Annual Report
2007

vub banka

Contents

Address by the Chairman of the VUB Supervisory Board

Dear Shareholders, Clients and Business Partners, Employees

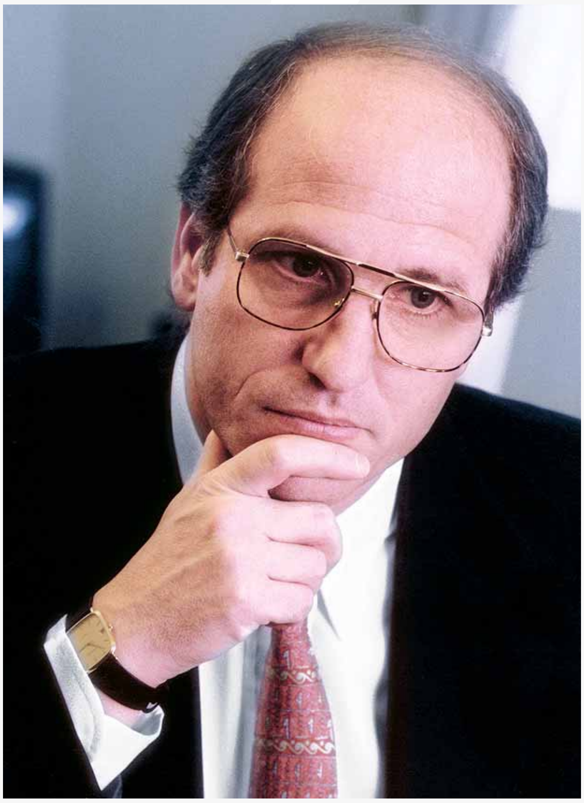
VUB had in 2007 a very successful year. The Bank has succeeded to improve its shares of the fast growing loan and deposit markets, yet further improving profitability and efficiency. In particular, VUB grew its volumes of bank deposits by 15% and loans by 34%, outstripping the market's growth by two and ten percentage points, respectively. Unlike the banking sector, which saw its net profit decline over the previous year, VUB group's net profit increased, by 9%. Meanwhile VUB's cost-to-income ratio fell below fifty percent, for the first time ever. On behalf of the Supervisory Board, I would like to thank the management and employees for these excellent achievements.

Special thanks goes to Mr Tomas Spurny, whose five-year stay as VUB's CEO and Chairman had been primal in successfully turning the Bank into today's modern and dynamic market leader. After such a successful period, Mr Spurny decided in mid-2007 to move on. I take this opportunity to welcome on board VUB's new CEO and Chairman, Mr Ignacio Jaquotot, a seasoned Intesa Sanpaolo executive, who had been with VUB since March 2005, acting as a deputy CEO and deputy Chairman of the Management Board.

The year 2007 had been the sixth full year under the strategic ownership of Banca Intesa, now Intesa Sanpaolo. In many ways, this past year marked an end to one era and the beginning of a new one, for VUB as well as its sister banks in Central and Eastern Europe. In particular, the growing presence of Intesa Sanpaolo in the region has inevitably called for an enhanced coordination of activities, including adoption of a new image that will identify all of the Group's international banks. After all, by serving over 7.2 million customers in 12 countries in Central and Eastern Europe and the Mediterranean Basin, Intesa Sanpaolo is one of the top players and a major protagonist in the development of these countries. Besides, Intesa Sanpaolo itself is a major force in the European-wide banking area, boasting market capitalization that is the third and eight largest from among the banking groups in the Eurozone and the World, respectively.

The new visual identity of Intesa Sanpaolo subsidiary banks - unveiled at the beginning of 2008 - aims to ensure they are immediately recognized as part of such a large international Group, sharing equal values and styles in relations to customers and economic community. At the same time, Intesa Sanpaolo has always believed that the economic, social and cultural environment in which it operates – both in Italy, and abroad, including Slovakia – represent a heritage to be respected and enhanced. This belief is reflected in the re-branding strategy, which in case of Slovakia maintains the current name of the Bank but restyles it with the colors, lettering and the logo of the Group. VUB's new visual identity will thus feature a Group's logo, characterized by the pictogram of a Roman aqueduct, and the Bank's name: VUB BANKA. The aqueduct symbolically represents solidity, technological development but also life, prosperity, and the union between peoples and cultures. The aqueduct, as a socially useful construction, furthermore depicts the Group's commitment and responsibility towards society.

Strategic priorities for VUB going forward, of course, run deeper than adoption of the new visual identity. In a nutshell, Intesa Sanpaolo expects VUB to consolidate its leadership on the Slovak market, to strengthen its competitive position and achieve levels of excellence in terms of cost efficiency and economic value added. Quantitative objectives set out for VUB to meet these strategic guidelines are indeed ambitious. I realize that and affirm readiness of Intesa Sanpaolo to support VUB in all major projects to be undertaken to fulfill these objectives.



György Surányi
Chairman of the Supervisory Board

Address by the Chairman of the VUB Management Board

Dear Shareholders, Clients and Business Partners,

VUB has had a strong year in 2007. In fact, commercially, it was the most successful year of VUB since privatization. We have enjoyed solid growth across all client segments, retail, SME, corporate and Treasury activities. Importantly, while focusing on growth, we have remained disciplined over costs and further improved efficiency of our operations. Focus on healthy, value-based improvement of our market position paid off in further improvement of our profitability.

VUB's strong performance, admittedly, partly owes to strong growth of the Slovak economy. Indeed, with GDP gain of nearly 10% in real terms, well balanced between the corporate and the household sector, commercial banks enjoyed yet another year of strong demand for their products and services. In particular, volumes of bank loans grew 24%, overtaking the already strong 20% growth in the previous year. The volumes of bank deposits grew at stable 13%, whereas the mutual funds business, after the previous year stagnation, recovered smartly in 2007, growing assets under management by 20%.

Importantly, growth of banking sector volumes in 2007 has not only been strong, it also was well distributed between client segments. In fact, last year delivered the most balanced volume growth rates in recent history. This is especially striking for the loan market, in which lending to households had recently grown at rates multiple of those observed in the previously depressed corporate market. In 2007, the growth gap between the two nearly closed, with 22% increase in corporate credit volumes vs 27% in the retail. The deposit market has historically posted less uneven trends among segments than the loan market. Last year, nonetheless, has delivered remarkably even results, with both retail and corporate clients having grown their deposits in the local banks by 13%.

VUB has rightly anticipated the newly found balance on the loan and deposit markets. We have increased efforts to grow across all clients and product segments and, as a result, have taken sizable shares of the overall market growth: 19% of the rise in bank loan volumes and 20% of the increment in combined bank deposits and mutual fund volumes, respectively. This was a sharp improvement over the previous year when our commercial growth results have been uneven and we lost market share in several business segments.

In 2007, we have, again, been very successful on the retail front, in which we increased market shares of both the household credit and the deposit markets. We have continued to grow strongly our mortgage book and systematically expanded volumes of consumer loans, both via the Bank as well as our specialized subsidiary, the Consumer Finance Holding. On the household deposit market, we have confirmed position of the leader in innovation through introduction of high interest current account – Flexi Extra. By rewarding current account activity through above-market interest rate, we allow clients to offset transactional costs through interest earned on account balance, providing the most competitive offer on the market. We also have been successful in competing for household savings, increasing volumes of bank term deposits by 16%, assets under management of our asset management arm by 21% and assets under management of our joint pension fund venture with Generali Poisťovňa by 91%, respectively.

Next to the traditionally strong commercial results of our retail franchise, I am pleased to say that we have achieved a spectacular turnaround in our SME and Corporate banking division. In particular, we grew SME loan book by rapid 34%, capitalizing on improvements and consolidation of our new SME business model. Last year, we also rapidly expanded loan book to big corporate clients, leveraging in particular the boom in the project and real estate finance. Overall, we grew total loans to customers on consolidated basis by 41%, which was the highest growth rate from among the competitors and a dramatic change from our 8% growth in 2006. Importantly, acceleration in lending growth came hand in hand with further improvement in asset quality, with nonperforming loans accounting for 1.73% of gross loans.

Strong business growth results have been reflected in our financial performance. On consolidated basis, VUB has generated revenues of Sk 12.9 billion, up 10% over a year ago. Thanks to project Optimum and other initiatives focused on cost savings, we have been able to keep control over our expenses, allowing them to rise only 6% on the group level. As result, our cost to income ratio improved to 50% from 55% in 2006 and operating profit increased 15% over a year ago, to Sk 6.1 billions. After adjustments for provisions, impairment losses, and income tax, the Group posted a net profit of Sk 4.1 billion, up 9% over the previous year.

Ahead, it will be very difficult to sustain the business growth dynamics of 2007. Externally, the environment for the banking business has turned less favorable. Globally, there is the haunt of the US sub-prime mortgage crisis, which subsequently impaired broader credit markets and tilted the world's largest economy close to recession. Europe is fundamentally healthier, but impacted by tighter global credit conditions. Slovakia is to some extent shielded from the global developments thanks to its fast converging economy and still nascent credit and property markets. Yet, signs of economic growth moderation are present as the year 2008 opened, with business confidence slipping on softer demand and consumer confidence on worries about ability of households to continue amass financial savings, respectively.

Besides, performance of VUB and the banking sector in general will in the near term be adversely affected by Slovakia's EMU convergence. Preparations for the introduction of the single European currency in 2009 already require significant investments in IT infrastructure, communications and training. Moreover, the actual euro changeover will deprive the banks of substantial revenue from currency conversions and other sources. A sizable chunk of the lost revenue will weigh on our financial performance already in the second half of 2008.

Against this external backdrop, we have to concentrate more than ever on our clients. Be it a big corporation or a private individual. Indeed, excellence in customer service is the key strategic guideline we need to follow going further, to our new vision of becoming the best bank in Slovakia as perceived by our customers. In service quality management, in cooperation with Intesa Sanpaolo we started a project to design and implement customer satisfaction measurement system. Next we must implement it into monitoring and decision-making processes and by focusing on customer complaints resolution and reduction we must improve client retention.

To better serve our clients, we need to get closer to them also geographically. Indeed, we realize that majority of our network has been created before the year 2000, long before the country's economic takeoff, which fundamentally changed urban and population distribution in the country. Although we tried to keep pace with the changing economic environment by opening new branches in the fast-growing metropolitan areas, we could not match the changed GDP and wealth distribution completely. A thorough reassessment of our network coverage - the project Proximum - is therefore a key priority going forward. To improve customer service, we must go beyond the upgrade of the branch network and simultaneously work on a thorough review and redesign of our call centre and internet banking utilities. The aim is to improve quality, client accessibility and efficiency of services.

Commercially, despite the strong growth of our lending volumes in 2007, we still have the lowest share of loans to assets from among our key competitors on the local market as well as Intesa Sanpaolo peers. The key focus in business development going forward, therefore must remain on lending activities across the board. In addition to the standing three key pillars of our growth strategy: retail, small business and SME sector, we must accelerate asset origination also in the segment of big corporate clients. True, we realize that the competition in this segment is particularly tough and pricing sometimes irrational. Yet, we also realize the importance of big corporates to the growth of the Slovak economy as well as to our overall market share and healthy balance of assets. In addition to domestic names and locally-based multinationals, we also will try to expand our Prague branch activities to serve selected companies and multinationals present on the Czech market. In the small business/SME segment, the key project going forward is integration of the newly acquired leasing company BOF, the sixth largest on the Slovak leasing market.

In summary, the year 2008 will in many ways be a year of preparation and change – including that of our visual identity. Managing successfully through all the challenges will require that we all work for the common goal and share strong values, such as respect for individual, transparency and client focus.

In conclusion, I would like to thank our employees for their commitment, hard work, and great results of this past year. 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 challenging year 2008.

Ignacio Jaquotot
CEO and Chairman of the Management Board

Development of the External Environment

In the year 2007, the Slovak economy has built upon the positive trends initiated in the previous year and posted its best performance ever. Indeed, increasing capacities and launched production in the export-oriented car and electronics manufacturing has pushed real GDP growth to close to ten percent from the previous all-time strong gain of eight and an half percent in 2006. This was the sixth consecutive year when Slovakia outgrew its Visegrad four neighbors. Importantly, growth of the Slovak economy was nearly four times higher than that of the Eurozone, which means that Slovakia has last year made yet another sizable step toward the Western European standards of living.

Importantly, growth of the Slovak economy has not only been fast but also well balanced and broad based. Both foreign and domestic demand contributed positively to growth. The corporate sector saw profits increase by XX% over the already record-high levels of 2006, while households benefited from further decline in unemployment and meaningful income gains. Strong economic growth boosted also the finances of the public sector, allowing it to cut the overall fiscal deficit to well below 3% of GDP without foregoing increases in real public spending.

Financial markets-wise, the year 2007 has been affected by two major events. The first event was the revaluation of the koruna exchange rate parity within the ERMII on March 16. The new parity of 35.4424 koruna vs. the euro was put 8.5% stronger than the original one of 38.4550 set upon Slovakia's entry into the EMRII on November 25, 2005. In reaction, the koruna has fast appreciated to an all-time strong level of 32.68 vs. the euro and, shortly after, the central bank has in two steps reduced the official interest rates by cumulative 50bps. The second development affecting the Slovak financial markets has been more of a global nature and emanated from the crisis on the US sub-prime mortgage market, which burst out in late summer. This crisis gradually spread out to involve broader credit markets, choking off liquidity and tightening credit conditions also in Europe. Besides, it dealt a blow to confidence of investors and led to a massive increase in risk aversion, which affected also emerging markets of Central Europe, including Slovakia. In reaction, the koruna has basically stopped appreciating and broadly stabilized within a range until the beginning of 2008.

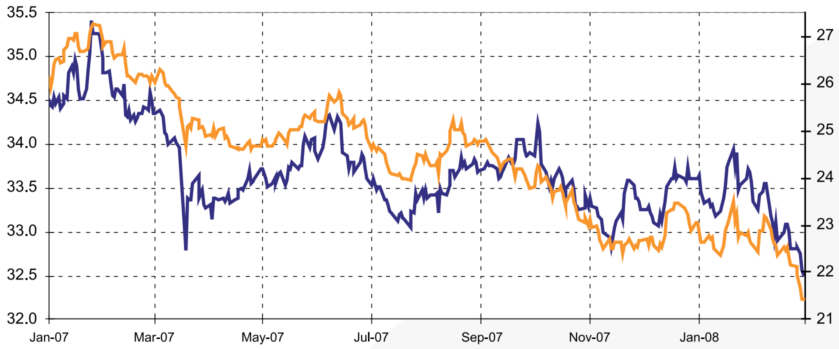
Banking sector-wise, the local market continued to enjoy further expansion. Both the loan and the deposit market expanded strongly, having grown volumes by 24% and 13%, respectively. On the loan market, growth continued to be higher in the retail than in the corporate segment, but, compared to the previous years, the gap has narrowed, to 28% and 22%, respectively. On the deposit market, growth was broadly even between the two segments. Besides, after a bad year 2006, the asset management business had resumed growing, posting over 20% expansion in volumes.

2008 Macro Outlook

The year 2008 will in many ways be a breaking one for Slovakia. If everything goes as planned, this year will be the last one for the koruna, which is scheduled to be replaced by the euro upon Slovakia's entry into the Eurozone on January 1, 2009. Before adopting the single European currency, Slovakia has to fulfill the five Maastricht criteria, which is seen very likely. Some discussion nonetheless remains about the sustainability of the criteria fulfillment, which at the beginning of 2008 still leaves some probability that the euro adoption is postponed. In any case, the conditions on the Slovak financial markets are already very similar to that of the Eurozone, with the key NBS' 2-week repo rate being just 25 basis points above that of the ECB's 4.00%.

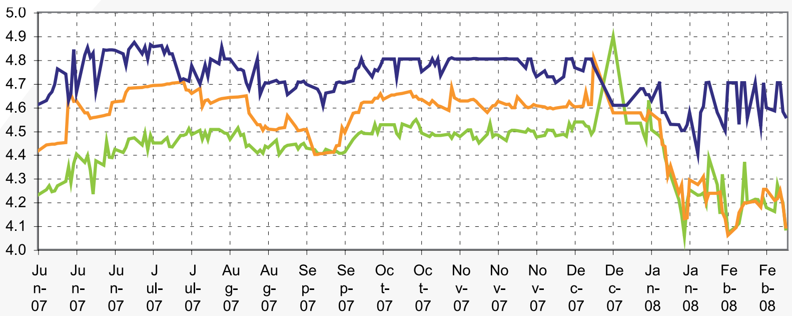
Economy-wise, the year 2008 is unlikely to produce yet another record-high GDP growth. Against the stalled output in the US and generally weakening EU economies, also the Slovak business confidence has taken hit recently, with the overall economic sentiment indicator having declined at the beginning of 2008 back to its long-term trend. Still, at around 7%, GDP growth is projected to be healthy and strong relative to Slovakia's neighbors and EU countries in general.

Sk / EUR and USD exchange rate



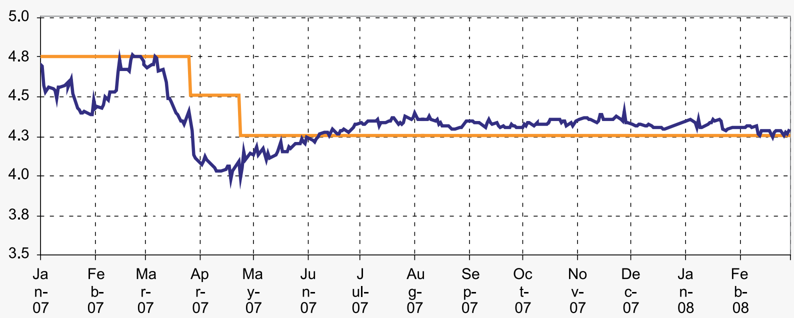
• Sk / EUR • Sk / USD

Yields on bonds



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

Interest rates development



• 3M BRIBOR • 2W REPO rate

VUB's 2007 Commercial Performance

VUB made a significant progress in 2007. In addition to market share growth in the retail and corporate segments, the Bank was primarily focused on acquisition of B.O.F, a leasing company, which was integrated in the VUB Group at the end of the year. Constantly growing volumes in the mortgage and consumer finance have proven the Bank's dominant position in the services, products and consultancies associated with the property financing offered to clients. Furthermore, the corporate financing recorded remarkable step forward in the both segments: Large Clients and SMEs. Bank's corporate governance puts the emphasis on enhancing the quality client services and their trust in the Bank. As a result, the positive development in clients' deposits was recorded. Furthermore, the pro-client focus is also obvious in the projects that are currently running in the Bank. Purpose of these projects is to ensure continuous improvement in client's services. These improvements involve a wide range of activities, such as the process enhancements, innovations in core products, redesign of the branch network consisting of 209 retail and 33 corporate branches and 11 mortgages centers, and development of alternative distribution channels. Within the "2007 Gold Coin" competition, VUB won several awards in different categories. This recognition of the financial experts indicates that the Bank has been successful in this field.

Deposits:

The bank deposits at the end 2007 amounted to SKK 205 billion, thus representing a strong increase by 15% compared to the previous year. Growth in the term deposits and current accounts represented the core contributors to a steep increase in the retail clients' deposits. With the Flexi account, a modified and unique product in place (option involving a 5%-interest on funds), the current accounts of individuals increased by amazing 21%. The Bank's subsidiary - VÚB Asset Management - managing assets in the amount of SKK 30 billion recorded the identical growth pace. The corporate clients have been to a greater extent focused on term placements, while the current accounts were still in their spotlight. Total deposits managed by the Corporate Banking Division rose on year-to-year basis by 9%.

Electronic banking :

In 2007, Všeobecná úverová banka was continuously improving its nonstop banking, primarily the services such as Kontakt, Internet banking, Internet banking Plus, Mobil banking, Business banking and Multicash. VUB was awarded a Sliver Coin for 2007 in the e-banking category.

Compared to 2006, number of clients using the Internet banking and Mobile banking rose by 10% and 11% respectively. The clients made 40% more transactions through Internet banking than in the previous year and the Call Center operators took 1 million telephone requests.

Last year, the Bank made several important changes in its e-banking, and the launch of a new security mode was one of the crucial ones. The Bank has implemented the new security system with view to enhance trust of the clients in the e-banking services. Furthermore, the back-up questions were replaced by a new security element – Grid card and a client has opportunity to set the daily limit for security elements according to individual needs. Apart from adding new services for mutual funds business in the existing Internet banking services, transaction history was extended to 24 months for the current/term accounts and pass books.

Banking cards

In 2007, VUB issued as its novelty product a non--embossed payment card Maestro DOBRÝ ANJEL (Good Angel), This card has a unique design and card represents a non-profit organization DOBRÝ ANJEL. The mission of this organization is to provide financial aid in form of regular monthly contributions for the people with oncological diseases and their families. The feature that makes this card so special is Bank's contribution for the non-profit organization DOBRÝ ANJEL. This contribution, representing 1% of the non-cash payments made with the card, VUB pays for its clients into the scheme Dobry Anjel from its own funds. In addition, eCard VUB – a service for internet merchants, in which the 3D Secure technology is used, represents a revolutionary novelty in the services. For the time being, this technology represents the highest security standard that is available for the card acceptance through internet.

With view to improve its services primarily for the retail clients, the Bank installed 33 new ATMs last year. At the end of 2007, VUB operated 516 ATMs, thus representing 24% of total ATMs in the Slovak Republic. In 2007, 1,158 new EFT POS terminals were installed. With 5,364 EFT POS terminals operated by VUB, the Bank holds a 20% share in the Slovak market, whereas in terms of volume, its market share is 24%.

Loans

Individuals – mortgage and consumer loans

Also in 2007, the Bank was extremely successful in mortgage business and managed to strengthen its leading position in the market. In mortgage loans, the Bank recorded a growth by 44% to end up at SKK 41.7 billion. The Euro denominated mortgage loans represented the key driver and their total amount tripled over the last year. The innovated product, Flexi loan, is behind a strong 29% growth in consumer loans totaling SKK 9.2 billion at the end of the year. The Bank was able to successfully saturate the loan market also due to cooperation with its subsidiary Consumer Finance Holding. The loans granted via this company totaled to SKK 6.2 billion, thus demonstrating 24% year-to-year growth.

