VÚB BANKA

Annual Report 2010

Content

Address by the Chairman of the VUB Supervisory Board

Dear Shareholders, Clients and Business Partners, Employees

VUB has had a successful year in 2010. The Bank has managed to further strengthen its position on the credit markets, while sustaining its share of the deposit markets. VUB group further improved its already outstanding profitability and cost efficiency. Even when judged by independent outside observers, VUB's superior performance clearly stands out. Last year, VUB has won two prestigious awards for the best banking institution in Slovakia – by Euromoney and local weekly Trend. On behalf of Supervisory Board, I would like to thank the management and employees for these excellent achievements.

Results achieved by VUB stand out also among its Intesa Sanpaolo sister banks. Here, I must emphasize that despite positive expectations of many, the year 2010 was another difficult year in a number of markets and economies in the region. In nearly all the countries where Intesa Sanpaolo operates, the impact of crisis was still felt. Slovakia may have done better in terms of recovery than most others, but still has not yet fully recouped output lost during the recession of the previous year. Indeed, for most of the past year, both corporates and households were still operating under significant strains, which inevitably impaired their ability to timely serve debt and weighed down on demand for new financial services. In particular, for retail-oriented bank such as VUB, high unemployment prevented return to asset growth rates of pre-crisis era. Even so, by being a bank for real clients, VUB was able to identify and develop pockets of healthy growth opportunities, such as in the gradually recovering real estate and mortgage markets. By leading the market in innovation and flexibility, the Bank competed well in satisfying clients' needs, which changed during the times of financial and economic distress.

Looking ahead, the key word for 2011 is growth. Objectives set for this year and the broader, three year plan are indeed ambitious. At this stage, I would like to reaffirm commitment of Intesa Sanpaolo to continue support VUB in its mission. Our group is viewed by capital markets and international banking community as one of the most stable and solid in the world. We are emerging from the crisis stronger than others and have what it takes to be among the first to resume growing. We have capital, liquidity, products and, most importantly, we have human capital crucial to attain set goals. Indeed, knowing the talent, dedication and hard work of VUB management and employees, I am confident that together we will continue to deliver.

György Surányi
Chairman of the Supervisory Board

Address by the Chairman of the VUB Management Board

Dear Shareholders, Clients and Business Partners,

VUB has had a successful year in 2010. Commercially, we made use of our sound financial position and against the broadly recovering economy, we have improved our share of core credit markets. We also have continued to deliver fine results in terms of profitability and efficiency, our long standing strengths.

As you will read below, there is a lot to be proud of. In addition to quantitative results, though, I would like to emphasize less tangible but equally important dimension of our success: namely our efforts to transmit principles of Corporate Social responsibility (CSR) in the business community in Slovakia. Indeed, we firmly believe that business and responsibility are not in contradiction. On the contrary, we strive for responsible business because only such delivers real value, sustainable growth and development. This is why, three years ago, we were pioneers among Slovak banks and adopted sustainability reporting based on international standards (Global Reporting Initiative). We continue to publish CSR Annual report alongside the financial one. Also this year, you can find our 2010 CSR Annual report attached to this Financial Report.

Starting with the review of external environment, following the deep recession of 2009, the economy began in 2010 to gradually recover. Real GDP posted a decent four percent growth, which was a welcome relief compared to its contraction of nearly five percent the year before. The recovery, however, was uneven among sectors. Indeed, while export-oriented industry returned to pre-crisis output level, domestic demand-dependent sectors such as construction and retail trade contracted further. Growth of the economy was also not yet robust enough to decrease unemployment, which remained at nearly double the rate of pre-crisis era. Still, the labour market has recently shown signs of stabilization and tentative job creation, which was a positive development following the downturn of 2009. Also positive for the banking business was a stabilization of the real estate market, which saw return of buyers as job fears began to fade and decline of property prices improved housing affordability to nearly best terms in history.

Given the gradually improving business environment, the banking industry was able to expand total assets, if only by cautious three percent. Both deposits and loans volumes grew, by six and five percent, respectively. Growth of volumes was reflected in revenues, which, following a steep 14 % downturn in the preceding year, in 2010 rose by 8 %. On the cost side, banks continued to optimize and, following a slash of total operating costs by 7 % in 2009, decreased their expenses another 1% in 2010. These actions decreased the cost-to-income ratio of the sector to 54.6 %, the lowest in history. Total operating income in the banking sector grew in 2010 by 23 % and thanks to decreased provisioning for nonperforming loans, banks in Slovakia last year doubled their net profit. Note, however, that even with this impressive turnaround, banks' profits remained short of the pre-crisis era. (at € 514 million, banks' bottom line in 2010 was 11 % short of that in 2007 and 13 % of that in 2006, resp.)

Against this external backdrop, VUB did well. We were able to match sector growth in primary deposit volume and even outperform market growth in credit volume. To be sure, while fine overall, our commercial results vary by segments. Also in 2010, the market remained especially tough on the household deposit front, where we saw our market share declined from 17.8% at the end of 2009 to 17.2 %, primarily to smaller aggressive players, who overprice deposits. As in the previous year, though, we were able to increase the share of longer tenor deposits, which helped us to further improve the duration profile of this crucial component of the Bank's funding base. And on the group level, we were able to compensate for half of the lost share in household deposits by increasing funds of our asset management arm, which saw its share of the market increase by half a percentage point over 2009. On the corporate deposit front, we were successful in increasing our share of the core, nonfinancial deposit market by nearly two percentage points, from 15.9 % at the end of 2009 to 17.8 %. Overall, we thus held 17.7 % share of the combined volume of primary bank deposits and assets under management at the end of 2010, the same share as year earlier.

Our activities in managing personal financial assets in Slovakia extend also to pension savings, in which we are active together with our joint venture partner Generali Slovensko. In 2010, we maintained the thrust of 196 thousand pension clients, whose assets under our management grew 28 %, accounting for a stable 14.5 % market share.

On the loan market, we utilized our healthy financial position and continued to improve our market share steadily, from 17.6 % a year ago to 18.0 %. We were successful in expanding both household and nonfinancial corporate credit volumes, increasing market share of each by three tenths over a year ago, to post-privatization record levels of 23.6 % and 15.0 %, respectively. On the retail market, we expanded especially strongly volumes of mortgage loans, which grew 85 % over a year ago. We also continued to outgrow competition in credit cards. In the corporate segment, growth of overall loan portfolio was solely due to SMEs, whom we increased loan book by seven percent over a year ago. Compared to the stagnation of 2009, this clearly was a good result. Loans extended to large corporate clients continued to decline, albeit at a much slower rate than in the depressed year of 2009.

Along the banking business, also leasing and consumer finance markets saw some recovery last year. On the leasing market, though, volumes continued to contract through the first half of 2010. Only in its second half, firms renewed their demand for leased assets as increasing industry orders began to push capacity utilization to levels that induced companies to start expanding their equipment and vehicle fleets. Spurt of growth late last year meant that volume of newly leased assets actually increased over a year ago, by nearly seven percent – a relief after the market nearly halved in 2009. Our leasing subsidiary, VUB leasing utilized this renewed market growth and increased its share of the market to 7.3 %, from 6.5 % a year ago. On consumer finance market, our specialized subsidiary Consumer Finance Company did well and increased last year its loan book by 6.7 %. Resulting growth of revenues coupled with further actions on costs meant that operating profit of this subsidiary increased by eleven percent over a year ago.

On the consolidated basis, VUB Group in 2010 posted growth of net operating margin by 2.6 % and decline of total operating costs by 0.4 %, which lowered our cost-to-income ratio to an all-time low of 44.9 %. On the group level, we generated net operating profit of € 263.2 million, 5.1 % more than a year ago. After adjustment for provisions, impairment losses, and income tax, the Group posted in the year 2010 net profit of € 150.3 million, 6.1 % more than year earlier.

Ahead, if we look at our strategic plans for the longer term, the year 2011 will test whether we can build on the solid start of a new era in the approach and thinking after the economically unstable times. Key priorities derived from the three-year plan of Intesa Sanpaolo group tell all: we must become faster and simpler, we need to get to know our clients thoroughly, and be more innovative.

With this in mind, I would like to thank our employees for their commitment, hard work, and 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. I wish all of us the best in the year 2011.

Ignacio Jaquotot
CEO and Chairman of the Management Board

VUB Management Board Report on the business activities of the Company

Development of the External Environment

External Environment

The year 2010 was a year of gradual economic recovery from the deep recession of the previous year. Real GDP expanded by 4.0 %, following a contraction of 4.8 % the year before. On seasonally adjusted basis, real GDP by the end of the past year reached the pre-crisis peak. This clearly was a positive development, especially when viewed against some other countries in Europe, whose economies were still contracting last year or experiencing barely positive increments.

While the output lost during the recession in Slovakia may have been recouped, slack in the economy still remained, especially in the labor market. Indeed, the number of unemployed registered with labor offices at the end of 2010 was basically the same as in 2009. Stabilization of the labor market nevertheless was still a positive development compared to the plunge of 2009, when the jobless rate nearly doubled over the previous year. As a result, after rising steeply in 2009, fears of job losses have in 2010 gradually faded and induced households to return to the markets for consumer durables and housing properties. Return of demand in the latter market especially was a positive development for the banking industry, which saw volume of new mortgages and other housing loans grow nearly 40% over the previous year.

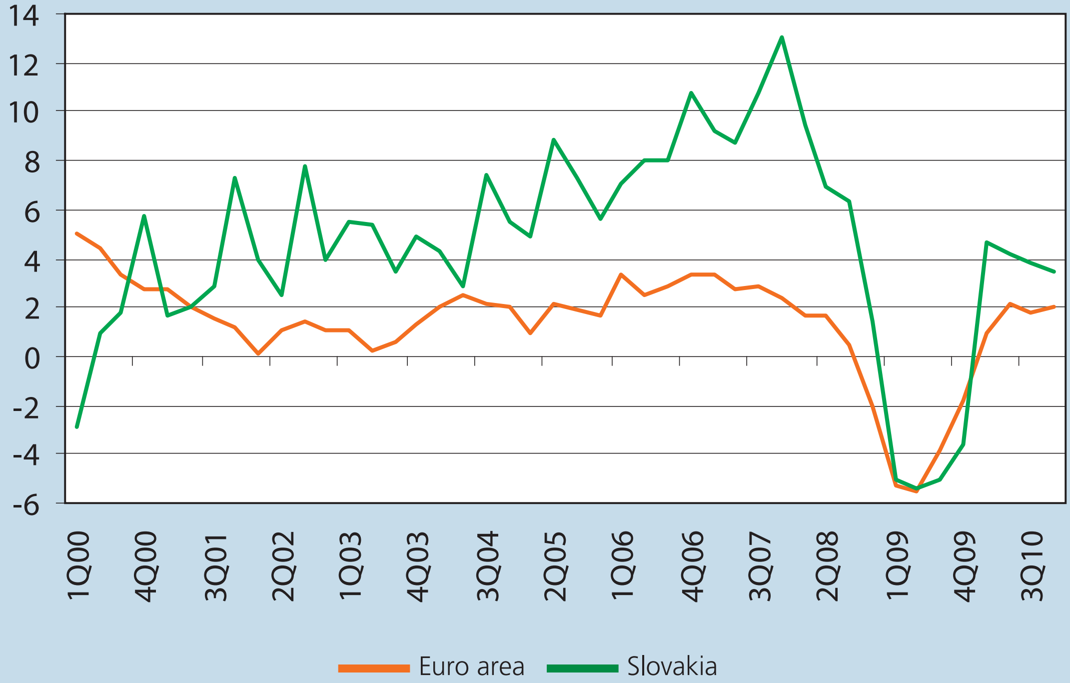
For corporates, the recovery was most felt in industry, which saw its output grew nearly 20 % over the year 2009. Growth of new orders in industry for the whole year exceeded 25 % and was driven especially by export-oriented manufacturing segments such as manufacture of electronics, cars, machinery and metal products, which form the backbone of Slovak industry. By contrast, sectors, which rely primarily on domestic market did markedly worse. Construction, for example, saw its output decrease another 5 %, on top of 11 % contraction posted in 2009. Retail trade too, continued to contract, falling in real terms this past year by 2 %, on top of 10 % contraction posted in 2009. This dichotomy between fast recovering export-oriented industry and weak domestic demand-linked sectors was reflected in banks' books by differentiated trends in demand for new loans as well as quality of the outstanding credit portfolio. As a whole, the ratio of nonperforming loans to total loans at the end of 2010 was higher than in 2009, 6.0 % vs 5.5 %, resp. The peak, nonetheless, appears to have already been passed, as the final quarter of 2010 saw nonperforming loans starting to decline. Return of investment appetite among firms meanwhile was reflected in the outstanding credit volume, which started to grow again in the second half of this past year. Wind of change among firms' investment behavior has affected also the leasing business, which at the end of the 2010 posted volume of newly leased assets 6.9% higher than a year ago, in marked contrast to the 45 % plunge in 2009.

Overall, bank loan volumes, net of provisions, increased last year by 5 %, which was a positive development after their contraction of nearly 1 % the year before. Volumes of primary deposits rebounded too, from 8 % plunge in 2009 to growth of nearly 6 % in 2010, resp. Resumption of volume growth was reflected in revenues, which for the whole banking sector increased last year 8%, in contrast to the plunge of 14 % in 2009. Banks meanwhile further streamlined their operations and decreased costs another 1 %, on top of 7 % cut in 2009. This resulted in operating profit of the sector increase by 23 % over a year ago and cost-to-income ratio of the industry to decrease five points over the previous year, to 54.6 % - the lowest in history. With provisioning smaller by one third over the crisis- year of 2009, banks net profit last year jumped 105 %. Note, however, that even with this impressive turnaround, banks' profits remained short of the pre-crisis era. Indeed, at € 514 million, banks' bottom line in 2010 was 11 % short of that in 2007 and 13 % of that in 2006, resp.

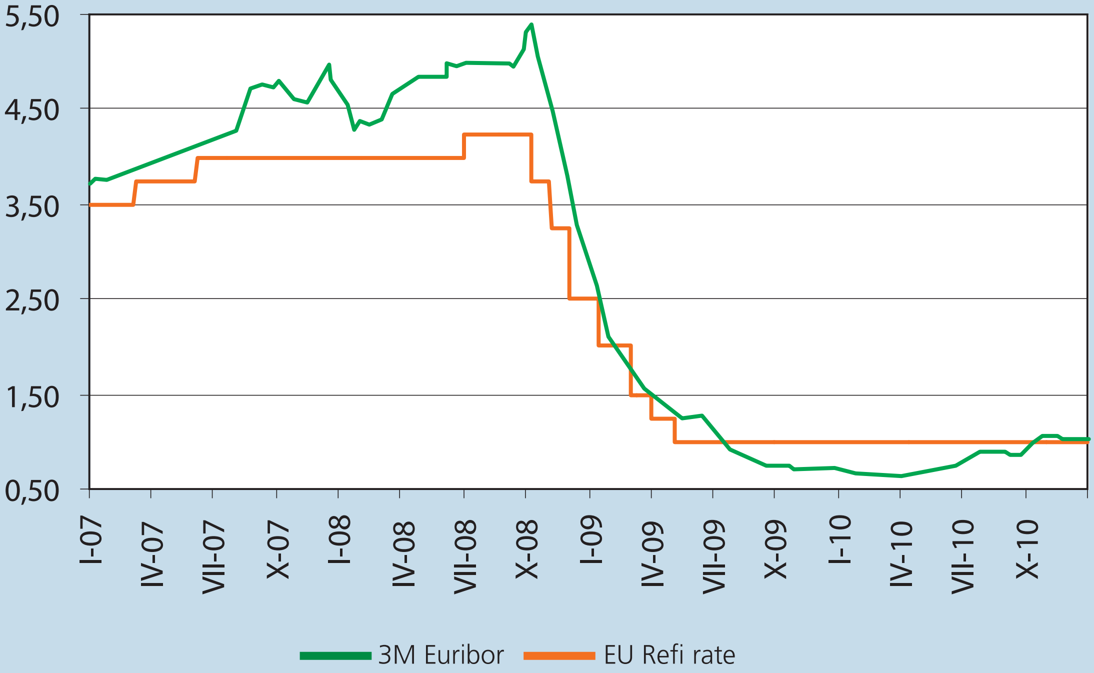
Macro Outlook 2011

Expectations for 2011 rely on positive growth momentum from late 2010 to persist. Business surveys in Germany, Slovakia's most important trading partner at the start of 2011 are very upbeat about growth. Consensus has it that growth of the Eurozone as whole in 2011 will be at least as strong as in 2010. Clearly though, there are risks to the outlook. In particular, rising commodity prices, particularly of oil, may derail recovery. Signs of price pressures beyond commodities may tilt central banks, the ECB in particular, into an earlier interest rate hike. Plus, fiscal consolidation in most of Europe's countries will chop off overall aggregate demand and slow underlying growth. This hold true also in Slovakia, whose government plans in 2011.count on reduction of fiscal deficit by 2.5 % points of GDP. This fiscal contraction will slow real GDP growth by half a percentage point, to our projected 3.5 %.

Real GDP growth (% y/y)

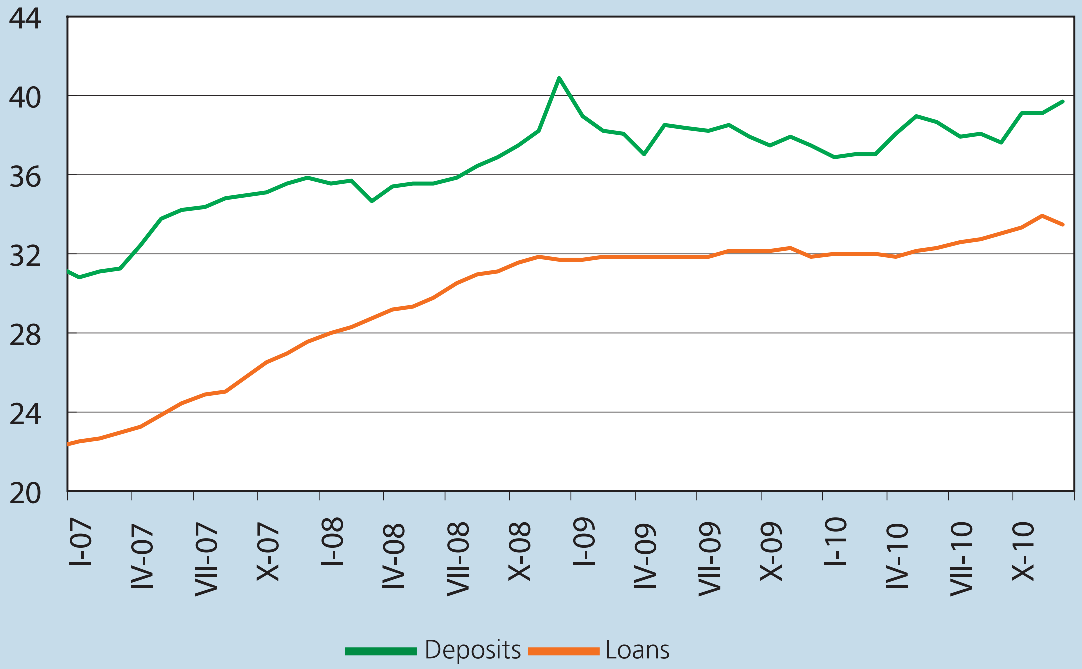


3M Euribor and ECB's refi rate



Registered unemployment rate (%)

Development of banking sector volumes (EUR bn)



VUB's 2010 Commercial Performance

The previous year in VUB Bank was influenced by the receding economic crisis and a renewed start up of economic growth. Insecurity in the financial markets persisted though further, when the global economy recession was replaced by turbulences around fiscal imbalances and related problems with fiscal debts in some peripheral countries of the Eurozone. For the banking sector in Slovakia, decisive was the recovery of economic activity, which appeared also in the loan and deposit markets. Interest rates on customer loans and deposits in their all-time lows, recovery mainly in the industry supported by foreign demand as well as stabilisation in the real estate market and also labour market, all this represented challenges for getting back on the growth path. Owing to a suitably chosen strategy, VUB Bank did manage it indeed and its really successful performance is the evidence.

The fastest and best to recover from the economic crisis was the mortgage financing market. Interest rates on mortgage loans as well as prices of real estates in their all-time lows are the factors, which drove the growth of demand for real estates and subsequently for mortgage loans. The banks tried to take advantage of this demand as much as they could, which resulted in a strong competition fight mainly in the last quarter of the year. Nevertheless, even in a fiercely competitive environment VUB Bank basically managed to sustain its leading position in the whole market aimed at real estate financing.

Last year's progress in consumer finance was limited chiefly due to changes in consumer behaviour. Economic crisis forced the households to be more cautious and prudent and so save more, which was reflected in last year's higher savings and concurrently restricted consumption. And precisely a lower consumption tendency stood behind the slow demand for consumer loans. Even in such impeding conditions, VUB Bank managed to increase its share in the consumer loans market and similarly also in loans provided by means of credit cards. Simultaneously, we have preserved one of the lowest default rates in the market.

Recovered economic activity brought significantly improved results in the corporate sector mainly in terms of profit generation, with profit approaching the approximate levels of pre-crisis periods. Along with favourable outlooks of companies regarding their future development, better corporate performance was reflected also in an increased demand for loans. The result was growth of corporate loans in VUB Bank higher than in the whole market, however, mainly attributable to the segment of small and medium enterprises. Indubitably, in the background of a more favourable development compared to the market stands the Bank's corporate culture laying emphasis predominantly on satisfaction of clients with the quality of service provided and enhancement of their trust. Taking lead in an environment of a fierce competition has been requiring an ever greater focus on the client not necessary only during the crisis period but even more necessary in the post-crisis period. In VUB Bank, customer approach became an indispensable strategic priority within the joint project with out parent company Intesa Sanpaolo "Listening 100 %" with the basic goal of further enhancement of the customer service. Therefore, the Bank continued further improving its processes, innovating products, redesigning its broad business network consisting of 207 retail, 32 corporate branches and 11 mortgage centres and developing its alternative distribution channels. The evidence of a successful business policy is the winning of several awards in various categories of the Golden Coin competition also in 2010.

Deposits:

The volume of bank deposits in VUB at the end of 2010 stood at EUR 7.3 bn, 10 % up against the previous year, which is attributable mainly to corporate deposits. A higher volume of individuals' savings was reflected in the retail deposit market. Deposits of retail clients, i.e. individuals and sole traders increased in VUB Bank by 2.5 %, i.e. less than in the whole market, which was dominated mainly by smaller banks and their aggressive pricing policy. A drop in the market share in bank retail deposits was partially offset by the increase in mutual funds managed by our subsidiary VÚB Asset management, správ. spol, which enjoyed success in the market growing its assets by 13% year-on-year. Thanks to a performance better than the market, our position was strengthened by half percentage point to 19.9 %. In total deposits received from retail clients, we thus reached a market share of 17.9 %. The driver of deposit growth in VUB Bank in the preceding year were corporate deposits, which recorded a growth by 13% completely attributable to deposits of large financial corporations. Although deposits of small and medium enterprises fell by 0.2 %, it was less than a year ago (-5 %). Total deposits of large corporations (financial and non-financial included) dropped by 5 % against -24 % in the year when the economic crisis was peaking. Hence, at the end of 2010 VUB Bank held in the corporate deposit market a share of 17.3 %.

Electronic Banking:

In 2010, VUB Bank continued improving the quality of its nonstop banking services, including Kontakt Service, Internet Banking, Internet Banking Plus, Mobile Banking, Business Banking and the Multicash Service.

As at 31/12/2010, the Bank counted over 720,000 clients with activated nonstop banking services. Compared to 2009, we recorded a growth in the number of clients with activated services of Internet Banking and Mobile Banking and increase in number of transactions performed through electronic channels by more than 39 %.

The most significant changes in Internet Banking in 2010 include:

- launch of an individual module of passive Internet Banking for private banking clients (Private IB) allowing the clients requesting this service to view their assets under management of private banking at any time and anywhere,
- improvement of transactions history in IB – expansion of search criteria by the variable symbol and counterparty account,
- simplification of forms in IB for payment orders and collections,
- sending of notifications to IB on unperformed international payment orders.

In the Contact Centre, we handled nearly 1 million calls (inbound and outbound) and 38,000 e-mails.

In 2010, we focused on client handling in the first contact in such manner that more complex inquiries were answered by specialists in case of calls and also e-mails. Replies to foreign e-mails are subject to a separate process. We increased orientation on clients using Internet pages to contact the Bank - online interest in a product via a so-called Push Button. We enhanced the quality of client inquiry solving in case of risk situations that the clients encounter. In the Contact Centre, we continue performing sales of selected products also over the telephone (flexi account modification). We recorded a growing interest on the part of the clients in communication via e-mail by almost 30 %.

Bank Cards

Also in the past year we continued improving the quality of our services and prepared several product changes for the clients. For issuance of debit cards for children, we reduced the age limit to 10 years. The card can be thus used by children starting from the age of 10 years. In addition, we extended the options of VISA Electron debit card use by the possibility of payment via Internet. We were among the first ones to launch the sale of a new payment card, Bratislava City Card, bringing a connection of the Maestro payment card, PayPass contact-less technology, prepaid public transport travel ticket in Bratislava and payment discounts. Issuance of the Bratislava City Card started on 01/01/2011.

In 2010, we implemented a new legislation (new act on consumer loans) for credit cards. The changes brought more information to clients on a credit card as well as the possibility of a better comparison with the credit cards of other banks.

In the months of May and June we ran a charity campaign, during which our clients had the possibility to make financial donations to the Good Angel non-profit organization.

During 2010, 1,319 new EFT POS terminals were installed to merchants. With a total of 7,147 EFT POS terminals the Bank maintained the 3rd position in the Slovak market and the 2nd position in terms of transaction volume. In connection with issuance of the Bratislava City Card, the Bank implemented the

PayPass technology in EFT POS terminals and ensured implementation in selected sales points accepting contact-less technology.

The ATM network was extended by 26 new locations, 30 inefficient ones were uninstalled. With 554 automatic machine tellers, the Bank remained the second largest in the market.

Within the offer of services of mobile operators, a new service called Funfón of Orange was added to the ATMs.

Loans

Individuals – Mortgage and Consumer Loans

Probably the greatest space for growth last year was provided by the real estate market. Due to a high demand for real estate loans, it showed a very sound condition and also VUB Bank was advancing at the same pace. In the banking sector as well as in VUB Bank, total housing loans (including the so-called American mortgages) grew in 2010 by 16 %. With a market share exceeding 26 %, the Bank kept its leading position in the mortgage financing market. Contrary to the rest of the market, our attention was paid to mainly to provision of typical mortgage loans financed by mortgage bonds, where we clearly confirmed our forte. Thanks to a successful sale of flexi mortgages in the volume of EUR 585 mil., we managed to increase our market share from 37.5 % to 44.1 %! Over the year, the Bank increased the number of mortgages sold to individuals by 66% and the volume of new mortgages by 58 %! We were though on the slower end in other real estate loans, as the competition focused to a greater extent on provision of precisely these loans financed from sources other than mortgage bonds. Our market share in these loans fell from 16.8 % to 13.4 %. Consumer loans took on a different trend. Due to a slow demand affected by a decline in consumption tendency and a higher repayment rate, the growth of these loans in the market and also in VUB Bank saw a slow down. The volume of flexi loans reached nearly EUR 497 mil., representing an increase by 9 %, i.e. less than 11 % in the year before. Besides, our subsidiary Consumer Finance Holding separately provided consumers with EUR 186 mil., i.e. almost by 2 % more than a year ago, which represents only a slight recovery. The market of non-banking consumer loans is still marked by high credit risk and responsible approach in assessing the risk of clients did not allow the Bank any further expansion in this area.

Corporate Finance

Signs of recovering economic activity could be observed also in the market of corporate loans, where VUB Bank achieved a slightly higher growth than the market. While loans provided to non-financial enterprises grew in the whole banking sector by less than 1 %, in VUB Bank their volume reached a level higher by 2% compared to the end of the preceding year. This was mainly driven by small and medium enterprises, where we managed to grow by 8 % over the year. Outcome was the growth of our market share in loans to non-financial enterprises from 14.7 % to 15.0 %. In the segment of small and medium enterprises, the Bank achieved the best performance in overdraft and development loans as well as in project finance. On the other hand, the Bank granted 1 % less loans designed for large corporate clients than a year ago. Still, this decrease was slighter than in the previous year owing to a better development in project finance and trade finance. On the contrary, the dynamics in the large corporations segment was negatively impacted by overdraft loans, real estate financing as well as other term loans, which were further on lower demand probably due to an increased profitability of companies. Also creation of investments did not, in all probability, take such dimensions that would require a more significant recovery of demand of large corporations for loans.

Domestic and International Payments

Throughout 2010, VUB Bank mediated domestic payment in the volume approaching nearly EUR 55.5 bn and international payments in the volume of nearly EUR 14.7 bn maintaining a significant market position in the field of payment services provision. While in domestic payments it reached a 16.9% market share, in international payments it mediated 9% of all payments performed in the banking sector.

Review of the Economic and Financial Position of VUB

For 2010, the Bank set itself a target of sustaining its leading position in the banking sector and continuing in the trend of increasing its profitability and efficiency, which it effectively managed to meet. At a time, when the economic crisis nearly receded and the economic activity was already showing signs of recovery, VUB became one of the most profitable banks in the Slovak market. While operating profit grew by more than 2 %, total operating costs fell by 0.2 %. The increase in profitability was thus mainly driven by revenues, first of all by interest income increased by 3 % as well as by fee and commissions income growing by almost 11 % also despite the fact that other income from banking activities was in total lower than a year ago. The Bank closed the year ending on 31/12/2010 with a consolidated operating profit under IFRS up by 5 % compared to the previous year and its efficiency kept improving over the year, when its cost-income ratio decreased from 47 % to 46 %.

Last year's progress in the banking market was still limited in terms of risk, predominantly on the offer side. Increased prudence in customer lending persisted further, yet a greater space for growth allowed a growing demand for financing enhanced by favourable expectations of households and companies. Owing to a higher interest of clients in lending, VUB's total consolidated assets grew by more than 9 %. Development on the VUB assets side was positively influenced also by investments into securities, which grew over the year by 14 %. However, the most significant assets remained the receivables against clients with a share reaching nearly 60% in the total balance of assets and liabilities. The Bank managed to strengthen its position in the loan market at a growing default rate even to a certain degree lower than the market average. VUB, including its subsidiaries, provided its clients with almost 10% more loans than a year ago and thus increased its share in the customer loans market by 0.4 percentage points to 18.0 %. Undoubtedly, this was driven also by intensified client-centred and even more thorough approach to satisfaction of clients' financial needs. By this, VUB justified its leading position in the Slovak market. The Bank's subsidiary, Consumer Finance Holding, which takes its share in expansion of the loan portfolio by an ever growing spectrum of retail clients, granted this year already by 2 % loans to citizens more than a year ago. Customer lending policies, stricter in terms of credit risk assessment, did not allow a more considerable expansion in the market of non-banking consumer loans. On the other hand, the leasing market still stricken by the crisis did not bring opportunities for growth, so VUB Leasing provided, mainly to corporate clientele, 5 % less leasing loans.

