VÚB BANKA

Annual Report 2008

Content

Address by the Chairman of the VUB Supervisory Board

Dear Shareholders, Clients and Business Partners, Employees

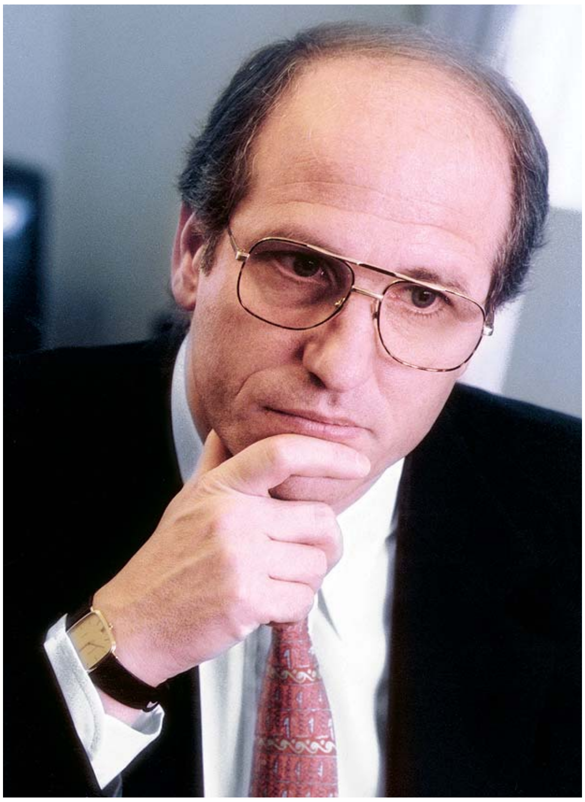
VUB had in 2008 again a very successful year. The Bank has further strengthened its position on core credit and deposit markets and continued to deliver outstanding results in terms of financial performance and cost efficiency. Successfully too, the Bank adopted the new visual identity of Intesa Sanpaolo subsidiary banks and dutifully prepared itself for the euro changeover. On behalf of the Supervisory Board, I would like to thank the management and employees for these excellent achievements.

VUB's success, in my mind, is a reflection of the very honest way it does banking business. Banking focused on clients and business model based on sustainable development.

Same values and styles in relations to customers and economic community are shared across the whole Intesa Sanpaolo Group. Indeed, we do banking by involving the Country system, creating synergies, focusing on our customers, listening to their needs, and promoting the core business-centred strategies. We are constantly innovative in our commercial proposals, because we want our banks to serve the countries and the people living there. This strategy proved right and results achieved are comforting. Indeed, Intesa Sanpaolo is recognized as one of the strongest and solid banking groups in the world despite the difficult moments in the global financial markets.

In many ways, VUB's success of the past years relates also to success of Slovakia, country, which over the last seven years tripled its GDP per capita in euro terms. A particular boost to economic growth and thus convergence of people's living standards to those of Western European countries has been provided by structural reforms that preceded entry of Slovakia into the EU in 2004 and later into the Eurozone. Successful entry into the latter, especially, proved a critical achievement that significantly enhanced the position of Slovakia in the Central and Eastern European region. Indeed, thanks to the forthcoming adoption of the euro, Slovakia has been to a large degree insulated from the run on currencies and other financial assets that some of its neighbours suffered since late last year. More fundamentally, over the longer term, the euro will provide additional boost to economic growth of the Country and income of its people. This in turn, will further stimulate demand for financial services, which will more than compensate the banking sector for the costs incurred due to the euro changeover.

More immediately, a difficult year 2009 is in front of us. The persistence and depth of the global financial and economic crisis inevitably weakens operating environment even for fundamentally sound economies, such as Slovakia's. As the world's financial markets fail to restore the normal flows of liquidity and capital, optimization of liquidity and protection of capital adequacy have emerged as top strategic priorities.



VUB's mission is to become the best bank in Slovakia for customer satisfaction, while maintaining excellence in profitability and operating efficiency. Objectives set out for VUB to fulfill its mission are indeed ambitious, especially when considering the lingering risks to the global and local economies. I realize that. At the same time, knowing the talent and dedication of VUB management and employees, I remain confident that with the continued trust of its clients and business partners, VUB will deliver.

György Surányi
Chairman of the Supervisory Board

Address by the Chairman of the VUB Management Board

Dear Shareholders, Clients and Business Partners,

The year 2008 has been in number of ways the year of preparations and change - including that of our visual identity on the one hand and national currency on the other. I am pleased to say that we have managed successfully through all the main challenges and delivered very strong results. Commercially, we have improved share of both the credit and deposit markets. Financially, we have squeezed cost to income ratio to below 50% and delivered the best bottom line in our post-privatization history. Less tangible, but equally important dimension of our success has been the fact that we initiated programs that would lead to improved quality of services and satisfaction of our customers. Indeed, I believe that focus on our customers, active listening and direct contact with them will be the key in sustaining the best possible performance in an increasingly adverse operating environment brought along by the global financial crisis.

Starting on the latter, Slovakia has been very lucky to escape most of its initial impact. In particular, thanks to the overliquidity of the local banking market, the country has to a large extent been insulated from the global liquidity crisis that choke off financing of number of big global financial groups and even sovereign countries dependent on external funding. Another factor supporting Slovakia's financial stability in the difficult year 2008 has been the forthcoming adoption of the single European currency, which helped on two crucial fronts: First, it effectively shielded Slovak financial assets from the sell-off that undermined the value of currencies, bond and equity markets of our regional neighbours. Second, the euro mobilized additional liquidity as households deposited prior to euro changeover previously unbanked cash savings worth nearly EUR 2 billion. This additional liquidity has largely been placed on term deposits, and helped to improve the duration profile of the banks' funding base.

Unfortunately, the relatively small but very open Slovak economy simply can not resist the global tide for too long. By the final quarter of the year, real GDP slowed to just 2.5% and unemployment began to rise on job cuts by struggling export-manufacturing firms, the backbone of the economy. By late last year, uncertainty about future economic outlook led many firms to redraw investment plans and households to reduce discretionary spending. Demand for credit inevitably slowed and by year end in some segments even stalled altogether.

Even so, thanks to the positive growth momentum lasting until the third quarter, banking sector enjoyed in the whole year 2008 good volume growth overall. Total banking assets grew 14% over a year ago, led by credit expansion of 15%. Deposits too posted a sound 14% growth, thanks in particular to the insurge of household cash savings in the final months prior to the euro changeover. In addition, primary banking deposits had been boosted by funds redeemed from the mutual fund business, which has had a difficult year due to the negative performance of the global financial markets.

The overall sound growth of banking volumes, however, hides huge differences between client segments. In particular, the deposit base expansion was driven solely by the retail segment. By contrast, corporates, hit by deterioration of cash flows and rising borrowing costs withdrew part of their deposits with banks. In credit, positive volume growth was posted by all main market segments, but the growth rates were far from even. Retail lending expanded 25%, corporate a mere 10%.

Against this backdrop, VUB performed very well, improving its share of both the credit and deposit markets. In particular, we outgrew competition in lending, having grown our consolidated loan book by 31%, more than twice the growth rate of the sector. As a result, our share of the loan market leapt from 14.4% at the end of 2007 to 16.7% by the end of 2008. We outgrew competition also in the deposit market, having grown primary deposits on the Bank's balance sheet by 20%. To be fair, we performed worse than competition in the asset management business, losing 40% of our funds, compared to 29% contraction of the market as a whole. Importantly, we have been able to retain most of the redeemed funds in our bank deposits and on consolidated basis increase primary deposits by robust 19%. Our combined market share of bank deposits and funds under management thus increased to 19.3% from 18.6% a year ago.

Commercial results achieved last year by individual business units of VUB group reveal to our strategy of being a universal banking group, caring for each client, be it a big corporation or a private individual. On the retail front, we further increased market share of both the household credit and the deposit markets. In particular, we further reinforced our leadership in the mortgage finance, having grown our mortgage book by nearly 38% and approaching 27% share of the relevant market. We also continued to systematically grow consumer loans, both via the Bank as well as our specialized subsidiary, Consumer Finance Holding. On the deposit market, we have anticipated the impact of euro changeover on household saving behaviour. By providing competitive interest rates and introducing a special "Euroflexi" deposit we were able in the final quarter of this past year to attract additional household term deposits worth EUR 700 million. We were also successful on the current account front and together increased our market share of household deposits to 18.8%, from 17.8% a year ago.

As mentioned earlier, our mutual fund business has been hit by the meltdown of the global financial markets. Bad performance of the money market fund especially was triggering important redemptions, which reduce the size of this fund, our largest, by year-end to just one half of its peak in August. The negative performance of the global equity markets inevitably hit also the performance of pension funds, including our joint pension fund venture with Generali Slovensko. Importantly, though, by focusing on our customers and emphasizing the long-term nature of pension savings and investing in the markets we were able to maintain the trust of 198 thousand pension clients, whose assets under our management grew last year 30%.

Turning now to the corporate banking, I am happy to report that we have sustained the turnaround initiated in the year 2007. This holds both of the SME as well as big corporate loan book, which grew by strong 31% and 28%, respectively. Solid expansion applied also to our new subsidiary VUB leasing (former BOF leasing), which grew leased assets by 22%. Thanks to fast growth, share of VUB on bank loans to nonfinancial corporates last year jumped to 14.1%, from 11.8% a year earlier. Share of overall corporate lending increased to 12.7% from 10.5%. On the deposit front, our growth was hampered by the external environment, which strapped firms of profit and cash. Despite these external headwinds, however, we were able to increase corporate deposits, by 5.5% overall. Because the market shrank, our share jumped to 20.3% from 18.9% a year ago.

Concluding review of individual business units with the Treasury, I am especially proud of our ability to continue issuing longer-dated mortgage backed bonds despite the adverse global environment for such products. By doing so we lowered our risk profile with respect to the fast growing mortgage portfolio. Speaking of Treasury activities, I would also like to mention our leadership in advisory for the adoption of the euro. Particular thanks in this respect belongs to Mrs Elena Kohutikova, head of Financial & Capital Markets and now VUB's new deputy CEO, whose unique know-how and enthusiasm has been primal in our euro success.

Strong business growth results have been reflected in our financial performance. On consolidated basis, VUB has generated revenues of EUR 501 million up 17% over a year ago. While focusing on growth, we have remained disciplined over costs. Indeed, operating costs on the group level increased just by 10% and reached EUR 248 million, including EUR 8 million costs of euro changeover. Thanks to growth of revenues overtaking expenses, our cost to income ratio fell to 49.5%, from 52.8% in 2007. Operating profit before impairment and provision reached EUR 253 million, an increase by 25% over a year ago. After adjustments for provisions, impairment losses, and income tax, the Group posted a net profit of EUR 168.5 million, also an increase by 25% over the previous year.

The results of 2008 are clearly excellent. Going forward, unfortunatelly, it will be more than difficult to surpass them any time soon. The small and open Slovak economy simply can not escape the haunt of recession in Europe. Banking sector, as an integral part of the economy, will too be suffering the pain. Quality of outstanding assets will decline along deteriorating corporate profits and rising unemployment. In turn, increase in provisions for non-performing loans will sink banks' post-provision profitability as well as capital base. Expense-wise, funding costs will remain at crisis-elevated levels, exerting pressure on margins. As a result, efficiency ratios will inevitably deteriorate, forcing some banks to streamline operations.

Against this backdrop, our cost management initiatives – including the project Optimum – which we implemented in the boom years of 2006/7 reveal additional sense and managerial foresight. We are now a healthy and lean institution boasting best operating efficiency on the market. This makes us competitively well placed to withstand some of the pain inflicted upon the banking sector by the economic downturn. And crucially, it allows us to concentrate now more on our customers rather than our cost base.

Indeed, I believe, that focus on customers, active listening and direct contact with them has never been a greater priority than during this complex period! In this respect, we have proceeded with an integrated set of initiatives to improve customer service. In particular, to improve client retention, a new "customer care" unit has been created. It reports directly to CEO and focuses on complaint resolution and reduction. In cooperation with Intesa Sanpaolo, we started a project "100% Listening", which aims to increase satisfaction and loyalty of our customers. Measurements done during this project told that overall customer satisfaction with VUB is relatively high. More importantly, however, it revealed several areas that we need to improve to increase loyalty of our clients. In the branch network, for example, opening hours and waiting time has to be tailored better to improve quality and client accessibility. In the head office, the focus must be on further improvement of transparency of processes and reduction of activities that create no value yet unduly burden colleagues in direct contact with clients. Generation of ideas and action plans to improve customer satisfaction applies also to our employees, whose proactivity in this respect will be most welcome and rewarded.

Commercially, previously planned targets will have to be carefully monitored and reassessed against the weakening operating environment. One ongoing priority, nonetheless, has to be further innovation of our product portfolio. In the retail segment, we need to maintain attractiveness of all our main product lines, from current accounts to consumer loans and mortgages. In corporate banking, focus will be on strengthening our position in the non-lending business, from deposits to cash management and payments/transactions business. Critically, to improve competitiveness of our product portfolio, we must shorten time between idea generation and product introduction to the market.

In conclusion, I would like to thank our employees for their commitment, hard work, and great results of this past year. I also would like to thank VUB clients and business partners for the trust they hold in the Bank, and the shareholders for their support. Clearly, the year 2009 will be extremely challenging. Uncertainty is exceptionally high. I nonetheless firmly believe the VUB team will continue to deliver the best possible performance for the benefit of our clients.

Ignacio Jaquotot
CEO and Chairman of the Management Board

Development of the External Environment

External Environment

The Slovak economy marked very important milestones in 2008. The first and probably the most strategic one was fulfilment of the Maastricht Criteria in spring 2008, which ultimately opened the door to the accession to the European Currency Union on January 1, 2009. The second and equally important objective was setting of the fixed conversion rate at EUR/SKK 30.126 at the beginning of July preceded by the second revaluation of the central parity in ERM II in May owing to a rapid appreciation of Koruna against Euro. With a view to growing instability fuelled by the global economic and financial crisis, the timing of joining the Eurozone and fixing of the conversion rate proved absolutely critical for Slovakia in the months to come.

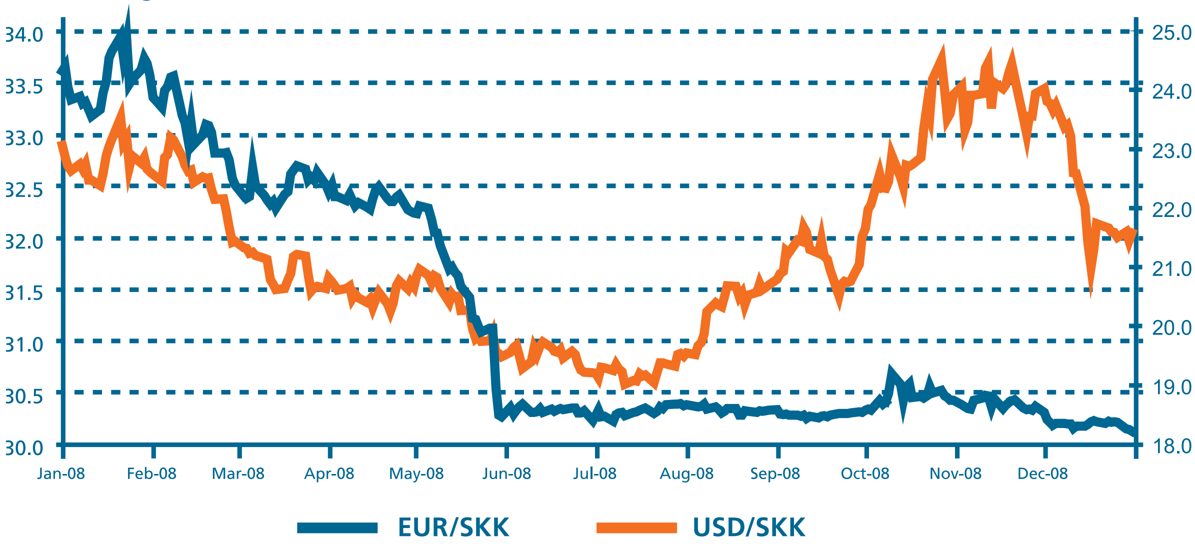
Indeed, a slowdown in the production and gradual exacerbation of outlook for further growth of the developed European economies has also begun to raise questions about future economic growth of the emerging Central European economies including Slovakia. As a result, such doubts negatively affected the Central European currencies in the second half of 2008, stock markets and also long-term interest rates. Thus, the fixed conversion rate and higher rating helped to shield Slovakia from massive outflow of funds encountered by its neighbours. Nevertheless, Slovakia could not completely escape the negative impact caused by a dramatic slowdown in foreign demand and its influence on the growth of economy. While the Slovak economy was slowing down moderately over the first three quarters of 2008 in line with expectations, the last quarter saw only a 2.5% actual GDP growth compared to the cumulative average growth of 7.9% over the first three quarters. In the year 2008, the Slovak economy grew at a pace of 6.4%, which was whole 4%-points lower than in the previous record-high year.

Similarly, the negative financial and economic trends at the end of 2008 were also partially reflected in performance of the banking industry, which, however, reported again good results for the whole 2008. Both loan and deposit volumes continued to grow at 15% and 14%, respectively. It should be noted that the inflow of deposits owed mainly to a massive outflow of investments from mutual funds to current and term bank accounts following the losses the mutual funds incurred as a result of falling financial markets in the second half of the year. Another factor driving deposits to the banking system was the Euro adoption and related inflow of household cash savings.

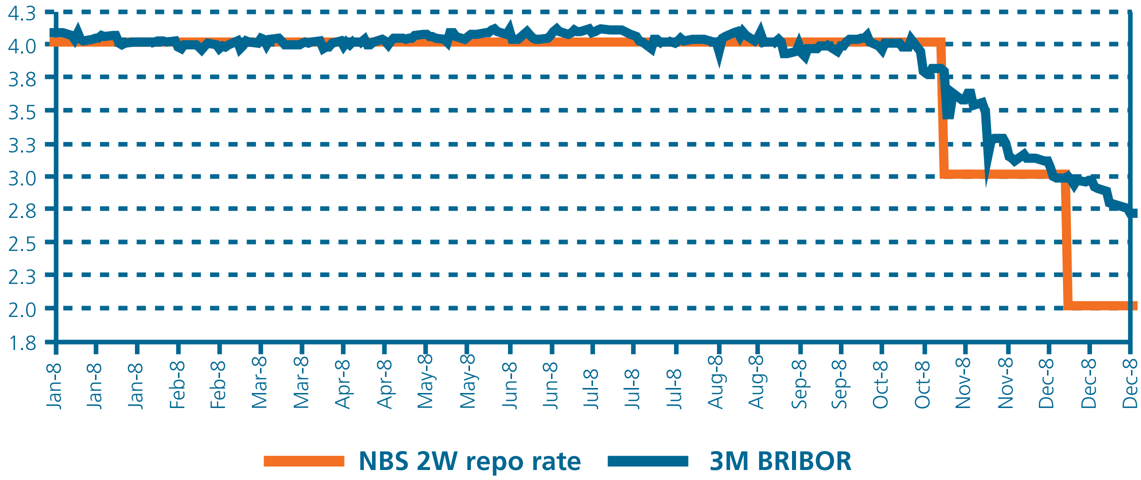
2009 Macro Outlook

In many respects, the year 2009 is not going to be easy at all. Adverse macroeconomic data at the end 2008 already ushered in the complexity of global economy worries. Slovakia is no exception. The cyclical research, which apart from evaluation of the actual situation also takes future expectations of companies and consumers into account, has implied further worsening of the economic activity at least in the first half of 2009. Given the open nature of the Slovak economy and current and anticipated recession of the European economy, Slovakia will not avoid further reduction in the economic growth in 2009. To make things even worse, the Slovak GDP growth appears to be set in the downward direction. For this reason, a prediction that after reporting record-high GDP growth for several consecutive years the global crisis might pull the Slovak economy down to recession in 2009 appears likely. Combined with drying investments, rising unemployment rate and falling consumption, such prospects definitely pose a great risk to both businesses and banking industry. A lower demand for loans and a greater risk aversion will most presumably set the banking industry to a conservative path in 2009, which will translate into a slower growth in loans, deposits and also profitability.

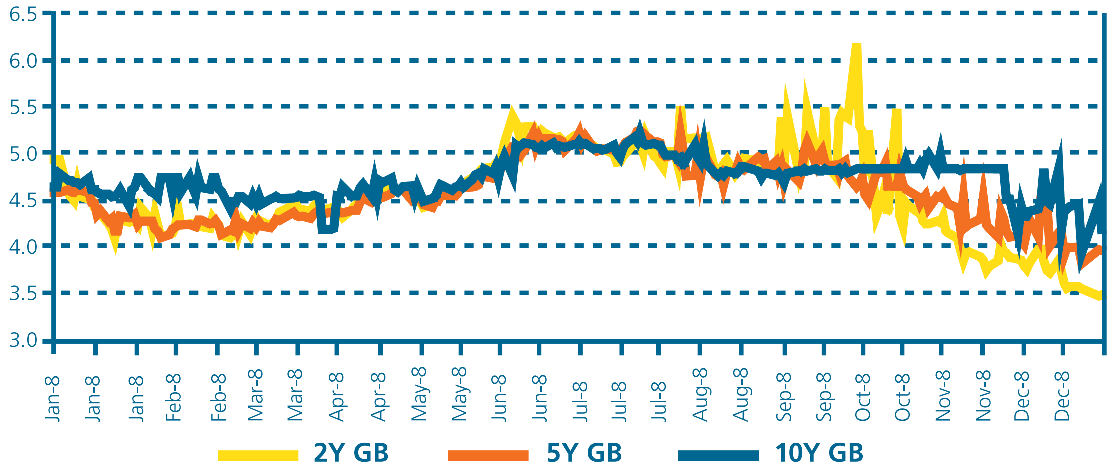
Echange rate EUR/SKK and USD/SKK



Development of interest rates



Government bond yields



VUB's 2008 Commercial Performance

VUB Performance in 2008

The year 2008 could be characterized by intense preparations for adoption of the single European currency in VUB. Aside from growing market shares in both retail and corporate banking, the bank paid an utmost attention to all processes required for a smooth conversion to the new currency – Euro in an effort to become a clear conversion leader in the banking industry.

Constantly growing volumes in mortgage and consumer finance have attested to the bank's dominant market position in property finance services, products and financial advisory. Moreover, a significant progress was achieved in financing both large corporate and SME customers. The corporate governance puts the great emphasis on enhancing customer satisfaction with quality of services provided and building mutual trust, which has been proven by excellent results in corporate loans. The customer orientation is also reflected in ongoing projects aimed at continuous improvements in customer services by means of enhancing accessibility, effective complaint management and claims handling, innovating key products, continuing redesign of a wide branch network counting 227 retail branches and mortgage centres and 32 corporate branches and further developing alternative distribution channels. A number of prizes awarded in several categories of Gold Coin 2008 contest by financial experts indicate the bank's achievements.

Deposits:
Customer deposits totalled EUR 8.1 bln. (SKK 245 bln.) at the end of 2008, which represented almost a 20% increase year-on-year. The dynamic growth was mainly fuelled by term deposits collected from retail customers in relation to the approaching date of the Euro conversion as well as inflow from mutual funds. The bank also managed to appeal to customers with Euroflexideposit, a special product, which, apart from an extraordinary yield, also offered a safe conversion of funds from Slovak Koruna to Euro. Similarly, current accounts dominated by flexiaccount remained an attractive option for customers growing by additional 22%. The bank has also defended its position in the shrinking corporate deposit market mainly owing to an increase in corporate current account balance by more than 20% year-on-year.

Electronic Banking:
VUB continued to upgrade its nonstop banking services such as Kontakt, Internet Banking, Internet Banking Plus, Mobile Banking, Business Banking and MultiCash throughout 2008. As of December 31, 2008, the bank had more than 600 thd. active electronic banking customers. As a result, the number of customers using Internet Banking and Mobile Banking increased vis-à-vis 2007.

Furthermore, several new features were added to Internet Banking such as a sale of pre-approved corporate loans called Corporate Credit Line, sale of Eurizon and Generali mutual funds, credit card notifications, log-on security information (the basic security rules, computer security recommendations, phishing and pharming warning, and such information). Account balance or account transactions were on dual display in Internet Banking on the day the conversion rate was set.

The Kontakt Centre began selling Cardiff insurance, flexiloans, allowing clients to report loss of documents by telephone and providing services to holders of NAY co-branded credit cards issued in the Czech Republic. The fact that VUB scored best in a research carried out by STEM/MARK Agency also attested to the bank's readiness and professional level of electronic communication and provision of Euro related information.

Bank Cards
In 2008, VUB began issuing smart payment cards that represent the latest technology providing customers with a safer method of payment. All VUB debit and credit smart payment cards were redesigned featuring motifs taken from the VUB Foundation's 2006 and 2007 Painting contest. In addition, the validity period of all payment cards (except for the virtual ones) has been prolonged to 3 years.

Moreover, the bank has introduced a new Loyalty Programme Plus for holders of MasterCard Original+ credit payment cards who may qualify for an annual card fee refund after meeting the set conditions.

For security reasons, MasterCard Original+ credit card holders may choose to have sms and e-mail notifications about payment card use, card account balance, payment transactions and new products and services sent free of charge.

1,353 new VUB EFT POS terminals were installed throughout 2008. Operating 5928 EFT POS terminals in total, the bank's market share stands at 19% and volume-wise at about 23%.

51 new ATM were installed and 26 closed in 2008 representing thus a net increase of 25 ATM. Serving customers with a total of 541 ATM resulted in a market share of almost 24%.

Loans

Individuals – Mortgage and Consumer Loans

With almost 27% market share, VUB has continued to dominate the mortgage finance market. Compared to 2007, the bank sold 38% mortgages more mainly owing to a record-high sale of fleximortgages totalling EUR 0.7 bln. (SKK 21.5 bln.). Similarly, consumer loans, very popular with customers, matched the dynamic growth of the mortgage loan portfolio at 34%. This growth was fuelled by innovated Flexiloan product totalling almost EUR 0.4 bln. (SKK 12.5 bln.). The bank also managed to keep a strong hold on the retail loan market in association with Consumer Finance Holding. The loans directly granted by the subsidiary totalled EUR 208 ml. (SKK 6.3 bln.) marking thus a 11.9% year-on-year increase.

Corporate Loans

VUB also continued to expand in the corporate loan market throughout 2008. Once again, owing to a strong appetite for borrowing of both large and SME customers, the bank sold over 30% loans more vis-à-vis 2007. Project and property finance of large corporate customers rose by more than 60% coupled with a 107% growth in volume of overdraft loans. Compared to 2007, the bank provided 27% more loans to SME customers in 2008. In addition to the rapid growth in loan volumes, VUB also focused on retaining credit portfolio quality by putting great emphasis on risk management.

