Models applied for the calculation of interest rate gap

Each financial and non-financial instrument is mapped to the gap based on contractual or behavioural re-pricing date.

Contractual

This category includes instruments where the Bank knows exactly when the maturity or next re-pricing takes place. This treatment is applied mainly to: securities bought and issued loans and term deposits.

Behavioural

These are items for which it is not exactly known when the maturity or next re-pricing will take place (e.g. current accounts). In this case, it is necessary to make certain assumptions to reflect the actual behaviour of these items. The assumptions are based on a detailed analysis of the Bank's historical data and statistical models. The group also includes items such as fixed assets, equity, provisions, etc., which have an indefinite maturity and also have to be modelled.

Based on statistical methods and historical data a core portion of cash is calculated and this portion is amortised on a linear basis over 10 years, the remaining amount is classified as an overnight item. For current accounts the non-sensitive core portion of some clients' categories is calculated and is mapped to the interest rate gap as a linearly amortised item over 10 years. The remaining amount is classified in the overnight segment. Fixed assets such as tangible and intangible assets and fixed liabilities like equity are amortised over 10 years.

At 31 December 2011, interest margin sensitivity in a one year time frame, in the event of a 100 basis points rise in interest rates, was € 6,020 thousand (31 December 2010: € 6,197 thousand).

At 31 December 2011, interest rate risk generated by the banking book, measured through shift sensitivity analysis to 1 basis point, registered € 140 thousand (31 December 2010: € 119 thousand).

	2011	2010
EUR	134	111
CZK	5	8
Other	1	-
	140	119

The re-pricing structure of financial assets and liabilities based on contractual undiscounted cash-flows for the non-trading portfolios was as follows:

31 December 2011	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Assets						
Cash and balances with central banks	18,651	-	7,217	28,869	36,181	90,918
Due from banks	64,478	4,127	414,060	14,093	-	496,758
Available-for-sale financial assets	317,886	22,909	47,486	875,038	501,241	1,764,560
Loans and advances to customers	2,043,800	1,437,558	1,622,117	2,374,377	773,480	8,251,332
Held-to-maturity investments	-	18,435	197,446	545,895	602,153	1,363,929
	2,444,815	1,483,029	2,288,326	3,838,272	1,913,055	11,967,497
Liabilities						
Due to central and other banks	(393,073)	(33,093)	(1,397)	(2,083)	(80)	(429,726)
Due to customers	(2,365,098)	(634,172)	(1,296,114)	(2,218,181)	(1,116,804)	(7,630,369)
Debt securities in issue	(303,001)	(428,906)	(321,400)	(627,040)	(205,744)	(1,886,091)
	(3,061,172)	(1,096,171)	(1,618,911)	(2,847,304)	(1,322,628)	(9,946,186)
Net position of financial instruments	(616,357)	386,858	669,415	990,968	590,427	2,021,311

31 December 2010	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Assets						
Cash and balances with central banks	93,630	-	8,543	34,174	42,717	179,064
Due from banks	67,561	-	12,031	11,807	-	91,399
Available-for-sale financial assets	319,427	233,748	23,425	475,204	842,893	1,894,697
Loans and advances to customers	1,771,880	1,259,913	1,754,659	1,940,181	797,324	7,523,957
Held-to-maturity investments	378,474	280,997	66,838	727,168	626,757	2,080,234
	2,630,972	1,774,658	1,865,496	3,188,534	2,309,691	11,769,351
Liabilities						
Due to central and other banks	(360,726)	(53,759)	(701)	(2,465)	(319)	(417,970)
Due to customers	(2,667,761)	(372,333)	(822,410)	(2,285,594)	(1,198,383)	(7,346,481)
Debt securities in issue	(301,147)	(510,676)	(259,626)	(396,848)	(364,090)	(1,832,387)
	(3,329,634)	(936,768)	(1,082,737)	(2,684,907)	(1,562,792)	(9,596,838)
Net position of financial instruments	(698,662)	837,890	782,759	503,627	746,899	2,172,513

The average interest rates for financial assets and liabilities were as follows:

	2011 %	2010 %
Assets		
Cash and balances with central banks	1.22	0.91
Due from banks	2.81	1.78
Financial assets held for trading	3.69	4.06
Available-for-sale financial assets	3.43	2.90
Loans and advances to customers	5.35	5.13
Held-to-maturity investments	4.02	3.23
Liabilities		
Due to central and other banks	0.68	0.65
Due to customers	1.04	0.89
Debt securities in issue	3.06	2.91

Currency denominations of assets and liabilities

Foreign exchange rate risk comprises the risk that the value of financial assets and liabilities will fluctuate due to changes in market foreign exchange rates. It is the policy of the Bank to manage its exposure to fluctuations in exchange rates through the regular monitoring and reporting of open positions and the application of a matrix of exposure and position limits.

31 December 2011	EUR	USD	CZK	Other	Total
Assets					
Cash and balances with central banks	80,399	1,050	7,261	2,208	90,918
Due from banks	477,527	19,635	3,206	1,076	501,444
Financial assets held for trading	64,491	-	23,098	182,263	269,852
Derivative financial instruments	80,394	-	5	-	80,399
Available-for-sale financial assets	1,455,626	-	-	-	1,455,626
Loans and advances to customers	6,474,252	141,634	270,439	31,219	6,917,544
Held-to-maturity investments	1,137,540	-	-	-	1,137,540
	9,770,229	162,319	304,009	216,766	10,453,323
Liabilities					
Due to central and other banks	(229,247)	(127,950)	(65,879)	(6,649)	(429,725)
Derivative financial instruments	(57,145)	-	(237)	-	(57,382)
Due to customers	(7,131,855)	(140,250)	(160,733)	(65,313)	(7,498,151)
Debt securities in issue	(1,517,385)	(26,651)	(116,451)	-	(1,660,487)
	(8,935,632)	(294,851)	(343,300)	(71,962)	(9,645,745)
Net position	834,597	(132,532)	(39,291)	144,804	807,578

31 December 2010	EUR	USD	CZK	Other	Total
Assets					
Cash and balances with central banks	168,926	1,251	6,556	2,331	179,064
Due from banks	78,774	19,156	1,538	9,130	108,598
Financial assets held for trading	75,772	-	-	174,201	249,973
Derivative financial instruments	45,179	-	26	-	45,205
Available-for-sale financial assets	1,615,823	-	-	-	1,615,823
Loans and advances to customers	5,730,828	90,112	302,341	18,020	6,141,301
Held-to-maturity investments	1,788,263	-	-	-	1,788,263
	9,503,565	110,519	310,461	203,682	10,128,227
Liabilities					
Due to central and other banks	(227,197)	(101,110)	(83,810)	(27,034)	(439,151)
Derivative financial instruments	(60,729)	-	-	-	(60,729)
Due to customers	(6,898,631)	(120,467)	(216,182)	(41,409)	(7,276,689)
Debt securities in issue	(1,518,753)	(25,807)	(75,031)	-	(1,619,591)
	(8,705,310)	(247,384)	(375,023)	(68,443)	(9,396,160)
Net position	798,255	(136,865)	(64,562)	135,239	732,067

(c) Liquidity risk

Liquidity risk is defined as the risk that the Bank is not able to meet its payment obligations when they fall due (funding liquidity risk). Normally, the Bank is able to cover cash outflows with cash inflows, highly liquid assets and its ability to obtain credit. With regard to the highly liquid assets in particular, there may be strains in the market that make them difficult (or even impossible) to sell or be used as collateral in exchange for funds. From this perspective, the Bank's liquidity risk is closely tied to the market liquidity conditions (market liquidity risk).

The Guidelines for Liquidity Risk Management adopted by the Bank outline the set of principles, methods, regulations and control processes required to prevent the occurrence of a liquidity crisis and call for the Group to develop prudential approaches to liquidity management, making it possible to maintain the overall risk profile at extremely low levels.

