



ANNUAL REPORT 2005





Február - February - Februar

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Ing. Jiří Kunert  
Chairman of the  
Supervisory Board

## 01 Opinion of the Supervisory Board

During 2005 UniBanka, a. s., in compliance with its strategy, was engaged not only in the extension of the range of its products and services, but also in the stabilization of its customers by providing higher quality and higher reliability services. Besides the wide range of new products and services for individuals and medium size entrepreneurs, in 2005 the share of private banking services intended for solvent customer significantly increased. From the Group point of view the process of merger between UniCredito Italiano S.p.A. and Bayerische Hypo-und Vereinsbank AG can be considered the most important event of the last year. UniBanka, a. s., has become a part of a truly European bank, with 140 thousand employees in 19 countries, with more than 28 million of customers and with a network of more than 7 thousand branches. During 2005 the process of merger of both Groups was legally completed. The whole integration process heads towards the gradual combination of the national banks belonging to the former separate Groups and this process will effect also the situation in Slovakia.

The amount of the registered equity of UniBanka, a. s., did not increase on year to year basis. As at December 31, 2005 it represented SKK 2,377,062,040 with 12,848,984 shares with the nominal value of SKK 185 per share.

During the year 2005 the Supervisory Board actively participated in the control of the business strategy implementation, of the management of business activities and of the adherence to all legislative standards and

regulations. The Supervisory Board activities were performed in compliance with the law valid in the Slovak Republic as well as with the internal regulations and Articles of Association of the bank. It was regularly informed about the financial results of the bank at its meetings as well as about the credit portfolio risk development. The Supervisory Board fulfilled its obligations in close cooperation with the Internal Control and Internal Audit Division.

On the basis of its activities, the Supervisory Board confirms that the accounting books and other documents of UniBanka, a. s. were kept in compliance with the law, internal regulations and Articles of Association of the bank. According to the opinion of the Supervisory Board the financial statements of 2005 give clear evidence about the financial situation and results of the bank, as confirmed by the opinion of KPMG, the external auditor.

The Supervisory Board certifies that according to the annual accounts of 2005 the bank achieved the net profit of SKK 381,730,424.09 according to the Slovak Accounting Standards (SKK 365,225 thousand according to the International Accounting Standards).

The Supervisory Board agrees with the proposal of the Board of Directors for the 2005 net profit distribution in the amount of SKK 381,730,424.09 and recommends its approval.

A man in a white dress shirt and a dark blue tie with small red polka dots is standing next to a whiteboard. He is holding a red pen in his right hand, positioned as if about to write on the board. The whiteboard is mostly blank, with some faint, illegible markings. The background shows a window with blinds and some greenery outside, suggesting an office environment. The lighting is bright and even.

## Unity

We are working together on the achievement of our common goal – your more comfortable and more pleasant life. We pull together, because jointly we can do more.

## 02 Supervisory Board, Board of Directors and management

- **Composition of the Board of Directors from 1 January 2005 to 31 December 2005:**

**Chairman:** Jozef Barta

**Deputy Chairman:** Gianni Franco Papa (until 31. 7. 2005 Andrea Casini)

**Members:** Doc. Ing. Anna Pilková, CSc.

- **Composition of the Supervisory Board from 1 January 2005 to 31 December 2005:**

KUNERT Jiří

FERRARO Carmine

MOI Massimiliano

DEVOTO Alberto (from 12. 5. 2005)

IANNACCONE Marco (from 25. 8. 2005)

VOVK Giuseppe

PETERSCHMITT Jean Marc (from 25. 8. 2005)

SLIMÁKOVÁ Ingrid

NECHOJDOMA Miloslav

ŠŤASTNÁ Zuzana

ŤUREK Slavomír (from 20. 7. 2005)

VASKÁ Viera

Vojtech Mráz (till 15. 6. 2005)

Franjo Lukovic (till 24. 2. 2005)

Maria Luisa Cicognani (till 19. 7. 2005)

Marcello Arlotto (till 15. 6. 2005)



Jozef Barta



Gianni Franco Papa



Doc. Ing. Anna Pilková, CSc.

- The management of UniBanka, a. s., worked under the following structure as of 31. 12. 2005:

**General Director** – Jozef Barta

**Mortgage administrator** – Ing. Soňa Vágnerová

**Internal Control and Audit Division** – Stefano Cotini

**Bank Secretariat** – PhDr. Rudolf Hanuljak

**Communications Division** – Mgr. Katarína Ševčíková

**Information Systems and Technology Division** – Ing. Ľuboš Kováčik

**Treasury Division** – Ing. Martin Macko

**Legal Division** – Mgr. Vladimír Nagy

**Workout Branch** – JUDr. Marián Áč, PhD. (from 1. 1. 2005 until 30. 6. 2005 Sergej Skačkov)

**Organisation Division** – Mgr. Daša Gogaľová

**1st Deputy General Director** – Gianni Franco Papa (until 31. 7. 2005 Andrea Casini)

**Retail Banking Division** – Andrea Pražáková

**Corporate Banking Division** – Ing. Miroslav Štokendl

**Private Banking Division** – Jaroslav Vířazka, MBA

**Structured Finance Division** – PhDr. Ivica Bachledová, MBA

**Mortgage Banking Department** – Ing. Gabriela Hrdlicová

**Human Resource Management Division** – Ing. Vladimíra Josefičová, MBA

**Banking Operations and Services Division** – Ing. Eduard Rehuš

**Deputy General Director** – Doc. Ing. Anna Pilková, CSc.

**Credit Division** – Dr. Giorgio Catena

**Risk Management Department** – open position

**Monitoring Department** – Ing. Danica Hlavatá

**Accounting Division** – Ing. Viera Durajová

**Planning and Controlling Division** – Ing. Jaroslav Šinák

**Logistics Division** – Ing. Anna Habánová

**Team for Macroeconomics and Market Analyses** – Ing. Viliam Pätoprstý, MSC





### 03 Foreword of the Chairman of the Board of Directors and General Director

Dear shareholders,

In 2005 our bank continued the implementation of strategy of growth and increase of market share in all segments, namely by consistent application of the risk control system. This strategy resulted in favorable economical results of the bank, by which we continued the positive trend of previous years.

The total profit of the bank achieved in 2005 the amount of SKK 381 million. The balance sheet amount has increased by more than 9 % to SKK 53.56 billion. We have achieved significant growth of customer transactions, especially in credit area, where the net value of loan portfolio reached SKK 26.39 billion, what represents increase by almost 40%!

Despite this dramatic growth of volume of loans we continued in the loan portfolio quality improvement. The share of classified loans in total loan portfolio decreased to 5.56%, that is a significant decrease in comparison with the end of 2004, when this indicator was on the level of 11 %.

The total revenues increased on year-to-year basis by 8.7 % and achieved SKK 2.040 billion. We achieved this growth in tough competitive environment not only due to the intensive business activities of our network, but also due to the ongoing concentration on the new and innovative products launched on the Slovak market.

A new product for our traditional agricultural segment – the loan on pre-financing the direct land subsidies, is one of the examples.

In the area of retail banking we launched Uni-Profit, a unique product, which combines the advantage of 100 % guarantee of investment and at the same time the 100 % participation of customers in the achieved yield measured by Dow Jones Eurostoxx 50 index.

For the private banking customers we extended the service by asset management – an active management of portfolio according to the rate of risk selected by customers. We provide this service in cooperation with our affiliated company Pioneer Investments.

We kept applying also the modern banking trends. The number of electronic banking customers increased by 32 %. The number of issued debit cards increased by 14 % and the number of issued credit cards and charge cards by 81 %.

All these successes would be unthinkable without the huge engagement of our employees, who are our most valuable asset. This was also the reason why we tried to increase their qualification and skills, namely by number of trainings representing more than 45,000 educational hours in total.

I am also very glad that after 15 years of the Bank's activities on the market we have succeeded to move "under one roof" – into a new representative building in Šancová St in Bratislava, which enables us to work more effectively. Each of my colleagues can certainly confirm that it produced better work atmosphere thanks to which our joint performance can be better.

Dear shareholders,

The abovementioned results allow me to say that the year 2005 was very successful for the bank. Thank you for your trust and we are certain, that we will not betray your trust also in the year 2006.

Jozef Barta  
Chairman of the Board of Directors and CEO



**Uniqueness**

Professional approach, high quality services and exceptional reliability. In a word – uniqueness, that you are accustomed to expect.

## 04 Report on Business Operations of Company and Assets in 2005

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## 4.1 Economic and Competitive Environment in the SR

The Slovak Republic did also in the year 2005 retain a strong economic growth, whereby the country ranked among the fastest growing ones within the EU. The year 2005 brought also a slight retardation of the reform process and represented rather a year of application of changes approved in the previous periods. Starting from January 1st of 2005, the second pillar of the pension savings has been fully launched. The interest in it has exceeded expectations resulting in accumulation of SKK 9 bill. of assets within a period of one year.

Due to the strong economic growth the deficit of the national budget has markedly fell behind the planned level (only 55 % of the plan achieved). The UniBanka analysts shall expect that in the ESA95 method, the deficit of public finance should draw close to the limit of 3 % of the GDP, i. e. the level of Maastricht Criterion. The intense consolidation of the Slovak Crown in the beginning of the year resulted in February into further decreasing of the key interest rates (by 100 b. b.). The consolidation of the Slovak Crown has, however, been stopped by the regional sentiment, which was the prevailing element influencing the Slovak Crown almost all year long. Even though the surprising entering into the ERMII system at the close of November (the central parity was determined as 38.455 €/SKK) might have set the Crown free from the regional influences, the first months since the entering do not show this yet.

The consumer prices continued in the decrease of dynamics of the interim growth, pulled especially by the prices of foodstuff but also the low imported inflation as a result of consolidation of the domestic currency – thus in the summer the inflation decreased to its historic minimum (2 %). Even though in the second half of the year the inflation increased again as a result of the adjustment of regulated prices to wind up the year on the level of 3,7 %, it had further transmitted rather a neutral signal to the currency policy. On the contrary, the record-breaking increase of real wages exceeding the in-

crease of labor productivity contributed to expectations of a more restrictive regulation of the currency policy. This was also manifested on the monetary market, when the inverse interest line turned to a progressive one.

The development in the banking sector in 2005 was characterized by the stopping of decrease of margins, especially due to their increase in the citizens' segment. As to the loans, the trend of increasing indebtedness of population continued as well as the ongoing demand especially for foreign currency loans on the part of enterprises. As to the deposits, the several years lasting interim decrease of citizens' deposit was stopped in spite of still relatively high increase of net assets of the shares funds (by 75 %). The interim increase was recorded also with the deposits of enterprises (by 15 %), but on the other hand the government deposits decreased markedly (as much as by 45 %).

Even despite of the relatively high increase of indebtedness, the quality of the loan portfolio was improved further in 2005 – the percentage of classified loans decreased from 6.8 % to 5.4 %. The total assets of the banking sector increased by 20.9 % to SKK 1,406 bill. The profit increased as well by 10.1 % to SKK 14.2 bill. at a slight decrease of net interest income and ongoing increase of net fees and provisions income.

In 2006 the UniBanka analysts shall expect an ongoing high increase of the economics, which should positively affect also the increase of the banking sector. The more restrictive setting of the interest component of the currency policy shall not lead to a more considerable turn in the increase of the indebtedness, in particular with the enterprises, pulled especially by the increase of loans in foreign currency. On the contrary, the increase of interest rates supported by the decrease of the amount of levies into the Deposit Protection Fund should contribute to the retardation of the transfer of the citizens' funds from the classic bank deposits into the shares funds.

## 4.2 Selected Financial Indicators of the bank in 2005

The selected financial indicators for 2005 present favorably the results of the bank business activities, quality of risk management systems, corporate culture and yd. know-how of the UniCredit bank group.

In 2005 the bank continued in its growth and resumed the positive trend of the previous years. The total book value achieved the amount of SKK 53,564 mil. as at 12/31/2005, which is the increase by + 9.18 %. The main factors of the increase of the book extent of the bank were the customer transactions on the deposit as well as on the loan parts.

The net profit after taxation achieved the amount of SKK 381 mil.

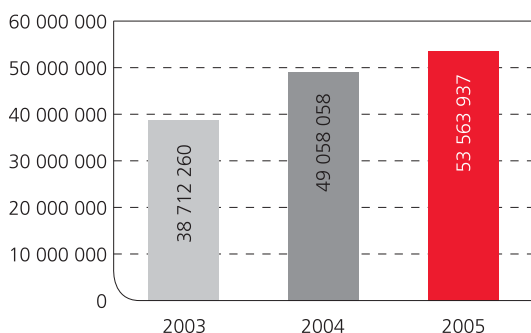
In terms of volume and profitability the focus in active transactions was further the loan activities and loan programs. The net value of the loan portfolio of the bank achieved the level of SKK 26,389 mil. as at 12/31/2005, which is the increase by SKK 7,522 mil. as against the year 2004. The loan assets as percentage of the total assets increased thereby to 49.27 % (in 2004 38.46 %). In terms of segmentation, the largest volume of loans was provided to corporate customers (87.11 %). The percentage of financing of citizens increased to 11.77 % and the volume of loans to private customers achieved 1.12 %.

terms of the currency structure, the loans provided in SKK presented 67 % and loans provided in foreign currency presented 33 % of the total volume of loans.

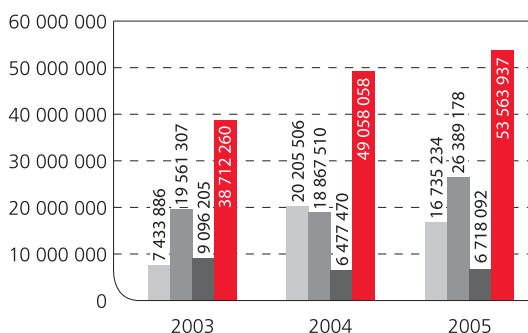
The portfolio of securities did not considerably change in its volume as against 2004. As at 12/31/2005 the bank registered in its books the securities of the value of SKK 6,718 mil., which is the interim turn as against 2004 by SKK +241 mil. In terms of categorization, the debt securities held to maturity presented 59 % and securities available for sale 41 % of the portfolio.

The deposits of bank customers achieved the amount of SKK 41,011 mil. as at 12/31/2005, i. e. the interim increase by SKK 1,734 mil. The percentage of deposits of corporate customers presented 58.4 %, of retail customers 33.4 % and of private customers 8.2 % of the total volume of deposits. The customer deposits still form the key part (77 %) of the bank obligations.

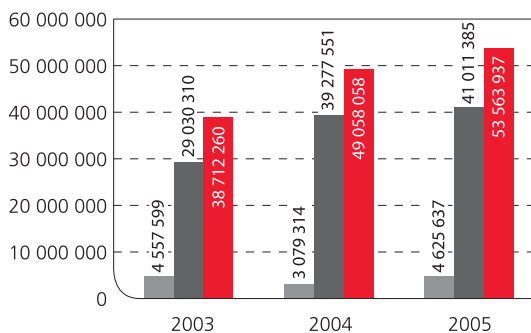
Since 2003 the bank has stabilized the volume of registered capital. Its value in the amount of SKK 2,377,062 is composed of 12,848,984 pcs of stock in a nominal value of SKK 185. The registered capital increased in 2005 by the amount of undistributed profit of the previous year and the current profit for 2005, and achieved the volume of SKK 3,577,224 ths. as at 12/31/2005.



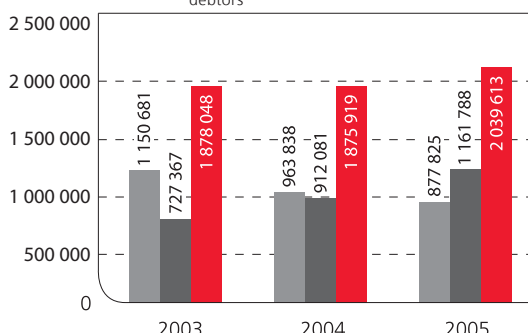
Graf 1:  
Book value



Graf 2:  
Assets  
(in SKK thousand)



Graf 3:  
Liabilities  
(in SKK thousand)

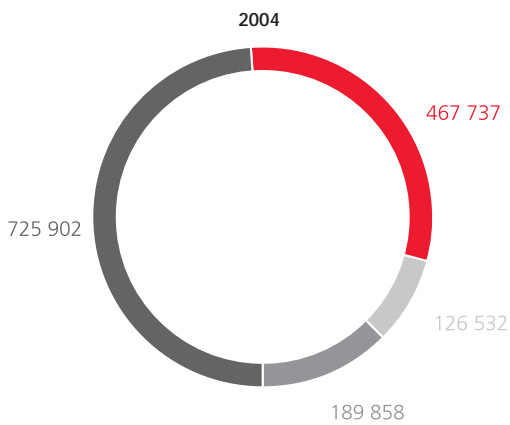


Graf 4:  
Net income  
(in SKK thousand)

The development of business activities in 2005 and the active approach to the management of interest and fee policy in the challenging competitive environment was manifested in the repeated increase of financial activities income. The bank income increased by 8.7 % as against 2004 and achieved the amount of SKK 2,040 mil. However, the accelerated economic growth of Slovakia in the previous year has further increased the pressure on interest rates and margins of banks. Due to the

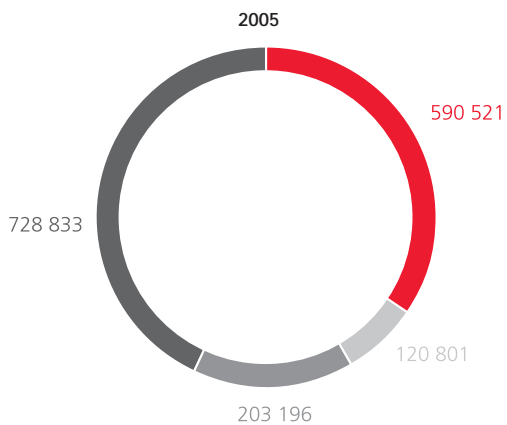
continuing diversification of activities it was succeeded to achieve that the net interest income for 2005 in the volume of SKK 878 mil. was successfully complemented by further broadening of the offer of products, increase of volumes of transactions and the complexity of the offer of services also with other sources of bank income. The percentage of non-interest income achieved in 2005 the level of 57 % of total income.

A consistent management of expenses enabled the bank to achieve the planned intentions in the operational and investment areas.



**Graf 5:**  
Costs  
(in SKK thousand)

■ Personnel costs  
■ Creation of reserves costs  
■ Depreciations  
■ Other costs



**Graf 6:**  
Costs  
(in SKK thousand)

■ Personnel costs  
■ Creation of reserves costs  
■ Depreciations  
■ Other costs

### 4.3 Risk Management in the Bank

The sign of the year 2005 was the changing and improvement of the system of risk management in the bank with the stress on the Basel II requirements, particularly in the field of credit as well as market and operation risks.

In compliance with the UCI requirements, the bank participated in the corporate project Basel II Self-assessment in the credit area and on the basis of its results modified the implementation plan of this project. In compliance with this, several projects aimed at concordance of particular fields of the credit process with the requirements of new regulations were realized. The most important of these were the following: constitution of the Credit Administration and Monitoring Division, whereby the separation of the credit risk positions from the commercial activities was provided; improvement of the system of collateral management; implementation of the Workout Evaluation Tool – the tool for the work-out support and measurement of parameters of failed credit receivables; implementation of the FEBO tool for provision of SME credits etc. In the course of the year the broadened cooperation with the European Bank for Reconstruction and Development (EBRD) under a joint programme with the European Union in the field of small and medium entrepreneurs continued. By the end of the year, the bank signed another credit line for financing of small and medium entrepreneurs in the towns and villages up to 25 thousand citizens and at the

same time obtained technical support, which shall be provided to UniBanka by Shorebank Advisory Services and financed by the European Commission.

Within the market risk, the main activity of the bank was concentrated on the project of automation of the creation of the business and bank books as well as implementation of other tools of market risk control with the emphasis on the customer area.

A remarkable shift occurred in the field of the bank operational risk management, in which, inter alia, a new system of identification was established, monitoring and classification of loss events, for mapping of the gross operational income and for the analysis of risks connected with the outsourcing. In compliance with the requirements of Basel II, the bank started a process of complex management of business continuity in the selected business processes.

In the course of 2005, UniBanka complied with all rules of prudential business determined by the provisions of the National Bank of Slovakia (NBS). The key indicator of capital adequacy achieved by the end of the year the value of 12.33 %. In the assessed period, the quality of the credit portfolio measured by the indicator of a percentage of classified claims to the credits total improved considerably and achieved the level of 5.56 % as against 11 % by the end of 2004.

## 4.4 Corporate Banking including Activities of the Structured Finance Division

The positive development of the Slovak economy was advantageously manifested also in the corporate banking market. Companies due to the decreasing interest rates as well as the growth of economy increased the demand for loans, which achieved more than SKK 50 bill. This favorable market effect was manifested also in the accrual of corporate loans in UniBanka, which increased interim by SKK 6.3 bill., while the growth rate was much higher than the growth rate of the market. The interim market percentage of UniBanka increased thereby to almost 7 %.

Due to the different structure of corporate customers of UniBanka in comparison with the market, the bank managed to keep a higher interest margin between the credits and deposits as against the situation in the market. In spite of that, it has come to a repeated interim decrease of this margin, particularly in connection with unexpected decrease of the basic interest rates by 1 % in February 2005.

