

Independent Auditors' Report and Financial Statements of the NBS for the Year Ended 31 December 2006





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Independent Auditors' Report

To the Bank Board of Národná banka Slovenska:

We have audited the accompanying financial statements of Národná banka Slovenska ('the NBS'), which comprise the balance sheet as at 31 December 2006, the income statement and notes.

NBS Bank Board's Responsibility for the Financial Statements

The Bank Board of the NBS is responsible for the preparation and fair presentation of these financial statements in accordance with the Slovak Act on Accounting and with the European Central Bank accounting rules ('the ECB rules'). This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Národná banka Slovenska as of 31 December 2006, and its financial performance for the year then ended in accordance with the Slovak Act on Accounting and the ECB rules.

5 March 2007
Bratislava, Slovak Republic



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NÁRODNÁ BANKA SLOVENSKA
Financial statements as at 31 December 2006 - Balance sheet
(in SKK millions)

The Ministry of Finance of the Slovak Republic
Decree No. MF/8338/2005-74

BALANCE SHEET
of Národná banka Slovenska
in millions of SKK

Assets		Notes	As at 31.12.2006	As at 31.12.2005
1.	Gold	4	18,788	18,450
2.	Debt securities denominated in foreign currency	5	312,364	447,776
3.	Derivatives	6	226	52
4.	Receivables from banks and central banks	7	25,154	191,864
4.1.	current accounts, deposits, and loans denominated in foreign currency		21,872	188,028
4.2.	loans related to monetary policy operations in SKK			
4.3.	receivables not related to monetary policy operations in SKK		3,282	3,836
5.	Receivables from the International Monetary Fund	8	15,870	3,934
6.	Receivables from clients	9	245	210
7.	Equity shares in subsidiary and affiliated accounting units and other shares and participating interests	10	437	483
8.	Non-current assets	11	6,053	6,422
8.1.	depreciable		5,711	6,082
8.2.	non-depreciable		342	340
9.	Other assets	12	260	119
	TOTAL ASSETS		379,397	669,310



NÁRODNÁ BANKA SLOVENSKA
Financial statements as at 31 December 2006 - Balance sheet
(in SKK millions)

Liabilities

	Notes	As at 31.12.2006	As at 31.12.2005
1. Currency in circulation	13	143,518	130,110
2. Liabilities to banks and central banks	14	272,238	559,138
2.1. current accounts denominated in SKK		2,560	1,998
2.2. overnight deposits, loans and deposits denominated in SKK and minimum reserves		261,603	392,577
2.3. current accounts, deposits, and loans denominated in foreign currency		8,075	164,563
3. Liabilities from debt securities	15	37,435	20,004
3.1. denominated in SKK		37,435	20,004
3.2. denominated in foreign currency			
4. Derivatives	6	1,382	1,545
5. Liabilities to the International Monetary Fund	8	15,833	3,893
6. Liabilities to other international financial institutions	16	2,462	670
7. Liabilities to clients	17	863	3,953
8. Reserves and other liabilities	18	305	362
9. Statutory fund	19	483	467
10. Funds from profit appropriations and capital fund	19	10,312	10,208
11. Valuation differences from revaluation of	19	16,931	16,260
11.1. gold		16,456	16,260
11.2. derivatives		418	
11.3. securities		57	
11.4. foreign currencies			
12. Retained profit / (outstanding loss) from previous years	19	(77,237)	(76,637)
13. Profit / (loss) for the current accounting period	19	(45,128)	(663)
TOTAL LIABILITIES		379,397	669,310



NÁRODNÁ BANKA SLOVENSKA
Financial statements as at 31 December 2006 - Income statement
(in SKK millions)

The Ministry of Finance of the Slovak Republic
Decree No. MF/8338/2005-74

INCOME STATEMENT
of Národná banka Slovenska
in millions of SKK

	Notes	As at 31.12.2006	As at 31.12.2005
1. Interest income and similar revenues		14,453	12,733
1.1. on SKK - denominated loans related to monetary policy operation		144	32
1.2. on SKK - denominated receivables not related to monetary policy operations		93	165
1.3. on receivables and securities denominated in foreign currency		14,216	12,536
a. Interest expense and similar expenses		(14,219)	(13,045)
a.1. on SKK - denominated liabilities related to monetary policy operations and from securities		(13,797)	(12,344)
a.2. on SKK - denominated liabilities not related to monetary policy operations		(49)	(556)
a.3. on liabilities and securities denominated in foreign currency		(373)	(145)
I. Net interest (loss)	20	234	(312)
2. Revenues from fees and commissions		169	158
b. Expenses on fees and commissions		(23)	(31)
II. Net profit from fees and commissions	21	146	127
3./c. Net (loss) / profit from operations in, and derivatives involving, securities denominated in foreign currency	22	(3,984)	(1,592)
4./d. Net profit / (loss) from operations in, and derivatives involving, foreign exchange and gold	23	(39,832)	2,939
5. Revenues from dividends and other profit distributions		31	29
6. Revenues from currency in circulation		208	7
e. Expenses on currency in circulation		(156)	(169)
III. Net profit / (loss) from currency in circulation	13	52	(162)
7. Revenues from dissolution of provisions and written-off receivables and securities			
f. Expenses on provisioning and the write-off of receivables and securities			
8. Other operating revenues		118	182
g. Other operating expenses	24	(1,893)	(1,874)
g.1. Staff expenses		(907)	(767)
g.2. Depreciation of tangible & intangible assets		(519)	(500)
g.3. Other operating costs		(467)	(607)
A. Profit / (loss) before appropriations		(45,128)	(663)
h. Profit appropriations			
B. Profit / (loss) after appropriations		(45,128)	(663)



NÁRODNÁ BANKA SLOVENSKA
Financial statements as at 31 December 2006 - Statement of changes in equity
(in SKK millions)

The Ministry of Finance of the Slovak Republic
Decree No. MF/8338/2005-74

STATEMENT OF CHANGES IN EQUITY
of Národná banka Slovenska
in millions of SKK

	Statutory fund	Capital fund	Reserve fund	Revaluation funds	Retained profit / outstanding (loss)	Equity
1. Balance as at 31 December 2005	467	43	10,165	16,260	(77,300)	(50,365)
2. Integration of ÚFT to NBS as at 1 January 2006	16		104		63	183
3. Adjusted balance as at 1 January 2006	483	43	10,269	16,260	(77,237)	(50,182)
4. Settlement of loss from previous periods						
5. Appropriation to statutory fund						
6. Appropriation to outstanding loss						
7. Appropriation to reserve funds						
8. Revaluation of securities						
losses						
gains				57		57
9. Revaluation of derivatives						
losses						
gains				418		418
10. Change in gold revaluation fund						
losses						
gains				196		196
11. Revaluation of foreign currencies						
losses						
gains						
12. (Loss) / profit for the current accounting period					(45,128)	(45,128)
13. Profit appropriations						
14. Appropriation to social fund						
15. Change over the accounting period						
16. Balance as at 31 December 2006	483	43	10,269	16,931	(122,365)	(94,639)



NÁRODNÁ BANKA SLOVENSKA
Financial statements as at 31 December 2006 - Statement of changes in equity
(in SKK millions)