The basic principles underpinning the Liquidity Policy of the Bank are:

– the existence of an operating structure that works within set limits and of a control structure that is independent from the operating structure;
– a prudential approach to the estimate of the cash inflow and outflow projections for all the balance sheet and off-balance sheet items, especially those without a contractual maturity;
– an assessment of the impact of various scenarios, including stress testing scenarios, on the cash inflows and outflows over time;
– the maintenance of an adequate level of unencumbered highly liquid assets, capable of enabling ordinary operations, also on an intraday basis, and overcoming the initial stages of a shock involving the Bank's liquidity or system liquidity.

The Bank directly manages its own liquidity and coordinates its management at the Bank level, ensures the adoption of adequate control techniques and procedures, and provides complete and accurate information to ALCO and the Statutory Bodies.

The departments of the Bank that are responsible for ensuring the correct application of the Guidelines are the Treasury Department, responsible for short term liquidity management, the ALM department (responsible for medium and long term liquidity management) and the Market Risk Department (responsible for monitoring indicators and verifying the observation of limits).

These Guidelines are broken down into three macro areas: 'Short term Liquidity Policy', 'Structural Liquidity Policy' and 'Contingency Liquidity Plan'.

The Short term Liquidity Policy includes the set of parameters, limits and observation thresholds that enable measurement, both under normal market conditions and under conditions of stress, of liquidity risk exposure over the short term, setting the maximum amount of risk to be assumed and ensuring the utmost prudence in its management.

The Structural Liquidity Policy of the Bank incorporates the set of measures and limits designed to control and manage the risks deriving from the mismatch of the medium to long-term maturities of the assets and liabilities, essential for the strategic planning of liquidity management. This involves the adoption of internal limits for the transformation of maturity dates aimed at preventing the medium to long-term operations from giving rise to excessive imbalances to be financed in the short term.

Rule 1: Real Estate + Equity Investments <= Regulatory Capital

Rule 2: Medium term assets + 0.5 x Long Term Assets <= Long term liabilities + 0.5 x Medium term liabilities + 0.25 x (short term customer liabilities + interbank liabilities) + excess in Rule 1

Together with the Short term and Structural Liquidity Policy, the Guidelines provide for the management methods of a potential liquidity crisis, defined as a situation of difficulty or inability of the Bank to meet its cash commitments falling due, without implementing procedures and/or employing instruments that, due to their intensity or manner of use, do not qualify as ordinary administration.

The Contingency Liquidity Plan sets the objectives of safeguarding the Bank's capital and, at the same time, guarantees the continuity of operations under conditions of extreme liquidity emergency. It also ensures the identification of the pre-warning signals and their ongoing monitoring, the definition of procedures to be implemented in situations of liquidity stress, the immediate lines of action, and intervention measures for the resolution of emergencies. The pre-warning indices, aimed at identifying signs of a potential liquidity strain, both systemic and specific, are continuously recorded and reported to the departments responsible for the management and monitoring of liquidity.

The liquidity position of the Bank and the subsidiaries is regularly presented by Market Risk Department and discussed during the ALCO meetings.

The remaining maturities of assets and liabilities based on contractual undiscounted cash-flows were as follows:

31 December 2011	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Not specified	Total
Assets							
Cash and balances with central banks	90,918	-	-	-	-	-	90,918
Due from banks	10,067	591	422,887	65,283	32,208	-	531,036
Financial assets held for trading	11,000	170,481	91,222	115	-	-	272,818
Available-for-sale financial assets	6,610	22,909	53,110	1,207,657	501,241	-	1,791,527
Loans and advances to customers	457,066	362,477	1,210,797	2,895,314	4,167,852	12,296	9,105,802
Held-to-maturity investments	-	18,435	187,474	556,232	602,052	-	1,364,193
	575,661	574,893	1,965,490	4,724,601	5,303,353	12,296	13,156,294
Liabilities							
Due to central and other banks	(451,021)	(1,163)	(4,109)	(16,086)	(240)	-	(472,619)
Due to customers	(4,410,038)	(726,411)	(1,173,994)	(1,202,070)	(88,363)	(66)	(7,600,942)
Debt securities in issue	(3,001)	(22,524)	(220,624)	(993,096)	(711,089)	-	(1,950,334)
	(4,864,060)	(750,098)	(1,398,727)	(2,211,252)	(799,692)	(66)	(10,023,895)
Net position of financial instruments	(4,288,399)	(175,205)	566,763	2,513,349	4,503,661	12,230	3,132,399
Cash inflows from derivatives	315,300	305,479	335,645	170,188	161,261	-	1,287,873
Cash outflows from derivatives	(316,359)	(282,394)	(322,662)	(183,002)	(160,687)	-	(1,265,104)
Net position from derivatives	(1,059)	23,085	12,983	(12,814)	574	-	22,769
Total net position	(4,289,458)	(152,120)	579,746	2,500,535	4,504,235	12,230	3,155,168

31 December 2010	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Not specified	Total
Assets							
Cash and balances with central banks	179,065	-	-	-	-	-	179,065
Due from banks	20,938	2,929	51,666	23,208	32,435	-	131,176
Financial assets held for trading	25,161	62,894	90,584	77,748	25	-	256,412
Available-for-sale financial assets	5,509	229,579	28,059	823,133	842,893	-	1,929,173
Loans and advances to customers	485,069	502,497	1,044,233	2,502,158	4,167,158	1,647	8,702,762
Held-to-maturity investments	368,397	268,514	63,263	737,753	626,757	-	2,064,684
	1,084,139	1,066,413	1,277,805	4,164,000	5,669,268	1,647	13,263,272
Liabilities							
Due to central and other banks	(349,156)	(26,969)	(6,246)	(47,867)	(36,777)	-	(467,015)
Due to customers	(4,928,490)	(452,977)	(570,161)	(1,271,436)	(50,137)	(25,208)	(7,298,409)
Debt securities in issue	(1,146)	(23,155)	(290,948)	(843,750)	(787,847)	-	(1,946,846)
	(5,278,792)	(503,101)	(867,355)	(2,163,053)	(874,761)	(25,208)	(9,712,270)
Net position of financial instruments	(4,194,653)	563,312	410,450	2,000,947	4,794,507	(23,561)	3,551,002
Cash inflows from derivatives	26,404	103,025	180,837	200,101	98,132	-	608,499
Cash outflows from derivatives	(28,242)	(104,400)	(186,119)	(203,652)	(96,838)	-	(619,251)
Net position from derivatives	(1,838)	(1,375)	(5,282)	(3,551)	1,294	-	(10,752)
Total net position	(4,196,491)	561,937	405,168	1,997,396	4,795,801	(23,561)	3,540,250

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled.

31 December 2011	Less than 12 months	Over 12 months	Total
Assets			
Cash and balances with central banks	90,918	-	90,918
Due from banks	430,642	70,802	501,444
Financial assets held for trading	269,743	109	269,852
Derivative financial instruments	80,399	-	80,399
Available-for-sale financial assets	65,397	1,390,229	1,455,626
Non-current assets held for sale	3	-	3
Loans and advances to customers	2,157,454	4,760,090	6,917,544
Held-to-maturity investments	192,576	944,964	1,137,540
Subsidiaries, associates and jointly controlled entities	-	96,014	96,014
Intangible assets	-	34,988	34,988
Property and equipment	-	137,126	137,126
Current income tax assets	550	-	550
Deferred income tax assets	-	64,601	64,601
Other assets	15,077	-	15,077
	3,302,759	7,498,923	10,801,682
Liabilities			
Due to central and other banks	(392,379)	(37,346)	(429,725)
Derivative financial instruments	(57,382)	-	(57,382)
Due to customers	(6,421,243)	(1,076,908)	(7,498,151)
Debt securities in issue	(211,326)	(1,449,161)	(1,660,487)
Provisions	-	(24,285)	(24,285)
Other liabilities	(56,921)	(2,272)	(59,193)
	(7,139,251)	(2,589,972)	(9,729,223)
	(3,836,492)	4,908,951	1,072,459

