VÚB BANKA

Annual Report 2013

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ADDRESS BY THE CHAIRMAN OF THE VUB SUPERVISORY BOARD

Dear Shareholders, Clients and Business Partners, Employees

2013 was a fine year for VUB. The VUB Group was particularly successful in profitability and efficiency results, having improved its net profit by 13% over 2012 and bringing its cost-to-income ratio to below 43%. While financial performance was put back on track, commercial results were less successful, especially on the credit market, where VUB lost some of its share. VUB's commercial performance, however, has been constrained by two important factors: risk appetite and a review of its business model for certain segments. I appreciate that in the pursuit of aspirational business growth targets, the management has not lost sight of shareholder value and the cost of risk. Against this backdrop, I appreciate even more VUB's achievements over this past year and on behalf of the Supervisory Board, would like to thank the management and employees for them.

Special thanks go to Mr. Ignacio Jaquotot, whose six-year stay as VUB's CEO and Chairman has brought consolidation of the Bank's strong position on the market and aligned it on the path to fulfill its mission of becoming the best bank in Slovakia. Under his leadership, VUB has received numerous awards from independent observers both at home and abroad. Most importantly, in the latest customer satisfaction survey, VUB received the most precious award directly from its clients who evaluated VUB as the best bank on the Slovak market. Although leaving Slovakia, Mr. Jaquotot will nonetheless remain associated with VUB very closely in his new role of the Head of International Subsidiary Banks Division, which besides VUB looks after its ten Intesa Sanpaolo sister banks in the region.

I take this opportunity to welcome on board VUB's new CEO and Chairman, Mr. Alexander Resch, a seasoned Intesa Sanpaolo executive, who had already been affiliated with VUB for many years, first acting as CFO of its subsidiary Consumer Finance Holding and later on as VUB's Chief Risk Officer. Mr. Resch returned to lead VUB from Albania, where he successfully acted as CEO of Intesa Sanpaolo Bank. I wish him lot of success in his new role at VUB too!

Looking ahead, in 2014, the operating environment for Slovak banks will remain challenging. Economic growth, although recovering, will remain below potential and unemployment stubbornly high. Interest rates will remain very low and regulatory and competitive pressure will imply further pressure on margins. The targets set for VUB are difficult, but I nonetheless believe that with the continued trust of its clients and business partners, they are feasible. Intesa Sanpaolo will remain committed to continuing to provide support, know-how and synergies to help VUB deliver.

György Surányi
Chairman of the Supervisory Board

ADDRESS BY THE CHAIRMAN OF THE VUB MANAGEMENT BOARD

Dear Shareholders, Clients and Business Partners,

2013 has been a very challenging year. I am pleased to say that we have met most of the challenges and delivered broadly fine results. This holds especially true of the profitability and efficiency results, which are in line with budget targets and show positive developments vis-à-vis the previous year. In the commercial arena, we have posted uneven results, delivering or even exceeding planned business growth targets in some segments but underperforming in others. Delivering stronger, but more balanced business growth results is therefore a priority for 2014.

Before evaluating VUB's results in detail, I believe it is instructive to review the developments in the Bank's external environment first. In this respect, 2013 was actually the weakest for the Slovak economy since recession in 2009. GDP growth halved compared to the previous year, to sub 1% pace. Moreover, positive GDP growth owed solely to foreign demand, whereas domestic demand fell. The plunge in investments was especially steep, which was manifested by a further 3% decline in the outstanding credit extended to resident firms.

In contrast to the shrinking corporate market, retail lending continued to grow nicely. The amount of loans extended to households expanded by 10%, growth being evenly distributed between both housing and consumer loans. Households regained previously depressed confidence as the unemployment rate stabilized and consumer power improved thanks to inflation falling to a near historic low. Interest rates meanwhile declined sizably across the market. Coupled with further declining property prices, the housing affordability of mortgage-financed homes improved to historically best terms.

While spurring demand for loans, declining interest rates had the opposite effect on the retail deposit market. The volume of household deposits with banks basically stalled as new savings were channelled into mutual funds instead. The volume of deposits from nonfinancial corporations, in contrast, grew sharply in reflection of the state of affairs among Slovak firms, who lack investment opportunities in the current macroeconomic environment.

These dichotomous trends among segments resulted in the total primary deposits growing in 2013 at a slower rate than loans, 4.3% versus 5.8%, respectively. The Slovak banking market nonetheless remained overliquid, with an excess of primary deposits over gross loans amounting to € 5 billion. In contrast to previous fierce competition for funds, major banks in 2013 reversed their stance and repriced liabilities sharply down, lowering the interest expenses of the whole sector by 21% over a year ago. This helped to stabilize net interest income, which was a great relief over 2012, when this most important source of income for Slovak banks declined. Overall, the top line of the sector's P&L increased in 2013 by 3%, compared to a 11% decline in 2012. At the same time, banks sought to scale down their costs, trimming operating expenses and lowering provisioning. The net result of these initiatives was an improvement in the bottom line of the sector by 13% over 2012, a large chunk of which is due to VUB, which improved its bottom line from banking operations on the Slovak market by 26% over 2012.

I will expand on our financial performance later on. Now, let me outline how we did in 2013 business-wise. In loans, the overall share of VUB in the Slovak banking loan market fell to 18.2% from 19.0% at the end of 2012. This result was affected by our risk appetite and a review of business model for some segments. Also, our market shares continued to be affected by the balancing momentum on the retail front, with smaller competitors catching up as the Slovak market becomes more mature. This momentum cost us last year nearly two percentage points in our share of the mortgage and housing market. Still, we continued to keep a strong franchise in this key segment, holding a 22% market share, which is a more realistic and sustainable base to defend than the 27% share we held at the peak of the boom era in 2008. Of course, we are not passive observers of this market trend, but we have identified the causes of our recent decline and taken the necessary managerial actions to restart growth and initiate the recovery of our market share. In consumer loans, our market share slipped from 21.2% a year ago to 20.7%. Unlike our main competitors, however, we also tap in to the nonbank consumer finance market. Our specialized subsidiary Consumer Finance Holding has increased its loan book by 16% in 2013, on top of 15% growth in 2012, and further established itself as the market leader in this segment.

In corporate loan business meanwhile we lost our market share of 15.9% a year ago to 15.4%. This decline owes in particular to the segment of big corporate clients and reflects our cautious risk/return appetite for this segment, which resulted in a year-on-year decline of our loan book to them by 4%. In the segment of small and medium sized enterprises, by contrast, we were able to defend our loan portfolio despite the declining investment activity of companies. The latter has also been a major factor affecting the commercial results of our leasing subsidiary, VUB Leasing, which lost some of its market share. Importantly, however, by being more selective in newly leased assets, VUB Leasing was able to improve its margins and overall financial performance compared to one year ago.

Turning to the deposit market, our performance varied by segment and continued the trend set in 2012. Our share of retail deposits shrank further, from 16.6% to 16.0%, while our share of corporate deposits slightly improved, from 19.9% to 20.2%. However, we should consider the total wealth which our clients are entrusting us. Indeed, assets invested in mutual funds by our clients outgrew the market and increased in 2013 by 30%. Our combined share of household deposits and assets under management invested by our clients in 2013 thus stayed broadly stable at 16.5%, compared to 16.6% a year ago.

Our presence on the market for the total personal financial assets of Slovak households also extends to pension savings, in which we are active together with our joint venture partner Generali Slovensko. In 2013, we increased the pension assets under our management by 6% and improved our share of this market to 15.1% from 14.7% a year ago. Importantly, we delivered to our clients the best return on their pension savings from among the market participants. And thus despite regulatory interventions in this scheme, we were able to increase number of our clients by nearly 6 thousand to over 215 thousand.

In terms of financial results, on the consolidated basis, VUB Group in 2013 posted an operating income of € 530.8 million, up 10.2% compared to a year ago. On the cost front, we remained prudent, increasing our operating expenses by 4.0% over a year ago. Our cost to income ratio declined to 42.7% from 45.7% a year ago and our operating profit before impairment reached € 265.6 million, which was 17.2% higher than a year ago. Adjusted for impairments, provisions, and taxes, the Group booked a net profit of € 135.1 million, 12.9% higher than a year ago.

The improvement in profitability confirmed that we were able to overcome the negative impact of the bank levy and sale of international securities that shrank our financial results in 2012. To be exact, the bank levy remained a significant burden costing VUB in 2013 € 29.6 million in net-of-tax bottom line, compared to € 28.5 million in 2012.

Looking ahead, the operating environment will remain challenging. The economy, while projected to start recovering to above 2% growth, will remain fragile. Investment demand from private sector will probably not improve much. Small firms namely will be burdened by newly imposed tax licenses, while big corporations in regulated businesses will remain liable to special levy and superdividends due to the state. The regulatory burden will also be increasing on banks themselves, in particular the largest ones, including VUB, who will newly be subject to foresight also from the ECB. Interest rates meanwhile will remain very low and competition intense, both eroding financial margins.

Against this backdrop, we cannot afford to lose any meaningful business. Especially not in the household lending market, which has a 3-4 years space to sustain current strong growth rates before it reaches binding debt-to-income ceilings. We must utilize this time span in full and reinvent our household business model swiftly. In the latter part of 2013, we began to undertake several measures in this direction and more are in store ahead. Meanwhile, to support new mortgage business on the funding side, we initiated a rating of our mortgage-backed bonds as the first bank on the Slovak market. By securing an A1 rating on our newly issued mortgage bonds, which is the best rating of all securities issued by any Slovak entity, we hope to bring the cost of funding new mortgages significantly down in the near future. New growth ambitions also apply to our consumer lending. On the deposit front, we will fight for a higher share of the wallet. Our foremost priority is to motivate our clients to use their current accounts more actively. The accessibility of our services meanwhile must improve both through traditional and alternative channels. On the former, we will work on improving our branch network footprint, especially in large cities. On the latter, we must accelerate our efforts in innovation. We already made some advances on this front in 2013, bringing to the market the Viamo mobile payments system and rolling out a new internet banking platform as part of our long-term multichannel project. More will follow.

In corporate business, prospects are challenging. Subpar economic growth and worsening business conditions limit demand for new loans. Moreover, on the supply front, big corporations with sound investment projects are chased after not only by local banks but increasingly also by foreign banks and nonbank entities. Against this backdrop, we must more than ever stand by our SME and small business clients, who rely on primary banking relationships. We will fine tune our service model and product offer according to their needs and the trends in the economic environment.

While business is the keyword for the upcoming era, we must not lose sight of our support functions. Our cost base may be lean in total, but with space for improvement in cost allocation. We will work on this. In a nutshell, a simplification of processes and structures and a reduction in bureaucracy will be the key actions to optimize the allocation of limited resources.

These are just a few highlights of what is ahead in the upcoming year and beyond. Clearly, the mission is very challenging. I nonetheless firmly believe that the VUB team will be successful in this mission. We namely have the ability, will, and determination to continuously improve quality of service for the benefit of our clients.

In conclusion, I would like to thank our employees for their commitment, resilience and hard work. I also would like to thank VUB's clients and business partners for the trust they place in the Bank, and the shareholders for their support. I wish all of us the best in 2014.

Alexander Resch
CEO and Chairman of the Management Board

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VUB MANAGEMENT BOARD REPORT ON THE BUSINESS ACTIVITIES OF THE COMPANY

Development of the External Environment

External environment

A year ago, in this very place, we were anticipating a stagnation of the Slovak economy in 2013. On headline terms, eventually, stagnation did not take place as GDP posted a positive increment of about 1% for the whole year. The detailed structure of this growth, however, did not give rise to much cheer. The growth of the Slovak economy was solely due to foreign demand, whereas domestic demand remained in decline. The continuation of a slump in capital investment was particularly alarming, which fell in the first three quarters by almost 8% compared to a year ago and vis-à-vis their pre-crisis peak they fell short by almost a quarter. Last year's decline in investment is attributable not only to lower demand but also to changes in the domestic business environment that further dragged investments. Recall the increase of tax burdens and social contributions as well as a tightening of the Labour Code.

Although economy posted at least some growth, neither businesses nor the labour market benefited from this growth. On the contrary, the profits of non-financial corporations fell and the unemployment rate rose to its highest level since 2004. On the labour market, there was partial relief towards the end of the year when the unemployment rate stabilized and fears of job loss among the population subsided. Private consumption was thus stabilized, finally bringing retailers welcomed relief after several years of declining sales.

Price-wise, this past year saw a significant decline of inflationary pressures. Disinflation came from a weak domestic demand as well as from imported disinflation from abroad. Overall inflation thus fell to its historic minimum of 0.4% at the end of the year, which meant that wages grew in real terms. In addition to falling inflation, however, reported real wages for the whole economy were also boosted by statistical effects brought about by people previously working on agreement contracts switching to ordinary employment contracts due to changes in the Labour Code. Adjusted for this effect and a decline in the total number of employees, total household income base stalled at best. Even households failed to benefit from moderate economic growth last year.

The decline in inflation was a phenomenon not only in Slovakia but also in the euro zone as a whole where consumer price inflation fell significantly below its targeted level of close to 2%. In response to this development, the ECB cut its interest rates in May and November, bringing its key 2-week refinancing rate to an all-time low of 0.25%. Moreover, it also pledged to keep official interest rates at low levels for an extended period and allow banks unlimited short-term funding at least until mid-2015. Continuing expansionary monetary policy resulted in Euribor money market rates decreasing to new historical lows. The 3-month Euribor for the year 2013 averaged 0.220% compared to 0.574% in 2012, resp. At the same time, last year's decrease was also the risk premium on Slovak government bonds. The consequence of this development was a significant reduction of the profitability of investments in financial securities which account for nearly 23% of the total assets of Slovak banking sector.

In such an external environment, the Slovak banking sector posted only a modest, 2% growth in assets. The total volume of deposits and loans both grew, at 4% and 6%, respectively, but the development within individual segments varied markedly. Growth in loan volumes was driven solely by the household sector, whereas the volume of corporate loans remained in contraction. The growth in deposits, on the contrary owed mainly to corporate clients. Households, due to low interest rates, shifted their savings from bank deposits to mutual funds, which offered more attractive returns than term deposits.

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Outlook for 2014

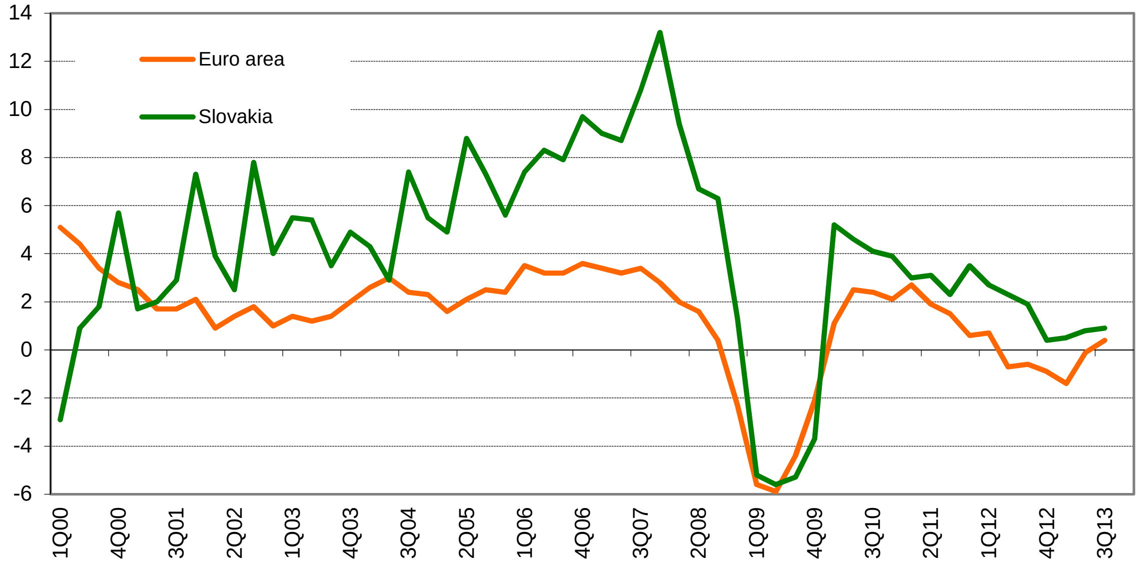
The outlook for the upcoming year is significantly better than it was one year ago. Both the domestic and global economies are likely to reaccelerate. Prospects for Germany which is Slovakia's key trading partner are now brighter. German companies are feeling more comfortable with better expectations than a year ago. The euro zone as a whole should also return to growth which improves the outlook for Slovakia's exports. Exports were a key driver of economic growth in recent years and will probably remain so in 2014, too. After several years of decline, positive contribution to overall GDP growth may finally come also from household consumption. After all, confidence surveys among households brought encouraging news already in late 2013. Fears of job loss significantly subsided and overall household confidence increased above its long term average, which may finally encourage consumers to higher spending.

The recovery of household consumption, however, will be capped by the still high level of unemployment. Although the economy should return to higher growth next year, the labour market will probably not improve much. Historically, the Slovak economy created new jobs and reduced unemployment only when growth surpassed 3.5%. Such growth is not expected. Moreover, between the recovery of GDP and the labour market there is a delay, typically two quarters. The overall picture from all available labour-market statistics suggests for now at best some stabilization. In 2014, we expect only anaemic growth in jobs. Healthy recovery might come at the earliest in 2015.

Price-wise, inflation will remain very low at the start of the year but later on will probably start to increase as the economy and domestic demand recover. The full year average for 2014 nevertheless will likely be well below the 1.4% average of 2013.

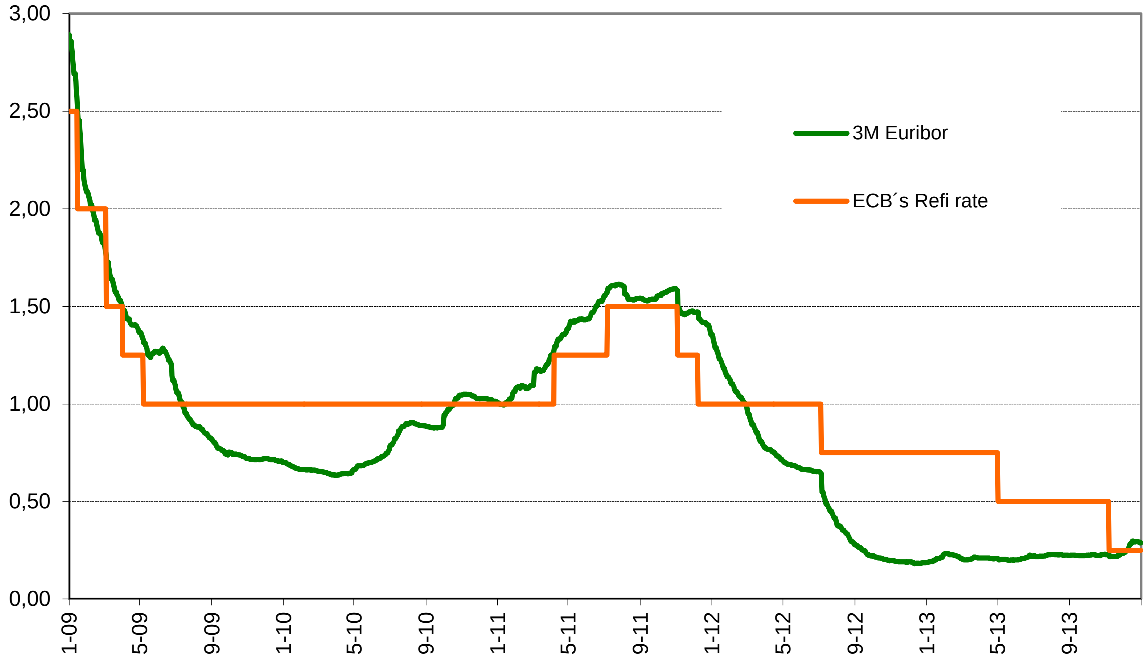
Investment demand, which is a key factor of corporate lending, will likely not repeat its decrease from 2013 thanks to the stabilization of the external and domestic environments. Nevertheless, it does not seem bound for healthy growth yet. Cuts in capital spending are the first-option measure of fiscal consolidation in the public sector, whereas the private sector still reports an underutilization of already existing production capacities.

Real GDP growth (% y/y)



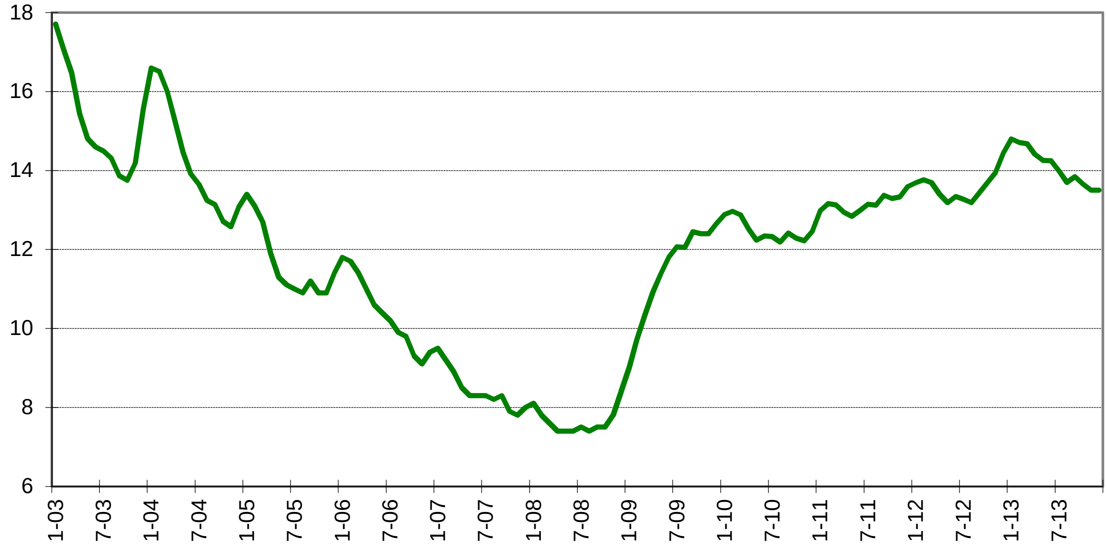
Source: Statistical Office of the Slovak Republic

3M Euribor and ECB's refi rate (%)



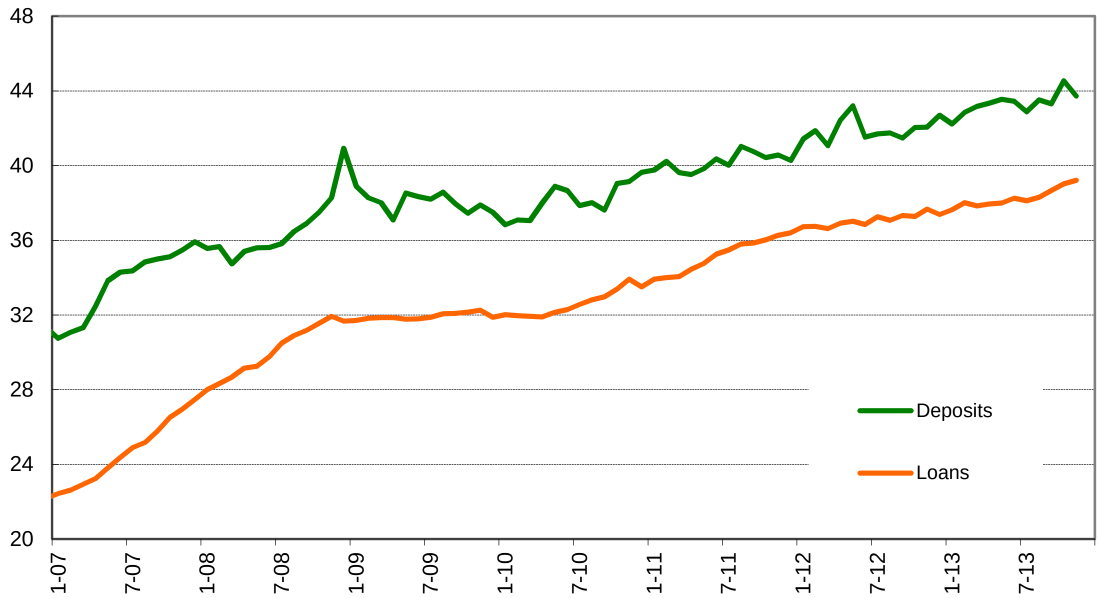
Source: Bloomberg, ECB

Registered unemployment rate (%)



Source: Central Office of Labour, Social Affairs and Family

Development of bank volume (EUR bn)



Source: National Bank of Slovakia

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VUB's 2013 Commercial Performance

As explained in the previous pages, the operating environment for the banking industry was rather tough in 2013, with the economy slowing, investments demand shrinking, unemployment increasing, and interest rates falling to historic lows. And all that was happening as regulatory pressure was increasing and competition intensifying.

Against this backdrop, VUB posted a reasonably good, albeit rather uneven, performance in the commercial arena. In retail lending, we concentrated on fast-growing consumer and mortgage loans, but somewhat lost pace with the market's growth. In corporate lending, we succeeded to maintain our loan portfolio to SMEs even as the market for loans to nonfinancial companies shrank. Our total share of gross loan volume on the Slovak market nonetheless decreased in 2013, to 18.2% from 19.0% in 2012. On the deposit front, we broadly defended our share of the combined household deposit and mutual fund volume, foreseeing the shift in personal financial assets away from term deposits into assets under management. And in term of corporate deposits, we were particularly successful in attracting deposits from nonfinancial companies. And thus, while in other segments we were less successful, overall we succeeded to hold onto the same 17.9% share of primary bank deposits and assets under management as in 2012.

At VUB Bank, customer approach is a strategic priority within the joint project with our parent company Intesa Sanpaolo: "Listening 100%" with the basic goal of further enhancing customer service. Therefore, the Bank continued to further improve its processes, innovating products, redesigning its broad business network consisting of 200 retail, 32 corporate branches, 11 mortgage centres and 1 Contact Centre, developing its alternative distribution channels and finalizing the multichannel project with completed internet banking improvement. Evidence of a successful business policy is the winning of several awards in various categories of the Golden Coin competition in 2013.

Deposits

The volume of bank deposits in VUB at the end of 2013 amounted to € 7.8 billion, 2.7% up against the previous year mainly fuelled by corporate deposits. On the retail market, current accounts rose again this year, while term deposits became gradually less attractive for customers. Behind this development, we can find low interest rates on term deposits on one hand and customers switching term deposits for mutual funds on the other. Therefore customers' assets under management posted an extraordinary growth of 30% over the year compared to the market growth of 20%. The market share of total deposits received from retail clients incl. mutual funds amounted to 16.7%.

In the corporate segment, VUB performed better compared to the market, thanks to both non-financial corporations and financial institutions sectors. Corporate deposits grew last year by 8.8%. The core non-financial corporations' deposits even grew by 13.5%. This resulted in the market share of nonfinancial enterprises' deposits increasing to 18.7% from 17.9% over the year.

Electronic Banking

In 2013, VUB Bank continued to improve the quality of its non-stop banking services, including Contact Centre, Internet Banking, Mobile Banking and Business Banking.

Throughout the year, we introduced a new Internet Banking for retail clients. Within the new Internet Banking we presented a new solution with improved and more user-friendly graphical layouts together with new functionalities which will be further enhanced in 2014. We continued to sell Flexiloan without any need to visit a branch, only through Internet Banking and Contact Centre. We understand our clients' needs so we focused on making continuous improvement to our Mobile Banking services (for example VIAMO service for easier online payments).

As at 31 December 2013, the Bank had more than 800 thousand clients with activated electronic banking services, which meant a year on year increase of more than 5%. Compared to the previous year we posted an increase in the number of transactions performed through electronic channels by 16%.

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Bank Cards

VUB Bank is trying to constantly improve and meet the needs of its clients. In November 2013 we brought to market a new product called VISA Inspire Wave 2 Pay, debit cards in the form of contactless stickers. The main goal of the VISA Inspire sticker project is to offer VUB customers a new way of payment and a learning path for payments using mobile phones. In parallel with stickers, a smartphone application (VUB Wave 2 Pay) will be deployed in order to upgrade customer experience to look-and-feel as NFC.

VISA Inspire Wave 2 Pay offers customers a modern, faster and easier way to pay for goods and services. Through the mobile application the client has an overview of all transaction made using the sticker, the number of transactions and can also activate or deactivate payment functionality.

In August 2013, VUB bank joined the MasterCard ELITE programme bringing to MasterCard Gold cardholders new special benefits, such as concierge service, free VIP lounge entry in Prague and Vienna, exclusive merchant offers, special discounts etc.

VUB bank remains an exclusive intermediary of American Express credit cards all over the Slovak republic. To ensure the higher usage of these cards, in 2013 the bank brought 1,647 new facilities. Overall, the total number of facilities accepting American Express credit cards increased to 25,899.

ATMs

At the end of 2013 VUB continuously held 2nd place in the Slovak market share in the number of ATMs amounting to 22.4% with 573 ATMs. Over the year, ATMs were placed in 11 new areas with the aim of improving the accessibility of the bank's services and 6 ATMs were reallocated to a new location in order to be able to provide more customers with services.

EFT POS

During 2013, more than 1,300 new EFT POS terminals were installed for business customers. VUB posted a 22% market share at the end of the year with the total number of EFT POS terminals at 9,200 while an approximately 25% share of the market was achieved in the volume of transactions made by these terminals.

Contact Centre

The year 2013 was marked by the migration of clients to new non-stop banking services in the Contact Centre. During the main wave of clients' migration (October 2013) we processed over 90,000 calls and 11,000 emails, which is approximately twice as much as the normal number of clients' requests. 2013 again confirmed the increasing trend in customer requests via email. Overall, the Contact Centre handled almost 70,000 emails of client's queries.

In 2013, the Contact Centre changed its software for handling clients' requirements, which includes part of the processing of all types of interactions (voice, email, SMS) where an agent from the Contact Centre solves a client's request, e.g. transfer order, account balance, etc.

The Contact Centre service follows the current trend to exploit sales potential in all voice and email interactions with the client. In 2012 it has begun providing an opportunity for our clients to receive Flexi loans through the Contact Centre without visiting any branch. The expectation of € 6.6 million of provided loans was exceeded in 2013. Flexi loans successfully completed the portfolio of products (modification of Flexi account, Pension life insurance – VÚB Generali), which the Contact Centre processes end to end.

Loans

Individuals – Mortgage and Consumer Loans

Although demand for mortgage loans seems to not have changed considerably in 2013, the mortgage market continued to further slow down. However, the low interest rates development continued in this year. The trend of mortgage demand focused predominantly on refinancing older loans as interest rates were cut to a historic low.

Total mortgages of VUB (including 'American mortgages') grew by 2.4% over the year. With a market share of 22% the Bank kept its strong position on the mortgage loans market. More precisely, we have remained the leader separately in typical mortgages with mortgage-backed bonds funding. VUB sustained the market share in pure mortgages at 44.8%. However, the rest of the market was more concentrated on other housing lending not financed by mortgage bonds. By contrast, consumer loans continued to grow like one year ago thanks to basically unchanged demand as well as credit standards. Consumer loans growth slowed slightly to a still considerable level of 12.1% Y-o-Y in VUB from 12.4% in the previous year. As a result, the market share in consumer loans of almost 21% was successfully maintained. Besides, our subsidiary Consumer Finance Holding separately provided consumers with € 358 million and accelerated its growth to 20% compared to 15% a year ago.

Corporate Financing

In 2013, VUB bank was slightly outperformed by the rest of the market in the corporate loans segment. While corporate loans grew by 2.0% on the market, VUB fell by 4% mainly due to the lending to non-financial corporations with a deterioration of 1.6% over the year. Since lending to resident nonfinancial corporations fell by 2.6% over the year, VUB's market share in these loans went up marginally to 15.9% from 15.8% over the year. Project finance as well as trade finance loans grew by 5% and 6% respectively, while real estate finance loans fell by 8%. VUB Leasing, VUB bank's subsidiary, achieved considerable results on the leasing market with a growth in leasing assets by 8.8% last year.

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Domestic and International Payments

Throughout 2013, VUB Bank mediated domestic payments in a volume close to € 62.8 billion and international payments in a volume of nearly € 25.4 billion, strengthening its significant market position in the field of payment services provision. While in domestic payments VUB Bank reached a market share of 18.4% (as of October 2013), up from 17.4% in December 2012, in international payments the bank mediated 7.4% of all payments made in the banking sector, which means a slight decrease since December 2012.

Review of VUB's Economic and Financial Position

Looking back at 2013, there are various external factors, which substantially influenced the financial performance of the Slovak banking sector as a whole as well as VUB Bank as the second largest bank on the market. The Slovak economic environment in 2013 was rather difficult, with slow GDP growth, contracting investment activity, and stubbornly high unemployment. On top of that, banks' financial results were undermined by the full impact of the increased bank levy and low interest rate environment.

On a consolidated basis, VUB posted an operating income of € 530.8 million. Compared to the previous year, the bank grew by 10.2% mainly due to interest income. In 2012 with the aim of lowering exposure towards the Eurozone peripheral countries, the Bank sold part of its securities portfolio, with a loss of € 36.4 million. Adjusting for this loss, operating revenues grew by 2.5% over a year ago. Operating costs meanwhile increased by 4.0% to the level of € 265.3 million (incl. bank levy) at the end of 2013.

VUB Group achieved an operating profit of € 265.6 million and profit adjusted by impairment losses of € 177.7 million. To better understand the underlying financial performance of the Group, one must adjust the headline profit figures by a one-off loss from trading in 2012, as well as by the impairment on real estate fixed assets in 2013 (€ 7 million), respectively. On this basis, VUB succeeded in increasing its profit before impairment by 1.0%, profit before tax increased by 1.3%, but saw its underlying net profit fall by 4.8% compared to the previous year. The cost-income ratio of the VUB group amounted to 42.7%, which was down by 2.9 percentage points. Excluding the one- off loss from trading in 2012, the C/I ratio would have remained approximately at the same level.

With regard to business development, VUB delivered rather uneven results in 2013. The total assets of the whole VUB group rose by 3.0% over the year, its loan book, however, grew by only 0.6% over the year. As the market for loans expanded at a faster rate, this development has resulted in a loss of VUB's share on the customer loan market by 0.8 percentage point, to 18.2% at the end of 2013.

At the same time, the bank maintained a solid 2.7% growth in its primary deposits, thus improving its already sound liquidity position which is exemplified by the prudent loan to deposit (including debt securities in issue) ratio of 82%. Moreover, while underperforming the market in terms of loan volume growth, VUB continue to outperform it in terms of its quality. Indeed, non-performing loans from banking operations on the VUB bank level at end of 2013 amounted to a mere 5% of the total gross loan volume, compared to the market's 5.5%. Accounting in also loans provided by VUB's consumer finance and leasing arms, Consumer Finance Holding and VUB Leasing, the Group's non-performing loan ratio was stable throughout the whole year at below 6%.

To bolster the stability of business growth onwards, the capital of the group increased to one of the highest capital adequacies on the Slovak market with the capital ratio amounting to 16.8% compared to the 10.37% required by the central bank. This gives us a solid base for continued business growth.

Consumer Finance Holding (CFH), which takes its share in the expansion of the loan portfolio by increasing the spectrum of retail clients, posted this year substantial growth in loans to households by approximately 13%. VUB Leasing continued to achieve a substantial performance on the leasing market with the growth of leased assets by 8.8%. VUB Leasing has maintained its market position with respect to the total portfolio with a market share over 8%.

Information on the Expected Economic and Financial Situation for 2014

The outlook for 2014 is better than it was for 2013. Both domestic and global economies are likely to reaccelerate. With real GDP growth projected at above 2%, we expect a stabilization of the labour markets and some recovery in private consumption and investment demand. Compared to a rather depressed 2013, such an outlook is encouraging for the banking industry. Clearly though, caution must prevail as the recovery is still fragile and dependent on policy stimuli from central banks and fiscal authorities in the developed world. Moreover, regulatory costs for Slovak banks will remain high. The bank levy will probably remain at the same level as in 2013 for at least three quarters of the year 2014, while banks also resume contributing to the Deposit Protection Fund again. Besides, interest rates will remain low and competition intense, which will continue to take its toll on the financial margins in the sector.

Against this backdrop, in 2014 the focus shall be on our main vision to be the Best Bank in Slovakia for customer experience, while maintaining excellence in profitability and operating efficiency. To meet this challenge, the Bank is bound to fulfill customer needs in the fastest and simplest possible way. Higher trust of clients will also be achieved through the improvement of processes, product innovation, and the enhancement of the Bank's distribution channels. Focusing on these, VUB shall be known as a modern and agile bank. Among our main priorities, we are still concentrating on holding our market position in both the retail and the corporate segment.

In line with our vision to be the best bank in Slovakia for customer experience, our strategic objective in the retail segment remains to increase the attractiveness of key products and communication in the area of loans and deposits, in particular current accounts and consumer loans. Bearing in mind standards resulting from new Basel III, the Bank shall continue to pay great attention to the individuals' demand for deposit products and at the same time focus on an advisory role in order to obtain a good allocation of investments. With the intention of preserving a stable retail loan market share, higher competitiveness of loan products will be crucial for the Bank.

In terms of the corporate segment, the focus shall be on small and medium-sized entrepreneurs. In particular, we would like to increase our involvement in project financing, selected sectors and to retain our historically highest market share on the corporate loan market. On the corporate deposit market, we will make the necessary effort to remain the market leader.

The default risk is likely to go down subject to real economic development, however a significant emphasis will be laid on risk management to curb non-performing loans and keep the high quality of the loan portfolio in 2014. Moreover, we are determined to continue paying great attention to BASEL III and obey each of its three pillars. Even though the NBS has increased the requirements for capital adequacy to 10.37%, we are set to be well above this benchmark.

Last but not least, an important task will be sustaining the efficiency achieved in control and support functions and processes. Similarly to this year, the Bank aims to keep the cost-income ratio under control and thus remain one of the most efficient entities in the Slovak banking sector.

Great challenges and strong competitors awaits the Bank in 2014, nevertheless, VUB is determined to increase its revenues as well as profitability and most importantly the level of customers' satisfaction.

Registered Share Capital and the Structure of VUB Shareholders

Registered Share Capital of VÚB, a.s.

The registered share capital of VÚB, a.s. amounts to € 430,819,063.81 and was created by the contribution of the founder designated in the deed of foundation as of the day of its establishment.
The registered share capital is divided into 4,078,108 book-entered registered shares, having the nominal value of € 33.20 each and 89 book-entered registered shares, having the nominal value of € 3,319,391.89 each.

Shareholders' rights

The rights and responsibilities of shareholders are set out in the legal regulations and the Articles of Association of the Company. The right of a shareholder to participate in the management of VÚB, a.s., the right to a share of the profits and the right to a share of the liquidation balance, in the event of winding up of VÚB, a.s. with liquidation, are attached to a registered share. Each shareholder is entitled to attend the General Meeting, to vote, to request information and seek explanations and submit proposals. The number of votes allocated to each shareholder is determined by the ratio of the nominal value of its share to the amount of registered capital. A shareholder may exercise the shareholder rights attached to book-entered shares at the General Meeting if the shareholder is entitled to exercise these rights as of the decisive date specified in the invitation to the General Meeting. The exercise of a shareholder's voting rights may only be restricted or suspended by the law. The shares are freely transferable by registration of transfer in line with relevant regulation. General Meeting of the Company as the main decision making body of the Company is entitled to decide on shares issues or about the acquisition of the Company's own shares.

Structure of VUB Shareholders

Information regarding VÚB shareholders is published quarterly, within 30 days of the end of the relevant quarter. Below is the status as of 31 December 2013.

Structure by Owner Type	**Shares (ths. €) ***	**Stake (%)**
Intesa Sanpaolo Holding International S.A. – majority owner	417,760	96.97
Other legal entities	4,371	1.01
Individuals	8,688	2.02
Total Registered Share Capital of VÚB, a.s.	**430,819**	**100.00**

Structure by Nationality	**Shares (ths. €) ***	**Stake (%)**
Intesa Sanpaolo Holding International S.A. – majority owner	417,760	96.97
Domestic shareholders	9,612	2.23
Other foreign shareholders	3,447	0.80
Total Registered Share Capital of VÚB, a.s.	**430,819**	**100.00**

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

There were **34,624** shareholders as at 31 December 2013. Foreign VÚB shareholders come from the following countries: Luxembourg (96.969%), Germany (0.533%), Czech Republic (0.141%), Switzerland (0.085%), Austria (0.03%), United Kingdom (0.004%), U.S.A. (0.004%), Canada, Romania, France, Sweden, Belgium, Andorra and Cyprus.

The qualified participation on the company's registered capital is held by the majority shareholders Intesa Sanpaolo Holding International S.A. Luxemburg, with its Registered Office in Luxembourg L-1724, 35 Boulevard du Prince Henri that holds a 96.97% stake in the Registered Capital.

Due to the continuous interest and requests of minority shareholders of the company for the sale of their VÚB, a.s. shares directly to VUB, the company continued in 2013 to acquire its own VÚB, a.s. shares. During the year, starting from 27 February 2013 the Bank acquired VÚB, a.s. own shares with the nominal value of € 33.20 each ('own shares') in the number of 16,279 pcs. The company acquired its own shares for consideration of € 62 per one share set for the period from 27 February to 31 March 2013, for the price of € 61 per one share for the period starting on 1 April to 9 July 2013, for the price of € 64 per one share for the period starting on 10 July to 8 October 2013 and for the price of € 71 per one share for the period starting on 9 October to 31 December 2013 in line with the VÚB, a.s. share price development on the Bratislava Stock Exchange (hereinafter "BSE"), anonymous trades as price-setting trades. The acquired own shares were transferred to a third party for a price of € 70.95 per share set in line with Bratislava Stock Exchange Rules, Part V – Trading Rules (BSE Rules) in the number of 16,279 pcs. After this share transfer VUB did not hold any own shares in its assets at 31 December 2013. The stake of the nominal value of acquired and transferred own shares on the company's registered capital in 2013 was 0.13%.

Further, the company acquired during the accounting year 2013 and holds in its assets shares in the Parent company (Art. 22, sec. 3 of the Act no. 431/2002 Coll. on Accounting as amended), Intesa Sanpaolo S.p.A. (ISP), registered office Piazza San Carlo 156, Turin, Italy, ISIN IT0000072618, book-entered registered ordinary shares, having the nominal value of € 0.52 each, in the total number of 374,897 shares, thereof in year 2013 acquired 121,302 shares for a price of € 1.726 per one share. Stake of their nominal value on the company's registered capital is 0.045%. These shares have been acquired by the Bank in order to adopt and implement ISP Group Remuneration Policies also in line with the Capital Directive 'CRD III' (i.e. Directive 2010/76/EU amending the Capital Requirements Directives).

VÚB BANKA

Subsidiaries with a 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 52 787 1760
Fax:	+421 52 786 1764
General Manager:	Ing. Jaroslav Kiska

VÚB Leasing, a.s.

Registered office:	Mlynské nivy 1, 820 05 Bratislava
Shareholders:	VÚB, a.s.
VUB's stake in registered capital:	100%
Core business:	Financial and operating leasing
Tel:	+421 2 4855 3611
Fax:	+421 2 5542 3176
General Manager:	Ing. Branislav Kováčik

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 forfeiting
Tel:	+421 2 5055 2784
Fax:	+421 2 5055 2012
General Manager:	Ing. Dušan Čižmárik

Recovery, a.s.*

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

* At 31 December 2013, VUB Bank sold its subsidiary Recovery, a.s. to VÚB Factoring, a.s. The control was transferred together with registering the change in the Central Securities Depository on 2 January 2014. Recovery, a.s. merged into VÚB Factoring, a.s. on 31 January 2014.

During 2013 VÚB, a.s. lost its majority stake in the VÚB Asset Management, správ. spol., a.s., registered office Mlynské nivy 1, 820 04 Bratislava, because of a change in the company's registered capital. After the entrance of new shareholders from ISP Group in April 2013, the registered capital of the company increased from € 1,660,000 to € 4,093,560. The company Eurizon Capital SA, a 100% subsidiary of Intesa Sanpaolo Group, with its share 50.1% became the majority shareholder of VUB Asset Management. VUB's stake in the company has decreased from 100% to 40.6%, and Croatian PBZ (Privredna Banka Zagreb) holds a stake of 9.3%.

Shareholders:	Eurizon Capital SA, VÚB, a.s., Privredna Banka Zagreb
Stake in registered capital:	Eurizon Capital SA: 50.1% VÚB, a.s.: 40.6% Privredna Banka Zagreb: 9.3%
Core business:	Collective investments, Portfolio management
Tel:	+421 2 5055 2183
Fax:	+421 2 5055 2006
General Manager:	Alberto Castelli

Statement on Compliance with the Corporate Governance Code for Slovakia

A. Company Organization

The structure of VÚB, a.s. bodies:

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

General Meeting

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

The Ordinary General Meeting of the company was held on 20 March 2013. The shareholders at this meeting approved the 2012 Annual Report of VÚB, a.s., the 2012 Statutory Separate Financial Statements prepared in accordance with IFRS and Consolidated Financial Statements prepared in accordance with IFRS for a previous year as submitted by the Management Board of the Bank. The shareholders also decided on distributing the profit earned in 2012 to the amount of € 86,039,013.03 in dividends to shareholders to the amount of € 64,622,859.57 and by retained earnings in the amount of € 21,416,153.46.

Moreover, the General Meeting approved a change in the VÚB, a.s. Articles of association, acquisition of VÚB, a.s. own shares and determined conditions of the acquisition and decided on personnel changes in the VÚB, a.s. Supervisory Board and the Committee for Audit.

