



**Interim separate financial statements
for 9 months ended 30 September 2011**

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

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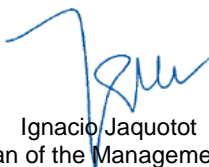
Statement of financial position at 30 September 2011

(In thousands of euro)

	Note	Sep 2011	Dec 2010
Assets			
Cash and balances with central banks	4	294,636	179,064
Due from banks	5	672,472	108,598
Financial assets held for trading	6	280,115	249,973
Derivative financial instruments	7	70,276	45,205
Available-for-sale financial assets	8	1,504,588	1,615,823
Non-current assets held for sale	14	46	3,374
Loans and advances to customers	9	6,653,327	6,141,301
Held-to-maturity investments	11	1,125,507	1,788,263
Subsidiaries, associates and jointly controlled entities	12	111,941	113,810
Intangible assets	13	29,311	30,639
Property and equipment	14	134,386	142,801
Current income tax assets	19	6,738	6,882
Deferred income tax assets	19	58,126	56,210
Other assets	15	21,739	12,991
		<u>10,963,208</u>	<u>10,494,934</u>
Liabilities			
Due to central and other banks	16	422,365	439,151
Derivative financial instruments	7	53,450	60,729
Due to customers	17	7,645,888	7,276,689
Debt securities in issue	18	1,671,225	1,619,591
Deferred income tax liabilities	19	2,465	2,118
Provisions	20	24,010	23,517
Other liabilities	21	52,312	52,934
		<u>9,871,715</u>	<u>9,474,729</u>
Equity			
Share capital	22	430,819	430,819
Share premium	22	13,368	13,368
Reserves		52,588	56,333
Retained earnings		594,718	519,685
		<u>1,091,493</u>	<u>1,020,205</u>
		<u>10,963,208</u>	<u>10,494,934</u>
Financial commitments and contingencies	23	<u>2,674,037</u>	<u>2,606,950</u>

The accompanying notes on pages 8 to 59 form an integral part of these financial statements.

These financial statements were authorised for issue on 27 October 2011.



Ignacio Jaquotot
Chairman of the Management Board



Andrea De Michelis
Member of the Management Board

Statement of comprehensive income for 9 months ended 30 September 2011

(In thousands of euro)

	Note	Sep 2011	Sep 2010
Interest and similar income		359,360	319,706
Interest expense and similar charges		(93,916)	(80,379)
Net interest income	24	265,444	239,327
Fee and commission income		101,804	100,874
Fee and commission expense		(42,706)	(45,546)
Net fee and commission income	25	59,098	55,328
Net trading income	26	656	5,361
Other operating income	27	7,475	1,987
Dividend income		20,151	332
Operating income		352,824	302,335
Salaries and employee benefits	28	(68,353)	(65,490)
Other operating expenses	29	(60,115)	(57,814)
Amortisation	13	(6,349)	(5,961)
Depreciation	14	(12,235)	(14,512)
Operating expenses		(147,052)	(143,777)
Operating profit before impairment		205,772	158,558
Impairment losses on financial assets	30	(40,728)	(36,542)
Profit before tax		165,044	122,016
Income tax expense	31	(30,784)	(24,841)
NET PROFIT FOR 9 MONTHS		134,260	97,175
Other comprehensive income for 9 months, after tax:			
Exchange difference on translating foreign operation		420	532
Available-for-sale financial assets		(2,829)	(11,811)
Cash flow hedges		(871)	(3,062)
Other comprehensive income for 9 months, net of tax	32, 33	(3,280)	(14,341)
TOTAL COMPREHENSIVE INCOME FOR 9 MONTHS		130,980	82,834
Basic and diluted earnings per € 33.2 share in €	22	10.35	7.49

The accompanying notes on pages 8 to 59 form an integral part of these financial statements.

Statement of comprehensive income for 3 months ended 30 September 2011

(In thousands of euro)

	Note	Sep 2011	Sep 2010
Interest and similar income		124,614	110,819
Interest expense and similar charges		(34,624)	(27,635)
Net interest income	24	89,990	83,184
Fee and commission income		33,822	37,671
Fee and commission expense		(15,250)	(20,770)
Net fee and commission income	25	18,572	16,901
Net trading income	26	(576)	1,747
Other operating income	27	4,658	562
Operating income		112,644	102,394
Salaries and employee benefits	28	(23,717)	(21,895)
Other operating expenses	29	(18,402)	(19,693)
Amortisation		(2,124)	(1,967)
Depreciation		(4,037)	(4,749)
Operating expenses		(48,280)	(48,304)
Operating profit before impairment		64,364	54,090
Impairment losses on financial assets	30	(15,168)	(9,017)
Profit before tax		49,196	45,073
Income tax expense	31	(10,977)	(8,961)
NET PROFIT FOR 3 MONTHS		38,219	36,112
Other comprehensive income for 3 months, after tax:			
Exchange difference on translating foreign operation		(41)	70
Available-for-sale financial assets		30,330	(752)
Cash flow hedges		(2,618)	467
Other comprehensive income for 3 months, net of tax		27,671	(215)
TOTAL COMPREHENSIVE INCOME FOR 3 MONTHS		65,890	35,897
Basic and diluted earnings per € 33.2 share in €		2.95	2.78

The accompanying notes on pages 8 to 59 form an integral part of these financial statements.

Statement of changes in equity for 9 months ended 30 September 2011
(In thousands of euro)

	Share capital	Share premium	Legal reserve fund	Retained earnings	Translation of foreign operation	Available-for-sale financial assets	Cash flow hedges	Total
At 1 January 2010	430,819	13,368	87,493	429,361	(1,649)	6,037	(1,639)	963,790
Total comprehensive income for 9 months	-	-	-	97,175	532	(11,811)	(3,062)	82,834
Dividends to shareholders	-	-	-	(58,394)	-	-	-	(58,394)
Other *	-	-	-	(1,188)	1,188	-	-	-
Effect of FX hedge *	-	-	-	529	-	-	(529)	-
At 30 September 2010	<u>430,819</u>	<u>13,368</u>	<u>87,493</u>	<u>467,483</u>	<u>71</u>	<u>(5,774)</u>	<u>(5,230)</u>	<u>988,230</u>
At 1 January 2011	430,819	13,368	87,493	519,685	24	(27,579)	(3,605)	1,020,205
Total comprehensive income for 9 months	-	-	-	134,260	420	(2,829)	(871)	130,980
Dividends to shareholders	-	-	-	(59,692)	-	-	-	(59,692)
Other *	-	-	-	485	(485)	-	-	-
Effect of FX hedge *	-	-	-	(20)	-	-	20	-
At 30 September 2011	<u>430,819</u>	<u>13,368</u>	<u>87,493</u>	<u>594,718</u>	<u>(41)</u>	<u>(30,408)</u>	<u>(4,456)</u>	<u>1,091,493</u>

* The foreign currency difference disclosed under Translation of foreign operation was settled within the transfer of retained earnings and profit for 2009 and 2010 from the foreign branch. Retained earnings were originally generated in Czech Crowns ('CZK') and the foreign exchange effect of this translation was hedged.

The accompanying notes on pages 8 to 59 form an integral part of these financial statements.

Statement of cash flows for 9 months ended 30 September 2011

(In thousands of euro)

	Note	Sep 2011	Sep 2010
Cash flows from operating activities			
Profit before tax		165,044	122,016
Adjustments for:			
Amortisation		6,349	5,961
Depreciation		12,235	14,512
Securities held for trading, available-for-sale securities and FX differences		2,935	5,368
Interest income		(359,360)	(319,706)
Interest expense		93,916	80,379
Dividend income		(20,151)	(332)
Sale of property and equipment		(157)	85
Impairment losses on financial assets and similar charges		39,162	37,657
Interest received		372,334	325,052
Interest paid		(85,818)	(77,181)
Dividends received		20,151	332
Tax paid		(32,209)	(40,687)
Due from banks		(490,087)	(154,044)
Financial assets held for trading		(34,123)	(88,365)
Derivative financial instruments (assets)		(25,922)	(7,713)
Available-for-sale financial assets		100,977	(742,268)
Loans and advances to customers		(549,877)	(465,470)
Other assets		(7,687)	(1,481)
Due to central and other banks		(16,773)	130,572
Derivative financial instruments (liabilities)		(7,279)	17,095
Due to customers		358,364	587,303
Other liabilities		2,092	(112)
<i>Net cash used in operating activities</i>		<u>(455,884)</u>	<u>(571,027)</u>
Cash flows from investing activities			
Purchase of held-to-maturity investments		-	(19,083)
Repayments of held-to-maturity investments		650,449	249,017
Purchase of intangible assets and property and equipment		(9,088)	(7,360)
Disposal of property and equipment		5,004	598
Liquidation/(acquisition) of subsidiaries		324	(13,702)
<i>Net cash from investing activities</i>		<u>646,689</u>	<u>209,470</u>
Cash flows from financing activities			
Proceeds from issue of debt securities		170,451	393,050
Repayments of debt securities		(116,636)	(139,979)
Dividends paid		(59,692)	(58,394)
<i>Net cash from/(used in) financing activities</i>		<u>(5,877)</u>	<u>194,677</u>
Net change in cash and cash equivalents		184,928	(166,880)
Cash and cash equivalents at the beginning of the year	3	194,854	333,185
Cash and cash equivalents at 30 September	3	<u>379,782</u>	<u>166,305</u>

The accompanying notes on pages 8 to 59 form an integral part of these financial statements.

1. General information

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

At 30 September 2011, the Bank had a network of 250 points of sale (including Retail Branches, Corporate Branches and Mortgage centres) located throughout Slovakia (December 2010: 250). The Bank also has one branch in the Czech Republic.

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

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

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

2. Summary of significant accounting policies

2.1 Basis of preparation

The separate financial statements of the Bank ('the financial statements') have been prepared in accordance with International 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 held for trading and all derivative financial instruments to fair value.

