Tatra banka

Annual Report 2007

Slovakia

Member of Raiffeisen
International and RZB Group

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Survey of key data
in accordance with International Financial Reporting Standards

Tatra banka Group (in SKK thousands)	**2007**	**2006**	**Change**	
Income statement				
Net interest and dividend income after provisioning	6,216,953	5,058,615	22.9%	
Net income from fees and commissions	3,139,932	2,567,416	22.3%	
Net profit from trading instruments	2,075,844	1,696,420	22.4%	
General administrative expenses	(6,449,088)	(5,193,686)	24.2%	
Profit before tax	4,419,530	3,841,236	15.1%	
Consolidated profit after tax	3,450,599	3,013,570	14.5%	
Earnings per ordinary share	62.85	56.08	12.1%	
Balance sheet				
Loans and advances to banks	43,098,815	26,687,784	61.5%	
Loans and advances to customers, gross	139,826,880	104,426,589	33.9%	
Deposits from banks	10,233,829	4,884,870	109.5%	
Deposits from customers	185,791,986	159,511,425	16.5%	
Equity (including profit for current year)	17,828,566	15,874,590	12.3%	
Total assets	253,015,572	208,820,679	21.2%	
Performance				
Return on equity (ROE) before tax	29.2%	29.0%	0.7%	
Cost/income ratio	55.1%	54.9%	0.4%	
Return on assets (ROA) before tax	1.9%	2.0%	(1.9)%	
Resources				
Number of staff as of balance sheet date	3,645	3,521	3.5%	
Branches as of balance sheet date 1)	152	144	5.6%	
Ratings	**Long-term**	**Outlook**	**Short-term**	**Bank Financial Strength**
Standard &Poor's	A	stable	A-1	
Moody´s Investors Service	A1	stable	Prime-1	C-

1) Inclusive of Corporate centres, "Centrum bývania" branches and the Investment centre

Note: NBS exchange rate as of 31 December 2007: SKK/EUR 33,603

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FINANCE NEW EUROPE

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EUROMONEY

Statement
by the Chairman of the Managing Board

Dear Shareholders, Business Partners and Clients,

We can now look back at 2007 which was a very successful year, from the financial and economic perspective. The Slovak economy developed dynamically, harvesting the fruits of previous reforms, which also meant higher living standards and the increased purchasing power of the population. In the banking sector, this manifested primarily in an increased drawing of mortgage loans and consumer loans as well as other products that we endeavoured to adapt to the needs of our clients.

We can readily and proudly refer to the past year as one of the most successful in the modern history of our Bank. We successfully achieved unique results even though the Bank underwent various personnel changes during the year, even within the Managing Board itself. After many years of service, former Managing Board Chairman and General Manager, Dkfm. Rainer Franz, resigned from top management, taking up the post of Chairman of the Supervisory Board of Tatra banka. He took over the post from Milan Vrškový who played a major role in the establishment of our company. My immense gratitude goes to both gentlemen for their immeasurable work for our Bank, its image, and its prestige on the Slovak banking market. At the same time, this obliges us to endeavour to continue attaining the results that Tatra banka achieved under their leadership.

When speaking about changes to the management of Tatra banka, I would just like to underline the correctness of the decision to strengthen the Managing Board with the addition of Michal Liday. He has greatly contributed to increasing work efficiency in retail, where we achieved impressive results last year. We continued to feel the need to progress further, which led to us welcoming another member to our close team – Peter Novák. Both colleagues proved to be a valuable asset very quickly, and I believe that with these steps we have stabilised the Bank's management at this crucial time of facing new challenges on the increasingly competitive Slovak banking market. We are very pleased that we have continually retained third-placed market ranking. The results that we attained last year essentially speak for themselves.

I am glad to be in a position to say that we can be more than satisfied with our work in 2007. The Bank's total assets as of year-end totalled SKK 252.1 billion, representing growth of 21% over 2006. On the liabilities side, primary deposits grew most significantly, by almost 17% to SKK 186.5 billion. We also saw growth in the provision of loans to customers where our profit increased by 33% to SKK 140 billion. Growth was also seen in the areas in which we have a strong position - housing loans (whether mortgage loans or home equity loans), loans to corporate entities and individuals, and project financing. In the segment of housing loans, we increased our market share, as we also did in payment cards. Following the year-long diligent work of our employees, we generated net profit of SKK 3.18 billion, 14% more than the profit posted for 2006. However, we must not overlook that our successes were supported by the background created for us by our parent company in Vienna, Raiffeisen Zentralbank Österreich AB.

Our subsidiaries - Doplnková dôchodková spoločnosť Tatra banky, Tatra Asset Management and Tatra Leasing, also achieved positive results of operations. Tatra Asset Management and DDS Tatra banky had their best year in 2007. Assets managed by Tatra Asset Management in 2007 increased by 36% to SKK

55.6 billion, reinforcing TAM's position as the Slovak market leader with a share of 35.1%. Assets of supplementary pension funds of DDS Tatra banky in 2007 increased by 26% to SKK 6.9 billion, thanks to which the company increased its market share to 27.5%. The financing of new transactions by Tatra Leasing at cost amounted to SKK 8,930.3 million, with the company concluding 7,312 contracts with its clients. With these results the company generated 27.32% growth in financing and 19.59% growth in the number of contracts in 2006. This meant Tatra Leasing ranked third last year among the leasing companies in Slovakia. The growth dynamics of volume was three and a half times stronger than that of the whole leasing market (7.8%). Tatra Leasing boosted its market share in 2007 to 11.43% compared with 2006 when it represented 9.67%. The largest portion of the volume of Tatra Leasing transactions in 2007 came from trucks, trailers and semi-trailers (32.99%), machinery and equipment (22.05%), passenger cars (14.26%), utility vehicles (13.68%), real estate (9.79%), and other commodities (7.23%). The stable portfolio of financed commodities was supplemented by aviation technology. In the real estate segment the volume of transactions increased by a staggering 98.16% over 2006.

In 2007 we opened the Investment Centre (Centrum investovania), where we provide clients with advice on how and where to best invest their money. The Centre of Living (Centrum bývania) network attained a leading position in the real estate market last year in terms of the number of offered developer projects with more than 30. Since last summer it has also been offering its services in the Košice region. We were the first bank in Slovakia, and still the only one to date, to employ the world's most secure internet banking technology called **Card**&Reader™ which we use to replace old technology for our clients free of charge. Experience has shown that the opening of our unique Bank+Coffee branches was a refreshing change for clients, so we plan to further expand this network.

We now stand before 2008 which will definitely be a demanding year. It will be a year marked by preparation for entry to the Eurozone and the adoption of the euro as our new national currency. As it is the same currency as that of other Eurozone countries, it will make payment transactions easier between individuals and corporate entities in those countries that have already replaced their old currencies with the euro. Even though the main burden and responsibility for this lies with the Slovak Government, the Ministry of Finance, and the National Bank of Slovakia, a certain amount of responsibility also falls to every bank and financial institution in Slovakia. It is important that we do everything possible to ensure that Slovakia accommodates and meets the required Maastricht criteria and therefore reaches the highest integration level within the European Union, which not even many of the more established member states have achieved to date. I also hope that we manage to convince Brussels about the sustainability of our good accession trend. Squandering such an opportunity would be extremely unpleasant and unfavourable, especially as the state and the banks themselves have invested a fair amount of money into the Europroject. For us the transition to the euro will mean, on one hand, initial costs linked to the broad faceted transformation, while on the other hand it will lead to a stable investment environment in Slovakia as currency risk will be eliminated which should have an overall positive economic impact on the country's economy.

In 2008 Tatra banka will celebrate the eighteenth anniversary of its rebirth. As is customary, the age of eighteen is generally regarded as the age of adulthood, as well as the time to take the respective "leaving exam". We are ready. Over the years we have received some pretty good grades for our operations in the shape of various and not insignificant awards. Our Bank already has more than fifty such awards. For the last year alone I would just like to mention the award from the Slovak weekly magazine Trend as the "Bank of the Year", which we have won for the seventh time. The renowned magazine The Banker also

declared us the "Bank of the Year in Slovakia". The prestigious Global Finance magazine awarded us the title of the "Best Consumer Internet Bank in Slovakia" and in January 2008 we received the award "Best Foreign Exchange Bank in Slovakia" for the third time. Likewise, the British magazine Euromoney declared us the "Best Bank in Slovakia". Therefore, Tatra banka can rightly be proud of the title of the most awarded bank in Slovakia. It also confirms that we are leaders on the banking market in various areas. Having said that, all of this serves to drive us further and not to be complacent with the said awards as such an attitude would be lead to stagnation. Therefore, we do not want and must not rest on our laurels. On the contrary, we must set out new goals and ambitions, which while being demanding and ambitious, are still very much feasible. Considering the top quality people that Tatra banka employs, I am sure we will pass our 18th anniversary "test of maturity". We are a conservative bank with a sophisticated approach and technologies. This combination puts us in the position of being a serious financial institution that can flexibly expand and improve its services and products for all its clients, both current and potential. The healthy management approach to running individual units and segments of our financial institution also speaks very much in our favour.

We have spoken about banking and economics, but we must not forget other areas. Traditionally, we have never been indifferent about the various aspects of social life. We focus primarily on supporting projects in education and culture, but also sports events. Once again we showed our appreciation for artists through the Nadácia Tatra banky awards, we are deepening our co-operation with regional theatres, and continuing to award the Best Diploma Theses prepared by students of the University of Economics and the Slovak University of Technology. We regard quality education as the basic building block of a successful society and wish to contribute to this process through our activities. There is also a growing awareness of Tatra banka as a sponsor of the Pohoda festival, which is a popular musical event especially among young people.

As in previous years, we once again organised the Tatra banka Open men's doubles competition in co-operation with the Slovak Tennis Association in 2007. We are proud of the fact that last year this tournament received the ATP Challenger Series Tournament of the Year Award. This is good motivation for us to continue this tradition which has contributed to increasing the world tennis community's awareness of Slovakia.

To balance up last year then, I can say with all satisfaction that we achieved excellent results. I am well aware that this is a reflection of the co-operation of all the components that make up our team. It is important to realise that even when a company management knows its objectives, can set strategy, knows how to achieve such strategy and has the means to do so, this is all in vain if it does not have qualified people to depend on: people who are willing to work competently on a daily basis with dedication to their respective sections. Our strength in Tatra banka also lies in the human capital of which we are proud.
I feel it is only natural that our motto is to provide partners and clients with quality financial advisory service to their highest satisfaction so that the best always follow us. I would therefore like to extend my sincere gratitude once again to all the shareholders, partners, clients, and employees, who have my utmost respect.

Ing. Igor Vida
Chairman of the Managing Board and General Director

Best Bank in provision of loans in Slovakia in the years 2001, 2002
EUROMONEY

Best Real Estate Commercial Bank in Slovak Republic 2006, 2007
EUROMONEY

Best Real Estate Investment Bank in Slovakia 2007
EUROMONEY

Bank of the Year in Slovakia 2001, 2002, 2003, 2007
THE BANKER

strong member of a strong group

Tatra banka – Strong Member of a Strong Group

Tatra banka is a subsidiary of Raiffeisen International Bank-Holding AG, which 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.

RZB and Raiffeisen International have time and again underpinned their reputation as early movers and pioneers in CEE, having founded the first subsidiary bank in Hungary already in 1986, three years prior to the fall of the Iron Curtain. In more than 20 years of market presence, ten banks were founded and another ten were acquired. The resulting network covers the region with universal banks in the following 15 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 J.S.C.
- Poland — Raiffeisen Bank Polska S.A.
- Romania — Raiffeisen Bank S.A.
- Russia — ZAO Raiffeisenbank
- Serbia — Raiffeisen banka a.d.
- Slovakia — Tatra banka, a.s.
- Slovenia — Raiffeisen Banka d.d.
- Ukraine — VAT Raiffeisen Bank Aval

Raiffeisen International acts as these banks' steering company, owning the majority of shares (in most cases 100 or almost 100 per cent). Furthermore, many finance leasing companies (including one in Kazakhstan and in Moldova) are part of the Raiffeisen International Group. RZB owns 68.5 per cent of the common stock. The balance is free float, owned by institutional and retail investors. The company's shares are traded on the Vienna Stock Exchange.

With its continually growing regional and local presence, as well as its increasing and innovative product spectrum, Raiffeisen International has significantly contributed to the development of both the region's banking environment and its overall economic state.

As of 31 December 2007, the RZB Group's balance-sheet total amounted to EUR 137.4 billion, up 19 per cent compared with December 2006. IFRS-compliant profit before tax increased by nearly 16 per cent to EUR 1,485 million. The return on equity before tax reached 22.2 per cent, and the cost/income ratio was 56.9 per cent. At the reporting date, the Group employed a staff of more than 61,300 worldwide.

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

In Western Europe and the USA, RZB operates a branch in London and representative offices in Brussels, Frankfurt, Madrid, Milan, Paris, Stockholm, and New York. A finance company in New York (with representative offices in Chicago, Houston and Los Angeles) and a subsidiary bank in Malta complement the scope. In Asia, RZB runs branches in Beijing (with a representative office in Zhuhai), Xiamen (China) 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	A-1
	Long term	A+
Moody's	Short term	P-1
	Long term	Aa2
	Financial Strength	C

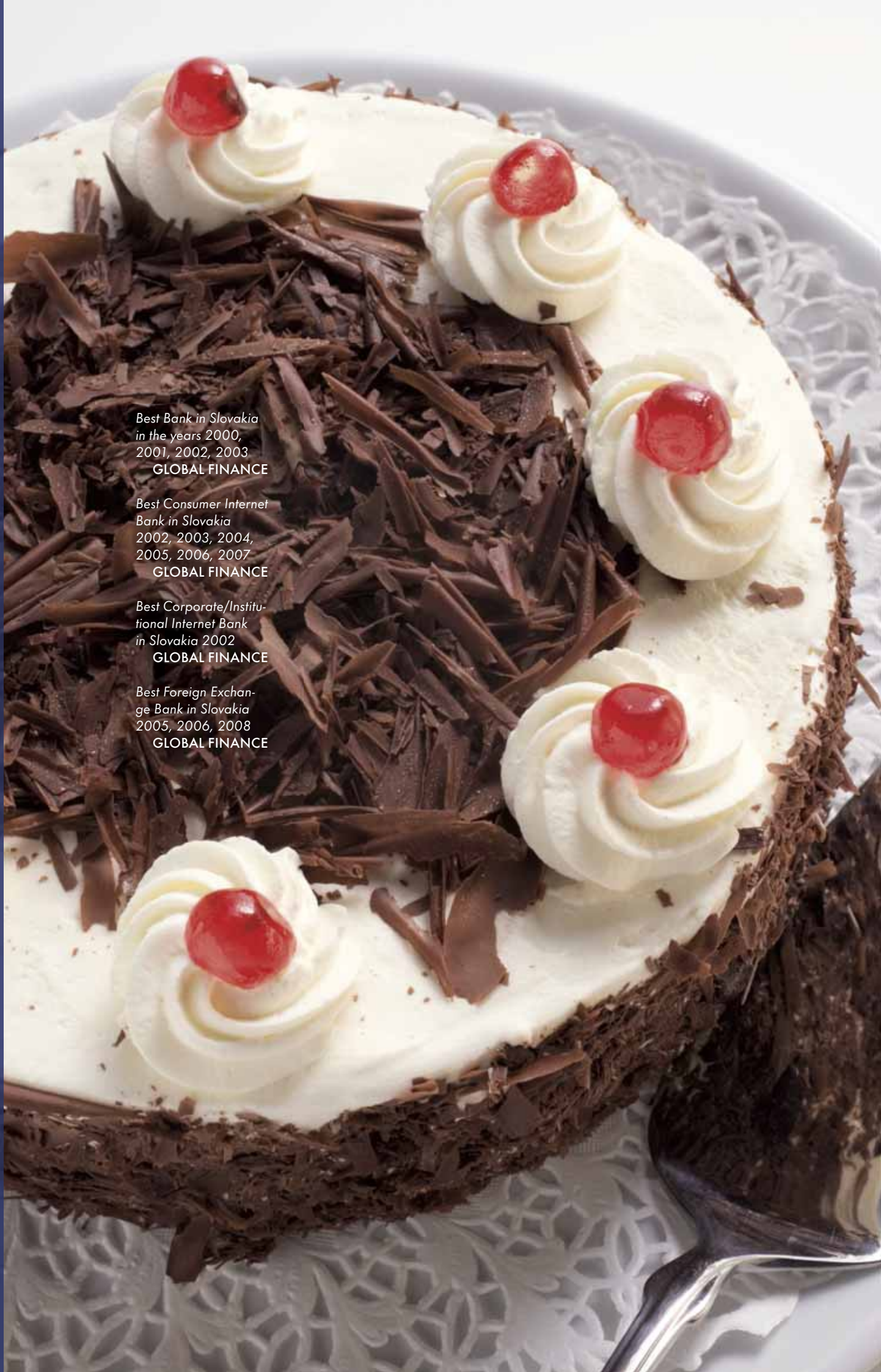
www.ri.co.at
www.rzb.at

Vision

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

Mission

- To establish professional long-term customer relationships
- To provide a full range of financial services of the highest quality
- To apply a pro-active and innovative approach to improving products and services
- To contribute to meeting the goals of the Group within the Raiffeisen International network and to achieve sustainable and above-average return on equity
- To co-operate closely with Raiffeisen Zentralbank and other members of the Austrian Raiffeisen Banking Group
- To encourage employees to show initiative and be entrepreneurial, thereby fostering their professional and personal growth.



Best Bank in Slovakia in the years 2000, 2001, 2002, 2003
GLOBAL FINANCE

Best Consumer Internet Bank in Slovakia 2002, 2003, 2004, 2005, 2006, 2007
GLOBAL FINANCE

Best Corporate/Institutional Internet Bank in Slovakia 2002
GLOBAL FINANCE

Best Foreign Exchange Bank in Slovakia 2005, 2006, 2008
GLOBAL FINANCE

Management's Report on Tatra banka Group

Slovak Economy in 2007

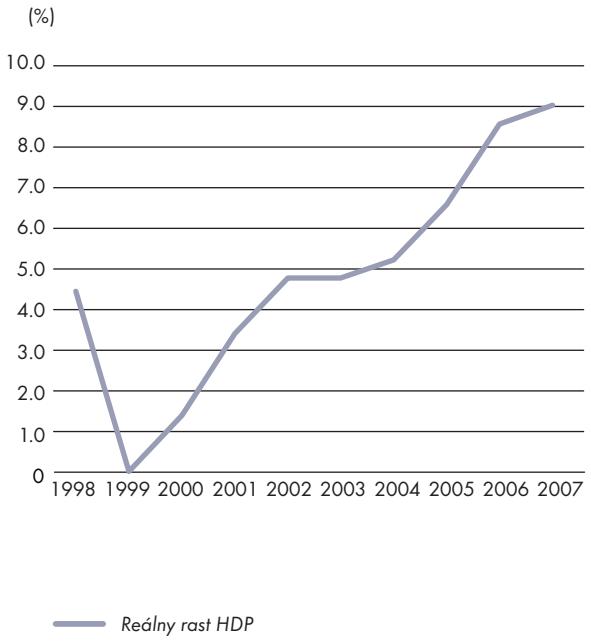
Slovak economy enjoys a record-breaking year

Simply put, last year all indicators of macroeconomic development in Slovakia that were supposed to grow, did grow, and those that were supposed to fall, did fall. Accelerated economic growth to a record level combined with a falling unemployment rate, inflation rate, public finance deficit and foreign trade deficit, is truly a unique and excellent combination.

Since 2000, economic growth has gradually gained dynamics,as high as 9.4% growth in the third quarter of 2007. The last quarter will also likely be strong, so 2007 will end with a new record. On an annual basis, 2007 will go down in history with real GDP growth of around 9%, not only the highest ever in Slovakia, but also the highest ever of the surrounding Central European countries. We are unlikely to see similar growth dynamics anytime again in the future.

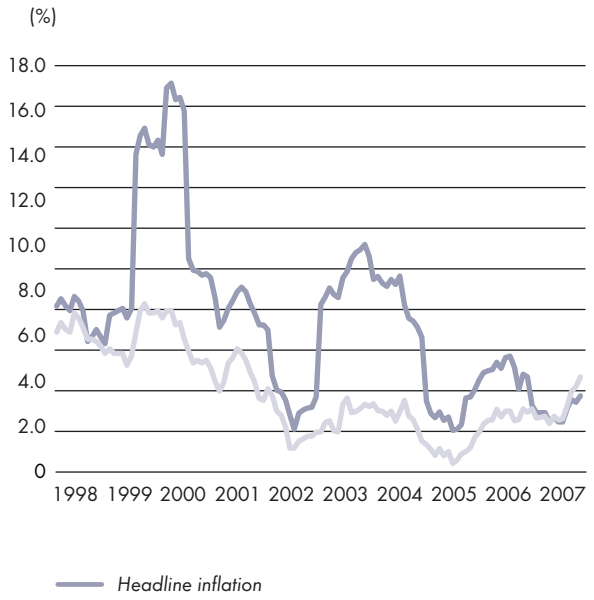
This excellent growth can be put down to the overall economic development in industry, services, and the construction sector. Industrial growth segments have long been concentrated into 3 sectors, which make up as much as four-fifths of total industrial production growth . The strong triangle - mechanical engineering, automotive, and electro-technical industries - will continue to drive Slovak industry. The services sector robustly follows the industrial sector, and its development is a natural reflection of economic progress. After a long period of double-figure growth, the construction sector found itself in the red in August. This was just a temporary break, however, as the completion of infrastructure projects and mega property development projects will soon drive growth. The foreign trade deficit was down SKK 55 billion year-on-year to SKK 19.7 billion, and next year we can probably expect a surplus.

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

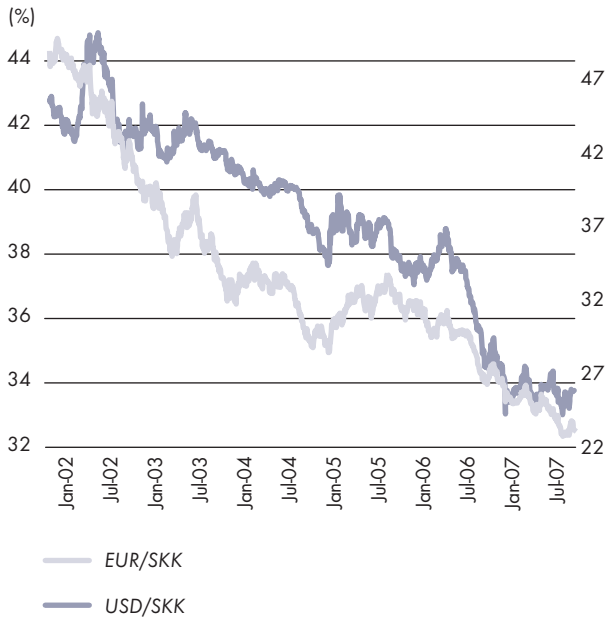


Economic development could also be strongly felt on the labour market. Employment was up 2% year-on-year and 51,000 new jobs were filled. Some people found work abroad (about 20,000), with many people regularly commuting to border regions (Hungary, Czech Republic) and some having left (Britain, Ireland). The unemployment rate fell year-on-year by almost 2% to 11.1% (ILO methodology), and some sectors have already declared a lack of workers. According to the data of the Slovak Statistical Office, a fair number of people still work abroad (about 170,000), representing a potential workforce reserve. Without job opportunities generated over Slovakia's borders, our unemployment rate would be about 5% higher. The registered rate of unemployment (according to Labour Office data) broke successive records. On average it dropped to 8.4%, and in October it even fell below 8%.

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



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



In 2007, average wages increased by 6.9%, which meant real growth of 4.0% after taking inflation into account. The average nominal wages edged past the SKK 20,000 mark for the first time. The growth in wages continues to be below the growth of labour productivity (up 7.0% year-on-year), which is a good signal, but the gap is quite large. This means there is room for higher wage growth in the future. In general, we can say that the ratio of compensation and remuneration to the GDP in Slovakia is one of the lowest among the EU 27. In 2006, this ratio in Slovakia was just 36%, which ranked us 4th from bottom in the whole of Europe. This ratio depends primarily on the economic maturity of the country, so with economic growth we can expect to see this ratio increase to about 50%, which is the average of the former EU 15. If we were to jump to this level immediately, our wages would be about 40% higher. Yet this is inhibited by the economy in which the share of services to GDP is still below that of Western Europe.

The growth in employment and salaries was also reflected in household consumption growth. For 2007, expenditure increased by a noteworthy 7.5%. However, consumption focuses more on the consumption of services, so retail sales saw average growth of just 4.8% during the year. Households still put aside a larger proportion of their income in the form of savings, and this trend does not seem likely to change in the near future. Therefore, we can expect to see continuing interest in alternative forms of investments, such as mutual funds, real estate, etc.

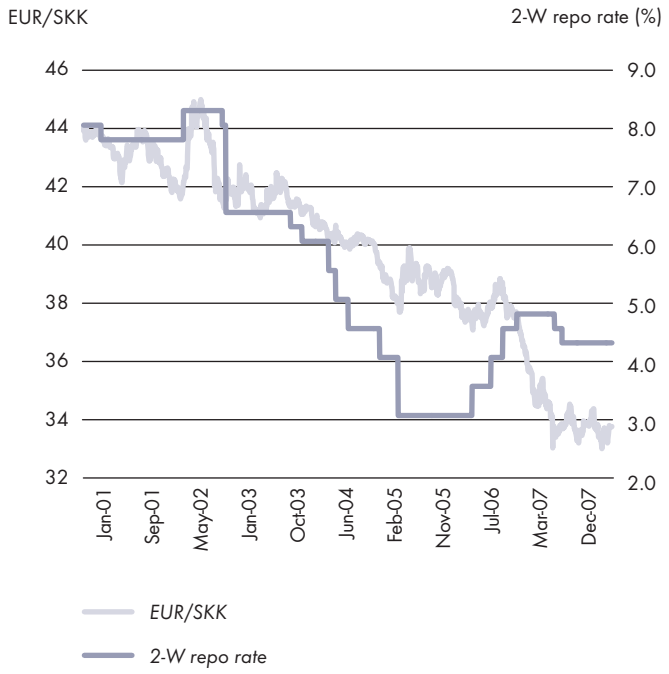
Slovakia start to satisfy the Maastricht inflation criteria in August

The development of inflation was very carefully monitored from the beginning of the year as compliance with the Maastricht inflation criteria was perceived as relatively the most problematic. The beginning of the year indicated, however, that inflation would not be a problem and in August 2007 we started to satisfy this key criterion. From September the global trend of growing food prices became apparent, also increasing inflation in Slovakia. While in August year-on-year growth in consumer prices was 2.3% (national

methodology), it was 3.4% at year-end. Meeting the Maastricht criterion was not threatened however. In December, our 12-month inflation average (measured using EU harmonised methodology) was just 1.9%, whereas the is criterion set at 2.8%. In March 2008, when the decision on our entry is to be taken, the reserve should be just as substantial.

