Tatra banka

Annual Report 2006

Slovakia

TATRA BANKA

Member of RZB Group

Advertising campaign: Loyalty Program[TB]

Annual Report 2006

TATRA BANKA
Member of RZB Group

Survey of key data

according to International Financial Reporting Standards

Tatra banka Group (in thousands of SKK)	2006	2005	Change
Income statement			
Net interest and dividend income after provisioning	5,058,615	4,682,521	8.0%
Net fees and commission income	2,567,416	2,289,144	12.2%
Trading profit	1,696,420	1,140,449	48.8%
General administrative expenses	(5,193,686)	(5,057,567)	2.7%
Profit before tax	3,841,236	2,893,884	32.7%
Consolidated profit after tax	3,013,570	2,364,133	27.5%
Earnings per ordinary share	56.08	47.08	19.1%
Balance sheet			
Loans and advances to banks	26,687,784	37,608,211	(29.0)%
Loans and advances to customers, gross	104,426,589	81,075,567	28.8%
Deposits from banks	4,884,870	20,486,181	(76.2)%
Deposits from customers	159,511,425	133,428,755	19.5%
Equity (including profit for current period)	15,874,590	13,618,838	16.6%
Total assets	208,820,679	184,340,288	13.3%
Performance			
Return on equity (ROE) before tax	29.0%	23.3%	24.5%
Cost/income ratio	54.9%	61.5%	(10.7)%
Return on assets (ROA) before tax	2.0%	1.6%	21.9%
Resources			
Number of staff on balance sheet date	3,521	3,402	3.5%
Branches on balance sheet date[1)]	144	135	6.7%
Ratings	**Long-term**	**Outlook**	**Short-term**
Standard & Poor's	A-	positive	A-2
Moody´s [2)]	A1	stable	P-1

1) Including corporate centres and "Centrum bývania" branches

2) As of April 2007

Note: NBS exchange rate as of December 31, 2006: SKK/EUR 34.573

Contents

Advertising campaign: Recruitment campaign

Statement
by the Chairman of the Managing Board

Dear Shareholders, Business Partners and Clients,

The year 2006 marked yet another year in which the Slovak economy boomed, which was reflected not only in macroeconomic indicators, but also in a higher living standard for the population. Our Bank played its part and I believe it reacted flexibly to the new needs of clients.

Like in the past few years, the year 2006 was once more marked by rising demand for housing loans, which was not just due to bent-up demand, but also due to the continuing improving credit terms that the Bank is able to offer. We realise that our retail clients are becoming increasingly demanding and more knowledgeable. We do not rely solely on the strong interest of clients to move us forward, but constantly endeavour to expand and improve financing possibilities and the overall service provided. Our aim is to give our clients the assurance that they will receive the best, fastest and most advantageous financing and services under one roof.

Corporate financing follows similar priorities. Maintaining our long held position of market leader in this segment, we continued to strive to keep it. Realising that an individual approach is possibly appreciated more in this segment than in others, we never underestimate the importance of tailor-made service for large corporate clients. We are proud of being the natural choice for many foreign investors arriving in Slovakia. The same holds true for the financing of large development projects. Supporting the development and growth of small and medium-sized enterprises, the backbone of every economy, has become a clear focus and is supported with appropriate financing products and a network of corporate centres.

Our retail distribution network was strengthened with the opening of further 8 branches. The strong acceptance of our “Centre of Living” concept encouraged us to expand it to Košice. To be progressive shall also be shown to our clients. As an innovative project we consider the opening of our first “Bank + Coffee” branch. It is a concept to present in a new design clarity, openness and comfort to our clients combining financial services with culinary experience.

The year 2006 was also a year in which Slovakia moved a step closer to introducing the common European currency. Adoption of the Euro will not only substantially change the life of people and the economy as a whole, but it will have a major impact on the whole banking sector. The transition to the European currency will be a demanding and complex process for the Bank, to which basically every bank process and product will have to be adapted. While citizens will only really become fully aware of it on the day they hold the new currency in their hands, the Bank has to prepare for this change over the course of several years. We, therefore, took the first steps back in 2005 and in the upcoming period this task will be the most important one. Our aim is to tackle this challenge with the least discomfort for our clients and that they only realise it once the common currency is in their wallet.

In 2006 we enjoyed a healthy rate of growth. The balance sheet of the Bank reached SKK 208.8 billion, which compared with the previous year represents a growth of more than 13%. Client deposits grew at a healthy 20% reaching almost SKK 160 billion. In terms of credit products the strongest relative growth was registered in project financing, in loans granted to medium-sized companies, and in retail loans, comprising mostly home equity and mortgage loans. Thanks to this, together with greater efficiency and rationalisation, we reached a group net profit of more than SKK 3 billion, an increase of 27.5 %.

Last year proved to be no less successful for our subsidiaries. Tatra Asset Management managed to regain its number one position in spite of the fact that market conditions were not very conducive for new investments into mutual funds. For Supplementary Pension Company, DDS Tatra banky, the year 2006 was one of transformation. It maintained its position as the most dynamically developing supplementary pension company on the market. Tatra Leasing increased its market share to 9.7 % in what was one of its most successful years, almost doubling the volume of transactions.

Our firm position on the market is supported by our parent group Raiffeisen Zentralbank Österreich AG (RZB), which stands behind us. For RZB, 2006 was a year of several records. The RZB group generated a profit before tax of EUR 1,882 million, which is 102% more than the year before. The balance sheet at the end of the year reached EUR 115.6 billion, or a 23% year-on-year growth, but represents double the balance sheet of the past three years. Likewise, the Raiffeisen International Group (RI) also enjoyed a growth in financial indicators, as well as several key acquisitions on the markets of Central and Eastern Europe. RI's balance sheet total amounted to EUR 55.9 billion, up 37 %. Consolidated profit for 2006 came to EUR 594 million, an increase of 55 %. RI has consistently remained on course toward becoming the leading banking group in Central and Eastern Europe. The main event at the year's outset for RI was acquisition of Impexbank in Russia and purchasing of eBanka in the Czech Republic.

In the face of growing competition, Tatra banka still managed to retain its place on top of the rankings in many areas, also confirmed in the form of prestigious international awards. For the second time, the Bank was declared the Best Foreign Exchange Bank in Slovakia by the magazine Global Finance. The long-term leadership of the Bank in the area of electronic banking services was reaffirmed by the award from Global Finance, which conferred the title of Best Consumer Internet Bank in Slovakia for the fifth time already. Thanks to its leading position on the market of project financing, the prestigious magazine Euromoney declared Tatra banka the Best Real Estate Commercial bank in Slovakia for 2006. The overall operation of Tatra banka was appreciated by the magazine Finance New Europe, when it declared us the Best Bank in Slovakia 2006.

As a good corporate citizen the Bank meets its social responsibility. The year 2006 was no exception in terms of the support for education and culture.

The foundation "Nadácia Tatra banky", the main objective of which is to support and develop society by increasing the quality of the education process in universities and by supporting other educational institutions, became fully operational and approved several very interesting programmes. As part of the "100 books of Tatra banka project", we helped 34 libraries throughout Slovakia by purchasing books from Slovak authors and donating them. For several years now we have awarded the Tatra banka Prize for Best Diploma Thesis to the most talented and aspiring students of the Slovak Technical University and the University of Economics.

In the area of culture, we have been supporting Slovak theatres in every region of the country for many years already, as well as music and dance festivals. Our appreciation of artists is shown at the annual "Nadácia Tatra banky Art Awards", which were presented for the eleventh time last year.

We are glad that the fruits of our work are not only visible in the figures and results, but also in the connection with such social projects. It is those projects that make our work all the more meaningful. We are confident that the coming year will be as successful as the last one, and we can continue to support many more useful projects thereby contributing to a higher quality of life in Slovakia.

Many of our employees and clients share the same values. I would like to thank all our clients and our shareholders for their trust, and all employees of the Tatra banka Group for their excellent performance.

Rainer Franz
Chairman of the Managing Board and Chief Executive Officer

Advertising campaign: Mortgage loan for real people

Tatra banka – Strong Member of a Strong Group

Tatra banka, Slovakia, is a member of the RZB Group and subsidiary of *Raiffeisen International Bank-Holding AG*. Raiffeisen International in turn is a fully consolidated subsidiary of Vienna-based *Raiffeisen Zentralbank Österreich AG (RZB)*. RZB is the parent company of the RZB Group and the central institution of the Austrian *Raiffeisen Banking Group*, the country's largest banking group by total assets with the widest local distribution network.

Founded in 1927, RZB provides the full range of commercial and investment banking services in Austria and is regarded a pioneer in Central and Eastern Europe (CEE). It ranks among the region's leading banks, offering commercial, investment and retail banking services in the following markets:

- Albania *Raiffeisen Bank Sh.a.*
- Belarus *Priorbank, OAO*
- Bosnia and Herzegovina *Raiffeisen Bank d.d. Bosna i Hercegovina*
- Bulgaria *Raiffeisenbank (Bulgaria) EAD*
- Croatia *Raiffeisenbank Austria d.d.*
- Czech Republic *Raiffeisenbank a.s. and eBanka, a.s.*
- Hungary *Raiffeisen Bank Zrt.*
- Kosovo *Raiffeisen Bank Kosovo S.A.*
- Poland *Raiffeisen Bank Polska S.A.*
- Romania *Raiffeisen Bank S.A.*
- Russia *ZAO Raiffeisenbank Austria and OAO Impexbank*
- Serbia *Raiffeisen banka a.d.*
- Slovakia *Tatra banka, a.s.*
- Slovenia *Raiffeisen Krekova banka d.d.*
- Ukraine *VAT Raiffeisen Bank Aval*

Raiffeisen International Bank-Holding AG acts as these banks' steering company, owning the majority of shares (in most cases 100 or almost 100%). Furthermore, many finance leasing companies (including one in Kazakhstan) are part of the Raiffeisen International Group. Raiffeisen International is a fully-consolidated subsidiary of RZB. Following the largest IPO in Austria's history in April 2005, RZB remains Raiffeisen International's majority shareholder owning 70% of the capital stock. The remaining 30% is free-float, owned by institutional and retail investors.

At the end of 2006, 2,848 business outlets covered the CEE-region, and over 52,700 employees served more than 12.1 million customers.

As of 31 December 2006, Raiffeisen International's balance sheet total amounted to EUR 55.9 billion, up 37% compared with December 2005. Consolidated profit for the period (after minorities and excluding one-off effects) according to IFRS came to EUR 594 million, an increase of 55% compared with the same period of 2005. Including the one-off effects due to the sale of Raiffeisenbank Ukraine and of the stake in Kazakh Bank TuranAlem, consolidated profit reached EUR1.18 billion. The return on equity (ROE) before tax excluding the one-off effects stated above reached 27.3% (up 5.5 percentage points), and the cost/income ratio improved by 2.5 percentage points to 59.1%. Including the one-off effects, the ROE before tax reached 45.4%.

As of year-end 2006, the RZB Group's balance sheet total amounted to EUR 115.6 billion, up 23% compared with December 2005. IFRS-compliant profit before tax amounted to EUR 1,882 million, an increase of 102%, including the above-mentioned one-off effects. Return on equity before tax improved by 2.8 percentage points to 26.7% without one-off effects, this is once more one of the best ratios reported by any major Austrian bank. The cost/income ratio improved again to 56.7% (minus 2.2 percentage points). At the reporting date, the Group employed a staff of more than 55,400 worldwide.

In addition to its banking operations – which are complemented by representative offices in Lithuania (Vilnius), Moldova (Chisinau) and Russia (Moscow) – RZB runs several specialist companies in CEE offering solutions, among others, in the areas of M&A, real estate development, fund management, leasing and mortgage banking.

In Western Europe and the USA, RZB operates a branch in London and representative offices in New York, Brussels, Frankfurt, Milan, Paris and Stockholm. A finance company in New York (with representative offices in Chicago and Houston) and a subsidiary bank in Malta complement the scope. In Asia, RZB runs branches in Beijing (with a representative office in Zhuhai) and Singapore as well as representative offices in Ho Chi Minh City, Hong Kong, Mumbai, Tehran and Seoul. This international presence clearly underlines the bank's emerging markets strategy.

RZB is rated as follows:

• Standard & Poor's	Short-term	A1
• Standard & Poor's	Long-term	A+
• Moody's	Short-term	P-1
• Moody's	Long-term	Aa2*
• Moody's	Financial Strength	C*

* As of April 2007

www.rzb.at, www.ri.co.at

Vision

Raiffeisen International Group is the leading banking group in Central and Eastern Europe.

Mission

- We seek long-term customer relationships.
- We provide a full range of highest quality financial services in Central and Eastern Europe.
- As a member of the RZB Group, we cooperate closely with Raiffeisen Zentralbank and the other members of the Austrian Raiffeisen Banking Group.
- We achieve sustainable and above-average return on equity.
- We empower our employees to be entrepreneurial and to show initiative, and we foster their development.

MANAGEMENT'S REPORT

management's report

Advertising campaign: Concentrate your money

Management's Report on Tatra banka Group

The Slovak economy in 2006

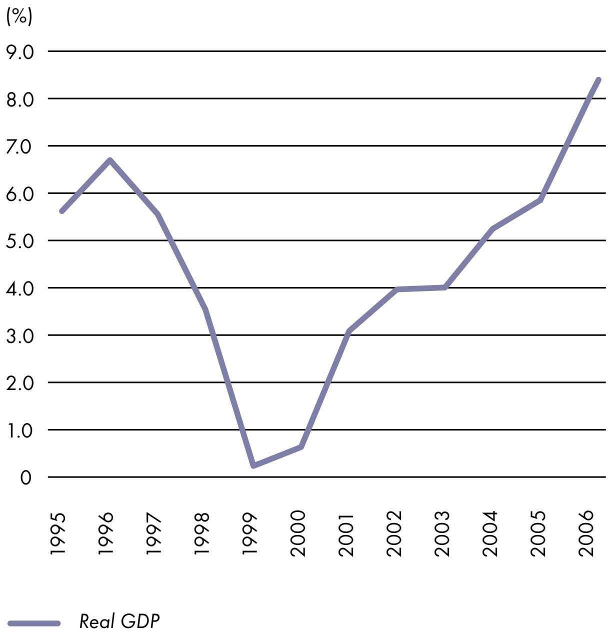
Golden era for the Slovak economy

For the Slovak economy, 2006 was the most successful in its short history. The 2006 proved to be groundbreaking in this respect, especially in the second half of the year, with the economy enjoying almost double-digit growth. Even a quick glance at the graph showing the growth of the gross domestic product (GDP), with consistent acceleration since 1999, clearly indicates that the Slovak economy is now only just starting to reap the fruits of efforts made in previous less yielding years.

Dynamic of growth on course

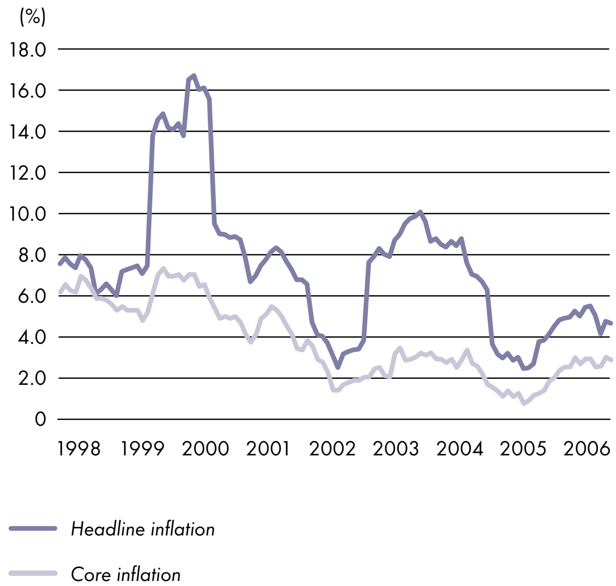
In real terms, GDP grew by 8.3% in 2006. In the first half of 2006 year-on-year growth was 6.7%, increasing in the second half by a further 3 percentage points to 9.7%. Especially in the second half of 2006, the economy was driven primarily by industry, the main pillars of which were the electro-technical sector and, once again, the automotive industry. Strong investment imports continued throughout the year, although these were classed neutrally in terms of GDP generation as they were still allocated as inventories. From this perspective, if we were to strip foreign trade development of the effect of investment imports, then the resulting picture is far more favourable than that indicated by the SKK 92 billion foreign trade deficit posted for the whole of 2006. It is therefore possible to say that foreign trade was one of the most crucial growth factors. Household consumption continued to be strong as well - strong consumer demand was also reflected in the consumer confidence indicator.
It demonstrated that the confidence of Slovak consumers, who are traditionally rather pessimistic, had reached its highest ever level at the end of 2006 since the index started in 1997.

Development of GDP
(Source: Statistics Office of the Slovak Republic)

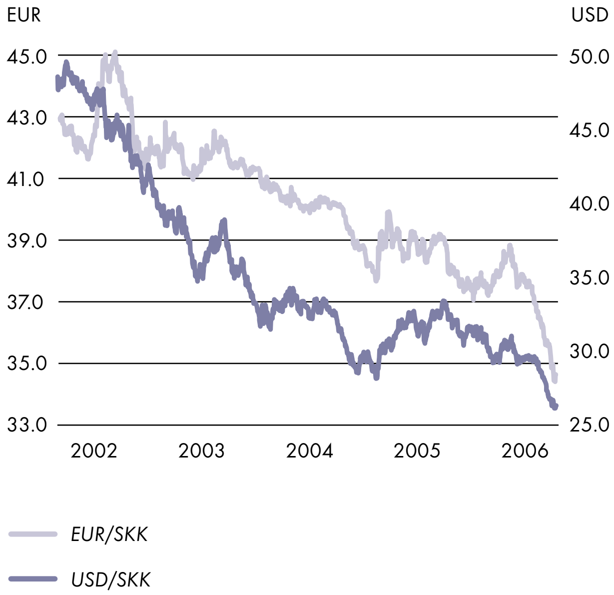


The purchasing power of the population was also boosted by a drop in the unemployment rate to 13.5% (according to the labour force survey), which was the lowest in 10 years. According to the methodology used by the Central Office of Labour, Social Affairs and Family, the average unemployment rate in 2006 was 10.4%. A prevailing problem is that almost 60% of the total number of unemployed are those out of work for more than 2 years, and who will probably encounter problems finding work again even if the number of newly created jobs continues to rise. Paradoxically then, it seems that Slovakia will still be faced with the problem of a relatively high level of unemployment in years to come, accompanied by a lack of workforce in some professions and sectors. Consumer prices in 2006 increased by an average of 4.5%. The value of inflation was relatively stable during the course of the year. As in previous years, inflation rose mostly due to housing and energy costs. World oil prices also played an important role. While in August BRENT crude prices had reached an all-time maximum in excess of USD 78 per barrel, at the beginning of January 2007 the prices

Inflation development
(Source: Statistics Office of the Slovak Republic)



Development of SKK exchange rate
(Source: National Bank of Slovakia)



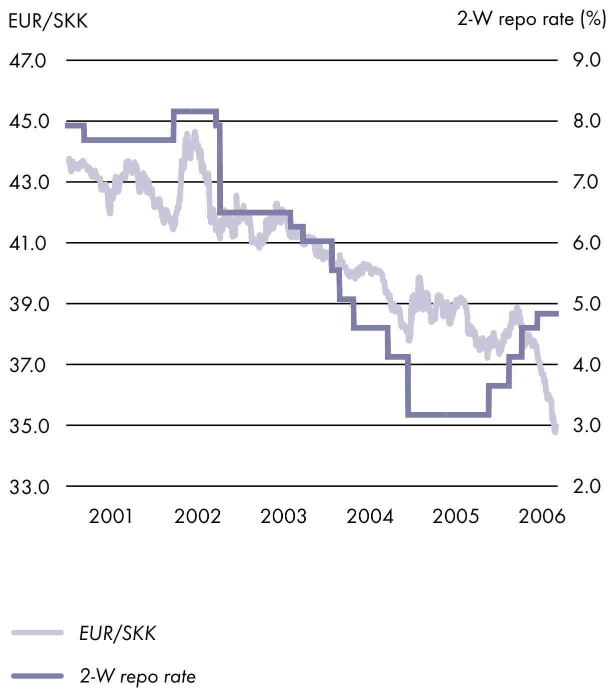
fluctuated around a third lower. This fact combined with the Koruna's significant appreciation against the Dollar by more than 12% in the last four months of the year, had a major impact on the development of fuel prices and regulated prices from January 2007. At the end of the year, these factors therefore greatly improved the outlooks of anticipated inflation development for 2007, as well as the country's chance of meeting the Maastricht inflation criteria.

The development on the Slovak financial market in 2006 was very strongly affected in various ways by steps taken by the National Bank of Slovakia (NBS). Already at the end of February 2006, the NBS had increased key interest rates in response to strong economic growth driven by domestic demand and inflation risks. The key interest rate for 2-week repo tenders (2-week repo rate) increased from its lowest ever level of 3% to 3.5%. This marked only the second hike in key interest rates in the history of the NBS, and the start of the first ever standard cycle of interest rate hikes. Thanks to the continued acceleration of the economy and inflation, the NBS was to increase the rates another three times during the year, taking the 2-week repo rate to the level of 4.75%. Another factor to substantially influence how the NBS set its key interest rates, was the exchange rate of the Slovak currency. The relatively weak rate of the Koruna in 2Q and 3Q pointed to the need for greater hikes in interest rates. From the end of July the NBS eventually only increased its 2-week repo rate by just 0.25 percentage points. The main reason for this was the exceptionally strong development of the Slovak koruna against the Euro. At the end of the year, the market gradually reached the consensus that the next step of the NBS would be to cut rates.

Koruna smashes records

The exchange rate of the Slovak koruna against the referential Euro was influenced at the beginning of 2006 chiefly by regional trends. The favourable mood on the surrounding markets, together with strong domestic fundaments, created the scope for further firming of the Koruna to new all-time highs. At the beginning of March 2006 it broke the SKK 37.0 mark against the Euro for the first time, albeit only for a short period. The regional correction also had its influence on the Koruna, however, and so its rate to month-end was almost SKK 1 higher. In 2Q 2006 the regional influence was combined with a certain degree of apprehension surrounding the upcoming parliamentary elections planned for 17 June 2006. Shortly before the elections the exchange rate moved in the range of SKK 38.0 per Euro. The election resulted in expected victory for the SMER party. The announcement that SMER would create a coalition government with the SNS and HZDS parties clearly spelled the worst possible scenario for the market. In the weeks to come, the Koruna would face strong pressure. The NBS, in the interests of stabilising the exchange rate, was forced to adopt some strong measures to defend the Koruna. Over June and July, the central bank sold more than three billion Euro, which was by far the strongest intervention in favour of the Koruna in history. Thanks to this, the EUR/SKK exchange rate weakened only to the level of 38.8. The exchange rate did not stabilise until the government proclaimed its determined commitment to meet the original term for entry to the European Monetary Union in January 2009. This commitment was also subject to fulfilment of the Maastricht criteria in 2007. The persuasion that the government would be able to stick to its commitments, especially with respect to the budget, calmed the situation fairly swiftly. In August and September the Koruna exchange rate was in the range of 37.5 and the political influence diminished. From the perspective of setting monetary policy, this exchange rate was still relatively weak and produced the need to tighten the monetary policy further. However, from October the Koruna, together with other currencies in the region, once more enjoyed an appreciation trend. The favourable regional sentiment was boosted even more by the news of record high GDP growth in 3Q by as much as 9.8%. The rapid appreciation of the Koruna in the last quarter surpassed even the most optimistic estimates. The exchange rate of the Koruna to the Euro went from 37.7 at the end of August to the 34.0 threshold at the end of December. This meant that the exchange rate of the Koruna was more than 11% off the central parity within the Exchange Rate Mechanism II set at SKK 38.455. This speedy strengthening of the Koruna at the end of the year was too much for the NBS to tolerate, and so it went ahead with direct intervention against the Koruna, buying almost EUR 500 million. The EUR/SKK exchange rate thus stabilised at the end of the year to above 34.5.