Domestic and International Payments

In 2008, domestic and foreign payments routed via VUB amounted to almost EUR 0.8 bln. (SKK 25 bln.) and EUR 21 bln. (SKK 630 bln.), respectively. This helped the bank to defend its significant position in the payments market, in particular foreign payments. While the bank's market share in domestic payments stood at 8%, it processed as much as 13% of all foreign payments made in the banking industry. Foreign outgoing payments also grew fast by 47% year-on-year.

Basic Indicators

Basic Indicators in SKK million

	Individual IFRS			Consolidated IFRS		
	2008	2007	2006	2008	2007	2006
Balance sheet						
Loans and advances to customers	158,532	119,931	89,169	170,747	130,020	92,522
Deposits from customers	244,960	205,137	179,084	244,916	205,278	178,856
Equity	24,448	21,900	21,211	25,269	22,006	20,749
Total assets	326,983	275,140	238,231	338,386	284,567	240,977
Income statement			**Restated**			**Restated**
Operating income	12,597	10,981	9,955	15,091	12,895	11,712
Operating expenses	(6,137)	(5,812)	(5,517)	(7,469)	(6,808)	(6,400))
Operating profit before impairment and provisions	6,460	5,169	4,438	7,622	6,087	5,312
Profit from operations	5,354	4,537	4,805	6,228	5,208	4,872
Net profit for the year	4,363	3,500	3,758	5,076	4,067	3,747

Commercial indicators	2008	2007
ATMs	541	516
EFT POS terminals	5,928	5,364
Payment cards	1,232 999	1,147 805
Credit cards	354 349	307 376
Mortgage loans (in SKK bln.)	57,5	41,7
Consumer loans (in SKK bln)	16,1	12,2
Number of employees (VUB group)	4 111	3 940
Number of branches	259	225

Rating (status as at 21 December 2008)	
Moody’s	
Long-term deposits	Aa3
Short-term deposits	P-1
Financial strength	C-

Consolidated financial statements for the year ended 31 December 2008 prepared in accordance with International Financial Reporting Standards

Ernst & Young Slovakia, spol. s r.o.
Hodžovo námestie 1A
811 06 Bratislava
Slovenská republika
Tel: +421 2 3333 9111
Fax: +421 2 3333 9222
www.ey.com/sk

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 consolidated companies ('the Group'), which comprise the consolidated balance sheet as at 31 December 2008, the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

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

6 March 2009
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 audítorov vedenom Slovenskou komorou audítorov pod č. 257.

Consolidated balance sheet at 31 December 2008
(In millions of Slovak Koruna)

	Notes	2008	2007
Assets			
Cash and balances with central banks	4	15,214	4,493
Loans and advances to banks	5	43,299	35,279
Financial assets held for trading	6	23,836	10,664
Derivative financial instruments	7	1,836	1,055
Available-for-sale financial assets	8	7,985	2,673
Non-current assets held for sale	15	51	348
Loans and advances to customers	9	170,747	130,020
Held-to-maturity investments	11	66,266	90,721
Investments in associates and jointly controlled entities	12	156	146
Intangible assets	13	1,701	2,037
Goodwill	14	885	885
Property and equipment	15	5,492	5,703
Deferred income tax assets	20	255	-
Other assets	16	663	543
		338,386	284,567
Liabilities			
Deposits from central and other banks	17	27,588	21,663
Derivative financial instruments	7	1,581	1,034
Deposits from customers	18	244,916	205,278
Debt securities in issue	19	34,283	28,033
Current income tax liabilities	20	804	739
Deferred income tax liabilities	20	–	458
Provisions	21	909	973
Other liabilities	22	3,036	4,383
		313,117	262,561
Equity			
Share capital	23	12,978	12,978
Share premium	23	403	403
Reserves		2,595	2,609
Retained earnings		9,293	6,016
		25,269	22,006
		338,386	284,567
Financial commitments and contingencies	24	69,091	77,245

The accompanying notes on pages 17 to 71 form an integral part of these financial statements.
These financial statements were authorized for issue by the Management Board on 6 March 2009.

Ignacio Jaquotot
Chairman of the Management Board

Domenico Cristarella
Member of the Management Board

Consolidated income statement for the year ended 31 December 2008

(In millions of Slovak Koruna)

	Notes	2008	2007
Interest and similar income		17,295	14,788
Interest expense and similar charges		(7,154)	(6,279)
Net interest income	25	10,141	8,509
Fee and commission income		3,963	3,518
Fee and commission expense		(808)	(718)
Net fee and commission income	26	3,155	2,800
Net trading income	27	1,251	1,264
Other operating income	28	511	322
Dividend income		33	–
Operating income		15,091	12,895
Salaries and employee benefits	29	(2,946)	(2,483)
Other operating expenses	30	(3,182)	(3,206)
Amortization	13	(639)	(504)
Depreciation	15	(702)	(615)
Operating expenses		(7,469)	(6,808)
Operating profit before impairment and provisions		7,622	6,087
Impairment losses and provisions	31	(1,394)	(879)
Profit from operations		6,228	5,208
Share of profit of associates and jointly controlled entities		10	7
Profit before tax		6,238	5,215
Income tax expense	32	(1,162)	(1,148)
Net profit for the year		5,076	4,067
Basic and diluted earnings per share in Slovak Koruna	23	391	313

The accompanying notes on pages 17 to 71 form an integral part of these financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2008

(In millions of Slovak Koruna)

	Share capital	Share premium	Legal reserve fund	Other capital funds	Revaluation reserve	Hedging reserve	Retained earnings	Total
At 1 January 2007	12,978	403	2,636	9	(27)	–	4,750	20,749
Translation of a foreign operation	–	–	–	–	–	–	6	6
Available-for-sale financial assets	–	–	–	–	2	–	–	2
Derivatives held for hedging	–	–	–	–	–	(2)	–	(2)
Total income and expense recognized directly in equity	–	–	–	–	2	(2)	6	6
Net profit for the year	–	–	–	–	–	–	4,067	4,067
Total income and expense for the year	–	–	–	–	2	(2)	4,073	4,073
Dividends to shareholders	–	–	–	–	–	–	(2,816)	(2,816)
Other	–	–	–	(9)	–	–	9	–
At 31 December 2007	12,978	403	2,636	–	(25)	(2)	6,016	22,006
At 1 January 2008	12,978	403	2,636	–	(25)	(2)	6,016	22,006
Translation of a foreign operation	–	–	–	–	–	–	(47)	(47)
Available-for-sale financial assets	–	–	–	–	9	–	–	9
Derivatives held for hedging	–	–	–	–	–	(23)	–	(23)
Total income and expense recognized directly in equity	–	–	–	–	9	(23)	(47)	(61)
Net profit for the year	–	–	–	–	–	–	5,076	5,076
Total income and expense for the year	–	–	–	–	9	(23)	5,029	5,015
Dividends to shareholders	–	–	–	–	–	–	(1,752)	(1,752)
At 31 December 2008	12,978	403	2,636	–	(16)	(25)	9,293	25,269

The accompanying notes on pages 17 to 71 form an integral part of these financial statements.

Consolidated cash flow statement for the year ended 31 December 2008

(In millions of Slovak Koruna)

	Notes	2008	2007
Cash flows from operating activities			
Profit before changes in operating assets and liabilities	33	6,794	7,168
Loans and advances to banks		(178)	7,004
Financial assets held for trading		(3,171)	(77)
Derivative financial instruments (positive)		(804)	1,335
Available-for-sale financial assets		(5,304)	70
Loans and advances to customers		(41,889)	(38,221)
Other assets		(121)	48
Deposits from central banks		(8)	(1,225)
Deposits from other banks		6,005	5,089
Derivative financial instruments (negative)		547	(1,020)
Deposits from customers		39,414	26,355
Other liabilities		(1,309)	228
Net cash (used in)/from operating activities		(24)	6,754
Cash flows from investing activities			
Purchase of held-to-maturity investments		(1,648)	(9,451)
Repayments of held-to-maturity investments		25,536	5,684
Purchase of intangible assets and property and equipment		(863)	(727)
Disposal of property and equipment		415	38
Acquisition of consolidated companies		(110)	(299)
Net cash from/(used in) investing activities		23,330	(4,755)
Cash flows from financing activities			
Proceeds from issue of debt securities		8,926	6,583
Repayments of debt securities		(1,886)	(1,000)
Dividends paid		(1,752)	(2,816)
Net cash from financing activities		5,288	2,767
Net change in cash and cash equivalents		28,594	4,766
Cash and cash equivalents at beginning of the year	3	47,265	42,499
Cash and cash equivalents at end of the year	3	75,859	47,265

The accompanying notes on pages 17 to 71 form an integral part of these financial statements.

Notes to the consolidated financial statements for the year ended 31 December 2008

prepared in accordance with International Financial Reporting Standards

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 2008, the Bank had a network of 259 points of sale (including Retail Branches, Corporate Branches and Mortgage centers) located throughout Slovakia (December 2007: 225 without detached sub-branches). The year to year increase was caused mainly by the reclassification of 24 detached sub-branches to retail branches. The Bank also has one branch in the Czech Republic.

Members of the Management Board are: Ignacio Jaquotot (Chairman), Jonathan Locke, Domenico Cristarella, Jozef Kausich, Ivan Golian, Elena Kohútiková, Dinko Lucić, Vladimíra Josefiová (until January 31, 2008), Silvia Púchovská (from February 1, 2008), Alexander Resch (from April 7, 2008), Daniele Fanin (from July 17, 2008).

Members of the Supervisory Board are: György Surányi (Chairman), Ezio Salvai (Vice Chairman), Giovanni Boccolini (Vice Chairman until April 7, 2008), Adriano Arietti, Paolo Grandi, Massimo Pierdicchi, Paolo Sarcinelli, Ján Mikušinec (until November 28, 2008), Pavel Kárász (until December 15, 2008), Ján Sedláček (until December 15, 2008), Jana Finková (from November 28, 2008), Ján Gallo (from December 15, 2008) and Juraj Jurenka (from December 15, 2008).

1.2 The VUB Group

The consolidated financial statements for the year ended 31 December 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 in 2008	Share in 2007	Principal business activity
Subsidiaries			
Consumer Finance Holding, a.s. ('CFH')	100%	100%	Consumer finance business
VÚB Leasing, a. s. ('VÚB Leasing') (previously B.O.F., a.s.)	100%	100%	Finance leases
VÚB poisťovací maklér s. r. o. (previously B.O.F. 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.	100%	100%	Finance leases
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 2008, the VUB Group had a total network of 268 points of sale (2007: 233).

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

2. Summary of significant accounting policies

2.1 Basis of preparation

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

The Group decided to apply IFRS 8 Operating Segments for the accounting period beginning on 1 January 2007 as permitted by the Standard.

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 millions of Slovak Koruna (SKK), unless indicated otherwise.

Negative values are presented in brackets.

2.2 Changes in accounting policies

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

The accounting policies adopted are consistent with those of the previous financial year.

The following standards, amendments and interpretations of published standards are mandatory for accounting periods beginning on or after 1 January 2008:

- IAS 39, Financial Instruments: Recognition and Measurement and IFRS 7, Financial Instruments: Disclosures (Amendments)
  The amendments allow reclassification of certain financial instruments from held for trading and available for sale categories. The VUB Group did not reclassify any financial instruments during 2008.

Standards, amendments and interpretations of existing applicable standards that are not yet effective and have not been early adopted by the VUB Group

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the VUB Group's accounting periods beginning on or after 1 January 2009 or later periods, but the VUB Group has not adopted them early:

- IFRS 1 (Revised), First-time Adoption of International Financial Reporting Standards (effective for annual periods beginning on or after 1 January 2009)
- IFRS 3 (Revised), Business Combinations (effective for annual periods beginning on or after July 1, 2009)
- IAS 1 (Revised), Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009)

- IAS 23 (Revised), Borrowing Costs (effective for annual periods beginning on or after 1 January 2009)
- IAS 27 (Amended), Consolidated and Separate Financial Statements (effective for annual periods beginning on or after July 1, 2009)
- IAS 32 (Amended) Financial Instruments: Presentation (effective for annual periods beginning on or after 1 January 2009)
- IFRS Improvements Standard (May 2008)

  Part I - contains amendments that result in accounting changes for presentation, recognition or measurement purposes
  - IFRS 5, Non-current Assets Held for Sale and Discontinued Operations (effective for annual period beginning on or after July 1, 2009)
  - IAS 1, Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009)
  - IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2009)
  - IAS 19 Employee Benefits (effective for annual periods beginning on or after 1 January 2009)
  - IAS 23 Borrowing Costs (effective for annual periods beginning on or after 1 January 2009)
  - IAS 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 January 2009)
  - IAS 28 Investments in Associates (effective for annual periods beginning on or after 1 January 2009)
  - IAS 31 Interests in Joint Ventures (effective for annual periods beginning on or after 1 January 2009)
  - IAS 36 Impairment of Assets (effective for annual periods beginning on or after 1 January 2009)
  - IAS 38 Intangible Assets (effective for annual periods beginning on or after 1 January 2009)
  - IAS 39 Financial Instruments: Recognition and Measurement (effective for annual periods beginning on or after 1 January 2009)

  Part II - contains amendments that are terminology or editorial changes only, which the Board expects to have no or minimal effect on accounting (all effective for annual periods beginning on or after 1 January 2009)
  - IFRS 7 Financial Instruments: Disclosure
  - IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors
  - IAS 10: Events after the Reporting Period
  - IAS 18 Revenue

Management of the Group believes that the future adoption of these standards, interpretations and amendments will not have any material effect on the financial performance or position of the VUB Group and is assessing the impact of the interpretations.

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 minority 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 the financial and operating policies. The financial statements include the Group's share of the 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. Because of the market size, the VUB Group operates as a single geographical segment unit.

2.5 Foreign currency transactions

Monetary assets and liabilities in foreign currencies are translated to SKK at the official National Bank of Slovakia ('NBS') exchange rates prevailing at the balance sheet date. Income and expenses denominated in foreign currencies are reported at the NBS exchange rates prevailing at the date of the transaction.

The difference between the contractual exchange rate of a transaction and the 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 SKK at the foreign exchange rate prevailing at the balance sheet date. The revenues and expenses of foreign operations are translated to SKK 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 the

Czech National Bank ('CNB'), 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 the CNB.

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 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 the income statement 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 income statement in 'Net trading income'. Interest earned on securities held for trading is accrued on a daily basis and reported in the income statement in ‚Interest and similar income'.

(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.

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 balance sheet date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at 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 the income statement, the impairment loss is reversed through the income statement.

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 the income statement - is removed from equity and recognized in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognized directly in equity.

Unrealized gains and losses arising from changes in the fair value of available-for-sale securities are recognized on a daily basis in the ‚Revaluation reserve' in equity.

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

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

Held-to-maturity investments are carried at 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 income statement 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 balance sheet under the original caption and the liability from the received loan is included in ‚Deposits from central and other banks' or 'Deposits from 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 balance sheet 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 balance sheet 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 income statement.

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 directly in equity in the 'Hedging reserve'. The ineffective portion of the gain or loss on the hedging instrument is recognized immediately in the income statement in ‚Net trading income'.

When the hedged cash flow affects the income statement, the gain or loss on the hedging instrument is ‚recycled' in the corresponding income or expense line of the income statement. 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 existing in equity at that time remains in equity and is recognized when the hedged expected transaction is ultimately recognized in the income statement. When an expected transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement in 'Net trading income'.

2.13 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet, 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 balance sheet.

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 balance sheet 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 income statement.

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 income statement 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
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 to 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 income statement 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 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 income statement 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 income statement in 'Impairment losses and provisions'.

2.22 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.

2.23 Interest income

Interest income and expense is recognized in the income statement 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 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.

2.25 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 income statement 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 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 values 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'.

2.28 Fiduciary assets

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

2.29 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 balance sheet date 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, provisions for off-balance sheet risks, depreciable lives and residual values of tangible and intangible assets, impairment losses on tangible and intangible assets, provisions for employee benefits and legal claims.

Fair value of financial instruments
Where the fair values of financial assets and financial liabilities recorded on the balance sheet 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 income statement. 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 agreed maturity of less than 90 days:

	Notes	2008	2007
Cash and balances with central banks	4	15,214	4,493
Current accounts in other banks	5	1,651	973
Treasury bills and other eligible bills	6	19,973	9,967
Term deposits with central and other banks		20,045	3,117
Loans and advances to central and other banks		18,976	28,715
		75,859	47,265

4. Cash and balances with central banks

	2008	2007
Balances with central banks:		
Compulsory minimum reserves	2,909	666
Current accounts	2,002	1,022
	4,911	1,688
Cash in hand	10,303	2,805
	15,214	4,493

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 is calculated as 2% of a monthly average balance of selected customer deposits.

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.

The increased Cash in hand was caused by increased Deposits from customers due to the introduction of the Euro (note 38).

5. Loans and advances to banks

	2008	2007
Current accounts in other banks (note 3)	1,651	973
Loans and advances to:		
Central banks	18,976	19,912
Other banks	2,651	11,101
Term deposits with:		
Central banks	19,219	2,396
Other banks	826	923
Impairment losses (note 10)	(24)	(26)
	43,299	35,279

6. Financial assets held for trading

	2008	2007
Treasury bills and other eligible bills with contractual maturity less than 90 days (note 3)	19,973	9,967
Treasury bills and other eligible bills with contractual maturity over 90 days	1,955	–
State bonds	1,777	514
Bank bonds	–	8
Corporate bonds	131	175
	23,836	10,664

All securities held for trading are listed. At 31 December 2008 and 2007, the VUB Group did not pledge any bonds to secure transactions with counterparties.

7. Derivative financial instruments

	2008 Positive	2007 Positive	2008 Negative	2007 Negative
Trading derivatives	1,836	1,055	(1,550)	(1,032)
Cash flow hedges of interest rate risk	–	–	(31)	(2)
	1,836	1,055	(1,581)	(1,034)

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 2008, the total positive fair value of such derivatives was SKK 77 million (2007: SKK 86 million) and the negative fair value was SKK 61 million (2007: SKK 45 million).

	2008 Positive	2007 Positive	2008 Negative	2007 Negative
Trading derivatives – Fair values				
Interest rate instruments				
Swaps	668	517	(665)	(439)
Forward rate agreements	2	18	(11)	(12)
Options	31	–	(32)	–
	701	535	(708)	(451)
Foreign currency instruments				
Forwards and swaps	841	183	(607)	(314)
Cross currency swaps	77	86	(13)	(16)
Options	208	143	(213)	(143)
	1,126	412	(833)	(473)
Equity and commodity instruments				
Equity options	4	103	(4)	(103)
Commodity options	5	5	(5)	(5)
	9	108	(9)	(108)
	1,836	1,055	(1,550)	(1,032)

	2008 Assets	2007 Assets	2008 Liabilities	2007 Liabilities
Trading derivatives – Notional values				
Interest rate instruments				
Swaps	25,312	38,428	25,312	38,428
Forward rate agreements	8,971	21,482	8,971	21,482
Options	544	–	544	–
	34,827	59,910	34,827	59,910
Foreign currency instruments				
Forwards and swaps	32,877	36,734	32,645	36,841
Cross currency swaps	2,036	2,273	1,971	2,199
Options	885	3,541	885	3,539
	35,798	42,548	35,501	42,579
Equity and commodity instruments				
Equity options	931	680	931	680
Commodity options	130	76	130	76
	1,061	756	1,061	756
	71,686	103,214	71,389	103,245

Cash flow hedges of interest rate risk

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

8. Available-for-sale financial assets

	Share in 2008	Share in 2007	2008	2007
Treasury bills and other eligible bills			3,882	–
Bank bonds at fair value			2,837	2,654
State bonds at fair value			1,236	–
Equity shares at cost				
RVS, a.s.	8.38%	8.26%	17	17
S.W.I.F.T.	0.02%	0.02%	2	2
Visa Inc.	0.04%	0.00%	11	-
			30	19
			7,985	2,673

In 2008 and in 2007, the VUB Group did not pledge any bonds to secure transactions with counterparties.

9. Loans and advances to customers

	Amortized cost	Impairment losses (note 10)	Carrying amount
31 December 2008			
Sovereigns			
State organizations/Municipalities	980	–	980
	980	–	980
Corporate			
Other Financial Institutions	7,034	(10)	7,024
Large Corporates – Amortizing assets	31,124	(870)	30,254
Large Corporates – Revolving facilities	8,247	(188)	8,059
SME – Amortizing assets	17,339	(197)	17,142
SME – Revolving facilities	8,052	(205)	7,847
Non-profit organizations	158	(2)	156
Leasing	6,595	(160)	6,435
Factoring	2,155	(28)	2,127
	80,704	(1,660)	79,044
Retail			
Small business – Amortizing assets	3,555	(326)	3,229
Small business – Revolving facilities	1,337	(225)	1,112
Small business – Leasing	429	(11)	418
Private individuals – Consumer Loans	23,062	(1,945)	21,117
Private individuals – Credit Cards	5,987	(486)	5,501
Private individuals – Overdrafts	2,433	(167)	2,266
Private individuals – Mortgages	57,485	(672)	56,813
Private individuals – Leasing	144	(3)	141
Other	138	(12)	126
	94,570	(3,847)	90,723
	176,254	(5,507)	170,747

	Amortized cost	Impairment losses (note 10)	Carrying amount
31 December 2007			
Sovereigns			
State organizations/Municipalities	1,205	–	1,205
	1,205	–	1,205
Corporate			
Other Financial Institutions	4,580	(7)	4,573
Large Corporates – Amortizing assets	26,140	(747)	25,393
Large Corporates – Revolving facilities	4,598	(112)	4,486
SME – Amortizing assets	13,057	(249)	12,808
SME – Revolving facilities	6,470	(167)	6,303
Non-profit organizations	37	–	37
Leasing	4,512	(126)	4,386
Factoring	1,802	(13)	1,789
	61,196	(1,421)	59,775
Retail			
Small business – Amortizing assets	2,075	(238)	1,837
Small business – Revolving facilities	855	(106)	749
Small business – Leasing	1,219	(33)	1,186
Private individuals – Consumer Loans	18,096	(1,040)	17,056
Private individuals – Credit Cards	5,068	(397)	4,671
Private individuals – Overdrafts	2,192	(137)	2,055
Private individuals – Mortgages	41,726	(558)	41,168
Private individuals – Leasing	231	(7)	224
Other	107	(13)	94
	71,569	(2,529)	69,040
	133,970	(3,950)	130,020

At 31 December 2008, the 20 largest corporate customers represented a total balance of SKK 20,611 million (2007: SKK 19,751 million) or 12% (2007: 15%) of the gross loan portfolio.

During 2008, the net gain from loans and advances to customers written off and transferred amounted to SKK 230 million (2007: net loss of SKK 1,251 million) (note 31).

Maturities of gross finance lease receivables are as follows:

	2008	2007
Up to 1 year	3,244	2,800
1 to 5 years	4,357	4,846
Over 5 years	798	216
	8,399	7,862
Unearned future finance income on finance leases	(1,231)	(1,900)
Impairment losses	(174)	(166)
	6,994	5,796

Maturities of net finance lease receivables are as follows:

	2008	2007
Up to 1 year	2,730	2,513
1 to 5 years	3,607	3,078
Over 5 years	657	205
	6,994	5,796

10. Impairment losses

	Note	1 Jan 2008	Creation/ (Reversal) (note 31)	FX gains	Other	31 Dec 2008
Loans and advances to banks	5	26	1	(3)	–	24
Loans and advances to customers	9	3,950	1,587	(30)	–	5,507
Held-to-maturity investments	11	20	(3)	(2)	–	15
Intangible fixed assets	13	–	–	–	6	6
Property and equipment	15	2	(1)	–	–	1
Other assets	16	139	1	1	–	141
		4,137	1,585	(34)	6	5,694

	Note	1 Jan 2007	(Reversal)/ Creation (note 31)	FX gains	Other[1]	31 Dec 2007
Loans and advances to banks	5	33	(6)	(1)	–	26
Loans and advances to customers	9	4,236	(443)	(1)	158	3,950
Held-to-maturity investments	11	24	(3)	(1)	–	20
Property and equipment	15	2	–	–	–	2
Non-current assets held for sale		12	(12)	–	–	–
Other assets	16	27	40	–	72	139
		4,334	(424)	(3)	230	4,137

[1] Other represents the acquired company

11. Held-to-maturity investments

	2008	2007
State restructuring bonds	18,835	35,065
State bonds	38,846	47,134
Bank bonds and other bonds issued by financial sector	7,159	7,270
Corporate notes and bonds	1,441	1,272
	66,281	90,741
Impairment losses (note 10)	(15)	(20)
	66,266	90,721

The VUB Group pledged state bonds in total nominal value of SKK 38,525 million (31 December 2007: SKK 2,862 million) 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 SKK 58.6 billion, and Slovenská konsolidačná ('SKO') with a gross value of SKK 7.6 billion, which gave rise to the Bank's receivables from KBB and SKO in the total amount of SKK 66.2 billion. In January and March 2001, these receivables were swapped at par for state restructuring bonds with a total nominal value of SKK 66.2 billion.

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 2008 and 2007, the Group held in its portfolio the following state restructuring bonds:

(a) 10-year state bonds with a nominal value of SKK 11,044 million, due on 30 January 2011, bearing variable interest rate for 6M BRIBOR;
(b) 10-year state bonds with a nominal value of SKK 7,497 million, due on 29 March 2011, bearing variable interest rate of 6M BRIBOR.

Two 7-year state restructuring bonds held in held-to-maturity portfolio at 31 December 2007 with nominal values of SKK 11,300 million and SKK 4,700 million were fully repaid on 30 January 2008 and 29 March 2008.

12. Investments in associates and jointly controlled entities

	Share in %	Cost	Revaluation	Carrying amount
At 31 December 2008				
Slovak Banking Credit Bureau, s.r.o.	33.3	–	1	1
VÚB Generali DSS, a.s.	50.0	500	(345)	155
		500	(344)	156
At 31 December 2007				
Slovak Banking Credit Bureau, s.r.o.	33.3	–	1	1
VÚB Generali DSS, a.s.	50.0	500	(355)	145
		500	(354)	146

The net investment in the Slovak Banking Credit Bureau is SKK 100 thousand.