In the course of 2005 it has come to two important changes in the organizational structure of the corporate banking of UniBanka. The first was connected with compliance with the terms of the NBS, particularly the separation of the credit administration – preparation of the credit contractual documentation and credit accounts administration – from the commercial units of the bank. The second was connected with the reaction of the bank to the commercial opportunities via the establishment of a department specialized in the financing of real estates in the bank Head Office. In the field of financing of real estates, the bank deals especially with smaller and medium projects, while for the sake of diversification of risk in this area the portfolio of projects shall be divided into five categories – residential complexes, sales networks, hotels, administrative premises and production premises – from which neither has a dominant representation in the bank portfolio. Considering the regional structure of projects, more than 90 % of projects are concentrated in Bratislava, and the rest in Trnava and Košice.

In the field of development of new products in 2005, the bank for the sake of maintenance of its position in the field of financing of agriculture generated a new product – a pre-financing of direct endowments for land, which the agrarians obtain within the Common Agricultural Policy of the EU. In the field of Cash management products, the development of the automated product

processing Cash pooling was finished. Another innovation in this area is the fully automated processing of the Overnight product, which becomes a common part of the offer of banks to corporate customers as well.

In terms of activities of the Structured Finance Division, the year of 2005 may be evaluated as very successful with the attribute of growing. UniBanka continued in the started trend and filled the strategic aims and intentions as set a year ago. The bank recorded repeatedly the interim increase in the field of foreign payment system, when the number of payments increased by 15.7 % and the volume of transactions even by 43 % against 2004. Similarly the volume of transactions generated from the tools of corporate financing increased. These facts reflected in the interim increase of yields by 14 %. Behind this significant result, not only the cooperation of sellers at bank outlets and regional product specialists executed with high quality but also the system steps in execution of acquisition campaigns or the synergic effects among the federative banks of the UniCredit Group can be seen.

The cooperation with our partner, Pioneer Investments Company, within the provision of a scale of structured products of shares funds to our customers was further developing. The net volume of investments of customers into funds increased by the end of the year to over SKK 2 bill. The bank has successfully issued also the third issue of mortgage bonds in the volume of SKK half billion. In the previous year also the activity of the depository for DSS Aegon has been well developed.

Probably the most evident increase was recorded by the bank in the field of syndicated loans, in which the bank participated as the partaker or co-arranger. The syndicated loans presented in 2005 the highest share on credit transactions of project financing from the viewpoint of their volume. Also as a result of that, the income of project financing increased in 2005 significantly nearly by 40 % as against 2004.

In the course of 2005 UniBanka opened three new nostro accounts in the currencies TRY, RON and BGN, which may serve especially to small customers in the time of summer holidays. Thus UniBanka as the only Slovak bank covers through its accounting-correspondence relationships also the territories as Romania, Bulgaria, Turkey or Croatia.



## 4.5 Retail Banking

The retail banking in 2005 recorded a positive development in all monitored indicators. The volume of deposits increased interim by 12.6 %, in the field of credit provision the volume of loans provided increased interim by more than 60 %. The most distinct interim increase was recorded in the segment of small and medium entrepreneurs.

In compliance with the strategy in the field of retail banking, it has come to the reorganization of the business network of the bank, while the main goal of these changes was the build up of more modern and comfortable premises. In addition to the universal bank outlets in Bratislava, two specialized workplaces were opened – the BiznisDom and HypoDom.

These specialized bank outlets shall offer the consulting and the service in the most dynamically developing areas. The BiznisDom provides for complex care for the segment of small and medium entrepreneurs, the bank opened for them a credit line with the European Bank for Reconstruction and Development. The credit line achieved the volume of € 5 mil., while the funds from it may be used for crediting of small and medium entrepreneurs from the country areas up to 25 ths. citizens.

In the HypoDom, the customer may find a complete consulting including the financing of real estate, non-financial services such as legal consulting and at the same time in cooperation with the developers financed by the

bank, the mediation of housing for the customers in the new residential complexes. An important distributional channel in the field of provision of financial services for citizens is the cooperation with external companies. Via this distributional channel UniBanka provided almost 20 % of mortgage loans drawn in 2005.

In the field of product portfolio UniBanka was oriented to the modification and simplification of products for customers. The most evident changes were in the field of financing of real estate for citizens. The innovation was the introduction of a new type of consumer credit for citizens UniÚver with the option of drawing up to the amount of SKK 2,500,000. Via mortgage loans the bank enabled to refinance almost 100 % of the value of pledged real estate.

Great changes occurred in the field of credit bank cards, in which in cooperation with the First Data Slovakia, a.s. Company UniBanka executed the outsourcing project of administration of credit bank cards and started successfully the campaigns for the support of their issuance. An interesting additional service became the travel insurance of the Union, a.s. Company, offered to customers in four packages in individual and family forms.

In the field of investment products UniBanka continued the issuance of successful guaranteed structured products, which were a success already in the past.

## 4.6 Private Banking

In 2005 it has come to independence of the private banking from the retail segment. The meaning of a specialized line for the service to very wealthy customers is confirmed by the increase of the number of customers, increase of the deposits and credits volume. The amount of net income has markedly exceeded the plan as determined for 2005.

For the classification into the segment of private customers a definite amount of assets is necessary, which the customer has to have deposited in the bank. UniBanka has extended these criteria and enables the access to the PB services also on the basis of so called family private banking – also close relatives of a private customer have the option to make use of these specific service.

For UniBanka, a. s., the regional approach is typical: we have 12 workplaces of private banking at our disposal. An important task was to bring exclusive products and services, which meet the specific requirements of this

segment. In June of 2005, the bank established the package of Private Banking Gold Style services with an individual monthly fee and individual interest rate. A novelty was also an investment loan, secured by real estate, where the customer is monthly repaying the interest, and by the agreed term shall repay the determined percentage of the principal amount.

The range of products and services has been enriched by UniBanka in August with the asset management. A customer has the option to choose according to their own rate of risk the type of the portfolio, while the invested funds are actively managed by the portfolio manager from the sister company, Pioneer Investments.

For the sake of simplification, the bank has prepared another new service in the autumn – UniTel Private Banking. Via this service customers may enter orders on transactions through the secured recorded telephone line.

## 4.7 Treasury

The operation of UniBanka, a. s., on the financial market in 2005 may be characterized as a successful one. The bank continued in development of structured and securing derivative products. The fruitfulness of modern financial tools was manifested in the increased interest of the corporate and retail customers in hedging and investment in the form of these products.

Within trading on the interbank foreign exchange market, UniBanka maintained a conservative approach in compliance with its strategy. Already in 2004 the bank had started trading in foreign exchange options. However, the bank has recorded a substantial increase of the number of transactions in this area particularly in 2005, mostly due to the demand of customers for option contracts.

Similarly as to 2004, also during the whole period of 2005 UniBanka registered a vivid surplus of a short-term liquidity. The fulfillment of obligatory minimum reserves was thereby trouble free. In the field of assets and liabilities management, in terms of maturity of assets and liabilities in the particular interest periods, the bank also maintained a relatively conservative strategy. In the first half of 2005, when the interest rates decreased, the bank, however, managed in its portfolios more fixed assets than liabilities, which was manifested in the increase of interest profits. In the summer period, when the interest rates achieved their minimum values, the bank has neutralized its positions. Thus the bank did not suffer losses from the overvaluation of the interest tools despite the increase of interest rates on the interbank markets.

Trading in securities was concentrated in UniBanka, a. s., especially on the government securities. This type of securities formed the absolute majority of the bank portfolio also in 2005 as well as in the previous years.

The market of sophisticated derivative financial instruments continued its development in 2005. Thus these products became an important instrument not only for the securing of own positions of the bank but also in creation and development of new products for customers. The greatest increase of derivative transactions was in the field of exotic foreign exchange options (especially offshore, digital and binary options), however, also in the field of interest derivatives (especially the interest swaps).

Similar to the previous years, UniBanka, a. s., provided in 2005 a high quality and professional service in the field of Customer Desk services, which recorded the increase by 15.3 % of the number of transactions. The increase was created by standard products as well as derivative instruments, which were used by the customers mostly for hedging of their foreign exchange and interest risks. The Customer Desk presented in 2005 successfully new structured hedging products (Extendible forward, Advanced forward, Trigger forward and others).

During the whole year of 2005 UniBanka fulfilled all indicators and limits as determined by the National Bank of Slovakia.

## 4.8 Electronic Banking and Bank Cards

The main goal of the bank in the previous year was to adapt HOME and INTERNET banking to the current trends and requirements of customers focused on the simplification of operation of these systems and the increasing of the level of their safety. Both these systems were extended by the option of entering of quick payments, providing of more detailed information on accounts and creation of own databases of payment partners. The INTERNET banking itself was further advanced with a new authorization tool – the Grid Card, which is increasing the safety of this system in a distinct way and simplifies the authorization of transactions.

On the ground of constantly increasing importance of the electronic banking for the bank, UniBanka has come up also to the improvement of its HW platform and build up of the backup system. The real operation of all systems of electronic banking runs on new efficient servers, which shall enable further development of these systems, increasing of the processing speed of transactions and the increase of the number of customers.

The number of customers utilizing the particular systems of electronic banking increased interim by 32 %. The greatest interest of customers was in the INTERNET and GSM banking. Through the particular systems of electronic banking in the previous year the customers executed by 13 % more transactions. Thus, through

electronic banking more than half of all cashless transactions was executed.

In the field of credit bank cards issuance, the bank started cooperation with the First Data Slovensko, a.s. Company, and started the outsourcing of administration of these cards. This has enabled the possibility of broadened offer of attributes of credit cards.

The number of issued bank cards increased interim by 17 %, while this increase was supported especially by the execution of acquisition and promotion campaigns. The year 2005 has brought increase also in the number of transactions and their total volume through the bank cards.

In compliance with the requirements of international card companies MasterCard and VISA, the bank extended the network of ATMs and POS terminals and certification of these appliances for acceptance of chip cards. The ATMs of UniBanka (Wincor Nixdorf) and POS terminals (Dionica) were successfully certified in the previous year for the acceptance of the VISA chip cards.

The number of operated ATMs increased and by the end of 2005 the bank had 81 at its disposal. The number of POS terminals increased as well to 873, whereby UniBanka still holds its position of the fourth largest network in this field.

## 4.9 Information System and Technologies

UniBanka was focused in the previous year especially on the build up of the IT infrastructure in the new Head Office building, on the broadening of services provided through the particular information systems and further improvement of the IT space focused on the increasing of the information security and decreasing of the operational costs.

In cooperation with the Slovak Telecom, a. s. company, UniBanka implemented the new WAN network, utilizing the MPLS technology. The new WAN network shall enable the bank to increase the transfer rate, the utilizing of various new applications on bank outlets and provision of a high level of safety of the transferred data. The transfer of data between the bank outlets is encrypted for the case of failure provided by a reserve ISDN connection.

For the sake of making the operation of the technological and application systems more effective, the bank has come up to consolidation of the Intel server space in the

Head Office. All obsolete servers, which did not fulfill the required efficiency parameters, were replaced and a new virtual server system VMware was implemented, which enables arbitrary "creation" of servers in compliance with the requirements of the particular operational information systems.

The bank has dedicated a considerable attention also to the improvement of the IT space of the bank outlets. On nearly one third of bank outlets new technological and application servers were implemented, and their backup and migration of the LAN network of another part of the bank outlets to the Ethernet was provided.

A significant improvement was recorded by UniBanka also in the field of the IT safety. The bank has put into operation the central backup system, Tivoli Storage Management, which backs up own certification authority for the issuance of digital certificates, implemented signing and encryption of e-mails and a new, more strict policy of the access passwords management.

## 4.10 Human Resources

As at December 31st of 2005 the total number of employees of the bank was 1,073, while there were 998 registered employees and 75 non-registered employees. In the front office positions there were 631 employees working and in the back office positions 367 employees, which presents the long-term intention of the bank to decrease the number of the back office positions, and to reinforce positions in the front office.

As to the educational structure, in 2005 it has come to the increase of the number of employees holding the university-degree education. The average age of a bank employee was 38 years and the year 2005 was characterized also by decrease of the employee departure rate.

More than 800 employees attended in the previous year the obligatory and development trainings focused on the improvement of sales skills, gaining insights into and better service of customer needs, knowing bank products and general improving of competencies.

As an effective tool of employees' assessment the bank started to make use of the system based on particular quantitative and qualitative goals – Management by Objectives.

## 4.11 Sponsoring

In 2005 UniBanka continued its regional approach to philanthropy and due to this approach it has managed to found interesting activities in several parts of Slovakia again. The bank has contributed to organization of several cultural events and also due to its support, several events organized by the University Students' Board or directly by civic communities – in Nováky, Zvolen or Galanta – could have been realized.

More than in the past years the bank focused on the support of young sportsmen – the junior hockey players of Bratislava Sport Hockey Club were able to develop their talent. The bank supported also the international tennis cup of players up to 14 years, as well as the less common sport such as the riding sport.

The investments in the field of social responsibility of the bank were also increased in 2005 again, especially thanks to the cooperation with Unidea Foundation, whose founder is the parent company of the bank – UniCredit Group. By means of this foundation UniBanka supported above 30 regional projects from among various fields – from culture to charity to education. No doubt, the exceptional fact is that not only the bank as the institution but also many of its employees are being increasingly involved into the activities of non-governmental, non-profit-making sector. The employees of UniBanka dedicated in the course of the year more than 3 thousand hours of voluntary work and supported not only citizens associations focused on the regional development but in several cases helped also the handicapped people to integrate into society.

## 4.12 Shareholders

The equities of UniBanka, a. s., as at 12/31/2005, as recorded in the Commercial Register of the Bratislava I District Court were SKK 2,377,062,040.

In 2005 no shifts in the amount of the equities of the bank were registered.

UniBanka, a. s., shareholder structure as at 12/31/2005 Shareholder	Holding %
UniCredito Italiano S.p.A. Genova	77.21
EBRD, London	19.90
Ministry of Agriculture of the SR	1.09
Domestic shareholders with less than 1 %	1.79
Foreign shareholders with less than 1 %	0.01



### **Individual**

The satisfaction of individuals is always the basis of a successful team. Therefore it's you – the individuals with your dreams, hopes and ideas - we want to build on.

05 Branch Offices network as of 31. 12. 2005



## Branch Offices network as of 31. 12. 2005

Branch – address	Outlets – address	Phone	Fax	Director/head off
Bratislava Križna 50 82108		02/49504204	02/55422774	Ing. Radoslav Masarik Branch manager for retail banking
		02/49504203	02/55422774	Ing. Monika Kohútová, MBA Branch manager for corporate banking
	81101 Bratislava, Ventúrska 7	02/59302820	02/59302821	Raymond Kopka Branch manager for private banking
	81101 Bratislava, Ventúrska 7	02/59206101	02/59206105	Mgr. Zemko Erik
	81103 Bratislava, Panenská 7	02/54418775	02/54413228	Vladimír Mandzák
	81106 Bratislava, Kollárovo nám.20	02/57203089	02/57203085	Mgr. Radoslav Babinčák
	81108 Bratislava, Dunajská 32	02/57108412	02/57108405	Ing. Martina Böhmová
	82108 Bratislava, Dulovo nám.13	02/50202061	02/50202066	Katarína Srnová
	82101 Bratislava, Tomášikova 30/A	02/43412633	02/43412636	Ing. Darina Mokošová
	81333 Bratislava, Šancová 1/A	02/49502330	02/49502505	Slávka Ševčíková
	85101 Bratislava, Einsteinova ul. BSC AUPARK	02/68202030	02/68202035	Ing. Diana Kováčová
	85104 Bratislava, Panónska cesta 3	02/62410627	02/62410629	Ing. Eva Káčerová
	81106 Bratislava, Poštová 4	02/5920 5021	02/5920 5025	Ing. Andrea Dorčákova
81108 Bratislava, Dunajská 32 - HypoDom	02/57108406	02/5710 8410	Soňa Klucková	
81333 Bratislava, Šancová 1/A - BizniDom	02/49502598	02/4950 2595	Ing. Vladimír Kollár	
Trnava Štefánikova 48 91700		033/5908330	033/5908353	Ing. Kamila Kudličková Branch manager for retail banking
				Ing. Monika Kohútová, MBA Branch manager for corporate banking
	90101 Malacky, Záhorácka 51	034/7979201	034/7979279	Ing. Janka Lenčesová
	92101 Piešťany, Hlinku 60	033/7740580	033/7740581	Ing. Magdaléna Urbliková
	90201 Pezinok Holubyho 27	033/6413457	033/6905405	Mgr. Jana Masárová
	90901 Skalica, Škarniclovská 1	034/6906121	034/6906125	Ing. Ján Krištofik
	90501 Senica, Štefánikova 699	034/6941261	034/6941265	Ing. Ján Blažek
	92001 Hlohovec, M. R. Štefánika 4	033/7351011	033/7351015	Helena Romanová
Trenčín Nám. sv. Anny 3 91101		032/6509202	032/6509204	Ing. Pavol Kubečka Branch manager for retail banking
				Ing. Roman Ježík Branch manager for corporate banking
	91501 Nové Mesto n/V, Čsl. Armády 4	032/7484991	032/7484995	Anna Olachová
	90701 Myjava, Štefánika 517	034/6215375	034/6215377	Ing. Jana Kocourková
	97101 Prievidza, G. Svěniho 3A	046/5189401	046/5189400	Ing. Ľuboš Maxina
95701 Bánovce n/B, Jesenského 561/3	038/7627011	038/7627015	Ing. Darina Antalová	
Nitra Štefánikova 13 94901		037/6926000	037/6926050	Ing. Ivan Medovič Branch manager for retail banking
				Ing. Boris Jordanov Branch manager for corporate banking
	94901 Nitra, Výstavná 4	037/7335610	037/6533971	Mgr. Pavol Vavro
	95301 Topoľčany, Krušovská 19	038/5327054	038/5327055	Ing. Alena Ďurčeková
	94062 Nové Zámky, Svätoplukova 1	035/6911210	035/6428012	Ing. Peter Špaňo
	94062 Nové Zámky, Kukučínova 8	035/6911352	035/6911356	Ing. Štefan Krenčan
	93401 Levice, Bernolákova 2	036/6350312	036/6350315	Ing. Helena Gregušová



Branch – address	Outlets – address	Phone	Fax	Director/head off
Dunajská Streda Štúrova 48 92901		031/5526914	031/5526913	Ing. Arpád Egri Branch manager for retail banking
				Ing. Ladislav Pisch, CSc. Branch manager for corporate banking
		031/5524529		vacancy
	92401 Galanta, Revolučná 1	031/7884501	031/7884505	Ing. Valentín Dolhý
	93039 Zlaté Klasy, Pekná cesta 1	031/5692725	031/5692015	Katarína Katonaová
	92701 Šaľa, Hlavná 46	031/7708694	031/7708693	Ing. Mária Straňáková
	93101 Šamorín, Gazdovský rad 49/B	031/5627960	031/5627962	Helena Almásiová
	90301 Senec, Lichnerova 30	02/40202052	02/40202055	Ing. Svoreňová Renáta
	92601 Sereď, Dionýza Štúra 1012	031/7893094	031/7892707	Ing. Bystrík Horváth
	94501 Komárno, Nám. M. R. Štefánika 11	035/7900061	035/7900065	Monika Rudyová
Žilina Národná 12 01001		041/5628201	041/5628204	Ing. Jozef Adamkov Branch manager for retail banking
				Ing. Ladislav Benčík Branch manager for corporate banking
		041/5628231	041/5628204	Milan Malík Branch manager for private banking
	01701 Pov. Bystrica, Štefánika 161/4	042/4379951	042/4379955	Anna Kňažková
	03680 Martin, M. R. Štefánika č. 1	043/4207022	043/4224892	Ing. Miroslav Kucek
	03101 Lipt. Mikuláš, Nám. Osloboditeľov	7044/5475022	044/5475005	Ing. Eva Mrázová
	01001 Žilina, Nám. L. Štúra 2	041/5077951	041/5077952	Ing. Róbert Hazda
	03401 Ružomberok, Mostová 2	044/4320658	044/4320660	Ing. Gabriela Slamčíkova
	02201 Čadca, Palárikova 85	041/4302811	041/4302815	Ing. Jozef Maják
		045/5322738	045/5320257	Ing. Jaroslav Hazlinger Branch manager for retail banking
Zvolen Nám. SNP 50 96001		045/5320354	045/5320257	Ing. Viera Vaská Branch manager for corporate banking
	97401 Banská Bystrica, Národná 1	048/4123442	048/4123473	Ing. Michal Kováč
	98401 Lučenec, Železničná 15	047/4324939	047/4323253	Ing. Peter Matej
	96501 Žiar nad Hronom, Š. Moyzesa 427	045/6788901	045/6788905	Mgr. Patrícia Gerstnerová
	97701 Brezno, ul. ČSA č.17	048/6700051	048/6700055	Vojtech Nižník
		055/6805111	055/6232741	Ing. Ján Ferko Branch manager for retail banking
				Ing. Zdenka Gaciková Branch manager for corporate banking
	04001 Košice, Hlavná 116	055/7205111	055/7205115	Mgr. Karol Till
	04011 Košice, Toryská 1/C	055/7881861	055/7881860	Klára Žatkovičová
	07101 Michalovce, nám. Osloboditeľov 1	056/6880701	056/6880707	Ing. Ludmila Korinková
04801 Rožňava, Nám. Baníkov 33	058/7326751	058/7341981	Ing. Ingrid Demjanová	
07643 Čierna nad Tisou, Hlavná 15	056/6350653	056/6350650	Šarlota Takáčsová	
07501 Trebišov, M. R. Štefánika 20	056/6670011	056/6670015	Viktoria Galganová	