31 December 2010	Less than 12 months	Over 12 months	Total
Assets			
Cash and balances with central banks	179,064	-	179,064
Due from banks	70,954	37,644	108,598
Financial assets held for trading	176,187	73,786	249,973
Derivative financial instruments	45,205	-	45,205
Available-for-sale financial assets	244,614	1,371,209	1,615,823
Non-current assets held for sale	3,374	-	3,374
Loans and advances to customers	1,902,745	4,238,556	6,141,301
Held-to-maturity investments	687,236	1,101,027	1,788,263
Subsidiaries, associates and jointly controlled entities	-	113,810	113,810
Intangible assets	-	30,639	30,639
Property and equipment	-	142,801	142,801
Current income tax assets	6,882	-	6,882
Deferred income tax assets	-	54,092	54,092
Other assets	12,991	-	12,991
	3,329,252	7,163,564	10,492,816
Liabilities			
Due to central and other banks	(395,694)	(43,457)	(439,151)
Derivative financial instruments	(60,729)	-	(60,729)
Due to customers	(6,005,385)	(1,271,304)	(7,276,689)
Debt securities in issue	(285,446)	(1,334,145)	(1,619,591)
Provisions	-	(23,517)	(23,517)
Other liabilities	(51,173)	(1,761)	(52,934)
	(6,798,427)	(2,674,184)	(9,472,611)
	(3,469,175)	4,489,380	1,020,205

(d) Operational risk

Operational risk management strategies and processes

The Bank, in coordination with Intesa Sanpaolo, has defined the overall operational risk management framework by setting up a Group policy and organisational process for measuring, managing and controlling operational risk.

The control of operational risk was attributed to the Operational Risk Committee, which identifies risk management policies. The Supervisory and Management Board of the Bank ensures the functionality, efficiency and effectiveness of the risk management and controls system.

The Operational Risk Committee (composing of the heads of the areas of the governance centre and of the business areas more involved in operational risk management), has the task of periodically reviewing the Bank's overall operational risk profile, authorising any corrective actions, coordinating and monitoring the effectiveness of the main mitigation activities and approving the operational risk transfer strategies.

Organisational structure of the associated risk management function

For some time, the Bank has had a centralised function within the Risk Management Division for the management of the Bank's operational risks. This function is responsible, in coordination with the parent company, for the definition, implementation and monitoring of the methodological and organisational framework, as well as for the measurement of the risk profile, the verification of mitigation effectiveness and reporting to senior Management. In compliance with current requirements, the individual organisational units participated in the process and each of them was assigned the responsibility for the identification, assessment, management and mitigation of its operational risks. Specific offices and departments have been identified within these organisational units to be responsible for Operational Risk Management. These functions are responsible for the collection and structured census of information relating to operational events, scenario analyses and evaluation of the level of risk associated with the business environment. The Risk Management Division carries out second level monitoring of these activities.

Scope of application and characteristics of the risk measurement and reporting system

Upon the request of the parent company, the Bank as part of the Group request has received in February 2010, from the relevant Supervisory authorities, approval for usage and thus adopted the Advanced Measurement Approach (AMA), for Operational Risk management and measurement.

As such, the VUB Group uses a combination of the Advanced Measurement Approach (for the Bank), and the Standardized and Basic Indicator Approach (for Bank's subsidiaries).

For the use of the AMA, the Bank has set up, in addition to the corporate governance mechanisms required by the Supervisory regulations, an effective system for the management of operational risk certified by the process of annual self-assessment carried out by the Bank and VUB Group Companies that fall within the scope of AMA and TSA. This self-assessment is verified by the Internal Audit Department and submitted to the Management Board for the annual certification of compliance with the requirements established by the regulation.

Under the AMA approach, the capital requirement is calculated by internal model, which combines all elements stipulated in Supervisory regulation, allowing to measure the exposure in a more risk sensitive way. Monitoring of operational risks is performed by an integrated reporting system, which provides management with the information necessary for the management and/or mitigation of the operational risk.

Policies for hedging and mitigating risk

The Bank, in coordination with its parent company, has set up a traditional operational risk transfer policy (insurance) aimed at mitigating the impact of any unexpected losses. The AMA calculation does not currently include the benefit from this transfer of operational risk through insurance policies, however, it is due to be included in the future, after its validation by the Supervisory authority, so that it can contribute to reducing the risk capital calculated through the internal models. The process required to obtain this approval is planned to start in 2012.

36. Segment reporting

Segment information is presented in respect of the Bank's operating segments, based on the management and internal reporting structure.

Operating segments pay and receive interest to and from the Central Treasury on an arm's length basis in order to reflect the costs of funding.

The Bank comprises the following main operating segments:

- Retail Banking
- Corporate Banking
- Central Treasury

Retail Banking includes loans, deposits and other transactions and balances with households, entrepreneurs and small business segment.

Corporate Banking comprises Small and Medium Enterprises ('SME') and the Corporate Customer Desk ('CCD'). SME includes loans, deposits and other transactions and balances with small and medium enterprises (company revenue in the range of € 1 million to € 40 million; if revenue information is not available, bank account turnover is used). The CCD includes loans, deposits and other transactions and balances with large corporate customers (company revenue over € 40 million).

Central Treasury undertakes the Bank's funding, HTM Securities portfolio management, issues of debt securities as well as trading book operations. The Bank also has a central Governance Centre that manages the Bank's premises, equity investments and own equity funds as well as Risk Management that operates the workout loan portfolio.

31 December 2011	Retail Banking	Corporate Banking	Central Treasury	Other	Total
External revenue					
Interest income	256,235	90,900	129,067	8,722	484,924
Interest expense	(50,286)	(14,299)	(67,234)	-	(131,819)
Inter-segment revenue	(2,443)	(11,619)	(12,649)	26,711	-
Net interest income	203,506	64,982	49,184	35,433	353,105
Net fee and commission income	62,430	19,530	2,581	(2,390)	82,151
Net trading income	3,305	4,843	(7,297)	64	915
Other operating income	3,342	643	-	4,624	8,609
Dividend income	-	-	-	20,151	20,151
Total segment operating income	272,583	89,998	44,468	57,882	464,931
Depreciation and amortisation	(13,222)	(334)	(196)	(10,632)	(24,384)
Operating expenses					(175,556)
Operating profit before impairment					264,991
Impairment losses on financial assets	(35,886)	(13,455)	(574)	(17,383)	(67,298)
Income tax expense					(40,029)
Net profit for the year					157,664
Segment assets	3,795,816	3,067,767	3,325,560	612,539	10,801,682
Segment liabilities	4,676,849	2,019,678	2,993,279	1,111,876	10,801,682

31 December 2010	Retail Banking	Corporate Banking	Central Treasury	Other	Total
External revenue					
Interest income	238,576	70,310	120,311	4,307	433,504
Interest expense	(49,081)	(6,977)	(52,653)	83	(108,628)
Inter-segment revenue	(3,557)	(11,806)	(8,686)	24,049	-
Net interest income	185,938	51,527	58,972	28,439	324,876
Net fee and commission income	52,868	19,113	1,432	195	73,608
Net trading income	3,655	4,210	(1,452)	(167)	6,246
Other operating income	2,855	564	1	407	3,827
Dividend income	-	-	-	14,281	14,281
Total segment operating income	245,316	75,414	58,953	43,155	422,838
Depreciation and amortisation	(15,930)	(370)	(136)	(10,706)	(27,142)
Operating expenses					(164,369)
Operating profit before impairment					231,327
Impairment losses on financial assets	(34,895)	(9,372)	157	(3,947)	(48,057)
Income tax expense					(33,893)
Net profit for the year					149,377
Segment assets	3,507,033	2,849,441	3,654,916	481,426	10,492,816
Segment liabilities	4,413,635	2,027,719	2,958,884	1,092,578	10,492,816

37. Related parties

Related parties are those counterparties that represent:

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

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. The majority of the stated transactions have been made under arms-length commercial and banking conditions.

In 2011, the remuneration and other benefits provided to members of the Supervisory Board and the Management Board were € 4,338 thousand (2010: € 3,144 thousand).

