VÚB BANKA

Annual Report 2009

Content

Address by the Chairman of the VUB Supervisory Board

Dear Shareholders, Clients and Business Partners, Employees,

VUB had a broadly successful year in 2009. The Bank managed to further strengthen its position on core credit markets and continued to deliver outstanding results in terms of financial performance and cost efficiency. Indeed, the Bank has retained and even reinforced its position as the most profitable as well as the most efficient bank on the market. Independently, the Bank's superior performance has also been noted by outside observers. In 2009, VUB was presented, for the first time, with all three most prestigious awards for the best banking institution in Slovakia – by Euromoney, The Banker, and local weekly Trend. On behalf of the Supervisory Board, I would like to thank management and employees for these excellent achievements.

The extent to which VUB stands out is best gauged against the performance of the banking industry and economy as a whole. Banks operating in Slovakia, to be sure, were not affected as severely by the initial phase of the global financial crisis as in neighbouring countries. This was due both to their focus on traditional, conservative banking activities in the domestic market, as well as the adoption of the Euro which helped to maintain broader financial stability in the country. The next phase of the crisis introduced by the global recession, however, weighed on the banking sector quite dramatically. Indeed, due to a strong dependence on export markets, the downturn of the Slovak economy relative to the preceding year was the steepest of all Central European countries. Asset quality, as a result, deteriorated sharply and the non-performing loan ratio in Slovakia rose to above those of peers by mid-2009.

Stalled growth, increased provisioning, and FX revenue loss due to the adoption of the Euro halved the post-provision profitability of the banking sector in Slovakia. VUB was actually the only major bank on the market that in 2009 broadly sustained its financial performance over the previous year.

VUB's resilience, solidity, and outperformance relative to the market are highly appreciated in the Intesa Sanpaolo group, which is emerging from the crisis with much better results than other banking groups in Europe. Following from past successes, expectations understandably run high. Objectives set for VUB in 2010 are indeed ambitious, especially when considering the still fragile operating environment and increasing regulatory pressure on banks generally. I realize that. I would like to emphasize though, that Intesa Sanpaolo remains committed to continuing to provide support, know-how, and synergies to help VUB deliver and remain firmly 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,

Despite external headwinds, VUB had a satisfactory year in 2009. We have retained and even reinforced our position as the most profitable bank on the market. Equally important, we have also retained the position as the most efficient bank in Slovakia. Indeed, we were the only major bank that managed to run its business with a lower cost to income ratio than in 2008. These good results show that we have pursued the right strategy. Even more so, the results tell of the quality and hard work of the people that belong to our institution.

Starting with a review of the external environment, 2009 was by many accounts the most challenging year in the recent history of the Slovak economy. Indeed, under the weight of the global recession, the business cycle reversed suddenly and dramatically: from real GDP growth exceeding 6 % in 2008, into a contraction of nearly 5 % in 2009. This reversal of economic gears pushed the overall number of unemployed up by one half. Corporate profits plunged and capacity utilization declined to a record low. The real estate market stalled and property prices decreased sizably.

These macroeconomic developments had clear negative implications for the banking sector and other financial service providers, notably consumer finance and leasing companies. Demand for new credit froze, while the quality of outstanding loans deteriorated. The worsening financial position led both the private and public sector to draw down their previously accumulated savings. As a result, total primary deposits dropped by 8 %, whereas loans, net of increased provisions, decreased by 1 %, respectively. Total banking sector assets decreased by 16 %, which was a dramatic change from the growth of 14 % in the previous year.

The deterioration of the business environment inevitably weighed on the sector's financial results. Revenues were down 14 % over 2008, also due to Euro introduction, which deprived banks of income from Euro – koruna conversions, and as a consequence the sector as a whole was not able to prevent its cost to income ratio from rising, to nearly 60 % from 55 % in 2008. Operating profit thus dropped by 22 % and due to increased provisioning for non-performing loans, banks in Slovakia last year suffered a 45 % plunge in net profit.

Against this external backdrop, the results of VUB bank look remarkable. Indeed, we were the only major bank on the Slovak market able to record positive growth of operating income at individual bank-level. In particular, we managed to partially offset substantially lower revenues from financial market operations, resulting from Euro adoption, with higher net interest income coming from robust growth of retail loan portfolio and effective asset-liability management. It is also worth mentioning the positive impact of the repatriation of prior years' earnings of our subsidiary Consumer Finance Holding in the form of dividends. Moreover, the Bank was able to lower its operating costs by almost 7% and squeeze the cost to income ratio close to 45%, from an already market best of 49% in the previous year.

As a result our operating profit grew by 7%, with our share of operating profit reported by the sector increasing from 21 % in 2008 to 28 % in 2009. Given that we account for 18 % of banking sector assets, these figures clearly stand out.

The key to our outstanding performance even in these difficult times for the banking industry rests on three main levers: the ability to grow our retail loan portfolio, efficiency, and quality of assets. Indeed, our traditionally prudent approach and focus on quality rather than price alone, enabled us – unlike the rest of the market – to contain the worsening of our credit portfolio and reduce the impact of risk cost. Our asset quality remained best in-class, with the ratio of non-performing loans to total loans being two percentage points better than the sector average, with adequate provisioning coverage.

Besides outperforming in terms of quantitative results, there is one less tangible but equally important dimension of our activities that makes VUB stand out: namely, our efforts to transmit principles of Corporate Social Responsibility (CSR) in the business community of Slovakia. Indeed, we are firm believers in the importance of a business model based on sustainable development. Last year, VUB was the first bank in Slovakia that adopted sustainability reporting according to international standards (Global Reporting Initiative) and published a CSR Annual report alongside the financial one. This year you can also find our 2009 CSR Annual report attached to this Financial Report.

To be sure, our focus on quality and long-term sustainability rather than short-term goals and price alone may have cost us some loss of market share, especially on the increasingly price-sensitive deposit market. Indeed, our share of total primary deposits decreased from 19.7 % in 2008 to 17.5 % in 2009. This decrease, though, was mainly due to the withdrawal of State deposits. In core business segments – households and private nonfinancial enterprises, we held up our shares of deposits better, even though some retreat from previous positions must be admitted. In particular, in the nonfinancial corporate deposit market, we held a 16.0 % share at the end of 2009 compared to 16.9 % a year ago. This retreat was primarily due to the loss of deposit volumes from large corporate clients rather than SMEs, whose cash flows proved relatively more stable and predictable.

On the household deposit market, our share of bank deposits stood at 17.8 %, which was one percentage point less than at the end of 2008. Importantly, though, we were successful in shifting deposit composition in favour of longer tenors, which helped us improve the duration profile of this crucial component of the Bank's funding base. Moreover, the decline in household bank deposits was in large part compensated for by the rise of funds under our asset management Company, which, following a slippage in 2008, achieved strong turnaround in 2009. Indeed, it gained four points of market share, by nicely timing the re-entry of our mutual funds clients with the recovering global financial markets. The latter benefit, unfortunately, could not be offered to our pension fund clients, due to changes in the legislative framework, which forced pension fund providers to divest away from the markets just as they began to recover. Despite this and other adverse changes to the legislation governing pension saving schemes in Slovakia, we were able, together with our joint venture partner Generali Slovensko, to maintain the trust of 194 thousand clients, whose assets under our management grew 30 %, accounting for a stable 14.5 % market share.

On the loan market, our growth momentum continued even in the depressed year of 2009. Indeed, we increased bank loans by 5,5 % and improved our market share to 17.6 % from 16.7 % a year ago. Growth, however, was confined solely to the retail segment, in which we increased volumes by 12 % over a year ago. We outgrew the competition primarily in mortgages and credit cards. Volumes of loans to SMEs stagnated, while loans extended to large corporate clients declined by 5 %. Still, given that the corporate market overall contracted even more, our shares of total bank credit extended to non-financial enterprises increased to a post-privatization high of 14.7 %.

Compared to the bank loan book, our consolidated loan book grew only half as much, 3.5 %, due to especially tough conditions prevailing on the consumer finance and leasing markets. Indeed, our specialized subsidiary Consumer Finance Holding suffered a 12 % decrease in volumes as increasing unemployment significantly impaired the financial situation of borrowers in this mass market. Our leasing subsidiary, VUB Leasing, saw an even more dramatic 19 % decline of volumes, as firms struggling with falling orders and excess capacities were abandoning leased assets.

The weakening commercial results of our non-bank subsidiaries inevitably weighed on their revenues and initiated actions on costs, which were lowered by 12 % for CFH and 32 % for VUB Leasing, respectively. Attention to expenses also elsewhere in the Group trimmed our consolidated operating cost base down by 8 % over a year ago. By doing so, we were able to fully offset the 4 % decline of consolidated operating revenues and generate operating profit at group level worth € 253.1 million – slightly above the previous year. After adjustments for provisions, impairment losses, and income tax, the Group posted a net profit of € 141.7 million, 16 % less than in the record-high year 2008.

Looking ahead, the operating environment for the banking industry will remain challenging. Still, compared to the uncertainty of a year ago, the outlook is more predictable. Widely expected economic recovery, even though shallow, is forthcoming. In the corporate world, some positive developments can already be observed, with profits and capacity utilization gradually picking up from their lowest point. Also, with the worst of the recession behind, independent observers claim that corporate default rates may have already peaked. In 2010, nevertheless, recovery will probably not become robust enough to decrease unemployment – a crucial factor affecting retail prospects. And another dip in economic activity later this year cannot be excluded once fiscal and monetary stimuli are withdrawn. Caution must therefore prevail.

VUB's course in 2010 will again draw on the strategy that navigated us well through the difficult year of 2009. Our focus will remain on sustainable development, quality, and active listening to clients. Further development will centre on better understanding of our customers, improvement of retail infrastructure, and more effective risk management. We will also continue to pay attention to costs and embrace measures to further improve liquidity and protect capital adequacy so as to remain one of the healthiest banks in the region.

In conclusion, I would like to thank our employees for their commitment, resilience, and hard work of this past year. Also, I would like to thank VUB clients and business partners for the trust they hold in the Bank, and the shareholders for their support. I wish all of us the best in this challenging year 2010.

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

The year 2009 was to some extent a breakpoint year for the Slovak economy. The first milestone was the introduction of the single European currency, posting a smooth and trouble free implementation. The second, unfortunately, negative milestone was the global economic recession that hit Slovakia significantly due to its small open economy. Indeed, Slovakia had never before experienced such a fierce and dramatic turning of the economic cycle. After 6.2 % year-on-year growth of the actual GDP in 2008, the Slovak economy shrank by a record 4.7 % in 2009.

Naturally, such a rapid downturn in the economy had an immediate negative impact on all economic subjects such as enterprises, households, and the government itself. In fact, on the supply-side, a drop in foreign demand was instantly translated into the dramatic decline of industry by almost 14 % compared to 3 % growth in 2008. The contracted demand and decline in orders pushed companies to decrease their investments and economize, which was subsequently reflected in the labour market. At the end of 2009 the unemployment rate jumped to a 4-year high of 12.7 %, 4.3 % up on 2008. The number of jobs lost in the private sector from October 2008 when negative impacts of the global recession began to hit Slovakia until December 2009 reached 180 thousand. Moreover, deterioration of the labour market conditions hit retailers, reporting even worse downturns than industrial plants, taking into consideration 9 % drop in revenues compared to a 9.5 % rise in 2008. Furthermore, the fall in corporate profits by one third, the aforementioned increase of unemployment, and the falling household consumption negatively influenced the State budget performance, which with a 7.1 % drop in revenues and 10.6 % growth of expenses reported a deficit of EUR 2.8 billion last year, i.e. three times higher than originally planned.

Similarly, the negative financial and economic trends undermined the performance of the banking industry and other financial intermediaries, primarily in the field of consumer finance and leasing. The demand for new loans fell, whereas their repayment quality significantly worsened. The share of non-performing loans to total bank loans almost doubled, from 3.2 % in 2008 to 5.5 % at the end of 2009. The deteriorating financial position forced companies and households to use their deposits in banks, owing to which deposits of non-financial corporations dropped by 15 % and household deposits by 2 % compared to the previous year. The public sector pulled out from the banking system almost half of its deposit volumes of the previous year. Total primary deposits in the banking sector dropped by 8 % in 2009, whereas loans, after including provisions for non-performing loans, fell by 1 %. Moreover, total bank assets were influenced by trading on the interbank market, on which receivables decreased by more than three fifths due to the accession of Slovakia to the Euro zone. Hence, banking sector assets dropped by 16 % compared to 2008 perceiving a really dramatic turn in trends, whereas in the previous two years, on the contrary, assets had risen at 16 % year-on-year.

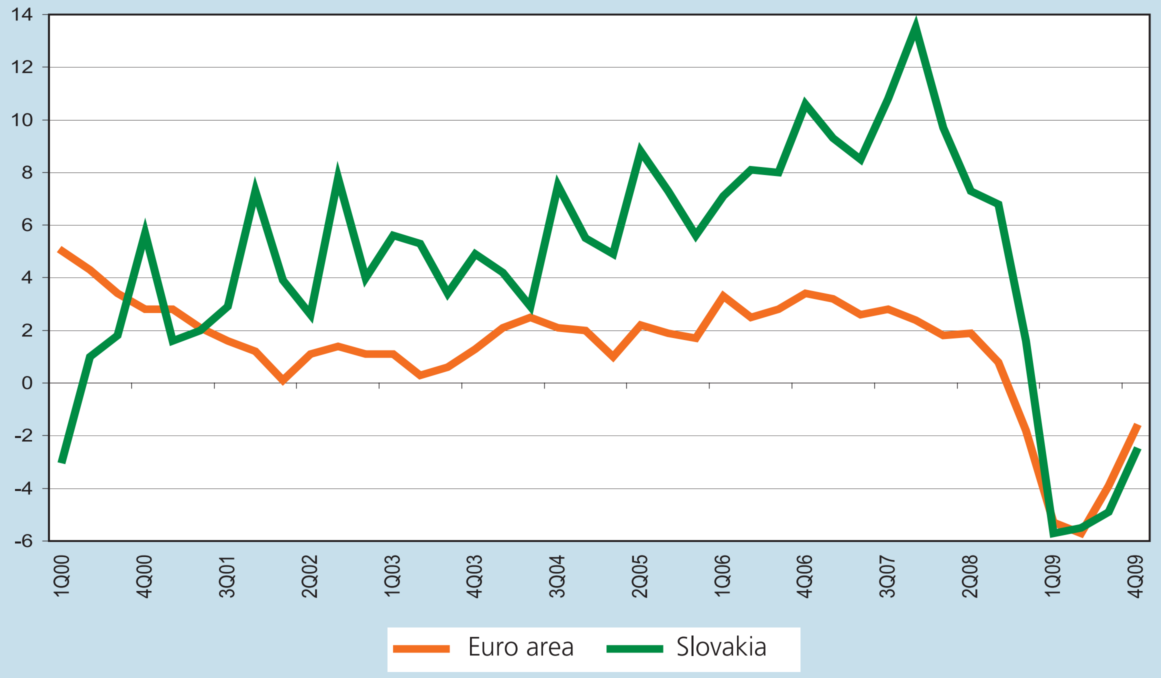
The exacerbation of the economic and business environment necessarily has taken its toll on the worsening financial performance of banks. Compared to 2008, revenues fell by 14 % resulting from Euro introduction which deprived banks of considerable income from the conversion of the koruna to Euro and vice versa. In fact, net bank revenues from trading plunged by almost 90 % vis-à-vis 2008. Although the drop in revenues led banks to reduce operating expenses by 7 %, the cost income ratio in the sector rose from 55 % in 2008 back to 60 %. Thus, operating profit dropped by 22 % and owing to the necessity of higher provision generation for non-performing loans, the Slovak banking sector suffered a steep net profit plunge of 45 %.

Macro Outlook 2010

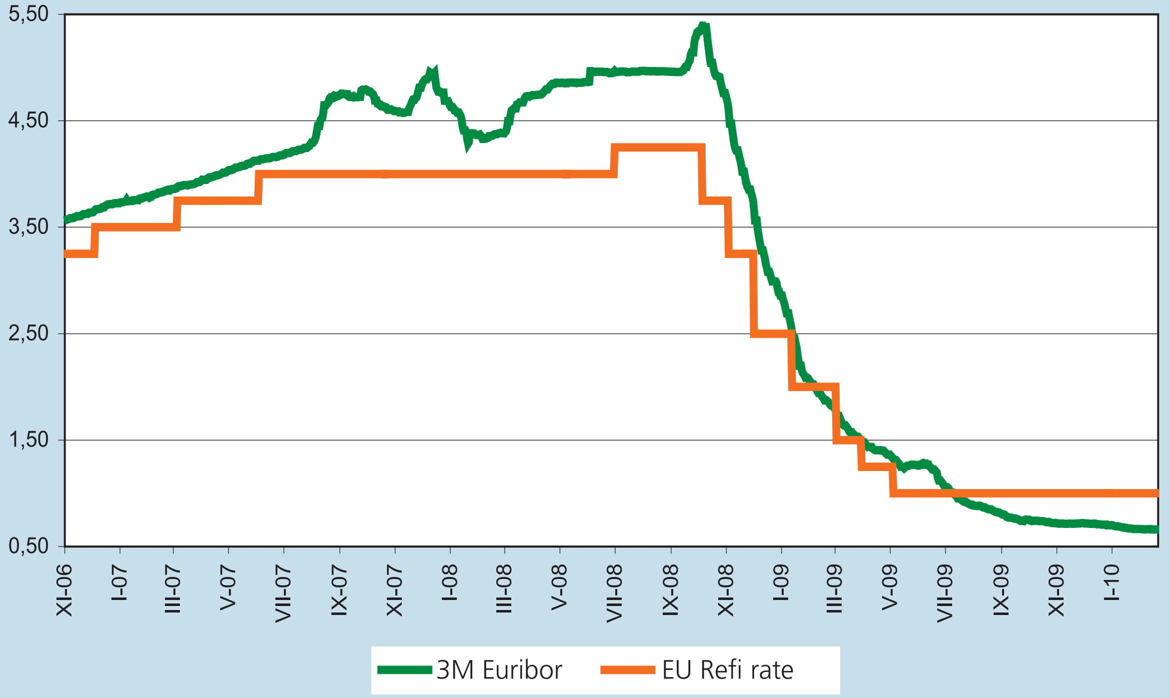
The year 2010 should become a year of gradual recovery of the global economy, with Slovakia being no exception. The recovery of the economy began as early as in the second half of 2009 after government and central bank measures including financial stimuli, interest rate decrease to an historic low, and overflowing additional liquidity into the financial market, all renewed confidence in banking and revived economic activity. Although economic surveys still report the same trend at the beginning of 2010, they simultaneously indicate its fragility. Indeed, the risk of a new slowdown is still persisting, as the fiscal and monetary stimuli will be fading gradually. The historically, lowest official interest rates will probably have become history by the year-end, since inflation will increase from rock bottom. And space for further expansive fiscal policies will be limited by the enormous public finance indebtedness in the previous two years and the increasing cost for servicing this debt. Viewing this, we may not experience a very rapid turnaround in global and Slovak economic trends in 2010. The Slovak economy may experience actual growth of about 2 – 3 %, which may not be sufficient for generating new jobs. Thus, labour market conditions remain tight and local demand weak. Thereby, economic recovery and growth should be further based on the recovery and growth of foreign demand.

Essentially, the aforementioned assumptions indicate that the banking sector will be facing serious challenges this year. Owing to the traditional angle of the banking business in Slovakia focusing on household financial services, these will be primarily arising from weak labour market conditions. Consequently, demand for loans will remain limited and the inflow of household deposits very weak. Corporate banking will be likely to accentuate risk management, primarily in the field of assessing changes in corporate performance within the various sectors of the economy. Overall, we cannot expect that economic conditions this year will be favourable enough to make up for last year's profit decline of the banking sector to a large extent.

Real GDP growth (% y/y)

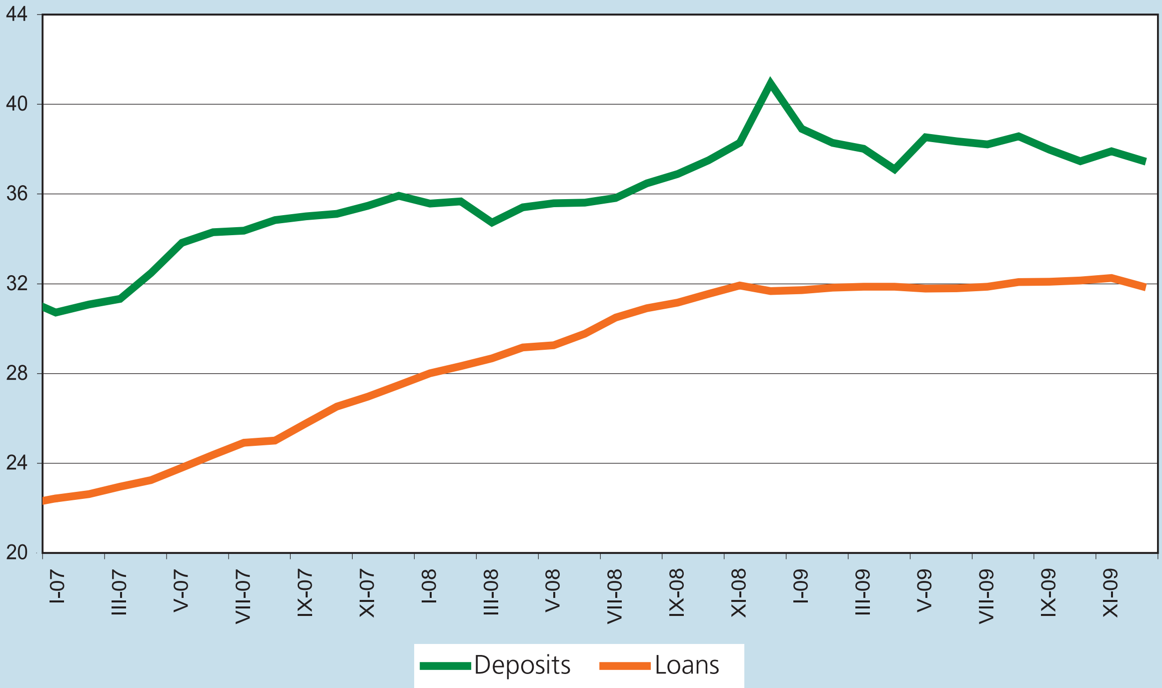


3M Euribor and ECB's refi rate



Registered unemployment rate (%)

Development of banking sector volumes (EUR bn)



VUB's 2009 Commercial Performance

Following a successful changeover to the new currency, the Euro, 2009 was marked in VUB by the culminating economic and financial crisis. As early as at the beginning of the year, the Bank had to face the impacts of the ésudden economic recession and strong uncertainty on financial markets which, in the end, also affected the market of loans and client deposits. Despite the unfavourable development of the environment, VUB succeeded in achieving very good results thanks to an appropriately chosen strategy.

Moreover, the Bank managed to strengthen its position as a leader on the market of mortgage finance marked by a reduced demand for real estates. Progress in the area of consumer finance was limited last year by a growth of default risks, but the company succeeded in increasing its share in the market of consumer and credit card loans as well as in keeping the lowest rate of delinquent loans on the market. The financing of corporate clients, i.e. large corporate clients as well as SMEs, was affected by the economic downturn faster and stronger, but the volume of corporate loans in the entire banking sector slumped in the course of the year more than in VUB. Such a development, more favourable than the market one, is indubitably supported by the corporate culture of the Bank which puts emphasis mainly on customer satisfaction with the quality of provided services, and on increasing their confidence level. Higher and higher customer focus is required to break through a strongly competitive market, which is even more visible at times of crisis. The customer-focused approach became a necessary strategic priority in VUB within the common project with the parent company Intesa Sanpaolo: "We listen to you 100 %" *(Počúvame Vás na 100 %)*, the main aim of which is the continuous improvement of customer services. Therefore, the Bank continued to improve processes, innovating products, redesigning its wide sales network (211 retail branches, 32 corporate branches, 11 mortgage centres, and developing alternative distribution channels. A number of awards received in 2009 in several categories of the "Gold Coin" *(Zlatá minca)* contest are evidence of a successful business policy.

Deposits

Bank deposits of VUB amounted to EUR 6.6 bn at the end of 2009, which is a decrease of 19 % vis-à-vis the previous year. Such a reduction results mainly from the withdrawal of public sector deposits, when up to 60 % of such deposits left the Bank during the year. The economic crisis was also reflected in other segments on the deposit market. The withdrawals of retail clients' deposits prevailed last year, when both individuals and sole proprietors withdrew 8 % of their VUB deposits in total. It means that the Bank managed to keep the majority of deposits made prior to the adoption of the Euro mainly on fixed-term accounts, despite the all time low interest rates on the market. Moreover, in the second half of the year, the subsidiary VÚB Asset Management, správ. spol., a. s., succeeded in breaking through the market of mutual funds and achieved the highest growth of managed assets on the market, i.e. a 38 % increase y/y and an increase in market share by 4 percentage points to 19.4 %. The Bank thus managed to maintain its 18.5 % market share in total deposits, including savings in mutual funds, received from retail clients. More negative impacts of the crisis could be observed in corporate deposits which dropped in VUB by 12 % vis-à-vis the previous year. They were nearly entirely composed of deposits of large corporations. Deposits of SMEs fell by 5 %. As of the end of 2009, VUB held a 16 % share in the market of corporate deposits.

Electronic banking

In 2009 VUB continued improving its nonstop banking services which include Kontakt, Internet Banking, Internet Banking Plus, Mobile Banking, Business Banking, and MultiCash. As of 31 December 2009, the Bank had more than 665,000 active non-stop banking customers. Compared with 2008, we recorded an increase in the number of clients using Internet Banking and Mobile Banking services, and more than a 16 % growth in the number of transactions executed through electronic channels.

The most significant changes made in Internet Banking in 2009 include:

- extension of pre-approved flexiloans online, through Internet Banking, without any need to visit a branch,
- making electronic statements available to individuals,
- simplification of the process of opening a current or a fixed-term account through nonstop banking,
- sending notifications of failed payments,
- possibility of asking the bank a question directly through Internet Banking if clients need assistance or advice,
- displaying of hints that will recommend or remind of services, which will make working with Internet Banking easier,
- opportunity to participate in the "Good Angel" *(Dobrý anjel)* project, which helps every month, poor families with children.

In improving the quality of our services, we also remember clients who are working with Internet Banking for the first time – we have prepared a demo version of Internet Banking. Using a test environment, clients can thus try to log onto Internet Banking, place a payment order, browse through debits/credits on the account, etc. without any fear of doing something wrong. A handbook for logging onto Internet Banking and for placing a payment order is available for clients – beginners on the website of the bank and in every branch.

The security of VUB electronic banking was increased in 2009 through the issuance of new types of chip cards for signing transactions in Internet Banking, and through a change of security standards in the VUB e-Payments service.

Last year we focused on attending to the client at first contact to deal with more complicated issues immediately, if possible. We set up a sales team in the Contact Centre which makes it possible for our clients to purchase selected products by phone (e.g. flexisaving, fixed-term account, payment cards) and which also supports clients interested in our products through our websites. The Contact Centre handled more than 1 million phone calls (incoming and outgoing) and answered 30,000 e-mails.

Bank cards

In April 2009 we introduced new benefits for American Express credit cards. All existing and new holders of American Express Gold credit cards can use free membership in the Priority Pass. This service gives the client free access to airport VIP lounges worldwide, and the client can use the services provided by the relevant VIP lounge (free refreshments, internet, TV, telephone, fax, etc.). The American Express Gold card also offers higher comfort to our clients. In addition, we introduced the Home Assistance service which offers insurance and assistance services to the holders of the American Express Gold credit card in the form of the insurance of documents, keys, assistance in the case of being locked-out or in an emergency situation, services which are already included in the card price. We extended travel insurance with all American Express credit cards significantly. In September 2009 we introduced a new benefit for the Blue American Express credit cards – we will reimburse new clients for the first 3 months after the card issue date for up to 5 % of all card payments made in restaurants and bars.

VUB in cooperation with ING Tatry – Sympatia, DDS, a. s., prepared a new prestigious ING credit card. An application for the ING credit card can be filed with ING Tatry – Sympatia by each participant of supplementary pension saving. VUB will credit 1 % of each payment made by such card to the pension account of the relevant card holder. The ING card holder can use the card for pension saving.

Effective from 1 November 2009, we made changes in payment cards issued for individuals, e.g. cancellation of payment card blocking fees and return of an aliquot portion of the annual fee for cancellation of the card prior to its expiry date. We also continued to increase the security of VUB payment cards and through the year we were replacing expired non-chip cards with magnetic stripe by cards with new chip technology.

Up to 1,338 new EFT POS terminals were installed with merchants in the course of 2009. With a total number of 6,543 EFT POS terminals, the Bank reached an 18.4 % share in the Slovak market. We hold approximately 23 % market share in terms of transactions volume.

The ATM network was expanded by 35 new locations, which is a net increase of 17 ATMs, considering the closing of 18 locations. With 558 ATMs, the market share of the Bank exceeds 24 %.

Loans

Individuals – mortgage and consumer loans

The crisis and decline in the real estate market brought about a slump in the sector's growth of housing loans in 2009 by more than twofold, and VUB was basically affected by these factors to the same extent. The Bank recorded an 11 % increase in total housing loans (including so called American mortgages or general purpose loans). Holding a market share of nearly 27 %, it maintained last year its position of leader in the mortgage finance market. And it was particularly mortgage loans where the Bank grew faster than the rest of the market, with an increase of market share by up to 4 percentage points to 37.4 %, due to the generally successful sale of fleximortgages amounting to EUR 370 mil. The same development was observed with consumer loans, demand for which did not decline as much as for housing loans. However, a more prudential approach adopted with regard to increasing credit risk did not allow us to expand in consumer loans by more than 11 %. The volume of flexiloans thus climbed to nearly EUR 460 mil. Moreover, our prudential and stricter approach in lending was reflected on the market of non-banking consumer loans, where EUR 182 mil, representing a 12 % decrease y/y, were separately extended to consumers by our subsidiary Consumer Finance Holding.

Financing of corporate clients

In 2009 the negative consequences of the economic downturn manifested themselves even faster on the market of corporate loans, though significantly less in VUB than the entire market. Loans to non-financial enterprises declined in the banking sector by more than 3 %, while VUB even reported increase of 1 %, mainly due to SMEs. The result is the growth of market share by 0.6 percentage points to 14.7 %. As regards the SME segment, the Bank scored the best in financing real estate, with more than a 50 % increase. Loans affected more significantly by the unfavourable development were those extended to large corporate clients, except for those used to finance trade receivables which increased in VUB by more than 24 %. The recession had the most considerable impact on the decline in financing of projects, as well as overdrafts and other fixed-term facilities.

Domestic and international payments

In 2009, domestic and international payments routed via VUB amounted to almost EUR 52 bn and EUR 14 bn, respectively. This helped the Bank to defend its significant position in the payments market. We gained a 16.9 % market share in domestic payments and intermediated 10 % of all international payments made in the banking sector.

Review of the Economic and Financial Position of VUB

In 2009, the Bank's objective was to defend its forefront position in the banking sector and ensure the continuous increase of the efficiency of its operations. The Bank has successfully met these targets. In the worsening economic environment troubled by the economic crisis, VUB Group, despite a decrease in profitability and increase in credit risk provisions, confirmed its leading position in the Slovak market. In fact, while consolidated operating income dropped by 4 %, the Group's total operating costs decreased by 8 %. Substantially lower revenues from financial market operations, being the result of Euro adoption, stood behind the profitability downturn. Revenues from other Group's operations rose on a year-over-year basis, mainly due to 7 % growth in net interest income. Based on IFRS standards, the Bank's consolidated operating profit before impairment as of 31 December 2009 was slightly above the level of the previous year. Furthermore, notwithstanding the crisis, efficiency, measured as cost/income ratio, improved remarkably, with the ratio going down to 47 %.

Last year, progress in the banking market was curtailed by rising liquidity risks, repayments of clients' liabilities and subsequent prudential measures. Decrease of deposit base (mainly public sector) affected the development and composition of VUB's assets. Accordingly, total consolidated assets went down by 12 %. Receivables from clients, representing almost 60 % of total asset and liabilities balance, were the key asset component. The Bank successfully reinforced its position in the loan market and managed to keep the growth of loan delinquency rate to an extent comparable to market average. Compared to 2008, loans to VUB Group customers grew by 3.5 %. As a result, the Bank's market share in loans increased to 17.6 %. Admittedly, a comprehensive focus on clients and thoroughly elaborated approach towards the satisfaction of clients´ financial needs contributed to these results. However, compared to the previous year, the loans granted to clients by VUB's subsidiary, Consumer Finance Holding, dropped by 12 %. The tight lending regulations related to credit risk assessment hindered expansion in the market of non-bank consumer loans. Similarly, VUB Leasing´s loans, mainly to small business and corporate clients, decreased by 19 %.

Also the deposit market did not survive the economic crisis unscathed. The Bank could not avoid a decrease in deposits in the sinking deposit market. Deposits plunged by 19 % on a year-over-year basis. Rather costly deposits from the public sector were the key decreasing factor. While customer demand for bank deposits, in light of historically low rates, decreased during the year, the Bank successfully attracted clients to mutual funds. By the end of 2009, assets managed by VÚB Asset Management, správ. spol., a. s., were 38 % higher than a year ago, representing € 800mil. VÚB Generali, d. s. s., a. s., a pension management company and subsidiary, with VUB holding a 50 % stake in the company, maintained its market position (14.5 %), and assets under company's management at year-end amounted to € 421 mil.

Compared to its competitors, the Bank recorded excellent results. The three awards, "The Best Bank in Slovakia" awarded by the reputable magazine Euromoney; "Bank of the Year in Slovakia" by the Banker; and "The Bank of the Year" by Trend magazine, testify to its outstanding achievements. Based on these results, VUB became the best bank in 2009.

Information on the Expected Economic and Financial Situation for 2010

Even though recovery is under way and economic activity has resumed, 2010 will be a rather difficult year for the Slovak banking sector and VUB, with very uncertain development. Therefore it will be essential to remain competitive. As a matter of fact the Bank plans to intensify its focus and actions towards increasing customer satisfaction. "We listen to you 100 %" *(Počúvame Vás na 100 %)*, the project launched in cooperation with the Parent company, is aimed at raising the quality of services and maintaining the Bank's market share, which will remain the priority of the bank for 2010. A further refining of processes, innovation of products and perfecting of distribution channels should also help bolster customer confidence.

Maintaining and even improving the attractiveness of key loan and deposit products remains the strategic goal in the retail client segment. In an effort to keep higher liquidity, the Bank will continue paying increased attention to demand for deposit products, in particular on the side of individuals. Staying competitive in retail loan products will be of great importance to the bank too.

Deposits and related cash management and payments will be the priority in corporate banking. It is essential that the Bank strengthens its position in the shrinking corporate deposit market.

Another important goal of the Bank in the current environment is to optimize management of risk, in particular credit risk, to achieve as high asset quality as possible. Therefore, VUB will continue placing great emphasis on risk management.

Last but not least, preservation of the achieved efficiency in controlling and supporting functions and processes is an important task. In 2010 the Bank will aspire to keep the operating costs to income ratio on a tight leash and successfully defend its position as the most efficient bank in the sector.