Branch – address	Outlets – address	Phone	Fax	Director/head off
Prešov Hlavná 29 08001		051/7729623	051/7729600	Ing. Gabriela Kuderjavá Branch manager for retail banking
		051/7729601	051/7729600	Ing. Jaroslav Jacko Branch manager for corporate banking
		051/7729609	051/7729600	Ing. Milan Bielený Branch manager for private banking
	08501 Bardejov, Dlhý rad 17	054/4880413	054/4880410	Ing. Igor Hudý
	06601 Humenné, Mierová 64/2	057/7862341	057/7862345	Ing. Jaroslav Michálek
Poprad Popradské nábr. 18 05801		052/7870310	052/7721165	Ing. Ján Harabín Branch manager for retail banking
				Ing. Václav Mlynarovič charged in running the branch for corporate banking
	05960 Tatranská Lomnica, Dom služieb	052/4780951	052/4780955	Ing. Janka Kikťová
	06001 Kežmarok, Hlavné nám. 3	052/4680031	052/4680035	Ing. Tomáš Labanc
	05201 Sp. Nová Ves, Zimná 56	053/4197110	053/4425788	Ing. Mária Pavlíková
	05401 Levoča, Košická 11	053/4514742	053/4514743	Ing. Rastislav Sloboda

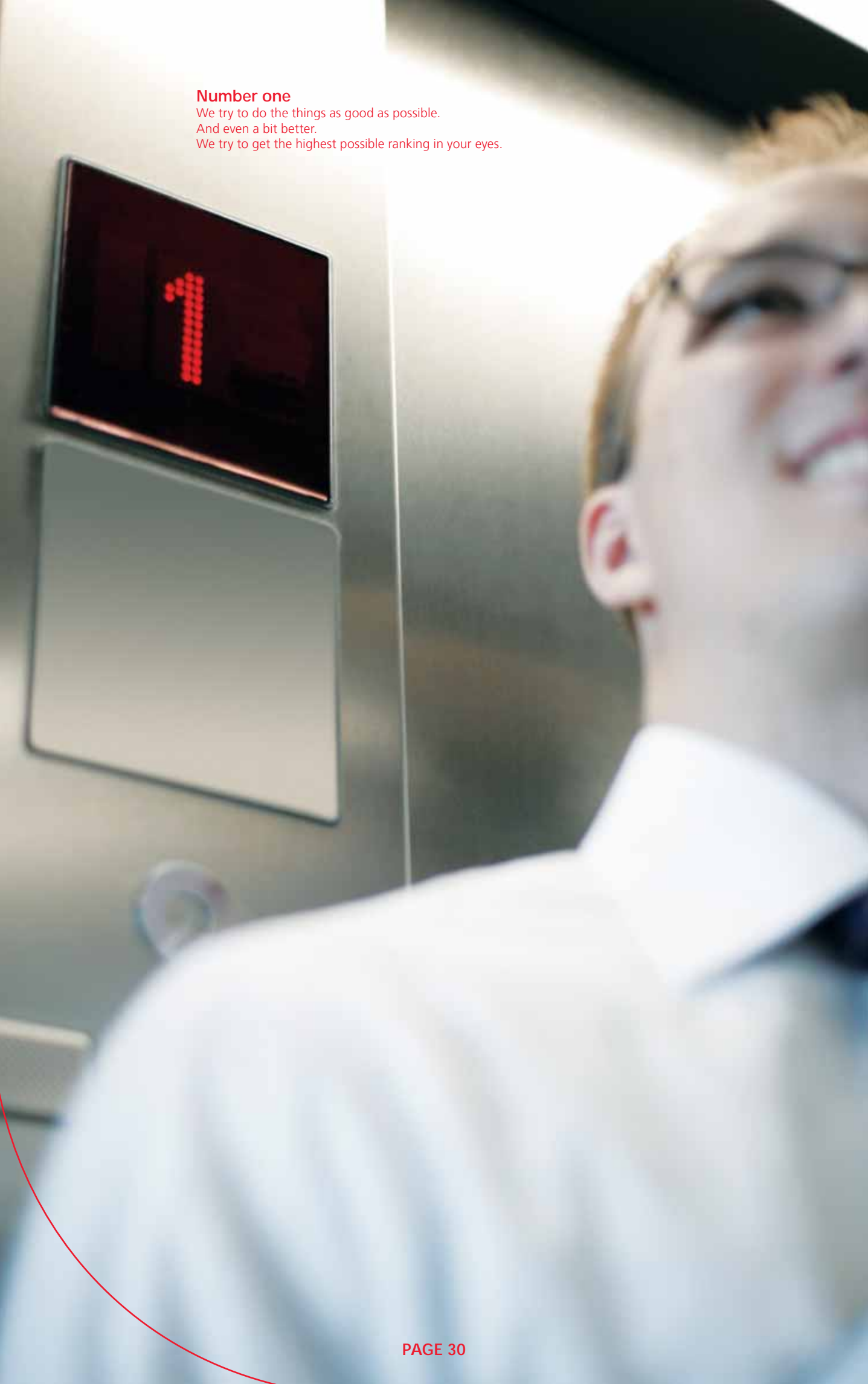


**Number one**

We try to do the things as good as possible.

And even a bit better.

We try to get the highest possible ranking in your eyes.



**06** Independent auditors' report and financial statements for the year ended 31 December 2005 (Slovak Accounting Standards)

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# Independent auditors' report



KPMG Slovensko spol. s r. o.  
Mostová 2  
P. O. Box 7  
820 04 Bratislava 24  
Slovakia

Telephone +421 2 59984 111  
Fax +421 2 59984 222  
Internet www.kpmg.sk

Translation of the statutory auditors' report originally prepared in Slovak

**Independent auditors' report  
To the Shareholders, Supervisory Board and Board of Directors of  
UniBanka, a.s.**

We have audited the accompanying financial statements of UniBanka, a.s. ("the Bank") for the year ended 31 December 2005. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we 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 financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2005 and the results of its operations for the year then ended in accordance with the Slovak Act on Accounting.

15 March 2006  
Bratislava, Slovak Republic

Audit company:  
KPMG Slovensko spol. s r. o.  
Licence No. 96



Responsible Auditor:  
Ing. Dagmar Lukovičová  
Licence No. 754

KPMG Slovensko spol. s r. o., a Slovak limited liability company,  
is the Slovak member firm of KPMG International,  
a Swiss cooperative.

Obchodný register Okresného  
súdu Bratislava I, oddiel Sro,  
vložka č. 4884/B  
Commercial register of District  
court Bratislava I, section Sro,  
file No. 4884/B

IČO/Registration number:  
31 348 238  
Evidenčné číslo licencie  
auditora: 96  
Licence number  
of statutory auditor: 96

## Balance sheet assets

Descript.	TEXT	Note No.	Current accounting per.	Previous accounting per.
a	b	c	1	2
x	Assets	x	x	x
<b>1.</b>	<b>Cash values and deposits with central banks on demand</b>		<b>1,037,410</b>	<b>946,207</b>
<b>2.</b>	<b>Receivables from banks on demand</b>		<b>487,147</b>	<b>302,399</b>
<b>3.</b>	<b>Other receivables from central banks and banks</b>		<b>16,248,087</b>	<b>19,903,107</b>
	a) gross		16,248,087	19,903,107
	b) adjustment			
<b>4.</b>	<b>Trading securities</b>	<b>E1</b>	<b>2,749,349</b>	<b>2,171,856</b>
<b>5.</b>	<b>Derivatives</b>		<b>660,552</b>	<b>546,826</b>
	a) held for trading	E2	660,552	546,826
	b) held for hedging			
<b>6.</b>	<b>Securities available for sale</b>	<b>E3</b>	<b>3,657</b>	<b>6,815</b>
<b>7.</b>	<b>Receivables from clients and other debtors</b>	<b>E4, E5</b>	<b>26,389,178</b>	<b>18,867,510</b>
	a) gross		27,791,092	21,076,165
	b) adjustment		(1,401,914)	(2,208,655)
<b>8.</b>	<b>Debt securities held to maturity</b>	<b>E6</b>	<b>3,965,086</b>	<b>4,287,800</b>
	a) of public bodies		2,706,267	2,976,870
	b) of other issuers		1,258,819	1,310,930
	b1 gross		1,258,819	1,310,930
	b2 adjustment			
<b>9.</b>	<b>Shares and ownership interest with substantial influence in entities</b>		<b>0</b>	<b>0</b>
	a) in entities from financial sector		0	0
	a1 gross			
	a2 adjustment			
	b) in other entities		0	0
	b1 gross			
	b2 adjustment			
<b>10.</b>	<b>Shares and ownership interest with controlling influence in entities</b>	<b>E7</b>	<b>0</b>	<b>10,998</b>
	a) in entities from financial sector		0	0
	a1 gross			
	a2 adjustment			
	b) in other entities		0	10,998
	b1 gross		4,100	15,098
	b2 adjustment		(4,100)	(4,100)
<b>11.</b>	<b>Acquisition of tangible and intangible assets</b>	<b>E8</b>	<b>81,967</b>	<b>327,892</b>
	a) gross		81,967	327,892
	b) adjustment			
<b>12.</b>	<b>Intangible assets</b>	<b>E9</b>	<b>107,546</b>	<b>133,122</b>
	a) gross		554,970	504,773
	b) adjustment		(447,424)	(371,651)
	b1 accumulated depreciation		(412,424)	(371,651)
	b2 impairments		(35,000)	
<b>13.</b>	<b>Tangible assets</b>	<b>E10</b>	<b>1,396,811</b>	<b>1,080,814</b>
	a) non-depreciable		39,331	56,709
	a1 gross		39,331	56,709
	a2 adjustment			
	b) depreciable		1,357,480	1,024,105
	b1 gross		2,328,231	1,917,660
	b2 adjustment		(970,751)	(893,555)
	b2a accumulated depreciation		(945,751)	(893,555)
	b2b impairments		(25,000)	
<b>14.</b>	<b>Tax receivables</b>	<b>E11</b>	<b>266,670</b>	<b>307,758</b>
<b>15.</b>	<b>Other assets</b>	<b>E12</b>	<b>170,477</b>	<b>164,954</b>
	a) gross		189,363	181,543
	b) adjustment		(18,886)	(16,589)
	<b>TOTAL ASSETS</b>		<b>53,563,937</b>	<b>49,058,058</b>

## Balance sheet liabilities

Descript.	TEXT	Note No.	Current accounting per.	Previous accounting per.
a	b	c	1	2
x	Liabilities	x	x	x
<b>I</b>	<b>LIABILITIES (TOTAL OF ITEMS 1 TO 11)</b>		<b>49,986,713</b>	<b>45,651,008</b>
1.	Due to central banks on demand	E13		
2.	Due to banks on demand	E13	1,317,399	522,431
3.	Other liabilities to central banks and banks	E13	3,308,238	2,556,883
4.	Due to clients and other creditors	E13	41,011,385	39,277,551
a)	on demand		14,137,909	11,458,544
b)	other liabilities		26,873,476	27,819,007
5.	Liabilities from short sale of securities			291,932
6.	Derivatives	E14	415,119	318,517
a)	held for trading		415,119	318,517
b)	held for hedging			
7.	Payables from debt securities	E15	3,343,243	2,066,037
a)	with remaining maturity up to 1 year		1,813,069	1,032,112
b)	with remaining maturity over 1 year		1,530,174	1,033,925
8.	Other liabilities	E16	304,621	334,384
9.	Reserves	E17	286,708	283,273
10.	Subordinated financial liabilities	E18		
11.	Tax liabilities	E19		
<b>II</b>	<b>EQUITY (TOTAL OF ITEMS 12 TO 19)</b>		<b>3,577,224</b>	<b>3,407,050</b>
12.	Shareholders capital, out of which		2,377,062	2,377,062
a)	registered capital		2,377,062	2,377,062
b)	due from shareholders (x)			
13.	Own shares (x)			
14.	Capital funds		0	641
a)	share premium			
b)	other capital funds			641
15.	Funds created from profit after tax		101,220	63,617
16.	Revaluation gains or losses x/(x)		(110)	430
a)	on assets x/(x)			
b)	on trading securities x/(x)		(414)	303
c)	on hedging securities x/(x)			
d)	on converted shares and ownership interests in foreign currency x/(x)		304	127
e)	on shares with controlling and substantial influence			
17.	Retained earnings or accumulated losses from previous years x/(x)		717,322	589,268
18.	Profit or loss to be approved by general meeting x/(x)			
19.	Profit or loss of current accounting period x/(x)		381,730	376,032
	<b>TOTAL LIABILITIES</b>		<b>53,563,937</b>	<b>49,058,058</b>



## Off-balance sheet assets

Descript.	TEXT	Current accounting per.	Previous accounting per.
a	b	1	2
x	Off-balance sheet assets	x	x
<b>1.</b>	<b>Receivables under future loans, credits and guarantees</b>	<b>9,934,925</b>	<b>7,122,183</b>
1a.	Receivables under future loans, credits and guarantees	8,629,762	5,764,320
1b.	Guarantees and warranties issued	1,305,163	1,357,863
<b>2.</b>	<b>Issued guarantees</b>	<b>0</b>	<b>0</b>
2a.	Real estate		
2b.	Cash		
2c.	Securities		
2d.	Other		
<b>3.</b>	<b>Receivables under spot transactions with</b>	<b>2,580,913</b>	<b>261,809</b>
3a.	Interest rate instruments		
3b.	Monetary instruments	2,580,913	261,809
3c.	Equity instruments		
3d.	Commodity instruments		
3e.	Lending instruments		
<b>4.</b>	<b>Receivables under futures transactions with</b>	<b>23,519,902</b>	<b>29,733,279</b>
4a.	Interest rate instruments	4,920,612	16,295,649
4b.	Monetary instruments	18,599,290	13,437,630
4c.	Equity instruments		
4d.	Commodity instruments		
4e.	Lending instruments		
<b>5.</b>	<b>Receivables under option transactions with</b>	<b>35,440,219</b>	<b>11,639,074</b>
5a.	Interest rate instruments		
5b.	Monetary instruments	35,440,219	11,639,074
5c.	Equity instruments		
5d.	Commodity instruments		
5e.	Lending instruments		
<b>6.</b>	<b>Written off receivables</b>		
<b>7.</b>	<b>Valuables deposited for safe-keeping, administration, storage</b>		
<b>8.</b>	<b>Valuables deposited for disposal</b>		
	of which securities		
	<b>OFF BALANCE SHEET ASSETS, TOTAL</b>	<b>71,475,959</b>	<b>48,756,345</b>

## Off-balance sheet liabilities

Descript.	TEXT	Current accounting per.	Previous accounting per.
a	b	1	2
x	Off-balance sheet liabilities	x	x
<b>1.</b>	<b>Liabilities under future loans, credits and guarantees</b>	<b>4,266,444</b>	<b>3,615,646</b>
1a.	Liabilities under future loans, credits and guarantees	75,696	155,184
1b.	Received guarantees and warranties	4,190,748	3,460,462
<b>2.</b>	<b>Received guarantees</b>	<b>63,452,393</b>	<b>58,492,567</b>
2a.	Real estate	21,694,531	18,438,332
2b.	Cash	572,068	80
2c.	Securities	16,359,523	16,376,813
2d.	Other	24,826,271	23,677,342
<b>3.</b>	<b>Liabilities under spot transactions with</b>	<b>2,631,883</b>	<b>261,281</b>
3a.	Interest rate instruments		
3b.	Monetary instruments	2,631,883	261,281
3c.	Equity instruments		
3d.	Commodity instruments		
3e.	Lending instruments		
<b>4.</b>	<b>Liabilities under futures transactions with</b>	<b>23,271,797</b>	<b>28,049,890</b>
4a.	Interest rate instruments	4,920,612	14,670,208
4b.	Monetary instruments	18,326,210	13,354,707
4c.	Equity instruments	24,975	24,975
4d.	Commodity instruments		
4e.	Lending instruments		
<b>5.</b>	<b>Liabilities under option transactions with</b>	<b>35,440,219</b>	<b>11,639,074</b>
5a.	Interest rate instruments		
5b.	Monetary instruments	35,440,219	11,639,074
5c.	Equity instruments		
5d.	Commodity instruments		
5e.	Lending instruments		
<b>6.</b>	<b>Valuable received for safe-keeping, administration, storage</b>	<b>7,396,609</b>	<b>7,189,036</b>
<b>7.</b>	<b>Valuable received for disposal of which securities</b>		
	<b>OFF BALANCE SHEET LIABILITIES, TOTAL</b>	<b>136,459,345</b>	<b>109,247,494</b>

## Profit and loss account

Descript.	TEXT	Note No.	Balance by 31. 12. 2005	Balance by 31. 12. 2004
a	b	c	1	2
1.	Interest receivable and similar income		2,069,744	2,609,051
a.	Interest payable and similar expense		(1,191,919)	(1,645,213)
<b>I.</b>	<b>Net interest income</b>	<b>E20</b>	<b>877,825</b>	<b>963,838</b>
2.	Fees and commission income		535,733	452,753
b.	Fees and commission expense		(115,937)	(80,984)
<b>II.</b>	<b>Net fee and commission income</b>	<b>E21</b>	<b>419,796</b>	<b>371,769</b>
<b>3.</b>	<b>Dividend income</b>		<b>829</b>	<b>1,214</b>
3.1.	from shares and ownership interest with controlling and substantial influence in entities		0	0
3.2.	from shares in other entities		829	1,214
<b>4./c.</b>	<b>Net gain or loss on trading with securities, derivatives and foreign currencies</b>	<b>E22</b>	<b>591,353</b>	<b>510,753</b>
5.	Revenues from sale or transfer of assets		106,611	31,343
6.	Release of provisions on sold or transferred assets		0	0
d.	Cost of sale or transfer of assets		(96,128)	(21,079)
<b>III.</b>	<b>Net gain or loss on sale or transfer of assets</b>	<b>E23</b>	<b>10,483</b>	<b>10,264</b>
<b>7.</b>	<b>Release of reserves on liabilities from main activities</b>		<b>12,765</b>	<b>33,335</b>
<b>8.</b>	<b>Release of provisions and revenues from written – off claims</b>		<b>1,416,646</b>	<b>909,119</b>
e.	Additions to reserves on liabilities from main activities		(20,686)	(9,892)
f.	Additions to provisions, revaluation differences on impairment of assets and write-off of assets		(1,382,169)	(1,118,466)
f.1.	additions to provisions		(614,219)	(602,130)
f.1.1.	of financial assets		(614,219)	(602,130)
f.1.2.	of tangible and intangible assets		0	0
f.2.	write-off of assets		(767,950)	(516,336)
f.2.1.	of financial assets		(707,950)	(516,336)
f.2.2.	of tangible and intangible assets		(60,000)	0
f.3.	revaluation differences		0	0
9.	Other income		139,327	18,081
9.1.	release of reserves		125,287	0
9.2.	other income	E24	14,040	18,081
<b>g.</b>	<b>Other expenses</b>		<b>(1,643,351)</b>	<b>(1,510,029)</b>
g.1.	personnel expenses	E25	(590,521)	(467,737)
g.1.1.	payroll and social expenses		(581,207)	(458,738)
g.1.2.	other personnel expenses		(9,314)	(8,999)
g.2.	addition to reserves		(120,801)	(126,532)
g.3.	depreciation		(203,196)	(189,858)
g.3.1.	depreciation of tangible assets		(162,423)	(157,110)
g.3.2.	amortisation of intangible assets		(40,773)	(32,748)
g.4.	other expenses		(728,833)	(725,902)
<b>10./h.</b>	<b>Participation in the profit or loss of subsidiaries and affiliated companies</b>		<b>0</b>	<b>0</b>
<b>A.</b>	<b>PROFIT OR LOSS OF CURRENT ACCOUNTING PERIOD BEFORE TAX</b>		<b>422,818</b>	<b>179,986</b>
i.	Income tax		(41,088)	196,046
i.1.	income tax payable			(6)
i.2.	income tax deferred		(41,088)	196,052
<b>B.</b>	<b>NET PROFIT OR LOSS OF CURRENT ACCOUNTING PERIOD</b>		<b>381,730</b>	<b>376,032</b>

## Notes to the Financial Statements

### Financial Statement as of December 31, 2005

#### A. GENERAL INFORMATION ON ACCOUNTING

##### ENTITY

##### Establishment

UniBanka, a. s. Bratislava (hereinafter referred to as „UniBanka“ or „Bank“ only) was established in 1990 in compliance with the applicable Slovak legislation as a joint-stock company under the business name Slovenská poľnohospodárska banka, a.s. and was registered with the Commercial Register of District Court Bratislava I. Its business name was changed to Poľnobanka, a.s. in 1994 and in 2002 to UniBanka, a. s.

