VÚB BANKA

Annual Report 2014

VUB, a bank of INTESA SANPAOLO

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Report on Audit of Consistency

of the annual report with the financial statements pursuant to Article 23 (5) of Act No. 540/2007 Coll. on Auditors, Audit and Oversight of Audit

(Translation)

To the shareholders, the Supervisory Board, and the Board of Directors of the company Všeobecná úverová banka, a.s.:

We have audited the financial statements of the company Všeobecná úverová banka, a.s. ("the Bank") as of 31 December 2014, presented on pages 29 – 123 (Consolidated financial statements) and on pages 124 – 212 (Separate financial statements) of the annual report.

We have issued an independent auditor's report on the consolidated financial statements on 17 February 2015 with the following wording:

Independent Auditor's 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 2014, 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 that give a true and fair view 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.

Auditor's 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 2014, 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 2015
Bratislava, Slovak Republic

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

Responsible auditor:
Ing. Michal Maxim, FCCA
License UDVA No. 1093

We have issued an independent auditor's report on the separate financial statements on 17 February 2015 with the following wording:

Independent Auditor's 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 2014, 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 that give a true and fair view 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.

Auditor's 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 2014, 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 2015
Bratislava, Slovak Republic

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

Responsible auditor:
Ing. Michal Maxim, FCCA
License UDVA No. 1093

Report on the Audit of Consistency of the annual report with the financial statements

(Supplement to the auditor's report)

We have audited the consistency of the annual report with the above mentioned financial statements in accordance with the Act on Accounting.

The accuracy of the annual report is the responsibility of the Bank's management. Our responsibility is to audit the consistency of the annual report with the financial statements, based on which we are required to issue an appendix to the auditor's report on the consistency of the annual report with the consolidated and the separate financial statements.

We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the information presented in the annual report, subject to presentation in the consolidated and the separate financial statements, is consistent, in all material respects, with the relevant financial statements.

We have reviewed the consistency of the information presented in the annual report on pages 1 – 28 and 213 - 223 with the information presented in the consolidated and the separate financial statements as of 31 December 2014. We have not audited any data or information other than the accounting information obtained from the financial statements and accounting books. We believe that the audit performed provides a sufficient and appropriate basis for our opinion.

In our opinion, the accounting information presented in the annual report is consistent, in all material respects, with the consolidated and the separate financial statements as of 31 December 2014, presented on pages 29 – 123 (Consolidated financial statements) and on pages 124 – 212 (Separate financial statements) of the annual report.

19 February 2015
Bratislava, Slovak Republic

Audit firm:
KPMG Slovensko spol. s r. o.
License SKAU No. 96

SKAU

Responsible auditor:
Ing. Michal Maxim, FCCA
License UDVA No. 1093

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Address by the Chairman of the VUB Supervisory Board

Dear Shareholders, Clients and Business Partners, Employees

VUB had a fine year in 2014. The Group was particularly successful in terms of its profitability, having improved its net profit by 7.9% compared to 2013. In the commercial area, VUB has managed to increase its share of the credit market. On the deposit market, having already a comfortable liquidity position, VUB has let its share of primary deposits decline a little. Instead, the VUB Group concentrated on developing assets under management, which in the current market environment provide better value for retail clients.

In the risk management area, I would like to underline the results that VUB achieved in the Comprehensive Assessment of the ECB. Indeed, not only was VUB in the asset quality review the best among Slovak banks, its results were superior even to a number of traditionally much stronger banking groups across the whole Eurozone. ECB's Assessment confirmed that VUB is appropriately regarded as an outstanding banking institution with a high regard for the cost of risk and thus utmost responsibility toward its clients, shareholders and other stakeholders. On behalf of the Supervisory Board, I would like to thank the management and employees for all these achievements.

Looking ahead to 2015, the operating environment for the banking industry will remain challenging even in Slovakia which enjoys a relatively sound macroeconomic backdrop. Interest rates will nonetheless remain very low and constrain income flow. Margins will be further eroded by competitive pressure and the convergence of lending standards to Western European norms. Regulatory pressure will remain intense, too, with new costs related to the EU Banking Union supervision and resolution pillars making up for the now alleviated cost of the local bank levy. Against this backdrop, the targets set for VUB are demanding, 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.

Ezio Salvai
Chairman of the Supervisory Board

Address by the Chairman of the VUB Management Board

Dear Shareholders, Clients and Business Partners,

The year 2014 has been successful for VUB. I am pleased to say that we have delivered fine results, exceeding the budgetary targets and results of the previous year in terms of profitability as well as business development indicators. I am particularly pleased with the latter, as a stronger and more balanced business growth was our main aspiration for this past year.

To be fair, however, the acceleration of our business growth was due in part to benign market developments which benefited from a surprisingly strong turnaround in domestic demand. Encompassing both consumption and investment, the bounce in domestic demand was accompanied by a sizable decline in unemployment and relatively generous wage increases across the whole economy. Coupled with a further decline in interest rates and historically low property prices and consumer price inflation, households' appetite and capacity for borrowing significantly improved. The amount of loans extended to households thus expanded by 12%, exceeding already the strong growth of 10% in 2013.

Meanwhile, also, the corporate appetite for bank debt improved, driven in particular by large firms taking advantage of low interest rates to finance their corporate restructuring plans. After several years of deleveraging and corporate credit contraction, the amount of loans extended to resident firms in 2014 broadly stabilized. The total bank credit market expanded by 6.4%, up from 5.7% growth in the preceding year.

On the deposit market, total volume growth decelerated a bit, to 3.8% from 4.3% in the previous year. In contrast to 2013, however, non-financial corporations did not increase the amount of cash deposited with local banks, presumably putting it instead to more productive use as investment activity finally turned up. On the other hand, the volume of household deposits with banks actually grew by a surprisingly strong 4.2% even as interest rates fell to near zero levels. People, however, opted to have their money parked on current accounts rather than term deposits. And those looking for higher returns for their savings have yet again resorted to mutual funds, which have had another good year with assets under their management growing by 19% compared to over a year ago.

Against this backdrop, we did well on the credit market overall, in which we increased our share to 18.4% from 18.2% a year ago. Segment-wise, however, we outperformed the market in the corporate rather than the retail segment that we aimed for. Despite accelerating our retail lending to 9.8%, nearly triple the rate of 2013, we lost 0.4% of the market share. The decline in our share of the mortgage and housing market was especially pitiful, which was our top priority for growth in 2014. In mid-year, we made a comeback into this key segment by substantial investments in a marketing campaign, changes to the product, process improvement, and the extraordinary sales effort of our branch network. Unfortunately, we were not thorough enough to sustain our improved position until the end of the year. Nonetheless, holding nearly a 22% market share, we keep a strong position in this key segment and during the past year recollected how to lead rather than follow this important market. In the future, we must be more rigorous in executing and delivering value to new as well as existing clients. In consumer loans, our volumes grew by a rather strong 10.7% compared to over a year ago. Our market share nonetheless slipped from 20.7% a year ago to 19.8%, respectively. Unlike our main competitors, however, we also tap in to the non-bank consumer finance market. And our specialized subsidiary Consumer Finance Holding has in 2014 seen its loan book grow by 9.9% and further established itself as the market leader in this segment.

In the corporate loan business, our volume grew by 6.1%, outperforming the market and improving our share from 15.4% a year ago to 16.1%, respectively. This improvement was reasonably balanced across segments, but I am particularly pleased that we expanded our loan portfolio to small and medium sized enterprises by a sizable 16.7%. The results of our leasing subsidiary, VUB Leasing, were also strong, successfully increasing its market share in 2014. Besides, by continuing its selective approach in newly leased assets, VUB Leasing was able to improve further its margins and as well as its overall financial performance over a year ago. 2014 was also successful for our factoring company, VUB Factoring, which was able to protect its market shares and remained a clear leader in non-recourse factoring volumes. And profitability-wise, VUB Factoring has had the best year on record.

Turning to the deposit market, our commercial performance was affected by the substantial excess of liquidity and thus impacted more by business and funding needs than the fight for a market share. Our primary bank deposit base thus declined across segments by a total of 1.1% over a year ago and the market share slipped from 17.6% to 16.8%, respectively. Yet, to fund the loan expansion, we actually collected over € 500 million deposits more than we aimed for in the budget. Besides, we continued to offer our clients alternative ways to look after their savings besides term deposits. Indeed, assets invested in mutual funds by our clients outgrew the market and our share represented by VUB Asset Management thus increased, from 18.8% a year ago to 19.7%, respectively.

Besides, our presence on the market for total personal financial assets of Slovak households extends also to pension savings, in which we are active together with our joint venture partner Generali Slovensko. In 2014, we increased the pension assets under our management by 11% to € 980 million and improved our share of this market to 15.3% from 15.1% a year ago. Importantly, we continued to deliver a superior return on pension savings to our clients and increased their number by nearly 9 thousand to 224 thousand people.

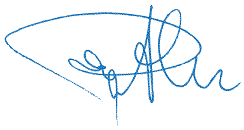
In terms of financial results, on a consolidated basis, VUB Group in 2014 posted an operating income of € 544 million, up 2.4% compared to over a year ago. On the cost front, we remained efficient, increasing our operating expenses by 2.7% compared to over a year ago. Our cost to income ratio without bank levy represented 44.7%, way below the market's 49.3% and our operating profit before impairment reached € 271 million, up 2.1% compared to over a year ago. Adjusted for impairments, provisions, and taxes, the Group booked net profit of € 145.8 million, 7.9% higher than a year ago.

Looking ahead, the operating environment will be challenging in 2015. While the economy is projected to continue to grow nicely and thus support loan volume growth, the extremely low interest rate environment will severely constrain revenue inflow. Margins on key products, such as mortgages, are already down to Western European levels and with ongoing intense competitive pressure they will be squeezed even more. Not only margins on new business will be lower, but this will increasingly be the case for the existing loan stock as aggressive refinancing offers from smaller market players might be extended from mortgages to consumer loan products. Meanwhile, the space for banks to tap new retail loans will be impacted by the local NBS regulation, which seeks to gradually lower the inflow of riskier loans, applying limits on LTV, maturity and debt-burden-ratio from 2015 onward.

On the cost front, the Slovak bank levy will finally decrease in 2015, but banks will be subject to new costs related to European banking regulation. In particular, banks will start to contribute to a new National Resolution Fund set up under the Bank Resolution and Recovery Directive, which will in later years gradually merge with the Single Resolution Fund set up under the EU Banking Union. There will also be additional costs related to the direct ECB supervision, which VUB, as one of the top three banks in Slovakia, is now subject to.

Lower margins, intense competition and regulatory pressure imply that we must stand as close as ever to every one of our customers. While business growth remains the keyword for our strategy as outlined a year ago in this very place, the protection of our existing portfolio was never so important as it is today.

Clearly, we must prepare for a rather tough and demanding year. I nonetheless firmly believe that the VUB team will continue to deliver. With this in mind, let me thank our employees for their commitment, resilience and hard work that led to the fine results of 2014. 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 for 2015.



Alexander Resch
CEO and Chairman of the Management Board

VUB Management Board Report on the Business Activities of the Company

Development of the External Environment

External environment

The Slovak economy had a good year in 2014. According to a number of indicators, it was probably the best out of the last five years. GDP growth picked up to nearly two and a half percent, from less than one percent in the preceding year. Even more importantly, the composition of growth shifted from foreign to domestic demand, which was turned around by the long-depressed Slovak labour market. Indeed, jobs in the economy grew nicely and unemployment fell below 13% for the first time in four years. Moreover, nominal wages in the whole economy grew by four and a half percent, which in the absence of inflation meant an equally hefty gain in real wages.

With jobs growing, unemployment falling, and wages rising, the confidence of households improved, prompting them to release pent-up demand for consumer goods and housing. Banks responded to the improved financial position of households by easing credit conditions and the growth of retail loans thus accelerated from just under 10% in 2013 to 12%, respectively.

Importantly too, the turnaround in domestic demand also involved investments, which stabilized the previously contracting corporate loan book. To be sure, the improvement in corporate lending was primarily due to large state firms, financing their acquisition and restructuring plans through banks. Yet banks also stood ready to help SMEs finance their investment plans. Progress was well under way especially in manufacturing, which saw the utilization of their capacities increase above the long-term average. Nonetheless, there were also welcome signs of nascent recovery in construction, a sector which has been in heavy recession since 2009. Encouraged by recovering residential housing projects and even more so by the resumption of state-sponsored highway construction, confidence in this sector rose to nearly pre-crisis levels.

To be sure, not all was bright in 2014. In particular, growth in the Eurozone tumbled once again. The sudden armed conflict in Eastern Ukraine led to a worsening of relationships between the West and Russia. Sanctions posted by the US and EU on Russia froze investment plans and spoiled business confidence across Europe, particularly in Germany, which is Slovakia's key trading partner. Germany's merchandise exports to Russia fell by over a quarter and Slovakia's by 14% in the first nine months of the year, respectively. Coupled with restrained domestic demand and fragile consumer confidence in the Eurozone anyway, due to continuing deleveraging and fiscal consolidation, this meant that foreign demand for Slovak exports slowed and the contribution of net trade to overall GDP growth turned negative.

Restrained demand in the Eurozone had also impacted inflation, which fell farther away from the ECB's targeted two percent level. In response, interest rates were cut to yet new historic lows with the refi rate down to 0.05% and the deposit rate even below zero, at –0.20%. Long-term interest rates were also in decline, with 10-year Slovak government bonds yields falling as low as 1.1%, averaging 1.9% in 2014 compared to 2.6% a year ago and 3.4% two years ago, resp. These developments squeezed interest margins and led to a sharp repricing of banks' assets and liabilities.

Pressure on margins was further intensified by the ongoing strong competition, particularly on the fast-growing Slovak mortgage market. In the key 1-to-5-year fixed mortgage loan, average rates on new business fell by nearly one percentage point over a year ago and thus matched equivalent rates on the markets of Italy, Spain or the Netherlands. Luckily for the Slovak banks, they were still able to offset fast-falling rates with an increased volume of new loans and thus defended their interest income at broadly the same level as a year ago. In addition, banks also were able to further reprice liabilities and thus cut interest expense by 13%, enough to post an increase in net interest income, by 7% compared to over a year ago.

On the cost front, coping with an increased volume of new business while acknowledging the turnaround on the labour market, banks increased personnel costs in 2014 by six percent. Total operating expenses also rose by a similar pace. Still, this was relatively less steep an increase than that of total revenue, which meant that the operating profit of the sector rose by 7.9% over a year ago. The cost-to-income ratio of the sector declined correspondingly, from 53% a year ago, to 52.6%, resp. The bottom line of the sector was, however, less spectacular than the operating line. Impairments and provisions namely were increased by nearly 23% over a year ago, which meant than the net income of the sector was up only 1.5% over 2013.

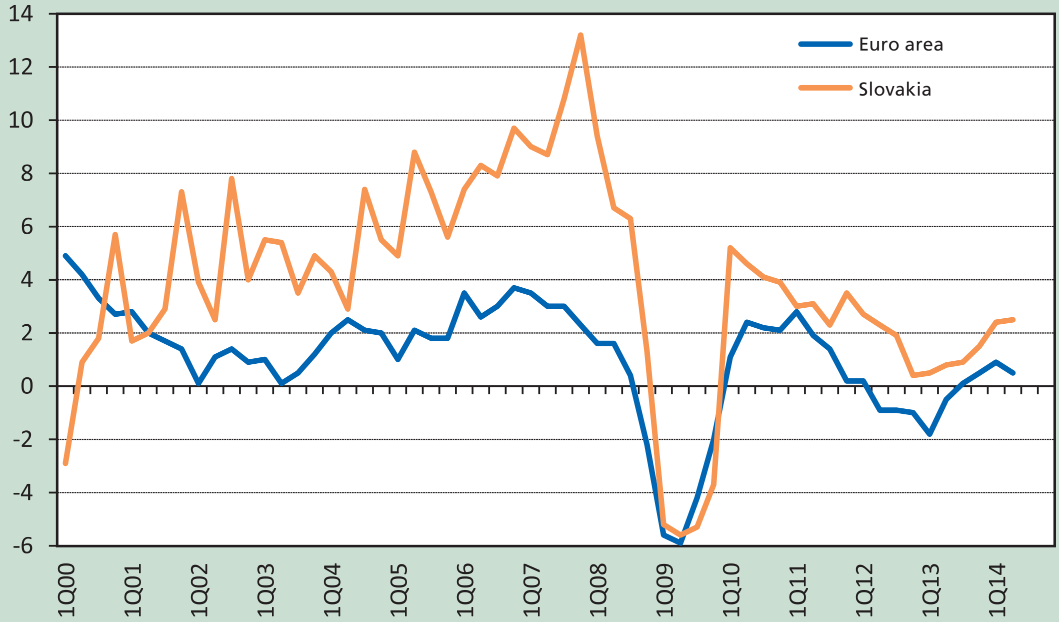
Outlook for 2015

The outlook for the upcoming year is hopeful even if uncertainty is rather high globally. The baseline scenario counts on the Slovak economy delivering at least as strong a GDP gain as in 2014. The composition of this growth, however, should be more balanced between domestic and foreign demand. Growth in the Eurozone, in particular should be stronger on the back of a weaker euro exchange rate, looser fiscal stance, improvement in financial conditions, and lower oil prices. Cheap oil, in particular, represents an unexpected support for growth in the oil-importing economies of the Eurozone, including Slovakia, to the extent of 0.3 – 0.4% points. Yet the plunge in oil prices also increases potential deflation risks in the Eurozone. Moreover, it also poses a threat to financial and political stability in oil exporting countries. Indeed, the slump of the Russian rouble at the close of 2014 and the resulting turmoil on the local financial and banking markets clearly illustrated how fragile this stability could be.

Domestic demand will likely continue to recover with positive contributions expected both from consumption and investments. Recovery on the labour market is seen to continue, even if job growth will probably moderate a bit and unemployment decline less than in 2014, which benefited from some temporary factors such as state-sponsored jobs for the long-term unemployed. Wage growth also will probably moderate a little taking into account zero inflation, which due to falling oil prices will probably last longer than previously seen likely. The overall financial situation of households will nonetheless continue to improve and so will their spending and borrowing appetite, in particular given the low interest rate environment and best ever housing affordability offered by the local residential and mortgage markets.

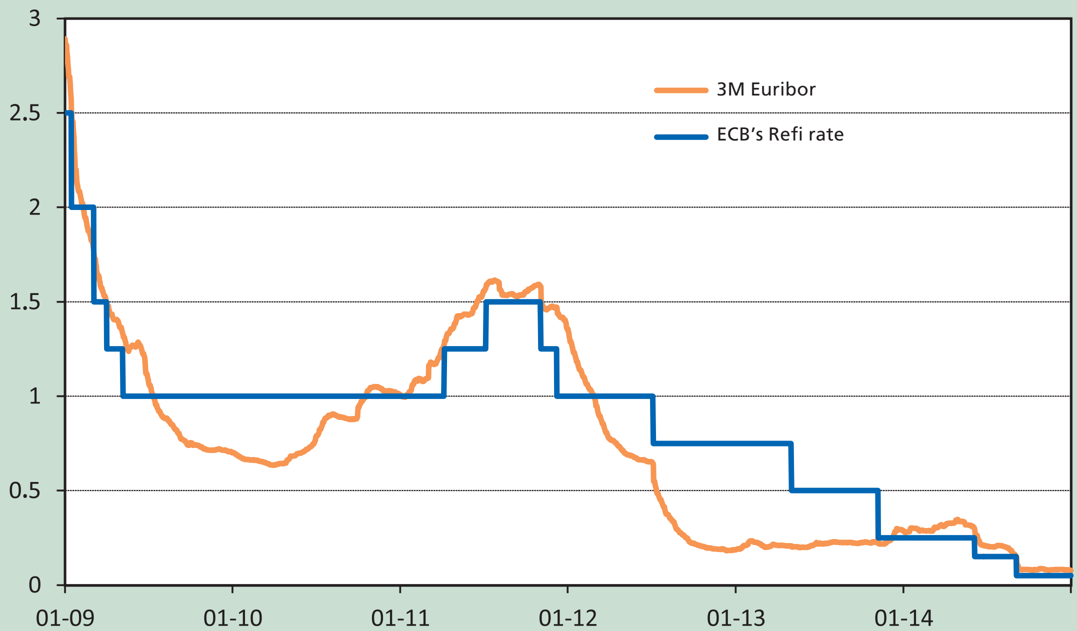
While boosting loan volumes, low interest rates will continue to compress margins and accelerate the shift of household savings away from term deposits into mutual funds and other personal financial assets. The squeeze in margins will probably be the big theme of 2015. Meanwhile, the space for banks to tap new retail loans will be impacted by the local NBS regulation, which seeks to gradually lower the inflow of riskier loans, applying limits on LTV, maturity and debt-burden-ratio from 2015 onward.

Real GDP growth (% y/y)



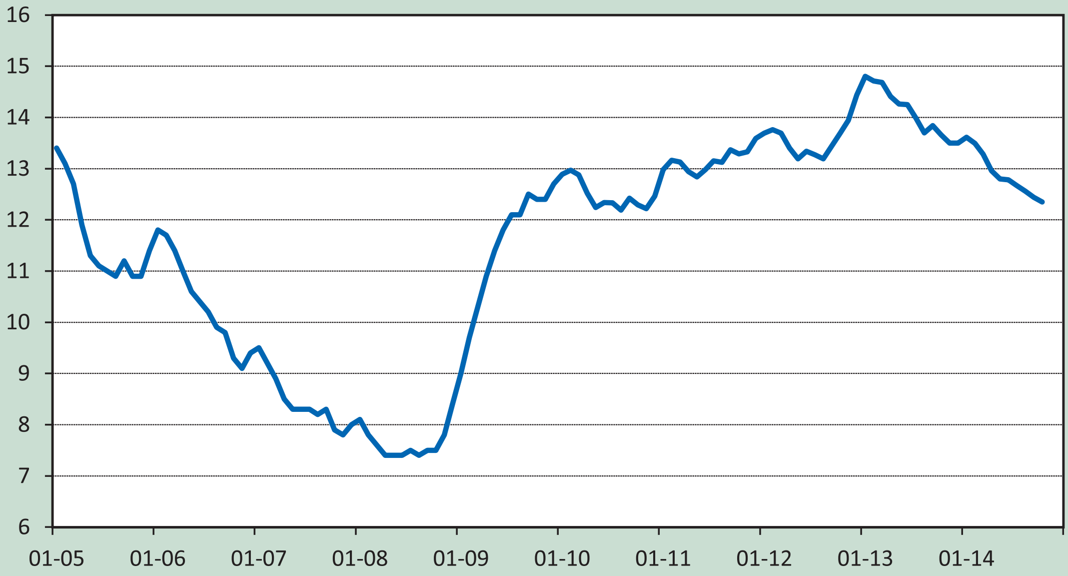
Source: Statistical Office of the Slovak Republic

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



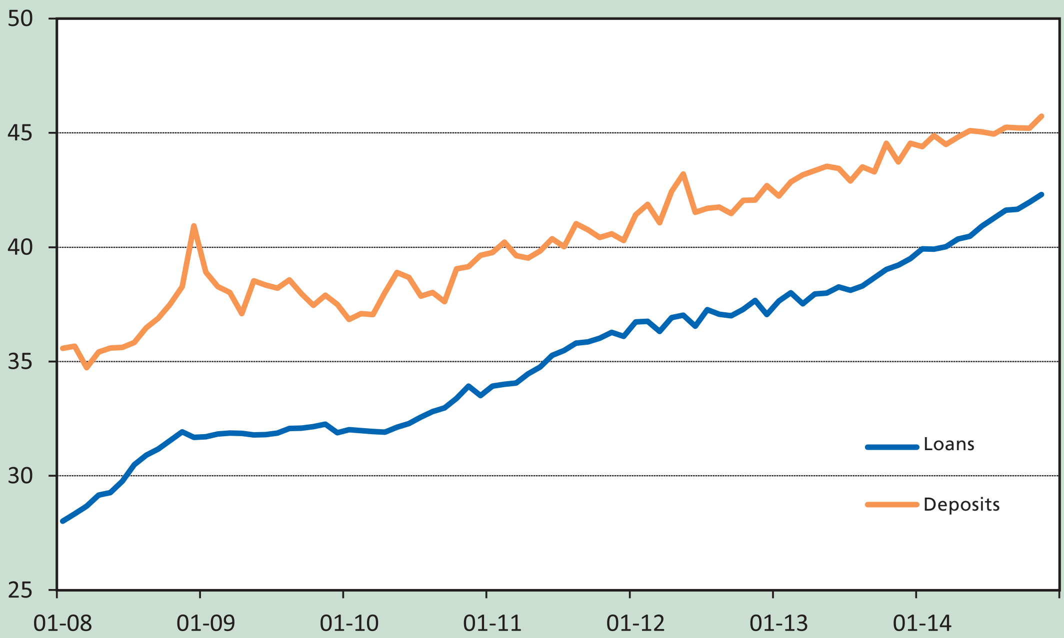
Source: Bloomberg, ECB

Registered unemployment rate (%)



Source: Central Office of Labour, Social Affairs and Family

Development of the volume in the banking sector (EUR bn)



Source: National Bank of Slovakia

VUB's 2014 Commercial Performance

Following on from the previous pages, various factors influenced conditions in the banking sector in 2014. The macroeconomic environment improved significantly with a more favourable composition of economic growth. In 2014, we experienced the recovery of domestic demand a decrease in unemployment and an environment with no inflation. On the other hand, this year the unprecedented intensity of competition resulted in a great amount of products sold, especially housing and consumer loans. The period of low interest rates cut down banks' margins and regulatory pressure continued.

Thanks to a significantly better environment and in spite of market obstacles, we achieved good performance in the commercial area. In retail lending, we concentrated on gaining the maximum from the mortgage market before the new central bank's regulation comes into force and at the same time focused on consumer loans. Thanks to the above, we reached YoY growth in housing loans and consumer loans by 10.6% and 10.7% respectively. However, as this year was also a year of extreme competition, we were not able to increase our market share as the market increased its amount of mortgage type loans and consumer loans by 13.7% and 19.8% resp. In corporate lending, we succeeded in increasing our market position from 15.4% in December 2013 to 16.1% in December 2014. On top of that, we increased our loan portfolio to SMEs by 16.7% and the market for loans to non-financial companies grew by 1.0 pp since December 2013. On the deposit front, more favourable development on the whole market of deposits was reflected by a slight decrease in our share of the combined household deposit and mutual fund volume. However, looking at the breakdown, we significantly strengthened our position in both non-term deposits and mutual funds. The banking environment with its historically lowest interest rates influences the demand for term deposits both in VUB and on the whole market.

In order to keep on track we are focusing 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 carefully watching customer behaviour and trying to identify new customer needs. Thus we continued 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 and constantly searching for new opportunities for modern banking stemming from technical progress. Evidence of its successful business policy is the winning of several awards in various categories of the Golden Coin competition in 2014.

Deposits

The volume of bank deposits in VUB at the end of 2014 amounted to € 7.9 billion, 0.3% up against the previous year due to both retail and corporate deposits. On the retail market, current accounts rose again in this year, while term deposits became gradually less attractive for customers. Behind this development, we can find low interest rates on term deposits on the one hand and switching term deposits for mutual funds on the other. Therefore customers' assets under management posted an extraordinary growth by 23% over the year compared to the market growth of 18.8%. The market share in mutual funds thus increased to 19.7% in December 2014 from 18.8% in December 2013. The market share of total deposits received from retail clients incl. mutual funds amounted to 16.2%.

In the corporate segment, VUB performed slightly worse compared to the market, due to both non-financial corporations and the financial institutions sector, which was in line with VUB's strategy aimed at reshaping deposits in order to obtain more stable and less expensive funding. Corporate deposits fell last year by 3.4% as a result of the decrease in interbank deposits. Even the market share of non-financial enterprises deposits decreased by 0.3pp since the end of previous year.

Electronic Banking

In 2014, VUB Bank continued to expand the functionality and improve the quality of electronic banking. The standards of SEPA payments have been successfully implemented. The graphic design of its internet banking was improved and moreover it is now simpler and better to use as additional functionality was added.

During the year we launched a brand new online sales process for the consumer loan product "Flexipôžička" as well as a new process for investing in investment funds through internet and mobile banking.

Easy payments by mobile phone via Viamo were extended with Viamo Business payments which our clients can use to pay more easily for goods and services such as delivery and taxi services. An important step in simplifying the use of mobile banking has been the introduction of a new method of logging into mobile banking via PIN.

With respect to Mobile Banking, we recorded the highest annual increase of active users by up to 53%, but other electronic channels posted significant increase as well.

Bank Cards

VUB Bank is trying to constantly progress and meet the needs of their clients. In November 2013, it launched on the 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 was to offer VUB customers a new way of payment and a learning path for payments using mobile phone. In December 2014 VUB Bank launched Visa Inspire mobile payments a new payment tool for paying directly with the mobile phone using NFC technology.

In November 2014 VUB Bank started to issue new exclusive credit card MasterCard World with many benefits: money back gives back 1% from each payment, zero fee cash withdrawals from all ATMs in Slovakia and worldwide, 3 supplementary cards for free, contactless functionality, fee waiver and advanced accident insurance in Slovakia (including winter sports), purchase protection, extended warranty and fraud insurance. All MasterCard World cardholders can use all the benefits of the MasterCard ELITE program.

VUB Bank remains the exclusive issuer of American Express credit cards all over the Slovak republic.

ATMs and EFT POS

VUB continues to hold the second place on the Slovak market with respect to the number of ATMs amounting to 572 ATMs (22% market share). Over the year, ATMs were placed in 15 new locations. With the aim of improving the accessibility of the bank's services, seven areas were replaced to be able to provide a greater deal of customers with the services. Due to the success of the service for clients, we have added ATMs with a deposit function to 3 other bank branches.

During 2014, more than 1,400 new EFT POS terminals were installed for business customers.

Contact Centre

In 2014, approximately 740,000 calls and 84,000 emails were processed by the Contact centre. The bank involvement in the SEPA area had an impact not only on the payment system, but even on changes to the Nonstop banking services in February 2014. During the main wave of SEPA migration, around 69,000 calls and 9,000 inbound emails were processed by the Contact centre. There was a noticed increase in clients' interest in information from the Contact centre in 2014. The increasing numbers of calls and emails from clients confirms this trend.

The portfolio of loan products sold directly via the Contact centre has become wider in 2014. With the exception of Flexi loans, the Contact centre is also able to deal with overdrafts on the Flexi accounts and some types of revolving credit cards. In 2014, the volume of provided loan products increased from about € 6 million in 2013 to almost € 14 million in 2014.