The year 2010 will be marked by extreme uncertainty in terms of economic development and financial markets, thus forcing VUB to monitor and, if necessary, readjust its targets. However, a growth of profitability is still expected by the Bank in this period, supported by its business objectives and priorities.

Structure of VUB Shareholders

Information on VUB shareholders is published quarterly, within 30 days from the end of the relevant quarter. Status as at December 31, 2009.

Structure by Owner Type	Shares (EUR)	*	Stake (%)
Intesa Sanpaolo Holding International S.A. – majority owner	416,875,694.61		96.764
Other legal entities	3,025,848.00		0.702
Individuals	10,917,521.20		2.534
TOTAL (Registered Share Capital of VÚB, a. s.)	430,819,063.81		100.000

Structure by Nationality	Shares (EUR)	*	Stake (%)
Intesa Sanpaolo Holding International S.A. – majority owner	416,875,694.61		96.764
Domestic shareholders	12,711,383.60		2.951
Other foreign shareholders	1,231,985.60		0.286
TOTAL (Registered Share Capital of VÚB, a. s.)	430,819,063.81		100.000

* Shares (EUR) mean a value of held shares of VÚB, a. s. in the nominal value of Euro

There were **45,742** shareholders as at December 31, 2009. Foreign VUB shareholders come from 11 countries as follows: Luxemburg (96.800 %), Germany (0.077 %), Switzerland (0.067 %), the Czech Republic (0.054 %), Austria (0.047 %), the United Kingdom (0.002 %), U.S.A. (0.001 %), 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.
VUB's stake in registered capital:	100 %
Core business:	Non-banking loans
Tel:	+421 52 786 1760
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.
VUB's stake in registered capital:	100 %
Core business:	Collective investments, Wealth management
Tel:	+421 2 5055 2839
Fax:	+421 2 5441 0583
General Manager:	Ing. RNDr. Marián Matušovič, PhD.

VÚB Leasing, a. s.

Registered office:	Mlynské nivy 1, 820 05 Bratislava
Shareholders:	VÚB, a. s. and Prvá slovenská investičná skupina, a. s.
VUB's stake in registered capital:	70 % (from February 9, 2010 100 %)
Core business:	Financial and operation leasing
Tel:	+421 2 5020 1211
Fax:	+421 2 5542 3176
General Manager:	Ing. Martin Rajec (from February 15, 2010 Ing. Miloš Bikár, PhD.)

VÚB Factoring, a. s.

Registered office:	Mlynské nivy 1, 829 90 Bratislava
Shareholders:	VÚB, a. s.
VUB's stake in registered capital:	100 %
Core business:	Factoring and forfaiting
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.
VUB's stake in registered capital:	100 %
Core business:	Recovery and invoice discounting
Tel:	+421 2 4856 8616
Fax:	+421 2 4342 7997
General Manager:	Ing. Dionýz Földes

VÚB Poisťovací maklér, s. r. o.

Registered office:	Miletičova 1, 821 08 Bratislava
Shareholders:	VÚB, a. s. and Prvá slovenská investičná skupina, a. s.
VUB's stake in registered capital:	70 % (from February 9, 2010 100 %)
Core business:	Insurance brokerage
Tel:	+421 2 5020 1211
Fax:	+421 2 5542 3176
Executive Officers:	Ing. Martin Rajec and Ing. Vladimír Bilčík (from February 15, 2010 Ing. Miloš Bikár, PhD. and Ing. Marian Bonk)

VÚB Leasingová, a. s. in liquidation

Registered office:	Dunajská 24, 812 38 Bratislava
Shareholders:	VÚB, a. s.
VUB's stake in registered capital:	100 %
Core business:	Leasing business
Tel:	+421 2 4856 8616
Fax:	+421 2 4342 7997
General Manager:	Ing. Dionýz Földes

Statement on Compliance with the Corporate Governance Code

The governing bodies of Všeobecná úverová banka, a. s. have undertaken to enhance the general level of corporate governance and, upon recommendations raised by the Financial Market Authority and Bratislava Stock Exchange, adopted the Corporate Governance Code (hereinafter 'Code') in the scope given below. The Management and Supervisory Boards are committed to approve measures aimed at fully implementing the Code principles.

A. Company Organization

The structure of bodies of VÚB, a. s. is as folows:

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 VUB Articles of Association.

The General Meeting of the company was held on April 7, 2009. The Ordinary General Meeting of VÚB, a. s. has approved of the 2008 Annual Report of VÚB, a. s., the 2008 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 General Meeting elected Mr. László Török a new Vice-chairman of the Supervisory Board of VÚB, a. s. substituting thus Mr. Ezio Salvai who resigned from the position of the Vice-chairman of the Supervisory Board and the GM took note of it. The shareholders also decided on distributing a profit earned in 2008 in the amount of € 144,810,695.08 by retaining the whole profit in the amount of € 144,810,695.08 as submitted by the Management Board of the bank.

Supervisory Board

Members of the Supervisory Board in 2009

Györgyi Surányi – Chairman of the Supervisory Board
- Resident regional manager of the International Subsidiary Banks Division, Intesa Sanpaolo, Italy, the former President of the National Bank of Hungary

Ezio Salvai – Vice Chairman of the Supervisory Board (until April 7, 2009)
- Chairman of the Management Board, Banka Koper, Slovenia

László Török – Vice Chairman of the Supervisory Board (from April 7, 2009 until October 1, 2009)
- Independent, the former Chief Executive Officer of CIB Bank, Hungary

Adriano Arietti – Member of the Supervisory Board
- Independent, the former Head of Corporate Development, International Subsidiary Banks Division, Intesa Sanpaolo, Italy

Paolo Grandi – Member of the Supervisory Board
- Head of General Secretariat of the Supervisory Board, Intesa Sanpaolo, Italy

Paolo Sarcinelli – Member of the Supervisory Board
- Head of Credit Unit, International Subsidiary Banks Division, Intesa Sanpaolo, Italy

Massimo Pierdicchi – Member of the Supervisory Board
- Head of SEE Area 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 VUB 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) 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 VUB, important transfers of VUB 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;
b) any increase or decrease in the registered capital of VÚB, a. s.;
c) any substantial change in the nature of VUB business or in the way this business is executed, if not previously approved in the business and financial forecasts for the relevant year;
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 VUB Management Board is elected by the Supervisory Board.
2. The below mentioned curriculum 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 2009, the VUB Management Board held 28 meetings (thereof 25 regular and 3 extraordinary). The VUB Supervisory Board held 4 meetings during the 2009 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, not a single Supervisory Board member is either a member of the VUB Management Board or holds any other top managerial position in the Bank. Save for members of the Supervisory Board elected by the VUB employees, a Supervisory Board member may not be an employee of VUB.
5. The Bank has a secretariat whose employees participate in all meetings of the Management Board, Supervisory Board, and Bank committees being responsible for preparing and circulating the minutes from these meetings. The unit is also in charge of training arrangements for and introduction of new members.

Management Board

1. Management Board Members in 2009

Ignacio Jaquotot	Chairman of the Management Board
Elena Kohútiková	Member of the Management Board
Tomislav Lazarić	Member of the Management Board (from February 1, 2009)
Jonathan Locke	Member of the Management Board (until February 28, 2009)
Domenico Cristarella	Member of the Management Board
Daniele Fanin	Member of the Management Board
Jozef Kausich	Member of the Management Board
Dinko Lucić	Member of the Management Board (until January 31, 2009)
Silvia Púchovská	Member of the Management Board
Alexander Resch	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 Executive Director of Financial and Capital Markets Division. 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 and Executive Director of the Retail Banking Division (from February 1, 2009)
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. Prior to his current affiliation with VUB bank, Mr. Lazarić acted as a Deputy Chief Executive Officer and a member of the Management Board of Privredna Banka Zagreb (PBZ). Before 1997, Mr. Lazarić headed the Research and Development unit in Raiffeisenbank Austria in Croatia, where he conducted retail banking research and analysis.

Jonathan Locke – Member of the Management Board and Deputy CEO (until February 28, 2009)
Mr. Locke was appointed Member of the VUB Management Board and Head of Bank's Risk Management Division in August 2003. He was appointed as Deputy CEO of Všeobecná úverová banka, a. s. in July 2007. He acted in those positions in VÚB, a. s. until February 28, 2009. Mr. Locke was previously a partner with Deloitte & Touche in the Czech Republic. He had 15-year experience working with financial institutions especially in the areas of finance and risk management. Mr. Locke spent the previous 10 years in Central and Eastern Europe and Russia.

Domenico Cristarella – Member of the Management Board and Executive Director of the Finance, Planning & Controlling Division
Mr. Domenico Cristarella was appointed Member of the VUB 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.

Daniele Fanin – Member of the Management Board and Head of VUB Branch in Prague
In July 2008, the Supervisory Board of VUB appointed Daniele Fanin, Head of the Czech Branch of VUB since June 2008, as Member of the Management Board. The Prague-based operations of VUB provide an extensive range of banking services to local and international corporates 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 with responsibility 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 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 VUB.

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 VUB since April 2005. His banking experience includes mainly mergers and acquisitions, credit analysis and lending decision-making processes. In 1996, he joined Tatrabanka 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.

Dinko Lucić – Member of the Management Board and Executive Director of the Retail Banking Division (until January 31, 2009)
Mr. Lucić was appointed as Member of the VUB Management Board, as well as Executive Director of the Retail Banking Division, in January 2007. He acted in those positions until January 31, 2009. Prior to his engagement with Všeobecná úverová banka, a. s., he worked as the Chief Marketing Officer and Executive Director at Privredna Banka Zagreb. Mr. Dinko Lucić managed two divisions of Privredna Banka Zagreb from 1999: the Client Relationship Development and Marketing Division and Board Office for Corporate Communications. In addition, he held the position of Deputy President of the PBZ Building Society's Supervisory Board, and PBZ Card's Supervisory Board member.

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 Poistovňa 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 Jägers Training & Consultancy, s. r. o. as 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 VUB Supervisory Board appointed Alexander Resch to the position of Member of the VUB 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 VUB's subsidiary – Consumer Finance Holding. Alexander Resch studied economics at the Università Cattolica del Sacro Cuore in Milan. After graduation in 1996, he worked as a Financial Controller for Bankhaus Löbbecke & 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. In the period 2004 – 2005 he was in charge of the acquisition of the TatraCredit group by VUB bank. After this successful acquisition, Mr. Resch was appointed to the position of Vice Chairman 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.

2. **The Management Board is authorized to manage the activities of VÚB, a. s. and to take decisions over any matters related to VUB, which, under the legal regulations or Articles of Association have not been reserved for the authority of other VUB 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 bookkeeping and other records, trade books and other documentation of VÚB, a. s., as mandated;
c) managing the issuer's securities registry;

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 applicable to the protection of shareholders' rights, as well as the provisions 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 equal access to information for all the shareholders pursuant to the Code. It emerges from the minutes of the General Meeting held in 2007 that the new members of the Supervisory Board were proposed and elected after their curriculum vitae had been made available to the General Meeting.

C. Disclosure of Information and Transparency

1. The Bank applies strict rules in the area of insider dealing, 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 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, closing of such a deal requires the granting of the unanimous consent of all the Management Board members based on a written analysis of the respective deal. A person with personal interest in the given deal is expelled from decision-making. The Bank does not perform with its related parties any 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 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 a constructive dialogue with institutional investors and promptly informs all shareholders of the General Meeting and notifications via its web page. Thereby it enables both, foreign and local investors, to actively participate in the meetings.
5. The Bank implemented changes arising from the amendment of the Act No. 566/2001 Coll. on Securities (hereinafter 'Securities Act'), so called MiFID (Markets in Financial Instruments Directive) at European level in 2008 and proceeded in the activities towards investor's protection and strengthening client's confidence while providing investment services. The aim of MiFID rests in a new categorization of clients according to their knowledge and experience with investments, in the obligation to provide clients with the best execution of their investments, in the higher market transparency and in the organization of the Bank as securities trader, which shall be secured by internal control systems and prevention of conflict of interests.
6. The Bank has been informing clients of concluded deals related to quoted shares and bonds via its website since November 2007.
7. The Bank has been providing payment services according to the new payment law and PSD (Payment Services Directive) since November 2009, which, however, became effective in the Slovak Republic on 1st December 2009. The aim of the new law is to provide clients with high quality clear information about payment services in order to accept business decisions and to trade throughout the EU. With respect to transparency, consistent requirements are specified, focusing on assuring necessary and sufficient information on payment service agreements and payment transactions provided to the payment service users. The aim of the new legal regulation is to promote the smooth functioning of the European single market in the area of payment services.

D. Audit Committee, Nomination Committee, and Compensation Committee

Constitution of the Audit, Nomination and Remuneration committees is anticipated in the Code. The established committees shall ensure efficient internal control and responsibility across the company.

The Committee consisted of three appointed members as of 31 December 2009, including the Chairman, who simultaneously acted as the Member of the Supervisory Board. The Committee calls up the meetings at least four times a year. The issues discussed at the meetings primarily cover the financial statements, internal control system, external audits and compliance with regulations and reporting authorities. The Committee may invite an external auditor to attend its meetings.

The Internal Audit and Control Department, the authorities and duties of which are defined by the Supervisory Board, excluding those defined by law, performs the controlling functions. The Head of the Internal Audit and Control Department may be appointed to/withdrawn from the position upon recommendation and prior consent issued by the Supervisory Board. Furthermore, the Supervisory Board also defines remuneration and compensation scheme for these positions.

The Bank did not establish the Nomination Committee, since different Bank bodies / units within the VUB Organization Chart cover the operations of this Committee.

The Management Board established the Remuneration Committee at its meeting in June 2008. The committee consists of five members, including the CEO of VUB. The Committee meetings are held twice a year. The issues such as set-up and assessment of KPIs, salary adjustments for employees, nominations to Retention Scheme and modifications to the performance assessment policy are discussed at the meetings.

E. Company's Approach to Shareholder

The company duly and timely performs all its duties and obligations towards shareholders, employees, creditors, and suppliers arising from the applicable laws.

Basic indicators

Selected Indicators (In thousands of Euro)

	Individual financial statements prepared in accordance with IFRS			Consolidated financial statements prepared in accordance with IFRS		
	2009	2008	2007	2009	2008	2007
Statement of financial position						
Loans and advances to customers	5,549,836	5,262,286	3,980,983	5,863,647	5,667,718	4,315,877
Due to customers	6,613,327	8,131,184	6,809,300	6,609,926	8,129,757	6,813,981
Equity	963,790	811,505	726,954	986,394	838,725	730,454
Total assets	9,550,173	10,853,851	9,132,991	9,852,397	11,232,332	9,445,892
Income statement						
Operating income	419,918	418,130	364,499	481,183	500,860	428,065
Operating expenses	(190,135)	(203,746)	(192,910)	(228,124)	(247,881)	(226,004)
Operating profit before impairment	229,783	214,384	171,589	253,059	252,979	202,061
Profit from operations	162,187	177,692	150,597	160,029	206,709	172,871
Net profit for the year	146,240	144,811	116,188	141,671	168,489	134,994

Commercial indicators	2009	2008
ATMs	558	541
EFT POS terminals	6,543	5,928
Payment cards	1,290,415	1,232,999
Credit cards	408,812	354,349
Mortgage loans (€ thousand)	2,114,581	1,907,392
Consumer loans (€ thousand)	600,503	536,641
Number of employees (VUB group)	3,959	4,111
Number of branches	254	259

Rating (status as at 21 December 2009)	
Moody's	
Long-term deposits	A1
Short-term deposits	P-1
Financial strength	C–

Consolidated financial statements

prepared in accordance with International Financial Reporting Standards and Independent Auditors' Report for the year ended 31 December 2009

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 2009 and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2009, 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.

26 February 2010
Bratislava, Slovak Republic

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

Ing. Peter Matejčka
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 2009

(In thousands of Euro)

	Note	2009	2008
Assets			
Cash and balances with central banks	4	238,503	505,030
Loans and advances to banks	5	168,744	1,437,286
Financial assets held for trading	6	164,812	791,204
Derivative financial instruments	7	42,783	60,961
Available-for-sale financial assets	8	995,561	265,048
Non-current assets held for sale	15	–	1,705
Loans and advances to customers	9	5,863,647	5,667,718
Held-to-maturity investments	11	2,046,247	2,199,632
Associates and jointly controlled entities	12	5,620	5,163
Intangible assets	13	47,022	56,419
Goodwill	14	29,305	29,355
Property and equipment	15	164,104	182,305
Current income tax assets	20	6,036	–
Deferred income tax assets	20	47,834	8,490
Other assets	16	32,179	22,016
		9,852,397	11,232,332
Liabilities			
Due to central and other banks	17	796,345	915,729
Derivative financial instruments	7	52,471	52,471
Due to customers	18	6,609,926	8,129,757
Debt securities in issue	19	1,298,075	1,137,999
Current income tax liabilities	20	–	26,690
Provisions	21	25,111	30,165
Other liabilities	22	84,075	100,796
		8,866,003	10,393,607
Equity			
Share capital	23	430,819	430,794
Share premium	23	13,368	13,368
Reserves		94,248	84,406
Retained earnings		447,959	310,157
		986,394	838,725
		9,852,397	11,232,332
Financial commitments and contingencies	24	2,327,063	2,293,436

The accompanying notes on pages 31 to 103 form an integral part of these financial statements.

These financial statements were authorized for issue by the Management Board on 26 February 2010.

Ignacio Jaquotot
Chairman of the Management Board

Domenico Cristarella
Member of the Management Board

Consolidated statement of comprehensive income for the year ended 31 December 2009
(In thousands of Euro)

	Note	2009	2008
Interest and similar income		504,509	574,085
Interest expense and similar charges		(144,867)	(237,484)
Net interest income	25	359,642	336,601
Fee and commission income		126,314	131,522
Fee and commission expense		(29,093)	(26,830)
Net fee and commission income	26	97,221	104,692
Net trading income	27	11,152	41,545
Other operating income	28	13,167	16,950
Dividend income		1	1,072
Operating income		481,183	500,860
Salaries and employee benefits	29	(97,129)	(97,773)
Other operating expenses	30	(87,741)	(105,561)
Amortization	13	(20,532)	(21,222)
Depreciation	15	(22,722)	(23,325)
Operating expenses		(228,124)	(247,881)
Operating profit before impairment		253,059	252,979
Impairment losses on financial assets	31	(93,030)	(46,270)
Profit from operations		160,029	206,709
Share of profit of associates and jointly controlled entities		499	346
Profit before tax		160,528	207,055
Income tax expense	32	(18,857)	(38,566)
NET PROFIT FOR THE YEAR		141,671	168,489
Other comprehensive income for the year, after tax:			
Exchange difference on translating foreign operation		92	(1,606)
Available-for-sale financial assets		6,537	276
Cash flow hedges		(810)	(773)
Other comprehensive income for the year, net of tax	33,34	5,819	(2,103)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		147,490	166,386
Basic and diluted earnings per € 33.2 (Sk 1,000) share in Euro	23	10.92	12.98

The accompanying notes on pages 31 to 103 form an integral part of these financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2009

(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 2008	430,794	13,368	87,518	199,825	(135)	(818)	(56)	730,496
Total comprehensive income for the year	–	–	–	168,489	(1,606)	276	(773)	166,386
Dividends to shareholders	–	–	–	(58,157)	–	–	–	(58,157)
At 31 December 2008	430,794	13,368	87,518	310,157	(1,741)	(542)	(829)	838,725
At 1 January 2009	430,794	13,368	87,518	310,157	(1,741)	(542)	(829)	838,725
Transition to Euro	25	–	(25)	–	–	–	–	–
Total comprehensive income for the year	–	–	–	141,671	92	6,537	(810)	147,490
Legal reserve fund	–		4,048	(4,048)	–	–	–	–
Other	–	–	–	179	–	–	–	179
At 31 December 2009	430,819	13,368	91,541	447,959	(1,649)	5,995	(1,639)	986,394

The accompanying notes on pages 31 to 103 form an integral part of these financial statements.

Consolidated statement of cash flows for the year ended 31 December 2009

(In thousands of Euro)

	Note	2009	2008
Cash flows from operating activities			
Profit before tax		160,528	207,055
Adjustments for:			
Amortization		20,532	21,222
Depreciation		22,722	23,325
Securities held for trading, available-for-sale securities and FX differences		(572)	(25,721)
Profit from associates and changes of revaluation reserves		(457)	(346)
Interest income		(504,509)	(574,085)
Interest expense		144,867	237,484
Dividend income		(1)	(1,072)
Profit from redemption of Debt securities in issue		(3,906)	–
Sale of property and equipment		(734)	(1,587)
Impairment losses on financial assets and similar charges		88,709	44,513
Interest received		484,544	586,395
Interest paid		(144,896)	(232,759)
Dividends received		1	1,072
Tax paid		(90,927)	(60,090)
Loans and advances to banks		3,443	(5,957)
Financial assets held for trading		(35,284)	(105,256)
Derivative financial instruments (assets)		17,368	(26,725)
Available-for-sale financial assets		(701,654)	(176,062)
Loans and advances to customers		(288,647)	(1,390,419)
Other assets		(15,347)	(3,974)
Due to central banks and other banks		(119,610)	199,049
Derivative financial instruments (liabilities)		–	18,153
Due to customers		(1,516,479)	1,308,356
Other liabilities		(15,376)	(43,386)
Net cash used in operating activities		(2,495,685)	(815)
Cash flows from investing activities			
Purchase of held-to-maturity investments		(236,738)	(54,704)
Repayments of held-to-maturity investments		400,125	847,644
Purchase of intangible assets and property and equipment		(19,246)	(28,679)
Disposal of property and equipment		5,767	13,786
Acquisition of subsidiaries		–	(3,651)
Net cash from investing activities		149,908	774,396
Cash flows from financing activities			
Proceeds from issue of debt securities		326,407	296,290
Repayments of debt securities		(165,349)	(62,597)
Dividends paid		–	(58,157)
Net cash from financing activities		161,058	175,536
Net change in cash and cash equivalents		(2,184,719)	949,117
Cash and cash equivalents at beginning of the year	3	2,518,059	1,568,942
Cash and cash equivalents at end of the year	3	333,340	2,518,059

The accompanying notes on pages 31 to 103 form an integral part of these financial statements.

Notes to the consolidated financial statements for the year ended 31 December 2009 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 2009, the Bank had a network of 254 points of sale (including Retail Branches, Corporate Branches and Mortgage centers) located throughout Slovakia (December 2008: 259). The Bank also has one branch in the Czech Republic.

Members of the Supervisory Board were as at December 31, 2009 as follows: György Surányi (Chairman), Adriano Arietti, Paolo Grandi, Massimo Pierdicchi, Paolo Sarcinelli, Jana Finková, Ján Gallo and Juraj Jurenka. For complete information on the Supervisory Board in 2009 please see the composition of the Supervisory Board on page 18 and the following pages.

Members of the Management Board were as at December 31, 2009 as follows: Ignacio Jaquotot (Chairman), Elena Kohútiková, Tomislav Lazarić, Domenico Cristarella, Daniele Fanin, Jozef Kausich, Silvia Púchovská, Alexander Resch. For complete information on the Management Board in 2009 please see the composition of the Management Board on page 20 and the following pages.

1.2 The VUB Group

The consolidated financial statements for the year ended 31 December 2009 and 2008 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 2009	Share 2008	Principal business activity
Subsidiaries			
Consumer Finance Holding, a. s. ('CFH')	100 %	100 %	Consumer finance business
VÚB Leasing, a. s. ('VUB Leasing')	100 %	100 %	Finance leases
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. in liquidation	100 %	100 %	Company in liquidation
Recovery, a. s.	100 %	100 %	Finance leases
Associates			
Slovak Banking Credit Bureau, s. r. o.	33.3 %	33.3 %	Credit databases administration
Jointly controlled entities			
VÚB Generali, d. s. s., a. s.	50 %	50 %	Pension fund administration

All entities are incorporated in the Slovak Republic.

At 31 December 2009, the VUB Group had a total network of 267 points of sale (2008: 268).

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 the European Union in accordance with the Regulation of European Parliament and Council of European Union, and in accordance with Act No. 431/2002 Collection on Accounting.

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 values are presented in brackets.

With the introduction of the Euro as the official currency of the Slovak Republic on 1 January 2009, the Group's functional currency changed from Slovak crowns to the Euro as of that date. The comparative amounts for the year 2008 were therefore converted into Euro using the official conversion rate of €1 = Sk 30.1260. The average rate for 2008 was €1 = Sk 31.291.

2.2 Changes in accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

Standards, amendments and interpretations effective in 2009 applicable to the VUB Group

The accounting policies adopted are consistent with those used in the previous financial year except that the Group has adopted the following standards, amendments and interpretations. With the exception of the Amendments to IAS 39 and IFRS 7 – Reclassification of Financial Assets (see below), the adoption of these standards, amendments and interpretations did not have any effect on the financial performance or position of the Group. They did, however, give rise to additional disclosures.

Amendments to IFRS 7 Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments.

The amendments to IFRS 7 were issued in March 2009 to enhance fair value and liquidity disclosures. With respect to fair value, the amendments require the disclosure of a three-level fair value hierarchy, by class, for all financial instruments recognised at fair value and specific disclosures related to the transfers between levels in the hierarchy and detailed disclosures related to level 3 of the fair value hierarchy. In addition, the amendments modify the required liquidity disclosures with respect to derivative transactions and assets used for liquidity management.

Comparative information has been restated, although this is not strictly required by the transitional provisions of the amendment.

IFRS 8 Operating Segments

IFRS 8 was adopted by the EU on 21 November 2007 (effective for accounting periods beginning on or after 1 January 2009). This standard requires disclosure of information about the Group's operating segments and replaced the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group. The Group decided to apply IFRS 8 Operating Segments for the accounting period beginning on 1 January 2007 as permitted by the Standard.

IAS 1 Presentation of financial statements

This standard requires an entity to present all owner changes in equity and all non-owner changes to be presented in either in one statement of comprehensive income or in two separate statements of income and comprehensive income. The revised standard also requires the income tax effect of each component of comprehensive income to be disclosed. In addition, it requires entities to present a comparative statement of financial position as at the beginning of the earliest comparative period when the entity has applied an accounting policy retrospectively, makes a retrospective restatement, or reclassifies items in the financial statements.

The Group has elected to present comprehensive income in one statement of comprehensive income. Information about the individual components of comprehensive income as well as the tax effects have been disclosed in the notes to the financial statements. The Group has not provided a restated comparative statement of financial position for the earliest comparative period, as it has not adopted any new accounting policies retrospectively, nor has made a retrospective restatement, nor retrospectively reclassified items in the financial statements.

Amendment to IAS 23 Borrowing Costs

IAS 23 issued in March 2007 superseded IAS 23 (revised in 2003). IAS 23 (revised) is effective for accounting periods beginning on or after 1 January 2009 with early application permitted. The main change from the previous version is the removal of the option to immediately recognise as an expense borrowing costs that relate to assets that take a substantial period of time to prepare for use or sale.

The amendment to IAS 23 does not have any impact on the financial performance or position of the Group.

Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements, – Puttable Financial Instruments and Obligations Arising on Liquidation

Amendments to IAS 32 and IAS 1 were issued by the IASB in February 2008 and became effective for accounting periods beginning on or after 1 January 2009 with early application permitted. The amendment to IAS 32 requires certain puttable financial instruments and obligations arising on liquidation to be classified as equity if certain criteria are met. The amendments to IAS 1 require disclosure of certain information relating to puttable instruments classified as equity.

The amendments to IAS 32 and IAS 1 do not have any impact on the financial performance or position of the Group, as the Group has not issued such instruments.

Amendment to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items

This amendment to IAS 39 was issued on 31 July 2008 and is applicable for accounting periods beginning on or after 1 July 2009 with early application permitted. The amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations. The revised standard does not have any impact on the financial statements of the Group.

Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures – Reclassification of Financial Assets

The amendments allow entities to reclassify certain financial assets out of 'Held-for-trading' if they are no longer held for the purpose of being sold or repurchased in the near term:

- Financial assets that would be eligible for classification as loans and receivables (i.e. those assets which, apart from not being held with the intent of sale in the near term, have fixed or determinable payments, are not quoted in an active market and contain no features which could cause the holder not to recover substantially all of its initial investment except through credit deterioration) may be transferred from 'Held-for-trading' to 'Loans and receivables', if the entity has the intention and ability to hold them for the foreseeable future.
- Financial assets that are not eligible for classification as loans and receivables, may be transferred from 'Held-for-trading' to 'Available-for-sale' or to 'Held-to-maturity' only in rare circumstances.

The amendment requires detailed disclosures relating to such reclassifications. The effective date of the amendment is 1 July 2008, reclassifications prior to that date are not permitted.

The Group did not reclassify any financial instruments during 2009 and 2008.

IFRIC 9 and IAS 39: Embedded Derivatives

The IFRIC has issued Embedded Derivatives: Amendments to IFRIC 9 and IAS 39 which requires entities to assess whether to separate an embedded derivative from a host contract in the case where the entity reclassifies a hybrid financial asset out of the fair value through the profit or loss category. The amendments to IFRIC 9 require an assessment to be made either when the entity first became party to the contract or when a change in the terms of the contract significantly modifies expected cash flows. The amendments are applicable for annual periods ending on or after 31 December 2009.

The application of the amendment does not have any impact on the Group's financial statements as no reclassifications were made for instruments that contained embedded derivatives.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation

IFRIC 16 is effective for accounting periods beginning on or after 1 October 2008 with early application permitted. The interpretation applies to an entity that hedges the foreign currency risk arising from its net investments in foreign operations and wishes to qualify for hedge accounting in accordance with IAS 39.

This interpretation has no effect on the Group's financial statements.

Improvements to IFRSs

In May 2008 the International Accounting Standards Board issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. Adoption of these amendments does not have any material effect on the financial performance or position of the VUB Group.

Standards and interpretations issued but not yet effective and not adopted early by the Group:

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

- IFRS 1 (revised) 'First-time Adoption of IFRS' adopted by the EU on 25 November 2009 (effective for accounting periods beginning on or after 1 January 2010);
- IFRS 3 (revised) 'Business Combinations' adopted by the EU on 3 June 2009 (effective for accounting periods beginning on or after 1 July 2009);
- Amendments to IAS 27 'Consolidated and Separate Financial Statements' adopted by the EU on 3 June 2009 (effective for accounting periods beginning on or after 1 July 2009);
- Amendments to IAS 32 'Financial Instruments: Presentation' – Accounting for rights issues, adopted by the EU on 23 December 2009 (effective for accounting periods beginning on or after 1 January 2011);
- Amendments to IAS 39 'Financial Instruments: Recognition and Measurement' – Eligible hedged items, adopted by the EU on 15 September 2009 (effective for accounting periods beginning on or after 1 July 2009);
- IFRIC 16 'Hedges of a Net Investment in a Foreign Operation' adopted by the EU on 4 June 2009 (effective for accounting periods beginning on or after 1 July 2009);
- IFRIC 17 'Distributions of Non-Cash Assets to Owners' adopted by the EU on 26 November 2009 (effective for accounting periods beginning on or after 1 November 2009); and
- IFRIC 18 'Transfers of Assets from Customers' adopted by the EU on 27 November 2009 (effective for accounting periods beginning on or after 1 November 2009).

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

The Management of the Group anticipates that the adoption of these standards, revisions and interpretations will have no material impact on the financial statements of the Group in the period of initial application.

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following standards, amendments to the existing standards, and interpretations, which were not endorsed for use as at 31 December 2009.

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

The Management of the Group anticipates that the adoption of these standards, amendments to the existing standards, and interpretations will have no material impact on the financial statements of the Group in the period of initial application.

At the same time, hedge accounting regarding the portfolio of financial assets and liabilities, whose principles have not been adopted by the EU, is still unregulated. Based on the Group's estimates, application of hedge accounting for the portfolio of financial assets or liabilities pursuant to IAS 39: 'Financial Instruments: Recognition and Measurement', would not significantly impact the financial statements if applied as at the balance sheet date.

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 recognized as goodwill.

(b) Associates
Associates are entities in which the Group has significant influence, but not control, over financial and operating policies. The financial statements include the Group's share of total recognized 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 recognized 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. Every 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 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 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 on 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 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 recognized directly in equity.

2.7 Cash and balances with central banks

Cash and balances with central banks comprise cash in hand and current accounts with the NBS and other national 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 without any time or other constraints. The balance comprises treasury bills issued by the Ministry of Finance and bills issued by the NBS.

2.9 Loans and advances to banks

Loans and advances to banks include receivables from current accounts in other than central banks, deposits and loans provided to commercial banks and to the NBS and other national banks.

Balances are presented at amortized 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 categorized 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 recognized 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 recognized in profit or loss 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 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 recognizes unrealized 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 recognizes 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' for individual deal is not significant. In cases where 'Day 1 profit or loss' for individual deal is significant, the difference is amortized over the period of the deal. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognized in the profit or loss when the inputs become observable, or when the instrument is derecognized.

(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.

Unrealized gains and losses arising from changes in the fair value of 'available-for-sale' securities are recognized 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 are held at cost less impairment as their fair value cannot be reliably measured. For available-for-sale equity investments, the Group assesses at each end of reporting period 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 amortized 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 recognized 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 recognized in profit or loss – is removed from equity and recognized in 'Impairment losses on financial assets' in the statement of comprehensive income. Impairment losses on equity investments are not reversed through profit or loss; increases in fair value after impairment are recognized directly in equity.

(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 amortized cost less any impairment losses. Amortized cost is the amount at which the asset was initially measured minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount. The amortization is recognized 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 'Loans and advances to 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 accrued 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 recognized 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 regular 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 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 recognized in profit or loss.

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 %.

For 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 recognized in other comprehensive income as 'Cash flow hedges'. The ineffective portion of the gain or loss on the hedging instrument is recognized immediately as profit 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 recognized 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 recognized. 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 recognized 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 recognized 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 amortized cost, the difference between the carrying value of the hedged item on termination and the face value is amortized over the remaining term of the original hedge using the EIR. If the hedged item is derecognized, the unamortized 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 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 costs 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 amortized cost less any impairment losses. All loans and advances to customers are recognized on 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 recognized 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 recognized 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 amortization and impairment losses. Amortization 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

Intangible assets acquired in a business combination are capitalized 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 amortized 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

Amortization 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, modernization or improvements leading to increased productivity, capacity or efficiency are capitalized. 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	5 – 40
Equipment	4, 6, 15
Other tangibles	4, 6, 15

Assets in progress, land 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 and
- 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 capitalized 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'.

Capitalized 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 recognized in the balance sheet. 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 recognized 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 recognized 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 recognized 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 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 recognized 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	3 %	4 %
Future growth of wages	n/a	3 %
Fluctuation of employees (based on age)	9 – 46 %	9 – 46 %
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 recognized in 'Salaries and employee benefits'. Employee benefit reserves are disclosed on the balance sheet 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 recognized at their fair value, and the initial fair value is amortized 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 amortized 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 recognized in the statement of comprehensive income on an accrual basis using the effective interest rate method. Interest income and expense includes the amortization 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 amortized 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 recognized 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 recognized 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 recognized, 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 realized, 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 recognized 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 amortized 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 required 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 cash flow statement, cash and cash equivalents comprise the following balances with contractual maturity of less than 90 days:

	Note	2009	2008
Cash and balances with central banks	4	238,503	505,030
Current accounts in other banks	5	23,630	54,820
Treasury bills and other eligible bills	6	–	662,970
Held-to-maturity investments	11	9,446	–
Term deposits with central and other banks	5	61,761	665,363
Loans and advances to central and other banks	5	–	629,876
		333,340	2,518,059

4. Cash and balances with central banks

	2009	2008
Balances with central banks:		
Compulsory minimum reserves	135,813	96,573
Current accounts	221	66,442
	136,034	163,015
Cash in hand	102,469	342,015
	238,503	505,030

The compulsory minimum reserve is maintained as an interest bearing deposit under the regulations of the NBS and the CNB. The amount of the compulsory minimum reserve depends on the level of customer deposits accepted by the VUB Group and 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 statutory legislation.