Two Extraordinary General Meetings were held in 2013. At the First Extraordinary General Meeting held on 19 April 2013 shareholders approved the acquisition of Intesa Sanpaolo S.p.A. shares and the determination of conditions for the acquisition of Intesa Sanpaolo S.p.A. shares in line with Remuneration Policies and Amendments to the Articles of Association of VÚB, a.s. The subject of the Second Extraordinary General Meeting that was held on 11 November 2013 was the approval of the acquisition of VÚB, a.s. own shares and the determination of the conditions of the acquisition of VÚB, a.s. own shares, the approval of the Amendments to the Articles of Association of VÚB, a.s. and decisions on Personnel changes in VÚB, a.s. Supervisory Board.

Supervisory Board

Members of the Supervisory Board in 2013

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

Ignacio Jaquotot – Vice Chairman of the Supervisory Board (since 11 November 2013)
- Head of International Subsidiary Banks Division, Intesa Sanpaolo, Italy

Massimo Malagoli – Vice Chairman of the Supervisory Board (until 11 November 2013) and Member of the Supervisory Board (since 11 November 2013)
- Head of Planning & Control Department – International Subsidiary Banks Division, Intesa Sanpaolo, Italy

Paolo Sarcinelli – Member of the Supervisory Board (since 9 April 2013)
- Head of Credit Department – International Subsidiary Banks Division, Intesa Sanpaolo, Italy

Christian Schaack – Member of the Supervisory Board (since 11 November 2013)
- Independent member

Andrej Straka – Member of the Supervisory Board (since 9 December 2013)
- Employee representative

Adriano Arietti – Member of the Supervisory Board (until 8 April 2013)
- Independent member

Antonio Furesi – Member of the Supervisory Board (until 11 November 2013)
- Head of Coordination Unit of VUB Bank (Slovakia) and CIB Bank (Hungary) – International Subsidiary Banks Division, Intesa Sanpaolo, Italy

Jana Finková – Member of the Supervisory Board (until 28 November 2013)
- Employee representative

Ján Gallo – Member of the Supervisory Board (until 15 December 2013)
- Employee representative

Upon the Management Board's proposal, the Supervisory Board:

a) reviews the annual report, the ordinary, extraordinary, individual and consolidated accounts and recommends the annual report, the ordinary, extraordinary, individual and consolidated accounts to the General Meeting for approval;
b) approves the proposed distribution of current and/or past profits;
c) approves rules for the creation and use of other funds created by VÚB, a.s.;
d) approves the draft plan for the settlement of unsettled loss and/or unsettled losses from past years;
e) approves proposed changes to the internal audit and internal control system;
f) approves the annual audit plan and the annual report on the results of the activities of the Internal Audit and Control Unit;
g) reviews and approves the following matters, before their submission to the General Meeting by the Management Board:
    a. proposals for changes to the Articles of Association; and
    b. proposals for an increase or decrease in the registered share capital of VÚB, a.s. and/or for the issue of preference or convertible bonds, according to the relevant provisions of the Commercial Code;
h) approves agreements on the performance of function with the members of the Management Board;
i) approves any proposal for an increase or decrease in the registered capital of VÚB, a.s.;
j) approves any substantial change in the nature of the business of VÚB, a.s. or the way in which the business of VÚB, a.s. is carried out, if it is not already approved in the printed forecasts for the business and financial conditions in any relevant year;
k) approves remuneration policies for rewarding managers who are directly under the responsibility of the Management Board and the Supervisory Board, as well as of members of the Supervisory Board;
l) decides on other issues falling within the authority of the Supervisory Board under the cogent provisions of legal regulations and the Articles of Association.

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

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

General

1. Supervisory Board members are elected by the General Meeting. The VUB Management Board is elected by the Supervisory Board.
2. The below-mentioned curricula vitae contain information on the professional qualifications of 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 2013, the VUB Management Board held 28 meetings and adopted eight decisions on a per rollam basis. The VUB Supervisory Board held 4 meetings and adopted twenty decisions on a per rollam basis during the 2013 financial year. Documents with detailed information are distributed sufficiently in advance – in the case of the Management Board no less than 3 working days, in the case of the Supervisory Board no less than 10 days 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. None of the Supervisory Board members is a member of the VUB Management Board nor holds any other top managerial position in the Bank. Save for members of the Supervisory Board elected by VUB employees, a Supervisory Board member may not be an employee of VUB.

Management Board

1. Management Board Members in 2013

Alexander Resch	Chairman of the Management Board and CEO (since 1 October 2013)
Ignacio Jaquotot	Chairman of the Management Board and CEO (until 30 September 2013)
Elena Kohútiková	Member of the Management Board and Deputy CEO
Andrea De Michelis	Member of the Management Board and Chief Financial Officer
Stanislav Hodek	Member of the Management Board and Chief IT Officer
Jiří Huml	Member of the Management Board and Chief Retail Banking Officer (since 1 June 2013)
Adrián Ševčík	Member of the Management Board and Chief Retail Banking Officer (until 7 April 2013)
Jozef Kausich	Member of the Management Board and Chief Corporate Banking Officer
Peter Magala	Member of the Management Board and Chief Risk Officer
Silvia Púchovská	Member of the Management Board and Chief HR Officer
Daniele Fanin	Member of the Management Board and Head of VUB Branch in Prague (until 8 January 2013)

Alexander Resch – Chairman of the Management Board and CEO of VÚB, a. s.
Mr. Alexander Resch became the new Chief Executive Officer and Chairman of the Management Board of VUB Bank on 1 October 2013 returning from Albania where he managed Intesa Sanpaolo Bank Albania from September 2012. Alexander Resch has worked for Intesa Sanpaolo Group throughout his entire career. Before becoming Chief Executive Officer of VUB Bank, he also held the position of Member of the Management Board and Chief Risk Officer of the Bank in the period from 2008 to 2012. Mr. Resch firstly arrived in Slovakia in 2004 to coordinate the acquisition of the TatraCredit Group by VUB Bank, which was subsequently transformed into Consumer Finance Holding, VUB's sales finance subsidiary. Alexander Resch studied economics at Universita Cattolica del Sacro Cuore in Milan and he

also holds a double Executive MBA degree from the University of Minnesota-Carlson School of Management and the Vienna University of Economics and Business.

Ignacio Jaquotot – Chairman of the Management Board and CEO of VÚB, a. s.
Mr. Ignacio Jaquotot acted as Chairman of the Management Board and CEO of Všeobecná úverová banka, a. s. from July 2007 to October 2013. Currently Mr. Jaquotot is the Head of International Subsidiary Bank Division within the Intesa Sanpaolo Group.

Elena Kohútiková – Member of the Management Board and Deputy CEO
Ms. Elena Kohútiková was appointed to the post of Deputy CEO of VÚB a.s. in 2009. The main responsibilities related to the position are in the field of Risk Management, Finance, Planning and Controlling, Payments, Operational Services and Information Technologies, Security, Compliance, Anti Money Laundering, Legal Services and Business Continuity Management. Ms. Kohútiková started working with VÚB, a.s. in October 2006 as a member of the Management Board and Executive Director of Financial and Capital Market Division. She entered the banking sector following her engagement in the State Bank of Czechoslovakia from 1990 to 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 and 5 years in ZŤS Dubnica nad Váhom where she began her professional career after graduating from the University of Economics in Bratislava in 1977. She ranked among the key persons who built the National Bank of Slovakia where she worked in the position of Executive Director of Economic Division from its establishment. From 1994 until 2000 she was a member of the Bank Board of the National Bank of Slovakia. Between 2000 and 2006 she held the position of Deputy Governor of NBS and was in charge of monetary policy management, open market operations, 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. She actively cooperated in the accession of Slovakia to the Eurozone in the position of Vice Governor of the NBS as well as in the introduction of the Euro in Slovakia and in VUB.
In January 2014 the president of the Slovak Republic awarded Ms. Kohútiková with the highest state honour Second Class Ľudovít Štúr Order for significant achievements in the development of banking and economy of the Slovak Republic. In addition to many other awards Ms. Kohútiková was awarded twice Forbes magazine prize of Top Woman in Slovak Business, in 2012 and 2013, then First Place in the TOP Ten Women of Slovak Business in 2012 awarded by the daily Hospodárske noviny, the Golden Biatec Award in 2012 for contributions to the banking culture in the Slovak Republic and in 2013 also the Golden Commemorative Medal granted for long-term work in the development of the Faculty of National Economy at the University of Economics in Bratislava.

Andrea De Michelis – Member of the Management Board and Chief Financial Officer
VÚB, a.s. Supervisory Board appointed Mr. Andrea De Michelis to the position of Management Board member and Executive Director of the Finance, Planning & Controlling Division in 2011. He is responsible for Planning & Control, Accounting, Asset Liability Management, Real Estate, Procurement and Internal Services. Mr. De Michelis has spent most of his professional life in the banking sector. Before starting working with VUB he worked from 2007 for the Bank of Alexandria, Cairo, Egypt as the Chief Financial Officer and Head of Accounting, Planning & Control. During the restructuring of the bank his responsibilities were focused mainly on preparation of Business Plans and Budgets, development of the Management Reporting, introduction of the Fund Transfer Pricing establishment of Cost Control, implementation of the new IFRS oriented Egyptian Accounting Standards. During the period of 1989 and 2007 Mr. De Michelis worked for Inter-Europa Bank Rt. (IEB) Budapest, Hungary as the Executive Director – Head of Risk Management, Head of Planning and Control; Advisor to the Management Board for Banka Koper in Slovenia; Director and Head of Planning and Control and Accounting Sanpaolo for Wealth Management Milan Italy as well as for Sanpaolo IMI London Branch and Sanpaolo in Turin.

Stanislav Hodek – Member of the Management Board and Chief IT Officer
After being appointed by the VUB Supervisory Board, on 1 October 2012, Mr. Stanislav Hodek became a new member of the VUB Management Board and Executive Director of Operations and IT Division. Mr. Stanislav Hodek comes to VUB from Slovenský plynárenský priemysel (Slovak Gas Industry) where

he was a director of the IT division and consequently a director of Customer Services Division. Mr. Stanislav Hodek graduated from the Slovak University of Technology in Bratislava, Telecommunication and Data Processing specialisation. His experience in the field of information systems has been developed during his entire career. Firstly in ČSOB, where he was engaged in the establishment of the Slovak IT Department for ČSOB and implementation of new banking information system, then in ING Bank as the Director Operations and Information and Communication Systems Division. He was a co-manager Of European Centre of ING Services in Budapest, responsible for a new banking information system in Bratislava and for ING Service Centre (in Budapest). Moreover, he participated in implementation of the new information system and principles of the Centre of Excellence within ING. Mr. Stanislav Hodek was Chairman of the Management Board of Infogas, a. s., a subsidiary of SPP between 2003 and 2011. In 90s he was a member of Supervisory Boards of ACS, Business Center, s. r. o., a subsidiary of ČSOB and a member of the extended management council of ING in the Czech and Slovak Republic.

Jiří Huml – Member of the Management Board and Chief Retail Banking Officer
Mr. Jiří Huml became a VUB Management Board member and Executive Director of the Retail Banking Division in June 2013. He came to VUB from Slovenská sporiteľňa where he was a member of the Management Board responsible for the management of retail sales and products.
Jiří Huml studied Computer Science and Economics at the Czech University of Agriculture in Prague, Suchdol and New York State University/Central European University and he also studied at the Department of Mathematics and Physics of Charles University in Prague and took postgraduate studies at the University of Economics in Prague.
He worked in public service from 1990 and in 1992 he joined the consulting company McKinsey & Company in Frankfurt/Main, later in Prague, Budapest and Moscow. Between 1999 and 2001 he worked with Komerční banka in Prague as a member of the Management Board and Deputy Chief Executive Officer responsible for the Operational Services. Later he joined Česká Poisťovna as a Deputy Chief Executive Officer responsible for the area of Operations and Client Services. From 2006 he was responsible for Private Banking in Česká sporitelňa in Prague and for sales on financial markets for the Czech Republic in Erste Holding in Vienna. Last three years he was a member of the Management Board of Slovenská sporiteľňa responsible for Retail Sales and Product Management.

Adrián Ševčík – Member of the Management Board and Chief Retail Banking Officer
Mr. Adrián Ševčík acted in the position of Member of the VUB Management Board and Executive Director of the Retail Banking Division from April 2010 until April 2013.

Jozef Kausich – Member of the Management Board and Chief Corporate Banking Officer
Mr. Jozef Kausich has been holding the position of the Executive Director of the Corporate Banking Division in VUB since April 2005. Concurrently, he holds the position of the Supervisory Board member of the companies VUB Leasing and VUB Factoring. He gained his banking experience in the field of corporate banking, credit analyses, process adjustments, and product development, as well as in overall coordination of services and relationships with corporate customers. He also took part in several banking mergers and acquisitions.
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. During his banking career, he has undertaken several study visits abroad.

Peter Magala – Member of the Management Board and Chief Risk Officer
Mr. Peter Magala has been in the position of member of the VUB Management Board and Executive Director of the Risk Management Division since 1 March 2012. Before his appointment to the position Mr. Magala worked in the position of the Head of VUB Internal Audit and Control Department. Having graduated from the University of Economics in Bratislava, Faculty of National Economy, he started his career with Deloitte & Touche, Bratislava. Peter Magala gained his further banking experience as a Relationship Manager with Citibank, Bratislava where he worked between 2002 and 2004. Since 2004 he has continued his banking career in Tatrabanka/Raiffeisen International mostly participating in an international IT project in Maribor (Slovenia) as Senior Business Analyst responsible for the accounting area.

Mr. Magala started working with VUB in 2006. Firstly as a Head of Corporate Credit Control Sub-department within Internal Auditing Department then from 2007 as a Head of Internal Audit and Control Department responsible for internal auditing of the entire VUB Group. Peter Magala holds an internationally recognized professional qualification in risk management – Financial Risk Manager (FRM), and he is a Fellow member of the Association of Chartered Certified Accountants (FCCA).

Silvia Púchovská – Member of the Management Board and Chief HR Officer
Ms. Silvia Púchovská assumed the position of Member of the Management Board and Executive Director of the Human Resources Division in February 2008. From 2003 to 2007, Silvia Púchovská worked at Emerson as HR Director in Nové Mesto nad Váhom, and later in Moscow. Her responsibilities involved reporting to Emerson Headquarters in St. Louis, the coordination of HR processes for Emerson Process Management and its acquisitions in CIS and Baltic countries, and the management of all HR functions in Eastern Europe. From 1999 to 2003, as an HR and Training Manager in Generali Poisťovňa a. s., Bratislava, she was in charge of internal policies regulation, recruitment, remuneration policy and training programs for staff in Slovakia. In 1993 – 1998, Ms. Púchovská worked at Jägers Training & Consultancy, s.r.o. as Training and Project Manager. She was responsible for the sales of training programs, and managed and conducted different types of training projects.

Daniele Fanin – Member of the Management Board and Head of VUB Branch in Prague
Mr. Daniele Fanin had been working in the position of Member of the Management Board and Head of VUB Branch in Prague until 8 January 2013.

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

a) implementing decisions taken by the General Meeting and the Supervisory Board;
b) ensuring the accuracy of the mandatory bookkeeping and other records, trade books and other documentation of VÚB, a. s.;
c) managing the issuer‘s securities registry;
d) after prior approval by and upon a proposal by the Supervisory Board, submitting the following matters to the General Meeting for approval:
   - amendments to the Articles of Association of the bank;
   - proposals for increasing / decreasing registered capital and bond issues;
   - ordinary, extraordinary, or consolidated financial statements
   - proposals for distribution of current or retained profits and/or proposals for settlement of outstanding losses from the current and/or previous years; and
   - the annual report,
e) approval and regular investigation of Bank Remuneration Policies.

3. The Management board has established the following specialized committees particularly related to risk management: Corporate Credit Committee, Assets and Liabilities Committee, Corporate Risk Committee, Operational Risk Committee, New Product Committee, Business, Risk, IT architecture Committee.

4. Conditions of performance of function of a Management Board Member are defined by an Agreement on performance of the function with the member of the Management Board in line with the relevant provisions of the Commercial Code, Act No. 483/2001 Coll. on Banks, adopted Remuneration Policies and another relevant legislation.

B. Audit Committee

The Audit Committee comprised of three members (including the Chairman) as of 31 December 2013. Two members were appointed by the General Meeting (one was appointed on 3 April 2012 and the second was appointed on 9 April 2013). One member of the Audit Committee (appointed by Supervisory Board on 11 November 2013) is a Member of the Supervisory Board. The Audit Committee held four meetings during 2013. 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; compliance with regulatory requirements; audit of the separate 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 the appointment of an auditor for carrying out the audit of the Bank, and sets a date for an auditor to submit a statutory declaration about his independency. The Audit Committee invited an external auditor to attend its meetings.

The Supervisory Board invited the Chairman of the Audit Committee to attend its meetings in 2013. 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 the recommendation and prior consent issued by the Supervisory Board. Furthermore, the Supervisory Board also defines the remuneration and compensation scheme for this position.

C. Operational Remuneration Committee and Remuneration Committee

The Operational Remuneration Committee was founded in VUB in June 2008. It has 4 members including the CEO of VUB. The committee usually meets twice a year and approves the issues related to the remuneration of employees, mainly setting and evaluation of KPIs, base salary adjustment, remuneration and amendments to the performance evaluation policy.

The Remuneration Committee was founded in VUB in July 2012. It has 3 members at least 2 of whom are members of the Supervisory Board. The committee meets at least once a year. Its main roles are to independently assess the compensation principles of the selected positions (according to the Act on Banks) and their impact on the management of risk, own funds and liquidity; be responsible for preparation of decisions concerning the compensation of the selected positions, including decisions affecting the risks and the management of risks in the Bank, which are to be made by the Management Board of VUB; take account of long-term interests of shareholders, investors and other interested parties of the Bank in preparing its decisions.

D. Disclosure of Information and Transparency

1. The Bank applies strict rules in the area of insider dealing, and continually maintains and updates a list of insiders.
2. Information about corporate governance is published on the VUB web site www.vub.sk in the section “About us”. Information for shareholders is available on the VUB web site www.vub.sk in the “For Shareholders” section.
3. Members of the Management Board and Supervisory Board do not have any personal interest in the business activities of the Bank. The Bank strictly observes the provisions of the Banking Act No. 483/2001 Coll. (hereinafter ‘Banking Act‘) as amended, applicable to the provision of deals to the Bank’s related parties. Under the Banking Act, the closing of such a deal requires the unanimous consent of all the Management Board members based on a written analysis of the deal concerned; a person with a personal interest in the given deal is expelled from a decision-making role. The Bank does not carry out with its related parties any such deals, which owing to their nature, purpose or risk, would not be performed with other clients.
4. The Bank abides by both the Corporate Governance Code for Slovakia 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. The Corporate Governance Code for Slovakia is available on the Central European Corporate Governance Association – CECGA web site www.cecga.org.sk. The Bratislava Stock Exchange Rules are available on the Bratislava Stock Exchange web site www.bsse.sk in a part "BSSE Regulations".

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

E. Relations between the Company and its Shareholders

The Bank observes the provisions of the Commercial Code and other relevant valid legislation applicable to the protection of shareholders' rights, as well as the regulation on the timely provision of all relevant information on the company and provisions on convening and conducting its General Meetings.

The Company applies the principle of shareholders' rights, equal access to information for all shareholders and other relevant principles pursuant to the Corporate Governance Code for Slovakia.

F. The Company's Approach to Shareholders

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

VÚB BANKA

BASIC INDICATORS

Selected Indicators (in thousands of euro)

	Separate financial statements prepared in accordance with IFRS 2013	2012 restated	2011 restated	Consolidated financial statements prepared in accordance with IFRS 2013	2012 restated	2011 restated
Statement of financial position						
Loans and advances to customers	7,159,983	7,139,119	6,917,544	7,574,317	7,526,581	7,266,546
Due to customers	7,839,050	7,634,484	7,338,509	7,838,211	7,632,684	7,327,766
Equity	1,272,427	1,245,075	1,072,459	1,379,389	1,321,594	1,115,258
Total assets	11,151,378	10,833,784	10,801,682	11,556,423	11,215,957	11,131,298
Statement of profit or loss						
Operating income	438,054	395,785	464,931	530,834	481,713	525,893
Operating expenses	(236,296)	(226,728)	(199,940)	(265,276)	(255,091)	(236,269)
Operating profit before impairment	201,758	169,057	264,991	265,558	226,622	289,624
Profit from operations	137,792	108,350	197,693	177,678	146,627	221,689
Net profit for the year	104,638	86,039	157,664	135,096	119,704	176,903

Commercial indicators	2013	2012	2011
ATMs	573	566	560
EFT POS Terminals	9,201	8,742	7,689
Payment cards	1,313,014	1,327,897	1,327,282
thereof Credit cards	372,968	387,851	407,656
Mortgage loans (€ thousand, VUB Bank)	2,899,094	2,830,474	2,716,118
Consumer loans (€ thousand, VUB Bank)	849,224	779,805	702,796
Number of employees (VUB Group)	3,959	4,003	4,062
Number of branches in Slovakia (VUB Bank)	244	247	250

Rating (status as at 31 December 2013)	
Moody's	
Long-term deposits	A3
Short-term deposits	P-2
Financial strength	C-

Stable outlook

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European union
and Independent Auditor's Report
for the year ended 31 December 2013

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Translation of the statutory Auditors' Report originally prepared in Slovak language

Independent Auditors' Report

To the Shareholders, Supervisory Board and Board of Directors 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 statement of financial position as at 31 December 2013, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management as represented by the statutory body is responsible for the preparation of consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union 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 about 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 our 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, we consider internal control relevant to the entity's preparation of the 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 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 2013, 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 European Union.

17 February 2014
Bratislava, Slovak Republic

Slovenská komora audítorov
SKAU
Č.licencie 96
KPMG
Slovensko spol. s r.o.

Auditing company:
KPMG Slovensko spol. s r.o.
License SKAU No. 96

Responsible auditor:
Ing. Richard Farkaš, PhD.
License SKAU No. 406

VÚB BANKA

Consolidated statement of financial position at 31 December 2013

(In thousands of euro)

	Note	2013	Restated 2012
Assets			
Cash and balances with central banks	7	96,820	150,837
Due from banks	8	771,638	580,780
Financial assets at fair value through profit or loss	9	207,674	73,770
Derivative financial instruments	10	29,221	42,619
Available-for-sale financial assets	11	1,588,324	1,482,727
Loans and advances to customers	12	7,574,317	7,526,581
Held-to-maturity investments	14	995,831	1,041,721
Associates and jointly controlled entities	15	14,362	7,596
Intangible assets	16	54,807	47,841
Goodwill	17	29,305	29,305
Property and equipment and Non-current assets held for sale	18	122,108	138,776
Current income tax assets	19	-	16,475
Deferred income tax assets	19	41,895	43,637
Other assets	20	30,121	33,292
		11,556,423	11,215,957
Liabilities			
Due to central and other banks	21	781,504	667,350
Derivative financial instruments	10	42,884	53,194
Due to customers	22	7,838,211	7,632,684
Debt securities in issue	23	1,404,607	1,417,762
Current income tax liabilities	19	1,166	-
Provisions	24	22,033	25,607
Other liabilities	25	86,629	97,766
		10,177,034	9,894,363
Equity			
Equity (excluding net profit for the year)	26	1,244,293	1,201,890
Net profit for the year	26	135,096	119,704
		1,379,389	1,321,594
		11,556,423	11,215,957
Financial commitments and contingencies	27	2,833,496	2,682,700

The accompanying notes on pages 35 to 123 form an integral part of these financial statements.

These financial statements were authorised for issue by the Management Board on 17 February 2014.

Alexander Resch
Chairman of the Management Board

Andrea De Michelis
Member of the Management Board

VÚB BANKA

Consolidated statement of profit or loss and other comprehensive income

for the year ended 31 December 2013

(In thousands of euro)

	Note	2013	2012
Interest and similar income		528,491	543,131
Interest and similar expense		(115,769)	(151,895)
Net interest income	28	412,722	391,236
Fee and commission income		136,756	142,294
Fee and commission expense		(36,432)	(32,670)
Net fee and commission income	29	100,324	109,624
Net trading result	30	9,655	(25,485)
Other operating income	31	8,133	6,338
Operating income		530,834	481,713
Salaries and employee benefits	32	(107,796)	(97,428)
Other operating expenses	33	(91,154)	(91,766)
Special levy of selected financial institutions	33	(38,480)	(35,151)
Amortisation	16	(11,216)	(12,171)
Depreciation	18	(16,630)	(18,575)
Operating expenses		(265,276)	(255,091)
Operating profit before impairment		265,558	226,622
Impairment losses	34	(87,880)	(79,995)
Profit from operations		177,678	146,627
Share of profit of associates and jointly controlled entities	15	2,032	1,213
Profit before tax		179,710	147,840
Income tax expense	35	(44,614)	(28,136)
NET PROFIT FOR THE YEAR		135,096	119,704
Other comprehensive income for the year, after tax:			
Items that may be reclassified to profit or loss in the future:			
Exchange difference on translating foreign operation		(6)	152
Available-for-sale financial assets		(14,667)	130,458
Cash flow hedges		1,697	3,116
Other comprehensive income for the year, net of tax	36, 37	(12,976)	133,726
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		122,120	253,430

The Net profit and Total comprehensive income are fully attributable to owners of the parent.

The accompanying notes on pages 35 to 123 form an integral part of these financial statements.

VÚB BANKA

Consolidated statement of changes in equity for the year ended 31 December 2013
(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 2012	430,819	13,368	95,261	653,184	(153)	(72,630)	(4,591)	1,115,258
Total comprehensive income for the year, net of tax	-	-	-	119,704	152	130,458	3,116	253,430
Dividends to shareholders	-	-	-	(47,364)	-	-	-	(47,364)
Reversal of dividends distributed but not collected	-	-	-	272	-	-	-	272
Legal reserve fund	-	-	2,482	(2,482)	-	-	-	-
Other *	-	-	-	(3)	1	-	-	(2)
Effect of FX hedge *	-	-	-	(50)	-	-	50	-
At 31 December 2012	430,819	13,368	97,743	723,261	-	57,828	(1,425)	1,321,594
At 1 January 2013	430,819	13,368	97,743	723,261	-	57,828	(1,425)	1,321,594
Total comprehensive income for the year, net of tax	-	-	-	135,096	(6)	(14,667)	1,697	122,120
Dividends to shareholders	-	-	-	(64,623)	-	-	-	(64,623)
Reversal of dividends distributed but not collected	-	-	-	166	-	-	-	166
Legal reserve fund	-	-	1,764	(1,764)	-	-	-	-
Other *	-	-	-	(15)	14	-	-	(1)
Sale of treasury shares	-	133	-	-	-	-	-	133
At 31 December 2013	430,819	13,501	99,507	792,121	8	43,161	272	1,379,389

* The foreign currency difference disclosed under Translation of foreign operation was settled within the transfer of profit for 2011 and 2012 from the foreign branch. Profit was originally generated in Czech Crowns (‘CZK’) and in 2012 the foreign exchange effect of this translation was hedged.

The accompanying notes on pages 35 to 123 form an integral part of these financial statements.

Consolidated statement of cash flows for the year ended 31 December 2013

(In thousands of euro)

	Note	2013	Restated 2012
Cash flows from operating activities			
Profit before tax		179,710	147,840
Adjustments for:			
Amortisation		11,216	12,171
Depreciation		16,630	18,575
Securities at fair value through profit or loss, debt securities in issue and FX differences		(17,186)	7,944
Share of profit of associates and jointly controlled entities		(2,018)	(1,270)
Interest income		(528,491)	(543,131)
Interest expense		115,769	151,895
Sale of property and equipment		(423)	109
Impairment losses and similar charges		101,518	79,967
Interest received		535,582	550,347
Interest paid		(120,042)	(154,594)
Tax paid		(25,231)	(7,994)
Due from banks		(30,339)	(69,915)
Financial assets at fair value through profit or loss		(137,334)	200,335
Derivative financial instruments (assets)		15,095	40,946
Available-for-sale financial assets		(125,243)	99,195
Loans and advances to customers		(148,783)	(334,846)
Other assets		8,484	(17,613)
Due to central and other banks		113,233	(179,160)
Derivative financial instruments (liabilities)		(10,310)	(4,188)
Due to customers		211,360	304,585
Other liabilities		(9,116)	(1,341)
Net cash from operating activities		154,081	299,857
Cash flows from investing activities			
Purchase of held-to-maturity investments		-	(69,000)
Repayments of held-to-maturity investments		43,152	161,212
Purchase of intangible assets and property and equipment		(26,135)	(30,800)
Disposal of property and equipment		1,223	2,220
Net cash from investing activities		18,240	63,632
Cash flows from financing activities			
Proceeds from issue of debt securities		122,359	194,150
Repayments of debt securities		(119,885)	(442,554)
Sale of treasury shares		133	-
Dividends paid		(64,623)	(47,364)
Net cash used in financing activities		(62,016)	(295,768)
Net change in cash and cash equivalents		110,305	67,721
Cash and cash equivalents at the beginning of the year	6	165,969	98,248
Cash and cash equivalents at the end of the year	6	276,274	165,969

The accompanying notes on pages 35 to 123 form an integral part of these financial statements.

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 2013, the Bank had a network of 244 points of sale (including Retail Branches, Corporate Branches and Mortgage centres) located throughout Slovakia (December 2012: 247). The Bank also has one branch in the Czech Republic.

At 31 December 2013, the members of the Management Board are: Alexander Resch (Chairman from 1 October 2013), Andrea De Michelis, Stanislav Hodek, Jiří Huml (from 1 June 2013), Jozef Kausich, Elena Kohútiková, Peter Magala and Silvia Púchovská.

Other members of the Management Board during 2013 were: Ignacio Jaquotot (Chairman until 30 September 2013), Daniele Fanin (until 8 January 2013) and Adrián Ševčík (until 7 April 2013).

At 31 December 2013, the members of the Supervisory Board are: György Surányi (Chairman), Ignacio Jaquotot (Vice Chairman from 11 November 2013), Massimo Malagoli (member from 11 November 2013, Vice Chairman until 11 November 2013), Paolo Sarcinelli (from 9 April 2013), Christian Schaack (from 11 November 2013) and Andrej Straka (from 9 December 2013).

Other members of the Supervisory Board during 2013 were: Adriano Arietti (until 8 April 2013), Jana Finková (until 28 November 2013), Antonio Furesi (until 11 November 2013) and Ján Gallo (until 15 December 2013).

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. All entities are incorporated in the Slovak Republic.

	Share 2013	Share 2012	Principal business activity
Subsidiaries			
Consumer Finance Holding, a.s. ('CFH')	100%	100%	Consumer finance business
VÚB Leasing, a. s. ('VÚB Leasing')	100%	100%	Finance and operating leasing
VÚB Asset Management, správ. spol., a.s. *	-	100%	Asset management
VÚB Factoring, a.s.	100%	100%	Factoring of receivables
Recovery, a.s.	100%	100%	Finance leasing
Associates			
VÚB Asset Management, správ. spol., a.s. *	40.55%	-	Asset management
Slovak Banking Credit Bureau, s.r.o.	33.33%	33.33%	Credit database administration
Jointly controlled entities			
VÚB Generali DSS, a.s.	50%	50%	Pension fund administration

* Following an increase in the registered capital and entrance of new shareholders from Intesa Sanpaolo Group into VÚB Asset Management, správ. spol., a.s. in April 2013, the Bank's stake in the Company decreased from 100% to 40.55% and at the same time the control over the Company was lost. The subsidiary was deconsolidated within the VUB Group's financial statements and started to be classified as the investment in associate for which equity method of consolidation is used. The effect of the deconsolidation on the financial position and statement of cash flows of the Group after inter-company eliminations was as follows:

1. General information (continued)

€ '000	April 2013
Financial assets at fair value through profit or loss	(4,743)
Intangible assets	(25)
Property and equipment	(25)
Other assets including tax assets	(2)
Due to customers	(1,447)
Other liabilities	162
	(6,080)
Cash consideration received	-
Cash and cash equivalents disposed of	-
Net cash inflow	-

The VUB Group's ultimate parent company is Intesa Sanpaolo S.p.A., which is a joint-stock company and is incorporated and domiciled in Italy. The consolidated financial statements of the company are available at the address of its registered office at 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 consolidated financial statements of the VUB Group for the year ended 31 December 2012 were authorised for issue by the Management Board on 13 February 2013.

The separate financial statements of the Bank for the year ended 31 December 2013 were issued on 17 February 2014 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 at fair value through profit or loss and all derivative financial instruments to fair value and in the case of the financial assets or financial liabilities designated as hedged items in qualifying fair value hedge relationships modified by the changes in fair value attributable to the risk being hedged.

The financial statements were prepared using the going concern assumption that the VUB Group will continue in operation for the foreseeable future.

The financial statements are presented in thousands of euro ('€'), unless indicated otherwise. Euro is the functional currency of the VUB Group.

Negative balances are presented in brackets.

2.2 Changes in accounting policies and presentation

In 2013 the Group reassessed the presentation of selected financial liabilities in the Statement of financial position. As a result, the Group changed the classification of the loans received from international financial institutions from 'Due to customers' to 'Due to central and other banks' in order to provide more relevant and reliable information on the Group's financial position. The change of the presentation policy was applied retrospectively in these consolidated financial statements.

2. Summary of significant accounting policies (continued)

The following table shows the effect of the change in the presentation on the related items of the Consolidated statement of financial position at 31 December 2012 and 31 December 2011:

€ '000	Previously reported Dec 2012	Previously reported Dec 2011	Change in presentation Dec 2012	Change in presentation Dec 2011	Restated Dec 2012	Restated Dec 2011
Due to central and other banks	533,565	688,469	133,785	159,642	667,350	848,111
Due to customers	7,766,469	7,487,408	(133,785)	(159,642)	7,632,684	7,327,766

The change of classification of these items also resulted into restatement of interest expense presented in 'Net interest income' (see also note 28) and of fee and commission expense included in 'Net fee and commission income' (see also note 29).

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

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

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

IFRS 10 Consolidated Financial Statements

IFRS 10 provides a single model to be applied in the control analysis for all investees, including entities that currently are SPEs in the scope of SIC-12. IFRS 10 introduces new requirements to assess control that are different from the existing requirements in IAS 27 (2008). Under the new single control model, an investor controls an investee when:

- it is exposed or has rights to variable returns from its involvements with the investee;
- it has the ability to affect those returns through its power over that investee; and
- there is a link between power and returns.

The new standard also includes the disclosure requirements and the requirements relating to the preparation of consolidated financial statements. These requirements are carried forward from IAS 27 (2008). IFRS 10 is effective for annual periods beginning on or after 1 January 2014. The VUB Group does not expect the new standard to have any impact on the financial statements, since the assessment of control over its current investees under the new standard is not expected to change previous conclusions regarding the Group's control over its investees.

IFRS 11 Joint Arrangements

IFRS 11, Joint Arrangements, supersedes and replaces IAS 31, Interest in Joint Ventures. IFRS 11 does not introduce substantive changes to the overall definition of an arrangement subject to joint control, although the definition of control, and therefore indirectly of joint control, has changed due to IFRS 10.

Under the new standard, joint arrangements are divided into two types, each having its own accounting model defined as follows:

- a joint operation is one whereby the jointly controlling parties, known as the joint operators, have rights to the assets, and obligations for the liabilities, relating to the arrangement;
- a joint venture is one whereby the jointly controlling parties, known as joint venturers, have rights to the net assets of the arrangement.

2. Summary of significant accounting policies (continued)

IFRS 11 effectively carves out from IAS 31 jointly controlled entities those cases in which, although there is a separate vehicle for the joint arrangement, separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31, and are now called joint operations. The remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of equity accounting or proportionate consolidation; they must now always use the equity method in its consolidated financial statements. The standard is effective for annual periods beginning on or after 1 January 2014. The Group does not expect the new standard to have any impact on the financial statements, since the assessment of the joint arrangements under the new standard is not expected to result in a change in the accounting treatment of existing joint arrangements.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 requires additional disclosures relating to significant judgements and assumptions made in determining the nature of interests in an entity or arrangement, interests in subsidiaries, joint arrangements and associates and unconsolidated structured entities. The standard is effective for annual periods beginning on or after 1 January 2014. The VUB Group does not expect the new standard will have a material impact on the financial statements.

IAS 27 Separate Financial Statements (as revised in 2011)

As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The amendment becomes effective for annual periods beginning on or after 1 January 2014. The Group does not expect IAS 27 (2011) to have material impact on the financial statements, since it does not results in a change in the Group‘s accounting policy.

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

There are limited amendments made to IAS 28 (2008):

- Associates and joint ventures held for sale. IFRS 5, Non-current Assets Held for Sale and Discontinued Operations applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale. For any retained portion of the investment that has not been classified as held for sale, the equity method is applied until disposal of the portion held for sale. After disposal, any retained interest is accounted for using the equity method if the retained interest continues to be an associate or a joint venture.
- Changes in interests held in associates and joint ventures. Previously, IAS 28 (2008) and IAS 31 specified that the cessation of significant influence or joint control triggered remeasurement of any retained stake in all cases, even if significant influence was succeeded by joint control. IAS 28 (2011) now requires that in such scenarios the retained interest in the investment is not remeasured.

The amendment becomes effective for annual periods beginning on or after 1 January 2014. The VUB Group does not expect the amendment to standard to have material impact on its financial position or financial performance.

IAS 32 – Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)

The amendments do not introduce new rules for offsetting financial assets and liabilities; rather they clarify the offsetting criteria to address inconsistencies in their application. The amendments are effective for annual periods beginning on or after 1 January 2014. The Group does not expect the amendments will have a material impact on the financial statements.

IFRS 10, IFRS 12 and IAS 27 – Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

The Amendments provide an exception to the consolidation requirements in IFRS 10 and requires qualifying investment entities to measure their investments in controlled entities – as well as investments in associates and joint ventures – at fair value through profit or loss, rather than consolidating them. The consolidation exemption is mandatory with the only exception being that subsidiaries that are considered as an extension of the investment entity's investing activities must still be consolidated. The amendments are effective for annual periods beginning on or after 1 January 2014. The Group does not expect the amendments to have any impact on the financial statements.

2. Summary of significant accounting policies (continued)

IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)

The Amendments clarify that recoverable amount should be disclosed only for individual assets (including goodwill) or cash-generated units for which an impairment loss was recognised or reversed during the period. The Amendments also require additional disclosures when an impairment for individual assets (including goodwill) or cash-generated units has been recognised or reversed in the period and recoverable amount is based on fair value less costs to disposal. The amendments are effective for annual periods beginning on or after 1 January 2014. The Group does not expect the amendments will have a material impact on the financial statements.

IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)

The Amendments allows hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws and regulations, when the certain criteria set by the standard are met. The amendments are effective for annual periods beginning on or after 1 January 2014. The Group does not expect the amendments to have any impact on the financial statements, since it does not expect to novate derivatives designated as hedging instruments to central counterparties as a consequence of laws and regulations.

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.

2. Summary of significant accounting policies (continued)

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

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

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

2.5 Foreign currency transactions

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

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

2.6 Foreign operations

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

2.7 Cash and cash equivalents

For the purpose of the Statement of cash flow, cash and cash equivalents comprise cash and balances with central banks, treasury bills and other eligible bills with contractual maturity of less than 90 days and due from banks balances with contractual maturity of less than 90 days.

2.8 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. Cash and other valuables are carried at amortised cost in the Statement of financial position.

2.9 Treasury bills and other eligible bills

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

2.10 Due from banks

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

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

2.11 Securities

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:

2. Summary of significant accounting policies (continued)

(a) Fair value through profit or loss,

(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 at fair value through profit or loss, 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 fair value through profit or loss and the available-for-sale portfolios, are recognised in the Statement of profit or loss and other comprehensive income and in equity respectively.

(a) Securities at fair value through profit or loss

This portfolio comprises following subcategories:

(i) 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.

(ii) Securities designated at fair value through profit or loss on initial recognition

Securities classified in this category are those that have been designated by the management on initial recognition. This designation may be used only when at least one of the following conditions is met:

- the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on a different basis;
- the assets and financial liabilities are a part of a group of financial assets, financial liabilities or both which are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy;
- the financial instrument contains one or more embedded derivatives which significantly modify the cash flows that otherwise would be required by the contract.

Subsequent to their initial recognition these assets are accounted for and re-measured at fair value. The fair value of securities at fair value through profit or loss, for which an active market exists, and a market value can be estimated reliably, is measured at quoted market prices. In circumstances where the quoted market prices are not readily available, the fair value is estimated using the present value of future cash flows.

The VUB Group monitors changes in fair values on a daily basis and recognises unrealised gains and losses in the Statement of profit or loss and other comprehensive income in ‘Net trading result’. Interest earned on securities at fair value through profit or loss is accrued on a daily basis and reported in the Statement of profit or loss and other comprehensive income in ‘Interest and similar income’.

Day 1 profit or loss

When the transaction price is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Group immediately recognises the difference between the transaction price and fair value (a ‘Day 1 profit or loss’) in ‘Net trading result’ 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 profit or loss and other comprehensive income when the inputs become observable, or when the instrument is derecognised.

2. Summary of significant accounting policies (continued)

(b) Available-for-sale securities

'Available-for-sale' securities are those financial assets that are not classified as 'at fair value through profit or loss' 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 profit or loss and other comprehensive income in 'Interest and similar income'.

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

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

Examples of events representing objective evidence of impairment include significant financial difficulty of the issuer, issuer's default or delinquency in interest or principal payments, becoming probable that the issuer will enter into bankruptcy or other reorganisation procedures, the disappearance of an active market for the security due to the issuer's financial difficulties or other elements indicating an objective reduction in the issuer's ability to generate future cash flows sufficient to meet its contractual obligation.

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' in the Statement of profit or loss and other comprehensive income, the impairment loss is reversed through the Statement of profit or loss and other 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' in the Statement of profit or loss and other comprehensive income. Impairment losses on equity investments are not reversed through Statement of profit or loss and other comprehensive income; increases in their fair value after impairment are recognised directly in Other comprehensive income.

(c) Held-to-maturity investments

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

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

2.12 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'.

2. Summary of significant accounting policies (continued)

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.

2.13 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 result'.

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.

With regard to IFRS 13 adoption which contained a clarification in reference to non-performance risk in determining the fair value of the over-the-counter derivatives, a new calculation model was developed in 2013 – the Bilateral Credit Value Adjustment ('bCVA'). It takes fully into account the effects of changes in counterparty credit rating as well as the changes in own credit rating. The bCVA has two addends, calculated by considering the possibility that both counterparties go bankrupt, known as the Credit Value Adjustment ('CVA') and Debit Value Adjustment ('DVA'):

(i) The CVA (negative) takes into account scenarios whereby the counterparty fails before the Group that has a positive exposure to the counterparty. In these scenarios the Group suffers a loss equal to the cost of replacing the derivative,

(ii) The DVA (positive) takes into account scenarios whereby the Group fails before the counterparty and has a negative exposure to the counterparty. In these scenarios the Group achieves a gain equal to the cost of replacing the derivative.

The bCVA depends on the exposure, probability of default and the loss given default of the counterparties. The VUB Group is selective in its choice of counterparties and sets limits for transactions with customers. The Group takes its own and its counterparties' credit risk into consideration to the extent it believes the market participants would do so.

2. Summary of significant accounting policies (continued)

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 profit or loss and other 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 profit or loss and other 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 profit or loss and other comprehensive income in ‘Net trading result’.

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 profit or loss and other comprehensive income in ‘Net trading result’. 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 profit or loss and other comprehensive income in ‘Net trading result’.

2. Summary of significant accounting policies (continued)

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.

2.14 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.

2.15 Non-current assets held for sale

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

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

2.16 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 profit or loss and other 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 profit or loss and other comprehensive income on receipt.

2.17 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 and Other intangible assets	7

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

2. Summary of significant accounting policies (continued)

	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.

2.18 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.

2.19 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 profit or loss and other comprehensive income when the expenditure is incurred.

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

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

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

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

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

2.20 Leasing

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

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

2. Summary of significant accounting policies (continued)

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 and similar expense'.

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.

2.21 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.

2.22 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 current rates of return on Slovak government bonds with the 15 years duration that represents the period which is closest to the average benefit duration. The calculation is performed using the projected unit credit method. All employees of the Group are covered by the retirement and jubilee employee benefits program.

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

	Jubilee benefits	**Retirement benefits**
Discount rate	3.41%	3.41%
Growth of wages in 2014	n/a	2.00%
Future growth of wages after 2014	n/a	3.00%
Fluctuation of employees (based on age)	6 – 18%	6 – 18%
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. Summary of significant accounting policies (continued)

2.23 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 profit or loss and other 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 profit or loss and other comprehensive income in 'Impairment losses'.

2.24 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.

2.25 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.

2.26 Interest income

Interest income and expense is recognised in the Statement of profit or loss and other 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.

2.27 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.

2.28 Net trading result

Net trading result 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.

2.29 Dividend income

Dividend income is recognised in the Statement of profit or loss and other comprehensive income on the date that the dividend is declared.

2. Summary of significant accounting policies (continued)

2.30 Current and deferred 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 the carrying amounts of assets and liabilities and their tax bases. 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'.

2.31 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.

2.32 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.

Financial assets designated at fair value through profit or loss on initial recognition

The VUB Group uses the category 'at fair value through profit or loss on initial recognition' to recognize equity shares acquired as a part of the incentive plan based on which the amount due to employees benefiting from the plan recognized under share remuneration scheme in 'Other liabilities' (see also note 25) is proportional to the fair value of these shares.

Since both variations in the amount of the liability and in the fair value of the shares are recognized in the Statement of profit or loss and other comprehensive income, classification of equity shares into the category 'at fair value through profit or loss on initial recognition' allows the neutralisation of the effect derived from the changes in the value of the debt on the Statement of profit or loss and other comprehensive income and results into the elimination of the accounting mismatch.