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

Negative balances are presented in brackets.

2.2 Changes in accounting policies

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.

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. Summary of significant accounting policies (continued)

2.4 Foreign currency transactions

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

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

2.5 Foreign operations

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

2.6 Cash and balances with central banks

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

2.7 Treasury bills and other eligible bills

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

2.8 Due from banks

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

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

2.9 Debt securities

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

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

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

(a) Securities held for trading

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

2. Summary of significant accounting policies (continued)

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

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

Day 1 profit or loss

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

(b) Available-for-sale securities

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

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

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

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

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

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

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

(c) Held-to-maturity investments

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

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

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

2. Summary of significant accounting policies (continued)

2.10 Repurchase and reverse repurchase agreements

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

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

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

2.11 Derivative financial instruments

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

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

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

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

Credit risk of financial derivatives

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

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

Embedded derivatives

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

2. Summary of significant accounting policies (continued)

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

Hedging derivatives

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

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

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

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

Cash flow hedges

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

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

Fair value hedges

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

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

2.12 Offsetting financial instruments

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

2. Summary of significant accounting policies (continued)

2.13 Non-current assets held for sale

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

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

2.14 Loans and advances to customers and impairment losses

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

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

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

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

2.15 Subsidiaries, associates and jointly controlled entities

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

Dividend discount model

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

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

2.16 Intangible assets

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

	Years
Software	5 – 10
Other intangible assets	5 – 10

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

2. Summary of significant accounting policies (continued)

2.17 Property and equipment

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

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

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

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

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

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

2.18 Provisions

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

2.19 Provisions for employee benefits

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

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

	Jubilee benefits	Retirement benefits
Discount rate	2.6%	4%
Future growth of wages	n/a	3%
Fluctuation of employees (based on age)	9 – 54%	9 – 54%
Retirement age	based on valid legislation	
Mortality	based on mortality tables issued by the Statistical Office of the Slovak Republic	

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

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

2. Summary of significant accounting policies (continued)

2.20 Financial guarantees

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

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

2.21 Legal reserve fund

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

2.22 Equity reserves

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

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

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

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

2.23 Interest income

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

2.24 Fee and commission income

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

2.25 Net trading income

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

2.26 Dividend income

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

2.27 Income tax

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

2. Summary of significant accounting policies (continued)

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

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

2.28 Fiduciary assets

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

2.29 Significant accounting judgements and estimates

Judgements

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

Held-to-maturity investments

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

Financial assets held for trading

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

Estimates

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

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

Fair value of financial instruments

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

Impairment losses on loans and advances

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

2. Summary of significant accounting policies (continued)

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

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

3. Cash and cash equivalents

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

	Note	Sep 2011	Dec 2010
Cash and balances with central banks	4	294,636	179,064
Current accounts in other banks	5	14,407	8,248
Term deposits with other banks	5	70,718	7,542
Loans and advances to other banks	5	21	-
		<u>379,782</u>	<u>194,854</u>

4. Cash and balances with central banks

	Sep 2011	Dec 2010
Balances with central banks:		
Compulsory minimum reserves	198,231	87,693
Current accounts	77	33
	<u>198,308</u>	<u>87,726</u>
Cash in hand	96,328	91,338
	<u>294,636</u>	<u>179,064</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 2% and the required balance is calculated as the total of individual items multiplied by the valid rate.

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

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

5. Due from banks

	Note	Sep 2011	Dec 2010
Current accounts	3	14,407	8,248
Term deposits			
with contractual maturity less than 90 days	3	70,718	7,542
with contractual maturity over 90 days		100,560	5,081
Loans and advances			
with contractual maturity less than 90 days	3	21	-
with contractual maturity over 90 days		486,985	87,878
Impairment losses	10	(219)	(151)
		<u>672,472</u>	<u>108,598</u>

The balance of Loans and advances at 30 September 2011 comprises short term reverse repo trade in nominal amount of € 399,587 thousand concluded with Intesa Sanpaolo S.p.A, maturing in May 2012. The repo trade is secured by state bonds and cash collateral.

6. Financial assets held for trading

	Sep 2011	Dec 2010
Treasury bills and other eligible bills		
with contractual maturity over 90 days	193,303	174,201
State bonds		
with contractual maturity over 90 days	86,812	75,772
	<u>280,115</u>	<u>249,973</u>

At 30 September 2011 and 31 December 2010, no such securities were pledged by the Bank to secure transactions with counterparties.

7. Derivative financial instruments

	Sep 2011 Assets	Dec 2010 Assets	Sep 2011 Liabilities	Dec 2010 Liabilities
Trading derivatives	70,272	45,179	40,096	46,834
Cash flow hedges of interest rate risk	-	-	5,501	4,451
Fair value hedges of interest rate risk	4	26	7,853	9,444
	<u>70,276</u>	<u>45,205</u>	<u>53,450</u>	<u>60,729</u>

Trading derivatives also include hedge instruments that are non-qualifying according to IAS 39, which are held for risk management purposes rather than for trading. The instruments used include cross-currency interest rate swaps. In September 2011, the total positive fair value of such derivatives was € 7,271 thousand (31 December 2010: € 6,386 thousand) and the negative fair value was nil (31 December 2010: nil).

7. Derivative financial instruments (continued)

	Sep 2011 Assets	Dec 2010 Assets	Sep 2011 Liabilities	Dec 2010 Liabilities
Trading derivatives – Fair values				
Interest rate instruments				
Swaps	18,047	21,632	21,030	23,780
Options	3,469	1,806	3,170	1,813
	<u>21,516</u>	<u>23,438</u>	<u>24,200</u>	<u>25,593</u>
Foreign currency instruments				
Forwards and swaps	30,434	2,059	6,613	7,894
Cross currency swaps	7,271	6,386	-	-
Options	9,314	8,842	7,546	8,893
	<u>47,019</u>	<u>17,287</u>	<u>14,159</u>	<u>16,787</u>
Equity and commodity instruments				
Equity options	1,737	4,047	1,737	4,047
Commodity options	-	407	-	407
	<u>1,737</u>	<u>4,454</u>	<u>1,737</u>	<u>4,454</u>
	<u><u>70,272</u></u>	<u><u>45,179</u></u>	<u><u>40,096</u></u>	<u><u>46,834</u></u>
	Sep 2011 Assets	Dec 2010 Assets	Sep 2011 Liabilities	Dec 2010 Liabilities
Trading derivatives – Notional values				
Interest rate instruments				
Swaps	1,086,895	954,181	1,086,895	954,181
Options	147,319	78,991	147,434	78,991
	<u>1,234,214</u>	<u>1,033,172</u>	<u>1,234,329</u>	<u>1,033,172</u>
Foreign currency instruments				
Forwards and swaps	710,256	280,758	689,392	288,177
Cross currency swaps	72,716	71,825	65,433	65,433
Options	74,038	50,266	69,387	49,754
	<u>857,010</u>	<u>402,849</u>	<u>824,212</u>	<u>403,364</u>
Equity and commodity instruments				
Equity options	22,977	22,630	22,977	22,630
Commodity options	613	3,280	613	3,280
	<u>23,590</u>	<u>25,910</u>	<u>23,590</u>	<u>25,910</u>
	<u><u>2,114,814</u></u>	<u><u>1,461,931</u></u>	<u><u>2,082,131</u></u>	<u><u>1,462,446</u></u>

7. Derivative financial instruments (continued)

Cash flow hedges of interest rate risk

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

Fair value hedges of interest rate risk

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

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

8. Available-for-sale financial assets

	Share	Share		
	Sep 2011	Dec 2010	Sep 2011	Dec 2010
State bonds			1,484,604	1,595,839
Bank bonds			19,345	19,345
Equity shares at cost				
RVS, a.s.	8.38%	8.38%	574	574
S.W.I.F.T.	0.06%	0.06%	65	65
			<u>1,504,588</u>	<u>1,615,823</u>

At 30 September 2011, no State bonds were pledged by the Bank (31 December 2010: nil) to secure transactions with counterparties.

9. Loans and advances to customers

	Amortised cost	Impairment losses (note 10)	Carrying amount
30 September 2011			
Sovereigns			
Municipalities	129,918	(307)	129,611
Corporate			
Large Corporates	890,923	(9,272)	881,651
Specialized lending	730,289	(31,083)	699,206
Small and medium enterprises ('SME')	696,484	(39,064)	657,420
Other Financial Institutions	421,435	(314)	421,121
Private Sector Entities	3,660	(32)	3,628
Factoring	50,786	(526)	50,260
	<u>2,793,577</u>	<u>(80,291)</u>	<u>2,713,286</u>
Retail			
Small business	205,479	(15,092)	190,387
Consumer Loans	689,587	(63,224)	626,363
Mortgages	2,698,964	(28,984)	2,669,980
Credit Cards	253,568	(39,623)	213,945
Overdrafts	106,214	(15,581)	90,633
Other	19,126	(4)	19,122
	<u>3,972,938</u>	<u>(162,508)</u>	<u>3,810,430</u>
	<u>6,896,433</u>	<u>(243,106)</u>	<u>6,653,327</u>
31 December 2010			
Sovereigns			
Municipalities	101,730	(205)	101,525
Corporate			
Large Corporates	847,014	(17,011)	830,003
Specialized lending	651,086	(16,443)	634,643
Small and medium enterprises ('SME')	636,480	(39,651)	596,829
Other Financial Institutions	393,177	(203)	392,974
Private Sector Entities	6,787	(81)	6,706
Factoring	53,756	(695)	53,061
	<u>2,588,300</u>	<u>(74,084)</u>	<u>2,514,216</u>
Retail			
Small business	188,861	(14,053)	174,808
Consumer Loans	644,061	(67,635)	576,426
Mortgages	2,476,074	(26,690)	2,449,384
Credit Cards	260,141	(39,763)	220,378
Overdrafts	112,084	(13,736)	98,348
Other	6,216	-	6,216
	<u>3,687,437</u>	<u>(161,877)</u>	<u>3,525,560</u>
	<u>6,377,467</u>	<u>(236,166)</u>	<u>6,141,301</u>