The new Retention Team has been created within the organizational structure of the Contact centre. This team is focused on contacting clients and offering them new conditions for their mortgage loan on the anniversary of the fixing date as well as outside this period, to prevent clients from leaving VUB Bank and going to our competitors.

The Contact centre's next new activity is providing support to Retail Branches in processing mortgage loans; the verification of conditions for taking out mortgage loans was transferred from branches to the Contact centre. The role of the Retention Team is also to put in place the mortgages taken out. The Loans Central Support Team – the new Contact centre team – provides this new service. 3,500 requirements were processed during the short period of the team's existence (from mid-September 2014). This team in the Contact centre also contributed with its activities to the decrease in the acceptance period for clients' mortgage applications via Retail Branches.

Loans

Individuals – Mortgage and Consumer Loans

In 2014 the demand for mortgage loans exceeded the already substantial growth in 2013 on the market. The main reasons behind this development were low interest rates, the huge campaigns of top market players and the upcoming regulations entering into force from the beginning of the year 2015. VUB's total mortgages (including "American mortgages") grew by 10.6% over the year. With a market share of 21.9% the Bank retained its strong position on the mortgage loan 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 41.6%. However, the rest of the market was more concentrated on other housing lending not financed by mortgage bonds.

Consumer loans continued to grow just as a year ago thanks to basically unchanged demand as well as credit standards. Consumer loans growth accelerated to considerable level 10.7% YoY in VUB. As a result of extraordinary market growth, market share in consumer loans deteriorated slightly to a still sufficient 19.8%. Besides, our subsidiary Consumer Finance Holding separately provided consumers with € 382 million and maintained its growth at a substantial level (6.5%).

Corporate Financing

In 2014, VUB Bank outperformed the rest of the market in the corporate loans segment. While corporate loans grew by 1.1% on the market, VUB increased by 6.1% mainly due to lending to non-financial corporations which rose by 4.4% over the year. Since lending to resident non-financial corporations decreased by 1.6% YoY in the market, VUB's market share in these loans to went up to 16.9% from 15.9% over the year. Project finance as well as real estate finance loans grew by 23% and 4% respectively, while trade finance loans fell by 7%. VUB Leasing, VUB's subsidiary, achieved considerable results on the leasing market with the growth of leasing assets by 12.4% last year.

Review of VUB's Economic and Financial Position

Significantly stronger growth on account of domestic demand, almost no inflation and the historically lowest interest rates were among the main factors behind the rather favorable development of the Slovak banking sector in 2014. Thanks to strong economic growth, unemployment decreased above expectations and even household income posted better development than anticipated. In 2014 intense competition, interest rates at a historical minimum and a noticeable improvement on the labor market resulted in a significant growth in retail loans. Moreover, these factors were amplified by the new regulation of the National Bank of Slovakia concerning the LTV ratio valid from 2015, due to which part of the demand was transferred into the period before the regulation came to the force. On top of that, banks' financial results were undermined by the reintroduction of the deposit protection fund contributions.

On a consolidated basis, VUB posted operating revenues of € 543.7 million. Compared to the previous year, the Group grew by 2.4% mainly due to the net interest income. Operating costs meanwhile increased by 2.7% to a level of € 272.6 million (incl. bank levy) at the end of 2014.

VUB Group achieved an operating profit before impairment of € 271.1 million and profit before tax of € 189.6 million. VUB succeeded in increasing its profit before impairment by 2.1% and underlying net profit by 7.9% over the year earlier. The cost-income ratio (excl. the bank levy) of the VUB Group amounted to 44.7%, which was up by 2.0 percentage points.

With regard to business development, VUB delivered extraordinary development with respect to the loan portfolio, which grew by 9.4%, resulting in an increase of its market share by 0.2 pp. However the total assets of the whole VUB Group increased only slightly by 1.2% over the year as a result of a strategic decision, the rationalization of asset quality. This resulted in the above mentioned decrease by increasing more profitable assets such as customer loans and decreasing less lucrative ones such as inter-bank loans.

At the same time, the Bank maintained a sufficient level of its primary deposits with a slight increase by 0.3%, keeping its sound liquidity position which is represented by the prudent loan to deposit ratio of 88.8%. Moreover, while under-performing the market in terms of its growth in loan volume, VUB continued to outperform it in terms of quality. Indeed, NPLs from banking operations on the bank-level in VUB at the end of 2014 amounted to a mere 4.6% of the total gross loan volume, compared to market's 5.5%, respectively. Taking also into account loans provided by VUB's consumer finance and leasing arms, CHF 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 a ratio amounting to 16.06% high above the minimum requirements set by the central bank. This gives us a solid base for continued business growth.

Consumer Finance Holding (CFH) continued the group expansion of the loan portfolio by increasing its spectrum of retail clients, posting this year a substantial growth in loans to households by 6.5%. VUB Leasing, VUB's subsidiary, continued to achieve substantial performance on the leasing market with a growth in leased assets by 12.4%. VUB Leasing has increased its market position with respect to its total portfolio up to a market share of 7.6% from 7.2% in the previous year.

Information on the Expected Economic and Financial Situation for 2015

The outlook for 2015 is slightly better than it was for 2014 in total GDP growth. However, the structure of the growth is expected to be different. While in 2014 the economy improved on account of domestic demand, in 2015 we expect both domestic and external demand to contribute to GDP growth. Therefore the surprising improvement of the unemployment rate in 2014 is not likely to be repeated in 2015, nevertheless a favourable development in the labour market is expected. Even though in 2014 we have already noted a reacceleration in growth, the expectations for 2015 are more encouraging for the banking industry. Clearly though, caution must prevail as the recovery is still fragile and dependent on the economic development of our main trade partners such as Germany and we must bear in mind the instability stemming from the situation in Ukraine.

Regulatory costs for Slovak banks will remain high. Both bank levy and Deposit protection fund contributions shall burden our profitability over the year. Moreover in order to stabilize the housing loan market, the central bank, in line with the EU macro prudential policy, is introducing a new regulation limiting the LTV ratio from beginning of 2015. The trend of historically low interest rates is not likely to change in 2015, which will continue to take its toll on the financial margins in the sector.

In spite of the improving banking environment the oncoming year will be even more challenging than the last. Competition is growing more and more intense and margins continue to decrease. In order to keep on track we have to continue focusing 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 carefully watch customer behavior and identify new customer needs. In this environment of tough competition it will be crucial to follow technical evolution in order to make our products available for our customers in the easiest, yet safe way, preferably with the lowest amount of paperwork. Technical development places us at the edge of the old banking system as we know it and requires us to adapt flexibly to a new era of banking in the digital environment. Focusing on the above-mentioned, VUB shall be known as a modern and agile bank. Among our main priorities, we still concentrate on holding our market position both in the retail and corporate segments.

In order to fulfil our vision to be the Best Bank in Slovakia for customer experience, we have to focus on identifying opportunities for growth and expansion. Our strategic objective in the retail segment thus remains to increase the attractiveness of key products and communication in the area of loans and deposits, in particular C/As and consumer loans. VUB will also pay great attention to sustain the growth of housing loans provided after the new measure of the central bank is introduced. The Bank shall continue to pay great attention to individuals' demand for deposit products and at the same time focus on an advisory role in order to obtain a good allocation of investments, in line with the standards in Basel III.

With respect to 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 keep historically the highest market share on the corporate loan market. On the corporate deposit market, we will make the necessary effort to keep the development of deposits stable.

The default risk is likely to remain still at low levels subject to real economic development, however, a significant emphasis will be laid on risk management to curb non-performing loans and retain the high quality of the loan portfolio in 2015. With reference to the Single Supervisory Mechanism we were qualified as a significant bank. Therefore, under the direct supervision of the ECB, we are subject to the comprehensive assessment of banks, where we are bound to deliver strong results both with respect to stress tests and Asset Quality Reviews (AQR). Moreover, we are determined to continue paying great attention to BASEL II and to obey each of its three pillars. Even despite the macro prudential policy of the European Union, the NBS is constantly increasing requirements for banking subjects; we are set to be well above its benchmarks.

Last but not least, an important task remains in sustaining the efficiency achieved in controlling and supporting functions and processes. The Bank aims to remain one of the most efficient entities in the Slovak banking sector, with the cost-income ratio strictly under control.

In the oncoming year our flexibility and ability to adapt to technological evolution will be crucial for the competitiveness of particular banks. However VUB is ready to face this challenge and increase its position on the market by satisfying new customer needs. In this respect, we shall increase our revenues as well as profitability and most importantly the level of our customers' experience.

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 2014.

Structure by Owner Type	Shares (ths. €) *	Stake (%)
Intesa Sanpaolo Holding International S.A. – majority owner	417,997	97.02
Other legal entities	4,826	1.12
Individuals	7,996	1.86
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	417,997	97.02
Domestic shareholders	9,519	2.21
Other foreign shareholders	3,303	0.77
Total Registered Share Capital of VÚB, a.s.	430,819	100.00

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

There were 31,167 shareholders as at 31 December 2014. Foreign VÚB shareholders come from the following countries: Luxembourg (97.023%), Germany (0.533%), Czech Republic (0.109%), Switzerland (0.085%), Austria (0.028%), United Kingdom (0.004%), U.S.A. (0.003%), Canada, Romania, France, Sweden, Belgium, Andorra and Cyprus.

The qualified participation on the company's registered capital is held by the majority shareholder Intesa Sanpaolo Holding International S.A. Luxemburg, with its Registered Office in Luxembourg L-1724, 35 Boulevard du Prince Henri that holds a 97.02% 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 VÚB, the company continued in 2014 to acquire its own VÚB, a.s. shares. During the year, the Bank acquired VÚB, a.s. own shares with a nominal value of € 33.20 each (hereinafter "own shares") in the number of 7,140 pcs. The company acquired its own shares for consideration of € 71 per one share set for the period from 11 November 2013 to 14 January 2014, for the price of € 73 per one share for the period starting on 15 January to 31 March 2014, for the price of € 78 per one share for the period starting on 1 April to 1 July 2014 and for the price of € 80 per one share for the period starting on 2 July to 31 December 2014 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 € 95.50 per share set in line with Bratislava Stock Exchange Rules, Part V – Trading Rules (BSE Rules) in the number of 7,140 pcs. After this share transfer VUB did not hold any own shares in its assets at 31 December 2014. The stake of the nominal value of acquired and transferred own shares on the company's registered capital in 2014 was 0.06%.

Further, the company acquired during the accounting year 2014 and held in its assets shares of 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 257,853 shares. In the year 2014 the Bank transferred in accordance with the ISP Group Remuneration Policies 117,044 shares. Stake of their nominal value on the Bank's registered capital is 0.031%. 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).

Subsidiaries of VUB

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 3647
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

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 25 March 2014. The shareholders at this meeting approved the 2013 Annual Report of VÚB, a.s., the 2013 Statutory Separate Financial Statements prepared in accordance with IFRS and Consolidated Financial Statements prepared in accordance with IFRS for previous year as submitted by the Management Board of the Bank. The shareholders also decided on distributing the profit earned in 2013 to the amount of € 104,638,253.95 in dividends to shareholders to the amount of € 84,347,105.87 and by retained earnings in the amount of € 20,291,148.08.

Moreover, the General Meeting approved the 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.

Supervisory Board

Members of the Supervisory Board in 2014

Ezio Salvai	Chairman of the Supervisory Board (since 25 March 2014)
György Surányi	Chairman of the Supervisory Board (until 25 March 2014)
Ignacio Jaquotot	Vice Chairman of the Supervisory Board
Massimo Malagoli	Member of the Supervisory Board
Paolo Sarcinelli	Member of the Supervisory Board
Christian Schaack	Member of the Supervisory Board
Andrej Straka	Member of the Supervisory Board, employee representative
Ján Gallo	Member of the Supervisory Board, employee representative (since 22 January 2014)

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:
   i. proposals for changes to the Articles of Association; and
   ii. 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) elects members of VÚB, a.s., Management Board and 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 the 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 2014, the VUB Management Board held 25 meetings and adopted six decisions on a per rollam basis. The VUB Supervisory Board held 4 meetings and adopted eleven decisions on a per rollam basis during the 2014 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. With the exception of 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 2014

Alexander Resch	Chairman of the Management Board and Chief Executive Officer
Elena Kohútiková	Member of the Management Board and Deputy Chief Executive Officer
Antonio Bergalio	Member of the Management Board and Chief Financial Officer (since 1 October 2014)
Jiří Huml	Member of the Management Board and Chief Retail Banking Officer (until 31 December 2014)
Jozef Kausich	Member of the Management Board and Chief Corporate Banking Officer
Peter Magala	Member of the Management Board and Chief Risk Officer
Peter Novák	Member of the Management Board and Chief IT Officer (since 1 October 2014)
Andrea De Michelis	Member of the Management Board and Chief Financial Officer (until 30 June 2014)
Stanislav Hodek	Member of the Management Board and Chief IT Officer (until 31 March 2014)
Silvia Púchovská	Member of the Management Board and Chief HR Officer (until 2 February 2014)

Alexander Resch – Chairman of the Management Board and CEO of VÚB, a.s.

Alexander Resch became the Chief Executive Officer and Chairman of the Management Board of VÚB, a.s., 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 VÚB 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 first arrived in Slovakia in 2004 to coordinate the acquisition of the TatraCredit Group by VÚB Bank, which was subsequently transformed into Consumer Finance Holding, VÚB's sales finance subsidiary. Alexander Resch studied economics at Università Cattolica del Sacro Cuore in Milan and he also holds a double Executive MBA degree of University of Minnesota – Carlson School of Management and Vienna University of Economics and Business.

Elena Kohútiková – Member of the Management Board and Deputy CEO

Elena Kohútiková was appointed to the post of Deputy CEO of VÚB, a.s. in 2009. She is primarily responsible for the regulatory and support departments of the Bank. 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 by 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 key people who established the National Bank of Slovakia (NBS) where she worked in the position of Executive Director of Economic Division from its establishment. From 1994 until 2006 she was a member of the Bank Board of the NBS. Between 2000 and 2006 she held the position of Deputy Governor of the NBS. Furthermore, she represented the Central Bank in European Commission, acted as a member of the International Relations Committee (IRC) of the ECB and Alternate Governor of the NBS in both the Directorate General of the ECB 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 Eurozone in the position of Deputy Governor of the NBS as well as in Euro introduction in Slovakia and in VÚB. In January 2014 the president of the Slovak Republic awarded Ms. Kohútiková with the state honour "Ľudovít Štúr

Order, 2nd class" for significant achievements in the development of banking and economy of the Slovak Republic. In addition to many other awards Ms. Kohútiková was three times awarded the Forbes magazine prize, Top Woman in Slovak Business, in 2012, 2013 and 2014, then first place in the TOP Ten Women in Slovak Business in 2012 awarded by the daily Hospodárske noviny, the Golden Biatec Award in 2012 for her contribution to the banking culture in the Slovak Republic and in 2013 also the Golden Commemorative Medal awarded for long-term work in the development of the Faculty of National Economy at the University of Economics in Bratislava.

Antonio Bergalio – Member of the Management Board and Executive Director of the Finance, Planning & Controlling Division

Antonio Bergalio has been a member of the Management Board and Executive Director of the Finance, Planning & Controlling Division since October 2014. He is in charge of controlling, accounting, management of assets and liabilities, real estate, procurement and internal services. During the past six years, Antonio Bergalio was a member of the Management Board and CFO of the Ukrainian Pravex Bank, member of the Intesa Sanpaolo Group. He was in charge of reporting, planning and controlling, treasury, investment banking and procurement. Before that he worked as a manager in several banks and consultancy firms focusing on finance. Antonio Bergalio studied economics at the University of Genoa. He was also a member of the Committee of Italian Entrepreneurs in Ukraine between 2012 – 2014.

Jiří Huml – Member of the Management Board and Executive Director of the Retail Banking Division

Jiří Huml became a VÚB Management Board member and Executive Director of the Retail Banking Division in June 2013. He came to VÚB from Slovenská sporiteľňa, where he was Member of the Board and Deputy CEO responsible for retail sales and product management. Jiří Huml has a degree in Computer Science and Economics from the Czech University of Agriculture in Prague, and in Economics from the New York State University/Central European University. He also studied Mathematics and Computer Science at the Charles University in Prague and did postgraduate studies in Banking and Corporate Finance at the University of Economics in Prague. From 1989 he worked in economic research for the Department of Economics and Agriculture in Prague. In 1992 he joined McKinsey & Company in Frankfurt/Main, and also worked on projects with financial institutions in Prague, Budapest and Moscow. From 1999 he worked as COO and Member of the Board for Komerční banka in Prague and later he joined Česká Poisťovna as COO, with responsibility also for the Customer services division. From 2006 he was Director of ERSTE Private Banking at Česká spořitelna in Prague and for Financial markets sales in the Czech Republic at ERSTE Holding in Vienna. He also participated in this area on multiple projects in Slovakia, Austria, Hungary and Romania. Mr. Jiří Huml acted in the position of Member of the VÚB Management Board and Executive Director of the Retail Banking Division until 31 December 2014.

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

Jozef Kausich has held the position of Executive Director of the Corporate Banking Division in VÚB since April 2005. Concurrently, he holds the positions – Chairman of the Supervisory Board of the companies VÚB Factoring and VÚB Leasing. He gained his banking experience in the field of corporate banking, credit analyses, process adjustments, and product development, as well as in global 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 Executive Director of the Risk Management Division

Peter Magala has been a member of the VÚB Management Board and Executive Director of the Risk Management Division since 1 March 2012. Before his appointment Mr. Magala worked in the position of the Head of VÚB Internal Audit and Control Department. Having graduated from the University of Economics in Bratislava, Faculty of National Economy, he started his career with Deloitte, 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 Slovenia. Mr. Magala started working with VÚB in 2006. Firstly as Head of Corporate Credit Control Sub-department within the Internal Auditing Department then from 2007 as Head of Internal Audit and Control Department responsible for the internal auditing of the entire VÚB 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).

Peter Novák – Member of the Management Board and Executive Director of Operations and IT Division

After being appointed by the VÚB Supervisory Board, on October 1, 2014 Peter Novák became a new member of the VÚB Management Board and Executive Director of Operations and IT Division. Mr. Novák comes to VÚB from Raiffeisen Bank International AG in Austria where he was "Managing Director of International Operations and IT" and was responsible for directing Operations and IT for 15 banks in Central and Eastern Europe – plus regional offices in Beijing, Hongkong, Singapore, New York and London. Prior to Raiffeisen, he held senior management positions in both banking and telecommunications in Slovakia and abroad. Peter Novák graduated from the Technical University in Košice.

Andrea De Michelis – Member of the Management Board and Executive Director of the Finance, Planning & Controlling Division

Andrea De Michelis acted in the position of Member of the VÚB Management Board and Executive Director of the Finance, Planning & Controlling Division from August 2011 until June 2014.

Stanislav Hodek – Member of the Management Board and Executive Director of Operations and IT Division

Stanislav Hodek acted in the position of Member of the VÚB Management Board and Executive Director of Operations and IT Division from October 2012 until March 2014.

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

Silvia Púchovská acted in the position of Member of the Management Board and Executive Director of the Human Resources Division from February 2008 until February 2014.

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;
    - proposal for approval or withdrawal of the auditor of VÚB, a.s. for the relevant accounting period;
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, and Project Portfolio Committee.

4. The conditions for the performance of the function of a Management Board Member are defined by an Agreement on the 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 is comprised of five members (including the Chairman) as of 31 December 2014. Three members were appointed by the General Meeting (one was appointed on 3 April 2012, the second was appointed on 9 April 2013 and the third one was appointed on 25 March 2014). Two members of the Audit Committee (appointed by the Supervisory Board on 11 November 2013 and 25 March 2014) are also Members of the Supervisory Board. The Audit Committee held four meetings during 2014. 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 regularly invited an external auditor to attend its meetings.

The Internal Audit and Control Department, the authorities and duties of which are defined by the Supervisory Board, excluding those defined by law, performs the 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. In 2014, the Chairman of the Audit Committee and the Head of the Internal Audit and Control Department were invited to attend the meetings of the Supervisory Board.

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 who are the 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 and supervise remuneration of the selected positions.

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 excluded 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 the 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 on General Meetings and notices via its web page www.vub.sk in Slovak and English. In this way it enables both foreign and local investors to participate actively in the meetings.
6. The Bank applies changes arising from Act No. 566/2001 Coll. on Securities and Investment Services, as amended (hereinafter 'Securities Act'), at European level, MiFID directive (Markets in Financial Instruments Directive), and has proceeded in activities towards investor protection and strengthening client trust in the provision of investment services. The main objective of the MiFID directive is to enhance financial consumer protection in the field of investment services. The essence of the MiFID directive lies in the new categorization of clients according to their knowledge and experience in the field of investment in order to provide clients with an adequate level of protection, then in the Bank's obligation to act in the best interests of the client in carrying out their orders in relation to their financial instruments (best execution), in higher requirements on 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 www.vub.sk.
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 the harmonized requirements are laid down in order to ensure 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

The principles of the corporate governance of the Company ensure, facilitate and protect the 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 shareholders to duly and transparently exercise their rights in compliance with relevant valid legislation.

Basic Indicators

Selected Indicators (In thousands of euro)

	Separate financial statements prepared in accordance with IFRS			Consolidated financial statements prepared in accordance with IFRS		
	2014	**2013**	**2012 restated**	**2014**	**2013**	**2012 restated**
Statement of financial position						
Loans and advances to customers	7,752,189	7,159,983	7,139,119	8,282 781	7,574,317	7,526,581
Due to customers	7,864,398	7,839,050	7,634,484	7,859 303	7,838,211	7,632,684
Equity	1,287,003	1,272,427	1,245,075	1,428 146	1,379,389	1,321,594
Balance sheet total	11,175,015	11,151,378	10,833,784	11,698 955	11,556,423	11,215,957
Statement of profit or loss						
Operating income	443,961	438,054	395,785	543,705	530,834	481,713
Operating expenses	(241,538)	(236,296)	(226,728)	(272,561)	(265,276)	(255,091)
Operating profit before impairment	202,423	201,758	169,057	271,144	265,558	226,622
Profit before tax	146,042	137,792	108,350	189,602	179,710	147,840
Income tax expense	(34,385)	(33,154)	(22,311)	(43,843)	(44,614)	(28,136)
Net profit for the year	111,657	104,638	86,039	145,759	135,096	119,704

Commercial indicators	**2014**	**2013**	**2012**
ATMs	572	573	566
EFT POS Terminals	8,628	9,201	8,742
Payment cards	1,298,059	1,313,014	1,327,897
thereof Credit cards	349,022	372,968	387,851
Mortgage loans (€ thousand, VUB Bank)	3,207,785	2,899,094	2,830,474
Consumer loans (€ thousand, VUB Bank)	956,068	849,224	779,805
Number of employees (VUB Group)	3,985	3,959	4,003
Number of branches in Slovakia (VUB Bank)	239	244	247

Key ratios of VUB Group	**2014**	**2013**	**2012**
Return on Assets	1.25%	1.17%	1.07%
Cost-Income Ratio	44.72%	42.72%	45.66%
Tier 1 capital ratio	16.03%	15.93%	15.06%
Total capital ratio	16.06%	16.76%	15.95%

Rating (status as at 31 December 2014)	
Moody's	
Long-term deposits	A3
Short-term deposits	P-2
Financial strength	C-

Negative outlook

Consolidated Financial Statements

prepared in accordance with International Financial Reporting Standards as adopted by the European Union and Independent Auditors' Report for the year ended 31 December 2014

KPMG

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Translation of the statutory Auditor's Report originally prepared in Slovak language

Independent Auditor's 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 2014, 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 that give a true and fair view 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.

Auditor's 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 2014, 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 2015
Bratislava, Slovak Republic

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

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

Responsible auditor:
Ing. Michal Maxim, FCCA
License UDVA No. 1093

Consolidated statement of financial position at 31 December 2014

(In thousands of euro)

	Note	2014	2013
Assets			
Cash and balances with central banks	7	405,149	96,820
Due from banks	8	611,003	771,638
Financial assets at fair value through profit or loss	9	1,055	207,674
Derivative financial instruments	10	49,937	29,221
Available-for-sale financial assets	11	1,523,939	1,588,324
Loans and advances to customers	12	8,282,781	7,574,317
Held-to-maturity investments	14	533,456	995,831
Associates and joint ventures	15	17,757	14,362
Intangible assets	16	58,577	54,807
Goodwill	17	29,305	29,305
Property and equipment	18	111,412	122,108
Deferred income tax assets	19	49,822	41,895
Other assets	20	24,762	30,121
		11,698,955	11,556,423
Liabilities			
Due to central and other banks	21	743,916	781,504
Derivative financial instruments	10	62,059	42,884
Due to customers	22	7,859,303	7,838,211
Debt securities in issue	23	1,469,465	1,404,607
Current income tax liabilities	19	8,137	1,166
Provisions	24	27,709	22,033
Other liabilities	25	100,220	86,629
		10,270,809	10,177,034
Equity			
Equity (excluding net profit for the year)	26	1,282,387	1,244,293
Net profit for the year		145,759	135,096
		1,428,146	1,379,389
		11,698,955	11,556,42
Financial commitments and contingencies	27	3,137,617	2,833,496

The accompanying notes on pages 34 to 123 form an integral part of these financial statements.

These financial statements were authorised for issue by the Management Board on 17 February 2015.

Alexander Resch
Chairman of the Management Board

Antonio Bergalio
Member of the Management Board

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2014 (In thousands of euro)

	Note	2014	2013
Interest and similar income		513,896	528,491
Interest and similar expense		(92,152)	(115,769)
Net interest income	28	421,744	412,722
Fee and commission income		142,754	136,756
Fee and commission expense		(40,824)	(36,432)
Net fee and commission income	29	101,930	100,324
Net trading result	30	11,621	9,655
Other operating income	31	8,410	8,133
Operating income		543,705	530,834
Salaries and employee benefits	32	(111,196)	(107,796)
Other operating expenses	33	(103,124)	(91,154)
Special levy of selected financial institutions	33	(29,413)	(38,480)
Amortisation	16	(13,255)	(11,216)
Depreciation	18	(15,573)	(16,630)
Operating expenses		(272,561)	(265,276)
Operating profit before impairment		271,144	265,558
Impairment losses	34	(86,301)	(87,880)
Profit from operations		184,843	177,678
Share of profit of associates and joint ventures	15	4,759	2,032
Profit before tax		189,602	179,710
Income tax expense	35	(43,843)	(44,614)
NET PROFIT FOR THE YEAR		145,759	135,096
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		(9)	(6)
Available-for-sale financial assets		(11,624)	(14,667)
Cash flow hedges		(1,157)	1,697
Other comprehensive income for the year, net of tax	36, 37	(12,790)	(12,976)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		132,969	122,120

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

The accompanying notes on pages 34 to 123 form an integral part of these financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2014

(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 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
At 1 January 2014	430,819	13,501	99,507	792,121	8	43,161	272	1,379,389
Total comprehensive income for the year, net of tax	-	-	-	145,759	(9)	(11,624)	(1,157)	132,969
Dividends to shareholders	-	-	-	(84,347)	-	-	-	(84,347)
Legal reserve fund	-	-	213	(213)	-	-	-	–
Sale of Recovery, a.s.	–	–	(87)	87	–	–	–	–
Other	-	-	–	8	(8)	-	-	–
Sale of treasury shares	–	135	–	–	–	–	–	135
At 31 December 2014	430,819	13,636	99,633	853,415	(9)	31,537	(885)	1,428,146

The accompanying notes on pages 34 to 123 form an integral part of these financial statements.

Consolidated statement of cash flows for the year ended 31 December 2014

(In thousands of euro)

	Note	2014	2013
Cash flows from operating activities			
Profit before tax		189,602	179,710
Adjustments for:			
Amortisation		13,255	11,216
Depreciation		15,573	16,630
Securities at fair value through profit or loss, debt securities in issue and FX differences		21,615	(17,186)
Items related to share of profit of associates and joint ventures		(3,394)	(2,018)
Interest income		(513,896)	(528,491)
Interest expense		92,152	115,769
Sale of property and equipment		(100)	(423)
Impairment losses and similar charges		113,965	101,518
Interest received		544,416	535,582
Interest paid		(98,517)	(120,042)
Tax paid		(44,799)	(25,231)
Due from banks		3,981	(30,339)
Financial assets at fair value through profit or loss		204,409	(137,334)
Derivative financial instruments (assets)		(21,873)	15,095
Available-for-sale financial assets		40,892	(125,243)
Loans and advances to customers		(808,486)	(148,783)
Other assets		6,037	8,484
Due to central and other banks		(37,401)	113,233
Derivative financial instruments (liabilities)		19,175	(10,310)
Due to customers		26,925	211,360
Other liabilities		8,815	(9,116)
Net cash (used in)/from operating activities		(227,654)	154,081
Cash flows from investing activities			
Repayments of held-to-maturity investments		445,220	43,152
Purchase of intangible assets and property and equipment		(26,767)	(26,135)
Disposal of property and equipment		1,437	1,223
Net cash from investing activities		419,890	18,240
Cash flows from financing activities			
Proceeds from issue of debt securities		239,751	122,359
Repayments of debt securities		(194,862)	(119,885)
Sale of treasury shares		135	133
Dividends paid		(84,347)	(64,623)
Net cash used in financing activities		(39,323)	(62,016)
Net change in cash and cash equivalents		152,913	110,305
Cash and cash equivalents at the beginning of the year	6	276,274	165,969
Cash and cash equivalents at the end of the year	6	429,187	276,274

The accompanying notes on pages 34 to 123 form an integral part of these financial statements.

Notes to the consolidated financial statements prepared in accordance with IFRS as adopted by the EU for the year ended 31 December 2014

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 and the tax identification number (DIČ) 2020411811.

At 31 December 2014, the Bank had a network of 239 points of sale (including Retail Branches, Corporate Branches and Mortgage centres) located throughout Slovakia (December 2013: 244). The Bank also has one branch in the Czech Republic.

At 31 December 2014, the members of the Management Board are: Alexander Resch (Chairman), Antonio Bergalio (since 1 October 2014), Jiří Huml, Jozef Kausich, Elena Kohútiková, Peter Magala and Peter Novák (since 1 October 2014).

Other members of the Management Board during 2014 were: Andrea De Michelis (until 30 June 2014), Stanislav Hodek (until 31 March 2014) and Silvia Púchovská (until 2 February 2014).

At 31 December 2014, the members of the Supervisory Board are: Ezio Salvai (Chairman since 25 March 2014), Ignacio Jaquotot (Vice Chairman), Ján Gallo (since 22 January 2014), Massimo Malagoli, Paolo Sarcinelli, Christian Schaack and Andrej Straka.