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

5. Loans and advances to banks

	Note	2009	2008
Current accounts in other banks	3	23,630	54,820
Loans and advances to:			
Central banks	3	–	629,876
Other banks		83,504	88,033
Term deposits with:			
Central banks	3	5,668	637,947
Other banks	3	56,093	27,416
Impairment losses	10	(151)	(806)
		168,744	1,437,286

6. Financial assets held for trading

	Note	2009	2008
Treasury bills and other eligible bills			
with contractual maturity less than 90 days	3	–	662,970
with contractual maturity over 90 days		93,302	64,915
State bonds			
with contractual maturity over 90 days		69,780	58,971
Corporate bonds		–	4,348
Mutual funds		1,730	–
		164,812	791,204

All securities held for trading are listed. In 2009 and 2008, no such securities were pledged by the VUB Group to secure transactions with counterparties.

7. Derivative financial instruments

	2009 Assets	2008 Assets	2009 Liabilities	2008 Liabilities
Trading derivatives	42,037	60,961	44,480	51,447
Cash flow hedges of interest rate risk	–	–	2,770	1,024
Cash flow hedge of foreign exchange risk	746	–	–	–
Fair value hedges of interest rate risk	–	–	5,221	–
	42,783	60,961	52,471	52,471

Trading derivatives include also hedge instruments that are non-qualifying according to IAS 39, but are held for risk management purposes rather than for trading. The instruments used include interest rate swaps and cross-currency interest rate swaps. In 2009, the total positive fair value of such derivatives was € 2,800 thousand (2008: € 2,563 thousand), and the negative fair value was € 1,386 thousand (2008: € 2,039 thousand).

	2009 Assets	2008 Assets	2009 Liabilities	2008 Liabilities
Trading derivatives – Fair values				
Interest rate instruments				
Swaps	25,771	22,180	28,641	22,084
Forward rate agreements	–	74	159	380
Options	1,487	1,028	1,494	1,050
	27,258	23,282	30,294	23,514
Foreign currency instruments				
Forwards and swaps	965	27,895	2,787	20,139
Cross currency swaps	2,800	2,563	240	442
Options	7,511	6,917	7,656	7,048
	11,276	37,375	10,683	27,629
Equity and commodity instruments				
Equity options	3,423	126	3,423	126
Commodity options	80	178	80	178
	3,503	304	3,503	304
	42,037	60,961	44,480	51,447

	2009 Assets	2008 Assets	2009 Liabilities	2008 Liabilities
Trading derivatives – Notional values				
Interest rate instruments				
Swaps	881,941	840,193	881,941	840,193
Forward rate agreements	160,000	297,791	160,000	297,791
Options	57,266	18,055	57,266	18,055
	1,099,207	1,156,039	1,099,207	1,156,039
Foreign currency instruments				
Forwards and swaps	197,397	1,091,328	199,418	1,083,600
Cross currency swaps	67,994	67,576	65,433	65,433
Options	44,095	29,392	43,910	29,392
	309,486	1,188,296	308,761	1,178,425
Equity and commodity instruments				
Equity options	35,640	30,910	35,640	30,910
Commodity options	3,495	4,331	3,495	4,331
	39,135	35,241	39,135	35,241
	1,447,828	2,379,576	1,447,103	2,369,705

Cash flow hedges

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

Cash flow hedge of foreign exchange risk
The VUB Group entered into a foreign exchange ('FX') forward contracts to hedge cash inflows in CZK in relation to the transfer of retained earnings from the Prague branch. The cash flow profiles of both items are identical.

Below is a schedule indicating as at 31 December 2009, the periods when the hedged cash flows are expected to occur. The cash flows of mortgage bonds represent future undiscounted value of coupons:

	Up to 1 year	1 to 5 years	Over 5 years
2009			
Mortgage bonds – interest rate risk	3,698	22,933	3,949
FX forecast transaction – foreign exchange risk	14,532	–	–
2008			
Mortgage bonds – interest rate risk	7,532	24,920	10,084

The net expense on cash flow hedges reclassified to the 'Net interest income' during 2009 was € 1,873 thousand (2008: € 24 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.

For the year ended 31 December 2009, the Group recognized in relation to the fair value hedging instruments above a net loss of € 1,621 thousand (2008: nil). The net gain on hedged items attributable to the hedged risks amounted to € 1,411 thousand (2008: nil). Both items are disclosed within 'Net trading income'.

Interest and similar income from hedged AFS securities in the amount of € 5,841 thousand was compensated by interest expense from interest rate swaps hedging instruments in the amount of € 3,846 thousand.

8. Available-for-sale financial assets

	Share 2009	Share 2008	2009	2008
State bonds			932,649	41,038
Treasury bills and other eligible bills			–	128,861
Bank bonds			62,281	94,165
Equity shares at cost				
RVS Studené, a. s.	8.38 %	8.38 %	574	574
S.W.I.F.T.	0.02 %	0.02 %	57	57
Visa Inc.	–	0.04 %	–	353
			631	984
			995,561	265,048

In 2009, state bonds with a total nominal value of € 100 million were pledged by the VUB Group (2008: nil) to secure transactions with counterparties.

9. Loans and advances to customers

31 December 2009	Amortized cost	Impairment losses (note 10)	Carrying amount
Sovereigns			
Municipalities	31,955	–	31,955
Municipalities – Leasing	4,039	(296)	3,743
	35,994	(296)	35,698
Corporate			
Large Corporates	1,472,604	(32,233)	1,440,371
SME	885,790	(46,888)	838,902
Other Financial Institutions	14,756	–	14,756
Private Sector Entities	16,270	(195)	16,075
Leasing	180,217	(13,368)	166,849
Factoring	62,448	(1,391)	61,057
	2,632,085	(94,075)	2,538,010
Retail			
Small business	151,683	(14,418)	137,265
Small business – Leasing	7,204	(535)	6,669
Consumer Loans	823,334	(98,301)	725,033
Mortgages	2,114,581	(16,999)	2,097,582
Credit Cards	247,740	(30,546)	217,194
Overdrafts	102,998	(9,620)	93,378
Leasing	10,990	(810)	10,180
Other	2,815	(177)	2,638
	3,461,345	(171,406)	3,289,939
	6,129,424	(265,777)	5,863,647

The segmentation of Loans and advances to customers in both 2009 and 2008 is based on the new IRB approach implemented by the Group during 2009. The different segment definition caused transfers among individual sectors.

31 December 2008	Amortized cost	Impairment losses (note 10)	Carrying amount
Sovereigns			
State organizations	2,835	–	2,835
Municipalities	14,959	–	14,959
	17,794	–	17,794
Corporate			
Large Corporates	1,527,347	(36,509)	1,490,838
SME	857,796	(22,282)	835,514
Other Financial Institutions	15,891	–	15,891
Private Sector Entities	16,525	(17)	16,508
Leasing	218,896	(5,308)	213,588
Factoring	71,561	(945)	70,616
	2,708,016	(65,061)	2,642,955
Retail			
Small business	142,923	(8,204)	134,719
Small business – Leasing	14,226	(351)	13,875
Consumer Loans	765,774	(64,846)	700,928
Mortgages	1,907,392	(22,310)	1,885,082
Credit Cards	198,739	(16,137)	182,602
Overdrafts	81,429	(5,583)	75,846
Leasing	4,796	(114)	4,682
Other	9,411	(176)	9,235
	3,124,690	(117,721)	3,006,969
	5,850,500	(182,782)	5,667,718

At 31 December 2009, the 20 largest corporate customers represented a total balance of € 682,092 thousand (2008: € 684,176 thousand) or 11.1 % (2008: 11.7 %) of the gross loan portfolio.

During 2009, the net loss from loans and advances to customers written off and sold amounted to € 5,084 thousand (2008: net gain of € 7,602 thousand) (note 31).

Maturities of gross finance lease receivables are as follows:

	2009	2008
Up to 1 year	83,158	107,670
1 to 5 years	118,128	144,619
Over 5 years	34,793	26,490
	236,079	278,779
Unearned future finance income on finance leases	(33,629)	(40,861)
Impairment losses	(15,009)	(5,773)
	187,441	232,145

Maturities of net finance lease receivables are as follows:

	2009	2008
Up to 1 year	64,704	90,576
1 to 5 years	93,601	119,759
Over 5 years	29,136	21,810
	187,441	232,145

10. Impairment losses

	Note	1 Jan 2009	Creation/ (Reversal) (note 31)	FX gains	Other	31 Dec 2009
Loans and advances to banks	5	806	(655)	–	–	151
Loans and advances to customers	9	182,782	85,434	69	(2,508) *	265,777
Held-to-maturity investments	11	496	(119)	–	–	377
Intangible assets	13	197	–	–	(197)	–
Property and equipment	15	43	262	–	–	305
Other assets	16	4,678	5,184	(94)	984	10,752
		189,002	90,106	(25)	(1,721)	277,362

* The Other decrease in impairment losses for Loans and advances to customers was caused by an unwinding of interest and the transfer of portion of Loans and advances to customers into the Other assets caption.

	Note	1 Jan 2008	Creation/ (Reversal) (note 31)	FX gains	Other	31 Dec 2008
Loans and advances to banks	5	849	27	(70)	–	806
Loans and advances to customers	9	131,080	52,669	(967)	–	182,782
Held-to-maturity investments	11	675	(113)	(66)	–	496
Intangible assets	13	–	–	–	197	197
Property and equipment	15	91	(48)	–	–	43
Other assets	16	4,629	46	3	–	4,678
		137,324	52,581	(1,100)	197	189,002

11. Held-to-maturity investments

	Note	2009	2008
State restructuring bonds		618,775	625,181
State bonds		1,302,480	1,289,477
Bank bonds and other bonds issued by financial sector		78,038	237,632
Corporate notes and bonds with contractual maturity less than 90 days	3	9,446	–
Corporate notes and bonds with contractual maturity over 90 days		37,885	47,838
		2,046,624	2,200,128
Impairment losses	10	(377)	(496)
		2,046,247	2,199,632

In 2009, bonds in the total nominal amount of € 455,495 thousand were pledged by the Group (2008: € 1,278,809 thousand) to secure transactions with counterparties.

State restructuring bonds
As part of the pre-privatization restructuring process of the Bank, the Slovak government decided to transfer the receivables of the Bank arising from non-performing loans to state agencies. These special purpose agencies were created and are under the full control of the State. In December 1999 and June 2000, the Slovak government recapitalized the Bank by transferring the non-performing loans, including principal and interest, to Konsolidačná banka Bratislava ('KBB') with a gross value of Sk 58.6 billion (€ 1,945 million), and Slovenská konsolidačná ('SKO') with a gross value of Sk 7.6 billion (€ 252 million), which gave rise to the Bank's receivables from KBB and SKO in the total amount of Sk 66.2 billion (€ 2,197 million). In January and March 2001, these receivables were swapped at par for state restructuring bonds with a total nominal value of Sk 66.2 billion (€ 2,197 million).

Restructuring bonds were issued by the Ministry of Finance of the Slovak Republic, acting on behalf of the Slovak government as the financial intermediary. The bonds are legally considered to represent sovereign and unconditioned direct obligations of the Slovak Republic, and therefore there is no need for additional state guarantees.

The bond conditions are the same as for any other similar type of securities issued by the Slovak Republic, i.e. are fully redeemable by the Slovak Republic, there is no clause regarding rollover, early or late extinguishments, and are not convertible into any other type of financial instruments.

At 31 December 2009 and 2008, the Group held in its portfolio the following state restructuring bonds:

(a) 10-year state bonds with a nominal value of € 366,594 thousand, due on 30 January 2011, bearing variable interest rate for 6M EURIBOR;
(b) 10-year state bonds with a nominal value of € 248,855 thousand, due on 29 March 2011, bearing variable interest rate of 6M EURIBOR.

12. Associates and jointly controlled entities

	Share %	Cost	Revaluation	Carrying amount
At 31 December 2009				
Slovak Banking Credit Bureau, s. r. o.	33.3	3	26	29
VÚB Generali, d. s. s., a. s.	50.0	16,597	(11,006)	5,591
		16,600	(10,980)	5,620
At 31 December 2008				
Slovak Banking Credit Bureau, s. r. o.	33.3	3	23	26
VÚB Generali, d. s. s., a. s.	50.0	16,597	(11,460)	5,137
		16,600	(11,437)	5,163

Share of profit and revaluation reserves of associates and jointly controlled entities reported in the profit or loss is as follows:

	2009	2008
Revaluation at 1 January	(11,437)	(11,783)
Share of profit	499	346
Share of revaluation reserves	(42)	–
Revaluation at 31 December	(10,980)	(11,437)

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

	2009	2008
Assets	5,873	5,452
Liabilities	282	315
Equity	5,591	5,137
Net profit for the period	496	341
Change of revaluation reserves for the period	(42)	–

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

	2009	2008
Assets	143	129
Liabilities	114	103
Equity	29	26
Net profit for the period	3	5

13. Intangible assets

	Software	Other intangible assets	Assets in progress		Total
Cost					
At 1 January 2009	149,185	54,321	5,482		208,988
Additions	–	–	11,139		11,139
Disposals	(992)	(414)	(3)		(1,409)
Transfers	11,571	1,350	(12,921)		–
FX differences	14	1	–		15
At 31 December 2009	159,778	55,258	3,697		218,733
Accumulated amortization					
At 1 January 2009	(126,843)	(25,529)	(197)		(152,569)
Amortization for the year	(8,981)	(11,748)	197	*	(20,532)
Disposals	991	414	–		1,405
FX differences	(14)	(1)	–		(15)
At 31 December 2009	(134,847)	(36,864)	–		(171,711)
Carrying amount					
At 1 January 2009	22,342	28,792	5,285		56,419
At 31 December 2009	24,931	18,394	3,697		47,022

* Represents reversal of impairment losses related to the Intangible assets in progress.

	Software	Other intangible assets	Assets in progress		Total
Cost					
At 1 January 2008	141,174	57,297	5,242		203,713
Additions	188	–	9,919		10,107
Disposals	(634)	(4,083)	–		(4,717)
Transfers	8,562	1,117	(9,679)		–
FX differences	(105)	(10)	–		(115)
At 31 December 2008	149,185	54,321	5,482		208,988
Accumulated amortization					
At 1 January 2008	(114,907)	(21,199)	–		(136,106)
Amortization for the year	(12,652)	(8,373)	(197)	*	(21,222)
Disposals	611	4,033	–		4,644
FX differences	105	10	–		115
At 31 December 2008	(126,843)	(25,529)	(197)		(152,569)
Carrying amount					
At 1 January 2008	26,267	36,098	5,242		67,607
At 31 December 2008	22,342	28,792	5,285		56,419

* Represents impairment losses related to the Intangible assets in progress.

14. Goodwill

	2009	2008
VÚB Leasing, a. s.	10,434	10,434
Consumer Finance Holding, a. s.	18,871	18,921
	29,305	29,355

Goodwill related to VÚB Leasing, a. s. arose on the acquisition of the majority shareholding in VÚB Leasing, a. s. and reflects the call and put options structure stipulated in the Shareholders' agreement relating to VÚB Leasing, a. s. The goodwill amount includes both goodwill related to the majority shareholding in total amount of € 7,304 thousand (Sk 219 million) and goodwill arising from the future purchase of the non-controlling 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 reviewed for impairment annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. Management considers VUB Leasing and CFH to be separate cash generating units for the purposes of impairment testing.

The basis on which the recoverable amount of VUB Leasing 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 rate applied to cash flow projections beyond the five year period are extrapolated using a projected growth rate.

The following rates are used by the Group:

		VUB Leasing		CFH
	2009	2008	2009	2008
Discount rate	13.23 %	12.31 %	16.68 %	22.81 %
Projected growth rate	4.50 %	4.50 %	2.00 %	1.50 %

The calculation of value in use for both VUB Leasing and CFH is most sensitive to 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 were the development of margins and volumes by product line.

Discount rates

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

VUB Leasing

The very small recovery of the leasing market is to be expected in the coming year. New volumes could be driven only by an increase of industrial production and new orders. VUB Leasing will focus on financial leasing for SME and large clients on the corporate side, and with new loan product on the retail side as well. The payment discipline of the current portfolio will substantially influence the selective approach of new financing.

CFH

According to the product curve, maturing products, such as installment loans and also credit cards have been forecasted with a slightly decreasing volume and decreasing margins assuming that the market share of CFH remains constant. More recent product lines, such as personal loans with or without collateral, have been forecast with a stable volume and slightly decreasing margins.

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 2009		210,753	96,416	42,298	8,314	357,781
Additions		–	–	–	8,562	8,562
Disposals		(6,223)	(7,476)	(4,050)	(2)	(17,751)
Transfers		2,756	8,078	2,257	(13,091)	–
FX differences		1	10	2	–	13
At 31 December 2009		207,287	97,028	40,507	3,783	348,605
Accumulated depreciation						
At 1 January 2009		(69,909)	(78,531)	(26,993)	–	(175,433)
Depreciation for the year		(10,143)	(8,033)	(4,546)	–	(22,722)
Disposals		3,439	7,419	3,114	–	13,972
FX differences		(1)	(10)	(2)	–	(13)
At 31 December 2009		(76,614)	(79,155)	(28,427)	–	(184,196)
Impairment losses	10					
At 1 January 2009		(43)	–	–	–	(43)
Additions		–	–	(262)	–	(262)
At 31 December 2009		(43)	–	(262)	–	(305)
Carrying amount						
At 1 January 2009		140,801	17,885	15,305	8,314	182,305
At 31 December 2009		130,630	17,873	11,818	3,783	164,104

	Note	Buildings and land	Equipment	Other tangibles	Assets in progress	Total
Cost						
At 1 January 2008		208,819	106,077	43,843	5,212	363,951
Additions		–	199	2,842	16,486	19,527
Disposals		(2,958)	(15,742)	(6,905)	–	(25,605)
Transfers		4,902	5,957	2,525	(13,384)	–
FX differences		(10)	(75)	(7)	–	(92)
At 31 December 2008		210,753	96,416	42,298	8,314	357,781
Accumulated depreciation						
At 1 January 2008		(61,265)	(85,935)	(27,379)	–	(174,579)
Depreciation for the year		(10,575)	(7,681)	(5,069)	–	(23,325)
Disposals		1,923	14,996	5,453	–	22,372
FX differences		8	89	2	–	99
At 31 December 2008		(69,909)	(78,531)	(26,993)	–	(175,433)
Impairment losses	10					
At 1 January 2008		(91)	–	–	–	(91)
Net reversal		48	–	–	–	48
At 31 December 2008		(43)	–	–	–	(43)
Carrying amount						
At 1 January 2008		147,463	20,142	16,464	5,212	189,281
At 31 December 2008		140,801	17,885	15,305	8,314	182,305

In 2009 and 2008, the Group held in its portfolio of non-current assets held for sale buildings as follows:

	2009	2008
Cost	–	2,417
Accumulated depreciation	–	(712)
	–	1,705

16. Other assets

	Note	2009	2008
Operating receivables and advances		25,261	14,172
Prepayments and accrued income		3,562	4,980
Other tax receivables		1,217	2,976
Inventories		11,405	3,276
Settlement of operations with financial instruments		600	274
Other		886	1,016
		42,931	26,694
Impairment losses	10	(10,752)	(4,678)
		32,179	22,016

17. Due to central and other banks

	2009	2008
Due to central banks		
Current accounts	28,657	53,821
Loans received	180,460	50
	209,117	53,871
Due to other banks		
Current accounts	27,267	176,720
Term deposits	280,595	386,109
Loans received	279,366	299,029
	587,228	861,858
	796,345	915,729

18. Due to customers

	2009	2008
Current accounts	2,572,607	2,608,509
Term deposits	3,013,491	3,455,388
Savings accounts	307,154	339,037
Government and municipal deposits	650,744	1,510,725
Loans received	35,712	18,757
Promissory notes	12,414	157,514
Other deposits	17,804	39,827
	6,609,926	8,129,757

19. Debt securities in issue

	2009	2008
Bonds	67,761	97,617
Mortgage bonds	1,230,314	1,040,382
	1,298,075	1,137,999

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	Nominal value in CCY	Issue date	Maturity date	2009	2008
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. X.	5.00	EUR	1,000	33,194	31.3.2004	31.3.2009	–	34,439
Mortgage bonds VÚB, a. s. XI.	4.40	EUR	500	33,194	25.8.2004	25.8.2010	16,853	16,853
Mortgage bonds VÚB, a. s. XII.	5.10	EUR	10,000	3,319	25.5.2004	25.5.2009	–	34,210
Mortgage bonds VÚB, a. s. XIII.	4.50	EUR	1,000	33,194	29.9.2004	29.9.2010	33,576	33,576
Mortgage bonds VÚB, a. s. XV.	3M EURIBOR + 0.10	EUR	1,000	33,194	30.3.2005	30.3.2010	33,195	33,197
Mortgage bonds VÚB, a. s. XVII.	3M EURIBOR + 0.11	EUR	1,678	33,194	28.11.2005	28.11.2015	55,742	83,258
Mortgage bonds VÚB, a. s. XVIII.	3.00	EUR	39	331,939	19.12.2005	19.12.2010	12,874	12,781
Mortgage bonds VÚB, a. s. XIX.	3M EURIBOR + 0.07	EUR	40	331,939	21.12.2005	21.12.2009	–	13,290
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.	3M EURIBOR + 0.07	EUR	500	33,194	10.3.2006	10.3.2011	16,605	16,630
Mortgage bonds VÚB, a. s. XXII.	3M EURIBOR + 0.17	EUR	1,200	50,000	29.6.2006	29.6.2011	60,003	60,011
Mortgage bonds VÚB, a. s. XXIII.	3M EURIBOR + 0.15	EUR	60	1,000,000	26.10.2006	26.10.2011	60,095	60,549
Mortgage bonds VÚB, a. s. XXIV.	6M EURIBOR + 0.08	EUR	1,500	33,194	24.11.2006	24.11.2011	49,845	50,000
Mortgage bonds VÚB, a. s. XXV.	3M EURIBOR + 0.16	EUR	30	1,000,000	5.12.2006	5.12.2011	30,019	30,084
Mortgage bonds VÚB, a. s. XXVI.	4.60	EUR	600	33,194	14.12.2006	14.12.2009	–	19,960
Mortgage bonds VÚB, a. s. XXVII.	4.25	EUR	500	33,194	13.3.2007	13.3.2010	17,161	17,161
Mortgage bonds VÚB, a. s. XVIII.	6M PRIBOR + 0.50	CZK	1,000	1,000,000	20.6.2007	20.6.2012	38,293	38,278
Mortgage bonds VÚB, a. s. XXIX.	6M EURIBOR + 0.02	EUR	500	33,194	16.10.2007	16.10.2012	16,631	16,762
Mortgage bonds VÚB, a. s. XXX.	5.00	EUR	1,000	33,194	5.9.2007	5.9.2032	33,309	33,290
Mortgage bonds VÚB, a. s. XXXI.	4.90	EUR	600	33,194	29.11.2007	29.11.2037	19,610	19,595
Mortgage bonds VÚB, a. s. XXXII.	6M PRIBOR + 1.5	CZK	800	1,000,000	17.12.2007	17.12.2017	33,327	33,532
Mortgage bonds VÚB, a. s. XXXIV.	4.30	EUR	900	33,194	27.2.2008	27.2.2010	30,959	30,959
Mortgage bonds VÚB, a. s. XXXV.	4.40	EUR	630	33,194	19.3.2008	19.3.2016	21,077	20,987
Mortgage bonds VÚB, a. s. XXXVI.	4.75	EUR	560	33,194	31.3.2008	31.3.2020	18,747	18,698
Mortgage bonds VÚB, a. s. XXXVII.	3M EURIBOR + 0.43	EUR	40	1,000,000	30.4.2008	30.4.2011	40,081	40,370
Mortgage bonds VÚB, a. s. XXXVIII.	4.75	EUR	317	33,194	26.6.2008	26.6.2010	10,764	10,733
Mortgage bonds VÚB, a. s. XXXIX.	3M EURIBOR + 0.69	EUR	60	1,000,000	26.6.2008	26.6.2015	60,008	60,047
Mortgage bonds VÚB, a. s. XL.	3M EURIBOR + 0.74	EUR	70	1,000,000	28.8.2008	28.8.2015	70,096	70,307
Mortgage bonds VÚB, a. s. XLI.	5.63	USD	34	1,000,000	30.9.2008	30.9.2013	23,937	24,481
Mortgage bonds VÚB, a. s. XLII.	4.00	EUR	400	50,000	28.4.2009	28.4.2012	20,540	–
Mortgage bonds VÚB, a. s. XLIII.	5.10	EUR	500	33,194	26.9.2008	26.9.2025	15,290	15,193

Mortgage bonds VÚB, a. s. XLIV.	4.75	EUR	300	50,000	11.2.2009	11.2.2012	15,633	–
Mortgage bonds VÚB, a. s. XLV.	5.30	EUR	321	16,597	16.10.2008	16.10.2010	5,386	5,386
Mortgage bonds VÚB, a. s. XLVI.	4.61	EUR	150	1,000,000	19.5.2009	19.5.2016	154,262	–
Mortgage bonds VÚB, a. s. XLVIII.	4.00	EUR	20,000	1,000	11.5.2009	11.5.2013	20,511	–
Mortgage bonds VÚB, a. s. XLIX.	3.92	EUR	100	1,000,000	28.7.2009	28.7.2014	101,666	–
Mortgage bonds VÚB, a. s. L.	3.40	EUR	8,407	1,000	2.11.2009	2.11.2013	8,454	–
							1,230,314	1,040,382

20. Current and deferred income taxes

	2009	2008
Deferred income tax asset	47,834	8,490

	2009	2008
Current income tax assets	6,036	–

	2009	2008
Current income tax liabilities	–	26,690

Deferred income taxes are calculated on all temporary differences using a tax rate of 19 % (2008: 19 %) as follows:

	2009	2008
Loans and advances to banks and Held-to-maturity investments	99	(11,371)
Derivative financial instruments	384	195
Available-for-sale financial assets	(1,416)	127
Loans and advances to customers	50,686	24,054
Intangible assets	(2,799)	(3,468)
Property and equipment	(2,767)	(3,295)
Other liabilities and provisions	3,678	3,941
Intangible assets identified on acquisition	–	(1,324)
Other	(31)	(369)
Deferred income tax asset	47,834	8,490

21. Provisions

	2009	2008
Litigations	25,111	30,165

The movement in provisions was as follows:

	1 Jan 2009	Creation/ (Reversal)	31 Dec 2009
Litigations (note 24, note 30)	30,165	(5,054)	25,111

	1 Jan 2008	Creation/ (Reversal)	31 Dec 2008
Litigations (note 24, note 30)	32,297	(2,132)	30,165

22. Other liabilities

	2009	2008
Settlement with employees	19,442	21,675
Various creditors	25,199	32,787
Payables for minority interest – VUB Leasing	13,678	14,122
Financial guarantees and commitments	9,595	11,755
VAT payables and other tax payables	3,819	4,041
Accruals and deferred income	2,968	5,474
Factoring	4,324	6,850
Settlement with shareholders	1,237	1,474
Severance and jubilee benefits	1,286	608
Retention program	1,026	865
Settlement with securities	17	195
Other	1,484	950
	84,075	100,796

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

	Note	1 Jan 2009	Creation/ (Reversal)	31 Dec 2009
Financial guarantees and commitments	31	11,755	(2,160)	9,595
Retention program	29	865	161	1,026
Severance and jubilee benefits	29	608	678	1,286
		13,228	(1,321)	11,907

	Note	1 Jan 2008	Creation/ (Reversal)	31 Dec 2008
Financial guarantees and commitments	31	10,464	1,291	11,755
Retention program	29	387	478	865
Severance and jubilee benefits	29	817	(209)	608
		11,668	1,560	13,228

23. Share capital

In connection with the introduction of the Euro as the official currency of the Slovak Republic on 1 January 2009, the Bank in 2009 converted its shares as follows.

Number of shares	Shares in SKK	Shares in EUR	Diff. from transition to Euro in €
4,078,108	1,000	33.20	(24,799.49)
89	100,000,000	3,319,391.89	(0.23)
			(24,799.72)

The difference arising from conversion was booked against the Legal reserve fund (see also statement of changes in equity).

	2009	2008
Authorized, issued and fully paid:		
89 ordinary shares of € 3,319,391.89 (Sk 100,000,000) each, not traded	295,426	295,426
4,078,108 ordinary shares of € 33.2 (Sk 1,000) each, publicly traded	135,393	135,368
	430,819	430,794
Net profit for the year attributable to shareholders	141,671	168,489
Divided by 12,976,478 (2008: 12,978,108) ordinary shares of € 33.2 (2008: Sk 1,000) each		
Basic and diluted earnings per € 33.2 (Sk 1,000) share in Euro	10.92	12.98

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:

	2009	2008
Intesa Holding International S.A.	96.76 %	96.49 %
Domestic shareholders	2.95 %	2.95 %
Foreign shareholders	0.29 %	0.56 %
	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 shareholder 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 capital structure, the Group 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 previous years, however it is under the constant scrutiny of the Board.

The VUB Group's regulatory capital position at 31 December 2009 and 2008 was as follows:

	2009	2008
Tier 1 capital		
Share capital	430,819	430,794
Share premium	13,368	13,368
Translation of foreign operation	(1,649)	(1,741)
Retained earnings without net profit for the period	306,288	141,668
Legal reserve fund	91,541	87,518
Less software (including software in Assets in progress)	(57,933)	(56,887)
	782,434	614,720
Tier 2 capital	–	–
Regulatory adjustment		
Associates and jointly controlled entities	(5,591)	(5,137)
Total regulatory capital	776,843	609,583

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).

	2009 Actual	2009 Required	2008 Actual	2008 Required
Tier 1 capital	782,434	535,100	614,720	528,000
Tier 2 capital	–	–	–	–
Regulatory adjustment	(5,591)	(5,591)	(5,137)	(5,137)
Total regulatory capital	776,843	529,509	609,583	522,863
Total Risk Weighted Assets	6,621,693	6,621,693	6,537,588	6,537,588
Tier 1 capital ratio	11.82 %	8.08 %	9.40 %	8.08 %
Total capital ratio	11.73 %	8.00 %	9.32 %	8.00 %

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 NBS regulations. 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 NBS requirement for the capital adequacy ratio as at 31 December 2009 and 2008.

24. Financial commitments and contingencies

	2009	2008
Issued guarantees	492,359	414,986
Commitments and undrawn credit facilities	1,834,704	1,878,450
	2,327,063	2,293,436

(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 2009 and 2008 was as follows:

	2009	2008
Up to 1 year	1,968	1,936
1 to 5 years	1,842	3,797
Over 5 years	–	–
	3,810	5,733

(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 2009 and 31 December 2008 are as follows:

	2009	2008
Up to 1 year	1,417	1,660
1 to 5 years	1,056	1,527
Over 5 years	–	–
	2,473	3,187

(e) Legal
In the ordinary 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 2009. Pursuant to this review, Management has recorded as at 31 December 2009 total provisions of € 25,111 thousand (31 December 2008: € 30,165 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 € 15,371 thousand, as at 31 December 2009 (31 December 2008: € 15,523 thousand). This amount represents existing legal proceedings against the VUB Group that according to the opinion of the Legal Department of the VUB will most probably not result in any payments due by the VUB Group.

25. Net interest income

	2009	2008
Interest and similar income		
Loans and advances to banks	10,899	43,442
Loans and advances to customers	377,279	404,761
Bonds, treasury bills and other securities:		
Financial assets held for trading	8,928	18,015
Available-for-sale financial assets	27,927	3,719
Held-to-maturity investments	79,476	104,148
	504,509	574,085
Interest expense and similar charges		
Due to banks	(10,360)	(20,708)
Due to customers	(91,328)	(159,521)
Debt securities in issue	(43,179)	(57,255)
	(144,867)	(237,484)
	359,642	336,601

Interest income on individually impaired loans and advances to customers for 2009 amounted to € 13,561 thousand (2008: € 3,411 thousand). The increase was caused mainly by a significant increase in the number and volume of individually assessed loans and advances to customers.

26. Net fee and commission income

	2009	2008
Fee and commission income		
Received from banks	5,567	6,851
Received from customers:		
Current accounts	43,173	43,665
Mutual funds	4,461	9,726
Term deposits	730	693
Insurance mediation	7,423	7,375
Loans and guarantees	39,320	32,959
Overdrafts	3,188	3,523
Securities	995	804
Transactions and payments	19,633	21,507
Other	1,824	4,419
	126,314	131,522
Fee and commission expense		
Paid to banks	(11,568)	(9,543)
Paid to mediators:		
Credit cards	(7,541)	(6,138)
Securities	(567)	(718)
Services	(6,615)	(8,332)
Other	(2,802)	(2,099)
	(29,093)	(26,830)
	97,221	104,692

27. Net trading income

	2009	2008
Foreign currency derivatives and transactions	(4,116)	17,485
Customer FX margins	6,064	25,790
Cross currency swaps	1,037	(465)
Interest rate derivatives*	(1,712)	(559)
Securities:		
Financial assets held for trading	2,275	(1,042)
Available-for-sale financial assets*	7,458	16
Held-to-maturity investments	–	137
Equity derivatives	7	183
Proceeds from sale of investments	139	–
	11,152	41,545

* 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. Derivative financial instruments).

The Day 1 profit of all deals that were realized during 2009 and 2008 is disclosed within the Net trading income, therefore there is no amount still to be recognized in income at 31 December 2009.

28. Other operating income

	2009	2008
Income from leasing	3,502	3,972
Rent	1,830	1,721
Sales of consumer goods	–	3,226
Other services	449	2,069
Net profit from sale of fixed assets	734	1,587
Profit from redemption of Debt securities in issue	3,906	–
Other	2,746	4,375
	13,167	16,950

29. Salaries and employee benefits

	Note	2009	2008
Remuneration		(71,353)	(72,149)
Social security costs		(24,081)	(24,567)
Social fund		(856)	(788)
Retention program	22	(161)	(478)
Severance	22	(678)	209
		(97,129)	(97,773)

The total number of employees of the Group at 31 December 2009 was 3,959 (31 December 2008: 4,111).

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 recognized 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	2009	2008
Property related expenses		(13,883)	(13,029)
IT systems maintenance		(12,070)	(16,051)
Post and telecom		(13,152)	(13,480)
Contribution to the Deposit Protection Fund		(8,530)	(6,555)
Equipment related expenses		(7,769)	(8,364)
VAT and other taxes		(6,914)	(8,193)
Security		(4,704)	(4,886)
Advertising and marketing		(8,296)	(17,093)
Stationery		(4,549)	(5,858)
Professional services		(4,682)	(4,875)
Travelling		(1,076)	(1,050)
Other damages		(1,403)	(1,208)
Trainings		(865)	(1,273)
Audit*		(784)	(728)
Transport		(1,034)	(1,743)
Insurance		(438)	(852)
Litigations paid		(199)	(239)
Provisions for litigations	21	5,054	2,132
Other operating expenses		(2,447)	(2,216)
		(87,741)	(105,561)

* As at 31 December 2009 the audit expense consists of the statutory audit in the amount of € 327 thousand (31 December 2008: € 303 thousand), group reporting in the amount of € 327 thousand (31 December 2008: € 303 thousand) and other reporting in the amount of € 130 thousand (31 December 2008: € 122 thousand).

