Contents

Address by the Chairman of the VUB Supervisory Board

Dear shareholders, clients and business partners, employees

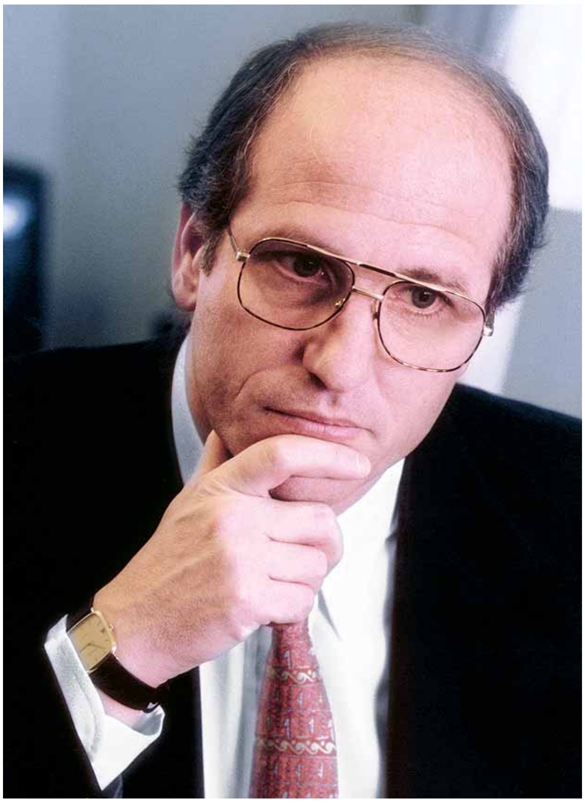
The year 2006 has for VUB been the fifth full year under the strategic ownership of Banca Intesa. During these five years, VUB has undergone tremendous changes that turned the Bank completely around to become one of the most efficient and profitable banks, boasting the best in-class asset quality, well distributed between the retail and corporate segments. Even more importantly, VUB has transformed into a modern, dynamic, and highly-innovative bank for which superior service to clients is the utmost priority and the meaning of existence.

These past five years also marked an important era for Banca Intesa. Indeed, early in this era, Banca Intesa itself has undergone significant restructuring, searching for a new corporate identity, governance and business model. Growing presence in Central and Eastern Europe (CEE) has been one of the most important strategic decisions formulated in this era. By 2006 thus Intesa has established itself in seven countries in this region, compared to three five years ago. Hand in hand with growing its footprint in the region, Banca Intesa also has grown support to its foreign subsidiaries. In 2005, it formalized this increased support in the new governance model for its foreign subsidiaries aiming at yet closer cooperation, know-how diffusion, and synergies in key areas of business support, efficiency improvements, and risk control.

For VUB, the intragroup cooperation in the business area has last year materialized in two important projects: introduction of the American Express products to the Slovak market via cooperation with Banca Intesa's Croatian unit, PBZ, and exploration of a potential acquisition of a local leasing company with the help of its Hungarian subsidiary, CIB. Efficiency-wise, last year the helping hand of Banca Intesa has been extended, for example, by providing technical support to VUB's project Optimum - rationalization of its support and control functions. In the area of risk control, I would mention in particular the help of Banca Intesa in issuing a euro-denominated mortgage bond for VUB. By doing so the Group helped to overcome the capacity limitations of the Slovak capital market and lower VUB's risk profile with respect to the dramatically growing mortgage portfolio.

For Banca Intesa, the year 2006 has been very important, as we merged with our next closest Italian competitor, Gruppo Sanpaolo IMI into a new entity, Intesa Sanpaolo. This new group has become an undisputable leader on the Italian market and a major player also in the European-wide banking area, with the third-largest capitalization from among the Eurozone banking groups. In CEE, the two groups have a complementary presence, meaning that in total the new Group is now present in 10 countries in the region, reaching over 6 million clients through some 1,400 branches. At this stage, I would like to reaffirm the strategic commitment of Banca Intesa and indeed Intesa Sanpaolo to the fast-growing Central and Eastern European Markets, commitment in which VUB plays an integral part. By being bigger, Intesa Sanpaolo is able to offer yet greater stability and better support to its foreign subsidiaries.

For VUB itself, the year 2006 has been a challenging one. In particular, the Bank's financial performance has been affected by the run-off of restructuring bond revenue, while its commercial performance has been constrained by the difficult conditions on the corporate market due to the liquidity oversupply. I appreciate that in the pursuit of aspirational business growth targets the management has not lost sight of shareholder value and the cost of risk. After all, responsibility towards depositors is the bank's foremost priority.



Against this backdrop, I appreciate all the more the results VUB has delivered this past year. Independently, the Bank's solid performance also has been noted by outside observers, such as *Global Finance* and *The Banker*, which, for the second time already, this past year presented VUB with prestigious award of the Best Bank in Slovakia. On behalf of the Supervisory Board, I would like to thank the management and employees for these excellent achievements.

György Surányi
Chairman of the Supervisory Board

Address by the Chairman of the VUB Management Board

Dear shareholders, clients and business partners,

The year 2006 has been the most challenging in the post-privatization history of the Bank. I am pleased to say that we have met most of the challenges and delivered broadly fine results. This holds especially true of the profitability and efficiency results, which are in line with budgetary targets and show positive developments vis-à-vis the previous year. I am also pleased of the great number of valuable systemic changes, initiated this past year, which would increase quality and competitiveness of the whole VUB group. In the commercial arena, we have posted uneven results, delivering or even exceeding planned business growth targets in some segments but underperforming in others. Delivering stronger and more balanced business growth results is therefore priority for 2007.

Before evaluating VUB's results in detail, I believe it is instructive to review first the developments in the Bank's external environment. In this respect, the banking business has continued to enjoy a very supportive macroeconomic backdrop. Indeed, the Slovak economy last year geared up to over-8% real growth, which delivered record-high profits to corporates and meaningful income gains to households. Both the bank credit and the deposit markets benefited from the economic boom, having grown volumes by 20% and 13%, respectively.

To be sure, the credit market has moderated somewhat compared to the previous year because interest rates rose in response to higher inflation. The National Bank of Slovakia increased official interest rates by a cumulative 1.75% points during this past year and market interest rates followed suit. Lending to households remained the primary credit growth driver, with over-30% growth in volumes. Lending to the corporate market expanded at half the retail pace.

On the deposit market, growth in volumes has been more balanced across segments, with households as well as nonfinancial enterprises having deposited with the banks nearly 20% more money than they did in 2005. Due to higher interest rates, however, an important shift in favor of the term deposit business occurred. In particular, households' term deposits grew 22%, whereas in 2005 they actually decreased 8%. Additionally, the rise in interest rates dramatically slowed growth of the mutual fund business, as it negatively impacted the performance of the money market and bond market funds, the most popular funds in this business.

Against this external backdrop, VUB performed well on the household bank deposit and credit markets, in which we outgrew competition and increased our market shares. In particular, we have grown strongly our mortgage book and systematically expanded consumer lending volumes via our specialized subsidiary, the Consumer Finance Holding. On the deposit market, we have introduced in close cooperation with Banca Intesa a series of successful structured savings deposits, the so-called Guaranteed Deposits. Additionally, foreseeing the changed interest rate environment, we have adopted a new term deposit strategy, which stimulated shift of the deposit volumes into longer maturities. By doing so, we have not only been able to increase our share of the household term deposit business, but also helped to alleviate asset-liability mismatch of the Bank's balance sheet. Importantly, despite concentrating on the term deposit business last year, we had been able to remain successful also in the current account business and sustain our market share there.

Much less satisfactory were commercial results of our asset management arm, which, unlike the market, actually contracted in volume terms. We have nonetheless identified the causes of the downfall and made the necessary managerial actions to restart growth and initiate recovery of the lost market share toward the year end. Importantly, thanks to our joint pension fund venture with Generali, we are now able to compete for a broader set of fast-rising personal financial assets than solely bank deposits and mutual funds. Indeed, I am pleased that we have been able to acquire trust of 200 thousand pension fund clients and hold nearly 17% market share in this important new market.

Unlike the household segment, in the small business, SME and corporate segments, we did not succeed in building market share. Rather on contrary, we have lost positions in both in the deposit and the loan volumes. Overall, on consolidated basis, VUB grew last year its total primary deposits by 10% and total loans to customers by 8%, respectively, which were slower growth rates than those of the entire market, especially on the lending front. It also was a slower lending growth than in 2005, when our consolidated loan book grew 20%. I would like to stress, however, that this slowdown was deliberate - a product of conscious decision rather than lack of growth abilities. We namely felt concerned about the price and contractual conditions prevailing on the domestic loan market, especially in the segment of large corporate firms, both domestic and multinational. In our view, namely, these terms did not correspond to future risks in this business and we therefore temporarily pulled the feet off the loan accelerator pedal. In this respect, I believe it is important to underline the fact that VUB's asset quality is superior to local competitors and our return-on-asset ratio is actually the highest in the market!

Turning to VUB's financial results, I am pleased that we have been able to deliver a positive, 11% growth of operating profit, despite serious headwinds to our revenue base due to run off of restructuring bond income, which affected 12% of our net interest income. We also have been able to sustain a solid net profit of SKK 3.7 bn despite the fact that VUB incurred much higher tax liability in 2006 than in the previous year (Sk 1.1 bn vs Sk 0.4 bn in 2005).

The key to sustaining our financial performance against the foregone interest income has been in further efficiency gains. Thanks to a number of initiatives focused on cost management, we have been able to decrease operating expenses last year by 6%. The decrease in operating expenses together with 1% growth of operating revenue brought our cost-to-income ratio on the consolidated basis to 55.2% from 59.4% in 2005. We have thus remained firmly on the path to being the most efficient bank on the local market.

The most important of the cost management initiatives initiated last year has been the so-called Optimum project. In this project, we have aimed to streamline our headquarters by redesigning processes in support and control functions and abandoning superfluous or duplicitated activities wherever possible. The importance of the Optimum project though is deeper than the estimated cost savings of around SKK 200 million on an annual basis. Indeed, the other dimension of this project related to fostering teamwork and culture of cooperation across the whole Bank. It is this second dimension of the project that will gain importance going forward, to fulfilling our goal of building a client-oriented organization with clear targets, results, and success evaluation measures.

Importantly, the efficiency improvements last year have not been confined to headquarters only. Indeed, we had initiated a further streamlining of the mortgage business processes that will allow more effective pre-sale activities and simplified generation of client contracts. We also have initiated integration of the Consumer Finance Holding with the VUB platform that will eventually enable the whole Group to reap synergic benefits in business, IT, risk management, and finance. In back office operations, we have last year concluded projects to automate domestic payments and centralize cash management. Substantial investments have been undertaken to upgrade the loan transactions system ILP - the engine of the Bank.

Important organizational changes have last year been implemented in the SME business model as well as risk management and human resource functions. In SME, we have redesigned organization structure and established 13 SME business centers and four regional acquisition teams. Together with new and clear segmentation and pricing criteria, we thus aim to achieve more effective client relationship management and provide better quality of services to this strategically important market. In risk management, we have reorganized the credit risk management unit on functional lines to simplify and rationalize lending process. The HR function has last year been elevated to the Board level to signify that human capital, its quality and ability to grow within the Bank and the Group is the key to our long-term success.

Looking ahead, the crucial difference between 2006 and 2007 will be the Bank's and the overall Group's focus on boosting revenues through volumes development. Last year, our position required a relatively balanced distribution of objectives between efficiency and business growth targets. In the area of efficiency, we achieved our targets and the path ahead means full concentration of the whole Group on healthy, value-based improvement of our market position. And because we have the lowest loans-to-assets ratio in the sector, the key focus must be on lending activities across the board.

To accomplish our aspirations, we have to focus on execution of plans within the three basic pillars of our strategy. The first one is to achieve a sound growth in retail banking and consumer finance activities through our specialized subsidiary. In the Bank, the focal point for execution lies in further development of the mortgage business and the necessity to considerably strengthen our activities to defend our number one position. Next, we must reinforce the Bank's position in asset management activities, namely through introduction of Intesa Sanpaolo and Generali products to the Slovak market. In this respect, we must also fortify our position as one of the main banks for deposits or transactions for private clientele and enhance our offer of deposit products.

The small business segment is the second pillar of our strategy and we are currently working on a project to improve our overall business model. Our ratio of loans to deposits calls for set of well-aimed initiatives to improve our lending activities, therefore our main challenge is to deliver healthy growth in this context. The corporate banking franchise, and the SME segment in particular, constitutes the third pillar of our strategy. Here we must succeed in building volumes primarily by intensifying business activities with the medium-sized industrial clients. These sales stimulation, cross-selling activities and focus on improving our share of wallet are on top of the list. We must also set up a dedicated team for the clientele of the Intesa Sanpaolo Group, which will leverage the business potential of these international entities better.

In 2007, we must implement projects and business-unit-driven initiatives, which will support the intended business growth and quality of our service. In particular, we must further automate the mortgage process, consolidate the small business and SME business model and invest into internet and telephone banking platforms. At the same time, we must utilize preparations for the arrival of the single European currency and leverage our genuine euro know-how to profile VUB as the innovative bank, able to offer superior support to our clients. In risk management, we must further improve quality to support our common goal of healthy business growth. Our success will significantly depend on the ability of IT organization to deliver on time a great number of projects. Therefore we must utilize the IT potential to full by cooperating and coordinating its activities with the rest of the Bank much better.

Clearly, the mission for the year 2007 is very challenging. I nonetheless firmly believe the VUB team will not fail in this mission. We namely have the ability, the will, and the determination to continuously improve quality of service to the benefit of our clients.

In conclusion, I would like to thank our employees for their commitment, resilience and hard work. I also would like to thank VUB clients and business partners for the trust they hold in the Bank, and the shareholders for their support. I wish all of us the best in the year 2007.

Tomas Spurny
CEO and Chairman of the Management Board

Development of the External Environment

The year 2006 has in many ways been the most successful in the modern Slovak history. In particular, economic growth has geared up to eight percent from six in 2005. Once again, for the fifth time in a row, Slovakia enjoyed the highest real GDP growth rate from among the Visegrad countries. It also was three times higher growth than in the Eurozone, which means that Slovakia has last year made a relatively sizable step forward on the convergence path to the Western European standard of living.

Indeed, fast growth has finally begun to deliver in a meaningful way. Importantly, the beneficiary is not only the corporate sector, which last year booked record-high profits, but increasingly so also households, who benefit from improving labor markets and wage gains. Consumer confidence, the long-depressed indicator of how households view their own economic and financial fortunes, has been continuously rising and by year end it even reached a positive balance, for the first time ever! In other words, a typical Slovak household thus finally saw its economic and financial wellbeing from a positive perspective. Businesses too have indicated a sustained rise in confidence, especially in industry and construction sector, which last year posted double-digit output growth rates.

With regards to financial markets, the past year has been a year of two halves, rather a bad first one and a much better second one. The first half-year has namely been adversely affected by rising oil price and inflation worldwide, which led central banks, including the Slovak one to increase official interest rates. Moreover, uncertainty about the outcome of the Slovak parliamentary elections in June, have pushed up the risk premium required by foreign investors on the Slovak financial assets. By mid-year, the koruna thus lost 2% of its value against the euro and the long-term borrowing rate for the government rose by 2.5% points. Reassurance of the timely euro adoption and sufficient fiscal discipline by the new government has nonetheless scaled back the perceived financial risks and allowed long-term interest rates to gradually decline in the second half of the year by about 1.5% points. The koruna too has recouped the earlier losses and thanks to a bout of strength in the final quarter even became the region's best performing currency last year, with a total full-year gain of 9% against the euro.

As for the banking sector, fast and broad-based economic growth naturally provided a benign backdrop. Indeed, the credit and deposit markets last year enjoyed a 20% and 13% expansion in volumes, respectively. To be sure, however, the credit market has moderated somewhat from the 29% growth in the preceding year because of higher interest rates. The deposit market, by contrast, posted a stronger growth vis-à-vis 2005, when it grew volumes by 9%. From among the segments of the deposit market, the household segment has benefitted most in the environment of changed interest rates. Indeed, household bank deposit volumes grew last year 18%, a sharp improvement from the 1% growth in 2005 and a 4% contraction in 2004, respectively. This positive turnaround nonetheless came partly at the expense of the mutual fund business, whose assets under management slowed down dramatically (6% vs 75% in 2005). Rising interest rates and unfavorable global financial market developments in the first half of the year namely hurt funds' performance and prompted disappointed investors/savers to redeem their money from mutual funds and put it back to bank deposits, a reverse of what was happening in the previous three years. Even so, thanks to rising income and improving financial situation of the households, the overall pool of households' financial assets, including pension assets, grew last year about 20%, the fastest pace in recent history.

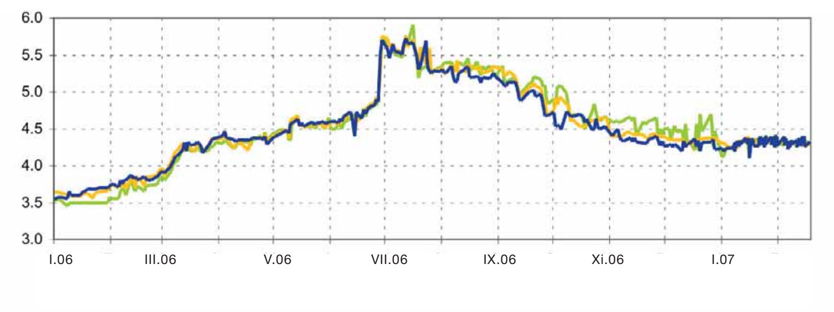
2007 Macro Outlook

The growth outlook for the Slovak economy remains bright also at the start of the year 2007. Thanks to positive momentum and newly launched production at two major car factories and a number of other FDI-driven projects, in electronic industry, for example, it seems likely that real GDP growth will be even stronger than last year. Along strong economic growth, it also seems likely that the koruna will remain firm. Unlike 2006, the forthcoming year will likely be one of declining inflation and interest rates. Indeed, because of lower energy prices, inflation is set to decline to around 2% from over-4% last year. And because of declining inflation, the central bank will likely lower official interest rates at some stage during the year, probably by 50bps. This would bring the key 2-week repo rate to 4.25%, close to the 4.00% projected refinancing rate of the ECB – the institution that will most likely take over the role of the official interest rate setter for Slovakia upon its adoption of the single European currency in 2009.

Sk / EUR and USD exchange rate

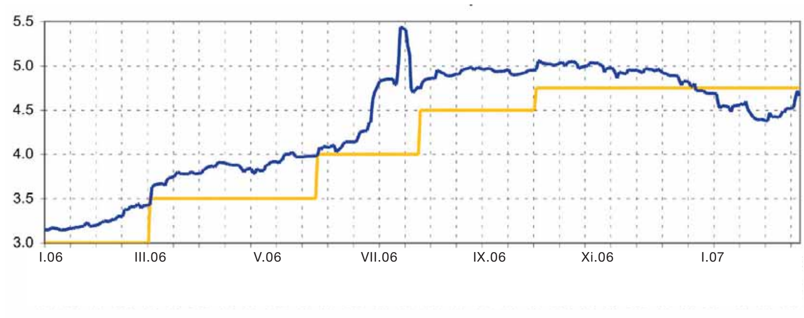
• Sk / EUR • Sk / USD

Yields on bonds



• 3-years GB • 5-years GB • 7-years GB

Interest rates development



• 3M BRIBOR • 2W REPO rate

VUB's 2006 Commercial Performance

In 2006, the Bank, with view to increase the efficiency and labour productivity, was primarily aimed at stimulation of core revenues growth while cutting the costs associated with supporting operations. A gradual stabilization of Bank's market shares in individual segments came as a result of the efforts to continue generating interest-bearing assets mainly in retail banking, small business and SME segments. VUB confirmed its leading market position in product offer and advisory services associated with real estate finance. The key contributor was the network of 11 mortgage centres, outlets providing solely this type of services. Enhanced customer confidence and satisfaction with the quality of VUB's services were positively reflected in the customer deposit area. Indeed, a wide network of 207 retail and 26 corporate branches and a continuous development of alternative distribution channels prove VUB's striving to constantly improve customer service and thereby increase satisfaction of its customers.

The evidence proving that VUB is heading in the right direction includes the upgrade of its rating by the major rating agencies, the award by the *Global Finance* magazine ranking it among the best banks in the emerging market and finally also the "Bank of the Year in Slovakia" award by *The Banker magazine*.

Deposits

The bank deposits of VUB at the end of 2006 amounted to SKK 179 billion. The 10% increase of deposit volume compared to the previous year came from the corporate as well as from the retail clients. The corporate deposits netted of fluctuations in public sector have retained their favourable growth primarily due to term deposits. In the second half of the year, the term deposits became the key growth driver in retail deposits, when the Bank raised its interest rates due to a rate increase by NBS. The Bank was able to keep its rapid growth pace also in non-term deposits, where the Flexi Account, a product unique in its variability, played a significant role.

Electronic banking

In 2006, Všeobecná úverová banka was continuously improving the services for all electronic banking channels including the Service Kontakt, Internet Banking, Internet Banking Plus, GSM Banking, Business Banking, and Multicash. Special emphasis was put on enhancing the security of Internet Banking. The improvement in this area was achieved by implementing the SMS authorization and extending the functionality and user comfort of Business Banking – a channel, which represents the most important VUB electronic banking channel in terms of number and volume of transactions.

At year-end of 2006 as many as 630 thousand clients had used some slightly over 1 million, the most popular among the clients being the Service Kontakt with 513 thousand clients at the end of 2006. The highest y/y growth was recorded in the GSM Banking and Internet Banking - 18% and 13% respectively. Compared to 2005, the number of transactions made via electronic banking increased by 69%, while the Business Banking (79%) and Internet Banking (69%) recorded the highest y/y growth.

Banking cards

2006 was a successful year for VUB also from the aspect of banking cards and the related services. In May, VUB, acting as an exclusive issuer, started issuing the American Express credit cards, such as the Blue Card with an attractive design and a unique cash back loyalty scheme, and also the prestigious Gold Card. The Bank registered 16,308 holders of these cards at the end of the year. Hence, the Bank issued more than 290 thousand cards in 2006, which represents a 15% increase compared to the previous year. Together with the debit cards, the Bank held a market share as large as 26% and maintained its number one position in the Slovak market in the number of cards issued. As part of its efforts to improve its services primarily for retail clients, the Bank installed 19 new ATMs during the year. At the end of 2006, the VUB network consisted thus of 488 ATMs, which represents one fourth of the total ATM network in the Slovak Republic. VUB has retained its position of a leading bank mainly in ETF POS terminals. Compared to 2005, their number went up by 22% and reached 7,413 units, which accounts for a 33% share in the Slovak market. Remarkable growth was also seen in the number and volume of transactions executed through the terminals.

Loans

Individuals – mortgage and consumer loans

Also in 2006, the Bank managed to strengthen its leading position in mortgage financing. In mortgage loans, it recorded a growth by 42% to end up at SKK 29 billion. Since 2005 the Bank has been granting also the Euro denominated loans, and in 2006 their net value exceeded the double of the last year. Cooperation with Consumer Finance brought synergic effects. The amount of loans provided through Consumer Finance Holding grew on the VUB's balance sheet y/y by 4% and totalled SKK 5 billion.

Corporate loans

Asset growth in the SME segment represents one of VUB strategic priorities. Towards the end of 2006, the amount of loans granted in that year represented a quarter of total loans granted to SMEs. In total, the loans to SMEs accounted for 36% of credit exposure managed by the Corporate Banking Division, while the average balance thereof surged by as much as 8% against the previous year. Corporate banking kept improving the quality of its loan portfolio also in 2006 and the total amount of non-performing loans decreased.

