



Všeobecná úverová banka, a.s.

BASE PROSPECTUS

May 15, 2015

Offering program for mortgage bonds in the volume of unpaid bonds amounting to EUR 1 500 000 000 at the maximum with program duration 10 years

This document is a base prospectus for debt securities, issued within the offering program (hereinafter "**Base Prospectus**"), on the basis of which Všeobecná úverová banka, a.s., with the registered office at Mlynské nivy 1, 829 90 Bratislava, CRN: 31 320 155, registered in the Business Register of District Court Bratislava I, section: Sa, file no. 341/B (hereinafter "**VÚB, a.s.**", "**Issuer**" or "**Bank**") is authorized to issue, in compliance with the generally binding legal regulations, individual bond issues – mortgage bonds (hereinafter "**MB**" or "**Bonds**") in any currency, on the basis of the information provided herein as later amended (hereinafter "**Program**"). The total nominal value of all unpaid Bonds issued within Program must not exceed EUR 1 500 000 000.00 or equivalent sum in other currency. Program duration, during which VÚB, a.s. may issue individual Bonds issues within Program, is 10 years until 6 May 2023. Program has been approved by Issuer's Supervisory Board on October 24, 2012.

Program does not apply to conditions of other bond issues, issued by Issuer outside the scope of Program.

Base Prospectus contains common information concerning Bonds and conditions of offer thereof, on the basis of which individual Bonds issues will be issued within Program.

Prior to the commencement of Bonds issue issued within Program, Issuer shall prepare and publish a separate document (hereinafter "**Final Terms**") for each Bonds issue, and enclose a Summary for each issue (hereinafter "**Summary**"). Final Terms and Summary will provide, together with the information indicated in Base Prospectus, all the information in terms of the valid legal regulations for the given Bonds issue. Final Terms will contain such parameters of issue and conditions of Bonds issue for individual issues, which are unknown at the time of preparation of Base Prospectus and/or few variants of which are indicated in Base Prospectus.

Base Prospectus was prepared on May 15, 2015 according to the situation to the date of preparation thereof, unless otherwise provided. Base Prospectus is valid for 12 months of the approval thereof by the National Bank of Slovakia (hereinafter "**NBS**"), provided that Base Prospectus will be updated in terms of Art. 121 Section 9 of Act No. 566/2001 Coll. on securities and investment services as amended. Anytime during validity of Base Prospectus, a supplement to Base Prospectus (hereinafter "**Supplement**") may be prepared in relation to the updating of Base Prospectus and submitted to NBS for approval. Once approved, Supplement shall be published in the same way as Base Prospectus so that each public offer of Bonds or application for regulated market entry is executed on the basis of valid and current prospectus of a security. Prior to the expiry of Base Prospectus, Issuer shall require NBS to approve a new base prospectus, which shall be published in the same way as Base Prospectus. The validity of this base Prospectus will expire after 12 months from the date of its approval by the

NBS for the purpose of public offering or acceptance of Bonds for trading at a regulated market except the case, if before the expiry of the mentioned period a new base prospectus is approved by NBS and disclosed by the Issuer, when the validity of this Base Prospectus expires by the approval of a new base prospectus by NBS and its following disclosure by the Issuer. In such a case the new base prospectus will simultaneously cancel this Base Prospectus in full and will replace it. The new base prospectus regardless the fact whether it was approved by NBS and then disclosed by the Issuer before or after the expiry of validity period of this Base Prospectus, will equally apply to all new issues of Bonds, which will be carried out during its validity period as well as to all ongoing and unfinished Bonds issues, which started or continued during the validity of this Base Prospectus, i.e. in a manner that the possibility to invest in Bonds issue still carrying and not finished during the validity of this Base Prospectus remained also during the validity of new base prospectus. It simultaneously applies that this Base Prospectus applies to any Bonds issue carried out during its validity period as well as to any simultaneously carried out and not finished Bonds issue, which started or continued during the validity of the previous base prospectus, i.e. in a manner that the possibility to invest in Bonds issue still carrying out and not finished during the validity of the previous base prospectus remained also during the validity of this Base Prospectus. The purpose of aforementioned preliminary measures is to assure that in cases of public offering of Bonds or request for the admission of Bonds for trading on a regulated market each Bonds issue is always carried out on the basis of valid and current prospectus.

Once approved by NBS, Base Prospectus (and future Supplements thereto) will be published and available free of charge in written form at the registered office of Issuer: Mlynské nivy 1, 829 90 Bratislava, in department: Balance Sheet Management (hereinafter "**Issuer's Registered Office**") and on Issuer's website: <http://www.vub.sk/informacny-servis/prospekty-cennych-papierov/>. A notification of availability will be published in daily national press, bringing market reports. All Final Terms and Summaries of individual issues, issued within Program, will be accessible on Issuer's website: <http://www.vub.sk/informacny-servis/prospekty-cennych-papierov/> and in hard copy at Issuer's Registered Office. Issuer's financial reports and financial statements published after the issue date of Base Prospectus, as well as all documents referred to herein are available on Issuer's website: <http://www.vub.sk/en/about-us/banks-profile/> in electronic form and in hard copy at Issuer's Registered Office upon request, free of charge, during working days from 9 AM to 4 PM.

Final Terms and Summaries which will be prepared by Issuer in the future for any Bonds issue shall be published in the same way as Base Prospectus, submitted to NBS, and constitute, together with Base Prospectus as amended by later Supplements and approved by NBS and published, the entire information about each individual Bonds issue, issued within Program.

CONTENTS

I. SUMMARY	4
II. RISK FACTORS.....	13
2.1 RISKS OF IMPACT OF ISSUER'S MACROECONOMIC ENVIRONMENT	13
2.2 RISKS CONCERNING ISSUER.....	14
2.3 RISKS ASSOCIATED WITH BONDS	15
III. INFORMATION ABOUT ISSUER.....	17
3.1 RESPONSIBLE PERSONS.....	17
3.2 STATUTORY AUDITORS.....	17
3.3 RISK FACTORS.....	17
3.4 ISSUER'S HISTORY AND DEVELOPMENT	17
3.5 OVERVIEW OF BUSINESS ACTIVITIES	18
3.5.1 <i>Main activities</i>	18
3.5.2 <i>Main markets</i>	21
3.6 ORGANIZATIONAL STRUCTURE.....	22
3.7 INFORMATION ABOUT THE TREND.....	24
3.8 PROGNoses OR PROFIT ESTIMATES.....	24
3.9 ADMINISTRATIVE, MANAGING AND SUPERVISING BODIES.....	24
3.9.1 <i>Information about the members of statutory body and Supervisory Board</i>	24
3.9.2 <i>Conflicts of interest</i>	25
3.10 MAIN SHAREHOLDERS	25
3.11 FINANCIAL INFORMATION CONCERNING ASSETS AND LIABILITIES, FINANCIAL SITUATION, ISSUER'S PROFIT AND LOSSES.....	26
3.11.1 <i>Historical financial information</i>	26
3.11.2 <i>Audit of historical annual financial statements</i>	33
3.11.3 <i>Age of the newest financial information</i>	33
3.11.4 <i>Interim and other financial information</i>	33
3.11.5 <i>Judicial and arbitration proceedings</i>	36
3.11.6 <i>Material change to Issuer's financial or business situation</i>	36
3.12 IMPORTANT CONTRACTS	36
3.13 THIRD PARTY INFORMATION.....	36
3.14 DOCUMENTS FOR INSPECTION.....	37
3.15 LIST OF USED CROSS-REFERENCES	37
IV. INFORMATION ABOUT SECURITIES	39
4.1 RESPONSIBLE PERSONS.....	39
4.2 RISK FACTORS.....	39
4.3 BASIC INFORMATION	39
4.4 INFORMATION ON SECURITIES TO BE OFFERED / ADMITTED TO TRADING	40
4.5 TERMS AND CONDITIONS OF THE OFFER.....	44
4.6 ADMISSION TO TRADING AND DEALING CONTRACTS.....	46
4.7 ADDITIONAL INFORMATION.....	46
4.8 DEFINITIONS.....	46
V. INFORMATION ABOUT THE PROGRAM.....	49
VI. FORM OF FINAL TERMS	50
VII. IMPORTANT NOTICE	54
VIII. ANNEXES.....	55

I. SUMMARY

This summary is an introduction to Bonds Base Prospectus. It contains basic information about Issuer, Bonds and Program, contained elsewhere in Base Prospectus.

This summary is not exhaustive and does not contain all the information which may be significant for potential investors. Any investor's decision to invest into Bonds should take the assessment of the entire Bonds prospectus, i.e. Base Prospectus including later Supplements thereto, together with Final Terms of the relevant issue for the basis. Investors should, in particular, take the factors provided in chapter "II. RISK FACTORS" into consideration.

Summary reading instructions:

The summary is prepared in compliance with Commission Regulation (EU) No 486/2012 of March 30, 2012, amending Regulation (EC) No 809/2004 of April 29, 2004. Summaries are prepared in terms of the disclosure requirements, called "Elements". These Elements are numbered by sections A – E (A.1 – E.7).

This summary contains all Elements, required for the given kind of security and type of Issuer. Since it is not necessary to answer all Elements, certain gaps in numbering may occur in the Elements part.

In spite of the fact that a certain Element is required in the summary with regard to the security kind and Issuer type, it is possible that no relevant information can be provided for the given Element. If it is so, a brief explanation of Element is provided together with statement "does not apply".

Section A – Introduction and notices		
Element	Disclosure requirement	
A.1	Notice	<p>This summary should be perceived as introduction to prospectus.</p> <p>Each decision to invest into Bonds should be based on the investor's assessment of the entire prospectus.</p> <p>In the event a petition concerning information contained in the prospectus is filed to the court, the investor-plaintiff may be charged with the costs of prospectus translation prior to the commencement of judicial proceedings in terms of the internal legal regulations of member countries.</p> <p>Only the persons submitting the summary including the translation thereof have the civil liability, provided that the summary is misleading, inaccurate or in contradiction with other prospectus parts, or does not contain, in connection with the other prospectus parts, key information, which should help the investors upon decision making on investments to such securities.</p> <p>Responsible persons and their representations: Všeobecná úverová banka, a.s. as Issuer, represented by Ing. Elena Kohútiková, PhD., member of Management Board, and Antonio Bergalio, member of Management Board, represents that it is liable for the information contained in the entire summary.</p> <p>Issuer represents that it paid due care to the summary preparation, that it prepared the summary using its best knowledge, that information and data contained therein are up-to-date, complete, true and actual to the date of preparation thereof and that no data which may influence the meaning thereof, accurate and correct assessment of Issuer and Bonds issued by Issuer were omitted.</p> <p>Signatures of responsible persons are provided in chapter "IV. INFORMATION ABOUT SECURITIES" of Base Prospectus.</p>
A.2	Financial intermediation	Does not apply; Issuer will not grant its consent to use of Base Prospectus by financial intermediaries in secondary trading and no person will act as an intermediary in secondary trading.

Section B - Issuer																														
Element	Disclosure requirement																													
B.1	Name of Issuer	Všeobecná úverová banka, a.s.; name in short: VÚB, a.s.																												
B.2	Domicile and legal form of Issuer	Registered office: Mlynské nivy 1, 829 90 Bratislava, CRN: 31 320 155, registered in the Business Register of District Court Bratislava I, section: Sa, file no. 341/B. Legal form: joint-stock company																												
	Legal regulations under which Issuer carries out its activities	Issuer carries out its activities under the Slovak law and under Act No. 513/1991 Coll. - the Commercial Code as amended, Act on Banks, Act on Securities																												
	Country of incorporation	Slovak Republic.																												
B.4b	Description of all known trends influencing Issuer and its field of business	Does not apply; Issuer is unaware of any trends or uncertainties, or eventually claims, obligations or circumstances which can be reasonably perceived as having a significant impact on the perspective of Issuer during the current financial year at the minimum.																												
B.5	Group description and Issuer's position within the group	VÚB, a.s., is a member of Intesa Sanpaolo group. The shareholder with decisive share in the mortgage bonds and voting rights of Issuer is Intesa Sanpaolo Holding International S.A. Dependence of VÚB, a.s. on other entities within the group is directly proportional to the share of those entities in Issuer's registered capital. Issuer has a direct equity interest in 10 entities.																												
		<table border="1"> <thead> <tr> <th>Group</th> <th>Trade name and CRN</th> <th>% share</th> <th>Registered office</th> </tr> </thead> <tbody> <tr> <td>Legal person controlling VÚB, a.s. (as at March 31, 2015)</td> <td>Intesa Sanpaolo Holding International S.A., CRN: B 44318</td> <td>97.02</td> <td>35 Boulevard du Prince Henri, L-1724 Luxembourg, Luxembourg</td> </tr> <tr> <td>Legal person controlling Intesa Sanpaolo Holding International S.A., Luxembourg (as at March 31, 2015)</td> <td>Intesa Sanpaolo S.p.A., CRN: 00799960158</td> <td>100.00</td> <td>Piazza San Carlo 156, Turin, Italy</td> </tr> <tr> <td rowspan="5">Significant direct equity interest of VÚB, a.s., in business companies (as at March 31, 2015) with 50% and higher share in the registered capital</td> <td>Consumer Finance Holding, a.s., CRN: 35 923 130</td> <td>100.00</td> <td>Hlavné nám. 12, 060 01 Kežmarok, Slovak Republic</td> </tr> <tr> <td>VÚB, Factoring, a.s., CRN: 31 345 310</td> <td>100.00</td> <td>Mlynské nivy 1, 829 90 Bratislava, Slovak Republic</td> </tr> <tr> <td>Nadácia VÚB, CRN: 30 856 043</td> <td>100.00</td> <td>Mlynské nivy 1, 829 90 Bratislava, Slovak Republic</td> </tr> <tr> <td>VÚB Leasing a.s., CRN: 31 318 045</td> <td>100.00</td> <td>Mlynské nivy 1, 820 05 Bratislava, Slovak Republic</td> </tr> <tr> <td>VÚB Generali, Dôchodková správcovská spoločnosť, a.s., CRN: 35 903 058</td> <td>50.00</td> <td>Mlynské nivy 1, 820 04 Bratislava, Slovak Republic</td> </tr> </tbody> </table>	Group	Trade name and CRN	% share	Registered office	Legal person controlling VÚB, a.s. (as at March 31, 2015)	Intesa Sanpaolo Holding International S.A., CRN: B 44318	97.02	35 Boulevard du Prince Henri, L-1724 Luxembourg, Luxembourg	Legal person controlling Intesa Sanpaolo Holding International S.A., Luxembourg (as at March 31, 2015)	Intesa Sanpaolo S.p.A., CRN: 00799960158	100.00	Piazza San Carlo 156, Turin, Italy	Significant direct equity interest of VÚB, a.s., in business companies (as at March 31, 2015) with 50% and higher share in the registered capital	Consumer Finance Holding, a.s., CRN: 35 923 130	100.00	Hlavné nám. 12, 060 01 Kežmarok, Slovak Republic	VÚB, Factoring, a.s., CRN: 31 345 310	100.00	Mlynské nivy 1, 829 90 Bratislava, Slovak Republic	Nadácia VÚB, CRN: 30 856 043	100.00	Mlynské nivy 1, 829 90 Bratislava, Slovak Republic	VÚB Leasing a.s., CRN: 31 318 045	100.00	Mlynské nivy 1, 820 05 Bratislava, Slovak Republic	VÚB Generali, Dôchodková správcovská spoločnosť, a.s., CRN: 35 903 058	50.00	Mlynské nivy 1, 820 04 Bratislava, Slovak Republic
		Group	Trade name and CRN	% share	Registered office																									
		Legal person controlling VÚB, a.s. (as at March 31, 2015)	Intesa Sanpaolo Holding International S.A., CRN: B 44318	97.02	35 Boulevard du Prince Henri, L-1724 Luxembourg, Luxembourg																									
		Legal person controlling Intesa Sanpaolo Holding International S.A., Luxembourg (as at March 31, 2015)	Intesa Sanpaolo S.p.A., CRN: 00799960158	100.00	Piazza San Carlo 156, Turin, Italy																									
		Significant direct equity interest of VÚB, a.s., in business companies (as at March 31, 2015) with 50% and higher share in the registered capital	Consumer Finance Holding, a.s., CRN: 35 923 130	100.00	Hlavné nám. 12, 060 01 Kežmarok, Slovak Republic																									
			VÚB, Factoring, a.s., CRN: 31 345 310	100.00	Mlynské nivy 1, 829 90 Bratislava, Slovak Republic																									
			Nadácia VÚB, CRN: 30 856 043	100.00	Mlynské nivy 1, 829 90 Bratislava, Slovak Republic																									
VÚB Leasing a.s., CRN: 31 318 045	100.00		Mlynské nivy 1, 820 05 Bratislava, Slovak Republic																											
VÚB Generali, Dôchodková správcovská spoločnosť, a.s., CRN: 35 903 058	50.00		Mlynské nivy 1, 820 04 Bratislava, Slovak Republic																											
B.9	Prognosis or profit estimate	Does not apply; Issuer decided not to include the profit prognosis and has not published the profit prognosis to the date of Base Prospectus preparation.																												
B.10	Reservations in auditor's report	Does not apply; auditor's opinion contained no reservations.																												
B.12	Selected key historical financial information																													
	The selected key historical financial information from consolidated financial statements verified by auditor, for the period ending on December 31, 2012, December 31, 2013, and December 31, 2014 prepared in accordance with the International Financial Reporting Standards (IFRS).																													

**Consolidated Statement of Financial Position
(in thousands of EUR)**

	2014	2013	Adjusted 2012
Assets			
Cash and balances with central banks	405 149	96 820	150 837
Due from banks	611 003	771 638	580 780
Financial assets at fair value through profit or loss	1 055	207 674	73 770
Derivative financial instruments	49 937	29 221	42 619
Available-for-sale financial assets	1 523 939	1 588 324	1 482 727
Loans and advances to customers	8 282 781	7 574 317	7 526 581
Held-to-maturity investments	533 456	995 831	1 041 721
Associates and joint ventures	17 757	14 362	7 596
Intangible assets	58 577	54 807	47 841
Goodwill	29 305	29 305	29 305
Property and equipment	111 412	122 108	138 776
Deferred income tax assets	49 822	41 895	43 637
Other assets	24 762	30 121	33 292
	<u>11 698 955</u>	<u>11 556 423</u>	<u>11 215 957</u>
Liabilities			
Due to central and other banks	743 916	781 504	667 350
Derivative financial instruments	62 059	42 884	53 194
Due to customers	7 859 303	7 838 211	7 632 684
Debt securities in issue	1 469 465	1 404 607	1 417 762
Current income tax liabilities	8 137	1 166	-
Provisions	27 709	22 033	25 607
Other liabilities	100 220	86 629	97 766
	<u>10 270 809</u>	<u>10 177 034</u>	<u>9 894 363</u>
Equity			
Equity (excluding net profit for the year)	1 282 387	1 244 293	1 201 890
Net profit for the year	145 759	135 096	119 704
	<u>1 428 146</u>	<u>1 379 389</u>	<u>1 321 594</u>
	<u>11 698 955</u>	<u>11 556 423</u>	<u>11 215 957</u>
Financial commitments and contingencies	<u>3 137 617</u>	<u>2 833 496</u>	<u>150 837</u>

Consolidated Statement of Profit or Loss and other Comprehensive Income (in thousands of EUR)			
	2014	2013	2012
Interest and similar income	513 896	528 491	543 131
Interest and similar expenses	<u>(92 152)</u>	<u>(115 769)</u>	<u>(151 895)</u>
Net interest income	421 744	412 722	391 236
Fee and commission income	142 754	136 756	142 294
Fee and commission expense	<u>(40 824)</u>	<u>(36 432)</u>	<u>(32 670)</u>
Net fee and commission income	101 930	100 324	109 624
Net trading result	11 621	9 655	(25 485)
Other operating income	<u>8 410</u>	<u>8 133</u>	<u>6 338</u>
Operating income	543 705	530 834	481 713
Salaries and employee benefits	(111 196)	(107 796)	(97 428)
Other operating expenses	(103 124)	(91 154)	(91 766)
Special levy of selected financial institutions	(29 413)	(38 480)	(35 151)
Amortisation	(13 255)	(11 216)	(12 171)
Depreciation	<u>(15 573)</u>	<u>(16 630)</u>	<u>(18 575)</u>
Operating expenses	(272 561)	(265 276)	(255 091)
Operating profit before impairment	271 144	265 558	226 622
Impairment losses	<u>(86 301)</u>	<u>(87 880)</u>	<u>(79 995)</u>
Profit from operations	184 843	177 678	146 627
Share of profit of associates and joint ventures	<u>4 759</u>	<u>2 032</u>	<u>1 213</u>
Profit before tax	<u>189 602</u>	<u>179 710</u>	<u>147 840</u>
Income tax expense	<u>(43 843)</u>	<u>(44 614)</u>	<u>(28 136)</u>
NET PROFIT FOR THE YEAR	<u>145 759</u>	<u>135 096</u>	<u>119 704</u>
Other comprehensive income for the year, after tax:			
<i>Items that may be reclassified to profit or loss in the future:</i>			
Exchange difference on translating foreign operation	(9)	(6)	152
Available-for-sale financial assets	(11 624)	(14 667)	130 458
Cash flow hedges	<u>(1 157)</u>	<u>1 697</u>	<u>3 116</u>
Other comprehensive income for the year, after tax	<u>(12 790)</u>	<u>(12 976)</u>	<u>133 726</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>132 969</u>	<u>122 120</u>	<u>253 430</u>

Selected key interim financial information		
The selected key interim financial information from the Interim individual financial statements unverified by auditor, for the period ending on March 31, 2015 prepared in accordance with the International Accounting Standards IAS 34 Interim financial statements.		
Individual Statement of Financial Position as of 31 March 2015 (in thousands of EUR)		
	Mar 2015	Dec 2014
Assets		
Cash and balances with central banks	236 843	405 060
Due from banks	689 031	610 865
Financial assets at fair value through profit or loss	28 182	1 055
Derivative financial instruments	54 690	49 937
Available-for-sale financial assets	1 663 951	1 523 939
Loans and advances to customers	7 841 067	7 752 189
Held-to-maturity investments	539 178	533 456
Subsidiaries, associates and joint ventures	95 566	95 566
Intangible assets	53 192	55 032
Goodwill	97 043	100 041
Property and equipment	35 880	34 685
Deferred income tax assets	19 630	13 190
Other assets	<u>11 354 253</u>	<u>11 175 015</u>
Liabilities		
Due to central and other banks	169 457	380 038
Derivative financial instruments	66 162	62 059
Due to customers	8 242 791	7 864 398
Debt securities in issue	1 447 005	1 469 465
Current income tax liabilities	14 623	8 240
Provisions	24 699	27 608
Other liabilities	157 240	76 204
	<u>10 121 977</u>	<u>9 888 012</u>
Equity		
Equity (excluding net profit for the period)	1 195 168	1 175 346
Net profit for the period	37 108	111 657
	<u>1 232 276</u>	<u>1 287 003</u>
	<u>11 354 253</u>	<u>11 175 015</u>
Financial commitments and contingencies	<u>3 433 542</u>	<u>3 227 458</u>

Individual Profit and Loss and Other Comprehensive Income for 3 months ended 31 March 2015 (in thousands of EUR)		
	Mar 2015	Mar 2014
Interest and similar income	103 829	112 676
Interest expense and similar expenses	<u>(18 398)</u>	<u>(23 968)</u>
Net interest income	85 431	88 708
Fee and commission income	35 675	30 610
Fee and commission expense	<u>(13 682)</u>	<u>(14 969)</u>
Net fee and commission income	21 993	15 641
Net trading result	2 501	2 039
Other operating income	700	795
Dividend income	<u>5 913</u>	<u>2 287</u>
Operating income	116 538	109 470
Salaries and employee benefits	(24 544)	(24 100)
Other operating expenses	(19 271)	(21 401)
Special levy of selected financial institutions	(4 882)	(9 887)
Amortisation	(2 871)	(2 584)
Depreciation	<u>(2 906)</u>	<u>(3 368)</u>
Operating expense	(54 474)	(61 340)
Operating profit before impairment	62 064	48 130
Impairment losses	<u>(14 384)</u>	<u>(11 360)</u>
Profit before tax	47 680	36 770
Income tax expense	<u>(10 572)</u>	<u>(7 815)</u>
NET PROFIT FOR 3 MONTHS	37 108	28 955
Other comprehensive income components for 3 months, after tax:		
<i>Items that may be reclassified to profit or loss in the future:</i>		
Exchange difference on translating foreign operation	(2)	-
Available-for-sale financial assets	(1 907)	2 240
Cash flow hedges	<u>(304)</u>	<u>345</u>
Other comprehensive income for 3 months, net of tax	(2 213)	2 585
TOTAL COMPREHENSIVE INCOME FOR THREE MONTHS	34 895	31 540
Basic and diluted profit earnings pre € 33.2 share in EUR	<u>2,86</u>	<u>2,23</u>
Significant unfavorable change of Issuer's prospects	Since the publication of the last Consolidated Economic Result, prepared in accordance with the International Financial Reporting Standards, no significant unfavorable change in the Issuer's prospects has occurred.	
Significant changes	Does not apply; after the period, for which the historical financial information is provided, no significant changes in the financial or business position of Issuer have occurred.	
B.13 Specific circumstances relating to Issuer's solvency	Does not apply; no recent specific circumstances, having an impact on Issuer's solvency, have occurred.	

B.14	Dependence on other entities within the group	Dependence of VÚB, a.s., on other entities within the group is proportional to the share of these entities in Issuer's registered capital. Intesa Sanpaolo Holding International S.A., with the registered office at 35 Boulevard du Prince Henri, L-1724 Luxembourg, Luxembourg, CRN B 44318 is the shareholder with majority share, i.e. 97.02%, in Issuer's registered capital and voting rights. The legal person controlling Intesa Sanpaolo Holding International S.A., Luxembourg is Intesa Sanpaolo S.p.A., with the registered office at Piazza San Carlo 156, Turin, Italy, CRN 00799960158, with 100% share.
B.15	Main Issuer's activities	Issuer is a universal bank and its main activities are: credits providing, deposits receiving, bank services providing to the public, services providing on the capital and interbank markets.
B.16	Direct or indirect owning or controlling of Issuer	The legal person controlling Issuer is Intesa Sanpaolo Holding International S.A., with the registered office at 35 Boulevard du Prince Henri, L-1724 Luxembourg, Luxembourg, CRN B 44318, with 97.02% share. The legal person controlling Intesa Sanpaolo Holding International S.A., Luxembourg is Intesa Sanpaolo S.p.A., with the registered office at Piazza San Carlo 156, Turin, Italy, CRN 00799960158, with 100% share.
B.17	Rating	Moody's assigned the following rating to Issuer: deposits A3/P- 2; financial force C-; rating in review with potential increase. Mortgage bonds issued by Issuer within the Program were rated at the level A1.