Share of profit of associates and jointly controlled entities reported in the income statement is as follows:

	2008	2007
Revaluation at 1 January	(354)	(361)
Share of profit	10	7
Revaluation at 31 December	(344)	(354)

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

	2008	2007
Assets	165	154
Liabilities	10	9
Equity	155	145
Net profit for the year	10	7

13. Intangible assets

	Software	Other intangible assets	Assets in progress	Total
Cost				
At 1 January 2008	4,251	1,723	161	6,135
Additions	7	–	299	306
Disposals	(20)	(122)	–	(142)
Transfers	260	34	(294)	–
At 31 December 2008	4,498	1,635	166	6,299
Amortization				
At 1 January 2008	(3,463)	(635)	–	(4,098)
Amortization for the year	(381)	(252)	(6)*	(639)
Disposals	19	120	–	139
At 31 December 2008	(3,825)	(767)	(6)	(4,598)
Carrying amount				
At 1 January 2008	788	1,088	161	2,037
At 31 December 2008	673	868	160	1,701

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

	Software	Other intangible assets	Assets in progress	Total
Cost				
At 1 January 2007	3,835	1,361	172	5,368
Additions	–	–	510	510
Disposals	(16)	–	(30)	(46)
Transfers	399	92	(491)	–
Acquisition of subsidiaries	33	270	–	303
At 31 December 2007	4,251	1,723	161	6,135
Amortization				
At 1 January 2007	(3,136)	(447)	–	(3,583)
Amortization for the year	(316)	(188)	–	(504)
Disposals	12	–	–	12
Acquisition of subsidiaries	(23)	–	–	(23)
At 31 December 2007	(3,463)	(635)	–	(4,098)
Carrying amount				
At 1 January 2007	699	914	172	1,785
At 31 December 2007	788	1,088	161	2,037

14. Goodwill

	2008	2007
VÚB Leasing, a. s.	315	315
Consumer Finance Holding, a.s.	570	570
	885	885

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 (SKK 219 million) and goodwill arising from the future purchase of the minority shareholding (SKK 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.

The goodwill is reviewed for impairment annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. In terms of IFRS 3, both VÚB Leasing, a. s. and CFH are considered to be one cash generating unit.

The basis on which the recoverable amount of VÚB Leasing and CFH has been determined is the value in use calculation, using cash flow projections based on most recent financial budgets approved by senior management covering a 3-year period. The discount rate applied to cash flow projections beyond the three year period are extrapolated using a projected growth rate.

The following rates are used by the Group:

	VUB Leasing		CFH	
	2008	2007	2008	2007
Discount rate	12.31%	13.01%	22.81%	25.77%
Projected growth rate	4.50%	6.00%	1.50%	2.90%

The calculation of value in use for both VÚB 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.

VUB Leasing
On the tumble market, company forecasts stable volume of new business with comparable or slightly decreasing margins. This will reinforce VÚB Leasing market position again. VÚB Leasing puts emphasis on financial leasing as core product and does not expand loan products as installment sale or pre-financing of suppliers bearing higher risks. Moreover, company carefully watches operating leasing market and opportunities which offers this type of financing in depressed economy.

CFH

According to the product curve, maturing products, such as instalment loans, have been forecasted with a stable or slightly decreasing volume and decreasing margins assuming that the market share of CFH is kept constant. More recent product lines, such as credit cards, have been forecasted with an increasing volume and slightly decreasing margins.

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.

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

	Buildings and land	Equipment	Other tangibles	Assets in progress	Total
Cost					
At 1 January 2008	6,288	3,198	1,323	157	10,966
Additions	–	6	85	497	588
Disposals	(90)	(475)	(209)	–	(774)
Transfers	150	177	75	(402)	–
At 31 December 2008	6,348	2,906	1,274	252	10,780
Depreciation					
At 1 January 2008	(1,846)	(2,589)	(826)	–	(5,261)
Depreciation for the year	(318)	(231)	(153)	–	(702)
Disposals	59	452	165	–	676
At 31 December 2008	(2,105)	(2,368)	(814)	-	(5,287)
Impairment losses (note 10)					
At 1 January 2008	(2)	–	–	–	(2)
Net reversal	1	–	–	-	1
At 31 December 2008	(1)	–	–	–	(1)
Carrying amount					
At 1 January 2008	4,440	609	497	157	5,703
At 31 December 2008	4,242	538	460	252	5,492

	Buildings and land	Equipment	Other tangibles	Assets in progress	Total
Cost					
At 1 January 2007	6,701	3,127	1,136	324	11,288
Additions	–	–	–	226	226
Disposals	(556)	(217)	(96)	–	(869)
Transfers	120	234	39	(393)	–
Acquisition of subsidiaries	23	54	244	–	321
At 31 December 2007	6,288	3,198	1,323	157	10,966
Depreciation					
At 1 January 2007	(1,759)	(2,546)	(708)	–	(5,013)
Depreciation for the year	(279)	(237)	(99)	–	(615)
Disposals	200	225	89	–	514
Acquisition of subsidiaries	(8)	(31)	(108)	–	(147)
At 31 December 2007	(1,846)	(2,589)	(826)	–	(5,261)
Impairment losses (note 10)					
At 1 January 2007	(2)	–	–	–	(2)
Net reversal	–	–	–	–	–
At 31 December 2007	(2)	–	–	–	(2)
Carrying amount					
At 1 January 2007	4,940	581	428	324	6,273
At 31 December 2007	4,440	609	497	157	5,703

At 31 December 2008 and 31 December 2007, the VUB Group held in its portfolio of non-current assets held for sale buildings as follows:

	2008	2007
Cost	72	533
Accumulated depreciation	(21)	(185)
	51	348

16. Other assets

	2008	2007
Operating receivables and advances	429	465
Prepayments and accrued income	150	110
Inventories	99	56
Other tax receivables	90	51
Settlement of operations with financial instruments	8	–
Other	28	–
	804	682
Impairment losses (note 10)	(141)	(139)
	663	543

17. Deposits from central and other banks

	2008	2007
Deposits from central banks		
Current accounts	1,621	1,626
Loans received	2	5
	1,623	1,631
Deposits from other banks		
Current accounts	5,324	2,951
Term deposits	11,632	11,390
Loans received	9,009	5,193
Promissory notes	–	498
	25,965	20,032
	27,588	21,663

18. Deposits from customers

	2008	200
Current accounts	78,574	67,256
Term deposits	104,106	81,914
Savings accounts	10,214	9,436
Government and municipal deposits	45,512	40,921
Loans received	565	685
Promissory notes	4,745	4,645
Other deposits	1,200	421
	244,916	205,278

19. Debt securities in issue

	2008	2007
Bonds	2,940	3,308
Mortgage bonds	31,343	24,725
	34,283	28,033

	Currency	Nominal amount (currency)	Nominal amount (SKK)
Mortgage bonds issued in 2008			
Mortgage bonds VUB, a.s. 34	SKK	900	900
Mortgage bonds VUB, a.s. 35	SKK	630	630
Mortgage bonds VUB, a.s. 36	SKK	560	560
Mortgage bonds VUB, a.s. 37	EUR	40	1,205
Mortgage bonds VUB, a.s. 38	SKK	317	317
Mortgage bonds VUB, a.s. 39	EUR	60	1,808
Mortgage bonds VUB, a.s. 40	EUR	70	2,109
Mortgage bonds VUB, a.s. 41	USD	34	727
Mortgage bonds VUB, a.s. 43	SKK	500	500
Mortgage bonds VUB, a.s. 45	SKK	161	161
Mortgage bonds matured in 2008	SKK	1,521	1,521
Mortgage bonds issued in 2007			
Mortgage bonds VUB, a.s. XXVII	SKK	500	500
Mortgage bonds VUB, a.s. XXVIII	CZK	1,000	1,263
Mortgage bonds VUB, a.s. XXIX	SKK	500	500
Mortgage bonds VUB, a.s. XXX	SKK	1,000	1,000
Mortgage bonds VUB, a.s. XXXI	SKK	600	600
Mortgage bonds VUB, a.s. 32	CZK	800	1,010
Mortgage bonds VUB, a.s. 33	SKK	550	550
Mortgage bonds matured in 2007	SKK	1,000	1,000

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

20. Current and deferred income taxes

	2008	2007
Deferred income tax asset	255	–

	2008	2007
Current income tax liabilities	804	739
Deferred income tax liabilities	–	458
	804	1,197

Deferred income taxes are calculated on all temporary differences using a tax rate of 19% (2007: 19%) as follows:

	2008	2007
Loans and advances to banks and Held-to-maturity investments	(343)	(346)
Derivative financial instruments	6	–
Available-for-sale financial assets	4	7
Loans and advances to customers	725	99
Intangible assets	(105)	(132)
Property and equipment	(98)	(99)
Other liabilities and provisions	118	58
Tax losses carried forward	–	6
Intangible assets identified on acquisition	(40)	(51)
Other	(12)	–
	255	(458)

21. Provisions

	2008	2007
Litigations (note 30, note 24)	909	973

The movement in provisions was as follows:

	1 Jan 2008	Creation/ (Reversal)	31 Dec 2008
Litigations (note 30, note 24)	973	(64)	909

In May 2008, the Group released SKK 100 million provision to litigation in relation to the litigation case that was won on the Supreme court.

	1 Jan 2007	Creation/ (Reversal)	Acquired Company	31 Dec 2007
Litigations (note 30, note 24)	990	(22)	5	973

22. Other liabilities

	2008	2007
Various creditors	859	1,263
Factoring	206	262
Payables from the acquisition of subsidiaries - CFH	–	501
Payables from the acquisition of subsidiaries - VÚB Leasing	128	471
Payables for the minority interest - VÚB Leasing	426	420
Payables from dividends	–	343
Settlement with employees	652	608
Financial guarantees and commitments	354	315
VAT payables and other tax payables	122	87
Settlements with shareholders	44	–
Accruals and deferred income	165	76
Retention program	26	12
Severance	18	25
Other	36	–
	3,036	4,383

The movements in provision for financial guarantees and commitments, severance and retention program were as follows:

	Note	1 Jan 2008	Creation/ (Reversal)	31 Dec 2008
Financial guarantees and commitments	31	315	39	354
Retention program	29	12	14	26
Severance	29	25	(7)	18
		352	46	398

23. Share capital

	2008	2007
Authorized, issued and fully paid:		
89 ordinary shares of SKK 100,000,000 each, not traded	8,900	8,900
4,078,108 ordinary shares of SKK 1,000 each, publicly traded	4,078	4,078
	12,978	12,978
Net profit for the year attributable to shareholders	5,076	4,067
Divided by 12,978,108 ordinary shares of SKK 1,000 each		
Basic and diluted earnings per share in SKK	391	313

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:

	2008	2007
Intesa Holding International S.A.	96.49%	96.49%
Domestic shareholders	2.95%	2.94%
Foreign shareholders	0.56%	0.57%
	100.00%	100.00%

The VUB Group's regulatory capital position at 31 December 2008 and 2007 was as follows:

	2008	2007
Tier 1 capital		
Share capital	12,978	12,978
Share premium	403	403
Retained earnings without net profit for the year	4,217	1,946
Legal reserve fund	2,636	2,636
Less goodwill and software (incl. software in Assets in progress)	(1,715)	(1,790)
	18,519	16,173
Tier 2 capital	–	–
Regulatory adjustment		
Investments in associates and jointly controlled entities	(156)	(146)
Total regulatory capital	18,363	16,027

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).

The 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 Group complied with the NBS requirement for the capital adequacy ratio as at 31 December 2008 and 2007.

24. Financial commitments and contingencies

	2008	2007
Issued guarantees	12,502	11,417
Commitments and undrawn credit facilities	56,589	65,828
	69,091	77,245

(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 makes provisions 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 2008 and 2007 was as follows:

	2008	2007
Up to 1 year	58	53
1 to 5 years	115	87
Over 5 years	–	–
	173	140

(d) Operating lease - the Group as a lessor
The 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 2008 and 2007 are as follows:

	2008	2007
Up to 1 year	50	41
1 to 5 years	46	59
Over 5 years	–	–
	96	100

(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 2008. Pursuant to this review, Management has recorded as of 31 December 2008 total provisions of SKK 909 million (31 December 2007: SKK 973 million) 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 SKK 468 million, as at 31 December 2008 (31 December 2007: SKK 460 million). This amount represents existing legal proceedings against the VUB Group that according to the opinion of the Legal Department of the Bank will most probably not result in any payments due by the VUB Group.

25. Net interest income

	2008	2007
Interest and similar income		
Loans and advances to banks	1,309	1,502
Loans and advances to customers	12,193	8,924
Bonds, treasury bills and other securities:		
Financial assets held for trading	543	383
Available-for-sale financial assets	112	128
Held-to-maturity investments	3,138	3,851
	17,295	14,788
Interest expense and similar charges		
Deposits from banks	(624)	(734)
Deposits from customers	(4,805)	(4,350)
Debt securities in issue	(1,725)	(1,195)
	(7,154)	(6,279)
	10,141	8,509

Interest income on individually impaired loans and advances to customers for 2008 amounted to SKK 103 million (2007: SKK 156 million).

26. Net fee and commission income

	2008	2007
Fee and commission income		
Received from banks	206	193
Received from customers	3,511	3,048
Received from other financial operations	246	277
	3,963	3,518
Fee and commission expense		
Paid to banks	(286)	(254)
Paid to agents	(476)	(430)
Paid due to other financial operations	(46)	(34)
	(808)	(718)
	3,155	2,800

27. Net trading income

	2008	2007
Foreign currency derivatives and transactions	1,295	1,051
Interest rate derivatives	(17)	13
Securities:		
Financial assets held for trading	(31)	5
Available-for-sale financial assets	–	195
Held-to-maturity investments	4	–
	1,251	1,264

28. Other operating income

	2008	2007
Rent	52	52
Sales of consumer goods	97	137
Income from leasing	118	–
Other services	63	56
Net profit from sale of fixed assets	48	3
Other	133	74
	511	322

29. Salaries and employee benefits

	2008	2007
Remuneration	(2,175)	(1,816)
Social security costs	(740)	(676)
Social fund	(24)	(21)
Provision for retention program (note 22)	(14)	5
Provision for severance (note 22)	7	25
	(2,946)	(2,483)

The total number of employees of the VUB Group at 31 December 2008 was 4,111 (2007: 3,940).

The remuneration and other benefits provided to members of the Supervisory Board and the Management Board in 2008 was SKK 132 million (2007: SKK 112 million).

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

	2008	2007
IT systems maintenance	(483)	(338)
Property related expenses	(394)	(394)
Advertising and marketing	(516)	(472)
Post and telecom	(415)	(404)
Equipment related expenses	(252)	(238)
VAT and other taxes	(247)	(228)
Contribution to the Deposit Protection Fund	(198)	(173)
Professional services	(147)	(214)
Security	(147)	(133)
Stationery	(177)	(148)
Training	(38)	(39)
Travel	(32)	(28)
Other damages	(36)	(30)
Insurance	(26)	(15)
Transport	(53)	(16)
Audit	(22)*	(19)
Litigations paid	(7)	(225)
Provision for litigations (note 21)	64	22
Other operating expenses	(56)	(114)
	(3,182)	(3,206)

* In 2008 Audit expense consists of the statutory audits of the Group companies in the amount of SKK 9 million, group reporting in the amount of SKK 9 million and other reporting in the amount of SKK 4 million.

31. Impairment losses and provisions

	2008	2007
Net (creation)/reversal of impairment losses (note 10)	(1,585)	424
Net creation of financial guarantees and commitments (note 22)	(39)	(40)
	(1,624)	384
Non-current assets sold	–	(12)
Nominal value of loans written-off	(103)	(692)
Nominal value of loans transferred	(566)	(1,455)
Proceeds from loans written-off	343	349
Proceeds from loans transferred	556	547
	230	(1,251)
	(1,394)	(879)

32. Income tax expense

	2008	2007
Current income tax	(1,872)	(1,071)
Deferred income tax	710	(77)
	(1,162)	(1,148)

The movement in the income statement in deferred taxes is as follows:

	2008	2007
Loans and advances to banks and Held-to-maturity investments	3	(1)
Loans and advances to customers	626	(1)
Intangible assets	1	29
Property and equipment	27	(60)
Other liabilities and provisions	60	(34)
Tax losses carried forward	(6)	(10)
Intangible assets identified on acquisition	11	–
Other	(12)	–
	710	(77)

The effective tax rate differs from the statutory tax rate in 2008 and in 2007.

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

	2008	2007
Profit before tax	6,238	5,215
Applicable tax rate	19.00%	19.00%
Theoretical tax charge	(1,185)	(991)
Permanent differences and previously unrecognized deferred tax assets	10	(146)
Adjustments for current tax of prior periods	13	(11)
Tax expense	(1,162)	(1,148)
Effective tax rate	18.64%	22.01%

33. Profit before changes in operating assets and liabilities

	2008	2007
Profit before tax	6,238	5,215
Adjustments for:		
Amortization	639	504
Depreciation	702	615
Securities held for trading and available-for-sale securities and FX difference	(772)	(66)
Share of loss of associates and jointly controlled entities	(10)	(7)
Interest income	(17,295)	(14,788)
Interest expense	7,154	6,279
Dividend income	(33)	–
Sale of property and equipment	(48)	9
Provisions and impairment losses	1,340	858
Interest received	17,667	14,245
Interest paid	(7,011)	(5,970)
Dividends received	33	–
Tax paid/received	(1,810)	274
	6,794	7,168

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

(f) Deposits from banks and customers
The estimated fair value of deposits from banks approximates their carrying amounts. The fair value of deposits from customers with short term maturity (under one year) is estimated by discounting their future cash flows using the risk free interest rate curve. 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 Group as the issuer.

	Note	Trading	Held-to maturity	Loans and receivables	Available-for-sale	Other amortized cost	Total carrying amount	Fair value
31 December 2008								
Cash and balances with central banks	4	–	–	15,214	–	–	15,214	15,214
Loans and advances to banks	5	–	–	43,299	–	–	43,299	43,299
Financial assets held for trading	6	23,836	–	–	–	–	23,836	23,836
Derivative financial instruments	7	1,836	–	–	–	–	1,836	1,836
Available-for-sale financial assets	8	–	–	–	7,985	–	7,985	7,985
Loans and advances to customers	9	–	–	170,747	–	–	170,747	177,404
Held-to-maturity investments	11	–	66,266	–	–	–	66,266	65,995
Investments in associates and jointly controlled entities	12	–	–	–	-	156	156	156
		25,672	66,266	229,260	7,985	156	329,339	335,725
Deposits from central and other banks	17	–	–	–	–	27,588	27,588	27,588
Derivative financial instruments	7	1,581	-	–	–	–	1,581	1,581
Deposits from customers	18	–	–	–	–	244,916	244,916	242,691
Debt securities in issue	19	–	–	–	–	34,283	34,283	33,441
		1,581	–	–	–	306,787	308,368	305,301

	Note	Trading	Held-to maturity	Loans and receivables	Available-for-sale	Other amortized cost	Total carrying amount	Fair value
31 December 2007								
Cash and balances with central banks	4	–	–	4,493	–	–	4,493	4,493
Loans and advances to banks	5	–	–	35,279	–	–	35,279	35,279
Financial assets held for trading	6	10,664	–	–	–	–	10,664	10,664
Derivative financial instruments	7	1,055	–	–	–	–	1,055	1,055
Available-for-sale financial assets	8	–	–	–	2,673	–	2,673	2,673
Loans and advances to customers	9	–	–	130,020	–	–	130,020	131,361
Held-to-maturity investments	11	–	90,721	–	–	–	90,721	90,086
Investments in associates and jointly controlled entities	12	–	–	–	–	146	146	146
		11,719	90,721	169,792	2,673	146	275,051	275,757
Deposits from central and other banks	17	–	–	–	–	21,663	21,663	21,663
Derivative financial instruments	7	1,034	–	–	–	–	1,034	1,034
Deposits from customers	18	–	–	–	–	205,278	205,278	205,050
Debt securities in issue	19	–	–	–	–	28,033	28,033	27,952
		1,034	–	–	–	254,974	256,008	255,699

35. 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')
- Corporate Credit Committee ('CCC')
- Retail Credit Committee ('RCC')
- 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 VUB 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 The framework in relation to the risks faced by the VUB 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 banks as well as investment securities. For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk). For risk management purposes, the credit risk arising on trading securities is managed independently, but reported as a component of market risk exposure.

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, Provisioning 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 Group's credit risk including:

- 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 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 provisioning 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 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 classified in three categories according to the level of impairment for each client. Performing loans are those, the impairment of which amounts up to 20% of the outstanding sum. Loans with impairment coverage higher than 20% and below 50% are classified as Substandard. Loans with coverage ratio higher than 50% are classified as Bad and Doubtful.

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

	2008			2007		
Category	Amortized cost	Impairment losses	Carrying amount	Amortized cost	Impairment losses	Carrying amount
Loans and advances to banks						
Performing	43,323	(24)	43,299	35,305	(26)	35,279
Loans and advances to customers						
Performing	171,204	(3,280)	167,924	131,656	(2,790)	128,866
Substandard	2,299	(396)	1,903	823	(247)	576
Bad and Doubtful	2,751	(1,831)	920	1,491	(913)	578
	176,254	(5,507)	170,747	133,970	(3,950)	130,020
Held-to-maturity investments						
Performing	66,224	–	66,224	90,678	–	90,678
Substandard	57	(15)	42	63	(20)	43
	66,281	(15)	66,266	90,741	(20)	90,721

As at 31 December 2008, the VUB Group had a potential credit exposure of SKK 2,511 million (31 December 2007: SKK 1,686 million) in the event of non-performance by counterparties to its financial derivative instruments. This represents the gross replacement cost at market rates at 31 December 2008 and 31 December 2007 of all outstanding agreements in the event of all counterparties defaulting and not allowing for netting arrangements.

The credit risk of financial assets not discussed above approximates their carrying amounts.

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.

		2008			2007	
	Amortized cost	Impairment losses	Carrying amount	Amortized cost	Impairment losses	Carrying amount
Loans and advances to banks						
No delinquency	43,022	(10)	43,012	35,035	(12)	35,023
31 – 60 days	–	–	–	205	(10)	195
61 – 90 days	–	–	–	–	–	–
91 – 180 days	149	(7)	142	65	(4)	61
Over 181 days	152	(7)	145	–	–	–
	43,323	(24)	43,299	35,305	(26)	35,279
Loans and advances to customers						
No delinquency	162,850	(3,011)	159,839	124,507	(2,723)	121,784
1 – 30 days	7,097	(357)	6,740	6,479	(368)	6,111
31 – 60 days	2,128	(212)	1,916	1,168	(147)	1,021
61 – 90 days	960	(169)	791	546	(121)	425
91 – 180 days	1,170	(385)	785	654	(274)	380
Over 181 days *	2,049	(1,373)	676	616	(317)	299
	176,254	(5,507)	170,747	133,970	(3,950)	130,020
Held-to-maturity investments						
No delinquency	66,281	(15)	66,266	90,741	(20)	90,721

*** Write-off Policy**

The VUB Group writes off a loan or security balance (and any related allowances for impairment losses) when the VUB Group determines that the loans or securities are uncollectible. As the standard, the VUB Group considers the credit balances to be uncollectible based on number of 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. Instead, the overdue receivables 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. In such a case, the write-off of such receivables is subject to the approval of the Credit Risk Officer.

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

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

	2008		2007	
	Clients	Banks	Clients	Banks
Debt securities	2	22,290	2	28,668
Other	23,389	1,341	12,126	607
Property	134,969	–	97,768	–
	158,360	23,631	109,896	29,275

The debt securities collateral received from banks represents the fair value of the collateral received in the reverse REPO deals 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 collaterals was sold or repledged at 31 December 2008 and 2007.

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

	2008			2007		
	Amortized cost	Impairment losses	Carrying amount	Amortized cost	Impairment losses	Carrying amount
Europe						
Loans and advances to banks	42,381	(6)	42,375	34,598	(2)	34,596
Loans and advances to customers	176,190	(5,506)	170,684	133,913	(3,949)	129,964
Held-to-maturity securities	66,224	–	66,224	90,671	(20)	90,651
	284,795	(5,512)	279,283	259,182	(3,971)	255,211
America						
Loans and advances to banks	938	(18)	920	700	(24)	676
Loans and advances to customers	22	(1)	21	34	(1)	33
Held-to-maturity securities	57	(15)	42	70	-	70
	1,017	(34)	983	804	(25)	779
Asia						
Loans and advances to banks	4	–	4	7	–	7
Loans and advances to customers	24	–	24	7	–	7
	28	–	28	14	–	14
Rest of the World						
Loans and advances to customers	18	–	18	16	–	16

Most of the loans reported in the 'Europe' item represented facilities to Slovak entities or residents. Generally, the Group does not engage in cross border lending.

(b) Market risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices, 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 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 into account 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 VUB 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 on 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:

SKK million	2008				2007			
	Balance	Avg	Max	Min	Balance	Avg	Max	Min
Foreign currency risk	2.76	2.42	7.56	0.67	1.61	1.74	6.01	0.24
Interest rate risk	12.42	8.98	13.09	4.58	4.58	4.72	9.46	1.95
Overall	11.56	9.40	13.26	4.26	4.15	5.18	9.95	1.94

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

The Risk Management division is responsible for monitoring these gaps at least on a monthly basis.

The management of interest rate risk is supported by monitoring the sensitivity of the Bank's financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios, which are considered on monthly basis, include a 1 basis point parallel rise in all yield curves worldwide and the same for 200 basis point shift.

An analysis of the Bank's sensitivity to an increase in market interest rates is as follows:

SKK million	2008	2007
1 basis point increase	(4)	(8)

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

The interest rate risk comprises 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.

Model applied for calculation of interest rate gap

Each item is mapped to the gap based on contractual or behavioural re-pricing day.

Contractual
This category includes items, 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. This group also includes items such as fixed assets, equity, provisions, etc., which have an indefinite maturity and have to be modelled as well.

Based on statistical methods a core portion of cash is calculated and this portion is amortized on a linear basis over 10 years and the remaining amount is classified as an overnight item. For current accounts the non-sensitive core portion of some clients' categories is calculated and is mapped to the gap as a linearly amortized item from 1 to 10 years. The remaining amount is classified in the overnight segment.