Estimates

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

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

2. Summary of significant accounting policies (continued)

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 profit or loss and other 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.

Impairment losses are sensitive to input parameters such as the rating of the client, the probability of default and loss given default of the client. Change of any of these parameters results in a different amount of impairment losses.

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. Financial risk management

Introduction and overview

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

(a) Credit risk,

(b) Market risk,

(c) Liquidity risk,

(d) Operational risk.

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

Risk management framework

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

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

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

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

(a) Credit risk

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

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

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

- Authorized Approval Authority,
- Collateral Management Policy,
- Provisioning Policy,
- Credit Concentration Limits,
- Default Definition,
- Risk Management Client Segmentation Policy,
- Corporate Credit Policy, Retail Credit Policy,
- Retail and Corporate Remedial Management and Collections.

3. Financial risk management (continued)

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.

Impairment losses

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 or is managed on the Watchlist, 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. For the purpose of provisioning for loans collectively assessed for impairment the VUB Group follows the Intesa Sanpaolo Group methodology as well as the methodology based on the Markov chains theory developed internally by VUB Bank. This methodology is used for those segments for which IRB approach is not used and sufficient data for the calculation exist.

Rules for identification of significant clients and methodology for calculation are set in the Credit Risk Charter or stated in the Provisioning Policy procedure.

3. Financial risk management (continued)

The split of the credit portfolio to individually and portfolio assessed is shown below:

€ '000	2013 Amortised cost	2013 Impairment losses	2013 Carrying amount	2012 Amortised cost	2012 Impairment losses	2012 Carrying amount
Portfolio assessed						
Banks	771,662	(24)	771,638	580,814	(34)	580,780
Customers						
Sovereigns	144,603	(313)	144,290	160,475	(339)	160,136
Corporate	2,798,941	(29,598)	2,769,343	2,979,450	(32,819)	2,946,631
Retail	4,674,900	(202,415)	4,472,485	4,470,486	(202,667)	4,267,819
	7,618,444	(232,326)	7,386,118	7,610,411	(235,825)	7,374,586
Securities						
FVTPL	207,674	-	207,674	73,770	-	73,770
AFS	1,588,324	-	1,588,324	1,482,727	-	1,482,727
HTM	996,428	(597)	995,831	1,042,344	(623)	1,041,721
	2,792,426	(597)	2,791,829	2,598,841	(623)	2,598,218
Individually assessed						
Customers						
Sovereigns	305	(75)	230	281	(113)	168
Corporate	271,511	(98,493)	173,018	217,510	(79,482)	138,028
Retail	23,192	(8,241)	14,951	22,686	(8,887)	13,799
	295,008	(106,809)	188,199	240,477	(88,482)	151,995
Securities						
AFS	574	(574)	-	-	-	-
	574	(574)	-	-	-	-

3. Financial risk management (continued)

From September 2010, the VUB Group implemented the definitions of non-performing loans derived from the Harmonisation project. The Harmonisation project is driven by Intesa Sanpaolo in order to unify the definitions and categories of non-performing loans across the foreign subsidiaries of the Intesa Sanpaolo Group. The definition covers non-performing (past due, substandard, doubtful) loans as well as the restructured exposures. The definition of non-performing loans is based on delinquency (days past due - DPD) and materiality threshold of client (corporate clients and 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 are considered to be non-performing.

The description of classification categories of loans based on the definition of Banca d'Italia is as follows:

Classification category	**Description**
Doubtful	Exposures to borrowers being effectively insolvent (although not yet legally) or in comparable status, regardless of any loss forecasts made by the Group.
Substandard	Exposures to borrowers experiencing temporary objective financial or economic difficulties that are likely to be overcome in a fair period of time.
Restructured	Exposures where the Group renegotiates the original terms of a debt due to deterioration of the creditworthiness of the debtor (for example by granting a moratorium in the payment or by decreasing the debt or the interests). If such renegotiation results in a loss, the exposure is classified as restructured.
Past due	Exposures other than those classified as doubtful, substandard or restructured that, as at reporting date, are past due at least 90 days on a continuous basis.
Performing	All exposures that are not classified as doubtful, substandard, restructured and past due.

Credit risk measurement

The Bank generally uses the standardised approach for the calculation of the capital requirement. However, for the calculation of credit and counterparty risk capital requirements, the Bank, having received authorisation from the Supervisory Authority, uses the Foundation IRB approach for the Corporate segment from February 2011 and Advanced IRB approach for portfolio of residential mortgages from July 2012. The Bank is also proceeding with the development of the rating models for other segments, to which the standard methods are currently applied, and also with the extension of the scope of subsidiaries in accordance with the gradual rollout plan for the advanced approaches presented to the Supervisory Authority.

3. Financial risk management (continued)

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

		2013			2012		
€ '000	**Category**	**Amortised cost**	**Impairment losses**	**Carrying amount**	**Amortised cost**	**Impairment losses**	**Carrying amount**
Banks							
	Performing	771,662	(24)	771,638	580,814	(34)	580,780
		771,662	(24)	771,638	580,814	(34)	580,780
Sovereigns							
	Performing	144,584	(313)	144,271	160,457	(339)	160,118
	Substandard	324	(75)	249	18	-	18
	Doubtful	-	-	-	281	(113)	168
		144,908	(388)	144,520	160,756	(452)	160,304
Corporate							
	Performing	2,874,275	(34,785)	2,839,490	2,999,536	(33,698)	2,965,838
	Past due	189	(67)	122	877	(115)	762
	Restructured	3,881	(3,785)	96	14,708	(2,943)	11,765
	Substandard	74,098	(13,390)	60,708	72,654	(18,449)	54,205
	Doubtful	118,009	(76,064)	41,945	109,185	(57,096)	52,089
		3,070,452	(128,091)	2,942,361	3,196,960	(112,301)	3,084,659
Retail							
	Performing	4,431,784	(59,663)	4,372,121	4,228,133	(54,011)	4,174,122
	Past due	28,566	(13,409)	15,157	39,659	(17,504)	22,155
	Substandard	24,510	(10,460)	14,050	32,510	(13,002)	19,508
	Doubtful	213,232	(127,124)	86,108	192,870	(127,037)	65,833
		4,698,092	(210,656)	4,487,436	4,493,172	(211,554)	4,281,618
Securities							
	Performing	2,792,426	(597)	2,791,829	2,598,841	(623)	2,598,218
	Doubtful	574	(574)	-	-	-	-
		2,793,000	(1,171)	2,791,829	2,598,841	(623)	2,598,218

3. Financial risk management (continued)

The table below shows the maximum amount of credit risk of derivative financial instruments, issued guarantees, commitments and undrawn credit facilities. To express the maximum amount of credit risk, the fair value of derivative financial assets is increased by the value of the potential credit exposure ('add on') calculated as the nominal value of the derivative financial instrument multiplied by the respective coefficient depending on the type of the instrument, as defined by the NBS regulation no. 4/2007. The credit risk of the remaining financial assets not reported in the table below approximates their carrying amounts.

€ '000	**2013**	**2012**
Financial assets		
Derivative financial instruments	52,866	65,213
Financial commitments and contingencies		
Issued guarantees	637,591	624,260
Commitments and undrawn credit facilities	2,195,905	2,058,440
	2,833,496	2,682,700
	2,886,362	2,747,913

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.

	2013			**2012**		
€ '000	**Amortised cost**	**Impairment losses**	**Carrying amount**	**Amortised cost**	**Impairment losses**	**Carrying amount**
Banks						
No delinquency	766,704	(22)	766,682	573,357	(31)	573,326
1 – 30 days	4,958	(2)	4,956	7,457	(3)	7,454
	771,662	(24)	771,638	580,814	(34)	580,780
Sovereigns						
No delinquency	144,298	(384)	143,914	157,377	(443)	156,934
1 – 30 days	525	(1)	524	3,314	(9)	3,305
31 – 60 days	-	-	-	47	-	47
91 – 180 days	66	(3)	63	15	-	15
Over 181 days	19	-	19	3	-	3
	144,908	(388)	144,520	160,756	(452)	160,304
Corporate						
No delinquency	2,881,650	(55,174)	2,826,476	2,991,154	(62,271)	2,928,883
1 – 30 days	74,912	(17,705)	57,207	87,122	(7,645)	79,477
31 – 60 days	19,811	(4,642)	15,169	38,946	(1,691)	37,255
61 – 90 days	10,708	(3,198)	7,510	11,972	(1,182)	10,790
91 – 180 days	13,674	(1,801)	11,873	7,631	(4,066)	3,565
Over 181 days	69,697	(45,571)	24,126	60,135	(35,446)	24,689
	3,070,452	(128,091)	2,942,361	3,196,960	(112,301)	3,084,659

3. Financial risk management (continued)

€ '000	2013 Amortised cost	2013 Impairment losses	2013 Carrying amount	2012 Amortised cost	2012 Impairment losses	2012 Carrying amount
Retail						
No delinquency	4,167,741	(33,869)	4,133,872	3,949,887	(29,652)	3,920,235
1 – 30 days	195,873	(13,165)	182,708	197,840	(12,279)	185,561
31 – 60 days	52,038	(7,005)	45,033	53,833	(7,059)	46,774
61 – 90 days	30,485	(5,621)	24,864	29,876	(5,616)	24,260
91 – 180 days	42,438	(17,840)	24,598	46,453	(19,185)	27,268
Over 181 days	209,517	(133,156)	76,361	215,283	(137,763)	77,520
	4,698,092	(210,656)	4,487,436	4,493,172	(211,554)	4,281,618
Securities						
No delinquency	2,793,000	(1,171)	2,791,829	2,598,841	(623)	2,598,218
	2,793,000	(1,171)	2,791,829	2,598,841	(623)	2,598,218

Write-off Policy

The Group writes off a loan or security balance 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 (1,080 days past due). Since 1 January 2013, an additional condition has been introduced based on which credit balances may be written off only if the collateral has already been realized. Receivables are being collected by external collection agencies until they qualify for write-off.

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.

Collateral Policy

The Group's collateral policy is an integral and indispensable part of the credit risk management and credit risk mitigation for VUB Group. Collateral is used primarily to provide the Group with the means for repayment of an exposure in the event of the default of the borrower. The policy represents the part of the Credit Risk Charter. The principal objective of the policy document is to clearly set up rules for a common and standard set of collateral types used by the Group in its lending activities. The rules, as the minimum, describe and state:

- Conditions for legal enforceability;
- Conditions for the process of valuation and the maximum values accepted by the Group at the origination for the certain types of collaterals; and
- Conditions for the process of revaluation.

However, collateral management has a wider meaning than the simple taking of collateral in order to secure the repayment of the Group's exposures. This includes the following:

- The establishment and maintenance of collateral policy comprising types of collateral taken by the Group, the legal documentation used by the Group to secure its right to this collateral in the event of a default and the valuation of this collateral at origination. These aspects of collateral management are addressed in the internal policy document;
- The relevant and proper perfection and registration of collateral to secure the Group's right to collateral in the event of default by the borrower;
- The regular monitoring and re-valuation of collateral held by the Group during the life of the exposure;
- The analysis, monitoring and review of realization rates achieved by Recovery Department activities in order to assess the effectiveness of the collateral policy as a risk mitigant.

3. Financial risk management (continued)

The VUB Group's decisions on the enforcement of collateral is individual and depends on factors such as the actual amount of the receivable, the current condition and value of the collateral, the length of the collateral realization period or collection related costs. The relevant competent body of the Group decides which collateral instrument will be used in the specific case.

The VUB Group mainly uses the following means of enforcement of collateral:

- Voluntary auction,
- Foreclosure procedure,
- Realization of the collateral for the receivable in a bankruptcy procedure,
- Sale of receivables.

The Group holds collateral and other credit enhancements against certain of its credit exposures. The collateral against loans and advances to customers is held 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.

The Group mitigates the credit risk of derivatives, reverse sale and repurchase agreements by entering into master netting agreements and holding collateral in the form of cash and marketable securities. Derivative transactions are either transacted on an exchange or entered into under International Swaps and Derivatives Association ('ISDA') master netting agreements. In general, under ISDA master netting agreements in certain circumstances, e.g. when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is due or payable in settlement of all transactions.

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

	2013		2012	
€ '000	**Clients**	**Banks**	**Clients**	**Banks**
Debt securities	46,699	470,431	40,125	463,371
Other	960,268	56,316	930,060	30,916
Property	3,789,899	-	3,599,739	-
	4,796,866	526,747	4,569,924	494,287

Offsetting financial assets and financial liabilities

The disclosures set out in the tables below include financial assets and financial liabilities that are:

- Offset in the Statement of financial position; or,
- Subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the Statement of financial position.

In general, the similar agreements include derivative clearing agreements, global master repurchase agreements, and global master securities lending agreements. Similar financial instruments include derivatives, sales and repurchase agreements, reverse sale and repurchase agreements, and securities borrowing and lending agreements. Financial instruments such as loans and deposits are not disclosed in the tables below unless they are offset in the statement of financial position.

The ISDA and similar master netting arrangements do not meet the criteria for offsetting in the Statement of financial position. This is because they create for the parties to the agreement a right of set-off of recognized amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Group or the counterparties or following other predetermined events. In addition, the Group and its counterparties do not intend to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

3. Financial risk management (continued)

The Group receives and gives collateral in the form of cash and marketable securities in respect of the following transactions:

- Derivatives,
- Sale and repurchase, and reverse sale and repurchase agreements.

Such collateral is subject to standard industry terms including, when appropriate, an ISDA Credit Support Annex. This means that securities received or given as collateral can be pledged or sold during the term of the transaction but have to be returned on maturity of the transaction. The terms also give each party the right to terminate the related transactions on the counterparty's failure to post collateral.

The following tables show the financial assets and financial liabilities that are subject to enforceable master netting arrangements and similar agreements in the Statement of financial position ('SOFP'):

				Related amounts not offset in SOFP		
31 December 2013 **€ '000**	**Gross amount**	**Gross amount offset in SOFP**	**Net amount presented in SOFP**	**Financial instruments including non-cash collateral**	**Cash collateral (received)/ provided**	**Net amount**
Financial assets						
Due from banks (reverse repo)	501,731	-	501,731	(470,431)	(31,300)	-
Derivative financial instruments	17,305	-	17,305	-	(1,300)	16,005
	519,036	-	519,036	(470,431)	(32,600)	16,005
Financial liabilities						
Derivative financial instruments	(28,586)	-	(28,586)	-	10,079	(18,507)
	(28,586)	-	(28,586)	-	10,079	(18,507)

3. Financial risk management (continued)

31 December 2012 € '000	Gross amount	Gross amount offset in SOFP	Net amount presented in SOFP	Related amounts not offset in SOFP: Financial instruments including non-cash collateral	Related amounts not offset in SOFP: Cash collateral (received)/ provided	Net amount
Financial assets						
Due from banks (reverse repo)	405,001	-	405,001	(443,101)	38,100	-
Derivative financial instruments	29,216	-	29,216	-	(7,200)	22,016
	434,217	-	434,217	(443,101)	30,900	22,016
Financial liabilities						
Derivative financial instruments	(41,504)	-	(41,504)	-	18,589	(22,915)
	(41,504)	-	(41,504)	-	18,589	(22,915)

Below is the reconciliation of the net amount of financial instruments subject to enforceable master netting arrangements and similar agreements to the total carrying amount presented in the Statement of financial position:

€ '000	Note	2013 Total carrying amount presented in SOFP	2013 In scope of offsetting disclosure	2013 Not in scope of offsetting disclosure	2012 Total carrying amount presented in SOFP	2012 In scope of offsetting disclosure	2012 Not in scope of offsetting disclosure
Financial assets							
Due from banks	8	771,638	501,731	269,907	580,780	405,001	175,779
Derivative financial instruments	10	29,221	17,305	11,916	42,619	29,216	13,403
Financial liabilities							
Derivative financial instruments	10	(42,884)	(28,586)	(14,298)	(53,194)	(41,504)	(11,690)

3. Financial risk management (continued)

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

€ '000	2013 Amortised cost	2013 Impairment losses	2013 Carrying amount	2012 Amortised cost	2012 Impairment losses	2012 Carrying amount
Europe						
Banks	763,811	(21)	763,790	550,893	(22)	550,871
Sovereigns	144,908	(388)	144,520	160,756	(452)	160,304
Corporate	3,070,279	(128,066)	2,942,213	3,196,960	(112,301)	3,084,659
Retail	4,696,288	(210,625)	4,485,663	4,491,041	(211,515)	4,279,526
Securities	2,793,000	(1,171)	2,791,829	2,598,841	(623)	2,598,218
	11,468,286	(340,271)	11,128,015	10,998,491	(324,913)	10,673,578
America						
Banks	7,742	(3)	7,739	29,818	(12)	29,806
Retail	249	(4)	245	360	(15)	345
	7,991	(7)	7,984	30,178	(27)	30,151
Asia						
Banks	95	-	95	69	-	69
Corporate	173	(25)	148	-	-	-
Retail	994	(20)	974	1,065	(20)	1,045
	1,262	(45)	1,217	1,134	(20)	1,114
Rest of the World						
Banks	14	-	14	34	-	34
Retail	561	(7)	554	706	(4)	702
	575	(7)	568	740	(4)	736

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

€ '000	2013 Amortised cost	2013 Impairment losses	2013 Carrying amount	2012 Amortised cost	2012 Impairment losses	2012 Carrying amount
Europe						
Slovakia	2,355,031	(1,171)	2,353,860	2,569,097	(623)	2,568,474
Italy	401,688	-	401,688	330	-	330
Poland	36,281	-	36,281	22,718	-	22,718
Other	-	-	-	6,696	-	6,696
	2,793,000	(1,171)	2,791,829	2,598,841	(623)	2,598,218

3. Financial risk management (continued)

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

31 December 2013 € '000	Banks	Sovereigns	Corporate	Retail	Securities
Agriculture	-	-	59,449	16,263	-
Construction	-	-	161,803	16,120	-
Consumers	-	-	-	4,280,501	-
Energy and water supply	-	-	421,284	1,603	-
Financial services	771,638	-	102,333	512	161,032
Government	-	135,218	-	-	2,630,797
Manufacturing	-	-	523,480	25,081	-
Professional services	-	-	84,761	11,550	-
Real estate	-	-	396,624	25,410	-
Retail & Wholesale	-	-	617,115	64,912	-
Services	-	-	189,216	17,099	-
Transportation	-	9,302	312,184	11,190	-
Other	-	-	74,112	17,195	-
	771,638	144,520	2,942,361	4,487,436	2,791,829

31 December 2012 € '000	Banks	Sovereigns	Corporate	Retail	Securities
Agriculture	-	-	41,782	15,460	-
Construction	-	-	164,229	15,662	-
Consumers	-	-	75	4,088,767	-
Energy and water supply	-	-	366,006	1,617	-
Financial services	580,780	-	142,086	514	27,598
Government	-	149,823	-	-	2,570,620
Manufacturing	-	-	549,865	24,922	-
Professional services	-	-	81,892	10,238	-
Real estate	-	-	430,386	11,342	-
Retail & Wholesale	-	-	677,320	64,183	-
Services	-	-	189,314	16,723	-
Transportation	-	10,397	297,795	10,757	-
Other	-	84	143,909	21,433	-
	580,780	160,304	3,084,659	4,281,618	2,598,218

3. Financial risk management (continued)

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

31 December 2013 € '000	Neither past due nor impaired Amortised cost	Impairment losses	Carrying amount	Impaired (non-performing) Amortised cost	Impairment losses	Carrying amount	Past due but not impaired Amortised cost	Impairment losses	Carrying amount
Banks	766,704	(22)	766,682	-	-	-	4,958	(2)	4,956
Sovereigns									
Municipalities	143,782	(309)	143,473	324	(75)	249	525	(1)	524
Municipalities – Leasing	277	(3)	274	-	-	-	-	-	-
	144,059	(312)	143,747	324	(75)	249	525	(1)	524
Corporate									
Large Corporates	925,787	(4,093)	921,694	20,061	(11,577)	8,484	7,616	(17)	7,599
Specialized Lending	718,142	(16,593)	701,549	71,101	(27,444)	43,657	883	(26)	857
SME	664,456	(10,126)	654,330	78,066	(39,226)	38,840	10,436	(550)	9,886
Other Fin. Institutions	133,601	(350)	133,251	5	(1)	4	-	-	-
Public Sector Entities	1,592	(15)	1,577	9	-	9	3	-	3
Leasing	204,798	(1,732)	203,066	23,366	(12,297)	11,069	22,680	(697)	21,983
Factoring	166,523	(572)	165,951	3,569	(2,761)	808	17,758	(14)	17,744
	2,814,899	(33,481)	2,781,418	196,177	(93,306)	102,871	59,376	(1,304)	58,072
Retail									
Small Business	171,254	(3,338)	167,916	13,511	(11,124)	2,387	4,702	(557)	4,145
Small Business – Leasing	7,188	(62)	7,126	2,900	(937)	1,963	1,789	(70)	1,719
Consumer Loans	965,309	(15,157)	950,152	124,850	(77,271)	47,579	119,856	(13,750)	106,106
Mortgages	2,727,938	(8,284)	2,719,654	68,315	(21,925)	46,390	102,841	(7,118)	95,723
Credit Cards	175,293	(3,281)	172,012	39,419	(26,700)	12,719	23,200	(5,049)	18,151
Overdrafts	83,133	(1,450)	81,683	16,467	(12,635)	3,832	21,274	(1,209)	20,065
Leasing	2,655	(25)	2,630	80	(66)	14	432	(32)	400
Flat Owners Associations	21,516	(281)	21,235	-	-	-	-	-	-
Other	3,376	-	3,376	766	(335)	431	28	-	28
	4,157,662	(31,878)	4,125,784	266,308	(150,993)	115,315	274,122	(27,785)	246,337
Securities									
FVTPL	207,674	-	207,674	-	-	-	-	-	-
AFS	1,588,324	-	1,588,324	574	(574)	-	-	-	-
HTM	996,428	(597)	995,831	-	-	-	-	-	-
	2,792,426	(597)	2,791,829	574	(574)	-	-	-	-

3. Financial risk management (continued)

31 December 2012 € '000	Neither past due nor impaired Amortised cost	Impairment losses	Carrying amount	Impaired (non-performing) Amortised cost	Impairment losses	Carrying amount	Past due but not impaired Amortised cost	Impairment losses	Carrying amount
Banks	573,357	(31)	573,326	-	-	-	7,457	(3)	7,454
Sovereigns									
Municipalities	157,094	(330)	156,764	299	(113)	186	3,185	(6)	3,179
Municipalities – Leasing	177	(3)	174	-	-	-	1	-	1
	157,271	(333)	156,938	299	(113)	186	3,186	(6)	3,180
Corporate									
Large Corporates	973,912	(5,037)	968,875	16,388	(4,923)	11,465	9,234	-	9,234
Specialized Lending	763,853	(15,358)	748,495	79,890	(25,007)	54,883	6,486	(219)	6,267
SME	635,942	(8,460)	627,482	69,228	(29,685)	39,543	13,761	(969)	12,792
Other Fin. Institutions	180,245	(336)	179,909	119	(23)	96	1	-	1
Public Sector Entities	4,186	(105)	4,081	9	-	9	2	-	2
Leasing	171,583	(1,566)	170,017	27,890	(16,344)	11,546	36,381	(1,260)	35,121
Factoring	155,971	(337)	155,634	3,900	(2,621)	1,279	47,979	(51)	47,928
	2,885,692	(31,199)	2,854,493	197,424	(78,603)	118,821	113,844	(2,499)	111,345
Retail									
Small Business	163,113	(3,523)	159,590	17,141	(13,131)	4,010	7,576	(590)	6,986
Small Business – Leasing	10,317	(92)	10,225	3,683	(1,381)	2,302	3,194	(116)	3,078
Consumer Loans	856,283	(13,125)	843,158	113,470	(75,021)	38,449	110,045	(13,504)	96,541
Mortgages	2,649,515	(8,340)	2,641,175	68,581	(23,164)	45,417	112,378	(5,620)	106,758
Credit Cards	176,677	(3,272)	173,405	45,734	(31,837)	13,897	22,399	(3,377)	19,022
Overdrafts	77,863	(954)	76,909	15,683	(12,546)	3,137	22,324	(1,383)	20,941
Leasing	3,455	(17)	3,438	161	(133)	28	722	(35)	687
Flat Owners Associations	4,113	(54)	4,059	-	-	-	98	(1)	97
Other	8,003	(8)	7,995	586	(330)	256	58	-	58
	3,949,339	(29,385)	3,919,954	265,039	(157,543)	107,496	278,794	(24,626)	254,168
Securities									
FVTPL	73,770	-	73,770	-	-	-	-	-	-
AFS	1,482,727	-	1,482,727	-	-	-	-	-	-
HTM	1,042,344	(623)	1,041,721	-	-	-	-	-	-
	2,598,841	(623)	2,598,218	-	-	-	-	-	-

3. Financial risk management (continued)

An analysis of past due but not impaired credit exposures in terms of the delinquency is presented in the table below:

€ '000	2013 Amortised cost	2013 Impairment losses	2013 Carrying amount	2012 Amortised cost	2012 Impairment losses	2012 Carrying amount
Banks						
1 – 30 days	4,958	(2)	4,956	7,457	(3)	7,454
	4,958	(2)	4,956	7,457	(3)	7,454
Sovereigns						
1 – 30 days	525	(1)	524	3,140	(6)	3,134
31 – 60 days	-	-	-	46	-	46
	525	(1)	524	3,186	(6)	3,180
Corporate						
1 – 30 days	47,313	(756)	46,557	66,943	(1,040)	65,903
31 – 60 days	10,382	(372)	10,010	37,701	(1,225)	36,476
61 – 90 days	1,681	(176)	1,505	9,104	(208)	8,896
91 – 180 days	-	-	-	57	(10)	47
Over 181 days	-	-	-	39	(16)	23
	59,376	(1,304)	58,072	113,844	(2,499)	111,345
Retail						
1 – 30 days	188,964	(11,884)	177,080	194,968	(11,859)	183,109
31 – 60 days	46,277	(6,021)	40,256	53,785	(7,039)	46,746
61 – 90 days	25,424	(4,584)	20,840	29,642	(5,559)	24,083
91 – 180 days	10,939	(3,870)	7,069	267	(125)	142
Over 181 days	2,518	(1,426)	1,092	132	(44)	88
	274,122	(27,785)	246,337	278,794	(24,626)	254,168

3. Financial risk management (continued)

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

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

For part of Specialized Lending, the usage of the Slotting approach was approved by the NBS in 2012 for the rating segments Special Purpose Vehicles (‘SPV’) and Projected Finance (‘PF’) and in August 2013 also for the rating segment Real Estate Development (‘RED’) which forms the remaining part of Specialized Lending. Clients are assigned into five slotting categories based on the qualitative valuation and information about the default. Risk weights and expected loss used for the capital requirement calculation is also defined for each category. Categories are predefined by the NBS decree no. 4/2007 and internally, the categories used are as follows:

Specialized Lending – SPV, PF and RED

1 – Strong
2 – Good
3 – Satisfactory
4 – Weak
5 – Default

3. Financial risk management (continued)

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

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

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

31 December 2013 € '000	Internal rating	Amortised cost	Impairment losses	Carrying amount
Banks	Unrated	771,662	(24)	771,638
Sovereigns				
Municipalities, Municipalities – Leasing	Unrated	144,908	(388)	144,520
		144,908	(388)	144,520
Corporate				
Large Corporates, SME	I1 - I6	710,594	(813)	709,781
	M1 - M4	668,002	(6,684)	661,318
	R1 - R5	248,172	(26,090)	222,082
	D (default)	47,248	(31,486)	15,762
	Unrated	32,405	(517)	31,888
Specialized Lending - SPV, PF and RED	Strong	95,750	-	95,750
	Good	296,335	(1,179)	295,156
	Satisfactory	275,937	(20,970)	254,967
	Weak	122,105	(21,913)	100,192
Other Financial Institutions, Public Sector Entities	Unrated - PPU approach *	135,210	(366)	134,844
Leasing, Factoring	Unrated	438,694	(18,073)	420,621
		3,070,452	(128,091)	2,942,361

* Permanent Partial Use ('PPU') approach is applied to exposures for which the Foundation IRB approach is not expected to be used in respect of the capital requirement calculation in the future.

3. Financial risk management (continued)

31 December 2013 € '000	Internal rating	Amortised cost	Impairment losses	Carrying amount
Retail				
Small Business, Flat Owners Associations	I1 - I6	23,117	(41)	23,076
	M1 - M4	90,798	(938)	89,860
	R1 - R5	57,688	(2,767)	54,921
	D (default)	12,941	(11,195)	1,746
	Unrated	26,439	(359)	26,080
Mortgages	L1 - L4	2,067,309	(391)	2,066,918
	N1 - N3	475,183	(933)	474,250
	W1 - W3	289,071	(11,625)	277,446
	D (default)	67,531	(24,378)	43,153
Unsecured Retail	U1	175,223	(99)	175,124
	U2 - U3	151,426	(263)	151,163
	U4 - U5	162,199	(675)	161,524
	U6 - U7	108,716	(990)	107,726
	U8 - U10	106,577	(2,794)	103,783
	U11 - U12	73,294	(7,558)	65,736
	D (default)	64,714	(47,943)	16,771
	Unrated	726,652	(96,180)	630,472
Small Business – Leasing, Leasing	Unrated	15,044	(1,192)	13,852
Other	Unrated	4,170	(335)	3,835
		4,698,092	(210,656)	4,487,436
Securities	Unrated	2,793,000	(1,171)	2,791,829

3. Financial risk management (continued)

31 December 2012 € '000	Internal rating	Amortised cost	Impairment losses	Carrying amount
Banks	Unrated	580,814	(34)	580,780
Sovereigns				
Municipalities, Municipalities – Leasing	Unrated	160,756	(452)	160,304
		160,756	(452)	160,304
Corporate				
Large Corporates, Specialized Lending excl. SPV and PF, SME	I1 - I6	715,589	(492)	715,097
	M1 - M4	717,711	(4,514)	713,197
	R1 - R5	287,092	(22,726)	264,366
	D (default)	79,950	(35,951)	43,999
	Unrated	19,281	(450)	18,831
Specialized Lending - SPV and PF	Strong	146,521	(587)	145,934
	Good	241,818	(1,641)	240,177
	Satisfactory	267,581	(11,291)	256,290
	Weak	93,151	(12,006)	81,145
Other Financial Institutions, Public Sector Entities	Unrated - PPU approach	184,562	(464)	184,098
Leasing, Factoring	Unrated	443,704	(22,179)	421,525
		3,196,960	(112,301)	3,084,659
Retail				
Small Business, Flat Owners Associations	I1 - I6	21,772	(35)	21,737
	M1 - M4	78,203	(788)	77,415
	R1 - R5	67,235	(3,006)	64,229
	D (default)	17,377	(13,351)	4,026
	Unrated	7,454	(119)	7,335
Mortgages	L1 - L4	1,978,952	(406)	1,978,546
	N1 - N3	471,864	(943)	470,921
	W1 - W3	308,266	(11,586)	296,680
	D (default)	71,392	(24,189)	47,203
Unsecured Retail	U1	160,605	(93)	160,512
	U2 - U3	136,296	(238)	136,058
	U4 - U5	172,934	(726)	172,208
	U6 - U7	102,645	(941)	101,704
	U8 - U10	92,713	(2,275)	90,438
	U11 - U12	63,068	(6,370)	56,698
	D (default)	65,605	(49,285)	16,320
	Unrated	646,612	(95,091)	551,521
Small Business – Leasing, Leasing	Unrated	21,532	(1,774)	19,758
Other	Unrated	8,647	(338)	8,309
		4,493,172	(211,554)	4,281,618
Securities	Unrated	2,598,841	(623)	2,598,218

3. Financial risk management (continued)

(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 sub-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 sub-department and forms part of the trading portfolio for risk management purposes. The non-trading portfolios are managed by the ALM department, and include all positions which are not intended for trading.

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

Exposure to market risk – trading portfolios

The principal tool used to measure and control market risk exposures within the Group's trading portfolio is Value at Risk (VaR). Derivation of VaR is a stress VaR (sVaR), which represents maximal VaR of selected one year period generating the highest value of VaR during the last 5 years. 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 and sVaR models used are based on historical simulation. Taking into account market data from the previous year and in case of sVaR one year scenario from 5 years history and observed relationships between different markets and prices, the models generate a wide range of plausible future scenarios for market price movements. The VaR 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 and sVaR 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 and sVaR limits are submitted to the trading unit, the head of the Risk Management division and the head of the Finance and Capital Markets department. Regular summaries are submitted to Intesa Sanpaolo and ALCO.

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

	2013				2012			
€ '000	**Balance**	**Avg**	**Max**	**Min**	**Balance**	**Avg**	**Max**	**Min**
Foreign currency risk	108	69	148	17	53	43	128	3
Interest rate risk	16	97	205	15	80	40	134	11
Overall	109	133	223	53	90	58	167	15
sVaR	281	251	439	142	173	203	619	54

Although VaR is a popular and widely used risk management tool, there are known limitations, among which following are the most important ones:

- VaR does not measure the worst case loss, since 99% confidence interval means that in 1% of cases the loss is expected to be greater than the VaR amount,
- VaR calculated using 1 day holding period assumes hedge or disposal of a position within 1 day, which might not be realistic in the case of longer illiquid situation on the market,
- For calculating of VaR of a portfolio, the return, the volatility but also the correlation between various assets needs to be recognized what might represent a difficult task when taking into account the growing number and diversity of positions in given portfolio.

3. Financial risk management (continued)

These limitations are recognized, 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. Furthermore, integrating the sVaR measure into the VaR concept adds to mitigation of the limitation of using historical series and possibly omitting scenarios of an extraordinary nature.

Exposure to interest rate risk

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

The Risk Management division is responsible for monthly monitoring of these gaps. The management of interest rate risk is measured by shift sensitivity analysis (change in present value). To align to the Intesa Sanpaolo Group methodology, since July 2013 the shift sensitivity analysis is defined as a parallel and uniform shift of + 100 basis points of the rate curve (previously + 1 basis point) and +/- 200 basis points of the rate curve. Further adjustments of the shift sensitivity calculation such as incorporation of models for sight loans (e.g. overdrafts and credit cards), sight deposits and prepayment rates for mortgages and consumer loans were made as well due to alignment. These standard scenarios are applied on monthly basis.

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

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

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

Models applied for the interest rate risk calculation

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). There are also some items where maturity or re-pricing period is known but it can be assumed that they will behave differently (e.g. prepayments can occur for mortgages and consumer loans). In this case, it is necessary to make certain assumptions to reflect the most probable behaviour of these items. The assumptions are based on a detailed analysis of the Group's historical data and statistical models.

Fixed assets, such as tangible and intangible assets and fixed liabilities like equity and also cash are treated as overnight items.

For the calculation of Earnings at Risk ('EAR'), the models used slightly differ from those applied for the shift sensitivity analysis.

3. Financial risk management (continued)

At 31 December 2013, interest margin sensitivity on profit or loss in a one year time frame in the event of a 100 basis points rise in interest rates, was € 5,874 thousand (31 December 2012: € 1,500 thousand).

At 31 December 2013, interest rate risk generated by the Group banking book, measured through shift sensitivity analysis to 100 basis points, registered € - 42,224 thousand (restated 31 December 2012: € - 26,041 thousand).

€ '000	2013	Restated 2012
EUR	(42,216)	(26,145)
Other	(8)	104
	(42,224)	(26,041)

The AFS reserve in equity is not sensitive to interest rate movements since the interest rate risk of majority of AFS bonds is hedged (see also note 10). At 31 December 2013, the sensitivity of CF hedges reserve in equity to 100 basis points rise in interest rates was € - 3,238 thousand (31 December 2012: € - 7,882 thousand).

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 2013 € '000	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	96,820	-	-	-	-	96,820
Due from banks	260,227	2,826	521,216	3,400	54	787,723
Available-for-sale financial assets	305,118	17,850	52,049	1,182,626	70,941	1,628,584
Loans and advances to customers	2,108,337	1,273,252	1,516,436	3,272,089	1,203,617	9,373,731
Held-to-maturity investments	-	394,656	93,583	239,428	411,912	1,139,579
	2,770,502	1,688,584	2,183,284	4,697,543	1,686,524	13,026,437
Liabilities						
Due to central and other banks	(451,020)	(159,486)	(183,686)	(14,696)	(3,937)	(812,825)
Due to customers	(2,603,646)	(478,670)	(1,487,440)	(1,883,807)	(1,435,994)	(7,889,557)
Debt securities in issue	(222,446)	(301,507)	(306,769)	(394,291)	(389,013)	(1,614,026)
	(3,277,112)	(939,663)	(1,977,895)	(2,292,794)	(1,828,944)	(10,316,408)
Net position of financial instruments	(506,610)	748,921	205,389	2,404,749	(142,420)	2,710,029

3. Financial risk management (continued)

Restated 31 December 2012 € '000	**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	150,837	-	-	-	-	150,837
Due from banks	132,277	12,928	411,647	15,024	53	571,929
Available-for-sale financial assets	311,384	145,901	13,967	972,446	74,512	1,518,210
Loans and advances to customers	2,306,095	1,322,634	1,720,753	2,889,270	1,087,483	9,326,235
Held-to-maturity investments	-	18,435	69,372	709,269	430,309	1,227,385
	2,900,593	1,499,898	2,215,739	4,586,009	1,592,357	12,794,596
Liabilities						
Due to central and other banks	(401,279)	(185,281)	(86,846)	(66,058)	(1,911)	(741,375)
Due to customers	(2,583,220)	(511,453)	(1,388,952)	(2,018,933)	(1,264,461)	(7,767,019)
Debt securities in issue	(222,625)	(301,536)	(314,618)	(500,129)	(290,599)	(1,629,507)
	(3,207,124)	(998,270)	(1,790,416)	(2,585,120)	(1,556,971)	(10,137,901)
Net position of financial instruments	(306,531)	501,628	425,323	2,000,889	35,386	2,656,695

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

	2013 %	**Restated 2012 %**
Assets		
Cash and balances with central banks	0.29	0.57
Due from banks	1.44	2.45
Financial assets at fair value through profit or loss	1.62	2.21
Available-for-sale financial assets	2.57	3.02
Loans and advances to customers	5.58	5.63
Held-to-maturity investments	4.17	4.19
Liabilities		
Due to central and other banks	1.09	1.55
Due to customers	0.86	1.13
Debt securities in issue	2.67	3.16

3. Financial risk management (continued)

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 2013 € '000	EUR	USD	CZK	Other	Total
Assets					
Cash and balances with central banks	88,685	862	4,359	2,914	96,820
Due from banks	600,218	7,225	110,160	54,035	771,638
Financial assets at fair value through profit or loss	171,393	-	-	36,281	207,674
Derivative financial instruments	29,101	-	120	-	29,221
Available-for-sale financial assets	1,588,324	-	-	-	1,588,324
Loans and advances to customers	7,261,247	138,650	168,908	5,512	7,574,317
Held-to-maturity investments	995,831	-	-	-	995,831
	10,734,799	146,737	283,547	98,742	11,263,825
Liabilities					
Due to central and other banks	(721,157)	(47,441)	(11,240)	(1,666)	(781,504)
Derivative financial instruments	(42,624)	-	(260)	-	(42,884)
Due to customers	(7,437,178)	(142,508)	(150,113)	(108,412)	(7,838,211)
Debt securities in issue	(1,314,082)	-	(90,525)	-	(1,404,607)
	(9,515,041)	(189,949)	(252,138)	(110,078)	(10,067,206)
Net position	1,219,758	(43,212)	31,409	(11,336)	1,196,619

Restated 31 December 2012 € '000	EUR	USD	CZK	Other	Total
Assets					
Cash and balances with central banks	132,474	987	14,338	3,038	150,837
Due from banks	537,456	33,864	47	9,413	580,780
Financial assets at fair value through profit or loss	73,770	-	-	-	73,770
Derivative financial instruments	42,618	-	1	-	42,619
Available-for-sale financial assets	1,482,727	-	-	-	1,482,727
Loans and advances to customers	7,146,727	140,882	231,062	7,910	7,526,581
Held-to-maturity investments	1,041,721	-	-	-	1,041,721
	10,457,493	175,733	245,448	20,361	10,899,035
Liabilities					
Due to central and other banks	(590,599)	(68,798)	(4,856)	(3,097)	(667,350)
Derivative financial instruments	(52,849)	-	(345)	-	(53,194)
Due to customers	(7,217,312)	(130,521)	(153,380)	(131,471)	(7,632,684)
Debt securities in issue	(1,312,524)	(26,136)	(79,102)	-	(1,417,762)
	(9,173,284)	(225,455)	(237,683)	(134,568)	(9,770,990)
Net position	1,284,209	(49,722)	7,765	(114,207)	1,128,045

3. Financial risk management (continued)

(c) Liquidity risk

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

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

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

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

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

The departments of the Bank that are responsible for ensuring the correct application of the Guidelines are the Treasury Department responsible for short term liquidity management, the ALM department responsible for medium and long term liquidity management and the Enterprise Risk Management 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.

3. Financial risk management (continued)

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 Enterprise Risk Management 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 2013 € '000	**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	96,820	-	-	-	-	-	96,820
Due from banks	179,453	243	517,446	67,909	3	11,295	776,349
Financial assets at fair value through profit or loss	184,129	7,402	3,027	13,088	-	673	208,319
Available-for-sale financial assets	5,190	17,850	18,680	1,538,405	115,628	614	1,696,367
Loans and advances to customers	510,752	347,046	1,495,124	3,492,942	4,805,324	10,622	10,661,810
Held-to-maturity investments	-	394,419	93,527	239,284	411,665	-	1,138,895
	976,344	766,960	2,127,804	5,351,628	5,332,620	23,204	14,578,560
Liabilities							
Due to central and other banks	(349,064)	(46,341)	(148,790)	(159,501)	(115,924)	-	(819,620)
Due to customers	(5,302,504)	(523,842)	(1,167,074)	(853,104)	(8,278)	(39)	(7,854,841)
Debt securities in issue	(1,446)	(15,808)	(215,942)	(923,359)	(475,519)	-	(1,632,074)
	(5,653,014)	(585,991)	(1,531,806)	(1,935,964)	(599,721)	(39)	(10,306,535)
Net position of financial instruments	(4,676,670)	180,969	595,998	3,415,664	4,732,899	23,165	4,272,025
Cash inflows from derivatives	1,110,189	150,517	174,971	202,813	66,552	-	1,705,042
Cash outflows from derivatives	(634,166)	(151,663)	(660,108)	(201,344)	(73,713)	-	(1,720,994)
Net position from derivatives	476,023	(1,146)	(485,137)	1,469	(7,161)	-	(15,952)
Commitments and undrawn credit facilities	2,189,650	1,704	3,073	-	-	1,478	2,195,905
Issued guarantees	269,089	43,256	110,984	113,749	100,513	-	637,591
Net position from financial commitments and contingencies	2,458,739	44,960	114,057	113,749	100,513	1,478	2,833,496

3. Financial risk management (continued)

Restated 31 December 2012 € '000	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	150,837	-	-	-	-	-	150,837
Due from banks	15,602	48	435,235	67,444	33,035	38,100	589,464
Financial assets at fair value through profit or loss	532	12	25,016	44,624	-	5,213	75,397
Available-for-sale financial assets	10,611	145,125	11,453	1,265,391	81,306	620	1,514,506
Loans and advances to customers	555,156	328,858	1,702,413	3,048,052	4,280,415	2,048	9,916,942
Held-to-maturity investments	-	18,424	69,385	708,844	430,051	-	1,226,704
	732,738	492,467	2,243,502	5,134,355	4,824,807	45,981	13,473,850
Liabilities							
Due to central and other banks	(233,598)	(55,332)	(87,522)	(228,867)	(93,940)	-	(699,259)
Due to customers	(4,845,094)	(501,423)	(1,197,277)	(1,129,655)	(8,320)	(36)	(7,681,805)
Debt securities in issue	(1,625)	(6,028)	(154,688)	(875,705)	(610,239)	-	(1,648,285)
	(5,080,317)	(562,783)	(1,439,487)	(2,234,227)	(712,499)	(36)	(10,029,349)
Net position of financial instruments	(4,347,579)	(70,316)	804,015	2,900,128	4,112,308	45,945	3,444,501
Cash inflows from derivatives	915,842	97,607	255,061	214,825	121,300	-	1,604,635
Cash outflows from derivatives	(486,140)	(83,068)	(694,258)	(210,842)	(122,133)	-	(1,596,441)
Net position from derivatives	429,702	14,539	(439,197)	3,983	(833)	-	8,194
Commitments and undrawn credit facilities	2,048,539	5,884	3,832	-	-	185	2,058,440
Issued guarantees	280,387	45,511	157,959	61,810	78,593	-	624,260
Net position from financial commitments and contingencies	2,328,926	51,395	161,791	61,810	78,593	185	2,682,700

3. Financial risk management (continued)

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

31 December 2013 € '000	Less than 12 months	Over 12 months	Total
Assets			
Cash and balances with central banks	96,820	-	96,820
Due from banks	705,991	65,647	771,638
Financial assets at fair value through profit or loss	194,439	13,235	207,674
Derivative financial instruments	29,221	-	29,221
Available-for-sale financial assets	27,342	1,560,982	1,588,324
Loans and advances to customers	2,225,924	5,348,393	7,574,317
Held-to-maturity investments	477,691	518,140	995,831
Associates and jointly controlled entities	-	14,362	14,362
Intangible assets	-	54,807	54,807
Goodwill	-	29,305	29,305
Property and equipment and Non-current assets held for sale	-	122,108	122,108
Deferred income tax assets	-	41,895	41,895
Other assets	30,121	-	30,121
	3,787,549	7,768,874	11,556,423
Liabilities			
Due to central and other banks	(512,129)	(269,375)	(781,504)
Derivative financial instruments	(42,884)	-	(42,884)
Due to customers	(7,056,739)	(781,472)	(7,838,211)
Debt securities in issue	(211,876)	(1,192,731)	(1,404,607)
Current income tax liabilities	(1,166)	-	(1,166)
Provisions	-	(22,033)	(22,033)
Other liabilities	(83,473)	(3,156)	(86,629)
	(7,908,267)	(2,268,767)	(10,177,034)
	(4,120,718)	5,500,107	1,379,389

3. Financial risk management (continued)

Restated 31 December 2012 € '000	Less than 12 months	Over 12 months	Total
Assets			
Cash and balances with central banks	150,837	-	150,837
Due from banks	463,932	116,848	580,780
Financial assets at fair value through profit or loss	25,696	48,074	73,770
Derivative financial instruments	42,619	-	42,619
Available-for-sale financial assets	161,048	1,321,679	1,482,727
Loans and advances to customers	2,404,194	5,122,387	7,526,581
Held-to-maturity investments	76,691	965,030	1,041,721
Associates and jointly controlled entities	-	7,596	7,596
Intangible assets	668	47,173	47,841
Goodwill	-	29,305	29,305
Property and equipment and Non-current assets held for sale	2	138,774	138,776
Current income tax assets	16,475	-	16,475
Deferred income tax assets	-	43,637	43,637
Other assets	33,292	-	33,292
	3,375,454	7,840,503	11,215,957
Liabilities			
Due to central and other banks	(371,766)	(295,584)	(667,350)
Derivative financial instruments	(53,194)	-	(53,194)
Due to customers	(6,595,651)	(1,037,033)	(7,632,684)
Debt securities in issue	(143,834)	(1,273,928)	(1,417,762)
Provisions	-	(25,607)	(25,607)
Other liabilities	(94,395)	(3,371)	(97,766)
	(7,258,840)	(2,635,523)	(9,894,363)
	(3,883,386)	5,204,980	1,321,594

3. Financial risk management (continued)

(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 VUB Group policy and organisational process for measuring, managing and controlling operational risk.