At the end of October, Eurostat published the long-awaited revision of the public finance deficit for 2003 to 2006. We regard it as 'long-awaited' as information leaked to the public in early September that the deficit for 2006 was to be revised upwards by as much as 0.7% of GDP due to the inclusion of the results of operations posted by several companies (National Motorway Company and public media) in the public sector. The amount of the 2006 deficit is not as critical but the permanent inclusion of these companies in the public sector could also increase the deficit in 2007, which could seriously jeopardise Slovakia's ability to meet one of the key Maastricht criteria. Such speculation caused the koruna to weaken. According to the official report, only public media were included in the public sector in the end, increasing the deficit in 2006 only slightly. The largest potential deficit entry, i.e. the debt of the National Motorway Company, was not included in the public debt. Whether or not it is excluded in 2007 still remains uncertain. According to the latest forecasts for 2007, the Slovak Ministry of Finance estimates the deficit to range between 2.3% and 2.5% of GDP. This means that even if Eurostat requires that the debt of the National Motorway Company is included in the deficit, the deficit would still remain below the stipulated level of 3% of GDP. Next year the public finance deficit should drop to 2.3%.

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



Koruna saw revaluation of central parity and broke records

Looking at the graph showing the development of the Slovak koruna FX rate to the referential euro since 2002, the long-term trend of a strengthening Slovak koruna is clear. When evaluating the development of the EUR/SKK exchange rate in 2007 alone however, this development was far from being so distinct. As soon as early 2007 we did not see the usual strengthening of the koruna but the contrary – its weakening also under the influence of a broader regional trend, to approximately EUR/SKK 35.3 at the end of January. This was the lowest rate at which the Slovak koruna was traded against the euro in 2007. The most favourable period of the year for the koruna was February and March. In the first two weeks of February the EUR/SKK exchange rate strengthened to 34.2. The koruna also went up at the beginning of March to reach its all-time high of 33.80 as of the end of the month's first decade. The NBS responded to this development with direct intervention against the koruna with an estimated EUR 400 - 500 million. The koruna reacted relatively slightly, however, and in the following days it settled just above 34.00. Late in the evening

on Friday 16 March information leaked to the public about the revaluation of the Slovak koruna central parity in ERM II. With effect from 19 March 2007, the central parity shifted 8.5% downwards to 35.4424 from the initial level of 38.4550. The bottom threshold for compulsory intervention was set at SKK/EUR 30.1260 and the upper threshold at SKK/EUR 40.7588. Even though the new central parity was set below the market rate as it stood shortly before the change, the immediate reaction of the koruna was another sharp rise. On Monday it reached 32.70, which meant that the koruna strengthened "over the weekend" without any trading by an unprecedented SKK 1.20. The NBS responded to this development with massive intervention against the strengthening koruna, amounting to EUR 2.6 billion in March and April. Even though the immediate impact of the interventions was, despite their magnitude, relatively limited, the koruna started to weaken in May due to external factors. For the rest of the year, the EUR/SKK exchange rate did not follow a clear path as it fluctuated within a certain band, mainly depending on global developments. In the bottom-line, koruna exchange rate developments until year-end were influenced most significantly by the situation in the USA relating to the consequences of the mortgage crisis. The koruna moved closest to its maximum in mid-November when it was slightly above 32.80. Not even this "rally" lasted long however, and by the end of the year the EUR/SKK rate was traded above 33.6.

USD/SKK exchange rate development in 2007 followed a relatively similar course as EUR/SKK. At the end of January the USD/SKK exchange rate was traded above 27.3. With the strengthening of the koruna against the euro and the euro against the dollar, the exchange rate reached new all-time highs in November of around 22.40.

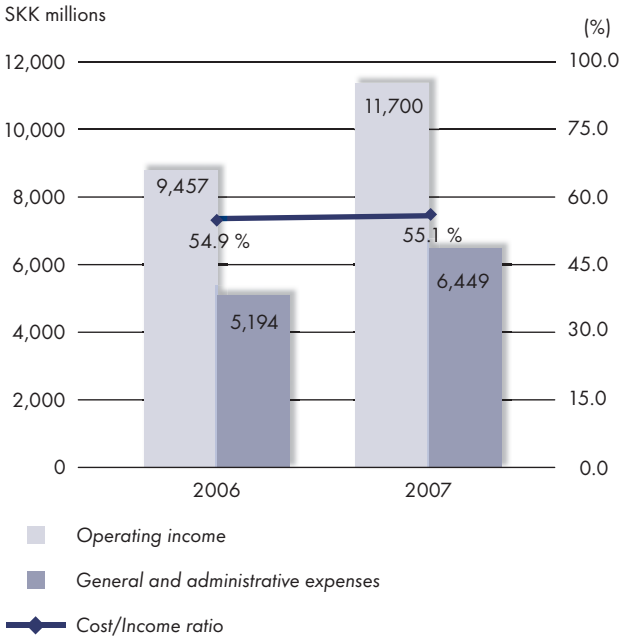
Interest rates fell during the year

The setting of the key interest rates by the National Bank of Slovakia (NBS) during the year was influenced chiefly by inflationary developments on one hand and by the policy of the European Central Bank (ECB) on the other. In terms of NBS monetary policy, 2007 was specific in the sense that the development of inflation during the year strongly affected the base for evaluating the Maastricht inflation criterion. In the last quarter of 2006 it still seemed that meeting this criterion might be beyond our control. However, at that time, our situation was greatly improved by a significant drop in oil prices, which can now be regarded as merely temporary. The drop in oil prices and resulting weaker growth in regulated prices from the beginning of 2007 very quickly improved the outlook for inflationary developments for 2007, which in turn affected NBS monetary policy . The favourable inflationary outlook and major strengthening of the koruna exchange rate in the first quarter provided the NBS with the opportunity to cut interest rates. The central bank cut its key 2-week rate in two steps in March and April, both by 0.25%, from 4.75% to 4.25%. The NBS monetary policy was also supported by the fact that in 2007 the ECB was in a cycle of increasing interest rates as it increased its key rate by 0.50% to 4.00%. A further hike in rates, which was initially anticipated, was prevented by the mortgage crisis in the USA. Attributable to the hike in the ECB rates, the short-term euro and koruna rates continued to further approximate from both sides.

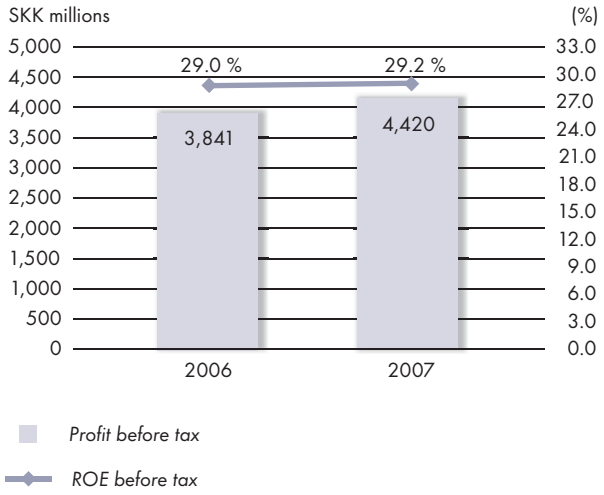
Summary of Consolidated Performance

The consolidated profit after tax of the Tatra banka Group went up 14.5% year-on-year, i.e. by SKK 437 million to SKK 3,451 million. This growth was attributable primarily to an increase in net interest income by SKK 1,236 million, which represents a 58% share of consolidated operating income, as well as to the growth in net commission & fee income by SKK 573 million, which accounts for a 27% share of the total operating income. Profit from trading increased year-on-year by 22.4%, i.e. SKK 379 million, whereby its share on the total operating income increased from 14.5% to 18%. As the growth dynamics of consolidated profit was not much faster than the growth dynamics of equity, ROE increased slightly to 29.2%.

Devepolment of Cost/Income ratio



Development of profit and ROE



Development of income and costs

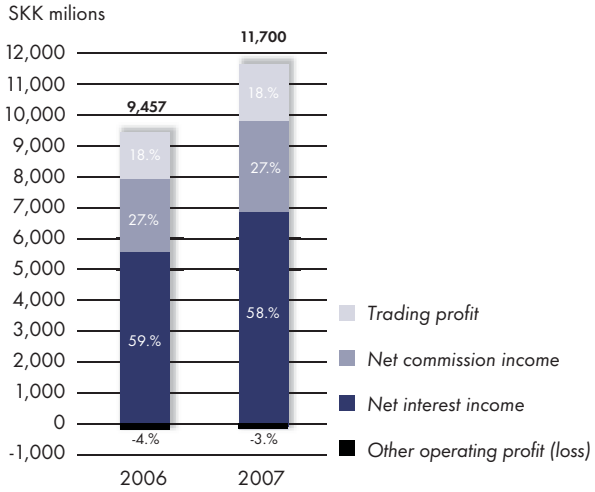
The year-on-year growth of assets by 21.2%, together with the growth in net interest margin by 15 bps and a 22.4% hike in profit from trading, manifested in a 23.7% growth in operating income. Due to the faster growth of operating costs over the growth in operating income, the cost/income ratio increased by 20bps to 55.1%.
In terms of income, the strongest growth was seen in net interest income, which enjoyed a 22.3% growth over the previous year, i.e. up by SKK 1,236 million. This growth was chiefly attributable to a 34% increase in loans to clients and a 16.5% growth in primary deposits. A higher percentage growth in net interest income over the growth of total assets by 115 bps meant a hike in the net interest margin by 15 bps.

Net commission & fees income was 22.3% up year-on-year to SKK 3,140 million. The growth was driven by expansion of the loan portfolio by both retail and corporate businesses. Loan fees noted a 47% growth over the previous year. The growth in net fees income was greatly boosted by income from sales of TAM investment funds and income from card fees.

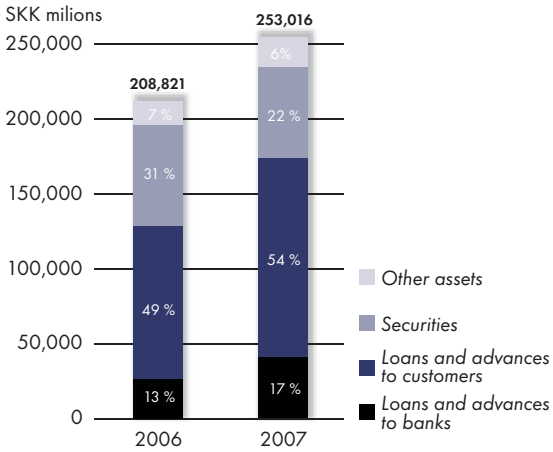
The share of net trading income in the structure of consolidated operating income increased by 3% to 18%, with its 22.4% year-on-year growth contributing to the overall increase in consolidated profit.

The structure of trading income consists mainly of foreign exchange gains, revaluation of interest and currency

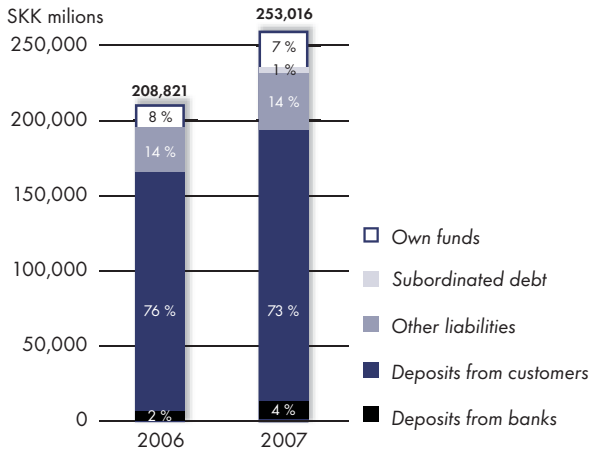
Structure of profits



Structure of balance sheet assets



Structure of balance sheet liabilities



derivatives, interest income, and profit from sale of trading securities. General administrative expenses increased year-on-year due mostly to costs relating to preparations for the adoption of the euro, by 24.2% year-on-year to SKK 6,449 million. The growth was chiefly attributable to increased IT costs, whether as depreciation charges or other direct costs. Dynamics of the growth in personnel expenses corresponds to the growth dynamic in headcount. The number of Bank employees increased by 4% on an FTE basis.

Balance sheet development

The consolidated balance sheet total increased by 21.2% year-on-year from SKK 208.8 billion at the end of 2006 to SKK 253 billion at the end of 2007. On the assets side of the balance sheet, gross loans and advances to clients went up by 34%, i.e. SKK 35 billion, to SKK 140 billion. Among credit products the highest absolute growth was seen in housing loans (i.e. mortgage and home equity loans), which increased by SKK 13 billion year-on-year (up 60%). An extremely strong growth dynamics was also seen in loans to SME, with a year-on-year hike of almost 49% (SKK 7.6 billion). Moreover, project financing enjoyed good results, with a 28% increase over the previous year.

On the liabilities side, the highest absolute increase was in client deposits, which grew by 16.5%, i.e. by SKK 26.3 billion to SKK 185.8 billion, and the strongest growth was in current accounts which went up by 20%.

The growth dynamics of loans was 17.4% higher than that of primary deposits, which in absolute figures means that loans increased by SKK 9.1 billion faster than primary deposits. To ensure seamless compliance with the capital adequacy measures after transition to the Basel II standards from 2008, the Bank adopted a subordinated debt of SKK 2.5 billion in 2007.

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
- Equity participations

Key Corporate Clients

(in SKK thousands or as a percentage)	**2007**	**2006**	**2005**
Net interest income	*1,449,380*	*1,174,646*	*974,433*
Net provisioning	*-223,762*	*-302,659*	*158,831*
Net interest income after provisioning	*1,225,618*	*871,987*	*1,133,263*
Net commission income and trading	*1,011,187*	*854,824*	*805,579*
Operating expenses	*-990,638*	*-891,910*	*-764,124*
Profit before tax	***1,246,167***	***834,901***	***1,174,719***
Cost/Income ratio	*40.26%*	*43.95%*	*42.93%*

Notes: Large and Middle market corporates

Thanks to the continued swift economic growth, we were able to preserve excellent results in 2007 in the segment of large corporate clients. The total loan portfolio comprised SKK 51 billion, with the highest growth dynamics being registered with companies engaged in the construction, automotive, and property segments. We participated in the financing of various acquisition projects. We successfully gained almost 200 new foreign clients and ranked No. 1 in terms of market share in the segment of Korean companies.

Tatra banka re-confirmed its position as a leader in the field of project financing. In 2007 we received the Euromoney Best Commercial Bank and Best Investment Bank awards. The overall project financing portfolio exceeded SKK 19 billion. The highest volume of financing was again granted by our Bank to commercial property projects, office buildings, and the construction of shopping centres. We substantially increased our exposure in residential projects, which enjoyed the strongest growth in 2007.

In co-operation with Treasury, we continued the intensive sale of structured products in currency and interest risk hedging in 2007. We successfully implemented new innovative products, primarily in commodity hedging.

SME financing successfully utilising the segment's growth potential

In 2007, Tatra banka achieved major success in the SME segment. We oriented our efforts on acquisition activities focusing both on newly formed and established companies, confirmed by the acquisition of 863 new clients. When compared to the prior year, this represents a 25% increase. As a result, the number of clients served by Corporate Centres exceeded 9,000.

In particular, 2007 proved to be successful in financing. The annual average volume of assets of the Corporate Centres was up 49% over 2006, which is record-breaking growth of as much as SKK 10.2 billion. This was linked chiefly to the fast economic growth, as well as our efforts to give clients new and effective financing solutions that meet their individual needs. As in the national economy where the construction sector was a major driving force, in Tatra banka we also registered a strong 59% growth in the volume of project financing loans in 2007. Tatra banka financed more than 130 small projects with an average amount of SKK 20 million. By financing small projects, we taught several novice developers the project financing standards and supported development outside Bratislava through the provision of credit financing. The strongest dynamic was seen in loans for medium-sized enterprises which enjoyed a 78% growth in volume over the previous year. We successfully continued to finance small companies where the volume of granted loans went up by 35% year-on-year. In 2007, the volume of alternative financing more than doubled when compared to the preceding year. This attested to the fact that we are capable of providing a wide array of financing options tailored to the needs and expectations of our clients.

The volume of new traditional loans for the SME segment totalled over SKK 13 billion for 2007, which is the best-ever result in the history of Tatra banka.

We further intensified our active co-operation with the Slovak Guarantee and Development Bank (SZRB), which resulted in an increase in the sale of fast loans with a SZRB guarantee. We granted SKK 1.9 billion in loans of this type, representing a 100% increase over the previous year, with the total number of approved fast loans in 2007 exceeding 670. By moderating our requirements on collateral, we accommodated a broader group of businesses, and in particular small businesses. At the end of 2007 we signed a contract with EBRD for a special credit line aimed at financing energy-efficient projects. These financial funds granted under favourable terms and conditions are actively used primarily for housing stock renovation aimed at increasing energy efficiency.

In the past year, we allocated a large volume of funds and extensive effort to creating and perfecting our loan processing systems. As a result, we simplified our processes by aiming to respond more promptly to client requests and to provide solutions which are tailored to respective needs and expectations.

We can also boast excellent results on the side of liabilities. The overall annual average growth of liabilities in the SME segment exceeded SKK 4.5 billion when compared to the previous year, which represents an increase of more than 16%. The total funds managed for Corporate Centres' clients reached SKK 34 billion. In 2007 we successfully introduced numerous new offers and solutions for our clients in dealing and treasury transactions. We are confident that these transactions will appeal to an increasing number of clients in connection with Slovakia's adoption of the euro. Therefore, we concentrated on training and educating our relationship managers in this area in 2007, and we plan to continue in 2008.

In line with our objective to provide exceptional personal and financial comfort to our clients in the fast-developing and prospective SME segment, Tatra banka launched a new business model of Corporate Centre management in 2007. The change in organisational structure resulted in 9 corporate centres, 8 corporate branches, and 10 Corporate Centre sub-agencies. We opened yet another Corporate

Centre in Bratislava, our fourth to date, in our effort to better meet client requirements. Qualified and experienced relationship managers are available at all Corporate Centres, corporate branches, and sub-agencies which operate in 24 towns across Slovakia. Their professionalism and dedication bring new solutions to the needs of our clients to exceed their expectations and to support their business success.

Export financing

The excellent relations which Tatra banka enjoys with Eximbanka have strengthened our co-operation, which in turn has led to the development of a new product "Export forfeiting with Eximbanka guarantee". Together with Eximbanka, Tatra banka supported exports in the form of refinancing loans worth SKK 2.1 billion, which is growth of more than 12% compared to 2006. Tatra banka in co-operation with Eximbanka not only boosted exports to the countries of the European Union, but also to other countries such as the USA, China, Algeria, Ukraine, Bosnia & Herzegovina, Belarus, and Croatia. Loans backed by an Eximbanka guarantee amounted to SKK 251 million. Export pre-financing saw growth of 43% compared with the previous year. In the last quarter, Tatra banka focused on developing the area of export financing and on actively searching for exporters through massive export offensives.

Intensive preparation for EU projects

Despite being the start of the new budgeting period for structural funds for 2007 - 2013, 2007 was a year in which the 2004 - 2006 programming period continued – the period in which Tatra banka smashed the threshold of 600 served clients interested in receiving funding from EU funds. By the end of December 2007 it had managed to increase the total volume of approved loans for EU projects by a further 10% to reach a total of approximately SKK 2.5 billion. This sum comprised more than 110 approved projects mostly in the field of agriculture, industry, energy, and tourism.

2007 also saw the specification of criteria for the new programming period 2007 - 2013 by the state. Tatra banka utilised 2007 to prepare intensively for the new conditions of the new EU budgeting period.

A new leader in comprehensive services for the agriculture sector

The volume of granted loans doubled. Two new products were developed and implemented. Growth in the number of clients using agri-financing. These are just a few of the major successes Tatra banka enjoyed in the agriculture sector. In 2007 Tatra banka increased the volume of granted bridging agricultural loans for direct payments by as much as 50%. The financing of direct payments by Tatra banka was supplemented by a new product - financing support for livestock. In 2007, Tatra banka developed yet another new product - agricultural loan for land with a maturity of as many as 15 years. For Tatra banka, 2007 was extremely successful in terms of agribusiness. The growth in the balance total with respect to specialised products for the agricultural sector alone (not including standard working capital financing and instalment loans) was as much as 60%.

In the field of commodity financing, despite a complicated situation on the commodity market we recorded growth of 21% with the resulting volume of granted loans amounting to SKK 1.4 billion.

Tatra banka Factoring strengthened its market position in 2007

In 2007 Tatra banka held the chair of the Association of Factoring Companies (AFS) and this year was marked once again by strong growth for Tatra banka factoring. Receivables worth SKK 5,712 million were refinanced, which compared with 2006 represents growth of 28%, while the AFS saw growth of just 2.5%. At the same time, Tatra banka strengthened its third-placed ranking on the Slovak factoring market with market share growth of almost 2.5% to 12.3%.

In 2007 domestic factoring accounted for the majority share of 55% of the total volume of refinanced receivables, and the share of foreign factoring grew to 45%, of which 44% comprised export factoring. The share of non-recourse factoring increased to 6%.

Factoring products have already found a stable position on the Slovak corporate financing market. In 2007 Tatra banka registered strong growth in financed receivables in the construction sector, which is currently enjoying a boom throughout Slovakia.

Treasury

In 2007 we again registered growth in the number of direct transactions of clients with the Treasury Department, which were up 20%. The number of transactions made through the electronic platform (i-deal) also increased - up 30% over 2006.

Our clients used hedging derivative transactions to a greater extent, as well as tailor-made structured solutions, the volume of which doubled over 2006. A positive signal is that these types of transactions are attracting a growing customer base (other than large companies which are established users) in the SME segment as well. Directing these products at this segment has proven to be the right decision.

Our clients could utilise the option of commodity hedging for the first time in 2007, establishing us as a pioneer in the provision of this product in Slovakia. We proved that each year we strive to perfect our product range and that we are among the first to launch new and innovative products on the market.

Retail clients

(in SKK thousands or as a percentage)	2007	2006	2005
Net interest income	4,208,129	3,510,716	3,194,817
Net provisioning	-329,500	-190,958	-434,369
Net interest income after provisioning	3,878,629	3,319,758	2,760,448
Net commission income and trading	3,005,920	2,526,529	2,488,805
Operating expenses	-4,490,340	-3,778,390	-3,732,540
Profit before tax	**2,394,208**	**2,067,898**	**1,516,713**
Cost/Income ratio	62.240%	62.580%	65.670%

Notes: Individuals, Small enterprises, Micro companies and Private banking clients

Retail focus still strong

Retail was strongly confirmed as one of the key client segments of the Bank in 2007. Tatra banka confirmed its position as the third largest bank in the retail segment in Slovakia, with its market share in all retail products being maintained if not increased. In several retail products Tatra banka enjoyed a faster growth than the overall market. As an example, we can mention the rising market share in the sale of mutual funds which increased from 31% to 35% year-on-year, or the growth in the housing loans market (mortgage loans, home equity loans) from 18% in 2006 to 20.5% in 2007.

Extremely strong economic growth, the increase in the wealth and purchasing power of the population, combined with the Bank's strong orientation on this segment produced sharp growth in the retail loan portfolio from SKK 29,8 billion to SKK 44.8 billion, and a rise in the volume of client deposits and investments from SKK 103,8 billion to SKK 122,5 billion (including investment to Tatra Asset Management, without Private Bankong). In 2007 Tatra banka continued its ambition to be synonymous with quality products and services provided by skilled and qualified personnel.

The Bank also paid great attention in 2007 to the training and professional development of its employees.
The system of certifying branch personnel was extended to include front desk staff. In this way the Bank endeavours to systematically increase the standard of services and thus the level of customer satisfaction. In 2007 we greatly extended and strengthened the posts of mortgage specialists. The concept of specialised personnel focusing on the sale of products and advice to clients addressing their housing issues was proven to be correct by customers' increased satisfaction and comfort, as well as a record volume of granted mortgage loans and home equity loans.

The business retail segment was also focused on - small businesses and sole traders. Thanks to the growth of its client base by 4.9%, Tatra banka strengthened its position as a leader in this segment. This fact drives us to continue to improve our services. Therefore, we focused on the professional growth of our Business Advisors in 2007. Emphasis was placed on the quality of the individual care of our Business Advisors and the extension of our product portfolio. This led to growth in the number of granted Business loans by more than 300% in 2007 compared with 2006. The product portfolio was also extended with the launch of our new Comfort business loan.

In an effort to get closer to its clients, Tatra banka continued to expand its branch network with the opening of 5 new branches. This brought the total number of branches to 128. In addition to the network of standard retail branches, Tatra banka also increased the number of specialised Centrum bývania branches (providing the full range of housing-related services) to 6. In November, Tatra banka confirmed its position as an innovator with the opening of its Investment Centre (Centrum investovania). This is the first outlet of its kind on the Slovak banking market. It provides the full range of investment-related services.

Despite the strong degree of loyalty that customers have to their respective banks on the Slovak banking market, in 2007 Tatra banka once more saw an increase in the number of its clients which increased by 31,000.

Financial advice

Tatra banka clients can take advantage of the full range of retail financial products via the Bank's branch network, both in terms of credit products and valorisation of available funds.

With regard to loans, Tatra banka offers a comprehensive portfolio of financing products for housing - mortgage loans, home equity loans. The added value lies in the professional advice provided by our mortgage specialists. As an alternative to a home equity loan, we also offer general-purpose loans without collateral.

With regard to investment opportunities, clients can choose from the wide range of Tatra Asset Management mutual funds. Clients can invest their funds directly or take advantage of the managed investment strategies of Profile Funds. The introduction of new capital protected funds for clients with a negative inclination to risk was exceptionally successful in 2007.

The real-estate mutual fund Realitny fond provided an attractive option for valorising long-term available funds .

The opening of the Centrum investovania provided the opportunity of investing in RZB Group funds. It also offers clients the possibility of directly purchasing specific shares or bonds.

Special savings programmes provide the option of investing on a regular basis. We support pension assurance through the funds of DDS Tatra Banky supplementary pension company. The full range of saving products is augmented by bancassurance products with the option of risk insurance.

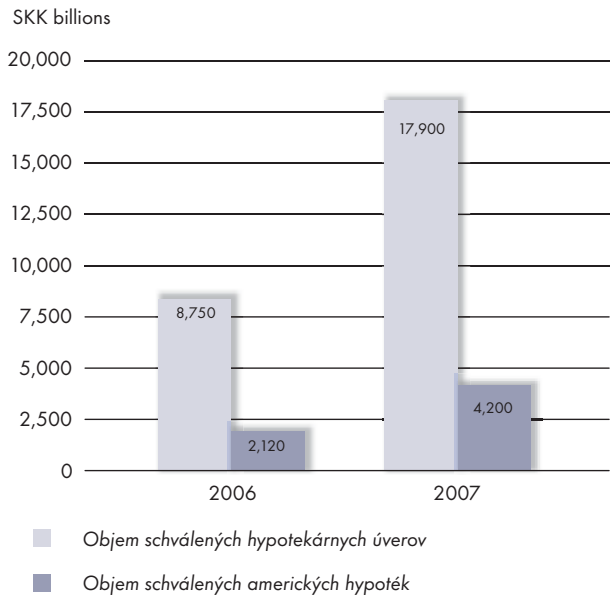
Quality advice and a personal approach to clients are the key factors behind Tatra banka's success.