Domestic and international payments

In 2006 the Bank strengthened its position in both domestic and international payments. The number of transactions performed through VUB was up by more than 11% y/y and the domestic payments accounted for SKK 27 billion, corresponding thus to 16% of the Slovak banking sector. VUB saw a steep surge in international payments, when their total amount over the year grew by a robust 80% and reached SKK 480,000 billion. As a result, the Bank's market share in total international payments of the Slovak banking sector increased to 12%.

Basic Indicators

Basic Indicators in Sk million

	Individual IFRS			Consolidated IFRS		
	2006	2005	2004 *	2006	2005	2004
Balance sheet						
Loans and advances to customers	89,169	83,250	70,493	92,522	85,738	71,159
Deposits from customers	179,084	163,170	167,258	178,856	162,944	167,182
Shareholders' equity	21,211	21,168	19,738	20,749	20,719	19,770
Total assets	238,231	224,925	218,307	240,977	226,802	218,837
Income statement					**Restated**	
Operating income	10,065	10,811	9,606	11,822	11,693	9,658
Operating expenses	(5,627)	(6,237)	(5,903)	(6,510)	(6,947)	(5,947)
Operating profit before impairment and provisions	4,438	4,574	3,703	5,312	4,746	3,711
Profit from operations	4,805	4,429	3,203	4,872	4,371	3,149
Net profit for the year	3,758	3,993	2,972	3,747	3,696	2,865

* Note.: not audited, until 2005 were financial statements issued only according to Slovak accounting regulations (SAS)

Commercial indocators	**2006**	**2005**
ATMs	483	464
EFT POS terminals	7,413	6,067
Payments cards	1,145,097	1,113,003
Credit cards	290 325	252,554
EDC clients	1,002,719	936,595
Mortgage loans (in Sk bln.)	29.0	20.4
Consumer loans (in Sk bln)	9.3	7.8
Number of employees (VUB group)	4,004	4,346
Number of branches	235	244

Rating (status as at 21 march 2007)

Moody's

Long-term deposits	A1
Short-term deposits	P-1
Financial strength	D+

Fitch Ratings

Individual rating	C
Support rating	1
Long-term rating	A+
Short-term rating	F1

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Independent Auditors' Report

To the Shareholders of Všeobecná úverová banka, a. s.:

We have audited the accompanying consolidated financial statements of Všeobecná úverová banka, a. s. and consolidated companies ('the Group'), which comprise the consolidated balance sheet as at 31 December 2006, the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2006, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

19 February 2007
Bratislava, Slovak Republic

Ernst & Young

Ernst & Young Slovakia, spol. s r.o.
SKAU Licence No. 257

Ing. Dalimil Draganovský
SKAU Licence No. 893

Ernst & Young Slovakia, spol. s r.o., IČO: 35 840 463, zapísaná v Obchodnom registri Okresného súdu Bratislava I, oddiel: Sro, vložka číslo: 27004/B a v zozname audítorov vedenom Slovenskou komorou audítorov pod č. 257.

Consolidated balance sheet
at 31 December 2006
(In millions of Slovak crowns)

	Notes	2006	2005
Assets			
Cash and balances with central banks	4	4,872	4,052
Treasury bills and other eligible bills	5	2,974	3,995
Loans and advances to banks	6	38,578	25,797
Financial assets held for trading	7	560	646
Derivative financial instruments held for trading	8	2,388	1,850
Available-for-sale financial assets	9	2,667	631
Non-current assets held for sale	16	15	67
Loans and advances to customers	10	92,522	85,738
Held-to-maturity investments	12	86,580	94,122
Investments in associates and jointly controlled entities	13	139	218
Intangible assets	14	1,785	1,981
Goodwill	15	570	570
Property and equipment	16	6,273	6,037
Current income tax assets	17	597	-
Deferred income tax assets	17	-	501
Other assets	18	457	597
		240,977	226,802
Liabilities			
Deposits from central banks	19	2,856	2,296
Deposits from other banks	20	10,124	18,656
Derivative financial instruments held for trading	8	2,054	2,036
Deposits from customers	21	178,856	162,944
Debt securities in issue	22	22,278	14,696
Current income tax liabilities	23	-	580
Deferred income tax liabilities	23	310	-
Provisions	24	1,057	1,127
Other liabilities	25	2,693	3,748
		220,228	206,083
Equity			
Share capital	26	12,978	12,978
Share premium		403	403
Reserves		2,618	2,520
Retained earnings		4,750	4,818
		20,749	20,719
		240,977	226,802
Financial commitments and contingencies	27	44,316	37,113

The accompanying notes on pages 17 to 49 form an integral part of these financial statements.

These financial statements were authorized for issue by the Board of Directors on 19 February 2007.

Tomas Spurny
Chairman of the Board of Directors

Domenico Cristarella
Member of the Board of Directors

Consolidated income statement
for the year ended 31 December 2006
(In millions of Slovak crowns)

	Notes	2006	2005 Restated
Interest and similar income		12,328	10,844
Interest expense and similar charges		(4,791)	(3,281)
Net interest income	28	7,537	7,563
Fee and commission income		3,283	3,104
Fee and commission expense		(643)	(654)
Net fee and commission income	29	2,640	2,450
Net trading income	30	1,137	1,022
Other operating income	31	496	653
Dividend income		12	5
Operating income		11,822	11,693
Salaries and employee benefits	32	(2,547)	(2,562)
Other operating expenses	33	(2,892)	(3,333)
Amortization	14	(470)	(387)
Depreciation	16	(601)	(665)
Operating expenses		(6,510)	(6,947)
Operating profit before impairment and provisions		5,312	4,746
Impairment losses and provisions	34	(440)	(375)
Profit from operations		4,872	4,371
Share of loss of associates and jointly controlled entities	13	(52)	(262)
Profit before tax		4,820	4,109
Income tax expense	35	(1,073)	(413)
Net profit for the year		3,747	3,696
Basic and diluted earnings per share in Slovak crowns	26	289	285

The accompanying notes on pages 17 to 49 form an integral part of these financial statements.

Consolidated statement of changes in equity
for the year ended 31 December 2006
(In millions of Slovak crowns)

	Share capital	Share premium	Legal reserve fund	Other capital funds	Revalu-ation reserves	Retained earnings	Total
At 1 January 2005	12,978	403	2,222	9	-	4,158	19,770
Translation of a foreign operation	-	-	-	-	-	3	3
Available-for-sale financial assets	-	-	-	-	(25)	-	(25)
Total income and expense for the year recognized directly in equity	-	-	-	-	(25)	3	(22)
Net profit for the year	-	-	-	-	-	3,696	3,696
Total income and expense for the year	-	-	-	-	(25)	3,699	3,674
Contribution to the legal reserve fund	-	-	314	-	-	(314)	-
Dividends to shareholders	-	-	-	-	-	(2,725)	(2,725)
At 31 December 2005	12,978	403	2,536	9	(25)	4,818	20,719
Translation of a foreign operation	-	-	-	-	-	(16)	(16)
Available-for-sale financial assets	-	-	-	-	(2)	-	(2)
Total income and expense for the year recognized directly in equity	-	-	-	-	(2)	(16)	(18)
Net profit for the year	-	-	-	-	-	3,747	3,747
Total income and expense for the year	-	-	-	-	(2)	3,731	3,729
Contribution to the legal reserve fund	-	-	100	-	-	(100)	-
Dividends to shareholders	-	-	-	-	-	(3,699)	(3,699)
At 31 December 2006	12,978	403	2,636	9	(27)	4,750	20,749

The accompanying notes on pages 17 to 49 form an integral part of these financial statements.

Consolidated cash flow statement
for the year ended 31 December 2006
(In millions of Slovak crowns)

	Notes	2006	2005
Cash flows from operating activities			
Profit before changes in operating assets and liabilities	36	5,537	4,943
Loans and advances to banks		(909)	(1,070)
Financial assets held for trading		106	337
Derivative financial instruments (positive)		(538)	576
Available-for-sale financial assets		(1,964)	(443)
Loans and advances to customers		(8,382)	(12,647)
Other assets		145	(28)
Deposits from central banks		559	1,766
Deposits from other banks		(8,494)	(327)
Derivative financial instruments (negative)		18	(936)
Deposits from customers		15,707	(4,207)
Other liabilities		2	321
Net cash used in operating activities		(3,750)	(16,658)
Cash flows from investing activities			
Purchase of held-to-maturity investments		(31,677)	(18,655)
Repayments of held-to-maturity investments		38,860	4,207
Purchase of intangible assets and property and equipment		(987)	(1,390)
Disposal of property and equipment		432	488
Acquisition of consolidated companies, net of cash received		(568)	(712)
Disposal of consolidated companies		-	32
Net cash from/(used in) investing activities		6,060	(16,030)
Cash flows from financing activities			
Proceeds from issue of debt securities		8,286	7,245
Repayments of debt securities		(750)	(600)
Dividends paid		(3,699)	(2,725)
Net cash from financing activities		3,837	3,920
Net change in cash and cash equivalents		11,684	(23,825)
Cash and cash equivalents at beginning of the year	3	30,815	54,640
Cash and cash equivalents at end of the year	3	42,499	30,815

The accompanying notes on pages 17 to 49 form an integral part of these financial statements.

Notes to the consolidated financial statements
for the year ended 31 December 2006
prepared in accordance with International Financial Reporting Standards

1. General information

1.1 The Bank

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

At 31 December 2006, the Bank had a network of 165 branches and 70 sub-branches located throughout Slovakia (December 2005: 154 branches and 90 sub-branches). The Bank also has one branch in the Czech Republic.

1.2 The VUB Group

The consolidated financial statements for the year ended 31 December 2006 comprise the Bank and its subsidiaries (together referred to as 'the VUB Group' or 'the Group') and the Group's interest in associates and jointly controlled entities as follows:

	Share in 2006	Share in 2005	Principal business activities
Subsidiaries			
Consumer Finance Holding, a.s. ('CFH')	100%	100%	Consumer finance business
VÚB Asset Management, správ. spol. a.s.	100%	100%	Asset management
VÚB Factoring, a.s.	100%	100%	Factoring of receivables
VÚB Leasingová, a.s.	100%	100%	Finance leases
Recovery, a.s.	100%	100%	Finance leases
Quatro, a.s. (1)	-	100%	Consumer loans and finance leases
Q-Broker, a.s. (1)	-	100%	Insurance brokerage
Q-Car, a.s. (1)	-	100%	Finance leases for second-hand cars
Slovenské kreditné karty, a.s. (1)	-	100%	Credit cards administration
Slovenská požičovňa, a.s. (1)	-	100%	Consumer loans
Tatracredit, a.s. (1)	-	100%	Consumer loans and finance leases
Associates			
Slovak Banking Credit Bureau, s.r.o.	33.3%	33.3%	Credit databases administration
Jointly controlled entities			
VÚB Generali D.S.S., a.s.	50%	50%	Pension fund administration

(1) The companies merged with CFH in 2006.

In March 2006, Burza cenných papierov Bratislava was transferred into the available-for-sale portfolio due to a decrease in the Bank's holding in the share capital from 20.2% to 6.7% as a result of share capital increases by the main shareholder.

All entities are incorporated in the Slovak Republic.

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

2. Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the VUB Group ('the financial statements') have been prepared in accordance with International Financial Reporting Standards ('IFRS') issued by the International Accounting Standards Board ('IASB') and with interpretations issued by the International Financial Reporting Interpretations Committee of the IASB ('IFRIC') as approved by the Commission of European Union in accordance with the Regulation of European Parliament and Council of European Union and in accordance with the Act No. 431/2002 Collection on Accounting.

The 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 millions of Slovak crowns ('Sk'), unless indicated otherwise.

Negative values are presented in brackets.

2.2 Changes in accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. The accounting policies adopted are consistent with those of the previous financial year.

Reclassifications

Certain balances in consolidated income statement from 2005 were reclassified in accordance with their presentation in 2006 to better reflect substance of the income.

	2005	2005 Restated	Change
Interest and similar income	10,542	10,844	302
Fee and commission income	3,406	3,104	(302)
Depreciation	(591)	(665)	(74)
Impairment losses and provisions	(449)	(375)	74

2.3 Basis of consolidation

(a) Subsidiaries

Subsidiaries are entities controlled by the Bank. Control exists when the Bank has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date at which effective control commences until the date at which control ceases.

The financial statements of the Bank and its subsidiaries are combined on a line-by-line basis by adding together like items of assets, liabilities, equity, income and expenses. Intra-group balances, transactions and resulting profits are eliminated in full.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the VUB Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

The excess of the cost of acquisition over the fair value of the VUB Group's share of the identifiable net assets acquired is recognized as goodwill

(b) Associates

Associates are entities, in which the Group has significant influence, but not control, over the financial and operating policies. The financial statements include the Group's share of the total recognized gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases.

(c) Jointly controlled entities

Jointly controlled entities are entities over whose activities the Group has joint control, established by contractual agreement. The financial statements include the Group's share of the total recognized gains and losses of jointly controlled entities on an equity accounted basis, from the date that joint control commences until the date that joint control ceases.

2.4 Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments.

As the Group's operations do not have significantly different risks and returns, and the regulatory environment, the nature of its services, business processes and types of customers for its products and services are homogenous for all its activities, the VUB Group operates as a single business and geographical segment unit.

2. Summary of significant accounting policies (continued)

2.5 Foreign currency transactions

Monetary assets and liabilities in foreign currencies are translated to Sk at the official National Bank of Slovakia ('NBS') exchange rates prevailing at the balance sheet date. Income and expenses denominated in foreign currencies are reported at the NBS exchange rates prevailing at the date of the transaction.

The difference between the contractual exchange rate of a transaction and the 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.

2.6 Foreign operations

The financial statements include foreign operations in the Czech Republic. The assets and liabilities of foreign operations are translated to Sk at the foreign exchange rate prevailing at the balance sheet date. The revenues and expenses of foreign operations are translated to Sk at rates approximating the foreign exchange rates prevailing at the dates of the transactions. Foreign exchange differences arising on these translations are recognized directly in equity.

2.7 Cash and balances with central banks

Cash and balances with central banks comprise cash in hand and current accounts with the NBS and the Czech National Bank ('CNB'), including compulsory minimum reserves.

2.8 Treasury bills and other eligible bills

Treasury bills and other eligible bills represent highly liquid securities that could be used for rediscounting in the NBS without any time or other constraints. The balance comprises treasury bills issued by the Ministry of Finance and bills issued by the NBS.

2.9 Loans and advances to banks

Loans and advances to banks include receivables from current accounts in other than central banks, deposits and loans provided to commercial banks and to the NBS and the CNB.

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

2.10 Debt securities

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

(a) 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 VUB Group are recognized using settlement date accounting and are initially measured at fair value. 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 recognized in the income statement and equity respectively.

(a) Securities held for trading
These securities are financial assets acquired by the VUB Group for the purpose of generating profits from short-term fluctuations in prices. Subsequent to their initial recognition these assets are accounted for and measured at fair value.

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

The VUB Group monitors changes in fair values on a daily basis and recognizes unrealized gains and losses in the income statement in 'Net trading income'.

Interest earned on securities held for trading is accrued on a daily basis and reported in the income statement in 'Interest and similar income'.

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

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 securities are held at cost less impairment as their fair value cannot be reliably measured.

Unrealized gains and losses arising from changes in the fair value of available-for-sale securities are recognized on a daily basis in equity.

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

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

2. Summary of significant accounting policies (continued)

Held-to-maturity investments are carried at amortized cost less any impairment losses. Amortized cost is the amount at which the asset was initially measured adjusted for principal repayments, accrued interest income and the cumulative amortization of the discount/premium. The amortization of the premium/discount is recognized in the income statement in 'Interest and similar income'.

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

2.11 Repurchase and reverse repurchase agreements

Securities sold under sale and repurchase agreements ('repo transactions') remain as assets in the balance sheet under the original caption and the liability from the received loan is included in 'Deposits from banks' or 'Deposits from 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 balance sheet in 'Loans and advances to 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 accrued evenly over the life of the agreement.

2.12 Derivative financial instruments

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

Derivative financial instruments are initially recognized and subsequently re-measured in the balance sheet 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 VUB Group, enters into derivative financial instrument transactions to hedge its liquidity, foreign exchange and interest rate risks. The Group also enters into proprietary derivative financial transactions for the purpose of generating profits from short-term fluctuations in market prices. The VUB Group operates a system of market risk and counterparty limits, which are designed to restrict exposure to movements in market prices and counterparty concentrations. The VUB Group also monitors adherence to these limits on a regular basis.

Credit risk of financial derivatives
Credit exposure or the replacement cost of derivative financial instruments represents the VUB Group's credit exposure from contracts with a positive fair value, that is, it indicates the estimated maximum potential losses of the VUB Group in the event that counterparties fail to perform their obli-

gations. 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 nominal value, which indicates the potential change in market value over the term of the contract. The credit equivalent is established depending on the type of contract and its maturity. The VUB Group assesses the credit risk of all financial instruments on a daily basis.

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

2.13 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet, 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 balance sheet.

2.14 Non-current assets held for sale

Non-current assets held for sale are assets where the carrying amount will be recovered principally through a sale transaction rather than through continuing use.

Non-current assets 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.

2.15 Loans and advances to customers and impairment losses

Loans and advances are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market and are stated at amortized cost less any impairment losses. All loans and advances to customers are recognized on the balance sheet when cash is advanced to borrowers.

Loans and advances to customers are subject to periodic impairment test. 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 net profit or loss for the period.

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

The VUB Group writes off loss loans and advances when borrowers are unable to fulfill their obligations to the VUB Group and when relevant evidence has been obtained from the appropriate court. Loans and advances are written off against the reversal of the related impairment losses. Any subsequent recoveries are credited to the income statement on receipt.

2. Summary of significant accounting policies (continued)

2.16 Intangible assets

Intangible assets are recorded at historical cost less accumulated amortization and impairment losses. Amortization 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
Other intangible assets	5

Intangible assets acquired in a business combination are capitalized at fair values as at the date of acquisition and tested for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Acquired intangible assets are amortized using the straight line method over the estimated useful economic lives as follows:

	Years
Customer contracts and relationships	3 to 7
Brand names	8 to 9

2.17 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary at the date of acquisition.

Goodwill is measured at cost less impairment, if any. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired.

2.18 Property and equipment

Property and equipment are recorded at historical cost less accumulated depreciation and impairment losses. Acquisition cost includes the purchase price plus other costs related to acquisition such as freight, duties or commissions. The costs of expansion, modernization or improvements leading to increased productivity, capacity or efficiency are capitalized. Repairs and renovations are charged to the income statement 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	5 - 40
Equipment	4, 6, 15
Other tangibles	4, 6, 15

Assets in progress, land and art collections are not depreciated. Depreciation of assets in progress begins when the related assets are put into use.

The VUB Group periodically tests its assets for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to this recoverable amount. Where assets are identified as being surplus to the VUB Group's requirements, management assess the recoverable value by reference to a net selling price based on third party valuation reports, adjusted downwards for an estimate of associated sale costs.

2.19 Leasing

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

VUB Group as a lessee

Finance leases, which transfer to the VUB Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments and included in Property and equipment with the corresponding liability to the lessor included in Other liabilities. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income in Interest expense and similar charges.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the VUB Group will obtain ownership by the end of the lease term.

Operating lease payments are not recognized in the balance sheet. Any rentals payable are accounted for on a straight-line basis over the lease term and included in Other operating expenses.

VUB Group as a lessor

Leases where the VUB Group transfers substantially all the risk and benefits of ownership of the asset are classified as finance leases. Leases are recognized upon acceptance of the asset by the customer at an amount equal to the net investment in the lease. The sum of future minimum lease payments and initial origination fees equate to the gross investment in the lease. The difference between the gross and net investment in the lease represents unearned finance income, which is recognized as revenue in Interest and similar income over the lease term at a constant periodic rate of return on the net investment in the lease.

2.20 Provisions

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

2.21 Financial guarantees

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

Financial guarantee liabilities are initially recognized at their fair value, and the initial fair value is amortized over the life of the financial guarantee in the income statement in Fee and commission income on a straight line basis. The guarantee liability is subsequently carried at the higher of this amortized 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 taken to the income statement in Impairment losses and provisions.

2. Summary of significant accounting policies (continued)

2.22 Legal reserve fund

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

2.23 Interest income

Interest income and expense is recognized in the income statement on an accrual basis by using of effective interest rate method. Interest income and expense includes the amortization 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 amortized over the life of the loan.

2.24 Fee and commission income

Fee and commission income arises on financial services provided by the VUB Group including account maintenance, cash management services, brokerage services, investment advice and financial planning, investment banking services, project finance transactions and asset management services. Fee and commission income is recognized 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 recognized in the income statement 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 VUB Group operates.

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

The Group is also subject to various indirect operating taxes. These taxes are included in 'Other operating expenses'.

2.28 Fiduciary assets

Assets held in a fiduciary capacity are not reported in the financial statements, as they are not the assets of the VUB Group.

2.29 Significant accounting judgements and estimates

Judgements

In the process of applying the VUB Group's accounting policies, management has made judgments, apart from those involving estimations, that significantly affect the amounts recognized in the financial statements.

The most significant judgements relate to the classification of financial instruments.

Held-to-maturity investments

The VUB Group follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the VUB Group evaluates its intention and ability to hold such investments to maturity. If the VUB Group fails to keep these investments to maturity other than for the specific circumstances, for example selling 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 amortized cost.

Financial assets held for trading

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

Estimates

The preparation of the financial statements required management to make certain estimates and assumptions, which impact the carrying values of the VUB Group's assets and liabilities and the disclosure of contingent items at the balance sheet date 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, provisions for off-balance sheet risks, depreciable lives and residual values of tangible and intangible assets, impairment losses on tangible and intangible assets, provisions for employee benefits and legal claims.

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that 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 derivatives.

Impairment losses on loans and advances

The VUB Group reviews its loans and advances at each reporting date to assess whether a specific allowance for impairment should be recorded in the income statement. 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 number of factors and actual results may differ, resulting in future changes to the specific allowance.

In addition to specific allowances against individually significant loans and advances, the VUB Group also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default that when originally granted. This take 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 VUB Group's operating environment changes. Actual results may differ from those estimates.

2. Summary of significant accounting policies (continued)

2.30 Future changes in accounting policies

In August 2005, the IASB issued IFRS 7 Financial Instruments – Disclosures, which requires disclosures that enable users to evaluate the significance of the VUB Group's financial instruments and the nature and extent of risks arising from those financial instruments. The VUB Group elected to adopt IFRS 7 from 1 January 2007.

Amendment to IAS 1 – Presentation of Financial Statements requires the VUB Group to make new disclosures to enable users of the financial statements to evaluate the VUB Group's policies, objectives and processes for managing capital. The VUB Group has elected to adopt this amendment from 1 January 2007.

3. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise the following balances with an original maturity of less than 90 days:

	Note	2006	2005
Cash and balances with central banks	4	4,872	4,052
Treasury bills and other eligible bills	5	2,974	3,995
Current accounts in other banks	6	375	691
Term deposits with central and other banks	6	11,854	671
Loans and advances to central banks	6	22,424	21,406
		42,499	30,815

4. Cash and balances with central banks

	2006	2005
Balances with central banks:		
Compulsory minimum reserves	1,785	1,526
Current accounts	548	471
	2,333	1,997
Cash in hand	2,539	2,055
	4,872	4,052

The compulsory minimum reserve is maintained as an interest bearing deposit under the regulations of the NBS and CNB. The amount of the compulsory minimum reserve depends on the level of customer deposits accepted by the VUB Group and is calculated as 2% of a monthly average balance of selected customer deposits.