Section C - Securities		
Element	Disclosure requirement	
C.1	Kind and class of securities	Registered bearer bond - mortgage bond.
	Identification number of securities	Those information will be provided in Final Terms of a specific issue.
C.2	Issue currency	Those information will be provided in Final Terms of a specific issue.
C.5	Restriction to free transferability	Does not apply; Bonds are transferrable to a new owner without restrictions, no preemption or exchange rights are attached to Bonds.
C.8	Description of rights attached to securities including assessment classification and restriction of those rights	<p>Rights attached to Bonds, restrictions of rights and procedures of the exercise thereof, as well as the obligations following from Bonds are contained in the valid legal regulations of the Slovak Republic, in particular in Act on Bonds and Act on Securities, in Base Prospectus and relevant Final Terms of individual issue. With the exception of restrictions explicitly provided herein and in documents related hereto and restrictions which directly follow from the relevant legal regulations of the Slovak Republic, Issuer has not otherwise restricted or used its right to restrict the rights of Bonds owners even in cases in which the applicable valid legal regulations of the Slovak Republic allow for the restriction of rights of Bonds owners by Issuer. The facts associated with the exercise of rights of Bonds owners will be provided in the national periodic press, publishing stock exchange reports. No preemption or exchange rights are attached to Bonds.</p> <p>MB are direct, general, secured and unconditional pari passu obligations, ranking equally among each other and in relation to other current and future direct, general, secured and unconditional obligations of Bank, with the exception of obligations to which cogent provision of legal regulations will apply.</p> <p>A Bond owner is entitled to payment of earnings and repayment of nominal value in terms of the issue conditions.</p>
C.9	Interest rate, maturity of securities, earnings and representatives of securities holders	Those information will be provided in Final Terms of a specific issue.
C.10	Explanation of derivative component upon interest payment	Does not apply; MB issues do not have a derivative component upon interest payment.
C.11	Acceptance for trading	Those information will be provided in Final Terms of a specific issue.

Section D - Risks		
Element	Disclosure requirement	
D.2	Key information about the most important risks specific for Issuer	<p>Issuer's exposure to credit risk, liquidity, interest rate or operating risks arises from regular business activities with regard to Issuer's business purpose.</p> <p>In order to mitigate the mentioned risks, Issuer uses a number of instruments by which it controls the quality of its assets, financial operations and business deals carried out. The work processes to eliminate these risks are implemented under the supervision of the internal control. All the activities carried out by Issuer are regularly monitored and controlled by the National Bank of Slovakia.</p> <p>Issuer's performance and results may be negatively influenced also by external factors which are outside Issuer's control, i.e. change of economic environment, phases of economic cycle, volatility on financial markets or increased competitiveness in the sector of financial services. Moreover, the current unfavorable situation on the world financial market increases the fluctuation of bonds prices, which may decrease, together with volatility of interest rates and exchange rates, the demand for products and services of Issuer.</p> <p>Issuer and its ability to perform its obligations may be influenced, apart from the risks mentioned above, also by the risks following from legislation changes and position of Issuer on the Slovak market. Another fact which should be taken into consideration is the rating of Issuer, which (<i>rating</i>) does not necessarily express all potential risks.</p> <p>In general, negative changes of the local and international economic environment, inflation, consumption of households and businesses, recession, unemployment, limited credit possibilities and other factors outside investor's control may have a negative impact on Issuer's performance, value of investment portfolio, as well as market value of securities issued by Issuer.</p>
D.3	Key information about the most important risks specific for securities	<p>A potential investor should responsibly consider the investment to Bonds issued by Issuer. It is particularly necessary for the investor to:</p> <ol style="list-style-type: none"> 1) have enough knowledge and experience in order to reasonably assess Bonds, advantages and risks of investment to Bonds and information contained in Base Prospectus or information referred to in Base Prospectus or the relevant Supplement thereto; 2) have enough information concerning the investment, as well as the ability to assess the information in the context of his/her/its financial situation and impact of that investment on his/her/its existing portfolio; 3) have enough funds to withstand eventual negative development of risk factors concerning Issuer or Bonds; 4) fully understand the conditions of issue, know the relevant financial indicators and their possible development together with development of financial markets; 5) be able to assess the possible scenarios of economic development, development of interest rates and other factors which may have an impact on his/her/its investment and ability to bear the associated risks. <p>Low liquidity of the secondary market – the current situation on the capital market in the Slovak Republic is characterized by persistent low liquidity. If Issuer applies to the Bratislava Stock Exchange for the admission of a specific Bonds issue to its regulated market, Issuer cannot guarantee that Bonds will be actively traded, i.e. that there will be a demand for Bonds on the market and/or that this condition will remain the same after the starting of trading.</p> <p>Non-guaranteed price of Bonds on the secondary market - Issuer cannot guarantee the price for which Bonds will be purchased and/or sold on the secondary market. The price is influenced by the current market conditions, therefore it changes in the course of trading.</p> <p>Interest risk – the value of Bonds is influenced by changes in interest rates, which respond to economic, political or market estimates.</p> <p>Credit risk – the value of Bonds may change in dependence upon the market</p>

		<p>perception of Issuer's creditworthiness.</p> <p>Influence of inflation – the obligation of Issuer to repay the debt in a certain currency has a lower real value than at the time of the investment due to higher inflation on that currency.</p> <p>Impact of taxes and fees – the return on investment to Bonds is influenced by tax regime valid in the country of Issuer's registered office or in the country in which a security is transferred. A potential investor should also learn about the amount and kind of fees charged to him/her/it in relation to the acquisition, possession or sale of Bonds.</p> <p>Legal regime - Bonds are issued in compliance with the legal regulations valid in the Slovak Republic at the time of Bonds issue. Change of legal regulations during useful life of Bonds may have an impact on the value thereof and/or return on investment.</p>
--	--	---

Section E - Offer		
Element	Disclosure requirement	
E.2b	Reasons of offer and earnings use	MB issues are issued in order to ensure financing sources for mortgage deals executed under the valid banking license. Proceeds from issue are used to finance the mortgage deals.
E.3	Description of the offer conditions	<p>Bonds may be offered, within primary sale, to qualified or non-qualified investors or all investor categories. The selected variant will be provided in Final Terms of the issue.</p> <p>An investor shall pay the price for Bonds on the basis of Firm Demand confirmed by the Issuer to Issuer's account. Issuer shall provide for crediting of the given number of Bonds to the investor's securities account opened by CSD or CSD member following the receipt of payment.</p> <p>The estimated price, for which securities will be offered, will be provided in Final Terms of a specific issue. In case of a public offer in terms of Act on Securities, the issue rate will be determined as a specific percentage of the nominal value of Bond (120% at the maximum) and in the event of offer under Art. 120 section 3 of Act on Securities, the issue rate will be determined by spread.</p> <p>Bonds may be offered for a price above or below the nominal value of Bond provided that if applicable, the interest income will be proportionally added to the issue rate of Bonds, issued after the date of issue. The price for investor will be determined as a multiple of issue rate, nominal value and number of Bonds.</p> <p>The investor will receive the Confirmation of Primary Purchase after the deal closing. Trading with Bonds cannot be commenced prior to the receipt of notification.</p> <p>The issue costs associated with the issue shall be borne by Issuer. Eventual fees charged by the subscribing party will be provided in Final Terms of a specific issue. Payment and deposit representatives will not be appointed. Payment of proceeds and repayment of nominal value will be provided for by Issuer.</p> <p>Other information concerning the conditions of offer will be provided in Final Terms of a specific issue.</p>
E.4	Important interests, including contradictory	Those information will be provided in Final Terms of a specific issue.
E.7	Estimated costs for the investor	Those information will be provided in Final Terms of a specific issue.

II. RISK FACTORS

Investment in Bonds is associated with certain risks including those provided in Base prospectus. Issuer notifies of the fact that in the event of interest to invest in individual Bonds issue, which may be issued within Program, it is necessary that the potential investors make their own investment decision prior to investing in Bonds, taking the following risk factors and other investment considerations into careful consideration and deciding on the basis of the information provided herein, in Final Terms, Summaries and Supplements, which may be prepared in the future, during validity of Base Prospectus, as well as on the basis of information in documents referred to herein in chapter "List of cross-references used" as later amended by Supplement.

The occurrence of any of the mentioned risks is influenced by development of unpredictable events while it is impossible to determine whether an event will occur and/or what is the probability of the occurrence thereof. The mentioned events would have a significant impact on the financial result of Issuer and its ability to perform its obligations following from Bonds.

The following overview of risks cannot be regarded as a final one and Issuer does not guarantee that there are no other risks, apart from the mentioned risk factors, which may have an impact on Issuer and/or Bonds issued by Issuer. The future investors should therefore make their own independent assessment of all risk factors and consider all the other parts of this document. The purpose of this part of the document is not to list the risks according to their importance or occurrence probability.

The risk factors provided hereunder may have an impact on the ability of Issuer to perform its obligations following from Bonds.

2.1 RISKS OF IMPACT OF ISSUER'S MACROECONOMIC ENVIRONMENT

A very high degree of openness of the Slovak economy predestines it for high sensitivity to development of external environment. If the global development is favorable, the openness results in high growth potential; however on the other hand the relationship also applies vice versa. The foreign demand becomes the decisive factor of the performance of domestic economy, which the Issuer conducts business in. However last year the Slovak GDP reached a decent growth dynamics even the European economy grew only slowly. The started growth was also supported by domestic demand before weakened long. Thus the growth of Slovak economy in post crisis period exceeds the average of Eurozone and also the European Union. The fact that the Slovak fiscal deficit decreased below 3% GDP may be perceived as positive, as well. On the other hand in 2014 public finance reported deterioration of structural balance, which means that after the years of consolidation the long-term sustainability of public finance has deteriorated recently. So Slovakia faces an ongoing serious challenge of setting the public finance to a sustainable level. The weak labor market remains the long-term challenge and weak point of the Slovak economy. The unemployment is one of the most serious problems in Slovakia, although previous months brought also new jobs.

As to the currency policy of the ECB, it has recently faced a number of challenges. However, finally the ECB succeeded in having the situation on the financial markets under control not only thanks to the drop in rates to a historical minimum, but also thanks to unconventional monetary policy instruments. Together with other rescue programs in the euro zone (EFSF/ESM) and also with more intense integration of European bank area, the cumulative effect of those measures helped to attenuate a significant portion of pressure on the financial markets. Furthermore the recent approach of the ECB has clearly declared the willingness of monetary authority to support single euro zone economy by any available instruments. However further development of interest rates will critically depend on the ongoing program of quantitative easing which represents a significant risk factor of interest rate predictions, primarily on a long side of interest curve.

The current risks of banking are associated in this environment with the following circumstances:

- 1) The growth of the Slovak economy will keep being dependent on the economies of our main business partners. With regard to the traditional orientation of the Slovak banking sector (including VÚB, a.s.), the labor market development will be the most significant factor influencing services providing to public. Potential recurred escalation of debt problems in euro zone may scratch the expected

recovery of single economy with a negative impact on domestic labor market. It may result in slower-than-expected deposit inflow, lower loan demand and higher rate of bad loans, thus negatively influencing the Bank's financial performance.

- 2) The risk that the fiscal crisis will further shift to the countries on the periphery may again increase the volatility on the financial markets and if taken to the extreme, destabilize the EU banking sector. Apart from the risk of growing risk premium, that would lead to worse performance of the banking sector.
- 3) The pressure to sustain the fiscal performance in the area of public finance may result in the necessity to increase the income to the state treasury in the form of further increase of taxes. Significantly higher taxes together with increased regulation requirement within the banking sector may similarly negatively influence the Bank's financial performance.

Apart from the mentioned economic and political risks, resulting from the recent development of the Slovak economy and estimates of future development thereof, Issuer is exposed, during its business activities, in particular to credit, operating and market risks. In order to minimize the risks, Issuer implements various control mechanisms, internal banking procedures and internal measures. Bank is supervised by the NBS and Issuer must also comply with the regulations concerning tier capital and prudent business conducting. However, the occurrence of future risks cannot be excluded.

With regard to the current situation on the financial market and situation of the Slovak Republic as a whole, there are risks which may be significant for Bonds and market risks assessment associated therewith but Issuer cannot assess the impact or intensity of the risks. Issuer cannot guarantee that no other factors which may have a negative impact on Bonds and market risks related thereto will occur in addition to the mentioned risks.

2.2 Risks concerning Issuer

Issuer's exposure to credit risk, liquidity, interest rate or operating risks arises from regular business activities with regard to Issuer's business purpose.

Credit risk – risk of non-performance of obligations on the part of Issuer. The sector of banking and financial services may be negatively influenced by a number of factors such as the general market conditions, performance of financial markets, level of interest rates, fluctuations of exchange rates, legislative changes as well as regulation changes made by the central banks. Deterioration of the market situation may negatively influence the demand for products and services offered by Issuer. A negative development of those factors may also endanger the ability of clients to repay their obligations, which may have a negative impact on Issuer and may potentially represent a risk of non-performance of obligations by Issuer.

Liquidity risk - risk of inability of Issuer to perform its obligations duly and on time. To mitigate this risk, Issuer is focusing on the balance of maturity of assets and liabilities reaching.

Interest risk – risk occurring due to imbalance between assets and liabilities sensitive to interest rates, i.e. risk of interest rate change, volatility thereof and change of the yield curve.

Operating risk – risk of occurrence of loss caused by unsuitable or inappropriately set internal processes, human error and external circumstances. Operating risks includes also the risk of loss due to breach of legal regulations, contractual liability or other lawsuits or administrative proceedings.

In order to mitigate the mentioned risks, Issuer uses a number of instruments by which it controls the quality of its assets, financial operations and business deals carried out. The work processes to eliminate these risks are implemented under the supervision of the internal control. All the activities carried out by Issuer are regularly monitored and controlled by the National Bank of Slovakia.

Issuer's performance and results may be negatively influenced also by external factors which are outside the Issuer's control, i.e. change of economic environment, phases of economic cycle, volatility on financial markets or increased competitiveness in the sector of financial services. Moreover, the current unfavorable situation on the

world financial market increases the fluctuation of bonds prices, which may decrease, together with volatility of interest rates and exchange rates, the demand for the products and services of Issuer.

Issuer and its ability to perform its obligations may be influenced, apart from the risks mentioned above, also by the risks arising from legislative changes and position of Issuer on the Slovak bank market. Another fact which should be taken into consideration is the rating of Issuer, which (rating) does not necessarily express all potential risks.

In general, negative changes of local and international economic environment, inflation, consumption of households and businesses, recession, unemployment, limited credit possibilities and other factors outside Issuer's control may have a negative impact on Issuer's performance, value of investment portfolio, as well as market value of securities issued by Issuer.

2.3 Risks associated with Bonds

A potential investor should responsibly consider the investment to Bonds issued by Issuer. It is particularly necessary for the investor to:

- 1) have enough knowledge and experience in order to reasonably evaluate Bonds, advantages and risks of investment to Bonds and information contained in Base Prospectus or information referred to in Base Prospectus or the relevant Supplement thereto;
- 2) have enough information concerning the investment, as well as the ability to assess the information in context of his/her/its financial situation and impact of that investment on his/her/its existing portfolio;
- 3) have enough funds to withstand an eventual negative development of risk factors concerning Issuer or Bonds;
- 4) fully understand the conditions of issue, know the relevant financial indicators and their possible development together with the development of financial markets;
- 5) be able to assess the possible scenarios of economic development, development of interest rates and other factors which may have an impact on his/her/its investment and ability to bear the associated risks.

Low liquidity of the secondary market – the current situation on the capital market in the Slovak Republic is characterized by persistent low liquidity. If Issuer applies to the Bratislava Stock Exchange for the admission of a specific Bonds issue to its regulated market, Issuer cannot guarantee that Bonds will be actively traded, i.e. that there will be a demand for Bonds on the market and/or that this condition will remain the same after the starting of trading.

Non-guaranteed price of Bonds on the secondary market - Issuer cannot guarantee the price for which Bonds will be purchased and/or sold on the secondary market. The price is influenced by the current market conditions, therefore it changes in the course of trading.

Interest risk – the value of Bonds is influenced by changes in interest rates, which respond to economic, political or market estimates.

Credit risk – the value of Bonds may change in dependence on the market perception of Issuer's creditworthiness.

Influence of inflation – the obligation of Issuer to repay the debt in a certain currency has a lower real value than at the time of the investment due to higher inflation on that currency.

Impact of taxes and fees – the return on investment to Bonds is influenced by tax regime valid in the country of Issuer's registered office or in the country in which a security is transferred. A potential investor should also learn about the amount and kind of fees charged to him/her/it in relation to the acquisition, possession or sale of Bonds.

Legal regime - Bonds are issued in compliance with the legal regulations valid in the Slovak Republic at the time of Bonds issue. Change of legal regulations during useful life of Bonds may have an impact on the value thereof and/or return on investment.

Any estimates or prospects concerning Issuer's future development, its financial situation, scope of business activities or market positions cannot be interpreted as a declaration or binding promise concerning the future events or results because these depend, entirely or partially, on circumstances and events Issuer cannot influence. The potential investors should make their own analyses of any development trends or prospects provided herein or eventually further conduct own surveys and base their investment decisions on the results of such analyses and surveys.

Information provided in this chapter are not exhaustive and are provided as general information only, based on the situation as at the date of Base Prospectus preparation. The potential buyers of Bonds should rely exclusively on their own analyses of facts provided in this chapter and on their own legal, tax and other professional advisors.

III. INFORMATION ABOUT ISSUER

3.1 Responsible persons

Responsible persons: Všeobecná úverová banka, a.s., represented by Ing. Elena Kohútiková, PhD., member of the Management Board, and Antonio Bergaglio, member of the Management Board, represents that as Issuer, it bears liability for the information contained in this part of Base Prospectus.

Representations of responsible persons: Issuer represents that due care was paid during preparation of this part of Base Prospectus to the best knowledge of the responsible persons, that the information and data provided in this part hereof are up-to-date, complete, true and reflect the reality as of the date of preparation of this part hereof and no data which may significantly influence the meaning of this part hereof, exact and correct assessment of Issuer and Bonds issued by Issuer, were omitted.

The signatures of responsible persons are in chapter "IV. INFORMATION ABOUT SECURITIES" of this Base Prospectus.

3.2 Statutory auditors

The audit of the Consolidated Financial Statements for the year ending on December 31, 2013 was carried out according to the International Financial Reporting Standards by company KPMG Slovensko spol. s r.o., Dvořákovo nábrežie 10, P.O.Box 7, 820 04 Bratislava 24, which is a member of the Slovak Chamber of Auditors - SKAU (license SKAU no. 96).

The audit of the Consolidated Financial Statements for the year ending on December 31, 2014 was carried out according to the International Financial Reporting Standards by company KPMG Slovensko spol. s r.o., Dvořákovo nábrežie 10, P.O.Box 7, 820 04 Bratislava 24, which is a member of the Slovak Chamber of Auditors - SKAU (license SKAU no. 96).

3.3 Risk factors

The risk factors specific to Issuer are provided in chapter "II. RISK FACTORS" hereof.

3.4 Issuer's history and development

Trade name	Všeobecná úverová banka, a.s.; in short: VÚB, a.s. Registered in the Business Register of District Court Bratislava I, Section: Sa, file no.: 341/B
Date of incorporation	April 1, 1992
CRN	31 320 155
Registered office	Mlynské nivy 1, 829 90 Bratislava
Legal form	joint-stock company
Legal regulations under which Issuer carries out its business activities	Act No. 513/1991 Coll. Commercial Code as amended, Act on Banks and Act on Securities
Country of incorporation	Slovak Republic
Phone no.	02/5055 1111
Fax no.	02/5055 2507
Web	www.vub.sk

Všeobecná úverová banka was incorporated by Štátna banka československá in connection with the reform of the Czechoslovak bank system as of January 1, 1990 as a state financial institution (š.p.ú.) carrying out its activities in the Czechoslovak Federal Republic.

VÚB, š.p.ú. was included in the first wave of the voucher privatization. In compliance with the approved privatization project, VÚB, š.p.ú. was transformed to a joint-stock company on April 1, 1992. VÚB, a.s. was registered in the Business Register with the registered capital of 2 039 054 000 Czechoslovak crowns. VÚB, a.s., was incorporated under the Slovak law, Act No. 513/1991 Coll. Commercial Code, Act No. 92/1991 Coll. on the conditions of transfer of the state property to other persons and Act No. 253/1991 Coll. on the powers of authorities in the matter of transfer of the state property to other persons and National Property Fund of the Slovak Republic, in compliance with the resolution of the government of the Czechoslovak Federal Republic no. 1 of January 9, 1992 approving the privatization project, prepared for the privatization of Všeobecná úverová banka. VÚB, a.s. has been incorporated for an indefinite period of time.

Following the decision of the general meeting of shareholders of VÚB, a.s. of May 26, 1994 on the increase of registered capital by issue of new shares, 2 039 054 new shares were subscribed and paid up. The registered capital of SKK 4 078 108 000 was registered in the Business Register of District Court Bratislava I on March 22, 1995. Following the decision of the general meeting of shareholders of VÚB, a.s. of December 8, 1999, the registered capital of VÚB, a.s. was increased by SKK 8 900 mln. by new shares underwriting. The registered capital of SKK 12 978 108 000 was registered in the Business Register of District Court Bratislava I on December 20, 1999.

In 2001 foreign shareholder Gruppo IntesaBci acquired a majority share – i.e. 94.46% share in VÚB, a.s. and Bank became a member of this important financial group. Financial group Banca Intesa (former Gruppo IntesaBci) was, in terms of the balance sheet amount and volume of equity, the biggest bank in Italy and one of the most prominent banks in Europe. Since Banca Intesa entered the scene, the strategy of Bank has been focusing on ambitious restructuring and transformation of Bank into a modern, dynamic and client friendly financial institution.

On January 1, 2007 Banca Intesa officially merged with another Italian bank Sanpaolo IMI, giving rise to financial group Intesa Sanpaolo with the headquarters in Turin. Financial group Intesa Sanpaolo is a leader in Italy and one of the leading banks offering financial products and services to households and companies in Europe, able to compete on the international level.

The intention of Intesa Sanpaolo Group in Slovakia is to further develop VÚB, a.s. as a universal financial institution, strengthen its services offered to corporate clients, extend the retail services on the franchise basis and promote sophisticated activities on capital markets. The emphasis is put on development of new products for clients, more intensive marketing communication to increase the client comfort upon the use of bank products and services. The objective is to build long-term, mutually advantageous and complex relationships with clients.

In 2015, VÚB, a.s. will focus on the improvement of service quality, increase of market share, decrease of costs and increase of efficiency.

The strategic intention of VÚB, a.s. as universal financial institution in the upcoming years is to strengthen its position on the Slovak banking market, extend the services offered to the corporate clients and retail services.

During the last period, Issuer has not recorded any circumstances which would be significant for the assessment of its solvency. Bank meets all the limits of prudent enterprise set by the regulators and publishes information about its economic activities in terms of the valid legal regulations.

In compliance with the provision of Art. 12 section 2 of Act No. 659/2007 Coll. on the introduction of currency euro in the Slovak Republic as amended, the nominal value of shares and registered capital of VÚB, a.s. was converted from the Slovak crown to euro. On March 3, 2009, the registered capital of VÚB, a.s. amounting to EUR 430 819 063.81 was registered in the Business Register of District Court Bratislava I.

3.5 Overview of business activities

3.5.1 Main activities

Všeobecná úverová banka, a.s. is a modern universal bank which offers a wide range of products and services to corporate, retail and institutional clients within domestic and foreign market. VÚB, a.s. puts the emphasis on stability, loyalty and trust in regard to clients.

The business purpose of VÚB, a.s. according to the extract from the Business Register of District Court Bratislava I dated May 14, 2015 consists of:

- Deposits acceptance,
- Loans providing,
- Management of client receivables on behalf of client, including related consultancy,
- Financial lease,
- Guarantees providing and letters of credit confirming,
- Consultancy providing in the business area,
- Securities issue, participation in securities issues and related services providing,
- Financial intermediation,
- Objects depositing,
- Safety boxes renting,
- Banking information providing,
- Mortgage deals under Art. 67 section 1 of Act on Banks,
- Function of depository under a special regulation,
- Banknotes, coins, commemorative banknotes and commemorative coins processing,
- Investing in securities on its own behalf, investment services providing, investment activities carrying out and related services providing in compliance with the provision of Art. 79a section 1 together with the provision of Art. 6 sections 1 and 2 of Act on Securities to the following extent: receipt and assignment of the client's instruction concerning one or more financial instruments, execution of the client's instruction on his/her/its behalf and business conducting on its own behalf in regard to the following financial instruments:
 - transferable securities,
 - financial market instruments,
 - mutual fund shares or securities issued by foreign entities of collective investment,
 - options, futures, swaps, forwards and other derivatives concerning securities, currencies, interest rates or revenues or other derivatives, financial indexes, financial rates, which may be settled by delivery or in cash,
 - options, swaps and forwards concerning commodities, which must be settled in cash or may be settled in cash on the basis of selection of either contracting party; that does not apply if such settlement occurs due to insolvency or other circumstance leading to the contract termination,
 - options and swaps concerning commodities, which must be settled in cash, if traded on a regulated market or multilateral trading system,
 - options, swaps and forwards concerning issue authorizations, inflation rate, which must be settled in cash or may be settled in cash on the basis of selection of either contracting party, otherwise than due to insolvency or other circumstance leading to the contract termination,
- Portfolio management in relation to financial instruments:
 - transferable securities,
 - financial market instruments,
 - mutual fund shares or securities issued by foreign entities of collective investment,
 - options, futures, swaps, forwards and other derivatives concerning securities, financial indexes, financial rates, currencies, interest rates or revenues, which may be settled by delivery or in cash,
- Investment consultancy in relation to financial instruments:
 - transferable securities,
 - financial market instruments,
 - mutual fund shares or securities issued by foreign entities of collective investment,
- Subscription and placement of financial instruments on the basis of firm obligation in relation to financial instruments:
 - transferable securities,
 - mutual fund shares or securities issued by foreign entities of collective investment,
- Placement of financial instruments without firm obligation in relation to financial instruments:
 - transferable securities,
 - financial market instruments,
 - mutual fund shares or securities issued by foreign entities of collective investment,
- Depositing management of financial instruments on behalf of the client, including holder administration, and related services, in particular administration of funds and financial securities in relation to financial instruments:

- transferable securities,
- financial market instruments,
- mutual fund shares or securities issued by foreign entities of collective investment,
- Credits and loans providing to investors and allowing for the execution of business deal with one or more financial instruments, if the credit or loan provider is involved in the business deal,
- Consultancy providing in the field of capital structure and business strategy and consultancy and services providing in regard to merger, amalgamation, transformation or division of a company or purchase of an enterprise,
- Exchange transactions carrying out if those are connected with investment services providing,
- Carrying out investment surveys and financial analyses or other form of general recommendation concerning transactions with financial instruments,
- Services related to underwriting of those financial instruments,
- Payment services providing and clearing,
- Issue and administration of electronic funds,
- Business conducting on its own behalf with:
 - financial instruments of money market in euro and foreign currency, with gold including money exchange,
 - financial instruments of capital market in euro and foreign currency,
 - coins made of precious metals, commemorative banknotes and commemorative coins, collections of banknotes and collections of circulation coins,
- Receipt and assignment of the client's instruction concerning one or more financial instruments, execution of the client's instruction on his/her/its behalf and business conducting on its own behalf in regard to underlying instruments of derivatives – forwards concerning issue authorizations, which must be settled in cash or may be settled in cash on the basis of selection of either contracting party, otherwise than due to insolvency or other circumstance leading to the contract termination, if they are connected with investment or secondary investment services providing for those derivatives,
- Financial intermediation carrying out under a special regulation in the sector of
 - insurance and reinsurance as an independent financial agent,
 - loans and consumer loans as an independent financial agent,
 - complementary pension saving as bound financial agent.