At 31 December 2011, significant outstanding balances with related parties comprised:

	KMP*	Close members of KMP	Affiliated companies	Intesa Sanpaolo Group	Total
Assets					
Due from banks	-	-	-	458,321	458,321
Derivative financial instruments	-	-	-	9,596	9,596
Loans and advances to customers	1,229	584	143,026		
Other assets	-	-	4,532	1,509	6,041
	1,229	584	147,558	469,426	618,797
Liabilities					
Due to central and other banks	-	-	-	144,538	144,538
Derivative financial instruments	-	-	-	4,176	4,176
Due to customers	2,365	-	10,856	-	13,221
Debt securities in issue					
Bonds	-	-	6,928	-	6,928
Mortgage bonds	-	-	-	1,027,101	1,027,101
Other liabilities	-	-	6,879	-	6,879
	2,365	-	24,663	1,175,815	1,202,843
Financial commitments and contingencies	-	-	32,179	-	32,179
Received guarantees	-	-	-	77,075	77,075
Derivative transactions (notional amount – receivable)	-	-	-	376,035	376,035
Income and expense items					
Interest and similar income	46	3	2,868	12,312	15,229
Interest expense and similar charges	(45)	-	(95)	(29,749)	(29,889)
Fee and commission income	3	-	4,614	-	4,617
Fee and commission expense	-	-	(25,541)	(4,737)	(30,278)
Net trading income	-	-	-	(7,225)	(7,225)
Dividend income	-	-	20,151	-	20,151
Operating income	-	-	1,034	73	1,107
Operating expenses	-	-	(508)	-	(508)
	4	3	2,523	(29,326)	(26,796)

* Key management personnel

During the year 2011, the Bank has purchased performing loans from an Intesa Sanpaolo Group bank in the total amount of € 116,973 thousand and HUF 3,505,620 thousand. The transaction was realised at fair value.

At 31 December 2010, significant outstanding balances with related parties comprised:

	KMP	Close members of KMP	Affiliated companies	Intesa Sanpaolo Group	Total
Assets					
Due from banks	-	-	-	65,319	65,319
Derivative financial instruments	-	-	-	6,260	6,260
Loans and advances to customers	931	878	97,627	-	99,436
Other assets	-	-	535	-	535
	931	878	98,162	71,579	171,550
Liabilities					
Due to central and other banks	-	-	-	132,787	132,787
Derivative financial instruments	-	-	-	1,537	1,537
Due to customers	1,567	-	11,438	-	13,005
Debt securities in issue					
Bonds	-	-	6,726	-	6,726
Mortgage bonds	-	-	-	1,054,067	1,054,067
Other liabilities	-	-	3,182	-	3,182
	1,567	-	21,346	1,188,391	1,211,304
Financial commitments and contingencies	-	-	26,913	-	26,913
Received guarantees	-	-	-	35,000	35,000
Derivative transactions (notional amount – receivable)	-	-	-	136,382	136,382
Income and expense items					
Interest and similar income	40	48	1,275	5,567	6,930
Interest expense and similar charges	(36)	-	(133)	(20,525)	(20,694)
Fee and commission income	4	-	4,464	-	4,468
Fee and commission expense	-	-	(32,821)	(1,422)	(34,243)
Net trading income	-	-	-	1,408	1,408
Dividend income	-	-	14,281	-	14,281
Operating income	-	-	1,016	232	1,248
Operating expenses	-	-	(73)	-	(73)
	8	48	(11,991)	(14,740)	(26,675)

38. Profit distribution

On 4 April 2011, the Bank's shareholders approved the following profit distribution for 2010.

Dividends to shareholders (€ 4.60 per € 33.2 share)	59,692
Retained earnings	89,685
	149,377

The Management Board will propose the following 2011 profit distribution:

Dividends to shareholders (€ 3.65 per € 33.2 share)	47,364
Retained earnings	110,300
	157,664

39. Events after the end of the reporting period

Commencing 1 January 2012, banks operating in the Slovak Republic are subject to special levy of 0.4% of selected liabilities presented at the end of each quarter. The levy will be recognized in the statement of comprehensive income on an accrual basis and is payable at the beginning of the quarter.

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

Information on Securities issued by the Bank

In 2011 VÚB, a.s., issued nine mortgage bond issues:

FLEXI Mortgage bonds VÚB, a.s., 59

Name of Security:	FLEXI Mortgage bond VÚB, a.s., 59
ISIN:	SK4120007782 series 01
Type and form:	Bearer bond, book-entry
Total issue amount:	EUR 25,000,000.00
Number and nominal value:	25 000 units per EUR 1,000.00
Issue Date:	March 1, 2011
Maturity:	March 1, 2015
Coupon:	3.00% p.a.
Coupon payment:	Annually

Mortgage bonds VÚB, a.s., 60

Name of Security:	Mortgage bond VÚB, a.s., 60
ISIN:	SK4120007899 series 01
Type and form:	Bearer bond, book-entry
Total issue amount:	CZK 500,000,000.00
Number and nominal value:	5 000 units per CZK 100,000.00
Issue Date:	May 20, 2011
Maturity:	May 20, 2014
Coupon:	6M PRIBOR + 0.55% p.a.
Coupon payment:	Semiannually

Mortgage bonds VÚB, a.s., 61

Name of Security:	Mortgage bond VÚB, a.s., 61
ISIN:	SK4120007923 series 01
Type and form:	Bearer bond, book-entry
Total issue amount:	EUR 10,000,000.00
Number and nominal value:	1 000 units per EUR 10,000.00
Issue Date:	June 7, 2011
Maturity:	June 7, 2015
Coupon:	3.10% p.a., from issue date to 7.6.2013 (excluding), 6M EURIBOR + 0.90% p.a., from 7.6.2013 (including) to maturity date
Coupon payment:	Semiannually

Mortgage bonds VÚB, a.s., 62

Name of Security:	Mortgage bond VÚB, a.s., 62
ISIN:	SK4120008004 series 01
Type and form:	Bearer bond, book-entry
Total issue amount:	EUR 100,000,000.00
Number and nominal value:	100 units per EUR 1,000,000.00
Issue Date:	July 28, 2011
Maturity:	July 28, 2018
Coupon:	6M EURIBOR + 1.99% p.a.
Coupon payment:	Semiannually

Mortgage bonds VÚB, a.s., 63

Name of Security:	Mortgage bond VÚB, a.s., 63
ISIN:	SK4120008061 series 01
Type and form:	Bearer bond, book-entry
Total issue amount:	EUR 35,000,000.00
Number and nominal value:	35 000 units per EUR 1,000.00
Issue Date:	September 16, 2011
Maturity:	March 16, 2016
Coupon:	3.75% p.a.
Coupon payment:	Annually

Mortgage bonds VÚB, a.s., 64

Name of Security:	Mortgage bond VÚB, a.s., 64
ISIN:	SK4120008129 series 01
Type and form:	Bearer bond, book-entry
Total issue amount:	CZK 700,000,000.00
Number and nominal value:	7 000 units per CZK 100,000.00
Issue Date:	September 26, 2011
Maturity:	September 26, 2016
Coupon:	3.25% p.a.
Coupon payment:	Annually

Mortgage bonds VÚB, a.s., 65

Name of Security:	Mortgage bond VÚB, a.s., 65
ISIN:	SK4120008152 series 01
Type and form:	Bearer bond, book-entry
Total issue amount:	EUR 60,000,000.00
Number and nominal value:	60 units per EUR 1,000,000.00
Issue Date:	October 26, 2011
Maturity:	October 26, 2012
Coupon:	6M EURIBOR + 0.40% p.a.
Coupon payment:	Semiannually

Mortgage bonds VÚB, a.s., 66

Name of Security:	Mortgage bond VÚB, a.s., 66
ISIN:	SK4120008236 series 01
Type and form:	Bearer bond, book-entry
Total issue amount:	EUR 35,000,000.00
Number and nominal value:	700 units per EUR 50,000.00
Issue Date:	November 28, 2011
Maturity:	November 28, 2014
Coupon:	6M EURIBOR + 1.70% p.a.
Coupon payment:	Semiannually

Mortgage bonds VÚB, a.s., 67

Name of Security:	Mortgage bond VÚB, a.s., 67
ISIN:	SK4120008228 series 01
Type and form:	Bearer bond, book-entry
Total issue amount:	EUR 15,000,000.00
Number and nominal value:	300 units per EUR 50,000.00
Issue Date:	November 29, 2011
Maturity:	November 29, 2030
Coupon:	5.35% p.a.
Coupon payment:	Annually