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

5. Treasury bills and other eligible bills

	2006	2005
NBS bills held at fair value	2,974	3,995

6. Loans and advances to banks

	2006	2005
Current accounts in other banks	375	691
Loans and advances to:		
Central banks	22,424	21,406
Other banks	2,576	849
Term deposits with:		
Central banks	665	279
Other banks	12,571	2,572
Impairment losses (note 11)	(33)	-
	38,578	25,797

7. Financial assets held for trading

	2006	2005
State bonds	502	506
Bank bonds	54	74
Corporate bonds	4	66
	560	646

All securities held for trading are listed. At 31 December 2006 and 2005, the VUB Group did not pledge any bonds to secure transactions with counterparties.

8. Derivative financial instruments held for trading

	2006	2005	2006	2005
Fair values	**Positive**	**Positive**	**Negative**	**Negative**
Interest rate instruments				
Swaps	674	1 166	(591)	(1 300)
Forward rate agreements	-	2	-	(3)
	674	1,168	(591)	(1,303)
Foreign currency instruments				
Cross currency swaps	-	335	-	(335)
Forwards and swaps	1,529	289	(1,278)	(338)
Options	185	58	(185)	(60)
	1,714	682	(1,463)	(733)
	2,388	1,850	(2,054)	(2,036)

8. Derivative financial instruments held for trading (continued)

Notional values	2006 Assets	2005 Assets	2006 Liabilities	2005 Liabilities
Interest rate instruments				
Swaps	47,260	45,595	47,260	45,595
Forward rate agreements	-	11,599	-	11,599
	47,260	57,194	47,260	57,194
Foreign currency instruments				
Cross currency swaps	-	4,753	-	4,753
Forwards and swaps	44,652	25,777	44,411	25,830
Options	4,211	9,847	4,211	9,847
	48,863	40,377	48,622	40,430
	96,123	97,571	95,882	97,624

At 31 December 2006, the VUB Group had a potential credit exposure of Sk 3,050 million (2005: Sk 2,431 million) in the event of non-performance by counterparties to its financial derivative instruments. This represents the gross replacement cost at market rates at 31 December 2006 and 31 December 2005 of all outstanding agreements in the event of all counterparties defaulting and not allowing for netting arrangements.

9. Available-for-sale financial assets

	Share in 2006	Share in 2005	2006	2005
Bank bonds at fair value			2,599	568
Equity shares at cost				
Burza cenných papierov v Bratislave, a. s.	6.69%	20.20%	23	-
Burza cenných papirů Praha, a.s.	8.32%	7.06%	28	29
RVS Studene, a.s.	8.26%	7.69%	17	17
S.W.I.F.T	0.02%	0.04%	2	2
Intertour, a.s.	-	12.88%	-	17
MasterCard	-	0.04%	-	17
			70	82
Impairment losses			(2)	(19)
			68	63
			2,667	631

10. Loans and advances to customers

	2006	2005
Private individuals		
Overdrafts	4,741	3,517
Loans with agreed maturity	14,361	11,462
Mortgage loans	29,508	20,961
Finance lease receivables	84	656
	48,694	36,596
Corporate entities		
Overdrafts	9,456	8,243
Loans with agreed maturity	32,543	35,150
Mortgage loans	3,301	1,169
Finance lease receivables	229	107
Factored receivables	1,064	613
	46,593	45,282
Government and municipalities		
Overdrafts	8	5
Mortgage loans	96	-
Loans with agreed maturity	1,367	8,974
	1,471	8,979
	96,758	90,857
Impairment losses (note 11)	(4,236)	(5,119)
	92,522	85,738

During 2006, the VUB Group wrote off loans and advances to customers amounting to Sk 2,344 million net of recoveries (2005: Sk 874 million) against already existing impairment losses (note 34).

At 31 December 2006, the 20 largest corporate customers represented a total balance of Sk 14,562 million (2005: Sk 10,685 million) or 15% (2005: 12%) of the gross loan portfolio.

10. Loans and advances to customers (continued)

Maturities of gross finance lease receivables are as follows:

	2006	2005
Up to 1 year	133	312
1 to 5 years	208	522
Over 5 years	45	-
	386	834
Unearned future finance income on finance leases	(73)	(71)
Impairment losses	(5)	(163)
	308	600

Maturities of net finance lease receivables are as follows:

	2006	2005
Up to 1 year	118	245
1 to 5 years	165	355
Over 5 years	25	-
	308	600

11. Impairment losses

	1 Jan 2006	(Reversal)/ creation (note 34)	FX gains	31 Dec 2006
Loans and advances with banks (note 6)	-	33	-	33
Loans and advances to customers (note 10)	5,119	(832)	(51)	4,236
Held-to-maturity investments (note 12)	176	(147)	(5)	24
Property and equipment (note 16)	482	(480)	-	2
Non-current assets held for sale (note 16)	64	(52)	-	12
Other assets (note 18)	32	(5)	-	27
	5,873	(1,483)	(56)	4,334

	1 Jan 2005	(Reversal)/ creation (note 34)	FX gains	Other [(1)]	31 Dec 2005
Loans and advances to customers (note 10)	4,767	(103)	(40)	495	5,119
Held-to-maturity investments (note 12)	313	(134)	(3)	-	176
Equity investments	49	-	-	(49)	-
Property and equipment (note 16)	620	(138)	-	-	482
Non-current assets held for sale (note 16)	-	64	-	-	64
Other assets (note 18)	30	2	-	-	32
	5,779	(309)	(43)	446	5,873

(1) Other represents the acquired companies and the liquidation of a subsidiary

12. Held-to-maturity investments

	2006	2005
State restructuring bonds	35,072	56,712
State bonds	42,947	28,759
Bank bonds and other bonds issued by financial sector	7,276	7,276
Corporate notes and bonds	1,309	1,551
	86,604	94,298
Impairment (note 11)	(24)	(176)
	86,580	94,122

At 31 December 2006, the fair value of securities held to maturity was Sk 86,757 million (31 December 2005: Sk 95,524 million) and was calculated by discounting future cash flows using prevailing market rates.

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 recapitalized 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, and Slovenská konsolidačná ('SKO') with a gross value of Sk 7.6 billion, which gave rise to the Bank's receivables from KBB and SKO in the total amount of Sk 66.2 billion. 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.

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 unconditional direct obligations of the Slovak Republic and therefore there is no need for additional state guarantees. The bond conditions are the same as for any other similar type of securities issued by the Slovak Republic, i.e. are fully redeemable by the Slovak Republic, there is no clause regarding rollover, early or late extinguishments and do not allow for conversion into any other type of financial instruments.

At 31 December 2006, the Bank held in its portfolio the following state restructuring bonds:

(a) 7-year state bonds with a nominal value of Sk 11,300 million, due on 31 January 2008, bearing variable interest rate of 6M BRIBOR;

(b) 10-year state bonds with a nominal value of Sk 11,044 million, due on 31 January 2011, bearing variable interest rate for 6M BRIBOR;

(c) 7-year state bonds with a nominal value of Sk 4,700 million, due on 29 March 2008, bearing variable interest rate of 6M BRIBOR;

(d) 10-year state bonds with a nominal value of Sk 7,497 million, due on 29 March 2011, bearing variable interest rate of 6M BRIBOR.

5-year state restructuring bonds with a nominal value of Sk 21,125 million were fully repaid on 31 January 2006.

13. Investments in associates and jointly controlled entities

	Share in %	Cost	Revaluation	Carrying amount
Slovak Banking Credit Bureau, s.r.o.	33.3	-	-	-
VÚB Generali DSS, a.s.	50.0	500	(361)	139
At 31 December 2006		500	(361)	139
Burza cenných papierov Bratislava, a.s.	20.2	23	3	26
Slovak Banking Credit Bureau, s.r.o.	33.3	-	1	1
VÚB Generali DSS, a.s.	50.0	500	(309)	191
At 31 December 2005		523	(305)	218

In March 2006, Burza cenných papierov Bratislava was transferred into the available-for-sale portfolio due to a decrease in the VUB Group's holding in the share capital from 20.2% to 6.7% as a result of share capital increases by the main shareholder.

The net investment in the Slovak Banking Credit Bureau is Sk 100 thousand.

Share of loss of associates and jointly controlled entities reported in the income statement is as follows:

	2006	2005
Revaluation at 1 January	(305)	(43)
Share of results	(52)	(262)
Other	(4)	-
	(56)	(262)
Revaluation at 31 December	(361)	(305)

The aggregate amounts of the VUB Group's interest in VÚB Generali DSS are as follows:

	2006	2005
Assets	149	223
Liabilities	10	32
Equity	139	191
Net loss for the year	(52)	(262)

14. Intangible assets

	Software	Other intangible assets	Assets in progress	Total
Cost				
At 1 January 2006	3,639	1,348	120	5,107
Additions	-	-	309	309
Disposals	(7)	(4)	(37)	(48)
Transfers	203	17	(220)	-
At 31 December 2006	3,835	1,361	172	5,368
Amortization				
At 1 January 2006	(2,851)	(275)	-	(3,126)
Additions	(293)	(177)	-	(470)
Disposals	8	5	-	13
At 31 December 2006	(3,136)	(447)	-	(3,583)
Carryying amount				
At 31 December 2006	699	914	172	1,785

	Software	Other intangible assets	Assets in progress	Total
Cost				
At 1 January 2005	3,270	235	165	3,670
Acquisition of subsidiaries	24	1,090	-	1,114
Additions	13	-	339	352
Disposals	(7)	(14)	(8)	(29)
Transfers	339	37	(376)	-
At 31 December 2005	3,639	1,348	120	5,107
Amortization				
At 1 January 2005	(2,568)	(179)	-	(2,747)
Acquisition of subsidiaries	(13)	-	-	(13)
Additions	(277)	(110)	-	(387)
Disposals	7	14	-	21
At 31 December 2005	(2,851)	(275)	-	(3,126)
Carrying amount				
At 31 December 2005	788	1 073	120	1,981

15. Goodwill

Goodwill arose on the acquisition of CFH, the Group's sales finance subsidiary and is reviewed for impairment annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. In terms of IFRS 3, CFH is considered to be one cash generating unit.

The basis on which the recoverable amount of CFH has been determined is the value in use. The VUB Group has used the most recent budgets and forecasts as a basis for estimating the expected future cash flows.

Key assumptions used in the cash flow projections were the development of margins and volumes by product line. According to the product curve, maturing products, such as installment loans, have been forecasted with a stable or slightly decreasing volume and decreasing margins assuming that the market share of CFH is kept constant. More recent product lines, such as credit cards, have been forecasted with an increasing volume and slightly decreasing margins.

Since the budgets and forecasts are prepared for 3 years and the period for the cash flow projections has been extended to 10 years, in order to reflect the nature of the business and the transaction, for the remaining seven years, growth rates have been applied using the latest information available on the consumer finance market in Slovakia. The discount rate applied to the cash flow projections is the internal rate of return implied by the acquisition, given the lack of comparable data to support the capital asset pricing model calculation. Furthermore, the VUB Group believes that any possible change in the key assumption, on which the recoverable amount is based, would not cause the carrying amount to exceed its recoverable amount.

In 2006 and in 2005, the amount of Goodwill was Sk 570 million.

16. Property and equipment and non-current assets held for sale

	Buildings and land	Equipment	Other tangibles	Assets in progress	Total
Cost					
At 1 January 2006	6,587	3,481	1,241	409	11,718
Additions	-	-	-	426	426
Disposals	(26)	(607)	(154)	(28)	(815)
Transfers	140	253	49	(483)	(41)
At 31 December 2006	6,701	3,127	1,136	324	11,288
Depreciation					
At 1 January 2006	(1,497)	(2,940)	(762)	-	(5,199)
Additions	(288)	(213)	(100)	-	(601)
Disposals	26	607	154	-	787
At 31 December 2006	(1,759)	(2,546)	(708)	-	(5,013)
Impairment losses (note 11)					
At 1 January 2006	(482)	-	-	-	(482)
Net reversal	480	-	-	-	480
At 31 December 2006	(2)	-	-	-	(2)
Carrying amount					
At 31 December 2006	4,940	581	428	324	6,273

	Buildings and land	Equipment	Other tangibles	Assets in progress	Total
Cost					
At 1 January 2005	6,469	3,613	1,139	446	11,667
Acquisition of subsidiaries	22	35	35	-	92
Non-current assets held for sale	(136)	-	-	-	(136)
Additions	-	11	2	940	953
Disposals	(334)	(408)	(93)	(23)	(858)
Transfers	566	230	158	(954)	-
At 31 December 2005	6,587	3,481	1,241	409	11,718
Depreciation					
At 1 January 2005	(1,353)	(3,045)	(731)	-	(5,129)
Acquisition of subsidiaries	(3)	(25)	(25)	-	(53)
Non-current assets held for sale	5	-	-	-	5
Additions	(277)	(268)	(120)	-	(665)
Disposals	131	398	114	-	643
At 31 December 2005	(1,497)	(2,940)	(762)	-	(5,199)
Impairment losses					
At 1 January 2005	(575)	-	-	(45)	(620)
Net reversal	93	-	-	45	138
At 31 December 2005	(482)	-	-	-	(482)
Carrying amount					
At 31 December 2005	4,608	541	479	409	6,037

At 31 December 2006 and 2005, the VUB Group held in its portfolio of non-current assets held for sale buildings as follows:

	2006	2005
Cost	38	136
Accumulated depreciation	(11)	(5)
Impairment losses (note 11)	(12)	(64)
	15	67

17. Income tax assets

	2006	2005
Current income tax assets	597	-
Deferred income tax assets (note 23)	-	501
	597	501

18. Other assets

	2006	2005
Prepayments and accrued income	113	93
Operating receivables and advances	266	416
VAT receivable	30	32
Inventories	75	88
	484	629
Impairment losses (note 11)	(27)	(32)
	457	597

19. Deposits from central banks

	2006	2005
Current accounts	2,847	2,283
Loans received	9	13
	2,856	2,296

20. Deposits from other banks

	2006	2005
Current accounts	3,051	2,037
Term deposits	4,858	13,174
Loans received	2,215	3,445
	10,124	18,656

21. Deposits from customers

	2006	2005
Current accounts	56,774	52,310
Term deposits	74,686	56,668
Savings accounts	9,820	11,103
Government and municipal deposits	33,372	40,011
Loans received	555	725
Promissory notes	2,719	945
Other deposits	899	1,052
Restricted deposits	31	130
	178,856	162,944

In accordance with Article 879i of the Civil Code and the directions of Ministry of Finance of the Slovak Republic, the Bank transferred the balances of anonymous deposits in total amount of Sk 116 million and the related interest of Sk 1.7 million to the accounts of the Slovak Republic as at 31 December 2006.

22. Debt securities in issue

	2006	2005
Bonds	2,001	2,001
Mortgage bonds	20,277	12,695
	22,278	14,696

The Group issued in 2006 mortgage bonds denominated in Sk in nominal amount of Sk 3,100 million and mortgage bonds denominated in EUR in nominal amount of EUR 150 million (Sk 5,186 million).

Repayment of mortgage bonds is funded by the mortgage loans provided to customers of the VUB Group (see also note 10).

23. Income tax liabilities

	2006	2005
Current income tax liabilities	-	580
Deferred income tax liabilities	310	-
	310	580

Deferred income taxes are calculated on all temporary differences using the tax rate of 19% (2005: 19%) as follows:

	2006	2005
Loans and securities	(192)	447
Intangible assets	(161)	(189)
Property and equipment	(71)	120
Other liabilities and provisions	92	87
Tax losses carried forward	16	36
Other	6	-
	(310)	501

24. Provisions

	2006	2005
Litigations	990	1,091
Severance	50	36
Retention program	17	-
	1,057	1,127

The movement in provisions was as follows:

	1 Jan 2006	Creation/ (reversal)	31 Dec 2006
Litigations (note 33)	1,091	(101)	990
Severance (note 32)	36	14	50
Retention program (note 32)	-	17	17
	1,127	(70)	1,057

25. Other liabilities

	2006	2005
Various creditors	1,109	1,157
Payables from asquisition of companies	583	1,135
Financial guarantees and commitments	275	770
Settlement with employees	574	546
VAT payables	88	83
Accruals and deferred income	38	31
Payables from trading with securities	26	26
	2,693	3,748

The movement in financial guarantees and commitments was as follows:

	1 Jan 2006	Creation/ (reversal)	FX gains	31 Dec 2006
Off balance sheet risks (note 34)	770	(489)	(6)	275
	770	(489)	(6)	275

26. Share capital

	2006	2005
Authorized, issued and fully paid:		
89 ordinary shares of Sk 100,000,000 each, not traded	8,900	8,900
4,078,108 ordinary shares of Sk 1,000 each, publicly traded	4,078	4,078
	12,978	12,978
Net profit for the year attributable to shareholders	3,747	3,696
Divided by 12,978,108 ordinary shares of Sk 1,000 each		
Basic and diluted earnings per share in Sk	289	285

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

The structure of shareholders is as follows:

	2006	2005
Intesa Holding International S.A.	96.49%	96.49%
Domestic shareholders	2.96%	2.99%
Foreign shareholders	0.55%	0.52%
	100.00%	100.00%

27. Financial commitments and contingencies

	2006	2005
Issued guarantees	9,732	8,910
Commitments and undrawn credit facilities	34,584	28,203
	44,316	37,113

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

(b) Commitments and undrawn credit facilities
The primary purpose of commitments to extend credit is to ensure that funds are available to the customer as required. Commitments to extend credit issued by the VUB Group represent issued loan commitment, undrawn portions of and approved overdraft loans.

(c) Lease obligations
In the normal course of business, the VUB Group enters into operating lease agreements for branch facilities and cars. The rental contracts can be cancelled under normal business conditions.

(d) Legal
In the ordinary course of business the VUB Group is subject to a variety of legal actions. The VUB Group conducted a review of legal proceedings outstanding against it as of 31 December 2006. Pursuant to this review, management has recorded a provision of Sk 990 million as of 31 December 2006 (2005: Sk 1,091 million) in respect of such legal proceedings (see also note 24). The VUB Group will continue to defend its position in respect of each of these legal proceedings.

28. Net interest income

	2006	2005 Restated
Interest and similar income		
Loans and advances to banks	1,747	1,042
Loans and advances to customers	7,223	5,462
Bonds, treasury bills and other securities	3,358	4,340
	12,328	10,844
Interest expense and similar charges		
Deposits from banks	(526)	(497)
Deposits from customers	(3,503)	(2,279)
Debt securities in issue	(762)	(505)
	(4,791)	(3,281)
	7,537	7,563

29. Net fee and commission income

	2006	2005 Restated
Fee and commission income		
Received from banks	204	106
Received from customers	2,794	2,570
Received from other financial operations	285	428
	3,283	3,104
Fee and commission expense		
Paid to banks	(228)	(582)
Paid to customers	(386)	(56)
Paid due to other financial operations	(29)	(16)
	(643)	(654)
	2,640	2,450

30. Net trading income

	2006	2005
Foreign currency derivatives and transactions	1,023	908
Interest rate derivatives	37	(18)
Securities	77	132
	1,137	1,022

31. Other operating income

	2006	2005
Rent	51	47
Insurance cost refund from clients	106	64
Various expense reimbursement from clients	39	38
Sales of consumer goods	134	78
Other services	78	177
Net profit from sale of fixed assets	43	180
Other	45	69
	496	653

32. Salaries and employee benefits

	2006	2005
Salaries	(1,855)	(1,971)
Social security costs	(661)	(591)
Provisions for severance (note 24)	(14)	-
Provisions for retention progran (note 32)	(17)	-
	(2,547)	(2,562)

The total number of employees of the VUB Group at 31 December 2006 was 4,004 (2005: 4,346).

The remuneration and other benefits to members of the Supervisory Board and the Board of Directors in 2006 was Sk 128 million (2005: Sk 124 million).

The VUB Group does not have any pension arrangements separate from the state pension system of the Slovak Republic. The VUB Group is required to contribute a certain percentage of gross salaries paid to the state pension system. These expenses are recognized in the period when salaries are earned by employees. No further liabilities are arising to the VUB Group from the payment of pensions to employees in the future.

33. Other operating expenses

	2006	2005
Contribution to the Deposit Protection Fund	(144)	(535)
IT systems maintenance	(322)	(372)
Post and telecom	(427)	(310)
Property related expenses	(356)	(347)
Equipment related expenses	(206)	(198)
Advertising and marketing	(445)	(375)
Professional services	(209)	(289)
Security	(129)	(143)
Stationery	(188)	(143)
VAT and other taxes	(222)	(207)
Insurance	(165)	(133)
Provision for litigations (note 24)	101	35
Litigations paid	(12)	(14)
Transport	(52)	(55)
Trainings	(38)	(42)
Travel	(28)	(34)
Other operating expenses	(50)	(171)
	(2,892)	(3,333)

34. Impairment losses and provisions

	2006	2005
Net reversal of impairment losses (note 11)	1,483	309
Net reversal of financial guarantees and commitments (note 25)	489	190
	1,972	499
Non current assets sold	(68)	-
Nominal value of loans written-off	(1,555)	(915)
Nominal value of loans transferred	(1,346)	(104)
Proceeds from loans written-off	247	60
Proceeds from loans transferred	310	85
	(2,344)	(874)
	(440)	(375)

The higher level of write-offs in 2006 is primarily related to the tightening of the Group's write off policy and the full application of this policy to the Group's consumer finance business which carried a high volume of receivables against which there was a very high level of provisions. These receivables together with those held by the Bank were sold to third parties on a non-recourse basis prior to 31 December 2006.

35. Income tax expense

	2006	2005
Current income tax	(262)	(497)
Deferred income tax	(811)	84
	(1,073)	(413)

The movement in the income statement in deferred taxes is as follows:

	2006	2005
Loans and securities	(639)	112
Intangible assets	28	-
Property and equipment	(191)	(40)
Other liabilities and provisions	5	(24)
Tax losses carried forward	(20)	36
Other	6	-
	(811)	84

The effective tax rate differs from the statutory tax rates in 2006 and in 2005.

Reconciliation of the VUB Group profit before tax with the actual corporate income tax is as follows:

	2006	2005
Profit before tax	4,820	4,109
Applicable tax rate	19%	19%
Theoretical tax charge	(916)	(781)
Permanent differences and previously unrecognized deferred tax assets	(147)	117
Adjustments for current tax of prior periods	(10)	251
Tax expense	(1,073)	(413)
Effective tax rate	22%	10%

36. Profit before changes in operating assets and liabilities

	2006	2005
Profit before tax	4,820	4,109
Adjustments for:		
Amortization	470	387
Depreciation	601	591
Unrealized (profit)/loss from securities held for trading and available-for-sale securities	(11)	4
Share of loss of associates and jointly controlled entities	52	262
Interest income	(12,328)	(10,844)
Interest expense	4,791	3,281
Dividend income	(12)	(5)
Income from sale of property and equipment	(41)	(180)
Provisions and impairment losses	369	422
Loss on disposal of equity investments	-	2
Interest received	12,830	10,537
Interest paid	(4,580)	(3,285)
Dividends received	12	5
Tax paid	(1,436)	(343)
	5,537	4,943

37. Estimated fair value of certain 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 VUB Group's financial instruments. In circumstances where the quoted market prices are not readily available, the fair value is estimated using discounted cash flow models or other pricing models as appropriate. 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 realized in a current sale of the financial instrument.

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

(a) Cash and balances with central banks
The carrying values of cash and cash equivalents are generally deemed to approximate their fair value.