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

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

Organisational structure of the associated risk management function

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

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

Upon the request of the parent company, VUB Bank as part of the VUB 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. In June 2013, the Bank as part of the VUB Group request has received approval for usage and thus adopted the AMA for subsidiaries Consumer Finance Holding and VUB Leasing. The part of this decision has been an approval of the insurance effect inclusion, as well as approval of a new allocation mechanism, which led to fulfilment of a regulatory condition for the approval of diversification usage.

As such, the VUB Group uses a combination of the AMA for the Bank, Consumer Finance Holding and VUB Leasing, and the Standardized and Basic Indicator Approach ('TSA') for other 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 process is verified by the Internal Audit Department and submitted to the Management Board for the annual certification of compliance with the requirements established by the regulation.

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

Policies for hedging and mitigating risk

The VUB Group, in coordination with its parent company, has set up a traditional operational risk transfer policy (insurance) aimed at mitigating the impact of any unexpected losses. The AMA calculation does include the benefit from this transfer of operational risk through insurance policies, which contributes to reducing the risk capital calculated through the internal models.

4. Estimated fair value of financial assets and liabilities

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market measurement criterion that is not entity-specific. An entity has to measure the fair value of an asset or liability by adopting the assumptions that would be used by market operators to determine the price of an asset or liability, presuming that the market operators act with a view to satisfying their own economic interest in the best way possible.

The VUB Group uses the following fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1: inputs represented by quoted prices (unadjusted) in active markets for identical assets or liabilities accessible by the Group as at the measurement date;

Level 2: inputs other than quoted prices included in Level 1 that are directly or indirectly observable for the assets or liabilities to be measured; and

Level 3: inputs unobservable for the asset or liability.

The highest priority is attributed to effective market quotes (Level 1) for the valuation of assets and liabilities or for similar assets and liabilities measured using valuation techniques based on market-observable parameters other than financial instruments quotes (Level 2) and the lowest priority to unobservable inputs (Level 3). Following this hierarchy, where available, fair value estimates made by the Group are 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.

Under Level 2, the principal valuation technique used by the Group for the debt instruments involves the method of discounting forecast cash flows. The calculation takes into account the time value of money (risk-free rate of interest) and the credit risk expressed in the form of the credit spreads which are applied to the bonds' yield and represent the risk premium the investor claims against the risk free investment. In the case of derivative financial instruments the Group uses the standard fair value calculation models based on the principal net present value using the yield curve to discount all future cash flows from derivatives for all relevant currencies. The principal input parameters used by the models comprise interest rate curves, volatility curves, spot and forward prices and the correlation between underlying assets. Changes in underlying assumptions, including discount rates and estimated future cash flows, significantly affect the estimates. The VUB Group also considers its own and counterparty's credit risk.

The valuation technique defined for a financial instrument is adopted over time and is modified only following significant changes in market conditions or the subjective conditions related to the issuer of the financial instrument. The Group monitors the occurrence of these changes and accordingly reassesses the classification into the fair value levels hierarchy. For determining the timing of the transfers between the levels, the Group uses the end of the reporting period as a day when the transfer is deemed to have occurred.

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

(a) Cash and balances with central banks

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

(b) Due from banks

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

(c) Loans and advances to customers

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

4. Estimated fair value of financial assets and liabilities (continued)

(d) Held-to-maturity investments

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

(e) Due to banks and customers

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

(f) Debt securities in issue

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

4. Estimated fair value of financial assets and liabilities (continued)

31 December 2013 € '000	Note	Carrying amount At amortised cost	 At fair value	 Total carrying amount	Fair value Level 1	 Level 2	 Level 3	 Total fair value
Financial assets								
Cash and balances with central banks	7	96,820	-	96,820	-	96,820	-	96,820
Due from banks	8	771,638	-	771,638	-	772,413	-	772,413
Financial assets at fair value through profit or loss	9	-	207,674	207,674	166,312	41,362	-	207,674
Derivative financial instruments	10	-	29,221	29,221	-	29,221	-	29,221
Available-for-sale financial assets	11	-	1,588,324	1,588,324	343,070	1,245,254	-	1,588,324
Loans and advances to customers	12	7,574,317	-	7,574,317	-	8,765,362	-	8,765,362
Held-to-maturity investments	14	995,831	-	995,831	-	1,065,202	-	1,065,202
		9,438,606	1,825,219	11,263,825	509,382	12,015,634	-	12,525,016
Financial liabilities								
Due to central and other banks	21	(781,504)	-	(781,504)	-	(781,504)	-	(781,504)
Derivative financial instruments	10	-	(42,884)	(42,884)	-	(42,884)	-	(42,884)
Due to customers	22	(7,838,211)	-	(7,838,211)	-	(7,676,237)	-	(7,676,237)
Debt securities in issue	23	(1,404,607)	-	(1,404,607)	-	(1,435,400)	-	(1,435,400)
		(10,024,322)	(42,884)	(10,067,206)	-	(9,936,025)	-	(9,936,025)

4. Estimated fair value of financial assets and liabilities (continued)

Restated 31 December 2012 € '000	Note	Carrying amount At amortised cost	 At fair value	 Total carrying amount	Fair value Level 1	 Level 2	 Level 3	 Total fair value
Financial assets								
Cash and balances with central banks	7	150,837	-	150,837	-	150,837	-	150,837
Due from banks	8	580,780	-	580,780	-	583,944	-	583,944
Financial assets at fair value through profit or loss	9	-	73,770	73,770	5,213	68,557	-	73,770
Derivative financial instruments	10	-	42,619	42,619	-	42,619	-	42,619
Available-for-sale financial assets	11	-	1,482,727	1,482,727	117,609	1,365,118	-	1,482,727
Loans and advances to customers	12	7,526,581	-	7,526,581	-	8,521,824	-	8,521,824
Held-to-maturity investments	14	1,041,721	-	1,041,721	-	1,130,340	-	1,130,340
		9,299,919	1,599,116	10,899,035	122,822	11,863,239	-	11,986,061
Financial liabilities								
Due to central and other banks	21	(667,350)	-	(667,350)	-	(667,350)	-	(667,350)
Derivative financial instruments	10	-	(53,194)	(53,194)	-	(53,194)	-	(53,194)
Due to customers	22	(7,632,684)	-	(7,632,684)	-	(7,548,266)	-	(7,548,266)
Debt securities in issue	23	(1,417,762)	-	(1,417,762)	-	(1,414,365)	-	(1,414,365)
		(9,717,796)	(53,194)	(9,770,990)	-	(9,683,175)	-	(9,683,175)

There were no significant transfers of financial instruments among the levels during 2013 and 2012.

5. Segment reporting

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

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

The Group comprises the following main operating segments:

- Retail Banking,
- Corporate Banking,
- Central Treasury.

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

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

Central Treasury undertakes the Group's funding, 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.

5. Segment reporting (continued)

31 December 2013 **€ '000**	**Retail Banking**	**Corporate Banking**	**Central Treasury**	**Other**	**Total**
External revenue					
Interest income	338,929	86,280	16,294	86,988	528,491
Interest expense	(53,403)	(8,804)	(11,725)	(41,837)	(115,769)
Inter-segment revenue	(9,384)	2,161	(2,119)	9,342	-
Net interest income	276,142	79,637	2,450	54,493	412,722
Net fee and commission income	52,115	50,653	2,934	(5,378)	100,324
Net trading result	3,174	3,645	(1,009)	3,845	9,655
Other operating income	2,781	4,653	75	624	8,133
Total segment operating income	334,212	138,588	4,450	53,584	530,834
Depreciation and amortisation	(15,770)	(3,014)	(16)	(9,046)	(27,846)
Operating expenses					(237,430)
Operating profit before impairment					265,558
Impairment losses	(35,722)	(45,859)	76	(6,375)	(87,880)
Share of profit of associates and jointly controlled entities					2,032
Income tax expense					(44,614)
Net profit for the year					135,096
Segment assets	4,509,940	3,214,164	728,339	3,103,980	11,556,423
Segment liabilities and equity	4,929,975	2,439,649	1,335,811	2,850,988	11,556,423

5. Segment reporting (continued)

31 December 2012 € '000	Retail Banking	Corporate Banking	Central Treasury	Other	Total
External revenue					
Interest income	323,276	94,131	114,206	11,518	543,131
Interest expense	(66,667)	(11,431)	(72,448)	(1,349)	(151,895)
Inter-segment revenue	(8,706)	(5,242)	(15,357)	29,305	-
Net interest income	247,903	77,458	26,401	39,474	391,236
Net fee and commission income	65,388	45,117	2,508	(3,389)	109,624
Net trading result	3,434	4,325	(33,290)	46	(25,485)
Other operating income	3,025	3,080	-	233	6,338
Total segment operating income	319,750	129,980	(4,381)	36,364	481,713
Depreciation and amortisation	(18,119)	(2,847)	(268)	(9,512)	(30,746)
Operating expenses					(224,345)
Operating profit before impairment					226,622
Impairment losses	(50,382)	(30,691)	259	819	(79,995)
Share of profit of associates and jointly controlled entities					1,213
Income tax expense					(28,136)
Net profit for the year					119,704
Segment assets	4,317,168	3,293,408	3,156,823	448,558	11,215,957
Segment liabilities and equity	4,885,886	2,073,525	2,904,308	1,352,238	11,215,957

6. Cash and cash equivalents

€ '000	Note	2013	2012
Cash and balances with central banks	7	96,820	150,837
Current accounts in other banks	8	16,316	15,132
Term deposits with other banks	8	163,138	-
		276,274	165,969

7. Cash and balances with central banks

€ '000	2013	2012
Balances with central banks:		
Compulsory minimum reserves	1,128	47,616
Current accounts	112	66
Term deposits	-	7,955
	1,240	55,637
Cash in hand	95,580	95,200
	96,820	150,837

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 1% for the reserves held at the NBS and 2% for the reserves held at the Czech National Bank. The required balance is calculated as the total of individual items multiplied by the valid rate.

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

8. Due from banks

€ '000	Note	2013	2012
Current accounts	6	16,316	15,132
Term deposits			
with contractual maturity less than 90 days	6	163,138	-
with contractual maturity over 90 days		20,071	20,091
Loans and advances			
with contractual maturity over 90 days		562,058	488,902
Cash collateral		10,079	56,689
Impairment losses	13	(24)	(34)
		771,638	580,780

At 31 December 2013 the balance of 'Term deposits' comprises of several deposits with commercial banks located in the Czech Republic and in other European countries in the total nominal amount of € 183,131 thousand. At 31 December 2012 the balance included a short term deposit with Intesa Sanpaolo S.p.A. in the nominal amount of € 20,000 thousand.

8. Due from banks (continued)

At 31 December 2013 the balance of 'Loans and advances' comprises of a short term reverse repo trade concluded with Intesa Sanpaolo S.p.A. in the nominal amount of € 499,494 thousand (31 December 2012: € 399,631 thousand). The repo trade is secured by state bonds and cash collateral.

9. Financial assets at fair value through profit or loss

€ '000	2013	2012
Financial assets held for trading		
Treasury bills and other eligible bills with contractual maturity over 90 days	-	24,970
State bonds with contractual maturity over 90 days	206,639	43,273
Bank bonds with contractual maturity over 90 days	362	314
Mutual funds	-	4,883
	207,001	73,440
Financial assets designated at fair value through profit or loss on initial recognition		
Equity shares	673	330
	207,674	73,770

Equity shares in the fair value through profit or loss portfolio ('FVTPL') are represented by shares of Intesa Sanpaolo S.p.A. These shares form the part of the incentive plan introduced by the parent company in 2012 that continued in 2013.

At 31 December 2013 and 31 December 2012, no financial assets at fair value through profit or loss were pledged by the VUB Group to secure transactions with counterparties.

10. Derivative financial instruments

€ '000	2013 Assets	2012 Assets	2013 Liabilities	2012 Liabilities
Trading derivatives	24,341	32,396	33,754	38,388
Cash flow hedges of interest rate risk	1,608	3,220	1,259	5,070
Fair value hedges of interest rate risk	3,272	7,003	7,871	9,736
	29,221	42,619	42,884	53,194

Trading derivatives also include hedging instruments that are non-qualifying according to IAS 39, which are held for risk management purposes rather than for trading. These instruments currently consist of one cross-currency interest rate swap. At 31 December 2013, the total positive fair value of this derivative was nil (31 December 2012: € 1,329 thousand) and the negative fair value was € 1,307 thousand (31 December 2012: nil).

10. Derivative financial instruments (continued)

€ '000 **Trading derivatives – Fair values**	**2013 Assets**	**2012 Assets**	**2013 Liabilities**	**2012 Liabilities**
Interest rate instruments				
Swaps	8,390	17,045	7,688	17,734
Forward rate agreements	-	-	-	53
Options	2,534	4,508	2,551	4,947
	10,924	21,553	10,239	22,734
Foreign currency instruments				
Forwards and swaps	8,201	3,360	16,429	9,497
Cross currency swaps	-	1,329	1,307	-
Options	1,822	2,426	2,385	2,424
	10,023	7,115	20,121	11,921
Equity and commodity instruments				
Equity options	3,394	3,716	3,394	3,716
Commodity swaps	-	12	-	17
	3,394	3,728	3,394	3,733
	24,341	32,396	33,754	38,388

€ '000 **Trading derivatives – Notional values**	**2013 Assets**	**2012 Assets**	**2013 Liabilities**	**2012 Liabilities**
Interest rate instruments				
Swaps	458,950	983,183	458,950	983,183
Forward rate agreements	-	24,546	-	24,546
Options	163,897	203,123	163,897	203,123
	622,847	1,210,852	622,847	1,210,852
Foreign currency instruments				
Forwards and swaps	843,205	727,954	851,532	733,929
Cross currency swaps	29,168	31,808	30,449	30,449
Options	74,264	85,723	74,123	85,666
	946,637	845,485	956,104	850,044
Equity and commodity instruments				
Equity options	14,304	20,433	14,304	20,433
Commodity options	-	165	-	165
Commodity swaps	-	143	-	138
	14,304	20,741	14,304	20,736
	1,583,788	2,077,078	1,593,255	2,081,632

10. Derivative financial instruments (continued)

Cash flow hedges of interest rate risk

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

Furthermore, the VUB Group uses one interest rate swap to hedge the interest rate risk of one variable rate bond from the available-for-sale ('AFS') portfolio. The cash flows on the floating leg of this interest rate swap substantially match the cash flow profile of the variable rate bond.

Below is a schedule indicating as at 31 December 2013, the periods when the hedged cash flows are expected to occur. The cash flows of mortgage bonds and AFS bond represent the future undiscounted value of coupons:

€ '000	**Up to 1 year**	**1 to 5 years**	**Over 5 years**
2013			
Mortgage bonds – interest rate risk	(2,078)	(3,422)	-
AFS bond – interest rate risk	1,120	635	-
2012			
Mortgage bonds – interest rate risk	(4,695)	(14,710)	-
AFS bond – interest rate risk	5,336	10,214	-

The net expense on cash flow hedges reclassified from 'Other comprehensive income' to the 'Net interest income' during 2013 was € 2,033 thousand (2012: net expense of € 2,794 thousand).

Fair value hedges of interest rate risk

The VUB Group uses eleven interest rate swaps to hedge the interest rate risk of ten fixed rate bonds from the AFS portfolio. The changes in fair value of these interest rate swaps substantially offset the changes in fair value of AFS portfolio bonds, both in relation to changes of interest rates.

Furthermore, the VUB Group uses seven interest rate swaps to hedge the interest rate risk arising from the issuance of six fixed rate mortgage bonds. The changes in fair value of these interest rate swaps substantially offset the changes in fair value of the mortgage bonds, both in relation to changes of interest rates.

In 2013, the Group recognised a net loss of € 1,652 thousand (2012: net gain of € 5,571 thousand) in relation to the fair value hedging instruments above. The net gain on hedged items attributable to the hedged risks amounted to € 1,782 thousand (2012: net loss of € 5,473 thousand). Both items are disclosed within 'Net trading result'.

During 2013, interest and similar income from hedged AFS securities in the amount of € 11,154 thousand (2012: € 8,063 thousand) was compensated by interest expense from interest rate swap hedging instruments in the amount of € 3,623 thousand (2012: € 4,006 thousand).

At 31 December 2013, interest expense from the hedged mortgage bonds in the amount of € 8,917 thousand (31 December 2012: € 6,092 thousand) was compensated by interest income from the interest rate swap hedging instruments in the amount of € 3,366 thousand (31 December 2012: € 1,122 thousand).

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

In 2013, the Group recognised in relation to the fair value hedging instruments of the foreign branch of VUB a net gain of € 195 thousand (2012: net loss of € 116 thousand). The net loss on hedged items attributable to the hedged risks amounted to € 198 thousand (2012: net gain of € 106 thousand). Both items are disclosed within 'Net trading result'.

10. Derivative financial instruments (continued)

In 2013, interest and similar income from hedged fixed income loans in the amount of € 459 thousand (2012: € 668 thousand) was compensated by interest expense from interest rate swap hedging instruments in the amount of € 186 thousand (2012: € 111 thousand).

11. Available-for-sale financial assets

€ '000	Note	Share 2013	Share 2012	2013	2012
State bonds of EU countries				1,428,327	1,470,678
Bank bonds				159,957	11,429
Equity shares at cost					
RVS, a.s.		8.38%	8.38%	574	574
S.W.I.F.T.		0.01%	0.01%	40	46
Impairment losses to equity shares at cost	13			(574)	-
				1,588,324	1,482,727

At 31 December 2013, state bonds in the total nominal amount of € 556,261 thousand from available-for-sale portfolio were pledged by the VUB Group to secure collateralized transactions (31 December 2012: nil). These bonds were pledged in favour of the NBS within the pool of assets used as collateral for received funds needed for the liquidity management purposes. The whole pool of assets can be used for any ECB operation in the future.

12. Loans and advances to customers

31 December 2013 € '000	Amortised cost	Impairment losses (note 13)	Carrying amount
Sovereigns			
Municipalities	144,631	(385)	144,246
Municipalities – Leasing	277	(3)	274
	144,908	(388)	144,520
Corporate			
Large Corporates	953,464	(15,687)	937,777
Specialized Lending	790,126	(44,063)	746,063
Small and Medium Enterprises ('SME')	752,958	(49,902)	703,056
Other Financial Institutions	133,606	(351)	133,255
Public Sector Entities	1,604	(15)	1,589
Leasing	250,844	(14,726)	236,118
Factoring	187,850	(3,347)	184,503
	3,070,452	(128,091)	2,942,361
Retail			
Small Business	189,467	(15,019)	174,448
Small Business – Leasing	11,877	(1,069)	10,808
Consumer Loans	1,210,015	(106,178)	1,103,837
Mortgages	2,899,094	(37,327)	2,861,767
Credit Cards	237,912	(35,030)	202,882
Overdrafts	120,874	(15,294)	105,580
Leasing	3,167	(123)	3,044
Flat Owners Associations	21,516	(281)	21,235
Other	4,170	(335)	3,835
	4,698,092	(210,656)	4,487,436
	7,913,452	(339,135)	7,574,317

12. Loans and advances to customers (continued)

31 December 2012 **€ '000**	**Amortised cost**	**Impairment losses (note 13)**	**Carrying amount**
Sovereigns			
Municipalities	160,578	(449)	160,129
Municipalities – Leasing	178	(3)	175
	160,756	(452)	160,304
Corporate			
Large Corporates	999,534	(9,960)	989,574
Specialized Lending	850,229	(40,584)	809,645
Small and Medium Enterprises ('SME')	718,931	(39,114)	679,817
Other Financial Institutions	180,365	(359)	180,006
Public Sector Entities	4,197	(105)	4,092
Leasing	235,854	(19,170)	216,684
Factoring	207,850	(3,009)	204,841
	3,196,960	(112,301)	3,084,659
Retail			
Small Business	187,830	(17,244)	170,586
Small Business – Leasing	17,194	(1,589)	15,605
Consumer Loans	1,079,798	(101,650)	978,148
Mortgages	2,830,474	(37,124)	2,793,350
Credit Cards	244,810	(38,486)	206,324
Overdrafts	115,870	(14,883)	100,987
Leasing	4,338	(185)	4,153
Flat Owners Associations	4,211	(55)	4,156
Other	8,647	(338)	8,309
	4,493,172	(211,554)	4,281,618
	7,850,888	(324,307)	7,526,581

At 31 December 2013, the 20 largest corporate customers represented a total balance of € 785,785 thousand (2012: € 791,565 thousand) or 9.93% (2012: 10.08%) of the gross loan portfolio.

Maturities of gross finance lease receivables are as follows:

€ '000	**2013**	**2012**
Up to 1 year	85,528	70,498
1 to 5 years	157,887	164,856
Over 5 years	56,023	58,309
	299,438	293,663
Unearned future finance income on finance leases	(33,273)	(36,099)
Impairment losses	(15,921)	(20,947)
	250,244	236,617

12. Loans and advances to customers (continued)

Maturities of net finance lease receivables are as follows:

€ '000	2013	2012
Up to 1 year	75,510	59,128
1 to 5 years	139,708	145,435
Over 5 years	50,947	53,001
	266,165	257,564
Impairment losses	(15,921)	(20,947)
	250,244	236,617

13. Impairment losses on assets

€ '000	Note	1 Jan 2013	Creation (note 34)	Reversal (note 34)	Assets written-off/sold (note 34)	FX diff	Other *	31 Dec 2013
Due from banks	8	34	-	(10)	-	-	-	24
Available-for-sale financial assets	11	-	574	-	-	-	-	574
Loans and advances to customers	12	324,307	190,229	(104,275)	(61,842)	(480)	(8,804)	339,135
Held-to-maturity investments	14	623	1	(27)	-	-	-	597
Property and equipment	18	85	7,155	(14)	-	-	-	7,226
Other assets	20	19,495	5,717	(3,203)	(6,476)	-	(1,342)	14,191
		344,544	203,676	(107,529)	(68,318)	(480)	(10,146)	361,747

* 'Other' represents the following movements:
- Interest portion (unwinding of interest),
- Use of impairment to sale of repossessed assets from financial leasing.

€ '000	Note	1 Jan 2012	Creation (note 34)	Reversal (note 34)	Assets written-off/sold (note 34)	FX diff	Other *	31 Dec 2012
Due from banks	8	202	2	(170)	-	-	-	34
Loans and advances to customers	12	332,431	192,654	(123,783)	(70,258)	27	(6,764)	324,307
Held-to-maturity investments	14	341	425	(143)	-	-	-	623
Property and equipment	18	756	43	(714)	-	-	-	85
Other assets	20	16,074	5,169	(1,172)	(576)	-	-	19,495
		349,804	198,293	(125,982)	(70,834)	27	(6,764)	344,544

* 'Other' represents the interest portion (unwinding of interest).

14. Held-to-maturity investments

€ '000	Note	2013	2012
State bonds		996,428	1,032,318
Bank bonds and other bonds issued by the financial sector		-	10,026
		996,428	1,042,344
Impairment losses	13	(597)	(623)
		995,831	1,041,721

At 31 December 2013, state bonds in the total nominal amount of € 49,057 thousand (31 December 2012: € 71,556 thousand) were pledged by the Group to secure collateralized transactions. All of these state bonds pledged represented the substitute cover to mortgage bonds issued and were pledged in accordance with the requirements of the Act No. 530/1990 Collection on Bonds.

15. Associates and jointly controlled entities

€ '000	Share %	Cost	Revaluation	Carrying amount
At 31 December 2013				
Slovak Banking Credit Bureau, s.r.o.	33.33	3	43	46
VÚB Asset Management, správ. spol., a.s.	40.55	2,821	3,650	6,471
VÚB Generali DSS, a.s.	50.00	16,597	(8,752)	7,845
		19,421	(5,059)	14,362
At 31 December 2012				
Slovak Banking Credit Bureau, s.r.o.	33.33	3	40	43
VÚB Generali DSS, a.s.	50.00	16,597	(9,044)	7,553
		16,600	(9,004)	7,596

The movements in revaluation including the share of profit and revaluation reserves of associates and jointly controlled entities reported in the Statement of profit or loss and other comprehensive income were as follows:

€ '000	2013	2012
Revaluation at 1 January	(9,004)	(9,523)
Effect of the change in the group structure resulting from the loss of the control over VÚB Asset Management, správ. spol., a.s.	2,927	-
Share of profit	2,032	1,213
Share of revaluation reserves	(14)	56
Dividends received from VÚB Generali DSS, a.s.	(1,000)	(750)
Revaluation at 31 December	(5,059)	(9,004)

15. Associates and jointly controlled entities (continued)

The aggregate amounts of the VUB Group's interest in associates and jointly controlled entities are as follows:

€ '000	Assets	Liabilities	Equity	Net profit for the year	Change of revaluation reserves for the year
At 31 December 2013					
Slovak Banking Credit Bureau, s.r.o.	219	173	46	3	-
VÚB Asset Management, správ. spol., a.s. *	4,261	416	6,471	723	-
VÚB Generali DSS, a.s.	8,514	669	7,845	1,306	(2)
At 31 December 2012					
Slovak Banking Credit Bureau, s.r.o.	225	182	43	1	-
VÚB Generali DSS, a.s.	8,065	512	7,553	1,212	26

* The VUB Group's interest on the equity of VÚB Asset Management, správ. spol., a.s. is comprised of 100% share on equity until the date the control over the subsidiary has been lost and 40.55% share on the change of net assets from the date the investment became an associate.

16. Intangible assets

€ '000	Software	Other intangible assets	Assets in progress	Total
Cost				
At 1 January 2013	163,396	55,214	20,133	238,743
Additions	2,330	-	18,192	20,522
Disposals	(221)	(2,315)	-	(2,536)
Transfers	27,688	1,300	(28,988)	-
Deconsolidation of VÚB Asset Management, správ. spol., a.s.	(591)	(3)	-	(594)
FX differences	(37)	(2)	-	(39)
At 31 December 2013	192,565	54,194	9,337	256,096
Accumulated amortisation				
At 1 January 2013	(138,432)	(52,470)	-	(190,902)
Amortisation for the year	(10,675)	(541)	-	(11,216)
Disposals	221	-	-	221
Deconsolidation of VÚB Asset Management, správ. spol., a.s.	566	3	-	569
FX differences	37	2	-	39
At 31 December 2013	(148,283)	(53,006)	-	(201,289)
Carrying amount				
At 1 January 2013	24,964	2,744	20,133	47,841
At 31 December 2013	44,282	1,188	9,337	54,807

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

16. Intangible assets (continued)

€ '000	Software	Other intangible assets	Assets in progress	Total
Cost				
At 1 January 2012	153,028	53,064	12,436	218,528
Additions	538	1,169	18,527	20,234
Disposals	(27)	(3)	(1)	(31)
Transfers	9,845	984	(10,829)	-
FX differences	12	-	-	12
At 31 December 2012	163,396	55,214	20,133	238,743
Accumulated amortisation				
At 1 January 2012	(129,196)	(47,846)	-	(177,042)
Amortisation for the year	(8,713)	(3,458)	-	(12,171)
Additions	(533)	(1,169)	-	(1,702)
Disposals	27	3	-	30
FX differences	(17)	-	-	(17)
At 31 December 2012	(138,432)	(52,470)	-	(190,902)
Carrying amount				
At 1 January 2012	23,832	5,218	12,436	41,486
At 31 December 2012	24,964	2,744	20,133	47,841

At 31 December 2013, the gross book value of fully amortised intangible assets that are still used by the Group amounted to € 107,035 thousand (31 December 2012: € 92,209 thousand).

At 31 December 2013, the amount of irrevocable contractual commitments for the acquisition of intangible assets was € 808 thousand (31 December 2012: € 6,190 thousand).

17. Goodwill

€ '000	2013	2012
VÚB Leasing, a. s.	10,434	10,434
Consumer Finance Holding, a.s.	18,871	18,871
	29,305	29,305

Goodwill related to VÚB Leasing, a. s. includes both goodwill related to the majority (70%) shareholding in the amount of € 7,304 thousand (Sk 219 million from 2007) and goodwill arising from the purchase of the remaining 30% shareholding in the amount of € 3,130 thousand (Sk 96 million from 2010). 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 annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. Management considers VÚB Leasing, a. s. and CFH to be separate cash generating units for the purposes of impairment testing.

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

17. Goodwill (continued)

The following rates are used by the Group:

	VÚB Leasing		CFH	
	2013	**2012**	**2013**	**2012**
Discount rate	10.71%	10.40%	10.71%	10.40%
Projected growth rate	4.79%	5.21%	4.79%	5.21%

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

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

Interest margins

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

Discount rates

Discount rates are determined based on the Capital Asset Pricing Model (‘CAPM’). The impairment calculation is most sensitive to market interest rates, expected cash-flows and growth rates.

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

€ '000	Note	Buildings and land	Equipment	Other tangibles	Assets in progress	Total
Cost						
At 1 January 2013		200,386	72,631	45,291	2,371	320,679
Additions		-	6	-	7,479	7,485
Disposals		(1,157)	(5,443)	(1,751)	-	(8,351)
Transfers		888	4,161	2,203	(7,252)	-
Deconsolidation of VÚB Asset Management, správ. spol., a.s.		-	(113)	-	(5)	(118)
FX differences		(8)	(21)	(7)	-	(36)
At 31 December 2013		200,109	71,221	45,736	2,593	319,659
Accumulated depreciation						
At 1 January 2013		(91,280)	(58,504)	(32,036)	-	(181,820)
Depreciation for the year		(6,392)	(6,621)	(3,617)	-	(16,630)
Disposals		1,075	5,433	1,491	-	7,999
Deconsolidation of VÚB Asset Management, správ. spol., a.s.		-	93	-	-	93
FX differences		8	17	8	-	33
At 31 December 2013		(96,589)	(59,582)	(34,154)	-	(190,325)
Impairment losses	13					
At 1 January 2013		(43)	-	(42)	-	(85)
Net creation		(7,000)	-	(141)	-	(7,141)
At 31 December 2013		(7,043)	-	(183)	-	(7,226)
Carrying amount						
At 1 January 2013		109,063	14,127	13,213	2,371	138,774
At 31 December 2013		96,477	11,639	11,399	2,593	122,108

18. Property and equipment and Non-current assets held for sale (continued)

€ '000	Note	Buildings and land	Equipment	Other tangibles	Assets in progress	Total
Cost						
At 1 January 2012		201,178	82,769	42,748	3,772	330,467
Additions		-	-	-	11,653	11,653
Disposals		(3,060)	(15,353)	(3,038)	-	(21,451)
Transfers		2,266	5,209	5,579	(13,054)	-
FX differences		2	6	2	-	10
At 31 December 2012		200,386	72,631	45,291	2,371	320,679
Accumulated depreciation						
At 1 January 2012		(86,445)	(65,986)	(30,548)	-	(182,979)
Depreciation for the year		(7,076)	(7,772)	(3,727)	-	(18,575)
Disposals		2,243	15,259	2,242	-	19,744
FX differences		(2)	(5)	(3)	-	(10)
At 31 December 2012		(91,280)	(58,504)	(32,036)	-	(181,820)
Impairment losses	13					
At 1 January 2012		(504)	-	(252)	-	(756)
Net reversal		461	-	210	-	671
At 31 December 2012		(43)	-	(42)	-	(85)
Carrying amount						
At 1 January 2012		114,229	16,783	11,948	3,772	146,732
At 31 December 2012		109,063	14,127	13,213	2,371	138,774

At 31 December 2013, the gross book value of fully depreciated tangible assets that are still used by the Group amounted to € 77,032 thousand (31 December 2012: € 65,973 thousand).

At 31 December 2013, the Group did not have any irrevocable contractual commitments for the acquisition of tangible assets (31 December 2012: € 227 thousand).

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

At 31 December 2013, the VUB Group did not hold any assets in its portfolio of non-current assets held for sale. At 31 December 2012, the Group held in the portfolio land as follows:

€ '000	2013	2012
Cost	-	2
	-	2

19. Current and deferred income taxes

€ '000	2013	2012
Current income tax assets	-	16,475

€ '000	2013	2012
Deferred income tax assets	41,895	43,637

€ '000	2013	2012
Current income tax liabilities	1,166	-

Deferred income taxes are calculated on all temporary differences using a tax rate of 22% (31 December 2012: 23%) as follows:

€ '000	2013	Profit/ (loss) (note 35)	Equity	Other *	2012
Due from banks	5	(3)	-	-	8
Derivative financial instruments designated as cash flow hedges	(77)	-	(503)	-	426
Available-for-sale financial assets	(12,045)	126	5,095	-	(17,266)
Loans and advances to customers	56,145	(6,750)	-	-	62,895
Held-to-maturity investments	132	(11)	-	-	143
Intangible assets identified on acquisition	-	82	-	-	(82)
Property and equipment	(4,453)	(1,144)	-	-	(3,309)
Provisions	117	(113)	-	-	230
Other liabilities	3,355	912	-	25	2,418
Other	(1,284)	542	-	-	(1,826)
Deferred income tax assets	41,895	(6,359)	4,592	25	43,637

* ‘Other’ represents the deconsolidation of the deferred tax liability of VÚB Asset Management, správ. spol., a.s.

Based on the Amendment to the Act on income taxes, the tax rate of 22% represents the income tax rate valid from 1 January 2014. The tax rate of 23% was valid during 2013. Without the change in the income tax rate, the deferred income tax assets calculated using the rate of 23% would be € 43,865 thousand.

20. Other assets

€ '000	Note	2013	2012
Inventories (incl. repossessed leased assets)		16,582	12,861
Operating receivables and advances		10,697	18,764
Receivables from termination of leasing		7,343	10,035
Prepayments and accrued income		6,304	5,622
Other tax receivables		3,335	5,450
Settlement of operations with financial instruments		7	7
Other		44	48
		44,312	52,787
Impairment losses	13	(14,191)	(19,495)
		30,121	33,292

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

21. Due to central and other banks

€ '000	2013	Restated 2012
Due to central banks		
Current accounts	58,973	69,378
	58,973	69,378
Due to other banks		
Current accounts	16,557	7,569
Term deposits	200,605	140,751
Loans received	472,769	442,452
Cash collateral received	32,600	7,200
	722,531	597,972
	781,504	667,350

The breakdown of 'Loans received' according to the counterparty is presented below:

€ '000	2013	Restated 2012
Intesa Sanpaolo S.p.A.	216,553	215,699
European Investment Bank	95,672	65,037
Council of Europe Development Bank	73,264	80,962
Tatra banka, a.s.	40,000	40,000
European Bank for Reconstruction and Development	29,422	22,433
Komerční banka, a.s.	9,610	9,610
BKS Bank AG	8,000	8,000
Slovenská záručná a rozvojová banka, a.s. ('SZRB')	183	681
Other	65	30
	472,769	442,452

21. Due to central and other banks (continued)

Intesa Sanpaolo S.p.A.

At 31 December 2013, there were several loan arrangements concluded with Intesa Sanpaolo S.p.A. maturing between 2014 and 2018 and with interest rates between 0.38% and 3.45%. At 31 December 2012 the interest rates were in the range between 0.38% and 3.62%. The frequency of the repayment of the principal and interests varies for each loan contract.

European Investment Bank

Loans from European Investment Bank were provided to fund development of SME, large sized companies and infrastructure projects. At 31 December 2013, the balance comprised of five loans in the nominal amount of € 30,625 thousand, € 30,000 thousand, € 10,000 thousand, € 5,000 thousand and € 20,000 thousand (restated 31 December 2012: two loans in the nominal amount of € 35,000 thousand and € 30,000 thousand) with interest rates between 0.32% and 1.73% (restated 31 December 2012: 0.45% and 1.15%) and with maturity between 2018 and 2023. The principal of loans is payable on annual or semi-annual basis and the interest is payable semi-annually or quarterly, depending on the periodicity agreed in the individual loan contracts.

Council of Europe Development Bank

At 31 December 2013, loans from Council of Europe Development Bank comprised of nine loans in the nominal amount of € 6,000 thousand, € 2,383 thousand, € 3,060 thousand, € 1,000 thousand, € 1,000 thousand, € 9,000 thousand, € 7,000 thousand, € 18,750 thousand and € 25,000 thousand (restated 31 December 2012: nine loans in the nominal amount of € 6,667 thousand, € 2,979 thousand, € 3,497 thousand, € 1,500 thousand, € 1,500 thousand, € 10,500 thousand, € 8,000 thousand, € 21,250 thousand and 25,000 thousand). The purpose of these loans is to fund SME projects and development of municipalities in the Slovak republic.

The interest rates of these loans are linked to 3M Euribor and are between 0.19% and 1.46% at 31 December 2013 (restated 31 December 2012: 0.18% - 1.43%). The interest is payable quarterly and the principal is payable on quarterly or annual basis. The maturity of the individual loans is between 2015 and 2027.

Tatra banka, a.s.

Loans received from Tatra banka, a.s. comprised of two loans in the nominal amount of € 15,000 thousand and € 25,000 thousand, both maturing on 12 September 2014. The principal is payable at the maturity of the loans and the interest is payable on monthly basis. The agreed interest rates were 3.85% and 3.84%, respectively.

European Bank for Reconstruction and Development

Loans received from European Bank for Reconstruction and Development represent funds granted to support the energy savings in large corporations.

At 31 December 2013, there were three loan arrangements concluded with European Bank for Reconstruction and Development (restated 31 December 2012: two loan arrangements). Funds from these loans were drawn in several tranches during 2010, 2011 and 2013. The maturity of two loans is in 2015 and one is maturing in 2020. At 31 December 2013 the interest rates were in the range between 0.59% and 2.22% (restated 31 December 2012: 0.79% - 1.26%). The frequency of the repayment of both the interest and the principal is semi-annual.

Komerční banka, a.s.

At 31 December 2013, the balance with Komerční banka, a.s. comprised of one loan in the nominal amount of € 9,600 thousand which was granted on 7 November 2013 and is maturing on 13 January 2014. The loan has a float interest rate linked to 3M Euribor and both principal and interest are repayable at the maturity. At 31 December 2012 the balance comprised of one loan which was fully repaid in 2013.

BKS Bank AG

The loan received from BKS Bank AG in the nominal amount of € 8,000 thousand is maturing on 30 June 2016. The interest rate is set as 3M Euribor + 2.75% with monthly interest payments and bullet repayment of the principal.

21. Due to central and other banks (continued)

Slovenská záručná a rozvojová banka, a.s.

Loans from SZRB were granted under the programmes ‘Podpora‘, ‘Rozvoj‘ and ‘Rozvoj II‘ to support the long and mid-term development of small and medium sized enterprises. Under these programmes, individual contracts were concluded between the Bank and SZRB to finance specific clients. At 31 December 2013 the interest rates are between 0.70% and 3.50% (31 December 2012: 1.29% - 3.70%). The payment conditions are in line with individual client contracts. In the case the client is late with the repayment of the loan the Bank is obliged to repay the total amount of the loan granted by SZRB.

22. Due to customers

€ '000	2013	Restated 2012
Current accounts	3,692,408	3,099,753
Term deposits	3,681,295	3,805,321
Savings accounts	214,170	223,894
Government and municipal deposits	211,995	400,918
Promissory notes	-	61,707
Other deposits	38,343	41,091
	7,838,211	7,632,684

23. Debt securities in issue

€ '000	2013	2012
Bonds	58	58
Mortgage bonds	1,025,505	1,019,919
Mortgage bonds subject to cash flow hedges	160,725	163,897
Mortgage bonds subject to fair value hedges	219,043	228,195
	1,405,273	1,412,011
Revaluation of fair value hedged mortgage bonds	(2,561)	5,693
Amortisation of revaluation related to terminated fair value hedges	1,837	-
	1,404,607	1,417,762

The repayment of mortgage bonds is funded by the mortgage loans provided to customers of the Group (see also note 12).

