UniCredit Bank

2007 Annual Report

Contents

Supervisory Board, Board of Directors and Management

From April 1, 2007 to December 31, 2007 the membership of the Board of Directors was as follows:

Chairman:	Ing. Jozef Barta, MBA
Vice-Chairman:	Dott. Gianni Franco Papa
Members:	Mag. Helmut Horvath
	Friedrich Plail

From April 1, 2007 to December 31, 2007 the membership of the Supervisory Board was as follows:

Heinz Meidlinger	
Herbert Hangel	
Ing. Eva Vavrová	
Thomas Groß	
Carlo Vivaldi	
Ing. Zuzana Šťastná	
Ing. Jaroslav Hazlinger	
Elena Goitini	
Ing. Slavomír Ťurek	
Johann Strobl	(20.2.2007 – 12.9.2007)
Ing. Miloslav Nechojdoma	(06.9.2004 – 06.9.2007)
Frederike Kotz	(01.4.2007 – 12.9.2007)

Until December 31, 2007 the Management of UniCredit Bank Slovakia a. s. was working in the following structure:

Chief Executive Officer	Ing. Jozef Barta, MBA	
General Manager	Dott. Gianni Franco Papa	
Internal Control and Internal Audit Division	Stefano Cotini	
Risk Management Division	Doc. Ing. Anna Pilková, PhD., MBA	
Credit Operations and Monitoring	Hermine Schöfnegger	
Workout	JUDr. Marián Áč, PhD.	
Compliance Officer	Mgr. Oľga Petrovicová	
Bank Secretariat	PhDr. Rudolf Hanuljak	
Communication	Ing. Jana Tomková	(until 31. 8. 2007 Mgr. Katarína Ševčíková)
Trading Desk	Ing. Viktor Štrauch	
Custody	Mgr. Matej Letko	
Legal Division	Mgr. Vladimír Nagy	
Corporate Banking Division	Friedrich Plail	
Structured Finance and Large Corporates	Ing. Jaroslav Habo	
Mid Corporates	Ing. Miroslav Štrokendl	
Retail Banking Division	Maurizio Volcich	
Segments and Products for Individuals	Ing. Marian Burian	
Retail Sales and Services	Ing. Róbert Nemčický	
Segments and Products for Small Business	Ing. Monika Kohútová, MBA	
Private Banking Division	Jaroslav Víťazka, MBA	
Financial Division	Mag. Helmut Horvath	
Planning and Controling	Ing. Jaroslav Šinák	
Accounting	Ing. Viera Durajová	
Global Banking Services Division	Carlo Furlan	
Organization and IT	Mgr. Daša Gogaľová	
Logistics	Ing. Anna Habánová	
Bank Operations	Ingrid Prcúchová	
Loan Administration	Ing. Danica Hlavatá	
Human Resources Division	Marco Berini	

Opinion of the Supervisory Board

"The new bank raised its profile as a universal bank with strong focus on retail banking with firm position in corporate banking and with the ambitions to become a private banking brand in Slovakia."

Dear Ladies and Gentlemen,
Dear shareholders,

the year 2007 was the year of major changes for the bank. In February 2007 UniCredito Italiano S.p.A. Genova transferred the equities of UniBanka, a. s., to Bank Austria Creditanstalt AG, Vienna. In April 2007 UniBanka, a. s., merged with HVB Bank Slovakia a. s. and adopted new name of UniCredit Bank Slovakia a. s. The merger was carried out by transfer of assets, liabilities and equity of HVB Bank Slovakia a. s. to UniBanka, a. s. The new bank called UniCredit Bank was thus established by merger of two banks with different strategy and focus. The new bank raised its profile as a universal bank with strong focus on retail banking with firm position in corporate banking and with the ambitions to become a private banking brand in Slovakia. During 2007 the bank was developing its activities in the same vein. The excellent results that UniCredit Bank Slovakia a. s. reached in 2007 affirmed the correctness of its strategy and the positive effect of synergies after the merger.

Due to the merger the registered capital of UniCredit Bank Slovakia a. s. increased yoy SKK 4,718,401,875. The equity of the bank as at December 31, 2007 was in the amount of SKK 7,095,463,915. The number of shares increased yoy by 25,504,875 pieces to 38,353,859 pieces of shares of nominal value SKK 185 per one share.

During 2007 the Supervisory Board actively carried out the control of business strategy implementation and business activities management in accordance with legislation of the Slovak Republic, internal regulations of the bank and in close cooperation with the Internal Control and Internal Audit Division. The Supervisory Board was regularly informed at its meetings held in 2007 about the financial results of the bank and about the credit portfolio risk development.

The Supervisory Board, based on its acctivity, hereby affirms that the account books and accounting documents of UniCredit Bank Slovakia a. s. were kept in compliance with law, Articles of Association and internal regulations of the bank. In opinion of the Supervisory Board the financial statements of 2007 give a plain proof of financial situation and results of the bank, what was also affirmed by the opinion of KPMG, the external auditor.

The Supervisory Board certifies that according to the 2007 annual balance of the books the bank realized a net profit of SKK 1,401,413,950.98 according to the International Accounting Standards.

The Supervisory Board assents to the proposal of the Board of Directors for the year 2007 net profit distribution in the amount of SKK 1,401,413,950.98 and recommends its approval.

Carlo Vivaldi

Chairman of the Supervisory Board

Foreword of the Chairman of the Board of Directors and CEO

"The consolidation of two banks had a positive impact on all scopes of activity."

Dear shareholders,

the year 2007 was the first year of operation of the new bank – UniCredit Bank Slovakia a. s. that started on April 1, 2007.

The consolidation of two banks had a positive impact on all scopes of activity. The significant effects of synergy reflected in costs and at the same time we achieved growth in all business segments. The growth of loans in corporate project and acquisition financing represented more than SKK 6 billion and in structured export financing more than SKK 3 billion. We showed up to 56% growth in volume of total assets within private banking. Also in retail banking the bank met the expected growth in volume of deposits, loans, new products launching as well as in further acquisition of new customers. At the same time we optimized the network to be as close to our customers as possible and make our branches as visible as possible and comfortably accessible.

The growth of net profit represented 71% compared to the previous year of both former banks.

Dear shareholders,

the aforesaid results allow me to state that the year 2007 was successful for the bank. Thank you for your trust and we are certain that we will not betray it even in 2008 – in the year of preparation to Euro, the new local currency.

Jozef Barta
Chairman of the Board of Directors
and CEO

Report on Business Activity and Assets in 2007

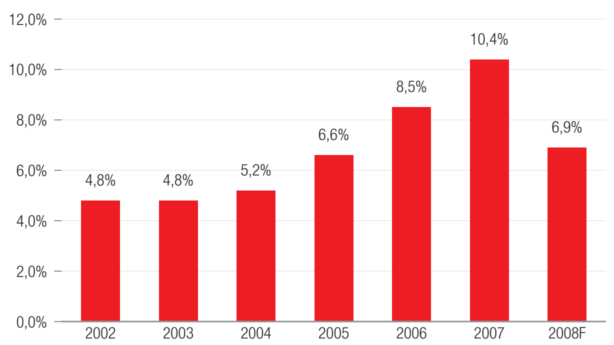
Economic and competitive environment in SR

In 2007 the Slovak economy continued its record-breaking movement posting 10.4% year-to-year real growth that was the highest growth in the history of the country ever. The accelerated economic growth of the country resulted in particular from the start of new capacities in automobile and electrical-engineering industries. Both the sound structure of the growth of economy and favorable trend of commodity prices on global markets contributed to the decrease of the year-to-year inflation that reached in summer its historical bottom and established convenient conditions of Maastricht inflation criterion fulfillment. It was not jeopardized even by global increase of oil and food prices in the second half of the year that pulled the inflation to the slightly higher levels again. Similarly as in previous years the cash deficit of the state budget ended with significantly lower than planned volume. This result was mainly caused by excessive tax collection. Therefore in 2007 Slovakia met probably with large reserve also the public finances Maastricht criterion with the public finances deficit not exceeding 2.5% of GDP according to rough calculation, while in long-term the public deficit remains at satisfactory levels of about 30% of GDP. According to the information known so far in 2007 Slovakia fulfilled in nominal terms all five Maastricht criteria. The decision on the adoption of the country to Eurozone is now only in political level of assessment of sustainability of fulfillment of the criteria.

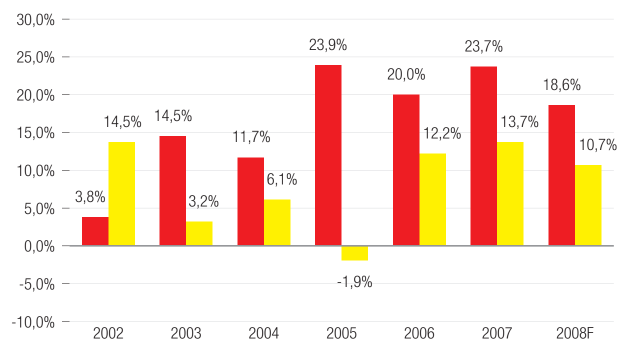
The development in banking sector reflected the economic cycle. The development of year-to-year growth of loans and deposits showed moderate acceleration. The loans repeated its year-to-year growth above the level of 20% three years in a row both in the loans provided to individuals as well as to corporates. However, the massive growth of credit market did not result in credit portfolio quality deterioration while the rate of defaulted loans decreased from 3.3% to 2.5%. Also the deposits kept its two digit year-to-year growth. The global market crisis impacted only partially on the sale of mutual funds. On the contrary, the key rates reduction made them attractive again.

In 2007 the gross credit margin remained unchanged at 4.3%, what resulted with the dynamic growth of volumes in two digit year-to-year growth of interest income again. The net profit of banking sector decreased on year-to-year basis by 3.4% to SKK 17.2 bn, in particular as a result of one-off non-interest income of the banking sector in 2006.

The year 2008 is supposed to be the last year before the introduction of Euro. The European institutions should decide finally on adoption of the country into the Eurozone by the middle of this year. After this decision we can expect harmonization of the monetary policy of the National Bank of Slovakia with the policy of ECB, i.e. most probably the key rates reduction. The Euro adoption costs will negatively influence the economy of commercial banks already in 2008. However, the ongoing dynamic growth of loans and deposits supported by more liberal monetary policy and persisting strong economic growth should be able to generate sufficient revenues to cover these non-recurring expenses.



Year-to-year growth of GDP in Slovakia (constant prices)



Year-to-year growth of banking sector loans and deposits (%)

Loans Deposits

Selected results of the bank in 2007

The presentation of 2007 results is influenced by the merger of UniBanka and HVB Bank Slovakia on April 1, 2007. As at March 31, 2007 HVB Bank Slovakia, a. s. wound up its business with the profit of SKK 225,227 thousand and closed its accounts. On April 1, 2007 the closing balance was transferred to the balance sheet of UniBanka that was renamed at the same time the UniCredit Bank Slovakia a. s.

In order to present the 2007 and 2006 fiscal years results correctly, the income statements will be specified in the following text in aggregated values.

2007 NET PROFIT												SK ´000
HVB 225,227 UniBanka a.s. + UniCredit Bank Slovakia a. s. 1,401,414												**Total** **1,626,641**
1	2	3	4	5	6	7	8	9	10	11	12	Month

INCOME STATEMENT	2006 HVB Bank Slovakia + UniBanka	2007 UCB	% 2007/2006	gap (SK ´000)
Total income	4,194,077	4,461,490	106,38	267,413
Operating expenses	-2,591,900	-2,294,578	88,53	297,322
Provision and reserves	-410,644	-141,422	34,44	269,222
Total expenses	-3,002,544	-2,436,000	81,13	566,544
Profit before taxation	1,191,533	2,025,490	169,99	833,957
Icome tax expense	-244,465	-398,849	163,15	-154,384
Profit after taxation	947,068	1,626,641	171,76	679,573

BALANCE,SHEET	2006 HVB Bank Slovakia + UniBanka	2007 UCB	%,2007/2006	gap (SK ´000)
ASSETS				
Cash,and,cash,equivalents	27,667,294	39,180,638	141.61	11,513,344
Trading assets	4,116,549	2,108,396	51.22	-2,008,153
Loans and advances to bank	4,850,876	1,852,600	38.19	-2,998,276
Loans and advances to customers	71,492,763,	80,054,666	111.976	8,561,903
Investment securities	12,049,302	10,223,855	84.85	-1,825,447
Tangible and intangible assets	1,796,302	1,877,831	104.54	81,529
Other assets	321,729	54,244	16.86	-267,485
Assets Total	**122,294,815**	**135,352,230**	**110.68**	**13,057,415**
LIABILITIES				
Trading liabilities	1,372,127	1,010,570	73.65	-361,557
Deposits by banks	25,565,304	36,083,140	141.14	10,517,836
Customer accounts	73,557,430	77,015,227	104.70	3,457,797
Loans received	3,761,752	3,035,886	80.70	-725,866
Debt securities in issue	4,722,312	3,933,012	83.29	-789,300
Provisions	489,847	311,778	63.65	-178,069
Other liabilities	677,831	545,974	80.55	-131,857
Liabilities Total	**110,146,603**	**121,935,587**	**110.70**	**11,788,984**
SHARE CAPITAL AND RESERVES				
Share capital	4,953,312	7,095,464	143.25	2,142,152
Reserves	7,194,900	6,321,179	87.86	-873,721
Share capital and reserves	**12,148,212**	**13,416,643**	**110.44**	**1,268,431**
LIABILITIES AND SHARE CAPITAL AND RESERVES	**122,294,815**	**135,352,230**	**110.68**	**13,057,415**

Report on Business Activity and Assets in 2007 (Continued)

The well prepared and carried out merger of two banking houses with significant synergy effect in cost area, as well as the managing of business model strategically set for the new bank was a very important driver of success in 2007.

With its assistance we succeeded not only in eliminating the risks that accompany all large organizational changes, but also in significant increase in the balance sheet value and customer business revenues.

The year 2007 implied an important financial strengthening and performance of the bank. It established a good basis of another important challenge that we face that is the introduction of Euro since 2009.

Risk management

In 2007 the bank set the following targets in risk management:

a/ proposal of an adequate system of risk management and its implementation in the legal entity established by merger as at April 1, 2007,

b/ achievement of key risk indicators in accordance with targets set by the bank,

c/ solution of strategically important tasks of risk management in factual and time terms within the centrally (Group), or locally managed projects.

During the assessed period of time the risk of the bank developed in line with the set targets, risk management policy and regulatory requirements.

During the year the bank applied the capital calculation and management regulatory approach. The capital adequacy of the bank achieved 15.2% at the end of the year (the regulatory requirement is at least 8%).

During the year the bank also girded itself for the implementation of rules of internal process of capital assessment in accordance with the requests of Pillar 2 within the Basel 2.

Within the credit risk the bank achieved a very good level of credit portfolio quality while the ratio of classified debts in total volume of credits reached 1.9% at the year end, which is significantly below the banking sector level (2.5%). The cost risk achieved the planned level of 34 bp with the provisioning in the amount of SKK 236.4 million on the net level.

The bank resolved the following key projects within the credit risk:

a/ Basel 2 – the preparation for standard approach of capital requirement calculation from January 1, 2008, as well as the internal rating based (IRB) approach of capital requirements calculation that will be applied by the bank from 2010 and 2014,

b/ the calculation of provisions and effective interest rate as a pilot within the central project of the sub-holding in Vienna.

c/ ACE6 – the central project of the sub-holding in Vienna (the bank acted as the pilot) focused on automation of processing of corporate customers credit proposals and ratings,

d/ the development of application scoring cards for SME and card products for individuals as a part of Basel 2 project – IRB approach.

The market and liquidity risk was managed to meet the set limits of the following crucial indicators: VaR, BP shifts, FX position limits, Stop/Loss limits, liquidity trigger points and short term liquidity limits. During the monitored period the bank fulfilled the above mentioned limits without significant excesses.

Within the operational risk the bank recorded losses due to the operational risk in the amount of SKK 4 million, what represents a positive trend compared to the previous year not only in losses (SKK 6.6 million), but also in frequency of operational risk incidents.

The bank was working at Basel 2 project focused in its operational risk part on preparation of implementation of advanced approach of operational risk management (AMA approach) in 2009.

Corporate Banking including the Structured Finance activities

Structured Finance and Large Corporates

The significant growth of Slovak economy was driven in particular by significant direct foreign investments and their consequent putting into operation, what reflected also in the structure of products and services provided by the bank. In 2007 within the segment of large and transnational corporates the bank was most successful in automotive and electrical engineering industries, where the bank achieved significant synergies by focusing on the cooperation not only with final products manufacturers, but also on their most important subcontractors. Taking the competitive advantage of UniCredit Group, the bank was able to offer an integrated service combined with the offer of complex services. The energy and transport infrastructure belong as usual to the sectors with strong exposure of UniCredit Bank.

In 2007 the bank deepened its penetration to these sectors entering into business relations also with smaller players.

In 2007 the bank made the most important credit transactions in energy and automotive sectors taking advantage of the know-how specialized in structured corporate finance. The increase of loans in the corporate project and acquisition financing represented more than SKK 6 billion and in the area of structured export financing more than SKK 3 billion.

The bank maintained its leading position also in financing of constructions focusing mainly on cooperation with developers in housing construction. During 2007 the bank financed 24 projects and provided loans in total volume exceeding SKK 6.5 billion.

Mid Corporates

In 2007 the business strategy of Mid Corporates was focused on:

- the customers acting in several countries within CBCG project (Cross Border Country Group), where the bank achieved the second highest number of points after Poland within the countries of Central and Eastern Europe,
- the providers of dynamically developing automotive, electric engineering and constructional sectors, where the bank succeeded in acquiring tens of new customers,
- the extension of agricultural companies pre-financing by new direct subsidies, as well as on the increase of commodity financing of the agricultural products stored in certified warehouses with regard to the dynamic growth of prices of these commodities – UniCredit Bank provided more than SKK 800 million new loans,
- the regional activities of mid size and small developers in construction financing, with the orientation on construction of apartments and family houses as well as on the construction of infrastructure for sale of lands for housing construction, where the bank contracted new loans in total volume of SKK 500 million, which should be repaid mostly from the mortgages provided to the prospective purchasers – individuals.

Customer Desk

The products and services of Customer Desk enjoyed increased interest of customers as they did in previous years. Compared to 2006 the bank showed 28% increase of Customer Desk customer business profit. In 2007 the customers focused mainly on their needs in 2007 cash-flow operations and their market risk positions hedging in 2008, in particular in FX and interest rate risk. The EUR/SKK exchange rate related operations had the biggest share in the profit.

Report on Business Activity and Assets in 2007 (Continued)

Retail Banking

The year 2007 was extremely demanding due to the carried out merger, but also very successful as it fulfilled the expected growth in volume of deposits, continued acquiring new customers and launched new products as well.
Both banks raised the process of merger by launching two separate campaigns of mortgages with the same conditions for their customers. By conjunction of the product portfolio after the merger it was established a complete offer to customers in housing financing and UniCredit Bank has been still the only bank on market that actively propotes and supports the transparent interest rate linked to 6M Bribor.
The bank brought an innovation on the investment product market – the Rytmus (Rhythm) saving program represents a possibility of regular investment into one of the three Pioneer Funds. This product creates for the customer particularly high added value by its flexibility, simplicity and lower rate of risk, what was awarded by public by the first prize within the competition of "Zlatá minca" (Gold Coin) in Investment Banking Category.
In fall 2007 UniCredit Bank launched a successful "Gold Rush" deposit campaign where the bank succeeded in acquisition of long-term deposits in the amount above SKK 1 billion. A 1 kilogram golden brick was the main attraction for customers in the time of enormous increase of value of the gold on global markets.