The Ministry of Finance of the Slovak Republic
Decree No. MF/8338/2005-74

STATEMENT OF CHANGES IN EQUITY
of Národná banka Slovenska
in millions of SKK

	Statutory fund	Capital fund	Reserve fund	Revaluation funds	Retained profit / outstanding (loss)	Equity
1. Balance as at 31 December 2004	467	77	10,165	11,874	(76,659)	(54,076)
2. Changes in accounting methods						
3. Adjusted balance as at 31 December 2004	467	77	10,165	11,874	(76,659)	(54,076)
4. Settlement of loss from previous periods						
5. Appropriation to statutory fund						
6. Appropriation to outstanding loss		(22)			22	
7. Appropriation to reserve funds						
8. Revaluation of securities						
9. Revaluation of derivatives						
10. Change in gold revaluation fund				4,386		4,386
11. Revaluation of foreign currencies						
12. (Loss) / profit for the current accounting period					(663)	(663)
13. Profit appropriations						
14. Appropriation to social fund						
15. Change over the accounting period		(12)				(12)
16. Balance as at 31 December 2005	467	43	10,165	16,260	(77,300)	(50,365)



NÁRODNÁ BANKA SLOVENSKA
Financial statements as at 31 December 2006 - Notes
(in SKK millions)

NOTES
to the financial statements as at 31 December 2006

Bratislava, 5 March 2007

These Notes are an integral part of the financial statements of Národná banka Slovenska

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1. General information on Národná banka Slovenska

Národná banka Slovenska (The National Bank of Slovakia – ‘the NBS’ or ‘the Bank’) is the independent central bank of the Slovak Republic. The NBS was established in accordance with Act N° 566/1992 Coll. on the National Bank of Slovakia as amended (‘the NBS Act’). It commenced its activities on 1 January 1993 as the bank of issue of the Slovak Republic. The NBS is a legal entity (Corporate ID: 30 844 789) seated at Imricha Karvaša 1, Bratislava. In respect of its own assets, the NBS acts as a business entity. The NBS has its head office in Bratislava, nine branches in the Slovak Republic and special-purpose organizational units.

The Bank’s primary objective is to maintain price stability. Therefore, the NBS:

- determines the monetary policy;
- issues banknotes and coins;
- manages, co-ordinates and ensures money circulation, payment transactions, the clearing of payment transaction data and ensures their fluency and efficiency;
- effects the activities, tasks, rights and obligations resulting from the participation of Národná banka Slovenska in the European System of Central Banks;
- contributes to the stability of the financial system as a whole and to the safe and sound functioning of the financial market in the interest of maintaining credibility of the financial market, protection of clients and respecting of the rules of economic competition; the Bank also supervises the financial market and other financial market activities;
- represents the Slovak Republic in international financial institutions and ensures the fulfillment of tasks resulting from such representations; and
- represents the Slovak Republic in international financial market operations related to the implementation of the monetary policy.

In accordance with the NBS Act, the Bank Board determines the monetary policy, the instruments for its implementation and decides on NBS’s monetary policy measures. The Bank ensures the implementation of the monetary policy mainly by using the following instruments – base interest rate, open market operations (repo tenders, issues of treasury bills, direct purchase or direct sale of state securities and NBS treasury bills, foreign exchange swaps), overnight refinancing and overnight money withdrawing operations, minimum reserves requirements, exchange rate regime (floating rate or fixed exchange rate for the SKK after the entry of the Slovak Republic into the Exchange Rate Mechanism ERM II from 28 November 2005).

The Bank ensures the administration of foreign exchange reserves especially by means of financial operations related to securities denominated in foreign currencies, acceptance of loans from foreign entities, purchase of foreign currency from banks and branches of foreign banks, and financial transactions with foreign currencies and gold with the purpose of their appreciation.



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(in SKK millions)

The NBS's supreme executive body is the NBS Bank Board ('the Bank Board'). Until 15 December 2005, the Bank Board had eight members (in accordance with the NBS Act): the Governor, Deputy Governors, NBS Chief Executive Directors and other members. The term of the office of Bank Board members was five years. The Governor and Deputy Governors are appointed and dismissed by the President of the Slovak Republic. Chief Executive Directors and other Bank Board members are appointed and dismissed by the Government of the Slovak Republic. According to Act N° 519/2005 Coll. of 27 October 2005, amending the NBS Act with effect from 15 December 2005, the Bank Board has eleven members: the Governor, two Deputy Governors, and eight other members, three of whom may be persons not employed by the NBS. Membership in the Bank Board is limited to a maximum of two consecutive terms of office. The NBS is represented by the Governor.

In 2006, the Bank Board consisted of the following members:

Name	Term of office		Position	Date of appointment
	Form	to		
Ing. Ivan Šramko	11 Jan. 2002	31 Dec. 2009	Governor	1 Jan. 2005
Ing. Elena Kohútiková, CSc.	6 Apr. 1994	27 Mar. 2006	Deputy Governor	28 Mar. 2000
Ing. Martin Barto, CSc.	1 Dec. 2004	30 Jan. 2010	Deputy Governor	31 Jan. 2005
RNDr. Karol Mrva	1 Dec. 2000	30 Nov. 2006	Member	1 Dec. 2000
Ing. Peter Ševčovic	1 Oct. 2004	30 Sep. 2009	Member	1 Oct. 2004
Ing. Milena Koreňová	1. Jan. 2005	31 Dec. 2009	Member	1 Jan. 2005
Doc. JUDr. Ladislav Balko, PhD.	1 Oct. 2004	28 Feb. 2006	Member	1 Oct. 2004
Doc. Ing. Jozef Makúch, PhD.	1 Jan. 2006	31 Dec. 2010	Member	1 Jan. 2006
Mgr. Ľudovít Ódor	1 Jan. 2006	31 Dec. 2010	Member	1 Jan. 2006
Ing. Slavomír Šťastný, PhD., MBA	1 Jan. 2006	31 Dec. 2010	Member	1 Jan. 2006

The Government of the Slovak Republic re-appointed RNDr. Karol Mrva as the member of the Bank Board of the NBS from 10 January 2007.

All the costs necessary for the Bank's activities are covered from its revenues. According to Article 38 of the NBS Act, over the accounting period the Bank generates either a profit or a loss. Profit generated by the Bank is allocated to the reserve fund and to other profit reserves, or used to settle losses from previous years. The remaining profit is transferred to the State budget or, based on the Slovak Government's decision, to state financial assets under a separate regulation. The NBS may settle the loss for the current period from the reserve fund or from other reserves; alternatively, the Bank Board may decide to transfer the outstanding loss to the next accounting period (see Note 19).

As at 1 January 2006 the NBS integrated the Financial Market Authority (*Úrad pre finančný trh*) pursuant to Act N° 747/2004 Coll. on financial market supervision. The integration increased the Bank's equity by SKK 183 million (of which the Statutory fund constitutes SKK 16 million, the Reserve fund SKK 104 million and retained profits from previous years SKK 63 million).

The Bank submits an annual report on its financial results to the National Council of the Slovak Republic, within three months of the end of the calendar year; in addition to the NBS financial statements data and the auditor's opinion on these financial statements, the report specifically states information about the NBS operating costs. Should the National Council of the Slovak Republic request so, the NBS is obliged to amend the report within six



weeks to bring it into compliance with the request or, as appropriate, provide explanations to the data stated in the report.

2. Basis for preparation of the financial statements

2.1. Basic principles of preparation of the financial statements

The NBS financial statements have been prepared in accordance with Act N° 431/2002 Coll. on Accounting as amended ('Accounting Act'). Pursuant to Section 17b of the above Act, the NBS maintains its accounting in accordance with the Guideline of the European Central Bank of 5 December 2002 on the legal framework for accounting and financial reporting in the European System of Central Banks N° ECB/2002/10 ('ECB Guideline').