10. Impairment losses

	Note	1 Jan 2011	Creation/ (Reversal) (note 30)	FX losses/ gains	Other *	30 Sep 2011
Due from banks	5	151	68	-	-	219
Non-current assets held for sale	14	1,272	-	-	(1,272)	-
Loans and advances to customers	9	236,166	9,521	221	(2,802)	243,106
Held-to-maturity investments	11	249	16	-	-	265
Subsidiaries, associates and JVs	12	31,089	1,545	-	(7,443)	25,191
Property and equipment	14	461	-	-	-	461
Other assets	15	3,690	1	29	(1,062)	2,658
		<u>273,078</u>	<u>11,151</u>	<u>250</u>	<u>(12,579)</u>	<u>271,900</u>

* Other represents following movements:

- Release of impairment loss to sold buildings in amount of € 1,272 thousand (see also note 14)
- Interest portion (unwinding of interest) in amount of € 2,802 thousand
- Liquidation of VUB Leasingová, a.s. v likvidácii (in liquidation) in amount of € 7,443 thousand (see also note 12)
- Release of impairment loss to written off other receivable in amount of € 1,062 thousand

11. Held-to-maturity investments

	Sep 2011	Dec 2010
State restructuring bonds	-	617,613
State bonds	1,113,902	1,123,031
Bank bonds and other bonds issued by financial sector	9,989	9,974
Corporate notes and bonds with contractual maturity over 90 days	1,881	37,894
	<u>1,125,772</u>	<u>1,788,512</u>
Impairment losses (note 10)	(265)	(249)
	<u>1,125,507</u>	<u>1,788,263</u>

At 30 September 2011, bonds in the total nominal amount of € 94,855 thousand were pledged by the Bank (31 December 2010: € 106,460 thousand) to secure transactions with counterparties.

State restructuring bonds

As part of the pre-privatisation restructuring process of the Bank, the Slovak government decided to transfer the receivables of the Bank arising from non-performing loans to state agencies. These special purpose agencies were created and are under the full control of the State. In December 1999 and June 2000, the Slovak government recapitalised the Bank by transferring the non-performing loans, including principal and interest, to Konsolidačná banka Bratislava ('KBB') with a gross value of Sk 58.6 billion (€ 1,945 million), and Slovenská konsolidačná ('SKO') with a gross value of Sk 7.6 billion (€ 252 million), which gave rise to the Bank's receivables from KBB and SKO in the total amount of Sk 66.2 billion (€ 2,197 million). In January and March 2001, these receivables were swapped at par for state restructuring bonds with a total nominal value of Sk 66.2 billion (€ 2,197 million).

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

Last two 10-year state restructuring bonds held in held-to-maturity portfolio at 31 December 2010 with nominal values of € 366,594 thousand and € 248,855 thousand were fully repaid on 30 January 2011 and 29 March 2011.

12. Subsidiaries, associates and jointly controlled entities

	Share %	Cost	Impairment losses (note 10)	Carrying amount
At 30 September 2011				
VÚB Factoring, a.s.	100.0	16,535	(11,563)	4,972
Recovery, a.s.	100.0	3,652	(3,199)	453
VÚB Asset Management, správ. spol. a.s.	100.0	2,821	-	2,821
Consumer Finance Holding, a.s.	100.0	53,114	-	53,114
VÚB Leasing, a. s.	100.0	44,410	(10,429)	33,981
VÚB Generali DSS, a.s.	50.0	16,597	-	16,597
Slovak Banking Credit Bureau, s.r.o.	33.3	3	-	3
		<u>137,132</u>	<u>(25,191)</u>	<u>111,941</u>
At 31 December 2010				
VÚB Factoring, a.s.	100.0	16,535	(12,300)	4,235
VÚB Leasingová, a.s. v likvidácii (in liquidation)	100.0	7,767	(7,443)	324
Recovery, a.s.	100.0	3,652	(3,194)	458
VÚB Asset Management, správ. spol. a.s.	100.0	2,821	-	2,821
Consumer Finance Holding, a.s.	100.0	53,114	-	53,114
VÚB Leasing, a. s.	100.0	44,410	(8,152)	36,258
VÚB Generali DSS, a.s.	50.0	16,597	-	16,597
Slovak Banking Credit Bureau, s.r.o.	33.3	3	-	3
		<u>144,899</u>	<u>(31,089)</u>	<u>113,810</u>

In January 2011, VÚB Leasingová, a.s. v likvidácii (in liquidation) was removed from the Business Register of the Slovak Republic. This act concluded the process of liquidation.

13. Intangible assets

	Software	Other intangible assets	Assets in progress	Total
Cost				
At 1 January 2011	140,687	7,246	4,679	152,612
Additions	-	-	5,021	5,021
Disposals	(3,597)	-	-	(3,597)
Transfers	3,862	565	(4,427)	-
FX differences	5	-	-	5
At 30 September 2011	<u>140,957</u>	<u>7,811</u>	<u>5,273</u>	<u>154,041</u>
Accumulated amortisation				
At 1 January 2011	(117,790)	(4,183)	-	(121,973)
Amortisation for the period	(5,508)	(841)	-	(6,349)
Disposals	3,597	-	-	3,597
FX differences	(5)	-	-	(5)
At 30 September 2011	<u>(119,706)</u>	<u>(5,024)</u>	<u>-</u>	<u>(124,730)</u>
Carrying amount				
At 1 January 2011	<u>22,897</u>	<u>3,063</u>	<u>4,679</u>	<u>30,639</u>
At 30 September 2011	<u>21,251</u>	<u>2,787</u>	<u>5,273</u>	<u>29,311</u>

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

	Buildings and land	Equipment	Other tangibles	Assets in progress	Total
Cost					
At 1 January 2011	197,348	91,537	31,565	3,492	323,942
Additions	-	-	-	4,069	4,069
Disposals	(923)	(1,762)	(1,338)	-	(4,023)
Transfers	2,390	3,885	256	(6,531)	-
FX differences	2	5	1	-	8
At 30 September 2011	198,817	93,665	30,484	1,030	323,996
Accumulated depreciation					
At 1 January 2011	(79,807)	(74,499)	(26,374)	-	(180,680)
Depreciation for the period	(5,059)	(5,849)	(1,327)	-	(12,235)
Disposals	762	1,736	1,275	-	3,773
FX differences	-	(6)	(1)	-	(7)
At 30 September 2011	(84,104)	(78,618)	(26,427)	-	(189,149)
Impairment losses (note 10)					
At 1 January 2011	(461)	-	-	-	(461)
Additions	-	-	-	-	-
At 30 September 2011	(461)	-	-	-	(461)
Carrying amount					
At 1 January 2011	117,080	17,038	5,191	3,492	142,801
At 30 September 2011	114,252	15,047	4,057	1,030	134,386

At 30 September 2011 and 31 December 2010, the Bank held in its portfolio of non-current assets held for sale buildings as follows:

	Sep 2011	Dec 2010
Cost	408	7,768
Accumulated depreciation	(362)	(3,122)
Impairment (note 10)	-	(1,272)
	46	3,374

15. Other assets

	Sep 2011	Dec 2010
Operating receivables and advances	15,388	10,834
Prepayments and accrued income	4,250	3,940
Other tax receivables	2,009	1,274
Settlement of operations with financial instruments	1,629	185
Inventories	1,033	448
Receivables from trading with securities	88	-
	24,397	16,681
Impairment losses (note 10)	(2,658)	(3,690)
	21,739	12,991

16. Due to central and other banks

	Sep 2011	Dec 2010
Due to central banks		
Current accounts	66,989	53,019
Due to other banks		
Current accounts	12,998	8,374
Term deposits	203,215	330,642
Loans received	139,163	47,116
	<u>355,376</u>	<u>386,132</u>
	<u>422,365</u>	<u>439,151</u>

17. Due to customers

	Sep 2011	Dec 2010
Current accounts	2,752,618	3,067,880
Term deposits	3,818,789	3,330,072
Savings accounts	260,053	285,567
Government and municipal deposits	537,918	434,586
Loans received	130,304	75,180
Promissory notes	89,894	58,136
Other deposits	56,312	25,268
	<u>7,645,888</u>	<u>7,276,689</u>

18. Debt securities in issue

	Sep 2011	Dec 2010
Bonds	55,073	55,001
Mortgage bonds	1,616,152	1,564,590
	<u>1,671,225</u>	<u>1,619,591</u>

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

18. Debt securities in issue (continued)

Name	Interest rate (%)	CCY	Number of mortgage bonds issued	Nominal value in CCY	Issue date	Maturity date	Sep 2011	Dec 2010
Mortgage bonds VÚB, a.s. VII.	5.10	EUR	10,000	3,319	15.4.2003	15.4.2013	33,975	34,398
Mortgage bonds VÚB, a.s. VIII.	5.10	EUR	1,000	33,194	29.5.2003	29.5.2013	33,768	34,191
Mortgage bonds VÚB, a.s. XVII.	1.65	EUR	2,500	22,280	28.11.2005	28.11.2015	55,783	55,757
Mortgage bonds VÚB, a.s. XX.	4.30	EUR	50	331,939	9.3.2006	9.3.2021	16,997	17,176
Mortgage bonds VÚB, a.s. XXI.	1.10	EUR	500	33,194	10.3.2006	10.3.2011	-	16,608
Mortgage bonds VÚB, a.s. XXII.	1.37	EUR	1,200	50,000	29.6.2006	29.6.2011	-	60,004
Mortgage bonds VÚB, a.s. XXIII.	1.76	EUR	60	1,000,000	26.10.2006	26.10.2011	60,191	60,128
Mortgage bonds VÚB, a.s. XXIV.	1.80	EUR	1,500	33,194	24.11.2006	24.11.2011	50,107	49,860
Mortgage bonds VÚB, a.s. XXV.	1.70	EUR	30	1,000,000	5.12.2006	5.12.2011	30,036	30,026
Mortgage bonds VÚB, a.s. XXVIII.	2.04	CZK	1,000	1,000,000	20.6.2007	20.6.2012	40,790	40,240
Mortgage bonds VÚB, a.s. XXIX.	1.65	EUR	500	33,194	16.10.2007	16.10.2012	16,720	16,637
Mortgage bonds VÚB, a.s. XXX.	5.00	EUR	1,000	33,194	5.9.2007	5.9.2032	32,926	33,327
Mortgage bonds VÚB, a.s. XXXI.	4.90	EUR	600	33,194	29.11.2007	29.11.2037	20,366	19,624

