VÚB BANKA

Annual Report 2015

VUB, a bank of INTESA SANPAOLO

KPMG Slovensko spol. s r. o.
Dvořákovo nábrežie 10
P.O. Box 7
820 04 Bratislava 24
Slovakia

Telephone +421 (0)2 59 98 41 11
Fax +421 (0)2 59 98 42 22
Internet www.kpmg.sk

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 2015, presented on pages 27 – 120 (Consolidated financial statements) and on pages 121 – 210 (Separate financial statements) of the annual report.

We have issued an independent auditor's report on the consolidated financial statements on 15 February 2016 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 2015, 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 2015, 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.

15 February 2016
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 15 February 2016 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 2015, 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 2015, 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.

15 February 2016
Bratislava, Slovak Republic

Auditing company: *KPMG Slovensko spol. s r.o.*	*Responsible auditor:* *Ing. Michal Maxim, FCCA*
License SKAU No. 96	*License UDVA No. 1093*

KPMG

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 – 26 and 211 - 221 with the information presented in the consolidated and the separate financial statements as of 31 December 2015. 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 2015, presented on pages 27 – 120 (Consolidated financial statements) and on pages 121 – 210 (Separate financial statements) of the annual report.

18 February 2016
Bratislava, Slovak Republic

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

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

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

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Address by the Chairman of the VUB Supervisory Board

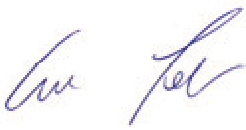
Dear Shareholders, Clients and Business Partners, Employees,

the year 2015 was a good one for VUB. The Group was particularly successful again in terms of its profitability, having improved its net result by over 12% compared to 2014. In the commercial area, VUB managed to substantially increase volumes of loans to customers as well as deposits. The commercial results of the Group's specialised subsidiaries in consumer finance, leasing, asset management, and pension savings markets were also a success. Importantly, while growing strongly, VUB also managed to further improve the quality of its loan portfolio. On behalf of the Supervisory Board, I would like to thank the management and employees for all these achievements.

Looking ahead to 2016, the operating environment for the banking industry will become tougher. Extremely low interest rates will further squeeze margins and undermine banks' core revenues at a time when the costs of regulatory changes rise to unprecedented levels. Banks will have to cope with the EU Directive on Interchange Fees, the Payments Account Directive, and the Mortgage Directive. These legislative changes will not only negatively impact the ability of banks to collect fees but also complicate the conduct of traditional banking businesses in general.

To offset erosion in margins and rising legislative costs, VUB must concentrate on further strengthening efficiency and effectiveness as well as growing the business. In this respect, Intesa Sanpaolo will continue to help, through improvements to the organizational models and processes, utilizing international best practices and professionalism. Intesa Sanpaolo also remains committed to provide VUB with support, know-how and synergies in the commercial area. One example is the new business banking platform, InBiz, which builds upon the existing solution for ISP corporate banking and will soon provide VUB corporate clients with a friendly web interface, utilizing modern and secure technologies.

I realise that the targets set for VUB are demanding. But, nonetheless, I believe that with the continued trust of its clients and business partners, they are feasible. Particularly, if we maintain our commitment and enthusiasm for work, which is a necessary and key factor for success.



Ezio Salvai,
Chairman of the Supervisory Board

Address by the Chairman of the VUB Management Board

Dear Shareholders, Clients and Business Partners,

The year 2015 has been successful for VUB. I am pleased to say that we delivered good results, exceeding the budgetary targets and results of the previous year in terms of asset growth. The development of cost efficiencies and of the quality of our loan portfolio was also positive. Besides quantitative results, I am particularly pleased that during this past year we have initiated a much needed transformation to become a more modern bank providing a great customer experience not only via our branch network, but also through digital channels.

Before evaluating VUB's achievements in detail, I believe it is instructive to first review the developments in the Bank's external environment. In this respect, the Slovak economy grew strongly by over 3%, driven by domestic demand and exceeding 2014 growth by a wider margin than appeared likely a year ago. Improvements on the Slovak labour market were also faster than expected, which saw the unemployment rate drop to the Eurozone average, for the first time ever. Inflation, meanwhile, fell to new lows and thus boosted the real purchasing power of households.

Interest rates also fell to new historic lows. In fact, benchmark Slovak government bond yields fell in the latter part of 2015 to the lowest level in the whole Eurozone, except Germany. This development on the one hand further spurred demand for loans, but on the other negatively impacted interest income, the primary revenue source of Slovak banks, including VUB.

Against the improving economy, our business development targets could have been even higher in some segments. This applies especially to mortgages, which enjoyed extraordinary growth thanks to a combination of the fast improving labour market and consumer confidence and historic low interest rates and reasonably priced residential property. While we accelerated our mortgage lending, we did not fully match the market's advance and thus lost some of our share. Results could have been better as regards consumer lending, which also saw our market share slip as the Bank did not grow its consumer loan book as fast as the market. Unlike our main competitors, however, we also tap the non-bank consumer finance market. And in 2015 our specialised subsidiary Consumer Finance Holding grew its loan book by almost 15% and further established itself as the market leader in this segment.

On the corporate lending front, we were again successful in outperforming the market, growing volume by 10.2% and increasing market share slightly to 16.8%. The growth of corporate loans was reasonably balanced across segments, but I am particularly pleased that we continued to expand our loan portfolio to small and medium sized enterprises by 21%. The results of our leasing subsidiary, VUB Leasing, were also strong, which also succeeded in increasing its market share in 2015. In addition to continuing with its selective approach to newly leased assets, VUB Leasing was again able to further improve its margins and overall financial performance compared to last year. Last year was also successful for our factoring company, VUB Factoring, which remained one of the largest factoring companies on the Slovak market. Most of the receivables were factored on a non-recourse factoring basis, which gives our clients the highest added value and at the same time allows for a sustainable profit contribution to the Group.

Turning to the deposit market, the volume of primary deposits grew by a strong 8.8%. We grew deposits from all key segments, households, firms and public institutions. For households, our growth was smaller than the market's, which meant a decline in market share in this segment and, indeed, also in the total primary deposit market (from 16.8% a year ago to 16.7% resp.). This decline though was solely due to our decision to optimize our funding costs. In addition to term deposits, we continued to offer our clients alternative ways to grow their savings with us. Indeed, assets invested in mutual funds by our clients again outgrew the market and we further increased our market share to 20.3% from 19.7% a year ago. In fact, thanks to support from Eurizon Capital, a leading European asset management company, VUB Asset Management was the best performing player on the Slovak market in terms of net asset growth.

Importantly, as part of the broader change of our marketing communication and a simplification of our product portfolio; we made the difficult decision to terminate the "flexi" era. Instead, we launched more comprehensible and simple VUB Accounts with a benefit system that motivates our clients to be more active and loyal. This new value proposition appears to have been taken up positively by our clients. Indeed, our share of the market volume of household current accounts increased to 21.3% from 20.8% a year ago.

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 2015, a major shakeup in this market occurred as the government actively encouraged participants to leave for the state-administered pay-as-you-go pension pillar. The result was that the pension savings market lost 160 thousand people along with their € 550 million accumulated savings. Against this backdrop, VUB Generali did very well, being the only provider on the market with a greater number of clients than a year ago. Indeed, we were able to increase the number of our clients by 22 thousand, including some 10 thousand from other market players. This is mainly due to the superior return on pension savings that we provide to our clients. Pension assets under our management amounted at year-end to € 1.03 billion and our market share increased by 1.34% to 16.57%.

As regards financial results, on the consolidated basis, in 2015 VUB Group posted an operating income of € 553 million, up 1.7% from a year ago. On the costs front, we remained efficient, decreasing our operating expenses by 3% from a year ago. Our cost to income ratio without bank levy represented 44.2%, way below the market's 51.7% and our operating profit before impairment was € 288 million, up 6.4% over a year ago. Adjusted for impairments, provisions, and taxes, the Group booked net profit of € 163.9 million, 12.4% higher than a year ago.

Looking ahead, the operating environment will worsen in 2016. While the economy is projected to continue to grow strongly and thus support loan volume growth, the extremely low interest rates will severely decrease revenue inflow. While low interest rates are a common concern of all banks in Europe, in Slovakia, this is a bigger issue here as net interest income accounts for up to 80% of banks revenues compared to around 50% in Western Europe.

With margins on key products, such as mortgage already down to Western European levels, banks in Slovakia hitherto sustained their net income revenue thanks mainly to three factors: strong volume growth, repricing of interest-bearing liabilities, and income revenue from outstanding loan portfolios. The latter two factors have started to weaken last year, as interest rates on deposits approached zero and aggressive refinancing offers began to have a negative effect on the loan stock of established players. Refinancing pressure will only intensify in 2016, as recently approved Slovak legislation introduced a cap (max 1%) on breakage costs of early termination of mortgages. This opens the entire existing mortgage portfolio for refinancing as hitherto costs for the early termination of mortgage was around 4-5% and discouraged clients from leaving.

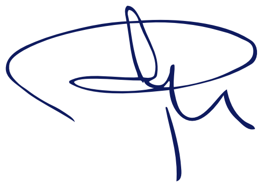
Moreover, options to compensate for the decline in interest income by increased fee income in the Slovak market are constrained. Furthermore, banks will lose current fee income as the recently approved Slovak approximation of the EU Payments Account Directive will force banks to offer primary current accounts for low income individuals for free and for all other clients for three euro, respectively. Even the latter, €3 fee will not cover the basic costs for opening and maintaining these fully-fledged accounts.

Against these market and regulatory pressure, we must strengthen the company and fight, not settle for being part of the crowd. We need to be even smarter and see this as an opportunity for our future growth. While protecting our current portfolio of customers was never a greater priority, we must focus on what is important; do things in a smart way and put business and our customer at the centre. The proportion of interest income to fee income will have to change. However, not by increasing fees, but rather by developing new products which will be appreciated by our clients.

In 2015, we accelerated the transformation of our retail bank to provide a great customer experience through digital channels. We launched a redesigned Mobile Banking application, presented new and innovative tools such as Mobile PIN, IBAN scanner, payment to a telephone number, touch ID. etc., and all these functionalities were greatly appreciated by our clients. In 2016, we must go farther and also embrace corporate banking. In this respect, we have already piloted a new business platform - InBiz. This new solution will provide a user friendly web interface, utilizing modern and secure technologies based on an existing solution for ISP corporate banking.

Apart from technical innovation we must continue to redesign our processes and operating model in order to reduce bureaucracy and increase efficiency. Indeed, this will be another way to help manage the squeeze on margins and regulatory pressure. We will also have to maintain high discipline as regards costs, and reallocating resources from areas with low value added to areas which generate higher revenues.

Clearly, we must be ready for a tough and demanding year. Nonetheless, I firmly believe that the VUB team will continue to deliver. With this in mind, let me thank our employees for their commitment, hard work and achievements. I would also like to thank VUB clients and business partners for the trust they hold in the Bank, and the shareholders for their support. I wish all of us the best in the year 2016.



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 did well in 2015, surpassing expectations and the results of an already upbeat 2014. GDP growth picked up to three and a half percent, the fastest in five years. Job growth accelerated to two percent, thus allowing employment to finally recover back to the pre-2008 crisis level. The unemployment rate meanwhile dropped to the lowest in the past seven years to 10.6% in December. Wages continued to grow at a solid pace of nearly three percent, which in a slightly deflationary environment meant an even higher gain in real wages.

With jobs increasing, unemployment falling, and wages rising, the confidence of households improved, prompting them to further release demand for consumer goods and housing, pent up in the post-crisis years. Banks responded positively to the improved household financial position and the growth of retail loans further accelerated, to close to thirteen percent, particularly in the earlier part of 2015, before the tightening measures of the central bank aiming to gradually lower the inflow of riskier loans took full effect.

Importantly, in 2015, loans finally began to also grow in the corporate sector, by nearly five percent, which was a welcome change to the steady contraction of non-financial credit stock since 2008. The investment activity of Slovak companies increased quite dramatically, helped primarily by the intense drawing of EU funds, which were used primarily for the construction of highways and the upgrading of the existing road and bridge infrastructure. The growth of gross fixed capital investment nearly quadrupled from a year earlier, to over 12%. Construction output rose even more dramatically, by more than 15% from a year earlier.

While the domestic economy prospered in 2015, foreign demand, the long-term key growth driver of the Slovak economy moderated as the global economy and trade flows slowed. The global slowdown in fact weighed down the whole Eurozone, especially in the latter part of the year, when increasing pessimism over the global outlook led to downward revisions of growth and inflation forecasts in the Eurozone. In response, the ECB decided to further ease monetary policy, bringing its deposit rate in December deeper into negative territory and extending its asset purchase program by another six months.

The ECB's asset purchase program is affecting the Slovak interest rate environment particularly strongly. In fact, since the ECB launched the program in March 2015, yields on Slovak bonds plunged to the lowest level in all Eurozone countries, except Germany. This was due to the scarcity of available bonds for the ECB's purchases on the thin Slovak market. Prolonging the asset purchase program by another six months, at least through March 2017 de facto means that Slovak benchmark yields will remain extremely low for a longer period.

A margin squeeze was already evident in 2015 as the net interest income of Slovak banks began to fall from levels in the year before, even as loan volumes accelerated with over 8% year-on-year growth. Banks, nonetheless, were still able to defend their top line by increasing fees and commissions as well as trading income. And by keeping costs under control and benefitting from a reduction of the government's bank levy, they grew net operating profit by over 3%. The banks' bottom line, moreover, was boosted by lower loan loss provisions, allowing the net profit of the sector to rise by a hefty 13% from a year earlier.

Outlook for 2016

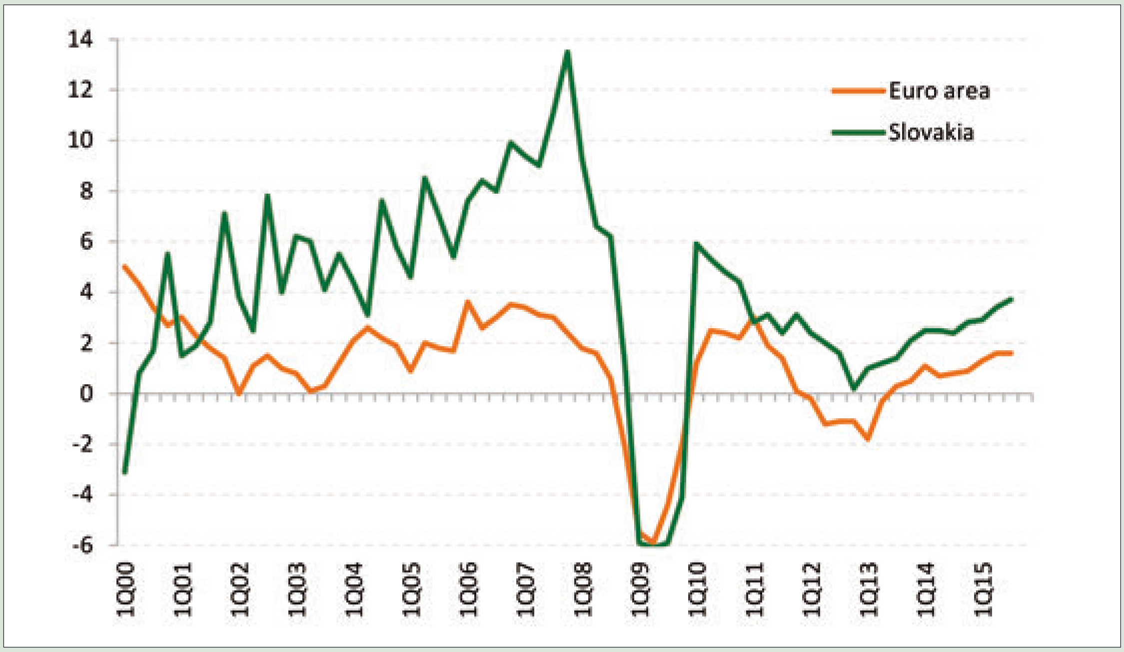
The outlook for the Slovak economy remains positive even if uncertainty globally remains high. To be sure, there will be repercussions for the boom in public investment, which was driven by a last-minute effort to utilize EU funds from the 2007-13 programming period available only until the end of 2015. As the drawing of EU funds returns to or falls below the average levels of the previous years, one would expect that the associated downward correction in public investment will become a drag on growth in 2016.

The investments of private firms nonetheless are likely to continue to gradually recover, for example, in the manufacturing sector, which is reporting increasing capacity utilization. Investments in residential property also appear to be recovering to pre-crisis levels, as documented by the rise of new housings starts, up nearly 30% in 2015.

Consumption will likely maintain its current steady uptrend and contribute to the overall GDP growth positively. Consumption should benefit from the continuous improvement in the labour market and consumer confidence. Real incomes of households meanwhile will continue be boosted by declining costs of energy, which will keep consumer price inflation close to zero.

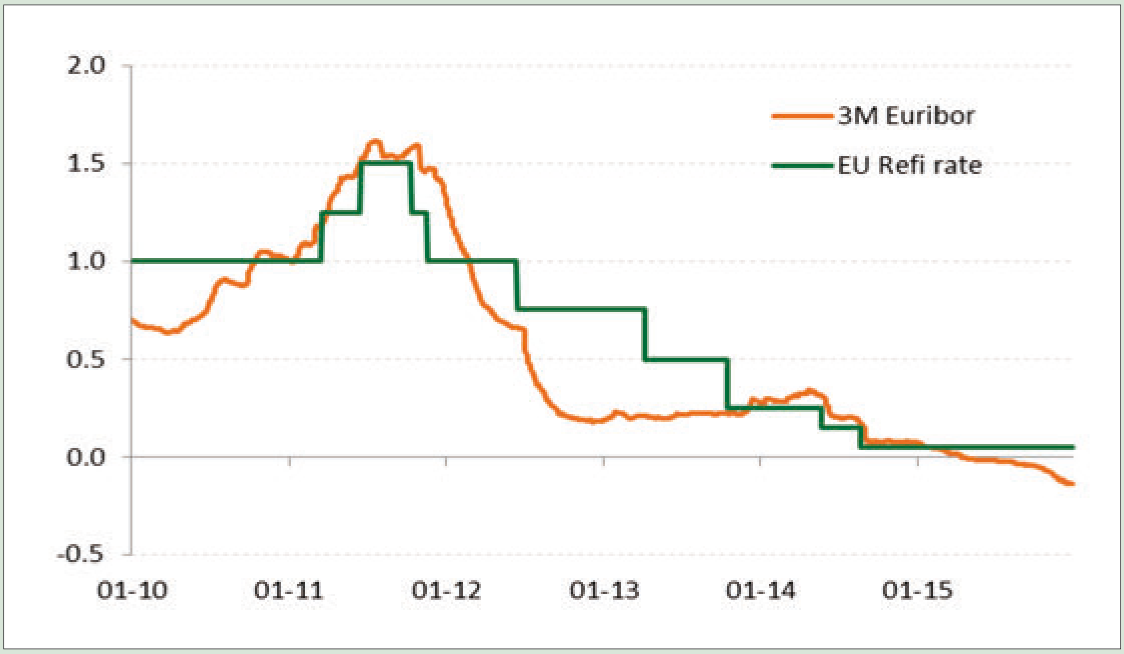
Households, moreover, will also continue to benefit from declining interest rates, which allows them to refinance their mortgages and consumer loans at lower costs, leaving them with more income to spend and save. Hitherto, households have been rather cautious and, while borrowing and spending more they also saved more. Indeed, their saving rate in 2015 increased to the highest level in 15 years even as interest rates declined to historic lows. As the labour market tightens and households gain more confidence in their job safety, it is likely that propensity to consume will also increase.

Real GDP growth (% y/y)



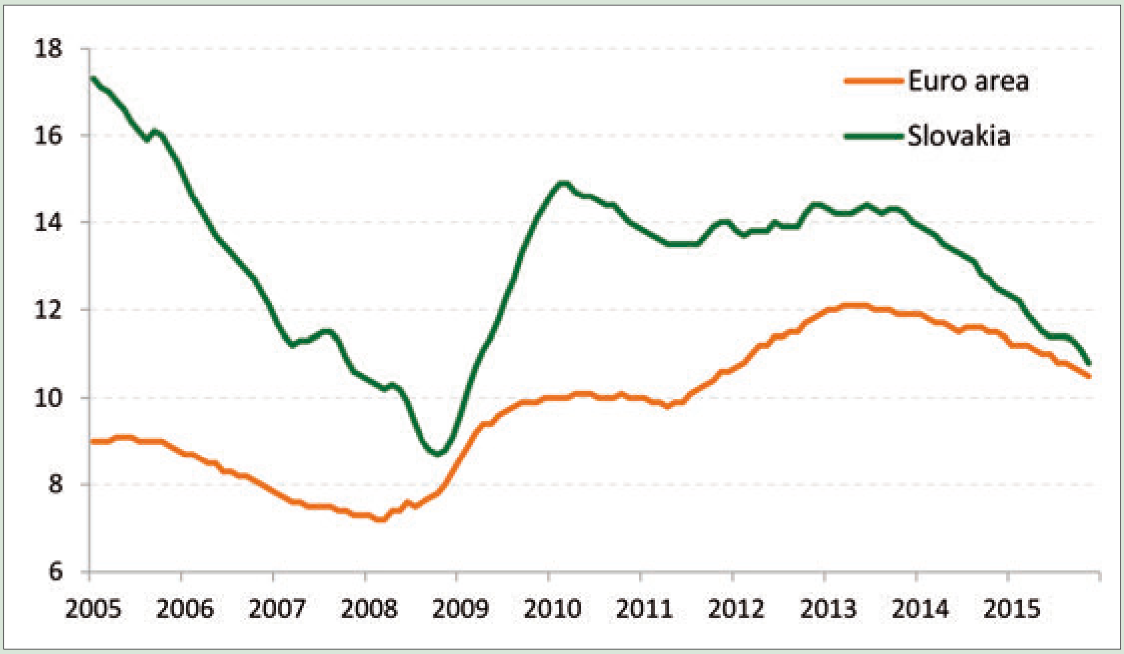
Source: Eurostat, VUB

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



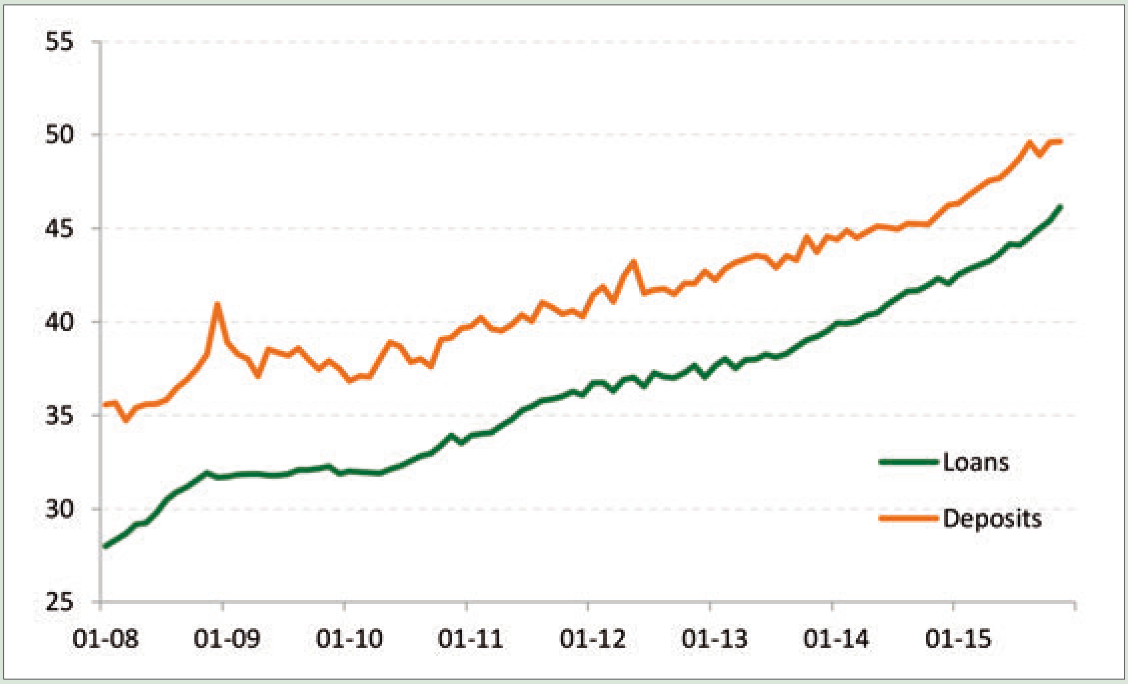
Source: Bloomberg, VUB

Unemployment rate - Slovakia vs Euro area, ILO definition (%)



Source: Eurostat, VUB

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



Source: National Bank of Slovakia, VUB

VUB's 2015 Commercial Performance

In addition to the above, various factors influenced the banking sector in 2015. The macroeconomic environment improved significantly and there was a more favourable composition of economic growth. In 2015, domestic demand recovered, there was a very high decrease in unemployment and low deflation. On the other hand, the year saw an unprecedented intensity of competition resulting in increased sales of housing and consumer loans. The period of low interest rates cut banks' margins and regulatory pressure continued.

Thanks to a significantly better environment and in spite of market obstacles, we achieved an adequate performance in the commercial area. In retail lending, we concentrated on attaining the maximum from the mortgage market in spite of the new central banks regulations. As regards consumer loans, a completely new and more pro-customer based approach was introduced. Thanks to the above, we posted y/y growth for housing loans and consumer loans by 10.9% and 11.2% respectively. In corporate lending, we increased our market share from 16.1% in December 2014 to 16.8% in December 2015. In addition, we increased our loan portfolio to SMEs by 21%. On the deposit front, we strengthened our position in both non-term deposits and mutual funds. The banking environment saw all-time low interest rates, which created decreased demand for term deposits at VUB and the market as a whole.

In order to keep on track, we are focusing on our main vision, i.e. to be the best bank in Slovakia for customer experience, while maintaining excellence as regards profitability and operating efficiency. Bearing this challenge in mind, we are carefully watching customer behaviour to identify new customer needs. As consumer confidence returns, customers are demanding service which will make their lives easier. We are making every effort to provide more information via mobile phones and internet banking, less paperwork and reduce the amount of time spent at branches. In addition, we are focusing on customer satisfaction, feedback and education with regard to alternative channels services.

Deposits

The volume of bank deposits at VUB at the end of 2015 amounted to € 8.6 billion, up 8.8% compared with the previous year due to increased retail and corporate deposits. On the retail market, current accounts rose again this year while term deposits became gradually less attractive for customers. Low interest rates on term deposits and a switching from term deposits to mutual funds are behind this development. As a result, customers' assets under management posted extraordinary growth by 15.7% over the year compared to growth in the market as a whole by 10.8%. Market share in mutual funds thus increased to 20.3% in December 2015 from 19.7% in December 2014. The market share of total deposits from retail clients incl. mutual funds amounted to 17.1%.

In the corporate segment, VUB focused on smaller clients rather than on large fund providers which resulted in a 0.33% decrease of our market share from the end of the previous year, but also improved the funding structure of the bank. Compared to the previous year, corporate deposits grew in 2015 by 15%.

Electronic Banking

In 2015, VUB Bank continued to expand the functionality and improve the quality of electronic banking. Tools to simplify SEPA payments, such as the IBAN scanner and payments using a phone number were successfully implemented.

Moreover the new, mobile and tablet user-friendly design of Nonstop banking was released. This included some innovative features such as finger print log-in on selected devices, online chat and the activation of bank services without the need to visit a branch.

Moreover, VUB Bank has implemented instruments focusing on customer satisfaction, feedback (Net Promoter Score – client loyalty measurement, Staffino in certain branches) and education (iPoradca). In line with this initiative, we launched free Wifi in 100 branches.

Bank Cards

VUB Bank is constantly innovating to meet the needs of their clients. In December 2014, a new product, VISA Inspire mobile payments, a debit card for the mobile phone was introduced. The main goal of the VISA Inspire mobile project was to offer VUB customers a new contactless payment method using mobile phone with NFC technology.

During 2015, VUB Bank continued to upgrade cards to contactless technology.

In November 2014, VUB Bank started to issue the new exclusive credit card MasterCard World with many benefits. One of the benefits is Money back which returns 1% from each payment. In May 2015, VUB Bank introduced a new special benefit – Money back plus 4% on a MasterCard World cardholder's birthday.

VUB Bank remains the exclusive issuer of American Express credit cards in the Slovak Republic. At the beginning of 2015, VUB Bank enabled additional ATM services on American Express cards, e.g. PIN change or top-up of a phone prepaid card. VUB Bank started to issue Blue from American Express cards as a component of the account, so the cardholder can receive it without a yearly fee.

ATMs and EFT POS

VUB retained its 2nd place of the Slovak market share of ATMs amounting to 21% with 572 ATMs. 8 areas were replaced to provide more customers with the services to improve the accessibility of the bank's services. Due to the success of the service for clients, we increased the number of ATMs with deposit functionality by another 5 bank branches, and we now operate 10 ATMs with deposit functionality.

During 2015, more than 1,300 new EFT POS terminals were installed for business customers. All new EFT POS terminals and 65% of the whole bank portfolio have contactless technology.