Corporate loans

In 2007, the corporate loans rocketted. In contrast to 2006, the volume of loans in the SME segment, being one of the Bank's strategic segments, rose by 34%. The assets from the Large Corporate segment surged by 31% and reached a 35-billion threshold. Project and property financing, the volume of which doubled over the year, supported the above growth. Apart from a significant growth in the loan volumes, VUB has been striving to retain the top quality of its portfolio. Therefore, the activities associated with risk management were in main focus.

Domestic and international payments

In 2007, VUB executed domestic and foreign payments in the amount exceeding SKK 25 billion and SKK 440 billion respectively. With these volumes in the books, the Bank defended its important position in the payments market. The Bank recorded a 10% market share in domestic payments. In terms of payments, VUB and effected 9% of total payments performed in the banking sector, while the trend in the incoming foreign payments was more favorable.

Basic Indicators

Basic Indicators in Sk million

	Individual IFRS			Consolidated IFRS		
	2007	2006	2005	2007	2006	2005
Balance sheet						
Loans and advances to customers	119,931	89,169	83,250	130,020	92,522	85,738
Deposits from customers	205,137	179,084	163,170	205,278	178,856	162,944
Equity	21,900	21,211	21,168	22,006	20,749	20,719
Total assets	275,140	238,231	224,925	284,567	240,977	226,802
Income statement		**Restated**			**Restated**	**Restated**
Operating income	10,981	9,955	10,811	12,895	11,712	11,693
Operating expenses	(5,812)	(5,517)	(6,237)	(6,808)	(6,400)	(6,947)
Operating profit before impairment and provisions	5,169	4,438	4,574	6,087	5,312	4,746
Profit from operations	4,537	4,805	4,429	5,208	4,872	4,371
Net profit for the year	3,500	3,758	3,993	4,067	3,747	3,696

Commercial indocators	**2007**	**2006**
ATMs	516	483
EFT POS terminals	5,364	7,413
Payments cards	1,147 805	1,145 097
Credit cards	307 376	290 325
EDC clients	1,034 046	991 233
Mortgage loans (in Sk bln.)	41,8	29,0
Consumer loans (in Sk bln)	12,3	9,3
Number of employees (VUB group)	3 837	4 004
Number of branches	238	235

Rating (status as at 21 march 2007)

Moody's

Long-term deposits	A1
Short-term deposits	P-1
Financial strength	C-

Consolidated financial statements
for the year ended 31 December 2007
prepared in accordance with International Financial Reporting Standards

ERNST & YOUNG

Ernst & Young Slovakia, s. r. o.
Hodžovo námestie 1A
P. O. Box 19
810 00 Bratislava
Slovenská republika

Phone: +421 2 3333 9111
Fax: +421 2 3333 9222
www.ey.com/sk

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 2007, 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 2007, 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.

6 March 2008
Bratislava, Slovak Republic

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

Ing. Dalimil Draganovský
SKAU Licence No. 893

Ernst & Young Slovakia, s. r. o., IČO: 35 840 463, zapísaná v Obchodnom registri Okresného súdu Bratislava I, oddiel: Sro, vložka číslo: 2700/B a v zozname audítorov vedenom Slovenskou komorou audítorov pod č. 257.

Consolidated balance sheet
at 31 December 2007
(In millions of Slovak crowns)

	Notes	2007	2006
Assets			
Cash and balances with central banks	5	4,493	4,872
Loans and advances to banks	6	35,279	38,578
Financial assets held for trading	7	10,664	3,534
Derivative financial instruments	8	1,055	2,388
Available-for-sale financial assets	9	2,673	2,667
Non-current assets held for sale	16	348	15
Loans and advances to customers	10	130,020	92,522
Held-to-maturity investments	12	90,721	86,580
Investments in associates and jointly controlled entities	13	146	139
Intangible assets	14	2,037	1,785
Goodwill	15	885	570
Property and equipment	16	5,703	6,273
Current income tax assets	17	-	597
Other assets	18	543	457
		284,567	240,977
Liabilities			
Deposits from central and other banks	19	21,663	12,980
Derivative financial instruments	8	1,034	2,054
Deposits from customers	20	205,278	178,856
Debt securities in issue	21	28,033	22,278
Current income tax liabilities	22	739	-
Deferred income tax liabilities	22	458	310
Provisions	23	973	990
Other liabilities	24	4,383	2,760
		262,561	220,228
Equity			
Share capital	25	12,978	12,978
Share premium	25	403	403
Reserves		2,609	2,618
Retained earnings		6,016	4,750
		22,006	20,749
		284,567	240,977
Financial commitments and contingencies	26	77,245	44,316

The accompanying notes on pages 17 to 65 form an integral part of these financial statements.

These financial statements were authorized for issue by the Board of Directors on 6 March 2008.

Ignacio Jaquotot
Chairman of the Board of Directors

Domenico Cristarella
Member of the Board of Directors

Consolidated income statement
for the year ended 31 December 2007
(In millions of Slovak crowns)

	Notes	2007	2006 Restated
Interest and similar income		14,788	12,328
Interest expense and similar charges		(6,279)	(4,791)
Net interest income	27	8,509	7,537
Fee and commission income		3,518	3,338
Fee and commission expense		(718)	(678)
Net fee and commission income	28	2,800	2,660
Net trading income	29	1,264	1,137
Other operating income	30	322	366
Dividend income		-	12
Operating income		12,895	11,712
Salaries and employee benefits	31	(2,483)	(2,547)
Other operating expenses	32	(3,206)	(2,782)
Amortization	14	(504)	(470)
Depreciation	16	(615)	(601)
Operating expenses		(6,808)	(6,400)
Operating profit before impairment and provisions		6,087	5,312
Impairment losses and provisions	33	(879)	(440)
Profit from operations		5,208	4,872
Share of profit/(loss) of associates and jointly controlled entities	13	7	(52)
Profit before tax		5,215	4,820
Income tax expense	34	(1,148)	(1,073)
Net profit for the year		4,067	3,747
Basic and diluted earnings per share in Slovak crowns	25	313	289

The accompanying notes on pages 17 to 65 form an integral part of these financial statements.

Consolidated statement of changes in equity
for the year ended 31 December 2007
(In millions of Slovak crowns)

	Share capital	Share premium	Legal reserve fund	Other capital funds	Revalu-ation reserve	Hedging reserve	Retained earnings	Total
At 1 January 2006	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
Translation of a foreign operation	-	-	-	-	-	-	6	6
Available-for-sale financial assets	-	-	-	-	2	-	-	2
Derivatives held for hedging	-	-	-	-		(2)	-	(2)
Total income and expense for the year recognized directly in equity	-	-	-	-	2	(2)	6	6
Net profit for the year	-	-	-	-	-	-	4,067	4,067
Total income and expense for the year	-	-	-	-	2	(2)	4,073	4,073
Dividends to shareholders	-	-	-	-	-	-	(2,816)	(2,816)
Other	-	-	-	(9)	-	-	9	-
At 31 December 2007	12,978	403	2,636	-	(25)	(2)	6,016	22,006

The accompanying notes on pages 17 to 65 form an integral part of these financial statements.

Consolidated cash flow statement
for the year ended 31 December 2007
(In millions of Slovak crowns)

	Notes	2007	2006
Cash flows from operating activities			
Profit before changes in operating assets and liabilities	35	7,168	5,537
Loans and advances to banks		7,004	(909)
Financial assets held for trading		(77)	106
Derivative financial instruments (positive)		1,335	(538)
Available-for-sale financial assets		70	(1,964)
Loans and advances to customers		(38,221)	(8,382)
Other assets		48	145
Deposits from central banks		(1,225)	559
Deposits from other banks		5,089	(8,494)
Derivative financial instruments (negative)		(1,020)	18
Deposits from customers		26,355	15,707
Other liabilities		228	2
Net cash used in operating activities		(414)	(3,750)
Cash flows from investing activities			
Purchase of held-to-maturity investments		(9,451)	(31,677)
Repayments of held-to-maturity investments		5,684	38,860
Purchase of property and equipment		(727)	(987)
Disposal of property and equipment		38	432
Acquisition of consolidated companies		(299)	(568)
Net cash (used in)/from investing activities		(4,755)	6,060
Cash flows from financing activities			
Proceeds from issue of debt securities		6,583	8,286
Repayments of debt securities		(1,000)	(750)
Dividends paid		(2,816)	(3,699)
Net cash from financing activities		2,767	3,837
Net change in cash and cash equivalents		4,766	11,684
Cash and cash equivalents at beginning of the year	4	42,499	30,815
Cash and cash equivalents at end of the year	4	47,265	42,499

The accompanying notes on pages 17 to 65 form an integral part of these financial statements.

Notes to the consolidated financial statements
for the year ended 31 December 2007
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 and has the identification number (IČO) 313 20 155.

At 31 December 2007, the Bank had a network of 160 branches and 65 sub-branches located throughout Slovakia (December 2006: 165 branches and 70 sub-branches). The Bank also has one branch in the Czech Republic.

Members of the Board of Directors are: Ignacio Jaquotot (Chairman), Domenico Cristarella, Ivan Golian, Jozef Kausich, Jonathan Charles Locke, Elena Kohútiková, Vladimíra Josefiová, Dinko Lucić.

Members of the Supervisory Board are: György Surányi (Chairman), Giovanni Boccolini (Vice Chairman), Ezio Salvai (Vice Chairman), Adriano Arietti, Paolo Grandi, Pavel Kárász, Ján Mikušinec, Massimo Pierdicchi, Milan Sedláček, Paolo Sarcinelli.

1.2 The VUB Group

The consolidated financial statements for the year ended 31 December 2007 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 2007	Share in 2006	Principal business activity
Subsidiaries			
Consumer Finance Holding, a.s. ('CFH')	100%	100%	Consumer finance business
B.O.F., a.s. ('BOF')	100%	-	Finance leases
B.O.F. poisťovací maklér s.r.o.	100%	-	Insurance mediation
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
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

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, Italy.

2. Acquisition of subsidiaries in 2007

On 20 July 2007, the Bank signed a share purchase agreement (‘SPA’) with the seller, Prvá slovenská investičná skupina, a.s. (‘PSIS’), for the purchase of a 70% shareholding in B.O.F., a.s., including a wholly owned subsidiary company. As at 30 November 2007, all the conditions precedent stipulated by the SPA have been satisfied which allowed for the transaction closing. The acquisition was authorized by the National Bank of Slovakia, the National Bank of Italy and the Anti-Monopoly Office of the Slovak Republic. PSIS decreased their shareholding to 30% through this transaction.

As at the signing date, VUB and PSIS concluded a ‘Shareholder’s agreement’ which, among other things sets out several options concerning the 30% shareholding in BOF – these include both various put options of PSIS as well as two call options of VUB. The substance of the transaction provides reasonable assurance that the minority shareholding will be transferred to the Bank.

The Bank has accounted for a 100% acquisition in accordance with IFRS 3. The effective acquisition date when VUB acquired full managerial control over B.O.F., a.s. was 30 November 2007.

The acquired company is the 6th largest in the Slovak leasing market and is engaged in the provision of finance to the Small Business (‘SB’) and SME segments with a 6% market share. The purchase of the company aims to expand and enforce the Bank’s presence within this strategic market segment.

The acquired company did not contribute to the Group profit in 2007 as the acquisition date was close to the year end and the result was not significant for the Group.

The assets and liabilities arising from the acquisition are as follows:

	Carrying amount	Adjustment	Fair value
Assets			
Cash and cash equivalents	198	-	198
Net investment in lease	5,527	-	5,527
Intangible assets:			
Software	10	7	17
Customer relationship – Run off	-	200	200
Customer relationship – Recurring business	-	63	63
Property and equipment	174	-	174
Other assets	184	-	184
	6,093	270	6,363
Liabilities			
Loans and borrowings	4,749	-	4,749
Deferred tax liability	21	51	72
Provisions	5	-	5
Other liabilities	464	-	464
	5,239	51	5,290
Net asset value	854	219	1,073

The cost of the business combination and goodwill are as follows:

Cost of the business combination	
Cash payment at acquisition	490
Deferred installments	471
Payable for the minority interest	420
Costs directly attributable to the combination	7
	1,388
Fair value of net assets of the acquired companies	1,073
Goodwill	315

The purchase price for the acquired companies is settled in installments. Deferred installments were initially measured at fair value and were determined by discounting the amounts payable to their present value at the date of acquisition. Deferred installments are reported at amortized cost.

The payable for the minority interest is measured at fair value and reflects the uncertainty about the actual transfer date, which depends on the exercise date of the aforementioned options, which are valid until 30 April 2012.

Costs directly attributable to the business combination represent professional fees paid to accountants, legal advisers, valuers and other consultants.

Goodwill includes certain intangible assets that cannot be recognized separately and measured reliably due to their nature. Goodwill also includes the expected synergies and returns expected to arise from the acquisition of the acquired companies.

In 2004, B.O.F., a.s. founded B.O.F. poisťovací maklér, s.r.o. a wholly owned subsidiary operating in insurance mediation market which is also consolidated by the Bank.

3. Summary of significant accounting policies

3.1 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 Group decided to apply IFRS 8 Operating Segments for the accounting period beginning on 1 January 2007 as permitted by the Standard.

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.

3.2 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 the consolidated income statement from 2006 were reclassified in accordance with their presentation in 2007 to better reflect the substance of the income and expense. All reclassifications are related to the redesigned contracts for the insurance of banking products that is being collected from clients and subsequently paid to the insurance company. Originally, the VUB Group reported balances collected from clients and balances paid to the insurance company in gross values. After the reclassification, only net margin is presented in the income statement.

	2006	2006 Restated	Change
Fee and commission income	3,283	3,338	55
Fee and commission expense	(643)	(678)	(35)
Other operating income	496	366	(130)
Other operating expenses	(2,892)	(2,782)	110

3.3 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 the 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.

3.4 Segment reporting

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

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

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

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

3.5 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.

3. Summary of significant accounting policies (continued)

3.6 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.

3.7 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.

3.8 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.

3.9 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.

3.10 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 plus, in the case of financial assets not held for trading, any directly attributable incremental costs of acquisition. Securities purchased, but not settled, are recorded in the off balance sheet and changes in their fair values, for purchases into the trading and the available-for-sale portfolios, are recognized in the income statement and in equity respectively.

(a) Securities held for trading
Securities held for trading 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 re-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 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 held for trading or held-to-maturity. Subsequent to their initial recognition these assets are accounted for and re-measured at 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 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.

For available-for-sale financial investments, the Group assesses at each balance sheet date whether there is objective evidence that an investment or a group of investments is impaired.

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

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

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

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 minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount. The amortization 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.

3. Summary of significant accounting policies (continued)

3.11 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 central and other 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 over the life of the agreement.

3.12 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 the definition of a hedging derivative as prescribed by IFRS. The VUB Group also acts as an intermediary provider of these instruments to certain customers.

Derivative financial instruments are initially 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 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 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.

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

The VUB Group accounts for embedded derivatives separately from the host contract, if: the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid (combined) instrument is not measured at fair value with changes in fair value recognized in profit or loss.

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

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

Also at the inception of the hedge relationship, a formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. Hedges are formally assessed each month. A hedge is regarded as highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are expected to offset in a range of 80% to 125%. For situations where that hedged item is a forecast transaction, the Group assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect the income statement.

Cash flow hedges
For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is initially recognized directly in equity in 'Hedging reserve'. The ineffective portion of the gain or loss on the hedging instrument is recognized immediately in the income statement in 'Net trading income'.

When the hedged cash flow affects the income statement, the gain or loss on the hedging instrument is 'recycled' in the corresponding income or expense line of the income statement. When a hedging instrument expires, or is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the hedged forecast transaction is ultimately recognized in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement in 'Net trading income'.

3. Summary of significant accounting policies (continued)

3.13 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.

3.14 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.

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

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.

3.16 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

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

3.17 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.

3.18 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 assesses 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.

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

3. Summary of significant accounting policies (continued)

3.19 Leasing

The determination of whether an arrangement is a finance lease is based on the substance of the arrangement and requires an assessment of whether:

- the fulfillment of the arrangement is dependent on the use of a specific asset or assets that could only be used by the lessee without major modifications being made,
- the lease transfers ownership of the asset at the end of the lease term,
- the VUB Group has the option to purchase the asset at a price sufficiently below fair value at exercise date,
- it is reasonably certain the option will be exercised,
- the lease term is for a major part of the asset's economic life even if title is not transferred,
- the present value of minimum lease payments substantially equals the asset's fair value at inception.

VUB Group as a lessee

Finance leases, which transfer to the VUB Group substantially all the risks and benefits incidental to ownership of the leased item, are 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.

3.20 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.

3.21 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 a payment when it falls due in accordance with the terms of a debt instrument consisting of letters of credit, guarantees and acceptances.

Financial guarantee liabilities are initially 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 recorded in the income statement in 'Impairment losses and provisions'.

3.22 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 the coverage of losses of VUB Group companies.

3.23 Interest income

Interest income and expense is recognized in the income statement on an accrual basis using the 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.

3.24 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.

3.25 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.

3.26 Dividend income

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

3.27 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'.

3.28 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.

3. Summary of significant accounting policies (continued)

3.29 Significant accounting judgements and estimates

Judgements

In the process of applying the VUB Group's accounting policies, management has made judgements, apart from those involving estimations, that significantly affect the amounts 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 hold these investments to maturity other than for a specific circumstance, for example selling a higher than insignificant amount close to maturity, it will be required to reclassify the entire class as available for sale. The investments would therefore be measured at fair value and not at 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 a number of factors and actual results may differ, resulting in future changes to the specific allowance.

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

3.30 Future changes in accounting policies

The IASB has issued revisions and amendments to the following standards, which are not yet effective, and which the Group has not yet adopted. The Group expects that the adoption of these revised and amended standards will have no significant effect on the financial statements of the Group.

IFRS 3R Business Combinations and IAS 27R Consolidated and Separate Financial Statements

The revised standards were issued in January 2008 and become effective for financial years beginning on or after 1 July 2009. IFRS 3R introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. IAS 27R requires that a change in the ownership interest of a subsidiary is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give raise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes introduced by IFRS 3R and IAS 27R must be applied prospectively and will affect future acquisitions and transactions with minority interests.

IAS 1 Revised Presentation of Financial Statements

The revised IAS 1 Presentation of Financial statements was issued in September 2007 and becomes effective for financial years beginning on or after 1 January 2009. The Standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense, either in one single statement, or in two linked statements.

Amendments to IAS 32 a IAS 1 Puttable Financial Instruments

Amendments to IAS 32 and IAS 1 were issued in February 2008 and become effective for annual periods beginning on or after 1 January 2009. The amendment to IAS 32 requires certain puttable financial instruments and obligations arising on liquidation to be classified as equity if certain criteria are met. The amendment to IAS 1 requires disclosure of certain information relating to puttable instruments classified as equity.

4. 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	2007	2006
Cash and balances with central banks	5	4,493	4,872
Treasury bills and other eligible bills	7	9,967	2,974
Current accounts in other banks	6	973	375
Term deposits with central and other banks	6	3,117	11,854
Loans and advances to central banks	6	28,715	22,424
		47,265	42,499

5. Cash and balances with central banks

	2007	2006
Balances with central banks:		
Compulsory minimum reserves	666	1,785
Current accounts	1,022	548
	1,688	2,333
Cash in hand	2,805	2,539
	4,493	4,872

The compulsory minimum reserve is maintained as an interest bearing deposit under the regulations of the NBS and the 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.

6. Loans and advances to banks

	2007	2006
Current accounts in other banks	973	375
Loans and advances to:		
Central banks	19,912	22,424
Other banks	11,101	2,576
Term deposits with:		
Central banks	2,396	665
Other banks	923	12,571
Impairment losses (note 11)	(26)	(33)
	35,279	38,578

7. Financial assets held for trading

	2007	2006
Treasury bills and other eligible bills	9,967	2,974
State bonds	514	502
Bank bonds	8	54
Corporate bonds	175	4
	10,664	3,534

All securities held for trading are listed. At 31 December 2007 and 2006, the VUB Group did not pledge any bonds to secure transactions with counterparties.

8. Derivative financial instruments

	2007 Positive	2006 Positive	2007 Negative	2006 Negative
Trading derivatives	1,055	2,388	(1,032)	(2,054)
Cash flow hedges of interest rate risk	-	-	(2)	-
	1,055	2,388	(1,034)	(2,054)

Trading derivatives include also hedge instruments that are non-qualifying according to IAS 39, but are held for risk management purposes rather than for trading. The instruments used include interest rate swaps and cross-currency interest rate swaps. In 2007, the total positive fair value of such derivatives was Sk 86 million (2006: zero) and the negative fair value was Sk 45 million (2006: zero).

	2007 Positive	2006 Positive	2007 Negative	2006 Negative
Trading derivatives - Fair values				
Interest rate instruments				
Swaps	517	674	(439)	(591)
Forward rate agreements	18	-	(12)	-
	535	674	(451)	(591)
Foreign currency instruments				
Forwards and swaps	183	1,529	(314)	(1,278))
Cross currency swaps	86	-	(16)	-
Options	143	82	(143)	(82)
	412	1,611	(473)	(1,360)
Equity and commodity instruments				
Equity options	103	103	(103)	(103)
Commodity options	5	-	(5)	-
	1,055	2,388	(1,032)	(2,054)

8. Derivative financial instruments (continued)

	2007 Assets	2006 Assets	2007 Liabilities	2006 Liabilities
Trading derivatives - Notional values				
Interest rate instruments				
Swaps	38,428	47,260	38,428	47,260
Forward rate agreements	21,482	-	21,482	-
	59,910	47,260	59,910	47,260
Foreign currency instruments				
Forwards and swaps	36,734	44,652	36,841	44,411
Cross currency swaps	2,273	-	2,199	-
Options	3,541	4,062	3,539	4,062
	42,548	48,714	42,579	48,473
Equity and commodity instruments				
Equity options	680	149	680	149
Commodity options	76	-	76	-
	103,214	96,123	103,245	95,882

Cash flow hedge of interest rate risk

The VUB Group uses one interest rate swap to hedge the interest rate risk arising from the issuance of a floating rate mortgage bond. The cash flows on the interest rate swap substantially match the cash flow profile of the floating rate mortgage bond.