List of VUB Retail Branches

Retail Business Network

Name	Postcode	Address	Tel. No.	Fax No.
Regional Retail Business Network Bratislava – West				
Bratislava - Gorkého	813 20	Gorkého 7	02/4855 3010	02/54131208
Bratislava - Poštová	811 01	Poštová 1	02/4855 3080	02/54417939
Bratislava - Dúbravka	841 01	Sch. Trnavského 6/A	02/4855 3110	02/64286205
Bratislava - Aupark	851 01	Einsteinova 18	02/4855 3212	02/63451260
Malacky	901 01	Záhorácka 15	034/485 6082	034/7723848
Bratislava - Šintavská	851 05	Šintavská 24	02/4855 3170	02/63837097
Bratislava - Dunajská	811 08	Dunajská 24	02/4855 3126	02/52967136
Bratislava - Devínska N. Ves	841 07	Eisnerova 48	02/4855 3156	02/64776550
Bratislava - Špitálska	811 01	Špitálska 10	02/4855 3389	02/52965422
Bratislava - Rovniankova	851 02	Rovniankova 3/A	02/4855 3186	02/63821608
Bratislava - Vlastenecké nám.	851 01	Vlastenecké námestie 6	02/4855 3200	02/62248138
Bratislava - Furdekova	851 04	Furdekova 16	02/4855 3244	02/62414278
Bartislava - Štúrova	811 02	Štúrova 13	02/4855 3411	02/52622773
Bratislava - Eurovea	811 09	Pribinova 8	02/4855 3246	02/55561876
Bratislava - Lamač	841 03	Heyrovského 1	02/4855 3150	02/64780726
Bratislava - Dlhé Diely	841 05	Ľ. Fullu 5	02/4855 3376	02/65316602
Bratislava - Karlova Ves	841 04	Borská 5	02/4855 3398	02/65425825
Bratislava - Kramáre	833 40	Stromová 54	02/4855 3230	02/54788084
Bratislava - Panská	811 01	Panská 27	02/4855 3050	02/54411835
Stupava	900 31	Mlynská 1	02/4855 3256	02/65936735
Mortgage Centres				
Bratislava - Poštová	811 01	Poštová 1	02/4855 3005	02/54417956
Bratislava - Aupark	851 01	Einsteinova 18	02/5955 8426	02/55567829
Regional Retail Business Network Bratislava - East				
Bratislava - Ružinov	827 61	Kaštielska 2	02/4856 8612	02/43339369
Bratislava - Páričkova	821 08	Páričkova 2	02/5055 2408	02/55566636
Bratislava - Dolné Hony	821 06	Kazanská 41	02/4855 3274	02/45258300
Pezinok	902 01	Štefánikova 14	033/485 4593	033/6413077
Bratislava - Polus	831 04	Vajnorská 100	02/4855 3226	02/44441185
Senec	903 01	Námestie 1. mája 25	02/4855 3292	02/45924248
Bratislava - Dulovo nám.	821 08	Dulovo nám. 1	02/4855 3053	02/55969455
Bratislava - Krížna	821 08	Krížna 54	02/4855 3325	02/55425941
Bratislava - Miletičova	821 09	Miletičova 21	02/4855 3300	02/55567201
Bratislava - Rača	831 06	Detvianska 22	02/4855 3318	02/44871025
Bratislava - BC Apollo	82109	Mlynské nivy 45	02/4855 3340	02/53412007
Bratislava - Herlianska	821 03	Komárnická 11	02/4855 3310	02/4342 5604
Bratislava - Avion	82104	Ivánska cesta 16	02/4855 3353	02/43420315
Bratislava - Shopping Palace	82104	Cesta na Senec 2/A	02/4855 3351	02/44454843
Bratislava - Vrakuňa	822 02	Šíravská 7	02/4855 3360	02/45522138

Bratislava - Račianska	831 03	Račianska 54	02/4855 3071	02/44453888
Ivanka pri Dunaji	900 28	Štefánikova 25/A	02/4855 3405	02/45945042
Bratislava - Krížna 12	811 07	Krížna 12	02/4855 3423	02/55644241
Modra	900 01	Štúrova 68	033/485 4585	033/6475535
Mortgage Centres				
Bratislava - Páričkova	821 08	Páričkova 2	02/5055 2264	02/55567829

Regional Retail Business Network Trnava

Trnava - Dolné bašty	917 68	Dolné bašty 2	033/485 4411	033/5333056
Trnava - Hlavná	917 68	Hlavná 31	033/485 4490	033/5511560
Dunajská Streda	929 35	Alžbetínske nám. 328	031/485 4000	031/5570159
Galanta	924 41	Mierové námestie 2	031/485 4041	031/7806029
Hlohovec	920 01	Podzámska 37	033/485 4521	033/7424329
Piešťany	921 01	Námestie slobody 11	033/485 4535	033/7721080
Senica	905 01	Nám. oslobodenia 8	034/485 6000	034/6943984
Skalica	909 01	Potočná 20	034/485 6048	034/6646778
Sereď	926 00	Cukrovarská 3013/1	031/485 4082	031/7894650
Šamorín	931 01	Hlavná 64	031/485 4097	031/5624305
Trnava - Arkadia	917 01	Veterná 40/A	033/485 4556	033/5936643
Holíč	908 51	Bratislavská 1518/7	034/485 6067	034/6684473
Gabčíkovo	930 05	Mlynársky rad 185/1	031/485 4106	031/5594844
Kúty	908 01	Nám. Radlinského 981	034/485 6076	031/6597790
Trnava - Štefánikova	91 768	Štefánikova 32	033/485 4626	033/5513 343
Leopoldov	920 41	Hollého 649/1	033/485 4560	033/7342290
Smolenice	919 04	SNP 81	033/485 4562	033/5586610
Sládkovičovo	925 21	Fučíkova 131	031/485 4108	031/7841835
Šaštín - Stráže	908 41	Námestie slobody 648	034/485 6079	034/6580591
Veľký Meder	932 01	Komárňanská 135/22	031/485 4116	031/5553300
Vrbové	922 03	Nám. Slobody 285/9	033/485 4577	033/7792696
Zlaté Klasy	930 39	Hlavná 836/17	031/485 4117	031/5692073
Dunajská Lužná	900 42	Nové Košariská	02/4855 3370	02/45981239
Mortgage Centres				
Trnava - Dolné bašty	917 68	Dolné bašty 2	033/485 4440	033/5333055

Regional Retail Business Network Trenčín

Trenčín	911 62	Mierové námestie 37	032/485 4235	032/7431450
Dubnica nad Váhom	018 41	Nám. Matice slov. 1712/7	042/485 6543	042/4425027
Nové Mesto nad Váhom	915 01	Hviezdoslavova 19	032/485 4291	032/7715070
Považská Bystrica	017 21	Nám. A. Hlinku 23/28	042/485 6500	042/4309841
Prievidza	971 01	Námestie slobody 10	046/485 7100	046/5426878
Púchov	020 01	Námestie slobody 1657	042/485 6578	042/4642368
Bánovce nad Bebravou	957 01	Námestie Ľ. Štúra 5/5	038/485 6269	038/7602993
Partizánske	958 01	L. Svobodu 4	038/485 6288	038/7497247
Trenčín - Legionárska	911 01	Legionárska 7158/5	032/485 4205	032/6401649
Nová Dubnica	018 51	Mierove námestie 29/34	042/485 6581	042/4434032
Prievidza - Bojnická cesta	971 01	Bojnická cesta 15	046/485 7130	046/5482436
Stará Turá	916 01	SNP 275/67	032/485 4301	032/7763445
Myjava	907 01	Nám. M.R.Štefánika 525/21	034/485 6057	034/6212595