Recovery of the economy and the related profit increase in the corporate sector as well as higher savings of population were inherently reflected also in the deposit market. Last year, VUB Bank managed to grow client deposits by 10% and sustain its market position also despite a relatively fierce price competition, chiefly in case of retail deposits. This growth was thus driven to a higher extent by corporate deposits. Yet over the year, the Bank managed to attract increased interest of individuals in banking deposits, but mainly in long-term deposits and also in mutual funds. Volume of assets managed by VUB Asset Management at year-end of 2010 was up by 13 % vis-à-vis last year reaching EUR 908 mil.. The pension management company VUB Generali, d.s.s., which is a 50 % subsidiary of the Bank, has been successful in maintaining its position in the pension saving market (14.5 %) recording at the end of year assets under management worth EUR 539 mil..

It has been yet another year when we achieved truly excellent performance compared to the competition, which has been confirmed by awards such as "Best Bank in Slovakia" presented to us by the renowned Euromoney magazine and "The Bank of the Year" awarded by the Trend magazine, based on which VUB became the best bank of the year 2010.

Information on the Expected Economic and Financial Situation for 2011

Once the economic activity gradually got back on the growth path and financial markets saw positive expectations on the upcoming future developments, ahead of the banking sector in Slovakia and VUB Bank alike lies a year full of challenges and opportunities for further progress when the decisive factor will be again achieving the best possible position in the market. From year to year, growing competition requires a more thorough approach to clients and their increasing satisfaction with Bank's services is the direction the Bank plans to head. The already started-up joint project with the parent company "Listening 100 %" is precisely aimed at improvement of quality of services and ultimately also market shares, which remains the Bank's priority also for 2011. The key element for the Bank is to explore the clients needs even deeper, being able to respond to them in the fastest and simplest way possible and thus remain from the clients' perspective the market leader. Higher trust of clients should be achieved also through improvement of processes, product innovation or enhancement of Bank's distribution channels.

Strategic objective in the retail segment remains increasing the attractiveness of key products in the realm of loans and deposits. In the interest of sustaining higher liquidity, the Bank shall continue to pay intensified attention to demand for deposit products, mainly on the part of individuals. An even higher competitiveness of loan products in the retail market will be also decisive for the Bank in order to increase sales in mortgage as well as consumer lending.

The first and foremost priority in corporate banking will be deposits and related cash management and payments. Increased profitability of enterprises represents an immense opportunity for the Bank to fortify its position in the corporate deposits market. Nevertheless, the Bank shall not lose sight of the corporate sector financing either. Space for further growth will be offered by higher generation of investments, which the Bank will strive to take advantage of in the maximum possible extent.

The default risk will be probably on decrease, yet its strict monitoring and best possible management will remain among the Bank's priorities. Therefore, significant emphasis will be laid on risk management and further improvement of its quality also next year.

Last but not least, an important task will be sustaining the efficiency achieved in control and support functions and processes. Also in 2011, the Bank's aim will be to keep the cost-income ratio under control and remain thus one of the most efficient banks in the sector.

Despite the favourable economic development outlook, there are still risks that could unexpectedly weaken the growth started. VUB Bank is hence prepared to monitor and potentially also review its planned financial targets. Yet, we expect further increase in revenues and subsequently also in profitability, towards which the Bank directs its business objectives and priorities.

Structure of VUB Shareholders

Information on the VÚB shareholders is published quarterly, within 30 days from the end of the relevant quarter. Status as at December 31, 2010.

Structure by Owner Type	Shares ths. (EUR) *	Stake (%)
Intesa Sanpaolo Holding International S.A. – majority owner	416,876	96.76
Other legal entities	3,612	0.84
Individuals	10,332	2.40
TOTAL (Registered Share Capital of VÚB, a. s.)	430,819	100.00

Structure by Nationality	Shares ths. (EUR) *	Stake (%)
Intesa Sanpaolo Holding International S.A. – majority owner	416,876	96.76
Domestic shareholders	12,809	2.98
Other foreign shareholders	1,134	0.26
TOTAL (Registered Share Capital of VÚB, a. s.)	430,819	100.00

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

There were **44,797** shareholders as at December 31, 2010. Foreign VÚB shareholders come from 10 countries as following: Luxemburg (96.763 %), Germany (0.077 %), Switzerland (0.074 %), the Czech Republic (0.059 %), Austria (0.047 %), the United Kingdom (0.004 %), U.S.A. (0.001 %), Rumania, Poland and Cyprus.

Subsidiaries with VUB majority stake

Consumer Finance Holding, a. s.

Registered office:	Hlavné nám. 12, 060 01 Kežmarok
Shareholders:	VÚB, a. s.
VUB's stake in registered capital:	100 %
Core business:	Non-banking loans
Tel:	+421 52 786 1760
Fax:	+421 52 786 1764
General Manager:	Ing. Jaroslav Kiska

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

Registered office:	Mlynské nivy 1, 820 04 Bratislava
Shareholders:	VÚB, a. s.
VUB's stake in registered capital:	100 %
Core business:	Collective investments, Wealth management
Tel:	+421 2 5055 2839
Fax:	+421 2 5441 0583
General Manager:	Ing. RNDr. Marián Matušovič, PhD.

VÚB Leasing, a. s.

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

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
Shareholde:	VÚB, a.s.
VÚB's stake in registered capital:	100 %
Core business:	Recovery and invoice discounting
Tel.:	+421(2)5055 2843
Fax:	+421(2)5055 8635
General Manager:	Ing. Dionýz Földes

VÚB Poisťovací maklér, s. r. o.

Registered office:	Mlynské nivy 1, 820 05 Bratislava
Shareholders:	VÚB, a.s.
VÚB's stake in registered capital:	100 % (since February 2010)
Core business:	Insurance brokerage
Tel:	+421 2 5020 1211
Fax:	+421 2 5542 3176
Executive Officers:	Ing. Miloš Bikár, PhD. and Ing. Marián Bonk (since February, 15 2010)

VÚB Leasingová, a. s. in liquidation

Registered office:	Dunajská 24, 812 38 Bratislava
Shareholders:	VÚB, a.s.
VÚB's stake in registered capital:	100 %
Core business:	Leasing business
Tel.:	+421 2 5055 2843
Fax:	+421 2 5055 8635
General Manager:	Ing. Dionýz Földes

Statement on Compliance with the Corporate Governance Code

A. Company Organization

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

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

General Meeting

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

The Ordinary General Meeting of the company was held on April 7, 2010. The shareholders at this meeting have approved the 2009 Annual Report of VÚB, a.s., the 2009 Statutory Individual Financial Statements prepared in accordance with IFRS and Consolidated Financial Statements prepared in accordance with IFRS for a previous year as submitted by the Management Board of the bank. The General Meeting re-elected Mr. György Surányi a Chairman and a member of the Supervisory Board of VÚB, a.s., Mr. Fabrizio Centrone a Vice-chairman and a member of the Supervisory Board of VÚB, a.s., Mr. Adriano Arietti, Mr. Antonio Furesi and Mr. Massimo Malagoli members of the Supervisory Board of VÚB, a.s. Furthermore the General meeting appointed members of the Audit Committee pursuant to the Accounting Act No. 431/2002. The shareholders also decided on distributing a profit earned in 2009 in the amount of € 146,240,502 by dividends to shareholders in the amount of € 58,394,150.62 and by retained earnings in the amount of € 87,846,351.38.

Supervisory Board

Members of the Supervisory Board in 2009

György Suranyi – Chairman of the Supervisory Board
- Resident regional manager of the International Subsidiary Banks Division, Intesa Sanpaolo, Italy, Chairman of the CIB Bank Supervisory Board

Fabrizio Centrone – Vice-chairman of the Supervisory Board (since April 8, 2010)
- Head of Central Eastern Europe (CEE) Area Department, International Subsidiary Banks Division, Intesa Sanpaolo, Italy

Adriano Arietti – Member of the Supervisory Board
- Independent member

Antonio Furesi – Member of the Supervisory Board (since April 8, 2010)
- Head of Coordination of VÚB Bank (Slovakia) and CIB Bank (Hungary) – International Subsidiary Banks Division, Intesa Sanpaolo, Italy

Paolo Grandi – Member of the Supervisory Board (till April 7, 2010)
- Head of General Secretariat of the Supervisory Board, Intesa Sanpaolo, Italy

Massimo Malagoli – Member of the Supervisory Board (since April 8, 2010)
- Head of Planning & Control and Corporate Development Department – International Subsidiary Banks Division, Intesa Sanpaolo, Italy

Massimo Pierdicchi – Member of the Supervisory Board (till April 7, 2010)
- Head of South Eastern Europe Area Department, International Subsidiary Banks Division, Intesa Sanpaolo, Italy

Paolo Sarcinelli – Member of the Supervisory Board (till April 7, 2010)
- Head of Credit Unit, International Subsidiary Banks Division, Intesa Sanpaolo, Italy

Jana Finková – Member of the Supervisory Board
- Employee representative

Ján Gallo – Member of the Supervisory Board
- Employee representative

Juraj Jurenka – Member of the Supervisory Board
- Employee representative

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

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

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

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

General

1. Supervisory Board members are elected by the General Meeting. The VÚB Management Board is elected by the Supervisory Board.
2. The below mentioned curriculum vitae contain information on professional qualification of Supervisory Board members and Management Board members in the area of finance and banking, as well as information on their practical experience serving as assurance for the efficient management of the company.
3. All relevant information is available to all members of the Management Board and Supervisory Board in time. In the course of the financial year 2010, the VÚB Management Board held 26 meetings (thereof 25 regular and 1 extraordinary). The VÚB Supervisory Board held 4 meetings during the 2010 financial year. Documents with detailed information are distributed sufficiently in advance – in the case of the Management Board usually 3 working days, in the case of the Supervisory Board 2 weeks prior to the meeting, ensuring the ability of members of the Supervisory and Management Boards to decide individual matters competently. If necessary, presentations are delivered in support of individual documents.
4. Currently, not a single Supervisory Board member is either a member of the VÚB Management Board or holds any other top managerial position in the Bank. Save for members of the Supervisory Board elected by the VÚB employees, a Supervisory Board member may not be an employee of VÚB.
5. The Bank has a secretariat whose employees participate in all meetings of the Management Board, Supervisory Board, and Bank committees being responsible for preparing and circulating the minutes from these meetings. The unit is also in charge of activities connected with introduction of new members into position.

Management Board

1. Management Board Members in 2010

Ignacio Jaquotot	Chairman of the Management Board and CEO
Elena Kohútiková	Member of the Management Board and Deputy CEO for Support
Tomislav Lazarić	Member of the Management Board and Deputy CEO for Business
Domenico Cristarella	Member of the Management Board
Daniele Fanin	Member of the Management Board
Jozef Kausich	Member of the Management Board
Silvia Púchovská	Member of the Management Board
Alexander Resch	Member of the Management Board
Adrián Ševčík	Member of the Management Board

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

Elena Kohútiková – Member of the Management Board and Deputy CEO for Support
Ms. Kohútiková was appointed as Management Board Member and Head of the Financial and Capital Markets Division in October 2006. Since March 2009 Ms. Elena Kohútiková was appointed Deputy CEO for Support and at the same time she ceased acting as Executive Director of Financial and Capital Markets Division. The main responsibilities related to the position of Deputy CEO for Support are in the areas of

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

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

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

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

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

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

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

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

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

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

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

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

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

a) implementing decisions taken by the General Meeting and the Supervisory Board;
b) ensuring the accuracy of the bookkeeping and other records, trade books and other documentation of VÚB, a. s., as mandated;
c) managing the issuer's securities registry; VÚB Management Board Report on the business activities of the Company
d) after prior approval by and upon a proposal of the Supervisory Board, submitting the following matters to the General Meeting for approval:
   - amendments to the Articles of Association;
   - proposals for increasing / decreasing registered capital and bond issues;
   - ordinary, extraordinary, or consolidated financial statements
   - proposals for distribution of current or retained profi ts and/or proposals for settlement of outstanding losses from the current and/or previous years; and
   - the annual report.

B. Relations between the Company and its Shareholders

1. The Bank observes the provisions of the Commercial Code applicable to the protection of shareholders' rights, as well as the provisions on timely provision of all relevant information on the company and provisions on convening and conducting its General Meetings.
2. The company applies the principle of equal access to information for all the shareholders pursuant to the Code. It emerges from the minutes of the General Meeting held in 2007 that the new members of the Supervisory Board were proposed and elected after their curriculum vitae had been made available to the General Meeting.

C. Disclosure of Information and Transparency

1. The Bank applies strict rules in the area of insider dealing, has been maintaining and updating a list of insiders.
2. Members of the Management Board and Supervisory Board do not have any personal interest in business activities of the Bank. The Bank strictly observes the provisions of the Banking Act No. 483/2001 Coll. (hereinafter 'Banking Act') as amended, applicable to the provision of deals to Bank's related parties. Under the Banking Act, closing of such a deal requires the unanimous consent of all the Management Board members based on a written analysis of the respective deal; from decision-making is expelled a person with personal interest to the given deal. The Bank does not perform with its related parties any such deals, which owing to their nature, purpose or risk would not be performed with other clients.
3. The Bank abides by both the Code and the rules of the Bratislava Stock Exchange governing disclosure of all substantial information. The fact that the company observes the mentioned regulations ensures that all the shareholders and potential shareholders have access to information on financial standing, performance, ownership and management of the company enabling them to take competent investment decisions.
4. The company actively supports constructive dialogue with institutional investors and promptly informs all shareholders of General Meetings and notices via its web page in Slovak and also English language. In this way it enables both foreign and local investors to actively participate in the meetings.
5. The Bank applies changes arising from the Act No. 566/2001 Coll. on Securities (hereinafter 'Securities Act'), at European level so called MiFID (Markets in Financial Instruments Directive) and has proceed in the activities towards to the investors protection and strengthening of the trust of the clients at the provision of the investment services. The aim of MiFID consists in new categorization of clients according to their knowledge and experience with investments, in the obligation to provide clients with best execution of their investments, in higher market transparency and in organization of the Bank as securities trader, which shall secure internal control systems and prevention of conflict of interests.

6. The Bank continuously informs the clients on concluded deals related to quoted shares and bonds already via its web page.
7. The Bank continues with providing the payment services according to the payment law, so called PSD (Payment Services Directive). The aim of this law is provision of high level clear information about payment services for consumers in order to make well-informed choices and be able to shop around within the EU. In the interest of transparency are laid down the harmonized requirements needed for ensuring of necessary and sufficient information to the payment service users with regard to the payment service contract and the payment transactions.

D. Audit Committee and Compensation Committee

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

The Supervisory Board invited the Members of Audit Committee to attend its meetings in 2010. The Internal Audit and Control Department, the authorities and duties of which are defined by the Supervisory Board, excluding those defined by law, performs the control function. 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 this position.

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

E. 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. VÚB Management Board Report on the business activities of the Company.

Basic indicators

Selected Indicators (In thousands of Euro)

	Individual financial statements prepared in accordance with IFRS			Consolidated financial statements prepared in accordance with IFRS		
	2010	2009	2008	2010	2009	2008
Statement of financial position						
Loans and advances to customers	6,141,301	5,549,836	5,262 286	6,437,675	5,863,647	5,667,718
Due to customers	7,276,689	6,613,327	8,131,184	7,265,367	6,609,926	8,129,757
Equity	1,020,205	963,790	811,505	1,043,758	986,394	838,725
Total assets	10,492,816	9,550,173	10,853,851	10,758,949	9,852,397	11,232,332
Income statement						
Operating income	422,838	419,918	418,130	492,707	481,183	500,860
Operating expenses	(191,511)	(190,135)	(203,746)	(227,671)	(228,124)	(247,881)
Operating profit before impairment	231,327	229,783	214,384	265,036	253,059	252,979
Profit from operations	183,270	162,187	177,692	188,541	160,029	206,709
Net profit for the year	149,377	146,240	144,811	150,323	141,671	168,489

Commercial indicators	2010	2009	2008
ATMs	554	558	541
EFT POS Terminals	7,147	6,543	5,928
Payment cards	1,299,871	1,290 415	1 232 999
there of Credit cards	405,166	408,812	354,349
Mortgage loans (€ thousand)	2,476,074	2,114,581	1,907,392
Consumer loans (€ thousand)	644,061	600,503	536,641
Number of employees (VUB group)	3,970	3,959	4,111
Number of branches in Slovakia (VUB Bank)	250	254	259

Rating (status as at 31 December 2010)	
Moody’s	
Long-term deposits	A1
Short-term deposits	P-1
Financial strength	C–
Stable outlook	

Consolidated financial statements

prepared in accordance with International Financial Reporting Standards and Independent Auditors' Report for the year ended 31 December 2010

ERNST & YOUNG

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Independent Auditors' Report

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

We have audited the accompanying consolidated financial statements of Všeobecná úverová banka, a.s. and its subsidiaries ('the Group'), which comprise the consolidated statement of financial position as at 31 December 2010 and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

28 February 2011
Bratislava, Slovak Republic

Ernst & Young

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

Ing. Peter Matejička
SKAU Licence No. 909

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

Consolidated statement of financial position at 31 December 2010

(In thousands of Euro)

	Note	2010	2009
Assets			
Cash and balances with central banks	4	179,093	238,503
Due from banks	5	108,843	168,744
Financial assets held for trading	6	253,025	164,812
Derivative financial instruments	7	45,205	42,783
Available-for-sale financial assets	8	1,615,823	995,561
Non-current assets held for sale	15	3,374	-
Loans and advances to customers	9	6,437,675	5,863,647
Held-to-maturity investments	11	1,788,263	2,046,247
Associates and jointly controlled entities	12	6,219	5,620
Intangible assets	13	41,342	47,022
Goodwill	14	29,305	29,305
Property and equipment	15	148,921	164,104
Current income tax assets	20	8,931	6,036
Deferred income tax assets	20	66,154	47,834
Other assets	16	26,776	32,179
		10,758,949	9,852,397
Liabilities			
Due to central and other banks	17	662,523	796,345
Derivative financial instruments	7	60,729	52,471
Due to customers	18	7,265,367	6,609,926
Debt securities in issu	19	1,624,253	1,298,075
Provisions	21	24,256	25,111
Other liabilities	22	78,063	84,075
		9,715,191	8,866,003
Equity			
Share capital	23	430,819	430,819
Share premium	23	13,368	13,368
Reserves		61,891	94,248
Retained earnings		537,680	447,959
		1,043,758	986,394
		10,758,949	9,852,397
Financial commitments and contingencies	24	2,588,428	2,327,063

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

These financial statements were authorised for issue by the Management Board on 28 February 2011.

Ignacio Jaquotot
Chairman of the Management Board

Domenico Cristarella
Member of the Management Board

Consolidated statement of comprehensive income for the year ended 31 December 2010

(In thousands of Euro)

	Note	2010	2009
Interest and similar income		485,077	504,509
Interest expense and similar charges		(114,275)	(144,867)
Net interest income	25	370,802	359,642
Fee and commission income		143,344	126,314
Fee and commission expense		(35,602)	(29,093)
Net fee and commission income	26	107,742	97,221
Net trading income	27	6,303	11,152
Other operating income	28	7,860	13,167
Dividend income		-	1
Operating income		492,707	481,183
Salaries and employee benefits	29	(97,195)	(97,129)
Other operating expenses	30	(91,996)	(87,741)
Amortization	13	(17,495)	(20,532)
Depreciation	15	(20,985)	(22,722)
Operating expenses		(227,671)	(228,124)
Operating profit before impairment		265,036	253,059
Impairment losses on financial assets	31	(76,495)	(93,030)
Profit from operations		188,541	160,029
Share of profit of associates and jointly controlled entities		596	499
Profit before tax		189,137	160,528
Income tax expense	32	(38,814)	(18,857)
NET PROFIT FOR THE YEAR		150,323	141,671
Other comprehensive income for the year, after tax:			
Exchange difference on translating foreign operation		485	92
Available-for-sale financial assets		(33,613)	6,537
Cash flow hedges		(1,437)	(810)
Other comprehensive income for the year, net of tax	33,34	(34,565)	5,819
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		115,758	147,490
Basic and diluted earnings per € 33.2 share in €	23	11.58	10.92

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

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

(In thousands of Euro)

	Share capital	Share premium	Legal reserve fund	Retained earnings	Translation of foreign operation	Available for sale financial assets	Cash flow hedges	Total
At 1 January 2009	430,794	13,368	87,518	310,157	(1,741)	(542)	(829)	838,725
Transition to euro	25	-	(25)	-	-	-	-	-
Total comprehensive income for the year	-	-	-	141,671	92	6,537	(810)	147,490
Legal reserve fund	-		4,048	(4,048)	-	-	-	-
Other	-	-	-	179	-	-	-	179
At 31 December 2009	430,819	13,368	91,541	447,959	(1,649)	5,995	(1,639)	986,394
At 1 January 2010	430,819	13,368	91,541	447,959	(1,649)	5,995	(1,639)	986,394
Total comprehensive income for the year	-	-	-	150,323	485	(33,613)	(1,437)	115,758
Dividends to shareholders	-	-	-	(58,394)	-	-	-	(58,394)
Legal reserve fund	-	-	1,549	(1,549)	-	-	-	-
Other *	-	-	-	(1,188)	1,188	-	-	-
Effect of FX hedge *	-	-	-	529	-	-	(529)	-
At 31 December 2010	430,819	13,368	93,090	537,680	24	(27,618)	(3,605)	1,043,758

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

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

Consolidated statement of cash flows for the year ended 31 December 2010

(In thousands of Euro)

	Note	2010	2009
Cash flows from operating activities			
Profit before tax		189,137	160,528
Adjustments for:			
Amortisation		17,495	20,532
Depreciation		20,985	22,722
Securities held for trading, available-for-sale securities and FX differences		4,952	(572)
Share of profit of associates and jointly controlled entities		(599)	(457)
Interest income		(485,077)	(504,509)
Interest expense		114,275	144,867
Dividend income		-	(1)
Profit from redemption of Debt securities in issue		-	(3,906)
Sale of property and equipment		(141)	(734)
Impairment losses on financial assets and similar charges		75,765	88,709
Interest received		467,041	484,544
Interest paid		(114,407)	(144,896)
Dividends received		-	1
Tax paid		(60,029)	(90,927)
Due from banks		(8,931)	3,443
Financial assets held for trading		(86,425)	(35,284)
Derivative financial instruments (assets)		(4,388)	17,368
Available-for-sale financial assets		(635,523)	(701,654)
Loans and advances to customers		(634,555)	(288,647)
Other assets		(8)	(15,347)
Due to central and other banks		(133,364)	(119,610)
Derivative financial instruments (liabilities)		8,258	-
Due to customers		654,883	(1,516,479)
Other liabilities		(10,269)	(15,376)
Net cash used in operating activities		(620,925)	(2,495,685)
Cash flows from investing activities			
Purchase of held-to-maturity investments		(19,083)	(236,738)
Repayments of held-to-maturity investments		261,962	400,125
Purchase of intangible assets and property and equipment		(24,515)	(19,246)
Disposal of property and equipment		1,932	5,767
Net cash from investing activities		220,296	149,908
Cash flows from financing activities			
Proceeds from issue of debt securities		487,050	326,407
Repayments of debt securities		(166,239)	(165,349)
Dividends paid		(58,394)	-
Net cash from financing activities		262,417	161,058
Net change in cash and cash equivalents		(138,212)	(2,184,719)
Cash and cash equivalents at beginning of the year	3	333,340	2,518,059
Cash and cash equivalents at end of the year	3	195,128	333,340

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

Notes to the consolidated financial statements for the year ended 31 December 2010 prepared in accordance with IFRS

1. General information

1.1 The Bank

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

At 31 December 2010, the Bank had a network of 250 points of sale (including Retail Branches, Corporate Branches and Mortgage centres) located throughout Slovakia (December 2009: 254). The Bank also has one branch in the Czech Republic.

Members of the Management Board are: Ignacio Jaquotot (Chairman), Domenico Cristarella, Daniele Fanin, Jozef Kausich, Elena Kohútiková, Tomislav Lazarić, Silvia Púchovská, Alexander Resch and Adrián Ševčík.

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

1.2 The VUB Group

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

	Share 2010	Share 2009	Principal business activity
Subsidiaries			
Consumer Finance Holding, a. s. ('CFH')	100 %	100 %	Consumer finance business
VÚB Leasing, a. s. ('VUB Leasing')	100 %	100 %	Finance leases
VÚB Poisťovací maklér, s. r. o.	100 %	100 %	Insurance mediation
VÚB Asset Management, správ. spol. a. s.	100 %	100 %	Asset management
VÚB Factoring, a. s.	100 %	100 %	Factoring of receivables
VÚB Leasingová, a. s. in liquidation	100 %	100 %	Company in liquidation
Recovery, a. s.	100 %	100 %	Finance leases
Associates			
Slovak Banking Credit Bureau, s. r. o.	33.3 %	33.3 %	Credit databases administration
Jointly controlled entities			
VÚB Generali, d. s. s., a. s.	50 %	50 %	Pension fund administration

All entities are incorporated in the Slovak Republic.

At 31 December 2010, the VUB Group had a total network of 255 points of sale (31 December 2009: 267).

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

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

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

Negative balances are presented in brackets.

2.2 Changes in accounting policies

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

The following amendments to the existing standards issued by the International Accounting Standards Board and adopted by the EU are effective for the current accounting period:

IFRS 2 Share-based Payment (Revised)

The IASB issued an amendment to IFRS 2 that clarified the scope and the accounting for group cash-settled share-based payment transactions.

The amendment to IFRS 2 does not have any impact on the financial performance or position of the VUB Group.

IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)

IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after becoming effective. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by IFRS 3 (Revised) and IAS 27 (Amended) affect acquisitions or loss of control of subsidiaries and transactions with non-controlling interests after 1 January 2010.

The revised IFRS 3 and the amended IAS 27 do not have any impact on the financial performance or position of the VUB Group.

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

The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations. The amendment to IAS 39 does not have any impact on the financial performance or position of the VUB Group.

IFRIC 17 Distribution of Non-cash Assets to Owners

This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The interpretation does not have any impact on the financial performance or position of the VUB Group.

Improvements to IFRSs

In May 2008 and April 2009, the IASB issued an omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard.

Issued in May 2008

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations: clarifies that when a subsidiary is classified as held for sale, all its assets and liabilities are classified as held for sale, even when the entity remains a non-controlling interest after the sale transaction.

Issued in April 2009

IFRS 2 Share-based Payment: clarifies that the contribution of a business on formation of a joint venture and combinations under common control are not within the scope of IFRS 2. Effective for periods beginning on or after 1 July 2009.

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations: clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in IFRS 5. The disclosure requirements of other IFRSs only apply if specifically required for such non-current assets or discontinued operations.

IFRS 8 Operating Segments: clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.

IAS 1 Presentation of Financial Statements - Current/non-current classification of convertible instruments: The terms of a liability that could at anytime result in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification. Effective for annual periods beginning on or after 1 January 2010.

IAS 7 Statement of Cash Flows: states that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities. This amendment will impact amongst others, the presentation in the Statement of cash flows of the contingent consideration on the business combination completed in 2010 upon cash settlement.

IAS 17 Leases - Classification of land and buildings: The specific guidance on classifying land as a lease has been removed so that only the general guidance remains. Effective for annual periods beginning on or after 1 January 2010.

IAS 36 Impairment of Assets: The amendment clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes.

IAS 38 Intangible Assets: Consequential amendments arising from IFRS 3: If an intangible acquired in a business combination is identifiable only with another intangible asset, the acquirer may recognise the group of intangibles as a single asset provided the individual assets have similar useful lives.

IAS 38 Intangible Assets: Measuring fair value: The valuation techniques presented for determining the fair value of intangible assets acquired in a business combination are only examples and are not restrictive on the methods that can be used.

IAS 39 Financial Instruments: Recognition and Measurement - Assessment of loan prepayment penalties as embedded derivatives: A prepayment option is considered closely related to the host contract when the exercise price reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract. Effective for annual periods beginning on or after 1 January 2010.

IAS 39 Financial Instruments: Recognition and Measurement - Scope exemption for business combination contract: The scope exemption for contracts between an acquirer and a vendor in a business combination to buy or sell an acquiree at a future date applies only to binding forward contracts, not derivative contracts where further actions are still to be taken. Effective prospectively to all unexpired contracts for annual periods beginning on or after 1 January 2010.

IAS 39 Financial Instruments: Recognition and Measurement - Cash flow hedge accounting: Gains or losses on cash flow hedges of a forecast transaction that subsequently results in the recognition of a financial instrument or on cash flow hedges or recognised financial instruments should be reclassified in the period that the hedged forecast cash flows affect profit or loss. Effective prospectively to all unexpired contracts for annual periods beginning on or after 1 January 2010.

IFRIC 9 Reassessment of Embedded - Derivatives Scope of IFRIC 9 and IFRS 3: IFRIC 9 does not apply to possible reassessment at the date of acquisition to embedded derivatives in contracts acquired in a combination between entities or businesses under common control or the formation or a joint venture. The amendment is effective prospectively for annual periods beginning on or after 1 July 2009.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation: Amendment of the restriction on the entity that can hold hedging instruments: Qualifying hedging instruments may be held by any entity within the group, provided the designation, documentation and effectiveness requirements of IAS 39 are met. The amendment is effective for annual periods beginning on or after 1 July 2009.

Improvements do not have material impact on the financial performance or position of the VUB Group.

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

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

IAS 24 Related Party Disclosures (Amendment)

The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government related entities. Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard.

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

The amendment to IAS 32 is effective for annual periods beginning on or after 1 February 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.

IFRIC 14 Prepayments of a minimum funding requirement (Amendment)

The amendment to IFRIC 14 is effective for annual periods beginning on or after 1 January 2011 with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

IFRIC 19 is effective for annual periods beginning on or after 1 July 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognised immediately in profit or loss.

Improvements to IFRSs (issued in May 2010)

In May 2010, the IASB issued an omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard.