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

	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
31 December 2008						
Assets						
Cash and balances with central banks	16,753	–	–	269	269	17,291
Loans and advances to banks	505	2,632	214	797	–	4,148
Derivative financial instruments	–	–	2,938	–	–	2,938
Available-for-sale financial assets	400	9	5,397	2,664	–	8,470
Loans and advances to customers	32,629	52,246	54,099	39,183	6,874	185,031
Held-to-maturity investments	1,652	1,739	29,631	18,822	24,542	76,386
Investments in associates and jointly controlled entities	–	–	16	62	78	156
	51,939	56,626	92,295	61,797	31,763	294,420
Liabilities						
Deposits from central and other banks	(5,679)	(6,973)	(2,695)	(2,032)	–	(17,379)
Derivative financial instruments	–	–	(2,004)	(862)	–	(2,866)
Deposits from customers	(121,158)	(20,791)	(41,645)	(24,840)	(21,649)	(230,083)
Debt securities in issue	(3,179)	(14,317)	(6,139)	(7,754)	(6,287)	(37,676)
	(130,016)	(42,081)	(52,483)	(35,488)	(27,936)	(288,004)
Net position of financial instruments	(78,077)	14,545	39,812	26,309	3,827	6,416

	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
31 December 2007						
Assets						
Cash and balances with central banks	2,722	–	180	720	900	4,522
Loans and advances to banks	1,156	559	265	157	–	2,137
Derivative financial instruments	–	–	2,832	–	–	2,832
Available-for-sale financial assets	103	9	904	1,949	10	2,975
Loans and advances to customers	24,904	36,375	48,035	26,646	5,453	141,413
Held-to-maturity investments	19,413	7,339	23,925	25,363	26,170	102,210
Investments in associates and jointly controlled entities	–	–	15	58	73	146
	48,298	44,282	76,156	54,893	32,606	256,235
Liabilities						
Deposits from central and other banks	(10,148)	(2,295)	(2,200)	–	–	(14,643)
Derivative financial instruments	–	–	(2,276)	(592)	–	(2,868)
Deposits from customers	(119,958)	(16,187)	(20,317)	(16,840)	(19,023)	(192,325)
Debt securities in issue	(2,032)	(10,430)	(6,522)	(6,667)	(6,135)	(31,786)
	(132,138)	(28,912)	(31,315)	(24,099)	(25,158)	(241,622)
Net position of financial instruments	(83,840)	15,370	44,841	30,794	7,448	14,613

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

	2008 %	2007 %
Assets		
Cash and balances with central banks	1.44	1.51
Loans and advances to banks	3.78	3.89
Financial assets held for trading	4.18	4.14
Available-for-sale financial assets	3.92	3.84
Loans and advances to customers	7.69	7.64
Held-to-maturity investments	4.28	4.37
Liabilities		
Deposits from other banks	3.32	3.96
Deposits from customers	2.34	2.36
Debt securities in issue	4.60	4.33

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. The table below provides information on the currency denomination of the Group's assets and liabilities.

	SKK	EUR	USD	CZK	Other	Total
31 December 2008						
Assets						
Cash and balances with central banks	14,036	826	49	186	117	15,214
Loans and advances to banks	39,578	2,531	578	3	609	43,299
Financial assets held for trading	23,836	–	–	–	–	23,836
Derivative financial instruments	1,836	–	–	–	–	1,836
Available-for-sale financial assets	7,972	2	11	–	–	7,985
Loans and advances to customers	131,392	33,285	3,056	2,777	237	170,747
Held-to-maturity investments	64,840	1,426	–	–	–	66,266
Investments in associates and jointly controlled entities	156	–	–	–	–	156
	283,646	38,070	3,694	2,966	963	329,339
Liabilities						
Deposits from central and other banks	(19,212)	(7,897)	(2)	(286)	(191)	(27,588)
Derivative financial instruments	(1,581)	–	–	–	–	(1,581)
Deposits from customers	(202,527)	(35,434)	(4,159)	(1,826)	(970)	(244,916)
Debt securities in issue	(21,700)	(9,682)	(738)	(2,163)	–	(34,283)
	(245,020)	(53,013)	(4,899)	(4,275)	(1,161)	(308,368)
Net position	38,626	(14,943)	(1,205)	(1,309)	(198)	20,971

	SKK	EUR	USD	CZK	Other	Total
31 December 2007						
Assets						
Cash and balances with central banks	3,576	374	55	278	210	4,493
Loans and advances to banks	32,137	2,925	50	8	159	35,279
Financial assets held for trading	10,647	17	–	–	–	10,664
Derivative financial instruments	1,055	–	–	–	–	1,055
Available-for-sale financial assets	2,671	2	–	–	–	2,673
Loans and advances to customers	98,428	27,021	1,243	3,206	122	130,020
Held-to-maturity investments	89,213	1,460	–	–	48	90,721
Investments in associates and jointly controlled entities	146	–	–	–	–	146
	237,873	31,799	1,348	3,492	539	275,051
Liabilities						
Deposits from central and other banks	(10,946)	(8,568)	(1,303)	(579)	(267)	(21,663)
Derivative financial instruments	(1,034)	–	–	–	–	(1,034)
Deposits from customers	(171,556)	(25,497)	(4,226)	(2,911)	(1,088)	(205,278)
Debt securities in issue	(20,533)	(5,062)	–	(2,438)	–	(28,033)
	(204,069)	(39,127)	(5,529)	(5,928)	(1,355)	(256,008)
Net position	33,804	(7,328)	(4,181)	(2,436)	(816)	19,043

(c) Liquidity risk

Liquidity risk is a measure of the extent to which the Group may be required to raise funds to meet its commitments associated with financial instruments. The Group maintains its liquidity profiles in accordance with regulations laid down by the NBS.

The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan drawdowns, guarantees and from margin and other calls on cash settled derivatives. The Group sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

The daily liquidity position is monitored and the regular liquidity stress testing conducted. The daily liquidity position is limited by set of liquidity limits for particular time buckets. The Group has approved the liquidity contingency plan, which defines how to identify potential liquidity problems and how to act in liquidity crisis situations. All liquidity policies and procedures are subject to review and approval by ALCO and Intesa Sanpaolo.

The key measures used by the Group for managing medium and long term liquidity are two maturity mismatch rules.

Rule 1: Real Estate + Equity Investments <= Regulatory Capital
Rule 2: Medium term assets + 0.5 * Long Term Assets <= Long term liabilities + 0.5 * Medium term liabilities + 0.25 * (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:

	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Not specified	Total
31 December 2008							
Assets							
Cash and balances with central banks	17,215	–	–	–	–	–	17,215
Loans and advances to banks	40,689	12	178	2,046	966	7	43,898
Financial assets held for trading	20,005	39	2,027	1,405	817	–	24,293
Available-for-sale financial assets	–	9	5,113	3,182	159	–	8,463
Loans and advances to customers	10,135	14,340	38,048	74,805	95,392	1,269	233,989
Held-to-maturity investments	1,310	1,884	11,253	38,421	24,542	–	77,410
Investments in associates and jointly controlled entities	–	–	–	–	–	156	156
	89,354	16,284	56,619	119,859	121,876	1,432	405,424
Liabilities							
Deposits from central and other banks	(20,252)	(1,164)	(2,120)	(3,560)	(905)	–	(28,001)
Deposits from customers	(180,376)	(15,671)	(37,071)	(11,815)	(830)	–	(245,763)
Debt securities in issue	(202)	(1,285)	(3,484)	(18,145)	(14,244)	–	(37,360)
	(200,830)	(18,120)	(42,675)	(33,520)	(15,979)	–	(311,124)
Net financial instruments position	(111,476)	(1,836)	13,944	86,339	105,897	1,432	94,300
Cash inflows from derivatives	19,436	8,089	7,464	3,708	1,195	–	39,892
Cash outflows from derivatives	(19,293)	(7,891)	(7,569)	(3,573)	(1,195)	–	(39,521)
Net position from derivatives	143	198	(105)	135	–	–	371
Total net position	(111,333)	(1,638)	13,839	86,474	105,897	1,432	94,671

	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Not specified	Total
31 December 2007							
Assets							
Cash and balances with central banks	4,522	–	–	–	–	–	4,522
Loans and advances to banks	33,198	49	1,031	1,886	513	27	36,704
Financial assets held for trading	5,006	5,008	14	582	260	–	10,870
Available-for-sale financial assets	–	9	902	1,941	–	19	2,871
Loans and advances to customers	8,266	7,957	31,210	49,301	52,420	9,919	159,073
Held-to-maturity investments	12,098	7,512	2,329	57,451	26,170	–	105,560
Investments in associates and jointly controlled entities	–	–	–	–	–	146	146
	63,090	20,535	35,486	111,161	79,363	10,111	319,746
Liabilities							
Deposits from central and other banks	(14,225)	(3,642)	(2,701)	(902)	(665)	–	(22,135)
Deposits from customers	(169,612)	(13,842)	(20,186)	(2,344)	(15)	–	(205,999)
Debt securities in issue	(25)	(197)	(2,861)	(21,588)	(10,354)	(36)	(35,061)
	(183,862)	(17,681)	(25,748)	(24,834)	(11,034)	(36)	(263,195)
Net financial instruments position	(120,772)	2,854	9,738	86,327	68,329	10,075	56,551
Cash inflows from derivatives	26,509	6,310	9,200	4,429	1,742	–	48,190
Cash outflows from derivatives	(26,577)	(6,206)	(9,344)	(4,369)	(1,706)	–	(48,202)
Net position from derivatives	(68)	104	(144)	60	36	–	(12)
Total net position	(120,840)	2,958	9,594	86,387	68,365	10,075	56,539

(d) Operational risk

Operational risk is defined as ‚the risk of losses resulting from the unsuitability or failure of procedures, human resources and internal systems, or from external events. Operational Risk also includes legal risk while strategic and reputational risks are not included'.

The definition of operational risk, according to Basel II, excludes strategic and reputational risk but includes legal risk. Legal risk means the risk of losses stemming from the violation of laws and regulations, contractual liabilities or liabilities outside the terms of a contract, or from other disputes.

In recent years, the Group has commenced projects aimed at the adoption of the Standardized Approach under Basel II from 1 January 2008 and the advanced operational risk management model in 2009. The local project activities are coordinated by the Intesa Sanpaolo Head Office.

The Bank has a centralized function within the Risk Management Division for the management of the Group's operational risks. This function is responsible 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 accordance with the standards and principles defined by Intesa Sanpaolo Head Office.

In compliance with current requirements, the Group's organizational units have been involved in the process and each of them was assigned responsibility for the identification, assessment, management and mitigation of its operational risks; specific officers and departments have been identified within these organizational units to be responsible for Operational Risk Management.

The Intesa Sanpaolo Group's internal model is designed to combine all the main quantitative (historical loss data) and qualitative information sources (scenario analysis). The quantitative component is based on a statistical analysis of historical loss data, relating to internal or external events (including through the participation of Intesa Sanpaolo in consortium initiatives). The qualitative component focuses on an assessment of the risk exposure of each unit and is based on the structured collection of subjective estimates aimed at assessment of specific scenarios identified on the basis of event types set out in the New Capital Accord (Basel II).

Capital-at-Risk is therefore identified as the sum required at the Group's level, net of insurance cover, to cover the maximum potential annual loss. Capital-at-Risk is estimated using the Loss Distribution Approach model (actuarial statistical model to calculate the Value-at-Risk of operational losses), applied to quantitative and qualitative data assuming a one-year estimation period, with a level of confidence of 99.9% (99.96% for economic measurement).

The Group utilizes a traditional operational risk transfer policy (insurance) with the objective of mitigating the impact of any unexpected losses.

Compliance with the Group's standards is supported by a program of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and the senior management of the Group.

36. 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 SKK 30 million to SKK 1,000 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 SKK 1,000 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.

	Retail Banking	Corporate Banking	Central Treasury	Other	Total
31 December 2008					
External revenue					
Interest income	7,635	4,464	5,138	58	17,295
Interest expense	(3,453)	(1,871)	(1,821)	(9)	(7,154)
Inter-segment revenue	2,292	(380)	(2,800)	888	–
Net interest income	6,474	2,213	517	937	10,141
Net fee and commission income	2,573	529	45	8	3,155
Net trading income	456	545	245	5	1,251
Other operating income	199	170	–	142	511
Dividend income	–	–	–	33	33
Total segment operating income	9,702	3,457	807	1,125	15,091
Depreciation and amortization	(830)	(164)	(7)	(340)	(1,341)
Operating expenses					(6,128)
Operating profit before impairment and provisions					7,622
Impairment losses and provisions	(946)	(373)	(6)	(69)	(1,394)
Income tax expense					(1,162)
Share of profit of associates and jointly controlled entities					10
Net profit for the year					5,076
Segment assets	91,608	81,640	145,507	19,631	338,386
Segment liabilities	171,656	68,754	70,660	27,316	338,386

	Retail Banking	Corporate Banking	Central Treasury	Other	Total
31 December 2007					
External revenue					
Interest income	6,135	2,779	5,795	79	14,788
Interest expense	(2,575)	(1,725)	(1,987)	8	(6,279)
Inter-segment revenue	2,263	471	(3,664)	930	–
Net interest income	5,823	1,525	144	1,017	8,509
Net fee and commission income	2,280	467	53	–	2,800
Net trading income	397	454	411	2	1,264
Other operating income	263	8	–	51	322
Dividend income	–	–	–	–	–
Total segment operating income	8,763	2,454	608	1,070	12,895
Depreciation and amortization	(769)	(40)	(6)	(304)	(1,119)
Operating expenses					(5,689)
Operating profit before impairment and provisions					6,087
Impairment losses and provisions	(812)	(76)	9	–	(879)
Income tax expense					(1,148)
Share of profit of associates and jointly controlled entities					7
Net profit for the year					4,067
Segment assets	75,054	59,873	141,063	8,577	284,567
Segment liabilities	127,081	69,279	63,090	25,117	284,567

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 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, i.e. those persons in charge of and responsible 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 held, directly or indirectly, by any person described in (c) or (d) or over which such a person is able to exercise significant control. 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 addition to legal form, emphasis is also put on substance of the relationship when the links to specific party are assessed. The majority of related party transactions have been made under arms-length commercial and banking conditions.

At 31 December 2008 and 31 December 2007, significant outstanding balances with related parties comprised:

	2008	2007
Loans and advances		
Key management personnel	8	6
Shareholder and companies controlled by shareholder	2,003	1,746
	2,011	1,752
Derivative transactions (notional amount)		
Shareholder and companies controlled by shareholder	8,839	12,749
Securities		
Shareholder and companies controlled by shareholder	1,834	2,654
Customer accounts		
Key management personnel	65	38
Affiliated companies	–	21
Shareholder and companies controlled by shareholder	7,938	4,517
	8,003	4,576
Debt securities in issue		
Bonds - Key management personnel	12	–
Bonds - Affiliated companies	96	100
Mortgage bonds - Shareholder and companies controlled by shareholder	10,419	–
	10,527	100
Other liabilities (liabilities from the acquisition of subsidiaries)		
Key management personnel	–	501

38. Events after the balance sheet date

With the introduction of the Euro as the official currency of the Slovak Republic on 1 January 2009, the VUB Group's functional currency changed from Slovak Koruna to Euro as of that date. The change in the functional currency was implemented prospectively and the Group's assets, liabilities and equity were converted into Euro based on the official conversion rate of EUR 1 = SKK 30.1260. The change did not affect the financial position of the VUB Group.

There were no events after 31 December 2008 that would have a material effect on a fair presentation of the matters disclosed in these financial statements.

Separate financial statements for the year ended 31 December 2008 prepared in accordance with International Financial Reporting Standards

ERNST & YOUNG

Ernst & Young Slovakia, spol. s r.o.
Hodžovo námestie 1A
811 06 Bratislava
Slovenská republika

Tel: +421 2 3333 9111
Fax: +421 2 3333 9222
www.ey.com/sk

Independent Auditors' Report

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

We have audited the accompanying financial statements of Všeobecná úverová banka, a. s. ('the Bank'), which comprise the balance sheet as at 31 December 2008, the income statement, statement of changes in equity and cash flow statement 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 European Union. 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 the 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 for 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 financial statements present fairly, in all material respects, the financial position of the Bank as of 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

6 March 2009
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
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Balance sheet at 31 December 2008
(In millions of Slovak Koruna)

	Notes	2008	2007
Assets			
Cash and balances with central banks	4	15,213	4,493
Loans and advances to banks	5	43,281	35,090
Financial assets held for trading	6	23,836	10,664
Derivative financial instruments	7	1,836	1,055
Available-for-sale financial assets	8	7,985	2,673
Non-current assets held for sale	14	51	348
Loans and advances to customers	9	158,532	119,931
Held-to-maturity investments	11	66,266	90,721
Subsidiaries, associates and jointly controlled entities	12	3,306	3,430
Intangible assets	13	826	970
Property and equipment	14	5,255	5,468
Deferred income tax assets	19	240	–
Other assets	15	356	297
		326,983	275,140
Liabilities			
Deposits from central and other banks	16	19,211	16,145
Derivative financial instruments	7	1,581	1,034
Deposits from customers	17	244,960	205,137
Debt securities in issue	18	33,345	26,727
Current income tax liabilities	19	674	700
Deferred income tax liabilities	19	–	347
Provisions	20	906	968
Other liabilities	21	1,858	2,182
		302,535	253,240
Equity			
Share capital	22	12,978	12,978
Share premium	22	403	403
Reserves		2,595	2,609
Retained earnings		8,472	5,910
		24,448	21,900
		326,983	275,140
Financial commitments and contingencies	23	69,915	77,932

The accompanying notes on pages 77 to 129 form an integral part of these financial statements.

These financial statements were authorized for issue by the Management Board on 6 March 2009.

Ignacio Jaquotot
Chairman of the Management Board

Domenico Cristarella
Member of the Management Board

Income statement
for the year ended 31 December 2008
(In millions of Slovak Koruna)

	Notes	2008	2007
Interest and similar income		15,389	13,634
Interest expense and similar charges		(6,679)	(6,157)
Net interest income	24	8,710	7,477
Fee and commission income		3,780	3,334
Fee and commission expense		(1,400)	(1,241)
Net fee and commission income	25	2,380	2,093
Net trading income	26	1,253	1,264
Other operating income	27	165	100
Dividend income		89	47
Operating income		12,597	10,981
Salaries and employee benefits	28	(2,615)	(2,271)
Other operating expenses	29	(2,497)	(2,610)
Amortization	13	(400)	(331)
Depreciation	14	(625)	(600)
Operating expenses		(6,137)	(5,812)
Operating profit before impairment and provisions		6,460	5,169
Impairment losses and provisions	30	(1,106)	(632)
Profit before tax		5,354	4,537
Income tax expense	31	(991)	(1,037)
Net profit for the year		4,363	3,500
Basic and diluted earnings per share in Slovak Koruna	22	336	270

The accompanying notes on pages 77 to 129 form an integral part of these financial statements.

Statement of changes in equity for the year ended 31 December 2008

(In millions of Slovak Koruna)

	Share capital	Share premium	Legal reserve fund	Other capital funds	Revaluation reserve	Hedging reserve	Retained earnings	Total
At 1 January 2007	12,978	403	2,636	9	(27)	–	5,212	21,211
Translation of a foreign operation	–	–	–	–	–	–	5	5
Available-for-sale financial assets	–	–	–	–	2	–	–	2
Derivatives held for hedging	–	–	–	–	–	(2)	–	(2)
Total income and expense recognized directly in equity	–	–	–	–	2	(2)	5	5
Net profit for the year	–	–	–	–	–	–	3,500	3,500
Total income and expense for the year	–	–	–	–	2	(2)	3,505	3,505
Dividends to shareholders	–	–	–	–	–	–	(2,816)	(2,816)
Other	–	–	–	(9)	–	–	9	–
At 31 December 2007	12,978	403	2,636	–	(25)	(2)	5,910	21,900
At 1 January 2008	12,978	403	2,636	–	(25)	(2)	5,910	21,900
Translation of a foreign operation	–	–	–	–	–	–	(49)	(49)
Available-for-sale financial assets	–	–	–	–	9	–	–	9
Derivatives held for hedging	–	–	–	–	–	(23)	–	(23)
Total income and expense recognized directly in equity	–	–	–	–	9	(23)	(49)	(63)
Net profit for the year	–	–	–	–	–	–	4,363	4,363
Total income and expense for the year	–	–	–	–	9	(23)	4,314	4,300
Dividends to shareholders	–	–	–	–	–	–	(1,752)	(1,752)
At 31 December 2008	12,978	403	2,636	–	(16)	(25)	8,472	24,448

The accompanying notes on pages 77 to 129 form an integral part of these financial statements.

Cash flow statement for the year ended 31 December 2008

(In millions of Slovak Koruna)

	Notes	2008	2007
Cash flows from operating activities			
Profit before changes in operating assets and liabilities	32	5,519	6,079
Loans and advances to banks		(178)	1,477
Financial assets held for trading		(3,171)	(122)
Derivative financial instruments (positive)		(804)	1,335
Available-for-sale financial assets		(5,304)	67
Loans and advances to customers		(39,406)	(31,215)
Other assets		(48)	22
Deposits from central banks		(8)	(1,225)
Deposits from other banks		3,146	6,542
Derivative financial instruments (negative)		547	(1,020)
Deposits from customers		39,599	25,987
Other liabilities		(38)	59
Net cash (used in)/from operating activities		(146)	7,986
Cash flows from investing activities			
Purchase of held-to-maturity investments		(1,648)	(9,451)
Repayments of held-to-maturity investments		25,536	5,685
Purchase of intangible assets and property and equipment		(737)	(633)
Disposal of property and equipment		415	38
Acquisition of consolidated companies		(309)	(497)
Net cash from/(used in) investing activities		23,257	(4,858)
Cash flows from financing activities			
Proceeds from issue of debt securities		8,926	5,277
Repayments of debt securities		(1,521)	(1,000)
Dividends paid		(1,752)	(2,816)
Net cash from financing activities		5,653	1,461
Net change in cash and cash equivalents		28,764	4,589
Cash and cash equivalents at beginning of the year	3	47,076	42,487
Cash and cash equivalents at end of the year	3	75,840	47,076

The accompanying notes on pages 77 to 129 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 International Financial Reporting Standards

1. General information

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

At 31 December 2008, the Bank had a network of 259 points of sale (including Retail Branches, Corporate Branches and Mortgage centers) located throughout Slovakia (December 2007: 225 without detached sub-branches). The year to year increase was caused mainly by the reclassification of 24 detached sub-branches to retail branches. The Bank also has one branch in the Czech Republic.

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

Members of the Management Board are: Ignacio Jaquotot (Chairman), Jonathan Locke, Domenico Cristarella, Jozef Kausich, Ivan Golian, Elena Kohútiková, Dinko Lucić, Vladimíra Josefiová (until January 31, 2008), Silvia Púchovská (from February 1, 2008), Alexander Resch (from April 7, 2008), Daniele Fanin (from July 17, 2008).

Members of the Supervisory Board are: György Surányi (Chairman), Ezio Salvai (Vice Chairman), Giovanni Boccolini (Vice Chairman until April 7, 2008), Adriano Arietti, Paolo Grandi, Massimo Pierdicchi, Paolo Sarcinelli, Ján Mikušinec (until November 28, 2008), Pavel Kárász (until December 15, 2008), Ján Sedláček (until December 15, 2008), Jana Finková (from November 28, 2008), Ján Gallo (from December 15, 2008) and Juraj Jurenka (from December 15, 2008).

2. Summary of significant accounting policies

2.1 Basis of preparation

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

The consolidated financial statements of the Bank were issued on 6 March 2009 and are available at the legal office 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.

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 millions of Slovak Koruna (SKK), unless indicated otherwise.

Negative values are presented in brackets.

2.2 Changes in accounting policies

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

The accounting policies adopted are consistent with those of the previous financial year.

Standards, amendments and interpretations effective in 2008 applicable to Bank

The following standards, amendments and interpretations of published standards are mandatory for accounting periods beginning on or after 1 January 2008:

- IAS 39, Financial Instruments: Recognition and Measurement and IFRS 7, Financial Instruments: Disclosures (Amendments)

  The amendments allow reclassification of certain financial instruments from held for trading and available for sale categories. The Bank did not reclassify any financial instruments during 2008.

Standards, amendments and interpretations of existing standards that are not yet effective and have not been early adopted by the Bank

The standards, amendments and interpretations to the existing standards below were published and are mandatory for the Bank's accounting periods starting on or after 1 January 2009 or later periods, but the Bank has not adopted them early:

- IFRS 1 (Revised), First-time Adoption of International Financial Reporting Standards (effective for annual periods beginning on or after 1 January 2009)
- IFRS 3 (Revised), Business Combinations (effective for annual periods beginning on or after July 1, 2009)
- IAS 1 (Revised), Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009)
- IAS 23 (Revised), Borrowing Costs (effective for annual periods beginning on or after 1 January 2009)
- IAS 27 (Amended), Consolidated and Separate Financial Statements (effective for annual periods beginning on or after July 1, 2009)
- IAS 32 (Amended) Financial Instruments: Presentation (effective for annual periods beginning on or after 1 January 2009)
- IFRS Improvements Standard (May 2008)
  Part I – contains amendments that result in accounting changes for presentation, recognition or measurement purposes
  - IFRS 5, Non-current Assets Held for Sale and Discontinued Operations (effective for annual periods beginning on or after July 1, 2009)
  - IAS 1, Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009)
  - IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2009)
  - IAS 19 Employee Benefits (effective for annual periods beginning on or after 1 January 2009)
  - IAS 23 Borrowing Costs (effective for annual periods beginning on or after 1 January 2009)
  - IAS 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 January 2009)
  - IAS 28 Investments in Associates (effective for annual periods beginning on or after 1 January 2009)
  - IAS 31 Interests in Joint Ventures (effective for annual periods beginning on or after 1 January 2009)
  - IAS 36 Impairment of Assets (effective for annual periods beginning on or after 1 January 2009)
  - IAS 38 Intangible Assets (effective for annual periods beginning on or after 1 January 2009)

- IAS 39 Financial Instruments: Recognition and Measurement (effective for annual periods beginning on or after 1 January 2009)

Part II – contains amendments that are terminology or editorial changes only, which the Board expects to have no or minimal effect on accounting (all effective for annual periods beginning on or after 1 January 2009)

- IFRS 7 Financial Instruments: Disclosure
- IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors
- IAS 10: Events after the Reporting Period
- IAS 18 Revenue

Management of the Bank believes that the future adoption of these standards, interpretations and amendments will not have any material effect on the financial performance or position of the Bank and is assessing the impact of the interpretations.

2.3 Segment reporting

The Bank reports financial and descriptive information about its operating segments in these financial statements. An operating segment is a component of the Bank that participates in business activities generating revenues and expenses (including revenues and expenses related to transactions with other components of the Bank). The operating results are regularly reviewed by the Bank's management as to make decisions about tund allocation to the segment and assess its performance. The separate financial information is available for this segment.

The Bank is engaged 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 values 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 corresponding to amounts in the Bank's financial statements.

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

2.4 Foreign currency transactions

Monetary assets and liabilities in foreign currencies are converted to SKK at the official National Bank of Slovakia ('NBS') exchange rates prevailing at the balance sheet date. Income and expenses denominated in foreign currencies are reported at the NBS exchange rates prevailing at the date of the transaction.