31. Impairment losses on financial assets

	Note	2009	2008
Net creation of impairment losses	10	(90,106)	(52,581)
Net reversal/ (creation) of liabilities – financial guarantees and commitments	22	2,160	(1,291)
		(87,946)	(53,872)
Nominal value of loans written-off		(6,653)	(3,463)
Nominal value of loans sold		(14,947)	(18,782)
Proceeds from loans written-off		3,875	11,414
Proceeds from loans sold		12,641	18,433
		(5,084)	7,602
		(93,030)	(46,270)

32. Income tax expense

	2009	2008
Current income tax	(59,555)	(62,171)
Deferred income tax	40,698	23,605
	(18,857)	(38,566)

The movement in the profit or loss in deferred taxes is as follows:

	2009	2008
Loans and advances to banks	(125)	153
Loans and advances to customers	26,632	20,820
Held-to-maturity investments	11,595	(32)
Property and equipment	528	(8)
Other liabilities and provisions	(263)	1,948
Tax losses carried forward	–	(216)
Intangible assets identified on acquisition	1,993	1,309
Other	338	(369)
	40,698	23,605

The effective tax rate differs from the statutory tax rate in 2009 and in 2008.

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

	2009	2008
Profit before tax	160,528	207,055
Applicable tax rate	19 %	19 %
Theoretical tax charge	(30,500)	(39,340)
Tax non-deductible items	2,139	345
Adjustments for current tax of prior periods	(2,114)	429
Derecognition of deferred tax liability	11,618	–
Tax expense	(18,857)	(38,566)
Effective tax rate	11.75 %	18.63 %

33. Components of other comprehensive income

	2009	2008
Exchange differences on translating foreign operations	92	(1,606)
Available-for-sale financial assets:		
Losses (gains) arising during the year	16,019	354
Less: Reclassification adjustments for gains included in profit or loss	(7,939)	(16)
	8,080	338
Cash flow hedges:		
Gains (losses) arising during the year	(1,000)	(955)
Total other comprehensive income	7,172	(2,223)
Income tax relating to components of other comprehensive income	(1,353)	120
Other comprehensive income for the year	5,819	(2,103)

34. Income tax effects relating to comprehensive income

			2009			2008
	Before tax amount	Tax (expense) benefit	Net of tax amount	Before tax amount	Tax (expense) benefit	Net of tax amount
Exchange differences on translating foreign operations	92	–	92	(1,606)	–	(1,606)
Available-for-sale financial assets	8,080	(1,543)	6,537	338	(62)	276
Net movement on cash flow hedges	(1,000)	190	(810)	(955)	182	(773)
	7,172	(1,353)	5,819	(2,223)	120	(2,103)

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 realized 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) Loans and advances to banks

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 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 was calculated by discounting future cash flows using risk free interest rate curve adjusted to reflect credit risk.

(e) Associates and jointly controlled entities

The estimated fair value of investment in associates and jointly controlled entities approximates their carrying amounts. Impairment is taken into consideration when calculating fair values.

(f) 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) is estimated by discounting their future cash flows using the risk free interest rate curve. The fair value of deposits with maturity over one year is discounted using the appropriate current interest rates offered by the Group to these clients.

(g) 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 2009	Note	Trading	Held–to–maturity	Loans and receiva-bles	Availa-ble–for–sale	Other amor-tized cost	Total carrying amount	Fair value
Cash and balances with central banks	4	–	–	238,503	–	–	238,503	238,503
Loans and advances to banks	5	–	–	168,744	–	–	168,744	168,744
Financial assets held for trading	6	164,812	–	–	–	–	164,812	164,812
Derivative financial instruments	7	42,783	–	–	–	–	42,783	42,783
Available-for-sale financial assets	8	–	–	–	995,561	–	995,561	995,561
Loans and advances to customers	9	–	–	5,863,647	–	–	5,863,647	6,386,604
Held-to-maturity investments	11	–	2,046,247	–	–	–	2,046,247	2,067,187
Associates and jointly controlled entities	12	–	–	–	–	5,620	5,620	5,620
		207,595	2,046,247	6,270,894	995,561	5,620	9,525,917	10,069,814
Due to central and other banks	17	–	–	–	–	(796,345)	(796,345)	(796,345)
Derivative financial instruments	7	(52,471)	–	–	–	–	(52,471)	(52,471)
Due to customers	18	–	–	–	–	(6,609,926)	(6,609,926)	(6,308,553)
Debt securities in issue	19	–	–	–	–	(1,298,075)	(1,298,075)	(1,297,998)
		(52,471)	–	–	–	(8,704,346)	(8,756,817)	(8,455,367)

31 December 2008	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	–	–	505,030	–	–	505,030	505,030
Loans and advances to banks	5	–	–	1,437,286	–	–	1,437,286	1,437,286
Financial assets held for trading	6	791,204	–	–	–	–	791,204	791,204
Derivative financial instruments	7	60,961	–	–	–	–	60,961	60,961
Available-for-sale financial assets	8	–	–	–	265,048	–	265,048	265,048
Loans and advances to customers	9	–	–	5,667,718	–	–	5,667,718	5,888,733
Held-to-maturity investments	11	–	2,199,632	–	–	–	2,199,632	2,190,640
Associates and jointly controlled entities	12	–	–	–	–	5,163	5,163	5,163
		852,165	2,199,632	7,610,034	265,048	5,163	10,932,042	11,144,065
Due to central and other banks	17	–	–	–	–	(915,729)	(915,729)	(915,729)
Derivative financial instruments	7	(52,471)	–	–	–	–	(52,471)	(52,471)
Due to customers	18	–	–	–	–	(8,129,757)	(8,129,757)	(8,055,899)
Debt securities in issue	19	–	–	–	–	(1,137,999)	(1,137,999)	(1,110,010)
		(52,471)	–	–	–	(10,183,485)	(10,235,956)	(10,134,109)

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	2009 Total	Level 1	Level 2	Level 3	2008 Total
Financial assets									
Financial assets held for trading	6								
Treasury bills and other eligible bills		–	93,302	–	93,302	–	727,885	–	727,885
State bonds		10,572	59,208	–	69,780	–	58,971	–	58,971
Corporate bonds		–	–	–	–	–	4,348	–	4,348
Mutual funds		–	1,730	–	1,730	–	–	–	–
		10,572	154,240	–	164,812	–	791,204	–	791,204
Derivative financial instruments	7								
Interest rate instruments		–	27,258	–	27,258	–	23,282	–	23,282
Foreign currency instruments		–	12,022	–	12,022	–	37,375	–	37,375
Equity and commodity instruments		–	3,503	–	3,503	–	304	–	304
		–	42,783	–	42,783	–	60,961	–	60,961
Available-for-sale financial assets	8								
State bonds		90,735	841,914	–	932,649	–	41,038	–	41,038
Treasury bills and other eligible bills		–	–	–	–	–	128,861	–	128,861
Bank bonds		–	62,281	–	62,281	–	94,165	–	94,165
Equity shares at cost		–	631	–	631	–	984	–	984
		90,735	904,826	–	995,561	–	265,048	–	265,048
Financial liabilities									
Derivative financial instruments	7								
Interest rate instruments		–	38,285	–	38,285	–	24,538	–	24,538
Foreign currency instruments		–	10,683	–	10,683	–	27,629	–	27,629
Equity and commodity instruments		–	3,503	–	3,503	–	304	–	304
		–	52,471	–	52,471	–	52,471	–	52,471

There were no transfers of financial instruments among the levels during 2009 and 2008.

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 the Risk Management Credit Principles and Policies Charter.

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

Credit risk is the risk of 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 Group s 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.

The basic document for credit risk management is the Risk Management Credit Principles and Policies Charter which contains: Principles for managing credit risk, Authorized approval authority, Collateral policy, Impairment losses Policy, Rules for new product proposals, Credit Concentration Limits, Governance of rating and scoring systems, Write-off Policy and Credit Policies for each segment (Retail Banking, Corporate Banking and Central Treasury).

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 organizationally 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 strategy, 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. Authorization limits are set in the Risk Management Credit Principles and Policies 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 (the Markov chains methodology is used).

Rules for identifying significant clients and methodology for calculation are set in the Risk Management Credit Principles and Policies Charter.

Clients are divided into three classification categories according to the level of impairment for each client. Performing loans are those, for which there is an impairment of up to 19 % of the outstanding amount. Loans with impairment coverage higher than 19 % and below 49 % are classified as Substandard. Loans with coverage ratio higher than 49 % are classified as Bad and Doubtful.

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

	Category	2009 Amortized cost	2009 Impairment losses	2009 Carrying amount	2008 Amortized cost	2008 Impairment losses	2008 Carrying amount
Banks							
	Performing	168,744	–	168,744	1,437,941	(655)	1,437,286
	Bad and Doubtful	151	(151)	–	151	(151)	–
		168,895	(151)	168,744	1,438,092	(806)	1,437,286
Sovereigns							
	Performing	35,994	(296)	35,698	17,794	–	17,794
	Substandard	–	–	–	–	–	–
	Bad and Doubtful	–	–	–	–	–	–
		35,994	(296)	35,698	17,794	–	17,794
Corporate							
	Performing	2,469,239	(37,049)	2,432,190	2,620,306	(38,015)	2,582,291
	Substandard	105,892	(22,763)	83,129	47,651	(3,998)	43,653
	Bad and Doubtful	56,954	(34,263)	22,691	40,059	(23,048)	17,011
		2,632,085	(94,075)	2,538,010	2,708,016	(65,061)	2,642,955
Retail							
	Performing	3,271,222	(62,792)	3,208,430	3,038,690	(70,686)	2,968,004
	Substandard	77,269	(20,465)	56,804	34,979	(8,960)	26,019
	Bad and Doubtful	112,854	(88,149)	24,705	51,021	(38,075)	12,946
		3,461,345	(171,406)	3,289,939	3,124,690	(117,721)	3,006,969
Securities							
	Performing	3,205,116	–	3,205,116	3,254,499	–	3,254,499
	Substandard	1,881	(377)	1,504	1,881	(496)	1,385
		3,206,997	(377)	3,206,620	3,256,380	(496)	3,255,884

The table below shows the maximum amount of credit risk regardless of received collateral. The credit risk of financial assets not discussed above approximates their carrying amounts.

	2009	2008
Cash and balances with central banks	238,503	505,030
Loans and advances to banks	168,744	1,437,286
Financial assets held for trading	164,812	791,204
Derivative financial instruments	59,667	83,373
Available-for-sale financial assets	995,561	265,048
Non-current assets held for sale	–	1,705
Loans and advances to customers	5,863,647	5,667,718
Held-to-maturity investments	2,046,247	2,199,632
Associates and jointly controlled entities	5,620	5,163
Intangible assets	47,022	56,419
Goodwill	29,305	29,355
Property and equipment	164,104	182,305
Current income tax assets	6,036	–
Deferred income tax assets	47,834	8,490
Other assets	32,179	22,016
	9,869,281	11,254,744

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.

			2009			2008
	Amortized cost	Impairment losses	Carrying amount	Amortized cost	Impairment losses	Carrying amount
Banks						
No delinquency	168,744	–	168,744	1,428,100	(336)	1,427,764
91 – 180 days	151	(151)	–	4,950	(234)	4,716
Over 181 days	–	–	–	5,042	(236)	4,806
	168,895	(151)	168,744	1,438,092	(806)	1,437,286
Sovereigns						
No delinquency	35,871	(296)	35,575	17,780	–	17,780
1 – 30 days	60	–	60	14	–	14
31 – 60 days	18	–	18	–	–	–
61 – 90 days	–	–	–	–	–	–
91 – 180 days	18	–	18	–	–	–
Over 181 days*	27	–	27	–	–	–
	35,994	(296)	35,698	17,794	–	17,794

Corporate						
No delinquency	2,430,191	(47,368)	2,382,823	2,528,096	(39,889)	2,488,207
1 – 30 days	70,319	(3,356)	66,963	93,780	(2,974)	90,806
31 – 60 days	24,275	(3,627)	20,648	34,644	(1,586)	33,058
61 – 90 days	12,090	(1,189)	10,901	16,139	(1,549)	14,590
91 – 180 days	47,097	(11,060)	36,037	14,257	(2,032)	12,225
Over 181 days*	48,113	(27,475)	20,638	21,100	(17,031)	4,069
	2,632,085	(94,075)	2,538,010	2,708,016	(65,061)	2,642,955
Retail						
No delinquency	3,049,378	(53,529)	2,995,849	2,858,796	(60,050)	2,798,746
1 – 30 days	179,562	(10,516)	169,046	142,969	(8,908)	134,061
31 – 60 days	42,942	(5,778)	37,164	35,669	(5,385)	30,284
61 – 90 days	24,199	(5,106)	19,093	15,870	(4,094)	11,776
91 – 180 days	40,009	(18,391)	21,618	24,419	(10,563)	13,856
Over 181 days*	125,255	(78,086)	47,169	46,967	(28,721)	18,246
	3,461,345	(171,406)	3,289,939	3,124,690	(117,721)	3,006,969
Securities						
No delinquency	3,206,997	(377)	3,206,620	3,256,380	(496)	3,255,884
	3,206,997	(377)	3,206,620	3,256,380	(496)	3,255,884

* 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 the beginning of 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, generally the Group updates fair value on a regular basis.

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

		2009		2008
	Clients	Banks	Clients	Banks
Debt securities	34,209	56,264	69	739,915
Other	723,263	65,238	776,332	44,519
Property	5,336,100	–	4,480,163	–
	6,093,572	121,502	5,256,564	784,434

The debt securities collateral received from banks represents the fair value of the collateral received in the reverse REPO trades with banks. The Group is permitted to sell or repledge this collateral in the absence of default by the owner of the collateral. None of the collateral was sold or repledged at 31 December 2009 and 2008.

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

			2009			2008
	Amortized cost	Impairment losses	Carrying amount	Amortized cost	Impairment losses	Carrying amount
Europe						
Banks	137,169	(151)	137,018	1,406,836	(209)	1,406,627
Sovereigns	35,994	(296)	35,698	17,794	–	17,794
Corporate	2,632,085	(93,588)	2,538,497	2,707,941	(65,060)	2,642,881
Retail	3,458,746	(171,864)	3,286,882	3,122,634	(117,686)	3,004,948
Securities	3,201,739	–	3,201,739	3,251,575	–	3,251,575
	9,465,733	(265,899)	9,199,834	10,506,780	(182,955)	10,323,825
North America						
Banks	30,956	–	30,956	31,135	(597)	30,538
Sovereigns	–	–	–	–	–	–
Corporate	–	–	–	–	–	–
Retail	977	(19)	958	737	(17)	720
Securities	5,258	(377)	4,881	4,805	(496)	4,309
	37,191	(396)	36,795	36,677	(1,110)	35,567
Asia						
Banks	645	–	645	121	–	121
Sovereigns	–	–	–	75	(1)	74
Corporate	–	–	–	706	(12)	694
Retail	695	(9)	686	–	–	–
	1,340	(9)	1,331	902	(13)	889
Rest of the World						
Banks	125	–	125	–	–	–
Retail	927	(1)	926	613	(6)	607
	1,052	(1)	1,051	613	(6)	607

Under Europe, substantially all loans are made to Slovak entities or residents. Generally, the Group does not engage in cross-border lending.

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

31 December 2009	Banks	Sovereigns	Corporate	Retail	Securities
Agriculture	–	–	66,904	5,639	–
Construction	–	–	164,185	15,043	–
Consumers	–	–	5,839	3,136,346	–
Energy and water supply	–	–	141,790	1,221	–
Financial services	168,744	–	214,277	4,103	178,109
Government	–	35,698	–	–	3,016,987
Manufacturing	–	–	466,962	24,162	–
Professional services	–	–	65,155	7,622	–
Real estate	–	–	381,228	2,745	–
Retail & Wholesale	–	–	637,931	54,502	9,446
Services	–	–	60,253	12,274	574
Transportation	–	–	246,155	11,139	–
Other	–	–	87,331	15,143	1,504
	168,744	35,698	2,538,010	3,289,939	3,206,620

31 December 2008	Banks	Sovereigns	Corporate	Retail	Securities
Agriculture	–	–	87,973	5,602	–
Construction	–	–	162,255	13,746	–
Consumers	–	–	7,475	2,849,369	–
Energy and water supply	–	–	87,870	823	–
Financial services	1,437,286	–	271,624	4,515	1,035,765
Government	–	17,794	9	–	2,208,772
Manufacturing	–	–	542,052	29,220	–
Professional services	–	–	45,749	6,092	–
Real estate	–	–	359,494	3,506	–
Retail & Wholesale	–	–	624,915	52,759	9,962
Services	–	–	68,356	12,605	–
Transportation	–	–	257,019	13,186	–
Other	–	–	128,164	15,546	1,385
	1,437,286	17,794	2,642,955	3,006,969	3,255,884

The carrying amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated in 2009 is € 24,035 thousand for the corporate segment (2008: nil) and € 18,532 thousand for the retail segment (2008: nil). The renegotiated terms of these contracts do not have a negative impact on the profitability of the Group compared to the original terms.

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. Loans are considered impaired if impairment losses are equal or exceed 19 % of the outstanding gross amount.

31 December 2009	Neither past due nor impaired Outstanding	Neither past due nor impaired Provisions	Neither past due nor impaired Net	Impaired Outstanding	Impaired Provisions	Impaired Net	Past due but not impaired Outstanding	Past due but not impaired Provisions	Past due but not impaired Net
Banks	168,744	–	168,744	151	(151)	–	–	–	–
Sovereigns									
State organizations	11,049	–	11,049	–	–	–	–	–	–
Municipalities	23,065	(51)	23,014	1,409	(52)	1,357	471	(193)	278
	34,114	(51)	34,063	1,409	(52)	1,357	471	(193)	278
Corporate									
Large Corporates	1,425,485	(15,539)	1,409,946	34,570	(16,357)	18,213	12,545	(337)	12,208
SME	788,782	(16,808)	771,974	73,056	(28,660)	44,396	23,952	(1,420)	22,532
Other Fin. Organisations	14,756	–	14,756	–	–	–	–	–	–
Private Sector Entities	16,263	(195)	16,068	–	–	–	7	–	7
Leasing	108,910	(351)	108,559	54,733	(11,689)	43,044	16,578	(1,328)	15,250
Factoring	48,009	(1,005)	47,004	487	(320)	167	13,952	(66)	13,886
	2,402,205	(33,898)	2,368,307	162,846	(57,026)	105,820	67,034	(3,151)	63,883
Retail									
Small business	134,380	(5,334)	129,046	14,015	(8,670)	5,345	3,288	(414)	2,874
Consumer Loans	634,894	(17,787)	617,107	113,779	(74,546)	39,233	74,661	(5,968)	68,693
Mortgages	1,970,479	(4,224)	1,966,255	39,107	(10,024)	29,083	104,995	(2,751)	102,244
Credit Cards	232,194	(24,070)	208,124	8,621	(6,133)	2,488	6,925	(343)	6,582
Overdrafts	61,315	(553)	60,762	9,977	(7,869)	2,108	31,706	(1,198)	30,508
Leasing	11,908	(31)	11,877	4,447	(1,195)	3,252	1,839	(119)	1,720
Other	2,635	–	2,635	177	(177)	–	3	–	3
	3,047,805	(51,999)	2,995,806	190,123	(108,614)	81,509	223,417	(10,793)	212,624
Securities									
Trading	165,443	–	165,443	–	–	–	–	–	–
AFS	994,930	–	994,930	–	–	–	–	–	–
HTM	2,044,743	–	2,044,743	1,881	(377)	1,504	–	–	–
	3,205,116	–	3,205,116	1,881	(377)	1,504	–	–	–

31 December 2008	Neither past due nor impaired Outstand-ing	Provi-sions	Net	Impaired Outstand-ing	Provi-sions	Net	Past due but not impaired Outstand-ing	Provi-sions	Net
Banks	1,427,949	(185)	1,427,764	151	(151)	–	9,992	(470)	9,522
Sovereigns									
State organizations	2,835	–	2,835	–	–	–	–	–	–
Municipalities	14,945	–	14,945	–	–	–	14	–	14
	17,780	–	17,780	–	–	–	14	–	14
Corporate									
Large Corporates	1,480,418	(22,772)	1,457,646	16,565	(13,191)	3,374	30,364	(546)	29,818
SME	818,083	(11,824)	806,259	15,053	(9,543)	5,510	24,660	(915)	23,745
Other Fin. Organisations	15,891	–	15,891	–	–	–	–	–	–
Private Sector Entities	16,515	(17)	16,498	–	–	–	10	–	10
Leasing	135,413	(1,035)	134,378	52,929	(3,910)	49,019	30,554	(363)	30,191
Factoring	55,087	(432)	54,655	3,163	(402)	2,761	13,311	(111)	13,200
	2,521,407	(36,080)	2,485,327	87,710	(27,046)	60,664	98,899	(1,935)	96,964
Retail									
Small business	135,169	(4,724)	130,445	3,810	(3,024)	786	3,944	(456)	3,488
Consumer Loans	655,656	(24,950)	630,706	62,417	(35,550)	26,867	47,939	(4,347)	43,592
Mortgages	1,815,579	(16,611)	1,798,968	4,492	(1,426)	3,066	87,321	(4,273)	83,048
Credit Cards	189,188	(12,862)	176,326	5,136	(2,855)	2,281	4,415	(420)	3,995
Overdrafts	51,792	(907)	50,885	5,886	(3,764)	2,122	23,751	(912)	22,839
Leasing	14,584	(90)	14,494	4,174	(332)	3,842	264	(43)	221
Other	4,761	(8)	4,753	85	(84)	1	4,327	(83)	4,244
	2,866,729	(60,152)	2,806,577	86,000	(47,035)	38,965	171,961	(10,534)	161,427
Securities									
Trading	791,204	–	791,204	–	–	–	–	–	–
AFS	265,048	–	265,048	–	–	–	–	–	–
HTM	2,198,247	–	2,198,247	1,881	(496)	1,385	–	–	–
	3,254,499	–	3,254,499	1,881	(496)	1,385	–	–	–

(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 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 exposure 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 percent confidence level and assumes a 1-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 utilization 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 at 31 December and during the period is as follows:

				2009				2008
€ ´000	Balance	Avg	Max	Min	Balance	Avg	Max	Min
Foreign currency risk	38	93	236	11	92	80	251	22
Interest rate risk	96	169	384	72	412	298	435	152
Overall	132	207	469	80	384	312	440	141

The limitations of VaR methodology are recognized by supplementing VaR limits with other positions 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 their maturity, i.e. fixed rate instruments, or by next re-pricing date, i.e. floating rate instruments. Assets and liabilities that do not have 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, over a period of 12 months. 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.

VaR methodology is applied to calculate the allocation of economic capital for interest rate risk in the banking book.

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 real behaviour of these items. The assumptions are based on deep analysis of the Group 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 amortized 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 mapped to the IR gap as a linearly amortized 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 amortized over 10 years.

Interest margin sensitivity in a one year time frame – in the event of a 100 basis points rise in interest rates – was € –282 thousand at 31 December 2009, compared to € –4,117 thousand at 31 December 2008.

In 2009, interest rate risk generated by the Group banking book, measured through shift sensitivity analysis to 1 basis point, registered € 28 thousand at 31 December 2009, compared to the € –130 thousand at 31 December 2008.

	2009	2008
SKK	–	(121)
EUR	21	(9)
CZK	7	2
USD	–	(2)
Other	–	–
	28	(130)

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 2009	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	166,051	–	7,809	31,236	39,045	244,141
Loans and advances to banks	104,854	40,928	7,600	16,827	1,263	171,472
Derivative financial instruments	–	–	–	–	–	–
Available-for-sale financial assets	315,886	58,228	23,566	406,556	277,123	1,081,359
Loans and advances to customers	1,596,817	1,206,902	1,896,928	1,691,594	567,546	6,959,787
Held-to-maturity investments	171,915	172,154	583,602	834,291	651,340	2,413,302
Associates and jointly controlled entities	–	–	563	2,249	2,808	5,620
	2,355,523	1,478,212	2,520,068	2,982,753	1,539,125	10,875,681
Liabilities						
Due to central and other banks	(386,247)	(114,527)	(245,980)	(109,592)	(726)	(857,072)
Derivative financial instruments	–	–	–	–	–	–
Due to customers	(3,124,565)	(395,617)	(985,365)	(1,362,420)	(821,010)	(6,688,977)
Debt securities in issue	(111,365)	(423,606)	(258,038)	(351,618)	(364,906)	(1,509,533)
	(3,622,177)	(933,750)	(1,489,383)	(1,823,630)	(1,186,642)	(9,055,582)
Net position of financial instruments	(1,266,654)	544,462	1,030,685	1,159,123	352,483	1,820,099

31 December 2008	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	556,100	–	–	8,917	8,917	573,934
Loans and advances to banks	16,771	87,371	7,096	26,473	–	137,711
Derivative financial instruments	–	–	97,527	–	–	97,527
Available-for-sale financial assets	13,292	285	179,142	88,447	–	281,166
Loans and advances to customers	1,083,087	1,734,258	1,795,778	1,300,644	228,143	6,141,910
Held-to-maturity investments	54,822	57,723	983,570	624,788	814,634	2,535,537
Associates and jointly controlled entities	–	–	516	2,065	2,582	5,163
	1,724,072	1,879,637	3,063,629	2,051,334	1,054,276	9,772,948
Liabilities						
Due to central and other banks	(188,512)	(231,459)	(89,452)	(67,440)	–	(576,863)
Derivative financial instruments	–	–	(66,516)	(28,611)	–	(95,127)
Due to customers	(4,021,752)	(690,128)	(1,382,373)	(824,525)	(718,599)	(7,637,377)
Debt securities in issue	(105,537)	(475,239)	(203,761)	(257,403)	(208,706)	(1,250,646)
	(4,315,801)	(1,396,826)	(1,742,102)	(1,177,979)	(927,305)	(9,560,013)
Net position of financial instruments	(2,591,729)	482,811	1,321,527	873,355	126,971	212,935

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

	2009 %	2008 %
Assets		
Cash and balances with central banks	1.39	1.44
Loans and advances to banks	2.90	3.78
Financial assets held for trading	5.03	4.18
Available-for-sale financial assets	2.83	3.92
Loans and advances to customers	6.25	7.69
Held-to-maturity investments	3.92	4.28
Liabilities		
Due to central and other banks	1.57	3.32
Due to customers	1.66	2.34
Debt securities in issue	3.46	4.60

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 2009	EUR	USD	CZK	Other	Total
Assets					
Cash and balances with central banks	229,879	1,197	4,076	3,351	238,503
Loans and advances to banks	83,113	18,090	15,641	51,900	168,744
Financial assets held for trading	66,517	–	–	98,295	164,812
Derivative financial instruments	42,783	–	–	–	42,783
Available-for-sale financial assets	995,561	–	–	–	995,561
Loans and advances to customers	5,666,706	90,325	91,093	15,523	5,863,647
Held-to-maturity investments	2,046,247	–	–	–	2,046,247
Associates and jointly controlled entities	5,620	–	–	–	5,620
	9,136,426	109,612	110,810	169,069	9,525,917
Liabilities					
Due to central and other banks	(690,796)	(55,049)	(28,160)	(22,340)	(796,345)
Derivative financial instruments	(52,471)	–	–	–	(52,471)
Due to customers	(6,404,470)	(115,324)	(54,195)	(35,937)	(6,609,926)
Debt securities in issue	(1,202,518)	(23,937)	(71,620)	–	(1,298,075)
	(8,350,255)	(194,310)	(153,975)	(58,277)	(8,756,817)
Net position	786,171	(84,698)	(43,165)	110,792	769,100

31 December 2008	EUR	USD	CZK	Other	Total
Assets					
Cash and balances with central banks	493,342	1,627	6,176	3,885	505,030
Loans and advances to banks	1,397,811	19,184	88	20,203	1,437,286
Financial assets held for trading	791,204	–	–	–	791,204
Derivative financial instruments	60,960	–	1	–	60,961
Available-for-sale financial assets	264,695	353	–	–	265,048
Loans and advances to customers	5,466,236	101,462	92,136	7,884	5,667,718
Held-to-maturity investments	2,199,632	–	–	–	2,199,632
Associates and jointly controlled entities	5,163	–	–	–	5,163
	10,679,043	122,626	98,401	31,972	10,932,042
Liabilities					
Due to central and other banks	(899,861)	(44)	(9,470)	(6,354)	(915,729)
Derivative financial instruments	(52,471)	–	–	–	(52,471)
Due to customers	(7,898,886)	(138,049)	(60,605)	(32,217)	(8,129,757)
Debt securities in issue	(1,041,708)	(24,481)	(71,810)	–	(1,137,999)
	(9,892,926)	(162,574)	(141,885)	(38,571)	(10,235,956)
Net position	786,117	(39,948)	(43,484)	(6,599)	696,086

(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 asset, 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 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 estimation of cash inflow and outflow projections for all the balance sheet and off-balance sheet items, especially those without a contractual maturity (or with a maturity date that is not significant);
- 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 risks deriving from the mismatch of the medium to long-term maturities of 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 medium to long-term operations from giving rise to excessive imbalances to be financed in the short term.

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, by setting itself the objectives of safeguarding the Group's capital and, at the same time, guaranteeing the continuity of operations under conditions of extreme liquidity emergency, 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 indexes, 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.

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

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

31 December 2009	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	244,142	–	–	–	–	–	244,142
Loans and advances to banks	94,945	29,142	16,111	62,710	47,647	82	250,637
Financial assets held for trading	42	30,059	63,803	73,733	893	1,730	170,260
Available-for-sale financial assets	4,413	48,653	21,774	451,222	581,159	–	1,107,221
Loans and advances to customers	282,756	599,854	1,160,855	2,628,268	3,557,125	39,878	8,268,736
Held-to-maturity investments	4,706	207,229	105,434	1,414,571	651,340	–	2,383,280
Associates and jointly controlled entities	–	–	–	–	–	5,620	5,620
	631,004	914,937	1,367,977	4,630,504	4,838,164	47,310	12,429,896
Liabilities							
Due to central and other banks	(333,634)	(56,714)	(217,674)	(121,212)	(89,974)	–	(819,208)
Due to customers	(4,409,754)	(586,989)	(804,799)	(797,312)	(3)	(17,933)	(6,616,790)
Debt securities in issue	(162)	(85,786)	(119,960)	(753,622)	(591,717)	–	(1,551,247)
	(4,743,550)	(729,489)	(1,142,433)	(1,672,146)	(681,694)	(17,933)	(8,987,245)
Net position of financial instruments	(4,112,546)	185,448	225,544	2,958,358	4,156,470	29,377	3,442,651
Cash inflows from derivatives	194,961	47,826	55,569	212,366	55,775	–	566,497
Cash outflows from derivatives	(197,393)	(46,540)	(59,994)	(210,492)	(57,976)	–	(572,395)
Net position from derivatives	(2,432)	1,286	(4,425)	1,874	(2,201)	–	(5,898)
Total net position	(4,114,978)	186,734	221,119	2,960,232	4,154,269	29,377	3,436,753

31 December 2008	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	571,759	–	–	–	–	–	571,759
Loans and advances to banks	1,350,088	611	5,900	67,909	32,049	237	1,456,794
Financial assets held for trading	664,030	1,289	67,296	46,645	27,126	–	806,386
Available-for-sale financial assets	–	285	169,705	105,625	5,283	–	280,898
Loans and advances to customers	336,419	475,990	1,263,009	2,483,070	3,166,410	42,123	7,767,021
Held-to-maturity investments	43,479	62,529	373,527	1,275,332	814,634	–	2,569,501
Associates and jointly controlled entities	–	–	–	–	–	5,163	5,163
	2,965,775	540,704	1,879,437	3,978,581	4,045,502	47,523	13,457,522
Liabilities							
Due to central and other banks	(672,244)	(38,683)	(70,350)	(118,156)	(30,046)	–	(929,479)
Due to customers	(5,987,630)	(519,989)	(1,230,517)	(392,177)	(27,556)	–	(8,157,869)
Debt securities in issue	(6,725)	(42,638)	(115,646)	(602,301)	(472,801)	–	(1,240,111)
	(6,666,599)	(601,310)	(1,416,513)	(1,112,634)	(530,403)	–	(10,327,459)
Net position of financial instruments	(3,700,824)	(60,606)	462,924	2,865,947	3,515,099	47,523	3,130,063
Cash inflows from derivatives	645,151	268,502	247,748	123,073	39,654	–	1,324,128
Cash outflows from derivatives	(640,415)	(261,939)	(251,232)	(118,603)	(39,668)	–	(1,311,857)
Net position from derivatives	4,736	6,563	(3,484)	4,470	(14)	–	12,271
Total net position	(3,696,088)	(54,043)	459,440	2,870,417	3,515,085	47,523	3,142,334

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

31 December 2009	Less than 12 months	Over 12 months	Total
Assets			
Cash and balances with central banks	238,503	–	238,503
Loans and advances to banks	103,883	64,861	168,744
Financial assets held for trading	95,328	69,484	164,812
Derivative financial instruments	42,783	–	42,783
Available-for-sale financial assets	75,756	919,805	995,561
Non-current assets held for sale	–	–	–
Loans and advances to customers	2,015,153	3,848,494	5,863,647
Held-to-maturity investments	297,715	1,748,532	2,046,247
Associates and jointly controlled entities	–	5,620	5,620
Intangible assets	–	47,022	47,022
Goodwill	–	29,305	29,305
Property and equipment	–	164,104	164,104
Current income tax assets	6,036	–	6,036
Deferred income tax assets	–	47,834	47,834
Other assets	32,179	–	32,179
	2,907,336	6,945,061	9,852,397
Liabilities			
Due to central and other banks	(656,534)	(139,811)	(796,345)
Derivative financial instruments	(52,471)	–	(52,471)
Due to customers	(5,885,135)	(724,791)	(6,609,926)
Debt securities in issue	(182,212)	(1,115,863)	(1,298,075)
Provisions	–	(25,111)	(25,111)
Other liabilities	(81,763)	(2,312)	(84,075)
	(6,858,115)	(2,007,888)	(8,866,003)
	(3,950,779)	4,937,173	986,394

31 December 2008	Less than 12 months	Over 12 months	Total
Assets			
Cash and balances with central banks	505,030	–	505,030
Loans and advances to banks	1,377,319	59,967	1,437,286
Financial assets held for trading	729,258	61,946	791,204
Derivative financial instruments	60,961	–	60,961
Available-for-sale financial assets	164,301	100,747	265,048
Non-current assets held for sale	1,705	–	1,705
Loans and advances to customers	2,036,783	3,630,935	5,667,718
Held-to-maturity investments	445,524	1,754,108	2,199,632
Associates and jointly controlled entities	–	5,163	5,163
Intangible assets	–	56,419	56,419
Goodwill	–	29,355	29,355
Property and equipment	–	182,305	182,305
Current income tax assets	–	–	–
Deferred income tax assets	–	8,490	8,490
Other assets	22,016	–	22,016
	5,342,897	5,889,435	11,232,332
Liabilities			
Due to central and other banks	(786,307)	(129,422)	(915,729)
Derivative financial instruments	(52,471)	–	(52,471)
Due to customers	(7,851,051)	(278,706)	(8,129,757)
Debt securities in issue	(130,653)	(1,007,346)	(1,137,999)
Current income tax liabilities	(26,690)	–	(26,690)
Provisions	–	(30,165)	(30,165)
Other liabilities	(99,323)	(1,473)	(100,796)
	(8,946,495)	(1,447,112)	(10,393,607)
	(3,603,598)	4,442,323	838,725

(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 organizational process for measuring, managing and controlling operational risk.