In order to satisfy the growing client needs, Bank launches new products and services for corporate and retail clients on the market. In practice that represents a wide range of products and services, from classic bank products to sophisticated activities on financial markets. Bank concentrates on development of new attractive products for clients, marketing communication and higher comfort of accessibility of bank products and services.

Main products and services of Bank within the main activities:

- Loans providing in euro and foreign currencies to individual clients
 - Flexi mortgage
 - Flexi loan
 - Flexi debit
 - Credit card
 - Mortgage loans
- Deposits accepting, accounts maintaining in euro and foreign currencies, payment cards issuing
 - Flexi account
 - Start account
 - Start Junior
 - Start Generation
 - Senior account
 - Personal account in foreign currency
 - Debit payment cards and mobile cards
 - Pre-paid cards
- Insurance intermediation
 - Life insurance La Vita
 - Disability insurance Sempre

- Supplementary health insurance
- Travel insurance
- Insurance for loans
- Insurance for depository products
- Compulsory third-party liability car insurance
- Products and services providing to corporate clients
 - Profi loan
 - Business credit line
 - Profi loan with financial guarantee
 - Profi mortgage loan
 - Financial lease
 - FLEXI loan for farmers
 - Warehouse bonds and goods warrants financing
 - Forfaiting
 - Factoring
 - Flexi business loan
 - Investment loan
 - Bridge loan with the EU Funds
 - Export consumer credit
 - Debit payment cards
 - Credit payment cards
- Services of electronic banking
 - Internet banking
 - VUB VIAMO
 - Mobile banking
 - Business banking
 - Mobile payments via Wave 2 Pay application with the mobile card Visa Inspire mobile payments

New products and services provided by Issuer:

- VUB VIAMO
- Structured deposit
- VUB Loan
- Mobile payments via Wave 2 Pay application with the mobile card Visa Inspire mobile payments

3.5.2 Main markets

VÚB, a.s. operates on the Slovak market and through one branch in Prague also on the Czech market.

VÚB, a.s. has a prominent position on the Slovak market. It is the second largest bank according to the balance sheet amount and it is among the first three banks as to the comparison of other main indicators, as well – as at the end of 2014, the market share of VÚB, a.s. in the total primary deposits was 16.7%, the loan share increased to 18.3%.

Among the Slovak commercial banks, VÚB, a.s. maintained the second highest number of branches (almost 19% market share). Bank's number of employees within banking sector is the second biggest (18.7% market share).

The operating income of VUB Group increased by 2.4% to EUR 543.7 mil. y-o-y. The positive result was primarily supported by net interest income, which grew by 2.2% thanks to loan volume increase and optimization of interest expenses. The positive impact on income also resulted from net profit from financial transactions, which reported 20.4% growth y-o-y, i.e. the increase by almost EUR 2 billion. And despite the negative influence of a new legislation related to fees for mortgages and consumer loans the income on fees and commissions grew by 1.6% comparing to the previous year.

The Group managed to increase the operating profit by 2.1% y-o-y to EUR 271.1 mil. and its net profit went up by 7.9% to EUR 145.8 mil.

The capital adequacy of VÚB Group reached 16.06% as of the end of last year, which is high above 8% standard set by National Bank of Slovakia.

Issuer at present provides banking services to corporate, retail and institutional clients via its wide network of 240 sales points within Slovakia.

Rating

Moody's (March 2015)	
Long-term rating	A3
Short-term rating	P-2
Outlook	Rating in review with potential increase

Company Moody's Investors Service Ltd. with the registered office at One Canada Square, Canary Wharf, London, United Kingdom E14 5FA, in terms of section 40 of the Regulation (EC) No 1060/2009 of the European Parliament and of the Council of September 16, 2009 on credit rating agencies submitted an application for registration in terms of that Regulation on August 12, 2010 and it was registered on October 31, 2011.

3.6 Organizational structure

VÚB, a.s. is a member of Intesa Sanpaolo Group.

Intesa Sanpaolo Holding International S.A. is the shareholder with decisive share in the registered capital and voting rights of Issuer.

Dependence of VÚB, a.s. on other entities within the Group is proportional to the share of those entities in the registered capital of Issuer.

Legal person controlling VÚB, a.s. as of March 31, 2015

Trade name	% share	Registered office	CRN
Intesa Sanpaolo Holding International S.A.	97.02	35 Boulevard du Prince Henri, L-1724 Luxembourg, Luxembourg	B 44318

Legal persons under the control of shareholder controlling VÚB, a.s. as of March 31, 2015

Trade name	% share	Registered office	CRN
Central-European International Bank Ltd (CIB BANK LTD)	67.69	Medve utca, 4-14 H, 1027 Budapest, Hungary	0110041004
Société Européenne de Banque S.A.	100.00	19-21 Boulevard du Prince Henri, L-1724 Luxembourg, Luxembourg	B 13859
Banca Intesa ad Beograd	77.79	Milentija Popovica 7b, 11070 Belgrade, Serbia and Montenegro	07759231
Privredna Bank Zagreb d.d.	76.59	Rackoga 6, HR-10000 Zagreb, Croatia	080002817
Banca Intesa (Russia)	53.02	2 Petroverigski, 101000 Moscow, Russia	7708022300
Sotrafín Ltd	24.00	13 Charles II Street, 6th Floor, SW1Y 4QU, London, UK	3487487

ISB d.d. Bosna i Hercegovina	94.92	Obala Kulina Bana 9A, 71000 Sarajevo, Bosnia and Hercegovina	4200720670007 (1-4639)
Intesa Sanpaolo Servitia S.A.	100.00	12, Avenue de la Liberté, L-1930 Luxembourg, Luxembourg	B 14241
Intesa Sanpaolo Card D.o.o	53.46	Latovska 23, 10000 Zagreb, Croatia	MBS (080693976)
Exelia S.r.l	100.00	Regione Brasov, Ionescu Crum 1, Corp C2 Tower 2, Et. 1, Brasov, Romania	J08/821/2009 (25586445) CUI
Intesa Sanpaolo Immobilière S.A	100.00	9, rue Goethe, L-1637 Luxembourg, Luxembourg	B 55753
Intesa Sanpaolo Real Estate S.A	100.00	8, Avenue de la Liberté, L-1930 Luxembourg, Luxembourg	B 62762
Intesa Sanpaolo House Immo S.A	100.00	12, Avenue de la Liberté, L-1931 Luxembourg, Luxembourg	B 154021
Intesa Sanpaolo Private Bank S.A.	100.00	Via Carlo Frasca, 5, CH-6900 Lugano Switzerland	CH- 660.0.921.000-7 (TI)

Legal person controlling Intesa Sanpaolo Holding International S.A., Luxembourg

Trade name	% share	Registered office	CRN
Intesa Sanpaolo S.p.A.	100.00	Piazza San Carlo 156, Turin, Italy	00799960158

Overview of direct equity interest of VUB, a.s. in business companies as of March 31, 2015

Trade name	Main purpose	Registered capital (in EUR)	Share of VUB, a.s. in the registered capital (in %)
Consumer Finance Holding, a.s. Hlavné nám. 12, 060 01 Kežmarok CRN: 35 923 130	Acquisition and management of equity interests, non-bank loans providing	53 110 277	100.00
VUB Asset Management, správ. spol., a.s. Mlynské Nivy 1, 820 04 Bratislava 24 CRN: 35 786 272	Collective investment, asset management, investment consultancy	4 093 560	40.55
VUB, Factoring, a.s. Mlynské nivy 1, 829 90 Bratislava CRN: 31 345 310	Factoring and forfaiting business deals	2 232 334	100.00
Nadácia VUB Mlynské nivy 1, 829 90 Bratislava CRN: 30 856 043	Charity organization	7 000 (capital of the foundation)	100.00
VUB Leasing, a.s. (former B.O.F., a.s.) Mlynské nivy 1, 820 05 Bratislava CRN: 31 318 045	Financial and operating lease	16 600 000	100.00
VUB Generali, Dôchodková správcovská spoločnosť (DSS), a.s. Mlynské nivy 1, 820 04 Bratislava CRN: 35 903 058	Management of pension funds	10 090 976	50.00
Slovak Banking Credit Bureau, s.r.o. Malý trh 2/A, 811 08 Bratislava CRN: 35 869 810	Automated data processing in the field of credits providing	9 958,17 (contribution of members)	33.33
RVS, a.s. Zrúnskeho 13, 814 85 Bratislava CRN: 31 331 041	Accommodation, relaxation-recreational services	6 852 480	8.38
S.W.I.F.T. Belgium Avenue Adèle I, B-1310, La Hulpe Belgium	International clearing and messages sending	14 032 250	0.01
VISA EUROPE Ltd. P.O.Box 39662, London W2 6WH, UK	Services of electronic payment methods and card business deals	150 000	0.01

No other company than provided enters the closely related group due to more than 20% share in voting rights.

As of March 31, 2015, VÚB, a.s. has no indirect equity interest.

3.7 Information about the trend

Issuer declares that no decisive unfavorable change in the prospects of Issuer has occurred since the last published financial statements verified by the auditor.

Issuer is unaware of any trends or uncertainty or eventually is not familiar with any entitlements, obligations or circumstances about which one can reasonably assume that they will have a significant impact on the prospects of Issuer during the current financial year.

3.8 Prognoses or profit estimates

Issuer decided not to include the profit prognosis and as of the date of Base Prospectus, it did not publish the profit prognosis.

3.9 Administrative, managing and supervising bodies

3.9.1 Information on the members of statutory body and Supervisory Board

The supreme deciding body of VÚB, a.s. is the general meeting of shareholders. The Supervisory Board is the supreme supervisory body of VÚB, a.s., supervising the Management Board and business activities of Bank. The Management Board is a statutory body managing the activities of Bank and it is authorized to act on behalf of Bank in all matters and represents Bank against third parties.

Management Board

Name and surname	Position
RESCH Alexander	Chairman
KOHÚTIKOVÁ Elena, Ing., PhD.	Member
MAGALA Peter, Ing.	Member
BERGALIO Antonio	Member
KAUSICH Jozef, Ing.	Member
TECHMAN Martin, MBA	Member
NOVÁK Jozef, Ing.	Member

Supervisory Board

Name and surname	Position
SALVAI Ezio	Chairman
JAQUOTOT Ignacio	Vice Chairman
MALAGOLI Massimo	Member
STRAKA Andrej, Ing.	Member

GALLO Ján, Ing.	Member
SARCINELLI Paolo	Member
SCHAACK Christian	Member

The provided composition of the Management Board and Supervisory Board corresponds to the extract from the Business Register dated May 14, 2015.

Bank registers no activities carried out by the members of the Management Board and Supervisory Board outside VÚB, a.s., which would be significant for Issuer.

As of March 31, 2015, Bank had 3 495 employees.

3.9.2 Conflicts of interest

Issuer declares that it is unaware of any potential conflicts of interest between the obligations of persons mentioned above vis-à-vis Issuer and their private interests and/or other obligations.

3.10 Main shareholders

Issuer's registered capital

According to the extract from the Business Register dated May 14, 2015, the registered capital of VÚB, a.s. amounts to EUR 430 819 063.81 and is divided into:

- 4 078 108 non-bearer shares, with the nominal value of EUR 33.20 per share, publicly traded, registered, ISIN SK1110001437 series 01, 02, 03, 04, 05, 06;
- 89 non-bearer shares, with the nominal value of EUR 3 319 391.89 per share, publicly non-traded, registered, ISIN SK1110003573 series 01.

Rights of shareholders to participate in the management of VÚB, a.s. and to profit and bankrupt's estate upon dissolution are associated with non-bearer shares in terms of the generally binding regulations and bylaws of Bank. Shares are freely transferable. VÚB, a.s. has the entire registered capital paid up.

Shareholder structure of VÚB, a.s. as of March 31, 2015

According to the type of owner	Share in the registered capital VÚB, a.s. (in %)
Intesa Holding International S.A. – majority owner	97.02
Other legal persons	1.22
Natural persons	1.76
TOTAL	100.00

According to the nationality of owner	Share in the registered capital VÚB, a.s. (in %)
Intesa Holding International S.A. – majority owner	97.02
Domestic shareholders	2.21
Other foreign shareholders	0.77
TOTAL	100.00

As of March 31, 2015, 30 278 shareholders owned shares of VÚB, a.s.

The number of shareholder's votes is determined by the ratio of nominal value of his/her/its shares and amount of the registered capital.

The registered capital of VÚB, a.s. was converted to EUR 430 819 063.81 on March 3, 2009.

The nature of control of the majority shareholder of VÚB, a.s. results directly from its share in the registered capital of Bank. Issuer is unaware of any actions from side of this shareholder, which would lead to abuse of control. The majority shareholder and owner of Issuer, controlling Issuer, is Intesa Sanpaolo Holding International S.A., with its registered office at 35 Boulevard du Prince Henri, L-1724 Luxembourg, which owns, as of March 31, 2015, 97.02% of the registered capital of Issuer. The Supervisory Board of the Issuer has 7 members and is the supreme supervisory body. Two thirds of members of the Supervisory Board are elected by general meeting and employees elect one third.

Issuer is unaware of any mechanisms, implementation of which would result in change in the control over Issuer.

Upon the assessment of relationships with any related parties, the emphasis is put on the nature of relationship, not only on the legal form. Transactions carried out with those parties are made under usual and standard business conditions, usually applied to transactions among independent, unrelated parties.

3.11 Financial information concerning assets and liabilities, financial situation, Issuer's profit and losses

3.11.1 Historical financial information

Consolidated Financial Statements prepared in accordance with the IFRS as of December 31, 2013

The data specified below for year 2013 have been assumed from the audited Consolidated Closing Financial Statements for the year ended December 31, 2013. The statements, prepared according to the International Financial Reporting Standards as amended by the European Union, which including the Auditor's Report were submitted as a part of VUB Annual Financial Report for 2013 to the National Bank of Slovakia on April 29, 2014. The Annual Financial Report is available at the registered office of the Issuer and the Release Note was published in Hospodárske Noviny on April 30, 2014.

The audited Consolidated Closing Financial Statements for the year ended December 31, 2013 prepared according to the International Financial Reporting Standards as amended by the European Union are specified by the Issuer in this Base Prospectus in form of reference to the VUB Annual Report for 2013, which these closing financial statements are attached to (see part "List of used cross references" on page 37 of this Base Prospectus) and are available on the website of the Issuer (www.vub.sk).

Consolidated Statement of Financial Position as of December 31, 2013 (in thousands of EUR)

	2013	Adjusted 2012
Assets		
Cash and balances with central banks	96 820	150 837
Due from banks	771 638	580 780
Financial assets at fair value through profit or loss	207 674	73 770
Derivative financial instruments	29 221	42 619
Available-for-sale financial assets	1 588 324	1 482 727
Loans and advances to customers	7 574 317	7 526 581
Held-to-maturity investments	995 831	1 041 721
Associates and jointly controlled entities	14 362	7 596
Intangible assets	54 807	47 841
Goodwill	29 305	29 305
Property and equipment and Non-current assets held for sale	122 108	138 776
Current income tax assets	-	16 475
Deferred income tax assets	41 895	43 637
Other assets	30 121	33 292

	11 556 423	11 215 957
Liabilities		
Due to central and other banks	781 504	667 350
Derivative financial instruments	42 884	53 194
Due to customers	7 838 211	7 632 684
Debt securities in issue	1 404 607	1 417 762
Current income tax liabilities	1 166	-
Provisions	22 033	25 607
Other liabilities	86 629	97 766
	10 177 034	9 894 363
Equity		
Equity (excluding net profit for the year)	1 244 293	1 201 890
Net profit for the year	135 096	119 704
	1 379 389	1 321 594
	11 556 423	11 215 957
Financial commitments and contingencies	2 833 496	2 682 700

Consolidated Statement of Cash Flows for the year ended December 31, 2013
(in thousands of EUR)

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

Dividends paid	(64 623)	(47 364)
<i>Net cash used in financing activities</i>	(62 016)	(295 768)
Net change in cash and cash equivalents	110 305	67 721
Cash and cash equivalents at beginning of the year	165 969	98 248
Cash and cash equivalents at end of the year	276 274	165 969

**Consolidated Statement of Profit and Loss and Other Comprehensive Income
for the year ended December 31, 2013
(in thousands of EUR)**

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

The net profit and total comprehensive income are fully attributable to owners of the parent.

Consolidated Statement of Changes in Equity for the year ended 31 December 2013
(in thousands of EUR)

	Share capital	Share premium	Legal reserve fund	Retained earnings	Translation of foreign operation	Available for sale financial assets	Cash flow hedges	Total
January 1, 2012	430 819	13 368	95 261	653 184	(153)	(72 630)	(4 591)	1 115 258
Total comprehensive income for the year, net of tax	-	-	-	119 704	152	130 458	3 116	253 430
Dividends to shareholders	-	-	-	(47 364)	-	-	-	(47 364)
Reversal of dividends distributed but not collected	-	-	-	272	-	-	-	272
Legal reserve fund	-	-	2 482	(2 482)	-	-	-	-
Other*	-	-	-	(3)	1	-	-	(2)
Effect of FX hedge *	-	-	-	(50)	-	-	50	-
December 31, 2012	<u>430 819</u>	<u>13 368</u>	<u>97 743</u>	<u>723 261</u>	<u>-</u>	<u>57 828</u>	<u>(1 425)</u>	<u>1 321 594</u>
January 1, 2013	430 819	13 368	97 743	723 261	-	57 828	(1 425)	1 321 594
Total comprehensive income for the year, net of tax	-	-	-	135 096	(6)	(14 667)	1 697	122 120
Dividends to shareholders	-	-	-	(64 623)	-	-	-	(64 623)
Reversal of dividends distributed but not collected	-	-	-	166	-	-	-	166
Legal reserve fund	-	-	1 764	(1 764)	-	-	-	-
Other *	-	-	-	(15)	14	-	-	(1)
Sales of treasury shares	-	133	-	-	-	-	-	133
December 31, 2013	<u>430 819</u>	<u>13 501</u>	<u>99 507</u>	<u>792 121</u>	<u>8</u>	<u>43 161</u>	<u>272</u>	<u>1 379 389</u>

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

Consolidated Financial Statements prepared in accordance with the IFRS as of December 31, 2014

The data specified below for year 2014 have been assumed from the audited Consolidated Closing Financial Statements for the year ended December 31, 2014. The statements, prepared according to the International Financial Reporting Standards as amended by the European Union, which including the Auditor's Report were submitted as a part of VUB Annual Financial Report for 2014 to the National Bank of Slovakia on April 30, 2015. The Annual Financial Report is available at the registered office of the Issuer and the Release Note was published in Hospodárske Noviny on April 30, 2015.

The audited Consolidated Closing Financial Statements for the year ended December 31, 2014 prepared according to the International Financial Reporting Standards as amended by the European Union are specified by the Issuer in this Base Prospectus in form of reference to the VUB Annual Report for 2014, which these closing financial statements are attached to (see part "List of used cross references" on page 37 of this Base Prospectus) and are available on the website of the Issuer (www.vub.sk).

Consolidated Statement of Financial Position as of December 31, 2014
(in thousands of EUR)

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

Consolidated Statement of Cash Flows for the year ended December 31, 2014
(in thousands of EUR)

	2014	2013
Cash flow from operating activities		
Profit before tax	189 602	179 710
Adjustments for:		
Amortization	13 255	11 216
Depreciation	15 573	16 630
Securities at fair value through profit or loss, debt securities in issue and FX differences	21 615	(17 186)
Items related to share of profit of associates and joint ventures	(3 394)	(2 018)
Interest income	(513 896)	(528 491)
Interest expense	92 152	115 769
Disposal of property and equipment	(100)	(423)
Impairment losses on financial assets and similar charges	113 965	101 518
Interest received	544 416	535 582
Interest paid	(98 517)	(120 042)
Tax paid	(44 799)	(25 231)
Due from banks	3 981	(30 339)
Securities at fair value through P/L account, issued debt securities and FX	204 409	(137 334)
Derivative financial instruments (assets)	(21 873)	15 095
Available-for-sale financial assets	40 892	(125 243)
Loans and advances to customers	(808 486)	(148 783)
Other assets	6 037	8 484
Due to central and other banks	(37 401)	113 233
Derivative financial instruments (liabilities)	19 175	(10 310)

Due to customers	26 925	211 360
Other liabilities	8 815	(9 116)
<i>Net cash (used in)/from operating activities</i>	<i>(227 654)</i>	<i>154 081</i>
Cash flows from investing activities		
Repayments of held-to-maturity investments	445 220	43 152
Purchase of intangible assets and property and equipment	(26 767)	(26 135)
Disposal of property and equipment	1 437	1 223
<i>Net cash from investing activities</i>	<i>419 890</i>	<i>18 240</i>
Cash flows from financing activities		
Proceeds from issue of debt securities	239 751	122 359
Repayments of debt securities	(194 862)	(119 885)
Sales of treasury shares	135	133
Dividends paid	(84 347)	(64 623)
<i>Net cash used in financing activities</i>	<i>(39 323)</i>	<i>(62 016)</i>
Net change in cash and cash equivalents	152 913	110 305
Cash and cash equivalents at beginning of the year	276 274	165 969
Cash and cash equivalents at end of the year	429 187	276 274

**Consolidated Statement of Profit and Loss and Other Comprehensive Income
for the year ended December 31, 2014
(in thousands of EUR)**

	2014	2013
Interest and similar income	513 896	528 491
Interest and similar expenses	(92 152)	(115 769)
Net interest income	421 744	412 722
Fee and commission income	142 754	136 756
Fee and commission expense	(40 824)	(36 432)
Net fee and commission income	101 930	100 324
Net trading result	11 621	9 655
Other operating income	8 410	8 133
Operating income	543 705	530 834
Salaries and employee benefits	(111 196)	(107 796)
Other operating expenses	(103 124)	(91 154)
Special levy of selected financial institutions	(29 413)	(38 480)
Amortization	(13 255)	(11 216)
Depreciation	(15 573)	(16 630)
Operating expenses	(272 561)	(265 276)
Operating profit before impairment	271 144	265 558
Impairment losses	(86 301)	(87 880)
Profit from operations	184 843	177 678
Share of profit of associates and joint ventures	4 759	2 032
Profit before tax	189 602	179 710
Income tax expense	(43 843)	(44 614)
NET PROFIT FOR THE YEAR	145 759	135 096

Other comprehensive income components for the year, after tax:
Items that may be reclassified to profit or loss in the future:

Exchange difference on translating foreign operation	(9)	(6)
Available-for-sale financial assets	(11 624)	(14 667)
Cash flow hedges	(1 157)	1 697

Other comprehensive income components for the year, net of tax

	(12 790)	(12 976)
--	----------	----------

TOTAL COMPREHENSIVE INCOME FOR THE YEAR

	132 969	122 120
--	---------	---------

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

**Consolidated Statement of Changes in Equity for the year ended 31 December 2014
(in thousands of EUR)**

	Share capital	Share premium	Legal reserve fund	Retained earnings	Translation of foreign operation	Available-for-sale financial assets	Cash flow hedges	Total
January 1, 2013	430 819	13 368	97 743	723 261	-	57 828	(1 425)	1 321 594
Total comprehensive income for the year, net of tax	-	-	-	135 096	(6)	(14 667)	1 697	122 120
Dividends to shareholders	-	-	-	(64 623)	-	-	-	(64 623)
Reversal of dividends distributed but not collected	-	-	-	166	-	-	-	166
Legal reserve fund	-	-	1 764	(1 764)	-	-	-	-
Other *	-	-	-	(15)	14	-	-	(1)
Sales of treasury shares	-	133	-	-	-	-	-	133
December 31, 2013	<u>430 819</u>	<u>13 501</u>	<u>99 507</u>	<u>792 121</u>	<u>8</u>	<u>43 161</u>	<u>272</u>	<u>1 379 389</u>
January 1, 2014	430 819	13 501	99 507	792 121	8	43 161	272	1 379 389
Total comprehensive income for the year	-	-	-	145 759	(9)	(11 624)	(1 157)	132 969
Dividends to shareholders	-	-	-	(84 347)	-	-	-	(84 347)
Legal reserve fund	-	-	213	(213)	-	-	-	-
Sales of Recovery, a.s.	-	-	(87)	87	-	-	-	-
Other *	-	-	-	8	(8)	-	-	-
Sales of treasury shares	-	135	-	-	-	-	-	135
December 31, 2014	<u>430 819</u>	<u>13 636</u>	<u>99 633</u>	<u>853 415</u>	<u>(9)</u>	<u>31 537</u>	<u>(885)</u>	<u>1 428 146</u>

Selected financial indicators as of December 31, 2014 (annual results calculated from profit before tax):

ROE: 13.3%

ROA: 1.6%

3.11.2 Audit of historical annual financial statements

The Issuer declares that the historical annual financial statements have been audited. No other sections of the Base Prospectus, apart from the historical financial statements, have been subject to audit.

