Výročná správa 2005
Annual Report 2005

HVB Bank

VÝROČNÁ SPRÁVA 2005

ANNUAL REPORT 2005

PREHĽAD 2005/2004, KONSOLIDOVANÉ ÚDAJE

PREHĽAD 2005/2004

HVB Bank Slovakia a. s.	2005	2004
Výsledky hospodárenia (tis. SKK)		
Čistý úrokový výnos	1 215 697	1 225 279
Výnosy z poplatkov a provízií	381 578	274 914
Výnosy z obchodovania	465 213	546 214
Prevádzkové výnosy	1 984 724	1 963 776
Prevádzkové náklady	-1 022 456	-993 032
Prevádzkový zisk pred znížením hodnoty a rezervami	962 268	970 744
Zisk pred zdanením	809 457	812 845
Zisk po zdanení	717 463	612 682
Podielové ukazovatele		
Návratnosť vlastného kapitálu po zdanení (ROE)	9,0 %	8,5 %
Návratnosť aktív po zdanení (ROA)	0,9 %	1,0 %
Podiel nákladov a výnosov	51,5 %	50,6 %
Podiel výnosov z poplatkov a provízií na prevádzkových výnosoch	19,2 %	14,0 %
Súvaha (mil. SKK)		
Celkové aktíva	76 232	63 541
Objem poskytnutých úverov klientom	37 379	30 926
Vklady klientov	29 562	29 574
Vlastné imanie	7 948	7 168
Počet pracovníkov	450	439
Počet obchodných miest	27	27

OVERVIEW 2005/2004, CONSOLIDATED

OVERVIEW 2005/2004

HVB Bank Slovakia a. s.	2005	2004
Results (EUR 000)		
Net interest income	31,503	30,609
Fees and commissions income	9,888	6,868
Dealing profits	12,055	13,645
Operating income	51,431	49,057
Operating expenditure	(26,495)	(24,808)
Operating profit before impairment losses and provisions	24,936	24,249
Profit before taxation	20,976	20,305
Profit after taxation	18,592	15,305
Ratios		
Return on equity (ROE)	9.0 %	8.5 %
Return on assets (ROA)	0.9 %	1.0 %
Cost – to income ratio	51.5 %	50.6 %
Fees income / Operating income	19.2 %	14.0 %
Balance sheet (EUR mil.)		
Total assets	2,014	1,638
Loans to customers	988	797
Customers accounts	781	762
Shareholder’s equity	210	185
Number of employees	450	439
Number of locations	27	27

Board of Directors' Report

2005 was another exceptionally successful year for HVB Bank Slovakia a. s. (HVB Bank). It received a number of prominent awards during the year from both Slovak and international institutions and prestigious financial magazines. Global Custodian awarded the Bank as the "Best Agent Bank in Slovakia", and Euromoney handed over the "Award for Excellence in Real Estate Commercial Banking in Slovakia". HVB Bank was also successful in Slovakia, as demonstrated by its second place in the Rhodos image competition and its stable position in Trend's TOP 3 in the "Bank of the Year" category.

HVB Bank reaffirmed its position of a strong and stable financial institution and this is not only through the awards mentioned above. The Bank achieved growth in all relevant segments and the number of our clients increased by as much as 33 %, reaching more than 38,000. All of these aspects had a very positive impact on the Bank's business performance.

The well-performing economy provided a favourable environment for the development of banking and other activities. GDP growth reached as much as 6.1 %. Real wages and private consumption also increased. The volume of foreign direct investment rose by more than 45 % year-on-year and climbed to almost SKK 60 billion. Foreign investors and their local suppliers created several thousands of new jobs and significantly contributed to the decline in the unemployment rate. Simultaneously, the government continued to implement planned reforms and launched pension scheme reform. This was one of the most important changes, to which hundreds of thousands of people in Slovakia responded and used the opportunity to join the second pillar of the pension scheme during the year. Many of the pension fund management companies welcomed the opportunity to cooperate with the banking sector.

2005 was also an anniversary year for HVB Bank. A representative office of the Prague Creditanstalt branch office was opened in Bratislava 15 years ago, which in fact was the beginning of the Bank's operations on the Slovak banking market. The Bank has advanced substantially since then and has become one of the most important banking institutions in the country. In the course of 2005 changes were made in HVB Bank's management in the context of the regular rotation of members of the board within the banking group. New members - Helmut Horvath and Alexander Wolfgring – joined the Board on 1 July 2005. Friedrich Plail was retained as the third member of the Board. This period was also an important milestone in the Bank's history for another reason. In the summer 2005, HVB Bank moved to a new head office in the Bratislava Business Center V at 7/A Plynárenská street in Bratislava.

Major changes took place with respect to the Bank's international background. After the successful completion of the share exchange between the HVB Group (to which HVB Bank and its parent company Bank Austria Creditanstalt belong) and UniCredit, the new UniCredit Group started its operations. With total assets of EUR 782 billion at the end of 2005, the new UniCredit Group became one of the biggest European players on the market of financial and banking services. Besides UniBanka, the UniCredit Group is also represented in Slovakia by HVB Bank Slovakia a. s., which became part of the Group at the end of 2005.

The primary objective of HVB Bank is to provide its clients with first-class services based on an individual approach. Through its branch network consisting of 27 offices and external partners cooperating with the Bank, it offered a number of interesting products to its clients. Very well received were HVB mortgages, which was reflected in the Bank's business results. In 2005, the Bank endorsed the greatest number of HVB mortgages in its history – both with respect to the number of loans (1,006) and the amount of funding involved (SKK 1.3 billion). This means a year-on-year increase of 40 %. We see great potential in the field of credit cards, too, and the Bank's activities in this area were also successful. In addition to the active promotion of its own HVB Credit Card, the Bank continued to offer the co-branded "max credit card" in cooperation with Slovak Telecom.

The Bank continued its expansion strategy in the segment of small- and medium--sized enterprises and maintained its strong position in the field of corporate clients. The fact that the Bank became the lead arranger of the agreement for a long-term syndicated loan involving SKK 15 billion, which was provided to the National Motorway Company by a consortium of 8 Slovak banks to finance the construction of motorways and high-speed roads, was a great success for the Bank. This was the biggest credit transaction between Slovak banks and a Slovak enterprise in recent years. Together with UniBanka, HVB Bank was also a lead arranger of a credit agreement involving EUR 35 million provided by banks to the SHP Group.

The submitted consolidated results of operations for the group include the results of the Bank and its subsidiaries HVB Finančné služby spol. s r. o., HVB Immobilie Slovakia, spol. s r. o., and HVB Factoring s. r. o. The data reported in the consolidated balance sheet and consolidated profit and loss account were prepared in accordance with international financial reporting standards (IFRS) and reflect the group's performance in the period between 1 January and 31 December 2005.

Based on the decision of HVB Bank Slovakia a. s. - the sole partner of HVB Immobilie Slovakia, spol. s r. o. acting as its General Assembly – the procedure for the dissolution of the company was initiated on 1 November 2005. HVB Immobilie Slovakia, spol. s r. o. was established to act as an agent for the purchase, sale and lease of real estate. After HVB Bank moved to its new head office and subsequently sold some of its real estate, the existence of HVB Immobilie Slovakia, spol. s r. o. was no longer necessary.

The consolidated balance sheet total as of 31 December 2005 amounted to SKK 76,232 million, which is a 20 % increase over the preceding year. The amount of loans provided reached SKK 37,379 million at the end of 2005 and rose by almost 21 % compared with the preceding year. The amount of deposits received from clients reached SKK 29,562 million as of 31 December 2005. Consolidated profit before tax climbed to SKK 809 million at the end of 2005, which after excluding the effect of the accumulation of reserves for restructuring in the volume of SKK 57 million, means a year-on-year increase of 6.6 %. Consolidated after tax profit as of 31 December 2005 reached SKK 717 million, which represents a year-on-year increase of 17 %.

The results achieved by the Bank demonstrate that HVB Bank continued to be a stable and prospering banking institution in 2005, contributing to the success of the Bank Austria Creditanstalt group, which is part of the UniCredit Group.
Our clients have been and will continue to be the Bank's priority. HVB Bank will bear this in mind when dealing with the new challenges that the Bank will face in the future.

Helmut Horvath
Member of the Board
of Directors

Friedrich Plail
Member of the Board
of Directors

Alexander Wolfgring
Member of the Board
of Directors

Retail clients

The retail business experienced significant growth in 2005. Retail clients' demand for HVB Bank products increased in all areas. The number of branch offices remained unchanged in 2005, although a branch office in Bratislava was closed and simultaneously replaced with a new branch directly at the Bank's head office. At the end of the year, the national branch network consisted of 27 offices located throughout Slovakia.

The Bank experienced the highest growth in the area of loans. The growth was higher than that of the market as a whole. While the market grew by 40 %*, the amount of loans provided by HVB Bank increased by 70 % year-on-year. The greatest increase was seen in the area of HVB mortgages. The portfolio of mortgages grew by 40 % year-on-year reaching SKK 1.3 billion. The Bank's success can be attributed to the professional performance of our banking consultants and a successful marketing campaign. The central theme of the campaign was the possibility of postponing repayment to the next year, which, combined with favourable interest rates and structure of charges, resulted in the best ever results in this area for HVB Bank.

Besides our offer of HVB mortgages, another core product for retail clients was the HVB Credit Card. Compared with the preceding year, the number of cards issued rose by 87 % and reached the total of 9,200 at the end of the year. Also important was our co-operation with Slovak Telecom, involving the introduction of co-branded credit cards as part of a loyalty programme of this telecommunications operator. New features were added during the year, which greatly increased the appeal of the card.

In the area of deposit products, the Bank achieved a year-on-year increase of more than 24 %, which is a very favourable result considering that the market* grew by 10.4 %. Thanks to co-operation with Capital Invest (a BA-CA subsidiary), the Bank was also able to offer interesting opportunities for investment in mutual funds. Its success is demonstrated by the 46 % increase in the amount of funds under management, reaching SKK 840.5 million at the end of 2005 (excluding institutional clients).

Another fast-growing area was electronic banking. The interest of clients in Online Banking increased as they realised the advantages and convenience of using this channel of communication with the Bank. The number of clients rose by 21 % year-on-year. At the same time, the Bank launched a new call centre called the HVB Call Service, which also contributed to the improved efficiency and comfort of communication between clients and the Bank.

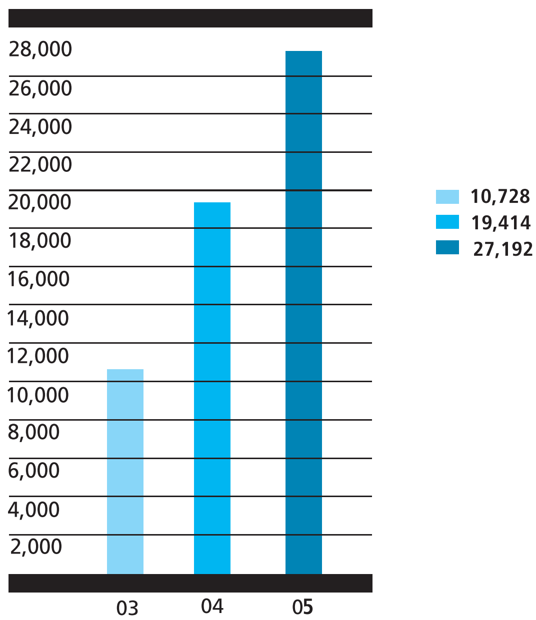
The Bank's cooperation with business partners also had a positive impact on its results. One of the most important partners was Credit Suisse Life & Pensions, which entered the Slovak market in connection with the creation of the second pillar of the pension scheme. Our cooperation with property development companies in the financing of housing construction had a positive impact in the field of mortgages. No less important were broker companies in 2005, which considerably contributed to the sale of HVB Bank products to retail clients.

