

Privatbanka, a.s.

Consolidated financial statements

Prepared in accordance with
International Financial Reporting Standards

Year ended 31 December 2006

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Independent Auditor's Report

To the Shareholders of Privatbanka, a. s.:

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

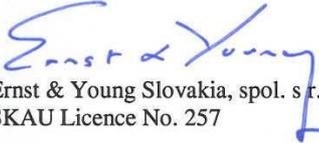
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2006, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

2 February 2007
Bratislava, Slovak Republic



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



Ing. Dalimil Draganovský
SKAU Licence No. 893

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT

	Note	2006 SKK '000	2005 SKK '000
Assets			
Cash and cash equivalents	3.	3 569 559	2 320 797
Due from banks		-	-
Due from customers	4.	1 958 433	1 199 673
Securities available for sale	6.	1 213 575	1 567 909
Securities at fair value through profit or loss	7.	594 368	256 435
Tangible and intangible fixed assets	8.	40 597	93 469
Deferred tax asset	9.	360	16 378
Other assets	10.	21 750	10 680
Total assets		7 398 642	5 465 341
Liabilities and equity			
Due to other banks	11.	264 399	30 283
Due to clients	12.	4 288 563	4 142 570
Debt securities issued	13.	2 015 974	510 486
Reserves	14.	19 430	15 950
Other liabilities	15.	92 955	82 115
Total liabilities		6 681 321	4 781 404
Equity			
Basic share capital	16.	756 874	756 874
Capital and profit funds		51 454	47 180
Revaluation differences on securities available for sale (including deferred tax)		(4 861)	25 698
Retained earnings		(86 146)	(145 815)
Total equity		717 321	683 937
Total Liabilities and equity		7 398 642	5 465 341

The financial statements were approved by the Board of Directors on 2 February 2007 and signed on its behalf by:



Ing. Viliam Ostrožlík
Chairman of the Board of Directors and
General Director



Ing. Vladimír Hrdina
Member of the Board of Directors and
Executive Director

The notes on pages 8 to 41 form an integral part of these financial statements.

**Consolidated profit and loss account
for the year ended 31 December 2006**

	Note	2006 SKK '000	2005 SKK '000
Interest income and similar income	22.	378 644	203 670
Interest expense and similar expense	23.	(227 526)	(95 444)
Net interest income		151 118	108 226
Fee and commission income	24.	24 764	17 334
Fee and commission expense	25.	(15 700)	(6 255)
Net fee income		9 064	11 079
Trading result	26.	23 123	57 728
Other income	27.	3 649	3 850
Operating income total		186 954	180 883
General operating expense	28.	(141 289)	(137 704)
Depreciation and amortization	8.	(11 982)	(13 083)
Operating expense total		(153 271)	(150 787)
Operating profit before provisions, reserves and write-offs		33 683	30 096
Receivables provision movement / receivables write-off	29.	21 635	7 064
Net book value of fixed assets sold		(139 405)	(47 842)
Income from sale of fixed assets		78 683	14 333
Fixed assets provision movement		87 043	44 847
Reserves for liabilities from main activities movement	14.	2 155	(1 114)
Pre-tax profit		83 794	47 384
Income tax expense (including deferred)	18.	(19 852)	(4 651)
Net profit		63 942	42 733

The notes on pages 8 to 41 form an integral part of these financial statements.

**Consolidated statement of changes
in shareholders' equity
for the year ended 31 December 2006**

	Basic share capital SKK '000	Retained earnings SKK '000	Legal reserve fund SKK '000	Revaluation differences on securities available for sale (including deferred tax) SKK '000	Total SKK '000
At 1 January 2005	756 874	(184 470)	43 102	32 618	648 124
Securities available for sale – changes within 2005	-	-	-	(8 008)	(8 008)
Change in the deferred tax charged for the securities available for sale	-	-	-	1 088	1 088
Total income and expense recognised directly in equity	-	-	-	(6 920)	(6 920)
Creation of statutory reserve	-	(4 078)	4 078	-	-
Profit for 2005	-	42 733	-	-	42 733
At 31 December 2005	756 874	(145 815)	47 180	25 698	683 937
At 1 January 2006	756 874	(145 815)	47 180	25 698	683 937
Securities available for sale – changes within 2006	-	-	-	(34 395)	(34 395)
Change in the deferred tax charged for the securities available for sale	-	-	-	3 836	3 836
Total income and expense recognised directly in equity	-	-	-	(30 559)	(30 559)
Creation of statutory reserve	-	(4 273)	4 273	-	-
Profit for 2006	-	63 942	-	-	63 942
At 31 December 2006	756 874	(86 146)	51 454	(4 861)	717 321

The notes on pages 8 to 41 form an integral part of these financial statements.

**Consolidated cash flow statement
for the year ended 31 December 2006**

	Note	2006 SKK '000	2005 SKK '000
Cash flow from operating activities			
Profit before changes in operating assets and liabilities	30.	(105 453)	(65 047)
Increase/decrease in amounts due from banks		-	393 295
Increase/decrease in amounts due from customers		(687 125)	(660 956)
Increase/decrease in securities at fair value through profit and loss		(337 933)	(255 901)
Increase/decrease in securities available for sale		318 045	(443 628)
Increase/decrease in other assets		(13 251)	7 704
Increase/decrease in amounts due to banks		234 116	(276 759)
Increase/decrease in amounts due to clients		141 840	1 246 988
Increase/decrease in debt securities issued		993 433	(105 279)
Increase/decrease in other liabilities		16 476	44 404
Income tax paid		(1 653)	-
Interest received		384 374	200 318
Interest paid		(218 118)	(97 140)
Net cash flow from operating activities		724 751	(12 001)
Cash flow from investment activities			
Purchase of tangible and intangible fixed assets		(11 472)	(15 546)
Sale of tangible and intangible fixed assets		28 683	14 113
Net cash flow from investment activities		17 211	(1 433)
Cash flow from financial activities			
Income from issuance of bonds		506 800	-
Dividends paid		-	-
Net cash flow from financial activities		506 800	-
Net increase/decrease in cash and cash equivalents		1 248 762	(13 434)
Cash and cash equivalents at the beginning of the year	3.	2 320 797	2 334 231
Cash and cash equivalents at the end of the year	3.	3 569 559	2 320 797

The notes on pages 8 to 41 form an integral part of these financial statements.

1. GENERAL INFORMATION
Incorporation

Privatbanka, a.s. ("the Bank") was established and incorporated in 1995. It commenced its activities on 22 May 1996.

Principal activities

The principal activities of the Bank include a wide range of banking and financial services provided to corporate and private customers in the Slovak Republic under a bank license.

The bank license was granted for the following activities:

1. receipt of deposits,
2. provision of loans,
3. domestic and cross-border transfers of funds (payment and settlement),
4. provision of investment services to customers within the scope of a special license,
5. investments into securities made on own account,
6. trading on own account,
 - a) with money market financial instruments in Slovak crowns and foreign currency including foreign exchange activities,
 - b) with capital market financial instruments in Slovak crowns and foreign currency,
 - c) with coins made of precious metal, commemorative banknotes and coins, sheets of banknotes and sets of coins for circulation,
7. administration of customer's receivables on his account including advisory services,
8. finance lease,
9. provision of guarantees, opening and confirmation of letters of credit,
10. issue and administration of means of payment,
11. provision of business advisory services,
12. issue of securities, participation in issue of securities and provision of related services,
13. financial intermediation,
14. custody of valuables,
15. safe hire,
16. provision of bank information,
17. depository according to a special regulation,
18. treatment of banknotes, coins, commemorative banknotes and coins.