3.11.3 Age of the newest financial information

The audited financial statements selected from the consolidated closing financial statements for the year ended December 31, 2014 prepared according to the International Financial Reporting Standards, attached to the Base Prospectus, are not older than 18 months from the preparation date of the Base Prospectus.

3.11.4 Interim and other financial information

The financial information, disclosed by the Issuer since the last audited financial statements for the year ended December 31, 2014 were released, have not been verified by audit.

Interim Financial Statement prepared in compliance with the IAS 34 as of 31 March 2015

Data for the first quarter of 2015 have been assumed from the Interim individual financial statements unverified by auditor, for the period ending on March 31, 2015 prepared in compliance with the International Accounting Standards IAS 34 Interim financial statements. The financial statements are attached herein.

Individual Statement of Financial Position as of 31 March 2015 (in thousands of EUR)

	Mar 2015	Dec 2014
Assets		
Cash and balances with central banks	236 843	405 060
Due from banks	689 031	610 865
Financial assets at fair value through profit or loss	28 182	1 055
Derivative financial instruments	54 690	49 937
Available-for-sale financial assets	1 663 951	1 523 939
Loans and advances to customers	7 841 067	7 752 189
Held-to-maturity investments	539 178	533 456
Subsidiaries, associates and joint ventures	95 566	95 566
Intangible assets	53 192	55 032
Property and equipment	97 043	100 041
Deferred income tax liabilities	35 880	34 685
Other assets	19 630	13 190
	<u>11 354 253</u>	<u>11 175 015</u>
Liabilities		
Due to central and other banks	169 457	380 038
Derivative financial instruments	66 162	62 059
Due to customers	8 242 791	7 864 398
Debt securities in issue	1 447 005	1 469 465
Current income tax liabilities	14 623	8 240
Provisions	24 699	27 608
Other liabilities	157 240	76 204
	<u>10 121 977</u>	<u>9 888 012</u>
Equity		
Equity (excluding net profit for the period)	1 195 168	1 175 346
Net profit for the period	37 108	111 657
	<u>1 232 276</u>	<u>1 287 003</u>

	<u>11 354 253</u>	<u>11 175 015</u>
Financial commitments and contingencies	<u>3 433 542</u>	<u>3 227 458</u>

**Individual Statement of Profit and Loss and Other Comprehensive Income
for 3 months ending on 31 March 2015
(in thousands of EUR)**

	Mar 2015	Mar 2014
Interest and similar income	103 829	112 676
Interest and similar expenses	<u>(18 398)</u>	<u>(23 968)</u>
Net interest income	85 431	88 708
Fee and commission income	35 675	30 610
Fee and commission expense	<u>(13 682)</u>	<u>(14 969)</u>
Net fee and commission income	21 993	15 641
Net trading result	2 501	2 039
Other operating income	700	795
Dividend income	<u>5 913</u>	<u>2 287</u>
Operating income	116 538	109 470
Salaries and employee benefits	(24 544)	(24 100)
Other operating expenses	(19 271)	(21 401)
Special levy for selected financial institutions	(4 882)	(9 887)
Depreciation	(2 871)	(2 584)
Depreciation	<u>(2 906)</u>	<u>(3 368)</u>
Operating expenses	(54 474)	(61 340)
Operating profit before impairment	62 064	48 130
Impairment losses	<u>(14 384)</u>	<u>(11 360)</u>
Profit before tax	<u>47 680</u>	<u>36 770</u>
Income tax expense	<u>(10 572)</u>	<u>(7 815)</u>
NET PROFIT FOR 3 MONTHS	<u>37 108</u>	<u>28 955</u>
Other comprehensive income for 3 months, after tax: <i>Items that may be reclassified to profit or loss in the future:</i>		
Exchange difference on translating foreign operation	(2)	-
Available-for-sale financial assets	(1 907)	2 240
Cash flow hedges	<u>(304)</u>	<u>345</u>
Other comprehensive income for 3 months, net of tax	<u>(2 213)</u>	<u>2 585</u>
TOTAL COMPREHENSIVE INCOME FOR 3 MONTHS	<u>34 895</u>	<u>31 540</u>
Base and diluted earnings per € 33.2 share in €	<u>2,86</u>	<u>2,23</u>

Individual Statement of Cash Flows for 3 months ended March 31, 2015
(in thousands of EUR)

	Mar 2015	Mar 2014
Cash flow from operating activities		
Profit before tax	47 680	36 770
Adjustments for:		
Amortization	2 871	2 584
Depreciation	2 906	3 368
Securities at fair value through profit or loss, debt securities in issue and FX differences	7 186	6 034
Interest income	(103 829)	(112 676)
Interest expense	18 398	23 968
Dividend income	(5 913)	(2 287)
Sale of property and equipment	(1)	(1)
Impairment losses and similar charges	13 831	14 773
Interest received	112 540	127 518
Interest paid	(22 890)	(27 512)
Dividend received	5 913	2 287
Tax (paid) received	(5 384)	398
Due from banks	(68 701)	6 947
Securities at fair value through profit or loss	(26 708)	(31 337)
Derivative financial instruments (assets)	(5 057)	6 822
Available-for-sale financial assets	(155 944)	(78 916)
Loans and advances to customers	(107 496)	(66 346)
Other assets	(6 424)	(2 543)
Due to central and other banks	(210 543)	(283 362)
Derivative financial instruments (liabilities)	4 103	(14 663)
Due to customers	378 050	156 729
Other liabilities	(8 012)	(6 745)
<i>Net cash used in operating activities</i>	<u>(133 424)</u>	<u>(238 190)</u>
Cash flows from investing activities		
Repayments of held-to-maturity investments	-	376 221
Purchase of intangible assets and property and equipment	(939)	-
Disposal of property and equipment	1	433
Disposal of subsidiaries	-	424
<i>Net cash(used in)/from investing activities</i>	<u>(938)</u>	<u>377 078</u>
Cash flows from financing activities		
Proceeds from issue of debt securities	-	36 200
Repayments of debt securities	(25 000)	(8 050)
Purchase of treasury shares	(84)	(191)
<i>Net cash (used in)/from financing activities</i>	<u>(25 084)</u>	<u>27 959</u>
Net change in cash and cash equivalents	(159 446)	166 847
Cash and cash equivalents at beginning of the year	428 960	275 917
Cash and cash equivalents at 31 March	<u>269 514</u>	<u>442 764</u>

Individual Statement of Changes in Equity for 3 months ended 31 March 2015
(in thousands of EUR)

	Share capital	Share premium	Treasury shares	Legal reserve fund	Retained earnings	Translation of foreign operation	Available for sale financial assets	Cash flow hedges	Total
1 January 2014	430 819	13 501	-	87 493	697 185	8	43 149	272	1 272 427
Total comprehensive income for 3 months net of tax	-	-	-	-	28 955	-	2 240	345	31 540

Dividends to shareholders	-	-	-	-	(84 347)	-	-	-	(84 347)
Other	-	-	-	-	8	(8)	-	-	-
Purchase of treasury shares	-	-	(191)	-	-	-	-	-	(191)
31 March 2014	<u>430 819</u>	<u>13 501</u>	<u>(191)</u>	<u>87 493</u>	<u>641 801</u>	<u>-</u>	<u>45 389</u>	<u>617</u>	<u>1 219 429</u>
1 January 2015	430 819	13 636	-	87 493	724 503	(9)	31 446	(885)	1 287 003
Total comprehensive income for 3 months net of tax	-	-	-	-	37 108	(2)	(1 907)	(304)	34 895
Dividends to shareholders	-	-	-	-	(89 538)	-	-	-	(89 538)
Other	-	-	-	-	(14)	14	-	-	-
Purchase of treasury shares	-	-	(84)	-	-	-	-	-	(84)
31 March 2015	<u>430 819</u>	<u>13 636</u>	<u>(84)</u>	<u>87 493</u>	<u>672 059</u>	<u>3</u>	<u>29 539</u>	<u>(1 189)</u>	<u>1 232 276</u>

Selected financial indicators as of March 31, 2015 (annual results calculated from profit before tax):

ROE: 15.48%

ROA: 1.68%

3.11.5 Judicial and arbitration proceedings

No administrative, judicial or arbitration proceedings, which have impact or may have impact on financial situation and profitability of the Issuer/ Issuer's Group in the future had been conducted over the period of 12 calendar months prior to date the Base Prospectus was prepared.

3.11.6 Material change to Issuer's financial or business situation

No material changes have occurred since the Consolidated financial statements as of December 31, 2014 prepared under the International Financial Reporting Standards were submitted to the NBS.

3.12 Important contracts

The Issuer does not keep in its records any contracts which were signed otherwise than within regular business of the Issuer and which may cause that a member of the Group may bear liability or title which is crucial for ability of the Issuer to satisfy its liability due to security holders.

With respect to its core business, the Issuer does not provide any research and development.

3.13 Third Party Information

The Issuer declares hereby that the information received from third parties and specified in chapter "II. RISK FACTORS" in section "Main Markets" of this Base Prospectus has been acquired from the public sources and has been correctly interpreted to the extent the Issuer is aware of and able to assess such an information. No facts that may cause incorrect or misleading interpretation have been omitted. The Issuer has not examined accuracy of statistical data.

Information sources used in this Base Prospectus:

1. web page of the National Bank of Slovakia (information in section: „II. RISK FACTORS“ and in section „3.5.2 Main Markets“);
2. web page of the Statistical Office of the Slovak Republic and Eurostat (information in section „II. RISK FACTORS“);
3. web page of the Slovak Banking association (information in section „3.5.2 Main Markets“).

3.14 Documents for inspection

During the validity of the Base Prospectus, the documents (or their copies) specified below are physically available at the registered office of VÚB, a.s., Mlynské nivy 1, 829 90 Bratislava:

1. Issuer's Deed of Foundation and Articles of Association;
2. Historical consolidated financial statements about liabilities of the Issuer and its subsidiaries, consolidated closing financial statements prepared under the International Financial Reporting Standards including Auditor's reports for 2013 and 2014;
3. Interim individual financial statements for three months ended 31 March 2015 prepared in compliance with the International Accounting Standard IAS 34 Interim Financial Reporting.

3.15 List of used cross-references

This Base Prospectus includes the following information in form of references:

The audited Consolidated Financial Statements for the year ended December 31, 2013, prepared under the International Financial Reporting Standards (see the information on p. 26 of this Base Prospectus), which is attached to the VUB Annual Report for 2013 under the Act on Securities (2013 Annual Report). This Base Prospectus shall be read along with the above mentioned part of 2013 Annual Report, which is considered integrated to and forming a part of this Base Prospectus. Other parts of 2013 Annual Report, which are not integrated to the Base Prospectus in form of references, are not relevant to investors;

The audited Consolidated Financial Statements for the year ended December 31, 2014, prepared under the International Financial Reporting Standards, (see the information on p. 29 of this Base Prospectus), which is attached to the VUB Annual Report for 2014 under the Act on Securities (2014 Annual Report). This Base Prospectus shall be read along with the above mentioned part of 2014 Annual Report, which is considered integrated to and forming a part of this Base Prospectus. Other parts of 2014 Annual Report, which are not integrated to the Base Prospectus in form of references, are not relevant to investors.

This page is intentionally empty.

IV. INFORMATION ABOUT SECURITIES

This section of the Base Prospectus up to section "V. INFORMATION ABOUT THE PROGRAM" provides description of securities related to all Bonds issues issued within the Program as well as the information, which will be specified in the Final Terms of individual issue.

4.1 Responsible persons

Responsible persons: Všeobecná úverová banka, a.s., represented by Ing. Elena Kohútiková, PhD., member of the Management Board, and Antonio Bergalio, member of the Management Board, declares that as Issuer, it bears liability for the information contained in the whole of Base Prospectus.

Declaration of responsible persons: Issuer declares that due care was paid during preparation of this part of Base Prospectus to the best knowledge of the responsible persons, that the information and data provided in this part hereof are up-to-date, complete, true and reflect the reality as of the date of preparation of this part hereof and no data which may significantly influence the meaning of this Base Prospectus, exact and correct assessment of the Issuer and Bonds issued by the Issuer, were omitted.

Bratislava, May 15, 2015

Ing. Elena Kohútiková, PhD.
Member of the VUB Management Board

Antonio Bergalio
Member of the VUB Management Board

4.2 Risk factors

Key risk factors inherent to Bonds for assessment of the related market risk: This information is specified in section "II. RISK FACTORS" of the Base Prospectus.

4.3 Basic Information

Interest of the natural persons and legal entities participating in issue/offer: This information will be specified in the Final Terms of a specific issue.

Rationale of the offer and use of proceeds:

- **Rationale:** Objective of the Mortgage Bonds issues is to ensure source of coverage for mortgage deals executed under the valid banking licence.
- **Estimated costs and use of proceeds:** This information will be specified in the Final Terms of a specific issue.

4.4 Information on securities to be offered / admitted to trading

Name of Bond: This information will be specified in the Final Terms of a specific issue.

Nominal (par) value: This information will be specified in the Final Terms of a specific issue.

Aggregate principal amount: This information will be specified in the Final Terms of a specific issue.

Type of security: Bond – mortgage bond.

ISIN: This information will be specified in the Final Terms of a specific issue.

Legal regulations, based on which the securities are issued: The Bonds are issued by VÚB, a.s., in line with legal order of the Slovak Republic and pursuant to Act on Bonds, Act on Securities and Banking Act.

Form: The Bonds will be issued in the book-entered bearer form.

Name and address of entity in charge of recordkeeping: Centrálny depozitár cenných papierov SR, a.s., ul. 29 augusta 1/A, 814 80 Bratislava.

Currency of the securities issue: This information will be specified in the Final Terms of a specific issue. The Issuer shall pay the yield and repay the par value of Bonds strictly in currency of an issue, which will be determined in the Final Terms.

Classification of the securities: The MB represent direct, general, secured and unconditional pari passu (equal) liabilities with respect to each other and with respect to other existing and future direct, general, secured and unconditional liabilities of the Bank except for those defined by cogent provision of the legal regulation.

Rights associated with securities: Rights associated with Bonds, restrictions on rights and exercising procedures, as well as liabilities arising from Bonds are specified in applicable legal regulations of the Slovak Republic, especially in the Act on Bonds, Securities Act, this Base Prospectus and relevant Final Terms of a specific issue. Except for restrictions explicitly set forth herein or in related documents and restrictions directly arising from legal regulations of the Slovak Republic, the Issuer has by no way whatsoever otherwise restricted or exercised its right to restrict rights of the Bondholders, even in cases, when the legal regulations of the Slovak Republic admit such restrictions of Bondholders' rights on side of the Issuer. The facts associated with exercising Bondholders' rights will be released in national periodicals publishing the stock exchange reports. No pre-emption or exchangeable rights are connected with the Bonds.

Nominal interest rate: An alternative applied to a specific issue will be defined in the Final Terms:

1. Bond yield defined by fixed coupon – based on Final Terms of the relevant issues, the Bond yield determined this way will bear a fixed rate over the whole lifetime of the Bond or over the pre-defined period. The coupon rate and the period will be defined in the Final Terms.
2. Bond yield determined by floating coupon - based on Final Terms of the relevant issues, the Bond yield determined this way will bear a floating rate equal to reference rate increased /decreased by relevant margin (if applicable) always over specific, successive interest rate periods. The specific composition of the coupon will be defined in the Final Terms. The relevant coupon will be set for the next period on the second business day preceding the date of yield payout for the current coupon period. The rate for the first period will be defined on the second business day prior to issue date.
3. Bond yield determined as difference between Bond's par value and its lower issue price – the yield defined this way in the Final Terms will not bear an interest. The coupon on these Bonds represents difference between issue price and par value of each Bond.
4. The yield determined by combination of the above methods - The yield defined this way in the Final Terms will bear a coupon which is a combination of several or all items 1-3 herein for a specific coupon period. The specific composition of the coupon will be defined in the Final Terms.

The coupon rate defined in the Final Terms may be either identical for all coupon periods or may vary from period to period.

Provisions related to due yield: The yield for each interest rate (coupon) period will be due on the payment day of the yield. The yield will be paid out in time interval and on dates as defined in the Final Terms. Should the payment day be non-business day, the payout date will be understood as the next business day immediately following non-business day. In such a case no titles to additional yield, coupon or any other appreciation will arise. With respect to specific Bond, the Issuer will define the yield for each coupon period. The amount shall be rounded based on mathematical rules to two decimal places according to a figure on the third decimal place.

The yield on a Bond will be determined as a multiple of the Bond's par value (possibly its outstanding portion if the amount is not due as one-off payment), relevant interest (indicated as decimal figure) and relevant fraction of days based on applicable convention.

The coupon period is understood as a time between two payment dates of yields, starting from a day of yield payment (including) until the next payment date, while the first coupon period is a period starting with issue date (including) until the first payout date of the yield.

The ex-coupon date is the 30th calendar day prior to yield payment date. The yield for the relevant period will be paid out only to the a Bondholder, who had been owner of the Bond as of the end of business day immediately preceding the ex-coupon date (hereinafter referred to as the "**authorized party**") as indicated in the list of security holders prepared by an entity licensed and permitted to establish and perform activities of the Central Depository, which has been keeping for the Issuer an issuer's securities register.

The Bondholder is a party, whose Bond is registered in the Central Securities Register kept by CSD / or by other party who has been authorized to keep register of the book-entered securities pursuant to legal regulations of the Slovak Republic.

Date from which the yield becomes payable: This information will be specified in the Final Terms of a specific issue.

The due dates of yield: This information will be specified in the Final Terms of a specific issue.

Validity of rights related to yield and principal payment period: Pursuant to the Act on Banks the rights stemming from Bonds shall be limited for 10 years after their maturity.

For non-fixed rates, type of the underlying base from which a specific rate is derived: Interbank rate for the given currency displayed on the page of Thomson Reuter's financial and information platform shall be taken as underlying rate.

For non-fixed rates, description of underlying base from which the rate is derived: This information will be specified in the Final Terms of a specific issue.

For non-fixed rates, method upon which the type and description of the underlying base were correlated: This information will be specified in the Final Terms of a specific issue.
The method of yield calculation will consist of interbank interest rate, which can be increased /decreased by margin.

If the nominal rate has not been fixed, sites on which the details about the performance history / future performance of the underlying base and about its volatility can be found: The details about the performance history / current performance and volatility of the interbank rate (e.g. EURIBOR, PRIBOR) are displayed on the page of Thomson Reuter's financial and information platform. This information may be used as a part of several information sources for determining the expected performance of the underlying rate.

If the nominal rate has not been fixed, events that may cause market disruption / imbalance which affect the underlying base: A number of factors such as collapse on stock exchange, failure of information systems, failure to fix the coupon rate, economic crisis etc. may impact the underlying base used for setting the nominal

rate by which the value is determined. The Issuer can not guarantee, that any other factors except for those mentioned above which may affect the underlying base will not occur.

If the nominal rate has not been fixed, modification rules with respect to events related to underlying base: If the current interbank rate, from which the Bonds issue rate is derived, is not available on the date the nominal rate is defined, the most recent value published on the financial and information platform of Thomson Reuters (or any other alternative page on which this information is displayed) will apply for purposes of setting the nominal rate.

If the nominal rate has not been fixed, name of the person in charge of calculations: Representative in charge of calculations will not be appointed, the Issuer is responsible for this activity.

If the nominal rate has not been fixed and the security bears a derivative component within coupon payout, specify how does the value of underlying instrument(s) impacts the investment value in terms of the most obvious risks of the investment: MB issued within the Program will not bear a derivative component at coupon payout.

Maturity date: Maturity date of Bonds' par value will be specified in the Final Terms of a specific issue (hereinafter referred to as the "**maturity date**"). The Bond does not bear any interest after the maturity date. Should the maturity date of the Bond par value fall on non-business day, the business day immediately following non-business day shall be deemed the payout date. In such a case no titles to additional yield, coupon or any other appreciation will arise.

Repayment procedures, redemption and early repayment options: An alternative applicable to specific issue shall be defined in the Final Terms.

1. The Issuer shall settle par value of Bonds in full on the maturity date. The Issuer shall not be committed to early repayment of Bonds on request of the Bondholder and the Bondholder shall not be entitled to request the early repayment; or
2. The par value of Bonds is repaid in several installments, i.e. not as balloon payment at the end of maturity. The relevant installment of par value plus yield for the given coupon period will be paid on the maturity day of the yield. Repayment of the par value will be split into installments the number of which will correspond to that of coupon periods, unless otherwise stated in the Final Terms. Repayment amount relevant to par value and yield with payout date will be specified in Payment Schedule of the Final Terms. The Issuer shall not be committed to early repayment of Bonds on request of the Bondholder and the Bondholder shall not be entitled to request the early repayment; or
3. The Issuer will repay the par value of Bonds in full on the maturity date of Bonds with option of early repayment initiated by Bondholders. Only those Bondholders, who have acquired the Bonds within primary issues, i.e. directly from the Issuer may request the early repayment of Bonds. The early repayment of the Bonds par value will be executed strictly upon written request of the Bondholder addressed to Treasury Back Office of the Issuer, in the period and under conditions as specified in the Final Terms. The request for early repayment of Bonds is irrevocable and the Investor shall provide to the Issuer full assistance as the Issuer may require in event of early repayment of Bonds. The Bondholder is entitled to receive a proportional amount of yield on Bonds due as of the early repayment date as specified in the Final Terms. By effect of early repayment of Bonds' par value, any other claims of the former Bondholder regarding yields payout and repayment of par value of Bonds will expire. The Issuer's liabilities arising from section "IV. INFORMATION ABOUT SECURITIES" of the Base Prospectus along with Final Terms continue to be applicable to Bonds, in which the Bondholders did not exercise their option of early repayment; or
4. The Issuer will pay the par value of Bonds in full on the maturity date of Bonds with option of early repayment initiated by Issuer. The Issuer, upon its decision, will be entitled to repay the Bonds before their maturity under the conditions as specified in the Final Terms. The Issuer, upon its decision, will be entitled to repay a portion of Bonds or all Bonds at any time and repeatedly provided it has notified its decision to the selected / all Bondholders not before 60 days and no later than 5 days prior to early repayment. The Notice of early repayment shall be published in national papers. Issuer's Notice of Early Repayment shall be irrevocable. By this effect the Issuer shall repay the Bonds in compliance with the Final Terms of the issue. In such a case the Issuer will pay an outstanding amount of par value of Bonds or all Bonds together with yield which has not been paid so far.

The Issuer shall be entitled to purchase the Bonds at any time in the market or to acquire the Bonds otherwise at any price. Purchase of own MB by the Issuer in the secondary market shall not be deemed the early repayment. Should the Issuer acquire the MB issued by the Issuer before maturity date, the Bonds will expire under the Act on Bonds. Furthermore, the early repayment shall not be deemed the event when the Bonds have been amortized in line with relevant Final Terms (the principal is not paid in balloon payment, but gradually).

The ex-principal date was set on the 30th calendar day prior to maturity date. The par value of Bond shall be paid out only to a Bondholder, who had been owner of the Bond as of the end of business day immediately preceding the ex-principal date as indicated in the List of Security holders prepared by the CSD.

Payout of yields and / or repayment of par value of Bonds will be effected by non-cash transfer on account of the entitled party (hereinafter referred to as the “**account**”) as specified by the entitled beneficiary in the Request for Yield Payment and /or for Repayment of the Par Value, delivered to the Issuer, Sub-department Treasury Back Office at the Head office (hereinafter referred to as the “**request**”), no later than on the 20th day before yield payment date and / or maturity day of Bond’s par value. If the **request** has not been delivered to the Issuer within the period indicated above, the Issuer shall pay out the yields and / or repay the par value of Bonds within five business days following the day the request with account number indicated thereon has been delivered (however not before the yield payment date and /or repayment date of the nominal value under this general Information on Bonds) to the Issuer. At the same time, the eligible beneficiary shall not be entitled to obtain any additional yield or interest or any other appreciation, for the period starting the yield payout date and /or Bond maturity date under this General Information on Bonds ending the effective payment date and/or repayment date.

The Issuer shall not be obliged to accept the documents and written instruments presented by authorized parties / or persons acting on behalf of the authorized parties, if executed in other than Slovak or Czech language. In other instances the Issuer shall be entitled to request translation into the Slovak language with attestation clause of the translator attached thereto. The Issuer will be entitled to rely on translation of the document / instrument. The issuer shall not be obliged to examine accuracy of the translated document /instrument against original text. In event of documents prepared abroad, the Issuer will be entitled to request that these documents be authenticated and superleglized and furnished with “Apostille“ based on Hague Convention abolishing the requirement of legalisation for foreign public documents of October 5, 1961. The Issuer shall not be obliged to execute any acts, namely, to payout the yields without limitation, and repay the par value of Bonds based on the application form, unless the following documents have been presented: (i) originals or officially certified documents confirming existence and mode of acting of the authorized party and/or Bondholder and/or persons acting for and on behalf of the parties; and (ii) originals or officially certified documents confirming authorization to act for and on behalf of the parties specified in item (i) above. The Issuer shall not be obliged to accept any documents or instruments unless the signatures affixed thereto have been verified by the Issuer’s employees in charge or officially certified.

The yield will be paid out and par value of Bonds repaid at VÚB, a.s., Mlynské nivy 1, 829 90 Bratislava.

The Issuer declares that it owes Bond’s par value to the Bondholder.

The Issuer shall pay the yield on Bond and par value of Bond to the Bondholder in line with Final Terms of the given issue. The Issuer shall provide the funds for payment of yield and par value of MB from repayments of mortgage loans granted by the Issuer / possibly from the substitute coverage, as indicated in Act on Bonds, art. 16 sub-sect. 5.

An indication of yield: This information will be specified in the Final Terms of a specific issue.

Method of yield calculation (convention): The variant applied to the particular issue shall set forth in its Final Terms.

For purposes of calculation of the Bond yield, one of the conventions specified below shall apply:

1. “Act/Act“ as a ratio of actual number of days in the period for which the yield has been determined to 365 (or in case that any of the specified period falls in leap year, then sum of (i) actual number of days of the period for which the yield has been determined and which falls in leap year divided by 366 and (ii) actual number of days of the period for which the yield has been determined and which does not fall in leap year divided by 365); or
2. “Act/365“ as a ratio “actual number of days in the period for which the yield has been determined to 365; or
3. “Act/360“ as a ratio “actual number of days in the period for which the yield has been determined to 360; or

4. "30/360" as a ratio "number of days in the period for which the yield has been determined to 360 (in this case the year is deemed to have 360 days, 12 months and a month has 30 days, whereas in event that (i) the last day of the period for which the yield has been determined falls on the 31st day of a month and concurrently the first day of this period is not the 30th or 31st day in a month, that month shall have 31 days or (ii) the last day of the period for which the yield has been determined, is the last day in February, than the months shall not be extended onto 30 days; or
5. "30E/360", number of days in the period for which the yield has been determined to 360 (in this case the year is deemed to have 360 days, 12 months and a month has 30 days).