(Table continues on the next page)

18. Debt securities in issue (continued)

Name	Interest rate (%)	CCY	Number of mortgage bonds issued	Nominal value in CCY	Issue date	Maturity date	Sep 2011	Dec 2010
Mortgage bonds VÚB, a.s. 32.	3.04	CZK	800	1,000,000	17.12.2007	17.12.2017	35,157	34,791
Mortgage bonds VÚB, a.s. 35.	4.40	EUR	630	33,194	19.3.2008	19.3.2016	21,005	21,167
Mortgage bonds VÚB, a.s. 36.	4.75	EUR	560	33,194	31.3.2008	31.3.2020	18,613	18,796
Mortgage bonds VÚB, a.s. 37.	1.49	EUR	40	1,000,000	30.4.2008	30.4.2011	-	40,103
Mortgage bonds VÚB, a.s. 39.	2.23	EUR	60	1,000,000	26.6.2008	26.6.2015	60,014	60,012
Mortgage bonds VÚB, a.s. 40.	2.28	EUR	70	1,000,000	28.8.2008	28.8.2015	70,150	70,117
Mortgage bonds VÚB, a.s. 41.	5.63	USD	34	1,000,000	30.9.2008	30.9.2013	25,184	25,807
Mortgage bonds VÚB, a.s. 42.	4.00	EUR	400	50,000	28.4.2009	28.4.2012	20,340	20,540
Mortgage bonds VÚB, a.s. 43.	5.10	EUR	500	33,194	26.9.2008	26.9.2025	15,249	15,387
Mortgage bonds VÚB, a.s. 44.	4.75	EUR	300	50,000	11.2.2009	11.2.2012	15,455	15,633
Mortgage bonds VÚB, a.s. 46.	4.61	EUR	150	1,000,000	19.5.2009	19.5.2016	152,535	154,264
Mortgage bonds VÚB, a.s. 48.	4.00	EUR	20,000	1,000	11.5.2009	11.5.2013	20,272	20,511
Mortgage bonds VÚB, a.s. 49.	3.92	EUR	100	1,000,000	28.7.2009	28.7.2014	100,688	101,666
Mortgage bonds VÚB, a.s. 50.	3.40	EUR	8,407	1,000	2.11.2009	2.11.2013	8,668	8,454
Mortgage bonds VÚB, a.s. 51.	2.15	EUR	100	1,000,000	8.4.2010	8.4.2014	100,495	100,355
Mortgage bonds VÚB, a.s. 52.	2.16	EUR	161	50,000	15.3.2010	15.3.2014	8,058	8,102
Mortgage bonds VÚB, a.s. 53.	2.29	EUR	100	1,000,000	8.4.2010	8.4.2017	100,528	100,387
Mortgage bonds VÚB, a.s. 54.	3.00	EUR	15,000	1,000	1.7.2010	1.7.2014	15,112	15,225
Mortgage bonds VÚB, a.s. 55.	2.85	EUR	14,000	1,000	1.10.2010	1.10.2015	14,399	14,100
Mortgage bonds VÚB, a.s. 56.	3.07	EUR	70	1,000,000	30.9.2010	30.9.2017	70,006	70,434
Mortgage bonds VÚB, a.s. 57.	3.06	EUR	100	1,000,000	30.9.2010	30.9.2018	100,008	100,620
Mortgage bonds VÚB, a.s. 58.	3.53	EUR	80	1,000,000	10.12.2010	10.12.2019	80,871	80,143
Mortgage bonds VÚB, a.s. 59.	3.00	EUR	25,000	1,000	1.3.2011	1.3.2015	25,437	-
Mortgage bonds VÚB, a.s. 60.	2.12	CZK	4,345	100,000	20.5.2011	20.5.2014	17,650	-
Mortgage bonds VÚB, a.s. 61.	3.10	EUR	409	10,000	7.6.2011	7.6.2015	4,127	-
Mortgage bonds VÚB, a.s. 62.	3.82	EUR	100	1,000,000	28.7.2011	28.7.2018	100,669	-
Mortgage bonds VÚB, a.s. 63.	3.75	EUR	15,575	1,000	16.9.2011	16.3.2016	15,599	-
Mortgage bonds VÚB, a.s. 64.	3.25	CZK	2,000	100,000	26.9.2011	26.9.2016	8,204	-
							1,616,152	1,564,590

19. Current and deferred income taxes

	Sep 2011	Dec 2010
Current income tax assets	<u>6,738</u>	<u>6,882</u>
	Sep 2011	Dec 2010
Deferred income tax assets	<u>58,126</u>	<u>56,210</u>
	Sep 2011	Dec 2010
Deferred income tax liabilities	<u>2,465</u>	<u>2,118</u>

Deferred income taxes are calculated on all temporary differences using a tax rate of 19% (31 December 2010: 19%) as follows:

	Sep 2011	Profit/ (loss) (note 31)	Equity	Dec 2010
Due from banks	42	13	-	29
Derivative financial instruments designated as cash flow hedges	1,045	-	199	846
Available-for-sale financial assets	7,133	-	664	6,469
Loans and advances to customers	46,024	1,313	-	44,711
Held-to-maturity investments	50	3	-	47
Property and equipment	(2,465)	(347)	-	(2,118)
Other liabilities	3,803	(305)	-	4,108
Other	29	29	-	-
Deferred income tax (net)	<u>55,661</u>	<u>706</u>	<u>863</u>	<u>54,092</u>

20. Provisions

	Sep 2011	Dec 2010
Litigations	<u>24,010</u>	<u>23,517</u>

The movement in provisions was as follows:

	1 Jan 2011	Creation/ (Reversal)	FX diff	30 Sep 2011
Litigations (note 23, note 29)	<u>23,517</u>	<u>507</u>	<u>(14)</u>	<u>24,010</u>

21. Other liabilities

	Sep 2011	Dec 2010
Settlement with employees	18,422	19,160
Various creditors	14,024	11,927
Financial guarantees and commitments	10,699	13,674
Accruals and deferred income	3,898	1,976
Severance and Jubilee benefits	1,791	1,321
VAT payables and other tax payables	1,636	2,681
Settlement with shareholders	1,030	1,178
Retention program	807	1,016
Settlement with securities	2	1
Other	3	-
	<u>52,312</u>	<u>52,934</u>

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

	Note	1 Jan 2011	Creation/ (Reversal)	30 Sep 2011
Financial guarantees and commitments	30	13,674	(2,975)	10,699
Severance and Jubilee benefits	28	1,321	470	1,791
Retention program	28	1,016	(209)	807
		<u>16,011</u>	<u>(2,714)</u>	<u>13,297</u>

22. Share capital

	Sep 2011	Sep 2010
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>
Net profit for 9 months attributable to shareholders	134,260	97,175
Divided by 12,976,478 ordinary shares of € 33.2 each		
Basic and diluted earnings per € 33.2 share in €	<u>10.35</u>	<u>7.49</u>

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

22. Share capital (continued)

The structure of shareholders is as follows:

	Sep 2011	Dec 2010
Intesa Holding International S.A.	96.76%	96.76%
Domestic shareholders	2.91%	2.97%
Foreign shareholders	0.33%	0.27%
	<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.

The Bank's regulatory capital position at 30 September 2011 and 31 December 2010 was as follows:

	Sep 2011	Dec 2010
Tier 1 capital		
Share capital	430,819	430,819
Share premium	13,368	13,368
Retained earnings without net profit for the period	460,458	370,308
Legal reserve fund	87,493	87,493
Less software (including software in Assets in progress)	(26,524)	(27,576)
Less revaluation of available-for-sale financial assets *	(25,733)	-
Less expected loss	(41,731)	-
	<u>898,150</u>	<u>874,412</u>
Tier 2 capital	-	-
Regulatory adjustment		
Subsidiaries, associates and jointly controlled entities	(111,938)	(113,807)
Expected loss (equity instruments)	(2,129)	-
	<u>(114,067)</u>	<u>(113,807)</u>
Total regulatory capital	<u>784,083</u>	<u>760,605</u>

*Calculated based on NBS regulatory requirement.

Regulatory capital includes items forming the value of basic own funds (ordinary share capital, share premium, retained earnings, legal reserve fund) and items decreasing the value of basic own funds (intangible assets and investments with significant influence). Since 1 January 2011, new item is deducted from regulatory capital – difference between expected loss and impairment losses on exposures treated under standardised approach. Methodology is prescribed by NBS decree 11/2010 stipulating methods of valuing banking book positions and details of the valuation of banking book positions, including the frequency of such valuations. Since February 2011, the Bank is also obliged to deduct difference between expected loss and impairment losses if positive for IRB portfolio (Corporate segment) and expected loss for equities (Simple IRB approach). Furthermore, according to amendment to NBS decree 4/2007 (amendment number 3/2011), since 30 May 2011 the Bank is obliged to decrease the value of regulatory capital by the negative revaluation differences arising from the revaluation of available-for-sale financial assets.