* According www.nbs.sk

PAYMENT CARDS

Debit cards	VISA (Classic, Gold)
	VISA Elektron
	Maestro
	MasterCard (Standard, Gold)
Charge cards	Diners Club
Credit cards	HVB Kreditná karta
	max card

NUMBER OF PAYMENT CARDS



Corporate clients

2005 proved to be another successful year for corporate banking at HVB Bank Slovakia a.s. (HVB Bank). It confirmed that corporate banking continues to be one of the Bank's central pillars.

On a year-on-year basis, the client portfolio expanded by more than 14 % during 2005. This positive trend was recorded both in the segment of large clients and in the segment of small and medium-sized enterprises. The dynamic increase in the Bank's loan transactions recorded in recent years continued and even further intensified in 2005. This was supported by the favourable development in bank loans for corporate clients on the whole Slovak banking market. Nevertheless, the 20 % year-on-year increase in the amount of loans provided by the Bank to corporate clients, including more than 40 % increase in loans provided to small and medium-sized enterprises, was proportionately higher than the growth in the banking sector* as a whole, which means that our market share were further strengthened. It is gratifying that this growth was not achieved to the detriment of the quality of the credit portfolio.

2005 was a year marked by large-scale transactions for corporate banking. Being the lead arranger and co-ordinator of a consortium of banks, HVB Bank provided a syndicated loan amounting to SKK 15 billion to the National Motorway Company to finance further extension of the motorway network in Slovakia. This is the largest loan amount ever provided to a Slovak enterprise on the Slovak market. HVB Bank was also a lead arranger of another major transaction - the syndicated loan amounting to EUR 35 million provided to the SHP Group to finance the company's development investment programme and loan restructuring.

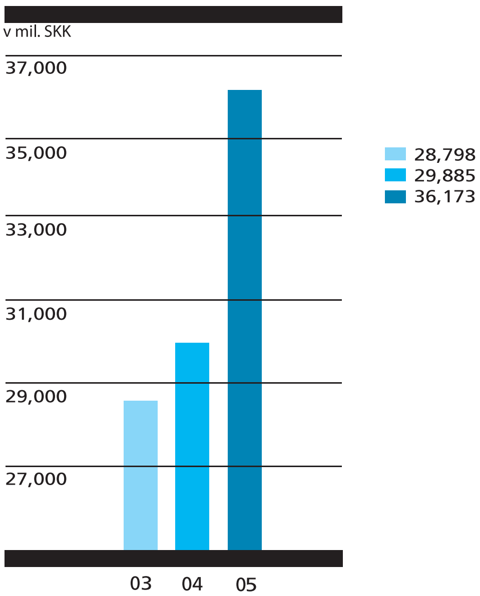
HVB Bank was one of the first banks in Slovakia to pay attention to the field of structured real estate financing and actively offer tailor-made credit products to real estate developers and investors. The Bank's leadership position in this segment and the quality of its products and services was recognised by the prestigious Euromoney magazine, which awarded the Bank for "Excellence in Real Estate Commercial".

Just like in the preceding years, 2005 brought innovations and improved products and services to corporate clients. The Bank focused on streamlining and simplifying the loan processes from the initial contact with corporate clients, through data collection, the approval process and documentation, to the use of loans. In addition, the scope of products was extended to include loans for associations of apartment owners used for the refurbishment of non-residential premises and a whole range of derivative products aimed at eliminating exchange rate risks faced by corporate clients.

HVB Bank acts on the market as a banking group and provides corporate clients with solutions in co-operation with its subsidiaries or sister companies - CAC Leasing in the field of financial and operative leasing, HVB Factoring in the field of financing, collection and management of receivables, and CA IB in the field of investment consulting.

* According www.nbs.sk

VOLUME OF LOANS PROVIDED TO CORPORATE CLIENTS

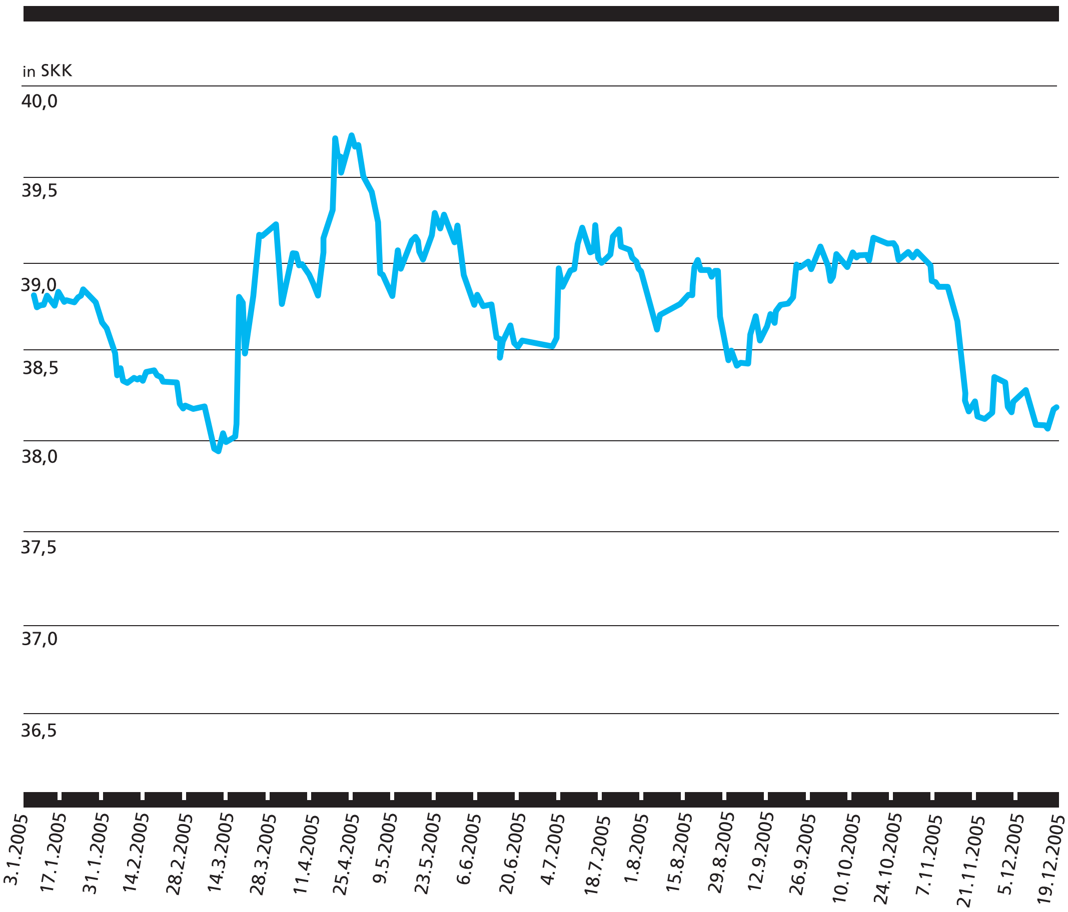


International Markets

In 2005, HVB Bank successfully intensified its activities in all areas of the foreign exchange and money markets. Due to a turn in the development of interest rates in the last quarter of 2005, the need for hedging of the bank ledger became more urgent. Clients mostly used interest rate derivatives for this purpose. Transactions on the foreign exchange market continued to concentrate on the domestic currency.

Assets and Liabilities Management continued to be the core source of revenue in the field of International Markets, complemented with revenues from transactions on the foreign exchange market. The share of revenues from client operations in the Corporate Sales department substantially increased, which was mostly caused by the increasing demand for comprehensive hedging operations. In preceding years, we were able to initiate demand for foreign exchange structures. Last year, their demand focused on interest rate structures. This favourable trend was in line with the market expectations of a rise in interest rates. Hence, we were able to complete our product portfolio to include interest rate derivatives and interest rate structures. Increased client activity in the field of standard products caused by the overall growth of the economy also had a positive impact on the revenues of the Corporate Sales department.

RATE DEVELOPMENT EUR/SKK IN 2005 (FIXING NBS)



HUMAN RESOURCES

Human resources

HVB Bank Slovakia a. s. (HVB Bank) ended 2005 with a total of 445 employees (240 women and 205 men), of which, seven women were working on a part-time contract. In addition to the above, a further 42 colleagues were on maternity or parental leave at the end of 2005.

From the point of view of human resources, the structural changes carried out during the year resulted in improved efficiency of direct management and more optimal utilisation of both formal and informal information flows. The year brought about reclassification of certain job positions and creation of new positions, which placed great demands on the area of recruiting, hiring and distribution of employees, and especially on the flexibility and overall performance of the staff. Good management of the processes of recruitment and hiring, together with the use of the so-called “integration meetings” and the use of tutoring and couching, proved to be helpful and efficient.

The Bank’s board and managers continued to place emphasis on further development and specialised training of employees, despite the fact that the qualifications base of HVB Bank’s staff (63 % with university education) is appropriate. Besides specialised training events organised by external organisations, a number of projects and activities were organised by the human resources department in 2005, comprising of multi-level seminars, workshops and internships, including foreign business units of the group.

Just like the year before, HVB Bank placed emphasis not only on professional training, but also on the improvement of managerial skills of managers and improvement of the standard of communication between all levels of management and the standard of teamwork. The system of further training and development of employees put in place in 2005, which is to be continued in 2006, focused on the effective and optimised use of resources allocated for further training, including language training. At the same time, the requirements for language skills of the staff were more intensively redirected to the area of “recruitment”, while strongly emphasising the need for, above all, an individual approach and personal contribution to language training. This was also connected with the introduction of a number of innovations in the area of further training and development, in particular with regard to planning of individual development activities of employees (autumn 2005) for 2006, as well as the preparation of further support instruments for the monitoring and evaluation of the development activities attended by employees.

Along with our traditional system of remuneration of employees, another stabilising and motivating aspect in 2005 was the Bank’s social programme creating suitable social and working conditions for the Bank’s staff. This was innovated in the second half of 2005 and extended to include features allowing for across-the-board and balanced use of resources from the social fund for individual employees of the Bratislava organisational units and the national branch network. The Bank intends to continue this trend in 2006, evidence of which is the newly-conceived programme of employee benefits drawn up at the end of 2005 and applied since 1 January 2006.

The informal events and gatherings of employees and working teams, organised throughout the year either by the marketing department or individually, were important for creating a favourable working atmosphere.

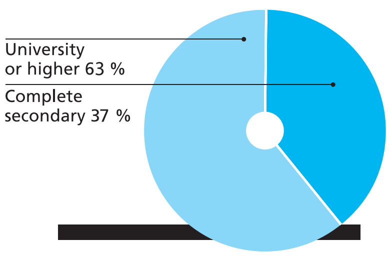
As shown by our analysis presenting the results of evaluation interviews with our employees in 2005, HVB Bank has had stable human resources capable of high performance and flexibility and capable of successfully performing duties in multifaceted jobs and reaching high productivity of work at the required standard. The quality of our human resources is one of the important aspects making HVB Bank different from its competitors and enabling it to achieve excellent results on both the Slovak and European Union banking markets.

EMPLOYEES IN ORDER OF EDUCATION

Level education	Women	Men	Total
Complete secondary	117	48	165
University	123	157	280
Total	**240**	**205**	**445**

EMPLOYEES

Education



SUBSIDIARIES
OF HVB BANK SLOVAKIA A. S.

Subsidiaries of HVB Bank Slovakia a. s.