Acting on behalf of the holders of debt securities: The Bondholder will not be granted any other benefits and no common representative of the Bondholders with respect to satisfaction of receivables will be appointed. The Issuer has not entered into any fixed agreement on representing Bondholders with any entity.

Representations on resolutions, permits and approvals: This information will be specified in the Final Terms of a specific issue.

Date of Bonds issue (hereinafter referred to "Issue Date"): This information will be specified in the Final Terms of a specific issue.

Restriction on free transferability: The Bonds are transferable onto a new owner without restrictions.

Taxation: The yield on Bond will be taxed at its payment date in line with Act No. 595/2003 Coll. on Income Tax as amended hereinafter (referred to as the Income Tax Act).

In compliance with the Income Tax Act since 1 January 2014 the yield on Mortgage bonds is subject to withholding tax (tax rate is 19%) if it flows to a resident – natural person, tax payer not founded or established to conduct business, the National Property Fund and the National Bank of Slovakia. In case of the income generated to a natural person the taxpayer is the Issuer and in case of custodianship the taxpayer is the securities broker. A taxable party not founded or established to conduct business, the National Property Fund and the National Bank of Slovakia are in this case concurrently the taxpayers of withholding tax. Residents – legal entities will pay tax from the yield on MB, which is included in their tax base via submitting their tax return (tax rate is 22%). The yield on MB generated to non-residents is not considered the income generated from the source in the territory of the Slovak Republic and hence it will be not subject to tax in the territory of the Slovak Republic.

The aforementioned information represents general information on taxation of MB originated from the source in the territory of the Slovak Republic effective as of the date of the Base Prospectus and is not a complete description of all its aspects. Potential investors, before making an investment decision, should consult tax and FX consequences of such decision with their legal and tax advisors.

Since the legal regulations may change over the lifetime of the Bonds, the yield on Bond shall be always taxed upon legal regulations valid at the payment period.

Information on Bond collateral: Bonds – MB represent a specific type of covered bond under sec. 20b of the Act on Bonds. In the event of bankruptcy over the assets of the Issuer a Bondholder has a status of covered creditor with the right for preferential satisfaction of his/her/its covered receivable for the payment of principal and yields related to MB out of that part of assets of Issuer subject to bankruptcy, which forms a separate part within the bankruptcy in the scope of property values under sec. 196 para 6 of the Act on Bankruptcy.

4.5 Terms and conditions of the offer

Conditions, which the offer is subject to: This information will be specified in the Final Terms of a specific issue.

Total amount of the issue / offer; if the amount is not fixed, indicate method and date of its announcement to public: This information will be specified in the Final Terms of a specific issue.

Period during which the offer will be open and anticipated issue period: This information will be specified in the Final Terms of a specific issue.

If the Issuer has not issued all the Bonds which make up the relevant issue as of the date of issue, it may issue the residual amount of Bonds at any time during the expected period of Bonds issue. In event that the Bonds are

sold up earlier, the primary sale will end before the final date of sale, i.e. as of the date the issue has been sold out. Further investors' demand will not be accepted after expiry of the primary sale period / earlier sale out of the issue.

Application procedure: The Investor, based on the firm demand confirmed by the Issuer, shall pay the Bond price on Issuer's account. The Issuer, upon incoming payment, shall arrange that the relevant number of Bond units will be credited on securities account kept with the CSD or with CSD member.

Options for reducing the subscription, methods of refunds of overpayments: This information will be specified in the Final Terms of a specific issue.

Details on minimal and / or maximal investment amount: This information will be specified in the Final Terms of a specific issue.

Method and date of disbursement and crediting the securities: This information will be specified in the Final Terms of a specific issue.

Method and date of publishing the offer results: This information will be specified in the Final Terms of a specific issue.

Execution of each pre-emption right, tradability of the subscription rights and management of non-exercised pre-emption rights: No pre-emption or exchangeable rights are connected with the Bonds.

The various categories of potential investors to which the securities are offered: An alternative applied to a specific issue shall be defined in the Final Terms. The Bonds shall be always offered within the primary sale to:

1. qualified investors; or
2. non-qualified investors; or
3. all categories of investors.

Identification of the issue, which has been concurrently traded in the markets of two or more countries and the issue has been / or is reserved for one of them: This information will be specified in the Final Terms of a specific issue.

Notification of the allocated amount and event under which the trading may be launched before notification: the Investor will receive Confirmation of the primary purchase after the deal is contracted. The trading can not be commenced before notification.

Expected price at which the securities will be offered: This information will be specified in the Final Terms of a specific issue. In event of public offer under the Act on Securities, the issue rate shall be determined as a specific percentage of the Bond par value (no higher than 120%) while in offers subject to Act on Securities § 120 para. 3, the issue rate will be defined as a spread.

The Issuer shall always determine the issue rate of any Bonds issued during the issue period so that the rate reflect the existing conditions in the market. The Bonds may be offered below / over or at par value of the Bond while in relevant cases, in Bonds issued after the issue date the corresponding pro-rata portion of the interest income will be added to the issue rate. The price for the beneficiary will be determined as a multiple of issue rate, Bond par value and number of Bond units. The Issue rate will be indicated in the Confirmation of the primary purchase.

Total costs and taxes separately charged to the subscriber: The Issuer shall bear costs associated with issue to full extent. Potential fees charged to the subscriber will be indicated in the Final Terms of a specific issue.

Name and address of the coordinator(s) of the overall offer and of its individual parts, possibly parties arranging placements in different countries: This information will be specified in the Final Terms of a specific issue.

Name and address of the payment and depository agents in each country: The payment and depository agents will not be appointed. The Issuer shall arrange payout of the yield and repayment of par value.

Name and address of entities with whom the subscription of the issue has been agreed on upon firm commitment or without it or on “best effort basis”. The basic details of agreements, including quotas. Declaration regarding non-covered part, commission amount: This information will be specified in the Final Terms of a specific issue.

Date when the underwriting agreement has been or will be achieved: This information will be specified in the Final Terms of a specific issue.

4.6 Admission to trading and dealing contracts

Trading on Stock Exchange: The trading details and possibly those regarding the regulated market will be specified in the “Final Terms” of a specific issue. The Issuer may commit itself to the following acts:

1. Request the Bratislava Stock Exchange registered office: Vysoká 17, 811 06 Bratislava (hereinafter „BSSE“), possibly its legal representative to admit the Bonds issue issued within Program in its regulated market and/or
2. Request other than BSSE regulated market organizer for admission of the Bonds issue issued within Program in its regulated market; or
3. Not to request any securities regulated market organizer, for admission of the Bonds issue issued within Program for trading.

Date on which the securities will be admitted for trading: If the Issuer has committed itself to request the stock exchange to admit the issue for trading, the expected date for filing such request will be specified in the Final Terms of this issue.

All regulated or alike markets, on which Issuer’s securities of the identical category have been taken for trading: BSSE

Name and address of entities committed to act as brokers in the secondary trading, detailed conditions of their commitments: The Issuer will not give its consent to use the Base Prospectus by financial brokers in the secondary trading and no party shall act as the broker in the secondary trading.

4.7 Additional information

Bond issue consultants and their role: The relevant information will be indicated in the Final Terms of the specific issue.

The audited information: Section “IV. INFORMATION ABOUT SECURITIES” of this Base Prospectus does not involve audited information / information on which auditor’s report has been prepared.

Expert’s statement /report: Section “IV. INFORMATION ABOUT SECURITIES” of this Base Prospectus does not involve any statements / reports that might be attributed to a specific person such as an expert.

Information obtained from the third party: Section “IV. INFORMATION ABOUT SECURITIES” of this Base Prospectus does not involve information obtained from the third party.

Rating assigned to the Issuer: Information on Issuer’s rating is specified in sub-section “3.5.2 Main Markets” of this Base Prospectus.

Rating assigned to securities issued by the Issuer: Mortgage bonds issued by Issuer within the Offering Program were rated at the level A1.

4.8 Definitions

“Bratislava Stock Exchange” means the company Bratislava Stock Exchange, registered office Vysoká 17, 811 06 Bratislava, CRN: 00 604 054, registered in the Register of Companies of District Court Bratislava I, section: Sa, file no: 117/B.

“**Central Securities Depository**” is understood an entity holding a licence to establish and provide business of the central securities depository – the Central Securities Depository of the SR a.s., registered office: Ulica 29. augusta 1/A, 814 80 Bratislava, CRN: 31 338 976, registered in the Register of Companies of District Court Bratislava I, section: Sa, file no. 493/B, which keeps for the Issuer the Securities Register.

“**Date of issue**“ is understood a date when the Bonds issue is commenced. The issue date is specified in the Final Terms.

“**Ex-principal date**“ has been set on 30th day prior to maturity. Par value of the Bond will be paid out only to the Bondholder, who was holder of the Bond as at the end of the business day immediately preceding a date of ex-principal as specified in the List of Bondholders prepared by the CSD.

“**Ex-coupon date**“ has been set on 30th day prior to date the coupon paid. The coupon will be paid out only to the Bondholder who was holder of the Bond as at the end of the business day immediately preceding the ex-coupon date as specified in the List of Bondholders prepared by the CSD.

“**Maturity date**“ is a date when the par value of the Bond will be paid out.

“**Date for determining the yield on Bonds with floating rate**“ means the second business day prior to payout date of yield for the current interest rate period. The interest rate for the first period will be determined on the second business day before the issue date.

“**Bonds**“ is understood debt securities – mortgage bonds (MB). Bonds are securities involving a right of the holder to claim payment of the owned amount in par value and yields as of specified date and Issuer’s obligation to satisfy these liabilities.

“**Bond’s issue rate**“ is a price at which the Bond is sold by the Issuer at its issue.

“**EURIBOR**“ is a reference rate in the interbank market of the European Monetary Union, which is displayed on web page of the financial informative platform of the company Thomson Reuters: EURIBOR01 (or any other alternative page on which this information may be displayed). For calculation of the yield EURIBOR fixed on the second business day before the interest rate period is commenced will be applied. Should the EURIBOR rate be not fixed 2 business days before the start of the interest rate period, the closest preceding fixed rate for the relevant EURIBOR will be applied.

“**MB**“ is a bond – mortgage bond, of which the par value including yields is duly covered by Bank’s receivables from mortgage loans backed by pledge over the property or those with substitute coverage and which carries in its name “mortgage bond”.

“**Period during which the offer will be open**“ means a period during which the Issuer or a party appointed by the Issuer may offer the Bonds to potential investors. In compliance with applicable legislation, the offering process may start before the date of issue and end no later than on the last date of the anticipated period of Bond issue.

“**Margin**“ means one of the floating rate components, the amount of which has been defined in the Final Terms of the relevant issue.

“**Nominal (par) value**“ is a nominal value of the Bond.

“**NBS**“ is the National Bank of Slovakia. The Bank was established on January 1, 1993 based on Act of the NC SR No. 566/1992 Coll. on the National Bank of Slovakia as an independent central bank of the Slovak Republic. The head Office address: Imricha Karvaša 1, 813 25 Bratislava.

“**Authorized party**“ bears the meaning as specified in section “IV. INFORMATION ABOUT SECURITIES “ of the Base Prospectus.

“**Offering program**“ means an offering program of the Issuer with the maximal total amount not higher than EUR 1, 500,000,000 of all unpaid Bonds issued within the Program, or equivalent sum in other currency. Program duration, during which VÚB, a.s. may issue individual Bonds issues within Program, is 10 years, until 6 May 2023.

“**Anticipated issue period**“ means the expected period during which the Bonds can be issued within specific issue, which starts as of the date of issue. Duration of the anticipated issue period will be defined in the Final Terms of the specific issue.

“**Business day**“ for purposes of this Base Prospectus means a day which is not a holiday under Act No. 241/1993 Coll. on Public Holiday, non-business days and memorial days and Act No. 311/2001 Coll. Labor Code as amended and also a day which is the TARGET day (a day on which the „Trans-European Automated Real-time Gross settlement Express Transfer system“ operates and clears the payments denominated in Euro currency).

“**PRIBOR**“ is a reference rate in the Czech interbank market displayed on the web page of the financial informative platform of the company Thomson Reuters: PRBO for the Czech koruna (or any other alternative page on which this information may be displayed on the day when the relevant interest rate is determined). For calculation the yields, PRIBOR fixed on the second business day before interest rate period is commenced will be applied. Should the PRIBOR rate be not fixed 2 business days before the start of the interest rate period, the closest preceding fixed rate for the relevant PRIBOR will be applied.

“**Reference rate**“ means an interest rate defined for calculation of the interest income on Bonds bearing the floating rate. If the relevant reference rate has not been determined in the Final Terms, then in Bonds bearing the floating rate and par value denominated euro, the reference rate EURIBOR will apply. In Bonds with floating rate and par value denominated in the Czech koruna, PRIBOR will be applied as a reference rate. Should the issue be denominated in other currency, the reference rate will be indicated in the Final Terms.

“**Due date of yield**“ means a date indicated in the Final Terms of the issue on which the yield is paid. Should the payment day fall on the non-business day, the payment date will be understood the next business day immediately following non-business day. In such case no titles to additional yield, interest or any other appreciation will arise.

“**Account**“ bears the meaning as attributed to this term in section IV. of the Base Prospectus.

“**Act on Bankruptcy**“ means the act no. 7/2005 coll. on bankruptcy and restructuring as amended.

“**Act on Securities**“ means the act no. 566/2001 coll. on securities and investment services as amended.

“**Act on Bonds**“ means the act no. 530/1990 coll. on bonds as amended.

“**Act on Banks**“ means the act no. 483/2001 coll. on banks as amended.

Information specified in this chapter IV. along with the Final Terms will form issue conditions of each individual issue of Bonds, issued within the Program.

V. INFORMATION ABOUT THE PROGRAM

The Bonds will be issued within the Program, the maximal total amount of nominal values of all unpaid Bonds issued within the Program is set at EUR 1,500,000,000 or equivalent sum in other currency. Duration of the Program is 10 years. Program has been approved by Issuer's Supervisory Board on October 24, 2012.

The Issuer, adhering to the Base Prospectus shall issue the individual Bonds issues, which are described in Section "IV. INFORMATION ABOUT SECURITIES" herein.

Pursuant to Act on Bonds, the MB are bonds with par value including yields duly covered by Bank's receivables from mortgage loans backed by pledge over the property or those with substitute coverage which carry in their name "mortgage bond".

The regular coverage of MB may be replaced with substitute coverage up to 10% of total nominal value of the MB issued. Assets of the Issuer in form of deposits with NBS, NBS bills and deposits with banks based in the Slovak Republic, cash, treasury bonds and bills, mortgage bonds issued by other banks, municipality bonds issued by other banks may be used for substitute coverage.

Pursuant to the Act on Banks, the Issuer shall not be allowed to put in pledge / use the asset values covering the nominal value of the MB issued including liens to properties for different securitization of its liabilities. The Issuer shall keep in its Mortgage Register List the details such as amount of mortgage loans, pledges and receivables stemming from the mortgage loans which cover the MB, or other values used as substitute coverage.

A trustee appointed by the NBS supervises the execution of mortgage bond deals.

The MB holders have a pre-emption right to asset values which cover the issued MB including pledges over properties. By effect of this security right the receivables of MB holders payable by the Issuer are secured for disbursement of par value and yields from the MB.

The Issuer may issue MB upon public offer or exception from public offer assigned under the Act on Securities to one or several investors with registered office in the Slovak Republic or abroad. The terms of each specific issue will be specified in the Final Terms.

The Bonds will be issued in book-entered bearer form. The Bonds will be issued repeatedly, in form of independent issues. Each issue will consist of securities which are identical in all aspects, i.e. the Bonds making up one issue will be mutually substitutable.

VÚB, a.s., will issue the Bonds to those beneficiaries, who have paid as of the date of purchase the issue price and aliquot portion of interest income on the Bond (proportional pro-rate amount of interest income) on the VUB account. The price for the beneficiary will be set as multiple of the issue price, number of Bonds units and nominal value of Bonds, including pro-rata amount of the interest income (AUV), calculated over the entire period of the primary sale, starting as at the date of issue, unless otherwise stipulated in the Final Terms.

If the issue is not executed via public offer, the Issuer will not determine method and time for publishing the results of the Bonds offer. If the issue is executed via public offer the date and method of publishing the results will be indicated in the Final Terms of specific issue.

The yields or nominal value repaid will be always taxed pursuant to legal regulations applicable of the payment date.

A reference whether the Issuer will /will not file request for admission of the Bonds issue on the regulated BSSE market or other regulated market with indication of the market shall be specified in the Final Terms of a specific issue.

VI. FORM OF FINAL TERMS

The specimen of "Final Terms" of Bonds issue will be prepared and published for each specific Bond issue issued within the Program before the issue date.

Specific conditions for each issue issued within the Program will be inserted in the Final Terms form. In addition to details specified below, other information as indicated in Attachment XXI to the Directive may be included in the Final Terms. Should any of the information in the specimen be irrelevant for a specific issue, the note "Non applicable" shall be inserted. The text in this section stated in Italics does not form part of the Final Terms and has only supplementary and clarifying function. The symbol (●) indicates the sections of the Final Terms to be completed. The words in the Final Terms starting with capital letter shall have the meaning as defined in the Base Prospectus. The note "Selected alternative specified in the Base Prospectus" attached to the informative item, means that the given detail is specified in the Base Prospectus, Section "IV. INFORMATION ABOUT SECURITIES" with respect to specific item in several alternatives and the alternative(s) relevant for the given issue will be specified in the Final Terms either by repeating the selected alternative or by effect of reference made to relevant part of the Base Prospectus with indication to the selected alternative.

Final Terms

date (●)

Issue (name of issue)

ISIN (ISIN code)

Aggregate principal amount (issue amount)

Maturity (date)

**issued within Offering program for mortgage bonds in the volume
of unpaid bonds amounting to EUR 1 500 000 000 at the maximum
with program duration 10 years**

The National Bank of Slovakia, by its resolution (●) dated (●) approved to the Issuer, Všeobecná úverová banka, a.s., registered office: Mlynské nivy 1, 829 90 Bratislava, CRN: 31 320 155, registered in the Register of Companies of District Court Bratislava I, section: Sa, file no. 341/B (hereinafter "VUB, a.s.", "Issuer" or "Bank"), the Base Prospectus of May 15, 2015, which contains common information about the Bonds, and highlights information to be supplemented in Final Terms of specific issues, issued by the Issuer within the Program.

Final Terms have been prepared for purposes of Directive 2003/71/EC, art. 5 para. 4 and shall be interpreted in connection with the Base Prospectus including Supplements as may be later attached to, which is published and made available free of charge in writing at Issuer's registered office: Mlynské nivy 1, 829 90 Bratislava, Department: Balance Sheet Management and on Issuer's website: <http://www.vub.sk/informacny-servis/prospekty-cennych-papierov/>. Summary of a specific issue is attached to the Final Terms. This document covers key information for investors. To acquire complete information about the Issuer and Bonds offer, the Final Terms should be read together with the Base Prospectus including Supplements as later attached to. Potential investors should pay attention to section „II. RISK FACTORS“ of the Base Prospectus. The potential investors should thoroughly consider risk factors indicated in the above section and other investment aspects before taking decision on investment in Bonds.

In event of any conflict in interpreting between the Base Prospectus and Final Terms, the provisions of Final Terms will prevail, however, without prejudice to wording of the Base Prospectus related to any other Bond issue issued within the Program.

Neither Final Terms nor issue of Bonds have been approved or registered by any administration or self-governance body of any jurisdiction. The above documents have been executed in compliance with legal regulations of the Slovak Republic. With respect to some jurisdictions, distribution of the Final Terms and sale, purchase or offer of the Bonds may be limited by legal regulations. Potential investors, who have obtained these Final Terms, should seek the information about the restrictions and follow them.

1. BASIC INFORMATION

1.1. Interest of natural persons and legal entities in the issue / offer

Interest of natural persons and legal entities in the issue / offer (●)

1.2. Reason of Offer and use of proceeds

Estimated costs and use of proceeds (●)

2. INFORMATION ON SECURITIES TO BE OFFERED / ADMITTED TO TRADING

Name of Bond	(●)
Nominal value	(●)
Aggregate principal amount	(●)
ISIN	(●)
Currency of the securities issue	(●)
Nominal interest rate	(●) <i>Selected alternative specified in the Base Prospectus</i>
Date, from which the yield becomes payable	(●)
The due dates of yield	(●)
Where the rate is not fixed	
Description of the underlying base from which the rate is derived	(●) / Not applicable
Method upon which the type and description of the underlying base were correlated	(●) / Not applicable
Maturity date	(●)
Payments, redemption and early repayment options	(●) <i>Selected alternative specified in the Base Prospectus</i>
An indication of yield	(●)
Method of yield calculation (convention)	(●) <i>Selected alternative specified in the Base Prospectus</i>

Declaration regarding resolutions, permits and approvals (●)

Issue Date (●)

3. TERMS AND CONDITIONS OF THE OFFER

3.1. Conditions, offer statistics, expected schedule and action required to apply for the offer

Conditions, which the offer is subject to (●)

Total amount of the issue /offer if not fixed, indication of a method and date of its announcement to public (●)

Period during which the offer will be open and anticipated issue period (●)

Description of options to reduce the subscription and method of refunds of overpayments (●) / Not applicable

Details on minimal and / or maximal investment amount (●)

Method and date of disbursement and crediting the securities (●)

Method and date of publishing the offer results (●)

3.2. Plan of distribution and allotment

The various categories of potential investors to which the securities are offered (●) *Selected alternative specified in the Base Prospectus*

Indication of the issue, which has been concurrently traded in the markets of two or more countries and the issue has been / or is reserved for one of them (●) / Not applicable

3.3. Pricing

Expected price at which the securities will be offered (●)

Total costs and taxes separately charged to the subscriber (●) / Not applicable

3.4. Placing and underwriting

Name and address of the coordinator(s) of the overall offer and of its individual parts / possibly parties arranging placements in different countries (●) / Not applicable

Name and address of entities with whom the subscription of issue has been agreed on upon firm commitment or without it or on “best effort basis”.
Basic details of agreements, including quotas.
Declaration regarding non-covered part,
commission amount

(●) / Not applicable

Date when the underwriting agreement has been or will be achieved

(●) / Not applicable

4. ADMISSION TO TRADING AND DEALING CONTRACTS

Trading on Stock Exchange

(●) *Selected alternative(s) indicated in the Base Prospectus with specified market, if relevant*

Date on which the securities will be admitted for trading

(●) / Not applicable

5. ADDITIONAL INFORMATION

Consultants related to issue and their roles

(●) / Not applicable

VII. IMPORTANT NOTICE

The Base Prospectus is prepared in compliance with the relevant provisions of Act No. 566/2001 Coll. on securities and investment services as amended (hereinafter "**Act on Securities**"), Act No. 530/1990 Coll. on bonds as amended (hereinafter "**Act on Bonds**") and Act No. 483/2001 Coll. on banks as amended by later legal regulations (hereinafter "**Act on Banks**"), in compliance with Commission Regulation (EC) No 809/2004, implementing Directive 2003/71/ES of the European Parliament and the Council (hereinafter "**Directive on the Prospectus**") as regards information contained in prospectus as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements (hereinafter "**Regulation**").

This Base Prospectus alone or in connection with any Final Terms and/or eventual Supplement to the Base Prospectus must not be used in relation to offer for purchase of any bonds other than Bonds of individual issues issued within Program.

The Base Prospectus alone or in connection with any Final Terms and/or eventual Supplement to the Base Prospectus must not be used in relation to offer for purchase of any bonds other than Bonds of individual issues issued within Program or any other Bonds, where such offer is prohibited under the law or other generally binding legal regulation. The Base Prospectus spreading and offer, sale or purchase of Bonds of individual issues issued within Program are restricted by the law in certain countries. Bonds will not be registered, upon Issuer's request, elsewhere than in the Central Securities Depository of the Slovak Republic (hereinafter "**CSD**") and the Base Prospectus will not be subject to approval by any administrative or other authority of any legal order other than NBS in the Slovak Republic. Bonds of individual issues issued within Program will particularly not be registered in compliance with Act on Securities of the United States of America as of 1933 and must not be offered or distributed in the United States of America or to persons residing in the United States of America. Persons who receive this Base Prospectus are responsible for the observance of restrictions which apply in individual countries to the offer, purchase or sale of Bonds or possession and distribution of any material relating to Bonds.

Issuer has not approved any other declaration or information about Program, Issuer or Bonds than information provided herein, Supplements hereto or Final Terms. No other declaration or information can be relied on as on declaration or information approved by Issuer. Unless otherwise provided, all the information provided herein are provided to the date of preparation hereof. Submitting or other form of making Base Prospectus available after the date of preparation thereof does not mean that information and declarations made therein are correct as of any moment after the date of preparation thereof. The indicated information may be amended or supplemented in the future by Supplements.

Only Issuer is liable for obligations following from Bonds, no third person is liable for or guarantees the performance of obligations following from Bonds.

The Base Prospectus including later Supplements thereto, as well as Final Terms and Summary of a specific issue may be translated to English or other languages. In the event any interpretation disputes arise between different language versions, the Slovak version shall prevail.

VIII. ANNEXES

Interim individual financial statements for three months ended 31 March 2015 prepared in compliance with the International Accounting Standard IAS 34 Interim Financial Reporting.