Shareholders' structure

The shareholders' structure is as follows:

%	2006	2005
BASL Beteiligungsverwaltungs GmbH, Vienna	49,58	49,58
Allianz-Slovenská poisťovňa, a.s., Bratislava	19,82	19,82
Other (less than 10%)	30,60	30,60
Total	100,00	100,00

BASL Beteiligungsverwaltungs GmbH is a 100% subsidiary of Meindl Bank, based in Austria. The Bank is included in the consolidated financial statements of BASL Beteiligungsverwaltungs GmbH.

Privatbanka, a.s. group

The consolidated financial statements for the year ended 31 December 2006 comprise the Bank and its subsidiaries (together referred to as 'the Group') as follows:

At 31 December 2006, the Bank had the following subsidiaries:

Name	Activity	Share (%)
Privatfin, s.r.o.	Factoring, forfeiting, business advisory services, leasing services	100

The Company Privatfin, s.r.o. was renamed from previous BS FIN, s.r.o. on 2 June 2006. The subsidiary does not perform actives in the significant volume.

Geographical network

In 2006, the Bank performed its activities through its network of six branches in Banská Bystrica, Brezno, Bratislava (2 branches), Trenčín and Prešov. During the year 2006 the Bank has terminated branches in Trenčín and Prešov.

Members of the Board of Directors

The members of the Bank's Board of Directors are as follows:

- | | | |
|----------------------------|-----------------|------------------------------|
| 1. Ing. Viliam Ostrožlík | - Chairman | - appointed on 6 August 2003 |
| 2. Ing. Ľubomír Lorencovič | - Vice-Chairman | - appointed on 6 August 2003 |
| 3. Ing. Vladimír Hrdina | - Member | - appointed on 6 August 2003 |

Supervisory Board

The members of the Bank's Supervisory Board are as follows:

Elected at the General Meeting:

- | | | |
|---------------------------------------|-----------------|----------------------------------|
| 1. MMag. Peter Weinzierl | - Chairman | - appointed on 6 August 2003 |
| 2. Dr. Alexander Waldstein-Wartenberg | - Vice-Chairman | - appointed on 6 August 2003 |
| 3. Ing. Ladislav Márton | - Member | - appointed on 19 September 2002 |
| 4. Dr. Carl Wolfgang Lafite | - Member | - appointed on 6 August 2003 |

2. ACCOUNTING POLICIES

The significant accounting policies applied by the Group are as follows:

(a) Basis of preparation
General

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') issued by the International Accounting Standards Board ('IASB'), and with interpretations issued by the International Financial Reporting Interpretations Committee of the IASB as approved by the Commission of European Union in accordance with the Regulation of European Parliament and Council of European Union and in accordance with the Act No. 431/2002 Coll. on Accounting, as amended, Article 22.

The financial statements are reported in Slovak crowns (SKK) and all amounts are presented in thousand, except where otherwise stated. Negative balances are shown in brackets.

The financial statements have been prepared under the historical cost convention on the basis of full accrual accounting, except for certain financial instruments which are measured at fair value.

The financial statements have been prepared under the going concern assumption of the Group.

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Bank and the companies shown in note 1.

The consolidated financial statements have been prepared using uniform accounting policies for similar transactions taking into account the following principles:

Subsidiaries

Subsidiaries are those enterprises controlled by the Bank. Control exists when the Bank has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

The financial statements of the Bank and its subsidiaries are combined on a line-by-line basis by adding together like items of assets, liabilities, equity, income and expenses.

In order that the consolidated financial statements present financial information about the Group as that of a single enterprise, the following steps are taken:

- the carrying amount of the Bank's investment in each subsidiary and the Bank's portion of equity of each subsidiary are eliminated,
- intra-group balances, transactions and resulting profits are eliminated in full.

(b) Transaction date

The Group uses settlement date accounting for recognition and derecognition of financial instruments.

Accounting transactions involving the purchase or sale of financial assets with a standard delivery term (spot transactions) are recorded in the off-balance sheet accounts from the trade date until the settlement date. On the settlement date, the off-balance sheet entry is cancelled and balance sheet accounts are then used.

(c) Debt securities, shares, mutual funds units

Treasury bills, bonds and other debt securities and shares including mutual funds units are classified into one of the following portfolios: securities at fair value through profit or loss and securities available for sale, based on the Group's intention on the date of acquisition.

All securities owned by the Group are initially recognized at the settlement date. Securities are initially recognized at fair value, plus, in the case of securities not at fair value through profit or loss, directly attributable transaction costs.

For debt securities, the initial measurement is gradually increased or decreased by interest income. Premiums and discounts on debt securities are recorded to interest income over the period from the date of purchase to the date of maturity or sale.

Securities at fair value through profit or loss

Debt and equity securities at fair value through profit or loss account are defined as securities held by the Group with the intention of their sale in order to earn profits on short-term price fluctuations or any financial assets designated as financial assets at fair value through profit or loss upon acquisition. After initial recognition, the securities are subsequently measured at fair value. Changes in the fair value of these assets are included in the profit and loss account as "Trading result".

The fair value used for the valuation of securities is determined using the market price published as at the date of valuation, when the active market exists.

If a reliable market price is not available, fair value is estimated using internal models.

Interest earned on securities at fair value through profit or loss is accrued on a daily basis using effective interest rate and reported in the profit and loss account as "Interest income and similar income".

Securities available for sale

Securities available for sale are securities owned by the Group, which are not securities at fair value through profit or loss, securities held to maturity or loans and receivables. After initial measurement, the securities are subsequently measured at fair value. Unrealised gains and losses are recognized directly in the "Revaluation differences on securities available for sale".

Gains or losses from revaluation of securities available for sale are, upon their sale or maturity, included in the profit and loss account as "Trading result".

Interest earned on securities available for sale is accrued on a daily basis using effective interest rate and reported in the profit and loss account as "Interest income and similar income".

If an available for sale securities are impaired, an amount comprising the difference between its cost and its current fair value is transferred from equity to the profit and loss account. Reversals in respect of equity instruments classified as available-for-sale are not recognized in the profit and loss account. Reversals of impairment losses on debt instruments are reversed through the profit and loss account if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in the profit or loss.

(d) Repo contracts ("REPO")

Transactions where securities are sold under a commitment to repurchase (repos) at a predetermined price or purchased under a commitment to resell (reverse repos) are treated as collateralized borrowing and lending transactions. The legal title of securities subject to resale or repurchase commitments is transferred to the lender. Securities transferred under a repurchase commitment are henceforth included in the relevant items of securities in the Group's balance sheet, while the borrowing is recorded in "Due to other banks" or "Due to clients". Securities received under a resale commitment are recorded in the off-balance sheet accounts. A loan granted under a resale commitment is recorded in the balance sheet as "Cash and cash equivalents", "Due from banks" or "Due from customers". Interest on debt securities transferred under a repurchase commitment is accrued while interest on debt securities received under a resale commitment is not accrued.

Income and expenses arising from repurchase and resale commitments, being the difference between the selling and the purchase price, are accrued over the period of the transaction and recorded in the profit and loss account as "Interest income and similar income" or "Interest expense and similar expenses".

(e) Transactions with securities for customers

Securities taken by the Group into custody, administration or deposit are stated at nominal value and recorded in the off-balance sheet account. Securities taken by the Group for management are measured at fair value and recorded in the off-balance sheet account. Amounts due to customers resulting from the cash received for the purchase of securities or the cash to be refunded to customers, etc. are disclosed in the balance sheet within liabilities.

(f) Receivables from banks and customers

Loans and receivables originated by the Group by providing money directly to a borrower are initially measured at fair value and subsequently measured at amortized cost less any impairment losses. Accrued interest income is included in the carrying amount of receivables.

Loans and receivables from clients are periodically tested for impairment. Impairment losses are reported for the loans and receivables, which carrying value is higher than recoverable amount. Recoverable amount is a present value of expected future cash flows included cash flows from realized collaterals, discounted by original effective interest rate of the instrument. Change in impairment losses are presented in income statements.

If a receivable is uncollectible, the Group, based on the decision made by the Loan committee, writes off the uncollectible part of the receivable as an expense.