When accounting for transactions not regulated by the ECB Guideline, the Bank proceeds in line with the International Financial Reporting Standards ('IFRS') issued by the International Accounting Standards Board ('IASB') and in line with the interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC') as adopted by the European Commission pursuant to the Directive of the European Parliament and the Council of the European Union. Other cases are subject to the Accounting Act.

When disclosing items of its financial statements, the Banks proceeds in line with the Decree of the Ministry of Finance of the Slovak Republic N° MF/8338/2005-74 of 14 December 2005 setting out details on the arrangement, description of items in individual financial statements, contents of these items, and the extent of data from financial statements designated for publishing for the National Bank of Slovakia ('Decree of MF SR').

2.2. Changes in accounting method

The financial statements for the year ended 31 December 2005 were prepared in line with the Accounting Act and the Decree of the Ministry of Finance of the Slovak Republic N° 20 359/2002-92 of 13 November 2002 setting out details on accounting procedures and the general chart of accounts for the National Bank of Slovakia.

Since the Bank applied the ECB Guideline prospectively from 1 January 2006, comparative data as at 31 December 2005 in the financial statements are not comparable with the data as at 31 December 2006. The major differences between the accounting principles and methods used in 2006 and 2005, respectively, and their impact on the balances recognized in the balance sheet and the income statement are as follows:

- Receivables and payables under the automated Securities Lending program in the volume of SKK 157,168 million were recognized as Assets under item 4.1 and Liabilities under item 2.3 as at 31 December 2005. As at 31 December 2006, the bank recognized these receivables and payables only on off-balance sheet accounts.
- Unrealized foreign exchange gains of SKK 3,179 million from revaluation of foreign currency as at 31 December 2005 were recognized in the income statement. In line



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(in SKK millions)

with the ECB Guideline, foreign exchange differences from revaluation are recognized at the year end in equity and have no impact on the Bank's income statement.

- Unrealized gains from revaluation of securities to fair value in the amount of SKK 101 million as at 31 December 2005 had an effect on the Bank's financial results. In line with the ECB Guideline, unrealized gains from revaluation of securities are recognized in equity and have no impact on the Bank's income statement.
- Unrealized gains from revaluation of derivatives to fair value in the amount of SKK 0.2 million as at 31 December 2005 had an effect on the Bank's financial results as at 31 December 2005. In line with the ECB Guideline, unrealized gains from revaluation of derivatives are recognized in equity and have no impact on the Bank's income statement.

The application of accounting principles and methods valid from 1 January 2006 would have had the following effect on the financial results and equity of previous periods:

	Net loss for 2004	Net loss for 2005
Recognized in the SAS* statutory financial statements	(36,289)	(663)
Unrealized gains from revaluation of foreign currency	(480)	(3,179)
Unrealized gains from the revaluation of securities	(770)	(101)
Net loss upon application of ECB rules	<u>(37,539)</u>	<u>(3,943)</u>

	Equity as at 1 January 2005
Recognized in the SAS* statutory financial statements	(54,076)
Revaluation differences	1,250
Outstanding losses from previous years	(1,250)
Equity upon application of ECB rules	<u>(54,076)</u>

	Equity as at 31 December 2005
Recognized in the SAS* statutory financial statements	(50,365)
Revaluation differences	3,280
Loss for the current accounting period	(3,280)
Equity upon application of ECB rules	<u>(50,365)</u>

* Slovak accounting standards

In 2006, the Bank also changed the method of posting receivables from and liabilities to the International Monetary Fund (see Note 8).

3. Accounting principles and accounting methods applied

3.1. Recognition rules

The Bank records an accounting entry on the day the respective accounting event occurred, i.e. on the day when cash was paid or received; in the case of a direct debit, on the payment day (when withdrawing money from a third party account); in the case of securities and gold, on the transaction day; in the case of derivatives, on the day the derivative agreement was concluded; in the case of cash in foreign currency, on the day it was credited according to the deal message received; in the case of property relations, on the day when



the property title was acquired or terminated; and in the case of a shortage, deficit or surplus, on the day the difference was identified.

3.2. Methods of foreign currency valuation and settlement of valuation differences

From 1 January 2006, during the year assets (including gold) and liabilities denominated in foreign currencies are valued using the average currency exchange rate. Differences between the exchange rate announced by the NBS and the average currency exchange rate represent unrealized foreign currency gains or losses. As at the financial statements date, unrealized foreign exchange gains exceeding unrealized foreign exchange losses are recognized in the Bank's equity on revaluation accounts. Unrealized foreign exchange losses are recognized in the income statement. Foreign exchange losses of one currency cannot be offset by foreign exchange gains of other currencies or gold.

Realized foreign exchange gains and losses from the sale of assets and settlement of liabilities are recognized in the income statement.

The exchange rates of principal foreign currencies used for the valuation of assets and liabilities as at 31 December 2006 were as follows:

Currency	Amount	31 December 2006	31 December 2005
EUR	1	34.573	37.848
USD	1	26.246	31.948
JPY	100	22.081	27.103
XDR	1	39.484	45.659

3.3. Gold

Gold is stated at the market price of London's commodity market morning fix of gold in USD/oz. (troy ounce) as at the financial statements date. Gains from gold revaluation to fair value are included in equity, while losses from gold revaluation to fair value have impact on the Bank's financial results. The sale of gold is reflected in the income statement.

Swap transactions with gold are recorded as repurchase transactions with gold, i.e. gold used in these transactions as collateral is part of the balance sheet amount under the caption 'Gold'.

3.4. Debt securities

Debt securities are initially recognised at acquisition cost. On the day after the purchase up to and including the security's sale or maturity date the Bank amortises the premium or the discount on a daily basis (the difference between the security's cost and nominal value). The amortization of the premium/discount is recognized under Interest income and similar revenues in the income statement.

In the financial statements, the Bank recognizes debt securities at fair value. The difference between the security's fair value and the average acquisition cost adjusted for the accrued discount or premium represents a valuation difference. Valuation differences constituting gains are recognized in the Bank's equity. Valuation differences constituting losses are included in the Bank's income statement.

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The fair value of debt securities, for which there is an active market and whose market value can be reliably measured, is determined on the basis of the market value on such a market. If the market value is not available, fair value is determined as the sum of future cash flows discounted using market interest rates of the relevant currency, maturity rates and the risk rating of the security's issuer.

Upon the sale of a security, the difference between the average acquisition cost adjusted for the accrued discount or premium and the sales price represents a realized gain or loss that has an effect on the Bank's income statement.

The Bank reports sales and purchases of securities as at the settlement date.

3.5. Derivatives

In the normal course of business, the Bank is a party to contracts with derivative financial instruments, which represent a very low initial investment compared to the notional value of the contract. The derivative financial instruments used include options and interest futures.

Derivative financial instruments are initially recognized and subsequently re-measured in the balance sheet at fair value. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Losses from revaluation of derivatives have an impact on the Bank's income statement; gains from revaluation of derivatives remain on the revaluation accounts in the Bank's equity.

As at 31 December 2006, options are stated at fair value based on market prices, discounted cash flows and the Merton option pricing formula. In the course of 2006, the Bank re-assessed the impact of the Black-Scholes model formerly used for valuation of options. With the aim of more closely approximating the fair value of options, the Bank applied the Merton pricing model as at 31 December 2006.

Derivatives embedded in other financial instruments are disclosed as separate derivatives, when the risks involved are not closely connected with the risks and characteristics of the underlying instrument.

Major risks influencing derivatives include the price volatility of gold and changes in interest rates and foreign currency rates.