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

The Group Operational Risk Committee (made up 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 verifying the Group's overall operational risk profile, defining any corrective actions, coordinating and monitoring the effectiveness of the main mitigation activities and approving the operational risk management transfer strategies.

Organizational structure of the associated risk management function

For some time, the Group has had a centralized function within the Risk Management Division for the management of the Group's operational risks. This function is responsible, in coordination with parent company, for the definition, implementation and monitoring of the methodological and organizational 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 organizational 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 organizational 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

For the use of the Standardized Approach (TSA), 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 the TSA. This self-assessment is verified by the Internal Auditing Department and submitted to the Management Board for the annual certification of compliance with the requirements established by the regulation.

Under TSA, the capital requirement is calculated by multiplying gross income by separate regulatory percentages for each of the business lines into which the Group's activities are divided.

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 activated a traditional operational risk transfer policy (insurance) with the objective of mitigating the impact of any unexpected losses, and thus contributing to the reduction of Capital at Risk.

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 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). 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 Center 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 2009	Retail Banking	Corporate Banking	Central Treasury	Other	Total
External revenue					
Interest income	279,581	94,435	125,704	4,789	504,509
Interest expense	(75,622)	(11,169)	(54,815)	(3,261)	(144,867)
Inter-segment revenue	9,690	(17,892)	(15,832)	24,034	–
Net interest income	213,649	65,374	55,057	25,562	359,642
Net fee and commission income	55,501	43,629	(1,444)	(465)	97,221
Net trading income	4,368	3,984	2,830	(30)	11,152
Other operating income	7,888	1,688	3,659	(68)	13,167
Dividend income	–	–	–	1	1
Total segment operating income	281,406	114,675	60,102	25,000	481,183
Depreciation and amortization	(25,438)	(6,081)	(230)	(11,505)	(43,254)
Operating expenses					(184,870)
Operating profit before impairment					253,059
Impairment losses on financial assets	(52,121)	(41,706)	918	(121)	(93,030)
Income tax expense					(18,857)
Share of profit of associates and jointly controlled entities					499
Net profit for the year					141,671
Segment assets	3,392,900	2,603,050	3,356,853	499,594	9,852,397
Segment liabilities	4,376,444	1,805,354	2,527,147	1,143,452	9,852,397

31 December 2008	Retail Banking	Corporate Banking	Central Treasury	Other	Total
External revenue					
Interest income	253,436	148,178	170,550	1,921	574,085
Interest expense	(114,619)	(62,106)	(60,446)	(313)	(237,484)
Inter-segment revenue	76,087	(12,603)	(92,954)	29,470	–
Net interest income	214,904	73,469	17,150	31,078	336,601
Net fee and commission income	85,398	17,555	1,493	246	104,692
Net trading income	15,136	18,099	8,133	177	41,545
Other operating income	6,606	5,643	–	4,701	16,950
Dividend income	–	–	–	1,072	1,072
Total segment operating income	322,044	114,766	26,776	37,274	500,860
Depreciation and amortization	(27,565)	(5,444)	(232)	(11,306)	(44,547)
Operating expenses					(203,334)
Operating profit before impairment					252,979
Impairment losses on financial assets	(31,401)	(12,381)	(199)	(2,289)	(46,270)
Income tax expense					(38,566)
Share of profit of associates and jointly controlled entities					346
Net profit for the year					168,489
Segment assets	3,040,829	2,709,952	4,829,941	651,610	11,232,332
Segment liabilities	5,697,935	2,282,215	2,345,477	906,705	11,232,332

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.

The remuneration and other benefits provided to members of the Supervisory Board and the Management Board in 2009 were € 4,418 thousand (2008: € 4,382 thousand).

At 31 December 2009, significant outstanding balances with related parties comprised:

	KMP *	Close members of KMP	Affiliated companies	Intesa Sanpaolo Group	Total
Assets					
Loans and advances to banks	–	–	–	109,201	109,201
Loans and advances to customers	717	928	–	–	1,645
Derivative financial instruments	–	–	–	4,721	4,721
Available-for-sale financial assets	–	–	–	43,047	43,047
Other assets	–	–	13	–	13
	717	928	13	156,969	158,627
Liabilities					
Due to central and other banks	–	–	–	282,642	282,642
Due to customers	1,597	2	109	–	1,708
Derivative financial instruments	–	–	–	2,025	2,025
Debt securities in issue					
Bonds	154	–	6,630	–	6,784
Mortgage bonds	–	–	–	600,169	600,169
	1,751	2	6,739	884,836	893,328
Derivative transactions (notional amount – receivable)	–	–	–	178,284	178,284
Derivative transactions (notional amount – payable)	–	–	–	160,000	160,000
Income and expense items					
Interest and similar income	30	43	–	8,050	8,123
Interest expense and similar charges	(59)	–	(177)	(20,689)	(20,925)
Fee and commission income	–	–	6	–	6
Net trading income	–	–	–	2,974	2,974
Operating income	–	–	99	260	359
	(29)	43	(72)	(9,405)	(9,463)

* Key management personnel

At 31 December 2008, significant outstanding balances with related parties comprised:

	KMP	Close members of KMP	Affiliated companies	Intesa Sanpaolo Group	Total
Assets					
Loans and advances to banks	–	–	–	66,481	66,481
Loans and advances to customers	272	–	–	–	272
Derivative financial instruments	–	–	–	4,405	4,405
Available-for-sale financial assets	–	–	–	60,863	60,863
	272	–	–	131,749	132,021
Liabilities					
Due to central and other banks	–	–	–	263,482	263,482
Derivative financial instruments	–	–	–	121	121
Due to customers	2,155	–	–	–	2,155
Debt securities in issue					
Bonds	395	–	3,196	–	3,591
Mortgage bonds	–	–	–	345,850	345,850
	2,550	–	3,196	609,453	615,199
Derivative transactions (notional amount – receivable)	–	–	–	124,888	124,888
Derivative transactions (notional amount – payable)	–	–	–	168,529	168,529
Income and expense items					
Interest and similar income	15	56	–	6,735	6,806
Interest expense and similar charges	(42)	–	(144)	(19,086)	(19,272)
Fee and commission income	–	–	71	11	82
Fee and commission expense	–	–	–	(28)	(28)
Net trading income	–	–	–	3,541	3,541
Operating income	–	–	115	250	365
Operating expenses	–	–	–	(139)	(139)
	(27)	56	42	(8,716)	(8,645)

39. Events after the end of reporting period

There were no events after 31 December 2009 that would have a material effect on a fair presentation of the matters disclosed 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 2009

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Independent Auditors' Report

To the Shareholders 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 2009 and statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the separate financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2009, 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.

26 February 2010
Bratislava, Slovak Republic

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 auditorov vedenom Slovenskou komorou audítorov pod č. 257.

Statement of financial position at 31 December 2009

(In thousands of Euro)

	Note	2009	2008
Assets			
Cash and balances with central banks	4	238,446	504,999
Loans and advances to banks	5	168,646	1,436,664
Financial assets held for trading	6	163,082	791,204
Derivative financial instruments	7	42,783	60,961
Available-for-sale financial assets	8	995,561	265,048
Non-current assets held for sale	14	–	1,705
Loans and advances to customers	9	5,549,836	5,262,286
Held-to-maturity investments	11	2,046,247	2,199,632
Subsidiaries, associates and jointly controlled entities	12	101,559	109,734
Intangible assets	13	28,207	27,402
Property and equipment	14	157,992	174,444
Current income tax assets	19	6,722	–
Deferred income tax assets	19	39,511	7,963
Other assets	15	11,581	11,809
		9,550,173	10,853,851
Liabilities			
Due to central and other banks	16	559,697	637,702
Derivative financial instruments	7	52,471	52,471
Due to customers	17	6,613,327	8,131,184
Debt securities in issue	18	1,285,310	1,106,848
Current income tax liabilities	19	–	22,368
Provisions	20	24,993	30,070
Other liabilities	21	50,585	61,703
		8,586,383	10,042,346
Equity			
Share capital	22	430,819	430,794
Share premium	22	13,368	13,368
Reserves		90,242	84,406
Retained earnings		429,361	282,937
		963,790	811,505
		9,550,173	10,853,851
Financial commitments and contingencies	23	2,353,842	2,320,758

The accompanying notes on pages 109 to 177 form an integral part of these financial statements.

These financial statements were authorized for issue by the Management Board on 26 February 2010.

Ignacio Jaquotot
Chairman of the Management Board

Domenico Cristarella
Member of the Management Board

Statement of comprehensive income for the year ended 31 December 2009

(In thousands of Euro)

	Note	2009	2008
Interest and similar income		445,444	510,829
Interest expense and similar charges		(136,037)	(221,704)
Net interest income	24	309,407	289,125
Fee and commission income		120,383	125,472
Fee and commission expense		(50,135)	(46,483)
Net fee and commission income	25	70,248	78,989
Net trading income	26	11,109	41,579
Other operating income	27	8,009	5,491
Dividend income		21,145	2,946
Operating income		419,918	418,130
Salaries and employee benefits	28	(87,306)	(86,797)
Other operating expenses	29	(73,476)	(82,911)
Amortization	13	(8,671)	(13,271)
Depreciation	14	(20,682)	(20,767)
Operating expenses		(190,135)	(203,746)
Operating profit before impairment		229,783	214,384
Impairment losses on financial assets	30	(67,596)	(36,692)
Profit before tax		162,187	177,692
Income tax expense	31	(15,947)	(32,881)
NET PROFIT FOR THE YEAR		146,240	144,811
Other comprehensive income for the year, after tax:			
Exchange difference on translating foreign operation		92	(1,606)
Available-for-sale financial assets		6,579	276
Cash flow hedges		(810)	(773)
Other comprehensive income for the year, net of tax	32, 33	5,861	(2,103)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		152,101	142,708
Basic and diluted earnings per € 33.2 (Sk 1,000) share in €	22	11.27	11.16

The accompanying notes on pages 109 to 177 form an integral part of these financial statements.

Statement of changes in equity for the year ended 31 December 2009

(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 2008	430,794	13,368	87,518	196,283	(135)	(818)	(56)	726,954
Total comprehensive income for the year	–	–	–	144,811	(1,606)	276	(773)	142,708
Dividends to shareholders	–	–	–	(58,157)	–	–	–	(58,157)
At 31 December 2008	430,794	13,368	87,518	282,937	(1,741)	(542)	(829)	811,505
At 1 January 2009	430,794	13,368	87,518	282,937	(1,741)	(542)	(829)	811,505
Transition to Euro	25	–	(25)	–	–	–	–	–
Total comprehensive income for the year	–	–	–	146,240	92	6,579	(810)	152,101
Other	–	–	–	184	–	–	–	184
At 31 December 2009	430,819	13,368	87,493	429,361	(1,649)	6,037	(1,639)	963,790

The accompanying notes on pages 109 to 177 form an integral part of these financial statements.

Statement of cash flows for the year ended 31 December 2009

(In thousands of Euro)

	Note	2009	2008
Cash flows from operating activities			
Profit before tax		162,187	177,692
Adjustments for:			
Amortization		8,671	13,271
Depreciation		20,682	20,767
Securities held for trading, available-for-sale securities and FX differences		(564)	(25,640)
Interest income		(445,444)	(510,829)
Interest expense		136,037	221,704
Dividend income		(21,145)	(2,946)
Profit from redemption of Debt securities in issue		(3,906)	–
Sale of property and equipment		(710)	(1,587)
Impairment losses on financial assets and similar charges		63,290	35,118
Interest received		423,702	523,147
Interest paid		(135,519)	(217,296)
Dividends received		21,145	2,946
Tax paid		(76,585)	(53,221)
Loans and advances to banks		3,443	(5,957)
Financial assets held for trading		(33,570)	(105,264)
Derivative financial instruments (assets)		17,368	(26,725)
Available-for-sale financial assets		(701,654)	(176,062)
Loans and advances to customers		(350,224)	(1,308,018)
Other assets		107	(1,518)
Due to central and other banks		(78,385)	104,187
Derivative financial instruments (liabilities)		–	18,153
Due to customers		(1,514,505)	1,314,464
Other liabilities		(9,721)	(1,259)
Net cash used in operating activities		(2,515,300)	(4,873)
Cash flows from investing activities			
Purchase of held-to-maturity investments		(236,738)	(54,704)
Repayments of held-to-maturity investments		400,125	847,644
Purchase of intangible assets and property and equipment		(16,524)	(24,510)
Disposal of property and equipment		5,233	13,786
Acquisition of subsidiaries		–	(10,257)
Net cash from investing activities		152,096	771,959
Cash flows from financing activities			
Proceeds from issue of debt securities		326,407	296,290
Repayments of debt securities		(147,424)	(50,481)
Dividends paid		–	(58,157)
Net cash from financing activities		178,983	187,652
Net change in cash and cash equivalents		(2,184,221)	954,738
Cash and cash equivalents at beginning of the year	3	2,517,406	1,562,668
Cash and cash equivalents at end of the year	3	333,185	2,517,406

The accompanying notes on pages 109 to 177 form an integral part of these financial statements.

Notes to the separate financial statements for the year ended 31 December 2008 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 identification number (IČO) 313 20 155.

At 31 December 2009, the Bank had a network of 254 points of sale (including retail branches, corporate branches and mortgage centres) located throughout Slovakia (December 2008: 259). 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 incorporated and domiciled in Italy. The address of its registered office is Piazza San Carlo 156, 10121 Torino, Italy.

Members of the Supervisory Board were as at December 31, 2009 as follows: György Surányi (Chairman), Adriano Arietti, Paolo Grandi, Massimo Pierdicchi, Paolo Sarcinelli, Jana Finková, Ján Gallo and Juraj Jurenka. For complete information on the Supervisory Board in 2009 please see the composition of the Supervisory Board on page 18 and the following pages.

Members of the Management Board were as at December 31, 2009 as follows: Ignacio Jaquotot (Chairman), Elena Kohútiková, Tomislav Lazarić, Domenico Cristarella, Daniele Fanin, Jozef Kausich, Silvia Púchovská, Alexander Resch. For complete information on the Management Board in 2009 please see the composition of the Management Board on page 20 and the following pages.

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 the European Union in accordance with the Regulation of the European Parliament and Council of the European Union, and in accordance with Act No. 431/2002 Collection on Accounting.

The consolidated financial statements of the Bank were issued on 26 February 2010 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 values are presented in brackets.

With the introduction of the Euro as the official currency of the Slovak Republic on 1 January 2009, the Bank's functional currency changed from Slovak crowns to the Euro as of that date. The comparative amounts for 2008 were therefore converted into Euro using the official conversion rate of € 1 = Sk 30.1260. The average rate for the year 2008 was € 1 = Sk 31.291.

2.2 Changes in accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

Standards, amendments and interpretations effective in 2009 applicable to the Bank

The accounting policies adopted are consistent with those used in the previous financial year except that the Bank has adopted the following standards, amendments and interpretations. With the exception of the Amendments to IAS 39 and IFRS 7 – Reclassification of Financial Assets (see below), the adoption of these standards, amendments and interpretations did not have any effect on the financial performance or position of the Bank. They did, however, give rise to additional disclosures.

Amendments to IFRS 7 Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments.

The amendments to IFRS 7 were issued in March 2009 to enhance fair value and liquidity disclosures. With respect to fair value, the amendments require disclosure of a three-level fair value hierarchy, by class, for all financial instruments recognised at fair value and specific disclosures related to transfers between levels in the hierarchy and detailed disclosures related to level 3 of the fair value hierarchy. In addition, the amendments modify the required liquidity disclosures with respect to derivative transactions and assets used for liquidity management.

Comparative information has been restated, although this is not strictly required by the transitional provisions of the amendment.

IFRS 8 Operating Segments

IFRS 8 was adopted by the EU on 21 November 2007 (effective for accounting periods beginning on or after 1 January 2009). This standard requires disclosure of information about the Bank's operating segments and replaced the requirement to determine primary (business) and secondary (geographical) reporting segments of the Bank. The Bank decided to apply IFRS 8 – Operating Segments for the accounting period beginning on 1 January 2007 as permitted by the Standard.

IAS 1 Presentation of financial statements

This standard requires an entity to present all owner changes in equity and all non-owner changes to be presented either in one statement of comprehensive income, or in two separate statements of income and comprehensive income. The revised standard also requires the income tax effect of each component of comprehensive income to be disclosed. In addition, it requires entities to present a comparative statement of financial position as at the beginning of the earliest comparative period when the entity has applied an accounting policy retrospectively, makes a retrospective restatement, or reclassifies items in the financial statements.

The Bank has elected to present comprehensive income in one statement of comprehensive income. Information about the individual components of comprehensive income as well as the tax effects have been disclosed in the notes to the financial statements.
The Bank has not provided a restated comparative statement of financial position for the earliest comparative period, as it has not adopted any new accounting policies retrospectively, nor has made a retrospective restatement, nor retrospectively reclassified items in the financial statements.

Amendment to IAS 23 Borrowing Costs

IAS 23 issued in March 2007 superseded IAS 23 (revised in 2003). IAS 23 (revised) is effective for accounting periods beginning on or after 1 January 2009 with early application permitted. The main change from the previous version is the removal of the option to immediately recognise as an expense borrowing costs that relate to assets that take a substantial period of time to prepare for use or sale.

The amendment to IAS 23 does not have any impact on the financial performance or position of the Bank.

Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements, – Puttable Financial Instruments and Obligations Arising on Liquidation

Amendments to IAS 32 and IAS 1 were issued by the IASB in February 2008 and became effective for accounting periods beginning on or after 1 January 2009 with early application permitted. The amendment to IAS 32 requires certain puttable financial instruments and obligations arising on liquidation to be classified as equity if certain criteria are met. The amendments to IAS 1 require disclosure of certain information relating to puttable instruments classified as equity.

The amendments to IAS 32 and IAS 1 do not have any impact on the financial performance or position of the Bank, as the Bank has not issued such instruments.

Amendment to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items

This amendment to IAS 39 was issued on 31 July 2008 and is applicable for accounting periods beginning on or after 1 July 2009 with early application permitted. The amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations. The revised standard does not have any impact on the financial statements of the Bank.

Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures – Reclassification of Financial Assets

The amendments allow entities to reclassify certain financial assets out of 'Held-for-trading' if they are no longer held for the purpose of being sold or repurchased in the near term:

- Financial assets that would be eligible for classification as loans and receivables (i.e. those assets which, apart from not being held with the intent of sale in the near term, have fixed or determinable payments, are not quoted in an active market, and contain no features which could cause the holder not to recover substantially all of its initial investment except through credit deterioration) may be transferred from 'Held-for-trading' to 'Loans and receivables', if the entity has the intention and the ability to hold them for the foreseeable future.
- Financial assets that are not eligible for classification as loans and receivables, may be transferred from 'Held-for-trading' to 'Available-for-sale' or to 'Held-to-maturity' only in rare circumstances.

The amendment requires detailed disclosures relating to such reclassifications. The effective date of the amendment is 1 July 2008, reclassifications before that date are not permitted.

The Bank did not reclassify any financial instruments during 2009 and 2008.

IFRIC 9 and IAS 39: Embedded Derivatives

The IFRIC has issued Embedded Derivatives: Amendments to IFRIC 9 and IAS 39 which requires entities to assess whether to separate an embedded derivative from a host contract in the case that the entity reclassifies a hybrid financial asset out of fair value through the profit or loss category. The amendments to IFRIC 9 require an assessment to be made either when the entity first became party to the contract or when a change in the terms of the contract significantly modifies expected cash flows. The amendments are applicable for annual periods ending on or after 31 December 2009.

The application of the amendment does not have any impact on the Bank's financial statements as no reclassifications were made for instruments that contained embedded derivatives.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation

IFRIC 16 is effective for accounting periods beginning on or after 1 October 2008 with early application permitted. The interpretation applies to an entity that hedges the foreign currency risk arising from its net investments in foreign operations and wishes to qualify for hedge accounting in accordance with IAS 39.

This interpretation has no effect on the Bank's financial statements.

Improvements to IFRSs

In May 2008 the International Accounting Standards Board issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. The adoption of these amendments does not have any material effect on the financial performance or position of the Bank.

Standards and interpretations issued but not yet effective and not adopted early by the Bank:

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

- IFRS 1 (revised) 'First-time Adoption of IFRS' adopted by the EU on 25 November 2009 (effective for accounting periods beginning on or after 1 January 2010);
- IFRS 3 (revised) 'Business Combinations' adopted by the EU on 3 June 2009 (effective for accounting periods beginning on or after 1 July 2009);
- Amendments to IAS 27 'Consolidated and Separate Financial Statements' adopted by the EU on 3 June 2009 (effective for accounting periods beginning on or after 1 July 2009);
- Amendments to IAS 32 'Financial Instruments: Presentation' – Accounting for rights issues, adopted by the EU on 23 December 2009 (effective for accounting periods beginning on or after 1 January 2011);
- Amendments to IAS 39 'Financial Instruments: Recognition and Measurement' – Eligible hedged items, adopted by the EU on 15 September 2009 (effective for accounting periods beginning on or after 1 July 2009);
- IFRIC 16 'Hedges of a Net Investment in a Foreign Operation' adopted by the EU on 4 June 2009 (effective for accounting periods beginning on or after 1 July 2009);
- IFRIC 17 'Distributions of Non-Cash Assets to Owners' adopted by the EU on 26 November 2009 (effective for accounting periods beginning on or after 1 November 2009); and
- IFRIC 18 'Transfers of Assets from Customers' adopted by the EU on 27 November 2009 (effective for accounting periods beginning on or after 1 November 2009).

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

The Management of the Bank anticipates that the adoption of these standards, revisions and interpretations will have no material impact on the financial statements of the Bank in the period of initial application.

At present, IFRS as adopted by the EU do not significantly differ from the regulations adopted by the International Accounting Standards Board (IASB) except for the following standards, amendments to the existing standards and interpretations, which were not endorsed for use as at 31 December 2009.

- IFRS 9 'Financial Instruments' (effective for accounting periods beginning on or after 1 January 2013);
- Amendments to various standards and interpretations resulting from the annual quality improvement

project of IFRS published on 16 April 2009 (IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38, IAS 39, IFRIC 9, IFRIC 16) primarily with a view to removing inconsistencies and clarifying wording (most amendments are to be applied for accounting periods beginning on or after 1 January 2010);
- Amendments to IAS 24 'Related Party Disclosures' – Simplifying the disclosure requirements for government-related entities and clarifying the definition of a related party (effective for accounting periods beginning on or after 1 January 2011);
- Amendments to IFRS 1 'First-time Adoption of IFRS'– Additional Exemptions for First-time Adopters (effective for accounting periods beginning on or after 1 January 2010);
- Amendments to IFRIC 14 'IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction' – Prepayments of a Minimum Funding Requirement (effective for accounting periods beginning on or after 1 January 2011); and
- IFRIC 19 'Extinguishing Liabilities with Equity Instruments' (effective for accounting periods beginning on or after 1 July 2010).

The Management of the Bank anticipates that the adoption of these standards, amendments to the existing standards and interpretations will have no material impact on the financial statements of the Bank in the period of initial application.

At the same time, hedge accounting regarding the portfolio of financial assets and liabilities, the principles of which have not been adopted by the EU, is still unregulated. Based on the Bank's estimates, application of hedge accounting for the portfolio of financial assets or liabilities pursuant to IAS 39: 'Financial Instruments: Recognition and Measurement', would not significantly impact the financial statements if applied as at the balance sheet date.

2.3 Segment reporting

The Bank reports financial and descriptive information regarding 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 in order 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. Every 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 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 reporting period. Income and expenses denominated in foreign currencies are reported at the ECB or NBS exchange rate prevailing at the transaction date.

The difference between the contractual exchange rate of a transaction and the ECB or NBS exchange rate prevailing on 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 transaction date.

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 reporting period. The revenues and expenses of foreign operations are translated to Euro at rates approximating the foreign exchange rates prevailing at the transaction dates. Foreign exchange differences arising on these translations are recognized directly in equity.

The financial statements of the Bank and its foreign branch 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.

2.6 Cash and balances with central banks

Cash and balances with central banks comprise cash in hand and current accounts with the NBS and other national 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 without any time or other constraints. The balance comprises treasury bills issued by the Ministry of Finance and bills issued by the NBS.

2.8 Loans and advances to banks

Loans and advances to banks include receivables from current accounts in other than central banks, deposits and loans provided to commercial banks and to the NBS, and other national banks.

The balances are presented at amortized 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 categorized 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 recognized 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 available-for-sale portfolios, are recognized in profit or loss and 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, such 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 market value can be estimated reliably, is measured at quoted market prices. In circumstances where the quoted market prices are not readily available, fair value is estimated using the present value of future cash flows.

The Bank monitors changes in fair values on a daily basis and recognizes unrealized 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 recognizes 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' for individual deal is not significant. In cases where 'Day 1 profit or loss' for an individual deal is significant, the difference is amortized over the period of the deal. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognized in the profit or loss when the inputs become observable, or when the instrument is derecognized.

(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.

Unrealized gains and losses arising from changes in the fair value of 'available-for-sale' securities are recognized 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 are held at cost less impairment as their fair value cannot be reliably measured. For available-for-sale equity investments, the Bank assesses at each end of the reporting period whether there is objective evidence that an investment or 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 amortized 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 recognized 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 recognized in profit or loss – is removed from equity and recognized in 'Impairment losses on financial assets' in the statement of comprehensive income. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized directly in equity.

(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 amortized cost less any impairment losses. Amortized cost is the amount at which the asset was initially measured minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount. The amortization is recognized 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 'Loans and advances to 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 accrued 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 such 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 recognized 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 regular 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 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 recognized in profit or loss.

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.

At the inception of the hedge relationship, a formal assessment is also 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 be offset in a range of 80 % to 125 %.

For 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 recognized in other comprehensive income as 'Cash flow hedges'. The ineffective portion of the gain or loss on the hedging instrument is recognized immediately as profit 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, or exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss that has been recognized 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 recognized. 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 recognized 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 recognized 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 amortized cost, the difference between the carrying value of the hedged item on termination and the face value is amortized over the remaining term of the original hedge using the EIR. If the hedged item is derecognized, the unamortized 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 as 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 comprise buildings which are available for immediate sale in their present condition and such 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 costs 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 amortized cost less any impairment losses. All loans and advances to customers are recognized on 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 impairment loss is included in the statement of comprehensive income.

Impairment and uncollectability is measured and recognized 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 recognized 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 or Net assets method.

Dividend discount model

The Management of the companies being subject to the impairment test, provide a 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, as provided by the Management of the companies.

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

Net assets method

The impairment loss is measured as the difference between the carrying amount of shares and the net assets value. This method is used for companies that are planning to discontinue operation in the near future.

2.16 Intangible assets

Intangible assets are recorded at historical cost less accumulated amortization and impairment losses. Amortization 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

Amortization 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, modernization or improvements leading to increased productivity, capacity or efficiency are capitalized. 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	5 – 40
Equipment	4, 6, 15
Other tangibles	4, 6, 15

Assets in progress, land, 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 recognized 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 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 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 recognized 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	3 %	4 %
Future growth of wages	n/a	3 %
Fluctuation of employees (based on age)	9 – 46 %	9 – 46 %
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 employee benefits are recognized in 'Salaries and employee benefits'. The employee benefit reserves are disclosed on the balance sheet 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 recognized at their fair value, and the initial fair value is amortized 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 amortized 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 constitutes 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 Bank losses.

2.22 Equity reserves

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 recognized in the statement of comprehensive income on an accrual basis using the effective interest rate method. Interest income and expense includes the amortization 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 amortized 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 recognized 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 recognized 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 recognized, 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 realized, 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 they are not assets of the Bank.

2.29 Significant accounting judgements and estimates

Judgements

In the process of applying the Bank's accounting policies, the Management makes judgements, apart from those involving estimations, that significantly affect the amounts recognized 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 amortized 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 a recent actual pattern of short-term profit taking, or if it is a derivative.

Estimates

The preparation of the financial statements required 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, more experience is acquired, 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 cash flow statement, cash and cash equivalents comprise the following balances with contractual maturity of less than 90 days:

	Note	2009	2008
Cash and balances with central banks	4	238,446	504,999
Current accounts in other banks	5	23,532	54,198
Treasury bills and other eligible bills	6	–	662,970
Held-to-maturity investments	11	9,446	–
Term deposits with central and other banks	5	61,761	665,363
Loans and advances to central and other banks	5	–	629,876
		333,185	2,517,406

4. Cash and balances with central banks

	2009	2008
Balances with central banks:		
Compulsory minimum reserves	135,813	96,573
Current accounts	221	66,442
	136,034	163,015
Cash in hand	102,412	341,984
	238,446	504,999

The compulsory minimum reserve is maintained as an interest bearing deposit under the regulations of the NBS and the CNB. The amount of the compulsory minimum reserve depends on the level of customer deposits accepted by the Bank and 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 statutory 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 realized in real-time.

5. Loans and advances to banks

	Note	2009	2008
Current accounts in other banks	3	23,532	54,198
Loans and advances to:			
Central banks	3	–	629,876
Other banks		83,504	88,033
Term deposits with:			
Central banks	3	5,668	637,947
Other banks	3	56,093	27,416
Impairment losses	10	(151)	(806)
		168,646	1,436,664

6. Financial assets held for trading

	Note	2009	2008
Treasury bills and other eligible bills			
with contractual maturity less than 90 days	3	–	662,970
with contractual maturity over 90 days		93,302	64,915
State bonds			
with contractual maturity over 90 days		69,780	58,971
Corporate bonds		–	4,348
		163,082	791,204

All securities held for trading are listed. In 2009 and 2008, no such securities were pledged by the Bank to secure transactions with counterparties.

7. Derivative financial instruments

	2009 Assets	2008 Assets	2009 Liabilities	2008 Liabilities
Trading derivatives	42,037	60,961	44,480	51,447
Cash flow hedges of interest rate risk	–	–	2,770	1,024
Cash flow hedge of foreign exchange risk	746	–	–	–
Fair value hedges of interest rate risk	–	–	5,221	–
	42,783	60,961	52,471	52,471

Trading derivatives also include hedge instruments that are non-qualifying according to IAS 39, but are held for risk management purposes rather than for trading. The instruments used include interest rate swaps and cross-currency interest rate swaps. In 2009, the total positive fair value of such derivatives was € 2,800 thousand (2008: € 2,563 thousand) and the negative fair value was € 1,386 thousand (2008: € 2,039 thousand).

	2009 Assets	2008 Assets	2009 Liabilities	2008 Liabilities
Trading derivatives – Fair values				
Interest rate instruments				
Swaps	25,771	22,180	28,641	22,084
Forward rate agreements	–	74	159	380
Options	1,487	1,028	1,494	1,050
	27,258	23,282	30,294	23,514
Foreign currency instruments				
Forwards and swaps	965	27,895	2,787	20,139
Cross currency swaps	2,800	2,563	240	442
Options	7,511	6,917	7,656	7,048
	11,276	37,375	10,683	27,629
Equity and commodity instruments				
Equity options	3,423	126	3,423	126
Commodity options	80	178	80	178
	3,503	304	3,503	304
	42,037	60,961	44,480	51,447

	2009 Assets	2008 Assets	2009 Liabilities	2008 Liabilities
Trading derivatives – Notional values				
Interest rate instruments				
Swaps	881,941	840,193	881,941	840,193
Forward rate agreements	160,000	297,791	160,000	297,791
Options	57,266	18,055	57,266	18,055
	1,099,207	1,156,039	1,099,207	1,156,039
Foreign currency instruments				
Forwards and swaps	197,397	1,091,328	199,418	1,083,600
Cross currency swaps	67,994	67,576	65,433	65,433
Options	44,095	29,392	43,910	29,392
	309,486	1,188,296	308,761	1,178,425
Equity and commodity instruments				
Equity options	49,581	44,851	49,581	44,851
Commodity options	3,495	4,331	3,495	4,331
	53,076	49,182	53,076	49,182
	1,461,769	2,393,517	1,461,044	2,383,646

Equity and commodity instruments also include options for the purchase of a 30 % shareholding in VÚB Leasing, a. s. held by the Bank with notional values of € 13,941 thousand in assets and € 13,941 thousand in liabilities. These options are not revalued, because their fair value cannot be reliably measured.

Cash flow hedges

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 floating rate mortgage bonds. The cash flows on floating legs of these interest rate swaps substantially match the cash flow profiles of the floating rate mortgage bonds.

Cash flow hedge of foreign exchange risk
The Bank entered into a foreign exchange ('FX') forward contracts to hedge cash inflows in CZK in relation to the transfer of retained earnings from the Prague branch. The cash flow profiles of both items are identical.

Below is a schedule indicating as at 31 December 2009, the periods when the hedged cash flows are expected to occur. The cash flows of mortgage bonds represent future undiscounted value of coupons:

	Up to 1 year	1 to 5 years	Over 5 years
2009			
Mortgage bonds – interest rate risk	3,698	22,933	3,949
FX forecast transaction – foreign exchange risk	14,532	–	–
2008			
Mortgage bonds – interest rate risk	7,532	24,920	10,084

The net expense on cash flow hedges reclassified to 'Net interest income' during 2009 was € 1,873 thousand (2008: € 24 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.

For the year ended 31 December 2009, the Bank recognized in relation to the fair value hedging instruments above a net loss of € 1,621 thousand (2008: nil). The net gain on hedged items attributable to the hedged risks amounted to € 1,411 thousand (2008: nil). Both items are disclosed within 'Net trading income'.

Interest and similar income from hedged AFS securities in the amount of € 5,841 thousand was compensated for by interest expense from Interest rate swaps hedging instruments in the amount of € 3,846 thousand.

8. Available-for-sale financial assets

	Share 2009	Share 2008	2009	2008
State bonds			932,649	41,038
Treasury bills and other eligible bills			–	128,861
Bank bonds			62,281	94,165
Equity shares at cost				
RVS Studené, a. s.	8.38 %	8.38 %	574	574
S.W.I.F.T.	0.02 %	0.02 %	57	57
Visa Inc.	–	0.04 %	–	353
			631	984
			995,561	265,048

As at 31 December 2009, state bonds with a total nominal value of € 100 million were pledged by the Bank (2008: nil) to secure transactions with counterparties.

9. Loans and advances to customers

31 December 2009	Amortized cost	Impairment losses (note 10)	Carrying amount
Sovereigns			
Municipalities	31,955	–	31,955
Corporate			
Large Corporates	1,565,577	(32,233)	1,533,344
SME	885,790	(46,888)	838,902
Other Financial Institutions	14,756	–	14,756
Private Sector Entities	16,270	(195)	16,075
Factoring	25,188	(1,023)	24,165
	2,507,581	(80,339)	2,427,242
Retail			
Small business	151,683	(14,418)	137,265
Consumer Loans	600,503	(56,045)	544,458
Mortgages	2,114,581	(16,999)	2,097,582
Credit Cards	247,740	(30,546)	217,194
Overdrafts	102,998	(9,620)	93,378
Other	762	–	762
	3,218,267	(127,628)	3,090,639
	5,757,803	(207,967)	5,549,836

The segmentation of Loans and advances to customers in both 2009 and 2008 is based on the new IRB approach implemented by the Bank during 2009. The different segment definition caused transfers among individual sectors.