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following standards, amendments to the existing standards and interpretations, which were not endorsed for use as at 31 December 2010 and are relevant to VUB Group.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and derecognition. The completion of this project is expected in early 2011. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the VUB Group's financial assets.

Disclosures – Transfers of Financial Assets (Amendments to IFRS 7)

The IASB has amended the required disclosures relating to transfers of financial assets. The objective of the amendments is to help users of financial statements evaluate the risk exposures relating to such transfers and the effect of those risks on an entity's financial position.

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

2.3 Basis of consolidation

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

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

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

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

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

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

2.4 Segment reporting

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

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

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

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

2.5 Foreign currency transactions

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

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

2.6 Foreign operations

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

2.7 Cash and balances with central banks

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

2.8 Treasury bills and other eligible bills

Treasury bills and other eligible bills represent highly liquid securities that could be used for rediscounting in the NBS without any time or other constraints. The balance comprises treasury bills issued by the Ministry of Finance of the Slovak republic.

2.9 Due from banks

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

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

2.10 Debt securities

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

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

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

(a) Securities held for trading

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

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

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

Day 1 profit or loss

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

(b) Available-for-sale securities

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

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

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

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

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

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

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

(c) Held-to-maturity investments

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

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

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

2.11 Repurchase and reverse repurchase agreements

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

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

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

2.12 Derivative financial instruments

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

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

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

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

Credit risk of financial derivatives

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

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

Embedded derivatives

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

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

Hedging derivatives

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

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

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

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

Cash flow hedges

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

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

Fair value hedges

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

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

2.13 Offsetting financial instruments

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

2.14 Non-current assets held for sale

Non-current assets held for sale are assets where the carrying amount will be recovered principally through a sale transaction rather than through continuing use. Non-current assets 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 amortised cost less any impairment losses. All loans and advances to customers are recognised in the Statement of financial position when cash is advanced to borrowers.

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

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

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

2.16 Intangible assets

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

	Years
Software	5 – 10
Other intangible assets	5

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

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

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

2.17 Goodwill

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

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

2.18 Property and equipment

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

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

	Years
Buildings	5 – 40
Equipment	4, 6, 15
Other tangibles	4, 6, 15

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

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

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

2.19 Leasing

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

- the fulfilment of the arrangement is dependent on the use of a specific asset or assets that could only be used by the lessee without major modifications being made,
- the lease transfers ownership of the asset at the end of the lease term,
- the VUB Group has the option to purchase the asset at a price sufficiently below fair value at exercise date,
- it is reasonably certain the option will be exercised,
- the lease term is for a major part of the asset's economic life even if title is not transferred 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 capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments and included in 'Property and equipment' with the corresponding liability to the lessor included in 'Other liabilities'. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income in 'Interest expense and similar charges'.

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

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

VUB Group as a lessor

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

2.20 Provisions

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

2.21 Provisions for employee benefits

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

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

	Jubilee benefits	Retirement benefits
Discount rate	2,5 %	3,6 %
Future growth of wages	n/a	3 %
Fluctuation of employees (based on age)	9 – 54%	9 – 54%
Retirement age	Based on valid legislation	
Mortality	Based on mortality tables issued by the Statistical Office of the Slovak Republic	

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

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

2.22 Financial guarantees

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

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

2.23 Legal reserve fund

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

2.24 Equity reserves

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

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

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

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

2.25 Interest income

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

2.26 Fee and commission income

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

2.27 Net trading income

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

2.28 Dividend income

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

2.29 Income tax

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

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

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

2.30 Fiduciary assets

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

2.31 Significant accounting judgements and estimates

Judgements

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

Held-to-maturity investments

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

Financial assets held for trading

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

Estimates

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

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

Fair value of financial instruments

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

Impairment losses on loans and advances

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

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

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

3. Cash and cash equivalents

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

	Note	2010	2009
Cash and balances with central banks	4	179,093	238,503
Current accounts in other banks	5	8,493	23,630
Term deposits with other banks	5	7,542	61,761
Held-to-maturity investments	11	-	9,446
		195,128	333,340

4. Cash and balances with central banks

	2010	2009
Balances with central banks:		
Compulsory minimum reserves	87,693	135,813
Current accounts	33	221
	87,726	136,034
Cash in hand	91,367	102,469
	179,093	238,503

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

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

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

5. Due from banks

	Note	2010	2009
Current accounts	3	8,493	23,630
Term deposits			
with contractual maturity less than 90 days	3	7,542	61,761
with contractual maturity over 90 days		5,081	-
Loans and advances		87,878	83,504
Impairment losses	10	(151)	(151)
		108,843	168,744

6. Financial assets held for trading

	Note	2010	2009
Treasury bills and other eligible bills		174,201	93,302
with contractual maturity over 90 days			
State bonds			
with contractual maturity over 90 days		75,772	69,780
Mutual funds		3,052	1,730
		253,025	164,812

At 31 December 2010 and 2009, no such securities were pledged by the VUB Group to secure transactions with counterparties.

7. Derivative financial instruments

	2010 Assets	2009 Assets	2010 Liabilities	2009 Liabilities
Trading derivatives	45,179	42,037	46,834	44,480
Cash flow hedges of interest rate risk	-	-	4,451	2,770
Cash flow hedge of foreign exchange risk	-	746	-	-
Fair value hedges of interest rate risk	26	-	9,444	5,221
	45,205	42,783	60,729	52,471

Trading derivatives also include hedge instruments that are non-qualifying according to IAS 39, which are held for risk management purposes rather than for trading. The instruments used include interest rate swaps and cross-currency interest rate swaps. In 2010, the total positive fair value of such derivatives was € 6,386 thousand (31 December 2009: € 2,800 thousand) and the negative fair value was nil (31 December 2009: € 1,386 thousand).

	2010 Assets	2009 Assets	2010 Liabilities	2009 Liabilities
Trading derivatives – Fair values				
Interest rate instruments				
Swaps	21,632	25,771	23,780	28,641
Forward rate agreements	-	-	-	159
Options	1,806	1,487	1,813	1,494
	23,438	27,258	25,593	30,294
Foreign currency instruments				
Forwards and swaps	2,059	965	7,894	2,787
Cross currency swaps	6,386	2,800	-	240
Options	8,842	7,511	8,893	7,656
	17,287	11,276	16,787	10,683
Equity and commodity instruments				
Equity options	4,047	3,423	4,047	3,423
Commodity options	407	80	407	80
	4,454	3,503	4,454	3,503
	45,179	42,037	46,834	44,480

	2010 Assets	2009 Assets	2010 Liabilities	2009 Liabilities
Trading derivatives – Notional values				
Interest rate instruments				
Swaps	954,181	881,941	954,181	881,941
Forward rate agreements	-	160,000	-	160,000
Options	78,991	57,266	78,991	57,266
	1,033,172	1,099,207	1,033,172	1,099,207
Foreign currency instruments				
Forwards and swaps	280,758	197,397	288,177	199,418
Cross currency swaps	71,825	67,994	65,433	65,433
Options	50,266	44,095	49,754	43,910
	402,849	309,486	403,364	308,761
Equity and commodity instruments				
Equity options	22,630	35,640	22,630	35,640
Commodity options	3,280	3,495	3,280	3,495
	25,910	39,135	25,910	39,135
	1,461,931	1,447,828	1,462,446	1,447,103

Cash flow hedges of interest rate risk

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

Below is a schedule indicating as at 31 December 2010, the periods when the hedged cash flows are expected to occur. The cash flows of mortgage bonds and fixed income loan represent the future undiscounted value of coupons:

	Up to 1 year	1 to 5 years	Over 5 years
2010			
Mortgage bonds – interest rate risk	5,070	22,413	3,218
Fixed income loan	273	819	
2009			
Mortgage bonds – interest rate risk	3,698	22,933	3,949
FX forecast transaction – foreign exchange risk	14,532	-	-

The net expense on cash flow hedges reclassified to the 'Net interest income' during 2010 was € 3,468 thousand (2009: € 1,873 thousand).

Fair value hedges of interest rate risk

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

In 2010, the Group recognised in relation to the fair value hedging instruments above a net loss of € 3,465 thousand (2009: net loss of € 1,621 thousand). The net gain on hedged items attributable to the hedged risks amounted to € 3,564 thousand (2009: net gain of € 1,411). Both items are disclosed within the 'Net trading income'.

Interest and similar income from hedged AFS securities in the amount of € 8,024 thousand was compensated by interest expense from interest rate swaps hedging instruments in the amount of € 3,807 thousand.

The foreign branch of VUB uses one interest rate swap to hedge the interest rate risk of one fixed income loan originated in the Czech Republic. The changes in fair value of this interest rate swap substantially offset the change in fair value of the loan, both in relation to changes of interest rates.

8. Available-for-sale financial assets

	Share 2010	Share 2009	2010	2009
State bonds			1,595,839	932,649
Bank bonds			19,345	62,281
Equity shares at cost				
RVS Studené, a.s.	8.38%	8.38%	574	574
S.W.I.F.T.	0.02%	0.02%	65	57
			639	631
			1,615,823	995,561

At 31 December 2010, no State bonds were pledged by the VUB Group (31 December 2009: € 100 million) to secure transactions with counterparties.

9. Loans and advances to customers

31 December 2010	Amortized cost	Impairment losses (note 10)	Carrying amount
Sovereigns			
Municipalities	101,730	(205)	101,525
Municipalities – Leasing	65	-	65
	101,795	(205)	101,590
Corporate			
Large Corporates	847,014	(17,011)	830,003
Project Financing	651,086	(16,443)	634,643
Small and medium enterprises ('SME')	636,480	(39,651)	596,829
Other Financial Institutions	295,550	(203)	295,347
Private Sector Entities	6,787	(81)	6,706
Leasing	177,715	(22,324)	155,391
Factoring	85,581	(3,032)	82,549
	2,700,213	(98,745)	2,601,468
Retail			
Small business	188,861	(14,053)	174,808
Small business – Leasing	20,342	(2,035)	18,307
Consumer Loans	882,232	(121,528)	760,704
Mortgages	2,476,074	(26,690)	2,449,384
Credit Cards	260,141	(39,763)	220,378
Overdrafts	112,084	(13,736)	98,348
Leasing	5,168	(282)	4,886
Other	7,963	(161)	7,802
	3,952,865	(218,248)	3,734,617
	6,754,873	(317,198)	6,437,675

The segmentation of Loans and advances to customers in both 2010 and 2009 is based on the newly harmonised approach implemented by the Group during 2010. This segmentation was adopted within the whole Intesa Sanpaolo group. The revised segment definition caused transfers among the individual sectors.individual sectors.

31 December 2009	Amortized cost	Impairment losses (note 10)	Carrying amount
Sovereigns			
Municipalities	31,955	-	31,955
Municipalities – Leasing	4,039	(296)	3,743
	35,994	(296)	35,698
Corporate			
Large Corporates	750,014	(14,485)	735,529
Project Financing	551,171	(15,850)	535,321
SME	697,168	(41,799)	655,369
Other Financial Institutions	294,141	(280)	293,861
Private Sector Entities	16,270	(195)	16,075
Leasing	180,217	(13,368)	166,849
Factoring	62,448	(1,391)	61,057
	2,551,429	(87,368)	2,464,061
Retail			
Small business	232,351	(21,125)	211,226
Small business – Leasing	7,284	(543)	6,741
Consumer Loans	823,334	(98,301)	725,033
Mortgages	2,114,581	(16,999)	2,097,582
Credit Cards	247,740	(30,546)	217,194
Overdrafts	102,998	(9,620)	93,378
Leasing	10,910	(802)	10,108
Other	2,803	(177)	2,626
	3,542,001	(178,113)	3,363,888
	6,129,424	(265,777)	5,863,647

At 31 December 2010, the 20 largest corporate customers represented a total balance of € 660,240 thousand (2009: € 682,092 thousand) or 9.8% (2009: 11.1%) of the gross loan portfolio.

Maturities of gross finance lease receivables are as follows:

	2010	2009
Up to 1 year	72,136	83,158
1 to 5 years	125,221	118,128
Over 5 years	39,175	34,793
	236,532	236,079
Unearned future finance income on finance leases	(33,241)	(33,629)
Impairment losses	(24,642)	(15,009)
	178,649	187,441

Maturities of net finance lease receivables are as follows:

	2010	2009
Up to 1 year	60,944	71,835
1 to 5 years	106,932	99,626
Over 5 years	35,415	30,989
	203,291	202,450
Impairment losses	(24,642)	(15,009)
	178,649	187,441

10. Impairment losses

	Note	1 Jan 2010	Creation/ (Reversal) (note 31)	FX gains	Other	31 Dec 2010
Due from banks	5	151	-	-	-	151
Non-current assets held for sale	15	-	1,272	-	-	1,272
Loans and advances to customers	9	265,777	52,351	413	(1,343)*	317,198
Held-to-maturity investments	11	377	(128)	-	-	249
Property and equipment	15	305	461	-	4	770
Other assets	16	10,752	5,411	49	413	16,625
		277,362	59,367	462	(926)	336,265

* Interest portion (unwinding of interest).

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

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

11. Held-to-maturity investments

	Note	2010	2009
State restructuring bonds		617,613	618,775
State bonds		1,123,031	1,302,480
Bank bonds and other bonds issued by financial sector		9,974	78,038
Corporate notes and bonds with contractual maturity less than 90 days	3	-	9,446
Corporate notes and bonds with contractual maturity over 90 days		37,894	37,885
		1,788,512	2,046,624
Impairment losses	10	(249)	(377)
		1,788,263	2,046,247

In 2010, bonds in the total nominal amount of € 106,460 thousand were pledged by the Group (31 December 2009: € 455,495 thousand) to secure transactions with counterparties.

State restructuring bonds

As part of the pre-privatisation 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 recapitalised the Bank by transferring the non-performing loans, including principal and interest, to Konsolidačná banka Bratislava ('KBB') with a gross value of Sk 58.6 billion (€ 1,945 million), and Slovenská konsolidačná ('SKO') with a gross value of Sk 7.6 billion (€ 252 million), which gave rise to the Bank's receivables from KBB and SKO in the total amount of Sk 66.2 billion (€ 2,197 million). In January and March 2001, these receivables were swapped at par for state restructuring bonds with a total nominal value of Sk 66.2 billion (€ 2,197 million).

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

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

At 31 December 2010 and 2009, the Group held in its portfolio the following state restructuring bonds:

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

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

12. Associates and jointly controlled entities

	Share %	Cost	Revaluation	Carrying amount
At 31 December 2010				
Slovak Banking Credit Bureau, s. r. o.	33.3	3	31	34
VÚB Generali, d. s. s., a. s.	50.0	16,597	(10,412)	6,185
		16,600	(10,381)	6,219
At 31 December 2009				
Slovak Banking Credit Bureau, s. r. o.	33.3	3	26	29
VÚB Generali, d. s. s., a. s.	50.0	16,597	(11,006)	5,591
		16,600	(10,980)	5,620

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

	2010	2009
Revaluation at 1 January	(10,980)	(11,437)
Share of profit	596	499
Share of revaluation reserves	3	(42)
Revaluation at 31 December	(10,381)	(10,980)

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

	2010	2009
Assets	6,374	5,873
Liabilities	189	282
Equity	6,185	5,591
Net profit for the year	591	496
Change of revaluation reserves for the year	(39)	(42)

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

	2010	2009
Assets	163	143
Liabilities	129	114
Equity	34	29
Net profit for the year	5	3

13. Intangible assets

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

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

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

14. Goodwill

	2010	2009
VÚB Leasing, a. s.	10,434	10,434
Consumer Finance Holding, a. s.	18,871	18,871
	29,305	29,305

Goodwill related to VÚB Leasing, a. s. arose on the acquisition of the majority shareholding in VÚB Leasing, a. s. and reflects the call and put options structure stipulated in the Shareholders' agreement relating to VÚB Leasing, a. s. The goodwill amount includes both goodwill related to the majority shareholding in the amount of € 7,304 thousand (Sk 219 million) and goodwill arising from the future purchase of the non-controlling shareholding in the amount of € 3,130 thousand (Sk 96 million). Goodwill related to Consumer Finance Holding, a.s. ('CFH') arose in 2005 on the acquisition of CFH, the VUB Group's sales finance subsidiary.

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

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

The following rates are used by the Group:

		VUB Leasing		CFH
	2010	2009	2010	2009
Discount rate	12.93%	13.23%	16.38%	16.68%
Projected growth rate	5.00%	4.50%	2.00%	2.00%

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.

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. The impairment calculation is most sensitive to market interest rates, expected cash-flows and growth rates.

VUB Leasing

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

CFH

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

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

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

	Note	Buildings and land	Equipment	Other tangibles	Assets in progress	Total
Cost						
At 1 January 2009		210,753	96,416	42,298	8,314	357,781
Additions		-	-	-	8,562	8,562
Disposals		(6,223)	(7,476)	(4,050)	(2)	(17,751)
Transfers		2,756	8,078	2,257	(13,091)	-
FX differences		1	10	2	-	13
At 31 December 2009		207,287	97,028	40,507	3,783	348,605
Accumulated depreciation						
At 1 January 2009		(69,909)	(78,531)	(26,993)	-	(175,433)
Depreciation for the year		(10,143)	(8,033)	(4,546)	-	(22,722)
Disposals		3,439	7,419	3,114	-	13,972
FX differences		(1)	(10)	(2)	-	(13)
At 31 December 2009		(76,614)	(79,155)	(28,427)	-	(184,196)
Impairment losses	10					
At 1 January 2009		(43)	-	-	-	(43)
Net reversal		-	-	(262)	-	(262)
At 31 December 2008		(43)	-	(262)	-	(305)
Carrying amount						
At 1 January 2009		140,801	17,885	15,305	8,314	182,305
At 31 December 2009		130,630	17,873	11,818	3,783	164,104

In 2010 and 2009, the VUB Group held in its portfolio of non-current assets held for sale buildings as follows:

	2010	2009
Cost	7,768	-
Accumulated depreciation	(3,122)	-
Impairment (note 10)	(1,272)	-
	3,374	-

16. Other assets

	Note	2010	2009
Operating receivables and advances		15,296	20,811
Inventories		10,873	11,405
Receivables from termination of leasing		7,233	4,450
Prepayments and accrued income		4,803	3,562
Other tax receivables		4,490	1,217
Settlement of operations with financial instruments		185	600
Other		521	886
		43,401	42,931
Impairment losses	10	(16,625)	(10,752)
		26,776	32,179

17. Due to central and other banks

	2010	2009
Due to central banks		
Current accounts	53,019	28,657
Loans received	-	180,460
	53,019	209,117
Due to other banks		
Current accounts	8,374	27,267
Term deposits	330,642	280,595
Loans received	270,488	279,366
	609,504	587,228
	662,523	796,345

From 1 October 2009 the Bank booked yearly refinance loan received from NBS in the nominal value of € 180 million. This loan matured at 30 September 2010.

18. Due to customers

	2010	2009
Current accounts	3,057,737	2,572,607
Term deposits	3,328,893	3,013,491
Savings accounts	285,567	307,154
Government and municipal deposits	434,586	650,744
Loans received	75,180	35,712
Promissory notes	58,136	12,414
Other deposits	25,268	17,804
	7,265,367	6,609,926

19. Debt securities in issue

	2010	2009
Bonds	59,663	67,761
Mortgage bonds	1,564,590	1,230,314
	1,624,253	1,298,075

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

Name	Interest rate (%)	CCY	Number of mortgage bonds issued	Nominal value in CCY	Issue date	Maturity date	2010	2009
Mortgage bonds VÚB, a.s. VII.	5.10	EUR	10,000	3,319	15.4.2003	15.4.2013	34,398	34,398
Mortgage bonds VÚB, a.s. VIII.	5.10	EUR	1,000	33,194	29.5.2003	29.5.2013	34,191	34,191
Mortgage bonds VÚB, a.s. XI.	4.40	EUR	500	33,194	25.8.2004	25.8.2010	-	16,853
Mortgage bonds VÚB, a.s. XIII.	4.50	EUR	1,000	33,194	29.9.2004	29.9.2010	-	33,576
Mortgage bonds VÚB, a.s. XV.	0.80	EUR	1,000	33,194	30.3.2005	30.3.2010	-	33,195
Mortgage bonds VÚB, a.s. XVII.	1.14	EUR	2,500	22,280	28.11.2005	28.11.2015	55,757	55,742
Mortgage bonds VÚB, a.s. XVIII.	3.00	EUR	39	331,939	19.12.2005	19.12.2010	-	12,874
Mortgage bonds VÚB, a.s. XX.	4.30	EUR	50	331,939	9.3.2006	9.3.2021	17,176	17,176
Mortgage bonds VÚB, a.s. XXI.	1.10	EUR	500	33,194	10.3.2006	10.3.2011	16,608	16,605
Mortgage bonds VÚB, a.s. XXII.	1.18	EUR	1,200	50,000	29.6.2006	29.6.2011	60,004	60,003
Mortgage bonds VÚB, a.s. XXIII.	1.18	EUR	60	1,000,000	26.10.2006	26.10.2011	60,128	60,095
Mortgage bonds VÚB, a.s. XXIV.	1.35	EUR	1,500	33,194	24.11.2006	24.11.2011	49,860	49,845
Mortgage bonds VÚB, a.s. XXV.	1.19	EUR	30	1,000,000	5.12.2006	5.12.2011	30,026	30,019
Mortgage bonds VÚB, a.s. XXVII.	4.25	EUR	500	33,194	13.3.2007	13.3.2010	-	17,161
Mortgage bonds VÚB, a.s. XXVIII.	2.07	CZK	1,000	1,000,000	20.6.2007	20.6.2012	40,240	38,293
Mortgage bonds VÚB, a.s. XXIX.	1.23	EUR	500	33,194	16.10.2007	16.10.2012	16,637	16,631
Mortgage bonds VÚB, a.s. XXX.	5.00	EUR	1,000	33,194	5.9.2007	5.9.2032	33,327	33,309
Mortgage bonds VÚB, a.s. XXXI.	4.90	EUR	600	33,194	29.11.2007	29.11.2037	19,624	19,610
Mortgage bonds VÚB, a.s. 32.	3.06	CZK	800	1,000,000	17.12.2007	17.12.2017	34,791	33,327
Mortgage bonds VÚB, a.s. 34.	4.30	EUR	900	33,194	27.2.2008	27.2.2010	-	30,959
Mortgage bonds VÚB, a.s. 35.	4.40	EUR	630	33,194	19.3.2008	19.3.2016	21,167	21,077
Mortgage bonds VÚB, a.s. 36.	4.75	EUR	560	33,194	31.3.2008	31.3.2020	18,796	18,747
Mortgage bonds VÚB, a.s. 37.	1.47	EUR	40	1,000,000	30.4.2008	30.4.2011	40,103	40,081
Mortgage bonds VÚB, a.s. 38.	4.75	EUR	317	33,194	26.6.2008	26.6.2010	-	10,764
Mortgage bonds VÚB, a.s. 39.	1.71	EUR	60	1,000,000	26.6.2008	26.6.2015	60,012	60,008
Mortgage bonds VÚB, a.s. 40.	1.77	EUR	70	1,000,000	28.8.2008	28.8.2015	70,117	70,096
Mortgage bonds VÚB, a.s. 41.	5.63	USD	34	1,000,000	30.9.2008	30.9.2013	25,807	23,937
Mortgage bonds VÚB, a.s. 42.	4.00	EUR	400	50,000	28.4.2009	28.4.2012	20,540	20,540
Mortgage bonds VÚB, a.s. 43.	5.10	EUR	500	33,194	26.9.2008	26.9.2025	15,387	15,290
Mortgage bonds VÚB, a.s. 44.	4.75	EUR	300	50,000	11.2.2009	11.2.2012	15,633	15,633
Mortgage bonds VÚB, a.s. 45.	5.30	EUR	321	16,597	16.10.2008	16.10.2010	-	5,386

Mortgage bonds VÚB, a.s. 46.	4.61	EUR	150	1,000,000	19.5.2009	19.5.2016	154,264	154,262
Mortgage bonds VÚB, a.s. 48.	4.00	EUR	20,000	1,000	11.5.2009	11.5.2013	20,511	20,511
Mortgage bonds VÚB, a.s. 49.	3.92	EUR	100	1,000,000	28.7.2009	28.7.2014	101,666	101,666
Mortgage bonds VÚB, a.s. 50.	3.40	EUR	8,407	1,000	2.11.2009	2.11.2013	8,454	8,454
Mortgage bonds VÚB, a.s. 51.	1.54	EUR	100	1,000,000	8.4.2010	8.4.2014	100,355	-
Mortgage bonds VÚB, a.s. 52.	2.16	EUR	161	50,000	15.3.2010	15.3.2014	8,102	-
Mortgage bonds VÚB, a.s. 53.	1.68	EUR	100	1,000,000	8.4.2010	8.4.2017	100,387	-
Mortgage bonds VÚB, a.s. 54.	3.00	EUR	15,000	1,000	1.7.2010	1.7.2014	15,225	-
Mortgage bonds VÚB, a.s. 55.	2.85	EUR	14,000	1,000	1.10.2010	1.10.2015	14,100	-
Mortgage bonds VÚB, a.s. 56.	2.46	EUR	70	1,000,000	30.9.2010	30.9.2017	70,434	-
Mortgage bonds VÚB, a.s. 57.	2.45	EUR	100	1,000,000	30.9.2010	30.9.2018	100,620	-
Mortgage bonds VÚB, a.s. 58.	3.06	EUR	80	1,000,000	10.12.2010	10.12.2019	80,143	-
							1,564,590	1,230,314

20. Current and deferred income taxes

	2010	2009
Current income tax assets	8,931	6,036

	2010	2009
Deferred income tax assets	66,154	47,834

Deferred income taxes are calculated on all temporary differences using a tax rate of 19% (2009: 19%) as follows:

	2010	Profit/ (loss) (note 32)	Equity	2009
Due from banks	29	1	-	28
Derivative financial instruments designated as cash flow hedges	846	-	462	384
Available-for-sale financial assets	6,469	-	7,885	(1,416)
Loans and advances to customers	58,182	7,496	-	50,686
Held-to-maturity investments	47	(24)	-	71
Intangible assets identified on acquisition	(1,310)	1,489		(2,799)
Property and equipment	(2,574)	193	-	(2,767)
Other liabilities	4,513	835	-	3,678
Other	(48)	(17)	-	(31)
Deferred income tax asset	66,154	9,973	8,347	47,834

21. Provisions

	2010	2009
Litigations	24,256	25,111

The movement in provisions was as follows:

	1. jan 2010	Creation/ (Reversal	FX diff	Other	31. dec 2010
Súdne spory (pozn. 24 a 30)	25 111	(826)	(11)	(18)	24 256

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

22. Other liabilities

	2010	2009
Various creditors	22,970	25,199
Settlement with employees	20,741	19,442
Financial guarantees and commitments	13,674	9,595
Factoring	9,115	4,324
Accruals and deferred income	4,006	2,968
Settlement with shareholders	1,178	1,237
VAT payables and other tax payables	2,704	3,819
Severance and Jubilee benefits	1,392	1,286
Retention program	1,016	1,026
Settlement with securities	1	17
Payables for the non-controlling interest – VÚB Leasing	-	13,678
Other	1,266	1,484
	78,063	84,075

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

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

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

23. Share capital

	2010	2009
Authorized, issued and fully paid:		
89 ordinary shares of € 3,319,391.89 each, not traded	295,426	295,426
4,078,108 ordinary shares of € 33.2 each, publicly traded	135,393	135,393
	430,819	430,819
Net profit for the year attributable to shareholders	150,323	141,671
Divided by 12,976,478 ordinary shares of € 33.2 each		
Basic and diluted earnings per € 33.2 share in Euro	11.58	10.92

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

The structure of shareholders is as follows:

	2010	2009
Intesa Holding International S.A.	96.76%	96.76%
Domestic shareholders	2.97%	2.95%
Foreign shareholders	0.27%	0.29%
	100.00%	100.00%

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

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

The VUB Group's regulatory capital position at 31 December 2010 and 2009 was as follows:

	2010	2009
Tier 1 capital		
Share capital	430,819	430,819
Share premium	13,368	13,368
Translation of foreign operation	-	(1,649)
Retained earnings without net profit for the period	387,357	306,288
Legal reserve fund	93,090	91,541
Less goodwill and software (including software in Assets in progress)	(60,688)	(57,933)
	863,946	782,434
Tier 2 capital	–	–
Regulatory adjustment		
Associates and jointly controlled entities	(6,185)	(5,591)
Total regulatory capital	857,761	776,843

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).

	2010 Actual	2010 Required	2009 Actual	2009 Required
Tier 1 capital	863,946	554,800	782,434	535,100
Tier 2 capital	-	-	-	-
Regulatory adjustment	(6,185)	(6,185)	(5,591)	(5,591)
Total regulatory capital	857,761	548,615	776,843	529,509
Total Risk Weighted Assets	6,854,299	6,854,299	6,621,693	6,621,693
Tier 1 capital ratio	12.60%	8.09%	11.82%	8.08%
Total capital ratio	12.51%	8.00%	11.73%	8.00%

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

The VUB Group must maintain a capital adequacy ratio of at least 8% according to NBS regulations. The capital adequacy ratio is the ratio between the Group's capital and the risk weighted assets. Risk weighted assets include risk weighted assets from positions recorded in the trading book and risk weighted assets from positions recorded in the banking book. The VUB Group complied with the NBS requirement for the capital adequacy ratio as at 31 December 2010 and 2009.

24. Financial commitments and contingencies

	2010	2009
Issued guarantees	594,173	492,359
Commitments and undrawn credit facilities	1,994,255	1,834,704
	2,588,428	2,327,063

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

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

(c) Lease obligations
In the normal course of business, the VUB Group enters into operating lease agreements for branch facilities and cars. The total value of future payments arising from non-cancellable operating leasing contracts at 31 December 2010 and 2009 was as follows:

	2010	2009
Up to 1 year	1,615	1,968
1 to 5 years	1,313	1,842
Over 5 years	-	-
	2,928	3,810

(d) Operating lease – the Group as a lessor
The VUB Group has entered into a number of non-cancellable operating lease contracts with its customers. Future minimum rentals receivable under such contracts as at 31 December 2010 and 2009 are as follows:

	2010	2009
Up to 1 year	2,443	1,417
1 to 5 years	3,025	1,056
Over 5 years	-	-
	5,468	2,473

(e) Legal
In the normal course of business the VUB Group is subject to a variety of legal actions. The VUB Group conducted a review of legal proceedings outstanding against it as of 31 December 2010. Pursuant to this review, management has recorded total provisions of € 24,256 thousand (31 December 2009: € 25,111 thousand) in respect of such legal proceedings (see also note 21). The VUB Group will continue to defend its position in respect of each of these legal proceedings. In addition to the legal proceedings covered by provisions, there are contingent liabilities arising from legal proceedings in the total amount of € 19,039 thousand, as at 31 December 2010 (31 December 2009: € 15,371 thousand). This amount represents existing legal proceedings against the VUB Group that according to the opinion of the Legal Department of the VUB will most probably not result in any payments due by the VUB Group.