In line with this philosophy, our financial advisors adhere to a system of advice and care, the outcome of which is an in-depth analysis of client needs and a range of products that are tailored to these needs. In the Premium client segment, private bankers use financial planning to produce the most effective product mix to maximise valorisation of the client's assets.

Mortgage success for Tatra banka on the credit products market

For the retail loans market 2007 could be characterised by a sharp increase in client interest in loans, whereby Tatra banka continued to strengthen its position as a key player. In 2007 we recorded strong growth in interest shown in consumer and mortgage loans. Even though this area is marked by strong competition, we managed to increase our market share in consumer loans from 12% in 2006 to 15% in 2007, and thereby boost our position on the market of retail loans even further. While the Bank had an 18.8% share of the market of housing loans in 2006, in 2007 this figure increased to 20.56%. In the segment of mortgage loans, this represents a leading position with an overall share of 34.59%.

Volume of approved mortage and home equity loans



In 2007, we granted 8,426 new mortgage loans worth SKK 15.3 billion, 2,396 new mortgage loans with the state bonus for young people amounting to SKK 2.6 billion, and 5,078 new home equity loans worth SKK 4.2 billion. The total of SKK 22.1 billion in new mortgage loans and home equity loans represented growth in excess of 100% over 2006. The total volume of approved loans was also boosted substantially by the "Centrum byvania" network which handled 15% of all approved loans.

(in SKK bn)	***2007***	***2006***	***growth in %***
Volume of granted mortgage loans	*17.9*	*8.75*	*104 %*
Volume of granted home equity loans	*4.2*	*2.12*	*98 %*
Total	***22.1***	***10.87***	***103 %***

At the beginning of 2007, we started offering a mortgage loan with the state bonus for young people, which allowed our clients draw as much as 100% of the value of the property at an interest rate reduced by 2.5%. In mid February we launched the product "Mortgage without Proof of Income", which appealed to a wide range of clients and non-clients alike. For those not wishing to document the purpose of use of the granted funds, we introduced the "Home Equity Loan™ without Proof of Income". These loans focus on clients who have income but who do not want or cannot document it for some reason and who concurrently own some property that they can use as collateral for the loan. We also introduced a 2-year fixed interest rate option which will allow clients, upon the adoption of the euro, to adjust the rate to the interest rates applied in the Eurozone. Additionally, mortgage loans are more attractive due to their low interest rates.

The sale of general-purpose consumer loans and general-purpose consumer loans secured by finances was supported throughout the year by a successful series of advertising campaigns and other activities focusing on the Bank's own client portfolio. Last year our bank granted general-purpose loans without collateral worth over SKK 2.6 billion. Compared with 2006, this represents 26% growth.

In the processing of general-purpose loans without collateral, in March 2007 we started to use the Social Insurance Company Register which greatly contributed to accelerating the processing of applications and to the greater comfort for our clients.

The general-purpose loan product portfolio is supplemented by general-purpose loans secured by financial funds. Our Bank granted a total of SKK 1.23 billion via this loan product last year.

Unsecured General-Purpose Loan *Volume in SKK bn*	***2006***	***2007***	***growth in %***
granted loans	*2.095*	*2.631*	*26 %*

The business segment is still at the centre of interest in retail

In 2007 the Bank successfully continued the trend from the previous period and actively developed its activities aimed at supporting sales in the business retail segment (small businesses and sole traders).

As well as increasing the specialisation of Business Advisors, last year we also placed great attention on the efficiency of sales by introducing successful sales methods throughout the branch network. Sales of loan products for this segment were also supported during the year by advertising campaigns and specific offers for the Bank's client portfolio.

Thanks to these activities, the Bank recorded more than a threefold growth in the number of granted loans compared with 2006 - with a total volume of almost SKK 2.4 billion.

Business Loans[TB] *volume in SKK bn*	***2006***	***2007***	***growth in %***
granted loans	*0.759*	*2.377*	*213 %*

Deposit products and forms of saving

Clients increasingly moved their funds from traditional forms of savings to mutual funds in 2007.

Tatra banka clients continued to show increased interest in the mutual funds of our subsidiary Tatra Asset Management (TAM) offered at Tatra banka branches . The total assets of our retail clients were up 44.7% year-on-year to SKK 45.3 billion. The volume of net deposits (deposits minus redemptions) into mutual funds in 2007 made through Tatra banka came to SKK 13.1 billion, which is astonishing year-on-year growth of 200%! This record-high growth underlines the fact that 2007 was the most successful year for Tatra Asset Management in its history. The top selling funds in 2007 were Capital Protected Funds[TB], which together with Profile Funds[TB] make up a key component of the retail range of mutual funds on offer at Tatra banka. Investors deposited SKK 6.4 billion net into Capital Protected Funds[TB], which took the total volume of assets administered in these funds to SKK 7.8 billion. Net deposits

of SKK 1.6 billion went into Profile Funds[TB], meaning total assets administered in Profile Funds[TB] amounted to SKK 13.3 billion at year-end. As a new product, Tatra banka launched a special real-estate mutual fund entitled TAM - RealitnýFond[TB], which attracted SKK 1.6 billion from investors. The series of Capital Protected Funds[TB] successfully continued with the launch of the TAM - CPPI Capital Protected Fund II and TAM - CPPI Capital Protected Fund III. During the one-month subscription period, clients invested more than SKK 3.4 billion into the TAM - CPPI Capital Protected Fund II, which was an all-time record for sales of any particular fund on the Slovak mutual fund (collective investment) market. In the reference period, Tatra Asset Management strengthened its position as the Slovak market leader in terms of the volume of assets under management, increasing its market share to 35.52%.

Despite client's strong orientation on investing in mutual funds, primary deposits of retail to Tatra banka also increased year-on-year by SKK 6.25 billion (8.65%). This growth was chiefly attributable to deposits made by clients in term accounts and current accounts, which together accounted for more than 90% of the total volume retail of deposits. Growth was also recorded in primary deposits per client, which increased by 5%.

Tatra banka is still number one on the payment card market

In 2007, Tatra banka confirmed its top spot in terms of the number of issued cards totalling nearly 1.5 million, this increased its market share from 27.6% to 31%. The Bank also reaffirmed its strong lead as a market leader in credit cards - with over 706,000 issued cards it holds a market share of 55.3%. The volume of payment card transactions was up 17.5% over 2006 to reach almost SKK 70 billion.

The Bank introduced various new elements in the area of payment cards in 2007, in April it launched the first platinum payment card unique to the Slovak market. This card gives holders the exclusiveness of unique services intended for the most demanding clients, as well as security in the form of CHIP&PIN technology. Together with the launch of this card we introduced differentiated interest rates for individual credit card types.

Clients were approached twice within one year with the offer of unique designs for the standard VISA credit card. In May we offered a limited edition design with an image of the High Tatra mountains - photograph by Pavol Barabáš (director, photographer and traveller, winner of the Tatra banka Art Award in 2005). Another limited series was introduced in November - a bright yellow card with the signature of Július Satinský - in memory of this excellent artist who was also awarded the Tatra banka Art Award in memoriam.

We continued the CHIP&PIN technology implementation. Where VISA Electron cards are concerned, in late 2007 the Bank completed the migration of the whole card portfolio to this technology. The Bank provided cardholders with higher added value. Since October clients could use chip cards as an unparalleled tool for logging onto Internet banking using **Card**&Reader[TB] which guarantees greater security than other electronic banking login tools.

Payment cards

In 2007 Tatra banka strengthened its position with its business partners in Slovakia as the leader on the market in payment card acceptance. The total volume of transactions made via Tatra banka payment terminals exceeded SKK 27 billion, whereby its market share in turnover made by payment cards reached almost 39%. This was also attributable to an increase of more than 27.5% in the number of installed payment terminals, giving Tatra banka the lead position in Slovakia in terms of the number of payment terminals installed. Furthermore, in December Tatra banka was the first and only bank to-date in Slovakia to pass the SKK 3 billion threshold of monthly turnover at payment terminals located at business partners. Last year saw continued interest in payments with payment cards at retailers, as confirmed by the 30% year-on-year growth in the number of transactions at payment terminals.

With the highest year-on-year increase in the number of ATMs compared to other banks in Slovakia, Tatra banka retained its third-placed ranking on the Slovak market, increasing its share of the number of ATMs on the market from 14.5% to 18% in 2007. More than 13 million transactions were made at Tatra banka ATMs, which is a year-on-year increase of 9.9%. The total volume of transactions amounted to SKK 47.4 billion which represents year-on-year growth of 14.6%.

In May 2007 our Bank was the first to put a mobile ATM into operation, providing cardholders with the standard range of ATM services at large open-air events.

In co-operation with Orange Slovensko, the Bank also prepared a new functionality at its ATMs. Since late 2007 Orange Slovakia customers have been able to pay their bills for telecom services in a simple and convenient manner at any Tatra banka ATM.

Internet banking

The prestigious economic magazine Global Finance again declared Tatra banka the Best Consumer Internet Bank in Slovakia for 2007. This award is given to the most successful and innovative banks in the area of internet banking. This is the sixth time Tatra banka has received the award.

Quick access to account and product information and, in particular, the simplicity of making payments are the main reasons why the number of Tatra banka Internet banking clients is continually rising. In 2007 more than 10.5 million domestic payment transactions were made through Internet banking, meaning Internet banking has retained more than a 20% year-on-year growth in the number of payments.

Tatra banka was the first in Slovakia to introduce in Internet banking a unique security tool – **Card**&Reader™ – which allows clients to use standard payment cards for log-in and payment confirmation. The payment card together with a card reader means greater security when working with Internet banking.

The Internet banking functionality was extended for information on term accounts and in the i-invest section an overview of Savings products was added. In connection with preparations for the adoption of the euro, dual denomination of balances in SKK and EUR for current and term accounts, loans and credit cards was added to Internet banking in mid 2007. The FX exchange mid rate of Tatra banka applicable on the given value date is used for conversion.

DIALOG

The DIALOG contact centre confirmed its position as the key distribution channel of the Bank in 2007, not only in terms of servicing customers, but also in terms of active telemarketing - sale of credit cards and arrangement of client meetings with the aim of consulting general-purpose consumer loans, mortgage loans and home equity loans, as well as passive telemarketing – the provision or gathering of various information from a target client group.

In July 2007 we introduced a customer satisfaction survey to monitor customer satisfaction with services provided by the DIALOG contact centre and to identify areas for development and quality improvement. Once a telephone call with a client is finished, the client is redirected to an evaluation system where they can express their satisfaction or dissatisfaction by selecting a number. The evaluation results are then analysed in detail and serve as a basis for preparing individual and group training focusing on the development of professional knowledge and communication skills.

In 2007 DIALOG extended the scope of information provided to include details of term accounts.

GATE application

In July 2007 the new front-end application GATE was put into live operation. The purpose of GATE is to collate data about clients and their products from various bank systems, to process them on a daily basis and to provide users with a unified client profile containing personal and product information. The GATE application is not only used throughout the Tatra banka branch network, but also by the DIALOG staff, corporate centres, and other organisational units.

Alongside the use of GATE, the development of new functionalities and integration with other bank systems continue so that the long-term vision of a unified front-end solution for Tatra banka distribution channels is achieved.

Private banking

Private Banking successfully kept up with the strong growth dynamics in assets and the number of clients under management in 2007. Competitiveness on the market is constantly increasing and last year's specific feature was the entry of global wealth management leaders on the Slovak market.

Client assets under management increased by over SKK 8 billion to reach SKK 31.5 billion, year-on-year growth of 35.7%. Tatra banka again confirmed its position as a leader in the private banking segment in Slovakia.

The average client portfolio amounted to SKK 16 million, which is growth of 24% over the preceding year. The number of clients went up by 163 year-on-year, an increase of 9%.

TAM is the strategic provider of private banking products related to fund investments. The volume of client assets in these funds amounted to SKK 8.7 billion. Investment in funds is also arranged by Raiffeisen Capital Management, supplementing the range of offered funds for our clients in the euro currency.

Private clients had the opportunity to invest in corporate bonds in Slovak koruna by participating in the primary bond issues of Tatra Residence and Tatra Leasing. These issues effectively extended the spectrum of investment tools offered to private banking clients, while marking the first bond issues of both companies.

Private Banking also regularly prepares special issues of protected structured products for its clients. The issues reflect current investment opportunities on the market and allow investors to achieve potentially lucrative yields with the principal guaranteed as of the day of maturity. Issue of these products are arranged by other group banks (RCB, RZB), or the largest global investment banks. The total volume of investments into structured products exceeded the SKK 1 billion threshold.

Treasury

Treasury – summary transactions (in SKK billions)	**2007**	**2006**	**2005**
Spot foreign exchange operations on interbank market	*2,567*	*897*	*713*
*Interbank money market deposits**	*9.0*	*9.7*	*9.7*
Foreign exchange operations with Tatra banka customers	*401.73*	*291,5*	*270.5*
*Money market operations with Tatra banka customers**	*52.4*	*35.2*	*2.8*

*average

The Treasury segment was once again a major contributor to the Bank's excellent results in 2007 and accomplished the tasks for which it had a mandate from the Bank's management. The division cut the number of departments to four and kept jurisdiction only for the dealing element. The division retained the Trading Department, Clients Department, Investment Banking Department and Asset and Liability Management Department. The support sections Middle Office and Marco-economic Analyses were moved outside the division.

The activity of dealers on the interbank foreign exchange and money markets confirmed the key importance of interbank trading at the Treasury division. For the third consecutive year, spot dealers received the prestigious "Best Foreign Exchange Bank in Slovakia" award from the magazine Global Finance. The share of Tatra banka of the interbank foreign exchange market in Slovakia amounted to almost 40% in 2007. On the money market, Tatra banka continued to be a reference bank for setting BRIBOR. The share in trading interest rate instruments came to almost 20%. The Bank continued to participate in fixing the benchmark state bond curve.

In our corporate customer care, in the Clients Department we endeavoured to expand the product range in 2007. We introduced a commodity swap and a commodity option and enabled our clients to manage their interest risk through new products. The success of the department, besides the growth in structured products sale , is backed by the 84% year-on-year growth in the turnover of foreign exchange operations and the 50% year-on-year growth in deposits. Likewise, we continued to improve the telephone network, through which the availability level reached 95%.

More than a 20% year-on-year growth in the balance sheet total put demands on the market risk management in the Bank Book. In 2007, the Assets and Liabilities Management Department perfected the mitigation of market risks in segments that have no tools for their management. The Bank's growth also required obtaining additional own funds in the form of a subordinated debt which the Bank drew at EUR 75 million in 2007. The credit activities of the Bank were supported by sufficient own funds. External debt was acquired only to satisfy legislative requirements for the coverage of granted mortgage loans by mortgage debenture issues.

The Investment Banking Department oversaw the compatibility of the Bank's processes with the newly approved European directive, MiFID, which deals with the provision of investment services. This project exceeded 2007 in terms of its importance. In co-operation with the Bank's other units, the department set the processes so that clients receive sufficient information to make their decisions. We will inform clients of the respective category to which they are allocated and they will be treated accordingly

Payments Division

The dynamic development in the number of payment orders made through Tatra banka also continued in 2007. Outgoing domestic payment orders increased 12% year-on-year. This was primarily thanks to domestic payment orders made via electronic distribution channels. These accounted for 81% of all domestic payments. At the same time there was 13% growth in the number of payments in favour of Tatra banka clients.

With respect to foreign payments, we posted 12% year-on-year growth in outgoing foreign payment orders. This positive result was mostly attributable to the active use of electronic distribution channels by the Bank's clients, as proven by 86% of orders received through electronic channels (60% of orders were sent for processing via Telebanking and 26% through Internet banking). The growing trend could also be seen in incoming payments in favour of Tatra banka clients, where 22% growth was recorded. The number of paper order slips used both for domestic and foreign payment orders had a falling trend compared with 2006..

Regional Card Processing Centre

Since its establishment in 2002, the Regional Card Processing Centre has operated within Tatra banka as a competence centre focusing on the processing of payment transactions by cards issued by partner banks within the Raiffeisen International group. Besides Tatra banka, its services are also used by banks in Albania, Bulgaria, the Czech Republic, Croatia, Romania, Serbia and Ukraine, which were joined by Raiffeisen banka Kosovo in May 2007. Compared with 2006, the Regional Card Processing Centre saw a 22% increase in the volume of processed transactions, while the portfolio of processed cards expanded by 18.5%.

In 2007, besides securing high reliability, security, capacity, and stability for the card management system, the card centre also focused on a major expansion and support for new debit and credit card services used by individual member banks. This mostly concerns the settings of loyalty schemes, the use of new chip functions, arrangements for credit card instalment payments, improvements in credit card claim recovery management, together with a whole range of other optimisation measures. The centre also performs tasks pursuant to the Raiffeisen International strategy aimed at consolidating the administration and processing of payment cards in a single centre. This makes our Regional Card Processing Centre the given centre for all fellow banks within the RI group, except for those operating in the former Soviet Union countries.

Equity participations

Tatra Asset Management

SKK mill.	2003	2004	2005	2006	2007
Total revenues	187.2	231.5	429.9	507.9	698.8
Profit after tax	9.0	48.1	98.8	113.4	178.9
ROE	14.8 %	53.9 %	60.8 %	42.2 %	43.1 %

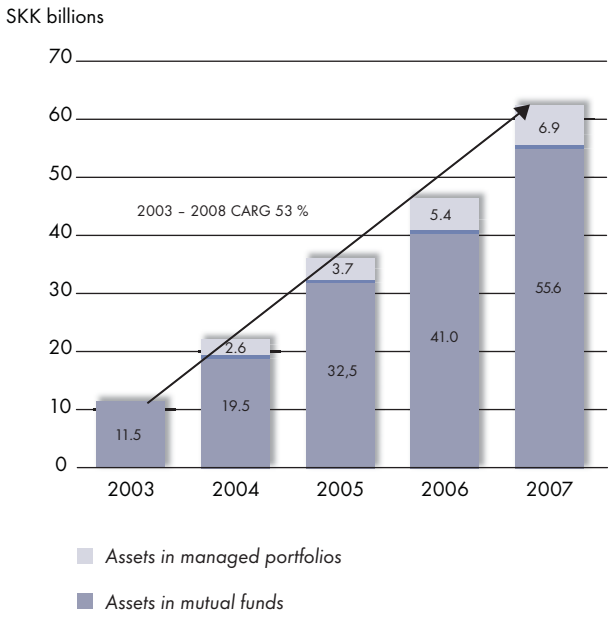
Following a year of stagnation, the mutual funds market in Slovakia picked up once again. The total volume of assets in open-end mutual funds as of the end of 2007 came to SKK 158.7 billion, while the total volume of assets under management by asset management companies, including assets in special funds and in managed portfolios, totalled SKK 176.1 billion. The revival in growth is attributable primarily to the renewed interest of clients in money market funds and prevailing interest in capital protected funds.

For Tatra Asset Management 2007 has been the best year in its history, as it strengthened its hold as a market leader, both in terms of market share and the ability to offer new products to clients.

The total volume of sales of TAM mutual funds in the past year increased by 48% year-on-year to SKK 31.2 billion. The introduction of new products had a critical positive influence on the volume of sales - two issues of the Capital Protected Fund and the special real estate fund. In terms of volumes concerning the structure of sales, it was money market funds and Capital Protected Funds that clearly dominated as in aggregate they accounted for almost two thirds of all sales. Net sales of TAM mutual funds (total sales minus redemption) almost doubled year-on-year to SKK 14.0 billion, resulting in the total volume of assets in TAM mutual funds increasing by 36% year-on-year to SKK 55.6 billion. Due to the much stronger growth dynamics of assets when compared to other asset management companies, TAM increased its share on the open-end mutual funds[1] market from 32.1% to 35.3% in 2007.

Total assets managed by the company, including assets in managed portfolios, were 35% up year-on-year to SKK 62.5 billion. The company's total market share as of the year-end represented roughly 35.5%.

TAM assets under management



1 According to unofficial data of the Slovak association of asset management companies SASS

The company's revenues were up 38% year-on-year to SKK 698.8 million. The major share of the revenues came from income from mutual fund management fees (71%) and income from entry fees (22%). Total costs of the company increased by 30% year-on-year to SKK 477.6 million. The largest portion of expenses - as in the previous year - was spent on mutual fund sale brokerage (75%).

In 2007, the company generated profit after tax of SKK 178.9 million, which is 58% up on the previous calendar year.

Doplnková dôchodková spoločnosť Tatra banky

SKK mill.	*2003*	*2004*	*2005*	*2006*	*2007*
Total revenues	x	x	x	67.3	125.2
Profit after tax	x	x	x	8.5	39.3
ROE	x	x	x	13.4 %	47.2 %

Notes:

1. Company's financial data for 2003 - 2005 is not available as the company was established on 10 April 2006.
2. Company's financial data for 2006 was greatly affected by the fact that the data covered the period from 10 April 2006 to 31 December 2006, i.e. approximately 9 months of the year.

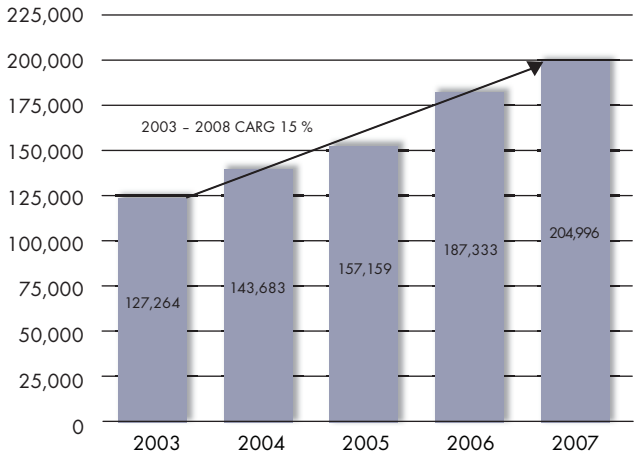
The supplementary pension savings market saw the first year, after the transformation in 2006 of original supplementary pension insurance companies (DDP) to standard supplementary pension savings companies (DDS), to be successful.

The total number of clients of supplementary pension savings companies reached 935,000. The total volume of assets under management by supplementary pension savings funds amounted to SKK 25.0 billion, which represents year-on-year growth of 17%.

In 2007, DDS Tatra banky successfully retained its position as the fastest growing supplementary pension savings company, enjoying a 42% share of the overall increase of net asset value of supplementary pension funds.

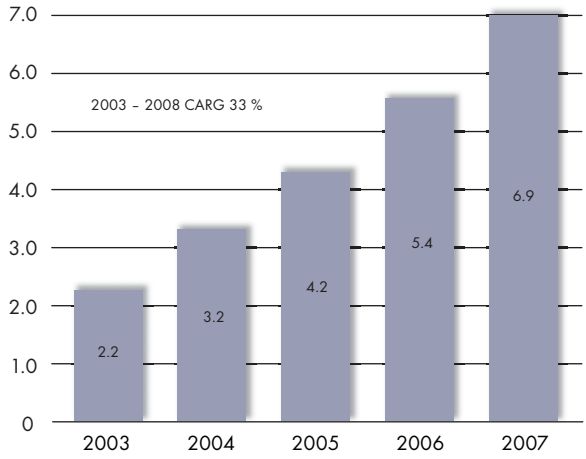
In the past year, DDS Tatra banky saw its total number of clients increase by 9.4% to reach 205,000. It had 6,610 employer contracts as of the year-end, which is a 4% growth year-on-year.

Clinets of DDS Tatra banky



DDS Tatra banky assets under management

SKK billions



The total volume of assets in the supplementary pension funds of DDS Tatra banky grew 28% year-on-year to SKK 6.9 billion, strengthening DDS Tatra banky position as the second largest supplementary pension company in Slovakia with a market share of 27.5%, compared with 25.5%[2] at year end 2006.

In November 2007, DDS Tatra banky introduced Zaistený príspevkový d. d. f. 2017 protected pension fund, making it the first supplementary pension company in Slovakia to open the product concept of capital protected funds in the segment of pension savings.

Revenues of DDS Tatra banky in the past year came to SKK 125.2 million, with the key portion being attributable to revenues from supplementary pension fund management fees (95%). Total costs of the company came to SKK 76.7 million, being absorbed mostly by operating expenses (86%) and supplementary pension savings brokerage fees (5%). In 2007 the company generated profit after tax of SKK 39.3 million.

2 According to preliminary results of the association of supplementary pension companies ADDS

Tatra Leasing

	2006	2007
Interest and similar Income	*506,711*	*602,369*
Net Interest Income	*251,913*	*230,399*
Net Profit after Tax	*93,203*	*78,112*
RoE before Tax	*16.24 %*	*13.80 %*
RoE afterTax	*15.06 %*	*11.51 %*
Cost/Income ratio	*57.19 %*	*62.18 %*

In 2007 Tatra Leasing moved to third-placed ranking of leasing companies in Slovakia with its volume of new transactions at cost excluding VAT amounting to SKK 8,930,259 thousand, which represents a 27.32% increase in the volume of transactions. The increase was 3.5 times higher than that of the leasing market as a whole (7.8%). Tatra Leasing boosted its market share in 2007 to 11.43%, from 9.67% in 2006.

The major portion of the volume of Tatra Leasing's transactions made in 2007 was represented by trucks, trailers and semi-trailers (32.99%), followed by machinery and equipment (22.05%), passenger vehicles (14.26%), utility vehicles (13.68%), real estate (9.79%), and other commodities (7.23%). In the real estate segment, the volume of transactions in 2007 increased by as much as 98.16% over 2006.

The company concluded 7,312 contracts in 2007, which is year-on-year growth of 19.59%.

Human Resources

The successfully achieved goal of Human Resources last year was to recruit, develop and motivate people in line with the Bank's business objectives. Considering the strongly competitive environment, the brain-drain of qualified workers abroad and to the automotive industry, and the strong fluctuation within the banking sector itself, this is proving increasingly challenging.
Retaining productive talented people in the Bank therefore continues to be one of our key priorities for the future. In co-operation with the Bank's management, we devised and implemented a simplified organisational structure. Instead of the previous six management levels, we now have just four - management of the bank, levels B-1 and B-2, and the level of sellers or specialists. We adequately reduced the number of managerial posts. By levelling out and simplifying the organisational structure, the vertical communication and flexibility of the organisation improved substantially. We capped the number of departments and divisions thus ensuring that the scope of managerial responsibility is also kept at an adequate level in future. We continued to strengthen the principles of performance management by objectives, by organising workshops for all managers of the Bank. Together with line managers, we put together a plan of replacements for all key units. This provided us with an overview of employees who demonstrated potential for further growth who we can develop for managerial posts. With regard to benefits, we created a unique system called Cafeteria, which grants benefits according to employees´ wishes and thus enhances their loyalty to the Bank. We are fine-tuning the salary and bonus system so that it is both motivating and stimulates strong output.

We are also working on intensifying co-operation with universities with the aim of acquiring talented new employees. Another round of the Management Trainee programme is successfully underway, which should produce four more talented university graduates ready for work in specialised sections of the Bank.

The staff structure remained unchanged with 70% women and 30% men. We are a young organisation with an average age of 30, while over 50% of the staff is university-educated.