31 December 2008	Amortized cost	Impairment losses (note 10)	Carrying amount
Sovereigns			
State organizations	2,835	–	2,835
Municipalities	14,959	–	14,959
	17,794	–	17,794
Corporate			
Large Corporates	1,604,546	(36,625)	1,567,921
SME	857,796	(22,282)	835,514
Other Financial Institutions	15,891	–	15,891
Private Sector Entities	16,525	(17)	16,508
Factoring	28,360	(536)	27,824
	2,523,118	(59,460)	2,463,658
Retail			
Small business	142,923	(8,204)	134,719
Consumer Loans	536,641	(41,095)	495,546
Mortgages	1,907,392	(22,310)	1,885,082
Credit Cards	198,739	(16,137)	182,602
Overdrafts	81,429	(5,583)	75,846
Other	7,130	(91)	7,039
	2,874,254	(93,420)	2,780,834
	5,415,166	(152,880)	5,262,286

At 31 December 2009, the 20 largest corporate customers represented a total balance of € 717,320 thousand (2008: € 710,222 thousand) or 12.5 % (2008: 13 %) of the gross loan portfolio.

During 2009, the net loss from loans and advances to customers written off and sold amounted to € 4,719 thousand (2008: net gain of € 7,368 thousand) (note 30).

10. Impairment losses

	Note	1 Jan 2009	Creation/ (Reversal) (note 30)	FX gains	Other	31 Dec 2009
Loans and advances to banks	5	806	(655)	–	–	151
Loans and advances to customers	9	152,880	57,524	71	(2,508) *	207,967
Held-to-maturity investments	11	496	(119)	–	–	377
Subsidiaries, associates and JVs	12	21,465	8,174	–	–	29,639
Intangible assets	13	197	–	–	(197)	–
Other assets	15	1,866	121	(94)	984	2,877
		177,710	65,045	(23)	(1,721)	241,011

* The Other decrease in impairment losses for Loans and advances to customers was caused by an unwinding of interest and the transfer of portion of Loans and advances to customers into Other assets.

	Note	1 Jan 2008	Creation/ (Reversal) (note 30)	FX gains	Other	31 Dec 2008
Loans and advances to banks	5	849	27	(70)	–	806
Loans and advances to customers	9	113,297	40,572	(989)	–	152,880
Held-to-maturity investments	11	675	(113)	(66)	–	496
Subsidiaries, associates and JVs	12	18,766	2,699	–	–	21,465
Intangible assets	13	–	–	–	197	197
Property and equipment	14	48	(48)	–	–	–
Other assets	15	2,234	(368)	–	–	1,866
		135,869	42,769	(1,125)	197	177,710

11. Held-to-maturity investments

	Note	2009	2008
State restructuring bonds		618,775	625,181
State bonds		1,302,480	1,289,477
Bank bonds and other bonds issued by financial sector		78,038	237,632
Corporate notes and bonds with contractual maturity less than 90 days	3	9,446	–
Corporate notes and bonds with contractual maturity over 90 days		37,885	47,838
		2,046,624	2,200,128
Impairment losses	10	(377)	(496)
		2,046,247	2,199,632

In 2009, bonds in the total nominal amount of € 455,495 thousand were pledged by the Bank (2008: € 1,278,809 thousand) to secure transactions with counterparties.

State restructuring bonds

As part of the pre-privatization restructuring process of the Bank, the Slovak government decided to transfer the receivables of the Bank arising from non-performing loans to state agencies. These special purpose agencies were created and are under the full control of the State. In December 1999 and June 2000, the Slovak government recapitalized the Bank by transferring non-performing loans, including principal and interest, to Konsolidačná banka Bratislava ('KBB') with a gross value of Sk 58.6 billion (€ 1,945 million), and Slovenská konsolidačná ('SKO') with a gross value of Sk 7.6 billion (€ 252 million), which gave rise to the Bank's receivables from KBB and SKO in the total amount of Sk 66.2 billion (€ 2,197 million). In January and March 2001, these receivables were swapped at par for state restructuring bonds with a total nominal value of Sk 66.2 billion (€ 2,197 million).

Restructuring bonds were issued by the Ministry of Finance of the Slovak Republic, acting on behalf of the Slovak government as the financial intermediary. The bonds are legally considered to represent sovereign and unconditioned direct obligations of the Slovak Republic and therefore there is no need for additional state guarantees.

The bond conditions are the same as for any other similar type of securities issued by the Slovak Republic, i.e. are fully redeemable by the Slovak Republic, there is no clause regarding rollover, early or late extinguishments, and are not convertible into any other type of financial instruments.

At 31 December 2009 and 2008, the Bank held in its portfolio the following state restructuring bonds:

(a) 10-year state bonds with a nominal value of € 366,594 thousand, due on 30 January 2011, bearing variable interest rate for 6M EURIBOR;
(b) 10-year state bonds with a nominal value of € 248,855 thousand, due on 29 March 2011, bearing variable interest rate of 6M EURIBOR.

12. Subsidiaries, associates and jointly controlled entities

	Share in %	Cost	Impairment losses (note 10)	Carrying amount
At 31 December 2009				
VÚB Factoring, a. s.	100.0	16,535	(10,210)	6,325
VÚB Leasingová, a. s.	100.0	7,767	(7,443)	324
Recovery, a. s.	100.0	3,652	(3,182)	470
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.	70.0	30,709	(7,769)	22,940
VÚB Generali, d. s. s., a. s.	50.0	16,597	(1,035)	15,562
Slovak Banking Credit Bureau, s. r. o.	33.3	3	–	3
		131,198	(29,639)	101,559
At 31 December 2008				
VÚB Factoring, a. s.	100.0	16,535	(8,165)	8,370
VÚB Leasingová, a. s.	100.0	7,767	(7,444)	323
Recovery, a. s.	100.0	3,652	(3,173)	479
VÚB Asset Management, správ. spol. a. s.	100.0	2,822	(1,967)	855
Consumer Finance Holding, a. s.	100.0	53,114	–	53,114
VÚB Leasing, a. s.	70.0	30,709	(716)	29,993
VÚB Generali, d. s. s., a. s.	50.0	16,597	–	16,597
Slovak Banking Credit Bureau, s. r. o.	33.3	3	–	3
		131,199	(21,465)	109,734

13. Intangible assets

	Software	Other intangible assets	Assets in progress		Total
Cost					
At 1 January 2009	142,032	9,125	5,292		156,449
Additions	–	–	9,477		9,477
Disposals	(653)	(413)	–		(1,066)
Transfers	10,309	1,300	(11,609)		–
FX differences	14	1	–		15
At 31 December 2009	151,702	10,013	3,160		164,875
Accumulated amortization					
At 1 January 2009	(123,352)	(5,498)	(197)		(129,047)
Amortization for the year	(7,608)	(1,260)	197	*	(8,671)
Disposals	652	413	–		1,065
FX differences	(14)	(1)	–		(15)
At 31 December 2009	(130,322)	(6,346)	–		(136,668)
Carrying amount					
At 1 January 2009	18,680	3,627	5,095		27,402
At 31 December 2009	21,380	3,667	3,160		28,207

* Represents reversal of impairment losses related to Intangible assets in progress.

	Software	Other intangible assets	Assets in progress		Total
Cost					
At 1 January 2008	135,865	12,051	4,295		152,211
Additions	–	–	8,506		8,506
Disposals	(120)	(4,033)	–		(4,153)
Transfers	6,392	1,117	(7,509)		–
FX differences	(105)	(10)	–		(115)
At 31 December 2008	142,032	9,125	5,292		156,449
Accumulated amortization					
At 1 January 2008	(111,958)	(8,063)	–		(120,021)
Amortization for the year	(11,596)	(1,478)	(197)	*	(13,271)
Disposals	97	4,033	–		4,130
FX differences	105	10	–		115
At 31 December 2008	(123,352)	(5,498)	(197)		(129,047)
Carrying amount					
At 1 January 2008	23,907	3,988	4,295		32,190
At 31 December 2008	18,680	3,627	5,095		27,402

* Represents impairment losses related to Intangible assets in progress.

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 2009	209,075	93,039	33,504	8,134	343,752
Additions	–	–	–	7,155	7,155
Disposals	(6,207)	(7,081)	(2,535)	–	(15,823)
Transfers	2,735	7,936	859	(11,530)	–
FX differences	1	10	2	–	13
At 31 December 2009	205,604	93,904	31,830	3,759	335,097
Accumulated depreciation					
At 1 January 2009	(69,303)	(76,459)	(23,546)	–	(169,308)
Depreciation for the year	(10,060)	(7,467)	(3,155)	–	(20,682)
Disposals	3,454	7,055	2,389	–	12,898
FX differences	(1)	(10)	(2)	–	(13)
At 31 December 2009	(75,910)	(76,881)	(24,314)	–	(177,105)
Carrying amount					
At 1 January 2009	139,772	16,580	9,958	8,134	174,444
At 31 December 2009	129,694	17,023	7,516	3,759	157,992

	Buildings and land	Equipment	Other tangibles	Assets in progress	Total
Cost					
At 1 January 2008	207,129	102,197	35,400	5,126	349,852
Additions	–	–	–	16,074	16,074
Disposals	(2,939)	(14,738)	(4,405)	–	(22,082)
Transfers	4,895	5,655	2,516	(13,066)	–
FX differences	(10)	(75)	(7)	–	(92)
At 31 December 2008	209,075	93,039	33,504	8,134	343,752
Accumulated depreciation					
At 1 January 2008	(60,801)	(83,948)	(23,566)	–	(168,315)
Depreciation for the year	(10,433)	(7,094)	(3,240)	–	(20,767)
Disposals	1,923	14,494	3,258	–	19,675
FX differences	8	89	2	–	99
At 31 December 2008	(69,303)	(76,459)	(23,546)	–	(169,308)
Impairment losses (note 10)					
At 1 January 2008	(48)	–	–	–	(48)
Net reversal	48	–	–	–	48
At 31 December 2008	–	–	–	–	–
Carrying amount					
At 1 January 2008	146,280	18,249	11,834	5,126	181,489
At 31 December 2008	139,772	16,580	9,958	8,134	174,444

In 2009 and 2008, the Bank held in its portfolio of non-current assets held for sale buildings as follows:

	2009	2008
Cost	–	2,417
Accumulated depreciation	–	(712)
	–	1,705

15. Other assets

	Note	2009	2008
Operating receivables and advances		8,762	7,574
Prepayments and accrued income		2,898	3,977
Other tax receivables		1,163	1,117
Inventories		913	733
Settlement of operations with financial instruments		600	274
Other		122	–
		14,458	13,675
Impairment losses	10	(2,877)	(1,866)
		11,581	11,809

16. Due to central and other banks

	2009	2008
Due to central banks		
Current accounts	28,657	53,821
Loans received	180,460	50
	209,117	53,871
Due to other banks		
Current accounts	27,267	161,560
Term deposits	280,595	386,109
Loans received	42,718	36,162
	350,580	583,831
	559,697	637,702

17. Due to customers

	2009	2008
Current accounts	2,574,080	2,612,082
Term deposits	3,015,419	3,458,922
Savings accounts	307,154	339,037
Government and municipal deposits	650,744	1,510,725
Loans received	35,712	18,757
Promissory notes	12,414	151,834
Other deposits	17,804	39,827
	6,613,327	8,131,184

18. Debt securities in issue

	2009	2008
Bonds	54,996	66,466
Mortgage bonds	1,230,314	1,040,382
	1,285,310	1,106,848

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

Name	Interest rate (%)	CCY	Number of mortgage bonds issued	Nominal value in CCY	Issue date	Maturity date	2009	2008
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. X.	5.00	EUR	1,000	33,194	31.3.2004	31.3.2009	–	34,439
Mortgage bonds VÚB, a. s. XI.	4.40	EUR	500	33,194	25.8.2004	25.8.2010	16,853	16,853
Mortgage bonds VÚB, a. s. XII.	5.10	EUR	10,000	3,319	25.5.2004	25.5.2009	–	34,210
Mortgage bonds VÚB, a. s. XIII.	4.50	EUR	1,000	33,194	29.9.2004	29.9.2010	33,576	33,576
Mortgage bonds VÚB, a. s. XV.	3M EURIBOR + 0.10	EUR	1,000	33,194	30.3.2005	30.3.2010	33,195	33,197
Mortgage bonds VÚB, a. s. XVII.	3M EURIBOR + 0.11	EUR	1,678	33,194	28.11.2005	28.11.2015	55,742	83,258
Mortgage bonds VÚB, a. s. XVIII.	3.00	EUR	39	331,939	19.12.2005	19.12.2010	12,874	12,781
Mortgage bonds VÚB, a. s. XIX.	3M EURIBOR + 0.07	EUR	40	331,939	21.12.2005	21.12.2009	–	13,290
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.	3M EURIBOR + 0.07	EUR	500	33,194	10.3.2006	10.3.2011	16,605	16,630
Mortgage bonds VÚB, a. s. XXII.	3M EURIBOR + 0.17	EUR	1,200	50,000	29.6.2006	29.6.2011	60,003	60,011
Mortgage bonds VÚB, a. s. XXIII.	3M EURIBOR + 0.15	EUR	60	1,000,000	26.10.2006	26.10.2011	60,095	60,549
Mortgage bonds VÚB, a. s. XXIV.	6M EURIBOR + 0.08	EUR	1,500	33,194	24.11.2006	24.11.2011	49,845	50,000
Mortgage bonds VÚB, a. s. XXV.	3M EURIBOR + 0.16	EUR	30	1,000,000	5.12.2006	5.12.2011	30,019	30,084
Mortgage bonds VÚB, a. s. XXVI.	4.60	EUR	600	33,194	14.12.2006	14.12.2009	–	19,960
Mortgage bonds VÚB, a. s. XXVII.	4.25	EUR	500	33,194	13.3.2007	13.3.2010	17,161	17,161

Mortgage bonds VÚB, a. s. XVIII.	6M PRIBOR + 0.50	CZK	1,000	1,000,000	20.6.2007	20.6.2012	38,293	38,278
Mortgage bonds VÚB, a. s. XXIX.	6M EURIBOR + 0.02	EUR	500	33,194	16.10.2007	16.10.2012	16,631	16,762
Mortgage bonds VÚB, a. s. XXX.	5.00	EUR	1,000	33,194	5.9.2007	5.9.2032	33,309	33,290
Mortgage bonds VÚB, a. s. XXXI.	4.90	EUR	600	33,194	29.11.2007	29.11.2037	19,610	19,595
Mortgage bonds VÚB, a. s. XXXII.	6M PRIBOR + 1.5	CZK	800	1,000,000	17.12.2007	17.12.2017	33,327	33,532
Mortgage bonds VÚB, a. s. XXXIV.	4.30	EUR	900	33,194	27.2.2008	27.2.2010	30,959	30,959
Mortgage bonds VÚB, a. s. XXXV.	4.40	EUR	630	33,194	19.3.2008	19.3.2016	21,077	20,987
Mortgage bonds VÚB, a. s. XXXVI.	4.75	EUR	560	33,194	31.3.2008	31.3.2020	18,747	18,698
Mortgage bonds VÚB, a. s. XXXVII.	3M EURIBOR + 0.43	EUR	40	1,000,000	30.4.2008	30.4.2011	40,081	40,370
Mortgage bonds VÚB, a. s. XXXVIII.	4.75	EUR	317	33,194	26.6.2008	26.6.2010	10,764	10,733
Mortgage bonds VÚB, a. s. XXXIX.	3M EURIBOR + 0.69	EUR	60	1,000,000	26.6.2008	26.6.2015	60,008	60,047
Mortgage bonds VÚB, a. s. XL.	3M EURIBOR + 0.74	EUR	70	1,000,000	28.8.2008	28.8.2015	70,096	70,307
Mortgage bonds VÚB, a. s. XLI.	5.63	USD	34	1,000,000	30.9.2008	30.9.2013	23,937	24,481
Mortgage bonds VÚB, a. s. XLII.	4.00	EUR	400	50,000	28.4.2009	28.4.2012	20,540	–
Mortgage bonds VÚB, a. s. XLIII.	5.10	EUR	500	33,194	26.9.2008	26.9.2025	15,290	15,193
Mortgage bonds VÚB, a. s. XLIV.	4.75	EUR	300	50,000	11.2.2009	11.2.2012	15,633	–
Mortgage bonds VÚB, a. s. XLV.	5.30	EUR	321	16,597	16.10.2008	16.10.2010	5,386	5,386
Mortgage bonds VÚB, a. s. XLVI.	4.61	EUR	150	1,000,000	19.5.2009	19.5.2016	154,262	–
Mortgage bonds VÚB, a. s. XLVIII.	4.00	EUR	20,000	1,000	11.5.2009	11.5.2013	20,511	–
Mortgage bonds VÚB, a. s. XLIX.	3.92	EUR	100	1,000,000	28.7.2009	28.7.2014	101,666	–
Mortgage bonds VÚB, a. s. L.	3.40	EUR	8,407	1,000	2.11.2009	2.11.2013	8,454	–
							1,230,314	1,040,382

19. Current and deferred income taxes

	2009	2008
Deferred income tax asset	39,511	7,963

	2009	2008
Current income tax assets	6,722	–

	2009	2008
Current income tax liabilities	–	22,368

Deferred income taxes are calculated on all temporary differences using a tax rate of 19 % (2008: 19 %) as follows:

	2009	2008
Loans and advances to banks and Held-to-maturity investments	99	(11,371)
Derivative financial instruments	384	195
Available-for-sale financial assets	(1,416)	127
Loans and advances to customers	39,421	17,684
Property and equipment	(2,291)	(2,187)
Other liabilities and provisions	3,314	3,515
Deferred income tax asset	39,511	7,963

20. Provisions

	2009	2008
Litigations	24,993	30,070

The movement in provisions was as follows:

	1 Jan 2009	Creation/ (Reversal)	31 Dec 2009
Litigations (note 23, note 29)	30,070	(5,077)	24,993

	1 Jan 2008	Creation/ (Reversal)	31 Dec 2008
Litigations (note 23, note 29)	32,143	(2,073)	30,070

21. Other liabilities

	2009	2008
Settlement with employees	17,943	19,163
Various creditors	14,508	22,278
Financial guarantees and commitments	9,595	11,763
VAT payables and other tax payables	3,714	4,021
Accruals and deferred income	1,321	1,422
Settlement with shareholders	1,237	1,474
Severance and jubilee benefits	1,215	499
Retention program	1,026	865
Settlement with securities	17	195
Other	9	23
	50,585	61,703

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

	Note	1 Jan 2009	Creation/ (Reversal)	31 Dec 2009
Financial guarantees and commitments	30	11,763	(2,168)	9,595
Retention program	28	865	161	1,026
Severance and jubilee benefits	28	499	716	1,215
		13,127	(1,291)	11,836

	Note	1 Jan 2008	Creation/ (Reversal)	31 Dec 2008
Financial guarantees and commitments	30	10,472	1,291	11,763
Retention program	28	387	478	865
Severance and jubilee benefits	28	584	(85)	499
		11,443	1,684	13,127

22. Share capital

In connection with the introduction of the Euro as the official currency of the Slovak Republic on 1 January 2009, the Bank has in 2009 converted its shares as follows.

Number of shares	Shares in SKK	Shares in EUR	Diff. from transition to Euro in €
4,078,108	1,000	33.20	(24,799.49)
89	100,000,000	3,319,391.89	(0.23)
			(24,799.72)

The difference arising from the conversion was booked against the Legal reserve fund (see also statement of changes in equity).

	2009	2008
Authorized, issued and fully paid:		
89 ordinary shares of € 3,319,391.89 (Sk 100,000,000) each, not traded	295,426	295,426
4,078,108 ordinary shares of € 33.2 (Sk 1,000) each, publicly traded	135,393	135,368
	430,819	430,794
Net profit for the year attributable to shareholders	146,240	144,811
Divided by 12,976,478 (2008: 12,978,108) ordinary shares of € 33.2 (2008: Sk 1,000) each		
Basic and diluted earnings per € 33.2 (Sk 1,000) share in Euro	11.27	11.16

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

The structure of shareholders is as follows:

	2009	2008
Intesa Holding International S.A.	96.76 %	96.49 %
Domestic shareholders	2.95 %	2.95 %
Foreign shareholders	0.29 %	0.56 %
	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 thereto in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust 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 of previous years, however, it is under the constant scrutiny of the Board.

The Bank's regulatory capital position at 31 December 2009 and 2008 was as follows:

	2009	2008
Tier 1 capital		
Share capital	430,819	430,794
Share premium	13,368	13,368
Translation of foreign operation	(1,649)	(1,741)
Retained earnings without net profit for the period	283,121	138,126
Legal reserve fund	87,493	87,518
Less software (including software in Assets in progress)	(24,540)	(23,680)
	788,612	644,385
Tier 2 capital	–	–
Regulatory adjustment		
Subsidiaries, associates and jointly controlled entities	(101,556)	(109,731)
Total regulatory capital	687,056	534,654

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).

	2009 Actual	2009 Required	2008 Actual	2008 Required
Tier 1 capital	788,612	593,699	644,385	580,200
Tier 2 capital	–	–	–	–
Regulatory adjustment	(101,556)	(101,556)	(109,731)	(109,731)
Total regulatory capital	687,056	492,143	534,654	470,469
Total Risk Weighted Assets	6,154,692	6,154,692	5,878,395	5,878,395
Tier 1 capital ratio	12.81 %	9.65 %	10.96 %	9.87 %
Total capital ratio	11.16 %	8.00 %	9.10 %	8.00 %

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 NBS regulations. The capital adequacy ratio is the ratio between the Bank's capital and 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 NBS requirement for the capital adequacy ratio as at 31 December 2009 and 2008.

23. Financial commitments and contingencies

	2009	2008
Issued guarantees	487,600	414,819
Commitments and undrawn credit facilities	1,866,242	1,905,939
	2,353,842	2,320,758

(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, 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 2009 and 2008 was as follows:

	2009	2008
Up to 1 year	1,739	1,761
1 to 5 years	1,693	3,252
Over 5 years	–	–
	3,432	5,013

(d) Legal

In the ordinary 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 2009. Pursuant to this review, Management has recorded as at 31 December 2009 total provisions of € 24,993 thousand (31 December 2008: € 30,070 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 € 15,371 thousand, as at 31 December 2009 (31 December 2008: € 15,523 thousand). This amount represents existing legal proceedings against the Bank that according to the opinion of the Bank's Legal Department will most probably not result in any payments due by the Bank.

24. Net interest income

	2009	2008
Interest and similar income		
Loans and advances to banks	12,143	45,896
Loans and advances to customers	316,970	339,051
Bonds, treasury bills and other securities:		
Financial assets held for trading	8,928	18,015
Available-for-sale financial assets	27,927	3,719
Held-to-maturity investments	79,476	104,148
	445,444	510,829
Interest expense and similar charges		
Due to banks	(2,747)	(8,998)
Due to customers	(90,996)	(158,948)
Debt securities in issue	(42,294)	(53,758)
	(136,037)	(221,704)
	309,407	289,125

Interest income on individually impaired loans and advances to customers for 2009 amounted to € 12,484 thousand (2008: € 3,411 thousand). The increase was caused mainly by the significant increase in the number and volume of individually assessed loans and advances to customers.

25. Net fee and commission income

	2009	2008
Fee and commission income		
Received from banks	5,567	6,851
Received from customers:		
Current accounts	43,173	43,665
Term deposits	730	693
Insurance mediation	7,423	7,375
Loans and guarantees	35,648	31,655
Overdrafts	3,188	3,523
Securities	3,145	8,107
Transactions and payments	19,688	21,605
Other	1,821	1,998
	120,383	125,472
Fee and commission expense		
Paid to banks	(11,553)	(9,278)
Paid to mediators:		
Credit cards	(34,575)	(31,372)
Securities	(567)	(718)
Services	(2,191)	(3,978)
Other	(1,249)	(1,137)
	(50,135)	(46,483)
	70,248	78,989

26. Net trading income

	2009	2008
Foreign currency derivatives and transactions	(4,128)	17,353
Customer FX margins	6,064	25,790
Cross currency swaps	1,037	(465)
Interest rate derivatives *	(1,712)	(559)
Securities:		
Financial assets held for trading	2,244	(876)
Available-for-sale financial assets *	7,458	16
Held-to-maturity investments	–	137
Equity derivatives	7	183
Proceeds from sale of investments	139	–
	11,109	41,579

* 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. Derivative financial instruments).

The Day 1 profit of all deals that were realized during 2009 and 2008 is disclosed within the Net trading income, therefore there is no amount still to be recognized in income at 31 December 2009.

27. Other operating income

	2009	2008
Rent	1,998	1,800
Net profit from sale of fixed assets	710	1,587
Profit from redemption of Debt securities in issue	3,906	–
Other	1,395	2,104
	8,009	5,491

28. Salaries and employee benefits

	Note	2009	2008
Remuneration		(63,924)	(63,776)
Social security costs		(21,706)	(21,840)
Social fund		(799)	(788)
Retention program	21	(161)	(478)
Severance	21	(716)	85
		(87,306)	(86,797)

The total number of employees of the Bank at 31 December 2009 was 3,469 (31 December 2008: 3,586).

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 recognized 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	2009	2008
Property related expenses		(13,290)	(12,378)
IT systems maintenance		(10,134)	(13,231)
Post and telecom		(9,674)	(9,831)
Contribution to the Deposit Protection Fund		(8,530)	(6,555)
Equipment related expenses		(7,297)	(7,064)
VAT and other taxes		(5,998)	(6,725)
Security		(4,670)	(4,886)
Advertising and marketing		(4,853)	(10,447)
Stationery		(3,333)	(3,455)
Professional services		(4,454)	(4,506)
Travelling		(863)	(1,050)
Other damages		(1,403)	(1,011)
Trainings		(718)	(1,166)
Audit*		(478)	(398)
Transport		(459)	(624)
Insurance		(411)	(510)
Litigations paid		(199)	(239)
Provisions for litigations	20	5,077	2,073
Other operating expenses		(1,789)	(908)
		(73,476)	(82,911)

* As at 31 December 2009, audit expense consists of the statutory audit in the amount of € 185 thousand (31 December 2008: € 166 thousand), group reporting in the amount of € 185 thousand (31 December 2008: € 166 thousand), and other reporting in the amount of € 108 thousand (31 December 2008: € 66 thousand).

30. Impairment losses on financial assets

	Note	2009	2008
Net creation of impairment losses	10	(65,045)	(42,769)
Net reversal/ (creation) of liabilities – financial guarantees and commitments	21	2,168	(1,291)
		(62,877)	(44,060)
Nominal value of loans written-off		(5,306)	(1,519)
Nominal value of loans sold		(3,785)	(8,492)
Proceeds from loans written-off		2,187	7,477
Proceeds from loans sold		2,185	9,902
		(4,719)	7,368
		(67,596)	(36,692)

31. Income tax expense

	2009	2008
Current income tax	(48,849)	(52,251)
Deferred income tax	32,902	19,370
	(15,947)	(32,881)

The movement in profit or loss in deferred taxes is as follows:

	2009	2008
Loans and advances to banks	(125)	153
Loans and advances to customers	21,737	17,665
Held-to-maturity investments	11,595	(32)
Property and equipment	(104)	(175)
Other liabilities and provisions	(201)	1,759
	32,902	19,370

The effective tax rate differs from the statutory tax rate in 2009 and in 2008.

	2009	2008
Profit before tax	162,187	177,692
Applicable tax rate	19 %	19 %
Theoretical tax charge	(30,816)	(33,761)
Tax non-deductible items	5,365	451
Adjustments for current tax of prior periods	(2,114)	429
Derecognition of deferred tax liability	11,618	–
Tax expense	(15,947)	(32,881)
Effective tax rate	9.83 %	18.50 %

32. Components of other comprehensive income

	2009	2008
Exchange differences on translating foreign operations	92	(1,606)
Available-for-sale financial assets:		
Losses/(gains) arising during the year	16,061	354
Less: Reclassification adjustments for gains included in profit or loss	(7,939)	(16)
	8,122	338
Cash flow hedges:		
Gains/(losses) arising during the year	(1,000)	(955)
Total other comprehensive income	7,214	(2,223)
Income tax relating to components of other comprehensive income	(1,353)	120
Other comprehensive income for the year	5,861	(2,103)

33. Income tax effects relating to comprehensive income

	Before tax amount	Tax (expense)/ benefit	2009 Net of tax amount	Before tax amount	Tax (expense)/ benefit	2008 Net of tax amount
Exchange differences on translating foreign operations	92	–	92	(1,606)	–	(1,606)
Available-for-sale financial assets	8,122	(1,543)	6,579	338	(62)	276
Net movement on cash flow hedges	(1,000)	190	(810)	(955)	182	(773)
	7,214	(1,353)	5,861	(2,223)	120	(2,103)

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 realized 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) Loans and advances to banks
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 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 was calculated by discounting future cash flows using the risk free interest rate curve adjusted to reflect credit risk.

(e) Subsidiaries, associates and jointly controlled entities
The estimated fair value of investment in subsidiaries, associates, and jointly controlled entities approximates their carrying amounts. Impairment is taken into consideration when calculating fair values.

(f) 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) is estimated by discounting their future cash flows using the risk free interest rate curve. The fair value of deposits with maturity over one year is discounted using the appropriate current interest rates offered by the Bank to these clients.

(g) 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 recorded fair value are observable, either directly or indirectly; and
– Level 3: techniques using inputs which have a significant effect on recorded fair value that are not based on observable market data.

31 December 2009	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	–	–	238,446	–	–	238,446	238,446
Loans and advances to banks	5	–	–	168,646	–	–	168,646	168,646
Financial assets held for trading	6	163,082	–	–	–	–	163,082	163,082
Derivative financial instruments	7	42,783	–	–	–	–	42,783	42,783
Available-for-sale financial assets	8	–	–	–	995,561	–	995,561	995,561
Loans and advances to customers	9	–	–	5,549,836	–	–	5,549,836	6,003,450
Held-to-maturity investments	11	–	2,046,247	–	–	–	2,046,247	2,067,187
Subsidiaries, associates and jointly controlled entities	12	–	–	–	–	101,559	101,559	101,559
		205,865	2,046,247	5,956,928	995,561	101,559	9,306,160	9,780,714
Due to central and other banks	16	–	–	–	–	(559,697)	(559,697)	(559,697)
Derivative financial instruments	7	(52,471)	–	–	–	–	(52,471)	(52,471)
Due to customers	17	–	–	–	–	(6,613,327)	(6,613,327)	(6,310,623)
Debt securities in issue	18	–	–	–	–	(1,285,310)	(1,285,310)	(1,285,233)
		(52,471)	–	–	–	(8,458,334)	(8,510,805)	(8,208,024)

31 December 2008	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	–	–	504,999	–	–	504,999	504,999
Loans and advances to banks	5	–	–	1,436,664	–	–	1,436,664	1,436,664
Financial assets held for trading	6	791,204	–	–	–	–	791,204	791,204
Derivative financial instruments	7	60,961	–	–	–	–	60,961	60,961
Available-for-sale financial assets	8	–	–	–	265,048	–	265,048	265,048
Loans and advances to customers	9	–	–	5,262,286	–	–	5,262,286	5,441,253
Held-to-maturity investments	11	–	2,199,632	–	–	–	2,199,632	2,190,640
Subsidiaries, associates and jointly controlled entities	12	–	–	–	–	109,734	109,734	109,734
		852,165	2,199,632	7,203,949	265,048	109,734	10,630,528	10,800,503
Due to central and other banks	16	–	–	–	–	(637,702)	(637,702)	(637,702)
Derivative financial instruments	7	(52,471)	–	–	–	–	(52,471)	(52,471)
Due to customers	17	–	–	–	–	(8,131,184)	(8,131,184)	(8,048,027)
Debt securities in issue	18	–	–	–	–	(1,106,848)	(1,106,848)	(1,078,919)
		(52,471)	–	–	–	(9,875,734)	(9,928,205)	(9,817,119)

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

	Note	Level 1	Level 2	Level 3	2009 Total	Level 1	Level 2	Level 3	2008 Total
Financial assets									
Financial assets held for trading	6								
Treasury bills and other eligible bills		–	93,302	–	93,302	–	727,885	–	727,885
State bonds		10,572	59,208	–	69,780	–	58,971	–	58,971
Corporate bonds		–	–	–	–	–	4,348	–	4,348
		10,572	152,510	–	163,082	–	791,204	–	791,204
Derivative financial instruments	7								
Interest rate instruments		–	27,258	–	27,258	–	23,282	–	23,282
Foreign currency instruments		–	12,022	–	12,022	–	37,375	–	37,375
Equity and commodity instruments		–	3,503	–	3,503	–	304	–	304
		–	42,783	–	42,783	–	60,961	–	60,961
Available-for-sale financial assets	8								
State bonds		90,735	841,914	–	932,649	–	41,038	–	41,038
Treasury bills and other eligible bills		–	–	–	–	–	128,861	–	128,861
Bank bonds		–	62,281	–	62,281	–	94,165	–	94,165
Equity shares at cost		–	631	–	631	–	984	–	984
		90,735	904,826	–	995,561	–	265,048	–	265,048
Financial liabilities									
Derivative financial instruments	7								
Interest rate instruments		–	38,285	–	38,285	–	24,538	–	24,538
Foreign currency instruments		–	10,683	–	10,683	–	27,629	–	27,629
Equity and commodity instruments		–	3,503	–	3,503	–	304	–	304
		–	52,471	–	52,471	–	52,471	–	52,471

There were no transfers of financial instruments among the levels during the year 2009 and 2008.

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 the:

- 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, and the competencies and responsibilities of the members. The competency of each governance body is established in the Risk Management Credit Principles and Policies Charter.

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

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, such risk 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.

The basic document for credit risk management is the Risk Management Credit Principles and Policies Charter which contains: Principles for managing credit risk, Authorized approval authority, Collateral policy, Impairment losses Policy, Rules for new product proposals, Credit Concentration Limits, Governance of rating and scoring systems, Write-off Policy and Credit Policies for each segment (Retail Banking, Corporate Banking and Central Treasury).

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 organizationally structured to provide support to the Business Units, as well as to provide reporting of credit, market and operational risks to the Supervisory Board, Management Board and the CCC. The Risk Management Division is responsible for overseeing the Bank's credit risk including:

- The development of credit risk strategy, 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. Authorization limits are set in the Risk Management Credit Principles and Policies 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 the Management Board and CRC on the credit quality of the 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 applied).

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 client to the Recovery Department for the pursuance of 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 (the Markov chains methodology is applied).

Rules for identifying significant clients and methodology for calculation are set in the Risk Management Credit Principles and Policies Charter.

Clients are divided into three classification categories according to the level of impairment for each client. Performing loans are those for which there is an impairment of up to 19 % of the outstanding amount. Loans with impairment coverage higher than 19 % and below 49 % are classified as Substandard. Loans with coverage ratio higher than 49 % are classified as Bad and Doubtful.