Contact Centre

In 2015, approximately 725,000 calls and 70,000 emails were processed by the Call Centre. Call Centre began communicating with our clients via Chat and Facebook. The portfolio of products sold directly via Call Centre by phone was expanded to include Non-Life Insurance. The Call Centre continues to provide the mortgage retention activities by using the new tools and activities as pilot setting.

Loans

Individuals – Mortgage and Consumer Loans

In 2015, the demand for mortgage loans exceeded the substantial growth in 2014 in the market. The main reasons behind this development were low interest rates and strong marketing campaigns. The total mortgages of VUB (including ‚American mortgages') grew by 10.9% over the year. With a market share of 21.3%, the Bank kept its strong position on the mortgage loan market. More precisely, we remained the leader separately in typical mortgages with mortgage backed bond funding, where our market share remained above 40%. The rest of the market was more focused on other housing lending not financed by mortgage bonds.

Consumer loans continued to grow, and even exceeded last year's figures thanks to higher demand as there was no loosening of credit standards. Consumer loan growth thus accelerated to the high level of 11.2% y/y at VUB. As a result of extraordinary market growth, market share in consumer loans deteriorated slightly to a still adequate 19.1%. In addition, our subsidiary Consumer Finance Holding separately provided consumers with € 430 million and maintained its growth at a substantial level 12.6%.

Corporate Financing

In 2015, VUB Bank outperformed the rest of the market in the corporate loans segment. While corporate loans grew by 4.5% on the market, VUB's loans increased by 10.2% due to lending in all segments. Loans to resident non-financial corporations increased by 8.9% y/y in the market, and by 4.7% at VUB and thus VUB's market share for these loans fell by 16.3% over the year. Project finance loans grew by 5%, and trade finance loans fell by 18%. VUB Leasing, VUB's subsidiary, achieved very good results on the leasing market with the growth of leasing assets by 6.8% last year.

Review of VUB's Economic and Financial Position

The acceleration of GDP growth due to stronger domestic demand, low deflation and a continual decrease of already very low interest rates were among the main factors behind the favorable development of the Slovak banking sector in 2015. Thanks to strong economic growth, unemployment decreased above expectations and household income posted better development than anticipated. In 2015, intense competition, falling interest rates to new historical minimums and a noticeable improvement in the labor market resulted in significant growth of retail loans. Moreover, the new regulation of the National Bank of Slovakia regarding retail loans had a negligible impact on their y/y growth. In addition, banks' financial results were affected by the lower bank levy rate, deposit protection fund contributions and the introduction of the resolution fund.

On a consolidated basis, VUB posted operating income of € 552.8 million. Compared to the previous year, this figure grew by 1.7% mainly due to net fee and commission income. Operating expenses meanwhile decreased by 3% to € 264.4 million (including bank levy) at the end of 2015.

VUB Group achieved an operating profit before impairment of € 288.4 million and profit before tax of € 213.6 million. VUB increased its profit before impairment by 6.4 % and underlying net profit by 12.4% compared with earlier. The cost-income ratio of the VUB Group was 47.8%, down by 230 basis points.

With regard to business development, VUB delivered extraordinary development with respect to its loan portfolio, which grew by 10.2%, resulting in an increase of market share by 0.1%. Total assets of the whole VUB Group also increased substantially by 7.9%. Nevertheless this increase did not negatively affect our portfolio quality, as the NPL ratio fell by 0.2%. Moreover, VUB continued to outperform the market as regards loan quality. Indeed, NPLs from banking operations at the bank-level at VUB at year end 2015 amounted to a mere 4.9% of the total gross loan volume, compared to 5.1% for the market. Taking into consideration loans provided by VUB's consumer finance and leasing arms, Consumer Finance Holding and VUB Leasing, the Group's non-performing loan ratio was stable throughout all of the year at below 6%.

The bank was able to increase its primary deposits by 8.8%, keeping a sound liquidity position which is represented by the prudent loan to deposit ratio of 89.9%.

To bolster the stability of future business growth, the group's capital increased to one of the highest capital adequacy on the Slovak market at 16.3% above the minimum requirements set by the central bank. This gives us a solid base for continued business growth.

Consumer Finance Holding (CFH) continued to contribute to the group's expansion of the loan portfolio by increasing its spectrum of retail clients, and this year it posted substantial growth of loans to households by 12.6%. VUB Leasing, VUB's subsidiary, continued to achieve an excellent performance on the leasing market with the growth of leased assets by 6.8%. VUB Leasing increased its market position with respect to its total portfolio up to a market share of 8.2% in December 2015 from 8.1% in December 2014.

Information on the Expected Economic and Financial Situation for 2016

Expected GDP growth in 2016 is slightly lower than in 2015, but private consumption is certain to grow faster. This growth is connected to the anticipated recovery of prices. However, the surprising improvement of the unemployment rate in 2015 is not likely to be repeated in 2016, and the development of the labour market is expected to continue to be favourable. Even though 2016 is expected to be fairly favorable in terms of macroeconomic development, it would be very challenging to sustain profitability development. The regulatory costs for Slovak banks will remain high. In addition to the bank levy, deposit protection fund and the newly introduced resolution fund, we will have to deal with other regulations, such as the basic bank account, new mortgage directive and the new phases of already effective NBS regulations.

In a period of the lowest interest margins, increasing regulations and fierce competition, we must innovate and introduce new products which will meet the new needs of our clients. Consumer confidence is returning and clients are demanding services which will make their life easier. That means more information on their mobile phone and internet banking, less paperwork and the lowest possible amount of time spent at their branch. Therefore, we have invested a lot of time in our new services mentioned above and will continue to do so. We will continue to expand the portfolio of products which can be provided via alternative distribution channels and for the remaining services we are currently introducing paperless interaction with clients at branches via a tablet using security features of Nonstop banking. In line with these innovations in the retail segment, in the corporate segment we are introducing Inbiz, a new improved internet banking service for our corporate clients. By focusing on the above, VUB will become a modern and agile bank. Or main priorities will still include concentrating on retaining our market position in both the retail and corporate segment.

To fulfil our vision to be the best bank in Slovakia for customer experience, we will focus on identifying opportunities for growth and expansion. Our strategic objective in the retail segment thus remains increasing the attractiveness of key products and communication in the area of loans and deposits, in particular C/As and consumer loans. At the current stage of interest rates, it is necessary to shift interest-to-fee income ratio towards fee and commission income via the introduction and support of new services for customers such as investments and consultations.

With respect to the corporate segment, the focus will be on all segments. In particular, we would like to increase our involvement in project financing and selected sectors to keep market share in the corporate loan market. In the corporate deposit market, we will make the necessary effort to keep deposit development stable.

The default risk is likely to remain at low levels depending on economic development, however, significant emphasis will be placed on risk management to curb non-performing loans and keep the high quality of our loan portfolio in 2016. With reference to the Single Supervisory Mechanism, we are considered a significant bank. Therefore, under the direct supervision of ECB, we are subject to the comprehensive assessment of banks, where we are confident of delivering strong results with respect to stress tests and Asset Quality Reviews (AQR). Moreover, we will be continuing to pay close attention to BASEL II and comply with each of its three pillars and BASEL III. Due to the macro-prudential policy of the European Union, the NBS is constantly increasing the requirements for banking subjects, but we are set to be well above its benchmarks.

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

In the upcoming year, our flexibility and ability to adapt to the requirements and needs of customer will be crucial to keep on track with the rest of the market and to sustain profitability. VUB is ready to accept this challenge and improve the lives of people associated with our bank.

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 the 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. The General Meeting of the Company as the main decision making body of the Company is entitled to decide on share issues or on 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 2015.

Structure by Owner Type	Shares € '000*	Stake (%)
Intesa Sanpaolo Holding International S.A. – majority owner	418,034	97.03
Other legal entities	5,305	1.23
Individuals	7,480	1.74
Total Registered Share Capital of VÚB, a.s.	430,819	100.00

Structure by Nationality	Shares € '000*	Stake (%)
Intesa Sanpaolo Holding International S.A. – majority owner	418,034	97.03
Domestic shareholders	9,797	2.28
Other foreign shareholders	2,988	0.69
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 29,792 shareholders as at 31 December 2015. Foreign VÚB shareholders come from the following countries with the following stake in the bank's registered capital (in %): Luxembourg (97.032%), Germany (0.563%), Czech Republic (0.100%), Austria (0.017%), United Kingdom (0.004%), U.S.A. (0.003%), Andorra (0.003%), Canada, Romania, France, Switzerland, Sweden, Belgium and Cyprus.

A qualified participation in 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 97.03% stake in the registered capital.

During the first months of 2015, VÚB, a.s. also continued acquiring its own shares with a nominal value of € 33.20 each (hereinafter "own shares") until 12 April 2015, when the acquisition of own shares was discontinued by the Bank, in accordance with the resolution of the ordinary general meeting of VÚB, a.s. held on 27 March 2015. During the mentioned period, the Bank acquired 1,105 of its own shares for € 80 per share. The price was set for this period by a resolution of the ordinary general meeting of VÚB, a.s. held on 25 March 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 1,105 own shares were transferred to a third party for a price of €155 per share set in line with Bratislava Stock Exchange Rules, Part V – Trading Rules (BSE Rules). After this share transfer, VUB did not hold any own shares in its assets as at 31 December 2015. The stake of the nominal value of acquired and transferred own shares on the company's registered capital in 2015 was 0.008%.

Further, the company acquired during the accounting year 2015 and held in its assets the 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, with a nominal value of € 0.52 each, in a total number of 1,111,377 shares, thereof in year 2015 acquired 939,044 shares for a price of € 3.204 and 60,956 shares for a price of € 3.186 per one share. This represents 0.134% of the nominal value of the Bank's registered capital. These shares have been acquired by the Bank in order to adopt and implement ISP Group Remuneration Policies in line with the Capital Directive ‚CRD III' (i.e. Directive 2010/76/EU amending the Capital Requirements Directives). In 2015, the Bank transferred 146,476 shares in accordance with ISP Group Remuneration Policies.

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 27 March 2015. The shareholders at this meeting approved the 2014 Annual Report of VÚB, a.s., the 2014 Statutory Separate Financial Statements and the 2014 Consolidated Financial Statements, both statements were prepared in accordance with IFRS as amended by the EU, as submitted by the Management Board of the Bank. The General Meeting also decided on distributing the profit earned in 2014 in the amount of € 111,657,094.59 to shareholders in dividends amounting to € 89,537,697.00 and to the retained earnings in the amount of € 22,119,397.59. Further, the General Meeting decided on the 2014 dividend to be paid to shareholders in the amount of € 6.90 per share with a nominal value of € 33.20.

The General Meeting approved the amendments to the Articles of Association of VÚB, a.s. as proposed; change of conditions for acquisition of own shares of VÚB, a.s. and stipulated 12 April 2015 as the last day of their acquisition; and also approved the acquisition of Intesa Sanpaolo S.p.A. shares in compliance with the remuneration principles and stipulated the conditions of their acquisition; approved the external auditor for the bank for 2015; and decided on personnel changes to the Committee for Audit.

VUB Supervisory Board and Management Board in general

1. Supervisory Board members are elected by the General Meeting. The VUB Management Board is elected by the Supervisory Board.
2. All relevant information is available to all members of the Management Board and Supervisory Board in time. In the course of the financial year 2015, the VUB Management Board held 25 meetings and adopted five decisions on a per rollam basis. The VUB Supervisory Board held 4 meetings and adopted six decisions on a per rollam basis during the 2015 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 on individual matters competently.
3. 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.

Supervisory Board

Members of the Supervisory Board in 2015

Ezio Salvai	Chairman of the Supervisory Board (independent member)
Ignacio Jaquotot	Vice Chairman of the Supervisory Board
Massimo Malagoli	Member of the Supervisory Board (until 10 October 2015)

Paolo Sarcinelli	Member of the Supervisory Board
Christian Schaack	Member of the Supervisory Board (independent member)
Andrej Straka	Member of the Supervisory Board (employee representative)
Ján Gallo	Member of the Supervisory Board (employee representative)

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

a) reviews the annual report, the ordinary, extraordinary, individual and consolidated accounts and recommends the annual report, the ordinary, extraordinary, individual and consolidated accounts to the General Meeting for approval;
b) approves the proposed distribution of current and/or past profits;
c) approves rules for the creation and use of other funds created by VÚB, a.s.;
d) approves the draft plan for the settlement of unsettled loss and/or unsettled losses from past years;
e) approves proposed changes to the internal audit and internal control system;
f) approves the annual audit plan and the annual report on the results of the activities of the Internal Audit and Control Unit;
g) reviews and approves the following matters, before their submission to the General Meeting by the Management Board:
   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) a Management Board proposal regarding the termination of trading in Company securities on the stock exchange, and a decision on whether the Company should cease to operate as a public joint-stock company;
b) information from 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) the report by the Management Board on the business activities and assets of the Company, with related projected developments.

Committees of the Supervisory Board:

Audit Committee

The Audit Committee was comprised of five members (including the Chairman) as of 31 December 2015. The Audit Committee held four meetings during 2015. 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 at the Bank; compliance with regulatory requirements; the audit of the separate financial statements and the audit of the consolidated financial statements. Further, the Audit Committee examines and monitors the independence 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 independence. 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 in the Bank. The Head of the Internal Audit and Control Department may be appointed to/removed from the position upon a recommendation and prior consent issued by the Supervisory Board. Furthermore, the Supervisory Board also defines the remuneration and compensation scheme for this position. In 2015, 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.

Remuneration Committee

The Remuneration Committee was founded in VUB in July 2012. It has 3 members who are members of the Supervisory Board. The committee meets at least once a year. Its main responsibilities are to independently assess the compensation principles of the selected positions (according to the Act on Banks) and the effects of remuneration on the management of risk, capital 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 into account long-term interests of shareholders, investors and other stakeholders when preparing its decisions and supervise remuneration of the selected positions.

Risk Committee

The Risk Committee was established by a decision of the Supervisory Board of VÚB in September 2015. It has 3 members; two of them are members of the Supervisory Board. The Risk Committee is part of risk management and has supervisory, advisory and supportive functions primarily for the monitoring of the risk management system and strategy and its implementation.

Management Board

Management Board Members in 2015

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
Jozef Kausich	Member of the Management Board and Head of Corporate and SME Division
Peter Magala	Member of the Management Board and Head of Risk Management Division
Peter Novák	Member of the Management Board and Chief Operating Officer
Martin Techman	Member of the Management Board and Head of Retail Division (since 1 March 2015)

Alexander Resch – Chairman of the Management Board and CEO

Alexander Resch has worked for Intesa Sanpaolo Group for his entire career. He 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. Before leaving for Albania, he held the position of Management Board Member and Chief Risk Officer of VÚB. Alexander 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. He studied economics at Università Cattolica del Sacro Cuore in Milan and also holds a double Executive MBA degree from the University of Minnesota - Carlson School of Management and the Vienna University of Economics and Business. Alexander Resch is the President of the Slovak Banking Association and the Italian-Slovak Chamber of Commerce.

Elena Kohútiková – Member of the Management Board and Deputy CEO

Elena Kohútiková has been the Deputy CEO of VÚB, a.s. since 2009, and is responsible primarily for the regulatory and support departments of the bank. Elena Kohútiková joined VÚB, a.s. in October 2006 as a member of the Management Board and Executive Director of the Financial and Capital Market Division. She entered the banking sector by her engagement in the State Bank of Czechoslovakia and is one of the key people to found the National Bank of Slovakia where, inter alia, she held the position of Deputy Governor in the period from 2000 to 2006. She was a top expert for euro introduction in Slovakia. Elena Kohútiková has been awarded many prestigious awards, including the state honour "Ľudovít Štúr Order, 2nd class" for significant achievements in the development of banking and the economy of the Slovak Republic awarded by the President of the Slovak Republic.

Antonio Bergalio – Member of the Management Board and Chief Financial Officer

Antonio Bergalio has been a member of the Management Board and Chief Financial Officer since 1 October 2014. He is in charge of controlling, accounting, management of assets and liabilities, real estate, procurement and internal services. Before joining VÚB, Antonio Bergalio was a member of the Management Board and CFO of the Ukrainian Pravex Bank, a 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 at 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 from 2012 to 2014.

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

Jozef Kausich has been a member of the VÚB Management Board and Executive Director of the Corporate and SME Division since April 2005 and Chairman of the Supervisory Board of VÚB subsidiaries 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 took part in several banking mergers and acquisitions. He started his career at Tatra banka as a branch account manager, and later worked at the headquarters of the Bank Austria – Creditanstalt Slovakia. From 2001 to 2005, he worked at the new HVB Bank Slovakia, initially as Head of the Corporate Customer and Product Management Division, and later as Head of the Corporate Client Division. Jozef Kausich is a graduate of the University of Economics in Bratislava.

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 to his current position he was the Head of VÚB Internal Audit and Control Department responsible for the internal auditing of the entire VÚB Group. Having graduated from the University of Economics in Bratislava, Faculty of National Economy, he started his career with Deloitte, Bratislava. Peter Magala gained further banking experience at Citibank, Bratislava and in Tatrabanka/Raiffeisen International mostly participating in an international IT project in Slovenia. He holds an internationally recognized professional qualification in risk management – Financial Risk Manager (FRM), and is a Fellow Member of the Association of Chartered Certified Accountants (FCCA).

Peter Novák – Member of the Management Board and Chief Operating Officer

Peter Novák became a member of the VÚB Management Board and Chief Operating Officer on 1 October 2014. He joined VÚB after leaving 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, Hong Kong, 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.

Martin Techman - Member of the Management Board and Head of Retail Division

Martin Techman became Member of the VÚB Management Board and Head of the Retail Division in March 2015. At VÚB, he is in charge of the management of the retail branch network and client relationship, bank products for individuals and small business, payment cards and private banking. He came to VÚB from Česká sporiteľňa, where he was the director of business development and later managed the branch network in the Czech Republic. Martin Techman started his career in the field of banking and financial services at the company Multiservis, which was acquired by GE Capital. From 2004 to 2005 he was the head of development and administration of products at VÚB. Martin Techman is a Nottingham Trent University graduate, with an MBA degree in Business Administration (Executive MBA).

Competencies of the Management Board

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 legal regulations or the 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) exercising the executive management of VÚB, a.s. and employer rights;
b) implementing decisions taken by the General Meeting and the Supervisory Board;
c) ensuring the accuracy of the mandatory bookkeeping and other records, trade books and other documentation of VÚB, a. s.;
d) managing the issuer's securities registry;
e) 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;
   - a proposal for approval or withdrawal of the auditor of VÚB, a.s. for the relevant accounting period;
f) approval and regular investigation of Bank Remuneration Policies.

The Management Board has established some of 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, Project Portfolio Committee, and Recovery and Watch List Committee.

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 other relevant legislation.

B. 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.

C. The Company's Approach to Shareholders

The Bank's corporate governance principles 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.

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 VÚB". Information for shareholders is available on the VUB web site www.vub.sk in the "Information 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 the 'Banking Act') as amended, applicable to the provision of deals to the Bank's re-

lated 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 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. The Bratislava Stock Exchange Rules are available on the Bratislava Stock Exchange web site www.bsse.sk in the section "BSSE Regulations".
5. The Company actively supports a constructive dialogue with institutional investors and promptly informs all shareholders at General Meetings and notices via its webpage www.vub.sk in Slovak and English. Thus, 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 the 'Securities Act'), at a European level, and the MiFID directive (Markets in Financial Instruments Directive), and undertakes activities directed at 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, and 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 as regards market transparency, and organization of the Bank as a securities trader, to be ensured by 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 webpage 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 to allow them 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.

Basic indicators

Selected Indicators (in € '000)

	Separate financial statements prepared in accordance with IFRS			Consolidated financial statements prepared in accordance with IFRS		
	2015	2014	2013	2015	2014	2013
Statement of financial position						
Loans and advances to customers	8,553,701	7,752,189	7,159,983	9,125,909	8,282,781	7,574,317
Due to customers	8,543,134	7,864,398	7,839,050	8,552,684	7,859,303	7,838,211
Equity	1,323,449	1,287,003	1,272,427	1,498,106	1,428,146	1,379,389
Balance sheet total	12,055,419	11,175,015	11,151,378	12,625,464	11,698,955	11,556,423
Statement of profit or loss						
Operating income	451,080	443,961	438,054	552,838	543,705	530,834
Operating expenses	(229,220)	(241,538)	(236,296)	(264,419)	(272,561)	(265,276)
Operating profit before impairment	221,860	202,423	201,758	288,419	271,144	265,558
Profit before tax	170,433	146,042	137,792	213,575	189,602	179,710
Income tax expense	(40,076)	(34,385)	(33,154)	(49,692)	(43,843)	(44,614)
Net profit for the year	130,357	111,657	104,638	163,883	145,759	135,096

Commercial indicators	2015	2014	2013
ATMs	572	572	573
EFT POS Terminals	8,063	8,628	9,201
Payment cards	1,296,733	1,298,059	1,313,014
of which credit cards	346,040	349,022	372,968
Mortgage loans (€ '000, VUB Bank)	3,556,990	3,207,785	2,899,094
Consumer loans (€ '000, VUB Bank)	1,059,465	956,068	849,224
Number of employees (VUB Group)	3,987	3,985	3,959
Number of branches in Slovakia (VUB Bank)	234	239	244

Key ratios of VUB Group	2015	2014	2013
Return on assets	1.30%	1.25%	1.17%
Cost-Income Ratio (without bank levy)	44.20%	44.72%	42.72%
Tier 1 capital ratio	16.13%	16.03%	15.93%
Total capital ratio	16.30%	16.06%	16.76%

Rating (status as at 31 December 2015)

Moody's	
Long-term deposits	A2
Short-term deposits	P-1
Baseline credit assessment	Baa2

Stable outlook

Consolidated financial statements

Consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and Independent Auditor’s Report for the year ended 31 December 2015

KPMG Slovensko spol. s r. o.
Dvořákovo nábrežie 10
P.O.Box 7
820 04 Bratislava 24
Slovakia

Telephone +421 (0)2 59 98 41 11
Fax +421 (0)2 59 98 42 22
Internet www.kpmg.sk

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 2015, 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 2015, 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.

15 February 2016
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

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

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

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

Consolidated statement of financial position at 31 December 2015

(in € '000)

	Note	2015	2014
Assets			
Cash and balances with central banks	7	469,336	405,149
Due from banks	8	178,707	611,003
Financial assets at fair value through profit or loss	9	97,753	1,055
Derivative financial instruments	10	46,652	49,937
Available-for-sale financial assets	11	1,867,941	1,523,939
Loans and advances to customers	12	9,125,909	8,282,781
Held-to-maturity investments	14	531,742	533,456
Associates and joint ventures	15	17,635	17,757
Intangible assets	16	64,108	58,577
Goodwill	17	29,305	29,305
Property and equipment	18	105,925	111,412
Deferred income tax assets	19	58,804	49,822
Other assets	20	31,647	24,762
		12,625,464	11,698,955
Liabilities			
Due to central and other banks	21	774,354	743,916
Derivative financial instruments	10	62,559	62,059
Due to customers	22	8,552,684	7,859,303
Debt securities in issue	23	1,600,341	1,469,465
Current income tax liabilities	19	9,517	8,137
Provisions	24	25,313	27,709
Other liabilities	25	102,590	100,220
		11,127,358	10,270,809
Equity			
Equity (excluding net profit for the year)	26	1,334,223	1,282,387
Net profit for the year		163,883	145,759
		1,498,106	1,428,146
		12,625,464	11,698,955
Financial commitments and contingencies	27	3,351,373	3,137,617

The accompanying notes on pages 33 to 120 form an integral part of these financial statements.

These financial statements were prepared and approved by the Management Board on 15 February 2016.

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 2015 (in € '000)

	Note	2015	2014
Interest and similar income		485,379	513,896
Interest and similar expense		(73,420)	(92,152)
Net interest income	28	411,959	421,744
Fee and commission income		159,084	142,754
Fee and commission expense		(41,597)	(40,824)
Net fee and commission income	29	117,487	101,930
Net trading result	30	11,970	11,621
Other operating income	31	11,422	8,410
Operating income		552,838	543,705
Salaries and employee benefits	32	(114,447)	(111,196)
Other operating expenses	33	(101,865)	(103,124)
Special levy of selected financial institutions	33	(20,076)	(29,413)
Amortisation	16	(13,664)	(13,255)
Depreciation	18	(14,367)	(15,573)
Operating expenses		(264,419)	(272,561)
Operating profit before impairment		288,419	271,144
Impairment losses	34	(79,278)	(86,301)
Profit from operations		209,141	184,843
Share of profit of associates and joint ventures	15	4,434	4,759
Profit before tax		213,575	189,602
Income tax expense	35	(49,692)	(43,843)
NET PROFIT FOR THE YEAR		163,883	145,759
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		16	(9)
Available-for-sale financial assets		(4,266)	(11,624)
Cash flow hedges		(365)	(1,157)
Other comprehensive income for the year, net of tax	36, 37	(4,615)	(12,790)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		159,268	132,969

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

The accompanying notes on pages 33 to 120 form an integral part of these financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2015

(in € '000)

	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 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
At 1 January 2015	430,819	13,636	99,633	853,415	(9)	31,537	(885)	1,428,146
Total comprehensive income for the year, net of tax	-	-	-	163,883	16	(4,266)	(365)	159,268
Dividends to shareholders	-	-	-	(89,538)	-	-	-	(89,538)
Reversal of dividends distributed but not collected	-	-	-	147	-	-	-	147
Legal reserve fund	-	-	270	(270)	-	-	-	-
Other	-	-	-	(15)	15	-	-	-
Sale of treasury shares	-	83	-	-	-	-	-	83
At 31 December 2015	430,819	13,719	99,903	927,622	22	27,271	(1,250)	1,498,106

The accompanying notes on pages 33 to 120 form an integral part of these financial statements.

Consolidated statement of cash flows for the year ended 31 December 2015 (in € '000)

	Note	2015	2014
Cash flows from operating activities			
Profit before tax		213,575	189,602
Adjustments for:			
Amortisation		13,664	13,255
Depreciation		14,367	15,573
Securities at fair value through profit or loss, debt securities in issue and FX differences		(2,855)	21,615
Items related to share of profit of associates and joint ventures		120	(3,394)
Interest income		(485,379)	(513,896)
Interest expense		73,420	92,152
Sale of property and equipment		(83)	(100)
Impairment losses and similar charges		100,065	113,965
Interest received		496,878	544,416
Interest paid		(88,617)	(98,517)
Tax paid		(57,294)	(44,799)
Due from banks		428,913	3,981
Financial assets at fair value through profit or loss		(97,451)	204,409
Derivative financial instruments (assets)		2,920	(21,873)
Available-for-sale financial assets		(355,063)	40,892
Loans and advances to customers		(943,285)	(808,486)
Other assets		(6,437)	6,037
Due to central and other banks		30,111	(37,401)
Derivative financial instruments (liabilities)		500	19,175
Due to customers		698,485	26,925
Other liabilities		(2,609)	8,815
Net cash used from/(used in) operating activities		33,945	(227,654)
Cash flows from investing activities			
Repayments of held-to-maturity investments		1	445,220
Purchase of intangible assets and property and equipment		(30,598)	(26,767)
Disposal of property and equipment		2,775	1,437
Net cash (used in)/from investing activities		(27,822)	419,890
Cash flows from financing activities			
Proceeds from issue of debt securities		410,300	239,751
Repayments of debt securities		(264,569)	(194,862)
Sale of treasury shares		83	135
Dividends paid		(89,538)	(84,347)
Net cash from/(used in) financing activities		56,276	(39,323)
Net change in cash and cash equivalents		62,399	152,913
Cash and cash equivalents at the beginning of the year	6	429,187	276,274
Cash and cash equivalents at the end of the year	6	491,586	429,187

The accompanying notes on pages 33 to 120 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 2015

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 2015, the Bank had a network of 234 points of sale (including Retail Branches, Corporate Branches and Mortgage centres) located throughout Slovakia (December 2014: 239). The Bank also has one branch in the Czech Republic.

At 31 December 2015, the members of the Management Board are: Alexander Resch (Chairman), Antonio Bergalio, Jozef Kausich, Elena Kohútiková, Peter Magala, Peter Novák and Martin Techman (since 1 March 2015).

Another member of the Management Board during 2015 was Jiří Huml (until 29 January 2015).

At 31 December 2015, the members of the Supervisory Board are: Ezio Salvai (Chairman), Ignacio Jaquotot (Vice Chairman), Ján Gallo, Paolo Sarcinelli, Christian Schaack and Andrej Straka.

Another member of the Supervisory Board was Massimo Malagoli (until 10 October 2015).

1.2 The VUB Group

The consolidated financial statements comprise the Bank and its subsidiaries (referred to hereinafter together 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 2015	Share 2014	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.	-	-	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. At 3 December 2015, Consumer Finance Holding Česká republika, a.s. was registered in the Commercial Register of Companies in Czech Republic. This company is a 100% subsidiary of CFH.

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 2014 were authorised for issue by the Management Board on 17 February 2015.

The separate financial statements of the Bank for the year ended 31 December 2015 were prepared on 15 February 2016 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 euros ('€'), unless indicated otherwise. The 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 IFRS 11: Accounting for Acquisitions of Interests in Joint Operations

These Amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. Business combination accounting also applies to the acquisition of additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value. The previously held interests in the joint operation will not be remeasured.