25. Net interest income

	2010	2009
Interest and similar income		
Due from banks	8,822	10,899
Loans and advances to customers	362,670	377,279
Bonds, treasury bills and other securities:		
Financial assets held for trading	9,386	8,928
Available-for-sale financial assets	44,830	27,927
Held-to-maturity investments	59,369	79,476
	485,077	504,509
Interest expense and similar charges		
Due to banks	(9,272)	(10,360)
Due to customers	(62,005)	(91,328)
Debt securities in issue	(42,998)	(43,179)
	(114,275)	(144,867)
	370,802	359,642

Interest income on individually impaired loans and advances to customers for 2010 amounted to € 15,024 thousand (2009: € 13,561 thousand). The increase was caused mainly by a significant increase in the number and volume of individually assessed loans and advances to customers.

26. Net fee and commission income

	2010	2009
Fee and commission income		
Received from banks	5,718	5,567
Received from customers:		
Current accounts	44,046	43,173
Mutual funds	6,951	4,461
Term deposits	638	730
Insurance mediation	9,079	7,423
Loans and guarantees	40,922	39,320
Overdrafts	2,438	3,188
Securities	1,079	995
Transactions and payments	30,179	19,633
Other	2,294	1,824
	143,344	126,314
Fee and commission expense		
Paid to banks	(19,966)	(11,568)
Paid to mediators:		
Credit cards	(9,932)	(7,541)
Securities	(678)	(567)
Services	(2,558)	(6,615)
Other	(2,468)	(2,802)
	(35,602)	(29,093)
	107,742	97,221

27. Net trading income

	2010	2009
Foreign currency derivatives and transactions	(4,341)	(4,116)
Customer FX margins	5,584	6,064
Cross currency swaps	4,352	1,037
Interest rate derivatives *	(3,755)	(1,712)
Securities:		
Financial assets held for trading	792	2,275
Available-for-sale financial assets *	3,565	7,458
Equity derivatives	106	7
Proceeds from sale of investments	-	139
	6,303	11,152

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

The amount still to be recognised in income resulting from Day 1 profit amounted to € 257 thousand at 31 December 2010, thereof € 241 thousand is to be recognised within one year and the remaining € 16 thousand in the period 1 to 5 years. The Day 1 profit of all deals that were realised during 2009 is disclosed within the 'Net trading income'.

28. Other operating income

	2010	2009
Profit from purchase of debt securities	-	3,906
Income from leasing	2,618	3,502
Rent	1,425	1,830
Other services	385	449
Sales of consumer goods	158	-
Net (loss)/profit from sale of fixed assets	141	734
Other	3,133	2,746
	7,860	13,167

29. Salaries and employee benefits

	Note	2010	2009
Remuneration		(70,989)	(71,353)
Social security costs		(25,218)	(24,081)
Social fund		(892)	(856)
Severance and Jubilee benefits	22	(106)	(678)
Retention program	22	10	(161)
		(97,195)	(97,129)

The total number of employees of the VUB Group at 31 December 2010 was 3,970 (31 December 2009: 4,003).

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

30. Other operating expenses

	Note	2010	2009
Property related expenses		(13,889)	(13,883)
Post and telecom		(12,787)	(13,152)
IT systems maintenance		(12,622)	(12,070)
Advertising and marketing		(10,179)	(8,296)
Contribution to the Deposit Protection Fund		(8,437)	(8,530)
Equipment related expenses		(7,366)	(7,769)
VAT and other taxes		(6,844)	(6,914)
Security		(3,621)	(4,704)
Professional services		(3,603)	(4,682)
Stationery		(3,368)	(4,549)
Other damages		(1,842)	(1,403)
Travelling		(923)	(1,076)
Sales of consumer goods		(893)	-
Audit *		(832)	(784)
Transport		(815)	(1,034)
Insurance		(773)	(438)
Trainings		(757)	(865)
Litigations paid		(1,126)	(199)
Provisions for litigations)	21	826	5,054
Other operating expenses		(2,145)	(2,447)
		(91,996)	(87,741)

* As at 31 December 2010 the audit expense accruals consists of the statutory audit in the amount of € 333 thousand (31 December 2009: € 327 thousand), group reporting in the amount of € 333 thousand (31 December 2009: € 327 thousand) and other reporting in the amount of € 166 thousand (31 December 2009: € 130 thousand).

31. Impairment losses on financial assets

	Note	2010	2009
Net creation of impairment losses	10	(59,367)	(90,106)
Net reversal/ (creation) of liabilities – financial guarantees and commitments	22	(4,079)	2,160
		(63,446)	(87,946)
Nominal value of loans written-off		(13,554)	(6,653)
Nominal value of loans sold		(5,040)	(14,947)
Proceeds from loans written-off		3,754	3,875
Proceeds from loans sold		1,791	12,641
		(13,049)	(5,084)
		(76,495)	(93,030)

32. Income tax expense

Current income tax	(48,787)	(59,555)
Deferred income tax (note 20)	9,973	40,698
	(38,814)	(18,857)

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

	2010	2009
Due from banks	1	(125)
Loans and advances to customers	7,496	26,632
Held-to-maturity investments	(24)	11,595
Property and equipment	193	528
Other liabilities and provisions	835	(263)
Tax losses carried forward	-	-
Intangible assets identified on acquisition	1,489	1,993
Other	(17)	338
	9,973	40,698

The effective tax rate differs from the statutory tax rate in 2010 and in 2009..

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

	2010	2009
Profit before tax	189,137	160,528
Applicable tax rate	19%	19%
Theoretical tax charge	(35,936)	(30,500)
Tax non-deductible items	(3,070)	2,139
Adjustments for current tax of prior periods	192	(2,114)
Derecognition of deferred tax liability	-	11,618
Tax expense	(38,814)	(18,857)
Effective tax rate	20.52%	11.75%

33. Components of other comprehensive income

	2010	2009
Exchange differences on translating foreign operations	485	92
Available-for-sale financial assets:		
Revaluation (Losses)/gains arising during the year	(41,498)	16,019
Less: Reclassification adjustments for gains included in profit or loss	-	(7,939)
	(41,498)	8,080
Cash flow hedges:		
Revaluation losses arising during the year	(1,774)	(1,000)
Total other comprehensive income	(42,787)	7,172
Income tax relating to components of other comprehensive income	8,222	(1,353)
Other comprehensive income for the year	(34,565)	5,819

34. Income tax effects relating to comprehensive income

			2010			2009
	Before tax amount	Tax (expense) benefit	Net of tax amount	Before tax amount	Tax (expense) benefit	Net of tax amount
Exchange differences on translating foreign operations	485	-	485	92	-	92
Available-for-sale financial assets	(41,498)	7,885	(33,613)	8,080	(1,543)	6,537
Net movement on cash flow hedges	(1,774)	337	(1,437)	(1,000)	190	(810)
	(42,787)	8,222	(34,565)	7,172	(1,353)	5,819

35. Estimated fair value of financial assets and liabilities

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

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

(a) Cash and balances with central banks

The carrying values of cash and cash equivalents are generally deemed to approximate their fair value.

(b) Due from banks

The estimated fair value of amounts due from banks approximates their carrying amounts. Impairment losses are taken into consideration when calculating fair values.

(c) Loans and advances to customers

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

(d) Held-to-maturity investments

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

(e) Associates and jointly controlled entities

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

(f) Due to banks and customers

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

(g) Debt securities in issue

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

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

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

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

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

31 December 2010	Note	Trading	Held–to–maturity	Loans and receivables	Available–for–sale	Other amortized cost	Total carrying amount	Fair value
Cash and balances with central banks	4	-	-	179,093	-	-	179,093	179,093
Due from banks	5	-	-	108,843	-	-	108,843	108,843
Financial assets held for trading	6	253,025	-	-	-	-	253,025	253,025
Derivative financial instruments	7	45,205	-	-	-	-	45,205	45,205
Available-for-sale financial assets	8	-	-	-	1,615,823	-	1,615,823	1,615,823
Loans and advances to customers	9	-	-	6,437,675	-	-	6,437,675	6,899,879
Held-to-maturity investments	11	-	1,788,263	-	-	-	1,788,263	1,819,302
Associates and jointly controlled entities	12	-	-	-	-	6,219	6,219	6,219
		298,230	1,788,263	6,725,611	1,615,823	6,219	10,434,146	10,927,389
Due to central and other banks	17	-	-	-	-	(662,523)	(662,523)	(662,523)
Derivative financial instruments	7	(60,729)	-	-	-	-	(60,729)	(60,729)
Due to customers	18	-	-	-	-	(7,265,367)	(7,265,367)	(6,887,012)
Debt securities in issue	19	-	-	-	-	(1,624,253)	(1,624,253)	(1,550,718)
		(60,729)	-	-	-	(9,552,143)	(9,612,872)	(9,160,982)

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

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

	Note	Level 1	Level 2	Level 3	2010 Total	Level 1	Level 2	Level 3	2009 Total
Financial assets									
Financial assets held for trading	6								
Treasury bills and other eligible bills		-	174,201	-	174,201	-	93,302	-	93,302
State bonds		75,772	-	-	75,772	10,572	59,208	-	69,780
Mutual funds		-	3,052	-	3,052	-	1,730	-	1,730
		75,772	177,253	-	253,025	10,572	154,240	-	164,812
Derivative financial instruments	7								
Interest rate instruments		-	23,464	-	23,464	-	27,258	-	27,258
Foreign currency instruments		-	17,287	-	17,287	-	12,022	-	12,022
Equity and commodity instruments		-	4,454	-	4,454	-	3,503	-	3,503
		-	45,205	-	45,205	-	42,783	-	42,783
Available-for-sale financial assets	8								
State bonds		272,747	1,323,092	-	1,595,839	90,735	841,914	-	932,649
Bank bonds		-	19,345	-	19,345	-	62,281	-	62,281
Equity shares		-	639	-	639	-	631	-	631
		272,747	1,343,076	-	1,615,823	90,735	904,826	-	995,561
Financial liabilities	7								
Derivative financial instruments		-	39,488	-	39,488	-	38,285	-	38,285
Interest rate instruments		-	16,787	-	16,787	-	10,683	-	10,683
Foreign currency instruments		-	4,454	-	4,454	-	3,503	-	3,503
Equity and commodity instruments		-	60,729	-	60,729	-	52,471	-	52,471

There were no transfers of financial instruments among the levels during 2010 and 2009.

36. Financial risk management

Introduction and overview

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

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

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

Risk management framework

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

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

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

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations. The Group's Internal Audit Department is responsible for monitoring compliance with the Group's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Group. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures.

(a) Credit risk

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

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

Management of credit risk

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

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

Allowances for impairment

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

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

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

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

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

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

	Category	2010 Amortized cost	2010 Impairment losses	2010 Carrying amount	2009 Amortized cost	2009 Impairment losses	2009 Carrying amount
Banks							
	Performing	108,666	-	108,666	168,744	-	168,744
	Doubtful	328	(151)	177	151	(151)	-
		108,994	(151)	108,843	168,895	(151)	168,744
Sovereigns							
	Performing	100,865	(163)	100,702	35,842	(296)	35,546
	Past due	95	-	95	-	-	-
	Substandard	835	(42)	793	152	-	152
		101,795	(205)	101,590	35,994	(296)	35,698
Corporate							
	Performing	2,519,826	(32,285)	2,487,541	2,383,423	(34,258)	2,349,165
	Past due	287	(61)	226	7,869	(1,490)	6,379
	Restructured	19,719	(4,352)	15,367	2,006	(1,212)	794
	Substandard	102,025	(24,592)	77,433	108,612	(23,406)	85,206
	Doubtful	58,356	(37,455)	20,901	49,519	(27,002)	22,517
		2,700,213	(98,745)	2,601,468	2,551,429	(87,368)	2,464,061
Retail							
	Performing	3,724,276	(82,396)	3,641,880	3,361,354	(76,697)	3,284,657
	Past due	35,450	(15,318)	20,132	39,237	(18,331)	20,906
	Substandard	30,638	(14,521)	16,117	44,509	(19,619)	24,890
	Doubtful	162,501	(106,013)	56,488	96,901	(63,466)	33,435
		3,952,865	(218,248)	3,734,617	3,542,001	(178,113)	3,363,888
Securities							
	Performing	3,655,479	-	3,655,479	3,205,116	-	3,205,116
	Substandard	1,881	(249)	1,632	1,881	(377)	1,504
		3,657,360	(249)	3,657,111	3,206,997	(377)	3,206,620

The table below shows the maximum amount of credit risk regardless of received collateral. The credit risk of financial assets approximates their carrying amounts with the exception of Derivative financial instruments.

	2010	2009
Cash and balances with central banks	179,093	238,503
Due from banks	108,843	168,744
Financial assets held for trading	253,025	164,812
Derivative financial instruments	65,554	59,667
Available-for-sale financial assets	1,615,823	995,561
Non-current assets held for sale	3,374	-
Loans and advances to customers	6,437,675	5,863,647
Held-to-maturity investments	1,788,263	2,046,247
Associates and jointly controlled entities	6,219	5,620
Intangible assets	41,342	47,022
Goodwill	29,305	29,305
Property and equipment	148,921	164,104
Current income tax assets	8,931	6,036
Deferred income tax assets	66,153	47,834
Other assets	26,776	32,179
	10,779,297	9,869,281

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.

			2010			2009
	Amortized cost	Impairment losses	Carrying amount	Amortized cost	Impairment losses	Carrying amount
Banks						
No delinquency	96,254	-	96,254	168,744	-	168,744
1 – 30 days	12,412	-	12,412	-	-	-
91 – 180 days	-	-	-	151	(151)	-
Over 181 days *	328	(151)	177	-	-	-
	108,994	(151)	108,843	168,895	(151)	168,744
Sovereigns						
No delinquency	98,632	(163)	98,469	35,871	(296)	35,575
1 – 30 days	2,042	-	2,042	60	-	60
31 – 60 days	191	-	191	18	-	18
61 – 90 days	95	-	95	-	-	-
91 – 180 days	834	(42)	792	18	-	18
Over 181 days *	1	-	1	27	-	27
	101,795	(205)	101,590	35,994	(296)	35,698

Corporate						
No delinquency	2,558,410	(49,215)	2,509,195	2,357,148	(43,532)	2,313,616
1 – 30 days	33,683	(1,106)	32,577	67,367	(2,543)	64,824
31 – 60 days	13,928	(2,439)	11,489	23,843	(3,499)	20,344
61 – 90 days	6,642	(1,284)	5,358	11,981	(1,140)	10,841
91 – 180 days	6,449	(1,822)	4,627	45,199	(10,338)	34,861
Over 181 days *	81,101	(42,879)	38,222	45,891	(26,316)	19,575
	2,700,213	(98,745)	2,601,468	2,551,429	(87,368)	2,464,061
Retail						
No delinquency	3,514,217	(64,100)	3,450,117	3,122,422	(57,365)	3,065,057
1 – 30 days	148,283	(9,316)	138,967	182,514	(11,329)	171,185
31 – 60 days	40,796	(5,127)	35,669	43,373	(5,906)	37,467
61 – 90 days	22,595	(4,135)	18,460	24,308	(5,155)	19,153
91 – 180 days	38,456	(16,175)	22,281	41,906	(19,112)	22,794
Over 181 days *	188,518	(119,395)	69,123	127,478	(79,246)	48,232
	3,952,865	(218,248)	3,734,617	3,542,001	(178,113)	3,363,888
Securities						
No delinquency	3,657,360	(249)	3,657,111	3,206,997	(377)	3,206,620
	3,657,360	(249)	3,657,111	3,206,997	(377)	3,206,620

* Write-off policy

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

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

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

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

		2010		2009
	Clients	**Banks**	**Clients**	**Banks**
Debt securities	45,123	-	34,209	56,264
Other	763,123	24,079	723,263	65,238
Property	5,738,209	-	5,336,100	-
	6,546,455	24,079	6,093,572	121,502

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

			2010			2009
	Amortized cost	Impairment losses	Carrying amount	Amortized cost	Impairment losses	Carrying amount
Europe						
Banks	76,947	(151)	76,796	137,169	(151)	137,018
Sovereigns	101,795	(205)	101,590	35,994	(296)	35,698
Corporate	2,700,200	(98,745)	2,601,455	2,551,429	(87,368)	2,464,061
Retail	3,950,639	(218,216)	3,732,423	3,539,402	(178,084)	3,361,318
Securities	3,652,023	-	3,652,023	3,201,739	-	3,201,739
	10,481,604	(317,317)	10,164,287	9,465,733	(265,899)	9,199,834
North America						
Banks	31,856	-	31,856	30,956	-	30,956
Retail	739	(16)	723	977	(19)	958
Securities	5,337	(249)	5,088	5,258	(377)	4,881
	37,932	(265)	37,667	37,191	(396)	36,795
Asia						
Banks	99	-	99	645	-	645
Corporate	13	-	13	-	-	-
Retail	686	(15)	671	695	(9)	686
	798	(15)	783	1,340	(9)	1,331
Rest of the World						
Banks	92	-	92	125	-	125
Retail	801	(1)	800	927	(1)	926
	893	(1)	892	1,052	(1)	1,051

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

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

			2010			2009
	Amortised cost	Impairment losses	Carrying amount	Amortised cost	Impairment losses	Carrying amount
Europe						
Slovakia	3,193,206	-	3,193,206	3,053,996	-	3,053,996
Poland	194,596	-	194,596	98,295	-	98,295
Ireland	113,137	-	113,137	-	-	-
Italy	99,525	-	99,525	43,047	-	43,047
Portugal	45,093	-	45,093	-	-	-
Other	6,466	-	6,466	6,401	-	6,401
North America	3,652,023	-	3,652,023	3,201,739	-	3,201,739
USA	5,337	(249)	5,088	5,258	(377)	4,881

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

31 December 2010	Banks	Sovereigns	Corporate	Retail	Securities
Agriculture	-	-	44,040	21,589	-
Construction	-	-	128,963	15,391	-
Consumers	-	-	-	3,539,468	-
Energy and water supply	-	-	202,985	1,416	-
Financial services	108,843	-	256,658	698	68,383
Government	-	88,333	-	-	3,587,096
Manufacturing	-	-	428,086	30,580	-
Professional services	-	-	84,371	8,476	-
Real estate	-	-	391,328	7,755	-
Retail & Wholesale	-	-	587,930	63,510	-
Services	-	-	95,820	16,592	-
Transportation	-	12,501	293,040	10,581	-
Other	-	756	88,247	18,561	1,632
	108,843	101,590	2,601,468	3,734,617	3,657,111

31 December 2009	Banks	Sovereigns	Corporate	Retail	Securities
Agriculture	-	-	49,641	22,908	-
Construction	-	-	162,790	16,436	-
Consumers	-	-	5,839	3,136,332	-
Energy and water supply	-	-	141,257	1,700	-
Financial services	168,744	-	214,045	4,334	178,109
Government	-	35,698	-	-	3,016,987
Manufacturing	-	-	456,110	35,021	-
Professional services	-	-	64,307	8,469	-
Real estate	-	-	363,455	20,523	-
Retail & Wholesale	-	-	620,342	72,095	9,446
Services	-	-	55,487	17,042	574
Transportation	-	-	245,662	11,631	-
Other	-	-	85,126	17,397	1,504
	168,744	35,698	2,464,061	3,363,888	3,206,620

The carrying amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated in 2010 is € 20,040 thousand for the corporate segment (2009: € 24,035) and € 42,491 thousand for the retail segment (2009: € 18,532). The renegotiated terms of these contracts do not have a negative impact on the profitability of the Group compared to the original terms.

The table below shows the credit quality by class of assets for all financial assets exposed to credit risk, based on the Group's internal credit rating system. The amounts presented are gross of impairment allowances. Overdue loans are more than one day overdue.

	Neither past due nor impaired			Impaired (non-performing)			Past due but not impaired		
31 December 2010	Amortised cost	Impairment losses	Carrying amount	Amortised cost	Impairment losses	Carrying amount	Amortised cost	Impairment losses	Carrying amount
Banks	96,254	-	96,254	328	(151)	177	12,412	-	12,412
Sovereigns									
Municipalities	98,586	(163)	98,423	930	(42)	888	2,214	-	2,214
Municipalities – Leasing	65	-	65	-	-	-	-	-	-
	98,651	(163)	98,488	930	(42)	888	2,214	-	2,214
Corporate									
Large Corporates	808,778	(5,682)	803,096	38,236	(11,329)	26,907	-	-	-
Project Financing	619,057	(11,272)	607,785	31,436	(5,123)	26,313	593	(48)	545
SME	561,233	(11,542)	549,691	70,242	(27,932)	42,310	5,131	(303)	4,828
Other Fin. Organisations	295,549	(203)	295,346	1	-	1	-	-	-
Private Sector Entities	6,758	(81)	6,677	7	-	7	22	-	22
Leasing	102,945	(1,351)	101,594	36,290	(19,724)	16,566	38,354	(1,123)	37,231
Factoring	78,594	(673)	77,921	4,175	(2,352)	1,823	2,812	(7)	2,805
	2,472,914	(30,804)	2,442,110	180,387	(66,460)	113,927	46,912	(1,481)	45,431
Retail									
Small business	164,804	(1,484)	163,320	18,158	(11,473)	6,685	5,899	(1,096)	4,803
Small business – Leasing	13,040	(195)	12,845	2,351	(1,597)	754	4,951	(243)	4,708
Consumer Loans	674,552	(21,707)	652,845	125,113	(87,535)	37,578	82,567	(12,286)	70,281
Mortgages	2,312,865	(7,604)	2,305,261	56,756	(14,633)	42,123	106,453	(4,453)	102,000
Credit Cards	244,072	(31,754)	212,318	10,581	(7,828)	2,753	5,488	(181)	5,307
Overdrafts	94,201	(959)	93,242	15,179	(12,410)	2,769	2,704	(367)	2,337
Leasing	4,211	(24)	4,187	290	(232)	58	667	(26)	641
Other	7,796	(17)	7,779	161	(144)	17	6	-	6
	3,515,541	(63,744)	3,451,797	228,589	(135,852)	92,737	208,735	(18,652)	190,083
Securities									
Trading	253,025	-	253,025	-	-	-	-	-	-
AFS	1,615,824	-	1,615,824	-	-	-	-	-	-
HTM	1,786,630	-	1,786,630	1,881	(249)	1,632	-	-	-
	3,655,479	-	3,655,479	1,881	(249)	1,632	-	-	-

31 December 2009	Neither past due nor impaired			Impaired (non-performing)			Past due but not impaired		
	Amortised cost	Impairment losses	Carrying amount	Amortised cost	Impairment losses	Carrying amount	Amortised cost	Impairment losses	Carrying amount
Banks	168,732	-	168,732	151	(151)	-	12	-	12
Sovereigns									
Municipalities	31,789	-	31,789	152	-	152	14	-	14
Municipalities – Leasing	3,692	(103)	3,589	-	-	-	347	(193)	154
	35,481	(103)	35,378	152	-	152	361	(193)	168
Corporate									
Large Corporates	724,785	(3,622)	721,163	19,555	(10,780)	8,775	5,674	(83)	5,591
Project Financing	536,018	(13,065)	522,953	15,073	(2,778)	12,295	80	(7)	73
SME	601,283	(13,988)	587,295	76,665	(26,738)	49,927	19,220	(1,073)	18,147
Other Fin. Organisations	293,797	(279)	293,518	-	-	-	344	(1)	343
Private Sector Entities	16,263	(195)	16,068	4	-	4	3	-	3
Leasing	107,733	(24)	107,709	55,533	(12,488)	43,045	16,951	(856)	16,095
Factoring	48,038	(1,017)	47,021	1,176	(326)	850	13,234	(48)	13,186
	2,327,917	(32,190)	2,295,727	168,006	(53,110)	114,896	55,506	(2,068)	53,438
Retail									
Small business	200,368	(7,741)	192,627	20,579	(10,790)	9,789	11,404	(2,594)	8,810
Small business – Leasing	4,999	(1)	4,998	1,805	(503)	1,302	480	(39)	441
Consumer Loans	636,965	(18,604)	618,361	95,094	(65,472)	29,622	91,275	(14,225)	77,050
Mortgages	1,970,842	(4,317)	1,966,525	41,796	(9,844)	31,952	101,943	(2,838)	99,105
Credit Cards	232,194	(24,070)	208,124	8,584	(6,108)	2,476	6,962	(368)	6,594
Overdrafts	61,315	(553)	60,762	9,917	(7,780)	2,137	31,766	(1,287)	30,479
Leasing	7,499	(2)	7,497	2,691	(742)	1,949	720	(58)	662
Other	2,622	-	2,622	181	(177)	4	-	-	-
	3,116,804	(55,288)	3,061,516	180,647	(101,416)	79,231	244,550	(21,409)	223,141
Securities									
Trading	164,812	-	164,812	-	-	-	-	-	-
AFS	995,561	-	995,561	-	-	-	-	-	-
HTM	2,044,743	-	2,044,743	1,881	(377)	1,504	-	-	-
	3,205,116	-	3,205,116	1,881	(377)	1,504	-	-	-

(b) Market risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices or foreign exchange rate will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Management of market risk

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

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

Exposure to market risk – trading portfolios

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

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

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

				2010				2009
€ ´000	Balance	Avg	Max	Min	Balance	Avg	Max	Min
Foreign currency risk	58	99	307	8	38	93	236	11
Interest rate risk	96	105	161	75	96	169	384	72
Overall	113	163	367	80	132	207	469	80

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

Exposure to interest rate risk

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

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

The sensitivity of the interest margin is also measured on the basis of a parallel and instantaneous shock in the interest rate curve of _100 basis points, in a period of 12 months and for all periods. It should be noted that this measure highlights the effect of variations in market interest rates on the portfolio being measured, and excludes assumptions on future changes in the mix of assets and liabilities and, therefore it cannot be considered as a predictor of the future levels of the interest margin.

The VaR methodology is applied to calculate the allocation of economic capital for interest rate risk in the banking book. All calculations are performed on both an individual VUB basis and individually for each VUB subsidiary.

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

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

Models applied for the calculation of interest rate gap

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

Contractual

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

Behavioural

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

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

Interest margin sensitivity in a one year time frame – in the event of a 100 basis points rise in interest rates – was € 6,032 thousand at 31 December 2010, compared to € 282 thousand at 31 December 2009.

In 2010, interest rate risk generated by the Group banking book, measured through shift sensitivity analysis to 1 basis point, registered € 111 thousand at 31 December 2010, compared to € 28 thousand at 31 December 2009.

	2010	2009
EUR	102	21
CZK	8	7
Other	1	-
	111	28

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

31 December 2010	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Assets						
Cash and balances with central banks	94,488	-	8,543	34,174	42,717	179,922
Due from banks	66,757	-	12,031	11,807	-	90,595
Available-for-sale financial assets	319,427	233,748	23,425	475,204	842,893	1,894,697
Loans and advances to customers	1,850,776	1,250,164	1,860,208	2,095,658	804,068	7,860,874
Held-to-maturity investments	378,474	280,997	66,838	727,168	626,757	2,080,234
Associates and jointly controlled entities	-	-	622	2,489	3,109	6,220
	2,709,922	1,764,909	1,971,667	3,346,500	2,319,544	12,112,542
Liabilities						
Due to central and other banks	(389,383)	(110,171)	(116,932)	(28,502)	(319)	(645,307)
Due to customers	(2,664,660)	(372,646)	(822,787)	(2,285,797)	(1,198,383)	(7,344,273)
Debt securities in issue	(301,147)	(515,372)	(259,626)	(396,848)	(364,090)	(1,837,083)
	(3,355,190)	(998,189)	(1,199,345)	(2,711,147)	(1,562,792)	(9,826,663)
Net position of financial instruments	(645,268)	766,720	772,322	635,353	756,752	2,285,879

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

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

	2010 %	2009 %
Assets		
Cash and balances with central banks	1.04	1.39
Due from banks	2.10	2.90
Financial assets held for trading	3.96	5.03
Available-for-sale financial assets	2.94	2.83
Loans and advances to customers	5.73	6.25
Held-to-maturity investments	3.21	3.92
Liabilities		
Due to central and other banks	1.16	1.57
Due to customers	0.88	1.66
Debt securities in issue	2.87	3.46

Currency denominations of assets and liabilities

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

31 December 2010	EUR	USD	CZK	Other	Total
Assets					
Cash and balances with central banks	168,955	1,251	6,556	2,331	179,093
Due from banks	79,019	19,156	1,538	9,130	108,843
Financial assets held for trading	78,824	-	-	174,201	253,025
Derivative financial instruments	45,179	-	26	-	45,205
Available-for-sale financial assets	1,615,823	-	-	-	1,615,823
Loans and advances to customers	6,026,871	90,147	302,637	18,020	6,437,675
Held-to-maturity investments	1,788,263	-	-	-	1,788,263
Associates					
and jointly controlled entities	6,219	-	-	-	6,219
	9,809,153	110,554	310,757	203,682	10,434,146
Liabilities					
Due to central and other banks	(450,569)	(101,110)	(83,810)	(27,034)	(662,523)
Derivative financial instruments	(60,730)	-	1	-	(60,729)
Due to customers	(6,887,318)	(120,467)	(216,181)	(41,401)	(7,265,367)
Debt securities in issue	(1,523,415)	(25,807)	(75,031)	-	(1,624,253)
	(8,922,032)	(247,384)	(375,021)	(68,435)	(9,612,872)
Net position	887,121	(136,830)	(64,264)	135,247	821,274

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

(c) Liquidity risk

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

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

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

- the existence of an operating structure that works within set limits and of a control structure that is independent from the operating structure;
- a prudential approach to the estimate of the cash inflow and outflow projections for all the balance sheet and off-balance sheet items, especially those without a contractual maturity (or with a maturity date that is not significant);
- an assessment of the impact of various scenarios, including stress testing scenarios, on the cash inflows and outflows over time;
- the maintenance of an adequate level of unencumbered highly liquid assets, capable of enabling ordinary operations, also on an intraday basis, and overcoming the initial stages of a shock involving the Group's liquidity or system liquidity.