3.6. Receivables

Receivables are recognized on the balance sheet in their nominal value increased by accumulated interest ("amortized cost"). Receivables are decreased by impairment losses. Creation and release of impairment losses has an impact on the income statement.

Following the prudence principle, the Bank evaluates the risk rate of receivables, categorizes them and creates impairment losses for them.

Bad debts are written off to costs based on a court decision and upon the Bank Board's decision and the release of the related impairment losses is debited to costs.



3.7. Repurchase and reverse repurchase transactions

Transactions in which the Bank accepted securities in exchange for cash, along with the commitment to return these securities at a certain date in exchange for the transferred cash amount plus interest (reverse repurchase transaction), are recorded as loans provided. The collateral accepted in a reverse repurchase transaction is recognized in the amount of the loan on off-balance sheet accounts.

Transactions in which the Bank provided securities or gold in exchange for cash, along with the commitment to accept back these securities or gold at a certain date in exchange for the original cash amount plus interest (repurchase transaction), are recorded as received loans with a transfer of collateral. The collateral provided in a repurchase transaction remains in the balance sheet and in the financial statements it is fair valued with the exception of NBS treasury bills.

The Bank's market and credit risks in these transactions are minimised through the specification of products in which the cash received can be invested, as well as the counterparties with whom deals may be performed.

3.8. Receivables from and liabilities to the International Monetary Fund

Receivables from and liabilities to the International Monetary Fund ('IMF') as at 31 December 2006 are stated using the gross method. As at 31 December 2005 the membership quota in SKK and the respective liability were netted off in the balance sheet.

3.9. Ownership interests in subsidiary and affiliated accounting units and other shares and equities

The Bank has an ownership interest with a majority control over RVS, a.s. Bratislava. The equity shares of RVS, a.s. Bratislava are stated at cost.

The Bank has an equity stake in the Bank for International Settlements, Basel, Switzerland ('BIS'). Shares in the BIS are stated at acquisition cost. The equity interest in the BIS is disclosed in the amount of the paid-up share (25%). The unpaid part (75%) is due upon request. Dividends are paid out from NBS's total share in the BIS in Swiss francs.

As part of other ownership interests, the Bank accounts for a contribution in the European Central Bank ('ECB'). On 1 May 2004, the NBS became a member of the European System of Central Banks ('ESCB'). In accordance with the Statute of the ECB, the NBS has paid the initial minimum contribution to the ECB's capital. The amount of the total capital share of individual national central banks depends on the capital key determined on the basis of the following statistical categories: GDP and population. In accordance with the Protocol on the Statute of the ESCB and the ECB, the capital key is adjusted every five years or when new members enter the ESCB.

3.10. Non-current assets

Non-current assets include tangible assets, the acquisition cost of which is higher than SKK 30,000 and whose term of operational and technical capabilities exceeds one year, and intangible assets, the acquisition cost of which is higher than SKK 50,000 and whose



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term of operational and technical capabilities exceeds one year. On the balance sheet, they are stated at acquisition cost, including the costs related to their acquisition. The carrying value of depreciated non-current assets is shown net of accumulated depreciation. Land, art collections, long-term investments and tangible fixed assets in progress are not subject to depreciation.

The NBS's non-current assets were classified into individual depreciation groups and depreciated on a straight-line basis in accordance with the depreciation plan.

Depreciation group	2006	
	Depreciation period in years	Annual depreciation rate in %
1. Office equipment, data processing machines, passenger cars and vans	4	25.0
2. Devices and personal technical equipment	6	16.7
3. Security equipment	12	8.4
4. Energy equipment	20	5.0
5. Buildings and structures	30	3.4
6. Objects depreciated using a special rate	separately specified	separately specified

3.11. Non-current assets held for sale

Non-current assets held for sale are assets where the carrying amount will be recovered principally through a sale transaction rather than through continuing use.

Non-current assets held for sale comprise buildings and land, which are classified for sale in their present condition and their sale is considered to be highly probable.

Assets classified as non-current assets held for sale are included in Other assets at the lower of acquisition cost less accumulated depreciation and impairment losses and fair value less costs to sell.

3.12. Currency in circulation

NBS administers the issue of bank notes and coins and their withdrawal from circulation. Currency in circulation represents the Bank's liability arising from issued bank notes and coins. The liability is decreased by the bank notes and coins in the NBS's cash desk. The liability due to currency in circulation is stated at the nominal value.

3.13. Liabilities arising from debt securities

The Bank issues short-term securities falling due within one year (NBS bills). In 2006, they were issued to create a sufficient stock of securities for the performance of money withdrawing repurchase transactions. Money withdrawing repurchase transactions were related to the implementation of monetary policy in transactions on open market operations.

From the settlement date of the issue to the due date, the value of issued and sold NBS bills is gradually increased by the accrued interest (the so-called amortized cost). On the balance sheet, issued NBS bills are shown netted off by any bills repurchased to the NBS portfolio, including the accrued interest.

**3.14. Provisions**

The Bank recognizes provisions if it has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

3.15. Interest income and interest expense

Interest income and interest expense are recognized in the income statement based on the accrued amount using the straight-line method. Interest income and interest expense include amortized discounts or premiums from purchased and issued securities.

3.16. Cost of employee benefits

The NBS pays regular contributions on behalf of its employees to health insurance agencies for health insurance and to the Social Insurance Agency for sickness, retirement, accident, guarantee, and unemployment insurance, and a contribution to the Guarantee Fund. Contributions are paid in the amounts required by law in the respective year. The Bank also pays a contribution for not employing the obligatory percentage of persons with disability, as set out in the Employment Act.

In co-operation with agencies offering supplementary retirement insurance, the NBS has created an additional pension scheme for its employees.

3.17. Taxation

The NBS is liable to corporate income tax arising from the application of withholding tax in accordance with Section 12 of Act N° 595/2003 Coll. on Income Taxes as amended ('Income Taxes Act').

Since 1 July 2004, the NBS is registered as a VAT payer.

4. Gold

Gold consists of the following items:

	2006	2005
Bullion in standard form	18,760	18,289
Gold in other form	28	161
	<u>18,788</u>	<u>18,450</u>

At 31 December 2006, 'Gold' comprised a total of 1,126 thousand ounces of gold (1,126 thousand ounces of gold as at 31 December 2005), of which 324 thousand ounces were deposited in correspondent banks, 800 thousand ounces were used in repurchase transactions, and 2 thousand ounces were held by the Bank.

The value of gold provided as collateral in repurchase transactions as at 31 December 2006 (see Note 14.3) amounted to SKK 13,354 million (SKK 9,840 million

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as at 31 December 2005).

The market value of gold as at 31 December 2006 was USD 635.70 /oz. (USD 513 /oz. at 31 December 2005). Despite the strengthening of the SKK/USD exchange rate (see Note 25), the growth in the market price of gold positively affected the amount reported under 'Gold' at fair value and under 'Valuation differences from revaluation of gold'. As at 31 December 2006, the balance on the Valuation differences from revaluation of gold was SKK 16,456 million (SKK 16,260 million as at 31 December 2005).

From the beginning of the year through to 31 December 2006, the Bank sold 8,160 ounces of gold in the form of golden coins.