##### Main Operation

Among the main activities of the Bank there are general banking transactions, investment banking services and trading in securities. The Bank is a member of the Stock Exchange in Bratislava (SEB).

##### Subsidiary and affiliated accounting entities

Subsidiary accounting entities are the companies controlled by the Bank and affiliated accounting entities are the companies in which the Bank has a significant influence.

As of 31.12.2005 the Bank did not have affiliated accounting entities.

As of 31.12.2005 the Bank had a subsidiary accounting entity Agroinvest FPS, a. s. in liquidation.

##### Geographical network

Bank Headquarters are located in Bratislava. There are 10 branches and 56 outlets all over the territory of the Slovak Republic.

##### Members of the Board of Directors

The following are the members of the Bank's Board of Directors:

BARTA Jozef

PAPA Gianni Franco (from 1.8.2005)

PILKOVÁ Anna

CASINI Andrea (till 31.7.2005)

##### Supervisory Board

KUNERT Jiří

ARLOTTO Marcello (till 15.6.2005)

CICOGNANI Maria Luisa (till 19.7.2005)

LUKOVIC Franjo (till 24.2.2005)

MRÁZ Vojtech (till 15.6.2005)

FERRARO Carmine

MOL Massimiliano

DEVOTO Alberto (from 12.5.2005)

PETERSCHMITT Jean Marc (from 25.8.2005)

VOVK Giuseppe

IANNACCONE Marco (from 25.8.2005)

SLIMÁKOVÁ Ingrid

VASKÁ Viera

ŠŤASTNÁ Zuzana

NECHOJDOMA Milan

ŤUREK Slavomír (from 20.7.2005)

Name	Activity	Share
Agroinvest FPS, a. s. in liquidation	in liquidation	100%

##### Registered capital

##### Shareholders structure as on December 31, 2005

in SKK thousand	Share on registered capital	%	Voting right
UniCredito Italiano S.p.A. Genova (UCI)	SKK 1,835,333,755	77.21	1,835,333,755
EBRD London	SKK 473,035,565	19.90	473,035,565
Ministry of Agriculture	SKK 25,900,925	1.09	25,900,925
Other shareholders	SKK 42,791,795	1.80	42,791,795
<b>Total</b>	<b>SKK 2,377,062,040</b>	<b>100.00</b>	<b>2,377,062,040</b>

## **B. ACCOUNTING PRINCIPLES AND ACCOUNTING METHODS EMPLOYED**

These financial statements have been prepared as an annual financial statement on the basis of the accounting maintained in accordance with Act. No. 431/2002 Coll. on accounting as later amended and in accordance with respective provisions of The Ministry of Finance of the Slovak Republic, in particular provision of the Ministry of Finance of the Slovak Republic No. 20 359/2002-92 dated November 13, 2002, determining the details on the accounting practice and the general accounting system for banks, branches of foreign banks, National Bank of Slovakia, Deposit Protection Fund, brokers, branches of foreign brokers, Guarantee Fund of Investments, administration companies and share funds as later amended. The financial statements have been prepared on the principles of accruals of costs and revenues and historical prices, except for selected financial instruments valued at fair value.

These financial statements have been prepared in accordance with the provision of the Ministry of Finance of the Slovak Republic No. 5292/2005-74, determining the details on organization and denotation of financial statements items, contents of these items and the scope of data from the financial statements to be disclosed to financial institutions, not dealing with insurance activities and reinsurance activities for the Deposit Protection Fund and Guarantee Fund of Investments, modifying and amending the provision of the Ministry of Finance of the Slovak Republic No. 20 359/2002-92, dated November 13, 2002, determining the details on accounting practice and the general accounting system for banks, branches of foreign banks, National Bank of Slovakia, Deposit Protection Fund, brokers, branches of foreign brokers, Guarantee Fund of Investments, administration companies, branches of foreign administration companies and share funds as later amended.

Numbers in brackets represent negative numbers.

The financial statements have been prepared on the basis of the going concern assumption.

The financial statements have been prepared in accordance with the following significant accounting principles:

### **(a) Accounting Transaction Date**

Depending on the type of transaction, the day of an accounting transaction is particularly the day of payment or receipt of cash, day of purchase or sale of

foreign currency funds, day of acquisition or sale of securities, day of execution of payment or collection from client's account, day of order to correspondent to execute payment, day of clearing of Bank's order with the clearing center, day of agreement on (settlement day) transactions with securities, foreign exchange, options or other derivatives, day of issue or receipt of a guarantee, day of acceptance or delivery of values into custody, day of crediting of funds in foreign currency in accordance with the message received from Bank correspondent, such as a SWIFT message, Bank's advice notice, technical data medium, account statement or other similar document.

In cases, not referred to in the previous paragraph, the accounting transaction date is to be considered the date of acquisition of property or expiry of property, acquisition of right to other party's property or expiration of the right to other party's property, origination of a receivable and liability, their modification or expiration, detection of damage, cash-short, deficit, surplus, movement of assets inside the accounting entity and other facts, being the subject of accounting, which occurred or on which needed documentation is available, documenting these facts or resulting from the internal terms of the accounting entity or special regulations thereof.

Accounting cases of acquisition and sale of financial assets with a usual delivery term, posted as spot transactions and derivative transactions, shall from the day of agreement of the deal until the deal settlement be posted on the off-balance sheet accounts and the off-balance sheet entry shall be cancelled on the settlement day and posted on the balance-sheet accounts.

The bank shall derecognize a financial asset from the balance sheet if the Bank loses its control over the contractual rights over the financial asset. Bank shall lose such control if it exercises its right to the advantages specified in the agreement, such rights shall expire or the Bank shall waive them.

The Bank shall post securities and derivatives on the transaction date.

### **(b) Debt securities, stock, investment certificates and other shares**

Securities, not representing a share of the registered capital of the subsidiary accounting entity and not representing a share of the registered capital of an affiliated accounting entity, are divided according to the Bank's intention upon their acquisition, as a portfolio of securities held to maturity, intended for trading or intended for sale.

Securities are initially recorded at their acquisition price, which includes the direct costs of deals related to securities, known when they are initially recorded, for example fees and commissions to brokers, advisors, domestic stock exchanges and foreign stock exchanges.

Regarding securities intended for trading and securities intended for sale the valuation of coupon bonds is gradually increased to include the achieved interest yields, as from the day of acquisition settlement until the day of sale settlement or until the maturity day thereof. From the day of agreeing of the acquisition of securities intended for trading or securities intended for sale, if the acquisition is agreed within a spot transaction, until the day of agreeing of their sale or until the maturity day thereof, these securities shall be valued at their fair value.

Regarding debt securities, classified for trading and for sale, their valuation gradually increases to include the achieved yields, different than the interest yields of coupons, which are premiums or discounts. Such valued debt securities shall be valued at the fair value upon the valuation date. Modifications of fair values of securities intended for trading are posted to accounts of costs or revenues coelatively with respective securities accounts.

Differences between the acquisition prices or the depreciated values of securities, intended for sale and their fair values shall be posted to the account Valuation differences of valuation of securities for sale in the accounting group 56, correlatively with the respective securities accounts.

Regarding securities held to maturity, valuation of securities, as from the day of acquisition settlement until the maturity day thereof or the day of sale settlement, shall gradually increase to include the achieved yields, different than the interest yields of coupons, which are premiums or discounts.

Fair value used for valuation of securities is determined as the market price issued on the valuation date at the latest, if it is undisputable, that security can be sold for the market value. Regarding a debt security, this price also includes the achieved yield.

If it is impossible to determine the fair value using the market value, the fair value shall be determined by a qualified estimation, representing the current value of future expected payments.

Provisions shall be created for the debt securities held to maturity. Provisions for these securities shall be created in the amount, reflecting the reduced value

of assets. Decrease of the value of assets shall equal to the difference between the value of the agreed cash flow from assets and the probable value or in fact between that portion of the cash flow from assets, which shall probably be repaid later than agreed and its current value upon the reconciliation date.

Securities intended for trading, securities intended for sale or securities held to maturity shall be posted as securities provided or lent in a repo deal.

Securities provided or securities lent for repo deals are posted on separate analytical accounts related to the particular synthetic accounts on which they have been posted prior to their lending or providing for repo deals and it is continued with the mode of valuation used before their lending or providing for repo deals.

Securities received or securities borrowed for repo deals, inclusive of those that are subsequently provided for repo deals or are lent, are posted in the Off-Balance Sheet accounts. At the sale of borrowed securities or securities received for repo deals a liability from the short sale rises for the accounting entity, amounting to the selling price of securities, which is posted in the account group 38 – securities intended for trading.

Revenues and costs arising within repo and reverse repo deals as the difference between the selling and purchasing price are accrued/deferred during the deal and presented in the Profit and Loss Statement as "Revenues on interests and similar revenues" or "Costs on interests and similar costs".

The financial liability arising from the sale of a security that was received for a repo deal or from borrowing a security from another accounting entity is accounted as a liability from securities intended for trading.

The Bank's debt securities are posted to liabilities on separate accounts within account groups of issued securities.

Regarding securities issued by the accounting entity, the purchase price from the date of the issue settlement until the maturity date is gradually increased by the interest cost of issued securities.

The Bank's debt securities are valued at the initial purchase price including the cost of deals.

Net profits or losses from transactions with securities intended for trading and changes in fair values

of these securities are posted to cost and revenue accounts within the item "Net profit or net loss from trading in securities, derivatives and foreign exchange".

### **(c) Transactions with securities for clients**

Securities received by the Bank for safekeeping, administration or storage are posted in their nominal value and presented in the Off-Balance Sheet accounts as items "Values received for safekeeping", "Values received for administration" or "Values received for storage". Securities received by the Bank for disposal are accounted at their fair values. In the Balance Sheet, liabilities include the Bank's payables to clients primarily due to received cash intended for purchase of securities, cash intended for refunding the client, etc.

Fees and commissions from clients arising under agreements, are posted as revenues to the account "Revenues from other transactions".

### **(d) Share on registered capital in subsidiary accounting entities and Share on registered capital in affiliated accounting entities**

Share on registered capital in a subsidiary company is understood as an investment of the Bank in a legal entity over which control is exercised as well as in any subsidiary company.

Share on registered capital in an affiliated company is understood as an investment of the Bank in a legal entity in which the Bank has substantial influence, i.e. a 20% share in its voting rights at least.

Shares on registered capital in subsidiary and affiliated accounting entities are valued on the basis of their purchase price decreased by provisions due to a temporary fall in the value of these investments, i.e. individually per every investment.

### **(e) Receivables from banks and clients**

Receivables are posted in values decreased by provisions. Accrual of interest income is part of the book value of these receivables.

The Bank classifies receivables and creates provisions to them in accordance with the Regulation of the National Bank of Slovakia No.13/2004 on classification of assets and liabilities of banks and branches of foreign banks, on adjustment of their valuation, formation and dissolution of reserves and related reporting.

The Bank creates provisions to classified receivables for the purpose of adjustment of the valuation of a particular receivable by the anticipated loss, i.e. by that part of the receivable, of which it is reasonably assumed that will not be settled. The value of created provisions is charged to costs.

When creating provisions for the individual titles, the Bank evaluates individually the risk level and specifies, on the basis of its quantification, the creation of provisions. During their quantification, the requirements stipulated in the Act on Accounting as well as in the Decree of the National Bank of Slovakia regulating prudent business operations of banks are always fulfilled.

Identification of classified assets (receivables) is the principal aim of the monitoring process managed and ensured by the Monitoring Department in the Bank. In the process of monitoring all available information sources are used for risk identification, particularly from internal sources (the Bank's records, information system, records of client's visits), submitted financial statements or external sources, for example from the Register of Loans and Bank Guarantees of the National Bank of Slovakia, the client's suppliers, the client's customers, other financial institutions and officially published information, etc.

Warning signals are detected through regular monitoring activities (e.g. daily monitoring of instalment schedules) and continuous monitoring activities. Based on the evaluation of the results of regular and continuous monitoring and in accordance with internal procedures in force as well as the Decree of the National Bank of Slovakia, classification of the Bank's receivables is performed. All the classified receivables of the Bank are in the management of a specialised unit of the Bank, i.e. "Work-out".

The write-off of receivables, especially of loan receivables, is performed on the basis of a proposal processed by a particular division of the Bank. The Board of Directors of the Bank or the Credit Committee of the Board of Directors is authorised to make decisions on the approval of the proposal for the write-off on the basis of opinions of the respective Bank's units. Proposals for the write-off are prepared on the basis of acquired documents proving the unenforceability of a receivable.

If the solution of a receivable takes a form of its assignment for payment below par value, the difference between the payment and the par value is the item to be written-off.

Write-offs of bad debts are included in the item "Cost of formation of provisions, valuation differences from reduction of the value of assets and depreciation of assets" of the Profit and Loss Statement. Revenues from written-off loans are stated in the item of the Profit and Loss Statement "Revenues from dissolution of provisions and from written-off receivables".

#### Revenues from classified receivables

Since 2003, the Bank has not been charging the interest income in cases when the unpaid interest is overdue for more than 90 days, the value of these interests is recorded in the Off-Balance Sheet account. In case the client repays part of the interests that was posted in the Off-Balance Sheet account, at the payment of instalment the value of the paid interest is charged to the particular interest income account according to the loan type in which it concerns an interest of the current year or to the interest account "interests over 90 days from previous years" if the interest is from previous periods.

#### (f) Creation of reserves

A reserve is a liability with an indefinite period of time or amount. A reserve is created if the following criteria are met:

- existence of a liability or other obligation that is to be met, such as an outcome of past events, while the concrete creditor or authorized person does not have to be specified,
- probability of reduction of resources including economic utilities that will be required for discharge of this obligation is higher than 50% and it is possible to make an adequately solid estimate of this reduction.

A reserve for other than legal obligation is created if the other party can anticipate for good reasons that the obligation will be acknowledged and met because:

- in the past the accounting entity acknowledged and met its other than legal obligations in similar cases or
- by a published procedure or a sufficiently clear declaration in connection with this obligation the accounting entity informed the other party that it had acknowledged its liability and that it would meet its claims resulting from this liability.

A reserve is accounted in Slovak currency and foreign currency in which it may be discharged. If a reserve is accounted also in foreign currency, foreign exchange differences are accounted in the same way as foreign exchange differences from other liabilities.

In 2005 the Bank created reserves for future liabilities resulting from past events as well as reserves for operational risks in compliance with legal and accounting regulations in force. The amount of reserves was calculated on the basis of approved internal banking procedures. The creation of reserves of the Bank complied with its needs, following the consideration of particular risks of possible discharge of future liabilities.

#### (g) Tangible and intangible assets

The purchased fixed assets are priced by the purchase price, which includes the purchase cost and cost related to the purchase (customs duty, additional import charge, transport, assembly, insurance premium etc.).

The profit and loss of the fixed assets decrease are calculated according to the residual value of this asset and these are accounted in the full amount into the profit and loss statement.

The fixed assets depreciation is set according to the assumed period of its utilization and the assumed course of its wear. The rate of wear is expressed in the form of accumulated depreciations.

The Bank uses the linear method of depreciation for the fixed asset depreciation.

The cost of extension, modernization and reconstruction leading to the increase of the capacity, performance or efficiency, shall increase the purchase price of tangible assets. The cost of operation, maintenance and repairs are accounted to the related period.

The low value tangible assets up to the amount of SKK 30 thousand (inventory, bank and office technology etc.) is depreciated gradually. For the low value tangible assets depreciation it is applied the principle that the book depreciation of this asset is the same as the tangible fixed asset of similar category. The Bank makes a one-time depreciation of the small assets up to the amount of SKK 30 thousand only in minimum degree (mobile phones, calculators, low value HW etc.).



The expected life of intangible assets is as follows:

Category	Years
Buildings and constructions	20
Inventory and office technology	4 to 12
Equipment (vehicles and computers)	4

The fixed intangible assets are accounted in the purchase prices against which the rate of wear is expressed in the form of accumulated depreciations. The fixed intangible assets depreciation is set according to the assumed period of its utilization and assumed course of its wear.

The Bank uses, for the bank software depreciation (FISERV, MIDAS), an accelerated method of depreciation, for other fixed intangible asset it uses a linear method of depreciation.

The low value intangible assets up to the amount of SKK 50 thousand, is accounted into the costs of the Bank one-time depreciation in the year of its purchase. The only exception is the depreciation of the selected range of the low value intangible asset of the purchased software licenses character (unlimited in time). The above mentioned low value intangible assets are depreciated in the same way as the fixed intangible asset of similar category.

The expected life of intangible assets is as follows:

Category	Years
Bank software (FISERV, MIDAS)	2 to 5
Other intangible assets	2 to 5

Goodwill arises when the acquirer gains control over net assets and activities of the acquired entity by transfer of assets, assumption of obligations, as surplus of purchase price over the purchaser's share in fair value of acquired assets and liabilities as at the date of acquisition. Goodwill shall be depreciated within five years from its acquisition. The Bank does not account for the goodwill.

The technical appreciation of the leased asset is depreciated evenly during the period of lease or during the remaining period of use, depending on which period is shorter according to the internal regulations of the Bank.

The intangible assets in the amount of less than SKK 50,000 and tangible assets in the amount less than SKK 30,000 and with the period of use less than 1 year are accounted to the cost in the year, when they were incorporated to use according to the regulations of the Bank.

#### (h) Foreign currency conversion

The transactions in foreign currency are accounted in Slovak crowns in the exchange rate valid on the date of the effected transaction. The assets and liabilities in foreign currency are converted to Slovak crowns by the exchange rate of the National Bank of Slovakia valid on the balance sheet date. The exchange rate profit or loss from the conversion of assets and liabilities in foreign currency, other than

the net investments connected with the registered capital interest in foreign currency in subsidiary companies and the registered capital interest in foreign currency in the affiliated companies and other than the items hedging the exchange rate risk resulted from contracts, which are not posted to the balance sheet accounts or on the expected forward deals, are shown in the profit and loss statement as the "Net profit or loss from dealing with securities, derivatives and foreign currencies".

#### (i) Derivatives

The derivatives are accounted in the balance sheet accounts and off-balance sheet accounts from the date when the transaction was agreed to date of the last settlement or termination of execution of the right of sale.

##### Embedded derivatives

In certain cases, the derivative can be a part of a hybrid financial tool, which includes a basic financial tool and a derivative (so called embedded derivative), that influences the cash flow or modifies the view the characteristic of the basic financial tool. The embedded derivative is separated from the basic financial tool and it is accounted separately, if at the same time the following conditions are met:

- the economic features and risk of the inserted derivative are not in close relation with the economic features of the basic financial tool,

- the financial tool with the same conditions as the inserted derivatives would, as an independent tool, meet the definition of a derivative,
- the compound financial tool is not evaluated by the fair value and the profit (loss) from the fair value changes, but the changes from revaluation are reported in the Balance sheet.

#### Derivatives for trading

The derivatives determined for trading are valued at their fair value and the profit (loss) from the fair value changes are shown as the "Net profit or loss from dealing with securities, derivatives and foreign currencies".

#### Hedging derivatives

The hedging derivatives are valued at their fair value. The method of presentation of this fair value depends on the applied model of hedge accounting.

The derivatives are accounted as hedging derivatives if:

- the hedging is in compliance with the Bank's risk management strategy,
- at the beginning of the hedging transaction, the hedging relation is formally documented,
- it is expected that the hedging relation will be highly effective during its life,
- the efficiency of the hedging relation is objectively measurable,
- that the hedging relation is highly effective during the financial period,
- in case of hedging of the expected transactions the occurrence of such transaction is expected with a high probability.

If the risk of assets and liabilities fair value change is hedged by the derivatives, the hedged item is also evaluated by fair value due to the hedged risk. The profit (loss) from revaluation of hedged item and hedging derivatives is included in the profit and loss statement "Net profit or loss from dealing with securities, derivatives and foreign currencies".

If the derivatives hedge the risk of variability of cash flow from the accounted assets and liabilities or expected deals, off-balance sheet liabilities or expected deals, the effective part of hedging (fair values of the hedging derivatives) is shown as the "Evaluation differences from hedging derivatives" on the shareholders' equity accounts. The ineffective part is included in the profit and loss statement as "Net profit or loss from dealing with securities, derivatives and foreign currencies".

If the hedging of off-balance sheet liabilities or expected deals results in the accounting of asset or liabilities, the cumulative profit (or loss) from revaluation of hedging derivatives on the account the "Evaluation differences from hedging derivatives" is included into the book value of these assets or liabilities. Otherwise it is accounted for in Profit and loss statement in the same period as profit or loss from the hedged item.

The derivative's fair value is set as the market price announced on the day of the evaluation or by qualified estimation represented by the current value of expected cash flows from these transactions. The present value is determined using valuation models generally accepted on the market, such as Black-Scholes model which is used for certain types of options. These evaluation models use the parameters obtained on active market, such as FX rates, yield curves, volatilities of relevant financial tools, etc.

In 2005 the Bank did not account for hedging derivatives.

#### (j) Taxation

The tax base for income tax is calculated from the result of the current period and adding the tax non-deductible expenses and deducting the revenue which is not subject to income tax, which is adjusted by tax abatements and possible tax credits.