Outlook for 2008

We can boldly refer to 2008 as a year of the greatest challenges facing our Bank. Slovakia must prepare itself for the adoption of the new currency - the euro. The whole banking sector is involved in this process, including Tatra banka of course. That is why we are intensively making preparations. The application of processes linked to the changeover to the euro and entry to the Eurozone will therefore be the primary task facing us this year. The Slovak economy has got off to a very good start and it demonstrates all the requisites for Brussels to decide in our favour. The outcome of our efforts will already be known in the first half of this year. Any negative standpoint would shatter our hard efforts to date concerning transition to the euro, not to mention the financial and economic consequences that such a decision would have on banks, and society as a whole. We must therefore now exert the maximum effort to ensure the successful culmination of this transformation process.

A key problem for Tatra banka will be to cover the transition to the euro from the technological, logistical and organisational perspectives. That is why it is essential that we successfully complete various complex projects such as Midas+, Basel2, MiFID, and Gate2. Accounting for the importance of the whole process, we want to place emphasis on increasing the level of information which clients and Bank employees have, and to intensify co-operation with the Slovak Banking Association. We are developing our efforts so that in the course of 2008 our clients, business entities, are provided with a sufficient volume of euro cash on time. At the same time, we are planning to produce a special starter pack for the public so that citizens can become acquainted with the new currency and get used to it in advance - especially with regard to the optical differences in denominations. Our information systems must be adapted so that we can cope with dual pricing, adapt bank equipment, and prepare our ATMs for issuing cash in the new currency from the New Year. Preparation for the euro and everything related to it will be at the centre of our attention in 2008.

The philosophy of our Bank's activities is based on its operations to date, while taking into account development on the banking market and rising competition. Our goal is not just to retain our position among the strongest banks in Slovakia, but to retain and boost our position as an innovator on the banking market. We want to continue offering attested products to date, perfect them, expand the network of services, and also come up with new products to meet the needs and expectations of our clients as much as possible. That is why our key objectives include, of course, increasing the efficiency of processes, speeding up the provision of products, making their offer more attractive, and redesigning the product portfolio. Tatra banka has always been interested in making sure our clients are satisfied

and that we are capable of offering them services to the required high standard. Customer satisfaction is one of the top priorities we have outlined for 2008. We want to be a bank whose image is constituted by its satisfied customers, whom we are capable of providing services to as required and to the required standard. It is therefore in our interests to work actively also in the field of Human Resources, to increase the qualification and knowledge of current employees, and to take on new experienced people from whom we can expect increased efficiency and work quality.

Naturally, increasing quality does not just concern retail banking, but also work with our corporate clients. We want to extend the range of services for SME and adapt our services to their specific needs. Our objective is the same in relation to large corporate clients. This year we want to continue expanding the services we offer via Treasury, especially in the area of commodity hedging, and to make Treasury products available to a broader spectrum of clientele in the SME segment. Another objective for 2008 is to further improve our Internet banking, which we endeavour to secure against misuse in the maximum possible way. Thanks to the state-of-the-art technology **Card**&Reader™, which we launched on the market, our clients can now safely use our services. At the same time we plan to reinforce our IT technology with the aim of improving this system in the Bank and adapt it to the requirements for entry to the European Monetary Union.

At the end of last year we opened Centrum investovania (the Investment Centre). This is a unique project where in 2008 Tatra banka will place greater emphasis on maximum effectiveness in the valorisation of clients' savings, this in the context of membership in the Eurozone and a favourable environment with relatively lower interest rates. We want to acquaint clients with the various possibilities we offer them to build on their savings. We would like to clarify the advantages of investing in mutual funds to the more conservative spectrum of customers in order to widen their scope beyond traditional term accounts. We want to expand their line of vision to include individual segments that they can utilise.

Our key objective is therefore to cope smoothly with the entry to the Eurozone and the transition to a new currency. This is a fairly costly process and the investment for Tatra banka will, with all probability, be at the expense of profits, especially compared to last year. However, profitability cannot be the only goal of the Bank. The quality and policy of the company from the medium and long-term perspectives is also important. Our entry to the European Monetary Union is definitely a step in the right direction. It will ensure a stable environment in Slovakia for investors from the perspective of the dependability of the foreign and domestic exchange rates, which in the end also means strengthening the banking sector especially in terms of the growth of corporate clientele. We also want to handle this transition with decent economic results that will mean further positive outlooks for our shareholders, clients, and partners alike. We also wish to reinforce the image of Tatra banka as a quality and reliable banking institution in Slovakia..

Statement for Corporate Governance

The corporate governance system of Tatra banka is regulated by the Code of Corporate Governance in Slovakia which is an integral part of Stock Exchange rules for the acceptance of securities on the regulated market (hereinafter only the "Code"). It is publicly available on-line at http://www.bcpb.sk/.

Specifically, governance methods applied are based on the Code and regulations modified in the internal guidelines of the Bank and its subsidiaries, such as competency guidelines, branch procedures, organisation, and management of the operation.

Internal controls applied in Tatra banka, a.s., are a control system performed at all levels of the organisational structure and job positions which includes process control, both direct and indirect control, as well as out of process control.

Internal controls are designed to ensure the safety and protection of assets and individuals, to guarantee the reliability and accuracy of bookkeeping, to support compliance with and communication of the strategy and goals, to enhance effectiveness and compliance with valid regulations, and to minimise risks.

Direct control refers to all forms of continuous control measures, procedures and mechanisms in individual units of the Bank or its branches which are a direct immediate part of business processes on a daily basis and without the execution of which the working process is not considered to be completed. Direct process control is conducted by employees or organisational units which are directly involved in particular processes.

Indirect control means all forms of continuous control measures, procedures and mechanisms in individual units of the Bank or its branches which are an indirect part of processes. Indirect process control is conducted by the managers of individual Bank units or branches responsible for controlled processes and results of the control, or authorised employees.

Out of process control depends on operation and business procedures. Out of process control is conducted by a separate and independent internal control and internal audit unit as a regular review of the functionality of the internal control system and the evaluation of its efficiency.

As to the organisation, the unit is divided into internal control and internal audit retail department, headquarters' and subsidiaries' internal control and internal audit department and internal control and internal audit security and information system security department.

Within the organisational structure of Tatra banka, a.s., internal control and internal audit unit reports to the Board of Directors and Supervisory Board. Findings of its audit and internal control activities are communicated to the Supervisory Board in semi-annual summary reports. The Board of Directors is informed of audits and controls performed in audit and control reports. The director of the internal control and internal audit unit informs the Board of Directors and Supervisory Board about all significant events which occur in the Bank.

As part of risk management, the Bank (the Group) monitors, evaluates and ultimately, controls mainly the following types of risks: credit risk, market risk and operational risk.

Credit risk, i.e. the risk that a counterparty will not be able to repay full amounts owed at their maturity is monitored on a regular basis, and the financial position of each client is reviewed and assessed at least annually. Exposure to one debtor is limited by limits of capital exposure which are evaluated daily and reported to the NBS on a monthly basis. Retail debtors are assessed using the scoring models developed for individual products; SME and corporate clients are assessed using the rating models.

The Group is exposed to market risks in connection with its activity from open positions from transactions with interest rate, cross-currency, and equity products. To determine the amount of market risk of its positions, the Group applies internal procedures and models for individual types of risks the Group is exposed to. These limits are monitored on a daily basis.

Operational risk is governed by a standard procedure defined by the parent company as well as internally developed methods and procedures. For the identification of operational risk, the Bank (the Group) uses a three-dimensional model compound of the three components: risk categories, business functions, and business lines. The Bank (the Group) puts the accent on process quality improvement and operational risk mitigation actions.

More information on individual risks the Bank (the Group) is exposed to is disclosed in the notes to the financial statements as at 31 December 2007 prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which are an integral part of the Annual Report for 2007.

The highest body of the Company is the General Meeting. The General Meeting makes decisions on issues which fall under its authority pursuant to the Commercial Code. In 2007 the annual General Meeting was held on 7 June. The right to attend the General Meeting and exercise additional rights was used by 90.73% of owners of ordinary shares. Among other issues, the shareholders approved separate and consolidated financial statements and annual report, made a decision on the distribution of profit and payment of directors' fees, voted for members of the Supervisory Board elected by the General Meeting for the next election term, and approved the issue of mortgage bonds. The shareholders were paid dividends in the amount approved by the General Meeting based on the proportion of the value of their shares to the share capital.

The statutory body of the Company is the Board of Directors. Members of the Board are elected and dismissed by the Bank's Supervisory Board. The Supervisory Board appoints and dismisses the chairman and vice chairmen of the Board of Directors. In 2007 the Board of Directors numbered six members. At the turn of June and July 2007 there was a change in the chairman's position of the Board and a new member of the Board responsible for retail was elected. Sessions of the Board of Directors are usually held on a weekly basis. The Board makes decisions on all issues related to the Company except for issues falling under the competency of the General Meeting or Supervisory Board. Under the General Meeting's authorisation, once a year the Board of Directors is authorised to decide on the issue of preference shares up to the specified amount.

Share capital consists of 50 216 ordinary shares with a fair value of SKK 20 thousand each, which accounts for 89.1% of the share capital and 1 229 545 preferred shares with a fair value of SKK 100, which accounts for 10.9% of the share capital.

The share in the share capital of the Company corresponding to a qualifying share (minimum 10%) is held by Raiffeisen International Bank-Holding, AG and Tatra Holding, GmbH, both based in Austria.

Each holder of the equity share is the Company's shareholder. Each shareholder enjoys fundamental shareholder rights resulting from the Commercial Code and from the parent company's Articles, namely: the right to share in the Company's profit, based on the proportion of total face value of their shares to the share capital; the right to attend the General Meeting, vote at the General Meeting, ask for information thereon and explanations, make motions at the General Meeting, while the voting right is based on the proportion of total face value of the shares to the share capital; and the right to share in the liquidation balance.

Each holder of preferred shares enjoys similar rights; the only difference is that the preferred shares are not equipped with the right of voting at a General Meeting, except for cases in which the law assigns voting power to such shares. In such cases the voting right is based on the proportion of total face value of the shares to the share capital. Preferred shares are assigned a preferential right applicable to dividends, i.e. if the Company generates minimum net profit equal to the number of issued preferred shares, a minimum dividend of SKK 1 (in words: one Slovak crown) per preferred share will be paid to the preferred shares holders.

Negotiability of ordinary shares is not limited. The Company has pre-emption rights to preference shares at the price determined according to principles set out in the Company's Articles. Preference shares can be transferred to other party than the company or pledged in favour of other party than the company only if approved by the Board of Directors. The Board of Directors can refuse granting approval if the preference share was not in preference offered for sale to the company.

Relations between the Bank (the Group) and members of its bodies or employees in connection with employment termination and/or resigning from a position for any reasons are governed in accordance with the valid Labour Code.

Best Foreign Exchange Research in Slovakia 2005
GLOBAL FINANCE

Best Treasury and Cash Management Bank for Raiffeisen Zentralbank Österreich AG (RZB) and its Network Banks in Central and Eastern Europe 2005
GLOBAL FINANCE

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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 2007, 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 2007, 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 19 February 2008

Deloitte

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

Ing. Zuzana Letková
Responsible auditor
Licence SKAu No. 865

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This is an English language translation of the original Slovak language document.

Best Local Bank in the years 1997, 1998, 1999
CENTRAL EUROPEAN

Bank of the Decade in November 1999
CENTRAL EUROPEAN

Best Bank in Slovakia in the year 1999
BUSINESS CENTRAL EUROPE

Financial Statements

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

Consolidated Income Statement

(in thousands of SKK)	Note	2007	2006
Interest and similar income		11,084,398	8,358,062
Interest and similar expenses		(4,307,498)	(2,817,627)
Net interest income	**(1)**	**6,776,900**	**5,540,435**
Dividend income	(2)	4	898
Provisions for impairment losses	(3)	(559,951)	(482,718)
Net interest and dividend income after provisioning		**6,216,953**	**5,058,615**
Fees and commissions income		3,588,318	2,971,724
Fees and commissions expense		(448,386)	(404,308)
Net fees and commission income	**(4)**	**3,139,932**	**2,567,416**
Net profit (loss) from trading instruments	(5)	2,075,844	1,696,420
Net profit (loss) from financial instruments at fair value through profit or loss	(6)	(308,947)	(56,276)
Net profit (loss) from available-for-sale financial instruments	(7)	-	72,413
Net profit (loss) from investments in associated undertakings	(8)	37,494	44,738
General administrative expenses	(9)	(6,449,088)	(5,193,686)
Other operating profit (loss)	(10)	(292,658)	(348,404)
Profit before income taxes		**4,419,530**	**3,841,236**
Income taxes	(11)	(968,931)	(827,666)
Consolidated profit after tax		**3,450,599**	**3,013,570**
Basic and diluted earnings per ordinary share (face value SKK 20,000) in SKK	**(12)**	**62,846**	**56,083**
Basic and diluted earnings per preferred share (face value SKK 100) in SKK	**(12)**	**314**	**280**

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

Consolidated Balance Sheet

Assets (in thousands of SKK)	**Note**	**31 December 2007**	**31 December 2006**
Cash and deposits in central banks	(13)	10,494,673	8,819,584
Treasury bills and other eligible bills	(14)	-	4,954,155
Loans and advances to banks	(15)	43,098,815	26,687,784
Loans and advances to customers, gross	(16)	139,826,880	104,426,589
Impairment losses for loans and advances	(17)	(2,310,198)	(1,792,786)
Held for trading financial assets	(18)	9,910,385	15,909,370
Financial assets at fair value through profit or loss	(19)	13,282,362	6,244,719
Held to maturity financial assets	(20)	33,588,487	38,275,126
Available for sale financial assets	(21)	4,481	3,964
Investments in associated undertakings	(22)	363,209	325,715
Non-current intangible assets	(23, 25)	1,028,032	1,178,361
Non-current tangible assets	(24, 25)	2,704,330	2,713,609
Income tax assets	(26)	1,816	1,355
Other assets	(27)	1,022,300	1,073,134
Total assets		**253,015,572**	**208,820,679**
Equity and liabilities (in thousands of SKK)			
Deposits from banks	(28)	10,233,829	4,884,870
Deposits from customers	(29)	185,791,986	159,511,425
Held for trading financial liabilities	(30)	6,112,765	5,975,221
Liabilities from debt securities	(31)	27,493,171	19,852,841
Provisions for liabilities and charges	(32)	1,183,331	1,231,226
Income tax liabilities	(33)	589,871	362,442
Other liabilities	(34)	1,260,695	1,128,064
Subordinated debt	(35)	2,521,358	-
Total liabilities		**235,187,006**	**192,946,089**
Equity (excluding current year profit)	(36)	14,377,967	12,861,020
Consolidated profit after tax		3,450,599	3,013,570
Total equity		**17,828,566**	**15,874,590**
Total equity and liabilities		**253,015,572**	**208,820,679**

Consolidated Statement of Changes in Equity

(in thousands of SKK)	Share capital	Share capital – treasury shares	Share premium	Share premium – treasury shares	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 terms of preferred shares	71,258	(2,287)	613,801	(18,652)	-	38,958	703,078
Emission of preferred shares	26,275	-	198,641	-	-	-	224,916
Re-sale of treasury shares	-	3,580	-	27,065	-	-	30,645
Amortisation of discount of preferred shares	-	-	19,302	-	-	-	19,302
Re-purchase of treasury shares	-	(3,912)	(24,977)	(29,656)	-	-	(58,545)
Consolidated profit after tax	-	-	-		-	3,013,570	3,013,570
Equity as of 31 December 2006	**1,101,853**	**(2,619)**	**907,197**	**(21,243)**	**308,584**	**13,580,818**	**15,874,590**

(in thousands of SKK)	Share capital	Share capital – treasury shares	Share premium	Share premium – treasury shares	Reserve fund and other funds	Retained earnings inclusive of consolidated profit after tax	Total
Equity as of 1 January 2007	1,101,853	(2,619)	907,197	(21,243)	308,584	13,580,818	15,874,590
Transfers	-	-	-	-	857	(857)	-
Dividends paid	-	-	-	-	-	(1,773,397)	(1,773,397)
Emission of preferred shares	25,422		208,712		-	-	234,134
Re-sale of treasury shares	-	8,215	566	67,448	-	-	76,229
Amortisation of discount of preferred shares	-	-	53,029	-	-	-	53,029
Re-purchase of treasury shares	-	(9,391)	-	(77,227)	-	-	(86,618)
Consolidated profit after tax	-	-	-	-	-	3,450,599	3,450,599
Equity as of 31 December 2007	**1,127,275**	**(3,795)**	**1,169,504**	**(31,022)**	**309,441**	**15,257,163**	**17,828,566**

Consolidated cash flow

(in thousands of SKK)	2007	2006
Cash flows from operating activities		
Consolidated profit before tax	4,419,530	3,841,236
Adjustments for non-cash operations (Note 38)	(4,548,045)	(4,655,344)
Cash flow used in operating activities before changes in working capital, interest received and paid and income taxes paid (Note 38)	(128,515)	(814,108)
(Increase)/decrease in operating assets:		
Obligatory reserve with National Bank of Slovakia	3,170,642	(3,809,415)
Loans and advances to banks	(17,310,321)	12,206,843
Loans and advances to customers	(35,563,112)	(23,394,573)
Held for trading financial assets	5,538,582	8,642,563
Financial assets at fair value through profit or loss	(7,176,245)	(6,062,530)
Available for sale financial assets	(517)	(311)
Other assets	50,834	(207,683)
Increase/(decrease) in operating liabilities:		
Deposits from banks	5,317,298	(15,587,434)
Deposits from customers	26,259,925	25,966,421
Liabilities from debt securities	7,526,431	8,238,306
Other liabilities	132,632	280,738
Cash from operations before interest paid and received and income taxes paid	(12,182,366)	5,458,817
Interest paid	(4,140,168)	(2,686,280)
Interest received	9,893,182	6,997,756
Income taxes paid	(741,964)	(402,146)
Net cash flows from operating activities	**(7,171,316)**	**9,368,147**
Cash flows from investing activities		
Net increase/decrease in held to maturity financial assets	4,703,344	(792,728)
Interest received from held to maturity financial assets	1,423,371	1,457,891
Proceeds from sale or disposal of non-current tangible and intangible assets	32,829	21,292
Purchase of non-current tangible and intangible assets	(851,323)	(1,089,655)
Acquisition of subsidiary	-	(254,334)
Dividends received	4	898
Net cash flows from investing activities	**5,308,225**	**(656,636)**
Cash flows from financing activities		
Preferred shares issue and redemption	223,745	216,318
Subordinated debts	2,520,224	-
Dividends paid	(1,773,397)	(1,677,214)
Net cash flows from financing activities	**970,572**	**(1,460,896)**
Effects of exchange rate changes on cash and cash equivalents	(79,893)	(139,911)
Change in cash and cash equivalents	**(972,412)**	**7,110,704**
Cash and cash equivalents, beginning of the year (Note 38)	10,485,264	3,374,560
Cash and cash equivalents, end of the year (Note 38)	**9,512,852**	**10,485,264**

Notes

General information

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 associated undertakings as defined in 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 crowns and in foreign currencies, including exchange services;
  - financial instruments of the capital market in Slovak crowns 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 2007	31 December 2006
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 subscribed registered capital:

	31 December 2007	31 December 2006
Raiffeisen International Bank – Holding AG	*64.54 %*	*66.03 %*
Tatra Holding	*12.57 %*	*12.86 %*
Other	*22.89 %*	*21.11 %*

The Parent Company performs its activities in the Slovak Republic through its 152 branches and sub-agencies inclusive of business centres, "Centrum bývania" branches, and the Investment centre.

Based on the decision made by the Group, its products and services mainly result from business segments such as banking and related services (establishing and administration of unit trusts, establishing and administration of supplementary pension funds for supplementary pension savings).

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

The members of the statutory and supervisory bodies of the Bank as of 30 June 2007:

Supervisory Board

Chairman:	*Milan VRŠKOVÝ*
Vice-Chairman:	*Herbert STEPIC*
Members:	*Peter BALÁŽ*
	Tomáš BOREC (until 30 September 2007)
	Renate KATTINGER
	Ján NEUBAUER
	Peter PÜSPÖK

Board of Directors

Chairman:	*Rainer FRANZ*
First Vice-Chairman:	*Miroslav ULIČNÝ*
Vice-Chairman:	*Igor VIDA*
Members:	*Karel FÍLA*
	Marcel KAŠČÁK
	Martin PYTLIK

Effective 1 July 2007, the following changes were made in the statutory and supervisory bodies:

Supervisory Board	
Chairman:	*Rainer FRANZ*
Vice-Chairman:	*Herbert STEPIC*
Members:	*Peter BALÁŽ*
	Robert GRUBER
	Renate KATTINGER
	Ján NEUBAUER
	Pavol FEITSCHER (since 1 October 2007)
Board of Directors	
Chairman:	*Igor VIDA*
Vice-Chairman:	*Miroslav ULIČNÝ*
Members:	*Karel FÍLA*
	Marcel KAŠČÁK
	Michal LIDAY
	Martin PYTLIK

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 ultimate parent company preparing consolidated financial statements:
Raiffeisen Zentralbank Österreich AG, Austria

Business name of immediate parent company preparing consolidated financial statements:
Raiffeisen International Bank – Holding AG, Austria

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

c) Definition of the consolidated Group:

As of 31 December 2007, the Group comprised the Bank and the following companies ("consolidated entities"):

Company *(in thousands of SKK)*	**Direct share in %**	**Share of the Group in %**	**Indirect share through consolidated entities**	**Company ID No.**	**Principal activities**	**Consolidation method**	**Seat**
Tatra Group Servis, s.r.o.	99.5 %	100 %	Tatra Billing, s.r.o.	35,730,561	business activities	Full consolidation method	Bratislava
Tatra Asset Management, správ. spol., a.s.	100 %	100 %	n/a	35,742,968	asset management	Full consolidation method	Bratislava
ELIOT, s.r.o.	0.5 %	100 %	Tatra Group Servis, s.r.o.	31,392,687	asset leasing and management	Full consolidation method	Bratislava
TG Strom, s.r.o.	0 %	100 %	Tatra Group Servis, s.r.o.	35,780,860	IT support	Full consolidation method	Bratislava
Tatra Group Finance, s.r.o.	0 %	100 %	Tatra Group Servis, s.r.o.	35,707,682	asset leasing and management, DDP administrator	Full consolidation method	Bratislava
Tatra Billing, s.r.o.	100 %	100 %	n/a	35,810,572	services	Full consolidation method	Bratislava
TL Leasing, s.r.o.	0 %	100 %	Tatra Group Servis, s.r.o.	31,398,456	leasing	Full consolidation method	Bratislava
CENTRUM BÝVANIA, s.r.o.	0 %	100 %	Tatra Group Servis, s.r.o.	35,683,040	asset leasing and management	Full consolidation method	Bratislava
Tatra Residence, s.r.o.	0 %	100 %	Tatra Group Servis, s.r.o.	35,805,498	asset leasing and management	Full consolidation method	Bratislava
Tatra-Leasing, s.r.o.	48 %	48 %	n/a	31,326,552	leasing	Equity method	Bratislava
Slovak Banking Credit Bureau, s.r.o.	33.33 %	33.33 %	n/a	35,869,810	services	Unconsolidated due to immateriality	Bratislava
Doplnková dôchodková spoločnosť Tatra banky, a.s.	100 %	100 %	n/a	36,291,111	supplementary retirement savings	Full consolidation method	Bratislava

d) Changes in the Group in 2007

On 7 February 2007, 100% of 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, consequently, Tatra banka, a.s., became the sole shareholder of DDS TB. The aforementioned transfer of shares had no impact on the Group's profit or loss or goodwill recognised previously.

e) Further events occurred in 2007

Distribution of profit for 2006
Profit of the Parent Company for the year ended 31 December 2006 in accordance with International Financial Reporting Standards in the amount of SKK 2,783,862 thousand was distributed based on the decision of the General Assembly of the Parent Company held on 7 June 2007 as follows:

Dividends – ordinary shares	*1,621,977*
Dividends – preferred shares	*153,286*
Contribution to retained earnings from previous years	*1,008,599*
Total	***2,783,862***

The financial statements of the Parent Company for 2006 and payment of dividends to the members of the supervisory board in the amount of SKK 18,300 thousand were approved by the General Meeting on 7 June 2007. Dividends without claim to payment as of the date of the holding of the General Assembly in the amount of SKK 1,866 thousand were posted to retained earnings as of December 31, 2007.

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 for the year 2007 and comparatives for 2006 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") in Commission Regulation (EC) 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 2007, 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 2007 as follows:

- 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);
- IFRIC 10 Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006).

The adoption of these new and revised standards and interpretations has not resulted in changes to the Group's accounting policies that would have affected the amounts reported for the current or prior years. The adoption of IFRS 7 Financial Instruments: Disclosures significantly extended the scope of disclosed information in these financial statements.

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 8 Operating Segments (effective 1 January 2009);
- IFRIC 11 Interpretation of IFRS 2 – Group and Treasury Share Transactions (effective 1 March 2007).
- IASB Documents not yet endorsed by the EU:
- IFRIC 12 Service Concession Arrangements (effective 1 January 2008, may not be adopted prior to endorsement of arrangements currently accounted for under IFRIC 4);
- IFRIC 13 Customer Loyalty Programmes (effective 1 July 2008);
- IFRIC 14 – IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective 1 January 2008);
- Amendment to IAS 23 Borrowing costs (effective 1 January 2009);
- Amendments to IAS 1 Presentation of Financial Statements: A revised presentation (effective 1 January 2009);
- Amendments to IAS 27 Consolidated and Separate Financial Statements (effective 1 July 2009),
- Revised IFRS 3 Business Combinations (effective 1 July 2009);
- Amendment to IFRS 2 Share-based payments: Vesting conditions and cancellations (effective 1 January 2009); and
- Amendments to IAS 32 „Financial instruments: Presentation - Puttable Financial Instruments and Obligations Arising on Liquidation" (effective 1 January 2009).

The adoption of these standards and interpretations in future periods is not expected to have a material 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 Group 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 by the Group when they occur and they are reported in the financial statements of the periods to which they relate in terms of time and substance, and on the going concern assumption of the Group.

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 disclosure 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 or/and 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:

- 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 income taxes rules and regulations have recently experienced significant changes; there is no major historical precedent and/or interpretation judgement with respect to the extensive and complex issue affecting the banking sector.

The reporting currency used in the financial statements is the Slovak crown ("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 associated undertakings represent entities in which the Group holds more than 20 per cent of the voting power and exercises significant influence; nevertheless, the Group has no decision-making rights over their activities. Investments in associated 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 associated undertakings"* in the income statement.

All acquisitions of subsidiaries are accounted for using the cost 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 l) of Principal Accounting Policies].

c) Events as of 30 June 2006

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

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 Slovak crowns 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 Slovak crowns 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"*.

Off balance sheet 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 National Bank of Slovakia spot rate and interest rates effective as of the balance sheet date and is reported in the item *"Held for trading financial assets"* or in the item *"Financial liabilities held for trading"* 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, 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 up to 3 months. 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 or financial 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 a provision for such liabilities that reflects 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 the borrower and considering collateral.