Another member of the Supervisory Board during 2014 was György Surányi (Chairman until 25 March 2014).

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 joint ventures. All entities are incorporated in the Slovak Republic.

	Share 2014	Share 2013	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 Factoring, a.s.	100 %	100 %	Factoring of receivables
Recovery, a.s.	-	100 %	Finance leasing
Associates			
VÚB Asset Management, správ. spol., a.s.	40.55 %	40.55 %	Asset management
Slovak Banking Credit Bureau, s.r.o.	33.33 %	33.33 %	Credit database administration
Joint ventures			
VÚB Generali DSS, a.s.	50 %	50 %	Pension fund administration

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. Since this was an intra-group transaction, it had no impact on the Group's financial position or its cash flows.

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 2013 were authorised for issue by the Management Board on 17 February 2014.

The separate financial statements of the Bank for the year ended 31 December 2014 were issued on 17 February 2015 and are available at the registered 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

The 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 or after their adoption by the EU.

Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions

The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria. Namely that they are:

- set out in the formal terms of the plan;
- linked to service; and
- independent of the number of years of service.

When these criteria are met, a company is permitted (but not required) to recognize them as a reduction of the service cost in the period in which the related service is rendered. The VUB Group does not expect the amendment to standard to have any impact on its financial statements since it does not have any defined benefit plans that involve contributions from employees or third parties.

IFRIC 21 Levies

The Interpretation provides guidance as to the identification of the obligating event giving rise to a liability, and to the timing of recognising a liability to pay a levy imposed by government. In accordance with the Interpretation, the obligating event is the activity that triggers the payment of that levy, as identified in the relevant legislation and as a consequence, the liability for paying the levy is recognised when this event occurs.

The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time. If the obligating event is the reaching of a minimum activity threshold, the corresponding liability is recognised when that minimum activity threshold is reached. The Interpretation sets out that an entity cannot have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the entity being economically compelled to continue to operate in that future period.

It is expected that the Interpretation, when initially applied, will not have a material impact on the financial statements of the VUB Group, since it does not result in a change in the Group's accounting policy regarding levies imposed by governments.

Annual Improvements to IFRSs

The improvements introduce eleven amendments to nine standards and consequential amendments to other standards and interpretations. Most of these amendments are applicable to annual periods beginning on or after 1 February 2015, with earlier adoption permitted. Another four amendments to four standards are applicable to annual periods beginning on or after 1 January 2015, with earlier adoption permitted. None of these amendments are expected to have a significant impact on the financial statements of the VUB Group.

2.3 Basis of consolidation

(a) Subsidiaries

Subsidiaries are entities controlled by the Bank. Control exists when the Bank has the power over the investee and has the exposure or rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of these returns. 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) Joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The financial statements include the Group's share of the total recognised gains and losses of joint ventures on an equity accounted basis, from the date that joint control commences until the date that joint control ceases.

To determine the nature of interest in another entity an assessment of the control indicators described above is performed by the management of the VUB Group, applying certain level of judgement.

2.4 Segment reporting

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

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

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

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

2.5 Foreign currency transactions

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

The difference between the contractual exchange rate of a transaction and the ECB or NBS exchange rate prevailing at the date of the transaction is included in 'Net trading 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:

(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.

(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'.

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.

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, inflation 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'.

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. They are represented by assets, 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:

	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, 30, 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.

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	2.05 %	2.05 %
Growth of wages in 2015	n/a	1.50 %
Future growth of wages after 2015	n/a	1.00 %
Fluctuation of employees (based on age)	6 – 21 %	6 – 21 %
Retirement age	Based on valid legislation	
Mortality	Based on mortality tables issued by the Statistical Office of the Slovak Republic	

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'.

2.23 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.

2.30 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.

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.

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.

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

€ '000			2014			2013
	Amortised cost	Impairment losses	Carrying amount	Amortised cost	Impairment losses	Carrying amount
Portfolio assessed						
Banks	611,009	(6)	611,003	771,662	(24)	771,638
Customers						
Sovereigns	147,192	(350)	146,842	144,603	(313)	144,290
Corporate	3,165,054	(38,004)	3,127,050	2,798,941	(29,598)	2,769,343
Retail	5,093,739	(221,261)	4,872,478	4,674,900	(202,415)	4,472,485
	8,405,985	(259,615)	8,146,370	7,618,444	(232,326)	7,386,118
Securities						
FVTPL	1,055	–	1,055	207,674	–	207,674
AFS	1,523,939	–	1,523,939	1,588,324	–	1,588,324
HTM	533,456	–	533,456	996,428	(597)	995,831
	2,058,450	–	2,058,450	2,792,426	(597)	2,791,829
Individually assessed						
Customers						
Sovereigns	–	–	–	305	(75)	230
Corporate	216,231	(94,864)	121,367	271,511	(98,493)	173,018
Retail	23,402	(8,358)	15,044	23,192	(8,241)	14,951
	239,633	(103,222)	136,411	295,008	(106,809)	188,199
Securities						
AFS	574	(574)	–	574	(574)	–
	574	(574)	–	574	(574)	–

The VUB Group uses 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.

Capital requirement calculation

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 Advanced IRB approach for portfolio of residential mortgages from July 2012 and for the Corporate segment and for Retail Small Business from June 2014. Foundation IRB approach is used for corporate exposures where LGD is not available. The Bank is also proceeding with the development of the rating models for other segments, to which the standard methods are currently applied, and also with the extension of the scope of subsidiaries in accordance with the gradual rollout plan for the advanced approaches presented to the Supervisory Authority.

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

€ '000	Category	Amortised cost	Impairment losses	Carrying amount 2014	Amortised cost	Impairment losses	Carrying amount 2013
Banks							
	Performing	611,009	(6)	611,003	771,662	(24)	771,638
		611,009	(6)	611,003	771,662	(24)	771,638
Sovereigns							
	Performing	147,156	(350)	146,806	144,584	(313)	144,271
	Substandard	36	–	36	324	(75)	249
		147,192	(350)	146,842	144,908	(388)	144,520
Corporate							
	Performing	3,172,076	(35,028)	3,137,048	2,874,275	(34,785)	2,839,490
	Past due	589	(250)	339	189	(67)	122
	Restructured	3,466	(174)	3,292	3,881	(3,785)	96
	Substandard	72,150	(12,199)	59,951	74,098	(13,390)	60,708
	Doubtful	133,004	(85,217)	47,787	118,009	(76,064)	41,945
		3,381,285	(132,868)	3,248,417	3,070,452	(128,091)	2,942,361
Retail							
	Performing	4,838,367	(63,351)	4,775,016	4,431,784	(59,663)	4,372,121
	Past due	29,863	(16,189)	13,674	28,566	(13,409)	15,157
	Substandard	33,616	(16,392)	17,224	24,510	(10,460)	14,050
	Doubtful	215,295	(133,687)	81,608	213,232	(127,124)	86,108
		5,117,141	(229,619)	4,887,522	4,698,092	(210,656)	4,487,436
Securities							
	Performing	2,058,450	–	2,058,450	2,792,426	(597)	2,791,829
	Doubtful	574	(574)	–	574	(574)	–
		2,059,024	(574)	2,058,450	2,793,000	(1,171)	2,791,829

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. The credit risk of the remaining financial assets not reported in the table below approximates their carrying amounts.

€ '000	2014	2013
Financial assets		
Derivative financial instruments	67,097	52,866
Financial commitments and contingencies		
Issued guarantees	739,626	637,591
Commitments and undrawn credit facilities	2,397,991	2,195,905
	3,137,617	2,833,496

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.

€ '000	Amortised cost	Impairment losses	2014 Carrying amount	Amortised cost	Impairment losses	2013 Carrying amount
Banks						
No delinquency	611,009	(6)	611,003	766,704	(22)	766,682
1 – 30 days	–	–	–	4,958	(2)	4,956
	611,009	(6)	611,003	771,662	(24)	771,638
Sovereigns						
No delinquency	146,818	(349)	146,469	144,298	(384)	143,914
1 – 30 days	338	(1)	337	525	(1)	524
91 – 180 days	–	–	–	66	(3)	63
Over 181 days	36	–	36	19	–	19
	147,192	(350)	146,842	144,908	(388)	144,520
Corporate						
No delinquency	3,196,008	(51,519)	3,144,489	2,881,650	(55,174)	2,826,476
1 – 30 days	60,054	(6,137)	53,917	74,912	(17,705)	57,207
31 – 60 days	16,812	(1,262)	15,550	19,811	(4,642)	15,169
61 – 90 days	5,378	(1,436)	3,942	10,708	(3,198)	7,510
91 – 180 days	3,388	(903)	2,485	13,674	(1,801)	11,873
Over 181 days	99,645	(71,611)	28,034	69,697	(45,571)	24,126
	3,381,285	(132,868)	3,248,417	3,070,452	(128,091)	2,942,361
Retail						
No delinquency	4,582,644	(36,022)	4,546,622	4,167,741	(33,869)	4,133,872
1 – 30 days	182,284	(13,944)	168,340	195,873	(13,165)	182,708
31 – 60 days	53,518	(7,935)	45,583	52,038	(7,005)	45,033
61 – 90 days	34,837	(6,629)	28,208	30,485	(5,621)	24,864
91 – 180 days	44,055	(21,567)	22,488	42,438	(17,840)	24,598
Over 181 days	219,803	(143,522)	76,281	209,517	(133,156)	76,361
	5,117,141	(229,619)	4,887,522	4,698,092	(210,656)	4,487,436
Securities						
No delinquency	2,059,024	(574)	2,058,450	2,793,000	(1,171)	2,791,829
	2,059,024	(574)	2,058,450	2,793,000	(1,171)	2,791,829

Loans with renegotiated terms and the forbearance policy

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position, where the Group has made concessions by agreeing to terms and conditions that are more favourable for the borrower than the Group has provided initially. The revised terms usually include extending maturity, changing timing of interest payments and amendments to the terms of loan covenants. The VUB Group implements forbearance policy in order to maximise collection opportunities and minimise the risk of default. Under the Group's forbearance policy, an exposure is identified as forborne if both of these two conditions are satisfied:

- The Group must determine the financial difficulties that the debtor is facing or is about to face;
- The exposure must be subject to renegotiation or refinancing, granted in relation to the borrower's current financial difficulties or financial difficulties that would have occurred in the absence of the renegotiation or refinancing measures.

Both retail and corporate customers are subject to the forbearance policy:

	Performing forborne			Non-performing forborne		
31 December 2014 **€ '000**	**Amortised cost**	**Impairment losses**	**Carrying amount**	**Amortised cost**	**Impairment losses**	**Carrying amount**
Corporate	32,024	(1,019)	31,005	143,816	(53,671)	90,145
Retail	88,862	(2,719)	86,143	8,870	(3,511)	5,359
	120,886	(3,738)	117,148	152,686	(57,182)	95,504

The comparative information for the year 2013 is not disclosed for impracticability reasons.

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.

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 including collateral.

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:

		2014		2013
€ '000	Clients	Banks	Clients	Banks
Debt securities	48,697	501,458	46,699	470,431
Other	829,879	18,421	960,268	56,316
Property	4,206,787	–	3,789,899	–
	5,085,363	519,879	4,796,866	526,747

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.

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'):

31 December 2014 **€ '000**	**Gross amount**	**Gross amount offset in SOFP**	**Net amount presented in SOFP**	**Related amounts not offset in SOFP** **Financial instrum. and non-cash collateral**	**Cash collateral (received)/ provided**	**Net amount**
Financial assets						
Due from banks (reverse repo)	501,458	–	501,458	(521,912)	21,800	1,346
Derivative financial instruments	41,446	–	41,446	–	(4,821)	36,625
	542,904	–	542,904	(521,912)	16,979	37,971
Financial liabilities						
Derivative financial instruments	(54,330)	–	(54,330)	–	28,220	(26,110)
	(54,330)	–	(54,330)	–	28,220	(26,110)

31 December 2013 **€ '000**	**Gross amount**	**Gross amount offset in SOFP**	**Net amount presented in SOFP**	**Related amounts not offset in SOFP** **Financial instrum. and 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)

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**	**Total carrying amount presented in SOFP**	**In scope of offsetting disclosure**	**2014** **Not in scope of offsetting disclosure**	**Total carrying amount presented in SOFP**	**In scope of offsetting disclosure**	**2013** **Not in scope of offsetting disclosure**
Financial assets							
Due from banks	8	611,003	501,458	109,545	771,638	501,731	269,907
Derivative financial instruments	10	49,937	41,446	8,491	29,221	17,305	11,916
Financial liabilities							
Derivative financial instruments	10	(62,059)	(54,330)	(7,729)	(42,884)	(28,586)	(14,298)

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	Amortised cost	Impairment losses	2014 Carrying amount	Amortised cost	Impairment losses	2013 Carrying amount
Europe						
Banks	602,381	(3)	602,378	763,811	(21)	763,790
Sovereigns	147,192	(350)	146,842	144,908	(388)	144,520
Corporate	3,381,285	(132,868)	3,248,417	3,070,279	(128,066)	2,942,213
Retail	5,115,310	(229,572)	4,885,738	4,696,288	(210,625)	4,485,663
Securities	2,059,024	(574)	2,058,450	2,793,000	(1,171)	2,791,829
	11,305,192	(363,367)	10,941,825	11,468,286	(340,271)	11,128,015
America						
Banks	8,275	(3)	8,272	7,742	(3)	7,739
Retail	169	(3)	166	249	(4)	245
	8,444	(6)	8,438	7,991	(7)	7,984
Asia						
Banks	320	–	320	95	–	95
Corporate	–	–	–	173	(25)	148
Retail	1,166	(25)	1,141	994	(20)	974
	1,486	(25)	1,461	1,262	(45)	1,217
Rest of the World						
Banks	33	–	33	14	–	14
Retail	496	(19)	477	561	(7)	554
	529	(19)	510	575	(7)	568

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

€ '000	Amortised cost	Impairment losses	2014 Carrying amount	Amortised cost	Impairment losses	2013 Carrying amount
Europe						
Slovakia	1,666,929	(574)	1,666,355	2,355,031	(1,171)	2,353,860
Italy	382,010	–	382,010	401,688	–	401,688
Poland	–	–	–	36,281	–	36,281
Other	10,085	–	10,085	–	–	–
	2,059,024	(574)	2,058,450	2,793,000	(1,171)	2,791,829

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

31 December 2014 € '000	Banks	Sovereigns	Corporate	Retail	Securities
Agriculture	–	–	81,541	22,081	–
Construction	–	–	129,313	14,791	–
Consumers	–	–	13,562	4,676,665	–
Energy and water supply	–	–	528,536	1,776	–
Financial services	611,003	–	113,269	285	210,699
Government	–	137,746	–	–	1,847,751
Manufacturing	–	–	622,975	26,626	–
Professional services	–	–	130,010	12,586	–
Real estate	–	–	466,436	28,304	–
Retail & Wholesale	–	–	611,413	63,010	–
Services	–	–	188,603	14,282	–
Transportation	–	9,096	307,921	12,146	–
Other	–	–	54,838	14,970	–
	611,003	146,842	3,248,417	4,887,522	2,058,450

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

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.

	Neither past due nor impaired			Impaired (non-performing)			Past due but not impaired		
31 December 2014 € '000	Amortised cost	Impair-ment losses	Carrying amount	Amortised cost	Impair-ment losses	Carrying amount	Amortised cost	Impair-ment losses	Carrying amount
Banks	611,009	(6)	611,003	–	–	–	–	–	–
Sovereigns									
Municipalities	146,604	(348)	146,256	36	–	36	338	(1)	337
Municipalities – Leasing	214	(1)	213	–	–	–	–	–	–
	146,818	(349)	146,469	36	–	36	338	(1)	337
Corporate									
Large Corporates	1,108,045	(5,588)	1,102,457	22,863	(11,721)	11,142	–	–	–
Specialized Lending	753,016	(13,334)	739,682	82,716	(20,594)	62,122	7,027	(210)	6,817
SME	790,286	(11,702)	778,584	71,622	(46,199)	25,423	16,521	(935)	15,586
Other Fin. Institutions	82,975	(115)	82,860	7	(2)	5	4	–	4
Public Sector Entities	1,555	(15)	1,540	97	(18)	79	2	–	2
Leasing	206,675	(1,707)	204,968	28,512	(16,389)	12,123	20,218	(665)	19,553
Factoring	164,584	(732)	163,852	3,392	(2,917)	475	21,168	(25)	21,143
	3,107,136	(33,193)	3,073,943	209,209	(97,840)	111,369	64,940	(1,835)	63,105
Retail									
Small Business	173,818	(3,079)	170,739	14,161	(10,930)	3,231	5,350	(518)	4,832
Small Business – Leasing	5,744	(42)	5,702	2,760	(792)	1,968	1,235	(76)	1,159
Consumer Loans	1,063,602	(17,454)	1,046,148	149,235	(99,105)	50,130	127,214	(16,402)	110,812
Mortgages	3,051,350	(7,775)	3,043,575	61,440	(19,283)	42,157	94,995	(6,726)	88,269
Credit Cards	162,466	(3,339)	159,127	37,718	(26,211)	11,507	20,406	(5,122)	15,284
Overdrafts	80,523	(1,024)	79,499	13,087	(9,710)	3,377	18,587	(1,455)	17,132
Leasing	2,872	(16)	2,856	330	(237)	93	385	(19)	366
Flat Owners Associations	23,195	(303)	22,892	–	–	–	–	–	–
Other	6,625	(1)	6,624	43	–	43	–	–	–
	4,570,195	(33,033)	4,537,162	278,774	(166,268)	112,506	268,172	(30,318)	237,854
Securities									
FVTPL	1,055	–	1,055	–	–	–	–	–	–
AFS	1,523,939	–	1,523,939	574	(574)	–	–	–	–
HTM	533,456	–	533,456	–	–	–	–	–	–
	2,058,450	–	2,058,450	574	(574)	–	–	–	–

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)	–	–	–	–

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

€ '000	Amortised cost	Impairment losses	2014 Carrying amount	Amortised cost	Impairment losses	2013 Carrying amount
Banks						
1 – 30 days	–	–	–	4,958	(2)	4,956
	–	–	–	4,958	(2)	4,956
Sovereigns						
1 – 30 days	338	(1)	337	525	(1)	524
	338	(1)	337	525	(1)	524
Corporate						
1 – 30 days	49,195	(1,083)	48,112	47,313	(756)	46,557
31 – 60 days	13,816	(482)	13,334	10,382	(372)	10,010
61 – 90 days	1,892	(263)	1,629	1,681	(176)	1,505
91 – 180 days	18	–	18	–	–	–
Over 181 days	19	(7)	12	–	–	–
	64,940	(1,835)	63,105	59,376	(1,304)	58,072
Retail						
1 – 30 days	174,931	(12,450)	162,481	188,964	(11,884)	177,080
31 – 60 days	47,821	(6,674)	41,147	46,277	(6,021)	40,256
61 – 90 days	28,012	(5,175)	22,837	25,424	(4,584)	20,840
91 – 180 days	15,179	(4,694)	10,485	10,939	(3,870)	7,069
Over 181 days	2,229	(1,325)	904	2,518	(1,426)	1,092
	268,172	(30,318)	237,854	274,122	(27,785)	246,337

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

Large Corporates, SME	Retail Small Business and Flat Owners Associations	Risk Profile	Description
I1 – I4	I3 – 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.
D	D	Default	A default is considered to have occurred with regard to a particular obligor when either or both of the two following events have taken place: – the obligor is past due more than 90 days on any material credit obligation to the Group or the parent undertaking; – the VUB Group considers that the obligor is unlikely to pay its credit obligations to the banking group in full, without recourse by the Group to actions such as realizing security (if held).

For Specialized Lending which comprises of rating segments Special Purpose Vehicles ('SPV'), Projected Finance ('PF') and Real Estate Development ('RED') the Slotting approach is used by the Group. 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 Regulation (EU) no. 575/2013 of the European Parliament and of the Council ('CRR regulation') and internally, the categories used are as follows:

Specialized Lending – SPV, PF and RED

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

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
D	D	Default

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

31 December 2014 € '000	Internal rating	Amortised cost	Impairment losses	Carrying amount
Banks	Unrated	611,009	(6)	611,003
Sovereigns				
Municipalities,				
Municipalities – Leasing	Unrated	147,192	(350)	146,842
		147,192	(350)	146,842
Corporate				
Large Corporates, SME	I1 – I6	837,751	(990)	836,761
	M1 – M4	681,386	(5,459)	675,927
	R1 – R5	333,695	(14,266)	319,429
	D (default)	75,098	(52,925)	22,173
	Unrated	81,407	(2,505)	78,902
Specialized Lending – SPV, PF and RED	Strong	104,043	(211)	103,832
	Good	312,348	(2,145)	310,203
	Satisfactory	352,135	(22,342)	329,793
	Weak	70,769	(9,266)	61,503
	D (default)	3,464	(174)	3,290
Other Financial Institutions, Public Sector Entities	Unrated – PPU approach *	84,640	(150)	84,490
Leasing, Factoring	Unrated	444,549	(22,435)	422,114
		3,381,285	(132,868)	3,248,417

* 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.

31 December 2014 € '000	Internal rating	Amortised cost	Impairment losses	Carrying amount
Retail				
Small Business,				
Flat Owners Associations	I3 – I6	23,136	(41)	23,095
	M1 – M4	96,520	(960)	95,560
	R1 – R5	54,744	(2,622)	52,122
	D (default)	12,893	(10,841)	2,052
	Unrated	29,231	(366)	28,865
Mortgages	L1 – L4	2,367,367	(420)	2,366,947
	N1 – N3	509,463	(1,008)	508,455
	W1 – W3	268,547	(10,601)	257,946
	D (default)	62,408	(21,755)	40,653
Unsecured Retail	U1	239,255	(180)	239,075
	U2 – U3	155,677	(332)	155,345
	U4 – U5	167,547	(801)	166,746
	U6 – U7	111,725	(1,276)	110,449
	U8 – U10	108,947	(3,512)	105,435
	U11 – U12	70,865	(10,118)	60,747
	D (default)	64,422	(46,610)	17,812
	Unrated	754,400	(116,993)	637,407
Small Business – Leasing,				
Leasing	Unrated	13,326	(1,182)	12,144
Other	Unrated	6,668	(1)	6,667
		5,117,141	(229,619)	4,887,522
Securities	Unrated	2,059,024	(574)	2,058,450

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
Retail				
Small Business,				
Flat Owners Associations	I3 – 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

(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 Balance Sheet Management 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:

				2014				2013
€ '000	Balance	Avg	Max	Min	Balance	Avg	Max	Min
Foreign currency risk	16	82	148	6	108	69	148	17
Interest rate risk	10	88	300	10	16	97	205	15
Overall	19	135	313	12	109	133	223	53
sVaR	111	310	937	27	281	251	439	142

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.

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). In line with the Intesa Sanpaolo Group methodology, 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 Balance Sheet Management Department, 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.

At 31 December 2014, 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 € 11,052 thousand (31 December 2013: € 5,874 thousand).

At 31 December 2014, interest rate risk generated by the Group banking book, measured through shift sensitivity analysis to 100 basis points, registered € – 41,008 thousand (31 December 2013: € – 42,224 thousand).

€ '000	2014	2013
EUR	(42,044)	(42,216)
Other	1,036	(8)
	(41,008)	(42,224)

At 31 December 2014, the sensitivity of the AFS reserve in equity related to the non-hedged part of the portfolio to 100 basis points rise in interest rates was € – 6,735 thousand (31 December 2013: the AFS reserve was not sensitive to interest rate movements since the interest rate risk of majority of AFS bonds was hedged). At 31 December 2014, the sensitivity of CF hedges reserve in equity to 100 basis points rise in interest rates was € 4,368 thousand (31 December 2013: € – 3,238 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 2014 € '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	405,149	–	–	–	–	405,149
Due from banks	138,160	50,790	501,500	1,418	14	691,882
Available-for-sale financial assets	129,989	25,625	255,031	1,129,919	–	1,540,564
Loans and advances to customers	1,797,782	1,192,094	1,951,297	3,442,154	496,417	8,879,744
Held-to-maturity investments	–	–	24,583	495,806	130,950	651,339
	2,471,080	1,268,509	2,732,411	5,069,297	627,381	12,168,678
Liabilities						
Due to central and other banks	(349,350)	(146,306)	(127,394)	(127,507)	(691)	(751,248)
Due to customers	(3,525,442)	(718,493)	(1,795,701)	(1,567,751)	(282,575)	(7,889,962)
Debt securities in issue	(201,349)	(320,602)	(185,491)	(448,826)	(502,877)	(1,659,145)
	(4,076,141)	(1,185,401)	(2,108,586)	(2,144,084)	(786,143)	(10,300,355)
Net position of financial instruments	(1,605,061)	83,108	623,825	2,925,213	(158,762)	1,868,323

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	250,227	2,826	521,216	3,400	54	777,723
Available-for-sale financial assets	305,118	17,850	52,049	1,182,626	70,941	1,628,584
Loans and advances to customers	1,976,277	1,188,596	1,584,575	3,273,477	378,278	8,401,203
Held-to-maturity investments	–	394,419	93,527	239,284	411,665	1,138,895
	2,628,442	1,603,691	2,251,367	4,698,787	860,938	12,043,225
Liabilities						
Due to central and other banks	(441,020)	(159,486)	(183,686)	(14,696)	(3,937)	(802,825)
Due to customers	(3,239,899)	(784,631)	(1,624,601)	(1,951,077)	(288,681)	(7,888,889)
Debt securities in issue	(222,446)	(301,507)	(306,769)	(394,291)	(389,013)	(1,614,026)
	(3,903,365)	(1,245,624)	(2,115,056)	(2,360,064)	(681,631)	(10,305,740)
Net position of financial instruments	(1,274,923)	358,067	136,311	2,338,723	179,307	1,737,485

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

	2014 %	2013 %
Assets		
Cash and balances with central banks	0.20	0.29
Due from banks	0.68	1.44
Financial assets at fair value through profit or loss	2.04	1.62
Available-for-sale financial assets	2.24	2.57
Loans and advances to customers	5.39	5.58
Held-to-maturity investments	4.33	4.17
Liabilities		
Due to central and other banks	1.10	1.09
Due to customers	0.63	0.86
Debt securities in issue	2.43	2.67

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 2014 € '000	EUR	USD	CZK	Other	Total
Assets					
Cash and balances with central banks	144,027	1,342	256,720	3,060	405,149
Due from banks	593,016	5,592	95	12,300	611,003
Financial assets at fair value through profit or loss	1,055	–	–	–	1,055
Derivative financial instruments	49,305	–	632	–	49,937
Available-for-sale financial assets	1,523,939	–	–	–	1,523,939
Loans and advances to customers	7,933,655	188,279	155,765	5,082	8,282,781
Held-to-maturity investments	533,456	–	–	–	533,456
	10,778,453	195,213	413,212	20,442	11,407,320
Liabilities					
Due to central and other banks	(657,759)	(26,417)	(59,144)	(596)	(743,916)
Derivative financial instruments	(61,884)	–	(175)	–	(62,059)
Due to customers	(7,454,525)	(151,966)	(165,902)	(86,910)	(7,859,303)
Debt securities in issue	(1,395,959)	–	(73,506)	–	(1,469,465)
	(9,570,127)	(178,383)	(298,727)	(87,506)	(10,134,743)
Net position	1,208,326	16,830	114,485	(67,064)	1,272,577

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

(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 Balance Sheet Management 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.

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

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

The liquidity position of the Bank and the subsidiaries is regularly presented by 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 2014 € '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	405,149	–	–	–	–	–	405,149
Due from banks	52,837	77	550,284	10,177	–	–	613,375
Financial assets at fair value through profit or loss	50	2	348	30	–	625	1,055
Available-for-sale financial assets	89,381	19,862	67,815	1,414,604	–	48	1,591,710
Loans and advances to customers	473,327	435,752	1,690,997	3,663,365	4,814,040	8,403	11,085,884
Held-to-maturity investments	–	–	24,583	495,806	130,950	–	651,339
	1,020,744	455,693	2,334,027	5,583,982	4,944,990	9,076	14,348,512
Liabilities							
Due to central and other banks	(292,199)	(67,377)	(82,349)	(263,745)	(61,741)	–	(767,411)
Due to customers	(5,629,727)	(454,701)	(1,385,192)	(420,289)	(2,135)	(36)	(7,892,080)
Debt securities in issue	(1,349)	(34,303)	(263,934)	(859,300)	(502,877)	–	(1,661,763)
	(5,923,275)	(556,381)	(1,731,475)	(1,543,334)	(566,753)	(36)	(10,321,254)
Net position of financial instruments	(4,902,531)	(100,688)	602,552	4,040,648	4,378,237	9,040	4,027,258
Cash inflows from derivatives	339,774	83,168	75,867	61,258	23,922	–	583,989
Cash outflows from derivatives	(329,897)	(82,181)	(76,605)	(63,213)	(18,292)	–	(570,188)
Net position from derivatives	9,877	987	(738)	(1,955)	5,630	–	13,801
Commitments and undrawn credit facilities	2,397,991	–	–	–	–	–	2,397,991
Issued guarantees	739,626	–	–	–	–	–	739,626
Net position from financial commitments and contingencies	3,137,617	–	–	–	–	–	3,137,617

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	189,532	243	518,722	66,636	1,216	–	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	18,677	1,570,056	85,951	40	1,697,764
Loans and advances to customers	510,752	325,955	1,758,216	3,297,673	4,758,592	10,622	10,661,810
Held-to-maturity investments	–	394,419	93,527	239,284	411,665	–	1,138,895
	986,423	745,869	2,392,169	5,186,737	5,257,424	11,335	14,579,957
Liabilities							
Due to central and other banks	(349,064)	(46,341)	(148,790)	(159,501)	(115,924)	–	(819,620)
Due to customers	(5,361,683)	(522,263)	(1,218,333)	(803,659)	(8,277)	(39)	(7,914,254)
Debt securities in issue	(1,446)	(15,808)	(216,170)	(926,984)	(471,666)	–	(1,632,074)
	(5,712,193)	(584,412)	(1,583,293)	(1,890,144)	(595,867)	(39)	(10,365,948)
Net position of financial instruments	(4,725,770)	161,457	808,876	3,296,593	4,661,557	11,296	4,214,009
Cash inflows from derivatives	627,853	142,465	175,006	79,495	15,738	–	1,040,557
Cash outflows from derivatives	(635,762)	(143,150)	(176,815)	(78,157)	(22,784)	–	(1,056,668)
Net position from derivatives	(7,909)	(685)	(1,809)	1,338	(7,046)	–	(16,111)
Commitments and undrawn credit facilities	2,195,905	–	–	–	–	–	2,195,905
Issued guarantees	637,591	–	–	–	–	–	637,591
Net position from financial commitments and contingencies	2,833,496	–	–	–	–	–	2,833,496

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

31 December 2014 € '000	Less than 12 months	Over 12 months	Total
Assets			
Cash and balances with central banks	405,149	–	405,149
Due from banks	601,541	9,462	611,003
Financial assets at fair value through profit or loss	400	655	1,055
Derivative financial instruments	19,998	29,939	49,937
Available-for-sale financial assets	163,564	1,360,375	1,523,939
Loans and advances to customers	2,235,574	6,047,207	8,282,781
Held-to-maturity investments	16,359	517,097	533,456
Associates and joint ventures	–	17,757	17,757
Intangible assets	–	58,577	58,577
Goodwill	–	29,305	29,305
Property and equipment	–	111,412	111,412
Deferred income tax assets	–	49,822	49,822
Other assets	24,762	–	24,762
	3,467,347	8,231,608	11,698,955
Liabilities			
Due to central and other banks	(430,991)	(312,925)	(743,916)
Derivative financial instruments	(9,481)	(52,578)	(62,059)
Due to customers	(7,446,637)	(412,666)	(7,859,303)
Debt securities in issue	(282,549)	(1,186,916)	(1,469,465)
Current income tax liabilities	(8,137)	–	(8,137)
Provisions	–	(27,709)	(27,709)
Other liabilities	(97,024)	(3,196)	(100,220)
	(8,274,819)	(1,995,990)	(10,270,809)
	(4,807,472)	6,235,618	1,428,146

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	9,442	19,779	29,221
Available-for-sale financial assets	28,589	1,559,735	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 joint ventures	–	14,362	14,362
Intangible assets	–	54,807	54,807
Goodwill	–	29,305	29,305
Property and equipment	–	122,108	122,108
Deferred income tax assets	–	41,895	41,895
Other assets	30,121	–	30,121
	3,769,017	7,787,406	11,556,423
Liabilities			
Due to central and other banks	(512,129)	(269,375)	(781,504)
Derivative financial instruments	(21,576)	(21,308)	(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)
	(7,886,959)	(2,290,075)	(10,177,034)
	(4,117,942)	5,497,331	1,379,389

(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 Approach ('TSA') for VUB Factoring.