(g) Reserves

Reserve is a liability of uncertain timing or amount. Reserve is recognized when the following criteria are met:

- an obligation (legal or constructive) exists as a result of past events,
- it is probable that the event will occur and that it will require a cash outflow representing economic benefits,
- the amount of the obligation can be reliably estimated.

In the course of normal business, the Group enters into relations in connection with instruments included in off-balance sheet accounts, consisting mainly of guarantees, letter of credit and liabilities related to unused loans. The Group creates reserves for risks arising from off-balance sheet exposures, which exist at the balance sheet date according to the Group's management estimates.

(h) Tangible and intangible fixed assets

Tangible and intangible fixed assets include intangible assets and property, plant and equipment.

Intangible assets and property, plant and equipment are recognized at historical cost less accumulated depreciation and impairment losses. Acquisition cost includes the purchase price plus other costs related to acquisition such as freight, duties or commissions.

The costs of expansion, modernization or improvements leading to increased productivity, capacity or efficiency are capitalized. Repairs and renovations are charged to the profit and loss account when the expenditure incurs.

Depreciation is calculated on a straight-line basis in order to write off the cost of each asset to its residual value over its estimated useful economic life.

The estimated useful economic lives are as follows:

Software and patents	from 4 years, according to useful life
Buildings	20 - 50 years
Other	4 - 12 years

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

Certain assets with zero residual value, but are still in use by the Group is represented by the software. The market value of this asset equals zero.

(i) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated to Slovak crowns at the official NBS rates of exchange at the balance sheet date. Income and expenses denominated in foreign currencies are reported at the NBS rates of exchange prevailing at the date of the transaction.

Difference between the contractual exchange rate of a transaction and the NBS exchange rate on the date of the transaction is included in "Trading result", as well as gains and losses arising from

movements in exchange rates after the date of the transaction.

(j) Financial derivatives

Financial derivatives include currency and interest rate swaps, currency and interest rate forwards, FRA and currency options (call and put options) and other financial derivatives

Financial derivatives are measured at fair value. Unrealized gains and losses are recognized as "Other assets" or "Other liabilities". Realized and unrealized gains and losses are included in the profit and loss account within "Trading result". The fair value of financial derivatives is based on quoted market prices or valuation models, which reflect actual market and contractual value of an underlying instrument as well as time value and yield curve or volatility factors related to the positions.

Certain transactions with financial derivatives, although providing an effective economic hedge in the Group's risk management, do not meet the qualification criteria for recognition of hedging according to accounting procedures. Therefore they are kept in accounts as financial derivatives held for trading and fair value gains and losses are included in the profit and loss account.

(k) Taxation

Tax non-deductible expenses are added to, and non-taxable income is deducted from the profit for the period to arrive at the taxable income, which is further adjusted by tax allowances and relevant credits.

Deferred tax is calculated on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes multiplied by the expected income tax rate for the next period. A deferred tax asset is recognized only to the extent that it is probable that there will be future taxable profits available against which the tax asset can be utilized.

(l) Interest, fees and commissions

Interest income and expense are recognized on an accrual basis calculated using the effective interest method. Loan origination fees for loans issued to customers are recognized as an adjustment to the effective yield of the loans.

(m) Significant accounting judgments and estimates

Judgments

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

Estimates

The preparation of the financial statements required management to make certain estimates and assumptions which impact the carrying values of the Group's assets and liabilities and the disclosure of contingent items at the balance sheet date and reported revenues and expenses for the period then ended.

Estimates are used for, but not limited to: impairment losses on loans and advances to customers, reserves for off-balance sheet risks, depreciable lives and residual values of tangible and intangible assets, impairment losses on tangible and intangible assets, provisions for employee benefits and legal claims.

Future events and their effects cannot be perceived with certainty. Accordingly, the accounting estimates made require the exercise of judgment and those used in the preparation of the financial statements will change as new events occur, as more experience is acquired, as additional information is obtained and as the Group's operating environment changes. Actual results may differ from those estimates.

The various interpretations that can be made of the tax regulations applicable to the Group's operations might give rise to tax contingencies that are not susceptible to objective quantification. However, the Bank's Executive considers that the tax liability which might arise in connection with this would not be material.

3. CASH AND CASH EQUIVALENTS

SKK '000	2006	2005
Cash on hand	24 142	31 783
Current accounts in NBS (debit balances)	10 909	212
Minimum capital adequacy in NBS	295 100	83 905
Loans provided to NBS (Repo transactions)	2 691 178	1 692 583
Term deposits in NBS	-	380 042
Current accounts in banks (debit balances)	55 316	30 520
Term deposits in banks	491 708	101 157
Other receivables from banks	1 206	595
Cash and cash equivalents brutto	3 569 559	2 320 797
Provisions for cash and cash equivalents	-	-
Cash and cash equivalents netto	3 569 559	2 320 797

Cash and cash equivalents include cash on hand, current accounts in NBS, loans, deposits and other receivables from NBS and other banks with maturity up to three months. The compulsory minimum reserves balance is maintained in accordance with the requirements of the National Bank of Slovakia and is not available for the day-to-day use.

Receivables from banks except receivables from repo operations are not collateralized. Repo operations with NBS are collateralized by NBS Bills of credit as at 31 December 2006 with fair value of SKK 2 691 308 thousand (2005: SKK 1 692 772 thousand).

4. DUE FROM CUSTOMERS
(a) Breakdown according type

SKK '000	2006	2005
Loans and advances to		
entrepreneurs and legal entities	1 837 788	1 212 888
individuals	185 056	69 678
Receivables on finance lease	929	1 779
Due from customers brutto	2 023 773	1 284 345
Provisions for receivables from customers (Note 5)	(65 340)	(84 672)
Due from customers netto	1 958 433	1 199 673

Amounts due from clients include a balance of SKK 119 630 thousand as at 31 December 2006, which represents amounts due from the purchase and sale of securities and from loan contracts with security transfer in the form of repo transactions (shares at fair value of SKK 47 487 thousand).

Amounts due from clients include a balance of SKK 241 211 thousand as at 31 December 2005, which represents amounts due from the purchase and sale of securities and from loan contracts with security transfer in the form of repo transactions (shares at fair value of SKK 37 021 thousand and bonds at fair value of SKK 133 665 thousand).

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

SKK '000	2006	2005
Residents		
Financial institutions	59 164	264 340
Non-financial institutions	1 664 609	884 927
Government sector	-	-
Self-employed	280	3 291
Individuals	184 776	66 387
Non-residents		
Financial institutions	114 944	65 400
Due from customers brutto	2 023 773	1 284 345
Provisions for receivables from customers (Note 5)	(65 340)	(84 672)
Due from customers netto	1 958 433	1 199 673

5. IMPAIRMENT LOSSES

SKK '000	1.1.2006	(Creation)/ reversal (Note 29)	Foreign exchange rate differences	Sale, transfer and write-off (Note 29)	31.12.2006
Due to customers (Note 4)	(84 672)	19 450	(118)	-	(65 340)
Other funds (Note 6)	(2 119)	-	-	-	(2 119)
Other assets (Note 10)	(2 503)	1 110	-	-	(1 393)
Total provision for receivables	(89 294)	20 560	(118)	-	(68 852)
Tangible and intangible fixed assets (Note 8)	(87 043)	2 239	-	84 804	-
Total provisions	(176 337)	22 799	(118)	84 804	(68 852)

SKK '000	1.1.2005	(Creation)/ reversal (Note 29)	Foreign exchange rate differences	Sale, transfer and write-off (Note 29)	31.12.2005
Due to customers (Note 4)	(95 986)	(22 243)	15	33 542	(84 672)
Other funds (Note 6)	(2 119)	-	-	-	(2 119)
Other assets (Note 10)	(7 152)	1 449	-	3 200	(2 503)
Total provisions for receivables	(105 257)	(20 794)	15	36 742	(89 294)
Tangible and intangible fixed assets (Note 8)	(131 889)	3 573	-	41 273	(87 043)
Total provisions	(237 146)	(17 221)	15	78 015	(176 337)