**Interim separate financial statements
for 3 months ended 31 March 2015**

Prepared in accordance with International Accounting Standard
IAS 34 Interim Financial Reporting

Contents

Separate statement of financial position	3
Separate statement of profit or loss and other comprehensive income	4
Separate statement of changes in equity	5
Separate statement of cash flows	6
Notes to the interim separate financial statements	7

Separate statement of financial position at 31 March 2015
(In thousands of euro)

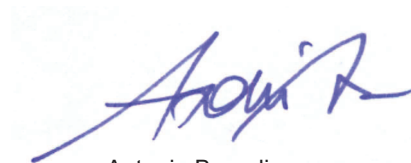
	Note	Mar 2015	Dec 2014
Assets			
Cash and balances with central banks	7	236,843	405,060
Due from banks	8	689,031	610,865
Financial assets at fair value through profit or loss	9	28,182	1,055
Derivative financial instruments	10	54,690	49,937
Available-for-sale financial assets	11	1,663,951	1,523,939
Loans and advances to customers	12	7,841,067	7,752,189
Held-to-maturity investments	14	539,178	533,456
Subsidiaries, associates and joint ventures	15	95,566	95,566
Intangible assets	16	53,192	55,032
Property and equipment	17	97,043	100,041
Deferred income tax assets	18	35,880	34,685
Other assets	19	19,630	13,190
		<u>11,354,253</u>	<u>11,175,015</u>
Liabilities			
Due to central and other banks	20	169,457	380,038
Derivative financial instruments	10	66,162	62,059
Due to customers	21	8,242,791	7,864,398
Debt securities in issue	22	1,447,005	1,469,465
Current income tax liabilities	18	14,623	8,240
Provisions	23	24,699	27,608
Other liabilities	24	157,240	76,204
		<u>10,121,977</u>	<u>9,888,012</u>
Equity			
Equity (excluding net profit for the period)	25	1,195,168	1,175,346
Net profit for the period		37,108	111,657
		<u>1,232,276</u>	<u>1,287,003</u>
		<u>11,354,253</u>	<u>11,175,015</u>
Financial commitments and contingencies	26	<u>3,433,542</u>	<u>3,227,458</u>

The accompanying notes on pages 7 to 75 form an integral part of these financial statements.

These financial statements were authorised for issue on 28 April 2015.



Alexander Resch
Chairman of the Management Board



Antonio Bergalio
Member of the Management Board

**Separate statement of profit or loss and other comprehensive income
for 3 months ended 31 March 2015
(In thousands of euro)**

	Note	Mar 2015	Mar 2014
Interest and similar income		103,829	112,676
Interest and similar expense		(18,398)	(23,968)
Net interest income	27	85,431	88,708
Fee and commission income		35,675	30,610
Fee and commission expense		(13,682)	(14,969)
Net fee and commission income	28	21,993	15,641
Net trading result	29	2,501	2,039
Other operating income	30	700	795
Dividend income		5,913	2,287
Operating income		116,538	109,470
Salaries and employee benefits	31	(24,544)	(24,100)
Other operating expenses	32	(19,271)	(21,401)
Special levy of selected financial institutions	32	(4,882)	(9,887)
Amortisation	16	(2,871)	(2,584)
Depreciation	17	(2,906)	(3,368)
Operating expenses		(54,474)	(61,340)
Operating profit before impairment		62,064	48,130
Impairment losses	33	(14,384)	(11,360)
Profit before tax		47,680	36,770
Income tax expense	34	(10,572)	(7,815)
NET PROFIT FOR 3 MONTHS		37,108	28,955
Other comprehensive income for 3 months, after tax:			
<i>Items that may be reclassified to profit or loss in the future:</i>			
Exchange difference on translating foreign operation		(2)	-
Available-for-sale financial assets		(1,907)	2,240
Cash flow hedges		(304)	345
Other comprehensive income for 3 months, net of tax	35, 36	(2,213)	2,585
TOTAL COMPREHENSIVE INCOME FOR 3 MONTHS		34,895	31,540
Basic and diluted earnings per € 33.2 share in €	25	2.86	2.23

The accompanying notes on pages 7 to 75 form an integral part of these financial statements.

Separate statement of changes in equity for 3 months ended 31 March 2015

(In thousands of euro)

	Share capital	Share premium	Treasury shares	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 3 months, net of tax	-	-	-	-	28,955	-	2,240	345	31,540
Dividends to shareholders	-	-	-	-	(84,347)	-	-	-	(84,347)
Other	-	-	-	-	8	(8)	-	-	-
Purchase of treasury shares	-	-	(191)	-	-	-	-	-	(191)
At 31 March 2014	<u>430,819</u>	<u>13,501</u>	<u>(191)</u>	<u>87,493</u>	<u>641,801</u>	<u>-</u>	<u>45,389</u>	<u>617</u>	<u>1,219,429</u>
At 1 January 2015	430,819	13,636	-	87,493	724,503	(9)	31,446	(885)	1,287,003
Total comprehensive income for 3 months, net of tax	-	-	-	-	37,108	(2)	(1,907)	(304)	34,895
Dividends to shareholders	-	-	-	-	(89,538)	-	-	-	(89,538)
Other	-	-	-	-	(14)	14	-	-	-
Purchase of treasury shares	-	-	(84)	-	-	-	-	-	(84)
At 31 March 2015	<u>430,819</u>	<u>13,636</u>	<u>(84)</u>	<u>87,493</u>	<u>672,059</u>	<u>3</u>	<u>29,539</u>	<u>(1,189)</u>	<u>1,232,276</u>

The accompanying notes on pages 7 to 75 form an integral part of these financial statements.

Separate statement of cash flows for 3 months ended 31 March 2015

(In thousands of euro)

	Note	Mar 2015	Mar 2014
Cash flows from operating activities			
Profit before tax		47,680	36,770
Adjustments for:			
Amortisation		2,871	2,584
Depreciation		2,906	3,368
Securities at fair value through profit or loss, debt securities in issue and FX differences		7,186	6,034
Interest income		(103,829)	(112,676)
Interest expense		18,398	23,968
Dividend income		(5,913)	(2,287)
Sale of property and equipment		(1)	(1)
Impairment losses and similar charges		13,831	14,773
Interest received		112,540	127,518
Interest paid		(22,890)	(27,512)
Dividends received		5,913	2,287
Tax (paid)/received		(5,384)	398
Due from banks		(68,701)	6,947
Financial assets at fair value through profit or loss		(26,708)	(31,337)
Derivative financial instruments (assets)		(5,057)	6,822
Available-for-sale financial assets		(155,944)	(78,916)
Loans and advances to customers		(107,496)	(66,346)
Other assets		(6,424)	(2,543)
Due to central and other banks		(210,543)	(283,362)
Derivative financial instruments (liabilities)		4,103	(14,663)
Due to customers		378,050	156,729
Other liabilities		(8,012)	(6,745)
<i>Net cash used in operating activities</i>		<u>(133,424)</u>	<u>(238,190)</u>
Cash flows from investing activities			
Repayments of held-to-maturity investments		-	376,221
Purchase of intangible assets and property and equipment		(939)	-
Disposal of property and equipment		1	433
Disposal of subsidiaries		-	424
<i>Net cash (used in)/from investing activities</i>		<u>(938)</u>	<u>377,078</u>
Cash flows from financing activities			
Proceeds from issue of debt securities		-	36,200
Repayments of debt securities		(25,000)	(8,050)
Purchase of treasury shares		(84)	(191)
<i>Net cash (used in)/from financing activities</i>		<u>(25,084)</u>	<u>27,959</u>
Net change in cash and cash equivalents		(159,446)	166,847
Cash and cash equivalents at the beginning of the year	6	428,960	275,917
Cash and cash equivalents at 31 March	6	<u>269,514</u>	<u>442,764</u>

The accompanying notes on pages 7 to 75 form an integral part of these financial statements.

1. General information

Všeobecná úverová banka, a.s. ('the Bank' or 'VUB') provides retail and commercial banking services. The Bank is domiciled in the Slovak Republic with its registered office at Mlynské nivy 1, 829 90 Bratislava 25 and has the identification number (IČO) 313 20 155 and the tax identification number (DIČ) 2020411811.

At 31 March 2015, the Bank had a network of 236 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 March 2015, the members of the Management Board are: Alexander Resch (Chairman), Antonio Bergaglio, Jozef Kausich, Elena Kohútiková, Peter Magala, Peter Novák and Martin Techman.

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

2. Summary of significant accounting policies

2.1 Basis of preparation

The interim separate financial statements of the Bank ('the financial statements') have been prepared in accordance with International Accounting Standard *IAS 34 Interim Financial Reporting*.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets at fair value through profit or loss and all derivative financial instruments to fair value and in the case of the financial assets or financial liabilities designated as hedged items in qualifying fair value hedge relationships modified by the changes in fair value attributable to the risk being hedged.

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

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

Negative balances are presented in brackets.

2.2 Changes in accounting policies and presentation

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

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

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.

2. Summary of significant accounting policies (continued)

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

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

2.4 Foreign currency transactions

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

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

2.5 Foreign operations

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

2.6 Cash and cash equivalents

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

2.7 Cash and balances with central banks

Cash and balances with central banks comprise cash in hand and balances with the NBS and other central banks, including compulsory minimum reserves. Cash and other valuables are carried at amortised cost in the statement of financial position.

2.8 Treasury bills and other eligible bills

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

2.9 Due from banks

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

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

2.10 Securities

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

2. Summary of significant accounting policies (continued)

- (a) Fair value through profit or loss,
- (b) Available-for-sale,
- (c) Held-to-maturity.

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

(a) Securities at fair value through profit or loss

This portfolio comprises following subcategories:

- (i) Securities held for trading

These securities are financial assets acquired by the Bank for the purpose of generating profits from short-term fluctuations in prices.

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

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

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

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

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

Day 1 profit or loss

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

2. Summary of significant accounting policies (continued)

(b) Available-for-sale securities

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

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

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

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

Equity investments whose fair value cannot be reliably measured are held at cost less impairment. For 'available-for-sale' equity investments, the 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'.

2. Summary of significant accounting policies (continued)

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

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

2.12 Derivative financial instruments

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

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

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

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

Credit risk of financial derivatives

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

With regard to IFRS 13 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.

2. Summary of significant accounting policies (continued)

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'.

2. Summary of significant accounting policies (continued)

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

2.13 Offsetting financial instruments

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

2.14 Non-current assets held for sale

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

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

2.15 Loans and advances to customers and impairment losses

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

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

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

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

2.16 Subsidiaries, associates and joint ventures

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

Dividend discount model

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

2. Summary of significant accounting policies (continued)

2.17 Intangible assets

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

	Years
Software and Other intangible assets	7

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

2.18 Property and equipment

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

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

	Years
Buildings	20, 30, 40
Equipment	4, 6, 10, 12
Other tangibles	4, 6, 12

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

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

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

2.19 Provisions

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

2.20 Provisions for employee benefits

The Bank's obligation in respect of retirement and jubilee employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. The discount rate is determined by reference to current rates of return on Slovak government bonds with the 15 years duration that represents the period which is closest to the average benefit duration. The calculation is performed using the projected unit credit method. All employees of the Bank are covered by the retirement and jubilee employee benefits program.

2. Summary of significant accounting policies (continued)

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

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

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

2.21 Financial guarantees

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

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

2.22 Legal reserve fund

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

2.23 Equity reserves

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

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

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

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

2.24 Interest income

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

2. Summary of significant accounting policies (continued)

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.

2. Summary of significant accounting policies (continued)

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

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

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

Estimates

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

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

Fair value of financial instruments

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

Impairment losses on loans and advances

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

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

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

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

3. Financial risk management

Introduction and overview

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

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

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

Risk management framework

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

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

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

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

(a) Credit risk

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

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

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

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

3. Financial risk management (continued)

Management of credit risk

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

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

Impairment losses

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

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

Impairment losses are calculated individually for individually significant clients for which evidence of impairment exists and collectively for individually significant clients without evidence of impairment and for individually insignificant client groups of homogeneous assets. For the purpose of provisioning for loans collectively assessed for impairment the Bank follows the Intesa Sanpaolo Group methodology as well as the methodology based on the Markov chains theory developed internally by VUB Bank. This methodology is used for those segments for which IRB approach is not used and sufficient data for the calculation exist.

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

3. Financial risk management (continued)

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

€ '000	March 2015			December 2014		
	Amortised cost	Impairment losses	Carrying amount	Amortised cost	Impairment losses	Carrying amount
Portfolio assessed						
Banks	689,038	(7)	689,031	610,871	(6)	610,865
Customers						
Sovereigns	146,659	(345)	146,314	146,978	(349)	146,629
Corporate	2,946,894	(33,459)	2,913,435	2,981,630	(32,184)	2,949,446
Retail	4,800,420	(145,614)	4,654,806	4,692,751	(148,160)	4,544,591
	<u>7,893,973</u>	<u>(179,418)</u>	<u>7,714,555</u>	<u>7,821,359</u>	<u>(180,693)</u>	<u>7,640,666</u>
Securities						
FVTPL	28,182	-	28,182	1,055	-	1,055
AFS	1,663,951	-	1,663,951	1,523,939	-	1,523,939
HTM	539,178	-	539,178	533,456	-	533,456
	<u>2,231,311</u>	<u>-</u>	<u>2,231,311</u>	<u>2,058,450</u>	<u>-</u>	<u>2,058,450</u>
Individually assessed						
Customers						
Corporate	184,672	(77,919)	106,753	174,769	(76,488)	98,281
Retail	32,704	(12,945)	19,759	21,088	(7,846)	13,242
	<u>217,376</u>	<u>(90,864)</u>	<u>126,512</u>	<u>195,857</u>	<u>(84,334)</u>	<u>111,523</u>
Securities						
AFS	574	(574)	-	574	(574)	-
	<u>574</u>	<u>(574)</u>	<u>-</u>	<u>574</u>	<u>(574)</u>	<u>-</u>

3. Financial risk management (continued)

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 realized 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 March 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 materiality threshold 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.

3. Financial risk management (continued)

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

€ '000	Category	March 2015			December 2014		
		Amortised cost	Impairment losses	Carrying amount	Amortised cost	Impairment losses	Carrying amount
Banks	Performing	689,038	(7)	689,031	610,871	(6)	610,865
		<u>689,038</u>	<u>(7)</u>	<u>689,031</u>	<u>610,871</u>	<u>(6)</u>	<u>610,865</u>
Sovereigns	Performing	146,621	(345)	146,276	146,941	(349)	146,592
	Past due	-	-	-	1	-	1
	Doubtful	38	-	38	36	-	36
		<u>146,659</u>	<u>(345)</u>	<u>146,314</u>	<u>146,978</u>	<u>(349)</u>	<u>146,629</u>
Corporate	Performing	2,940,421	(31,958)	2,908,463	2,977,897	(31,774)	2,946,123
	Past due	3,270	(526)	2,744	60	(31)	29
	Unlikely to pay	94,063	(19,458)	74,605	68,418	(9,746)	58,672
	Doubtful	93,812	(59,436)	34,376	110,024	(67,121)	42,903
		<u>3,131,566</u>	<u>(111,378)</u>	<u>3,020,188</u>	<u>3,156,399</u>	<u>(108,672)</u>	<u>3,047,727</u>
Retail	Performing	4,610,833	(43,517)	4,567,316	4,489,095	(43,082)	4,446,013
	Past due	20,283	(7,506)	12,777	15,658	(7,229)	8,429
	Unlikely to pay	19,575	(8,721)	10,854	30,748	(11,820)	18,928
	Doubtful	182,433	(98,815)	83,618	178,338	(93,875)	84,463
		<u>4,833,124</u>	<u>(158,559)</u>	<u>4,674,565</u>	<u>4,713,839</u>	<u>(156,006)</u>	<u>4,557,833</u>
Securities	Performing	2,231,311	-	2,231,311	2,058,450	-	2,058,450
	Doubtful	574	(574)	-	574	(574)	-
		<u>2,231,885</u>	<u>(574)</u>	<u>2,231,311</u>	<u>2,059,024</u>	<u>(574)</u>	<u>2,058,450</u>

3. Financial risk management (continued)

The table below shows the maximum amount of credit risk of derivative financial instruments, issued guarantees, commitments and undrawn credit facilities. To express the maximum amount of credit risk, the fair value of derivative financial assets is increased by the value of the potential credit exposure ('add on') calculated as the nominal value of the derivative financial instrument multiplied by the respective coefficient depending on the type of the instrument. The credit risk of the remaining financial assets not reported in the table below approximates their carrying amounts.

€ '000	Mar 2015	Dec 2014
Financial assets		
Derivative financial instruments	77,931	67,097
Financial commitments and contingencies		
Issued guarantees	839,711	733,162
Commitments and undrawn credit facilities	2,593,831	2,494,296
	<u>3,433,542</u>	<u>3,227,458</u>

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	March 2015			December 2014		
	Amortised cost	Impairment losses	Carrying amount	Amortised cost	Impairment losses	Carrying amount
Banks						
No delinquency	689,038	(7)	689,031	610,871	(6)	610,865
	<u>689,038</u>	<u>(7)</u>	<u>689,031</u>	<u>610,871</u>	<u>(6)</u>	<u>610,865</u>
Sovereigns						
No delinquency	145,871	(344)	145,527	146,604	(348)	146,256
1 – 30 days	34	-	34	338	(1)	337
31 – 60 days	611	(1)	610	-	-	-
61 – 90 days	107	-	107	-	-	-
Over 181 days	36	-	36	36	-	36
	<u>146,659</u>	<u>(345)</u>	<u>146,314</u>	<u>146,978</u>	<u>(349)</u>	<u>146,629</u>
Corporate						
No delinquency	3,028,455	(56,064)	2,972,391	3,051,525	(48,452)	3,003,073
1 – 30 days	22,294	(1,609)	20,685	18,857	(5,437)	13,420
31 – 60 days	9,676	(3,229)	6,447	8,411	(782)	7,629
61 – 90 days	344	(105)	239	269	(190)	79
91 – 180 days	5,449	(2,477)	2,972	1,899	(605)	1,294
Over 181 days	65,348	(47,894)	17,454	75,438	(53,206)	22,232
	<u>3,131,566</u>	<u>(111,378)</u>	<u>3,020,188</u>	<u>3,156,399</u>	<u>(108,672)</u>	<u>3,047,727</u>

3. Financial risk management (continued)

€ '000	March 2015			December 2014		
	Amortised cost	Impairment losses	Carrying amount	Amortised cost	Impairment losses	Carrying amount
Retail						
No delinquency	4,446,214	(29,613)	4,416,601	4,325,260	(29,714)	4,295,546
1 – 30 days	139,521	(10,205)	129,316	135,925	(9,616)	126,309
31 – 60 days	37,206	(4,560)	32,646	38,701	(4,851)	33,850
61 – 90 days	25,628	(4,117)	21,511	26,826	(4,139)	22,687
91 – 180 days	27,061	(12,122)	14,939	32,064	(13,421)	18,643
Over 181 days	157,494	(97,942)	59,552	155,063	(94,265)	60,798
	<u>4,833,124</u>	<u>(158,559)</u>	<u>4,674,565</u>	<u>4,713,839</u>	<u>(156,006)</u>	<u>4,557,833</u>
Securities						
No delinquency	2,231,885	(574)	2,231,311	2,059,024	(574)	2,058,450
	<u>2,231,885</u>	<u>(574)</u>	<u>2,231,311</u>	<u>2,059,024</u>	<u>(574)</u>	<u>2,058,450</u>

Loans with renegotiated terms and the forbearance policy

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

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

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

31 March 2015 € '000	Performing forborne			Non-performing forborne		
	Amortised cost	Impairment losses	Carrying amount	Amortised cost	Impairment losses	Carrying amount
Corporate	48,855	(1,853)	47,002	145,146	(53,669)	91,477
Retail	86,159	(2,362)	83,797	13,025	(4,238)	8,787
	<u>135,014</u>	<u>(4,215)</u>	<u>130,799</u>	<u>158,171</u>	<u>(57,907)</u>	<u>100,264</u>

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

3. Financial risk management (continued)

Write-off Policy

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

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

Collateral Policy

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

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

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

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

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

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

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

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

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

3. Financial risk management (continued)

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

€ '000	March 2015			December 2014		
	Amortised cost	Impairment losses	Carrying amount	Amortised cost	Impairment losses	Carrying amount
Europe						
Banks	674,613	(4)	674,609	602,243	(3)	602,240
Sovereigns	146,659	(345)	146,314	146,978	(349)	146,629
Corporate	3,131,566	(111,378)	3,020,188	3,156,399	(108,672)	3,047,727
Retail	4,831,140	(158,509)	4,672,631	4,712,008	(155,959)	4,556,049
Securities	2,231,885	(574)	2,231,311	2,059,024	(574)	2,058,450
	<u>11,015,863</u>	<u>(270,810)</u>	<u>10,745,053</u>	<u>10,676,652</u>	<u>(265,557)</u>	<u>10,411,095</u>
America						
Banks	14,122	(3)	14,119	8,275	(3)	8,272
Retail	182	(5)	177	169	(3)	166
	<u>14,304</u>	<u>(8)</u>	<u>14,296</u>	<u>8,444</u>	<u>(6)</u>	<u>8,438</u>
Asia						
Banks	266	-	266	320	-	320
Retail	1,221	(28)	1,193	1,166	(25)	1,141
	<u>1,487</u>	<u>(28)</u>	<u>1,459</u>	<u>1,486</u>	<u>(25)</u>	<u>1,461</u>
Rest of the World						
Banks	37	-	37	33	-	33
Retail	581	(17)	564	496	(19)	477
	<u>618</u>	<u>(17)</u>	<u>601</u>	<u>529</u>	<u>(19)</u>	<u>510</u>

3. Financial risk management (continued)

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

31 March 2015
€ '000

	Banks	Sovereigns	Corporate	Retail	Securities
Agriculture	-	-	76,040	23,134	-
Construction	-	-	117,810	15,319	-
Consumers	-	-	-	4,470,710	-
Energy and water supply	-	245	427,160	1,666	-
Financial services	689,031	-	295,210	114	211,347
Government	-	137,762	-	-	2,019,964
Manufacturing	-	-	596,565	26,419	-
Professional services	-	-	133,751	11,838	-
Real estate	-	-	438,230	30,249	-
Retail & Wholesale	-	-	541,552	58,459	-
Services	-	-	149,789	12,820	-
Transportation	-	8,305	215,631	11,311	-
Other	-	2	28,450	12,526	-
	<u>689,031</u>	<u>146,314</u>	<u>3,020,188</u>	<u>4,674,565</u>	<u>2,231,311</u>

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	-
	<u>610,865</u>	<u>146,629</u>	<u>3,047,727</u>	<u>4,557,833</u>	<u>2,058,450</u>

3. Financial risk management (continued)

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

31 March 2015 € '000	Neither past due nor impaired			Impaired (non-performing)			Past due but not impaired		
	Amortised cost	Impairment losses	Carrying amount	Amortised cost	Impairment losses	Carrying amount	Amortised cost	Impairment losses	Carrying amount
Banks	689,038	(7)	689,031	-	-	-	-	-	-
Sovereigns									
Municipalities	145,868	(343)	145,525	38	-	38	753	(2)	751
Corporate									
Large Corporates	1,017,283	(4,627)	1,012,656	22,581	(12,433)	10,148	9,231	(250)	8,981
Specialized Lending	738,338	(14,353)	723,985	93,633	(24,559)	69,074	336	(22)	314
SME	778,658	(11,276)	767,382	74,916	(42,426)	32,490	9,098	(445)	8,653
Other Fin. Institutions	269,238	(398)	268,840	7	(2)	5	1	-	1
Public Sector Entities	2,251	(22)	2,229	8	-	8	210	(2)	208
Factoring	115,267	(548)	114,719	-	-	-	510	(15)	495
	<u>2,921,035</u>	<u>(31,224)</u>	<u>2,889,811</u>	<u>191,145</u>	<u>(79,420)</u>	<u>111,725</u>	<u>19,386</u>	<u>(734)</u>	<u>18,652</u>
Retail									
Small Business	173,991	(3,406)	170,585	15,554	(12,614)	2,940	5,501	(648)	4,853
Consumer Loans	842,984	(10,934)	832,050	76,707	(43,647)	33,060	62,615	(7,016)	55,599
Mortgages	3,145,771	(7,747)	3,138,024	76,919	(21,992)	54,927	77,382	(4,884)	72,498
Credit Cards	161,248	(3,221)	158,027	39,606	(27,025)	12,581	17,464	(3,172)	14,292
Overdrafts	75,245	(921)	74,324	13,505	(9,764)	3,741	19,109	(1,273)	17,836
Flat Owners Associations	22,601	(295)	22,306	-	-	-	-	-	-
Other	6,922	-	6,922	-	-	-	-	-	-
	<u>4,428,762</u>	<u>(26,524)</u>	<u>4,402,238</u>	<u>222,291</u>	<u>(115,042)</u>	<u>107,249</u>	<u>182,071</u>	<u>(16,993)</u>	<u>165,078</u>
Securities									
FVTPL	28,182	-	28,182	-	-	-	-	-	-
AFS	1,663,951	-	1,663,951	574	(574)	-	-	-	-
HTM	539,178	-	539,178	-	-	-	-	-	-
	<u>2,231,311</u>	<u>-</u>	<u>2,231,311</u>	<u>574</u>	<u>(574)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

3. Financial risk management (continued)

31 December 2014 € '000	Neither past due nor impaired			Impaired (non-performing)			Past due but not impaired		
	Amortised cost	Impairment losses	Carrying amount	Amortised cost	Impairment losses	Carrying amount	Amortised cost	Impairment losses	Carrying amount
Banks	<u>610,871</u>	<u>(6)</u>	<u>610,865</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Sovereigns									
Municipalities	<u>146,603</u>	<u>(348)</u>	<u>146,255</u>	<u>37</u>	<u>-</u>	<u>37</u>	<u>338</u>	<u>(1)</u>	<u>337</u>
Corporate									
Large Corporates	1,108,045	(5,589)	1,102,456	22,863	(11,720)	11,143	-	-	-
Specialized 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	<u>138,833</u>	<u>(732)</u>	<u>138,101</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>134</u>	<u>(12)</u>	<u>122</u>
	<u>2,961,576</u>	<u>(31,095)</u>	<u>2,930,481</u>	<u>178,502</u>	<u>(76,898)</u>	<u>101,604</u>	<u>16,321</u>	<u>(679)</u>	<u>15,642</u>
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	<u>6,625</u>	<u>-</u>	<u>6,625</u>	<u>43</u>	<u>(1)</u>	<u>42</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>4,308,322</u>	<u>(26,439)</u>	<u>4,281,883</u>	<u>224,744</u>	<u>(112,924)</u>	<u>111,820</u>	<u>180,773</u>	<u>(16,643)</u>	<u>164,130</u>
Securities									
FVTPL	1,055	-	1,055	-	-	-	-	-	-
AFS	1,523,939	-	1,523,939	574	(574)	-	-	-	-
HTM	<u>533,456</u>	<u>-</u>	<u>533,456</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>2,058,450</u>	<u>-</u>	<u>2,058,450</u>	<u>574</u>	<u>(574)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

3. Financial risk management (continued)

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

€ '000	March 2015			December 2014		
	Amortised cost	Impairment losses	Carrying amount	Amortised cost	Impairment losses	Carrying amount
Sovereigns						
1 – 30 days	34	-	34	338	(1)	337
31 – 60 days	612	(2)	610	-	-	-
61 – 90 days	107	-	107	-	-	-
	<u>753</u>	<u>(2)</u>	<u>751</u>	<u>338</u>	<u>(1)</u>	<u>337</u>
Corporate						
1 – 30 days	19,177	(668)	18,509	9,901	(539)	9,362
31 – 60 days	95	(7)	88	6,418	(140)	6,278
61 – 90 days	114	(59)	55	2	-	2
	<u>19,386</u>	<u>(734)</u>	<u>18,652</u>	<u>16,321</u>	<u>(679)</u>	<u>15,642</u>
Retail						
1 – 30 days	127,006	(7,784)	119,222	122,766	(7,670)	115,096
31 – 60 days	29,787	(3,477)	26,310	29,072	(3,350)	25,722
61 – 90 days	18,342	(2,921)	15,421	19,217	(2,695)	16,522
91 – 180 days	6,664	(2,662)	4,002	9,428	(2,756)	6,672
Over 181 days	272	(149)	123	290	(172)	118
	<u>182,071</u>	<u>(16,993)</u>	<u>165,078</u>	<u>180,773</u>	<u>(16,643)</u>	<u>164,130</u>

3. Financial risk management (continued)

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: <ul style="list-style-type: none"> - the obligor is past due more than 90 days on any material credit obligation to the Bank, the parent undertaking or any of its subsidiaries; - the Bank considers that the obligor is unlikely to pay its credit obligations to the banking group in full, without recourse by the Bank to actions such as realizing security (if held).