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

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

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

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

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

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

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

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

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

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

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

31 December 2010	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Not specified	Total
Assets							
Cash and balances							
with central banks	179,923	-	-	-	-	-	179,923
Due from banks	20,135	2,929	51,666	23,208	32,435	-	130,373
Financial assets held for trading	25,161	62,894	90,584	77,748	25	3,052	259,464
Available-for-sale financial assets	5,509	229,579	28,059	823,133	842,893	-	1,929,173
Loans and advances to customers	515,930	576,230	1,167,536	2,726,188	4,203,875	1,647	9,191,406
Held-to-maturity investments	368,397	268,514	63,263	737,753	626,757	-	2,064,684
Associates	-	-	-	-	-	6,219	6,219
and jointly controlled entities	1,115,055	1,140,146	1,401,108	4,388,030	5,705,985	10,918	13,761,242
Liabilities							
Due to central							
and other banks	(396,565)	(137,426)	(138,219)	(97,918)	(36,777)	-	(806,905)
Due to customers	(4,925,390)	(453,290)	(570,538)	(1,271,639)	(50,137)	(25,208)	(7,296,202)
Debt securities in issue	(1,146)	(23,201)	(295,641)	(843,750)	(787,847)	-	(1,951,585)
	(5,323,101)	(613,917)	(1,004,398)	(2,213,307)	(874,761)	(25,208)	(10,054,692)
Net position of financial instruments	(4,208,046)	526,229	396,710	2,174,723	4,831,224	(14,290)	3,706,550
Cash inflows from derivatives	26,404	103,025	180,837	200,101	98,132	-	608,499
Cash outflows from derivatives	(28,242)	(104,400)	(186,119)	(203,652)	(96,838)	-	(619,251)
Net position from derivatives	(1,838)	(1,375)	(5,282)	(3,551)	1,294	-	(10,752)
Total net position	(4,209,884)	524,854	391,428	2,171,172	4,832,518	(14,290)	3,695,798

31 December 2009	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Not specified	Total
Assets							
Cash and balances with central banks	244,142	-	-	-	-	-	244,142
Due from banks	94,945	29,142	16,111	62,710	47,647	82	250,637
Financial assets held for trading	42	30,059	63,803	73,733	893	1,730	170,260
Available-for-sale financial assets	4,413	48,653	21,774	451,222	581,159	-	1,107,221
Loans and advances to customers	282,756	599,854	1,160,855	2,628,268	3,557,125	39,878	8,268,736
Held-to-maturity investments	4,706	207,229	105,434	1,414,571	651,340	-	2,383,280
Associates and jointly controlled entities	-	-	-	-	-	5,620	5,620
	631,004	914,937	1,367,977	4,630,504	4,838,164	47,310	12,429,896
Liabilities							
Due to central and other banks	(333,634)	(56,714)	(217,674)	(121,212)	(89,974)	-	(819,208)
Due to customers	(4,409,754)	(586,989)	(804,799)	(797,312)	(3)	(17,933)	(6,616,790)
Debt securities in issue	(162)	(85,786)	(119,960)	(753,622)	(591,717)	-	(1,551,247)
	(4,743,550)	(729,489)	(1,142,433)	(1,672,146)	(681,694)	(17,933)	(8,987,245)
Net position of financial instruments	(4,112,546)	185,448	225,544	2,958,358	4,156,470	29,377	3,442,651
Cash inflows from derivatives	194,961	47,826	55,569	212,366	55,775	-	566,497
Cash outflows from derivatives	(197,393)	(46,540)	(59,994)	(210,492)	(57,976)	-	(572,395)
Net position from derivatives	(2,432)	1,286	(4,425)	1,874	(2,201)	-	(5,898)
Total net position	(4,114,978)	186,734	221,119	2,960,232	4,154,269	29,377	3,436,753

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

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

31 December 209	Less than 12 months	Over 12 months	Total
Assets			
Cash and balances with central banks	238,503	-	238,503
Due from banks	103,883	64,861	168,744
Financial assets held for trading	95,328	69,484	164,812
Derivative financial instruments	42,783	-	42,783
Available-for-sale financial assets	75,756	919,805	995,561
Loans and advances to customers	2,015,153	3,848,494	5,863,647
Held-to-maturity investments	297,715	1,748,532	2,046,247
Associates and jointly controlled entities	-	5,620	5,620
Intangible assets	-	47,022	47,022
Goodwill	-	29,305	29,305
Property and equipment	-	164,104	164,104
Current income tax assets	6,036	-	6,036
Deferred income tax assets	-	47,834	47,834
Other assets	32,179	-	32,179
	2,907,336	6,945,061	9,852,397
Liabilities			
Due to central and other banks	(656,534)	(139,811)	(796,345)
Derivative financial instruments	(52,471)	-	(52,471)
Due to customers	(5,885,135)	(724,791)	(6,609,926)
Debt securities in issue	(182,212)	(1,115,863)	(1,298,075)
Provisions	-	(25,111)	(25,111)
Other liabilities	(81,763)	(2,312)	(84,075)
	(6,858,115)	(2,007,888)	(8,866,003)
	(3,950,779)	4,937,173	986,394

(d) Operational risk

Operational risk management strategies and processes

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

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

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

Organisational structure of the associated risk management function

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

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

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

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

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

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

Policies for hedging and mitigating risk

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

37. Segment reporting

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

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

The Group comprises the following main operating segments:

– Retail Banking
– Corporate Banking
– Central Treasury

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

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

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

31 December 2009	Retail Banking	Corporate Banking	Central Treasury	Other	Total
External revenue					
Interest income	278,873	81,586	120,311	4,307	485,077
Interest expense	(49,081)	(7,006)	(57,644)	(544)	(114,275)
Inter-segment revenue	(3,557)	(11,806)	(8,686)	24,049	-
Net interest income	226,235	62,774	53,981	27,812	370,802
Net fee and commission income	58,368	47,846	1,444	84	107,742
Net trading income	3,680	4,242	(1,452)	(167)	6,303
Other operating income	3,930	3,506	1	423	7,860
Total segment operating income	292,213	118,368	53,974	28,152	492,707
Depreciation and amortisation	(22,839)	(4,799)	(136)	(10,706)	(38,480)
Operating expenses					(189,191)
Operating profit before impairment					265,036
Impairment losses on financial assets	(46,687)	(27,468)	157	(2,497)	(76,495)
Share of profit of associates and jointly controlled entities					596
Income tax expense					(38,814)
Net profit for the year					150,323
Segment assets	3,760,447	2,944,337	3,568,183	485,982	10,758,949
Segment liabilities	4,427,781	2,022,837	3,220,700	1,087,631	10,758,949

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

38. Related parties

Related parties are those counterparties that represent:

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

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

The remuneration and other benefits provided to members of the Supervisory Board and the Management Board in 2010 were € 4,301 thousand (2009: € 4,418 thousand).

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

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

* Key management personnel

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

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

39. Events after the end of reporting period

There were no events after 31 December 2010 that would have a material effect on a fair presentation of the matters disclosed in these financial statements.

Separate financial statements

prepared in accordance with International Financial Reporting Standards and Independent Auditors' Report for the year ended 31 December 2010

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Independent Auditors' Report

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

We have audited the accompanying separate financial statements of Všeobecná úverová banka, a.s. ('the Bank'), which comprise the statement of financial position as at 31 December 2010 and statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the separate financial statements give a true and fair view of the financial position of the Bank as at 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

28 February 2011
Bratislava, Slovak Republic

Ernst & Young

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

Ing. Peter Matejička
SKAU Licence No. 909

Statement of financial position at 31 December 2010

(In thousands of Euro)

	Note	2010	2009
Assets			
Cash and balances with central banks	4	179,064	238,446
Due from banks	5	108,598	168,646
Financial assets held for trading	6	249,973	163,082
Derivative financial instruments	7	45,205	42,783
Available-for-sale financial assets	8	1,615,823	995,561
Non-current assets held for sale	14	3,374	-
Loans and advances to customers	9	6,141,301	5,549,836
Held-to-maturity investments	11	1,788,263	2,046,247
Subsidiaries, associates and jointly controlled entities	12	113,810	101,559
Intangible assets	13	30,639	28,207
Property and equipment	14	142,801	157,992
Current income tax assets	19	6,882	6,722
Deferred income tax assets	19	54,092	39,511
Other assets	15	12,991	11,581
		10,492,816	9,550,173
Liabilities			
Due to central and other banks	16	439,151	559,697
Derivative financial instruments	7	60,729	52,471
Due to customers	17	7,276,689	6,613,327
Debt securities in issue	18	1,619,591	1,285,310
Provisions	20	23,517	24,993
Other liabilities	21	52,934	50,585
		9,472,611	8,586,383
Equity			
Share capital	22	430,819	430,819
Share premium	22	13,368	13,368
Reserves		56,333	90,242
Retained earnings		519,685	429,361
		1,020,205	963,790
		10,492,816	9,550,173
Financial commitments and contingencies	23	2,606,950	2,353,842

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

These financial statements were authorised for issue by the Management Board on 28 February 2011.

Ignacio Jaquotot
Chairman of the Management Board

Domenico Cristarella
Member of the Management Board

Statement of comprehensive income for the year ended 31 December 2010

(In thousands of Euro)

	Note	2010	2009
Interest and similar income		433,504	445,444
Interest expense and similar charges		(108,628)	(136,037)
Net interest income	24	324,876	309,407
Fee and commission income		137,872	120,383
Fee and commission expense		(64,264)	(50,135)
Net fee and commission income	25	73,608	70,248
Net trading income	26	6,246	11,109
Other operating income	27	3,827	8,009
Dividend income		14,281	21,145
Operating income		422,838	419,918
Salaries and employee benefits	28	(87,723)	(87,306)
Other operating expenses	29	(76,646)	(73,476)
Amortisation	13	(8,001)	(8,671)
Depreciation	14	(19,141)	(20,682)
Operating expenses		(191,511)	(190,135)
Operating profit before impairment		231,327	229,783
Impairment losses on financial assets	30	(48,057)	(67,596)
Profit before tax		183,270	162,187
Income tax expense	31	(33,893)	(15,947)
NET PROFIT FOR THE YEAR		149,377	146,240
Other comprehensive income for the year, after tax:			
Exchange difference on translating foreign operation		485	92
Available-for-sale financial assets		(33,616)	6,579
Cash flow hedges		(1,437)	(810)
Other comprehensive income for the year, net of tax	32, 33	(34,568)	5,861
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		114,809	152,101
Basic and diluted earnings per € 33.2 share in €	22	11.51	11.27

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

Statement of changes in equity for the year ended 31 December 2010

(In thousands of Euro)

	Share capital	Share premium	Legal reserve fund	Retained earnings	Translation of foreign operation	Available for sale financial assets	Cash flow hedges	Total
At 1 January 2009	430,794	13,368	87,518	282,937	(1,741)	(542)	(829)	811,505
Transition to euro	25	-	(25)	-	-	-	-	-
Total comprehensive income for the year	-	-	-	146,240	92	6,579	(810)	152,101
Other	-	-	-	184	-	-	-	184
At 31 December 2009	430,819	13,368	87,493	429,361	(1,649)	6,037	(1,639)	963,790
At 1 January 2010	430,819	13,368	87,493	429,361	(1,649)	6,037	(1,639)	963,790
Total comprehensive income for the year	-	-	-	149,377	485	(33,616)	(1,437)	114,809
Dividends to shareholders	-	-	-	(58,394)	-	-	-	(58,394)
Other*	-	-	-	(1,188)	1,188	-	-	-
Effect of FX hedge*	-	-	-	529	-	-	(529)	-
At 31 December 2010	430,819	13,368	87,493	519,685	24	(27,579)	(3,605)	1,020,205

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

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

Statement of cash flows for the year ended 31 December 2010

(In thousands of Euro)

	Note	2010	2009
Cash flows from operating activities			
Profit before tax		183,270	162,187
Adjustments for:			
Amortisation		8,001	8,671
Depreciation		19,141	20,682
Securities held for trading, available-for-sale securities and FX differences		5,007	(564)
Interest income		(433,504)	(445,444)
Interest expense		108,628	136,037
Dividend income		(14,281)	(21,145)
Profit from redemption of Debt securities in issue		-	(3,906)
Sale of property and equipment		101	(710)
Impairment losses on financial assets and similar charges		46,688	63,290
Interest received		417,397	423,702
Interest paid		(108,687)	(135,519)
Dividends received		14,281	21,145
Tax paid		(48,634)	(76,585)
Due from banks		(8,930)	3,443
Financial assets held for trading		(85,889)	(33,570)
Derivative financial instruments (assets)		(3,642)	17,368
Available-for-sale financial assets		(635,523)	(701,654)
Loans and advances to customers		(628,681)	(350,224)
Other assets		(2,174)	107
Due to central and other banks		(120,127)	(78,385)
Derivative financial instruments (liabilities)		8,258	-
Due to customers		662,804	(1,514,505)
Other liabilities		(1,826)	(9,721)
Net cash used in operating activities		(618,322)	(2,515,300)
Cash flows from investing activities			
Purchase of held-to-maturity investments		(19,083)	(236,738)
Repayments of held-to-maturity investments		261,962	400,125
Purchase of intangible assets and property and equipment		(20,272)	(16,524)
Disposal of property and equipment		681	5,233
Acquisition of subsidiaries		(13,701)	-
Net cash from investing activities		209,587	152,096
Cash flows from financing activities			
Proceeds from issue of debt securities		487,050	326,407
Repayments of debt securities		(158,252)	(147,424)
Dividends paid		(58,394)	-
Net cash from financing activities		270,404	178,983
Net change in cash and cash equivalents		(138,331)	(2,184,221)
Cash and cash equivalents at the beginning of the year	3	333,185	2,517,406
Cash and cash equivalents at the end of the year	3	194,854	333,185

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

Notes to the separate financial statements for the year ended 31 December 2010 prepared in accordance with IFRS

1. General information

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

At 31 December 2010, the Bank had a network of 250 points of sale (including Retail Branches, Corporate Branches and Mortgage centres) located throughout Slovakia (December 2009: 254). The Bank also has one branch in the Czech Republic.

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

Members of the Management Board are: Ignacio Jaquotot (Chairman), Domenico Cristarella, Daniele Fanin, Jozef Kausich, Elena Kohútiková, Tomislav Lazarić, Silvia Púchovská, Alexander Resch and Adrián Ševčík.

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

2. Summary of significant accounting policies

2.1 Basis of preparation

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

The consolidated financial statements of the Bank were issued on 28 February 2011 and are available at the legal office of the Bank.

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

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

Negative balances are presented in brackets.

2.2 Changes in accounting policies

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

The following amendments to the existing standards issued by the International Accounting Standards Board and adopted by the EU are effective for the current accounting period:

IFRS 2 Share-based Payment (Revised)

The IASB issued an amendment to IFRS 2 that clarified the scope and the accounting for group cash-settled share-based payment transactions.

The amendment to IFRS 2 does not have any impact on the financial performance or position of the Bank.

IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)

IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after becoming effective. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by IFRS 3 (Revised) and IAS 27 (Amended) affect acquisitions or loss of control of subsidiaries and transactions with non-controlling interests after 1 January 2010.

The revised IFRS 3 and the amended IAS 27 do not have any impact on the financial performance or position of the Bank.

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

The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations. The amendment to IAS 39 does not have any impact on the financial performance or position of the Bank.

IFRIC 17 Distribution of Non-cash Assets to Owners

This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The interpretation does not have any impact on the financial performance or position of the Bank.

Improvements to IFRSs

In May 2008 and April 2009, the IASB issued an omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard.

Issued in May 2008

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations: clarifies that when a subsidiary is classified as held for sale, all its assets and liabilities are classified as held for sale, even when the entity remains a non-controlling interest after the sale transaction.

Issued in April 2009

IFRS 2 Share-based Payment: clarifies that the contribution of a business on formation of a joint venture and combinations under common control are not within the scope of IFRS 2. Effective for periods beginning on or after 1 July 2009.

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations: clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in IFRS 5. The disclosure requirements of other IFRSs only apply if specifically required for such non-current assets or discontinued operations.

IFRS 8 Operating Segments: clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.

IAS 1 Presentation of Financial Statements - Current/non-current classification of convertible instruments: The terms of a liability that could at anytime result in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification. Effective for annual periods beginning on or after 1 January 2010.

IAS 7 Statement of Cash Flows: states that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities. This amendment will impact amongst others, the presentation in the Statement of cash flows of the contingent consideration on the business combination completed in 2010 upon cash settlement.

IAS 17 Leases - Classification of land and buildings: The specific guidance on classifying land as a lease has been removed so that only the general guidance remains. Effective for annual periods beginning on or after 1 January 2010.

IAS 36 Impairment of Assets: The amendment clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes.

IAS 38 Intangible Assets: Consequential amendments arising from IFRS 3: If an intangible acquired in a business combination is identifiable only with another intangible asset, the acquirer may recognise the group of intangibles as a single asset provided the individual assets have similar useful lives.

IAS 38 Intangible Assets: Measuring fair value: The valuation techniques presented for determining the fair value of intangible assets acquired in a business combination are only examples and are not restrictive on the methods that can be used.

IAS 39 Financial Instruments: Recognition and Measurement - Assessment of loan prepayment penalties as embedded derivatives: A prepayment option is considered closely related to the host contract when the exercise price reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract. Effective for annual periods beginning on or after 1 January 2010.

IAS 39 Financial Instruments: Recognition and Measurement - Scope exemption for business combination contract: The scope exemption for contracts between an acquirer and a vendor in a business combination to buy or sell an acquiree at a future date applies only to binding forward contracts, not derivative contracts where further actions are still to be taken. Effective prospectively to all unexpired contracts for annual periods beginning on or after 1 January 2010.

IAS 39 Financial Instruments: Recognition and Measurement - Cash flow hedge accounting: Gains or losses on cash flow hedges of a forecast transaction that subsequently results in the recognition of a financial instrument or on cash flow hedges or recognised financial instruments should be reclassified in the period that the hedged forecast cash flows affect profit or loss. Effective prospectively to all unexpired contracts for annual periods beginning on or after 1 January 2010.

IFRIC 9 Reassessment of Embedded Derivatives - Scope of IFRIC 9 and IFRS 3: IFRIC 9 does not apply to possible reassessment at the date of acquisition to embedded derivatives in contracts acquired in a combination between entities or businesses under common control or the formation or a joint venture. The amendment is effective prospectively for annual periods beginning on or after 1 July 2009.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation: Amendment of the restriction on the entity that can hold hedging instruments: Qualifying hedging instruments may be held by any entity within the group, provided the designation, documentation and effectiveness requirements of IAS 39 are met. The amendment is effective for annual periods beginning on or after 1 July 2009.

Improvements do not have material impact on the financial performance or position of the Bank.

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

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

IAS 24 Related Party Disclosures (Amendment)

The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government related entities. Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard.

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

The amendment to IAS 32 is effective for annual periods beginning on or after 1 February 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.

IFRIC 14 Prepayments of a minimum funding requirement (Amendment)

The amendment to IFRIC 14 is effective for annual periods beginning on or after 1 January 2011 with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

IFRIC 19 is effective for annual periods beginning on or after 1 July 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognised immediately in profit or loss.

Improvements to IFRSs (issued in May 2010)

In May 2010, the IASB issued an omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard.

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following standards, amendments to the existing standards and interpretations, which were not endorsed for use as at 31 December 2010 and are relevant to the Bank.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and derecognition. The completion of this project is expected in early 2011. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Bank's financial assets.

Disclosures – Transfers of Financial Assets (Amendments to IFRS 7)

The IASB has amended the required disclosures relating to transfers of financial assets. The objective of the amendments is to help users of financial statements evaluate the risk exposures relating to such transfers and the effect of those risks on an entity's financial position.

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

2.3 Segment reporting

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

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

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

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

2.4 Foreign currency transactions

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

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

2.5 Foreign operations

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

2.6 Cash and balances with central banks

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

2.7 Treasury bills and other eligible bills

Treasury bills and other eligible bills represent highly liquid securities that could be used for rediscounting in the NBS without any time or other constraints. The balance comprises treasury bills issued by the Ministry of Finance of the Slovak republic.

2.8 Due from banks

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

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

2.9 Debt securities

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

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

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

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

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

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

Day 1 profit or loss

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

(b) Available-for-sale securities

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

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

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

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

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

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

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

(c) Held-to-maturity investments

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

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

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

2.10 Repurchase and reverse repurchase agreements

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

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

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

2.11 Derivative financial instruments

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

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

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

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

Credit risk of financial derivatives

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

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

Embedded derivatives

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

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

Hedging derivatives

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

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

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

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

Cash flow hedges

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

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

Fair value hedges

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

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

2.12 Offsetting financial instruments

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

2.13 Non-current assets held for sale

Non-current assets held for sale are assets where the carrying amount will be recovered principally through a sale transaction rather than through continuing use. Non-current assets 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 amortised cost less any impairment losses. All loans and advances to customers are recognised in the Statement of financial position when cash is advanced to borrowers.

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

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

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

2.15 Subsidiaries, associates and jointly controlled entities

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

Dividend discount model

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

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

2.16 Intangible assets

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

	Years
Software	5 – 10
Other intangible assets	5

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

2.17 Property and equipment

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

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

	Years
Buildings	5 – 40
Equipment	4, 6, 15
Other tangibles	4, 6, 15

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

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

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

2.18 Provisions

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

2.19 Provisions for employee benefits

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

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

	Jubilee benefits	Retirement benefits
Discount rate	2,5 %	3,6 %
Future growth of wages	n/a	3 %
Fluctuation of employees (based on age)	9 – 54 %	9 – 54 %
Retirement age	Based on valid legislation	
Mortality	Based on mortality tables issued by the Statistical Office of the Slovak Republic	

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

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

2.20 Financial guarantees

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

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

2.21 Legal reserve fund

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

2.22 Equity reserves

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

- 'Translation of foreign operation' reserve which is used to record exchange differences arising from the translation of the net investment in foreign operations.
- 'Available-for-sale financial assets' reserve which comprises changes in the fair value of available-for-sale investments.
- 'Cash flow hedges' reserve which comprises the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

2.23 Interest income

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

2.24 Fee and commission income

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

2.25 Net trading income

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

2.26 Dividend income

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

2.27 Income tax

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

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

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

2.28 Fiduciary assets

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

2.29 Significant accounting judgements and estimates

Judgements

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

Held-to-maturity investments

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

Financial assets held for trading

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

Estimates

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

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

Fair value of financial instruments

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

Impairment losses on loans and advances

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

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

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

3. Cash and cash equivalents

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

	Note	2010	2009
Cash and balances with central banks	4	179,064	238,446
Current accounts in other banks	5	8,248	23,532
Term deposits with other banks	5	7,542	61,761
Held-to-maturity investments	11	-	9,446
		194,854	333,185

4. Cash and balances with central banks

	2010	2009
Balances with central banks:		
Compulsory minimum reserves	87,693	135,813
Current accounts	33	221
	87,726	136,034
Cash in hand	91,338	102,412
	179,064	238,446

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

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

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

5. Loans and advances to banks

	Note	2010	2009
Current accounts	3	8,248	23,532
Term deposits			
with contractual maturity less than 90 days	3	7,542	61,761
with contractual maturity over 90 days		5,081	-
Loans and advances		87,878	83,504
Impairment losses	10	(151)	(151)
		108,598	168,646

6. Financial assets held for trading

	Note	2010	2009
Treasury bills and other eligible bills			
with contractual maturity over 90 days		174,201	93,302
State bonds			
with contractual maturity over 90 days		75,772	69,780
		249,973	163,082

At 31 December 2010 and 2009, no such securities were pledged by the Bank to secure transactions with counterparties.

7. Derivative financial instruments

	2010 Assets	2009 Assets	2010 Liabilities	2009 Liabilities
Trading derivatives	45,179	42,037	46,834	44,480
Cash flow hedges of interest rate risk	-	-	4,451	2,770
Cash flow hedge of foreign exchange risk	-	746	-	-
Fair value hedges of interest rate risk	26	-	9,444	5,221
	45,205	42,783	60,729	52,471

Trading derivatives also include hedge instruments that are non-qualifying according to IAS 39, which are held for risk management purposes rather than for trading. The instruments used include interest rate swaps and cross-currency interest rate swaps. In 2010, the total positive fair value of such derivatives was _ 6,386 thousand (31 December 2009: € 2,800 thousand) and the negative fair value was nil (31 December 2009: € 1,386 thousand).

	2010 Assets	2009 Assets	2010 Liabilities	2009 Liabilities
Trading derivatives – Fair values				
Interest rate instruments				
Swaps	21,632	25,771	23,780	28,641
Forward rate agreements	-	-	-	159
Options	1,806	1,487	1,813	1,494
	23,438	27,258	25,593	30,294
Foreign currency instruments				
Forwards and swaps	2,059	965	7,894	2,787
Cross currency swaps	6,386	2,800	-	240
Options	8,842	7,511	8,893	7,656
	17,287	11,276	16,787	10,683
Equity and commodity instruments				
Equity options	4,047	3,423	4,047	3,423
Commodity options	407	80	407	80
	4,454	3,503	4,454	3,503
	45,179	42,037	46,834	44,480

	2010 Assets	2009 Assets	2010 Liabilities	2009 Liabilities
Trading derivatives – Notional values				
Interest rate instruments				
Swaps	954,181	881,941	954,181	881,941
Forward rate agreements	-	160,000	-	160,000
Options	78,991	57,266	78,991	57,266
	1,033,172	1,099,207	1,033,172	1,099,207
Foreign currency instruments				
Forwards and swaps	280,758	197,397	288,177	199,418
Cross currency swaps	71,825	67,994	65,433	65,433
Options	50,266	44,095	49,754	43,910
	402,849	309,486	403,364	308,761
Equity and commodity instruments				
Equity options	22,630	49,581	22,630	49,581
Commodity options	3,280	3,495	3,280	3,495
	25,910	53,076	25,910	53,076
	1,461,931	1,461,769	1,462,446	1,461,044

In 2009, equity and commodity instruments also included options for the purchase of a 30% shareholding in VÚB Leasing, a. s. held by the Bank with notional values of € 13,941 thousand in assets and € 13,941 thousand in liabilities. These options were derecognised in February 2010 when the Bank acquired the abovementioned 30 % stake (refer to note 12).

Cash flow hedges of interest rate risk

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

Below is a schedule indicating as at 31 December 2010, the periods when the hedged cash flows are expected to occur. The cash flows of mortgage bonds and fixed income loan represent the future undiscounted value of coupons:

	Up to 1 year	1 to 5 years	Over 5 years
2010			
Mortgage bonds – interest rate risk	5,070	22,413	3,218
Fixed income loan	273	819	
2009			
Mortgage bonds – interest rate risk	3,698	22,933	3,949
FX forecast transaction – foreign exchange risk	14,532	-	-

The net expense on cash flow hedges reclassified to the 'Net interest income' during 2010 was € 3,468 thousand (2009: € 1,873 thousand).

Fair value hedges of interest rate risk

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

In 2010, the Bank recognised in relation to the fair value hedging instruments above a net loss of € 3,465 thousand (2009: net loss of € 1,621 thousand). The net gain on hedged items attributable to the hedged risks amounted to € 3,564 thousand (2009: net gain of € 1,411). Both items are disclosed within the 'Net trading income'.

Interest and similar income from hedged AFS securities in the amount of € 8,024 thousand was compensated by interest expense from interest rate swaps hedging instruments in the amount of € 3,807 thousand.

The foreign branch of VUB uses one interest rate swap to hedge the interest rate risk of one fixed income loan originated in the Czech Republic. The changes in fair value of this interest rate swap substantially offset the change in fair value of the loan, both in relation to changes of interest rates..

8. Available-for-sale financial assets

	Share 2010	Share 2009	2010	2009
State bonds			1,595,839	932,649
Bank bonds			19,345	62,281
Equity shares at cost				
RVS Studené, a.s.	8.38%	8.38%	574	574
S.W.I.F.T.	0.02%	0.02%	65	57
			639	631
			1,615,823	995,561

At 31 December 2010, no State bonds were pledged by the Bank (31 December 2009: € 100 million) to secure transactions with counterparties.

9. Loans and advances to customers

31 December 2010	Amortized cost	Impairment losses (note 10)	Carrying amount
Sovereigns			
Municipalities	101,730	(205)	101,525
Corporate			
Large Corporates	847,014	(17,011)	830,003
Project Financing	651,086	(16,443)	634,643
Small and medium enterprises ('SME')	636,480	(39,651)	596,829
Other Financial Institutions	393,177	(203)	392,974
Private Sector Entities	6,787	(81)	6,706
Factoring	53,756	(695)	53,061
	2,588,300	(74,084)	2,514,216
Retail			
Small business	188,861	(14,053)	174,808
Consumer Loans	644,061	(67,635)	576,426
Mortgages	2,476,074	(26,690)	2,449,384
Credit Cards	260,141	(39,763)	220,378
Overdrafts	112,084	(13,736)	98,348
Other	6,216	-	6,216
	3,687,437	(161,877)	3,525,560
	6,377,467	(236,166)	6,141,301

The segmentation of Loans and advances to customers in both 2010 and 2009 is based on the newly harmonised approach implemented by the Bank during 2010. This segmentation was adopted within the whole Intesa Sanpaolo group. The revised segment definition caused transfers among the individual sectors.

31 December 2009	Amortized cost	Impairment losses (note 10)	Carrying amount
Sovereigns			
Municipalities	31,955	-	31,955
Corporate			
Large Corporates	842,987	(14,485)	828,502
Project Financing	551,171	(15,850)	535,321
SME	697,168	(41,799)	655,369
Other Financial Institutions	294,141	(280)	293,861
Private Sector Entities	16,270	(195)	16,075
Factoring	25,188	(1,023)	24,165
	2,426,925	(73,632)	2,353,293
Retail			
Small business	232,351	(21,125)	211,226
Consumer Loans	600,503	(56,045)	544,458
Mortgages	2,114,581	(16,999)	2,097,582
Credit Cards	247,740	(30,546)	217,194
Overdrafts	102,998	(9,620)	93,378
Other	750	-	750
	3,298,923	(134,335)	3,164,588
	5,757,803	(207,967)	5,549,836

At 31 December 2010, the 20 largest corporate customers represented a total balance of € 701,128 thousand (2009: € 717,320 thousand) or 10.99% (2009: 12.5%) of the gross loan portfolio.

10. Impairment losses

	Note	1 Jan 2010	Creation/ (Reversal) (note 30)	FX losses/ (gains	Other	31 Dec 2010
Due from banks	5	151	-	-	-	151
Non-current assets held for sale	14	-	1,272	-	-	1,272
Loans and advances to customers	9	207,967	28,705	420	(926) *	236,166
Held-to-maturity investments	11	377	(128)	-	-	249
Subsidiaries, associates and JVs	12	29,639	1,450	-	-	31,089
Property and equipment	14	-	461	-	-	461
Other assets	15	2,877	764	49	-	3,690
		241,011	32,524	469	(926)	273,078

* Interest portion (unwinding of interest).