HVB Bank Slovakia a. s., is the sole partner and 100 % owner of HVB Finančné služby spol. s r. o., and HVB Immobilie Slovakia, spol. s r. o. These subsidiaries are included in the consolidated statements of HVB Bank Slovakia a. s. These are companies providing auxiliary banking services, mostly in the field of property administration, or activities assisting one or several banks/branches of foreign banks in their main operations. The major area of activities of the above companies is the leasing of real estate to the Bank and the procurement of services related to the operation of the respective real estate. HVB Bank Slovakia a. s., also holds an 80 % share in HVB Factoring s. r. o. The key activity of this company is the provision of factoring services.

1. HVB FINANČNÉ SLUŽBY SPOL. S R. O.

The subsidiary HVB Finančné služby spol s r. o., was established in 1994 by the parent company Bank Austria a. s. (later Bank Austria Creditanstalt Slovakia, a. s., and at present HVB Bank Slovakia a. s.) under the business name of B.A.B.S., spol. s r. o. Since the parent company's supervisory board decided in 2003 to expand the mobile sales network and transfer the powers and responsibility to the subsidiary, the company's business name was changed to HVB Finančné služby spol s r. o., in view of the possible extension of the scope of its activities.

BASIC FINANCIAL INDICATORS, IN THOUSANDS OF SKK, AS OF 31. 12. 2005

Total assets	159,533
Owner's equity	35,494
Share capital	31,250
Loss	(319)

2. HVB IMMOBILIE SLOVAKIA, SPOL. S R. O.

The subsidiary HVB Immobilie Slovakia, spol. s r. o., was established in 1995 by the parent company Hypo-Treuhand, s. r. o., under the business name of Hypo-Immobilien, s. r. o. In 2002, as a result of the merger between HypoVereinsbank Slovakia, a.s. and Bank Austria Creditanstalt Slovakia, a. s., the share capital of the company was purchased by its current owner HVB Bank Slovakia a. s. HVB Immobilie Slovakia, spol. s r. o. was established to act as an agent for the purchase, sale and lease of real estate. After HVB Bank moved to its new head office and subsequently sold some of its real estates, the existence of HVB Immobilie Slovakia, spol. s r. o. was no longer necessary. Therefore on 1. November 2005 the procedure for the dissolution of the company was initiated.

BASIC FINANCIAL INDICATORS, IN THOUSANDS OF SKK, AS OF 31. 10. 2005

Total assets	24,047
Owner's equity	23,676
Share capital	57,200
Loss	(44,322)

3. HVB FACTORING S. R. O.

HVB Factoring, s. r. o. - a subsidiary of HVB Bank Slovakia, a. s. - was established by its parent company in 2003. It was entered in the Commercial Register and commenced its operations in 2004. HVB Factoring s.r.o. started active trading in January 2005. The dynamic development of its business activities in the second half of 2005 brought about a turn in the company's business results on a monthly basis and provided a good starting position for 2006. The ownership structure of HVB Factoring s. r. o. remained unchanged in 2005, with HVB Bank Slovakia a. s. holding an 80 % stake and FactorBank Aktiengesellschaft, Vienna, holding a 20 % stake in the company.

BASIC FINANCIAL INDICATORS, IN THOUSANDS OF SKK, AS OF 31. 12. 2005

Total assets	276,138
Owner's equity	1,260
Share capital	12,500
Loss	(6,883)

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2005

EUR '000	Notes	2005	2004
ASSETS			
Cash and cash equivalents	4	703,838	564,672
Financial assets at fair value through profit or loss	6	34,495	27,848
Financial assets used for hedging	7	435	-
Loans and advances to banks	8	30,652	18,080
Loans and advances to customers	9	987,609	797,145
Investments	11	236,560	209,430
Property and equipment	12	14,940	17,620
Deferred tax asset	21	856	186
Other assets		4,751	2,619
Prepayments and accrued income		13	212
		2,014,149	**1,637,812**
LIABILITIES			
Financial liabilities at fair value through profit or loss	6	6,733	7,391
Financial liabilities used for hedging	7	322	-
Deposits by banks	13	874,381	587,780
Customer accounts	14	781,079	762,302
Loans received	15	74,491	59,645
Debt securities in issue	16	53,454	26,040
Corporate income tax payable		5,184	3,575
Provisions	17	5,716	1,684
Other liabilities		2,765	1,486
Accruals and deferred income		19	3,155
		1,804,144	**1,453,058**
SHARE CAPITAL AND RESERVES			
Share capital	18	68,068	66,405
Reserves	19	141,930	118,307
Share capital and reserves attributable to shareholders		209,998	184,712
MINIORITY INTEREST		7	42
		210,005	184,754
		2,014,149	**1,637,812**
Off balance sheet items	20	**1,749,614**	**1,228,741**

The consolidated financial statements, which include the notes on pages 73 to 103, were approved by the Board of Directors on 13 June 2006 and signed on its behalf by:

HELMUT HORVATH
Member of the Board
of Directors

FRIEDRICH PLAIL
Member of the Board
of Directors

CONSOLIDATED PROFIT AND LOSS ACCOUNT YEAR ENDED 31 DECEMBER 2005

EUR '000	Notes	2005	2004
Interest receivable and similar income arising from debt securities	22	68,169	70,749
Interest payable	23	(36,666)	(40,140)
Net interest income		**31,503**	**30,609**
Fees and commissions receivable		9,888	6,868
Fees and commissions payable		(1,951)	(1,976)
Dealing profits		12,055	13,645
Other expense		(64)	(89)
Operating income		**51,431**	**49,057**
Administrative expenses	24	(21,480)	(20,835)
Depreciation	12	(5,015)	(3,973)
Operating expenditure		**(26,495)**	**(24,808)**
Operating profit before impairment losses and provisions		**24,936**	**24,249**
Impairment losses on loans and advances	10	23	(1,515)
Impairment losses on investments	11	(70)	-
Impairment losses on property and equipment	12	-	(797)
Provisions	17	(3,913)	(1,632)
Profit before taxation		**20,976**	**20,305**
Taxation	25	(2,384)	(5,000)
Profit after taxation		**18,592**	**15,305**
Attributable to			
Shareholders of the Bank		18,628	15,327
Minority interest		(36)	(22)
Profit after taxation		**18,592**	**15,305**
Basic and diluted earnings per share (expressed in EUR per share)	**26**	**72**	**60**

The notes on pages 73 to 103 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY YEAR ENDED 31 DECEMBER 2005

	ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK							
EUR '000	Share capital	Profit and loss account	Legal reserve fund	Revaluation reserve	Cash flow hedge reserve	Other capital funds	Minority interest	Total
At 1 January 2004	**62,590**	**69,767**	**7,509**	**(380)**	**-**	**448**	**-**	**154,508**
Exchange translation difference	3,815	5,630	458	(23)	-	27	-	9,907
Transfers	-	(1,541)	1,541	-	-	-	-	-
Net gain on available for-sale assets	-	-	-	4,970	-	-	-	4,970
Minority interest in net assets of subsidiary	-	-	-	-	-	-	64	64
Profit for 2004	-	15,327	-	-	-	-	(22)	15,305
At 1 January 2005	**66,405**	**103,757**	**9,508**	**4,567**	**-**	**475**	**42**	**184,754**
Exchange translation difference	1,663	2,938	263	145	2	12	1	5,024
Transfers	-	(1,263)	1,263	-	-	-	-	-
Net gain on available for-sale assets, net of tax	-	-	-	1,546	-	-	-	1,546
Net gain from cash flow hedge, net of tax	-	-	-	-	89	-	-	89
Profit for 2005	-	18,628	-	-	-	-	(36)	18,592
At 31 December 2005	**68,068**	**124,060**	**11,034**	**6,258**	**91**	**487**	**7**	**210,005**

See also notes 18 and 19 for details of movements in shareholder's equity accounts during the year.
The notes on pages 73 to 103 form part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT
YEAR ENDED 31 DECEMBER 2005

EUR '000	Notes	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before changes in operating assets and liabilities	27	29,322	27,973
Increase in financial assets at fair value through profit or loss		(11,889)	(7,755)
Increase in loans and advances to banks		(12,118)	(15,423)
(Increase)/decrease in loans and advances to customers		(170,378)	18,664
Increase in other assets		(2,067)	(2,478)
Decrease in prepayments and accrued income		204	70
Increase in financial liabilities at fair value through profit or loss		5,095	5,187
Increase in deposits by banks		271,878	183,126
(Decrease)/increase in customer accounts		(317)	133,327
Increase/(decrease) in other liabilities		1,242	(873)
(Decrease)/increase in accruals and deferred incomeí		(3,215)	1,800
Corporate income tax paid		(1,982)	(2,669)
Net cash from operating activities		**105,775**	**340,949**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments		(19,995)	(58,781)
Loans received		13,352	22,406
Issue of debt securities in issue		26,762	12,947
Proceeds from sale of property		1,402	-
Purchase of property and equipment		(2,848)	(4,186)
Net cash from/(used) in investing activities		**18,673**	**(27,614)**
Net increase in cash and cash equivalents		**124,448**	**313,335**
Cash and cash equivalents at beginning of year		**578,816**	**250,447**
Exchange translation difference		574	890
CASH AND CASH EQUIVALENTS AT END OF YEAR	**4**	**703,838**	**564,672**

The notes on pages 73 to 103 form part of these consolidated financial statements.

1. GENERAL INFORMATION

HVB Bank Slovakia a. s. is a wholly-owned subsidiary of Bank Austria Creditanstalt AG, Vienna, a bank incorporated in Austria. The ultimate parent company is Bayerische Hypo-und Vereinsbank Aktiengesellschaft, a bank incorporated in Munich (Germany).

At 31 December 2005, the Bank had the following subsidiaries (all companies are incorporated in the Slovak Republic):

Name	Activity	Holding %
HVB Finančné služby spol. s r. o.	Property development and rental	100
HVB Immobilie Slovakia, spol. s r. o.	Property development and rental	100
HVB Factoring s. r. o.	Factoring a forfeiting	80

The principal activities of the Bank and its subsidiaries ('the Group') are the provision of banking and financial services to commercial and private customers resident mainly in the Slovak Republic.
Following the approval of the integration of the UniCredito Italiano group and the Bayerische Hypo-und Vereinsbank group in 2005, it is expected that in Slovakia, HVB Bank Slovakia a. s. will integrate with UniBanka, a.s.
Based on the decisions of the Bank, HVB Immobilie Slovakia spol. s r.o. and HVB Finančné služby spol. s r.o. entered into liquidation on 1 November 2005 and 1 May 2006, respectively.
The Bank operates through a network of 27 branches. There are six branches located in Bratislava, two branches in Košice, two branches in Banská Bystrica and one branch each in Dunajská Streda, Malacky, Martin, Michalovce, Liptovský Mikuláš, Lučenec, Nitra, Nové Zámky, Piešťany, Poprad, Prešov, Prievidza, Senica, Trenčín, Trnava, Zvolen and Žilina.

2. ACCOUNTING POLICIES

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

(A) BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') promulgated by the International Accounting Standards Board ('IASB') and all applicable interpretation issued by the International Financial Reporting Interpretations Committee of the IASB ('IFRIC').
Financial assets and financial liabilities at fair value through profit or loss, derivative financial instruments and available-for-sale assets are all stated at fair value. Recognised assets and liabilities that are hedged are stated at fair value in respect of the risk that is hedged. Other financial and non-financial assets and liabilities are stated at amortised cost or historical cost.
The accounting policies have been consistently applied by all group companies and are consistent with those of the previous year.
The consolidated financial statements have been translated from the Group's measurement currency, Slovak crowns, to the presentation currency in this Annual Report, Euro, as follows:
- assets, liabilities, equity (other than the profit for the period) and off-balance sheet items have been translated using the mid rate of exchange ruling on the balance sheet date;
- profit and loss items have been translated at average rates of exchange, which approximate the actual rates of exchange on the dates of the transactions;
- any exchange translation differences arising from the retranslation of opening net assets and from the translation of the profit for the year at average and closing rates are recognised directly in equity.