5. Debt securities

As at 31 December 2006 the Bank's portfolio of securities comprised the following items (at fair value):

	2006	2005
State zero-coupon bonds	66,863	111,379
State coupon bonds	76,650	132,011
Coupons	1,681	2,233
Securities of state bodies - total	145,194	245,623
Other zero-coupon bonds	21,398	27,941
Other coupon bonds	143,230	170,965
Coupons	2,542	3,247
Securities of other entities - total	167,170	202,153
Total securities	312,364	447,776

According to the issuer of securities the sector breakdown of the Bank's portfolio of securities is as follows:

	2006	2005
Public sector	195,543	268,549
Financial institutions	84,867	129,232
Financial auxiliaries	31,954	49,995
Total securities	312,364	447,776

According to the issuer of securities, as at 31 December 2006 the Bank registered securities from EMU countries in the amount of SKK 197,160 million (SKK 342,964 million as at 31 December 2005) and securities from other countries, including international institutions, in the amount of SKK 115,204 million (SKK 104,812 million as at 31 December 2005). The Bank trades with securities on foreign financial markets, mainly in New York, London, Basel, and in the Euro zone countries. These trades mostly involve transactions outside the stock exchanges.

Due to the weakening of the Slovak koruna in 2006, the Bank intervened in order to strengthen the value of the currency. The volume of debt securities denominated in EUR used in these interventions totalled SKK 118,493 million. These transactions resulted in a reduction of NBS assets as at 31 December 2006 compared to 2005.



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6. Derivatives

The fair value of derivatives is as follows:

	2006		2005	
	Assets	Liabilities	Assets	Liabilities
Currency swap				731
Put options purchased	217		52	
Call options sold		1,382		814
Interest rate futures	9			
	<u>226</u>	<u>1,382</u>	<u>52</u>	<u>1,545</u>

The currency swap maturing in February 2006 was extended and terminated on 28 March 2006. Upon the termination of the deal, losses of SKK 320 million were posted for 2006.

With the aim of eliminating the risk of a decline in the market price of gold, the NBS purchased two European put options for 400 thousand ounces of gold with the strike price of 259.00 USD/oz. and 295.30 USD/oz. and with the maturity in January and March 2007, respectively (see Note 4).

The Bank concluded two repurchase transactions in gold ('gold repos') in 2005. At the beginning of the gold repo transaction, the Bank sold gold and obtained a long-term loan in the amount of USD 89 million. At the end of the gold repo transaction in August 2015, the Bank will repurchase gold at a price agreed in advance and will thus repay the long-term loan received. As at 31 December 2006 the amortized value of this loan was SKK 80 million (see Note 14.3). To eliminate the risk of a decrease in the market price of gold, the NBS purchased two European put options for 200,000 ounces of gold within the scope of the gold repos (see Note 4), with the strike price of USD 443.50 /oz., and in order to increase its income from the gold reserves, the Bank sold two European call options for the same amount of gold with the strike price of USD 750 /oz. and USD 700 /oz. The options may be realized at the end of the gold repo transaction in August 2015. Option premiums for the purchased and sold options were not paid, but were incorporated in the rate of interest (lower than the market rate) for the long-term loan accepted by the Bank. The options are embedded derivatives and were, therefore, separated from the accepted loan and are recorded separately.

The Bank concluded two repurchase transactions in gold ('gold repos') in September 2006. At the beginning of the gold repo transaction, the Bank sold gold and obtained a long-term loan in the amount of USD 127 million. At the end of the gold repo transaction in September 2016, the Bank will repurchase gold at a price agreed in advance and will thus repay the long-term loan received. As at 31 December 2006 the amortized value of this loan was SKK 109 million (see Note 14.3). Within the scope of the gold repos, the NBS purchased two European put options for 200,000 ounces of gold (see Note 4), with the strike price of USD 635 /oz., and sold two European call options for the same amount of gold with the strike prices of USD 1,000 /oz. and USD 1,200 /oz. Option premiums for the purchased and sold options were incorporated in the rate of interest based on which interest from used gold is calculated. The options are embedded derivatives and were, therefore, separated from the accepted loan and are recorded separately.

In 2006, as part of the administration of foreign currency reserves, The Bank realized interest rate futures in foreign currency.



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7. Receivables from banks and central banks

7.1. Current accounts, deposits, and loans in foreign currency

	2006	2005
Loans granted in repurchase transactions in foreign currency	16,252	19,481
Deposits	4,910	13,392
Receivables from banks in the European System of Central Banks	384	75
Loans granted to commercial banks for the support of business in foreign currency	33	61
Securities lending		154,905
Other	293	114
	<u>21,872</u>	<u>188,028</u>

Loans provided in repurchase transactions with foreign entities total SKK 16,252 million (SKK 19,481 million as at 31 December 2005); all loans were granted in EUR. The value of securities accepted as collateral in a Tri-party Reverse Repo transaction as at 31 December 2006 was SKK 16,249 million (SKK 19,478 million as at 31 December 2005). The collateral accepted was composed of securities denominated in EUR.

At 31 December 2006, the Bank had receivables from repurchase transactions based on Securities Lending Agreements, recognized only on off-balance sheet accounts (see Note 2.2). The value of securities accepted as collateral under the Securities Lending Agreements as at 31 December 2006 totalled SKK 141,931 million (SKK 168,247 million as at 31 December 2005), of which SKK 107,126 million in EUR (SKK 126,410 million as at 31 December 2005) and SKK 34,805 million in USD (SKK 41,837 million as at 31 December 2005).

The item 'Other' covers the Bank's current accounts abroad, in countries outside the European System of Central Banks.

7.2. Receivables in SKK not related to monetary policy operations

	2006	2005
Loans granted to domestic banks for the support of business activities by JBIC (Japan Bank for International Cooperation) and EIB in SKK	378	528
Redistribution loans	2,882	3,282
Other	22	26
	<u>3,282</u>	<u>3,836</u>

The aim of loans accepted from foreign banks (JBIC and EIB) is to support small and medium-sized enterprises and specific industries of the Slovak economy.

The redistribution loan was provided to a commercial bank for a complex construction of apartment buildings. By virtue of decisions of the NBS Bank Board, the redistribution loan interest rate was adjusted in the course of 2006 to 3.25% (1.5% as at 31 December 2005).

As at 31 December 2006, the NBS recorded a state guarantee accepted for the redistribution loan provided in the amount of SKK 3,821 million (SKK 3,815 million as at



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31 December 2005). The state guarantee is provided for the amount of principal, plus interest to maturity.

8. Receivables from and liabilities to the International Monetary Fund

	2006		2005	
	XDR equivalent	SKK	XDR equivalent	SKK
Membership quota in the IMF	357	15,833	357	16,629
SDR holdings	1	37	1	41
Investments and receivables in foreign currency	358	15,870	358	16,670
Account no. 1, 2	15	668	15	668
Securities	343	15,165	343	15,961
Liabilities to non-residents in domestic currency	358	15,833	358	16,629

The membership quota of the Slovak Republic in the IMF is denominated in special drawing rights (XDR). It is converted to SKK using the representative XDR exchange rate set by the IMF. The Bank thus records a receivable of XDR 358 million which as at 31 December 2006 translated into SKK 15,870 million (SKK 16,670 million as at 31 December 2005).

The Bank records a liability of the Government of the Slovak Republic to the IMF of SKK 15,833 million (SKK 16,629 million as at 31 December 2005), representing mainly a non-transferable and non-interest-bearing promissory note payable on demand in the amount of SKK 15,165 million (15,961 million as at 31 December 2005).

The membership quota in SKK and the related liability as at 31 December 2006 are stated on the balance sheet using the gross method. As at 31 December 2005 the membership quota in SKK and the respective liability were netted off on the balance sheet; the membership quota in SKK was SKK 3,934 million and the liability to IMF was SKK 3,893 million.