6. SECURITIES AVAILABLE FOR SALE

SKK '000	2006	2005
State bonds domestic	342 283	551 670
State bonds foreign	-	45 345
Bank bonds domestic	472 290	597 617
Bank bonds foreign	134 620	127 887
Corporate bonds domestic	18 677	64 566
Corporate bonds foreign	179 792	145 918
Shares domestic	3 680	3 680
Shares foreign	1 976	973
Mutual fund certificates foreign	62 376	32 372
Total securities available for sale brutto	1 215 694	1 570 028
Impairment provisions (Note 5)	(2 119)	(2 119)
Total securities available for sale netto	1 213 575	1 567 909

7. SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

SKK '000	2006	2005
Treasury bills domestic	-	49 317
State bonds domestic	121 884	31 991
State bonds foreign	7 874	-
Bank bonds domestic	90 561	30 037
Bank bonds foreign	294 522	145 084
Corporate bonds domestic	54 004	-
Corporate bonds foreign	25 523	6
Total securities at fair value through profit or loss	594 368	256 435

8. TANGIBLE AND INTANGIBLE FIXED ASSETS
(a) Changes in tangible and intangible fixed assets as at 31 December 2006

SKK '000	Land	Buildings	Furniture, fittings and equipment	Motor vehicles	Software	Patents and license	Prepayment and acquisition of tangible assets	Prepayment and acquisition of intangible assets	Total
Cost									
At 1 January 2006	1 984	177 962	100 161	8 119	96 203	1 460	2 007	810	388 706
Additions	-	980	7 670	-	5 809	179	6 951	5 804	27 393
Disposals	(1 984)	(167 471)	(54 941)	(1 160)	(20 145)	-	(8 958)	(6 505)	(261 164)
At 31 December 2006	-	11 471	52 890	6 959	81 867	1 639	-	109	154 935
Depreciation and amortization									
At 1 January 2006	-	(30 707)	(80 423)	(5 190)	(90 678)	(1 196)	-	-	(208 194)
Depreciation and amortization	-	(137 897)	(7 556)	(1 286)	(2 235)	(233)	-	-	(149 207)
Disposals	-	167 098	54 660	1 160	20 145	-	-	-	243 063
At 31 December 2006	-	(1 506)	(33 319)	(5 316)	(72 768)	(1 429)	-	-	(114 338)
Impairment losses (Note 5)									
At 1 January 2006	-	(87 043)	-	-	-	-	-	-	(87 043)
Disposals	-	87 043	-	-	-	-	-	-	87 043
At 31 December 2006	-	-	-	-	-	-	-	-	-
Net book value									
At 31 December 2006	-	9 965	19 571	1 643	9 099	210	-	109	40 597

Total depreciation in 2006 amounted to SKK 11 982 thousand.

(b) Changes in tangible and intangible fixed assets as at 31 December 2005

SKK '000	Land	Buildings	Furniture, fittings and equipment	Motor vehicles	Software	Patents and license	Prepayment and acquisition of tangible asstes	Prepayment and acquisition of intangible asstes	Total
Cost									
At 1 January 2005	2 331	230 215	100 111	7 307	90 254	1 186	9	2 142	433 555
Additions	-	2 628	12 069	1 354	5 980	274	19 252	3 635	45 192
Disposals	(347)	(54 881)	(12 019)	(542)	(31)	-	(17 254)	(4 967)	(90 041)
At 31 December 2005	1 984	177 962	100 161	8 119	96 203	1 460	2 007	810	388 706
Depreciation and amortization									
At 1 January 2005	-	(34 029)	(86 653)	(4 355)	(87 767)	(1 186)	-	-	(213 990)
Depreciation and amortization	-	(51 560)	(5 788)	(1 377)	(2 942)	(10)	-	-	(61 677)
Disposals	-	54 882	12 018	542	31	-	-	-	67 473
At 31 December 2005	-	(30 707)	(80 423)	(5 190)	(90 678)	(1 196)	-	-	(208 194)
Impairment losses (Note 5)									
At 1 January 2005	-	(131 889)	-	-	-	-	-	-	(131 889)
Disposals	-	44 846	-	-	-	-	-	-	44 846
At 31 December 2005	-	(87 043)	-	-	-	-	-	-	(87 043)
Net book value									
At 31 December 2005	1 984	60 212	19 738	2 929	5 525	264	2 007	810	93 469

Total depreciation in 2005 amounted to SKK 13 083 thousand.

(c) Sale of tangible assets

In 2006 the Group sold tangible assets in residual value of SKK 139 365 thousand (2005: SKK 47 842 thousand) (before creation of provisions). The Group has reversed provisions regarding sold tangible assets in amount of SKK 84 804 thousand (2005: SKK 41 273 thousand). Below is detail characteristics of land, buildings and equipment sold:

SKK '000	Year of sale	Residual value of the building	Residual value of land	Residual value of equipment	Provision	Net book value	Selling price	Total Profit from sale	Settlement
Banská Bystrica	2 006	85 268	1 020	1 421	(46 165)	41 544	55 000	13 456	The Group has financed the sale with a loan of SKK 50 000 thousand Purchasor has repaid full purchase price Purchasor has repaid full purchase price
Banská Bystrica	2 006	49 843	964	616	(38 639)	12 784	23 250	10 466	
Brezno	2 005	47 418	347	-	(41 273)	6 492	14 113	7 621	

9. DEFERRED TAX

Deferred tax asset and liabilities are attributable to the following:

SKK '000	Assets		Liabilities		Net	
	2006	2005	2006	2005	2006	2005
Due from customers	-	5 258	-	-	-	5 258
Investments	-	-	-	(1 883)	-	(1 883)
Tangible and intangible fixed assets	-	9 511	(825)	-	(825)	9 511
Tax loss	-	6 158	-	-	-	6 158
Other assets	45	29	-	-	45	29
Reserves for liabilities	-	-	-	-	-	-
Securities - revaluation in equity	1 140	-	-	(2 695)	1 140	(2 695)
Other	-	-	-	-	-	-
Total	1 185	20 956	(825)	(4 578)	360	16 378

The deferred tax assets and liabilities have been calculated using the corporate income tax rate of 19% (2005: 19%)

Deferred tax receivable relating to unrecognized tax losses from previous years of SKK 13 752 thousand and deferred tax from reserve for lawsuits of SKK 1 689 thousand was not recognized due to uncertainty of the future realization.

10. OTHER ASSETS

SKK '000	2006	2005
Positive fair value of derivative	380	368
Other debtors	4 392	5 966
Advance payments made	272	330
Clearing with State budget	1 669	2 007
Inventory	1 146	1 113
Deferred expenses	956	1 079
Accrued revenues	1 229	-
Receivables from collection	1	10
Other receivables	81	1 296
Other	13 017	1 014
Total other assets brutto	23 143	13 183
Provisions for losses on other assets (Note 5)	(1 393)	(2 503)
Total other assets netto	21 750	10 680

11. DUE TO OTHER BANKS

SKK '000	2006	2005
Current accounts with banks (credit balances)	-	-
Loans received from banks	-	-
Term deposits of banks	264 399	30 283
Other amounts due to banks	-	-
Total due to other banks	264 399	30 283

12. DUE TO CLIENTS
(a) Customer accounts by type

SKK '000	2006	2005
Current accounts (credit balances)	336 145	636 462
Term deposits	3 786 912	2 760 046
Saving deposits	161 424	332 363
Certificates of deposits	-	291 047
Deposits by bearer	-	22 652
Loans received from customers	-	100 000
Loans received from customers (repo transactions)	-	-
Other	4 082	-
Total due to clients	4 288 563	4 142 570

Payables to clients as of the end of year 2006 of SKK 150 227 thousand (2005: SKK 150 126 thousand) are collateralized by securities with fair value of SKK 160 691 thousand (2005: SKK 174 350 thousand), are stated in balance sheet (item: "Securities available for sale"). Collateralized payables to clients represents payables to related parties.