(b) Loans and advances to banks
The estimated fair value of amounts due from banks that mature in 180 days or less approximates their carrying amounts. The fair value of other amounts is estimated based upon discounted cash flow analyses using interest rates currently offered for investments with similar terms (market rates adjusted to reflect credit risk). The fair value of non-performing amounts due from banks is estimated using a discounted cash flow analysis or the appraised value of the underlying collateral. Provisions are not taken into consideration when calculating fair values. The fair value of amounts due from banks is not significantly different from its carrying value.

(c) Loans and advances to customers
The fair value of variable yield loans that regularly re-price, with no significant change in credit risk, generally approximates their carrying value. The fair value of loans at fixed interest rates is estimated using discounted cash flow analyses, based upon interest rates currently offered for loans with similar terms to borrowers of similar credit quality. The fair value of non-performing loans to customers is estimated using a discounted cash flow analysis or the appraised value of the underlying collateral, where available. Loans at fixed interest rates represent only a fraction of the total carrying value and hence the fair value of total loans and advances to customers approximates the carrying values as of the balance sheet date. Provisions are not taken into consideration when calculating fair values. The fair value of loans and advances to customers is not significantly different from its carrying value.

(d) Held-to-maturity investments
At 31 December 2006, the fair value of securities carried in the 'Held-to-maturity investments' portfolio was Sk 86,757 million (2005: Sk 95,524 million) and was calculated by discounting future cash flows using prevailing market rates.

(e) Deposits from banks and customers
The fair value of term deposits payable on demand represents the carrying value of amounts payable on demand as of the balance sheet date. The fair value of term deposits at variable interest rates approximates their carrying values as of the balance sheet date. The fair value of deposits at fixed interest rates is estimated by discounting their future cash flows using rates currently offered for deposits of similar remaining maturities. The fair value of deposits from banks and deposits from customers is not significantly different from their carrying values.

(f) Debt securities in issue
The fair value of debt securities issued by the VUB Group is based on quoted market prices. Where no market prices are available, the fair value is equal to an estimate made by the VUB Group. The fair value of debt securities in issue is not significantly different from its carrying value.

38. Assets and liabilities maturity / liquidity risk

Liquidity risk is a measure of the extent to which the VUB Group may be required to raise funds to meet its commitments associated with financial instruments. The VUB Group maintains its liquidity profiles in accordance with regulations laid down by the NBS. The table on the this page provides an analysis of assets and liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. It is presented under the most prudent consideration of maturity dates where options or repayment schedules allow for early repayment possibilities. Those assets and liabilities that do not have a contractual maturity date are grouped together under the 'Not specified' category.

The VUB Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw downs, guarantees and from margin and other calls on cash settled derivatives. The VUB Group sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

The remaining maturities of assets and liabilities were as follows:

	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Not specified	Total
31 December 2006							
Assets							
Cash and balances with central banks	4,872	-	-	-	-	-	4,872
Treasury bills and other eligible bills	-	2,974	-	-	-	-	2,974
Loans and advances to banks	35,244	95	632	2,606	-	1	38,578
Financial assets held for trading	98	11	50	116	285	-	560
Derivative financial instruments	601	147	871	406	260	103	2,388
Available-for-sale financial assets	-	7	11	2,581	-	68	2,667
Non-current assets held for sale	-	-	-	-	-	15	15
Loans and advances to customers	3,410	5,929	21,341	26,986	30,434	4,422	92,522
Held-to-maturity investments	2,009	651	827	63,024	20,069	-	86,580
Investments in associates and JVs	-	-	-	-	-	139	139
Intangible assets	-	-	-	-	-	1,785	1,785
Goodwill	-	-	-	-	-	570	570
Property and equipment	-	-	-	-	-	6,273	6,273
Current income tax assets	57	-	4	-	-	536	597
Other assets	40	-	1	-	-	416	457
	46,331	9,814	23,737	95,719	51,048	14,328	240,977
Liabilities							
Deposits from central banks	2,847	-	-	9	-	-	2,856
Deposits from other banks	9,049	2	1	239	833	-	10,124
Derivative financial instruments	361	389	589	375	237	103	2,054
Deposits from customers	149,206	11,943	15,739	1,968	-	-	178,856
Debt securities in issue	15	24	1,191	14,047	7,001	-	22,278
Deferred income tax liabilities	-	-	-	-	-	310	310
Provisions	-	-	-	-	-	1,057	1,057
Other liabilities	432	578	5	583	-	1,095	2,693
	161,910	12,936	17,525	17,221	8,071	2,565	220,228
On balance sheet net gap position	(115,579)	(3,122)	6,212	78,498	42,977	11,763	20,749
31 December 2005							
Total assets	61,364	6,735	18,881	70,965	52,515	16,342	226,802
Total liabilities	160,706	13,229	10,199	10,930	7,728	3,291	206,083
On balance sheet net gap position	(99,342)	(6,494)	8,682	60,035	44,787	13,051	20,719

39. 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. The table below provides information on the currency denomination of the VUB Group‘s assets and liabilities. It is the policy of the VUB Group to manage its exposure to fluctuations in exchange rates through the regular monitoring and reporting of open positions and the application of a matrix of exposure and position limits.

	Slovak crowns	EUR	USD	CZK	Other	Total
31 December 2006						
Assets						
Cash and balances with central banks	4,068	329	96	190	189	4,872
Treasury bills and other eligible bills	2,974	-	-	-	-	2,974
Loans and advances to banks	25,249	8,498	3,447	592	792	38,578
Financial assets held for trading	560	-	-	-	-	560
Derivative financial instruments	2,388	-	-	-	-	2,388
Available-for-sale financial assets	2,639	2	-	26	-	2,667
Non-current assets held for sale	15	-	-	-	-	15
Loans and advances to customers	72,358	16,026	884	3,252	2	92,522
Held-to-maturity investments	84,938	1,592	-	-	50	86,580
Investments in associates and JVs	139	-	-	-	-	139
Intangible assets	1,783	-	-	2	-	1,785
Goodwill	570	-	-	-	-	570
Property and equipment	6,269	-	-	4	-	6,273
Current income tax assets	597	-	-	-	-	597
Other assets	376	76	-	5	-	457
	204,923	26,523	4,427	4,071	1,033	240,977
Liabilities						
Deposits from central banks	2,734	30	-	92	-	2,856
Deposits from other banks	8,137	1,550	42	22	373	10,124
Derivative financial instruments	2,054	-	-	-	-	2,054
Deposits from customers	150,329	18,957	4,849	3,782	939	178,856
Debt securities in issue	17,075	5,203	-	-	-	22,278
Deferred income tax liabilities	310	-	-	-	-	310
Provisions	1,056	-	-	1	-	1,057
Other liabilities	2,542	116	24	10	1	2,693
	184,237	25,856	4,915	3,907	1,313	220,228
On balance sheet net position	20,686	667	(488)	164	(280)	20,749
Off balance sheet assets	25,217	13,251	14,994	3,591	1,944	58,997
Off balance sheet liabilities	(26,047)	(13,134)	(14,499)	(296)	(1,598)	(55,574)
Off balance sheet net position	(830)	117	495	3,295	346	3,423
Total net position	19,856	784	7	3,459	66	24,172
31 December 2005						
On balance sheet net position	31,524	(5,712)	(4,584)	(11)	(498)	20,719
Off balance sheet net position	(10,993)	5,962	4,505	(14)	486	(54)
Total net position	20,531	250	(79)	(25)	(12)	20,665

40. Interest rate risk

The interest rate risk is comprised 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 to what extent it is exposed to the interest rate risk.

The table on the following page provides information on the extent of the VUB Group's interest rate exposure based either on the contractual maturity date of its financial instruments, or in the case of instruments that re-price to a market rate of interest before maturity, the next re-pricing date. It is the policy of the VUB Group to manage the exposure to fluctuations in net interest income arising from changes in interest rates by the degree of re-pricing mismatch in the balance sheet.

The assets and liabilities that do not have contractual maturity date or are not interest bearing are grouped in the 'Not specified' category.

Current accounts, nostro and loro accounts are stated as interest rate insensitive in column 'Not specified'.

The re-pricing structure of assets and liabilities was as follows:

31 December 2006	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Not specified	Total
Assets							
Cash and balances with central banks	4,872	-	-	-	-	-	4,872
Treasury bills and other eligible bills	-	2,974	-	-	-	-	2,974
Loans and advances to banks	35,692	611	572	769	-	934	38,578
Financial assets held for trading	162	11	50	52	285	-	560
Derivative financial instruments	-	-	-	-	-	2,388	2,388
Available-for-sale financial assets	-	7	11	2,581	-	68	2,667
Non-current assets held for sale	-	-	-	-	-	15	15
Loans and advances to customers	20,735	15,439	22,927	17,973	3,620	11,828	92,522
Held-to-maturity investments	31,570	12,854	4,586	17,501	20,069	-	86,580
Investments in associates and JVs	-	-	-	-	-	139	139
Intangible assets	-	-	-	-	-	1,785	1,785
Goodwill	-	-	-	-	-	570	570
Property and equipment	-	-	-	-	-	6,273	6,273
Current income tax assets	57	-	4	-	-	536	597
Other assets	36	-	-	-	-	421	457
	93,124	31,896	28,150	38,876	23,974	24,957	240,977
Liabilities							
Deposits from central banks	-	9	-	-	-	2,847	2,856
Deposits from other banks	7,196	182	1	89	-	2,656	10,124
Derivative financial instruments	-	-	-	-	-	2,054	2,054
Deposits from customers	92,034	9,876	12,700	777	-	63,469	178,856
Debt securities in issue	3,088	6,535	2,691	5,463	4,501	-	22,278
Deferred income tax liabilities	-	-	-	-	-	310	310
Provisions	-	-	-	-	-	1,057	1,057
Other liabilities	63	425	5	583	-	1,617	2,693
	102,381	17,027	15,397	6,912	4,501	74,010	220,228
On balance sheet net position	(9,257)	14,869	12,753	31,964	19,473	(49,053)	20,749
Off balance sheet assets	35,742	15,312	33,349	13,883	4,379	3,793	106,458
Off balance sheet liabilities	(32,574)	(12,063)	(39,816)	(13,790)	(4,179)	(352)	(102,774)
Off balance sheet net position	3,168	3,249	(6,467)	93	200	3,441	3,684
Net position at 31 December 2006	(6,089)	18,118	6,286	32,057	19,673	(45,612)	24,433
Net position at 31 December 2005	(52,288)	23,586	11,287	24,218	12,823	1,042	20,668

40. Interest rate risk (continued)

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

	2006	2005
	%	%
Assets		
Cash and balances with central banks	1.35	0.96
Treasury bills and other eligible bills	4.19	2.89
Loans and advances to banks	3.64	2.88
Financial assets held for trading	5.53	4.51
Available-for-sale financial assets	3.57	0.97
Loans and advances to customers	7.77	7.02
Held-to-maturity investments	3.85	4.82
Liabilities		
Deposit from banks	2.72	2.20
Deposits from customers	2.00	1.45
Debt securities in issue	4.34	4.79

41. 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 VUB Group that gives them significant influence over the VUB Group, and anyone expected to influence, or be influenced by, that person in their dealings with the VUB Group;

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

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

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

At 31 December 2006 and 2005, significant transactions outstanding with related parties comprised:

	2006	2005
Loans and advances		
Key management personnel	6	8
Affiliated companies	7,167	570
	7,173	578
Customer accounts		
Key management personnel	26	19
Affiliated companies	3,337	4,399
	3,363	4,418
Derivative transactions (notional amount)		
Shareholder and companies controlled by shareholder	3,571	5,792
Securities		
Shareholder and companies controlled by shareholder	2,599	568
Other liabilities (liabilities from the acquisition of subsidiaries)		
Key mangement personnel	583	1,135

42. Events after the balance sheet date

There were no significant events after the balance sheet date that would require adjustment or disclosure in the consolidated financial statements at 31 December 2006.

Separate financial statements
for the year ended 31 December 2006
prepared in accordance with International Financial Reporting Standards

ERNST & YOUNG

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Independent Auditors' Report

To the Shareholders of Všeobecná úverová banka, a. s.:

We have audited the accompanying financial statements of Všeobecná úverová banka, a. s. ('the Bank'), which comprise the balance sheet as at 31 December 2006, the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as of 31 December 2006, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

19 February 2007
Bratislava, Slovak Republic

Ernst & Young Slovakia, spol. s r.o.
SKAU Licence No. 257

Ing. Dalimil Draganovský
SKAU Licence No. 893

Ernst & Young Slovakia, spol. s r.o., IČO: 35 840 463, zapísaná v Obchodnom registri Okresného súdu Bratislava I, oddiel: Sro, vložka číslo: 27004/B a v zozname audítorov vedenom Slovenskou komorou audítorov pod č. 257.

Balance sheet
at 31 December 2006
(In millions of Slovak crowns)

	Notes	2006	2005
Assets			
Cash and balances with central banks	4	4,872	4,048
Treasury bills and other eligible bills	5	2,974	3,995
Loans and advances to banks	6	38,566	25,782
Financial assets held for trading	7	515	592
Derivative financial instruments held for trading	8	2,388	1,850
Available-for-sale financial assets	9	2,667	631
Non-current assets held for sale	15	15	67
Loans and advances to customers	10	89,169	83,250
Held-to-maturity investments	12	86,580	94,122
Subsidiaries, associates and jointly controlled entities	13	2,485	2,508
Intangible assets	14	887	958
Property and equipment	15	6,217	5,994
Current income tax assets	16	536	-
Deferred income tax assets	16	-	616
Other assets	17	360	512
		238,231	224,925
Liabilities			
Deposits from central banks	18	2,856	2,296
Deposits from other banks	19	7,902	17,825
Derivative financial instruments held for trading	8	2,054	2,036
Deposits from customers	20	179,084	163,170
Debt securities in issue	21	22,278	14,696
Current income tax liabilities	22	-	561
Deferred income tax liabilities	22	244	-
Provisions	23	1,044	1,092
Other liabilities	24	1,558	2,081
		217,020	203,757
Equity			
Share capital	25	12,978	12,978
Share premium		403	403
Reserves		2,618	2,520
Retained earnings		5,212	5,267
		21,211	21,168
		238,231	224,925
Financial commitments and contingencies	26	44,537	37,172

The accompanying notes on pages 55 to 84 form an integral part of these financial statements.

These financial statements were authorized for issue by the Board of Directors on 19 February 2007.

Tomas Spurny	Domenico Cristarella
Chairman of the Board of Directors	Member of the Board of Directors

Income statement
for the year ended 31 December 2006
(In millions of Slovak crowns)

	Notes	2006	2005
Interest and similar income		11,292	10,321
Interest expense and similar charges		(4,711)	(3,249)
Net interest income	27	6,581	7,072
Fee and commission income		3,103	2,947
Fee and commission expense		(1,185)	(785)
Net fee and commission income	28	1,918	2,162
Net trading income	29	1,141	1,022
Other operating income	30	286	526
Dividend income		139	29
Operating income		10,065	10,811
Salaries and employee benefits	31	(2,366)	(2,386)
Other operating expenses	32	(2,371)	(2,906)
Amortization	14	(304)	(291)
Depreciation	15	(586)	(654)
Operating expenses		(5,627)	(6,237)
Operating profit before impairment and provisions		4,438	4,574
Impairment losses and provisions	33	367	(145)
Profit before tax		4,805	4,429
Income tax expense	34	(1,047)	(436)
Net profit for the year		3,758	3,993
Basic and diluted earnings per share in Sk	25	290	308

The accompanying notes on pages 55 to 84 form an integral part of these financial statements.

Statement of changes in equity
for the year ended 31 December 2006
(In millions of Slovak crowns)

	Share capital	Share premium	Legal reserve fund	Other capital funds	Revaluation reserves	Retained earnings	Total
At 1 January 2005	12,978	403	2,222	9	-	4,305	19,917
Translation of a foreign operation	-	-	-	-	-	8	8
Available-for-sale financial assets	-	-	-	-	(25)	-	(25)
Total income and expense for the year recognized directly in equity	-	-	-	-	(25)	8	(17)
Net profit for the year	-	-	-	-	-	3,993	3,993
Total income and expense for the year	-	-	-	-	(25)	4,001	3,976
Contribution to the legal reserve fund	-	-	314	-	-	(314)	-
Dividends to shareholders	-	-	-	-	-	(2,725)	(2,725)
At 31 December 2005	12,978	403	2,536	9	(25)	5,267	21,168
Translation of a foreign operation	-	-	-	-	-	(14)	(14)
Available-for-sale financial assets	-	-	-	-	(2)	-	(2)
Total income and expense for the year recognized directly in equity	-	-	-	-	(2)	(14)	(16)
Net profit for the year	-	-	-	-	-	3,758	3,758
Total income and expense for the year	-	-	-	-	(2)	3,744	3,742
Contribution to the legal reserve fund	-	-	100	-	-	(100)	-
Dividends to shareholders	-	-	-	-	-	(3,699)	(3,699)
At 31 December 2006	12,978	403	2,636	9	(27)	5,212	21,211

The accompanying notes on pages 55 to 84 form an integral part of these financial statements.

Cash flow statement
for the year ended 31 December 2006
(In millions of Slovak crowns)

	Notes	2006	2005
Cash flows from operating activities			
Profit before changes in operating assets and liabilities	35	4,661	4,600
Loans and advances to banks		(909)	(1,070)
Financial assets held for trading		97	342
Derivative financial instruments (positive)		(538)	576
Available-for-sale financial assets		(1,966)	(444)
Loans and advances to customers		(6,630)	(13,214)
Other assets		157	(105)
Deposits from central banks		560	1,766
Deposits from other banks		(9,884)	1,668
Derivative financial instruments (negative)		18	(936)
Deposits from customers		15,709	(4,055)
Other liabilities		(113)	240
Net cash used in operating activities		(3,499)	(15,232)
Cash flows from investing activities			
Purchase of held-to-maturity investments		(31,677)	(18,655)
Repayments of held-to-maturity investments		38,860	4,204
Purchase of intangible assets and property and equipment		(908)	(1,408)
Disposal of property and equipment		417	495
Acquisition of subsidiaries		-	(1,800)
Disposal of subsidiaries		-	32
Net cash from/(used in) investing activities		6,692	(17,132)
Cash flows from financing activities			
Proceeds from issue of debt securities		8,286	7,245
Repayments of debt securities		(750)	(600)
Dividends paid		(3,699)	(2,725)
Net cash from financing activities		3,837	3,920
Net change in cash and cash equivalents		11,691	(23,844)
Cash and cash equivalents at beginning of the year	3	30,796	54,640
Cash and cash equivalents at end of the year	3	42,487	30,796

The accompanying notes on pages 55 to 84 form an integral part of these financial statements.

Notes to the separate financial statements
for the year ended 31 December 2006
prepared in accordance with International Financial Reporting Standards

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.

At 31 December 2006, the Bank had a network of 165 branches and 70 sub-branches located throughout Slovakia (December 2005: 154 branches and 90 sub-branches). 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 is incorporated and domiciled in Italy. The address of its registered office is Piazza San Carlo 156, 10121 Torino.

2. Summary of significant accounting policies

2.1 Basis of preparation

The separate financial statements of the Bank ('the financial statements') have been prepared in accordance with International Financial Reporting Standards ('IFRS') issued by the International Accounting Standards Board ('IASB') and with interpretations issued by the International Financial Reporting Interpretations Committee of the IASB ('IFRIC') as approved by the Commission of European Union in accordance with the Regulation of European Parliament and Council of European Union and in accordance with the Act No. 431/2002 Collection on Accounting.

The consolidated financial statements of the Bank were issued on 19 February 2007 and are available at the seat of the Bank.

The Bank has adopted IFRS for the first time in the separate financial statements for the year ended 31 December 2006 with the date of transition to IFRS at 1 January 2005. The Bank has applied IFRS 1 – First time adoption of IFRS in the preparation of these separate financial statements. The Bank has not used any optional exemptions as allowed by IFRS 1.

The last separate financial statements in accordance with Slovak accounting regulations were prepared for the year ended 31 December 2005. A reconciliation of the 2005 net profit and equity reported in the financial statements prepared in accordance with Slovak accounting regulations to those reported under IFRS for 2006 as comparative balances is shown in note 43.

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 millions of Slovak crowns ('Sk'), unless indicated otherwise.

Negative values are presented in brackets.

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

2. Summary of significant accounting policies (continued)

2.2 Segment reporting

A segment is a distinguishable component of the Bank that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments.

As the Bank's operations do not have significantly different risks and returns, and the regulatory environment, the nature of its services, business processes and types of customers for its products and services are homogenous for all its activities, the Bank operates as a single business and geographical segment unit.

2.3 Foreign currency transactions

Monetary assets and liabilities in foreign currencies are translated to Sk at the official National Bank of Slovakia ('NBS') exchange rates prevailing at the balance sheet date. Income and expenses denominated in foreign currencies are reported at the NBS exchange rates prevailing at the date of the transaction.

The difference between the contractual exchange rate of a transaction and the 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.

2.4 Foreign operations

The financial statements include foreign operations in the Czech Republic. The assets and liabilities of foreign operations are translated to Sk at the foreign exchange rate prevailing at the balance sheet date. The revenues and expenses of foreign operations are translated to Sk at rates approximating the foreign exchange rates prevailing at the dates of the transactions. Foreign exchange differences arising on these translations are recognized directly in equity.

The financial statements of the Bank and its branch are combined on a line-by-line basis by adding together like items of assets, liabilities, equity, income and expenses. Intra-group balances, transactions and resulting profits are eliminated in full.

2.5 Cash and balances with central banks

Cash and balances with central banks comprise cash in hand and current accounts with the NBS and the Czech National Bank ('CNB'), including compulsory minimum reserves.

2.6 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 without any time or other constraints. The balance comprises treasury bills issued by the Ministry of Finance and bills issued by the NBS.

2.7 Loans and advances to banks

Loans and advances to banks include receivables from current accounts in other than central banks, deposits and loans provided to commercial banks and to the NBS and the CNB.

The balances are presented at amortized 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.

2.8 Debt securities

Debt securities held by the Bank are categorized 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 recognized using settlement date accounting and are initially measured at fair value. Securities purchased, but not settled, are recorded in the off balance sheet and changes in their fair values, for purchases into the trading and available-for-sale portfolios, are recognized in the income statement and 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 measured at fair value.

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 recognizes unrealized gains and losses in the income statement in 'Net trading income'.

Interest earned on securities held for trading is accrued on a daily basis and reported in the income statement in 'Interest and similar income'.

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

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 securities are held at cost less impairment as their fair value cannot be reliably measured.

Unrealized gains and losses arising from changes in the fair value of available-for-sale securities are recognized on a daily basis in equity.

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

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

2. Summary of significant accounting policies (continued)

Held-to-maturity investments are carried at amortized cost less any impairment losses. Amortized cost is the amount at which the asset was initially measured adjusted for principal repayments, accrued interest income and the cumulative amortization of the discount/premium. The amortization of the premium/ discount is recognized in the income statement 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.

2.9 Repurchase and reverse repurchase agreement

Securities sold under sale and repurchase agreements ('repo transactions') remain as assets in the balance sheet under the original caption and the liability from the received loan is included in 'Deposits from banks' or 'Deposits from 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 balance sheet in 'Loans and advances to 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 accrued evenly over the life of the agreement.

2.10 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 as they do not fully comply with 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 recognized and subsequently re-measured in the balance sheet 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 and monitors adherence to these limits on a regular 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 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.

2.11 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet, 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 balance sheet.

2.12 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.

2.13 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 are stated at amortized cost less any impairment losses. All loans and advances to customers are recognized on the balance sheet when cash is advanced to borrowers.