9. Receivables from clients

As at 31 December 2006, Národná banka Slovenska records receivables from clients of SKK 245 million (SKK 210 million as at 31 December 2005). The major part of the receivables from clients consists of consumer and investment loans provided to employees totalling SKK 231 million (SKK 206 million as at 31 December 2005) and debit balances on current accounts of employees totalling SKK 8 million (SKK 4 million as at 31 December 2005).

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10. Ownership interests in subsidiary and affiliated accounting units and other shares and equities

10.1. Ownership interests in subsidiary accounting units

At 31 December 2006, the Bank held 1,080 certified shares of RVS, a.s. in the amount of SKK 108 million (SKK 108 million as at 31 December 2005), which represented a 51.58% share in the company's share capital (41.13% as at 31 December 2005). RVS, a.s. does business in the area of relaxation and educational activities. The company's share capital at 31 December 2006 was SKK 209 million (SKK 263 million at 31 December 2005). Based on the resolution of the general meeting from July 2005, the share capital of the company is being gradually reduced by the purchase of own shares. Since the NBS did not offer shares to RVS, a.s. for sale, its capital stake in this company increased.

Even though the Bank is the majority shareholder in RVS, a.s. Bratislava, the NBS does not prepare consolidated financial statements according to Section 22 of the Accounting Act.

10.2. Other investments

The Bank holds ownership interests in the Bank for International Settlements, Basel, Switzerland ('BIS'). As at 31 December 2006, the Bank held 2,858 shares of BIS valued at SKK 656 million (SKK 759 million as at 31 December 2005), which represented a 0.52% share in the BIS share capital. The share in BIS is disclosed on the balance sheet in the amount of the 25% paid-up share, i.e. at SKK 233 million (SKK 270 million as at 31 December 2005). The liability from the unpaid share at 75% of the nominal value of each share amounts to SKK 423 million (SKK 489 million as at 31 December 2005). The unpaid part of the share is due upon request. In July 2006, the NBS received dividends from BIS in the amount of SKK 31 million.

Based on calculations, the capital key of 0.7147% of the total ECB capital was determined for the Slovak Republic from 1 May 2004. In May 2004 the Bank paid the initial contribution in the amount of EUR 2,784 thousand, representing 7% of the total NBS contribution to ECB's subscribed capital. The remaining 93% share is due upon the adoption of the Euro as the national currency.

As at 31 December 2006, the amount of paid-up initial contribution of the Bank to ECB's subscribed capital was SKK 96 million.

11. Non-current assets

Non-current tangible and intangible assets as at 31 December 2006 were as follows:



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	Land	Other non-depreciable tangible assets	Buildings and constructions	Technological equipment and machines	Other depreciable tangible assets	Software and other intangible assets	Advances and tangible and intangible assets in progress	Total
Acquisition cost as at 31 December 2005								
Integration of ÚFT	285	56	5,930	1,919	537	183	295	9,205
Acquisition cost as at 1 January 2006	285	56	5,930	1,945	538	187	295	9,236
Additions			65	133	2	337	506	1,043
Disposals	50		177	104	183	2	709	1,225
Transfers	(3)		632	(517)	(106)	(6)		0
Acquisition cost as at 31 December 2006	232	56	6,450	1,457	251	516	92	9,054
Acc. depreciation as at 31 December 2005			811	1,391	411	132	38	2,783
Integration of ÚFT				23		3		26
Acc. depreciation as at 1 January 2006			811	1,414	411	135	38	2,809
Additions			241	192	27	67		527
Disposals			51	103	179	2		335
Transfers			383	(320)	(57)	(6)		0
Acc. depreciation and provisions as at 31 December 2006			1,384	1,183	202	194	38	3,001
Book value of tangible and intangible assets as at 1 January 2006	285	56	5,119	531	127	52	257	6,427
Book value of tangible and intangible assets as at 31 December 2006	232	56	5,066	274	49	322	54	6,053

As at 31 December 2006, the Bank recognized a provision for advances paid in the amount of SKK 38 million.

In 2006, the Bank reclassified non-current assets held for sale with the net book value of SKK 180 million from non-current assets to non-current assets held for sale recognized on the balance sheet under Other assets (as at 31 December 2005 the Bank did not recognize any non-current assets held for sale). Non-current assets held for sale were revalued to fair value, with the revaluation loss being SKK 21 million.



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In 2006, the Bank transferred certain assets from the categories 'Technological equipment and machines' and 'Other tangible assets' to the category 'Buildings' as these assets are significantly related to buildings. The depreciation period of these assets did not change.

12. Other assets

A significant portion of 'Other assets' consists of non-current assets held for sale, receivables from supplier-consumer relations, from supervision over financial market entities, cash in foreign currency, accruals and inventories. Inventories are stated at cost, i.e. inclusive of costs to sell.

As at 31 December 2006, the Bank posted provisions for debtors of SKK 47 million, provisions for receivables from fines of financial market entities of SKK 20 million and provisions for receivables from contributions of financial market entities of SKK 1 million.

13. Currency in circulation

The issue of banknotes and coins represents the valid national bank notes and coins in circulation:

	2006	2005
Issued coins	2,414	2,503
Issued bank notes	141,104	127,607
	<u>143,518</u>	<u>130,110</u>

In 2006, the Bank generated a profit from non-exchanged federal coins in the amount of SKK 189 million, which had a positive impact on the net profit from currency in circulation whose value as at 31 December 2006 represented SKK 52 million (a net loss of SKK 162 million as at 31 December 2005).

The NBS will continue to exchange the 10 and 20 haler coins for free until 31 December 2008. The validity of these coins was terminated in 2003.

14. Liabilities to banks and central banks

14.1. Current accounts in SKK

	2006	2005
Current accounts of banks for transfers and replenishments	2,544	1,990
LORO accounts of central banks	16	8
	<u>2,560</u>	<u>1,998</u>

As at 31 December 2006, the NBS had liabilities to banks and central banks in SKK worth SKK 2,560 million (SKK 1,998 million as at 31 December 2005), a major portion of which consisted of current accounts of banks used for transfers and replenishments.



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14.2. Overnight deposits, deposits and loans in SKK, and required reserves

	2006	2005
Loans received in repurchase transactions in SKK	225,898	363,788
Required reserve in the NBS	26,199	14,264
Overnight deposits from banks	8,738	14,126
Interbank settlement in SKK	768	399
	261,603	392,577

Within the money withdrawing repurchase transactions in the Slovak inter-bank market, the NBS had liabilities from repurchase transactions in the total amount of SKK 225,898 million as at 31 December 2006 (SKK 363,788 million as at 31 December 2005 – see Note 15).

14.3. Current accounts, deposits and loans in foreign currency

	Loan maturity in year	FC code	2006		2005	
			FC	SKK	FC	SKK
Current accounts of banks	x	x			x	1,081
Gold repo	2007	USD	116	3,046	115	3,691
Gold repo	2015	USD	80	2,108	85	2,507
Gold repo	2016	USD	109	2,854		
AGL II	2009	EUR	2	67	3	116
Securities Lending		EUR			3,077	116,471
Securities Lending		USD			1,273	40,697
			x	8,075	x	164,563

In September 2006, the Bank entered into two new gold repurchase transactions in the amount of USD 109 million with the maturity in September 2016 (see Note 6).

As at 31 December 2006, the Bank had liabilities from gold repurchase transactions in the amount of SKK 8,008 million (SKK 6,198 million as at 31 December 2005).

15. Liabilities from debt securities

As at 31 December 2006, the NBS issued bills of SKK 537,435 million (SKK 520,004 million as at 31 December 2005) and repurchased bills in the amount of SKK 500,000 million (SKK 500,000 million as at 31 December 2005).