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

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

11. Held-to-maturity investments

	Note	2010	2009
State restructuring bonds		617,613	618,775
State bonds		1,123,031	1,302,480
Bank bonds and other bonds issued by financial sector		9,974	78,038
Corporate notes and bonds with contractual maturity less than 90 days	3	-	9,446
Corporate notes and bonds with contractual maturity over 90 days		37,894	37,885
		1,788,512	2,046,624
Impairment losses	10	(249)	(377)
		1,788,263	2,046,247

At 31 December 2010, bonds in the total nominal amount of € 106,460 thousand were pledged by the Bank (31 December 2009: € 455,495 thousand) to secure transactions with counterparties.

State restructuring bonds

As part of the pre-privatisation 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 recapitalised the Bank by transferring the non-performing loans, including principal and interest, to Konsolidačná banka Bratislava ('KBB') with a gross value of Sk 58.6 billion (€ 1,945 million), and Slovenská konsolidačná ('SKO') with a gross value of Sk 7.6 billion (€ 252 million), which gave rise to the Bank's receivables from KBB and SKO in the total amount of Sk 66.2 billion (€ 2,197 million). In January and March 2001, these receivables were swapped at par for state restructuring bonds with a total nominal value of Sk 66.2 billion (€ 2,197 million).

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

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

At 31 December 2010 and 2009, the Bank held in its portfolio the following state restructuring bonds:

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

12. Subsidiaries, associates and jointly controlled entities

	Share in %	Cost	Impairment losses (note 10)	Carrying amount
At 31 December 2010				
VÚB Factoring, a.s.	100.0	16,535	(12,300)	4,235
VÚB Leasingová, a.s. v likvidácii (in liquidation)	100.0	7,767	(7,443)	324
Recovery, a.s.	100.0	3,652	(3,194)	458
VÚB Asset Management, správ. spol. a.s.	100.0	2,821	-	2,821
Consumer Finance Holding, a.s.	100.0	53,114	-	53,114
VÚB Leasing, a. s.	100.0	44,410	(8,152)	36,258
VÚB Generali DSS, a.s.	50.0	16,597	-	16,597
Slovak Banking Credit Bureau, s.r.o.	33.3	3	-	3
		144,899	(31,089)	113,810
At 31 December 2009				
VÚB Factoring, a.s.	100.0	16,535	(10,210)	6,325
VÚB Leasingová, a.s. v likvidácii (in liquidation)	100.0	7,767	(7,443)	324
Recovery, a.s.	100.0	3,652	(3,182)	470
VÚB Asset Management, správ. spol. a.s.	100.0	2,821	-	2,821
Consumer Finance Holding, a.s.	100.0	53,114	-	53,114
VÚB Leasing, a. s.	70.0	30,709	(7,769)	22,940
VÚB Generali DSS, a.s.	50.0	16,597	(1,035)	15,562
Slovak Banking Credit Bureau, s.r.o.	33.3	3	-	3
		131,198	(29,639)	101,559

In February 2010, the Bank acquired the remaining 30 % stake in VUB Leasing, a.s. from the original owner.

13. Intangible assets

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

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

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

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

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

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

At 31 December 2010 and 2009, the Bank held in its portfolio of non-current assets held for sale buildings as follows:

	2010	2009
Cost	7,768	-
Accumulated depreciation	(3,122)	-
Impairment (note 10)	(1,272)	-
	3,374	-

15. Other assets

	Note	2010	2009
Operating receivables and advances		10,834	8,762
Prepayments and accrued income		3,940	2,898
Other tax receivables		1,274	1,163
Inventories		448	913
Settlement of operations with financial instruments		185	600
Other		-	122
		16,681	14,458
Impairment losses	10	(3,690)	(2,877)
		12,991	11,581

16. Due to central and other banks

	2010	2009
Due to central banks		
Current accounts	53,019	28,657
Loans received	-	180,460
	53,019	209,117
Due to other banks		
Current accounts	8,374	27,267
Term deposits	330,642	280,595
Loans received	47,116	42,718
	386,132	350,580
	439,151	559,697

From 1 October 2009 the Bank booked yearly refinance loan received from NBS in the nominal value of € 180 million. This loan matured at 30 September 2010.

17. Due to customers

	2010	2009
Current accounts	3,067,880	2,574,080
Term deposits	3,330,072	3,015,419
Savings accounts	285,567	307,154
Government and municipal deposits	434,586	650,744
Loans received	75,180	35,712
Promissory notes	58,136	12,414
Other deposits	25,268	17,804
	7,276,689	6,613,327

18. Debt securities in issue

	2010	2009
Bonds	55,001	54,996
Mortgage bonds	1,564,590	1,230,314
	1,619,591	1,285,310

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

Name	Interest rate (%)	CCY	Number of mortgage bonds issued	Nominal value in CCY	Issue date	Maturity date	2010	2009
Mortgage bonds VÚB, a.s. VII.	5.10	EUR	10,000	3,319	15.4.2003	15.4.2013	34,398	34,398
Mortgage bonds VÚB, a.s. VIII.	5.10	EUR	1,000	33,194	29.5.2003	29.5.2013	34,191	34,191
Mortgage bonds VÚB, a.s. XI.	4.40	EUR	500	33,194	25.8.2004	25.8.2010	-	16,853
Mortgage bonds VÚB, a.s. XIII.	4.50	EUR	1,000	33,194	29.9.2004	29.9.2010	-	33,576
Mortgage bonds VÚB, a.s. XV.	0.80	EUR	1,000	33,194	30.3.2005	30.3.2010	-	33,195
Mortgage bonds VÚB, a.s. XVII.	1.14	EUR	2,500	22,280	28.11.2005	28.11.2015	55,757	55,742
Mortgage bonds VÚB, a.s. XVIII.	3.00	EUR	39	331,939	19.12.2005	19.12.2010	-	12,874
Mortgage bonds VÚB, a.s. XX.	4.30	EUR	50	331,939	9.3.2006	9.3.2021	17,176	17,176
Mortgage bonds VÚB, a.s. XXI.	1.10	EUR	500	33,194	10.3.2006	10.3.2011	16,608	16,605
Mortgage bonds VÚB, a.s. XXII.	1.18	EUR	1,200	50,000	29.6.2006	29.6.2011	60,004	60,003
Mortgage bonds VÚB, a.s. XXIII.	1.18	EUR	60	1,000,000	26.10.2006	26.10.2011	60,128	60,095
Mortgage bonds VÚB, a.s. XXIV.	1.35	EUR	1,500	33,194	24.11.2006	24.11.2011	49,860	49,845
Mortgage bonds VÚB, a.s. XXV.	1.19	EUR	30	1,000,000	5.12.2006	5.12.2011	30,026	30,019
Mortgage bonds VÚB, a.s. XXVII.	4.25	EUR	500	33,194	13.3.2007	13.3.2010	-	17,161
Mortgage bonds VÚB, a.s. XXVIII.	2.07	CZK	1,000	1,000,000	20.6.2007	20.6.2012	40,240	38,293
Mortgage bonds VÚB, a.s. XXIX.	1.23	EUR	500	33,194	16.10.2007	16.10.2012	16,637	16,631
Mortgage bonds VÚB, a.s. XXX.	5.00	EUR	1,000	33,194	5.9.2007	5.9.2032	33,327	33,309
Mortgage bonds VÚB, a.s. XXXI.	4.90	EUR	600	33,194	29.11.2007	29.11.2037	19,624	19,610

Mortgage bonds VÚB, a.s. 32.	3.06	CZK	800	1,000,000	17.12.2007	17.12.2017	34,791	33,327
Mortgage bonds VÚB, a.s. 34.	4.30	EUR	900	33,194	27.2.2008	27.2.2010	-	30,959
Mortgage bonds VÚB, a.s. 35.	4.40	EUR	630	33,194	19.3.2008	19.3.2016	21,167	21,077
Mortgage bonds VÚB, a.s. 36.	4.75	EUR	560	33,194	31.3.2008	31.3.2020	18,796	18,747
Mortgage bonds VÚB, a.s. 37.	1.47	EUR	40	1,000,000	30.4.2008	30.4.2011	40,103	40,081
Mortgage bonds VÚB, a.s. 38.	4.75	EUR	317	33,194	26.6.2008	26.6.2010	-	10,764
Mortgage bonds VÚB, a.s. 39.	1.71	EUR	60	1,000,000	26.6.2008	26.6.2015	60,012	60,008
Mortgage bonds VÚB, a.s. 40.	1.77	EUR	70	1,000,000	28.8.2008	28.8.2015	70,117	70,096
Mortgage bonds VÚB, a.s. 41.	5.63	USD	34	1,000,000	30.9.2008	30.9.2013	25,807	23,937
Mortgage bonds VÚB, a.s. 42.	4.00	EUR	400	50,000	28.4.2009	28.4.2012	20,540	20,540
Mortgage bonds VÚB, a.s. 43.	5.10	EUR	500	33,194	26.9.2008	26.9.2025	15,387	15,290
Mortgage bonds VÚB, a.s. 44.	4.75	EUR	300	50,000	11.2.2009	11.2.2012	15,633	15,633
Mortgage bonds VÚB, a.s. 45.	5.30	EUR	321	16,597	16.10.2008	16.10.2010	-	5,386
Mortgage bonds VÚB, a.s. 46.	4.61	EUR	150	1,000,000	19.5.2009	19.5.2016	154,264	154,262
Mortgage bonds VÚB, a.s. 48.	4.00	EUR	20,000	1,000	11.5.2009	11.5.2013	20,511	20,511
Mortgage bonds VÚB, a.s. 49.	3.92	EUR	100	1,000,000	28.7.2009	28.7.2014	101,666	101,666
Mortgage bonds VÚB, a.s. 50.	3.40	EUR	8,407	1,000	2.11.2009	2.11.2013	8,454	8,454
Mortgage bonds VÚB, a.s. 51.	1.54	EUR	100	1,000,000	8.4.2010	8.4.2014	100,355	-
Mortgage bonds VÚB, a.s. 52.	2.16	EUR	161	50,000	15.3.2010	15.3.2014	8,102	-
Mortgage bonds VÚB, a.s. 53.	1.68	EUR	100	1,000,000	8.4.2010	8.4.2017	100,387	-
Mortgage bonds VÚB, a.s. 54.	3.00	EUR	15,000	1,000	1.7.2010	1.7.2014	15,225	-
Mortgage bonds VÚB, a.s. 55.	2.85	EUR	14,000	1,000	1.10.2010	1.10.2015	14,100	-
Mortgage bonds VÚB, a.s. 56.	2.46	EUR	70	1,000,000	30.9.2010	30.9.2017	70,434	-
Mortgage bonds VÚB, a.s. 57.	2.45	EUR	100	1,000,000	30.9.2010	30.9.2018	100,620	-
Mortgage bonds VÚB, a.s. 58.	3.06	EUR	80	1,000,000	10.12.2010	10.12.2019	80,143	-
							1,564,590	1,230,314

19. Current and deferred income taxes

	2010	2009
Current income tax assets	6,882	6,722

	2010	2009
Deferred income tax assets	54,092	39,511

Deferred income taxes are calculated on all temporary differences using a tax rate of 19 % (2009: 19 %) as follows:

	2010	Profit/ (loss) (note 31)	Equity	2009
Due from banks	29	1	-	28
Derivative financial instruments designated as cash flow hedges	846	-	462	384
Available-for-sale financial assets	6,469	-	7,885	(1,416)
Loans and advances to customers	44,711	5,290	-	39,421
Held-to-maturity investments	47	(24)	-	71
Property and equipment	(2,118)	173	-	(2,291)
Other liabilities	4,108	794	-	3,314
Deferred income tax asset	54,092	6,234	8,347	39,511

20. Provisions

	2010	2009
Litigations	23,517	24,993

The movement in provisions was as follows:

	1. jan 2010	Creation/ (Reversal	FX diff	31. dec 2010
Súdne spory (pozn. 24 a 30)	24,993	(1,465)	(11)	23,517

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

21. Other liabilities

	2010	2009
Settlement with employees	19,160	17,943
Financial guarantees and commitments	13,674	9,595
Various creditors	11,927	14,508
VAT payables and other tax payables	2,681	3,714
Accruals and deferred income	1,976	1,321
Severance and Jubilee benefits	1,321	1,215
Settlement with shareholders	1,178	1,237
Retention program	1,016	1,026
Settlement with securities	1	17
Other	-	9
	52,934	**50,585**

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

	Note	1 Jan 2010	Creation/ (Reversal)	31 Dec 2010
Financial guarantees and commitments	30	9,595	4,079	13,674
Severance and Jubilee benefits	28	1,215	106	1,321
Retention program	28	1,026	(10)	1,016
		11,836	4,175	16,011

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

22. Share capital

	2010	2009
Authorized, issued and fully paid:		
89 ordinary shares of € 3,319,391.89 each, not traded	295,426	295,426
4,078,108 ordinary shares of € 33.2 each, publicly traded	135,393	135,393
	430,819	430,819
Net profit for the year attributable to shareholders	149,377	146,240
Divided by 12,976,478 ordinary shares		
of € 33.2 each		
Basic and diluted earnings per € 33.2 share in Euro	11.51	11.27

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

The structure of shareholders is as follows:

	2010	2009
Intesa Holding International S.A.	96.76%	96.76%
Domestic shareholders	2.97%	2.95%
Foreign shareholders	0.27%	0.29%
	100.00%	100.00%

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

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

The Bank's regulatory capital position at 31 December 2010 and 2009 was as follows:

	2010	2009
Tier 1 capital		
Share capital	430,819	430,819
Share premium	13,368	13,368
Translation of foreign operation	-	(1,649)
Retained earnings without net profit for the period	370,308	283,121
Legal reserve fund	87,493	87,493
Less software (including software in Assets in progress)	(27,576)	(24,540)
	874,412	788,612
Tier 2 capital	–	–
Regulatory adjustment		
Subsidiaries, associates and jointly controlled entities	(113,807)	(101,556)
Total regulatory capital	760,605	687,056

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

	2010 Actual	2010 Required	2009 Actual	2009 Required
Tier 1 capital	874,412	631,675	788,612	593,699
Tier 2 capital	-	-	-	-
Regulatory adjustment	(113,807)	(113,807)	(101,556)	(101,556)
Total regulatory capital	760,605	517,868	687,056	492,143
Total Risk Weighted Assets	6,473,350	6,473,350	6,154,692	6,154,692
Tier 1 capital ratio	13.51%	9.76%	12.81%	9.65%
Total capital ratio	11.75%	8.00%	11.16%	8.00%

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

The Bank must maintain a capital adequacy ratio of at least 8 % according to NBS regulations. The capital adequacy ratio is the ratio between the Bank's capital and 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 2010 and 2009.

23. Financial commitments and contingencies

	2010	2009
Issued guarantees	585,782	487,600
Commitments and undrawn credit facilities	2,021,168	1,866,242
	2,606,950	2,353,842

(a) Issued guarantees

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

(b) Commitments and undrawn credit facilities

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

(c) Lease obligations

In the normal course of business, the Bank enters into operating lease agreements for branch facilities and cars. The total value of future payments arising from non-cancellable operating leasing contracts at 31 December 2010 and 2009 was as follows:

	2010	2009
Up to 1 year	1,501	1,739
1 to 5 years	1,272	1,693
Over 5 years	-	-
	2,773	3,432

(d) Legal

In the normal course of business, the Bank is subject to a variety of legal actions. The Bank conducted a review of legal proceedings outstanding against it as of 31 December 2010. Pursuant to this review, management has recorded total provisions of _ 23,517 thousand (31 December 2009: _ 24,993 thousand) in respect of such legal proceedings (see also note 20). The Bank will continue to defend its position in respect of each of these legal proceedings. In addition to the legal proceedings covered by provisions, there are contingent liabilities arising from legal proceedings in the total amount of _ 19,039 thousand, as at 31 December 2010 (31 December 2009: _ 15,371 thousand). This amount represents 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 by the Bank.

24. Net interest income

	2010	2009
Interest and similar income		
Due from banks	8,822	12,143
Loans and advances to customers	311,097	316,970
Bonds, treasury bills and other securities:		
Financial assets held for trading	9,386	8,928
Available-for-sale financial assets	44,830	27,927
Held-to-maturity investments	59,369	79,476
	433,504	445,444
Interest expense and similar charges		
Due to banks	(3,849)	(2,747)
Due to customers	(61,991)	(90,996)
Debt securities in issue	(42,788)	(42,294)
	(108,628)	(136,037)
	324,876	309,407

Interest income on individually impaired loans and advances to customers for 2010 amounted to € 13,119 thousand (2009: € 12,484 thousand).

25. Net fee and commission income

	2010	2009
Fee and commission income		
Received from banks	5,718	5,567
Received from customers:		
Current accounts	44,046	43,173
Term deposits	638	730
Insurance mediation	9,079	7,423
Loans and guarantees	38,042	35,648
Overdrafts	2,438	3,188
Securities	5,491	3,145
Transactions and payments	30,211	19,688
Other	2,209	1,821
	137,872	120,383
Fee and commission expense		
Paid to banks	(19,956)	(11,553)
Paid to mediators:		
Credit cards	(39,919)	(34,575)
Securities	(678)	(567)
Services	(2,455)	(2,191)
Other	(1,256)	(1,249)
	(64,264)	(50,135)
	73,608	70,248

26. Net trading income

	2010	2009
Foreign currency derivatives and transactions	(4,375)	(4,128)
Customer FX margins	5,584	6,064
Cross currency swaps	4,352	1,037
Interest rate derivatives*	(3,755)	(1,712)
Securities:		
Financial assets held for trading	769	2,244
Available-for-sale financial assets*	3,565	7,458
Equity derivatives	106	7
Proceeds from sale of investments	-	139
	6,246	11,109

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

The amount still to be recognised in income resulting from Day 1 profit amounted to € 257 thousand at 31 December 2010, thereof € 241 thousand is to be recognised within one year and the remaining € 16 thousand in the period 1 to 5 years. The Day 1 profit of all deals that were realised during 2009 is disclosed within the 'Net trading income'.

27. Other operating income

	2010	2009
Rent	1,643	1,998
Net (loss)/profit from sale of fixed assets	(101)	710
Profit from redemption of Debt securities in issue	-	3,906
Other	2,285	1,395
	3,827	8,009

28. Salaries and employee benefits

	Note	2010	2009
Remuneration		(63,894)	(63,924)
Social security costs		(22,951)	(21,706)
Social fund		(782)	(799)
Severance and Jubilee benefits	21	(106)	(716)
Retention program	21	10	(161)
		(87,723)	(87,306)

The total number of employees of the Bank at 31 December 2010 was 3,487 (31 December 2009: 3,469).

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

29. Other operating expenses

	Note	2010	2009
Property related expenses		(13,325)	(13,290)
IT systems maintenance		(10,245)	(10,134)
Post and telecom		(9,716)	(9,674)
Contribution to the Deposit Protection Fund		(8,437)	(8,530)
Equipment related expenses		(7,030)	(7,297)
Advertising and marketing		(6,140)	(4,853)
VAT and other taxes		(5,817)	(5,998)
Security		(3,587)	(4,670)
Professional services		(3,296)	(4,454)
Stationery		(2,614)	(3,333)
Other damages		(1,832)	(1,403)
Travelling		(747)	(863)
Insurance		(724)	(411)
Trainings		(623)	(718)
Audit*		(538)	(478)
Transport		(451)	(459)
Litigations paid		(1,084)	(199)
Provisions for litigations	20	1,465	5,077
Other operating expenses		(1,905)	(1,789)
		(76,646)	(73,476)

* As at 31 December 2010 the audit expense accruals consists of the statutory audit in the amount of € 215 thousand (31 December 2009: € 185 thousand), group reporting in the amount of € 215 thousand (31 December 2009: € 185 thousand) and other reporting in the amount of € 108 thousand (31 December 2009: € 108 thousand).

30. Impairment losses on financial assets

	Note	2010	2009
Net creation of impairment losses)	10	(32,524)	(65,045)
Net (creation)/reversal of liabilities - financial guarantees and commitments	21	(4,079)	2,168
		(36,603)	(62,877)
Nominal value of loans written-off		(10,324)	(5,306)
Nominal value of loans sold		(5,040)	(3,785)
Proceeds from loans written-off		2,119	2,187
Proceeds from loans sold		1,791	2,185
		(11,454)	(4,719)
		(48,057)	(67,596)

31. Income tax expense

	2010	2009
Current income tax	(40,127)	(48,849)
Deferred income tax	6,234	32,902
	(33,893)	(15,947)

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

	2010	2009
Due from banks	1	(125)
Loans and advances to customers	5,290	21,737
Held-to-maturity investments	(24)	11,595
Property and equipment	173	(104)
Other liabilities and provisions	794	(201)
	6,234	32,902

The effective tax rate differs from the statutory tax rate in 2010 and in 2009.

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

	2010	2009
Profit before tax	183,270	162,187
Applicable tax rate	19%	19%
Theoretical tax charge	(34,821)	(30,816)
Tax non-deductible items	736	5,365
Adjustments for current tax of prior periods	192	(2,114)
Derecognition of deferred tax liability	-	11,618
Tax expense	(33,893)	(15,947)
Effective tax rate	18.49 %	9.83 %

32. Components of other comprehensive income

	2010	2009
Exchange differences on translating foreign operations	485	92
Available-for-sale financial assets:		
Revaluation (Losses)/gains arising during the year	(41,501)	16,061
Less: Reclassification adjustments for gains included in profit or loss	-	(7,939)
	(41,501)	8,122
Cash flow hedges:		
Revaluation losses arising during the year	(1,774)	(1,000)
Total other comprehensive income	(42,790)	7,214
Income tax relating to components of other comprehensive income	8,222	(1,353)
Other comprehensive income for the year	(34,568)	5,861

33. Income tax effects relating to comprehensive income

			2010			2009
	Before tax amount	Tax (expense)/ benefit	Net of tax amount	Before tax amount	Tax (expense)/ benefit	Net of tax amount
Exchange differences on translating foreign operations	485	-	485	92	-	92
Available-for-sale financial assets	(41,501)	7,885	(33,616)	8,122	(1,543)	6,579
Net movement on cash flow hedges	(1,774)	337	(1,437)	(1,000)	190	(810)
	(42,790)	8,222	(34,568)	7,214	(1,353)	5,861

34. Estimated fair value of financial assets and liabilities

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

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

(a) Cash and balances with central banks

The carrying values of cash and cash equivalents are generally deemed to approximate their fair value.

(b) Due from banks

The estimated fair value of amounts due from banks approximates their carrying amounts. Impairment losses are taken into consideration when calculating fair values.

(c) Loans and advances to customers

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

(d) Held-to-maturity investments

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

(e) Subsidiaries, associates and jointly controlled entities

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

(f) Due to banks and customers

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

(g) Debt securities in issue

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

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

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

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

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

31 December 2010	Note	Trading	Held–to–maturity	Loans and receivables	Available–for–sale	Other amortized cost	Total carrying amount	Fair value
Cash and balances with central banks	4	-	-	179,064	-	-	179,064	179,064
Due from banks	5	-	-	108,598	-	-	108,598	108,598
Financial assets held for trading	6	249,973	-	-	-	-	249,973	249,973
Derivative financial instruments	7	45,205	-	-	-	-	45,205	45,205
Available-for-sale financial assets	8	-	-	-	1,615,823	-	1,615,823	1,615,823
Loans and advances to customers	9	-	-	6,141,301	-	-	6,141,301	6,575,787
Held-to-maturity investments	11	-	1,788,263	-	-	-	1,788,263	1,819,302
Subsidiaries, associates and jointly controlled entities	12	-	-	-	-	113,810	113,810	113,810
		295,178	1,788,263	6,428,963	1,615,823	113,810	10,242,037	10,707,562
Due to central and other banks	16	-	-	-	-	(439,151)	(439,151)	(439,151)
Derivative financial instruments	7	(60,729)	-	-	-	-	(60,729)	(60,729)
Due to customers	17	-	-	-	-	(7,276,689)	(7,276,689)	(6,898,324)
Debt securities in issue	18	-	-	-	-	(1,619,591)	(1,619,591)	(1,546,017)
		(60,729)	-	-	-	(9,335,431)	(9,396,160)	(8,944,221)

31 December 2009	Note	Trading	Held–to–maturity	Loans and receiva-bles	Available–for–sale	Other amortized cost	Total carrying amount	Fair value
Cash and balances with central banks	4	-	-	238,446	-	-	238,446	238,446
Due from banks	5	-	-	168,646	-	-	168,646	168,646
Financial assets held for trading	6	163,082	-	-	-	-	163,082	163,082
Derivative financial instruments	7	42,783	-	-	-	-	42,783	42,783
Available-for-sale financial assets	8	-	-	-	995,561	-	995,561	995,561
Loans and advances to customers	9	-	-	5,549,836	-	-	5,549,836	6,003,450
Held-to-maturity investments	11	-	2,046,247	-	-	-	2,046,247	2,067,187
Subsidiaries, associates and jointly controlled entities	12	-	-	-	-	101,559	101,559	101,559
		205,865	2,046,247	5,956,928	995,561	101,559	9,306,160	9,780,714
Due to central and other banks	16	-	-	-	-	(559,697)	(559,697)	(559,697)
Derivative financial instruments	7	(52,471)	-	-	-	-	(52,471)	(52,471)
Due to customers	17	-	-	-	-	(6,613,327)	(6,613,327)	(6,310,623)
Debt securities in issue	18	-	-	-	-	(1,285,310)	(1,285,310)	(1,285,233)
		(52,471)	-	-	-	(8,458,334)	(8,510,805)	(8,208,024)

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

	Note	Level 1	Level 2	Level 3	2010 Total	Level 1	Level 2	Level 3	2009 Total
Financial assets									
Financial assets held for trading	6	-	174,201	-	174,201	-	93,302	-	93,302
Treasury bills and other eligible bills		75,772	-	-	75,772	10,572	59,208	-	69,780
State bonds		75,772	174,201	-	249,973	10,572	152,510	-	163,082
Derivative financial instruments	7	-	23,464	-	23,464	-	27,258	-	27,258
Interest rate instruments		-	17,287	-	17,287	-	12,022	-	12,022
Foreign currency instruments		-	4,454	-	4,454	-	3,503	-	3,503
Equity and commodity instruments		-	45,205	-	45,205	-	42,783	-	42,783
Available-for-sale financial assets	8	272,747	1,323,092	-	1,595,839	90,735	841,914	-	932,649
State bonds		-	19,345	-	19,345	-	62,281	-	62,281
Bank bonds		-	639	-	639	-	631	-	631
Equity shares		272,747	1,343,076	-	1,615,823	90,735	904,826	-	995,561
Financial liabilities									
Derivative financial instruments	7								
Interest rate instruments		-	39,488	-	39,488	-	38,285	-	38,285
Foreign currency instruments		-	16,787	-	16,787	-	10,683	-	10,683
Equity and commodity instruments		-	4,454	-	4,454	-	3,503	-	3,503
		-	60,729	-	60,729	-	52,471	-	52,471

There were no transfers of financial instruments among the levels during 2010 and 2009.

35. Financial risk management

Introduction and overview

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

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

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

Risk management framework

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

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

The Management Board delegates its risk authority to these governance bodies in the form of statutes, which identify members of the governance bodies, competencies and responsibilities of the members. The competency of each governance body is established in the Credit Risk 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 a financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers and banks as well as investment securities. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk). For risk management purposes, the credit risk arising on trading securities is managed independently, but reported as a component of market risk exposure.

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

Management of credit risk

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

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

Allowances for impairment

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

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

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

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

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

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

	Category	Amortized cost 2010	Impairment losses 2010	Carrying amount 2010	Amortized cost 2009	Impairment losses 2009	Carrying amount 2009
Banks							
	Performing	108,421	-	108,421	168,646	-	168,646
	Doubtful	328	(151)	177	151	(151)	-
		108,749	(151)	108,598	168,797	(151)	168,646
Sovereigns							
	Performing	100,800	(163)	100,637	31,803	-	31,803
	Past due	95	-	95	-	-	-
	Substandard	835	(42)	793	152	-	152
		101,730	(205)	101,525	31,955	-	31,955
Corporate							
	Performing	2,448,334	(29,806)	2,418,528	2,315,628	(33,336)	2,282,292
	Past due	115	(15)	100	3,255	(1,366)	1,889
	Restructured	19,332	(4,314)	15,018	2,006	(1,212)	794
	Substandard	74,189	(12,643)	61,546	83,962	(21,378)	62,584
	Doubtful	46,330	(27,306)	19,024	22,074	(16,340)	5,734
		2,588,300	(74,084)	2,514,216	2,426,925	(73,632)	2,353,293
Retail							
	Performing	3,521,637	(72,487)	3,449,150	3,167,814	(67,550)	3,100,264
	Past due	27,747	(10,898)	16,849	29,109	(12,426)	16,683
	Substandard	23,076	(9,353)	13,723	35,200	(14,665)	20,535
	Doubtful	114,977	(69,139)	45,838	66,800	(39,694)	27,106
		3,687,437	(161,877)	3,525,560	3,298,923	(134,335)	3,164,588
Securities							
	Performing	3,652,427	-	3,652,427	3,203,386	-	3,203,386
	Substandard	1,881	(249)	1,632	1,881	(377)	1,504
		3,654,308	(249)	3,654,059	3,205,267	(377)	3,204,890

The table below shows the maximum amount of credit risk regardless of received collateral. The credit risk of financial assets approximates their carrying amounts with the exception of Derivative financial instruments..

	2010	2009
Cash and balances with central banks	179,064	238,446
Due from banks	108,598	168,646
Financial assets held for trading	249,973	163,082
Derivative financial instruments	65,528	59,667
Available-for-sale financial assets	1,615,823	995,561
Non-current assets held for sale	3,374	-
Loans and advances to customers	6,141,301	5,549,836
Held-to-maturity investments	1,788,263	2,046,247
Subsidiaries, associates and jointly controlled entities	113,810	101,559
Intangible assets	30,639	28,207
Property and equipment	142,801	157,992
Current income tax assets	6,882	6,722
Deferred income tax assets	54,092	39,511
Other assets	12,991	11,581
	10,513,139	9,567,057

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.