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

2.5 Foreign operations

The financial statements include foreign operations in the Czech Republic. The assets and liabilities of foreign operations are converted to SKK at the foreign exchange rate prevailing at the balance sheet date. The revenues and expenses of foreign operations are converted to SKK at rates approximating the foreign exchange rates prevailing at the dates of the transactions. The differences arising from these conversions are recognized directly in equity.

The financial statements of the Bank and its foreign branch are combined on a line-by-line basis by aggregating homogeneous 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 the Czech National Bank ('CNB'), 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 the CNB.

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 the available-for-sale portfolios, are recognized in the income statement and in equity respectively.

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

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

The Bank monitors changes in fair values on a daily basis and recognizes unrealized gains and losses in the income statement in 'Net trading income'. Interest earned on securities held for trading is accrued on a daily basis and reported in the income statement in 'Interest and similar income'.

(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.

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 balance sheet date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at 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 the income statement, the impairment loss is reversed through the income statement.

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 the income statement - is removed from equity and recognized in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognized directly in equity.

Unrealized gains and losses arising from changes in the fair value of available-for-sale securities are recognized on a daily basis in the ‚Revaluation reserve' in equity.

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

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

Held-to-maturity investments are carried at 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 income statement 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 balance sheet under the original caption and the liability from the received loan is included in ‚Deposits from central and other banks' or 'Deposits from 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 balance sheet 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 they do not fully comply with the definition of a hedging derivative as prescribed by IFRS. The Bank also acts as an intermediary provider of these instruments to certain customers.

Derivative financial instruments are initially recognized and subsequently re-measured in the balance sheet 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.

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 Bank assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect the income statement.

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 directly in equity in the 'Hedging reserve'. The ineffective portion of the gain or loss on the hedging instrument is recognized immediately in the income statement in 'Net trading income'.

When the hedged cash flow affects the income statement, the gain or loss on the hedging instrument is ‚recycled' in the corresponding income or expense line of the income statement. 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 existing in equity at that time remains in equity and is recognized when the hedged expected transaction is ultimately recognized in the income statement. When an expected transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement in 'Net trading income'.

2.12 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet, 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 balance sheet.

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 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.

2.14 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 balance sheet 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 income statement.

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 income statement 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 as the difference between the carrying amount of the shares and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

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
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 income statement 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 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 Bank 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.

The Bank as a lessee
Finance leases, which transfer to the Bank 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 Bank 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'.

The Bank as a lessor
Leases where the Bank 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.

2.19 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.

2.20 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 income statement 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 income statement in 'Impairment losses and provisions'.

2.21 Legal reserve fund

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

2.22 Interest income

Interest income and expense is recognized in the income statement 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.

2.23 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.

2.24 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.

2.25 Dividend income

Dividend income is recognized in the income statement on the date that the dividend is declared.

2.26 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'.

2.27 Fiduciary assets

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

2.28 Significant accounting judgements and estimates

Judgements
In the process of applying the Bank's accounting policies, management has made judgements, apart from those involving estimations, that significantly affect the amounts 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 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 balance sheet date 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, provisions for off-balance sheet risks, depreciable lives and residual values of tangible and intangible assets, impairment losses on tangible and intangible assets, provisions for employee benefits and legal claims.

Fair value of financial instruments
Where the fair values of financial assets and financial liabilities recorded on the balance sheet 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 income statement. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the specific allowance.

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

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

3. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise the following balances with agreed maturity of less than 90 days:

	Notes	2008	2007
Cash and balances with central banks	4	15,213	4,493
Current accounts in other banks	5	1,633	784
Treasury bills and other eligible bills	6	19,973	9,967
Term deposits with central and other banks		20,045	3,117
Loans and advances to central and other banks		18,976	28,715
		75,840	47,076

4. Cash and balances with central banks

	2008	2007
Balances with central banks:		
Compulsory minimum reserves	2,909	666
Current accounts	2,002	1,021
	4,911	1,687
Cash in hand	10,302	2,806
	15,213	4,493

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 is calculated as 2% of a monthly average balance of selected customer deposits.

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.

The increased Cash in hand was caused by increased Deposits from customers due to the introduction of the Euro (note 38).

5. Loans and advances to banks

	2008	2007
Current accounts in other banks (note 3)	1,633	784
Loans and advances to:		
Central banks	18,976	19,911
Other banks	2,651	11,101
Term deposits with:		
Central banks	19,219	2,397
Other banks	826	923
Impairment losses (note 10)	(24)	(26)
	43,281	35,090

6. Financial assets held for trading

	2008	2007
Treasury bills and other eligible bills with contractual maturity less than 90 days (note 3)	19,973	9,967
Treasury bills and other eligible bills with contractual maturity over 90 days	1,955	–
State bonds	1,777	514
Bank bonds	–	8
Corporate bonds	131	175
	23,836	10,664

All securities held for trading are listed. At 31 December 2008 and 2007, the Bank did not pledge any bonds to secure transactions with counterparties.

7. Derivative financial instruments

	2008 Positive	2007 Positive	2008 Negative	2007 Negative
Trading derivatives	1,836	1,055	(1,550)	(1,032)
Cash flow hedges of interest rate risk	–	–	(31)	(2)
	1,836	1,055	(1,581)	(1,034)

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 2008, the total positive fair value of such derivatives was SKK 77 million (2007: SKK 86 million) and the negative fair value was SKK 61 million (2007: SKK 45 million).

	2008 Positive	2007 Positive	2008 Negative	2007 Negative
Trading derivatives – Fair values				
Interest rate instruments				
Swaps	668	517	(665)	(439)
Forward rate agreements	2	18	(11)	(12)
Options	31	–	(32)	–
	701	535	(708)	(451)
Foreign currency instruments				
Forwards and swaps	841	183	(607)	(314)
Cross currency swaps	77	86	(13)	(16)
Options	208	143	(213)	(143)
	1,126	412	(833)	(473)
Equity and commodity instruments				
Equity options	4	103	(4)	(103)
Commodity options	5	5	(5)	(5)
	9	108	(9)	(108)
	1,836	1,055	(1,550)	(1,032)

	2008 Assets	2007 Assets	2008 Liabilities	2007 Liabilities
Trading derivatives – Notional values				
Interest rate instruments				
Swaps	25,312	38,428	25,312	38,428
Forward rate agreements	8,971	21,482	8,971	21,482
Options	544	–	544	–
	34,827	59,910	34,827	59,910
Foreign currency instruments				
Forwards and swaps	32,877	36,734	32,645	36,841
Cross currency swaps	2,036	2,273	1,971	2,199
Options	885	3,541	885	3,539
	35,798	42,548	35,501	42,579
Equity and commodity instruments				
Equity options	1,351	1,100	1,351	1,100
Commodity options	130	76	130	76
	1,481	1,176	1,481	1,176
	72,106	103,634	71,809	103,665

Equity instruments include also options for the purchase of a 30% shareholding in VÚB Leasing, a. s. (previously B.O.F., a.s.) held by the Bank with notional values of SKK 420 million in assets and SKK 420 million in liabilities. These options are not revalued, because their fair value cannot be reliably measured.

Cash flow hedges of interest rate risk

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

8. Available-for-sale financial assets

	Share in 2008	Share in 2007	2008	2007
Treasury bills and other eligible bills			3,882	–
Bank bonds at fair value			2,837	2,654
State bonds at fair value			1,236	–
Equity shares at cost				
RVS, a.s.	8.38%	8.26%	17	17
S.W.I.F.T.	0.02%	0.02%	2	2
Visa Inc.	0.04%	0.00%	11	–
			30	19
			7,985	2,673

In 2008 and in 2007, the Bank did not pledge any bonds to secure transactions with counterparties.

9. Loans and advances to customers

	Amortized cost	Impairment losses (note 10)	Carrying amount
31 December 2008			
Sovereigns			
State organizations/Municipalities	980	–	980
	980	–	980
Corporate			
Other Financial Institutions	9,359	(13)	9,346
Large Corporates – Amortizing assets	31,124	(870)	30,254
Large Corporates – Revolving facilities	8,247	(188)	8,059
SME – Amortizing assets	17,339	(197)	17,142
SME – Revolving facilities	8,052	(205)	7,847
Non-profit organizations	158	(2)	156
Factoring	854	(16)	838
	75,133	(1,491)	73,642
Retail			
Small business – Amortizing assets	3,555	(326)	3,229
Small business – Revolving facilities	1,337	(225)	1,112
Private individuals – Consumer Loans	16,159	(1,229)	14,930
Private individuals – Credit Cards	5,987	(486)	5,501
Private individuals – Overdrafts	2,433	(167)	2,266
Private individuals – Mortgages	57,485	(672)	56,813
Other	69	(10)	59
	87,025	(3,115)	83,910
	163,138	(4,606)	158,532

	Amortized cost	Impairment losses (note 10)	Carrying amount
31 December 2007			
Sovereigns			
State organizations/Municipalities	1,205	–	1,205
	1,205	–	1,205
Corporate			
Other Financial Institutions	6,731	(10)	6,721
Large Corporates – Amortizing assets	26,140	(747)	25,393
Large Corporates – Revolving facilities	4,603	(112)	4,491
SME – Amortizing assets	13,057	(249)	12,808
SME – Revolving facilities	6,470	(167)	6,303
Non-profit organizations	37	–	37
Leasing	254	(2)	252
Factoring	666	–	666
	57,958	(1,287)	56,671
Retail			
Small business – Amortizing assets	2,075	(238)	1,837
Small business – Revolving facilities	855	(106)	749
Private individuals – Consumer Loans	12,206	(679)	11,527
Private individuals – Credit Cards	5,068	(397)	4,671
Private individuals – Overdrafts	2,192	(137)	2,055
Private individuals – Mortgages	41,726	(558)	41,168
Other	58	(10)	48
	64,180	(2,125)	62,055
	123,343	(3,412)	119,931

At 31 December 2008, 20 largest corporate customers represented a total balance of SKK 21,396 million (2007: SKK 20,809 million) or 13% (2007: 17%) of the gross loan portfolio.

During 2008, the net profit from loans and advances to customers written off and transferred amounted to SKK 223 million (2007: net loss of SKK 983 million) (note 30).

Maturities of gross finance lease receivables are as follows:

	2008	2007
Up to 1 year	–	78
1 to 5 years	–	154
Over 5 years	–	58
	–	290
Unearned future finance income on finance leases	–	(36)
Impairment losses	–	(2)
	–	252

Maturities of net finance lease receivables are as follows:

	2008	2007
Up to 1 year	–	68
1 to 5 years	–	135
Over 5 years	–	49
	–	252

In 2008, the Bank transferred SKK 199 million of net finance lease receivables to its subsidiary VÚB Leasing, a.s. This amount represents the book value of finance leases at the time of transaction.

10. Impairment losses

	Note	1 Jan 2008	Creation/ (Reversal) (note 30)	FX gains	Other	31 Dec 2008
Loans and advances to banks	5	26	1	(3)	–	24
Loans and advances to customers	9	3,412	1,223	(29)	–	4,606
Held-to-maturity investments	11	20	(3)	(2)	–	15
Subsidiaries, associates and JVs	12	565	81	–	–	646
Intangible fixed assets	13	–	–	–	6	6
Property and equipment	14	1	(1)	–	–	–
Other assets	15	67	(11)	–	–	56
		4,091	1,290	(34)	6	5,353

	Note	1 Jan 2007	(Reversal)/ Creation (note 30)	FX gains	31 Dec 2007
Loans and advances to banks	5	33	(6)	(1)	26
Loans and advances to customers	9	3,859	(445)	(2)	3,412
Held-to-maturity investments	11	24	(3)	(1)	20
Subsidiaries, associates and JVs	12	542	23	–	565
Property and equipment	14	1	–	–	1
Non-current assets held for sale	–	12	(12)	–	–
Other assets	15	27	40	–	67
		4,498	(403)	(4)	4,091

11. Held-to-maturity investments

	2008	2007
State restructuring bonds	18,835	35,065
State bonds	38,846	47,134
Bank bonds and other bonds issued by financial sector	7,159	7,270
Corporate notes and bonds	1,441	1,272
	66,281	90,741
Impairment losses (note 10)	(15)	(20)
	66,266	90,721

The Bank pledged state bonds in total nominal value of SKK 38,525 million (31 December 2007: SKK 2,862 million) 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 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') in a gross value of SKK 58.6 billion, and Slovenská konsolidačná ('SKO') in a gross value of SKK 7.6 billion, which gave rise to the Bank's receivables from KBB and SKO in the total amount of SKK 66.2 billion. In January and March 2001, these receivables were swapped at par for state restructuring bonds in a total nominal value of SKK 66.2 billion.

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. They are fully redeemable by the Slovak Republic, there is no clause regarding rollover, early or late repayments and are not convertible into any other type of financial instruments.

At 31 December 2008 and 2007, the Bank held in its portfolio the following state restructuring bonds:

(a) 10-year state bonds in nominal value of SKK 11,044 million, due on 30 January 2011, bearing floating interest rate for 6M BRIBOR;
(b) 10-year state bonds in nominal value of SKK 7,497 million, due on 29 March 2011, bearing floating interest rate of 6M BRIBOR.

Two 7-year state restructuring bonds held in held-to-maturity portfolio at 31 December 2007 with nominal values of SKK 11,300 million and SKK 4,700 million were fully repaid on 30 January 2008 and 29 March 2008.

12. Subsidiaries, associates and jointly controlled entities

	Share in %	Cost	Impairment losses (note 10)	Carrying amount
At 31 December 2008				
VÚB Factoring, a.s.	100.0	498	(246)	252
VÚB Leasingová, a.s.	100.0	234	(224)	10
Recovery, a.s.	100.0	110	(95)	15
VÚB Asset Management, správ. spol. a.s.	100.0	85	(59)	26
Consumer Finance Holding, a.s.	100.0	1,600	–	1,600
VÚB Leasing, a. s.	70.0	925	(22)	903
Slovak Banking Credit Bureau, s.r.o.	33.3	–	–	–
VÚB Generali DSS, a.s.	50.0	500	–	500
		3,952	(646)	3,306
At 31 December 2007				
VÚB Factoring, a.s.	100.0	498	(246)	252
VÚB Leasingová, a.s.	100.0	234	(224)	10
Recovery, a.s.	100.0	110	(95)	15
VÚB Asset Management, správ. spol. a.s.	100.0	85	–	85
Consumer Finance Holding, a.s.	100.0	1,600	–	1,600
VÚB Leasing, a. s.	70.0	968	–	968
Slovak Banking Credit Bureau, s.r.o.	33.3	–	–	–
VÚB Generali DSS, a.s.	50.0	500	–	500
		3,995	(565)	3,430

The net investment in the Slovak Banking Credit Bureau is SKK 100 thousand.

The cost of investment in VÚB Leasing, a. s. was decreased by dividends received by the Bank which were related to the pre-acquisition period performance of VÚB Leasing, a. s.

13. Intangible assets

	Software	Other intangible assets	Assets in progress	Total
Cost				
At 1 January 2008	4,094	362	129	4,585
Additions	–	–	257	257
Disposals	(4)	(121)	–	(125)
Transfers	192	34	(226)	–
At 31 December 2008	4,282	275	160	4,717
Amortization				
At 1 January 2008	(3,373)	(242)	–	(3,615)
Amortization for the year	(349)	(45)	(6)*	(400)
Disposals	3	121	–	124
At 31 December 2008	(3,719)	(166)	(6)	(3,891)
Carrying amount				
At 1 January 2008	721	120	129	970
At 31 December 2008	563	109	154	826

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

	Software	Other intangible assets	Assets in progress	Total
Cost				
At 1 January 2007	3,734	270	167	4,171
Additions	–	–	418	418
Disposals	(4)	–	–	(4)
Transfers	364	92	(456)	–
At 31 December 2007	4,094	362	129	4,585
Amortization				
At 1 January 2007	(3,078)	(206)	–	(3,284)
Amortization for the year	(295)	(36)	–	(331)
Disposals	–	–	–	–
At 31 December 2007	(3,373)	(242)	–	(3,615)
Carrying amount				
At 1 January 2007	656	64	167	887
At 31 December 2007	721	120	129	970

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 2008	6,240	3,078	1,067	156	10,541
Additions	–	–	–	484	484
Disposals	(89)	(445)	(133)	–	(667)
Transfers	148	170	76	(394)	–
At 31 December 2008	6,299	2,803	1,010	246	10,358
Depreciation					
At 1 January 2008	(1,834)	(2,528)	(710)	–	(5,072)
Depreciation for the year	(314)	(213)	(98)	–	(625)
Disposals	60	436	98	–	594
At 31 December 2008	(2,088)	(2,305)	(710)	–	(5,103)
Impairment losses (note 10)					
At 1 January 2008	(1)	–	–	–	(1)
Net reversal	1	–	–	–	1
At 31 December 2008	–	–	–	–	–
Carrying amount					
At 1 January 2008	4,405	550	357	156	5,468
At 31 December 2008	4,211	498	300	246	5,255

	Buildings and land	Equipment	Other tangibles	Assets in progress	Total
Cost					
At 1 January 2007	6,679	3,061	1,119	325	11,184
Additions	–	–	–	224	224
Disposals	(559)	(217)	(91)	–	(867)
Transfers	120	234	39	(393)	–
At 31 December 2007	6,240	3,078	1,067	156	10,541
Depreciation					
At 1 January 2007	(1,755)	(2,516)	(695)	–	(4,966)
Depreciation for the year	(278)	(225)	(97)	–	(600)
Disposals	199	213	82	–	494
At 31 December 2007	(1,834)	(2,528)	(710)	–	(5,072)
Impairment losses (note 10)					
At 1 January 2007	(1)	–	–	–	(1)
Net reversal	–	–	–	–	–
At 31 December 2007	(1)	–	–	–	(1)
Carrying amount					
At 1 January 2007	4,923	545	424	325	6,217
At 31 December 2007	4,405	550	357	156	5,468

At 31 December 2008 the Bank recorded in its portfolio of non-current assets held for sale the following buildings:

	2008	2007
Cost	72	533
Accumulated depreciation	(21)	(185)
	51	348

15. Other assets

	2008	2007
Operating receivables and advances	228	231
Prepayments and accrued income	120	85
Other tax receivables	34	31
Inventories	22	17
Settlement of operations with financial instruments	8	–
	412	364
Impairment losses (note 10)	(56)	(67)
	356	297

16. Deposits from central and other banks

	2008	2007
Deposits from central banks		
Current accounts	1,621	1,626
Loans received	2	5
	1,623	1,631
Deposits from other banks		
Current accounts	4,867	1,751
Term deposits	11,632	11,390
Loans received	1,089	1,373
	17,588	14,514
	19,211	16,145

17. Deposits from customers

	2008	2007
Current accounts	78,692	67,440
Term deposits	104,203	82,003
Savings accounts	10,214	9,436
Government and municipal deposits	45,512	40,921
Loans received	565	685
Promissory notes	4,574	4,230
Other deposits	1,200	422
	244,960	205,137

18. Debt securities in issue

	2008	2007
Bondss	2,002	2,002
Mortgage bonds	31,343	24,725
	33,345	26,727

	Currency	Nominal amount (currency)	Nominal amount (SKK)
Mortgage bonds issued in 2008			
Mortgage bonds VUB, a.s. 34	SKK	900	900
Mortgage bonds VUB, a.s. 35	SKK	630	630
Mortgage bonds VUB, a.s. 36	SKK	560	560
Mortgage bonds VUB, a.s. 37	EUR	40	1,205
Mortgage bonds VUB, a.s. 38	SKK	317	317
Mortgage bonds VUB, a.s. 39	EUR	60	1,808
Mortgage bonds VUB, a.s. 40	EUR	70	2,109
Mortgage bonds VUB, a.s. 41	USD	34	727
Mortgage bonds VUB, a.s. 43	SKK	500	500
Mortgage bonds VUB, a.s. 45	SKK	161	161
Mortgage bonds matured in 2008	SKK	1,521	1,521
Mortgage bonds issued in 2007			
Mortgage bonds VUB, a.s. XXVII	SKK	500	500
Mortgage bonds VUB, a.s. XXVIII	CZK	1,000	1,263
Mortgage bonds VUB, a.s. XXIX	SKK	500	500
Mortgage bonds VUB, a.s. XXX	SKK	1,000	1,000
Mortgage bonds VUB, a.s. XXXI	SKK	600	600
Mortgage bonds VUB, a.s. 32	CZK	800	1,010
Mortgage bonds VUB, a.s. 33	SKK	550	550
Mortgage bonds matured in 2007	SKK	1,000	1,000

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

19. Current and deferred income taxes

	2008	2007
Deferred income tax asset	240	–

	2008	2007
Current income tax liabilities	674	700
Deferred income tax liabilities	–	347
	674	1,047

Deferred income taxes are calculated on all temporary differences using a tax rate of 19% (2007: 19%) as follows:

	2008	2007
Loans and advances to banks and Held-to-maturity investments	(343)	(345)
Derivative financial instruments	6	–
Available-for-sale financial assets	4	6
Loans and advances to customers	533	–
Property and equipment	(66)	(61)
Other liabilities and provisions	106	53
	240	(347)

20. Provisions

	2008	2007
Litigations	906	968

The transfer in provisions was as follows:

	1 Jan 2008	Creation/ (Reversal)	31 Dec 2008
Litigations (note 29, note 23)	968	(62)	906

In May 2008, the Bank released SKK 100 million provision to litigation in relation to the litigation case that was won in the Supreme court.

	1 Jan 2007	Creation/ (Reversal)	31 Dec 2007
Litigations (note 30, note 24)	990	(22)	968

21. Other liabilities

	2008	2007
Various creditors	670	1,176
Settlement with employees	577	514
Financial guarantees and commitments	354	315
VAT payables and other tax payables	121	90
Settlements with shareholders	44	–
Accruals and deferred income	43	57
Retention program	26	12
Severance	15	18
Other	8	–
	1,858	2,182

The transfers in provision for financial guarantees and commitments, severance and retention program were as follows:

	Note	1 Jan 2008	Creation/ (Reversal)	31 Dec 2008
Financial guarantees and commitments	30	315	39	354
Retention program	28	12	14	26
Severance	28	18	(3)	15
		345	50	395

22. Share capital

	2008	2007
Authorized, issued and fully paid:		
89 ordinary shares of SKK 100,000,000 each, not traded	8,900	8,900
4,078,108 ordinary shares of SKK 1,000 each, publicly traded	4,078	4,078
	12,978	12,978
Net profit for the year attributable to shareholders	4,363	3,500
Divided by 12,978,108 ordinary shares of SKK 1,000 each		
Basic and diluted earnings per share in SKK	336	270

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

The structure of shareholders is as follows:

	2008	2007
Intesa Holding International S.A.	96.49%	96.49%
Domestic shareholders	2.95%	2.94%
Foreign shareholders	0.56%	0.57%
	100.00%	100.00%

The Bank's regulatory capital position at 31 December 2008 and 2007 was as follows:

	2008	2007
Tier 1 capital		
Share capital	12,978	12,978
Share premium	403	403
Retained earnings without net profit for the year	4,109	2,410
Legal reserve fund	2,636	2,636
Less software (incl. software in Assets in progress)	(713)	(851)
	19,413	17,576
Tier 2 capital	–	–
Regulatory adjustment		
Subsidiaries, associates and jointly controlled entities	(3,306)	(3,430)
Total regulatory capital	16,107	14,146

Regulatory capital includes items forming the value of basic equity (ordinary share capital, share premium, retained earnings, legal reserve fund) and items decreasing the value of basic equity (intangible assets and investments with significant influence).

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 the risk-weighted assets. Risk-weighted assets include risk weighted assets from positions recorded in the trading book and risk weighted assets from positions recorded in the banking book. The Bank complied with the NBS requirement for the capital adequacy ratio as at 31 December 2008 and 2007.

23. Financial commitments and contingencies

	2008	2007
Issued guarantees	12,497	11,416
Commitments and undrawn credit facilities	57,418	66,516
	69,915	77,932

a) Issued guarantees
Commitments from guarantees represent irrevocable assurances that the Bank will make payments in the event that a borrower cannot meet its obligations to third parties. These assurances carry the same credit risk as loans and therefore the Bank makes provisions 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 2008 and 2007 was as follows:

	2008	2007
Up to 1 year	53	46
1 to 5 years	98	82
Over 5 years	–	–
	151	128

(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 2008. Pursuant to this review, Management has recorded as of 31 December 2008 total provisions of SKK 906 million (31 December 2007: SKK 968 million) 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 were contingent liabilities arising from legal proceedings in the total amount of SKK 468 million, as at 31 December 2008 (31 December 2007: SKK 460 million). This amount represents the existing legal proceedings against the Bank that according to the opinion of the Legal Department of the Bank will most probably not result in any payments due from the Bank.

24. Net interest income

	2008	2007
Interest and similar income		
Loans and advances to banks	1,382	1,502
Loans and advances to customers	10,214	7,770
Bonds, treasury bills and other securities:		
Financial assets held for trading	543	383
Available-for-sale financial assets	112	128
Held-to-maturity investments	3,138	3,851
	15,389	13,634
Interest expense and similar charges		
Deposits from banks	(271)	(610)
Deposits from customers	(4,788)	(4,352)
Debt securities in issue	(1,620)	(1,195)
	(6,679)	(6,157)
	8,710	7,477

Interest income on individually impaired loans and advances to customers for 2008 amounted to SKK 103 million (2007: SKK 156 million).

25. Net fee and commission income

	2008	2007
Fee and commission income		
Received from banks	206	193
Received from customers	3,328	2,864
Received from other financial transactions	246	277
	3,780	3,334
Fee and commission expense		
Paid to banks	(279)	(251)
Paid to agents	(1,104)	(970)
Paid due to other financial transactions	(17)	(20)
	(1,400)	(1,241)
	2,380	2,093

26. Net trading income

	2008	2007
Foreign currency derivatives and transactions	1,292	1,051
Interest rate derivatives	(17)	13
Securities:		
Financial assets held for trading	(26)	5
Available-for-sale financial assets	–	195
Held-to-maturity investments	4	–
	1,253	1,264

27. Other operating income

	2008	2007
Rent	54	54
Net profit from sale of fixed assets	48	3
Other	63	43
	165	100

28. Salaries and employee benefits

	2008	2007
Remuneration	(1,922)	(1,649)
Social security costs	(658)	(625)
Social fund	(24)	(21)
Provision for retention program (note 21)	(14)	5
Provision for severance (note 21)	3	19
	(2,615)	(2,271)

The total number of employees of the Bank at 31 December 2008 was 3,586 (2007: 3,436).

The remuneration and other benefits provided to members of the Supervisory Board and the Management Board in 2008 were SKK 91 million (2007: SKK 89 million).