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 relevant Bank's Committee 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.

(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.

31 December 2014 € '000	Note	Carrying amount At amortised cost	At fair value	Total carrying amount	Level 1	Level 2	Level 3	Fair value Total fair value
Financial assets								
Cash and balances with central banks	7	405,149	–	405,149	–	405,149	–	405,149
Due from banks	8	611,003	–	611,003	–	611,888	–	611,888
Financial assets at fair value through profit or loss	9	–	1,055	1,055	625	430	–	1,055
Derivative financial instruments	10	–	49,937	49,937	–	49,937	–	49,937
Available-for-sale financial assets	11	–	1,523,939	1,523,939	480,098	1,043,841	–	1,523,939
Loans and advances to customers	12	8,282,781	–	8,282,781	–	–	9,886,486	9,886,486
Held-to-maturity investments	14	533,456	–	533,456	–	622,803	–	622,803
		9,832,389	1,574,931	11,407,320	480,723	2,734,048	9,886,486	13,101,257
Financial liabilities								
Due to central and other banks	21	(743,916)	–	(743,916)	–	(743,916)	–	(743,916)
Derivative financial instruments	10	–	(62,059)	(62,059)	–	(62,059)	–	(62,059)
Due to customers	22	(7,859,303)	–	(7,859,303)	–	(7,839,394)	–	(7,839,394)
Debt securities in issue	23	(1,469,465)	–	(1,469,465)	–	(1,540,516)	–	(1,540,516)
		(10,072,684)	(62,059)	(10,134,743)	–	(10,185,885)	–	(10,185,885)

31 December 2013 € '000	Note	Carrying amount At amor-tised cost	At fair value	Total carrying amount	Level 1	Level 2	Level 3	Fair value 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	3,250,272	8,765,362	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)

There were no transfers of financial instruments among the levels during 2014 and 2013.

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, sole traders 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.

31 December 2014 € '000	**Retail Banking**	**Corporate Banking**	**Central Treasury**	**Other**	**Total**
External revenue					
Interest and similar income	339,210	91,724	10,814	72,148	513,896
Interest and similar expense	(40,333)	(7,264)	(5,728)	(38,827)	(92,152)
Inter-segment revenue	(24,562)	(16,130)	(5,527)	46,219	–
Net interest income	274,315	68,330	(441)	79,540	421,744
Net fee and commission income	47,088	55,903	3,333	(4,394)	101,930
Net trading result	3,124	3,649	8,913	(4,065)	11,621
Other operating income	7,504	4,770	7	(3,871)	8,410
Total segment operating income	332,031	132,652	11,812	67,210	543,705
Depreciation and amortisation	(17,571)	(3,441)	(24)	(7,792)	(28,828)
Operating expenses					(243,733)
Operating profit before impairment					271,144
Impairment losses	(58,798)	(24,641)	709	(3,571)	(86,301)
Share of profit of associates and joint ventures					4,759
Income tax expense					(43,843)
Net profit for the year					145,759
Segment assets	4,912,932	3,645,362	350,155	2,790,506	11,698,955
Segment liabilities and equity	5,109,189	2,314,653	1,286,363	2,988,750	11,698,955

31 December 2013 € '000	Retail Banking	Corporate Banking	Central Treasury	Other	Total
External revenue					
Interest and similar income	338,929	86,280	16,294	86,988	528,491
Interest and similar 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 joint ventures					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

6. Cash and cash equivalents

€ '000	Note	2014	2013
Cash and balances with central banks	7	405,149	96,820
Current accounts in other banks	8	19,769	16,316
Term deposits with other banks	8	4,269	163,138
		429,187	276,274

7. Cash and balances with central banks

€ '000	2014	2013
Balances with central banks:		
Compulsory minimum reserves	190,294	1,128
Current accounts	–	112
Term deposits	119,892	–
	310,186	1,240
Cash in hand	94,963	95,580
	405,149	96,820

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	2014	2013
Current accounts	6	19,769	16,316
Term deposits			
with contractual maturity less than 90 days	6	4,269	163,138
with contractual maturity over 90 days		20,066	20,071
Loans and advances			
with contractual maturity over 90 days		516,885	562,058
Cash collateral		50,020	10,079
Impairment losses	13	(6)	(24)
		611,003	771,638

At 31 December 2014 the balance of 'Term deposits' includes one deposit with Intesa Sanpaolo S.p.A. in the nominal amount of € 20,000 thousand and one deposit with CIB Bank in the nominal amount of € 4,269 thousand (31 December 2013: 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 2014 the balance of 'Loans and advances' comprises of two short term reverse repo trades concluded with Intesa Sanpaolo S.p.A. in the total nominal amount of € 499,719 thousand (31 December 2013: one repo trade in the nominal amount of € 499,494 thousand). The repo trades are secured by state bonds and cash collateral.

9. Financial assets at fair value through profit or loss

€ '000	2014	2013
Financial assets held for trading		
State bonds		
with contractual maturity over 90 days	50	206,639
Bank bonds		
with contractual maturity over 90 days	380	362
	430	207,001
Financial assets designated at fair value through profit or loss on initial recognition		
Equity shares	625	673
	1,055	207,674

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

At 31 December 2014 and 31 December 2013, 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	2014 Assets	2013 Assets	2014 Liabilities	2013 Liabilities
Trading derivatives	29,576	24,341	18,160	33,754
Cash flow hedges of interest rate risk	–	1,608	1,134	1,259
Fair value hedges of interest rate and inflation risk	20,361	3,272	42,765	7,871
	49,937	29,221	62,059	42,884

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 2014, the negative fair value of this derivative was € 1,627 thousand (31 December 2013: € 1,307 thousand).

€ '000	2014 Assets	2013 Assets	2014 Liabilities	2013 Liabilities
Trading derivatives – Fair values				
Interest rate instruments				
Swaps	6,826	8,390	5,504	7,688
Options	1,674	2,534	1,711	2,551
	8,500	10,924	7,215	10,239
Foreign currency instruments				
Forwards and swaps	16,625	8,201	4,790	16,429
Cross currency swaps	–	–	1,627	1,307
Options	1,407	1,822	1,508	2,385
	18,032	10,023	7,925	20,121
Equity and commodity instruments				
Equity options	3,044	3,394	3,020	3,394
	29,576	24,341	18,160	33,754

€ '000	2014 Assets	2013 Assets	2014 Liabilities	2013 Liabilities
Trading derivatives – Notional values				
Interest rate instruments				
Swaps	418,784	458,950	418,784	458,950
Options	169,598	163,897	169,598	163,897
	588,382	622,847	588,382	622,847
Foreign currency instruments				
Forwards and swaps	426,957	843,205	414,849	851,532
Cross currency swaps	28,844	29,168	30,449	30,449
Options	68,644	74,264	68,606	74,123
	524,445	946,637	513,904	956,104
Equity and commodity instruments				
Equity options	23,398	14,304	23,402	14,304
	1,136,225	1,583,788	1,125,688	1,593,255

Cash flow hedges of interest rate risk

At 31 December 2014 the VUB Group uses two interest rate swaps to hedge the interest rate risk arising from the issuance of two 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.

At 31 December 2013 the VUB Group used another two interest rate swaps to hedge the interest rate risk arising from the issuance of two variable rate mortgage bonds and one interest rate swap to hedge the interest rate risk of one variable rate bond from available-for-sale ('AFS') portfolio. All of these hedging relationships were terminated in 2014.

Below is a schedule indicating as at 31 December 2014 and 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
2014			
Mortgage bonds – interest rate risk	(1,851)	(46,745)	-
2013			
Mortgage bonds – interest rate risk	(2,078)	(3,422)	-
AFS bond – interest rate risk	1,120	635	-

The net expense on cash flow hedges reclassified from 'Other comprehensive income' to the 'Net interest income' during 2014 was € 27 thousand (2013: net expense of € 2,033 thousand).

Fair value hedges of interest rate and inflation 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.

The VUB Group also uses three asset swaps to hedge the inflation risk and the interest rate risk of one inflation bond held in the AFS portfolio (the bond and swaps were purchased together as a package transaction). The changes in fair value of these asset swaps substantially offset the changes in fair value of AFS portfolio bond, both in relation to changes of interest rates and inflation reference index.

Furthermore, the VUB Group uses fifteen interest rate swaps to hedge the interest rate risk arising from the issuance of eleven 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 2014, the Group recognised a net gain of € 12,712 thousand (2013: net loss of € 1,652 thousand) in relation to the fair value hedging instruments above. The net loss on hedged items attributable to the hedged risks amounted to € 13,523 thousand (2013: net gain of € 1,782 thousand). Both items are disclosed within 'Net trading result'.

During 2014, interest and similar income from hedged AFS securities in the amount of € 22,360 thousand (2013: € 11,154 thousand) was compensated by interest expense from interest rate swap and asset swap hedging instruments in the amount of € 5,779 thousand (2013: € 3,623 thousand).

At 31 December 2014, interest expense from the hedged mortgage bonds in the amount of € 8,476 thousand (31 December 2013: € 8,917 thousand) was compensated by interest income from the interest rate swap hedging instruments in the amount of € 2,915 thousand (31 December 2013: € 3,366 thousand).

During 2014 the foreign branch of VUB used 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. All three hedging relationships expired in 2014.

In 2014, the Group recognised in relation to the fair value hedging instruments of the foreign branch of VUB a net gain of € 124 thousand (2013: net gain of € 195 thousand). The net loss on hedged items attributable to the hedged risks amounted to € 123 thousand (2013: net loss of € 198 thousand). Both items are disclosed within 'Net trading result'.

In 2014, interest and similar income from hedged fixed income loans in the amount of € 263 thousand (2013: € 459 thousand) was compensated by interest expense from interest rate swap hedging instruments in the amount of € 131 thousand (2013: € 186 thousand).

11. Available-for-sale financial assets

€ '000	Note	Share 2014	Share 2013	2014	2013
State bonds of EU countries				1,314,245	1,428,327
Bank bonds				209,646	159,957
Equity shares at cost					
RVS, a.s.		8.38 %	8.38 %	574	574
S.W.I.F.T.		0.01 %	0.01 %	48	40
Impairment losses to equity shares					
at cost	13			(574)	(574)
				1,523,939	1,588,324

At 31 December 2014, bonds in the total nominal amount of € 830,261 thousand from available-for-sale portfolio were pledged by the VUB Group to secure collateralized transactions (31 December 2013: € 556,261 thousand). 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 2014 € '000	Amortised cost	Impairment losses (note 13)	Carrying amount
Sovereigns			
Municipalities	146,978	(349)	146,629
Municipalities – Leasing	214	(1)	213
	147,192	(350)	146,842
Corporate			
Large Corporates	1,130,908	(17,309)	1,113,599
Specialized Lending	842,759	(34,138)	808,621
Small and Medium Enterprises ('SME')	878,429	(58,836)	819,593
Other Financial Institutions	82,986	(117)	82,869
Public Sector Entities	1,654	(33)	1,621
Leasing	255,405	(18,761)	236,644
Factoring	189,144	(3,674)	185,470
	3,381,285	(132,868)	3,248,417
Retail			
Small Business	193,329	(14,527)	178,802
Small Business – Leasing	9,739	(910)	8,829
Consumer Loans	1,340,051	(132,961)	1,207,090
Mortgages	3,207,785	(33,784)	3,174,001
Credit Cards	220,590	(34,672)	185,918
Overdrafts	112,197	(12,189)	100,008
Leasing	3,587	(272)	3,315
Flat Owners Associations	23,195	(303)	22,892
Other	6,668	(1)	6,667
	5,117,141	(229,619)	4,887,522
	8,645,618	(362,837)	8,282,781

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

At 31 December 2014, the 20 largest corporate customers represented a total balance of € 854,191 thousand (2013: € 785,785 thousand) or 9.88 % (2013: 9.93 %) of the gross loan portfolio.

Maturities of gross finance lease receivables are as follows:

€ '000	2014	2013
Up to 1 year	96,332	85,528
1 to 5 years	157,254	157,887
Over 5 years	43,548	56,023
	297,134	299,438
Unearned future finance income on finance leases	(28,189)	(33,273)
Impairment losses	(19,944)	(15,921)
	249,001	250,244

Maturities of net finance lease receivables are as follows:

€ '000	2014	2013
Up to 1 year	87,204	75,510
1 to 5 years	141,605	139,708
Over 5 years	40,136	50,947
	268,945	266,165
Impairment losses	(19,944)	(15,921)
	249,001	250,244

13. Impairment losses on assets

€ '000	Note	1 Jan 2014	Creation (note 34)	Reversal (note 34)	Assets written-off/sold (note 34)	FX diff	Other *	31 Dec 2014
Due from banks	8	24	5	(23)	–	–	–	6
Available-for-sale financial assets	11	574	–	–	–	–	–	574
Loans and advances to customers	12	339,135	199,262	(108,498)	(61,772)	44	(5,334)	362,837
Held-to-maturity investments	14	597	–	(597)	–	–	–	–
Property and equipment	18	7,226	3,561	(33)	–	–	–	10,754
Other assets	20	14,191	2,609	(3,263)	(24)	–	(5,873)	7,640
		361,747	205,437	(112,414)	(61,796)	44	(11,207)	381,811

* 'Other' represents the following movements:
- Interest portion (unwinding of interest) of € 10,717 thousand;
- Reclassification of impairment losses to receivables from termination of leasing of € 5,383 thousand from 'Other assets' to 'Loans and advances to customers' (see also Note 20);
- Use of impairment to sale of repossessed assets from financial leasing of € 490 thousand.

€ '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.

14. Held-to-maturity investments

€ '000	Note	2014	2013
State bonds		533,456	996,428
Impairment losses	13	–	(597)
		533,456	995,831

At 31 December 2014, state bonds in the total nominal amount of € 39,023 thousand (31 December 2013: € 49,057 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 joint ventures

€ '000	Share %	Cost	Revaluation	Carrying amount
At 31 December 2014				
Slovak Banking Credit Bureau, s.r.o.	33.33	3	50	53
VÚB Asset Management, správ. spol., a.s.	40.55	2,821	5,798	8,619
VÚB Generali DSS, a.s.	50.00	16,597	(7,512)	9,085
		19,421	(1,664)	17,757
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

Slovak Banking Credit Bureau, s.r.o. ('SBCB') and VÚB Asset Management, správ. spol., a.s. ('VÚB AM') are associates of the VUB Group for which equity method of consolidation is used.

VÚB Generali DSS, a.s. is a joint arrangement in which the Group has a joint control and a 50 % ownership interest. The company was founded in 2004 by VUB Bank and Generali Poisťovňa, a. s. and it is structured as a separate vehicle in which the Group has a residual share on net assets. Accordingly, the Group has classified its interest in VÚB Generali DSS, a.s. as a joint venture which is also equity-accounted.

The following is summarised selected financial information of the Group's associates and joint ventures together with the reconciliation to the carrying amount of the Group's interest in these companies:

€ '000	SBCB	VÚB AM	2014 VÚB Generali DSS	SBCB	VÚB AM	2013 VÚB Generali DSS
Net profit for the year *	22	6,044	4,601	8	795	2,612
Other comprehensive income	–	–	158	–	–	(28)
Total comprehensive income for the year	22	6,044	4,759	8	795	2,584
Assets **	858	16,292	19,317	656	10,508	16,330
Liabilities	(700)	(1,516)	(1,147)	(519)	(1,027)	(641)
Equity	158	14,776	18,170	137	9,481	15,689
Group's interest on equity at 1 January	46	6,471	7,845	43	–	7,553
Effect of the change in the group structure resulting from the loss of the control over VÚB AM	–	–	–	–	5,748	–
Share of profit/(loss)	7	2,451	2,301	3	723	1,306
Share of other comprehensive income	–	–	79	–	–	(14)
Other consolidation adjustments	–	1	–	–	–	–
Dividends received during the year	–	(304)	(1,140)	–	–	(1,000)
Group's interest on equity at 31 December	53	8,619	9,085	46	6,471	7,845
Carrying amount at 31 December	53	8,619	9,085	46	6,471	7,845
** includes: Interest income*	–	3	366	–	2	384
Interest expense	–	–	–	–	–	–
Depreciation and amortization	–	(24)	(55)	–	(18)	(50)
Income tax expense	–	(401)	(1,294)	–	(219)	(784)
*** includes: Cash and cash equivalents*	6	–	3	6	–	5

16. Intangible assets

€ '000	Software	Other intangible assets	Assets in progress	Total
Cost				
At 1 January 2014	192,565	54,194	9,337	256,096
Additions	27	–	17,009	17,036
Disposals	–	–	(10)	(10)
Transfers	14,191	550	(14,741)	–
FX differences	(4)	–	–	(4)
At 31 December 2014	206,779	54,744	11,595	273,118
Accumulated amortisation				
At 1 January 2014	(148,283)	(53,006)	–	(201,289)
Amortisation for the year	(12,909)	(346)	–	(13,255)
FX differences	3	–	–	3
At 31 December 2014	(161,189)	(53,352)	–	(214,541)
Carrying amount				
At 1 January 2014	44,282	1,188	9,337	54,807
At 31 December 2014	45,590	1,392	11,595	58,577

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 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

At 31 December 2014, the gross book value of fully amortised intangible assets that are still used by the Group amounted to € 116,756 thousand (31 December 2013: € 107,035 thousand).

At 31 December 2014, the amount of irrevocable contractual commitments for the acquisition of intangible assets was € 1,294 thousand (31 December 2013: € 808 thousand).

17. Goodwill

€ '000	2014	2013
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 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 and CFH to be separate cash generating units for the purposes of impairment testing.

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

The following rates are used by the Group for both VUB Leasing and CFH:

	2014	2013
Discount rate	9.95 %	10.71 %
Projected growth rate	4.91 %	4.79 %

The calculation of value in use for both VÚB Leasing 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

€ '000	Note	Buildings and land	Equipment	Other tangibles	Assets in progress	Total
Cost						
At 1 January 2014		200,109	71,221	45,736	2,593	319,659
Additions		–	4	–	9,311	9,315
Disposals		(713)	(2,890)	(2,886)	–	(6,489)
Transfers		1,260	2,949	3,618	(7,827)	–
FX differences		(1)	(1)	(1)	–	(3)
At 31 December 2014		200,655	71,283	46,467	4,077	322,482
Accumulated depreciation						
At 1 January 2014		(96,589)	(59,582)	(34,154)	–	(190,325)
Depreciation for the year		(6,131)	(5,997)	(3,445)	–	(15,573)
Disposals		668	2,885	2,027	–	5,580
FX differences		1	1	–	–	2
At 31 December 2014		(102,051)	(62,693)	(35,572)	–	(200,316)
Impairment losses	13					
At 1 January 2014		(7,043)	–	(183)	–	(7,226)
Net creation		(3,500)	–	(28)	–	(3,528)
At 31 December 2014		(10,543)	–	(211)	–	(10,754)
Carrying amount						
At 1 January 2014		96,477	11,639	11,399	2,593	122,108
At 31 December 2014		88,061	8,590	10,684	4,077	111,412

€ '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

In 2013 the VUB Group reviewed the carrying amount of its buildings. An impairment test was carried out to determine the recoverable amount of these assets which was based on the fair value less costs to sell, using the discounted cash flows method. As a result of the impairment test the Group recognized the impairment of € 7,000 thousand. In 2014 the Group reassessed some of the assumptions related to the determination of the recoverable amount and recognized additional impairment loss of € 3,500 thousand.

At 31 December 2014 and 31 December 2013 the fair value measurement in respect of the estimation of the fair value less costs to sell was categorized as a Level 3 of the fair value hierarchy based on the inputs in the valuation technique used. The key assumptions taken into account were the discount rate (determined based upon the merits of the buildings, tenants and location, number of inhabitants, competition, demand for similar products and ownership), estimated rental income, costs and the void periods. The discount rates used were in the range between 7.9 % – 15.5 % both in 2014 and 2013.

At 31 December 2014, the gross book value of fully depreciated tangible assets that are still used by the Group amounted to € 83,689 thousand (31 December 2013: € 77,032 thousand).

At 31 December 2014 and 31 December 2013, the Group did not have any irrevocable contractual commitments for the acquisition of tangible assets.

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

19. Current and deferred income taxes

€ '000	2014	2013
Deferred income tax assets	49,822	41,895

€ '000	2014	2013
Current income tax liabilities	8,137	1,166

Deferred income taxes are calculated on all temporary differences using a tax rate of 22 % (31 December 2013: 22 %) as follows:

€ '000	2014	Profit/ (loss) (note 35)	Equity	2013
Due from banks	1	(4)	-	5
Derivative financial instruments designated as cash flow hedges	250	-	327	(77)
Available-for-sale financial assets	(8,745)	–	3,300	(12,045)
Loans and advances to customers	59,243	3,098	-	56,145
Held-to-maturity investments	–	(132)	-	132
Property and equipment	(5,468)	(1,015)	-	(4,453)
Provisions	129	12	-	117
Other liabilities	4,051	696	-	3,355
Other	361	1,645	-	(1,284)
Deferred income tax assets	49,822	4,300	3,627	41,895

20. Other assets

€ '000	Note	2014	2013
Operating receivables and advances		12,034	10,697
Inventories (incl. repossessed leased assets)		11,081	16,582
Prepayments and accrued income		6,715	6,304
Other tax receivables		2,179	3,335
Settlement of operations with financial instruments		7	7
Receivables from trading with securities		2	–
Receivables from termination of leasing *		–	7,343
Other		384	44
		32,402	44,312
Impairment losses *	13	(7,640)	(14,191)
		24,762	30,121

* Receivables from termination of leasing in the amount of € 7,343 thousand as at 31 December 2013 together with respective impairment losses of € 5,383 thousand were reclassified to 'Loans and advances to customers' (see also Note 13).

21. Due to central and other banks

€ '000	2014	2013
Due to central banks		
Current accounts	5,572	58,973
	5,572	58,973
Due to other banks		
Current accounts	13,415	16,557
Term deposits	204,924	200,605
Loans received	515,184	472,769
Cash collateral received	4,821	32,600
	738,344	722,531
	743,916	781,504

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

€ '000	2014	2013
Intesa Sanpaolo S.p.A.	205,882	216,553
European Investment Bank	155,638	95,672
Tatra banka, a.s.	65,000	40,000
Société Européenne de Banque	30,019	–
Council of Europe Development Bank	24,245	73,264
European Bank for Reconstruction and Development	21,374	29,422
Komerční banka, a.s.	5,018	9,610
BKS Bank AG	8,000	8,000
Slovenská záručná a rozvojová banka, a.s. ('SZRB')	–	183
Other	8	65
	515,184	472,769

Intesa Sanpaolo S.p.A.

At 31 December 2014, there were several loan arrangements concluded with Intesa Sanpaolo S.p.A. maturing between 2015 and 2019 and with interest rates between 0.22 % and 3.45 %. At 31 December 2013 the interest rates were in the range between 0.38 % and 3.45 %. 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 2014, the balance comprised of ten loans in the nominal amount of € 26,250 thousand, € 30,000 thousand, € 10,000 thousand, € 4,375 thousand, € 20,000 thousand, € 15,000 thousand, € 4,995 thousand, € 24,975 thousand, € 4,995 thousand and € 14,985 thousand (31 December 2013: five loans in the nominal amount of € 30,625 thousand, € 30,000 thousand, € 10,000 thousand, € 5,000 thousand and € 20,000 thousand) with interest rates between 0.40 % and 1.73 % (31 December 2013: 0.32 % and 1.73 %) and with maturity between 2018 and 2024. The principal of loans is payable on annual or semi-annual basis or at the maturity and the interest is payable semi-annually or quarterly, depending on the periodicity agreed in the individual loan contracts.

Tatra banka, a.s.

Loans received from Tatra banka, a.s. comprised of four loans in the nominal amount of € 15,000 thousand, € 25,000 thousand, € 22,000 thousand and € 3,000 thousand with maturity between 2015 and 2018 (31 December 2013: two loans in the nominal amount of € 15,000 thousand and € 25,000 thousand, both were fully repaid in 2014). The principal is payable at the maturity of the loans and the interest is payable on monthly basis. The agreed interest rates were between 0.87 % and 1.65 %.

Société Européenne de Banque

Loans from Société Européenne de Banque comprised of two loans in the nominal amount of € 20,000 thousand and € 10,000 thousand, both maturing in 2019. The agreed interest rates were 1.52 % and 2.10 %, respectively, interest is payable quarterly and the principal is payable at the maturity of the loan contracts.

Council of Europe Development Bank

At 31 December 2014, loans from Council of Europe Development Bank comprised of seven loans in the nominal amount of € 5,333 thousand, € 1,788 thousand, € 2,623 thousand, € 500 thousand, € 500 thousand, € 7,500 thousand and € 6,000 thousand (31 December 2013: 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). 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 0.05 % and 0.55 % at 31 December 2014 (31 December 2013: 0.19 % – 1.46 %). The interest is payable quarterly and the principal is payable on annual basis. The maturity of the individual loans is between 2015 and 2022.

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 2014, there were three loan arrangements concluded with European Bank for Reconstruction and Development (31 December 2013: three 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 2014 the interest rates were in the range between 0.63 % and 2.08 % (31 December 2013: 0.59 % – 2.22 %). The frequency of the repayment of both the interest and the principal is semi-annual.

Komerční banka, a.s.

At 31 December 2014, the balance with Komerční banka, a.s. comprised of one revolving loan in the nominal amount of € 5,000 thousand maturing on 13 February 2015. The loan has a fixed interest rate of 0.9 % and both principal and interest are repayable at the maturity. At 31 December 2013 the balance comprised of one loan which was fully repaid in 2014.

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.

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 and were fully repaid in 2014.