The network of branches was notably restructured and optimized due to the merger of UniBanka and HVB Bank. By consolidation, relocation of branches as well as by opening of new ones we managed to create a network of operational units covering all key towns in Slovakia and to be thus close to our existing and prospective customers.

Private Banking

The Private Banking Division has been serving the customers with extra income and high volume of assets three years already. By consolidation of the two banks also the private banking customer basis expanded and the volume of asset under management increased. The total volume of assets reached the amount of SKK 10.3 billion, what represents 56% increase compared to the previous year.
The Pioneer Funds and Pioneer Alternative Investments represent 22% of this volume. It was also successful the sale of hedge funds that extended the offer of products of UniCredit Bank in March 2007. These funds are intended to the sophisticated investors that want to take the opportunity to gain positive revenues even in the case of share indices decline.
The products and services launched in the previous year continued enjoying popularity with customers. UniCredit Bank benefited also from the size of UniCredit Group and in cooperation with Locat, the leasing company belonging to UniCredit Group, the bank launched to the market for example leasing plan of cruise ship purchasing that significantly decreases the yacht purchase cost. The newly launched products and services resulted in 50% growth of total revenues of the Division compared to the previous year.
The long-continuing and successful fulfillment of targets is based first of all on private bankers. The merger of UniBanka and HVB Bank brought challenges also in the field of human resources. The bank is proud of the fact that the staff of Private Banking Division remained loyal. It guarantees continuity of relations to customers.
The Division acquired also new private bankers, who brought years of experience from other banking institutions. The bank extended regular trainings of bankers for development on financial markets and its impact on the customers' portfolios by specific trainings in order to increase continuously the quality of consultancy.

Human Resources

The total number of employees as at December 31, 2007 was 1,266.845 employees were in front office positions and 421 employees in back office positions. 55.9% of them had university education. The share of employees with secondary education represented 44% and with primary education 0.1%. The average age of employees was 36.6. The share of women in personal files number represented 69.1%. Due to integration – consolidation and modification of systems, establishment of uniform product catalog – the emphasis in 2007 was laid on in-service training. The establishment of internal team of lecturers played an important role in the process of integration and trainings carried out mainly for the branch network.
The system of further education of employees was focused in 2007 on effective and optimized expenses determined for education of employees, including foreign language courses.
We paid close attention to newcomers, to their prompt adaptation to working process. The bank laid emphasis also on gradual orientation on development of individual needs of employees as well as on preparation of additional supporting tools of monitoring and assessment of completed development activities.

Sponsorship

The sponsorship is a very important part of communication activities of UniCredit Bank and the funds allocated for this purpose are distributed uniformly to the social sphere, healthcare, education, culture and exceptionally to sports. Even though UniCredit Bank mostly continues the projects of long-term cooperation, it also supports new projects every year, where it extends its field of activity and spectrum of current activities.
The bank tries to associate its name with interesting projects as for example the start of a completely new type of project in 2007 – "Divadlo v podpalubí" (The Theatre Below Decks), that gives full play on a reconstructed boat not only to the experienced performers, but also to the young ones.
In 2007 UniCredit Bank supported also the "Hory a mesto" (The Mountains and the City) film festival that attracts every year several thousands of sports and mountains fans to the movie theaters in Aupark in Bratislava.
In the field of educational and professional activities it supported the book of the Corporate Financial Risk Management.
The bank contributed together with UniCredit Group to the film "Neviditeľné deti" (Invisible children), where seven directors interpreted their perspective on the children growing up in tough conditions.
The bank intends to participate financially also in the interesting projects that on one side will be helpful to the development of the Slovak culture, education and sports, and on the other side they will improve the general knowledge of UniCredit Bank brand.

Report on Business Activity and Assets in 2007 (Continued)

Shareholders

On March 7, 2007 UniCredito Italiano S.p.A. seated in Via Dante 1, Genova, Italy, transferred its stake in UniBanka, a. s., in the amount of 77.21 % to Bank Austria Creditanstalt AG seated in Vordere Zollamtstraße 13, 1030 Vienna, Austria that gained in this way the majority share.
With effect from April 1, 2007 the share capital of UniCredit Bank Slovakia a. s. was increased SKK 4,718,401,875 as a result of merger with HVB Bank Slovakia, a.s.
The share capital of UniCredit Bank Slovakia a. s. as at December 31, 2007 was registered in the Companies Register of District Court Bratislava I in the amount of SKK 7,095,463,915 what represents 38,353,859 pieces of registered shares issued in book entry form with nominal value of SKK 185 per one share.

Structure of shareholders of UniCredit Bank Slovakia a. s. as at December 31, 2007

Shareholder	Interest in %
Bank Austria Creditanstalt AG	99.03
Ministry of Agriculture of the SR	0.36
Domestic shareholders with less than 1 %	0.60
Foreign shareholders with less than 1 %	0.01

Branch Offices network as of 31. 12. 2007

Region	Branch - address	phone	fax
BRATISLAVA	82108 Bratislava, Krížna 50	02/49504204	02/55422774
		02/49504202	02/55422774
		02/49504106	02/49504412
	81101 Bratislava, Ventúrska 7	02/59302820	02/59302821
		02/59206101	02/59206105
	81103 Bratislava, Panenská 7	02/54418775	02/54413228
	81106 Bratislava , Nám. 1 mája 18, PARK ONE	02/5720 2310	02 5720 2300
	81108 Bratislava, Dunajská 25	02 5710 7410	02 5710 7433
	82108 Bratislava, Dulovo nám.13	02/50202061	02/50202066
	82101 Bratislava, Tomášikova 30/A	02/43412629	02/43412636
	81333 Bratislava, Šancová 1/A	02/49502330	02/49502505
	81333 Bratislava, Šancová 1/A, BiznisDom	02/49502598	02/49502595
	85101 Bratislava, Einsteinova ul.18, BSC AUPARK	02/68202030	02/68202035
	85104 Bratislava, Panónska cesta 3	02/62410627	02/62410629
	81106 Bratislava, Poštová 4	02/5920 5021	02/5920 5025
	81416 Bratislava, Hurbanovo nám. 1	02 5930 5410	02 5441 6696
	82109 Bratislava, Plynárenská 7/A	02 5810 3080	02 5810 3085
	82104 Bratislava, Rožňavská 34	02 4821 3910	02 4341 0535
	81102 Bratislava, Mostová 6	02 5910 0510	02 5910 0533
	84104 Bratislava, Dúbravská 2	02 5941 8300	02 5941 8311
	82109 Bratislava, Trenčianska 56/A	02 5810 1075	02 5810 1070
	82107 Bratislava, Dudvážska 5, NC HRON	02/4025 5701	02 4025 5700
TRNAVA	91700 Trnava, Štefánikova 48	033/5908332	033/5908353
		033/5908333	033/5908353
		033/5908308	033/5908305
	91700 Trnava, Hviezdoslavova 14	033/5903414	033/5903433
	90101 Malacky, Záhorácka 51	034/7979201	034/7979279
	92101 Piešťany, A. Hlinku 60	033/7740580	033/7740581
	92101 Piešťany, Nitrianska 5	033/7910813	033/7910833
	90201 Pezinok, Holubyho 27	033/6905401	033/6905405
	90901 Skalica, Škarniclovská 1	034/6906121	034/6906125
	90501 Senica, Hviezdoslavova 61	034/6909110	034/6909133
	92001 Hlohovec, M. R. Štefánika 4	033/7351011	033/7351015

Region	Branch - address	phone	fax
TRENČÍN	91101 Trenčín, Nám. sv. Anny 3	032/6509202	032/6509204
	91150 Trenčín, Pribinova 2	032/7480414	032/7480433
	91501 Nové mesto n/V, Čsl. Armády 4	032/7484991	032/7484995
	90701 Myjava, M. R. Štefánika 517	034/6215375	034/6215377
	97101 Prievidza, G. Švéniho 3A	046/5189401	046/5189400
	95701 Bánovce n/B, Jesenského 561/3	038/7627011	038/7627015
NITRA	94901 Nitra, M. R. Štefánika 13	037/6926000	037/6926050
	94901 Nitra, Výstavná 4	037/6928901	037/6928900
	95301 Topoľčany, Krušovská 19	038/5327054	038/5327055
	94062 Nové Zámky, Svätoplukova 1	035/6911203	035/6428012
	94001 Nové Zámky, Majzonovo nám. 2	035/6913411	035/6913433
	93401 Levice, Bernolákova 2	036/6350312	036/6350315
DUNAJSKÁ STREDA	92901 Dunajská Streda, Hlavná 5599/3B	031/5905521	031/5905520
		031/5905522	031/5905520
		031/5905509	031/5905500
	92401 Galanta, Revolučná 1	031/7884510	031/7784500
	93039 Zlaté Klasy, Pekná cesta 1	031/5692726	031/5692015
	92701 Šaľa, Hlavná 12A	031/7838701	031/7838700
	93101 Šamorín, Gazdovský rad 49/B	031/5627960	031/5627962
	Pracovisko pobočky Šamorín / CALEARO SLOVAKIA, cesta Vicenzy 42/2067, 93101	031/5902851	031/5902850
	90301 Senec, Lichnerova 30	02/40202052	02/40202055
	92601 Sereď, Dionýza Štúra 1012	031/7893094	031/7892707
	94501 Komárno, Nám. M. R. Štefánika 11	035/7900062	035/7900065

Branch Offices network as of 31. 12. 2007 (Continued)

Region	Branch - address	phone	fax
ŽILINA	01001 Žilina, Národná 12	041/5628223	041/5628204
		041/5628224	041/5628204
		041/5628231	041/5628204
		041/5628238	041/5628204
	01001 Žilina, Nám. Ľ. Štúra 2	041/5077951	041/5077952
	01001 Žilina, Bottova 6	041/7070111	041/7070120
	Pracovisko pobočky Bottova / MOBIS, 013 02 Gbeľany	041/5003008	041/ 5691048
	01701 Pov. Bystrica, M. R. Štefánika 161/4	042/4379951	042/4379955
	03601 Martin, M. R. Štefánika č. 1	043/4207022	043/4224892
	03101 Lipt. Mikuláš, Nám. Osloboditeľov 7	044/5475004	044/5475005
	03401 Ružomberok, Mostová 2	044/4320659	044/4320660
	02201 Čadca, Palárikova 85	041/4302811	041/4302815
ZVOLEN	96001 Zvolen, Nám. SNP 50	045/5248013	045/5320700
		045/5248010	045/5320700
		045/5248025	045/5248016
	96001 Zvolen, Hviezdoslavova 16	045/5241410	045/5241433
	97401 Banská Bystrica, Na Troskách 25, Europa SC	048/4723002	048/4723000
	97401 Banská Bystrica, Nám SNP 20	048/4718711	048/4718733
	97401 Banská Bystrica, Na Troskách 16	048/4715210	048/4156690
	98401 Lučenec, Železničná 15	047/4303523	047/4303520
	96501 Žiar nad Hronom, Š. Moyzesa 427	045/6788901	045/6788905
	97701 Brezno, ul. ČSA č.17	048/6700051	048/6700055

Region	Branch - address	phone	fax
KOŠICE	04001 Košice, Rooseveltova 10	055/6805121	055/6232741
		055/6805134	055/6232741
		055/6805123	055/6232743
	04001 Košice, Hlavná 116	055/7205111	055/7205115
	04001 Košice, Toryská 1/C	055/7881864	055/7881860
	04001 Košice, Mlynská 7	055/7281902	055/7281911
	04001 Košice, Štúrova 14	055/6112500	055/6112566
	07101 Michalovce, Nám. Osloboditeľov 1	056/6880701	056/6880707
	04801 Rožňava, Nám. Baníkov 33	058/7880708	058/7880700
	07643 Čierna nad Tisou, Hlavná 11	056/6871541	056/6871540
	07501 Trebišov, M. R. Štefánika 20	056/6670011	056/6670015
PREŠOV	08001 Prešov, Hlavná 29	051/7729623	051/7729600
		051/7729601	051/7729600
		051/7729609	051/7729600
		051/7729639	051/7729605
	08001 Prešov, Hlavná 11-13	051/7567110	051/7567133
	08501 Bardejov, Dlhý rad 17	054/4880415	054/4880410
	06601 Humenné, Mierová 64/2	057/7862341	057/7862345
POPRAD	05801 Poprad, Popradské nábr. 18	052/7870312	052/7721165
		052/7870311	052/7721165
		052/7870341	052/7721165
	05801 Poprad, Nám. sv. Egídia 64	052/7870913	052/7870933
	05960 Tatranská Lomnica, Dom služieb	052/4780951	052/4780955
	06001 Kežmarok, Hlavné nám. 3	052/4680031	052/4680035
	05201 Sp. Nová Ves, Zimná 56	053/4197110	053/4425788
	05401 Levoča, Nám. Majstra Pavla 19	053/4182607	053/4182600

Financial statements

Prepared in accordance with International Financial Reporting Standards as adopted by the European Union

Year ended 31 December 2007

Contents

Independent Auditors' Report

KPMG Slovensko spol. s r.o.
Mostová 2
P.O. Box 7
820 04 Bratislava 24
Slovakia

Telephone +421 2 59984 111
Fax +421 2 59984 222
Internet www.kpmg.sk

Translation of the Independent Auditors' Report originally prepared in Slovak

Independent Auditors' Report

To the Shareholders, Supervisory Board and Board of Directors of UniCredit Bank Slovakia a. s.:

We have audited the accompanying financial statements of UniCredit Bank Slovakia a. s. ('the Bank'), which comprise the balance sheet as at 31 December 2007, the income statement, the statement of changes in shareholders' equity and the cash flow statement for the year then ended, and the notes to the financial statements.

Management's responsibility for the financial statements
Management, as represented by the Board of Directors, is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, 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 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 our 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, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2007 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

13 March 2008

Audit company:
KPMG Slovensko spol. s r.o.
SKAU licence No. 96

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

Responsible auditor:
Ing. Dagmar Lukovičová
SKAU licence No. 754

Balance sheet

UniCredit Bank Slovakia a. s.

Balance sheet at 31 December 2007

	Notes	2007 Sk '000	2006 Sk '000
Assets			
Cash and cash equivalents	8	39,180,638	13,470,823
Trading assets	10	1,809,267	2,232,543
Derivative assets held for risk management	11	299,129	388
Loans and advances to banks	12	1,852,600	1,409,753
Loans and advances to customers	13	80,054,666	26,441,292
Investment securities	15	10,223,855	4,797,706
Property and equipment	16	1,457,389	1,349,269
Intangible assets	17	420,442	166,352
Deferred tax asset	25	-	194,044
Other assets	18	23,071	20,481
Prepayments and accrued income		31,173	33,561
		135,352,230	50,116,212
Liabilities			
Trading liabilities	10	898,315	590,935
Derivative liabilities held for risk management	11	112,255	-
Deposits by banks	19	36,083,140	6,992,686
Customer accounts	20	77,015,227	35,536,703
Loans received	21	3,035,886	242,555
Debt securities in issue	22	3,933,012	2,441,559
Provisions	23	311,778	272,437
Corporate income tax payable	24	18,371	-
Deferred tax liability	25	1,010	-
Other liabilities		286,327	181,030
Accruals and deferred income		240,266	157,747
		121,935,587	46,415,652
Share capital and reserves			
Share capital	26	7,095,464	2,377,062
Reserves	27	6,321,179	1,323,498
Share capital and reserves		13,416,643	3,700,560
		135,352,230	50,116,212
Off balance sheet items	28	127,027,881	67,074,046

The financial statements, which include the notes on pages 29 to 91, were approved by the Board of Directors on 13 March 2008 and signed by:

Jozef Barta
Chairmen of the Board of Directors
and General Director

[illegible] Horvath
Member of the Board of Directors
and Financial Division Director

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Income statement
Year ended 31 December 2007

	Notes	2007 Sk '000	2006 Sk '000
Interest receivable and similar income arising from debt securities	29	5,382,796	2,540,257
Interest payable	30	(2,831,267)	(799,861)
Net interest income		**2,551,529**	**1,740,396**
Fees and commissions receivable	31	893,541	553,670
Fees and commissions payable	31	(183,738)	(116,575)
Net trading income/(loss)	32	647,496	(159,746)
Other (expense)/income		(8,440)	67,856
Operating income		**3,900,388**	**2,085,601**
Administrative expenses	33	(1,749,707)	(1,333,693)
Depreciation	16	(226,216)	(177.714)
Amortisation	17	(87 041)	(44 962)
Operating expenditure		**(2,062,964)**	**(1,556,369)**
Operating profit before impairment losses and provisions		**1,837,424**	**529,232**
Impairment losses on loans and advances	14	(173,782)	(23,708)
Impairment losses on investment securities	15	4,049	57
Impairment losses on property and equipment	16	25,600	(1,449)
Impairment losses on intangible assets	17	13,905	(12 068)
Impairment losses on other assets	18	1,217	6,137
Provisions	23	24,162	(106,442)
Profit before taxation		**1,732,575**	**391,759**
Income tax expense	34	(331,161)	(72,625)
Profit after taxation		**1,401,414**	**319,134**
Basic and diluted earnings per share (expressed in Sk per share)	**35**	**43.8**	**24.8**

The notes on pages 29 to 91 are an integral part of these financial statements.

Statement of changes in shareholders' equity Year ended 31 December 2007

	Share capital	Retained earnings	Legal reserve fund	Fair value reserve	Cash flow hedge reserve	Merger deficit	Capital fund	Total
	Sk '000	Sk '000	Sk '000	Sk '000	Sk '000	Sk '000	Sk '000	Sk '000
At 1 January 2006	**2,377,062**	**1,095,465**	**101,220**	**(414)**	**-**	**-**	**-**	**3,573,333**
Dividends	-	(192,735)	-	-	-	-	-	(192,735)
Transfers	-	(38,173)	38,173	-	-	-	-	-
Net loss on available for-sale assets, net of tax	-	-	-	(580)	-	-	-	(580)
Receipts	-	-	-	-	-	-	1,408	1,408
Profit for 2006	-	319,134	-	-	-	-	-	319,134
At 31 December 2006	**2,377,062**	**1,183,691**	**139,393**	**(994)**	**-**	**-**	**1,408**	**3,700,560**
Transfer on merger	2,576,250	5,417,817	554,188	27,347	76,694	(209,203)	18,472	8,461,565
Transfer to share capital	2,142,152	(2,142,152)	-	-	-	-	-	-
Dividends	-	(192,735)	-	-	-	-	-	(192,735)
Transfers	-	(54,078)	54,078	-	-	-	-	-
Net loss on available for-sale assets, net of tax	-	-	-	(38,528)	-	-	-	(38,528)
Net gain on cash flow hedge, net of tax	-	-	-	-	83,405	-	-	83,405
Receipts	-	-	-	-	-	-	962	962
Profit for 2007	-	1,401,414	-	-	-	-	-	1,401,414
At 31 December 2007	**7,095,464**	**5,613,957**	**747,659**	**(12,175)**	**160,099**	**(209,203)**	**20,842**	**13,416,643**

See also notes 26 and 27 for details of movements in shareholders' equity accounts during the year.

The notes on pages 29 to 91 are an integral part of these financial statements.