(b) Customer accounts by sectors

SKK '000	2006	2005
Residents		
Financial institutions	281 708	257 753
Non-financial institutions	2 321 341	1 371 270
Mutual funds	25 578	71 513
Insurance companies	545 936	549 022
Government	23 895	13 810
Non-profit companies	69 669	1 319
Self-employed	32 083	3 482
Individuals	728 666	852 483
Non-residents		
Non-financial institutions	256 679	1 016 991
Non-profit companies	87	67
Individuals	2 921	4 860
Total due to clients	4 288 563	4 142 570

13. DEBT SECURITIES ISSUED
(a) Liabilities from debt securities by type

SKK '000	2006	2005
Bills of exchange	1 505 657	510 486
Bonds	510 317	-
Total liabilities from debt securities	2 015 974	510 486

On 31 May 2006 the Group issued bonds Privatbanka 01 with face value SKK 100 thousand in total volume of SKK 100 000 thousand. Coupon is paid quarterly based on floating interest rate of 3M BRIBOR + 0,25% p.a. from face value of the bond. The maturity date is 31 May 2009.

On 25 October 2006 the Group issued bonds Privatbanka 02 with face value SKK 100 thousand in total volume of SKK 300 000 thousand. Coupon is paid quarterly based on floating interest rate of 3M BRIBOR + 0,25% p.a. from face value of the bond. The maturity date is 25 October 2009.

On 7 December 2006 the Group issued bonds Privatbanka 03 with face value SKK 100 thousand in total volume of SKK 125 000 thousand. Coupon is paid quarterly based on floating interest rate of 3M BRIBOR + 0,25% p.a. from face value of the bond. The maturity date is 7 December 2011. As at 31.12.2006 the Group sold 1 068 bonds Privatbanka 03 in total volume of SKK 106 800 thousand.

All of the bonds stated above were not issued based on public offer and are not quoted for trading on stock exchange.

(b) Liabilities from debt securities by sectors

SKK '000	2006	2005
Residents		
Non-financial institutions	1 539 075	272 142
Government	6 629	-
Non-profit companies	58 663	11 326
Self-employed	45 377	4 203
Individuals	362 592	221 582
Non-residents		
Individuals	3 638	1 233
Total liabilities from debt securities	2 015 974	510 486

14. RESERVES

SKK' 000	1.1.2006	Creation/ (reversal)	Foreign exchange rate differences	31.12.2006
Legal cases	7 345	1 546	-	8 891
Provisions bonus interest, revolving loans	2 222	(2 155)	(3)	64
Other reserves	4 986	5 489	-	10 475
Total reserves	14 553	4 880	(3)	19 430

15. OTHER LIABILITIES

SKK '000	2006	2005
Negative fair value of derivatives	1 461	292
Payables to creditors	3 290	3 090
Settlement with employees	3 465	3 135
Payables to employees	420	573
Clearing with State budget	4 843	2 421
Clearing with Social and Health Insurance companies	1 838	1 655
Advance payments received	61	-
Deferred revenues	10 138	1 834
Accrued expense	2 261	48
Clearing with capital market	54 193	28 255
Payables from collection	6	10
Other amounts due to customers	10 592	40 802
Other	387	-
Total other liabilities	92 955	82 115

16. BASIC SHARE CAPITAL

SKK '000	2006	2005
Issued and fully paid share capital:		
756 874 ordinary shares of SKK 1 000 each	756 874	756 874

Shareholders of the Bank as at 31 December 2006:

Name	Registered office	No. of shares (in thousand)	Share in registered capital (%)
BASL Beteiligungsverwaltungs GmbH	Vienna	375 243	49,58
Allianz Slovenská poisťovňa, a.s.	Bratislava	150 000	19,82
Others (less than 10 %)		231 631	30,60
Total		756 874	100,00

Shareholders of the Bank as at 31 December 2005:

Name	Registered office	No. of shares (in thousand)	Share in registered capital (%)
BASL Beteiligungsverwaltungs GmbH	Vienna	375 243	49,58
Allianz Slovenská poisťovňa, a.s.	Bratislava	150 000	19,82
Others (less than 10%)		231 631	30,60
Total		756 874	100,00

17. PROPOSAL FOR APPROPRIATION OF PROFIT

SKK '000	2006
Net profit/loss from current accounting period	63 942
Payment of dividends	-
Increase in share capital	-
Reserve fund	6 394
Social fund	-
Retained earnings	-
Elimination of loss from previous periods	57 548

18. TAX REVENUES/COSTS

SKK '000	2006	2005
Current income tax	-	-
Deferred tax	(19 852)	(4 651)
Total	(19 852)	(4 651)

The Group stated tax cost in profit and loss account due to change of deferred tax receivable of SKK 19 852 thousand (2005: SKK 4 651 thousand).

Simultaneously, the Group stated increase of equity as at 31 December 2006 due to creation of deferred tax receivable in amount of SKK 1 410 thousand to revaluation of securities available for sale (2005: deferred tax payable in amount of SKK 2 695 thousand).

19. RECONCILIATION OF THEORETICAL AND BOOKED TAX

2006			
	Balance (SKK '000)	Applicable rate	Impact on theoretic tax
Theoretical tax	83 794	19%	15 921
Permanent nondeductible differences	4 609	19%	876
Permanent taxable differences	(7 654)	19%	(1 454)
Effect of unrecognized deferred tax receivable from unrelieved tax losses	19 226	19%	3 653
Other unrecognized tax receivables	4 511	19%	857
Adjusted theoretical tax			19 852
Effective tax			19 852

2005			
	Balance (SKK '000)	Applicable rate	Impact on theoretic tax
Profit/loss before taxation	47 384	19%	9 003
Tax nondeductible item	38 860	19%	7 383
Non-tax revenues	(61 763)	19%	(11 735)
Total			4 651
Effective tax			10%

Group paid tax deduction, which is concerned as tax prepayment in amount of SKK 1 653 thousand and which is claimed from Tax authority. The Group has no tax obligation due to amortization of tax losses from previous periods.

20. OFF BALANCE SHEET ITEMS

SKK'000	Off balance sheet assets	2006	2005
1.	Future loans received	-	-
2.	Received guarantees	-	-
3.	Received letters of credit	-	-
4.	Receivables from spot operations with	32 654	-
	a) interest instruments	-	-
	b) FX instruments	32 654	-
	c) security instruments	-	-
	d) commodities instruments	-	-
	e) loan instruments	-	-
5.	Receivables from term operations with	27 543	62 243
	a) interest instruments	-	-
	b) FX instruments	27 543	62 243
	c) security instruments	-	-
	d) commodities instruments	-	-
	e) loan instruments	-	-
6.	Receivables from option operations with	-	-
	a) interest instruments	-	-
	b) FX instruments	-	-
	c) security instruments	-	-
	d) commodities instruments	-	-
	e) loan instruments	-	-
7.	Received collaterals	4 342 143	2 571 657
	a) immovables	1 046 026	437 399
	b) cash	3 667	2 400
	c) securities	3 170 575	2 059 197
	d) other	121 875	72 661
8.	Receivables from consigned values	-	-