Ilava	019 01	Mierové námestie 77	042/485 6595	042/4465902
Bojnice	972 01	Hurbanovo námestie 10	046/485 7142	046/5430571
Handlová	972 51	SNP 1	046/485 7146	046/5476418
Lednické Rovne	020 61	Námestie slobody 32	042/485 6598	042/4693217
Nitrianske Pravno	972 13	Námestie SNP 389	046/485 7152	046/5446439
Nováky	972 71	Andreja Hlinku 457	046/485 7156	046/5461145
Trenčín - Zámostie	911 05	Zlatovská 2610	032/485 4312	032/6523321
Dolné Vestenice	972 23	M. R. Štefánika 300	046/485 7162	046/5498308
Trenčianske Teplice	914 51	T. G. Masaryka 3	032/485 4316	032/6553444
Mortgage Centres				
Trenčín	911 01	Legionárska 7158/5	032/485 4218	032/7434947
Regional Retail Business Network Nitra				
Nitra - Štefánikova 44	949 31	Štefánikova 44	037/485 4807	037/6528754
Komárno	945 23	Tržničné námestie 1	035/485 4745	035/7730652
Levice	934 01	Štúrova 21	036/485 6118	036/6312600
Nové Zámky	940 33	Hlavné námestie 5	035/485 4700	035/6400841
Topoľčany - Moyzesova	955 19	Moyzesova 585/2	038/485 6214	038/5228061
Topoľčany - Pribinova	955 01	Pribinova 2	038/485 6243	038/5326900
Šaľa	927 00	Hlavná 5	031/485 4062	031/7704576
Zlaté Moravce	953 00	Župná 10	037/485 4889	037/6321266
Nitra - Štefánikova 7	949 31	Štefánikova 7	037/485 4901	037/7412057
Nitra - OC Mlyny	949 01	Štefánikova trieda 61	037/485 4877	037/4854930
Štúrovo	943 01	Hlavná 59	036/485 6147	036/7511308
Šurany	942 01	SNP 25	035/485 4768	035/6500044
Vráble	952 01	Levická 1288/16	037/485 4907	037/7833023
Centro Nitra	949 01	Akademická 1/A	037/485 4918	037/6512013
Hurbanovo	947 01	Komárňanská 98	035/485 4783	035/7602216
Šahy	936 01	Hlavné námestie 27	036/485 6152	036/7411723
Želiezovce	937 01	Komenského 8	036/485 6164	036/7711088
Kolárovo	946 03	Palkovicha 34	035/485 4785	035/7772550
OC MAX Nitra	949 01	Chrenovská 1661/30	037/485 4922	037/7331028
Nitrianska Blatnica	956 04	Obecný úrad	038/485 6261	038/5394194
Tvrdošovce	941 10	Bratislavská cesta 3	035/485 4796	035/6492201
Mortgage Centres				
Nitra	949 31	Štefánikova 44	037/485 4838	037/6528754
Regional Retail Business Network Žilina				
Žilina	010 43	Na bráne 1	041/485 6306	041/7247136
Čadca	022 24	Fraňa Kráľa 1504	041/485 6375	041/4331095
Dolný Kubín	026 01	Radlinského 1712/34	043/485 6683	043/5864006
Martin	036 53	M. R. Štefánika 2	043/485 6627	043/4247297
Liptovský Mikuláš	031 31	Štúrova 19	044/485 7009	044/5514925
Ružomberok	034 01	Podhora 48	044/485 7037	044/4323146
Bytča	014 01	Sidónie Sakalovej 138/1	041/485 6409	041/5533579
Námestovo	029 01	Hviezdoslavovo nám. 200/5	043/485 6709	043/5523175
Žilina - Nám. A. Hlinku	010 43	Nám. A. Hlinku 1	041/485 6413	041/5626194
Žilina - Dubeň	010 08	Vysokoškolákov 52	041/485 6417	041/5000316

Žilina - Aupark	010 01	Veľká okružná 59A	041/485 6332	041/50921181
Kysucké Nové Mesto	024 01	Námestie Slobody 184	041/485 6433	041/4213687
Vrútky	038 61	1. čsl. brigády 12	043/485 6732	043/4284133
Trstená	028 01	Nám. M. R. Štefánika 15	043/485 6712	043/5392559
Turčianske Teplice	039 01	Hájska 3	043/485 6725	043/4924015
Rajec	015 01	Hollého 25	041/485 6437	041/5422877
Turzovka	023 54	R. Jašíka 20	041/485 6448	041/4352579
Tvrdošín	027 44	Trojičné nám. 191	043/485 6745	043/5322052
Martin - OC Tulip	036 01	Pltníky 2	043/485 6669	043/4134713
Liptovský Hrádok	033 01	J. Martinku 740/56	044/485 7054	044/5221397
Nižná	027 43	Nová Doba 481	043/485 6756	043/5382162
OC MAX Žilina	010 07	Prielohy 979	041/485 6306	041/5681879
Krásno nad Kysucou	023 02	1. mája 1255	041/485 6459	041/4385394
Turany	038 53	Obchodná 13	043/485 6759	043/4292529
Zákamenné	029 56	Zákamenné 23	043/485 6761	043/5592295
Liptovský Mikuláš - OC Jasná	031 31	Garbiarska 695	044/485 7060	044/5528361
Mortgage Centres				
Žilina	010 43	Na bráne 1	041/485 6326	041/5678051

Regional Retail Business Network Banská Bystrica

Banská Bystrica	975 55	Námestie slobody 1	048/450 5550	048/4505641
Lučenec	984 35	T. G. Masaryka 24	047/485 7205	047/4331501
Rimavská Sobota	979 13	Francisciho 1	047/485 7228	047/5631213
Veľký Krtíš	990 20	Novohradská 7	047/485 7264	047/4805687
Zvolen	960 94	Námestie SNP 2093/13	045/485 6800	045/5333532
Žiar nad Hronom	965 01	Námestie Matice slov. 21	045/485 6870	045/6707840
Banská Bystrica - Dolná	975 55	Dolná 17	048/485 5400	048/4123908
Banská Štiavnica	969 01	Radničné námestie 15	045/485 6903	045/6921047
Brezno	977 01	Boženy Němcovej 1/A	048/485 5370	048/6115595
Detva	962 11	M. R. Štefánika 65	045/485 6911	045/5455461
Fiľakovo	986 01	Biskupická 1	047/485 7271	047/4382227
Hnúšťa	981 01	Francisciho 372	047/485 7284	047/5422241
Krupina	963 01	Svätotrojičné námestie 8	045/485 6928	045/5511431
Nová Baňa	968 01	Námestie slobody 11	045/485 6935	045/6855115
BB - SC Európa	974 01	Na troskách 26	048/485 5383	048/4145101
Revúca	050 01	Námestie slobody 3	058/485 8976	058/4421515
Hriňová	962 05	Hriňová 1612	045/485 6897	045/5497221
Kremnica	967 01	Medzibránie 11	045/485 6950	045/6743861
Poltár	987 01	Sklárska	047/485 7288	047/4223370
Tornaľa	982 01	Mierová 37	047/485 7294	047/5522676
Žarnovica	966 81	Námestie SNP 26	045/485 6953	045/6812380
Dudince	962 71	Okružná 142	045/485 6890	045/5583432
Slovenská Ľupča	976 13	Námestie SNP 12	048/485 5381	048/4187229
Vinica	991 28	Cesta slobody 466/41	047/485 7303	047/4891502
Mortgage Centres				
Banská Bystrica	975 55	Námestie slobody 1	048/450 5590	048/4505670