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are considered to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis and revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.
The following new standards and Interpretation are not yet effective and have not been applied in preparing these financial statements:
IFRS 6 Exploration for and Evaluation of Mineral Resources (effective from 1 January 2006)
The Standard includes a requirement to distinguish between tangible and intangible assets that are used in the exploration for and evaluation of mineral resources, and specifies the level at which impairment testing

should be carried out.
The Group does not have any operations that would be affected by the new Standard.

IFRS 7 Financial Instruments: Disclosures (effective from 1 January 2007)

The Standard will require increased disclosure in respect of the Group's financial instruments. It supersedes IAS 30 Disclosures in the Financial Statements of Banks and Similar Financial Institutions and is applicable to all entities that prepare financial statements in accordance with IFRSs. This Group considers that the significant additional disclosures required will relate to its financial risk management objectives, policies and processes.

Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards and IFRS 6 Exploration for and Evaluation of Mineral Resources (effective from 1 January 2006)

The amendment clarifies that a first-time adopter of IFRSs for a period beginning before 1 January 2006 that applies IFRS 6 voluntarily need not apply the disclosure, recognition and measurement requirements of IFRS 6 to the comparative information included in its first IFRS financial statements. Alternatively, IFRS 6 may be applied in the comparative period.These amendments are not relevant to the Group's operations as the Group is not a first-time adopter of IFRSs and does not have any operations that would be affected by the amendment.

Amendment to IAS 1 Presentation of Financial Statements – Capital Disclosures (effective from 1 January 2007)

As a complementary amendment arising from IFRS 7 (see above), the Standard will require increased disclosure in respect of the Group's capital.
This amendment will require significantly more disclosures regarding the capital structure of the group.

Amendment to IAS 19 Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures (effective from 1 January 2006)

The amendment includes an option for actuarial gains and losses to be recognised in full as they arise, outside of the income statement in a statement of recognised income and expense.
The Group does not have any employee benefit plans that will be affected by the amendment.

Amendment to IAS 39 Financial Instruments: Recognition and Measurement – Cash Flow Hedge Accounting of Forecast Intragroup Transactions (effective from 1 January 2006)

The amendment allows the foreign currency risk of a highly probable forecast intragroup transaction to qualify as a hedged item if certain criteria are met.
This amendment is not relevant to the Group's operations, as the Group does not have any intragroup transactions that would qualify as a hedged item in the consolidated financial statements.

Amendment to IAS 39 Financial Instruments: Recognition and Measurement – The Fair Value Option (effective from 1 January 2006)

The amendment restricts the designation of financial instruments as "at fair value through profit or loss".
The Group believes that this amendment should not have a significant impact on the classification of financial instruments, as the Group should be able to comply with the amended criteria for the designation of financial instruments at fair value through profit or loss.

Amendment to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 4 Insurance Contracts – Financial Guarantee Contracts (effective from 1 January 2006)

The amendment requires guarantees that are not insurance contracts to be measured at fair value upon initial recognition.
The Group has not issued any guarantees that will be affected by the amendment.

Amendment to IAS 21 The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation (effective from 1 January 2006)

The amendment clarifies in which circumstances a loan may form part of a reporting entity's net investment in a foreign operation, and the currency in which such an item may be denominated.
The Group currently has no items comprising net investments in foreign operations that will be affected by the amendment.

IFRIC 4 Determining whether an Arrangement contains a Lease (effective from 1 January 2006)

The Interpretation requires certain arrangements to be accounted for as a lease even if they are not in the legal form of a lease.
The Group has not yet completed its analysis of the impact of the new Interpretation.

IFRIC 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds (effective from 1 January 2006)

The Interpretation deals with funds created for the purpose of settling decommissioning and similar expenses.
IFRIC 5 is not relevant to the Group's operations.

IFRIC 6 Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment (effective from 1 December 2005)

The Interpretation deals with obligations arising from the European Union Directive regulating the collection,

treatment, recovery and environmentally sound disposal of waste equipment.
IFRIC 6 is not relevant to the Group's operations.
IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies (effective from 1 March 2006)
The Interpretation contains guidance on how an entity would restate its financial statements pursuant to IAS 29 in the first year it identifies the existence of hyperinflation in the economy of its functional currency.
IFRIC 7 is not relevant to the Group's operations.
IFRIC 8 Scope of IFRS 2 (effective from 1 May 2006)
The Interpretation clarifies that the accounting standard IFRS 2 Share-based Payment applies to arrangements where an entity makes share-based payments for apparently nil or inadequate consideration.
IFRIC 8 is not relevant to the Group's operations.
IFRIC 9 Reassessment of Embedded Derivatives (effective from 1 June 2006)
The Interpretation clarifies that the treatment of an embedded derivative is assessed by the entity when the entity first becomes a party to the contract, and that reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract.
The Group has not yet completed its analysis of the impact of the new Interpretation.

(B) BASIS OF CONSOLIDATION

The group financial statements consolidate the financial statements of the Bank and those of its subsidiaries, HVB Finančné služby spol. s r.o. and HVB Factoring s.r.o., all made up for the year ended 31 December 2005. Financial statements of HVB Immobilie Slovakia spol. s r.o. comprise the period from 1 January 2005 till 31 October 2005 as the company has entered into liquidation.

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 subsidiaries are included in the consolidated financial statements for the date that the control commences until the date that control ceases.

(C) COMPARATIVE FIGURES

The comparative figures have been regrouped or reclassified, where necessary, on a basis consistent with those of the current period. The negative fair value of interest rate swaps previously included in financial assets held for trading have been reclassified to financial liabilities at fair value through profit or loss.

(D) SEGMENT REPORTING

A business is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

(E) FOREIGN CURRENCIES

Transactions denominated in foreign currencies are translated into Slovak crowns at the exchange rates ruling on the date of the transaction. Monetary assets and liabilities are translated at the rates of exchange ruling on the balance sheet date. All resulting gains and losses are recorded in Dealing profits in the profit and loss account.

(F) FINANCIAL INSTRUMENTS

Classification
Financial assets and financial liabilities at fair value through profit or loss are those that the Group principally holds for the purpose of short-term profit taking. These include trading securities and derivative contracts that are not designated as effective hedging instruments. All non-hedge derivatives in a net receivable position (positive fair value), are reported as assets. All trading derivatives in a net payable position (negative fair value), are reported as liabilities.
Loans and receivables are loans and receivables created by the Group other than those created with the intention of short-term profit taking. Loans and receivables comprise of loans and advances to banks and customers.
Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturity that the Group has the intent and ability to hold to maturity. These include certain debt instruments.
Available-for-sale financial assets are financial assets that are not held for trading purposes, originated by the Group or expected to be held to maturity. Available-for-sale instruments include debt instruments and equity investments.

Recognition
The Group recognises financial assets and liabilities from trade date. From this date any gains and losses arising from changes in fair value of the assets are recognised. Loans and originated loans and receivables are recognised on the day these are made by the Group.

Measurement
Financial instruments are measured initially at fair value, including transaction costs. Financial instruments classified as available-for-sale financial assets are stated at fair value (except for equity instruments which are not traded and for which it is not possible to determine a fair value) with any resultant gain or loss recognised directly in equity, except for impairment losses and in the case monetary items, such as debt securities, foreign exchange gains and losses.
The fair value of financial assets classified as at fair value through profit or loss and available-for-sale financial assets is their quoted bid price at the balance sheet date. Loans and receivables and held-to-maturity investments are subsequently measured at amortised cost using the effective yield method less impairment. The amount of the impairment loss for financial instruments carried at amortised cost is calculated as the difference between the financial instrument's carrying amount and the present value of expected future cash flows discounted at the financial instrument's original effective interest rate.
Interest earned whilst holding trading securities is reported as interest income. Dividends receivable are included in dividend income.

Fair value measurement principles
The fair value of financial instruments is based on their quoted market price at the balance sheet date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash-flow techniques. Where discounted cash-flow techniques are used, estimated future cash-flows are based on management's best estimates and the discount rate is a market related rate at the balance sheet date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at balance sheet date. The fair value of derivatives that are not exchange-traded are estimated at the amount that the Bank would receive upon normal business conditions to terminate the contract at the balance sheet date taking into account current market conditions and the current creditworthiness of the counterparties.

Derecognition
A financial asset is derecognised when the Group loses the contractual rights that comprise that asset. This occurs when the rights are realised, expire or are surrendered. A financial liability is derecognised when it is extinguished. Financial assets at fair value through profit or loss, available-for-sale assets and held-to-maturity instruments that are sold are derecognised and corresponding receivables from the buyer for the payment are recognised as of the date the Group commits to sell the assets. The Group uses the specific identification method to determine the gain or loss on derecognition.
Loans and receivables are derecognised on the day they are transferred by the Group.

(G) IMPAIRMENT

Assets carried at amortised cost
The Group assesses at each balance sheet date on an individual basis, whether there is any objective evidence that a financial asset is impaired. A financial asset is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. It may not be possible to identify a single, discrete event that caused the impairment. Rather the combined effect of several events may have caused the impairment. Losses expected as a result of future events, no matter how likely, are not recognised.
Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the holder of the asset about the following loss events:
(a) significant financial difficulty of the issuer or obligor;
(b) a breach of contract, such as a default or delinquency in interest or principal payments;
(c) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
(d) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
(e) the disappearance of an active market for that financial asset because of financial difficulties; or
(f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
(i) adverse changes in the payment status of borrowers in the group, or
(ii) national or local economic conditions that correlate with defaults on the assets in the group.
If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition)

If a loan, receivable or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognised in the profit or loss account.

As a practical expedient, the Group may measure impairment of a financial asset carried at amortised cost on the basis of an instrument's fair value using an observable market price. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

The Group assess whether objective evidence of impairment exists individually for all financial assets. If, in a subsequent period, the amount of the impairment loss decreases and the decrease is related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed either directly or by adjusting an allowance account. The amount of the reversal is recognised in profit or loss.

Available for sale financial assets
For financial assets classified as available-for-sale, when a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity shall be removed from equity and recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is removed from equity and recognised in profit or loss shall be the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale shall not be reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognised in profit or loss.

Financial assets carried at cost
If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

(H) REPURCHASE AND REVERSE REPURCHASE AGREEMENTS

Securities sold under repurchase agreements are retained within either the held-to-maturity, available-for-sale or trading portfolios and accounted for accordingly. The related repurchase obligation is included in liabilities. Securities held under reverse repurchase agreements are included as receivables in Balances at central bank or Other assets, as appropriate.

The difference between the sale and repurchase price is accrued evenly over the life of the transaction and credited or charged to the profit and loss account as interest receivable or interest payable.

(I) PROPERTY AND EQUIPMENT

Property and equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation is not provided on land. On other assets, it is provided on a straight line basis over the expected remaining useful lives as follows:

	Rates
Buildings	2%
Furniture, fittings and equipment	5% - 25%
Motor vehicles	12,5%
Software	25%

Depreciation commences when assets are first put into use.

(J) PROVISIONS

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

(K) DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are acquired for trading purposes and also to hedge interest rate and foreign exchange exposures.

Derivative financial instruments are recognised initially at fair value and subsequently are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the profit and loss account. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see accounting policy l).