22. Share capital (continued)

	Sep 2011 Actual	Sep 2011 Required	Dec 2010 Actual	Dec 2010 Required
Tier 1 capital	898,150	664,046	874,412	631,675
Tier 2 capital	-	-	-	-
Regulatory adjustment	(114,067)	(114,067)	(113,807)	(113,807)
Total regulatory capital	<u>784,083</u>	<u>549,979</u>	<u>760,605</u>	<u>517,868</u>
Total Risk Weighted Assets	<u>6,874,734</u>	<u>6,874,734</u>	<u>6,473,350</u>	<u>6,473,350</u>
Tier 1 capital ratio	13.06%	9.66%	13.51%	9.76%
Total capital ratio	11.41%	8.00%	11.75%	8.00%

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

The Bank must maintain a capital adequacy ratio of at least 8% according to NBS regulations. The capital adequacy ratio is the ratio between the Bank's capital and the risk weighted assets. Risk weighted assets include risk weighted assets from positions recorded in the trading book and risk weighted assets from positions recorded in the banking book. The Bank complied with the NBS requirement for the capital adequacy ratio as at 30 September 2011 and 31 December 2010.

23. Financial commitments and contingencies

	Sep 2011	Dec 2010
Issued guarantees	462,625	585,782
Commitments and undrawn credit facilities	<u>2,211,412</u>	<u>2,021,168</u>
	<u>2,674,037</u>	<u>2,606,950</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.

23. Financial commitments and contingencies (continued)

(c) Lease obligations

In the normal course of business, the Bank enters into operating lease agreements for branch facilities and cars. The total value of future payments arising from non-cancellable operating leasing contracts at 30 September 2011 and 31 December 2010 was as follows:

	Sep 2011	Dec 2010
Up to 1 year	1,145	1,501
1 to 5 years	1,461	1,272
Over 5 years	-	-
	<u>2,606</u>	<u>2,773</u>

(d) Legal

In the normal course of business, the Bank is subject to a variety of legal actions. The Bank conducted a review of legal proceedings outstanding against it as of 30 September 2011. Pursuant to this review, management has recorded total provisions of € 24,010 thousand (31 December 2010: € 23,517 thousand) in respect of such legal proceedings (see also note 20). The Bank will continue to defend its position in respect of each of these legal proceedings. In addition to the legal proceedings covered by provisions, there are contingent liabilities arising from legal proceedings in the total amount of € 20,784 thousand, as at 30 September 2011 (31 December 2010: € 19,039 thousand). This amount represents existing legal proceedings against the Bank that according to the opinion of the Legal Department of the Bank will most probably not result in any payments due by the Bank.

24. Net interest income

	9 months		3 months	
	Sep 2011	Sep 2010	Sep 2011	Sep 2010
Interest and similar income				
Due from banks	11,408	6,444	5,057	2,051
Loans and advances to customers	263,924	228,959	91,867	79,017
Bonds, treasury bills and other securities:				
Financial assets held for trading	6,915	6,943	2,341	2,420
Available-for-sale financial assets	39,677	32,151	13,370	12,691
Held-to-maturity investments	37,436	45,209	11,979	14,640
	<u>359,360</u>	<u>319,706</u>	<u>124,614</u>	<u>110,819</u>
Interest expense and similar charges				
Due to banks	(1,785)	(3,039)	(735)	(1,188)
Due to customers	(54,208)	(46,062)	(20,351)	(15,835)
Debt securities in issue	(37,923)	(31,278)	(13,538)	(10,612)
	<u>(93,916)</u>	<u>(80,379)</u>	<u>(34,624)</u>	<u>(27,635)</u>
	<u>265,444</u>	<u>239,327</u>	<u>89,990</u>	<u>83,184</u>

25. Net fee and commission income

	9 months		3 months	
	Sep 2011	Sep 2010	Sep 2011	Sep 2010
Fee and commission income				
Received from banks	4,739	3,825	1,668	1,558
Received from customers:				
Current accounts	34,687	32,624	11,692	11,143
Term deposits	570	482	183	144
Insurance mediation	7,479	6,478	2,603	2,234
Loans and guarantees	28,723	28,266	9,414	9,312
Overdrafts	1,378	2,037	351	633
Securities	4,926	3,928	1,357	1,304
Transactions and payments	17,605	21,800	5,967	10,857
Other	1,697	1,434	587	486
	<u>101,804</u>	<u>100,874</u>	<u>33,822</u>	<u>37,671</u>
Fee and commission expense				
Paid to banks	(10,153)	(13,753)	(3,498)	(8,316)
Paid to mediators:				
Credit cards	(26,845)	(28,037)	(9,047)	(11,164)
Securities	(442)	(404)	(152)	(81)
Services	(4,317)	(2,396)	(2,296)	(884)
Other	(949)	(956)	(257)	(325)
	<u>(42,706)</u>	<u>(45,546)</u>	<u>(15,250)</u>	<u>(20,770)</u>
	<u>59,098</u>	<u>55,328</u>	<u>18,572</u>	<u>16,901</u>

26. Net trading income

	9 months		3 months	
	Sep 2011	Sep 2010	Sep 2011	Sep 2010
Foreign currency derivatives and transactions	(900)	(4,783)	1,564	(3,135)
Customer FX margins	3,431	3,948	1,398	1,434
Cross currency swaps	1,052	5,607	(1,269)	3,212
Equity derivatives	28	-	4	-
Interest rate derivatives *	(904)	(6,356)	(4,421)	487
Securities:				
Financial assets held for trading	(1,608)	1,461	(632)	220
Available-for-sale financial assets *	(443)	5,484	2,780	(471)
	<u>656</u>	<u>5,361</u>	<u>(576)</u>	<u>1,747</u>

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

The amount still to be recognised in income resulting from Day 1 profit amounted to € 163 thousand at 30 September 2011 (31 December 2010: € 257 thousand). The total amount of € 163 thousand is to be recognized within one year (31 December 2010: € 241 thousand), the amount to be recognized in the period 1 to 5 years is nil (31 December 2010: € 16 thousand).

27. Other operating income

	9 months		3 months	
	Sep 2011	Sep 2010	Sep 2011	Sep 2010
Net profit/(loss) from sale of fixed assets	1,429	(85)	11	(18)
Rent	1,089	1,239	349	393
Other	4,957	833	4,298	187
	<u>7,475</u>	<u>1,987</u>	<u>4,658</u>	<u>562</u>

28. Salaries and employee benefits

	9 months		3 months	
	Sep 2011	Sep 2010	Sep 2011	Sep 2010
Remuneration	(49,825)	(48,472)	(17,989)	(15,917)
Social security costs	(17,661)	(16,748)	(6,123)	(5,832)
Social fund	(606)	(410)	(186)	-
Retention program (note 21)	209	140	581	(146)
Severance and Jubilee benefits (note 21)	(470)	-	-	-
	<u>(68,353)</u>	<u>(65,490)</u>	<u>(23,717)</u>	<u>(21,895)</u>

The total number of employees of the Bank at 30 September 2011 was 3,529 (31 December 2010: 3,487).

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

29. Other operating expenses

	9 months		3 months	
	Sep 2011	Sep 2010	Sep 2011	Sep 2010
Property related expenses	(10,424)	(9,478)	(3,393)	(3,433)
IT systems maintenance	(8,241)	(7,358)	(2,676)	(2,700)
Post and telecom	(7,237)	(7,337)	(2,408)	(2,323)
Contribution to the Deposit Protection Fund	(6,386)	(6,289)	(2,130)	(2,107)
Advertising and marketing	(5,550)	(4,321)	(1,163)	(1,024)
Equipment related expenses	(4,926)	(5,220)	(1,592)	(1,714)
VAT and other taxes	(4,520)	(4,150)	(1,649)	(1,274)
Security	(2,689)	(2,732)	(848)	(888)
Professional services	(2,187)	(1,582)	194	(530)
Stationery	(1,891)	(1,945)	(567)	(544)
Insurance	(576)	(538)	(203)	(178)
Litigations paid	(540)	(156)	(29)	(45)
Provisions for litigations (note 20)	(507)	(1,255)	(275)	(722)
Travelling	(474)	(525)	(155)	(153)
Audit *	(411)	(409)	(137)	(131)
Transport	(371)	(311)	(110)	(106)
Trainings	(365)	(369)	(38)	(140)
Other damages	(313)	(1,134)	(30)	(553)
Other operating expenses	(2,507)	(2,705)	(1,193)	(1,128)
	<u>(60,115)</u>	<u>(57,814)</u>	<u>(18,402)</u>	<u>(19,693)</u>

29. Other operating expenses (continued)

* As at 30 September 2011 the audit expense consists of the statutory audit in the amount of € 192 thousand (30 September 2010: € 194 thousand), group reporting in the amount of € 156 thousand (30 September 2010: € 153 thousand) and other reporting in the amount of € 63 thousand (30 September 2010: € 62 thousand).