For Specialized Lending which comprises of rating segments Special Purpose Vehicles ('SPV'), Projected Finance ('PF') and Real Estate Development ('RED') the Slotting approach is used by the Bank. Clients are assigned into five slotting categories based on the qualitative valuation and information about the default. Risk weights and expected loss used for the capital requirement calculation is also defined for each category. Categories are predefined by the Regulation (EU) no. 575/2013 of the European Parliament and of the Council ('CRR regulation') and internally, the categories used are as follows:

Specialized Lending – SPV, PF and RED

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

3. Financial risk management (continued)

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

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

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

31 March 2015 € '000	Internal rating	Amortised cost	Impairment losses	Carrying amount
Banks	Unrated	689,038	(7)	689,031
Sovereigns				
Municipalities	Unrated	146,659	(345)	146,314
		146,659	(345)	146,314
Corporate				
Large Corporates, SME	I1 - I6	812,657	(963)	811,694
	M1 - M4	706,931	(5,247)	701,684
	R1 - R5	316,255	(14,097)	302,158
	D (default)	75,924	(51,150)	24,774
Specialized Lending - SPV, PF and RED	Strong	119,503	(227)	119,276
	Good	278,886	(1,921)	276,965
	Satisfactory	329,879	(22,202)	307,677
	Weak	100,619	(14,412)	86,207
	D (default)	3,420	(172)	3,248
Other Financial Institutions, Public Sector Entities	Unrated - PPU approach *	271,715	(424)	271,291
Factoring	Unrated	115,777	(563)	115,214
		<u>3,131,566</u>	<u>(111,378)</u>	<u>3,020,188</u>

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

3. Financial risk management (continued)

31 March 2015 € '000	Internal rating	Amortised cost	Impairment losses	Carrying amount
Retail				
Small Business, Flat Owners Associations				
	I3 - I6	23,275	(43)	23,232
	M1 - M4	100,113	(1,009)	99,104
	R1 - R5	56,044	(2,621)	53,423
	D (default)	14,785	(12,862)	1,923
	Unrated	23,430	(428)	23,002
Mortgages				
	L1 - L4	2,423,972	(469)	2,423,503
	N1 - N3	539,444	(1,069)	538,375
	W1 - W3	272,779	(10,272)	262,507
	D (default)	63,877	(22,813)	41,064
Unsecured Retail				
	U1	250,789	(185)	250,604
	U2 - U3	161,926	(347)	161,579
	U4 - U5	168,282	(805)	167,477
	U6 - U7	113,883	(1,307)	112,576
	U8 - U10	107,486	(3,526)	103,960
	U11 - U12	68,705	(9,964)	58,741
	D (default)	64,616	(46,851)	17,765
	Unrated	372,796	(43,988)	328,808
Other				
	Unrated	6,922	-	6,922
		<u>4,833,124</u>	<u>(158,559)</u>	<u>4,674,565</u>
Securities				
	Unrated	<u>2,231,885</u>	<u>(574)</u>	<u>2,231,311</u>

3. Financial risk management (continued)

31 December 2014 € '000	Internal rating	Amortised cost	Impairment losses	Carrying amount
Banks	Unrated	610,871	(6)	610,865
Sovereigns				
Municipalities	Unrated	146,978	(349)	146,629
		146,978	(349)	146,629
Corporate				
Large Corporates, SME	I1 - I6	837,751	(990)	836,761
	M1 - M4	681,386	(5,459)	675,927
	R1 - R5	333,695	(14,266)	319,429
	D (default)	75,098	(52,925)	22,173
Specialized Lending - SPV, PF and RED	Strong	104,043	(211)	103,832
	Good	312,348	(2,145)	310,203
	Satisfactory	352,135	(22,342)	329,793
	Weak	70,769	(9,266)	61,503
	D (default)	3,464	(174)	3,290
Other Financial Institutions, Public Sector Entities	Unrated - PPU approach	246,743	(150)	246,593
Factoring	Unrated	138,967	(744)	138,223
		<u>3,156,399</u>	<u>(108,672)</u>	<u>3,047,727</u>
Retail				
Small Business, Flat Owners Associations	I3 - I6	23,136	(41)	23,095
	M1 - M4	96,520	(960)	95,560
	R1 - R5	54,744	(2,622)	52,122
	D (default)	12,893	(10,841)	2,052
	Unrated	23,238	(309)	22,929
Mortgages	L1 - L4	2,367,367	(420)	2,366,947
	N1 - N3	509,463	(1,008)	508,455
	W1 - W3	268,547	(10,601)	257,946
	D (default)	62,408	(21,755)	40,653
Unsecured Retail	U1	239,255	(180)	239,075
	U2 - U3	155,677	(332)	155,345
	U4 - U5	167,547	(801)	166,746
	U6 - U7	111,725	(1,276)	110,449
	U8 - U10	108,947	(3,512)	105,435
	U11 - U12	70,865	(10,118)	60,747
	D (default)	64,422	(46,610)	17,812
	Unrated	370,417	(44,619)	325,798
Other	Unrated	6,668	(1)	6,667
		<u>4,713,839</u>	<u>(156,006)</u>	<u>4,557,833</u>
Securities	Unrated	<u>2,059,024</u>	<u>(574)</u>	<u>2,058,450</u>

3. Financial risk management (continued)

(b) Market risk

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

Management of market risk

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

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

Exposure to market risk – trading portfolios

The principal tool used to measure and control market risk exposures within the Bank's trading portfolio is Value at Risk (VaR). Derivation of VaR is a stress VaR (sVaR), which represents maximal VaR of selected one year period generating the highest value of VaR during the last 5 years. The VaR of a trading portfolio is the estimated loss that will arise on the portfolio over a specified period of time (holding period) from an adverse market movement with a specified probability (confidence level). The VaR model used by the Bank is based upon a 99% confidence level and assumes a one-day holding period. The VaR and sVaR models used are based on historical simulation. Taking into account market data from the previous year and in case of sVaR one year scenario from 5 years history and observed relationships between different markets and prices, the models generate a wide range of plausible future scenarios for market price movements. The VaR model was approved by the NBS as a basis for the calculation of the capital charge for market risk of the trading book.

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

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

€ '000	March 2015				December 2014			
	Balance	Avg	Max	Min	Balance	Avg	Max	Min
Foreign currency risk	72	39	118	15	16	82	148	6
Interest rate risk	80	133	248	10	10	88	300	10
Overall	110	137	264	16	19	135	313	12
sVaR	116	256	849	66	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 recognized what might represent a difficult task when taking into account the growing number and diversity of positions in given portfolio.

3. Financial risk management (continued)

These limitations are recognized, by supplementing VaR limits with other position limit structures. In addition, the Bank uses a wide range of stress tests, to model the financial impact of a variety of exceptional market scenarios on the Bank's position. Furthermore, integrating the sVaR measure into the VaR concept adds to mitigation of the limitation of using historical series and possibly omitting scenarios of an extraordinary nature.

Exposure to interest rate risk

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

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

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

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

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

Models applied for the interest rate risk calculation

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

Contractual

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

Behavioural

These are items for which it is not exactly known when the maturity or next re-pricing will take place (e.g. current accounts). There are also some items where maturity or re-pricing period is known but it can be assumed that they will behave differently (e.g. prepayments can occur for mortgages and consumer loans). In this case, it is necessary to make certain assumptions to reflect the most probable behaviour of these items. The assumptions are based on a detailed analysis of the Bank's historical data and statistical models.

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

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

3. Financial risk management (continued)

At 31 March 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 € 11,280 thousand (31 December 2014: € 11,041 thousand).

At 31 March 2015, interest rate risk generated by the banking book, measured through shift sensitivity analysis to 100 basis points, registered € - 33,612 thousand (31 December 2014: € - 33,317 thousand).

€ '000	Mar 2015	Dec 2014
EUR	(34,691)	(34,353)
Other	1,079	1,036
	<u>(33,612)</u>	<u>(33,317)</u>

At 31 March 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 € - 5,788 thousand (31 December 2014: € - 6,735 thousand). At 31 March 2015, the sensitivity of CF hedges reserve in equity to 100 basis points rise in interest rates was € 3,760 thousand (31 December 2014: € 4,368 thousand).

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

	Mar 2015 %	Dec 2014 %
Assets		
Cash and balances with central banks	0.07	0.20
Due from banks	0.46	0.68
Financial assets at fair value through profit or loss	3.06	2.04
Available-for-sale financial assets	2.09	2.24
Loans and advances to customers	4.50	4.84
Held-to-maturity investments	4.33	4.33
Liabilities		
Due to central and other banks	0.61	0.54
Due to customers	0.53	0.63
Debt securities in issue	2.12	2.43

3. Financial risk management (continued)

Currency denominations of assets and liabilities

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

(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.

3. Financial risk management (continued)

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

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

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

31 March 2015
€ '000

Assets

	Less than 12 months	Over 12 months	Total
Cash and balances with central banks	236,843	-	236,843
Due from banks	585,255	103,776	689,031
Financial assets at fair value through profit or loss	672	27,510	28,182
Derivative financial instruments	15,548	39,142	54,690
Available-for-sale financial assets	571,193	1,092,758	1,663,951
Loans and advances to customers	2,005,058	5,836,009	7,841,067
Held-to-maturity investments	22,468	516,710	539,178
Subsidiaries, associates and joint ventures	-	95,566	95,566
Intangible assets	-	53,192	53,192
Property and equipment	-	97,043	97,043
Deferred income tax assets	-	35,880	35,880
Other assets	19,630	-	19,630
	<u>3,456,667</u>	<u>7,897,586</u>	<u>11,354,253</u>

Liabilities

Due to central and other banks	(47,494)	(121,963)	(169,457)
Derivative financial instruments	(11,181)	(54,981)	(66,162)
Due to customers	(7,920,361)	(322,430)	(8,242,791)
Debt securities in issue	(328,572)	(1,118,433)	(1,447,005)
Current income tax liabilities	(14,623)	-	(14,623)
Provisions	-	(24,699)	(24,699)
Other liabilities	(154,044)	(3,196)	(157,240)
	<u>(8,476,275)</u>	<u>(1,645,702)</u>	<u>(10,121,977)</u>
	<u>(5,019,608)</u>	<u>6,251,884</u>	<u>1,232,276</u>

3. Financial risk management (continued)

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
	<u>3,271,055</u>	<u>7,903,960</u>	<u>11,175,015</u>
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)
	<u>(8,083,078)</u>	<u>(1,804,934)</u>	<u>(9,888,012)</u>
	<u>(4,812,023)</u>	<u>6,099,026</u>	<u>1,287,003</u>

3. Financial risk management (continued)

(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 Standardized Approach ('TSA') for VUB Factoring.

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

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

Policies for hedging and mitigating risk

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

4. Estimated fair value of financial assets and liabilities

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

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

- Level 1: inputs represented by quoted prices (unadjusted) in active markets for identical assets or liabilities accessible by the Bank as at the measurement date;
- Level 2: inputs other than quoted prices included in Level 1 that are directly or indirectly observable for the assets or liabilities to be measured; and
- Level 3: inputs unobservable for the asset or liability.

The highest priority is attributed to effective market quotes (Level 1) for the valuation of assets and liabilities or for similar assets and liabilities measured using valuation techniques based on market-observable parameters other than financial instruments quotes (Level 2) and the lowest priority to unobservable inputs (Level 3). Following this hierarchy, where available, fair value estimates made by the Bank are based on quoted market prices. However, no readily available market prices exist for a significant portion of the Bank's financial instruments. In circumstances where the quoted market prices are not readily available, the fair value is estimated using discounted cash flow models or other pricing models as appropriate.

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

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

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

(a) Cash and balances with central banks

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

(b) Due from banks

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

(c) Loans and advances to customers

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

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

(d) Held-to-maturity investments

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

(e) Due to banks and customers

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

(f) Debt securities in issue

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

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

31 March 2015 € '000	Note	Carrying amount			Fair value			Total fair value
		At amortised cost	At fair value	Total carrying amount	Level 1	Level 2	Level 3	
Financial assets								
Cash and balances with central banks	7	236,843	-	236,843	-	236,843	-	236,843
Due from banks	8	689,031	-	689,031	-	689,454	-	689,454
Financial assets at fair value through profit or loss	9	-	28,182	28,182	5,924	22,258	-	28,182
Derivative financial instruments	10	-	54,690	54,690	-	54,690	-	54,690
Available-for-sale financial assets	11	-	1,663,951	1,663,951	583,431	1,080,520	-	1,663,951
Loans and advances to customers	12	7,841,067	-	7,841,067	-	-	9,596,305	9,596,305
Held-to-maturity investments	14	539,178	-	539,178	-	641,814	-	641,814
		<u>9,306,119</u>	<u>1,746,823</u>	<u>11,052,942</u>	<u>589,355</u>	<u>2,725,579</u>	<u>9,596,305</u>	<u>12,911,239</u>
Financial liabilities								
Due to central and other banks	20	(169,457)	-	(169,457)	-	(169,457)	-	(169,457)
Derivative financial instruments	10	-	(66,162)	(66,162)	-	(66,162)	-	(66,162)
Due to customers	21	(8,242,791)	-	(8,242,791)	-	(8,245,698)	-	(8,245,698)
Debt securities in issue	22	(1,447,005)	-	(1,447,005)	-	(1,556,122)	-	(1,556,122)
		<u>(9,859,253)</u>	<u>(66,162)</u>	<u>(9,925,415)</u>	<u>-</u>	<u>(10,037,439)</u>	<u>-</u>	<u>(10,037,439)</u>

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

31 December 2014 € '000	Note	Carrying amount			Fair value			Total fair value
		At amortised cost	At fair value	Total carrying amount	Level 1	Level 2	Level 3	
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
		<u>9,301,570</u>	<u>1,574,931</u>	<u>10,876,501</u>	<u>480,723</u>	<u>2,733,821</u>	<u>9,275,030</u>	<u>12,489,574</u>
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	<u>(1,469,465)</u>	<u>-</u>	<u>(1,469,465)</u>	<u>-</u>	<u>(1,540,516)</u>	<u>-</u>	<u>(1,540,516)</u>
		<u>(9,713,901)</u>	<u>(62,059)</u>	<u>(9,775,960)</u>	<u>-</u>	<u>(9,827,102)</u>	<u>-</u>	<u>(9,827,102)</u>

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

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.

5. Segment reporting (continued)

31 March 2015
€ '000

External revenue

Interest and similar income
Interest and similar expense

Inter-segment revenue

Net interest income

Net fee and commission income

Net trading result

Other operating income

Dividend income

Total segment operating income

Operating expenses

Operating profit before impairment

Impairment losses

Income tax expense

Net profit for 3 months

Segment assets

Segment liabilities and equity

	Retail Banking	Corporate Banking	Central Treasury	Other	Total
Interest and similar income	67,713	21,126	532	14,458	103,829
Interest and similar expense	(8,674)	(1,331)	(765)	(7,628)	(18,398)
Inter-segment revenue	(9,997)	(3,862)	479	13,380	-
Net interest income	49,042	15,933	246	20,210	85,431
Net fee and commission income	16,135	6,059	908	(1,109)	21,993
Net trading result	813	1,636	(2,307)	2,359	2,501
Other operating income	1,587	300	(9)	(1,178)	700
Dividend income	-	-	-	5,913	5,913
Total segment operating income	67,577	23,928	(1,162)	26,195	116,538
Operating expenses					(54,474)
Operating profit before impairment					62,064
Impairment losses	-	-	-	-	(14,384)
Income tax expense					(10,572)
Net profit for 3 months					37,108
Segment assets	4,633,580	3,241,665	319,588	3,159,420	11,354,253
Segment liabilities and equity	4,914,236	2,635,910	762,992	3,041,115	11,354,253

5. Segment reporting (continued)

	Retail Banking	Corporate Banking	Central Treasury	Other	Total
31 March 2014					
External revenue					
Interest and similar income	69,947	19,883	2,937	19,909	112,676
Interest and similar expense	(10,995)	(2,042)	(1,491)	(9,440)	(23,968)
Inter-segment revenue	(5,843)	(4,372)	(398)	10,613	-
Net interest income	53,109	13,469	1,048	21,082	88,708
Net fee and commission income	11,376	4,517	709	(961)	15,641
Net trading result	570	805	595	69	2,039
Other operating income	250	205	(9)	349	795
Dividend income	-	-	-	2,287	2,287
Total segment operating income	65,305	18,996	2,343	22,826	109,470
Operating expenses					(61,340)
Operating profit before impairment					48,130
Impairment losses					(11,360)
Income tax expense					(7,815)
Net profit for 3 months					<u>28,955</u>
Segment assets	4,209,535	2,995,356	1,103,523	2,763,530	11,071,944
Segment liabilities and equity	4,674,756	2,453,580	947,703	2,995,905	11,071,944

6. Cash and cash equivalents

€ '000	Note	Mar 2015	Dec 2014
Cash and balances with central banks	7	236,843	405,060
Current accounts in other banks	8	32,652	19,631
Term deposits with other banks	8	-	4,269
Loans and advances to other banks	8	19	-
		<u>269,514</u>	<u>428,960</u>

7. Cash and balances with central banks

€ '000	Mar 2015	Dec 2014
Balances with central banks:		
Compulsory minimum reserves	83,133	190,294
Current accounts	2	-
Term deposits	58,155	119,892
	<u>141,290</u>	<u>310,186</u>
Cash in hand	95,553	94,874
	<u>236,843</u>	<u>405,060</u>

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	Mar 2015	Dec 2014
Current accounts	6	32,652	19,631
Term deposits			
with contractual maturity less than 90 days	6	-	4,269
with contractual maturity over 90 days		20,063	20,066
Loans and advances			
with contractual maturity less than 90 days	6	19	-
with contractual maturity over 90 days		518,643	516,885
Cash collateral		117,661	50,020
Impairment losses	13	(7)	(6)
		<u>689,031</u>	<u>610,865</u>

At 31 March 2015 the balance of 'Term deposits' includes one deposit with Intesa Sanpaolo S.p.A. in the nominal amount of € 20,000 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).

8. Due from banks (continued)

At 31 March 2015 the balance of 'Loans and advances' comprises of two short term reverse repo trades concluded with Intesa Sanpaolo S.p.A. in the total nominal amount of € 499,719 thousand (31 December 2014: two repo trades in the total nominal amount of € 499,719 thousand). The repo trades are secured by state bonds and cash collateral.

9. Financial assets at fair value through profit or loss

€ '000	Mar 2015	Dec 2014
Financial assets held for trading		
State bonds		
with contractual maturity over 90 days	26,916	50
Bank bonds		
with contractual maturity over 90 days	436	380
Mutual funds	3	-
	<u>27,355</u>	<u>430</u>
Financial assets designated at fair value through profit or loss on initial recognition		
Equity shares	827	625
	<u>28,182</u>	<u>1,055</u>

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 March 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	Mar 2015 Assets	Dec 2014 Assets	Mar 2015 Liabilities	Dec 2014 Liabilities
Trading derivatives	28,088	29,576	22,646	18,160
Cash flow hedges of interest rate risk	-	-	1,525	1,134
Fair value hedges of interest rate and inflation risk	26,602	20,361	41,991	42,765
	<u>54,690</u>	<u>49,937</u>	<u>66,162</u>	<u>62,059</u>

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 March 2015, the negative fair value of this derivative was € 1,400 thousand (31 December 2014: € 1,627 thousand).

10. Derivative financial instruments (continued)

€ '000	Mar 2015 Assets	Dec 2014 Assets	Mar 2015 Liabilities	Dec 2014 Liabilities
Trading derivatives – Fair values				
Interest rate instruments				
Swaps	6,899	6,826	5,880	5,504
Options	1,820	1,674	1,855	1,711
	<u>8,719</u>	<u>8,500</u>	<u>7,735</u>	<u>7,215</u>
Foreign currency instruments				
Forwards and swaps	13,804	16,625	7,819	4,790
Cross currency swaps	-	-	1,400	1,627
Options	1,700	1,407	1,860	1,508
	<u>15,504</u>	<u>18,032</u>	<u>11,079</u>	<u>7,925</u>
Equity and commodity instruments				
Equity options	3,398	3,044	3,395	3,020
Commodity swaps	467	-	437	-
	<u>3,865</u>	<u>3,044</u>	<u>3,832</u>	<u>3,020</u>
	<u>28,088</u>	<u>29,576</u>	<u>22,646</u>	<u>18,160</u>
€ '000	Mar 2015 Assets	Dec 2014 Assets	Mar 2015 Liabilities	Dec 2014 Liabilities
Trading derivatives – Notional values				
Interest rate instruments				
Swaps	415,321	418,784	415,321	418,784
Options	178,528	169,598	178,528	169,598
	<u>593,849</u>	<u>588,382</u>	<u>593,849</u>	<u>588,382</u>
Foreign currency instruments				
Forwards and swaps	819,815	426,957	812,078	414,849
Cross currency swaps	29,056	28,844	30,449	30,449
Options	153,609	68,644	154,463	68,606
	<u>1,002,480</u>	<u>524,445</u>	<u>996,990</u>	<u>513,904</u>
Equity and commodity instruments				
Equity options	23,398	23,398	23,402	23,402
Commodity swaps	4,164	-	4,125	-
	<u>27,562</u>	<u>23,398</u>	<u>27,527</u>	<u>23,402</u>
	<u>1,623,891</u>	<u>1,136,225</u>	<u>1,618,366</u>	<u>1,125,688</u>

10. Derivative financial instruments (continued)

Cash flow hedges of interest rate risk

At 31 March 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.

Fair value hedges of interest rate and inflation risk

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

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

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

11. Available-for-sale financial assets

€ '000	Note	Share Mar 2015	Share Dec 2014	Mar 2015	Dec 2014
State bonds				1,453,870	1,314,245
Bank bonds				210,033	209,646
Equity shares at cost					
RVS, a.s.		8.38%	8.38%	574	574
S.W.I.F.T.		0.01%	0.01%	48	48
Impairment losses to equity shares at cost	13			(574)	(574)
				<u>1,663,951</u>	<u>1,523,939</u>

At 31 March 2015, bonds in the total nominal amount of € 830,261 thousand from available-for-sale portfolio were pledged by the Bank to secure collateralized transactions (31 December 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.

12. Loans and advances to customers

31 March 2015 € '000	Amortised cost	Impairment losses (note 13)	Carrying amount
Sovereigns			
Municipalities	146,659	(345)	146,314
Corporate			
Large Corporates	1,049,095	(17,310)	1,031,785
Specialized Lending	832,307	(38,934)	793,373
Small and Medium Enterprises ('SME')	862,672	(54,147)	808,525
Other Financial Institutions	269,246	(400)	268,846
Public Sector Entities	2,469	(24)	2,445
Factoring	115,777	(563)	115,214
	<u>3,131,566</u>	<u>(111,378)</u>	<u>3,020,188</u>
Retail			
Small Business	195,046	(16,668)	178,378
Consumer Loans	982,306	(61,597)	920,709
Mortgages	3,300,072	(34,623)	3,265,449
Credit Cards	218,318	(33,418)	184,900
Overdrafts	107,859	(11,958)	95,901
Flat Owners Associations	22,601	(295)	22,306
Other	6,922	-	6,922
	<u>4,833,124</u>	<u>(158,559)</u>	<u>4,674,565</u>
	<u>8,111,349</u>	<u>(270,282)</u>	<u>7,841,067</u>
31 December 2014 € '000	Amortised cost	Impairment losses (note 13)	Carrying amount
Sovereigns			
Municipalities	146,978	(349)	146,629
Corporate			
Large Corporates	1,130,908	(17,309)	1,113,599
Specialized Lending	842,759	(34,138)	808,621
Small and Medium Enterprises ('SME')	797,022	(56,331)	740,691
Other Financial Institutions	245,089	(117)	244,972
Public Sector Entities	1,654	(33)	1,621
Factoring	138,967	(744)	138,223
	<u>3,156,399</u>	<u>(108,672)</u>	<u>3,047,727</u>
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
	<u>4,713,839</u>	<u>(156,006)</u>	<u>4,557,833</u>
	<u>8,017,216</u>	<u>(265,027)</u>	<u>7,752,189</u>

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 Mar 2015
Due from banks	8	6	1	-	-	-	-	7
Available-for-sale financial assets	11	574	-	-	-	-	-	574
Loans and advances to customers	12	265,027	48,108	(33,201)	(8,073)	163	(1,742)	270,282
Subsidiaries, associates and JVs	15	37,914	-	-	-	-	-	37,914
Property and equipment	17	10,500	-	-	-	-	-	10,500
Other assets	19	1,614	339	(355)	-	1	-	1,599
		<u>315,635</u>	<u>48,448</u>	<u>(33,556)</u>	<u>(8,073)</u>	<u>164</u>	<u>(1,742)</u>	<u>320,876</u>

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

14. Held-to-maturity investments

€ '000	Mar 2015	Dec 2014
State bonds	539,178	533,456
	<u>539,178</u>	<u>533,456</u>

At 31 March 2015, state bonds in the total nominal amount of € 39,046 thousand (31 December 2014: € 39,023 thousand) were pledged by the Bank to secure collateralized transactions. All of these state bonds pledged represented the substitute cover to mortgage bonds issued and were pledged in accordance with the requirements of the Act No. 530/1990 Collection on Bonds.