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of the forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

(L) HEDGE ACCOUNTING

Hedge accounting recognises the offsetting effects on profit or loss of changes in the fair value of the hedging instrument and the hedged item.

The Group formally designates and documents all hedging relationships at the outset, including the risk management objective and strategy for entering into the hedge. The effectiveness of the hedge is then assessed on an on-going basis to determine if the hedge is actually achieving offsetting changes in fair values consistent with the originally documented objective and strategy.

Fair value hedges

Where a derivative financial instrument hedges the changes in fair value of a recognised asset or liability or an unrecognised firm commitment (or an identified portion of such an asset, liability or firm commitment), any gain or loss on the hedging instrument is recognised in the profit and loss account. The hedged item also is stated at fair value in respect of the risk being hedged, with any gain or loss being recognised in the profit and loss account.

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. When the forecasted transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or the forecast transaction for a non-financial asset or non-financial liability, the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability. If a hedge of a forecasted transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains and losses that were recognised directly in equity are reclassified into the profit and loss account in the same period or periods during which the asset acquired or liability assumed affects profit or loss. For all other cash flow hedges, the associated cumulative gain or loss is removed from equity and recognised in the profit and loss account in the same period or periods during which the hedged forecast transaction affects profit or loss. The ineffective part of any gain or loss is recognised immediately in the profit and loss account.

When a hedging instrument expires or is sold, terminated or exercised, or the Group revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised as described above when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised immediately in the profit and loss account.

(M) INTEREST, FEES AND COMMISSIONS

Interest income and expense are recognised in the profit and loss account using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability, or group of financial assets or financial liabilities, and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

Fees received for the origination of loans and loan commitments, which are to compensate for activities performed to generate an on-going involvement with those instruments, are deferred and recognised as an adjustment to the effective interest rate.
Fees received for servicing loans, and other fees and commissions received and paid, are recognised in the profit and loss account when the service is performed or obtained.

(N) INCOME TAX

Income tax on the profit for the year comprises current tax and deferred tax.

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

Deferred tax is provided using the balance sheet liability method, on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(O) OPERATING LEASE COSTS

Operating lease costs are charged to the profit and loss account as incurred.

(P) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash, balances with the National Bank of Slovakia, treasury bills and loans and advances to banks with contractual maturity of up to three months.

3. SEGMENT REPORTING

Segment reporting is presented in respect of the Group's business segments. The Group principally operates in Slovakia. Operations outside Slovakia are not significant. Measurement of segment assets and liabilities and segment revenues and results is based on the accounting policies set out in the accounting policy notes.

Transactions between segments are conducted at arm's length.

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

Business segments

1. Corporate banking – incorporating direct debit facilities, current accounts, deposits, overdrafts, loans and other credit facilities

2. International markets – incorporating deposits, foreign currency and derivative products; and

3. Retail banking – incorporating private customer current accounts, savings, deposits, credit and debit cards, customer loans and mortgages.

3. SEGMENT REPORTING

	Corporate banking		International markets		Retail banking		Unallcates		Group	
EUR '000	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Interest receivable and similar income arising from debt securities	26,090	29,229	35,350	29,645	6,505	7,049	224	4,826	68,169	70,749
Interest payable	(8,708)	(13,164)	(25,656)	(23,576)	(2,306)	(3,400)	4	-	(36,666)	(40,140)
Net interest income	**17,382**	**16,065**	**9,694**	**6,069**	**4,199**	**3,649**	**228**	**4,826**	**31,503**	**30,609**
Fees and commissions receivable	6,304	5,074	1,368	908	2,216	852	-	34	9,888	6,868
Fees and commissions payable	(1,297)	(1,554)	(94)	(161)	(456)	(261)	(104)	-	(1,951)	(1,976)
Dealing profits	5,124	4,761	5,877	8,150	884	734	170	-	12,055	13,645
Other expense	-	(89)	-	-	-	-	(64)	-	(64)	(89)
Operating income	**27,513**	**24,257**	**16,845**	**14,966**	**6,843**	**4,974**	**230**	**4,860**	**51,431**	**49,057**
Administrative expenses	(11,367)	(9,570)	(3,101)	(3,403)	(7,012)	(7,862)	-	-	(21,480)	(20,835)
Depreciation	(2,790)	(2,381)	(421)	(318)	(1,804)	(1,274)	-	-	(5,015)	(3,973)
Operating expenditure	**(14,157)**	**(11,951)**	**(3,522)**	**(3,721)**	**(8,816)**	**(9,136)**	**-**	**-**	**(26,495)**	**(24,808)**
Operating profit before impairment losses and provisions	**13,356**	**12,306**	**13,323**	**11,245**	**(1,973)**	**(4,162)**	**230**	**4,860**	**24,936**	**24,249**
Impairment losses on loans and advances	684	(1,295)	-	-	(661)	(220)	-	-	23	(1,515)
Impairment losses on investments	-	-	-	-	-	-	(70)	-	(70)	-
Impairment losses on property and equipment	-	-	-	-	-	-	-	(797)	-	(797)
Provisions	(3,145)	(1,632)	(379)	-	(389)	-	-	-	(3,913)	(1,632)
Profit before taxation	**10,895**	**9,379**	**12,944**	**11,245**	**(3,023)**	**(4,382)**	**160**	**4,063**	**20,976**	**20,305**
Taxation									(2,384)	(5,000)
Profit after taxation									**18,592**	**15,305**
Other information										
Segment assets	966,830	814,294	942,213	754,887	75,927	42,170	29,179	26,461	2,014,149	1,687,812
Total assets	**966,830**	**814,294**	**942,213**	**754,887**	**75,927**	**42,170**	**29,179**	**26,461**	**2,014,149**	**1,687,812**
Segment liabilities	575,885	614,758	1,009,380	594,063	258,648	208,298	170,236	220,693	2,014,149	1,687,812
Total liabilities	**575,885**	**614,758**	**1,009,380**	**594,063**	**258,648**	**208,298**	**170,236**	**220,693**	**2,014,149**	**1,687,812**

4. CASH AND CASH EQUIVALENTS

EUR '000	2005	2004
Cash and balances at the central bank (note 5)	563,710	467,730
Loans and advances to banks with contractual maturity up to 3 months (note 8)	140,128	96,942
	703,838	**564,672**

5. CASH AND BALANCES AT THE CENTRAL BANK

EUR '000	2005	2004
Balances with the National Bank of Slovakia:		
Compulsory minimum reserve	28,633	5,588
Receivables from repurchase agreements	420,952	447,782
Other	105,505	8,536
	555,090	461,906
Cash in hand	8,620	5,824
	563,710	**467,730**

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

6. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

EUR '000	2005	2004
Financial assets at fair value through profit or loss		
Debt securities (a)	23,530	14,044
Derivative financial instruments (b)	10,965	13,804
	34,495	**27,848**
Financial liabilities at fair value through profit or loss		
Derivative financial instruments (b)	6,733	7,391
(a) Debt securities		
Slovak government securities	17,254	7,987
Foreign corporate securities	6,276	6,057
	23,530	**14,044**

6. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

	Contract/notional amount	Fair value 2005		Contract/notional amount	Fair value 2004	
EUR '000		Assets	Liabilities		Assets	Liabilities
Interest rate derivatives						
Interest rate swaps	117,205	10,600	5,401	213,276	7,805	3,135
Interest rate options	60,000	277	277	-	-	-
Forward rate agreements	108,328	3	-	61,862	18	-
Currency derivatives						
Forward exchange contracts	603,221	62	824	287,336	3,322	1,541
Currency and cross-currency swaps	80,275	(208)	-	78,313	-	-
Options	59,151	231	231	187,877	2,659	2,715
		10,965	**6,733**		**13,804**	**7,391**

7. FINANCIAL ASSETS AND FINANCIAL LIABILITIES USED FOR HEDGING

	Contract/notional amount	Fair value 2005		Contract/notional amount	Fair value 2004	
EUR '000		Assets	Liabilities		Assets	Liabilities
Derivative financial instruments used for hedging						
Designated as cash flow hedges:						
Interest rate swaps	84.632	435	322	-	-	-
		435	**322**		-	-

8. LOANS AND ADVANCES TO BANKS

EUR '000	2005	2004
Repayable on demand	8,882	17,988
Other loans and advances		
by remaining maturity:		
- 3 months or less	144,644	97,034
- 1 year or less but over 3 months	17,254	-
	170,780	**115,022**
Less amounts with contractual		
maturity up to 3 months		
(note 4)	(140,128)	(96,942)
	30,652	**18,080**

9. LOANS AND ADVANCES TO CUSTOMERS

EUR '000	2005	2004
Repayable on demand	113,013	57,674
Other loans and advances		
to customers		
by remaining maturity:		
- 3 months or less	304,080	47,450
- 1 year or less but over 3 months	71,030	113,852
- 5 years or less but over 1 year	228,256	323,155
- over 5 years	288,666	272,141
	1,005,045	**814,272**
Impairment losses		
(note 10)	(17,436)	(17,127)
	987,609	**797,145**

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

EUR '000	2005	2004
Manufacturing companies	320,872	244,217
Trading companies	518,255	429,350
Other industries	90,187	93,953
Small businesses	3,587	5,812
Private individuals	72,144	40,940
	1,005,045	**814,272**

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

EUR '000	2005	2004
Slovak Republic	938,071	734,667
Cyprus	49,990	-
Austria	10,930	4,293
Germany	3,088	0
Czech Republic	1,540	16,347
Netherlands	284	56,402
Switzerland	0	2,484
Great Britain	-	70
Other	1,142	9
	1,005,045	**814,272**

10. IMPAIRMENT LOSSES ON LOANS AND ADVANCES

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

EUR '000	2005	2004
At 1 January	17,127	15,851
Exchange translation difference	428	49
Exchange rate movement	(96)	(288)
Charge for the year	(23)	1,515
At 31 December	**17,436**	**17,127**

11. INVESTMENTS

EUR '000		2005	2004
Debt securities held to maturity (a)		72,453	74,711
Debt securities available for sale (b)		161,984	132,578
Equity shares available for sale (c)		2,123	2,141
		236,560	**209,430**
(a) Debt securities held to maturity:			
Slovak government securities		46,240	48,440
Slovak corporate bonds		18,252	18,501
Foreign corporate securities		7,961	7,770
		72,453	**74,711**

At 31 December 2005, the market value of held-to-maturity securities was EUR 78.0 million (2004: EUR 78.5 million).

EUR '000		2005	2004
(b) Debt securities available for sale			
Slovak government securities		117,652	83,255
Slovak corporate bonds		44,332	49,323
		161,984	**132,578**
(c) Equity shares available for sale			
Name	**Activity**		
CAC LEASING Slovakia, a. s.	Leasing	2,118	2,066
RVS, a. s.	Congress and leisure	71	69
SWIFT	International funds transfer	5	5
Stern Education Foundation	Charitable foundation	1	1
		2,195	**2,141**
Impairment losses		(72)	-
		2,123	**2,141**

The Bank owns 19.9 % (2004: 19.9 %) of the issued capital of CAC Leasing Slovakia, a.s. and holdings in other companies are less than 1 %. Except for SWIFT, which is registered in Belgium, all companies are incorporated in the Slovak Republic.