30. Impairment losses on financial assets

	9 months		3 months	
	Sep 2011	Sep 2010	Sep 2011	Sep 2010
Net creation of impairment losses (note 10)	(11,151)	(26,474)	(3,034)	(3,129)
Net reversal/(creation) of liabilities – financial guarantees and commitments (note 21)	2,975	(1,608)	(744)	(3,229)
	<u>(8,176)</u>	<u>(28,082)</u>	<u>(3,778)</u>	<u>(6,358)</u>
Nominal value of loans written-off	(34,931)	(6,859)	(12,529)	(2,490)
Nominal value of loans sold	(3,154)	(4,726)	(47)	(1,619)
Proceeds from loans written-off	3,879	1,464	1,154	621
Proceeds from loans sold	1,654	1,661	32	829
	<u>(32,552)</u>	<u>(8,460)</u>	<u>(11,390)</u>	<u>(2,659)</u>
	<u>(40,728)</u>	<u>(36,542)</u>	<u>(15,168)</u>	<u>(9,017)</u>

31. Income tax expense

	9 months		3 months	
	Sep 2011	Sep 2010	Sep 2011	Sep 2010
Current income tax	(31,490)	(29,900)	(11,387)	(10,096)
Deferred income tax (note 19)	706	5,059	410	1,135
	<u>(30,784)</u>	<u>(24,841)</u>	<u>(10,977)</u>	<u>(8,961)</u>

32. Components of other comprehensive income

	Sep 2011	Sep 2010
Exchange differences on translating foreign operations	420	532
Available-for-sale financial assets: Revaluation losses arising during the period	(3,493)	(14,581)
Cash flow hedges: Revaluation losses arising during the period	(1,075)	(3,781)
Total other comprehensive income	(4,148)	(17,830)
Income tax relating to components of other comprehensive income	868	3,489
Other comprehensive income for the period	<u>(3,280)</u>	<u>(14,341)</u>

33. Income tax effects relating to comprehensive income

	Sep 2011			Sep 2010		
	Before tax amount	Tax benefit	Net of tax amount	Before tax amount	Tax benefit	Net of tax amount
Exchange differences on translating foreign operations	420	-	420	532	-	532
Available-for-sale financial assets	(3,493)	664	(2,829)	(14,581)	2,770	(11,811)
Net movement on cash flow hedges	(1,075)	204	(871)	(3,781)	719	(3,062)
	<u>(4,148)</u>	<u>868</u>	<u>(3,280)</u>	<u>(17,830)</u>	<u>3,489</u>	<u>(14,341)</u>

34. Estimated fair value of financial assets and liabilities

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

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

(a) Cash and balances with central banks

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

(b) Due from banks

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

(c) Loans and advances to customers

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

(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. The estimated fair value of held-to-maturity investments approximates their carrying amounts.

(e) Subsidiaries, associates and jointly controlled entities

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

(f) Due to banks and customers

The 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. The estimated fair value of due to banks approximates their carrying amounts.

(g) Debt securities in issue

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

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

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

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

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

35. Financial risk management

Introduction and overview

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

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

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

Risk management framework

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

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

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

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

(a) Credit risk

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

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

Management of credit risk

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

35. Financial risk management (continued)

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

Allowances for impairment

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

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

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

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

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

Credit risk measurement

Bank generally uses standardised approach for capital requirement calculation. However, for the calculation of credit and counterparty risk capital requirements, the Bank, having received authorisation from the Supervisory Authority, uses the Foundation IRB approach for the Corporate segment from February 2011. 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 companies in accordance with the gradual rollout plan for the advanced approaches presented to the Supervisory Authority.

35. Financial risk management (continued)

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

	Category	September 2011			December 2010		
		Amortised cost	Impairment losses	Carrying amount	Amortised cost	Impairment losses	Carrying amount
Banks	Performing	672,377	(68)	672,309	108,421	-	108,421
	Doubtful	314	(151)	163	328	(151)	177
		<u>672,691</u>	<u>(219)</u>	<u>672,472</u>	<u>108,749</u>	<u>(151)</u>	<u>108,598</u>
Sovereigns	Performing	129,608	(220)	129,388	100,800	(163)	100,637
	Past due	-	-	-	95	-	95
	Substandard	310	(87)	223	835	(42)	793
		<u>129,918</u>	<u>(307)</u>	<u>129,611</u>	<u>101,730</u>	<u>(205)</u>	<u>101,525</u>
Corporate	Performing	2,637,214	(30,129)	2,607,085	2,448,334	(29,806)	2,418,528
	Past due	466	(180)	286	115	(15)	100
	Restructured	18,655	(4,199)	14,456	19,332	(4,314)	15,018
	Substandard	71,258	(17,459)	53,799	74,189	(12,643)	61,546
	Doubtful	65,984	(28,324)	37,660	46,330	(27,306)	19,024
		<u>2,793,577</u>	<u>(80,291)</u>	<u>2,713,286</u>	<u>2,588,300</u>	<u>(74,084)</u>	<u>2,514,216</u>
Retail	Performing	3,793,410	(70,026)	3,723,384	3,521,637	(72,487)	3,449,150
	Past due	29,934	(10,489)	19,445	27,747	(10,898)	16,849
	Substandard	26,587	(10,204)	16,383	23,076	(9,353)	13,723
	Doubtful	123,007	(71,789)	51,218	114,977	(69,139)	45,838
		<u>3,972,938</u>	<u>(162,508)</u>	<u>3,810,430</u>	<u>3,687,437</u>	<u>(161,877)</u>	<u>3,525,560</u>
Securities	Performing	2,910,475	(265)	2,910,210	3,652,427	-	3,652,427
	Substandard	-	-	-	1,881	(249)	1,632
		<u>2,910,475</u>	<u>(265)</u>	<u>2,910,210</u>	<u>3,654,308</u>	<u>(249)</u>	<u>3,654,059</u>

35. Financial risk management (continued)

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

	Sep 2011	Dec 2010
Cash and balances with central banks	294,636	179,064
Due from banks	672,472	108,598
Financial assets held for trading	280,115	249,973
Derivative financial instruments	96,930	65,528
Available-for-sale financial assets	1,504,588	1,615,823
Non-current assets held for sale	46	3,374
Loans and advances to customers	6,653,327	6,141,301
Held-to-maturity investments	1,125,507	1,788,263
Subsidiaries, associates and jointly controlled entities	111,941	113,810
Intangible assets	29,311	30,639
Property and equipment	134,386	142,801
Current income tax assets	6,738	6,882
Deferred income tax assets	58,126	56,210
Other assets	21,739	12,991
	<u>10,989,862</u>	<u>10,515,257</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.

	September 2011			December 2010		
	Amortised cost	Impairment losses	Carrying amount	Amortised cost	Impairment losses	Carrying amount
Banks						
No delinquency	672,377	(68)	672,309	96,009	-	96,009
1 – 30 days	-	-	-	12,412	-	12,412
Over 181 days *	314	(151)	163	328	(151)	177
	<u>672,691</u>	<u>(219)</u>	<u>672,472</u>	<u>108,749</u>	<u>(151)</u>	<u>108,598</u>
Sovereigns						
No delinquency	128,457	(219)	128,238	98,586	(163)	98,423
1 – 30 days	762	(45)	717	2,023	-	2,023
31 – 60 days	679	(43)	636	191	-	191
61 – 90 days	-	-	-	95	-	95
91 – 180 days	-	-	-	834	(42)	792
Over 181 days *	20	-	20	1	-	1
	<u>129,918</u>	<u>(307)</u>	<u>129,611</u>	<u>101,730</u>	<u>(205)</u>	<u>101,525</u>

35. Financial risk management (continued)

	September 2011			December 2010		
	Amortised cost	Impairment losses	Carrying amount	Amortised cost	Impairment losses	Carrying amount
Corporate						
No delinquency	2,707,232	(51,695)	2,655,537	2,522,740	(43,351)	2,479,389
1 – 30 days	15,315	(672)	14,643	6,924	(496)	6,428
31 – 60 days	1,354	(59)	1,295	3,099	(1,821)	1,278
61 – 90 days	498	(72)	426	965	(449)	516
91 – 180 days	30,507	(7,214)	23,293	837	(516)	321
Over 181 days *	38,671	(20,579)	18,092	53,735	(27,451)	26,284
	<u>2,793,577</u>	<u>(80,291)</u>	<u>2,713,286</u>	<u>2,588,300</u>	<u>(74,084)</u>	<u>2,514,216</u>
Retail						
No delinquency	3,611,375	(56,722)	3,554,653	3,350,375	(59,917)	3,290,458
1 – 30 days	130,114	(7,428)	122,686	123,172	(7,065)	116,107
31 – 60 days	31,284	(3,291)	27,993	31,792	(3,309)	28,483
61 – 90 days	22,670	(2,933)	19,737	17,883	(2,496)	15,387
91 – 180 days	33,123	(11,476)	21,647	30,471	(11,599)	18,872
Over 181 days *	144,372	(80,658)	63,714	133,744	(77,491)	56,253
	<u>3,972,938</u>	<u>(162,508)</u>	<u>3,810,430</u>	<u>3,687,437</u>	<u>(161,877)</u>	<u>3,525,560</u>
Securities						
No delinquency	2,910,475	(265)	2,910,210	3,654,308	(249)	3,654,059
	<u>2,910,475</u>	<u>(265)</u>	<u>2,910,210</u>	<u>3,654,308</u>	<u>(249)</u>	<u>3,654,059</u>

*** Write-off Policy**

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

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

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

35. 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.