23. Debt securities in issue (continued)

Name	Interest rate (%)	CCY	Number of mortgage bonds issued at 31 Dec 2013	Nominal value in CCY per piece	Issue date	Maturity date	2013 € '000	2012 € '000
Mortgage bonds VÚB, a.s. VII.	5.10	EUR	-	3,319	15.4.2003	15.4.2013	-	34,398
Mortgage bonds VÚB, a.s. VIII.	5.10	EUR	-	33,194	29.5.2003	29.5.2013	-	34,191
Mortgage bonds VÚB, a.s. XVII.	0.34	EUR	1,678	33,194	28.11.2005	28.11.2015	55,717	55,715
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. XXX.	5.00	EUR	1,000	33,194	5.9.2007	5.9.2032	33,383	33,364
Mortgage bonds VÚB, a.s. XXXI.	4.90	EUR	600	33,194	29.11.2007	29.11.2037	19,666	19,650
Mortgage bonds VÚB, a.s. 32.	1.99	CZK	800	1,000,000	17.12.2007	17.12.2017	30,656	33,832
Mortgage bonds VÚB, a.s. 35.	4.40	EUR	630	33,194	19.3.2008	19.3.2016	21,438	21,347
Mortgage bonds VÚB, a.s. 36.	4.75	EUR	560	33,194	31.3.2008	31.3.2020	18,944	18,895
Mortgage bonds VÚB, a.s. 39.	0.98	EUR	60	1,000,000	26.6.2008	26.6.2015	60,005	60,004
Mortgage bonds VÚB, a.s. 40.	0.97	EUR	70	1,000,000	28.8.2008	28.8.2015	70,064	70,061
Mortgage bonds VÚB, a.s. 41.	5.63	USD	-	1,000,000	30.9.2008	30.9.2013	-	26,136
Mortgage bonds VÚB, a.s. 43.	5.10	EUR	500	33,194	26.9.2008	26.9.2025	15,679	15,582
Mortgage bonds VÚB, a.s. 46.	4.61	EUR	49	1,000,000	19.5.2009	19.5.2016	50,393	50,393
Mortgage bonds VÚB, a.s. 48.	4.00	EUR	-	1,000	11.5.2009	11.5.2013	-	20,440
Mortgage bonds VÚB, a.s. 49.	3.92	EUR	100	1,000,000	28.7.2009	28.7.2014	101,664	101,666
Mortgage bonds VÚB, a.s. 50.	3.40	EUR	-	1,000	2.11.2009	2.11.2013	-	8,438
Mortgage bonds VÚB, a.s. 51.	0.81	EUR	21	1,000,000	8.4.2010	8.4.2014	21,051	21,196
Mortgage bonds VÚB, a.s. 52.	0.95	EUR	161	50,000	15.3.2010	15.3.2014	8,073	8,076
Mortgage bonds VÚB, a.s. 53.	0.95	EUR	100	1,000,000	8.4.2010	8.4.2017	100,218	100,216
Mortgage bonds VÚB, a.s. 54.	3.00	EUR	15,000	1,000	1.7.2010	1.7.2014	15,225	15,225
Mortgage bonds VÚB, a.s. 55.	2.85	EUR	14,000	1,000	1.10.2010	1.10.2015	14,100	14,100
Mortgage bonds VÚB, a.s. 57.	1.65	EUR	100	1,000,000	30.9.2010	30.9.2018	100,416	100,445
Mortgage bonds VÚB, a.s. 58.	2.15	EUR	80	1,000,000	10.12.2010	10.12.2019	80,100	80,100
Mortgage bonds VÚB, a.s. 59.	3.00	EUR	25,000	1,000	1.3.2011	1.3.2015	25,625	25,625
Mortgage bonds VÚB, a.s. 60.	1.05	CZK	4,345	100,000	20.5.2011	20.5.2014	15,856	17,281

(Table continues on the next page)

23. Debt securities in issue (continued)

Name	Interest rate (%)	CCY	Number of mortgage bonds issued at 31 Dec 2013	Nominal value in CCY per piece	Issue date	Maturity date	2013 € '000	2012 € '000
Mortgage bonds VÚB, a.s. 61.	1.23	EUR	467	10,000	7.6.2011	7.6.2015	4,668	4,670
Mortgage bonds VÚB, a.s. 62.	2.33	EUR	100	1,000,000	28.7.2011	28.7.2018	100,992	101,151
Mortgage bonds VÚB, a.s. 63.	3.75	EUR	35,000	1,000	16.9.2011	16.3.2016	35,383	35,383
Mortgage bonds VÚB, a.s. 64.	3.25	CZK	7,000	100,000	26.9.2011	26.9.2016	25,686	27,989
Mortgage bonds VÚB, a.s. 66.	2.03	EUR	700	50,000	28.11.2011	28.11.2014	34,958	34,842
Mortgage bonds VÚB, a.s. 67.	5.35	EUR	300	50,000	29.11.2011	29.11.2030	15,071	15,071
Mortgage bonds VÚB, a.s. 68.	4.00	EUR	35,000	1,000	16.1.2012	16.7.2015	36,342	36,342
Mortgage bonds VÚB, a.s. 69.	4.50	EUR	1,000	20,000	6.2.2012	6.2.2016	20,440	20,476
Mortgage bonds VÚB, a.s. 70.	3.75	EUR	400	100,000	7.3.2012	7.3.2017	41,168	41,150
Mortgage bonds VÚB, a.s. 71.	3.90	EUR	750	20,000	2.5.2012	2.5.2017	15,350	15,425
Mortgage bonds VÚB, a.s. 72.	4.70	EUR	250	100,000	21.6.2012	21.6.2027	25,396	25,380
Mortgage bonds VÚB, a.s. 73.	4.20	EUR	500	100,000	11.7.2012	11.7.2022	50,623	50,580
Mortgage bonds VÚB, a.s. 74.	3.35	EUR	700	100,000	16.1.2013	15.12.2023	71,780	-
Mortgage bonds VÚB, a.s. 75.	2.00	EUR	300	100,000	5.4.2013	5.4.2019	30,496	-
Mortgage bonds VÚB, a.s. 76.	2.40	EUR	309	10,000	22.4.2013	22.4.2018	3,143	-
Mortgage bonds VÚB, a.s. 77.	1.80	CZK	5,000	100,000	20.6.2013	20.6.2018	18,328	-
							1,405,273	1,412,011

24. Provisions

€ '000	2013	2012
Litigation	21,501	24,607
Restructuring provision	532	1,000
	22,033	25,607

The movements in provisions were as follows:

€ '000	Note	1 Jan 2013	Creation	Reversal	Use	31 Dec 2013
Litigation	27, 33	24,607	4,226	(1,011)	(6,321)	21,501
Restructuring provision	32	1,000	-	-	(468)	532
		25,607	4,226	(1,011)	(6,789)	22,033

€ '000	Note	1 Jan 2012	Creation	Reversal	Use	31 Dec 2012
Litigation	27, 33	27,328	4,559	(6,584)	(696)	24,607
Restructuring provision	32	-	1,000	-	-	1,000
		27,328	5,559	(6,584)	(696)	25,607

25. Other liabilities

€ '000	2013	2012
Various creditors	36,328	33,662
Settlement with employees	18,647	12,963
Financial guarantees and commitments	12,186	13,951
Factoring	6,191	17,957
VAT payable and other tax payables	3,673	4,554
Severance and Jubilee benefits	3,203	3,145
Accruals and deferred income	3,044	8,751
Settlement with shareholders	910	850
Share remuneration scheme	673	330
Retention program	433	698
Investment certificates	153	-
Settlement with securities	19	8
Other	1,169	897
	86,629	97,766

25. Other liabilities (continued)

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

€ '000	Note	1 Jan 2013	Creation/ (Reversal)	FX diff	31 Dec 2013
Financial guarantees and commitments	34	13,951	(1,652)	(113)	12,186
Severance and Jubilee benefits	32	3,145	58	-	3,203
Retention program	32	698	(265)	-	433
		17,794	(1,859)	(113)	15,822

€ '000	Note	1 Jan 2012	Creation/ (Reversal)	FX diff	31 Dec 2012
Financial guarantees and commitments	34	10,800	3,144	7	13,951
Severance and Jubilee benefits	32	1,942	1,203	-	3,145
Retention program	32	904	(206)	-	698
		13,646	4,141	7	17,794

The movements in social fund liability presented within Settlement with employees were as follows:

€ '000	1 Jan 2013	Creation (note 32)	Use	31 Dec 2013
Social fund	878	935	(1,390)	423

€ '000	1 Jan 2012	Creation (note 32)	Use	31 Dec 2012
Social fund	1,142	1,207	(1,471)	878

26. Equity

€ '000	2013	2012
Share capital - authorised, 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
Share premium	13,501	13,368
Reserves	142,948	154,146
Retained earnings (excluding net profit for the year)	657,025	603,557
	1,244,293	1,201,890
Net profit for the year attributable to shareholders	135,096	119,704

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

26. Equity (continued)

The structure of shareholders is as follows:

	2013	2012
Intesa Sanpaolo Holding International S.A.	96.97%	96.84%
Domestic shareholders	2.23%	2.72%
Foreign shareholders	0.80%	0.44%
	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 2013 and 31 December 2012 was as follows:

€ '000	**2013**	**2012**
Tier 1 capital		
Share capital	430,819	430,819
Share premium	13,501	13,368
Retained earnings without net profit for the year	657,025	603,557
Legal reserve fund	99,507	97,743
Less goodwill and software (including software in Assets in progress)	(82,924)	(74,402)
Less negative revaluation of available-for-sale financial assets *	(1,210)	-
Less expected loss	(30,593)	(14,828)
	1,086,125	1,056,257
Tier 2 capital		
Positive revaluation of available-for-sale financial assets *	44,084	64,799
IRB shortfall	26,764	5,110
	70,848	69,909
Regulatory adjustment		
Associates and jointly controlled entities	(14,316)	(7,553)
Expected loss (incl. equity instruments)	(15)	(15)
	(14,331)	(7,568)
Total regulatory capital	1,142,642	1,118,598

* Based on NBS regulatory requirement.

26. Equity (continued)

Regulatory capital includes items forming the value of basic own funds (ordinary share capital, share premium, retained earnings, legal reserve fund) and items decreasing the value of basic own funds (intangible assets, goodwill and investments with significant influence). The difference between the expected loss and impairment losses on exposures treated under the standardised approach is deducted from regulatory capital. The methodology is prescribed by NBS decree 11/2010 stipulating methods and details of valuing banking book positions, including the frequency of such valuations. The VUB Group is also obliged to deduct difference between the expected loss and impairment losses if positive for the IRB portfolio (Corporate segment) and the expected loss for equities (Simple IRB approach). The amount by which the impairment losses exceed the value of expected loss on assets treated under the IRB approach represents a component of Tier 2 capital. Furthermore, according to the amendment to NBS decree 4/2007 (amendment number 3/2011), the VUB Group is obliged to decrease the value of regulatory capital by the negative revaluation differences arising from the revaluation of available-for-sale financial assets. The positive revaluation differences net of tax represent Tier 2 capital.

€ '000	**2013**	**2012**
Tier 1 capital	1,086,125	1,056,257
Tier 2 capital	70,848	69,909
Regulatory adjustment	(14,331)	(7,568)
Total regulatory capital	1,142,642	1,118,598
Total Risk Weighted Assets	6,817,865	7,014,769
Tier 1 capital ratio	15.93%	15.06%
Total capital ratio	16.76%	15.95%

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, IRB shortfall and available-for-sale reserves related to capital instruments.

The VUB Group must maintain a capital adequacy ratio of at least 8% according to the Act on Banks. The capital adequacy ratio is the ratio between the Group's capital and the risk-weighted assets. Risk weighted assets include risk weighted assets from positions recorded in the trading book and risk weighted assets from positions recorded in the banking book.

In addition to the requirements of the Act on Banks, the Group is obliged to fulfil also the additional requirement due to the joint decision of the NBS and Banca d'Italia supervision authorities. Based on the decisions received from these authorities, the Group was obliged to maintain the Total capital ratio of at least 10.05% at 31 December 2012 and of at least 10.37% at 31 December 2013 for both the separate and consolidated level. The VUB Group complied with this requirement as at 31 December 2013 and 31 December 2012.

27. Financial commitments and contingencies

€ '000	**2013**	**2012**
Issued guarantees	637,591	624,260
Commitments and undrawn credit facilities	2,195,905	2,058,440
	2,833,496	2,682,700

27. Financial commitments and contingencies (continued)

(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

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 2013 and 31 December 2012 was as follows:

€ '000	**2013**	**2012**
Up to 1 year	241	240
1 to 5 years	190	186
Over 5 years	-	-
	431	426

(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 2013 and 31 December 2012 are as follows:

€ '000	**2013**	**2012**
Up to 1 year	2,186	1,672
1 to 5 years	2,556	2,342
Over 5 years	11	-
	4,753	4,014

(e) Legal proceedings

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 2013. Pursuant to this review, management has recorded total provisions of € 21,501 thousand (31 December 2012: € 24,607 thousand) in respect of such legal proceedings (see also note 24). 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 € 9,417 thousand, as at 31 December 2013 (31 December 2012: € 5,219 thousand). This amount represents existing legal proceedings against the VUB Group that will most probably not result in any payments due by the VUB Group.

28. Net interest income

€ '000	2013	Restated 2012
Interest and similar income		
Due from banks	12,276	17,004
Loans and advances to customers	435,060	430,889
Bonds, treasury bills and other securities:		
Financial assets at fair value through profit or loss	2,471	6,216
Available-for-sale financial assets	36,720	45,323
Held-to-maturity investments	41,964	43,699
	528,491	543,131
Interest and similar expense		
Due to banks	(7,842)	(11,239)
Due to customers	(67,424)	(86,287)
Debt securities in issue	(40,503)	(54,369)
	(115,769)	(151,895)
	412,722	391,236

Interest income on impaired loans and advances to customers for 2013 amounted to € 24,410 thousand (2012: € 21,434 thousand).

29. Net fee and commission income

€ '000	2013	Restated 2012
Fee and commission income		
Received from banks	7,182	6,534
Received from customers:		
Current accounts	47,844	48,620
Loans and guarantees	33,455	38,032
Transactions and payments	23,610	24,405
Insurance mediation	11,301	12,957
Securities	5,481	273
Overdrafts	3,049	1,589
Securities - Custody fee	1,007	983
Term deposits	841	926
Mutual funds	-	5,564
Other	2,986	2,411
	136,756	142,294
Fee and commission expense		
Paid to banks	(15,807)	(15,046)
Paid to mediators:		
Credit cards	(8,571)	(8,389)
Securities	(513)	(485)
Services	(10,086)	(7,142)
Other	(1,455)	(1,608)
	(36,432)	(32,670)
	100,324	109,624

30. Net trading result

€ '000	2013	2012
Foreign currency derivatives and transactions	4,319	2,119
Customer FX margins	5,080	5,173
Cross currency swaps	(2,547)	1,340
Equity derivatives	57	238
Other derivatives	11	5
Interest rate derivatives *	(1,405)	5,499
Dividends from equity shares held in FVTPL portfolio	13	-
Securities:		
Financial assets at fair value through profit or loss		
Held for trading	(318)	757
Designated at fair value through profit or loss on initial recognition	130	81
Available-for-sale financial assets *	(1,652)	(36,258)
Held-to-maturity investments	-	1,059
Debt securities in issue *	5,967	(5,498)
	9,655	(25,485)

* 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 10).

At 31 December 2013, the amount still to be recognised in income resulting from Day 1 profit amounted to € 4 thousand (31 December 2012: € 10 thousand). The total amount of € 4 thousand is to be recognized within one year (31 December 2012: € 5 thousand to be recognized within one year and the remaining € 5 thousand in the period 1 to 5 years).

31. Other operating income

€ '000	2013	2012
Income from leasing	3,963	2,428
Rent	1,084	939
Net profit/(loss) from sale of fixed assets	423	(109)
Services	241	408
Financial revenues	84	263
Sales of consumer goods	77	-
Other	2,261	2,409
	8,133	6,338

32. Salaries and employee benefits

€ '000	Note	2013	2012
Remuneration		(77,912)	(67,808)
Social security costs		(29,624)	(26,416)
Social fund	25	(935)	(1,207)
Retention program	25	265	206
Severance and Jubilee benefits	25	(58)	(1,203)
Restructuring provision	24	468	(1,000)
		(107,796)	(97,428)

At 31 December 2013, the total number of employees of the VUB Group was 3,959 (31 December 2012: 4,003). The average number of employees of the Group during 2013 was 3,965 (2012: 4,032).

The VUB Group does not have any pension arrangements separate from the pension system established by 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.

33. Other operating expenses and Special levy of selected financial institutions

€ '000	Note	2013	Restated 2012
Property related expenses		(20,063)	(18,814)
IT systems maintenance		(19,114)	(15,929)
Post and telecom		(13,238)	(13,138)
Advertising and marketing		(10,148)	(12,713)
Equipment related expenses		(5,214)	(6,145)
Stationery		(4,405)	(4,324)
Litigations paid		(4,260)	(366)
Security		(3,877)	(3,747)
Insurance		(1,809)	(1,652)
Third parties' services		(1,349)	(716)
VAT and other taxes		(1,250)	(2,949)
Professional services		(1,185)	(2,189)
Other damages		(1,138)	(485)
Transport		(869)	(917)
Training		(801)	(739)
Travelling		(754)	(819)
Audit *		(753)	(672)
Contribution to the Deposit Protection Fund		-	(4,556)
Provisions for litigation	24	3,106	2,025
Other operating expenses		(4,033)	(2,921)
		(91,154)	(91,766)

* As at 31 December 2013 the audit expense consists of fees for the statutory audit in the amount of € 302 thousand (31 December 2012: € 302 thousand), group reporting in the amount of € 302 thousand (31 December 2012: € 302 thousand) and other reporting in the amount of € 149 thousand (31 December 2012: € 68 thousand).

Due to changes of disclosure of VAT from January 2013, prior period balances were restated to reflect this change and to provide better comparability of categories presented within 'Other operating expenses'.

33. Other operating expenses and Special levy of selected financial institutions (continued)

At 31 December 2013 and 31 December 2012, the special levy recognized by the Bank was as follows:

€ '000	2013	2012
Special levy of selected financial institutions	(38,480)	(35,151)

Commencing 1 January 2012, banks operating in the Slovak Republic are subject to a special levy of 0.4% p.a. of selected liabilities. Based on the amendment to the Act on Special levy of selected financial institutions, effective from 1 September 2012 the basis for calculation of the levy was extended by the amount of deposits subject to protection based on the special regulation. The levy is recognized in the Statement of profit or loss and other comprehensive income on an accrual basis and is payable at the beginning of each quarter.

34. Impairment losses

€ '000	Note	2013	Restated 2012
Creation of impairment losses	13	(203,676)	(198,293)
Reversal of impairment losses	13	107,529	125,982
Net creation of impairment losses		(96,147)	(72,311)
Creation of liabilities – financial guarantees and commitments		(8,607)	(10,527)
Reversal of liabilities – financial guarantees and commitments		10,259	7,383
Net reversal/(creation) of liabilities – financial guarantees and commitments	25	1,652	(3,144)
Nominal value of assets written-off/sold		(80,464)	(96,207)
Release of impairment losses to assets written-off/sold	13	68,318	70,834
		(12,146)	(25,373)
Proceeds from assets written-off		11,914	7,683
Proceeds from assets sold		6,847	13,150
		(87,880)	(79,995)

35. Income tax expense

€ '000	Note	2013	2012
Current income tax		(38,255)	(29,256)
Deferred income tax	19	(6,359)	1,120
		(44,614)	(28,136)

35. Income tax expense (continued)

The movement in deferred taxes in the Statement of profit or loss and other comprehensive income is as follows:

€ '000	2013	2012
Due from banks	(3)	(30)
Available-for-sale financial assets	126	-
Loans and advances to customers	(6,750)	2,677
Held-to-maturity investments	(11)	78
Intangible assets identified on acquisition	82	419
Property and equipment	(1,144)	(6)
Provisions	(113)	230
Other liabilities	912	(1,949)
Other	542	(299)
	(6,359)	1,120

The effective tax rate differs from the statutory tax rate in 2013 and in 2012. The reconciliation of the VUB Group's profit before tax with the actual corporate income tax is as follows:

€ '000	Note	2013 Tax base	2013 Tax at applicable tax rate (23%)	2012 Tax base	2012 Tax at applicable tax rate (19%)
Profit before tax		179,710	(41,333)	147,840	(28,090)
Tax effect of expenses that are not deductible in determining taxable profit					
Creation of provisions and other reserves		16,849	(3,875)	22,140	(4,207)
Creation of impairment losses		185,048	(42,561)	144,647	(27,483)
Write-off and sale of assets		7,133	(1,641)	8,983	(1,707)
Other		14,832	(3,411)	13,323	(2,531)
		223,862	(51,488)	189,093	(35,928)
Tax effect of revenues that are deductible in determining taxable profit					
Release of provisions and other reserves		(24,337)	5,598	(16,517)	3,138
Release of impairment losses		(193,718)	44,555	(145,188)	27,586
Other		(11,595)	2,667	(20,463)	3,888
		(229,650)	52,820	(182,168)	34,612
Adjustments for current tax of prior periods		(7,574)	1,742	(747)	142
Withholding tax paid abroad - settlement of advance payments		(17)	4	(42)	8
Current income tax		166,331	(38,255)	153,976	(29,256)
Deferred income tax at 22% in 2013 (23% in 2012)	19		(6,359)		1,120
Income tax expense			(44,614)		(28,136)
Effective tax rate			24.83%		19.03%

36. Other comprehensive income

€ '000	**2013**	**2012**
Exchange differences on translating foreign operation	(6)	152
Available-for-sale financial assets:		
Revaluation (losses)/gains arising during the year	(17,229)	128,470
Reclassification adjustment for (profit)/loss on sale of AFS bonds included in the profit or loss	(2,533)	36,283
	(19,762)	164,753
Cash flow hedges:		
Revaluation gains arising during the year	2,200	3,757
Total other comprehensive income	(17,568)	168,662
Income tax relating to components of other comprehensive income *	4,592	(34,936)
Other comprehensive income for the year	(12,976)	133,726

* Income tax relates only to the components of other comprehensive income that might be reclassified subsequently to the profit or loss.

37. Income tax effects relating to other comprehensive income

	2013			**2012**		
€ '000	**Before tax amount**	**Tax benefit/ (expense)**	**Net of tax amount**	**Before tax amount**	**Tax expense**	**Net of tax amount**
Exchange differences on translating foreign operations	(6)	-	(6)	152	-	152
Available-for-sale financial assets	(19,762)	5,095	(14,667)	164,753	(34,295)	130,458
Net movement on cash flow hedges	2,200	(503)	1,697	3,757	(641)	3,116
	(17,568)	4,592	(12,976)	168,662	(34,936)	133,726

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, have a significant influence or are under the common control of, the reporting enterprise;

(b) Associates – enterprises in which the parent company has significant influence and which are neither a subsidiary nor a joint venture;

(c) Individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group, and anyone expected to influence, or be influenced by, that person in their dealings with the Group;

(d) Key management personnel, that is, those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including directors and officers of the Group and close members of the families of such individuals; and

(e) Enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in (c) or (d) or over which such a person is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the Group and enterprises that have a member of key management in common with the Group.

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

In 2013, the remuneration and other benefits provided to members of the Supervisory Board and the Management Board were € 3,672 thousand (2012: € 4,451 thousand).

38. Related parties (continued)

At 31 December 2013, significant outstanding balances with related parties comprised:

€ '000	KMP *	Close members of KMP	Joint ventures	Associates	Intesa Sanpaolo	Intesa Sanpaolo group companies	Total
Assets							
Due from banks	-	-	-	-	542,306	71,457	613,763
Derivative financial instruments	-	-	-	-	-	8,283	8,283
Loans and advances to customers	528	-	-	-	-	-	528
Financial assets at fair value through profit or loss	-	-	-	-	673	-	673
Other assets	-	-	7	556	-	-	563
	528	-	7	556	542,979	79,740	623,810
Liabilities							
Due to central and other banks	-	-	-	-	367,301	3,510	370,811
Derivative financial instruments	-	-	-	-	39	4,490	4,529
Due to customers	2,126	-	-	1,722	-	107	3,955
Debt securities in issue							
Mortgage bonds	-	-	629	-	-	684,905	685,534
Other liabilities	673	-	-	4	-	24	701
	2,799	-	629	1,726	367,340	693,036	1,065,530
Issued guarantees	-	-	-	-	-	44,779	44,779
Received guarantees	-	-	-	-	-	219,999	219,999
Derivative transactions (notional amount – receivable)	-	-	-	-	-	446,778	446,778
Derivative transactions (notional amount – payable)	-	-	-	-	57,757	157,705	215,462

38. Related parties (continued)

€ '000	KMP *	Close members of KMP	Joint ventures	Associates	Intesa Sanpaolo	Intesa Sanpaolo group companies	Total
Income and expense items							
Interest and similar income	25	-	-	-	6,678	2,540	9,243
Interest and similar expense	(40)	-	(7)	(2)	(4,288)	(15,334)	(19,671)
Fee and commission income	3	-	-	4,794	-	-	4,797
Fee and commission expense	-	-	-	(22)	-	(7,605)	(7,627)
Net trading result	-	-	-	-	(4,079)	1,225	(2,854)
Other operating income	-	-	114	250	162	28	554
Other operating expenses	-	-	-	-	(30)	(1,241)	(1,271)
	(12)	-	107	5,020	(1,557)	(20,387)	(16,829)

* Key management personnel

38. Related parties (continued)

At 31 December 2012, significant outstanding balances with related parties comprised:

€ '000	KMP	Close members of KMP	Joint ventures	Associates	Intesa Sanpaolo	Intesa Sanpaolo group companies	Total
Assets							
Due from banks	-	-	-	-	464,937	50,801	515,738
Derivative financial instruments	-	-	-	-	75	12,479	12,554
Loans and advances to customers	631	-	-	-	-	-	631
Financial assets at fair value through profit or loss	-	-	-	-	330	-	330
Other assets	-	-	6	-	6	1	13
	631	-	6	-	465,348	63,281	529,266
Liabilities							
Due to central and other banks	-	-	-	-	253,527	6,817	260,344
Derivative financial instruments	-	-	-	-	4	7,003	7,007
Due to customers	1,363	-	-	126	-	9	1,498
Debt securities in issue							
Mortgage bonds	-	-	612	-	-	711,369	711,981
Other liabilities	330	-	-	-	-	7	337
	1,693	-	612	126	253,531	725,205	981,167
Issued guarantees	-	-	-	-	17,155	-	17,155
Received guarantees	-	-	-	-	17,155	132,075	149,230
Derivative transactions (notional amount – receivable)	-	-	-	-	-	470,200	470,200
Derivative transactions (notional amount – payable)	-	-	-	-	1,135	148,866	150,001

38. Related parties (continued)

€ '000	KMP	Close members of KMP	Joint ventures	Associates	Intesa Sanpaolo	Intesa Sanpaolo group companies	Total
Income and expense items							
Interest and similar income	46	-	-	-	9,217	4,947	14,210
Interest and similar expense	(47)	-	(106)	-	(6,291)	(27,879)	(34,323)
Fee and commission income	2	-	-	-	-	4	6
Fee and commission expense	-	-	-	-	(51)	(7,072)	(7,123)
Net trading result	-	-	-	-	1,589	(3,342)	(1,753)
Other operating income	-	-	103	-	81	115	299
Other operating expenses	-	-	-	-	(22)	(713)	(735)
	1	-	(3)	-	4,523	(33,940)	(29,419)

39. Events after the end of the reporting period

At 31 December 2013, the Bank sold its subsidiary Recovery, a.s. to VÚB Factoring, a.s. The control was transferred together with registering the change in the Central Securities Depository on 2 January 2014. Recovery, a.s. merged into VÚB Factoring, a.s. on 31 January 2014.

From 31 December 2013, up to the date when these financial statements were authorized for issue by the Management Board, there were no further events identified that would require adjustments to or disclosure in these financial statements.

VÚB BANKA

SEPARATE FINANCIAL STATEMENTS

Separate financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European union
and Independent Auditor's Report
for the year ended 31 December 2013

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Translation of the statutory Auditors' Report originally prepared in Slovak language

Independent Auditors' Report

To the Shareholders, Supervisory Board and Board of Directors 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 2013, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management as represented by the statutory body is responsible for the preparation of separate financial statements in accordance with International Financial Reporting Standards as adopted by the European Union 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 about 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 our 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, we consider internal control relevant to the entity's preparation of the 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 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 2013, 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 European Union.

17 February 2014
Bratislava, Slovak Republic

Slovenská komora audítorov
SKAU
Č. licencie 96
KPMG
Slovensko spol. s r.o.

Auditing company:
KPMG Slovensko spol. s r.o.
License SKAU No. 96

Responsible auditor:
Ing. Richard Farkaš, PhD.
License SKAU No. 406

KPMG Slovensko spol. s r.o., a Slovak limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Obchodný register Okresného súdu Bratislava I, oddiel Sro, vložka č. 4864/B
Commercial register of District court Bratislava I, section Sro, file No. 4864/B

IČO/Registration number: 31 348 238
Evidenčné číslo licencie audítora: 96
Licence number of statutory auditor: 96

VÚB BANKA

Statement of financial position at 31 December 2013

(In thousands of euro)

	Note	2013	Restated 2012
Assets			
Cash and balances with central banks	7	96,634	150,774
Due from banks	8	771,467	580,590
Financial assets at fair value through profit or loss	9	207,674	68,887
Derivative financial instruments	10	29,221	42,619
Available-for-sale financial assets	11	1,588,324	1,482,727
Loans and advances to customers	12	7,159,983	7,139,119
Held-to-maturity investments	14	995,831	1,041,721
Subsidiaries, associates and jointly controlled entities	15	95,990	96,014
Intangible assets	16	51,348	43,566
Property and equipment and Non-current assets held for sale	17	111,743	127,327
Current income tax assets	18	1,699	17,098
Deferred income tax assets	18	27,960	29,512
Other assets	19	13,504	13,830
		11,151,378	10,833,784
Liabilities			
Due to central and other banks	20	507,276	394,011
Derivative financial instruments	10	42,884	53,194
Due to customers	21	7,839,050	7,634,484
Debt securities in issue	22	1,404,607	1,417,762
Provisions	23	21,973	25,449
Other liabilities	24	63,161	63,809
		9,878,951	9,588,709
Equity			
Equity (excluding net profit for the year)	25	1,167,789	1,159,036
Net profit for the year	25	104,638	86,039
		1,272,427	1,245,075
		11,151,378	10,833,784
Financial commitments and contingencies	26	2,848,946	2,728,837

The accompanying notes on pages 130 to 214 form an integral part of these financial statements.

These financial statements were authorised for issue by the Management Board on 17 February 2014.

Alexander Resch
Chairman of the Management Board

Andrea De Michelis
Member of the Management Board

VÚB BANKA

Statement of profit or loss and other comprehensive income
for the year ended 31 December 2013
(In thousands of euro)

	Note	2013	2012
Interest and similar income		460,479	481,144
Interest and similar expense		(109,723)	(144,322)
Net interest income	27	350,756	336,822
Fee and commission income		133,073	136,385
Fee and commission expense		(60,646)	(56,510)
Net fee and commission income	28	72,427	79,875
Net trading result	29	9,652	(25,601)
Other operating income	30	3,523	3,408
Dividend income		1,696	1,281
Operating income		438,054	395,785
Salaries and employee benefits	31	(97,226)	(88,056)
Other operating expenses	32	(77,360)	(79,023)
Special levy of selected financial institutions	32	(38,480)	(35,151)
Amortisation	16	(9,355)	(8,565)
Depreciation	17	(13,875)	(15,933)
Operating expenses		(236,296)	(226,728)
Operating profit before impairment		201,758	169,057
Impairment losses	33	(63,966)	(60,707)
Profit before tax		137,792	108,350
Income tax expense	34	(33,154)	(22,311)
NET PROFIT FOR THE YEAR		104,638	86,039
Other comprehensive income for the year, after tax:			
Items that may be reclassified to profit or loss in the future:			
Exchange difference on translating foreign operation		(6)	152
Available-for-sale financial assets		(14,653)	130,401
Cash flow hedges		1,697	3,116
Other comprehensive income for the year, net of tax	35, 36	(12,962)	133,669
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		91,676	219,708
Basic and diluted earnings per € 33.2 share in €	25	8.06	6.63

The accompanying notes on pages 130 to 214 form an integral part of these financial statements.

VÚB BANKA

Statement of changes in equity for the year ended 31 December 2013

(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 2012	430,819	13,368	87,493	618,122	(153)	(72,599)	(4,591)	1,072,459
Total comprehensive income for the year, net of tax	-	-	-	86,039	152	130,401	3,116	219,708
Dividends to shareholders	-	-	-	(47,364)	-	-	-	(47,364)
Reversal of dividends distributed but not collected	-	-	-	272	-	-	-	272
Other *	-	-	-	(1)	1	-	-	-
Effect of FX hedge *	-	-	-	(50)	-	-	50	-
At 31 December 2012	430,819	13,368	87,493	657,018	-	57,802	(1,425)	1,245,075
At 1 January 2013	430,819	13,368	87,493	657,018	-	57,802	(1,425)	1,245,075
Total comprehensive income for the year, net of tax	-	-	-	104,638	(6)	(14,653)	1,697	91,676
Dividends to shareholders	-	-	-	(64,623)	-	-	-	(64,623)
Reversal of dividends distributed but not collected	-	-	-	166	-	-	-	166
Other *	-	-	-	(14)	14	-	-	-
Sale of treasury shares	-	133	-	-	-	-	-	133
At 31 December 2013	430,819	13,501	87,493	697,185	8	43,149	272	1,272,427

* The foreign currency difference disclosed under Translation of foreign operation was settled within the transfer of profit for 2011 and 2012 from the foreign branch. Profit was originally generated in Czech Crowns (‘CZK’) and in 2012 the foreign exchange effect of this translation was hedged.

The accompanying notes on pages 130 to 214 form an integral part of these financial statements.

VÚB BANKA

Statement of cash flows for the year ended 31 December 2013

(In thousands of euro)

	Note	2013	Restated 2012
Cash flows from operating activities			
Profit before tax		137,792	108,350
Adjustments for:			
Amortisation		9,355	8,565
Depreciation		13,875	15,933
Securities at fair value through profit or loss, debt securities in issue and FX differences		(17,204)	7,914
Interest income		(460,479)	(481,144)
Interest expense		109,723	144,322
Dividend income		(1,696)	(1,281)
Sale of property and equipment		(38)	102
Impairment losses and similar charges		75,638	62,863
Interest received		467,009	488,754
Interest paid		(114,858)	(146,147)
Dividends received		1,696	1,281
Tax paid		(16,203)	(3,770)
Due from banks		(30,339)	(69,915)
Financial assets at fair value through profit or loss		(137,303)	201,028
Derivative financial instruments (assets)		15,095	40,946
Available-for-sale financial assets		(125,255)	99,195
Loans and advances to customers		(90,833)	(281,079)
Other assets		976	1,623
Due to central and other banks		113,206	(194,629)
Derivative financial instruments (liabilities)		(10,310)	(4,188)
Due to customers		210,399	295,642
Other liabilities		1,209	480
Net cash from operating activities		151,455	294,845
Cash flows from investing activities			
Purchase of held-to-maturity investments		-	(69,000)
Repayments of held-to-maturity investments		43,152	161,212
Purchase of intangible assets and property and equipment		(22,435)	(23,608)
Disposal of property and equipment		45	693
Net cash from investing activities		20,762	69,297
Cash flows from financing activities			
Proceeds from issue of debt securities		122,359	194,150
Repayments of debt securities		(119,885)	(442,554)
Sale of treasury shares		133	-
Dividends paid		(64,623)	(47,364)
Net cash used in financing activities		(62,016)	(295,768)
Net change in cash and cash equivalents		110,201	68,374
Cash and cash equivalents at the beginning of the year	6	165,716	97,342
Cash and cash equivalents at the end of the year	6	275,917	165,716

The accompanying notes on pages 130 to 214 form an integral part of these financial statements.

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 2013, the Bank had a network of 244 points of sale (including Retail Branches, Corporate Branches and Mortgage centres) located throughout Slovakia (December 2012: 247). 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 consolidated financial statements of the company are available at the address of its registered office at Piazza San Carlo 156, 10121 Torino, Italy.

At 31 December 2013, the members of the Management Board are: Alexander Resch (Chairman from 1 October 2013), Andrea De Michelis, Stanislav Hodek, Jiří Huml (from 1 June 2013), Jozef Kausich, Elena Kohútiková, Peter Magala and Silvia Púchovská.

Other members of the Management Board during 2013 were: Ignacio Jaquotot (Chairman until 30 September 2013), Daniele Fanin (until 8 January 2013) and Adrián Ševčík (until 7 April 2013).

At 31 December 2013, the members of the Supervisory Board are: György Surányi (Chairman), Ignacio Jaquotot (Vice Chairman from 11 November 2013), Massimo Malagoli (member from 11 November 2013, Vice Chairman until 11 November 2013), Paolo Sarcinelli (from 9 April 2013), Christian Schaack (from 11 November 2013) and Andrej Straka (from 9 December 2013).

Other members of the Supervisory Board during 2013 were: Adriano Arietti (until 8 April 2013), Jana Finková (until 28 November 2013), Antonio Furesi (until 11 November 2013) and Ján Gallo (until 15 December 2013).

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 separate financial statements of the Bank for the year ended 31 December 2012 were authorised for issue by the Management Board on 13 February 2013.

The consolidated financial statements of the VUB Group for the year ended 31 December 2013 were issued on 17 February 2014 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 at fair value through profit or loss and all derivative financial instruments to fair value and in the case of the financial assets or financial liabilities designated as hedged items in qualifying fair value hedge relationships modified by the changes in fair value attributable to the risk being hedged.

The financial statements were prepared using the going concern assumption that the Bank will continue in operation for the foreseeable future.

The financial statements are presented in thousands of euro ('€'), unless indicated otherwise. Euro is the functional currency of the Bank.

Negative balances are presented in brackets.

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policies and presentation

In 2013 the Bank reassessed the presentation of selected financial liabilities in the Statement of financial position. As a result, the Bank changed the classification of the loans received from international financial institutions from 'Due to customers' to 'Due to central and other banks' in order to provide more relevant and reliable information on the Bank's financial position. The change of the presentation policy was applied retrospectively in these separate financial statements.

The following table shows the effect of the change in the presentation on the related items of the Statement of financial position at 31 December 2012 and 31 December 2011:

€ '000	Previously reported Dec 2012	Previously reported Dec 2011	Change in presentation Dec 2012	Change in presentation Dec 2011	Restated Dec 2012	Restated Dec 2011
Due to central and other banks	260,226	429,725	133,785	159,642	394,011	589,367
Due to customers	7,768,269	7,498,151	(133,785)	(159,642)	7,634,484	7,338,509

The change of classification of these items also resulted into restatement of interest expense presented in 'Net interest income' (see also note 27) and of fee and commission expense included in 'Net fee and commission income' (see also note 28).

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

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

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

IFRS 10 Consolidated Financial Statements

IFRS 10 provides a single model to be applied in the control analysis for all investees, including entities that currently are SPEs in the scope of SIC-12. IFRS 10 introduces new requirements to assess control that are different from the existing requirements in IAS 27 (2008). Under the new single control model, an investor controls an investee when:

- it is exposed or has rights to variable returns from its involvements with the investee;
- it has the ability to affect those returns through its power over that investee; and
- there is a link between power and returns.

The new standard also includes the disclosure requirements and the requirements relating to the preparation of consolidated financial statements. These requirements are carried forward from IAS 27 (2008). IFRS 10 is effective for annual periods beginning on or after 1 January 2014. The Bank does not expect the new standard to have any impact on the financial statements, since the assessment of control over its current investees under the new standard is not expected to change previous conclusions regarding the Bank's control over its investees.

IFRS 11 Joint Arrangements

IFRS 11, Joint Arrangements, supersedes and replaces IAS 31, Interest in Joint Ventures. IFRS 11 does not introduce substantive changes to the overall definition of an arrangement subject to joint control, although the definition of control, and therefore indirectly of joint control, has changed due to IFRS 10.

Under the new standard, joint arrangements are divided into two types, each having its own accounting model defined as follows:

- a joint operation is one whereby the jointly controlling parties, known as the joint operators, have rights to the assets, and obligations for the liabilities, relating to the arrangement;
- a joint venture is one whereby the jointly controlling parties, known as joint venturers, have rights to the net assets of the arrangement.

2. Summary of significant accounting policies (continued)

IFRS 11 effectively carves out from IAS 31 jointly controlled entities those cases in which, although there is a separate vehicle for the joint arrangement, separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31, and are now called joint operations. The remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of equity accounting or proportionate consolidation; they must now always use the equity method in its consolidated financial statements. The standard is effective for annual periods beginning on or after 1 January 2014. The Bank does not expect the new standard to have any impact on the financial statements, since the assessment of the joint arrangements under the new standard is not expected to result in a change in the accounting treatment of existing joint arrangements.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 requires additional disclosures relating to significant judgements and assumptions made in determining the nature of interests in an entity or arrangement, interests in subsidiaries, joint arrangements and associates and unconsolidated structured entities. The standard is effective for annual periods beginning on or after 1 January 2014. The Bank does not expect the new standard will have a material impact on the financial statements.

IAS 27 Separate Financial Statements (as revised in 2011)

As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The amendment becomes effective for annual periods beginning on or after 1 January 2014. The Bank does not expect IAS 27 (2011) to have material impact on the financial statements, since it does not results in a change in the Bank‘s accounting policy.

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

There are limited amendments made to IAS 28 (2008):

- Associates and joint ventures held for sale. IFRS 5, Non-current Assets Held for Sale and Discontinued Operations applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale. For any retained portion of the investment that has not been classified as held for sale, the equity method is applied until disposal of the portion held for sale. After disposal, any retained interest is accounted for using the equity method if the retained interest continues to be an associate or a joint venture.
- Changes in interests held in associates and joint ventures. Previously, IAS 28 (2008) and IAS 31 specified that the cessation of significant influence or joint control triggered remeasurement of any retained stake in all cases, even if significant influence was succeeded by joint control. IAS 28 (2011) now requires that in such scenarios the retained interest in the investment is not remeasured.

The amendment becomes effective for annual periods beginning on or after 1 January 2014. The Bank does not expect the amendment to standard to have material impact on its financial position or financial performance.

IAS 32 – Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)

The amendments do not introduce new rules for offsetting financial assets and liabilities; rather they clarify the offsetting criteria to address inconsistencies in their application. The amendments are effective for annual periods beginning on or after 1 January 2014. The Bank does not expect the amendments will have a material impact on the financial statements.

IFRS 10, IFRS 12 and IAS 27 – Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

The Amendments provide an exception to the consolidation requirements in IFRS 10 and requires qualifying investment entities to measure their investments in controlled entities – as well as investments in associates and joint ventures – at fair value through profit or loss, rather than consolidating them. The consolidation exemption is mandatory with the only exception being that subsidiaries that are considered as an extension of the investment entity’s investing activities must still be consolidated. The amendments are effective for annual periods beginning on or after 1 January 2014. The Bank does not expect the amendments to have any impact on the financial statements.

2. Summary of significant accounting policies (continued)

IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)

The Amendments clarify that recoverable amount should be disclosed only for individual assets (including goodwill) or cash-generated units for which an impairment loss was recognised or reversed during the period. The Amendments also require additional disclosures when an impairment for individual assets (including goodwill) or cash-generated units has been recognised or reversed in the period and recoverable amount is based on fair value less costs to disposal. The amendments are effective for annual periods beginning on or after 1 January 2014. The Bank does not expect the amendments will have a material impact on the financial statements.

IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)

The Amendments allows hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws and regulations, when the certain criteria set by the standard are met. The amendments are effective for annual periods beginning on or after 1 January 2014. The Bank does not expect the amendments to have any impact on the financial statements, since it does not expect to novate derivatives designated as hedging instruments to central counterparties as a consequence of laws and regulations.

2.3 Segment reporting

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

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

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

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

2.4 Foreign currency transactions

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

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

2.5 Foreign operations

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

2.6 Cash and cash equivalents

For the purpose of the Statement of cash flow, cash and cash equivalents comprise cash and balances with central banks, treasury bills and other eligible bills with contractual maturity of less than 90 days and due from banks balances with contractual maturity of less than 90 days.

2. Summary of significant accounting policies (continued)

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. Cash and other valuables are carried at amortised cost in the Statement of financial position.

2.8 Treasury bills and other eligible bills

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

2.9 Due from banks

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

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

2.10 Securities

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:

(d) Fair value through profit or loss,

(e) Available-for-sale,

(f) 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 at fair value through profit or loss, 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 fair value through profit or loss and the available-for-sale portfolios, are recognised in the Statement of profit or loss and other comprehensive income and in equity respectively.

(a) Securities at fair value through profit or loss

This portfolio comprises following subcategories:

(iii) 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.

(iv) Securities designated at fair value through profit or loss on initial recognition

Securities classified in this category are those that have been designated by the management on initial recognition. This designation may be used only when at least one of the following conditions is met:

- the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on a different basis;
- the assets and financial liabilities are a part of a group of financial assets, financial liabilities or both which are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy;
- the financial instrument contains one or more embedded derivatives which significantly modify the cash flows that otherwise would be required by the contract.

2. Summary of significant accounting policies (continued)

Subsequent to their initial recognition these assets are accounted for and re-measured at fair value. The fair value of securities at fair value through profit or loss, for which an active market exists, and a market value can be estimated reliably, is measured at quoted market prices. In circumstances where the quoted market prices are not readily available, the fair value is estimated using the present value of future cash flows.

The Bank monitors changes in fair values on a daily basis and recognises unrealised gains and losses in the Statement of profit or loss and other comprehensive income in 'Net trading result'. Interest earned on securities at fair value through profit or loss is accrued on a daily basis and reported in the Statement of profit or loss and other 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 result' 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 profit or loss and other 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 'at fair value through profit or loss' 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 profit or loss and other 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.

Examples of events representing objective evidence of impairment include significant financial difficulty of the issuer, issuer's default or delinquency in interest or principal payments, becoming probable that the issuer will enter into bankruptcy or other reorganisation procedures, the disappearance of an active market for the security due to the issuer's financial difficulties or other elements indicating an objective reduction in the issuer's ability to generate future cash flows sufficient to meet its contractual obligation.

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' in the Statement of profit or loss and other comprehensive income, the impairment loss is reversed through the Statement of profit or loss and other 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' in the Statement of profit or loss and other comprehensive income. Impairment losses on equity investments are not reversed through Statement of profit or loss and other comprehensive income; increases in their fair value after impairment are recognised directly in Other comprehensive income.

2. Summary of significant accounting policies (continued)

(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 profit or loss and other 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.

2.11 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 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 result'.

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.

2. Summary of significant accounting policies (continued)

With regard to IFRS 13 adoption which contained a clarification in reference to non-performance risk in determining the fair value of the over-the-counter derivatives, a new calculation model was developed in 2013 – the Bilateral Credit Value Adjustment ('bCVA'). It takes fully into account the effects of changes in counterparty credit rating as well as the changes in own credit rating. The bCVA has two addends, calculated by considering the possibility that both counterparties go bankrupt, known as the Credit Value Adjustment ('CVA') and Debit Value Adjustment ('DVA'):

(iii) The CVA (negative) takes into account scenarios whereby the counterparty fails before the Bank that has a positive exposure to the counterparty. In these scenarios the Bank suffers a loss equal to the cost of replacing the derivative,

(iv) The DVA (positive) takes into account scenarios whereby the Bank fails before the counterparty and has a negative exposure to the counterparty. In these scenarios the Bank achieves a gain equal to the cost of replacing the derivative.

The bCVA depends on the exposure, probability of default and the loss given default of the counterparties. The Bank is selective in its choice of counterparties and sets limits for transactions with customers. The Bank takes its own and its counterparties' credit risk into consideration to the extent it believes the market participants would do so.

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 profit or loss and other 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 profit or loss and other 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 profit or loss and other comprehensive income in 'Net trading result'.

2. Summary of significant accounting policies (continued)

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 profit or loss and other comprehensive income in ‘Net trading result’. 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 profit or loss and other comprehensive income in ‘Net trading result’.

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

2.13 Offsetting financial instruments

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

2.14 Non-current assets held for sale

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

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

2.15 Loans and advances to customers and impairment losses

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

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

2. Summary of significant accounting policies (continued)

2.16 Subsidiaries, associates and jointly controlled entities

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

Dividend discount model

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

2.17 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 and Other intangible assets	7

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

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 profit or loss and other comprehensive income when the expenditure is incurred.

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

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

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

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

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

2.19 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. Summary of significant accounting policies (continued)

2.20 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 current rates of return on Slovak government bonds with the 15 years duration that represents the period which is closest to the average benefit duration. The calculation is performed using the projected unit credit method. All employees of the Bank are covered by the retirement and jubilee employee benefits program.

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

	Jubilee benefits	Retirement benefits
Discount rate	3.41%	3.41%
Growth of wages in 2014	n/a	2.00%
Future growth of wages after 2014	n/a	3.00%
Fluctuation of employees (based on age)	6 – 18%	6 – 18%
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'.

2.21 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 profit or loss and other 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 profit or loss and other comprehensive income in 'Impairment losses'.

2.22 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.

2.23 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. Summary of significant accounting policies (continued)

2.24 Interest income

Interest income and expense is recognised in the Statement of profit or loss and other 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.

2.25 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.

2.26 Net trading result

Net trading result 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.