22. Due to customers

€ '000	2014	2013
Current accounts	4,190,056	3,692,408
Term deposits	3,077,205	3,681,295
Savings accounts	207,045	214,170
Government and municipal deposits	306,172	211,995
Promissory notes	200	–
Other deposits	78,625	38,343
	7,859,303	7,838,211

23. Debt securities in issue

€ '000	2014	2013
Bonds	58	58
Mortgage bonds	999,543	1,025,505
Mortgage bonds subject to cash flow hedges	126,071	160,725
Mortgage bonds subject to fair value hedges	324,037	219,043
	1,449,651	1,405,273
Revaluation of fair value hedged mortgage bonds	18,593	(2,561)
Amortisation of revaluation related to terminated fair value hedges	1,163	1,837
	1,469,465	1,404,607

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

Name	Interest rate (%)	CCY	Number of mortgage bonds issued at 31 Dec 2014	Nominal value in CCY per piece	Issue date	Maturity date	2014 € '000	2013 € '000
Mortgage bonds VÚB, a.s. XVII.	0.19	EUR	1,678	33,194	28.11.2005	28.11.2015	55,709	55,717
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	33,401	33,383
Mortgage bonds VÚB, a.s. XXXI.	4.90	EUR	600	33,194	29.11.2007	29.11.2037	19,680	19,666
Mortgage bonds VÚB, a.s. 32.	1.91	CZK	800	1,000,000	17.12.2007	17.12.2017	29,944	30,656
Mortgage bonds VÚB, a.s. 35.	4.40	EUR	630	33,194	19.3.2008	19.3.2016	21,528	21,438
Mortgage bonds VÚB, a.s. 36.	4.75	EUR	560	33,194	31.3.2008	31.3.2020	18,993	18,944
Mortgage bonds VÚB, a.s. 39.	0.77	EUR	60	1,000,000	26.6.2008	26.6.2015	60,006	60,005
Mortgage bonds VÚB, a.s. 40.	0.82	EUR	70	1,000,000	28.8.2008	28.8.2015	70,053	70,064
Mortgage bonds VÚB, a.s. 43.	5.10	EUR	500	33,194	26.9.2008	26.9.2025	15,776	15,679
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. 49.	3.92	EUR	-	1,000,000	28.7.2009	28.7.2014	-	101,664
Mortgage bonds VÚB, a.s. 51.	0.86	EUR	-	1,000,000	8.4.2010	8.4.2014	-	21,051
Mortgage bonds VÚB, a.s. 52.	0.95	EUR	-	50,000	15.3.2010	15.3.2014	-	8,073
Mortgage bonds VÚB, a.s. 53.	0.80	EUR	100	1,000,000	8.4.2010	8.4.2017	100,187	100,218
Mortgage bonds VÚB, a.s. 54.	3.00	EUR	-	1,000	1.7.2010	1.7.2014	-	15,225
Mortgage bonds VÚB, a.s. 55.	2.85	EUR	14,000	1,000	1.10.2010	1.10.2015	14,100	14,100
Mortgage bonds VÚB, a.s. 57.	1.49	EUR	100	1,000,000	30.9.2010	30.9.2018	100,377	100,416
Mortgage bonds VÚB, a.s. 58.	1.98	EUR	80	1,000,000	10.12.2010	10.12.2019	80,092	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	-	100,000	20.5.2011	20.5.2014	-	15,856
Mortgage bonds VÚB, a.s. 61.	1.08	EUR	467	10,000	7.6.2011	7.6.2015	4,671	4,668
Mortgage bonds VÚB, a.s. 62.	2.30	EUR	100	1,000,000	28.7.2011	28.7.2018	100,977	100,992
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	25,421	25,686
Mortgage bonds VÚB, a.s. 66.	2.10	EUR	-	50,000	28.11.2011	28.11.2014	-	34,958
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	20,404	20,440
Mortgage bonds VÚB, a.s. 70.	3.75	EUR	400	100,000	7.3.2012	7.3.2017	41,185	41,168
Mortgage bonds VÚB, a.s. 71.	3.90	EUR	750	20,000	2.5.2012	2.5.2017	15,276	15,350
Mortgage bonds VÚB, a.s. 72.	4.70	EUR	250	100,000	21.6.2012	21.6.2027	25,413	25,396
Mortgage bonds VÚB, a.s. 73.	4.20	EUR	500	100,000	11.7.2012	11.7.2022	50,666	50,623
Mortgage bonds VÚB, a.s. 74.	3.35	EUR	700	100,000	16.1.2013	15.12.2023	71,827	71,780
Mortgage bonds VÚB, a.s. 75.	2.00	EUR	300	100,000	5.4.2013	5.4.2019	30,486	30,496
Mortgage bonds VÚB, a.s. 76.	2.40	EUR	309	10,000	22.4.2013	22.4.2018	3,143	3,143
Mortgage bonds VÚB, a.s. 77.	1.80	CZK	5,000	100,000	20.6.2013	20.6.2018	18,141	18,328
Mortgage bonds VÚB, a.s. 78.	2.16	EUR	905	10,000	3.3.2014	3.3.2020	9,248	-
Mortgage bonds VÚB, a.s. 79.	2.00	EUR	10,000	1,000	24.3.2014	24.9.2020	10,154	-
Mortgage bonds VÚB, a.s. 80.	1.85	EUR	31	1,000,000	27.3.2014	27.3.2021	31,951	-
Mortgage bonds VÚB, a.s. 81.	2.55	EUR	38	1,000,000	27.3.2014	27.3.2024	39,949	-
Mortgage bonds VÚB, a.s. 82.	1.65	EUR	1,701	1,000	16.6.2014	16.12.2020	1,716	-
Mortgage bonds VÚB, a.s. 83.	0.90	EUR	500	100,000	28.7.2014	28.7.2019	49,893	-
Mortgage bonds VÚB, a.s. 84.	0.60	EUR	500	100,000	29.9.2014	30.9.2019	49,856	-
Mortgage bonds VÚB, a.s. 85.	2.25	EUR	500	100,000	14.11.2014	14.11.2029	49,438	-
							1,449,651	1,405,273

24. Provisions

€ '000	2014	2013
Litigation	27,118	21,501
Restructuring provision	588	532
Other provisions	3	–
	27,709	22,033

The movements in provisions were as follows:

€ '000	Note	1 Jan 2014	Creation	Reversal	Use	31 Dec 2014
Litigation	27, 33	21,501	5,785	(164)	(4)	27,118
Restructuring provision	32	532	330	–	(274)	588
Other provisions	33	–	3	–	–	3
		22,033	6,118	(164)	(278)	27,709

€ '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

25. Other liabilities

€ '000	2014	2013
Various creditors	41,799	36,328
Settlement with employees	20,362	18,647
Financial guarantees and commitments	16,552	12,186
Accruals and deferred income	7,500	3,044
Factoring	5,048	6,191
Severance and Jubilee benefits	3,250	3,203
VAT payable and other tax payables	3,074	3,673
Settlement with shareholders	1,187	910
Share remuneration scheme	625	673
Investment certificates	254	153
Settlement with securities	2	19
Retention program	–	433
Other	567	1,169
	100,220	86,629

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

€ '000	Note	1 Jan 2014	Creation/ (Reversal)	FX diff	Other	31 Dec 2014
Financial guarantees and commitments	34	12,186	4,369	(3)	–	16,552
Severance and Jubilee benefits	32	3,203	40	–	7	3,250
Retention program	32	433	(433)	–	–	–
		15,822	3,976	(3)	7	19,802

€ '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

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

€ '000	1 Jan 2014	Creation (note 32)	Use	31 Dec 2014
Social fund	423	1,699	(1,493)	629

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

26. Equity

€ '000	2014	2013
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	13,636	13,501
Reserves	130,276	142,948
Retained earnings (excluding net profit for the year)	707,656	657,025
	1,282,387	1,244,293
Net profit for the year attributable to shareholders	145,759	135,096

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:

	2014	2013
Intesa Sanpaolo Holding International S.A.	97.02 %	96.97 %
Domestic shareholders	2.21 %	2.23 %
Foreign shareholders	0.77 %	0.80 %
	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 2014 was determined based on the rules for capital adequacy calculation set by the CRR regulation:

€ '000	2014
Tier 1 capital	
Share capital	430,819
Share premium	13,636
Retained earnings without net profit for the year	707,656
Other reserves	99,633
Revaluation of available-for-sale financial assets	(1,566)
Fair value gains and losses arising from the Group's own credit risk related to derivative liabilities	(567)
Less goodwill and intangible assets	(87,882)
	1,161,729
Tier 2 capital	
IRB excess of provisions over expected losses eligible	2,189
Total regulatory capital	1,163,918

€ '000	2014
Tier 1 capital	1,161,729
Tier 2 capital	2,189
Total regulatory capital	1,163,918
Total Risk Weighted Assets	7,247,426
Tier 1 capital ratio	16.03 %
Total capital ratio	16.06 %

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 CRR regulation. The other component of regulatory capital is Tier 2 capital, which includes subordinated long term debt, preference shares and IRB excess of provisions over expected losses.

The capital position at 31 December 2013 was calculated based on NBS regulatory requirement as follows:

€ '000	2013
Tier 1 capital	
Share capital	430,819
Share premium	13,501
Retained earnings without net profit for the year	657,025
Legal reserve fund	99,507
Less goodwill and software (including software in Assets in progress)	(82,924)
Less negative revaluation of available-for-sale financial assets	(1,210)
Less expected loss	(30,593)
	1,086,125
Tier 2 capital	
Positive revaluation of available-for-sale financial assets	44,084
IRB shortfall	26,764
	70,848
Regulatory adjustment	
Associates and joint ventures	(14,316)
Expected loss (incl. equity instruments)	(15)
	(14,331)
Total regulatory capital	1,142,642

€ '000	2013
Tier 1 capital	1,086,125
Tier 2 capital	70,848
Regulatory adjustment	(14,331)
Total regulatory capital	1,142,642
Total Risk Weighted Assets	6,817,865
Tier 1 capital ratio	15.93 %
Total capital ratio	16.76 %

The VUB Group must maintain a capital adequacy ratio of at least 8 % according to the Act on Banks. The capital adequacy ratio is the ratio between the Group's capital and the risk-weighted assets. Risk weighted assets include risk weighted assets from positions recorded in the trading book and risk weighted assets from positions recorded in the banking book. The VUB Group complied with the Act on Banks' requirement as at 31 December 2014 and 31 December 2013.

During 2014, the Comprehensive Assessment of the European Central Bank consisting of Asset Quality Review (AQR) and stress testing was conducted. According to the stress tests results, the VUB Group is meeting the capital requirements, including the ones of the adverse scenario. From November 2014, the Bank also fell under the supervision of the European Central Bank.

The Group´s CET1 capital ratio was 15.93 % as at 31 December 2013. Based on the stress testing carried out as part of the Comprehensive Assessment the baseline scenario of stress testing foresees CET1 ratio at the end of 2016 at 15.92 %, in the adverse scenario it reaches 13.82 % which is well above the minimal threshold of 8 % and 5.5 % respectively.

27. Financial commitments and contingencies

€ '000	2014	2013
Issued guarantees	739,626	637,591
Commitments and undrawn credit facilities	2,397,991	2,195,905
	3,137,617	2,833,496

(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 2014 and 31 December 2013 was as follows:

€ '000	2014	2013
Up to 1 year	211	241
1 to 5 years	93	190
Over 5 years	–	–
	304	431

(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 2014 and 31 December 2013 are as follows:

€ '000	2014	2013
Up to 1 year	3,712	2,186
1 to 5 years	4,484	2,556
Over 5 years	–	11
	8,196	4,753

(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 2014. Pursuant to this review, management has recorded total provisions of € 27,118 thousand (31 December 2013: € 21,501 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 € 7,122 thousand, as at 31 December 2014 (31 December 2013: € 9,417 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	2014	2013
Interest and similar income		
Due from banks	5,080	12,276
Loans and advances to customers	441,939	435,060
Bonds, treasury bills and other securities:		
Financial assets at fair value through profit or loss	4,597	2,471
Available-for-sale financial assets	37,033	36,720
Held-to-maturity investments	25,247	41,964
	513,896	528,491
Interest and similar expense		
Due to banks	(7,325)	(7,842)
Due to customers	(50,126)	(67,424)
Debt securities in issue	(34,701)	(40,503)
	(92,152)	(115,769)
	421,744	412,722

Interest income on impaired loans and advances to customers for 2014 amounted to € 29,193 thousand (2013: € 24,410 thousand).

29. Net fee and commission income

€ '000	2014	2013
Fee and commission income		
Received from banks	8,403	7,182
Received from customers:		
Current accounts	51,353	47,844
Loans and guarantees	33,417	33,455
Transactions and payments	24,250	23,610
Insurance mediation	9,918	11,301
Securities	6,957	5,481
Overdrafts	4,106	3,049
Securities – Custody fee	1,228	1,007
Term deposits	637	841
Other	2,485	2,986
	142,754	136,756
Fee and commission expense		
Paid to banks	(16,576)	(15,807)
Paid to mediators:		
Credit cards	(8,661)	(8,571)
Securities	(559)	(513)
Services	(13,635)	(10,086)
Other	(1,393)	(1,455)
	(40,824)	(36,432)
	101,930	100,324

30. Net trading result

€ '000	2014	2013
Foreign currency derivatives and transactions	4,357	4,319
Customer FX margins	5,097	5,080
Cross currency swaps	(302)	(2,547)
Equity derivatives	35	57
Other derivatives	–	11
Interest rate derivatives *	13,494	(1,405)
Dividends from equity shares held in FVTPL portfolio	16	13
Securities:		
Financial assets at fair value through profit or loss		
Held for trading	(1,334)	(318)
Designated at fair value through profit or loss on initial recognition	229	130
Available-for-sale financial assets *	11,182	(1,652)
Debt securities in issue *	(21,153)	5,967
	11,621	9,655

*Includes the revaluation of financial instruments that are part of the hedging relationship, i.e. fair value hedges of interest rate and inflation risk (see also note 10).

At 31 December 2014, the amount still to be recognised in income resulting from Day 1 profit was nil (31 December 2013: € 4 thousand).

31. Other operating income

€ '000	2014	2013
Income from leasing	3,803	3,963
Rent	1,090	1,084
Services	378	241
Financial revenues	132	84
Net profit from sale of fixed assets	100	423
Sales of consumer goods	76	77
Other	2,831	2,261
	8,410	8,133

32. Salaries and employee benefits

€ '000	Note	2014	2013
Remuneration		(80,343)	(77,912)
Social security costs		(29,491)	(29,624)
Social fund	25	(1,699)	(935)
Retention program	25	433	265
Severance and Jubilee benefits	25	(40)	(58)
Restructuring provision	24	(56)	468
		(111,196)	(107,796)

At 31 December 2014, the total number of employees of the VUB Group was 3,985 (31 December 2013: 3,959). The average number of employees of the Group during 2014 was 3,961 (2013: 3,965).

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	2014	2013
IT systems maintenance		(21,407)	(19,114)
Property related expenses		(19,485)	(20,063)
Post and telecom		(12,581)	(13,238)
Advertising and marketing		(10,565)	(10,148)
Provisions for litigation	24	(5,619)	3,106
Contribution to the Deposit Protection Fund *		(5,512)	–
Equipment related expenses		(4,696)	(5,214)
Stationery		(4,274)	(4,405)
Security		(3,497)	(3,877)
Insurance		(2,104)	(1,809)
Professional services		(1,271)	(1,185)
Third parties' services		(1,252)	(1,349)
Other damages		(884)	(1,138)
Travelling		(851)	(754)
Training		(822)	(801)
Transport		(746)	(869)
Audit **		(727)	(753)
VAT and other taxes		(623)	(1,250)
Litigations paid		(378)	(4,260)
Other provisions	24	(3)	–
Other operating expenses		(5,827)	(4,033)
		(103,124)	(91,154)

* The Bank started to contribute to the Deposit Protection Fund according to the legislation amendment valid from 1 August 2014. This amendment decreased the quarterly contribution for the third and fourth quarter of 2014 to 0.01 % p.q. from the protected deposit base.

** As at 31 December 2014 the audit expense consists of fees for the statutory audit in the amount of € 318 thousand (31 December 2013: € 302 thousand), group reporting in the amount of € 318 thousand (31 December 2013: € 302 thousand) and other audit (primarily security audit) in the amount of € 91 thousand (31 December 2013: € 149 thousand).

At 31 December 2014 and 31 December 2013, the special levy recognized by the Bank was as follows:

€ '000	2014	2013
Special levy of selected financial institutions	(29,413)	(38,480)

Commencing 1 January 2012, banks operating in the Slovak Republic are subject to a special levy of selected financial institutions, originally set to 0.4 % p.a. of selected liabilities with the extension of the basis for calculation by deposits subject to a protection based on the special regulation from 1 September 2012. 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.

As at 25 July 2014, the total amount of the levy paid by the financial institutions subject to levy exceeded the threshold of € 500,000 thousand and therefore, based on the amendment to the Act on the Special levy of selected financial institutions, the Bank was not obliged to pay the levy for the last quarter of 2014 and effective from 2015, the levy rate has been decreased to 0.2 % p.a.

34. Impairment losses

€ '000	Note	2014	2013
Creation of impairment losses	13	(205,437)	(203,676)
Reversal of impairment losses	13	112,414	107,529
Net creation of impairment losses		(93,023)	(96,147)
Creation of liabilities – financial guarantees and commitments		(11,561)	(8,607)
Reversal of liabilities – financial guarantees and commitments		7,192	10,259
Net (creation)/reversal of liabilities – financial guarantees and commitments	25	(4,369)	1,652
Nominal value of assets written-off/sold		(72,287)	(80,464)
Release of impairment losses to assets written-off/sold	13	61,796	68,318
		(10,491)	(12,146)
Proceeds from assets written-off		8,993	11,914
Proceeds from assets sold		12,589	6,847
		21,582	18,761
		(86,301)	(87,880)

35. Income tax expense

€ '000	Note	2014	2013
Current income tax		(48,143)	(38,255)
Deferred income tax	19	4,300	(6,359)
		(43,843)	(44,614)

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

€ '000	2014	2013
Due from banks	(4)	(3)
Available-for-sale financial assets	–	126
Loans and advances to customers	3,098	(6,750)
Held-to-maturity investments	(132)	(11)
Intangible assets identified on acquisition	–	82
Property and equipment	(1,015)	(1,144)
Provisions	12	(113)
Other liabilities	696	912
Other	1,645	542
	4,300	(6,359)

The effective tax rate differs from the statutory tax rate in 2014 and in 2013. The reconciliation of the VUB Group's profit before tax with the actual corporate income tax is as follows:

€ '000	Note	2014 Tax base	2014 Tax at applicable tax rate (22 %)	2013 Tax base	2013 Tax at applicable tax rate (23 %)
Profit before tax		189,602	(41,712)	179,710	(41,333)
Tax effect of expenses that are not deductible in determining taxable profit					
Creation of provisions and other reserves		16,765	(3,688)	16,849	(3,875)
Creation of impairment losses		181,094	(39,841)	185,048	(42,561)
Write-off and sale of assets		4,766	(1,049)	7,133	(1,641)
Other		17,447	(3,838)	14,832	(3,411)
		220,072	(48,416)	223,862	(51,488)
Tax effect of revenues that are deductible in determining taxable profit					
Release of provisions and other reserves		(5,018)	1,104	(24,337)	5,598
Release of impairment losses		(168,455)	37,060	(193,718)	44,555
Other		(19,046)	4,190	(11,595)	2,667
		(192,519)	42,354	(229,650)	52,820
Adjustments for current tax of prior periods		1,708	(376)	(7,574)	1,742
Withholding tax paid abroad – settlement of advance payments		(32)	7	(17)	4
Current income tax		218,831	(48,143)	166,331	(38,255)
Deferred income tax at 22 %	19		4,300		(6,359)
Income tax expense			(43,843)		(44,614)
Effective tax rate			23.12 %		24.83 %

36. Other comprehensive income

€ '000	2014	2013
Exchange differences on translating foreign operation	(9)	(6)
Available-for-sale financial assets:		
Revaluation losses arising during the year	(11,373)	(17,229)
Reclassification adjustment for profit on sale of AFS bonds included in the profit or loss	(3,551)	(2,533)
	(14,924)	(19,762)
Cash flow hedges:		
Revaluation (losses)/gains arising during the year	(1,134)	2,200
Reclassification adjustment for profit on terminated cash flow hedges included in the profit or loss	(350)	–
	(1,484)	2,200
Total other comprehensive income	(16,417)	(17,568)
Income tax relating to components of other comprehensive income *	3,627	4,592
Other comprehensive income for the year	(12,790)	(12,976)

* 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

€ '000			2014			2013
	Before tax amount	Tax benefit	Net of tax amount	Before tax amount	Tax benefit/ (expense)	Net of tax amount
Exchange differences on translating foreign operations	(9)	–	(9)	(6)	–	(6)
Available-for-sale financial assets	(14,924)	3,300	(11,624)	(19,762)	5,095	(14,667)
Net movement on cash flow hedges	(1,484)	327	(1,157)	2,200	(503)	1,697
	(16,417)	3,627	(12,790)	(17,568)	4,592	(12,976)

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 stated transactions have been made under arms-length commercial and banking conditions.

In 2014, the remuneration and other benefits provided to members of the Supervisory Board were € 152 thousand (2013: € 177 thousand) and to members of the Management Board € 3,122 thousand (2013: € 3,495 thousand).

At 31 December 2014, the outstanding balances with related parties comprised:

€ '000	KMP*	Joint ventures	Associ-ates	Intesa Sanpaolo	Intesa Sanpaolo group compa-nies	Total
Assets						
Due from banks	–	–	–	549,238	5,857	555,095
Derivative financial instruments	–	–	–	–	4,324	4,324
Loans and advances to customers	448	–	–	–	–	448
Financial assets at fair value through profit or loss	–	–	–	625	–	625
Other assets	–	5	794	–	–	799
	448	5	794	549,863	10,181	561,291
Liabilities						
Due to central and other banks	–	–	–	317,167	38,635	355,802
Derivative financial instruments	–	–	–	114	4,843	4,957
Due to customers	3,056	–	1,319	–	110	4,485
Debt securities in issue						
Mortgage bonds	–	647	–	–	562,086	562,733
Other liabilities	625	–	10	–	491	1,126
	3,681	647	1,329	317,281	606,165	929,103
Issued guarantees	–	–	–	–	26,760	26,760
Received guarantees	–	–	–	135,000	67,096	202,096
Derivative transactions (notional amount – receivable)	–	–	–	–	67,642	67,642
Derivative transactions (notional amount – payable)	–	–	–	35,107	151,053	186,160
Income and expense items						
Interest and similar income	19	–	–	3,722	849	4,590
Interest and similar expense	(41)	(7)	(3)	(3,524)	(12,559)	(16,134)
Fee and commission income	2	–	6,624	–	14	6,640
Fee and commission expense	–	–	(22)	(503)	(7,468)	(7,993)
Net trading result	–	–	–	66	4,357	4,423
Other operating income	–	112	346	306	57	821
Other operating expenses	–	–	–	(59)	(1,258)	(1,317)
	(20)	105	6,945	8	(16,008)	(8,970)

* Key management personnel

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

€ '000	KMP	Joint ventures	Associ-ates	Intesa Sanpaolo	Intesa Sanpaolo group compa-nies	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
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)

39. Events after the end of the reporting period

From 31 December 2014, 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.

Separate Financial Statements

prepared in accordance with International Financial Reporting Standards as adopted by the European Union and Independent Auditors' Report for the year ended 31 December 2014

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Translation of the statutory Auditor's Report originally prepared in Slovak language

Independent Auditor's 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 2014, 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 that give a true and fair view 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.

Auditor's 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 2014, 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 2015
Bratislava, Slovak Republic

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

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

Responsible auditor:
Ing. Michal Maxim, FCCA
License UDVA No. 1093

Separate statement of financial position at 31 December 2014

(In thousands of euro)

	Note	2014	2013
Assets			
Cash and balances with central banks	7	405,060	96,634
Due from banks	8	610,865	771,467
Financial assets at fair value through profit or loss	9	1,055	207,674
Derivative financial instruments	10	49,937	29,221
Available-for-sale financial assets	11	1,523,939	1,588,324
Loans and advances to customers	12	7,752,189	7,159,983
Held-to-maturity investments	14	533,456	995,831
Subsidiaries, associates and joint ventures	15	95,566	95,990
Intangible assets	16	55,032	51,348
Property and equipment	17	100,041	111,743
Current income tax assets	18	–	1,699
Deferred income tax assets	18	34,685	27,960
Other assets	19	13,190	13,504
		11,175,015	11,151,378
Liabilities			
Due to central and other banks	20	380,038	507,276
Derivative financial instruments	10	62,059	42,884
Due to customers	21	7,864,398	7,839,050
Debt securities in issue	22	1,469,465	1,404,607
Current income tax liabilities	18	8,240	–
Provisions	23	27,608	21,973
Other liabilities	24	76,204	63,161
		9,888,012	9,878,951
Equity			
Equity (excluding net profit for the year)	25	1,175,346	1,167,789
Net profit for the year		111,657	104,638
		1,287,003	1,272,427
		11,175,015	11,151,378
Financial commitments and contingencies	26	3,227,458	2,848,946

The accompanying notes on pages 129 to 212 form an integral part of these financial statements.

These financial statements were authorised for issue by the Management Board on 17 February 2015.

Alexander Resch
Chairman of the Management Board

Antonio Bergalio
Member of the Management Board

Separate statement of profit or loss and other comprehensive income for the year ended 31 December 2014 (In thousands of euro)

	Note	2014	2013
Interest and similar income		442,733	460,479
Interest and similar expense		(86,762)	(109,723)
Net interest income	27	355,971	350,756
Fee and commission income		137,110	133,073
Fee and commission expense		(66,255)	(60,646)
Net fee and commission income	28	70,855	72,427
Net trading result	29	11,665	9,652
Other operating income	30	3,183	3,523
Dividend income		2,287	1,696
Operating income		443,961	438,054
Salaries and employee benefits	31	(100,457)	(97,226)
Other operating expenses	32	(87,478)	(77,360)
Special levy of selected financial institutions	32	(29,413)	(38,480)
Amortisation	16	(11,546)	(9,355)
Depreciation	17	(12,644)	(13,875)
Operating expenses		(241,538)	(236,296)
Operating profit before impairment		202,423	201,758
Impairment losses	33	(56,381)	(63,966)
Profit before tax		146,042	137,792
Income tax expense	34	(34,385)	(33,154)
NET PROFIT FOR THE YEAR		111,657	104,638
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		(9)	(6)
Available-for-sale financial assets		(11,703)	(14,653)
Cash flow hedges		(1,157)	1,697
Other comprehensive income for the year, net of tax	35, 36	(12,869)	(12,962)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		98,788	91,676
Basic and diluted earnings per € 33.2 share in €	25	8.60	8.06

The accompanying notes on pages 129 to 212 form an integral part of these financial statements.

Separate statement of changes in equity for the year ended 31 December 2014

(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 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
At 1 January 2014	430,819	13,501	87,493	697,185	8	43,149	272	1,272,427
Total comprehensive income for the year, net of tax	–	–	–	111,657	(9)	(11,703)	(1,157)	98,788
Dividends to shareholders	–	–	–	(84,347)	–	–	–	(84,347)
Other	–	–	–	8	(8)	–	–	–
Sale of treasury shares	–	135	–	–	–	–	–	135
At 31 December 2014	430,819	13,636	87,493	724,503	(9)	31,446	(885)	1,287,003

The accompanying notes on pages 129 to 212 form an integral part of these financial statements.

Separate statement of cash flows for the year ended 31 December 2014

(In thousands of euro)

	Note	2014	2013
Cash flows from operating activities			
Profit before tax		146,042	137,792
Adjustments for:			
Amortisation		11,546	9,355
Depreciation		12,644	13,875
Securities at fair value through profit or loss, debt securities in issue and FX differences		21,618	(17,204)
Interest income		(442,733)	(460,479)
Interest expense		86,762	109,723
Dividend income		(2,287)	(1,696)
Sale of property and equipment		1	(38)
Impairment losses and similar charges		79,750	75,638
Interest received		472,704	467,009
Interest paid		(92,949)	(114,858)
Dividends received		2,287	1,696
Tax paid		(31,171)	(16,203)
Due from banks		3,981	(30,339)
Financial assets at fair value through profit or loss		204,409	(137,303)
Derivative financial instruments (assets)		(21,873)	15,095
Available-for-sale financial assets		40,813	(125,255)
Loans and advances to customers		(656,783)	(90,833)
Other assets		240	976
Due to central and other banks		(127,229)	113,206
Derivative financial instruments (liabilities)		19,175	(10,310)
Due to customers		31,181	210,399
Other liabilities		8,267	1,209
Net cash (used in)/from operating activities		(233,605)	151,455
Cash flows from investing activities			
Repayments of held-to-maturity investments		445,220	43,152
Purchase of intangible assets and property and equipment		(19,676)	(22,435)
Disposal of property and equipment		3	45
Disposal of subsidiaries		424	–
Net cash from investing activities		425,971	20,762
Cash flows from financing activities			
Proceeds from issue of debt securities		239,751	122,359
Repayments of debt securities		(194,862)	(119,885)
Sale of treasury shares		135	133
Dividends paid		(84,347)	(64,623)
Net cash used in financing activities		(39,323)	(62,016)
Net change in cash and cash equivalents		153,043	110,201
Cash and cash equivalents at the beginning of the year	6	275,917	165,716
Cash and cash equivalents at the end of the year	6	428,960	275,917

The accompanying notes on pages 129 to 212 form an integral part of these financial statements.

Notes to the separate financial statements prepared in accordance with IFRS as adopted by the EU for the year ended 31 December 2014

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 and the tax identification number (DIČ) 2020411811.

At 31 December 2014, the Bank had a network of 239 points of sale (including Retail Branches, Corporate Branches and Mortgage centres) located throughout Slovakia (December 2013: 244). 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 2014, the members of the Management Board are: Alexander Resch (Chairman), Antonio Bergalio (since 1 October 2014), Jiří Huml, Jozef Kausich, Elena Kohútiková, Peter Magala and Peter Novák (since 1 October 2014).

Other members of the Management Board during 2014 were: Andrea De Michelis (until 30 June 2014), Stanislav Hodek (until 31 March 2014) and Silvia Púchovská (until 2 February 2014).

At 31 December 2014, the members of the Supervisory Board are: Ezio Salvai (Chairman since 25 March 2014), Ignacio Jaquotot (Vice Chairman), Ján Gallo (since 22 January 2014), Massimo Malagoli, Paolo Sarcinelli, Christian Schaack and Andrej Straka.

Another member of the Supervisory Board during 2014 was György Surányi (Chairman until 25 March 2014).

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 2013 were authorised for issue by the Management Board on 17 February 2014.

The consolidated financial statements of the VUB Group for the year ended 31 December 2014 were issued on 17 February 2015 and are available at the registered 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.

2.2 Changes in accounting policies and presentation

The 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 or after their adoption by the EU.

Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions

The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria. Namely that they are:

– set out in the formal terms of the plan;
– linked to service; and
– independent of the number of years of service.

When these criteria are met, a company is permitted (but not required) to recognize them as a reduction of the service cost in the period in which the related service is rendered. The Bank does not expect the amendment to standard to have any impact on its financial statements since it does not have any defined benefit plans that involve contributions from employees or third parties.

IFRIC 21 Levies

The Interpretation provides guidance as to the identification of the obligating event giving rise to a liability, and to the timing of recognising a liability to pay a levy imposed by government. In accordance with the Interpretation, the obligating event is the activity that triggers the payment of that levy, as identified in the relevant legislation and as a consequence, the liability for paying the levy is recognised when this event occurs.

The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time. If the obligating event is the reaching of a minimum activity threshold, the corresponding liability is recognised when that minimum activity threshold is reached. The Interpretation sets out that an entity cannot have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the entity being economically compelled to continue to operate in that future period.

It is expected that the Interpretation, when initially applied, will not have a material impact on the financial statements of the Bank, since it does not result in a change in the Bank's accounting policy regarding levies imposed by governments.

Annual Improvements to IFRSs

The improvements introduce eleven amendments to nine standards and consequential amendments to other standards and interpretations. Most of these amendments are applicable to annual periods beginning on or after 1 February 2015, with earlier adoption permitted. Another four amendments to four standards are applicable to annual periods beginning on or after 1 January 2015, with earlier adoption permitted. None of these amendments are expected to have a significant impact on the financial statements of the Bank.

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.

2.7 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:

(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 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:

(i) 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.

(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 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.

(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.

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 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,

(ii) 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, inflation 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'.

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. They are represented by assets, 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.

2.16 Subsidiaries, associates and joint ventures

Subsidiaries, associates and joint ventures 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, 30, 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.

2.20 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	2.05 %	2.05 %
Growth of wages in 2015	n/a	1.50 %
Future growth of wages after 2015	n/a	1.00 %
Fluctuation of employees (based on age)	6 – 21 %	6 – 21 %
Retirement age	Based on valid legislation	
Mortality	Based on mortality tables issued by the Statistical Office of the Slovak Republic	

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.

2.24 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.

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:

(a) Credit risk,
(b) Market risk,
(c) Liquidity risk,
(d) Operational risk.

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

Risk management framework

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

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

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

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

(a) Credit risk

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.

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.