It is expected that the Amendments, when initially applied, will not have a material impact on the VUB Group's financial statements because the VUB Group has an existing accounting policy to account for acquisitions of joint operations in a manner consistent with that set out in the Amendments.

Amendments to IFRS 9: Financial Instruments

The adoption of IFRS 9 is expected to have significant impact on VUB Group's Financial Statements mostly in the area of classification of financial instruments and expected losses. The quantification will be subject to further analysis.

Amendments to IAS 1: Presentation of Financial Statements

The Amendments to IAS 1 include the following five, narrow-focus improvements to the disclosure requirements contained in the standard:

– immaterial information can detract from useful information,
– materiality applies to the whole of the financial statements,
– materiality applies to each disclosure requirement in an IFRS.

The guidance on the order of the notes (including the accounting policies) has been amended to:

– Remove language from IAS 1 that has been interpreted as prescribing the order of notes to the financial statements.
– Clarify that entities have flexibility about where they disclose accounting policies in the financial statements.

The VUB Group expects that the amendments, when initially applied, will not have a material impact on the presentation of the financial statements of the VUB Group.

Amendments to IAS 19: Employee Benefits

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.

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.

Annual Improvements to IFRSs

The improvements introduce six amendments to six 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 2016, with earlier adoption permitted. None of these amendments are expected to have a significant impact on the financial statements of the VUB Group.

In 2015, the Group implemented a new interpretation IFRIC21 Levies and those amendments to the Annual Improvements to IFRSs that have been applicable for the annual periods beginning on or after 1 January 2015.

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 converted 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 converted 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 remeasured 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 which contains a clarification in reference to non-performance risk in determining the fair value of the over-the-counter derivatives, the VUB Group uses the Bilateral Credit Value Adjustment model ('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 realise 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 programme.

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

	Jubilee benefits	Retirement benefits
Discount rate	1.25%	1.25%
Growth of wages in 2015	n/a	0.50%
Future growth of wages after 2015	n/a	0.00%
Fluctuation of employees (based on age)	5–30%	5–30%
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 recognise equity shares acquired as a part of the incentive plan based on which the amount due to employees benefiting from the plan recognised 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 recognised 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 analyse 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:

- Authorised 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 exceeding significant threshold 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.

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 2015	Amortised cost	Impairment losses	Carrying amount 2014
Portfolio assessed						
Banks	178,732	(25)	178,707	611,009	(6)	611,003
Customers						
Sovereigns	164,002	(122)	163,880	147,192	(350)	146,842
Corporate	3,514,703	(42,177)	3,472,526	3,165,054	(38,004)	3,127,050
Retail	5,601,209	(236,872)	5,364,337	5,093,739	(221,261)	4,872,478
	9,279,914	(279,171)	9,000,743	8,405,985	(259,615)	8,146,370
Securities						
FVTPL	97,753	-	97,753	1,055	-	1,055
AFS	1,867,941	-	1,867,941	1,523,939	-	1,523,939
HTM	531,742	-	531,742	533,456	-	533,456
	2,497,436	-	2,497,436	2,058,450	-	2,058,450
Individually assessed						
Customers						
Corporate	212,348	(94,890)	117,458	216,231	(94,864)	121,367
Retail	12,937	(5,229)	7,708	23,402	(8,358)	15,044
	225,285	(100,119)	125,166	239,633	(103,222)	136,411
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. In March 2015 the next phase of the project was realised based on which three classification categories of non-performing loans were introduced (past due, unlikely to pay, doubtful) instead of previously used four categories (past due, restructured, substandard, doubtful). This change was fully reflected in the disclosures as of 31 December 2015 as well as in comparative balances as of 31 December 2014. The definition of non-performing loans is based on delinquency (days past due - DPD) and judgemental criteria for categories doubtful and unlikely to pay. In case of past due category, DPD and credit exposure of client are taken into account.

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 in a state of insolvency (although not yet legally) or in a de facto equivalent status, regardless of any loss forecasts made by the Group.
Unlikely to pay	Exposures to borrowers assessed as improbable to thoroughly meet their credit obligations without recourse to actions such as the enforcement of guarantees/collateral.
Past due	Exposures other than those classified as doubtful or unlikely to pay that, as at reporting date, are past due for over 90 days and exceed the materiality threshold of higher than 5% of outstanding total credit exposures to client.
Performing	All exposures that are not classified as doubtful, unlikely to pay 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 NBS, 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	2015 Amortised cost	2015 Impairment losses	2015 Carrying amount	2014 Amortised cost	2014 Impairment losses	2014 Carrying amount
Banks							
	Performing	178,732	(25)	178,707	611,009	(6)	611,003
		178,732	(25)	178,707	611,009	(6)	611,003
Sovereigns							
	Performing	163,998	(122)	163,876	147,155	(350)	146,805
	Past due	-	-	-	1	-	1
	Doubtful	4	-	4	36	-	36
		164,002	(122)	163,880	147,192	(350)	146,842
Corporate							
	Performing	3,491,739	(32,649)	3,459,090	3,167,873	(34,984)	3,132,889
	Past due	327	(152)	175	572	(242)	330
	Unlikely to pay	139,187	(30,531)	108,656	76,442	(10,635)	65,807
	Doubtful	95,798	(73,735)	22,063	136,398	(87,007)	49,391
		3,727,051	(137,067)	3,589,984	3,381,285	(132,868)	3,248,417
Retail							
	Performing	5,284,632	(54,523)	5,230,109	4,808,776	(58,287)	4,750,489
	Past due	17,955	(9,466)	8,489	28,022	(14,658)	13,364
	Unlikely to pay	22,221	(9,381)	12,840	45,325	(20,010)	25,315
	Doubtful	289,338	(168,731)	120,607	235,018	(136,664)	98,354
		5,614,146	(242,101)	5,372,045	5,117,141	(229,619)	4,887,522
Securities							
	Performing	2,497,436	-	2,497,436	2,058,450	-	2,058,450
	Doubtful	574	(574)	-	574	(574)	-
		2,498,010	(574)	2,497,436	2,059,024	(574)	2,058,450

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	2015	2014
Financial assets		
Derivative financial instruments	78,355	67,097
Financial commitments and contingencies		
Issued guarantees	834,723	739,626
Commitments and undrawn credit facilities	2,516,650	2,397,991
	3,351,373	3,137,617

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	2015 Carrying amount	Amortised cost	Impairment losses	2014 Carrying amount
Banks						
No delinquency	178,732	(25)	178,707	611,009	(6)	611,003
	178,732	(25)	178,707	611,009	(6)	611,003
Sovereigns						
No delinquency	163,891	(122)	163,769	146,818	(349)	146,469
1 – 30 days	107	-	107	338	(1)	337
Over 181 days	4	-	4	36	-	36
	164,002	(122)	163,880	147,192	(350)	146,842
Corporate						
No delinquency	3,543,131	(60,396)	3,482,735	3,196,008	(51,519)	3,144,489
1 – 30 days	52,331	(1,642)	50,689	60,054	(6,137)	53,917
31 – 60 days	6,523	(702)	5,821	16,812	(1,262)	15,550
61 – 90 days	6,500	(672)	5,828	5,378	(1,436)	3,942
91 – 180 days	15,301	(7,169)	8,132	3,388	(903)	2,485
Over 181 days	103,265	(66,486)	36,779	99,645	(71,611)	28,034
	3,727,051	(137,067)	3,589,984	3,381,285	(132,868)	3,248,417

€ '000	Amortised cost	Impairment losses	2015 Carrying amount	Amortised cost	Impairment losses	2014 Carrying amount
Retail						
No delinquency	5,090,807	(40,697)	5,050,110	4,582,644	(36,022)	4,546,622
1 – 30 days	181,555	(14,559)	166,996	182,284	(13,944)	168,340
31 – 60 days	49,629	(6,718)	42,911	53,518	(7,935)	45,583
61 – 90 days	27,887	(4,648)	23,239	34,837	(6,629)	28,208
91 – 180 days	37,197	(20,325)	16,872	44,055	(21,567)	22,488
Over 181 days	227,071	(155,154)	71,917	219,803	(143,522)	76,281
	5,614,146	(242,101)	5,372,045	5,117,141	(229,619)	4,887,522
Securities						
No delinquency	2,498,010	(574)	2,497,436	2,059,024	(574)	2,058,450
	2,498,010	(574)	2,497,436	2,059,024	(574)	2,058,450

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:

31 December 2015 € '000	Performing forborne Amortised cost	Impairment losses	Carrying amount	Non-performing forborne Amortised cost	Impairment losses	Carrying amount
Corporate	38,737	(1,201)	37,536	136,044	(57,413)	78,631
Retail	68,154	(2,079)	66,075	15,283	(6,170)	9,113
	106,891	(3,280)	103,611	151,327	(63,583)	87,744

31 December 2014 € '000	Performing forborne Amortised cost	Impairment losses	Carrying amount	Non-performing forborne Amortised cost	Impairment losses	Carrying amount
Corporate	30,901	(925)	29,976	144,939	(53,765)	91,174
Retail	85,394	(2,445)	82,949	12,338	(3,785)	8,553
	116,295	(3,370)	112,925	157,277	(57,550)	99,727

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). Credit balances may be written off only if the collateral has already been realised. 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 realisation 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 realisation 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,
– Realisation 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:

€ '000	Clients	2015 Banks	Clients	2014 Banks
Debt securities	43,193	-	48,697	501,458
Other	948,384	13,116	829,879	18,421
Property	4,522,942	-	4,206,787	-
	5,514,519	13,116	5,085,363	519,879

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 recognised 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 realise 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 2015 € '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						
Derivative financial instruments	38,558	-	38,558	-	(1,600)	36,958
	38,558	-	38,558	-	(1,600)	36,958
Financial liabilities						
Derivative financial instruments	(60,035)	-	(60,035)	-	37,372	(22,663)
	(60,035)	-	(60,035)	-	37,372	(22,663)

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	Related amounts not offset in SOFP: 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)

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	2015 Total carrying amount presented in SOFP	In scope of offsetting disclosure	Not in scope of offsetting disclosure	2014 Total carrying amount presented in SOFP	In scope of offsetting disclosure	Not in scope of offsetting disclosure
Financial assets							
Due from banks	8	178,707	-	178,707	611,003	501,458	109,545
Derivative financial instruments	10	46,652	38,558	8,094	49,937	41,446	8,491
Financial liabilities							
Derivative financial instruments	10	(62,559)	(60,035)	(2,524)	(62,059)	(54,330)	(7,729)

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	2015 Amortised cost	Impairment losses	Carrying amount	2014 Amortised cost	Impairment losses	Carrying amount
Europe						
Banks	172,645	(15)	172,630	602,381	(3)	602,378
Sovereigns	164,002	(122)	163,880	147,192	(350)	146,842
Corporate	3,726,546	(137,042)	3,589,504	3,381,285	(132,868)	3,248,417
Retail	5,611,971	(242,054)	5,369,917	5,115,310	(229,572)	4,885,738
Securities	2,498,010	(574)	2,497,436	2,059,024	(574)	2,058,450
	12,173,174	(379,807)	11,793,367	11,305,192	(363,367)	10,941,825
America						
Banks	5,813	(10)	5,803	8,275	(3)	8,272
Retail	229	(4)	225	169	(3)	166
	6,042	(14)	6,028	8,444	(6)	8,438
Asia						
Banks	249	-	249	320	-	320
Corporate	505	(25)	480	-	-	-
Retail	1,298	(28)	1,270	1,166	(25)	1,141
	2,052	(53)	1,999	1,486	(25)	1,461
Rest of the World						
Banks	25	-	25	33	-	33
Retail	648	(15)	633	496	(19)	477
	673	(15)	658	529	(19)	510

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

€ '000	Amortised cost 2015	Impairment losses 2015	Carrying amount 2015	Amortised cost 2014	Impairment losses 2014	Carrying amount 2014
Europe						
Slovakia	1,554,708	(574)	1,554,134	1,666,929	(574)	1,666,355
Italy	805,454	-	805,454	382,010	-	382,010
Poland	97,046	-	97,046	-	-	-
Other	40,802	-	40,802	10,085	-	10,085
	2,498,010	(574)	2,497,436	2,059,024	(574)	2,058,450

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

31 December 2015 € '000	Banks	Sovereigns	Corporate	Retail	Securities
Agriculture	-	-	117,548	19,171	-
Construction	-	-	192,743	18,494	-
Consumers	-	-	17,091	5,149,091	-
Energy and water supply	-	224	549,251	2,445	-
Financial services	178,707	-	266,793	286	236,826
Government	-	155,741	1,388	-	2,260,610
Manufacturing	-	-	660,851	27,272	-
Professional services	-	-	147,614	12,808	-
Real estate	-	-	428,490	35,307	-
Retail & Wholesale	-	-	640,176	61,111	-
Services	-	-	153,406	16,327	-
Transportation	-	7,403	350,821	11,771	-
Other	-	512	63,812	17,962	-
	178,707	163,880	3,589,984	5,372,045	2,497,436

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

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 2015 € '000	**Amortised cost**	**Impairment losses**	**Carrying amount**	**Amortised cost**	**Impairment losses**	**Carrying amount**	**Amortised cost**	**Impairment losses**	**Carrying amount**
Banks	174,734	(17)	174,717	-	-	-	3,998	(8)	3,990
Sovereigns									
Municipalities	163,656	(121)	163,535	4	-	4	107	-	107
Municipalities – Leasing	235	(1)	234	-	-	-	-	-	-
	163,891	(122)	163,769	4	-	4	107	-	107
Corporate									
Large Corporates	1,181,422	(5,616)	1,175,806	25,453	(17,331)	8,122	-	-	-
Specialised Lending	680,581	(13,187)	667,394	113,136	(26,663)	86,473	285	(21)	264
SME	980,148	(10,578)	969,570	68,110	(43,788)	24,322	14,399	(676)	13,723
Other Fin. Institutions	240,336	(505)	239,831	7	(2)	5	-	-	-
Public Sector Entities	2,104	(6)	2,098	9	-	9	2	-	2
Leasing	212,916	(1,192)	211,724	27,064	(15,516)	11,548	19,667	(408)	19,259
Factoring	134,499	(447)	134,052	1,534	(1,118)	416	25,379	(13)	25,366
	3,432,006	(31,531)	3,400,475	235,313	(104,418)	130,895	59,732	(1,118)	58,614
Retail									
Small Business	186,446	(2,988)	183,458	14,201	(11,299)	2,902	3,682	(214)	3,468
Small Business – Leasing	6,396	(33)	6,363	2,541	(661)	1,880	738	(38)	700
Consumer Loans	1,185,519	(20,167)	1,165,352	178,817	(117,752)	61,065	126,039	(12,342)	113,697
Mortgages	3,412,865	(7,076)	3,405,789	81,719	(20,877)	60,842	62,406	(3,686)	58,720
Credit Cards	163,361	(3,635)	159,726	38,096	(26,721)	11,375	14,847	(2,394)	12,453
Overdrafts	73,004	(700)	72,304	13,762	(9,976)	3,786	17,326	(921)	16,405
Leasing	4,128	(14)	4,114	378	(292)	86	183	(7)	176
Flat Owners Associations	23,629	(308)	23,321	-	-	-	-	-	-
Other	4,063	-	4,063	-	-	-	-	-	-
	5,059,411	(34,921)	5,024,490	329,514	(187,578)	141,936	225,221	(19,602)	205,619
Securities									
FVTPL	97,753	-	97,753	-	-	-	-	-	-
AFS	1,867,941	-	1,867,941	574	(574)	-	-	-	-
HTM	531,742	-	531,742	-	-	-	-	-	-
	2 497 436	-	2 497 436	574	(574)	-	-	-	-

31 December 2014 € '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	611,009	(6)	611,003	-	-	-	-	-	-
Sovereigns									
Municipalities	146,603	(348)	146,255	37	-	37	338	(1)	337
Municipalities – Leasing	214	(1)	213	-	-	-	-	-	-
	146,817	(349)	146,468	37	-	37	338	(1)	337
Corporate									
Large Corporates	1,108,045	(5,589)	1,102,456	22,863	(11,720)	11,143	-	-	-
Specialised Lending	753,016	(13,334)	739,682	82,716	(20,594)	62,122	7,027	(210)	6,817
SME	786,128	(11,660)	774,468	75,780	(46,241)	29,539	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	206,643	(1,707)	204,936	28,557	(16,392)	12,165	20,205	(662)	19,543
Factoring	164,584	(732)	163,852	3,392	(2,917)	475	21,168	(25)	21,143
	3,102,946	(33,152)	3,069,794	213,412	(97,884)	115,528	64,927	(1,832)	63,095
Retail									
Small Business	173,802	(3,078)	170,724	14,203	(10,950)	3,253	5,325	(498)	4,827
Small Business – Leasing	5,744	(42)	5,702	2,759	(792)	1,967	1,235	(77)	1,158
Consumer Loans	1,061,300	(17,226)	1,044,074	155,730	(100,024)	55,706	123,021	(15,711)	107,310
Mortgages	3,047,566	(7,542)	3,040,024	80,509	(21,297)	59,212	79,710	(4,945)	74,765
Credit Cards	162,034	(3,316)	158,718	41,112	(28,152)	12,960	17,444	(3,204)	14,240
Overdrafts	80,382	(1,002)	79,380	13,679	(9,879)	3,800	18,136	(1,308)	16,828
Leasing	2,872	(16)	2,856	330	(237)	93	385	(19)	366
Flat Owners Associations	23,195	(303)	22,892	-	-	-	-	-	-
Other	6,625	-	6,625	43	(1)	42	-	-	-
	4,563,520	(32,525)	4,530,995	308,365	(171,332)	137,033	245,256	(25,762)	219,494
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)	-	-	-	-

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

€ '000	2015 Amortised cost	2015 Impair-ment losses	2015 Carrying amount	2014 Amortised cost	2014 Impair-ment losses	2014 Carrying amount
Sovereigns						
1 – 30 days	107	-	107	338	(1)	337
	107	-	107	338	(1)	337
Corporate						
1 – 30 days	49,130	(799)	48,331	49,196	(1,083)	48,113
31 – 60 days	5,129	(135)	4,994	13,816	(482)	13,334
61 – 90 days	5,473	(184)	5,289	1,892	(263)	1,629
91 – 180 days	-	-	-	18	-	18
Over 181 days	-	-	-	5	(4)	1
	59,732	(1,118)	58,614	64,927	(1,832)	63,095
Retail						
1 – 30 days	163,646	(10,505)	153,141	167,973	(11,893)	156,080
31 – 60 days	36,333	(3,965)	32,368	42,806	(6,219)	36,587
61 – 90 days	19,147	(2,555)	16,592	24,691	(4,676)	20,015
91 – 180 days	5,961	(2,520)	3,441	9,496	(2,802)	6,694
Over 181 days	134	(57)	77	290	(172)	118
	225,221	(19,602)	205,619	245,256	(25,762)	219,494

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).

Specialised Lending comprises of rating segments Special Purpose Vehicles ('SPV') and Real Estate Development ('RED'); Project Finance portfolio ('PF'), which previously represented a separate rating segment of Specialised Lending, was merged into SPV in June 2015. For Specialised Lending 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:

Specialised Lending – SPV 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 and thereby the description of ratings correlates with the risk profiles.

Retail Mortgages	Unsecured retail	Risk Profile
L1 - L4	U01a – U02	Very Low
N1	U03	Low
N2 – W1	U04 – U07	Lower - Intermediate
W2	U08 – U09	Intermediate
-	U10 - U11	Upper - Intermediate
W3	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 2015 € '000	Internal rating	Amortised cost	Impairment losses	Carrying amount
Banks	Unrated	178,732	(25)	178,707
Sovereigns				
Municipalities, Municipalities – Leasing	Unrated	164,002	(122)	163,880
		164,002	(122)	163,880
Corporate				
Large Corporates, SME	I1 - I6	882,262	(857)	881,405
	M1 - M4	882,940	(5,867)	877,073
	R1 - R5	324,430	(11,844)	312,586
	D (default)	75,737	(56,667)	19,070
	Unrated	85,382	(1,056)	84,326
Specialised Lending - SPV, RED	Strong	146,000	(279)	145,721
	Good	208,379	(1,394)	206,985
	Satisfactory	292,048	(9,085)	282,963
	Weak	90,280	(14,893)	75,387
	D (default)	57,296	(14,220)	43,076
Other Financial Institutions, Public Sector Entities	I1 - I6	72,384	(91)	72,293
	M1 - M4	167,956	(313)	167,643
	R1 - R5	-	-	-
	D (default)	4	(2)	2
	Unrated	2,115	(108)	2,007
Other	Unrated	18,779	(1,697)	17,082
Leasing, Factoring	Unrated	421,059	(18,694)	402,365
		3,727,051	(137,067)	3,589,984

31 December 2015 € '000	Internal rating	Amortised cost	Impairment losses	Carrying amount
Retail				
Small Business, Flat Owners Associations	I3 - I6	29,248	(53)	29,195
	M1 - M4	120,213	(1,176)	119,037
	R1 - R5	55,617	(2,497)	53,120
	D (default)	12,758	(11,024)	1,734
	Unrated	10,119	(61)	10,058
Mortgages	L1 - L4	2,713,755	(537)	2,713,218
	N1	262,586	(333)	262,253
	N2-W1	334,389	(1,107)	333,282
	W2	53,828	(841)	52,987
	W3	138,471	(8,465)	130,006
	D (default)	53,960	(20,356)	33,604
Unsecured Retail	U01a-U02	366,290	(335)	365,955
	U3	76,120	(181)	75,939
	U04 - U07	293,414	(2,024)	291,390
	U08 - U09	73,343	(1,750)	71,593
	U10 - U11	53,583	(3,068)	50,515
	U12	54,166	(8,890)	45,276
	D (default)	126,158	(87,498)	38,660
	Unrated	767,700	(90,860)	676,840
Small Business – Leasing, Leasing	Unrated	14,365	(1,045)	13,320
Other	Unrated	4,063	-	4,063
		5,614,146	(242,101)	5,372,045
Securities	Unrated	2,498,010	(574)	2,497,436

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
Specialised Lending - SPV, 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	84,640	(150)	84,490
Leasing, Factoring	Unrated	444,549	(22,435)	422,114
		3,381,285	(132,868)	3,248,417
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	(422)	2,366,945
	N1	240,645	(307)	240,338
	N2-W1	327,311	(1,069)	326,242
	W2	56,261	(865)	55,396
	W3	153,793	(9,367)	144,426
	D (default)	62,408	(21,754)	40,654
Unsecured Retail	U01a - U02	327,761	(337)	327,424
	U3	67,192	(175)	67,017
	U04 - U07	279,271	(2,078)	277,193
	U08 - U09	78,999	(2,034)	76,965
	U10 - U11	52,891	(3,267)	49,624
	U12	47,922	(8,329)	39,593
	D (default)	64,422	(46,610)	17,812
	Unrated	754,380	(116,992)	637,388
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

(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 optimising 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:

	2015				2014			
€ '000	Balance	Avg	Max	Min	Balance	Avg	Max	Min
Foreign currency risk	5	28	118	2	16	82	148	6
Interest rate risk	141	100	248	10	10	88	300	10
Overall	141	103	264	16	19	135	313	12
sVaR	129	159	849	53	111	310	937	27

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 recognised what might represent a difficult task when taking into account the growing number and diversity of positions in given portfolio.

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

In order to harmonise methodology for the calculation of interest rate risk in the banking book, in 2015 the Bank proceeded to adjust the methodology for calculation of the sensitivity of interest margin, primarily by applying modified behaviour model used to calculate shift sensitivity.

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 repricing date.

Contractual

This category includes instruments where the Group knows exactly when the maturity or next repricing 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.

At 31 December 2015, 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 € 427 thousand (31 December 2014: € 4,950 thousand).

At 31 December 2015, interest rate risk generated by the Group banking book, measured through shift sensitivity analysis to 100 basis points, registered € -37,311 thousand (31 December 2014: € -41,008 thousand).

€ '000	2015	2014
EUR	(38,411)	(42,044)
Other	1,100	1,036
	(37,311)	(41,008)

At 31 December 2015, 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 € -2,468 thousand (31 December 2014: € -6,735 thousand). At 31 December 2015, the sensitivity of CF hedges reserve in equity to 100 basis points rise in interest rates was € 3,145 thousand (31 December 2014: € 4,368 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 2015 € '000	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Not specif.	Total
Assets							
Cash and balances with central banks	469,336	-	-	-	-	-	469,336
Due from banks	57,977	195	120,007	-	492	-	178,671
Financial assets at fair values through profit or loss	8	110	97,286	-	-	349	97,753
Available-for-sale assets	56,643	521,220	412,555	683,482	179,351	14,690	1,867,941
Loans and advances to customers	1,698,717	1,370,230	1,804,843	3,975,833	436,248	-	9,285,871
Held-to-maturity investments	-	-	16,339	415,435	99,968	-	531,742
	2,282,681	1,891,755	2,451,030	5,074,750	716,059	15,039	12,431,314
Liabilities							
Due to central and other banks	(295,381)	(144,875)	(203,455)	(136,619)	(9,286)	-	(789,616)
Due to customers	(4,874,532)	(793,609)	(1,202,724)	(1,376,623)	(295,212)	-	(8,542,700)
Debt securities in issue	(223,069)	(161,014)	(192,290)	(395,873)	(628,096)	-	(1,600,342)
	(5,392,982)	(1,099,498)	(1,598,469)	(1,909,115)	(932,594)	-	(10,932,658)
Net position of financial instruments	(3,110,301)	792,257	852,561	3,165,635	(216,535)	15,039	1,498,656

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
Financial assets at fair values through profit or loss	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

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

	2015 **%**	**2014** **%**
Assets		
Cash and balances with central banks	0.00	0.20
Due from banks	0.39	0.68
Financial assets at fair value through profit or loss	4.37	2.04
Available-for-sale financial assets	1.78	2.24
Loans and advances to customers	4.75	5.39
Held-to-maturity investments	4.33	4.33
Liabilities		
Due to central and other banks	0.84	1.10
Due to customers	0.45	0.63
Debt securities in issue	1.98	2.43

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 2015 € '000	EUR	USD	CZK	Other	Total
Assets					
Cash and balances with central banks	94,287	1,069	371,964	2,016	469,336
Due from banks	158,575	9,355	44	10,733	178,707
Financial assets at fair value through profit or loss	707	-	-	97,046	97,753
Derivative financial instruments	25,209	20,208	1,235	-	46,652
Available-for-sale financial assets	1,857,689	10,252	-	-	1,867,941
Loans and advances to customers	8,619,243	189,851	311,331	5,484	9,125,909
Held-to-maturity investments	531,742	-	-	-	531,742
	11,287,452	230,735	684,574	115,279	12,318,040
Liabilities					
Due to central and other banks	(712,226)	(2,044)	(59,340)	(744)	(774,354)
Derivative financial instruments	(59,598)	(2,097),	(864)	-	(62,559)
Due to customers	(8,080,422)	(260,294)	(114,931)	(97,037)	(8,552,684)
Debt securities in issue	(1,525,241)	-	(75,100)	-	(1,600,341)
	(10,377,487)	(264,435)	(250,235)	(97,781)	(10,989,938)
Net position	909,965	(33,700)	434,339	17,498	1,328,102

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

(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 2015 € '000	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Not specif.	Total
Assets							
Cash and balances with central banks	469,336	-	-	-	-	-	469,336
Due from banks	66,363	372	104,484	9,118	492	-	180,829
Financial assets at fair value through profit or loss	9	106	98,511	-	-	349	98,975
Available-for-sale financial assets	1,723	522,035	68,101	1,146,355	139,647	14,690	1,892,551
Loans and advances to customers	426,998	501,003	1,408,384	4,167,241	5,222,128	-	11,725,754
Held-to-maturity investments	-	-	24,549	475,768	126,481	-	626,798
	964,429	1,023,516	1,704,029	5,798,482	5,488,748	15,039	14,994,243
Liabilities							
Due to central and other banks	(220,159)	(72,864)	(198,503)	(247,106)	(56,526)	-	(795,158)
Due to customers	(6,875,708)	(489,404)	(815,722)	(370,094)	(5,630)	-	(8,556,558)
Debt securities in issue	(3,545)	(83,222)	(98,369)	(895,884)	(749,447)	-	(1,830,467)
	(7,099,412)	(645,490)	(1,112,594)	(1,513,084)	(811,603)	-	(11,182,183)
Net position of financial instruments	(6,134,983)	378,026	591,435	4,285,398	4,677,145	15,039	3,812,060
Cash inflows from derivatives	1,096,610	71,112	81,087	39,647	26,400	-	1,314,856
Cash outflows from derivatives	(1,082,908)	(71,002)	(80,042)	(40,238)	(26,195)	-	(1,300,385)
Net position from derivatives	13,702	110	1,045	(591)	205	-	14,471
Commitments and undrawn credit facilities	(2,380,526)	-	-	-	-	-	(2,380,526)
Issued guarantees	(567,899)	-	-	-	-	-	(567,899)
Net position from financial commitments and contingencies	(2,948,425)	-	-	-	-	-	(2,948,425)

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 specif.	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

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

31 December 2015 € '000	Less than 12 months	Over 12 months	Total
Assets			
Cash and balances with central banks	469,336	-	469,336
Due from banks	170,209	8,498	178,707
Financial assets at fair value through profit or loss	97,404	349	97,753
Derivative financial instruments	20,704	25,948	46,652
Available-for-sale financial assets	562,922	1,305,019	1,867,941
Loans and advances to customers	2,029,620	7,096,289	9,125,909
Held-to-maturity investments	-	531,742	531,742
Associates and joint ventures	-	17,635	17,635
Intangible assets	-	64,108	64,108
Goodwill	-	29,305	29,305
Property and equipment	-	105,925	105,925
Deferred income tax assets	-	58,804	58,804
Other assets	31,647	-	31,647
	3,381,842	9,243,622	12,625,464
Liabilities			
Due to central and other banks	(460,541)	(313,813)	(774,354)
Derivative financial instruments	(5,639)	(56,920)	(62,559)
Due to customers	(8,177,426)	(375,258)	(8,552,684)
Debt securities in issue	(166,569)	(1,433,772)	(1,600,341)
Current income tax liabilities	(9,517)	-	(9,517)
Provisions	-	(25,313)	(25,313)
Other liabilities	(99,246)	(3,344)	(102,590)
	(8,918,938)	(2,208,420)	(11,127,358)
	(5,537,096)	7,035,202	1,498,106

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

(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 Standardised 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.