2.27 Dividend income

Dividend income is recognised in the Statement of profit or loss and other comprehensive income on the date that the dividend is declared.

2.28 Current and deferred 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 the carrying amounts of assets and liabilities and their tax bases. 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’.

2.29 Fiduciary assets

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

2.30 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.

2. Summary of significant accounting policies (continued)

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.

Financial assets designated at fair value through profit or loss on initial recognition

The Bank uses the category 'at fair value through profit or loss on initial recognition' to recognize equity shares acquired as a part of the incentive plan based on which the amount due to employees benefiting from the plan recognized under share remuneration scheme in 'Other liabilities' (see also note 24) is proportional to the fair value of these shares.

Since both variations in the amount of the liability and in the fair value of the shares are recognized in the Statement of profit or loss and other comprehensive income, classification of equity shares into the category 'at fair value through profit or loss on initial recognition' allows the neutralisation of the effect derived from the changes in the value of the debt on the Statement of profit or loss and other comprehensive income and results into the elimination of the accounting mismatch.

Estimates

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

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

Fair value of financial instruments

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

Impairment losses on loans and advances

The Bank reviews its loans and advances at each reporting date to assess whether a specific allowance for impairment should be recorded in the Statement of profit or loss and other 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.

Impairment losses are sensitive to input parameters such as the rating of the client, the probability of default and loss given default of the client. Change of any of these parameters results in a different amount of impairment losses.

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. Financial risk management

Introduction and overview

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

(e) Credit risk,

(f) Market risk,

(g) Liquidity risk,

(h) Operational risk.

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

Risk management framework

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

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

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

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

(e) 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.

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

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

- Authorized Approval Authority,
- Collateral Management Policy,
- Provisioning Policy,
- Credit Concentration Limits,
- Default Definition,
- Risk Management Client Segmentation Policy,
- Corporate Credit Policy, Retail Credit Policy,
- Retail and Corporate Remedial Management and Collections.

3. Financial risk management (continued)

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.

Impairment losses

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 or is managed on the Watchlist, 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. For the purpose of provisioning for loans collectively assessed for impairment the Bank follows the Intesa Sanpaolo Group methodology as well as the methodology based on the Markov chains theory developed internally by VUB Bank. This methodology is used for those segments for which IRB approach is not used and sufficient data for the calculation exist.

Rules for identification of significant clients and methodology for calculation are set in the Credit Risk Charter or stated in the Provisioning Policy procedure.

3. Financial risk management (continued)

The split of the credit portfolio to individually and portfolio assessed is shown below:

€ '000	2013 Amortised cost	2013 Impairment losses	2013 Carrying amount	2012 Amortised cost	2012 Impairment losses	2012 Carrying amount
Portfolio assessed						
Banks	771,491	(24)	771,467	580,624	(34)	580,590
Customers						
Sovereigns	144,326	(310)	144,016	160,297	(336)	159,961
Corporate	2,716,346	(26,201)	2,690,145	2,866,956	(28,890)	2,838,066
Retail	4,297,207	(142,010)	4,155,197	4,149,386	(144,450)	4,004,936
	7,157,879	(168,521)	6,989,358	7,176,639	(173,676)	7,002,963
Securities						
FVTPL	207,674	-	207,674	68,887	-	68,887
AFS	1,588,324	-	1,588,324	1,482,727	-	1,482,727
HTM	996,428	(597)	995,831	1,042,344	(623)	1,041,721
	2,792,426	(597)	2,791,829	2,593,958	(623)	2,593,335
Individually assessed						
Customers						
Sovereigns	305	(75)	230	281	(113)	168
Corporate	243,691	(83,875)	159,816	187,466	(61,149)	126,317
Retail	17,626	(7,047)	10,579	16,992	(7,321)	9,671
	261,622	(90,997)	170,625	204,739	(68,583)	136,156
Securities						
AFS	574	(574)	-	-	-	-
	574	(574)	-	-	-	-

3. Financial risk management (continued)

From September 2010, the Bank implemented the definitions of non-performing loans derived from the Harmonisation project. The Harmonisation project is driven by Intesa Sanpaolo in order to unify the definitions and categories of non-performing loans across the foreign subsidiaries of the Intesa Sanpaolo Group. The definition covers non-performing (past due, substandard, doubtful) loans as well as the restructured exposures. The definition of non-performing loans is based on delinquency (days past due - DPD) and materiality threshold of client (corporate clients and 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 are considered to be non-performing.

The description of classification categories of loans based on the definition of Banca d'Italia is as follows:

Classification category	Description
Doubtful	Exposures to borrowers being effectively insolvent (although not yet legally) or in comparable status, regardless of any loss forecasts made by the Bank.
Substandard	Exposures to borrowers experiencing temporary objective financial or economic difficulties that are likely to be overcome in a fair period of time.
Restructured	Exposures where the Bank renegotiates the original terms of a debt due to deterioration of the creditworthiness of the debtor (for example by granting a moratorium in the payment or by decreasing the debt or the interests). If such renegotiation results in a loss, the exposure is classified as restructured.
Past due	Exposures other than those classified as doubtful, substandard or restructured that, as at reporting date, are past due at least 90 days on a continuous basis.
Performing	All exposures that are not classified as doubtful, substandard, restructured and past due.

Credit risk measurement

The Bank generally uses the standardised approach for the calculation of the capital requirement. However, for the calculation of credit and counterparty risk capital requirements, the Bank, having received authorisation from the Supervisory Authority, uses the Foundation IRB approach for the Corporate segment from February 2011 and Advanced IRB approach for portfolio of residential mortgages from July 2012. The Bank is also proceeding with the development of the rating models for other segments, to which the standard methods are currently applied, and also with the extension of the scope of subsidiaries in accordance with the gradual rollout plan for the advanced approaches presented to the Supervisory Authority.

3. Financial risk management (continued)

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

€ '000	Category	2013 Amortised cost	2013 Impairment losses	2013 Carrying amount	2012 Amortised cost	2012 Impairment losses	2012 Carrying amount
Banks							
	Performing	771,491	(24)	771,467	580,624	(34)	580,590
		771,491	(24)	771,467	580,624	(34)	580,590
Sovereigns							
	Performing	144,307	(310)	143,997	160,279	(336)	159,943
	Substandard	324	(75)	249	18	-	18
	Doubtful	-	-	-	281	(113)	168
		144,631	(385)	144,246	160,578	(449)	160,129
Corporate							
	Performing	2,791,242	(31,972)	2,759,270	2,889,043	(30,476)	2,858,567
	Past due	48	(23)	25	149	(75)	74
	Restructured	3,881	(3,785)	96	14,708	(2,943)	11,765
	Substandard	59,748	(10,553)	49,195	55,788	(13,061)	42,727
	Doubtful	105,118	(63,743)	41,375	94,734	(43,484)	51,250
		2,960,037	(110,076)	2,849,961	3,054,422	(90,039)	2,964,383
Retail							
	Performing	4,113,572	(42,242)	4,071,330	3,962,537	(38,528)	3,924,009
	Past due	16,925	(7,314)	9,611	31,323	(12,677)	18,646
	Substandard	14,357	(5,694)	8,663	23,999	(9,111)	14,888
	Doubtful	169,979	(93,807)	76,172	148,519	(91,455)	57,064
		4,314,833	(149,057)	4,165,776	4,166,378	(151,771)	4,014,607
Securities							
	Performing	2,792,426	(597)	2,791,829	2,593,958	(623)	2,593,335
	Doubtful	574	(574)	-	-	-	-
		2,793,000	(1,171)	2,791,829	2,593,958	(623)	2,593,335

3. Financial risk management (continued)

The table below shows the maximum amount of credit risk of derivative financial instruments, issued guarantees, commitments and undrawn credit facilities. To express the maximum amount of credit risk, the fair value of derivative financial assets is increased by the value of the potential credit exposure ('add on') calculated as the nominal value of the derivative financial instrument multiplied by the respective coefficient depending on the type of the instrument, as defined by the NBS regulation no. 4/2007. The credit risk of the remaining financial assets not reported in the table below approximates their carrying amounts.

€ '000	**2013**	**2012**
Financial assets		
Derivative financial instruments	52,866	65,213
Financial commitments and contingencies		
Issued guarantees	627,306	619,287
Commitments and undrawn credit facilities	2,221,640	2,109,550
	2,848,946	2,728,837
	2,901,812	2,794,050

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.

	2013			**2012**		
€ '000	**Amortised cost**	**Impairment losses**	**Carrying amount**	**Amortised cost**	**Impairment losses**	**Carrying amount**
Banks						
No delinquency	766,533	(22)	766,511	573,167	(31)	573,136
1 – 30 days	4,958	(2)	4,956	7,457	(3)	7,454
	771,491	(24)	771,467	580,624	(34)	580,590
Sovereigns						
No delinquency	144,021	(381)	143,640	157,376	(443)	156,933
1 – 30 days	525	(1)	524	3,138	(6)	3,132
31 – 60 days	-	-	-	46	-	46
91 – 180 days	66	(3)	63	15	-	15
Over 181 days	19	-	19	3	-	3
	144,631	(385)	144,246	160,578	(449)	160,129
Corporate						
No delinquency	2,838,888	(52,132)	2,786,756	2,954,522	(55,230)	2,899,292
1 – 30 days	41,464	(16,935)	24,529	36,260	(7,064)	29,196
31 – 60 days	9,135	(3,807)	5,328	18,672	(1,016)	17,656
61 – 90 days	8,429	(3,016)	5,413	1,288	(117)	1,171
91 – 180 days	9,552	(1,472)	8,080	3,922	(3,874)	48
Over 181 days	52,569	(32,714)	19,855	39,758	(22,738)	17,020
	2,960,037	(110,076)	2,849,961	3,054,422	(90,039)	2,964,383

3. Financial risk management (continued)

€ '000	2013 Amortised cost	2013 Impairment losses	2013 Carrying amount	2012 Amortised cost	2012 Impairment losses	2012 Carrying amount
Retail						
No delinquency	3,907,727	(26,280)	3,881,447	3,735,563	(23,715)	3,711,848
1 – 30 days	153,327	(8,416)	144,911	163,955	(8,310)	155,645
31 – 60 days	38,943	(3,672)	35,271	40,000	(3,683)	36,317
61 – 90 days	24,504	(3,030)	21,474	24,332	(3,258)	21,074
91 – 180 days	29,714	(11,334)	18,380	37,847	(14,267)	23,580
Over 181 days	160,618	(96,325)	64,293	164,681	(98,538)	66,143
	4,314,833	(149,057)	4,165,776	4,166,378	(151,771)	4,014,607
Securities						
No delinquency	2,793,000	(1,171)	2,791,829	2,593,958	(623)	2,593,335
	2,793,000	(1,171)	2,791,829	2,593,958	(623)	2,593,335

Write-off Policy

The Bank writes off a loan or security balance 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 (1,080 days past due). Since 1 January 2013, an additional condition has been introduced based on which credit balances may be written off only if the collateral has already been realized. Receivables are being collected by external collection agencies until they qualify for write-off.

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.

Collateral Policy

The Bank's collateral policy is an integral and indispensable part of the credit risk management and credit risk mitigation for VUB Bank. Collateral is used primarily to provide the Bank with the means for repayment of an exposure in the event of the default of the borrower. The policy represents the part of the Credit Risk Charter. The principal objective of the policy document is to clearly set up rules for a common and standard set of collateral types used by the Bank in its lending activities. The rules, as the minimum, describe and state:

- Conditions for legal enforceability;
- Conditions for the process of valuation and the maximum values accepted by the Bank at the origination for the certain types of collaterals; and
- Conditions for the process of revaluation.

However, collateral management has a wider meaning than the simple taking of collateral in order to secure the repayment of the Bank's exposures. This includes the following:

- The establishment and maintenance of collateral policy comprising types of collateral taken by the Bank, the legal documentation used by the Bank to secure its right to this collateral in the event of a default and the valuation of this collateral at origination. These aspects of collateral management are addressed in the internal policy document;
- The relevant and proper perfection and registration of collateral to secure the Bank's right to collateral in the event of default by the borrower;
- The regular monitoring and re-valuation of collateral held by the Bank during the life of the exposure;
- The analysis, monitoring and review of realization rates achieved by Recovery Department activities in order to assess the effectiveness of the collateral policy as a risk mitigant.

3. Financial risk management (continued)

The Banks's decisions on the enforcement of collateral is individual and depends on factors such as the actual amount of the receivable, the current condition and value of the collateral, the length of the collateral realization period or collection related costs. The relevant competent body of the Bank decides which collateral instrument will be used in the specific case.

The VUB Bank mainly uses the following means of enforcement of collateral:

- Voluntary auction,
- Foreclosure procedure,
- Realization of the collateral for the receivable in a bankruptcy procedure,
- Sale of receivables.

The Bank holds collateral and other credit enhancements against certain of its credit exposures. The collateral against loans and advances to customers is held 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.

The Bank mitigates the credit risk of derivatives, reverse sale and repurchase agreements by entering into master netting agreements and holding collateral in the form of cash and marketable securities. Derivative transactions are either transacted on an exchange or entered into under International Swaps and Derivatives Association ('ISDA') master netting agreements. In general, under ISDA master netting agreements in certain circumstances, e.g. when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is due or payable in settlement of all transactions.

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

	2013		2012	
€ '000	**Clients**	**Banks**	**Clients**	**Banks**
Debt securities	46,699	470,431	40,125	463,371
Other	624,434	56,316	599,963	30,916
Property	3,755,743	-	3,599,739	-
	4,426,876	526,747	4,239,827	494,287

Offsetting financial assets and financial liabilities

The disclosures set out in the tables below include financial assets and financial liabilities that are:

- Offset in the Statement of financial position; or,
- Subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the Statement of financial position.

In general, the similar agreements include derivative clearing agreements, global master repurchase agreements, and global master securities lending agreements. Similar financial instruments include derivatives, sales and repurchase agreements, reverse sale and repurchase agreements, and securities borrowing and lending agreements. Financial instruments such as loans and deposits are not disclosed in the tables below unless they are offset in the statement of financial position.

The ISDA and similar master netting arrangements do not meet the criteria for offsetting in the Statement of financial position. This is because they create for the parties to the agreement a right of set-off of recognized amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Bank or the counterparties or following other predetermined events. In addition, the Bank and its counterparties do not intend to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

3. Financial risk management (continued)

The Bank receives and gives collateral in the form of cash and marketable securities in respect of the following transactions:

- Derivatives,
- Sale and repurchase, and reverse sale and repurchase agreements.

Such collateral is subject to standard industry terms including, when appropriate, an ISDA Credit Support Annex. This means that securities received or given as collateral can be pledged or sold during the term of the transaction but have to be returned on maturity of the transaction. The terms also give each party the right to terminate the related transactions on the counterparty's failure to post collateral.

The following tables show the financial assets and financial liabilities that are subject to enforceable master netting arrangements and similar agreements in the Statement of financial position ('SOFP'):

				Related amounts not offset in SOFP		
31 December 2013 **€ '000**	**Gross amount**	**Gross amount offset in SOFP**	**Net amount presented in SOFP**	**Financial instruments including non-cash collateral**	**Cash collateral (received)/ provided**	**Net amount**
Financial assets						
Due from banks (reverse repo)	501,731	-	501,731	(470,431)	(31,300)	-
Derivative financial instruments	17,305	-	17,305	-	(1,300)	16,005
	519,036	-	519,036	(470,431)	(32,600)	16,005
Financial liabilities						
Derivative financial instruments	(28,586)	-	(28,586)	-	10,079	(18,507)
	(28,586)	-	(28,586)	-	10,079	(18,507)

3. Financial risk management (continued)

31 December 2012 € '000	Gross amount	Gross amount offset in SOFP	Net amount presented in SOFP	Related amounts not offset in SOFP: Financial instruments including non-cash collateral	Related amounts not offset in SOFP: Cash collateral (received)/ provided	Net amount
Financial assets						
Due from banks (reverse repo)	405,001	-	405,001	(443,101)	38,100	-
Derivative financial instruments	29,216	-	29,216	-	(7,200)	22,016
	434,217	-	434,217	(443,101)	30,900	22,016
Financial liabilities						
Derivative financial instruments	(41,504)	-	(41,504)	-	18,589	(22,915)
	(41,504)	-	(41,504)	-	18,589	(22,915)

Below is the reconciliation of the net amount of financial instruments subject to enforceable master netting arrangements and similar agreements to the total carrying amount presented in the Statement of financial position:

€ '000	Note	2013 Total carrying amount presented in SOFP	2013 In scope of offsetting disclosure	2013 Not in scope of offsetting disclosure	2012 Total carrying amount presented in SOFP	2012 In scope of offsetting disclosure	2012 Not in scope of offsetting disclosure
Financial assets							
Due from banks	8	771,467	501,731	269,736	580,590	405,001	175,589
Derivative financial instruments	10	29,221	17,305	11,916	42,619	29,216	13,403
Financial liabilities							
Derivative financial instruments	10	(42,884)	(28,586)	(14,298)	(53,194)	(41,504)	(11,690)

3. Financial risk management (continued)

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

€ '000	2013 Amortised cost	2013 Impairment losses	2013 Carrying amount	2012 Amortised cost	2012 Impairment losses	2012 Carrying amount
Europe						
Banks	763,640	(21)	763,619	550,703	(22)	550,681
Sovereigns	144,631	(385)	144,246	160,578	(449)	160,129
Corporate	2,959,864	(110,051)	2,849,813	3,054,422	(90,039)	2,964,383
Retail	4,313,029	(149,026)	4,164,003	4,164,247	(151,732)	4,012,515
Securities	2,793,000	(1,171)	2,791,829	2,593,958	(623)	2,593,335
	10,974,164	(260,654)	10,713,510	10,523,908	(242,865)	10,281,043
America						
Banks	7,742	(3)	7,739	29,818	(12)	29,806
Retail	249	(4)	245	360	(15)	345
	7,991	(7)	7,984	30,178	(27)	30,151
Asia						
Banks	95	-	95	69	-	69
Corporate	173	(25)	148	-	-	-
Retail	994	(20)	974	1,065	(20)	1,045
	1,262	(45)	1,217	1,134	(20)	1,114
Rest of the World						
Banks	14	-	14	34	-	34
Retail	561	(7)	554	706	(4)	702
	575	(7)	568	740	(4)	736

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

€ '000	2013 Amortised cost	2013 Impairment losses	2013 Carrying amount	2012 Amortised cost	2012 Impairment losses	2012 Carrying amount
Europe						
Slovakia	2,355,031	(1,171)	2,353,860	2,564,214	(623)	2,563,591
Italy	401,688	-	401,688	330	-	330
Poland	36,281	-	36,281	22,718	-	22,718
Other	-	-	-	6,696	-	6,696
	2,793,000	(1,171)	2,791,829	2,593,958	(623)	2,593,335

3. Financial risk management (continued)

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

31 December 2013 **€ '000**	**Banks**	**Sovereigns**	**Corporate**	**Retail**	**Securities**
Agriculture	-	-	50,263	15,641	-
Construction	-	-	146,098	14,567	-
Consumers	-	-	-	3,974,204	-
Energy and water supply	-	-	409,702	1,548	-
Financial services	771,467	-	326,045	370	161,032
Government	-	134,944	-	-	2,630,797
Manufacturing	-	-	463,989	24,010	-
Professional services	-	-	84,547	11,550	-
Real estate	-	-	376,325	23,934	-
Retail & Wholesale	-	-	551,535	61,183	-
Services	-	-	150,641	14,610	-
Transportation	-	9,302	238,472	9,467	-
Other	-	-	52,344	14,692	-
	771,467	144,246	2,849,961	4,165,776	2,791,829

31 December 2012 **€ '000**	**Banks**	**Sovereigns**	**Corporate**	**Retail**	**Securities**
Agriculture	-	-	37,523	14,616	-
Construction	-	-	157,312	13,595	-
Consumers	-	-	-	3,840,339	-
Energy and water supply	-	-	353,866	1,586	-
Financial services	580,590	-	320,949	389	22,715
Government	-	149,664	-	-	2,570,620
Manufacturing	-	-	486,412	24,079	-
Professional services	-	-	80,955	10,238	-
Real estate	-	-	417,690	9,698	-
Retail & Wholesale	-	-	639,180	61,677	-
Services	-	-	165,883	14,170	-
Transportation	-	10,397	248,022	9,021	-
Other	-	68	56,591	15,199	-
	580,590	160,129	2,964,383	4,014,607	2,593,335

3. Financial risk management (continued)

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

	Neither past due nor impaired			Impaired (non-performing)			Past due but not impaired		
31 December 2013 € '000	**Amortised cost**	**Impairment losses**	**Carrying amount**	**Amortised cost**	**Impairment losses**	**Carrying amount**	**Amortised cost**	**Impairment losses**	**Carrying amount**
Banks	766,533	(22)	766,511	-	-	-	4,958	(2)	4,956
Sovereigns									
Municipalities	143,782	(309)	143,473	324	(75)	249	525	(1)	524
Corporate									
Large Corporates	925,787	(4,093)	921,694	20,061	(11,577)	8,484	7,616	(17)	7,599
Specialized Lending	718,142	(16,593)	701,549	71,101	(27,444)	43,657	883	(26)	857
SME	635,705	(9,911)	625,794	77,617	(39,081)	38,536	7,231	(393)	6,838
Other Fin. Institutions	357,557	(350)	357,207	5	(1)	4	-	-	-
Public Sector Entities	1,592	(15)	1,577	9	-	9	3	-	3
Factoring	136,424	(572)	135,852	2	(1)	1	302	(2)	300
	2,775,207	(31,534)	2,743,673	168,795	(78,104)	90,691	16,035	(438)	15,597
Retail									
Small Business	167,041	(3,303)	163,738	13,501	(11,124)	2,377	4,316	(537)	3,779
Consumer Loans	722,262	(7,867)	714,395	63,425	(34,430)	28,995	63,537	(3,863)	59,674
Mortgages	2,727,938	(8,284)	2,719,654	68,315	(21,925)	46,390	102,841	(7,118)	95,723
Credit Cards	175,293	(3,281)	172,012	39,419	(26,700)	12,719	23,200	(5,049)	18,151
Overdrafts	83,133	(1,450)	81,683	16,467	(12,635)	3,832	21,274	(1,209)	20,065
Flat Owners Associations	21,516	(281)	21,235	-	-	-	-	-	-
Other	1,193	-	1,193	134	(1)	133	28	-	28
	3,898,376	(24,466)	3,873,910	201,261	(106,815)	94,446	215,196	(17,776)	197,420
Securities									
FVTPL	207,674	-	207,674	-	-	-	-	-	-
AFS	1,588,324	-	1,588,324	574	(574)	-	-	-	-
HTM	996,428	(597)	995,831	-	-	-	-	-	-
	2,792,426	(597)	2,791,829	574	(574)	-	-	-	-

3. Financial risk management (continued)

31 December 2012 € '000	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	573,167	(31)	573,136	-	-	-	7,457	(3)	7,454
Sovereigns									
Municipalities	157,094	(330)	156,764	299	(113)	186	3,185	(6)	3,179
Corporate									
Large Corporates	973,912	(5,037)	968,875	16,388	(4,923)	11,465	9,234	-	9,234
Specialized Lending	763,853	(15,358)	748,495	79,890	(25,007)	54,883	6,486	(219)	6,267
SME	618,913	(8,192)	610,721	68,973	(29,610)	39,363	11,764	(862)	10,902
Other Fin. Institutions	359,183	(336)	358,847	119	(23)	96	1	-	1
Public Sector Entities	4,186	(105)	4,081	9	-	9	2	-	2
Factoring	134,534	(337)	134,197	-	-	-	6,975	(30)	6,945
	2,854,581	(29,365)	2,825,216	165,379	(59,563)	105,816	34,462	(1,111)	33,351
Retail									
Small Business	160,433	(3,478)	156,955	17,141	(13,131)	4,010	7,268	(575)	6,693
Consumer Loans	660,133	(7,347)	652,786	56,698	(32,565)	24,133	62,974	(4,119)	58,855
Mortgages	2,649,515	(8,340)	2,641,175	68,581	(23,164)	45,417	112,378	(5,620)	106,758
Credit Cards	176,677	(3,272)	173,405	45,734	(31,837)	13,897	22,399	(3,377)	19,022
Overdrafts	77,863	(954)	76,909	15,683	(12,546)	3,137	22,324	(1,383)	20,941
Flat Owners Associations	4,113	(54)	4,059	-	-	-	98	(1)	97
Other	6,304	(8)	6,296	4	-	4	58	-	58
	3,735,038	(23,453)	3,711,585	203,841	(113,243)	90,598	227,499	(15,075)	212,424
Securities									
FVTPL	68,887	-	68,887	-	-	-	-	-	-
AFS	1,482,727	-	1,482,727	-	-	-	-	-	-
HTM	1,042,344	(623)	1,041,721	-	-	-	-	-	-
	2,593,958	(623)	2,593,335	-	-	-	-	-	-

3. Financial risk management (continued)

An analysis of past due but not impaired credit exposures in terms of the delinquency is presented in the table below:

€ '000	2013 Amortised cost	2013 Impairment losses	2013 Carrying amount	2012 Amortised cost	2012 Impairment losses	2012 Carrying amount
Banks						
1 – 30 days	4,958	(2)	4,956	7,457	(3)	7,454
	4,958	(2)	4,956	7,457	(3)	7,454
Sovereigns						
1 – 30 days	525	(1)	524	3,139	(6)	3,133
31 – 60 days	-	-	-	46	-	46
	525	(1)	524	3,185	(6)	3,179
Corporate						
1 – 30 days	14,692	(277)	14,415	16,909	(527)	16,382
31 – 60 days	1,301	(140)	1,161	17,480	(576)	16,904
61 – 90 days	42	(21)	21	72	(8)	64
91 – 180 days	-	-	-	1	-	1
	16,035	(438)	15,597	34,462	(1,111)	33,351
Retail						
1 – 30 days	147,360	(7,241)	140,119	163,198	(8,131)	155,067
31 – 60 days	34,146	(2,913)	31,233	39,974	(3,665)	36,309
61 – 90 days	20,260	(2,342)	17,918	24,134	(3,215)	20,919
91 – 180 days	10,915	(3,856)	7,059	109	(36)	73
Over 181 days	2,515	(1,424)	1,091	84	(28)	56
	215,196	(17,776)	197,420	227,499	(15,075)	212,424

3. Financial risk management (continued)

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

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

For part of Specialized Lending, the usage of the Slotting approach was approved by the NBS in 2012 for the rating segments Special Purpose Vehicles ('SPV') and Projected Finance ('PF') and in August 2013 also for the rating segment Real Estate Development ('RED') which forms the remaining part of Specialized Lending. Clients are assigned into five slotting categories based on the qualitative valuation and information about the default. Risk weights and expected loss used for the capital requirement calculation is also defined for each category. Categories are predefined by the NBS decree no. 4/2007 and internally, the categories used are as follows:

Specialized Lending – SPV, PF and RED

6 - Strong
7 - Good
8 - Satisfactory
9 - Weak
10 - Default

3. Financial risk management (continued)

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

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

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

31 December 2013 € '000	Internal rating	Amortised cost	Impairment losses	Carrying amount
Banks	Unrated	771,491	(24)	771,467
Sovereigns				
Municipalities	Unrated	144,631	(385)	144,246
		144,631	(385)	144,246
Corporate				
Large Corporates, SME	I1 - I6	710,594	(813)	709,781
	M1 - M4	668,002	(6,684)	661,318
	R1 - R5	248,172	(26,090)	222,082
	D (default)	47,248	(31,486)	15,762
Specialized Lending - SPV, PF and RED	Strong	95,750	-	95,750
	Good	296,335	(1,179)	295,156
	Satisfactory	275,937	(20,970)	254,967
	Weak	122,105	(21,913)	100,192
Other Financial Institutions, Public Sector Entities	Unrated - PPU approach *	359,166	(366)	358,800
Factoring	Unrated	136,728	(575)	136,153
		2,960,037	(110,076)	2,849,961

* Permanent Partial Use ('PPU') approach is applied to exposures for which the Foundation IRB approach is not expected to be used in respect of the capital requirement calculation in the future.

3. Financial risk management (continued)

31 December 2013 **€ '000**	**Internal rating**	**Amortised cost**	**Impairment losses**	**Carrying amount**
Retail				
Small Business, Flat Owners Associations	I1 - I6	23,117	(41)	23,076
	M1 - M4	90,798	(938)	89,860
	R1 - R5	57,688	(2,767)	54,921
	D (default)	12,941	(11,195)	1,746
	Unrated	21,830	(304)	21,526
Mortgages	L1 - L4	2,067,309	(391)	2,066,918
	N1 - N3	475,183	(933)	474,250
	W1 - W3	289,071	(11,625)	277,446
	D (default)	67,531	(24,378)	43,153
Unsecured Retail	U1	175,223	(99)	175,124
	U2 - U3	151,426	(263)	151,163
	U4 - U5	162,199	(675)	161,524
	U6 - U7	108,716	(990)	107,726
	U8 - U10	106,577	(2,794)	103,783
	U11 - U12	73,294	(7,558)	65,736
	D (default)	64,714	(47,943)	16,771
	Unrated	365,861	(36,162)	329,699
Other	Unrated	1,355	(1)	1,354
		4,314,833	(149,057)	4,165,776
Securities	Unrated	2,793,000	(1,171)	2,791,829

3. Financial risk management (continued)

31 December 2012 **€ '000**	**Internal rating**	**Amortised cost**	**Impairment losses**	**Carrying amount**
Banks	Unrated	580,624	(34)	580,590
Sovereigns				
Municipalities	Unrated	160,578	(449)	160,129
		160,578	(449)	160,129
Corporate				
Large Corporates, Specialized Lending excl. SPV and PF, SME	I1 - I6	715,589	(492)	715,097
	M1 - M4	717,711	(4,514)	713,197
	R1 - R5	287,092	(22,726)	264,366
	D (default)	79,950	(35,951)	43,999
Specialized Lending - SPV and PF	Strong	146,521	(587)	145,934
	Good	241,818	(1,641)	240,177
	Satisfactory	267,581	(11,291)	256,290
	Weak	93,151	(12,006)	81,145
Other Financial Institutions, Public Sector Entities	Unrated - PPU approach	363,500	(464)	363,036
Factoring	Unrated	141,509	(367)	141,142
		3,054,422	(90,039)	2,964,383
Retail				
Small Business, Flat Owners Associations	I1 - I6	21,772	(35)	21,737
	M1 - M4	78,203	(788)	77,415
	R1 - R5	67,235	(3,006)	64,229
	D (default)	17,377	(13,351)	4,026
	Unrated	4,466	(59)	4,407
Mortgages	L1 - L4	1,978,952	(406)	1,978,546
	N1 - N3	471,864	(943)	470,921
	W1 - W3	308,266	(11,586)	296,680
	D (default)	71,392	(24,189)	47,203
Unsecured Retail	U1	160,605	(93)	160,512
	U2 - U3	136,296	(238)	136,058
	U4 - U5	172,934	(726)	172,208
	U6 - U7	102,645	(941)	101,704
	U8 - U10	92,713	(2,275)	90,438
	U11 - U12	63,068	(6,370)	56,698
	D (default)	65,605	(49,285)	16,320
	Unrated	346,619	(37,472)	309,147
Other	Unrated	6,366	(8)	6,358
		4,166,378	(151,771)	4,014,607
Securities	Unrated	2,593,958	(623)	2,593,335

3. Financial risk management (continued)

(f) 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 sub-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 sub-department and forms part of the trading portfolio for risk management purposes. The non-trading portfolios are managed by the ALM department, and include all positions which are not intended for trading.

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

Exposure to market risk – trading portfolios

The principal tool used to measure and control market risk exposures within the Bank's trading portfolio is Value at Risk (VaR). Derivation of VaR is a stress VaR (sVaR), which represents maximal VaR of selected one year period generating the highest value of VaR during the last 5 years. 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 and sVaR models used are based on historical simulation. Taking into account market data from the previous year and in case of sVaR one year scenario from 5 years history and observed relationships between different markets and prices, the models generate a wide range of plausible future scenarios for market price movements. The VaR 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 and sVaR 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 and sVaR limits are submitted to the trading unit, the head of the Risk Management division and the head of the Finance and Capital Markets department. Regular summaries are submitted to Intesa Sanpaolo and ALCO.

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

	2013				2012			
€ '000	**Balance**	**Avg**	**Max**	**Min**	**Balance**	**Avg**	**Max**	**Min**
Foreign currency risk	108	69	148	17	53	43	128	3
Interest rate risk	16	97	205	15	80	40	134	11
Overall	109	133	223	53	90	58	167	15
sVaR	281	251	439	142	173	203	619	54

Although VaR is a popular and widely used risk management tool, there are known limitations, among which following are the most important ones:

- VaR does not measure the worst case loss, since 99% confidence interval means that in 1% of cases the loss is expected to be greater than the VaR amount,
- VaR calculated using 1 day holding period assumes hedge or disposal of a position within 1 day, which might not be realistic in the case of longer illiquid situation on the market,
- For calculating of VaR of a portfolio, the return, the volatility but also the correlation between various assets needs to be recognized what might represent a difficult task when taking into account the growing number and diversity of positions in given portfolio.

3. Financial risk management (continued)

These limitations are recognized, 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. Furthermore, integrating the sVaR measure into the VaR concept adds to mitigation of the limitation of using historical series and possibly omitting scenarios of an extraordinary nature.

Exposure to interest rate risk

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

The Risk Management division is responsible for monthly monitoring of these gaps. The management of interest rate risk is measured by shift sensitivity analysis (change in present value). To align to the Intesa Sanpaolo Group methodology, since July 2013 the shift sensitivity analysis is defined as a parallel and uniform shift of + 100 basis points of the rate curve (previously + 1 basis point) and +/- 200 basis points of the rate curve. Further adjustments of the shift sensitivity calculation such as incorporation of models for sight loans (e.g. overdrafts and credit cards), sight deposits and prepayment rates for mortgages and consumer loans were made as well due to alignment. These standard scenarios are applied on monthly basis.

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

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

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

Models applied for the interest rate risk calculation

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). There are also some items where maturity or re-pricing period is known but it can be assumed that they will behave differently (e.g. prepayments can occur for mortgages and consumer loans). In this case, it is necessary to make certain assumptions to reflect the most probable behaviour of these items. The assumptions are based on a detailed analysis of the Bank's historical data and statistical models.

Fixed assets, such as tangible and intangible assets and fixed liabilities like equity and also cash are treated as overnight items.

For the calculation of Earnings at Risk ('EAR'), the models used slightly differ from those applied for the shift sensitivity analysis.

3. Financial risk management (continued)

At 31 December 2013, interest margin sensitivity on profit or loss in a one year time frame, in the event of a 100 basis points rise in interest rates, was € 6,730 thousand (31 December 2012: € 2,241 thousand).

At 31 December 2013, interest rate risk generated by the banking book, measured through shift sensitivity analysis to 100 basis points, registered € - 32,841 thousand (restated 31 December 2012: € - 19,079 thousand).

€ '000	2013	Restated 2012
EUR	(32,833)	(19,183)
Other	(8)	104
	(32,841)	(19,079)

The AFS reserve in equity is not sensitive to interest rate movements since the interest rate risk of majority of AFS bonds is hedged (see also note 10). At 31 December 2013, the sensitivity of CF hedges reserve in equity to 100 basis points rise in interest rates was € - 3,238 thousand (31 December 2012: € - 7,882 thousand).

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 2013 € '000	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	96,634	-	-	-	-	96,634
Due from banks	260,056	2,826	521,216	3,400	54	787,552
Available-for-sale financial assets	305,118	17,850	52,049	1,182,626	70,941	1,628,584
Loans and advances to customers	2,006,121	1,251,969	1,393,743	2,973,938	1,164,928	8,790,699
Held-to-maturity investments	-	394,656	93,583	239,428	411,912	1,139,579
	2,667,929	1,667,301	2,060,591	4,399,392	1,647,835	12,443,048
Liabilities						
Due to central and other banks	(354,781)	(89,843)	(81,888)	(6,420)	(3,937)	(536,869)
Due to customers	(2,604,485)	(478,670)	(1,487,440)	(1,883,807)	(1,435,994)	(7,890,396)
Debt securities in issue	(222,446)	(301,507)	(306,769)	(394,291)	(389,013)	(1,614,026)
	(3,181,712)	(870,020)	(1,876,097)	(2,284,518)	(1,828,944)	(10,041,291)
Net position of financial instruments	(513,783)	797,281	184,494	2,114,874	(181,109)	2,401,757

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3. Financial risk management (continued)

Restated 31 December 2012 € '000	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	150,774	-	-	-	-	150,774
Due from banks	132,087	12,928	411,647	15,024	53	571,739
Available-for-sale financial assets	311,384	145,901	13,967	972,446	74,512	1,518,210
Loans and advances to customers	2,202,069	1,379,390	1,599,848	2,632,918	1,046,304	8,860,529
Held-to-maturity investments	-	18,435	69,372	709,269	430,309	1,227,385
	2,796,314	1,556,654	2,094,834	4,329,657	1,551,178	12,328,637
Liabilities						
Due to central and other banks	(311,142)	(85,547)	(65,854)	(4,612)	(1,911)	(469,066)
Due to customers	(2,585,020)	(511,453)	(1,388,952)	(2,018,933)	(1,264,461)	(7,768,819)
Debt securities in issue	(222,625)	(301,536)	(314,618)	(500,129)	(290,599)	(1,629,507)
	(3,118,787)	(898,536)	(1,769,424)	(2,523,674)	(1,556,971)	(9,867,392)
Net position of financial instruments	(322,473)	658,118	325,410	1,805,983	(5,793)	2,461,245

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

	2013 %	Restated 2012 %
Assets		
Cash and balances with central banks	0.29	0.57
Due from banks	1.44	2.46
Financial assets at fair value through profit or loss	1.62	2.24
Available-for-sale financial assets	2.57	3.02
Loans and advances to customers	5.07	5.12
Held-to-maturity investments	4.17	4.19
Liabilities		
Due to central and other banks	0.52	0.82
Due to customers	0.86	1.13
Debt securities in issue	2.67	3.16

3. Financial risk management (continued)

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 2013 **€ '000**	**EUR**	**USD**	**CZK**	**Other**	**Total**
Assets					
Cash and balances with central banks	88,499	862	4,359	2,914	96,634
Due from banks	600,047	7,225	110,160	54,035	771,467
Financial assets at fair value through profit or loss	171,393	-	-	36,281	207,674
Derivative financial instruments	29,101	-	120	-	29,221
Available-for-sale financial assets	1,588,324	-	-	-	1,588,324
Loans and advances to customers	6,847,171	138,689	168,611	5,512	7,159,983
Held-to-maturity investments	995,831	-	-	-	995,831
	10,320,366	146,776	283,250	98,742	10,849,134
Liabilities					
Due to central and other banks	(446,929)	(47,441)	(11,240)	(1,666)	(507,276)
Derivative financial instruments	(42,624)	-	(260)	-	(42,884)
Due to customers	(7,438,011)	(142,508)	(150,113)	(108,418)	(7,839,050)
Debt securities in issue	(1,314,082)	-	(90,525)	-	(1,404,607)
	(9,241,646)	(189,949)	(252,138)	(110,084)	(9,793,817)
Net position	1,078,720	(43,173)	31,112	(11,342)	1,055,317

Restated 31 December 2012 **€ '000**	**EUR**	**USD**	**CZK**	**Other**	**Total**
Assets					
Cash and balances with central banks	132,411	987	14,338	3,038	150,774
Due from banks	537,266	33,864	47	9,413	580,590
Financial assets at fair value through profit or loss	68,887	-	-	-	68,887
Derivative financial instruments	42,618	-	1	-	42,619
Available-for-sale financial assets	1,482,727	-	-	-	1,482,727
Loans and advances to customers	6,759,760	140,754	230,695	7,910	7,139,119
Held-to-maturity investments	1,041,721	-	-	-	1,041,721
	10,065,390	175,605	245,081	20,361	10,506,437
Liabilities					
Due to central and other banks	(317,260)	(68,798)	(4,856)	(3,097)	(394,011)
Derivative financial instruments	(52,849)	-	(345)	-	(53,194)
Due to customers	(7,219,101)	(130,521)	(153,383)	(131,479)	(7,634,484)
Debt securities in issue	(1,312,524)	(26,136)	(79,102)	-	(1,417,762)
	(8,901,734)	(225,455)	(237,686)	(134,576)	(9,499,451)
Net position	1,163,656	(49,850)	7,395	(114,215)	1,006,986

3. Financial risk management (continued)

(g) Liquidity risk

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

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

The basic principles underpinning the Liquidity Policy of the Bank are:

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

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

The departments of the Bank that are responsible for ensuring the correct application of the Guidelines are the Treasury Department responsible for short term liquidity management, the ALM department responsible for medium and long term liquidity management and the Enterprise Risk Management 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.

3. Financial risk management (continued)

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 Enterprise Risk Management 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 2013 € '000	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	96,634	-	-	-	-	-	96,634
Due from banks	179,282	243	517,446	67,909	3	11,295	776,178
Financial assets at fair value through profit or loss	184,129	7,402	3,027	13,088	-	673	208,319
Available-for-sale financial assets	5,190	17,850	18,680	1,538,405	115,628	614	1,696,367
Loans and advances to customers	518,272	297,496	1,359,511	3,142,759	4,736,183	10,622	10,064,843
Held-to-maturity investments	-	394,419	93,527	239,284	411,665	-	1,138,895
	983,507	717,410	1,992,191	5,001,445	5,263,479	23,204	13,981,236
Liabilities							
Due to central and other banks	(305,878)	(5,880)	(15,415)	(85,189)	(115,924)	-	(528,286)
Due to customers	(5,303,343)	(523,842)	(1,167,074)	(853,104)	(8,278)	(39)	(7,855,680)
Debt securities in issue	(1,446)	(15,808)	(215,942)	(923,359)	(475,519)	-	(1,632,074)
	(5,610,667)	(545,530)	(1,398,431)	(1,861,652)	(599,721)	(39)	(10,016,040)
Net position of financial instruments	(4,627,160)	171,880	593,760	3,139,793	4,663,758	23,165	3,965,196
Cash inflows from derivatives	1,110,189	150,517	174,971	202,813	66,552	-	1,705,042
Cash outflows from derivatives	(634,166)	(151,663)	(660,108)	(201,344)	(73,713)	-	(1,720,994)
Net position from derivatives	476,023	(1,146)	(485,137)	1,469	(7,161)	-	(15,952)
Commitments and undrawn credit facilities	2,215,385	1,704	3,073	-	-	1,478	2,221,640
Issued guarantees	258,804	43,256	110,984	113,749	100,513	-	627,306
Net position from financial commitments and contingencies	2,474,189	44,960	114,057	113,749	100,513	1,478	2,848,946

3. Financial risk management (continued)

Restated 31 December 2012 € '000	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	150,774	-	-	-	-	-	150,774
Due from banks	15,412	48	435,235	67,444	33,035	38,100	589,274
Financial assets at fair value through profit or loss	532	12	25,016	44,624	-	330	70,514
Available-for-sale financial assets	10,611	145,125	11,453	1,265,391	81,306	620	1,514,506
Loans and advances to customers	547,808	322,262	1,566,974	2,805,611	4,199,642	2,048	9,444,345
Held-to-maturity investments	-	18,424	69,385	708,844	430,051	-	1,226,704
	725,137	485,871	2,108,063	4,891,914	4,744,034	41,098	12,996,117
Liabilities							
Due to central and other banks	(222,927)	(14,318)	(5,796)	(77,511)	(93,940)	-	(414,492)
Due to customers	(4,846,894)	(501,423)	(1,197,277)	(1,129,655)	(8,320)	(36)	(7,683,605)
Debt securities in issue	(1,625)	(6,028)	(154,688)	(875,705)	(610,239)	-	(1,648,285)
	(5,071,446)	(521,769)	(1,357,761)	(2,082,871)	(712,499)	(36)	(9,746,382)
Net position of financial instruments	(4,346,309)	(35,898)	750,302	2,809,043	4,031,535	41,062	3,249,735
Cash inflows from derivatives	915,842	97,607	255,061	214,825	121,300	-	1,604,635
Cash outflows from derivatives	(486,140)	(83,068)	(694,258)	(210,842)	(122,133)	-	(1,596,441)
Net position from derivatives	429,702	14,539	(439,197)	3,983	(833)	-	8,194
Commitments and undrawn credit facilities	2,099,649	5,884	3,832	-	-	185	2,109,550
Issued guarantees	275,414	45,511	157,959	61,810	78,593	-	619,287
Net position from financial commitments and contingencies	2,375,063	51,395	161,791	61,810	78,593	185	2,728,837

3. Financial risk management (continued)

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

31 December 2013 **€ '000**	**Less than 12 months**	**Over 12 months**	**Total**
Assets			
Cash and balances with central banks	96,634	-	96,634
Due from banks	705,820	65,647	771,467
Financial assets at fair value through profit or loss	194,439	13,235	207,674
Derivative financial instruments	29,221	-	29,221
Available-for-sale financial assets	27,342	1,560,982	1,588,324
Loans and advances to customers	2,139,993	5,019,990	7,159,983
Held-to-maturity investments	477,691	518,140	995,831
Subsidiaries, associates and jointly controlled entities	-	95,990	95,990
Intangible assets	-	51,348	51,348
Property and equipment and Non-current assets held for sale	-	111,743	111,743
Current income tax assets	1,699	-	1,699
Deferred income tax assets	-	27,960	27,960
Other assets	13,504	-	13,504
	3,686,343	7,465,035	11,151,378
Liabilities			
Due to central and other banks	(327,901)	(179,375)	(507,276)
Derivative financial instruments	(42,884)	-	(42,884)
Due to customers	(7,057,578)	(781,472)	(7,839,050)
Debt securities in issue	(211,876)	(1,192,731)	(1,404,607)
Provisions	-	(21,973)	(21,973)
Other liabilities	(60,005)	(3,156)	(63,161)
	(7,700,244)	(2,178,707)	(9,878,951)
	(4,013,901)	5,286,328	1,272,427

3. Financial risk management (continued)

Restated 31 December 2012 **€ '000**	**Less than 12 months**	**Over 12 months**	**Total**
Assets			
Cash and balances with central banks	150,774	-	150,774
Due from banks	463,742	116,848	580,590
Financial assets at fair value through profit or loss	25,696	43,191	68,887
Derivative financial instruments	42,619	-	42,619
Available-for-sale financial assets	161,048	1,321,679	1,482,727
Loans and advances to customers	2,309,487	4,829,632	7,139,119
Held-to-maturity investments	76,691	965,030	1,041,721
Subsidiaries, associates and jointly controlled entities	-	96,014	96,014
Intangible assets	-	43,566	43,566
Property and equipment and Non-current assets held for sale	2	127,325	127,327
Current income tax assets	17,098	-	17,098
Deferred income tax assets	-	29,512	29,512
Other assets	13,830	-	13,830
	3,260,987	7,572,797	10,833,784
Liabilities			
Due to central and other banks	(243,463)	(150,548)	(394,011)
Derivative financial instruments	(53,194)	-	(53,194)
Due to customers	(6,597,451)	(1,037,033)	(7,634,484)
Debt securities in issue	(143,834)	(1,273,928)	(1,417,762)
Provisions	-	(25,449)	(25,449)
Other liabilities	(60,438)	(3,371)	(63,809)
	(7,098,380)	(2,490,329)	(9,588,709)
	(3,837,393)	5,082,468	1,245,075

3. Financial risk management (continued)

(h) 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 VUB Group policy and organisational process for measuring, managing and controlling operational risk.