Development of NBS key interest rate and EUR/SKK exchange rate
(Source: National Bank of Slovakia)



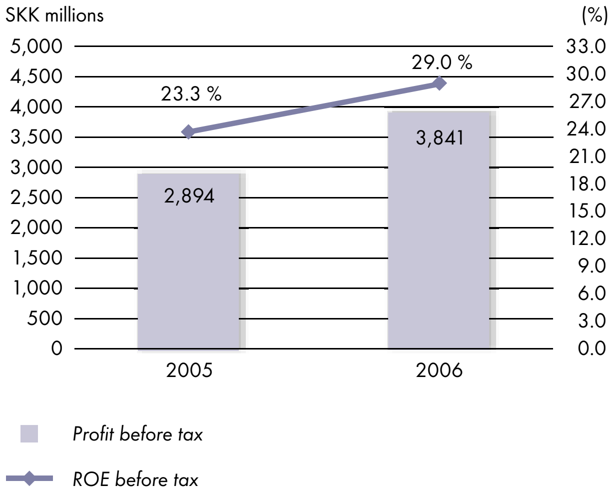
Economy in good health

The 2006 was the most successful ever for the Slovak economy. The combined effects of economic reforms from the previous term and the inflow of foreign investments will be felt strongest in the years to come. That is why 2007 will easily overshadow 2006 even if no steps are taken to increase the competitiveness of the Slovak economy and to improve the business environment in the country. With the snowball in motion, strong economic growth will continue in years to come.

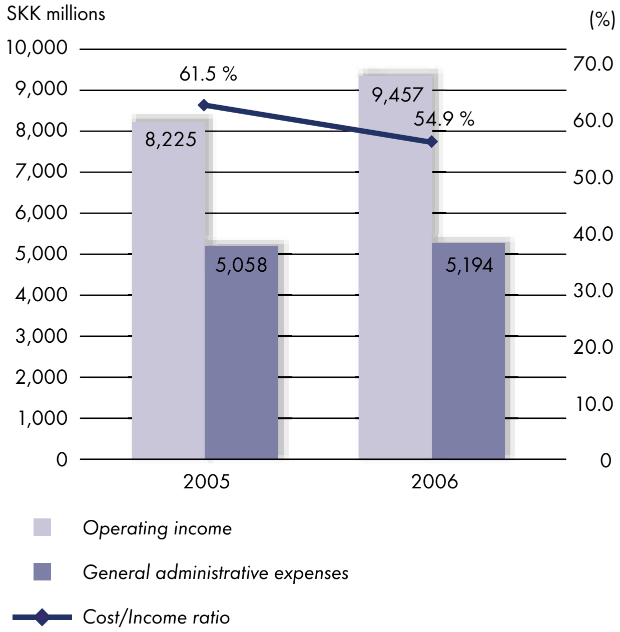
Summary of consolidated performance

The consolidated after tax-profit of Tatra banka Group increased by SKK 649 million year-on-year to SKK 3,014 million. This increase was caused by the growth of net interest income by SKK 585 million, which represents a 58.6% share in the structure of consolidated operating income, as well as by a 48.8% increase of trading income, which increased by SKK 556 million and its share on the total operating income increased from 13.9% up to 17.9%. The share of net commission & fee income on the total operating income slightly decreased from 28% to 27.2%. The growth of the consolidated operating income significantly influenced the increase of ROE from 23.3% to 29%.

Development of profit and return on equity



Development of Cost/Income ratio



Development of income and cost

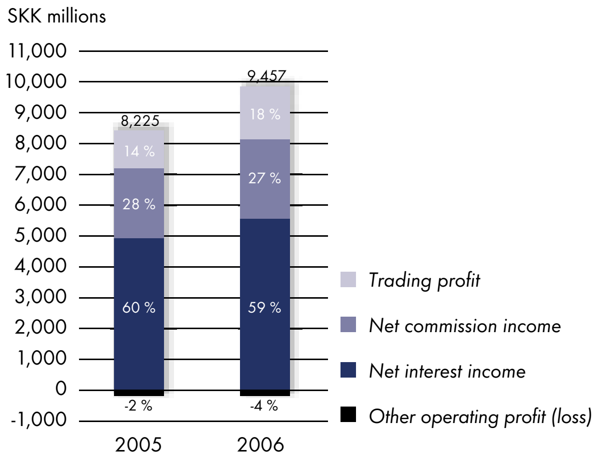
The year-on-year growth of assets by 13.3% together with the growth of net interest margin by 0.07 percentage points and the 48.8% increase of the trading income manifested themselves in the 15% growth of operating income. A slower growth of operating costs over more rapid growth of operating income made the cost/income ratio decline by 6.6 percentage points to 54.9%.

Net interest income increased by 11.8% up to SKK 5,541 million. This increase was mainly caused by a 28.8% growth of loans to clients and simultaneously a 19.6% growth of primary deposits. A slower percentage growth of net interest income over the growth of balance sheet amount was caused by a higher share of non-interest bearing assets in the structure of total assets.

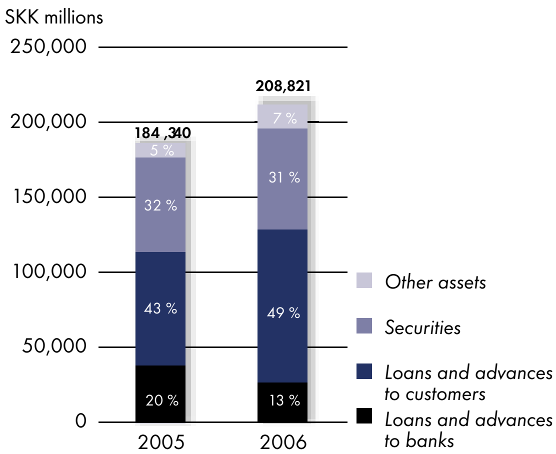
Net commission & fee income increased by 12.2% up to SKK 2,567 million year-on-year mainly due to the increase of net income from transaction fees for foreign payments by 13.8%, net card fees income, and income from open-end mutual funds, mainly funds of funds, equity funds and new capital protected fund TAM-CPPI ZF I in June 2006.

The share of trading income to the consolidated financial result increased from 13.9% up to 17.9%, and its significant increase considerably contributed to the total increase of consolidated profit. The structure of trading income is composed of the profit from foreign exchange operations, revaluation of interest and currency derivatives, revaluation of interest securities, and profit from sale of securities.

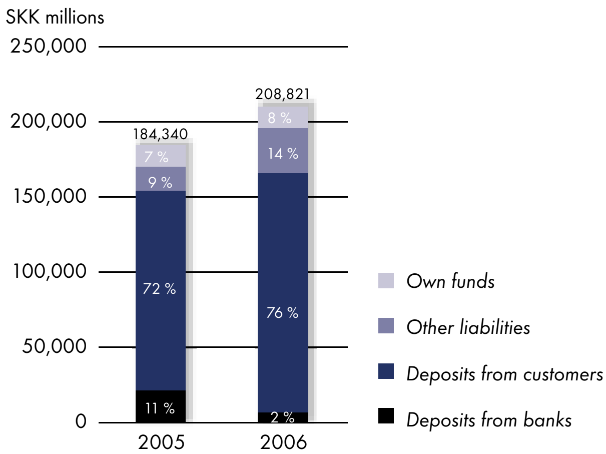
Structure of profits



Structure of balance sheet assets



Structure of balance sheet liabilities



General administrative expenses increased by 2.7% year-on-year to SKK 5,194 million. Staff expenses, constituted 52% of total administrative costs, mostly contributed to the increase of administrative costs, together with IT and communication costs which grew by 31%.

Balace sheet development

The consolidated balance sheet total increased by 13.3% year-on-year from SKK 184.3 billion at the end of 2005 up to SKK 208.8 billion at the end of 2006. On the assets side of the balance sheet, gross loans and advances to clients increased by 28.8%, in absolute figures by SKK 23.4 billion, up to the level of SKK 104.4 billion. Among the credit products, the fastest growing items were project financing, loans extended to medium-sized firms and retail loans, thereof mainly home equity loans and mortgage loans. On liabilities side, the highest absolute increase was in primary deposits, which grew by 19.6%, in absolute figures by SKK 26.1 billion up to the level of SKK 159.5 billion. Bank deposits decreased by 76.2%.

Segment reports

The basis for the separation into individual business segments is a customer-oriented internal principle. It reflects the segmentation principle of our shareholder, Raiffeisen International.

Segmentation in Tatra banka is as follows:
- Corporate customers
- Retail clients
- Treasury and Investment banking
- Participations and other

Corporate customers

(in thousands of SKK or in %)	**2006**	**2005**	**2004**
Net interest income	*1,174,646*	*974,433*	*991,459*
Net provisioning	*-302,659*	*158,831*	*-224,102*
Net interest income after provisioning	*871,987*	*1,133,263*	*767,357*
Net commission income and trading	*854,824*	*805,579*	*726,475*
Operating expenses	*-891,910*	*-764,124*	*-633,324*
Profit before tax	***834,901***	***1,174,719***	***860,508***
Cost/Income ratio	*43.95%*	*42.93%*	*36.87%*

Strengthening of positions in corporate client's care

In the segment of large corporate clients, we have achieved substantial growth on both the assets and liabilities side. Assets increased by 25%, and liabilities by 26% in comparison to 2005. The results were mostly driven by fast economic growth and favourable conditions for further growth of respective industries. The most dynamic growth was seen mostly in construction, automotive and property development, which was also reflected in the volume of the loan portfolio, which at year-end exceeded SKK 45 billion. We retained a stable market share in corporate loans (18.2%) and deposits (26.4%). Also thanks to a strong international team, we managed to acquire more than 300 new, mostly international, clients.

We successfully maintained growth in the project finance portfolio, whereby by the end of 2006 we exceeded the record volume of SKK 15 billion. The position of Tatra banka was also confirmed by the award from the prestigious British monthly magazine Euromoney, which declared the bank the Best Real Estate Finance Bank in Slovakia 2006. The largest volume of loans again went to office and housing construction projects, which we regard as the fastest developing segment on the market. Only in 2006, we concluded loan contracts for financing of 33 new apartment housing projects with around 2,400 apartments, worth a total of SKK 5.2 billion. Tatra banka finances apartment housing projects in various larger regional cities such as Košice, Žilina, Trnava, Banská Bystrica, and the towns of Piešťany, Galanta, Záhorska Bystrica, Bardejov, and Liptovský Mikuláš. In co-operation with Treasury, in 2006 we continued the intensive sale of structured products in currency and interest risk hedging.

In terms of new investments coming to Slovakia, we increased the Bank's share in transactions with Korean investors, in which Tatra banka boasts roughly a 50% market share. Moreover, Tatra banka increased cooperation with foreign banking and financial institutions focusing on the provision of support to their clients in investments in Slovakia. The Bank co-operates mainly with partners in Italy, Germany, France, Belgium, the Netherlands, but also Spain and Scandinavia. New business evolving out of those acquisition channels is already contributing an interesting portion to the Bank's profitability.

SME financing successfully utilising segment's growth potential

In 2006, Tatra banka followed on the activities already launched in the previous period that focused on new and existing Slovak small and medium-sized enterprises (SME). Compared with the corresponding segment in Europe, these companies show a low share of loans to the total capital, which poses a challenge to the Bank not only to intensify its acquisition efforts, but also to target the sale of new products and new forms of financing.

Advertising campaign: Tatra banka Open 2006, November 2006, Experience the largest tennis tournament in Slovakia!

The targeted growth in acquisition activities in Slovakia, with the co-operation of parent bank RZB Vienna and our partner banks, produced a growth in the number of SME customers. We gained 690 new clients at Regional Corporate Centres, which translates to a 38% increase over the number of new clients gained in the previous year. In 2006 we recorded dynamic growth in assets, with the average volume at the Regional Corporate Centres up 25.5% over the previous year. We registered the most prominent growth in operating and investment loans for SME, which increased by 33.2% in volume, and in project financing, which saw growth of 23.2%. The outcome of the targeted promotion of factoring was a 68.3% growth year-to-year.

On the liabilities side we posted a 12.2% rise over the previous year. A dominant growth area was the volume of dealing deposits, which were up 22.8% over 2005. The amounts in current accounts also rose by 12.3%.

The significant growth in the financing of small projects was recorded in 2006 with the resulting volume of SKK 1.1 billion. We also made progress on the fast loans market with a guarantee from the Slovak guarantee and development bank SZRB, which allowed us to finance companies that otherwise would not have been granted a loan. In total, we granted around SKK 920 million with this type of loan. We are also starting to concentrate our activities on other perspective areas of financing, such as various types of energy projects. Not only is the increasing volume of transactions important for us, but also ever greater efficiency and standardisation in the approval of loans, which results in faster processing of loans, the increase of customer satisfaction, and the improvement of the Bank's indicators.

Characteristic features of transactions in the SME segment include a tailored approach to customers via the network of corporate centres. Each of the 16 corporate centres has a complete team of experts who are always prepared to advise the clients. In the past year Tatra banka opened another corporate centre in Prešov, thereby moving closer to corporate clientele in this dynamically developing region.

Active co-operation with Eximbanka

Thanks to the ongoing intensive co-operation between Tatra banka and Eximbanka, we granted refinancing loans in 2006 worth SKK 1.9 billion, which was 6.3% more than in 2005. Loans carrying an Eximbanka guarantee saw a 35% growth to the end of the year to reach SKK 404 million. In co-operation with Eximbanka, Tatra banka supports exports within the European Union, and also to countries such as the United Arab Emirates, Egypt, Lebanon, China and Belarus.

Advertising campaign: BusinessUver[TB] Expres, September 2006, Express Message from Tatra banka

Tatra banka Factoring now third on the market

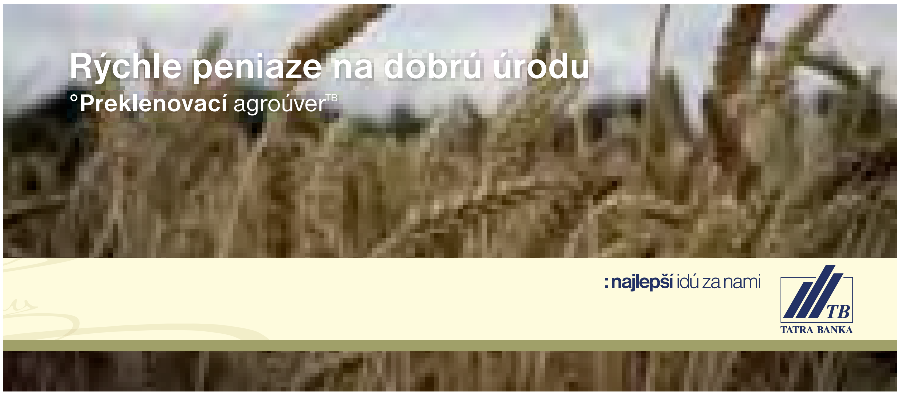
Tatra banka increased the volume of receivables financed by factoring products in 2006 by 52% to SKK 4.5 billion, thus becoming the third biggest player on the Slovak factoring market. From the product portfolio it was export factoring that again grew fastest, up 166%. The growth dynamics of Tatra banka Factoring was faster than that of the Slovak factoring market as a whole. This was achieved primarily by effective sales via the Bank network and the offer of comprehensive Bank product packages together with factoring.

Billions for the use of EU Structural Funds

The 2006 marked the last year in the shortened programming period of the European Union. By the end of December, businesses, local governments, and other organisations could submit their project applications upon a call for proposals published by ministries, with the aim of applying for finances from EU structural funds. By the end of 2006 Tatra banka had participated in the co-financing and pre-financing of non-repayable financial contributions or bridge-financing for approximately 100 approved projects, with the total amount of over SKK 2.3 billion in the majority of operational programmes. The 2006 was also a year of preparation for the new 2007 – 2013 programming period.

Even stronger focus on the agricultural sector

For Tatra banka, 2006 was another year in which it strengthened its position in the financing of the agricultural sector. In 2006, Tatra banka became the first bank to become a member of the Slovak Agriculture and Food Chamber. With regard to product development, the Bank introduced two new products, i.e. simpler financing of trust receipts for farmers in the approximate amount of SKK 200 million, and the financing of the agro-environment programme, where the volume of granted loans already in the pilot phase totalled tens of millions of SKK. The financing of direct payments exceeded SKK 910 million, despite a strong competitive battle among banks, which means roughly 110 clients and slight growth over the previous year. As much as 18% growth was enjoyed by the bank in terms of the volume of extended commodity financing loans. In 2H 2006 Tatra banka focused on the development of its co-operation with the processors of agricultural commodities and their partners.



Advertising campaign: Bridging AgriLoan[TB] January 2006, Express money for a good harvest

Hedging, a must for customers

The 2006 confirmed the growing interest of corporate customers in Treasury transactions, especially for the hedging transactions with the aim of eliminating exchange and interest risks. During the year we gradually established hedging instruments for SME customers and confirmed the correctness of our decision taken in 2005 to also serve this client segment.

Overall the growth in direct transactions with Treasury was up 20% over 2005. In addition to direct transactions with Treasury, growth was also seen in the number of transactions through the electronic platform (i-deal). In 2006, as much as 65% of transactions were conducted in this manner, which meant a year-on-year hike of 20%. The uniqueness of this service in Slovakia is developing into a long-term advantage for Tatra banka and its customers over other competitive banks.

Despite the large number of customers that Treasury administers, we still manage to produce individual solutions for customers, taking into account their specific cash-flows and the need to cover currency and interest risks. In this area we are constantly introducing the latest derivative products, thus creating comparative advantages over the competition for our customers.

Retail customers

(in thousands SKK or in %)	2006	2005	2004
Net interest income	3,510,716	3,194,817	2,512,006
Net provisioning	-190,958	-434,369	-162,532
Net interest income after provisioning	3,319,758	2,760,448	2,349,473
Net commission income and trading	2,526,529	2,488,806	2,129,135
Operating expenses	-3,778,390	-3,732,540	-3,344,224
Profit before tax	**2,067,898**	**1,516,713**	**1,134,384**
Cost/Income ratio	62.58%	65.67%	72.06%

Strong retail focus

The 2006 confirmed the continued strengthening of the retail segment as one of the key sales segments of the bank. Tatra banka confirmed its place as the third largest bank in the retail segment in Slovakia, retaining its market shares in all retail products, and exceeding market growth in many segments. An example of this is the sale of mutual funds, the market share of which increased from 26% to 33% year-on-year, or credit cards where market share increased from 46.1% to 47.3%. The favourable economic environment combined with the Bank's strong orientation on this segment produced exceptional growth in the retail loans portfolio from SKK 20.4 billion to SKK 28.8 billion and also a growth in client deposits and investments from SKK 89.4 billion to SKK 109 billion. The focus on the Premium client segment also proved to be correct. During the year we registered a 65.7% increase in the number of Premium clients.

Tatra banka followed its ambition in 2006 to differentiate itself on the market, above all by providing high quality services and products with skilled and qualified personnel. Educated, certified, and continually trained advisors provided financial advice to our customers of a standard on a par with Western Europe, both in terms of scope and quality. Premium clients can also take advantage of the financial planning service by way of their personal banker and so systematically appreciate their assets over a set timeframe. In 2006 we created the posts of Mortgage Specialists in Bratislava and Košice, and so responded to the strong demand for mortgage financing. We also increased the professionalism of advisors and the standard of service for clients. The training and ongoing professional advancement of our employees is one of the Bank's key priorities. In this way the Bank endeavours to systematically raise the standard of services and the level of customer satisfaction. That is why we set up a specialised Quality Department. The opinion of the customer is of prime importance for us, and so we expanded the traditional means of communication with customers to include, for example, touch-screens at all branches, by which our customers can express their satisfaction with the settlement of their requests.

In 2006, Tatra banka also paid great attention to the segment of retail business – small businesses and sole traders. Tatra banka is the strongest bank in Slovakia in this segment. The quality care given to this customer segment was boosted by the establishment of the specialised post of Business Advisor and by the redesign of the key Business Express Loan product so that we could supplement the offer of effective financing with business growth for our clients.

Advertising campaign: Bank+coffee, Febraury 2006,
Tatra banka presents the first branch with coffee aroma

To get closer to its customers, Tatra banka continued the trend of extending its branch network by opening another eight new branches in 2006 in economically attractive areas of Slovakia. This took the total number of branches to 124. In addition to the network of standard retail branches, Tatra banka also provides a full range of housing-related services through its network of 'Centrum bývania' branches (Centre of Living) in Bratislava. This is a unique concept based on combining mortgage loan services, the services of a real estate agent, and auxiliary services all under one roof, meaning the Bank can arrange all the particulars for its customers at a single location and in a comfortable and qualified manner.

Retail segment customers in Slovakia are very strongly attached to their own banks compared with the situation in other countries, and so there is no redistribution tendency on the market. Nevertheless, Tatra banka recorded one of the highest increments in the number of clients when it acquired 37,000 new customers in 2006.

Financial advice – comprehensive solutions

Tatra banka clients have a comprehensive range of retail financial products at their disposal via the branch network, both in terms of investments and loans.

In the area of investment, modern investment products are becoming increasingly popular to the detriment of traditional bank deposit products. Customers can choose from the mutual funds of the Bank's subsidiary Tatra Asset Management by means of which they can invest their money either directly or make use of a specially compiled and managed investment strategy by investing via Profile Funds. In 2006 the range of mutual funds on offer was supplemented by the extremely successful Capital Protected fund.

It is also possible to invest on a regular basis using savings programmes. We support pension assurance by the funds of the supplementary pension company DDS Tatra banky. Bankassurance products supplement the range of investment alternatives with the option of risk hedging. In the area of investment advice, Tatra banka focuses on a high level of professional customer care in line with the outlined investment profile.

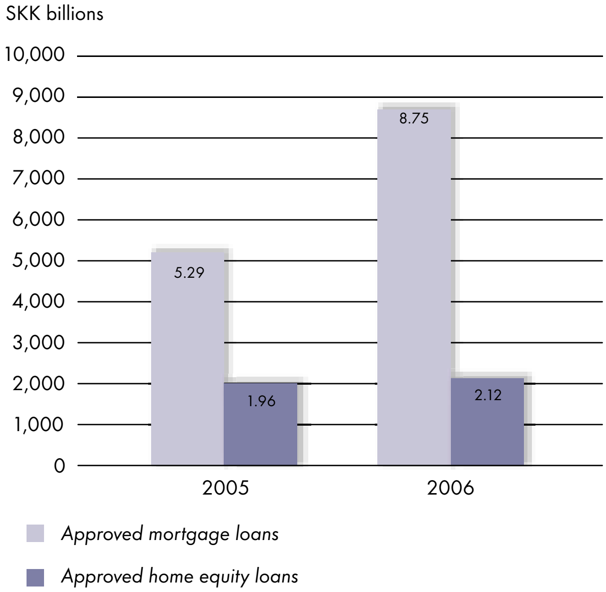
With regard to loans, Tatra banka has a comprehensive range of housing products – mortgage loans and home equity loans (which at 'Centrum bývania' are also supplemented by real estate services), which are augmented by top quality advice from our Mortgage Specialists. An alternative to the home equity loan product - i.e. general-purpose loan with collateral - is the general-purpose loan without collateral.

Tatra banka is the market leader for credit cards with a 47% market share. Electronic banking services, and the right choice of service packages to maximise the benefit and comfort for clients, are just some of the standard elements that financial advisors recommend.

Tatra bank's philosophy is not to sell individual products, but to provide customers with high-standard financial advice. Financial advisors apply the advice and care system method, which starts by analysing the financial situation and needs of the customer, and ends with specific solutions. In the premium segment, personal bankers extend this approach to provide a comprehensive overview of the assets and financial flows of the client by financial planning, with the aim of using just the right product mix to increase the future value of the client's assets. Business Advisors use the same system of advice for small businesses and sole traders and produce final solutions by augmenting the range of products offered to the client to include a business loan or leasing, for example.

The quality of advice, tailored to each client segment, is what differentiates Tatra banka and forms the basis of its success – both now and as its strategy focus in the future.

Volume of approved mortgage loans and home equity loans



Strong dynamics of loan market continues to be driven by mortgage loans

For the retail loans market, 2006 could be characterised by more competition and the increased interest of the population in loans. Tatra banka continues to strengthen its position on this market. The Bank supported the sale of consumer loans during the year by activities aimed primarily at the use of its own client portfolio. The volume of drawn consumer loans as of the end of 2006 exceeded SKK 4 billion.