Loans and advances to corporate customers are generally individually significant and are analysed on an individual basis. The Group adjusts the value of a corporate receivable if there is a reason to believe that the receivable demonstrates characteristics leading to the impairment of the receivable. These characteristics mainly include: overdue receivable, information that a large-scope foreclosure procedure is pending against the debtor, that the debtor is in bankruptcy or liquidation, if an identified fraud is associated with the receivable, if the receivable was restructured due to the fact that the debtor did not have sufficient funds to repay the receivable in line with the original repayment schedule, or if the Group concludes - based on the regular monitoring of the client's financial position - that the client will be unable to fully repay the receivables.

The calculation of specific provisions is based on an estimate of expected cash flows reflecting estimated delinquency in loan repayments, as well as income from loan collateral. Impairment amount is determined by the difference between the loan's carrying amount and the 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.

For loans and advances to corporate customers where no impairment was identified on an individual basis, loans and advances are divided into groups with similar credit risk characteristics and portfolio-based provisions are calculated. Portfolio-based provisions cover losses which have not yet been individually identified, but based on historical experience, are deemed to be inherent in the portfolios of the balance sheet date. The provision depends on the client rating, historical default rate for the given client rating, collateral value and recovery rate. For groups where the Group does not have a sufficiently long time series for the calculation of a historical default rate the Group uses default probabilities derived from other similar groups or from RZB Group data. For the SME subsequent to the corporate loans portfolio, a portfolio provision is created based on an expert estimate.

The Group provides for a retail receivable if there is evidence of impairment of the receivable. If such evidence is identified, specific provisions are established.

Specific provisions are established for: foreclosures, bankruptcies and liquidations, frauds, in the event of the debtor's death and for receivables which were at least once overdue or are currently overdue more than 180 days. For the aforementioned cases, the Group creates provisions at 100% of the receivable.

For retail receivables, where no impairment was identified individually, portfolio-based provisions are created using a flow rate model. Portfolio provisions cover losses which were not identified individually; however, based on historical experience they were inherent to the portfolios as at the balance sheet date. A flow rate model (also known as a roll rate model) is the model for the calculation of provisions

based on the principle of a percentage flow of overdue receivables into the saturation status (180 days overdue). A vintage based recovery rate with a time-span of no more than 36 months is applied on receivables in the saturation status. For both the flow rate model and the vintage based recovery the Group uses portfolio segmentation per products and their types (according to their risk characteristics), and 12-month flow rate averages are used for the calculation of the flow rates.

Provisions for losses from loans to customers are charged as *"Provisioning for impairment losses"* 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 collects further amounts from the client or obtain control of collateral worth more than earlier estimated, a recovery is recognised through the income statement in the caption *"Provisioning for impairment losses"*.

Interest income on loans to customers to which the Group is entitled but which are overdue for more than 90 days is not recognized by the Group in revenues if the Group does not expect its collection. As of 31 December 2007, such interest amounts to SKK 88 616 thousand (31 December 2006: SKK 59,825 thousand).

Loan collateral

In terms of handling collateral, the Group places great emphasis mainly on the valuation and revaluation of real estates, determination of the value of pledged collateral for real estate loans, determination of collateral acceptability for the purposes of credit risk mitigation and collateral enforcement, should the client be in default.

The Group mainly accepts the following types of collateral:

- Financial collateral,
- Real estates,
- Chattels,
- Receivables, and
- Life insurance.

In terms of legal instruments, the Group uses:

- Pledge,
- Assignment of receivable intended to serve as security,
- Transfer of title intended to serve as security,
- Blockage of cash,
- Contract for purchase of securities, and
- Agreement on liability replacement.

The methodology of collateral valuation and the frequency of their revaluation depends on the type of collateral and the minimum requirements pursuant to the effective legislative standards implemented in the Group's internal regulations. Determination of the value of collateral is specific for each type of collateral, and the Group respects an adequate degree of prudence.

The value of pledged collateral is determined on a case-by-case basis for each type of collateral depending on the type of collateral and transaction, and individual risk characteristics. The value of pledged collateral is obtained by discounting the initial value of collateral obtained in valuation and revaluation.

Factors based on which discounting factors are determined relate mainly to the enforceability of collateral if the counterparty defaults (e.g. type, location and condition of real estate), potential default of the security provider (e.g. credit quality and maturity of financial collateral), and other factors (business strategy and group orientation). The discounting factors applied are subject to regular revaluation.

The claim value of collateral is derived from the value of pledged collateral up to the amount of the current amount receivable. If the value of pledged collateral is lower than the balance of the receivable, the Group will determine the claim value of collateral up to the amount of the value of pledged collateral.

The claim value of collateral contains a number of uncertainties and risks. The amounts which may be recovered in the course of liquidation of the collateral for bad debts could differ from the estimated amounts, and the difference could be material.

The Group's decisions in the enforcement of collateral is individual and depends on factors such as the current condition and value of collateral, the current amount receivable, the promptness of the satisfaction of the receivable, collection-related costs, etc. The respective competent body of the Group decides which security instrument will be used in the specific case.

The Group uses mainly the following forms of enforcement of collateral:

- voluntary auction,
- foreclosure procedure,
- realisation of the collateral for the Group's receivable in a bankruptcy procedure, or
- sale of receivables.

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

a. Financial asset or financial liability held for trading

The Group has acquired held-for-trading financial assets or 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, share index options, and commodity derivatives).

All purchases and sales of trading securities are recognised as of the date of settlement.

All purchases and sales of financial assets or 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 Group'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.

Derivatives embedded in other financial instruments or other host contracts are treated, in terms of accounting, as separate derivatives if no close linkage exists between their risks and attributes, and risks and attributes of the host contract, and if the host contract is not recognised at fair value and changes in fair value are recognised in profit and loss.

The Group records unrealised gains and losses from the 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 49.

Refinancing costs of trading securities is disclosed in the income statement line *"Net profit (loss) from trading instruments"*. Refinancing costs represent costs of refinancing positions contracted in trading activity.

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 ("FVTPL")

Based on the Group's documented risk management strategy and in accordance with its investment strategy, the Group mainly recognises debt securities in the given portfolio. The performance of these securities is evaluated on a fair value basis or the designation of these securities eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise in valuation and reporting. The aforementioned debt securities are treated by the Group at initial recognition as financial assets at fair value through profit or loss.

Financial assets disclosed in the portfolio at fair value through profit or loss are initially recognised at cost excluding costs of transaction and are subsequently re-valued to fair value through profit or loss.

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 debt securities in line with the approved strategy for the creation of a strategic securities portfolio. It mainly 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.

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

The 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.

The portfolio mainly includes shares in privately held companies for which no market exists or companies participation in which is mandatory (Burza cenných papierov v Bratislave a. s., S.W.I.F.T. s. c.).
The Group does not expect the selling or otherwise disposing of the given participation shares in the near future. For companies against which bankruptcy proceedings are underway 100% provisions are created and the participation shares will be written off after the completion of the bankruptcy proceedings.

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

Derecognition of financial instruments

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group substantially retains all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled, or they expire.

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

h) Fair value of financial instruments

For the determination of a fair value of financial instruments, the following applies:

- Fair value of shares – the close price for the trading day on the given market is applied; if no close price of the trading day is known, the close price of the next trading day announced at the given stock exchange is applied.
- Fair value of shares and other equity interests in companies, the price of which is not listed on an active market and the fair value of which cannot be determined reliably, are recognised at cost less impairment.
- Fair value of debt securities – the close price as announced by the stock exchange or an average of quotes in the Bratislava Stock Exchange market makers module, the price announced in the NBS Benchmark or the price announced via generally accepted information system (Bloomberg, Reuters) is applied in accordance with the current legislation.
- Fair values of financial instruments not quoted in active markets are determined using valuation techniques such as theoretical price derived from the proceeds as read from the yield curve of government bonds and the credit margin of issuers' debt securities with comparable credit risk under generally accepted revaluation rules. Where valuation techniques are used to determine fair values, financial instruments are measured and periodically reviewed by qualified personnel independent of the area that created them. To the practical extent, models use only observable data; however, areas such as credit risk, volatilities and liquidity require expert estimates. Changes in the assumptions related to these factors could affect the reported fair value of financial instruments.
- The fair value of government and NBS treasury bills is determined by discounting the face value to present value by the required proceeds by maturity which is established as an average of the Bribid and Bribor rates until the maturity of the respective Treasury bill.
- Fair value of capital market derivatives – with respect to equity derivatives, the Group uses the close price of the given day and/or last known close price to determine the face value; for OTC derivatives the fair value is determined by discounting cash flows to their present value where construction of a zero curve and calculation of discounting factors form a basis for valuation.
- Fair value of monetary market derivatives is determined by the latest price of the derivative as announced by the stock exchange on the given trading day. For OTC derivatives, the fair value is determined by valuation methods discounting future cash flows to the present value using verifiable market data. Fair value of options is determined by application of a generally recognised analytical revaluation model using verifiable market data. If the Group does not use a revaluation model to determine fair values, it can use a revaluation agent if the position is closed.

For determination of the fair values of its financial assets and liabilities, the Group uses the following information:

Bloomberg – close prices of the last trading day, source: BGN – Bloomberg generic prices – where the value is determined by the values of various contributors (financial market entities contributing their prices into the information system) and other important market information. This Bloomberg method aims to establish a fair value.

Reuters – close prices of the last trading day; for prices which have no closing value internal price fixing is performed at 15.00 hours of the current day using the prices disclosed by the contributors.

BCPB – an official website of Burza cenných papierov a.s. www.bsse.sk.

EBOS – an electronic trading system of BCPB through which the stock exchange provides its members with stock exchange information.

With respect to the definition of the fair value of financial instruments which are not revalued to fair value the Group applies the net present value method using the prime interest rates of individual currencies disclosed by central banks, which approximate market values. More detailed information on the methods of calculation of fair values of financial instruments not revalued to fair value is provided in Note 50.

i) Segments

The Group's operating profit was derived mainly from the provision of banking services in the Slovak Republic. The Group's products and services are associated with one business segment – provision of banking and related services.

j) 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 asset"*, 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.

k) 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. Tangibles 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 – 10*
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.

l) 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 periods.

m) Impairment of tangible and intangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and the present value of future cash flows expected to derive from the asset. If any of the above amounts exceeds the carrying amount, there is no need to estimate the other amount. If the estimated recoverable amount of an asset is lower than its carrying amount, the carrying amount of the asset shall be reduced to equal the recoverable amount. The impairment loss shall be recognised directly through profit and loss.

n) 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.

o) 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"*.

p) Subordinated debt

Subordinated debt refers to the Group's external funds and in the event of bankruptcy, composition or Group's liquidation, the entitlement to its repayment is subordinated to receivables of other creditors. The Group's subordinated debt is recognised in the separate Balance Sheet line *"Subordinated debt"*. Interest expense paid on the received subordinated debt is recognised through profit and loss in *"Interest and similar expenses"*.

q) 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.

r) Provisions for liabilities

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.

Additionally, the Group recognises provisions for employee benefits based on the loyalty approach. A detailed description of accounting policies for provisions for employee benefits is discussed in notes.

s) Provision for employee benefits

The Group has a defined benefit program, under which employees are entitled to a lump-sum payment upon taking retirement or a working jubilee. As at 31 December 2007 there were 3 258 employees at the Group covered by this program.

The method of calculation of the liability applies actuarial calculations, based on employee's age, number of years worked, employee turnover, mortality tables, and discount rates.

The employee benefit costs are assessed using the projected unit credit method with actuarial valuation at the balance sheet date, measured as the present value of the estimated future cash outflows discounted by interest approximating yield on investment grade fixed income securities. Actuarial gains and losses from both the jubilee benefit obligation and post-employment defined benefit plans are charged to the income statement in the current year.

Key assumptions used in actuarial valuation

Real annual discount rate	*4 %*
Annual future real rate of salary increases	*2 %*
Annual employee turnover	*8 – 21 %*
Retirement age	*Based on valid law*

Long-term employee provisions were calculated in accordance with the currently valid mortality tables issued by the Statistical Office of the Slovak Republic.

t) 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.

u) 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 or financial liabilities"* are accrued in the income statement using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period.

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

Interest income (expense) from securities includes revenues from coupons with fixed and floating rates, and amortised discount or premium.

2) Fees and commissions income/expense

Fees and commissions that do not form part of the effective interest rate are recognised as expense and income in the income statement in *"Net fees and commission income"* from financial assets and liabilities not restated to fair value 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 by the Group.

v) Basic and diluted 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.

w) Taxation and deferred taxation

Income taxes are calculated in accordance with the provisions of the relevant legislation of the Slovak Republic, based on taxable profit. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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.

x) Regulatory requirements

The Group 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. In 2007, the Group fulfilled all these regulatory requirements.

Other Notes

1. Net interest income

(in thousands of SKK)	2007	2006
Interest and similar income	**11,084,398**	**8,358,062**
from loans and advances to banks	1,595,825	1,489,809
thereof: from loans and advances to central banks	1,149,598	1,043,695
from loans and advances to customers	7,576,761	5,387,861
from held to maturity financial assets	1,440,076	1,466,649
from financial assets at fair value through profit or loss	471,736	13,743
Interest and similar expenses	**(4,307,498)**	**(2,817,627)**
on deposits from banks	(304,593)	(321,211)
thereof: on deposits from central banks	(715)	(830)
on deposits from customers	(3,072,695)	(1,911,920)
on subordinated debts	(35,086)	-
on liabilities from debt securities issued by the Group	(895,124)	(584,496)
Net interest income	**6,776,900**	**5,540,435**

Interest income from loans to customers increased due to the loan portfolio increase as disclosed in Note 16.

Interest income from financial assets at fair value through profit or loss increased due to the increase in the portfolio of debt securities at fair value through profit or loss as disclosed in Note 19.

2. Dividend income

(in thousands of SKK)	2007	2006
From financial assets available for sale	4	898
Total	**4**	**898**

3. Provisions for impairment losses

Movement in provisions for impairment losses for loans disclosed on the balance sheet and provisions for off-balance sheet liabilities are as follows:

(in thousands of SKK)	2007	2006
Specific provisions	**(212,702)**	**(403,540)**
Additions to provisions	(1,168,283)	(1,617,688)
Released provisions	1,040,872	1,225,379
Written-off claims	(89,543)	(13,407)
Recovery from written-off claims	4,252	2,176
Portfolio provisions	**(347,249)**	**(79,178)**
Additions to provisions	(419,769)	(159,695)
Released provisions	72,520	80,517
Total	**(559,951)**	**(482,718)**

Released specific provisions include a gain on sale of loans and advances to customers amounting to SKK 113,493 thousand (gross) and SKK 31,695 thousand (net of provisions) for consideration of SKK 87,395 thousand. As a result of this transaction, the Group disclosed profits from the disposal of these loans of SKK 55,700 thousand.

More information on provisions for loan losses and provisions for off-balance sheet liabilities are disclosed in Notes 17 and 32 respectively.

4. Net fees and commission income

(in thousands of SKK)	2007	2006
Fees and commission income	**3,588,318**	**2,971,724**
from payment transfers business	2,187,180	1,934,586
from credit processing and guarantee business	369,056	270,497
from securities business	91,692	90,351
from activities regarding banknotes, foreign exchange and coins	-	712
from activities regarding administration of investment and pension funds	787,336	553,316
from activities regarding brokerage for third parties	95,080	91,874
for other banking services	57,974	30,388
Fees and commission expense	**(448,386)**	**(404,308)**
from payment transfers business	(362,031)	(343,363)
from credit processing and guarantee business	(16,231)	(13,539)
from securities business	(19,451)	(15,411)
from activities regarding banknotes, foreign exchange and coins	(20,442)	(19,890)
for other banking services	(30,231)	(12,105)
Net fees and commission income	**3,139,932**	**2,567,416**

5. Net profit (loss) from trading instruments

(in thousands of SKK)	2007	2006
Interest-rate contracts	**226,988**	**4,946**
Securities	(67,280)	(515,680)
thereof: interest income	249,962	707,254
fair value adjustment	(117,714)	(683,964)
gains from securities sold	72,581	192,007
refinancing costs	(272,526)	(731,201)
dividends	417	224
Profit (loss) from derivatives	294,268	520,626
thereof: interest income (expense)	(59,367)	(78,205)
realised profit (loss) from derivatives	(22,123)	-
fair value adjustment	375,758	598,831
Currency contracts	**(862,247)**	**(1,336,898)**
Profit (loss) from derivatives	(723,402)	(1,031,306)
thereof: realised profit (loss) from derivatives	(1,130,194)	(472,524)
fair value adjustment	406,792	(558,782)
Exchange differences from securities held for trading	(138,845)	(305,592)
Index-related contracts	**1,403**	**-**
Profit (loss) from derivatives	1,403	-
thereof: realised profit (loss) from derivatives	1,293	-
fair value adjustment	110	-
Commodity contracts	**13,720**	**-**
Profit (loss) from derivatives	13,720	-
thereof: realised profit (loss) from derivatives	11,054	-
revaluation to fair value	2,666	-
Foreign exchange differences	**2,695,980**	**3,028,372**
Foreign exchange differences	2,695,980	3,028,372
Total	**2,075,844**	**1,696,420**

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

(in thousands of SKK)	2007	2006
Interest-rate contracts	**(308,947)**	**(56,276)**
Securities	(308,947)	(56,276)
thereof: fair value adjustment	(308,947)	(56,276)

The total amount of the change in fair value of FVTPL portfolio estimated using a valuation technique that was recognised in the income statement during the period is a loss of SKK 65 million (2006: SKK 0 million).

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

(in thousands of SKK)	2007	2006
From available-for-sale financial assets	-	72,413
Total	**-**	**72,413**

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

(in thousands of SKK)	2007	2006
From investments in associated undertakings	37,494	44,738
Total	**37,494**	**44,738**

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)	2007	2006
Staff expenses	**(3,007,630)**	**(2,698,623)**
Wages and salaries	(2,332,377)	(2,151,864)
Social security costs	(563,448)	(484,673)
Voluntary fringe benefits	(67,178)	(62,086)
Provisions for anniversaries and other long-service benefits	(44,627)	-
Other general expenses	**(2,543,499)**	**(1,916,252)**
Costs on premises	(491,124)	(425,299)
Costs on IT	(692,159)	(402,385)
Communication costs	(218,639)	(205,334)
Legal and consultancy costs	(92,569)	(69,427)
Advertising and entertainment expenses	(359,286)	(234,260)
Deposits guarantee fund	(147,145)	(123,809)
Consumption of stationeries	(85,169)	(98,613)
Transport and processing of cash	(22,819)	(22,417)
Travelling expenses	(65,169)	(64,432)
Education of employees	(38,542)	(36,791)
Other items	(330,878)	(233,485)
Depreciation, amortization and write-downs of non-current tangible and intangible assets	**(897,959)**	**(578,811)**
Non-current tangible assets	(479,615)	(381,317)
Non-current intangible assets	(418,344)	(197,494)
Total	**(6,449,088)**	**(5,193,686)**

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 contributions 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 20,622 thousand as of 31 December 2007 (2006: SKK 19,526 thousand).

Administrative costs associated with IT increased due to projects performed in the Group. The most important include the implementation of BASEL II requirements and the preparation of the Group for EURO conversion.

10. Other operating profit (loss)

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

(in thousands of SKK)		**2007**	**2006**
Revenues from non-banking activities		*143,199*	*146,369*
thereof:	*revenues from release of litigation provisions*	*3,742*	*312*
	revenues from disposals of tangible and intangible assets	*32,829*	*21,292*
Expenses arising from non-banking activities		*(478,188)*	*(532,257)*
thereof:	*other taxes*	*(328,241)*	*(247,170)*
	creation of litigation provisions	*(36,975)*	*(258,503)*
	disposals of tangible and intangible assets	*(112,972)*	*(26,584)*
Other operating income		*138,799*	*72,818*
Other operating expenses		*(96,468)*	*(35,334)*
Total		***(292,658)***	***(348,404)***

11. Income taxes

(in thousands of SKK)	**2007**	**2006**
Current tax (expense)	*(805,708)*	*(610,868)*
Deferred tax (expense)	*(163,223)*	*(216,798)*
Total	***(968,931)***	***(827,666)***

Slovak legal entities must individually report taxable income and remit corporate income taxes thereon to the appropriate authorities. In 2007 the corporate income tax rate amounted to 19% (2006: 19%).

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)	2007	2006
Profit before tax	**4,419,530**	**3,841,236**
Theoretical tax calculated at a tax rate of 19%	839,711	729,834
Income not taxable	(71,603)	(85,920)
Tax non deductible expenses	74,045	69,716
Provisions and reserves, net	(48,023)	87,069
IFRS adjustments effects	4,452	17,628
Effect of change in tax legislation	(170,329)	170,329
Additions to/(release of) allowance for uncertain realisation of deferred tax assets	340,445	(165,194)
Non-taxable loss	2,583	366
Effect of consolidation	(2,350)	3,838
Total income tax expense	**968,931**	**827,666**
Effective tax for the period	**21.92 %**	**21.55 %**

Deferred tax assets and liabilities as of 31 December 2007 and as of 31 December 2006 relate to the following items:

(in thousands of SKK)	Book value	Tax value	Temporary difference (gross)	31 December 2007	31 December 2006
Deferred tax assets					
Loans and advances to customers (net of impairment provisions)	137,516,682	139,826,880	2,298,790	436,770	-
Other assets	1,022,300	1,043,518	21,217	4,031	3,325
Provisions for liabilities and charges	1,183,331	-	360,892	68,570	35,215
Other liabilities	1,260,695	1,259,405	1,290	246	58
Total				**509,617**	**38,598**
Deferred tax liabilities					
Loans and advances to customers (net of impairment provisions)	137,516,682	135,229,300	2,298,790	(436,770)	-
Non-current tangible assets	2,704,330	2,237,684	466,641	(88,662)	(61,306)
Other liabilities	1,260,695	1,259,405	-	-	(170,329)
Total				**(525,432)**	**(231,635)**
Net deferred tax asset/(liability)				**(15,815)**	**(193,037)**
Allowance for uncertain realisation of deferred tax asset				(378,985)	(38,540)
Net deferred tax asset/(liability)				**(394,800)**	**(231,577)**

In 2007, two amendments to the Income Tax Act were adopted with a significant impact on the amount of recognised deferred tax. The first amendment to the Income Tax Act cancelled the obligation to pay taxes on purchased interest income from debt securities held by the Group as of 31 December 2003, which resulted in the reversal of deferred tax liability of SKK 170,329 thousand.

The second amendment to the Income Tax Act resulted in new terms and conditions for companies with regard to the tax deductibility of provisions for loans. By the end of 2009, the Group is required to pay the difference between the provisions included in the tax base in accordance with the Income Tax Act effective up to 31 December 2007 and provisions tax deducible pursuant to the Income Tax Act effective 1 January 2008. As a result, the Group did not recognise deferred tax assets of SKK 378,985 thousand (2006: SKK 38,540 thousand), which mainly related to tax-deductible temporary differences resulting from provisions, due to their uncertain timing and realisation in future reporting periods.

12. Earnings per share

(in thousands of SKK)	**2007**	**2006**
Profit after tax in the accounting period	*3,450,599*	*3,013,570*
Average number of ordinary shares outstanding during the period	*50,216*	*50,216*
Average number of preferred shares outstanding during the period	*937,965*	*703,693*
Earnings per ordinary share (face value SKK 20 000) in SKK	***62,846***	***56,083***
Earnings per preferred share (face value SKK 100) in SKK	***314***	***280***

Dividend per ordinary share paid in 2007 (from 2006 profit) was SKK 32,300, in 2006 (from 2005 profit) it was SKK 33,400.

13. Cash and deposits in central banks

(in thousands of SKK)		**2007**	**2006**
Cash in hand		*3,275,042*	*2,840,589*
Balances at central banks		*7,219,631*	*5,978,995*
thereof:	*obligatory minimum reserves*	*1,981,634*	*5,152,276*
	deposits repayable on demand	*1,237,747*	*526,638*
	overnight deposits with the National Bank of Slovakia	*4,000,250*	*300,081*
Total		***10,494,673***	***8,819,584***

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 38).

14. Treasury bills and other eligible bills

(in thousands of SKK)	2007	2006
NBS Treasury bills at fair value	-	4,954,155
Total	**-**	**4,954,155**

15. Loans and advances to banks

(in thousands of SKK)	2007	2006
Giro and interbank clearing business	999,813	1,863,801
Money-market business	11,559,929	6,797,198
Reverse repo transactions	30,362,620	17,940,398
Other loans to banks	176,453	86,387
Total	**43,098,815**	**26,687,784**

The Group received treasury bills from the NBS in the amount of SKK 30,329,171 thousand (31 December 2006: SKK 17,942,886 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)	2007	2006
Slovakia	39,779,161	23,224,587
Other countries	3,319,654	3,463,197
Total	**43,098,815**	**26,687,784**

16. Loans and advances to customers, gross

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

(in thousands of SKK)	2007	2006
Bank overdrafts	22,154,592	16,669,442
Factoring and loans backed by bills of exchange	2,216,850	714,226
Mortgage loans	27,873,669	17,996,078
American mortgage	6,581,472	3,576,294
Other loans	81,000,297	65,470,549
Total	**139,826,880**	**104,426,589**

As of 31 December 2007, the total amount of syndicated loans sponsored by the Group represented SKK 6,678,266 thousand (31 December 2006: SKK 6,940,323 thousand).

The Group's contribution represented SKK 2,643,866 thousand (31 December 2006: 3,019,612 thousand). Syndicated loans are included in *"Other loans"*.

The Group has a significant position on the project financing market. As of 31 December 2007, the amount of loans provided for project financing represented SKK 14,654,139 thousand (31 December 2006: SKK 11,447,296 thousand).