		Carrying amount			Fair value			
31 December 2015 € '000	**Note**	**At amortised cost**	**At fair value**	**Total carrying amount**	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
Financial assets								
Cash and balances with central banks	7	469,336	-	469,336	-	469,336	-	469,336
Due from banks	8	178,707	-	178,707	-	178,707	-	178,707
Financial assets at fair value through profit or loss	9	-	97,753	97,753	97,395	358	-	97,753
Derivative financial instruments	10	-	46,652	46,652	-	46,652	-	46,652
Available-for-sale financial assets	11	-	1,867,941	1,867,941	841,418	1,011,833	14,690	1,867,941
Loans and advances to customers	12	9,125,909	-	9,125,909	-	-	10,479,581	10,479,581
Held-to-maturity investments	14	531,742	-	531,742	-	614,208	-	614,208
		10,305,694	2,012,346	12,318,040	938,813	2,321,094	10,494,271	13,754,178
Financial liabilities								
Due to central and other banks	21	(774,354)	-	(774,354)	-	(774,354)	-	(774,354)
Derivative financial instruments	10	-	(62,559)	(62,559)	-	(62,559)	-	(62,559)
Due to customers	22	(8,552,684)	-	(8,552,684)	-	(8,561,807)	-	(8,561,807)
Debt securities in issue	23	(1,600,341)	-	(1,600,341)	-	(1,661,051)	-	(1,661,051)
		(10,927,379)	(62,559)	(10,989,938)	-	11,059,771	-	11,059,771

31 December 2014 € '000	Note	Carrying amount At amorti-sed cost	At fair value	Total carrying amount	Fair value Level 1	Level 2	Level 3	Total fair value
Financial assets								
Cash and balances with central banks	7	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)

There were no transfers of financial instruments among the levels during the period ended 31 December 2015 (31 December 2014: no transfers).

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 € 50 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 € 50 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.

In order to unify the disclosure of information on operating segments with the Intesa Sanpaolo methodology, the project of New Segmentation was launched in the Bank in the first quarter of 2015. The most significant change was related to the extension of Central Treasury segment by banking book transactions (previously they were reported within 'Other'). Comparative data for the prior period were restated accordingly to reflect this change.

31 December 2015 € '000	Retail Banking	Corporate Banking	Central Treasury	Other	Total
External revenue					
Interest and similar income	325,756	90,432	60,727	8,464	485,379
Interest and similar expense	(34,503)	(5,682)	(31,483)	(1,752)	(73,420)
Inter-segment revenue	(34,097)	(11,968)	48,035	(1,970)	-
Net interest income	257,156	72,782	77,279	4,742	411,959
Net fee and commission income	58,777	60,042	3,127	(4,459)	117,487
Net trading result	3,539	4,692	3,798	(59)	11,970
Other operating income	11,737	5,197	(16)	(5,496)	11,422
Total segment operating income	331,209	142,713	84,188	(5,272)	552,838
Depreciation and amortisation	(17,958)	(4,010)	(11)	(6,052)	(28,031)
Operating expenses					(236,388)
Operating profit before impairment					288,419
Impairment losses					(79,278)
Share of profit of associates and joint ventures					4,434
Income tax expense					(49,692)
Net profit for the year					163,883
Segment assets	5,397,891	3,521,655	3,216,674	489,244	12,625,464
Segment liabilities and equity	5,561,015	2,514,132	3,121,142	1,429,175	12,625,464

31 December 2014 **€ '000**	**Retail Banking**	**Corporate Banking**	**Central Treasury**	**Other**	**Total**
External revenue					
Interest and similar income	339,210	91,724	73,125	9,837	513,896
Interest and similar expense	(40,333)	(7,264)	(37,173)	(7,382)	(92,152)
Inter-segment revenue	(24,562)	(16,130)	43,687	(2,995)	-
Net interest income	274,315	68,330	79,639	(540)	421,744
Net fee and commission income	47,088	55,903	3,142	(4,203)	101,930
Net trading result	3,124	3,649	4,784	64	11,621
Other operating income	7,504	4,770	9	(3,873)	8,410
Total segment operating income	332,031	132,652	87,574	(8,552)	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	3,032,281	108,380	11,698,955
Segment liabilities and equity	5,109,189	2,314,653	2,742,786	1,532,327	11,698,955

6. Cash and cash equivalents

€ '000	Note	2015	2014
Cash and balances with central banks	7	469,336	405,149
Current accounts in other banks	8	22,250	19,769
Term deposits with other banks	8	-	4,269
		491,586	429,187

7. Cash and balances with central banks

€ '000	2015	2014
Balances with central banks:		
Compulsory minimum reserves	251,557	190,294
Current accounts	1	-
Term deposits	119,926	119,892
	371,484	310,186
Cash in hand	97,852	94,963
	469,336	405,149

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	2015	2014
Current accounts	6	22,250	19,769
Term deposits			
with contractual maturity less than 90 days	6	-	4,269
with contractual maturity over 90 days		100,192	20,066
Loans and advances			
with contractual maturity over 90 days		18,618	516,885
Cash collateral		37,672	50,020
Impairment losses	13	(25)	(6)
		178,707	611,003

At 31 December 2015 the balance of 'Term deposits' includes one deposit with Intesa Sanpaolo S.p.A. in the nominal amount of €100,000 thousand. (31 December 2014: 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).

At 31 December 2014 the balance of 'Loans and advances' comprised of two reverse repo trades concluded with Intesa Sanpaolo S.p.A. in the total nominal amount of € 499,719 thousand. The repo trades were secured by state bonds and cash collateral. At 31 December 2015 there was no reverse repo trade concluded.

9. Financial assets at fair value through profit or loss

€ '000	2015	2014
Financial assets held for trading		
State bonds		
with contractual maturity over 90 days	97,046	50
Bank bonds		
with contractual maturity over 90 days	358	380
	97,404	430
Financial assets designated at fair value through profit or loss on initial recognition		
Equity shares	349	625
	97,753	1,055

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 2015 and 31 December 2014, 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	2015 Assets	2014 Assets	2015 Liabilities	2014 Liabilities
Trading derivatives	28,623	29,576	13,570	18,160
Cash flow hedges of interest rate risk	-	-	1,573	1,134
Cash flow hedges of foreign exchange risk	-	-	29	-
Fair value hedges of interest rate and inflation risk	18,029	20,361	47,387	42,765
	46,652	49,937	62,559	62,059

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 2015, the negative fair value of this derivative was € 856 thousand (31 December 2014: € 1,627 thousand).

€ '000	2015 Assets	2014 Assets	2015 Liabilities	2014 Liabilities
Trading derivatives – Fair values				
Interest rate instruments				
Swaps	5,823	6,826	4,677	5,504
Options	895	1,674	881	1,711
	6,718	8,500	5,558	7,215
Foreign currency instruments				
Forwards and swaps	19,988	16,625	5,147	4,790
Cross currency swaps	-	-	856	1,627
Options	409	1,407	534	1,508
	20,397	18,032	6,537	7,925
Equity and commodity instruments				
Equity options	1,160	3,044	1,157	3,020
Commodity swaps	348	-	318	-
	1,508	3,044	1,475	3,020
	28,623	29,576	13,570	18,160

€ '000	2015 Assets	2014 Assets	2015 Liabilities	2014 Liabilities
Trading derivatives – Notional values				
Interest rate instruments				
Swaps	301,381	418,784	301,381	418,784
Options	151,985	169,598	151,985	169,598
	453,366	588,382	453,366	588,382
Foreign currency instruments				
Forwards and swaps	1,274,808	426,957	1,259,829	414,849
Cross currency swaps	29,604	28,844	30,449	30,449
Options	61,614	68,644	61,249	68,606
	1,366,026	524,445	1,351,527	513,904
Equity and commodity instruments				
Equity options	17,658	23,398	17,662	23,402
Commodity swaps	5,898	-	5,836	-
	23,556	23,398	23,498	23,402
	1,842,948	1,136,225	1,828,391	1,125,688

Cash flow hedges of interest rate risk

At 31 December 2015, 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.

Cash flow hedge of foreign exchange risk

The VUB Group also entered into a foreign exchange ('FX') forward contract to hedge the highly probable future transaction in respect of expected cash inflows related to the payment for a guarantee in USD. The cash flow profiles of both items are identical.

Below is a schedule indicating as at 31 December 2015 and 31 December 2014, the periods when the hedged cash flows are expected to occur. The cash flows of mortgage bonds represent the future undiscounted value of coupons.

€ '000	Up to 1 year	1 to 5 years	Over 5 years
2015			
Mortgage bonds – interest rate risk	(3,323)	(6,895)	-
2014			
Mortgage bonds – interest rate risk	(1,851)	(11,745)	-

The net expense on cash flow hedges reclassified from 'Other comprehensive income' to the 'Net interest income' during 2015 was € 0 thousand (2014: net expense of € 27,000).

Fair value hedges of interest rate and inflation risk

The Bank uses fifteen interest rate swaps and one cross currency swap to hedge the interest rate risk of fourteen fixed rate bonds from the AFS portfolio. The changes in the fair value of these interest rate and cross currency swaps substantially offset the changes in fair value of AFS portfolio bonds, both in relation to changes of interest rates.

The Bank also uses five asset swaps to hedge the inflation risk and the interest rate risk of two inflation bonds 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 twenty interest rate swaps to hedge the interest rate risk arising from the issuance of thirteen 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 2015, the Bank recognised a net loss of € 2,582 thousand (2014: net gain of € 12,712 thousand) in relation to the fair value hedging instruments above. The net gain on hedged items attributable to the hedged risks amounted to € 2,564 thousand (2014: net loss of € 13,523 thousand). Both items are disclosed within 'Net trading result'.

During 2015, interest and similar income from hedged AFS securities in the amount of € 19,736 thousand (2014: € 22,360 thousand) was compensated by interest expense from interest rate swap, cross currency swap and asset swap hedging instruments in the amount of € 5,839 thousand (2014: € 5,779 thousand).

At 31 December 2015, interest expense from the hedged mortgage bonds in the amount of € 11,583 thousand (31 December 2014: € 8,476 thousand) was compensated by interest income from the interest rate swap hedging instruments in the amount of € 4,224 thousand (31 December 2014: € 2,915 thousand).

11. Available-for-sale financial assets

€ '000	Note	Share 2015	Share 2014	2015	2014
State bonds of EU countries				1,631,822	1,314,245
Bank bonds				218,246	209,646
Equity shares at fair value				17,822	-
Equity shares at cost					
RVS, a.s.		8.01%	8.38%	574	574
S.W.I.F.T.		0.01%	0.01%	51	48
Impairment losses to equity shares at cost	13			(574)	(574)
				1,867,941	1,523,939

At 31 December 2015, bonds in the total nominal amount of € 780,261 thousand from available-for-sale portfolio were pledged by the VUB Group to secure collateralised transactions (31 December 2014: € 830,261 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.

On 21 December 2015, Visa Europe and Visa Inc. officially announced a plan to become a one entity, through the sale of 100% of share capital of Visa Europe to Visa Inc. The Bank as a stakeholder has the right to take part in the distribution of the value generated by the deal. The proportional fair value adjustment for the Bank was calculated as cash part of the proportional up-front consideration paid by Visa Inc. in the amount of € 14,690 thousand.

12. Loans and advances to customers

31 December 2015 € '000	Amortised cost	Impairment losses (note 13)	Carrying amount
Sovereigns			
Municipalities	163,767	(121)	163,646
Municipalities – Leasing	235	(1)	234
	164,002	(122)	163,880
Corporate			
Large Corporates	1,206,875	(22,947)	1,183,928
Specialised Lending	794,002	(39,871)	754,131
Small and Medium Enterprises ('SME')	1,062,657	(55,042)	1,007,615
Other Financial Institutions	240,343	(507)	239,836
Public Sector Entities	2,115	(6)	2,109
Leasing	259,647	(17,116)	242,531
Factoring	161,412	(1,578)	159,834
	3,727,051	(137,067)	3,589,984
Retail			
Small Business	204,329	(14,501)	189,828
Small Business – Leasing	9,675	(732)	8,943
Consumer Loans	1,490,375	(150,261)	1,340,114
Mortgages	3,556,990	(31,639)	3,525,351
Credit Cards	216,304	(32,750)	183,554
Overdrafts	104,092	(11,597)	92,495
Leasing	4,689	(313)	4,376
Flat Owners Associations	23,629	(308)	23,321
Other	4,063	-	4,063
	5,614,146	(242,101)	5,372,045
	9,505,199	(379,290)	9,125,909

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
Specialised 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

At 31 December 2015, the 20 largest corporate customers represented a total balance of € 990,928 thousand (2014: € 854,191 thousand) or 10.43% (2014: 9.88%) of the gross loan portfolio.

Maturities of gross finance lease receivables are as follows:

€ '000	**2015**	**2014**
Up to 1 year	100,010	96,332
1 to 5 years	163,680	157,254
Over 5 years	36,020	43,548
	299,710	297,134
Unearned future finance income on finance leases	(25,464)	(28,189)
Impairment losses	(18,162)	(19,944)
	256,084	249,001

Maturities of net finance lease receivables are as follows:

€ '000	2015	2014
Up to 1 year	91,308	87,204
1 to 5 years	149,556	141,605
Over 5 years	33,382	40,136
	274,246	268,945
Impairment losses	(18,162)	(19,944)
	256,084	249,001

13. Impairment losses on assets

€ '000	Note	1 Jan 2015	Creation (note 34)	Reversal (note 34)	Assets written-off/sold (note 34)	FX diff	Other *	31 Dec 2015
Due from banks	8	6	20	(1)	-	-	-	25
Available-for-sale financial assets	11	574	-	-	-	-	-	574
Loans and advances to customers	12	362,837	203,968	(118,883)	(58,029)	347	(10,950)	379,290
Property and equipment	18	10,754	36	(205)	-	-	-	10,585
Other assets	20	7,640	1,924	(2,226)	(146)	1	(2,375)	4,818
		381,811	205,948	(121,315)	(58,175)	348	(13,325)	395,292

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

€ '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.

14. Held-to-maturity investments

€ '000	2015	2014
State bonds	531,742	533,456
	531,742	533,456

At 31 December 2015, no state bonds from held-to-maturity portfolio (31 December 2014: € 39,023 thousand) were pledged by the Group to secure collateralised 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 2015				
Slovak Banking Credit Bureau, s.r.o.	33.33	3	50	53
VÚB Asset Management, správ. spol., a.s.	40.55	2,821	6,357	9,178
VÚB Generali DSS, a.s.	50.00	16,597	(8,193)	8,404
		19,421	(1,786)	17,635
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

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	2015 VÚB Generali DSS	SBCB	VÚB AM	2014 VÚB Generali DSS
Net profit for the year *	3	6,958	3,224	22	6,044	4,601
Other comprehensive income	-	-	24	-	-	158
Total comprehensive income for the year	3	6,958	3,248	22	6,044	4,759
Assets **	304	19,105	17,608	858	16,292	19,317
Liabilities	(144)	(2,947)	(800)	(700)	(1,516)	(1,147)
Equity	160	16,158	16,808	158	14,776	18,170
Group's interest on equity at 1 January	52	8,619	9,060	46	6,471	7,845
Effect of the change in the group structure resulting from the loss of the control over VÚB AM	-	-	-	-	-	-
Share of profit/(loss)	1	2,821	1,612	7	2,451	2,301
Share of other comprehensive income	-	-	12	-	-	79
Other consolidation adjustments	-	-	-	-	1	-
Dividends received during the year	-	(2,262)	(2,280)	-	(304)	(1,140)
Group's interest on equity at 31 December	53	9,178	8,404	53	8,619	9,085
Carrying amount at 31 December	53	9,178	8,404	53	8,619	9,085
** includes: Interest income*	-	1	242	-	3	366
Interest expense	-	-	-	-	-	-
Depreciation and amortization	-	(38)	(55)	-	(24)	(55)
Income tax expense	-	(421)	(921)	-	(401)	(1,294)
*** includes: Cash and cash equivalents*	7	-	3	6	-	3

16. Intangible assets

€ '000	Software	Other intangible assets	Assets in progress	Total
Cost				
At 1 January 2015	206,779	54,744	11,595	273,118
Additions	12	98	19,040	19,150
Disposals	(537)	-	(8)	(545)
Transfers	12,838	360	(13,147)	51
FX differences	10	1	1	12
At 31 December 2015	219,102	55,203	17,481	291,786
Accumulated amortisation				
At 1 January 2015	(161,189)	(53,352)	-	(214,541)
Amortisation for the year	(13,204)	(460)	-	(13,664)
Disposals	537	-	-	537
FX differences	(10)	-	-	(10)
At 31 December 2015	(173,866)	(53,812)	-	(227,678)
Carrying amount				
At 1 January 2015	45,590	1,392	11,595	58,577
At 31 December 2015	45,236	1,391	17,481	64,108

Asset 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 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

At 31 December 2015, the gross book value of fully amortised intangible assets that are still used by the Group amounted to € 117,157 thousand (31 December 2014: € 116,756 thousand).

At 31 December 2015, the amount of irrevocable contractual commitments for the acquisition of intangible assets was € 388 thousand (31 December 2014: € 1,294 thousand).

17. Goodwill

€ '000	Dec 2015	Dec 2014
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:

	Dec 2015	Dec 2014
Discount rate	9.95%	9.95%
Projected growth rate	4.91%	4.91%

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 2015		200,655	71,283	46,467	4,077	322,482
Additions		-	-	49	9,360	9,409
Disposals		(290)	(7,825)	(2,091)	-	(10,206)
Transfers		1,640	3,573	5,118	(10,331)	-
FX differences		2	2	3	-	7
At 31 December 2015		202,007	67,033	49,546	3,106	321,692
Accumulated depreciation						
At 1 January 2015		(102,051)	(62,693)	(35,572)	-	(200,316)
Depreciation for the year		(5,956)	(4,969)	(3,442)	-	(14,367)
Disposals		244	7,788	1,476	-	9,508
FX differences		(2)	(3)	(2)	-	(7)
At 31 December 2015		(107,765)	(59,877)	(37,540)	-	(205,182)
Impairment losses	13					
At 1 January 2015		(10,543)	-	(211)	-	(10,754)
Net release		-	-	169	-	169
At 31 December 2015		(10,543)	-	(42)	-	(10,585)
Carrying amount						
At 1 January 2015		88,061	8,590	10,684	4,077	111,412
At 31 December 2015		83,699	7,156	11,964	3,106	105,925

€ '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 2015		(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 release		(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

In 2014 and 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 recognised the impairment of € 10,500 thousand (31 December 2014: € 10,500 thousand).

At 31 December 2015 and 31 December 2014 the fair value measurement in respect of the estimation of the fair value less costs to sell was categorised 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 2015 and 2014.

At 31 December 2015, the gross book value of fully depreciated tangible assets that are still used by the Group amounted to € 90,293 thousand (31 December 2014: € 83,689 thousand).

At 31 December 2015, the amount of irrevocable contractual commitments for the acquisition of tangible assets was € 172 thousand (31 December 2014: € 0).

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	2015	2014
Deferred income tax assets	58,804	49,822

€ '000	2015	2014
Current income tax liabilities	9,517	8,137

Deferred income taxes are calculated on all temporary differences using a tax rate of 22% (31 December 2014: 22%) as follows:

€ '000	2015	Profit/ (loss) (note 35)	Equity	2014
Due from banks	5	4	-	1
Derivative financial instruments designated as cash flow hedges	352	-	102	250
Available-for-sale financial assets	(7,544)	-	1,201	(8,745)
Loans and advances to customers	61,135	1,889	-	59,243
Property and equipment	(5,448)	20	-	(5,468)
Provisions	29	(100)	-	129
Other liabilities	8,872	4,821	-	4,051
Other	1,403	1,042	-	361
Deferred income tax assets	58,804	7,676	1,303	49,822

20. Other assets

€ '000	Note	2015	2014
Operating receivables and advances		14,699	12,034
Inventories (incl. repossessed leased assets)		8,323	11,081
Prepayments and accrued income		11,145	6,715
Other tax receivables		2,030	2,179
Settlement of operations with financial instruments		20	7
Receivables from trading with securities		2	2
Receivables from termination of leasing		22	-
Other		224	384
		36,465	32,402
Impairment losses	13	(4,818)	(7,640)
		31,647	24,762

21. Due to central and other banks

€ '000	2015	2014
Due to central banks		
Current accounts	794	5,572
	794	5,572
Due to other banks		
Current accounts	36,044	13,415
Term deposits	236,441	204,924
Loans received	499,475	515,184
Cash collateral received	1,600	4,821
	773,560	738,344
	774,354	743,916

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

€ '000	2015	2014
Intesa Sanpaolo S.p.A.	206,181	205,882
Európska investičná banka	144,708	155,638
Tatra banka, a.s.	33,000	65,000
Société Européenne de Banque	30,019	30,019
Council of Europe Development Bank	19,044	24,245
Európska banka pre obnovu a rozvoj	23,478	21,374
Komerční banka, a.s.	20,028	5,018
BKS Bank AG	8,000	8,000
ING banka	15,010	
Other	7	8
	499,475	515,184

Intesa Sanpaolo S.p.A.

As at 31 December 2015, there were fourteen loan arrangements concluded with Intesa Sanpaolo S.p.A. maturing between 2016 and 2019 and with interest rates between 0.16% and 2.78%. At 31 December 2014 the interest rates were in the range between 0.22% 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 2015, the balance comprised of ten loans in the nominal amount of € 26,667 thousand, € 21,875 thousand, € 9,286 thousand, € 3,125 thousand, € 18,750 thousand, € 15,000 thousand, € 4,996 thousand, € 24,983 thousand, € 4,996 thousand and € 14,988 (31 December 2014: ten loans in the nominal amount € 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) with interest rates between 0.147% and 3.45% (31 December 2014: 0.40% and 1.73%) and with maturity between 2016 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 three loans in the nominal amount of € 15,000 thousand, € 15,000 thousand and € 3,000 thousand with maturity between 2016 and 2018 (31 December 2014: four loans in the nominal amount of € 15,000 thousand and € 25,000 thousand, € 22,000 thousand and € 3,000 thousand with maturity between 2016 and 2018). The principal is payable at the maturity of the loans and the interest is payable on monthly basis. The agreed interest rates were between 1.29% 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 2015, loans from Council of Europe Development Bank comprised of five loans in the nominal amount of € 4,667 thousand, € 1,192 thousand, € 2,185 thousand, € 6,000 thousand and € 5,000 thousand, (31 December 2014: 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). 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 0.03% and 0.33% at 31 December 2015 (31 December 2014: 0.05% - 0.55%). The interest is payable quarterly and the principal is payable on annual basis. The maturity of the individual loans is between 2017 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 2015, there were four loan arrangements concluded with European Bank for Reconstruction and Development (31 December 2014: three loan arrangements). Funds from these loans were drawn in several tranches during 2010, 2011 and 2013. The maturity of the loans is in 2016, 2020, 2021, 2023. Aa at 31 December 2015 the interest rates were in the range between 0.36% and 1.96% (31 December 2014: 0.63% - 2.08%). The frequency of the repayment of both the interest and the principal is semi-annual.

Komerční banka, a.s.

At 31 December 2015, the balance with Komerční banka, a.s. comprised of two loans in the nominal amount of € 10,000 thousand maturing in 2016 both. The loans have a fixed interest rate of 0.6% and 0.55% and both principal and interest are repayable at the maturity. At 31 December 2014 the balance comprised of one revolving loan in nominal amount € 5,000 thousand matured on 13 February 2015.

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.

ING Bank N.V.

At 31 December 2015, the balance with ING Bank N.V. comprised of one loan with nominal value of € 15,000 thousand, maturing on 9 June 2016 with interest rate 1.05%.