In 2006, we provided 4,742 new mortgage loans worth SKK 8.7 billion and 2,532 new home equity loans worth SKK 2.1 billion. The total volume of new mortgage loans and home equity loans totalling SKK 10.8 billion translates as an impressive growth of almost 50% over 2005. The 'Centrum bývania' branches played a key role in the total volume of approved loans, accounting for 19% of all approved loans.

(in billions of SKK)	**2006**	**2005**	**% of growth**
Mortgage loans	*8.75*	*5.29*	*65%*
Home equity loans	*2.12*	*1.96*	*8%*
Total	***10.87***	***7.25***	***50%***

In addition to mortgage loans and home equity loans, there is also growing interest in general-purpose consumer loans and general-purpose fully secured loans. In 2006, a total of SKK 2.1 billion in general-purpose consumer loans was approved, which represents a year-on-year growth of 6%, taking the total volume of granted general-purpose consumer loans to SKK 4 billion. The volume of granted general-purpose fully secured loans, together with extensions, was up 42% over the preceding year to SKK 1.3 billion.

Compared with 2005, Tatra banka maintained a stable sales volume in consumer loans, despite the relentlessly growing competition. It retained a 12% market share in general-purpose consumer loans without property collateral.

Advertising campaign: Mortgage loan, February 2005, Reality show - New mortgage for real people

Loan products now even closer to clients

Just as a drop in interest rates on the loan market secured by property was typical for 2005, in 2006 a growth in rates was typical, with only a slight drop at year-end.

During the year the Bank significantly simplified loans secured by property in order to satisfy to the greatest extent possible the demands of its clients, as well as the whole loan arrangement process. Crucial changes included the introduction of the option to appraise property via the Bank, the drawing of a mortgage loan without the submission of bills and accounting documents, the option to make an extraordinary payment of 20% of the loan without any sanctions, and the introduction of a 3-year fixed interest rate in connection with the approaching conversion to the Euro in 2009. Tatra banka also focused on developing co-operation with developers and in co-operation with its specialised 'Centrum bývania' branches can provide mortgage loan services, real estate services and auxiliary services, so customers can arrange everything they need in a comfortable and comprehensive manner all under one roof.

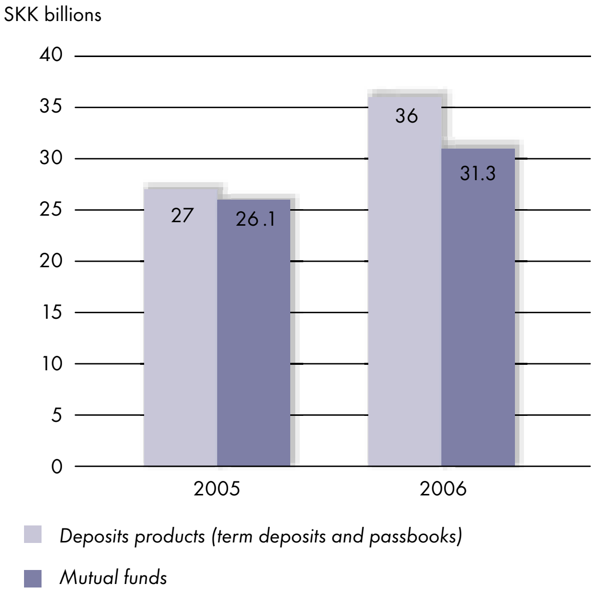
In 2006, Tatra banka also concentrated on developing the financing of segment of small businesses and sole traders in which - thanks to the newly created specialised posts of "Business Advisor" and an extensive marketing campaign - it increased the sale of business loans in this segment by 1.5 times.

Return to traditional forms of savings

Individual deposits of over the past four years had been strongly hit by a drop in interest rates, which saw people move away from traditional forms of savings towards mutual funds.

In 2006, the situation on the Slovak market changed and the favourable economic development created room for the adjustment of interest rates. The higher rates motivated people to save more, which in turn was reflected in an overall year-on-year increase of 23% of client deposit products – to SKK 77.6 billion. The growth trend could also be seen in the average volume of deposits per Bank client, which was 17% higher year-on-year. An influx of deposits was registered especially in term deposits, with the overall volume rising by 54% in 2006 to SKK 28.5 billion.

Volume of retail deposits



Even though the attractiveness of term deposits greatly increased in 2006, the first place of non-term deposits, which account for more than 50% of all Tatra banka clients deposits, was not threatened. The percentage share of term deposits in total deposits was up by 10 percentage points to 40%. The popularity of traditional deposit products was rounded off with passbooks, which accounted for 10% of all deposits.

The mutual funds of the Bank's subsidiary Tatra Asset Management sold through Tatra banka branches continued to enjoy popularity as well. Total assets of the Bank's retail segment clients increased by 20% year-on-year, to SKK 31.3 billion. The volume of net sales (less redemptions) to mutual funds in 2006 was SKK 4.3 billion, a 50% drop over the previous year. This must still be regarded as a success, considering the fact that the whole sector of mutual funds in the retail segment posted negative net deposits (withdrawals exceeding new investments). The top selling funds in 2006 were Profile Funds once again, which currently represent a key element of the retail range of mutual funds in Tatra banka. In net terms investors deposited some SKK 5.8 billion into Profile Funds, thereby increasing total assets administered in these funds to SKK 11.3 billion. 2006 saw the launch of the first in the series of capital protected funds, the TAM – CPPI Capital Protected fund I, in the start-up month alone investments totalled SKK 1.2 billion. Conversely, the interest of investors in bond funds waned - SKK 4.8 billion was withdrawn by investors.

Despite growing competition, Tatra banka easily retained third position in terms of the volume of primary deposits on the Slovak banking market.

Tatra banka number one on the payment cards market

The total number of issued payment cards exceeded 1.2 million providing the Bank with the number one position in the market in terms of the number of issued payment cards with 27% market share, which it reached during the year from 24.5%. In the area of credit cards, the Bank once more defended its primacy, holding more than 47% of the market share. The year-on-year growth in the volume of transactions, comparable with the results of the previous year, demonstrates the continuous growth in the card business. The Bank's Loyalty programme certainly boosted the use of cards, as it motivates credit card holders to make purchases with the reward of no monthly fee if the prescribed volume of purchase transactions are reached. With the intention of increasing the share of non-cash transactions with regard to debit cards, the Bank cancelled the fee per accounting entry when using a card issued as part of a service package for individual clients: this made card purchases the cheapest form of non-cash payments. The ongoing trend of chip technology implementation was confirmed by the Bank also with the issue of first embossed debit card on the Slovak market with the MasterCard logo in July. The migration of VISA Electron payment cards to chip technology continued successfully throughout the year, with more than half of the portfolio of these cards held by clients already equipped with this state-of-the-art technology by year-end.

In November, the Bank started issuing the VISA Electron cards with varying designs, which in the first limited edition of its kind was devoted to the Tatra banka Open tennis tournament. The original visual design of the card was created by Martin Kližan, the first Slovak junior winner of the Roland Garros tournament in Paris.

In November the Bank also expanded its co-operation with Home Credit Slovakia in the area of credit card issuance, to include two new products.

Advertising campaign: Credit cards, June 2006,
Pick up for a journey

Almost half of all transactions made through Tatra banka payment terminals

Tatra banka still holds first place on the market in terms of the acceptance of payment cards by business partners in Slovakia. Its market share in turnover using payment cards at partner outlets exceeded 40%, with the total amount of transactions via Tatra banka payment terminals exceeding SKK 23.3 billion. Undoubtedly, this was also attributable to an increase of over 13% in the number of partners equipped with Tatra banka payment terminals. Furthermore, Tatra banka was the first and only bank to date in Slovakia to pass the SKK 2 billion threshold of total monthly turnover at payment terminals located at business partners in August 2006. At the same time, the frequency of use of payment terminals also increased last year, as confirmed by year-on-year growth of 44% in the number of transactions made via terminals. Compared to 2005, growth dynamics in this area increased by as much as 8%.

Advertising campaign: TatraAcademy[TB] January 2006, TatraAcademy[TB] respects your style

In connection with the trend of increasing the level of security for partners and payment cardholders, Tatra banka gradually adapted its ATMs and payment terminals so that they could accept payment cards with chip technology.

With the second biggest year-on-year increase in the number of ATMs compared with other banks, Tatra banka retained 3rd position on the Slovak market and increased its share of ATMs on the market to 14.5%. More than 12 million transactions were made using Tatra banka ATMs - a year-on-year jump of 9.2%. The total volume of transactions totalling SKK 41.2 billion corresponds to a year-on-year increase of 16.6%.

Internet banking – new features and increased security

For the fifth successive year, Tatra banka was awarded the title of Best Consumer Internet Bank in Slovakia 2006 by the renowned economic magazine Global Finance. The award is also justified by the continual growth in the number of transactions made. Approximately 8.6 million domestic payment transactions were made via Internet banking, which is a year-on-year growth of 20.5%.

To increase the level of security when logging on, for GRID card authentication the Bank introduced a graphic display of the required Grid card position. This security element referred to as Captcha, is based on the understanding that only a true user is able to read the data on the screen and not a common computer programme, unlike the common text form on the internet. Proof that the Bank places great emphasis on constantly increasing the level of Internet banking security is also evident with the introduction of the option of SMS reports on the successful logging in to Internet banking.

Where increased functionality of Internet banking is concerned, the Bank supplemented the i:invest service to include the display of the account balance for clients who invested in mutual funds of Tatra Asset Management.

Dialog is one of the top distribution channels

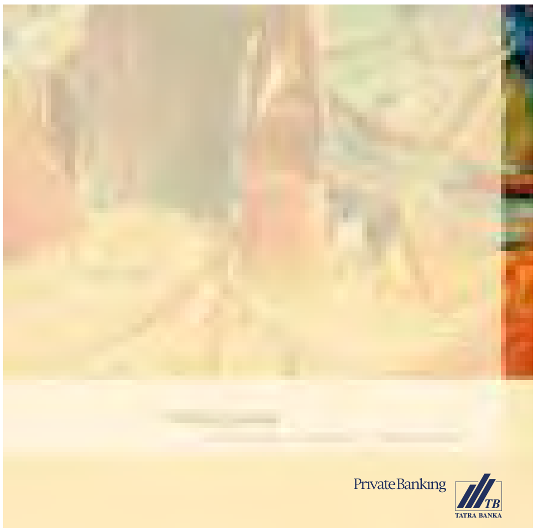
The Dialog contact centre was among the most important Retail banking distribution channels in 2006. In addition to standard banking services, at the beginning of 2006 Dialog also started providing clients with information about loans. Customers have the possibility of receiving information about remaining repayments, or the balance of principal or interest, directly over the phone. The range of Dialog services were enhanced by new services concerning mutual funds. Customers can now buy, change or redeem their units in the subsidiary TAM over the phone. We do not forget about new clients of Tatra banka whom we welcome to the Bank with an introductory phone call, informing them of the options offered by their new account.

The contact centre actively continues to support loan sales. Regarding credit card sales, the Dialog phone service contributed greatly to overall new sales of Tatra banka credit cards. In 2006 the Dialog service also arranged for direct consultations at Tatra banka branches concerning mortgage loans, consumer instalment loans and home equity loans.

New helpdesks were set up at IPCC - Internet protocol contact centre, which are designed to provide information to various types of client – e.g. the internal Product Helpdesk provides information about products to bank staff, the ServiceDesk deals with IT systems, and the E-banking system Helpdesk provides services to Telebanking clients.

Private banking

After the previous years of strong growth, the Private Banking unit managed once again to maintain a high level of growth in the volume of administered assets and the number of customers, even in the face of growing domestic and foreign competition in this segment.



Advertising campaign: Private Profile Funds, September 2006, Variaged palette of exclusive solutions

In mid-2006 we surpassed the symbolic threshold of SKK 20 billion of administered client assets. Overall, the volume of assets increased by more than SKK 6 billion to reach SKK 23 billion, a year-on-year growth of 36%. This proves that Tatra banka's Private Banking has a strong tradition on the market and provides high-quality professional care when it comes to the private finances of high-net-worth clients. The average client portfolio reached SKK 12.8 million, representing a nearly 20% increase compared to the previous year. The number of clients increased year-on-year by more than 13%. This growth resulted in the need to hire new employees not only in Bratislava, but also at regional outlets in Košice, Žilina, and Banská Bystrica.

Tatra Asset Management is a strategic partner for Private Banking in terms of fund investments. The actively managed Private Profile Funds strategies were a key product of Private Banking in 2006. The volume of client assets in these strategies increased by 66% year-on-year to the level of SKK 4.5 billion. During the year the product range of fund investments was extended for Tatra banka private clients to include ten domiciled mutual funds of Raiffeisen Capital Management.

By taking part in primary issues, private clients had the chance to extend their portfolios to include Tatra banka mortgage bonds and European stock-based assured structured investment. Clients focusing on more passive forms of investments were mediated participation in various issues of index certificates of Raiffeisen Centrobank, ranging from classic copying the index to more sophisticated forms of assured, bonus, and discount certificates.

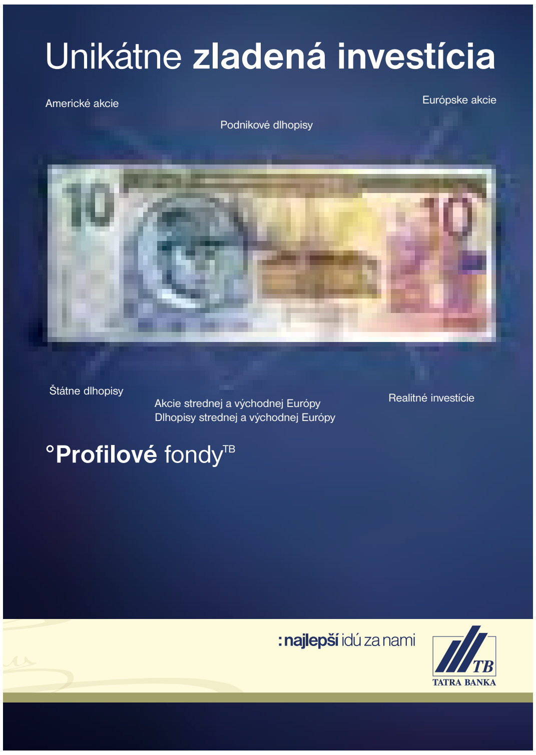
Treasury and Investment Banking

Treasury – summary transactions *(in billions of SKK)*	**2006**	**2005**	**2004**
Spot foreign exchange operations on the interbank market	*1026,97*	*990,4*	*336*
*Interbank money market deposits**	*9,7*	*9,7*	*10,7*
Foreign exchange operations with Tatra banka customers	*291,5*	*270,5*	*319,8*
*Money market operations with Tatra banka customers**	*35,22*	*28,8*	*24,7*

* Average volume

The Treasury and Investment Banking segment was a key contributor to the Bank's economic results once again in 2006. The division kept its structure, with strengthening of the Investment Banking team. The activity of dealers on the interbank foreign exchange and money markets reconfirmed the key importance of interbank trading at the Treasury division in 2006. For the second successive year, spot interbank dealers received the prestigious award "The best foreign exchange bank in Slovakia" from the magazine Global Finance. The award reaffirmed the position of Tatra banka as the leader on this market.

The share of Tatra banka on the interbank foreign exchange market in Slovakia was 20.1% in 2006. The contribution from our activities in the care for corporate clients in the field of Treasury products also strongly influenced the profitability of the whole division. The basis was an almost 10% year-on-year growth in turnover in spot foreign exchange operations and a 20% year-on-year growth in money market operations. Clients can therefore use the same instruments to manage market risks as the Bank. In 2006 we also started serving our clients in the area of structured products, where clients have an opportunity to express their opinion on the development of the interbank market in the management of their own market risks. We also progressed in improving the telephone network, thanks to which we achieved 92% accessibility.



Advertising campaign: Profiled funds[TB], March 2006,
Uniquely fine-tuned investment

In the management of assets and liabilities, we continued the elimination of market risks from segments that do not possess risk management tools. The aim is to achieve centralisation and more effective management of liquidity and interest rate risks.

The credit activities of the Bank continued to be supported by adequate internal sources in 2006. External sources were acquired only for the purposes of meeting legislative requirements for covering granted mortgage loans by the issue of mortgage bonds. We continued to improve the process of creating Treasury products. We directed our activities at supporting investment products for corporate, private, and retail clients. The 2006 was also marked by the bank strengthening its position in the area of investment products.

Domestic and Foreign Payments

In the past year Tatra banka continued the trend of growth in the number of domestic and foreign payment orders. Domestic payments increased by more than 7% year-on-year, with the Bank managing to increase the share of payment orders made via electronic distribution channels to almost 80%.

In the area of foreign payment orders Tatra banka enjoyed strong growth in the number of orders made via electronic distribution channels. Their share of all client transactions rose to almost 85%. This is attributable not only to a 20% year-on-year growth in the number of orders sent to Tatra banka via Telebanking, but mainly to a 30% plus growth in the number of payment orders submitted via Internet banking. A year-on-year growth of more than 20% was also posted in the case of incoming foreign payment orders.

Regional Card Processing Centre

Even greater range of services for Raiffeisen International group

The Regional Card Processing Centre operates in Tatra banka as the centre responsible for arranging the issue of payment cards and the processing of transactions made using the cards, both for Tatra banka products, and also for partner banks within the Raiffeisen International group.

In 2006 Raiffeisenbank Bulgaria joined the ranks of Tatra banka and banks in Croatia, Romania, the Czech Republic, Serbia, Albania and Ukraine. There were 40% more transactions processed than in 2005, and the portfolio of processed cards increased 22% year-on-year.

In three years of the card centre's existence, the decision to centrally process card transactions within the Raiffeisen International group has proven to be the right choice, mainly due to the strong synergic effect produced both by cost savings in individual co-operating banks, and the benefit of sharing technological know-how and mutual exchange of experience between markets of member countries.

In 2007, the Regional Card Processing Centre will continue to support the issue of chip cards and the introduction of new functionalities for both debit and credit cards alike, with the aim of expanding the portfolio of services that member banks may offer their clients. Activities leading to ever greater capacities, accessibility, security, and reliability of the card management system, as well as the quality of services rendered, also played a key role.

Advertising campaign: VISA gold credit card, August 2006
The fattest wallet

Participations and Other

Tatra Asset Management

Tatra Asset Management *(in millions of SKK)*	2006	2005	2004
Total revenues	507.9	429.9	231.5
Profit after tax	113.4	98.8	48.1
ROE	42.2%	60.8%	53.4%

The growth dynamic of the whole mutual fund market significantly slumped in 2006. Following 2004 and 2005, during which the volume of assets in mutual funds tripled, the growth in assets in 2006 came to a mere 6%. The total volume of assets in mutual funds thus came to SKK 130.8 billion, while the total volume of assets managed by asset management companies, including those in managed portfolios, totalled SKK 143.3 billion. The main reason for the decline in the growth dynamic was a high level of redemptions with accompanying 90% year-on-year drop in the volume of mutual fund net sales to clients.

Despite the negative situation on the market, the total volume of Tatra Asset Management (TAM) mutual fund sales in the past year remained on practically an unchanged level, while the total volume of mutual fund net sales fell by just 37% year-on-year. Thanks to this, the overall volume of assets in TAM mutual funds increased by 26% year-on-year to reach SKK 41 billion. At the same time, throughout the year the significant change in the structure of TAM mutual fund assets continued, reflecting both the strong product innovation of the Company on one hand, as well as the change in client preferences. Whereas at the end of 2005 assets in new products (mostly fund of funds and capital protected funds) and equity funds comprised just under 25% of total assets in TAM funds, to the end of 2006 it was more than 43%. Due to much stronger growth than that of other asset management companies, TAM successfully increased its mutual fund market share in the past year from 26.3% to 31.3%, according to the figures from the Slovak Association of Asset Management Companies.

TAM assets under management

Total assets managed by the Company, including managed portfolios, were up by 21% year-on-year to SKK 46.4 billion. The total market share of the Company as of the end of 2006 represented roughly 32.3%.

The Company's revenues were up by 18% year-on-year to SKK 507.9 million. A decisive share of this income came from revenues from management fees (74%) and entry fees (17%). Total expenses of the Company increased by 19% year-on-year to SKK 368.6 million. The largest portion of expenses – as the previous year – was spent on the brokerage of mutual fund sale (84%).

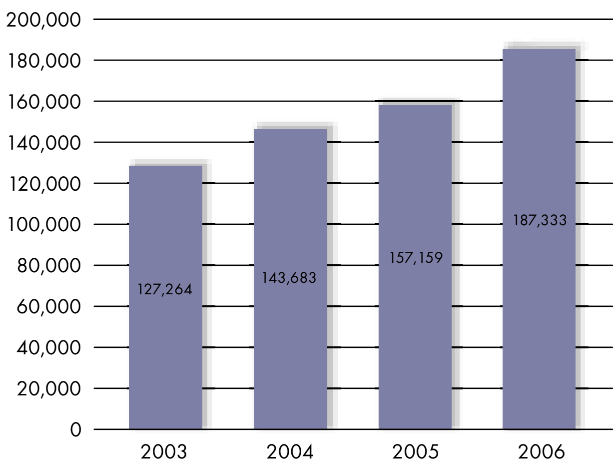
In 2006, the Company generated a profit after tax of SKK 113.4 million, which translates as year-on-year growth of 14.8%

Doplnková dôchodková spoločnosť Tatra banky

Doplnková dôchodková spoločnosť Tatra banky *(in millions of SKK)*	**2006***	**2005**	**2004**
Total revenues	*67,3*	-	-
Profit after tax	*8,5*	-	-
ROE	*14,4%*		

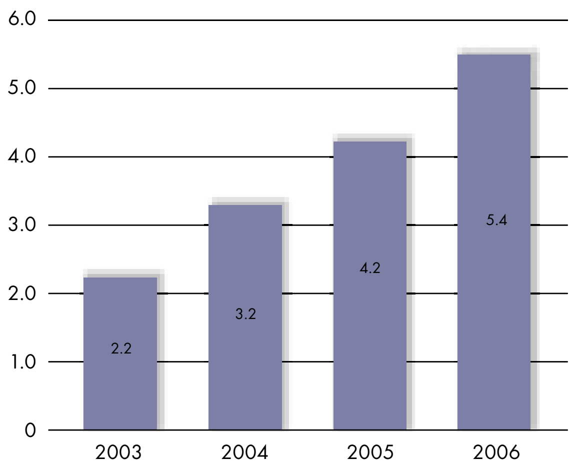
* Financial data of the company are strongly influenced by the fact that the data is representing the period starting April 10 to December 31, i.e. for roughly 9 months of the year. Data for the previous years are incomparable due to transformation of the company.

Clients of DDS Tatra banky



DDS Tatra banky assets under management

SKK billions



The supplementary pension savings market underwent fundamental change in the 2006. Formerly established supplementary pension insurance companies were transformed into standard supplementary pension fund management companies, with the assets of clients being concentrated in newly established pension funds as part of this process. The total number of clients in supplementary pension companies rose by 7.3% in the past year, totalling almost 744,000. At the same time, the total volume of assets in pension funds increased by 18.4% to SKK 21.4 billion.

Pokoj DDP was transformed into supplementary pension fund management company Doplnková dôchodková spoločnosť Tatra banky (DDS TB) on 10 April 2006. On its establishment, DDS TB opened 3 pension funds, two of which are intended for clients saving for a pension and one for clients already receiving a pension. In the past year, DDS TB was by far the most dynamically developing supplementary pension fund management company in Slovakia. It saw the number of clients increase by 19% to total 187,333, which means DDS TB enjoyed almost a 60% share of overall market growth in supplementary pension savings. It had 6,366 employer contracts as of the end of the year, which is a year-on-year growth of 9%. Total assets in the pension funds of DDS TB were up by 29.3% year-on-year to reach SKK 5.4 billion, thereby strengthening the position of DDS TB as the second largest supplementary pension fund management company in Slovakia with a 25.5% market share, according to the Association of Supplementary Pension Fund Management Companies. Income of DDS TB in the past year amounted to SKK 67.3 million, while the key portion of the revenues is attributable to pension fund management fees (94%). Total expenses of the Company amounted to SKK 56.8 million, mostly being absorbed by operating expenses (71%) and distribution expenses (13%). The Company generated a profit after tax of SKK 8.5 million in 2006.