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

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

Organisational structure of the associated risk management function

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

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

Upon the request of the parent company, the Bank as part of the VUB 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. In June 2013, the Bank as part of the VUB Group request has received approval for usage and thus adopted the AMA for subsidiaries Consumer Finance Holding and VUB Leasing. The part of this decision has been an approval of the insurance effect inclusion, as well as approval of a new allocation mechanism, which led to fulfilment of a regulatory condition for the approval of diversification usage.

As such, the VUB Group uses a combination of the AMA for the Bank, Consumer Finance Holding and VUB Leasing, and the Standardized and Basic Indicator Approach ('TSA') for other Bank's subsidiaries.

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

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

Policies for hedging and mitigating risk

The Bank, in coordination with its parent company, has set up a traditional operational risk transfer policy (insurance) aimed at mitigating the impact of any unexpected losses. The AMA calculation does include the benefit from this transfer of operational risk through insurance policies, which contributes to reducing the risk capital calculated through the internal models.

4. Estimated fair value of financial assets and liabilities

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market measurement criterion that is not entity-specific. An entity has to measure the fair value of an asset or liability by adopting the assumptions that would be used by market operators to determine the price of an asset or liability, presuming that the market operators act with a view to satisfying their own economic interest in the best way possible.

The Bank uses the following fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1: inputs represented by quoted prices (unadjusted) in active markets for identical assets or liabilities accessible by the Bank as at the measurement date;

Level 2: inputs other than quoted prices included in Level 1 that are directly or indirectly observable for the assets or liabilities to be measured; and

Level 3: inputs unobservable for the asset or liability.

The highest priority is attributed to effective market quotes (Level 1) for the valuation of assets and liabilities or for similar assets and liabilities measured using valuation techniques based on market-observable parameters other than financial instruments quotes (Level 2) and the lowest priority to unobservable inputs (Level 3). Following this hierarchy, where available, fair value estimates made by the Bank are 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.

Under Level 2, the principal valuation technique used by the Bank for the debt instruments involves the method of discounting forecast cash flows. The calculation takes into account the time value of money (risk-free rate of interest) and the credit risk expressed in the form of the credit spreads which are applied to the bonds' yield and represent the risk premium the investor claims against the risk free investment. In the case of derivative financial instruments the Bank uses the standard fair value calculation models based on the principal net present value using the yield curve to discount all future cash flows from derivatives for all relevant currencies. The principal input parameters used by the models comprise interest rate curves, volatility curves, spot and forward prices and the correlation between underlying assets. Changes in underlying assumptions, including discount rates and estimated future cash flows, significantly affect the estimates. The Bank also considers its own and counterparty's credit risk.

The valuation technique defined for a financial instrument is adopted over time and is modified only following significant changes in market conditions or the subjective conditions related to the issuer of the financial instrument. The Bank monitors the occurrence of these changes and accordingly reassesses the classification into the fair value levels hierarchy. For determining the timing of the transfers between the levels, the Bank uses the end of the reporting period as a day when the transfer is deemed to have occurred.

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

(a) Cash and balances with central banks

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

(b) Due from banks

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

(c) Loans and advances to customers

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

4. Estimated fair value of financial assets and liabilities (continued)

(d) Held-to-maturity investments

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

(e) Due to banks and customers

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

(f) Debt securities in issue

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

4. Estimated fair value of financial assets and liabilities (continued)

31 December 2013 € '000	Note	Carrying amount At amortised cost	 At fair value	 Total carrying amount	Fair value Level 1	 Level 2	 Level 3	 Total fair value
Financial assets								
Cash and balances with central banks	7	96,634	-	96,634	-	96,634	-	96,634
Due from banks	8	771,467	-	771,467	-	772,242	-	772,242
Financial assets at fair value through profit or loss	9	-	207,674	207,674	166,312	41,362	-	207,674
Derivative financial instruments	10	-	29,221	29,221	-	29,221	-	29,221
Available-for-sale financial assets	11	-	1,588,324	1,588,324	343,070	1,245,254	-	1,588,324
Loans and advances to customers	12	7,159,983	-	7,159,983	-	8,256,800	-	8,256,800
Held-to-maturity investments	14	995,831	-	995,831	-	1,065,202	-	1,065,202
		9,023,915	1,825,219	10,849,134	509,382	11,506,715	-	12,016,097
Financial liabilities								
Due to central and other banks	20	(507,276)	-	(507,276)	-	(507,276)	-	(507,276)
Derivative financial instruments	10	-	(42,884)	(42,884)	-	(42,884)	-	(42,884)
Due to customers	21	(7,839,050)	-	(7,839,050)	-	(7,677,076)	-	(7,677,076)
Debt securities in issue	22	(1,404,607)	-	(1,404,607)	-	(1,435,400)	-	(1,435,400)
		(9,750,933)	(42,884)	(9,793,817)	-	(9,662,636)	-	(9,662,636)

4. Estimated fair value of financial assets and liabilities (continued)

Restated 31 December 2012 € '000	Note	Carrying amount At amortised cost	At fair value	Total carrying amount	Fair value Level 1	Level 2	Level 3	Total fair value
Financial assets								
Cash and balances with central banks	7	150,774	-	150,774	-	150,774	-	150,774
Due from banks	8	580,590	-	580,590	-	583,754	-	583,754
Financial assets at fair value through profit or loss	9	-	68,887	68,887	330	68,557	-	68,887
Derivative financial instruments	10	-	42,619	42,619	-	42,619	-	42,619
Available-for-sale financial assets	11	-	1,482,727	1,482,727	117,609	1,365,118	-	1,482,727
Loans and advances to customers	12	7,139,119	-	7,139,119	-	8,066,305	-	8,066,305
Held-to-maturity investments	14	1,041,721	-	1,041,721	-	1,130,340	-	1,130,340
		8,912,204	1,594,233	10,506,437	117,939	11,407,467	-	11,525,406
Financial liabilities								
Due to central and other banks	20	(394,011)	-	(394,011)	-	(394,011)	-	(394,011)
Derivative financial instruments	10	-	(53,194)	(53,194)	-	(53,194)	-	(53,194)
Due to customers	21	(7,634,484)	-	(7,634,484)	-	(7,550,066)	-	(7,550,066)
Debt securities in issue	22	(1,417,762)	-	(1,417,762)	-	(1,414,365)	-	(1,414,365)
		(9,446,257)	(53,194)	(9,499,451)	-	(9,411,636)	-	(9,411,636)

There were no significant transfers of financial instruments among the levels during 2013 and 2012.

5. Segment reporting

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

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

The Bank comprises the following main operating segments:

- Retail Banking,
- Corporate Banking,
- Central Treasury.

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

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

Central Treasury undertakes the Bank's funding, 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.

5. Segment reporting (continued)

31 December 2013 € '000	Retail Banking	Corporate Banking	Central Treasury	Other	Total
External revenue					
Interest income	282,366	74,832	16,293	86,988	460,479
Interest expense	(53,403)	(8,765)	(7,041)	(40,514)	(109,723)
Inter-segment revenue	(9,384)	2,161	(2,119)	9,342	-
Net interest income	219,579	68,228	7,133	55,816	350,756
Net fee and commission income	54,941	19,930	2,934	(5,378)	72,427
Net trading result	3,176	3,640	(1,009)	3,845	9,652
Other operating income	2,139	763	(3)	624	3,523
Dividend income	-	-	-	1,696	1,696
Total segment operating income	279,835	92,561	9,055	56,603	438,054
Depreciation and amortisation	(13,723)	(445)	(16)	(9,046)	(23,230)
Operating expenses					(213,066)
Operating profit before impairment					201,758
Impairment losses	(14,967)	(42,677)	76	(6,398)	(63,966)
Income tax expense					(33,154)
Net profit for the year					104,638
Segment assets	4,152,510	3,097,983	794,398	3,106,487	11,151,378
Segment liabilities and equity	4,686,000	2,423,652	1,207,025	2,834,701	11,151,378

5. Segment reporting (continued)

31 December 2012 € '000	**Retail Banking**	**Corporate Banking**	**Central Treasury**	**Other**	**Total**
External revenue					
Interest income	272,129	83,291	114,206	11,518	481,144
Interest expense	(66,667)	(11,389)	(66,421)	155	(144,322)
Inter-segment revenue	(8,706)	(5,242)	(15,357)	29,305	-
Net interest income	196,756	66,660	32,428	40,978	336,822
Net fee and commission income	61,366	19,233	2,529	(3,253)	79,875
Net trading result	3,319	4,324	(33,290)	46	(25,601)
Other operating income	2,415	752	(11)	252	3,408
Dividend income	-	-	-	1,281	1,281
Total segment operating income	263,856	90,969	1,656	39,304	395,785
Depreciation and amortisation	(14,306)	(412)	(268)	(9,512)	(24,498)
Operating expenses					(202,230)
Operating profit before impairment					169,057
Impairment losses	(34,305)	(27,480)	259	819	(60,707)
Income tax expense					(22,311)
Net profit for the year					86,039
Segment assets	4,010,047	3,145,462	3,226,085	452,190	10,833,784
Segment liabilities and equity	4,724,960	2,048,806	2,767,098	1,292,920	10,833,784

6. Cash and cash equivalents

€ '000	Note	2013	2012
Cash and balances with central banks	7	96,634	150,774
Current accounts in other banks	8	16,145	14,942
Term deposits with other banks	8	163,138	-
		275,917	165,716

7. Cash and balances with central banks

€ '000	2013	2012
Balances with central banks:		
Compulsory minimum reserves	1,128	47,616
Current accounts	112	66
Term deposits	-	7,955
	1,240	55,637
Cash in hand	95,394	95,137
	96,634	150,774

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 1% for the reserves held at the NBS and 2% for the reserves held at the Czech National Bank. The required balance is calculated as the total of individual items multiplied by the valid rate.

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

8. Due from banks

€ '000	Note	2013	2012
Current accounts	6	16,145	14,942
Term deposits			
with contractual maturity less than 90 days	6	163,138	-
with contractual maturity over 90 days		20,071	20,091
Loans and advances			
with contractual maturity over 90 days		562,058	488,902
Cash collateral		10,079	56,689
Impairment losses	13	(24)	(34)
		771,467	580,590

At 31 December 2013 the balance of 'Term deposits' comprises of several deposits with commercial banks located in the Czech Republic and in other European countries in the total nominal amount of € 183,131 thousand. At 31 December 2012 the balance included a short term deposit with Intesa Sanpaolo S.p.A. in the nominal amount of € 20,000 thousand.

8. Due from banks (continued)

At 31 December 2013 the balance of 'Loans and advances' comprises of a short term reverse repo trade concluded with Intesa Sanpaolo S.p.A. in the nominal amount of € 499,494 thousand (31 December 2012: € 399,631 thousand). The repo trade is secured by state bonds and cash collateral.

9. Financial assets at fair value through profit or loss

€ '000	2013	2012
Financial assets held for trading		
Treasury bills and other eligible bills		
with contractual maturity over 90 days	-	24,970
State bonds		
with contractual maturity over 90 days	206,639	43,273
Bank bonds		
with contractual maturity over 90 days	362	314
	207,001	68,557
Financial assets designated at fair value through profit or loss on initial recognition		
Equity shares	673	330
	207,674	68,887

Equity shares in the fair value through profit or loss portfolio ('FVTPL') are represented by shares of Intesa Sanpaolo S.p.A. These shares form the part of the incentive plan introduced by the parent company in 2012 that continued in 2013.

At 31 December 2013 and 31 December 2012, no financial assets at fair value through profit or loss were pledged by the Bank to secure transactions with counterparties.

10. Derivative financial instruments

€ '000	2013 Assets	2012 Assets	2013 Liabilities	2012 Liabilities
Trading derivatives	24,341	32,396	33,754	38,388
Cash flow hedges of interest rate risk	1,608	3,220	1,259	5,070
Fair value hedges of interest rate risk	3,272	7,003	7,871	9,736
	29,221	42,619	42,884	53,194

Trading derivatives also include hedging instruments that are non-qualifying according to IAS 39, which are held for risk management purposes rather than for trading. These instruments currently consist of one cross-currency interest rate swap. At 31 December 2013, the total positive fair value of this derivative was nil (31 December 2012: € 1,329 thousand) and the negative fair value was € 1,307 thousand (31 December 2012: nil).

10. Derivative financial instruments (continued)

€ '000 **Trading derivatives – Fair values**	2013 Assets	2012 Assets	2013 Liabilities	2012 Liabilities
Interest rate instruments				
Swaps	8,390	17,045	7,688	17,734
Forward rate agreements	-	-	-	53
Options	2,534	4,508	2,551	4,947
	10,924	21,553	10,239	22,734
Foreign currency instruments				
Forwards and swaps	8,201	3,360	16,429	9,497
Cross currency swaps	-	1,329	1,307	-
Options	1,822	2,426	2,385	2,424
	10,023	7,115	20,121	11,921
Equity and commodity instruments				
Equity options	3,394	3,716	3,394	3,716
Commodity swaps	-	12	-	17
	3,394	3,728	3,394	3,733
	24,341	32,396	33,754	38,388

€ '000 **Trading derivatives – Notional values**	2013 Assets	2012 Assets	2013 Liabilities	2012 Liabilities
Interest rate instruments				
Swaps	458,950	983,183	458,950	983,183
Forward rate agreements	-	24,546	-	24,546
Options	163,897	203,123	163,897	203,123
	622,847	1,210,852	622,847	1,210,852
Foreign currency instruments				
Forwards and swaps	843,205	727,954	851,532	733,929
Cross currency swaps	29,168	31,808	30,449	30,449
Options	74,264	85,723	74,123	85,666
	946,637	845,485	956,104	850,044
Equity and commodity instruments				
Equity options	14,304	20,433	14,304	20,433
Commodity options	-	165	-	165
Commodity swaps	-	143	-	138
	14,304	20,741	14,304	20,736
	1,583,788	2,077,078	1,593,255	2,081,632

10. Derivative financial instruments (continued)

Cash flow hedges of interest rate risk

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

Furthermore, the Bank uses one interest rate swap to hedge the interest rate risk of one variable rate bond from the available-for-sale ('AFS') portfolio. The cash flows on the floating leg of this interest rate swap substantially match the cash flow profile of the variable rate bond.

Below is a schedule indicating as at 31 December 2013, the periods when the hedged cash flows are expected to occur. The cash flows of mortgage bonds and AFS bond represent the future undiscounted value of coupons:

€ '000	**Up to 1 year**	**1 to 5 years**	**Over 5 years**
2013			
Mortgage bonds – interest rate risk	(2,078)	(3,422)	-
AFS bond – interest rate risk	1,120	635	-
2012			
Mortgage bonds – interest rate risk	(4,695)	(14,710)	-
AFS bond – interest rate risk	5,336	10,214	-

The net expense on cash flow hedges reclassified from 'Other comprehensive income' to the 'Net interest income' during 2013 was € 2,033 thousand (2012: net expense of € 2,794 thousand).

Fair value hedges of interest rate risk

The Bank uses eleven interest rate swaps to hedge the interest rate risk of ten fixed rate bonds from the AFS portfolio. The changes in fair value of these interest rate swaps substantially offset the changes in fair value of AFS portfolio bonds, both in relation to changes of interest rates.

Furthermore, the Bank uses seven interest rate swaps to hedge the interest rate risk arising from the issuance of six fixed rate mortgage bonds. The changes in fair value of these interest rate swaps substantially offset the changes in fair value of the mortgage bonds, both in relation to changes of interest rates.

In 2013, the Bank recognised a net loss of € 1,652 thousand (2012: net gain of € 5,571 thousand) in relation to the fair value hedging instruments above. The net gain on hedged items attributable to the hedged risks amounted to € 1,782 thousand (2012: net loss of € 5,473 thousand). Both items are disclosed within 'Net trading result'.

During 2013, interest and similar income from hedged AFS securities in the amount of € 11,154 thousand (2012: € 8,063 thousand) was compensated by interest expense from interest rate swap hedging instruments in the amount of € 3,623 thousand (2012: € 4,006 thousand).

At 31 December 2013, interest expense from the hedged mortgage bonds in the amount of € 8,917 thousand (31 December 2012: € 6,092 thousand) was compensated by interest income from the interest rate swap hedging instruments in the amount of € 3,366 thousand (31 December 2012: € 1,122 thousand).

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

In 2013, the Bank recognised in relation to the fair value hedging instruments of the foreign branch of VUB a net gain of € 195 thousand (2012: net loss of € 116 thousand). The net loss on hedged items attributable to the hedged risks amounted to € 198 thousand (2012: net gain of € 106 thousand). Both items are disclosed within 'Net trading result'.

In 2013, interest and similar income from hedged fixed income loans in the amount of € 459 thousand (2012: € 668 thousand) was compensated by interest expense from interest rate swap hedging instruments in the amount of € 186 thousand (2012: € 111 thousand).

11. Available-for-sale financial assets

€ '000	Note	Share 2013	Share 2012	2013	2012
State bonds of EU countries				1,428,327	1,470,678
Bank bonds				159,957	11,429
Equity shares at cost					
RVS, a.s.		8.38%	8.38%	574	574
S.W.I.F.T.		0.01%	0.01%	40	46
Impairment losses to equity shares at cost	13			(574)	-
				1,588,324	1,482,727

At 31 December 2013, state bonds in the total nominal amount of € 556,261 thousand from available-for-sale portfolio were pledged by the Bank to secure collateralized transactions (31 December 2012: nil). These bonds were pledged in favour of the NBS within the pool of assets used as collateral for received funds needed for the liquidity management purposes. The whole pool of assets can be used for any ECB operation in the future.

12. Loans and advances to customers

31 December 2013 € '000	Amortised cost	Impairment losses (note 13)	Carrying amount
Sovereigns			
Municipalities	144,631	(385)	144,246
Corporate			
Large Corporates	953,464	(15,687)	937,777
Specialized Lending	790,126	(44,063)	746,063
Small and Medium Enterprises ('SME')	720,553	(49,385)	671,168
Other Financial Institutions	357,562	(351)	357,211
Public Sector Entities	1,604	(15)	1,589
Factoring	136,728	(575)	136,153
	2,960,037	(110,076)	2,849,961
Retail			
Small Business	184,858	(14,964)	169,894
Consumer Loans	849,224	(46,160)	803,064
Mortgages	2,899,094	(37,327)	2,861,767
Credit Cards	237,912	(35,030)	202,882
Overdrafts	120,874	(15,294)	105,580
Flat Owners Associations	21,516	(281)	21,235
Other	1,355	(1)	1,354
	4,314,833	(149,057)	4,165,776
	7,419,501	(259,518)	7,159,983

12. Loans and advances to customers (continued)

31 December 2012 € '000	Amortised cost	Impairment losses (note 13)	Carrying amount
Sovereigns			
Municipalities	160,578	(449)	160,129
Corporate			
Large Corporates	999,534	(9,960)	989,574
Specialized Lending	850,229	(40,584)	809,645
Small and Medium Enterprises ('SME')	699,650	(38,664)	660,986
Other Financial Institutions	359,303	(359)	358,944
Public Sector Entities	4,197	(105)	4,092
Factoring	141,509	(367)	141,142
	3,054,422	(90,039)	2,964,383
Retail			
Small Business	184,842	(17,184)	167,658
Consumer Loans	779,805	(44,031)	735,774
Mortgages	2,830,474	(37,124)	2,793,350
Credit Cards	244,810	(38,486)	206,324
Overdrafts	115,870	(14,883)	100,987
Flat Owners Associations	4,211	(55)	4,156
Other	6,366	(8)	6,358
	4,166,378	(151,771)	4,014,607
	7,381,378	(242,259)	7,139,119

At 31 December 2013, the 20 largest corporate customers represented a total balance of € 943,844 thousand (2012: € 894,440 thousand) or 12.72% (2012: 12.12%) of the gross loan portfolio.

13. Impairment losses on assets

€ '000	Note	1 Jan 2013	Creation (note 33)	Reversal (note 33)	Assets written-off/sold (note 33)	FX diff	Other *	31 Dec 2013
Due from banks	8	34	-	(10)	-	-	-	24
Available-for-sale financial assets	11	-	574	-	-	-	-	574
Loans and advances to customers	12	242,259	126,100	(61,337)	(40,627)	(466)	(6,411)	259,518
Held-to-maturity investments	14	623	1	(27)	-	-	-	597
Subsidiaries, associates and JVs	15	41,118	24	-	-	-	-	41,142
Property and equipment	17	-	7,000	-	-	-	-	7,000
Other assets	19	2,190	575	(367)	(858)	-	-	1,540
		286,224	134,274	(61,741)	(41,485)	(466)	(6,411)	310,395

* 'Other' represents the interest portion (unwinding of interest).

13. Impairment losses on assets (continued)

€ '000	Note	1 Jan 2012	Creation (note 33)	Reversal (note 33)	Assets written-off/sold (note 33)	FX diff	Other *	31 Dec 2012
Due from banks	8	202	2	(170)	-	-	-	34
Loans and advances to customers	12	246,646	135,569	(83,433)	(52,130)	28	(4,421)	242,259
Held-to-maturity investments	14	341	425	(143)	-	-	-	623
Subsidiaries, associates and JVs	15	41,118	-	-	-	-	-	41,118
Property and equipment	17	461	-	(461)	-	-	-	-
Other assets	19	2,566	765	(679)	(462)	-	-	2,190
		291,334	136,761	(84,886)	(52,592)	28	(4,421)	286,224

* 'Other' represents the interest portion (unwinding of interest).

14. Held-to-maturity investments

€ '000	Note	2013	2012
State bonds		996,428	1,032,318
Bank bonds and other bonds issued by the financial sector		-	10,026
		996,428	1,042,344
Impairment losses	13	(597)	(623)
		995,831	1,041,721

At 31 December 2013, state bonds in the total nominal amount of € 49,057 thousand (31 December 2012: € 71,556 thousand) were pledged by the Bank to secure collateralized transactions. All of these state bonds pledged represented the substitute cover to mortgage bonds issued and were pledged in accordance with the requirements of the Act No. 530/1990 Collection on Bonds.

15. Subsidiaries, associates and jointly controlled entities

All entities are incorporated in the Slovak Republic.

€ '000	Share %	Cost	Impairment losses (note 13)	Carrying amount
At 31 December 2013				
VÚB Factoring, a.s.	100.00	16,535	(10,533)	6,002
Recovery, a.s.	100.00	3,652	(3,228)	424
Consumer Finance Holding, a.s.	100.00	53,114	-	53,114
VÚB Leasing, a. s.	100.00	44,410	(27,381)	17,029
VÚB Generali DSS, a.s.	50.00	16,597	-	16,597
VÚB Asset Management, správ. spol., a.s. *	40.55	2,821	-	2,821
Slovak Banking Credit Bureau, s.r.o.	33.33	3	-	3
		137,132	(41,142)	95,990
At 31 December 2012				
VÚB Factoring, a.s.	100.00	16,535	(10,533)	6,002
Recovery, a.s.	100.00	3,652	(3,204)	448
VÚB Asset Management, správ. spol., a.s. *	100.00	2,821	-	2,821
Consumer Finance Holding, a.s.	100.00	53,114	-	53,114
VÚB Leasing, a. s.	100.00	44,410	(27,381)	17,029
VÚB Generali DSS, a.s.	50.00	16,597	-	16,597
Slovak Banking Credit Bureau, s.r.o.	33.33	3	-	3
		137,132	(41,118)	96,014

* Following an increase in the registered capital and entrance of new shareholders from Intesa Sanpaolo Group into VÚB Asset Management, správ. spol., a.s. in April 2013, the Bank's stake in the Company decreased from 100% to 40.55% and at the same time the control over the Company was lost.

16. Intangible assets

€ '000	Software	Other intangible assets	Assets in progress	Total
Cost				
At 1 January 2013	151,244	10,046	19,364	180,654
Additions	2,320	-	17,131	19,451
Disposals	-	(2,315)	-	(2,315)
Transfers	26,321	1,300	(27,621)	-
FX differences	(35)	(1)	-	(36)
At 31 December 2013	179,850	9,030	8,874	197,754
Accumulated amortisation				
At 1 January 2013	(129,428)	(7,660)	-	(137,088)
Amortisation for the year	(9,172)	(183)	-	(9,355)
FX differences	36	1	-	37
At 31 December 2013	(138,564)	(7,842)	-	(146,406)
Carrying amount				
At 1 January 2013	21,816	2,386	19,364	43,566
At 31 December 2013	41,286	1,188	8,874	51,348

16. Intangible assets (continued)

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

€ '000	**Software**	**Other intangible assets**	**Assets in progress**	**Total**
Cost				
At 1 January 2012	142,476	7,893	11,422	161,791
Additions	534	1,169	17,148	18,851
Transfers	8,222	984	(9,206)	-
FX differences	12	-	-	12
At 31 December 2012	151,244	10,046	19,364	180,654
Accumulated amortisation				
At 1 January 2012	(121,494)	(5,309)	-	(126,803)
Amortisation for the year	(7,383)	(1,182)	-	(8,565)
Additions	(533)	(1,169)	-	(1,702)
FX differences	(18)	-	-	(18)
At 31 December 2012	(129,428)	(7,660)	-	(137,088)
Carrying amount				
At 1 January 2012	20,982	2,584	11,422	34,988
At 31 December 2012	21,816	2,386	19,364	43,566

At 31 December 2013, the gross book value of fully amortised intangible assets that are still used by the Bank amounted to € 102,742 thousand (31 December 2012: € 87,814 thousand).

At 31 December 2013, the amount of irrevocable contractual commitments for the acquisition of intangible assets was € 808 thousand (31 December 2012: € 6,190 thousand).

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

€ '000	Note	Buildings and land	Equipment	Other tangibles	Assets in progress	Total
Cost						
At 1 January 2013		199,088	69,676	30,688	2,237	301,689
Additions		-	6	-	5,294	5,300
Disposals		(838)	(5,269)	(535)	-	(6,642)
Transfers		786	4,045	194	(5,025)	-
FX differences		(8)	(14)	(7)	-	(29)
At 31 December 2013		199,028	68,444	30,340	2,506	300,318
Accumulated depreciation						
At 1 January 2013		(90,651)	(56,074)	(27,639)	-	(174,364)
Depreciation for the year		(6,326)	(6,406)	(1,143)	-	(13,875)
Disposals		852	5,258	525	-	6,635
FX differences		8	13	8	-	29
At 31 December 2013		(96,117)	(57,209)	(28,249)	-	(181,575)
Impairment losses	13					
At 1 January 2013		-	-	-	-	-
Net creation		(7,000)	-	-	-	(7,000)
At 31 December 2013		(7,000)	-	-	-	(7,000)
Carrying amount						
At 1 January 2013		108,437	13,602	3,049	2,237	127,325
At 31 December 2013		95,911	11,235	2,091	2,506	111,743

17. Property and equipment and Non-current assets held for sale (continued)

€ '000	Note	Buildings and land	Equipment	Other tangibles	Assets in progress	Total
Cost						
At 1 January 2012		199,683	80,002	30,632	3,307	313,624
Additions		-	-	-	6,475	6,475
Disposals		(2,813)	(15,074)	(533)	-	(18,420)
Transfers		2,216	4,742	587	(7,545)	-
FX differences		2	6	2	-	10
At 31 December 2012		199,088	69,676	30,688	2,237	301,689
Accumulated depreciation						
At 1 January 2012		(85,755)	(63,558)	(26,724)	-	(176,037)
Depreciation for the year		(7,009)	(7,491)	(1,433)	-	(15,933)
Disposals		2,115	14,980	521	-	17,616
FX differences		(2)	(5)	(3)	-	(10)
At 31 December 2012		(90,651)	(56,074)	(27,639)	-	(174,364)
Impairment losses	13					
At 1 January 2012		(461)	-	-	-	(461)
Net reversal		461	-	-	-	461
At 31 December 2012		-	-	-	-	-
Carrying amount						
At 1 January 2012		113,467	16,444	3,908	3,307	137,126
At 31 December 2012		108,437	13,602	3,049	2,237	127,325

At 31 December 2013, the gross book value of fully depreciated tangible assets that are still used by the Bank amounted to € 73,826 thousand (31 December 2012: € 63,622 thousand).

At 31 December 2013, the Bank did not have any irrevocable contractual commitments for the acquisition of tangible assets (31 December 2012: € 227 thousand).

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

At 31 December 2013 the Bank did not hold any assets in its portfolio of non-current assets held for sale. At 31 December 2012, the Bank held in the portfolio land as follows:

€ '000	2013	2012
Cost	-	2
	-	2

18. Current and deferred income taxes

€ '000	2013	2012
Current income tax assets	1,699	17,098

€ '000	2013	2012
Deferred income tax assets	27,960	29,512

Deferred income taxes are calculated on all temporary differences using a tax rate of 22% (31 December 2012: 23%) as follows:

€ '000	2013	Profit/ (loss) (note 34)	Equity	2012
Due from banks	5	(3)	-	8
Derivative financial instruments designated as cash flow hedges	(77)	-	(503)	426
Available-for-sale financial assets	(12,045)	126	5,095	(17,266)
Loans and advances to customers	41,821	(6,365)	-	48,186
Held-to-maturity investments	132	(11)	-	143
Property and equipment	(3,352)	(864)	-	(2,488)
Provisions	117	(113)	-	230
Other liabilities	2,906	750	-	2,156
Other	(1,547)	336	-	(1,883)
Deferred income tax assets	27,960	(6,144)	4,592	29,512

Based on the Amendment to the Act on income taxes, the tax rate of 22% represents the income tax rate valid from 1 January 2014. The tax rate of 23% was valid during 2013. Without the change in the income tax rate, the deferred income tax assets calculated using the rate of 23% would be € 29,296 thousand.

19. Other assets

€ '000	Note	2013	2012
Operating receivables and advances		7,362	8,220
Prepayments and accrued income		5,336	4,800
Other tax receivables		1,618	2,370
Inventories		721	623
Settlement of operations with financial instruments		7	7
		15,044	16,020
Impairment losses	13	(1,540)	(2,190)
		13,504	13,830

20. Due to central and other banks

€ '000	2013	Restated 2012
Due to central banks		
Current accounts	58,973	69,378
	58,973	69,378
Due to other banks		
Current accounts	16,557	7,569
Term deposits	200,605	140,751
Loans received	198,541	169,113
Cash collateral received	32,600	7,200
	448,303	324,633
	507,276	394,011

The breakdown of 'Loans received' according to the counterparty is presented below:

€ '000	2013	Restated 2012
European Investment Bank	95,672	65,037
Council of Europe Development Bank	73,264	80,962
European Bank for Reconstruction and Development	29,422	22,433
Slovenská záručná a rozvojová banka, a.s. ('SZRB')	183	681
	198,541	169,113

20. Due to central and other banks (continued)

European Investment Bank

Loans from European Investment Bank were provided to fund development of SME, large sized companies and infrastructure projects. At 31 December 2013, the balance comprised of five loans in the nominal amount of € 30,625 thousand, € 30,000 thousand, € 10,000 thousand, € 5,000 thousand and € 20,000 thousand (restated 31 December 2012: two loans in the nominal amount of € 35,000 thousand and € 30,000 thousand) with interest rates between 0.32% and 1.73% (restated 31 December 2012: 0.45% and 1.15%) and with maturity between 2018 and 2023. The principal of loans is payable on annual or semi-annual basis and the interest is payable semi-annually or quarterly, depending on the periodicity agreed in the individual loan contracts.

Council of Europe Development Bank

At 31 December 2013, loans from Council of Europe Development Bank comprised of nine loans in the nominal amount of € 6,000 thousand, € 2,383 thousand, € 3,060 thousand, € 1,000 thousand, € 1,000 thousand, € 9,000 thousand, € 7,000 thousand, € 18,750 thousand and € 25,000 thousand (restated 31 December 2012: nine loans in the nominal amount of € 6,667 thousand, € 2,979 thousand, € 3,497 thousand, € 1,500 thousand, € 1,500 thousand, € 10,500 thousand, € 8,000 thousand, € 21,250 thousand and 25,000 thousand). The purpose of these loans is to fund SME projects and development of municipalities in the Slovak republic.

The interest rates of these loans are linked to 3M Euribor and are between 0.19% and 1.46% at 31 December 2013 (restated 31 December 2012: 0.18% - 1.43%). The interest is payable quarterly and the principal is payable on quarterly or annual basis. The maturity of the individual loans is between 2015 and 2027.

European Bank for Reconstruction and Development

Loans received from European Bank for Reconstruction and Development represent funds granted to support the energy savings in large corporations.

At 31 December 2013, there were three loan arrangements concluded with European Bank for Reconstruction and Development (restated 31 December 2012: two loan arrangements). Funds from these loans were drawn in several tranches during 2010, 2011 and 2013. The maturity of two loans is in 2015 and one is maturing in 2020. At 31 December 2013 the interest rates were in the range between 0.59% and 2.22% (restated 31 December 2012: 0.79% - 1.26%). The frequency of the repayment of both the interest and the principal is semi-annual.

Slovenská záručná a rozvojová banka, a.s.

Loans from SZRB were granted under the programmes ‘Podpora‘, ‘Rozvoj‘ and ‘Rozvoj II‘ to support the long and mid-term development of small and medium sized enterprises. Under these programmes, individual contracts were concluded between the Bank and SZRB to finance specific clients. At 31 December 2013 the interest rates are between 0.70% and 3.50% (31 December 2012: 1.29% - 3.70%). The payment conditions are in line with individual client contracts. In the case the client is late with the repayment of the loan the Bank is obliged to repay the total amount of the loan granted by SZRB.

21. Due to customers

€ '000	2013	Restated 2012
Current accounts	3,693,247	3,100,614
Term deposits	3,681,295	3,806,260
Savings accounts	214,170	223,894
Government and municipal deposits	211,995	400,918
Promissory notes	-	61,707
Other deposits	38,343	41,091
	7,839,050	7,634,484

22. Debt securities in issue

€ '000	2013	2012
Bonds	58	58
Mortgage bonds	1,025,505	1,019,919
Mortgage bonds subject to cash flow hedges	160,725	163,897
Mortgage bonds subject to fair value hedges	219,043	228,195
	1,405,273	1,412,011
Revaluation of fair value hedged mortgage bonds	(2,561)	5,693
Amortisation of revaluation related to terminated fair value hedges	1,837	-
	1,404,607	1,417,762

The repayment of mortgage bonds is funded by the mortgage loans provided to customers of the Bank (see also note 12).

22. Debt securities in issue (continued)

Name	Interest rate (%)	CCY	Number of mortgage bonds issued at 31 Dec 2013	Nominal value in CCY per piece	Issue date	Maturity date	2013 € '000	2012 € '000
Mortgage bonds VÚB, a.s. VII.	5.10	EUR	-	3,319	15.4.2003	15.4.2013	-	34,398
Mortgage bonds VÚB, a.s. VIII.	5.10	EUR	-	33,194	29.5.2003	29.5.2013	-	34,191
Mortgage bonds VÚB, a.s. XVII.	0.34	EUR	1,678	33,194	28.11.2005	28.11.2015	55,717	55,715
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. XXX.	5.00	EUR	1,000	33,194	5.9.2007	5.9.2032	33,383	33,364
Mortgage bonds VÚB, a.s. XXXI.	4.90	EUR	600	33,194	29.11.2007	29.11.2037	19,666	19,650
Mortgage bonds VÚB, a.s. 32.	1.99	CZK	800	1,000,000	17.12.2007	17.12.2017	30,656	33,832
Mortgage bonds VÚB, a.s. 35.	4.40	EUR	630	33,194	19.3.2008	19.3.2016	21,438	21,347
Mortgage bonds VÚB, a.s. 36.	4.75	EUR	560	33,194	31.3.2008	31.3.2020	18,944	18,895
Mortgage bonds VÚB, a.s. 39.	0.98	EUR	60	1,000,000	26.6.2008	26.6.2015	60,005	60,004
Mortgage bonds VÚB, a.s. 40.	0.97	EUR	70	1,000,000	28.8.2008	28.8.2015	70,064	70,061
Mortgage bonds VÚB, a.s. 41.	5.63	USD	-	1,000,000	30.9.2008	30.9.2013	-	26,136
Mortgage bonds VÚB, a.s. 43.	5.10	EUR	500	33,194	26.9.2008	26.9.2025	15,679	15,582
Mortgage bonds VÚB, a.s. 46.	4.61	EUR	49	1,000,000	19.5.2009	19.5.2016	50,393	50,393
Mortgage bonds VÚB, a.s. 48.	4.00	EUR	-	1,000	11.5.2009	11.5.2013	-	20,440
Mortgage bonds VÚB, a.s. 49.	3.92	EUR	100	1,000,000	28.7.2009	28.7.2014	101,664	101,666
Mortgage bonds VÚB, a.s. 50.	3.40	EUR	-	1,000	2.11.2009	2.11.2013	-	8,438
Mortgage bonds VÚB, a.s. 51.	0.81	EUR	21	1,000,000	8.4.2010	8.4.2014	21,051	21,196
Mortgage bonds VÚB, a.s. 52.	0.95	EUR	161	50,000	15.3.2010	15.3.2014	8,073	8,076
Mortgage bonds VÚB, a.s. 53.	0.95	EUR	100	1,000,000	8.4.2010	8.4.2017	100,218	100,216
Mortgage bonds VÚB, a.s. 54.	3.00	EUR	15,000	1,000	1.7.2010	1.7.2014	15,225	15,225
Mortgage bonds VÚB, a.s. 55.	2.85	EUR	14,000	1,000	1.10.2010	1.10.2015	14,100	14,100
Mortgage bonds VÚB, a.s. 57.	1.65	EUR	100	1,000,000	30.9.2010	30.9.2018	100,416	100,445
Mortgage bonds VÚB, a.s. 58.	2.15	EUR	80	1,000,000	10.12.2010	10.12.2019	80,100	80,100
Mortgage bonds VÚB, a.s. 59.	3.00	EUR	25,000	1,000	1.3.2011	1.3.2015	25,625	25,625
Mortgage bonds VÚB, a.s. 60.	1.05	CZK	4,345	100,000	20.5.2011	20.5.2014	15,856	17,281

(Table continues on the next page)

22. Debt securities in issue (continued)

Name	Interest rate (%)	CCY	Number of mortgage bonds issued at 31 Dec 2013	Nominal value in CCY per piece	Issue date	Maturity date	2013 € '000	2012 € '000
Mortgage bonds VÚB, a.s. 61.	1.23	EUR	467	10,000	7.6.2011	7.6.2015	4,668	4,670
Mortgage bonds VÚB, a.s. 62.	2.33	EUR	100	1,000,000	28.7.2011	28.7.2018	100,992	101,151
Mortgage bonds VÚB, a.s. 63.	3.75	EUR	35,000	1,000	16.9.2011	16.3.2016	35,383	35,383
Mortgage bonds VÚB, a.s. 64.	3.25	CZK	7,000	100,000	26.9.2011	26.9.2016	25,686	27,989
Mortgage bonds VÚB, a.s. 66.	2.03	EUR	700	50,000	28.11.2011	28.11.2014	34,958	34,842
Mortgage bonds VÚB, a.s. 67.	5.35	EUR	300	50,000	29.11.2011	29.11.2030	15,071	15,071
Mortgage bonds VÚB, a.s. 68.	4.00	EUR	35,000	1,000	16.1.2012	16.7.2015	36,342	36,342
Mortgage bonds VÚB, a.s. 69.	4.50	EUR	1,000	20,000	6.2.2012	6.2.2016	20,440	20,476
Mortgage bonds VÚB, a.s. 70.	3.75	EUR	400	100,000	7.3.2012	7.3.2017	41,168	41,150
Mortgage bonds VÚB, a.s. 71.	3.90	EUR	750	20,000	2.5.2012	2.5.2017	15,350	15,425
Mortgage bonds VÚB, a.s. 72.	4.70	EUR	250	100,000	21.6.2012	21.6.2027	25,396	25,380
Mortgage bonds VÚB, a.s. 73.	4.20	EUR	500	100,000	11.7.2012	11.7.2022	50,623	50,580
Mortgage bonds VÚB, a.s. 74.	3.35	EUR	700	100,000	16.1.2013	15.12.2023	71,780	-
Mortgage bonds VÚB, a.s. 75.	2.00	EUR	300	100,000	5.4.2013	5.4.2019	30,496	-
Mortgage bonds VÚB, a.s. 76.	2.40	EUR	309	10,000	22.4.2013	22.4.2018	3,143	-
Mortgage bonds VÚB, a.s. 77.	1.80	CZK	5,000	100,000	20.6.2013	20.6.2018	18,328	-
							1,405,273	1,412,011

23. Provisions

€ '000	2013	2012
Litigation	21,441	24,449
Restructuring provision	532	1,000
	21,973	25,449

The movements in provisions were as follows:

€ '000	Note	1 Jan 2013	Creation	Reversal	Use	31 Dec 2013
Litigation	26, 32	24,449	4,223	(910)	(6,321)	21,441
Restructuring provision	31	1,000	-	-	(468)	532
		25,449	4,223	(910)	(6,789)	21,973

€ '000	Note	1 Jan 2012	Creation	Reversal	31 Dec 2012
Litigation	26, 32	24,285	4,556	(4,392)	24,449
Restructuring provision	31	-	1,000	-	1,000
		24,285	5,556	(4,392)	25,449

24. Other liabilities

€ '000	2013	2012
Various creditors	21,994	22,336
Settlement with employees	16,633	12,054
Financial guarantees and commitments	12,186	13,951
Accruals and deferred income	3,692	6,106
VAT payable and other tax payables	3,312	4,380
Severance and Jubilee benefits	3,156	3,096
Settlement with shareholders	910	850
Share remuneration scheme	673	330
Retention program	433	698
Settlement with securities	19	8
Investment certificates	153	-
	63,161	63,809

At 31 December 2013 and 31 December 2012 there were no overdue balances within 'Other liabilities'.

24. Other liabilities (continued)

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

€ '000	Note	1 Jan 2013	Creation/ (Reversal)	FX diff	31 Dec 2013
Financial guarantees and commitments	33	13,951	(1,652)	(113)	12,186
Severance and Jubilee benefits	31	3,096	60	-	3,156
Retention program	31	698	(265)	-	433
		17,745	(1,857)	(113)	15,775

€ '000	Note	1 Jan 2012	Creation/ (Reversal)	FX diff	31 Dec 2012
Financial guarantees and commitments	33	10,800	3,144	7	13,951
Severance and Jubilee benefits	31	1,898	1,198	-	3,096
Retention program	31	904	(206)	-	698
		13,602	4,136	7	17,745

The movements in social fund liability presented within Settlement with employees were as follows:

€ '000	1 Jan 2013	Creation (note 31)	Use	31 Dec 2013
Social fund	856	837	(1,281)	412

€ '000	1 Jan 2012	Creation (note 31)	Use	31 Dec 2012
Social fund	1,114	1,102	(1,360)	856

25. Equity

€ '000	2013	2012
Share capital - authorised, 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
Share premium	13,501	13,368
Reserves	130,922	143,870
Retained earnings (excluding net profit for the year)	592,547	570,979
	1,167,789	1,159,036

25. Equity (continued)

	2013	2012
Net profit for the year attributable to shareholders in € '000	104,638	86,039
Divided by the weighted average number of ordinary shares, calculated as follows:		
89 shares of € 3,319,391.89 each in €	295,425,878	295,425,878
4,078,108 shares of € 33.2 each in €	135,393,186	135,393,186
	430,819,064	430,819,064
Divided by the value of one ordinary share of € 33.2		
The weighted average number of ordinary shares of € 33.2 each	12,976,478	12,976,478
Basic and diluted earnings per € 33.2 share in €	8.06	6.63

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:

	2013	2012
Intesa Sanpaolo Holding International S.A.	96.97%	96.84%
Domestic shareholders	2.23%	2.72%
Foreign shareholders	0.80%	0.44%
	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.