9. Available-for-sale financial assets

	Share in 2007	Share in 2006	2007	2006
Bank bonds at fair value			2,654	2,599
Equity shares at cost				
Burza cenných papierov v Bratislave, a. s.	-	6.69%	-	23
Burza cenných papírů Praha, a.s.	-	8.32%	-	28
RVS Studené, a.s.	8.26%	8.26%	17	17
S.W.I.F.T	0.02%	0.02%	2	2
			19	70
Impairment losses			-	(2)
			19	68
			2,673	2,667

10. Loans and advances to customers

	Cost	Impairment losses (note 11)	Carrying amount
31 December 2007			
Sovereigns			
State organizations/Municipalities	1,205	-	1,205
	1,205	-	1,205
Corporate			
Other Financial Institution	4,580	(7)	4,573
Large Corporates - Amortizing assets	26,140	(747)	25,393
Large Corporates - Revolving facilities	4,598	(112)	4,486
SME - Amortizing assets	13,057	(249)	12,808
SME - Revolving facilities	6,470	(167)	6,303
Non-profit institutions	37	-	37
Leasing	4,512	(126)	4,386
Factoring	1,802	(13)	1,789
	61,196	(1,421)	59,775
Retail			
Small business - Amortizing assets	2,075	(238)	1,837
Small business - Revolving facilities	855	(106)	749
Small business - Leasing	1,219	(33)	1,186
Private individuals - Consumer Loans	18,096	(1,040)	17,056
Private individuals - Credit Cards	5,068	(397)	4,671
Private individuals - Overdrafts	2,192	(137)	2,055
Private individuals - Mortgages	41,726	(558)	41,168
Private individuals - Leasing	231	(7)	224
Other	107	(13)	94
	71,569	(2,529)	69,040
	133,970	(3,950)	130,020

10. Loans and advances to customers (continued)

	Cost	Impairment losses (note 11)	Carrying amount
31 December 2006			
Sovereigns			
State organizations/Municipalities	1,471	(28)	1,443
	1,471	(28)	1,443
Corporate			
Other Financial Institution	3,297	(5)	3,292
Large Corporates - Amortizing assets	20,806	(1,105)	19,701
Large Corporates - Revolving facilities	3,344	(105)	3,239
SME - Amortizing assets	9,606	(236)	9,370
SME - Revolving facilities	4,740	(122)	4,618
Non-profit institutions	36	-	36
Leasing	229	(5)	224
Factoring	1,239	(18)	1,221
	43,297	(1,596)	41,701
Retail			
Small business - Amortizing assets	1,523	(243)	1,280
Small business - Revolving facilities	718	(150)	568
Private individuals - Consumer Loans	14,150	(1,108)	13,042
Private individuals - Credit Cards	4,711	(392)	4,319
Private individuals - Overdrafts	1,682	(124)	1,558
Private individuals - Mortgages	28,936	(580)	28,356
Private individuals - Leasing	84	-	84
Other	186	(15)	171
	51,990	(2,612)	49,378
	96,758	(4,236)	92,522

During 2007, the Group wrote off loans and advances to customers amounting to Sk 1,251 million (2006: Sk 2,344 million) net of recoveries against already existing impairment losses (note 33).

At 31 December 2007, the 20 largest corporate customers represented a total balance of Sk 19,751 million (2006: Sk 14,562 million) or 15% (2006: 15%) of the gross loan portfolio.

Maturities of gross finance lease receivables are as follows:

	2007	2006
Up to 1 year	2,800	133
1 to 5 years	4,846	208
Over 5 years	216	45
	7,862	386
Unearned future finance income on finance leases	(1,900)	(73)
Impairment losses	(166)	(5)
	5,796	308

Maturities of net finance lease receivables are as follows:

	2007	2006
Up to 1 year	2,513	118
1 to 5 years	3,078	165
Over 5 years	205	25
	5,796	308

11. Impairment losses

	1 Jan 2007	(Reversal)/ creation (note 33)	FX gains	Other [1]	31 Dec 2007
Loans and advances to banks (note 6)	33	(6)	(1)	-	26
Loans and advances to customers (note 10)	4,236	(443)	(1)	158	3,950
Held-to-maturity investments (note 12)	24	(3)	(1)	-	20
Property and equipment (note 16)	2	-	-	-	2
Non-current assets held for sale (note 16)	12	(12)	-	-	-
Other assets (note 18)	27	40	-	72	139
	4,334	(424)	(3)	230	4,137

(1) Other represents the acquired company

	1 Jan 2006	(Reversal)/ creation (note 33)	FX gains	31 Dec 2006
Loans and advances to 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

12. Held-to-maturity investments

	2007	2006
State restructuring bonds	35,065	35,072
State bonds	47,134	42,947
Bank bonds and other bonds issued by financial sector	7,270	7,276
Corporate notes and bonds	1,272	1,309
	90,741	86,604
Impairment losses (note 11)	(20)	(24)
	90,721	86,580

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 2007 and 2006, the Group 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 30 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 30 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.

The 7-year state restructuring bond with a nominal value of Sk 11,300 million was fully repaid on 30 January 2008.

13. Investments in associates and jointly controlled entities

	Share in %	Cost	Revaluation	Carrying amount
At 31 December 2007				
Slovak Banking Credit Bureau, s.r.o.	33.3	-	1	1
VÚB Generali DSS, a.s.	50.0	500	(355)	145
		500	(354)	146
At 31 December 2006				
Slovak Banking Credit Bureau, s.r.o.	33.3	-	-	-
VÚB Generali DSS, a.s.	50.0	500	(361)	139
		500	(361)	139

The net investment in the Slovak Banking Credit Bureau in 2006 was Sk 100 thousand.

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

	2007	2006
Revaluation at 1 January	(361)	(305)
Share of profit/(loss)	7	(52)
Other	-	(4)
	7	(56)
Revaluation at 31 December	(354)	(361)

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

	2007	2006
Assets	154	149
Liabilities	9	10
Equity	145	139
Net profit/(loss) for the year	7	(52)

14. Intangible assets

	Software	Other intangible assets	Assets in progress	Total
Cost				
At 1 January 2007	3,835	1,361	172	5,368
Additions	-	-	510	510
Disposals	(16)	-	(30)	(46)
Transfers	399	92	(491)	-
Acquisition of subsidiaries (note)	33	270	-	303
At 31 December 2007	4,251	1,723	161	6,135
Amortization				
At 1 January 2007	(3,136)	(447)	-	(3,583)
Additions	(316)	(188)	-	(504)
Disposals	12	-	-	12
Acquisition of subsidiaries (note 2)	(23)	-	-	(23)
At 31 December 2007	(3,463)	(635)	-	(4,098)
Carryying amount				
At 31 December 2007	788	1,088	161	2,037

	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)
Carrying amount				
At 31 December 2006	699	914	172	1,785

15. Goodwill

	2007	2006
B.O.F., a.s.	315	-
Consumer Finance Holding, a.s.	570	570
	885	570

Goodwill related to B.O.F., a.s. arose on the acquisition of the majority shareholding in B.O.F., a.s. and reflects the call and put options structure stipulated in the Shareholders' agreement relating to B.O.F., a.s. The goodwill amount includes both goodwill related to the majority shareholding (Sk 219 million) and goodwill arising from the future purchase of the minority shareholding (Sk 96 million). Goodwill related to Consumer Finance Holding, a.s. ('CFH') arose in 2005 on the acquisition of CFH, the Group's sales finance subsidiary.

The goodwill 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, both B.O.F., a.s. and CFH are considered to be one cash generating unit. Goodwill related to B.O.F., a.s. will be tested for impairment for the first time in 2008 as the reporting date is very close to the acquisition date.

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.

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 2007	6,701	3,127	1,136	324	11,288
Additions	-	-	-	226	226
Disposals	(556)	(217)	(96)	-	(869)
Transfers	120	234	39	(393)	-
Acquisition of subsidiaries (note 2)	23	54	244	-	321
At 31 December 2007	6,288	3,198	1,323	157	10,966
Depreciation					
At 1 January 2007	(1,759)	(2,546)	(708)	-	(5,013)
Additions	(279)	(237)	(99)	-	(615)
Disposals	200	225	89	-	514
Acquisition of subsidiaries (note 2)	(8)	(31)	(108)		(147)
At 31 December 2007	(1,846)	(2,589)	(826)	-	(5,261)
Impairment losses (note 11)					
At 1 January 2007	(2)	-	-	-	(2)
Net reversal	-	-	-	-	-
At 31 December 2007	(2)	-	-	-	(2)
Carrying amount					
At 31 December 2007	4,440	609	497	157	5,703

16. Property and equipment and Non-current assets held for sale (continued)

	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

At 31 December 2007 and 2006, the VUB Group held in its portfolio of non-current assets held for sale buildings as follows:

	2007	2006
Cost	533	38
Accumulated depreciation	(185)	(11)
Impairment losses (note 11)	-	(12)
	348	15

17. Current income tax assets

	2007	2006
Current income tax assets	-	597

18. Other assets

	2007	2006
Prepayments and accrued income	110	113
Operating receivables and advances	465	266
VAT receivable and other taxes receivable	51	30
Inventories	56	75
	682	484
Impairment losses (note 11)	(139)	(27)
	543	457

19. Deposits from central and other banks

	2007	2006
Deposits from central banks		
Current accounts	1,626	2,847
Loans received	5	9
	1,631	2,856
Deposits from other banks		
Current accounts	2,951	3,051
Term deposits	11,390	4,858
Loans received	5,193	2,215
Promissory notes	498	-
	20,032	10,124
	21,663	12,980

20. Deposits from customers

	2007	2006
Current accounts	67,256	56,774
Term deposits	81,914	74,686
Savings accounts	9,436	9,820
Government and municipal deposits	40,921	33,372
Loans received	685	555
Promissory notes	4,645	2,719
Other deposits	421	930
	205,278	178,856

21. Debt securities in issue

	2007	2006
Bonds	3,308	2,001
Mortgage bonds	24,725	20,277
	28,033	22,278

In 2007, the Group issued mortgage bonds denominated in Sk in the nominal amount of Sk 3,150 million and mortgage bonds denominated in CZK in the nominal amount of CZK 1,800 million (Sk 2,273 million). Mortgage bonds in the total nominal amount of Sk 1,000 million matured and were fully repaid during 2007.

In 2006, the Group issued 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). Mortgage bonds in the total nominal amount of Sk 750 million matured and were fully repaid during 2006.

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

22. Current and deferred income tax liabilities

	2007	2006
Current income tax liabilities	739	-
Deferred income tax liabilities	458	310
	1,197	310

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

	2007	2006
Loans and securities	(194)	(192)
Intangible assets	(132)	(161)
Property and equipment	(131)	(71)
Other liabilities and provisions	58	92
Tax losses carried forward	6	16
Acquisition of subsidiaries (note 2)	(72)	-
Other	7	6
	(458)	(310)

23. Provisions

	2007	2006
Litigations (note 32)	973	990

The movement in provisions was as follows:

	1 Jan 2007	Reversal	Acquired company	31 Dec 2007
Litigations (note 32)	990	(22)	5	973

24. Other liabilities

	2007	2006
Various creditors	1,525	1,109
Payables from the acquisition of subsidiaries – CFH	501	583
Payables from the acquisition of subsidiaries – BOF (note 2)	471	-
Payables for the minority interest – BOF (note 2)	420	-
Payables from dividends	343	-
Financial guarantees and commitments	315	275
Settlement with employees	608	574
VAT payables and other tax payables	87	88
Severance	25	50
Retention program	12	17
Accruals and deferred income	76	38
Payables from trading with securities	-	26
	4,383	2,760

The movements in financial guarantees and commitments, severance and retention program were as follows:

	1 Jan 2007	Creation/ (reversal)	31 Dec 2007
Financial guarantees and commitments (note 33)	275	40	315
Severance (note 31)	50	(25)	25
Retention program (note 31)	17	(5)	12
	342	10	352

25. Share capital

	2007	2006
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	4,067	3,747
Divided by 12,978,108 ordinary shares of Sk 1,000 each		
Basic and diluted earnings per share in Sk	313	289

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

The Board of Directors will propose dividends to shareholders amounting to Sk 1,752 million from the profit for the year 2007. The residual part of the profit will remain in the retained earnings.

25. Share capital (continued)

The structure of shareholders is as follows:

	2007	2006
Intesa Holding International S.A.	96.49%	96.49%
Domestic shareholders	2.94%	2.96%
Foreign shareholders	0.57%	0.55%
	100.00%	100.00%

The VUB Group's regulatory capital position at 31 December 2007 and 2006 was as follows:

	2007	2006
Tier 1 capital		
Share capital	12,978	12,978
Share premium	403	403
Retained earnings without net profit for the year	1,946	1,003
Legal reserve fund	2,636	2,636
Less goodwill and software (incl. acquisition)	(1,790)	(1,269)
	16,173	15,751
Tier 2 capital	-	-
Regulatory adjustment		
Investment in associates and jointly controlled entities	(146)	(139)
Total regulatory capital	16,027	15,612

Regulatory capital includes items forming the value of basic own funds (ordinary share capital, share premium, retained earnings, legal reserve fund) and items decreasing the value of basic own funds (intangible assets, goodwill and investments with significant influence).

The Group must maintain a capital adequacy ratio of at least 8% according to NBS regulations. The capital adequacy is the ratio between the Group's capital and the risk-weighted assets. Risk-weighted assets include risk weighted assets from positions recorded in the trading book and risk weighted assets from positions recorded in the banking book. The Group complied with the NBS requirement for the capital adequacy ratio as at 31 December 2007 and 2006.

26. Financial commitments and contingencies

	2007	2006
Issued guarantees	11,417	9,732
Commitments and undrawn credit facilities	65,828	34,584
	77,245	44,316

(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 commitments, 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. At 31 December 2007 and 2006, the total value of future payments arising from non-cancellable operating leasing contracts was as follows:

	2007	2006
Up to 1 year	53	60
1 to 5 years	87	132
Over 5 years	-	-
	140	192

(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 2007. Pursuant to this review, management has recorded a provision of Sk 973 million as of 31 December 2007 (2006: Sk 990 million) in respect of such legal proceedings (see also note 23). The VUB Group will continue to defend its position in respect of each of these legal proceedings.

27. Net interest income

	2007	2006
Interest and similar income		
Loans and advances to banks	1,502	1,747
Loans and advances to customers	8,924	7,223
Bonds, treasury bills and other securities:		
Financial assets held for trading	383	38
Available-for-sale financial assets	128	68
Held-to-maturity investments	3,851	3,252
	14,788	12,328
Interest expense and similar charges		
Deposits from banks	(734)	(526)
Deposits from customers	(4,350)	(3,503)
Debt securities in issue	(1,195)	(762)
	(6,279)	(4,791)
	8,509	7,537

Interest income on individually impaired loans and advances to customers for 2007 amounted to Sk 156 million (2006: Sk 119 million).

28. Net fee and commission income

	2007	2006
Fee and commission income		
Received from banks	193	204
Received from customers	3,048	2,849
Received from other financial operations	277	285
	3,518	3,338
Fee and commission expense		
Paid to banks	(254)	(228)
Paid to customers	(430)	(421)
Paid due to other financial operations	(34)	(29)
	(718)	(678)
	2,800	2,660

29. Net trading income

	2007	2006
Foreign currency derivatives and transactions	1,051	1,023
Interest rate derivatives	13	37
Securities:		
Available-for-sale financial assets	195	82
Financial assets held for trading	5	(5)
	1,264	1,137

30. Other operating income

	2007	2006
Rent	52	51
Sales of consumer goods	137	134
Other services	56	78
Net profit from sale of fixed assets	3	43
Other	74	60
	322	366

31. Salaries and employee benefits

	2007	2006
Salaries	(1,816)	(1,855)
Social security costs	(697)	(661)
Provisions for severance (note 24)	25	(14)
Provisions for retention progran (note 24)	5	(17)
	(2,483)	(2,547)

The total number of employees of the VUB Group at 31 December 2007 was 3,940 (2006: 4,004).

The remuneration and other benefits provided to members of the Supervisory Board and the Board of Directors in 2007 was Sk 112 million (2006: Sk 128 million).

The VUB Group does not have any pension arrangements separate from the pension system established by the law, which requires mandatory contributions of a certain percentage of gross salaries to the State owned Social insurance and privately owned pension funds. These contributions are 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.

32. Other operating expenses

	2007	2006
Contribution to the Deposit Protection Fund	(173)	(144)
IT systems maintenance	(338)	(322)
Post and telecom	(404)	(427)
Property related expenses	(394)	(356)
Equipment related expenses	(238)	(206)
Advertising and marketing	(472)	(445)
Professional services	(233)	(209)
Security	(133)	(129)
Stationery	(148)	(188)
VAT and other taxes	(228)	(222)
Provision for litigations (note 23)	22	101
Litigations paid	(225)	(12)
Transport	(16)	(52)
Training	(39)	(38)
Travel	(28)	(28)
Insurance	(15)	(37)
Other operating expenses	(144)	(68)
	(3,206)	(2,782)

33. Impairment losses and provisions

	2007	2006
Net reversal of impairment losses (note 11)	424	1,483
Net (creation)/reversal of financial guarantees and commitments (note 24)	(40)	489
	384	1,972
Non current assets sold	(12)	(68)
Nominal value of loans written-off	(692)	(1,555)
Nominal value of loans transferred	(1,455)	(1,346)
Proceeds from loans written-off	349	247
Proceeds from loans transferred	547	310
	(1,251)	(2,344)
	(879)	(440)

The VUB Group continues to write-off loans, primarily in its consumer finance business, which has a high volume of receivables against which there was a very high level of impairment losses. These receivables together with those held by the Group were sold to third parties on a non-recourse basis prior to 31 December 2007.

34. Income tax expense

	2007	2006
Current income tax	(1,071)	(262)
Deferred income tax	(77)	(811)
	(1,148)	(1,073)

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

	2007	2006
Loans and securities	(2)	(639)
Intangible assets	29	28
Property and equipment	(60)	(191)
Other liabilities and provisions	(34)	5
Tax losses carried forward	(10)	(20)
Other	-	6
	(77)	(811)

The effective tax rate differs from the statutory tax rates in 2007 and in 2006.

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

	2007	2006
Profit before tax	5,215	4,820
Applicable tax rate	19%	19%
Theoretical tax charge	(991)	(916)
Permanent differences and previously unrecognized deferred tax assets	(146)	(147)
Adjustments for current tax of prior periods	(11)	(10)
Tax expense	(1,148)	(1,073)
Effective tax rate	22%	22%

35. Profit before changes in operating assets and liabilities

	2007	2006
Profit before tax	5,215	4,820
Adjustments for:		
Amortization	504	470
Depreciation	615	601
Unrealized (profit)/loss from securities held for trading and available-for-sale securities	(66)	(11)
Share of loss of associates and jointly controlled entities	(7)	52
Interest income	(14,788)	(12,328)
Interest expense	6,279	4,791
Dividend income	-	(12)
Income / (loss) on sale of property and equipment	9	(41)
Provisions and impairment losses	858	369
Interest received	14,245	12,830
Interest paid	(5,970)	(4,580)
Dividends received	-	12
Tax received / (paid)	274	(1,436)
	7,168	5,537

36. Estimated fair value of financial assets and liabilities

The fair value of financial instruments is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Where available, fair value estimates are made based on quoted market prices. However, no readily available market prices exist for a significant portion of the 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 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 approximates their carrying amounts. Provisions are taken into consideration when calculating fair values.

(c) Loans and advances to customers
The fair value of loans and advances to customers is estimated using discounted cash flow analyses, based upon the risk free interest rate curve adjusted by relevant credit spreads. Provisions are taken into consideration when calculating fair values.

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

(e) Investments in associates and jointly controlled entities
The estimated fair value of investment in associates and jointly controlled entities approximates their carrying amounts.

36. Estimated fair value of certain assets and liabilities (continued)

(f) Deposits from banks and customers
The estimated fair value of deposits from banks approximates their carrying amounts. The fair value of deposits from customers with short term maturity (under one year) is estimated by discounting their future cash flows using the risk free interest rate curve. Fair value of deposits with maturity over than one year are discounted using the appropriate current interest rates offered by the Group to these clients.

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

	Notes	Trading	Held-to maturity	Loans and receivables	Available-for-sale	Other amortized cost	Total carrying amount	Fair value
31 December 2007								
Cash and balances with central banks	5	-	-	4,493	-	-	4,493	4,493
Loans and advances to banks	6	-	-	35,279	-	-	35,279	35,279
Financial assets held for trading	7	10,664	-	-	-	-	10,664	10,664
Derivative financial instruments	8	1,055	-	-	-	-	1,055	1,055
Available-for-sale financial assets	9	-	-	-	2,673	-	2,673	2,673
Loans and advances to customers	10	-	-	130,020	-	-	130,020	131,361
Held-to-maturity investments	12	-	90,721	-	-	-	90,721	90,086
Investments in associates and jointly controlled entities	13	-	-	-	-	146	146	146
		11,719	90,721	169,792	2,673	146	275,051	275,757
Deposits from central and other banks	19	-	-	-	-	21,663	21,663	21,663
Derivative financial instruments	8	1,034	-	-	-	-	1,034	1,034
Deposits from customers	20	-	-	-	-	205,278	205,278	205,050
Debt securities in issue	21	-	-	-	-	28,033	28,033	27,952
		1,034	-	-	-	254,974	256,008	255,699

	Notes	Trading	Held-to maturity	Loans and receivables	Available-for-sale	Other amortized cost	Total carrying amount	Fair value
31 December 2006								
Cash and balances with central banks	5	-	-	4,872	-	-	4,872	4,872
Loans and advances to banks	6	-	-	38,578	-	-	38,578	38,578
Financial assets held for trading	7	3,534	-	-	-	-	3,534	3,534
Derivative financial instruments	8	2,388	-	-	-	-	2,388	2,388
Available-for-sale financial assets	9	-	-	-	2,667	-	2,667	2,667
Loans and advances to customers	10	-	-	92,522	-	-	92,522	92,400
Held-to-maturity investments	12	-	86,580	-	-	-	86,580	86,757
Investments in associates and jointly controlled entities	13	-	-	-	-	139	139	139
		5,922	86,580	135,972	2,667	139	231,280	231,335
Deposits from central and other banks	19	-	-	-	-	12,980	12,980	12,980
Derivative financial instruments	8	2,054	-	-	-	-	2,054	2,054
Deposits from customers	20	-	-	-	-	178,856	178,856	178,488
Debt securities in issue	21	-	-	-	-	22,278	22,278	22,086
		2,054	-	-	-	214,114	216,168	215,608

37. Financial risk management

Introduction and overview

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

(a) credit risk
(b) market risk
(c) liquidity risk
(d) operational risk

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

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

- Asset/Liability Committee ('ALCO')
- Credit Risk Committee
- Corporate Credit Committee ('CCC')
- Retail Credit Committee ('RCC')
- Operational Risk Committee.