As at 31 December 2006, NBS bills of SKK 264,095 million were used for money withdrawing operations (SKK 385,385 million as at 31 December 2005), of which SKK 226,660 million (SKK 365,381 million as at 31 December 2005) were in the form of money withdrawing repurchase transactions and SKK 37,435 million (SKK 20,004 million as at 31 December 2005) in the form of direct issues in the portfolios of domestic banks.

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16. Liabilities to other international financial institutions

	2006	2005
Current accounts - Euro Account European Commission	1,769	
Loro accounts - World Bank, Bank for International Settlements	693	669
Deposits - PHARE		1
	<u>2,462</u>	<u>670</u>

As at 31 December 2006, the Banks recorded liabilities to other international financial institutions in the amount of SKK 2,462 million (SKK 670 million at 31 December 2005).

17. Liabilities to clients

	2006	2005
Accounts of government	17	2,952
Public sector		206
Current accounts of employees	207	191
Term deposits of employees	497	507
Other	142	97
	<u>863</u>	<u>3,953</u>

The decrease of funds on government accounts is related mainly to the transfer of state authority accounts to the State Treasury. 'Other' consists mainly of current accounts and term deposits of other clients as well as received but not yet settled payments from clients.

18. Provisions and other liabilities

	2006	2005
Provisions	169	176
Liabilities to suppliers	70	108
Other	66	78
	<u>305</u>	<u>362</u>

At 31 December 2006, the Bank recorded provisions for liabilities to employees of SKK 150 million (SKK 157 million at 31 December 2005), provisions for outstanding lawsuits, the annual report, audit of the financial statements and uninvoiced supplies of SKK 19 million (SKK 19 million at 31 December 2005).

'Other' includes settlements with employees, with entities entitled to the salaries settlement and other liabilities.



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19. Equity

With an effective date from 1 January 2006, new legislation dissolved the Financial Market Authority (*Úrad pre finančný trh – ÚFT*) and its competences were comprehensively assumed by the NBS. The integration of ÚFT into the NBS increased the Bank's assets as at 1 January 2006 by a total of SKK 195 million.

By a resolution of the Bank Board, the ÚFT equity of SKK 16 million was transferred to the NBS statutory fund. The ÚFT reserve fund of SKK 104 million was transferred to the NBS reserve fund. The ÚFT profit for 2005 in the amount of SKK 52 million and retained profits from previous years in the amount of SKK 11 million were transferred to the NBS retained profits from previous years (see the Statement of Changes in Equity).

As at 31 December 2006, the NBS generated a loss of SKK 45,128 million (SKK 663 million as at 31 December 2005) and posted a negative equity of SKK 94,639 million (SKK 50,365 million as at 31 December 2005). Funds generated from the revaluation differences of securities, derivatives, gold and foreign currency represented SKK 16,931 million. The outstanding loss from previous years was SKK 77,237 million.

The losses of the NBS will be covered from the Bank's own resources.

20. Net interest expense

	2006	2005
Interest received on loans related to monetary policy operations, in SKK	144	32
Interest received on receivables not related to monetary policy operations, in SKK	93	165
Interest received on receivables and securities in foreign currency	14,216	12,536
Interest income and similar revenues	14,453	12,733
Interest paid on liabilities related to monetary policy operations and securities, in SKK	(13,797)	(12,344)
Interest paid on liabilities not related to monetary policy operations, in SKK	(49)	(556)
Interest paid on liabilities and securities in foreign currency	(373)	(145)
Interest expense and similar costs	(14,219)	(13,045)
Net interest (loss)	234	(312)

21. Net income from fees and commissions

	2006	2005
Income from fees and commissions	169	158
Expenses on fees and commissions	(23)	(31)
Net profit from fees and commissions	146	127

The result of Securities Lending transactions as at 31 December 2006 was fee income of SKK 107 million (SKK 106 million at 31 December 2005).

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22. Net (loss) / profit from transactions in securities denominated in foreign currency and derivatives

	2006	2005
Revenues from debt securities and revaluations	148	2,978
Losses from debt securities and revaluations	(4,132)	(4,570)
Net (loss) / profit from transactions in securities and derivatives	<u>(3,984)</u>	<u>(1,592)</u>

23. Net profit / (loss) from transactions in foreign exchange, gold, and derivatives

	2006	2005
Revenues from operations with foreign currency, gold and derivatives	11,532	35,999
Losses from operations with foreign currency, gold and derivatives	(51,364)	(33,060)
Net profit / (loss) from transactions in FX, gold, and derivatives	<u>(39,832)</u>	<u>2,939</u>

The total net loss from transactions in foreign exchange, gold and derivatives was most significantly affected by exchange rate losses in the amount of SKK 39,825 million as a result of a significant strengthening of the Slovak koruna against EUR and USD during 2006.

24. Other operating expenses

	2006	2005
Salaries and bonuses	(584)	(547)
Social costs	(168)	(165)
Other personnel costs	(155)	(55)
Staff expenses	<u>(907)</u>	<u>(767)</u>
Depreciation of tangible and intangible assets	(519)	(500)
Other operating costs	(467)	(607)
Other operating expenses	<u>(1,893)</u>	<u>(1,874)</u>

In 2006 the average number of staff employed was 1,204 (1,178 in 2005), of whom 136 held managerial positions (135 in 2005). In 2006 the average number of staff in banking supervision over the financial market, insurance market, pension savings, banks and securities brokers was 162 (80 in 2005).

The total revenues from contributions and fees of financial market entities were SKK 84 million as at 31 December 2006.



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25. Foreign exchange structure of assets and liabilities

Currency risk results from the open foreign exchange position of the NBS. The impact of exchange rate changes on NBS's performance is significant. This primarily results from the size of the open foreign exchange position and the volatility of the SKK/EUR and EUR/USD exchange rates.

Line No.	SKK	Foreign currencies converted to				
		SKK - total	EUR	USD	Other	
1. Gold		18,788		18,788		
2. Debt securities denominated in foreign currency		312,364	225,718	86,646		
3. Derivatives	216	10	10			
4. Receivables from banks and central banks	3,283	21,871	16,913	4,920	38	
5. Receivables from the International Monetary Fund	15,833	37			37	
6. Receivables from clients	245					
7. Equity shares in subsidiary and affiliated accounting units and other shares and participating interests	108	329	96		233	
8. Non-current assets	6,053					
9. Other assets	236	24	12	7	5	
Assets	1	25,974	353,423	242,749	110,361	313
1. Currency in circulation		143,518				
2. Liabilities to banks and central banks		264,163	8,075	67	8,008	
3. Liabilities from debt securities		37,435				
4. Derivatives		1,382				
5. Liabilities to the International Monetary Fund		15,833				
6. Liabilities to other international financial institutions		692	1,770	1,770		
7. Liabilities to clients		825	38	15	23	
8. Reserves and other liabilities		299	6	6		
9. Equity		(94,696)	57	1	56	
Liabilities	2	369,451	9,946	1,859	8,087	
Open foreign exchange position at 31 Dec. 2006	3=1-2	(343,477)	343,477	240,890	102,274	313
Assets	4	10,720	658,590	489,746	164,585	4,259
Liabilities	5	497,909	171,401	120,606	46,901	3,894
Open foreign exchange position at 31 Dec. 2005	6=4-5	(487,189)	487,189	369,140	117,684	365
Year-on-year difference	7=3-6		(143,712)	(128,250)	(15,410)	(52)

As at 31 December 2006, the exchange rate of SKK to EUR strengthened by 8.65% (from EUR 1 = SKK 37.848 to EUR 1 = SKK 34.573) and the exchange rate of SKK to USD strengthened by 17.85% (from USD 1 = SKK 31.948 to USD 1 = SKK 26.246).