Regional Retail Business Network Prešov

Poprad	058 17	Mnoheľova 2832/9	052/485 7842	052/7721182
Stará Ľubovňa	064 01	Obchodná 2	052/485 7872	052/4323491
Prešov	081 86	Masarykova 13	051/485 7518	051/7356362
Bardejov	085 61	Kellerova 1	054/485 8300	054/4746389
Humenné	066 80	Námestie slobody 26/10	057/485 8514	057/7705141
Vranov nad Topľou	093 01	Námestie slobody 6	057/485 8539	057/4406439
Kežmarok	060 01	Hviezdoslavova 5	052/485 7899	052/4524806
OC MAX Poprad	058 01	Dlhé hony 4588/1	052/485 7940	052/4524806
Snina	069 01	Strojárska 2524	057/485 8562	057/7622328
Svidník	089 27	Centrálna 584/5	054/485 8331	054/7521691
Prešov - Hlavná	080 01	Hlavná 61	051/485 7570	051/7723617
OC MAX Prešov	080 01	Vihorlatská 2A	051/485 7579	051/7757079
Sabinov	083 01	Námestie slobody 90	051/485 7597	051/4523492
Stropkov	091 01	Mlynská 692/1	054/485 8347	054/7423714
Levoča	054 01	Nám. Majstra Pavla 38	053/485 7624	053/4514316
Svit	059 21	Štúrova 87	052/485 7914	052/7755154
Spišská Belá	059 01	Zimná 3	052/485 7934	052/4581022
Spišské Podhradie	053 04	Mariánske nám. 22	053/485 7641	053/4541257
Giraltovce	087 01	Dukelská 58	054/485 8355	054/7322625
Hanušovce nad Topľou	094 31	Komenského 52	057/485 8580	057/4452805
Lipany	082 71	Nám. sv. Martina 8	051/485 7586	051/4572777
Medzilaborce	068 10	Mierová 289/1	057/485 8586	057/7321546
Poprad - J. Curie	058 01	J. Curie 37	052/485 7920	052/7723192
Podolinec	065 03	Ul. Sv. Anny 1	052/485 7932	052/4391295
Bardejov - Radničné námestie	085 01	Radničné námestie 33	054/485 8324	054/4748961
Humenné - Chemes	066 01	Chemlonská 1	057/485 8592	057/7763595
Mortgage Centres				
Prešov	081 86	Masarykova 13	051/485 7558	051/7356383
Poprad	058 17	Mnoheľova 2832/9	052/485 7817	052/7135087

Regional Retail Business Network Košice

Rožňava	048 73	Šafárikova 21	058/485 8955	058/7326421
Spišská Nová Ves	052 14	Letná 33	055/485 7608	053/4410422
Košice - Štúrova	042 31	Štúrova 27/A	055/485 8006	055/6229334
Košice - Bačíkova	042 81	Bačíkova 2	055/485 8111	055/6786083
Michalovce	071 80	Námestie slobody 3	056/485 8420	056/6441077
Trebišov	075 17	M.R. Štefánika 3197/32	056/485 8449	056/6725901
Košice - Hlavná 1	042 31	Hlavná 1	055/485 8002	055/6226250
Košice - Letná	040 01	Letná 40	055/485 8159	055/6259979
Košice - Bukovecká	040 12	Bukovecká 18	055/485 8199	055/6746253
Moldava nad Bodvou	045 01	Hviezdoslavova 13	055/485 8100	055/4602992
Košice - OC Optima	040 11	Moldavská cesta 32	055/485 8184	055/6461043
Košice - OC Galéria	040 11	Toryská 5	055/485 8214	055/6421011
Gelnica	056 01	Banícke nám. 52	053/485 7633	053/4821104
Krompachy	053 42	Lorencova 20	053/485 7638	053/4472251
Košice - Ťahanovce	040 13	Americká trieda 15	055/485 8188	055/6366063
Košice - Sídlisko KVP	040 23	Trieda KVP 1	055/485 8192	055/6429673

Košice - Trieda L. Svobodu	040 22	Trieda L. Svobodu 12	055/485 8199	055/6718160
Michalovce - mesto	071 01	Nám. Osloboditeľov 2	056/485 8467	056/6424281
Sobrance	073 01	Štefánikova 9	056/485 8494	056/6523300
Strážske	072 22	Nám.A.Dubčeka 300	056/485 8470	056/6491633
Kráľovský Chlmec	077 01	Hlavná 710	056/485 8475	056/6321045
Veľké Kapušany	079 01	Sídl.P.O.Hviezdoslava 79	056/485 8482	056/6383043
Sečovce	078 01	Nám.Sv.Cyrila a Metoda 41/23	056/485 8487	056/6782277
Košice - Hlavná 41	040 01	Hlavná 41	055/480 8210	055/6223987
Košice - Moldavská	040 11	Werferova 3	055/485 8117	055/6420814
Mortgage Centres				
Košice	042 31	Štúrova 27/A	055/485 8031	055/6229334

List of VUB Corporate Branches

Corporate Business Center Bratislava

BRATISLAVA	Mlynské nivy 1	+421 2 50552770

Corporate Business Center Bratislava 2

BRATISLAVA	Mlynské nivy 1	+421 2 50552600

Corporate Business Center Trnava

TRNAVA	Dolné bašty 2	+421 33 4854447
SENICA	Nám. oslobodenia 8	+421 34 4856037

Corporate Business Center Nitra

NITRA	Štefánikova 44	+421 37 4854844
TOPOĽČANY	Moyzesova 585/2	+421 38 4856237
LEVICE	Štúrova 21	+421 36 4856135

Corporate Business Center Nové Zámky

NOVÉ ZÁMKY	Hlavné námestie 5	+421 35 4854738
KOMÁRNO	Tržničné nám. 1	+421 35 4854764
GALANTA	Mierové námestie 2	+421 31 4854054
DUNAJSKÁ STREDA	Alžbetínske nám. 328	+421 31 4854024

Corporate Business Center Trenčín

TRENČÍN	Legionárska 7158/5	+421 32 4854230
POVAŽSKÁ BYSTRICA	Nám. A. Hlinku 23/28	+421 42 4856537

Corporate Business Center Žilina

ŽILINA	Na bráne 1	+421 41 4856346
MARTIN	M. R. Štefánika 2	+421 43 4856661
ČADCA	Fraňa Kráľa 1504	+421 41 4856399
DOLNÝ KUBÍN	Radlinského 1712/34	+421 43 4856694

Corporate Business Center Zvolen

ZVOLEN	Námestie SNP 2093/13	+421 45 4856842
BANSKÁ BYSTRICA	Námestie slobody 1	+421 48 4505487

Corporate Business Center Žiar nad Hronom

ŽIAR NAD HRONOM	Nám. Matice slovenskej 21	+421 45 4856883
PRIEVIDZA	Námestie slobody 6	+421 46 4857137

Corporate Business Center Lučenec

LUČENEC	T.G. Masaryka 24	+421 47 4857224
RIMAVSKÁ SOBOTA	Francisciho 1	+421 47 4857247

Corporate Business Center Poprad

POPRAD	Mnoheľova 2832/9	+421 52 4857866
LIPTOVSKÝ MIKULÁŠ	Štúrova 19	+421 44 4857032
SPIŠSKÁ NOVÁ VES	Letná 33	+421 53 4857621