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

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

(a) Credit risk

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

The basic document for credit risk management is the Risk Management Credit Principles and Policies Charter, which contains: Principles for managing credit risk, Authorized approval authority, Collateral policy, Provisioning Policy, Rules for new product proposals, Credit Concentration Limits, Governance of rating and scoring systems, Write Off Policy and Credit Policies for each segment (Retail banking, Corporate banking and Central treasury).

37. Financial risk management (continued)

Management of credit risk

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

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

Allowances for impairment

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

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

Impairment losses are calculated individually for individually significant clients for which evidence of impairment exists and collectively for individually significant clients without evidence of impairment and for individually insignificant client groups of homogeneous assets. Collective impairment losses are calculated for each group using a mathematical model.
Rules for identifying significant clients and methodology for calculation are set in the Risk Management Credit Principles and Policies Charter.
Clients are divided into three classification categories according to the level of impairment for each client. Performing loans are those, for which there is an impairment of up to 20% of the outstanding amount. Loans with an impairment coverage higher than 20% and below 50% are classified as Substandard. Loans with coverage ratio higher than 50% are classified as Bad and Doubtful.

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

	Category	2007 Cost	2007 Impairment losses	2007 Carrying amount	2006 Cost	2006 Impairment losses	2006 Carrying amount
Loans and advances to banks							
	Performing	35,305	(26)	35,279	38,611	(33)	38,578
Loans and advances to customers							
	Performing	131,656	(2,790)	128,866	93,949	(2,508)	91,441
	Substandard	823	(247)	576	1,042	(316)	726
	Bad and Doubtful	1,491	(913)	578	1,767	(1,412)	355
		133,970	(3,950)	130,020	96,758	(4,236)	92,522
Held-to-maturity investments							
	Performing	90,678	-	90,678	86,539	-	86,539
	Substandard	63	(20)	43	65	(24)	41
		90,741	(20)	90,721	86,604	(24)	86,580

At 31 December 2007, the VUB Group had a potential credit exposure of Sk 1,686 million (31 December 2006: Sk 3,050 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 2007 and 31 December 2006 of all outstanding agreements in the event of all counterparties defaulting and not allowing for netting arrangements.

The credit risk of financial assets not discussed above approximates their carrying amounts.

The payment discipline of each client is monitored regularly. If a client is past due with some payments, appropriate action is taken. The following table shows the Group's credit portfolio in terms of delinquency of payments.

	2007 Cost	2007 Impairment losses	2007 Carrying amount	2006 Cost	2006 Impairment losses	2006 Carrying amount
Loans and advances to banks						
No delinquency	35,035	(12)	35,023	38,611	(33)	38,578
31 - 60 days	205	(10)	195	-	-	-
91 - 180 days	65	(4)	61	-	-	-
	35,305	(26)	35,279	38,611	(33)	38,578
Loans and advances to customers						
No delinquency	124,507	(2,723)	121,784	90,938	(2,539)	88,399
1 - 30 days	6,479	(368)	6,111	3,311	(304)	3,007
31 - 60 days	1,168	(147)	1,021	817	(181)	636
61 - 90 days	546	(121)	425	339	(115)	224
91 - 180 days	654	(274)	380	490	(331)	159
Over 181 days	616	(317)	299	863	(766)	97
	133,970	(3,950)	130,020	96,758	(4,236)	92,522
Held-to-maturity investments						
No delinquency	90,741	(20)	90,721	86,604	(24)	86,580

37. Financial risk management (continued)

Write-off policy

The VUB Group writes off a loan or security balance (and any related allowances for impairment losses) when the VUB Group determines that the loans / securities are uncollectible. As the standard, the VUB Group considers the credit balances to be uncollectible based on the past due days (180 past due days or 360 past due days depending on the type of segment or product). All credit balances are reviewed for eligibility to be written off on a monthly basis.

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

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

An estimate of the fair value of collateral and other security enhancements held against financial assets is shown below:

	2007		2006	
	Clients	Banks	Clients	Banks
Debt securities	2	28,668	12	22,435
Other	12,126	607	11,028	609
Property	97,768	-	73,586	-
	109,896	29,275	84,626	23,044

The debt securities collateral received from banks represents the fair value of collateral received in reverse REPO trades with banks. The Group is permitted to sell or repledge this collateral even in the absence of default of the owner of the collateral. None of the collateral was sold or repledged at 31 December 2007 and 2006.

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

	2007			2006		
	Cost	Impairment losses	Carrying amount	Cost	Impairment losses	Carrying amount
Europe						
Loans and advances to banks	34,598	(2)	34,596	35,498	(2)	35,496
Loans and advances to customers	133,913	(3,949)	129,964	96,721	(4,236)	92,485
Held-to-maturity securities	90,671	(20)	90,651	86,531	(24)	86,507
	259,182	(3,971)	255,211	218,750	(4,262)	214,488
North America						
Loans and advances to banks	700	(24)	676	3,098	(31)	3,067
Loans and advances to customers	34	(1)	33	14	-	14
Held-to-maturity securities	70	-	70	73	-	73
	804	(25)	779	3,185	(31)	3,154
Asia						
Loans and advances to banks	7	-	7	11	-	11
Loans and advances to customers	7	-	7	20	-	20
	14	-	14	31	-	31
Rest of the World						
Loans and advances to banks	-	-	-	4	-	4
Loans and advances to customers	16	-	16	3	-	3
	16	-	16	7	-	7

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

(b) Market risk

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

Management of market risk

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

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

Exposure to market risk – trading portfolios

The principal tool used to measure and control market risk exposure within the Bank's trading portfolio is Value at Risk (VaR). The VaR of a trading portfolio is the estimated loss that will arise on the portfolio over a specified period of time (holding period) from an adverse market movement with a specified probability (confidence level). The VaR model used by the Bank is based upon a 99 percent confidence level and assumes a 1-day holding period. The VaR model used is based on historical simulation. Taking account of market data from the previous year, and observed relationships between different markets and prices, the model generates a wide range of plausible future scenarios for market price movements. The model was approved by the NBS as a basis for the calculation of the capital charge for market risk of the trading book.

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

A summary of the VaR position of the Bank's trading portfolios at 31 December and during the period is as follows:

Sk million	2007				2006			
	Balance	Avg	Max	Min	Balance	Avg	Max	Min
Foreign currency risk	1.61	1.74	6.01	0.24	3.61	1.37	4.84	0.17
Interest rate risk	4.58	4.72	9.46	1.95	3.37	4.10	8.17	2.00
Overall	4.15	5.18	9.95	1.94	6.19	4.31	10.11	2.19

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

37. Financial risk management (continued)

Exposure to interest rate risk – non-trading portfolios

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

The Risk Management division is responsible for monitoring these gaps at least on a monthly basis.

The management of interest rate risk is supported by monitoring the sensitivity of the Bank´s financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios, which are considered on a monthly basis include a 1 basis point parallel rise in all yield curves worldwide and the same for 200 basis point shift.

An analysis of the Bank's sensitivity to an increase in market interest rates is as follows:

Sk million	2007	2006
1 basis point increase	(8)	(11)

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

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 the extent to which it is exposed to the interest rate risk.

Model applied for calculation of interest rate gap

Each item is mapped to the gap based on contractual or behavioural re-pricing day.

Contractual

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

Behavioral

These are items for which it is not exactly known when the maturity or next re-pricing will take place (e.g. current accounts). In this case, it is necessary to make certain assumptions to reflect the real behavior of these items. This group also includes items such as fixed assets, equity, provisions, etc., which have an indefinite maturity and have to be modelled as well.

Based on statistical methods a core portion of cash is calculated and this portion is amortized on a linear basis over 10 years and the remaining amount is classified as an overnight item. For current accounts the non-sensitive core portion of some clients categories is calculated and is mapped to the gap as a linearly amortized item from 1 to 10 years. The remaining amount is classified in the overnight segment.

The re-pricing structure of assets and liabilities for the non-trading portfolios was as follows:

31 December 2007	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Assets						
Cash and balances with central banks	2,722	-	180	720	900	4,522
Loans and advances to banks	1,156	559	265	157	-	2,137
Derivative financial instruments	-	-	2,832	-	-	2,832
Available-for-sale financial assets	103	9	904	1,949	10	2,975
Loans and advances to customers	24,904	36,375	48,035	26,646	5,453	141,413
Held-to-maturity investments	19,413	7,339	23,925	25,363	26,170	102,210
Investments in associates and JVs	-	-	15	58	73	146
	48,298	44,282	76,156	54,893	32,606	256,235
Liabilities						
Deposits from central and other banks	(10,148)	(2,295)	(2,200)	-	-	(14,643)
Derivative financial instruments	-	-	(2,276)	(592)	-	(2,868)
Deposits from customers	(119,958)	(16,187)	(20,317)	(16,840)	(19,023)	(192,325)
Debt securities in issue	(2,032)	(10,430)	(6,522)	(6,667)	(6,135)	(31,786)
	(132,138)	(28,912)	(31,315)	(24,099)	(25,158)	(241,622)
Net position of financial instruments	(83,840)	15,370	44,841	30,794	7,448	14,613

31 December 2006	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Assets						
Cash and balances with central banks	3,026	-	190	759	949	4,924
Loans and advances to banks	1,833	543	148	402	-	2,926
Available-for-sale financial assets	29	9	33	2,900	35	3,006
Loans and advances to customers	27,985	21,080	27,322	19,517	3,958	99,862
Held-to-maturity investments	10,012	1,071	38,435	22,374	26,437	98,329
Investments in associates and JVs	-	-	14	56	69	139
	42,885	22,703	66,142	46,008	31,448	209,186
Liabilities						
Deposits from central and other banks	(5,046)	(1,989)	(65)	(1,662)	-	(8,762)
Deposits from customers	(107,795)	(13,549)	(15,349)	(14,576)	(15,628)	(166,897)
Debt securities in issue	(3,119)	(6,637)	(2,943)	(6,910)	(4,767)	(24,376)
	(115,960)	(22,175)	(18,357)	(23,148)	(20,395)	(200,035)
Net position of financial instruments	(73,075)	528	47,785	22,860	11,053	9,151

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

	2007 %	2006 %
Assets		
Cash and balances with central banks	1.51	1.35
Loans and advances to banks	3.89	3.64
Financial assets held for trading	4.14	4.40
Available-for-sale financial assets	3.84	3.57
Loans and advances to customers	7.64	7.77
Held-to-maturity investments	4.37	3.85
Liabilities		
Deposit from banks	3.96	2.72
Deposits from customers	2.36	2.00
Debt securities in issue	4.33	4.34

37. Financial risk management (continued)

Currency denominations of assets and liabilities

Foreign exchange rate risk comprises the risk that the value of financial assets and liabilities will fluctuate due to changes in market foreign exchange rates. The table below provides information on the currency denomination of the Group's assets and liabilities. It is the policy of the Group to manage its exposure to fluctuations in exchange rates through the regular monitoring and reporting of open positions and the application of a matrix of exposure and position limits.

	Slovak crowns	EUR	USD	CZK	Other	Total
31 December 2007						
Assets						
Cash and balances with central banks	3,576	374	55	278	210	4,493
Loans and advances to banks	32,137	2,925	50	8	159	35,279
Financial assets held for trading	10,647	17	-	-	-	10,664
Derivative financial instruments	1,055	-	-	-	-	1,055
Available-for-sale financial assets	2,671	2	-	-	-	2,673
Non-current assets held for sale	348	-	-	-	-	348
Loans and advances to customers	98,428	27,021	1,243	3,206	122	130,020
Held-to-maturity investments	89,213	1,460	-	-	48	90,721
Investments in associates and JVs	146	-	-	-	-	146
Intangible assets	2,037	-	-	-	-	2,037
Goodwill	885	-	-	-	-	885
Property and equipment	5,700	-	-	3	-	5,703
Other assets	523	17	-	3	-	543
	247,366	31,816	1,348	3,498	539	284,567
Liabilities						
Deposits from central and other banks	(10,946)	(8,568)	(1,303)	(579)	(267)	(21,663)
Derivative financial instruments	(1,034)	-	-	-	-	(1,034)
Deposits from customers	(171,556)	(25,497)	(4,226)	(2,911)	(1,088)	(205,278)
Debt securities in issue	(20,533)	(5,062)	-	(2,438)	-	(28,033)
Current and deferred income tax liabilities	(1,179)	-	-	(18)	-	(1,197)
Provisions	(973)	-	-	-	-	(973)
Other liabilities	(4,116)	(219)	(25)	(22)	(1)	(4,383)
	(210,337)	(39,346)	(5.554)	(5,968)	(1,356)	(262,561)
On balance sheet net position	37,029	(7,530)	(4,206)	(2,470)	(817)	22,006
Off balance sheet assets	10,613	16,050	13,468	6,729	1,292	48,152
Off balance sheet liabilities	(26,088)	(8,125)	(9,169)	(672)	(359)	(44,413)
Off balance sheet net position	(15,475)	7,925	4,299	6,057	933	3,739
Total net position	21.554	395	93	3,587	116	25,745
31 December 2006						
On balance sheet net position	20,686	667	(488)	164	(280)	20,749
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

(c) Liquidity risk

Liquidity risk is a measure of the extent to which the Group may be required to raise funds to meet its commitments associated with financial instruments. The Group maintains its liquidity profiles in accordance with regulations laid down by the NBS.

The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan drawdowns, guarantees and from margin and other calls on cash settled derivatives. The 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 daily liquidity position is monitored and regular liquidity stress-testing is performed. The daily liquidity position is limited by a set of liquidity limits for particular time buckets. The Group has approved the contingency liquidity plan, which defines how to identify potential liquidity problems and how to act in liquidity crisis situations. All liquidity policies and procedures are subject to review and approval by ALCO and Intesa Sanpaolo.

The key measures used by the Group for managing medium and long term liquidity are two maturity mismatch rules.

Rule 1: Real Estate + Equity Investments <= Regulatory Capital
Rule 2: Medium term assets + 0,5 * Long Term Assets <= Long term liabilities + 0,5 Medium term liabilities + 0,25*(short term customer liabilities + interbank liabilities) + excess in Rule 1

The remaining maturities of assets and liabilities based on contractual undiscounted cash-flows were as follows:

31 December 2007	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	4,522	-	-	-	-	-	4,522
Loans and advances to banks	33,198	49	1,031	1,886	513	27	36,704
Financial assets held for trading	5,006	5,008	14	582	260	-	10,870
Available-for-sale financial assets	-	9	902	1,941	-	19	2,871
Loans and advances to customers	8,266	7,957	31,210	49,301	52,420	9,919	159,073
Held-to-maturity investments	12,098	7,512	2,329	57,451	26,170	-	105,560
Investments in associates and JVs	-	-	-	-	-	146	146
	63,090	20,535	35,486	111,161	79,363	10,111	319,746
Liabilities							
Deposits from central and other banks	(14,225)	(3,642)	(2.701)	(902)	(665)	-	(22,135)
Deposits from customers	(169,612)	(13,842)	(20,186)	(2,344)	(15)	-	(205,999)
Debt securities in issue	(25)	(197)	(2,861)	(21,588)	(10,354)	(36)	(35,061)
	(183,862)	(17,681)	(25,748)	(24,834)	(11,034)	(36)	(263,195)
Net financial instruments position	(120,772)	2,854	9,738	86,327	68,329	10,075	56,551
Cash inflows from derivatives	26,509	6,310	9,200	4,429	1,742	-	48,190
Cash outflows from derivatives	(26,577)	(6,206)	(9,344)	(4,369)	(1,706)	-	(48,202)
Net position from derivatives	(68)	104	(144)	60	36	-	(12)
Total net position	(120,840)	2,958	9,594	86,387	68,365	10,075	56,539

37. Financial risk management (continued)

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	4,924	-	-	-	-	-	4,924
Loans and advances to banks	35,197	143	678	2,961	-	39	39,018
Financial assets held for trading	98	3,012	52	177	329	-	3,668
Available-for-sale financial assets	-	9	26	2,872	-	68	2,975
Loans and advances to customers	2,442	7,499	22,809	40,427	46,497	7,278	126,952
Held-to-maturity investments	1,653	1,269	2,258	71,808	26,437	-	103,425
Investments in associates and JVs	-	-	-	-	-	139	139
	44,314	11,932	25,823	118,245	73,263	7,524	281,101
Liabilities							
Deposits from central and other banks	(8,678)	(1,963)	(620)	(2,286)	(836)	-	(14,383)
Deposits from customers	(149,434)	(11,996)	(16,211)	(2,125)	-	-	(179,766)
Debt securities in issue	(33)	(114)	(1,800)	(16,243)	(8,985)	-	(27,175)
	(158,145)	(14,073)	(18,631)	(20,654)	(9,821)	-	(221,324)
Net financial instruments position	(113,831)	(2,141)	7,192	97,591	63,442	7,524	59,777
Cash inflows from derivatives	28,868	7,232	16,231	4,304	783	-	57,418
Cash outflows from derivatives	(28,584)	(7,348)	(16,113)	(4,433)	(742)	-	(57,220)
Net position from derivatives	284	(116)	118	(129	41	-	198
Total net position	(113,547)	(2,257)	7,310	97,462	63,483	7,524	59,975

d) Operational risk

Operational risk is defined as ‘the risk of losses resulting from the unsuitability or failure of procedures, human resources and internal systems, or from external events. Operational Risk also includes legal risk … while strategic and reputational risks are not included’.

The definition of operational risk, according to Basel II, excludes strategic and reputational risk but includes legal risk. Legal risk means the risk of losses coming from the violation of laws and regulations, from contractual liabilities or from liabilities outside the terms of a contract, or from other disputes.

In recent years, the Group has commenced projects aimed at the adoption of the Standardized Approach under Basel II from 1 January 2008 and the advanced operational risk management model in 2009. The local project activities are coordinated by the Intesa Sanpaolo Head Office.

The Bank has a centralized function within the Risk Management division for the management of the Group’s operational risks. This function is responsible for the definition, implementation, and monitoring of the methodological and organizational framework, as well as for the measurement of the risk profile, the verification of mitigation effectiveness and reporting to senior management in accordance with the standards and principles defined by Intesa Sanpaolo Head Office.

In compliance with current requirements, the Group’s organizational units have been involved in the process and each of them was assigned responsibility for the identification, assessment, management and mitigation of its operational risks; specific officers and departments have been identified within these organizational units to be responsible for Operational Risk Management.

The Intesa Sanpaolo Group's internal model is designed to combine all the main quantitative (historical loss data) and qualitative information sources (scenario analysis). The quantitative component is based on a statistical analysis of historical loss data, relating to internal or external events (including through the participation of Intesa Sanpaolo in consortium initiatives). The qualitative component focuses on an assessment of the risk exposure of each unit and is based on the structured collection of subjective estimates aimed at assessment of specific scenarios identified on the basis of event types set out in the New Capital Accord (Basel II).

Capital-at-Risk is therefore identified as the measurement indicator at the Group's level, net of insurance cover, required to bear the maximum potential annual loss. Capital-at-Risk is estimated using the Loss Distribution Approach model (actuarial statistical model to calculate the Value-at-Risk of operational losses), applied on quantitative and qualitative data assuming a one-year estimation period, with a level of confidence of 99,9% (99,96% for economic measurement).

The Group utilizes a traditional operational risk transfer policy (insurance) with the objective of mitigating the impact of any unexpected losses.

Compliance with the Group's standards is supported by a program of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and the senior management of the Group.

38. Segment reporting

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

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

The Group comprises the following main operating segments:
- Retail banking
- Corporate banking
- Central treasury

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

Corporate banking comprises Small and medium enterprises (SME) and the Corporate Customer Desk (CCD). SME includes loans, deposits and other transactions and balances with small and medium enterprises (company revenue in the range of Sk 30 million to Sk 1,000 million; if revenue information is not available, bank account turnover is used). CCD includes loans, deposits and other transactions and balances with large corporate customers (company revenue over Sk 1,000 million).

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

38. Segment reporting (continued)

	Retail banking	Corporate banking	Central treasury	Other	Total
31 December 2007					
External revenue					
Interest income	6,135	2,779	5,795	79	14,788
Interest expense	(2,575)	(1,725)	(1,987)	8	(6,279)
Inter-segment revenue	2,263	471	(3,664)	930	-
Net interest income	5,823	1,525	144	1,017	8,509
Net fee and commission income	2,280	467	53	-	2,800
Net trading income	397	454	411	2	1,264
Other operating income	263	8	-	51	322
Dividend income	-	-	-	-	-
Total segment operating income	8,763	2,454	608	1,070	12,895
Depreciation and amortization	(769)	(40)	(6)	(304)	(1,119)
Operating expenses					(5,689)
Operating profit before impairment and provisions					6,087
Impairment losses and provisions	(812)	(76)	9	-	(879)
Income tax expense					(1,148)
Share of profit of associates and jointly controlled entities					7
Net profit for the year					4,067
Segment assets	75,054	59,873	141,063	8,577	284,567
Segment liabilities	127,081	69,279	63,090	25,117	284,567

	Retail banking	Corporate banking	Central treasury	Other	Total
31 December 2006					
External revenue					
Interest income	4,834	2,298	5,018	178	12,328
Interest expense	(1,738)	(1,272)	(1,786)	5	(4,791)
Inter-segment revenue	1,979	606	(3,404)	819	-
Net interest income	5,075	1,632	(172)	1,002	7,537
Net fee and commission income	2,115	490	66	(11)	2,660
Net trading income	330	303	486	18	1,137
Other operating income	228	(5)	-	143	366
Dividend income	-	-	-	12	12
Total segment operating income	7,748	2,420	380	1,164	11,712
Depreciation and amortization	(774)	(37)	(6)	(254)	(1,071)
Operating expenses					(5,329)
Operating profit before impairment and provisions					5,312
Impairment losses and provisions	(823)	269	114	-	(440)
Income tax expense					(1,073)
Share of loss of associates and jointly controlled entities					(52)
Net profit for the year					3,747
Segment assets	55,453	43,705	134,337	7,482	240,977
Segment liabilities	109,567	58,220	46,125	27,065	240,977

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

(d) key management personnel, that is, those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including directors and officers of the 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 Group and enterprises that have a member of key management in common with the Group.