Loans and advances to customers are subject to periodic impairment test. 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 income statement.

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

The Bank writes off loss loans and advances when borrowers are unable to fulfill their obligations to the Bank and when relevant evidence has been obtained from the appropriate court. Loans and advances are written off against the reversal of the related impairment losses. Any subsequent recoveries are credited to the income statement on receipt.

2. Summary of significant accounting policies (continued)

2.14 Subsidiaries, associates and jointly controlled entities

Subsidiaries, associates and jointly controlled entities are reported at cost less impairment losses. The impairment loss is measured as the difference between the carrying amount of the shares and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

2.15 Intangible assets

Intangible assets are recorded at historical cost less accumulated amortization and impairment losses. Amortization 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
Other intangible assets	5

2.16 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, modernization or improvements leading to increased productivity, capacity or efficiency are capitalized. Repairs and renovations are charged to the income statement 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	5 - 40
Equipment	4, 6, 15
Other tangibles	4, 6, 15

Assets in progress, land and art collections are not depreciated. 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. Where assets are identified as being surplus to the Bank's requirements, management assess the recoverable value by reference to a net selling price based on third party valuation reports, adjusted downwards for an estimate of associated sale costs.

2.17 Leasing

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

The Bank as a lessee

Finance leases, which transfer to the Bank substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments and included in Property and equipment with the corresponding liability to the lessor included in Other liabilities. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income in Interest expense and similar charges.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Bank will obtain ownership by the end of the lease term.

Operating lease payments are not recognized in the balance sheet. Any rentals payable are accounted for on a straight-line basis over the lease term and included in Other operating expenses.

The Bank as a lessor

Leases where the Bank transfers substantially all the risk and benefits of ownership of the asset are classified as finance leases. Leases are recognized upon acceptance of the asset by the customer at an amount equal to the net investment in the lease. The sum of future minimum lease payments and initial origination fees equate to the gross investment in the lease. The difference between the gross and net investment in the lease represents unearned finance income, which is recognized as revenue in Interest and similar income over the lease term at a constant periodic rate of return on the net investment in the lease.

2.18 Provisions

Provisions are recognized 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 Financial guarantees

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

Financial guarantee liabilities are initially recognized at their fair value, and the initial fair value is amortized over the life of the financial guarantee in the income statement in Fee and commission income on a straight line basis. The guarantee liability is subsequently carried at the higher of this amortized 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 taken to the income statement in Impairment losses and provisions.

2.20 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 coverage of losses of the Bank.

2.21 Interest income

Interest income and expense is recognized in the income statement on an accrual basis by using of effective interest rate method. Interest income and expense includes the amortization 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 amortized over the life of the loan.

2. Summary of significant accounting policies (continued)

2.22 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 recognized when the corresponding service is provided.

2.23 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.

2.24 Dividend income

Dividend income is recognized in the income statement on the date that the dividend is declared.

2.25 Income tax

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

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

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

2.26 Fiduciary assets

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

2.27 Significant accounting judgements and estimates

Judgements

In the process of applying the Bank's accounting policies, management has made judgments, apart from those involving estimations, that significantly affect the amounts recognized 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 keep these investments to maturity other than for the specific circumstances, for example selling 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 amortized 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 values of the Bank's assets and liabilities and the disclosure of contingent items at the balance sheet date 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, provisions for off-balance sheet risks, depreciable lives and residual values of tangible and intangible assets, impairment losses on tangible and intangible assets, provisions for employee benefits and legal claims.

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that 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 derivatives.

Impairment losses on loans and advances

The Bank reviews its loans and advances at each reporting date to assess whether an allowance for impairment should be recorded in the income statement. 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 number of factors and actual results may differ, resulting in future changes to the allowance.

In addition to specific allowances against individually significant loans and advances, the Bank also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default that when originally granted. This take 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.

2.28 Future changes in accounting policies

In August 2005, the IASB issued IFRS 7 Financial Instruments – Disclosures, which requires disclosures that enable users to evaluate the significance of the Bank's financial instruments and the nature and extent of risks arising from those financial instruments. The Bank elected to adopt IFRS 7 from 1 January 2007.

Amendment to IAS 1 – Presentation of Financial Statements requires the Bank to make new disclosures to enable users of the financial statements to evaluate the Bank's policies, objectives and processes for managing capital. The Bank has elected to adopt this amendment from 1 January 2007.

3. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise the following balances with agreed maturity of less than 90 days:

	Notes	2006	2005
Cash and balances with central banks	4	4,872	4,048
Treasury bills and other eligible bills	5	2,974	3,995
Current accounts in other banks	6	363	676
Term deposits with central and other banks	6	11,854	671
Loans and advances to central banks	6	22,424	21,406
		42,487	30,796

4. Cash and balances with central banks

	2006	2005
Balances with central banks:		
Compulsory minimum reserves	1,785	1,526
Current accounts	548	471
	2,333	1,997
Cash in hand	2,539	2,051
	4,872	4,048

The compulsory minimum reserve is maintained as an interest bearing deposit under the regulations of the NBS and CNB. The amount of the compulsory minimum reserve depends on the level of customer deposits accepted by the Bank and is calculated as 2% of a monthly average balance of selected customer deposits.

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.

5. Treasury bills and other eligible bills

	2006	2005
NBS bills at fair value	2,974	3,995

6. Loans and advances to banks

	2006	2005
Current accounts in other banks	363	676
Loans and advances to:		
Central banks	22,424	21,406
Other banks	2,576	849
Term deposits with:		
Central banks	665	279
Other banks	12,571	2,572
Impairment losses (note 11)	(33)	-
	38,566	25,782

7. Financial assets held for trading

	2006	2005
State bonds	457	452
Bank bonds	54	74
Corporate bonds	4	66
	515	592

All securities held for trading are listed. At 31 December 2006 and 2005, the Bank did not pledge any bonds to secure transactions with counterparties.

8. Derivative financial instruments held for trading

Fair values	2006 Positive	2005 Positive	2006 Negative	2005 Negative
Interest rate instruments				
Swaps	674	1,166	(591)	(1,300)
Forward rate agreements	-	2	-	(3)
	674	1,168	(591)	(1,303)
Foreign currency instruments				
Cross currency swaps	-	335	-	(335)
Forwards and swaps	1,529	289	(1,278)	(338)
Options	185	58	(185)	(60)
	1,714	682	(1,463)	(733)
	2,388	1,850	(2,054)	(2,036)

8. Derivative financial instruments held for trading (continued)

Notional values	2006 Assets	2005 Assets	2006 Liabilities	2005 Liabilities
Interest rate instruments				
Swaps	47,260	45,595	47,260	45,595
Forward rate agreements	-	11,599	-	11,599
	47,260	57,194	47,260	57,194
Foreign currency instruments				
Cross currency swaps	-	4,753	-	4,753
Forwards and swaps	44,652	25,777	44,411	25,830
Options	4,211	9,847	4,211	9,847
	48,863	40,377	48,622	40,430
	96,123	97,571	95,882	97,624

At 31 December 2006, the Bank had a potential credit exposure of Sk 3,050 million (31 December 2005: Sk 2,431 million) in the event of non-performance by counterparties to its financial derivative instruments. This represents the gross replacement cost at market rates at 31 December 2006 and 31 December 2005 of all outstanding agreements in the event of all counterparties defaulting and not allowing for netting arrangements.

9. Available-for-sale financial assets

	Share in 2006	Share in 2005	2006	2005
Bank bonds at fair value			2,599	568
Equity shares at cost				
Burza cenných papierov v Bratislave, a. s.	6.69%	20.20%	23	-
Burza cenných papírů Praha, a.s.	8.32%	7.06%	28	29
RVS Studené, a.s.	8.26%	7.69%	17	17
S.W.I.F.T	0.02%	0.04%	2	2
Intertour, a.s.	-	12.88%	-	17
MasterCard	-	0.04%	-	17
			70	82
Impairment losses			(2)	(19)
			68	63
			2,667	631

10. Loans and advances to customers

	2006	2005
Private individuals		
Overdrafts	4,741	3,517
Loans with agreed maturity	9,434	7,775
Mortgage loans	29,508	20,961
	43,683	32,253
Corporate entities		
Overdrafts	10,371	10,065
Loans with agreed maturity	33,978	35,092
Mortgage loans	3,301	1,169
Finance lease receivables	224	107
	47,874	46,433
Government and municipalities		
Overdrafts	8	5
Mortgages	96	-
Loans with agreed maturity	1,367	8,974
	1,471	8,979
	93,028	87,665
Impairment losses (note 11)	(3,859)	(4,415)
	89,169	83,250

During 2006, the Bank wrote off loans and advances to customers amounting to Sk 1,365 million net of recoveries (2005: Sk 689 million) against already existing impairment losses (note 33).

At 31 December 2006, the 20 largest corporate customers represented a total balance of Sk 16,260 million (2005: Sk 12,176 million) or 17% (2005: 14%) of the gross loan portfolio.

Maturities of gross finance lease receivables are as follows:

	2006	2005
Up to 1 year	58	57
1 to 5 years	182	70
Over 5 years	45	-
	285	127
Unearned future finance income on finance leases	(61)	(20)
Impairment losses	-	(6)
	224	101

Maturities of net finance lease receivables are as follows:

	2006	2005
Up to 1 year	54	31
1 to 5 years	145	70
Over 5 years	25	-
	224	101

11. Impairment losses

	1 Jan 2006	Creation/ (reversal) (note 33)	Other [1]	FX gains	31 Dec 2006
Loans and advances to banks (note 6)	-	33	-	-	33
Loans and advances to customers (note 10)	4,415	(739)	235	(52)	3,859
Held-to-maturity investments (note 12)	176	(147)	-	(5)	24
Subsidiaries, associates and JVs (note 13)	542	-	-	-	542
Property and equipment (note 15)	481	(480)	-	-	1
Non-current assets held for sale (note 15)	64	(52)	-	-	12
Other assets (note 17)	32	(5)	-	-	27
	5,710	(1,390)	235	(57)	4,498

(1) Provision transfer from CFH due to the transfer of credit risk

	1 Jan 2005	Creation/ (reversal) (note 33)	Other [1]	FX gains	31 Dec 2005
Loans and advances to customers (note 10)	4,562	(107)	-	(40)	4,415
Held-to-maturity investments (note 12)	314	(134)	-	(4)	176
Subsidiaries, associates and JVs (note 13)	591	-	(49)	-	542
Property and equipment (note 15)	614	(133)	-	-	481
Non-current assets held for sale (note 15)	-	64	-	-	64
Other assets (note 17)	30	2	-	-	32
	6,111	(308)	(49)	(44)	5,710

(1) Other represents the liquidation of a subsidiary

12. Held-to-maturity investments

	2006	2005
State restructuring bonds	35,072	56,712
State bonds	42,947	28,759
Bank bonds and other bonds issued by financial sector	7,275	7,276
Corporate notes and bonds	1,310	1,551
	86,604	94,298
Impairment (note 11)	(24)	(176)
	86,580	94,122

At 31 December 2006, the fair value of securities held to maturity was Sk 86,757 million (31 December 2005: Sk 95,524 million) and was calculated by discounting future cash flows using prevailing market rates.

State resructuring bonds

As part of the pre-privatization 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 recapitalized 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, and Slovenská konsolidačná ('SKO') with a gross value of Sk 7.6 billion, which gave rise to the Bank's receivables from KBB and SKO in the total amount of Sk 66.2 billion. 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.

12. Held-to-maturity investments (continued)

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.

The bond conditions are the same as for any other similar type of securities issued by the Slovak Republic, i.e. are fully redeemable by the Slovak Republic, there is no clause regarding rollover, early or late extinguishments and do not allow for conversion into any other type of financial instruments.

At 31 December 2006, the Bank held in its portfolio the following state restructuring bonds:

(a) 7-year state bonds with a nominal value of Sk 11,300 million, due on 31 January 2008, bearing variable interest rate of 6M BRIBOR;
(b) 10-year state bonds with a nominal value of Sk 11,044 million, due on 31 January 2011, bearing variable interest rate for 6M BRIBOR;
(c) 7-year state bonds with a nominal value of Sk 4,700 million, due on 29 March 2008, bearing variable interest rate of 6M BRIBOR;
(d) 10-year state bonds with a nominal value of Sk 7,497 million, due on 29 March 2011, bearing variable interest rate of 6M BRIBOR.

5-year state restructuring bonds with a nominal value of Sk 21,125 million were fully repaid on 31 January 2006.

13. Subsidiaries, associates and jointly controlled entities

	Share in %	Cost	Impairment losses	Carrying amount
At 31 December 2006				
VÚB Factoring, a.s.	100.0	498	(246)	252
VÚB Leasingová, a.s.	100.0	234	(211)	23
Recovery, a.s.	100.0	110	(85)	25
VÚB Asset Management, správ. spol. a.s.	100.0	85	-	85
Consumer Finance Holding, a.s.	100.0	1,600	-	1,600
Slovak Banking Credit Bureau, s.r.o.	33.3	-	-	-
VÚB Generali DSS, a.s.	50.0	500	-	500
		3,027	(542)	2,485
At 31 December 2005				
VÚB Factoring, a.s.	100.0	498	(246)	252
VÚB Leasingová, a.s.	100.0	234	(211)	23
Recovery, a.s.	100.0	110	(85)	25
VÚB Asset Management, správ. spol. a.s.	100.0	85	-	85
Consumer Finance Holding, a.s.	100.0	1,600	-	1,600
Burza cenných papierov Bratislava, a.s.	20.2	23	-	23
Slovak Banking Credit Bureau, s.r.o.	33.3	-	-	-
VÚB Generali DSS, a.s.	50.0	500	-	500
		3,050	(542)	2,508

In March 2006, Burza cenných papierov Bratislava was transferred into the available-for-sale portfolio due to a decrease in the Bank's holding in the share capital from 20.2% to 6.7% as a result of share capital increases by main shareholder.

The net investment in the Slovak Banking Credit Bureau is Sk 100 thousand.

14. Intangible assets

	Software	Other intangible assets	Assets in progress	Total
Cost				
At 1 January 2006	3,575	256	118	3,949
Additions	-	-	231	231
Disposals	(6)	(3)	-	(9)
Transfers	165	17	(182)	-
At 31 December 2006	3,734	270	167	4,171
Amortization				
At 1 January 2006	(2,805)	(186)	-	(2,991)
Additions	(281)	(23)	-	(304)
Disposals	8	3	-	11
At 31 December 2006	(3,078)	(206)	-	(3,284)
Carrying amount				
At 31 December 2006	656	64	167	887

	Software	Other intangible assets	Assets in progress	Total
Cost				
At 1 January 2005	3,239	233	164	3,636
Additions	-	-	339	339
Disposals	(4)	(14)	(8)	(26)
Transfers	340	37	(377)	-
At 31 December 2005	3,575	256	118	3,949
Amortization				
At 1 January 2005	(2,540)	(178)	-	(2,718)
Additions	(269)	(22)	-	(291)
Disposals	4	14	-	18
At 31 December 2005	(2,805)	(186)		(2,991)
Carryying amount				
At 31 December 2005	770	70	118	958

15. Property and equipment and non-current assets held for sale

	Buildings and land	Equipment	Other tangibles	Assets in progress	Total property and equipment
Cost					
At 1 January 2006	6,565	3,440	1,205	410	11,620
Additions	-	-	-	364	364
Disposals	(23)	(603)	(133)	-	(759)
Transfers	137	224	47	(449)	(41)
At 31 December 2006	6,679	3,061	1,119	325	11,184
Depreciation					
At 1 January 2006	(1,494)	(2,917)	(734)	-	(5,145)
Additions	(290)	(202)	(94)	-	(586)
Disposals	29	603	133	-	765
At 31 December 2006	(1,755)	(2,516)	(695)	-	(4,966)
Impairment losses (note 11)					
At 1 January 2006	(481)	-	-	-	(481)
Net reversal	480	-	-	-	480
At 31 December 2006	(1)	-	-	-	(1)
Carrying amount					
At 31 December 2006	4,923	545	424	325	6,217

	Buildings and land	Equipment	Other tangibles	Assets in progress	Total property and equipment
Cost					
At 1 January 2005	6,419	3,583	1,134	446	11,582
Non-current assets held for sale	(136)	-	-	-	(136)
Additions	-	-	-	940	940
Disposals	(283)	(373)	(87)	(23)	(766)
Transfers	565	230	158	(953)	-
At 31 December 2005	6,565	3,440	1,205	410	11,620
Depreciation					
At 1 January 2005	(1,342)	(3,024)	(726)	-	(5,092)
Non-current assets held for sale	5	-	-	-	5
Additions	(276)	(262)	(116)	-	(654)
Disposals	119	369	108	-	596
At 31 December 2005	(1,494)	(2,917)	(734)	-	(5,145)
Impairment losses (note 11)					
At 1 January 2005	(569)	-	-	(45)	(614)
Net reversal	88	-	-	45	133
At 31 December 2005	(481)	-	-	-	(481)
Carrying amount					
At 31 December 2005	4,590	523	471	410	5,994

At 31 December 2006 and 2005, the Bank held in its portfolio of non-current assets held for sale buildings as follows:

	2006	2005
Cost	38	136
Accumulated depreciation	(11)	(5)
Impairment losses (note 11)	(12)	(64)
	15	67

16. Income tax assets

	2006	2005
Current income tax	536	-
Deferred income tax (note 22)	-	616
	536	616

17. Other assets

	2006	2005
Prepayments and accrued income	94	120
Operating receivables and advances	242	370
VAT receivable and other taxes receivable	30	32
Inventories	21	22
	387	544
Impairment losses (note 11)	(27)	(32)
	360	512

18. Deposits from central banks

	2006	2005
Current accounts	2,847	2,283
Loans received	9	13
	2,856	2,296

19. Deposits from other banks

	2006	2005
Current accounts	2,051	2,036
Term deposits	4,858	13,175
Loans received	993	2,614
	7,902	17,825

20. Deposits from customers

	2006	2005
Current accounts	56,954	52,480
Term deposits	74,735	56,728
Savings accounts	9,820	11,103
Government and municipal deposits	33,372	40,011
Loans received	555	725
Promissory notes	2,719	945
Other deposits	898	1,048
Restricted deposits	31	130
	179,084	163,170

In accordance with Article 879i of the Civil Code and the directions of Ministry of Finance of the Slovak Republic, the Bank transferred the balances of anonymous deposits in total amount of Sk 116 million and the related interest of Sk 1.7 million to the accounts of the Slovak Republic as at 31 December 2006.

21. Debt securities in issue

	2006	2005
Bonds	2,001	2,001
Mortgage bonds	20,277	12,695
	22,278	14,696

The Bank issued in 2006 mortgage bonds denominated in Sk in nominal amount of Sk 3,100 million and mortgage bonds denominated in EUR in nominal amount of EUR 150 million (Sk 5,186 million).

Repayment of mortgage bonds is funded by the mortgage loans provided to customers of the Bank (see also note 10).

22. Income tax liabilities

	2006	2005
Current income tax	-	561
Deferred income tax	244	-
	244	561

Deferred income taxes are calculated on all temporary differences using the tax rate of 19% (2005: 19%) as follows:

	2006	2005
Loans and securities	(305)	402
Property and equipment	(33)	103
Other liabilities and provisions	86	87
Tax losses carried forward	2	24
Other	6	-
	(244)	616

23. Provisions

	2006	2005
Litigations	990	1,092
Severance	37	-
Retention program	17	-
	1,044	1,092

The movement in provisions was as follows:

	1 Jan 2006	Creation/ (reversal)	31 Dec 2006
Litigations (note 32)	1,092	(102)	990
Severance (note 31)	-	37	37
Retention program (note 31)	-	17	17
	1,092	(48)	1,044

24. Other liabilities

	2006	2005
Various creditors	629	764
Financial guarantees and commitments	275	691
Settlement with employees	509	490
VAT payables and other tax payables	88	83
Accruals and deferred income	31	27
Payables from trading with securities	26	26
	1,558	2,081

The movement in financial guarantees and commitments was as follows:

	1 Jan 2006	Creation/ (reversal)	FX gains	31 Dec 2006
Off balance sheet risks (note 33)	691	(410)	(6)	275

25. Share capital

	2006	2005
Authorized, issued and fully paid:		
89 ordinary shares of Sk 100,000,000 each, not traded	8,900	8,900
4,078,108 ordinary shares of Sk 1,000 each, publicly traded	4,078	4,078
	12,978	12,978
Net profit for the year attributable to shareholders	3,758	3,993
Divided by 12,978,108 ordinary shares of Sk 1,000 each		
Basic and diluted earnings per share in Sk	290	308

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

25. Share capital (continued)

The structure of shareholders is as follows:

	2006	2005
Intesa Holding International S.A.	96.49%	96.49%
Domestic shareholders	2.96%	2.99%
Foreign shareholders	0.55%	0.52%
	100.00%	100.00%

26. Financial commitments and contingencies

	2006	2005
Issued guarantees	9,617	8,209
Commitments and undrawn credit facilities	34,920	28,963
	44,537	37,172

(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 makes provisions 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 issued loan commitment, undrawn portions of and approved overdraft loans.

(c) Lease obligations
In the normal course of business, the Bank enters into operating lease agreements for branch facilities and cars. The rental contracts can be cancelled under normal business conditions.

(d) Legal
In the ordinary course of business the Bank is subject to a variety of legal actions. The Bank conducted a review of legal proceedings outstanding against it as of 31 December 2006. Pursuant to this review, management has recorded a provision of Sk 990 million as of 31 December 2006 (31 December 2005: Sk 1,092 million) in respect of such legal proceedings (see also note 23). The Bank will continue to defend its position in respect of each of these legal proceedings.

27. Net interest income

	2006	2005
Interest and similar income		
Loans and advances to banks	1,747	1,083
Loans and advances to customers	6,189	4,901
Bonds, treasury bills and other securities	3,356	4,337
	11,292	10,321
Interest expense and similar charges		
Deposits from banks	(444)	(484)
Deposits from customers	(3,505)	(2,279)
Debt securities in issue	(762)	(486)
	(4,711)	(3,249)
	6,581	7,072

28. Net fee and commission income

	2006	2005
Fee and commission income		
Received from banks	204	297
Received from customers	2,614	2,222
Received from other financial operations	285	428
	3,103	2,947
Fee and commission expense		
Paid to banks	(223)	(213)
Paid to customers	(943)	(556)
Paid due to other financial operations	(19)	(16)
	(1,185)	(785)
	1,918	2,162

29. Net trading income

	2006	2005
Foreign currency derivatives and transactions	1,026	907
Interest rate derivatives	37	(18)
Securities	78	133
	1,141	1,022

30. Other operating income

	2006	2005
Rent	53	50
Insurance cost refund from clients	106	64
Various expense reimbursement from clients	39	38
Other services	15	137
Net profit from sale of fixed assets	39	187
Other	34	50
	286	526

31. Salaries and employee benefits

	2006	2005
Salaries	(1,699)	(1,848)
Social security costs	(613)	(566)
Provisions for severance (note 23)	(37)	28
Provisions for retention program (note 23)	(17)	-
	(2,366)	(2,386)

The total number of employees of the Bank at 31 December 2006 was 3,593 (2005: 3,932).

The remuneration and other benefits to members of the Supervisory Board and the Board of Directors in 2006 was Sk 99 million (2005: Sk 90 million).

The Bank does not have any pension arrangements separate from the state pension system of the Slovak Republic. The Bank is required to contribute a certain percentage of gross salaries paid to the state pension system. These expenses are recognized in the period when salaries are earned by employees. No further liabilities are arising to the Bank from the payment of pensions to employees in the future.