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

€ '000	Amortised cost	Impairment losses	Carrying amount 2014	Amortised cost	Impairment losses	Carrying amount 2013
Portfolio assessed						
Banks	610,871	(6)	610,865	771,491	(24)	771,467
Customers						
Sovereigns	146,978	(349)	146,629	144,326	(310)	144,016
Corporate	2,981,630	(32,184)	2,949,446	2,716,346	(26,201)	2,690,145
Retail	4,692,751	(148,160)	4,544,591	4,297,207	(142,010)	4,155,197
	7,821,359	(180,693)	7,640,666	7,157,879	(168,521)	6,989,358
Securities						
FVTPL	1,055	–	1,055	207,674	–	207,674
AFS	1,523,939	–	1,523,939	1,588,324	–	1,588,324
HTM	533,456	–	533,456	996,428	(597)	995,831
	2,058,450	–	2,058,450	2,792,426	(597)	2,791,829
Individually assessed						
Customers						
Sovereigns	–	–	–	305	(75)	230
Corporate	174,769	(76,488)	98,281	243,691	(83,875)	159,816
Retail	21,088	(7,846)	13,242	17,626	(7,047)	10,579
	195,857	(84,334)	111,523	261,622	(90,997)	170,625
Securities						
AFS	574	(574)	–	574	(574)	–
	574	(574)	–	574	(574)	–

The Bank uses 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.

Capital requirement calculation

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 Advanced IRB approach for portfolio of residential mortgages from July 2012 and for the Corporate segment and for Retail Small Business from June 2014. Foundation IRB approach is used for corporate exposures where LGD is not available. The Bank is also proceeding with the development of the rating models for other segments, to which the standard methods are currently applied, and also with the extension of the scope of subsidiaries in accordance with the gradual rollout plan for the advanced approaches presented to the Supervisory Authority.

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

€ '000	Category	2014 Amor-tised cost	2014 Impair-ment losses	2014 Carrying amount	2013 Amor-tised cost	2013 Impair-ment losses	2013 Carrying amount
Banks							
	Performing	610,871	(6)	610,865	771,491	(24)	771,467
		610,871	(6)	610,865	771,491	(24)	771,467
Sovereigns							
	Performing	146,942	(349)	146,593	144,307	(310)	143,997
	Substandard	36	–	36	324	(75)	249
		146,978	(349)	146,629	144,631	(385)	144,246
Corporate							
	Performing	2,982,053	(31,815)	2,950,238	2,791,242	(31,972)	2,759,270
	Past due	61	(31)	30	48	(23)	25
	Restructured	3,466	(174)	3,292	3,881	(3,785)	96
	Substandard	61,246	(9,822)	51,424	59,748	(10,553)	49,195
	Doubtful	109,573	(66,830)	42,743	105,118	(63,743)	41,375
		3,156,399	(108,672)	3,047,727	2,960,037	(110,076)	2,849,961
Retail							
	Performing	4,518,264	(48,097)	4,470,167	4,113,572	(42,242)	4,071,330
	Past due	17,379	(8,744)	8,635	16,925	(7,314)	9,611
	Substandard	18,579	(7,706)	10,873	14,357	(5,694)	8,663
	Doubtful	159,617	(91,459)	68,158	169,979	(93,807)	76,172
		4,713,839	(156,006)	4,557,833	4,314,833	(149,057)	4,165,776
Securities							
	Performing	2,058,450	–	2,058,450	2,792,426	(597)	2,791,829
	Doubtful	574	(574)	–	574	(574)	–
		2,059,024	(574)	2,058,450	2,793,000	(1,171)	2,791,829

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. The credit risk of the remaining financial assets not reported in the table below approximates their carrying amounts.

€ '000	2014	2013
Financial assets		
Derivative financial instruments	67,097	52,866
Financial commitments and contingencies		
Issued guarantees	733,162	627,306
Commitments and undrawn credit facilities	2,494,296	2,221,640
	3,227,458	2,848,946

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.

€ '000			2014			2013
	Amortised cost	Impairment losses	Carrying amount	Amortised cost	Impairment losses	Carrying amount
Banks						
No delinquency	610,871	(6)	610,865	766,533	(22)	766,511
1 – 30 days	–	–	–	4,958	(2)	4,956
	610,871	(6)	610,865	771,491	(24)	771,467
Sovereigns						
No delinquency	146,604	(348)	146,256	144,021	(381)	143,640
1 – 30 days	338	(1)	337	525	(1)	524
91 – 180 days	–	–	–	66	(3)	63
Over 181 days	36	–	36	19	–	19
	146,978	(349)	146,629	144,631	(385)	144,246
Corporate						
No delinquency	3,051,525	(48,452)	3,003,073	2,838,888	(52,132)	2,786,756
1 – 30 days	18,857	(5,437)	13,420	41,464	(16,935)	24,529
31 – 60 days	8,411	(782)	7,629	9,135	(3,807)	5,328
61 – 90 days	269	(190)	79	8,429	(3,016)	5,413
91 – 180 days	1,899	(605)	1,294	9,552	(1,472)	8,080
Over 181 days	75,438	(53,206)	22,232	52,569	(32,714)	19,855
	3,156,399	(108,672)	3,047,727	2,960,037	(110,076)	2,849,961
Retail						
No delinquency	4,325,260	(29,714)	4,295,546	3,907,727	(26,280)	3,881,447
1 – 30 days	135,925	(9,616)	126,309	153,327	(8,416)	144,911
31 – 60 days	38,701	(4,851)	33,850	38,943	(3,672)	35,271
61 – 90 days	26,826	(4,139)	22,687	24,504	(3,030)	21,474
91 – 180 days	32,064	(13,421)	18,643	29,714	(11,334)	18,380
Over 181 days	155,063	(94,265)	60,798	160,618	(96,325)	64,293
	4,713,839	(156,006)	4,557,833	4,314,833	(149,057)	4,165,776
Securities						
No delinquency	2,059,024	(574)	2,058,450	2,793,000	(1,171)	2,791,829
	2,059,024	(574)	2,058,450	2,793,000	(1,171)	2,791,829

Loans with renegotiated terms and the forbearance policy

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position, where the Bank has made concessions by agreeing to terms and conditions that are more favourable for the borrower than the Bank has provided initially. The revised terms usually include extending maturity, changing timing of interest payments and amendments to the terms of loan covenants. The Bank implements forbearance policy in order to maximise collection opportunities and minimise the risk of default. Under the Bank's forbearance policy, an exposure is identified as forborne if both of these two conditions are satisfied:

– The Bank must determine the financial difficulties that the debtor is facing or is about to face;
– The exposure must be subject to renegotiation or refinancing, granted in relation to the borrower's current financial difficulties or financial difficulties that would have occurred in the absence of the renegotiation or refinancing measures.

Both retail and corporate customers are subject to the forbearance policy:

31 December 2014 € '000	Performing forborne Amortised cost	Performing forborne Impairment losses	Performing forborne Carrying amount	Non-performing forborne Amortised cost	Non-performing forborne Impairment losses	Non-performing forborne Carrying amount
Corporate	32,024	(1,019)	31,005	143,816	(53,671)	90,145
Retail	88,862	(2,719)	86,143	8,870	(3,511)	5,359
	120,886	(3,738)	117,148	152,686	(57,182)	95,504

The comparative information for the year 2013 is not disclosed for impracticability reasons.

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.

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 including collateral.

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:

		2014		2013
€ '000	**Clients**	**Banks**	**Clients**	**Banks**
Debt securities	48,697	501,458	46,699	470,431
Other	459,544	18,421	624,434	56,316
Property	4,172,631	–	3,755,743	–
	4,680,872	519,879	4,426,876	526,747

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.

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'):

31 December 2014 € '000	Gross amount	Gross amount offset in SOFP	Net amount presented in SOFP	Related amounts not offset in SOFP Financial instrum. and non-cash collateral	Cash collateral (received)/ provided	Net amount
Financial assets						
Due from banks (reverse repo)	501,458	–	501,458	(521,912)	21,800	1,346
Derivative financial instruments	41,446	–	41,446	–	(4,821)	36,625
	542,904	–	542,904	(521,912)	16,979	37,971
Financial liabilities						
Derivative financial instruments	(54,330)	–	(54,330)	–	28,220	(26,110)
	(54,330)	–	(54,330)	–	28,220	(26,110)

31 December 2013 € '000	Gross amount	Gross amount offset in SOFP	Net amount presented in SOFP	Related amounts not offset in SOFP: Financial instrum. and non-cash collateral	Related amounts not offset in SOFP: 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)

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	2014 Total carrying amount presented in SOFP	2014 In scope of offsetting disclosure	2014 Not in scope of offsetting disclosure	2013 Total carrying amount presented in SOFP	2013 In scope of offsetting disclosure	2013 Not in scope of offsetting disclosure
Financial assets							
Due from banks	8	610,865	501,458	109,407	771,467	501,731	269,736
Derivative financial instruments	10	49,937	41,446	8,491	29,221	17,305	11,916
Financial liabilities							
Derivative financial instruments	10	(62,059)	(54,330)	(7,729)	(42,884)	(28,586)	(14,298)

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	Amortised cost	Impairment losses	2014 Carrying amount	Amortised cost	Impairment losses	2013 Carrying amount
Europe						
Banks	602,243	(3)	602,240	763,640	(21)	763,619
Sovereigns	146,978	(349)	146,629	144,631	(385)	144,246
Corporate	3,156,399	(108,672)	3,047,727	2,959,864	(110,051)	2,849,813
Retail	4,712,008	(155,959)	4,556,049	4,313,029	(149,026)	4,164,003
Securities	2,059,024	(574)	2,058,450	2,793,000	(1,171)	2,791,829
	10,676,652	(265,557)	10,411,095	10,974,164	(260,654)	10,713,510
America						
Banks	8,275	(3)	8,272	7,742	(3)	7,739
Retail	169	(3)	166	249	(4)	245
	8,444	(6)	8,438	7,991	(7)	7,984
Asia						
Banks	320	–	320	95	–	95
Corporate	–	–	–	173	(25)	148
Retail	1,166	(25)	1,141	994	(20)	974
	1,486	(25)	1,461	1,262	(45)	1,217
Rest of the World						
Banks	33	–	33	14	–	14
Retail	496	(19)	477	561	(7)	554
	529	(19)	510	575	(7)	568

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

€ '000	Amortised cost	Impairment losses	2014 Carrying amount	Amortised cost	Impairment losses	2013 Carrying amount
Europe						
Slovakia	1,666,929	(574)	1,666,355	2,355,031	(1,171)	2,353,860
Italy	382,010	–	382,010	401,688	–	401,688
Poland	–	–	–	36,281	–	36,281
Other	10,085	–	10,085	–	–	–
	2,059,024	(574)	2,058,450	2,793,000	(1,171)	2,791,829

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

31 December 2014 € '000	Banks	Sovereigns	Corporate	Retail	Securities
Agriculture	–	–	67,169	20,561	–
Construction	–	–	111,042	13,650	–
Consumers	–	–	–	4,361,715	–
Energy and water supply	–	–	511,985	1,773	–
Financial services	610,865	–	273,167	144	210,699
Government	–	137,533	–	–	1,847,751
Manufacturing	–	–	560,615	25,628	–
Professional services	–	–	127,268	12,586	–
Real estate	–	–	447,839	26,944	–
Retail & Wholesale	–	–	545,085	59,993	–
Services	–	–	156,560	12,322	–
Transportation	–	9,096	213,831	10,646	–
Other	–	–	33,166	11,871	–
	610,865	146,629	3,047,727	4,557,833	2,058,450

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

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 2014 € '000	**Amortised cost**	**Impairment losses**	**Carrying amount**	**Amortised cost**	**Impair-ment losses**	**Carrying amount**	**Amortised cost**	**Impair-ment losses**	**Carrying amount**
Banks	610,871	(6)	610,865	–	–	–	–	–	–
Sovereigns									
Municipalities	146,604	(348)	146,256	36	–	36	338	(1)	337
Corporate									
Large Corporates	1,108,045	(5,588)	1,102,457	22,863	(11,721)	11,142	–	–	–
Specialized Lending	753,016	(13,334)	739,682	82,716	(20,594)	62,122	7,027	(210)	6,817
SME	719,205	(11,352)	707,853	68,663	(44,522)	24,141	9,154	(457)	8,697
Other Fin. Institutions	245,078	(115)	244,963	7	(2)	5	4	–	4
Public Sector Entities	1,555	(15)	1,540	97	(18)	79	2	–	2
Factoring	138,833	(732)	138,101	–	–	–	134	(12)	122
	2,965,732	(31,136)	2,934,596	174,346	(76,857)	97,489	16,321	(679)	15,642
Retail									
Small Business	168,408	(3,051)	165,357	14,151	(10,928)	3,223	4,777	(491)	4,286
Consumer Loans	822,143	(11,443)	810,700	69,136	(41,777)	27,359	64,789	(7,367)	57,422
Mortgages	3,051,350	(7,775)	3,043,575	61,440	(19,283)	42,157	94,995	(6,726)	88,269
Credit Cards	162,466	(3,339)	159,127	37,718	(26,211)	11,507	20,406	(5,122)	15,284
Overdrafts	80,523	(1,024)	79,499	13,087	(9,710)	3,377	18,587	(1,455)	17,132
Flat Owners Associations	23,195	(303)	22,892	–	–	–	–	–	–
Other	6,625	(1)	6,624	43	–	43	–	–	–
	4,314,710	(26,936)	4,287,774	195,575	(107,909)	87,666	203,554	(21,161)	182,393
Securities									
FVTPL	1,055	–	1,055	–	–	–	–	–	–
AFS	1,523,939	–	1,523,939	574	(574)	–	–	–	–
HTM	533,456	–	533,456	–	–	–	–	–	–
	2,058,450	–	2,058,450	574	(574)	–	–	–	–

31 December 2013 € '000	Neither past due nor impaired			Impaired (non-performing)			Past due but not impaired		
	Amortised cost	Impair-ment losses	Carrying amount	Amortised cost	Impair-ment losses	Carrying amount	Amortised cost	Impair-ment 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)	–	–	–	–

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

€ '000	Amortised cost	Impairment losses	2014 Carrying amount	Amortised cost	Impairment losses	2013 Carrying amount
Banks						
1 – 30 days	–	–	–	4,958	(2)	4,956
	–	–	–	4,958	(2)	4,956
Sovereigns						
1 – 30 days	338	(1)	337	525	(1)	524
	338	(1)	337	525	(1)	524
Corporate						
1 – 30 days	9,901	(539)	9,362	14,692	(277)	14,415
31 – 60 days	6,418	(140)	6,278	1,301	(140)	1,161
61 – 90 days	2	–	2	42	(21)	21
	16,321	(679)	15,642	16,035	(438)	15,597
Retail						
1 – 30 days	129,646	(8,214)	121,432	147,360	(7,241)	140,119
31 – 60 days	34,040	(3,785)	30,255	34,146	(2,913)	31,233
61 – 90 days	22,533	(3,192)	19,341	20,260	(2,342)	17,918
91 – 180 days	15,111	(4,648)	10,463	10,915	(3,856)	7,059
Over 181 days	2,224	(1,322)	902	2,515	(1,424)	1,091
	203,554	(21,161)	182,393	215,196	(17,776)	197,420

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

Large Corporates, SME	Retail Small Business and Flat Owners Associations	Risk Profile	Description
I1 – I4	I3 – 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.
D	D	Default	A default is considered to have occurred with regard to a particular obligor when either or both of the two following events have taken place: – the obligor is past due more than 90 days on any material credit obligation to the Bank, the parent undertaking or any of its subsidiaries; – the Bank considers that the obligor is unlikely to pay its credit obligations to the banking group in full, without recourse by the Bank to actions such as realizing security (if held).

For Specialized Lending which comprises of rating segments Special Purpose Vehicles ('SPV'), Projected Finance ('PF') and Real Estate Development ('RED') the Slotting approach is used by the Bank. 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 Regulation (EU) no. 575/2013 of the European Parliament and of the Council ('CRR regulation') and internally, the categories used are as follows:

Specialized Lending – SPV, PF and RED

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

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
D	D	Default

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

31 December 2014 € '000	Internal rating	Amortised cost	Impairment losses	Carrying amount
Banks	Unrated	610,871	(6)	610,865
Sovereigns				
Municipalities	Unrated	146,978	(349)	146,629
		146,978	(349)	146,629
Corporate				
Large Corporates, SME	I1 – I6	837,751	(990)	836,761
	M1 – M4	681,386	(5,459)	675,927
	R1 – R5	333,695	(14,266)	319,429
	D (default)	75,098	(52,925)	22,173
Specialized Lending – SPV, PF and RED	Strong	104,043	(211)	103,832
	Good	312,348	(2,145)	310,203
	Satisfactory	352,135	(22,342)	329,793
	Weak	70,769	(9,266)	61,503
	D (default)	3,464	(174)	3,290
Other Financial Institutions, Public Sector Entities	Unrated – PPU approach *	246,743	(150)	246,593
Factoring	Unrated	138,967	(744)	138,223
		3,156,399	(108,672)	3,047,727

* 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.

31 December 2014 € '000	Internal rating	Amortised cost	Impairment losses	Carrying amount
Retail				
Small Business,				
Flat Owners Associations	I3 – I6	23,136	(41)	23,095
	M1 – M4	96,520	(960)	95,560
	R1 – R5	54,744	(2,622)	52,122
	D (default)	12,893	(10,841)	2,052
	Unrated	23,238	(309)	22,929
Mortgages	L1 – L4	2,367,367	(420)	2,366,947
	N1 – N3	509,463	(1,008)	508,455
	W1 – W3	268,547	(10,601)	257,946
	D (default)	62,408	(21,755)	40,653
Unsecured Retail	U1	239,255	(180)	239,075
	U2 – U3	155,677	(332)	155,345
	U4 – U5	167,547	(801)	166,746
	U6 – U7	111,725	(1,276)	110,449
	U8 – U10	108,947	(3,512)	105,435
	U11 – U12	70,865	(10,118)	60,747
	D (default)	64,422	(46,610)	17,812
	Unrated	370,417	(44,619)	325,798
Other	Unrated	6,668	(1)	6,667
		4,713,839	(156,006)	4,557,833
Securities	Unrated	2,059,024	(574)	2,058,450

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
Retail				
Small Business, Flat Owners Associations	I3 – 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

(b) Market risk

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

Management of market risk

The Bank separates its exposures to market risk between trading ('trading book') and non-trading portfolios ('banking book'). Trading portfolios are held by the Trading 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 Balance Sheet Management 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:

				2014				2013
€ '000	Balance	Avg	Max	Min	Balance	Avg	Max	Min
Foreign currency risk	16	82	148	6	108	69	148	17
Interest rate risk	10	88	300	10	16	97	205	15
Overall	19	135	313	12	109	133	223	53
sVaR	111	310	937	27	281	251	439	142

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.

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). In line with the Intesa Sanpaolo Group methodology, 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 Balance Sheet Management Department, 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.

At 31 December 2014, 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 € 11,041 thousand (31 December 2013: € 6,730 thousand).

At 31 December 2014, interest rate risk generated by the banking book, measured through shift sensitivity analysis to 100 basis points, registered € – 33,317 thousand (31 December 2013: € – 32,841 thousand).

€ '000	2014	2013
EUR	(34,353)	(32,833)
Other	1,036	(8)
	(33,317)	(32,841)

At 31 December 2014, the sensitivity of the AFS reserve in equity related to the non-hedged part of the portfolio to 100 basis points rise in interest rates was € – 6,735 thousand (31 December 2013: the AFS reserve was not sensitive to interest rate movements since the interest rate risk of majority of AFS bonds was hedged). At 31 December 2014, the sensitivity of CF hedges reserve in equity to 100 basis points rise in interest rates was € 4,368 thousand (31 December 2013: € – 3,238 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 2014 € '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	405,060	–	–	–	–	405,060
Due from banks	138,022	50,790	501,500	1,418	14	691,744
Available-for-sale financial assets	129,989	25,625	255,031	1,129,919	–	1,540,564
Loans and advances to customers	1,661,883	1,161,314	1,811,715	3,135,306	449,943	8,220,161
Held-to-maturity investments	–	–	24,583	495,806	130,950	651,339
	2,334,954	1,237,729	2,592,829	4,762,449	580,907	11,508,868
Liabilities						
Due to central and other banks	(230,561)	(62,052)	(88,886)	(2,942)	(691)	(385,132)
Due to customers	(3,530,737)	(718,393)	(1,795,601)	(1,567,751)	(282,575)	(7,895,057)
Debt securities in issue	(201,349)	(320,602)	(185,491)	(448,826)	(502,877)	(1,659,145)
	(3,962,647)	(1,101,047)	(2,069,978)	(2,019,519)	(786,143)	(9,939,334)
Net position of financial instruments	(1,627,693)	136,682	522,851	2,742,930	(205,236)	1,569,534

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	250,056	2,826	521,216	3,400	54	777,552
Available-for-sale financial assets	305,118	17,850	52,049	1,182,626	70,941	1,628,584
Loans and advances to customers	1,874,061	1,167,313	1,461,882	2,975,326	339,589	7,818,171
Held-to-maturity investments	–	394,419	93,527	239,284	411,665	1,138,895
	2,525,869	1,582,408	2,128,674	4,400,636	822,249	11,459,836
Liabilities						
Due to central and other banks	(344,781)	(89,843)	(81,888)	(6,420)	(3,937)	(526,869)
Due to customers	(3,240,738)	(784,631)	(1,624,601)	(1,951,077)	(288,681)	(7,889,728)
Debt securities in issue	(222,446)	(301,507)	(306,769)	(394,291)	(389,013)	(1,614,026)
	(3,807,965)	(1,175,981)	(2,013,258)	(2,351,788)	(681,631)	(10,030,623)
Net position of financial instruments	(1,282,096)	406,427	115,416	2,048,848	140,618	1,429,213

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

	2014 %	2013 %
Assets		
Cash and balances with central banks	0.20	0.29
Due from banks	0.68	1.44
Financial assets at fair value through profit or loss	2.04	1.62
Available-for-sale financial assets	2.24	2.57
Loans and advances to customers	4.84	5.07
Held-to-maturity investments	4.33	4.17
Liabilities		
Due to central and other banks	0.54	0.52
Due to customers	0.63	0.86
Debt securities in issue	2.43	2.67

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 2014 € '000	EUR	USD	CZK	Other	Total
Assets					
Cash and balances with central banks	143,938	1,342	256,720	3,060	405,060
Due from banks	592,946	5,592	27	12,300	610,865
Financial assets at fair value through profit or loss	1,055	–	–	–	1,055
Derivative financial instruments	49,305	–	632	–	49,937
Available-for-sale financial assets	1,523,939	–	–	–	1,523,939
Loans and advances to customers	7,403,758	188,317	155,032	5,082	7,752,189
Held-to-maturity investments	533,456	–	–	–	533,456
	10,248,397	195,251	412,411	20,442	10,876,501
Liabilities					
Due to central and other banks	(293,881)	(26,417)	(59,144)	(596)	(380,038)
Derivative financial instruments	(61,884)	–	(175)	–	(62,059)
Due to customers	(7,459,613)	(151,966)	(165,903)	(86,916)	(7,864,398)
Debt securities in issue	(1,395,959)	–	(73,506)	–	(1,469,465)
	(9,211,337)	(178,383)	(298,728)	(87,512)	(9,775,960)
Net position	1,037,060	16,868	113,683	(67,070)	1,100,541

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

(c) Liquidity risk

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

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

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

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

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

The departments of the Bank that are responsible for ensuring the correct application of the Guidelines are the Treasury Department responsible for short term liquidity management, the Balance Sheet Management 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.

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

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

The liquidity position of the Bank and the subsidiaries is regularly presented by 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 2014 € '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	405,060	–	–	–	–	–	405,060
Due from banks	52,699	77	550,284	10,177	–	–	613,237
Financial assets at fair value through profit or loss	50	2	348	30	–	625	1,055
Available-for-sale financial assets	89,381	19,862	67,815	1,414,604	–	48	1,591,710
Loans and advances to customers	435,420	402,261	1,527,613	3,305,450	4,746,240	8,403	10,425,387
Held-to-maturity investments	–	–	24,583	495,806	130,950	–	651,339
	982,610	422,202	2,170,643	5,226,067	4,877,190	9,076	13,687,788
Liabilities							
Due to central and other banks	(226,423)	(5,124)	(27,825)	(85,170)	(41,351)	–	(385,893)
Due to customers	(5,635,022)	(454,601)	(1,385,092)	(420,289)	(2,135)	(36)	(7,897,175)
Debt securities in issue	(1,349)	(34,303)	(263,934)	(859,300)	(502,877)	–	(1,661,763)
	(5,862,794)	(494,028)	(1,676,851)	(1,364,759)	(546,363)	(36)	(9,944,831)
Net position of financial instruments	(4,880,184)	(71,826)	493,792	3,861,308	4,330,827	9,040	3,742,957
Cash inflows from derivatives	339,774	83,168	75,867	61,258	23,922	–	583,989
Cash outflows from derivatives	(329,897)	(82,181)	(76,605)	(63,213)	(18,292)	–	(570,188)
Net position from derivatives	9,877	987	(738)	(1,955)	5,630	–	13,801
Commitments and undrawn credit facilities	2,494,296	–	–	–	–	–	2,494,296
Issued guarantees	733,162	–	–	–	–	–	733,162
Net position from financial commitments and contingencies	3,227,458	–	–	–	–	–	3,227,458

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	189,361	243	518,722	66,636	1,216	–	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	18,677	1,570,056	85,951	40	1,697,764
Loans and advances to customers	518,272	276,405	1,622,603	2,947,490	4,689,451	10,622	10,064,843
Held-to-maturity investments	–	394,419	93,527	239,284	411,665	–	1,138,895
	993,586	696,319	2,256,556	4,836,554	5,188,283	11,335	13,982,633
Liabilities							
Due to central and other banks	(305,878)	(5,880)	(15,415)	(85,189)	(115,924)	–	(528,286)
Due to customers	(5,362,522)	(522,263)	(1,218,333)	(803,659)	(8,277)	(39)	(7,915,093)
Debt securities in issue	(1,446)	(15,808)	(216,170)	(926,984)	(471,666)	–	(1,632,074)
	(5,669,846)	(543,951)	(1,449,918)	(1,815,832)	(595,867)	(39)	(10,075,453)
Net position of financial instruments	(4,676,260)	152,368	806,638	3,020,722	4,592,416	11,296	3,907,180
Cash inflows from derivatives	627,853	142,465	175,006	79,495	15,738	–	1,040,557
Cash outflows from derivatives	(635,762)	(143,150)	(176,815)	(78,157)	(22,784)	–	(1,056,668)
Net position from derivatives	(7,909)	(685)	(1,809)	1,338	(7,046)	–	(16,111)
Commitments and undrawn credit facilities	2,221,640	–	–	–	–	–	2,221,640
Issued guarantees	627,306	–	–	–	–	–	627,306
Net position from financial commitments and contingencies	2,848,946	–	–	–	–	–	2,848,946

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

31 December 2014 € '000	Less than 12 months	Over 12 months	Total
Assets			
Cash and balances with central banks	405,060	–	405,060
Due from banks	601,403	9,462	610,865
Financial assets at fair value through profit or loss	400	655	1,055
Derivative financial instruments	19,998	29,939	49,937
Available-for-sale financial assets	163,564	1,360,375	1,523,939
Loans and advances to customers	2,051,081	5,701,108	7,752,189
Held-to-maturity investments	16,359	517,097	533,456
Subsidiaries, associates and joint ventures	–	95,566	95,566
Intangible assets	–	55,032	55,032
Property and equipment	–	100,041	100,041
Deferred income tax assets	–	34,685	34,685
Other assets	13,190	–	13,190
	3,271,055	7,903,960	11,175,015
Liabilities			
Due to central and other banks	(258,068)	(121,970)	(380,038)
Derivative financial instruments	(9,481)	(52,578)	(62,059)
Due to customers	(7,451,732)	(412,666)	(7,864,398)
Debt securities in issue	(282,549)	(1,186,916)	(1,469,465)
Current income tax liabilities	(8,240)	–	(8,240)
Provisions	–	(27,608)	(27,608)
Other liabilities	(73,008)	(3,196)	(76,204)
	(8,083,078)	(1,804,934)	(9,888,012)
	(4,812,023)	6,099,026	1,287,003

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	9,442	19,779	29,221
Available-for-sale financial assets	28,589	1,559,735	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 joint ventures	–	95,990	95,990
Intangible assets	–	51,348	51,348
Property and equipment	–	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
	3,667,811	7,483,567	11,151,378
Liabilities			
Due to central and other banks	(327,901)	(179,375)	(507,276)
Derivative financial instruments	(21,576)	(21,308)	(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)
	(7,678,936)	(2,200,015)	(9,878,951)
	(4,011,125)	5,283,552	1,272,427

(d) Operational risk

Operational risk management strategies and processes

The Bank, in coordination with Intesa Sanpaolo, has defined the overall operational risk management framework by setting up a 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 activitie s 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 Approach ('TSA') for VUB Factoring.

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 relevant Bank's Committee 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.

(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.

31 December 2014 € '000	Note	At amortised cost	At fair value	Carrying amount Total carrying amount	Level 1	Level 2	Level 3	Fair value Total fair value
Financial assets								
Cash and balances with central banks	7	405,060	–	405,060	–	405,060	–	405,060
Due from banks	8	610,865	–	610,865	–	611,750	–	611,750
Financial assets at fair value through profit or loss	9	–	1,055	1,055	625	430	–	1,055
Derivative financial instruments	10	–	49,937	49,937	–	49,937	–	49,937
Available-for-sale financial assets	11	–	1,523,939	1,523,939	480,098	1,043,841	–	1,523,939
Loans and advances to customers	12	7,752,189	–	7,752,189	–	–	9,275,030	9,275,030
Held-to-maturity investments	14	533,456	–	533,456	–	622,803	–	622,803
		9,301,570	1,574,931	10,876,501	480,723	2,733,821	9,275,030	12,489,574
Financial liabilities								
Due to central and other banks	20	(380,038)	–	(380,038)	–	(380,038)	–	(380,038)
Derivative financial instruments	10	–	(62,059)	(62,059)	–	(62,059)	–	(62,059)
Due to customers	21	(7,864,398)	–	(7,864,398)	–	(7,844,489)	–	(7,844,489)
Debt securities in issue	22	(1,469,465)	–	(1,469,465)	–	(1,540,516)	–	(1,540,516)
		(9,713,901)	(62,059)	(9,775,960)	–	(9,827,102)	–	(9,827,102)

31 December 2013 € '000	Note	Carrying amount At amortised cost	At fair value	Total carrying amount	Level 1	Level 2	Level 3	Fair value 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	3,249,915	8,256,800	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)

There were no transfers of financial instruments among the levels during 2014 and 2013.