The deferred tax is calculated from all temporary differences between the tax base of assets and liabilities and their book value shown in the balance sheet using the tax rate valid for the next tax period, from the tax loss, which will be amortized in the future tax periods and from the transfer of tax allowances and other tax claims for future tax periods. The deferred tax receivables are accounted in the amount in which the tax base will likely be achieved, which will enable the use of the deferred tax receivable.

#### (k) Finance lease

The takeover of the possession, that is the subject of a finance lease, by leaseholder, is charged to the relevant asset account at the purchase price, which is the current value of rent installments and credited to the account "Finance lease liabilities". In the calculation of the current value of the rent installments, the discount factor the interest rate included in the finance lease is used, unless it is not possible

to define it. If it is impossible to define this interest rate, the substitutional loan interest rate will be the discount factor.

The assets acquired by finance lease are depreciated in accordance with the relevant schedule of depreciation.

**(l) Assets securitization**

The Bank does not use the assets securitization.

**(m) Interest, fees and commissions**

The Interest, fees and commissions are accounted in the profit and loss statement in the period they are related to in terms of time and fact.

**(n) Items of previous financial period and accounting methods changes**

The items related to the previous financial period, including essential errors correction, unless they are not material, are accounted in the current period. If they are material, with a substantial impact on the financial statements, due to which the financial statements would not provide a faithful and true pic-

ture of the subject bookkeeping and due to changes in the accounting methods, they are shown as the "Undistributed profit or unsettled loss of previous years" in the balance sheet of the Bank.

**ACCOUNTING METHODS CHANGES**

By the application of the Decree of the Ministry of Finance of the Slovak Republic no. 11938/2004-74 of December 16, 2004 they used the following new accounting principles in the 2004 and 2005 financial statements of the Bank:

1. The dissolution of watch debts reserves on January 1, 2004 and the creation of provisions on these debts. As at January 1, 2004 the change in the accounting methodology was recognized by recharging through undistributed profit of previous years.
2. The cancellation of estimated items as at December 31, 2004 and creation of provisions on these liabilities.
3. As at January 1, 2005, the application of charging or crediting the difference between the purchase price of securities for sale and their fair value on the account of the "Evaluation differences from the evaluation of securities for sale" has been shown in amount of SKK 304,143.84.

### C. SUMMARY OF CHANGES IN SHAREHOLDER'S EQUITY

Mark	Item	January 1, 2004	Change	December 31, 2004	Change	December 31, 2005
A	B	1	2	3	4	5
1.	Registered capital	2,377,062	-	2,377,062	-	2,377,062
a)	Subscribed registered capital	2,377,062	-	2,377,062	-	2,377,062
b)	Payables from shareholders	-	-	-	-	-
c)	Decrease in registered capital	-	-	-	-	-
2.	Own shares	-	-	-	-	-
3.	Share premium	-	-	-	-	-
a)	Transfer to registered capital	-	-	-	-	-
b)	Sale or transfer of own shares	-	-	-	-	-
4.	Other capital funds	-	641	641	(641)	-
a)	Transfer to registered capital	-	-	-	-	-
b)	Distribution to shareholders (x)	-	-	-	-	-
5.	Reserve funds	35,618	27,999	63,617	37,603	101,220
a)	Mandatory allocation	-	27,999	-	37,603	-
b)	Other increase	-	-	-	-	-
c)	Settlement of annual trading loss	-	-	-	-	-
d)	Transfer to registered capital	-	-	-	-	-
e)	Distribution to shareholders	-	-	-	-	-
6.	Other funds set of the profit distribution	-	-	-	-	-
a)	Settlement of annual trading loss	-	-	-	-	-
b)	Transfer to registered capital	-	-	-	-	-
c)	Transfer to reserve fund	-	-	-	-	-
d)	Distribution to shareholders	-	-	-	-	-
7.	Valuation differences of securities for sale	-	-	303	(717)	(414)
8.	Valuation differences of securities for sale	-	-	-	-	-
9.	Valuation differences of equity participations in foreign currency	127	-	127	177	304
10.	Valuation differences of equity participations in subsidiaries and affiliated companies	-	-	-	-	-
a)	Participation in profit/loss of subsidiaries of affiliated companies	-	-	-	-	-
11.	Valuation differences of valuation of assets in mutual funds or other funds	-	-	-	-	-
12.	Undistributed profit	423,693	239,032	662,422	128,054	790,476
a)	Transfer to registered capital	-	-	-	-	-
b)	Settlement of loss from previous years	-	-	-	-	-
c)	Allocations to funds	-	(27,999)	-	(37,603)	-
d)	Distribution to shareholders	-	-	-	(192,735)	-
e)	Allocation to social fund	-	(12,960)	-	(17,640)	-
f)	Pay off the percentage of annual profits	-	-	-	-	-
g)	Transfer of participation in profit/loss to the subsidiaries or affiliated companies	-	-	-	-	-
13.	Unsettled loss	(73,154)	-	(73,154)	-	(73,154)
a)	Transfer to decrease the registered capital	-	-	-	-	-
14.	Profit or loss in 2005/2004 accounting period	279,991	96,041	376,032	5,698	381,730
15.	Shareholder's equity (sum of rows 1 to 14)	3,043,337	363,713	3,407,050	170,174	3,577,224

#### D. CASH FLOW SUMMARY

	Notes	2005	2004
		SKK thousand	SKK thousand
<b>Profit before tax</b>		<b>422,818</b>	<b>179,986</b>
Non-cash adjustments for:		(325,464)	56,440
Depreciation	8,9	203,196	189,858
Decrease in receivables value		(802,947)	(301,010)
Decrease in long term tangible assets value	8,9	60,000	-
Cancellation of decrease of other asserts value		549	(3,083)
Reserve release/creation	17	3,435	103,090
Profit/loss from sale of tangible assets		5,287	(10,264)
Unrealized foreign exchange profit		205,016	77,849
<b>Unrealized foreign exchange profit</b>			
Profit before changes in working capital and liabilities		97,354	236,426
Increase in financial assets set for trading		(721,805)	3,982,618
Decrease/increase of due from banks		3,443,775	(13,082,641)
Decrease/increase of due from customers		(6,716,716)	1,093,504
Decrease/increase of other assets		7,003	(41,876)
Increase/decrease in accruals and deferred income	4c	(13,076)	1,174
Decrease/increase of trading liabilities	13,14	(195,330)	479,379
Increase/decrease of due to banks	13	1,546,323	(1,478,285)
Increase of due to customers		1,583,897	9,626,629
Decrease/increase of other liabilities		(43,792)	39,464
Decrease of accruals and deferred expenses		(4,792)	(111,817)
<b>Net cash flow from operating activities</b>		<b>(1,017,159)</b>	<b>744,575</b>
<b>Cash flows from investment activities</b>			
Cash flows from investment activities	7	10,998	13,799
Decrease/increase of securities	3,8	325,872	(1,943,476)
Increase of investments in affiliated companies		-	-
Purchase of long term tangible property	8,9,10	(307,692)	(431,496)
Profit/loss from sale of long term tangible property	23	(5,287)	10,264
<b>Net cash flow used in investment activities</b>		<b>23,891</b>	<b>(2,350,909)</b>
<b>Cash flows from financing activities</b>			
Dividends paid	C	(192,735)	-
Issue of debt securities	15	1,277,206	1,353,550
Accepted subordinated debt		-	-
<b>Net cash flows from financing activities</b>		<b>1,084,471</b>	<b>1,353,550</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>91,203</b>	<b>(252,784)</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>946,207</b>	<b>1,198,991</b>
<b>Cash and cash equivalents at end of year</b>		<b>1,037,410</b>	<b>946,207</b>

**E. NOTES TO THE ITEMS OF BALANCE SHEET AND  
ITEMS OF PROFIT AND LOSS STATEMENT**

**1. TRADING SECURITIES**

**(a) Trading securities**

The trading securities are classified by type, according to §2 of the Act no. 566/2001 Coll. on securities and investment service and about amendments of certain laws.

**(b) The debt securities issued by subsidiaries and affiliated companies**

The debt securities issued by subsidiaries and affiliated companies

SKK thousand	2005	Hereof provided as collateral in repo trades	2004	Hereof provided as collateral in repo trades
Shares	22,651	-	22,651	-
Bonds	2,726,698	-	2,149,205	-
<b>Total</b>	<b>2,749,349</b>	<b>-</b>	<b>2,171,856</b>	<b>-</b>

**2. TRADING DERIVATIVES**

**(a) Trading derivatives**

SKK thousand	2005	2004
Currency options	315,137	55,078
Interest derivatives	81,909	208,653
Currency derivatives	263,506	283,095
<b>Total</b>	<b>660,552</b>	<b>546,826</b>

**(b) Hedging derivatives**

The Bank has no hedging derivatives.

**3. SECURITIES FOR SALE**

**(a) Securities for sale**

The securities for sale are classified by type, according to §2 of the Act no. 566/2001 Coll. on securities and investment service and about amendments of certain laws.

SKK thousand	2005	Hereof provided as collateral in repo trades	2004	Hereof provided as collateral in repo trades
Shares	3,657	-	6,815	-
Interim certificate	-	-	-	-
Other kind of securities	-	-	-	-
<b>Total</b>	<b>3,657</b>	<b>-</b>	<b>6,815</b>	<b>-</b>

**(b) The debt securities issued by subsidiaries and affiliated companies**

The Bank has no debt securities issued by subsidiaries and affiliated companies.

#### 4. DEBTS FROM CUSTOMERS AND OTHER DEBTORS

##### (a) Classification of debts from customers

SKK thousand	2005	2004
Standard	25,962,625	18,197,873
Watch	292,351	556,962
Nonstandard	69,080	126,182
Doubtful	77,141	62,386
Loss	1,389,895	2,132,762
Provisions on possible debt loss	(1,401,914)	(2,208,655)
<b>Net debts from customers</b>	<b>26,389,178</b>	<b>18,867,510</b>

In 2005 the Bank restructured the debts from customers in the total amount of SKK 775,641 thousand (2004: SKK 1,148,687 thousand).

##### (b) The analysis of debts from customers by sectors of activities

SKK thousand	2005	Hereof the debts from repo trades	2004	Hereof the debts from repo trades
Financial institutions	283,888	-	392,463	-
Non-financial institutions	18,691,427	-	14,677,885	-
Insurance companies	37,846	-	-	-
Governmental sector	2,457,860	-	3,009,738	-
Non-profit organizations	6,371	-	936	-
Sole traders	911,518	-	830,162	-
Residents	2,526,510	-	1,698,152	-
Non-residents	2,781,612	-	449,052	-
Organizations without CRN	-	-	-	-
Not classified in sectors	94,060	-	17,777	-
Provisions on possible debt loss	(1,401,914)	-	(2,208,655)	-
<b>Net debts from customers</b>	<b>26,389,178</b>	<b>-</b>	<b>18,867,510</b>	<b>-</b>

##### (c) Residual maturity of debts from customers and other debtors

SKK thousand	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 year to 5 years	More than 5 years	Unspecified	Total
<b>As at December 31, 2005</b>							
Debts from customers and other debtors	6,135,158	1,493,060	6,443,001	9,238,941	2,889,389	189,629	26,389,178
Other assets	172,475	1,720	88,890	88,890	-	35,547	387,522
Accrued income	-	-	-	-	-	47,625	47,625
<b>Total</b>	<b>6,307,633</b>	<b>1,494,780</b>	<b>6,531,891</b>	<b>9,327,831</b>	<b>2,889,389</b>	<b>272,801</b>	<b>26,824,325</b>

SKK thousand	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 year to 5 years	More than 5 years	Unspecified	Total
<b>As at December 31, 2004</b>							
Debts from customers and other debtors	3,793,551	1,450,043	4,683,914	7,125,199	1,644,148	170,655	18,867,510
Other assets	72,531	-	102,586	205,172	-	57,874	438,163
Accrued income	-	-	-	-	-	34,549	34,549
<b>Total</b>	<b>3,866,082</b>	<b>1,450,043</b>	<b>4,786,500</b>	<b>7,330,371</b>	<b>1,644,148</b>	<b>263,078</b>	<b>19,340,222</b>

The above charts show the residual maturity of the book value of individual financial tools, not the whole cash flows resulted from these tools.

**(d) The debts from customers and other debtors by kinds**

SKK thousand	2005	2004
<b>Loans and advances</b>		
To entrepreneurs and legal entities	23,069,290	17,086,691
Consumer loans	335,588	246,823
Mortgage loans	1,960,366	1,361,802
Debts from financial lease	-	-
Other loans – physical entities	1,019,346	171,905
Recompenses and commissions	4,588	289
<b>Total</b>	<b>26,389,178</b>	<b>18,867,510</b>

**(e) Syndicated loans**

According to the Loan Agreement of December 2, 2005 made between the debtor and creditors, UniBanka, a.s. is the agent of the syndicated loan in maximum amount of EUR 35,000,000.- hereof EUR 5,000,000 is not committed by creditors. The committed share of other creditors represents EUR 22,500,000 and the committed participation of the Bank represents EUR 7,500,000.

As at December 31, 2005 the outstanding principal of the syndicated loan was SKK 644,119,499.39 (at the exchange rate of the NBS 37.848 SKK/EUR), hereof the share of other participants represented SKK 475,157,898.40 and the share of the Bank SKK 168,961,600.99.

As at December 31, 2005 the total interest debt represented SKK 587,048.67.

The share of the risk of this syndicated loan is as follows:

- UniBanka, a.s. – 25%
- Other creditors – 75%

The loan was provided under the following conditions:

- Type:
    1. Investment loan
    2. Bank overdraft
    3. Loan for operation – fixed tranche
  - Purpose: refinancing the debts of the debtor to banks; financing the investment requirements of the debtor including financial investments; financing the operating requirements of the debtor
  - Price:
    - 1 month EURIBOR + 0.65% p.a.;
    - 3 month EURIBOR + 0.65% p.a.;
    - 3 month BRIBOR + 0.65% p.a.
  - Drawdown:(in EUR, or in SKK)
    - EUR 14 million within the investment loan;
    - EUR 3 million within the bank overdraft;
    - EUR 13 million within the fixed tranches
  - Maturity: not later than on December 15, 2015
- The detailed terms and conditions are available in the syndicated loan contractual documentation.



**(f) Debts from subsidiary and affiliated companies**

The Bank has no debts from subsidiary and affiliated companies.

**(g) Subordinated debts from customers**

The Bank has no subordinated debts from customers.

**5. PROVISIONS ON POSSIBLE CREDIT LOSS**

**(a) Provisions on debts from customers and other debtors**

SKK thousand	
<b>Balance as at January 1, 2005</b>	<b>2,208,655</b>
<b>Provisioning during the current year</b>	<b>608,788</b>
Watch loans	60,798
Non-standard loans	74,623
Doubtful loans	209,014
Loss loans	264,353
<b>Application of provisions during the current year</b>	<b>(1,415,529)</b>
Write off	554,925
Dissolution of provisions on sold loans	220,297
Other	640,307
Debts from financial lease	-
<b>Balance of provisions as at December 31, 2005</b>	<b>1,401,914</b>

SKK thousand	
<b>Balance as at January 1, 2004</b>	<b>2,197,578</b>
<b>Provisioning during the current year</b>	<b>855,927</b>
Watch loans	132,364
Non-standard loans	89,166
Doubtful loans	115,844
Loss loans	518,553
<b>Application of provisions during the current year</b>	<b>(844,850)</b>
Write off	356,766
Dissolution of provisions on sold loans	211,759
Other	276,325
Debts from financial lease	-
<b>Balance of provisions as at December 31, 2004</b>	<b>2,208,655</b>

**(b) Provisions on debts from banks**

As at December 31, 2005 (as well as December 31, 2004) the Bank did not show any impaired debts from banks, on which it would be necessary to create provisions.

## 6. DEBT SECURITIES HELD TO MATURITY

### (a) Debt securities held to maturity

The debt securities held to maturity are classified by type, according to §2 of the Act no. 566/2001 Coll. on securities and investment service and on amendments of certain laws.

SKK thousand	2005	Hereof provided as collateral in repo trades	2004	Hereof provided as collateral in repo trades
Government bonds	2,706,267	-	2,976,870	-
Bank bonds	-	-	43,149	-
Corporate bonds	1,258,819	-	1,267,781	-
Correction	(-)	-	(-)	-
<b>Securities held to maturity</b>	<b>3,965,086</b>	<b>-</b>	<b>4,287,800</b>	<b>-</b>

The premiums and discounts are accounted on the expense and revenue accounts evenly from the day of acquisition to the date of maturity, as from the time point of view the difference between the use of linear method and the method of effective interest rate is insignificant.

### (b) Debt securities issued by subsidiary and affiliated companies

The bank does not register debt securities issued by subsidiary and affiliated companies.

## 7. SHARE REGISTERED CAPITAL IN SUBSIDIARY ACCOUNTING ENTITIES AND SHARE ON REGISTERED CAPITAL IN AFFILIATED ACCOUNTING ENTITIES

### a) Investments in register capital of subsidiaries

SKK thousand Name of unit and legal form	Seat	Business	Registered capital	Equity	Share in profit	Number of shares	Nominal value	Book value
<b>As at December 31, 2005</b>								
Agroinvest FPS, a.s. in liquidation	Bratislava	In liquid.	4,100	-	100 %	41	100	-

SKK thousand Name of unit and legal form	Seat	Business	Registered capital	Equity	Share in profit	Number of shares	Nominal value	Book value
<b>As at December 31, 2004</b>								
Agroinvest FPS, a. s. in liquidation	Bratislava	In liquid.	4,100	-	100 %	41	100	-
Agrocons, a.s. in liquidation	Bratislava	In liquid.	13,894	21,307	82,54 %	11,469	-	10,998
<b>Total</b>								<b>10,998</b>

The Bank created provisions in the amount of SKK 4,100,000.

### (b) Investments in registered capital of affiliated companies

The Bank has no affiliated companies.

### (c) Number of shares and their nominal value by types of shares issued during the current accounting period

The Bank has no affiliated companies.

## 8. TANGIBLE AND INTANGIBLE PROPERTY

### (a) Movement of tangible and intangible property

SKK thousand	Acquisition Tangible property	Intangible property	Land and lots	Intangible Software	property Other	Tangible Inventory	property Devices and equipment	Total
<b>Purchase cost</b>								
As at January 1, 2005	299,509	28,383	924,561	501,825	2,948	177,760	872,047	2 807,033
Increases	459,444	44,228	-	-	-	-	-	503,672
Decreases	-	-	(170,665)	-	-	(8,600)	(126,941)	(306,206)
Transfers	(699,400)	(50,197)	549,546	50,197	-	45,001	104,853	-
<b>As at December 31, 2005</b>	<b>59,553</b>	<b>22,414</b>	<b>1,303,442</b>	<b>552,022</b>	<b>2,948</b>	<b>214,161</b>	<b>849,959</b>	<b>3,004,499</b>
<b>Accumulated depreciation and provisions</b>								
As at January 1, 2005			164,275	370,265	1,386	92,344	636,935	1,265,205
Write offs in one year			52,748	40,229	544	23,345	86,330	203,196
Decreases			(24,015)	-	-	(8,541)	(77,670)	(110,226)
Provisions			-	35,000	-	-	25,000	60,000
As at December 31, 2005	0	0	193,008	445,494	1,930	107,148	670,595	1,418,175
<b>Net book value</b>								
As at December 31, 2004	299,509	28,383	760,286	131,560	1,562	85,416	235,112	1,541,828
<b>As at December 31, 2005</b>	<b>59,553</b>	<b>22,414</b>	<b>1,110,434</b>	<b>106,528</b>	<b>1,018</b>	<b>107,013</b>	<b>179,364</b>	<b>1,586,324</b>

The provisions on the selected tangible property in the amount of SKK 25,000 thousand and the provisions on the selected intangible property in the amount of SKK 35,000 thousand were created with regard to the merger of UniBanka, a. s. and HVB Slovakia, a. s. and with the planned change of the Bank accounting system. The provisions were quantified in the expected amount of the residual price of tangible and intangible property at the scheduled period of the Bank accounting system change.

### (b) Incorporation expenses

As at December 31, 2005, the bank did not show any incorporation expenses within the fixed assets.

### (c) Tangible property acquired upon finance lease

The Bank has acquired a part of the property

(computer technology) to ensure its operation under a finance lease agreement. In accordance with the present accounting procedures, the Bank accounts for leased property – the financial leasing within their fixed assets and at the same time they write off only upon contractual relations of finance lease concluded after December 31, 2004. As the existing leasing contractual relations of the Bank, valid at December 31, 2005 were concluded before December 31, 2003, the Bank proceeds in accounting of this property so that it expenses evenly the paid leasing installments during the whole period of the lease. The property acquired on the basis of the contract of purchase of the leased property (finance lease) shall become the Bank's property after the termination of the lease and it shall be classified as fixed assets.

The volume of the property acquired by finance lease in purchase costs:

Purchase cost in SKK thousand	2005	2004
As at January 1	71,566	71,963
Increases	-	-
Decreases	(25,059)	(397)
<b>As at December 31</b>	<b>46,507</b>	<b>71,566</b>

The Bank is obligated to pay the following finance lease installments:

SKK thousand	Paid in 2005	Due within 1 year	Due from 1 to 5 years	Due in subsequent years	Due in total
Inventory	-	-	-	-	-
Passenger cars	1,341	-	-	-	-
Other tangible property	10,794	2,872	-	-	2,872
<b>Total</b>	<b>12,135</b>	<b>2,872</b>	<b>-</b>	<b>-</b>	<b>2,872</b>

The outstanding financial leasing liabilities represented SKK 2,872 thousand as at December 31, 2005, and the total outstanding balance is due within 1 year.