Tatra Leasing

*Tatra Leasing** *(in millions of SKK)*	*2006*	*2005*	*2004*
Interest and similar income	*506.71*	*492.40*	*544.46*
Net interest income	*251.91*	*267.86*	*287.28*
Profit after tax	*93.20*	*85.20*	*76.47*
ROE (before taxation)	*16.24%*	*16.57%*	*19.85%*
ROE (after taxation)	*15.06%*	*14.86%*	*13.75%*
Cost/Income ratio	*57.19%*	*57.52%*	*46.72%*

* According to International Financing Reporting Standards

Advertising campaign: Mortgage loan and Home-equity loan, October 2006, Do nothing. Just live! Everything related to housing is solved by Tatra banka

Tatra Leasing concluded 6,114 new contracts in 2006 worth more than SKK 7 billion excluding VAT, which is a 44.4% growth in transactions compared with 2005, when the Company generated transactions worth SKK 4.9 billion excluding VAT. For comparison, in 2006 the market posted a 26.45% growth in the volume of transactions compared with 2005. The stated volume in 2006 meant a 9.7% market share in the financing of real estate and chattels in Slovakia. In 2006, Tatra Leasing ranked 5th among leasing companies in Slovakia.

Tatra Leasing saw the greatest growth in the volume of transactions in the technology segment, where compared with 2005 the volume of transactions increased by as much as 62.5%. Just as strong growth was seen in the segment of trucks, trailers and semi-trailers, which was up 57.8%. In the segment of utility vehicles, the Company achieved growth of 23.8%. Tatra Leasing posted a drop in the volume of concluded transactions only in the personal vehicles segment, which was down 17.9%.

At present Tatra Leasing offers clients financial leasing, hire purchase, and consumer loans for transport equipment, machinery and equipment, technology and medical equipment, and real estate.

Human Resources

Advertising campaign: Retail trainee[TB] program, September 2006, Student and already a star!

A priority of human resources is to provide services that support the sustainable growth of the Bank's economic results. Taking care of its human capital and increasing its worth continued to be the strategic goal in the human resources area in 2006.

Tatra banka is one of the most attractive employers on the Slovak banking market. To continually increase the attractiveness of our brand as an employer was a priority in 2006 and will continue in the coming years. On a highly competitive labour market, this poses one of the greatest challenges in the area of human resources.

We want to support the motivation of our employees by a system of performance-based appraisal which is directly linked to remuneration. The system is based on principles that introduce the culture of performance-oriented organisation. This is also linked to the development of employee know-how and skills in line with the needs of the organisation. We are constantly improving the system of remuneration. The aim is to have a transparent and fair remuneration system, which supports a high level of work output and ensures that the Bank meets its targets.

We keep in mind that the success and results of our organisation are directly linked to the quality of its people. That is why we have established co-operation with top universities in Slovakia. The specific outcomes of such mutually beneficial co-operation includes the so-called Management Trainee programmes where we provide talented university graduates an opportunity to test their skills in real projects. Even though we launched these Management Trainee programmes only recently, their professional level is already renowned among students and are attracting an increasing number of students.

Our staff structure remained unchanged in 2006. We have 70% women and 30% men. The portion of employees holding university degrees exceeded 51%, which represents a slight increase compared to 2005. The average employee age in the Bank has not changed since 2005 - 30 years of age.

Outlook for 2007

Economic forecast indicates that the Slovak economy will stay on its course of strong growth also in 2007, and in fact everything points to it breaking the record growth seen in 2006. The main driving force will be increased exports, primarily thanks to greater output from the automotive and electro-technical industries. We will also see positive effects of the reforms from recent years and further inflow of foreign investments. The speed of economic growth will be favourably influenced by a sharp drop in inflation. Growth in consumer prices in 2007 should reach the lowest level ever since the Slovak Republic was established. Falling unemployment looks set to continue, although at a slower rate than in previous years. The year 2007 will be crucial whether the Slovak Republic will manage to meet the target of entering the European Monetary Union in January 2009. The year will to a large extent serve as a reference point for assessing fulfilment of the Maastricht criteria. Development of key indicators todate point to the strong likelihood that they will be met.

We can expect the positive development of economic indicators to lead also to greater demand for loans. This should be boosted by a drop in interest rates in connection with the anticipated entry to the European Monetary Union.

Advertising campaign: Mortgage Loan, May 2006,
Throw away bills! Mortgage with no invoices only in Tatra banka

The year 2007 will bring with it changes on the market, which in turn will put new challenges before the Bank. One of these is the constantly growing competition, which will become all the more intense due to the merger of two banking houses. Another major change that is set to impact the whole banking sector is the entry of Slovakia to the European Monetary Union and the subsequent adoption of the common European currency.

In the retail area, the Bank wants to retain its position as an innovator. Thanks to several new elements, and the improvement of existing products and services, the Bank expects to reinforce its position on the market, by offering a broader portfolio of investment and loan products to its target clients.

We want to continue in 2007 with expansion of our branch network. With this expansion we take into account the growing needs of clients. We constantly re-evaluate the location of current branches, which we then move to a better location if required. When opening new branches we focus on all regions of the country, and not only on bigger towns and cities.

Alongside the acquisition of new clients, we will focus on increasing the level of quality and satisfaction, reflecting their needs, especially when it comes to financing housing, and on extending the specialised network of branches and the availability of services. This is linked to another long-term goal of the bank – to provide clients with professional advice from trained and professional personnel, tailor-made to their individual needs.

Advertising campaign: Rhodos – Best brand image of the year 2005, January 2006

It is precisely the growing economy that provides scope for companies to develop, and also the opportunity to gain a greater share of the market of corporate financing. In this area Tatra banka will continue to adapt its services to current requirements of its clients and apply its business and risk policies in a way that it may confirm and strengthen its position as leading corporate bank and a reliable partner for various business segments, with special emphasis on the segment of small and medium-sized businesses. The Bank realises the importance of an individual approach, and will continue to raise the capacities and expertise of its relationship managers. We expect the increase in new acquisition opportunities to be boosted also via cross-selling within the Tatra banka Group. We will continue to pay increased attention to certain sectors, like agriculture, for instance. Our ambition is to play a key role also in developer projects.

Top priority will be to prepare for Slovakia's entry to the European Monetary Union and adoption of the common currency, the Euro, which is projected for January 2009. Harmonising all processes and preparing the Bank for the smooth introduction of the common currency is one of the largest projects that the Bank will be faced within the years to come. Naturally, adapting to European legislation and the obligations that come with it is another important area. Just as important is the ongoing application of the Basel II rules and a continuing increase in the standard of risk management.

A goal for the Bank in 2007 will be to generate further growth in financial indicators, greater productivity linked to rationalisation and strict control of operating costs. An absolute priority is to prepare the IT systems for conversion to the Euro and move forward with new development of applications focusing on increasing the efficiency of serving clients and selling products.

Advertising campaign: Mortgage loan and Home-equity loan

Deloitte.

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Tatra banka, a.s.

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors of Tatra banka, a.s.:

1. We have audited the accompanying consolidated financial statements of Tatra banka, a.s. and its subsidiaries, which comprise the balance sheet as at 31 December 2006, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

The Board of Directors' Responsibility for the Financial Statements

2. 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 of material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

3. 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 that the financial statements are free of material misstatement.

   An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal 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 audit opinion.

Opinion

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

Bratislava 29 March 2007

Deloitte

Deloitte Audit s.r.o.
Licence SKAu No. 014

Ing. Zuzana Letková
Responsible auditor
Licence SKAu No. 865

Audit.Tax.Consulting.Financial Advisory.

Member of
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financial statements

FINANCIAL STATEMENTS

Advertising campaign:TatraAcademy[TB]

Financial Statements

(IFRS-compliant consolidated financial statements as adopted by the European Union)

Consolidated Income Statement

(in thousands of SKK)	**Note**	**2006**	**2005**
Interest and similar income		8,358,062	6,168,293
Interest and similar expenses		(2,817,627)	(1,212,624)
Net interest income	**(1)**	**5,540,435**	**4,955,669**
Dividend income	(2)	898	7
Provisions for impairment losses on loans and advances	(3)	(482,718)	(273,155)
Net interest and dividend income after provisioning		**5,058,615**	**4,682,521**
Fees and commissions income		2,971,724	2,656,853
Fees and commissions expense		(404,308)	(367,709)
Net fees and commission income	**(4)**	**2,567,416**	**2,289,144**
Net profit (loss) from trading instruments	(5)	1,696,420	1,140,449
Net profit (loss) from financial instruments at fair value through profit or loss	(6)	(56,276)	-
Net profit (loss) from available-for-sale financial instruments	(7)	72,413	(9,920)
Net profit (loss) from investments in associate undertakings	(8)	44,738	47,037
General administrative expenses	(9)	(5,193,686)	(5,057,567)
Other operating profit (loss)	(10)	(348,404)	(197,780)
Profit before income taxes		**3 841,236**	**2,893,884**
Income taxes	(11)	(827,666)	(529,751)
Consolidated profit after tax		**3,013,570**	**2,364,133**
Basic and diluted earnings per ordinary share (face value SKK 20,000) in SKK	**(12)**	**56,083**	**47,079**
Basic and diluted earnings per preferred share (face value SKK 100) in SKK	**(12)**	**280**	**-**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

Assets *(in thousands of SKK)*	***Note***	***31 December 2006***	***31 December 2005***
Cash and deposits in central banks	*(14)*	*8,819,584*	*4,106,753*
Treasury bills and other eligible bills	*(15)*	*4,954,155*	*-*
Loans and advances to banks	*(16)*	*26,687,784*	*37,608,211*
Loans and advances to customers, gross	*(17)*	*104,426,589*	*81,075,567*
Impairment losses for loans and advances	*(18)*	*(1,792,786)*	*(2,314,343)*
Held for trading financial assets	*(19)*	*15,909,370*	*22,011,488*
Financial assets at fair value through profit or loss	*(20)*	*6,244,719*	*-*
Held-to-maturity financial assets	*(21)*	*38,275,126*	*37,473,640*
Available for sale financial assets	*(22)*	*3,964*	*3,653*
Investments in associate undertakings	*(23)*	*325,715*	*316,977*
Non-current intangible assets	*(24, 26)*	*1,178,361*	*653,989*
Non-current tangible assets	*(25, 26)*	*2,713,609*	*2,459,650*
Income tax assets	*(27)*	*1,355*	*93,443*
Other assets	*(28)*	*1,073,134*	*851,260*
Total assets		***208,820,679***	***184,340,288***

Equity and liabilities *(in thousands of SKK)*			
Deposits from banks	*(29)*	*4,884,870*	*20,486,181*
Deposits from customers	*(30)*	*159,511,425*	*133,428,755*
Held for trading financial liabilities	*(31)*	*5,975,221*	*2,980,013*
Liabilities from debt securities	*(32)*	*19,852,841*	*11,560,175*
Provisions for liabilities and charges	*(33)*	*1,231,226*	*735,968*
Income tax liabilities	*(34)*	*362,442*	*28,557*
Other liabilities	*(35)*	*1,128,064*	*1,501,801*
Total liabilities		***192,946,089***	***170,721,450***
Equity (excluding current year profit)		*12,861,020*	*11,254,705*
Consolidated profit after tax		*3,013,570*	*2,364,133*
Total equity		***15,874,590***	***13,618,838***
Total equity and liabilities		***208,820,679***	***184,340,288***

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

(in thousands of SKK)	Share capital	Share capital – own shares	Share premium	Reserve fund and other funds	Retained earnings inclusive of consolidated profit after tax	Total
Equity as of 1 January 2005	**1,004,320**	**-**	**100,430**	**297,849**	**11,288,284**	**12,690,883**
Transfers	-	-	-	5,841	(5,841)	-
Dividends paid	-	-	-	-	(1,436,178)	(1,436,178)
Consolidated profit after tax	-	-	-	-	2,364,133	2,364,133
Equity as of 31 December 2005	**1,004,320**	**-**	**100,430**	**303,690**	**12,210,398**	**13,618,838**

(in thousands of SKK)	Share capital	Share capital – own shares	Share premium	Reserve fund and other funds	Retained earnings inclusive of consolidated profit after tax	Total
Equity as of 1 January 2006	**1,004,320**	**-**	**100,430**	**303,690**	**12,210,398**	**13,618,838**
Transfers	-	-	-	4,894	(4,894)	-
Dividends paid	-	-	-	-	(1,677,214)	(1,677,214)
Change in accounting treatment of preferred shares [see Principal Accounting Policies c)]	71,258	(2,287)	595,149	-	38,958	703,078
Change in preferred shares	26,275	(332)	190,375	-	-	216,318
Consolidated profit after tax	-	-	-	-	3,013,570	3,013,570
Equity as of 31 December 2006	**1,101,853**	**(2,619)**	**885,954**	**308,584**	**13,580,818**	**15,874,590**

Consolidated cash flows

(in thousands of SKK)	**2006**	**2005**
Cash flows from operating activities		
Profit before taxation	3,841,236	2,893,884
Adjustments for non-cash operations (Note 37)	(4,655,344)	(4,398,827)
Cash flow used in operating activities before changes in working capital, interest received and paid and income taxes paid (Note 37)	**(814,108)**	**(1,504,943)**
(Increase)/decrease in operating assets:		
Obligatory reserve with National Bank of Slovakia	(3,809,415)	298,496
Loans and advances to banks	12,206,843	(18,783,960)
Loans and advances to customers	(23,394,573)	(13,328,261)
Held for trading financial assets	8,642,563	3,731,779
Financial assets at fair value through profit or loss	(6,062,530)	1,908
Available for sale financial assets	(311)	-
Other assets	(207,683)	(110,489)
Increase/(decrease) in operating liabilities:		
Deposits from banks	(15,587,434)	(2,436,168)
Deposits from customers	25 966,421	15,518,047
Liabilities from debt securities	8,238,306	3,253,190
Other liabilities	280,738	423,216
Cash from operations before interest paid and received and income taxes paid	**5,458,817**	**(12,937,185)**
Interest paid	(2,686,280)	(1,172,536)
Interest received	6,997,756	5,087,837
Income taxes paid	(402,146)	(1,106,808)
Net cash flows used in operating activities	**9,368,147**	**(10,128,692)**
Cash flows from investing activities		
Net increase/decrease in investments	(792,728)	(6,928,763)
Interest received on investments	1,457,891	1,310,317
Proceeds from sale or disposal of non-current tangible and intangible assets	21,292	7,284
Purchase of non-current tangible and intangible assets	(1,089,655)	(744,902)
Acquisition of subsidiary (Note 38)	(254,334)	-
Dividends received (Note 2)	898	7
Net cash flows used in investing activities	**(656,636)**	**(6,356,057)**
Cash flows from financing activities		
Preferred shares issue and redemption	216,318	-
Dividends paid	(1,677,214)	(1,436,178)
Net cash flows used in financing activities	**(1,460,896)**	**(1,436,178)**
Effects of exchange rate changes on cash and cash equivalents	(139,911)	5,125
Change in cash and cash equivalents	**7,110,704**	**(17,915,802)**
Cash and cash equivalents, beginning of the year (Note 37)	3,374,560	21,290,362
Cash and cash equivalents, end of the year (Note 37)	**10,485,264**	**3,374,560**

Notes

General information

Main activities of parent company

A. Scope of activities

The consolidated Group of Tatra banka ("the Group") includes the parent company Tatra banka, akciová spoločnosť, ("the Bank" or "Parent company") with registered seat at Hodžovo námestie 3, Bratislava and 12 subsidiaries and associate undertakings as defined in the Note C. The Bank was established on 17 September 1990 and incorporated with the Commercial Registry on 1 November 1990. The identification number of the Bank is 00 686 930, its tax identification number is 202 040 8522.

The principal activities of the Parent Company are as follows:

- receiving deposits;
- provision of loans;
- system of payments and clearing;
- investing activities for its clients;
- investing into securities on its own account;
- dealing on its own account with the following:
  - financial instruments of the money market in Slovak koruna and in foreign currencies, including exchange services;
  - financial instruments of the capital market in Slovak koruna and in foreign currencies;
  - coins of precious metals, commemorative banknotes and coins, groups of banknotes and circulation coins;
- managing clients' receivables and securities on clients' accounts including consulting service (portfolio management);
- financial leasing;
- providing guarantees, opening and confirming Letters of Credit;
- issuing and managing media of payment;
- providing consulting services in business;
- issues of securities, participation in securities issues, and provision of related services;
- financial mediation activities;
- depositing of valuables;
- leasing safes;
- providing banking information;
- performing mortgage activities under Article 67 (1) of the Banking Act;
- acting as a depositary according to a special regulation;
- processing of banknotes, coins, commemorative banknotes and coins.

The Bank's shareholders as a percentage of voting rights:

	31 December 2006	31 December 2005
Raiffeisen International Bank – Holding AG	72.44%	72.44%
Tatra Holding	14.11%	14.11%
Other	13.45%	13.45%

The Bank's shareholders as a percentage of registered capital subscribed:

	31 December 2006	31 December 2005
Raiffeisen International Bank – Holding AG	66.03%	69.17%
Tatra Holding	12.86%	13.47%
Other	21.11%	17.36%

The Bank performs its activities in the Slovak Republic through its 144 branches inclusive of Corporate centres and "Centrum bývania" branches.

Operating income was mainly generated from the provision of banking services in the Slovak Republic. The Group considers that its products and services arise from one segment of business - that is the provision of banking and related services.

The Bank's ordinary shares are publicly traded on the Bratislava Stock Exchange.

The members of the statutory and supervisory bodies of the Bank as of 31 December 2006:

Supervisory Board

Chairman:	Milan VRŠKOVÝ
Vice-Chairman:	Herbert STEPIC
Members:	Renate KATTINGER
	Ján NEUBAUER
	Peter BALÁŽ
	Tomáš BOREC
	Peter PÜSPÖK

Board of Directors

Chairman:	Rainer FRANZ
First Vice-Chairman:	Miroslav ULIČNÝ
Vice-Chairman:	Igor VIDA
Members:	Karel FÍLA
	Marcel KAŠČÁK
	Martin PYTLIK (since 3 October 2006)

Changes in statutory bodies of the Bank in 2006:

Christian MASSER – 31 March 2006 – lapsed term of office in the Board of Directors
Martin PYTLIK – member of the Board of Directors since 3 October 2006

B.

Business name of immediate parent company:
Raiffeisen International Bank – Holding AG, Austria

Business name of ultimate parent company:
Raiffeisen-Landesbanken Holding GmbH, Austria

Business name of consolidating company:
Raiffeisen Zentralbank Österreich AG, Austria

Consolidated financial statements of the Raiffeisen Zentralbank Group are maintained with the Handelsgericht Wien Register Court at Marxergasse 1a, 1030 Vienna, Austria.

C. Definition of the consolidated Group:

As of 31 December 2006, the Group comprised the Bank and the following companies ("consolidated entities"):

Company	Direct share in %	Share of the Group in %	Indirect share through consolidated entities	Principal activities	Consolidation method	Seat
Tatra Group Servis, s.r.o.	99.5%	100%	Tatra Billing, s.r.o.	business activities	Full consolidation method	Bratislava
Tatra Asset Management, správ. spol., a.s.	100%	100%	n/a	asset management	Full consolidation method	Bratislava
ELIOT, s.r.o.	0.5%	100%	Tatra Group Servis, s.r.o.	asset leasing and management	Full consolidation method	Bratislava
TG Strom, s.r.o.	0%	100%	Tatra Group Servis, s.r.o.	IT support	Full consolidation method	Bratislava
Tatra Group Finance, s.r.o.	0%	100%	Tatra Group Servis, s.r.o.	asset leasing and management, DDP administrator	Full consolidation method	Bratislava
Tatra Billing, s.r.o.	100%	100%	n/a	services	Full consolidation method	Bratislava
TL Leasing, s.r.o.	0%	100%	Tatra Group Servis, s.r.o.	leasing	Full consolidation method	Bratislava
CENTRUM BÝVANIA, s.r.o.	0%	100%	Tatra Group Servis, s.r.o.	asset leasing and management	Full consolidation method	Bratislava
Tatra Residence, s.r.o.	0%	100%	Tatra Group Servis, s.r.o.	asset leasing and management	Full consolidation method	Bratislava
Tatra-Leasing, s.r.o.	48%	48%	n/a	leasing	Equity method	Bratislava
Slovak Banking Credit Bureau, s.r.o.	33.33%	33.33%	n/a	services	Unconsolidated due to immateriality	Bratislava
Doplnková dôchodková spoločnosť Tatra banky, a.s.	0%	100%	Tatra Group Finance, s.r.o.	supplementary retirement savings	Full consolidation method	Bratislava

D. Changes in the Group in 2006

Pursuant to regulatory requirements and subsequent purchase of ownership by Tatra Group Finance, s.r.o., the Group acquired full control in Pokoj doplnková dôchodková poisťovňa ("POKOJ DDP") in 2006. More detailed information is stated in Note 38.

In 2006, the following subsidiaries changed their names:

Original name of the Company	Change in the Company's name in 2006	Change effective from
Tatra Reality, s.r.o.	*Tatra Residence, s. r. o.*	6 October 2006

Principal accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below:

a) Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") in Commission Regulation (EC) No. 1725/2003, and current interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). IFRS as adopted by the EU do not currently differ from IFRS as issued by the International Accounting Standards Board ("IASB"), except for portfolio hedge accounting under IAS 39 which has not been approved by the EU. The Group has determined that portfolio hedge accounting under IAS 39 would not impact on the financial statements had it been approved by the EU at the balance sheet date.

In 2006, the Group adopted all of the new and revised Standards and Interpretations issued by the IASB and IFRIC as adopted by the EU that are relevant to its operations and effective for accounting periods commencing 1 January 2006 as follows:

- IAS 19 Amendment – Actuarial Gains and Losses, Group Plans and Disclosures (effective 1 January 2006);
- IAS 21 Amendment – Net Investment in a Foreign Operation (effective 1 January 2006);
- IAS 39 Amendment – Cash Flow Hedge Accounting of Forecast Intragroup Transactions (effective 1 January 2006);
- IAS 39 Amendment – The Fair Value Option (effective 1 January 2006);
- IAS 39 and IFRS 4 Amendment – Financial Guarantee Contracts (effective 1 January 2006);
- IFRS 1 (Amendment) - First-time Adoption of International Financial Reporting Standards (effective 1 January 2006);
- IFRS 6 (Amendment) - Exploration for and Evaluation of Mineral Resources (effective 1 January 2006);
- IFRS 6 - Exploration for and Evaluation of Mineral Resources (effective 1 January 2006);

- IFRIC 4 - Determining whether an Arrangement contains a Lease (effective 1 January 2006);
- IFRIC 5 - Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds (effective 1 January 2006);
- IFRIC 6 - Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment (effective for annual periods beginning on or after 1 December 2005).

The adoption of these new and revised Standards and Interpretations has not resulted in changes to the Group's accounting policies that have affected the amounts reported for the current or prior year.

At the date of the authorization of these financial statements, the following standards were in issue but not yet effective:

IASB Documents endorsed by the EU:
- IFRS 7 Financial Instruments: Disclosures (effective 1 January 2007);
- Amendments to IAS 1 – Presentation of Financial Statements – Capital Disclosures (effective from 1 January 2007);
- IFRIC 7 Applying the Restatement Approach under IAS 29 (effective for annual periods beginning on or after 1 March 2006);
- IFRIC 8 Scope of IFRS 2 (effective for annual periods beginning on or after 1 May 2006);
- IFRIC 9 Reassessment of Embedded Derivatives (effective for annual periods beginning on or after 1 June 2006).

IASB Documents not yet endorsed by the EU:
- IFRS 8 Operating Segments (effective 1 January 2009, cannot be adopted prior to endorsement, expected June 2007);
- IFRIC 10 Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006);
- IFRIC 11 Interpretation of IFRS 2 - Group and Treasury Share Transactions (effective 1 March 2007);
- IFRIC 12 Service Concession Arrangements (effective 1 January 2008, may not be adopted prior to endorsement for arrangements currently accounted for under IFRIC 4).

The adoption of these standards in future periods is not expected to have a significant impact on the Group's profit or equity.