			2010			2009
	Amortized cost	Impairment losses	Carrying amount	Amortized cost	Impairment losses	Carrying amount
Banks						
No delinquency	96,009	-	96,009	168,646	-	168,646
1 – 30 days	12,412	-	12,412	-	-	-
91 – 180 days	-	-	-	151	(151)	-
Over 181 days *	328	(151)	177	-	-	-
	108,749	(151)	108,598	168,797	(151)	168,646
Sovereigns						
No delinquency	98,586	(163)	98,423	31,832	-	31,832
1 – 30 days	2,023	-	2,023	60	-	60
31 – 60 days	191	-	191	18	-	18
61 – 90 days	95	-	95	-	-	-
91 – 180 days	834	(42)	792	18	-	18
Over 181 days *	1	-	1	27	-	27
	101,730	(205)	101,525	31,955	-	31,955
Corporate						
No delinquency	2,522,740	(43,351)	2,479,389	2,326,119	(42,169)	2,283,950
1 – 30 days	6,924	(496)	6,428	30,399	(2,108)	28,291
31 – 60 days	3,099	(1,821)	1,278	3,648	(1,017)	2,631
61 – 90 days	965	(449)	516	1,375	(534)	841
91 – 180 days	837	(516)	321	35,307	(9,072)	26,235
Over 181 days *	53,735	(27,451)	26,284	30,077	(18,732)	11,345
	2,588,300	(74,084)	2,514,216	2,426,925	(73,632)	2,353,293

Retail						
No delinquency	3,350,375	(59,917)	3,290,458	2,966,964	(53,803)	2,913,161
1 – 30 days	123,172	(7,065)	116,107	159,030	(9,115)	149,915
31 – 60 days	31,792	(3,309)	28,483	32,164	(3,585)	28,579
61 – 90 days	17,883	(2,496)	15,387	17,991	(2,979)	15,012
91 – 180 days	30,471	(11,599)	18,872	31,423	(13,234)	18,189
Over 181 days *	133,744	(77,491)	56,253	91,351	(51,619)	39,732
	3,687,437	(161,877)	3,525,560	3,298,923	(134,335)	3,164,588
Securities						
No delinquency	3,654,308	(249)	3,654,059	3,205,267	(377)	3,204,890
	3,654,308	(249)	3,654,059	3,205,267	(377)	3,204,890

* Write-off Policy

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

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

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

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

		2010		2009
	Clients	Banks	Clients	Banks
Debt securities	45,123	-	34,209	56,264
Other	584,028	24,079	447,640	65,238
Property	5,738,209	-	5,336,100	-
	6,367,360	24,079	5,817,949	121,502

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

			2010			2009
	Amortized cost	Impairment losses	Carrying amount	Amortized cost	Impairment losses	Carrying amount
Europe						
Banks	76,702	(151)	76,551	137,071	(151)	136,920
Sovereigns	101,730	(205)	101,525	31,955	-	31,955
Corporate	2,588,287	(74,084)	2,514,203	2,426,925	(73,632)	2,353,293
Retail	3,685,211	(161,845)	3,523,366	3,296,324	(134,306)	3,162,018
Securities	3,648,971	-	3,648,971	3,200,009	-	3,200,009
	10,100,901	(236,285)	9,864,616	9,092,284	(208,089)	8,884,195
North America						
Banks	31,856	-	31,856	30,956	-	30,956
Retail	739	(16)	723	977	(19)	958
Securities	5,337	(249)	5,088	5,258	(377)	4,881
	37,932	(265)	37,667	37,191	(396)	36,795
Asia						
Banks	99	-	99	645	-	645
Corporate	13	-	13	-	-	-
Retail	686	(15)	671	695	(9)	686
	798	(15)	783	1,340	(9)	1,331
Rest of the world						
Banks	92	-	92	125	-	125
Retail	801	(1)	800	927	(1)	926
	893	(1)	892	1,052	(1)	1,051

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

			2010			2009
	Amortised cost	Impairment losses	Carrying amount	Amortised cost	Impairment losses	Carrying amount
Europe						
Slovakia	3,190,154	-	3,190,154	3,052,266	-	3,052,266
Poland	194,596	-	194,596	98,295	-	98,295
Ireland	113,137	-	113,137	-	-	-
Italy	99,525	-	99,525	43,047	-	43,047
Portugal	45,093	-	45,093	-	-	-
Other	6,466	-	6,466	6,401	-	6,401
	3,648,971	-	3,648,971	3,200,009	-	3,200,009
North America						
USA	5,337	(249)	5,088	5,258	(377)	4,881

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

31 December 2010	Banks	Sovereigns	Corporate	Retail	Securities
Agriculture	-	-	41,294	20,749	-
Construction	-	-	120,514	13,046	-
Consumers	-	-	-	3,348,756	-
Energy and water supply	-	-	197,858	1,213	-
Financial services	108,598	-	353,414	616	65,331
Government	-	88,268	-	-	3,587,096
Manufacturing	-	-	395,130	29,579	-
Professional services	-	-	82,965	8,476	-
Real estate	-	-	380,944	7,743	-
Retail & Wholesale	-	-	555,124	61,623	-
Services	-	-	68,908	14,077	-
Transportation	-	12,501	270,726	7,264	-
Other	-	756	47,339	12,418	1,632
	108,598	101,525	2,514,216	3,525,560	3,654,059

31 December 2009	Banks	Sovereigns	Corporate	Retail	Securities
Agriculture	-	-	44,786	22,453	-
Construction	-	-	154,294	15,728	-
Consumers	-	-	-	2,953,289	-
Energy and water supply	-	-	139,755	1,548	-
Financial services	168,646	-	271,315	729	176,379
Government	-	31,955	-	-	3,016,987
Manufacturing	-	-	420,261	33,337	-
Professional services	-	-	64,258	8,469	-
Real estate	-	-	363,453	20,523	-
Retail & Wholesale	-	-	587,500	70,275	9,446
Services	-	-	46,644	16,149	574
Transportation	-	-	222,619	9,407	-
Other	-	-	38,408	12,681	1,504
	168,646	31,955	2,353,293	3,164,588	3,204,890

The carrying amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated in 2010 is € 3,153 thousand for the corporate segment (2009: € 1,767 thousand) and € 40,364 thousand for the retail segment (2009: € 17,773 thousand). The renegotiated terms of these contracts do not have a negative impact on the profitability of the Bank compared to the original terms.

The table below shows the credit quality by class of assets for all financial assets exposed to credit risk, based on the Bank's internal credit rating system. The amounts presented are gross of impairment allowances. Overdue loans are more than one day overdue.

31 December 2010	Neither past due nor impaired			Impaired (non-performing)			Past due but not impaired		
	Amortised cost	Impairment losses	Carrying amount	Amortised cost	Impairment losses	Carrying amount	Amortised cost	Impairment losses	Carrying amount
Banks	96,009	-	96,009	328	(151)	177	12,412	-	12,412
Sovereigns									
Municipalities	98,586	(163)	98,423	930	(42)	888	2,214	-	2,214
Corporate									
Large Corporates	808,778	(5,682)	803,096	38,236	(11,329)	26,907	-	-	-
Project Financing	619,057	(11,272)	607,785	31,436	(5,123)	26,313	593	(48)	545
SME	561,233	(11,542)	549,691	70,116	(27,806)	42,310	5,131	(303)	4,828
Other Fin. Organisations	393,176	(203)	392,973	1	-	1	-	-	-
Private Sector Entities	6,758	(81)	6,677	7	-	7	22	-	22
Factoring	53,507	(673)	52,834	170	(20)	150	79	(2)	77
	2,442,509	(29,453)	2,413,056	139,966	(44,278)	95,688	5,825	(353)	5,472
Retail									
Small business	164,804	(1,484)	163,320	18,158	(11,473)	6,685	5,899	(1,096)	4,803
Consumer Loans	526,745	(17,789)	508,956	65,124	(43,046)	22,078	52,192	(6,800)	45,392
Mortgages	2,312,865	(7,604)	2,305,261	56,756	(14,633)	42,123	106,453	(4,453)	102,000
Credit Cards	244,072	(31,754)	212,318	10,581	(7,828)	2,753	5,488	(181)	5,307
Overdrafts	94,201	(959)	93,242	15,179	(12,410)	2,769	2,704	(367)	2,337
Other	6,208	-	6,208	2	-	2	6	-	6
	3,348,895	(59,590)	3,289,305	165,800	(89,390)	76,410	172,742	(12,897)	159,845
Securities									
Trading	249,973	-	249,973	-	-	-	-	-	-
AFS	1,615,824	-	1,615,824	-	-	-	-	-	-
HTM	1,786,630	-	1,786,630	1,881	(249)	1,632	-	-	-
	3,652,427	-	3,652,427	1,881	(249)	1,632	-	-	-

31 December 2009	Neither past due nor impaired			Impaired (non-performing)			Past due but not impaired		
	Amortised cost	Impairment losses	Carrying amount	Amortised cost	Impairment losses	Carrying amount	Amortised cost	Impairment losses	Carrying amount
Banks	168,646	-	168,646	151	(151)	-	-	-	-
Sovereigns									
Municipalities	31,789	-	31,789	152	-	152	14	-	14
Corporate									
Large Corporates	817,758	(3,622)	814,136	19,555	(10,780)	8,775	5,674	(83)	5,591
Project Financing	536,018	(13,065)	522,953	15,073	(2,778)	12,295	80	(7)	73
SME	601,283	(13,988)	587,295	76,665	(26,738)	49,927	19,220	(1,073)	18,147
Other Fin. Organisations	293,797	(279)	293,518	-	-	-	344	(1)	343
Private Sector Entities	16,263	(195)	16,068	4	-	4	3	-	3
Factoring	23,337	(1,017)	22,320	-	-	-	1,851	(6)	1,845
	2,288,456	(32,166)	2,256,290	111,297	(40,296)	71,001	27,172	(1,170)	26,002
Retail									
Small business	200,368	(7,741)	192,627	20,579	(10,790)	9,789	11,404	(2,594)	8,810
Consumer Loans	494,043	(15,560)	478,483	50,229	(32,263)	17,966	56,231	(8,222)	48,009
Mortgages	1,970,842	(4,317)	1,966,525	41,796	(9,844)	31,952	101,943	(2,838)	99,105
Credit Cards	232,194	(24,070)	208,124	8,584	(6,108)	2,476	6,962	(368)	6,594
Overdrafts	61,315	(553)	60,762	9,917	(7,780)	2,137	31,766	(1,287)	30,479
Other	746	-	746	4	-	4	-	-	-
	2,959,508	(52,241)	2,907,267	131,109	(66,785)	64,324	208,306	(15,309)	192,997
Securities									
Trading	163,082	-	163,082	-	-	-	-	-	-
AFS	995,561	-	995,561	-	-	-	-	-	-
HTM	2,044,743	-	2,044,743	1,881	(377)	1,504	-	-	-
	3,203,386	-	3,203,386	1,881	(377)	1,504	-	-	-

(b) Market risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices or foreign exchange rate will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Management of market risk

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

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

Exposure to market risk – trading portfolios

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

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

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

				2010				2009
€ ´000	Balance	Avg	Max	Min	Balance	Avg	Max	Min
Foreign currency risk	58	99	307	8	38	93	236	11
Interest rate risk	96	105	161	75	96	169	384	72
Overall	113	163	367	80	132	207	469	80

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

Exposure to interest rate risk

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

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

The sensitivity of the interest margin is also measured on the basis of a parallel and instantaneous shock in the interest rate curve of _100 basis points, in a period of 12 months and for all periods. It should be noted that this measure highlights the effect of variations in market interest rates on the portfolio being measured, and excludes assumptions on future changes in the mix of assets and liabilities and, therefore it cannot be considered as a predictor of the future levels of the interest margin.

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

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

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

Models applied for the calculation of interest rate gap

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

Contractual

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

Behavioural

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

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

IInterest margin sensitivity in a one year time frame – in the event of a 100 basis points rise in interest rates – was € 6,197 thousand at 31 December 2010, compared to € -282 thousand at 31 December 2009.

In 2010, interest rate risk generated by the banking book, measured through shift sensitivity analysis to 1 basis point, registered € 119 thousand at 31 December 2010, compared to the € 28 thousand at 31 December 2009.

	2010	2009
EUR	111	21
CZK	8	7
	119	28

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

31 December 2010	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Assets						
Cash and balances with central banks	93,630	-	8,543	34,174	42,717	179,064
Due from banks	67,561	-	12,031	11,807	-	91,399
Available-for-sale financial assets	319,427	233,748	23,425	475,204	842,893	1,894,697
Loans and advances to customers	1,771,880	1,259,913	1,754,659	1,940,181	797,324	7,523,957
Held-to-maturity investments	378,474	280,997	66,838	727,168	626,757	2,080,234
Subsidiaries, associates and jointly controlled entities	-	-	11,381	45,524	56,905	113,810
	2,630,972	1,774,658	1,876,877	3,234,058	2,366,596	11,883,161
Liabilities						
Due to central and other banks	(360,726)	(53,759)	(701)	(2,465)	(319)	(417,970)
Due to customers	(2,667,761)	(372,333)	(822,410)	(2,285,594)	(1,198,383)	(7,346,481)
Debt securities in issue	(301,147)	(510,676)	(259,626)	(396,848)	(364,090)	(1,832,387)
	(3,329,634)	(936,768)	(1,082,737)	(2,684,907)	(1,562,792)	(9,596,838)
Net position of financial instruments	(698,662)	837,890	794,140	549,151	803,804	2,286,323

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

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

	2010 %	2009 %
Assets		
Cash and balances with central banks	0.91	1.39
Due from banks	1.78	2.91
Financial assets held for trading	4.06	5.07
Available-for-sale financial assets	2.90	2.83
Loans and advances to customers	5.13	5.64
Held-to-maturity investments	3.23	3.92
Liabilities		
Due to central and other banks	0.65	0.64
Due to customers	0.89	1.65
Debt securities in issue	2.91	3.46

Currency denominations of assets and liabilities

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

31 December 2010	EUR	USD	CZK	Other	Total
Assets					
Cash and balances with central banks	168,926	1,251	6,556	2,331	179,064
Due from banks	78,774	19,156	1,538	9,130	108,598
Financial assets held for trading	75,772	-	-	174,201	249,973
Derivative financial instruments	45,179	-	26	-	45,205
Available-for-sale financial assets	1,615,823	-	-	-	1,615,823
Loans and advances to customers	5,730,828	90,112	302,341	18,020	6,141,301
Held-to-maturity investments	1,788,263	-	-	-	1,788,263
Subsidiaries, associates and jointly controlled entities	113,810	-	-	-	113,810
	9,617,375	110,519	310,461	203,682	10,242,037
Liabilities					
Due to central and other banks	(227,197)	(101,110)	(83,810)	(27,034)	(439,151)
Derivative financial instruments	(60,729)	-	-	-	(60,729)
Due to customers	(6,898,631)	(120,467)	(216,182)	(41,409)	(7,276,689)
Debt securities in issue	(1,518,753)	(25,807)	(75,031)	-	(1,619,591)
	(8,705,310)	(247,384)	(375,023)	(68,443)	(9,396,160)
Net position	912,065	(136,865)	(64,562)	135,239	845,877

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

(c) Liquidity risk

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

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

The basic principles underpinning the Liquidity Policy of the Bank are:

- the existence of an operating structure that works within set limits and of a control structure that is independent from the operating structure;
- a prudential approach to the estimate of the cash inflow and outflow projections for all the balance sheet and off-balance sheet items, especially those without a contractual maturity (or with a maturity date that is not significant);
- an assessment of the impact of various scenarios, including stress testing scenarios, on the cash inflows and outflows over time;
- the maintenance of an adequate level of unencumbered highly liquid assets, capable of enabling ordinary operations, also on an intraday basis, and overcoming the initial stages of a shock involving the Bank's liquidity or system liquidity.

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

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

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

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

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

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

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

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

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

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

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

31 December 2010	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Not specified	Total
Assets							
Cash and balances with central banks	179,065	-	-	-	-	-	179,065
Due from banks	20,938	2,929	51,666	23,208	32,435	-	131,176
Financial assets held for trading	25,161	62,894	90,584	77,748	25	-	256,412
Available-for-sale financial assets	5,509	229,579	28,059	823,133	842,893	-	1,929,173
Loans and advances to customers	485,069	502,497	1,044,233	2,502,158	4,167,158	1,647	8,702,762
Held-to-maturity investments	368,397	268,514	63,263	737,753	626,757	-	2,064,684
Subsidiaries, associates and jointly controlled entities	-	-	-	-	-	113,810	113,810
	1,084,139	1,066,413	1,277,805	4,164,000	5,669,268	115,457	13,377,082
Liabilities							
Due to central and other banks	(349,156)	(26,969)	(6,246)	(47,867)	(36,777)	-	(467,015)
Due to customers	(4,928,490)	(452,977)	(570,161)	(1,271,436)	(50,137)	(25,208)	(7,298,409)
Debt securities in issue	(1,146)	(23,155)	(290,948)	(843,750)	(787,847)	-	(1,946,846)
	(5,278,792)	(503,101)	(867,355)	(2,163,053)	(874,761)	(25,208)	(9,712,270)
Net position of financial instruments	(4,194,653)	563,312	410,450	2,000,947	4,794,507	90,249	3,664,812
Cash inflows from derivatives	26,404	103,025	180,837	200,101	98,132	-	608,499
Cash outflows from derivatives	(28,242)	(104,400)	(186,119)	(203,652)	(96,838)	-	(619,251)
Net position from derivatives	(1,838)	(1,375)	(5,282)	(3,551)	1,294	-	(10,752)
Total net position	(4,196,491)	561,937	405,168	1,997,396	4,795,801	90,249	3,654,060

31 December 2009	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Not specified	Total
Assets							
Cash and balances with central banks	244,085	-	-	-	-	-	244,085
Due from banks	94,844	29,142	16,111	62,710	47,647	82	250,536
Financial assets held for trading	42	30,059	63,803	73,733	893	-	168,530
Available-for-sale financial assets	4,413	48,653	21,774	451,222	581,159	-	1,107,221
Loans and advances to customers	274,549	601,782	1,019,458	2,391,158	3,519,998	39,877	7,846,822
Held-to-maturity investments	4,706	207,229	105,434	1,414,571	651,340	-	2,383,280
Subsidiaries, associates and jointly controlled entities	-	-	-	-	-	101,559	101,559
	622,639	916,865	1,226,580	4,393,394	4,801,037	141,518	12,102,033
Liabilities							
Due to central and other banks	(313,066)	(863)	(156,564)	(12,804)	(89,974)	-	(573,271)
Due to customers	(4,412,972)	(587,111)	(804,860)	(797,312)	(3)	(17,933)	(6,620,191)
Debt securities in issue	(162)	(85,530)	(111,605)	(748,719)	(591,717)	-	(1,537,733)
	(4,726,200)	(673,504)	(1,073,029)	(1,558,835)	(681,694)	(17,933)	(8,731,195)
Net position of financial instruments	(4,103,561)	243,361	153,551	2,834,559	4,119,343	123,585	3,370,838
Cash inflows from derivatives	194,961	47,826	55,569	212,366	55,775	-	566,497
Cash outflows from derivatives	(197,393)	(46,540)	(59,994)	(210,492)	(57,976)	-	(572,395)
Net position from derivatives	(2,432)	1,286	(4,425)	1,874	(2,201)	-	(5,898)
Total net position	(4,105,993)	244,647	149,126	2,836,433	4,117,142	123,585	3,364,940

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

31 December 2010	Less than 12 months	Over 12 months	Total
Assets			
Cash and balances with central banks	179,064	-	179,064
Due from banks	70,954	37,644	108,598
Financial assets held for trading	176,187	73,786	249,973
Derivative financial instruments	45,205	-	45,205
Available-for-sale financial assets	244,614	1,371,209	1,615,823
Non-current assets held for sale	3,374	-	3,374
Loans and advances to customers	1,902,745	4,238,556	6,141,301
Held-to-maturity investments	687,236	1,101,027	1,788,263
Subsidiaries, associates and jointly controlled entities	-	113,810	113,810
Intangible assets	-	30,639	30,639
Property and equipment	-	142,801	142,801
Current income tax assets	6,882	-	6,882
Deferred income tax assets	-	54,092	54,092
Other assets	12,991	-	12,991
	3,329,252	7,163,564	10,492,816
Liabilities			
Due to central and other banks	(395,694)	(43,457)	(439,151)
Derivative financial instruments	(60,729)	-	(60,729)
Due to customers	(6,005,385)	(1,271,304)	(7,276,689)
Debt securities in issue	(285,446)	(1,334,145)	(1,619,591)
Provisions	-	(23,517)	(23,517)
Other liabilities	(51,173)	(1,761)	(52,934)
	(6,798,427)	(2,674,184)	(9,472,611)
	(3,469,175)	4,489,380	1,020,205

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

(d) Operational risk

Operational risk management strategies and processes

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

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

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

Organisational structure of the associated risk management function

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

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

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

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

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

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

Policies for hedging and mitigating risk

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

36. Segment reporting

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

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

The Bank comprises the following main operating segments:

- Retail Banking
- Corporate Banking
- Central Treasury

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

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

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

31 December 2010	Retail Banking	Corporate Banking	Central Treasury	Other	Total
External revenue					
Interest income	238,576	70,310	120,311	4,307	433,504
Interest expense	(49,081)	(6,977)	(52,653)	83	(108,628)
Inter-segment revenue	(3,557)	(11,806)	(8,686)	24,049	-
Net interest income	185,938	51,527	58,972	28,439	324,876
Net fee and commission income	52,868	19,113	1,432	195	73,608
Net trading income	3,655	4,210	(1,452)	(167)	6,246
Other operating income	2,855	564	1	407	3,827
Dividend income	-	-	-	14,281	14,281
Total segment operating income	245,316	75,414	58,953	43,155	422,838
Depreciation and amortization	(15,930)	(370)	(136)	(10,706)	(27,142)
Operating expenses					(164,369)
Operating profit before impairment					231,327
Impairment losses on financial assets	(34,895)	(9,372)	157	(3,947)	(48,057)
Income tax expense					(33,893)
Net profit for the year					149,377
Segment assets	3,507,033	2,849,441	3,654,916	481,426	10,492,816
Segment liabilities	4,413,635	2,027,719	2,958,884	1,092,578	10,492,816

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

37. Related parties

Related parties are those counterparties that represent:

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

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

The remuneration and other benefits provided to members of the Supervisory Board and the Management Board in 2010 were € 3,144 thousand (2009: € 3,315 thousand).

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

	KMP *	Close members of KMP	Affiliated companies	Intesa Sanpaolo Group	Total
Assets					
Due from banks	-	-	-	65,319	65,319
Derivative financial instruments	-	-	-	6,260	6,260
Loans and advances to customers	931	878	97,627	-	99,436
Other assets	-	-	535	-	535
	931	878	98,162	71,579	171,550
Liabilities					
Due to central and other banks	-	-	-	132,787	132,787
Derivative financial instruments	-	-	-	1,537	1,537
Due to customers	1,567	-	11,438	-	13,005
Debt securities in issue	-	-	-	-	-
Bonds	-	-	6,726	-	6,726
Mortgage bonds	-	-	-	1,054,067	1,054,067
Other liabilities	-	-	3,182	-	3,182
	1,567	-	21,346	1,188,391	1,211,304
Financial commitments and contingencies	-	-	26,913	-	26,913
Derivative transactions (notional amount – receivable)	-	-	-	136,382	136,382
Income and expense items					
Interest and similar income	40	48	1,275	5,567	6,930
Interest expense and similar charges	(36)	-	(133)	(20,525)	(20,694)
Fee and commission income	4	-	4,464	-	4,468
Fee and commission expense	-	-	(32,821)	(1,422)	(34,243)
Net trading income	-	-	-	1,408	1,408
Dividend income	-	-	14,281	-	14,281
Operating income	-	-	1,016	232	1,248
Operating expenses	-	-	(73)	-	(73)
	8	48	(11,991)	(14,740)	(26,675)

* Key management personnel

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

	KMP	Close members of KMP	Affiliated companies	Intesa Sanpaolo Group	Total
Assets					
Due from banks	-	-	-	109,201	109,201
Derivative financial instruments	-	-	-	4,721	4,721
Available-for-sale financial assets	-	-	-	43,047	43,047
Loans and advances to customers	717	928	92,972	-	94,617
Other assets	-	-	374	-	374
	717	928	93,346	156,969	251,960
Liabilities					
Due to central and other banks	-	-	-	81,732	81,732
Derivative financial instruments	-	-	-	2,025	2,025
Due to customers	1,597	2	3,510	-	5,109
Debt securities in issue					
Bonds	-	-	6,630	-	6,630
Mortgage bonds	-	-	-	600,169	600,169
Other liabilities	-	-	3,048	-	3,048
	1,597	2	13,188	683,926	698,713
Financial commitments and contingencies	-	-	31,538	-	31,538
Derivative transactions (notional amount – receivable)	-	-	-	178,284	178,284
Derivative transactions (notional amount – payable)	-	-	-	160,000	160,000
Income and expense items					
Interest and similar income	30	43	1,685	8,050	9,808
Interest expense and similar charges	(48)	-	(214)	(14,814)	(15,076)
Fee and commission income	-	-	2,218	-	2,218
Fee and commission expense	-	-	(27,038)	-	(27,038)
Net trading income	-	-	-	2,974	2,974
Dividend income	-	-	21,145	-	21,145
Operating income	-	-	820	260	1,080
Operating expenses	-	-	(9)	-	(9)
	(18)	43	(1,393)	(3,530)	(4,898)

38. Profit distribution

On 7 April 2010, the Bank's shareholders approved the following profit distribution for 2009.

	2009
Dividends to shareholders (€ 4.50 per € 33.2 share)	58,394
Retained earnings	87,846
	146,240

The Management Board will propose the following 2010 profit distribution:

	2010
Dividends to shareholders (4.60 € per € 33.2 share)	59,692
Retained earnings	89,685
	149,377

39. Events after the end of the reporting period

There were no events after 31 December 2010 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 2010 VÚB, a.s., issued eight mortgage bond issues:

Mortgage bonds VÚB, a.s., 51

Name of Security:	Mortgage bond VÚB, a.s., 51
ISIN:	SK4120007147 series 01
Type and form:	Bearer bond, book-entry
Total issue amount:	EUR 100,000,000.00
Number and nominal value:	100 units per EUR 1,000,000.00
Issue Date:	April 8, 2010
Maturity:	April 8, 2014
Coupon:	3M EURIBOR + 0.58% p.a.
Coupon payment:	Quarterly

Mortgage bonds VÚB, a.s., 52

Name of Security:	Mortgage bond VÚB, a.s., 52
ISIN:	SK4120006958 series 01
Type and form:	Bearer bond, book-entry
Total issue amount:	EUR 10,000,000.00
Number and nominal value:	200 units per EUR 50,000.00
Issue Date:	March 15, 2010
Maturity:	March 15, 2014
Coupon:	2.16% p.a., from issue date to 15.3.2012 (excluding), 6M EURIBOR + 0.61% p.a., from 15.3.2012 (including) to maturity date
Coupon payment:	Semiannually

Mortgage bonds VÚB, a.s., 53

Name of Security:	Mortgage bond VÚB, a.s., 53
ISIN:	SK4120007154 series 01
Type and form:	Bearer bond, book-entry
Total issue amount:	EUR 100,000,000.00
Number and nominal value:	100 units per EUR 1,000,000.00
Issue Date:	April 8, 2010
Maturity:	April 8, 2017
Coupon:	3M EURIBOR + 0.72% p.a.
Coupon payment:	Quarterly

FLEXI Mortgage bonds VÚB, a.s., 54

Name of Security:	FLEXI Mortgage bond VÚB, a.s., 54
ISIN:	SK4120007337 series 01
Type and form:	Bearer bond, book-entry
Total issue amount:	EUR 15,000,000.00
Number and nominal value:	15,000 units per EUR 1,000.00
Issue Date:	July 1, 2010
Maturity:	July 1, 2014
Coupon:	3.00% p.a.
Coupon payment:	Annually

FLEXI Mortgage bonds VÚB, a.s., 55

Name of Security:	FLEXI Mortgage bond VÚB, a.s., 55
ISIN:	SK4120007444 series 01
Type and form:	Bearer bond, book-entry
Total issue amount:	EUR 25,000,000.00
Number and nominal value:	25,000 units per EUR 1,000.00
Issue Date:	October 1, 2010
Maturity:	October 1, 2015
Coupon:	2.85% p.a.
Coupon payment:	Annually

Mortgage bonds VÚB, a.s., 56

Name of Security:	Mortgage bond VÚB, a.s., 56
ISIN:	SK4120006941 series 01
Type and form:	Bearer bond, book-entry
Total issue amount:	EUR 70,000,000.00
Number and nominal value:	70 units per EUR 1,000,000.00
Issue Date:	September 30, 2010
Maturity:	September 30, 2017
Coupon:	6M EURIBOR + 1.32% p.a.
Coupon payment:	Semiannually

Mortgage bonds VÚB, a.s., 57

Name of Security:	Mortgage bond VÚB, a.s., 57
ISIN:	SK4120007436 series 01
Type and form:	Bearer bond, book-entry
Total issue amount:	EUR 100,000,000.00
Number and nominal value:	100 units per EUR 1,000,000.00
Issue Date:	September 30, 2010
Maturity:	September 30, 2018
Coupon:	6M EURIBOR + 1.31% p.a.
Coupon payment:	Semiannually

Mortgage bonds VÚB, a.s., 58

Name of Security:	Mortgage bond VÚB, a.s., 58
ISIN:	SK4120007642 series 01
Type and form:	Bearer bond, book-entry
Total issue amount:	EUR 80,000,000.00
Number and nominal value:	80 units per EUR 1,000,000.00
Issue Date:	December 10, 2010
Maturity:	December 10, 2019
Coupon:	6M EURIBOR + 1.80% p.a.
Coupon payment:	Semiannually

List of VUB Branches

Retail Business Network of VÚB, a. s.