Cash flow statement
Year ended 31 December 2007

	Notes	2007 Sk '000	2006 Sk '000
Cash flows from operating activities			
Profit before changes in operating assets and liabilities	36	2,265,577	713,823
Decrease in trading assets		1,407,852	1,337,689
Increase in derivative assets held for risk management		(35,679)	(388)
Decrease in loans and advances to banks		1,333,677	617,234
Increase in loans and advances to customers		(7,679,884)	(75,822)
Decrease in other assets		131,538	2,520
Decrease in prepayments and accrued income		2,388	12,721
(Decrease)/increase in trading liabilities		(607,121)	15,485
Increase in derivative liabilities held for risk management		44,192	-
Increase in deposits by banks		2,812,772	2,572,672
Increase /(decrease) in customer accounts		6,590,699	(7,295,581)
Provisions utilised		(114,180)	-
Decrease in other liabilities		(138,658)	(200,036)
Increase in accruals and deferred income		82,519	148,915
Income tax paid		(120,261)	-
Net cash from/(used in) operating activities		**5,975,431**	**(2,150,768)**
Cash flows from investing activities			
Sale/(purchase) of investment securities		1,325,597	(828,382)
Proceeds from sale of property and equipment		-	87,063
Purchase of property and equipment		(233,691)	(110,503)
Purchase of intangible assets		(253 637)	(100 682)
Net cash from/(used in) investing activities		**838,269**	**(952,504)**
Cash flows from financing activities			
(Repayment of)/proceeds from loans received		(604,648)	3,800
(Redemption)/issue of debt securities		(813,876)	911,385
Dividends paid		(192,735)	(192,735)
Net cash (used in)/from financing activities		**(1,611,259)**	**722,450**
Net increase/(decrease) in cash and cash equivalents		**5,202,441**	**(2,380,822)**
Cash and cash equivalents at beginning of year		**13,470,823**	**15,851,645**
Cash transferred on merger	**7**	**20,507,374**	**-**
Cash and cash equivalents at end of year	**8**	**39,180,638**	**13,470,823**

The notes on pages 29 to 91 are an integral part of these financial statements.

Notes to the financial statements
Year ended 31 December 2007

1. General information

UniCredit Bank Slovakia a. s. ('the Bank'), formerly known as UniBanka, a. s., is a company incorporated in the Slovak Republic. The Bank's registered office is at Šancová 1/A, 813 33 Bratislava, IČO: 00681709, tax identification number: 2020372618. The ultimate shareholder is UniCredito Italiano S.p.A., a bank incorporated in Italy.

On April 2007, UniBanka, a. s. merged with HVB Bank Slovakia a.s. and adopted the name UniCredit Bank Slovakia a. s. The merger was effected by the transfer of assets, liabilities and equity of HVB Bank Slovakia a.s. to UniBanka, a. s. on 1 April 2007 (see note 7).

At 31 December 2007, the shareholders structure was as follows:	
Shareholders	**%**
Bank Austria Creditanstalt AG, Vienna, Austria	99.00
Ministry of Agriculture of the Slovak Republic	0.4
Other shareholders	0.6

In February 2007 all shares held in the Bank were transferred from UniCredito Italiano S.p.A. Genova to Bank Austria Creditanstalt AG, Vienna.

The principal activities of the Bank are the provision of banking operations, securities trading and investment banking services to commercial and private customers resident mainly in the Slovak Republic.

The Bank's headquarters are in Bratislava. The Bank operates through 10 branch offices and 85 sub-branch offices located throughout the Slovak Republic.

The financial statements of UniBanka, a. s. for the preceding accounting period, the year ended 31 December 2006, were approved by the General Assembly on 26 April 2007. The financial statements of HVB Bank Slovakia, a.s. for the preceding period, period ended 31 March 2007, were approved by the General Meeting on 12 September 2007.

The financial statements of the Bank are included in the consolidated financial statements of UniCredito Italiano S.p.A. Genova.

The members of the Board of Directors are as follows:

Jozef Barta
Friedrich Plail

Mag. Helmut Horvath
Gianni Franco Papa
Doc. Ing. Anna Pilková CSc., until 31 March 2007

The members of the Supervisory Board are as follows:

Ing. Slavomír Ťurek
Elena Goitini
Heinz Meidlinger, from 1 April 2007
Herbert Hangel, from 16 March 2007
Ing. Eva Vavrová, from 16 March 2007
Thomas Groß, from 28 September 2007
Carlo Vivaldi, from 28 September 2007
Ing. Zuzana Šťastná, from 9 November 2007
Ing. Jaroslav Hazlinger, from 9 November 2007
Carmine Ferraro, until 15 March 2007
Friederike Kotz, from 1 April 2007 until 27 September 2007
Carlo Marini, until 15 March 2007
Carmelo Mazza, until 15 March 2007
Ing. Miloslav Nechojdoma, until 27 September 2007
Johann Strobl, since 16 March 2007 until 27 September 2007
Günther Stromenger, until 15 March 2007
Ing. Zuzana Šťastná, until 27 September 2007
Ing. Viera Vaská, until 19 January 2007
Alberto Devoto, until 15 March 2007
Marco Iannaccone, until 15 March 2007
Ing. Jiří Kunert, until 19 January 2007

Notes to the financial statements Year ended 31 December 2007 (Continued)

2. Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union and as required by Section 17a of the Slovak Act on Accounting 431/2002 as amended.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following:

- derivative financial instruments are measured at fair value
- financial instruments at fair value through profit and loss are measured at fair value
- available-for-sale financial assets are measured at fair value.

(c) Functional and presentation currency

These financial statements are presented in Slovak crowns, which is the Bank's functional currency. Except as indicated, financial information presented in Slovak crowns has been rounded to the nearest thousand.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in notes 4 and 5.

(e) Comparative figures

The comparative figures have been regrouped or reclassified, where necessary, on a basis consistent with the current period. The comparative figures are of UniBanka, a. s. as at and for the year ended 31 December 2006.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Foreign currency

Foreign currency transactions
Transactions denominated in foreign currencies are translated into Slovak crowns at the exchange rates ruling on the date of the transaction. Monetary assets and liabilities are translated at the rates of exchange ruling on the balance sheet date. All resulting gains and losses are recorded in **Net trading income** in the income statement.

(b) Interest income and expense

Interest income and expense are recognised in the income statement using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

The calculation of the effective interest rate includes all fees paid or received, transaction costs and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Bank's trading operations and are presented, together with all other changes in the fair value of trading assets and liabilities, in **Net trading income.**

(c) Fees and commissions

Fee and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fee and commission income, including account servicing fees, investment management fees, sales commission, placement fees and syndication fees, are recognised as the related services are performed. When a loan commitment is not expected to result in the drawn-down of a loan, loan commitment fees are recognised on a straight-line basis over the commitment period.

Other fee and commission expense relates mainly to transaction and service fees, which are expensed as the services are received.

(d) Net trading income

Net trading income comprises gains less losses related to trading assets and liabilities, and includes all realised and unrealised fair value changes, interest, dividends and foreign exchange differences.

(e) Dividends

Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for equity securities.

(f) Lease payments made

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under the finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(g) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the

Notes to the financial statements Year ended 31 December 2007 (Continued)

3. Significant accounting policies (Continued)

asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(h) Financial assets and liabilities

(i) Recognition
The Bank initially recognises loans and advances, deposits by banks, customer accounts, loans received and debt securities in issue on the date that they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value though profit and loss) are initially recognised on the trade date at which the Bank becomes a party to the contractual provisions of the instrument.

(ii) Derecognition
The Bank derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Bank is recognised as a separate asset or liability.

The Bank derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Bank enters into transactions whereby it transfers assets recognised on its balance sheet, but retains either all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, the transferred assets are not derecognised from the balance sheet. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

The Bank also derecognises certain assets when it writes off balances pertaining to assets deemed to be uncollectible.

(iii) Offsetting
Financial assets and liabilities are set off and the net amount presented in the balance sheet when, and only when, the Bank has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the reporting standards, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

(iv) Amortised cost measurement
The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(v) Fair value measurement
The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets. For all other financial instruments, fair value is determined by using valuation techniques. Valuation techniques include net present value techniques, the discounted cash flow method, comparison to similar instruments for which market-observable prices exist and valuation models. The Bank uses widely recognised valuation models for determining the fair value of the more common financial instruments like options and interest rate and currency swaps. For these financial instruments, inputs into models are market observable.

(vi) Identification and measurement of impairment
At each balance sheet date, the Bank assesses whether there is objective evidence that financial assets not carried at fair value through profit and loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of the asset that can be reliably estimated.

The Bank considers evidence of impairment at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are then collectively assessed for impairment by grouping together financial assets (carried at amortised cost) with similar risk characteristics.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Bank on terms that the Bank would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the Bank, or economic conditions that correlate with defaults in the Bank.

In assessing collective impairment, the Bank uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in the income statement and reflected in an allowance account against loans and advances. Interest on the impaired asset continues to be recognised through the unwinding of the discount.

When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through the income statement.

Impairment losses on available-for-sale investment securities are recognised by transferring the difference between the amortised acquisition cost and current fair value out of equity to income. When a subsequent event causes the amount of impairment loss on an available-for-sale debt security to decrease, the impairment loss is reversed through the income statement.

However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised directly in equity. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

(i) Cash and cash equivalents

Cash and cash equivalents comprises cash, unrestricted balances held with the National Bank of Slovakia and highly liquid financial assets with original maturities of less than three months which are subject to insignificant risk of changes in their fair value and are used by the Bank in the management of short-term commitments.

Cash and cash equivalents are carried at amortised cost in the balance sheet.

(j) Trading assets and liabilities

Trading assets and liabilities are those assets and liabilities that the Bank acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking.

Trading assets and liabilities are initially recognised and subsequently measured at fair value in the balance sheet with transaction costs taken directly to income. All changes in fair value are recognised as part of **Net trading income** in the income statement. Trading assets and liabilities are not reclassified subsequent to their initial recognition.

(k) Derivatives held for risk management purposes

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value in the balance sheet. The treatment of changes in their fair value depends on their classification into the following categories:

(i) Fair value hedge
When a derivative is designated as a hedge of the change in fair value of a recognised asset or liability or a firm commitment, changes in the fair value of the derivative are recognised immediately in income together with changes in the fair value of the hedged item that are attributable to the hedged risk (in the same income statement line item as the hedged item).

If the derivative expires or is sold, terminated, or exercised, no longer meets the criteria for fair value hedge accounting, or the designation is revoked, hedge accounting is discontinued. Any adjustment up to that point to a hedged item for which the effective interest method is used is amortised to profit or loss as part of the recalculated effective interest rate of the item over its remaining life.

(ii) Cash flow hedge
When a derivative is designated as a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect income, the effective portion of changes in the fair value of the derivative are recognised directly in equity. The amount recognised in equity is removed and included in income in the same period as the hedged cash flows affect income under the same income statement line item as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the income statement.

If the derivative expires or is sold, terminated or exercised, or no longer meets the criteria for cash flow hedge accounting, or the designation is revoked, then hedge accounting is discontinued and the amount recognised

Notes to the financial statements
Year ended 31 December 2007 (Continued)

3. Significant accounting policies (Continued)

in equity remains in equity until the forecast transaction affects income. If the forecast transaction is no longer expected to occur, hedge accounting is discontinued and the balance in equity is recognised immediately in the income statement.

(iii) Other non-trading derivatives
When a derivative is not held for trading and is not designated in a qualifying hedge relationship, all changes in its fair value are recognised immediately in income as a component of net income on the other financial instruments carried at fair value.

(iv) Embedded derivatives
Derivatives may be embedded in another contractual arrangement (a 'host contract'). The Bank accounts for embedded derivatives separately from the host contract when the host contract is not itself carried at fair value through income and the characteristics of the embedded derivative are not clearly and closely related to the host contract. Separated embedded derivatives are accounted for depending on their classification, and are presented in the balance sheet together with the host contract.

(l) Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Bank does not intend to sell immediately or in the near term.

When the Bank is the lessor in a lease agreement that transfers substantially all of the risks and rewards incidental to ownership of an asset to the lessee, the agreement is presented within loans and advances.

When the Bank purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date ('reverse repo or stock borrowing'), the agreement is accounted for as a loan or advance, and the underlying asset is not recognised in the Bank's financial statements.

Loans and advances are initially measured at fair value plus incremental direct transaction costs and subsequently measured at their amortised cost using the effective interest method.

(m) Investment securities

Investment securities are initially measured at fair value plus incremental direct transaction costs and subsequently accounted for depending on their classification as either held-to-maturity or available-for-sale.

(i) Held-to-maturity
Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold to maturity and which are not designated at fair value through profit and loss or available-for-sale.

Held-to-maturity investments are carried at amortised cost using the effective interest method. Any sale or reclassification of a significant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale and prevent the Bank from classifying investments securities as held-to-maturity for the current and the following two financial years.

(ii) Available-for-sale
Available-for-sale investments are non-derivative investments that are not designated as any other category of financial assets. Unquoted equity securities whose fair value cannot be reliably measured are carried at cost. All other available-for-sale investments are carried at fair value.

Interest income is recognised in income using the effective interest method. Dividend income is recognised in income when the Bank becomes entitled to the dividend. Foreign exchange gains or losses on available-for-sale debt security investments are recognised in income.

Other fair value changes are recognised directly in equity until the investment is sold or impaired and the balance in equity is recognised in income.

(n) Property and equipment

(i) Recognition and measurement
Items of property and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

(ii) Subsequent costs
The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Bank and its cost can be reliably measured. The costs of the day-to-day servicing of property and equipment are recognised in income as incurred.

(iii) Depreciation
Depreciation is recognised in income on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Buildings
20 years, straight line

Furniture, fittings and equipment
4 to 12 years, straight line

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

(o) Intangible assets

Software
Software is stated at cost less accumulated amortisation and impairment losses.

Amortisation is recognised on a straight line basis over the 2 to 5 years estimated useful life of the software.

(p) Leased assets

Leases under which the Bank assumes substantially all the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

All other leases are operating leases and the leased assets are not recognised on the Bank's balance sheet.

(q) Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

Impairment losses are recognised in income. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(r) Deposits, customer accounts, debt securities in issue and loans received

Deposits, customer accounts, debt securities in issue and loans received are the Bank's sources of debt funding.

Deposits, customer accounts, debt securities in issue, and loans received are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost, including accrued interest, using the effective interest method.

When the Bank sells a financial asset and simultaneously enters into a 'repo' or 'stock lending' agreement to repurchase the asset (or a similar asset) at a fixed price on future date, the arrangement is accounted for as a deposit, and the underlying asset continues to be recognised in the Bank's financial statements.

(s) Provisions

A provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognised when the Bank has approved a detailed

Notes to the financial statements Year ended 31 December 2007 (Continued)

3. Significant accounting policies (Continued)

and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Bank from a contract are lower than the unavoidable cost of meeting the obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Bank recognises any impairment loss on the assets associated with that contract.

(t) Employee benefits

(i) Defined contribution plans
Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement when they are due.

(ii) Termination benefits
Termination benefits are recognised as an expense when the Bank is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date.

(iii) Short-term benefits
Short-term employee benefits obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be reliably estimated.

(u) Earnings per share

The Bank presents basic and diluted earnings per share ('EPS') data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of any dilutive potential ordinary shares.

(v) Segment reporting

A segment is a distinguishable component of the Bank that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Bank's primary format for segment reporting is based on business segments.

(w) New standards and interpretations not yet adopted

The following recently-issued standards, amendments to standards and interpretations are not effective for the year ended 31 December 2007, and have not been applied in preparing these financial statements:

- IFRS 8 Operating Segments, requires segment disclosure based on the components of the entity that management monitors in making decisions about operating matters. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by management in deciding how to allocate resources and in assessing performance. IFRS 8 will become mandatory from 1 January 2009. The Bank is currently evaluating the impact.

- Revised IAS 23 Borrowing Costs. The revised Standard will require the capitalisation of borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. Revised IAS 23 will become effective from 1 January 2009, but is not relevant to the Bank's operations as the Bank does not have any qualifying assets for which borrowing costs would be capitalised.

Revised IAS 1 Presentation of Financial Statements will require information in financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income. Items of income and expense and components of other comprehensive income may be presented either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income). Revised IAS 1 will become effective from 1 January 2009. The Bank is currently evaluating the impact.

- IFRIC 11 IFRS 2 Group and Treasury Share Transactions will require a share-based payment arrangement in which an entity receives goods or services as consideration for its own equity-instruments to be accounted for as an equity-settled share-based payment transaction, regardless of how the equity instruments needed are obtained. It also provides guidance on whether share-based payment arrangements, in which suppliers of goods or services of an entity are provided with equity instruments of the entity's parent should be accounted for as cash-settled or equity-settled in the entity's financial statements. It becomes mandatory for 2008 financial statements but is not expected to have any impact on the Bank's financial statements.

- IFRIC 12 Service Concession Arrangements. The Interpretation provides guidance to private sector entities on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements. IFRIC 12 will become mandatory from 1 January 2008 and is currently not relevant to the Bank's operations as the Bank has not entered into any service concession arrangements.

- IFRIC 13 Customer Loyalty Programmes. The Interpretation explains how entities that grant loyalty award credits to customers who buy other goods or services should account for their obligations to provide free or discounted goods or services ('awards') to customers who redeem those award credits. Such entities are required to allocate some of the proceeds of the initial sale to the award credits and recognise these proceeds as revenue only when they have fulfilled their obligations. The Interpretation will become effective from 1 July 2008 and the Bank does not expect the Interpretation to have any impact on the financial statements.

- IFRIC 14 IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interactions will be effective for annual periods beginning on or after 1 January 2008. The Bank does not have any Defined Benefit Assets and therefore this Interpretation should have no impact on the Bank's financial statements.

Notes to the financial statements Year ended 31 December 2007 (Continued)

4. Use of estimates and judgements

These disclosures supplement the commentary on financial risk management.

Key sources of estimation uncertainty

Allowances for credit losses
Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy 3 (h)(vi).

The specific counterparty component of the total allowances for impairment applies to claims evaluated individually for impairment and is based on management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a counterparty's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits and the workout strategy and estimate of cash flows considered recoverable are independently approved by the member of the Board of Directors responsible for Credit Risk Management.

Collectively assessed impairment allowances cover credit losses inherent in portfolios of claims with similar economic characteristics when there is objective evidence to suggest that they contain impaired claims, but the individual impaired items cannot yet be identified. In assessing the need for collective loan loss allowances, management considers factors such as credit quality, portfolio size, concentrations and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters based on historical experience and current economic conditions. The accuracy of the allowances depends on how well these estimate future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances.

Determining fair values
The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy 3 (h)(v). For financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Critical accounting judgements in applying the Bank's accounting policies

Critical accounting judgements made in applying the Bank's accounting policies include:

Financial asset and liability classification
The Bank's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances:

- In classifying financial assets or liabilities as 'trading', management has determined that the Bank meets the description of trading assets and liabilities set out in accounting policy 3 (j).
- In classifying financial assets as held-to-maturity, management has determined that the Bank has both the positive intention and ability to hold the assets until their maturity date as required by accounting policy 3 (m)(i).

5. Financial risk management

(a) Introduction

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

- credit risk
- liquidity risk
- market risk
- operational risk

Information on the exposure to each of the above risks; the objectives, policies and processes for measuring and managing risk; and on the management of the Bank's capital is set out below.

Risk management framework
The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. In exercising this responsibility they have established the Asset and Liability Committee ('ALCO') and the Credit Committee. The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Audit Committee 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. The Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Strategy in using financial instruments
The Bank accepts deposits from customers at fixed rates and for different periods (although short-term periods of up to 3 months are most common). The Bank seeks to earn margins by investing these funds in quality assets such as state bonds, Euro-denominated corporate bonds, treasury bills and loans to customers with acceptable credit risk. Corporate loans are most common, but retail lending is steadily increasing and the Bank has a licence for granting mortgage loans. Margins are achieved either through lending for longer periods or by using special funds with fixed rates, while liquidity risk is managed within approved limits which follow both National Bank of Slovakia ('NBS') and UniCredito Italiano Bank requirements.

The Bank also trades in financial instruments (mainly state bonds and foreign currencies) where it takes positions to take advantage of short-term market movements in bond and currency prices. The Board places trading limits on the level of exposure that can be taken in relation to both overnight and intra-day market positions.

Regulatory requirements
The Bank is subject to the regulatory requirements of the National Bank of Slovakia. These requirements include limits and other restrictions concerning capital adequacy, the classification of loans and off-balance sheet liabilities, credit exposure with clients of the Bank and liquidity. These requirements apply to all banks in Slovakia and compliance is determined based on the Bank's financial reporting under Slovak statutory accounting and banking regulations.