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

	Category	2009 Amortized cost	2009 Impairment losses	2009 Carrying amount	2008 Amortized cost	2008 Impairment losses	2008 Carrying amount
Banks							
	Performing	168,646	–	168,646	1,437,319	(655)	1,436,664
	Bad and Doubtful	151	(151)	–	151	(151)	–
		168,797	(151)	168,646	1,437,470	(806)	1,436,664
Sovereigns							
	Performing	31,955	–	31,955	17,794	–	17,794
		31,955	–	31,955	17,794	–	17,794
Corporate							
	Performing	2,399,925	(35,310)	2,364,615	2,491,433	(36,693)	2,454,740
	Substandard	75,598	(19,657)	55,941	7,414	(2,522)	4,892
	Bad and Doubtful	32,058	(25,372)	6,686	24,271	(20,245)	4,026
		2,507,581	(80,339)	2,427,242	2,523,118	(59,460)	2,463,658
Retail							
	Performing	3,090,549	(58,435)	3,032,114	2,822,970	(64,413)	2,758,557
	Substandard	63,326	(16,956)	46,370	20,972	(5,571)	15,401
	Bad and Doubtful	64,392	(52,237)	12,155	30,312	(23,436)	6,876
		3,218,267	(127,628)	3,090,639	2,874,254	(93,420)	2,780,834
Securities							
	Performing	3,203,386	–	3,203,386	3,254,499	–	3,254,499
	Substandard	1,881	(377)	1,504	1,881	(496)	1,385
		3,205,267	(377)	3,204,890	3,256,380	(496)	3,255,884

The table below shows the maximum amount of credit risk regardless of received collateral. The credit risk of financial assets not discussed above approximates their carrying amounts.

	2009	2008
Cash and balances with central banks	238,446	504,999
Loans and advances to banks	168,646	1,436,664
Financial assets held for trading	163,082	791,204
Derivative financial instruments	59,667	83,373
Available-for-sale financial assets	995,561	265,048
Non-current assets held for sale	–	1,705
Loans and advances to customers	5,549,836	5,262,286
Held-to-maturity investments	2,046,247	2,199,632
Subsidiaries, associates and jointly controlled entities	101,559	109,734
Intangible assets	28,207	27,402
Property and equipment	157,992	174,444
Current income tax assets	6,722	–
Deferred income tax assets	39,511	7,963
Other assets	11,581	11,809
	9,567,057	10,876,263

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.

	2009 Amortized cost	2009 Impairment losses	2009 Carrying amount	2008 Amortized cost	2008 Impairment losses	2008 Carrying amount
Banks						
No delinquency	168,646	–	168,646	1,427,478	(336)	1,427,142
91 – 180 days	151	(151)	–	4,950	(234)	4,716
Over 181 days	–	–	–	5,042	(236)	4,806
	168,797	(151)	168,646	1,437,470	(806)	1,436,664
Sovereigns						
No delinquency	31,832	–	31,832	17,780	–	17,780
1 – 30 days	60	–	60	14	–	14
31 – 60 days	18	–	18	–	–	–
61 – 90 days	–	–	–	–	–	–
91 – 180 days	18	–	18	–	–	–
Over 181 days *	27	–	27	–	–	–
	31,955	–	31,955	17,794	–	17,794
Corporate						
No delinquency	2,399,162	(46,005)	2,353,157	2,439,474	(38,983)	2,400,491
1 – 30 days	33,351	(2,921)	30,430	56,321	(2,574)	53,747
31 – 60 days	4,080	(1,145)	2,935	5,056	(614)	4,442
61 – 90 days	1,484	(583)	901	2,698	(1,030)	1,668
91 – 180 days	37,205	(9,794)	27,411	1,449	(951)	498
Over 181 days *	32,299	(19,891)	12,408	18,120	(15,308)	2,812
	2,507,581	(80,339)	2,427,242	2,523,118	(59,460)	2,463,658
Retail						
No delinquency	2,893,920	(49,967)	2,843,953	2,666,655	(55,865)	2,610,790
1 – 30 days	156,078	(8,302)	147,776	121,710	(6,929)	114,781
31 – 60 days	31,733	(3,457)	28,276	25,640	(3,435)	22,205
61 – 90 days	17,882	(2,930)	14,952	11,230	(2,547)	8,683
91 – 180 days	29,526	(12,513)	17,013	17,353	(7,158)	10,195
Over 181 days *	89,128	(50,459)	38,669	31,666	(17,486)	14,180
	3,218,267	(127,628)	3,090,639	2,874,254	(93,420)	2,780,834
Securities						
No delinquency	3,205,267	(377)	3,204,890	3,256,380	(496)	3,255,884
	3,205,267	(377)	3,204,890	3,256,380	(496)	3,255,884

* 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 a standard, the Bank considers credit balances to be uncollectible based on past due days. Since the beginning of 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.

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

		2009		2008
	Clients	Banks	Clients	Banks
Debt securities	34,209	56,264	69	739,915
Other	447,640	65,238	457,836	44,519
Property	5,336,100	–	4,480,163	–
	5,817,949	121,502	4,938,068	784,434

The debt securities collateral received from banks represents the fair value of the collateral received in reverse REPO trades with banks. The Bank is permitted to sell or repledge this collateral in the absence of default by the owner of the collateral. None of the collateral was sold or repledged as at 31 December 2009 and 2008.

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

			2009			2008
	Amortized cost	Impairment losses	Carrying amount	Amortized cost	Impairment losses	Carrying amount
Europe						
Banks	137,071	(151)	136,920	1,406,214	(209)	1,406,005
Sovereigns	31,955	–	31,955	17,794	–	17,794
Corporate	2,507,581	(80,339)	2,427,242	2,522,412	(59,448)	2,462,964
Retail	3,215,668	(127,599)	3,088,069	2,872,904	(93,397)	2,779,507
Securities	3,200,009	–	3,200,009	3,251,575	–	3,251,575
	9,092,284	(208,089)	8,884,195	10,070,899	(153,054)	9,917,845
North America						
Banks	30,956	–	30,956	31,135	(597)	30,538
Retail	977	(19)	958	737	(17)	720
Securities	5,258	(377)	4,881	4,805	(496)	4,309
	37,191	(396)	36,795	36,677	(1,110)	35,567
Asia						
Banks	645	–	645	121	–	121
Corporate	–	–	–	706	(12)	694
Retail	695	(9)	686	–	–	–
	1,340	(9)	1,331	827	(12)	815
Rest of the world						
Banks	125	–	125	–	–	–
Retail	927	(1)	926	613	(6)	607
	1,052	(1)	1,051	613	(6)	607

Under Europe, substantially all loans are made to Slovak entities or residents. Generally, the Bank does not engage in cross-border lending.

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

31 December 2009	Banks	Sovereigns	Corporate	Retail	Securities
Agriculture	–	–	62,049	5,184	–
Construction	–	–	155,689	14,335	–
Consumers	–	–	–	2,953,303	–
Energy and water supply	–	–	140,288	1,069	–
Financial services	168,646	–	271,547	498	176,379
Government	–	31,955	–	–	3,016,987
Manufacturing	–	–	431,113	22,478	–
Professional services	–	–	65,106	7,622	–
Real estate	–	–	381,226	2,745	–
Retail & Wholesale	–	–	605,089	52,682	9,446
Services	–	–	51,410	11,381	574
Transportation	–	–	223,112	8,915	–
Other	–	–	40,613	10,427	1,504
	168,646	31,955	2,427,242	3,090,639	3,204,890

31 December 2008	Banks	Sovereigns	Corporate	Retail	Securities
Agriculture	–	–	81,942	5,102	–
Construction	–	–	151,023	12,968	–
Consumers	–	–	–	2,641,108	–
Energy and water supply	–	–	85,947	656	–
Financial services	1,436,664	–	302,998	551	1,035,765
Government	–	17,794	9	–	2,208,772
Manufacturing	–	–	496,023	27,368	–
Professional services	–	–	45,242	6,092	–
Real estate	–	–	358,995	3,506	–
Retail & Wholesale	–	–	588,445	50,759	9,962
Services	–	–	56,882	11,623	–
Transportation	–	–	227,823	10,741	–
Other	–	–	68,329	10,360	1,385
	1,436,664	17,794	2,463,658	2,780,834	3,255,884

The carrying amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated in 2009 is € 1,767 thousand for the corporate segment (2008: nil), and € 17,773 thousand for the retail segment (2008: nil). The renegotiated terms of these contracts do not have a negative impact on the profitability of the Bank compared to the original terms.

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. Loans are considered impaired if impairment losses are equal or exceed 19 % of the outstanding gross amount.

31 December 2009	Neither past due nor impaired Outstand-ing	Provi-sions	Net	Impaired Outstand-ing	Provi-sions	Net	Past due but not impaired Outstand-ing	Provi-sions	Net
Banks	168,646	–	168,646	151	(151)	–	–	–	–
Sovereigns									
State organizations	11,049	–	11,049	–	–	–	–	–	–
Municipalities	20,782	–	20,782	–	–	–	124	–	124
	31,831	–	31,831	–	–	–	124	–	124
Corporate									
Large Corporates	1,518,462	(15,539)	1,502,923	34,570	(16,357)	18,213	12,545	(337)	12,208
SME	788,782	(16,808)	771,974	73,056	(28,660)	44,396	23,952	(1,420)	22,532
Other Financial Organisations	14,756	–	14,756	–	–	–	–	–	–
Private Sector Entities	16,263	(195)	16,068	–	–	–	7	–	7
Factoring	23,308	(1,005)	22,303	30	(12)	18	1,850	(6)	1,844
	2,361,571	(33,547)	2,328,024	107,656	(45,029)	62,627	38,354	(1,763)	36,591
Retail									
Small business	134,380	(5,334)	129,046	14,015	(8,670)	5,345	3,288	(414)	2,874
Consumer Loans	493,699	(15,447)	478,252	55,998	(36,497)	19,501	50,806	(4,101)	46,705
Mortgages	1,970,479	(4,224)	1,966,255	39,107	(10,024)	29,083	104,995	(2,751)	102,244
Credit Cards	232,194	(24,070)	208,124	8,621	(6,133)	2,488	6,925	(343)	6,582
Overdrafts	61,315	(553)	60,762	9,977	(7,869)	2,108	31,706	(1,198)	30,508
Other	759	–	759	–	–	–	3	–	3
	2,892,826	(49,628)	2,843,198	127,718	(69,193)	58,525	197,723	(8,807)	188,916
Securities									
Trading	163,713	–	163,713	–	–	–	–	–	–
AFS	994,930	–	994,930	–	–	–	–	–	–
HTM	2,044,743	–	2,044,743	1,881	(377)	1,504	–	–	–
	3,203,386	–	3,203,386	1,881	(377)	1,504	–	–	–

	Neither past due nor impaired			Impaired			Past due but not impaired		
31 December 2008	Outstand-ing	Provi-sions	Net	Outstand-ing	Provi-sions	Net	Outstand-ing	Provi-sions	Net
Banks	1,427,327	(185)	1,427,142	151	(151)	–	9,992	(470)	9,522
Sovereigns									
State organizations	2,835	–	2,835				–	–	–
Municipalities	14,945	–	14,945	–	–	–	14	–	14
	17,780	–	17,780	–	–	–	14	–	14
Corporate									
Large Corporates	1,557,617	(22,888)	1,534,729	16,565	(13,191)	3,374	30,364	(546)	29,818
SME	818,083	(11,824)	806,259	15,053	(9,543)	5,510	24,660	(915)	23,745
Other Financial Organisations	15,891	–	15,891	–	–	–	–	–	–
Private Sector Entities	16,515	(17)	16,498	–	–	–	10	–	10
Factoring	24,345	(432)	23,913	67	(33)	34	3,948	(71)	3,877
	2,432,451	(35,161)	2,397,290	31,685	(22,767)	8,918	58,982	(1,532)	57,450
Retail									
Small business	135,169	(4,724)	130,445	3,810	(3,024)	786	3,944	(456)	3,488
Consumer Loans	471,997	(20,716)	451,281	31,959	(17,938)	14,021	32,685	(2,441)	30,244
Mortgages	1,815,579	(16,611)	1,798,968	4,492	(1,426)	3,066	87,321	(4,273)	83,048
Credit Cards	189,188	(12,862)	176,326	5,136	(2,855)	2,281	4,415	(420)	3,995
Overdrafts	51,792	(907)	50,885	5,886	(3,764)	2,122	23,751	(912)	22,839
Other	2,802	(8)	2,794	1	–	1	4,327	(83)	4,244
	2,666,527	(55,828)	2,610,699	51,284	(29,007)	22,277	156,443	(8,585)	147,858
Securities									
Trading	791,204	–	791,204	–	–	–	–	–	–
AFS	265,048	–	265,048	–	–	–	–	–	–
HTM	2,198,247	–	2,198,247	1,881	(496)	1,385	–	–	–
	3,254,499	–	3,254,499	1,881	(496)	1,385	–	–	–

(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 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 exposure 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 percent confidence level and assumes a 1-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 the review and approval of ALCO and Intesa Sanpaolo. VaR is measured on a daily basis. Daily reports of utilization 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 at 31 December 2009 and during the period is as follows:

				2009				2008
€ ´000	Balance	Avg	Max	Min	Balance	Avg	Max	Min
Foreign currency risk	38	93	236	11	92	80	251	22
Interest rate risk	96	169	384	72	412	298	435	152
Overall	132	207	469	80	384	312	440	141

The limitations of VaR methodology are recognized by supplementing VaR limits with other positions' 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 maturity, i.e. fixed rate instruments, or by next re-pricing date, i.e. floating rate instruments. Assets and liabilities that do not have 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, over a period of 12 months. 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 interest margin.

VaR methodology is applied to calculate the allocation of economic capital for interest rate risk in the banking book.

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 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 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 real behaviour of these items. The assumptions are based on a deep 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 amortized 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 mapped to the IR gap as a linearly amortized 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 amortized over 10 years.

Interest margin sensitivity in a one year time frame – in the event of a 100 basis points rise in interest rates – was € –282 thousand at 31 December 2009, compared to € –4,117 thousand at 31 December 2008.

In 2009, interest rate risk generated by the banking book, measured through shift sensitivity analysis to 1 basis point, registered € 28 thousand at 31 December 2009, compared to € – 130 thousand at 31 December 2008.

	2009	2008
SKK	–	(121)
EUR	21	(9)
CZK	7	2
USD	–	(2)
Other	–	–
	28	(130)

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

31 December 2009	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	165,994	–	7,809	31,236	39,045	244,084
Loans and advances to banks	104,753	40,928	7,600	16,827	1,263	171,371
Derivative financial instruments	–	–	–	–	–	–
Available-for-sale financial assets	315,886	58,228	23,566	406,556	277,122	1,081,358
Loans and advances to customers	1,523,567	1,211,741	1,768,787	1,503,643	557,900	6,565,638
Held-to-maturity investments	171,915	172,154	583,602	834,291	651,340	2,413,302
Subsidiaries, associates and jointly controlled entities	–	–	10,156	40,624	50,779	101,559
	2,282,115	1,483,051	2,401,520	2,833,177	1,577,449	10,577,312
Liabilities						
Due to central and other banks	(367,383)	(59,229)	(187,759)	(5,612)	(726)	(620,709)
Derivative financial instruments	–	–	–	–	–	–
Due to customers	(3,127,783)	(395,739)	(985,426)	(1,362,420)	(821,010)	(6,692,378)
Debt securities in issue	(102,075)	(423,606)	(254,588)	(351,618)	(364,906)	(1,496,793)
	(3,597,241)	(878,574)	(1,427,773)	(1,719,650)	(1,186,642)	(8,809,880)
Net position of financial instruments	(1,315,126)	604,477	973,747	1,113,527	390,807	1,767,432

31 December 2008	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	556,074	–	–	8,917	8,917	573,908
Loans and advances to banks	16,162	87,371	7,096	26,473	–	137,102
Derivative financial instruments	–	–	97,527	–	–	97,527
Available-for-sale financial assets	13,292	285	179,142	88,447	–	281,166
Loans and advances to customers	1,056,537	1,691,014	1,631,390	1,039,598	214,749	5,633,288
Held-to-maturity investments	54,822	57,723	983,570	624,788	814,634	2,535,537
Subsidiaries, associates and jointly controlled entities	–	–	10,973	43,894	54,867	109,734
	1,696,887	1,836,393	2,909,698	1,832,117	1,093,167	9,368,262
Liabilities						
Due to central and other banks	(86,614)	(204,709)	(7,179)	–	–	(298,502)
Derivative financial instruments	–	–	(66,516)	(28,611)	–	(95,127)
Due to customers	(4,022,974)	(664,848)	(1,378,468)	(821,073)	(718,599)	(7,605,962)
Debt securities in issue	(100,113)	(474,967)	(203,761)	(257,403)	(208,706)	(1,244,950)
	(4,209,701)	(1,344,524)	(1,655,924)	(1,107,087)	(927,305)	(9,244,541)
Net position of financial instruments	(2,512,814)	491,869	1,253,774	725,030	165,862	123,721

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

	2009 %	2008 %
Assets		
Cash and balances with central banks	1.39	1.44
Loans and advances to banks	2.91	3.79
Financial assets held for trading	5.07	4.18
Available-for-sale financial assets	2.83	3.92
Loans and advances to customers	5.64	7.00
Held-to-maturity investments	3.92	4.28
Liabilities		
Due to central and other banks	0.64	2.45
Due to customers	1.65	2.32
Debt securities in issue	3.46	4.56

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 2009	EUR	USD	CZK	Other	Total
Assets					
Cash and balances with central banks	229,822	1,197	4,076	3,351	238,446
Loans and advances to banks	83,015	18,090	15,641	51,900	168,646
Financial assets held for trading	64,787	–	–	98,295	163,082
Derivative financial instruments	42,783	–	–	–	42,783
Available-for-sale financial assets	995,561	–	–	–	995,561
Loans and advances to customers	5,353,756	89,566	91,049	15,465	5,549,836
Held-to-maturity investments	2,046,247	–	–	–	2,046,247
Subsidiaries, associates and jointly controlled entities	101,559	–	–	–	101,559
	8,917,530	108,853	110,766	169,011	9,306,160
Liabilities					
Due to central and other banks	(454,148)	(55,049)	(28,160)	(22,340)	(559,697)
Derivative financial instruments	(52,471)	–	–	–	(52,471)
Due to customers	(6,407,871)	(115,324)	(54,195)	(35,937)	(6,613,327)
Debt securities in issue	(1,189,753)	(23,937)	(71,620)	–	(1,285,310)
	(8,104,243)	(194,310)	(153,975)	(58,277)	(8,510,805)
Net position	813,287	(85,457)	(43,209)	110,734	795,355

31 December 2008	EUR	USD	CZK	Other	Total
Assets					
Cash and balances with central banks	493,311	1,627	6,176	3,885	504,999
Loans and advances to banks	1,397,189	19,184	88	20,203	1,436,664
Financial assets held for trading	791,204	–	–	–	791,204
Derivative financial instruments	60,960	–	1	–	60,961
Available-for-sale financial assets	264,695	353	–	–	265,048
Loans and advances to customers	5,061,998	100,400	92,004	7,884	5,262,286
Held-to-maturity investments	2,199,632	–	–	–	2,199,632
Subsidiaries, associates and jointly controlled entities	109,734	–	–	–	109,734
	10,378,723	121,564	98,269	31,972	10,630,528
Liabilities					
Due to central and other banks	(621,834)	(44)	(9,470)	(6,354)	(637,702)
Derivative financial instruments	(52,471)	–	–	–	(52,471)
Due to customers	(7,900,313)	(138,049)	(60,605)	(32,217)	(8,131,184)
Debt securities in issue	(1,010,557)	(24,481)	(71,810)	–	(1,106,848)
	(9,585,175)	(162,574)	(141,885)	(38,571)	(9,928,205)
Net position	793,548	(41,010)	(43,616)	(6,599)	702,323

(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 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 prudent 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 estimation of the cash inflow and outflow projections for all the balance sheet and off-balance sheet items, especially those without a contractual maturity (or with a maturity date that is not significant);
- an assessment of the impact of various scenarios, including stress testing scenarios, on 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 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 the 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 utmost prudence in the management thereof.

The structural Liquidity Policy of the Bank incorporates a set of measures and limits designed to control and manage risks deriving from the mismatch of the medium to long-term maturities of 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 medium to long-term operations from giving rise to excessive imbalances to be financed in the short term.

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 the 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, by setting itself the objectives of safeguarding the Bank's capital and, at the same time, guaranteeing the continuity of operations under conditions of extreme liquidity emergency, ensures the identification of 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 indexes, aimed at identifying signs of a potential liquidity strain, both systemic and specific, are recorded on an on-going basis and reported to the departments responsible for the management and monitoring of liquidity.

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

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

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

31 December 2009	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	244,085	–	–	–	–	–	244,085
Loans and advances to banks	94,844	29,142	16,111	62,710	47,647	82	250,536
Financial assets held for trading	42	30,059	63,803	73,733	893	–	168,530
Available-for-sale financial assets	4,413	48,653	21,774	451,222	581,159	–	1,107,221
Loans and advances to customers	274,549	601,782	1,019,458	2,391,158	3,519,998	39,877	7,846,822
Held-to-maturity investments	4,706	207,229	105,434	1,414,571	651,340	–	2,383,280
Subsidiaries, associates and jointly controlled entities	–	–	–	–	–	101,559	101,559
	622,639	916,865	1,226,580	4,393,394	4,801,037	141,518	12,102,033
Liabilities							
Due to central and other banks	(313,066)	(863)	(156,564)	(12,804)	(89,974)	–	(573,271)
Due to customers	(4,412,972)	(587,111)	(804,860)	(797,312)	(3)	(17,933)	(6,620,191)
Debt securities in issue	(162)	(85,530)	(111,605)	(748,719)	(591,717)	–	(1,537,733)
	(4,726,200)	(673,504)	(1,073,029)	(1,558,835)	(681,694)	(17,933)	(8,731,195)
Net position of financial instruments	(4,103,561)	243,361	153,551	2,834,559	4,119,343	123,585	3,370,838
Cash inflows from derivatives	194,961	47,826	55,569	212,366	55,775	–	566,497
Cash outflows from derivatives	(197,393)	(46,540)	(59,994)	(210,492)	(57,976)	–	(572,395)
Net position from derivatives	(2,432)	1,286	(4,425)	1,874	(2,201)	–	(5,898)
Total net position	(4,105,993)	244,647	149,126	2,836,433	4,117,142	123,585	3,364,940

31 December 2008	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	571,733	–	–	–	–	–	571,733
Loans and advances to banks	1,349,479	611	5,900	67,909	32,049	237	1,456,185
Financial assets held for trading	664,030	1,289	67,296	46,645	27,126	–	806,386
Available-for-sale financial assets	–	285	169,705	105,625	5,283	–	280,898
Loans and advances to customers	309,682	469,377	1,093,248	2,197,014	3,135,783	42,123	7,247,227
Held-to-maturity investments	43,479	62,529	373,527	1,275,332	814,634	–	2,569,501
Subsidiaries, associates and jointly controlled entities	–	–	–	–	–	109,734	109,734
	2,938,403	534,091	1,709,676	3,692,525	4,014,875	152,094	13,041,664
Liabilities							
Due to central and other banks	(605,572)	(244)	(2,115)	(10,793)	(30,046)	–	(648,770)
Due to customers	(5,988,852)	(519,393)	(1,230,065)	(392,177)	(27,556)	–	(8,158,043)
Debt securities in issue	(1,301)	(41,713)	(96,803)	(588,788)	(472,801)	–	(1,201,406)
	(6,595,725)	(561,350)	(1,328,983)	(991,758)	(530,403)	–	(10,008,219)
Net position of financial instruments	(3,657,322)	(27,259)	380,693	2,700,767	3,484,472	152,094	3,033,445
Cash inflows from derivatives	645,151	268,502	247,748	123,073	39,654	–	1,324,128
Cash outflows from derivatives	(640,415)	(261,939)	(251,232)	(118,603)	(39,668)	–	(1,311,857)
Net position from derivatives	4,736	6,563	(3,484)	4,470	(14)	–	12,271
Total net position	(3,652,586)	(20,696)	377,209	2,705,237	3,484,458	152,094	3,045,716

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

31 December 2009	Less than 12 months	Over 12 months	Total
Assets			
Cash and balances with central banks	238,446	–	238,446
Loans and advances to banks	103,785	64,861	168,646
Financial assets held for trading	95,328	67,754	163,082
Derivative financial instruments	42,783	–	42,783
Available-for-sale financial assets	75,756	919,805	995,561
Loans and advances to customers	1,909,678	3,640,158	5,549,836
Held-to-maturity investments	297,715	1,748,532	2,046,247
Subsidiaries, associates and jointly controlled entities	–	101,559	101,559
Intangible assets	–	28,207	28,207
Property and equipment	–	157,992	157,992
Current income tax assets	6,722	–	6,722
Deferred income tax assets	–	39,511	39,511
Other assets	11,581	–	11,581
	2,781,794	6,768,379	9,550,173
Liabilities			
Due to central and other banks	(523,866)	(35,831)	(559,697)
Derivative financial instruments	(52,471)	–	(52,471)
Due to customers	(5,888,536)	(724,791)	(6,613,327)
Debt securities in issue	(174,350)	(1,110,960)	(1,285,310)
Provisions	–	(24,993)	(24,993)
Other liabilities	(48,344)	(2,241)	(50,585)
	(6,687,567)	(1,898,816)	(8,586,383)
	(3,905,773)	4,869,563	963,790

31 December 2008	Less than 12 months	Over 12 months	Total
Assets			
Cash and balances with central banks	504,999	–	504,999
Loans and advances to banks	1,376,697	59,967	1,436,664
Financial assets held for trading	729,258	61,946	791,204
Derivative financial instruments	60,961	–	60,961
Available-for-sale financial assets	164,301	100,747	265,048
Non-current assets held for sale	1,705	–	1,705
Loans and advances to customers	1,880,631	3,381,655	5,262,286
Held-to-maturity investments	445,524	1,754,108	2,199,632
Subsidiaries, associates and jointly controlled entities	–	109,734	109,734
Intangible assets	–	27,402	27,402
Property and equipment	–	174,444	174,444
Current income tax assets	–	–	–
Deferred income tax assets	–	7,963	7,963
Other assets	11,809	–	11,809
	5,175,885	5,677,966	10,853,851
Liabilities			
Due to central and other banks	(625,167)	(12,535)	(637,702)
Derivative financial instruments	(52,471)	–	(52,471)
Due to customers	(7,852,478)	(278,706)	(8,131,184)
Debt securities in issue	(112,116)	(994,732)	(1,106,848)
Current income tax liabilities	(22,368)	–	(22,368)
Provisions	–	(30,070)	(30,070)
Other liabilities	(60,339)	(1,364)	(61,703)
	(8,724,939)	(1,317,407)	(10,042,346)
	(3,549,054)	4,360,559	811,505

(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 organizational process for measuring, managing and controlling operational risk.

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

The Operational Risk Committee (made up 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 verifying the Bank's overall operational risk profile, defining any corrective actions, coordinating and monitoring the effectiveness of the main mitigation activities, and approving the operational risk management transfer strategies.

Organizational structure of the associated risk management function

For some time, the Bank has had a centralized function within the Risk Management Division for the management of the Bank's operational risks. This function is responsible, in coordination with parent company, for the definition, implementation and monitoring of the methodological and organizational 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 organizational 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 organizational 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

For the use of the Standardized Approach (TSA), 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. This self-assessment is verified by the Internal Auditing Department and submitted to the Management Board for the annual certification of compliance with the requirements established by the regulation.

Under TSA, the capital requirement is calculated by multiplying gross income by separate regulatory percentages for each of the business lines into which the Bank's activities are divided.

The 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 parent company, has activated a traditional operational risk transfer policy (insurance) with the objective of mitigating the impact of any unexpected losses, and thus contributing to the reduction of Capital at Risk.

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 and the 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). CCD includes loans, deposits and other transactions and balances with large corporate customers (company revenue over € 40 million).

The 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 Center 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 2009	Retail Banking	Corporate Banking	Central Treasury	Other	Total
External revenue					
Interest income	235,061	78,708	126,886	4,789	445,444
Interest expense	(75,606)	(10,994)	(49,095)	(342)	(136,037)
Inter-segment revenue	9,690	(17,892)	(15,832)	24,034	–
Net interest income	169,145	49,822	61,959	28,481	309,407
Net fee and commission income	53,714	16,167	775	(408)	70,248
Net trading income	4,368	3,972	2,830	(61)	11,109
Other operating income	4,321	–	3,659	29	8,009
Dividend income	–	–	–	21,145	21,145
Total segment operating income	231,548	69,961	69,223	49,186	419,918
Depreciation and amortization	(17,399)	(535)	(230)	(11,189)	(29,353)
Operating expenses					(160,782)
Operating profit before impairment					229,783
Impairment losses on financial assets	(32,944)	(27,275)	918	(8,295)	(67,596)
Income tax expense					(15,947)
Net profit for the year					146,240
Segment assets	3,147,591	2,466,433	3,452,792	483,357	9,550,173
Segment liabilities	4,273,491	1,841,470	2,415,325	1,019,887	9,550,173

31 December 2008	Retail Banking	Corporate Banking	Central Treasury	Other	Total
External revenue					
Interest income	212,933	125,410	170,538	1,948	510,829
Interest expense	(110,506)	(50,454)	(60,438)	(306)	(221,704)
Inter-segment revenue	76,087	(12,603)	(92,954)	29,470	–
Net interest income	178,514	62,353	17,146	31,112	289,125
Net fee and commission income	60,408	16,814	1,488	279	78,989
Net trading income	14,872	18,414	8,130	163	41,579
Other operating income	344	281	(7)	4,873	5,491
Dividend income	–	–	–	2,946	2,946
Total segment operating income	254,138	97,862	26,757	39,373	418,130
Depreciation and amortization	(21,199)	(1,291)	(232)	(11,316)	(34,038)
Operating expenses					(169,708)
Operating profit before impairment					214,384
Impairment losses on financial assets	(23,653)	(10,553)	(205)	(2,281)	(36,692)
Income tax expense					(32,881)
Net profit for the year					144,811
Segment assets	2,886,272	2,486,002	4,829,947	651,630	10,853,851
Segment liabilities	5,543,365	2,058,279	2,345,483	906,724	10,853,851

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.

The remuneration and other benefits provided to members of the Supervisory Board and the Management Board in 2009 were € 3,315 thousand (2008: € 3,003 thousand).

At 31 December 2009, significant outstanding balances with related parties comprised:

	KMP *	Close members of KMP	Affiliated companies	Intesa Sanpaolo Group	Total
Assets					
Loans and advances to banks	–	–	–	109,201	109,201
Loans and advances to customers	717	928	92,972	–	94,617
Derivative financial instruments	–	–	–	4,721	4,721
Available-for-sale financial assets	–	–	–	43,047	43,047
Other assets	–	–	374	–	374
	717	928	93,346	156,969	251,960
Liabilities					
Due to central and other banks	–	–	–	81,732	81,732
Due to customers	1,597	2	3,510	–	5,109
Derivative financial instruments	–	–	–	2,025	2,025
Debt securities in issue					
Bonds	–	–	6,630	–	6,630
Mortgage bonds	–	–	–	600,169	600,169
Other liabilities	–	–	3,048	–	3,048
	1,597	2	13,188	683,926	698,713
Financial commitments and contingencies	–	–	31,538	–	31,538
Derivative transactions (notional amount – receivable)	–	–	–	178,284	178,284
Derivative transactions (notional amount – payable)	–	–	–	160,000	160,000
Income and expense items					
Interest and similar income	30	43	1,685	8,050	9,808
Interest expense and similar charges	(48)	–	(214)	(14,814)	(15,076)
Fee and commission income	–	–	2,218	–	2,218
Fee and commission expense	–	–	(27,038)	–	(27,038)
Net trading income	–	–	–	2,974	2,974
Operating income	–	–	820	260	1,080
Operating expenses	–	–	(9)	–	(9)
	(18)	43	(22,538)	(3,530)	(26,043)

* Key management personnel

At 31 December 2008, significant outstanding balances with related parties comprised:

	KMP	Close members of KMP	Affiliated companies	Intesa Sanpaolo Group	Total
Assets					
Loans and advances to banks	–	–	–	66,481	66,481
Loans and advances to customers	272		77,198	–	77,470
Derivative financial instruments	–	–	–	4,405	4,405
Available-for-sale financial assets	–	–	–	60,863	60,863
Other assets	–	–	397	–	397
	272	–	77,595	131,749	209,616
Liabilities					
Due to central and other banks	–	–	–	53,482	53,482
Derivative financial instruments	–	–	–	121	121
Due to customers	2,155	–	7,107	–	9,262
Debt securities in issue					
Bonds	–	–	3,196	–	3,196
Mortgage bonds	–	–	–	345,850	345,850
Other liabilities	–	–	2,630	–	2,630
	2,155	–	12,933	399,453	414,541
Financial commitments and contingencies	–	–	27,489	–	27,489
Derivative transactions (notional amount – receivable)	–	–	–	124,888	124,888
Derivative transactions (notional amount – payable)	–	–	–	168,529	168,529
Income and expense items					
Interest and similar income	15	56	3,468	6,735	10,274
Interest expense and similar charges	(21)	–	(376)	(15,955)	(16,352)
Fee and commission income	–	–	7,500	11	7,511
Fee and commission expense	–	–	(25,238)	(28)	(25,266)
Net trading income	–	–	–	3,541	3,541
Operating income	–	–	581	250	831
Operating expenses	–	–	–	(139)	(139)
	(6)	56	(14,065)	(5,585)	(19,600)

38. Profit distribution

On 7 April 2009, the Bank's shareholders approved the following profit distribution for 2008.

	2008
Dividends to shareholders	–
Retained earnings	144,811
	144,811

The Management Board will propose the following 2009 profit distribution:

	2009
Dividends to shareholders (4.50 € per share)	58,394
Retained earnings	87,846
	146,240

39. Events after the end of the reporting period

There were no events after 31 December 2009 that would have a material effect on the fair presentation of the matters disclosed in these financial statements.