22. Due to customers

€ '000	2015	2014
Current accounts	5,158,280	4,190,056
Term deposits	2,420,384	3,077,205
Savings accounts	211,416	207,045
Government and municipal deposits	648,802	306,172
Promissory notes	9,984	200
Other deposits	103,818	78,625
	8,552,684	7,859,303

23. Debt securities in issue

€ '000	2015	2014
Bonds	58	58
Mortgage bonds	978,849	999,543
Mortgage bonds subject to cash flow hedges	125,951	126,071
Mortgage bonds subject to fair value hedges	482,734	324,037
	1,587,534	1,449,651
Revaluation of fair value hedged mortgage bonds	12,259	18,593
Amortisation of revaluation related to terminated fair value hedges	490	1,163
	1,600,341	1,469,465

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 2015	Nominal value in CCY per piece	Issue date	Maturity date	2015 € '000	2014 € '000
Mortgage bonds VÚB, a.s. XVII.	0.08	EUR	-	33,194	28.11.2005	28.11.2015	-	55,709
Mortgage bonds VÚB, a.s. XX.	4.3	EUR	50	331,939	9.3.2006	9.3.2021	17,176	17,176
Mortgage bonds VÚB, a.s. XXX.	5	EUR	1,000	33,194	5.9.2007	5.9.2032	33,420	33,401
Mortgage bonds VÚB, a.s. XXXI.	4.9	EUR	600	33,194	29.11.2007	29.11.2037	19,696	19,680
Mortgage bonds VÚB, a.s. 32.	1.89	CZK	800	1,000,000	17.12.2007	17.12.2017	30,353	29,944
Mortgage bonds VÚB, a.s. 35.	4.4	EUR	630	33,194	19.3.2008	19.3.2016	21,618	21,528
Mortgage bonds VÚB, a.s. 36.	4.75	EUR	560	33,194	31.3.2008	31.3.2020	19,042	18,993
Mortgage bonds VÚB, a.s. 39.	0.71	EUR	-	1,000,000	26.6.2008	26.6.2015	-	60,006
Mortgage bonds VÚB, a.s. 40.	0.73	EUR	-	1,000,000	28.8.2008	28.8.2015	-	70,053
Mortgage bonds VÚB, a.s. 43.	5.1	EUR	500	33,194	26.9.2008	26.9.2025	15,873	15,776
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. 53.	0.7	EUR	100	1,000,000	8.4.2010	8.4.2017	100,155	100,187
Mortgage bonds VÚB, a.s. 55.	2.83	EUR	-	1,000	1.10.2010	1.10.2015	-	14,100
Mortgage bonds VÚB, a.s. 57.	1.3	EUR	100	1,000,000	30.9.2010	30.9.2018	100,338	100,377
Mortgage bonds VÚB, a.s. 58.	1.8	EUR	80	1,000,000	10.12.2010	10.12.2019	80,082	80,092
Mortgage bonds VÚB, a.s. 59.	3	EUR	-	1,000	1.3.2011	1.3.2015	-	25,625
Mortgage bonds VÚB, a.s. 61.	1.08	EUR	-	10,000	7.6.2011	7.6.2015	-	4,671
Mortgage bonds VÚB, a.s. 62.	2.0	EUR	100	1,000,000	28.7.2011	28.7.2018	100,866	100,977
Mortgage bonds VÚB, a.s. 63.	3.8	EUR	35,000	1,000	16.9.2011	16.3.2016	35,383	35,383
Mortgage bonds VÚB, a.s. 64.	3.3	CZK	7,000	100,000	26.9.2011	26.9.2016	26,111	25,421
Mortgage bonds VÚB, a.s. 67.	5.4	EUR	300	50,000	29.11.2011	29.11.2030	15,071	15,071
Mortgage bonds VÚB, a.s. 68.	4	EUR	-	1,000	16.1.2012	16.7.2015	-	36,342
Mortgage bonds VÚB, a.s. 69.	4.5	EUR	990	20,000	6.2.2012	6.2.2016	20,163	20,404
Mortgage bonds VÚB, a.s. 70.	3.8	EUR	400	100,000	7.3.2012	7.3.2017	41,203	41,185

(Table continues on the next page)

Name	Interest rate (%)	CCY	Number of mortgage bonds issued at 31 Dec 2015	Nominal value in CCY per piece	Issue date	Maturity date	2015 € '000	2014 € '000
Mortgage bonds VÚB, a.s. 71.	3.9	EUR	750	20,000	2.5.2012	2.5.2017	15,201	15,276
Mortgage bonds VÚB, a.s. 72.	4.7	EUR	250	100,000	21.6.2012	21.6.2027	25,430	25,413
Mortgage bonds VÚB, a.s. 73.	4.2	EUR	500	100,000	11.7.2012	11.7.2022	50,709	50,666
Mortgage bonds VÚB, a.s. 74.	3.35	EUR	700	100,000	16.1.2013	15.12.2023	71,874	71,827
Mortgage bonds VÚB, a.s. 75.	2	EUR	300	100,000	5.4.2013	5.4.2019	30,476	30,486
Mortgage bonds VÚB, a.s. 76.	2.4	EUR	309	10,000	22.4.2013	22.4.2018	3,142	3,143
Mortgage bonds VÚB, a.s. 77.	1.8	CZK	5,000	100,000	20.6.2013	20.6.2018	18,636	18,141
Mortgage bonds VÚB, a.s. 78.	2.16	EUR	905	10,000	3.3.2014	3.3.2020	9,241	9,248
Mortgage bonds VÚB, a.s. 79.	2	EUR	10,000	1,000	24.3.2014	24.9.2020	10,154	10,154
Mortgage bonds VÚB, a.s. 80.	1.85	EUR	31	1,000,000	27.3.2014	27.3.2021	31,868	31,951
Mortgage bonds VÚB, a.s. 81.	2.55	EUR	38	1,000,000	27.3.2014	27.3.2024	39,818	39,949
Mortgage bonds VÚB, a.s. 82.	1.65	EUR	1,701	1,000	16.6.2014	16.12.2020	1,716	1,716
Mortgage bonds VÚB, a.s. 83.	0.9	EUR	500	100,000	28.7.2014	28.7.2019	49,958	49,893
Mortgage bonds VÚB, a.s. 84.	0.6	EUR	500	100,000	29.9.2014	30.9.2019	49,903	49,856
Mortgage bonds VÚB, a.s. 85.	2.25	EUR	500	100,000	14.11.2014	14.11.2029	49,479	49,438
Mortgage bonds VÚB, a.s. 86.	0.3	EUR	1,000	100,000	27.4.2015	27.4.2020	98,145	-
Mortgage bonds VÚB, a.s. 87.	1.25	EUR	1,000	100,000	9.6.2015	9.6.2025	97,174	-
Mortgage bonds VÚB, a.s. 88.	0.5	EUR	475	100,000	11.9.2015	11.9.2020	47,303	-
Mortgage bonds VÚB, a.s. 89.	1.2	EUR	1,000	100,000	29.9.2015	29.9.2025	99,087	-
Mortgage bonds VÚB, a.s. 90.	1.6	EUR	628	100,000	29.10.2015	29.10.2030	61,277	-
							1,587,534	1,449,651

24. Provisions

€ '000	2015	2014
Litigation	25,116	27,118
Restructuring provision	180	588
Other provisions	17	3
	25,313	27,709

The movements in provisions were as follows:

€ '000	Note	1 Jan 2015	Creation	Reversal	Use	31 Dec 2015
Litigation	27, 33	27,118	1,609	(2,501)	(1,110)	25,116
Restructuring provision	32	588	350	-	(758)	180
Other provisions	33	3	14	-	-	17
		27,709	1,973	(2,501)	(1,868)	25,313

€ '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

25. Other liabilities

€ '000	2015	2014
Various creditors	35,650	41,799
Financial guarantees and commitments	21,476	16,552
Settlement with employees	22,119	20,362
Accruals and deferred income	7,465	7,500
Factoring	6,985	5,048
Severance and Jubilee benefits	3,397	3,250
Settlement with shareholders	1,297	1,187
VAT payable and other tax payables	2,761	3,074
Investment certificates	535	254
Share remuneration scheme	349	625
Settlement with securities	2	2
Other	554	567
	102,590	100,220

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

€ '000	Note	1 Jan 2015	Creation	FX diff	31 Dec 2015
Financial guarantees and commitments	34	16,552	4,827	97	21,476
Severance and Jubilee benefits	32	3,250	147	-	3,397
		19,802	4,974	97	24,873

€ '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 programme	32	433	(433)	-	-	-
		15,822	3,976	(3)	7	19,802

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

€ '000	1 Jan 2015	Creation (note 32)	Use	31 Dec 2015
Social fund	629	1,695	(1,537)	787

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

26. Equity

€ '000	2015	2014
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	13,719	13,636
Reserves	125,946	130,276
Retained earnings (excluding net profit for the year)	763,739	707,656
	1,334,223	1,282,387

€ '000	2015	2014
Net profit for the year attributable to shareholders	163,883	145,759

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:

	Dec 2015	Dec 2014
Intesa Sanpaolo Holding International S.A.	97.03%	97.02%
Domestic shareholders	2.28%	2.21%
Foreign shareholders	0.69%	0.77%
	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, but it is under the constant scrutiny of the Board.

The VUB Group's regulatory capital position at 31 December 2015 and 31 December 2014 was determined based on the rules for capital adequacy calculation set by the CRR regulation:

€ '000	2015	2014
Tier 1 capital		
Share capital	430,819	430,819
Share premium	13,719	13,636
Retained earnings without net profit for the year	764,046	707,656
Other reserves	99,596	99,633
Revaluation of available-for-sale financial assets	30,156	(1,566)
Fair value gains and losses arising from the Group's own credit risk related to derivative liabilities	(801)	(567)
Less goodwill and intangible assets	(93,413)	(87,882)
Less IRB shortfall of credit risk adjustments to expected losses	(13,249)	-
	1,230,873	1,161,729
Tier 2 capital		
IRB excess of provisions over expected losses eligible	12,870	2,189
Total regulatory capital	1,243,743	1,163,918

€ '000	2015	2014
Tier 1 capital	1,230,873	1,161,729
Tier 2 capital	12,870	2,189
Total regulatory capital	1,243,743	1,163,918
Total Risk Weighted Assets	7,630,056	7,247,426
Tier 1 capital ratio	16.13%	16.03%
Total capital ratio	16.30%	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 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 2015 and 31 December 2014.

27. Financial commitments and contingencies

€ '000	2015	2014
Issued guarantees	834,723	739,626
Commitments and undrawn credit facilities	2,516,650	2,397,991
	3,351,373	3,137,617

(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 2015 and 31 December 2014 was as follows:

€ '000	Dec 2015	Dec 2014
Up to 1 year	206	211
1 to 5 years	16	93
Over 5 years	-	-
	222	304

(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 2015 and 31 December 2014 are as follows:

€ '000	Dec 2015	Dec 2014
Up to 1 year	3,160	3,712
1 to 5 years	3,292	4,484
Over 5 years	-	-
	6,452	8,196

(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 2015. Pursuant to this review, management has recorded total provisions of € 25,116 thousand (31 December 2014: € 27,118 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 € 7,246 thousand, as at 31 December 2015 (31 December 2014: € 7,122 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	2015	2014
Interest and similar income		
Due from banks	2,280	5,080
Loans and advances to customers	425,244	441,939
Bonds, treasury bills and other securities:		
Financial assets at fair value through profit or loss	4,206	4,597
Available-for-sale financial assets	30,780	37,033
Held-to-maturity investments	22,869	25,247
	485,379	513,896
Interest and similar expense		
Due to banks	(5,734)	(7,325)
Due to customers	(37,393)	(50,126)
Debt securities in issue	(30,293)	(34,701)
	(73,420)	(92,152)
	411,959	421,744

Interest income on impaired loans and advances to customers for 2015 amounted to € 28,054 thousand (2014: € 29,193 thousand).

29. Net fee and commission income

€ '000	2015	2014
Fee and commission income		
Received from banks	8,696	8,403
Received from customers:		
Current accounts	55,091	51,353
Loans and guarantees	34,332	33,417
Transactions and payments	21,887	24,250
Insurance mediation	13,252	9,918
Securities	10,578	6,957
Overdrafts	4,069	4,106
Securities - Custody fee	1,817	1,228
Term deposits	475	637
Other	8,887	2,485
	159,084	142,754
Fee and commission expense		
Paid to banks	(16,237)	(16,576)
Paid to mediators:		
Credit cards	(8,653)	(8,661)
Securities	(709)	(559)
Services	(15,183)	(13,635)
Other	(815)	(1,393)
	(41,597)	(40,824)
	117,487	101,930

30. Net trading result

€ '000	2015	2014
Foreign currency derivatives and transactions	5,579	4,357
Customer FX margins	5,630	5,097
Cross currency swaps *	971	(302)
Equity derivatives	(22)	35
Other derivatives	59	-
Interest rate derivatives *	(1,233)	13,494
Dividends from equity shares held in FVTPL portfolio	7	16
Securities:		
Financial assets at fair value through profit or loss		
Held for trading	(2,510)	(1,334)
Designated at fair value through profit or loss on initial recognition	175	229
Available-for-sale financial assets *	(3,019)	11,182
Debt securities in issue *	6,333	(21,153)
	11,970	11,621

* 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 2015, the amount still to be recognised in income resulting from Day 1 profit was nil (31 December 2014: nil).

31. Other operating income

€ '000	2015	2014
Income from leasing	4,011	3,803
Rent	775	1,090
Services	348	378
Sales of consumer goods	41	76
Financial revenues	75	132
Net profit from sale of fixed assets	83	100
Other	6,089	2,831
	11,422	8,410

32. Salaries and employee benefits

€ '000	Note	2015	2014
Remuneration		(82,145)	(80,343)
Social security costs		(30,868)	(29,491)
Social fund	25	(1,695)	(1,699)
Retention programme	25	-	433
Severance and Jubilee benefits	25	(147)	(40)
Restructuring provision		408	(56)
		(114,447)	(111,196)

At 31 December 2015, the total number of employees of the VUB Group was 3,987 (31 December 2014: 3,985). The average number of employees of the Group during the year ended 31 December 2015 was 4,013 (31 December 2014: 3,961).

The VUB Group does not have any pension arrangements se 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	2015	2014
IT systems maintenance		(20,272)	(21,407)
Property related expenses		(19,767)	(19,485)
Post and telecom		(13,007)	(12,581)
Advertising and marketing		(10,627)	(10,565)
Resolution fund***		(7,583)	-
Stationery		(4,913)	(4,274)
Equipment related expenses		(4,850)	(4,696)
Security		(3,230)	(3,497)
Insurance		(2,033)	(2,104)
Litigations paid		(1,490)	(378)
Contribution to the Deposit Protection Fund *		(1,385)	(5,512)
Professional services		(1,353)	(1,271)
Third parties' services		(1,056)	(1,252)
Travelling		(1,008)	(851)
Training		(830)	(822)
Audit **		(823)	(727)
Transport		(666)	(746)
VAT and other taxes		(513)	(623)
Other damages		(473)	(884)
Other provisions	24	(14)	(3)
Provisions for litigation	24	1,906	(5,619)
Other operating expenses		(7,878)	(5,827)
		(101,865)	(103,124)

* The quarterly contribution to the Deposit Protection Fund for 2015 was set to 0.0075% p.q. from the protected deposit base. The contribution for the first two quarters of 2014 was calculated as 0.05% p.q. from the base and for the third and fourth quarter of 2014 it was decreased to 0.01% p.q. from the protected deposit base.

** As at 31 December 2015 the audit expense for the statutory audit and group reporting represents the amount of € 630 thousand (31 December 2014: € 596 thousand), and other audit, not conducted by the statutory auditor (primarily security audit) in the amount of € 89 thousand net of tax (31 December 2014: € 91 thousand).

*** Starting from 1 January 2015 the new Bank Recovery and Resolution Directive 2014/59/EU ('BRRD') is effective for all EU member states. The Directive was implemented to Slovak legislation by Act No. 371/2014 on Resolution. The Directive sets an obligation for the banks of the member states participating to the Banking Union to pay an annual contribution depending on the size and the risk profile of the bank to the National Resolution Fund in 2015 and to the Single Resolution Fund from 2016 up to the 2023.

At 31 December 2015 and 31 December 2014, the special levy recognised by the Bank was as follows:

€ '000	2015	2014
Special levy of selected financial institutions	(20,076)	(29,413)

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 recognised 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	2015	2014
Creation of impairment losses	13	(205,948)	(205,437)
Reversal of impairment losses	13	121,315	112,414
Net creation of impairment losses		(84,633)	(93,023)
Creation of liabilities – financial guarantees and commitments		(13,890)	(11,561)
Reversal of liabilities – financial guarantees and commitments		9,063	7,192
Net creation of liabilities – financial guarantees and commitments	25	(4,827)	(4,369)
Nominal value of assets written-off/sold		(70,933)	(72,287)
Release of impairment losses to assets written-off/sold	13	58,175	61,796
		(12,758)	(10,491)
Proceeds from assets written-off		10,161	8,993
Proceeds from assets sold		12,779	12,589
		22,940	21,582
		(79,278)	(86,301)

35. Income tax expense

€ '000	Note	2015	2014
Current income tax		(57,368)	(48,143)
Deferred income tax	19	7,676	4,300
		(49,692)	(43,843)

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

€ '000	2015	2014
Due from banks	4	(4)
Available-for-sale financial assets	-	-
Loans and advances to customers	1,889	3,098
Held-to-maturity investments	-	(132)
Intangible assets identified on acquisition	-	-
Property and equipment	20	(1,015)
Provisions	(100)	12
Other liabilities	4,821	696
Other	1,042	1,645
	7,676	4,300

The effective tax rate differs from the statutory tax rate in 2015 and in 2014. The reconciliation of the VUB Group's profit before tax with the actual corporate income tax is as follows:

		2015		2014	
€ '000	Note	Tax base	Tax at applicable tax rate (22%)	Tax base	Tax at applicable tax rate (22%)
Profit before tax		213,575	(46,987)	189,602	(41,712)
Tax effect of expenses that are not deductible in determining taxable profit					
Creation of provisions and other reserves		69,822	(15,361)	16,765	(3,688)
Creation of impairment losses		187,297	(41,205)	181,094	(39,841)
Write-off and sale of assets		6,509	(1,432)	4,766	(1,049)
Other		15,758	(3,467)	17,447	(3,838)
		279,386	(61,465)	220,072	(48,416)
Tax effect of revenues that are deductible in determining taxable profit					
Release of provisions and other reserves		(50,838)	11,184	(5,018)	1,104
Release of impairment losses		(178,162)	39,196	(168,455)	37,060
Other		(1,730)	380	(19,046)	4,190
		(230,730)	50,760	(192,519)	42,354
Adjustments for current tax of prior periods		(1,439)	317	1,708	(376)
Withholding tax paid abroad - settlement of advance payments		(32)	7	(32)	7
Current income tax		260,760	(57,368)	218,831	(48,143)
Deferred income tax at 22%	19		7,676		4,300
Income tax expense			(49,692)		(43,843)
Effective tax rate			23.27%		23.12%

36. Other comprehensive income

€ '000	2015	2014
Exchange differences on translating foreign operation	16	(9)
Available-for-sale financial assets:		
Revaluation losses arising during the year	(4,716)	(11,373)
Reclassification adjustment for profit on sale of AFS bonds included in the profit or loss	(751)	(3,551)
	(5,467)	(14,924)
Cash flow hedges:		
Revaluation losses arising during the year	(465)	(1,134)
Reclassification adjustment for profit on terminated cash flow hedges included in the profit or loss	-	(350)
	(465)	(1,484)
Total other comprehensive income	(5,916)	(16,417)
Income tax relating to components of other comprehensive income *	1,301	3,627
Other comprehensive income for the year	(4,615)	(12,790)

* 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

	2015			2014		
€ '000	Before tax amount	Tax benefit	Net of tax amount	Before tax amount	Tax benefit	Net of tax amount
Exchange differences on translating foreign operations	16	-	16	(9)	-	(9)
Available-for-sale financial assets	(5,467)	1,201	(4,266)	(14,924)	3,300	(11,624)
Net movement on cash flow hedges	(465)	100	(365)	(1,484)	327	(1,157)
	(5,916)	1,301	(4,615)	(16,417)	3,627	(12,790)

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 2015, the remuneration and other benefits provided to members of the Supervisory Board were € 156 thousand (2014: € 152 thousand) and to members of the Management Board € 3,279 thousand (2014: € 3,122 thousand).

At 31 December 2015, the outstanding balances with related parties comprised:

€ '000	KMP*	Joint ventures	Associates	Intesa Sanpaolo	Intesa Sanpaolo group companies	Total
Assets						
Due from banks	-	-	-	104,416	11,175	115,591
Derivative financial instruments	-	-	-	-	1,474	1,474
Loans and advances to customers	405	-	-	-	-	405
Financial assets at fair value through profit or loss	-	-	-	3,481	-	3,481
Other assets	-	6	1,828	1	1	1,836
	405	6	1,828	107,898	12,650	122,787
Liabilities						
Due to central and other banks	-	-	-	416,943	39,726	456,669
Derivative financial instruments	-	-	-	438	3,380	3,818
Due to customers	2,782	-	2,565	-	117	5,464
Debt securities in issue						
Mortgage bonds	-	-	-	-	431,835	431,835
Other liabilities	349	-	6	-	747	1,102
	3,131	-	2,571	417,381	475,805	898,888
Issued guarantees	-	-	-	2,945	28,767	31,712
Received guarantees	-	-	-	138,745	62,208	200,953
Derivative transactions (notional amount – receivable)	-	-	-	102,870	269,268	372,138
Derivative transactions (notional amount – payable)	-	-	-	103,486	250,811	354,297

€ '000	KMP*	Joint ventures	Associates	Intesa Sanpaolo	Intesa Sanpaolo group companies	Total
Income and expense items						
Interest and similar income	9	-	44	1,608	27	1,688
Interest and similar expense	(18)	(5)	(1)	(2,638)	(9,177)	(11,839)
Fee and commission income	1	-	10,512	65	30	10,608
Fee and commission expense	-	-	(22)	(335)	(7,309)	(7,666)
Net trading result	-	-	-	1,307	(4,059)	(2,752)
Other operating income	-	113	378	564	24	1,079
Other operating expenses	-	-	-	(59)	(1,947)	(2,006)
	(8)	108	10,911	512	(22,411)	(10,888)

* Key management personnel

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

€ '000	KMP	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	-	-	-	-	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

€ '000	KMP	Joint ventures	Associates	Intesa Sanpaolo	Intesa Sanpaolo group companies	Total
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)

39. Events after the end of the reporting period

From 31 December 2015, up to the date when these financial statements were approved by the Management Board, there were no further events identified that would require adjustments to or disclosure in these financial statements.

Separate financial statements

Separate financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and Independent Auditor's Report for the year ended 31 December 2015

KPMG Slovensko spol. s r. o.
Dvořákovo nábrežie 10
P.O.Box 7
820 04 Bratislava 24
Slovakia

Telephone +421 (0)2 59 98 41 11
Fax +421 (0)2 59 98 42 22
Internet www.kpmg.sk

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 2015, 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 2015, 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.

15 February 2016
Bratislava, Slovak Republic

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

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

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

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

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

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

Separate statement of financial position at 31 December 2015 (in € '000)

	Note	2015	2014
Assets			
Cash and balances with central banks	7	469,321	405,060
Due from banks	8	178,491	610,865
Financial assets at fair value through profit or loss	9	97,753	1,055
Derivative financial instruments	10	46,652	49,937
Available-for-sale financial assets	11	1,867,941	1,523,939
Loans and advances to customers	12	8,553,701	7,752,189
Held-to-maturity investments	14	531,742	533,456
Subsidiaries, associates and joint ventures	15	95,566	95,566
Intangible assets	16	59,250	55,032
Property and equipment	17	93,328	100,041
Deferred income tax assets	18	41,327	34,685
Other assets	19	20,347	13,190
		12,055,419	11,175,015
Liabilities			
Due to central and other banks	20	412,146	380,038
Derivative financial instruments	10	62,559	62,059
Due to customers	21	8,543,134	7,864,398
Debt securities in issue	22	1,600,341	1,469,465
Current income tax liabilities	18	8,314	8,240
Provisions	23	25,266	27,608
Other liabilities	24	80,210	76,204
		10,731,970	9,888,012
Equity			
Equity (excluding net profit for the year)	25	1,193,092	1,175,346
Net profit for the year		130,357	111,657
		1,323,449	1,287,003
		12,055,419	11,175,015
Financial commitments and contingencies	26	3,408,617	3,227,458

The accompanying notes on pages 127 to 210 form an integral part of these financial statements.

These financial statements were prepared and approved by the Management Board on 15 February 2016.

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 2015 (in € '000)

	Note	2015	2014
Interest and similar income		413,506	442,733
Interest and similar expense		(69,021)	(86,762)
Net interest income	27	344,485	355,971
Fee and commission income		149,045	137,110
Fee and commission expense		(64,675)	(66,255)
Net fee and commission income	28	84,370	70,855
Net trading result	29	11,975	11,665
Other operating income	30	4,337	3,183
Dividend income		5,913	2,287
Operating income		451,080	443,961
Salaries and employee benefits	31	(101,977)	(100,457)
Other operating expenses	32	(83,430)	(87,478)
Special levy of selected financial institutions	32	(20,076)	(29,413)
Amortisation	16	(12,792)	(11,546)
Depreciation	17	(10,945)	(12,644)
Operating expenses		(229,220)	(241,538)
Operating profit before impairment		221,860	202,423
Impairment losses	33	(51,427)	(56,381)
Profit before tax		170,433	146,042
Income tax expense	34	(40,076)	(34,385)
NET PROFIT FOR THE YEAR		130,357	111,657
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		16	(9)
Available-for-sale financial assets		(4,254)	(11,703)
Cash flow hedges		(365)	(1,157)
Other comprehensive income for the year, net of tax	35, 36	(4,603)	(12,869)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		125,754	98,788
Basic and diluted earnings per € 33.2 share in €	25	10.04	8.60

The accompanying notes on pages 127 to 210 form an integral part of these financial statements.

Separate statement of changes in equity for the year ended 31 December 2015 (in € '000)

	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 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
At 1 January 2015	430,819	13,636	87,493	724,503	(9)	31,446	(885)	1,287,003
Total comprehensive income for the year, net of tax	-	-	-	130,357	16	(4,254)	(365)	125,754
Dividends to shareholders	-	-	-	(89,538)	-	-	-	(89,538)
Reversal of dividends distributed but not collected	-	-	-	147	-	-	-	147
Other	-	-	-	(15)	15	-	-	-
Sale of treasury shares	-	83	-	-	-	-	-	83
At 31 December 2015	430,819	13,719	87,493	765,454	22	27,192	(1,250)	1,323,449

The accompanying notes on pages 127 to 210 form an integral part of these financial statements.

Separate statement of cash flows for the year ended 31 December 2015 (in € '000)

	Note	2015	2014
Cash flows from operating activities			
Profit before tax		170,433	146,042
Adjustments for:			
Amortisation		12,792	11,546
Depreciation		10,945	12,644
Securities at fair value through profit or loss, debt securities in issue and FX differences		(2,855)	21,618
Interest income		(413,506)	(442,733)
Interest expense		69,021	86,762
Dividend income		(5,913)	(2,287)
Sale of property and equipment		(3)	1
Impairment losses and similar charges		67,455	79,750
Interest received		424,860	472,704
Interest paid		(84,613)	(92,949)
Dividends received		5,913	2,287
Tax paid		(46,644)	(31,171)
Due from banks		428,839	3,981
Financial assets at fair value through profit or loss		(97,451)	204,409
Derivative financial instruments (assets)		3,083	(21,873)
Available-for-sale financial assets		(355,051)	40,813
Loans and advances to customers		(869,604)	(656,783)
Other assets		(6,691)	240
Due to central and other banks		32,176	(127,229)
Derivative financial instruments (liabilities)		500	19,175
Due to customers		683,840	31,181
Other liabilities		(169)	8,267
Net cash used from/(used in) operating activities		27,357	(233,605)
Cash flows from investing activities			
Repayments of held-to-maturity investments		1	445,220
Purchase of intangible assets and property and equipment		(21,244)	(19,676)
Disposal of property and equipment		5	3
Disposal of subsidiaries		-	424
Net cash (used in)/from investing activities		(21,238)	425,971
Cash flows from financing activities			
Proceeds from issue of debt securities		410,300	239,751
Repayments of debt securities		(264,569)	(194,862)
Sale of treasury shares		83	135
Dividends paid		(89,538)	(84,347)
Net cash from/(used in) financing activities		56,276	(39,323)
Net change in cash and cash equivalents		62,395	153,043
Cash and cash equivalents at the beginning of the year	6	428,960	275,917
Cash and cash equivalents at the end of the year	6	491,355	428,960

The accompanying notes on pages 127 to 210 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 2015

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 2015, the Bank had a network of 234 points of sale (including Retail Branches, Corporate Branches and Mortgage centres) located throughout Slovakia (December 2014: 239). 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 2015, the members of the Management Board are: Alexander Resch (Chairman), Antonio Bergalio, Jozef Kausich, Elena Kohútiková, Peter Magala, Peter Novák and Martin Techman (since 1 March 2015).

Another member of the Management Board during 2015 was Jiří Huml (until 29 January 2015).

At 31 December 2015, the members of the Supervisory Board are: Ezio Salvai (Chairman), Ignacio Jaquotot (Vice Chairman), Ján Gallo, Paolo Sarcinelli, Christian Schaack and Andrej Straka.

Another member of the Supervisory Board was Massimo Malagoli (until 10 October 2015).

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 2014 were authorised for issue by the Management Board on 17 February 2015.

The consolidated financial statements of the VUB Group for the year ended 31 December 2015 were prepared on 15 February 2016 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. The 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 IFRS 11: Accounting for Acquisitions of Interests in Joint Operations

These Amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. Business combination accounting also applies to the acquisition of additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value. The previously held interests in the joint operation will not be remeasured.

It is expected that the Amendments, when initially applied, will not have a material impact on the Bank's financial statements because the Bank has an existing accounting policy to account for acquisitions of joint operations in a manner consistent with that set out in the Amendments.

Amendments to IFRS 9: Financial Instruments

The adoption of IFRS 9 is expected to have significant impact on Bank's Financial Statements mostly in the area of classification of financial instruments and expected losses. The quantification will be subject to further analysis.

Amendments to IAS 1: Presentation of Financial Statements

The Amendments to IAS 1 include the following five, narrow-focus improvements to the disclosure requirements contained in the standard:

– immaterial information can detract from useful information,
– materiality applies to the whole of the financial statements,
– materiality applies to each disclosure requirement in an IFRS.

The guidance on the order of the notes (including the accounting policies) has been amended to:

– Remove language from IAS 1 that has been interpreted as prescribing the order of notes to the financial statements.
– Clarify that entities have flexibility about where they disclose accounting policies in the financial statements.

The Bank expects that the amendments, when initially applied, will not have a material impact on the presentation of the financial statements of the bank.

Amendments to IAS 19: Employee Benefits

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.

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.

Amendments to IAS 27: Equity method in the separate financial statements

The amendments to IAS 27 allow an entity to use the equity method in its separate financial statements to account for investments in subsidiaries, associates and joint ventures.

The Bank does not expect that the amendments, when initially applied, will have material impact on the financial statements as the Bank intends to continue to carry its investments in subsidiaries, associates or joint ventures in accordance with IAS 39.

Annual Improvements to IFRSs

The improvements introduce six amendments to six 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 2016, with earlier adoption permitted. None of these amendments are expected to have a significant impact on the financial statements of the Bank.

In 2015, the Bank implemented a new interpretation IFRIC21 Levies and those amendments to the Annual Improvements to IFRSs that have been applicable for the annual periods beginning on or after 1 January 2015.

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 converted to EUR 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 converted to EUR 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 remeasured 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'.

(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 remeasured 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.

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.

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 which contains a clarification in reference to non-performance risk in determining the fair value of the over-the-counter derivatives, the Bank uses the Bilateral Credit Value Adjustment model ('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 realise 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 programme.

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

	Jubilee benefits	Retirement benefits
Discount rate	1.25%	1.25%
Growth of wages in 2015	n/a	0.50%
Future growth of wages after 2015	n/a	0.00%
Fluctuation of employees (based on age)	5–30%	5–30%
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 recognise equity shares acquired as a part of the incentive plan based on which the amount due to employees benefiting from the plan recognised 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 recognised 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 analyse 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:

– Authorised 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 exceeding significant threshold 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.

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	2015 Carrying amount	Amortised cost	Impairment losses	2014 Carrying amount
Portfolio assessed						
Banks	178,516	(25)	178,491	610,871	(6)	610,865
Customers						
Sovereigns	163,767	(121)	163,646	146,978	(349)	146,629
Corporate	3,317,725	(36,687)	3,281,038	2,981,630	(32,184)	2,949,446
Retail	5,147,954	(153,992)	4,993,962	4,692,751	(148,160)	4,544,591
	8,629,446	(190,800)	8,438,646	7,821,359	(180,693)	7,640,666
Securities						
FVTPL	97,753	-	97,753	1,055	-	1,055
AFS	1,867,941	-	1,867,941	1,523,939	-	1,523,939
HTM	531,742	-	531,742	533,456	-	533,456
	2,497,436	-	2,497,436	2,058,450	-	2,058,450
Individually assessed						
Customers						
Corporate	188,409	(79,381)	109,028	174,769	(76,488)	98,281
Retail	10,800	(4,773)	6,027	21,088	(7,846)	13,242
	199,209	(84,154)	115,055	195,857	(84,334)	111,523
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. In March 2015 the next phase of the project was realised based on which three classification categories of non-performing loans were introduced (past due, unlikely to pay, doubtful) instead of previously used four categories (past due, restructured, substandard, doubtful). This change was fully reflected in the disclosures as of 31 December 2015 as well as in comparative balances as of 31 December 2014. The definition of non-performing loans is based on delinquency (days past due - DPD) and judgemental criteria for categories doubtful and unlikely to pay. In case of past due category, DPD and credit exposure of client are taken into account.