The Bank does not have any pension arrangements separate from the pension system established by the law requiring 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

	2008	2007
IT systems maintenance	(399)	(260)
Property related expenses	(373)	(355)
Advertising and marketing	(315)	(319)
Post and telecom	(296)	(294)
Equipment related expenses	(213)	(208)
VAT and other taxes	(203)	(182)
Contribution to the Deposit Protection Fund	(198)	(173)
Professional services	(135)	(180)
Security	(147)	(132)
Stationery	(104)	(82)
Training	(35)	(39)
Travel	(32)	(28)
Other damage	(30)	(30)
Insurance	(15)	(15)
Transport	(19)	(16)
Audit	(12)*	(12)
Litigations paid	(7)	(225)
Provision for litigations (note 20)	62	22
Other operating expenses	(26)	(82)
	(2,497)	(2,610)

* In 2008 Audit expense consisted of the statutory audit in the amount SKK 5 million, group reporting in the amount of SKK 5 million and other reporting in the amount of SKK 2 million.

30. Impairment losses and provisions

	2008	2007
Net (creation)/reversal of impairment losses (note 10)	(1,290)	403
Net creation of financial guarantees and commitments (note 21)	(39)	(40)
	(1,329)	363
Non-current assets sold	–	(12)
Nominal value of loans written-off	(45)	(524)
Nominal value of loans transferred	(256)	(1,166)
Proceeds from loans written-off	225	225
Proceeds from loans transferred	299	482
	223	(983)
	(1,106)	(632)

31. Income tax expense

	2008	2007
Current income tax	(1,574)	(934)
Deferred income tax	583	(103)
	(991)	(1,037)

The transfer in the income statement in deferred taxes is as follows:

	2008	2007
Loans and advances to banks and Held-to-maturity investments	3	(1)
Loans and advances to customers	532	(39)
Property and equipment	(5)	(28)
Other liabilities and provisions	53	(33)
Tax losses carried forward	–	(2)
	583	(103)

The effective tax rate differs from the statutory tax rate in 2008 and in 2007.

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

	2008	2007
Profit before tax	5,354	4,537
Applicable tax rate	19.00%	19.00%
Theoretical tax charge	(1,017)	(862)
Permanent differences and previously unrecognized deferred tax assets	13	(164)
Adjustments for current tax of previous periods	13	(11)
Tax expense	(991)	(1,037)
Effective tax rate	18.51%	22.86%

32. Profit before changes in operating assets and liabilities

	2008	2007
Profit before tax	5,354	4,537
Adjustments for:		
Amortization	400	331
Depreciation	625	600
Securities held for trading and available-for-sale securities and FX difference	(772)	(64)
Interest income	(15,389)	(13,634)
Interest expense	6,679	6,157
Dividend income	(89)	(47)
Sale of property and equipment	(48)	9
Provisions and impairment losses	1,058	598
Interest received	15,761	13,091
Interest paid	(6,545)	(5,848)
Dividends received	89	47
Tax paid	(1,604)	302
	5,519	6,079

33. 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. Provisions 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. Provisions 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) 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) Deposits from banks and customers
The estimated fair value of deposits from banks approximates their carrying amounts. The fair value of deposits from customers with short term maturity (under one year) is estimated by discounting their future cash flows using the risk free interest rate curve. 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.

	Note	Trading	Held-to maturity	Loans and receivables	Available-for-sale	Other amortized cost	Total carrying amount	Fair value
31 December 2008								
Cash and balances with central banks	4	–	–	15,213	–	–	15,213	15,213
Loans and advances to banks	5	–	–	43,281	–	–	43,281	43,281
Financial assets held for trading	6	23,836	–	–	–	–	23,836	23,836
Derivative financial instruments	7	1,836	–	–	–	–	1,836	1,836
Available-for-sale financial assets	8	–	–	–	7,985	–	7,985	7,985
Loans and advances to customers	9	–	–	158,532	–	–	158,532	163,923
Held-to-maturity investments	11	–	66,266	–	–	–	66,266	65,995
Subsidiaries, associates and jointly controlled entities	12	–	–	–	–	3,306	3,306	3,306
		25,672	66,266	217,026	7,985	3,306	320,255	325,375
Deposits from central and other banks	16	–	–	–	–	19,211	19,211	19,211
Derivative financial instruments	7	1,581	–	–	–	–	1,581	1,581
Deposits from customers	17	–	–	–	–	244,960	244,960	242,455
Debt securities in issue	18	–	–	–	–	33,345	33,345	32,504
		1,581	–	–	–	297,516	299,097	295,751

	Note	Trading	Held-to maturity	Loans and receivables	Available-for-sale	Other amortized cost	Total carrying amount	Fair value
31 December 2007								
Cash and balances with central banks	4	–	–	4,493	–	–	4,493	4,493
Loans and advances to banks	5	–	–	35,090	–	–	35,090	35,090
Financial assets held for trading	6	10,664	–	–	–	–	10,664	10,664
Derivative financial instruments	7	1,055	–	–	–	–	1,055	1,055
Available-for-sale financial assets	8	–	–	–	2,673	–	2,673	2,673
Loans and advances to customers	9	–	–	119,931	–	–	119,931	119,971
Held-to-maturity investments	11	–	90,721	–	–	–	90,721	90,086
Subsidiaries, associates and jointly controlled entities	12	–	–	–	–	3,430	3,430	3,430
		11,719	90,721	159,514	2,673	3,430	268,057	267,462
Deposits from central and other banks	16	–	–	–	–	16,145	16,145	16,145
Derivative financial instruments	7	1,034	–	–	–	–	1,034	1,034
Deposits from customers	17	–	–	–	–	205,137	205,137	204,909
Debt securities in issue	18	–	–	–	–	26,727	26,727	26,646
		1,034	–	–	–	248,009	249,043	248,734

34. Financial risk management

Introduction and overview

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

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

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

Risk management framework

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

– Asset/Liability Committee ('ALCO')
– Credit Risk Committee ('CRC')
– Corporate Credit Committee ('CCC')
– Retail Credit Committee ('RCC')
– 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 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, and arises principally from the Bank's loans and advances to customers and banks as well as investment securities. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk). For risk management purposes, the credit risk arising on trading securities is managed independently, but reported as a component of market risk exposure.

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, Provisioning 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:

– 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. Authorisation 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 bank 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 provisioning model (the Markov chains methodology is used).

Allowances for impairment

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

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

Impairment losses are calculated individually for individually significant clients for which evidence of impairment exists and collectively for individually significant clients without evidence of impairment and for individually insignificant client groups of homogeneous assets. Collective impairment losses are calculated for each group using a mathematical model (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 20% of the outstanding amount. Loans with impairment coverage higher than 20% and below 50% are classified as Substandard. Loans with coverage ratio higher than 50% are classified as Bad and Doubtful.

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

		2008			2007	
Category	Amortized cost	Impairment losses	Carrying amount	Amortized cost	Impairment losses	Carrying amount
Loans and advances to banks						
Performing	43,305	(24)	43,281	35,116	(26)	35,090
Loans and advances to customers						
Performing	160,638	(3,045)	157,593	122,023	(2,597)	119,426
Substandard	855	(244)	611	228	(75)	153
Bad and Doubtful	1,645	(1,317)	328	1,092	(740)	352
	163,138	(4,606)	158,532	123,343	(3,412)	119,931
Held-to-maturity investments						
Performing	66,224	–	66,224	90,678	–	90,678
Substandard	57	(15)	42	63	(20)	43
	66,281	(15)	66,266	90,741	(20)	90,721

At 31 December 2008, the Bank had a potential credit exposure of SKK 2,511 million (31 December 2007: SKK 1,686 million) in the event of non-performance by counterparties to its financial derivative instruments. This represents the gross replacement cost at market rates at 31 December 2008 and 31 December 2007 of all outstanding agreements in the event of all counterparties defaulting and not allowing for netting arrangements.

The credit risk of financial assets not discussed above approximates their carrying amounts.

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.

	2008			2007		
	Amortized cost	Impairment losses	Carrying amount	Amortized cost	Impairment losses	Carrying amount
Loans and advances to banks						
No delinquency	43,004	(10)	42,994	34,846	(12)	34,834
31 – 60 days	–	–	–	205	(10)	195
61 – 90 days	–	–	–	–	–	–
91 – 180 days	149	(7)	142	65	(4)	61
Over 181 days	152	(7)	145	–	–	–
	43,305	(24)	43,281	35,116	(26)	35,090
Loans and advances to customers						
No delinquency	154,365	(2,857)	151,508	117,207	(2,556)	114,651
1 – 30 days	5,363	(286)	5,077	4,404	(265)	4,139
31 – 60 days	925	(122)	803	590	(78)	512
61 – 90 days	420	(108)	312	262	(63)	199
91 – 180 days	566	(244)	322	376	(169)	207
Over 181 days *	1,499	(989)	510	504	(281)	223
	163,138	(4,606)	158,532	123,343	(3,412)	119,931
Held-to-maturity investments						
No delinquency	66,281	(15)	66,266	90,741	(20)	90,721

*** Write-off Policy**
The Bank writes off a loan or security balance (and any related allowances for impairment losses) when it determines that the loans or securities are uncollectible. As the standard, the Bank considers the credit balances to be uncollectible based on the past due days. Since 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:

	2008		2007	
	Clients	Banks	Clients	Banks
Debt securities	2	22,290	2	28,668
Other	13,794	1,341	9,853	607
Property	134,969	–	97,768	–
	148,765	23,631	107,623	29,275

The debt securities collateral received from banks represents the fair value of the collateral received in the 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 at 31 December 2008 and 2007.

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

	2008			2007		
	Amortized cost	Impairment losses	Carrying amount	Amortized cost	Impairment losses	Carrying amount
Europe						
Loans and advances to banks	42,363	(6)	42,357	34,409	(2)	34,407
Loans and advances to customers	163,074	(4,605)	158,469	123,286	(3,411)	119,875
Held-to-maturity securities	66,224	–	66,224	90,671	(20)	90,651
	271,661	(4,611)	267,050	248,366	(3,433)	244,933
America						
Loans and advances to banks	938	(18)	920	700	(24)	676
Loans and advances to customers	22	(1)	21	34	(1)	33
Held-to-maturity securities	57	(15)	42	70	–	70
	1,017	(34)	983	804	(25)	779
Asia						
Loans and advances to banks	4	–	4	7	–	7
Loans and advances to customers	24	–	24	7	–	7
	28	–	28	14	–	14
Rest of the World						
Loans and advances to customers	18	–	18	16	–	16

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

(b) Market risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices, 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 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:

SKK million	2008				2007			
	Balance	Avg	Max	Min	Balance	Avg	Max	Min
Foreign currency risk	2.76	2.42	7.56	0.67	1.61	1.74	6.01	0.24
Interest rate risk	12.42	8.98	13.09	4.58	4.58	4.72	9.46	1.95
Overall	11.56	9.40	13.26	4.26	4.15	5.18	9.95	1.94

The limitations of the 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 - non-trading portfolios
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 because of 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-price date, i.e. floating rate instruments. The assets and liabilities that do not have contractual maturity date or are not interest bearing are mapped according to internal model.

The Risk Management division is responsible for monitoring these gaps at least on a monthly basis.

The management of interest rate risk is supported by monitoring the sensitivity of the Bank's financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios, which are considered on monthly basis, include a 1 basis point parallel rise in all yield curves worldwide and the same for 200 basis point shift.

An analysis of the Bank's sensitivity to an increase in market interest rates is as follows:

SKK million	2008	2007
1 basis point increase	(4)	(8)

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

The interest rate risk comprises 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.

Model applied for calculation of interest rate gap

Each item is mapped to the gap based on contractual or behavioural re-pricing day.

Contractual
This category includes items, 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. This group also includes items such as fixed assets, equity, provisions, etc., which have an indefinite maturity and have to be modelled as well.

Based on statistical methods a core portion of cash is calculated and this portion is amortized on a linear basis over 10 years and the remaining amount is classified as an overnight item. For current accounts the non-sensitive core portion of some clients' categories is calculated and is mapped to the gap as a linearly amortized item from 1 to 10 years. The remaining amount is classified in the overnight segment.

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

	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
31 December 2008						
Assets						
Cash and balances with central banks	16,752	–	–	269	269	17,290
Loans and advances to banks	487	2,632	214	797	–	4,130
Derivative financial instruments	–	–	2,938	–	–	2,938
Available-for-sale financial assets	400	9	5,397	2,664	–	8,470
Loans and advances to customers	31,829	50,943	49,147	31,319	6,470	169,708
Held-to-maturity investments	1,652	1,739	29,631	18,822	24,542	76,386
Subsidiaries, associates and jointly controlled entities	–	–	331	1,322	1,653	3,306
	51,120	55,323	87,658	55,193	32,934	282,228
Liabilities						
Deposits from central and other banks	(2,609)	(6,167)	(216)	–	–	(8,992)
Derivative financial instruments	–	–	(2,004)	(862)	–	(2,866)
Deposits from customers	(121,196)	(20,029)	(41,527)	(24,736)	(21,649)	(229,137)
Debt securities in issue	(3,016)	(14,309)	(6,139)	(7,754)	(6,287)	(37,505)
	(126,821)	(40,505)	(49,886)	(33,352)	(27,936)	(278,500)
Net position of financial instruments	(75,701)	14,818	37,772	21,841	4,998	3,728

	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
31 December 2007						
Assets						
Cash and balances with central banks	2,722	–	180	720	900	4,522
Loans and advances to banks	967	559	265	157	–	1,948
Derivative financial instruments	–	–	2,832	–	–	2,832
Available-for-sale financial assets	103	9	904	1,949	10	2,975
Loans and advances to customers	24,420	34,553	41,239	21,775	5,262	127,249
Held-to-maturity investments	19,413	7,339	23,925	25,363	26,170	102,210
Subsidiaries, associates and jointly controlled entities	–	–	343	1,372	1,715	3,430
	47,625	42,460	69,688	51,336	34,057	245,166
Liabilities						
Deposits from central and other banks	(8,315)	(514)	(130)	–	–	(8,959)
Derivative financial instruments	–	–	(2,276)	(592)	–	(2,868)
Deposits from customers	(120,225)	(15,771)	(20,321)	(16,840)	(19,023)	(192,180)
Debt securities in issue	(2,032)	(9,570)	(6,297)	(6,467)	(6,114)	(30,480)
	(130,572)	(25,855)	(29,024)	(23,899)	(25,137)	(234,487)
Net position of financial instruments	(82,947)	16,605	40,664	27,437	8,920	10,679

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

	2008 %	2007 %
Assets		
Cash and balances with central banks	1.44	1.51
Loans and advances to banks	3.79	3.93
Financial assets held for trading	4.18	4.14
Available-for-sale financial assets	3.92	3.84
Loans and advances to customers	7.00	7.31
Held-to-maturity investments	4.28	4.37
Liabilities		
Deposits from other banks	2.45	3.61
Deposits from customers	2.32	2.36
Debt securities in issue	4.56	4.40

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. The table below provides information on the currency denomination of the Bank's assets and liabilities.

	SKK	EUR	USD	CZK	Other	Total
31 December 2008						
Assets						
Cash and balances with central banks	14,035	826	49	186	117	15,213
Loans and advances to banks	39,563	2,528	578	3	609	43,281
Financial assets held for trading	23,836	–	–	–	–	23,836
Derivative financial instruments	1,836	–	–	–	–	1,836
Available-for-sale financial assets	7,972	2	11	–	–	7,985
Loans and advances to customers	121,493	31,005	3,024	2,773	237	158,532
Held-to-maturity investments	64,840	1,426	–	–	–	66,266
Subsidiaries, associates and jointly controlled entities	3,306	–	–	–	–	3,306
	276,881	35,787	3,662	2,962	963	320,255
Liabilities						
Deposits from central and other banks	(17,394)	(1,338)	(2)	(286)	(191)	(19,211)
Derivative financial instruments	(1,581)	–	–	–	–	(1,581)
Deposits from customers	(202,509)	(35,496)	(4,159)	(1,826)	(970)	(244,960)
Debt securities in issue	(20,762)	(9,682)	(738)	(2,163)	–	(33,345)
	(242,246)	(46,516)	(4,899)	(4,275)	(1,161)	(299,097)
Net position	34,635	(10,729)	(1,237)	(1,313)	(198)	21,158

	SKK	EUR	USD	CZK	Other	Total
31 December 2007						
Assets						
Cash and balances with central banks	3,576	374	55	278	210	4,493
Loans and advances to banks	31,968	2,904	51	8	159	35,090
Financial assets held for trading	10,647	17	–	–	–	10,664
Derivative financial instruments	1,055	–	–	–	–	1,055
Available-for-sale financial assets	2,671	2	–	–	–	2,673
Loans and advances to customers	88,754	26,726	1,190	3,139	122	119,931
Held-to-maturity investments	89,213	1,460	–	–	48	90,721
Subsidiaries, associates and jointly controlled entities	3,430	–	–	–	–	3,430
	231,314	31,483	1,296	3,425	539	268,057
Liabilities						
Deposits from central and other banks	(5,745)	(8,351)	(1,261)	(522)	(266)	(16,145)
Derivative financial instruments	(1,034)	–	–	–	–	(1,034)
Deposits from customers	(171,319)	(25,579)	(4,240)	(2,911)	(1,088)	(205,137)
Debt securities in issue	(19,227)	(5,062)	–	(2,438)	–	(26,727)
	(197,325)	(38,992)	(5,501)	(5,871)	(1,354)	(249,043)
Net position	33,989	(7,509)	(4,205)	(2,446)	(815)	19,014

(c) Liquidity risk

Liquidity risk is a measure of the extent to which the Bank may be required to raise funds to meet its commitments associated with financial instruments. The Bank maintains its liquidity profiles in accordance with regulations laid down by the NBS.

The Bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan drawdowns, guarantees and from margin and other calls on cash settled derivatives. The Bank sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

The daily liquidity position is monitored and regular liquidity stress testing is conducted. The daily liquidity position is limited by set of liquidity limits for particular time buckets. The Bank has approved a liquidity contingency plan, which defines how to identify potential liquidity problems and how to act in liquidity crisis situations. All liquidity policies and procedures are subject to review and approval by ALCO and Intesa Sanpaolo.

The key measures used by the Bank for managing medium and long term liquidity are two maturity mismatch rules.

Rule 1: Real Estate + Equity Investments <= Regulatory Capital
Rule 2: Medium term assets + 0.5 * Long Term Assets <= Long term liabilities + 0.5 * Medium term liabilities + 0.25 * (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:

	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Not specified	Total
31 December 2008							
Assets							
Cash and balances with central banks	17,214	–	–	–	–	–	17,214
Loans and advances to banks	40,665	18	178	2,046	966	7	43,880
Financial assets held for trading	20,005	39	2,027	1,405	817	–	24,293
Available-for-sale financial assets	–	9	5,113	3,182	159	–	8,463
Loans and advances to customers	9,329	14,140	32,935	66,187	94,469	1,269	218,329
Held-to-maturity investments	1,310	1,884	11,253	38,421	24,542	–	77,410
Subsidiaries, associates and jointly controlled entities	–	–	–	–	–	3,306	3,306
	88,523	16,090	51,506	111,241	120,953	4,582	392,895
Liabilities							
Deposits from central and other banks	(18,243)	(7)	(64)	(325)	(905)	–	(19,544)
Deposits from customers	(180,420)	(15,647)	(37,057)	(11,815)	(830)	–	(245,769)
Debt securities in issue	(39)	(1,257)	(2,916)	(17,738)	(14,244)	–	(36,194)
	(198,702)	(16,911)	(40,037)	(29,878)	(15,979)	–	(301,507)
Net financial instruments position	(110,179)	(821)	11,469	81,363	104,974	4,582	91,388
Cash inflows from derivatives	19,436	8,089	7,464	3,708	1,195	–	39,892
Cash outflows from derivatives	(19,293)	(7,891)	(7,569)	(3,573)	(1,195)	–	(39,521)
Net position from derivatives	143	198	(105)	135	–	–	371
Total net position	(110,036)	(623)	11,364	81,498	104,974	4,582	91,759

	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Not specified	Total
31 December 2007							
Assets							
Cash and balances with central banks	4,522	–	–	–	–	–	4,522
Loans and advances to banks	33,009	49	1,031	1,886	513	27	36,515
Financial assets held for trading	5,006	5,008	14	582	260	–	10,870
Available-for-sale financial assets	–	9	902	1,941	–	19	2,871
Loans and advances to customers	7,777	6,135	24,419	44,430	52,229	9,919	144,909
Held-to-maturity investments	12,098	7,512	2,329	57,451	26,170	–	105,560
Subsidiaries, associates and jointly controlled entities	–	–	–	–	–	3,430	3,430
	62,412	18,713	28,695	106,290	79,172	13,395	308,677
Liabilities							
Deposits from central and other banks	(12,818)	(2,108)	(881)	(68)	(573)	–	(16,448)
Deposits from customers	(169,879)	(13,430)	(20,186)	(2,344)	(15)	-	(205,854)
Debt securities in issue	(25)	(185)	(2,487)	(20,668)	(10,354)	(36)	(33,755)
	(182,722)	(15,723)	(23,554)	(23,080)	(10,942)	(36)	(256,057)
Net financial instruments position	(120,310)	2,990	5,141	83,210	68,230	13,359	52,620
Cash inflows from derivatives	26,509	6,310	9,200	4,429	1,742	–	48,190
Cash outflows from derivatives	(26,577)	(6,206)	(9,344)	(4,369)	(1,706)	–	(48,202)
Net position from derivatives	(68)	104	(144)	60	36	–	(12)
Total net position	(120,378)	3,094	4,997	83,270	68,266	13,359	52,608

(d) Operational risk

Operational risk is defined as 'the risk of losses resulting from the unsuitability or failure of procedures, human resources and internal systems, or from external events. Operational Risk also includes legal risk while strategic and reputational risks are not included'.

The definition of operational risk, according to Basel II, excludes strategic and reputational risk but includes legal risk. Legal risk means the risk of losses coming from the violation of laws and regulations, from contractual liabilities or from liabilities outside the terms of a contract, or from other disputes.

In recent years, the Bank has commenced projects aimed at the adoption of the Standardized Approach under Basel II from 1 January 2008 and the advanced operational risk management model in 2009. The local project activities are coordinated by the Intesa Sanpaolo Head Office.

The Bank has a centralized function within the Risk Management division for the management of the Bank's operational risks. This function is responsible 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 accordance with the standards and principles defined by Intesa Sanpaolo Head Office.

In compliance with current requirements, the Bank's organizational units have been involved in the process and each of them was assigned responsibility for the identification, assessment, management and mitigation of its operational risks; specific officers and departments have been identified within these organizational units to be responsible for Operational Risk Management.

The Intesa Sanpaolo Group's internal model is designed to combine all the main quantitative (historical loss data) and qualitative information sources (scenario analysis). The quantitative component is based on a statistical analysis of historical loss data, relating to internal or external events (including through the participation of Intesa Sanpaolo in consortium initiatives). The qualitative component focuses on an assessment of the risk exposure of each unit and is based on the structured collection of subjective estimates aimed at assessment of specific scenarios identified on the basis of event types set out in the New Capital Accord (Basel II).

Capital-at-Risk is therefore identified as the sum required at the Bank's level, net of insurance cover, to cover the maximum potential annual loss. Capital-at-Risk is estimated using the Loss Distribution Approach model (actuarial statistical model to calculate the Value-at-Risk of operational losses), applied on quantitative and qualitative data assuming a one-year estimation period, with a level of confidence of 99,9% (99,96% for economic measurement).

The Bank utilizes a traditional operational risk transfer policy (insurance) with the objective of mitigating the impact of any unexpected losses.

Compliance with the Bank's standards is supported by a program of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and the senior management of the Bank.

35. 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 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 SKK 30 million to SKK 1,000 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 SKK 1,000 million).

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

	Retail Banking	Corporate Banking	Central Treasury	Other	Total
31 December 2008					
External revenue					
Interest income	6,415	3,778	5,138	58	15,389
Interest expense	(3,329)	(1,520)	(1,821)	(9)	(6,679)
Inter-segment revenue	2,292	(380)	(2,800)	888	–
Net interest income	5,378	1,878	517	937	8,710
Net fee and commission income	1,820	507	45	8	2,380
Net trading income	448	555	245	5	1,253
Other operating income	11	12	–	142	165
Dividend income	–	–	–	89	89
Total segment operating income	7,657	2,952	807	1,181	12,597
Depreciation and amortization	(639)	(39)	(7)	(340)	(1,025)
Operating expenses					(5,112)
Operating profit before impairment and provisions					6,460
Impairment losses and provisions	(713)	(318)	(6)	(69)	(1,106)
Income tax expense					(991)
Net profit for the year					4,363
Segment assets	86,951	74,894	145,507	19,631	326,983
Segment liabilities	166,999	62,008	70,660	27,316	326,983

	Retail Banking	Corporate Banking	Central Treasury	Other	Total
31 December 2007					
External revenue					
Interest income	4,947	2,813	5,795	79	13,634
Interest expense	(2,477)	(1,701)	(1,987)	8	(6,157)
Inter-segment revenue	2,263	471	(3,664)	930	–
Net interest income	4,733	1,583	144	1,017	7,477
Net fee and commission income	1,596	444	53	–	2,093
Net trading income	397	454	411	2	1,264
Other operating income	28	7	–	65	100
Dividend income	-	–	–	47	47
Total segment operating income	6,754	2,488	608	1,131	10,981
Depreciation and amortization	(581)	(40)	(6)	(304)	(931)
Operating expenses					(4,881)
Operating profit before impairment and provisions					5,169
Impairment losses and provisions	(544)	(97)	9	–	(632)
Income tax expense					(1,037)
Net profit for the year					3,500
Segment assets	67,953	57,547	141,063	8,577	275,140
Segment liabilities	123,053	63,880	63,090	25,117	275,140

36. 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.

At 31 December 2008 and 31 December 2007, significant outstanding balances with related parties comprised:

	2008	2007
Loans and advances		
Key management personnel	8	6
Affiliated companies	2,326	1,895
Shareholder and companies controlled by shareholder	2,003	1,711
	4,337	3,612
Derivative transactions (notional amount)		
Affiliated companies	–	2,248
Shareholder and companies controlled by shareholder	8,839	12,017
	8,839	14,265
Securities		
Shareholder and companies controlled by shareholder	1,834	2,654
Other assets		
Affiliated companies	12	22
Customer accounts		
Key management personnel	65	38
Affiliated companies	214	4,430
Shareholder and companies controlled by shareholder	1,612	4,303
	1,891	8,771
Debt securities in issue		
Bonds – Affiliated companies	96	100
Mortgage bonds – Shareholder and companies controlled by shareholder	10,419	–
	10,515	100
Other liabilities		
Affiliated companies	79	108

37. Profit distribution

On 7 April 2008, the Bank's shareholders approved the following profit distribution for the year 2007.