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

At 31 December 2007 and 2006, significant outstanding balances with related parties comprised:

	2007	2006
Loans and advances		
Key management personnel	6	6
Shareholder companies controlled by shareholder	1,746	7,167
	1,752	7,173
Customer accounts		
Key management personnel	38	26
Affiliated companies	21	12
Shareholder and companies controlled by share holder	4,517	3,326
	4,576	3,364
Derivative transactions (notional amount)		
Shareholder and companies controlled by shareholder	12,749	3,571
Securities		
Shareholder and companies controlled by shareholder	2,654	2,599
Other liabilities (liabilities from the acquisition of subsidiaries)		
Key mangement personnel	501	583

40. 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 2007.

ERNST & YOUNG

Ernst & Young Slovakia, s. r. o.
Hodžovo námestie 1A
P. O. Box 19
810 00 Bratislava
Slovenská republika

Phone: +421 2 3333 9111
Fax: +421 2 3333 9222
www.ey.com/sk

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 2007, 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 2007, 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.

6 March 2008
Bratislava, Slovak Republic

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

Ing. Dalimil Draganovský
SKAU Licence No. 893

Ernst & Young Slovakia, s.r.o., IČO: 35 840 463, zapísaná v Obchodnom registri Okresného súdu Bratislava I, oddiel: Sro, vložka číslo: 2700/B a v zozname audítorov vedenom Slovenskou komorou audítorov pod č. 257.

Balance sheet
at 31 December 2007
(In millions of Slovak crowns)

	Notes	2007	2006
Assets			
Cash and balances with central banks	4	4,493	4,872
Loans and advances to banks	5	35,090	38,566
Financial assets held for trading	6	10,664	3,489
Derivative financial instruments	7	1,055	2,388
Available-for-sale financial assets	8	2,673	2,667
Non-current assets held for sale	14	348	15
Loans and advances to customers	9	119,931	89,169
Held-to-maturity investments	11	90,721	86,580
Subsidiaries, associates and jointly controlled entities	12	3,430	2,485
Intangible assets	13	970	887
Property and equipment	14	5,468	6,217
Current income tax assets	15	-	536
Other assets	16	297	360
		275,140	238,231
Liabilities			
Deposits from central and other banks	17	16,145	10,758
Derivative financial instruments	7	1,034	2,054
Deposits from customers	18	205,137	179,084
Debt securities in issue	19	26,727	22,278
Current income tax liabilities	20	700	-
Deferred income tax liabilities	20	347	244
Provisions	21	968	990
Other liabilities	22	2,182	1,612
		253,240	217,020
Equity			
Share capital	23	12,978	12,978
Share premium	23	403	403
Reserves		2,609	2,618
Retained earnings		5,910	5,212
		21,900	21,211
		275,140	238,231
Financial commitments and contingencies	24	77,932	44,537

The accompanying notes on pages 71 to 113 form an integral part of these financial statements.

These financial statements were authorized for issue by the Board of Directors on 6 March 2008.

Ignacio Jaquotot
Chairman of the Board of Directors

Domenico Cristarella
Member of the Board of Directors

Income statement
for the year ended 31 December 2007
(In millions of Slovak crowns)

	Notes	2007	2006 Restated
Interest and similar income		13,634	11,292
Interest expense and similar charges		(6,157)	(4,711)
Net interest income	25	7,477	6,581
Fee and commission income		3,334	3,158
Fee and commission expense		(1,241)	(1,220)
Net fee and commission income	26	2,093	1,938
Net trading income	27	1,264	1,141
Other operating income	28	100	156
Dividend income		47	139
Operating income		10,981	9,955
Salaries and employee benefits	29	(2,271)	(2,366)
Other operating expenses	30	(2,610)	(2,261)
Amortization	13	(331)	(304)
Depreciation	14	(600)	(586)
Operating expenses		(5,812)	(5,517)
Operating profit before impairment and provisions		5,169	4,438
Impairment losses and provisions	31	(632)	367
Profit before tax		4,537	4,805
Income tax expense	32	(1,037)	(1,047)
Net profit for the year		3,500	3,758
Basic and diluted earnings per share in Sk	23	270	290

The accompanying notes on pages 71 to 113 form an integral part of these financial statements.

Statement of changes in equity
for the year ended 31 December 2007
(In millions of Slovak crowns)

	Share capital	Share premium	Legal reserve fund	Other capital funds	Revaluation reserve	Hedging reserve	Retained earnings	Total
At 1 January 2006	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
Translation of a foreign operation	-	-	-	-	-	-	5	5
Available-for-sale financial assets	-	-	-	-	2	-	-	2
Derivatives held for hedging	-	-	-	-	-	(2)	-	(2)
Total income and expense for the year recognized directly in equity	-	-	-	-	2	(2)	5	5
Net profit for the year	-	-	-	-	-	-	3,500	3,500
Total income and expense for the year	-	-	-	-	2	(2)	3,505	3,505
Dividends to shareholders	-	-	-	-	-	-	(2,816)	(2,816)
Other	-	-	-	(9)	-	-	9	-
At 31 December 2007	12,978	403	2,636	-	(25)	(2)	5,910	21,900

The accompanying notes on pages 71 to 113 form an integral part of these financial statements.

Cash flow statement
for the year ended 31 December 2007
(In millions of Slovak crowns)

	Notes	2007	2006
Cash flows from operating activities			
Profit before changes in operating assets and liabilities	33	6,079	4,661
Loans and advances to banks		1,477	(909)
Financial assets held for trading		(122)	97
Derivative financial instruments (positive)		1,335	(538)
Available-for-sale financial assets		67	(1,966)
Loans and advances to customers		(31,215)	(6,630)
Other assets		22	157
Deposits from central banks		(1,225)	560
Deposits from other banks		6,542	(9,884)
Derivative financial instruments (negative)		(1,020)	18
Deposits from customers		25,987	15,709
Other liabilities		59	(113)
Net cash from/(used in) operating activities		1,907	(3,499)
Cash flows from investing activities			
Purchase of held-to-maturity investments		(9,451)	(31,677)
Repayments of held-to-maturity investments		5,685	38,860
Purchase of intangibile assets and property and equipment		(633)	(908)
Disposal of property and equipment		38	417
Acquisition of subsidiaries		(497)	-
Net cash (used in)/from investing activities		(4,858)	6,692
Cash flows from financing activities			
Proceeds from issue of debt securities		5,277	8,286
Repayments of debt securities		(1000)	(750)
Dividends paid		(2,816)	(3,699)
Net cash from financing activities		1,461	3,837
Net change in cash and cash equivalents		4,589	11,691
Cash and cash equivalents at beginning of the year	3	42,487	30,796
Cash and cash equivalents at end of the year	3	47,076	42,487

The accompanying notes on pages 71 to 113 form an integral part of these financial statements.

Notes to the separate financial statements
for the year ended 31 December 2007
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 and has the identification number (IČO) 313 20 155.

At 31 December 2007, the Bank had a network of 160 branches and 65 sub-branches located throughout Slovakia (December 2006: 165 branches and 70 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, Italy.

Members of the Board of Directors are: Ignacio Jaquotot (Chairman), Domenico Cristarella, Ivan Golian, Jozef Kausich, Jonathan Charles Locke, Elena Kohútiková, Vladimíra Josefiová, Dinko Lucić.

Members of the Supervisory Board are: György Surányi (Chairman), Giovanni Boccolini (Vice Chairman), Ezio Salvai (Vice Chairman), Adriano Arietti, Paolo Grandi, Pavel Kárász, Ján Mikušinec, Massimo Pierdicchi, Milan Sedláček, Paolo Sarcinelli.

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 6 March 2008 and are available at the legal office of the Bank.

The Bank decided to apply IFRS 8 Operating Segments for the accounting period beginning on 1 January 2007 as permitted by the Standard.

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. Summary of significant accounting policies (continued)

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

Reclassifications

Certain balances in the consolidated income statement from 2006 were reclassified in accordance with their presentation in 2007 to better reflect the substance of the income and expense. All reclassifications are related to the redesigned contracts for the insurance of banking products that is being collected from clients and subsequently paid to the insurance company. Originally, the Bank reported balances collected from clients and balances paid to the insurance company in gross values. After the reclassification, only net margin is presented in the income statement.

	2006	2006 Restated	Change
Fee and commission income	3,103	3,158	55
Fee and commission expense	(1,185)	(1,220)	(35)
Other operating income	286	156	(130)
Other operating expenses	(2,371)	(2,261)	110

2.3 Segment reporting

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

The Bank operates in three operating segments – Retail banking, Corporate banking and Central treasury. Every segment is exposed to different risks and differs in the nature of its services, business processes and types of customers for its products and services.

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

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

2.4 Foreign currency transactions

Monetary assets and liabilities in foreign currencies are translated to 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.

2.5 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 foreign 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.

2.6 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.

2.7 Treasury bills and other eligible bills

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

2.8 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.

2.9 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 plus, in the case of financial assets not held for trading, any directly attributable incremental costs of acquisition. Securities purchased, but not settled, are recorded in the off balance sheet and changes in their fair values, for purchases into the trading and the available-for-sale portfolios, are recognized in the income statement and in equity respectively.

2. Summary of significant accounting policies (continued)

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

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 as held for trading or held-to-maturity. Subsequent to initial recognition, these assets are accounted for and re-measured at 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.

For available-for-sale financial investments, the Bank assesses at each balance sheet date whether there is objective evidence that an investment or a group of investments is impaired.

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

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

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

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 minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount. The amortization 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.

2.10 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 central and other 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 over the life of the agreement.

2.11 Derivative financial instruments

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

Derivative financial instruments are initially 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. The Bank 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 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. Summary of significant accounting policies (continued)

Embedded derivatives

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

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

Hedging derivatives

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

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

Also at the inception of the hedge relationship, a formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. Hedges are formally assessed each month. A hedge is regarded as highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are expected to offset in a range of 80% to 125%. For situations where that hedged item is a forecast transaction, the Bank assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect the income statement.

Cash flow hedges

For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is initially recognized directly in equity in the ‘Hedging reserve’. The ineffective portion of the gain or loss on the hedging instrument is recognized immediately in the income statement in ‘Net trading income’.

When the hedged cash flow affects the income statement, the gain or loss on the hedging instrument is ‘recycled’ in the corresponding income or expense line of the income statement. When a hedging instrument expires, or is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the hedged forecast transaction is ultimately recognized in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement in ‘Net trading income’.

2.12 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.

2.13 Non-current assets held for sale

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

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

2.14 Loans and advances to customers and impairment losses

Loans and advances are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market 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 testing. An impairment loss for a loan, or a group of similar loans, is established if their carrying amount is greater than their estimated recoverable amount. The recoverable amount is the present value of expected future cash flows, including amounts recoverable from guarantees and collaterals, discounted based on the loan's original effective interest rate. The amount of the impairment loss is included in the 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.

2.15 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. 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

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

2.17 Property and equipment

Property and equipment are recorded at historical cost less accumulated depreciation and impairment losses. Acquisition cost includes the purchase price plus other costs related to acquisition such as freight, duties or commissions. The costs of expansion, 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.

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

2.18 Leasing

The determination of whether an arrangement is a finance lease is based on the substance of the arrangement and requires an assessment of whether:

- the fulfillment of the arrangement is dependent on the use of a specific asset or assets that could only be used by the lessee without major modifications being made,
- the lease transfers ownership of the asset at the end of the lease term,
- the VUB Group has the option to purchase the asset at a price sufficiently below fair value at exercise date,
- it is reasonably certain the option will be exercised,
- the lease term is for a major part of the asset's economic life even if title is not transferred,
- the present value of minimum lease payments substantially equals the asset's fair value at inception.

VUB Group as a lessee

Finance leases, which transfer to the VUB Group substantially all the risks and benefits incidental to ownership of the leased item, are 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.

2.19 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.

2.20 Financial guarantees

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make a payment when 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)

2.21 Legal reserve fund

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

2.22 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.

2.23 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.

2.24 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.

2.25 Dividend income

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

2.26 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'.

2.27 Fiduciary assets

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

2.28 Significant accounting judgements and estimates

Judgements

In the process of applying the Bank's accounting policies, management has made judgements, apart from those involving estimations, that significantly affect the amounts 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 circumstance, for example selling a higher than insignificant amount close to maturity, it will be required to reclassify the entire class as available for sale. The investments would therefore be measured at fair value and not at 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 a number of factors and actual results may differ, resulting in future changes to the specific allowance.

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

2.29 Future changes in accounting policies

The IASB has issued revisions and amendments to the following standards, which are not yet effective, and which the Bank has not yet adopted. The Bank expects that the adoption of these revised and amended standards will have no significant effect on the financial statements of the Bank.

IFRS 3R Business Combinations and IAS 27R Consolidated and Separate Financial Statements

The revised standards were issued in January 2008 and become effective for financial years beginning on or after 1 July 2009. IFRS 3R introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. IAS 27R requires that a change in the ownership interest of a subsidiary is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give raise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes introduced by IFRS 3R and IAS 27R must be applied prospectively and will affect future acquisitions and transactions with minority interests.

IAS 1 Revised Presentation of Financial Statements

The revised IAS 1 Presentation of Financial statements was issued in September 2007 and becomes effective for financial years beginning on or after 1 January 2009. The Standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense, either in one single statement, or in two linked statements.

Amendments to IAS 32 a IAS 1 Puttable Financial Instruments

Amendments to IAS 32 and IAS 1 were issued in February 2008 and become effective for annual periods beginning on or after 1 January 2009. The amendment to IAS 32 requires certain puttable financial instruments and obligations arising on liquidation to be classified as equity if certain criteria are met. The amendment to IAS 1 requires disclosure of certain information relating to puttable instruments classified as equity.

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	2007	2006
Cash and balances with central banks	4	4,493	4,872
Treasury bills and other eligible bills	6	9,967	2,974
Current accounts in other banks	5	784	363
Term deposits with central and other banks	5	3,117	11,854
Loans and advances to central and other banks	5	28,715	22,424
		42,076	42,487

4. Cash and balances with central banks

	2007	2006
Balances with central banks:		
Compulsory minimum reserves	666	1,785
Current accounts	1,021	548
	1,687	2,333
Cash in hand	2,806	2,539
	4,493	4,872

The compulsory minimum reserve is maintained as an interest bearing deposit under the regulations of the NBS and the 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. Loans and advances to banks

	2007	2006
Current accounts in other banks	784	363
Loans and advances to:		
Central banks	19,911	22,424
Other banks	11,101	2,576
Term deposits with:		
Central banks	2,397	665
Other banks	923	12,571
Impairment losses (note 10)	(26)	(33)
	35,090	38,566

6. Financial assets held for trading

	2007	2006
Treasury bills and other eligible bills	9,967	2,974
State bonds	514	457
Bank bonds	8	54
Corporate bonds	175	4
	10,664	3,489

All securities held for trading are listed. At 31 December 2007 and 2006, the Bank did not pledge any bonds to secure transactions with counterparties.

7. Derivative financial instruments

	2007 Positive	2006 Positive	2007 Negative	2006 Negative
Trading derivatives	1,055	2,388	(1,032)	(2,054)
Cash flow hedges of interest rate risk	-	-	(2)	-
	1,055	2,388	(1,034)	(2,054)

Trading derivatives include also hedge instruments that are non-qualifying according to IAS 39, but are held for risk management purposes rather than for trading. The instruments used include interest rate swaps and cross-currency interest rate swaps. In 2007, the total positive fair value of such derivatives was Sk 86 million (2006: zero) and the negative fair value was Sk 45 million (2006: zero).

	2007 Positive	2006 Positive	2007 Negative	2006 Negative
Trading derivatives - Fair values				
Interest rate instruments				
Swaps	517	674	(439)	(591)
Forward rate agreements	18	-	(12)	-
	535	674	(451)	(591)
Foreign currency instruments				
Forwards and swaps	183	1,529	(314)	(1,278))
Cross currency swaps	86	-	(16)	-
Options	143	82	(143)	(82)
	412	1,611	(473)	(1,360)
Equity and commodity instruments				
Equity options	103	103	(103)	(103)
Commodity options	5	-	(5)	-
	1,055	2,388	(1,032)	(2,054)

	2007 Assets	2006 Assets	2007 Liabilities	2006 Liabilities
Trading derivatives - Notional values				
Interest rate instruments				
Swaps	38,428	47,260	38,428	47,260
Forward rate agreements	21,482	-	21,482	-
	59,910	47,260	59,910	47,260
Foreign currency instruments				
Forwards and swaps	36,734	44,652	36,841	44,411
Cross currency swaps	2,273	-	2,199	-
Options	3,541	4,062	3,539	4,062
	42,548	48,714	42,579	48,473
Equity and commodity instruments				
Equity options	1,100	149	1,100	149
Commodity options	76	-	76	-
	103,634	96,123	103,665	95,882

Equity instruments include also options for the purchase of a 30% shareholding in B.O.F., a.s. held by the Bank with notional values of Sk 420 million in assets and Sk 420 million in liabilities. These options are not revalued, because their fair value cannot be reliably measured.

Cash flow hedge of interest rate risk
The Bank uses one interest rate swap to hedge the interest rate risk arising from issuance of a floating rate mortgage bond. The cash flows on the interest rate swap substantially match the cash flow profile of the floating rate mortgage bond.

8. Available-for-sale financial assets

	Share in 2007	Share in 2006	2007	2006
Bank bonds at fair value			2,654	2,599
Equity shares at cost				
Burza cenných papierov v Bratislave, a. s.	-	6.69%	-	23
Burza cenných papirů Praha, a.s.	-	8.32%	-	28
RVS Studené, a.s.	8.26%	8.26%	17	17
S.W.I.F.T	0.02%	0.02%	2	2
			19	70
Impairment losses			-	(2)
			19	68
			2,673	2,667

9. Loans and advances to customers

31 December 2007	Cost	Impairment losses (note 10)	Carrying amount
Sovereigns			
State organizations/Municipalities	1,205	-	1,205
	1,205	-	1,205
Corporate			
Other Financial Institution	6,731	(10)	6,721
Large Corporates - Amortizing assets	26,140	(747)	25,393
Large Corporates - Revolving facilities	4,603	(112)	4,491
SME - Amortizing assets	13,057	(249)	12,808
SME - Revolving facilities	6,470	(167)	6,303
Non-profit institutions	37	-	37
Leasing	254	(2)	252
Factoring	666	-	666
	57,958	(1,287)	56,671
Retail			
Small business - Amortizing assets	2,075	(238)	1,837
Small business - Revolving facilities	855	(106)	749
Private individuals - Consumer Loans	12,206	(679)	11,527
Private individuals - Credit Cards	5,068	(397)	4,671
Private individuals - Overdrafts	2,192	(137)	2,055
Private individuals - Mortgages	41,726	(558)	41,168
Other	58	(10)	48
	64,180	(2,125)	62,055
	123,343	(3,412)	119,931

31 December 2006	Cost	Impairment losses (note 10)	Carrying amount
Sovereigns			
State organizations/Municipalities	1,471	(28)	1,443
	1,471	(28)	1,443
Corporate			
Other Financial Institution	5,344	(8)	5,336
Large Corporates - Amortizing assets	20,806	(1,105)	19,701
Large Corporates - Revolving facilities	3,718	(112)	3,606
SME - Amortizing assets	9,606	(236)	9,370
SME - Revolving facilities	4,740	(122)	4,618
Non-profit institutions	36	-	36
Leasing	224	-	224
Factoring	175	-	175
	44,649	(1,583)	43,066
Retail			
Small business - Amortizing assets	1,523	(243)	1,280
Small business - Revolving facilities	718	(150)	568
Private individuals - Consumer Loans	9,222	(747)	8,475
Private individuals - Credit Cards	4,711	(392)	4,319
Private individuals - Overdrafts	1,682	(124)	1,558
Private individuals - Mortgages	28,936	(580)	28,356
Other	116	(12)	104
	46,908	(2,248)	44,660
	93,028	(3,859)	89,169

During 2007, the Bank wrote off loans and advances to customers amounting to Sk 983 million net of recoveries (2006: Sk 1,365 million) against already existing impairment losses (note 31).

At 31 December 2007, the 20 largest corporate customers represented a total balance of Sk 20,809 million (2006: Sk 16,260 million) or 17% (2006: 17%) of the gross loan portfolio.

Maturities of gross finance lease receivables are as follows:

	2007	2006
Up to 1 year	78	58
1 to 5 years	154	182
Over 5 years	58	45
	290	285
Unearned future finance income on finance leases	(36)	(61)
Impairment losses	(2)	-
	252	224

Maturities of net finance lease receivables are as follows:

	2007	2006
Up to 1 year	68	54
1 to 5 years	135	145
Over 5 years	49	25
	252	224

10. Impairment losses

	1 Jan 2007	(Reversal)/ creation (note 31)	FX gains	31 Dec 2007
Loans and advances to banks (note 5)	33	(6)	(1)	26
Loans and advances to customers (note 9)	3,859	(445)	(2)	3,412
Held-to-maturity investments (note 11)	24	(3)	(1)	20
Subsidiaries, associates and JVs (note 12)	542	23	-	565
Property and equipment (note 14)	1	-	-	1
Non-current assets held for sale (note 14)	12	(12)	-	-
Other assets (note 16)	27	40	-	67
	4,498	(403)	(4)	4,091

10. Impairment losses (continued

	1 Jan 2006	(Reversal)/ creation (note 31)	Other[1]	FX gains	31 Dec 2006
Loans and advances to banks (note 5)	-	33	-	-	33
Loans and advances to customers (note 9)	4,415	(739)	235	(52)	3,859
Held-to-maturity investments (note 11)	176	(147)	-	(5)	24
Subsidiaries, associates and JVs (note 12)	542	-	-	-	542
Property and equipment (note 14)	481	(480)	-	-	1
Non-current assets held for sale (note 14)	64	(52)	-	-	12
Other assets (note 16)	32	(5)	-	-	27
	5,710	(1,390)	235	(57)	4,498

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

11. Held-to-maturity investments

	2007	2006
State restructuring bonds	35,065	35,072
State bonds	47,134	42,947
Bank bonds and other bonds issued by financial sector	7,270	7,275
Corporate notes and bonds	1,272	1,310
	90,741	86,604
Impairment losses (note 10)	(20)	(24)
	90,721	86,580

State restructuring 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.