SKK '000	Off balance sheet liabilities	2006	2005
1.	Future loans commitments	518 346	163 363
2.	Provided guarantees	57 708	50 058
3.	Provided letters of credit	-	-
4.	Payables from spot operations with	33 078	-
	a) interest instruments	-	-
	b) FX instruments	33 078	-
	c) security instruments	-	-
	d) commodities instruments	-	-
	e) loan instruments	-	-
5.	Payables from term operations with	28 623	62 167
	a) interest instruments	-	-
	b) FX instruments	28 623	62 167
	c) security instruments	-	-
	d) commodities instruments	-	-
	e) loan instruments	-	-
6.	Payables from option operations with	-	-
	a) interest instruments	-	-
	b) FX instruments	-	-
	c) security instruments	-	-
	d) commodities instruments	-	-
	e) loan instruments	-	-
7.	Provided collaterals	160 691	174 350
	a) immovables	-	-
	b) cash	-	-
	c) securities	160 691	174 350
	d) other	-	-
8.	Payables from consigned values	7 016 474	6 550 933

21. FINANCIAL DERIVATIVES

2006 SKK '000	Notional principal		Fair value		Net fair value
	Receivable	Payable	Positive	Negative	
Currency forwards	28 089	29 194	380	(1 461)	(1 081)
Total financial derivatives	28 089	29 194	380	(1 461)	(1 081)

2005 SKK '000	Notional principal		Fair value		Net fair value
	Receivable	Payable	Positive	Negative	
Currency forwards	62 888	(62 212)	368	(292)	76
Total financial derivatives	62 888	(62 212)	368	(292)	76

All derivatives are classified as held for trading. The positive fair value of derivatives in the amount of SKK 380 thousand (2005: SKK 368 thousand) is reported in „Other assets“ (Note 10) and negative fair value of derivatives in the amount of SKK 1 461 thousand (2005: SKK 292 thousand) is recorded in „Other liabilities“ (Note 15).

22. INTEREST INCOME AND SIMILAR INCOME

SKK '000	2006	2005
Interest income from interbank transactions	172 959	81 224
Interest income from clients' current accounts	6 687	4 578
Interest income from clients' loans	117 849	43 136
Interest income from rental	397	690
Interest income from debt securities	80 628	63 477
Other interest income	124	10 565
Total interest income and similar income	378 644	203 670

23. INTEREST EXPENSE AND SIMILAR EXPENSE

SKK '000	2006	2005
Interest expense from interbank transactions	2 207	4 743
Interest expense from clients' current accounts	5 659	1 233
Interest expense from clients' term deposits	161 339	53 221
Interest expense from clients' savings deposits	3 136	6 389
Interest expense from certificates of deposits	7 652	10 547
Interest expense from received loans from clients	2 118	4 512
Interest expense from debt securities	45 195	14 537
Other interest expense	220	262
Total interest expense and similar expense	227 526	95 444

24. FEE AND COMMISSION INCOME

SKK '000	2006	2005
Income from fees and commissions:		
Loans	2 527	8 876
Guarantees	967	1 856
Payments	2 952	2 077
Itemised fees	2 370	2 331
Securities trading	7 465	1 063
Portfolio management	7 082	421
Other	1 401	710
Total fee and commission income	24 764	17 334

25. FEE AND COMMISSION EXPENSE

SKK '000	2006	2005
Expenses for fees and commissions:		
Payments	4 911	2 462
Interbank transactions	677	1 093
Securities trading	1 386	549
Intermediation	8 716	2 116
Other	10	35
Total fee and commission expense	15 700	6 255

26. TRADING RESULT

SKK '000	2006	2005
Realized profit from debt securities transactions (available for sale)	14 612	29 447
Loss from debt securities transactions (at fair value through profit or loss)	(11 455)	(152)
Profit from shares and units (available for sale)	1 937	2 586
Profit from shares and units (at fair value through profit or loss)	38	-
Profit/loss from derivative transactions	(1 514)	13 514
Profit from forex transactions	19 505	12 333
Total trading result	23 123	57 728

27. OTHER INCOME

SKK '000	2006	2005
Operating lease	253	1 611
Other income	3 396	2 239
Total other income	3 649	3 850

28. GENERAL OPERATING EXPENSE

SKK '000	2006	2005
Personnel costs	67 905	67 779
Social insurance	14 819	12 862
Other general operating expenses of which	58 565	57 063
- audit and tax advisory	2 021	3 147
- contribution to Deposits protection fund	1 720	7 924
Total general operating expense	141 289	137 704

The average number of employees during the year 2006 was 93 (2005: 91).

29. RECEIVABLES PROVISION MOVEMENT/RECEIVABLES WRITE-OFF

SKK '000	2006	2005
(Creation) / reversal of impairment losses (Note 5)	20 560	(20 794)
Reversal of impairment losses for transferred and written-off receivables (Note 5)	-	36 742
Net book value of transferred receivable	(443)	(45 284)
Income from transferred receivables	1 645	39 632
Net book value of written-off receivables	(127)	(3 232)
Total (creation)/reversal of provisions for receivables	21 635	7 064

30. PROFIT/LOSS BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES

SKK '000	2006	2005
Profit/loss before tax	83 794	47 384
Adjustment for non-cash items:		
Interest income and similar income	(378 644)	(203 670)
Interest expense and similar expense	227 526	95 444
Depreciation and amortization	11 982	13 083
Receivables provision movement / receivables write-off	(21 635)	(7 064)
Net book value of fixed assets sold	139 405	47 842
Income from sale of fixed assets	(78 683)	(14 333)
Fixed assets provision movement	(87 043)	(44 847)
Reserves for liabilities from main activities movement	(2 155)	1 114
Total	(105 453)	(65 047)

31. RELATED PARTY TRANSACTION

SKK '000	31.12.2005 balance	31.12.2005 accruals	Transaction increases	Transaction decreases	31.12.2006 balance	31.12.2006 accruals	Revaluation differences on securities available for sale	Interest income and similar income 2006	Interest expense and similar expense 2006	Fee and commission income 2006	Trading result 2006	General operating expense 2006
Receivables from shareholders and related parties												
Cash and cash equivalents	867	-	779 042	(778 669)	1 161	-	-	6	-	-	-	-
Securities available for sale	79 202	889	708	(2 500)	77 517	1 027	632	2 647	-	-	-	-
Securities at fair value through profit or loss	-	-	26 826	(833)	25 180	342	-	797	-	-	65	-
Payables to shareholders and related parties												
Due to clients	245 041	163	9 101	(8 992)	245 149	302	-	-	(9 185)	6	-	-
Receivables from subsidiary												
Subsidiaries	210	-	-	-	210	-	-	-	-	-	-	-
Payables to subsidiary												
Due to clients	318	-	14	(15)	317	-	-	-	(3)	3	-	-
Payables to top-managers and related parties												
Due to clients	4 563	2	27 835	(33 761)	357	-	-	-	(7)	28	-	-
Debt securities issued	13 329	6	473	(1)	11 950	22	-	-	(486)	-	-	-
Reserves	3 916	-	6 825	(3 916)	6 825	-	-	-	-	-	-	(2 909)
Other liabilities	533	-	17 601	(17 521)	613	-	-	-	-	-	-	(24 561)

Transactions with related parties performed on arm's length principle.

32. FINANCIAL INSTRUMENTS – MARKET RISK

In carrying out its activities, the Group is exposed to market risks, which depend on the extent of exposure to individual risk factors, mainly changes in interest rates, exchange rates and the price of capital and financial market instruments.

(a) Interest rate risk

Interest rate risk is the risk of a change in the value of the Group's portfolios as a result of changes in market interest rates. To measure the interest rate sensitivity of assets and liabilities, the Group uses interest gap analysis. Assets and liabilities are classified into time segments depending on the time of revaluation of the instrument or its reinvestment. The size of the interest gap represents the extent of the risk of potential loss resulting from changes in market interest rates, represented by the value of the theoretical change of the net interest income under exactly specified restrictive conditions of the model. The Group has set a limit for the maximum interest rate exposure defined by the maximum theoretical change of net interest income within one year starting from the moment of the valuation of the Group's positions.

The Group measures its interest rate risk using model VaR and interest sensibility. Maximal risk exposition is monitored a daily basis.