	September 2011			December 2010		
	Amortised cost	Impairment losses	Carrying amount	Amortised cost	Impairment losses	Carrying amount
Europe						
Banks	644,595	(197)	644,398	76,702	(151)	76,551
Sovereigns	113,886	(166)	113,720	101,730	(205)	101,525
Corporate	2,793,577	(80,291)	2,713,286	2,588,287	(74,084)	2,514,203
Retail	3,970,571	(162,456)	3,808,115	3,685,211	(161,845)	3,523,366
Securities	2,905,093	(119)	2,904,974	3,648,971	-	3,648,971
	<u>10,427,722</u>	<u>(243,229)</u>	<u>10,184,493</u>	<u>10,100,901</u>	<u>(236,285)</u>	<u>9,864,616</u>
North America						
Banks	27,562	(22)	27,540	31,856	-	31,856
Retail	629	(18)	611	739	(16)	723
Securities	5,382	(146)	5,236	5,337	(249)	5,088
	<u>33,573</u>	<u>(186)</u>	<u>33,387</u>	<u>37,932</u>	<u>(265)</u>	<u>37,667</u>
Asia						
Banks	287	-	287	99	-	99
Corporate	-	-	-	13	-	13
Retail	939	(32)	907	686	(15)	671
	<u>1,226</u>	<u>(32)</u>	<u>1,194</u>	<u>798</u>	<u>(15)</u>	<u>783</u>
Rest of the World						
Banks	247	-	247	92	-	92
Sovereigns	16,032	(141)	15,891	-	-	-
Retail	799	(2)	797	801	(1)	800
	<u>17,078</u>	<u>(143)</u>	<u>16,935</u>	<u>893</u>	<u>(1)</u>	<u>892</u>

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

35. Financial risk management (continued)

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

30 September 2011	Banks	Sovereigns	Corporate	Retail	Securities
Agriculture	-	-	49,947	29,112	-
Construction	-	-	134,465	15,185	-
Consumers	-	-	-	3,629,335	-
Energy and water supply	-	-	184,641	1,320	-
Financial services	672,472	-	383,725	599	29,391
Government	-	129,611	-	-	2,878,510
Manufacturing	-	-	390,040	28,072	-
Professional services	-	-	86,546	9,551	-
Real estate	-	-	430,286	9,610	-
Retail & Wholesale	-	-	634,597	65,915	-
Services	-	-	110,965	13,767	574
Transportation	-	-	255,452	7,420	-
Other	-	-	52,622	544	1,735
	672,472	129,611	2,713,286	3,810,430	2,910,210

31 December 2010	Banks	Sovereigns	Corporate	Retail	Securities
Agriculture	-	-	41,294	20,749	-
Construction	-	-	120,514	13,046	-
Consumers	-	-	-	3,348,756	-
Energy and water supply	-	-	197,858	1,213	-
Financial services	108,598	-	353,414	616	65,331
Government	-	88,268	-	-	3,587,096
Manufacturing	-	-	395,130	29,579	-
Professional services	-	-	82,965	8,476	-
Real estate	-	-	380,944	7,743	-
Retail & Wholesale	-	-	555,124	61,623	-
Services	-	-	68,908	14,077	-
Transportation	-	12,501	270,726	7,264	-
Other	-	756	47,339	12,418	1,632
	108,598	101,525	2,514,216	3,525,560	3,654,059

35. 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.

30 September 2011	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	672,377	(68)	672,309	314	(151)	163	-	-	-
Sovereigns									
Municipalities	128,457	(219)	128,238	310	(87)	223	1,151	(1)	1,150
Corporate									
Large Corporates	878,848	(6,710)	872,138	12,057	(2,562)	9,495	18	-	18
Specialized lending	643,543	(11,335)	632,208	77,716	(19,604)	58,112	9,030	(144)	8,886
SME	625,270	(10,849)	614,421	66,581	(27,996)	38,585	4,633	(219)	4,414
Other Fin. Institutions	421,434	(314)	421,120	1	-	1	-	-	-
Private Sector Entities	3,651	(32)	3,619	8	-	8	1	-	1
Factoring	50,379	(513)	49,866	-	-	-	407	(13)	394
	2,623,125	(29,753)	2,593,372	156,363	(50,162)	106,201	14,089	(376)	13,713
Retail									
Small business	181,085	(1,810)	179,275	19,821	(12,303)	7,518	4,573	(979)	3,594
Consumer Loans	568,225	(14,846)	553,379	64,984	(41,235)	23,749	56,378	(7,143)	49,235
Mortgages	2,518,976	(7,205)	2,511,771	67,721	(17,175)	50,546	112,267	(4,604)	107,663
Credit Cards	236,405	(31,617)	204,788	10,276	(7,817)	2,459	6,887	(189)	6,698
Overdrafts	86,162	(986)	85,176	16,724	(13,952)	2,772	3,328	(643)	2,685
Other	19,009	(3)	19,006	2	-	2	115	(1)	114
	3,609,862	(56,467)	3,553,395	179,528	(92,482)	87,046	183,548	(13,559)	169,989
Securities									
Trading	280,115	-	280,115	-	-	-	-	-	-
AFS	1,504,588	-	1,504,588	-	-	-	-	-	-
HTM	1,125,772	(265)	1,125,507	-	-	-	-	-	-
	2,910,475	(265)	2,910,210	-	-	-	-	-	-

35. Financial risk management (continued)

31 December 2010	Neither past due nor impaired			Impaired (non-performing)			Past due but not impaired		
	Amortised cost	Impairment losses	Carrying amount	Amortised cost	Impairment losses	Carrying amount	Amortised cost	Impairment losses	Carrying amount
Banks	96,009	-	96,009	328	(151)	177	12,412	-	12,412
Sovereigns									
Municipalities	98,586	(163)	98,423	930	(42)	888	2,214	-	2,214
Corporate									
Large Corporates	808,778	(5,682)	803,096	38,236	(11,329)	26,907	-	-	-
Specialized lending	619,057	(11,272)	607,785	31,436	(5,123)	26,313	593	(48)	545
SME	561,233	(11,542)	549,691	70,116	(27,806)	42,310	5,131	(303)	4,828
Other Fin. Institutions	393,176	(203)	392,973	1	-	1	-	-	-
Private Sector Entities	6,758	(81)	6,677	7	-	7	22	-	22
Factoring	53,507	(673)	52,834	170	(20)	150	79	(2)	77
	2,442,509	(29,453)	2,413,056	139,966	(44,278)	95,688	5,825	(353)	5,472
Retail									
Small business	164,804	(1,484)	163,320	18,158	(11,473)	6,685	5,899	(1,096)	4,803
Consumer Loans	526,745	(17,789)	508,956	65,124	(43,046)	22,078	52,192	(6,800)	45,392
Mortgages	2,312,865	(7,604)	2,305,261	56,756	(14,633)	42,123	106,453	(4,453)	102,000
Credit Cards	244,072	(31,754)	212,318	10,581	(7,828)	2,753	5,488	(181)	5,307
Overdrafts	94,201	(959)	93,242	15,179	(12,410)	2,769	2,704	(367)	2,337
Other	6,208	-	6,208	2	-	2	6	-	6
	3,348,895	(59,590)	3,289,305	165,800	(89,390)	76,410	172,742	(12,897)	159,845
Securities									
Trading	249,973	-	249,973	-	-	-	-	-	-
AFS	1,615,824	-	1,615,824	-	-	-	-	-	-
HTM	1,786,630	-	1,786,630	1,881	(249)	1,632	-	-	-
	3,652,427	-	3,652,427	1,881	(249)	1,632	-	-	-

35. 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 department and include positions arising from market-making and proprietary position taking. All foreign exchange risk within the Bank is transferred each day to the Trading department and forms part of the trading portfolio for risk management purposes. The non-trading portfolios are managed by the ALM department, and include all positions which are not intended for trading.

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

Exposure to market risk – trading portfolios

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

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

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

€ '000	September 2011				December 2010			
	Balance	Avg	Max	Min	Balance	Avg	Max	Min
Foreign currency risk	95	81	208	15	58	99	307	8
Interest rate risk	72	174	372	52	96	105	161	75
Overall	109	208	515	52	113	163	367	80

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

35. Financial risk management (continued)

Exposure to interest rate risk

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

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

The sensitivity of the interest margin is also measured on the basis of a parallel and instantaneous shock in the interest rate curve of ± 100 basis points, in a period of 12 months and for all 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 predictor of the future levels of the interest margin.

The VaR methodology is applied to calculate the allocation of economic capital for interest rate risk in the banking book.

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

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

Models applied for the calculation of interest rate gap

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

Contractual

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

Behavioural

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

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

35. Financial risk management (continued)

Interest margin sensitivity in a one year time frame – in the event of a 100 basis points rise in interest rates – was € 5,434 thousand at 30 September 2011, compared to €6,197 thousand at 31 December 2010.

Interest rate risk generated by the banking book, measured through shift sensitivity analysis to 1 basis point, registered € 92 thousand at 30 September 2011, compared to the € 119 thousand at 31 December 2010.

	Sep 2011	Dec 2010
EUR	80	111
CZK	11	8
Other	1	-
	<u>92</u>	<u>119</u>

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

	Sep 2011 %	Dec 2010 %
Assets		
Cash and balances with central banks	1.13	0.91
Due from banks	2.73	1.78
Financial assets held for trading	4.00	4.06
Available-for-sale financial assets	3.35	2.90
Loans and advances to customers	5.37	5.13
Held-to-maturity investments	3.95	3.23
Liabilities		
Due to central and other banks	0.67	0.65
Due to customers	0.99	0.89
Debt securities in issue	2.97	2.91

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.

35. Financial risk management (continued)

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

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

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

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

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

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

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

Rule 1: Real Estate + Equity Investments \leq Regulatory Capital

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

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

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

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

35. Financial risk management (continued)

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

30 September 2011	Less than 12 months	Over 12 months	Total
Assets			
Cash and balances with central banks	294,636	-	294,636
Due from banks	602,260	70,212	672,472
Financial assets held for trading	280,105	10	280,115
Derivative financial instruments	70,276	-	70,276
Available-for-sale financial assets	63,185	1,441,403	1,504,588
Non-current assets held for sale	46	-	46
Loans and advances to customers	1,852,244	4,801,083	6,653,327
Held-to-maturity investments	179,732	945,775	1,125,507
Subsidiaries, associates and jointly controlled entities	-	111,941	111,941
Intangible assets	-	29,311	29,311
Property and equipment	-	134,386	134,386
Current income tax assets	6,738	-	6,738
Deferred income tax assets	-	58,126	58,126
Other assets	21,739	-	21,739
	<u>3,370,961</u>	<u>7,592,247</u>	<u>10,963,208</u>
Liabilities			
Due to central and other banks	(381,429)	(40,936)	(422,365)
Derivative financial instruments	(53,450)	-	(53,450)
Due to customers	(6,380,169)	(1,265,719)	(7,645,888)
Debt securities in issue	(283,875)	(1,387,350)	(1,671,225)
Deferred income tax liabilities	-	(2,465)	(2,465)
Provisions	-	(24,010)	(24,010)
Other liabilities	(50,137)	(2,175)	(52,312)
	<u>(7,149,060)</u>	<u>(2,722,655)</u>	<u>(9,871,715)</u>
	<u>(3,778,099)</u>	<u>4,869,592</u>	<u>1,091,493</u>