During 2005 the Group fully impaired its share in RVS, a.s. and Stern Education Foundation. The movements on impairment losses in investments were as follows:

EUR '000	2005	2004
At 1 January	-	-
Charge for the year	72	-
At 31 December	**72**	**-**

12. PROPERTY AND EQUIPMENT

EUR '000	Land and buildings	Furniture fittings and equipment	Motor vehicles	Software	Assets not yet in use	Total
Cost						
At 1 January 2004	11,543	13,288	583	11,818	569	37,801
Exchange translation difference	703	811	35	719	35	2,303
Additions	-	17	-	4	4,164	4,185
Transfers	479	1,407	60	1,626	(3,572)	-
Disposals	(1)	(289)	(13)	-	-	(303)
At 31 December 2004	**12,724**	**15,234**	**665**	**14,167**	**1,196**	**43,986**
At 1 January 2005	12,724	15,234	665	14,167	1,196	43,986
Exchange translation difference	319	381	16	355	30	1,101
Additions	-	3	-	37	2,808	2,848
Transfers	836	1,472	33	1,653	(3,994)	-
Disposals	(3,164)	(1,496)	(272)	(328)	-	(5,260)
At 31 December 2005	**10,715**	**15,594**	**442**	**15,884**	**40**	**42,675**
Depreciation and impairment losses						
At 1 January 2004	2,791	8,413	175	9,093	-	20,472
Exchange translation difference	221	563	13	601		1,398
Charge for the year	799	1,590	78	1,506	-	3,973
Impairment losses	797	-	-	-	-	797
Disposals	-	(272)	(2)	-	-	(274)
At 31 December 2004	**4,608**	**10,294**	**264**	**11,200**	**-**	**26,366**
At 1 January 2005	4,608	10,294	264	11,200	-	26,366
Exchange translation difference	131	296	13	318	-	759
Charge for the year	851	1,972	347	1,846	-	5,015
Disposals	(2,153)	(1,651)	(272)	(328)	-	(4,404)
At 31 December 2005	**3,437**	**10,911**	**352**	**13,036**	**-**	**27,736**
Net book value						
At 31 December 2005	**7,278**	**4,684**	**90**	**2,848**	**40**	**14,940**
At 31 December 2004	**8,116**	**4,940**	**401**	**2,967**	**1,196**	**17,620**

During 2005 the Group disposed of the Bank's former head office building at Lazaretská 24, Bratislava.

13. DEPOSITS BY BANKS

EUR '000	2005	2004
Repayable on demand	37,031	13,128
Other deposits by banks with		
remaining maturity:		
- 3 months or less	564,718	422,812
- 1 year or less but over 3 months	150,036	35,848
- 5 years or less but over 1 year	67,153	64,440
- over 5 years	55,443	51,552
	874,381	**587,780**

14. CUSTOMER ACCOUNTS

EUR '000	2005	2004
Repayable on demand	405,209	312,184
Other deposits with agreed		
maturity dates or periods of notice,		
by remaining maturity:		
- 3 months or less	359,175	415,410
- 1 year or less but over 3 months	16,467	34,492
- 5 years or less but over 1 year	178	168
- over 5 years	50	48
	781,079	**762,302**

15. LOANS RECEIVED

EUR '000	2005	2004
European Investment Bank	50,058	55,064
Slovenská záručná		
a rozvojová banka, a.s.	4,312	4,581
Bank of New York	20,121	-
	74,491	**59,645**

EUROPEAN INVESTMENT BANK

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

The Euro loan of EUR 25 million at the balance sheet date (2004: EUR 30 million) was provided under a contract entered into on 14 December 1999. Interest repayments are quarterly for the first tranche of EUR 25 million and twice annually for the second tranche of EUR 5 million. The loan bears interest at an annual rate equivalent to the EIB six-monthly interest rate plus 0.5 %.

The Euro loan of 25 million at the balance sheet date (2004: EUR 25 million) was provided under a contract entered into on 28 March 2003. The Bank can draw up to EUR 50 million under this contract. Interest is payable quarterly. The loan bears interest at an annual rate equivalent to the EIB six-monthly interest rate plus 0.5 %.

SLOVENSKÁ ZÁRUČNÁ A ROZVOJOVÁ BANKA, a.s.

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

Under the Rozvoj programme, separate loan agreements are entered into between the Bank and SZRB for loans provided to customers. Interest is currently from 3.2 % to 3.5 % per annum and the repayment terms are in accordance with each individual contract. Should the customer default, the Bank is responsible for full repayment of the loan provided by SZRB.

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

BANK OF NEW YORK

The amount due to the Bank of New York ("BoNY") comprises a loan of 20 million drawn down on 4 October 2005. The loan bears interest of 2.46 % per annum.

16. DEBT SECURITIES IN ISSUE

EUR '000	2005	2004
Mortgage bonds	26,692	26,040
Other bonds	26,762	-
Debt securities in issue	**53,454**	**26,040**

On 2 December 2004, the Bank has issued 50 mortgage bonds with a nominal value of Sk 10,000,000. The bonds have a coupon of 4.45 % per annum and will be redeemed on 2 December 2008.

Debt securities in issue also include 5,000 mortgage bonds with a nominal value of Sk 100,000 each, together with accrued interest. The bonds, which were issued on 28 August 2003, have a coupon of 4.65 % per annum and will be redeemed on 28 August 2014.

Other bonds comprise of 100 bonds with nominal value of Sk 10,000,000 issued on 20 July 2005. These bonds bear interest of 2.85 % per annum and will be redeemed on 18 July 2007.

17. PROVISIONS

The movements on provisions were as follows:

EUR '000	Guarantee payments	Restructuring	Total
At 1 January 2005	1,684	-	1,684
Exchange translation difference	90	29	119
Increase for the year	2,442	1,471	3,913
At 31 December 2005	**4,216**	**1,500**	**5,716**

In December 2005 the Board of Directors of the Bank approved a formal restructuring plan of its branches for the year 2006. The plan was formally approved by the Supervisory Board on 30 December 2005.

18. SHARE CAPITAL

EUR '000	2005	2004
Authorised, issued and fully paid:		
500 ordinary shares of Sk 1,000,000 each	13,211	12,888
51,550 ordinary shares of Sk 10,000 each	13,620	13,287
156,075 ordinary shares of Sk 10,000 each	41,237	40,230
	68,068	**66,405**

19. RESERVES

EUR '000	Profit and loss account	Legal reserve fund	Revaluation reserve	Cash flow hedge reserve	Other capital funds	Total
At 1 January 2005	103,757	9,508	4,567	-	475	118,307
Exchange translation difference	2,938	263	145	2	12	3,360
Dividend for 2004 (a)	-	-	-	-	-	-
Transfers (b)	(1,263)	1,263	-	-	-	-
Net gain on available-for- sale assets, net of tax	-	-	1,546	-	-	1,546
Net gain on cash flow hedge, net of tax	-	-	-	89	-	89
Profit for 2005	18,628	-	-	-	-	18,628
At 31 December 2005	**124,060**	**11,034**	**6,258**	**91**	**487**	**141,930**

(a) The General Meeting of Shareholders held on 30 June 2005 resolved that no dividends be paid from the profit for the year ended 31 December 2004.
(b) The General Meeting also approved the transfer to legal reserve fund of Sk 48.7 million from 2004 profit. Under the Slovak Commercial Code, all companies are required to maintain a legal reserve fund to cover future adverse financial conditions. The Bank is obliged to contribute an amount to the fund each year which is not less than 10 % of its annual net profit (calculated in accordance with Slovak accounting regulations) until the aggregate amount reaches a minimum level equal to 20 % of the issued share capital. The legal reserve fund is not readily distributable to shareholders.

The Directors will propose the following allocation of the statutory profit of the Bank for the year ended 31 December 2005:

	EUR '000
Transfer to legal reserve fund	1.951
Dividends	-
Retained earnings	17,558
	19,509

20. OFF BALANCE SHEET ITEMS

EUR '000	2005	2004
Contingent liabilities:		
Guarantees	102,816	88,786
Irrevocable letters of credit	319	2,594
Commitments:		
Confirmed credit lines	524,291	299,549
Other:		
Forward exchange contracts	603,221	287,336
Currency and cross currency swaps	80,275	78,313
Forward rate agreements	108,328	61,862
Interest rate swaps	117,205	213,276
Interest rate swaps used for hedging	84,632	-
Foreign currency options	59,151	187,877
Interest rate options	60,000	-
Tax relief contingency (note 25)	9,376	9,148
	1,749,614	**1,228,741**

21. DEFERRED TAX

Deferred tax assets and liabilities are attributable to the following:

EUR '000	Assets/ (liabilities) 2005	Assets/ (liabilities) 2004
Available for sale portfolio	(385)	-
Held to maturity portfolio	(118)	-
Property and equipment	53	161
Other assets	71	25
Restructuring provision	285	-
Provisions for guarantees	800	-
Origination fees	171	-
Cash flow hedge	(21)	-
Deferred tax asset	**856**	**186**

The deferred tax assets and liabilities have been calculated using a corporate income tax rate of 19 % (2004: 19 %).

The movements on deferred tax were as follows:

EUR '000	2005	2004
Deferred tax:		
Through profit and loss account (note 25)	1,051	(186)
Through equity	(406)	-
Exchange translation difference	25	-
	670	**(186)**

22. INTEREST RECEIVABLE AND SIMILAR INCOME ARISING FROM DEBT SECURITIES

EUR '000	2005	2004
Interest receivable and similar income arising from:		
Loans and advances to banks	18,175	18,517
Loans and advances to customers	37,674	39,574
Debt securities	12,320	12,658
	68,169	**70,749**

23. INTEREST PAYABLE

EUR '000	2005	2004
Deposits by banks	24,143	22,846
Customer accounts	10,176	15,984
Debt securities in issue	2,347	1,310
	36,666	**40,140**

24. ADMINISTRATIVE EXPENSES

EUR '000	2005	2004
Employee costs:		
Wages and salaries	7,759	6,627
Social insurance	1,771	1,453
	9,530	**8,080**
Operating lease rentals	3,537	3,122
Other operating expenses	8,413	9,633
	21,480	**20,835**

The average number of employees during the year was 441 (2004: 434).

25. TAXATION

EUR '000	2005	2004
Corporate income tax		
Current year	4,718	4,900
Over provision in respect		
of prior year	(1,283)	(86)
Deferred tax (note 21)	(1,051)	186
	2,384	**5,000**

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

EUR '000	2005	2004
Consolidated profit before taxation	20,976	20,305
Revaluation of securities, net	(2,162)	2,204
Release of legal provision	1,472	1,419
Other non-deductible expenses	6,029	4,349
Other non-taxable income	(1,483)	(2,487)
Tax base	24,832	25,790
Tax at 19%	4,718	4,900

The Bank obtained a 20 % exemption from corporate income tax in 2003, 2002 and 2001 (2000 and 1999: 50.76 %) under the terms of regulation 145/1993, which provides for tax relief for tax subjects establishing businesses after 31 December 1992 and before 31 December 1994. In the years 1996 to 1998, the Bank, then called Creditanstalt, a.s., obtained full exemption from corporate income tax.

Under the terms of the regulation, the Bank must invest in assets which will further the development of its operations and comply with certain other conditions. The amount of the investment must be equal to the amount of the tax relief plus 80 % (1999 and 2000, 50 % 1998 and before, 80 %) of the retained profit for the year, after transfer to statutory funds. This investment must be made within three years of the commencement of the period or the exemption will be withdrawn and the tax, together with interest and penalties, will become payable.

No exemption was granted for the years ended 31 December 2005 and 2004.

The total amount of tax relief obtained by the Bank under these provisions as of 31 December 2005 was as follows:

Tax relieved for the year ended 31 December:	EUR '000
1996	828
1997	2,373
1998	1,997
1999	1,357
2000	651
2001	94
2002	427
2003	894
2004	-
2005	-
	8,621

26. EARNINGS PER SHARE

BASIC

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

EUR '000	2005	2004
Profit attributable to equity		
holders of the Bank	18,628	15,327
Weighted average number		
of ordinary shares in issue	257,625	257,625
Basic and diluted earning per share		
(expressed in EUR per share)	72	60

DILUTED

There are no dilutive factors.