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 2007 and 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 30 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 30 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.

The 7-year state restructuring bond with a nominal value of Sk 11,300 million was fully repaid on 30 January 2008.

12. Subsidiaries, associates and jointly controlled entities

	Share in %	Cost	Impairment losses	Carrying amount
At 31 December 2007				
VÚB Factoring, a.s.	100.0	498	(246)	252
VÚB Leasingová, a.s.	100.0	234	(224)	10
Recovery, a.s.	100.0	110	(95)	15
VÚB Asset Management, správ. spol. a.s.	100.0	85	-	85
Consumer Finance Holding, a.s.	100.0	1,600	-	1,600
B.O.F., a.s.	70.0	968		968
Slovak Banking Credit Bureau, s.r.o.	33.3	-	-	-
VÚB Generali DSS, a.s.	50.0	500	-	500
		3,995	(565)	3,430
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

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

13. Intangible assets

	Software	Other intangible assets	Assets in progress	Total
Cost				
At 1 January 2007	3,734	270	167	4,171
Additions	-	-	418	418
Disposals	(4)	-	-	(4)
Transfers	364	92	(456)	-
At 31 December 2007	4,094	362	129	4,585
Amortization				
At 1 January 2007	(3,078)	(206)	-	(3,284)
Additions	(295)	(36)	-	(331)
Disposals	-	-	-	-
At 31 December 2007	(3,373)	(242)	-	(3,615)
Carrying amount				
At 31 December 2007	721	120	129	970

	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

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

	Buildings and land	Equipment	Other tangibles	Assets in progress	Total
Cost					
At 1 January 2007	6,679	3,061	1,119	325	11,184
Additions	-	-	-	224	224
Disposals	(559)	(217)	(91)	-	(867)
Transfers	120	234	39	(393)	-
At 31 December 2007	6,240	3,078	1,067	156	10,541
Depreciation					
At 1 January 2007	(1,755)	(2,516)	(695)	-	(4,966)
Additions	(278)	(225)	(97)	-	(600)
Disposals	199	213	82	-	494
At 31 December 2007	(1,834)	(2,528)	(710)	-	(5,072)
Impairment losses (note 10)					
At 1 January 2007	(1)	-	-	-	(1)
Net reversal	-	-	-	-	-
At 31 December 2007	(1)	-	-	-	(1)
Carrying amount					
At 31 December 2007	4,405	550	357	156	5,468

	Buildings and land	Equipment	Other tangibles	Assets in progress	Total
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 10)					
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

At 31 December 2007 and 2006, the VUB Group held in its portfolio of non-current assets held for sale buildings as follows:

	2007	2006
Cost	533	38
Accumulated depreciation	(185)	(11)
Impairment losses (note 10)	-	(12)
	348	15

15. Current income tax assets

	2007	2006
Current income tax assets	-	536

16. Other assets

	2007	2006
Prepayments and accrued income	85	94
Operating receivables and advances	231	242
VAT receivable and other taxes receivable	31	30
Inventories	17	21
	364	387
Impairment losses (note 10)	(67)	(27)
	297	360

17. Deposits from central and other banks

	2007	2006
Deposits from central banks		
Current accounts	1,626	2,847
Loans received	5	9
	1,631	2,856
Deposits from other banks		
Current accounts	1,751	2,051
Term deposits	11,390	4,858
Loans received	1,373	993
	14,514	7,902
	16,145	10,758

18. Deposits from customers

	2007	2006
Current accounts	67,440	56,954
Term deposits	82,003	74,735
Savings accounts	9,436	9,820
Government and municipal deposits	40,921	33,372
Loans received	685	555
Promissory notes	4,230	2,719
Other deposits	422	929
	205,137	179,084

19. Debt securities in issue

	2007	2006
Bonds	2,002	2,001
Mortgage bonds	24,725	20,277
	26,727	22,278

In 2007, the Bank issued mortgage bonds denominated in Sk in the nominal amount of Sk 3,150 million and mortgage bonds denominated in CZK in the nominal amount of CZK 1,800 million (Sk 2,273 million). Mortgage bonds in the total nominal amount of Sk 1,000 million matured and were fully repaid during 2007.

In 2006, the Bank issued 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). Mortgage bonds in the total nominal amount of Sk 750 million matured and were fully repaid during 2006.

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

20. Current and deferred income tax liabilities

	2007	2006
Current income tax liabilities	700	-
Deferred income tax liabilities	347	244
	1,047	244

Deferred income taxes are calculated on all temporary differences using the tax rate of 19% (2006: 19%) as follows:

	2007	2006
Loans and securities	(345)	(305)
Property and equipment	(61)	(33)
Other liabilities and provisions	53	86
Tax losses carried forward	-	2
Other	6	6
	(347)	(244)

21. Provisions

	2007	2006
Litigations	968	990

The movement in provisions was as follows:

	1 Jan 2007	Reversal	31 Dec 2007
Litigations (note 30)	990	(22)	968

22. Other liabilities

	2007	2006
Various creditors	1,176	629
Financial guarantees and commitments	315	275
Severance	18	37
Retention program	12	17
Settlement with employees	514	509
VAT payables and other tax payables	90	88
Accruals and deferred income	57	31
Payables from trading with securities	-	26
	2,182	1,612

The movements in provision for financial guarantees and commitments, severance and retention program were as follows:

	1 Jan 2007	Creation/ (Reversal)	31 Dec 2007
Financial guarantees and commitments (note 31)	275	40	315
Severance (note 29)	37	(19)	18
Retention program (note 29)	17	(5)	12
	329	16	345

23. Share capital

	2007	2006
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	3,500	3,758
Divided by 12,978,108 ordinary shares of Sk 1,000 each		
Basic and diluted earnings per share in Sk	270	290

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

23. Share capital (continued)

The structure of shareholders is as follows:

	2007	2006
Intesa Holding International S.A.	96.49%	96.49%
Domestic shareholders	2.94%	2.96%
Foreign shareholders	0.57%	0.55%
	100.00%	100.00%

The VUB Group's regulatory capital position at 31 December 2007 and 2006 was as follows:

	2007	2006
Tier 1 capital		
Share capital	12,978	12,978
Share premium	403	403
Retained earnings without net profit for the year	2,410	1,454
Legal reserve fund	2,636	2,636
Less software (incl. acquisition)	(851)	(652)
	17,576	16,819
Tier 2 capital	-	-
Regulatory adjustment		
Investment in subsidiaries, associates and jointly controlled entities	(3,430)	(2,485)
Total regulatory capital	14,146	14,334

Regulatory capital includes items forming the value of basic own funds (ordinary share capital, share premium, retained earnings, legal reserve fund) and items decreasing the value of basic own funds (intangible assets, goodwill and investments with significant influence).

The Bank must maintain a capital adequacy ratio of at least 8% according to NBS regulations. The capital adequacy is the ratio between the Bank's capital and the risk-weighted assets. Risk-weighted assets include risk weighted assets from positions recorded in the trading book and risk weighted assets from positions recorded in the banking book. The Bank complied with the NBS requirement for the capital adequacy ratio as at 31 December 2007 and 2006.

24. Financial commitments and contingencies

	2007	2006
Issued guarantees	11,416	9,617
Commitments and undrawn credit facilities	66,516	34,920
	77,932	44,537

(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 total value of future payments arising from non-cancelable operating leasing contracts at 31 December 2007 was as follows:

	2007	2006
Up to 1 year	46	55
1 to 5 years	82	128
Over 5 years	-	-
	128	183

(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 2007. Pursuant to this review, management has recorded as of 31 December 2007 a provision of Sk 968 million (31 December 2006: Sk 990 million) in respect of such legal proceedings (see also note 21). The Bank will continue to defend its position in respect of each of these legal proceedings.

25. Net interest income

	2007	2006
Interest and similar income		
Loans and advances to banks	1,502	1,747
Loans and advances to customers	7,770	6,189
Bonds, treasury bills and other securities:		
Financial assets held for trading	383	36
Available-for-sale financial assets	128	68
Held-to-maturity investments	3,851	3,252
	13,634	11,292
Interest expense and similar charges		
Deposits from banks	(610)	(444)
Deposits from customers	(4,352)	(3,505)
Debt securities in issue	(1,195)	(762)
	(6,157)	(4,711)
	7,477	6,581

Interest income on individually impaired loans and advances to customers for 2007 amounted to Sk 156 million (2006: Sk 119 million).

26. Net fee and commission income

	2007	2006
Fee and commission income		
Received from banks	193	204
Received from customers	2,864	2,669
Received from other financial operations	277	285
	3,334	3,158
Fee and commission expense		
Paid to banks	(251)	(223)
Paid to customers	(970)	(978)
Paid due to other financial operations	(20)	(19)
	(1,241)	(1,220)
	2,093	1,938

27. Net trading income

	2007	2006
Foreign currency derivatives and transactions	1,051	1,026
Interest rate derivatives	13	37
Securities:		
Available-for-sale financial assets	195	82
Financial assets held for trading	5	(4)
	1,264	1,141

28. Other operating income

	2007	2006
Rent	54	53
Net profit from sale of fixed assets	3	39
Other	43	64
	100	156

29. Salaries and employee benefits

	2007	2006
Salaries	(1,649)	(1,699)
Social security costs	(646)	(613)
Provisions for severance (note 22)	19	(37)
Provisions for retention program (note 22)	5	(17)
	(2,271)	(2,366)

The total number of employees of the Bank at 31 December 2007 was 3,436 (2006: 3,593).

The remuneration and other benefits provided to members of the Supervisory Board and the Board of Directors in 2007 was Sk 89 million (2006: Sk 99 million).

The Bank does not have any pension arrangements separate from the pension system established by the law, which requires mandatory contributions of a certain percentage of gross salaries to the State owned Social insurance and privately owned pension funds. These contributions are 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.

30. Other operating expenses

	2007	2006
Contribution to the Deposit Protection Fund	(173)	(144)
IT systems maintenance	(260)	(292)
Post and telecom	(294)	(327)
Property related expenses	(355)	(349)
Equipment related expenses	(208)	(185)
Advertising and marketing	(319)	(296)
Professional services	(192)	(176)
Security	(132)	(128)
Stationery	(82)	(109)
VAT and other taxes	(182)	(186)
Provision for litigations (note 21)	22	102
Litigations paid	(225)	(12)
Transport	(16)	(17)
Training	(39)	(38)
Travel	(28)	(28)
Insurance	(15)	(37)
Other operating expenses	(112)	(39)
	(2,610)	(2,261)

31. Impairment losses and provisions

	2007	2006
Net reversal of impairment losses (note 10)	403	1,390
Net (creation)/reversal of financial guarantees and commitments (note 22)	(40)	410
	363	1,800
Non current assets sold	(12)	(68)
Nominal value of loans written-off	(524)	(1,110)
Nominal value of loans transferred	(1,166)	(713)
Proceeds from loans written-off	225	245
Proceeds from loans transferred	482	213
	(983)	(1,365)
	(632)	367

32. Income tax expense

	2007	2006
Current income tax	(934)	(187)
Deferred income tax	(103)	(860)
	(1,037)	(1,047)

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

	2007	2006
Loans and securities	(40)	(707)
Property and equipment	(28)	(136)
Other liabilities and provisions	(33)	(1)
Tax losses carried forward	(2)	(22)
Other	-	6
	(103)	(860)

The effective tax rate differs from the statutory tax rate in 2007 and in 2006.

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

	2007	2006
Profit before tax	4,537	4,805
Applicable tax rate	19%	19%
Theoretical tax charge	(862)	(913)
Permanent differences and previously unrecognized deferred tax assets	(164)	(124)
Adjustments for current tax of prior periods	(11)	(10)
Tax expense	(1,037)	(1,047)
Effective tax rate	23%	22%

33. Profit before changes in operating assets and liabilities

	2007	2006
Profit before tax	4,537	4,805
Adjustments for:		
Amortization	331	304
Depreciation	600	586
Unrealized profit from securities held for trading and available-for-sale securities	(64)	(11)
Interest income	(13,634)	(11,292)
Interest expense	6,157	4,711
Dividend income	(47)	(139)
Income / (loss) on sale of property and equipment	9	(39)
Provisions and impairment losses	598	(416)
Interest received	13,091	11,794
Interest paid	(5,848)	(4,499)
Dividends received	47	139
Tax received / (paid)	302	(1,282)
	6,079	4,661

34. 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 approximates their carrying amounts. Provisions are taken into consideration when calculating fair values.

(c) Loans and advances to customers
The fair value of loans and advances to customers is estimated using discounted cash flow analyses, based upon the risk free interest rate curve adjusted by relevant credit spreads. Provisions are taken into consideration when calculating fair values.

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

(e) Subsidiaries, associates and jointly controlled entities
The estimated fair value of investment in subsidiaries, associates and jointly controlled entities approximates their carrying amounts.

(f) Deposits from banks and customers
The estimated fair value of deposits from banks approximates their carrying amounts. The fair value of deposits from customers with short term maturity (under one year) is estimated by discounting their future cash flows using the risk free interest rate curve. Fair value of deposits with maturity over than one year are discounted using the appropriate current interest rates offered by the Bank to these clients.

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

34. Estimated fair value of certain assets and liabilities (continued)

	Notes	Trading	Held-to maturity	Loans and receivables	Available-for-sale	Other amortized cost	Total carrying amount	Fair value
31 December 2007								
Cash and balances with central banks	4	-	-	4,493	-	-	4,493	4,493
Loans and advances to banks	5	-	-	35,090	-	-	35,090	35,090
Financial assets held for trading	6	10,664	-	-	-	-	10,664	10,664
Derivative financial instruments	7	1,055	-	-	-	-	1,055	1,055
Available-for-sale financial assets	8	-	-	-	2,673	-	2,673	2,673
Loans and advances to customers	9	-	-	119,931	-	-	119,931	119,971
Held-to-maturity investments	11	-	90,721	-	-	-	90,721	90,086
Subsidiaries, associates and jointly controlled entities	12	-	-	-	-	3,430	3,430	3,430
		11,719	90,721	159,514	2,673	3,430	268,057	267,462
Deposits from central and other banks	17	-	-	-	-	16,145	16,145	16,145
Derivative financial instruments	7	1,034	-	-	-	-	1,034	1,034
Deposits from customers	18	-	-	-	-	205,137	205,137	204,909
Debt securities in issue	19	-	-	-	-	26,727	26,727	26,646
		1,034	-	-	-	248,009	249,043	248,734

	Notes	Trading	Held-to maturity	Loans and receivables	Available-for-sale	Other amortized cost	Total carrying amount	Fair value
31 December 2006								
Cash and balances with central banks	4	-	-	4,872	-	-	4,872	4,872
Loans and advances to banks	5	-	-	38,566	-	-	38,566	38,566
Financial assets held for trading	6	3,489	-	-	-	-	3,489	3,489
Derivative financial instruments	7	2,388	-	-	-	-	2,388	2,388
Available-for-sale financial assets	8	-	-	-	2,667	-	2,667	2,667
Loans and advances to customers	9	-	-	89,169	-	-	89,169	88,962
Held-to-maturity investments	11	-	86,580	-	-	-	86,580	86,757
Subsidiaries, associates and jointly controlled entities	12	-	-	-	-	2,485	2,485	2,485
		5,877	86,580	132,607	2,667	2,485	230,216	230,186
Deposits from central and other banks	17	-	-	-	-	10,758	10,758	10,758
Derivative financial instruments	7	2,054	-	-	-	-	2,054	2,054
Deposits from customers	18	-	-	-	-	179,084	179,084	178,717
Debt securities in issue	19	-	-	-	-	22,278	22,278	22,086
		2,054	-	-	-	212,120	214,174	213,615

35. Financial risk management

Introduction and overview

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

(a) credit risk
(b) market risk
(c) liquidity risk
(d) operational risk

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

Risk management framework

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

- Asset/Liability Committee ('ALCO')
- Credit Risk Committee
- Corporate Credit Committee ('CCC')
- Retail Credit Committee ('RCC')
- Operational Risk Committee.

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

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

(a) Credit risk

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

The basic document for credit risk management is the Risk Management Credit Principles and Policies Charter which contains: Principles for managing credit risk, Authorized approval authority, Collateral policy, Provisioning Policy, Rules for new product proposals, Credit Concentration Limits, Governance of rating and scoring systems, Write Off Policy and Credit Policies for each segment (Retail banking, Corporate banking and Central treasury).

35. Financial risk management (continued)

Management of credit risk

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

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

Allowances for impairment

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

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

Impairment losses are calculated individually for individually significant clients for which evidence of impairment exists and collectively for individually significant clients without evidence of impairment and for individually insignificant client groups of homogeneous assets. Collective impairment losses are calculated for each group using a mathematical model.

Rules for identifying significant clients and methodology for calculation are set in the Risk Management Credit Principles and Policies Charter.

Clients are divided into three classification categories according to the level of impairment for each client. Performing loans are those, for which there is an impairment of up to 20% of the outstanding amount. Loans with an impairment coverage higher than 20% and below 50% are classified as Substandard. Loans with coverage ratio higher than 50% are classified as Bad and Doubtful.

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

	Category	2007 Cost	2007 Impairment losses	2007 Carrying amount	2006 Cost	2006 Impairment losses	2006 Carrying amount
Loans and advances to banks							
	Performing	35,116	(26)	35,090	38,599	(33)	38,566
Loans and advances to customers							
	Performing	122,023	(2,597)	119,426	90,674	(2,330)	88,344
	Substandard	228	(75)	153	771	(234)	537
	Bad and Doubtful	1,092	(740)	352	1,583	(1,295)	288
		123,343	(3,412)	119,931	93,028	(3,859)	89,169
Held-to-maturity investments							
	Performing	90,678	-	90,678	86,539	-	86,539
	Substandard	63	(20)	43	65	(24)	41
		90,741	(20)	90,721	86,604	(24)	86,580

At 31 December 2007, the Bank had a potential credit exposure of Sk 1,686 million (31 December 2006: Sk 3,050 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 2007 and 31 December 2006 of all outstanding agreements in the event of all counterparties defaulting and not allowing for netting arrangements.

The credit risk of financial assets not discussed above approximates their carrying amounts.

The payment discipline of each client is monitored regularly. If a client is past due with some payments, appropriate action is taken. The following table shows the Bank's credit portfolio in terms of delinquency of payments.

	2007 Cost	2007 Impairment losses	2007 Carrying amount	2006 Cost	2006 Impairment losses	2006 Carrying amount
Loans and advances to banks						
No delinquency	34,846	(12)	34,834	38,599	(33)	38,566
31 - 60 days	205	(10)	195	-	-	-
91 - 180 days	65	(4)	61	-	-	-
	35,116	(26)	35,090	38,599	(33)	38,566
Loans and advances to customers						
No delinquency	117,207	(2,556)	114,651	88,291	(2,396)	85,895
1 - 30 days	4,404	(265)	4,139	2,667	(241)	2,426
31 - 60 days	590	(78)	512	624	(144)	480
61 - 90 days	262	(63)	199	247	(80)	167
91 - 180 days	376	(169)	207	357	(249)	108
Over 181 days	504	(281)	223	842	(749)	93
	123,343	(3,412)	119,931	93,028	(3,859)	89,169
Held-to-maturity investments						
No delinquency	90,741	(20)	90,721	86,604	(24)	86,580

35. Financial risk management (continued)

Write-off policy

The Bank writes off a loan or security balance (and any related allowances for impairment losses) when it determines that the loans or securities are uncollectible. As the standard, the Bank considers the credit balances to be uncollectible based on the past due days, i.e. 180 or 360 days past due depending on the type of segment or product. All credit balances are being reviewed for eligibility to be written off on a monthly basis.

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

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

An estimate of the fair value of collateral and other security enhancements held against financial assets is shown below:

	2007		2006	
	Clients	**Banks**	**Clients**	**Banks**
Debt securities	2	28,668	12	22,435
Other	9,853	607	9,177	609
Property	97,768	-	73,586	-
	107,623	29,275	82,775	23,044

The debt securities collateral received from banks represents the fair value of the collateral received in the reverse REPO trades with banks. The Bank is permitted to sell or repledge this collateral in the absence of default by the owner of the collateral. None of the collateral was sold or repledged at 31 December 2007 and 2006.

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

		2007			2006	
	Cost	**Impairment losses**	**Carrying amount**	**Cost**	**Impairment losses**	**Carrying amount**
Europe						
Loans and advances to banks	34,409	(2)	34,407	35,486	(2)	35,484
Loans and advances to customers	123,286	(3,411)	119,875	92,991	(3,859)	89,132
Held-to-maturity securities	90,671	(20)	90,651	86,531	(24)	86,507
	248,366	(3,433)	244,933	215,008	(3,885)	211,123
North America						
Loans and advances to banks	700	(24)	676	3,098	(31)	3,067
Loans and advances to customers	34	(1)	33	14	-	14
Held-to-maturity securities	70	-	70	73	-	73
	804	(25)	779	3,185	(31)	3,154
Asia						
Loans and advances to banks	7	-	7	11	-	11
Loans and advances to customers	7	-	7	20	-	20
	14	-	14	31	-	31
Rest of the World						
Loans and advances to banks	-	-	-	4	-	4
Loans and advances to customers	16	-	16	3	-	3
	16	-	16	7	-	7

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

(b) Market risk

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

Management of market risk

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

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

Exposure to market risk – trading portfolios

The principal tool used to measure and control market risk exposure within the Bank's trading portfolio is Value at Risk (VaR). The VaR of a trading portfolio is the estimated loss that will arise on the portfolio over a specified period of time (holding period) from an adverse market movement with a specified probability (confidence level). The VaR model used by the Bank is based upon a 99 percent confidence level and assumes a 1-day holding period. The VaR model used is based on historical simulation. Taking account of market data from the previous year, and observed relationships between different markets and prices, the model generates a wide range of plausible future scenarios for market price movements. The model was approved by the NBS as a basis for the calculation of the capital charge for market risk of the trading book.