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, sole traders 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.

31 December 2014 € '000	Retail Banking	Corporate Banking	Central Treasury	Other	Total
External revenue					
Interest and similar income	279,337	80,434	10,814	72,148	442,733
Interest and similar expense	(40,333)	(7,230)	(2,347)	(36,852)	(86,762)
Inter-segment revenue	(24,562)	(16,130)	(5,527)	46,219	–
Net interest income	214,442	57,074	2,940	81,515	355,971
Net fee and commission income	50,855	21,060	3,334	(4,394)	70,855
Net trading result	3,136	3,681	8,913	(4,065)	11,665
Other operating income	6,001	1,063	(10)	(3,871)	3,183
Dividend income	–	–	–	2,287	2,287
Total segment operating income	274,434	82,878	15,177	71,472	443,961
Depreciation and amortisation	(15,625)	(749)	(24)	(7,792)	(24,190)
Operating expenses					(217,348)
Operating profit before impairment					202,423
Impairment losses	(31,631)	(21,888)	709	(3,571)	(56,381)
Income tax expense					(34,385)
Net profit for the year					111,657
Segment assets	4,531,389	3,438,971	416,142	2,788,513	11,175,015
Segment liabilities and equity	4,799,422	2,305,163	1,103,674	2,966,756	11,175,015

31 December 2013 € '000	Retail Banking	Corporate Banking	Central Treasury	Other	Total
External revenue					
Interest and similar income	282,366	74,832	16,293	86,988	460,479
Interest and similar 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

6. Cash and cash equivalents

€ '000	Note	2014	2013
Cash and balances with central banks	7	405,060	96,634
Current accounts in other banks	8	19,631	16,145
Term deposits with other banks	8	4,269	163,138
		428,960	275,917

7. Cash and balances with central banks

€ '000	2014	2013
Balances with central banks:		
Compulsory minimum reserves	190,294	1,128
Current accounts	–	112
Term deposits	119,892	–
	310,186	1,240
Cash in hand	94,874	95,394
	405,060	96,634

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	2014	2013
Current accounts	6	19,631	16,145
Term deposits			
with contractual maturity less than 90 days	6	4,269	163,138
with contractual maturity over 90 days		20,066	20,071
Loans and advances			
with contractual maturity over 90 days		516,885	562,058
Cash collateral		50,020	10,079
Impairment losses	13	(6)	(24)
		610,865	771,467

At 31 December 2014 the balance of 'Term deposits' includes one deposit with Intesa Sanpaolo S.p.A. in the nominal amount of € 20,000 thousand and one deposit with CIB Bank in the nominal amount of € 4,269 thousand (31 December 2013: 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 2014 the balance of 'Loans and advances' comprises of two short term reverse repo trades concluded with Intesa Sanpaolo S.p.A. in the total nominal amount of € 499,719 thousand (31 December 2013: one repo trade in the nominal amount of € 499,494 thousand). The repo trades are secured by state bonds and cash collateral.

9. Financial assets at fair value through profit or loss

€ '000	2014	2013
Financial assets held for trading		
State bonds		
with contractual maturity over 90 days	50	206,639
Bank bonds		
with contractual maturity over 90 days	380	362
	430	207,001
Financial assets designated at fair value through profit or loss on initial recognition		
Equity shares	625	673
	1,055	207,674

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

At 31 December 2014 and 31 December 2013, 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	2014 Assets	2013 Assets	2014 Liabilities	2013 Liabilities
Trading derivatives	29,576	24,341	18,160	33,754
Cash flow hedges of interest rate risk	–	1,608	1,134	1,259
Fair value hedges of interest rate and inflation risk	20,361	3,272	42,765	7,871
	49,937	29,221	62,059	42,884

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 2014, the negative fair value of this derivative was € 1,627 thousand (31 December 2013: € 1,307 thousand).

€ '000	2014 Assets	2013 Assets	2014 Liabilities	2013 Liabilities
Trading derivatives – Fair values				
Interest rate instruments				
Swaps	6,826	8,390	5,504	7,688
Options	1,674	2,534	1,711	2,551
	8,500	10,924	7,215	10,239
Foreign currency instruments				
Forwards and swaps	16,625	8,201	4,790	16,429
Cross currency swaps	–	–	1,627	1,307
Options	1,407	1,822	1,508	2,385
	18,032	10,023	7,925	20,121
Equity and commodity instruments				
Equity options	3,044	3,394	3,020	3,394
	29,576	24,341	18,160	33,754

€ '000	2014 Assets	2013 Assets	2014 Liabilities	2013 Liabilities
Trading derivatives – Notional values				
Interest rate instruments				
Swaps	418,784	458,950	418,784	458,950
Options	169,598	163,897	169,598	163,897
	588,382	622,847	588,382	622,847
Foreign currency instruments				
Forwards and swaps	426,957	843,205	414,849	851,532
Cross currency swaps	28,844	29,168	30,449	30,449
Options	68,644	74,264	68,606	74,123
	524,445	946,637	513,904	956,104
Equity and commodity instruments				
Equity options	23,398	14,304	23,402	14,304
	1,136,225	1,583,788	1,125,688	1,593,255

Cash flow hedges of interest rate risk

At 31 December 2014 the Bank uses two interest rate swaps to hedge the interest rate risk arising from the issuance of two 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.

At 31 December 2013 the Bank used another two interest rate swaps to hedge the interest rate risk arising from the issuance of two variable rate mortgage bonds and one interest rate swap to hedge the interest rate risk of one variable rate bond from available-for-sale ('AFS') portfolio. All of these hedging relationships were terminated in 2014.

Below is a schedule indicating as at 31 December 2014 and 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
2014			
Mortgage bonds – interest rate risk	(1,851)	(46,745)	-
2013			
Mortgage bonds – interest rate risk	(2,078)	(3,422)	-
AFS bond – interest rate risk	1,120	635	-

The net expense on cash flow hedges reclassified from 'Other comprehensive income' to the 'Net interest income' during 2014 was € 27 thousand (2013: net expense of € 2,033 thousand).

Fair value hedges of interest rate and inflation 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.

The Bank also uses three asset swaps to hedge the inflation risk and the interest rate risk of one inflation bond held in the AFS portfolio (the bond and swaps were purchased together as a package transaction). The changes in fair value of these asset swaps substantially offset the changes in fair value of AFS portfolio bond, both in relation to changes of interest rates and inflation reference index.

Furthermore, the Bank uses fifteen interest rate swaps to hedge the interest rate risk arising from the issuance of eleven 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 2014, the Bank recognised a net gain of € 12,712 thousand (2013: net loss of € 1,652 thousand) in relation to the fair value hedging instruments above. The net loss on hedged items attributable to the hedged risks amounted to € 13,523 thousand (2013: net gain of € 1,782 thousand). Both items are disclosed within 'Net trading result'.

During 2014, interest and similar income from hedged AFS securities in the amount of € 22,360 thousand (2013: € 11,154 thousand) was compensated by interest expense from interest rate swap and asset swap hedging instruments in the amount of € 5,779 thousand (2013: € 3,623 thousand).

At 31 December 2014, interest expense from the hedged mortgage bonds in the amount of € 8,476 thousand (31 December 2013: € 8,917 thousand) was compensated by interest income from the interest rate swap hedging instruments in the amount of € 2,915 thousand (31 December 2013: € 3,366 thousand).

During 2014 the foreign branch of VUB used 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. All three hedging relationships expired in 2014.

In 2014, the Bank recognised in relation to the fair value hedging instruments of the foreign branch of VUB a net gain of € 124 thousand (2013: net gain of € 195 thousand). The net loss on hedged items attributable to the hedged risks amounted to € 123 thousand (2013: net loss of € 198 thousand). Both items are disclosed within 'Net trading result'.

In 2014, interest and similar income from hedged fixed income loans in the amount of € 263 thousand (2013: € 459 thousand) was compensated by interest expense from interest rate swap hedging instruments in the amount of € 131 thousand (2013: € 186 thousand).

11. Available-for-sale financial assets

€ '000	Note	Share 2014	Share 2013	2014	2013
State bonds of EU countries				1,314,245	1,428,327
Bank bonds				209,646	159,957
Equity shares at cost					
RVS, a.s.		8.38 %	8.38 %	574	574
S.W.I.F.T.		0.01 %	0.01 %	48	40
Impairment losses to equity shares at cost	13			(574)	(574)
				1,523,939	1,588,324

At 31 December 2014, bonds in the total nominal amount of € 830,261 thousand from available-for-sale portfolio were pledged by the Bank to secure collateralized transactions (31 December 2013: € 556,261 thousand). 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 2014 € '000	Amortised cost	Impairment losses (note 13)	Carrying amount
Sovereigns			
Municipalities	146,978	(349)	146,629
Corporate			
Large Corporates	1,130,908	(17,309)	1,113,599
Specialized Lending	842,759	(34,138)	808,621
Small and Medium Enterprises ('SME')	797,022	(56,331)	740,691
Other Financial Institutions	245,089	(117)	244,972
Public Sector Entities	1,654	(33)	1,621
Factoring	138,967	(744)	138,223
	3,156,399	(108,672)	3,047,727
Retail			
Small Business	187,336	(14,470)	172,866
Consumer Loans	956,068	(60,587)	895,481
Mortgages	3,207,785	(33,784)	3,174,001
Credit Cards	220,590	(34,672)	185,918
Overdrafts	112,197	(12,189)	100,008
Flat Owners Associations	23,195	(303)	22,892
Other	6,668	(1)	6,667
	4,713,839	(156,006)	4,557,833
	8,017,216	(265,027)	7,752,189

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

At 31 December 2014, the 20 largest corporate customers represented a total balance of € 945,628 thousand (2013: € 943,844 thousand) or 11.79 % (2013: 12.72 %) of the gross loan portfolio.

13. Impairment losses on assets

€ '000	Note	1 Jan 2014	Creation (note 33)	Reversal (note 33)	Assets written-off/sold (note 33)	FX diff	Other *	31 Dec 2014
Due from banks	8	24	5	(23)	–	–	–	6
Available-for-sale financial assets	11	574	–	–	–	–	–	574
Loans and advances to customers	12	259,518	117,883	(57,375)	(47,352)	24	(7,671)	265,027
Held-to-maturity investments	14	597	–	(597)	–	–	–	–
Subsidiaries, associates and JVs	15	41,142	–	–	–	–	(3,228)	37,914
Property and equipment	17	7,000	3,500	–	–	–	–	10,500
Other assets	19	1,540	1,196	(1,122)	–	–	–	1,614
		310,395	122,584	(59,117)	(47,352)	24	(10,899)	315,635

* 'Other' represents:
– The interest portion (unwinding of interest);
– Sale of Recovery, a.s. (see also note 15).

€ '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).

14. Held-to-maturity investments

€ '000	Note	2014	2013
State bonds		533,456	996,428
Impairment losses	13	–	(597)
		533,456	995,831

At 31 December 2014, state bonds in the total nominal amount of € 39,023 thousand (31 December 2013: € 49,057 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 joint ventures

All entities are incorporated in the Slovak Republic.

€ '000	Share %	Cost	Impairment losses (note 13)	Carrying amount
At 31 December 2014				
VÚB Factoring, a.s.	100.00	16,535	(10,533)	6,002
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
		133,480	(37,914)	95,566
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 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.

16. Intangible assets

€ '000	Software	Other intangible assets	Assets in progress	Total
Cost				
At 1 January 2014	179,850	9,030	8,874	197,754
Additions	–	–	15,231	15,231
Transfers	12,830	550	(13,380)	–
FX differences	(4)	–	–	(4)
At 31 December 2014	192,676	9,580	10,725	212,981
Accumulated amortisation				
At 1 January 2014	(138,564)	(7,842)	–	(146,406)
Amortisation for the year	(11,200)	(346)	–	(11,546)
FX differences	3	–	–	3
At 31 December 2014	(149,761)	(8,188)	–	(157,949)
Carrying amount				
At 1 January 2014	41,286	1,188	8,874	51,348
At 31 December 2014	42,915	1,392	10,725	55,032

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 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

At 31 December 2014, the gross book value of fully amortised intangible assets that are still used by the Bank amounted to € 111,598 thousand (31 December 2013: € 102,742 thousand).

At 31 December 2014, the amount of irrevocable contractual commitments for the acquisition of intangible assets was € 1,294 thousand (31 December 2013: € 808 thousand).

17. Property and equipment

€ '000	Note	Buildings and land	Equipment	Other tangibles	Assets in progress	Total
Cost						
At 1 January 2014		199,028	68,444	30,340	2,506	300,318
Additions		–	4	–	4,492	4,496
Disposals		(699)	(2,632)	(330)	–	(3,661)
Transfers		894	2,619	88	(3,601)	–
FX differences		(1)	(1)	(1)	–	(3)
At 31 December 2014		199,222	68,434	30,097	3,397	301,150
Accumulated depreciation						
At 1 January 2014		(96,117)	(57,209)	(28,249)	–	(181,575)
Depreciation for the year		(6,033)	(5,758)	(853)	–	(12,644)
Disposals		654	2,627	327	–	3,608
FX differences		1	1	–	–	2
At 31 December 2014		(101,495)	(60,339)	(28,775)	–	(190,609)
Impairment losses	13					
At 1 January 2014		(7,000)	–	–	–	(7,000)
Net creation		(3,500)	–	–	–	(3,500)
At 31 December 2014		(10,500)	–	–	–	(10,500)
Carrying amount						
At 1 January 2014		95,911	11,235	2,091	2,506	111,743
At 31 December 2014		87,227	8,095	1,322	3,397	100,041

€ '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

In 2013 the Bank reviewed the carrying amount of its buildings. An impairment test was carried out to determine the recoverable amount of these assets which was based on the fair value less costs to sell, using the discounted cash flows method. As a result of the impairment test the Bank recognized the impairment of € 7,000 thousand. In 2014 the Bank reassessed some of the assumptions related to the determination of the recoverable amount and recognized additional impairment loss of € 3,500 thousand.

At 31 December 2014 and 31 December 2013 the fair value measurement in respect of the estimation of the fair value less costs to sell was categorized as a Level 3 of the fair value hierarchy based on the inputs in the valuation technique used. The key assumptions taken into account were the discount rate (determined based upon the merits of the buildings, tenants and location, number of inhabitants, competition, demand for similar products and ownership), estimated rental income, costs and the void periods. The discount rates used were in the range between 7.9 % – 15.5 % both in 2014 and 2013.

At 31 December 2014, the gross book value of fully depreciated tangible assets that are still used by the Bank amounted to € 81,945 thousand (31 December 2013: € 73,826 thousand).

At 31 December 2014 and 31 December 2013 the Bank did not have any irrevocable contractual commitments for the acquisition of tangible assets.

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

18. Current and deferred income taxes

€ '000	2014	2013
Current income tax assets	–	1,699

€ '000	2014	2013
Current income tax liabilities	8,240	–

€ '000	2014	2013
Deferred income tax assets	34,685	27,960

Deferred income taxes are calculated on all temporary differences using a tax rate of 22 % (31 December 2013: 22 %) as follows:

€ '000	2014	Profit/ (loss) (note 34)	Equity	2013
Due from banks	1	(4)	–	5
Derivative financial instruments designated as cash flow hedges	250	–	327	(77)
Available-for-sale financial assets	(8,745)	–	3,300	(12,045)
Loans and advances to customers	43,874	2,053	–	41,821
Held-to-maturity investments	–	(132)	–	132
Property and equipment	(4,308)	(956)	–	(3,352)
Provisions	129	12	–	117
Other liabilities	3,527	621	–	2,906
Other	(43)	1,504	–	(1,547)
Deferred income tax assets	34,685	3,098	3,627	27,960

19. Other assets

€ '000	Note	2014	2013
Operating receivables and advances		7,015	7,362
Prepayments and accrued income		5,646	5,336
Other tax receivables		1,591	1,618
Inventories		543	721
Settlement of operations with financial instruments		7	7
Receivables from trading with securities		2	–
		14,804	15,044
Impairment losses	13	(1,614)	(1,540)
		13,190	13,504

20. Due to central and other banks

€ '000	2014	2013
Due to central banks		
Current accounts	5,572	58,973
	5,572	58,973
Due to other banks		
Current accounts	13,415	16,557
Term deposits	204,924	200,605
Loans received	151,306	198,541
Cash collateral received	4,821	32,600
	374,466	448,303
	380,038	507,276

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

€ '000	2014	2013
European Investment Bank	105,687	95,672
Council of Europe Development Bank	24,245	73,264
European Bank for Reconstruction and Development	21,374	29,422
Slovenská záručná a rozvojová banka, a.s. ('SZRB')	–	183
	151,306	198,541

European Investment Bank

Loans from European Investment Bank were provided to fund development of SME, large sized companies and infrastructure projects. At 31 December 2014, the balance comprised of six loans in the nominal amount of € 26,250 thousand, € 30,000 thousand, € 10,000 thousand, € 4,375 thousand, € 20,000 thousand and € 15,000 thousand (31 December 2013: five loans in the nominal amount of € 30,625 thousand, € 30,000 thousand, € 10,000 thousand, € 5,000 thousand and € 20,000 thousand) with interest rates between 0.50 % and 1.73 % (31 December 2013: 0.32 % and 1.73 %) and with maturity between 2018 and 2024. 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 2014, loans from Council of Europe Development Bank comprised of seven loans in the nominal amount of € 5,333 thousand, € 1,788 thousand, € 2,623 thousand, € 500 thousand, € 500 thousand, € 7,500 thousand and € 6,000 thousand (31 December 2013: 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). 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 0.05 % and 0.55 % at 31 December 2014 (31 December 2013: 0.19 % – 1.46 %). The interest is payable quarterly and the principal is payable on annual basis. The maturity of the individual loans is between 2015 and 2022.

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 2014, there were three loan arrangements concluded with European Bank for Reconstruction and Development (31 December 2013: three 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 2014 the interest rates were in the range between 0.63 % and 2.08 % (31 December 2013: 0.59 % – 2.22 %). 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 and were fully repaid in 2014.

21. Due to customers

€ '000	2014	2013
Current accounts	4,195,351	3,693,247
Term deposits	3,077,205	3,681,295
Savings accounts	207,045	214,170
Government and municipal deposits	306,172	211,995
Other deposits	78,625	38,343
	7,864,398	7,839,050

22. Debt securities in issue

€ '000	2014	2013
Bonds	58	58
Mortgage bonds	999,543	1,025,505
Mortgage bonds subject to cash flow hedges	126,071	160,725
Mortgage bonds subject to fair value hedges	324,037	219,043
	1,449,651	1,405,273
Revaluation of fair value hedged mortgage bonds	18,593	(2,561)
Amortisation of revaluation related to terminated fair value hedges	1,163	1,837
	1,469,465	1,404,607

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

Name	Interest rate (%)	CCY	Number of mortgage bonds issued at 31 Dec 2014	Nominal value in CCY per piece	Issue date	Maturity date	2014 € '000	2013 € '000
Mortgage bonds VÚB, a.s. XVII.	0.19	EUR	1,678	33,194	28.11.2005	28.11.2015	55,709	55,717
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	33,401	33,383
Mortgage bonds VÚB, a.s. XXXI.	4.90	EUR	600	33,194	29.11.2007	29.11.2037	19,680	19,666
Mortgage bonds VÚB, a.s. 32.	1.91	CZK	800	1,000,000	17.12.2007	17.12.2017	29,944	30,656
Mortgage bonds VÚB, a.s. 35.	4.40	EUR	630	33,194	19.3.2008	19.3.2016	21,528	21,438
Mortgage bonds VÚB, a.s. 36.	4.75	EUR	560	33,194	31.3.2008	31.3.2020	18,993	18,944
Mortgage bonds VÚB, a.s. 39.	0.77	EUR	60	1,000,000	26.6.2008	26.6.2015	60,006	60,005
Mortgage bonds VÚB, a.s. 40.	0.82	EUR	70	1,000,000	28.8.2008	28.8.2015	70,053	70,064
Mortgage bonds VÚB, a.s. 43.	5.10	EUR	500	33,194	26.9.2008	26.9.2025	15,776	15,679
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. 49.	3.92	EUR	-	1,000,000	28.7.2009	28.7.2014	-	101,664
Mortgage bonds VÚB, a.s. 51.	0.86	EUR	-	1,000,000	8.4.2010	8.4.2014	-	21,051
Mortgage bonds VÚB, a.s. 52.	0.95	EUR	-	50,000	15.3.2010	15.3.2014	-	8,073
Mortgage bonds VÚB, a.s. 53.	0.80	EUR	100	1,000,000	8.4.2010	8.4.2017	100,187	100,218
Mortgage bonds VÚB, a.s. 54.	3.00	EUR	-	1,000	1.7.2010	1.7.2014	-	15,225
Mortgage bonds VÚB, a.s. 55.	2.85	EUR	14,000	1,000	1.10.2010	1.10.2015	14,100	14,100
Mortgage bonds VÚB, a.s. 57.	1.49	EUR	100	1,000,000	30.9.2010	30.9.2018	100,377	100,416
Mortgage bonds VÚB, a.s. 58.	1.98	EUR	80	1,000,000	10.12.2010	10.12.2019	80,092	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	-	100,000	20.5.2011	20.5.2014	-	15,856
Mortgage bonds VÚB, a.s. 61.	1.08	EUR	467	10,000	7.6.2011	7.6.2015	4,671	4,668
Mortgage bonds VÚB, a.s. 62.	2.30	EUR	100	1,000,000	28.7.2011	28.7.2018	100,977	100,992
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	25,421	25,686
Mortgage bonds VÚB, a.s. 66.	2.10	EUR	-	50,000	28.11.2011	28.11.2014	-	34,958
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	20,404	20,440
Mortgage bonds VÚB, a.s. 70.	3.75	EUR	400	100,000	7.3.2012	7.3.2017	41,185	41,168
Mortgage bonds VÚB, a.s. 71.	3.90	EUR	750	20,000	2.5.2012	2.5.2017	15,276	15,350
Mortgage bonds VÚB, a.s. 72.	4.70	EUR	250	100,000	21.6.2012	21.6.2027	25,413	25,396
Mortgage bonds VÚB, a.s. 73.	4.20	EUR	500	100,000	11.7.2012	11.7.2022	50,666	50,623
Mortgage bonds VÚB, a.s. 74.	3.35	EUR	700	100,000	16.1.2013	15.12.2023	71,827	71,780
Mortgage bonds VÚB, a.s. 75.	2.00	EUR	300	100,000	5.4.2013	5.4.2019	30,486	30,496
Mortgage bonds VÚB, a.s. 76.	2.40	EUR	309	10,000	22.4.2013	22.4.2018	3,143	3,143
Mortgage bonds VÚB, a.s. 77.	1.80	CZK	5,000	100,000	20.6.2013	20.6.2018	18,141	18,328
Mortgage bonds VÚB, a.s. 78.	2.16	EUR	905	10,000	3.3.2014	3.3.2020	9,248	-
Mortgage bonds VÚB, a.s. 79.	2.00	EUR	10,000	1,000	24.3.2014	24.9.2020	10,154	-
Mortgage bonds VÚB, a.s. 80.	1.85	EUR	31	1,000,000	27.3.2014	27.3.2021	31,951	-
Mortgage bonds VÚB, a.s. 81.	2.55	EUR	38	1,000,000	27.3.2014	27.3.2024	39,949	-
Mortgage bonds VÚB, a.s. 82.	1.65	EUR	1,701	1,000	16.6.2014	16.12.2020	1,716	-
Mortgage bonds VÚB, a.s. 83.	0.90	EUR	500	100,000	28.7.2014	28.7.2019	49,893	-
Mortgage bonds VÚB, a.s. 84.	0.60	EUR	500	100,000	29.9.2014	30.9.2019	49,856	-
Mortgage bonds VÚB, a.s. 85.	2.25	EUR	500	100,000	14.11.2014	14.11.2029	49,438	-
							1,449,651	1,405,273

23. Provisions

€ '000	2014	2013
Litigation	27,017	21,441
Restructuring provision	588	532
Other provisions	3	–
	27,608	21,973

The movements in provisions were as follows:

€ '000	Note	1 Jan 2014	Creation	Reversal	Use	31 Dec 2014
Litigation	26, 32	21,441	5,742	(164)	(2)	27,017
Restructuring provision	31	532	330	–	(274)	588
Other provisions	32	–	3	–	–	3
		21,973	6,075	(164)	(276)	27,608

€ '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

24. Other liabilities

€ '000	2014	2013
Various creditors	28,622	21,994
Settlement with employees	19,173	16,633
Financial guarantees and commitments	16,552	12,186
Accruals and deferred income	3,724	3,692
Severance and Jubilee benefits	3,196	3,156
VAT payable and other tax payables	2,869	3,312
Settlement with shareholders	1,187	910
Share remuneration scheme	625	673
Investment certificates	254	153
Settlement with securities	2	19
Retention program	–	433
	76,204	63,161

At 31 December 2014 and 31 December 2013 there were no overdue balances within 'Other liabilities'.

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

€ '000	Note	1 Jan 2014	Creation/ (Reversal)	FX diff	31 Dec 2014
Financial guarantees and commitments	33	12,186	4,369	(3)	16,552
Severance and Jubilee benefits	31	3,156	40	–	3,196
Retention program	31	433	(433)	–	–
		15,775	3,976	(3)	19,748

€ '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

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

€ '000	1 Jan 2014	Creation (note 31)	Use	31 Dec 2014
Social fund	412	1,643	(1,434)	621

€ '000	1 Jan 2013	Creation (note 31)	Use	31 Dec 2013
Social fund	856	837	(1,281)	412

25. Equity

€ '000	2014	2013
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	13,636	13,501
Reserves	118,045	130,922
Retained earnings (excluding net profit for the year)	612,846	592,547
	1,175,346	1,167,789

	2014	2013
Net profit for the year attributable to shareholders in € '000	111,657	104,638
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 €	8.60	8.06

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:

	2014	2013
Intesa Sanpaolo Holding International S.A.	97.02 %	96.97 %
Domestic shareholders	2.21 %	2.23 %
Foreign shareholders	0.77 %	0.80 %
	100.00 %	100.00 %

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

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

The Bank's regulatory capital position at 31 December 2014 was determined based on the rules for capital adequacy calculation set by the CRR regulation:

€ '000	2014
Tier 1 capital	
Share capital	430,819
Share premium	13,636
Retained earnings without net profit for the year	612,846
Other reserves	87,493
Revaluation of available-for-sale financial assets	(1,566)
Fair value gains and losses arising from the Bank's own credit risk related to derivative liabilities	(567)
Less intangible assets	(55,032)
	1,087,629
Tier 2 capital	
IRB excess of provisions over expected losses eligible	2,189
Total regulatory capital	1,089,818

€ '000	2014
Tier 1 capital	1,087,629
Tier 2 capital	2,189
Total regulatory capital	1,089,818
Total Risk Weighted Assets	6,959,463
Tier 1 capital ratio	15.63 %
Total capital ratio	15.66 %

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 CRR regulation. The other component of regulatory capital is Tier 2 capital, which includes subordinated long term debt, preference shares and IRB excess of provisions over expected losses.

The capital position at 31 December 2013 was calculated based on NBS regulatory requirement as follows:

€ '000	2013
Tier 1 capital	
Share capital	430,819
Share premium	13,501
Retained earnings without net profit for the year	592,547
Legal reserve fund	87,493
Less software (including software in Assets in progress)	(50,160)
Less negative revaluation of available-for-sale financial assets	(1,210)
Less expected loss	(30,308)
	1,042,682
Tier 2 capital	
Positive revaluation of available-for-sale financial assets	44,075
IRB shortfall	26,764
	70,839
Regulatory adjustment	
Subsidiaries, associates and joint ventures	(95,987)
Expected loss (incl. equity instruments)	(15)
	(96,002)
Total regulatory capital	1,017,519

€ '000	2013
Tier 1 capital	1,042,682
Tier 2 capital	70,839
Regulatory adjustment	(96,002)
Total regulatory capital	1,017,519
Total Risk Weighted Assets	6,373,444
Tier 1 capital ratio	16.36 %
Total capital ratio	15.96 %

The Bank must maintain a capital adequacy ratio of at least 8 % according to the Act on Banks. The capital adequacy ratio is the ratio between the Bank's capital and the risk weighted assets. Risk weighted assets include risk weighted assets from positions recorded in the trading book and risk weighted assets from positions recorded in the banking book. The Bank complied with the Act on Banks' requirement as at 31 December 2014 and 31 December 2013.

During 2014, the Comprehensive Assessment of the European Central Bank consisting of Asset Quality Review (AQR) and stress testing was conducted. According to the stress tests results, the VUB Group is meeting the capital requirements, including the ones of the adverse scenario. From November 2014, the Bank also fell under the supervision of the European Central Bank.

The Group´s CET1 capital ratio was 15.93 % as at 31 December 2013. Based on the stress testing carried out as part of the Comprehensive Assessment the baseline scenario of stress testing foresees CET1 ratio at the end of 2016 at 15.92 %, in the adverse scenario it reaches 13.82 % which is well above the minimal threshold of 8 % and 5.5 % respectively.

26. Financial commitments and contingencies

€ '000	2014	2013
Issued guarantees	733,162	627,306
Commitments and undrawn credit facilities	2,494,296	2,221,640
	3,227,458	2,848,946

(a) Issued guarantees

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

(b) Commitments and undrawn credit facilities

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

(c) Lease obligations

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 2014 and 31 December 2013 was as follows:

€ '000	2014	2013
Up to 1 year	1,245	1,375
1 to 5 years	1,472	2,324
Over 5 years	–	–
	2,717	3,699

(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 2014. Pursuant to this review, management has recorded total provisions of € 27,017 thousand (31 December 2013: € 21,441 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 € 7,122 thousand, as at 31 December 2014 (31 December 2013: € 9,417 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	2014	2013
Interest and similar income		
Due from banks	5,080	12,276
Loans and advances to customers	370,776	367,048
Bonds, treasury bills and other securities:		
Financial assets at fair value through profit or loss	4,597	2,471
Available-for-sale financial assets	37,033	36,720
Held-to-maturity investments	25,247	41,964
	442,733	460,479
Interest and similar expense		
Due to banks	(1,935)	(1,795)
Due to customers	(50,126)	(67,425)
Debt securities in issue	(34,701)	(40,503)
	(86,762)	(109,723)
	355,971	350,756

Interest income on impaired loans and advances to customers for 2014 amounted to € 25,006 thousand (2013: € 21,249 thousand).