Purpose of preparation
The purpose of the preparation of these consolidated financial statements in the Slovak Republic is to comply with the Act on Accounting No. 431/2002 Coll. as amended. Pursuant to Article 22 of the Act on Accounting No. 431/2002 Coll., effective from 1 January 2005 the Bank is required to prepare its consolidated financial statements under Regulation (EC) 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the Application of International Accounting Standards (IFRS).
The consolidated financial statements prepared in compliance with IFRS have effectively replaced consolidated financial statements prepared under the Slovak Accounting Standards.

Basis of preparation

The financial statements are prepared on an accrual basis of accounting whereby the effects of transactions and other events are recognised when they occur and reported in the financial statements of the periods to which they relate, and on the going-concern assumption.

The financial statements are prepared under the historical cost convention; certain financial instruments were re-measured to fair value.

Significant accounting judgements

The presentation of financial statements in conformity with IFRS requires the preparation of estimates and assumptions that effect the reported amounts of assets and liabilities and of contingent assets and liabilities as of the date of the financial statements, and their reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and future changes in the economic conditions, business strategies, regulatory requirements, accounting rules, and/or other factors could subsequently result in a change in estimates that could have a material impact on the reported financial position and results of operations.

Significant areas of judgement include the following:

- From 1 January 2006 the legal statutory accounting changed for the Bank from Slovak accounting standards to IFRS. Income tax rules and regulations have undergone significant changes in recent years and there is little historical precedent or interpretative rulings on a number of complex issues affecting the banking industry.
- Provisioning for incurred credit losses and identified contingencies involve many uncertainties about the outcome of those risks and require the management of the Group to make many subjective judgements in estimating the loss amounts.
- The Group is involved in various legal proceedings for which the management has assessed the probability of loss that will result in a cash outflow for the Group. In making this assessment, the Group has relied on the advice of external legal counsel, the latest available information on the status of the court proceedings and on an internal evaluation of the likely outcome. The final amount of any potential losses in relation to legal proceedings is not known and based on the management judgement will not result in a material adjustment to previous estimates.

The accompanying financial statements have been prepared based on the Group's accounting records with reasonable adjustments and reclassifications necessary for fair presentation in accordance with IFRS.

The reporting currency used in the financial statements is the Slovak koruna ("SKK") with accuracy to SKK thousand, unless otherwise indicated.

b) Consolidation principles

Subsidiary undertakings are those companies, in which the Group, directly or indirectly, has an interest of more than 50% of the voting rights or otherwise has power to exercise control over their operations; these were included in consolidation using the full consolidation method except for those where the influence was insignificant. Subsidiaries were consolidated as of the date when the Group gained the control over them, and deconsolidated on the date of their disposal or loss of the controlling interest. All receivables and payables, disposals and purchases, as well as expenses, revenues, profits and losses on transactions within the Group were eliminated.

Investments in associate undertakings represent entities in which the Group holds more than 20 percent of the voting power and exercises significant influence; nevertheless, the Group has no decision-making rights over their activities. Investments in associate undertakings are valued using the equity method in the consolidated financial statements. Under the equity method, investments are initially measured at cost and subsequently adjusted for post-acquisition changes in the Group's share of the net assets of an entity wherein the investment was made. The profit or loss of respective investors includes their share in the profit or loss of the entity wherein the investment was made. Gains/(losses) resulting from the revaluation of associates using the equity method are disclosed as "Net gains/(losses) from investments in associate undertakings" in the income statement.

All acquisitions of subsidiaries are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. If the cost of the business combination exceeds the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised, the difference is disclosed as goodwill [Note i) of Principal Accounting Policies].

Considering the increase of business activities and equity, as at 31 December 2006 the Group decided to consolidate its subsidiary Tatra Billing, s. r. o., using the full consolidation method. In previous years the Group did not consolidate the aforementioned subsidiary, as the effect was not significant to these consolidated financial statements. Accordingly, the Group did not adjust comparative information in these financial statements.

c) Events as of 30 June 2006

During the General Annual Meeting held on 8 June 2006, the Bank approved the change in its Articles of Association related to preferred shares. Based on the approved change, the preferred shares issued by the Bank were reclassified from financial liabilities to equity. The table below shows the effect of the change in terms of preferred shares:

(in thousands of SKK)	
Share capital	*71,258*
Share capital – own shares	*(2,287)*
Share premium	*595,149*
Retained earnings inclusive of profit after tax	*38,958*
Total effect on equity	***703,078***

d) Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into SKK and reported in the financial statements as at the exchange rate declared by the National Bank of Slovakia ("NBS" or "National Bank of Slovakia") valid as of the balance sheet date. Income and expenses denominated in foreign currencies are recorded in SKK in the underlying accounting system of the Group and are reported in the financial statements at the actual exchange rate of the National Bank of Slovakia valid as of the date of the transaction.

Exchange rate gains/losses from all foreign exchange transactions are included in "Net profit (loss) from trading instruments".

Fixed-term transactions denominated in foreign currency are translated into Slovak crowns in the Group's off-balance sheet using the NBS spot exchange rate valid as of the balance sheet date.

The unrealised gain or loss from fixed term transactions is calculated using the anticipated forward rate based on a standard mathematic formula which takes into account the NBS spot rate and interest rates effective as of the balance sheet date and is reported in the item "Held for trading financial assets" in the balance sheet and "Net profit (loss) from trading instruments" in the income statement.

e) Cash and deposits in central banks

Cash and deposits in central banks comprise cash held, and cash balances with the National Bank of Slovakia, including the compulsory minimum reserve with the National Bank of Slovakia.

The compulsory minimum reserve with the National Bank of Slovakia is a required reserve to be held by all commercial banks licensed in the Slovak Republic.

f) Treasury bills and other eligible bills

Treasury bills and other eligible bills are debt securities issued by the National Bank of Slovakia with maturity of 3 months. All treasury bills recorded in "Treasury bills and other eligible bills" are included in the held-for-trading portfolio. Treasury bills and other eligible bills included in the held-for-trading portfolio are measured and recognised in accordance with the accounting policies discussed in Note g) 2a).

g) Financial instruments

A financial instrument is any contract which results in a financial asset in one entity and a financial liability in another.

The Group classifies financial instruments in four categories, in accordance with the Group's intent on the acquisition of the instruments and pursuant to the Group's investment strategy, as follows:

1. Loans and receivables
2. Financial assets or financial liabilities at fair value through profit or loss
   a. Financial assets/liabilities held for trading
   b. Financial assets or financial liabilities at fair value through profit or loss
3. Held-to-maturity financial assets
4. Available-for-sale financial assets

1. Loans and receivables

Loans and receivables represent non-derivative financial assets with fixed or floating payments unlisted in an active market and measured at amortised cost.

When signing a loan agreement, the Group records the issued loan commitment on the off-balance sheet. Loans are recognised on the balance sheet when the funds are provided to debtors. During the performance of their activities, the Group records contingent liabilities with inherent credit risk. The Group accounts for these contingent liabilities in off-balance sheet accounts and records provision for such liabilities that reflect the level of risk of issued guarantees, letters of credit, and unused credit limits as of the balance sheet date.

Provisions for loan impairment

The provision for possible loan losses is calculated to reduce loans to their recoverable amount representing expected future cash flows, discounted to the present value using the original effective interest rate implicit in the loan at inception, or the fair value of the related collateral. Specific provisions for identified potential losses on loans are assessed with reference to the credit standing and financial performance of borrower and considering collateral.

Loans and advances from corporate customers are generally individually significant and are analysed on an individual basis. The calculation of specific provisions is based on an estimate of expected cash flows reflecting estimated delinquency in loan repayments, as well as proceeds from collateral. Impairment amount is determined by the difference between the loan's carrying amount and net present value ("NPV") of the estimated cash flows, discounted by the loan's original effective interest rate. Specific provisions are recorded when there is objective evidence of loss event which occurred after initial recognition.

Loans and advances under retail asset class are generally individually non-significant and are treated on a portfolio basis. These exposures are divided by product into portfolios with homogenous risk characteristics. The basis for calculation of portfolio provisions is the probability of default, in the case that the loss event took place before the loan is assessed. To conform with the 'incurred loss' concept stipulated in Revised IAS 39, the probability of default (PD) is transformed to a parameter reflecting estimated incurred losses as of the balance sheet date (simple flow rates). Portfolio provisions are then calculated based on 'incurred loss' and recovery rates. Portfolio provisions cover losses which have not yet been individually identified, but based on prior experience, are deemed to be inherent in the portfolio as of the balance sheet date.

Provision for loss from loans to customers is charged as "Provisioning for impairment losses for loans and advances" in the income statement.

In line with the internal policy, according to a valid decision on ceasing the recovery of claims issued by the competent court, the Board of Directors, or other Group bodies (Problem Loan Committee, Executive Committee) the Group writes off its loans to customers against the recorded provision. Should the amount of receivable written-off exceed the amount of recorded provisions, the difference is recognised through the income statement. Receivables written off which are still in the collection process under the law are recorded in off-balance sheet accounts.

If, after the write-off, the Group is able to collect additional amounts from the customer or obtain control of collateral worth more than earlier estimated, a recovery is recorded through the income statement in the caption "Provisioning for impairment losses for loans and advances".

The Group stops recording interest from loans to customers overdue for more than 90 days, and such receivables are recorded in off-balance sheet accounts. Interest recorded on the off-balance sheet amounts to SKK 59,825 thousand as of 31 December 2006 (31 December 2005: SKK 47,664 thousand). The carrying amount of non-accruing loans represents the amount of receivable net of provision for impairment losses. The provision is usually determined as 100% of the receivable decreased by the amount that the Group expects to recover.

2. Financial assets or financial liabilities at fair value through profit or loss

a. Financial asset/liability held for trading

The Group has acquired held-for-trading financial assets/liabilities to utilise short-term price fluctuations to generate profits. In this category, the Group recognises securities (equity investments, debt securities, Treasury bills, shares) and financial derivative instruments (interest rate swaps, currency swaps and cross-currency swaps, forward exchange contracts, interest rate forwards, currency options and share index options).

All financial assets/liabilities held for trading are recognised using settlement date accounting.

All purchases and sales of financial assets/liabilities held for trading that require delivery within the time frame established by regulation or market convention ('normal way') are recognised as spot transactions. Transactions that do not meet the 'normal way' settlement criteria are treated as financial derivatives.

Certain financial derivative transactions, while providing effective economic hedges under the Bank's risk management policy, do not qualify for hedge accounting under the specific rules stipulated by IAS 39 and are therefore treated as derivatives held for trading.

Subsequent to initial measurement, financial assets/liabilities are recognised at fair value. The fair value approximates the price quoted on recognised stock exchanges. With financial derivatives, fair values are determined based on market values using discounted cash flow models and options pricing models.

The Group records unrealised gains and losses from revaluation of these assets to their fair values in the income statement line "Net profit (loss) from trading instruments". Net interest income from held for trading securities is accrued on a daily basis and recorded in the income statement line "Net profit (loss) from trading instruments". The fair value of held for trading financial derivatives is disclosed in Note 47.

Refinancing costs of trading securities are disclosed in the income statement line "Net profit (loss) from trading instruments".
Dividend income from held for trading securities is disclosed in the income statement line "Net profit (loss) from trading instruments".

b. Financial assets/liabilities at fair value through profit or loss

This category includes financial assets classified at initial recognition as financial assets at fair value through profit or loss. A financial asset included in the portfolio classified as at fair value through profit or loss is initially measured at cost and re-measured to fair value through the income statement at subsequent reporting dates. The Group monitors whether the fair value recognition corresponds to the documented risk management and investment strategy of the Group on a regular basis.

The Group recognises unrealised gains and losses from the revaluation of these assets to their fair values in the income statement line "Net profit (loss) from financial instruments at fair value through profit or loss".

Net interest income from securities at fair value through profit or loss is accrued on a daily basis and recorded in the income statement line "Interest and similar income".

3. Held-to-maturity financial assets

This portfolio is a non-derivative financial asset with fixed or floating payments and fixed maturity that the Group intends and is able to hold to maturity. The held-to-maturity portfolio includes securities issued by the government and other creditworthy securities. Held-to-maturity financial assets are measured at amortised cost based at the effective interest rate. Interest income and discounts and premiums on held-to-maturity securities are accrued on a daily basis and recognised as "Interest and similar income" in the income statement. In the event of security impairment, provisions are established.

4. Available-for-sale financial assets (AFS)

AFS portfolio includes the Group's investments in other entities, with a share of less than 20% of share capital and voting rights. The portfolio is measured at cost less impairment provisions, which are recognised as "Net profit (loss) from available-for-sale financial instruments" in the income statement, as their market price in an active market cannot be reliably measured.

Dividend income from available-for-sale financial assets is carried as "Dividend income" in the income statement.

Domestic securities in the Group's portfolios above are mainly listed and traded on the Bratislava Stock Exchange, foreign securities are listed on the Luxembourg Stock Exchange and traded on an inter-bank market.

h) Sale and repurchase agreements - repo transactions

Securities sold under sale and repurchase agreements ("repo transactions") are recorded as assets in the balance sheet lines "Held for trading financial assets", or "Held-to-maturity financial assets" and the counterparty liabilities are included in "Deposits from banks" or "Deposits from customers".

Securities purchased under agreements to purchase and resell ('reverse repos') are recorded as assets in the balance sheet line "Loans and advances to banks" or "Loans and advances to customers" as appropriate. The difference between the sale and repurchase price is treated as interest and accrued evenly over the life of the repo agreement using the effective interest rate.

i) Non-current tangible and intangible assets

Non-current tangible and intangible assets are stated at historical cost less accumulated depreciation/ amortisation together with accumulated impairment losses. Non-current assets are depreciated using the accelerated or straight–line method based on the estimated useful life. Construction in progress, land, and artwork are not depreciated.

The estimated useful economic lives (in years) are set out below:

Machinery and equipment, computers, vehicles	*4 – 15*
Software	*up to 5*
Fixtures, fittings and equipment	*6 – 15*
Energy machinery and equipment	*10 – 15*
Optical network	*30*
Buildings and structures	*10 – 40*

When there is any indication that an asset may be impaired, the Group estimates the recoverable amount of the asset. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount. Where assets are identified as being impaired, the Group's management assess the recoverable value with reference to a net selling price based on third party valuation reports adjusted downwards for an estimate of related sale costs. Repairs and maintenance are charged directly to the income statement when the expenditure is incurred.

Goodwill

Goodwill represents the excess of the cost of the acquisition over the fair value of identifiable assets, liabilities and contingent liabilities of the acquired company as at the acquisition date. Goodwill is initially recognized at cost and subsequently, its value is adjusted for accumulated losses from its impairment. Goodwill is tested once or several times a year provided that the events or changes in circumstances indicate that the impairment of value is in compliance with IAS 36 – Impairment of assets. Impairment of goodwill cannot be reversed in the following reporting period.

j) Leases

Assets held under finance leases that confer rights and obligations similar to those attached to owned assets are capitalised at their fair value and depreciated over the useful lives of assets. The capital element of each future lease obligation is recorded as a liability, while the interest elements are charged to the income statement over the period of the leases to produce a constant rate of charge on the balance of capital payments outstanding.

Payments made under operating leases are charged to the income statement on a straight-line basis over the term of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which the termination takes place.

k) Liabilities from debt securities

Debt securities issued by the Group are stated at amortised costs using the effective interest rate method. The Group issues mortgage bonds and investment notes. Interest expense arising on the issue of securities is included in the income statement line "Interest and similar expenses".

l) Cash and cash equivalents in the cash flow statement

Cash and cash equivalents for the purpose of cash flow statement preparation comprise cash held, and cash balances with the National Bank of Slovakia, except for the statutory minimum reserve. Cash equivalents include T-bills, demand deposits with other banks, and short-term government bonds.

m) Provisions for liabilities and charges

The amount of provisions for liabilities and charges is recognized as an expense and a liability when the Group has legal or constructive obligations as a result of past events. It is probable that an outflow of resources embodying economic benefits will be required to settle such obligation and a reasonable estimate of the amount of the resulting loss can be made. Any loss resulting from the recognition of provision for liability is recognized in the income statement for the period.

n) Accrued interest

Accrued interest income and expense related to financial assets and liabilities are presented together with the corresponding assets and liabilities in the balance sheet.

o) Recognition of income and expense

1) Interest income and expense, and interest related charges

Interest income and expense, and interest related charges arising on all interest-bearing instruments except for "Held for trading financial assets/liabilities" are accrued in the income statement using the effective interest rate method. The Group records penalty interest on a cash basis.

Interest income from "Held for trading financial assets" is recognised in the income statement as "Net profit (loss) from trading instruments".

Interest income/expense from securities include revenues from coupons with fixed and floating rates, and amortised discount or premium.

2) Fees and commissions income/expense

Fees and commissions are recognised as expense and income in the income statement on an accrual basis as earned.

3) Dividend income

Dividend income is recognised in the income statement at the moment of the dividend being approved.

p) Earnings per share
The Group reports earnings per share attributable to the holders of ordinary and preferred shares. The Group calculated earnings per share on ordinary shares by dividing profits attributable to holders of ordinary shares by the weighted average number of ordinary shares outstanding during the period. Earnings per share on preferred shares were determined by dividing profits attributable to holders of preferred shares by the weighted average number of preferred shares outstanding during the period.

r) Profit distribution
The Group records the distribution of profit once it is endorsed by the shareholders. At that moment, liability to shareholders in the amount of endorsed dividends attributable to ordinary and preferred shares of the Bank held by the shareholders is recorded as liability.

s) Taxation and deferred taxation
Income taxes are calculated in accordance with the provisions of the relevant legislation of the Slovak Republic, based on the profit or loss of group companies recognised in the income statement.

Deferred income tax is provided, using the balance sheet liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The tax rate anticipated for future periods was used to determine deferred income tax, i.e. 19%. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

The Group recognises corporate income tax and deferred tax on the balance sheet as "Income tax assets" or "Income tax liabilities" as appropriate.

The Group is a payer of various statutory taxes and value added tax (VAT) recognised in the income statement line "Other operating profit (loss)" except for VAT on the acquisition of non-current tangible and intangible assets, which is included in the cost of non-current tangible and intangible assets.

t) Regulatory requirements
The Bank is subject to the regulatory requirements of the National Bank of Slovakia, which include limits and other restrictions pertaining to minimum capital adequacy requirements, provisioning to cover credit risk, liquidity, interest rate, and foreign currency position.

Similarly, consolidated companies are subject to regulatory requirements including specifically regulations in relation to supplementary insurance and collective investment schemes.

Other Notes

1. Net interest income

(in thousands of SKK)	**2006**	**2005**
Interest and similar income	**8,358,062**	**6,168,293**
from loans and advances to banks	1,489,809	817,445
from loans and advances to customers	5,387,861	4,028,562
from held-to-maturity financial assets	1,466,649	1,322,286
from financial assets at fair value through profit or loss	13,743	-
Interest and similar expenses	**(2,817,627)**	**(1,212,624)**
on deposits from banks	(321,211)	(496,717)
on deposits from customers	(1,911,920)	(296,161)
on liabilities from debt securities issued by the Bank	(584,496)	(419,746)
Net interest income	**5,540,435**	**4,955,669**

2. Dividend income

(in thousands of SKK)	**2006**	**2005**
From financial assets available for sale	898	7
Total	**898**	**7**

3. Provisions for impairment losses on loans and advances

Provisions for impairment losses on loans and advances recorded with regard to transactions recognised on the balance sheet and off-balance sheet are as follows:

(in thousands of SKK)	**2006**	**2005**
Provisions for assets and liabilities	(1,777,383)	(1,314,789)
Released provisions	1,305,896	1,042,063
Written-off claims	(13,407)	(1,459)
Recovery from written-off claims	2,176	1,030
Total	**(482,718)**	**(273,155)**

Released provisions include a gain on sale of loans and advances to customers amounting to SKK 887,539 thousands (gross) and SKK 38,864 thousand net of provisions for consideration of SKK 409,119 thousand. This transaction resulted in the gain on sale of these loans and advances of SKK 370,255 thousand.

More information on provisions for loan losses and provisions for liabilities is disclosed in Note 18 and 33 respectively.

4. Net fees and commission income

(in thousands of SKK)	**2006**	**2005**
Fees and commission income	**2,971,724**	**2,656,853**
from payment transfers business	1,934,586	1,702,534
from credit processing and guarantee business	270,497	366,183
from securities business	579,646	479,681
for other banking services	186,995	108,455
Fees and commission expense	**(404,308)**	**(367,709)**
from payment transfers business	(343,363)	(304,032)
from credit processing and guarantee business	(13,539)	(38,484)
from securities business	(15,411)	(5,999)
for other banking services	(31,995)	(19,194)
Net fees and commission income	**2,567,416**	**2,289,144**

5. Net profit (loss) from trading instruments

(in thousands of SKK)	**2006**	**2005**
Interest-rate contracts	**4,946**	**(516,604)**
Securities	(515,680)	(470,568)
thereof: interest income	707,254	1,249,172
fair value adjustment	(683,964)	(483,158)
gains from securities sold	192,007	50,156
refinancing costs	(731,201)	(1,288,391)
dividends	224	1,653
Profit/loss from derivatives	520,626	(46,036)
thereof: interest income	(78,205)	(188,278)
fair value adjustment	598,831	142,242
Currency contracts	**(1,336,898)**	**(309,182)**
Foreign exchange differences on derivatives	(1,336,898)	(309,182)
thereof: fair value adjustment	(558,782)	74,930
Index-related contracts	**-**	**30,172**
Profit/loss from derivatives	-	30,172
Foreign exchange differences	**3,028,372**	**1,936,063**
Foreign exchange differences	3,028,372	1,936,063
Total	**1,696,420**	**1,140,449**

A decrease in refinancing costs of trading securities resulted from the decrease of the total amount of the trading securities portfolio as of 31 December 2006 (see Note 19).

6. Net profit (loss) from financial instruments at fair value through profit or loss

(in thousands of SKK)	**2006**	**2005**
Interest-rate contracts	**(56,276)**	**-**
Securities	(56,276)	-
thereof: fair value adjustment	(56,276)	-

7. Net profit (loss) from available-for-sale financial instruments

(in thousands of SKK)	**2006**	**2005**
From available-for-sale financial assets	72,413	(9,920)
Total	**72,413**	**(9,920)**

"Financial assets available for sale" include primarily the release of provisions recorded for a special purpose deposit in Pokoj DDP due to the transformation of this entity to Doplnková dôchodková spoločnosť Tatra banky (see Note 22).

8. Net profit (loss) from investments in associate undertakings

(in thousands of SKK)	**2006**	**2005**
From associate undertakings measured using the equity method	44,738	47,037
Total	**44,738**	**47,037**

9. General administrative expenses

The Group's general administrative expenses comprise staff expenses, other general expenses, depreciation, amortization, and write-downs of non-current tangible and intangible assets. Such expenses break-down as follows:

(in thousands of SKK)	**2006**	**2005**
Staff,expenses	**(2,698,623)**	**(2,424,427)**
Wages and salaries	*(2,151,864)*	*(1,931,950)*
Social security costs	*(484,673)*	*(433,525)*
Voluntary fringe benefits	*(62,086)*	*(58,952)*
Other general expenses	**(1,916,252)**	**(2,070,890)**
Costs on premises	*(425,299)*	*(407,180)*
IT and communication costs	*(607,719)*	*(462,775)*
Legal and consultancy costs	*(69,427)*	*(159,230)*
Advertising and entertainment expenses	*(234,260)*	*(216,931)*
Deposits guarantee fund	*(123,809)*	*(380,402)*
Other items	*(455,738)*	*(444,372)*
Depreciation, amortization and write-downs of non-current tangible and intangible assets	**(578,811)**	**(562,250)**
Non-current tangible assets	*(381,317)*	*(408,837)*
Non-current intangible assets	*(197,494)*	*(153,413)*
Total	**(5,193,686)**	**(5,057,567)**

The Group does not have pension arrangements separate from the State pension system of the Slovak Republic. Pursuant to Slovak legal regulations, an employer is obliged to pay contributions to social security, health insurance, medical insurance, accident insurance, unemployment insurance and contribution to a guarantee fund set as a percentage of gross salary. These expenses are charged to the income statement in the period in which the employee was entitled to salary.

The Group contributes to a supplementary pension plan administered by a private pension fund, based on the employment period of the employee. No liabilities arise to the Group from the payment of pensions to employees in the future. Supplementary retirement insurance expenses amounted to SKK 19,526 thousand as of 31 December 2006 (2005: SKK 16,873 thousand).