35. Financial risk management (continued)

31 December 2010	Less than 12 months	Over 12 months	Total
Assets			
Cash and balances with central banks	179,064	-	179,064
Due from banks	70,954	37,644	108,598
Financial assets held for trading	176,187	73,786	249,973
Derivative financial instruments	45,205	-	45,205
Available-for-sale financial assets	244,614	1,371,209	1,615,823
Non-current assets held for sale	3,374	-	3,374
Loans and advances to customers	1,902,745	4,238,556	6,141,301
Held-to-maturity investments	687,236	1,101,027	1,788,263
Subsidiaries, associates and jointly controlled entities	-	113,810	113,810
Intangible assets	-	30,639	30,639
Property and equipment	-	142,801	142,801
Current income tax assets	6,882	-	6,882
Deferred income tax assets	-	56,210	56,210
Other assets	12,991	-	12,991
	<u>3,329,252</u>	<u>7,165,682</u>	<u>10,494,934</u>
Liabilities			
Due to central and other banks	(395,694)	(43,457)	(439,151)
Derivative financial instruments	(60,729)	-	(60,729)
Due to customers	(6,005,385)	(1,271,304)	(7,276,689)
Debt securities in issue	(285,446)	(1,334,145)	(1,619,591)
Deferred income tax liabilities	-	(2,118)	(2,118)
Provisions	-	(23,517)	(23,517)
Other liabilities	(51,173)	(1,761)	(52,934)
	<u>(6,798,427)</u>	<u>(2,676,302)</u>	<u>(9,474,729)</u>
	<u>(3,469,175)</u>	<u>4,489,380</u>	<u>1,020,205</u>

(d) Operational risk
Operational risk management strategies and processes

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

The control of operational risk was attributed to the Operational Risk Committee, which identifies risk management policies. 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 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 participated in the process and each of them was assigned the responsibility for the identification, assessment, management and mitigation of its operational risks. Specific offices and departments have been identified within these organisational units to be responsible for Operational Risk Management. These functions are responsible for the collection and structured census of information relating to operational events, scenario analyses and evaluation of the level of risk associated with the business environment. The Risk Management Division carries out second level monitoring of these activities.

35. Financial risk management (continued)

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

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

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

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

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

Policies for hedging and mitigating risk

The Bank, in coordination with its parent company, has set up a traditional operational risk transfer policy (insurance) aimed at mitigating the impact of any unexpected losses. The AMA calculation does not currently include the benefit from this transfer of operational risk through insurance policies, however, it is due to be included in the future, after its validation by the Supervisory authority, so that it can contribute to reducing the risk capital calculated through the internal models. The process required to obtain this approval is planned to start in 2012.

36. Segment reporting

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

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

The Bank comprises the following main operating segments:

- Retail Banking
- Corporate Banking
- Central Treasury

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

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

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

36. Segment reporting (continued)
30 September 2011

	Retail Banking	Corporate Banking	Central Treasury	Other	Total
External revenue					
Interest income	190,722	65,784	95,800	7,054	359,360
Interest expense	(35,527)	(10,483)	(47,903)	(3)	(93,916)
Inter-segment revenue	(457)	(7,499)	(11,699)	19,655	-
Net interest income	154,738	47,802	36,198	26,706	265,444
Net fee and commission income	44,481	14,806	1,592	(1,781)	59,098
Net trading income	2,411	3,705	(5,509)	49	656
Other operating income	2,986	417	-	4,072	7,475
Dividend income	-	-	-	20,151	20,151
Total segment operating income	204,616	66,730	32,281	49,197	352,824
Operating expenses					(147,052)
Operating profit before impairment					205,772
Impairment losses on financial assets					(40,728)
Income tax expense					(30,784)
Net profit for 9 months					134,260
Segment assets	3,752,320	2,938,546	3,736,111	536,231	10,963,208
Segment liabilities	4,552,758	1,998,857	3,282,409	1,129,184	10,963,208

36. Segment reporting (continued)

30 September 2010	Retail Banking	Corporate Banking	Central Treasury	Other	Total
External revenue					
Interest income	176,934	50,758	89,093	2,921	319,706
Interest expense	(37,755)	(4,605)	(38,014)	(5)	(80,379)
Inter-segment revenue	<u>(2,812)</u>	<u>(8,482)</u>	<u>(6,396)</u>	<u>17,690</u>	<u>-</u>
Net interest income	136,367	37,671	44,683	20,606	239,327
Net fee and commission income	40,924	14,029	727	(352)	55,328
Net trading income	2,736	2,922	(110)	(187)	5,361
Other operating income	1,486	417	-	84	1,987
Dividend income	<u>-</u>	<u>-</u>	<u>-</u>	<u>332</u>	<u>332</u>
Total segment operating income	181,513	55,039	45,300	20,483	302,335
Operating expenses					<u>(143,777)</u>
Operating profit before impairment					158,558
Impairment losses on financial assets					(36,542)
Income tax expense					<u>(24,841)</u>
Net profit for 9 months					<u>97,175</u>
Segment assets	3,389,707	2,790,452	3,882,016	512,804	10,574,979
Segment liabilities	4,403,447	1,800,239	3,308,044	1,063,249	10,574,979

37. Related parties

Related parties are those counterparties that represent:

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

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

37. Related parties (continued)

At 30 September 2011, significant outstanding balances with related parties comprised:

	KMP *	Close members of KMP	Affiliated companies	Intesa Sanpaolo Group	Total
Assets					
Due from banks	-	-	-	630,084	630,084
Derivative financial instruments	-	-	-	7,012	7,012
Loans and advances to customers	1,232	611	160,409	-	162,252
Other assets	-	-	808	1,509	2,317
	<u>1,232</u>	<u>611</u>	<u>161,217</u>	<u>638,605</u>	<u>801,665</u>
Liabilities					
Due to central and other banks	-	-	-	153,623	153,623
Derivative financial instruments	-	-	-	2,385	2,385
Due to customers	2,096	-	2,558	-	4,654
Debt securities in issue					
Bonds	-	-	6,799	-	6,799
Mortgage bonds	-	-	-	1,051,374	1,051,374
Other liabilities	-	-	2,601	-	2,601
	<u>2,096</u>	<u>-</u>	<u>11,958</u>	<u>1,207,382</u>	<u>1,221,436</u>
Financial commitments and contingencies					
	<u>-</u>	<u>-</u>	<u>24,656</u>	<u>-</u>	<u>24,656</u>
Derivative transactions (notional amount – receivable)					
	<u>-</u>	<u>-</u>	<u>-</u>	<u>278,049</u>	<u>278,049</u>
Derivative transactions (notional amount – payable)					
	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>5,000</u>
Income and expense items					
Interest and similar income	32	3	2,005	8,474	10,514
Interest expense and similar charges	(33)	-	(129)	(21,446)	(21,608)
Fee and commission income	2	-	3,735	-	3,737
Fee and commission expense	-	-	(21,547)	(3,255)	(24,802)
Net trading income	-	-	-	(3,181)	(3,181)
Dividend income	-	-	20,151	-	20,151
Operating income	-	-	732	58	790
Operating expenses	-	-	(307)	-	(307)
	<u>1</u>	<u>3</u>	<u>4,640</u>	<u>(19,350)</u>	<u>(14,706)</u>

* Key management personnel

37. Related parties (continued)

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

	KMP *	Close members of KMP	Affiliated companies	Intesa Sanpaolo Group	Total
Assets					
Due from banks	-	-	-	65,319	65,319
Derivative financial instruments	-	-	-	6,260	6,260
Loans and advances to customers	931	878	97,627	-	99,436
Other assets	-	-	535	-	535
	<u>931</u>	<u>878</u>	<u>98,162</u>	<u>71,579</u>	<u>171,550</u>
Liabilities					
Due to central and other banks	-	-	-	132,787	132,787
Derivative financial instruments	-	-	-	1,537	1,537
Due to customers	1,567	-	11,438	-	13,005
Debt securities in issue	-	-	-	-	-
Bonds	-	-	6,726	-	6,726
Mortgage bonds	-	-	-	1,054,067	1,054,067
Other liabilities	-	-	3,182	-	3,182
	<u>1,567</u>	<u>-</u>	<u>21,346</u>	<u>1,188,391</u>	<u>1,211,304</u>
Financial commitments and contingencies	<u>-</u>	<u>-</u>	<u>26,913</u>	<u>-</u>	<u>26,913</u>
Derivative transactions (notional amount – receivable)	<u>-</u>	<u>-</u>	<u>-</u>	<u>136,382</u>	<u>136,382</u>

* Key management personnel

For the period ended 30 September 2010, significant outstanding balances with related parties comprised:

	KMP	Close members of KMP	Affiliated companies	Intesa Sanpaolo Group	Total
Income and expense items					
Interest and similar income	24	37	943	4,185	5,189
Interest expense and similar charges	(26)	-	(110)	(13,739)	(13,875)
Fee and commission income	3	-	3,262	-	3,265
Fee and commission expense	-	-	(22,856)	-	(22,856)
Net trading income	-	-	-	633	633
Dividend income	-	-	332	-	332
Operating income	-	-	769	180	949
Operating expenses	-	-	(8)	-	(8)
	<u>1</u>	<u>37</u>	<u>(17,668)</u>	<u>(8,741)</u>	<u>(26,371)</u>

38. Profit distribution

On 4 April 2011, the Bank's shareholders approved the following profit distribution for 2010.

Dividends to shareholders (€ 4.60 per € 33.2 share)	59,692
Retained earnings	<u>89,685</u>
	<u>149,377</u>

39. Events after the end of reporting period

There were no events after 30 September 2011 that would have a material effect on a fair presentation of the matters disclosed in these financial statements.