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

A summary of the VaR position of the Bank's trading portfolios at 31 December and during the period is as follows:

Sk million	2007				2006			
	Balance	Avg	Max	Min	Balance	Avg	Max	Min
Foreign currency risk	1.61	1.74	6.01	0.24	3.61	1.37	4.84	0.17
Interest rate risk	4.58	4.72	9.46	1.95	3.37	4.10	8.17	2.00
Overall	4.15	5.18	9.95	1.94	6.19	4.31	10.11	2.19

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

35. Financial risk management (continued)

Exposure to interest rate risk – non-trading portfolios

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

Risk management division is responsible for monitoring these gaps at least on a monthly basis.

The management of interest rate risk is supported by monitoring the sensitivity of the Bank's financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on monthly basis include a 1 basis point parallel rise in all yield curves worldwide and the same for 200 basis point shift.

An analysis of the Bank's sensitivity to an increase in market interest rates is as follows:

Sk million	**2007**	**2006**
1 basis point increase	(8)	(11)

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

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 the extent to which it is exposed to interest rate risk.

Model applied for calculation of interest rate gap

Each item is mapped to the gap based on contractual or behavioural re-pricing day.

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

Behavioral
These are items for which it is not exactly known when the maturity or next re-pricing will take place (e.g. current accounts). In this case, it is necessary to make certain assumptions to reflect the real behavior of these items. This group also includes items such as fixed assets, equity, provisions, etc., which have an indefinite maturity and have to be modelled as well.
Based on statistical methods a core portion of cash is calculated and this portion is amortized on a linear basis over 10 years and the remaining amount is classified as an overnight item. For current accounts the non-sensitive core portion of some clients categories is calculated and is mapped to the gap as a linearly amortized item from 1 to 10 year. The remaining amount is classified in the overnight segment.

The re-pricing structure of assets and liabilities for the non-trading portfolios was as follows:

31 December 2007	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Assets						
Cash and balances with central banks	2,722	-	180	720	900	4,522
Loans and advances to banks	967	559	265	157	-	1,948
Derivative financial instruments	-	-	2,832	-	-	2,832
Available-for-sale financial assets	103	9	904	1,949	10	2,975
Loans and advances to customers	24,420	34,553	41,239	21,775	5,262	127,249
Held-to-maturity investments	19,413	7,339	23,925	25,363	26,170	102,210
Subsidiaries, associates and jointly controlled entities	-	-	343	1,372	1,715	3,430
	47,625	42,460	69,688	51,336	34,057	245,166
Liabilities						
Deposits from central and other banks	(8,315)	(514)	(130)	-	-	(8,959)
Derivative financial instruments	-	-	(2,276)	(592)	-	(2,868)
Deposits from customers	(120,225)	(15,771)	(20,321)	(16,840)	(19,023)	(192,180)
Debt securities in issue	(2,032)	(9,570)	(6,297)	(6,467)	(6,114)	(30,480)
	(130,572)	(25,855)	(29,024)	(23,899)	(25,137)	(234,487)
Net position of financial instruments	(82,947)	16,605	40,664	27,437	8,920	10,679

31 December 2006	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Assets						
Cash and balances with central banks	3,026	-	190	759	949	4,924
Loans and advances to banks	1,822	542	148	402	-	2,914
Available-for-sale financial assets	29	9	33	2,900	35	3,006
Loans and advances to customers	29,228	20,352	25,018	16,913	3,719	95,230
Held-to-maturity investments	10,012	1,071	38,435	22,374	26,437	98,329
Subsidiaries, associates and jointly controlled entities	-	-	248	994	1,242	2,484
	44,117	21,974	64,072	44,342	32,382	206,887
Liabilities						
Deposits from central and other banks	(6,041)	(191)	(1)	(88)	-	(6,321)
Deposits from customers	(108,023)	(13,549)	(15,349)	(14,576)	(15,628)	(167,125)
Debt securities in issue	(3,119)	(6,637)	(2,943)	(6,910)	(4,767)	(24,376)
	(117,183)	(20,377)	(18,293)	(21,574)	(20,395)	(197,822)
Net position of financial instruments	(73,066)	1,597	45,779	22,768	11,987	9,065

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

	2007 %	2006 %
Assets		
Cash and balances with central banks	1.51	1.35
Loans and advances to banks	3.93	3.64
Financial assets held for trading	4.14	4.40
Available-for-sale financial assets	3.84	3.57
Loans and advances to customers	7.31	7.70
Held-to-maturity investments	4.37	3.85
Liabilities		
Deposit from banks	3.61	2.36
Deposits from customers	2.36	2.00
Debt securities in issue	4.40	4.34

35. Financial risk management (continued)

Currency denominations of assets and liabilities

Foreign exchange rate risk comprises the risk that the value of financial assets and liabilities will fluctuate due to changes in market foreign exchange rates. 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 2007						
Assets						
Cash and balances with central banks	3,576	374	55	278	210	4,493
Loans and advances to banks	31,968	2,904	51	8	159	35,090
Financial assets held for trading	10,647	17	-	-	-	10,664
Derivative financial instruments	1,055	-	-	-	-	1,055
Available-for-sale financial assets	2,671	2	-	-	-	2,673
Non-current assets held for sale	348	-	-	-	-	348
Loans and advances to customers	88,754	26,726	1,190	3,139	122	119,931
Held-to-maturity investments	89,213	1,460	-	-	48	90,721
Subsidiaries, associates and JVs	3,430	-	-	-	-	3,430
Intangible assets	970	-	-	-	-	970
Property and equipment	5,465	-	-	3	-	5,468
Other assets	287	7	-	3	-	297
	238,384	31,490	1,296	3,431	539	275,140
Liabilities						
Deposits from central and other banks	(5,745)	(8,351)	(1,261)	(522)	(266)	(16,145)
Derivative financial instruments	(1,034)	-	-	-	-	(1,034)
Deposits from customers	(171,319)	(25,579)	(4,240)	(2,911)	(1,088)	(205,137)
Debt securities in issue	(19,227)	(5,062)	-	(2,438)	-	(26,727)
Current and deferred income tax liabilities	(1,029)	-	-	(18)	-	(1,047)
Provisions	(968)	-	-	-	-	(968)
Other liabilities	(2,163)	(8)	-	(9)	(2)	(2,182)
	(201,485)	(39,000)	(5,501)	(5,898)	(1,356)	(253,240)
On balance sheet net position	36,899	(7,510)	(4,205)	(2,467)	(817)	21,900
Off balance sheet assets	10,612	16,050	13,468	6,729	1,292	48,151
Off balance sheet liabilities	(26,071)	(8,125)	(9,169)	(672)	(359)	(44,396)
Off balance sheet net position	(15,459)	7,925	4,299	6,057	933	3,755
Total net position	21,440	415	94	3,590	116	25,655
31 December 2006						
On balance sheet net position	21,153	662	(486)	162	(280)	21,211
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

(c) 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 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 daily liquidity position is monitored and regular liquidity stress testing is conducted. The daily liquidity position is limited by set of liquidity limits for particular time buckets. The Bank has approved the contingency liquidity plan, which defines how to identify potential liquidity problems and how to act in liquidity crisis situations. All liquidity policies and procedures are subject to review and approval by ALCO and Intesa Sanpaolo.

The key measures used by the Bank for managing medium and long term liquidity are two maturity mismatch rules.

Rule 1: Real Estate + Equity Investments <= Regulatory Capital
Rule 2: Medium term assets + 0,5 * Long Term Assets <= Long term liabilities + 0,5 Medium term liabilities + 0,25*(short term customer liabilities + interbank liabilities) + excess in Rule 1

The remaining maturities of assets and liabilities based on contractual undiscounted cash-flows were as follows:

31 December 2007	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	4,522	-	-	-	-	-	4,522
Loans and advances to banks	33,009	49	1,031	1,886	513	27	36,515
Financial assets held for trading	5,006	5,008	14	582	260	-	10,870
Available-for-sale financial assets	-	9	902	1,941	-	19	2,871
Loans and advances to customers	7,777	6,135	24,419	44,430	52,229	9,919	144,909
Held-to-maturity investments	12,098	7,512	2,329	57,451	26,170	-	105,560
Investments in associates and JVs	-	-	-	-	-	3,430	3,430
	62,412	18,713	28,695	106,290	79,172	13,395	308,677
Liabilities							
Deposits from central and other banks	(12,818)	(2,108)	(881)	(68)	(573)	-	(16,448)
Deposits from customers	(169,879)	(13,430)	(20,186)	(2,344)	(15)	-	(205,854)
Debt securities in issue	(25)	(185)	(2,487)	(20,668)	(10,354)	(36)	(33,755)
	(182,722)	(15,723)	(23,554)	(23,080)	(10,942)	(36)	(256,057)
Net financial instruments position	(120,310)	2,990	5,141	83,210	68,230	13,359	52,620
Cash inflows from derivatives	26,509	6,310	9,200	4,429	1,742	-	48,190
Cash outflows from derivatives	(26,577)	(6,206)	(9,344)	(4,369)	(1,706)	-	(48,202)
Net position from derivatives	(68)	104	(144)	60	36	-	(12)
Total net position	(120,378)	3,094	4,997	83,270	68,266	13,359	52,608

35. Financial risk management (continued)

The remaining maturities of assets and liabilities based on contractual undiscounted cash-flows were 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	4,924	-	-	-	-	-	4,924
Loans and advances to banks	35,186	143	678	2,961	-	38	39,006
Financial assets held for trading	53	3,012	52	177	329	-	3,623
Available-for-sale financial assets	-	9	26	2,872	-	68	2,975
Loans and advances to customers	4,146	5,943	20,872	37,823	46,477	7,060	122,321
Held-to-maturity investments	1,653	1,269	2,258	71,808	26,437	-	103,425
Subsidiaries, associates and JVs	-	-	-	-	-	2,485	2,485
	45,962	10,376	23,886	115,641	73,243	9,651	278,759
Liabilities							
Deposits from central and other banks	(9,673)	(165)	(556)	(712)	(836)	-	(11,942)
Deposits from customers	(149,663)	(11,996)	(16,211)	(2,125)	-	-	(179,995)
Debt securities in issue	(32)	(114)	(1,800)	(16,243)	(8,985)	-	(27,174)
	(159,368)	(12,275)	(18,567)	(19,080)	(9,821)	-	(219,111)
Net financial instruments position	(113,406)	(1,899)	5,319	96,561	63,422	9,651	59,648
Cash inflows from derivatives	28,868	7,232	16,231	4,304	783	-	57,418
Cash outflows from derivatives	(28,584)	(7,348)	(16,113)	(4,433)	(742)	-	(57,220)
Net position from derivatives	284	(116)	118	(129)	41	-	198
Total net position	(113,122)	(2,015)	5,437	96,432	63,463	9,651	59,846

d) Operational risk

Operational risk is defined as ‘the risk of losses resulting from the unsuitability or failure of procedures, human resources and internal systems, or from external events. Operational Risk also includes legal risk … while strategic and reputational risks are not included’.

The definition of operational risk, according to Basel II, excludes strategic and reputational risk but includes legal risk. Legal risk means the risk of losses coming from the violation of laws and regulations, from contractual liabilities or from liabilities outside the terms of a contract, or from other disputes.

In recent years, the Bank has commenced projects aimed at the adoption of the Standardized Approach under Basel II from 1 January 2008 and the advanced operational risk management model in 2009. The local project activities are coordinated by the Intesa Sanpaolo Head Office.

The Bank has a centralized function within the Risk Management division for the management of the Bank’s operational risks. This function is responsible for the definition, implementation, and monitoring of the methodological and organizational framework, as well as for the measurement of the risk profile, the verification of mitigation effectiveness and reporting to senior management in accordance with the standards and principles defined by Intesa Sanpaolo Head Office.

In compliance with current requirements, the Bank’s organizational units have been involved in the process and each of them was assigned responsibility for the identification, assessment, management and mitigation of its operational risks; specific officers and departments have been identified within these organizational units to be responsible for Operational Risk Management.

The Intesa Sanpaolo Bank's internal model is designed to combine all the main quantitative (historical loss data) and qualitative information sources (scenario analysis). The quantitative component is based on a statistical analysis of historical loss data, relating to internal or external events (including through the participation of Intesa Sanpaolo in consortium initiatives). The qualitative component focuses on an assessment of the risk exposure of each unit and is based on the structured collection of subjective estimates aimed at assessment of specific scenarios identified on the basis of event types set out in the New Capital Accord (Basel II).

Capital-at-Risk is therefore identified as the measurement indicator at the Bank's level, net of insurance cover, required to bear the maximum potential annual loss. Capital-at-Risk is estimated using the Loss Distribution Approach model (actuarial statistical model to calculate the Value-at-Risk of operational losses), applied on quantitative and qualitative data assuming a one-year estimation period, with a level of confidence of 99,9% (99,96% for economic measurement).

The Bank utilizes a traditional operational risk transfer policy (insurance) with the objective of mitigating the impact of any unexpected losses.

Compliance with the Bank's standards is supported by a program of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and the senior management of the Bank.

36. Segment reporting

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

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

The Bank comprises the following main operating segments:
- Retail banking
- Corporate banking
- Central treasury

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

Corporate banking comprises Small and medium enterprises (SME) and the Corporate Customer Desk (CCD). SME includes loans, deposits and other transactions and balances with small and medium enterprises (company revenue in the range of Sk 30 million to Sk 1,000 million; if revenue is not available, bank account turnover is used). CCD includes loans, deposits and other transactions and balances with large corporate customers (company revenue over Sk 1,000 million).

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

36. Segment reporting (continued)

	Retail banking	Corporate banking	Central treasury	Other	Total
31 December 2007					
External revenue					
Interest income	4,947	2,813	5,795	79	13,634
Interest expense	(2,477)	(1,701)	(1,987)	8	(6,157)
Inter-segment revenue	2,263	471	(3,664)	930	-
Net interest income	4,733	1,583	144	1,017	7,477
Net fee and commission income	1,596	444	53	-	2,093
Net trading income	397	454	411	2	1,264
Other operating income	28	7	-	65	100
Dividend income	-	-	-	47	47
Total segment operating income	6,754	2,488	608	1,131	10,981
Depreciation and amortization	(581)	(40)	(6)	(304)	(931)
Operating expenses					(4,881)
Operating profit before impairment and provisions					5,169
Impairment losses and provisions	(544)	(97)	9	-	(632)
Income tax expense					(1,037)
Net profit for the year					3,500
Segment assets	67,953	57,547	141,063	8,577	275,140
Segment liabilities	123,053	63,880	63,090	25,117	275,140

	Retail banking	Corporate banking	Central treasury	Other	Total
31 December 2006					
External revenue					
Interest income	3,834	2,262	5,018	178	11,292
Interest expense	(1,586)	(1,344)	(1,786)	5	(4,711)
Inter-segment revenue	1,979	606	(3,404)	819	-
Net interest income	4,227	1,524	(172)	1,002	6,581
Net fee and commission income	1,413	470	66	(11)	1,938
Net trading income	331	306	486	18	1,141
Other operating income	9	4	-	143	156
Dividend income	-	-	-	139	139
Total segment operating income	5,980	2,304	380	1,291	9,955
Depreciation and amortization	(593)	(37)	(6)	(254)	(890)
Operating expenses					(4,627)
Operating profit before impairment and provisions					4,438
Impairment losses and provisions	(24)	277	114	-	367
Income tax expense					(1,047)
Net profit for the year					3,758
Segment assets	51,048	45,364	134,337	7,482	238,231
Segment liabilities	105,003	60,038	46,125	27,065	238,231

37. Related parties

Related parties are those counterparties that represent:

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

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

At 31 December 2007 and 2006, significant outstanding balances with related parties comprised:

	2007	2006
Loans and advances		
Key management personnel	6	6
Affiliated companies	1,895	3,243
Shareholder and companies controlled by shareholder	1,711	7,167
	3,612	10,416
Customer accounts		
Key management personnel	38	26
Affiliated companies	4,430	2,963
Shareholder and companies controlled by shareholder	4,303	3,326
	8,771	6,315
Derivative transactions (notional amount)		
Affiliated companies	2,248	825
Shareholder and companies controlled by shareholder	12,017	2,746
	14,265	3,571
Securities		
Shareholder and companies controlled by shareholder	2,654	2,599

38. Profit distribution

On 4 April 2007, the Bank's shareholders approved the following profit distribution for 2006:

Dividends to shareholders (Sk 217 per share)	2,816
Retained earnings	942
	3,758

The Board of Directors will propose the following 2007 profit distribution:

Dividends to shareholders (Sk 135 per share)	1,752
Retained earnings	1,748
	3,500

39. 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 2007.

Information on Securities Issued by the Bank

In 2007 VÚB, a. s., issued 7 mortgage bond issues as follows:

Mortgage bonds VÚB, a. s., XXVII.

Name of Security:	Mortgage bond VÚB, a. s., XXVII.
ISIN:	SK4120005349 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 13, 2007
Maturity:	March 13, 2010
Coupon:	4.25 % p. a.
Coupon payment:	Annually

Mortgage bonds VÚB, a. s., XXVIII.

Name of Security:	Mortgage bond VÚB, a. s., XXVIII.
ISIN:	SK4120005448 series 01
Type and form:	Bearer bond, book-entry
Total issue amount:	CZK 1,000,000,000
Number and nominal value:	1,000 pcs per CZK 1,000,000
Issue Date:	June 20, 2007
Maturity:	June 20, 2012
Coupon:	6M PRIBOR + 0.50 % p. a.
Coupon payment:	Semiannually

Mortgage bonds VÚB, a. s., XXIX.

Name of Security:	Mortgage bond VÚB, a. s., XXIX.
ISIN:	SK4120005539 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:	October 16, 2007
Maturity:	October 16, 2012
Coupon:	6M BRIBOR + 0.02 % p. a.
Coupon payment:	Semiannually

Mortgage bonds VÚB, a. s., XXX.

Name of Security:	Mortgage bond VÚB, a. s., XXX.
ISIN:	SK4120005547 series 01
Type and form:	Bearer bond, book-entry
Total issue amount:	SKK 1,000,000,000
Number and nominal value:	1,000 pcs per SKK 1,000,000
Issue Date:	September 5, 2007
Maturity:	September 5, 2032
Coupon:	5.00 % p. a.
Coupon payment:	Annually

Mortgage bonds VÚB, a. s., 31

Name of Security:	Mortgage bond VÚB, a. s., 31
ISIN:	SK4120005679 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:	November 29, 2007
Maturity:	November 29, 2037
Coupon:	4.9 % p. a.
Coupon payment:	Annually

Mortgage bonds VÚB, a. s., 32

Name of Security:	Mortgage bond VÚB, a. s., 32
ISIN:	SK4120005711 series 01
Type and form:	Bearer bond, book-entry
Total issue amount:	CZK 800,000,000
Number and nominal value:	800 pcs per CZK 1,000,000
Issue Date:	December 17, 2007
Maturity:	December 17, 2017
Coupon:	6M PRIBOR + 1.5 % p. a.
Coupon payment:	Semiannually

Mortgage bonds VÚB, a. s., 33

Name of Security:	Mortgage bond VÚB, a. s., 33
ISIN:	SK4120005760 series 01
Type and form:	Bearer bond, book-entry
Total issue amount:	SKK 550,000,000
Number and nominal value:	550 pcs per SKK 1,000,000
Issue Date:	December 20, 2007
Maturity:	December 20, 2008
Coupon:	6M BRIBOR % p. a.
Coupon payment:	Semiannually

Review of the Economic and Financial Position of VUB

In 2007, the Bank's objective was to boost its forefront position in the banking sector and ensure continuous increase in profitability and efficiency of its business. The Bank has successfully fulfilled the preset goals. In terms of profit growth generated from banking business, VUB has been repeatedly ranked among the most profitable banking houses on the Slovak market. In fact, whereas the operating costs went up as little as 6%, the total operating income increased more than 10%. The interest income, incomes from fees and commissions and trade income earned on FX and MM deals represented the key drivers of the increase. Based on IFRS standards, the Bank's consolidated operating profit as of 31 December 2007 was 15% higher than that generated in the previous year, and the efficiency, measured as the cost income ratio was below 50%.

Significant progress that the Bank achieved, possibly accelerated dynamics in the banking market were behind the reinforced financial position of the Bank. Increase in total consolidated assets, which went up by 18% in 2007 in contrast to a 6% growth for the preceding year, represent the first sign of the progressive achievements. Whereas, in 2006 the major portion in total assets made the securities, in 2007 the receivables due from the clients taking a 46% share in total assets represented the most significant asset–related item. Admittedly, the loans to clients showing year-to-year increase of 41% significantly contributed to this final figure. Thereby, VUB has defended its forefront position in the Slovak loan market. The Bank's subsidiary, Consumer Finance Holding has been involved in the ever increasing share of retail clients in the expanding loan portfolio. Compared to 2006, the company recorded 18% increase in loans granted to individuals. In November 2007, the company B.O.F. Leasing was integrated in the VUB group, with view to further boost Bank's position in the loan market, namely in the corporate segment.

Bank's progress was also visible in deposits which grew by 15% namely due to mutual funds kept by the VUB Asset Management amounting to SKK 29 billion. VUB Generali, d.s.s., the Pension management company, in which the Bank holds a 50% stake, has successfully defended its existing market position in the pension savings . At the end of the year, the company managed assets worth of SKK 7.5 billion.

Information on the Expected Economic and Financial Situation for 2008

The Bank's priorities for 2008 center on improving the quality of services and increasing the market share combined with constantly growing revenues. Retail clients, small businesses and SME segment represent the key targets, but the Bank intends to pay more attention also to the large corporate clients. In this regard, the development of the branch in Prague, will play a positive role in this process, since the Bank, using the Prague branch aims to expand its operations to larger extent on the Czech market.

Adoption of the single currency – Euro - expected on January 1, 2009 will present a specific area in 2008, as the adoption process will test coordination capacities and preparedness of all Bank units. The Bank's objective is to become a leader in the preparatory stage designed for the banking sector and its clients within Euro adoption in 2009.

Integration of the Bank's recent acquisition – B.O.F., a.s. will represent one of the key projects for the year 2008.