Dividends to shareholders (SKK 135 per share)	1,752
Retained earnings	1,748
	3,500

The Management Board will propose the following 2008 profit distribution:

Dividends to shareholders	–
Retained earnings	4,363
	4,363

38. Events after the balance sheet date

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 Koruna to Euro as of that date. The change in the functional currency was implemented prospectively and the Bank's assets, liabilities and equity were converted into Euro based on the official conversion rate of 1 EUR = SKK 30.1260. The conversion has not affected the financial position of the Bank.

There were no events after 31 December 2008 that would have a material effect on a fair presentation of the matters disclosed in these financial statements.

Information on Securities issued by the Bank

In 2008 VÚB, a. s., issued 10 mortgage bond issues as follows:

Mortgage bonds VÚB, a. s., 34

Name of Security:	Mortgage bond VÚB, a. s., 34
ISIN:	SK4120005836 series 01
Type and form:	Bearer bond, book-entry
Total issue amount:	EUR 33,193,920.00 (SKK 1,000,000,000.03)
Number and nominal value:	1,000 units per EUR 33 193,92 (SKK 1,000,000.03)
Issue Date:	February 27, 2008
Maturity:	February 27, 2010
Coupon:	4.30% p. a.
Coupon payment:	Annually

Mortgage bonds VÚB, a. s., 35

Name of Security:	Mortgage bond VÚB, a. s., 35
ISIN:	SK4120005869 series 01
Type and form:	Bearer bond, book-entry
Total issue amount:	EUR 24,895,440.00 (SKK 750,000,025.44)
Number and nominal value:	750 units per EUR 33,193.92 (SKK 1,000,000.03)
Issue Date:	March 19, 2008
Maturity:	March 19, 2016
Coupon:	4.40% p. a.
Coupon payment:	Annually

Mortgage bonds VÚB, a. s., 36

Name of Security:	Mortgage bond VÚB, a. s., 36
ISIN:	SK4120005893 series 01
Type and form:	Bearer bond, book-entry
Total issue amount:	EUR 24,895,440.00 (SKK 750,000,025.44)
Number and nominal value:	750 units per EUR 33,193.92 (SKK 1,000,000.03)
Issue Date:	March 31, 2008
Maturity:	March 31, 2020
Coupon:	4.75% p. a.
Coupon payment:	Annually

Mortgage bonds VÚB, a. s., 37

Name of Security:	Mortgage bond VÚB, a. s., 37
ISIN:	SK4120005968 series 01
Type and form:	Bearer bond, book-entry
Total issue amount:	EUR 40,000,000.00 (SKK 1,205,040,000.00)
Number and nominal value:	40 units per EUR 1,000,000.00 (SKK 30,126,000.00)
Issue Date:	April 30, 2008
Maturity:	April 30, 2011
Coupon:	3M EURIBOR + 0.43% p. a.
Coupon payment:	Quarterly

Mortgage bonds VÚB, a. s., 38

Name of Security:	Mortgage bond VÚB, a. s., 38
ISIN:	SK4120006073 series 01
Type and form:	Bearer bond, book-entry
Total issue amount:	EUR 16,596,960.00 (SKK 500,000,016.96)
Number and nominal value:	500 units per EUR 33,193.92 (SKK 1,000,000.03)
Issue Date:	June 26, 2008
Maturity:	June 26, 2010
Coupon:	4.75% p. a.
Coupon payment:	Annually

The conversion rate 1 EUR = SKK 30.126 applied

Mortgage bonds VÚB, a. s., 39

Name of Security:	Mortgage bond VÚB, a. s., 39
ISIN:	SK4120006065 series 01
Type and form:	Bearer bond, book-entry
Total issue amount:	EUR 60,000,000.00 (SKK 1,807,560,000.00)
Number and nominal value:	60 units per EUR 1,000,000.00 (SKK 30,126,000.00)
Issue Date:	June 26, 2008
Maturity:	June 26, 2015
Coupon:	3M EURIBOR + 0.69% p. a.
Coupon payment:	Quarterly

Mortgage bonds VÚB, a. s., 40

Name of Security:	Mortgage bond VÚB, a. s., 40
ISIN:	SK4120006214 series 01
Type and form:	Bearer bond, book-entry
Total issue amount:	EUR 70,000,000.00 (SKK 2,108,820,000.00)
Number and nominal value:	70 units per EUR 1,000,000.00 (SKK 30,126,000.00)
Issue Date:	August 28, 2008
Maturity:	August 28, 2015
Coupon:	3M EURIBOR + 0.74% p. a.
Coupon payment:	Quarterly

Mortgage bonds VÚB, a. s., 41

Name of Security:	Mortgage bond VÚB, a. s., 41
ISIN:	SK4120006263 series 01
Type and form:	Bearer bond, book-entry
Total issue amount:	USD 34,000,000.00
Number and nominal value:	34 units per USD 1,000,000.00
Issue Date:	September 30, 2008
Maturity:	September 30, 2013
Coupon:	5.63% p. a.
Coupon payment:	Annually

Mortgage bonds VÚB, a. s., 43

Name of Security:	Mortgage bond VÚB, a. s., 43
ISIN:	SK4120006271 series 01
Type and form:	Bearer bond, book-entry
Total issue amount:	EUR 24,895,440.00 (SKK 750,000,025.44)
Number and nominal value:	750 units per EUR 33,193.92 (SKK 1,000,000.03)
Issue Date:	September 26, 2008
Maturity:	September 26, 2025
Coupon:	5.10% p. a.
Coupon payment:	Annually

Mortgage bonds VÚB, a. s., 45

Name of Security:	Mortgage bond VÚB, a. s., 45
ISIN:	SK4120006354 series 01
Type and form:	Bearer bond, book-entry
Total issue amount:	EUR 9,958,176.00 (SKK 300,000,010.18)
Number and nominal value:	600 units per EUR 16,596.96 (SKK 500,000.02)
Issue Date:	October 16, 2008
Maturity:	October 16, 2010
Coupon:	5.30% p. a.
Coupon payment:	Annually

The conversion rate 1 EUR = SKK 30.126 applied

Review of the Economic and Financial Position of VUB

The bank's primary objective was to reinforce its forefront position in the banking industry and also continue to increase profitability and efficiency of its operation in 2008. In sum, the bank managed to meet its goals. With regard to profit growth generated from banking business, VUB ranked among the most profitable banks in the Slovak market. In fact, while its operating costs rose by less than 10%, the bank's total operating income increased by 17% mainly as a result of growing interest, fee and commission income. Under IFRS standards, the bank reported a consolidated operating profit as of December 31, 2008 which was 25% higher than the profit for the previous year. Furthermore, efficiency measured as the cost/income ratio went below the 50% threshold for the first time, in spite of the extra costs related to the Euro conversion project.

The bank strengthened its financial position also taking advantage of positive progress in the banking market. Total assets continued to grow dynamically by additional 19% in 2008. In particular, strong focus on loan generation throughout the year brought the outstanding amount of Receivables from customers to make up more than 50% of the Balance Sheet assets. Thus, loans to VUB customers grew by more than 30%, which was achieved through more customer-oriented activities and more structured approach to satisfying needs of customers. Thereby, VUB managed to improve its position among the Slovak loan market leaders. In addition, Consumer Finance Holding, a subsidiary of the bank, altogether provided 19% more loans to retail customers than the previous year, which also significantly contributed to the loan portfolio growth. Similarly, VÚB Leasing, a member of the VUB Group since November 2007, also boosted bank's position in the loan market by providing 22% more lease loans mainly to corporate customers year-on-year.

The bank also collected more deposits, marking almost a 20% increase compared to 2007, which had a favourable impact on the bank's liquidity ratios. On the other hand, the volume of assets managed by VUB Asset Management dropped to almost 580 mln. (SKK 17 bln.) in line with the prevailing high risk aversion in the market, brought about by the global financial crisis. With assets under management totalling 324 mln. (SKK 10 bln.), VUB Generali, d.s.s., a pension management company and joint venture with Generali Slovensko, defended its market share.

Information on the Expected Economic and Financial Situation for 2009

In spite of a rather favourable financial condition, the banking industry in Slovakia will not remain immune to impacts of the current global economic and financial crisis. Hence, the key objective for VUB is to meet its business goals in the coming year. Even more structured approach to customers and their higher satisfaction with bank products and services constitute the bank's primary objectives. "Listening 100%", a joint initiative launched in association with the parent company aimed at raising the quality of services, should contribute to defending the bank's market share, which will remain its utmost priority for 2009. Similarly, a further process improvement, product innovation and distribution channel development should also help to bolster customer confidence.

In retail banking, defending or increasing attractiveness of the key loan and deposit products will represent the bank's strategic goals. In an effort to keep the liquidity high, the bank will continue to pay more attention to retail deposit products. Staying competitive in retail loan products will be of great importance, too.

In corporate banking, deposits and related cash management and payments will represent the main focus. The bank will chiefly aspire to strengthen its market position in the shrinking corporate deposit market.

During the period of economic downturn, the role of quality credit risk management becomes ever more important. Hence, VUB will put even greater emphasis on risk management.

Last but not least, preservation of the accomplished efficiency in controlling and supporting functions and processes will also remain one of the key elements in sustaining the bank's operating profit in 2009.

In terms of economic development and financial markets, 2009 will be marked by extreme instability forcing thus VUB Bank to continuously monitor and review its financial objectives, if required. In spite of the unfavourable market trends, the bank still expects to generate profits.

List of VUB Branches

Retail Business Network of VUB, a.s.

Name	Postcode	Address	Tel. No.	Fax No.
Regional Retail Network Bratislava – West				
Retail Branches I				
Bratislava – Gorkého	813 20	Gorkého 7	02/4855 3010	02/5413 1208
Bratislava – Poštová	811 01	Poštová 1	02/4855 3080	02/5441 7939
Bratislava – Dúbravka	841 01	Sch. Trnavského 6/A	02/4855 3110	02/6428 6205
Bratislava – Aupark	851 01	Einsteinova 18	02/4855 3216	02/6345 1260
Malacky	901 01	Záhorácka 15	034/4856 082	034/7723 848
Bratislava – Šintavská	851 05	Šintavská 24	02/4855 3170	02/6383 7097
Retail Branches II				
Bratislava – Dunajská	811 08	Dunajská 24	02/4855 3126	02/5296 7136
Bratislava – Devínska N. Ves	841 07	Eisnerova 48	02/4855 3156	02/6477 6550
Bratislava – Špitálska	811 01	Špitálska 10	02/4855 3389	02/5296 5422
Bratislava – Rovniankova	851 02	Rovniankova 3/A	02/4855 3185	02/6382 1608
Bratislava – Vlastenecké nám.	851 01	Vlastenecké námestie 6	02/4855 3200	02/6224 8138
Bratislava – Štúrova	811 02	Štúrova 13	02/4855 3150	
Bratislava – TESCO	811 08	Kamenné námestie 1	02/4855 3249	02/5296 2305
Retail Branches III				
Bratislava – Lamač	841 03	Heyrovského 1	02/4855 3150	02/6478 0726
Bratislava – Štefanovičova	811 04	Štefanovičova 14	02/4855 3223	02/5249 1819
Bratislava – Dlhé diely	841 05	Ľ. Fullu 5	02/4855 3376	02/6531 6602
Bratislava – Karlova Ves	841 04	Borská 5	02/4855 3398	02/6542 5825
Bratislava – Kramáre	833 40	Limbová 1	02/4855 3230	02/5478 8084
Bratislava – Obchodná	811 04	Obchodná 74	02/4855 3238	02/5273 3897
Bratislava – Ovsištské nám.	851 04	Ovsištské námestie 1	02/4855 3244	02/6241 4278
Bratislava – Panská	811 01	Panská 27	02/4855 3050	02/5441 1835
Stupava	900 31	Mlynská 1	02/4853 256	02/6593 6735
Mortgage Centres				
Bratislava – HC Poštová	811 06	Poštová 1	02/4855 3005	02/5441 7956
Bratislva – HC Aupark	851 01	Einsteinova 18	02/5955 8426	02/5556 7829
Regional Retail Network Bratislava – East				
Retail Branches I				
Bratislava – Ružinov	827 61	Jašíkova 8	02/4856 8612	02/4333 9369
Bratislava – Páričkova	821 08	Páričkova 2	02/5055 2408	02/5556 6636
Bratislava – Dolné hony	821 06	Kazanská 41	02/4855 3274	02/4525 8300
Pezinok	902 01	Štefánikova 14	033/485 4593	033/6413 077
Bratislava – Polus	831 04	Vajnorská 100	02/4855 3279	02/4444 1185
Senec	903 01	Námestie 1. mája 25	02/4855 3292	02/4592 4248
Bratislava – Dulovo nám.	821 08	Dulovo nám. 1	02/4855 3053	02/5596 9455
Retail Branches II				
Bratislava – Miletičova	821 09	Miletičova 21	02/4855 3300	02/5556 7201

Name	Postcode	Address	Tel. No.	Fax No.
Bratislava – Slovnaft	821 10	Vlčie hrdlo 1	02/4855 3312	02/4524 7729
Bratislava – Rača	831 06	Detvianska 22	02/4855 3318	02/4487 1025
Bratislava – Krížna	821 08	Krížna 54	02/4855 3325	02/5542 5941
Bratislava – BC Apollo	821 09	Mlynské nivy 45	02/4855 3340	02/5341 2007
Retail Branches III				
Bratislava – SP SORAVIA	821 04	Cesta na Senec 2/A	02/4855 3351	02/4445 4843
Bratislava – Avion	821 04	Galvaniho 7	02/4855 3353	02/4342 0315
Bratislava – Vrakuňa	822 02	Šíravská 7	02/4855 3360	02/4552 2138
Bratislava – Račianska	831 03	Račianska 54	02/4855 3071	02/4445 3888
Bratislava – Račianske mýto	831 02	Račianske mýto 3	02/4855 3366	02/4444 2131
Ivanka pri Dunaji	900 28	Štefánikova 25/A	02/4855 3405	02/4594 5042
Bratislava – Krížna 12	811 07	Krížna 12	02/6854 585	
Modra	900 01	Štúrova 68	033/6854 585	033/6475 535
Retail Branches IV				
TESCO Pezinok	902 01	Myslenická 2/B	033/4854 591	033/6423 210
Mortgage Centres				
Bratislava – Páričkova	821 08	Páričkova 2	02/5055 2264	02/5556 7829
Regional Retail Business Network Trnava				
Retail Branches I				
Trnava – Dolné bašty	917 68	Dolné bašty 2	033/4854 409	033/5333 056
Trnava – Hlavná	917 68	Hlavná 31	033/4854 490	033/5511 560
Dunajská Streda	929 35	Alžbetínske nám. 328	031/4854 000	031/5570 159
Galanta	924 41	Mierové námestie 2	031/4854 027	031/7806 029
Hlohovec	920 01	Podzámska 37	033/4854 521	033/7424 329
Piešťany	921 01	Námestie slobody 11	033/4854 535	033/7721 080
Senica	905 01	Nám. oslobodenia 8	034/4856 000	034/6943 984
Šaľa	927 00	Hlavná 5	031/4854 062	031/7704 576
Retail Branches II				
Skalica	909 01	Potočná 20	034/4856 048	034/6646 778
Myjava	907 01	Nám. M. R. Štefánika 525/21	034/4856 057	034/6212 595
Sereď	926 00	Cukrovarská 3013/1	031/4854 082	031/7894 650
Trnava – Arkadia	917 01	Veterná 40/A	033/4854 556	033/5936 643
Šamorín	931 01	Hlavná 64	031/4854 097	031/5624 305
Retail Branches III				
Holíč	908 51	Bratislavská 1518/7	034/4856 067	034/6684 473
Gabčíkovo	930 05	Mlynársky rad 185/1	031/4854 106	031/5594 844
Kúty	908 01	Nám. Radlinského 981	034/4856 076	031/6597 790
Trnava – Štefánikova	91768	Štefánikova 32	033/4854 626	033/5513 343
Leopoldov	920 41	Hollého 649/1	033/4854 560	033/7342 290
Smolenice	919 04	SNP 81	033/4854 562	033/5586 610
Sládkovičovo	925 21	Fučíkova 131	031/4854 108	031/7841 835
Šaštín – Stráže	908 41	Námestie slobody 648	034/4856 079	034/6580 591
Veľký Meder	932 01	Komárňanská 135/22	031/4854 116	031/5553 300
Vrbové	922 03	Nám. slobody 285/9	033/4854 577	033/7792 696
Zlaté Klasy	930 39	Hlavná 836/17	031/4854 117	031/5692 073

Name	Postcode	Address	Tel. No.	Fax No.
Retail Branches IV				
Dunajská Lužná	900 42	Nové Košariská	02/4855 3369	02/4598 1239
Močenok	951 31	Sv. Gorazda 629	037/4854 925	037/7781 210
Mortgage Centres				
Trnava – Dolné bašty	917 68	Dolné bašty 2	033/4854 440	033/5333 055
Regional Retail Business Network Trenčín				
Retail Branches I				
Trenčín	911 62	Mierové námestie 37	032/4854 235	032/7431 450
Dubnica nad Váhom	018 41	Nám. Matice slov. 1712/7	042/4856 543	042/4425 027
Nové Mesto nad Váhom	915 01	Hviezdoslavova 19	032/4854 291	032/7715 070
Považská Bystrica	017 21	Nám. A. Hlinku 23/28	042/4856 500	042/4309 841
Prievidza	971 01	Námestie slobody 10	046/4857 100	046/5426 878
Púchov	020 01	Námestie slobody 1657	042/4856 578	042/4642 368
Bánovce nad Bebravou	957 01	Námestie Ľ. Štúra 5/5	038/4856 269	038/7602 993
Partizánske	958 01	L. Svobodu 4	038/4856 288	038/7497 247
Retail Branches II				
Trenčín – Legionárska	911 01	Legionárska 7158/5	032/4854 205	032/6401 649
Nová Dubnica	018 51	Mierové námestie 29/34	042/4856 581	042/4434 032
Stará Turá	916 01	SNP 275/67	032/4854 301	032/7763 445
Retail Branches III				
Ilava	019 01	Mierové námestie 77	042/4856 595	042/4465 902
Bojnice	972 01	Hurbanovo námestie 10	046/4857 142	046/5430 571
Handlová	972 51	SNP 1	046/4857 146	046/5476 418
Lednické Rovne	020 61	Námestie slobody 32	042/4856 598	042/4693 217
Nitrianske Pravno	972 13	Námestie SNP 389	046/4857 152	046/5446 439
Nováky	972 71	Andreja Hlinku 457	046/4857 156	046/5461 145
Trenčín – Zámostie	911 05	Zlatovská 2610	032/4854 310	032/6523 321
Retail Branches IV				
Dolné Vestenice	972 23	M. R. Štefánika 300	046/4857 162	046/5498 308
Trenčianske Teplice	914 51	T. G. Masaryka 3	032/4854 315	032/6553 444
TESCO Nové Mesto nad Váhom	915 01	Trenčianska 2492/68	032/4854 286	032/7714 115
Mortgage Centres				
Trenčín – Masaryčky	911 01	Legionárska 7158/5	032/4854 218	032/7434 947
Regional Retail Business Network Nitra				
Retail Branches I				
Nitra – Štefánikova 44	949 31	Štefánikova 44	037/4854 807	037/6528 754
Komárno	945 23	Tržničné námestie 1	035/4854 745	035/7730 652
Levice	934 01	Štúrova 21	036/4856 118	036/6312 600
Nové Zámky	940 33	Hlavné námestie 5	035/4854 700	035/6400 841
Topoľčany – Moyzesova	955 19	Moyzesova 585/2	038/4856 214	038/5228 061
Topoľčany – Pribinova	955 01	Pribinova 2	038/4856 243	038/5326 900
Zlaté Moravce	953 00	Župná 10	037/4854 889	037/6321 266
Retail Branches II				
Nitra – Štefánikova 7	949 31	Štefánikova 7	037/4854 901	037/7412 057
Štúrovo	943 01	Hlavná 59	036/4856 147	036/7511 308

Name	Postcode	Address	Tel. No.	Fax No.
Šurany	942 01	SNP 25	035/4854 768	035/6500 044
Vráble	952 01	Levická 1288/16	037/4854 907	037/7833 023
Retail Branches III				
Hurbanovo	947 01	Komárňanská 98	035/4854 783	035/7602 216
Šahy	936 01	Hlavné námestie 27	036/4856 152	036/7411 723
Centro Nitra	949 01	Akademická 1/A	037/4854 918	037/6512 013
Želiezovce	937 01	Komenského 8	036/4856 164	036/7711 088
Kolárovo	946 03	Palkovicha 34	035/4854 785	035/7772 550
OC MAX Nitra	949 01	Chrenovská 1661/30	037/4854 922	037/7331 028
Retail Branches IV				
TESCO Topoľčany	955 01	M. Benku 1/A 4590	038/4856 214	038/5322 117
Tesco Nové Zámky	940 67	Nitrianska cesta 111	035/4854 792	035/6428 613
Marcelová	946 32	Nám. slobody 1199	035/4854 794	035/7798 405
Nitrianska Blatnica	956 04	Obecný úrad	038/4856 261	038/5394 194
Tvrdošovce	941 10	Bratislavská cesta 3	035/4854 796	035/6492 201
Mortgage Centres				
Nitra – Štefánikova 44	949 31	Štefánikova 44	037/4854 838	
Regional Retail Business Network Žilina				
Retail Branches I				
Žilina	010 43	Na bráne 1	041/4856 306	041/7247 136
Čadca	022 24	Fraňa Kráľa 1504	041/4856 375	041/4331 095
Dolný Kubín	026 01	Radlinského 1712/34	043/4856 683	043/5864 006
Martin	036 53	M. R. Štefanika 2	043/4856 627	043/4247 297
Retail Branches II				
Bytča	014 01	Sidónie Sakalovej 138/1	041/4856 409	041/5533 579
Námestovo	029 01	Hviezdoslavovo nám. 200/5	043/4856 706	043/5523 175
Žilina – Nám. A. Hlinku	010 43	Nám. A. Hlinku 1	041/4856 413	041/5626 194
Žilina – Dubeň	010 08	Vysokoškolákov 52	041/4856 423	041/5000 316
Kysucké Nové Mesto	024 01	Námestie slobody 184	041/4856 426	041/4213 687
Trstená	028 01	Nám. M. R. Štefánika 15	043/4856 712	043/5392 530
Turčianske Teplice	039 01	Hájska 3	043/4856 725	043/4924 018
Vrútky	038 61	1. čsl. brigády 12	043/4856 732	043/4284 133
Retail Branches III				
Rajec	015 01	Hollého 25	041/4856 437	041/5422 877
Turzovka	023 54	R. Jašíka 20	041/4856 448	041/4352 579
Tvrdošín	027 44	Trojičné nám. 191	043/4856 745	043/5322 052
Martin – OC Tulip	036 01	Pltníky 2	043/4856 669	043/4134 713
Nižná	027 43	Nová Doba 481	043/4856 756	043/5382 163
Retail Branches IV				
Krásno nad Kysucou	023 02	1. mája 1255	041/4856 459	041/4385 394
OC MAX Žilina	010 07	Prielohy 979	041/4856 456	041/5681 879
Skalité	023 14	Obv. zdrav. stred. 1149	041/4856 454	041/4376 367
Turany	038 53	Obchodná 13	043/4856 759	043/4292 529
Zákamenné	029 56	Zákamenné 23	043/4856 761	043/5592 295
Mortgage Centres				
Žilina	010 43	Na bráne 1	041/4856 326	041/5678 051

Name	Postcode	Address	Tel. No.	Fax No.
Regional Retail Business Network Banská Bystrica				
Retail Branches I				
Banská Bystrica	975 55	Námestie slobody 1	048/4505 550	048/4505 641
Lučenec	984 35	T. G. Masaryka 24	047/4857 205	047/4331 501
Rimavská Sobota	979 13	Francisciho 1	047/4857 228	047/5631 213
Veľký Krtíš	990 20	Novohradská 7	047/4857 264	047/4805 687
Zvolen	960 94	Námestie SNP 2093/13	045/4856 800	045/5333 532
Žiar nad Hronom	965 01	Námestie Matice slov. 21	045/4856 870	045/6707 840
Retail Branches II				
Banská Bystrica – Dolná	975 55	Dolná 17	048/4855 400	048/4123 908
Banská Štiavnica	969 01	Radničné námestie 15	045/4856 903	045/6921 047
Brezno	977 01	Nám. M. R. Štefánika 27/22	048/4855 370	048/6115 595
Detva	962 11	M. R. Štefánika 65	045/4856 911	045/5455 461
Fiľakovo	986 01	Biskupická 1	047/4857 271	047/4382 227
Hnúšťa	981 01	Francisciho 372	047/4857 284	047/5422 241
Krupina	963 01	Svätotrojičné námestie 8	045/4856 928	045/5511 431
Nová Baňa	968 01	Námestie slobody 11	045/4856 935	045/6855 115
BB – SC Európa	974 01	Na troskách 26	048/4855 383	
Retail Branches III				
Hriňová	962 05	Hriňová 1612	045/4855 893	045/5497 221
Kremnica	967 01	Medzibránie 11	045/4856 950	045/6743 861
Poltár	987 01	Sklárska	047/4857 288	047/4223 370
Tornaľa	982 01	Hurbanova 19	047/4857 294	047/5522 676
Žarnovica	966 81	Námestie SNP 26	045/4856 953	045/6812 380
Retail Branches IV				
Dudince	962 71	Okružná 142	045/4856 890	045/5583 432
Hajnáčka	980 33	Hajnáčka 105	047/4857 300	047/5692 295
Slovenská Ľupča	976 13	Námestie SNP 12	048/4855 380	048/4187 229
Vinica	991 28	Cesta slobody 466/41	047/4857 303	047/4891 502
Tisovec	980 61	Daxnerova 761	047/4857 306	047/5422 241
Mortgage centres				
Banská Bystrica	975 55	Námestie slobody 1	048/4505 590	048/4505 670
Regional Retail Business Network Prešov				
Retail Branches I				
Prešov	081 86	Masarykova 13	051/4857 518	051/7356 362
Bardejov	085 61	Kellerova 1	054/4858 300	054/4746 389
Humenné	066 80	Námestie slobody 26/10	057/4858 514	057/7705 141
Vranov nad Topľou	093 01	Námestie slobody 6	057/4858 539	057/4406 439
Retail Branches II				
Snina	069 01	Strojárska 2524	057/4858 562	057/7622 328
OC MAX Prešov	080 01	Vihorlatská 2A	051/4857 579	
Svidník	089 27	Centrálna 584/5	054/4858 331	054/7521 691
Prešov – Hlavná	080 01	Hlavná 61	051/4857 573	051/7723 617
Sabinov	083 01	Námestie slobody 623	051/4857 594	051/4523 492
Stropkov	091 01	Mlynská 692/1	054/4858 347	054/7423 714