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 in a state of insolvency (although not yet legally) or in a de facto equivalent status, regardless of any loss forecasts made by the Bank.
Unlikely to pay	Exposures to borrowers assessed as improbable to thoroughly meet their credit obligations without recourse to actions such as the enforcement of guarantees/collateral.
Past due	Exposures other than those classified as doubtful or unlikely to pay that, as at reporting date, are past due for over 90 days and exceed the materiality threshold of higher than 5% of outstanding total credit exposures to client.
Performing	All exposures that are not classified as doubtful, unlikely to pay 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 NBS, 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	2015 Amortised cost	2015 Impairment losses	2015 Carrying amount	2014 Amortised cost	2014 Impairment losses	2014 Carrying amount
Banks							
	Performing	178,516	(25)	178,491	610,871	(6)	610,865
		178,516	(25)	178,491	610,871	(6)	610,865
Sovereigns							
	Performing	163,763	(121)	163,642	146,941	(349)	146,592
	Past due	-	-	-	1	-	1
	Doubtful	4	-	4	36	-	36
		163,767	(121)	163,646	146,978	(349)	146,629
Corporate							
	Performing	3,302,648	(30,304)	3,272,344	2,977,897	(31,774)	2,946,123
	Past due	6	(1)	5	60	(31)	29
	Unlikely to pay	126,730	(28,495)	98,235	68,418	(9,746)	58,672
	Doubtful	76,750	(57,268)	19,482	110,024	(67,121)	42,903
		3,506,134	(116,068)	3,390,066	3,156,399	(108,672)	3,047,727
Retail							
	Performing	4,924,357	(40,895)	4,883,462	4,489,095	(43,082)	4,446,013
	Past due	6,646	(2,352)	4,294	15,658	(7,229)	8,429
	Unlikely to pay	11,190	(3,306)	7,884	30,748	(11,820)	18,928
	Doubtful	216,561	(112,212)	104,349	178,338	(93,875)	84,463
		5,158,754	(158,765)	4,999,989	4,713,839	(156,006)	4,557,833
Securities							
	Performing	2,497,436	-	2,497,436	2,058,450	-	2,058,450
	Doubtful	574	(574)	-	574	(574)	-
		2,498,010	(574)	2,497,436	2,059,024	(574)	2,058,450

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	2015	2014
Financial assets		
Derivative financial instruments	78,355	67,097
Financial commitments and contingencies		
Issued guarantees	834,723	733,162
Commitments and undrawn credit facilities	2,573,894	2,494,296
	3,408,617	3,227,458

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			2015			2014
	Amortised cost	Impairment losses	Carrying amount	Amortised cost	Impairment losses	Carrying amount
Banks						
No delinquency	178,516	(25)	178,491	610,871	(6)	610,865
	178,516	(25)	178,491	610,871	(6)	610,865
Sovereigns						
No delinquency	163,656	(121)	163,535	146,604	(348)	146,256
1 – 30 days	107	-	107	338	(1)	337
Over 181 days	4	-	4	36	-	36
	163,767	(121)	163,646	146,978	(349)	146,629
Corporate						
No delinquency	3,397,184	(57,458)	3,339,726	3,051,525	(48,452)	3,003,073
1 – 30 days	11,708	(1,213)	10,495	18,857	(5,437)	13,420
31 – 60 days	1,160	(348)	812	8,411	(782)	7,629
61 – 90 days	322	(150)	172	269	(190)	79
91 – 180 days	12,518	(6,597)	5,921	1,899	(605)	1,294
Over 181 days	83,242	(50,302)	32,940	75,438	(53,206)	22,232
	3,506,134	(116,068)	3,390,066	3,156,399	(108,672)	3,047,727

€ '000	Amortised cost	Impairment losses	2015 Carrying amount	Amortised cost	Impairment losses	2014 Carrying amount
Retail						
No delinquency	4,791,203	(31,981)	4,759,222	4,325,260	(29,714)	4,295,546
1 – 30 days	134,242	(10,912)	123,330	135,925	(9,616)	126,309
31 – 60 days	37,386	(4,801)	32,585	38,701	(4,851)	33,850
61 – 90 days	21,084	(3,181)	17,903	26,826	(4,139)	22,687
91 – 180 days	24,969	(12,911)	12,058	32,064	(13,421)	18,643
Over 181 days	149,870	(94,979)	54,891	155,063	(94,265)	60,798
	5,158,754	(158,765)	4,999,989	4,713,839	(156,006)	4,557,833
Securities						
No delinquency	2,498,010	(574)	2,497,436	2,059,024	(574)	2,058,450
	2,498,010	(574)	2,497,436	2,059,024	(574)	2,058,450

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 has determined the financial difficulties that the debtor is facing or is about to face;
- The exposure has been 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 2015 € '000	Performing forborne Amortised cost	Impairment losses	Carrying amount	Non-performing forborne Amortised cost	Impairment losses	Carrying amount
Corporate	38,737	(1,201)	37,536	136,044	(57,413)	78,631
Retail	68,154	(2,079)	66,075	15,283	(6,170)	9,113
	106,891	(3,280)	103,611	151,327	(63,583)	87,744

31 December 2014 € '000	Performing forborne Amortised cost	Impairment losses	Carrying amount	Non-performing forborne Amortised cost	Impairment losses	Carrying amount
Corporate	30,901	(925)	29,976	144,939	(53,765)	91,174
Retail	85,394	(2,445)	82,949	12,338	(3,785)	8,553
	116,295	(3,370)	112,925	157,277	(57,550)	99,727

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). Credit balances may be written off only if the collateral has already been realised. 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 realisation 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 realisation 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,
– Realisation 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:

€ '000	2015 Clients	2015 Banks	2014 Clients	2014 Banks
Debt securities	43,193	-	48,697	501,458
Other	537,545	13,116	459,544	18,421
Property	4,488,786	-	4,172,631	-
	5,069,524	13,116	4,680,872	519,879

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 recognised 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 realise 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 2015 € '000	Gross amount	Gross amount offset in SOFP	Net amount presented in SOFP	Related amounts not offset in SOFP Financial instrum. and noncash collateral	Cash collateral (received)/ provided	Net amount
Financial assets						
Derivative financial instruments	38,558	-	38,558	-	(1,600)	36,958
	38,558	-	38,558	-	(1,600)	36,958
Financial liabilities						
Derivative financial instruments	(60,035)	-	(60,035)	-	37,372	(22,663)
	(60,035)	-	(60,035)	-	37,372	(22,663)

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 noncash 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)

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	Not in scope of offsetting disclosure	Total carrying amount presented in SOFP	In scope of offsetting disclosure	Not in scope of offsetting disclosure
				2015			2014
Financial assets							
Due from banks	8	178,491	-	178,491	610,865	501,458	109,407
Derivative financial instruments	10	46,652	38,558	8,094	49,937	41,446	8,491
Financial liabilities							
Derivative financial instruments	10	(62,559)	(60,035)	(2,524)	(62,059)	(54,330)	(7,729)

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	Carrying amount	Amortised cost	Impairment losses	Carrying amount
			2015			2014
Europe						
Banks	172,429	(15)	172,414	602,243	(3)	602,240
Sovereigns	163,767	(121)	163,646	146,978	(349)	146,629
Corporate	3,505,629	(116,043)	3,389,586	3,156,399	(108,672)	3,047,727
Retail	5,156,579	(158,718)	4,997,861	4,712,008	(155,959)	4,556,049
Securities	2,498,010	(574)	2,497,436	2,059,024	(574)	2,058,450
	11,496,414	(275,471)	11,220,943	10,676,652	(265,557)	10,411,095
America						
Banks	5,813	(10)	5,803	8,275	(3)	8,272
Retail	229	(4)	225	169	(3)	166
	6,042	(14)	6,028	8,444	(6)	8,438
Asia						
Banks	249	-	249	320	-	320
Corporate	505	(25)	480	-	-	-
Retail	1,298	(28)	1,270	1,166	(25)	1,141
	2,052	(53)	1,999	1,486	(25)	1,461
Rest of the World						
Banks	25	-	25	33	-	33
Retail	648	(15)	633	496	(19)	477
	673	(15)	658	529	(19)	510

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

	2015			2014		
€ '000	Amortised cost	Impairment losses	Carrying amount	Amortised cost	Impairment losses	Carrying amount
Europe						
Slovakia	1,554,708	(574)	1,554,134	1,666,929	(574)	1,666,355
Italy	805,454	-	805,454	382,010	-	382,010
Poland	97,046	-	97,046	-	-	-
Other	40,802	-	40,802	10,085	-	10,085
	2,498,010	(574)	2,497,436	2,059,024	(574)	2,058,450

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

31 December 2015 € '000	Banks	Sovereigns	Corporate	Retail	Securities
Agriculture	-	-	99,116	15,576	-
Construction	-	-	170,327	16,850	-
Consumers	-	-	-	4,796,010	-
Energy and water supply	-	224	533,166	2,428	-
Financial services	178,491	-	456,929	123	236,826
Government	-	155,507	1,388	47	2,260,610
Manufacturing	-	-	597,442	26,200	-
Professional services	-	-	145,130	12,808	-
Real estate	-	-	408,663	34,034	-
Retail & Wholesale	-	-	568,941	57,912	-
Services	-	-	119,389	14,033	-
Transportation	-	7,403	253,753	10,173	-
Other	-	512	35,821	13,795	-
	178,491	163,646	3,390,065	4,999,989	2,497,436

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

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 2015 € '000	**Amortised cost**	**Impairment losses**	**Carrying amount**	**Amortised cost**	**Impairment losses**	**Carrying amount**	**Amortised cost**	**Impairment losses**	**Carrying amount**
Banks	174,518	(17)	174,501	-	-	-	3,998	(8)	3,990
Sovereigns									
Municipalities	163,656	(121)	163,535	4	-	4	107	-	107
Corporate									
Large Corporates	1,181,422	(5,616)	1,175,806	25,452	(17,331)	8,121	-	-	-
Specialised Lending	680,581	(13,187)	667,394	113,136	(26,663)	86,473	285	(21)	264
SME	885,044	(10,103)	874,941	64,882	(41,768)	23,114	8,570	(418)	8,152
Other Fin. Institutions	432,564	(505)	432,059	7	(2)	5	-	-	-
Public Sector Entities	2,104	(6)	2,098	9	-	9	2	-	2
Factoring	111,942	(447)	111,495	-	-	-	134	(1)	133
	3,293,657	(29,864)	3,263,793	203,486	(85,764)	117,722	8,991	(440)	8,551
Retail									
Small Business	176,771	(2,954)	173,817	14,175	(11,285)	2,890	3,265	(202)	3,063
Consumer Loans	908,218	(12,216)	896,002	86,645	(49,011)	37,634	64,602	(6,803)	57,799
Mortgages	3,412,865	(7,076)	3,405,789	81,719	(20,877)	60,842	62,406	(3,686)	58,720
Credit Cards	163,361	(3,635)	159,726	38,096	(26,721)	11,375	14,847	(2,394)	12,453
Overdrafts	73,004	(700)	72,304	13,762	(9,976)	3,786	17,326	(921)	16,405
Flat Owners Associations	23,629	(308)	23,321	-	-	-	-	-	-
Other	4,063	-	4,063	-	-	-	-	-	-
	4,761,911	(26,889)	4,735,022	234,397	(117,870)	116,527	162,446	(14,006)	148,440
Securities									
FVTPL	97,753	-	97,753	-	-	-	-	-	-
AFS	1,867,941	-	1,867,941	574	(574)	-	-	-	-
HTM	531,742	-	531,742	-	-	-	-	-	-
	2,497,436	-	2,497,436	574	(574)	-	-	-	-

31 December 2014 € '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	610,871	(6)	610,865	-	-	-	-	-	-
Sovereigns									
Municipalities	146,603	(348)	146,255	37	-	37	338	(1)	337
Corporate									
Large Corporates	1,108,045	(5,589)	1,102,456	22,863	(11,720)	11,143	-	-	-
Specialised Lending	753,016	(13,334)	739,682	82,716	(20,594)	62,122	7,027	(210)	6,817
SME	715,049	(11,310)	703,739	72,819	(44,564)	28,255	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
	2,961,576	(31,095)	2,930,481	178,502	(76,898)	101,604	16,321	(679)	15,642
Retail									
Small Business	168,408	(3,051)	165,357	14,176	(10,948)	3,228	4,752	(471)	4,281
Consumer Loans	820,112	(11,225)	808,887	75,225	(42,647)	32,578	60,731	(6,715)	54,016
Mortgages	3,047,566	(7,542)	3,040,024	80,509	(21,297)	59,212	79,710	(4,945)	74,765
Credit Cards	162,034	(3,316)	158,718	41,112	(28,152)	12,960	17,444	(3,204)	14,240
Overdrafts	80,382	(1,002)	79,380	13,679	(9,879)	3,800	18,136	(1,308)	16,828
Flat Owners Associations	23,195	(303)	22,892	-	-	-	-	-	-
Other	6,625	-	6,625	43	(1)	42	-	-	-
	4,308,322	(26,439)	4,281,883	224,744	(112,924)	111,820	180,773	(16,643)	164,130
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)	-	-	-	-

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	Carrying amount 2015	Amortised cost	Impairment losses	Carrying amount 2014
Sovereigns						
1 – 30 days	107	-	107	338	(1)	337
	107	-	107	338	(1)	337
Corporate						
1 – 30 days	8,975	(438)	8,537	9,901	(539)	9,362
31 – 60 days	13	(2)	11	6,418	(140)	6,278
61 – 90 days	2	-	2	2	-	2
	8,990	(440)	8,550	16,321	(679)	15,642
Retail						
1 – 30 days	117,648	(7,328)	110,320	122,766	(7,670)	115,096
31 – 60 days	25,234	(2,527)	22,707	29,072	(3,350)	25,722
61 – 90 days	13,516	(1,604)	11,912	19,217	(2,695)	16,522
91 – 180 days	5,915	(2,491)	3,424	9,428	(2,756)	6,672
Over 181 days	133	(56)	77	290	(172)	118
	162,446	(14,006)	148,440	180,773	(16,643)	164,130

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).

Specialised Lending comprises of rating segments Special Purpose Vehicles ('SPV') and Real Estate Development ('RED'); Project Finance portfolio ('PF'), which previously represented a separate rating segment of Specialised Lending, was merged into SPV in June 2015. For Specialised Lending 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:

Specialised Lending – SPV 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 and thereby the description of ratings correlates with the risk profiles.

Retail **Mortgages**	**Unsecured retail**	**Risk Profile**
L1 - L4	U01a – U02	Very Low
N1	U03	Low
N2 – W1	U04 – U07	Lower - Intermediate
W2	U08 – U09	Intermediate
-	U10 - U11	Upper - Intermediate
W3	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 2015 **€ '000**	**Internal rating**	**Amortised cost**	**Impairment losses**	**Carrying amount**
Banks	Unrated	178,516	(25)	178,491
Sovereigns				
Municipalities	Unrated	163,767	(121)	163,646
		163,767	(121)	163,646
Corporate				
Large Corporates, SME	I1 - I6	882,262	(857)	881,405
	M1 - M4	882,940	(5,867)	877,073
	R1 - R5	324,430	(11,844)	312,586
	D (default)	75,737	(56,667)	19,070
Specialised Lending - SPV, RED	Strong	146,000	(279)	145,721
	Good	208,379	(1,394)	206,985
	Satisfactory	292,048	(9,085)	282,963
	Weak	90,280	(14,893)	75,387
	D (default)	57,296	(14,220)	43,076
Other Financial Institutions, Public Sector Entities	I1 - I6	264,612	(91)	264,521
	M1 - M4	167,956	(313)	167,643
	D (default)	4	(2)	2
	Unrated	2,115	(108)	2,007
Factoring	Unrated	112,075	(448)	111,627
		3,506,134	(116,068)	3,390,066

31 December 2015 € '000	Internal rating	Amortised cost	Impairment losses	Carrying amount
Retail				
Small Business, Flat Owners Associations	I3 - I6	29,248	(53)	29,195
	M1 - M4	120,213	(1,176)	119,037
	R1 - R5	55,617	(2,497)	53,120
	D (default)	12,758	(11,024)	1,734
	Unrated	4	(1)	3
Mortgages	L1 - L4	2,713,755	(537)	2,713,218
	N1	262,586	(333)	262,253
	N2-W1	334,389	(1,107)	333,282
	W2	53,828	(841)	52,987
	W3	138,471	(8,465)	130,006
	D (default)	53,960	(20,356)	33,604
Unsecured Retail	U01a-U02	366,290	(335)	365,955
	U3	76,120	(181)	75,939
	U04 - U07	293,414	(2,024)	291,390
	U08 - U09	73,343	(1,750)	71,593
	U10 - U11	53,583	(3,068)	50,515
	U12	54,166	(8,890)	45,276
	D (default)	126,158	(87,498)	38,660
	Unrated	336,788	(8,629)	328,159
Other	Unrated	4,063	-	4,063
		5,158,754	(158,765)	4,999,989
Securities	Unrated	2,498,010	(574)	2,497,436

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
Specialised Lending - SPV, 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	I1 - I6	101,177	(23)	101,154
	M1 - M4	39	(1)	38
	R1 - R5	97,452	-	97,452
	D (default)	4	(2)	2
	Unrated	48,071	(124)	47,947
				-
Factoring	Unrated	138,967	(744)	138,223
		3,156,399	(108,672)	3,047,727

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	(422)	2,366,945
	N1	240,645	(307)	240,338
	N2-W1	327,311	(1,069)	326,242
	W2	56,261	(865)	55,396
	W3	153,793	(9,367)	144,426
	D (default)	62,408	(21,754)	40,654
Unsecured Retail	U01a-U02	327,761	(337)	327,424
	U3	67,192	(175)	67,017
	U04 - U07	279,271	(2,078)	277,193
	U08 - U09	78,999	(2,034)	76,965
	U10 - U11	52,891	(3,267)	49,624
	U12	47,922	(8,329)	39,593
	D (default)	64,422	(46,610)	17,812
	Unrated	370,397	(44,618)	325,779
Other	Unrated	6,668	(1)	6,667
		4,713,839	(156,006)	4,557,833
Securities	Unrated	2,059,024	(574)	2,058,450

(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 optimising 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:

				2015				2014
€ '000	Balance	Avg	Max	Min	Balance	Avg	Max	Min
Foreign currency risk	5	28	118	2	16	82	148	6
Interest rate risk	141	100	248	10	10	88	300	10
Overall	141	103	264	16	19	135	313	12
sVaR	129	159	849	53	111	310	937	27

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 recognised what might represent a difficult task when taking into account the growing number and diversity of positions in given portfolio.

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

In order to harmonise methodology for the calculation of interest rate risk in the banking book, in 2015 the Bank proceeded to adjust the methodology for calculation of the sensitivity of interest margin, primarily by applying modified behaviour model used to calculate shift sensitivity.

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.

As at 31 December 2015, 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 € 427 thousand (31 December 2014: € 4,950 thousand).

As at 31 December 2015, interest rate risk generated by the banking book, measured through shift sensitivity analysis to 100 basis points, registered € - 30,867 thousand (31 December 2014: € - 33,317 thousand).

€ '000	2015	2014
EUR	(31,967)	(34,353)
Other	1,100	1,036
	(30,867)	(33,317)

As at 31 December 2015, 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 € - 2,468 thousand (31 December 2014: € - 6,735 thousand). At 31 December 2015, the sensitivity of CF hedges reserve in equity to 100 basis points rise in interest rates was € 3,145 thousand (31 December 2014: € 4,368 thousand).

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

31 December 2015 € '000	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Not specif.	Total
Assets							
Cash and balances with central banks	469,321	-	-	-	-	-	469,321
Due from banks	57,761	195	120,007	-	492	-	178,455
Financial assets at fair values through profit or loss	8	110	97,286	-	-	349	97,753
Available-for-sale assets	56,643	521,220	412,555	683,482	179,351	14,690	1,867,941
Loans and advances to customers	1,608,821	1,312,725	1,638,414	3,603,448	390,294	-	8,553,702
Held-to-maturity investments	-	-	16,339	415,435	99,968		531,742
	2,192,554	1,834,250	2,284,601	4,702,365	670,105	15,039	11,698,914
Liabilities							
Due to central and other banks	(211,684)	(95,571)	(89,181)	(6,389)	(9,286)	-	(412,111)
Due to customers	(4,874,966)	(793,609)	(1,202,724)	(1,376,623)	(295,212)	-	(8,543,134)
Debt securities in issue	(223,069)	(161,014)	(192,290)	(395,873)	(628,096)	-	(1,600,342)
	(5,309,719)	(1,050,194)	(1,484,195)	(1,778,885)	(932,594)	-	(10,555,587)
Net position of financial instruments	(3,117,165)	784,056	800,406	2,923,480	(262,489)	15,039	1,143,327

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 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

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

	2015 %	2014 %
Assets		
Cash and balances with central banks	0.00	0.20
Due from banks	0.39	0.68
Financial assets at fair value through profit or loss	4.37	2.04
Available-for-sale financial assets	1.78	2.24
Loans and advances to customers	4.26	4.84
Held-to-maturity investments	4.33	4.33
Liabilities		
Due to central and other banks	0.43	0.54
Due to customers	0.45	0.63
Debt securities in issue	1.98	2.43

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 2015 € '000	EUR	USD	CZK	Other	Total
Assets					
Cash and balances with central banks	94,272	1,069	371,964	2,016	469,321
Due from banks	158,156	9,355	44	10,936	178,491
Financial assets at fair value through profit or loss	707	-	-	97,046	97,753
Derivative financial instruments	25,209	20,208	1,235	-	46,652
Available-for-sale financial assets	1,857,689	10,252	-	-	1,867,941
Loans and advances to customers	8,050,857	189,789	307,581	5,474	8,553,701
Held-to-maturity investments	531,742	-	-	-	531,742
	10,718,632	230,673	680,824	115,472	11,745,601
Liabilities					
Due to central and other banks	(350,018)	(2,044)	(59,340)	(744)	(412,146)
Derivative financial instruments	(59,598)	(2,097)	(864)	-	(62,559)
Due to customers	(8,070,669)	(260,294)	(115,134)	(97,037)	(8,543,134)
Debt securities in issue	(1,525,241)	-	(75,100)	-	(1,600,341)
	(10,005,526)	(264,435)	(250,438)	(97,781)	(10,618,180)
Net position	713,106	(33,762)	430,386	17,691	1,127,421

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

(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 2015 € '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	469,321	-	-	-	-	-	469,321
Due from banks	66,147	372	104,484	9,118	492	-	180,613
Financial assets at fair value through profit or loss	9	106	98,511	-	-	349	98,975
Available-for-sale financial assets	1,723	522,035	68,101	1,146,355	139,647	14,690	1,892,551
Loans and advances to customers	419,266	440,168	1,225,816	3,747,089	5,156,307	-	10,988,646
Held-to-maturity investments	-	-	24,549	475,768	126,481	-	626,798
	956,466	962,681	1,521,461	5,378,330	5,422,927	15,039	14,256,904
Liabilities							
Due to central and other banks	(199,478)	(52,477)	(44,657)	(71,094)	(47,726)	-	(415,432)
Due to customers	(6,876,142)	(489,404)	(815,722)	(370,094)	(5,630)	-	(8,556,992)
Debt securities in issue	(3,545)	(83,222)	(98,369)	(895,884)	(749,447)	-	(1,830,467)
	(7,079,165)	(625,103)	(958,748)	(1,337,072)	(802,803)	-	(10,802,891)
Net position of financial instruments	(6,122,699)	337,578	562,713	4,041,258	4,620,124	15,039	3,454,013
Cash inflows from derivatives	1,096,610	71,112	81,087	39,647	26,400	-	1,314,856
Cash outflows from derivatives	(1,082,908)	(71,002)	(80,042)	(40,238)	(26,195)	-	(1,300,385)
Net position from derivatives	13,702	110	1 045	(591)	205	-	14,471
Commitments and undrawn credit facilities	(2,323,282)	-	-	-	-	-	(2,323,282)
Issued guarantees	(567,899)	-	-	-	-	-	(567,899)
Net position from financial commitments and contingencies	(2,891,181)	-	-	-	-	-	(2,891,181)

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

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

31 December 2015 € '000	Less than 12 months	Over 12 months	Total
Assets			
Cash and balances with central banks	469,321	-	469,321
Due from banks	169,993	8,498	178,491
Financial assets at fair value through profit or loss	97,404	349	97,753
Derivative financial instruments	20,704	25,948	46,652
Available-for-sale financial assets	562,922	1,305,019	1,867,941
Loans and advances to customers	1,850,486	6,703,215	8,553,701
Held-to-maturity investments	-	531,742	531,742
Subsidiaries, associates and joint ventures	-	95,566	95,566
Intangible assets	-	59,250	59,250
Property and equipment	-	93,328	93,328
Deferred income tax assets	-	41,327	41,327
Other assets	20,347	-	20,347
	3,191,177	8,864,242	12,055,419
Liabilities			
Due to central and other banks	(296,194)	(115,952)	(412,146)
Derivative financial instruments	(5,639)	(56,920)	(62,559)
Due to customers	(8,167,876)	(375,258)	(8,543,134)
Debt securities in issue	(166,569)	(1,433,772)	(1,600,341)
Current income tax liabilities	(8,314)	-	(8,314)
Provisions	-	(25,266)	(25,266)
Other liabilities	(76,866)	(3,344)	(80,210)
	(8,721,458)	(2,010,512)	(10,731,970)
	(5,530,281)	6,853,730	1,323,449

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

(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 activities and approving the operational risk transfer strategies.

Organisational structure of the associated risk management function

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

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

Upon the request of the parent company, the Bank as part of the VUB Group request has received in February 2010, from the relevant Supervisory authorities, approval for usage and thus adopted the Advanced Measurement Approach ('AMA'), for Operational Risk management and measurement. In June 2013, the Bank as part of the VUB Group request has received approval for usage and thus adopted the AMA for subsidiaries Consumer Finance Holding and VUB Leasing. The part of this decision has been an approval of the insurance effect inclusion, as well as approval of a new allocation mechanism, which led to fulfilment of a regulatory condition for the approval of diversification usage.

As such, the VUB Group uses a combination of the AMA for the Bank, Consumer Finance Holding and VUB Leasing, and the Standardised 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 2015 € '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	469,321	-	469,321	-	469,321	-	469,321
Due from banks	8	178,491	-	178,491	-	178,491	-	178,491
Financial assets at fair value through profit or loss	9	-	97,753	97,753	97,395	358	-	97,753
Derivative financial instruments	10	-	46,652	46,652	-	46,652	-	46,652
Available-for-sale financial assets	11	-	1,867,941	1,867,941	841,418	1,011,833	14,690	1,867,941
Loans and advances to customers	12	8,553,701	-	8,553,701	-	-	9,823,748	9,823,748
Held-to-maturity investments	14	531,742	-	531,742	-	614,208	-	614,208
		9,733,255	2,012,346	11,745,601	938,813	2,320,863	9,838,438	13,098,114
Financial liabilities								
Due to central and other banks	20	(412,146)	-	(412,146)	-	(412,146)	-	(412,146)
Derivative financial instruments	10	-	(62,559)	(62,559)	-	(62,559)	-	(62,559)
Due to customers	21	(8,543,134)	-	(8,543,134)	-	(8,552,257)	-	(8,552,257)
Debt securities in issue	22	(1,600,341)	-	(1,600,341)	-	(1,661,051)	-	(1,661,051)
		(10,555,621)	(62,559)	(10,618,180)	-	(10,688,013)	-	(10,688,013)

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	405,060	-	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)

There were no transfers of financial instruments among the levels during 2015 and 2014.

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 € 50 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 € 50 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.

In order to unify the disclosure of information on operating segments with the Intesa Sanpaolo methodology, the project of New Segmentation was launched in the Bank in the first quarter of 2015. The most significant change was related to the extension of Central Treasury segment by banking book transactions (previously they were reported within 'Other'). Comparative data for the prior period were restated accordingly to reflect this change.