Corporate Business Center Prešov

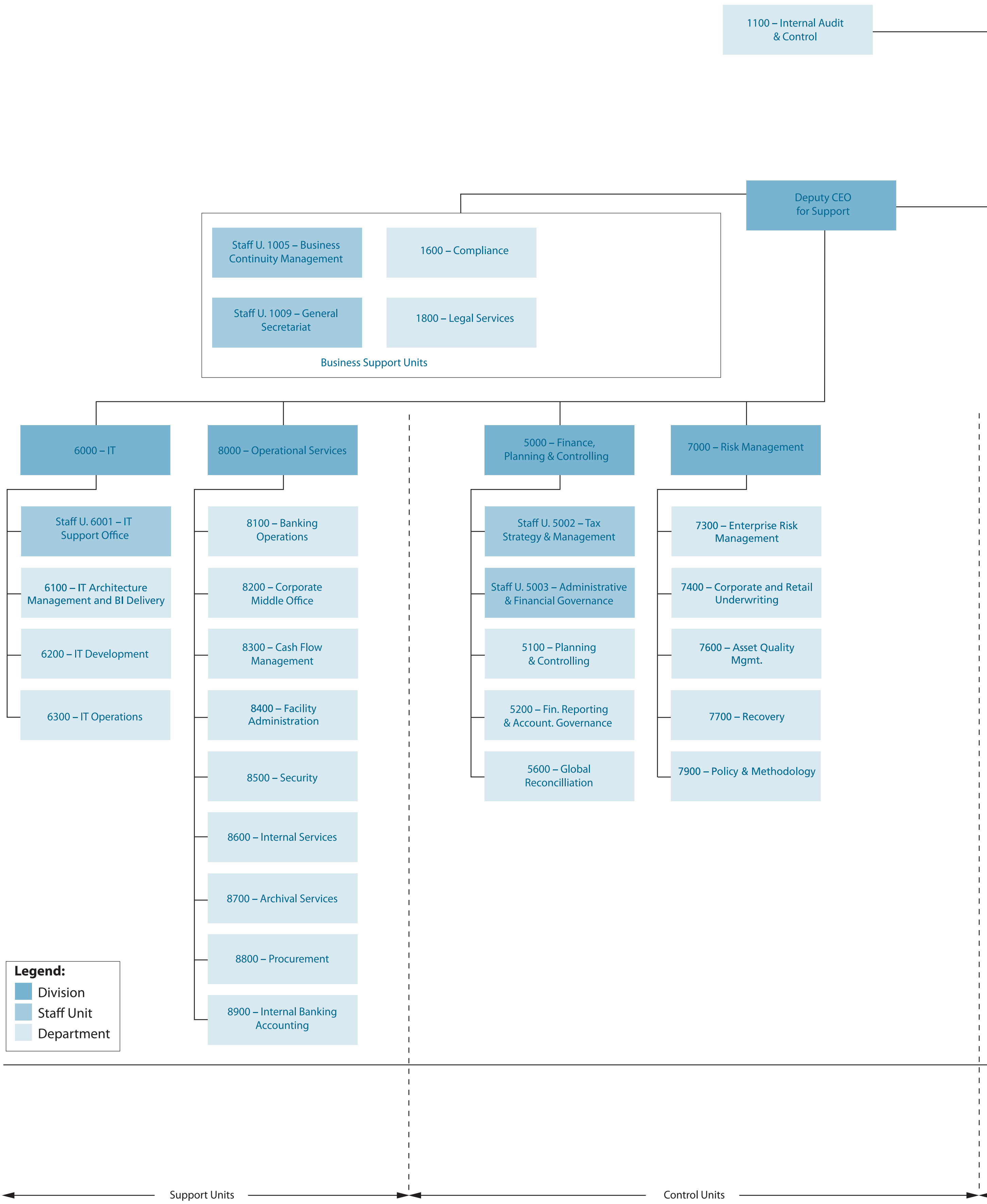
PREŠOV	Masarykova 13	+421 51 4857564
BARDEJOV	Kellerova 1	+421 54 4858328
VRANOV NAD TOPĽOU	Námestie slobody 6	+421 57 4858560
HUMENNÉ	Námestie slobody 26/10	+421 57 4858530

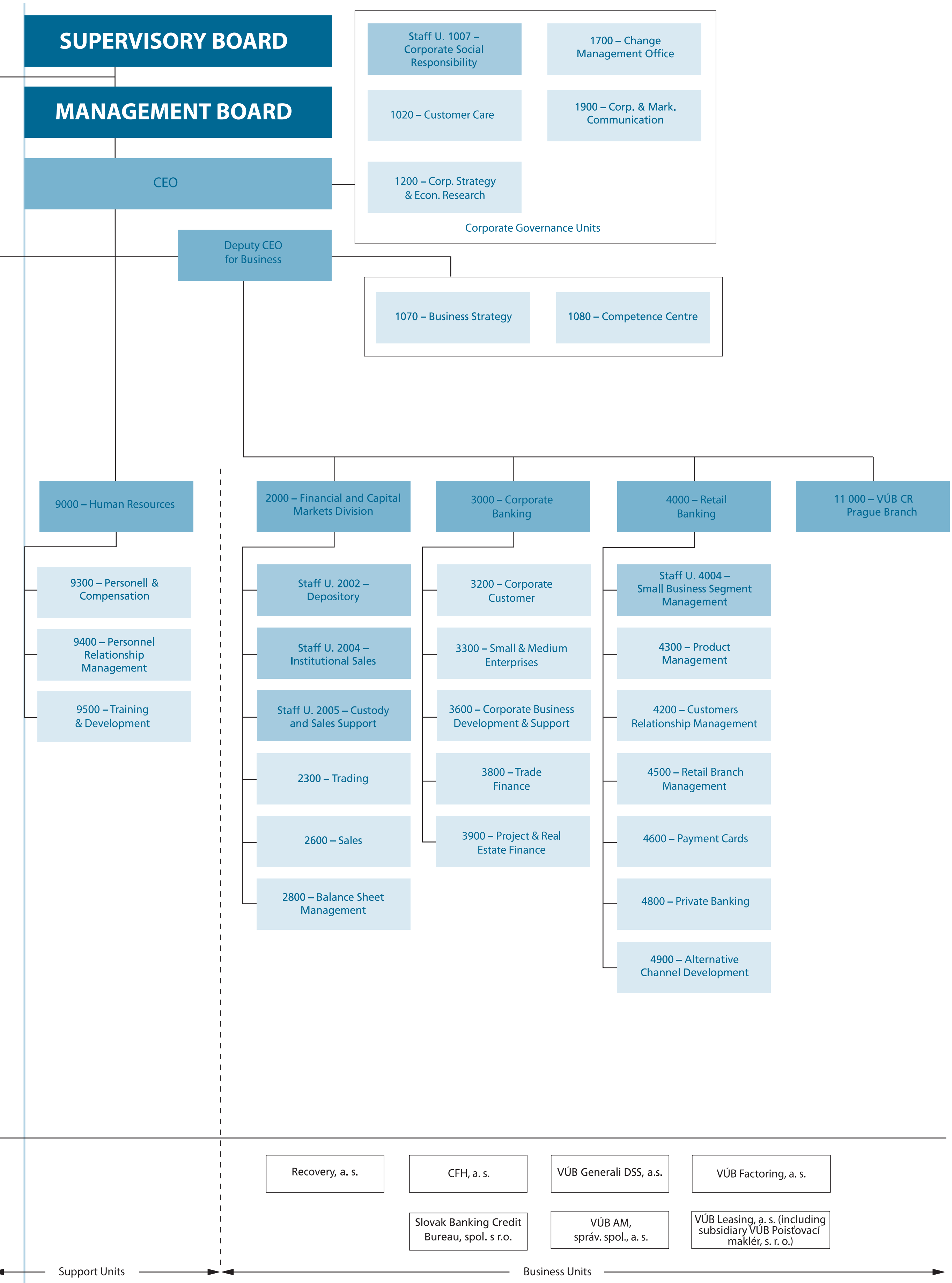
Corporate Business Center Košice

KOŠICE	Štúrova 27/A	+421 55 4858046
MICHALOVCE	Námestie slobody 3	+421 56 4858430

Organization Chart of VUB

as at 31 December 2011




SUPERVISORY BOARD
MANAGEMENT BOARD
CEO
Staff U. 1007 – Corporate Social Responsibility
1700 – Change Management Office
1020 – Customer Care
1900 – Corp. & Mark. Communication
1200 – Corp. Strategy & Econ. Research
Corporate Governance Units
Deputy CEO for Business
1070 – Business Strategy
1080 – Competence Centre
9000 – Human Resources
9300 – Personell & Compensation
9400 – Personnel Relationship Management
9500 – Training & Development
2000 – Financial and Capital Markets Division
Staff U. 2002 – Depository
Staff U. 2004 – Institutional Sales
Staff U. 2005 – Custody and Sales Support
2300 – Trading
2600 – Sales
2800 – Balance Sheet Management
3000 – Corporate Banking
3200 – Corporate Customer
3300 – Small & Medium Enterprises
3600 – Corporate Business Development & Support
3800 – Trade Finance
3900 – Project & Real Estate Finance
4000 – Retail Banking
Staff U. 4004 – Small Business Segment Management
4300 – Product Management
4200 – Customers Relationship Management
4500 – Retail Branch Management
4600 – Payment Cards
4800 – Private Banking
4900 – Alternative Channel Development
11 000 – VÚB CR Prague Branch
Recovery, a. s.
CFH, a. s.
VÚB Generali DSS, a.s.
VÚB Factoring, a. s.
Slovak Banking Credit Bureau, spol. s r.o.
VÚB AM, správ. spol., a. s.
VÚB Leasing, a. s. (including subsidiary VÚB Poisťovací maklér, s. r. o.)
Support Units
Business Units