The open foreign exchange position as at 31 December 2006 decreased by 29.50% compared to 31 December 2005, from SKK 487,189 million to SKK 343,477 million.

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26. Interest rates on assets and liabilities

The following table summarizes the interval (in percentages) of the average interest rates on assets and liabilities for 2006 and 2005, by the main currencies:

2006	EUR	USD	XDR	JPY	SKK
Assets					
Gold		0.02			
Debt securities in foreign currency	2.30 – 3.60	3.40 – 5.20			
Derivatives					
Receivables from banks and central banks	2.00 – 4.21				1.50 – 6.25
Receivables from the IMF			3.06 – 4.07		
Receivables from clients					1.00 – 5.75
Liabilities					
Liabilities to banks and central banks	1.60 – 3.71	4.25 – 4.50			0.50 – 4.75
Liabilities from debt securities					2.99 – 4.75
Derivatives					
Liabilities to the IMF					
Liabilities to government and other clients					0.50 – 7.75
2005					
Assets					
Gold		0.01 – 0.05			
Debt securities in foreign currency	2.33	2.45			
Derivatives					
Receivables from banks and central banks	1.52 – 5.21	1.57 – 4.09	0.00 – 3.03		0.07 – 5.50
Receivables from the IMF					
Receivables from clients					1.00
Liabilities					
Liabilities to banks and central banks	1.00 – 4.71				1.50 – 5.95
Liabilities from debt securities					2.42 – 3.68
Derivatives					
Liabilities to the IMF					
Liabilities to government and other clients	0.50 – 0.75	1.75 – 3.75			0.50 – 3.65

27. Maturity of assets and liabilities

The structure of NBS's assets and liabilities by the remaining time to maturity as at 31 December 2006 is as follows:



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	Due within 1 month incl.	Due within 1-3 months incl.	Due within 1 year incl.	Due within 1-5 years incl.	Due in 5+ years	Not defined	Total
1. Gold	5,828	5,005	1,250		6,677	28	18,788
2. Debt securities in foreign currency	7,637	65,129	99,718	123,735	16,145		312,364
3. Derivatives	2	7			217		226
4. Receivables from banks and central banks	21,987	88	241	240	757	1,841	25,154
4.1 Current accounts, deposits and loans in foreign currency	21,839	10	10	13			21,872
4.2 Loans related monetary policy operations in SKK							
4.3 Receivables not related to monetary policy operations in SKK	148	78	231	227	757	1,841	3,282
5. Receivables from the International Monetary Fund						15,870	15,870
6. Receivables from clients	14		2	44	185		245
7. Equity shares in subsidiary and affiliated accounting units and other shares and participating interests						437	437
8. Non-current assets						6,053	6,053
9. Other assets	31	15	7	26	34	147	260
TOTAL ASSETS	35,499	70,244	101,218	124,045	24,015	24,376	379,397
1. Currency in circulation						143,518	143,518
2. Liabilities to banks and central banks	264,163	18	18	31	8,008		272,238
2.1 Current accounts denominated in SKK	2,560						2,560
2.2 Overnight deposits, loans in SKK and required reserves	261,603						261,603
2.3 Deposits and loans in foreign currency		18	18	31	8,008		8,075
3. Liabilities from debt securities	500	36,935					37,435
3.1 denominated in SKK	500	36,935					37,435
3.2 denominated in foreign currency							0
4. Derivatives					1,382		1,382
5. Liabilities to the IMF						15,833	15,833
6. international financial institutions						2,462	2,462
7. Liabilities to clients	303	13	205	342			863
8. Reserves and other liabilities	190	47	15	51	12	(10)	305
9. Equity						(94,639)	(94,639)
TOTAL LIABILITIES	265,156	37,013	238	424	9,402	67,164	379,397

Overnight bank deposits (item 2.2. under Liabilities) amounted to SKK 8,738 million.



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The structure of NBS assets and liabilities by the remaining time to maturity as at 31 December 2005 is as follows:

	Due w i t h i n 1 m o n t h i n c l.	Due w i t h i n 1-3 m o n t h s i n c l.	Due w i t h i n 1 y e a r i n c l.	Due w i t h i n 1-5 y e a r s i n c l.	Due in 5+ y e a r s	Not d e f i n e d	Total
1. Gold		2,377	2,783	6,558	3,281	3,451	18,450
2. Debt securities in foreign currency	34,049	73,670	136,525	198,415	5,117		447,776
3. Derivatives					52		52
4. Receivables from banks and central banks	187,992	98	260	1,262	2,138	114	191,864
4.1 Current accounts, deposits and loans in foreign currency	187,853	15	12	34		114	188,028
4.2 Loans related monetary policy operations in SKK							
4.3 Receivables not related to monetary policy operations in SKK	139	83	248	1,228	2,138		3,836
5. Receivables from the International Monetary Fund						3,934	3,934
6. Receivables from clients	2	1	2	46	158	1	210
7. Equity shares in subsidiary and affiliated accounting units and other shares and participating interests						483	483
8. Non-current assets						6,422	6,422
9. Other assets	26	121	1			(29)	119
TOTAL ASSETS	222,069	76,267	139,571	206,281	10,746	14,376	669,310
1. Currency in circulation						130,110	130,110
2. Liabilities to banks and central banks	552,832	58		3,774	2,474		559,138
2.1 Current accounts denominated in SKK	1,998						1,998
2.2 Overnight deposits, loans in SKK and required reserves	392,577						392,577
2.3 Deposits and loans in foreign currency	158,257	58		3,774	2,474		164,563
3. Liabilities from debt securities	14,253	5,751					20,004
3.1 denominated in SKK	14,253	5,751					20,004
3.2 denominated in foreign currency							0
4. Derivatives		731			814		1,545
5. Liabilities to the IMF						3,893	3,893
6. Liabilities to other international financial institutions						670	670
7. Liabilities to clients	3,675	112	51	109		6	3,953
8. Reserves and other liabilities	351					11	362
9. Equity						(50,365)	(50,365)
TOTAL LIABILITIES	571,111	6,652	51	3,883	3,288	84,325	669,310

Overnight bank deposits (item 2.2. under Liabilities) amounted to SKK 14,126 million.



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28. Related party transactions

Parties related to Národná banka Slovenska are defined in the Decree of MF SR. In 2006, the Bank Board members received remuneration and other benefits in the total amount of SKK 31 million (SKK 27 million in 2005).

The Bank recognizes receivables from the Bank Board members for loans provided in the total amount of SKK 9 million as at 31 December 2006 (SKK 11 million as at 31 December 2005).

29. Post-balance-sheet events

After 31 December 2006, there were no significant events that would require adjustments in the 2006 financial statements.

Due to the accession of new members into the European Monetary Union, the Slovak Republic was assigned a new percentage share in the ECB capital at 0.6765% from 1 January 2007, which represents a reduction of the total share by 0.038%. In financial terms this means that the NBS's initial paid contribution to the ECB capital was reduced by EUR 56 thousand. This amount was credited to the NBS account in January 2007.

Ing. Ivan Šramko

Governor

Ing. Slavomír Šťastný, PhD., MBA
Bank Board member

Executive Director
Financial Management and
Information Technologies Division

Ing. Katarína Taragelová

Director
Financial Management
Department