25. Equity (continued)

The Bank's regulatory capital position at 31 December 2013 and 31 December 2012 was as follows:

€ '000	**2013**	**2012**
Tier 1 capital		
Share capital	430,819	430,819
Share premium	13,501	13,368
Retained earnings without net profit for the year	592,547	570,979
Legal reserve fund	87,493	87,493
Less software (including software in Assets in progress)	(50,160)	(41,180)
Less negative revaluation of available-for-sale financial assets *	(1,210)	-
Less expected loss	(30,308)	(20,950)
	1,042,682	1,040,529
Tier 2 capital		
Positive revaluation of available-for-sale financial assets *	44,075	64,771
IRB shortfall	26,764	5,110
	70,839	69,881
Regulatory adjustment		
Subsidiaries, associates and jointly controlled entities	(95,987)	(96,011)
Expected loss (incl. equity instruments)	(15)	(15)
	(96,002)	(96,026)
Total regulatory capital	1,017,519	1,014,384

* Based on NBS regulatory requirement.

Regulatory capital includes items forming the value of basic own funds (ordinary share capital, share premium, retained earnings, legal reserve fund) and items decreasing the value of basic own funds (intangible assets and investments with significant influence). The difference between the expected loss and impairment losses on exposures treated under the standardised approach is deducted from regulatory capital. The methodology is prescribed by NBS decree 11/2010 stipulating methods and details of valuing banking book positions, including the frequency of such valuations. The Bank is also obliged to deduct difference between the expected loss and impairment losses if positive for the IRB portfolio (Corporate segment) and the expected loss for equities (Simple IRB approach). The amount by which the impairment losses exceed the value of expected loss on assets treated under the IRB approach represents a component of Tier 2 capital. Furthermore, according to the amendment to NBS decree 4/2007 (amendment number 3/2011), the Bank is obliged to decrease the value of regulatory capital by the negative revaluation differences arising from the revaluation of available-for-sale financial assets. The positive revaluation differences net of tax represent Tier 2 capital.

25. Equity (continued)

€ '000	**2013**	**2012**
Tier 1 capital	1,042,682	1,040,529
Tier 2 capital	70,839	69,881
Regulatory adjustment	(96,002)	(96,026)
Total regulatory capital	1,017,519	1,014,384
Total Risk Weighted Assets	6,373,444	6,537,912
Tier 1 capital ratio	16.36%	15.92%
Total capital ratio	15.96%	15.52%

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, IRB shortfall and available-for-sale reserves related to capital instruments.

The Bank must maintain a capital adequacy ratio of at least 8% according to the Act on Banks. The capital adequacy ratio is the ratio between the Bank's capital and the risk weighted assets. Risk weighted assets include risk weighted assets from positions recorded in the trading book and risk weighted assets from positions recorded in the banking book.

In addition to the requirements of the Act on Banks, the Bank is obliged to fulfil also the additional requirement due to the joint decision of the NBS and Banca d'Italia supervision authorities. Based on the decisions received from these authorities, the Bank was obliged to maintain the Total capital ratio of at least 10.05% at 31 December 2012 and of at least 10.37% at 31 December 2013 for both the separate and consolidated level. The Bank complied with this requirement as at 31 December 2013 and 31 December 2012.

26. Financial commitments and contingencies

€ '000	**2013**	**2012**
Issued guarantees	627,306	619,287
Commitments and undrawn credit facilities	2,221,640	2,109,550
	2,848,946	2,728,837

(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.

26. Financial commitments and contingencies (continued)

(c) Lease obligations

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 2013 and 31 December 2012 was as follows:

€ '000	**2013**	**2012**
Up to 1 year	1,375	1,404
1 to 5 years	2,324	3,579
Over 5 years	-	-
	3,699	4,983

(d) Legal proceedings

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 2013. Pursuant to this review, management has recorded total provisions of € 21,441 thousand (31 December 2012: € 24,449 thousand) in respect of such legal proceedings (see also note 23). 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 € 9,417 thousand, as at 31 December 2013 (31 December 2012: € 5,219 thousand). This amount represents existing legal proceedings against the Bank that will most probably not result in any payments due by the Bank.

27. Net interest income

€ '000	**2013**	**Restated 2012**
Interest and similar income		
Due from banks	12,276	17,004
Loans and advances to customers	367,048	368,902
Bonds, treasury bills and other securities:		
Financial assets at fair value through profit or loss	2,471	6,216
Available-for-sale financial assets	36,720	45,323
Held-to-maturity investments	41,964	43,699
	460,479	481,144
Interest and similar expense		
Due to banks	(1,795)	(3,661)
Due to customers	(67,425)	(86,292)
Debt securities in issue	(40,503)	(54,369)
	(109,723)	(144,322)
	350,756	336,822

Interest income on impaired loans and advances to customers for 2013 amounted to € 21,249 thousand (2012: € 18,590 thousand).

28. Net fee and commission income

€ '000	2013	Restated 2012
Fee and commission income		
Received from banks	7,182	6,534
Received from customers:		
Current accounts	47,844	48,620
Loans and guarantees	31,123	35,823
Transactions and payments	23,703	24,465
Insurance mediation	9,881	11,536
Securities	5,481	3,537
Overdrafts	3,049	1,589
Securities - Custody fee	1,007	983
Term deposits	841	926
Other	2,962	2,372
	133,073	136,385
Fee and commission expense		
Paid to banks	(15,802)	(15,019)
Paid to mediators:		
Credit cards	(38,468)	(36,879)
Securities	(513)	(485)
Services	(5,077)	(3,505)
Other	(786)	(622)
	(60,646)	(56,510)
	72,427	79,875

29. Net trading result

€ '000	2013	2012
Foreign currency derivatives and transactions	4,314	2,119
Customer FX margins	5,080	5,173
Cross currency swaps	(2,547)	1,340
Equity derivatives	57	238
Other derivatives	11	5
Interest rate derivatives *	(1,405)	5,499
Dividends from equity shares held in FVTPL portfolio	13	-
Securities:		
Financial assets at fair value through profit or loss		
Held for trading	(316)	641
Designated at fair value through profit or loss on initial recognition	130	81
Available-for-sale financial assets *	(1,652)	(36,258)
Held-to-maturity investments	-	1,059
Debt securities in issue *	5,967	(5,498)
	9,652	(25,601)

* 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 10).

29. Net trading result (continued)

At 31 December 2013, the amount still to be recognised in income resulting from Day 1 profit amounted to € 4 thousand (31 December 2012: € 10 thousand). The total amount of € 4 thousand is to be recognized within one year (31 December 2012: € 5 thousand to be recognized within one year and the remaining € 5 thousand in the period 1 to 5 years).

30. Other operating income

€ '000	**2013**	**2012**
Rent	1,199	1,186
Services	865	787
Financial revenues	84	263
Net profit/(loss) from sale of fixed assets	38	(102)
Other	1,337	1,274
	3,523	3,408

31. Salaries and employee benefits

€ '000	**Note**	**2013**	**2012**
Remuneration		(70,390)	(61,254)
Social security costs		(26,672)	(23,708)
Social fund	24	(837)	(1,102)
Retention program	24	265	206
Severance and Jubilee benefits	24	(60)	(1,198)
Restructuring provision	23	468	(1,000)
		(97,226)	(88,056)

At 31 December 2013, the total number of employees of the Bank was 3,503 (31 December 2012: 3,518). The average number of employees of the Bank during 2013 was 3,499 (2012: 3,546).

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

32. Other operating expenses and Special levy of selected financial institutions

€ '000	Note	2013	Restated 2012
Property related expenses		(18,174)	(17,437)
IT systems maintenance		(16,590)	(13,718)
Post and telecom		(10,665)	(10,544)
Equipment related expenses		(6,279)	(6,983)
Advertising and marketing		(6,040)	(8,180)
Litigations paid		(4,251)	(325)
Security		(3,841)	(3,717)
Stationery		(3,757)	(3,748)
Third parties' services		(1,349)	(716)
Other damages		(1,138)	(484)
Insurance		(1,038)	(868)
Professional services		(786)	(1,829)
Training		(662)	(604)
Audit *		(573)	(473)
Travelling		(564)	(675)
Transport		(487)	(553)
VAT and other taxes		(413)	(1,370)
Contribution to the Deposit Protection Fund		-	(4,556)
Provisions for litigation	23	3,008	(164)
Other operating expenses		(3,761)	(2,079)
		(77,360)	(79,023)

* As at 31 December 2013 the audit expense consists of fees for the statutory audit in the amount of € 213 thousand (31 December 2012: € 213 thousand), group reporting in the amount of € 213 thousand (31 December 2012: € 213 thousand) and other reporting in the amount of € 147 thousand (31 December 2012: € 47 thousand).

Due to changes of disclosure of VAT from January 2013, prior period balances were restated to reflect this change and to provide better comparability of categories presented within 'Other operating expenses'.

At 31 December 2013 and 31 December 2012, the special levy recognized by the Bank was as follows:

€ '000	2013	2012
Special levy of selected financial institutions	(38,480)	(35,151)

Commencing 1 January 2012, banks operating in the Slovak Republic are subject to a special levy of 0.4% p.a. of selected liabilities. Based on the amendment to the Act on Special levy of selected financial institutions, effective from 1 September 2012 the basis for calculation of the levy was extended by the amount of deposits subject to protection based on the special regulation. The levy is recognized in the Statement of profit or loss and other comprehensive income on an accrual basis and is payable at the beginning of each quarter.

33. Impairment losses

€ '000	Note	2013	Restated 2012
Creation of impairment losses	13	(134,274)	(136,761)
Reversal of impairment losses	13	61,741	84,886
Net creation of impairment losses		(72,533)	(51,875)
Creation of liabilities – financial guarantees and commitments		(8,607)	(10,527)
Reversal of liabilities – financial guarantees and commitments		10,259	7,383
Net reversal/(creation) of liabilities – financial guarantees and commitments	24	1,652	(3,144)
Nominal value of assets written-off/sold		(49,923)	(75,707)
Release of impairment losses to assets written-off/sold	13	41,485	52,592
		(8,438)	(23,115)
Proceeds from assets written-off		8,506	7,616
Proceeds from assets sold		6,847	9,811
		(63,966)	(60,707)

34. Income tax expense

€ '000	Note	2013	2012
Current income tax		(27,010)	(22,168)
Deferred income tax	18	(6,144)	(143)
		(33,154)	(22,311)

The movement in deferred taxes in the Statement of profit or loss and other comprehensive income is as follows:

€ '000	2013	2012
Due from banks	(3)	(30)
Available-for-sale financial assets	126	-
Loans and advances to customers	(6,365)	1,479
Held-to-maturity investments	(11)	78
Property and equipment	(864)	274
Provisions	(113)	230
Other liabilities	750	(1,810)
Other	336	(364)
	(6,144)	(143)

34. Income tax expense (continued)

The effective tax rate differs from the statutory tax rate in 2013 and in 2012. The reconciliation of the Bank's profit before tax with the actual corporate income tax is as follows:

€ '000	**Note**	**2013** Tax base	**2013** Tax at applicable tax rate (23%)	**2012** Tax base	**2012** Tax at applicable tax rate (19%)
Profit before tax		137,792	(31,692)	108,350	(20,587)
Tax effect of expenses that are not deductible in determining taxable profit					
Creation of provisions and other reserves		13,119	(3,017)	19,047	(3,619)
Creation of impairment losses		107,924	(24,823)	72,758	(13,824)
Write-off and sale of assets		6,222	(1,431)	8,983	(1,707)
Other		15,564	(3,580)	6,643	(1,262)
		142,829	(32,851)	107,431	(20,412)
Tax effect of revenues that are deductible in determining taxable profit					
Release of provisions and other reserves		(18,452)	4,244	(13,509)	2,567
Release of impairment losses		(127,580)	29,343	(74,492)	14,153
Dividends		(1,709)	393	(1,281)	243
Other		(7,855)	1,807	(9,283)	1,764
		(155,596)	35,787	(98,565)	18,727
Adjustments for current tax of prior periods		(7,574)	1,742	(505)	96
Withholding tax paid abroad - settlement of advance payments		(17)	4	(42)	8
Current income tax		117,434	(27,010)	116,669	(22,168)
Deferred income tax at 22% in 2013 (23% in 2012)	18		(6,144)		(143)
Income tax expense			(33,154)		(22,311)
Effective tax rate			24.06%		20.59%

35. Other comprehensive income

€ '000	**2013**	**2012**
Exchange differences on translating foreign operation	(6)	152
Available-for-sale financial assets:		
Revaluation (losses)/gains arising during the year	(17,215)	128,413
Reclassification adjustment for (profit)/loss on sale of AFS bonds included in the profit or loss	(2,533)	36,283
	(19,748)	164,696
Cash flow hedges:		
Revaluation gains arising during the year	2,200	3,757
Total other comprehensive income	(17,554)	168,605
Income tax relating to components of other comprehensive income *	4,592	(34,936)
Other comprehensive income for the year	(12,962)	133,669

* Income tax relates only to the components of other comprehensive income that might be reclassified subsequently to the profit or loss.

36. Income tax effects relating to other comprehensive income

	2013			**2012**		
€ '000	**Before tax amount**	**Tax benefit/ (expense)**	**Net of tax amount**	**Before tax amount**	**Tax expense**	**Net of tax amount**
Exchange differences on translating foreign operations	(6)	-	(6)	152	-	152
Available-for-sale financial assets	(19,748)	5,095	(14,653)	164,696	(34,295)	130,401
Net movement on cash flow hedges	2,200	(503)	1,697	3,757	(641)	3,116
	(17,554)	4,592	(12,962)	168,605	(34,936)	133,669

37. Related parties

Related parties are those counterparties that represent:

(f) Enterprises that directly, or indirectly, through one or more intermediaries, control, or are controlled by, have a significant influence or are under the common control of the reporting enterprise;

(g) Associates – enterprises in which the parent company has significant influence and which are neither a subsidiary nor a joint venture;

(h) 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;

(i) 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

(j) Enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in (c) or (d) or over which such a person is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the Bank and enterprises that have a member of key management in common with the Bank.

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

In 2013, the remuneration and other benefits provided to members of the Supervisory Board and the Management Board were € 2,841 thousand (2012: € 3,561 thousand).

37. Related parties (continued)

At 31 December 2013, significant outstanding balances with related parties comprised:

€ '000	KMP *	Close members of KMP	Subsidiaries	Joint ventures	Associates	Intesa Sanpaolo	Intesa Sanpaolo group companies	Total
Assets								
Due from banks	-	-	-	-	-	542,306	71,457	613,763
Derivative financial instruments	-	-	-	-	-	-	8,283	8,283
Loans and advances to customers	528	-	223,956	-	-	-	-	224,484
Financial assets at fair value through profit or loss	-	-	-	-	-	673	-	673
Other assets	-	-	157	7	552	-	-	716
	528	-	224,113	7	552	542,979	79,740	847,919
Liabilities								
Due to central and other banks	-	-	-	-	-	150,748	3,510	154,258
Derivative financial instruments	-	-	-	-	-	39	4,490	4,529
Due to customers	2,126	-	838	-	1,722	-	107	4,793
Debt securities in issue								
Mortgage bonds	-	-	-	629	-	-	684,905	685,534
Other liabilities	673	-	3,811	-	4	-	19	4,507
	2,799	-	4,649	629	1,726	150,787	693,031	853,621
Commitments and undrawn credit facilities	-	-	25,735	-	-	-	-	25,735
Issued guarantees	-	-	-	-	-	-	44,779	44,779
Received guarantees	-	-	-	-	-	-	219,999	219,999
Derivative transactions (notional amount – receivable)	-	-	-	-	-	-	446,778	446,778
Derivative transactions (notional amount – payable)	-	-	-	-	-	57,757	157,705	215,462

37. Related parties (continued)

€ '000	KMP *	Close members of KMP	Subsidiaries	Joint ventures	Associates	Intesa Sanpaolo	Intesa Sanpaolo group companies	Total
Income and expense items								
Interest and similar income	25	-	2,584	-	-	6,678	2,540	11,827
Interest and similar expense	(40)	-	63	(7)	(2)	(173)	(15,334)	(15,493)
Fee and commission income	3	-	101	-	4,794	-	-	4,898
Fee and commission expense	-	-	(29,897)	-	(22)	-	(7,601)	(37,520)
Net trading result	-	-	-	-	-	(4,079)	1,225	(2,854)
Dividend income	-	-	696	1,000	-	-	-	1,696
Other operating income	-	-	922	114	225	162	26	1,449
Other operating expenses	-	-	(1,429)	-	-	-	(1,217)	(2,646)
	(12)	-	(26,960)	1,107	4,995	2,588	(20,361)	(38,643)

* Key management personnel

37. Related parties (continued)

At 31 December 2012, significant outstanding balances with related parties comprised:

€ '000	KMP	Close members of KMP	Subsidiaries	Joint ventures	Associates	Intesa Sanpaolo	Intesa Sanpaolo group companies	Total
Assets								
Due from banks	-	-	-	-	-	464,937	50,801	515,738
Derivative financial instruments	-	-	-	-	-	75	12,479	12,554
Loans and advances to customers	631	-	178,938	-	-	-	-	179,569
Financial assets at fair value through profit or loss	-	-	-	-	-	330	-	330
Other assets	-	-	914	6	-	6	-	926
	631	-	179,852	6	-	465,348	63,280	709,117
Liabilities								
Due to central and other banks	-	-	-	-	-	37,828	6,817	44,645
Derivative financial instruments	-	-	-	-	-	4	7,003	7,007
Due to customers	1,363	-	1,796	-	126	-	9	3,294
Debt securities in issue								
Mortgage bonds	-	-	-	612	-	-	711,369	711,981
Other liabilities	330	-	5,051	-	-	-	-	5,381
	1,693	-	6,847	612	126	37,832	725,198	772,308
Commitments and undrawn credit facilities	-	-	51,110	-	-	-	-	51,110
Issued guarantees	-	-	-	-	-	17,155	-	17,155
Received guarantees	-	-	-	-	-	17,155	132,075	149,230
Derivative transactions (notional amount – receivable)	-	-	-	-	-	-	470,200	470,200
Derivative transactions (notional amount – payable)	-	-	-	-	-	1,135	148,866	150,001

37. Related parties (continued)

€ '000	KMP	Close members of KMP	Subsidiaries	Joint ventures	Associates	Intesa Sanpaolo	Intesa Sanpaolo group companies	Total
Income and expense items								
Interest and similar income	46	-	2,322	-	-	9,217	4,947	16,532
Interest and similar expense	(47)	-	(5)	(106)	-	(556)	(27,879)	(28,593)
Fee and commission income	2	-	3,331	-	-	-	4	3,337
Fee and commission expense	-	-	(28,508)	-	-	(51)	(7,072)	(35,631)
Net trading result	-	-	-	-	-	1,589	(3,342)	(1,753)
Dividend income	-	-	531	750	-	-	-	1,281
Other operating income	-	-	1,042	103	-	81	17	1,243
Other operating expenses	-	-	(1,156)	-	-	(22)	(702)	(1,880)
	1	-	(22,443)	747	-	10,258	(34,027)	(45,464)

38. Profit distribution

On 20 March 2013, the Bank's shareholders approved the following profit distribution for 2012.

€ '000	
Dividends to shareholders (€ 4.98 per € 33.2 share)	64,623
Retained earnings	21,416
	86,039

The Management Board will propose the following 2013 profit distribution:

€ '000	
Dividends to shareholders (€ 6.50 per € 33.2 share)	84,347
Retained earnings	20,291
	104,638

39. Events after the end of the reporting period

At 31 December 2013, the Bank sold its subsidiary Recovery, a.s. to VÚB Factoring, a.s. The control was transferred together with registering the change in the Central Securities Depository on 2 January 2014. Recovery, a.s. merged into VÚB Factoring, a.s. on 31 January 2014.

From 31 December 2013, up to the date when these financial statements were authorized for issue by the Management Board, there were no further events identified that would require adjustments to or disclosure in these financial statements.

VÚB BANKA

INFORMATION ON SECURITIES ISSUED BY THE BANK

Information on Mortgage bonds issued by the Bank

ISSUE NAME	I S I N	ISSUE DATE	MATURITY DATE	DENOMI-NATION	NOMINAL VALUE	PIECES	COUPON	COUPON PAYMENTS	PUT OPTION
Mortgage bonds VÚB, a.s., XVII.	SK4120004813 series 01	28.11.2005	28.11.2015	EUR	33,193.92	1,678	3M EURIBOR + 0.11%	quarterly	no
Mortgage bonds VÚB, a.s., XX.	SK4120004946 series 01	9.3.2006	9.3.2021	EUR	331,939.19	50	4.30%	annually	no
Mortgage bonds VÚB, a.s., XXX.	SK4120005547 series 01	5.9.2007	5.9.2032	EUR	33,193.92	1,000	5.00%	annually	no
Mortgage bonds VÚB, a.s., 31	SK4120005679 series 01	29.11.2007	29.11.2037	EUR	33,193.92	600	4.90%	annually	no
Mortgage bonds VÚB, a.s., 32	SK4120005711 series 01	17.12.2007	17.12.2017	CZK	1,000,000.00	800	6M PRIBOR + 1.50%	semiannually	no
Mortgage bonds VÚB, a.s., 35	SK4120005869 series 01	19.3.2008	19.3.2016	EUR	33,193.92	630	4.40%	annually	no
Mortgage bonds VÚB, a.s., 36	SK4120005893 series 01	31.3.2008	31.3.2020	EUR	33,193.92	560	4.75%	annually	no
Mortgage bonds VÚB, a.s., 39	SK4120006065 series 01	26.6.2008	26.6.2015	EUR	1,000,000.00	60	3M EURIBOR + 0.69%	quarterly	no
Mortgage bonds VÚB, a.s., 40	SK4120006214 series 01	28.8.2008	28.8.2015	EUR	1,000,000.00	70	3M EURIBOR + 0.74%	quarterly	no
Mortgage bonds VÚB, a.s., 43	SK4120006271 series 01	26.9.2008	26.9.2025	EUR	33,193.92	500	5.10%	annually	no
Mortgage bondsVÚB, a.s., 46	SK4120006636 series 01	19.5.2009	19.5.2016	EUR	1,000,000.00	49	4.61%	annually	no
Mortgage bonds VÚB, a.s., 49	SK4120006719 series 01	28.7.2009	28.7.2014	EUR	1,000,000.00	100	3.92%	annually	no
Mortgage bonds VÚB, a.s., 52	SK4120006958 series 01	15.3.2010	15.3.2014	EUR	50,000.00	161	combined	semiannually	no
Mortgage bonds VÚB, a.s., 51	SK4120007147 series 01	8.4.2010	8.4.2014	EUR	1,000,000.00	21	3M EURIBOR + 0.58%	quarterly	no
Mortgage bonds VÚB, a.s., 53	SK4120007154 series 01	8.4.2010	8.4.2017	EUR	1,000,000.00	100	3M EURIBOR + 0.72%	quarterly	no
FLEXI Mortgage bonds VÚB, a.s., 54	SK4120007337 series 01	1.7.2010	1.7.2014	EUR	1,000.00	15,000	3.00%	annually	no
FLEXI Mortgage bonds VÚB, a.s., 55	SK4120007444 series 01	1.10.2010	1.10.2015	EUR	1,000.00	14,000	2.85%	annually	yes
Mortgage bonds VÚB, a.s., 57	SK4120007436 series 01	30.9.2010	30.9.2018	EUR	1,000,000.00	100	6M EURIBOR +1.31%	semiannually	no
Mortgage bonds VÚB, a.s., 58	SK4120007642 series 01	10.12.2010	10.12.2019	EUR	1,000,000.00	80	6M EURIBOR +1.80%	semiannually	no
FLEXI Mortgage bonds VÚB, a.s., 59	SK4120007782 series 01	1.3.2011	1.3.2015	EUR	1,000.00	25,000	3.00%	annually	no

ISSUE NAME	I S I N	ISSUE DATE	MATURITY DATE	DENOMI-NATION	NOMINAL VALUE	PIECES	COUPON	COUPON PAYMENTS	PUT OPTION
Mortgage bonds VÚB, a.s., 60	SK4120007899 series 01	20.5.2011	20.5.2014	CZK	100,000.00	4,345	6M PRIBOR + 0.55%	semiannually	no
Mortgage bonds VÚB, a.s., 61	SK4120007923 series 01	7.6.2011	7.6.2015	EUR	10,000.00	467	combined	semiannually	no
Mortgage bonds VÚB, a.s., 62	SK4120008004 series 01	28.7.2011	28.7.2018	EUR	1,000,000.00	100	6M EURIBOR + 1.99%	semiannually	no
Mortgage bonds VÚB, a.s., 63	SK4120008061 series 01	16.9.2011	16.3.2016	EUR	1,000.00	35,000	3.75%	annually	no
Mortgage bonds VÚB, a.s., 64	SK4120008129 series 01	26.9.2011	26.9.2016	CZK	100,000.00	7,000	3.25%	annually	no
Mortgage bonds VÚB, a.s., 66	SK4120008236 series 01	28.11.2011	28.11.2014	EUR	50,000.00	700	6M EURIBOR + 1.70%	semiannually	no
Mortgage bonds VÚB, a.s., 67	SK4120008228 series 01	29.11.2011	29.11.2030	EUR	50,000.00	300	5.35%	annually	no
Mortgage bonds VÚB, a.s., 68	SK4120008293 series 01	16.1.2012	16.7.2015	EUR	1,000.00	35,000	4.00%	annually	no
Mortgage bonds VÚB, a.s., 69	SK4120008350 series 01	6.2.2012	6.2.2016	EUR	20,000.00	1,000	4.50%	semiannually	no
Mortgage bonds VÚB, a.s., 70	SK4120008418 series 01	7.3.2012	7.3.2017	EUR	100,000.00	400	3.75%	annually	no
Mortgage bonds VÚB, a.s., 71	SK4120008541 series 01	2.5.2012	2.5.2017	EUR	20,000.00	750	3.90%	semiannually	no
Mortgage bonds VÚB, a.s., 72	SK4120008608 series 01	21.6.2012	21.6.2027	EUR	100,000.00	250	4.70%	annually	no
Mortgage bonds VÚB, a.s., 73	SK4120008624 series 01	11.7.2012	11.7.2022	EUR	100,000.00	500	4.20%	annually	no
Mortgage bonds VÚB, a.s., 74	SK4120008939 series 01	16.1.2013	15.12.2023	EUR	100,000.00	700	3.35%	annually	no
Mortgage bonds VÚB, a.s., 75	SK4120009093 series 01	5.4.2013	5.4.2019	EUR	100,000.00	300	2.00%	annually	no
Mortgage bonds VÚB, a.s., 76	SK4120009101 series 01	22.4.2013	22.4.2018	EUR	10,000.00	309	2.40%	annually	no
Mortgage bonds VÚB, a.s., 77	SK4120009259 series 01	20.6.2013	20.6.2018	CZK	100,000.00	5,000	1.80%	annually	no

All mortgage bonds issued by VÚB, a.s., are bearer bonds in book entry form. No person took any guarantee for the repayment of the nominal value and/or coupon payment.

As of 31 December 2013 VÚB, a.s., has not issued and has not decided to issue bonds with pre-emption rights or convertible rights associated therewith.

The bonds are transferable to another holder without any restrictions. The rights associated with the bonds are based on the terms and conditions of the bonds pursuant to the Act No. 530/1990 Coll. on Bonds as amended, Act No 566/2001 Coll. on Securities as amended and in accordance with applicable legislation.

Information on Investment certificates issued by the Bank

ISSUE NAME	I S I N	ISSUE DATE	MATURITY DATE	DENOMI-NATION	NOMINAL VALUE	PIECES	COUPON	COUPON PAYMENTS	PUT OPTION
Investment certificates VÚB, a.s., 2016	SK5110000133 series 01	15.8.2013	15.8.2016	EUR	1.00	153,200	0.00%	-	no

The company during the accounting year 2013 emitted the Investment certificates VÚB, a.s., 2016. The reason for emitting these certificates was to fulfil the obligations arising from the Act on Banks no. 483/2011 (esp. § 23b par. 1 d) and internal procedure Remuneration Policy of VÚB, a.s. Based on these documents part of the variable remuneration of selected personnel (acc. to § 23a par. 1 of the Act on Banks) is provided in the form of securities.

Investment certificates issued by VUB, a.s., are registered securities in book-entry form. No person has taken any guarantee for repayment of the nominal value and/or coupon payment.

No pre-emption or convertible rights are associated with investment certificates.

Investment certificates are not transferable to another holder. The rights associated with the investment certificates are based on the applicable legislation of the Slovak Republic, in particular in Act No 566/2001 Coll. on Securities as amended and in relevant prospectus of the investment certificates.

VÚB BANKA

LIST OF VUB RETAIL BRANCHES

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 - Aupark	851 01	Einsteinova 18	02/4855 3216	02/63451260
Bratislava - Dúbravka	841 01	Sch. Trnavského 6/A	02/4855 3110	02/64286205
Malacky	901 01	Záhorácka 15	034/485 6082	034/7723848
Bratislava - Eurovea	811 09	Pribinova 8	02/4855 3252	02/55561876
Bratislava - Šintavská	851 05	Šintavská 24	02/4855 3170	02/63837097
Bratislava - Dunajská	811 08	Dunajská 24	02/4855 3126	02/52967136
Bratislava - Devínska N. Ves	841 07	Eisnerova 48	02/4855 3156	02/64776550
Bratislava - Špitálska	811 01	Špitálska 10	02/4855 3389	02/52965422
Bratislava - Rovniankova	851 02	Rovniankova 3/A	02/4855 3186	02/63821608
Bratislava - Vlastenecké nám.	851 01	Vlastenecké námestie 6	02/4855 3200	02/62248138
Bratislava - Furdekova	851 04	Furdekova 16	02/4855 3244	02/62414278
Bratislava - Štúrova	811 02	Štúrova 13	02/4855 3411	02/52622773
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
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 - Páričkova	821 08	Páričkova 2	02/5055 2408	02/55566636
Bratislava - Ružinov	827 61	Kaštieľska 2	02/4856 3454	02/43339369
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 - OC Centrál	821 08	Metodova 6	02/4855 3325	02/55425941
Bratislava - Avion	821 04	Ivanská cesta 16	02/4855 3353	02/43420315
Bratislava - Rača	831 06	Detvianska 22	02/4855 3318	02/44871025
Bratislava - BC Apollo	821 09	Mlynské nivy 45	02/4855 3340	02/53412007
Bratislava - Herlianska	821 03	Komárnická 11	02/4855 3310	02/4342 5604
Bratislava - Shopping Palace	821 04	Cesta na Senec 2/A	02/4855 3351	02/44454843
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 3420	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 4409	033/5333056
Piešťany	921 01	Námestie slobody 11	033/485 4535	033/7721080
Trnava - Hlavná	917 68	Hlavná 31	033/485 4490	033/5511725
Dunajská Streda	929 35	Alžbetínske nám. 328	031/485 4000	031/5516205
Galanta	924 41	Mierové námestie 2	031/485 4041	031/7806029
Hlohovec	920 01	Podzámska 37	033/485 4521	033/7425571
Senica	905 33	Nám. oslobodenia 8	034/485 6000	034/6517900
Skalica	909 01	Potočná 20	034/485 6048	034/6646778
Sereď	926 00	Cukrovarská 3013/1	031/485 4076	031/7894650
Šamorín	931 01	Hlavná 64	031/485 4097	031/5624305
Trnava - Arkadia	917 01	Veterná 40/A	033/485 4411	033/5936643
Holíč	908 51	Bratislavská 1518/7	034/485 6067	034/6684473
Gabčíkovo	930 05	Mlynársky rad 185/1	031/485 4106	031/5594995
Kúty	908 01	Nám. Radlinského 981	034/485 6076	031/6597790
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	031/5552284
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

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
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
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 6289	038/7497247
Trenčín - OC Laugarício	911 01	Belá 7271	032/485 4320	032/6421717
Trenčín - Legionárska	911 01	Legionárska 7158/5	032/485 4205	032/6401649
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
Nová Dubnica	018 51	Mierove námestie 29/34	042/485 6581	042/4434032
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	046/5446437
Nováky	972 71	Andreja Hlinku 457	046/485 7156	046/5461145
Trenčín - Zámostie	911 05	Zlatovská 2610	032/485 4312	032/6523321
Dolné Vestenice	972 23	M. R. Štefánika 300	046/485 7162	046/5498308
Trenčianske Teplice	914 51	T. G. Masaryka 3	032/485 4316	032/6553444
Mortgage Centres				
Trenčín	911 01	Legionárska 7158/5	032/485 4218	032/7434947

Regional Retail Business Network Nitra

Nitra - Štefánikova 44	949 31	Štefánikova 44	037/485 4807	037/6528754
Komárno	945 23	Tržničné námestie 1	035/485 4745	035/7730652
Levice	934 01	Štúrova 21	036/485 6118	036/6312600
Nové Zámky	940 33	Hlavné námestie 5	035/485 4700	035/6400841
Topoľčany - Moyzesova	955 19	Moyzesova 585/2	038/485 6214	038/5228061
Topoľčany - Pribinova	955 01	Pribinova 2	038/485 6243	038/5326900
Šaľa	927 00	Hlavná 5	031/485 4062	031/7704576
Zlaté Moravce	953 00	Župná 10	037/485 4889	037/6321266
Nitra - OC Mlyny	949 01	Štefánikova 61	037/485 4877	037/4854930
Nitra - Štefánikova 7	949 31	Štefánikova 7	037/485 4901	037/7412057
Štúrovo	943 01	Hlavná 59	036/485 6147	036/7511308
Šurany	942 01	SNP 25	035/485 4768	035/6500044
Vráble	952 01	Levická 1288/16	037/485 4907	037/7833023
Centro Nitra	949 01	Akademická 1/A	037/485 4918	037/6512013
Hurbanovo	947 01	Komárňanská 98	035/485 4783	035/7602216
Šahy	936 01	Hlavné námestie 27	036/485 6152	036/7411723
Želiezovce	937 01	Komenského 8	036/485 6164	036/7711088
Kolárovo	946 03	Palkovicha 34	035/485 4785	035/7772550
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
Martin	036 53	M. R. Štefánika 2	043/485 6627	043/4247297
Čadca	022 24	Fraňa Kráľa 1504	041/485 6375	041/4331095
Dolný Kubín	026 01	Radlinského 1712/34	043/485 6683	043/5864006
Liptovský Mikuláš	031 31	Štúrova 19	044/485 7009	044/5514925
Ružomberok	034 01	Podhora 48	044/485 7037	044/4323146
Žilina - Dubeň	010 08	Vysokoškolákov 52	041/485 6417	041/5000316
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 - Aupark	010 01	Veľká okružná 59A	041/485 6332	041/5092181
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
Martin - OC Tulip	036 01	Pltníky 2	043/485 6669	043/4134713
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	043/5322658
Liptovský Hrádok	033 01	J. Martinku 740/56	044/485 7054	044/5221397
Nižná	027 43	Nová doba 481	043/485 6756	043/5382162
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

VÚB BANKA

Regional Retail Business Network Banská Bystrica

Banská Bystrica	975 55	Námestie slobody 1	048/450 5550	048/4505641
Lučenec	984 35	T. G. Masaryka 24	047/485 7205	047/4331501
Rimavská Sobota	979 13	Francisciho 1	047/4857228	047/5631213
Veľký Krtíš	990 20	Novohradská 7	047/485 7264	047/4805687
Zvolen	960 94	Námestie SNP 2093/13	045/485 6805	048/4123908
BB - SC Európa	974 01	Na Troskách 26	048/485 5383	048/4145101
Žiar nad Hronom	965 01	Námestie Matice slov. 21	045/485 6870	045/6707840
Banská Bystrica - Dolná	975 55	Dolná 17	048/485 5574	048/4123908
Zvolen -SC Európa	960 01	Námestie SNP 9690/63	045/485 6828	
Banská Štiavnica	969 01	Radničné námestie 15	045/485 6903	045/6921047
Brezno	977 01	Boženy Němcovej 1/A	048/485 5370	048/6115595
Detva	962 11	M. R. Štefánika 65	045/485 6911	045/5455461
Fiľakovo	986 01	Biskupická 1	047/485 7271	047/4382227
Hnúšťa	981 01	Francisciho 372	047/485 7284	047/5422241
Krupina	963 01	Svätotrojičné námestie 8	045/485 6928	045/5511431
Nová Baňa	968 01	Námestie slobody 11	045/485 6935	045/6855115
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 289	047/485 7288	047/4223370
Tornaľa	982 01	Mierová 37	047/485 7294	047/5522676
Žarnovica	966 81	Námestie SNP 26	045/485 6953	045/6812380
Dudince	962 71	Okružná 142	045/485 6890	045/5583432
Slovenská Ľupča	976 13	Námestie SNP 12	048/485 5381	048/4187229
Vinica	991 28	Cesta slobody 466/41	047/485 7303	047/4891502
Mortgage Centres				
Banská Bystrica	975 55	Námestie slobody 1	048/450 5590	048/4505670

Regional Retail Business Network Prešov

Poprad	058 17	Mnoheľova 2832/9	052/485 7842	052/7721182
Prešov	081 86	Masarykova 13	051/485 7518	051/7356362
Stará Ľubovňa	064 01	Obchodná 2	052/485 7873	052/4323491
Bardejov	085 61	Kellerova 1	054/485 8309	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	052/4523258
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 7578	051/7757079
Sabinov	083 01	Námestie slobody 90	051/485 7597	051/4523492
Stropkov	091 01	Mlynská 692/1	054/485 8347	054/7423714
Levoča	054 01	Nám. Majstra Pavla 38	053/485 7624	053/4514316
Svit	059 21	Štúrova 87	052/485 7914	052/7755154
Spišská Belá	059 01	SNP 2522	052/485 7934	052/4581022
Spišské Podhradie	053 04	Mariánske nám. 22	053/485 7641	053/4541257
Giraltovce	087 01	Dukelská 58	054/485 8356	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
Podolínec	065 03	Ul. sv. Anny 1	052/485 7932	052/4391295
Bardejov - Radničné námestie	085 01	Radničné námestie 33	054/485 8324	054/4748961

Humenné - Chemes	066 01	Chemlonská 1	057/485 8592	057/7763595
Mortgage Centres				
Prešov	081 86	Masarykova 13	051/485 7558	051/7734609
Poprad	058 17	Mnoheľova 2832/9	052/485 7817	052/7721140
Regional Retail Business Network Košice				
Michalovce	071 80	Námestie slobody 3	056/485 8420	056/6441077
Rožňava	048 73	Šafárikova 21	058/485 8955	058/7326421
Spišská Nová Ves	052 14	Letná 33	055/485 7608	053/4410422
Košice - Štúrova	042 31	Štúrova 27/A	055/485 8006	055/6229334
Košice - Bačíkova	042 81	Bačíkova 2	055/485 8111	055/6786083
Trebišov	075 17	M. R. Štefánika 3197/32	056/485 8450	056/6725901
Košice - Hlavná 1	042 31	Hlavná 1	055/485 8002	055/6226250
Košice - Letná	040 01	Letná 40	055/485 8159	055/6259979
Košice - Bukovecká	040 12	Bukovecká 18	055/485 8174	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 7634	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 8140	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 8480	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 - Werfenova	040 11	Werferova 3	055/485 898	055/6420814
Mortgage Centres				
Košice	042 31	Štúrova 27/A	055/485 8031	055/6229334

LIST OF VUB CORPORATE BRANCHES

Corporate Business Centre Bratislava

BRATISLAVA	Mlynské nivy 1	02 / 50552765

Corporate Business Centre Bratislava 2

BRATISLAVA	Mlynské nivy 1	02 / 50552600

Corporate Business Centre Trnava

TRNAVA	Dolné bašty 2	033 / 4854447
SENICA	Nám. oslobodenia 8	034 / 4856037

Corporate Business Centre Nitra

NITRA	Štefánikova 44	037 / 4854844
TOPOĽČANY	Moyzesova 585/2	038 / 4856237
LEVICE	Štúrova 21	036 / 4856135

Corporate Business Centre Nové Zámky

NOVÉ ZÁMKY	Hlavné námestie 5	035 / 4854738
KOMÁRNO	Tržničné nám. 1	035 / 4854764
GALANTA	Mierové námestie 2	031 / 4854054
DUNAJSKÁ STREDA	Alžbetínske nám. 328	031 / 4854024

Corporate Business Centre Trenčín

TRENČÍN	Legionárska 7158/5	032 / 4854230
POVAŽSKÁ BYSTRICA	Nám. A. Hlinku 23/28	042 / 4856537

Corporate Business Centre Žilina

ŽILINA	Na bráne 1	041 / 4856346
MARTIN	M.R.Štefánika 2	043 / 4856661
ČADCA	Fraňa Kráľa 1504	041 / 4856399
DOLNÝ KUBÍN	Radlinského 1712/34	043 / 4856694

Corporate Business Centre Zvolen

ZVOLEN	Námestie SNP 2093/13	045 / 4856842
BANSKÁ BYSTRICA	Námestie slobody 1	048 / 4505487

Corporate Business Centre Žiar nad Hronom

ŽIAR NAD HRONOM	Nám. Matice slovenskej 21	045 / 4856883
PRIEVIDZA	Námestie slobody 6	046 / 4857137

Corporate Business Centre Lučenec

LUČENEC	T.G. Masaryka 24	047 / 4857224
RIMAVSKÁ SOBOTA	Francisciho 1	047 / 4857247

Corporate Business Centre Poprad

POPRAD	Mnoheľova 2832/9	052 / 4857866
LIPTOVSKÝ MIKULÁŠ	Štúrova 19	044 / 4857032
SPIŠSKÁ NOVÁ VES	Letná 33	053 / 4857621

Corporate Business Centre Prešov

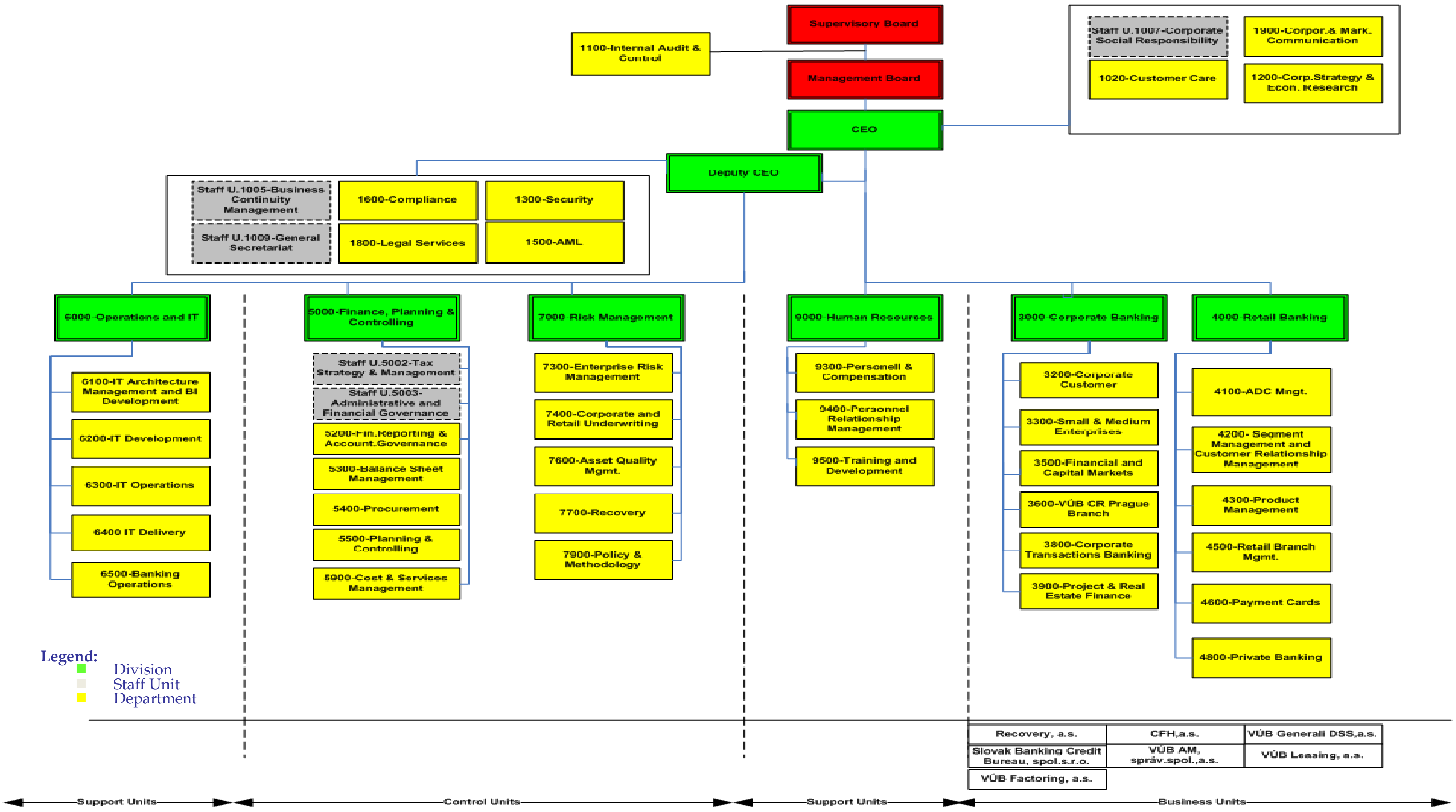
PREŠOV	Masarykova 13	051 / 4857564
BARDEJOV	Kellerova 1	054 / 4858328
VRANOV NAD TOPĽOU	Námestie slobody 6	057 / 4858560
HUMENNÉ	Námestie slobody 26/10	057 / 4858530

Corporate Business Centre Košice

KOŠICE	Štúrova 27/A	055 / 4858046
MICHALOVCE	Námestie slobody 3	056 / 4858430

VÚB BANKA

ORGANIZATION CHART OF VUB AS AT 31 DECEMBER 2013



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