## 9. TAX RECEIVABLES

SKK thousand	2005	2004
Income tax	-	-
Deferred tax receivable – Note no. 19 c.	266,670	307,758
	<b>266,670</b>	<b>307,758</b>

## 10. OTHER ASSETS

SKK thousand	2005	2004
Values in transit	69,945	72,331
Debts from cash collection	36,043	30,674
Various debtors	23,059	30,427
Operating prepayments	3,992	2,671
Deferred income and expense	47,625	34,549
Stocks	6,765	8,242
Other receivables	1,934	2,649
Provisions	(18,886)	(16,589)
<b>Total</b>	<b>170,477</b>	<b>164,954</b>

## 11. ANALYSIS OF PAYABLES TO BANKS OF ISSUE AND BANKS AND PAYABLES TO CUSTOMERS AND OTHER CREDITORS

SKK thousand	2005	Hereof payables from repo trades	2004	Hereof payables from repo trades
Payables to banks of issue	-	-	-	-
Payables to banks	1,317,399	-	522,431	-
Other payables to banks of issue and banks	3,308,238	-	2,556,883	-
Payables to customers and other creditors	41,011,385	-	39,277,551	291,932
<b>Total</b>	<b>45,637,022</b>	<b>-</b>	<b>42,356,865</b>	<b>291,932</b>

**(b) By residual maturity**

SKK thousand	2005	Hereof payables from repo trades	2004	Hereof payables from repo trades
Less than 1 month	39,694,290	-	26,107,721	-
More than 1 month up to 3 months	2,492,440	-	1,729,134	291,932
More than 3 months up to 1 year	2,237,555	-	13,035,120	-
More than 1 year up to 5 years	1,138,446	-	1,318,965	-
More than 5 years	19,200	-	146,283	-
Unspecified	55,091	-	19,642	-
<b>Total</b>	<b>45,637,022</b>	<b>-</b>	<b>42,356,865</b>	<b>291,932</b>

**(c) By creditors**

SKK thousand	2005	Hereof payables from repo trades	2004	Hereof payables from repo trades
Non-financial organizations	12,082,743	-	11,916,202	-
Banks of issue	-	-	-	-
Banks	4,625,637	-	3,079,314	-
Other financial intermediates	83,800	-	156,913	-
Insurance companies	2,054,378	-	1,488,265	-
Public administration	11,724,632	-	11,313,804	-
Nonprofit institutions	621,166	-	1,207,632	-
Inhabitants	11,588,878	-	11,335,133	-
Licensed trades	1,229,044	-	994,357	-
Other	1,626,744	-	865,245	291,932
<b>Total</b>	<b>45,637,022</b>	<b>-</b>	<b>42,356,865</b>	<b>291,932</b>

**(d) By liabilities**

SKK thousand	2005	Hereof payables from repo trades	2004	Hereof payables from repo trades
Deposits	43,846,830	-	41,439,617	-
Others deposits	1,188,116	-	552,801	-
Loans and advances	602,076	-	364,447	291,932
Liabilities from finance lease	-	-	-	-
Recompenses and commissions	-	-	-	-
<b>Total</b>	<b>45,637,022</b>	<b>-</b>	<b>42,356,865</b>	<b>291,932</b>

**(e) By collaterals**

SKK thousand	2005	2004	
		Selling value	Nominal value
Unsecured	45,637,022	42,064,933	-
Secured	-	291,932	-
hereof:			
By immovables	-	-	-
By movables	-	-	-
By receivables	-	-	-
By securities	-	291,932	-
<b>Total</b>	<b>45,637,022</b>	<b>42,356,865</b>	<b>291,932</b>

**(f) Payables from repo trades by collaterals**

SKK thousand	2005		2004	
		Selling value		Nominal value
Unsecured	-	-	-	-
Secured	-	291,932	-	291,932
hereof:				
By immovables	-	-	-	-
By movables	-	-	-	-
By receivables	-	-	-	-
By securities	-	291,932	-	291,932
<b>Total</b>	<b>-</b>	<b>291,932</b>	<b>-</b>	<b>291,932</b>

**(g) Payables from repo trades by agreed maturity**

SKK thousand	2005	2004
Less than 1 year	-	291,932
More than 1 year	-	-
<b>Total</b>	<b>-</b>	<b>291,932</b>

**(h) Payables to subsidiary and affiliated companies**

The Bank has no payables to subsidiary and affiliated companies.

**12. DERIVATIVES**

**(a) Trading derivatives**

SKK thousand	2005	2004
Currency options	314,872	55,078
Interest rate derivatives	76,612	66,514
Currency derivatives	23,635	196,925
<b>Total</b>	<b>415,119</b>	<b>318,517</b>

**(b) Hedging derivatives**

The bank has no hedging derivatives.

**13. PAYABLES FROM DEBT SECURITIES**

**Analysis of debt securities by kinds**

SKK thousand	2005	Hereof provided as collateral in repo trades	2004	Hereof provided as collateral in repo trades
Issued mortgage debentures	1,527,994	-	1,025,556	-
Bills of exchange	1,815,249	-	1,040,481	-
<b>Total</b>	<b>3,343,243</b>	<b>-</b>	<b>2,066,037</b>	<b>-</b>

#### 14. OTHER LIABILITIES

SKK thousand	2005	2004
Accrued revenue	8,196	13,273
Accrued expense	636	351
Value added tax	892	4,748
Other taxes	51,947	72,963
Liabilities from cash collection	40,962	31,995
Various liabilities	122,217	155,475
Liabilities from securities trading	79,771	55,579
<b>Total</b>	<b>304,621</b>	<b>334,384</b>

#### 15. RESERVES

SKK thousand	As at January 1, 2005	Creation	Use	Release	As at December 31, 2005
<b>Tax</b>					
Wages and remuneration reserve	96,380	103,783	57,734	38,646	103,783
Operating cash reserve	28,907	16,929	24,646	4,261	16,929
<b>Non-tax</b>					
Litigation reserve	144,500	19,330	-	12,330	151,500
Liability reserve	4,154	-	-	-	4,154
Payment card reserve	4,554	960	435	-	5,079
Severance pay reserve	1,245	89	-	-	1,334
Other liabilities reserve	3,533	396	-	-	3,929
<b>Total</b>	<b>283,273</b>	<b>141,487</b>	<b>82,815</b>	<b>55,237</b>	<b>286,708</b>

#### 16. SUBORDINATED FINANCIAL LIABILITIES

The Bank has no subordinated financial assets.

#### 17. INCOME TAX AND DEFERRED TAX RECEIVABLE/LIABILITY

##### (a) Income tax due

Transfer of book profit to legal entity income tax base is as follows:

SKK thousand	2005	2004
Profit (loss) of current financial period	381,730	376,032
Non-tax revenue	(94,924)	(196,052)
Tax nondeductible expenses	221,112	203,688
Tax allowances and credits	-	-
Other items – provisioning / dissolution of provisions	(792,914)	(497,612)
Subtotal	(284,996)	(113,944)
<b>Income tax calculated using a tax rate of 19%</b>	<b>-</b>	<b>-</b>

As at December 31, 2005 the Bank showed negative tax base, which was influenced mainly by dissolution of provisions due to loan debts written-off.

### (b) Deferred tax receivable/liability

Deferred income tax is calculated on all temporary differences using an effective tax rate of 19% (2004: 19%).  
The deferred tax receivables and liabilities consist of the following items:

SKK thousand	2005	2004
<b>Taxable temporary differences</b>		
Provisions on loans	-	-
Securities pricing	-	-
Other	20,540	1,532
<b>Deductible temporary differences</b>		
Provisions on loans	952,300	1,621,310
Securities pricing	-	-
Tax loss of previous years	410,431	-
Other	61,334	-
	1,424,065	1,621,310
Tax rate %	19	19
<b>Deferred tax receivable</b>	<b>266,670</b>	<b>307,758</b>

### (c) Deferred tax

SKK thousand	2005	2004
As at January 1, 2005	307,758	111,706
Creation/release through the profit and loss statement	(41,088)	196,052
Creation/release accounted through equity	-	-
As at December 31, 2005	266,670	307,758

The Bank showed tax cost due to deferred tax in the amount of SKK 41,088 thousand (2004: tax revenue of SKK 196,052 thousand). The entire amount resulted from the reduction of the deferred tax receivable.

The Bank's management expects that the level of current and future taxable profit of the Bank will be sufficient to use the deferred tax receivable shown at December 31, 2005.

## 18. NET INTEREST INCOME

SKK thousand	2005	2004
<b>Interest income</b>	<b>2,069,744</b>	<b>2,609,051</b>
Deposits	123,375	84,307
Loans	1,618,264	1,921,480
Securities	328,105	603,264
<b>Interest expense</b>	<b>1,191,919</b>	<b>1,645,213</b>
Deposits	1,071,963	1,534,348
Loans	11,663	12,918
Securities	108,293	97,947
<b>Net interest income</b>	<b>877,825</b>	<b>963,838</b>



## 19. FEES AND COMMISSIONS

SKK thousand	2005	2004
<b>Revenues from fees and commissions</b>	<b>535,733</b>	<b>452,753</b>
Securities operations	37,049	9,545
Derivatives operations	-	-
Custody, administration, safekeeping of valuables and handling the valuables	1,227	1,177
Credit activities	98,906	77,715
Payment system	307,490	281,948
Other activities	91,061	82,368
<b>Expenses related to fees and commissions</b>	<b>115,937</b>	<b>80,984</b>
Securities operations	37,765	4,573
Derivatives operations	-	-
Credit activities	7,618	4,990
Payment system	63,736	62,166
Custody, administration, safekeeping of valuables and handling the valuables	-	-
Other activities	6,818	9,255
<b>Net revenue from fees and commissions</b>	<b>419,796</b>	<b>371,769</b>

## 20. NET PROFIT OR LOSS FROM FINANCIAL OPERATIONS

SKK thousand	2005	2004
Profit/loss from securities operations	27,848	36,604
in the portfolio of securities for sale	(520)	(94)
in the portfolio of securities for trading	28,368	36,698
Profit/loss from derivatives operations	321,385	366,858
Profit/loss from foreign exchange operations	242,120	107,291
Other	-	-
<b>Total</b>	<b>591,353</b>	<b>510,753</b>

## 21. OTHER OPERATING INCOME AND EXPENSES

SKK thousand	2005	2004
<b>Income</b>	<b>106,640</b>	<b>34,240</b>
Sale and transfer of fixed assets	101,415	31,343
Transferred debts	3	-
Written off debts	26	2,897
Transfer of securities held to maturity	5,196	-
Transfer of investments to the registered capital of subsidiary and affiliated companies	-	-
<b>Expense</b>	<b>804,078</b>	<b>537,415</b>
Sale and transfer of fixed assets	96,128	21,079
Transferred debts	86,891	147,167
Written off debts	621,059	369,169
Transfer of securities held to maturity	-	-
Transfer of investments to the registered capital of subsidiary and affiliated companies	-	-

## 22. OTHER INCOME

SKK thousand	2005	2004
Income from lease	5,188	6,053
Compensation for shortage and loss	1,075	-
Other non-productive activities	3,149	5,807
Other operating income	4,628	6,221
<b>Total</b>	<b>14,040</b>	<b>18,081</b>

## 23. PERSONNEL EXPENSES

SKK thousand	2005	2004
Personnel expenses and remuneration	581,207	458,738
Wages (and bonuses)	444,937	344,854
Social insurance and health insurance	136,270	113,884
Other personnel expenses	9,314	8,999
Training cost	9,314	8,999
<b>Total</b>	<b>590,521</b>	<b>467,737</b>

The average number of employees of the Bank was as follows:

Persons	2005	2004
Employees	998	980
Members of the Board of Directors	3	3
Members of the Supervisory Board	12	12
Other members of management	38	40

#### 24. OTHER EXPENSES

SKK thousand	2005	2004
Material usage	12,205	16 244
Energy consumption	26,435	25 189
Rent	52,163	52 167
Advertising and promotion	70,868	66 170
Repairs and property services	26,716	21 740
Guard services	22,629	21 873
Travel costs	14,036	13 810
Money transport and communications	75,170	77 270
Licence, fees	90,204	73 465
VAT	83,460	71 339
Deposit protection fund	105 843	115 409
Audit expenses, legal and tax advisory expenses	25 061	13 127
Taxes and fees	11 373	14 535
Other	110 665	141 560
<b>Total</b>	<b>726 828</b>	<b>723 898</b>

## F. OVERVIEW OF OTHER ASSETS AND OTHER LIABILITIES

### (a) Division of off-balance sheet items

in SKK thousand	2005	2004
<b>Off-balance sheet assets</b>		
1. Receivables under future loans, credits and guarantees	9,934,925	7,122,183
1a. receivables under future loans and credits	8,629,762	5,764,320
1b. guarantees and warranties issued	1,305,163	1,357,863
2. Issued guarantees	-	-
2a. real estates	-	-
2b. cash	-	-
2c. securities	-	-
2d. other	-	-
3. Receivables under spot transactions with	2,580,913	261,809
3a. interest rate instruments	-	-
3b. monetary instruments	2,580,913	261,809
3c. equity instruments	-	-
3d. commodity instruments	-	-
3e. lending instruments	-	-
4. Receivables under future transactions with	23,519,902	29,733,279
4a. interest rate instruments	4,920,612	16,295,649
4b. monetary instruments	18,599,290	13,437,630
4c. equity instruments	-	-
4d. commodity instruments	-	-
4e. lending instruments	-	-
5. Receivables under option transactions with	35,440,219	11,639,074
5a. interest rate instruments	-	-
5b. monetary instruments	35,440,219	11,639,074
5c. equity instruments	-	-
5d. commodity instruments	-	-
5e. lending instruments	-	-
6. Written-off receivables	-	-
7. Valuables deposited for safe-keeping, administration, storage	-	-
8. Valuables deposited for disposal, of which securities	-	-
<b>Total</b>	<b>71,475,959</b>	<b>48,756,345</b>

in SKK thousand

2005

2004

**Off-balance sheet liabilities**

1. Liabilities under future loans, credits and guarantees	4,266,444	3,615,646
1a. liabilities under future loans and credits	75,696	155,184
1b. received guarantees and warranties	4,190,748	3,460,462
2. Received guarantees	63,452,393	58,492,567
2a. Received guarantees	21,694,531	18,438,332
2b. cash	572,068	80
2c. securities	16,359,523	16,376,813
2d. other	24,826,271	23,677,342
3. Liabilities under spot transactions with	2,631,883	261,281
3a. interest rate instruments	-	-
3b. monetary instruments	2,631,883	261,281
3c. equity instruments	-	-
3d. commodity instruments	-	-
3e. lending instruments	-	-
4. Liabilities under future transactions with	23,271,797	28,049,890
4a. interest rate instruments	4,920,612	14,670,208
4b. monetary instruments	18,326,210	13,354,707
4c. equity instruments	24,975	24,975
4d. commodity instruments	-	-
4e. lending instruments	-	-
5. Liabilities under option transactions with	35,440,219	11,639,074
5a. interest rate instruments	-	-
5b. monetary instruments	35,440,219	11,639,074
5c. equity instruments	-	-
5d. commodity instruments	-	-
5e. lending instruments	-	-
6. Valuables received for safe-keeping, administration, storage	7,396,609	7,189,036
7. Portfolios received for management	-	-
8. Securities of clients	-	-
<b>Total</b>	<b>136,459,345</b>	<b>109,247,494</b>

**(b) Off-balance sheet financial instruments**

in SKK thousand	Contractual values 2005	Contractual values 2004	Fair values 2005	Fair values 2004
<b>Assets</b>				
<b>Hedging instruments</b>	-	-	-	-
<b>Trading instruments</b>				
Fixed term interest rate transactions	4,920,612	16,295,649	81,909	208,653
Fixed term monetary transactions	18,599,290	13,437,630	263,506	283,095
Option contracts	35,440,219	11,639,074	315,137	55,078
<b>Total</b>	<b>58,960,121</b>	<b>41,372,353</b>	<b>660,552</b>	<b>546,826</b>

in SKK thousand	Contractual values 2005	Contractual values 2004	Fair values 2005	Fair values 2004
<b>Liabilities</b>				
<b>Hedging instruments</b>	-	-	-	-
<b>Trading instruments</b>				
Fixed term interest rate transactions	4,920,612	14,670,208	76,612	66,514
Fixed term monetary transactions	18,326,210	13,354,707	23,635	196,925
Option contracts	35,440,219	11,639,074	314,872	55,078
<b>Total</b>	<b>58,687,041</b>	<b>39,663,989</b>	<b>415,119</b>	<b>318,517</b>

**(c) Valuables received for safe-keeping, administration and storage**

in SKK thousand	2005	2004
Cash	-	-
Bonds	156,061	173,664
Shares	4,047,324	5,363,511
Real estates	-	-
Other movable assets	-	-
Other assets	3,193,224	1,651,861
<b>Total</b>	<b>7,396,609</b>	<b>7,189,036</b>

As at December 31, 2005 the Bank has shown received collaterals from repo deals in the amount of SKK 12,954,362 thousand.

**(d) Values received for management**

The Bank does not have values received for management.

**(e) Values deposited for custody, administration and depositing**

The Bank does not have valuables deposited for safe-keeping, administration and depositing.

**(f) Values deposited for management**

The Bank does not have values deposited for management.

## G. OTHER NOTES

### 1. DATA ABOUT RELATIONS WITH RELATED ENTITIES

#### (a) Definition of related entities

Entities related to the accounting entity are following:

	Share in registered capital
<b>a)Entities with controlling influence</b>	
UniCredito Italiano S.p.A.	77.21 %
<b>b)Entities with significant influence</b>	
EBOR London	19.90 %
<b>c)Joint accounting entities</b>	-
<b>d)Affiliated accounting entities</b>	-
<b>e)Subsidiary accounting entities</b>	
Agroinvest FPS, a.s. in liquidation	100.00%
<b>f)Board of Directors</b>	
The list of members of the Board of Directors is shown in the part A.	-
<b>g)Supervisory Board</b>	
The list of the Supervisory Board members is shown in the part A.	-
<b>h)Other entities</b>	
Other entities pursuant to Article 35 of Act No.483/2001.	-

#### (b)Receivables, liabilities, revenues and costs

in SKK thousand	Members of the Supervisory Board and Board of Directors		Parent company		Other entities with special relations with the Bank (including UniCredito Italiano Group)	
	2005	2004	2005	2004	2005	2004
Loans	8,729	6,204	71,921	-	220,733	272,533
Deposits - credit	13,010	12,686	1,470,236	900,972	316,474	60,640
Deposits - debit	48	37	18,253	25,778	3,100	7,056
Interest income	367	74	1,931	634	10,567	14,168
Interest expense	135	308	32,690	31,769	6,424	9,133
Fee income	4	11	36	92	17,614	524
Fee expense	-	-	1	-	304	-

## 2. FINANCIAL INSTRUMENTS – MARKET RISK

The Bank is exposed to market risks resulting from open positions under transactions with interest-rate, equity and monetary instruments that are sensitive to changed conditions on financial markets.

### (a) Trading

The Bank holds its trading positions in various financial instruments including financial derivatives. Most of the Bank's trading activities follow requirements of the Bank's clients. According to the estimated demand from clients, the Bank maintains a certain supply of financial instruments and provides access to financial markets by quoting buying and selling prices as well as by trading with other market makers. These positions are also held for the purpose of speculation for expected future developments on financial markets. For this reason, the Bank's business strategy is influenced by speculative anticipations and market creation and its objective is maximisation of net revenues from trading.

The Bank manages risks connected with trading activities at the level of individual risks and also at the level of individual types of financial instruments. The basic instrument of risks management are limits for volumes of individual transactions, stop loss limits and limits for values at risk.

Types of transactions of UniBanka executed in 2005 that are subject to market risks:

- a) transactions with securities – purchase and sale of bonds
- b) Spot, Outright
- c) Futures and derivatives
  - ca) Futures and derivatives
  - cb) IRS
  - cc) CCS
  - cd) foreign currency options
- d) REPO transactions

All transactions with derivatives executed by the Bank were intended for trading. In 2004, UniBanka commenced to execute foreign currency option transactions. Option transactions are classified among the conditional forward transactions. Their basic distinction from unconditional (fixed) forward transactions lies in the fact that only one party is obliged to fulfil the agreed transaction on request, whereas the other party has the right of option - it may request fulfilment of the transaction or withdrawal from it. The buyer of the option (option holder) acquires through purchase of the option the right to buy (call option) or sell (put option) for the option premium (option price).

All derivative transactions in 2005 were concluded as OTC transactions (not through the stock exchange). Most derivatives are traded on the inter-bank (OTC) market due to the non-existence of the financial derivatives public market in the Slovak Republic.