A summary of the applicable requirements is as follows:

- Capital adequacy required to be at least 8% of risk weighted assets;
- Minimum capital of Sk 500,000,000;
- Credit exposure against one non-banking customer may not exceed 25% of the Bank's capital;
- Credit exposure to a related party may not exceed 20% of the Bank's capital;
- Compulsory minimum reserves are calculated as 2 % of primary deposits;
- The Bank's capital defined for the purpose of these requirements includes registered capital, non-distributable reserves and retained earnings less equity investments;
- The exposure of a person connected with the Bank should not exceed specified percentages of the Bank's capital:
- 2% for an individual
- 10% for companies and countries
- 25% for banks in OECD member countries.

(b) 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 other banks and 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, credit risk arising on trading securities is managed independently, but reported as a component of market risk exposure.

Management of credit risk
The responsibility for the management of credit risk is delegated to Risk Management Division, headed by the Chief Risk Officer and reporting directly to the Board of Directors. Units within Risk Management

Notes to the financial statements Year ended 31 December 2007 (Continued)

5. Financial risk management (Continued)

Division are responsible for managing credit risk on a portfolio as well as an individual level, in line with regulatory requirements and common Group guidelines. The main responsibilities include:

- *Formulating credit policies* in consultation with the parent company, covering collateral requirements, credit assessment, risk rating and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- *Establishing the authorisation structure* for the approval and renewal of credit facilities. Authorisation limits are allocated to Competence Levels approved by the Board of Directors. Larger facilities require approval by the Board of Directors and/or by parent company bodies as appropriate.
- *Reviewing and assessing credit risk*. All credit exposures have to be reviewed and assessed by the appropriate competence level, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.
- *Limiting concentrations of exposure* to counterparties, geographies and industries (for loans and advances), and country, settlement and facility line (treasury trades).
- *Developing and maintaining the Bank's risk ratings* in order to categorise exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk rating system is used in determining where impairment provisions may be required against specific credit exposures. The current risk rating framework consists of ten grades reflecting varying degrees of risk of default. The responsibility for setting risk rating lies with the final approving competence level as appropriate. Risk ratings are subject to regular reviews.
- *Reviewing compliance* of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports are provided to the Bank's senior management on the credit quality of the portfolio and appropriate corrective action is taken.
- *Promoting best practice* throughout the Bank in the management of credit risk.

The Bank's risk management policies are consistent with both regulatory requirements and UniCredito Italiano Bank's risk management system.
The Board of Directors is responsible for overall risk management: it approves specific policies in all areas of financial risk management and decides on the allocation of excessive liquidity and capital. Overall bank risks are regularly reviewed with measurements being provided by the ALCO and Credit Committee. The Bank manages credit risk by:
a) applying established, clear rules for individual credit risk exposures,
b) credit portfolio risk management.
The Bank's credit risk exposure rules include: a) the placing of limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, based mainly on regulatory requirements; b) strict rules with respect to connected lending; c) rules for granting and monitoring loans; and d) rules for the collection of past due loans. Total exposure towards one client or group of clients includes all credit risk bearing products and individual limits can be adjusted in response to a client's declining financial or non-financial position. Limit utilisation is monitored regularly.

Derivatives
The Bank maintains strict control limits on net open derivative positions, i.e. the difference between purchase and sale contracts, by both amount and term.
At any one time the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Bank (i.e. assets). This credit risk exposure is managed as part of the overall lending limits with customers and counterparties, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments.

The Bank's credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the Bank assesses counterparties using the same techniques as for its lending activities.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Bank's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable and thus the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

Credit related commitments
The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans.

Exposure to credit risk	Loans and advances to customers		Loans and advances to banks		Investment securities	
	2007 Sk '000	2006 Sk '000	2007 Sk '000	2006 Sk '000	2007 Sk '000	2006 Sk '000
Individually impaired						
Grade 2: Impaired	170,024	158,088	-	-	-	-
Grade 3: Impaired	504,908	10,979	238,271	-	-	-
Grade 4: Impaired	131,171	27,483	-	-	-	-
Grade 5: Impaired	622,556	576,528	-	-	-	-
Gross amount	1,428,659	773,078	238,271	-	-	-
Allowance for impairment	(1,025,527)	(549,691)	-	-	-	-
Carrying amount	403,132	223,387	238,271	-	-	-
Collectively impaired						
Grade 3: Impaired	90,177	37,111	-	-	-	-
Grade 4: Impaired	104,262	75,006	-	-	-	-
Grade 5: Impaired	119,608	184,281	-	-	-	-
Gross amount	314,047	296,398	-	-	-	-
Allowance for impairment	(130,634)	(193,954)	-	-	-	-
Carrying amount	183,413	102,444	-	-	-	-
Past due but not impaired						
Grade 2:Watch list	475,452	114,784	-	-	-	-
Gross amount	475,452	114,784	-	-	-	-
Allowance for impairment	(145,120)	(34,694)	-	-	-	-
Carrying amount	330,332	80,090	-	-	-	-
Past due but not impaired comprises:						
0-30 days	321,915	55,208	-	-	-	-
30-60 days	3,667	23,752	-	-	-	-
60-90 days	4,649	757	-	-	-	-
90-180 days	101	373	-	-	-	-
180 days +	-	-	-	-	-	-
Carrying amount	330,332	80,090	-	-	-	-
Neither past due nor impaired						
Grade1: Low-fair risk	79,296,473	26,096,394	1,614,329	1,409,753	10,223,855	4,797,706
Gross amount	79,296,473	26,096,394	1,614,329	1,409,753	10,223,855	4,797,706
Allowance for impairment	(158,684)	(61,023)	-	-	-	-
Carrying amount	79,137,789	26,035,371	1,614,329	1,409,753	10,223,855	4,797,706
Total carrying amount	**80,054,666**	**26,441,292**	**1,852,600**	**1,409,753**	**10,223,855**	**4,797,706**

Notes to the financial statements Year ended 31 December 2007 (Continued)

5. Financial risk management (Continued)

Impaired loans and securities
Impaired loans and securities are loans and securities for which the Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan. These loans are graded 2 to 5 in the Bank's internal credit risk grading system.

Past due but not impaired loans
Loans and securities where contractual interest or principal payments are past due but the Bank believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Bank.

Allowances for impairment
The Bank establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

Write-off policy
The Bank writes off a loan/security balance (and any related allowances for impairment losses) when Credit Risk Department determines that the loans/securities are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller-balance standardised loans, charge-off decisions generally are based on a product-specific past due status.

Set out below is an analysis of the gross and net of allowance for impairment amounts of individually impaired assets by risk grade.

	Loans and advances to customers		Loans and advances to banks		Investment securities	
	Gross Sk '000	Net Sk '000	Gross Sk '000	Net Sk '000	Gross Sk '000	Net Sk '000
31 December 2007						
Grade 2: Individually impaired	170,024	100,381	-	-	-	-
Grade 3: Individually impaired	504,908	291,094	238,271	238,271	-	-
Grade 4: Individually impaired	131,171	10	-	-	-	-
Grade 5: Individually impaired	622,556	11,647	-	-	-	-
	1,428,659	**403,132**	**238,271**	**238,271**	**-**	**-**
31 December 2006						
Grade 2: Individually impaired	158,088	143,043	-	-	-	-
Grade 3: Individually impaired	10,979	10,262	-	-	-	-
Grade 4: Individually impaired	27,483	19,589	-	-	-	-
Grade 5: Individually impaired	576,528	50,493	-	-	-	-
	773,078	**223,387**	**-**	**-**	**-**	**-**

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 values are based on the value of collateral assessed at the time of borrowing and are periodically revaluated.

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

	Loans and advances to customers		Loans and advances to banks	
	2007 Sk '000	2006 Sk '000	2007 Sk '000	2006 Sk '000
Against individually impaired				
Pledged accounts and pledged term deposits	43,458	346,599	-	-
Guarantees	104,756	27,000	-	-
Mortgages	219,759	1,025,242	-	-
Life assurance, promissory notes and securities	13,920	146,229	-	-
Against collectively impaired				
Pledged accounts and pledged term deposits	6,588	127,671	-	-
Guarantees	44	32,077	-	-
Mortgages	106,771	414,196	-	-
Life assurance, promissory notes and securities	6,966	50,340	-	-
Against past due but not individually impaired				
Pledged accounts and pledged term deposits	24,567	-	-	-
Guarantees	6,685	-	-	-
Mortgages	180,090	-	-	-
Life assurance, promissory note and sureties	37,971	-	-	-
Against neither past due nor impaired				
Pledged accounts and pledged term deposits	1,742,562	8,944,479	-	-
Guarantees	21,167,241	4,314,818	158,940	85,565
Mortgages	12,114,926	20,949,837	-	-
Life assurance, promissory notes and securities	4,817,671	13,449,371	-	-
	40,593,975	**49,827,859**	**158,940**	**85,565**

Notes to the financial statements
Year ended 31 December 2007 (Continued)

5. Financial risk management (Continued)

The Bank monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of gross credit risk is shown below:

	Loans and advances to customers		Loans and advances to banks		Investment securities	
	2007 Sk '000	2006 Sk '000	2007 Sk '000	2006 Sk '000	2007 Sk '000	2006 Sk '000
Concentration by sector						
Government	1,306,854	1,248,282	-	-	6,926,840	3,552,812
Corporate	70,038,414	15,129,763	-	-	2,697,527	1,244,894
Bank	-	6,521,693	1,852,600	1,409,753	599,488	-
Retail	10,169,363	4,380,916	-	-	-	-
	81,514,631	**27,280,654**	**1,852,600**	**1,409,753**	**10,223,855**	**4,797,706**

	Loans and advances to customers		Loans and advances to banks		Investment securities	
	2007 Sk '000	2006 Sk '000	2007 Sk '000	2006 Sk '000	2007 Sk '000	2006 Sk '000
Concentration by location						
Slovak Republic	79,290,636	24,764,639	1,558,122	1,137,291	8,829,725	4,794,833
Turkey	1,008,898	1,040,710	-	69	-	-
Croatia	721,764	1,108,439	-	177	-	-
Hungary	142,317	160,710	-	5,002	-	-
Great Britain	133,614	58,985	-	13,761	1	1
Italy	50,447	16,634	-	180,510	-	-
Czech Republic	45,136	4,241	-	2,798	-	-
Germany	47,198	248	-	5,172	-	-
Austria	13,398	311	-	-	-	-
Romania	3	103,451	-	145	-	-
Belarus	-	-	241,427	-	-	-
Netherlands	-	-	-	-	1,390,510	-
Other	61,220	22,286	53,051	64,828	3,619	2,872
	81,514,631	**27,280,654**	**1,852,600**	**1,409,753**	**10,223,855**	**4,797,706**

Concentration by location for loans and advances is measured based on the location of the entity holding the assets, which has a high correlation with the location of the borrower. Concentration by location of the investment securities is measured based on the location of the issuer of the security.

Loans and advances were made to customers in the following sectors:

	2007 Sk '000	2006 Sk '000
Agriculture and forestry	2,662,673	3,014,574
Industry:		
Metallurgy and machinery	9,467,333	1,704,231
Transport	4,820,351	1,523,810
Food	1,853,213	1,400,880
Energy	6,918,439	45,719
Construction	1,354,992	1,108,989
Chemical and pharmaceutical	946,732	334,290
Other	6,011,236	1,180,509
Trade and services	25,406,508	5,406,801
Mortgage loans	6,429,051	2,584,508
Public administration	1,408,166	1,144,831
Finance and insurance	9,882,705	441,229
Other industries	4,353,232	7,390,283
	81,514,631	**27,280,654**

Settlement risk

The Bank's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of a company to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions the Bank mitigates this risk by conducting settlements through a settlement/clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual obligations. Settlement limits form part of the credit approval/limit monitoring process. Acceptance of settlement risk on free settlement trades requires transaction-specific or counterparty specific approval from the Bank's Risk Department.

Notes to the financial statements Year ended 31 December 2007 (Continued)

5. Financial risk management (Continued)

(c) Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations from its financial liabilities.

The Bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan and overdraft draw-downs, guarantees and from margin and other calls e.g. cash-settled derivatives. The Bank does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of accuracy. The Bank has a reliable historical database on withdrawals which enables it to perform a relatively accurate analysis of the stability of these types of withdrawals.

Management of liquidity risk

The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation.

Asset and Liability Department ('ALM') receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. ALM together with Trading desk then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Bank as a whole. The liquidity requirements of business units are met through short-term loans from ALM to cover any short-term fluctuations and longer term funding to address any structural liquidity requirements.

The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by ALCO. Daily and weekly reports cover the liquidity position of the Bank. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO.

Exposure to liquidity risk

The key measure used by the Bank for managing structural liquidity risk is the ratio defined as a cumulative gap ratio between liabilities and assets. There are set two trigger points for this liquidity ratio - for the cumulative gap over one year and over five years. Details of the reported Bank's liquidity ratio at the reporting date and during the reporting period were as follows:

	2007	2007	2006	2006
	Over 1 year	Over 5 years	Over 1 year	Over 5 years
31 December	0.85	1.05	0.90	0.94
Average for the period	0.86	1.20	0.98	1.02
Maximum for the period	0.91	1.39	1.06	1.12
Minimum for the period	0.79	0.98	0.90	0.94

The Bank's liquidity risk management framework is governed by regulations of the National Bank of Slovakia and by internal procedures established by the Bank for liquidity management, taking into consideration the requirements of liquidity management of the UniCredito Italiano Bank.

The National Bank of Slovakia's liquidity regulatory framework is based on compliance with the following ratios:

- Ratio of fixed and non-liquid assets to own resources and reserves of the Bank should not exceed 1;
- Obligatory reserves should amount to a minimum of 2% of the primary deposits and deposits of non-resident clients (bank and non-bank clients).

The remaining period to maturity of monetary assets and liabilities at 31 December 2007 was as follows:

	Within 1 year Sk '000	1-5 years Sk '000	More than 5 years Sk '000	Not specified Sk'000	Total Sk '000
Monetary assets					
Cash and cash equivalents	39,180,638	-	-	-	39,180,638
Trading assets	711,895	892,839	204,533	-	1,809,267
Derivative assets held for risk management	114,251	75,564	109,314	-	299,129
Loans and advances to banks	1,815,697	36,903	-	-	1,852,600
Loans and advances to customers	40,441,862	19,246,703	20,073,279	292,822	80,054,666
Investment securities	648,116	6,328,000	3,163,311	84,428	10,223,855
Other assets	-	-	-	23,071	23,071
Prepayments and accrued income	-	-	-	31,173	31,173
	82 912,459	**26,580,009**	**23,550,437**	**431,494**	**133,474,399**

Monetary liabilities					
Trading liabilities	543,373	329,767	25,175	-	898,315
Derivative liabilities held for risk management	10,392	101,863	-	-	112,255
Deposits by banks	32,582,921	1,500,219	2,000,000	-	36,083,140
Customer accounts	76,499,061	510,486	1,800	3,880	77,015,227
Loans received	3,035,886	-	-	-	3,035,886
Debt securities in issue	786,359	1,646,653	1,500,000	-	3,933,012
Corporate income tax payable	-	-	-	18,371	18,371
Deferred tax liability	-	-	-	1,010	1,010
Other liabilities	-	-	-	286,327	286,327
Accruals and deferred income	-	-	-	240,266	240,266
	113,457,992	**4,088,988**	**3,526,975**	**549,854**	**,121,623,809**

Notes to the financial statements
Year ended 31 December 2007 (Continued)

5. Financial risk management (Continued)

The remaining period to maturity of monetary assets and liabilities at 31 December 2006 was as follows:

	Within 1 year Sk '000	1-5 years Sk '000	More than 5 years Sk '000	Not specified Sk'000	Total Sk '000
Monetary assets					
Cash and cash equivalents	13,470,823	-	-	-	13,470,823
Trading assets	1,511,349	698,194	-	23,000	2,232,543
Derivative assets held for risk management	-	-	388	-	388
Loans and advances to banks	409,753	1,000,000	-	-	1,409,753
Loans and advances to customers	14,079,520	8,582,449	3,668,557	110,766	26,441,292
Investment securities	397,246	2,035,987	2,358,850	5,623	4,797,706
Deferred tax asset	194,044	-	-	-	194,044
Other assets	1,654	-	-	18,827	20,481
Prepayments and accrued income	-	-	-	33,561	33,561
	30,064,389	**12,316,630**	**6,027,795**	**191,777**	**48,600,591**

Monetary liabilities					
Trading liabilities	500,125	90,810	-	-	590,935
Deposits by banks	6,992,686	-	-	-	6,992,686
Customer accounts	34,236,422	1,285,868	11,525	2,888	35,536,703
Loans received	-	242,555	-	-	242,555
Debt securities in issue	42,968	1,398,591	1,000,000	-	2,441,559
Other liabilities	35,129	-	-	145,901	181,030
Accruals and deferred income	152,407	-	-	5,340	157,747
	41,959,737	**3,017,824**	**1,011,525**	**154,129**	**46,143,215**

The remaining period to maturity on off balance sheet items at 31 December 2007 was as follows:

	Within 1 year Sk '000	1-5 years Sk '000	More than 5 years Sk '000	Not specified Sk'000	Total Sk '000
Off balance sheet					
Bank guarantees	-	6,383	152,557	-	158,940
Customer guarantees	2,119,433	1,092,940	725,723	9,659	3,947,755
Customer guarantees, classified	-	-	-	8,851	8,851
Irrevocable letters of credit	279,817	20,490	-	373,740	674,047
Confirmed credit lines	19,153,496	7,636,393	557,382	-	27,347,271
	21,552,746	**8,756,206**	**1,435,662**	**392,250**	**32,136,864**
Contract/notional amount of derivative instruments					
Trading derivatives					
Currency derivatives					
Currency forwards and swaps	22,097,221	151,213	-	-	22,248,434
Cross currency swaps	1,927,025	130,814	-	-	2,057,839
Currency options	14,613,490	3,241,429	-	-	17,854,919
Share options	-	1,200,000	-	-	1,200,000
Interest rate derivatives					
Interest rate swaps and forward rate agreements	6,736,030	10,685,764	4,080,150	-	21,501,944
Options	-	5,808,021	538,488	-	6,346,509
Derivatives held for risk management					
Designated as cash flow hedges: Interest rate swaps	10,436,030	9,740,450	2,897,060	-	23,073,540
Designated as fair value hedges: Interest rate swaps	-	500,000	107,832	-	607,832
	55,809,796	**31,457,691**	**7,623,530**	**-**	**94,891,017**

Notes to the financial statements Year ended 31 December 2007 (Continued)

5. Financial risk management (Continued)

The remaining period to maturity on off balance sheet items at 31 December 2006 was as follows:

	Within 1 year Sk '000	1-5 years Sk '000	More than 5 years Sk '000	Not specified Sk'000	Total Sk '000
Off balance sheet					
Bank guarantees	85,565	-	-	-	85,565
Customer guarantees	1,316,449	240,725	11,409	89,186	1,657,769
Customer guarantees, classified	-	-	-	2,080	2,080
Irrevocable letters of credit	227,358	-	-	-	227,358
Confirmed credit lines	8,105,230	1,722,837	1,475,212	776	11,304,055
	9,734,602	**1,963,562**	**1,486,621**	**92,042**	**13,276,827**
Contract/notional amount of derivative instruments					
Trading derivatives					
Currency derivatives					
Currency forwards and swaps	9,375,273	1,051,019	-	-	10,426,292
Cross currency swaps	2,662,079	902,504	-	-	3,564,583
Currency options	31,557,161	-	-	-	31,557,161
Interest rate derivatives					
Interest rate swaps and forward rate agreements	6,942,549	1,181,825	-	-	8,124,374
Derivatives held for risk management					
Designated as fair value hedges: Interest rate swaps	-	-	124,809	-	124,809
	50,537,062	**3,135,348**	**124,809**	**-**	**53,797,219**

(d) Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Management of market risks
The Bank separates its exposure to market risk between trading and non-trading portfolios. Trading portfolios mainly are held by the Trading desk unit, and include positions arising from market making and proprietary position taking, together with financial assets and liabilities that are managed on a fair value basis.