32. Other operating expenses

	2006	2005
Contribution to the Deposit Protection Fund	(144)	(535)
IT systems maintenance	(292)	(318)
Post and telecom	(327)	(305)
Property related expenses	(349)	(343)
Equipment related expenses	(185)	(194)
Advertising and marketing	(296)	(266)
Professional services	(176)	(200)
Security	(128)	(143)
Stationery	(109)	(110)
VAT and other taxes	(186)	(187)
Insurance	(147)	(116)
Provision for litigations (note 23)	102	35
Litigations paid	(12)	(14)
Transport	(17)	(23)
Trainings	(38)	(42)
Travel	(28)	(34)
Other operating expenses	(39)	(111)
	(2,371)	(2,906)

33. Impairment losses and provisions

	2006	2005
Net reversal of impairment losses (note 11)	1,390	308
Net reversal of financial guarantees and commitments (note 24)	410	236
	1,800	544
Non current assets sold	(68)	-
Nominal value of loans written-off	(1,110)	(730)
Nominal value of loans transferred	(713)	(104)
Proceeds from loans written-off	245	60
Proceeds from loans transferred	213	85
	(1,365)	(689)
	367	(145)

The receivables held by the Bank were sold to third parties on a non-recourse basis prior to 31 December 2006.

34. Income tax expense

	2006	2005
Current income tax	(187)	(444)
Deferred income tax	(860)	8
	(1,047)	(436)

The movement in the income statement in deferred taxes is as follows:

	2006	2005
Losses on loans and securities	(707)	65
Property and equipment	(136)	(57)
Other liabilities and provisions	(1)	(24)
Tax losses carried forward	(22)	24
Other	6	-
	(860)	8

The effective tax rate differs from the statutory tax rates in 2006 and in 2005.

Reconciliation of the Bank profit before tax with the actual corporate income tax is as follows:

	2006	2005
Profit before tax	4,805	4,429
Applicable tax rate	19%	19%
Theoretical tax charge	(913)	(842)
Permanent differences and previously unrecognized deferred tax assets	(124)	155
Adjustments for current tax of prior periods	(10)	251
Tax expense	(1,047)	(436)
Effective tax rate	22%	10%

35. Profit before changes in operating assets and liabilities

	2006	2005
Profit before tax	4,805	4,429
Adjustments for:		
Amortization	304	291
Depreciation	586	654
Unrealized gain from securities held for trading	(11)	4
Interest income	(11,292)	(10,321)
Interest expense	4,711	3,249
Dividend income	(139)	(29)
Income from sale of property and equipment	(39)	(187)
Provisions and impairment losses	(416)	83
Interest received	11,794	9,933
Interest paid	(4,499)	(3,263)
Dividends received	139	29
Tax paid	(1,282)	(272)
	4,661	4,600

36. Estimated fair value of certain 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 realized 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) Loans and advances to banks
The estimated fair value of amounts due from banks that mature in 180 days or less approximates their carrying amounts. The fair value of other amounts is estimated based upon discounted cash flow analyses using interest rates currently offered for investments with similar terms (market rates adjusted to reflect credit risk). The fair value of non-performing amounts due from banks is estimated using a discounted cash flow analysis or the appraised value of the underlying collateral. Provisions are not taken into consideration when calculating fair values. The fair value of amounts due from banks is not significantly different from its carrying value.

(c) Loans and advances to customers
The fair value of variable yield loans that regularly re-price, with no significant change in credit risk, generally approximates their carrying value. The fair value of loans at fixed interest rates is estimated using discounted cash flow analyses, based upon interest rates currently offered for loans with similar terms to borrowers of similar credit quality. The fair value of non-performing loans to customers is estimated using a discounted cash flow analysis or the appraised value of the underlying collateral, where available. Loans at fixed interest rates represent only a fraction of the total carrying value and hence the fair value of total loans and advances to customers approximates the carrying values as of the balance sheet date. Provisions are not taken into consideration when calculating fair values. The fair value of loans and advances to customers is not significantly different from its carrying value.

(d) Held-to-maturity investments
At 31 December 2006, the fair value of securities carried in the 'Held-to-maturity investments' portfolio was Sk 86,757 million (2005: Sk 95,524 million) and was calculated by discounting future cash flows using prevailing market rates.

(e) Deposits from banks and customers
The fair value of term deposits payable on demand represents the carrying value of amounts payable on demand as of the balance sheet date. The fair value of term deposits at variable interest rates approximates their carrying values as of the balance sheet date. The fair value of deposits at fixed interest rates is estimated by discounting their future cash flows using rates currently offered for deposits of similar remaining maturities. The fair value of deposits from banks and deposits from customers is not significantly different from their carrying values.

(f) Debt securities in issue
The fair value of debt securities issued by the Bank is based on quoted market prices. Where no market prices are available, the fair value is equal to an estimate made by the Bank. The fair value of debt securities in issue is not significantly different from its carrying value.

37. Assets and liabilities maturity / liquidity risk

Liquidity risk is a measure of the extent to which the Bank may be required to raise funds to meet its commitments associated with financial instruments. The Bank maintains its liquidity profiles in accordance with regulations laid down by the NBS. The table on the following page provides an analysis of assets and liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. It is presented under the most prudent consideration of maturity dates where options or repayment schedules allow for early repayment possibilities. Those assets and liabilities that do not have a contractual maturity date are grouped together under the 'Not specified' category.

The Bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw downs, guarantees and from margin and other calls on cash settled derivatives. The Bank sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

The remaining maturities of assets and liabilities were as follows:

	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Not specified	Total
31 December 2006							
Assets							
Cash and balances with central banks	4,872	-	-	-	-	-	4,872
Treasury bills and other eligible bills	-	2,974	-	-	-	-	2,974
Loans and advances to banks	35,233	95	632	2,606	-	-	38,566
Financial assets held for trading	53	11	50	116	285	-	515
Derivative financial instruments	601	147	871	406	260	103	2,388
Available-for-sale financial assets	-	7	11	2,581	-	68	2,667
Non-current assets held for sale	-	-	-	-	-	15	15
Loans and advances to customers	5,146	4,557	20,003	24,850	30,410	4,203	89,169
Held-to-maturity investments	2,009	651	827	63,024	20,069	-	86,580
Investments in associates and JVs	-	-	-	-	-	2,485	2,485
Intangible assets	-	-	-	-	-	887	887
Property and equipment	-	-	-	-	-	6,217	6,217
Current income tax assets	-	-	-	-	-	536	536
Other assets	-	-	-	-	-	360	360
	47,914	8,442	22,394	93,583	51,024	14,874	238,231
Liabilities							
Deposits from central banks	2,847	-	-	9	-	-	2,856
Deposits from other banks	6,827	2	1	239	833	-	7,902
Derivative financial instruments	361	389	589	375	237	103	2,054
Deposits from customers	149,434	11,943	15,739	1,968	-	-	179,084
Debt securities in issue	15	24	1,191	14,047	7,001	-	22,278
Deferred income tax liabilities	-	-	-	-	-	244	244
Provisions	-	-	-	-	-	1,044	1,044
Other liabilities	520	-	-	-	-	1,038	1,558
	160,004	12,358	17,520	16,638	8,071	2,429	217,020
On balance sheet net gap position	(112,090)	(3,916)	4,874	76,945	42,953	12,445	21,211
31 December 2005							
Total assets	63,055	5,816	18,020	68,585	52,516	16,933	224,925
Total liabilities	159,681	12,098	9,951	9,552	7,283	5,192	203,757
On balance sheet net gap position	(96,626)	(6,282)	8,069	59,033	45,233	11,741	21,168

38. 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. The table below provides information on the currency denomination of the Bank's assets and liabilities. 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.

	Slovak crowns	EUR	USD	CZK	Other	Total
31 December 2006						
Assets						
Cash and balances with central banks	4,068	329	96	190	189	4,872
Treasury bills and other eligible bills	2,974	-	-	-	-	2,974
Loans and advances to banks	25,238	8,497	3,447	592	792	38,566
Financial assets held for trading	515	-	-	-	-	515
Derivative financial instruments	2,388	-	-	-	-	2,388
Available-for-sale financial assets	2,639	2	-	26	-	2,667
Non-current assets held for sale	15	-	-	-	-	15
Loans and advances to customers	69,483	15,627	834	3,223	2	89,169
Held-to-maturity investments	84,938	1,592	-	-	50	86,580
Investments in associates and JVs	2,485	-	-	-	-	2,485
Intangible assets	885	-	-	2	-	887
Property and equipment	6,213	-	-	4	-	6,217
Current income tax assets	536	-	-	-	-	536
Other assets	279	76	-	5	-	360
	202,656	26,123	4,377	4,042	1,033	238,231
Liabilities						
Deposits from central banks	2,734	30	-	92	-	2,856
Deposits from other banks	6,264	1,261	4	-	373	7,902
Derivative financial instruments	2,054	-	-	-	-	2,054
Deposits from customers	150,557	18,957	4,849	3,782	939	179,084
Debt securities in issue	17,075	5,203	-	-	-	22,278
Deferred income tax liabilities	244	-	-	-	-	244
Provisions	1,044	-	-	-	-	1,044
Other liabilities	1,531	10	10	6	1	1,558
	181,503	25,461	4,863	3,880	1,313	217,020
On balance sheet net position	21,153	662	(486)	162	(280)	21,211
Off balance sheet assets	25,102	13,251	14,994	3,591	1,944	58,882
Off balance sheet liabilities	(25,690)	(13,130)	(14,486)	(296)	(1,598)	(55,200)
Off balance sheet net position	(588)	121	508	3,295	346	3,682
Total net position	20,565	783	22	3,457	66	24,893
31 December 2005						
On balance sheet net position	31,990	(5,719)	(4,584)	(12)	(507)	21,168
Off balance sheet net position	(10,993)	5,962	4,505	(14)	486	(54)
Total net position	20,997	243	(79)	(26)	(21)	21,114

39. Interest rate risk

The interest rate risk is comprised 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 to what extent it is exposed to the interest rate risk.

The table on this page provides information on the extent of the Bank's interest rate exposure based either on the contractual maturity date of its financial instruments, or in the case of instruments that re-price to a market rate of interest before maturity, the next re-pricing date. It is the policy of the Bank to manage the exposure to fluctuations in net interest income arising from changes in interest rates by the degree of re-pricing mismatch in the balance sheet.

The assets and liabilities that do not have contractual maturity date or are not interest bearing are grouped in the 'Not specified' category.

Current accounts, nostro and loro accounts are stated as interest rate insensitive in column 'Not specified'.

The re-pricing structure of assets and liabilities was as follows:

	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Not specified	Total
Assets							
Cash and balances with central banks	4,872	-	-	-	-	-	4,872
Treasury bills and other eligible bills	-	2,974	-	-	-	-	2,974
Loans and advances to banks	35,681	610	572	769	-	934	38,566
Financial assets held for trading	117	11	50	52	285	-	515
Derivative financial instruments	-	-	-	-	-	2,388	2,388
Available-for-sale financial assets	-	7	11	2,581	-	68	2,667
Non-current assets held for sale	-	-	-	-	-	15	15
Loans and advances to customers	22,009	14,895	21,222	15,837	3,596	11,610	89,169
Held-to-maturity investments	31,570	12,854	4,586	17,501	20,069	-	86,580
Investments in associates and JVs	-	-	-	-	-	2,485	2,485
Intangible assets	-	-	-	-	-	887	887
Property and equipment	-	-	-	-	-	6,217	6,217
Current income tax assets	-	-	-	-	-	536	536
Other assets	-	-	-	-	-	360	360
	94,249	31,351	26,441	36,740	23,950	25,500	238,231
Liabilities							
Deposits from central banks	-	9	-	-	-	2,847	2,856
Deposits from other banks	4,974	182	1	89	-	2,656	7,902
Derivative financial instruments	-	-	-	-	-	2,054	2,054
Deposits from customers	92,262	9,876	12,700	777	-	63,469	179,084
Debt securities in issue	3,088	6,535	2,691	5,463	4,501	-	22,278
Deferred income tax liabilities	-	-	-	-	-	244	244
Provisions	-	-	-	-	-	1,044	1,044
Other liabilities	-	-	-	-	-	1,558	1,558
	100,324	16,602	15,392	6,329	4,501	73,872	217,020
On balance sheet net position	(6,075)	14,749	11,049	30,411	19,449	(48,372)	21,211
Off balance sheet assets	35,727	15,312	33,349	13,883	4,379	3,793	106,443
Off balance sheet liabilities	(32,560)	(12,063)	(39,816)	(13,790)	(4,179)	(352)	(102,760)
Off balance sheet net position	3,167	3,249	(6,467)	93	200	3,441	3,683
Net position at 31 December 2006	(2,908)	17,998	4,582	30,504	19,649	(44,931)	24,894
Net position at 31 December 2005	(50,435)	24,243	10,252	22,450	12,823	1,781	21,114

39. Interest rate risk (continued)

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

	2006	2005
	%	%
Assets		
Cash and balances with central banks	1.35	0.96
Treasury bills and other eligible bills	4.19	2.89
Loans and advances to banks	3.64	2.89
Financial assets held for trading	5.60	4.49
Available-for-sale financial assets	3.57	0.97
Loans and advances to customers	7.00	6.20
Held-to-maturity investments	3.85	4.82
Liabilities		
Deposit from banks	2.36	2.17
Deposits from customers	2.00	1.45
Debt securities in issue	4.34	4.79

40. 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.

At 31 December 2006 and 2005, significant outstanding balances with related parties comprised:

	2006	2005
Loans and advances		
Key management personnel	6	8
Affiliated companies	10,410	570
	10,416	578
Customer accounts		
Key management personnel	26	19
Affiliated companies	6,289	4,399
	6,315	4,418
Derivative transactions (notional amount)		
Shareholder and companies controlled by shareholder	3,571	5,792
Securities		
Shareholder and companies controlled by shareholder	2,599	568

41. Profit distribution

On 6 April 2006, the Bank's shareholders approved the following profit distribution according to Slovak accounting regulations for 2005:

Contribution to the Social fund	40
Contribution to the Legal reserve fund	100
Dividends to shareholders	3,699
Retained earnings	18
	3,857

The Board of Directors will propose the following 2006 profit distribution:

Dividends to shareholders	2,816
Retained earnings	942
	3,758

42. Events after the balance sheet date

There were no significant events after the balance sheet date that would require adjustment or disclosure in the financial statements at 31 December 2006.

43. Reconciliation to individual Slovak statutory accounts

Equity as at 1 January 2005 and 31 December 2005 and profit for 2005 reported under Slovak accounting regulations in the individual statutory financial statements of the Bank for 2005 can be reconciled to these individual financial statements as follows:

	Net profit for the year 2005
Reported under individual Slovak statutory accounts	3,857
Social fund expense	(40)
Amortized cost adjustment	(113)
Equity investments	289
Profit according to IFRS	3,993

	Equity at 1 January 2005
Reported under individual Slovak statutory accounts	19,880
Social fund expense	(35)
Amortized cost adjustment	(107)
Equity investments	179
Equity according to IFRS	19,917

	Equity at 31 December 2005
Reported under individual Slovak statutory accounts	20,958
Social fund expense	(40)
Amortized cost adjustment	(219)
Equity investments	469
Equity according to IFRS	21,168

Social fund expense represents recognition difference between IFRS and Slovak accounting standards ('SAS'). In accordance with SAS social fund was created through appropriation of net income. IFRS require all employee benefits to be recognized as an expense at determination of net income.

Amortized cost adjustment represents a difference between recognition of interests under SAS and IFRS. IFRS require that interest income is recognized by using of effective interest rate for all types of financial instruments.

Equity investments adjustment results from a different impairment measurement methodology by SAS and IFRS.

Information on Securities Issued by the Bank

In 2006 VÚB, a. s., issued 7 mortgage bond issues as follows:

VÚB, a. s., Mortgage bonds XX.

Name of Security:	VÚB, a. s., Mortgage bond XX.
ISIN:	SK4120004946 series 01
Type and form:	Bearer bond, book-entry
Total issue amount:	SKK 500,000,000
Number and nominal value:	50 pcs per SKK 10,000,000
Issue Date:	March 9, 2006
Maturity:	March 9, 2021
Coupon:	4,3 % p. a.
Coupon payment:	Annually

VÚB, a. s., Mortgage bonds XXI.

Name of Security:	VÚB, a. s., Mortgage bond XXI.
ISIN:	SK4120004938 series 01
Type and form:	Bearer bond, book-entry
Total issue amount:	SKK 500,000,000
Number and nominal value:	500 pcs per SKK 1,000,000
Issue Date:	March 10, 2006
Maturity:	March 10, 2011
Coupon:	3M BRIBOR + 0,07 % p. a.
Coupon payment:	Quarterly

VÚB, a. s., Mortgage bonds XXII.

Name of Security:	VÚB, a. s., Mortgage bond XXII.
ISIN:	SK4120005026 series 01
Type and form:	Bearer bond, book-entry
Total issue amount:	EUR 60,000,000
Number and nominal value:	1,200 pcs per EUR 50,000
Issue Date:	June 29, 2006
Maturity:	June 29, 2011
Coupon:	3M EURIBOR + 0,17 % p. a.
Coupon payment:	Quarterly

VÚB, a. s., Mortgage bonds XXIII.

Name of Security:	VÚB, a. s., Mortgage bond XXIII.
ISIN:	SK4120005141 series 01
Type and form:	Bearer bond, book-entry
Total issue amount:	EUR 60,000,000
Number and nominal value:	60 pcs per EUR 1,000,000
Issue Date:	October 26, 2006
Maturity:	October 26, 2011
Coupon:	3M EURIBOR + 0,15 % p. a.
Coupon payment:	Quarterly

VÚB, a. s., Mortgage bonds XXIV.

Name of Security:	VÚB, a. s., Mortgage bond XXIV.
ISIN:	SK4120005174 series 01
Type and form:	Bearer bond, book-entry
Total issue amount:	SKK 1,500,000,000
Number and nominal value:	1,500 pcs per SKK 1,000,000
Issue Date:	November 24, 2006
Maturity:	November 24, 2011
Coupon:	6M BRIBOR + 0,08 % p. a.
Coupon payment:	Semiannually

VÚB, a. s., Mortgage bonds XXV.

Name of Security:	VÚB, a. s., Mortgage bond XXV.
ISIN:	SK4120005190 series 01
Type and form:	Bearer bond, book-entry
Total issue amount:	EUR 30,000,000
Number and nominal value:	30 pcs per EUR 1,000,000
Issue Date:	December 5, 2006
Maturity:	December 5, 2011
Coupon:	3M EURIBOR + 0,16 % p. a.
Coupon payment:	Quarterly

VÚB, a. s., Mortgage bonds XXVI.

Name of Security:	VÚB, a. s., Mortgage bond XXVI.
ISIN:	SK4120005265 series 01
Type and form:	Bearer bond, book-entry
Total issue amount:	SKK 600,000,000
Number and nominal value:	600 pcs per SKK 1,000,000
Issue Date:	December 14, 2006
Maturity:	December 14, 2009
Coupon:	4,6 % p. a.
Coupon payment:	Annually

Review of the Economic and Financial Position of VUB

In addition to ambitious growth objectives, improvement of efficiency and cost streamlining were typical for VUB in 2006. Although, the redemption of restructuring bonds had negative impact on operating income, the Bank was able to maintain a growth trend in this area. The consolidated financial statements as of December 31, 2006 show excellent results the Bank has achieved in improving its efficiency. In reality, the Bank was able to cut the operating costs on y/y basis by 6% owing to a decrease in administration costs by more than 13%. Thereby the cost-to-income ratio went down by more than 4 basis points and reached 55%.

Increased volume of loans to customers and banks supported a 6% growth in Bank's total consolidated assets this year. Receivables due from clients went up by 8%. Compared to 2005, the share of receivables on total assets rose again this year to reach the level of securities, which in previous years used to make up the most significant portion of Bank's total assets. Expanding the loan portfolio for an ever widening client spectrum represents one of the pillars of VUB's growth strategy. This goes hand in hand with a continuing development of Consumer Finance Holding – VUB's subsidiary, through which a significant volume of consumer loans was provided to retail customers in 2006.

In 2006, the customer deposits—accounting for three quarters of the Bank's total assets—hiked by a strong 10%, while supported by the development in interest rates. VUB Asset Management has gone through a difficult year. At the end of the year, the company finally managed to reverse the negative trend and stabilized the volume of assets under its management at the level of SKK 24 billion. The pension management company VUB Generali, d.s.s., the Bank's 50% subsidiary, has strengthened its market position managing assets worth SKK 4.2 billion at year-end.

Information on the Expected Economic and Financial Situation for 2007

The Bank's objectives for 2007 are primarily focused on a healthy growth of revenues and thereby also the volumes. Strategic priorities of the preceding year are still relevant, in 2007 the Bank intends to concentrate its efforts in the following areas:

Healthy asset growth in retail banking
- enhance activities in consumer finance through the Bank's subsidiary Consumer Finance Holding
- maintain and reinforce the leading position in mortgage business
- strengthen Bank's position in the small business segment

Strengthening of VUB's position in savings and collective investments
- grow assets and increase VUB Asset Management's market share
- refine the range of products for private clients
- enhance opportunities in pension savings – subsidiary VUB Generali, d.s.s.

Permanent and strong growth in SME segment
- support cross-selling
- establish close cooperation among the business units of the Bank and encourage utilization of a broader product range

The growth strategy should be translated into higher revenues, where a hike over 10 % is expected. Increase in interest-bearing assets should contribute to a significant rise in interest income accompanied by a boost in fee and commission income. An ongoing emphasis on high efficiency should keep the operating costs at bay. As a result, the Bank envisages a further drop in the cost-to-income ratio approaching the level of 50%.

In 2007, the Bank is planning to generate an operating profit of SKK 6.3 billion. Net profit should reach SKK 4.2 billion, representing thus an increase by 12% vis-à-vis 2006.

List of VUB Branches

Retail Business Network of VUB, a.s.