UniBanka measures and monitors market risks using the method of qualified estimate in compliance with the Decree of the Ministry of Finance of the Slovak Republic as well as the Act on Accounting. The Bank calculates the change in the fair value of derivatives from the data of the REUTERS system. The final interest rates - purchase (Close-Bid) in the particular currency for the previous day are used as the basis for calculation of the measurement. In case the interest rate for the particular period is not at disposal, the interest rate is calculated by means of extrapolation on the basis of existing values. The Bank provides monitoring of the currency risk on a daily basis through an automated revaluation – forward revaluation in the banking system.

The Bank's interest rate risks are measured through the GAP analysis. Individual assets, liabilities and off-balance sheet items sensitive to interest rates are divided into time zones according to the schedule of maturity of their payments (at a fixed rate) or according to the time remaining until their following date of revaluation (at a variable rate). The amount of difference for a particular time zone (assets minus liabilities plus off-balance sheet exposures revaluated or due within the scope of time zones) determines the risk of the Bank resulting from revaluation. During 2005 the profile of the interest rate risk was stable, monitored regularly and controlled within the set limits. The Investment policy of UniBanka, a. s. in the area of market risks for the particular calendar year including limits as well as the method for market risks management is the basis for ensuring the market risk management.

### (b) Risks management

The selected risks to which the Bank is exposed as a result of its activities, management of the positions resulting from these activities and the Bank's approach to management of these risks are described in the following paragraphs. More detailed procedures which the Bank uses for measurement and management of these risks are presented in the investment policy of UniBanka, a. s. for the market risks area.



### Liquidity risk

The liquidity risk arises from the type of financing of the Bank's activities and management of its positions. It also includes the risk related to the ability to finance the Bank's assets by instruments with appropriate maturity as well as the Bank's ability to liquidate/sell assets at a reasonable price within a reasonable time horizon.

The Bank has access to diversified sources of financing that consist of deposits and other accounts, issued

securities, received loans inclusive of subordinated financial liabilities and the Bank's equity. This diversification gives flexibility to the Bank and decreases its dependency on one source of financing. The Bank regularly assesses the liquidity risk namely by monitoring of changes in the structure of financing and compares them with the liquidity risk management strategy approved by the Board of Directors. As part of the liquidity management strategy, the Bank also holds a portion of assets in highly liquid instruments such as treasury bills, the NBS treasury bills etc.

### Residual maturity of the Bank's assets and liabilities

in SKK thousand	up to 1 month	from 1 month up to 3 months	from 3 months up to 1 year	from 1 year up to 5 years	exceeding 5 years	without specification	Total
<b>As at December 31, 2005</b>							
Balance in cash and deposits in the central bank payable on demand	1,037,410	-	-	-	-	-	1,037,410
Receivables from banks	15,586,093	101,701	1,047,440	-	-	-	16,735,234
Receivables from clients	6,135,158	1,493,060	6,443,001	9,238,941	2,889,389	189,629	26,389,178
Securities available for sale	-	-	-	-	-	3,657	3,657
Securities for trade	79,920	2,035	211,481	2,429,751	3,511	22,651	2,749,349
Debt securities held to maturity	525,408	8,874	75,483	1,905,009	1,450,312	-	3,965,086
Shares registered capital in subsidiary accounting entities	-	-	-	-	-	-	-
Shares registered capital in affiliated	-	-	-	-	-	-	-
Other assets	83,585	1,720	-	-	-	2,332,048	2,417,353
Tax assets	-	-	91,891	174,779	-	-	266,670
<b>Total</b>	<b>23,447,574</b>	<b>1,607,390</b>	<b>7,869,296</b>	<b>13,748,480</b>	<b>4,343,212</b>	<b>2,547,985</b>	<b>53,563,937</b>
Payables to banks	2,422,600	1,269,676	694,606	238,755	-	-	4,625,637
Payables to clients	37,271,690	1,222,764	1,542,949	899,691	19,200	55,091	41,011,385
Payables from debt securities	1,396,300	138,332	308,349	500,262	1,000,000	-	3,343,243
Other liabilities	38,699	-	-	-	-	4,536,141	4,574,840
Deferred incomes and expenses	-	-	-	-	-	8,832	8,832
Subordinated financial liabilities	-	-	-	-	-	-	-
<b>Total</b>	<b>41,129,289</b>	<b>2,630,772</b>	<b>2,545,904</b>	<b>1,638,708</b>	<b>1,019,200</b>	<b>4,600,064</b>	<b>53,563,937</b>
<b>Difference</b>	<b>(17,681,715)</b>	<b>(1,023,382)</b>	<b>5,323,392</b>	<b>12,109,772</b>	<b>3,324,012</b>	<b>(2,052,079)</b>	<b>-</b>
<b>Cumulative difference</b>	<b>(17,681,715)</b>	<b>(18,705,097)</b>	<b>(13,381,705)</b>	<b>(1,271,933)</b>	<b>2,052,079</b>	<b>-</b>	<b>-</b>

## Residual maturity of the Bank's assets and liabilities

in SKK thousand	up to 1 month	from 1 month up to 3 months	from 3 months up to 1 year	from 1 year up to 5 years	exceeding 5 years	without specification	Total
<b>As at December 31, 2004</b>							
Balance in cash and deposits in the central bank payable on demand	946,207	-	-	-	-	-	946,207
Receivables from banks	17,374,301	398,360	2,432,845	-	-	-	20,205,506
Receivables from clients	3,793,551	1,450,043	4,683,914	7,125,197	1,644,148	170,657	18,867,510
Securities available for sale	-	-	-	-	-	6 815	6 815
Securities for trade	10,637	2,042	58,987	1,887,156	190,383	22,651	2,171,856
Debt securities held to maturity	26,127	8,874	328,198	1,430,613	2,493,988	-	4,287,800
Shares registered capital in subsidiary accounting entities	-	-	-	-	-	-	-
Shares registered capital in affiliated accounting entities	-	-	-	-	-	10,998	10,998
Other assets	72,531	-	-	-	-	2,181,077	2,253,608
Tax assets	-	-	102,586	205,172	-	-	307,758
<b>Total</b>	<b>22,223,354</b>	<b>1,859,319</b>	<b>7,606,530</b>	<b>10,648,138</b>	<b>4,328,519</b>	<b>2,392,198</b>	<b>49,058,058</b>
Payables to banks	2,059,118	254,795	705,772	59,629	-	-	3,079,314
Payables to clients	24,048,603	1,474,339	12,329,348	1,259,336	146,283	19,642	39,277,551
Payables from debt securities	666,838	233,991	164,654	500,554	500,000	-	2,066,037
Other liabilities	334,028	-	-	-	-	4,287,504	4,621,532
Deferred incomes and expenses	-	-	-	-	-	13,624	13,624
Subordinated financial liabilities	-	-	-	-	-	-	-
<b>Total</b>	<b>27,108,587</b>	<b>1,963,125</b>	<b>13,199,774</b>	<b>1,819,519</b>	<b>646,283</b>	<b>4,320,770</b>	<b>49,058,058</b>
<b>Difference</b>	<b>(4,885,233)</b>	<b>(103,806)</b>	<b>(5,593,244)</b>	<b>8,828,619</b>	<b>3,682,236</b>	<b>(1,928,572)</b>	<b>-</b>
<b>Cumulative difference</b>	<b>(4,885,233)</b>	<b>(4,989,039)</b>	<b>(10,582,283)</b>	<b>(1,753,664)</b>	<b>1,928,572</b>	<b>-</b>	<b>-</b>

The above presented tables show the residual book value maturity of individual financial instruments, not the total cash flows arising from these instruments.

### Interest rate risk

The Bank is exposed to interest rate risk in view of the fact that interest-bearing assets and liabilities have different maturity terms for changes/adjustments of interest rates as well as volumes in these periods. In case of variable interest rates, the Bank is exposed to the basis risk that is given by the difference in the assessment mechanism of individual interest rate types such as BRIBOR, published interests on deposits etc.

The Bank is more interest-rate sensitive on the side of liabilities, which means that its interest-rate sensitive assets are either of longer life or it takes longer for a change in interest rates in their case than in the case of its liabilities. Therefore, due to an increase in interest rates the net interest income decreases.

In most cases, interest rate derivatives are used for managing the mismatch between the interest rate sensitivity of assets and liabilities. These transactions are concluded in line with the assets and liabilities management strategy approved by the Board of Directors.

Part of the Bank's revenues is generated by means of a purposeful mismatch between the interest-rate sensitive assets and liabilities. The below-presented table provides a summary of this mismatch. The book value of assets and liabilities and the nominal (fictitious) value of interest rate derivatives is included in the period in which they are due or in which the interest rate changes, depending on which event

occurred earlier. Due to expected early repayment or undefined maturities some assets or liabilities have been allocated in individual periods based on professional judgement.

The Bank uses the sensitivity gap analysis for measurement of the interest-rate sensitivity of non-trading assets and liabilities.

#### Interest rate sensitivity of the Bank's assets and liabilities

in SKK thousand	up to 1 month	from 1 month up to 3 months	from 3 months up to 1 year	from 1 year up to 5 years	exceeding 5 years	without specification	Total
<b>As at December 31, 2005</b>							
Balance in cash and deposits in the central bank payable on demand	1,037,410	-	-	-	-	-	1,037,410
Receivables from banks	15,586,093	101,701	1,047,440	-	-	-	16,735,234
Receivables from clients	11,801,580	8,977,157	3,518,461	1,762,560	139,646	189,774	26,389,178
Securities available for sale	-	-	-	-	-	3 657	3 657
Securities for trade	534,592	2,035	211,481	1,975,079	3,511	22,651	2,749,349
Debt securities held to maturity	525,408	8,874	1,137,704	1,905,009	388,091	-	3,965,086
Other assets	70,147	-	1,721	-	-	2,345,485	2,417,353
Tax assets	-	-	91,891	174,779	-	-	266,670
<b>Total</b>	<b>29,555,230</b>	<b>9,089,767</b>	<b>6,008,698</b>	<b>5,817,427</b>	<b>531,248</b>	<b>2,561,567</b>	<b>53,563,937</b>
Payables to banks	2,422,600	1,269,676	694,606	238,755	-	-	4,625,637
Payables to clients	38,297,304	779,312	988,331	872,148	19,201	55,089	41,011,385
Payables from debt securities	1,396,301	138,332	808,348	500,262	500,000	-	3,343,243
Other liabilities	38,698	-	-	-	-	4,544,974	4,583,672
Subordinated financial liabilities	-	-	-	-	-	-	-
<b>Total</b>	<b>42,154,903</b>	<b>2,187,320</b>	<b>2,491,285</b>	<b>1,611,165</b>	<b>519,201</b>	<b>4,600,063</b>	<b>53,563,937</b>
Derivatives – long positions	9,878,200	8,232,619	25,853,646	14,995,656	-	-	58,960,121
Derivatives – short positions	13,632,388	7,325,984	22,182,869	15,394,656	-	-	58,535,897
<b>Difference</b>	<b>(16,353,861)</b>	<b>7,809,082</b>	<b>7,188,190</b>	<b>3,807,262</b>	<b>12,047</b>	<b>(2,038,496)</b>	<b>424,224</b>
<b>Cumulative difference</b>	<b>(16,353,861)</b>	<b>(8,544,779)</b>	<b>(1,356,589)</b>	<b>2,450,673</b>	<b>2,462,720</b>	<b>424,224</b>	<b>-</b>

## Interest rate sensitivity of the Bank's assets and liabilities

in SKK thousand	up to 1 month	from 1 month up to 3 months	from 3 months up to 1 year	from 1 year up to 5 years	exceeding 5 years	Unspecified	Total
<b>As at December 31, 2004</b>							
Balance in cash and deposits in the central bank payable on demand	946,207	-	-	-	-	-	946,207
Receivables from banks	17,374,301	398,360	2,432,845	-	-	-	20,205,506
Receivables from clients	8,082,155	7,205,586	2,572,292	805,476	23,744	178,257	18,867,510
Securities available for sale	-	-	-	-	-	6,815	6,815
Securities for trade	466,093	2,042	58,989	1,431,700	190,381	22,651	2,171,856
Debt securities held to maturity	26,127	8,874	1,394,232	1,430,613	1,427,954	-	4,287,800
Other assets	72,531	-	-	-	-	2,192,075	2,264,606
Tax assets	-	-	102,586	205,172	-	-	307,758
<b>Total</b>	<b>26,967,414</b>	<b>7,614,862</b>	<b>6,560,944</b>	<b>3,872,961</b>	<b>1,642,079</b>	<b>2,399,798</b>	<b>49,058,058</b>
Payables to banks	2,059,118	254,795	705,772	59,629	-	-	3,079,314
Payables to clients	25,384,375	845,890	11,654,933	1,226,424	146,287	19,642	39,277,551
Payables from debt securities	666,838	233,991	164,654	500,554	500,000	-	2,066,037
Other liabilities	334,028	-	-	-	-	4,301,128	4,635,156
Subordinated financial liabilities	-	-	-	-	-	-	-
<b>Total</b>	<b>28,444,359</b>	<b>1,334,676</b>	<b>12,525,359</b>	<b>1,786,607</b>	<b>646,287</b>	<b>4,320,770</b>	<b>49,058,058</b>
Derivatives – long positions	6,438,304	4,656,136	25,326,560	4,422,730	528,623	-	41,372,353
Derivatives – short positions	9,419,424	6,917,259	20,792,422	1,920,674	614,210	-	39,663,989
<b>Difference</b>	<b>(4,458,065)</b>	<b>4,019,063</b>	<b>(1,430,277)</b>	<b>4,588,410</b>	<b>910,205</b>	<b>(1,920,972)</b>	<b>1,708,364</b>
<b>Cumulative difference</b>	<b>(4,458,065)</b>	<b>(439,002)</b>	<b>(1,869,279)</b>	<b>2,719,131</b>	<b>3,629,336</b>	<b>1,708,364</b>	<b>1,708,364</b>

The simulation and forecasts of the net interest income is an addition to the interest rate risk monitoring in the Bank. The Bank regularly measures the net interest income sensitivity to a change in interest rates by 1 %. The Bank set limits for the interest rate risk with the aim to reduce the fluctuation of the net interest income as a result of a change in interest rates by 1 %. The limit for the interest-rate risk measurement is set at 12 % of the Bank's capital. During 2005, the Bank did not exceed the set limit.

### Equity risk

Equity risk refers to a risk resulting from fluctuations of the price of equity instruments held in the Bank's

portfolio and of financial derivatives derived from these instruments. Trading in equity instruments represents the main source of this risk, though some part of the equity risk arises also from non-trading activities of the Bank.

### Currency risk

Assets and liabilities in foreign currency, inclusive of off-balance sheet items, represent the currency risk to which the Bank is exposed. Realized as well as unrealized foreign exchange gains and losses are posted directly in the Profit & Loss Statement. The Bank's foreign exchange position for the most important currencies is as follows:

### Bank's foreign exchange position

in SKK thousand	EUR	USD	CZK	Other	SKK	Total
<b>As at December 31, 2005</b>						
Balance in cash	169,732	48,604	38,574	53,988	726,512	1,037,410
Receivables from banks	381,697	227,947	753	103,160	16,021,677	16,735,234
Receivables from clients	7,652,765	718,716	125,014	360,917	17,531,766	26,389,178
Securities available for sale	780	-	-	-	2,877	3,657
Securities for trade	1,938,546	163,381	-	-	647,422	2,749,349
Debt securities held to maturity	1,025,306	-	-	-	2,939,780	3,965,086
Shares registered capital in subsidiary accounting entities	-	-	-	-	-	-
Shares registered capital in affiliated accounting entities	-	-	-	-	-	-
Other assets	22,281	24,343	-	5,523	2,365,206	2,417,353
Tax assets	-	-	-	-	266,670	266,670
<b>Total</b>	<b>11,191,107</b>	<b>1,182,991</b>	<b>164,341</b>	<b>523,588</b>	<b>40,501,910</b>	<b>53,563,937</b>
Payables to banks	2,302,982	44,844	6,694	25,540	2,245,577	4,625,637
Payables to clients	2,703,529	573,704	124,203	157,080	37,452,869	41,011,385
Payables from debt securities	74,653	69,938	-	-	3,198,652	3,343,243
Other liabilities	118,570	8,761	2,730	13,461	4,049,588	4,193,110
Deferred incomes and expenses	208	-	-	-	8,624	8,832
Subordinated financial liabilities	-	-	-	-	-	-
Profit	-	-	-	-	381,730	381,730
<b>Total</b>	<b>5,199,942</b>	<b>697,247</b>	<b>133,627</b>	<b>196,081</b>	<b>47,337,040</b>	<b>53,563,937</b>
Off-balance sheet instruments – long positions	23,031,601	1,436,748	665,639	1,118,198	30,368,236	56,620,422
Off-balance sheet instruments – short positions	29,006,403	1,898,892	705,684	1,533,601	23,253,732	56,398,312
<b>Net foreign exchange position</b>	<b>16,363</b>	<b>23,600</b>	<b>(9,331)</b>	<b>(87,896)</b>	<b>279,374</b>	<b>222,110</b>

### Bank's foreign exchange position

in SKK thousand	EUR	USD	CZK	Other	SKK	Total
<b>As at December 31, 2004</b>						
Balance in cash and deposits in the central bank payable on demand	148,724	45,410	32,834	36,156	683,083	946,207
Receivables from banks	86,148	13,433	1,249	156,061	19,948,615	20,205,506
Receivables from clients	3,991,211	212,197	123,107	276,396	14,264,599	18,867,510
Securities available for sale	622	-	-	-	6,193	6,815
Securities for trade	588,065	168,174	-	187,522	1,228,095	2,171,856
Debt securities held to maturity	1,073,304	-	-	-	3,214,496	4,287,800
Shares registered capital in subsidiary accounting entities	-	-	-	-	-	-
Shares registered capital in affiliated accounting entities	-	-	-	-	10,998	10,998
Other assets	27,402	16,386	208	6,571	2,203,041	2,253,608
Prepaid expenses and income Tax assets	-	-	-	-	307,758	307,758
<b>Total</b>	<b>5,915,476</b>	<b>455,600</b>	<b>157,398</b>	<b>662,706</b>	<b>41,866,878</b>	<b>49,058,058</b>
Payables to banks	843,469	1,459	757	25,786	2,207,843	3,079,314
Payables to clients	2,469,344	538,817	161,928	95,259	36,012,203	39,277,551
Payables from debt securities	67,609	82,139	-	1,916,289	-	2,066,037
Other liabilities	50,369	31,292	-	27,586	4,136,253	4,245,500
Deferred incomes and expenses	442	3	-	-	13,179	13,624
Subordinated financial liabilities	-	-	-	-	-	-
Profit	-	-	-	-	376,032	376,032
<b>Total</b>	<b>3,431,233</b>	<b>653,710</b>	<b>162,685</b>	<b>2,064,920</b>	<b>42,745,510</b>	<b>49,058,058</b>
Off-balance sheet instruments – long positions	10,517,860	828,937	202,980	1,379,281	12,409,455	25,338,513
Off-balance sheet instruments – short positions	12,897,867	632,515	198,641	1,944,604	9,581,435	25,255,062
<b>Net foreign exchange position</b>	<b>104,236</b>	<b>(1,688)</b>	<b>(948)</b>	<b>(1,967,537)</b>	<b>1,949,388</b>	<b>83,451</b>

### Values at risk

Market risks resulting from the Bank's business activities are managed by the Value-at-risk method. Value at Risk represents a possible loss from unfavourable movements on the market over a particular time horizon at a certain confidence level. The Bank determines the Value at Risk by means of stochastic simulation of a great number of scenarios of potential developments on financial markets. The Value at

Risk is measured on a one-day holding interval and the 99 % confidence level. The model's results are back tested and compared with the actual results achieved on the financial markets on a daily basis. In case of found discrepancies the model is adjusted to correspond to actual developments on the financial markets. The table shows Value at Risk (VaR) according to individual risk types:

in SKK thousand	31 <sup>st</sup> December 2005	2005 average	31 <sup>st</sup> December 2004	2004 average
VaR of interest rate instruments	967,127	3,065,639	4,561,693	5,143,507
VaR of monetary instruments	416,245	1,129,958	91,385	847,351

### 3. FINANCIAL INSTRUMENTS – CREDIT RISK

The Bank is exposed to credit risk due to its business activities, lending, hedging transactions, investment and intermediary activities.

Credit risks connected with the Bank's business and investment activities are managed by methods and instruments intended for management of the Bank's market risks.

#### (a) Classification of receivables

The Bank classifies receivables from clients and receivables from banks into individual groups in compliance with the Decree of the National Bank of Slovakia No. 13/2004 from November 26, 2004 on classification of assets and liabilities of banks and branches of foreign banks, adjustment of their valuation, formation and dissolution of reserves and related reporting. This classification is as follows:

#### Standard receivables

A standard receivable is understood as a receivable when the debtor is behind with its payment not longer than 30 days, meets other liabilities under the agreement and on the basis of an analysis of the debtor's economic standing, it is anticipated that it will be repaid fully and in due time.

#### Watch receivables

A watch receivable is understood as a receivable when:

- a) the debtor is behind with its payment longer than 30 days, but not longer than 90 days,

- b) the debtor does not meet any other liability under the agreement than repayment of its payable, for example the debtor has not submitted required information under the agreement; or;
- c) on the basis of an analysis of the debtor's economic standing a loss for the Bank is anticipated since not being repaid in due time.