Moreover, an objective to preserve the existing level of efficiency in the controlling and supporting functions and processes is also of high importance. With the efficiency kept at the existing level, the Bank will be able to curb its operating costs in 2008 and the cost income ratio will oscillate around 50%. Since the implementation of the Euro will probably affect the trading income, the ever increasing emphasis is put on growing income from fees and commissions and interest income. Sound growth in the interest bearing assets, namely those related to clients´ loans and deposits plays a key role in this process.

In 2008, the Bank is planning to generate an operating profit of SKK 6.9 billion, thus representing increase by 9% as compared to 2007. The net profit should exceed SKK 4.3 billion.

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 88	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 05	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	52965422
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 14 00	63 45 12 60
Bratislava - Štefanovičova	811 04	Štefanovičova 14	02/52 49 18 16	52 49 18 19
Light Retail 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	52733897
Bratislava - Ovsištské nám.	851 04	Ovsištské námestie 1	02/62 41 42 80	62 41 42 78
DP Bratislava - TESCO	811 08	Kamenné námestie 1	02/52 96 23 03	52 96 23 05
Stupava	900 31	Mlynská 1	02/65 93 67 34	65 93 67 35
Bratislava - Panská	811 01	Panská 27	02/50 55 29 16	54 41 18 35
Mortgages Centres				
Bratislava - Štefanovičova	811 04	Štefanovičova 14	02/59 55 84 26	55 56 78 29
Bratislva - 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	02/45 92 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
Bratislava - 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 - Račianske mýto	831 02	Račianske Mýto 3	02/44 44 21 31	44 44 21 31
DP 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
DP TESCO Pezinok	902 01	Myslenická 2/B	033/642 32 15	642 32 10
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 97	556 98 30
Skalica	909 01	Potočná 20	034/664 45 07	664 67 78
Trnava - Hlavná	917 68	Hlavná 31	033/556 99 06	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	932 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	Nám. Radlinského 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 32	556 99 37

	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 29	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	Mierove 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
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
DP TESCO Nové Mesto n. Váhom	915 01	Trenčianska 2492/68	032/771 41 15	77 141 15
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	038/532 58 80	532 69 00
Zlaté Moravce	953 00	Župná 10	037/632 12 09	632 12 66
Retail Branches				
DP - TESCO Topoľčany	955 01	M. Benku 1/A 4590	038/532 20 90	532 21 17
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
DP Tesco Nové Zámky	94067	Nitrianska cesta 11	035/642 88 12	642 86 13
Želiezovce	937 01	Komenského 8	036/771 13 32	771 10 88

	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 01	Radlinského 1712/34	043/581 39 24	586 40 06
Martin	036 53	M. R. Štefanika 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	043/532 20 54	532 20 52
Vrútky	038 61	1. čsl. brigády 12	043/428 43 16	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 67
DP Turany	038 53	Obchodná 13	043/429 22 65	429 25 29
DP Zákamenné	029 56	Zákamenné 23	043/559 22 95	559 22 95
Mortgages Centres				
Žilina	010 43	Na bráne 1	041/567 81 56	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

	Postal Code	Address	Tel. No.	Fax
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
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	Okružná 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	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	98061	Daxnerova 761	047/549 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	551 49 25
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
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 29	052/442 50 89	442 34 16
DP Podolinec	065 03	Ul. Sv. Anny 1	052/439 12 90	439 12 95
Mortgages Centres				
Poprad	058 17	Mnoheľova 2832/9	052/713 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 21 78	772 36 17
Sabinov	083 01	Námestie slobody 623	051/452 40 81	452 34 92
Stropkov	091 01	Mlynská 692/1	054/7423722	742 37 14
Light Retail Branches				
Giraltovce	087 01	Dukelská 58	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
Moldava nad Bodvou	045 01	Hviezdoslavova 13	055/460 26 91	460 29 92
Košice - OC Optima	040 11	Moldavská cesta 32	055/646 16 26	646 10 43
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	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	Nám.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	Sídl.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

Firemné obchodné centrum Bratislava 1		
BRATISLAVA	Jašíkova 8	02 / 48568652
Firemné obchodné centrum Bratislava 2		
BRATISLAVA	Jašíkova 8	02 / 50558600
Firemné obchodné centrum Bratislava 3		
BRATISLAVA	Mlynské nivy 1	02 / 50552770
Firemné obchodné centrum Trnava		
TRNAVA	Dolné bašty 2	033 / 5569931
SENICA	Nám. oslobodenia 8	034 / 6943014
Firemné obchodné centrum Nitra		
NITRA	Štefánikova 44	037 / 6904324
TOPOĽČANY	Moyzesova 585/2	038 / 5364700
LEVICE	Štúrova 21	036 / 6374377
Firemné obchodné centrum Nové Zámky		
NOVÉ ZÁMKY	Hlavné námestie 5	035 / 6904501
KOMÁRNO	Tržničné nám. 1	035 / 7904670
GALANTA	Mierové námestie 2	031 / 7838353
DUNAJSKÁ STREDA	Alžbetínske nám. 328	031 / 5570176
Firemné obchodné centrum Trenčín		
TRENČÍN	Mierové námestie 37	032 / 7417687
POVAŽSKÁ BYSTRICA	Nám. A. Hlinku 23/28	042 / 4309755
Firemné obchodné centrum Žilina		
ŽILINA	Na bráne 1	041 / 5678052
MARTIN	M.R.Štefánika 2	043 / 4247317
ČADCA	Fraňa Kráľa 1504	041 / 4303566
DOLNÝ KUBÍN	Radlinského 1712	043 / 5813890
Firemné obchodné centrum Zvolen		
ZVOLEN	Námestie SNP 2093/13	045 / 5307932
BANSKÁ BYSTRICA	Námestie slobody 10	046 / 5155795
Firemné obchodné centrum Žiar nad Hronom		
ŽIAR NAD HRONOM	Nám. Matice slovenskej 21	045 / 6707848
PRIEVIDZA	Námestie slobody 10	046 / 5155795
Firemné obchodné centrum Lučenec		
LUČENEC	T.G. Masaryka 24	047 / 4695472
RIMAVSKÁ SOBOTA	Francisciho 1	047 / 5755312
Firemné obchodné centrum Poprad		
POPRAD	Mnoheľova 2832/9	052 / 7135045
LIPTOVSKÝ MIKULÁŠ	Štúrova 19	044 / 5503216
SPIŠSKÁ NOVÁ VES	Letná 33	053 / 4184180
Firemné obchodné centrum Prešov		
PREŠOV	Masarykova 13	051 / 7356386
BARDEJOV	Kellerova 1	054 / 4711613
VRANOV NAD TOPĽOU	Námestie slobody 6	057 / 4406402
HUMENNÉ	Námestie slobody 26/10	057 / 7705167
Firemné obchodné centrum Košice		
KOŠICE	Strojárenská 11	055 / 6818344
MICHALOVCE	Námestie slobody 3	056 / 6406006
Firemné obchodné centrum Praha		
PRAHA 8	Pobřežní 3	+420 2 2186 5111

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:	Leasing Business
Tel:	+421 2 4856 8616
Fax:	+421 2 4342 7997
General Manager:	Ing. Dionýz Földes

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 4856 8616
Fax:	+421 2 4342 7997
General Manager:	Ing. Dionýz Földes

B.O.F., a.s.

Registered seat:	Miletičova 1, 821 08 Bratislava
Shareholders:	VÚB, a.s. and Prvá slovenská investičná skupina, a.s.
VUB´s stake in registered capital:	70%
Core business:	Financial and Operation Leasing
Tel:	+421 2 5020 1211
Fax:	+421 2 5542 3176
General Manager:	Ing. Martin Rajec

BOF Poisťovací maklér, s.r.o.

Registered seat:	Miletičova 1, 821 08 Bratislava
Shareholders:	VÚB, a.s. and Prvá slovenská investičná skupina, a.s.
VUB´s stake in registered capital:	70%
Core business:	Insurance Intermediary Agent
Tel:	+421 2 5020 1211
Fax:	+421 2 5542 3176
Executive Officers:	Ing. Vladimír Bilčík and Ing. Marián Talo

VÚB Generali, Dôchodková správcovská spoločnosť, a.s.

Registered seat:	Mlynské nivy 1, 820 04 Bratislava
Shareholders:	VÚB, a.s. and Generali Poisťovňa, a.s.
VUB´s stake in registered capital:	50%
Core business:	Old Age Pension Fund Management
Tel:	+421 2 5933 2270
Fax:	+421 2 5933 2300
General Manager:	Ing. Roman Juráš

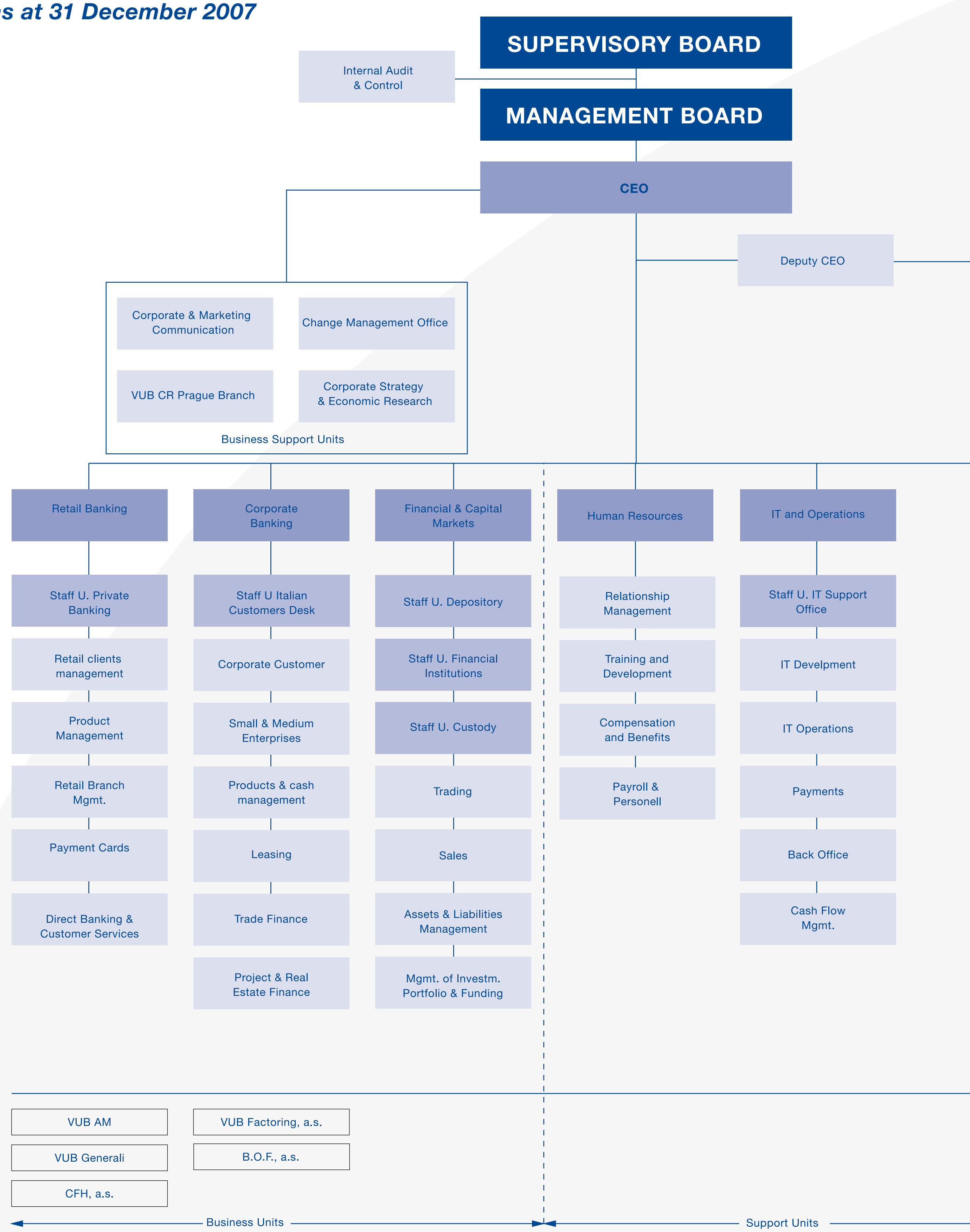
Structure of VUB Shareholders
as at 31 December 2007

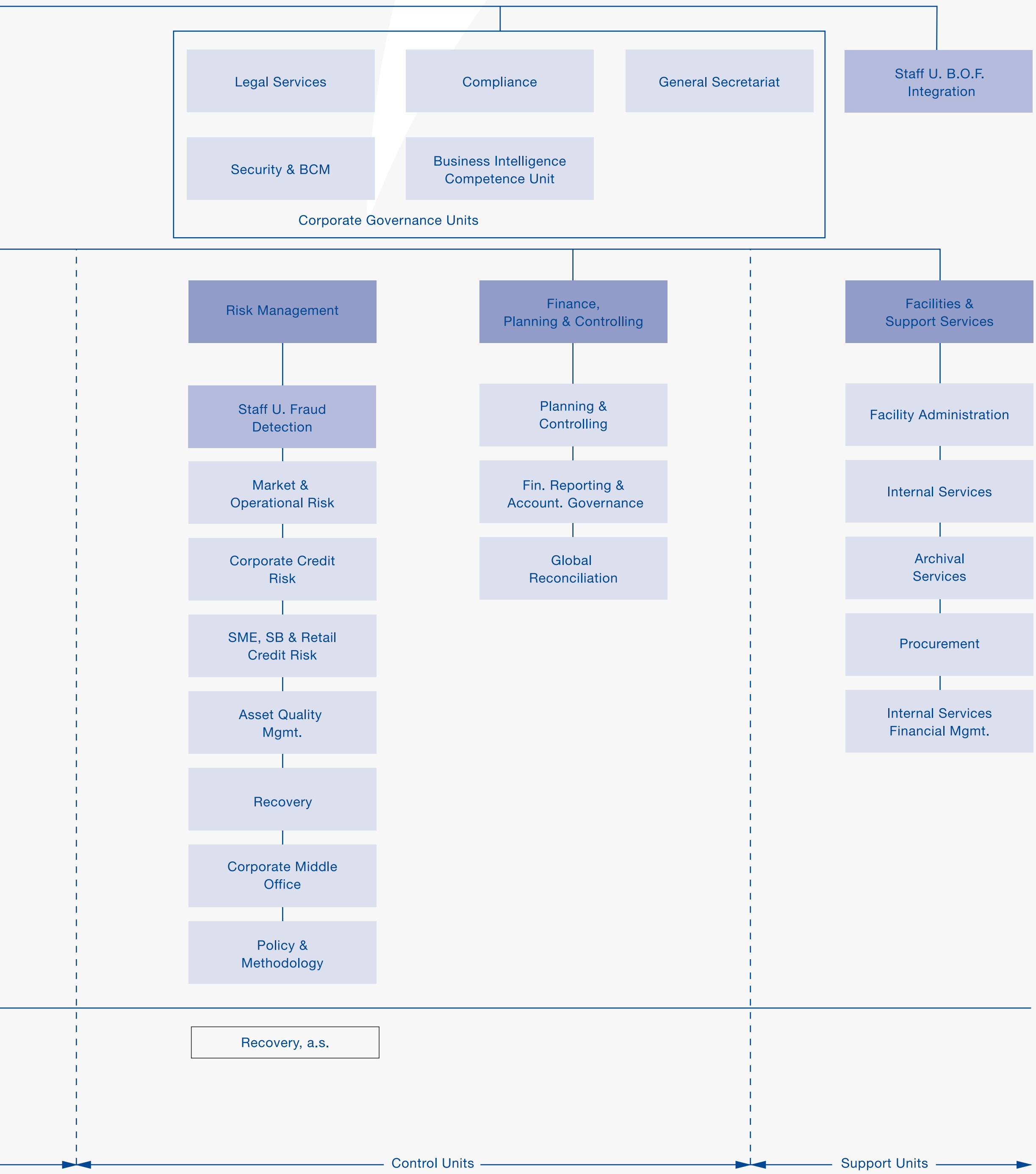
Structure by Owner Type	Number of Shares	% Share
Intesa Holding International S.A. – majority owner	12 523 169	96.494 566
Other legal entities	142 166	1.095 429
Individuals	312 773	2.410 005
TOTAL	12 978 108	100.000 000

Structure by nationality	Number of Shares	% Share
Intesa Holding International S.A. – majority owner	12 523 169	96.494 566
Domestic shareholders	381 857	2.942 316
Other foreign shareholders	73 082	0.563 118
TOTAL	12 978 108	100.000 000

There were 46 248 shareholders as of December 31, 2007. Foreign VUB shareholders come from 12 countries as follows: Luxembourg (96.531 %), Austria (0.153 %), the Netherlands (0.130 %), Germany (0.077 %), Switzerland (0.062 %), the Czech Republic (0.051 %), Lithuania (0.050 %), U.S.A. (0.001 %), the United Kingdom (0.001 %), Romania, Poland, Cyprus.

Organization Chart of VUB
as at 31 December 2007




Legal Services
Compliance
General Secretariat
Staff U. B.O.F. Integration
Security & BCM
Business Intelligence Competence Unit
Corporate Governance Units
Risk Management
Staff U. Fraud Detection
Market & Operational Risk
Corporate Credit Risk
SME, SB & Retail Credit Risk
Asset Quality Mgmt.
Recovery
Corporate Middle Office
Policy & Methodology
Recovery, a.s.
Finance, Planning & Controlling
Planning & Controlling
Fin. Reporting & Account. Governance
Global Reconciliation
Facilities & Support Services
Facility Administration
Internal Services
Archival Services
Procurement
Internal Services Financial Mgmt.
Control Units
Support Units

Statement on Compliance with the Corporate Governance Code

The governing bodies of Všeobecná úverová banka, a.s. committed to enhance the general level of corporate governance and, upon recommendations raised 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

Ignacio Jaquotot	Chairman of Management Board (from July 20, 2007
Jonathan Locke	Member of Management Board (from July 20, 2007)
Domenico Cristarella	Member of Management Board
Jozef Kausich	Member of Management Board
Ivan Golian	Member of Management Board)
Vladimíra Josefiová	Member of Management Board
Elena Kohútiková	Member of Management Board)
Dinko Lucić	Member of Management Board

Ignacio Jaquotot – Chairman of Management Board and CEO of VÚB, a.s.
Mr. Jaquotot was appointed Chairman of the Management Board and CEO of Všeobecná úverová banka, a.s. in July 2007 after he had acted as Vice-chairman of Management Board and Deputy CEO of Všeobecná úverová banka, a.s. from April 2005. Mr. Jaquotot's career with Intesa Sanpaolo Group started already back in 1984. First he 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 sale of the banks.

Jonathan Locke – Member of VUB Management and Deputy to CEO of VÚB, a.s. and Head Banks's Risk Management division
Mr. Locke was appointed member of the VUB Management Board and Head of Bank's Risk Management division in August 2003. He was appointed Deputy to CEO of Všeobecná úverová banka, a.s. in July 2007. Mr. Locke was previously a partner with Deloitte & Touche in the Czech Republic. He has 15-year experience working with financial institutions, the last 10 in Central and Eastern Europe and Russia, especially in the areas of finance and risk.

Domenico Cristarella – Member of VUB Management Board and Executive Director of Finance, Planning & Controlling Division (from Dercember 20, 2001)
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 career, Mr. Cristarella worked in a number of overseas branches within the Group, including BCI Singapore, BCI Abu Dhabi, Tokyo, and New York, where he was appointed Chief Financial Officer.

Jozef Kausich – Member of VUB Management Board and Executive Director of Corporate Banking Division (from April 4, 2005)
Mr. Kausich has been heading the Corporate Banking Division in VUB since April 2005. His banking experience includes mainly mergers and acquisitions and 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.

Ivan Golian – Member of VUB Management Board and Executive Director 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, 101 VUB, a Bank of Intesa Sanpaolo Group "Disaster Solution", "LinkWorks"). He also managed projects for the Slovak Post, Eurotel, Slovak Statistical Office and such projects.

Vladimíra Josefiová – Member of Management Board and Executive Director of the Human Resources Division (from July 13, 2006)
Ms. 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 Privatisation of the Czech Republic.

Elena Kohútiková – Member of Management Board and Executive Director of Financial and Capital Markets Division (from October 26, 2006)
Ms. 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.

Dinko Lucić – Member of Management Board and Executive Director of Retail Banking Division (from January 25, 2007)
Mr. Lucić was appointed a new member of the VUB Management Board as well as an Executive Director of Retail Banking Division in January 2007. Prior to his affiliation with Všeobecná úverová banka, a.s., he worked as the CMO (Chief Marketing Officer) and Executive Director at Privredna Banka Zagreb, a member of Intesa Sanpaolo Group. Mr. Dinko Lucić managed two divisions of Privredna Banka Zagreb from 1999: the Client Relationship Development and Marketing Division and Board Office for Corporate Communications. He was responsible for sales, products, marketing, CRM, and quality management. In addition, he held a position of Deputy President of the PBZ Building Society's Supervisory Board and PBZ Card's Supervisory Board Member. Before joining Privredna Banka Zagreb, Mr. Lucić had worked for Reiffeisenbank Austria and DION DE Ltd.

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 bookkeeping 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; 102 Annual Report 2006
   - 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
- Head of Central and Eastern Europe Region within Foreign Banks Division, Intesa Sanpaolo, Italy
- the former President of the National Bank of Hungary

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

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

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

Paolo Sarcinelli – Member of Supervisory Board (from April 4, 2007)
- Head of Credit Department within Foreign Banks Division, Intesa Sanpaolo, Italy

Ezio Salvai – Member of Supervisory Board (from April 4, 2007)
- Head of Central and East European Banks Sub-department within Foreign Banks Division, Intesa Sanpaolo, 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 review the following issues in particular:

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 SupervisoryBoard 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 2007, the VUB Management Board held 25 meetings (thereof 24 regular and 1 extraordinary). The VUB Supervisory Board held 4 meetings during the 2007 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 par-

ticipate 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 shareholders' rights, in particular the provisions on timely provision of all relevant information on the company and provisions on convening and conducting its Annual General Meetings.
2. The company applies the principle of equal access to information for all the shareholders pursuant to the Code. It emerges from the minutes of the General Meeting held in 2007 that the 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. Currently the Audit Committee consists of three appointed members, including the committee chair, which 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 determining of the remuneration applicable to these positions.

E. Company's Approach to Shareholder

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