All foreign exchange risk within the Bank is transferred and sold down to the Trading desk unit. Accordingly, the foreign exchange position is treated as part of the Bank's trading portfolios for risk management purposes.

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

Exposure to market risks – trading portfolios
The principal tool used to measure and control market risk exposure within the Bank's trading portfolios 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 mainly on historical simulation. Using market data from the previous two years, and observed relationships between different markets and prices, the model generates a wide range of plausible future scenarios for market price movements.

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based do give rise to some limitations, including the following:

- A 1-day holding period assumes that it is possible to hedge or dispose of positions within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period.
- A 99 percent confidence level does not reflect losses that may occur beyond this level. Even within the model used there is a one percent probability that losses could exceed the VaR.
- VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day.
- The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature.
- The VaR measure is dependent on the Bank's position and the volatility of market prices. The VaR of an unchanged position reduces if the market price volatility declines and vice versa.

The Bank uses VaR limits for total market risk of the whole portfolio (interest rate risk together with foreign exchange risk) and also VaR limits for ALM and Trading desk. The overall structure of VaR limits is subject to review and approval by ALCO. VaR is measured daily. Daily reports of utilisation of VaR limits are submitted to Market Risk Management and regular summaries are submitted to ALCO.

Notes to the financial statements Year ended 31 December 2007 (Continued)

5. Financial risk management (Continued)

A summary of the VaR position of the Bank's trading portfolios at 31 December 2007 and 31 December 2006 and during the period is as follows:

	At 31 Dec Sk '000	Average Sk '000	Maximum Sk '000	Minimum Sk '000
2007				
Foreign currency risk	3,723	2,348	6,263	372
Interest rate risk	1,902	4,217	7,640	1,734
Overall	**5,625**	**6,565**		
	At 31 Dec Sk '000	**Average Sk '000**	**Maximum Sk '000**	**Minimum Sk '000**
2006				
Foreign currency risk	1,057	1,098	2,134	44
Covariance	589	3,075	6,482	589
Overall	**1,646**	**4,173**		

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

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 instrument because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands (Basis point value limits). The ALCO is the monitoring body for compliance with these limits and is assisted by Risk Management in its day-to-day monitoring activities.

The same VAR methodology used for the trading portfolios is used for management of market risks in the non-trading portfolios.

Interest rate risk

The Bank has exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may decrease or create losses in the event that unexpected movements arise. The Board of Directors sets limits on the level of mismatch of interest rate repricing that may be undertaken (basis point value limits), which is monitored on a daily basis.
The Bank's interest rate risk policy reflects financial market conditions. To a large extent the Bank applies natural hedging as far as the structure and pricing of assets and liabilities is concerned. Interest rate risk is monitored and managed using repricing gap analysis, report variance analysis and spread analysis on a daily basis. The Bank has set a limit for the total mismatch of interest rate repricing.

Establishing interest rates for the Bank's products is the responsibility of ALCO.

The management of interest rate risk against interest rate gap limits is supplemented 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 a monthly basis include a 200 basis point ('bp') parallel fall or rise in all yield curves worldwide and also other scenarios with irregular movements in yield curves.

An analysis of the Bank's sensitivity to an increase or decrease in market interest rates (assuming no asymmetrical movement in yield curves and a constant balance sheet position) is as follows:

	200 bp parallel increase Sk '000	200 bp parallel decrease Sk '000	50 bp parallel increase Sk '000	50 bp parallel decrease Sk '000
2007				
At 31 December	(207,010)	189,906	(50,300)	49,247
Average for the period	(101,054)	85,859	(23,827)	22,779
Maximum for the period	12,069	209,305	5,164	51,991
Minimum for the period	(210,234)	(34,910)	(52,259)	(6,706)
2006				
At 31 December	(102,420)	102,420	(25,605)	25,605
Average for the period	(162,718)	162,718	(40,680)	40,680
Maximum for the period	(261,713)	261,713	(65,428)	65,428
Minimum for the period	(72,435)	72,435	(18,109)	18,109

Overall non-trading interest rate risk positions are managed by ALM, which uses investment securities, advances to banks, deposits from banks and derivative instruments to manage the overall position arising from the Bank's non-trading activities.

Notes to the financial statements
Year ended 31 December 2007 (Continued)

5. Financial risk management (Continued)

The average effective interest rates at 31 December 2007 and the periods in which interest-bearing assets and liabilities denominated in Slovak crowns reprice were as follows:

	Effective interest rate %	3 months or less Sk '000	1 year or less but over 3 months Sk '000	1 – 5 years Sk '000	Over 5 years Sk '000	Total Sk '000
Interest-bearing assets						
Cash and cash equivalents	4.13	37,963,094	-	-	-	37,963,094
Trading assets	3.36	59,716	-	3,972	177,168	240,856
Loans and advances to banks	4.03	1,232,801	325,000	-	-	1,557,801
Loans and advances to customers	5.47	27,943,003	9,895,856	9,511,285	1,079,012	48,429,156
Investment securities	5.37	508,349	1,713,107	3,305,827	2,129,187	7,656,470
		67,706,963	**11,933,963**	**12,821,084**	**3,385,367**	**95,847,377**

Interest-bearing liabilities						
Deposits by banks	4.88	13,873,200	700,000	1,500,000	2,000,000	18,073,200
Customer accounts	2.15	57,415,344	2,931,548	367,421	1,800	60,716,113
Loans received	3.55	153,775	28,600	-	-	182,375
Debt securities in issue	4.60	953,803	1,252,066	573,263	1,000,000	3,779,132
		72,396,122	**4,912,214**	**2,440,684**	**3,001,800**	**82,750,820**
Off balance sheet items		14,980,540	4,280,360	7,426,430	1,725,000	28,412,330
Interest rate repricing gap		(19,669,699)	2,741,389	2,953,970	(1,341,433)	(15,315,773)
Cumulative interest rate repricing gap		(19,669,699)	(16,928,310)	(13,974,340)	(15,315,773)	-

The average effective interest rates at 31 December 2007 and the periods in which interest-bearing assets and liabilities denominated in Euro reprice were as follows:

	Effective interest rate %	3 months or less Sk '000	1 year or less but over 3 months Sk '000	1 – 5 years Sk '000	Over 5 years Sk '000	Total Sk '000
Interest-bearing assets						
Cash and cash equivalents	3.50	828,793	-	-	-	828,793
Trading assets	3.30	-	-	562,829	-	562,829
Loans and advances to banks	2.30	284,787	-	-	-	284,787
Loans and advances to customers	5.60	13,527,202	9,538,814	5,065,808	727,655	28,859,479
Investment securities	5.44	-	-	2,443,082	-	2,443,082
		14,640,782	**9,538,814**	**8,071,719**	**727,655**	**32,978,970**

Interest-bearing liabilities						
Deposits by banks	4.54	16,337,014	-	-	-	16,337,014
Customer accounts	2.34	13,379,820	374,166	44,760	-	13,798,746
Loans received	4.92	2,544,363	309,148	-	-	2,853,511
Debt securities in issue	4.60	145,154	741	3,384	-	149,279
		32,406,351	**684,055**	**48,144**	**-**	**33,138,550**
Off balance sheet items		1,851,534	2,279,065	8,337,795	1,552,593	14,020,987
Interest rate repricing gap		(19,617,103)	6,575,694	(314,220)	(824,938)	(14,180,567)
Cumulative interest rate repricing gap		(19,617,103)	(13,041,409)	(13,355,629)	(14,180,567)	-

Notes to the financial statements
Year ended 31 December 2007 (Continued)

5. Financial risk management (Continued)

The average effective interest rates at 31 December 2006 and the periods in which interest-bearing assets and liabilities denominated in Slovak crowns reprice were as follows:

	Effective interest rate %	3 months or less Sk '000	1 year or less but over 3 months Sk '000	1 – 5 years Sk '000	Over 5 years Sk '000	Total Sk '000
Interest-bearing assets						
Cash and cash equivalents	4.75	11,870,221	-	-	-	11,870,221
Trading assets	4.01	1,099,426	128	69,098	-	1,168,652
Loans and advances to banks	3.97	-	409,753	1,000,000	-	1,409,753
Loans and advances to customers	5.16	15,411,404	2,479,356	704,826	26,085	18,621,671
Investment securities	4.26	377,622	1,092,320	1,107,877	1,300,442	3,878,261
		28,758,673	**3,981,557**	**2,881,801**	**1,326,527**	**36,948,558**
Interest-bearing liabilities						
Deposits by banks	3.32	2,024,747	1,552,986	-	-	3,577,733
Customer accounts	4.47	27,905,402	2,020,747	1,237,344	11,522	31,175,015
Debt securities in issue	3.32	933,530	509,438	498,591	500,000	2,441,559
		30,863,679	**4,083,171**	**1,735,935**	**511,522**	**37,194,307**
Off balance sheet items		(633,197)	(270,000)	435,000	-	(468,197)
Interest rate repricing gap		(2,737,815)	(371,614)	1,580,866	815,005	(713,558)
Cumulative interest rate repricing gap		(2,737,815)	(3,109,429)	(1,528,563)	(713,558)	-

The average effective interest rates at 31 December 2006 and the periods in which interest-bearing assets and liabilities denominated in Euro reprice were as follows:

	Effective interest rate %	3 months or less Sk '000	1 year or less but over 3 months Sk '000	1 – 5 years Sk '000	Over 5 years Sk '000	Total Sk '000
Interest-bearing assets						
Cash and cash equivalents	3.02	351,145	-	-	-	351,145
Trading assets	7.63	51,887	394,874	569,408	-	1,016,169
Loans and advances to customers	4.77	5,418,920	1,494,078	56,455	77,285	7,046,738
Investment securities	7.37	475	38,947	877,751	-	917,173
		5,822,427	**1,927,899**	**1,503,614**	**77,285**	**9,331,225**
Interest-bearing liabilities						
Deposits by banks	3.77	385,994	2,088,750	-	-	2,474,744
Customer accounts	1.11	3,193,107	189,275	28,003	1	3,410,386
Loans received	4.00	-	544	242,011	-	242,555
		3,579,101	**2,278,569**	**270,014**	**1**	**6,127,685**
Off balance sheet items		712,549	(69,146)	(518,595)	(124,808)	-
Interest rate repricing gap		2,955,875	(419,816)	715,005	(47,524)	3,203,540
Cumulative interest rate repricing gap		2,955,875	2,536,059	3,251,064	3,203,540	-

Notes to the financial statements Year ended 31 December 2007 (Continued)

5. Financial risk management (Continued)

Foreign exchange risk
The Bank also has exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Bank mainly manages its currency exposures within the VaR limits approved by the Board of Directors and Bank Austria Risk Management. The Board of Directors also approves limits on the level of exposure by each currency and in groups of currencies of both overnight and intra-day positions, which are monitored daily.

The Bank had the following foreign exchange positions at 31 December 2007:

	Euro Sk '000	US dollar Sk '000	Other Sk '000	Slovak crown Sk'000	Total Sk '000
Assets					
Cash and cash equivalents	828,793	136,016	252,735	37,963,094	39,180,638
Trading assets	562,829	-	-	1,246,438	1,809,267
Derivative assets held for risk management	-	-	-	299,129	299,129
Loans and advances to banks	284,787	10,012	-	1,557,801	1,852,600
Loans and advances to customers	28,859,479	889,905	1,876,126	48,429,156	80,054,666
Investment securities	2,443,082	123,303		7,657,470	10,223,855
Other assets	-	-	-	23,071	23,071
Prepayments and accrued income	436	3	-	30,734	31,173
	32,979,406	**1,159,239**	**2,128,861**	**97,206,893**	**133,474,399**

Liabilities					
Trading liabilities	-	-	-	898,315	898,315
Derivative liabilities held for risk management	-	-	-	112,255	112,255
Deposits by banks	16,337,014	2,112	1,670,814	18,073,200	36,083,140
Customer accounts	13,798,746	1,498,598	1,001,770	60,716,113	77,015,227
Loans received	2,853,511	-	-	182,375	3,035,886
Debt securities in issue	149,279	4,601	-	3,779,132	3,933,012
Corporate income tax liability	-	-	-	18,371	18,371
Deferred tax liability	-	-	-	1,010	1,010
Other liabilities	-	-	-	286,327	286,327
Accruals and deferred income	392	148	-	239,726	240,266
	33,138,942	**1,505,459**	**2,672,584**	**84,306,824**	**121,623,809**

The Bank had the following foreign exchange positions at 31 December 2006:

	Euro Sk '000	US dollar Sk '000	Other Sk '000	Slovak crown Sk'000	Total Sk '000
Assets					
Cash and cash equivalents	517,538	88,810	318,821	12,545,654	13,470,823
Trading assets	1,016,168	36,661	11,062	1,168,652	2,232,543
Derivative assets held for risk management	-	-	-	388	388
Loans and advances to banks	-	-	-	1,409,753	1,409,753
Loans and advances to customers	7,046,738	383,467	389,416	18,621,671	26,441,292
Investment securities	917,173	2,272	-	3,878,261	4,797,706
Deferred tax asset	-	-	-	194,044	194,044
Other assets	815	60		19,606	20,481
Prepayments and accrued income	4,127	-	-	29,434	33,561
	9,502,559	**511,270**	**719,299**	**37,867,463**	**48,600,591**

Liabilities					
Trading liabilities	62,068	36,656	11,057	481,154	590,935
Derivative liabilities held for risk management	-	-	-	-	-
Deposits by banks	2,474,744	434,162	506,047	3,577,733	6,992,686
Customer accounts	3,410,386	618,704	332,598	31,175,015	35,536,703
Loans received	242,555	-	-	-	242,555
Debt securities in issue	-	-	-	2,441,559	2,441,559
Other liabilities	18,978	5,424	1,527	155,101	181,030
Accruals and deferred income	403	-	-	157,344	157,747
	6,209,134	**1,094,946**	**851,229**	**37,987,906**	**46,143,215**

Notes to the financial statements Year ended 31 December 2007 (Continued)

5. Financial risk management (Continued)

(e) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Bank's operations and are faced by all business entities.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Bank standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of operational risk events
- requirements for the reconciliation and monitoring of operational risk events
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective.

Compliance with Bank's standards is supported by a programme 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 Board of Directors.

(f) Capital management

The Bank's regulator, the National Bank of Slovakia ('NBS'), as well as its parent company, UniCredito Italiano, set and monitor capital requirements. These ratios measure capital adequacy (minimum 8% required by NBS) by comparing either the Bank's regulatory capital or its eligible capital in accordance with UniCredito Italiano requirements with its balance sheet assets and off-balance sheet commitments at weighted amounts to reflect their relative risk. In accordance with the regulatory requirements of the National Bank of Slovakia, these ratios reflect market risk.

In implementing current capital requirements, the NBS requires the Bank to maintain a prescribed ratio of total capital to total risk-weighted assets. The Bank calculated requirements for market risk in its trading portfolios based upon the requirements of NBS regulation No 4/2004 on adequacy of own funds. Since 30 March 2007, the requirements for market risk are calculated in accordance with NBS regulation No 4/2007 on own funds and requirements on own funds.

The Bank's regulatory capital is analysed into two tiers:

- Tier 1 capital includes ordinary share capital, share premium, retained earnings, translation reserve and minority interests after deductions for goodwill and intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.
- Tier 2 capital includes qualifying subordinated liabilities, collective impairment allowances and the element of the fair value reserve relating to unrealised gains on equity instruments classified as available for sale.

Various limits are applied to elements of the capital base.

Banking operations are categorised as either trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures.

The Bank's policy is to maintain a strong capital base so as to maintain shareholder, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is taken into account as the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Bank has complied with all externally imposed capital requirements throughout the period.

There have been no material changes in the Bank's management of capital during the period.

The Bank's regulatory capital position at 31 December was as follows:

	2007 Sk '000	2006 Sk '000
Regulatory capital		
Tier 1 capital		
Ordinary share capital (note 26)	7,095,464	2,377,062
Reserve funds and other funds created from profit (note 27)	747,659	139,393
Merger deficit (note 27)	(209,203)	-
Retained earnings less profit for the year (note 27)	4,212,543	864,557
Less: Intangible assets (note 17)	(420,442)	(166,352)
Negative revaluation reserve	(6,305)	-
Total	**11,419,716**	**3,214,660**
Tier 2 capital		
Positive revaluation reserve	202	-
Total	**202**	**-**
Items deductible from the regulatory capital		
Net book value of the Bank's investment in other bank or financial institutions (note 15)	(80,172)	-
	11,339,746	**3 214,660**
Risk-weighted assets (RWA)		
RWA - weight 20%	2,333,579	1,578,977
RWA - weight 50%	3,392,094	1,318,283
RWA - weight 100%	64,886,306	23,590,710
Risk weighted assets in the banking book	70,611,979	26,487,970
Risk weighted assets in the trading book	1,315,138	594,163
Other risk weighted assets	249,338	145,375
	72,176,455	**27,227,508**
Capital ratios		
Total regulatory capital expressed as a percentage of total risk-weighted assets	15.71%	11.81%
Total tier 1 capital expressed as a percentage of risk weighted assets	15.82%	11.81%

Notes to the financial statements Year ended 31 December 2007 (Continued)

6. Segment reporting

Segment reporting is presented in respect of the Bank's business segments. The Bank principally operates in Slovakia. Operations outside Slovakia are not significant.

Measurement of segment assets and liabilities and segment revenues and results is based on the accounting policies set out in the accounting policy notes.

Transactions between segments are conducted at arm's length.

Segment revenues, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise cash, taxes, other assets and prepayments, provisions and other liabilities.

Business segments

a) Corporate banking – incorporating direct debit facilities, current accounts, deposits, overdrafts, loans, other credit facilities and recovery department;

b) Retail and Private banking – incorporating private customer current accounts, savings, deposits, credit and debit cards, customer loans and mortgages;

c) International markets – incorporating deposits, foreign currency and derivative products.