The average effective interest rates of assets and liabilities as at 31 December 2006 and the periods in which these rates are re-priced are as follows:

SKK '000	Effective interest rate	Up to 1 month	1 - 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Unspecified	Total
Cash and cash equivalents	4,33%	3 545 417	-	-	-	-	24 142	3 569 559
Due from banks	-	-	-	-	-	-	-	-
Due from customers	7,97%	467 436	1 274 068	93 477	3	121 960	1 489	1 958 433
Securities available for sale	4,42%	99 858	220 553	417 677	179 248	230 326	65 913	1 213 575
Securities at fair value through profit or loss	4,57%	120 682	350 661	8 464	83 926	30 635	-	594 368
Tangible and intangible fixed assets	-	-	-	-	-	-	40 597	40 597
Deferred tax asset	-	-	-	-	-	-	360	360
Other assets	-	-	-	-	-	-	21 750	21 750
Total assets		4 233 393	1 845 282	519 618	263 177	382 921	154 251	7 398 642
Due to other banks	2,69%	264 399	-	-	-	-	-	264 399
Due to clients	3,53%	3 064 416	764 494	454 806	765	-	4 082	4 288 563
Debt securities issued	4,42%	1 761 622	225 875	28 477	-	-	-	2 015 974
Reserves	-	-	-	-	-	-	19 430	19 430
Other liabilities	-	-	-	-	-	-	92 955	92 955
Equity	-	-	-	-	-	-	717 321	717 321
Total liabilities and equity		5 090 437	990 369	483 283	765	-	833 788	7 398 642
Difference		(857 044)	854 913	36 335	262 412	382 921	(679 537)	-
Cummulative difference		(857 044)	(2 131)	34 204	296 616	679 537	-	-

**Notes to the consolidated financial statements
for the year ended 31 December 2006**

The average effective interest rates of assets and liabilities as at 31 December 2005 and the periods in which these rates are re-priced are as follows:

SKK '000	Effective interest rate	Up to 1 month	1 - 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Unspecified	Total
Cash and cash equivalents	2,70%	2 320 797	-	-	-	-	-	2 320 797
Due from banks	-	-	-	-	-	-	-	-
Due from customers	5,51%	156 872	199 499	320 156	383 930	123 807	15 409	1 199 673
Securities available for sale	4,46%	-	99 471	243 694	626 694	563 144	34 906	1 567 909
Securities at fair value through profit or loss	3,03%	40 463	134 658	49 317	-	31 997	-	256 435
Tangible and intangible fixed assets	-	-	-	-	-	-	93 469	93 469
Deferred tax asset	-	-	-	-	-	-	16 378	16 378
Other assets	-	-	-	-	-	-	10 680	10 680
Total assets		2 518 132	433 628	613 167	1 010 624	718 948	170 842	5 465 341
Due to other banks	2,49%	30 283	-	-	-	-	-	30 283
Due to clients	1,81%	3 419 028	125 851	575 039	-	-	22 652	4 142 570
Debt securities issued	2,29%	491 145	4 256	14 538	547	-	-	510 486
Reserves	-	-	-	-	-	-	15 950	15 950
Other liabilities	-	-	-	-	-	-	82 115	82 115
Equity	-	-	-	-	-	-	683 937	683 937
Total liabilities and equity		3 940 456	130 107	589 577	547	-	804 654	5 465 341
Difference		(1 422 324)	303 521	23 590	1 010 077	718 948	(633 812)	-
Cummulative difference		(1 422 324)	(1 118 803)	(1 095 213)	(85 136)	633 812	-	-

(b) Currency risk

Currency risk is the risk of a change in the value of the Group's portfolios as a result of changes in the value of exchange rates and open unsecured positions. The Group manages currency risk by determining and daily monitoring of maximum limits of the open positions of banking book for individual currencies. Currency risk of trading book is limited by maximum exposure using Value at risk model. The following tables show the volumes of assets and liabilities according to the individual main currencies and the resulting unsecured currency positions for the years 2006 and 2005.

The currency position of the Group as at 31 December 2006:

SKK '000	EUR	USD	CZK	Other FX	SKK	Total
Cash and cash equivalents	71 457	10 143	117 600	13 017	3 357 342	3 569 559
Due from banks	-	-	-	-	-	-
Due from customers	52 177	1	119 328	-	1 786 927	1 958 433
Securities available for sale	21 496	-	140 461	-	1 051 618	1 213 575
Securities at fair value through profit or loss	194	7 874	100 965	-	485 335	594 368
Tangible and intangible fixed assets	-	-	-	-	40 597	40 597
Deferred tax asset	-	-	-	-	360	360
Other assets	713	12 801	12	-	8 224	21 750
Total assets	146 037	30 819	478 366	13 017	6 730 403	7 398 642
Due to other banks	-	13 129	251 270	-	-	264 399
Due to clients	75 422	9 341	115 807	3 564	4 084 429	4 288 563
Debt securities issued	79 419	3 647	78 436	496	1 853 976	2 015 974
Reserves	-	-	-	-	19 430	19 430
Other liabilities	2 201	1 729	6 037	41	82 947	92 955
Equity	(1 260)	-	865	-	717 716	717 321
Total liabilities and equity	155 782	27 846	452 415	4 101	6 758 498	7 398 642
Net FX position	(9 745)	2 973	25 951	8 916	(28 095)	-

The Group did not report a significant open foreign currency positions at the year-end.

The currency position of the Group as at 31 December 2005:

SKK '000	EUR	USD	CZK	Other FX	SKK	Total
Cash and cash equivalents	20 855	16 901	96 547	9 564	2 176 930	2 320 797
Due from banks	-	-	-	-	-	-
Due from customers	110 090	-	65 400	-	1 024 183	1 199 673
Securities available for sale	51 308	-	145 918	45 345	1 325 338	1 567 909
Securities at fair value through profit or loss	6	-	104 622	-	151 807	256 435
Tangible and intangible fixed assets	-	-	-	-	93 469	93 469
Deferred tax asset	-	-	-	-	16 378	16 378
Other assets	1 040	42	-	-	9 598	10 680
Total assets	183 299	16 943	412 487	54 909	4 797 703	5 465 341
Due to other banks	30 283	-	-	-	-	30 283
Due to clients	38 314	12 518	361 827	5 382	3 724 529	4 142 570
Debt securities issued	85 438	4 474	45 227	-	375 347	510 486
Reserves	838	-	-	-	15 112	15 950
Other liabilities	1 901	6	41	-	80 167	82 115
Equity	606	-	776	(859)	683 414	683 937
Total liabilities and equity	157 380	16 998	407 871	4 523	4 878 569	5 465 341
Net FX position	25 919	(55)	4 616	50 386	(80 866)	-

The Group did not report a significant open foreign currency position at the year-end.

33. FINANCIAL INSTRUMENTS – CAPITAL ADEQUACY

Institutions that have been granted a bank license must maintain the capital adequacy of at least 8% according to the Slovak National Bank's regulations. The capital adequacy is the ratio between the Bank's capital and the risk-weighted assets. The Bank's capital adequacy as at 31 December 2006 and 31 December 2005 significantly exceeded the specified limit.

34. FINANCIAL INSTRUMENTS – LIQUIDITY

Liquidity risk is the risk in ability of the Group to fulfill its obligations towards its business partners as a result of a discrepancy in the maturity of the assets and the liabilities. The Group monitors and manages the liquidity on the basis of the expected cash flow on the assets and liabilities side of the balance sheet. To measure the liquidity exposure, the Group uses the liquidity gap method. The Group defines and manages the risk of the ability to fulfill one's obligations by means of specified limits of discrepancy in the maturity of the assets and the liabilities in individual time segments.

The following tables contain the analyses of the cash flow of assets and liabilities in individual time segments according to the relevant remaining maturity. The assets and liabilities without a specified maturity date are included in the category "Unspecified".