The management of the Group estimates that the amount of post-employment benefits to be paid to its employees upon retirement in the amount of one monthly salary (as stipulated by the valid Slovak legislation) as of 31 December 2006 is immaterial and therefore was not recorded.

10. Other operating profit (loss)

Other operating profit (loss) include revenues and expenses form non-banking activities, disposal of non-current tangible and intangible assets, and VAT which the Group in unable to claim:

(in thousands of SKK)	**2006**	**2005**
Revenues from non-banking activities	*146,369*	*7,504*
thereof: income from release of provisions to legal disputes (Note 33)	*312*	*219*
Expenses arising from non-banking activities	*(532,257)*	*(394,756)*
thereof: other taxes	*(247,170)*	*(229,764)*
expenses from allocation to legal disputes (Note 33)	*(258,503)*	*(149,252)*
Other operating income	*72,818*	*337,391*
Other operating expenses	*(35,334)*	*(147,919)*
Total	***(348,404)***	***(197,780)***

11. Income taxes

(in thousands of SKK)	**2006**	**2005**
Current tax expense	*(610,868)*	*(477,266)*
Deferred tax expense	*(216,798)*	*(52,485)*
Total	***(827,666)***	***(529,751)***

Slovak legal entities must individually report taxable income and remit corporate income taxes thereon to the appropriate authorities. In 2006 the corporate income tax rate amounted to 19% (2005: 19%).

In determining the tax base for current tax expense, the Group used profit before taxation adjusted in accordance with Measure of the MF SR no. MF/011053/2006-72 of 15 February 2006 amended by Measure MF SR no. MF/026217/2006-72 pursuant to provisions of Article 17 par. 1 c) of the Income Tax Act. The determined adjusted profit before tax was adjusted for deductible and non-deductible items.

The tax on profit before tax differs from the theoretical amount that would arise using the basic income tax rate as follows:

(in thousands of SKK)	**2006**	**2005**
Profit before tax	**3,841,236**	**2,893,884**
Theoretical tax calculated at a tax rate of 19%	729,834	549,839
Income not taxable	(85,920)	(114,468)
Tax non-deductible expenses	69,502	124,192
Provisions and reserves, net	87,069	(32,028)
IFRS adjustments effects	17,628	28,733
Effect of change in tax legislation	170,329	-
Release of allowance for uncertain realisation of deferred tax assets	(165,194)	(31,467)
Losses that can not be carried forward	366	1,654
Effect of consolidation	3,838	3,468
Other	214	(172)
Total income tax expense	**827,666**	**529,751**
Effective tax for the period	**21.55%**	**18.31%**

Deferred tax assets and liabilities as of 31 December 2006 and as of 31 December 2005 relate to the following items:

(in thousands of SKK)	**Book value**	**Tax value**	**Temporary difference (gross)**	**31 December 2006**	**31 December 2005**
Deferred tax assets					
Loans and advances to customers (net of impairment provisions)	102,633,803	102,640,424	-	-	167,100
Non-current tangible assets	2,713,609	3,036,267	-	-	225
Other assets	1,073,133	1,090,637	17,504	3,325	3,364
Provisions for liabilities and charges	1,231,226	-	185,340	35,215	33,270
Other liabilities	1,128,064	2,025,131	304	58	6
Total				**38,598**	**203,965**
Deferred tax liabilities					
Loans and advances to customers (net of impairment provisions)	102,633,803	102,640,424	-	-	(4,647)
Non-current tangible assets	2,713,609	3,036,267	322,658	(61,306)	(9,910)
Other liabilities	1,128,064	2,025,131	896,465	(170,329)	-
Total				**(231,635)**	**(14,557)**
Net deferred tax asset				**(193,037)**	**189,408**
Allowance for uncertain realisation of deferred tax asset				(38,540)	(203,734)
Net deferred tax asset/(liability)				**(231,577)**	**(14,326)**

The Group did not recognise a deferred tax asset in the amount of SKK 38,540 thousand (2005: SKK 203,734 thousand), which mainly relates to the deductible temporary differences resulting from provisions, due to its uncertain timing and realisation in future accounting periods.

In 2006, the Group revised the amount of deferred tax asset arising on provisions for liabilities for the comparable period (31 December 2005). As in 2005, a 100% provision was recorded for the respective tax asset. This change had no effect on the reported 2005 profit/loss.

During 2006, legislation governing income taxes was amended, resulting in additions to deferred tax liability arising on purchased accrued interest on debt securities held by the Group as of 31 December 2003. This additional tax liability should have represented an item increasing the tax base of the Group due to be settled by the end of 2008. Accordingly, the Group recognised a corresponding deferred tax liability of SKK 170,329 thousand in 2006.

Subsequent to 31 December 2006, new legislation has been approved by parliament to revoke the additional income tax described above. As a result it is expected that the full amount of deferred income tax liability of SKK 170,329 thousand will be released and recorded as a deduction of income tax expense in 2007.

12. Earnings per share

(in thousands of SKK)	**2006**	**2005**
Profit after tax in the accounting period	*3,013,570*	*2,364,133*
Average number of ordinary shares outstanding during period	*50,216*	*50,216*
Average number of preferred shares outstanding during period	*703,693*	*-*
Earnings per ordinary share (face value SKK 20,000) in SKK	***56,083***	***47,079***
Earnings per preferred share (face value SKK 100) in SKK	**280**	**-**

Dividend per ordinary share paid in 2006 (from 2005 profit) was SKK 33,400, in 2005 (from 2004 profit) it was SKK 28,600.

13. Segment reporting

The Group's operating profits were mainly generated from the provision of banking services in the Slovak Republic. The Group's products and services result from one business segment – the provision of banking and related services.

14. Cash and deposits in central banks

(in thousands of SKK)	2006	2005
Cash in hand	2,840,589	2,074,937
Balances at central banks	5,978,995	2,031,816
thereof: obligatory minimum reserves	5,152,276	1,342,861
deposits repayable on demand	526,638	688,955
overnight deposits with the NBS	300,081	-
Total	**8,819,584**	**4,106,753**

The minimum obligatory reserve is maintained as an interest bearing deposit under the regulations of the National Bank of Slovakia (bearing interest at 1.5% p.a.). The amount of the reserve depends on the level of deposits accepted by the Group. The Group's ability to withdraw the reserve is restricted by statutory legislation, and therefore it is not included in "Cash and deposits in central banks" for the purposes of cash flow statement preparation (see Note 37).

15. Treasury bills and other eligible bills

(in thousands of SKK)	2006	2005
NBS Treasury bills at fair value	4,954,155	-
Total	**4,954,155**	**-**

16. Loans and advances to banks

(in thousands of SKK)	2006	2005
Giro and interbank clearing business	1,863,801	610,668
Money-market business	6,797,198	6,630,589
Reverse repo transactions	17,940,398	30,366,954
Other loans to banks	86,387	-
Total	**26,687,784**	**37,608,211**

The Group received treasury bills from the NBS in the amount of SKK 17,942,886 thousand (31 December 2005: SKK 30,372,631 thousand) as collateral for the reversed repo transactions.

Loans and advances to banks break down along geographical lines are as follows:

(in thousands of SKK)	**2006**	**2005**
Slovakia	*23,224,587*	*35,196,662*
Other countries	*3,463,197*	*2,411,549*
Total	***26,687,784***	***37,608,211***

17. Loans and advances to customers, gross

An analysis of loans and advances to customers is as follows:

(in thousands of SKK)	**2006**	**2005**
Loans except mortgage loans	*86,097,262*	*68,393,893*
Loans backed by bills of exchange	*333,249*	*363,543*
Receivables under mortgage loans	*17,996,078*	*12,318,131*
Total	***104,426,589***	***81,075,567***

“Loans, except mortgage loans” include the “American Mortgage” product in the amount of SKK 3,576,294 thousand (31 December 2005: SKK 1,969,295 thousand).

As of 31 December 2006, the total amount of syndicated loans sponsored by the Group represented SKK 6,940,323 thousand (31 December 2005: SKK 8,815,732 thousand). The Group’s contribution represented SKK 3,019,612 thousand (31 December 2005: SKK 3,386,147 thousand). Syndicated loans are included in “Loans except mortgage loans”.

Loans and advances to customers broken down along geographical lines are as follows:

(in thousands of SKK)	**2006**	**2005**
Slovakia	*101,314,452*	*78,284,351*
Other countries	*3,112,137*	*2,791,216*
Total	***104,426,589***	***81,075,567***

Loans and advances to customers broken down along economic sectors are as follows:

(in thousands of SKK)	**2006**	**2005**
Manufacturing	*14,257,005*	*14,386,278*
Trading enterprises	*25,025,328*	*17,654,441*
Financial services	*9,645,891*	*8,890,733*
Other services	*10,808,505*	*6,209,767*
Transportation	*5,211,849*	*3,826,884*
Healthcare and public services	*2,084,574*	*2,731,877*
Real estate construction	*3,445,453*	*2,359,037*
Agriculture	*875,138*	*793,089*
Mining	*85,304*	*76,459*
Other (all non-residents included)	*32,987,542*	*24,147,002*
Total	***104,426,589***	***81,075,567***

18. Impairment losses for loans and advances

Impairment losses for loans are carried out applying homogeneous Group-wide standards, and cover all recognizable borrower risks.

The movement in provisions for loan losses during 2006 is as follows:

(in thousands of SKK)	***As of 1 January 2006***	***Allocated***	***Released***	***Used***	***Transfers, exchange differences***	***As of 31 December 2006***
Specific provision	*2,004,313*	*1,198,226*	*(700,012)*	*(1,001,523)*	*(40,836)*	*1,460,168*
Portfolio provision	*310,030*	*103,105*	*(80,517)*	*-*	*-*	*332,618*
Total	***2,314,343***	***1,301,331***	***(780,529)***	***(1,001,523)***	***(40,836)***	***1,792,786***

The movement in provisions for loan losses during 2005 is as follows:

(in thousands of SKK)	***As of 1 January 2005***	***Allocated***	***Released***	***Used***	***Transfers, exchange differences***	***As of 31 December 2005***
Specific provision	*1,846,893*	*1,093,885*	*(779,574)*	*(140,469)*	*(16,422)*	*2,004,313*
Portfolio provision	*324,342*	*122,730*	*(137,042)*	*-*	*-*	*310,030*
Total	***2,171,235***	***1,216,615***	***(916,616)***	***(140,469)***	***(16,422)***	***2,314,343***

19. Held for trading financial assets

(in thousands of SKK)	**2006**	**2005**
Debt securities and other fixed-interest securities	**10,540,006**	**19,974,841**
Debt instruments issued by public sector	9,114,654	13,893,348
Bonds and debt securities issued by other issuers	1,425,352	6,081,493
Shares and other floating-rate securities	**5,457**	**68,615**
Shares and other securities	5,457	1,927
Investment fund units	-	66,688
Positive fair values arising from derivative financial instruments	**5,363,907**	**1,968,032**
Interest-rate contracts	1,868,551	1,289,599
Exchange-rate contracts	3,394,292	644,866
Index-related contracts	101,064	33,567
Total	**15,909,370**	**22,011,488**

Shares and ownership interests held for trading, allocated by issuer, comprise:

(in thousands of SKK)	**2006**	**2005**
Shares and ownership interests held for trading issued by:		
Financial institutions in the Slovak Republic	4,784	68,405
Other entities in the Slovak Republic	673	210
Total shares and ownership interests held for trading	**5,457**	**68,615**

20. Financial assets at fair value through profit or loss

(in thousands of SKK)	**2006**	**2005**
Debt securities and other fixed income securities		
Debt instruments issued by public sector	6,244,719	-
Total	**6,244,719**	**-**

21. Held-to-maturity financial assets

(in thousands of SKK)	**2006**	**2005**
Debt securities issued by public sector	27,931,307	27,686,313
Bonds and other debt securities issued by other sectors	10,343,819	9,787,327
Total	**38,275,126**	**37,473,640**

22. Available for sale financial assets

(in thousands of SKK) **Company**	**Group investment (%)**	**Cost**	**Provision**	**Carrying amount 31 December 2006**	**Carrying amount 31 December 2005**
RVS a. s., Bratislava	*0.67*	*1,400*	*(1,400)*	*-*	*-*
SLOVAKIA INDUSTRIES a.s., Banská Bystrica	*N/A*	*1,432*	*(1,432)*	*-*	*-*
Burza cenných papierov v Bratislave a. s., Bratislava	*0.09*	*300*	*-*	*300*	*300*
Pokoj doplnková dôchodková poisťovňa, Bratislava	*N/A*	*-*	*-*	*-*	*-*
S.W.I.F.T. s. c., Belgium	*0.04*	*2,350*	*-*	*2,350*	*2,018*
International Factors Group s. c., Belgium	*1.18*	*214*	*-*	*214*	*235*
D. Trust Certifikačná Autorita a.s. Bratislava	*10.00*	*1,100*	*-*	*1,100*	*1,100*
VALUE GROWTH FUND SLOVAKIA B.V., Netherland	*6.53*	*8,776*	*(8,776)*	*-*	*-*
Total		***15,572***	***(11,608)***	***3,964***	***3,653***

Movements in provisions for available-for-sale financial assets:

(in thousands of SKK)	**2006**	**2005**
At 1 January	*84,853*	*75,355*
Additions	*-*	*10,972*
Reversals (Note 7)	*(72,413)*	*(1,312)*
Exchange difference	*(832)*	*(162)*
Total	***11,608***	***84,853***

"Reversals" include the release of provisions for a special purpose deposit made by the Group in Pokoj DDP (see Note 38).

23. Investments in associate undertakings

(in thousands of SKK)	**2006**	**2005**
1 January	316,977	318,412
Share in profits of associate undertakings after taxation (Note 8)	44,738	47,037
Disposal of share in profits for K.A.X.	-	(472)
Elimination of received dividends	(36,000)	(48,000)
31 December	**325,715**	**316,977**

As of 31 December 2006, the Group recorded investments in these associate undertakings:

(in thousands of SKK) **Associate undertaking**	**Ownership interest in %**	**Cost**	**Provision**	**Net book value**	**Share in net assets (2006)**	**Share in net assets (2005)**
Tatra-Leasing s.r.o., Bratislava	48.00%	96,000	-	96,000	325,615	316,877
Slovak Banking Credit Bureau s.r.o., Bratislava	33.33%	100	-	100	100	100
Total		**96,100**	**-**	**96,100**	**325,715**	**316,977**

The summary of selected items for the associate Tatra-Leasing s. r. o., Bratislava is as follows:

(in thousands of SKK)	**Tatra-Leasing s. r. o., Bratislava**	
Company	**2006**	**2005**
Total assets	8,237,514	6,462,517
Total liabilities	7,559,150	5,820,356
Net assets	678,364	660,161
The Group's share on net assets	**325,615**	**316,877**
Interest income and similar income	506,711	492,395
Profit after tax	93,203	85,201
The Group's share on profit after tax	**44,738**	**40,896**
Contingent liabilities	239,130	91,485

24. Non-current intangible assets

(in thousands of SKK)	**2006**	**2005**
Software	*552,701*	*405,276*
Goodwill (Note 38)	*271,746*	*-*
Intangibles in progress	*353,914*	*248,713*
Total	***1,178,361***	***653,989***

As of 31 December 2006, contractual commitments for the purchase of non-current intangible assets amounted to SKK 190,689 thousand (2005: SKK 73,463 thousand).

25. Non-current tangible assets

(in thousands of SKK)	**2006**	**2005**
Land and buildings used by the Group for its own operations	*1,429,691*	*1,306,569*
Other non-current tangible assets	*1,283,918*	*1,153,081*
Total	***2,713,609***	***2,459,650***

As of 31 December 2006, contractual commitments for the purchase of non-current tangible assets amounted to SKK 384,971 thousand (2005: SKK 26,064 thousand).

Insurance coverage

Non-current tangible assets are insured covering of SKK 3,417,475 thousand against natural disaster, SKK 3,931,947 thousand against fire damage, SKK 3,919,025 thousand against water damage, SKK 564,311 thousand against theft and vandalism. Electronic equipment is insured covering a maximum risk of SKK 1,729,595 thousand. Based on the effective motor hull insurance, vehicles have been insured up to SKK 288,940 thousand.

26. Development of non-current tangible and intangible assets

Development of non-current tangible assets:

(in thousands of SKK)	Land and buildings	Machinery & equipment	Other non-current assets	Means of transport	Construction in progress	Total
Cost						
1 January 2006	1,732,594	2,700,146	972,002	227,727	100,124	5,732,593
Additions	-	23,306	71	293	719,920	743,590
Disposals	(25,309)	(132,362)	(22,470)	(68,649)	(59,048)	(307,838)
Transfer from construction in progress	196,762	326,944	24,342	82,760	(630,808)	-
31 December 2006	**1,904,047**	**2,918,034**	**973,945**	**242,131**	**130,188**	**6,168,345**
Accumulated depreciation						
1 January 2006	(426,026)	(2,064,737)	(650,617)	(131 563)	-	(3,272,943)
Depreciation charge	(58,910)	(233,876)	(55,131)	(33,400)	-	(381,317)
Other additions	-	(20,762)	(61)	(60)	-	(20,883)
Disposals	10,579	130,513	17,999	61,316	-	220,407
31 December 2006	**(474,357)**	**(2,188,862)**	**(687,810)**	**(103,707)**	**-**	**(3,454,736)**
Net book value 31. 12. 2005	**1,306,568**	**635,409**	**321,385**	**96,164**	**100,124**	**2,459,650**
Net book value 31. 12. 2006	**1,429,690**	**729,172**	**286,135**	**138,424**	**130,188**	**2,713,609**

Development of non-current intangible assets:

(in thousands of SKK)	Software	Goodwill	Other	Intangible in progress	Total
Cost					
1 January 2006	1,349,955	33,194	781	248,713	1,632,643
Additions	-	-	-	486,024	486,024
Change due to acquisition of a subsidiary (Note 38)	-	271 746	-	-	271,746
Disposals	-	-	(169)	(35,904)	(36,073)
Transfer from intangibles in progress	344,919	-	-	(344,919)	-
31 December 2006	**1,694,874**	**304,940**	**612**	**353,914**	**2,354,340**
Accumulated amortisation					
1 January 2006	(944,679)	(33,194)	(781)	-	(978,654)
Amortisation charge	(197,494)	-	-	-	(197,494)
Disposals	-	-	169	-	169
31 December 2006	**(1,142,173)**	**(33,194)**	**(612)**	**-**	**(1,175,979)**
Net book value 31. 12. 2005	**405,276**	**-**	**-**	**248,713**	**653,989**
Net book value 31. 12. 2006	**552,701**	**271,746**	**-**	**353,914**	**1,178,361**

27. Income tax assets

(in thousands of SKK)	**2006**	**2005**
Current income tax assets	*1,355*	*93,443*
Total tax assets	***1,355***	***93,443***

28.Other assets

(in thousands of SKK)	**2006**	**2005**
Prepayments and other deferrals	*322,747*	*345,489*
Other receivables from the state budget	*37,071*	*30,138*
Other assets	*713,316*	*475,633*
Total	***1,073,134***	***851,260***

Prepayments for the acquisition of non-current tangible and intangible assets are recognised in "Prepayments and other deferrals" in the amount of SKK 70,437 thousand (31 December 2005: SKK 90,448 thousand). In "Other assets" the Group includes receivables from a company that ensures services related to the operation of ATMs and cash transport in the amount of SKK 469,377 thousand (31 December 2005: SKK 318,749 thousand).

29. Deposits from banks

(in thousands of SKK)	**2006**	**2005**
Giro and interbank clearing business	*257,305*	*250,967*
Money-market business	*3,039,857*	*17,689,624*
Long-term finance	*1,587,708*	*1,609,752*
Loans from banks	-	*935,838*
Total	***4,884,870***	***20,486,181***

Deposits from banks by geographical segment:

(in thousands of SKK)	**2006**	**2005**
Slovakia	*2,005,228*	*6,131,087*
Other countries	*2,879,642*	*14,355,094*
Total	***4,884,870***	***20,486,181***

30. Deposits from customers

Deposits from customers by product group are as follows:

(in thousands of SKK)	**2006**	**2005**
Sight deposits and current accounts	*89,571,908*	*73,276,761*
Term deposits	*62,448,425*	*51,574,990*
Savings deposits	*7,491,092*	*8,577,004*
Total	***159,511,425***	***133,428,755***

Deposits from customers by geographical segment are as follows:

(in thousands of SKK)	**2006**	**2005**
Slovakia	*157,134,107*	*131,252,480*
Other countries	*2,377,318*	*2,176,275*
Total	***159,511,425***	***133,428,755***

31. Held for trading financial liabilities

(in thousands of SKK)	**2006**	**2005**
Negative market values arising on derivative financial instruments		
Interest-rate contracts	*2,276,252*	*2,302,513*
Currency contracts	*3,593,771*	*643,924*
Index-related contracts	*105,198*	*33,576*
Total	***5,975,221***	***2,980,013***

32. Liabilities from debt securities

(in thousands of SKK)	**2006**	**2005**
Issued debt securities – mortgage bonds	*15,714,735*	*9,078,167*
Other liabilities from debt securities – investment notes	*4,138,106*	*2,482,008*
Total	***19,852,841***	***11,560,175***

The issued debt securities were issued by the Group with the following terms as of the date of issuance:

(in thousands of SKK) **Name**	**Interest rate**	**Issue date**	**Maturity date**	**31 December 2006**	**31 December 2005**
Mortgage bonds I	7.50%	14. 12. 2001	14. 12. 2006	-	602,370
Mortgage bonds II	5.50%	17. 12. 2002	17. 12. 2012	1,028,813	1,033,328
Mortgage bonds III	6.00%	11. 3. 2003	11. 3. 2010	481,208	486,711
Mortgage bonds IV	4.60%	14. 1. 2004	14. 1. 2008	171,386	10
Mortgage bonds V	5.00%	21. 5. 2003	21. 5. 2013	1,048,320	1,051,135
Mortgage bonds VI	4.60%	8. 8. 2003	8. 8. 2008	509,072	509,072
Mortgage bonds VII	4.60%	31. 10. 2003	31. 10. 2008	1,007,615	1,007,587
Mortgage bonds VIII	5.00%	31. 3. 2004	31. 3. 2009	1,037,500	1,037,500
Mortgage bonds IX	4.50%	25. 6. 2004	25. 6. 2009	1,023,281	1,023,353
Mortgage bonds XI	2.70%	31. 3. 2005	31. 3. 2008	1,021,333	1,022,202
Mortgage bonds XII	2.90%	15. 11. 2005	15. 11. 2010	802,900	802,900
Mortgage bonds XIII	12M BRIBOR	21. 11. 2005	21. 11. 2010	542,757	501,999
Mortgage bonds XIV	3M BRIBOR	22. 3. 2006	22. 3. 2009	500,212	-
Mortgage bonds XV	3M EURIBOR + 0.16%	2. 8. 2006	2. 8. 2007	3,478,401	-
Mortgage bonds XVI	6M BRIBOR + 0.04%	2. 8. 2006	2. 8. 2008	767,630	-
Mortgage bonds XVII	6M BRIBOR + 0.08%	24. 11. 2006	24. 11. 2011	653,269	-
Mortgage bonds XVIII	4.65%	6. 12. 2006	6. 3. 2009	601,860	-
Mortgage bonds XIX	3M EURIBOR + 0.16%	13. 12. 2006	13. 12. 2007	1,039,178	-
Total mortgage bonds				**15,714,735**	**9,078,167**

All issued mortgage bonds of the Group are quoted on the Bratislava Stock Exchange.

As of 31 December 2006, part of the issued mortgage bonds was secured by government bonds of the Slovak Republic included in securities portfolios in the amount of SKK 4,646,340 thousand (31 December 2005: SKK 4,069,340 thousand).

According to the Slovak Banking Act, the mortgage bonds issued must cover at least 90% of the outstanding amount of mortgage loans provided by the Group.