Information on Securities issued by the Bank

In 2009 VÚB, a. s., issued six mortgage bond issues and one bank bond issue as follows:

Mortgage bonds VÚB, a. s., 42

Name of Security:	Mortgage bond VÚB, a. s., 42
ISIN:	SK4120006594 series 01
Type and form:	Bearer bond, book-entry
Total issue amount:	EUR 20,000,000.00
Number and nominal value:	400 units per EUR 50,000.00
Issue Date:	April 28, 2009
Maturity:	April 28, 2012
Coupon:	4.00 % p. a.
Coupon payment:	Annually

Mortgage bonds VÚB, a. s., 44

Name of Security:	Mortgage bond VÚB, a. s., 44
ISIN:	SK4120006420 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:	February 11, 2009
Maturity:	February 11, 2012
Coupon:	4.75 % p. a.
Coupon payment:	Annually

Mortgage bonds VÚB, a. s., 46

Name of Security:	Mortgage bond VÚB, a. s., 46
ISIN:	SK4120006636 series 01
Type and form:	Bearer bond, book-entry
Total issue amount:	EUR 150,000,000.00
Number and nominal value:	150 units per EUR 1,000,000.00
Issue Date:	May 19, 2009
Maturity:	May 19, 2016
Coupon:	4.61 % p. a.
Coupon payment:	Annually

Mortgage bonds VÚB, a. s., 48

Name of Security:	Mortgage bond VÚB, a. s., 48
ISIN:	SK4120006586 series 01
Type and form:	Bearer bond, book-entry
Total issue amount:	EUR 20,000,000.00
Number and nominal value:	20,000 units per EUR 1,000.00
Issue Date:	May 11, 2009
Maturity:	May 11, 2013
Coupon:	4.00 % p. a.
Coupon payment:	Annually

Mortgage bonds VÚB, a. s., 49

Name of Security:	Mortgage bond VÚB, a. s., 49
ISIN:	SK4120006719 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, 2009
Maturity:	July 28, 2014
Coupon:	3.92 % p. a.
Coupon payment:	Annually

FLEXI Mortgage bonds VÚB, a. s., 50

Name of Security:	FLEXI Mortgage bond VÚB, a. s., 50
ISIN:	SK4120006826 series 01
Type and form:	Bearer bond, book-entry
Total issue amount:	EUR 15,000,000.00
Number and nominal value:	15,000 units per EUR 1,000.00
Issue Date:	November 2, 2009
Maturity:	November 2, 2013
Coupon:	3.40 % p. a.
Coupon payment:	Annually

VÚB, a. s., Bond 02

Name of Security:	Bond VÚB, a. s., 02
ISIN:	SK4120006917 series 01
Type and form:	Bearer bond, book-entry
Total issue amount:	EUR 20,000,000.00
Number and nominal value:	800 units per EUR 25,000.00
Issue Date:	November 30, 2009
Maturity:	November 30, 2011
Coupon:	6M EURIBOR + 0.30 % p. a.
Coupon payment:	Semi-annually

List of VUB Branches

Retail Business Network of VÚB, a. s.

Name	Postcode	Address	Tel. No.	Fax No.
Regional Retail Business Network Bratislava – West				
Retail Branches I				
Bratislava – Gorkého	813 20	Gorkého 7	+421 2 4855 3010	+421 2 54131208
Bratislava – Poštová	811 01	Poštová 1	+421 2 4855 3080	+421 2 54417939
Bratislava – Dúbravka	841 01	Sch. Trnavského 6/A	+421 2 4855 3110	+421 2 64286205
Bratislava – Aupark	851 01	Einsteinova 18	+421 2 4855 3216	+421 2 63451260
Malacky	901 01	Záhorácka 15	+421 34 485 6082	+421 34 7723848
Retail Branches II				
Bratislava – Dunajská	811 08	Dunajská 24	+421 2 4855 3126	+421 2 52967136
Bratislava – Šintavská	851 05	Šintavská 24	+421 2 4855 3170	+421 2 63837097
Bratislava – Devínska N. Ves	841 07	Eisnerova 48	+421 2 4855 3156	+421 2 64776550
Bratislava – Špitálska	811 01	Špitálska 10	+421 2 4855 3389	+421 2 52965422
Bratislava – Rovniankova	851 02	Rovniankova 3/A	+421 2 4855 3185	+421 2 63821608
Bratislava – Vlastenecké nám.	851 01	Vlastenecké námestie 6	+421 2 4855 3200	+421 2 62248138
Bratislava – Štúrova	811 02	Štúrova 13	+421 2 4855 3411	+421 2 52622773
Bratislava – TESCO	811 08	Kamenné námestie 1	+421 2 4855 3249	+421 2 52962305
Retail Branches III				
Bratislava – Lamač	841 03	Heyrovského 1	+421 2 4855 3150	+421 2 64780726
Bratislava – Dlhé Diely	841 05	Ľ. Fullu 5	+421 2 4855 3376	+421 2 65316602
Bratislava – Karlova Ves	841 04	Borská 5	+421 2 4855 3398	+421 2 65425825
Bratislava – Kramáre	833 40	Limbová 1	+421 2 4855 3230	+421 2 54788084
Bratislava – Obchodná	811 04	Obchodná 74	+421 2 4855 3238	+421 2 52733897
Bratislava – Furdekova	851 04	Furdekova 16	+421 2 4855 3244	+421 2 62414278
Bratislava – Panská	811 01	Panská 27	+421 2 4855 3050	+421 2 54411835
Stupava	900 31	Mlynská 1	+421 2 4855 3256	+421 2 65936735
Mortgage Centres				
Bratislava – Poštová	811 06	Poštová 1	+421 2 4855 3005	+421 2 54417956
Bratislava – Aupark	851 01	Einsteinova 18	+421 2 5955 8426	+421 2 55567829
Regional Retail Business Network Bratislava – East				
Retail Branches I				
Bratislava – Ružinov	827 61	Jašíkova 8	+421 2 4856 8612	+421 2 43339369
Bratislava – Páričkova	821 08	Páričkova 2	+421 2 5055 2408	+421 2 55566636
Bratislava – Dolné Hony	821 06	Kazanská 41	+421 2 4855 3274	+421 2 45258300
Pezinok	902 01	Štefánikova 14	+421 33 485 4593	+421 33 6413077
Bratislava – Polus	831 04	Vajnorská 100	+421 2 4855 3279	+421 2 44441185
Senec	903 01	Nám. 1. mája 25	+421 2 4855 3292	+421 2 45924248
Bratislava – Krížna	821 08	Krížna 54	+421 2 4855 3325	+421 2 55425941
Bratislava – Dulovo nám.	821 08	Dulovo nám. 1	+421 2 4855 3053	+421 2 55969455

Retail Branches II				
Bratislava – Miletičova	821 09	Miletičova 21	+421 2 4855 3300	+421 2 55567201
Bratislava – Rača	831 06	Detvianska 22	+421 2 4855 3318	+421 2 44871025
Bratislava – BC Apollo	821 09	Mlynské nivy 45	+421 2 4855 3340	+421 2 53412007
Retail Branches III				
Bratislava – SP SORAVIA	821 04	Cesta na Senec 2/A	+421 2 4855 3351	+421 2 44454843
Bratislava – Slovnaft	821 10	Vlčie hrdlo 1	+421 2 4855 3312	+421 2 45247729
Bratislava – Avion	821 04	Galvaniho 7	+421 2 4855 3353	+421 2 43420315
Bratislava – Vrakuňa	822 02	Šíravská 7	+421 2 4855 3360	+421 2 45522138
Bratislava – Račianska	831 03	Račianska 54	+421 2 4855 3071	+421 2 44453888
Ivanka pri Dunaji	900 28	Štefánikova 25/A	+421 2 4855 3405	+421 2 45945042
Bratislava – Krížna 12	811 07	Krížna 12	+421 2 4855 3423	+421 2 55644241
Modra	900 01	Štúrova 68	+421 33 485 4585	+421 33 6475535
Mortgage Centres				
Bratislava – Páričkova	821 08	Páričkova 2	+421 2 5055 2264	+421 2 55567829

Regional Retail Business Network Trnava

Retail Branches I				
Trnava – Dolné bašty	917 68	Dolné bašty 2	+421 33 485 4409	+421 33 5333056
Trnava – Hlavná	917 68	Hlavná 31	+421 33 485 4490	+421 33 5511560
Dunajská Streda	929 35	Alžbetínske nám. 328	+421 31 485 4000	+421 31 5570159
Galanta	924 41	Mierové námestie 2	+421 31 485 4027	+421 31 7806029
Hlohovec	920 01	Podzámska 37	+421 33 485 4521	+421 33 7424329
Piešťany	921 01	Nám. slobody 11	+421 33 485 4535	+421 33 7721080
Senica	905 01	Nám. oslobodenia 8	+421 34 485 6000	+421 34 6943984
Šaľa	927 00	Hlavná 5	+421 31 485 4062	+421 31 7704576
Retail Branches II				
Skalica	909 01	Potočná 20	+421 34 485 6048	+421 34 6646778
Myjava	907 01	Nám. M. R. Štefánika 525/21	+421 34 485 6057	+421 34 6212595
Sereď	926 00	Cukrovarská 3013/1	+421 31 485 4082	+421 31 7894650
Trnava – Arkadia	917 01	Veterná 40/A	+421 33 485 4556	+421 33 5936643
Šamorín	931 01	Hlavná 64	+421 31 485 4097	+421 31 5624305
Retail Branches III				
Holíč	908 51	Bratislavská 1518/7	+421 34 485 6067	+421 34 6684473
Gabčíkovo	930 05	Mlynársky rad 185/1	+421 31 485 4106	+421 31 5594844
Kúty	908 01	Nám. Radlinského 981	+421 34 485 6076	+421 31 6597790
Trnava – Štefánikova	917 68	Štefánikova 32	+421 33 485 4626	+421 33 5513 343
Leopoldov	920 41	Hollého 649/1	+421 33 485 4560	+421 33 7342290
Smolenice	919 04	SNP 81	+421 33 485 4562	+421 33 5586610
Sládkovičovo	925 21	Fučíkova 131	+421 31 485 4108	+421 31 7841835
Šaštín – Stráže	908 41	Nám. slobody 648	+421 34 485 6079	+421 34 6580591
Veľký Meder	932 01	Komárňanská 135/22	+421 31 485 4116	+421 31 5553300
Vrbové	922 03	Nám. Slobody 285/9	+421 33 485 4577	+421 33 7792696
Dunajská Lužná	900 42	Nové Košariská	+421 2 4855 3370	+421 2 45981239
Zlaté Klasy	930 39	Hlavná 836/17	+421 31 485 4117	+421 31 5692073

Retail Branches IV				
Močenok	951 31	Sv. Gorazda 629	+421 37 485 4925	+421 37 7781210
Mortgage Centres				
Trnava	917 68	Dolné bašty 2	+421 33 485 4440	+421 33 5333055
Regional Retail Business Network Trenčín				
Retail Branches I				
Trenčín	911 62	Mierové námestie 37	+421 32 485 4235	+421 32 7431450
Dubnica nad Váhom	018 41	Nám. Matice slov. 1712/7	+421 42 485 6543	+421 42 4425027
Nové Mesto nad Váhom	915 01	Hviezdoslavova 19	+421 32 485 4291	+421 32 7715070
Považská Bystrica	017 21	Nám. A. Hlinku 23/28	+421 42 485 6500	+421 42 4309841
Prievidza	971 01	Nám. slobody 10	+421 46 485 7100	+421 46 5426878
Púchov	020 01	Nám. slobody 1657	+421 42 485 6578	+421 42 4642368
Bánovce nad Bebravou	957 01	Nám. Ľ. Štúra 5/5	+421 38 485 6269	+421 38 7602993
Partizánske	958 01	L. Svobodu 4	+421 38 485 6288	+421 38 7497247
Retail Branches II				
Trenčín – Legionárska	911 01	Legionárska 7158/5	+421 32 485 4205	+421 32 6401649
Nová Dubnica	018 51	Mierove námestie 29/34	+421 42 485 6581	+421 42 4434032
Prievidza – Bojnická cesta	971 01	Bojnická cesta 15	+421 46 485 7130	+421 46 5482436
Stará Turá	916 01	SNP 275/67	+421 32 485 4301	+421 32 7763445
Retail Branches III				
Ilava	019 01	Mierové námestie 77	+421 42 485 6595	+421 42 4465902
Bojnice	972 01	Hurbanovo námestie 10	+421 46 485 7142	+421 46 5430571
Handlová	972 51	SNP 1	+421 46 485 7146	+421 46 5476418
Lednické Rovne	020 61	Nám. slobody 32	+421 42 485 6598	+421 42 4693217
Nitrianske Pravno	972 13	Nám. SNP 389	+421 46 485 7152	+421 46 5446439
Nováky	972 71	Andreja Hlinku 457	+421 46 485 7156	+421 46 5461145
Trenčín – Zámostie	911 05	Zlatovská 2610	+421 32 485 4310	+421 32 6523321
Retail Branches IV				
Dolné Vestenice	972 23	M. R. Štefánika 300	+421 46 485 7162	+421 46 5498308
Trenčianske Teplice	914 51	T. G. Masaryka 3	+421 32 485 4315	+421 32 6553444
Mortgage Centres				
Trenčín	911 01	Legionárska 7158/5	+421 32 485 4218	+421 32 7434947
Regional Retail Business Network Nitra				
Retail Branches I				
Nitra – Štefánikova 44	949 31	Štefánikova 44	+421 37 485 4807	+421 37 6528754
Komárno	945 23	Tržničné námestie 1	+421 35 485 4745	+421 35 7730652
Levice	934 01	Štúrova 21	+421 36 485 6118	+421 36 6312600
Nové Zámky	940 33	Hlavné námestie 5	+421 35 485 4700	+421 35 6400841
Topoľčany – Moyzesova	955 19	Moyzesova 585/2	+421 38 485 6214	+421 38 5228061
Topoľčany – Pribinova	955 01	Pribinova 2	+421 38 485 6243	+421 38 5326900
Zlaté Moravce	953 00	Župná 10	+421 37 485 4889	+421 37 6321266

Retail Branches II				
Nitra – Štefánikova 7	949 31	Štefánikova 7	+421 37 485 4901	+421 37 7412057
Štúrovo	943 01	Hlavná 59	+421 36 485 6147	+421 36 7511308
Centro Nitra	949 01	Akademická 1/A	+421 37 485 4918	+421 37 6512013
Šurany	942 01	SNP 25	+421 35 485 4768	+421 35 6500044
Vráble	952 01	Levická 1288/16	+421 37 485 4907	+421 37 7833023
Nitra – OC Mlyny	949 01	Štefánikova 61	+421 37 485 4877	+421 37 485 4930
Retail Branches III				
Hurbanovo	947 01	Komárňanská 98	+421 35 485 4783	+421 35 7602216
Šahy	936 01	Hlavné námestie 27	+421 36 485 6152	+421 36 7411723
Želiezovce	937 01	Komenského 8	+421 36 485 6164	+421 36 7711088
Kolárovo	946 03	Palkovicha 34	+421 35 485 4785	+421 35 7772550
OC MAX Nitra	949 01	Chrenovská 1661/30	+421 37 485 4922	+421 37 7331028
Retail Branches IV				
TESCO Topoľčany	955 01	M. Benku 1/A 4590	+421 38 485 6214	+421 38 5322117
TESCO Nové Zámky	940 67	Nitrianska cesta 111	+421 35 485 4792	+421 35 6428613
Marcelová	946 32	Nám. Slobody 1199	+421 35 485 4794	+421 35 7798405
Nitrianska Blatnica	956 04	Obecný úrad	+421 38 485 6261	+421 38 5394194
Tvrdošovce	941 10	Bratislavská cesta 3	+421 35 485 4796	+421 35 6492201
Mortgage Centres				
Nitra	949 31	Štefánikova 44	+421 37 485 4838	

Regional Retail Business Network Žilina

Retail Branches I				
Žilina	010 43	Na bráne 1	+421 41 485 6306	+421 41 7247136
Čadca	022 24	Fraňa Kráľa 1504	+421 41 485 6375	+421 41 4331095
Dolný Kubín	026 01	Radlinského 1712/34	+421 43 485 6683	+421 43 5864006
Martin	036 53	M. R. Štefánika 2	+421 43 485 6627	+421 43 4247297
Retail Branches II				
Bytča	014 01	Sidónie Sakalovej 138/1	+421 41 485 6409	+421 41 5533579
Žilina – Dubeň	010 08	Vysokoškolákov 52	+421 41 485 6417	+421 41 5000316
Námestovo	029 01	Hviezdoslavovo nám. 200/5	+421 43 485 6706	+421 43 5523175
Žilina – Nám. A. Hlinku	010 43	Nám. A. Hlinku 1	+421 41 485 6413	+421 41 5626194
Kysucké Nové Mesto	024 01	Nám. Slobody 184	+421 41 485 6426	+421 41 4213687
Trstená	028 01	Nám. M. R. Štefánika 15	+421 43 485 6712	+421 43 5392530
Vrútky	038 61	1. čsl. brigády 12	+421 43 485 6732	+421 43 4284133
Retail Branches III				
Rajec	015 01	Hollého 25	+421 41 485 6437	+421 41 5422877
Turzovka	023 54	R. Jašíka 20	+421 41 485 6448	+421 41 4352579
Tvrdošín	027 44	Trojičné nám. 191	+421 43 485 6745	+421 43 5322052
Martin – OC Tulip	036 01	Pltníky 2	+421 43 485 6669	+421 43 4134713
Turčianske Teplice	039 01	Hájska 3	+421 43 485 6725	+421 43 4924018
Nižná	027 43	Nová Doba 481	+421 43 485 6756	+421 43 5382163

Retail Branches IV				
Krásno nad Kysucou	023 02	1. mája 1255	+421 41 485 6459	+421 41 4385394
OC MAX Žilina	010 07	Prielohy 979	+421 41 485 6456	+421 41 5681879
Turany	038 53	Obchodná 13	+421 43 485 6759	+421 43 4292529
Zákamenné	029 56	Zákamenné 23	+421 43 485 6761	+421 43 5592295
Mortgage Centres				
Žilina	010 43	Na bráne 1	+421 41 485 6326	+421 41 5678051
Regional Retail Business Network Banská Bystrica				
Retail Branches I				
Banská Bystrica	975 55	Nám. slobody 1	+421 48 450 5550	+421 48 4505641
Lučenec	984 35	T. G. Masaryka 24	+421 47 485 7205	+421 47 4331501
Rimavská Sobota	979 13	Francisciho 1	+421 47 485 7228	+421 47 5631213
Veľký Krtíš	990 20	Novohradská 7	+421 47 485 7264	+421 47 4805687
Zvolen	960 94	Nám. SNP 2093/13	+421 45 485 6800	+421 45 5333532
Žiar nad Hronom	965 01	Nám. Matice slov. 21	+421 45 485 6870	+421 45 6707840
Retail Branches II				
Banská Bystrica – Dolná	975 55	Dolná 17	+421 48 485 5400	+421 48 4123908
Banská Štiavnica	969 01	Radničné námestie 15	+421 45 485 6903	+421 45 6921047
Brezno	977 01	Boženy Nemcovej 1/A	+421 48 485 5370	+421 48 6115595
Detva	962 11	M. R. Štefánika 65	+421 45 485 6911	+421 45 5455461
Fiľakovo	986 01	Biskupická 1	+421 47 485 7271	+421 47 4382227
Hnúšťa	981 01	Francisciho 372	+421 47 485 7284	+421 47 5422241
Krupina	963 01	Svätotrojičné námestie 8	+421 45 485 6928	+421 45 5511431
Nová Baňa	968 01	Nám. slobody 11	+421 45 485 6935	+421 45 6855115
BB – SC Európa	974 01	Na Troskách 26	+421 48 485 5383	
Retail Branches III				
Hriňová	962 05	Hriňová 1612	+421 45 485 6897	+421 45 5497221
Kremnica	967 01	Medzibránie 11	+421 45 485 6950	+421 45 6743861
Poltár	987 01	Sklárska	+421 47 485 7288	+421 47 4223370
Tornaľa	982 01	Mierová 37	+421 47 485 7294	+421 47 5522676
Žarnovica	966 81	Nám. SNP 26	+421 45 485 6953	+421 45 6812380
Retail Branches IV				
Dudince	962 71	Okružná 142	+421 45 485 6890	+421 45 5583432
Slovenská Ľupča	976 13	Nám. SNP 12	+421 48 485 5380	+421 48 4187229
Vinica	991 28	Cesta slobody 466/41	+421 47 485 7303	+421 47 4891502
Tisovec	980 61	Daxnerova 761	+421 47 485 7306	+421 47 5422241
Mortgage Centres				
Banská Bystrica	975 55	Nám. slobody 1	+421 48 450 5590	+421 48 4505670
Regional Retail Business Network Poprad				
Retail Branches I				
Poprad	058 17	Mnoheľova 2832/9	+421 52 485 7842	+421 52 7721182
Liptovský Mikuláš	031 31	Štúrova 19	+421 44 485 7009	+421 44 5514925
Rožňava	048 73	Šafárikova 21	+421 58 485 8955	+421 58 7326421

Ružomberok	034 01	Podhora 48	+421 44 485 7037	+421 44 4323146
Spišská Nová Ves	052 14	Letná 33	+421 53 485 7613	+421 53 4410422
Stará Ľubovňa	064 01	Obchodná 2	+421 52 485 7872	+421 52 4323491
Retail Branches II				
Kežmarok	060 01	Hviezdoslavova 5	+421 52 485 7899	+421 52 4524806
OC MAX Poprad	058 01	Dlhé Hony 4588/1	+421 52 485 7940	+421 52 452 3258
Revúca	050 01	Nám. slobody 3	+421 58 485 8974	+421 58 4421515
Retail Branches III				
Levoča	054 01	Nám. Majstra Pavla 38	+421 53 485 7624	+421 53 4514316
Liptovský Hrádok	033 01	J. Martinku 740/56	+421 44 485 7054	+421 44 5221397
Svit	059 21	Štúrova 87	+421 52 485 7914	+421 52 7755154
Poprad – J. Curie	058 01	J. Curie 37	+421 52 485 7920	+421 52 7723192
Gelnica	056 01	Banícke nám. 52	+421 53 485 7633	+421 53 4821104
Krompachy	053 42	Lorencova 20	+421 53 485 7638	+421 53 4472251
Spišská Belá	059 01	Zimná 3	+421 52 485 7934	+421 52 4581022
Spišské Podhradie	053 04	Mariánske nám. 22	+421 53 485 7641	+421 53 4541257
Retail Branches IV				
Liptovský Mikuláš – OC Jasná	031 31	Garbiarska 695	+421 44 485 7060	
Podolinec	065 03	Ul. sv. Anny 1	+421 52 485 7932	+421 52 4391295
Mortgage Centres				
Poprad	058 17	Mnoheľova 2832/9	+421 52 485 7817	+421 52 7135087

Regional Retail Business Network Prešov

Retail Branches I				
Prešov	081 86	Masarykova 13	+421 51 485 7518	+421 51 7356362
Bardejov	085 61	Kellerova 1	+421 54 485 8300	+421 54 4746389
Humenné	066 80	Nám. slobody 26/10	+421 57 485 8514	+421 57 7705141
Vranov nad Topľou	093 01	Nám. slobody 6	+421 57 485 8539	+421 57 4406439
Retail Branches II				
Snina	069 01	Strojárska 2524	+421 57 485 8562	+421 57 7622328
OC MAX Prešov	080 01	Vihorlatská 2A	+421 51 485 7579	
Svidník	089 27	Centrálna 584/5	+421 54 485 8331	+421 54 7521691
Prešov – Hlavná	080 01	Hlavná 61	+421 51 485 7570	+421 51 7723617
Sabinov	083 01	Nám. slobody 90	+421 51 485 7594	+421 51 4523492
Stropkov	091 01	Mlynská 692/1	+421 54 485 8347	+421 54 7423714
Retail Branches III				
Giraltovce	087 01	Dukelská 58	+421 54 485 8355	+421 54 7322625
Hanušovce nad Topľou	094 31	Komenského 52	+421 57 485 8580	+421 57 4452805
Humenné – Chemes	066 01	Chemlonská 1	+421 57 485 8591	+421 57 7763595
Lipany	082 71	Nám. sv. Martina 8	+421 51 485 7586	+421 51 4572777
Medzilaborce	068 10	Mierová 289/1	+421 57 485 8586	+421 57 7321546
Mortgage Centres				
Prešov	081 86	Masarykova 13	+421 51 485 7558	+421 51 7356383

Regional Retail Business Network Košice

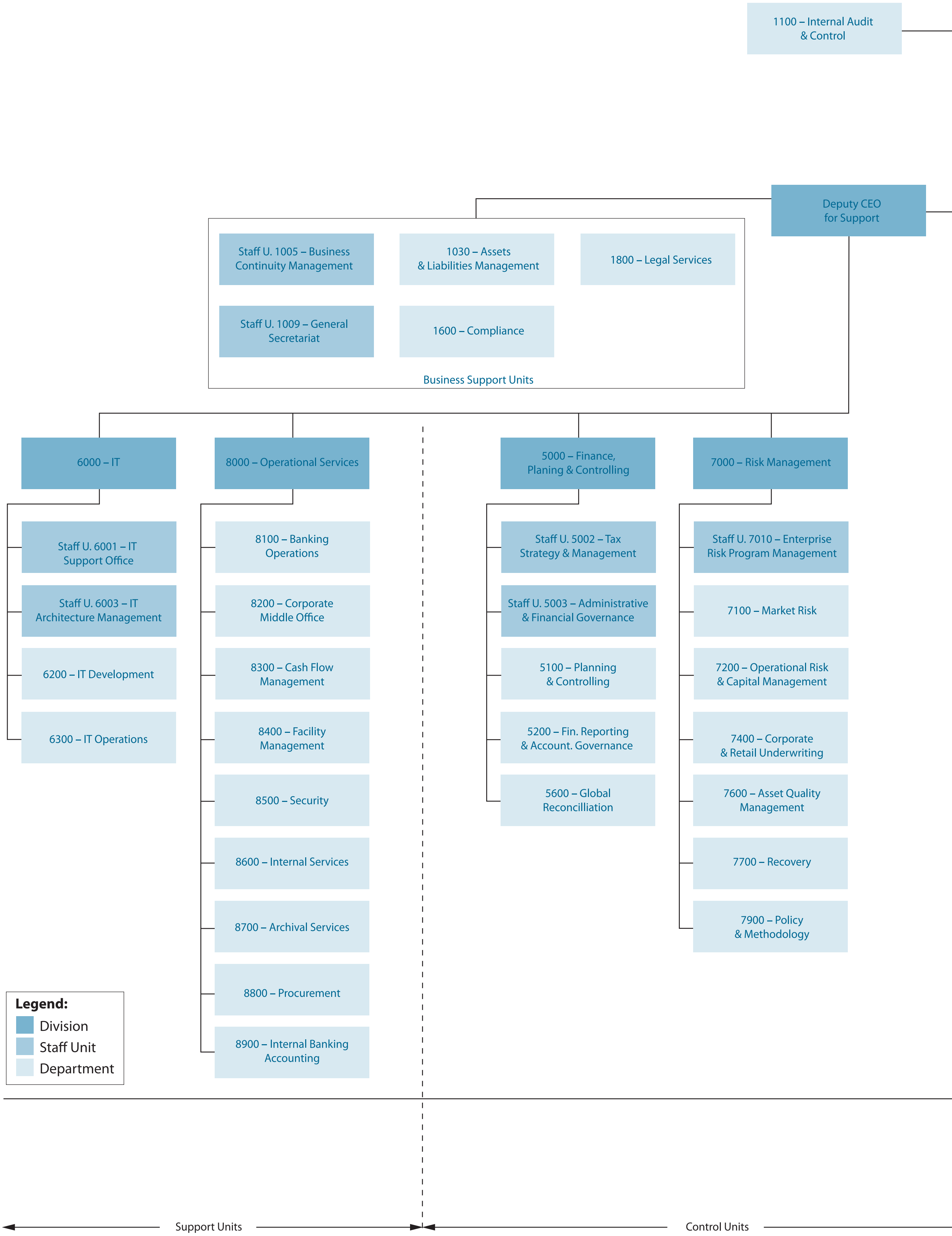
Retail Branches I				
Košice – Strojárenská	042 31	Strojárenská 11	+421 55 485 8006	+421 55 6229334
Košice – Bačíkova	042 81	Bačíkova 2	+421 55 485 8111	+421 55 6786083
Michalovce	071 80	Nám. slobody 3	+421 56 485 8420	+421 56 6441077
Trebišov	075 17	M. R. Štefánika 3197/32	+421 56 485 8450	+421 56 6725901
Košice – Slovan	042 31	Hlavná 1	+421 55 485 8137	+421 55 6226250
Košice – Letná	040 01	Letná 40	+421 55 485 8159	+421 55 6259979
Retail Branches II				
Košice – Bukovecká	040 12	Bukovecká 18	+421 55 485 8199	+421 55 6746253
Moldava nad Bodvou	045 01	Hviezdoslavova 13	+421 55 485 8100	+421 55 4602992
Košice – OC Optima	040 11	Moldavská cesta 32	+421 55 485 8182	+421 55 6461043
Košice – OC Galéria	040 11	Toryská 5	+421 55 485 8514	+421 55 6421011
Retail Branches III				
Košice – Ťahanovce	040 13	Americká trieda 15	+421 55 485 8188	+421 55 6366063
Košice – Sídlisko KVP	040 23	Trieda KVP 1	+421 55 485 8192	+421 55 6429673
Košice – Trieda L. Svobodu	040 22	Trieda L. Svobodu 12	+421 55 485 8201	+421 55 6718160
Michalovce – mesto	071 01	Nám. Osloboditeľov 2	+421 56 485 8467	+421 56 6424281
Sobrance	073 01	Štefánikova 9	+421 56 485 8494	+421 56 6523300
Strážske	072 22	Nám. A. Dubčeka 300	+421 56 485 8470	+421 56 6491633
Kráľovský Chlmec	077 01	Hlavná 710	+421 56 485 8475	+421 56 6321045
Veľké Kapušany	079 01	Sídl. P. O. Hviezdoslava 79	+421 56 485 8480	+421 56 6383043
Sečovce	078 01	Nám. sv. Cyrila a Metoda 41/23	+421 56 485 8487	+421 56 6782277
Košice – Hlavná 41	040 01	Hlavná 41	+421 55 480 8210	
Košice – Moldavská	040 11	Werferova 3	+421 55 485 8117	+421 55 6420814
Mortgage Centres				
Košice	042 31	Strojárenská 11	+421 55 485 8031	+421 55 622 9334

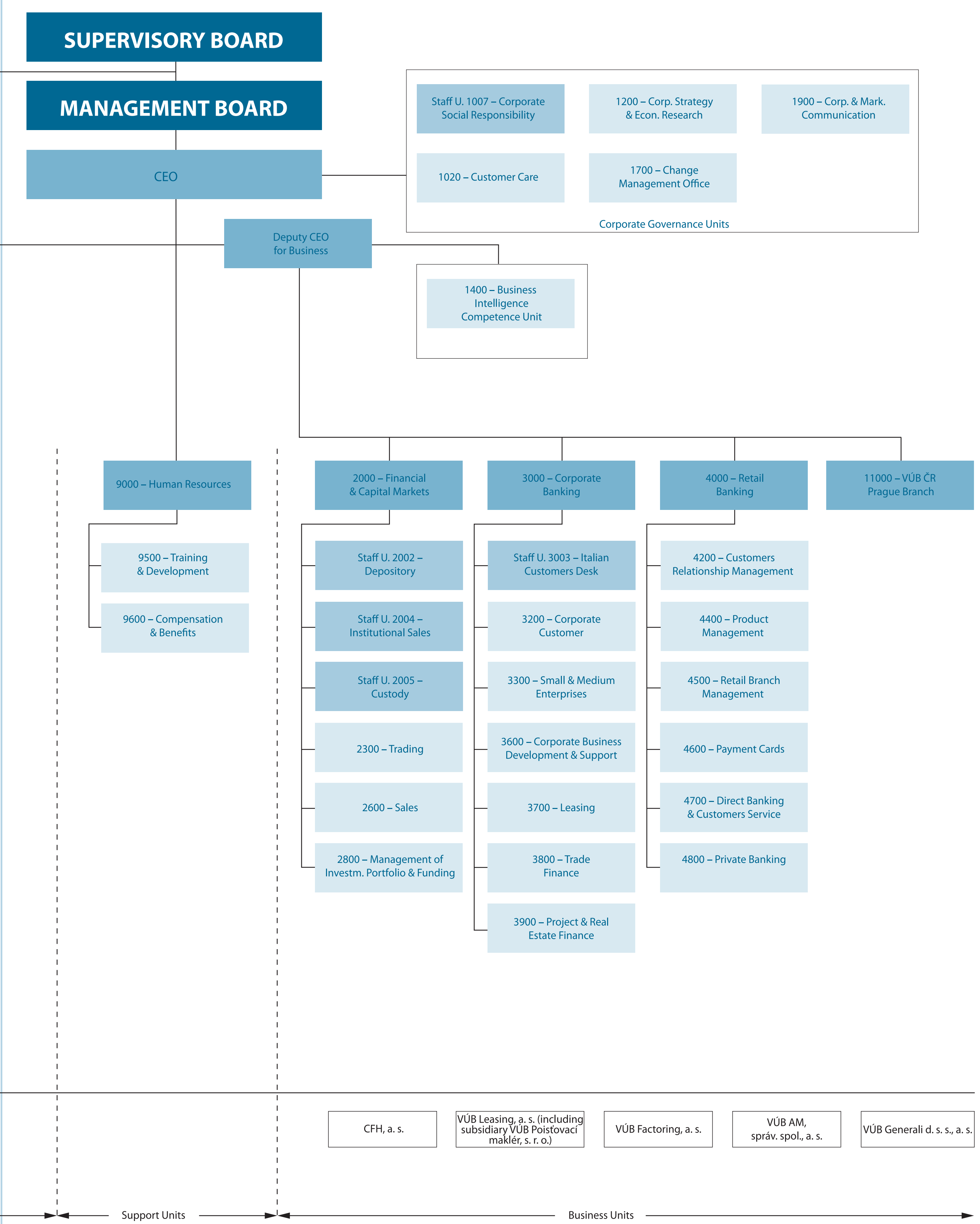
Corporate branches

Corporate Business Center Bratislava 1		
Bratislava	Mlynské nivy 1	+421 2 50552770
Corporate Business Center Bratislava 2		
Bratislava	Mlynské nivy 1	+421 2 50552604
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	Nám. SNP 2093/13	+421 45 4856842
Banská Bystrica	Nám. slobody 1	+421 48 4505487
Corporate Business Center Žiar nad Hronom		
Žiar Nad Hronom	Nám. Matice slovenskej 21	+421 45 4856883
Prievidza	Nám. 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 4858330
Bardejov	Kellerova 1	+421 54 4858328
Vranov Nad Topľou	Nám. slobody 6	+421 57 4858560
Humenné	Nám. slobody 26/10	+421 57 4858530
Corporate Business Center Košice		
Košice	Strojárenská 11	+421 55 4858046
Michalovce	Nám. slobody 3	+421 56 4858430

Organization Chart of VUB

as at 31 December 2009




SUPERVISORY BOARD
MANAGEMENT BOARD
CEO
Staff U. 1007 – Corporate Social Responsibility
1200 – Corp. Strategy & Econ. Research
1900 – Corp. & Mark. Communication
1020 – Customer Care
1700 – Change Management Office
Corporate Governance Units
Deputy CEO for Business
1400 – Business Intelligence Competence Unit
9000 – Human Resources
9500 – Training & Development
9600 – Compensation & Benefits
2000 – Financial & Capital Markets
Staff U. 2002 – Depository
Staff U. 2004 – Institutional Sales
Staff U. 2005 – Custody
2300 – Trading
2600 – Sales
2800 – Management of Investm. Portfolio & Funding
3000 – Corporate Banking
Staff U. 3003 – Italian Customers Desk
3200 – Corporate Customer
3300 – Small & Medium Enterprises
3600 – Corporate Business Development & Support
3700 – Leasing
3800 – Trade Finance
3900 – Project & Real Estate Finance
4000 – Retail Banking
4200 – Customers Relationship Management
4400 – Product Management
4500 – Retail Branch Management
4600 – Payment Cards
4700 – Direct Banking & Customers Service
4800 – Private Banking
11000 – VÚB ČR Prague Branch
CFH, a. s.
VÚB Leasing, a. s. (including subsidiary VÚB Poisťovací maklér, s. r. o.)
VÚB Factoring, a. s.
VÚB AM, správ. spol., a. s.
VÚB Generali d. s. s., a. s.
Support Units
Business Units

VUB, a bank of INTESA SANPAOLO