An analysis of loans by customer group is as follows:

(in thousands of SKK)	**2007**	**2006**
Public sector	*1,037,383*	*1,409,336*
Corporate clients	*92,032,508*	*72,158,697*
Retail clients	*46,756,989*	*30,858,556*
Total	***139,826,880***	***104,426,589***

An analysis of loans by contractual maturity period is as follows:

(in thousands of SKK)	**2007**	**2006**
Short-term loans (up to 1 year)	*51,454,861*	*39,278,896*
Medium-term loans (1 year to 5 years)	*20,058,341*	*15,456,702*
Long-term loans (over 5 years)	*68,313,678*	*49,690,991*
Total	***139,826,880***	***104,426,589***

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

(in thousands of SKK)	**2007**	**2006**
Slovakia	*134,689,770*	*101,314,452*
Other countries	*5,137,110*	*3,112,137*
Total	***139,826,880***	***104,426,589***

17. Impairment losses for loans and advances

The movement in provisions for loan losses during 2007 is as follows:

(in thousands of SKK)	As of 1 January 2007	Allocated	Released	Used	Transfers, exchange differences	As of 31 December 2007
Specific provision	**1,460,168**	**1,033,066**	**(598,319)**	**(133,246)**	**(3,213)**	**1,758,456**
Corporate clients	1,130,614	707,370	(526,076)	(119,029)	(2,835)	1,190,044
Retail clients	329,554	325,696	(72,243)	(14,217)	(378)	568,412
Portfolio provision	**332,618**	**291,644**	**(72,520)**	**-**	**-**	**551,742**
Corporate clients	102,711	282,866	-	-	-	385,577
Retail clients	229,907	8,778	(72,520)	-	-	166,165
Total	**1,792,786**	**1,324,710**	**(670,839)**	**(133,246)**	**(3,213)**	**2,310,198**

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**
Corporate clients	1,364,764	893,207	(538,951)	(518,356)	(70,050)	1,130,614
Retail clients	639,549	305,019	(161,061)	(483,167)	29,214	329,554
Portfolio provision	**310,030**	**103,105**	**(80,517)**	**-**	**-**	**332,618**
Corporate clients	154,781	-	(52,070)	-	-	102,711
Retail clients	155,249	103,105	(28,447)	-	-	229,907
Total	**2,314,343**	**1,301,331**	**(780,529)**	**(1,001,523)**	**(40,836)**	**1,792,786**

18. Held for trading financial assets

(in thousands of SKK)	2007	2006
Debt securities and other fixed-interest securities	**4,384,536**	**10,540,006**
Government bonds	4,102,138	9,114,654
thereof: Euro bonds	376,211	834,992
other bonds	3,725,927	8,279,662
Bonds issued by bank sector	-	31,311
Bonds issued by other sectors	282,398	1,394,041
Shares and other floating-rate securities	**5,716**	**5,457**
thereof: issued by financial institutions in the Slovak Republic	4,662	4,784
issued by other entities in the Slovak Republic	1,054	673
Positive fair values arising from derivative financial instruments	**5,520,133**	**5,363,907**
Interest-rate contracts	2,784,973	1,868,551
Exchange-rate contracts	2,593,046	3,394,292
Index-related contracts	117,951	101,064
Commodity contracts	24,163	-
Total	**9,910,385**	**15,909,370**

Securities held for trading in the Group's portfolio are as follows:

(in thousands of SKK)	2007	2006
Debt securities held for trading	4,384,536	15,494,161
thereof: NBS Treasury bills at fair value	-	4,954,155
debt securities and other fixed income securities	4,384,536	10,540,006
Shares and ownership interests held for trading	5,716	5,457
Total securities held for trading	**4,390,252**	**15,499,618**

19. Financial assets at fair value through profit or loss

(in thousands of SKK)	2007	2006
Debt securities and other fixed income securities	**13,281,814**	**6,244,719**
Government bonds	12,330,905	6,244,719
thereof: Euro bonds	5,106,527	3,678,684
other bonds	7,224,378	2,566,035
Bonds issued by bank sector	20,491	-
Bonds issued by other sectors	930,418	-
Shares and other floating-rate securities	**548**	**-**
Unit trust certificates	548	-
Total	**13,282,362**	**6,244,719**

20. Held to maturity financial assets

(in thousands of SKK)	2007	2006
Debt securities and other fixed income securities		
Government bonds	24,117,324	27,931,307
Bonds issued by bank sector	8,991,537	9,863,207
Bonds issued by other sectors	479,626	480,612
Total	**33,588,487**	**38,275,126**

21. Available for sale financial assets

Company (in thousands of SKK)	Group investment (%)	Cost	Provision	Carrying amount 31 December 2007	Carrying amount 31 December 2006
RVS, a. s.	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.	0.09	300	-	300	300
S.W.I.F.T. s. c., Belgium	0.04	2,822	-	2,822	2,350
International Factors Group s. c., Belgium	1.18	259	-	259	214
D. Trust Certifikačná Autorita, a.s.	10.00	1,100	-	1,100	1,100
VALUE GROWTH FUND SLOVAKIA B.V., Netherlands	6.53	10,173	(10,173)	-	-
Total		**17,486**	**(13,005)**	**4,481**	**3,964**

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

(in thousands of SKK)	2007	2006
At,1,January,	11,608	84,853
Additions	-	-
Reversals	-	(72,413)
Exchange difference	1,397	(832)
Total	**13,005**	**11,608**

22. Investments in associated undertakings

(in thousands of SKK)	2007	2006
1 January	325,715	316,977
Share in profits of associated undertakings after tax (Note 8)	37,494	44,738
Elimination of dividends received	-	(36,000)
31 December	**363,209**	**325,715**

As of 31 December 2007, the Group recorded investments in these associated undertakings:

Associated undertaking *(in thousands of SKK)*	***Ownership interest in %***	***Cost***	***Provision***	***Net book value***	***Share in net assets at 31. 12. 2007***	***Share in net assets at 31. 12. 2006***
Tatra-Leasing, s.r.o.	*48.00 %*	*96,000*	*-*	*96,000*	*363,109*	*325,615*
Slovak Banking Credit Bureau, s.r.o.	*33.33 %*	*100*	*-*	*100*	*100*	*100*
		96,100	***-***	***96,100***	***363,209***	***325,715***

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

Description *(in thousands of SKK)*	***2007***	***2006***
Total assets	*11,828,331*	*8,237,514*
Total liabilities	*11,071,855*	*7,559,150*
Net assets	*756,476*	*678,364*
Group's share on net assets	***363,109***	***325,615***
Interest income and similar income	*602,369*	*506,711*
Profit after tax	*78,112*	*93,203*
Group's share on profit after tax	***37,494***	***44,738***
Contingent liabilities	*449,272*	*239,130*

23. Non-current intangible assets

(in thousands of SKK)	***2007***	***2006***
Software	*458,038*	*552,701*
Goodwill	*271,746*	*271,746*
Intangibles in progress	*298,248*	*353,914*
Total	***1,028,032***	***1,178,361***

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 Pokoj DDP. 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 third parties. Goodwill arose as a result of this 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 were not accounted for as a separate intangible asset, as the resulting future economic benefits cannot be reliably measured.

24. Non-current tangible assets

(in thousands of SKK)	2007	2006
Land and buildings used by the Group for its own operations	1,464,348	1,429,691
Other non-current tangible assets	1,239,982	1,283,918
Total	**2,704,330**	**2,713,609**

As of 31 December 2007, contractual commitments for the purchase of non-current tangible assets amounted to SKK 146,599 thousand (2006: SKK 384,971 thousand).

Insurance coverage

Non-current tangible assets are insured covering SKK 4,798,991 thousand against natural disaster, SKK 5,185,754 thousand against fire damage, SKK 4,257,356 thousand against water damage, SKK 732,567 thousand against theft and vandalism. Electronic equipment is insured covering a maximum risk of SKK 1,835,424 thousand. Based on the effective motor hull insurance, vehicles have been insured up to SKK 296,531 thousand.

25. Development of non-current tangible and intangible assets

Development of non-current tangible assets as at 31 December 2007:

(in thousands of SKK)	Land and buildings	Machinery & equipment	Other non-current assets	Means of transport	Construc-tion in progress	Total
Cost						
1 January 2007	1,904,047	2,918,034	973,945	242,131	130,188	6,168,345
Additions	-				493,731	493,731
Disposals	(10,652)	(168,081)	(34,647)	(48,951)	-	(262,331)
Transfer from tangibles in progress	102,517	313,523	35,046	59,267	(510,353)	-
31 December 2007	**1,995,912**	**3,063,476**	**974,344**	**252,447**	**113,566**	**6,399,745**
Accumulated depreciation						
1 January 2007	(474,357)	(2,188,862)	(687,810)	(103,707)	-	(3,454,736)
Depreciation charge	(60,014)	(316,866)	(56,783)	(45,952)	-	(479,615)
Disposals	2,807	161,137	34,647	40,345	-	238,936
31 December 2007	**(531,564)**	**(2,344,591)**	**(709,946)**	**(109,314)**	**-**	**(3,695,415)**
Net book value 1. 1. 2007	**1,429,690**	**729,172**	**286,135**	**138,424**	**130,188**	**2,713,609**
Net book value 31. 12. 2007	**1,464,348**	**718,885**	**264,398**	**143,133**	**113,566**	**2,704,330**

Development of non-current tangible assets as at 31 December 2006:

(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	660,872	684,542
Disposals	(25,309)	(132,362)	(22,470)	(68,649)	-	(248,790)
Transfer from tangibles 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 1. 1. 2006	**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 as at 31 December 2007:

(in thousands of SKK)	Software	Goodwill	Other	Intangible in progress	Total
Cost					
1 January 2007	1,694,874	304,940	612	353,914	2,354,340
Additions	-	-	-	357,592	357,592
Disposals	(148,751)	-	-	-	(148,751)
Transfer from intangibles in progress	413,164	-	-	(413,164)	-
31 December 2007	**1,959,287**	**304,940**	**612**	**298,342**	**2,563,181**
Accumulated amortisation					
1 January 2007	(1,142,173)	(33,194)	(612)	-	(1,175,979)
Amortisation charge	(418,344)	-	-	-	(418,344)
Disposals	59,174	-	-	-	59,174
31 December 2007	**(1,501,343)**	**(33,194)**	**(612)**	**-**	**(1,535,149)**
Net book value 1. 1. 2007	**552,701**	**271,746**	**-**	**353,914**	**1,178,361**
Net book value 31. 12. 2007	**457,944**	**271,746**	**-**	**298,342**	**1,028,032**

Development of non-current intangible assets as at 31 December 2006:

	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 subsidiary	-	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 1. 1. 2006	**405,276**	**-**	**-**	**248,713**	**653,989**
Net book value 31. 12. 2006	**552,701**	**271,746**	**-**	**353,914**	**1,178,361**

26. Income tax assets

(in thousands of SKK)	2007	2006
Current income tax assets	1,816	1,355
Total tax assets	**1,816**	**1,355**

27. Other assets

(in thousands of SKK)	2007	2006
Prepayments and other deferrals	261,803	322,747
Other receivables from the state budget	28,293	37,071
Values in transit	313,846	469,207
Other assets	418,358	244,109
Total	**1,022,300**	**1,073,134**

Prepayments for the acquisition of non-current tangible and intangible assets are recognised in *"Prepayments and other deferrals"* in the amount of SKK 37,711 thousand (31 December 2006: SKK 70,437 thousand). In *"Values in transit"* the Group recognises a receivable from an entity that provides services related to the operation of ATMs and cash transports.

28. Deposits from banks

	2007	2006
Giro and interbank clearing business	719,813	257,305
Money-market business	8,141,025	3,039,857
Loans received	1,372,991	1,587,708
Total	**10,233,829**	**4,884,870**

Deposits from banks by geographical segment:

(in thousands of SKK)	2007	2006
Slovakia	1,751,656	2,005,228
Other countries	8,482,173	2,879,642
Total	**10,233,829**	**4,884,870**

An analysis of loans received by particular bank is as follows:

Type of loan (in thousands of SKK)	Currency	Type of loan according to maturity	Contractual maturity	Carrying amount of loan 31. 12. 2007	Carrying amount of loan 31. 12 .2006
Loans received from central banks:					
– NATIONAL BANK OF SLOVAKIA	SKK	long-term	March 2009	10,972	19,753
Loans received from banks:					
– SZRB BRATISLAVA	SKK	long-term	June 2014	182,665	245,458
– RAIFFEISENBANK PRAHA	CZK	short-term	January 2008	505,822	629,915
– EUROPEAN INVESTMENT BANK	EUR	long-term	May 2020	673,532	692,582
Total				**1,372,991**	**1,587,708**

As of 31 December 2007, part of loans received from banks was secured by government bonds of the Slovak Republic included in the securities portfolios in the amount of SKK 1,815,086 thousand (31 December 2006: SKK 1,834,268 thousand) and in favour of the following subjects:

Name (in thousands of SKK)	Face value of gov. bond	Face value of loan received	Guarantee expiry date	In favour of
Government bond No. 188	920,000	672,060	22. 1. 2013	EUROPEAN INVESTMENT BANK
Government bond No. 191	800,000	505,200	5. 3. 2008	RAIFFEISENBANK PRAHA

29. Deposits from customers

Deposits from customers by product group are as follows:

(in thousands of SKK)	2007	2006
Current accounts	103,031,463	85,154,409
Sweep accounts	4,493,684	4,417,499
Time deposits	69,649,641	60,552,491
Savings deposits	6,490,907	7,491,092
Loans received	2,126,291	1,895,934
Total	**185,791,986**	**159,511,425**

Deposits from customers by geographical segment are as follows:

(in thousands of SKK)	2007	2006
Slovakia	182,441,984	157,134,107
Other countries	3,350,002	2,377,318
Total	**185,791,986**	**159,511,425**

Loans received by particular customer are as follows:

Type of loan (in thousands of SKK)	Currency	Type of loan according to maturity	Contractual maturity	Carrying amount of loan 31. 12. 2007	Carrying amount of loan 31. 12. 2006
Loans received from customers:					
– EXIMBANKA SR	SKK	short-term	November 2008	2,126,291	1,895,934
Total				**2,126,291**	**1,895,934**

30. Held for trading financial liabilities

(in thousands of SKK)	2007	2006
Negative fair value of financial derivatives		
Interest-rate contracts	3,154,360	2,276,252
Currency contracts	2,808,775	3,593,771
Index-related contracts	128,133	105,198
Commodity contracts	21,497	-
Total	**6,112,765**	**5,975,221**

31. Liabilities from debt securities

(in thousands of SKK)	2007	2006
Issued debt securities – mortgage bonds	24,078,546	15,714,735
Issued debt securities – bonds	502,076	-
Other liabilities from debt securities – investment notes	2,912,549	4,138,106
Total	**27,493,171**	**19,852,841**

The Group issued the following mortgage bonds with the following terms and conditions as of their issue date:

Name (in thousands of SKK)	Interest rate	Currency	Number of mortgage bonds issued	Mortgage bonds unit face value in currency	Issue date	Maturity date	Coupon payment	31 December 2007	31 December 2006
Mortgage bonds II	5.50 %	SKK	10,000	100,000	17. 12. 2002	17. 12. 2012	annually	1,024,315	1,028,813
Mortgage bonds III	6.00 %	SKK	4,423	100,000	11. 3. 2003	11. 3. 2010	annually	475,686	481,208
Mortgage bonds IV	4.60 %	SKK	49,775	10,000	14. 1. 2004	14. 1. 2008	annually	519,781	171,386
Mortgage bonds V	5.00 %	SKK	10,000	100,000	21. 5. 2003	21. 5. 2013	annually	1,045,518	1,048,320
Mortgage bonds VI	4.60 %	SKK	500	1,000,000	8. 8. 2003	8. 8. 2008	annually	509,072	509,072
Mortgage bonds VII	4.60 %	SKK	10,000	100,000	31. 10. 2003	31. 10. 2008	annually	1,007,643	1,007,615
Mortgage bonds VIII	5.00 %	SKK	1,000	1,000,000	31. 3. 2004	31. 3. 2009	annually	1,037,500	1,037,500
Mortgage bonds IX	4.50 %	SKK	1,000	1,000,000	25. 6. 2004	25. 6. 2009	annually	1,023,218	1,023,281
Mortgage bonds XI	2.70 %	SKK	1,000	1,000,000	31. 3. 2005	31. 3. 2008	annually	1,020,464	1,021,333
Mortgage bonds XII	2.90 %	SKK	867	1,000,000	15. 11. 2005	15. 11. 2010	annually	867,749	802,900
Mortgage bonds XIII	12M BRIBOR	SKK	1,000	1,000,000	21. 11. 2005	21. 11. 2010	annually	1,004,153	542,757
Mortgage bonds XIV	3M BRIBOR	SKK	500	1,000,000	22. 3. 2006	22. 3. 2009	quarterly	500,302	500,212
Mortgage bonds XV	3M EURIBOR + 0.16 %	EUR	100	1,000,000	2. 8. 2006	2. 8. 2007	quarterly	-	3,478,401
Mortgage bonds XVI	6M BRIBOR + 0.04 %	SKK	7,212	100,000	2. 8. 2006	2. 8. 2008	6-monthly	734,892	767,630
Mortgage bonds XVII	6M BRIBOR + 0.08 %	SKK	650	1,000,000	24. 11. 2006	24. 11. 2011	6-monthly	652,919	653,269
Mortgage bonds XVIII	4.65 %	SKK	600	1,000,000	6. 12. 2006	6. 3. 2009	annually	622,785	601,860
Mortgage bonds XIX	3M EURIBOR + 0.16 %	EUR	30	1,000,000	13. 12. 2006	13. 12. 2007	quarterly	-	1,039,178
Mortgage bonds XX	4.24 %	SKK	10,000	100,000	31. 1. 2007	31. 1. 2009	annually	1,041,145	-
Mortgage bonds XXI	3M BRIBOR + 0.04 %	SKK	1,000	1,000,000	10. 5. 2007	10. 5. 2009	quarterly	1,006,259	-
Mortgage bonds XXII	4.6 %	SKK	500	1,000,000	25. 6. 2007	25. 6. 2012	annually	511,910	-
Mortgage bonds XXIII	0 %	SKK	3,000	100,000	1. 8. 2007	30. 7. 2010	-	266,720	-
Mortgage bonds XXIV	3M EURIBOR + 0.175 %	EUR	130	1,000,000	17. 8. 2007	17. 8. 2008	quarterly	4,393,778	-
Mortgage bonds XXV	4.6 %	SKK	10,000	100,000	18. 10. 2007	18. 10. 2010	annually	1,007,696	-
Mortgage bonds XXVI	0 %	SKK	5,000	100,000	31. 10. 2007	29. 10. 2010	-	439,405	-
Mortgage bonds XXVII	3M EURIBOR + 0.315 %	EUR	100	1,000,000	20. 12. 2007	19. 12. 2008	quarterly	3,365,636	-
Total mortgage bonds								**24,078,546**	**15,714,735**

The Group issued other debt securities with the following terms and conditions as of their issue date:

Name	Interest rate	Currency	Number of bonds issued	Bond unit face value in currency	Issue date	Maturity date	Coupon payment	31 December 2007	31 December 2006
Tatra Residence01	5.75%	SKK	5,000	100,000	5. 12. 2007	5. 12. 2010	annually	502,076	-
Total bonds								**502,076**	**-**

The issued mortgage bonds and other bonds are bearer bonds issued in book-entry form.

The bonds are negotiable and are not subject to any pre-emptive right. The entitlement to receiving the face value plus yield is governed by generally binding legal regulations and the bond issue terms and conditions, the full wording of which is published as required pursuant to Act No. 530/1990 Coll. on Bonds as amended.

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

Pursuant to Article 68 of the Act on Group, the amount of issued mortgage bonds shall not be less than 90 % of the volume of granted mortgage loans. In 2007 and 2006, the Group met the above requirement.

As of 31 December 2007, part of the issued mortgage bonds was secured by government bonds of the Slovak Republic included in securities portfolios in the amount of SKK 4,621,714 thousand (31 December 2006: SKK 4,646,340 thousand) in favour of the below business entities:

Description *(in thousands of SKK)*	***Face value of the government bond***	***Secured mortgage bond***	***Mortgage bond face value***	***Security termination date***	***Pledged in favour of***	***Registe red office***	***Company ID No.***
Gov. bond No.189	*1,101,100*	*HZL TB VIII*	*1,000,000*	*31. 3. 2009*	*Všeobecná úverová banka, a.s.*	*Bratislava*	*31 320 155*
Gov. bond No.189	*541,000*	*HZL TB IX*	*500,000*	*25. 6. 2009*	*Slovenská sporiteľňa, a.s.*	*Bratislava*	*00 151 653*
Gov. bond No.201	*1,068,400*	*HZL TB XI*	*1,000,000*	*31. 3. 2008*	*Slovenská sporiteľňa, a.s.*	*Bratislava*	*00 151 653*
Gov. bond No.188	*483,500*	*HZL TB XIII*	*500,000*	*21. 11. 2010*	*ISTROBANKA, a.s.*	*Bratislava*	*31 331 491*
Gov. bond No.189	*551,700*	*HZL TB VII*	*500,000*	*31. 10. 2008*	*ISTROBANKA, a.s.*	*Bratislava*	*31 331 491*
Gov. bond No.203	*648,000*	*HZL TB XVIII*	*600,000*	*6. 3. 2009*	*ISTROBANKA, a.s.*	*Bratislava*	*31 331 491*

Investment notes issued by the Group in 2007 and 2006:

	Note
TYPE	*TB promissory note*
FORM	*registered, not to order*
NATURE	*certificate-form security*
NUMBER	*2,362 (2006: 2 110)*
PAR VALUE of the notes issued (in thousand SKK)	*64,033,461 (2006: 59,733,360)*
AVERAGE INTEREST RATE	*4.03 % (3.81 %)*
DESCRIPTION OF RIGHTS	*The owner is entitled to receive the note amount; without the issuer's approval the owner is not authorised to assign the note and/or the rights attributable to the note to a third party*

32. Provisions for liabilities and charges

In 2007, movements in provisions for liabilities and charges were as follows:

(in thousands of SKK)	1 January 2007	Allocated	Released	Used	Transfers, exchange differences	31 December 2007
Provisions for anniversaries and other long-service benefits	-	42,582	-	-	-	42,582
Legal disputes (Note 44)	755,077	36,975	(3,742)	-	-	788,310
Specific provision	419,559	135,217	(386,853)	-	(199)	167,724
thereof:						
guarantees	294,794	23,715	(284,584)	-	(8)	33,917
irrevocable loan commitments	124,765	111,502	(102,269)	-	(191)	133,807
Portfolio provision	56,590	128,125	-	-	-	184,715
Total	**1,231,226**	**342,899**	**(390,595)**	**-**	**(199)**	**1,183,331**

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

(in thousands of SKK)	1 January 2006	Allocated	Released	Used	Transfers, exchange differences	31 December 2006
Legal disputes (Note 44)	496,886	258,503	(312)	-	-	755,077
Specific provision	239,082	419,462	(155,112)	(45,296)	(38,577)	419,559
thereof:						
guarantees	99,183	320,396	(42,320)	(45,296)	(37,169)	294,794
irrevocable loan commitments	139,899	99,066	(112,792)	-	(1,408)	124,765
Portfolio provision	-	56,590	-	-	-	56,590
Total	**735,968**	**734,555**	**(155,424)**	**(45,296)**	**(38,577)**	**1,231,226**

33. Income tax liabilities

In 2007, movements in income tax liabilities were as follows:

(in thousands of SKK)	1 January 2007	Allocated	Used	31 December 2007
Current tax	130,865	805,708	(741,502)	195,071
Deferred tax	231,577	163,223	-	394,800
Total	**362,442**	**968,931**	**(741,502)**	**589,871**

The net deferred income tax liability mainly resulted from temporary taxable differences described in Note 11.

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

(in thousands of SKK)	1 January 2006	Allocated	Used	Changes due to consolidation	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**

34. Other liabilities

(in thousands of SKK)	2007	2006
Deferred items	17,593	15,587
Other liabilities to state budget	69,700	77,840
Spot transactions	5,226	23,844
Social fund	29,910	32,831
Employee liabilities	553,785	489,880
Other liabilities	584,481	488,082
Total	**1,260,695**	**1,128,064**

The summary of social fund balances, additions and drawings is as follows:

(in thousands of SKK)	2007	2006
At 1 January	**32,831**	**21,563**
Additions	29,421	40,891
Drawing	(32,342)	(29,623)
At 31 December	**29,910**	**32,831**

35. Subordinated debt

(in thousands of SKK)	2007	2006
Subordinated debt	2,521,358	-
Total	**2,521,358**	**-**

Subordinated debt analysed by individual bank:

Type of loan (in thousands of SKK)	Currency.	Type of loan by maturity	Contractual maturity	Carrying amount of loan 31 December 2007	Carrying amount of loan 31 December 2006
Subordinated debt from banks:					
– RZB AUSTRIA, VIENNA	EUR	Long-term	September 2012	2,521,358	-
Total				**2,521,358**	**-**

The Group drew the subordinated debt from its parent RZB in accordance with the Act on Banks No. 483/2001 Coll. as amended and NBS Decree No. 4/2007 on banks' own funds of financing and banks' capital requirements and on securities dealers' own funds of financing and securities dealers' capital requirements to cover credit and operational risk of the Banking book and the market risks resulting from the Trading book.

Subordinated debt is type of a loan which ranks behind other debts and whose settlement is not vested. The interest rate on the subordinated debt is floating rate based on 3M Euribor and 0.63 % p.a. spread.

36. Equity

Equity breaks down as follows:

(in thousands of SKK)	**2007**	**2006**
Share capital - ordinary shares	*1,004,320*	*1,004,320*
Share capital – preferred shares	*122,955*	*97,533*
Treasury shares	*(3,795)*	*(2,619)*
Share premium – ordinary shares	*100,430*	*100,430*
Share premium – preferred shares	*1,069,074*	*806,767*
Share premium – treasury shares	*(31,022)*	*(21,243)*
Reserve and other funds	*309,441*	*308,584*
Retained earnings (excluding current year profit after tax)	*11,806,564*	*10,567,248*
Total	***14,377,967***	***12,861,020***

Share capital consists of 50,216 ordinary shares with a fair value of SKK 20 thousand each and 1,229,545 preferred shares with a fair value of SKK 100. The structure of shareholders is included in the *"General Information"* section. Earnings per share are disclosed in Note 12.

The type, form, nature and par value of equity shares and preference shares issued by the Parent Company:

Type	***Equity shares***	***Preference shares***
Form	*registered*	*registered*
Nature	*non-certified*	*non-certified*
Number	*50,216 shares*	*1,229,545 shares*
Par value	*SKK 20,000*	*SKK 100*
Issue No. (ISIN)	*SK1110001502, 01-04 series*	*SK1110007186, SK1110008424, SK1110010131, SK1110012103, SK1110013937*

Description of rights:

Each holder of the equity share is the Company's shareholder. Each shareholder enjoys its fundamental shareholder rights resulting from the Commercial Code and from the Parent Company's Articles, namely:

- The right to share in the Company's profit (dividend), based on the proportion of total face value of their shares to the total face value of all shareholders;
- The right to attend the General Meeting, vote at the General Meeting, ask for information thereon and explanations regarding the Company's issues and/or issues concerning the controlled entities and related to the agenda of the General Meeting, make motions at the General Meeting;
- The right to share in the liquidation balance.

Each holder of preference shares enjoys similar rights; the only difference is that the preference shares are not equipped with the right of voting at a General Meeting, except for cases for which the law assigns voting power to such shares. Preference shares are assigned a preferential right applicable to dividends, i.e. if the Company generates minimum net profit equal to the number of issued preference shares, a minimum dividend of SKK 1 (in words: one Slovak crown) per preference share will be paid to the preference shares holders.

Preference shares are subscribed and/or purchased during a subscription period which is announced by the Group's management on an annual basis after the Bank's Annual General Meeting. The right to subscribe and/or purchase preference shares is vested in any employee who works in the Group for at least one year as of the end of a subscription period and is employed for an unlimited period of time. Preference shares are sold by the Group with discount that is recognised in costs during a three-year period.

Voting power exercisable at the General Meeting is determined by the face value of the share, where one vote is assigned to each share at face value of SKK 20,000. If the law requires voting by the preference shares holders, their voting is conducted separately and each preference share at face value of SKK 100 is assigned one vote.

Equity shares are publicly traded on the securities market, while preference shares are non-publicly traded.