31 December 2015 € '000	Retail Banking	Corporate Banking	Central Treasury	Other	Total
External revenue					
Interest and similar income	266,082	78,233	60,727	8,464	413,506
Interest and similar expense	(34,503)	(5,672)	(28,845)	(1)	(69,021)
Inter-segment revenue	(34,097)	(11,968)	48,035	(1,970)	-
Net interest income	197,482	60,593	79,917	6,493	344,485
Net fee and commission income	60,075	25,380	3,375	(4,460)	84,370
Net trading result	3,534	4,702	3,798	(59)	11,975
Other operating income	8,621	1,228	(16)	(5,496)	4,337
Dividend income	-	-	-	5,913	5,913
Total segment operating income	269,712	91,903	87,074	2,391	451,080
Depreciation and amortisation	(16,810)	(864)	(11)	(6,052)	(23,737)
Operating expenses					(205,483)
Operating profit before impairment					221,860
Impairment losses	(21,732)	(29,753)	(459)	517	(51,427)
Income tax expense					(40,076)
Net profit for the year					130,357
Segment assets	4,966,200	3,319,197	3,282,541	487,481	12,055,419
Segment liabilities and equity	5,192,092	2,496,930	2,975,311	1,391,086	12,055,419

31 December 2014 € '000	Retail Banking	Corporate Banking	Central Treasury	Other	Total
External revenue					
Interest and similar income	279,337	80,434	73,125	9,837	442,733
Interest and similar expense	(40,333)	(7,230)	(33,792)	(5,407)	(86,762)
Inter-segment revenue	(24,562)	(16,130)	43,687	(2,995)	-
Net interest income	214,442	57,074	83,020	1,435	355,971
Net fee and commission income	50,855	21,060	3,143	(4,203)	70,855
Net trading result	3,136	3,681	4,784	64	11,665
Other operating income	6,001	1,063	(8)	(3,873)	3,183
Dividend income	-	-	-	2,287	2,287
Total segment operating income	274,434	82,878	90,939	(4,290)	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	3,098,268	106,387	11,175,015
Segment liabilities and equity	4,799,422	2,305,163	2,560,097	1,510,333	11,175,015

6. Cash and cash equivalents

€ '000	Note	2015	2014
Cash and balances with central banks	7	469,321	405,060
Current accounts in other banks	8	22,034	19,631
Term deposits with other banks	8	-	4,269
		491,355	428,960

7. Cash and balances with central banks

€ '000	2015	2014
Balances with central banks:		
Compulsory minimum reserves	251,557	190,294
Current accounts	1	-
Term deposits	119,926	119,892
	371,484	310,186
Cash in hand	97,837	94,874
	469,321	405,060

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	2015	2014
Current accounts	6	22,034	19,631
Term deposits			
with contractual maturity less than 90 days	6	-	4,269
with contractual maturity over 90 days		100,192	20,066
Loans and advances			
with contractual maturity over 90 days		18,618	516,885
Cash collateral		37,672	50,020
Impairment losses	13	(25)	(6)
		178,491	610,865

As at 31 December 2015 the balance of 'Term deposits' includes one deposit with Intesa Sanpaolo S.p.A. in the nominal amount of € 100,000 thousand (31 December 2014: 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).

As at 31 December 2014 the balance of 'Loans and advances' comprised of two reverse repo trades concluded with Intesa Sanpaolo S.p.A. in the total nominal amount of € 499,719 thousand. The repo trades were secured by state bonds and cash collateral. At 31 December 2015 there was no reverse repo trade concluded.

9. Financial assets at fair value through profit or loss

€ '000	2015	2014
Financial assets held for trading		
State bonds		
with contractual maturity over 90 days	97,046	50
Bank bonds		
with contractual maturity over 90 days	358	380
	97,404	430
Financial assets designated at fair value through profit or loss on initial recognition		
Equity shares	349	625
	97,753	1,055

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.

As at 31 December 2015 and 31 December 2014, 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	2015 Assets	2014 Assets	2015 Liabilities	2014 Liabilities
Trading derivatives	28,623	29,576	13,570	18,160
Cash flow hedges of interest rate risk	-	-	1,573	1,134
Cash flow hedges of foreign exchange risk	-	-	29	-
Fair value hedges of interest rate and inflation risk	18,029	20,361	47,387	42,765
	46,652	49,937	62,559	62,059

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. As at 31 December 2015, the negative fair value of this derivative was € 856 thousand (31 December 2014: € 1,627 thousand).

€ '000	2015 Assets	2014 Assets	2015 Liabilities	2014 Liabilities
Trading derivatives – Fair values				
Interest rate instruments				
Swaps	5,823	6,826	4,677	5,504
Options	895	1,674	881	1,711
	6,718	8,500	5,558	7,215
Foreign currency instruments				
Forwards and swaps	19,988	16,625	5,147	4,790
Cross currency swaps	-	-	856	1,627
Options	409	1,407	534	1,508
	20,397	18,032	6,537	7,925
Equity and commodity instruments				
Equity options	1,160	3,044	1,157	3,020
Commodity swaps	348	-	318	-
	1,508	3,044	1,475	3,020
	28,623	29,576	13,570	18,160

€ '000	2015 Assets	2014 Assets	2015 Liabilities	2014 Liabilities
Trading derivatives – Notional values				
Interest rate instruments				
Swaps	301,381	418,784	301,381	418,784
Options	151,985	169,598	151,985	169,598
	453,366	588,382	453,366	588,382
Foreign currency instruments				
Forwards and swaps	1,274,808	426,957	1,259,829	414,849
Cross currency swaps	29,604	28,844	30,449	30,449
Options	61,614	68,644	61,249	68,606
	1,366,026	524,445	1,351,527	513,904
Equity and commodity instruments				
Equity options	17,658	23,398	17,662	23,402
Commodity swaps	5,898	-	5,836	-
	23,556	23,398	23,498	23,402
	1,842,948	1,136,225	1,828,391	1,125,688

Cash flow hedges of interest rate risk

As at 31 December 2015 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.

Cash flow hedge of foreign exchange risk

The Bank also entered into a foreign exchange ('FX') forward contract to hedge the highly probable future transaction in respect of expected cash inflows related to the payment for a guarantee in USD. The cash flow profiles of both items are identical.

Below is a schedule indicating as at 31 December 2015 and 31 December 2014, the periods when the hedged cash flows are expected to occur. The cash flows of mortgage bonds represent the future undiscounted value of coupons.

€ '000	Up to 1 year	1 to 5 years	Over 5 years
2015			
Mortgage bonds – interest rate risk	(3,323)	(6,895)	-
2014			
Mortgage bonds – interest rate risk	(1,851)	(11,745)	-

The net expense on cash flow hedges reclassified from 'Other comprehensive income' to the 'Net interest income' during 2015 was € 0 thousand (2014: net expense of € 27 thousand).

Fair value hedges of interest rate and inflation risk

The Bank uses fifteen interest rate swaps and one cross currency swap to hedge the interest rate risk of fourteen fixed rate bonds from the AFS portfolio. The changes in fair value of these interest rate and cross currency swaps substantially offset the changes in fair value of AFS portfolio bonds, both in relation to changes of interest rates.

The Bank also uses five asset swaps to hedge the inflation risk and the interest rate risk of two inflation bonds 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 twenty interest rate swaps to hedge the interest rate risk arising from the issuance of thirteen 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 2015, the Bank recognised a net loss of € 2,582 thousand (2014: net gain of € 12,712 thousand) in relation to the fair value hedging instruments above. The net gain on hedged items attributable to the hedged risks amounted to € 2,564 thousand (2014: net loss of € 13,523 thousand). Both items are disclosed within 'Net trading result'.

During 2015, interest and similar income from hedged AFS securities in the amount of € 19,736 thousand (2014: € 22,360 thousand) was compensated by interest expense from interest rate swap, cross currency swap and asset swap hedging instruments in the amount of € 5,839 thousand (2014: € 5,779 thousand).

As at 31 December 2015, interest expense from the hedged mortgage bonds in the amount of €11,583 thousand (31 December 2014: € 8,476 thousand) was compensated by interest income from the interest rate swap hedging instruments in the amount of € 4,224 thousand (31 December 2014: € 2,915 thousand).

11. Available-for-sale financial assets

€ '000	Note	Share 2015	Share 2014	2015	2014
State bonds of EU countries				1,631,822	1,314,245
Bank bonds				218,246	209,646
Equity shares at fair value				17,822	-
Equity shares at cost					
RVS, a.s.		8.01%	8.38%	574	574
S.W.I.F.T.		0.01%	0.01%	51	48
Impairment losses to equity shares at cost	13			(574)	(574)
				1,867,941	1,523,939

As at 31 December 2015, bonds in the total nominal amount of € 780,261 thousand from available-for-sale portfolio were pledged by the Bank to secure collateralised transactions (31 December 2014: € 830,261 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.

On 21 December 2015, Visa Europe and Visa Inc. officially announced a plan to become a one entity, through the sale of 100% of share capital of Visa Europe to Visa Inc. The Bank as a stakeholder has the right to take part in the distribution of the value generated by the deal. The proportional fair value adjustment for the Bank was calculated as cash part of the proportional up-front consideration paid by Visa Inc. in the amount of € 14,690 thousand.

12. Loans and advances to customers

31 December 2015 € '000	Amortised cost	Impairment losses (note 13)	Carrying amount
Sovereigns			
Municipalities	163,767	(121)	163,646
Corporate			
Large Corporates	1,206,875	(22,947)	1,183,928
Specialised Lending	794,002	(39,871)	754,131
Small and Medium Enterprises ('SME')	958,496	(52,289)	906,207
Other Financial Institutions	432,571	(507)	432,064
Public Sector Entities	2,115	(6)	2,109
Factoring	112,075	(448)	111,627
	3,506,134	(116,068)	3,390,066
Retail			
Small Business	194,211	(14,441)	179,770
Consumer Loans	1,059,465	(68,030)	991,435
Mortgages	3,556,990	(31,639)	3,525,351
Credit Cards	216,304	(32,750)	183,554
Overdrafts	104,092	(11,597)	92,495
Flat Owners Associations	23,629	(308)	23,321
Other	4,063	-	4,063
	5,158,754	(158,765)	4,999,989
	8,828,655	(274,954)	8,553,701

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
Specialised 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

As at 31 December 2015, the 20 largest corporate customers represented a total balance of € 1,111,188 thousand (2014: € 945,628 thousand) or 12.59% (2014: 11.79%) of the gross loan portfolio.

13. Impairment losses on assets

€ '000	Note	1 Jan 2015	Creation (note 33)	Reversal (note 33)	Assets written-off/sold (note 33)	FX diff	Other *	31 Dec 2015
Due from banks	8	6	20	(1)	-	-	-	25
Available-for-sale financial assets	11	574	-	-	-	-	-	574
Loans and advances to customers	12	265,027	126,997	(69,512)	(40,602)	315	(7,271)	274,954
Subsidiaries, associates and JVs	15	37,914	-	-	-	-	-	37,914
Property and equipment	17	10,500	-	-	-	-	-	10,500
Other assets	19	1,614	746	(1,212)	-	-	-	1,148
		315,635	127,763	(70,725)	(40,602)	315	(7,271)	325,115

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

€ '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) and;
- sale of Recovery, a.s.

14. Held-to-maturity investments

€ '000	2015	2014
State bonds	531,742	533,456
	531,742	533,456

As at 31 December 2015, no state bonds from held-to-maturity portfolio were pledged by the Bank to secure collateralised transactions. As at 31 December 2014, state bonds in the nominal amount of € 39,023 thousand were pledged by the Bank. These bonds 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 2015				
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 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

16. Intangible assets

€ '000	Software	Other intangible assets	Assets in progress	Total
Cost				
At 1 January 2015	192,676	9,580	10,725	212,981
Additions	-	98	16,910	17,008
Transfers	11,234	360	(11,594)	-
FX differences	10	1	1	12
As at 31 December 2015	203,920	10,039	16,042	230,001
Accumulated amortisation				
As at 1 January 2015	(149,761)	(8,188)	-	(157,949)
Amortisation for the year	(12,332)	(460)	-	(12,792)
FX differences	(10)	-	-	(10)
As at 31 December 2015	(162,103)	(8,648)	-	(170,751)
Carrying amount				
As at 1 January 2015	42,915	1,392	10,725	55,032
As at 31 December 2015	41,817	1,391	16,042	59,250

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				
As 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)
As at 31 December 2014	192,676	9,580	10,725	212,981
Accumulated amortisation				
As at 1 January 2014	(138,564)	(7,842)	-	(146,406)
Amortisation for the year	(11,200)	(346)	-	(11,546)
FX differences	3	-	-	3
As at 31 December 2014	(149,761)	(8,188)	-	(157,949)
Carrying amount				
As at 1 January 2014	41,286	1,188	8,874	51,348
As at 31 December 2014	42,915	1,392	10,725	55,032

As at 31 December 2015, the gross book value of fully amortised intangible assets that are still used by the Bank amounted to € 112,515 thousand (31 December 2014: € 111,598 thousand).

As at 31 December 2015, the amount of irrevocable contractual commitments for the acquisition of intangible assets was € 388 thousand (31 December 2014: € 1,294 thousand).

17. Property and equipment

€ '000	Note	Buildings and land	Equipment	Other tangibles	Assets in progress	Total
Cost						
As at 1 January 2015		199,222	68,434	30,097	3,397	301,150
Additions		-	-	49	4,238	4,287
Disposals		(261)	(7,544)	(260)	-	(8,065)
Transfers		1,392	3,453	28	(4,873)	-
FX differences		2	2	3	-	7
As at 31 December 2015		200,355	64,345	29,917	2,762	297,379
Accumulated depreciation						
As at 1 January 2015		(101,495)	(60,339)	(28,775)	-	(190,609)
Depreciation for the year		(5,788)	(4,721)	(436)	-	(10,945)
Disposals		215	7,537	258	-	8,010
FX differences		(2)	(3)	(2)	-	(7)
As at 31 December 2015		(107,070)	(57,526)	(28,955)	-	(193,551)
Impairment losses	13					
As at 1 January 2015		(10,500)	-	-	-	(10,500)
As at 31 December 2015		(10,500)	-	-	-	(10,500)
Carrying amount						
As at 1 January 2015		87,227	8,095	1,322	3,397	100,041
As at 31 December 2015		82,785	6,819	962	2,762	93,328

€ '000	Note	Buildings and land	Equipment	Other tangibles	Assets in progress	Total
Cost						
As 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)
As at 31 December 2014		199,222	68,434	30,097	3,397	301,150
Accumulated depreciation						
As 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
As at 31 December 2014		(101,495)	(60,339)	(28,775)	-	(190,609)
Impairment losses	13					
As at 1 January 2014		(7,000)	-	-	-	(7,000)
Net creation		(3,500)	-	-	-	(3,500)
As at 31 December 2014		(10,500)	-	-	-	(10,500)
Carrying amount						
As at 1 January 2014		95,911	11,235	2,091	2,506	111,743
As at 31 December 2014		87,227	8,095	1,322	3,397	100,041

In 2014 and 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 recognised the impairment loss in the total amount of € 10,500 thousand as at 31 December 2014 (31 December 2014: € 10,500 thousand).

As at 31 December 2015 and 31 December 2014 the fair value measurement in respect of the estimation of the fair value less costs to sell was categorised 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 2015 and 2014.

As at 31 December 2015, the gross book value of fully depreciated tangible assets that are still used by the Bank amounted to € 88,401 thousand (31 December 2014: € 81,945 thousand).

As at 31 December 2015, the amount of irrevocable contractual commitments for the acquisition of tangible assets was € 172 thousand (31 December 2014: € 0).

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	2015	2014
Deferred income tax assets	41,327	34,685

€ '000	2015	2014
Current income tax liabilities	8,314	8,240

Deferred income taxes are calculated on all temporary differences using a tax rate of 22% (31 December 2014: 22%) as follows:

€ '000	2015	Profit/ (loss) (note 34)	Equity	2014
Due from banks	5	4	-	1
Derivative financial instruments designated as cash flow hedges	352	-	102	250
Available-for-sale financial assets	(7,544)	-	1,201	(8,745)
Loans and advances to customers	45,437	1,560	-	43,874
Property and equipment	(4,413)	(105)	-	(4,308)
Provisions	40	(89)	-	129
Other liabilities	7,129	3,602	-	3,527
Other	321	364	-	(43)
Deferred income tax assets	41,327	5,336	1,303	34,685

19. Other assets

€ '000	Note	2015	2014
Operating receivables and advances		10,012	7,015
Prepayments and accrued income		9,135	5,646
Other tax receivables		1,495	1,591
Inventories		832	543
Settlement of operations with financial instruments		20	7
Receivables from trading with securities		1	2
		21,495	14,804
Impairment losses	13	(1,148)	(1,614)
		20,347	13,190

20. Due to central and other banks

€ '000	2015	2014
Due to central banks		
Current accounts	794	5,572
	794	5,572
Due to other banks		
Current accounts	36,044	13,415
Term deposits	236,441	204,924
Loans received	137,267	151,306
Cash collateral received	1,600	4,821
	411,352	374,466
	412,146	380,038

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

€ '000	2015	2014
European Investment Bank	94,745	105,687
Council of Europe Development Bank	19,044	24,245
European Bank for Reconstruction and Development	23,478	21,374
	137,267	151,306

European Investment Bank

Loans from European Investment Bank were provided to fund development of SME, large sized companies and infrastructure projects. At 31 December 2015, the balance comprised of six loans in the nominal amount of € 26,667 thousand, € 21,875 thousand, € 9,286 thousand, € 3,125 thousand, € 18,750 thousand and € 15,000 thousand (31 December 2014: 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) with interest rates between 0.14% and 1.73% (31 December 2014: 0.50% - 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

As at 31 December 2015, loans from Council of Europe Development Bank comprised of five loans in the nominal amount of € 4,667 thousand, € 1,192 thousand, € 2,185 thousand, € 6,000 thousand and € 5,000 thousand, (31 December 2014: 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). 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 0.03% and 0.33% as at 31 December 2015 (31 December 2014: 0.05% - 0.55%). The interest is payable quarterly and the principal is payable on annual basis. The maturity of the individual loans is between 2017 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.

As at 31 December 2015, there were four loan arrangements concluded with European Bank for Reconstruction and Development (31 December 2014: three loan arrangements). Funds from these loans were drawn in several tranches during 2010, 2011 and 2013. The maturities of the loans are in 2016, 2020, 2021, 2023.

As at 31 December 2015 the interest rates were in the range between 0.36% and 1.96% (31 December 2014: 0.63% - 2.08%). The frequency of the repayment of both the interest and the principal is semi-annual.

21. Due to customers

€ '000	2015	2014
Current accounts	5,158,714	4,195,351
Term deposits	2,420,384	3,077,205
Savings accounts	211,416	207,045
Government and municipal deposits	648,802	306,172
Other deposits	103,818	78,625
	8,543,134	7,864,398

22. Debt securities in issue

€ '000	2015	2014
Bonds	58	58
Mortgage bonds	978,849	999,543
Mortgage bonds subject to cash flow hedges	125,951	126,071
Mortgage bonds subject to fair value hedges	482,734	324,037
	1,587,534	1,449,651
Revaluation of fair value hedged mortgage bonds	12,259	18,593
Amortisation of revaluation related to terminated fair value hedges	490	1,163
	1,600,341	1,469,465

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 as at 31 Dec 2015	Nominal value in CCY per piece	Issue date	Maturity date	2015 € '000	2014 € '000
Mortgage bonds VÚB, a.s. XVII.	0.08	EUR	-	33,194	28.11.2005	28.11.2015	-	55,709
Mortgage bonds VÚB, a.s. XX.	4.3	EUR	50	331,939	9.3.2006	9.3.2021	17,176	17,176
Mortgage bonds VÚB, a.s. XXX.	5	EUR	1,000	33,194	5.9.2007	5.9.2032	33,420	33,401
Mortgage bonds VÚB, a.s. XXXI.	4.9	EUR	600	33,194	29.11.2007	29.11.2037	19,696	19,680
Mortgage bonds VÚB, a.s. 32.	1.89	CZK	800	1,000,000	17.12.2007	17.12.2017	30,353	29,944
Mortgage bonds VÚB, a.s. 35.	4.4	EUR	630	33,194	19.3.2008	19.3.2016	21,618	21,528
Mortgage bonds VÚB, a.s. 36.	4.75	EUR	560	33,194	31.3.2008	31.3.2020	19,042	18,993
Mortgage bonds VÚB, a.s. 39.	0.71	EUR	-	1,000,000	26.6.2008	26.6.2015	-	60,006
Mortgage bonds VÚB, a.s. 40.	0.73	EUR	-	1,000,000	28.8.2008	28.8.2015	-	70,053
Mortgage bonds VÚB, a.s. 43.	5.1	EUR	500	33,194	26.9.2008	26.9.2025	15,873	15,776
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. 53.	0.7	EUR	100	1,000,000	8.4.2010	8.4.2017	100,155	100,187
Mortgage bonds VÚB, a.s. 55.	2.83	EUR	-	1,000	1.10.2010	1.10.2015	-	14,100
Mortgage bonds VÚB, a.s. 57.	1.3	EUR	100	1,000,000	30.9.2010	30.9.2018	100,338	100,377
Mortgage bonds VÚB, a.s. 58.	1.8	EUR	80	1,000,000	10.12.2010	10.12.2019	80,082	80,092
Mortgage bonds VÚB, a.s. 59.	3	EUR	-	1,000	1.3.2011	1.3.2015	-	25,625
Mortgage bonds VÚB, a.s. 61.	1.08	EUR	-	10,000	7.6.2011	7.6.2015	-	4,671
Mortgage bonds VÚB, a.s. 62.	2.0	EUR	100	1,000,000	28.7.2011	28.7.2018	100,866	100,977
Mortgage bonds VÚB, a.s. 63.	3.8	EUR	35,000	1,000	16.9.2011	16.3.2016	35,383	35,383
Mortgage bonds VÚB, a.s. 64.	3.3	CZK	7,000	100,000	26.9.2011	26.9.2016	26,111	25,421
Mortgage bonds VÚB, a.s. 67.	5.4	EUR	300	50,000	29.11.2011	29.11.2030	15,071	15,071
Mortgage bonds VÚB, a.s. 68.	4	EUR	-	1,000	16.1.2012	16.7.2015	-	36,342
Mortgage bonds VÚB, a.s. 69.	4.5	EUR	990	20,000	6.2.2012	6.2.2016	20,163	20,404
Mortgage bonds VÚB, a.s. 70.	3.8	EUR	400	100,000	7.3.2012	7.3.2017	41,203	41,185

(Table continues on the next page)

Name	Interest rate (%)	CCY	Number of mortgage bonds issued as at 31 Dec 2015	Nominal value in CCY per piece	Issue date	Maturity date	2015 € '000	2014 € '000
Mortgage bonds VÚB, a.s. 71.	3.9	EUR	750	20,000	2.5.2012	2.5.2017	15,201	15,276
Mortgage bonds VÚB, a.s. 72.	4.7	EUR	250	100,000	21.6.2012	21.6.2027	25,430	25,413
Mortgage bonds VÚB, a.s. 73.	4.2	EUR	500	100,000	11.7.2012	11.7.2022	50,709	50,666
Mortgage bonds VÚB, a.s. 74.	3.35	EUR	700	100,000	16.1.2013	15.12.2023	71,874	71,827
Mortgage bonds VÚB, a.s. 75.	2	EUR	300	100,000	5.4.2013	5.4.2019	30,476	30,486
Mortgage bonds VÚB, a.s. 76.	2.4	EUR	309	10,000	22.4.2013	22.4.2018	3,142	3,143
Mortgage bonds VÚB, a.s. 77.	1.8	CZK	5,000	100,000	20.6.2013	20.6.2018	18,636	18,141
Mortgage bonds VÚB, a.s. 78.	2.16	EUR	905	10,000	3.3.2014	3.3.2020	9,241	9,248
Mortgage bonds VÚB, a.s. 79.	2	EUR	10,000	1,000	24.3.2014	24.9.2020	10,154	10,154
Mortgage bonds VÚB, a.s. 80.	1.85	EUR	31	1,000,000	27.3.2014	27.3.2021	31,868	31,951
Mortgage bonds VÚB, a.s. 81.	2.55	EUR	38	1,000,000	27.3.2014	27.3.2024	39,818	39,949
Mortgage bonds VÚB, a.s. 82.	1.65	EUR	1,701	1,000	16.6.2014	16.12.2020	1,716	1,716
Mortgage bonds VÚB, a.s. 83.	0.9	EUR	500	100,000	28.7.2014	28.7.2019	49,958	49,893
Mortgage bonds VÚB, a.s. 84.	0.6	EUR	500	100,000	29.9.2014	30.9.2019	49,903	49,856
Mortgage bonds VÚB, a.s. 85.	2.25	EUR	500	100,000	14.11.2014	14.11.2029	49,479	49,438
Mortgage bonds VÚB, a.s. 86.	0.3	EUR	1,000	100,000	27.4.2015	27.4.2020	98,145	-
Mortgage bonds VÚB, a.s. 87.	1.25	EUR	1,000	100,000	9.6.2015	9.6.2025	97,174	-
Mortgage bonds VÚB, a.s. 88.	0.5	EUR	475	100,000	11.9.2015	11.9.2020	47,303	-
Mortgage bonds VÚB, a.s. 89.	1.2	EUR	1,000	100,000	29.9.2015	29.9.2025	99,087	-
Mortgage bonds VÚB, a.s. 90.	1.6	EUR	628	100,000	29.10.2015	29.10.2030	61,277	-
							1,587,534	1,449,651

23. Provisions

€ '000	2015	2014
Litigation	25,069	27,017
Restructuring provision	180	588
Other provisions	17	3
	25,266	27,608

The movements in provisions were as follows:

€ '000	Note	1 Jan 2015	Creation	Reversal	Use	31 Dec 2015
Litigation	26, 32	27,017	1,561	(2,495)	(1,014)	25,069
Restructuring provision	31	588	350	-	(758)	180
Other provisions	32	3	14	-	-	17
		27,608	1,925	(2,495)	(1,772)	25,266

€ '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

24. Other liabilities

€ '000	2015	2014
Various creditors	25,914	28,622
Financial guarantees and commitments	21,476	16,552
Settlement with employees	21,081	19,173
Accruals and deferred income	3,523	3,724
Severance and Jubilee benefits	3,343	3,196
Settlement with shareholders	1,297	1,187
VAT payable and other tax payables	2,691	2,869
Investment certificates	535	254
Share remuneration scheme	349	625
Settlement with securities	1	2
	80,210	76,204

As at 31 December 2015 and 31 December 2014 there were no overdue balances within 'Other liabilities'.

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

€ '000	Note	1 Jan 2015	Creation	FX diff	31 Dec 2015
Financial guarantees and commitments	33	16,552	4,828	96	21,476
Severance and Jubilee benefits	31	3,196	147	-	3,343
		19,748	4,975	96	24,819

€ '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 programme	31	433	(433)	-	-
		15,775	3,976	(3)	19,748

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

€ '000	1 Jan 2015	Creation (note 31)	Use	31 Dec 2015
Social fund	621	1,588	(1,474)	735

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

25. Equity

€ '000	2015	2014
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	13,719	13,636
Reserves	113,457	118,045
Retained earnings (excluding net profit for the year)	635,097	612,846
	1,193,092	1,175,346

	2015	2014
Net profit for the year attributable to shareholders in € '000	130,357	111,657
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 €	10.04	8.60

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:

	2015	2014
Intesa Sanpaolo Holding International S.A.	97.03%	97.02%
Domestic shareholders	2.28%	2.21%
Foreign shareholders	0.69%	0.77%
	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, but it is under the constant scrutiny of the Board.

The Bank's regulatory capital position as at 31 December 2015 and 31 December 2014 was determined based on the rules for capital adequacy calculation set by the CRR regulation:

€ '000	2015	2014
Tier 1 capital		
Share capital	430,819	430,819
Share premium	13,719	13,636
Retained earnings without net profit for the year	635,097	612,846
Other reserves	87,493	87,493
Revaluation of available-for-sale financial assets	30,094	(1,566)
Fair value gains and losses arising from the Bank's own credit risk related to derivative liabilities	(801)	(567)
Less goodwill and intangible assets	(59,250)	(55,032)
Less IRB shortfall of credit risk adjustments to expected losses	(13,249)	-
	1,123,922	1,087,629
Tier 2 capital		
IRB excess of provisions over expected losses eligible	12,870	2,189
Total regulatory capital	1,136,792	1,089,818

€ '000	2015	2014
Tier 1 capital	1,123,922	1,087,629
Tier 2 capital	12,870	2,189
Total regulatory capital	1,136,792	1,089,818
Total Risk Weighted Assets	7,276,481	6,959,463
Tier 1 capital ratio	15.45%	15.63%
Total capital ratio	15.62%	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 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 2015 and 31 December 2014.

Since November 2014, the Bank has been under the supervision of the European Central Bank.

26. Financial commitments and contingencies

€ '000	2015	2014
Issued guarantees	834,723	733,162
Commitments and undrawn credit facilities	2,573,894	2,494,296
	3,408,617	3,227,458

(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 2015 and 31 December 2014 was as follows:

€ '000	2015	2014
Up to 1 year	1,125	1,245
1 to 5 years	902	1,472
Over 5 years	-	-
	2,027	2,717

(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 2015. Pursuant to this review, management has recorded total provisions of € 25,069 thousand (31 December 2014: € 27,017 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 € 7,246 thousand, as at 31 December 2015 (31 December 2014: € 7,122 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	2015	2014
Interest and similar income		
Due from banks	2,277	5,080
Loans and advances to customers	353,374	370,776
Bonds, treasury bills and other securities:		
Financial assets at fair value through profit or loss	4,206	4,597
Available-for-sale financial assets	30,780	37,033
Held-to-maturity investments	22,869	25,247
	413,506	442,733
Interest and similar expense		
Due to banks	(1,335)	(1,935)
Due to customers	(37,393)	(50,126)
Debt securities in issue	(30,293)	(34,701)
	(69,021)	(86,762)
	344,485	355,971

Interest income on impaired loans and advances to customers for 2015 amounted to € 23,676 thousand (2014: € 25,006 thousand).