6. Segment reporting (Continued)

	Corporate banking 2007 Sk '000	Retail and private banking 2007 Sk '000	International markets 2007 Sk '000	Unallocated 2007 Sk '000	Bank 2007 Sk '000
Net interest income	**1,007,567**	**785,061**	**225,103**	**533,798**	**2,551,529**
Net fees and commissions	**426,978**	**346,744**	**9,486**	**(73,405)**	**709,803**
Net trading income	384,815	146,262	133,632	(17,213)	647,496
Other expense	-	-	-	(8,440)	(8,440)
Operating income	**1,819,360**	**1,278,067**	**368,221**	**434,740**	**3,900,388**
Administrative expenses	-	-	-	(1,749,707)	(1,749,707)
Depreciation and amortisation	-	-	-	(313,257)	(313,257)
Operating expenditure	**-**	**-**	**-**	**(2,062,964)**	**(2,062,964)**
Operating profit before impairment losses and provisions	**1,819,360**	**1,278,067**	**368,221**	**(1,628,224)**	**1,837,424**
Impairment losses	-	-	-	(129,011)	(129,011)
Provisions	-	-	-	24,162	24,162
Profit before taxation	**1,819,360**	**1,278,067**	**368,221**	**(1,733,073)**	**1,732,575**
Income tax expense					(331,161)
Profit after taxation					**1,401,414**
Other information:					
Assets	**71,051,332**	**10,463,298**	**50,551,157**	**3,286,443**	**135,352,230**
Liabilities, share capital and reserves	**45,410,288**	**32,154,241**	**38,803,668**	**18,984,033**	**135,352,230**

Notes to the financial statements Year ended 31 December 2007 (Continued)

6. Segment reporting (Continued)

	Corporate banking 2006 Sk '000	Retail and private banking 2006 Sk '000	International markets 2006 Sk '000	Unallocated 2006 Sk '000	Bank 2006 Sk '000
Net interest income	**520,045**	**562,926**	**568,178**	**89,247**	**1,740,396**
Net fees and commissions	**238,704**	**211,488**	**(10,127)**	**(2,970)**	**437,095**
Net trading income/(loss)	206,351	108,233	(458,419)	(15,911)	(159,746)
Other income	-	-	-	67,856	67,856
Operating income	**965,100**	**882,647**	**99,632**	**138,222**	**2,085,601**
Administrative expenses	-	-	-	(1,333,693)	(1,333,693)
Depreciation and amortisation	-	-	-	(222,676)	(222,676)
Operating expenditure	**-**	**-**	**-**	**(1,556,369)**	**(1,556,369)**
Operating profit before impairment losses and provisions	**965,100**	**882,647**	**99,632**	**(1,418,147)**	**529,232**
Impairment losses	-	-	-	(31,031)	(31,031)
Provisions	-	-	-	(106,442)	(106,442)
Profit before taxation	**965,100**	**882,647**	**99,632**	**(1,555,620)**	**391,759**
Income tax expense					(72,625)
Profit after taxation					**319,134**
Other information:					
Assets	**22,448,379**	**4,894,425**	**20,845,705**	**1,927,703**	**50,116,212**
Liabilities, share capital and reserves	**14,574,890**	**20,039,386**	**10,267,735**	**5,234,201**	**50,116,212**

7. Merger with HVB Bank Slovakia a.s.

On 1 April 2007, UniBanka, a. s. merged with HVB Bank Slovakia a.s. The merger was effected by the transfer of the following assets, liabilities and equity of HVB Bank Slovakia a.s.:

	1 April 2007 Sk '000
Assets	
Cash and cash equivalents	20,507,374
Trading assets	984,576
Derivative assets held for risk management	160,093
Loans and advances to banks	1,776,524
Loans and advances to customers	46,107,272
Investment securities	6,794,534
Property and equipment	124,824
Intangible assets	138,706
Deferred tax asset	23,833
Other assets	132,911
	76,750,647
Liabilities, share capital and reserves	
Trading liabilities	914,501
Derivative liabilities held for risk management	68,063
Deposits by banks	26,277,682
Customer accounts	34,887,825
Loans received	3,397,979
Debt securities in issue	2,305,329
Provisions	177,683
Corporate income tax payable	16,065
Other liabilities	243,955
Share capital	2,576,250
Reserves (a)	5,885,315
	76,750,647
(a) Reserves	
Retained earnings	5,417,817
Legal reserve fund	554,188
Fair value reserve	27,347
Cash flow hedge reserve	76,694
Merger deficit	(209,203)
Capital fund	18,472
	5,885,315

Loans and advances to customers include specific allowances for impairment of Sk 1,047,456 thousand and collective allowances for impairment of Sk 78,359 thousand.

Investment securities include available for sale debt and equity securities of Sk 4,706,680 thousand and allowance for impairment for available for sale securities of Sk 2,700 thousand.

Other assets include allowance for impairment of Sk 4,270 thousand.

Notes to the financial statements Year ended 31 December 2007 (Continued)

8. Cash and cash equivalents

	2007 Sk '000	2006 Sk '000
Cash and balances at the central bank (note 9)	33,696,600	8,044,678
Loans and advances to banks with contractual maturity up to 3 months (note 12)	5,484,038	5,426,145
	39,180,638	**13,470,823**

9. Cash and balances at the central bank

	2007 Sk '000	2006 Sk '000
Balances with the National Bank of Slovakia:		
Compulsory minimum reserve	1,227,282	173,443
Receivables from repurchase agreements	30,870,248	6,979,170
Term deposits	1,315,082	21,006
Other	2,107	102,419
	33,414,719	7,276,038
Cash in hand	1,509,163	942,083
	34,923,882	8,218,121
Less compulsory minimum reserve (note 12)	(1,227,282)	(173,443)
	33,696,600	**8,044,678**

The compulsory minimum reserve balance is maintained in accordance with the requirements of the National Bank of Slovakia and is not available for day-to-day use.

10. Trading assets and liabilities

	2007 Sk '000	2006 Sk '000
Trading assets		
Securities (a)	803,686	1,385,909
Derivative instruments (b)	1,005,581	846,634
	1,809,267	**2,232,543**
Trading liabilities		
Derivative instruments (b)	898,315	590,935

(a) Securities		
Slovak government bonds	803,686	995,837
Corporate and bank bonds	-	367,421
Equity securities	-	22,651
	803,686	**1,385,909**

(b) Derivative instruments

	Contract/ notional amount Sk '000	2007 Fair value		Contract/ notional amount Sk '000	2006 Fair value	
		Assets Sk '000	Liabilities Sk '000		Assets Sk '000	Liabilities Sk '000
Currency derivatives						
Currency forwards and swaps	22,248,434	230,599	311,767	10,426,292	328,524	335,096
Cross currency swaps	2,057,839	226,046	2,154	3,564,583	199,576	2,021
Currency options	17,854,919	362,163	362,163	31,557,161	198,381	198,337
Share options	1,200,000	73,891	73,891	-	-	-
Interest rate derivatives						
Interest rate swaps and forward rate agreements	21,501,944	89,856	125,314	8,124,374	120,153	55,481
Options	6,346,509	23,026	23,026	-	-	-
	71,209,645	**1,005,581**	**898,315**	**53,672,410**	**846,634**	**590,935**

Notes to the financial statements
Year ended 31 December 2007 (Continued)

11. Derivative assets and liabilities held for risk management

	Contract/ notional amount Sk '000	2007 Fair value		Contract/ notional amount Sk '000	2006 Fair value	
		Assets Sk '000	Liabilities Sk '000		Assets Sk '000	Liabilities Sk '000
Derivative instruments held for risk management						
Designated as cash flow hedges: Interest rate swaps	23,073,540	293,818	112,255	-	-	-
Designated as fair value hedges: Interest rate swaps	607,832	5,311	-	124,809	388	-
	23,681,372	**299,129**	**112,255**	**124,809**	**388**	**-**

12. Loans and advances to banks

	2007 Sk '000	2006 Sk '000
Repayable on demand	148,718	80,175
Other loans and advances by remaining maturity:		
- 3 months or less	5,335,320	5,345,970
- 1 year or less but over 3 months	588,415	236,310
- over 1 year	36,903	1 000,000
Compulsory minimum reserves (note 9)	1,227,282	173,443
	7,336,638	**6,835,898**
Less amounts with contractual maturity up to 3 months (note 8)	(5,484,038)	(5,426,145)
	1,852,600	**1,409,753**

13. Loans and advances to customers

	2007 Sk '000	2006 Sk '000
Repayable on demand	18,376,185	4,046,967
Other loans and advances to customers by remaining maturity:		
- 3 months or less	9,116,246	4,387,736
- 1 year or less but over 3 months	14,570,680	6,594,945
- 5 years or less but over 1 year	19,378,241	8,582,449
- over 5 years	20,073,279	3,668,557
	81,514,631	27,280,654
Allowances for impairment (note 14)	(1,459,965)	(839,362)
	80,054,666	**26,441,292**

The exposure to the various business segments of loans and advances to customers according to main product types is as follows:

	31 December 2007			31 December 2006		
	Gross amount Sk '000	Impairment allowance Sk '000	Carrying amount Sk '000	Gross amount Sk '000	Impairment allowance Sk '000	Carrying amount Sk '000
Retail customers						
Mortgage lending	7,229,201	(52,520)	7,176,681	2,534,113	(13,639)	2,520,474
Personal loans	1,111,970	(59,925)	1,052,045	870,689	(33,599)	837,090
Credit cards	177,396	(7,824)	169,572	52,265	(3,638)	48,627
Other	23,622	-	23,622	30,290	-	30,290
Corporate customers						
Small business	2,240,986	(180,062)	2,060,924	1,470,893	(107,904)	1,362,989
Corporate	19,374,460	(806,422)	18,568,038	16,724,725	(197,820)	16,526,905
Large Corporate	41,433,691	(40,896)	41,392,795	2,205,048	(471,305)	1,733,743
Real estate	9,923,305	(312,316)	9,610,989	3,392,631	(11,457)	3,381,174
	81,514,631	**(1,459,965)**	**80,054,666**	**27,280,654**	**(839,362)**	**26,441,292**

Notes to the financial statements Year ended 31 December 2007 (Continued)

14. Impairment losses on loans and advances

The movements on impairment losses on loans and advances to customers were as follows:

	2007 Sk '000	2006 Sk '000
Specific allowances for impairment:		
At 1 January	549,691	1,401,914
Transfer on merger (note 7)	1,047,456	-
Charge for the year	90,620	(433,605)
Release of impairment losses on loans written-off	(662,240)	(418,618)
At 31 December	**1,025,527**	**549,691**
Collective allowances for impairment:		
At 1 January	289,671	-
Transfer on merger (note 7)	78,359	-
Charge for the year	83,162	457,313
Release of impairment losses on loans written-off	(16,754)	(167,642)
At 31 December	**434,438**	**289,671**
Total allowances for impairment	**1,459,965**	**839,362**

15. Investment securities

	2007 Sk '000	2006 Sk '000
Debt securities held to maturity (a)	6,478,930	4,792,083
Debt securities available for sale (b)	3,660,497	-
Equity shares available for sale (c)	84,428	5,623
	10,223,855	**4,797,706**

(a) Debt securities held to maturity

	2007 Sk '000	2006 Sk '000
Slovak government bonds	4,647,058	3,552,812
Slovak corporate and bank bonds	1,831,872	1,239,271
	6,478,930	**4,792,083**

15. Investment securities (Continued)

At 31 December 2007, the market value of held-to-maturity securities was Sk 6,340.9 million (2006: Sk 4,650.3 million).

(b) Debt securities available for sale

	2007 (Sk '000)	2006 (Sk '000)
Slovak government bonds	2,279,783	-
Slovak corporate and bank bonds	1,380,714	-
	3,660,497	**-**

(c) Equity shares available for sale

Name	Activity	2007 (Sk '000)	2006 (Sk '000)
Agrobanka, a.s. in liquidation	Financial services	-	1,256
RVS, a.s.	Congress and leisure	-	2,240
S.W.I.F.T.	International funds transfer	738	601
BCPB, a.s.	Stock exchange	636	636
UniCredit Leasing	Financial services	80,172	-
MasterCard Incorporated	Financial services	2,881	2,271
Visa Europe Limited	Financial services	1	1
		84,428	**7,005**
Specific allowances for impairment		-	(1,382)
		84,428	**5,623**

The Bank owns 19.9% of the issued capital of UniCredit Leasing Slovakia a.s. and 2.63% of RVS, a.s. Holdings in other companies are less than 1%. SWIFT is registered in Belgium, MasterCard in the USA and Visa in the UK. All other companies are incorporated in the Slovak Republic. Shares of Agrobanka, a.s. in liquidation were sold in January 2007.

The movements on available-for-sale securities during the year were as follows:

	2007 (Sk '000)	2006 (Sk '000)
As at 1 January	7,005	4,791
Transfer on merger (note 7)	4,706,680	-
Additions	39,210	2,794
Disposals	(960,405)	-
Losses from changes in fair value	(47,565)	(580)
As at 31 December	**3,744,925**	**7,005**

The movements on specific allowances for impairment on investment securities were as follows:

	2007 (Sk '000)	2006 (Sk '000)
At 1 January	1,382	1,439
Transfer on merger (note 7)	2,700	-
Exchange-rate difference	(33)	-
Release for the year	(4,049)	(57)
As at 31 December	**-**	**1,382**

Notes to the financial statements Year ended 31 December 2007 (Continued)

16. Property and equipment

	Land and buildings Sk '000	Furniture, fittings and equipment Sk '000	Assets not yet in use Sk '000	Total Sk '000
Cost				
At 1 January 2006	1,303,442	1,110,627	59,553	2 473,622
Additions	-	-	110,503	110,503
Transfers	71,442	65,376	(136,818)	-
Disposals	(49,838)	(130,612)	(1,397)	(181,847)
At 31 December 2006	**1,325,046**	**1,045,391**	**31,841**	**2 402,278**
At 1 January 2007	1,325,046	1,045,391	31,841	2 402,278
Transfer on merger (note 7)	182,452	333,127	804	516,383
Additions	-	-	233,691	233,691
Transfers	115,269	99,183	(214 452)	-
Disposals	(74,600)	(158,414)	(1,103)	(234,117)
At 31 December 2007	**1,548,167**	**1,319,287**	**50,781**	**2 918,235**
Depreciation and impairment losses				
At 1 January 2006	208,008	805,967	-	1 013,975
Charge for the year	65,846	111,868	-	177,714
Impairment losses	6,408	(4,959)	-	1,449
Disposals	(29,553)	(110,576)	-	(140,129)
At 31 December 2006	**250,709**	**802,300**	**-**	**1 053,009**
At 1 January 2007	250,709	802,300	-	1 053,009
Transfer on merger (note 7)	150,250	241,309	-	391,559
Charge for the year	86,144	140,072	-	226,216
Impairment losses	(11,599)	(14,001)	-	(25,600)
Disposals	(30,402)	(153,936)	-	(184,338)
At 31 December 2007	**445,102**	**1,015,744**	**-**	**1 460,846**
At 31 December 2007	**1,103,065**	**303,543**	**50,781**	**1 457,389**
At 31 December 2006	**1,074,337**	**243,091**	**31,841**	**1 349,269**

The recoverable amount of certain of the Bank's property and equipment was assessed in 2005 and 2006 following the decision to merge with HVB Bank Slovakia a.s. (see note 1). This resulted in the creation of impairment losses of Sk 26,449 thousand in order to reduce the carrying amount of property and equipment to the recoverable amount. In 2007, following the disposal of property and equipment, the Bank released impairment losses on property and equipment in the amount of Sk 25,600 thousand.

At 31 December 2006 and 2007, no assets were held under finance leases. The Bank's property is not pledged.

The Bank's buildings and equipment are insured against fire, burglary, floods and storms and are insured for the replacement value as at 31 December of that period. The insurance premium is calculated based on the acquisition price as at 31 December of previous period. The Bank has motor hull insurance (KASKO) and compulsory car-insurance.

17. Intangible assets

	Software Sk '000	Assets not yet in use Sk '000	Total Sk '000
Cost			
At 1 January 2006	554,970	22,414	577,384
Additions	-	100,682	100,682
Transfers	28,118	(28 118)	-
Disposals	(10,616)	(7,260)	(17 876)
At 31 December 2006	**572,472**	**87,718**	**660,190**
At 1 January 2007	572,472	87,718	660,190
Transfer on merger (note 7)	613,898	62 851	676,749
Additions	-	253,637	253,637
Transfers	288,252	(288 252)	-
Disposals	(451)	(65 116)	(65 567)
At 31 December 2007	**1,474,171**	**50,838**	**1,525,009**
Amortisation and impairment losses			
At 1 January 2006	447,424	-	447,424
Charge for the year	44,962	-	44,962
Impairment losses	12,068	-	12,068
Disposals	(10,616)	-	(10,616)
At 31 December 2006	**493,838**	**-**	**493,838**
At 1 January 2007	493,838	-	493,838
Transfer on merger (note 7)	538,043	-	538,043
Charge for the year	87,041	-	87,041
Impairment losses	(13,905)	-	(13,905)
Disposals	(450)	-	(450)
At 31 December 2007	**1,104,567**	**-**	**1,104,567**
At 31 December 2007	**369,604**	**50,838**	**420,442**
At 31 December 2006	**78,634**	**87,718**	**166,352**

The recoverable amount of certain of the Bank's intangible assets was assessed in 2005 and 2006 following the decision to merge with HVB Bank Slovakia a.s. (see note 1). This resulted in the creation of impairment losses of Sk 47,068 thousand in order to reduce the carrying amount of intangible assets to the recoverable amount. In 2007, following the disposal of intangible assets, the Bank released impairment losses on intangible assets in the amount of Sk 13,905 thousand.

Notes to the financial statements
Year ended 31 December 2007 (Continued)

18. Other assets

	2007 Sk '000	2006 Sk '000
Inventory	5,528	6,864
Operating prepayments	6,767	5,088
Receivables	21,093	1,654
Other assets	**326**	**14,465**
	33,714	28,071
Impairment losses	**(10,643)**	**(7,590)**
At 31 December	**23,071**	**20,481**

The movements on specific allowances for impairment on other assets were as follows:

	2007 Sk '000	2006 Sk '000
At 1 January	7,590	22,986
Transfer on merger (note 7)	4,270	-
Release for the year	(1,217)	(6,137)
Write-offs	-	(9,259)
At 31 December	**10,643**	**7,590**

19. Deposits by banks

	2007 Sk '000	2006 Sk '000
Repayable on demand	17,704,704	48,803
Other deposits by banks with remaining maturity:		
- 3 months or less	14,163,061	2,907,242
- 1 year or less but over 3 months	715,156	4,036,641
- over 1 year	3,500,219	-
	36,083,140	**6,992,686**

20. Customer accounts

	2007 Sk '000	2006 Sk '000
Repayable on demand	57,949,413	16,935,890
Other deposits with agreed maturity dates or periods of notice, by remaining maturity:		
- 3 months or less	15,687,011	14,612,019
- 1 year or less but over 3 months	2,862,637	2,691,401
- 5 years or less but over 1 year	510,486	1,285,868
- over 5 years	5,680	11,525
	77,015,227	**35,536,703**

Notes to the financial statements Year ended 31 December 2007 (Continued)

21. Loans received

	2007 Sk '000	2006 Sk '000
European Bank for Reconstruction and Development	311,043	242,555
European Investment Bank	2,372,345	-
The Bank of New York	170,123	-
Slovenská záručná a rozvojová banka, a.s.	182,375	-
	3,035,886	**242,555**

European Bank for Reconstruction and Development
This loan comprises amounts drawn down by the Bank under loan facilities with the European Bank for Reconstruction and Development ('EBRD'). The loan was provided by the EBRD to assist in the development of small and medium-size enterprises (SMEs) in Slovakia.

The Euro loans of € 9.2 million at the balance sheet date (2006: € 7 million) were provided under two contracts dated 22 June 2004 and 25 October 2005. Principal and interest repayments are due semi-annually in the final three years of the loans. The loans mature on 21 June 2009 and 25 April 2010, respectively and bear interest at annual rates between 2.6% and 4.5%.

European Investment Bank
The amounts due to the European Investment Bank ('EIB') comprise three loans of € 25 million each, drawn down by the Bank under loan facilities arranged by the NBS with EIB. The loans were provided by the EIB to assist in the development of infrastructure, agriculture and tourism in Slovakia.

The first Euro loan of € 25 million at the balance sheet date was provided under a contract entered into on 14 December 1999. Interest repayments are quarterly for the first tranche of € 20 million and twice annually for the second tranche of € 5 million. The loan bears interest at an annual rate equivalent to the EIB six-monthly interest rate plus 0.5%.

The second Euro loan of € 25 million at the balance sheet date was provided under a contract entered into on 28 March 2003. Interest is payable quarterly. The loan bears interest at an annual rate equivalent to the EIB six-monthly interest rate plus 0.5%.

The third Euro loan of € 25 million at the balance sheet date was provided under a contract entered into on 15 September 2006. Interest is payable quarterly. The loan bears interest at an annual rate equivalent to the EIB six-monthly interest rate plus 0.5%.