	Postal Code	Address	Tel. No.	Fax
Regional Retail Business Network Bratislava – west				
Full Retail Branches				
Bratislava – Gorkého	813 20	Gorkého 7	02/59 55 79 13,	59 55 80 90
Bratislava – Poštová	811 01	Poštová 1	02/59 55 85 72	54 41 79 26
Bratislava – Dúbravka	841 01	Schneidera Trnavského 6/A	02/64 28 60 05	64 28 62 05
Bratislava – Dunajská	815 79	Dunajská 24	02/59 55 71 65	52 96 71 36
Malacky	901 01	Záhorácka 15	034/772 38 47	772 38 48
Retail Branches				
Bratislava – Lamač	841 03	heyrovského 1	02/64 78 07 22	64 78 07 26
Bratislava – Devínska N. Ves	841 07	Eisnerova 48	02/64 77 64 85	64 77 65 50
Bratislava – Šintavská	851 01	Šintavská 24	02/63 83 71 60	63 83 70 97
Bratislava – Dlhé Diely	841 05	Ľ. Fullu 5	02/65 31 66 09	65 31 66 02
Bratislava – Špitálska	811 01	Špitálska 10	02/52 92 30 16	52 96 54 22
Bratislava – Rovniankova	851 02	Rovniankova 3/A	02/63 82 16 27	63 82 16 08
Bratislava – Karlova Ves	841 04	Borská 3	02/50 55 29 10	65 42 58 25
Bratislava – Vlastenecké nám.	851 01	Vlastenecké námestie 6	02/62 24 80 40	62 24 81 38
Bratislava – Aupark	851 01	Einsteinova 18	02/63 45 44 00	63 45 12 60
Bratislava – TESCO	811 08	Kamenné námestie 1	02/52 96 23 03	52 96 23 05
Bratislava – Štefanovičova	811 04	Štefanovičova 14	02/52 49 18 16	52 49 18 19
LightRetail Branches				
Bratislava – Kramáre	833 40	Limbová 1	02/54 77 28 46	54 78 80 84
Bratislava – Obchodná	811 04	Obchodná 74	02/52 73 38 98	52 73 38 97
Bratislava – Nobelovo nám.	851 01	Nobelovo námestie 5	02/63 45 42 31	63 45 42 32
Bratislava – Ovsišťské nám.	851 04	Ovsištské námestie 1	02/62 41 42 80	62 41 42 78
Bratislava – Zámocká	811 01	Zámocká ulica 38	02/54 41 18 11	54 41 18 35
Stupava	900 31	Mlynská 1	02/65 93 67 34	65 93 67 35
Mortgages Centres				
Bratislava – Štefanovičova	811 04	Štefanovičova 14	02/59 55 84 26	5556 78 29
Bratislava – Aupark	851 01	Einsteinova 18	02/59 55 84 26	55 56 78 29
Regional Retail Business Network Bratislava – east				
Full Retail Branches				
Bratislava – Ružinov	827 61	Jašíkova 8	02/48 56 86 12	43 33 93 69
Bratislava – Páričkova	821 08	Páričkova 2	02/50 55 24 08	55 56 66 36
Bratislava – Dolné hony	821 06	Kazanská 41	02/50 55 29 25	45 25 83 00
Pezinok	902 01	Štefánikova 14	033/641 30 73	641 30 77
Retail Branches				
Bratislava – Dulovo nám.	821 08	Dulovo nám. 1	02/55 96 96 06	55 96 94 55
Bratislava – Miletičova	821 09	Miletičova 21	02/55 56 58 02	55 56 72 01
Bratislava – Slovnaft	821 10	Vlčie hrdlo 1	02/45 52 47 16	45 24 77 29
Bratislava – Rača	831 06	Detvianska 22	02/44 87 10 34,	44 87 10 25
Bratislava – Krížna	821 08	Krížna 54	02/50 22 33 00	55 42 59 41
Bratislava – Polus	831 04	Vajnorská 100	02/44 44 11 84	44 44 11 85
Senec	903 01	Námestie 1. mája 25	02/459 2 61 67	45 92 42 48
Bratislava – SP Soravia	82104	Cesta na Senec 2/A	02/44 45 48 39,	44 45 48 43
Bratislava – Avion	82104	Galvaniho 7	02/43 42 03 13	43 42 03 15
BC Apollo	82109	Mlynské Nivy 45	02/50 55 29 19	53 41 20 07

	Postal Code	Address	Tel. No.	Fax
Light Retail Branches				
Bratislava – Vrakuňa	822 02	Šíravská 7	02/45 52 20 06	45 52 21 38
Bratislava – Račianska	831 03	Račianska 54	02/44 45 38 92	44 45 38 88
Bratislava – Bajkalská	821 08	Bajkalská 4	02/55 42 34 21	55 42 34 23
Bratislava – Račianske mýto	831 02	Račianske Mýto 3	02/44 44 21 31	44 44 21 31
Dunajská Lužná	900 42	Nové Košariská	02/45 98 12 38	45 98 12 39
Ivanka pri Dunaji	900 28	Štefánikova 25/A	02/50 55 29 06	45 94 50 42
Modra	900 01	Štúrova 68	033/647 55 79	647 55 35
TESCO Pezinok	902 01	Myslenická 2/B	033/642 32 15	64 23 210
Mortgages Centres				
Bratislava – Páričkova	821 08	Páričkova 2	02/50 55 22 64	55 56 78 29

Regional Retail Business Network Trnava

Full Retail Branches				
Trnava – Dolné bašty	917 68	Dolné bašty 2	033/556 98 32	556 98 30
Skalica	919 01	Potočná 20	034/664 45 07	664 67 78
Trnava – Hlavná	917 68	Hlavná 31	033/556 99 77	556 99 87
Dunajská Streda	929 35	Alžbetínske nám. 328	031/557 01 42	557 01 59
Galanta	924 41	Mierové námestie 2	031/783 83 55	780 60 29
Hlohovec	920 01	Podzámska 37	033/742 52 50	742 43 29
Myjava	907 01	Nám. M. R. Štefánika 525/21	034/621 25 94	621 25 95
Piešťany	921 01	Námestie slobody 11	033/774 18 70	772 10 80
Senica	905 01	Nám. oslobodenia 8	034/694 39 52	694 39 84
Sereď	926 00	Cukrovarská 3013/1	031/789 33 22,	789 46 50
Šaľa	927 00	Hlavná 5	031/770 71 22	770 45 76
Šamorín	931 01	Hlavná 64	031/562 43 01	562 43 05
Retail Branches				
Holíč	908 51	Bratislavská 1518/7	034/668 23 89	668 44 73
Trnava – Arkadia	917 01	Veterná 40/A	033/550 10 01	593 66 43
Light Retail Branches				
DP Cífer	919 43	Námestie A. Hlinku 31	033/559 92 72	559 91 11
Gabčíkovo	930 05	Mlynársky rad 185/1	031/559 48 45	559 48 44
Kúty	908 01	Radlinského nám. 981	034/659 77 87	659 77 90
Leopoldov	920 41	Hollého 649/1	033/734 20 42	734 22 90
Smolenice	919 04	SNP 81	033/558 62 52	558 66 10
Sládkovičovo	925 21	Fučíkova 131	031/784 19 97	784 18 35
Šaštín – Stráže	908 41	Námestie slobody 648	034/659 23 50	658 05 91
Veľký Meder	932 01	Komárňanská 135/22	031/555 39 00	555 33 00
Vrbové	922 03	Nám. slobody 285/9	033/779 26 95,	779 26 96
Zlaté Klasy	930 39	Hlavná 836/17	031/569 20 72	569 20 73
DP Močenok	951 31	Sv. Gorazda 629	037/778 12 10	778 12 10
Mortgages Centres				
Trnava – Dolné bašty	917 68	Dolné bašty 2	033/556 98 99	556 9937

	Postal Code	Address	Tel. No.	Fax
Regional Retail Business Network Trenčín				
Full Retail Branches				
Trenčín	911 62	Mierové námestie 37	032/741 71 11	743 14 50
Dubnica nad Váhom	018 41	Nám. Matice slov. 1712/7	042/442 50 37	442 50 27
Nové Mesto nad Váhom	915 01	Hviezdoslavova 19	032/771 14 41	771 50 70
Považská Bystrica	017 21	Nám. A. Hlinku 23/28	042/430 98 00,	430 98 41
Prievidza	971 01	Námestie slobody 10	046/515 57 67	542 68 78
Púchov	020 01	Námestie slobody 1657	042/464 20 61	464 23 68
Retail Branches				
Trenčín – Dolný Šianec	911 62	Dolný Šianec 1	032/640 16 47	640 16 49
Ilava	019 01	Mierové námestie 77	042/446 43 06	446 59 02
Nová Dubnica	018 51	Mierové námestie 29/34	042/443 40 09	443 40 32
Bojnice	972 01	Hurbanovo námestie 10	046/543 05 70	543 05 71
Handlová	972 51	SNP 1	046/547 68 62	547 64 18
Light Retail Branches				
DP Dolné Vestenice	972 23	M. R. Štefánika 300	046/549 87 08	549 83 08
Lednické Rovne	020 61	Námestie slobody 32	042/469 32 17	469 32 17
Nitrianske Pravno	972 13	Námestie SNP 389	046/544 79 70	544 64 39
Nováky	972 71	Andreja Hlinku 457	046/546 11 45	546 11 45
Stará Turá	916 01	SNP 275/67	032/776 34 45	776 34 45
TESCO Nové Mesto nad Váhom	915 01	Trenčianska 2492/68	032/771 41 15	771 41 15
Trenčín – Zámostie	911 05	Zlatovská 2610	032/652 33 21	652 33 21
Trenčianske Teplice	914 51	T. G. Masaryka 3	032/655 34 44	655 34 44
Mortgages Centres				
Trenčín – Dolný Šianec	911 62	Dolný Šianec 1	032/640 16 48	743 49 47
Regional Retail Business Network Nitra				
Full Retail Branches				
Nitra – Štefánikova 44	949 31	Štefánikova 44	037/690 43 21	652 87 54
Bánovce nad Bebravou	957 01	Námestie Ľ. Štúra 5/5	038/760 41 47	760 29 93
Komárno	945 23	Tržničné námestie 1	035/790 45 83	773 06 52
Levice	934 01	Štúrova 21	036/637 43 75	631 26 00
Nové Zámky	940 33	Hlavné námestie 5	035/690 45 00	640 08 41
Partizánske	958 01	L. Svobodu 4	038/749 58 22	749 72 47
Topoľčany – Moyzesova	955 19	Moyzesova 585/2	038/536 47 60	522 80 61
Topoľčany – Pribinova	955 01	Pribinova 2	035/532 58 80	532 69 00
Zlaté Moravce	953 00	Župná 10	037/632 12 09	632 12 66
Retail Branches				
Nitra – Štefánikova 7	949 31	Štefánikova 7	037/651 20 58	741 20 57
Hurbanovo	947 01	Komárňanská 98	035/760 26 44	760 22 16
Šahy	936 01	Hlavné námestie 27	036/741 15 71	741 17 23
Štúrovo	943 01	Hlavná 2	036/751 13 06	751 13 08
Šurany	942 01	SNP 25	035/650 00 42	650 00 44
Vráble	952 01	Levická 1288/16	037/783 38 36	783 30 23
Centro Nitra	949 01	Akademická 1/A	037/651 20 09	651 20 13
Želiezovce	937 01	Komenského 8	036/771 13 32	771 10 88
Tesco Nové Zámky	940 67	Nitrianska cesta 11	035/642 86 13;	035/642 86 13
TESCO Topoľčany	955 01	M. Benku 1/A 4590	038/532 20 90	532 21 17

	Postal Code	Address	Tel. No.	Fax
Light Retail Branches				
Kolárovo	946 03	Palkovicha 34	035/777 13 23	777 25 50
DP Marcelová	946 32	Nám. slobody 1199	035/779 84 05	779 84 05
DP Nitrianska Blatnica	956 04	Obecný úrad	038/539 41 94	539 41 94
DP Tvrdošovce	941 10	Bratislavská cesta 3	035/649 27 00	649 22 01
Mortgages Centres				
Nitra – Štefánikova 44	949 31	Štefánikova 44	037/690 43 37	-

Regional Retail Business Network Žilina

Full Retail Branches				
Žilina	010 43	Na bráne 1	041/567 80 50	724 71 36
Bytča	014 01	Sidónie Sakalovej 138/1	041/553 35 58	553 35 79
Čadca	022 24	Fraňa Kráľa 1504	041/432 28 11	433 10 95
Dolný Kubín	026 12	Radlinského 1712/34	043/581 39 24	586 40 06
Martin	036 53	M. R. Štefánika 2	043/413 56 77	424 72 97
Námestovo	029 01	Hviezdoslavovo nám. 200/5	043/552 31 83,	552 31 75
Retail Branches				
Žilina – Nám. A. Hlinku	010 43	Nám. A. Hlinku 1	041/562 61 91	562 61 94
Žilina – Dubeň	010 08	Vysokoškolákov 52	041/500 03 05	500 03 16
Kysucké Nové Mesto	024 01	Námestie slobody 184	041/421 29 39	421 36 87
Rajec	015 01	Hollého 25	041/542 32 32	542 28 77
Trstená	028 01	Nám. M. R. Štefánika 15	043/539 24 79	539 25 30
Turčianske Teplice	039 01	Hájska 3	043/492 40 17	492 40 18
Turzovka	023 54	R. Jašíka 20	041/435 22 06,	435 25 79
Tvrdošín	027 44	Trojičné nám. 191	043/435 22 06	435 25 79
Vrútky	038 61	1. čsl. brigády 12	043/428 4316	428 41 33
Martin – OC Tulip	036 01	Pltníky 2	043/413 47 13	413 47 13
Light Retail Branches				
Krásno nad Kysucou	023 02	1. mája 1255	041/438 52 85	438 53 94
Nižná	027 43	Nová Doba 481	043/538 21 62	538 21 63
DP Skalité	023 14	Obv. zdrav. stred. 1149	041/437 63 67	437 63 66
DP Turany	038 53	Obchodná 13	043/429 22 65	429 25 29
Zákamenné	029 56	Zákamenné 18	043/559 22 95	559 22 95
Mortgages Centres				
Žilina	010 43	Na bráne 1	041/567 80 51	567 80 51

Regional Retail Business Network Banská Bystrica

Full Retail Branches				
Banská Bystrica	975 55	Námestie slobody 1	048/450 55 50	450 56 41
Lučenec	984 35	T. G. Masaryka 24	047/469 54 00	433 15 01
Rimavská Sobota	979 13	Francisciho 1	047/575 53 03	563 12 13
Veľký Krtíš	990 20	Novohradská 7	047/483 14 92	480 56 87
Zvolen	960 94	Námestie SNP 2093/13	045/530 79 82	533 35 32
Žiar nad Hronom	965 01	Námestie Matice slov. 21	045/670 78 23	670 78 40
Retail Branches				
Banská Bystrica – Dolná	975 55	Dolná 17	048/412 39 01	412 39 08
Banská Štiavnica	969 01	Radničné námestie 15	045/692 11 07	692 10 47

	Postal Code	Address	Tel. No.	Fax
Brezno	977 01	Nám. M. R. Štefánika 27/22	048/611 28 29	611 55 95
Detva	962 11	M. R. Štefánika 65	045/545 58 71	545 54 61
Fiľakovo	986 01	Biskupická 1	047/438 18 02	438 22 27
Hnúšťa	981 01	Francisciho 372	047/542 32 37	542 22 41
Krupina	963 01	Svätotrojičné námestie 8	045/551 10 93	551 14 31
Nová Baňa	968 01	Námestie slobody 11	045/685 04 16	685 51 15
Light Retail Branches				
DP Dudince	962 71	Dudince 142	045/558 34 32	558 34 32
DP Hajnáčka	980 33	Hajnáčka 105	047/569 22 95	569 22 95
Hriňová	962 05	Hriňová 1612	045/549 72 21	549 72 21
Kremnica	967 01	Medzibránie 11	045/674 30 67	674 38 61
Poltár	987 01	Sklárska ulica	047/422 35 27	422 33 70
DP Slovenská Ľupča	976 13	Námestie SNP 12	048/418 72 29	418 72 29
Tornaľa	982 01	Hurbanova 19	047/552 26 46	552 26 76
DP Vinica	991 28	Cesta slobody 466/41	047/489 15 01	489 15 02
Žarnovica	966 81	Námestie SNP 26	045/681 21 05	681 23 80
DP Tisovec	980 61	Daxnerova 761	045/549 35 02	549 35 02
Mortgages Centres				
Banská Bystrica	975 55	Námestie slobody 1	048/450 55 90	450 56 70

Regional Retail Business Network Poprad

Full Retail Branches				
Poprad	058 17	Mnoheľova 2832/9	052/772 37 74	772 11 82
Liptovský Mikuláš	031 31	Štúrova 19	044/550 32 51	552 51 49
Rožňava	048 73	Šafárikova 21	058/734 52 59	732 64 21
Ružomberok	034 01	Podhora 48	044/432 29 80	432 31 46
Spišská Nová Ves	052 14	Letná 33	053/418 41 50	441 04 22
Stará Ľubovňa	064 01	Obchodná 2	052/432 21 26	432 34 91
(DP Podolínec 60401)			052/439 12 90	439 12 95
Retail Branches				
Kežmarok	060 01	Hviezdoslavova 5	052/452 48 00	452 48 06
Levoča	054 01	Nám. Majstra Pavla 38	053/451 43 16	451 43 16
Liptovský Hrádok	033 01	J. Martinku 740/56	044/522 16 39	522 13 97
Revúca	050 01	Námestie slobody 3	058/442 25 71	442 15 15
Svit	059 21	Štúrova 87	052/775 51 52	775 51 54
Light Retail Branches				
Poprad – J. Curie	058 01	J. Curie 37	052/772 31 92	772 31 92
DP Dobšiná	049 25	Zimná 126	058/794 16 40	794 16 40
Gelnica	056 01	Banícke nám. 52	053/482 14 81	482 11 04
Krompachy	053 42	Lorencova 20	053/447 00 52	447 22 51
Spišská Belá	059 01	Zimná 3	052/459 10 31	458 10 22
Spišské Podhradie	053 04	Mariánske nám. 22	053/454 11 49	454 12 57
DP Starý Smokovec	062 01	Starý Smokovec č. 29	052/442 50 89	442 34 16
DP Podolínec	062 01	Mnoheľova 2832/9	052/713 50 46	713 50 87
Mortgages Centres				
Poprad	058 17	Mnoheľova 2832/9	048/713 50 46	713 50 87

	Postal Code	Address	Tel. No.	Fax
Regional Retail Business Network Prešov				
Full Retail Branches				
Prešov	081 86	Masarykova 13	051/735 64 39	735 63 62
Bardejov	085 61	Kellerova 1	054/472 27 54	474 63 89
Humenné	066 80	Námestie slobody 26/10	057/770 51 51	770 51 41
Snina	069 01	Strojárska 2524	057/762 36 09	762 23 28
Svidník	089 27	Centrálna 584/5	054/752 28 62	752 16 91
Vranov nad Topľou	093 01	Námestie slobody 6	057/440 63 98	440 64 39
Retail Branches				
Prešov – Hlavná	080 01	Hlavná 61	051/772 24 76	772 36 17
Sabinov	083 01	Námestie slobody 623	051/452 40 81	452 34 92
Stropkov	091 01	Mlynská 692/1	054/742 37 22	742 37 14
Light Retail Branches				
Giraltovce	087 01	Dukelská 70	054/732 26 81	732 26 25
Hanušovce nad Topľou	094 31	Komenského 52	057/445 26 20	445 28 05
Humenné – Chemes	066 01	Chemlonská 1	057/776 47 59	776 35 95
Lipany	082 71	Nám. sv. Martina 8	051/457 48 48	457 27 77
Medzilaborce	068 10	Mierová 289/1	057/732 15 48	732 15 46
Mortgages Centres				
Prešov	081 86	Masarykova 13	051/735 63 84	735 63 83
Regional Retail Business Network Košice				
Full Retail Branches				
Košice – Bačíkova	042 81	Bačíkova 2	055/681 81 11	678 60 83
Košice – Strojárenská	042 31	Strojárenská 11	055/681 81 11	681 82 17
Košice – Hlavná	042 31	Hlavná 8	055/681 81 11	622 62 03
Košice – Letná	040 01	Letná 40	055/623 32 13	625 99 79
Michalovce	071 80	Námestie slobody 3	056/640 60 04	643 29 22
Trebišov	075 17	M. R. Štefánika 3197/32	056/ 671 62 04	672 59 01
Retail Branches				
Košice – Bukovecká	040 12	Bukovecká 18	055/674 52 48	674 62 53
Košice – OC Optima	040 11	Moldavská cesta 32	055/ 646 16 26	646 10 43
Moldava nad Bodvou	045 01	Hviezdoslavova 13	055/460 26 91	460 29 92
Light Retail Branches				
Košice – Ťahanovce	040 13	Americká trieda 15	055/636 60 62	636 60 63
Košice – Sídlisko KVP	040 23	Trieda KVP 1	055/642 96 74	642 96 73
Košice – Trieda L. Svobodu	040 22	Trieda L. Svobodu 12	055/671 81 59	671 81 60
Košice – U.S. Steel	044 54	Vstupný areál U. S. Steel, s.r.o.	055/673 04 23	673 04 23
Michalovce – mesto	071 01	Nám. osloboditeľov 2	056/642 01 55	642 42 81
Sobrance	073 01	Štefánikova 9	056/652 33 00	652 40 48
Strážske	072 22	Námestie A. Dubčeka 300	056/649 16 33	649 16 86
Kráľovský Chlmec	077 01	Hlavná 710	056/632 32 45	632 10 45
Veľké Kapušany	079 01	Sídlisko P. O. Hviezdoslava 79	056/638 30 43	638 21 59
Sečovce	078 01	Nám. sv. Cyrila a Metoda 41/23	056/678 38 53	678 30 33
Košice – Moldavská	040 11	Werferova 3	055/642 08 14	642 08 14
Mortgages Centres				
Košice – Strojárenská	042 31	Strojárenská 11	055/681 82 01	681 82 50

Corporate Branches

Corporate Branches	Address	Tel. No.	Fax
BRATISLAVA- Ružinov	Jašíková 8 827 61 Bratislava	02/ 4856 8652	02/ 4329 6250
BRATISLAVA- M.Nivy	Mlynské nivy 1 829 90 Bratislava	02/5055 2770	02/5556 7813
Nové Zámky	Hlavné námestie 5 940 33 Nové Zámky	035/690 4501	035/6904543
NITRA	Štefánikova 44 949 31 Nitra	037/6904324	037/6584512
TRENČÍN	Mierové námestie 37 911 62 Trenčín	042/430 9755	042/ 430 9837
TRNAVA	Dolné bašty 2 917 68 Trnava	033/556 99 31	033/556 9895
ŽILINA	Na bráne 1 010 43 Žilina	041/5678052	041/5678096
ZVOLEN	Námestie SNP 2093/13 960 94 Zvolen	045 530 7932	045/5307 936
ŽIAR nad HRONOM	Nám. Matice Slovenskej 21 965 56 Žiar nad Hronom	045/670 7848	045/672 4311
LUČENEC	T.G.Masaryka 24 984 35 Lučenec	047/4695472	047/4324149
POPRAD	Mnoheľova 2832/9 058 17 Poprad	052/713 5045	052/713 4995
PREŠOV	Masarykova 13 080 70 Prešov	051/735 6386	051/ 735 6406
KOŠICE	Strojárenská 11 042 31 Košice	055/6818345	055/6818367

Subsidiaries with VUB Majority Stake

Consumer Finance Holding, a.s.

Registered seat:	Hlavné nám. 12, 060 01 Kežmarok
Shareholders:	VÚB, a.s.
VUB´s stake in registered capital:	100 %
Core business:	Non-banking Credit Provision
Tel:	+421 52 786 1760
Fax:	+421 52 786 1764
General Manager:	Ing. Jaroslav Kiska

VÚB Asset Management, Správ. spol., a.s.

Registered seat:	Mlynské nivy 1, 820 04 Bratislava
Shareholders:	VÚB, a.s.
VUB´s stake in registered capital:	100%
Core business:	Collective investments, Wealth management
Tel:	+421 2 5055 2839
Fax:	+421 2 5441 0583
General Manager:	Ing. RNDr. Marián Matušovič, PhD.

VÚB Leasingová, a.s.

Registered seat:	Dunajská 24, 812 38 Bratislava
Shareholders:	VÚB, a.s.
VUB´s stake in registered capital:	100%
Core business:	Financial and Operation Leasing
Tel:	+421 2 5055 2709
Fax:	+421 2 5556 6644
General Manager:	JUDr. Oľga Marcinová

VÚB Factoring, a.s.

Registered seat:	Mlynské nivy 1, 829 90 Bratislava
Shareholders:	VÚB, a.s.
VUB´s stake in registered capital:	100%
Core business:	Factoring and Forfaiting
Tel:	+421 2 5055 2784
Fax:	+421 2 5055 2012
General Manager:	Ing. Dušan Čižmárik

Recovery, a.s.