28. Net fee and commission income

€ '000	2015	2014
Fee and commission income		
Received from banks	8,696	8,403
Received from customers:		
Current accounts	55,091	51,353
Loans and guarantees	30,896	29,241
Transactions and payments	21,982	24,336
Insurance mediation	11,766	8,378
Securities	10,578	6,957
Overdrafts	4,069	4,106
Securities - Custody fee	1,817	1,228
Term deposits	475	637
Other	3,675	2,471
	149,045	137,110
Fee and commission expense		
Paid to banks	(16,222)	(16,572)
Paid to mediators:		
Credit cards	(42,249)	(42,722)
Securities	(709)	(559)
Services	(5,254)	(5,647)
Other	(241)	(755)
	(64,675)	(66,255)
	84,370	70,855

29. Net trading result

€ '000	2015	2014
Foreign currency derivatives and transactions	5,585	4,401
Customer FX margins	5,630	5,097
Cross currency swaps *	971	(302)
Equity derivatives	(22)	35
Other derivatives	59	-
Interest rate derivatives *	(1,233)	13,494
Dividends from equity shares held in FVTPL portfolio	7	16
Securities:		
Financial assets at fair value through profit or loss		
Held for trading	(2,511)	(1,334)
Designated at fair value through profit or loss on initial recognition	175	229
Available-for-sale financial assets *	(3,019)	11,182
Debt securities in issue *	6,333	(21,153)
	11,975	11,665

* 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).

30. Other operating income

€ '000	2015	2014
Services	1,231	1,087
Rent	896	1,170
Financial revenues	75	132
Net profit/(loss) from sale of fixed assets	3	(1)
Other	2,132	795
	4,337	3,183

31. Salaries and employee benefits

€ '000	Note	2015	2014
Remuneration		(73,139)	(72,566)
Social security costs		(27,511)	(26,585)
Social fund	24	(1,588)	(1,643)
Retention programme	24	-	433
Severance and Jubilee benefits	24	(147)	(40)
Restructuring provision		408	(56)
		(101,977)	(100,457)

As at 31 December 2015, the total number of employees of the Bank was 3,469 (31 December 2014: 3,508). The average number of employees of the Bank during 2015 was 3,500 (2014: 3,488).

The Bank does not have any pension arrangements apart 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	2015	2014
IT systems maintenance		(17,858)	(18,649)
Property related expenses		(17,424)	(17,423)
Post and telecom		(10,492)	(10,214)
Resolution fund***		(7,583)	-
Advertising and marketing		(6,244)	(6,140)
Equipment related expenses		(5,846)	(5,735)
Stationery		(4,186)	(3,670)
Security		(3,193)	(3,455)
Litigations paid		(1,347)	(315)
Third parties' services		(1,056)	(1,252)
Contribution to the Deposit Protection Fund *		(1,385)	(5,512)
Insurance		(1,125)	(1,282)
Professional services		(821)	(813)
Travelling		(679)	(564)
Training		(685)	(671)
Audit **		(640)	(545)
Transport		(425)	(472)
Other damages		(386)	(804)
VAT and other taxes		(244)	(225)
Other provisions	23	(14)	(3)
Provisions for litigation	23	1,948	(5,576)
Other operating expenses		(3,745)	(4,158)
		(83,430)	(87,478)

* The quarterly contribution to the Deposit Protection Fund for 2015 was set to 0.0075% p.q. from the protected deposit base. The contribution for the first two quarters of 2014 was calculated as 0.05% p.q. from the base and for the third and fourth quarter of 2014 it was decreased to 0.01% p.q. from the protected deposit base.

** As at 31 December 2015 the audit expense for the statutory audit and group reporting represents the amount of € 417 thousand (31 December 2014: € 383 thousand), and other audit, not conducted by the statutory auditor (primarily security audit) in the amount of € 89 thousand net of tax (31 December 2014: € 91 thousand).

*** Starting from 1 January 2015 the new Bank Recovery and Resolution Directive 2014/59/EU ('BRRD') is effective for all EU member states. The Directive was implemented to Slovak legislation by Act No. 371/2014 on Resolution. The Directive sets an obligation for the banks of the member states participating to the Banking Union to pay an annual contribution depending on the size and the risk profile of the bank to the National Resolution Fund in 2015 and to the Single Resolution Fund from 2016 up to the 2023.

As at 31 December 2015 and 31 December 2014, the special levy recognised by the Bank was as follows:

€ '000	2015	2014
Special levy of selected financial institutions	(20,076)	(29,413)

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 recognised 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	2015	2014
Creation of impairment losses	13	(127,763)	(122,584)
Reversal of impairment losses	13	70,725	59,117
Net creation of impairment losses		(57,038)	(63,467)
Creation of liabilities – financial guarantees and commitments		(13,891)	(11,561)
Reversal of liabilities – financial guarantees and commitments		9,063	7,192
Net (creation)/reversal of liabilities – financial guarantees and commitments	24	(4,828)	(4,369)
Nominal value of assets written-off/sold		(49,186)	(53,227)
Release of impairment losses to assets written-off/sold	13	40,602	47,352
		(8,584)	(5,875)
Proceeds from assets written-off		6,314	7,513
Proceeds from assets sold		12,709	9,817
		19,023	17,330
		(51,427)	(56,381)

34. Income tax expense

€ '000	Note	2015	2014
Current income tax		(45,412)	(37,483)
Deferred income tax	18	5,336	3,098
		(40,076)	(34,385)

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

€ '000	2015	2014
Due from banks	4	(4)
Loans and advances to customers	1,560	2,053
Held-to-maturity investments	-	(132)
Property and equipment	(105)	(956)
Provisions	(89)	12
Other liabilities	3,602	621
Other	364	1,504
	5,336	3,098

The effective tax rate differs from the statutory tax rate in 2015 and in 2014. The reconciliation of the Bank's profit before tax with the actual corporate income tax is as follows:

€ '000	Note	2015 Tax base	2015 Tax at applicable tax rate (22%)	2014 Tax base	2014 Tax at applicable tax rate (22%)
Profit before tax		170,433	(37,495)	146,042	(32,129)
Tax effect of expenses that are not deductible in determining taxable profit					
Creation of provisions and other reserves		43,895	(9,657)	12,865	(2,830)
Creation of impairment losses		105,967	(23,313)	95,456	(21,000)
Write-off and sale of assets		5,868	(1,291)	4,183	(920)
Other		14,790	(3,254)	20,874	(4,592)
		170,520	(37,515)	133,378	(29,342)
Tax effect of revenues that are deductible in determining taxable profit					
Release of provisions and other reserves		(30,072)	6,616	(1,400)	308
Release of impairment losses		(97,683)	21,490	(90,361)	19,879
Dividends		(5,919)	1,302	(2,303)	507
Other		(1,717)	378	(18,145)	3,992
		(135,391)	29,786	(112,209)	24,686
Adjustments for current tax of prior periods		889	(195)	3,205	(705)
Withholding tax paid abroad - settlement of advance payments		(32)	7	(32)	7
Current income tax		206,419	(45,412)	170,384	(37,483)
Deferred income tax at 22%	18		5,336		3,098
Income tax expense			(40,076)		(34,385)
Effective tax rate			23.51%		23.54%

35. Other comprehensive income

€ '000	2015	2014
Exchange differences on translating foreign operation	16	(9)
Available-for-sale financial assets:		
Revaluation (losses)/gains arising during the year	(4,704)	(11,452)
Reclassification adjustment for profit on sale of AFS bonds included in the profit or loss	(751)	(3,551)
	(5,455)	(15,003)
Cash flow hedges:		
Revaluation losses arising during the year	(465)	(1,134)
Reclassification adjustment for profit on terminated cash flow hedges included in the profit or loss	-	(350)
	(465)	(1 484)
Total other comprehensive income	(5,904)	(16,496)
Income tax relating to components of other comprehensive income *	1,301	3,627
Other comprehensive income for the year	(4,603)	(12,869)

* 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	2015 Net of tax amount	Before tax amount	Tax benefit	2014 Net of tax amount
Exchange differences on translating foreign operations	16	-	16	(9)	-	(9)
Available-for-sale financial assets	(5,455)	1,201	(4,254)	(15,003)	3,300	(11,703)
Net movement on cash flow hedges	(465)	100	(365)	(1,484)	327	(1,157)
	(5,904)	1,301	(4,603)	(16,496)	3,627	(12,869)

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 2015, the remuneration and other benefits provided to members of the Supervisory Board were € 114 thousand (2014: € 109 thousand) and to members of the Management Board € 2,165 thousand (2014: € 2,235 thousand).

As at 31 December 2015, the outstanding balances with related parties comprised:

€ '000	KMP*	Subsidiaries	Joint ventures	Associates	Intesa Sanpaolo	Intesa Sanpaolo group companies	Total
Assets							
Due from banks	-	-	-	-	104,416	11,175	115,591
Derivative financial instruments	-	-	-	-	-	1,474	1,474
Loans and advances to customers	405	192,228	-	-	-	-	192,633
Financial assets at fair value through profit or loss	-	-	-	-	3,481	-	3,481
Other assets	-	268	6	1,819	-	-	2,093
	405	192,496	6	1,819	107,897	12,649	315,272
Liabilities							
Due to central and other banks	-	-	-	-	210,762	9,708	220,470
Derivative financial instruments	-	-	-	-	438	3,380	3,818
Due to customers	2,782	360	-	2,565	-	117	5,824
Debt securities in issue							
Mortgage bonds	-	-	-	-	-	431,835	431,835
Other liabilities	349	3,480	-	6	-	726	4,561
	3,131	3,840	-	2,571	211,200	445,766	666,508
Commitments and undrawn credit facilities	-	57,613	-	-	-	-	57,613
Issued guarantees	-	-	-	-	2,945	28,767	31,712
Received guarantees	-	-	-	-	138,745	62,208	200,953
Derivative transactions (notional amount – receivable)	-	-	-	-	102,870	269,268	372,138
Derivative transactions (notional amount – payable)	-	-	-	-	103,486	250,811	354,297

€ '000	KMP*	Subsidiaries	Joint ventures	Associates	Intesa Sanpaolo	Intesa Sanpaolo group companies	Total
Income and expense items							
Interest and similar income	9	2,445	-	-	1,605	27	4,086
Interest and similar expense	(18)	108	(5)	(1)	(76)	(8,597)	(8,589)
Fee and commission income	1	164	-	10,512	65	28	10,770
Fee and commission expense	-	(33,596)	-	(22)	(335)	(7,309)	(41,262)
Net trading result	-	-	-	-	1,307	(4,059)	(2,752)
Dividend income	-	1,371	2,280	2,262	-	-	5,913
Other operating income	-	1,220	113	373	564	23	2,293
Other operating expenses	-	(1,210)	-	-	-	(1,896)	(3,106)
	(8)	(29,498)	2,388	13,124	3,130	(21,783)	(32,647)

* Key management personnel

As 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

€ '000	KMP	Subsidiaries	Joint ventures	Associates	Intesa Sanpaolo	Intesa Sanpaolo group companies	Total
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)

38. Profit distribution

On 27 March 2015, the Bank's shareholders approved the following profit distribution for 2014.

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

The Management Board will propose the following 2015 profit distribution:

€ '000	
Dividends to shareholders (€ 10.04 per € 33.2 share)	130,334
Retained earnings	23
	130,357

39. Events after the end of the reporting period

From 31 December 2015, up to the date when these financial statements were approved 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

Information on mortgage bonds issued by the Bank

ISSUE NAME	I S I N	ISSUE DATE	MATURITY DATE	DE-NOMI-NATION	NOMINAL VALUE	PIECES	COUPON	COUPON PAYMENTS	PUT OPTIONS
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., 43	SK4120006271 series 01	26. 9. 2008	26. 9. 2025	EUR	33,193.92	500	5.10%	annually	no
Mortgage bonds VÚB, 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
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
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., 69	SK4120008350 series 01	6. 2. 2012	6. 2. 2016	EUR	20,000.00	990	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

ISSUE NAME	ISIN	ISSUE DATE	MATURITY DATE	DE-NOMI-NATION	NOMINAL VALUE	PIECES	COUPON	COUPON PAYMENTS	PUT OP-TIONS
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
Mortgage bonds VÚB, a.s., 86	SK4120010646 series 01	27. 4. 2015	27. 4. 2020	EUR	100,000.00	1,000	0.30%	annually	no
Mortgage bonds VÚB, a.s., 87	SK4120010794 series 01	9. 6. 2015	9. 6. 2025	EUR	100,000.00	1,000	1.25%	annually	no
Mortgage bonds VÚB, a.s., 88	SK4120011040 series 01	11. 9. 2015	11. 9. 2020	EUR	100,000.00	475	0.50%	annually	no
Mortgage bonds VÚB, a.s., 89	SK4120011065 series 01	29. 9. 2015	29. 9. 2025	EUR	100,000.00	1,000	1.20%	annually	no
Mortgage bonds VÚB, a.s., 90	SK4120011149 series 01	29. 10. 2015	29. 10. 2030	EUR	100,000.00	628	1.60%	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 2015 VÚB, a.s., did not issue and did not decide 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 Act No. 530/1990 Coll. on Bonds as amended, Act No 566/2001 Coll. on Securities as amended and in accordance with applicable legislation.

Information on investment certificates issued by the Bank

ISSUE NAME	I S I N	ISSUE DATE	MATURITY DATE	DENOMI-NATION	NOMINAL VALUE	PIECES	COUPON	COUPON PAYMENTS	PUT OPTIONS
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., 2016 02	SK5110000398 series 01	20. 7. 2015	20. 7. 2016	EUR	1.00	56,200	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
Investment certificates VÚB, a.s., 2018	SK5110000406 series 01	29. 6. 2015	29. 6. 2018	EUR	1.00	224,800	0.00%	-	no

During the 2nd half of the accounting year 2015, the company issued the investment certificates VÚB, a.s., 2016 02. The reason for issuing these certificates was to fulfil the obligations arising from the Act on Banks no. 483/2011 as amended in conjunction with Regulation EU No 575/2013 on prudential requirements for credit institutions and investment firms (CRR) and the internal procedure of VÚB, a.s. - Remuneration Policy. 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 on 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	034/485 6082	034/7723848
Bratislava – Eurovea	811 09	Pribinova 8	02/4855 3252	02/55561876
Bratislava – Šintavská	851 05	Šintavská 24	02/4855 3170	02/63837097
Bratislava – Dunajská	811 08	Dunajská 24	02/4855 3126	02/52967136
Bratislava – Devínska N. Ves	841 07	Eisnerova 48	02/4855 3156	02/64776550
Bratislava – Špitálska	811 01	Špitálska 10	02/4855 3389	02/52965422
Bratislava – Rovniankova	851 02	Rovniankova 3/A	02/4855 3186	02/63821608
Bratislava – Vlastenecké nám.	851 01	Vlastenecké námestie 6	02/4855 3200	02/62248138
Bratislava – Furdekova	851 04	Furdekova 16	02/4855 3244	02/62414278
Bratislava – Lamač	841 03	Heyrovského 1	02/4855 3150	02/64780726
Bratislava – Dlhé Diely	841 05	Ľ. Fullu 5	02/4855 3188	02/65316602
Bratislava – Karlova Ves	841 04	Borská 5	02/4855 3215	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	Kaštielska 2	02/4856 3454	02/43339369
Bratislava – Dolné Hony	821 06	Kazanská 41	02/4855 3274	02/45258300
Pezinok	902 01	Štefánikova 14	033/485 4593	033/6413077
Bratislava – Polus	831 04	Vajnorská 100	02/4855 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	Ivánska 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	82109	Mlynské nivy 45	02/4855 3340	02/53412007
Bratislava – Herlianska	821 03	Komárnická 11	02/4855 3310	02/43425604
Bratislava – Račianska	831 03	Račianska 54	02/4855 3071	02/44453888
Ivanka pri Dunaji	900 28	Štefánikova 25/A	02/4855 3405	02/45945042
Bratislava – Krížna 12	811 07	Krížna 12	02/4855 3420	02/55644241
Modra	900 01	Štúrova 68	033/485 4411	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 01	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 4276	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 6288	038/7497247
Trenčín – OC Laugarício	911 01	Belá 7271	032/485 4320	032/6421717
Trenčín – Legionárska	911 01	Legionárska 7158/5	032/485 4205	032/6401649
Prievidza – Bojnická cesta	971 01	Bojnická cesta 15	046/485 7130	046/5482436
Stará Turá	916 01	SNP 275/67	032/485 4301	032/7763445
Myjava	907 01	Nám. M.R.Štefánika 525/21	034/485 6057	034/6212595
Ilava	019 01	Mierové námestie 77	042/485 6595	042/4465902
Nová Dubnica	018 51	Mierove námestie 29/34	042/485 6581	042/4434032
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 trieda 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 6682	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	041/50921181
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 6759	043/4292529
Zákamenné	029 56	Zákamenné 23	043/485 6761	043/5592295
Liptovský Mikuláš – OC Jasná	031 31	Garbiarska 695	044/485 7060	044/5528361
Mortgage Centres				
Žilina	010 43	Na bráne 1	041/485 6326	041/5678051

Regional Retail Business Network Banská Bystrica

Banská Bystrica	975 55	Námestie slobody 1	048/450 5550	048/4505641
Lučenec	984 35	T. G. Masaryka 24	047/485 7205	047/4331501
Rimavská Sobota	979 13	Francisciho 1	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
BB – SC Európa	974 01	Na troskách 26	048/485 5383	048/4145101
Žiar nad Hronom	965 01	Námestie Matice slov. 21	045/485 6870	045/6707840
Banská Bystrica – Dolná	975 55	Dolná 17	048/485 5409	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
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

Prešov	081 86	Masarykova 13	051/485 7518	051/7356362
Poprad	058 17	Mnoheľova 2832/9	052/485 7842	052/7721182
Stará Ľubovňa	064 01	Obchodná 2	052/485 7873	052/4323491
Bardejov	085 61	Kellerova 1	054/485 8302	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

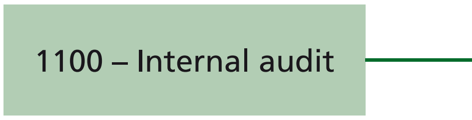
OC MAX Prešov	080 01	Vihorlatská 2A	051/485 7578	051/7757079
Sabinov	083 01	Námestie slobody 90	051/485 7597	051/4523492
Stropkov	091 01	Mlynská 692/1	054/485 8347	054/7423714
Levoča	054 01	Nám. Majstra Pavla 38	053/485 7624	053/4514316
Svit	059 21	Štúrova 87	052/485 7914	052/7755154
Spišská Belá	059 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 – OC Forum	058 01	Nám. sv. Egídia 3290/124	052/485 7921	052/7723192
Podolinec	065 03	Ul. Sv. Anny 1	052/485 7931	052/4391295
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

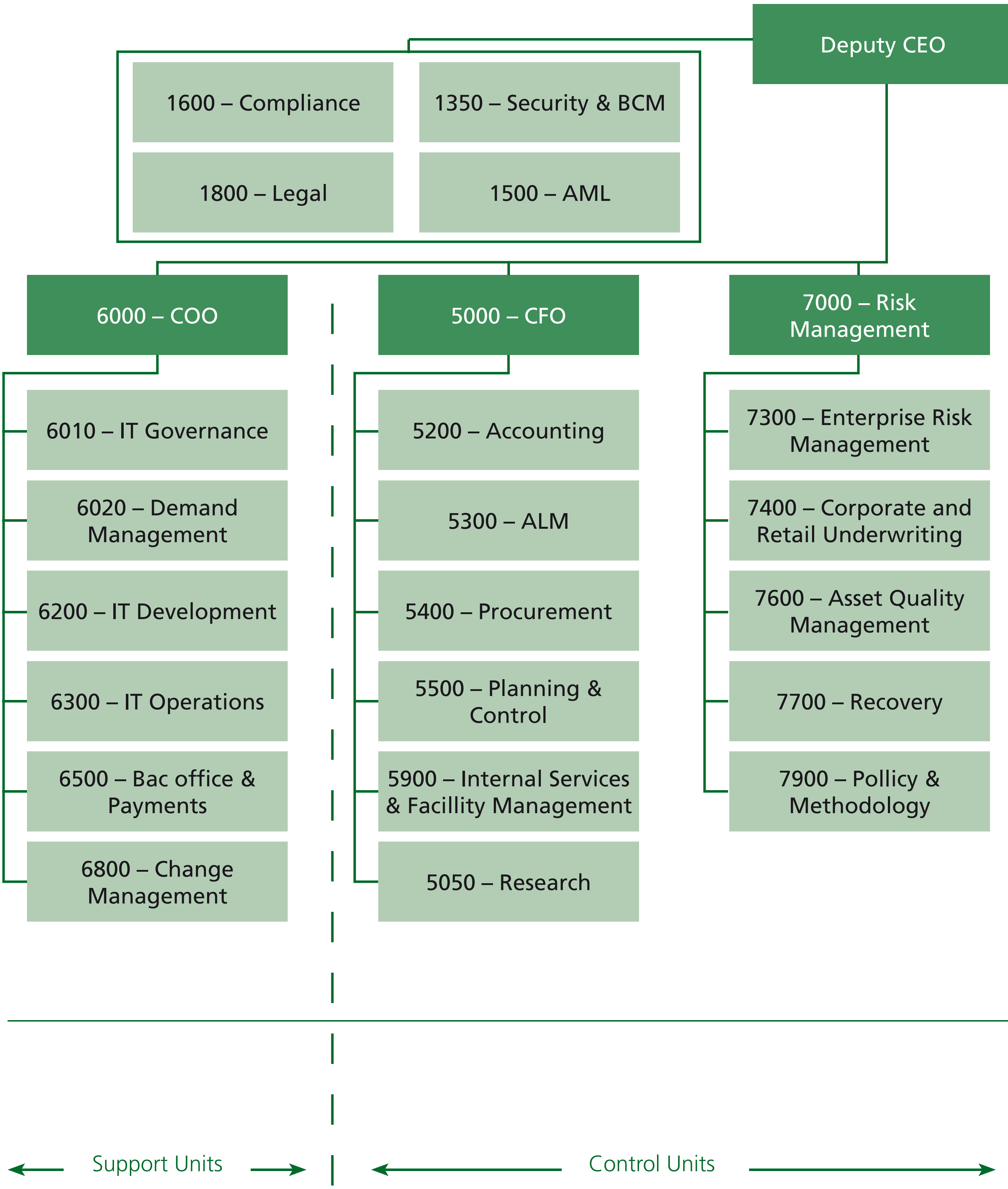
Regional Retail Business Network Košice				
Michalovce	071 80	Námestie slobody 3	056/485 8420	056/6441077
Rožňava	048 73	Šafárikova 21	058/485 8955	058/7326421
Spišská Nová Ves	052 14	Letná 33	055/485 7611	053/4410422
Košice – Štúrova	042 31	Štúrova 27/A	055/485 8006	055/6229334
Trebišov	075 17	M.R. 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 8160	055/4602992
Košice – OC Optima	040 11	Moldavská cesta 32	055/485 8184	055/6461043
Košice – OC Galéria	040 11	Toryská 5	055/485 8214	055/6421011
Gelnica	056 01	Banícke nám. 52	053/485 7634	053/4821104
Krompachy	053 42	Lorencova 20	053/485 7638	053/4472251
Košice – Ťahanovce	040 13	Americká trieda 15	055/485 8188	055/6366063
Košice – Sídlisko KVP	040 23	Trieda KVP 1	055/485 8192	055/6429673
Košice – Trieda L. Svobodu	040 22	Trieda L. Svobodu 12	055/485 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 8401	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

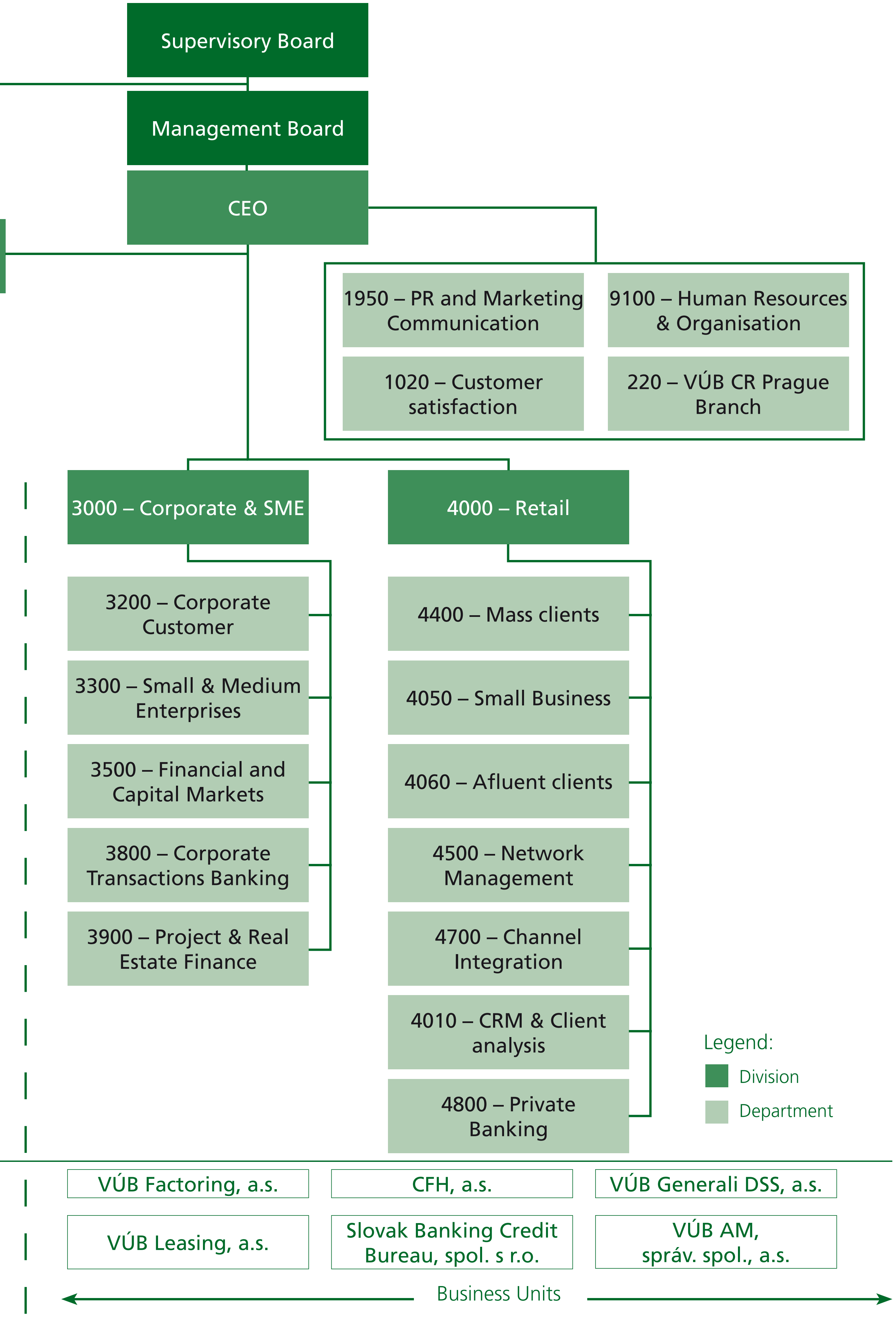
List of VUB Corporate branches

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

Organisational Chart of VÚB, a.s.,
at 31 December 2015






Supervisory Board
Management Board
CEO
1950 – PR and Marketing Communication
9100 – Human Resources & Organisation
1020 – Customer satisfaction
220 – VÚB CR Prague Branch
3000 – Corporate & SME
4000 – Retail
3200 – Corporate Customer
3300 – Small & Medium Enterprises
3500 – Financial and Capital Markets
3800 – Corporate Transactions Banking
3900 – Project & Real Estate Finance
4400 – Mass clients
4050 – Small Business
4060 – Afluent clients
4500 – Network Management
4700 – Channel Integration
4010 – CRM & Client analysis
4800 – Private Banking
Legend:
Division
Department
VÚB Factoring, a.s.
CFH, a.s.
VÚB Generali DSS, a.s.
VÚB Leasing, a.s.
Slovak Banking Credit Bureau, spol. s r.o.
VÚB AM, späv. spol., a.s.
Business Units

Lucia Horvátová
(*1991, Zlaté Moravce)
Crystallization (2015)
acrylic and spray on canvas, 135 x 190 cm
Finalist of 2015 painting competition

The author of the picture, Lucia Horvátová, is one of the finalists of the tenth jubilee year of the painting competition. This project supporting young Slovak art is organized by VÚB bank and the VÚB Foundation. It has become a prestigious and unique competition for fine arts in Slovakia and is held in the autumn. The painting competition is not only an exhibition, but also a prestigious opportunity to present young talented artists to the public and contribute to the promotion of fine arts. Since the beginning of the painting competition in 2006, almost two hundred talented finalists and award-winning artists have been presented at exhibitions. The winning pictures represent trends in Slovak painting and are selected by international experts – prominent gallerists, active artists, art historians and fine art theoreticians.