28. Net fee and commission income

€ '000	2014	2013
Fee and commission income		
Received from banks	8,403	7,182
Received from customers:		
Current accounts	51,353	47,844
Loans and guarantees	29,241	31,123
Transactions and payments	24,336	23,703
Insurance mediation	8,378	9,881
Securities	6,957	5,481
Overdrafts	4,106	3,049
Securities – Custody fee	1,228	1,007
Term deposits	637	841
Other	2,471	2,962
	137,110	133,073
Fee and commission expense		
Paid to banks	(16,572)	(15,802)
Paid to mediators:		
Credit cards	(42,722)	(38,468)
Securities	(559)	(513)
Services	(5,647)	(5,077)
Other	(755)	(786)
	(66,255)	(60,646)
	70,855	72,427

29. Net trading result

€ '000	2014	2013
Foreign currency derivatives and transactions	4,401	4,314
Customer FX margins	5,097	5,080
Cross currency swaps	(302)	(2,547)
Equity derivatives	35	57
Other derivatives	–	11
Interest rate derivatives *	13,494	(1,405)
Dividends from equity shares held in FVTPL portfolio	16	13
Securities:		
Financial assets at fair value through profit or loss		
Held for trading	(1,334)	(316)
Designated at fair value through profit or loss on initial recognition	229	130
Available-for-sale financial assets *	11,182	(1,652)
Debt securities in issue *	(21,153)	5,967
	11,665	9,652

* Includes the revaluation of financial instruments that are part of the hedging relationship, i.e. fair value hedges of interest rate and inflation risk (see also note 10).

At 31 December 2014, the amount still to be recognised in income resulting from Day 1 profit was nil (31 December 2013: € 4 thousand).

30. Other operating income

€ '000	2014	2013
Rent	1,170	1,199
Services	1,087	865
Financial revenues	132	84
Net (loss)/profit from sale of fixed assets	(1)	38
Other	795	1,337
	3,183	3,523

31. Salaries and employee benefits

€ '000	Note	2014	2013
Remuneration		(72,566)	(70,390)
Social security costs		(26,585)	(26,672)
Social fund	24	(1,643)	(837)
Retention program	24	433	265
Severance and Jubilee benefits	24	(40)	(60)
Restructuring provision	23	(56)	468
		(100,457)	(97,226)

At 31 December 2014, the total number of employees of the Bank was 3,508 (31 December 2013: 3,503). The average number of employees of the Bank during 2014 was 3,488 (2013: 3,499).

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	2014	2013
IT systems maintenance		(18,649)	(16,590)
Property related expenses		(17,423)	(18,174)
Post and telecom		(10,214)	(10,665)
Advertising and marketing		(6,140)	(6,040)
Equipment related expenses		(5,735)	(6,279)
Provisions for litigation	23	(5,576)	3,008
Contribution to the Deposit Protection Fund *		(5,512)	–
Stationery		(3,670)	(3,757)
Security		(3,455)	(3,841)
Insurance		(1,282)	(1,038)
Third parties' services		(1,252)	(1,349)
Professional services		(813)	(786)
Other damages		(804)	(1,138)
Training		(671)	(662)
Travelling		(564)	(564)
Audit **		(545)	(573)
Transport		(472)	(487)
Litigations paid		(315)	(4,251)
VAT and other taxes		(225)	(413)
Other provisions	23	(3)	–
Other operating expenses		(4,158)	(3,761)
		(87,478)	(77,360)

* The Bank started to contribute to the Deposit Protection Fund according to the legislation amendment valid from 1 August 2014. This amendment decreased the quarterly contribution for the third and fourth quarter of 2014 to 0.01 % p.q. from the protected deposit base.

** As at 31 December 2014 the audit expense consists of fees for the statutory audit in the amount of € 227 thousand (31 December 2013: € 213 thousand), group reporting in the amount of € 227 thousand (31 December 2013: € 213 thousand) and other audit (primarily security audit) in the amount of € 91 thousand (31 December 2013: € 147 thousand).

At 31 December 2014 and 31 December 2013, the special levy recognized by the Bank was as follows:

€ '000	2014	2013
Special levy of selected financial institutions	(29,413)	(38,480)

Commencing 1 January 2012, banks operating in the Slovak Republic are subject to a special levy of selected financial institutions, originally set to 0.4 % p.a. of selected liabilities with the extension of the basis for calculation by deposits subject to a protection based on the special regulation from 1 September 2012. 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.

As at 25 July 2014, the total amount of the levy paid by the financial institutions subject to levy exceeded the threshold of € 500,000 thousand and therefore, based on the amendment to the Act on the Special levy of selected financial institutions, the Bank was not obliged to pay the levy for the last quarter of 2014 and effective from 2015, the levy rate has been decreased to 0.2 % p.a.

33. Impairment losses

€ '000	Note	2014	2013
Creation of impairment losses	13	(122,584)	(134,274)
Reversal of impairment losses	13	59,117	61,741
Net creation of impairment losses		(63,467)	(72,533)
Creation of liabilities – financial guarantees and commitments		(11,561)	(8,607)
Reversal of liabilities – financial guarantees and commitments		7,192	10,259
Net (creation)/reversal of liabilities – financial guarantees and commitments	24	(4,369)	1,652
Nominal value of assets written-off/sold		(53,227)	(49,923)
Release of impairment losses to assets written-off/sold	13	47,352	41,485
		(5,875)	(8,438)
Proceeds from assets written-off		7,513	8,506
Proceeds from assets sold		9,817	6,847
		17,330	15,353
		(56,381)	(63,966)

34. Income tax expense

€ '000	Note	2014	2013
Current income tax		(37,483)	(27,010)
Deferred income tax	18	3,098	(6,144)
		(34,385)	(33,154)

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

€ '000	2014	2013
Due from banks	(4)	(3)
Available-for-sale financial assets	–	126
Loans and advances to customers	2,053	(6,365)
Held-to-maturity investments	(132)	(11)
Property and equipment	(956)	(864)
Provisions	12	(113)
Other liabilities	621	750
Other	1,504	336
	3,098	(6,144)

The effective tax rate differs from the statutory tax rate in 2014 and in 2013. The reconciliation of the Bank's profit before tax with the actual corporate income tax is as follows:

€ '000	Note	Tax base	2014 Tax at applicable tax rate (22 %)	Tax base	2013 Tax at applicable tax rate (23 %)
Profit before tax		146,042	(32,129)	137,792	(31,692)
Tax effect of expenses that are not deductible in determining taxable profit					
Creation of provisions and other reserves		12,865	(2,830)	13,119	(3,017)
Creation of impairment losses		95,456	(21,000)	107,924	(24,823)
Write-off and sale of assets		4,183	(920)	6,222	(1,431)
Other		20,874	(4,592)	15,564	(3,580)
		133,378	(29,342)	142,829	(32,851)
Tax effect of revenues that are deductible in determining taxable profit					
Release of provisions and other reserves		(1,400)	308	(18,452)	4,244
Release of impairment losses		(90,361)	19,879	(127,580)	29,343
Dividends		(2,303)	507	(1,709)	393
Other		(18,145)	3,992	(7,855)	1,807
		(112,209)	24,686	(155,596)	35,787
Adjustments for current tax of prior periods		3,205	(705)	(7,574)	1,742
Withholding tax paid abroad – settlement of advance payments		(32)	7	(17)	4
Current income tax		170,384	(37,483)	117,434	(27,010)
Deferred income tax at 22 %	18		3,098		(6,144)
Income tax expense			(34,385)		(33,154)
Effective tax rate			23.54 %		24.06 %

35. Other comprehensive income

€ '000	2014	2013
Exchange differences on translating foreign operation	(9)	(6)
Available-for-sale financial assets:		
Revaluation losses arising during the year	(11,452)	(17,215)
Reclassification adjustment for profit on sale of AFS bonds included in the profit or loss	(3,551)	(2,533)
	(15,003)	(19,748)
Cash flow hedges:		
Revaluation (losses)/gains arising during the year	(1,134)	2,200
Reclassification adjustment for profit on terminated cash flow hedges included in the profit or loss	(350)	–
	(1,484)	2,200
Total other comprehensive income	(16,496)	(17,554)
Income tax relating to components of other comprehensive income *	3,627	4,592
Other comprehensive income for the year	(12,869)	(12,962)

* 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

€ '000	Before tax amount	Tax benefit	2014 Net of tax amount	Before tax amount	Tax benefit/ (expense)	2013 Net of tax amount
Exchange differences on translating foreign operations	(9)	–	(9)	(6)	–	(6)
Available-for-sale financial assets	(15,003)	3,300	(11,703)	(19,748)	5,095	(14,653)
Net movement on cash flow hedges	(1,484)	327	(1,157)	2,200	(503)	1,697
	(16,496)	3,627	(12,869)	(17,554)	4,592	(12,962)

37. Related parties

Related parties are those counterparties that represent:

(a) Enterprises that directly, or indirectly, through one or more intermediaries, control, or are controlled by, 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 Bank that gives them significant influence over the Bank, and anyone expected to influence, or be influenced by, that person in their dealings with the Bank;
(d) Key management personnel, that is, those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, including directors and officers of the Bank and close members of the families of such individuals; and
(e) Enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in (c) or (d) or over which such a person is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the Bank and enterprises that have a member of key management in common with the Bank.

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

In 2014, the remuneration and other benefits provided to members of the Supervisory Board were € 109 thousand (2013: € 177 thousand) and to members of the Management Board € 2,235 thousand (2013: € 2,664 thousand).

At 31 December 2014, the outstanding balances with related parties comprised:

€ '000	KMP*	Subsidiaries	Joint ventures	Associates	Intesa Sanpaolo	Intesa Sanpaolo group companies	Total
Assets							
Due from banks	–	–	–	–	549,238	5,857	555,095
Derivative financial instruments	–	–	–	–	–	4,324	4,324
Loans and advances to customers	448	162,104	–	–	–	–	162,552
Financial assets at fair value through profit or loss	–	–	–	–	625	–	625
Other assets	–	184	5	788	–	–	977
	448	162,288	5	788	549,863	10,181	723,573
Liabilities							
Due to central and other banks	–	–	–	–	111,285	8,616	119,901
Derivative financial instruments	–	–	–	–	114	4,843	4,957
Due to customers	3,056	5,226	–	1,319	–	110	9,711
Debt securities in issue							
Mortgage bonds	–	–	647	–	–	562,086	562,733
Other liabilities	625	4,309	–	10	–	491	5,435
	3,681	9,535	647	1,329	111,399	576,146	702,737
Commitments and undrawn credit facilities	–	96,969	–	–	–	–	96,969
Issued guarantees	–	–	–	–	–	26,760	26,760
Received guarantees	–	–	–	–	135,000	67,096	202,096
Derivative transactions (notional amount – receivable)	–	–	–	–	–	67,642	67,642
Derivative transactions (notional amount – payable)	–	–	–	–	35,107	151,053	186,160
Income and expense items							
Interest and similar income	19	3,227	–	–	3,722	849	7,817
Interest and similar expense	(41)	66	(7)	(3)	(158)	(12,181)	(12,324)
Fee and commission income	2	94	–	6,624	–	14	6,734
Fee and commission expense	–	(34,061)	–	(22)	(501)	(7,468)	(42,052)
Net trading result	–	–	–	–	66	4,357	4,423
Dividend income	–	843	1,140	304	–	–	2,287
Other operating income	–	1,008	112	300	306	57	1,783
Other operating expenses	–	(1,293)	–	–	–	(1,217)	(2,510)
	(20)	(30,116)	1,245	7,203	3,435	(15,589)	(33,842)

* Key management personnel

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

€ '000	KMP*	Sub-sidiaries	Joint ventures	Asso-ciates	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
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)

38. Profit distribution

On 25 March 2014, the Bank's shareholders approved the following profit distribution for 2013.

€ '000	
Dividends to shareholders (€ 6.50 per € 33.2 share)	84,347
Retained earnings	20,291
	104,638

The Management Board will propose the following 2014 profit distribution:

€ '000	
Dividends to shareholders (€ 6.90 per € 33.2 share)	89,538
Retained earnings	22,119
	111,657

39. Events after the end of the reporting period

From 31 December 2014, 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.

Information on Securities Issued by the Bank

List of VUB Retail Branches

List of VUB Corporate Branches

Organization Chart of VUB

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%	semi-annually	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., 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., 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%	semi-annually	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%	semi-annually	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
Mortgage bonds VÚB, a.s., 61	SK4120007923 series 01	7.6.2011	7.6.2015	EUR	10,000.00	467	combined	semi-annually	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%	semi-annually	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., 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%	semi-annually	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%	semi-annually	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
Mortgage bonds VÚB, a.s., 78	SK4120009820 series 01	3.3.2014	3.3.2020	EUR	10,000.00	905	2.16%	annually	no
Mortgage bonds VÚB, a.s., 79	SK4120009846 series 01	24.3.2014	24.9.2020	EUR	1,000.00	10,000	2.00%	annually	no
Mortgage bonds VÚB, a.s., 80	SK4120009879 series 01	27.3.2014	27.3.2021	EUR	1,000,000.00	31	1.85%	annually	no
Mortgage bonds VÚB, a.s., 81	SK4120009887 series 01	27.3.2014	27.3.2024	EUR	1,000,000.00	38	2.55%	annually	no
Mortgage bonds VÚB, a.s., 82	SK4120010042 series 01	16.6.2014	16.12.2020	EUR	1,000.00	1,701	1.65%	annually	no
Mortgage bonds VÚB, a.s., 83	SK4120010141 series 01	28.7.2014	28.7.2019	EUR	100,000.00	500	0.90%	annually	no
Mortgage bonds VÚB, a.s., 84	SK4120010182 series 01	29.9.2014	30.9.2019	EUR	100,000.00	500	0.60%	annually	no
Mortgage bonds VÚB, a.s., 85	SK4120010364 series 01	14.11.2014	14.11.2029	EUR	100,000.00	500	2.25%	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 2014 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	ISIN	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
Investment certificates VÚB, a.s., 2017	SK5110000273 series 01	18.12.2014	18.12.2017	EUR	1.00	101,200	0.00%	–	no

The company during the accounting year 2014 issued the Investment certificates VÚB, a.s., 2017. The reason for issuing 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 the 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 the relevant prospectus of the investment certificates.

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	034/4856 082	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 – 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 3399	02/65425825
Bratislava – OC BORY MALL	841 03	Lamač 6780	02/4855 3434	
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	033/4854 593	033/6413077
Bratislava – Polus	831 04	Vajnorská 100	02/4855 3280	02/44441185
Senec	903 01	Námestie 1. mája 25	02/4855 3292	02/45924248
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 – Dulovo nám.	821 08	Dulovo nám. 1	02/4855 3053	02/55969455
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	02/43425604
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	033/4854 411	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 4027	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 4082	031/7894650
Šamorín	931 01	Hlavná 64	031/485 4097	031/5624305
Trnava – Arkadia	917 01	Veterná 40/A	033/485 4556	033/5936643
Holíč	908 51	Bratislavská 1518/7	034/485 6067	034/6684473
Gabčíkovo	930 05	Mlynársky rad 185/1	031/485 4106	031/5594995
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
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 6062	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
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 4311	032/6523321
Dolné Vestenice	972 23	M. R. Štefánika 300	046/485 7162	046/5498308
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
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
Topoľčany – Pribinova	955 01	Pribinova 2	038/485 6243	038/5326900
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
Žilina – Aupark	010 01	Veľká okružná 59A	041/485 6332	041/5092181
Bytča	014 01	Sidónie Sakalovej 138/1	041/485 6409	041/5533579
Námestovo	029 01	Hviezdoslavovo nám. 200/5	043/485 6706	043/5523175
Žilina – Nám. A. Hlinku	010 43	Nám. A. Hlinku 1	041/485 6413	041/5626194
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	041/485 6448	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 6625	043/4292529
Zákamenné	029 56	Zákamenné 23	043/485 6761	043/5592295
Liptovský Mikuláš – OC Jasná	031 31	Garbiarska 695	044/485 7060	044/5528361
Mortgage Centres				
Žilina	010 43	Na bráne 1	041/485 6326	041/5678051

Regional Retail Business Network Banská Bystrica

Banská Bystrica	975 55	Námestie slobody 1	048/450 5550	048/4505641
Lučenec	984 35	T. G. Masaryka 24	047/485 7205	047/4331501
Rimavská Sobota	979 13	Francisciho 1	047/485 7228	047/5631213
Veľký Krtíš	990 20	Novohradská 7	047/485 7264	047/4805687
Zvolen	960 94	Námestie SNP 2093/13	045/485 6800	048/4123908
Banská Bystrica – 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 5400	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 5378	048/6115595
Detva	962 11	M. R. Štefánika 65	045/485 6913	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 6929	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 8300	054/4746389
Humenné	066 80	Námestie slobody 26/10	057/485 8514	057/7705141
Vranov nad Topľou	093 01	Námestie slobody 6	057/485 8539	057/4406439
Kežmarok	060 01	Hviezdoslavova 5	052/485 7899	052/4524806
OC MAX Poprad	058 01	Dlhé hony 4588/1	052/485 7942	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 8355	054/7322625
Hanušovce nad Topľou	094 31	Komenského 52	057/485 8580	057/4452805

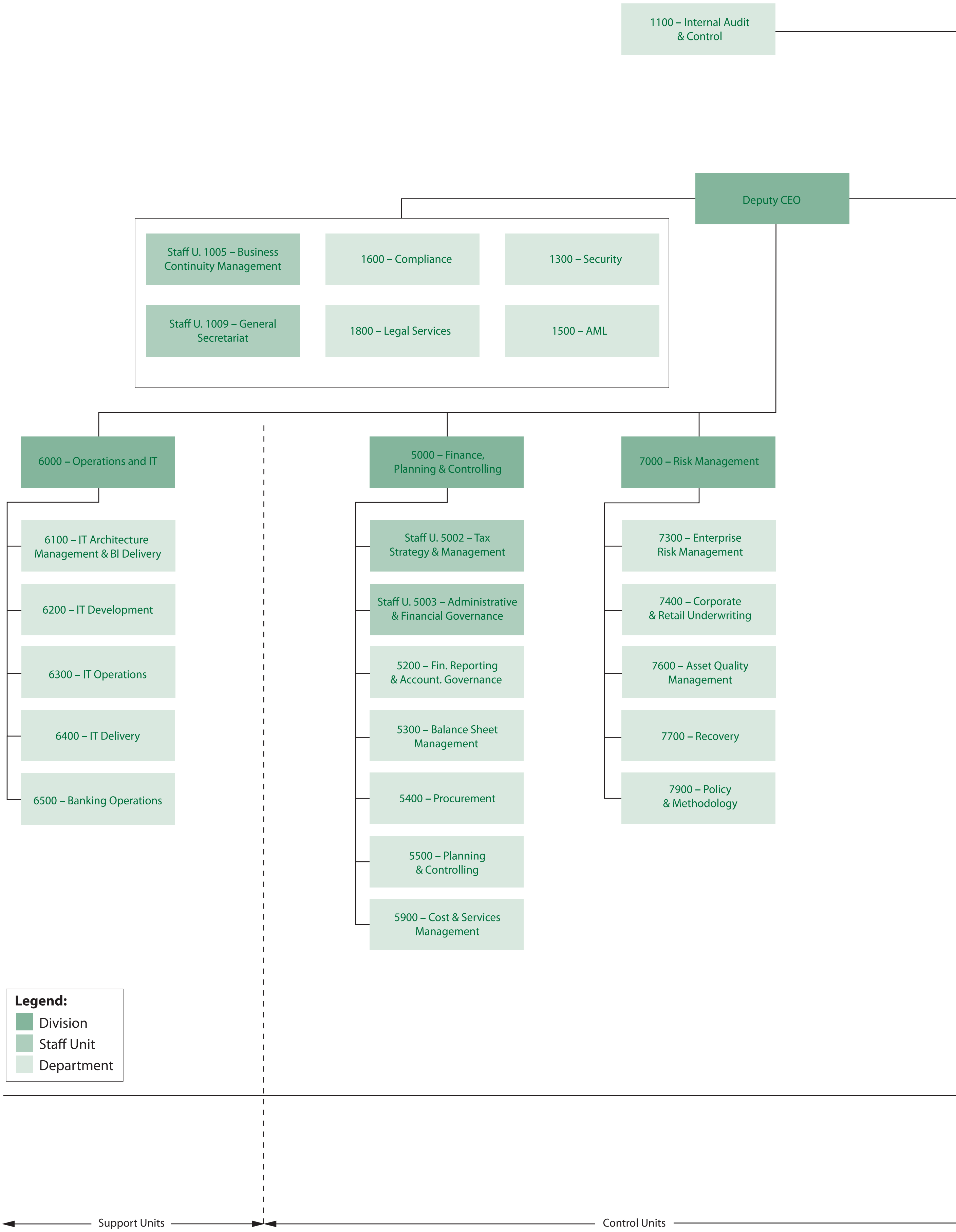
Lipany	082 71	Nám. sv. Martina 8	051/485 7586	051/4572777
Medzilaborce	068 10	Mierová 289/1	057/485 8586	057/7321546
Poprad – J. Curie	058 01	J. Curie 37	052/485 7920	052/7723192
Podolinec	065 03	Ul. sv. Anny 1	052/485 7931	052/4391295
Bardejov – Radničné námestie	085 01	Radničné námestie 33	054/485 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 7611	053/4410422
Košice – Štúrova	042 31	Štúrova 27/A	055/485 8006	055/6229334
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 – Bačíkova	042 81	Bačíkova 2	055/485 8111	055/6786083
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 8216	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 8199	055/6718160
Michalovce – mesto	071 01	Nám. osloboditeľov 2	056/485 8467	056/6424281
Sobrance	073 01	Štefánikova 9	056/485 8494	056/6523300
Strážske	072 22	Nám. A. Dubčeka 300	056/485 8470	056/6491633
Kráľovský Chlmec	077 01	Hlavná 710	056/485 8475	056/6321045
Veľké Kapušany	079 01	Sídl. P. O. Hviezdoslava 79	056/485 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
Mortgage Centres				
Košice	042 31	Štúrova 27/A	055/485 8031	055/6229334

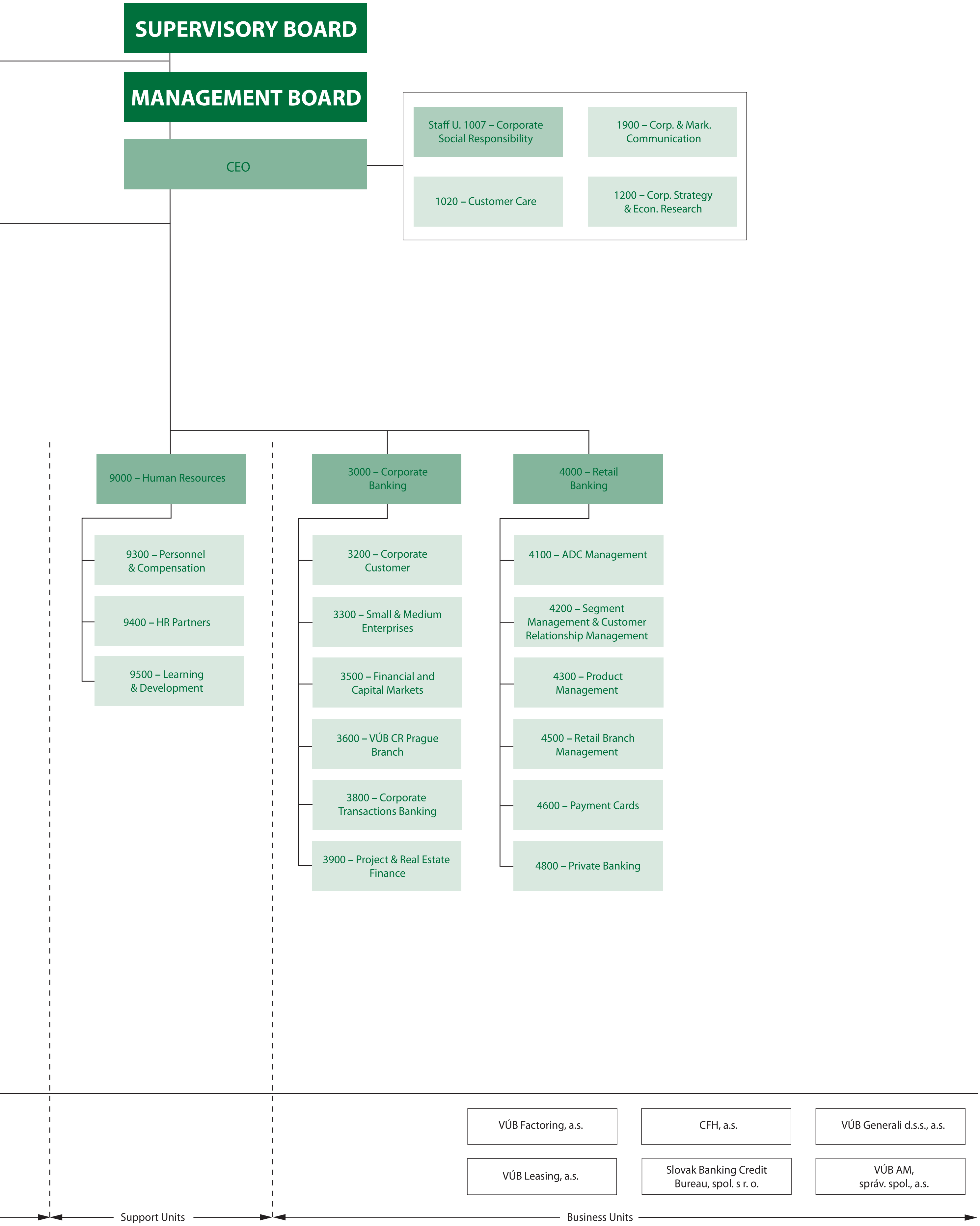
List of VUB Corporate Branches

Corporate Business Centre Bratislava		
BRATISLAVA	Mlynské nivy 1	02 / 5055 2765
Corporate Business Centre Bratislava 2		
BRATISLAVA	Mlynské nivy 1	02 / 5055 2600
Corporate Business Centre Trnava		
TRNAVA	Dolné bašty 2	033 / 485 4447
SENICA	Nám. oslobodenia 8	034 / 485 6037
Corporate Business Centre Nitra		
NITRA	Štefánikova 44	037 / 485 4844
TOPOĽČANY	Moyzesova 585/2	038 / 485 6237
LEVICE	Štúrova 21	036 / 485 6135
Corporate Business Centre Nové Zámky		
NOVÉ ZÁMKY	Hlavné námestie 5	035 / 485 4738
KOMÁRNO	Tržničné nám. 1	035 / 485 4764
GALANTA	Mierové námestie 2	031 / 485 4054
DUNAJSKÁ STREDA	Alžbetínske nám. 328	031 / 485 4024
Corporate Business Centre Trenčín		
TRENČÍN	Legionárska 7158/5	032 / 485 4230
POVAŽSKÁ BYSTRICA	Nám. A. Hlinku 23/28	042 / 485 6537
Corporate Business Centre Žilina		
ŽILINA	Na bráne 1	041 / 485 6346
MARTIN	M. R. Štefánika 2	043 / 485 6661
ČADCA	Fraňa Kráľa 1504	041 / 485 6399
DOLNÝ KUBÍN	Radlinského 1712/34	043 / 485 6694
Corporate Business Centre Banská Bystrica		
ŽIAR NAD HRONOM	Nám. Matice slovenskej 21	045 / 485 6883
PRIEVIDZA	Námestie slobody 6	046 / 485 7137
ZVOLEN	Námestie SNP 2093/13	045 / 485 6842
BANSKÁ BYSTRICA	Námestie slobody 1	048 / 485 5487
Corporate Business Centre Lučenec		
LUČENEC	T. G. Masaryka 24	047 / 485 7224
RIMAVSKÁ SOBOTA	Francisciho 1	047 / 485 7247
Corporate Business Centre Poprad		
POPRAD	Mnoheľova 2832/9	052 / 485 7866
LIPTOVSKÝ MIKULÁŠ	Štúrova 19	044 / 485 7032
SPIŠSKÁ NOVÁ VES	Letná 33	053 / 485 7621
Corporate Business Centre Prešov		
PREŠOV	Masarykova 13	051 / 485 7564
BARDEJOV	Kellerova 1	054 / 485 8328
VRANOV NAD TOPĽOU	Námestie slobody 6	057 / 485 8560
HUMENNÉ	Námestie slobody 26/10	057 / 485 8530
Corporate Business Centre Košice		
KOŠICE	Štúrova 27/A	055 / 485 8046
MICHALOVCE	Námestie slobody 3	056 / 485 8430

Organization Chart of VUB

as at 31 December 2014




SUPERVISORY BOARD
MANAGEMENT BOARD
CEO
Staff U. 1007 – Corporate Social Responsibility
1900 – Corp. & Mark. Communication
1020 – Customer Care
1200 – Corp. Strategy & Econ. Research
9000 – Human Resources
9300 – Personnel & Compensation
9400 – HR Partners
9500 – Learning & Development
3000 – Corporate Banking
3200 – Corporate Customer
3300 – Small & Medium Enterprises
3500 – Financial and Capital Markets
3600 – VÚB CR Prague Branch
3800 – Corporate Transactions Banking
3900 – Project & Real Estate Finance
4000 – Retail Banking
4100 – ADC Management
4200 – Segment Management & Customer Relationship Management
4300 – Product Management
4500 – Retail Branch Management
4600 – Payment Cards
4800 – Private Banking
VÚB Factoring, a.s.
CFH, a.s.
VÚB Generali d.s.s., a.s.
VÚB Leasing, a.s.
Slovak Banking Credit Bureau, spol. s r. o.
VÚB AM, správ. spol., a.s.
Support Units
Business Units

Eva Činčalová
(*1982, Považská Bystrica)
Uluwatu (2008)
acrylic on canvas, 200 x 300 cm
VÚB Foundation collection

Činčalová has been a finalist several times in the Maľba competition organised by the VÚB Foundation. In 2009, she was the competition laureate. The artist is a graduate of the Academy of Fine Art in Bratislava. In her work, it is the photographic model which she then paints that is important. On canvas, she works by picturing digital effects which she turns into painting. By gradually blurring the model, she achieves an abstract image; from this point of view, she proceeds analogically with the strategy of impressionism. She is interested in visual changes, but not those that can result from the influence of the atmosphere, but post-production.

VÚB bank has long been involved in supporting contemporary Slovak art. In cooperation with the VÚB Foundation, it organises an art competition aimed at supporting talented artists, Maľba - VÚB Foundation Award for Artwork for Young Painters. Works entered into the competition are judged by an international panel and the winner wins a financial reward. The competition is traditionally accompanied by a representative exhibition presenting a collection of works by the competition finalists, and thus helps promote young art.