Registered seat:	Mlynské nivy 1, 829 90 Bratislava
Shareholders:	VÚB, a.s.
VUB´s stake in registered capital:	100%
Core business:	Recovery and invoice discounting
Tel:	+421 2 5055 2468
Fax:	+421 2 5556 6644
General Manager:	Ing. Peter Brožek

VÚB Generali, Dôchodková správcovská spoločnosť, a.s.

Registered seat:	Mlynské nivy 1, 829 90 Bratislava
Shareholders:	VÚB, a.s. and Generali Poisťovňa, a.s.
VUB´s stake in registered capital:	50%
Core business:	Administration of Pension funds for performance
of Old Age Pension Savings Scheme	
Tel:	+421 2 5933 2270
Fax:	+421 2 5933 2300
General Manager:	Ing. Roman Juráš

Structure of VUB Shareholders
as at 31 December 2006

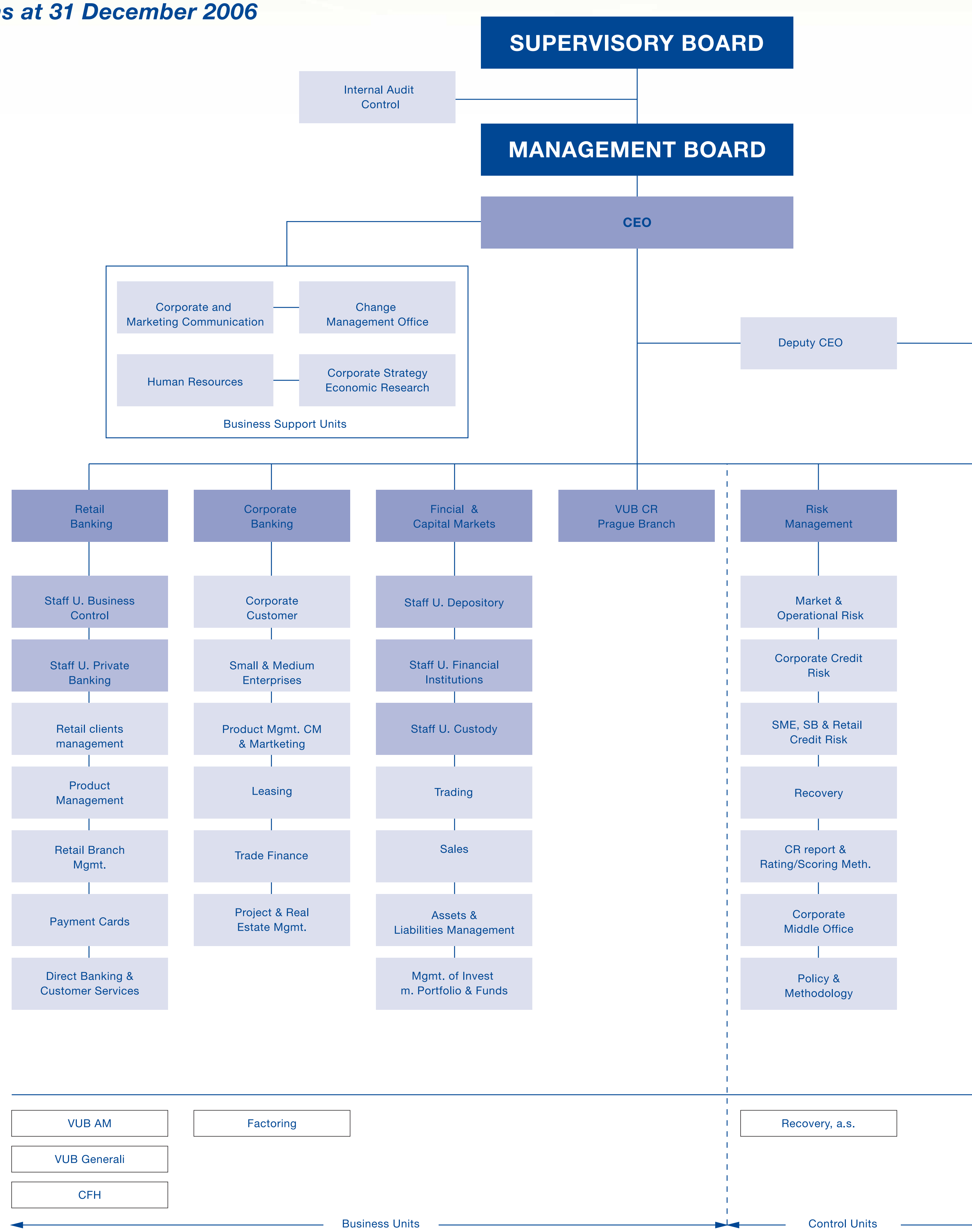
Structure by Owner Type	Number of Shares	% Share
Intesa Holding International S.A. – majority owner	12 523 169	96.494 566
Other legal entities	144 100	1.110 331
Individuals	310 839	2.395 103
TOTAL	12 978 108	100.000 000

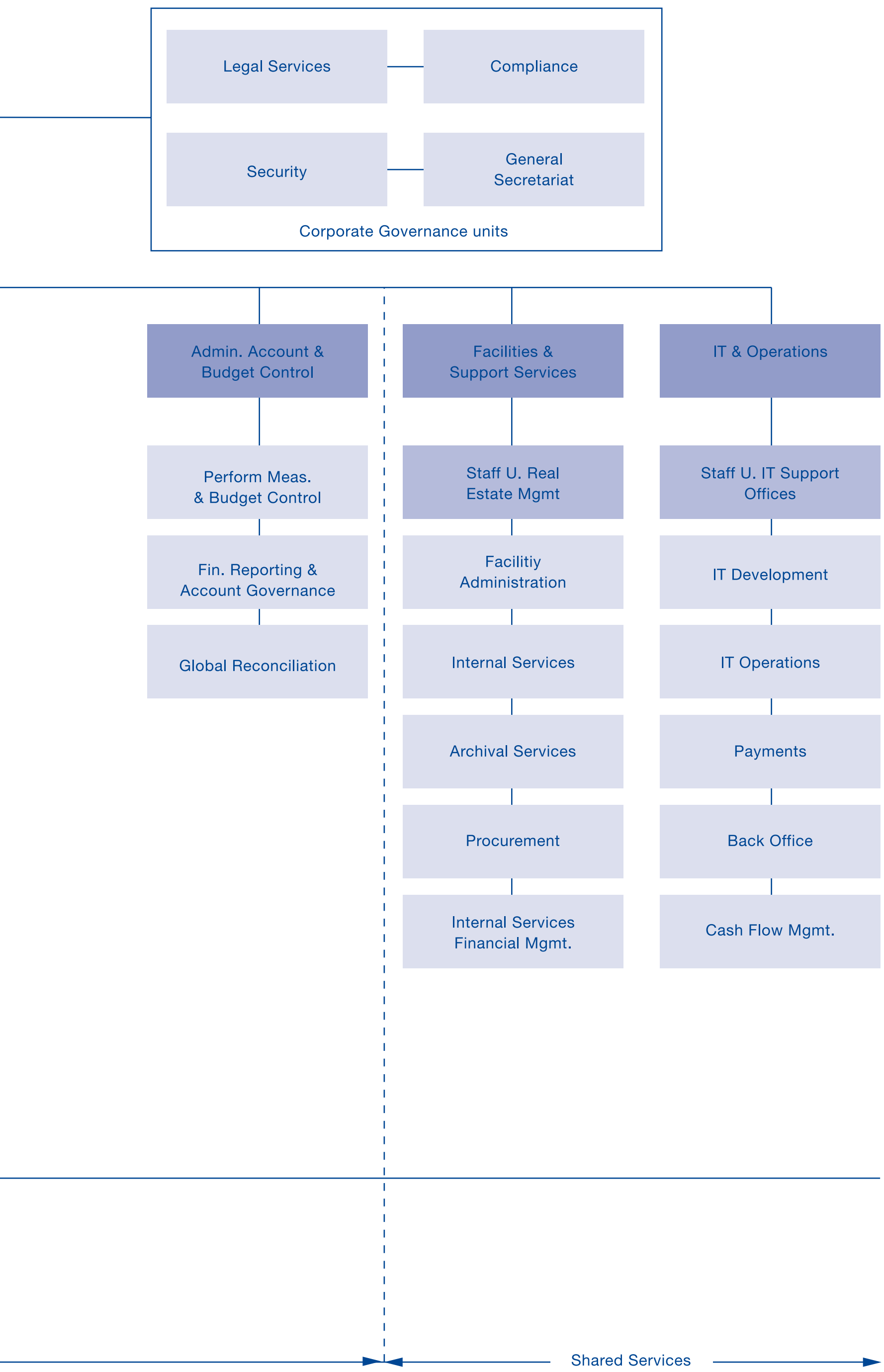
Structure by nationality	Number of Shares	% Share
Intesa Holding International S.A. – majority owner	12 523 169	96.494 566
Domestic shareholders	383 506	2.955 022
Other foreign shareholders	71 433	0.550 412
TOTAL	12 978 108	100.000 000

There were 47 191 shareholders as of December 31, 2006. Foreign VUB shareholders come from 13 countries as follows: Luxembourg (96.526 %), the Netherlands (0.138 %), Austria (0.131 %), Germany (0.077 %), Switzerland (0.062 %), the Czech Republic (0.050 %), Lithuania (0.050 %), U.S.A. (0.008 %), Italy (0.002 %), the United Kingdom (0.001 %), Romania, Poland, Cyprus.

Organization Chart of VUB

as at 31 December 2006




Legal Services
Compliance
Security
General Secretariat
Corporate Governance units
Admin. Account & Budget Control
Perform Meas. & Budget Control
Fin. Reporting & Account Governance
Global Reconciliation
Facilities & Support Services
Staff U. Real Estate Mgmt
Facilitiy Administration
Internal Services
Archival Services
Procurement
Internal Services Financial Mgmt.
IT & Operations
Staff U. IT Support Offices
IT Development
IT Operations
Payments
Back Office
Cash Flow Mgmt.
Shared Services

Statement on Compliance with the Corporate Governance Code

The governing bodies of Všeobecná úverová banka, a.s. committed to generally enhance the level of corporate governance and, upon recommendations by the Financial Market Authority and Bratislava Stock Exchange, have adopted the Corporate Governance Code (hereinafter "Code") in the scope given below. The Management and Supervisory Boards undertook to adopt measures as to achieve full implementation of the Code principles.

A. Company Organization

Management Board

1. Management Board Members

Tomas Spurny	Chairman of Management Board
Ignacio Jaquotot	Vice Chairman of Management Board
Domenico Cristarella	Member of Management Board
Mário Drosc	Member of Management Board (until July 13, 2006)
Ivan Golian	Member of Management Board (from January 1, 2006)
Vladimíra Josefiová	Member of Management Board (from July 13, 2006)
Jozef Kausich	Member of Management Board
Elena Kohútiková	Member of Management Board (from October 26, 2006)
Roman Klaban	Member of Management Board (until October 26, 2006)
Jonathan Locke	Member of Management Board

Tomas Spurny – Chairman of VUB Management Board and CEO

Tomas Spurny was appointed Chairman of the Management Board and CEO of Všeobecná úverová banka in May 2002. He has acquired his managing experience during the restructuring and privatization process in Komerční banka, Prague, where he held the position of member of the Board of Directors since May 2000 and was also in charge of the finance and risk management areas. Earlier, he worked as CEO and Chairman of the Board of Directors of the largest non-banking issuer of CCS credit cards – Česká společnost pro platební karty (The Czech Credit Card Company). Mr. Spurny obtained his experience and skills in finance also due to his long-term engagement with the consulting company McKinsey & Company (1994 – 1999).

Ignacio Jaquotot – Vice Chairman of VUB Management Board and Deputy CEO (from April 4, 2005)

Mr. Jaquotot took up his position of the Deputy Chief Officer in March 2005 and in April 2005 he was elected the VUB Management Board Vice Chairman. His realm of responsibility covers the non--core business support and control services. Mr. Jaquotot's career with Banca Intesa Group started already back in 1984. He first held the positions of Deputy General Manager and General Manager at the former Banca Commerciale Italiana branches in Madrid and Barcelona, respectively. In 1999 he went on to serve in South America as the General Manager in Banco Sudameris Uruguay, then Banco Sudameris Chile and Banco Sudameris Paraguay. In Chile and Paraguay, he restructured the operations and then assisted as the local coordinator for the sale processes of the banks.

Domenico Cristarella – Member of VUB Management Board and Head of Administration, Accounting and Budget Control Division

Since 1998, Mr. Cristarella worked with Banca Commerciale Italiana (BCI), Headquarters Milan, in the position of Senior Manager responsible for budgeting and performance measurement for the entire foreign network of BCI – subsidiaries, branches and representative offices. During his professional life, Mr. Cristarella worked in a number of overseas branches within the Group, including BCI Singapore, BCI in Abu Dhabi, Tokyo and New York, where he was appointed Chief Financial Officer.

Mário Drosc – Member of VUB Management Board and Head of Retail Banking Division (until July 13, 2006)

Before joining VUB, Mr. Drosc worked for Komerční banka a.s. as the Head of Division, Management of Financial Group of Komerční banka, and participated in the bank's restructuring. Prior to that, he worked for seven years with McKinsey International Consulting; in the period 1994-1997 as a consultant, and from 1998 to 2001 as a project manager.

Ivan Golian – Member of VUB Management Board and Head of IT and Operations Division (from January 1, 2006)

Mr. Golian joined VUB after more than 8 years spent in Executive Management of Orange Slovensko where he was primarily responsible for Corporate Project Management Office and Information System Department. From 1995 to 1997, he worked with Digital Equipment Corporation, Slovakia as a Project Manager for "Banking & Telco Sector" in Slovakia and the Czech Republic. He also participated in various IRB projects (support for "Banking System Profile" implementation, Security Project, “Disaster Solution“, “LinkWorks“). He also managed projects for the Slovak Post, Eurotel, Slovak Statistical Office and other.

Vladimíra Josefiová – Member of Management Board and Executive Director of the Human Resources Department (from July 13, 2006)
Vladimíra Josefiová joined VUB Bank in July 2006. From 2003 she was engaged in UniCredit Group as the Head of Human Resources Division in Živnostenská banka and from 2005 also in the Slovak Unibanka. During 1999 – 2002 within McKinsey & Co, she managed sales force stimulation projects in insurance and banking in the Czech Republic, Slovakia, Poland and Croatia. During 1996-1999 she worked in companies PEPSICO, INC and PEPSI-COLA INTERNATIONAL in the area of mergers and acquisitions and strategic planning. During her career, she was engaged in companies such as Goldman, Sachs & Co, Arthur D. Little, Hex Capital and also held the position of the Director of Foreign Investment Department at the Ministry of Privatization of the Czech Republic.

Jozef Kausich – Member of VUB Management Board and Head of Corporate Banking Division
Jozef Kausich has been heading the Corporate Banking Division in VUB since April 2005. His banking experience includes mainly mergers and acquisitions but also credit analysis and decision-making on lending. In 1996 he joined Tatrabanka as an account manager in a branch and from 1997 he continued in this position at the headquarters of Bank Austria – Creditanstalt Slovakia. From 2001, with the new HVB Bank Slovakia, he was appointed the Head of the Corporate Customer and Product Management Division and finally the Head of Corporate Client Division.

Roman Klaban – Member of VUB Management Board and Head of Financial and Capital Markets Division (until October 26, 2006)
Mr. Klaban joined VUB after four years working with the Prague branch of Deutsche Bank AG. At Deutsche Bank AG, he worked as Head of Corporate Finance Department. In 1999, he was appointed a Vice President and then Head of IR and FX Risk Management Department. Previously, Mr. Klaban worked for four years with Bayerische Vereinsbank AG in Prague and Munich as a Senior foreign exchange and money market Dealer, and afterwards three years at the Vereinsbank CZ, a.s., Prague, simultaneously in the positions of Deputy Treasurer and Head of Sales Department.

Elena Kohútiková – Member of Management Board and Head of Financial and Capital Markets Division (from October 26, 2006)
Mrs. Kohútiková was appointed the Management Board member and Head of Financial and Capital Markets Division in October 2006. In 1994, she became a member of the National Bank of Slovakia Board of Directors. From 2000 until 2006, she held a position of Deputy Governor of NBS in charge of monetary policy management, transactions in the free market, management of foreign exchange assets and risk management, management of the IT division and Research. Her duties included representing NBS in the Economic and Financial Committee of the European Commission (EFC), membership in the International Relations Committee (IRC) of the European Central Bank, Alternate Governor of NBS in both the Directorate General of the European Central Bank and the World Bank and also member of the Committee for Economic Policy of OECD. Prior to her career of central banker, Mrs. Kohútiková entered the banking industry by her engagement in State Bank of Czechoslovakia during 1990 – 1993 after 8 years spent in research at the Institute of Economics of the Slovak Academy of Sciences in Bratislava where she started working in 1982.

Jonathan Locke – Member of VUB Management Board and Head of Risk Management Division
Mr. Locke was appointed member of the VUB Management Board and Head of Bank’s Risk Management division in August 2003. Mr. Locke was previously a partner with Deloitte & Touche in the Czech Republic. He has 15 years experience working with financial institutions, the last 10 in Central and Eastern Europe and Russia, specifically in the areas of finance and risk.

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

a) implementing decisions taken by the General Meeting and the Supervisory Board;
b) ensuring accuracy of the book-keeping and other records, commercial books and other documentation of VUB, a.s., as mandated;
c) managing of the issuer‘s securities registry;
d) after prior approval by and upon a proposal of the Supervisory Board, submitting the following matters to the General Meeting for approval:
   - amendments to the Articles of Association;

- proposals for increasing / decreasing the registered capital and bond issues;
- ordinary, extraordinary or consolidated financial statements
- proposals for distribution of current or retained profits and/or proposals for settlement of outstanding losses from the current and/or previous years; and
- the annual report.

Supervisory Board
Györgyi Surányi – Chairman of Supervisory Board
- currently – Head of Central and Eastern Europe Region within Foreign Banks Division, Banca Intesa, Italy
- former President of the National Bank of Hungary

Giovanni Boccolini – Vice Chairman of Supervisory Board
- Head of Italian and Foreign Banks Divisions within Banca Intesa, Italy

Adriano Arietti – Member of Supervisory Board
- Executive Director – M&A and Corporate Development within Foreign Banks Division, Head Office Banca Intesa, Italy

Giovanni Bussu – Member of Supervisory Board (until November 30, 2006)
- Head of Credit for Foreign Branches, Financial Institutions and Subsidiaries, Banca Intesa, Italy

Paolo Grandi - Member of Supervisory Board
- Head of Participations Department, Banca Intesa, Italy

Massimo Pierdicchi – Member of Supervisory Board
- Head of Subsidiaries Portfolio Management – Europe within Foreign Banks Division, Banca Intesa, Italy

RNDr. Pavel Kárász CSc. – Member of Supervisory Board
- trade union representative

Ján Mikušinec - Member of Supervisory Board
- trade union representative

Ing. Milan Sedláček - Member of Supervisory Board
- trade union representative

3. The Supervisory Board is authorized to assess mainly the following issues:

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

Upon Management Board's proposal, the Supervisory Board approves the following documents:

a) the Statutes of the Management Board, mainly specifying the distribution of powers and responsibilities amongst the Management Board members, defining important financial and business transactions of VUB, important transfers of the VUB real estates, key acquisition and disposal of equity interests including those in commercial companies, co-operatives and other enterprises that shall be subject to approval by the Supervisory Board, as well as delegating powers to the lower management levels and assigning proxies;
b) any increase or decrease in the registered capital of VUB, a.s.;
c) any substantial change in the nature of VUB business or in the way this business is executed, if not previously approved in the business and financial forecasts for the relevant year;
d) compensation policy applied to the managing staff directly reporting to the Management Board and the Supervisory Board, members of the Management Board and members of the Supervisory Board;
e) material benefits for the Management Board members and parties related to them;
f) service agreements with the Management Board members.

General

1. Supervisory Board members are elected by the General Meeting. The VUB Management Board is elected by the Supervisory Board.
2. The above mentioned curricula vitae contain information on professional qualification of Supervisory Board members and Management Board members in the area of finance and banking, as well as information on their practical experience serving as assurance for the efficient management of the company.
3. All relevant information is available to all members of the Management Board and Supervisory Board in time. In the course of the financial

year 2006, the VUB Management Board held 31 meetings (thereof 26 regular and 5 extraordinary). The VUB Supervisory Board held 4 meetings during the 2006 financial year. Documents with detailed information are distributed sufficiently in advance – in case of the Management Board usually 3 working days, in case of the Supervisory Board 2 weeks prior to the meeting, ensuring the ability of members of the Supervisory and Management Boards to decide in individual matters competently. If necessary, presentations are delivered in support of individual documents.

4. Currently, not a single Supervisory Board member is either a member of the VUB Management Board or holds any other top managerial position in the Bank. Save for members of Supervisory Board elected by the VUB employees, a Supervisory Board member may not be an employee of VUB.
5. The Bank has secretariat whose employees participate in all meetings of the Management Board, Supervisory Board and bank committees being responsible for preparing and circulating the minutes from these meetings.

B. Relations between the Company and its Shareholders

1. The Bank observes the provisions of the Commercial Code applicable to protection of share-holders' rights, in particular the provisions on timely provision of all relevant information on the company and provisions on convening and con-ducting its Annual General Meetings.
2. The company applies the principle of equal access to information for all the shareholders pursuant to the Code. From the minutes of the General Meeting, in 2006, two new members of the Supervisory Board were proposed and elected after their curriculum vitae had been made available to the General Meeting.

C. Disclosure of Information and Transparency

1. The Bank applies strict rules in the area of insider dealing and has been maintaining a list of Management Board members, Supervisory Board members and senior managers, who might be considered insiders.
2. Members of the Management Board and Supervisory Board do not have any personal interest in business activities of the Bank. The Bank observes the provisions of the Banking Act No. 483/2001 Coll. (hereinafter 'Banking Act') as amended, applicable to the provision of deals to Bank's related parties. Under the Banking Act, closing of such a deal requires the unanimous consent of all the Management Board members based on a written analysis of the respective deal.
3. The Bank abides by both the Code and the rules of the Bratislava Stock Exchange and the Compensation Committee, governing disclosure of all substantial information. The fact that the company observes the mentioned regulations ensures that all the shareholders and potential shareholders have access to information on financial standing, performance, ownership, and management of the company.
4. The company actively supports constructive dialogue with institutional investors and promptly informs all shareholders of General Meetings and notices via its web page. In this way it enables both foreign and local investors to actively participate in the meetings.

D. Audit Committee, Nomination Committee and Compensation Committee

The Code requires the establishment of an Audit Committee, Nomination Committee and a Compensation Committee in order to ensure efficient internal control and accountability within the company.

In September 2002 the Supervisory Board approved the establishment of the Audit Committee. The Audit Committee currently has five appointed members, including the committee chair, who is the Vice Chairman of the Supervisory Board. The Audit Committee meets at least quarterly. The topics discussed relate mainly to financial statements, the internal control system, external audit, compliance, and reporting responsibilities. The Audit Committee invites from time to time to its meetings the external auditor of the Bank.

The Bank did not establish a Nomination Committee and a Compensation Committee since their functionality is performed by other Bank bodies or units within the organizational structure. The control function is carried out by the Internal Audit and Control Department while its rights and duties are determined by the Supervisory Board. The Supervisory Board also elects the Management Board members following prior consent of the National Bank of Slovakia. Its recommendation and prior consent is required for the appointment or dismissal of the Head of Internal Audit and Control Department, as well as for determing of the remuneration applicable to these positions.

E. Company's Approach to Shareholder

Presently, the company accepts all its duties and obligations towards shareholders, employees, creditors and suppliers arising from the applicable laws.