33. Provisions for liabilities and charges

In 2006, movements in provisions for liabilities and charges were as follows:

(in thousands of SKK)	**On 1 January 2006**	**Allocated**	**Released**	**Used**	**Transfers, exchange differences**	**On 31 December 2006**
Legal disputes (Note 42)	496,886	258,503	(312)	-	-	755,077
Guarantees	99,183	320,396	(42,320)	(45,296)	(37,169)	294,794
Irrevocable loan commitments	139,899	155,656	(112,792)	-	(1,408)	181,355
Total	**735,968**	**734,555**	**(155,424)**	**(45,296)**	**(38,577)**	**1,231,226**

In 2005, movements in provisions for liabilities were as follows:

(in thousands of SKK)	**On 1 January 2005**	**Allocated**	**Released**	**Used**	**Transfers, exchange differences**	**On 31 December 2005**
Legal disputes (Note 42)	*359,256*	*149,252*	*(219)*	*(14,954)*	*3,551*	*496,886*
Guarantees	*109,276*	*16,447*	*(24,597)*	*-*	*(1,943)*	*99,183*
Irrevocable loan commitments	*160,149*	*81,726*	*(100,774)*	*-*	*(1,202)*	*139,899*
Total	***628,681***	***247,425***	***(125,590)***	***(14,954)***	***406***	***735,968***

34. Income tax liabilities

In 2006, movements in income tax liabilities were as follows:

(in thousands of SKK)	**On 1 January 2006**	**Allocated**	**Used**	**Changes due to consolidation**	**On 31 December 2006**
Current tax	*14,231*	*610,868*	*(494,234)*	*-*	*130,865*
Deferred tax	*14,326*	*216,798*	*-*	*453*	*231,577*
Total	***28,557***	***827,666***	***(494,234)***	***453***	***362,442***

Net deferred income tax liability mainly arose on temporary taxable differences as disclosed in Note 11.

In 2005, movements in income tax liabilities were as follows:

(in thousands of SKK)	**On 1 January 2005**	**Allocated**	**Used**	**On 31 December 2005**
Current tax	*552,379*	*477,266*	*(1,015,414)*	*14,231*
Deferred tax	*7,048*	*52,485*	*(45,207)*	*14,326*
Total	***559,427***	***529,751***	***(1,060,621)***	***28,557***

35. Other liabilities

(in thousands of SKK)	**2006**	**2005**
Deferred items	*15,587*	*14,400*
Other liabilities to state budget	*77,840*	*54,643*
Other liabilities	*1,034,637*	*1,432,758*
Total	***1,128,064***	***1,501,801***

"Other liabilities" include liabilities to suppliers inclusive of short-term liabilities unbilled and payables to employees. The decrease in liabilities compared to the previous year resulted from the change in recognition of preferred shares (see Principal Accounting Policies Note c).

Summary of the social fund liability disclosed in "Other liabilities", its creation and drawing is as follows:

(in thousands of SKK)	**2006**	**2005**
At 1 January	***21,563***	***4,001***
Additions	*40,891*	*35,704*
Drawing	*(29,623)*	*(18,142)*
At 31 December	***32,831***	***21,563***

36. Equity

Share capital consists of 50,216 ordinary shares with a face value of SKK 20 thousand each and 975,328 preferred shares with a face value of SKK 100. The structure of shareholders is included in the "General Information" section. Earnings per share are disclosed in Note 12.

The table shows the Group's contributions to share premium, equity restricted funds, and retained earnings (except for current year profits). The use of equity-restricted funds is restricted (legal reserve fund) as per the Commercial Code valid in the Slovak Republic.

(in thousands of SKK)	**2006**	**2005**
Parent Company	*11,392,885*	*9,985,172*
Entities consolidated using full consolidation method	*148,024*	*43,393*
Entities consolidated using equity method	*220,877*	*221,820*
Total share premium, equity restricted funds, and retained earnings	***11,761,786***	***10,250,385***

The contribution of the Group entities to the consolidated profit after tax for the respective period:

(in thousands of SKK)	**2006**	**2005**
Parent company (bank)	***2,783,862***	***2,260,445***
Elimination of received dividends from associate undertaking	*(36,000)*	*(48,000)*
Entities consolidated using full consolidation method	*220,970*	*104,651*
Entities consolidated using equity method	*44,738*	*47,037*
Consolidated profit after tax	***3,013,570***	***2,364,133***

37. Information for Cash Flow Statement

Profit from operating activities before changes in working capital is as follows:

(in thousands of SKK)	**2006**	**2005**
Cash flows from operating activities		
Profit before income taxes	3,841,236	2,893,884
Adjustments for non-cash operations:	**(4,655,344)**	**(4,398,827)**
Interest expense	2,817,627	1,212,624
Interest income	(8,358,062)	(6,168,300)
Provisions for impairment losses on loans, net	(98,712)	259,477
(Profit)/loss on sale and other disposals of non-current assets	5,292	9,115
(Profit)/loss from financial derivative instruments and held for trading securities	213,149	(268,212)
(Profit)/loss from securities at fair value through profit or loss	56,276	-
Share on retained earnings of associates	(8,738)	963
Depreciation and amortization	578,811	562,250
Dividend income	(898)	(7)
Changes in accrued income and expense	-	(1,612)
Foreign exchange (gain)/loss on cash and cash equivalents	139,911	(5,125)
Cash flow of operating activities before changes in working capital, interest received and paid and income taxes paid	**(814,108)**	**(1,504,943)**

Cash and cash equivalents as of 31 December 2006, 31 December 2005, and 31 December 2004 comprise the following:

(in thousands of SKK)	**2006**	**2005**	**2004**
Cash in hand (Note 14)	2,840,589	2,074,937	1,963,270
Deposits with the National Bank of Slovakia repayable on demand (Note 14)	526,638	688,955	310,127
NBS overnights (Note 14)	300,081	-	-
NBS Treasury bills at fair value (Note 15)	4,954,155	-	18,374,559
Giro and interbank clearing business (Note 16)	1,863,801	610,668	642,406
Total	**10,485,264**	**3,374,560**	**21,290,362**

38. Acquisition of a subsidiary

At 31 December 2005, the investment in Pokoj DDP was originally recorded as Available-for-sale financial instrument with full provision due to uncertainty on recoverability of this investment.

In 2006, the legal changes resulted in the change of the legal title and consequently has led to release of the uncertainties regarding the future rights to investment in this company. As a result the provision of SKK 72,413 thousand was released (see note 22). Through the changes in the legal title the Group acquired effective control over the new company by achieving 64.83% ownership interest and the company was renamed to Doplnková dôchodková spoločnosť Tatra banky, a.s. ("DDS TB"). Subsequently the group increased its ownership in DDS TB to 100% by purchase from Kappa Štúrovo, a.s., Doprastav, a.s., and Slovnaft a.s.

The structure of assets and liabilities at the acquisition of DDS TB was as follows:

(in thousands of SKK)	**Carrying amount of the net assets acquired**
Loans and advances to banks	*92,927*
Non-current intangible assets	*20,332*
Non-current tangible assets	*1,994*
Other assets	*13,737*
Deposits from customers	*(25,385)*
Other liabilities	*(48,604)*
Total assets and liabilities of DDS TB	***55,001***
Goodwill	*271,746*
Total consideration for the net assets acquired	***326,747***

When calculating the fair value of assets and liabilities of DDS TB at the acquisition of the ownership interest by the Group, no differences were identified between the fair value and carrying amount of the assets and liabilities referred to above. Accordingly, the fair value and carrying amount of assets and liabilities of DDS TB were identical.

Cash flows at the acquisition of DDS TB during 2006:

Total consideration	*326,747*
Special purpose deposit made in the company before the acquisition	*(72,413)*
Cash flow at acquisition	***254,334***

Goodwill arose as a result of the business combination mainly from the expected future income arising on pension funds management and anticipated synergies from the company's integration into the Group's structure. These benefits are not accounted for on a separate basis, as the resulting future economic benefits cannot be reliably measured.

39. Receivables and payables with related parties

Related parties as defined by IAS 24 are those counterparties that represent:

a) enterprises that directly, or indirectly through one or more intermediaries control, or are controlled by, or are under common control with the reporting enterprise. (This includes holding companies, subsidiaries and fellow subsidiaries);

b) associates – enterprises in which the Group has significant influence and which is neither a subsidiary nor a joint venture of the investor;

c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group, and anyone expected to influence, or be influenced by that person in their dealings with the Group;

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

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

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely the legal form.

A number of banking transactions are entered into with related parties in the normal course of business. These transactions were carried out on commercial terms and conditions and at market rates.

The following are assets, liabilities, revenues, expenses, commitments, and contingencies with related parties:

Assets *(in thousands of SKK)*	***2006***	***2005***
Loans to banks and customers	***1,460,372***	***2,337,176***
Statutory bodies and Supervisory Board	*3,932*	*4,577*
RZB	*526,153*	*938,337*
RZB Group	*528,340*	*998,213*
Associates	*315,123*	*335,460*
Other related parties	*86,824*	*60,589*
Receivables from financial derivative transactions	***45,014***	***35,338***
RZB	*29,573*	*19,891*
RZB Group	*10,453*	*2,501*
Associates	*4,988*	*12,946*
Other assets	***20,426***	***48,092***
RZB	*845*	*112*
RZB Group	*19,581*	*44,773*
Associates	*-*	*3,207*

Liabilities *(in thousands of SKK)*	***2006***	***2005***
Deposits from banks and customers	***1,258,609***	***6,745,711***
Statutory bodies and Supervisory Board	*86,439*	*66,304*
RZB	*187,148*	*5,979,164*
RZB Group	*982,986*	*698,505*
Associates	*2,036*	*1,738*
Liabilities from financial derivative transactions	***112,528***	***309,530***
RZB	*109,944*	*306,596*
RZB Group	*83*	*535*
Associates	*2,501*	*2,399*
Other liabilities	***11,692***	***1,900***
RZB	*489*	*361*
RZB Group	*11,203*	*1,523*
Associates	*-*	*16*

Income *(in thousands of SKK)*	**2006**	**2005**
Interest and similar income	***47,302***	***55,996***
Statutory bodies and Supervisory Board	*29*	*235*
RZB	*28,685*	*48,480*
RZB Group	*7,757*	*835*
Associates	*10,785*	*6,293*
Other related parties	*46*	*153*
Fees and commissions income	***128,840***	***97,462***
RZB	*4,347*	*1,211*
RZB Group	*113,575*	*79,797*
Associates	*10,918*	*16,454*
Unrealized gain on financial derivative transactions	***146,506***	***519,823***
RZB	*146,506*	*514,857*
RZB Group	-	*1,184*
Associates	-	*3,782*
Operating revenues	***19,112***	***180,105***
RZB	*349*	*260*
RZB Group	*9,011*	*165,882*
Associates	*9,752*	*13,963*
Total revenues	***341,760***	***853,386***

Expenses (in thousands of SKK)	2006	2005
Interest and similar expenses	(76,777)	(260,941)
RZB	(59,000)	(250,540)
RZB Group	(17,744)	(10,361)
Associates	(33)	(40)
Expenses on charges and commissions	(23,095)	(49,942)
RZB	(14,128)	(41,075)
RZB Group	(8,967)	(8,867)
Unrealized loss on financial derivative transactions	(1,894)	-
RZB Group	(349)	-
Associates	(1,545)	-
Administrative expenses	**(196,490)**	**(116 675)**
RZB	(26 533)	(15,813)
RZB Group	(74,814)	(28,976)
Supervisory Board	(22,395)	(10,105)
Statutory bodies	(72,748)	(61,781)
Operating expenses	**(20)**	**(639)**
RZB	(16)	(435)
RZB Group	-	(204)
Associates	(4)	-
Total expenses	**(298,276)**	**(428,197)**

Guarantees issued and received (in thousands of SKK)	2006	2005
Guarantees issued	**2,578,640**	**1,374,166**
RZB	90,913	113,116
RZB Group	2,449,889	1,243,375
Associates	37,838	17,675
Guarantees received	**159,994**	**2,712,772**
RZB	137,894	2,638,111
RZB Group	15,000	74,661
Associates	7,100	-

40. Foreign currency items

The Consolidated Financial Statements contain the following volumes of assets and liabilities denominated in foreign currencies:

(in thousands of SKK)	**2006**	**2005**
Assets	*33,879,037*	*34,045,807*
Liabilities	*36,264,101*	*38,626,426*

41. Foreign assets and liabilities

Assets and liabilities with counterparties outside Slovakia are as follows:

(in thousands of SKK)	**2006**	**2005**
Assets	*12,859,974*	*15,621,678*
Liabilities	*7,707,356*	*18,339,934*

42. Contingent liabilities and other off-balance-sheet items

The Group reports the following contingent liabilities and other off-balance-sheet items:

(in thousands of SKK)	**2006**	**2005**
Contingent liabilities:	***9,818,037***	***7,613,739***
from guarantee credits	*34,573*	*211,697*
from other guarantees	*8,971,535*	*6,633,019*
from letters of credit	*811,929*	*769,023*
Commitments:	***50,907,716***	***37,742,446***
from irrevocable loan promises/stand-by facilities		
up to 1 year	*33,332,665*	*25,826,610*
more than 1 year	*17,575,051*	*11,915,836*

Off-balance-sheet commitments from guarantees represent irrevocable obligations that the Group will make payments in the event that a customer cannot fulfil its obligations against third parties.

A documentary letter of credit is an irrevocable undertaking of the issuing Group acting at the request of a customer (buyer) to make payment to the beneficiary (seller) or to pay or accept bills of exchange drawn by the beneficiary against stipulated documents, provided all terms and conditions of the letter of credit are complied with. The documentary letters of credit are collateralised depending on the creditworthiness of the customer and on the same basis as guarantees or loans.

The primary purpose of unused credit facilities (loan commitments) is to ensure that funds are available to a customer as required. Commitments to grant loans issued by the Group represent issued loan commitments and the unused part of approved overdraft loans.

The risk associated with off-balance-sheet financial commitments and contingent liabilities is assessed similarly as for loans to customers, taking into account the financial position and activities of the entity to which the Group issued the guarantee and taking into account the collateral obtained.
As of 31 December 2006 the Group created reserves for these risks amounting to SKK 476,149 thousand (2005: SKK 239,082 thousand) (Note 33).

Within the reverse repurchase transaction, the Group acquired NBS treasury bills at fair value of SKK 17,942,886 thousand (31 December 2005: SKK 30,372,631 thousand) (Note 16).

Legal disputes

In the ordinary course of business the Group is subject to legal actions and complaints. Group representatives believe that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial situation or the results of future operations of the Group.
As of 31 December 2006 the Group created provisions for these risks amounting to SKK 755,077 thousand (2005: SKK 496,886 thousand) (Note 33).

Contingent liabilities from operating lease

In relation to the additional requirements of IAS 17, the Group recognises contingent liabilities from non-cancellable operating lease in off-balance sheet as of 31 December 2006 as follows:

(in thousands of SKK)	**2006**	**2005**
Total non-cancellable payments for operating lease	***1,360,757***	***1,741,519***
Less than 1 year	*167,096*	*189,388*
1 year to 5 years	*660,692*	*754,030*
More than 5 years	*532,969*	*798,101*
Operating lease expense in other administrative costs	*383,006*	*388,089*

43. Values in custody and management

(in thousands of SKK)	2006	2005
Values in custody		
Investment notes	4,298,883	2,483,713
Trust receipts	85,492	133,518
Merchandise and trust receipts	614,971	375,706
Unit trust certificates of the trust holders in the open unit trusts of Tatra Asset Management ('TAM')	38,819,369	31,655,700
Values in management		
Securities	5,454,452	1,562,163
Total	**49,273,167**	**36,210,800**

The Group reported values received in custody and administration in the off-balance sheet accounts at fair values. Values received in custody and administration do not represent the Group's property and accordingly they are not part of the Group's assets. Revenues from custody and administration of securities are disclosed in the income statement as "Fees and commissions income".

In accordance with the depository function for Tatra Asset Management, správ. spol., a.s. (TAM), as of 31 December 2006 the Group reported deposited securities in the custody of the TAM Unit Trusts in the amount of SKK 34,950,338 thousand (2005: SKK 27,861,931 thousand).

44. Repurchase agreements

The following repurchase and redelivery commitments were in place on 31 December 2006 (under reverse repo transactions):

(in thousands of SKK)	2006	2005
Repurchase agreements (as borrower)		
Deposits from banks	-	955,667
Total	**-**	**955,667**

(in thousands of SKK)	2006	2005
Reverse repurchase agreements (as lender)		
Loans and advances to banks	17,942,886	30,372,631
Total	**17,942,886**	**30,372,631**

45. Assets pledged as collateral

The following obligations were securitized by the Group's assets:

(in thousands of SKK)	**2006**	**2005**
Deposits from banks (loans granted)	*1,322,497*	*757,781*
Liabilities from debt securities	*4,179,701*	*3,577,763*
Contingent liabilities and commitments	*-*	*174,101*
Total	***5,502,198***	***4,509,645***

The following assets on the Balance Sheet were pledged as collateral for the above named obligations:

(in thousands of SKK)	**2006**	**2005**
Loans and advances to banks	*35,716*	*192,513*
Held for trading financial assets	*3,333,552*	*3,302,609*
Financial assets at fair value through profit or loss	*526,802*	*-*
Held-to-maturity securities	*2,620,253*	*1,036,952*
Total	***6,516,323***	***4,532,074***

46. Non-interest-bearing assets

(in thousands of SKK)	**2006**	**2005**
Loans and advances to customers	*716,898*	*673,565*
Impairment losses for loans and advances	*(501,338)*	*(572,762)*
Total	***215,560***	***100,803***

47. Derivative financial instruments

The total volumes of unsettled derivative financial instruments are as follows on 31 December 2006:

(in thousands of SKK)	Nominal amounts by maturity				Fair values	
	Up to 1 year	From 1 to 5 years	More than 5 years	Total	Positive (Note 19)	Negative (Note 31)
a) Interest-rate contracts	**25,509,632**	**56,079,380**	**19,317,149**	**100,906,161**	**1,868,551**	**(2,276,252)**
OTC products:						
Interest rate swaps	22,009,632	56,079,380	19,317,149	97,406,161	1,868,510	(2,273,439)
Forward rate agreements	3,500,000	-	-	3,500,000	41	(2,813)
b) Exchange-rate contracts	**95,846,695**	**30,261,504**	**-**	**126,108,199**	**3,394,292**	**(3,593,771)**
OTC products:						
Currency and interest rate swaps	1,081,352	785,381	-	1,866,733	239,358	(66,675)
Foreign currency forwards	54,261,780	3,780,927	-	58,042,707	1,649,668	(2,229,734)
Currency options - buys	20,396,373	12,835,511	-	33,231,884	1,505,266	-
Currency options - sells	20,107,190	12,859,685	-	32,966,875	-	(1,297,362)
c) Index-related contracts	**-**	**632,432**	**-**	**632,432**	**101,064**	**(105,198)**
OTC products:						
Index-related options-buys	-	316,533	-	316,533	101,064	-
Index-related options-sells	-	315,899	-	315,899	-	(105,198)
Total	**121,356,327**	**86,973,316**	**19,317,149**	**227,646,792**	**5,363,907**	**(5,975,221)**

The total volumes of unsettled derivative financial instruments are as follows on 31 December 2005:

(in thousands of SKK)	Nominal amounts by maturity				Fair values	
	Up to 1 year	From 1 to 5 years	More than 5 years	Total	Positive (Note 19)	Negative (Note 31)
a) Interest-rate contracts	**21,198,536**	**38,909,512**	**13,913,920**	**74,021,968**	**1,289,599**	**(2,302,513)**
OTC products:						
Interest rate swaps	16,198,536	38,909,512	13,913,920	69,021,968	1,288,066	(2,301,372)
Forward rate agreements	5 000 000	-	-	5 000 000	1,533	(1,141)
b) Exchange-rate contracts	**70,420,604**	**9,012,165**	**603,322**	**80,036,091**	**644,866**	**(643,924)**
OTC products:						
Currency and interest rate swaps	-	1,393,546	603,322	1,996,868	83,566	(17,306)
Foreign currency forwards	43,492,184	4,630,230	-	48,122,414	360,103	(426,541)
Currency options - buys	13,297,522	1,489,592	-	14,787,114	201,197	-
Currency options - sells	13,630,898	1,498,797	-	15,129,695	-	(200,077)
c) Index-related contracts	**8,326**	**352,041**	**-**	**360,367**	**33,567**	**(33,576)**
OTC products:						
Index-related options-buys	4,163	176,318	-	180,481	33,567	-
Index-related options-sells	4,163	175,723	-	179,886	-	(33,576)
Total	**91,627,466**	**48,273,718**	**14,517,242**	**154,418,426**	**1,968,032**	**(2,980,013)**

48. Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Insofar as market prices were available (which was mainly the case for securities and derivative instruments traded on stock exchanges and functioning markets), they were used. All other financial instruments were valued using internal measurement models, including in particular present value models or accepted option price models, or use was made of external expert opinions.

Fixed-interest receivables from and payables to banks or customers were only re-measured to fair values different from their carrying amount on the balance sheet if they had a remaining term of more than one year. Variable-rate receivables and payables were only taken into account if they had an interest rollover period of more than one year. Only in those cases does discounting based on an assumed interest rate in line with market rates have a significant effect.

(in thousands of SKK)	**2006 Fair value**	**2006 Carrying amount**	**2006 Difference**	**2005 Fair value**	**2005 Carrying amount**	**2005 Difference**
Assets						
Loans and advances to banks	26,687,784	26,687,784	-	37,608,211	37,608,211	-
Loans and advances to customers	105,219,775	104,426,589	793,186	81,771,923	81,075,567	696,356
Held-to-maturity securities	38,156,849	38,275,126	(118,277)	37,835,744	37,473,640	362,104
Liabilities						
Deposits from banks	4,884,870	4,884,870	-	20,486,181	20,486,181	-
Deposit from customers	159,597,415	159,511,425	85,990	133,512,675	133,428,755	83,920
Liabilities from debt securities	19,709,385	19,852,841	(143,456)	11,560,175	11,560,175	-

49. Average number of staff

The average number of staff during the financial year breaks down as follows:

	2006	**2005**
Group employees	3,468	3,284
thereof: members of the Board of Directors	6	6
Total	**3,468**	**3,284**

50. Remuneration of board members

The members of the Managing and Advisory Board and the Supervisory Board were remunerated as follows:

(in thousands of SKK)	**2006**	**2005**
*Members of Managing and Advisory Board**	*72,748*	*61,781*
Members of Supervisory Board	*22,395*	*10,105*
Total	***95,143***	***71,886***

*Including subsidiaries

51. Credit risk exposure to the Slovak Republic

The table below provides the summary of the Group's credit risk exposure against the Slovak Republic (companies controlled by the Slovak Republic, guarantees issued by the Slovak Republic, and similar exposures):

(in thousands of SKK)	**2006**	**2005**
Deposits with the NBS	*526,638*	*688,955*
State zero coupon bonds and other securities accepted by the NBS for refinancing	*12,241,798*	*6,841,273*
Amounts due from banks	*23,392,755*	*31,709,815*
Amounts due from customers	*9,027,786*	*10,680,676*
Debt securities	*35,651,326*	*35,126,254*
Total	***80,840,303***	***85,046,973***

52. Risk report

Credit risk

The Group bears a credit risk, i.e. the risk that the counterparty will not be able to repay in full amounts owed, at their maturity. The Group classifies the loan exposure borne by the Group by setting limits of the risk accepted with respect to one debtor, or a group of debtors, and with respect to individual countries. Such risks are monitored on a regular basis and reviewed at least annually. Exposure to one debtor including banks and securities dealers is also limited by partial limits set for balance sheet and off-balance sheet exposures, and by daily limits of exposure in relation to items traded, such as forward foreign currency contracts. The actual exposure is compared to set limits on a daily basis.

The loan exposure is managed based on regular analyses of the debtor's and potential debtors' ability to repay the principal amount and interest and based on potential adjustments to such loan limits. Credit risks are also partially managed by collaterals and guarantees received from private individuals or legal entities.

Retail debtors are assessed by the Group using the scoring models developed for individual products. Credit risk in the retail portfolio is managed by following main tools. Credit scoring is a tool used by the Group in loan decision process for private individuals and also for small companies. The next important tool in the loan approval process is a system of underwriting by specialists those goal is to optimise revenues from loans to risk taken by the Group. The regular monitoring of the existing portfolio quality and trends together with appropriate strategies to secure quality of existing portfolio are also a very important part of risk management that significantly contribute to retaining portfolio quality and to targeted level of risk charges.