The following 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)	**2007**	**2006**
Parent Company	*12,655,878*	*11,392,885*
Entities consolidated using full consolidation method	*368,994*	*148,024*
Entities consolidated using equity method	*229,615*	*220,877*
Total share premium, equity restricted funds, and retained earnings	***13,254,487***	***11,761,786***

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

(in thousands of SKK)	**2007**	**2006**
Parent Company (bank)	*3,180,569*	*2,783,862*
Elimination of received dividends from associated undertaking	*-*	*(36,000)*
Entities consolidated using full consolidation method	*232,536*	*220,970*
Entities consolidated using equity method	*37,494*	*44,738*
Consolidated profit after tax	***3,450,599***	***3,013,570***

37. Capital management

For capital management purposes the Group defines regulatory capital, internal capital and economic capital.

Regulatory capital is the capital defined by the capital adequacy rules under Pillar 1. When quantifying the regulatory capital, the Group complies with current legislation (Decree of the National Bank of Slovakia No. 4/2007), defining its structure and minimum amount.

Regulatory capital, designated as own funds of the Group's financing, comprises the sum of the Group's original own funds and additional own funds less the value of deductible items. The Group does not generate any supplementary own funds. Regulatory capital is assigned for the coverage of credit risk, risks arising from the positions recorded in the Trading book (market risks), foreign exchange risk, equity risk and commodity risk.

The National Bank of Slovakia as the supervising authority requires that the Group maintains the proportion of total capital required by the regulator to risk-weighted assets at 8 % or above. In 2007 and 2006, the Group met the above minimum capital requirement.

Internal capital is the capital that needs to be held by the Group for the coverage of the Group's risks. Internal capital is distinguished by its structure, which may differ from the structure of the regulatory capital, and its minimum level. The Group defines internal capital as IFRS capital adjusted for deductible items. Unlike the regulatory capital requirement, it covers all the Group's existing material risks. The Group aims to maintain the minimum level of the internal capital above the economic capital level. In 2007, the Group achieved the above goal.

Economic capital is the necessary capital and/or it responds to the minimum capital requirement, for the coverage of unexpected losses resulting from the Group's internal risks to meet the minimum reliability threshold resulting from the Group's credibility. The benefits of the knowledge of economic capital are important for the Group, e.g. for active portfolio management, valuation, controlling, etc.

The below table provides the outline of the structure of the Group's regulatory capital including capital adequacy indicators for the years ending 31 December:

(in thousands of SKK)	**2007**	**2006**
The Group's original own funds	***14,377,967***	***12,861,020***
Paid up registered capital	*1,127,275*	*1,101,853*
(-) Treasury shares	*(3,795)*	*(2,619)*
Share premium	*1,138,482*	*885,954*
Funds from profit and other capital reserves	*309,441*	*308,584*
Other specific items of the Group's original own funds	*11,806,564*	*10,567,248*
(-) Items deductible from the Group's original own funds	***(1,028,032)***	***(1,178,361)***
(-) Intangible assets	*(1,028,032)*	*(1,178,361)*
Additional own funds	***2,520,225***	***-***
Subordinated debts	*2,520 225*	*-*
(-) Items deductible from the Group's original and additional own funds	***(363,109)***	***(325,615)***
(-) from the Group's original own funds	*(181,555)*	*(325,615)*
(-) from additional own funds	*(181,554)*	*-*
Additional own funds	***-***	***-***
Total own funds	***15,507,051***	***11,357,044***

(in thousands of SKK)	**2007**	**2006**
Adequacy of own funds (%)	***10.28***	***9.68***
Own funds	*15,507,051*	*11,357,044*
Risk-weighted assets (RWA)	*150,798,476*	*117,317,768*
RWA from receivables recorded in the Banking book	*142,517,288*	*109,411,417*
RWA from positions recorded in the Trading book	*7,930,825*	*5,761,888*
Other RWA (foreign exchange risk)	*350,363*	*2,144,463*

38. Information for Cash Flow Statement

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

(in thousands of SKK)	2007	2006
Cash flows from operating activities		
Profit before income taxes	4,419,530	3,841,236
Adjustments for non-cash operations:	**(4,548,045)**	**(4,655,344)**
Interest expense	4,307,498	2,817,627
Interest income	(11,084,398)	(8,358,062)
Provisions for impairment losses on loans and advances, net	469,517	(98,712)
(Profit) loss on sale and other disposals of non-current assets	80,143	5,292
(Profit) loss from financial derivative instruments and held for trading securities	294,485	213,149
(Profit) loss from securities at fair value through profit or loss	391,327	56,276
Share in retained earnings of associates	(37,494)	(8,738)
Discount applicable to preference shares	53,029	-
Depreciation and amortization	897,959	578,811
Dividend income	(4)	(898)
Foreign exchange (gain) loss on cash and cash equivalents	79,893	139,911
Cash flow of operating activities before changes in working capital, interest received and paid and income taxes paid	**(128,515)**	**(814,108)**

Cash and cash equivalents as of 31 December 2007, 31 December 2006, and 31 December 2005 comprise of the following:

(in thousands of SKK)	2007	2006	2005
Cash in hand (Note 13)	3,275,042	2,840,589	2,074,937
Deposits with National Bank of Slovakia repayable on demand (Note 13)	1,237,747	526,638	688,955
NBS overnights (Note 13)	4,000,250	300,081	-
NBS T-bills at fair value (Note 14)	-	4,954,155	-
Giro and interbank clearing business (Note 15)	999,813	1,863,801	610,668
Total	**9,512,852**	**10,485,264**	**3,374,560**

39. 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 Group and enterprises that have a member of key management in common with the Group.

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

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 as at 31 December 2007:

(in thousands of SKK)	***RZB***	***RZB Group***	***Associates***	***Statutory bodies and Supervisory Board****	***Other related parties***	***Total***
Loans and advances to banks and customers	*1,850,867*	*468,586*	*341,067*	*3,120*	*34,299*	*2,697,939*
Receivables from financial derivative transactions	*164,502*	*18,909*	*1,023*	*-*	*-*	*184,434*
Other assets	*658*	*28,835*	*-*	*-*	*-*	*29,494*
Deposits from banks and customers	*281,279*	*1,249,776*	*2,403*	*101,578*	*-*	*1,635,036*
Liabilities from financial derivative transactions	*312,699*	*1,212*	*597*	*-*	*-*	*314,508*
Subordinated debt	*2,521,358*	*-*	*-*	*-*	*-*	*2,521,358*
Other liabilities	*251*	*7,611*	*-*	*-*	*-*	*7,862*
Guarantees issued	*797,868*	*46,378*	*158,619*	*-*	*-*	*1,002,865*
Commitments	*-*	*-*	*97,451*	*-*	*-*	*97,451*
Guarantees received	*523,863*	*333,939*	*3,500*	*-*	*-*	*861,302*

*including members of RZB and RIB Boards of Directors

The following are assets, liabilities, revenues, expenses, commitments and contingencies with related parties as at 31 December 2006:

(in thousands of SKK)	**RZB**	**RZB Group**	**Associates**	**Statutory bodies and Supervisory Board***	**Other related parties**	**Total**
Loans and advances to banks and customers	526,152	528,340	315,123	3,962	86,795	1,460,372
Receivables from financial derivative transactions	29,573	10,453	4,988	-	-	45,014
Other assets	845	19,495	-	-	-	20,340
Deposits from banks and customers	187,148	982,986	2,036	86,439	-	1,258,609
Liabilities from financial derivative transactions	109,944	83	2,501	-	-	112,528
Other liabilities	489	3,452	-	-	-	3,941
Guarantees issued	90,913	2,449,889	37,838	-	-	2,578,640
Commitments	-	-	115,717	-	-	115,717
Guarantees received	137,894	15,000	7,100	-	-	159,994

*including members of RZB and RIB Boards of Directors

The following are revenues and expenses with related parties as of 31 December 2007:

(in thousands of SKK)	**RZB**	**RZB Group**	**Associates**	**Statutory bodies and Supervisory Board**	**Other related parties**	**Total**
Interest and similar income	67,531	5,004	11,664	25	47	84,271
Fees and commissions income	3,005	106,761	6,584	-	-	116,350
Unrealized gain (loss) on financial derivative transactions	282,417	9,347	3,607	-	-	295,371
Operating revenues	2,549	10,601	9,611	-	-	22,761
Interest and similar expenses	(41,716)	(21,940)	(278)	(3,476)	-	(67,410)
Expenses on charges and commissions	(12,685)	(11,130)	-	-	-	(23,815)
Unrealized gain (loss) on financial derivative transactions	(349,287)	(1,866)	(3,395)	-	-	(354,548)
Administrative expenses	(17,465)	(71,057)	-	(104,245)	-	(192,767)
Operating expenses	(135)	(61)	(214)	-	-	(410)

The following are revenues and expenses with related parties as of 31 December 2006:

(in thousands of SKK)	RZB	RZB Group	Associates	Statutory bodies and Supervisory Board	Other related parties	Total
Interest and similar income	28,685	7,757	10,785	29	46	47,302
Fees and commissions income	4,347	113,299	10,918	-	-	128,564
Unrealized gain (loss) on financial derivative transactions	249,395	921	13,683	-	-	263,999
Operating revenues	349	9,011	9,752	-	-	19,112
Interest and similar expenses	(59,000)	(17,744)	(33)	-	-	(76,777)
Expenses on charges and commissions	(14,128)	(8,967)	-	-	-	(23,095)
Unrealized gain (loss) on financial derivative transactions	(102,889)	(1,270)	(15,228)	-	-	(119,387)
Administrative expenses	(26,533)	(41,055)	-	(95,143)	-	(162,731)
Operating expenses	(16)	-	(4)	-	-	(20)

40. Compensation of members of the Company's bodies

The remuneration and salaries paid to the Group's statutory bodies and members of the Supervisory Board (gross):

(in thousands of SKK)	2007	2006
Statutory bodies*	85,145	72,748
Supervisory board	19,100	22,395
Total	**104,245,**	**95,143**

*including subsidiaries

41. Foreign currency items

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

(in thousands of SKK)	2007	2006
Assets	45,710,735	33,878,951
Liabilities	50,768,118	36,255,844

42. Foreign assets and liabilities

Assets and liabilities with counterparties outside Slovakia are as follows:

(in thousands of SKK)	2007	2006
Assets	11,914,638	12,859,974
Liabilities	18,084,318	7,707,356

43. 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)	2007	2006
Contingent liabilities:	**9,176,519**	**9,818,037**
from guarantee credits	53,771	34,573
from other guarantees	8,486,699	8,971,535
from letters of credit	636,049	811,929
Commitments:	**95,770,598**	**54,808,346**
from irrevocable loan promises/stand-by facilities		
up to 1 year	64,198,146	33,332,665
more than 1 year	21,829,472	17,575,051
from revocable loan commitments		
up to 1 year	1,922,372	491,744
more than 1 year	7,820,608	3,408,886

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 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 2007 the Group created reserves for these risks amounting to SKK 352,439 thousand (2006: SKK 476,149 thousand) (Note 32).

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 adverse and material effect on the financial situation or the results of future operations of the Group. As of 31 December 2007 the Group created provisions for the aforementioned risks amounting to SKK 788,310 thousand (2006: SKK 755,077 thousand) (Note 32).

Contingent liabilities from operating lease

The Group recognises contingent liabilities from non-cancellable operating lease as a lessee on the off-balance sheet as of 31 December 2007 as follows:

(in thousands of SKK)	**2007**	**2006**
Total non-cancellable payments for operating lease	***1,142,313***	***1,360,757***
Less than 1 year	*260,137*	*167,096*
1 year to 5 years	*679,340*	*660,692*
More than 5 years	*202,836*	*532,969*
Operating lease expense in other administrative costs	*388,818*	*383,006*

For operating leases of buildings, lease periods rank between 5 months and 11 years with optional prolongation by 1 month up to 15 years. The largest operating lease contracts for buildings allow for adjustments to the rent based on the Harmonized Consumer Price Index calculated and published by Eurostat, or based on comparable indices which are most identical with the above index.

44. Values in custody and management

(in thousands of SKK)	**2007**	**2006**
Values in custody		
Investment notes	*3,359,765*	*4,298,883*
Promissory notes	*1,327,300*	*85,492*
Merchandise and trust receipts	*951,823*	*614,971*
Unit trust certificates of the trust holders in the open unit trusts of Tatra Asset Management ('TAM')	*-*	*38,819,369*
Values in management		
Securities	*9,519,289*	*5,454,452*
Total	***15,158,177***	***49,273,167***

The Group reported values received in custody and administration at fair values. Values received in custody and administration does not represent the Group's property and accordingly they are not part of the Group's assets.

By the end of 2007, unit trust certificates of open unit trusts of Tatra Asset Management were registered. For the above reason, the Group does not recognise the unit trust certificates as values in custody.

Revenues from custody and administration are disclosed in the income statement as *"Fees and commissions income"* and as at 31 December 2007 they amounted to SKK 9,798 thousand (31 December 2006: SKK 10,972 thousand).

In accordance with the depository function for Tatra Asset Management, správ. spol., a.s. (TAM), as of 31 December 2007 the Group reported deposited securities in custody of the TAM Unit Trusts in the amount of SKK 43,891,436 thousand (as of 31 December 2006: SKK 34,950,338 thousand).

45. Repurchase agreements

The following repurchase and redelivery commitments were in place on 31 December 2007 (under reverse repo transactions):

(in thousands of SKK)	**2007**	**2006**
Reverse repurchase agreements (as lender)		
Securities purchased	*54,182,579*	*17,942,886*
thereof: for loans granted to banks	*30,381,275*	*17,942,886*
thereof: for loan commitments granted to banks	*23,801,304,*	*-*
Total	***54,182,579,***	***17,942,886***

46. Assets pledged as collateral

Liabilities secured by the Group's assets:

(in thousands of SKK)	**2007**	**2006**
Deposits from banks (received loans)	*1,179,354*	*1,322,497*
Liabilities from debt securities	*4,201,123*	*4,179,701*
Total	***5,380,477***	***5,502,198***

The pledge attributable to the aforementioned liabilities comprised of the following assets recognised on the balance sheet:

(in thousands of SKK)	**2007**	**2006**
Loans and advances to banks	*100,099*	*35,716*
Held for trading financial assets	*-*	*3,333,552*
Financial assets at fair value through profit or loss	*3,811,228*	*526,802*
Held to maturity securities	*2,625,572*	*2,620,253*
Total	***6,536,899***	***6,516,323***

For detailed information on securities pledged as collateral for the Group's liabilities see Note 28 *"Deposits from banks"* and Note 31 *"Liabilities from debt securities"*.

The Group opened margin accounts as a collateral for derivative transactions. The amount of cash deposited by the Group in margin accounts depends on the volume and risk exposures of the deals made. The amount of cash deposited in margin accounts equals the amount of assets pledged as collateral and is recognised in *"Loans and advances to banks"*.

47. Default loan portfolio

Default loans represent the loans receivable portfolio as defined by the "International Convergence of Capital Measurement and Capital Standards" issued by the Basel Committee and known as Basel II. In the Slovak Republic, the definition of default is set forth in Article 73 of the NBS Decree No. 4/2007 on banks' own funds of financing and banks' capital requirements.

There is no definition of default loans in the methodology of International Financial Reporting Standards.

The following summary analyses the default loan portfolio as at 31 December 2007:

(in thousands of SKK)	**Corporate clients**	**Retail clients**	**Total**
Default loans	*1,269,658*	*724,007*	*1,993,665*
Provisions for default loans	*829,492*	*486,397*	*1,315,889*
Claim value of received collateral for default loans	*990,866*	*109,631*	*1,100,497*
% coverage by provisions for assets	*65.3 %*	*67.2 %*	*66.0%*
% coverage by provisions for assets and received collaterals	*143.4 %*	*82.3 %*	*121.2 %*

The following summary analyses the default loan portfolio as at 31 December 2006:

(in thousands of SKK)	**Corporate clients**	**Retail clients**	**Total**
Default loans	*1,539,072*	*573,089*	*2,112,161*
Provisions for default loans	*899,005*	*296,412*	*1,195,417*
Claim value of received collateral for default loans	*1,099,770*	*224,171*	*1,323,941*
% coverage by provisions for assets	*58.4 %*	*51.7 %*	*56.6 %*
% coverage by provisions for assets and received collaterals	*129.9 %*	*90.8 %*	*119.3 %*

48. Average number of staff

The following is information on the Group's average headcount:

(in thousands of SKK)	**2007**	**2006**
Group employees	*3,555*	*3,468*
thereof: members of the Board of Directors	*6*	*6*
Total	***3,555***	***3,468***

49. Derivative financial instruments

The total volumes of unsettled derivative financial instruments are as follows on 31 December 2007:

(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 18)	Negative (Note 31)
a) Interest-rate contracts	**49,491,273**	**74,066,278**	**24,589,540**	**148,147,091**	**2,784,973**	**(3,154,360)**
OTC products:						
Interest rate swaps	49,491,273	64,254,202	23,016,920	136,762,395	2,784,813	(3,147,113)
Forward rate agreements	-	4,895,957	786,310	5,682,267	-	(7,060)
Interest rate options-buy	-	10,081	-	10,081	160	-
Interest rate options-sell	-	10,081	-	10,081	-	(187)
Stock exchange products:						
Interest rate futures	-	4,895,957	786,310	5,682,267	-	-
b) Exchange-rate contracts	**161,110,131**	**21,169,043**	**1,053,651**	**183,332,825**	**2,593,046**	**(2,808,775)**
OTC products:						
Currency swaps	43,422,152	400,931	-	43,823,083	558,462	(500,667)
Currency and interest rate swaps	198,720	570,423	-	769,143	65,388	(65,005)
Foreign currency forwards	36,804,224	1,237,684	-	38,041,908	533,356	(941,993)
Currency options-buy	48,035,010	12,149,328	129,568	60,313,906	295,360	(287,950)
Currency options-sell	32,650,025	5,612,298	-	38,262,323	1,097,822	(970,706)
Other cross-currency instruments	-	1,198,379	924,083	2,122,462	42,658	(42,454)
c) Index-related contracts	**272,562**	**352,255**	**1,023,126**	**1,647,943**	**117,951**	**(128,133)**
OTC products:						
Index call options	272,562	-	-	272,562	12,627	(16,760)
Index put options	-	352,255	-	352,255	105,324	(105,114)
Index forwards	-	-	511,563	511,563	-	(6,259)
Stock exchange products:						
Index futures	-	-	511,563	511,563	-	-
d) Commodity contracts	**404,443**	**-**	**-**	**404,443**	**24,163**	**(21,497)**
OTC products:						
Commodity swaps	404,443	-	-	404,443	24,163	(21,497)
Total	**211,278,409**	**95,587,576**	**26,666,317**	**333,532,302**	**5,520,133**	**(6,112,765)**

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 18)	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-buy	20,396,373	12,835,511	-	33,231,884	1,505,266	-
Currency options-sell	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-buy	-	316,533	-	316,533	101,064	-
Index-related options-sell	-	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)**

50. 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)	Fair value 2007	Carrying amount 2007	Difference 2007	Fair value 2006	Carrying amount 2006	Difference 2006
Assets						
Loans and advances to banks	43,098,815	43,098,815	-	26,687,784	26,687,784	-
Loans and advances to customers	139,539,043	139,826,880	(287,837)	105,219,775	104,426,589	793,186
Held-to-maturity financial assets	33,458,972	33,588,487	(129,515)	38,156,849	38,275,126	(118,277)
Liabilities						
Deposits from banks	10,233,829	10,233,829	-	4,884,870	4,884,870	-
Deposit from customers	185,723,407	185,791,986	(68,579)	159,597,413	159,511,425	85,988
Liabilities from debt securities	27,364,924	27,493,171	(128,247)	19,709,385	19,852,841	(143,456)
Subordinated debt	2,521,358	2,521,358	-	-	-	-

51. 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 loan exposure borne by the Group by setting limits of risk accepted with respect to one debtor, or a group of debtors, and with respect to individual countries. The aforementioned 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 the following main tools: Credit scoring is a tool used by the Group in the loan decision process for private individuals and also for small companies. The next important tool in the loan approval process is the system of underwriting by specialists whose 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 the quality of the existing portfolio are also very important part of risk management that significantly contribute to retaining portfolio quality and to targeted level of risk charges.

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.

As part of credit risk monitoring and management, the Group also closely observes the area of exposure and residual risks:

Exposure risk represents the risk resulting from the concentration of the Group's transactions with an entity, a group of economically-related parties, state, geographical area, industry sector, collateral provider, etc. The aforementioned risk is closely related to both exposures in the Banking book and exposures in the Trading book. In order to manage exposure risk effectively, the Group's objective is to focus on quality portfolio management and its adequate diversification while adhering to set exposure limits (large assets exposure and other). Simultaneously, the Group develops methods for exposure risk quantification.

Residual risk represents the risk stemming from insufficient enforceability of rights arising to the Group from received security against credit risk. The Group eliminates this risk in particular by means of consistent observing of legal and operational requirements, and conservative valuation and revaluation methods, and by applying appropriate discounts depending on the type and quality of the received collateral.

The table below shows the maximum amount of credit risk regardless of received collateral:

(in thousands of SKK)	**2007**	**2006**
Credit risk related to balance sheet assets:		
Treasury bills and other eligible bills	-	*4,954,155*
Loans and advances to banks	*43,098,815*	*26,687,784*
Loans and advances to customers, net	*137,516,682*	*102,633,803*
Held for trading financial assets	*9,910,385*	*15,909,370*
Financial assets at fair value through profit or loss	*13,282,362*	*6,244,719*
Held to maturity financial assets	*33,588,487*	*38,275,126*
Available-for-sale financial assets	*4,481*	*3,964*
Investments in associated undertakings	*363,209*	*325,715*
Other assets	*1,816*	*1,355*
Other assets	*1,022,300*	*1,073,134*
Total	***238,788,537***	***196,109,125***

(in thousands of SKK)	**2007**	**2006**
Credit risk related to off-balance sheet items:		
Contingent commitments from guarantees	*9,176,519*	*9,818,036*
Irrevocable loan commitments/stand-by facility	*86,031,724*	*50,796,566*
Revocable loan commitments/stand-by facility	*9,742,980*	*3,900,630*
Total	***104,951,223***	***64,515,232***

The table below shows the summary of the quality of the loan portfolio as of 31 December 2007:

(in thousands of SKK)	Total carrying amount	Not impaired	Assessed on an individual basis – impaired	Specific provision	Portfolio provision	Net carrying amount	Claim value of received collateral	% coverage by provisions for assets	% coverage by provisions for assets and received collateral
Loans and advances to banks	43,098,815	43,098,815	-	-		43,098,815	30,329,171	-	70.37 %
Loans to customers	139,826,880	133,368,294	6,458,586	1,758,456	551,742	137,516,682	85,675,332	1.65 %	62.92 %
thereof:									
government sector	1,037,383	1,037,383	-	-	-	1,037,383	414,317	-	39.94 %
corporate clients	92,032,508	86,430,329	5,602,179	1,190,044	385,577	90,456,887	53,938,124	1.71 %	60.32 %
retail clients	46,756,989	45,900,582	856,407	568,412	166,165	46,022,412	31,322,891	1.57 %	68.56 %
Total	**182,925,695**	**176,467,109**	**6,458,586**	**1,758,456**	**551,742**	**180,615,497**	**116,004,503**	**1.65 %**	**64.68 %**

The table below shows the summary of the quality of the loan portfolio as of 31 December 2006:

(in thousands of SKK)	Total carrying amount	Not impaired	Assessed on an individual basis – impaired	Specific provision	Portfolio provision	Net carrying amount	Claim value of received collateral	% coverage by provisions for assets	% coverage by provisions for assets and received collateral
Loans and advances to banks	26,687,784	26,687,784	-	-	-	26,687,784	17,942,886	-	67.23 %
Loans to customers	104,426,589	99,070,118	5,356,471	1,460,168	332,618	102,633,803	59,531,674	1.72 %	58.72 %
thereof:									
government sector	1,409,336	1,409,336	-	-	-	1,409,336	542,786	-	38.51 %
corporate clients	72,158,697	67,245,392	4,913,305	1,130,614	102,711	70,925,372	38,109,508	1.71 %	54.52 %
retail clients	30,858,556	30,415,390	443,166	329,554	229,907	30,299,095	20,879,380	1.81 %	69.47 %
Total	**131,114,373**	**125,757,902**	**5,356,471**	**1,460,168**	**332,618**	**129,321,587**	**77,474,560**	**1.37 %**	**60.46 %**

The summary of individual types of received collateral for financial assets at claim value is as follows:

(in thousands of SKK)	2007	2006
Collateralisation of issued loans	**116,004,503**	**77,474,560**
Cash	850,170	657,066
Guarantees	15,063,206	15,332,895
Securities	32,209,270	19,363,086
Real estate	61,561,486	37,412,801
Movables	2,478,268	1,776,012
Receivables	3,842,103	2,932,700
Collateralisation of debt securities	**4,662,685**	**4,642,322**
Guarantees	479,626	480,612
Securities	4,183,059	4,161,710
Collateralisation of receivables from derivative transactions	**233,256**	**120,333**
Securities	233,256	120,333
Total	**120,900,444**	**82,237,215**

The summary below represents an analysis of non-impaired loan portfolio by overdue days as of 31 December 2007:

(in thousands of SKK)	Within maturity	Within 90 days	From 91 to 180 days	From 181 days up to 1 year	Over 1 year	Received collateral for overdue loans (in claim value)
Loans and advances to banks	43,098,815	-	-	-	-	-
Loans to customers	131,339,059	1,913,565	113,973	1,683	14	925,547
thereof:						
government sector	1,037,383	-	-	-	-	-
corporate clients	85,727,991	700,414	228	1,683	14	387,373
retail clients	44,573,685	1,213,151	113,745	-	-	538,174
Total	**174,437,874**	**1,913,565**	**113,973**	**1,683**	**14**	**925,547**

The summary below represents an analysis of non-impaired loan portfolio by overdue days as of 31 December 2006:

(in thousands of SKK)	Within maturity	Within 90 days	From 91 to 180 days	From 181 days up to 1 year	Over 1 year	Received collateral for overdue loans (in claim value)
Loans and advances to banks	26,687,784	-	-	-	-	-
Loans to customers	93,988,369	4,859,477	222,010	94	168	2,976,063
thereof:	1,409,336	-	-	-	-	-
government sector						
corporate clients	63,894,495	3,349,506	1,367	-	24	2,612,548
retail clients	28,684,538	1,509,971	220,643	94	144	363,515
Total	**120,676,153**	**4,859,477**	**222,010**	**94**	**168**	**2,976,063**

The following summary represents an analysis of individually impaired loan portfolio as of 31 December 2007:

(in thousands of SKK)	***Corporate clients***	***Retail clients***	***Total***
Loans assessed on an individual basis – impaired	*5,602,179*	*856,407*	*6,458,586*
Specific provisions	*1,190,044*	*568,412*	*1,758,456*
Claim value of received collateral	*3,428,005*	*273,796*	*3,701,801*
% coverage by provisions for assets	*21.2 %*	*66.4 %*	*27.2 %*
% coverage by provisions for assets and received collaterals	*82.4 %*	*98.3 %*	*84.5 %*
Interest income from impaired loans	*11,194*	*23,782*	*34,976*

The following summary below represents an analysis of individually impaired loan portfolio as of 31 December 2006:

(in thousands of SKK)	***Corporate clients***	***Retail clients***	***Total***
Loans assessed on an individual basis – impaired	*4,913,305*	*443,166*	*5,356,471*
Specific provisions	*1,130,614*	*329,554*	*1,460,168*
Claim value of received collateral	*2,395,844*	*149,694*	*2,545,538*
% coverage by provisions for assets	*23.0 %*	*74.4 %*	*27.3 %*
% coverage by provisions for assets and received collaterals	*71.8 %*	*108.1 %*	*74.8 %*
Interest income from impaired loans	*9,313*	*11,975*	*21,288*

The summary below represents quality of loan portfolio that is non-impaired and non-overdue in accordance with internal rating:

(in thousands of SKK)	**2007**	**2006**
Loans and advances to banks:	***43,098,815***	***26,687,784***
A1	*8*	*-*
A2	*2,482,621*	*729,847*
A3	*38,577,617*	*22,008,385*
B1	*1,658,420*	*2,994,113*
B2	*331,368*	*920,734*
B4	*2,503*	*1,115*
B5	*15,214*	*21,123*
With no rating	*31,064*	*12,467*
Loans to customers:	***131,339,059***	***93,988,369***
thereof government sector:	*1,037,383*	*1,409,336*
A1	*290,601*	*-*
A3	*399,668*	*1,119,450*
B1	*12,327*	*19,585*
B2	*185,415*	*207,269*
B3	*143,267*	*63,026*
B4	*552*	*2*
B5	*4,517*	*4*
C	*1,036*	*-*
thereof corporate clients:	*85,727,991*	*63,894,495*
A	*8,829,825*	*4,349,627*
A-	*28,947,446*	*17,953,292*
B1	*19,195,930*	*11,525,849*
B2	*14,649,504*	*14,992,966*
B3	*12,947,548*	*13,442,374*
B-	*769,082*	*1,367,319*
C	*372,962*	*262,130*
D	*-*	*66*
With no rating	*15,694*	*872*
thereof retail clients:	*44,573,685*	*28,684,538*
Clients with no assigned rating	*44,573,685*	*28,684,538*
Total	***174,437,874***	***120,676,153***

Description of individual scoring categories for banks and government sector is as follows:

Risk category	Description
A1	Minimum risk – extraordinary repayment capacity
A2	Excellent credit rating – excellent repayment capacity
A3	Very good credit rating – very good repayment capacity
B1	Good credit rating – good repayment capacity
B2	Standard credit rating – satisfactory repayment capacity
B3	Ordinary credit rating – reasonable repayment capacity for the upcoming period
B4	Sub-standard credit rating – uncertain repayment capacity
B5	Significantly sub-standard credit rating – highly uncertain repayment capacity
C	Doubtful/high risk of default – unlikely repayment capacity
D	Defaulted

The scoring system of the Group's corporate clients (applied for the entire RZB Group) is based on the "matrix" system and complies with the rules of the Internal Rating Based Approach (IRB) as required by the Basel II. This system combines 2 ratings: client's rating and rating of received collateral.