The Bank of New York
The amount due to the Bank of New York comprises a loan of € 20 million drawn down on 4 October 2005, of which the year-end balance was € 5 million. The loan bears interest at 5.075% per annum and is repayable on 3 April 2008.

Slovenská záručná a rozvojová banka, a.s.
The loans from Slovenská záručná a rozvojová banka, a.s. ('SZRB') were obtained under the programme Rozvoj for long and medium term assistance to small-to-medium size enterprises.

Under the Rozvoj programme, separate loan agreements are also entered into between the Bank and SZRB for loans provided to customers. Interest is currently 2.6% – 4.5% per annum and the repayment terms are in accordance with each individual contract. Should the customer default, the Bank is responsible for full repayment of the loan provided by SZRB.

Under the terms of program, SZRB may request early repayment in the event of non-fulfillment of several conditions, including if the loans are not used for the specified purpose or if there is delay in repayment of principal.

22. Debt securities in issue

	2007 Sk '000	2006 Sk '000
Mortgage bonds		
Issue 1 (a)	521,172	520,505
Issue 1 (b)	507,944	-
Issue 2 (a)	506,389	506,389
Issue 2 (b)	502,292	-
Issue 3 (a)	502,235	502,500
Issue 3 (b)	250,339	-
Issue 4	908,599	909,964
	3,698,970	2,439,358
Long-term bills	**234,042**	**2,201**
Debt securities in issue	**3,933,012**	**2,441,559**

Issue 1 (a) comprises 5,000 bonds with a nominal value of Sk 100 thousand each, which were issued on 9 February 2004 with a coupon of 4.9% per annum by UniBanka, a. s. The bonds will be redeemed on 9 February 2009 from repayments of mortgage loans provided to customers.

Issue 1 (b) comprises 5,000 bonds with a nominal value of Sk 100 thousand each, which were issued on 28 August 2003 with a coupon of 4.65% per annum by HVB Bank Slovakia a.s. The bonds will be redeemed on 28 August 2014 from repayments of mortgage loans provided to customers.

Issue 2 (a) comprises 500 bonds with a nominal value of Sk 1,000 thousand each, which were issued on 29 September 2004 with a coupon of 5% per annum by UniBanka, a. s. The bonds will be redeemed on 29 September 2015 from repayments of mortgage loans provided to customers.

Issue 2 (b) comprises 50 bonds with a nominal value of Sk 10,000 thousand each, which were issued on 2 December 2004 with a coupon of 4.45% per annum by HVB bank Slovakia a.s. The bonds will be redeemed on 2 December 2008 from repayments of mortgage loans provided to customers.

Issue 3 (a) comprises 5,000 bonds with a nominal value of Sk 100 thousand each, which were issued on 25 May 2005 with a coupon of 6M BRIBOR + 0.07% per annum by UniBanka, a. s. The bonds will be redeemed on 25 May 2015 from repayments of mortgage loans provided to customers.

Issue 3 (b) comprises and 100 bonds with a nominal value of Sk 2,500 thousand each, which were issued on 21 December 2006 with a coupon of of 6M BRIBOR + 0.08% per annum by HVB Bank Slovakia a.s. The bonds will be redeemed on 21 December 2011 from repayments of mortgage loans provided to customers.

Issue 4 comprises 9,000 bonds with a nominal value of Sk 100 thousand each, which were issued on 13 October 2006 with a coupon of 3M BRIBOR + 0.09% per annum by UniBanka, a. s. The bonds will be redeemed on 13 October 2010 from repayments of mortgage loans provided to customers.

Long-term bills comprise bills of exchange sold to customers with maturity longer than one year.

Notes to the financial statements Year ended 31 December 2007 (Continued)

23. Provisions

The movements on provisions were as follows:

	Litigations Sk '000	Restructuring Sk '000	Guarantee payments Sk '000	Other Sk '000	Total Sk '000
At 1 January 2006	151,500	-	4,154	10,341	165,995
Increase/(decrease) for the year	17,470	92,520	(4,154)	606	106,442
At 31 December 2006	**168,970**	**92,520**	**-**	**10,947**	**272,437**
At 1 January 2007	168,970	92,520	-	10,947	272,437
Transfer on merger (note 7)	-	110,823	66,860	-	177,683
Utilised	-	(114,180)	-	-	(114,180)
(Decrease)/increase for the year	-	(6,933)	(34,021)	16,792	(24,162)
At 31 December 2007	**168,970**	**82,230**	**32,839**	**27,739**	**311,778**

Litigations
This provision relates to claims and court cases where the Bank acts as the defendant.

Restructuring
During 2005 and 2006, the Board of Directors of the Bank approved a formal restructuring plan in preparation for the merger with HVB Bank Slovakia a.s. The provision relates to staff and administrative expenses.

Other
This provision relates to credit cards and other liabilities.

24. Corporate income tax

	2007 Sk '000	2006 Sk '000
Tax payable for the current period (note 34)	146,734	-
Tax prepayments	(128,363)	-
Corporate income tax payable	**18,371**	**-**

25. Deferred tax

Deferred tax assets and liabilities are attributable to the following:

	Assets/ (liabilities) 2007 Sk '000	Assets/ (liabilities) 2006 Sk '000
Tax losses carried forward	-	166,945
Available-for-sale securities	2,856	-
Property and equipment	17,687	9,258
Provisions	16,001	17,841
Cash flow hedge	(37,554)	-
Deferred tax (liability)/asset	**(1,010)**	**194,044**

The deferred tax assets and liabilities have been calculated using a corporate income tax rate of 19% (2006: 19%).

The movements on deferred tax were as follows:

	2007 Sk '000	2006 Sk '000
At 1 January	194,044	266,669
Transfer on merger (note 7)	23,833	-
Charge to income statement (note 34)	(208,594)	(72,625)
Charge to equity	(10,293)	-
At 31 December	**(1,010)**	**194,044**

Included in the deferred tax transferred on merger is Sk 24,405 thousand deferred tax liability charged directly to equity.

Notes to the financial statements
Year ended 31 December 2007 (Continued)

26. Share capital

	2007 Sk '000	2006 Sk '000
Authorised, issued and fully paid:		
At 1 January		
12,848,984 ordinary shares of Sk 185 each	2,377,062	2,377,062
Issue of 25,504,875 ordinary shares of Sk 185 each	4,718,402	-
At 31 December	**7,095,464**	**2,377,062**

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Bank.

In relation to the transfer of assets, liabilities and equity of HVB Bank Slovakia a.s., an Extraordinary General Meeting of Shareholders on 20 February 2007 approved the issue of new shares of the Bank, where 1 share of HVB Bank Slovakia a.s. with a value of Sk 10,000 each was exchanged for 99 shares of UniCredit Bank Slovakia a. s. and 1 share of HVB Bank Slovakia a.s. with a value of Sk 1,000,000 each was exchanged for 9,900 shares of UniCredit Bank Slovakia a. s. The total exchanged was as follows:

	Sk '000
Transfer of share capital of HVB Bank Slovakia a.s. (note 7)	2,576,250
Transfer of retained earnings of HVB Bank Slovakia a.s. (note 27)	2,142,152
	4,718,402

27. Reserves

	Retained earnings Sk '000	Legal reserve fund Sk '000	Fair value reserve Sk '000	Cash flow hedge reserve Sk '000	Merger deficit Sk '000	Capital fund Sk '000	Total Sk '000
At 31 December 2006	**1,183,691**	**139,393**	**(994)**	**-**	**-**	**1,408**	**1,323,498**
Transfer on merger (note 7)	5,417,817	554,188	27,347	76,694	(209,203)	18,472	5,885,315
Transfer to share capital (note 26)	(2,142,152)		-	-	-	-	(2,142,152)
Dividends	(192,735)	-	-	-	-	-	(192,735)
Transfers	(54,078)	54,078	-	-	-	-	-
Net loss on available for-sale assets, net of tax	-	-	(38,528)	-	-	-	(38,528)
Net gain on cash flow hedge, net of tax	-	-	-	83,405	-	-	83,405
Receipts	-	-	-	-	-	962	962
Profit for 2007	**1,401,414**	**-**	**-**	**-**	**-**	**-**	**1,401,414**
At 31 December 2007	**5,613,957**	**747,659**	**(12,175)**	**160,099**	**(209,203)**	**20,842**	**6,321,179**

(a) Dividends
The General Meeting of Shareholders held on 26 April 2007 resolved that dividends be paid from the profit for the year ended 31 December 2006, in the amount of Sk 192,735 thousand (Sk 32.89 per share).

(b) Legal reserve fund
The General Meeting also approved the transfer to legal reserve fund of Sk 31,555 thousand from 2006 profit. The General Meeting of HVB Bank Slovakia a.s. held on 12 September 2007 approved the transfer to legal reserve fund of Sk 22,523 from the profit for the three month period ended 31 March 2007.

Under the Slovak Commercial Code, all companies are required to maintain a legal reserve fund to cover future adverse financial conditions. The Bank is obliged to contribute an amount to the fund each year which is not less than 10% of its annual net profit until the aggregate amount reaches a minimum level equal to 20% of the issued share capital.

(c) Proposed allocation of profit
The Directors will propose the following allocations of the profit for the year ended 31 December 2007:

	Sk '000
Transfer to legal reserve fund	140,141
Dividends	1,227,324
Retained profit	33,949
	1,401,414

(d) Fair value reserve
The fair value reserve includes the cumulative net change in the fair value of available-for-sale investments until the investment is derecognised or impaired.

(e) Cash flow hedge reserve
The cash flow hedge reserve comprises the effective portion of cumulative net changes in the fair value of the derivatives designated as a hedge of the variability in cash flows.

(f) Merger deficit
The merger deficit resulted from the merger of HVB Bank Slovakia a.s. with HVB Factoring s.r.o. on 1 January 2007. The Directors will propose to the General Meeting of Shareholders to transfer this deficit to retained earnings.

(g) Capital fund
The capital fund movement in 2007 represents the nominal value of shares obtained from Visa Europe Limited and Mastercard Incorporated in return for payments made through these companies.

Notes to the financial statements
Year ended 31 December 2007 (CONTINUED)

28. Off balance sheet items

	2007 Sk '000	2006 Sk '000
Contingent liabilities:		
Bank guarantees	158,940	85,565
Customer guarantees	3,947,755	1,657,769
Customer guarantees, classified	8,851	2,080
Irrevocable letters of credit	674,047	227,358
Commitments:		
Confirmed credit lines	27,347,271	11,304,055
Derivative instruments:		
Trading assets and liabilities (note 10)	71,209,645	53,672,410
Held for risk management (note 11)	23,681,372	124,809
	127 027,881	**67,074,046**

The Bank is able to cancel the confirmed credit lines.

29. Interest receivable and similar income arising from debt securities

	2007 Sk,'000	2006 Sk,'000
Interest,receivable,and,similar,income,arising,from:		
Loans,and,advances,to,banks	1,612,807	722,663
Loans and advances to customers	3,294,099	1,454,966
Investment securities	472,750	357,864
Bills of exchange	3,140	4,764
	5,382,796	**2,540,257**

Included within the various captions of interest receivable and similar income for the year ended 31 December 2007 is a total interest income of Sk 121,444 thousand accrued on impaired financial assets (2006: Sk 52,465 thousand).

Included within interest income (in the line item corresponding to where the interest expense on the hedged item is recognised) are fair value changes of Sk 16,136 thousand on derivatives held in a qualifying fair value hedging relationship.

Included within interest income receivable and similar income arising from debt securities for the year ended 31 December 2007 is total interest income of Sk 266,252 thousand relating to debt securities held-to-maturity (2006: Sk 222,982 thousand).

The only components of interest income and expense reported above that relate to financial assets or liabilities carried at fair value through profit or loss are the interest income and expense on derivative assets and liabilities held for risk management purposes.

Amounts relating to cash flow hedges transferred to profit or loss during the period are reflected as a component of interest income or expense. There was no net ineffectiveness recognised on cash flow hedges during 2007 or 2006.

30. Interest payable

	2007 Sk '000	2006 Sk '000
Deposits by banks	1,227,341	101,536
Customer accounts	1,435,495	580,119
Mortgage bonds	155,462	118,200
Long-term bills	12,969	6
	2,831,267	**799,861**

31. Fees and commissions receivable and payable

	2007 Sk '000	2006 Sk '000
Fees and commissions receivable:		
Corporate banking credit related fees	426,978	238,704
Retail banking customer fees	346,744	211,488
Asset management fees	84,587	3,783
Financial guarantee contracts issued	27,245	18,433
Payment services	7,811	42,050
Other	176	39,212
Total fees and commissions receivable	**893,541**	**553,670**
Fees and commissions payable:		
Payment services	(65,939)	(70,995)
Loans	(32,570)	(8,464)
Inter bank transaction fees	(24,881)	(7,537)
Brokerage	(6,108)	(3,707)
Other	(54,240)	(25,872)
Total fees and commissions payable	**(183,738)**	**(116,575)**
Net fees and commissions income	**709,803**	**437,095**

Notes to the financial statements
Year ended 31 December 2007 (Continued)

32. Net trading income/(loss)

	2007 Sk '000	2006 Sk '000
Net income from foreign exchange operations	926,415	355,997
Net loss from derivatives (a)	(216,511)	(441,088)
Net income from trading securities (b)	(62,408)	(74,655)
	647,496	**(159,746)**

(a) Net loss from derivatives

	2007 Sk '000	2006 Sk '000
Income from currency derivatives	19,617	857,786
Losses relating to currency derivatives	(393,018)	(880,784)
Net loss from currency derivatives	**(373,401)**	**(22,998)**
Income from interest rate derivatives	907,091	355,095
Losses relating to interest rate derivatives	(786,159)	(385,988)
Net income/(loss) from interest rate derivatives	**120,932**	**(30,893)**
Income from options	2,300,815	494,964
Losses relating to options	(2,264,857)	(882,161)
Net income/(loss) from options	**35,958**	**(387,197)**
Net loss from derivatives	**(216,511)**	**(441,088)**

b) Net income from trading securities

	2007 Sk '000	2006 Sk '000
Gains from trading securities	7,107	6,327
Losses from trading securities	(69,515)	(80,982)
	(62,408)	**(74,655)**

33. Administrative expenses

	2007 Sk '000	2006 Sk '000
Employee costs:		
Wages and salaries	617,390	479,670
Social insurance	174,815	151,352
Other personnel expenses	61,659	57,765
	853,864	**688,787**
Service related expenses	310,304	173,137
Material related expenses	64,149	55,155
Rent	132,479	83,732
Marketing expenses	71,238	61,169
Operating fees	13,340	8,976
Other services	123,871	153,346
Other administrative expenses	180,462	109,391
	1,749,707	**1,333,693**

At 31 December 2007, the average number of full time employees was 1,277 (2006: 968). At 31 December 2007, the Supervisory Board comprised of 9 members (2006: 12 members).

Other administrative expenses include payments to the Deposits Protection Fund of Sk 39,126 thousand in 2007 (2006: Sk 26,885 thousand).

Movements on the social fund account included in Other personnel expenses were as follows:

	2007 Sk '000	2006 Sk '000
At 1 January 2007	13,694	30,055
Creation of social fund	18,058	21,859
Release of social fund	(19,110)	(38,220)
At 31 December	**12,6422**	**13,694**

Notes to the financial statements Year ended 31 December 2007 (Continued)

34. Income tax expense

	2007 Sk '000	2006 Sk '000
Recognised in the income statement:		
Current tax expense		
Current year (note 24)	146,734	-
Adjustments in respect of prior years	(24,167)	-
	122,567	**-**
Deferred tax expense		
Originating and reversal of temporary differences (note 25)	208,594	72,625
Total income tax expense	**331,161**	**72,625**

The accounting profit before taxation is reconciled to the tax base as follows:

	2007 Sk '000	2006 Sk '000
Profit before taxation	**1,732,575**	**391,759**
Non-deductible expenses		
Loans written-off	231,517	76,189
Provisions	-	104,693
Other	256,536	-
Non-taxable income		
Non-taxable income from securities	(126,062)	(91,959)
Release of impairment losses on loans	(160,926)	(98,445)
Provisions	(63,493)	-
Tax base	**1,870,147**	**382,237**
Tax at 19%	355,328	72,625
Overprovided in prior years	(24,167)	-
Total tax expense	**331,161**	**72,625**
Effective tax rate	**19.11%**	**18.5%**

35. Earnings per share

Basic

Basic earnings per share is calculated by dividing the net profit attributable to the shareholders by the weighted average number of ordinary shares in issue during the year, excluding the average number of any ordinary shares purchased by the Bank and held as treasury shares.

	2007	2006
Profit attributable to shareholders (Sk '000)	1,401,414	319,134
Weighted average number of ordinary shares in issue	31,977,640	12,848,984
Basic earning per share (expressed in Sk per share)	**43.8**	**24.8**

Diluted

There were no dilutive factors during either year.

36. Profit before changes in operating assets and liabilities

	2007 Sk '000	2006 Sk '000
Profit before taxation	**1,732,575**	**391,759**
Adjustments for non-cash items:		
Depreciation	226,216	177,714
Amortisation	87,041	44,962
Loss/(gain) on disposal of property and equipment	,,49,779	(38,085)
Loss on disposal of intangible assets	65,117	-
Impairment losses on loans	173,782	23,708
Impairment losses on investment securities	(4,049)	(57)
Impairment losses on property and equipment	(25,600)	1,449
Impairment losses on intangible assets	(13,905)	12,068
Impairment losses on other assets	(1,217)	(6,137)
Provisions	(24,162)	106,442
	2,265,577	**713,823**
Net cash used in operating activities includes the following cash flows:		
Interest received	5,254,423	2,468,953
Interest paid	(2,599,541)	(782,775)
	2,654,882	**1,686,178**

Notes to the financial statements Year ended 31 December 2007 (Continued)

37. Related party transactions

Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operational decisions. The Bank is controlled by Bank Austria Creditanstalt AG, Vienna (incorporated in Austria), which owned 99.0% of the ordinary shares at 31 December 2007 (2006: UniCredito Italiano S.p.A.: 97.11%).

In the normal course of business, the Bank is engaged in transactions with related parties. These transactions, which include the taking and placing of deposits, loans and foreign currency operations are conducted on an arm's length basis.

(a) Shareholders

Amounts due from and to the majority shareholder, Bank Austria Creditanstalt AG, Vienna (2006: UniCredito Italiano S.p.A) were as follows:

	2007 Sk '000	2006 Sk '000
Assets		
Loans and advances to banks	1,509,895	-
Liabilities		
Deposits by banks	29,358,648	2,409,491
Transactions during the year were as follows:		
Interest received and receivable	46,190	1,372
Interest paid and payable	(824,881)	(28,730)
Fees and commissions receivable	11,383	111
Fees and commissions payable	(18,575)	(1)

(b) Enterprises related to the majority shareholder of the Bank

Amounts due from and to companies related to the majority shareholder were as follows:

	2007 Sk '000	2006 Sk '000
Assets		
Loans and advances to banks	169,666	1,068,151
Loans and advances to customers	132,022	3,702
Liabilities		
Deposits by banks	172,451	838,805
Customer accounts	73,708	37,827
Transactions during the year were as follows:		
Interest received and receivable	53,851	44,699
Interest paid and payable	(19,610)	(5,808)
Fees and commissions receivable	1,693	23,086
Fees and commissions payable	(425)	(252)

(c) Key management personnel

Amounts due from and to directors, senior management or close relatives or companies in which they have a substantial interest, of the Bank were as follows:

	2007 Sk '000	2006 Sk '000
Assets		
Loans and advances to customers	22,450	7,523
Liabilities		
Customer accounts	77,197	9,733
Transactions during the year were as follows:		
Interest received and receivable	995	354
Interest paid and payable	(1,424)	(246)
Fees and commissions receivable	31	5

Interest rates charged on loans are 58% of rates that would be charged in an arm's length transaction. The mortgages and loans are secured by property of the respective borrowers. Other balances are not secured and no guarantees have been obtained.