The remaining maturity of assets and liabilities as at 31 December 2006:

SKK '000	Up to 1 month	1 - 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Unspecified	Total
Cash and cash equivalents	3 569 559	-	-	-	-	-	3 569 559
Due from banks	-	-	-	-	-	-	-
Due from customers	36 750	151 691	618 425	891 434	216 956	43 177	1 958 433
Securities available for sale	260 548	36 282	280 437	245 252	325 143	65 913	1 213 575
Securities at fair value through profit or loss	100 419	2 758	14 464	223 444	253 283	-	594 368
Tangible and intangible fixed assets	-	-	-	-	-	40 597	40 597
Deferred tax asset	-	-	-	-	-	360	360
Other assets	-	-	-	-	-	21 750	21 750
Total assets	3 967 276	190 731	913 326	1 360 130	795 382	171 797	7 398 642
Due to other banks	264 399	-	-	-	-	-	264 399
Due to clients	2 916 467	856 186	501 453	6 358	4 070	4 029	4 288 563
Debt securities issued	1 461 622	19 314	28 477	506 561	-	-	2 015 974
Reserves	-	-	-	-	-	19 430	19 430
Other liabilities	54 977	-	-	-	-	37 978	92 955
Equity	-	-	-	-	-	717 321	717 321
Total liabilities and equity	4 697 465	875 500	529 930	512 919	4 070	778 758	7 398 642
Difference	(730 189)	(684 769)	383 396	847 211	791 312	(606 961)	-
Cummulative difference	(730 189)	(1 414 958)	(1 031 562)	(184 351)	606 961	-	-

The remaining maturity of assets and liabilities as at 31 December 2005:

SKK '000	Up to 1 month	1 - 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Unspecified	Total
Cash and cash equivalents	2 320 797	-	-	-	-	-	2 320 797
Due from banks	-	-	-	-	-	-	-
Due from customers	263 753	186 598	318 003	270 586	121 068	39 665	1 199 673
Securities available for sale	174 350	11 484	69 328	589 063	688 778	34 906	1 567 909
Securities at fair value through profit or loss	635	258	49 317	144 228	61 997	-	256 435
Tangible and intangible fixed assets	-	-	-	-	-	93 469	93 469
Deferred tax asset	-	-	-	-	-	16 378	16 378
Other assets	-	-	-	-	-	10 680	10 680
Total assets	2 759 535	198 340	436 648	1 003 877	871 843	195 098	5 465 341
Due to other banks	30 283	-	-	-	-	-	30 283
Due to clients	3 022 837	309 130	761 402	17 415	9 134	22 652	4 142 570
Debt securities issued	491 145	4 256	14 538	547	-	-	510 486
Reserves	-	-	-	-	-	15 950	15 950
Other liabilities	-	-	-	-	-	82 115	82 115
Equity	-	-	-	-	-	683 937	683 937
Total liabilities and equity	3 544 265	313 386	775 940	17 962	9 134	804 654	5 465 341
Difference	(784 730)	(115 046)	(339 292)	985 915	862 709	(609 556)	-
Cummulative difference	(784 730)	(899 776)	(1 239 068)	(253 153)	609 556	-	-

35. FINANCIAL INSTRUMENTS – CREDIT RISK

While conducting its activities, the Group is exposed to credit risk, i.e. the risk that the counterparty will not be able to repay the due amounts in full within the maturity period. The Group reduces the extent of credit risk by setting limits for exposures with respect to an individual debtor or a Bank of debtors. The actual exposure is regularly compared to the fixed limits. Credit risk is also managed by means of a regular analysis of the debtor's and the potential debtors' ability to pay the principal and interest and by securing of the debtor's credibility.

The Group is exposed to credit risk as a result of its trading activities, providing loans, hedging transactions, investment and mediation activities.

The Group monitors the credit risks of individual customers using an internal rating valuation. The rating of a customer before the realization of a loan business consists of two parts – the financial part and the trade part. The financial rating is based on an evaluation of economic results as shown in the financial statements of the customer and quantified based on the indicators of activity, profitability, indebtedness and liquidity. The customers are classified into four Banks according to the results of the financial rating. The trade or non-financial rating is based on qualitative characteristics of the customer, e.g. the quality of relations between suppliers and customers, competition, management quality, cooperation with the bank and the payment discipline of the customer, sales guarantee etc. Based on the evaluation of these characteristics, the customers are classified into four Banks according to the level of trade risk. The result of the rating is a combination of the financial and non-financial rating. The Group monitors the development and any changes in the rating valuation of the customers in regular quarterly intervals, when the loans control is performed in order to identify the improvement or deterioration of the economic situation of the customers, and the debtor is being

analyzed. The analysis consists of the evaluation of the payment discipline, the fulfillment of the business plan, contractual terms, and the re-evaluation of the quality of collateral.

The concentration of credit risk arises as a result of the accumulation of credits towards the counterparty or economically related Bank. An excessive concentration of credit exposure towards one entity has effect on the ability of the debtor to pay its obligations. The Groups treats a receivable from a debtor or an economically related Bank of debtors that exceeds 5% of the Bank's capital as a significant exposure. The Group has created a system of internal reports on significant credit exposures exceeding the specified limit with respect to debtors.

Group has defined in its internal instructions impairment indicators and procedures for determination of reduction of future cash flows. Consequently discounts all estimated cash flows, including cash flows from realization of collateral to present value, using effective interest rate.

Factors leading to creation of impairment provision for financial assets assessed individually in 2006:

1. client was unable to realize business plan in agreed time,
2. client has negative equity,
3. the Group has identified serious risk of devaluation of collateral from objective reasons.

Financial assets, which were impaired as at 31.12.2006, and impairment was identified during 2006 are secured by following forms of collaterals:

1. securities of companies with business activities, however not traded on stock Exchange,
2. real estates (immovables).

Group monitors and continuously updates the value of collaterals.

36. OPERATIONAL, LEGAL AND OTHER RISKS

The Group creates a database of operational losses and events with potential risk of loss. This database is created as Group's intention to transfer to more sophisticated techniques of quantification of operational risk.

Legal and other risks are monitored within the Group's internal control system in case of reviews made by the Department of Internal Control and Audit and by headquarters divisions.

37. FAIR VALUES

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

SKK '000	Book value 2006	Fair value 2006	Book value 2005	Fair value 2005
Financial assets				
Cash and cash equivalents	3 569 559	3 569 559	2 320 797	2 320 797
Due from banks	-	-	-	-
Due from customers	1 958 433	1 994 112	1 199 673	1 243 001
Securities available for sale	1 213 575	1 213 575	1 567 909	1 567 909
Securities at fair value through profit or loss	594 368	594 368	256 435	256 435
Other assets	21 750	21 750	10 680	10 680
Financial liabilities				
Due to other banks	264 399	264 399	30 283	30 283
Due to clients	4 288 563	4 264 383	4 142 570	4 132 267
Debt securities issued	2 015 974	1 952 620	510 486	510 069

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

Cash and cash equivalents

The fair values of cash and cash equivalents approximate to their carrying value.

Due from banks

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

Due from customers

Loans and advances to customers are measured net of provisions for loan losses. The fair values of loans and advances to customers are calculated by discounting the future cash flows using the current market rates.

Securities

Securities available-for-sale and securities measured at fair value through profit and loss account are stated at quoted market prices.

Other assets

Other assets are measured net of provisions for uncollectible amounts. As other assets are short-term, their fair value approximates to the carrying value.

Due to other banks

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

Due to clients and debt securities issued

The fair values of customer accounts and liabilities from debt securities issued are calculated by discounting the future cash flows using the current deposit rates.

38. SIGNIFICANT POST BALANCE SHEET EVENTS

Currently, the Bank is under selling process. It is expected that the majority shareholders will sell their shareholdings in 2007.