Description of individual scoring categories (combination of client's rating and rating of received collateral) for corporate clients:

Risk category	Description
A	Extraordinary repayment capacity – minimum risk
A-	Excellent repayment capacity – slight risk
B1	Very good repayment capacity – standard risk
B2	Good repayment capacity – acceptable risk
B3	Satisfactory repayment capacity – significant risk
B-	Reasonable repayment capacity – monitoring of creditworthiness
C	Doubtful
D	Defaulted

Credit risk associated with the securities portfolio is low as the majority of purchased debt securities are government bonds issued by the Slovak Republic. For corporate debt securities, which amount to SKK 1,692,444 thousand, the risk category of the respective issuers is A-.

Credit risk from derivative transactions is also minimal as all transactions are secured by a certain form of hedging (e.g. blockage of the client's financial funds, etc.).

Structure of the Group's credit risk exposure to the Slovak Republic (entities controlled by the Slovak Republic, guarantees issued by the Slovak Republic, and similar exposures) is as follows:

(in thousands of SKK)	**2007**	**2006**
Deposits with the NBS	*1,237,747*	*526,638*
Zero coupon government bonds and other securities received by the NBS for refinancing	*5,928,465*	*12,241,798*
Loans and advances to banks	*36,344,504*	*23,392,755*
Loans to customers	*6,745,881*	*9,027,786*
Debt securities	*35,101,527*	*35,651,326*
Total	***85,358,124***	***80,840,303***

Restructuring

The Group can modify repayment terms of its loan receivables if the client's financial position is weak and the client would be unable to repay, within a specified period of time, its liabilities to the Group.

With overdraft loans, Agreement on Debt Instalments is concluded – this agreement cannot be extended, only transformed into an instalment credit after declaration of extraordinary maturity. In extraordinary circumstances, the overdraft loan can be extended however with the use of a gradual reduction.

In the case of instalment loans, repayment schedules are modified due to the client's inability to keep the agreed upon deadlines.

In 2007, the carrying amount of loan receivables whose repayment terms were modified due to the client's default and deteriorated financial position amounted to SKK 28,978 thousand (2006: SKK 333,705 thousand).

In 2007, the Group turned into liquidity its liens over property as received collateral for its bad debt totalling SKK 67,463 thousand (2006: SKK 22,703 thousand).

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

Market risks at which the Group faces insignificant exposure:
- Equity price risk
- Commodity 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 the RZB Group standards. Data on the Group currency positions and on the Group'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 2007 and 2006 were as follows:

(in thousands of SKK)	***Net FX position 31 December 2007***	***Net FX position 31 December 2006***
EUR	*(1,232,199)*	*3,695,479*
USD	*(2,025,382)*	*(5,309,990)*
SKK	*5,057,383*	*2,380,786*
Other	*(1,799,802)*	*(766,275)*
Total net FX balance sheet position	**-**	**-**
EUR	*1,376,494*	*(1,594,438)*
USD	*2,029,810*	*5,302,087*
SKK	*(5,555,668)*	*(5,518,617)*
Other	*1,961,204*	*667,720*
Total net FX off-balance sheet position	***(188,160)***	***(1,143,248)***
Total Net FX position	***(188,160)***	***(1,143,248)***

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.

For monitoring of interest rate risk, the Group uses the gap analysis method (interest GAP), method of market value sensitivity to yield curve shift by defined number of basis points (basis point value – BPV) and a 40-day stop loss limit to interest rate sensitive instruments.

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, and USD).

The Group's limit on the interest rate risk of the Banking Book is set in the form of limits on the sensitivity of the overall position to the yield curve shifts (BPV) in 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 sensitivity of the overall position to the yield curve shifts (BPV). The limits are set for individual currency included in the Trading Book. The loss resulting from interest rate variations is limited to a 40-day stop loss limit.

Once a week, Integrated Risk Management submits to the Assets and Liabilities Committee information on the actual amount of credit risk by individual currency and information on the use of credit risk limits.

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 in carrying amount 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 2007:

(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	*7,219,631*	*-*	*-*	*-*	*3,275,042*	*10,494,673*
Loans and advances to banks	*42,913,428*	*154,322*	*-*	*-*	*31,065*	*43,098,815*
Loans and advances to customers, gross	*89,675,205*	*24,586,388*	*19,954,463*	*3,004,292*	*296,334*	*137,516,682*
Held for trading financial assets	*2,378,677*	*2,287,899*	*3,301,760*	*1,936,333*	*5,716*	*9,910,385*
Financial assets at fair value through profit or loss	*334,366*	*556,824*	*5,033,208*	*7,357,415*	*549*	*13,282,362*
Held to maturity financial assets	*12,795,925*	*4,850,245*	*15,942,317*	*-*	*-*	*33,588,487*
Available for sale financial assets	*-*	*-*	*-*	*-*	*4,481*	*4,481*
Other assets	*-*	*-*	*-*	*-*	*1,022,300*	*1,022,300*
Interest rate position for financial assets as of 31 December 2007	***155,317,232***	***32,435,678***	***44,231,748***	***12,298,040***	***4,635,487***	***248,918,185***
Liabilities						
Deposits from banks	*9,980,654*	*176,363*	*60,650*	*4,105*	*12,057*	*10,233,829*
Deposits from customers	*86,599,869*	*59,751,805*	*36,444,863*	*27,107*	*2,968,342*	*185,791,986*
Held for trading financial liabilities	*2,921,875*	*2,112,647*	*655,374*	*422,869*	*-*	*6,112,765*
Liabilities from debt securities	*14,428,614*	*3,401,873*	*8,647,583*	*1,015,101*	*-*	*27,493,171*
Provisions for liabilities and charges	*-*	*-*	*-*	*-*	*1,183,331*	*1,183,331*
Other liabilities	*-*	*-*	*-*	*-*	*1,260,695*	*1,260,695*
Subordinated debt	*1,133*	*-*	*2,520,225*	*-*	*-*	*2,521,358*
Interest rate position for financial assets as of 31 December 2007	***113,932,145***	***65,442,688***	***48,328,695***	***1,469,182***	***5,424,425***	***234,597,135***
Net interest rate position as of 31 December 2007	***41,385,087***	***(33,007,010)***	***(4,096,947)***	***10,828,858***	***(788,938)***	***14,321,050***

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***	***Unspecified***	***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, gross	*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 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***

Average interest rates as of 31 December 2007:

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

	2007		2006	
	SKK	FCY	SKK	FCY
Assets				
Cash and deposits in central banks	1.64	-	3.21	-
Treasury bills and other eligible bills	4.68	-	4.62	-
Loans and advances to banks	4.61	3.89	4.17	3.60
Loans and advances to customers	6.58	5.12	6.38	4.19
Debt securities	4.28	4.01	4.10	3.60
Total assets	**5.14**	**4.64**	**4.93**	**3.93**
Total interest earning assets	**5.34**	**4.81**	**4.81**	**3.94**
Liabilities				
Deposits from central bank	2.61	-	-	-
Deposits from banks	3.47	4.70	3.43	3.45
Deposits from customers	1.98	2.38	1.77	1.88
Liabilities from debt securities	4.10	4.41	3.61	3.59
Subordinated debt	-	5.36	-	-
Total liabilities	**1.92**	**2.70**	**1.97**	**2.27**
Total interest bearing liabilities	**2.23**	**2.94**	**1.86**	**2.12**

Equity price risk

Equity price risk arises from the Group's exposure to changes in equity investment prices. Equity price risk is determined on the level of the Group. Equity price risk is measured using individual exposures, and the calculating and monitoring of the overall equity investments position. Equity investments positions are reported on the level of the overall portfolio on a weekly basis.

Commodity risk

Commodity risk arises from the Group's exposure to changes in commodity prices. Commodity risk is determined on the level of the Group and is measured using positions in individual commodities. Sensitivity analysis is applied for the measurement and management of commodity risk.

Sensitivity analysis of market risks

Sensitivity analysis reflects the implications on the Group's profit/loss arising from the movements in market parameters (interest rates, exchange rates, share prices, etc.) by predetermined delta value. For monitoring and limiting of risk, the Group uses 100 basis points for interest rates, a 5% movement in exchange rates, and 20% movement in share and commodity prices.

GAP method assorts the Group's positions into baskets and examines the Group's final position in individual baskets. This method is used in interest rate risk management. The stress scenario is similar to the sensitivity analysis; however it takes into consideration a marginal situation on the market. It combines movements in the market parameters, so that these are the least favourable for the Group.

The table below shows the Group's sensitivity to movements in exchange rate, assuming negative movements in exchange rates by 5% to the detriment of the Group.

Change in the present value of assets and liabilities of the Group following the movements in exchange rates of the selected currencies to the detriment of the Group as of 31 December 2007:

(in thousands of SKK)	***Present value of exchange rate***	***Exchange rate in sensitivity scenario***	***Group's position in respective currency***	***Group's loss in respective scenario***
EUR	*33.603*	*35.283*	*171,309*	*287,825*
USD	*22.870*	*24.014*	*4,685*	*5,357*
CZK	*1.263*	*1.326*	*4,320*	*273*
Total			***180,314***	***293,455***

Change in the present value of assets and liabilities of the Group following the movements in exchange rates of the selected currencies to the detriment of the Group as of 31 December 2006:

(in thousands of SKK)	***Present value of exchange rate***	***Exchange rate in sensitivity scenario***	***Group's position in respective currency***	***Group's loss in respective scenario***
EUR	*34.573*	*36.302*	*2,105,533*	*3,639,729*
USD	*26.246*	*24.934*	*(7,909)*	*10,379*
CZK	*1.256*	*1.193*	*(19,568)*	*1,229*
Total			***2,078,056***	***3,651,337***

The table below shows the Group's sensitivity to movements in the interest rate assuming negative movement of the yield curve to the detriment of the Group by 100 basis points.

Change in the present value of assets and liabilities of the Group following the change in the interest rate for the selected currencies as of 31 December 2007:

(in thousands of SKK)	***Yield curve shift***	***Group's loss from yield curve shift***
Trading Book:		
SKK	*-100 BPV*	*40,860*
EUR	*100 BPV*	*7,840*
USD	*100 BPV*	*3,040*
Banking Book:		
SKK	*100 BPV*	*25,246*
EUR	*100 BPV*	*3,569*
USD	*-100 BPV*	*7,154*
Total		***87,709***

Change in the present value of assets and liabilities of the Group following the change in the interest rate for selected currencies as of 31 December 2006:

(in thousands of SKK)	***Yield curve shift***	***Group's loss from yield curve shift***
Trading Book:		
SKK	*-100 BPV*	*178,711*
EUR	*100 BPV*	*101,783*
USD	*100 BPV*	*109,088*
Banking Book:		
SKK	*100 BPV*	*40,495*
EUR	*100 BPV*	*4,411*
USD	*-100 BPV*	*8,197*
Total		***442,685***

Change in the present value of assets and liabilities of the Group's Trading Book following the change in share prices as of 31 December 2007:

Amount of shares in the Group's Trading Book *(in thousands of SKK)*	***Decrease in share prices (in %)***	***Group's loss from decrease in share prices***
5,716	*20 %*	*1,143*

Change in the present value of assets and liabilities of the Group's Trading Book following the change in share prices as of 31 December 2006:

Amount of shares in the Group's Trading Book *(in thousands of SKK)*	***Decrease in share prices (in %)***	***Group's loss from decrease in share prices***
5,457	*20 %*	*1,091*

In the Trading Book, the Group has zero commodity position; therefore the change in the present value of assets and liabilities in the Group Trading Book following the change in commodity prices is also zero as of 31 December 2007 and 31 December 2006.

The Group in the sensitivity analysis scenario uses the negative development of exchange rates, yield curves movements and decrease in share prices. In the case of exactly opposite movements, the Group would book profit instead of loss in approximately the same amount.

Liquidity risk

Liquidity risk means a risk of possible loss of the Group's ability to fulfil its liabilities when they 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 Integrated 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 Liabilities 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 Integrated 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 2007:

(in thousands of SKK)	***Up to 12 months***	***Over 12 months***	***Unspecified***	***Total***
Assets				
Cash and balances in central banks	*10,494,673*	-	-	*10,494,673*
Loans and advances to banks	*43,083,612*	*15,203*	-	*43,098,815*
Loans and advances to customers, gross	*60,205,203*	*74,986,766*	*2,324,713*	*137,516,682*
Held for trading financial assets	*4,566,555*	*5,338,114*	*5,716*	*9,910,385*
Financial assets at fair value through profit or loss	*491,190*	*12,790,624*	*548*	*13,282,362*
Held-to-maturity financial assets	*5,039,760*	*28,548,727*	-	*33,588,487*
Available-for-sale financial assets	-	-	*4,481*	*4,481*
Investments in associated undertakings	-	-	*363,209*	*363,209*
Non-current intangible assets	-	-	*1,028,032*	*1,028,032*
Non-current tangible assets	-	-	*2,704,330*	*2,704,330*
Income tax assets	*1,816*	-	-	*1,816*
Other assets	*313,846*	-	*708,454*	*1,022,300*
Total assets	***124,196,655***	***121,679,434***	***7,139,483***	***253,015,572***
Liabilities				
Deposits from banks	*9,408,779*	*825,050*	-	*10,233,829*
Deposits from customers	*184,899,855*	*771,952*	*120,179*	*185,791,986*
Held for trading financial liabilities	*5,034,522*	*1,078,243*	-	*6,112,765*
Liabilities from debt securities	*14,659,629*	*12,833,542*	-	*27,493,171*
Provisions for liabilities and charges	-	-	*1,183,331*	*1,183,331*
Income tax liabilities	*195,071*	*394,800*	-	*589,871*
Other liabilities	-	-	*1,260,695*	*1,260,695*
Subordinated debt	*1,133*	*2,520,225*	-	*2,521,358*
Total liabilities	***214,198,989***	***18,423,812***	***2,564,205***	***235,187,006***
Equity (excluding current year profit)	-	-	*14,377,967*	*14,377,967*
Profit after tax	-	-	*3,450,599*	*3,450,599*
Total equity and liabilities	***214,198,989***	***18,423,812***	***20,392,771***	***253,015,572***
Net balance sheet position	***(90,002,334)***	***103,255,622***	***(13,253,288)***	***-***
Net off-balance sheet position*	***(50,016,017)***	***473,155***	***18,476,575***	***(31,066,287)***
Cumulative balance sheet and off-balance sheet position	***(140,018,351)***	***(36,289,574)***	***(31,066,287)***	***-***

*) 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.

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 12 months***	***Over 12 months***	***Unspecified***	***Total***
Assets				
Cash and balances with central banks	*8,819,584*	-	-	*8,819,584*
Treasury bills and other eligible bills	*4,954,155*	-	-	*4,954,155*
Loans and advances to banks	*26,654,423*	*20,894*	*12,467*	*26,687,784*
Loans and advances to customers, gross	*46,144,650*	*54,631,562*	*1,857,591*	*102,633,803*
Held for trading financial assets	*3,232,114*	*7,307,891*	*5,369,365*	*15,909,370*
Financial assets at fair value through profit or loss	*238,465*	*6,006,254*	-	*6,244,719*
Held-to-maturity financial assets	*10,318,387*	*27,956,739*	-	*38,275,126*
Available-for-sale financial assets	-	-	*3,964*	*3,964*
Investments in associated undertakings	-	-	*325,715*	*325,715*
Non-current intangible assets	-	-	*1,178,361*	*1,178,361*
Non-current tangible assets	-	-	*2,713,609*	*2,713,609*
Income tax assets	*1,355*	-	-	*1,355*
Other assets	*88,161*	*31,354*	*953,619*	*1,073,134*
Total assets	***100,451,294***	***95,954,694***	***12,414,691***	***208,820,679***
Liabilities				
Deposits from banks	*3,929,803*	*943,442*	*11,625*	*4,884,870*
Deposits from customers	*157,598,940*	*757,525*	*1,154,960*	*159,511,425*
Held for trading financial liabilities	-	-	*5,975,221,*	*5,975,221*
Liabilities from debt securities	*8,716,561*	*11,136,280*	-	*19,852,841*
Provisions for liabilities and charges	-	-	*1,231,226*	*1,231,226*
Income tax liabilities	*130,865*	*231,577*	-	*362,442*
Other liabilities	*974,420*	-	*153,644*	*1,128,064*
Total liabilities	***171,350,589***	***13,068,824***	***8,526,676***	***192,946,089***
Equity (excluding current year profit)	-	-	*12,861,020*	*12,861,020*
Profit after tax	-	-	*3,013,570*	*3,013,570*
Total equity and liabilities	***171,350,589***	***13,068,824***	***24,401,266***	***208,820,679***
Net balance sheet position	***(70,899,296)***	***82,885,871***	***(11,986,575)***	***-***
Net off-balance sheet position*	***(30,666,897)***	***12,219,127***	***18,934***	***(18,428,836)***
Cumulative balance sheet and off-balance sheet position	***(101 566,193)***	***(6 461,195)***	***(18,428,836)***	***-***

*) 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.

The summary below represents the analysis of contractual maturity of financial liabilities as of 31 December 2007 (in non-discounted values):

(in thousands of SKK)				Residual maturity		
	Carrying amount	**Contractual cash flows**	**Up to 3 months incl.**	**From 3 months up to 1 year incl.**	**From 1 year up to 5 years incl.**	**Over 5 years incl.**
Non-derivative financial liabilities:						
Deposits from banks	10,233,829	10,743,800	9,490,529	201,349	134,229	917,693
Deposits from customers	185,791,986	186,608,558	180,039,110	5,800,655	744,970	23,823
Liabilities from debt securities	27,493,171	29,648,787	4,593,386	11,044,021	12,961,380	1,050,000
Other liabilities	1,260,695	1,260,695	1,260,695	-	-	-
Subordinated debt	2,521,358	3,175,884	34,369	103,863	3,037,652	-
Derivative financial liabilities:						
Trading derivatives	6,112,765	1,450,584	847,618	443,956	22,774	136,236

The summary below represents the analysis of contractual maturity of financial liabilities as of 31 December 2006 (in non-discounted values):

(in thousands of SKK)				Residual maturity		
	Carrying amount	**Contractual cash flows**	**Up to 3 months incl.**	**From 3 months up to 1 year incl.**	**From 1 year up to 5 years incl.**	**Over 5 years incl.**
Non-derivative financial liabilities:						
Deposits from banks	4,884,870	5,396,775	3,893,131	378,257	147,129	978,258
Deposits from customers	159,511,425	159,816,999	156,611,378	2,956,317	249,304	-
Liabilities from debt securities	19,852,841	21,579,329	4,173,014	4,955,498	10,295,817	2,155,000
Other liabilities	1,128,064	1,128,064	1,128,064	-	-	-
Derivative financial liabilities:						
Trading derivatives	5,975,221	3,020,574	637,280	1,454,113	678,755	250,426

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 also 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.

Other risks

Simultaneously, in terms of implementation of internal process of capital adequacy determination, the Group monitors and develops quantification and management methods aimed at other risks, in particular:

- Strategic risk;
- Reputation risk;
- Other risks and risk factors.

Basel II

The Group has prepared itself to fulfil requirements subject to the revised EU Directives on capital adequacy (CRD), in particular Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the take 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 Group 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, and in particular the NBS Decree No. 4/2007 of 13 March 2007 on bank's own funds of financing and banks' capital requirements.

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

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

The objective of the project was 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.

The Group is prepared 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 capital adequacy based on its individual risk profile. The methodology and quantification defined in such way will form significant part of the Group's management and decision-making process in the future.

Moreover, everything is being prepared for the fulfilment of the requirements as per Pillar 3 – Public Reporting, ensuing from NBS Decree No. 1/2007 of 2 January 2007 on disclosures by banks and branches of foreign banks.

As the methodology of calculating assets weighted in terms of risks and capital adequacy as per Basel II changed compared to the present status, 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 regarding 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 Group'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.

52. Events after the Balance Sheet date

Between the Balance Sheet date and the date of approval of these financial statements, no significant transactions requiring adjustment or additional disclosure have taken place.

53. Approval of the separate financial statements

The most recent previous financial statements (as of 31 December 2006) were signed and approved for issue on 29 March 2007.

The financial statements were signed and authorized for issue on 19 February 2008.

Best Bank in Slovakia in the year 2001
EMERGING MARKET'S INVESTOR

B-mail service prized by the BANKING TECHNOLOGY magazine as the best online banking services of the year 1999
TECHNOLOGY FOR RETAIL BANKING EXCELLENCE AWARD

Bank of the Year 1998, 1999, 2000, 2001, 2002 (1. place), Bank of the Year 2003 (3. place), Bank of the Year 2004 (2. place), Bank of the Year 2005 (1. place), Bank of the Year 2007 (1. place)
TREND

distribution of the profit

Distribution of the Profit for the Year 2007

(in thousands of SKK)	***2007***
Profit after tax	***3,180,569***
Dividends - Ordinary shares	*1,908,208*
Dividends - Preferred shares	*233,614*
Allocation to retained earnings	*1,038,747*

Dividends without claim to payment as of the date of holding of General Meeting will be settled to the retained earnings of previous years as of December 31, 2008.

The Financial statements, the proposal for distibution 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 April 30, 2008.

Gold Biatec in the year 1995

HN Club

Bronze medal for the Eliot brand marketing communication 2000

EFFIE SLOVAKIA – CONTEST OF THE MOST EFFECTIVE ADVERTISEMENT

Award for the most daring and the best client in the marketing communication

GOLD CLIENT OF THE YEAR 2000

Bronze Nail – award for the Eliot advertisement campaign – 15,000 times higher 2001

Top Management

Supervisory Board

Rainer FRANZ
Chairman of the Supervisory Board
Member of the Board of Directors of Raiffeisen International Bank-holding AG, Vienna

Herbert STEPIC
Vice-chairman of the Supervisory Board,
CEO Raiffeisen International Bank-Holding AG, Vienna

Prof. Peter BALÁŽ
Member of the Supervisory Board,
Professor of University of Economics, Bratislava

Renate KATTINGER
Vice-President of the Supervisory Board,
Senior Vice-President Raiffeisen International Bank-Holding AG, Vienna

Ján NEUBAUER
Member of the Supervisory Board,
Director of Finance, FIT PLUS, s.r.o.

Robert GRUBER
Vice-chairman of the Board of Directors of Raiffeisenlandesbank Niederösterreich-Wien AG, Vienna

Pavol FEITSCHER
Advisor to the Board of Managing Directors of Tatra banka, a.s.

Bank management

Board of Managing Directors

Igor VIDA
Chairman of Board of Managing Directors and General Manager

Miroslav ULIČNÝ
Vice-chairman of Board of Managing Directors and Deputy General Manager

Michal LIDAY
Member of Board of Managing Directors

Karel FÍLA
Member of Board of Managing Directors

Martin PYTLIK
Member of Board of Managing Directors

Marcel KASČÁK
Member of Board of Managing Directors

Confidential clerks:

Eva KOLLÁROVÁ

Peter NOVÁK

Silver Nail – award for creativity in advertisement 1999

Gold Nail – award for creativity in advertisement 1998

Best brand image of the year 2004 and of the year 2005
RHODOS AWARD

Bronze medal for advertisement campaign "Nevyhadzujte" (Do not throw your money away)
AME INTERNATIONAL
New York

Business Locations Network

As of December 31, 2007, Tatra banka provided services to corporate clients at 6 regional corporate centers and 10 corporate centers all over the Slovakia:

As of December 31, 2006, Tatra banka provided services to individual clients at 128 branches, at 6 "Centrum bývania" branches and 1 "Centrum investovania" in Bratislava:

location	branches	"Centrum bývania" branches	"Centrum investovania"	corporate centers
Bánovce nad Bebravou	1			
Banská Bystrica	4			1
Bardejov	1			
Bratislava	41	3	1	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	3			1
Nové Mesto nad Váhom	1			
Nové Zámky	1			1
Partizánske	1			
Pezinok	1			

location	branches	"Centrum bývania" branches	corporate centers
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	1
Vranov nad Topľou	1		
Vráble	1		
Zlaté Moravce	1		
Zvolen	2		
Žiar nad Hronom	1		
Žilina	4	1	1

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Member of Raiffeisen
International and RZB Group