27. PROFIT BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES

EUR '000	2005	2004
Profit before taxation	20,976	20,305
Adjustments for non-cash items:		
Depreciation	5,015	3,973
Provisions	3,913	1,632
Impairment losses on loans and advances	(23)	1,515
Impairment losses on investments	70	-
Impairment losses on property and equipment	-	797
Unrealised foreign exchange profit	(93)	(288)
(Profit)/loss on disposal of property and equipment	(536)	39
	29,322	**27,973**
Net cash used in operating activities includes the following cash flows:		
Interest received	69,641	69,840
Interest paid	(35,466)	(39,922)
	34,175	**29,918**

28. LEASE COMMITMENTS

EUR '000	2005	2004
Non-cancellable commitments under operating leases	1,839	2,140

29. ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Bank had the following foreign exchange positions at 31 December 2005:

EUR '000	Euro	US dollar	Other	Slovak crown	Total
Assets					
Cash and cash equivalents	84,993	1,352	4,529	612,964	703,838
Financial assets at fair value through profit or loss	-	-	-	34,495	34,495
Financial assets used for hedging	-	-	-	435	435
Loans and advances to banks	-	-	-	30,652	30,652
Loans and advances to customers	520,730	19,951	23,189	423,739	987,609
Investments	53,507	-	-	183,053	236,560
Deferred tax asset	-	-	-	856	856
Other assets	-	-	-	4,751	4,751
Prepayments and accrued income	-	-	-	13	13
	659,230	**21,303**	**27,718**	**1,290,958**	**1,999,209**
Liabilities					
Financial liabilities at fair value through profit or loss	-	-	-	6,733	6,733
Financial assets used for hedging	-	-	-	322	322
Deposits by banks	461,281	-	5,231	407,869	874,381
Customer accounts	159,690	29,871	6,831	584,687	781,079
Loans received	70,179	-	-	4,312	74,491
Debt securities in issue	-	-	-	53,454	53,454
Corporate income taxpayable	-	-	-	5,184	5,184
Other liabilities	-	-	-	2,765	2,765
Accruals and deferred income	-	-	-	19	19
	691,150	**29,871**	**12,062**	**1,065,345**	**1,798,428**

After taking off-balance sheet foreign exchange contracts into account, there were no significant open foreign currency positions at year end.

The Bank had the following foreign exchange positions at 31 December 2004:

EUR '000	Euro	US dollar	Other	Slovak crown	Total
Assets					
Cash and cash equivalents	19,466	1,493	12,721	530,992	564,672
Financial assets at fair value through profit or loss	-	848	-	27,000	27,848
Loans and advances to banks	-	-	-	18,080	18,080
Loans and advances to customers	424,364	28,047	46,543	298,191	797,145
Investments	56,450	-	-	152,980	209,430
Deferred tax asset	-	-	-	186	186
Other asset	-	-	-	2,619	2,619
Prepayments and accrued income	-	-	-	212	212
	500,280	**30,388**	**59,264**	**1,030,260**	**1,620,192**
Labilities					
Financial labilities at fair value through profit or loss	-	-	-	7,391	7,391
Deposits by banks	252,071	3,416	9,629	322,664	587,780
Customer account	150,112	26,627	4,718	580,845	762,302
Loans received	55,064	-	-	4,581	59,645
Debt securities in issue	-	-	-	26,040	26,040
Corporate income taxpayable	-	-	-	3,575	3,575
Other labilities	-	-	-	1,486	1,486
Accruals and deferred income	-	-	-	3,155	3,155
	457,247	**30,043**	**14,347**	**949,737**	**1,451,374**

30. RELATED PARTY TRANSACTIONS

The Group did not enter into any transactions during the year with directors or senior management, their close relatives or companies in which they have a substantial interest.
In the normal course of business, the Bank and its subsidiaries are engaged in transactions with other members of the HVB Group. These transactions, which include the taking and placing of deposits, foreign currency operations and the provision of management and technology services, are conducted on an arm's length basis.

(a) Shareholders
Amounts due from and to the sole shareholder, Bank Austria Creditanstalt, were as follows:

EUR '000	2005	2004
Loans and advances to banks	4,112	16,501
Deposits by banks	683,068	486,779
Transactions during the year were as follows:		
Interest received and receivable	406	379
Interest paid and payable	11,742	10,834

(b) Enterprises related to the shareholder of the Group
Amounts due from and to companies related to the shareholder were as follows:

EUR '000	2005	2004
Loans and advances to banks	9,758	1,120
Loans and advances to customers	173,148	107,659
Deposits by banks	99,078	8,336
Customer accounts	2,793	2,149
Transactions during the year were as follows:		
Interest received and receivable	4,589	4,938
Interest paid and payable	1,631	1,061
Information technology and communication expenses	1,347	1,106
Software acquired	1,018	1,452

31. CUSTODIAL SERVICES

The Bank administers securities and other valuables totalling EUR 1,150.5 million (2004: EUR 808.5 million), which have been received from customers into the Bank's custody.

32. MATURITY ANALYSIS

The remaining period to maturity of monetary assets and liabilities at 31 December 2005 was as follows:

EUR '000	Within 1 year	1 – 5 years	More than 5 years	Not specified	Total
Monetary assets					
Cash and cash equivalents	703,838	-	-	-	703,838
Financial assets at fair value through profit or loss	34,495	-	-	-	34,495
Financial assets used for hedging	435	-	-	-	435
Loans and advances to banks	30,652	-	-	-	30,652
Loans and advances to customers	470,687	228,256	288,666	-	987,609
Investments	13,518	66,230	154,689	2,123	236,560
Deferred tax asset	856	-	-	-	856
Other assets	4,751	-	-	-	4,751
Prepayments and accrued income	13	-	-	-	13
	1,259,245	**294,486**	**443,355**	**2,123**	**1,999,209**
Monetary liabilities					
Financial liabilities at fair value through profit or loss	6,733	-	-	-	6,733
Financial liabilities used for hedging	322	-	-	-	322
Deposits by banks	751,785	67,153	55,443	-	874,381
Customer accounts	780,851	178	50	-	781,079
Loans received	74,491	-	-	-	74,491
Debt securities in issue	-	40,033	13,421	-	53,454
Corporate income tax – payable	5,184	-	-	-	5,184
Other liabilities	2,765	-	-	-	2,765
Accruals and deferred income	19	-	-	-	19
	1,622,150	**107,364**	**68,914**	**-**	**1,798,428**

The remaining period to maturity of monetary assets and liabilities at 31 December 2004 was as follows:

EUR '000	Within 1 year	1 – 5 years	More than 5 years	Not specified	Total
Monetary assets					
Cash and cash equivalents	564,672	-	-	-	564,672
Financial assets at fair value through profit or loss	27,848	-	-	-	27,848
Loans and advances to banks	18,080	-	-	-	18,080
Loans and advances to customers	201,848	323,156	272,141	-	797,145
Investments	10,142	51,206	145,941	2,141	209,430
Deferred tax asset	-	186	-	-	186
Other assets	2,619	-	-	-	2,619
Prepayments and accrued income	212	-	-	-	212
	825,421	**374,548**	**418,082**	**2,141**	**1,620,192**
Monetary liabilities					
Financial liabilities at fair value through profit or loss	7,391	-	-	-	7,391
Deposits by banks	471,788	64,440	51,552	-	587,780
Customer accounts	762,087	167	48	-	762,302
Loans received	59,645	-	-	-	59,645
Debt securities in issue	-	12,947	13,093	-	26,040
Corporate income tax – payable	3,575	-	-	-	3,575
Other liabilities	1,684	-	-	-	1,684
Accruals and deferred income	3,155	-	-	-	3,155
	1,309,325	**77,554**	**64,693**	**-**	**1,451,572**

33. FINANCIAL INSTRUMENTS

The Bank uses a wide range of financial instruments. A financial instrument is a contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. Examples include loans, deposits, debt securities and equity shares.

Derivatives are also financial instruments which are so called because their value is derived from the value of an underlying instrument, index or reference rate. The principal categories of derivatives are forwards, including futures, options and swaps.

The main derivative financial instruments used by the Bank during the year were forward foreign exchange contracts and currency swaps, which were entered into to manage foreign exchange risk, and forward rate agreements and interest rate swaps, which were entered into to manage interest rate risk.

RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

The use of financial instruments generally involves the assumption or transfer of risk. The main types of risks are credit risk, market risk (including interest rate risk and foreign exchange risk) and liquidity risk.

The Bank assigns the highest priority to risk management and has established clear and comprehensive risk policies, procedures and control systems, which are reviewed regularly by the Board of Directors.

CREDIT RISK

Credit risk is the risk that a borrower or counterparty will fail to honour their contractual obligations.

Credit risk is strictly controlled through a structure involving the credit risk department, the credit committee, the Board of Directors and the executive committee of the Bank's parent company.

The Bank's procedures for managing credit risk include the establishment of concentration limits by borrower, counterparty, industrial sector and product. Credit appraisal procedures are performed before individual borrower and counterparty limits are approved and collateral is obtained to reduce credit risk. The Bank also continually monitors performance of the portfolio to ensure that prompt action can be taken to minimise potential losses.

INTEREST RATE RISK

Interest rate risk is the potential impact on the value of financial assets and liabilities arising from changes in market interest rates.

Interest rate risk is monitored by the Bank's treasury department on a daily basis using various tools, including value-at-risk, basis point value and gap reporting. Most of the financial instruments used are short term in nature and have floating interest rates.

The average effective interest rates at 31 December 2005 and the periods in which interest-bearing assets and liabilities denominated in Slovak crowns reprice were as follows:

EUR '000	Effective interest rate %	3 months or less	1 year or less but over 3 months	1 – 5 years	Over 5 years	Total
Interest-bearing assets						
Cash and cash equivalents	2.76	572,698	-	-	-	572,698
Financial assets at fair value through profit or loss	3.25	23,530	-	-	-	23,530
Loans and advances to banks	3.10	13,211	17,174	-	-	30,385
Loans and advances to customers	4.53	161,226	95,562	100,418	19,464	376,670
Investments	4.71	-	7,962	50,038	122,864	180,864
	3.64	**770,665**	**120,698**	**150,456**	**142,328**	**1,184,147**
Interest-bearing liabilities						
Deposits by banks	3.46	248,000	-	66,054	52,843	366,897
Customer accounts	1.26	553,385	9,224	111	48	562,768
Loans received	3.48	4,311	-	-	-	4,311
Debt securities in issue	3.70	-	-	39,645	13,211	52,856
	2.22	**805,696**	**9,224**	**105,810**	**66,102**	**986,832**
Off balance sheet items	2.87	26,421	-	44,917	31,706	103,044
Interest rate repricing gap		(61,452)	111,474	(271)	44,520	94,271
Cumulative interest rate repricing gap		(61,452)	50,022	49,751	94,271	94,271

The average effective interest rates at 31 December 2005 and the periods in which interest-bearing assets and liabilities denominated in Euro reprice were as follows:

EUR '000	Effective interest rate %	3 months or less	1 year or less but over 3 months	1 – 5 years	Over 5 years	Total
Interest-bearing assets						
Cash and cash equivalents	2.51	81,000	-	-	-	81,000
Loans and advances to customers	3.58	233,053	141,565	105,406	2,270	482,294
Investments	6.37	-	5,306	10,886	37,315	53,507
	3.68	**314,053**	**146,871**	**116,292**	**39,585**	**616,801**
Interest-bearing liabilities						
Deposits by banks	2.39	310,109	150,000	-	-	460,109
Customer accounts	1.04	154,921	1,015	-	-	155,936
Loans received	2.44	70,000	-	-	-	70,000
	2.09	**535,030**	**151,015**	**-**	**-**	**686,045**
Off balance sheet items	3.13	7,072	27,318	55,000	-	89,390
Interest rate repricing gap		(228,049)	(31,462)	61,292	39,585	(158,634)
Cumulative interest rate repricing gap		(228,049)	(259,511)	(198,219)	(158,634)	(158,634)

The average effective interest rates at 31 December 2004 and the periods in which interest-bearing assets and liabilities denominated in Slovak crowns reprice were as follows:

EUR '000	Effective interest rate %	3 months or less	1 year or less but over 3 months	1 – 5 years	Over 5 years	Total
Interest-bearing assets						
Cash and cash equivalents	3.74	512,832		-	-	512,832
Financial assets at fair value through profit or loss	4.62	14,043	-	-	-	14,043
Loans and advances to banks	7.50	18,080	-	-	-	18,080
Loans and advances to customers	5.62	185,606	76,812	24,804	2,902	290,124
Investments	4.81	1,484	2,609	42,649	98,919	145,661
	4.54	**732,045**	**79,421**	**67,453**	**101,821**	**980,740**
Interest-bearing liabilities						
Deposits by banks	4.39	162,444	30,931	64,440	51,552	309,367
Customer accounts	1.96	528,878	30,722	165	46	559,811
Loans received	3.80	4,580	-	-	-	4,580
Debt securities in issue	4.54	-	-	12,888	12,888	25,776
	2.88	**695,902**	**61,653**	**77,493**	**64,486**	**899,534**
Off balance sheet items	5.00	64,440	64,440	7,733	38,664	175,277
Interest rate repricing gap		(28,297)	(46,672)	(17,773)	(1,329)	(94,071)
Cumulative interest rate repricing gap		(28,297)	(74,969)	(92,742)	(94,071)	(94,071)

The average effective interest rates at 31 December 2004 and the periods in which interest-bearing assets and liabilities denominated in Euro reprice were as follows:

EUR '000	Effective interest rate %	3 months or less	1 year or less but over 3 months	1 – 5 years	Over 5 years	Total
Interest-bearing assets						
Cash and cash equivalents	2.07	16,500	-	-	-	16,500
Loans and advances to customers	3.52	288,689	41,115	82,123	213	412,140
Investments	6.21	-	-	8,557	47,021	55,578
	3.77	**305,189**	**41,115**	**90,680**	**47,234**	**484,218**
Interest-bearing liabilities						
Deposits by banks	2.18	248,427	-	-	-	248,427
Customer accounts	0.90	143,212	1,369	-	-	144,581
Loans received	2.44	50,000	5,000	-	-	55,000
	1.79	**441,639**	**6,369**	**-**	**-**	**448,008**
Off balance sheet items	3.10	-	-	35,000	3,000	38,000
Interest rate repricing gap		(136,450)	34,746	55,680	44,234	(1,790)
Cumulative interest rate repricing gap		(136,450)	(101,704)	(46,024)	(1,790)	(1,790)

FOREIGN EXCHANGE RISK

Foreign exchange risk arises from the impact on the value of financial assets and liabilities from changes in foreign exchange rates.

The policy of the Bank is to maintain minimal net exposures to foreign exchange risk. Limits are set for individual foreign currencies and the Bank also uses forward foreign currency contracts to hedge balance sheet positions.

Assets and liabilities denominated in foreign currencies are set out in note 29.

LIQUIDITY RISK

Liquidity risk is the risk that there will be insufficient funds to meet normal operating requirements.

Liquidity risk is managed as part of the Bank's asset and liability management process. Procedures include the regular monitoring of the timing of future cash flows on a currency-by-currency basis.

The remaining maturity of assets and liabilities at the balance sheet date is set out in note 32.

34. 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 liabilities at year end were as follows:

EUR '000	Carrying value 2005	Fair value 2005	Carrying value 2004	Fair value 2004
Financial assets				
Cash and cash equivalents	703,838	703,838	564,672	564,672
Financial assets at fair value through profit or loss	34,495	34,495	27,848	27,848
Financial assets used for hedging	435	435	-	-
Loans and advances to banks	30,652	30,652	18,080	18,080
Loans and advances to customers	987,609	1,031,020	797,145	848,524
Investments	236,560	242,140	209,430	213,242
Financial liabilities				
Financial liabilities at fair value through profit or loss	6,733	6,733	7,391	7,391
Financial liabilities used for hedging	322	322	-	-
Deposits by banks	874,381	885,655	587,780	593,583
Customer accounts	781,079	780,703	762,302	761,864
Loans received	74,491	78,429	59,645	60,950
Debt securities in issue	53,454	55,195	26,040	27,743

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

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS AND FINANCIAL ASSETS USED FOR HEDGING

The fair values of financial assets at fair value through profit or loss are calculated using quoted market prices or theoretical prices determined by present value method. Present value is calculated discounting by spot reference interbank interest rate for relevant maturity period.

LOANS AND ADVANCES TO BANKS

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

LOANS AND ADVANCES TO CUSTOMERS

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

INVESTMENTS

The quoted market prices for investment securities are set out in note 11.

FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS AND FINANCIAL LIABILITIES USED FOR HEDGING

The fair values of financial liabilities at fair value through profit or loss are calculated using quoted market prices or theoretical prices determined by present value method. Present value is calculated discounting by spot reference interbank interest rate for relevant maturity period.

DEPOSITS BY BANKS

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

CUSTOMER ACCOUNTS

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

LOANS RECEIVED

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

DEBT SECURITIES IN ISSUE

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

35. RECONCILIATION TO SLOVAK STATUTORY FINANCIAL STATEMENTS

The profit after taxation, shareholder's equity and total assets prepared under Slovak accounting regulations and reported in the statutory consolidated financial statements can be reconciled to these financial statements prepared under IFRS as follows:

EUR '000	Profit after taxation 2005	Share-holder's equity 2005	Total assets 2005
Reported under Slovak accounting regulations	20,487	207,135	2,015,217
Revaluation of financial assets at fair value through profit or loss	(202)	205	-
Revaluation of investments	(253)	844	586
Difference in estimate of income tax provision	(1,361)	1,388	-
Deferred tax adjustment	-	1,151	(855)
Recognition of loan fees under effective interest method	(152)	(745)	(900)
Other	73	27	101
Reported under IFRS	18,592	210,005	2,014,149

EUR ‘000	Profit after taxation 2004	Share-holder’s equity 2004	Total assets 2004
Reported under Slovak accounting regulations	14,659	183,348	1,637,528
Revaluation of financial assets at fair value through profit or loss	-	201	201
Available-for-sale portfolio revaluation recorded in equity	(4,817)	-	-
Reversal of impairment losses on loans and advances to customers	6,009	-	-
Revaluation of investments	(368)	823	823
Difference in estimate of income tax provision	86	-	-
Deferred tax adjustment	450	1,122	-
Recognition of loan fees under effective interest method	(704)	(726)	(726)
Exchange translation difference	(1)	-	-
Other	(9)	(14)	(14)
Reported under IFRS	15,305	184,754	1,637,812

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Independent auditors' report to the shareholder of

HVB Bank Slovakia a.s.

We have audited the accompanying consolidated balance sheet of HVB Bank Slovakia a.s. and its subsidiaries ("the Group") as at 31 December 2005, the related consolidated profit and loss account, consolidated statement of changes in shareholder's equity and consolidated cash flow statement for the yea then ended. These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

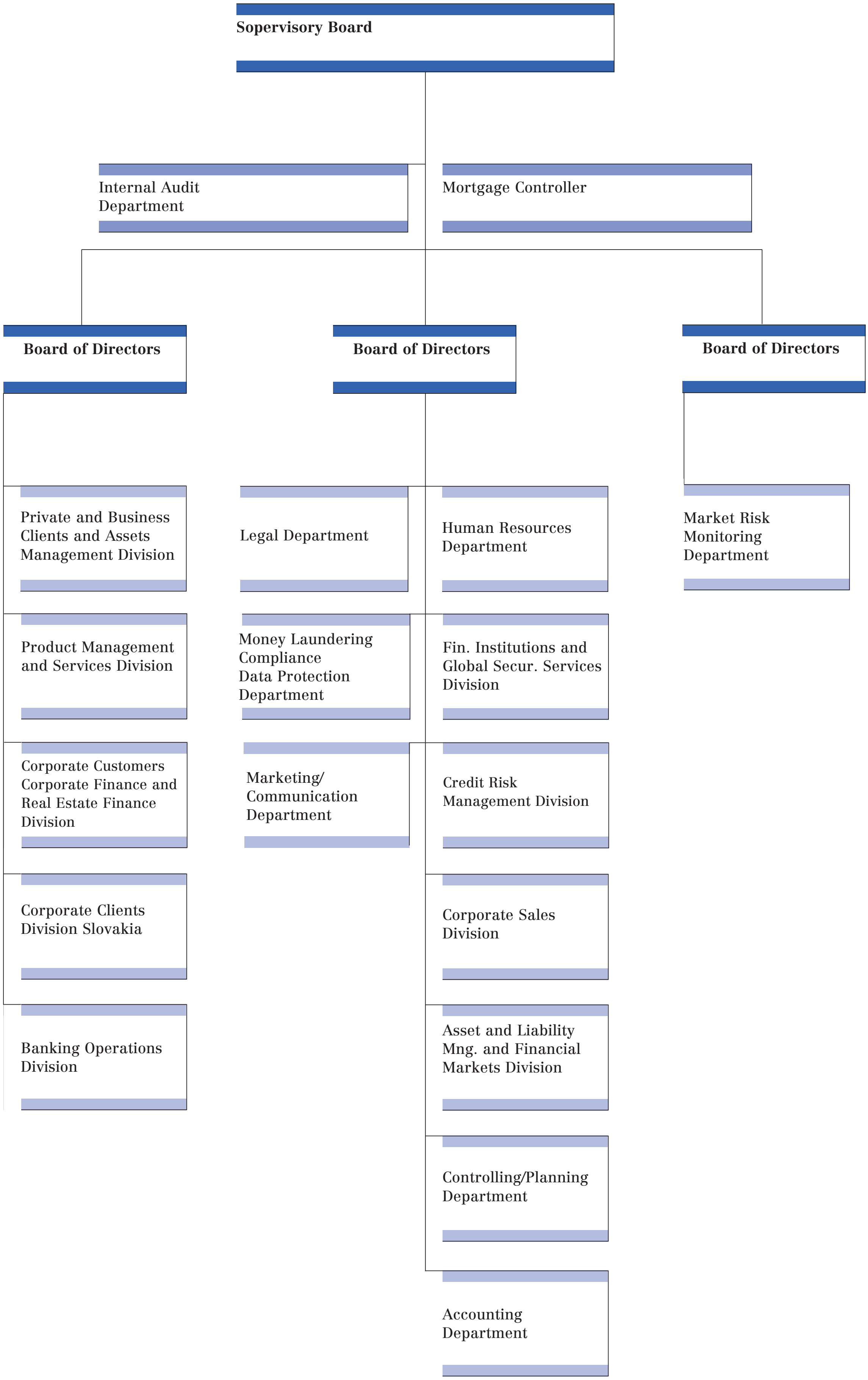
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group at 31 December 2005, and the results of its operations, the changes in its consolidated shareholder's equity and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG Slovensko spol. s r.o.

Bratislava
13 June 2006

Independent Auditor's Report

ORGANISATION CHART



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