Name	Postcode	Address	Tel. No.	Fax No.
Retail Branches III				
Giraltovce	087 01	Dukelská 58	054/4858 355	054/7322 625
Hanušovce nad Topľou	094 31	Komenského 52	057/4858 580	057/4452 805
Humenné – Chemes	066 01	Chemlonská 1	057/4858 591	057/7763 595
Lipany	082 71	Nám. sv. Martina 8	051/4857 586	051/4572 777
Medzilaborce	068 10	Mierová 289/1	057/4858 586	057/7321 546
Mortgage centres				
Prešov	081 86	Masarykova 13	051/4857 558	051/7356 383
Regional Retail Business Network Poprad				
Retail Branches I				
Poprad	058 17	Mnoheľova 2832/9	052/4857 842	052/7721 182
Liptovský Mikuláš	031 31	Štúrova 19	044/4857 009	044/5514 925
Rožňava	048 73	Šafárikova 21	058/4858 955	058/7326 421
Ružomberok	034 01	Podhora 48	044/4857 037	044/4323 146
Spišská Nová Ves	052 14	Letná 33	053/4857 613	053/4410 422
Stará Ľubovňa	064 01	Obchodná 2	052/4857 872	052/4323 491
Retail Branches II				
Kežmarok	060 01	Hviezdoslavova 5	052/4857 900	052/4524 806
OC MAX Poprad	058 01	Dlhé hony 4588/1	052/4857 940	052/4523 258
Revúca	050 01	Námestie slobody 3	058/4858 974	058/4421 515
Retail Branches III				
Levoča	054 01	Nám. Majstra Pavla 38	053/4857 624	053/4514 316
Liptovský Hrádok	033 01	J. Martinku 740/56	044/4857 054	044/5221 397
Svit	059 21	Štúrova 87	052/4857 914	052/7755 154
Poprad – J. Curie	058 01	J. Curie 37	052/4857 920	052/7723 192
Gelnica	056 01	Banícke nám. 52	053/4857 633	053/4821 104
Krompachy	053 42	Lorencova 20	053/4857 638	053/4472 251
Spišská Belá	059 01	Zimná 3	052/4857 934	052/4581 022
Spišské Podhradie	053 04	Mariánske nám. 22	053/4857 641	053/4541 257
Retail Branches IV				
Dobšiná	049 25	Zimná 126	058/4858 983	058/7941 640
Liptovský Mikuláš – OC Jasná	031 31	Garbiarska 695	044/4857 060	
Starý Smokovec	062 01	Starý Smokovec 29	052/4857 927	052/4423 416
Podolínec	065 03	Ul. sv. Anny 1	052/4857 932	052/4391 295
Mortgage Centres				
Poprad	058 17	Mnoheľova 2832/9	052/4857 817	052/7135 087
Regional Retail Business Network Košice				
Retail Branches I				
Košice – Strojárenská	042 31	Strojárenská 11	055/4858 006	055/6229 334
Košice – Bačíkova	042 81	Bačíkova 2	055/4858 111	055/6786 083
Michalovce	071 80	Námestie slobody 3	056/4858 420	056/6441 077
Trebišov	075 17	M. R. Štefánika 3197/32	056/4858 450	056/6725 901
Košice – Hlavná	042 31	Hlavná 8	055/4858 137	055/6226 250
Košice – Letná	040 01	Letná 40	055/4858 159	055/6259 979

Name	Postcode	Address	Tel. No.	Fax No.
Retail Branches II				
Košice – Bukovecká	040 12	Bukovecká 18	055/4858 174	055/6746 253
Moldava nad Bodvou	045 01	Hviezdoslavova 13	055/4858 100	055/4602 992
Košice – OC Optima	040 11	Moldavská cesta 32	055/4858 182	055/6461 043
Retail Branches III				
Košice – Ťahanovce	040 13	Americká trieda 15	055/4858 188	055/6366 063
Košice – Sídlisko KVP	040 23	Trieda KVP 1	055/4858 192	055/6429 673
Košice – Trieda L. Svobodu	040 22	Trieda L. Svobodu 12	055/4858 199	055/6718 160
Košice – U.S. Steel	044 54	Vstupný areál U.S. Steel	055/4858 204	055/6730 423
Michalovce – mesto	071 01	Nám. osloboditeľov 2	056/4858 467	056/6424 281
Sobrance	073 01	Štefánikova 9	056/4858 494	056/6523 300
Strážske	072 22	Nám. A. Dubčeka 300	056/4858 470	056/6491 633
Kráľovský Chlmec	077 01	Hlavná 710	056/4858 475	056/6321 045
Veľké Kapušany	079 01	Sídl. P. O. Hviezdoslava 79	056/4858 480	056/6383 043
Sečovce	078 01	Nám. sv. Cyrila a Metoda 41/23	056/4858 487	056/6782 277
Košice – Hlavná 41	040 01	Hlavná 41	055/4808 210	
Košice – Moldavská	040 11	Werferova 3	055/4858 298	055/6420 814
Mortgage Centres				
Košice – Strojárenská	042 31	Strojárenská 11	055/4858 031	055/6229 334

Corporate branches

Corporate Business Center Bratislava 1		
BRATISLAVA	Jašíkova 8	02/4856 8652
Corporate Business Center Bratislava 2		
BRATISLAVA	Mlynské nivy 1	02/5055 2770
Corporate Business Center Trnava		
TRNAVA	Dolné bašty 2	033/4854 447
SENICA	Nám. oslobodenia 8	034/4856 037
Corporate Business Center Nitra		
NITRA	Štefánikova 44	037/4854 844
TOPOĽČANY	Moyzesova 585/2	038/4856 237
LEVICE	Štúrova 21	036/4856 135
Corporate Business Center Nové Zámky		
NOVÉ ZÁMKY	Hlavné námestie 5	035/4854 738
KOMÁRNO	Tržničné nám. 1	035/4854 764
GALANTA	Mierové námestie 2	031/4854 055
DUNAJSKÁ STREDA	Alžbetínske nám. 328	031/4854 024
Corporate Business Center Trenčín		
TRENČÍN	Mierové námestie 37	032/4854 230
POVAŽSKÁ BYSTRICA	Nám. A. Hlinku 23/28	042/4856 537
Corporate Business Center Žilina		
ŽILINA	Na bráne 1	041/4856 346
MARTIN	M. R. Štefánika 2	043/4856 661
ČADCA	Fraňa Kráľa 1504	041/4856 399
DOLNÝ KUBÍN	Radlinského 1712	043/4856 694
Corporate Business Center Zvolen		
ZVOLEN	Námestie SNP 2093/13	045/4856 842
BANSKÁ BYSTRICA	Námestie slobody 1	046/4855 487
Corporate Business Center Žiar nad Hronom		
ŽIAR NAD HRONOM	Nám. Matice slovenskej 21	045/4856 883
PRIEVIDZA	Námestie slobody 10	046/4857 137
Corporate Business Center Lučenec		
LUČENEC	T. G. Masaryka 24	047/4857 224
RIMAVSKÁ SOBOTA	Francisciho 1	047/4857 247
Corporate Business Center Poprad		
POPRAD	Mnoheľova 2832/9	052/4857 866
LIPTOVSKÝ MIKULÁŠ	Štúrova 19	044/4857 867
SPIŠSKÁ NOVÁ VES	Letná 33	053/4857 621
Corporate Business Center Prešov		
PREŠOV	Masarykova 13	051/4858 330
BARDEJOV	Kellerova 1	054/4858 328
VRANOV NAD TOPĽOU	Námestie slobody 6	057/4858 560
HUMENNÉ	Námestie slobody 26/10	057/4858 530
Corporate Business Center Košice		
KOŠICE	Strojárenská 11	055/4858 046
MICHALOVCE	Námestie slobody 3	056/4858 430
Corporate Business Center Praha		
PRAHA 8	Pobřežní 3	+420 2 2186 5111

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.
(until August 31, 2008 B.O.F., a.s.)

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%
Core business:	Financial and operation leasing
Tel:	+421 2 5020 1211
Fax:	+421 2 5542 3176
General Manager:	Ing. Martin Rajec

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%
Core business:	Insurance brokerage
Tel:	+421 2 5020 1211
Fax:	+421 2 5542 3176
Executive Officers:	Ing. Martin Rajec and Ing. Vladimír Bilčík

VÚB Leasingová, a.s.
the company discontinued its commercial operation in the year 2008

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

Structure of VUB Shareholders

as at 31 December 2008

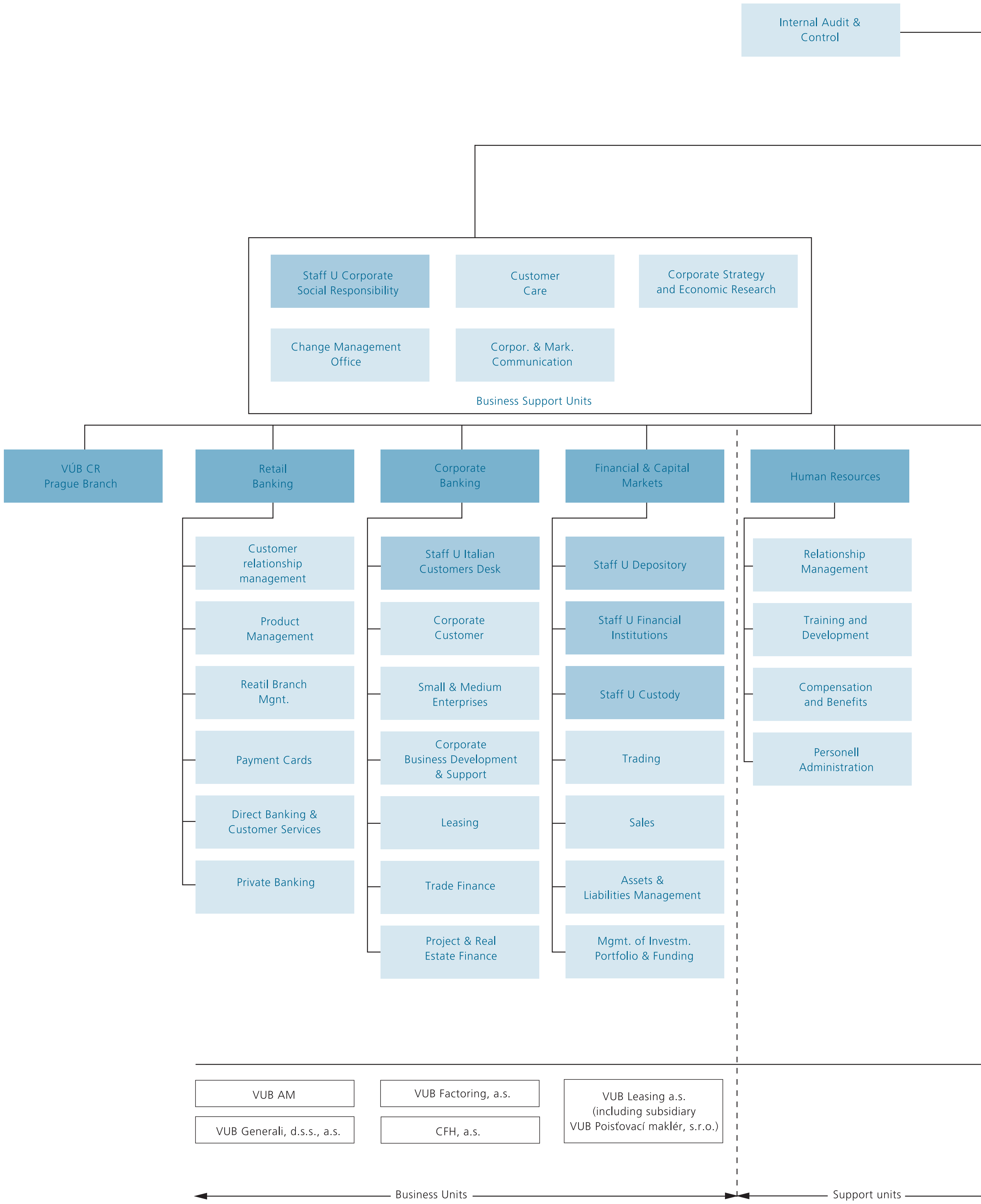
Intesa Sanpaolo Holding International S. A. – majority owner	12,523,169	96.494 566
Other legal entities	131,856	1.015 988
Individuals	323,083	2.489 446
TOTAL	12,978,108	100.000 000

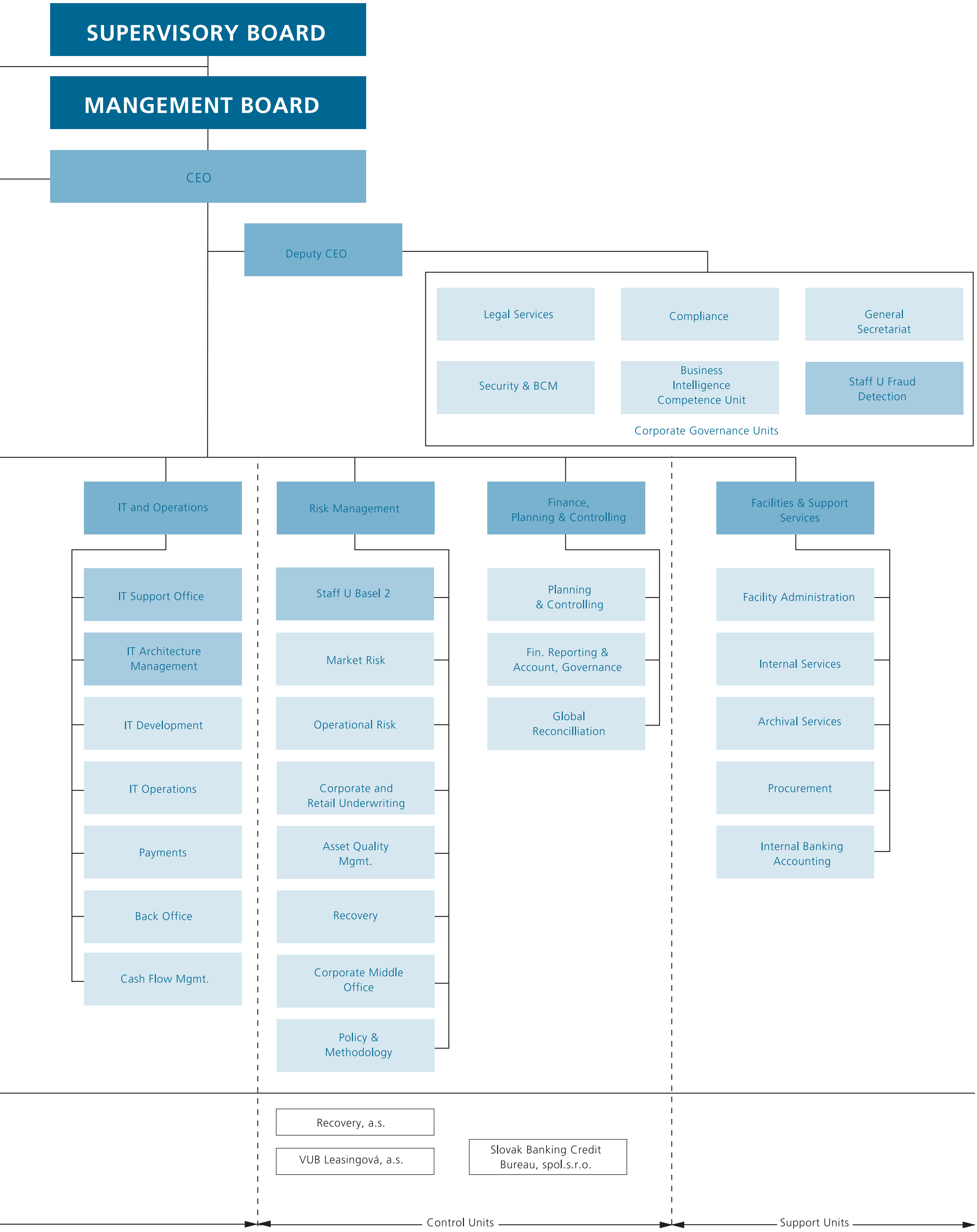
Intesa Sanpaolo Holding International S. A. – majority owner	12,523,169	96.494 566
Domestic shareholders	383,046	2.951 478
Other foreign shareholders	71,893	0.553 956
TOTAL	12,978,108	100.000 000

There were 45,987 shareholders as of December 31, 2008. Foreign VUB shareholders come from 12 countries as follows: Luxembourg (96.540%), Austria (0.162%), the Netherlands (0.143%), Germany (0.077%), Switzerland (0.062%), the Czech Republic (0.051%), Lithuania (0.010%), the United Kingdom (0.002%), U.S.A. (0.001%), Romania, Poland and Cyprus.

Organization Chart of VUB

as at 31 December 2008




SUPERVISORY BOARD
MANGEMENT BOARD
CEO
Deputy CEO
Legal Services
Compliance
General Secretariat
Security & BCM
Business Intelligence Competence Unit
Staff U Fraud Detection
Corporate Governance Units
IT and Operations
IT Support Office
IT Architecture Management
IT Development
IT Operations
Payments
Back Office
Cash Flow Mgmt.
Risk Management
Staff U Basel 2
Market Risk
Operational Risk
Corporate and Retail Underwriting
Asset Quality Mgmt.
Recovery
Corporate Middle Office
Policy & Methodology
Finance, Planning & Controlling
Planning & Controlling
Fin. Reporting & Account, Governance
Global Reconcilliation
Facilities & Support Services
Facility Administration
Internal Services
Archival Services
Procurement
Internal Banking Accounting
Recovery, a.s.
VUB Leasingová, a.s.
Slovak Banking Credit Bureau, spol.s.r.o.
Control Units
Support Units

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

Management Board

1. Management Board Members

Ignacio Jaquotot	Chairman of the Management Board
Jonathan Locke	Member of the Management Board
Domenico Cristarella	Member of the Management Board
Jozef Kausich	Member of the Management Board
Ivan Golian	Member of the Management Board
Elena Kohútiková	Member of the Management Board
Dinko Lucić	Member of the Management Board
Vladimíra Josefiová	Member of the Management Board (until January 31, 2008)
Silvia Púchovská	Member of the Management Board (from February 1, 2008)
Alexander Resch	Member of the Management Board (from April 1, 2008)
Daniele Fanin	Member of the Management Board (from July 17, 2008)

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 started already back 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 of banks' operations and later assisted as the local coordinator for the sale processes of the banks.

Jonathan Locke – Member of the Management Board and Deputy to CEO
Mr. Locke was appointed member of the VUB Management Board and Head of Bank's Risk Management Division in August 2003. He was appointed Deputy to CEO of Všeobecná úverová banka, a.s. in July 2007. Mr. Locke was previously a partner with Deloitte & Touche in the Czech Republic. He has 15-year experience working with financial institutions especially in the areas of finance and risk management. Mr. Locke spent the last 10 years in Central and Eastern Europe and Russia.

Domenico Cristarella – Member of the Management Board and Executive Director of Finance, Planning & Controlling Division
Mr. Domenico Cristarella was appointed member of the VUB Management Board and Executive Director heading the Administration, Accounting and Budget Control Division in December 2001. Mr. Cristarella came from Banca Commerciale Italiana (BCI) Milan Headquarters, where he was in the position of a Senior Manager responsible for budgeting and performance measurement for the whole foreign network of BCI (now Intesa Sanpaolo) – subsidiaries, branches and representative offices since 1998. Mr. Cristarella spent all of his professional life with BCI. He originally started in Turin Branch, which he joined in 1970. In 1978 he got his first overseas assignment as Deputy Chief Financial Officer of BCI Singapore, following which he was gradually 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.

Jozef Kausich – Member of the Management Board and Executive Director of 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 an account manager at a branch 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 the Head of the Corporate Customer and Product Management Division and finally the Head of Corporate Client Division.

Ivan Golian – Member of the Management Board and Executive Director of IT and Operations Division
Mr. Golian joined VUB after more than 8 years spent in Executive Management of Orange Slovensko in position of the Head of Division and Deputy to the CEO. From 1995 to 1997, he worked with Digital Equipment Corporation, Slovakia as a Project Manager for "Banking & Telco Sector" in Slovakia and the Czech Republic. Furthermore, Mr. Golian managed projects for the Slovak Post, Eurotel, Statistical Office of the Slovak Republic and other such projects.

Elena Kohútiková – Member of the Management Board and Executive Director of Financial and Capital Markets Division
Ms. Kohútiková was appointed the Management Board member and Head of the Financial and Capital Markets Division in October 2006. In 1994 she became a member of the Management Board of the National Bank of Slovakia. From 2000 until 2006, she held a 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.

Dinko Lucić – Member of the Management Board and Executive Director of Retail Banking Division
Mr. Lucić was appointed a new member of the VUB Management Board, as well as an Executive Director of the Retail Banking Division in January 2007. Prior to his engagement with Všeobecná úverová banka, a.s., he worked as the CMO (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 a position of Deputy President of the PBZ Building Society's Supervisory Board and PBZ Card's Supervisory Board member.

Vladimíra Josefiová – Member of the Management Board and Executive Director of the Human Resources Division
Ms. Josefiová acted as a member of the Management Board and and Executive Director of the Human Resources Division of VUB Bank from 13 July 2006 to 31 January 2008. From 2003 she was engaged in UniCredit Group as the Head of Human Resources Division in Živnostenská banka and from 2005 also in the Slovak Unibanka. During 1999 – 2002 within McKinsey & Co, she managed sales force stimulation projects in insurance and banking in the Czech Republic, Slovakia, Poland and Croatia. During 1996-1999 she worked in companies PEPSICO, INC and PEPSI-COLA INTERNATIONAL in the area of mergers and acquisitions and strategic planning. During her career, she was engaged in companies such as Goldman, Sachs & Co, Arthur D. Little, Hex Capital and also held the position of the Director of Foreign Investment Department at the Ministry of Privatisation of the Czech Republic.

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

Ms. Púchovská assumed 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 company 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 a Training and Project Manager. She was responsible for sale 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, VUB Supervisory Board appointed Alexander Resch to the position of a new 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 University 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 the Banca Intesa (today, Intesa Sanpaolo). In 1999, he was appointed as a Director of Planning, Controlling and Reporting unit. In 2002, in addition to the existing terms of reference of the Executive Director, Mr. Resch assumed also responsibilities for the 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 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 the year 2007, Mr. Resch was responsible for risk management and operations in CFH.

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 arm of VUB since June 2008, a 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 the French-speaking countries such as France, Belgium and Luxembourg. From 1991 he was assigned to the London Branch with the 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.

2. **The Management Board is authorized to manage the activities of VUB, 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 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 accuracy of the bookkeeping and other records, trade books and other documentation of VUB, a.s., as mandated;
c) managing of 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 the 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.

Supervisory Board
Györgyi Surányi – Chairman of the Supervisory Board
- Head of Central and Eastern Europe Region within Foreign Banks Division, Intesa Sanpaolo, Italy
- the former President of the National Bank of Hungary

Ezio Salvai – Vice Chairman of the Supervisory Board
- Head of Central and East European Banks Sub-department within Foreign Banks Division, Intesa Sanpaolo, Italy

Giovanni Boccolini – Vice Chairman of the Supervisory Board (until April 7, 2008)
- Head of International Subsidiary Banks Division, Intesa Sanpaolo, Italy

Adriano Arietti – Member of the Supervisory Board
- Executive Director – M&A and Corporate Development within Foreign 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 Department, International Subsidiary Banks Division, Intesa Sanpaolo, Italy

Massimo Pierdicchi – Member of the Supervisory Board
- Head of CEE & SEE Banks Department, International Subsidiary Banks Division, Intesa Sanpaolo, Italy

Ján Mikušinec – Member of the Supervisory Board (until November 28, 2008)
- employee representative

Pavel Kárász – Member of the Supervisory Board (until December 15, 2008)
- employee representative

Ján Sedláček – Member of the Supervisory Board (until December 15, 2008)
- employee representative

Jana Finková – Member of the Supervisory Board (from November 28, 2008)
- employee representative

Ján Gallo – Member of the Supervisory Board (from December 15, 2008)
- employee representative

Juraj Jurenka – Member of the Supervisory Board (from December 15, 2008)
- employee representative

3. 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 Management Board's proposal, the SupervisoryBoard 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 the 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 VUB, 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 the 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 above mentioned curricula vitae contain information on professional qualification of Supervisory Board members and Management Board members in the area of finance and banking, as well as information on their practical experience serving as assurance for the efficient management of the company.
3. All relevant information is available to all members of the Management Board and Supervisory Board in time. In the course of the financial year 2008, the VUB Management Board held 27 meetings (thereof 26 regular and 1 extraordinary). The VUB Supervisory Board held 4 meetings during the 2008 financial year. Documents with detailed information are distributed sufficiently in advance – in case of the Management Board usually 3 working days, in case of the Supervisory Board 2 weeks prior to the meeting, ensuring the ability of members of the Supervisory and Management Boards to decide in 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 Supervisory Board elected by the VUB employees, a Supervisory Board member may not be an employee of VUB.
5. The Bank has 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.

B. Relations between the Company and its Shareholders

1. The Bank observes the provisions of the Commercial Code applicable to 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 and has been maintaining a list of Management Board members, Supervisory Board members and employees, who might be considered insiders.
2. Members of the Management Board and Supervisory Board do not have any personal interest in 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 unanimous consent of all the Management Board members based on a written analysis of the respective deal. 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 the shareholders and potential shareholders have access to information on financial standing, performance, ownership, and management of the company enabling them to take competent investment decisions.

4. The company actively supports constructive dialogue with institutional investors and promptly informs all shareholders of General Meetings and notices via its web page. In this way it enables both foreign and local investors to actively participate in the meetings.
5. The Bank has implemented changes arising from amendment of the Act No. 566/2001 Coll. on Securities (hereinafter " Securities Act"), so called MiFID (Markets in Financial Instruments Directive). The nature of this amendment rests on new categorization of clients, on the obligation to provide clients with best execution of their investments, on higher market transparency and on organization of the Bank as securities trader, which shall secure internal control systems and prevention of conflict of interests.
6. The Bank has been informing the clients on concluded deals related to quoted shares and bonds already since November 2007.

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.
In September 2007, the Supervisory Board reapproved establishment of the Audit Committee. The Committee currently consists of three appointed members, including the Chairman, who simultaneously acts 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, 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.

VUB, a bank of INTESA SANPAOLO