During the period, the Bank did not record impairment losses for loans and advances provided to related parties and no specific allowances have been made for impairment losses to related parties.

Key management personnel compensation for the period comprised:

	2007 Sk '000	2006 Sk '000
Short-term employee benefits	10,628	5,496
Post employment benefits	-	30
	10,628	**5,526**

In addition to their salaries, the Bank also provides non-cash benefits to directors and executive officers and contributes to a supplementary annuity insurance plan (see note 39).

38. Custodial services

The Bank administers securities and other valuables totalling Sk 69,868 million (2006: Sk 3,497 million), which have been received from customers into the Bank's custody.

Notes to the financial statements Year ended 31 December 2007 (Continued)

39. Supplementary retirement annuity insurance plan

Since 1998, the Bank has participated in a supplementary retirement annuity insurance plan for its employees. Supplementary retirement annuity insurance is voluntary and is based on the contractual relationship between employee, employer and the supplementary retirement annuity insurance plan.

Contributions for both the employee and the Bank are fixed and defined in the plan.

For the year ended 31 December 2007, the Bank paid Sk 3.4 million (2006: Sk 4.1 million) and employees paid Sk 4.4 million (2006: Sk 4.6 million) under this plan.

40. Fair values

Fair value is the amount at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The estimated fair values of the Bank's financial assets and liabilities at year end were as follows:

	Carrying value 2007 Sk '000	Fair value 2007 Sk '000	Carrying value 2006 Sk '000	Fair value 2006 Sk '000
Financial assets				
Cash and cash equivalents	39,180,638	39,180,638	13,470,823	13,470,823
Trading assets	1,809,267	1,809,267	2,232,543	2,232,543
Derivative assets held for risk management	299,129	299,129	388	388
Loans and advances to banks	1,852,600	1,844,266	1,409,753	1,215,904
Loans and advances to customers	80,054,666	70,686,644	26,441,292	26,167,829
Investment securities	10,223,855	10,085,889	4,797,706	4,655,923
Financial liabilities				
Trading liabilities	898,315	898,315	590,935	590,935
Derivative liabilities held for risk management	112,255	112,255	-	-
Deposits by banks	36,083,140	35,322,072	6,992,686	6,992,686
Customer accounts	77,015,227	76,772,062	35,536,703	35,442,271
Loans received	3,035,886	2,915,477	242,555	198,004
Debt securities in issue	3,933,012	3,333,531	2,441,559	2,179,075

The following methods and assumptions were used in estimating the fair values of the Bank's financial assets and liabilities:

Trading assets and derivative assets held for risk management
The fair values of trading assets and derivative assets held for risk management are calculated using quoted market prices or theoretical prices determined by the present value method. Present value is calculated by discounting future cash flows by reference to the interbank interest rate for the relevant maturity period.

Loans and advances to banks
The fair value of current accounts with other banks approximates to book value. For amounts with a remaining maturity of less than three months, it is also reasonable to use book value as an approximation of fair value. The fair values of other loans and advances to banks are calculated by discounting the future cash flows using current interbank rates.

40. Fair values (Continued)

Loans and advances to customers
Loans and advances are stated net of allowances for impairment. For loans and advances to customers with a remaining maturity of less than three months, it is reasonable to use book value as an approximation of fair value. The fair values of other loans and advances to customers are calculated by discounting the future cash flows using current market rates.

Investment securities
The quoted market prices for debt securities are set out in note 15. Non-quoted equity shares are stated net of allowances for impairment.

Trading liabilities and derivative liabilities held for risk management
The fair values of trading liabilities and derivative liabilities held for risk management are calculated using quoted market prices or theoretical prices determined by the present value method. Present value is calculated by discounting future cash flows by reference to the interbank interest rate for the relevant maturity period.

Deposits by banks
The fair value of current accounts with other banks approximates to book value. For other amounts owed to banks with a remaining maturity of less than three months, it is also reasonable to use book value as an approximation of fair value. The fair values of other deposits by banks are calculated by discounting the future cash flows using current interbank rates.

Customer accounts
The fair values of current accounts and term deposits with a remaining maturity of less than three months approximate their carrying amounts. The fair values of other customer accounts are calculated by discounting the future cash flows using current deposit rates.

Loans received
The fair values of loans received are calculated by discounting the future cash flows using current interbank rates.

Debt securities in issue
The fair values of debt securities in issue are calculated by discounting the future cash flows using current interbank rates.

41. Subsequent event

According to Income Tax Act valid until 31 December 2007 all impairment allowances on loans and receivables recognised in accordance with IFRS were considered as tax deductible. Amendment to the Income Tax Act effective from 1 January 2008 implements new criteria for tax deductibility of impairment allowances on loans and receivables. These criteria are applicable also on impairment allowances on loans and receivables existing as at 31 December 2007. This will result in an additional tax liability of approximately Sk 211 million in 2008. The Bank will also create a deferred tax asset of approximately the same amount as the tax liability.

Declaration of corporate governance pursuant to the Act No. 431/2002 Coll. on accounting

A.

The corporate governance of UniCredit Bank Slovakia a.s. (hereinafter referred to as the "Company" or the "Bank") pursuant to the Act No. 431/2002 Coll. on accounting is governed by the Code of Corporate Governance in Slovakia which is a part of the Stock Exchange Rules for Admission of Securities to Regulated Market.

B.

The management activity is performed in the form of decisions taken by corporate bodies and decisions taken at individual levels of management which are in line with the Articles of Association, internal regulations of the Company, generally binding regulations, and strategic annual plans, and which are subject to the internal control.

The levels of management, structured in organizational units, determine the scope of the subject-matter applicability and personal bindingness of the individual types of decisions in managing the activity of the Company.

The highest rank of the Bank's hierarchy is occupied by the Board of Directors which is the authorized representative of the Company and the top level of management. Other levels of management include:
a) CEO, executive director;
b) division directors;
c) department directors;
d) and the lowest level of management is represented by sub-department managers.

The Internal Audit and Control Division and the Risk Management Division report directly to the authorized representative of the Bank.

Managers at each level are responsible for design, implementation, and efficiency of the internal control system. The internal control system is a set of rules, processes, and organizational structures aimed at the compliance with the Company's strategy and accomplishment of the following objectives:
a) economy and efficiency of processes and procedures;
b) protection of all property of the Bank;
c) reliability and integrity of all information;
d) compliance with laws, instructions and decrees of the National Bank of Slovakia;
e) compliance with Group guidelines and policies as well as with internal regulations and plans.

Managers at all levels are responsible for balancing the profit of the Company against the risk knowingly assumed, which must be in line with the financial position of the Company. Responsibility and powers of the managers are defined in the Organizational Rules of the Company.

Information about management methods is presented in the financial statements.

C.

The Code of Corporate Governance in Slovakia is applicable to the Company.

D.

The internal control systems of the Bank are designed and operated in a manner to support the identification, assessment and management of risks affecting the Bank and the business environment in which it operates. As such, they are subject to a continuous review in the case of a change in circumstances and origination of new risks.
The following are the main features of the internal control system:
The risk management system is described above.
Written principles and procedures determining the lines of responsibility and delegation of powers, determination of the main controls and comprehensive reporting and analyses in accordance with the approved standards and budgets.
Minimization of the risk by attempting to provide for implementation of the appropriate infrastructure, controls, systems, and people within the entire scope of business line. The main principles applied in the management of risks include the segregation of duties, approval of transactions, monitoring, financial and management reporting.
Alignment to and efficiency of the internal control systems is warranted through management controls, internal audit controls, regular reporting to the Audit Committee, and regular meetings with external auditors.
The Internal Audit Unit controls, on an independent basis, adequacy of the entire system of internal control and reports to the Board of Directors and to the Audit Committee on main findings and on corrective measures recommended for the risk balancing purposes.
Directors are responsible for the internal control system of the Bank and for a regular control of their efficiency.
The risk management system has been developed in UniCredit Bank Slovakia a.s. in a manner to meet the requirements of the Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions, Council Directive 200/12 EC relating to credit institutions, Act No. 483/2001 Coll. on banks, as well as of the applicable decrees of the National Bank of Slovakia.
The objective of the risk management system of the Bank is to:
- develop it in a manner to be in line with the set business objectives of the Bank as well as with its risk appetite,
- set up a system for organization of business transactions in a manner to be in line with the risk profile of such transactions,
- create an adequate system for assigning the powers and responsibilities,
- have available an effective system for reporting – reporting system,
- have available an effective risk control system.

The Board of Directors of the Bank is responsible for the implementation of three independent functions which represent an effective system of internal control in the area of risks. These functions include:
- risk control function which ensures that the risk management policies are complied with,
- compliance function which identifies and assess the compliance risk,
- internal audit function which is an instrument used by the managing authority to ensure that the quality of the risk control function is reasonable.

Subject to Section 9 (9.16) of the Articles of Association of the Company, the Supervisory Board has established an advisory committee for audit - Audit Committee, and approved its Charter. The Audit Committee is made up of three Supervisory Board members. The responsibilities of the Audit Committee are set out in its Charter. At the same time, the Audit Committee may give an order to carry out inspections and special audits of banking activity, of other sub-departments/units of the Bank and subsidiaries. Besides, the Audit Committee may ask for the evaluation of the correctness of bank-to-bank transactions and other transactions which represent, directly or indirectly, the conflict of interests.

The Supervisory Board shall supervise the exercise of powers by the Board of Directors and the conduct of Company's business activities.

The Supervisory Board shall arrange for and perform such duties which are vested to its authority by the generally binding legal regulations and these Articles of Association in particular:

a) to stipulate the exact number of the Board of Directors, to elect and recall members of the Board of Directors, to elect the Chairman and the Vice-Chairman of the Board of Directors from its members, to approve the rules of remuneration of the members of the Board of Directors, to take decisions concerning their bonuses and to approve agreements with members of the Board of Directors concerning their offices;
b) to approve the Rules of the Internal Control and Internal Audit Unit of the Company;
c) to supervise the compliance and implementation of the Holding Guidelines;
d) to be responsible for performance of duties which are vested to the authority of the Supervisory Board by the Holding Guidelines;
e) to grant an approval of the audit of the Company internal control system by the Internal Control and Internal Audit Unit of the Holding Company;
f) to approve the Rules of Procedure of the Supervisory Board and any amendments thereof;
g) to approve the Rules of Procedure of the Board of Directors and any amendments thereof;
h) to approve annual and long-term business, financial and strategic plans of the Company prepared by the Board of Directors and to review the fulfillment thereof;
i) to approve capital participation of the Company in other companies, including any disposal of such capital participation of the Company;
j) to approve establishment and closure of any branches (filiálky) and organizational units (organizačné zložky) of the Company which are subject to registration at the Commercial Register pursuant to the applicable provisions of the Commercial Code;
k) to inspect accounting books and records of the Company related to its business activities;
l) to review compliance of the accounting books of the Company with legal regulations and the Articles of Association;
m) to review the ordinary individual and extraordinary individual financial statements, proposals of the Board of Directors concerning the distribution of profit or the settlement of loss, reports of the Board of Directors prior to their submission to the General Meeting and to submit to the General Meeting its opinion;
n) to convene meetings of the Board of Directors and the General Meetings if the interests of the Company so require;
o) to inform the General Meeting on results of its control activity and to propose to the General Meeting reasonable measures to be taken by the Company;
p) to approve external auditors of the Company;
q) to give prior approval for the appointment and removal of CEO and COO/General Manager of the Company
r) to give prior approval for the appointment and removal of the holders of a special Power of Attorney registered with the Commercial Register (prokurista) of the Company;
s) to give prior approval for the appointment and removal of the Head of the Internal Control and Internal Audit Unit;
t) to take decisions in other matters which are vested to the powers and authority of the Supervisory Board by legal regulations or these Articles of Association.

The Supervisory Board shall be entitled to request that the Internal Control and Internal Audit Unit perform any internal control in the extent specified by the Supervisory Board.
The Supervisory Board shall be composed of 9 (nine) members who shall be elected for the term of office of 3 (three) years.
Re-election of the members of the Supervisory Board is permitted. 6 (six) members of the Supervisory Board shall be

Declaration of corporate governance pursuant to the Act No. 431/2002 Coll. on accounting

(CONTINUED)

elected and recalled by the General Meeting. Each shareholder of the Company as well as each member of the Board of Directors shall be entitled to propose the candidates for the members of the Supervisory Board elected and recalled by the General Meeting as well as propose the members of the Supervisory Board to be recalled. 3 (three) members of the Supervisory Board shall be elected and recalled by the employees of the Company. The Election Procedures concerning the election and recall of the members of the Supervisory Board and its amendments shall be prepared and adopted by the trade union.

The Supervisory Board shall establish the Audit Committee. The detailed specification of powers, organization, membership and adoption of resolutions shall be stipulated in the Rules of Procedure of the Audit Committee which shall be subject to approval of the Supervisory Board.

The Supervisory Board may further establish committees from its members. The Supervisory Board can establish other committees out of its members. One of such committees is a Remuneration Committee, which determines principles and approves remuneration for the Board of Directors members.

E.

The General Meeting is the supreme body of the Company.
The Board of Directors shall be obliged to convene the Ordinary General Meeting to be held within 4 (four) months of the end of the previous calendar year. The Board of Directors shall convene an Extraordinary General Meeting if so required by legal regulations or these Articles of Association. The Supervisory Board may convene the Extraordinary General Meeting, if Company's interest requires so or when the Articles of Association stipulate so.

It is within the powers of the General Meeting to:
a) approve the Articles of Association and its amendments;
b) decide to increase or decrease the registered capital and on the issue of bonds;
c) elect and recall members of the Supervisory Board other than those who are elected and recalled by the employees of the Company and to approve the rules for remuneration of the members of the Supervisory Board;
d) approve the ordinary individual financial statements, extraordinary individual financial statements, decisions concerning the distribution of the profits or the losses settlement and determination of royalties;
e) approve the Annual Report of the Company;
f) adopt decisions concerning winding up of the Company;
g) resolve on division, merger, consolidation of the Company or on the sale of an enterprise of the Company or its part;
h) acknowledge the Supervisory Board activity reports;
i) resolve on other matters which are reserved to the General Meeting by generally binding legal regulations, these Articles of Association or such matters which General Meeting itself reserves for its resolution.

The shareholder shall be entitled to participate in the management of the Company, shall have the right to profits of the Company (right to a dividend), which are to be distributed among the shareholders by virtue of a decision of the General Meeting taken with reference to the business results of the Company and the right to share the liquidation balance upon the winding up of the Company with liquidation. The shareholder principally exercises the right to participate in the management of the Company by voting at the General Meeting while it is obliged to adhere to the organization measures governing the organization of the General Meeting. Each shareholder shall be entitled to vote on the General Meeting of the Company, to request information and explanations concerning matters of the Company or parties controlled by the Company, which are related to the agenda of the General Meeting and to make proposals at the General Meeting. The shareholder is entitled to perform its rights at the General Meeting in person or through an authorized representation holding a written power of attorney (the "proxy holder"). A member of the Supervisory Board may not act as the proxy holder.

The shareholder shall be entitled to raise its proposals at the General Meeting for a duration not exceeding 5 (five) minutes. In the event that the speech lasts longer than 5 (five) minutes, the Chairman of the General Meeting may ask the shareholder to make a proposal for the resolution on which the shareholder requests to vote, or to formulate its request for information or for an explanation. If the shareholder does not satisfy such request of the Chairman of the General Meeting, the Chairman of the General Meeting may terminate the shareholder's speech and such shareholder is then entitled to send the part of the speech, which could not be presented, in writing to the Board of Directors. In the event that the shareholder's request for the information or the explanation does not relate to the respective item on the agenda of the General Meeting that is being discussed, the General Meeting may ignore it.

The shareholder of the Company shall be entitled to inspect the minutes from the Supervisory Board meetings. The request of the shareholder for access to the minutes must be in writing and duly delivered to the Company and must contain the identification of the respective item of the agenda and the meeting of the Supervisory Board for which the access is required; such request must be dated and signed by the shareholder. The Company may refuse the access to the minutes from the Supervisory Board meetings, if such access would be an infringement of the generally binding legal regulations or supply of the information could harm the Company. Any information provided by the Company to the shareholder must remain confidential.

F.

The Board of Directors carried out its activity in 2007 through four members.
Advisory bodies of the Board of Directors are special-purpose groups of employees responsible for the evaluation of problems and tasks in the area defined by the Charter of the advisory body. The advisory bodies of the Board of Directors include:

Advisory Body Name	Number of Members
HQ Claims Committee of UniCredit Bank Slovakia a.s.	8
Assets and Liabilities Committee (ALCO)	11
Occupational Safety and Health Committee of UniCredit Bank Slovakia a.s.	5
Security Committee of UniCredit Bank Slovakia a.s.	4
Industrial Accident Compensation Committee of UniCredit Bank Slovakia a.s.	5
Claim Settlement Committee of UniCredit Bank Slovakia a.s.	6
Personal Data Protection Committee	12

G.

The registered capital is divided into 38 353 859 (in words: thirty-eight millions three hundred fifty-three thousand eight hundred fifty-nine) pieces of registered shares issued in a book-entry form, while the nominal value of one share is SKK 185 (in words: one hundred eighty-five Slovak crowns). The shares of the company are not admitted to trading on a regulated market.
No special rights or obligations are attached to the issued shares.
Transferability of shares is not restricted.
Qualifying interest in the registered capital of UniCredit Bank Slovakia, a.s. is held by BANK AUSTRIA CREDITANSTALT AG, residing in Vordere Zollmtssrasse 13, 1030 Vienna, Austria.

With regard to the fact that no special rights or obligations are attached to the issued shares, no shareholder is vested with special rights of control.
The Company issued no employee shares.
The voting rights attached to the Company's shares are not restricted.
The Company is not aware of any agreements among the securities holders which might restrict transferability of both the securities and the voting rights.

The members of the Board of Directors shall be elected and dismissed by the Supervisory Board.
When a member of the Board of Directors is elected or dismissed, each nominee is subject to a separate vote. If there are more nominees, the nominees awarded with the highest number of votes shall become the members of the Board of Directors. If the prior approval of the National Bank of Slovakia to the election or the dismissal of the member of the Board of Directors must be obtained pursuant to legal regulations, the Supervisory Board may decide on the election or the dismissal only if such approval is granted, otherwise the effectiveness of the decision of the Supervisory Board will be conditional upon acquiring such approval.
If the Chairman of the Board of Directors, Vice-Chairman of the Board of Directors or a member of the Board of Directors resigns, is dismissed or the term of his or her office is terminated as a result of his or her death or other reason, the Supervisory Board shall elect, within 3 (three) months, a new member or designate a new Chairman or Vice-Chairman. The term of office of such newly elected member of the Board of Directors shall expire on the date of expiration of the term of the Board of Directors the term of office of which lasts at the time of election of the new member.
If a member of the Board of Directors resigns from office, the resignation on the membership of the Board of Directors is effective on the day of the first Supervisory Board meeting following delivery of the written resignation notice; if a Board of Directors' member resigns at the Supervisory Board meeting, the resignation is effective immediately. If, after delivery of the resignation notice on the membership in the Board of Directors or resignation at the Supervisory Board meeting, the Supervisory Board agrees with the member of the Board of Directors on a date of the termination of office, the office of the member of the Board of Directors shall terminate on such agreed date.
Any amendment of the Articles of Association is subject to a decision of the General Meeting and shall be approved by a two-third majority of votes of all shareholders. Such decision of the General Meeting shall be taken in the form of a notarial deed.
The powers of the Board of Directors related to the decision-making on the issuance of shares are governed by the provisions of the Act No. 513/1991 Coll., the Commercial Code.
The Company entered in no agreements within the meaning of Section 20 (7) (j) and (k) of the Act No. 431/2002 Coll. on accounting.