Name	Postcode	Address	Tel. No.	Fax No.
Regional Retail Business Network Bratislava – West				
Bratislava - Gorkého	813 20	Gorkého 7	02/4855 3010	02/54131208
Bratislava - Poštová	811 01	Poštová 1	02/4855 3080	02/54417939
Bratislava - Dúbravka	841 01	Sch. Trnavského 6/A	02/4855 3110	02/64286205
Bratislava - Aupark	851 01	Einsteinova 18	02/4855 3212	02/63451260
Malacky	901 01	Záhorácka 15	034/485 6082	034/7723848
Bratislava - Šintavská	851 05	Šintavská 24	02/4855 3170	02/63837097
Bratislava - Dunajská	811 08	Dunajská 24	02/4855 3126	02/52967136
Bratislava - Devínska N. Ves	841 07	Eisnerova 48	02/4855 3156	02/64776550
Bratislava - Špitálska	811 01	Špitálska 10	02/4855 3389	02/52965422
Bratislava - Rovniankova	851 02	Rovniankova 3/A	02/4855 3186	02/63821608
Bratislava - Vlastenecké nám.	851 01	Vlastenecké námestie 6	02/4855 3200	02/62248138
Bartislava - Štúrova	811 02	Štúrova 13	02/4855 3411	02/52622773
Bratislava - Eurovea	811 09	Pribinova 8	02/4855 3246	02/55561876
Bratislava - Lamač	841 03	Heyrovského 1	02/4855 3150	02/64780726
Bratislava - Dlhé Diely	841 05	Ľ. Fullu 5	02/4855 3376	02/65316602
Bratislava - Karlova Ves	841 04	Borská 5	02/4855 3398	02/65425825
Bratislava - Kramáre	831 01	Stromová 54	02/4855 3230	02/54788084
Bratislava - Obchodná	811 04	Obchodná 74	02/4855 3238	02/52733897
Bratislava - Furdekova	851 04	Furdekova 16	02/4855 3244	02/62414278
Bratislava - Panská	811 01	Panská 27	02/4855 3050	02/54411835
Stupava	900 31	Mlynská 1	02/4855 3256	02/65936735
Mortgage Centres				
Bratislava - Poštová	811 01	Poštová 1	02/4855 3005	02/54417956
Bratislava - Aupark	851 01	Einsteinova 18	02/5955 8426	02/55567829
Regional Retail Business Network Bratislava – East				
Bratislava - Ružinov	827 61	Jašíkova 8	02/4856 8612	02/43339369
Bratislava - Páričkova	821 08	Páričkova 2	02/5055 2408	02/55566636
Bratislava - Dolné Hony	821 06	Kazanská 41	02/4855 3274	02/45258300
Pezinok	902 01	Štefánikova 14	033/485 4593	033/6413077
Bratislava - Polus	831 04	Vajnorská 100	02/4855 3226	02/44441185
Senec	903 01	Námestie 1. mája 25	02/4855 3292	02/45924248
Bratislava - Dulovo nám.	821 08	Dulovo nám. 1	02/4855 3053	02/55969455
Bratislava - Krížna	821 08	Krížna 54	02/4855 3325	02/55425941
Bratislava - Miletičova	821 09	Miletičova 21	02/4855 3300	02/55567201
Bratislava - Rača	831 06	Detvianska 22	02/4855 3318	02/44871025
Bratislava - BC Apollo	82109	Mlynské nivy 45	02/4855 3340	02/53412007
Bratislava-Herlianska	821 03	Komárnická 11	02/4855 3310	02/4342 5604
Bratislava - Avion	82104	Ivánska cesta 16	02/4855 3353	02/43420315
Bratislava - Shopping Palace	82104	Cesta na Senec 2/A	02/4855 3351	02/44454843

Bratislava - Vrakuňa	822 02	Šíravská 7	02/4855 3360	02/45522138
Bratislava - Račianska	831 03	Račianska 54	02/4855 3071	02/44453888
Ivanka pri Dunaji	900 28	Štefánikova 25/A	02/4855 3405	02/45945042
Bratislava - Krížna 12	811 07	Krížna 12	02/4855 3423	02/55644241
Modra	900 01	Štúrova 68	033/485 4585	033/6475535
Mortgage Centres				
Bratislava - Páričkova	821 08	Páričkova 2	02/5055 2264	02/55567829

Regional Retail Business Network Trnava

Trnava - Dolné bašty	917 68	Dolné bašty 2	033/485 4411	033/5333056
Trnava - Hlavná	917 68	Hlavná 31	033/485 4490	033/5511560
Dunajská Streda	929 35	Alžbetínske nám. 328	031/485 4000	031/5570159
Galanta	924 41	Mierové námestie 2	031/485 4041	031/7806029
Hlohovec	920 01	Podzámska 37	033/485 4521	033/7424329
Piešťany	921 01	Námestie slobody 11	033/485 4535	033/7721080
Senica	905 01	Nám. oslobodenia 8	034/485 6000	034/6943984
Skalica	909 01	Potočná 20	034/485 6048	034/6646778
Sereď	926 00	Cukrovarská 3013/1	031/485 4082	031/7894650
Šamorín	931 01	Hlavná 64	031/485 4097	031/5624305
Trnava - Arkadia	917 01	Veterná 40/A	033/485 4556	033/5936643
Holíč	908 51	Bratislavská 1518/7	034/485 6067	034/6684473
Gabčíkovo	930 05	Mlynársky rad 185/1	031/485 4106	031/5594844
Kúty	908 01	Nám. Radlinského 981	034/485 6076	031/6597790
Trnava-Štefánikova	91 768	Štefánikova 32	033/485 4626	033/5513 343
Leopoldov	920 41	Hollého 649/1	033/485 4560	033/7342290
Smolenice	919 04	SNP 81	033/485 4562	033/5586610
Sládkovičovo	925 21	Fučíkova 131	031/485 4108	031/7841835
Šaštín – Stráže	908 41	Námestie slobody 648	034/485 6079	034/6580591
Veľký Meder	932 01	Komárňanská 135/22	031/485 4116	031/5553300
Vrbové	922 03	Nám. Slobody 285/9	033/485 4577	033/7792696
Zlaté Klasy	930 39	Hlavná 836/17	031/485 4117	031/5692073
Dunajská Lužná	900 42	Nové Košariská	02/4855 3370	02/45981239
Mortgage Centres				
Trnava - Dolné bašty	917 68	Dolné bašty 2	033/485 4440	033/5333055

Regional Retail Business Network Trenčín

Trenčín	911 62	Mierové námestie 37	032/485 4235	032/7431450
Dubnica nad Váhom	018 41	Nám. Matice slov. 1712/7	042/485 6543	042/4425027
Nové Mesto nad Váhom	915 01	Hviezdoslavova 19	032/485 4291	032/7715070
Považská Bystrica	017 21	Nám. A. Hlinku 23/28	042/485 6500	042/4309841
Prievidza	971 01	Námestie slobody 10	046/485 7100	046/5426878
Púchov	020 01	Námestie slobody 1657	042/485 6578	042/4642368
Bánovce nad Bebravou	957 01	Námestie Ľ. Štúra 5/5	038/485 6269	038/7602993
Partizánske	958 01	L. Svobodu 4	038/485 6288	038/7497247
Trenčín -Legionárska	911 01	Legionárska 7158/5	032/485 4205	032/6401649
Nová Dubnica	018 51	Mierove námestie 29/34	042/485 6581	042/4434032
Prievidza - Bojnická cesta	971 01	Bojnická cesta 15	046/485 7130	046/5482436
Stará Turá	916 01	SNP 275/67	032/485 4301	032/7763445

Myjava	907 01	Nám. M.R.Štefánika 525/21	034/485 6057	034/6212595
Ilava	019 01	Mierové námestie 77	042/485 6595	042/4465902
Bojnice	972 01	Hurbanovo námestie 10	046/485 7142	046/5430571
Handlová	972 51	SNP 1	046/485 7146	046/5476418
Lednické Rovne	020 61	Námestie slobody 32	042/485 6598	042/4693217
Nitrianske Pravno	972 13	Námestie SNP 389	046/485 7152	046/5446439
Nováky	972 71	Andreja Hlinku 457	046/485 7156	046/5461145
Trenčín - Zámostie	911 05	Zlatovská 2610	032/485 4312	032/6523321
Dolné Vestenice	972 23	M. R. Štefánika 300	046/485 7162	046/5498308
Trenčianske Teplice	914 51	T. G. Masaryka 3	032/485 4316	032/6553444
Mortgage Centres				
Trenčín	911 62	Mierové námestie 37	032/485 4218	032/7434947
Regional Retail Business Network Nitra				
Nitra - Štefánikova 44	949 31	Štefánikova 44	037/485 4807	037/6528754
Komárno	945 23	Tržničné námestie 1	035/485 4745	035/7730652
Levice	934 01	Štúrova 21	036/485 6118	036/6312600
Nové Zámky	940 33	Hlavné námestie 5	035/485 4700	035/6400841
Topoľčany - Moyzesova	955 19	Moyzesova 585/2	038/485 6214	038/5228061
Topoľčany - Pribinova	955 01	Pribinova 2	038/485 6243	038/5326900
Šaľa	927 00	Hlavná 5	031/485 4062	031/7704576
Zlaté Moravce	953 00	Župná 10	037/485 4889	037/6321266
Nitra - Štefánikova 7	949 31	Štefánikova 7	037/485 4901	037/7412057
Nitra - OC Mlyny	949 01	Štefánikova trieda 61	037/485 4877	037/485 4930
Štúrovo	943 01	Hlavná 2	036/485 6147	036/7511308
Šurany	942 01	SNP 25	035/485 4768	035/6500044
Vráble	952 01	Levická 1288/16	037/485 4907	037/7833023
Centro Nitra	949 01	Akademická 1/A	037/485 4918	037/6512013
Hurbanovo	947 01	Komárňanská 98	035/485 4783	035/7602216
Šahy	936 01	Hlavné námestie 27	036/485 6152	036/7411723
Želiezovce	937 01	Komenského 8	036/485 6164	036/7711088
Kolárovo	946 03	Palkovicha 34	035/485 4785	035/7772550
OC MAX Nitra	949 01	Chrenovská 1661/30	037/485 4922	037/7331028
Nitrianska Blatnica	956 04	Obecný úrad	038/485 6261	038/5394194
Tvrdošovce	941 10	Bratislavská cesta 3	035/485 4796	035/6492201
Mortgage Centres				
Nitra	949 31	Štefánikova 44	037/485 4838	037/6528754
Regional Retail Business Network Žilina				
Žilina	010 43	Na bráne 1	041/485 6306	041/7247136
Čadca	022 24	Fraňa Kráľa 1504	041/485 6375	041/4331095
Dolný Kubín	026 01	Radlinského 1712/34	043/485 6683	043/5864006
Martin	036 53	M. R. Štefanika 2	043/485 6627	043/4247297
Liptovský Mikuláš	031 31	Štúrova 19	044/485 7009	044/5514925
Ružomberok	034 01	Podhora 48	044/485 7037	044/4323146
Bytča	014 01	Sidónie Sakalovej 138/1	041/485 6409	041/5533579
Námestovo	029 01	Hviezdoslavovo nám. 200/5	043/485 6709	043/5523175
Žilina - Nám. A. Hlinku	010 43	Nám. A. Hlinku 1	041/485 6413	041/5626194

Žilina - Dubeň	010 08	Vysokoškolákov 52	041/485 6417	041/5000316
Žilina - Aupark	010 01	Námestie Ľ. Štúra	041/485 6332	041/50921181
Kysucké Nové Mesto	024 01	Námestie Slobody 184	041/485 6433	041/4213687
Vrútky	038 61	1. čsl. brigády 12	043/485 6732	043/4284133
Trstená	028 01	Nám. M. R. Štefánika 15	043/485 6712	043/5392559
Turčianske Teplice	039 01	Hájska 3	043/485 6725	043/4924015
Rajec	015 01	Hollého 25	041/485 6437	041/5422877
Turzovka	023 54	R. Jašíka 20	041/4856448	041/4352579
Tvrdošín	027 44	Trojičné nám. 191	043/485 6745	043/5322052
Martin - OC Tulip	036 01	Pltníky 2	043/485 6669	043/4134713
Liptovský Hrádok	033 01	J. Martinku 740/56	044/485 7054	044/5221397
Nižná	027 43	Nová Doba 481	043/485 6756	043/5382162
OC MAX Žilina	010 07	Prielohy 979	041/485 6306	041/5681879
Krásno nad Kysucou	023 02	1. mája 1255	041/485 6459	041/4385394
Turany	038 53	Obchodná 13	043/485 6759	043/4292529
Zákamenné	029 56	Zákamenné 23	043/485 6761	043/5592295
Liptovský Mikuláš - OC Jasná	031 31	Garbiarska 695	044/485 7060	044/5528361
Mortgage Centres				
Žilina	010 43	Na bráne 1	041/485 6326	041/5678051

Regional Retail Business Network Banská Bystrica

Banská Bystrica	975 55	Námestie slobody 1	048/450 5550	048/4505641
Lučenec	984 35	T. G. Masaryka 24	047/485 7205	047/4331501
Rimavská Sobota	979 13	Francisciho 1	474857228	047/5631213
Veľký Krtíš	990 20	Novohradská 7	047/485 7264	047/4805687
Zvolen	960 94	Námestie SNP 2093/13	045/485 6800	045/5333532
Žiar nad Hronom	965 01	Námestie Matice slov. 21	045/485 6870	045/6707840
Banská Bystrica - Dolná	975 55	Dolná 17	048/485 5400	048/4123908
Banská Štiavnica	969 01	Radničné námestie 15	045/485 6903	045/6921047
Brezno	977 01	Nám. M.R. Štefánika 27/22	048/485 5370	048/6115595
Detva	962 11	M. R. Štefánika 65	045/485 6911	045/5455461
Fiľakovo	986 01	Biskupická 1	047/485 7271	047/4382227
Hnúšťa	981 01	Francisciho 372	047/485 7284	047/5422241
Krupina	963 01	Svätotrojičné námestie 8	045/485 6928	045/5511431
Nová Baňa	968 01	Námestie slobody 11	045/485 6935	045/6855115
BB - SC Európa	974 01	Na troskách 26	048/485 5383	048/4145101
Revúca	050 01	Námestie slobody 3	058/485 8976	058/4421515
Hriňová	962 05	Hriňová 1612	045/485 6897	045/5497221
Kremnica	967 01	Medzibránie 11	045/485 6950	045/6743861
Poltár	987 01	Sklárska	047/485 7288	047/4223370
Tornaľa	982 01	Hurbanova 19	047/485 7294	047/5522676
Žarnovica	966 81	Námestie SNP 26	045/485 6953	045/6812380
Dudince	962 71	Okružná 142	045/485 6890	045/5583432
Slovenská Ľupča	976 13	Námestie SNP 12	048/485 5381	048/4187229
Vinica	991 28	Cesta slobody 466/41	047/485 7303	047/4891502
Mortgage Centres				
Banská Bystrica	975 55	Námestie slobody 1	048/450 5590	048/4505670

Regional Retail Business Network Prešov

Poprad	058 17	Mnoheľova 2832/9	052/485 7842	052/7721182
Stará Ľubovňa	064 01	Obchodná 2	052/485 7872	052/4323491
Prešov	081 86	Masarykova 13	051/485 7518	051/7356362
Bardejov	085 61	Kellerova 1	054/485 8300	054/4746389
Humenné	066 80	Námestie slobody 26/10	057/485 8514	057/7705141
Vranov nad Topľou	093 01	Námestie slobody 6	057/485 8539	057/4406439
Kežmarok	060 01	Hviezdoslavova 5	052/485 7899	052/4524806
OC MAX Poprad	058 01	Dlhé hony 4588/1	052/485 7940	052/4524806
Snina	069 01	Strojárska 2524	057/485 8562	057/7622328
Svidník	089 27	Centrálna 584/5	054/485 8331	054/7521691
Prešov - Hlavná	080 01	Hlavná 61	051/485 7570	051/7723617
OC MAX Prešov	080 01	Vihorlatská 2A	051/485 7579	051/7757079
Sabinov	083 01	Námestie slobody 623	051/485 7597	051/4523492
Stropkov	091 01	Mlynská 692/1	054/485 8347	054/7423714
Levoča	054 01	Nám. Majstra Pavla 38	053/485 7624	053/4514316
Svit	059 21	Štúrova 87	052/485 7914	052/7755154
Spišská Belá	059 01	Zimná 3	052/485 7934	052/4581022
Spišské Podhradie	053 04	Mariánske nám. 22	053/485 7641	053/4541257
Giraltovce	087 01	Dukelská 58	054/485 8355	054/7322625
Hanušovce nad Topľou	094 31	Komenského 52	057/485 8580	057/4452805
Lipany	082 71	Nám. sv. Martina 8	051/485 7586	051/4572777
Medzilaborce	068 10	Mierová 289/1	057/485 8586	057/7321546
Poprad - J. Curie	058 01	J. Curie 37	052/485 7920	052/7723192
Podolinec	065 03	Ul. Sv. Anny 1	052/485 7932	052/4391295
Humenné - Chemes	066 01	Chemlonská 1	057/485 8592	057/7763595
Mortgage Centres				
Prešov	081 86	Masarykova 13	051/485 7558	051/7356383
Poprad	058 17	Mnoheľova 2832/9	052/485 7817	052/7135087

Regional Retail Business Network Košice

Rožňava	048 73	Šafárikova 21	058/485 8955	058/7326421
Spišská Nová Ves	052 14	Letná 33	055/485 7608	053/4410422
Košice - Strojárenská	042 31	Strojárenská 11	055/485 8006	055/6229334
Košice - Bačíkova	042 81	Bačíkova 2	055/485 8111	055/6786083
Michalovce	071 80	Námestie slobody 3	056/485 8420	056/6441077
Trebišov	075 17	M.R. Štefánika 3197/32	056/485 8449	056/6725901
Košice - Slovan	042 31	Hlavná 8	055/485 8137	055/6226250
Košice - Letná	040 01	Letná 40	055/485 8159	055/6259979
Košice - Bukovecká	040 12	Bukovecká 18	055/485 8199	055/6746253
Moldava nad Bodvou	045 01	Hviezdoslavova 13	055/485 8100	055/4602992
Košice - OC Optima	040 11	Moldavská cesta 32	055/485 8184	055/6461043
Košice - OC Galéria	040 11	Toryská 5	055/485 8214	055/6421011
Gelnica	056 01	Banícke nám. 52	053/485 7633	053/4821104
Krompachy	053 42	Lorencova 20	053/485 7638	053/4472251
Košice - Ťahanovce	040 13	Americká trieda 15	055/485 8188	055/6366063
Košice - Sídlisko KVP	040 23	Trieda KVP 1	055/485 8192	055/6429673
Košice - Trieda L. Svobodu	040 22	Trieda L. Svobodu 12	055/485 8199	055/6718160

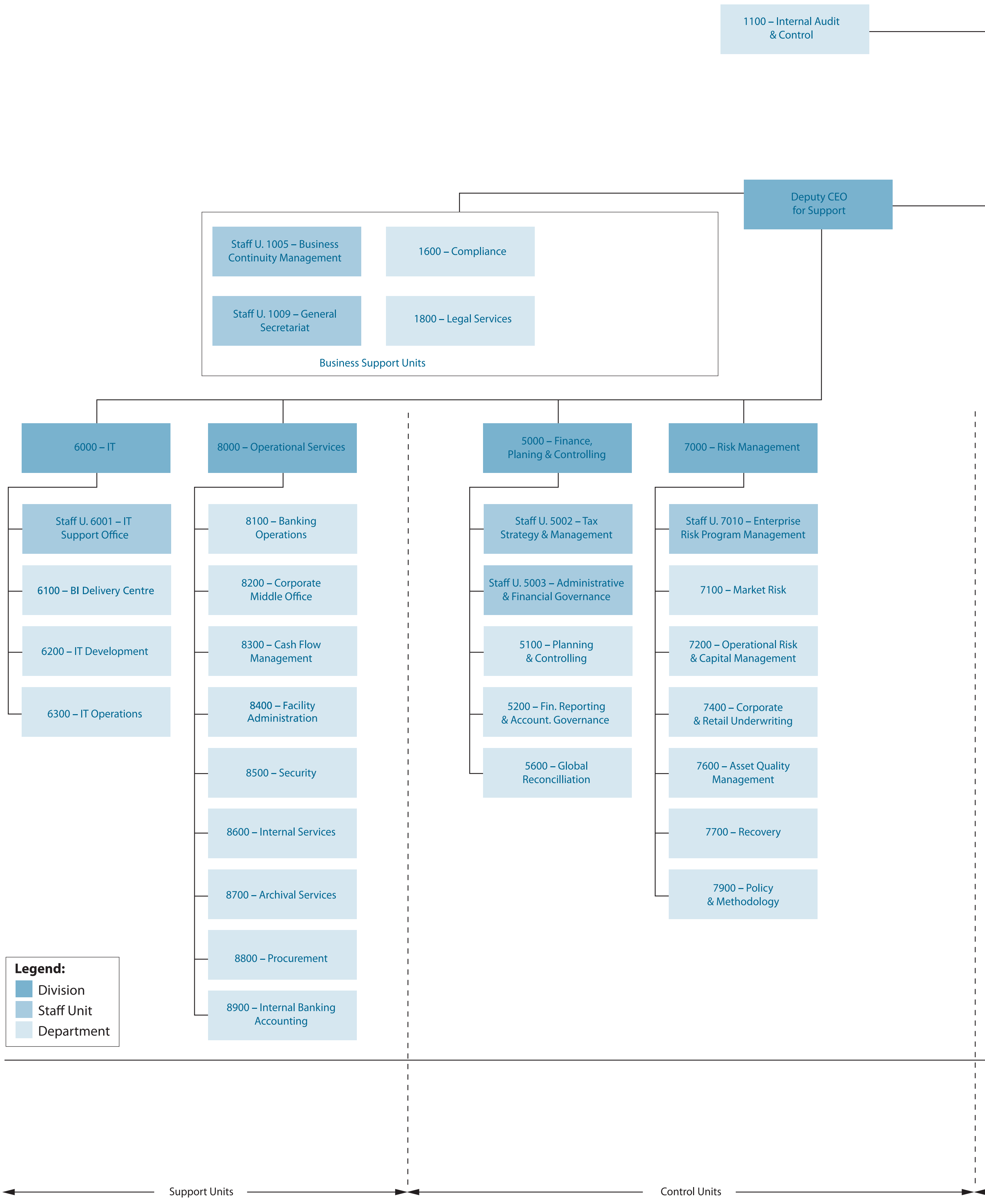
Michalovce - mesto	071 01	Nám. Osloboditeľov 2	056/485 8467	056/6424281
Sobrance	073 01	Štefánikova 9	056/485 8494	056/6523300
Strážske	072 22	Nám.A.Dubčeka 300	056/485 8470	056/6491633
Kráľovský Chlmec	077 01	Hlavná 710	056/485 8475	056/6321045
Veľké Kapušany	079 01	Sídl.P.O.Hviezdoslava 79	056/485 8482	056/6383043
Sečovce	078 01	Nám.Sv.Cyrila a Metoda 41/23	056/485 8487	056/6782277
Košice - Hlavná 41	040 01	Hlavná 41	055/480 8210	055/6223987
Košice - Moldavská	040 11	Werferova 3	055/485 8117	055/6420814
Mortgage Centres				
Košice	042 31	Strojárenská 11	055/485 8031	055/6229334

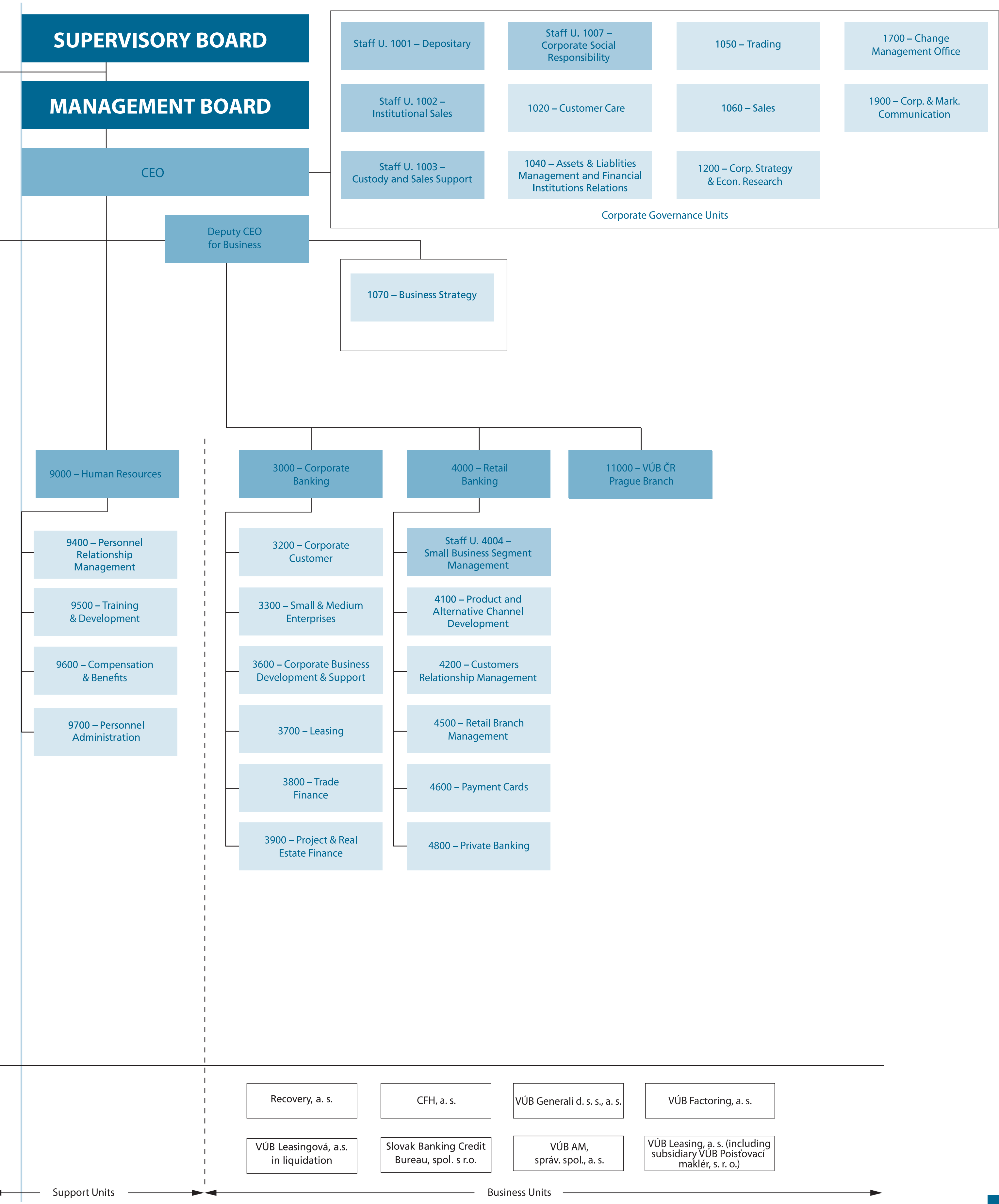
Corporate branches

Corporate Business Center Bratislava		
Bratislava	Mlynské nivy 1	+421 2 50552770
Corporate Business Center Bratislava 2		
Bratislava	Mlynské nivy 1	+421 2 50552600
Corporate Business Center Trnava		
Trnava	Dolné bašty 2	+421 33 4854447
Senica	Nám. oslobodenia 8	+421 34 4856037
Corporate Business Center Nitra		
Nitra	Štefánikova 44	+421 37 4854844
Topoľčany	Moyzesova 585/2	+421 38 4856237
Levice	Štúrova 21	+421 36 4856135
Corporate Business Center Nové Zámky		
Nové Zámky	Hlavné námestie 5	+421 35 4854738
Komárno	Tržničné nám. 1	+421 35 4854764
Galanta	Mierové námestie 2	+421 31 4854054
Dunajská Streda	Alžbetínske nám. 328	+421 31 4854024
Corporate Business Center Trenčín		
Trenčín	Legionárska 7158/5	+421 32 4854230
Považská Bystrica	Nám. A. Hlinku 23/28	+421 42 4856537
Corporate Business Center Žilina		
Žilina	Na bráne 1	+421 41 4856346
Martin	M. R. Štefánika 2	+421 43 4856661
Čadca	Fraňa Kráľa 1504	+421 41 4856399
Dolný Kubín	Radlinského 1712/34	+421 43 4856694
Corporate Business Center Zvolen		
Zvolen	Nám. SNP 2093/13	+421 45 4856842
Banská Bystrica	Nám. slobody 1	+421 48 4505487
Corporate Business Center Žiar nad Hronom		
Žiar Nad Hronom	Nám. Matice slovenskej 21	+421 45 4856883
Prievidza	Nám. slobody 6	+421 46 4857137
Corporate Business Center Lučenec		
Lučenec	T. G. Masaryka 24	+421 47 4857224
Rimavská Sobota	Francisciho 1	+421 47 4857247
Corporate Business Center Poprad		
Poprad	Mnoheľova 2832/9	+421 52 4857866
Liptovský Mikuláš	Štúrova 19	+421 44 4857032
Spišská Nová Ves	Letná 33	+421 53 4857621
Corporate Business Center Prešov		
Prešov	Masarykova 13	+421 51 4858330
Bardejov	Kellerova 1	+421 54 4858328
Vranov Nad Topľou	Nám. slobody 6	+421 57 4858560
Humenné	Nám. slobody 26/10	+421 57 4858530
Corporate Business Center Košice		
Košice	Strojárenská 11	+421 55 4858046
Michalovce	Nám. slobody 3	+421 56 4858430

Organization Chart of VUB

as at 1 December 2010




SUPERVISORY BOARD
MANAGEMENT BOARD
CEO
Staff U. 1001 – Depositary
Staff U. 1007 – Corporate Social Responsibility
1050 – Trading
1700 – Change Management Office
Staff U. 1002 – Institutional Sales
1020 – Customer Care
1060 – Sales
1900 – Corp. & Mark. Communication
Staff U. 1003 – Custody and Sales Support
1040 – Assets & Liablities Management and Financial Institutions Relations
1200 – Corp. Strategy & Econ. Research
Corporate Governance Units
Deputy CEO for Business
1070 – Business Strategy
9000 – Human Resources
3000 – Corporate Banking
4000 – Retail Banking
11000 – VÚB ČR Prague Branch
9400 – Personnel Relationship Management
9500 – Training & Development
9600 – Compensation & Benefits
9700 – Personnel Administration
3200 – Corporate Customer
3300 – Small & Medium Enterprises
3600 – Corporate Business Development & Support
3700 – Leasing
3800 – Trade Finance
3900 – Project & Real Estate Finance
Staff U. 4004 – Small Business Segment Management
4100 – Product and Alternative Channel Development
4200 – Customers Relationship Management
4500 – Retail Branch Management
4600 – Payment Cards
4800 – Private Banking
Recovery, a. s.
CFH, a. s.
VÚB Generali d. s. s., a. s.
VÚB Factoring, a. s.
VÚB Leasingová, a.s. in liquidation
Slovak Banking Credit Bureau, spol. s r.o.
VÚB AM, správ. spol., a. s.
VÚB Leasing, a. s. (including subsidiary VÚB Poisťovací maklér, s. r. o.)
Support Units
Business Units