15. Subsidiaries, associates and joint ventures

All entities are incorporated in the Slovak Republic.

€ '000	Share %	Cost	Impairment losses (note 13)	Carrying amount
At 31 March 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
		<u>133,480</u>	<u>(37,914)</u>	<u>95,566</u>
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
		<u>133,480</u>	<u>(37,914)</u>	<u>95,566</u>

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	-	97	934	1,031
Transfers	2,248	102	(2,350)	-
FX differences	2	-	-	2
At 31 March 2015	<u>194,926</u>	<u>9,779</u>	<u>9,309</u>	<u>214,014</u>
Accumulated amortisation				
At 1 January 2015	(149,761)	(8,188)	-	(157,949)
Amortisation for the period	(2,770)	(101)	-	(2,871)
FX differences	(2)	-	-	(2)
At 31 March 2015	<u>(152,533)</u>	<u>(8,289)</u>	<u>-</u>	<u>(160,822)</u>
Carrying amount				
At 1 January 2015	<u>42,915</u>	<u>1,392</u>	<u>10,725</u>	<u>55,032</u>
At 31 March 2015	<u>42,393</u>	<u>1,490</u>	<u>9,309</u>	<u>53,192</u>

17. Property and equipment

€ '000	Note	Buildings and land	Equipment	Other tangibles	Assets in progress	Total
Cost						
At 1 January 2015		199,222	68,434	30,097	3,397	301,150
Additions		-	-	49	10	59
Disposals		(51)	(71)	(33)	(102)	(257)
Transfers		53	1,531	17	(1,601)	-
FX differences		1	1	1	-	3
At 31 March 2015		199,225	69,895	30,131	1,704	300,955
Accumulated depreciation						
At 1 January 2015		(101,495)	(60,339)	(28,775)	-	(190,609)
Depreciation for the period		(1,452)	(1,326)	(128)	-	(2,906)
Disposals		2	70	33	-	105
FX differences		(1)	(1)	-	-	(2)
At 31 March 2015		(102,946)	(61,596)	(28,870)	-	(193,412)
Impairment losses						
At 1 January 2015	13	(10,500)	-	-	-	(10,500)
At 31 March 2015		(10,500)	-	-	-	(10,500)
Carrying amount						
At 1 January 2015		87,227	8,095	1,322	3,397	100,041
At 31 March 2015		85,779	8,299	1,261	1,704	97,043

18. Current and deferred income taxes

€ '000	Mar 2015	Dec 2014
Deferred income tax assets	35,880	34,685
	Mar 2015	Dec 2014
Current income tax liabilities	14,623	8,240

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

€ '000	Mar 2015	Profit/ (loss) (note 34)	Equity	Dec 2014
Due from banks	1	-	-	1
Derivative financial instruments designated as cash flow hedges	335	-	85	250
Available-for-sale financial assets	(8,206)	-	539	(8,745)
Loans and advances to customers	44,291	417	-	43,874
Property and equipment	(4,404)	(96)	-	(4,308)
Provisions	100	(29)	-	129
Other liabilities	3,694	167	-	3,527
Other	69	112	-	(43)
Deferred income tax assets	35,880	571	624	34,685

19. Other assets

€ '000	Note	Mar 2015	Dec 2014
Operating receivables and advances		14,470	7,015
Prepayments and accrued income		4,304	5,646
Other tax receivables		1,603	1,591
Inventories		843	543
Settlement of operations with financial instruments		7	7
Receivables from trading with securities		2	2
Impairment losses	13	21,229 (1,599)	14,804 (1,614)
		19,630	13,190

20. Due to central and other banks

€ '000	Mar 2015	Dec 2014
Due to central banks		
Current accounts	1,695	5,572
	<u>1,695</u>	<u>5,572</u>
Due to other banks		
Current accounts	11,827	13,415
Term deposits	2,172	204,924
Loans received	146,516	151,306
Cash collateral received	7,247	4,821
	<u>167,762</u>	<u>374,466</u>
	<u>169,457</u>	<u>380,038</u>

21. Due to customers

€ '000	Mar 2015	Dec 2014
Current accounts	4,476,761	4,195,351
Term deposits	3,124,921	3,077,205
Savings accounts	206,582	207,045
Government and municipal deposits	296,613	306,172
Other deposits	137,914	78,625
	<u>8,242,791</u>	<u>7,864,398</u>

22. Debt securities in issue

€ '000	Mar 2015	Dec 2014
Bonds	58	58
Mortgage bonds	953,937	999,543
Mortgage bonds subject to cash flow hedges	125,373	126,071
Mortgage bonds subject to fair value hedges	341,239	324,037
	<u>1,420,549</u>	<u>1,449,651</u>
Revaluation of fair value hedged mortgage bonds	25,401	18,593
Amortisation of revaluation related to terminated fair value hedges	997	1,163
	<u>1,447,005</u>	<u>1,469,465</u>

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

22. Debt securities in issue (continued)

Name	Interest rate (%)	CCY	Number of mortgage bonds issued at 31 Mar 2015	Nominal value in CCY per piece	Issue date	Maturity date	Mar 2015 € '000	Dec 2014 € '000
Mortgage bonds VÚB, a.s. XVII.	0.15	EUR	1,678	33,194	28.11.2005	28.11.2015	55,707	55,709
Mortgage bonds VÚB, a.s. XX.	4.30	EUR	50	331,939	9.3.2006	9.3.2021	16,641	17,176
Mortgage bonds VÚB, a.s. XXX.	5.00	EUR	1,000	33,194	5.9.2007	5.9.2032	33,822	33,401
Mortgage bonds VÚB, a.s. XXXI.	4.90	EUR	600	33,194	29.11.2007	29.11.2037	19,928	19,680
Mortgage bonds VÚB, a.s. 32.	1.91	CZK	800	1,000,000	17.12.2007	17.12.2017	30,210	29,944
Mortgage bonds VÚB, a.s. 35.	4.40	EUR	630	33,194	19.3.2008	19.3.2016	20,860	21,528
Mortgage bonds VÚB, a.s. 36.	4.75	EUR	560	33,194	31.3.2008	31.3.2020	18,343	18,993
Mortgage bonds VÚB, a.s. 39.	0.71	EUR	60	1,000,000	26.6.2008	26.6.2015	60,006	60,006
Mortgage bonds VÚB, a.s. 40.	0.78	EUR	70	1,000,000	28.8.2008	28.8.2015	70,047	70,053
Mortgage bonds VÚB, a.s. 43.	5.10	EUR	500	33,194	26.9.2008	26.9.2025	16,012	15,776
Mortgage bonds VÚB, a.s. 46.	4.61	EUR	49	1,000,000	19.5.2009	19.5.2016	50,958	50,393
Mortgage bonds VÚB, a.s. 53.	0.80	EUR	100	1,000,000	8.4.2010	8.4.2017	100,184	100,187
Mortgage bonds VÚB, a.s. 55.	2.85	EUR	14,000	1,000	1.10.2010	1.10.2015	14,200	14,100
Mortgage bonds VÚB, a.s. 57.	1.40	EUR	100	1,000,000	30.9.2010	30.9.2018	100,004	100,377
Mortgage bonds VÚB, a.s. 58.	1.98	EUR	80	1,000,000	10.12.2010	10.12.2019	80,488	80,092
Mortgage bonds VÚB, a.s. 59.	3.00	EUR	-	1,000	1.3.2011	1.3.2015	-	25,625
Mortgage bonds VÚB, a.s. 61.	1.08	EUR	467	10,000	7.6.2011	7.6.2015	4,685	4,671
Mortgage bonds VÚB, a.s. 62.	2.13	EUR	100	1,000,000	28.7.2011	28.7.2018	100,372	100,977
Mortgage bonds VÚB, a.s. 63.	3.75	EUR	35,000	1,000	16.9.2011	16.3.2016	35,711	35,383
Mortgage bonds VÚB, a.s. 64.	3.25	CZK	7,000	100,000	26.9.2011	26.9.2016	25,819	25,421
Mortgage bonds VÚB, a.s. 67.	5.35	EUR	300	50,000	29.11.2011	29.11.2030	15,272	15,071
Mortgage bonds VÚB, a.s. 68.	4.00	EUR	35,000	1,000	16.1.2012	16.7.2015	35,292	36,342
Mortgage bonds VÚB, a.s. 69.	4.50	EUR	1,000	20,000	6.2.2012	6.2.2016	20,170	20,404
Mortgage bonds VÚB, a.s. 70.	3.75	EUR	400	100,000	7.3.2012	7.3.2017	40,065	41,185

(Table continues on the next page)

22. Debt securities in issue (continued)

Name	Interest rate (%)	CCY	Number of mortgage bonds issued at 31 Mar 2015	Nominal value in CCY per piece	Issue date	Maturity date	Mar 2015 € '000	Dec 2014 € '000
Mortgage bonds VÚB, a.s. 71.	3.90	EUR	750	20,000	2.5.2012	2.5.2017	15,403	15,276
Mortgage bonds VÚB, a.s. 72.	4.70	EUR	250	100,000	21.6.2012	21.6.2027	25,711	25,413
Mortgage bonds VÚB, a.s. 73.	4.20	EUR	500	100,000	11.7.2012	11.7.2022	51,201	50,666
Mortgage bonds VÚB, a.s. 74.	3.35	EUR	700	100,000	16.1.2013	15.12.2023	70,080	71,827
Mortgage bonds VÚB, a.s. 75.	2.00	EUR	300	100,000	5.4.2013	5.4.2019	30,634	30,486
Mortgage bonds VÚB, a.s. 76.	2.40	EUR	309	10,000	22.4.2013	22.4.2018	3,161	3,143
Mortgage bonds VÚB, a.s. 77.	1.80	CZK	5,000	100,000	20.6.2013	20.6.2018	18,360	18,141
Mortgage bonds VÚB, a.s. 78.	2.16	EUR	905	10,000	3.3.2014	3.3.2020	9,100	9,248
Mortgage bonds VÚB, a.s. 79.	2.00	EUR	10,000	1,000	24.3.2014	24.9.2020	10,004	10,154
Mortgage bonds VÚB, a.s. 80.	1.85	EUR	31	1,000,000	27.3.2014	27.3.2021	31,500	31,951
Mortgage bonds VÚB, a.s. 81.	2.55	EUR	38	1,000,000	27.3.2014	27.3.2024	39,189	39,949
Mortgage bonds VÚB, a.s. 82.	1.65	EUR	1,701	1,000	16.6.2014	16.12.2020	1,723	1,716
Mortgage bonds VÚB, a.s. 83.	0.90	EUR	500	100,000	28.7.2014	28.7.2019	50,021	49,893
Mortgage bonds VÚB, a.s. 84.	0.60	EUR	500	100,000	29.9.2014	30.9.2019	49,943	49,856
Mortgage bonds VÚB, a.s. 85.	2.25	EUR	500	100,000	14.11.2014	14.11.2029	49,723	49,438
							<u>1,420,549</u>	<u>1,449,651</u>

23. Provisions

€ '000	Mar 2015	Dec 2014
Litigation	24,238	27,017
Restructuring provision	455	588
Other provisions	6	3
	<u>24,699</u>	<u>27,608</u>

The movements in provisions were as follows:

€ '000	Note	1 Jan 2015	Creation	Reversal	Use	31 Mar 2015
Litigation	26, 32	27,017	718	(2,487)	(1,010)	24,238
Restructuring provision	31	588	-	-	(133)	455
Other provisions	32	3	3	-	-	6
		<u>27,608</u>	<u>721</u>	<u>(2,487)</u>	<u>(1,143)</u>	<u>24,699</u>

24. Other liabilities

€ '000	Mar 2015	Dec 2014
Settlement with shareholders	90,666	1,187
Settlement with employees	20,577	19,173
Various creditors	19,352	28,622
Financial guarantees and commitments	16,104	16,552
Accruals and deferred income	5,005	3,724
Severance and Jubilee benefits	3,196	3,196
VAT payable and other tax payables	1,248	2,869
Share remuneration scheme	827	625
Investment certificates	254	254
Settlement with securities	11	2
	<u>157,240</u>	<u>76,204</u>

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

€ '000	Note	1 Jan 2015	Creation/ (Reversal)	FX diff	31 Mar 2015
Financial guarantees and commitments	33	16,552	(490)	42	16,104
Severance and Jubilee benefits		3,196	-	-	3,196
		<u>19,748</u>	<u>(490)</u>	<u>42</u>	<u>19,300</u>

25. Equity

€ '000	Mar 2015	Dec 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
	<u>430,819</u>	<u>430,819</u>
Share premium	13,636	13,636
Treasury shares	(84)	-
Reserves	115,846	118,045
Retained earnings (excluding net profit for the period)	634,951	612,846
	<u>1,195,168</u>	<u>1,175,346</u>

	Mar 2015	Mar 2014
Net profit for 3 months attributable to shareholders in € '000	37,108	28,955
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
	<u>430,819,064</u>	<u>430,819,064</u>
Divided by the value of one ordinary share of € 33.2		
The weighted average number of ordinary shares of € 33.2 each	<u>12,976,478</u>	<u>12,976,478</u>
Basic and diluted earnings per € 33.2 share in €	<u>2.86</u>	<u>2.23</u>

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:

	Mar 2015	Dec 2014
Intesa Sanpaolo Holding International S.A.	97.02%	97.02%
Domestic shareholders	2.22%	2.21%
Foreign shareholders	0.76%	0.77%
	<u>100.00%</u>	<u>100.00%</u>

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

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

25. Equity (continued)

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

€ '000	Mar 2015	Dec 2014
Tier 1 capital		
Share capital	430,819	430,819
Share premium	13,636	13,636
Retained earnings without net profit for the period	634,951	612,846
Other reserves	87,493	87,493
Treasury shares	(84)	-
Revaluation of available-for-sale financial assets	36,449	(1,566)
Fair value gains and losses arising from the Bank's own credit risk related to derivative liabilities	(762)	(567)
Less intangible assets	(53,192)	(55,032)
Less IRB shortfall of credit risk adjustments to expected losses	(2,582)	-
	<u>1,146,728</u>	<u>1,087,629</u>
Tier 2 capital		
IRB excess of provisions over expected losses eligible	8,287	2,189
	<u>1,155,015</u>	<u>1,089,818</u>
Total regulatory capital		
	<u>1,155,015</u>	<u>1,089,818</u>
	<u>1,155,015</u>	<u>1,089,818</u>
Total Risk Weighted Assets	<u>7,308,587</u>	<u>6,959,463</u>
	<u>7,308,587</u>	<u>6,959,463</u>
Tier 1 capital ratio	15.69%	15.63%
Total capital ratio	15.80%	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 March 2015 and 31 December 2014.

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

26. Financial commitments and contingencies

€ '000	Mar 2015	Dec 2014
Issued guarantees	839,711	733,162
Commitments and undrawn credit facilities	2,593,831	2,494,296
	<u>3,433,542</u>	<u>3,227,458</u>

(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 March 2015 and 31 December 2014 was as follows:

€ '000	Mar 2015	Dec 2014
Up to 1 year	1,198	1,245
1 to 5 years	1,288	1,472
Over 5 years	-	-
	<u>2,486</u>	<u>2,717</u>

(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 March 2015. Pursuant to this review, management has recorded total provisions of € 24,238 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 € 6,795 thousand, as at 31 March 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	Mar 2015	Mar 2014
Interest and similar income		
Due from banks	973	1,591
Loans and advances to customers	89,114	92,856
Bonds, treasury bills and other securities:		
Financial assets at fair value through profit or loss	174	944
Available-for-sale financial assets	7,846	9,266
Held-to-maturity investments	5,722	8,019
	<u>103,829</u>	<u>112,676</u>
Interest and similar expense		
Due to banks	(348)	(514)
Due to customers	(10,423)	(13,935)
Debt securities in issue	(7,627)	(9,519)
	<u>(18,398)</u>	<u>(23,968)</u>
	<u>85,431</u>	<u>88,708</u>

28. Net fee and commission income

€ '000	Mar 2015	Mar 2014
Fee and commission income		
Received from banks	2,271	2,083
Received from customers:		
Current accounts	13,220	11,568
Loans and guarantees	7,826	6,275
Transactions and payments	5,061	5,312
Securities	2,655	1,411
Insurance mediation	2,339	2,182
Overdrafts	849	896
Securities - Custody fee	342	268
Term deposits	138	184
Other	974	431
	<u>35,675</u>	<u>30,610</u>
Fee and commission expense		
Paid to banks	(3,735)	(3,637)
Paid to mediators:		
Credit cards	(8,732)	(9,996)
Securities	(80)	(90)
Services	(947)	(1,065)
Other	(188)	(181)
	<u>(13,682)</u>	<u>(14,969)</u>
	<u>21,993</u>	<u>15,641</u>

29. Net trading result

€ '000	Mar 2015	Mar 2014
Foreign currency derivatives and transactions	(300)	898
Customer FX margins	1,288	1,053
Cross currency swaps	226	(7)
Equity derivatives	(22)	-
Other derivatives	34	-
Interest rate derivatives *	6,758	1,392
Securities:		
Financial assets at fair value through profit or loss		
Held for trading	354	(267)
Designated at fair value through profit or loss on initial recognition	202	228
Available-for-sale financial assets *	769	3,618
Debt securities in issue *	(6,808)	(4,876)
	<u>2,501</u>	<u>2,039</u>

* 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	Mar 2015	Mar 2014
Services	302	209
Rent	224	303
Financial revenues	8	6
Net profit from sale of fixed assets	1	1
Other	165	276
	<u>700</u>	<u>795</u>

31. Salaries and employee benefits

€ '000	Note	Mar 2015	Mar 2014
Remuneration		(17,640)	(17,274)
Social security costs		(6,654)	(6,584)
Social fund		(383)	(210)
Retention program		-	(47)
Restructuring provision	23	133	15
		<u>(24,544)</u>	<u>(24,100)</u>

At 31 March 2015, the total number of employees of the Bank was 3,510 (31 December 2014: 3,508). The average number of employees of the Bank during the period ended 31 March 2015 was 3,504 (31 March 2014: 3,489).

31. Salaries and employee benefits (continued)

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

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

€ '000	Note	Mar 2015	Mar 2014
IT systems maintenance		(4,867)	(4,377)
Property related expenses		(4,238)	(4,509)
Post and telecom		(2,475)	(2,627)
Advertising and marketing		(1,654)	(1,697)
Equipment related expenses		(1,417)	(1,304)
Litigations paid		(1,145)	(99)
Stationery		(1,100)	(855)
Security		(940)	(800)
Third parties' services		(377)	(252)
Professional services		(362)	(187)
Contribution to the Deposit Protection Fund *		(347)	(2,304)
Insurance		(328)	(321)
Training		(175)	(156)
Travelling		(162)	(177)
Audit **		(114)	(131)
Transport		(101)	(107)
Other damages		(94)	(78)
VAT and other taxes		(62)	(160)
Other provisions	23	(3)	-
Provisions for litigation	23	2,779	(223)
Other operating expenses		(2,089)	(1,037)
		<u>(19,271)</u>	<u>(21,401)</u>

* 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 March 2015 the audit expense consists of fees for the statutory audit in the amount of € 57 thousand (31 March 2014: € 58 thousand) and for the group reporting in the amount of € 57 thousand (31 March 2014: € 58 thousand). Expenses related to other audit (primarily security audit) were nil as at 31 March 2015 (31 March 2014: € 15 thousand).

At 31 March 2015 and 31 March 2014, the special levy recognized by the Bank was as follows:

€ '000	Mar 2015	Mar 2014
Special levy of selected financial institutions	<u>(4,882)</u>	<u>(9,887)</u>

Commencing 1 January 2012, banks operating in the Slovak Republic are subject to a special levy of selected financial institutions, originally set to 0.4% p.a. of selected liabilities with the extension of the basis for calculation by deposits subject to a protection based on the special regulation from 1 September 2012. The levy is recognized in the statement of profit or loss and other comprehensive income on an accrual basis and is payable at the beginning of each quarter.

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

33. Impairment losses

€ '000	Note	Mar 2015	Mar 2014
Creation of impairment losses	13	(48,448)	(38,779)
Reversal of impairment losses	13	33,556	27,736
Net creation of impairment losses		<u>(14,892)</u>	<u>(11,043)</u>
Creation of liabilities – financial guarantees and commitments		(4,657)	(6,615)
Reversal of liabilities – financial guarantees and commitments		5,147	4,912
Net reversal/(creation) of liabilities – financial guarantees and commitments	24	490	(1,703)
Nominal value of assets written-off/sold		(10,414)	(9,002)
Release of impairment losses to assets written-off/sold	13	8,073	7,230
		<u>(2,341)</u>	<u>(1,772)</u>
Proceeds from assets written-off		1,743	1,779
Proceeds from assets sold		616	1,379
		<u>2,359</u>	<u>3,158</u>
		<u>(14,384)</u>	<u>(11,360)</u>

34. Income tax expense

€ '000	Note	Mar 2015	Mar 2014
Current income tax		(11,143)	(7,896)
Deferred income tax	18	571	81
		<u>(10,572)</u>	<u>(7,815)</u>

35. Other comprehensive income

€ '000	Mar 2015	Mar 2014
Exchange differences on translating foreign operation	(2)	-
Available-for-sale financial assets:		
Revaluation (losses)/gains arising during the period	(2,369)	2,872
Reclassification adjustment for profit on sale of AFS bonds included in the profit or loss	(77)	-
	<u>(2,446)</u>	<u>2,872</u>
Cash flow hedges:		
Revaluation (losses)/gains arising during the period	(389)	442
Total other comprehensive income	(2,837)	3,314
Income tax relating to components of other comprehensive income *	624	(729)
Other comprehensive income for 3 months	<u>(2,213)</u>	<u>2,585</u>

* 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	March 2015			March 2014		
	Before tax amount	Tax benefit	Net of tax amount	Before tax amount	Tax expense	Net of tax amount
Exchange differences on translating foreign operations	(2)	-	(2)	-	-	-
Available-for-sale financial assets	(2,446)	539	(1,907)	2,872	(632)	2,240
Net movement on cash flow hedges	(389)	85	(304)	442	(97)	345
	<u>(2,837)</u>	<u>624</u>	<u>(2,213)</u>	<u>3,314</u>	<u>(729)</u>	<u>2,585</u>

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.

37. Related parties (continued)

At 31 March 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	-	-	-	-	618,857	2,041	620,898
Derivative financial instruments	-	-	-	-	-	5,665	5,665
Loans and advances to customers	363	181,460	-	-	-	-	181,823
Financial assets at fair value through profit or loss	-	-	-	-	827	-	827
Other assets	-	1,560	2,280	4,166	-	-	8,006
	<u>363</u>	<u>183,020</u>	<u>2,280</u>	<u>4,166</u>	<u>619,684</u>	<u>7,706</u>	<u>817,219</u>
Liabilities							
Due to central and other banks	-	-	-	-	23,245	9,019	32,264
Derivative financial instruments	-	-	-	-	-	4,571	4,571
Due to customers	2,525	272	-	7,438	-	117	10,352
Debt securities in issue							
Mortgage bonds	-	-	651	-	-	562,061	562,712
Other liabilities	827	4,245	-	12	-	4	5,088
	<u>3,352</u>	<u>4,517</u>	<u>651</u>	<u>7,450</u>	<u>23,245</u>	<u>575,772</u>	<u>614,987</u>
Commitments and undrawn credit facilities							
	-	33,710	-	-	-	-	33,710
Issued guarantees							
	-	-	-	-	-	15,274	15,274
Received guarantees							
	-	-	-	-	135,800	54,047	189,847
Derivative transactions (notional amount – receivable)							
	-	-	-	-	-	244,544	244,544
Derivative transactions (notional amount – payable)							
	-	-	-	-	-	188,090	188,090

37. Related parties (continued)

€ '000	KMP *	Subsidiaries	Joint ventures	Associates	Intesa Sanpaolo	Intesa Sanpaolo group companies	Total
Income and expense items							
Interest and similar income	2	615	-	-	818	1	1,436
Interest and similar expense	(5)	11	(2)	-	(20)	(2,334)	(2,350)
Fee and commission income	-	25	-	2,545	-	-	2,570
Fee and commission expense	-	(7,234)	-	(6)	(1)	(1,614)	(8,855)
Net trading result	-	-	-	-	202	-	202
Dividend income	-	1,371	2,280	2,262	-	-	5,913
Other operating income	-	287	28	95	98	6	514
Other operating expenses	-	(308)	-	-	-	(375)	(683)
	<u>(3)</u>	<u>(5,233)</u>	<u>2,306</u>	<u>4,896</u>	<u>1,097</u>	<u>(4,316)</u>	<u>(1,253)</u>

* Key management personnel

37. Related parties (continued)

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
	<u>448</u>	<u>162,288</u>	<u>5</u>	<u>788</u>	<u>549,863</u>	<u>10,181</u>	<u>723,573</u>
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	-	-	647	-	-	562,086	562,733
Mortgage bonds	-	-	-	-	-	491	491
Other liabilities	625	4,309	-	10	-	-	5,435
	<u>3,681</u>	<u>9,535</u>	<u>647</u>	<u>1,329</u>	<u>111,399</u>	<u>576,146</u>	<u>702,737</u>
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

37. Related parties (continued)

For the period ended 31 March 2014, the outstanding balances with related parties comprised:

€ '000	KMP	Subsidiaries	Joint ventures	Associates	Intesa Sanpaolo	Intesa Sanpaolo group companies	Total
Income and expense items							
Interest and similar income	4	836	-	-	1,058	402	2,300
Interest and similar expense	(11)	3	(3)	(1)	(6)	(3,595)	(3,613)
Fee and commission income	1	21	-	1,379	-	1	1,402
Fee and commission expense	-	(7,912)	-	-	(1)	(1,788)	(9,701)
Net trading result	-	-	-	-	1,112	(1,034)	78
Dividend income	-	843	1,140	304	-	-	2,287
Other operating income	-	228	30	56	51	8	373
Other operating expenses	-	(334)	-	-	-	(184)	(518)
	<u>(6)</u>	<u>(6,315)</u>	<u>1,167</u>	<u>1,738</u>	<u>2,214</u>	<u>(6,190)</u>	<u>(7,392)</u>

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	<u>22,119</u>
	<u>111,657</u>

39. Events after the end of the reporting period

From 31 March 2015, up to the date when these financial statements were authorized for issue, there were no further events identified that would require adjustments to or disclosure in these financial statements.