For products other than retail, provisions are created individually (on a case by case basis).

For retail receivables, the Group creates individual provisions for cases where it is able to identify individual receivable impairment. The Group also creates portfolio provisions for risks present in the portfolio which do not become evident on individual receivable basis. In the portfolio provisions size calculation, the Group uses its own history and experience with the existing loan portfolio quality and success rate in collection process.

When claiming receivables, the Group uses internal or external resources depending on the amount and type of receivable. Receivables up to a certain amount are forwarded to collecting agencies. In the case of unsuccessful collection of receivables, the receivable is sold to an external company that specialises in the enforcement of receivables using legal action. Receivables over a certain amount and specific or selected types of receivables are dealt with by an expert team of internal employees in co-operation with the legal function and professional divisions of the Group.

An analysis of credit risk related to Loans and advances to customers as of 31 December 2006 is as follows:

(in thousands of SKK)	**Loans and advances to customers**	**Provisions for loan losses**	**Estimated value of collateral received**
Loans assessed on an individual basis	*70,097,335*	*1,460,168*	*30,394,355*
thereof: not impaired	*64,740,864*	*-*	*27,848,817*
impaired	*5,356,471*	*1,460,168*	*2,545,538*
Loans assessed on a portfolio basis	*34,329,254*	*332,618*	*26,204,620*
Total credit risk of Loans and advances to customers	***104,426,589***	***1,792,786***	***56,598,975***

An analysis of credit risk related to contingent liabilities and other off-balance sheet items as of 31 December 2006 is as follows:

(in thousands of SKK)	**Contingent liabilities and other off-balance-sheet items**	**Provisions for liabilities**	**Estimated value of collateral received**
Contingent liabilities and other off-balance sheet items assessed on an individual basis	*56,841,932*	*419,559*	*18,631,649*
thereof: not impaired	*54,561,514*	*-*	*17,998,904*
impaired	*2,280,418*	*419,559*	*632,745*
Contingent liabilities and other off-balance sheet items assessed on a portfolio basis	*3,772,670*	*56,590*	*1,968,602*
Total credit risk of contingent liabilities and other off-balance sheet items	***60,614,602***	***476,149***	***20,600,251***

Estimated value of collateral is subject to multiple uncertainties and risks. The amounts that may ultimately be realised on liquidation of collateral on defaulted loans could differ from estimated amounts and the difference could be material.

The maximum amount of credit risk regardless of received collateral:

(in thousands of SKK)	**2006**	**2005**
Credit risk related to balance sheet assets:		
Treasury bills and other eligible bills	4,954,155	-
Loans and advances to banks	26,687,784	37,608,211
Loans and advances to customers, gross	104,426,589	81,075,567
Held for trading financial assets	15,909,370	22,011,488
Financial assets at fair value through profit or loss	6,244,719	-
Held-to-maturity financial assets	38,275,126	37,473,640
Available for sale financial assets	3,964	3,653
Other assets	1,073,134	851,060
Total	**197,574,841**	**179,023,619**

(in thousands of SKK)	**2006**	**2005**
Credit risk related to off-balance sheet items:		
Contingent commitments from guarantees	9,818,036	7,613,739
Irrevocable loan commitments/stand-by facility	50,796,566	37,742,446
Total	**60,614,602**	**45,356,185**

Market risk

The Group is exposed to market risks. Market risks result from open positions from transactions with interest rate, cross-currency, and equity products that are subject to general and specific market changes. To assess the approximate level of market risks associated with the Group's positions, and the expected maximum amount of potential losses, the Group uses internal reports and models for individual types of risks faced by the Group. The Group uses a system of limits, the aim of which is to ensure that the level of risks the Group is exposed to at any time does not exceed the level of risks the Group is willing and able to take. These limits are monitored on a daily basis.

For risk management purposes, market risk is regarded as the risk of potential losses the Group may incur due to unfavourable development in market rates and prices. To manage market risks, the Group uses a system of limits imposed on individual positions and portfolios.

As to the structure of trades, the Group primarily faces the following market risks:

- Currency risk
- Interest rate risk

Currency risk

Currency risk represents the potentiality of loss resulting from unfavourable movements in foreign currency exchange rates. The Group controls this risk by the determination and monitoring of open position limits.

Open currency positions are subject to real-time monitoring through the banking information system. The currency position of the Group is monitored separately for each currency, as well as for three currency groups, formed according to the respective market liquidity. Limits for these positions are set in line with RZB Group standards. Data on the Group currency positions and on the Bank's compliance with the limits set by RZB are reported on a weekly basis.

In addition to the limit on an open currency position, the Group also sets a negative gamma limit on an option position for each currency match subject to trading. The Group also sets the vega limit on the overall option position.

Positions from client option trades to currency matches, where no gamma limit on trading has been specified by the Group, are closed in the market, so as to ensure that the Group has no open position for this currency match.

Moreover, the Group sets two stop-loss limits (40-day) on:

- The overall currency position
- The currency option position

The Group's foreign exchange balance and off-balance sheet positions as of 31 December 2006 were as follows:

(in thousands of SKK)	**31 December 2006 Net FX position**	**31 December 2005 Net FX position**
EUR	*3,695,479*	*3,004,490*
USD	*(5,309,990)*	*(4,804,287)*
SKK	*2 380,786*	*4,578,328*
Other	*(766,275)*	*(2,778,531)*
Total net FX balance sheet position	**-**	**-**
EUR	*(1,594,438)*	*(1,745,985)*
USD	*5,302,087*	*4,568,670*
SKK	*(5,518,617)*	*(4,793,149)*
Other	*667,720*	*2,776,072*
Total net FX off-balance sheet position	***(1,143,248)***	***805,608***
Total Net FX position	***(1,143,248)***	***805,608***

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The length of time for which the rate of interest is fixed on a financial instrument therefore indicates to what extent it is exposed to interest rate risk.

The Group controls and manages its interest rate risk for all trades, and for the Banking Book and the Trading Book separately. Interest rate risk is monitored and assessed on a daily basis.

To monitor interest rate risk, the following methods are employed: the gap analysis method and the method of sensitivity to the yield curve shifts (BPV) and Trading Book Money Market Stop Loss Limit.

Internal interest rate risk limits applicable in the Banking Book are set in the form of limits on open positions in each time band of the interest gap for each currency that is included in the Banking Book (SKK, EUR, USD).

The Group's limit on the interest rate risk of the Banking Book has been set in the form of maximum dollar duration of the Banking Book with a limit on the position concentration in one time basket and one currency.

The interest rate risk limits applicable in the Trading Book are set in the form of limits on the sensitivity of the overall position to the yield curve shifts (BPV). The limits are set for individual currency included in the Trading Book.

On a weekly basis, the Market & Operational Risk Management Department submits information on the current level of interest rate risk by individual currency and on the drawing of limits on interest rate risks.

In the case of exceeding the set limit, the interest rate positions are closed by using both traditional and derivative financial instruments.

The table below provides information on the extent of the Group's interest rate exposure based either on the contractual maturity date of its financial instruments or, in the case of instruments that re-price to a market rate of interest before maturity, the next re-pricing date. Those assets and liabilities that do not have a contractual maturity date or are not interest-bearing are grouped in the 'unspecified' category.

Interest rate gap of financial assets and liabilities as of 31 December 2006:

(in thousands of SKK)	**Up to 3 months**	**From 3 months to 1 year**	**From 1 to 5 years**	**Over 5 years**	**Unspe cified**	**Total**
Assets						
Cash and balances with central banks	5,978,995	-	-	-	2,840,589	8,819,584
Treasury bills and other eligible bills	4,954,155	-	-	-	-	4,954,155
Loans and advances to banks	23,106,300	3,569,017	-	-	12,467	26,687,784
Loans and advances to customers (net of provisions)	59,522,729	17,505,527	20,554,397	4,773,052	278,098	102,633,803
Held for trading financial assets	3,879,240	3,145,663	5,539,152	3,339,858	5,457	15,909,370
Financial assets at fair value through profit or loss	157,250	81,215	1,809,403	4,196,851	-	6,244,719
Held-to-maturity financial assets	18,965,173	3,978,292	15,331,661	-	-	38,275,126
Available for sale financial assets	-	-	-	-	3,964	3,964
Other assets	-	-	-	-	1,073,134	1,073,134
Interest rate position for financial assets as of 31 December 2006	**116,563,842**	**28,279,714**	**43,234,613**	**12,309,761**	**4,213,709**	**204,601,639**
Liabilities						
Deposits and from banks	4,458,954	162,308	126,103	125,880	11,625	4,884,870
Deposits from customers	71,635,266	52,751,299	31,178,422	13,075	3,933,363	159,511,425
Held for trading financial liabilities	1,605,754	2,577,222	1,341,347	450,898	-	5,975,221
Liabilities from debt securities	9,870,745	1,271,338	6,646,135	2,000,000	64,623	19,852,841
Provisions for liabilities and charges	-	-	-	-	1,231,226	1,231,226
Other liabilities	-	-	-	-	1,128,064	1,128,064
Interest rate position for financial assets as of 31 December 2006	**87,570,719**	**56,762,167**	**39,292,007**	**2,589,853**	**6,368,901**	**192,583,647**
Net interest rate position as of 31 December 2006	**28,993,123,**	**(28,482,453)**	**3,942,606**	**9,719,908**	**(2,155,192)**	**12,017,992**

Interest rate gap of financial assets and liabilities as of 31 December 2005:

(in thousands of SKK)	**Up to 3 months**	**From 3 months to 1 year**	**From 1 to 5 years**	**Over 5 years**	**Unspecified**	**Total**
Assets						
Cash and balances with central banks	2,031,816	-	-	-	2,074,937	4,106,753
Loans and advances to banks	36,898,827	705,540	-	-	3,844	37,608,211
Loans and advances to clients (net of provisions)	43,081,255	11,902,864	16,968,569	5,729,925	1,078,611	78,761,224
Held for trading financial assets	4,661,059	1,782,745	8,503,827	6,995,239	68,618	22,011,488
Held-to-maturity financial assets	10,845,641	2,701,598	23,926,401	-	-	37,473,640
Available for sale financial assets	-	-	-	-	3,653	3,653
Other assets	-	-	-	-	851,260	851,260
Interest rate position for financial assets as of 31 December 2005	**97,518,598**	**17,092,747**	**49,398,797**	**12,725,164**	**4,080,923**	**180,816,229**
Liabilities						
Deposits and from banks	17,909,470	2,343,455	134,947	52,317	45,992	20,486,181
Deposits from customers	59,566,058	44,156,788	26,963,135	4,472	2,738,302	133,428,755
Held for trading financial liabilities	674,685	825,444	684,155	795,729	-	2,980,013
Liabilities from debt securities	2,543,748	1,196,519	5,742,310	2,000,000	77,598	11,560,175
Provisions for liabilities and charges	-	-	-	-	735,968	735,968
Other liabilities	-	-	-	-	1,501,801	1,501,801
Interest position for financial assets as of 31 December 2005	**80,693,961**	**48,522,206**	**33,524,547**	**2,852,518**	**5,099,661**	**170,692,893**
Net interest rate position as of 31 December 2005	**16,824,637**	**(31,429,459)**	**15,874,250**	**9,872,646**	**(1,018,738)**	**10,123,336**

Average interest rates as of 31 December 2006:

The average interest rates calculated as a weighted average for each asset and liability category are as follows:

	2006		2005	
	SKK	FCY	SKK	FCY
Assets				
Cash and deposits in central banks	3.21	-	2.26	-
Treasury bills and other eligible bills	4.62	-	3.24	-
Loans and advances to banks	4.17	3.60	3.45	1.62
Loans and advances to customers	6.38	4.19	6.35	3.83
Debt securities	4.10	3.60	4.25	2.90
Total assets	**4.93**	**3.93**	**4.43**	**3.25**
Total interest earning assets	**4.81**	**3.94**	**4.60**	**3.33**
Liabilities				
Deposits from banks	3.43	3.45	2.63	2.22
Deposits from customers	1.77	1.88	1.26	1.31
Liabilities from debt securities	3.61	3.59	4.65	0.54
Total liabilities	**1.97**	**2.27**	**1.45**	**1.61**
Total interest bearing liabilities	**1.86**	**2.12**	**1.56**	**1.70**

Liquidity risk

Liquidity risk means the risk of possible loss of the Group's ability to fulfil its liabilities when such liabilities become due.

The Group wishes to maintain its solvency, i.e. the ability to meet its financial liabilities in a proper manner and in time, and to manage its assets and liabilities so as to ensure continuous liquidity. Liquidity management is the responsibility of the Assets and Liabilities Committee (ALCO) and the Treasury and Investment Banking Division. Regular meetings of ALCO are held on a weekly basis, during which the Group's liquidity is evaluated and, subsequently, decisions are taken based on the current state of affairs.

The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw downs, guarantees and from margin and other calls on cash settled derivatives.

The Group 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 certainty. The Group sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

The Market & Operational Risk Management function monitors the Group's liquidity on a daily basis and reports on its development. Information on the liquidity position is reported to ALCO on a weekly basis. The Asset and Liability Management function submits reports on the Group's structure of assets and liabilities to ALCO for approval on a quarterly basis, and proposes the size and structure of the portfolio of securities held strategically for the following period subject to monitoring.

The Group is obliged to perform its activities so as to ensure that at any time it meets the liquidity requirements and coefficients set by the National Bank of Slovakia.

The Group monitors long-term liquidity risk by developing a liquidity and crisis liquidity gap based on internal rules and assumptions. The limits are approved by the Market & Operational Risk Management Department, ALCO, and the Group's management.

The Group's liquidity position reflecting the existing residual maturity of assets and liabilities as of 31 December 2006:

(in thousands of SKK)	***Up to 3 months***	***From 3 months to 1 year***	***From 1 to 5 years***	***Over 5 years***	***Unspecified***	***Total***
Total assets as of 31 December 2006	*79,562,773*	*20,888,521*	*65,627,244*	*30,327,450*	*12,414,691*	*208,820,679*
Total liabilities and equity as of 31 December 2006	*161,296,265*	*9,947,267*	*10,200,299*	*2,636,948*	*24,739,900*	*208,820,679*
Net balance sheet position as of 31 December 2006	***(81,733,492)***	***10,941,254***	***55,426,945***	***27,690,502***	***(12,325,209)***	***-***
Net off-balance sheet position as of 31 December 2006*	***(36,228,903)***	***5,562,006***	***9,164,298***	***3,054,829***	***18,934***	***(18,428,836)***
Cumulative balance sheet and off-balance sheet position as of 31 December 2006	***(117,962,395)***	***(101,459,135)***	***(36,867,892)***	***(6,122,561)***	***(18,428,836)***	

The Group's liquidity position reflecting the existing residual maturity of assets and liabilities as of 31 December 2005:

(in thousands of SKK)	**Up to 3 months**	**From 3 months to 1 year**	**From 1 to 5 years**	**Over 5 years**	**Unspecified**	**Total**
Total assets as of 31 December 2005	*65,798,539*	*16,242,955*	*73,795,870*	*22,743,565*	*5,759,359*	*184,340,288*
Total liabilities and equity as of 31 December 2005	*146,685,328*	*9,054,593*	*9,133,279*	*3,467,288*	*15,999,800*	*184,340,288*
Net balance sheet as of 31 December 2005	***(80,886,789)***	***7,188,362***	***64,662,591***	***19,276,277***	***(10,240,441)***	-
Net off-balance sheet as of 31 December 2005*	***(10,993,915)***	***4,777,228***	***4,532,346***	***4,226,534***	***(140,771)***	***2,401,422***
Cumulative balance sheet and off-balance sheet position as of 31 December 2005	***(91,880,704)***	***(79,915,114)***	***(10,720,177)***	***12,782,634***	***2,401,422***	-

*) Off-balance sheet position includes receivables and liabilities from spot transactions and financial derivative transactions where the supporting instrument is replaced, in particular from future loans and borrowings, guarantees and letters of credit, and delta option equivalents.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. As in the case of other types of risks, operational risk is managed by applying the standard principle including the separation of functions in risk management and controlling.

For regulatory capital needs, the Group is going to use "The Standardised Approach" according to BASEL II requirements. Under the Standardised Approach, the Group's activities are divided into eight business lines. Gross Income for each business line is represented by a general indicator serving as a representative for a range of business activities, thereby representing an operational risk rate for each business line. The capital to cover operational risk is calculated as net interest income and net interest-free income multiplied by an assigned ß factor for each business line separately. Total capital requirement equals the sum of eight partial requirements for each business line.

For the identification of operational risk the Group uses a three-dimensional model compound of risk categories, business functions, and business lines (Risk Management Association methodology). Operational risk loss data collection will cover the collection of all operational losses by risk category.

The Group puts the accent on process quality improvement and operational risk mitigation actions. The essential assumption of set goals is based on operational risk awareness and operational risk Group culture.

The Group has rolled in an implementation of Key Risk Indicators. These indicators are used as the next tool of operational risk management and serve for the monitoring and analysis of operational risk-sensitive areas.

The Group is active in preparing Business Continuity plans. The plans aim at minimizing impacts of unexpected events on the Group's operation.

The next objective of the Group is to implement an advanced operational risk management model.

Basel II

The Group is prepared to thoroughly fulfil the revised EU Directives on the capital adequacy (CRD), in particular 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, and Directive 2006/49/ES of the European Parliament and of the Council of 14 June 2006 on the capital adequacy of investment firms and credit institutions that are both based, to a significant extent, on the document of "International Convergence of Capital Measurement and Capital Standards" issued by the Basel Committee, generally known as Basel II. Simultaneously, when implementing Basel II locally, the Bank places special emphasis on the fulfilment of local legislative requirements as per the Amendment to the Banking Act 483/2001 Coll. of 6 December 2006 and individual decrees of the National Bank of Slovakia.

The implementation of the Basel II requirements is a high priority project for the Group.

The concepts, methodology, and documentation for the Basle II Project are prepared in close co-operation with both RZB and Raiffeisen International Bank - Holding AG.

The objective of the project is primarily to ensure the most accurate assessment and proper management of credit, market and operation risks. The achievement of this objective is based, among others, on the appropriate collection and archiving of all comprehensive data or potential comprehensive data, on the development of a reliable measurement methodology for individual types of risks, on the maintenance of effective and well-developed processes for the prudent management of individual types of risks, on the maintenance of quality and secure IT systems for the automation of processes, data collection, data analysis, calculations, and provision of outputs.

The Group intends to start using the advanced approaches to management, quantification, and reporting of individual risks as soon as possible. As regards credit risk, the Group aims to implement IRB approaches based on the application of internal rating models. Currently, everything is being prepared for the submission of a Group application for the approval of the IRB approach application, collectively as well as locally. As regards market and operational risks, activities are taking place leading to the development of functional internal models which would better reflect the risks faced by the Group.

Last but not least, the Group is preparing for the fulfilment of requirements as per Pillar 2, in particular as regards methodology definition and the creation of a functioning internal process for setting the capital adequacy based on its individual risk profile. Moreover, everything is being prepared for the fulfilment of the requirements as per Pillar 3 – Public Reporting.

As the methodology of calculating assets weighted in terms of risks and capital adequacy as per Basel II changed compared to the present status, a thorough preparation for the prediction of capital adequacy development in the future is also important, aimed at assessing possible benefits as well as avoiding risks resulting from potential capital adequacy fluctuation. By taking into consideration all knowledge about respective risks relevant for individual areas of the Group's operation, the risks and capital determined for these specific risks will be allowed for in business strategies and the Bank's management as such, so as to achieve an optimal compromise between the decrease of individual types of risks and the increase of share in market, profit, and capital return.

53. Post-balance sheet events

Change in income tax legislation

During 2006, legislation governing income taxes was amended, resulting in additions to deferred tax liability arising on purchased accrued interest on debt securities held by the Group as of 31 December 2003. This additional tax liability should have represented an item increasing the tax base of the Group due to be settled by the end of 2008. Accordingly, the Group recognised the corresponding deferred tax liability of SKK 170,329 thousand in 2006.

Subsequent to 31 December 2006, new legislation has been approved by parliament to revoke the additional income tax described above. As a result it is expected that the full amount of the deferred income tax liability of SKK 170,329 thousand will be released and recorded as a deduction of income tax expense in 2007.

Change in equity interest between the members of the consolidation group

On 7 February 2007, 100% shares of Doplnková dôchodková spoločnosť Tatra banky, a.s., ("DDS TB") were transferred from Tatra Group Finance, s.r.o., to Tatra banka, a.s., and accordingly Tatra banka, a.s., became the sole shareholder of DDS TB.

54. Approval of the consolidated financial statements

The financial statements were signed and authorised for issue on 29 march 2007.

DISTRIBUTION OF THE PROFIT

Advertising campaign: Tatra banka Open 2006

Distribution of the Profit for the Year 2006

(in thousands of SKK)	***2006***
Profit after tax	***2,783,862***
Dividends - Ordinary shares	*1,621,977*
Dividends - Preferred shares	*153,286*
Allocation to retained earnings	*1,008,599*

Profit according to separate financial statements of Tatra banka, a.s., see Note 36 to the consolidated financial statements.

The Financial statements, the proposal for distribution of the profit and annual remuneration in the amount of SKK 18,300,000 for the members of the Supervisory Board were approved by the Ordinary General Meeting of Shareholders on June 7, 2007.

Advertising campaign: Capital Protected Fund

Top Management

The Supervisory Board

Milan Vrškový
Chairman of the Supervisory Board

Herbert Stepic
CEO Raiffeisen International Bank-Holding AG, Vienna

Peter Baláž
Professor, Economic University, Bratislava

Tomáš Borec
Attorney of Law

Renate Kattinger
Senior Vice-President, Raiffeisen International Bank-Holding AG

Ján Neubauer
Financial Director, FIT PLUS, s.r.o.

Peter Püspök
CEO Raiffeisenlandesbank Niederösterreich – Wien AG

Management

The Managing Board:

Rainer Franz
Chairman of the Managing Board and Chief Executive Officer

Miroslav Uličný
Deputy Chairman of the Managing Board and Deputy Chief Executive Officer

Igor Vida
Deputy Chairman of the Managing Board and Deputy Chief Executive Officer

Karel Fíla
Member of the Managing Board

Marcel Kaščák
Member of the Managing Board

Christian Masser (until March 31, 2006)
Member of the Managing Board

Martin Pytlik (since October 3, 2006)
Member of the Managing Board

Procurists:

Oľga Džuppová (until June 30, 2006)

Pavol Feitscher

Eva Kollárová

business locations network

Advertising campaign: Accelerated Consumer Loan

Business Locations Network

As of December 31, 2006, Tatra banka provided services to corporate clients at 6 regional corporate centers and 10 corporate centers:

As of December 31, 2006, Tatra banka provided services to individual clients at 124 branches and at 4 "Centrum bývania" branches:

location	branches	"Centrum bývania" branches	corporate centers
Bánovce nad Bebravou	1		
Banská Bystrica	4		1
Bardejov	1		
Bratislava	39	3	3
Brezno	1		
Čadca	1		
Dolný Kubín	1		
Dubnica nad Váhom	1		
Dunajská Streda	1		
Galanta	1		
Hlohovec	1		
Humenné	1		1
Kežmarok	1		
Komárno	1		
Košice	9	1	1
Kysucké Nové Mesto	1		
Levice	1		
Liptovský Mikuláš	1		
Lučenec	1		1
Malacky	1		
Martin	2		1
Michalovce	1		
Modra	1		
Námestovo	1		
Nitra	2		1
Nové Mesto nad Váhom	1		
Nové Zámky	1		1
Partizánske	1		
Pezinok	1		
Piešťany	2		
Poprad	2		1
Považská Bystrica	1		
Prešov	4		1
Prievidza	3		1
Púchov	1		
Rimavská Sobota	1		
Rožňava	1		
Ružomberok	1		
Senec	1		
Senica	1		
Sereď	1		
Skalica	1		
Snina	1		
Spišská Nová Ves	1		
Stará Ľubovňa	1		
Stupava	1		
Šaľa	1		
Šamorín	1		
Štúrovo	1		
Topoľčany	1		
Trebišov	1		
Trenčín	3		1
Trnava	3		1
Vranov nad Topľou	1		
Zlaté Moravce	1		
Zvolen	2		
Žiar nad Hronom	1		
Žilina	4		1

TATRA BANKA
Member of RZB Group

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