#### Substandard receivables

A substandard receivable is understood as a receivable when:

- a) the debtor is behind with its payment longer than 90 days, but not longer than 180 days;
- b) the debtor's business is winding up;
- c) arose by performance of collateral provided on behalf of the debtor; or
- d) on the basis of an analysis of the debtor's economic standing it is anticipated that its major part will be repaid.

#### Doubtful receivables

A doubtful receivable is understood as a receivable when:

- a) the debtor is behind with its payment longer than 180 days, but not longer than 360 days;
- b) the debtor is facing settlement proceedings;
- c) a bankruptcy petition for the debtor's assets was filed and a temporary trustee in bankruptcy was appointed; or
- d) on the basis of an analysis of the debtor's economic standing it is anticipated that its minor part will be repaid.

### Loss receivables

A loss receivable is understood as a receivable when:

- a) the debtor is behind with its payment longer than 360 days;
- b) a bankruptcy petition for the debtor's assets was declined for their lack of assets;
- c) bankruptcy for the debtor's assets was declared;
- d) bankruptcy for the debtor's assets was discharged since the debtor's assets were neither sufficient for settlement of the cost of bankruptcy proceedings;
- e) if it is a receivable from a person (entity) with special relations with the Bank or which has control over the Bank (in accordance with the Act on banks) and the debtor is behind with its payment longer than 90 days; or
- f) on the basis of an analysis of the debtor's economic standing it is anticipated that it will neither be repaid partly.

Receivables from states in the zone A and from central banks of the states in the zone A are classified as standard.

Furthermore, the Bank employs an internal system of classification of receivables. This system consists of 7 groups; of these the first two correspond to classification of standard receivables according to the NBS classification. The remaining groups correspond to the classification in compliance with the NBS classification. In addition to the overdue period, the internal classification system evaluates also the management's quality, the debtor's standing on the market, surrounding environment, the structure of collaterals and financial indicators such as the structure of the balance sheet, fund flows from operating activities and productivity. If this evaluation is stricter than the classification according to the Decree of the NBS, the stricter classification is used.

### (b) Valuation of loan collaterals

The Bank usually requests collaterals for loan receivables of some debtors prior to the loan granting. The Bank considers the following types of collaterals to be acceptable security decreasing the gross loan exposure for the purposes of the calculation of provisions:

- cash
- state guarantees
- securities
- valuable receivables
- bank guarantees
- guarantees provided by a solvent third party
- real estates
- machines and equipment

When fixing the selling value of collaterals, the Bank follows independent expert opinions or internal valuations prepared by the Bank.

The selling value of collaterals are determined from this value, while using the correction coefficient which reflects the Bank's ability to realize collaterals in case of need. On a regulary basis the Bank updates the values of collaterals and correction coefficients according to internal regulation.

The most frequent forms of collateral the Bank uses for receivables are the following: lien to immovable assets, lien (the right of retainer) to movable assets, financial collateral, third party guarantee, promissory blank bill of exchange of the client and the guarantor, remittance of an income to an account. As to immovable and movable assets the collateral value is calculated on the basis of an expert opinion and the particular acceptance percentage set out in the Bank's internal regulations.

### (c) Calculation of provisions

Provisions to classified receivables are created by the Bank for the purpose of adjustment of the valuation of a particular receivable for the anticipated loss, i.e. that part of the receivable whose repayment is not expected for good reasons. The value of created provisions is charged to the costs.

In creation of provisions to individual titles, the Bank evaluates individually the risk level and specifies, on the basis of its quantification, the creation of provisions. Within the scope of their quantification, the requirements stipulated in the Act on Accounting as well as the Decree of the NBS regulating the rules of prudent business operations of banks are always fulfilled.

In calculation of provisions, the Bank follows from the gross book value of receivables decreased by the selling value of collaterals. The Bank creates provisions to this net value of receivables in accordance with the Decree of the NBS No.13 from November 26, 2004 in the following amount:

Watch	1 – 20 %
Substandard	20 – 50 %
Doubtful	50 - 95 %
Loss	100 %

**(d) Models of credit risk measurement**

The Bank measures the credit risk of the counterparty by means of an internal rating model that determines the probability of counterparty failure during a period of one year.

The Bank does not use evaluations published by rating agencies for classification of receivables.

The Bank performs the portfolio credit risk measurement by means of its own procedures, while fully ensuring application of the criteria resulting from the Decree of the NBS.

**(e) Credit risk concentration**

Concentration of the credit risk arises from the existence of loan receivables with similar economic characteristics that influence the debtor's ability to meet its liabilities. The Bank considers the receivable from the debtor or an economically interlinked group of debtors exceeding 10 % of the Bank's own resources to be a significant exposure. The Bank set up a system of internal limits for individual countries, sectors and debtors in order to prevent the rise of the credit risk concentration.

**Credit portfolio composition**

The Bank's strategy is to manage the portfolio credit risk through its adequate diversification between the Retail (individuals), SME (small and medium-sized companies) and Corporate segments, as well as

among individual sectors. The Bank manages, by means of the determined limits, as well as the motivation system, the achievement of the required composition of the credit portfolio with the aim to minimize the risk of concentration in its balance sheet.

**Sector analysis**

The largest concentration of the Bank's receivables is in the sector of commerce and services, of approx. 18 %.

**(f) Enforcement of receivables from debtors**

Enforcement of the Bank's receivables is in the management of Workout Division which proposes and implements (in cooperation with the other Bank's divisions) solutions that have to be approved in compliance with the Rules of Competence. When dealing with receivables, the Bank uses all means of legal enforcement. Enforcement of part of the portfolio in the management of Workout Division has been delegated to external mandate companies.

**(g) Securitisation and use of credit derivatives**

As of the balance sheet date, the Bank has not performed any securitisation of its receivables and has not used any credit derivatives.

**(h) Probability of repayment of receivables towards clients**

in SKK thousand	Claims
anticipated maturity up to 1 year	14,071,219
anticipated maturity from 1 to 5 years	9,238,941
unspecified or anticipated maturity exceeding 5 years	3,079,018
<b>Total</b>	<b>26,389,178</b>



#### 4. OPERATIONAL, LEGAL AND OTHER RISKS

Operational risk is defined in the Bank as the risk of potential loss resulting from inadequate or failed internal processes, failure of the human factor, systems or from external events that are, as a rule, not logical and causal connection.

Operational risk includes also the legal risk that is defined as the risk of loss resulting namely from unenforceability of contracts, threats of unsuccessful lawsuits or adverse court rulings.

##### a) Operational risk management

With the aim to monitor the operational risk, the Bank creates a database of occurred loss events. The events are classified according to the risk types (7 categories) and the place of occurrence (8 business lines). Information from the internal database serves as the basis for compiling reports (at quarterly intervals) and for monitoring of the operational risk developments.

For 2005 the maximum severity limit (weight) of a loss event was fixed up to EUR 250,000 (about SKK 10 million). This limit was not exceeded during this period.

##### b) Operational risk mitigation

In order to mitigate the consequences of operational risk events, the Bank concluded an insurance policy of the type BBB with insurance company Allianz – Slovenská poisťovňa, a. s. for insurance of banking risks, electronic offences and computer criminality.

In 2005, the Bank created provisions to operational risks for payment cards, adverse lawsuits, severance pay for employees and operational risks.

The Bank was not obliged to generate its own resources for operational risk coverage in 2005.

#### 5. PROPOSAL FOR DISTRIBUTION OF PROFIT FROM CURRENT ACCOUNTING PERIOD

The proposal for the distribution of the profit from the current accounting period is as follows:

Profit	381,730
Profit distribution:	
allocation to the legal reserve fund	38,173
allocation to the social fund	15,831
Dividends	192,735
retained earnings	134,991
<b>Total</b>	<b>381,730</b>

#### 6. EMPLOYEE BENEFITS

The source of employee benefits in the Bank is the possibility of using resources from the social fund. The Bank has elaborated the internal directive (in the form of a collective agreement) - the Statute of

the Social Fund concerning the creation and use of the social fund, which is in compliance with Act No. 152/1994 Coll. as amended. The resources of the social fund are mostly used for the allowance for canteen meals, the allowance for transportation to work, and the allowance for regeneration of employees.

Creation and use of the social fund is as follows:

in SKK thousand	Compulsory allocation 2005	Compulsory allocation 2004	Allocation of profit 2005	Allocation of profit 2004
Opening balance	-	-	25,595	23,960
Creation	5,732	5,078	17,640	12,960
Use	5,732	5,078	13,180	11,325
Closing balance	-	-	30,055	25,595

Other benefits may include the provision of financial products of the Bank to employees under more convenient conditions than to common customers, e. g. the preferential interest bearing on the employee's account, provision of preferential loans for purchase of an apartment or a house (interest rate 2-4 %), preferential fees for administration of an employee's account, preferential condition at the bank cards issue and provision of electronic banking services.

Within the scope of remuneration order, the Bank provides to the employees the 13th and 14th salaries, further a reward after 13 years of service in the Bank, in compliance with generally binding regulations, the Bank provides the compensation to leaving employees, the compensation and retirement benefits to retired employees. The reserves as at 31.12.2005 created for this purpose represent the amount of SKK 1,334 thousand (2004: SKK 1,245 thousand.).

## 7. Earnings per share

in SKK thousand	2005	2004
After-tax profit (loss) from current account period	381,730	376,032
Dividends intended for shareholders	192,735	192,735
Net profit for ordinary shareholders	15 SKK/share	15 SKK/share
No. of issued shares (pcs)	12,848,984	12,848,984
<b>Earnings per share (SKK)</b>	<b>29.71 Sk/share</b>	<b>29.27 Sk/share</b>

## 8. IMPORTANT EVENTS FOLLOWING DAY OF COMPILING FINANCIAL STATEMENTS

During 2005, the process of merging of two banking groups UniCredito Italiano S.p.A. a Bayerische Hypo- und Vereinsbank AG was completed from the legal point of view. The whole integration process leads

to gradual integration of the national banks, merger of local subsidiaries of the both merging entities. In January 2006, UniBanka was informed about the commencement of the merger process with HVB Slovakia, starting from January 2006.

Day of compiling financial statements 15 March 2006	Record of signature of statutory body or statutory body member of accounting entity   Jozef Barta   Anna Pilková	Record of signature of individual responsible for compiling financial statements   Viera Durajová	Record of signature of person responsible for bookkeeping   Viera Durajová
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### **Simplicity**

As the world is fast and complicated,  
we try to keep our products easy and clear.  
We wish you to enjoy your life.

**07** Financial Statements  
Prepared in accordance with  
International Financial Reporting Standards  
Year ended 31 December 2005

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## 7.1 Statement of Responsibility of the Management

The Board of Directors of UniBanka, a.s. ('the Bank') are responsible for the preparation of the financial statements of the Bank.

The financial statements on pages 86 to 109 are prepared in accordance with the source documents and present fairly the financial position of the Bank as at 31 December 2005 and the results of its operations and cash flows for the year ended 31 December 2005.

The financial statements are prepared in accordance with International Financial Reporting Standards on a going concern basis. Appropriate accounting policies have been applied on a consistent basis. Prudent and reasonable judgements and estimates have been made by the

Management in the preparation of the financial statements.

The Management of UniBanka, a.s. are responsible for the maintenance of proper accounting records, the safeguarding of the Bank's assets and the prevention and detection of fraud and other irregularities in the Bank. They are also responsible for operating the Bank in compliance with the Act on Accounting and regulations of the National Bank of Slovakia.



Bratislava  
15 March 2006

## 7.2 Independent auditors' report



**KPMG Slovensko spol. s r. o.**  
Mostová 2  
P. O. Box 7  
820 04 Bratislava 24  
Slovakia

Telephone +421 2 59984 111  
Fax +421 2 59984 222  
Internet www.kpmg.sk

### Independent auditors' report to the shareholders of

#### UniBanka, a.s.

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

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we 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 financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2005, and the results of its operations, the changes in its shareholders' equity and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

*KPMG Slovensko spol. s r. o.*

Bratislava  
15 March 2006

KPMG Slovensko spol. s r. o., a Slovak limited liability company,  
is the Slovak member firm of KPMG International,  
a Swiss cooperative.

Obchodný register Okresného  
súdu Bratislava I, oddiel Sro,  
vložka č. 4964/B  
Commercial register of District  
court Bratislava I, section Sro,  
file No. 4864/B

IČO/Registration number:  
31 348 239  
Evidenčné číslo licencie  
audítora/ 96  
Licence number  
of statutory auditor: 96

## 7.3 Profit and loss account

Profit and loss account for year ended 31 December 2005	Notes	2005 SKK'000	2004 SKK'000
Interest income	4	2,091,370	2,612,541
Interest expense	5	(1,192,722)	(1,626,902)
<b>Net interest income</b>		<b>898,648</b>	<b>985,639</b>
Fee and commission income	6	514,107	452,753
Fee and commission expense	6	(118,112)	(82,092)
<b>Net fee and commission income</b>	<b>6</b>	<b>395,995</b>	<b>370,661</b>
Dividend income	7	829	1,214
Net income from foreign exchange operations	8	240,114	104,028
Net income from financial derivatives	9	321,385	366,858
Net income from trading securities	10	28,368	36,697
Net income / (expense) from investment	10	4,676	(93)
Other income		19,356	31,242
Other operating income		614,728	539,946
<b>Operating income</b>		<b>1,909,371</b>	<b>1,896,246</b>
Personnel expenses	11	(606,250)	(568,078)
Depreciation	22	(218,042)	(208,691)
Administrative expenses	12	(707,210)	(739,488)
<b>Operating expenses</b>		<b>(1,531,502)</b>	<b>(1,516,257)</b>
Impairment losses	13	36,454	(203,801)
Provisions	14	(8,010)	17,017
<b>Total expenses</b>		<b>(1,503,058)</b>	<b>(1,703,041)</b>
<b>Profit before taxation</b>		<b>406,313</b>	<b>193,205</b>
Taxation	15	(41,088)	171,916
<b>Profit after taxation</b>		<b>365,225</b>	<b>365,121</b>

The notes on pages 86 to 109 form part of these financial statements.



## 7.4 Balance Sheet

Balance Sheet as of 31 December 2005	Notes	31.12.2005 SKK'000	31.12.2004 SKK'000
<b>ASSETS</b>			
Cash and cash equivalents	16	16,831,192	18,821,873
Derivative financial instruments	17	820,883	546,826
Trading securities	18	2,749,349	2,171,857
Loans and advances to banks	19	1,047,440	2,432,845
Loans and advances to customers	20	26,389,178	18,867,510
Investment securities	21	3,968,439	4,294,488
Tangible and intangible fixed assets	22	1,589,607	1,559,957
Deferred tax asset	23	266,669	307,757
Other assets	24	16,864	38,398
Prepayments and accrued income		46,282	26,373
<b>Total assets</b>		<b>53,725,903</b>	<b>49,067,884</b>
<b>LIABILITIES</b>			
Derivative financial instruments	17	575,450	318,517
Deposits by banks	25	4,658,769	3,102,342
Customer accounts	26	42,832,284	40,318,630
Debt securities in issue	27	1,530,174	1,033,925
Provisions	14	165,995	157,985
Other liabilities	28	381,066	720,962
Accruals and deferred income		8,832	13,625
<b>Total liabilities</b>		<b>50,152,570</b>	<b>45,665,986</b>
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital	30	2,377,062	2,377,062
Legal reserve fund	31	101,220	63,617
Other funds		-	641
Revaluation reserve		(414)	-
Retained earnings		1,095,465	960,578
<b>Total shareholders' equity</b>		<b>3,573,333</b>	<b>3,401,898</b>
<b>Total equity and liabilities</b>		<b>53,725,903</b>	<b>49,067,884</b>
<b>Off balance sheet items</b>	<b>32</b>	<b>9,941,356</b>	<b>7,122,183</b>

The financial statements, which include the notes pages 86 to 109, were approved by the Board of Directors on 15 March 2006 signed on behalf of the Bank by:



Jozef Barta  
Chairman of the Board of Directors  
and General Director



Viera Durajová  
Director of Accounting Department

## 7.5 Statement of changes in shareholder equity

Statement of changes in shareholders' equity for year ended 31 December 2005	Share capital registered SKK'000	Capital fund SKK'000	Legal reserve fund SKK'000	Revaluation reserve SKK'000	Profit and loss account SKK'000	Total shareholders equity SKK'000
<b>Balance at 1 January 2005</b>	2,377,062	641	63,617	-	960,578	3,401,898
Distribution of 2004 profit						
- Transfer to legal reserve fund	-	-	37,603	-	(37,603)	-
- dividendy	-	-	-	-	(192,735)	(192,735)
Revaluation reserve	-	-	-	(414)	-	(414)
Capital fund	-	(641)	-	-	-	(641)
Profit for 2005	-	-	-	-	365,225	365,225
<b>Balance at 31 December 2005</b>	<b>2,377,062</b>	<b>-</b>	<b>101,220</b>	<b>(414)</b>	<b>1,095,465</b>	<b>3,573,333</b>
<b>Balance at 1 January 2004</b>	<b>2,377,062</b>	<b>-</b>	<b>35,618</b>	<b>-</b>	<b>623,456</b>	<b>3,036,136</b>
Distribution of 2003 profit						
- Transfer to legal reserve fund	-	-	27,999	-	(27,999)	-
Capital fund	-	641	-	-	-	641
Profit for 2004	-	-	-	-	365,121	365,121
<b>Balance at 31 December 2004</b>	<b>2,377,062</b>	<b>641</b>	<b>63,617</b>	<b>-</b>	<b>960,578</b>	<b>3,401,898</b>

The notes on pages 86 to 109 form part of these financial statements.

## 7.6 Cash flow statement

Cash flow statement for year ended 31 December 2005	2005 SKK'000	2004 SKK'000
<b>OPERATING ACTIVITIES</b>		
Profit before tax	406,313	193,205
Adjustments for:		
Depreciation	218,042	208,691
Loss on disposal of tangible and intangible fixed assets	5,287	117,047
Impairment losses	(36,454)	203,801
Provisions	8,010	(17,017)
<b>Net operating cash flow before changes in work capital</b>	<b>601,198</b>	<b>705,727</b>
Increase in derivative financial instruments	(17,124)	(242,882)
((Increase) / decrease in trading securities	(577,492)	4,548,412
Decrease / (increase) in loans and advances to banks	1,385,405	(2,432,845)
(Increase) / decreases in loans and advances to customers	(7,422,251)	590,859
Decrease in other assets	18,612	10,749
Increase in prepayment and accrued income	(19,909)	(8,950)
Increase / (decrease) in deposits by banks	1,556,427	(1,478,278)
Increase in customer accounts	2,513,654	9,941,571
(Decrease) / increase in other liabilities	(339,896)	333,562
(Decrease) / increase in accruals and deferred income	(4,793)	6,377
<b>Cash (used in) / from operations</b>	<b>(2,306,169)</b>	<b>11,974,302</b>
Withholding tax paid	-	(24,136)
<b>Cash flow (used in) / from operating activities</b>	<b>(2,306,169)</b>	<b>11,950,166</b>
<b>INVESTING ACTIVITIES</b>		
Disposal / (acquisition) of investment securities	325,594	(1,929,684)
Proceeds from tangible and intangible fixed assets	81,589	-
Acquisition of tangible and intangible fixed assets	(394,568)	(546,820)
<b>Net cash from/(used in) investing activities</b>	<b>12,615</b>	<b>(2,476,504)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from issue of debt securities	496,249	1,025,816
Other funds received	(641)	641
Dividends paid	(192,735)	-
<b>Cash flows from financing activities</b>	<b>302,873</b>	<b>1,026,457</b>
Net (decrease) / increase in cash and cash equivalents	(1,990,681)	10,500,119
Cash and cash equivalents at beginning of year	16	18,821,873
<b>Cash and cash equivalents at end of year</b>	<b>16</b>	<b>16,831,192</b>

	Notes	2005 SKK'000	2004 SKK'000
<b>Net cash used in operating activities includes the following cash flows:</b>			
Interest received		2,066,786	2,546,464
Interest paid		(1,182,206)	(1,612,220)
		884,580	934,244

The notes on pages 86 to 109 form part of these financial statement.

## 7.7 Notes to the financial statements

### 1 GENERAL INFORMATION

Commercial name:	UniBanka a. s.
Seat:	Šancová 1/A, 813 33 Bratislava
Legal form:	Joint-stock company
Registration in the Commercial Register:	2 July 1990; the Bank was established for an unspecified period of time
Core business:	Banking activities under the Banking Act No. 483/2001 Collection
Capital of the company:	SKK 2,377,062 thousand
Administrative bodies:	General Meeting Supervisory Board Board of Directors
Organisation and structure of the Bank:	Headquarters Branch offices Sub-branch offices Other organisational functions based on the organisational chart of the Bank
Ultimate shareholder:	UniCredito Italiano S.p.A.

The Bank's headquarters are in Bratislava. The Bank has 10 branch offices and 56 sub-branch offices throughout the Slovak Republic.

The Bank's activities include universal banking operations, investment banking services and securities trading.

The Bank is a member of the Bratislava Stock Exchange (BCPB).

Following the approval of the integration of the UniCredito Italiano group and the Bayerische Hypo-und Vereinsbank group in 2005, it is expected that HVB Bank Slovakia a.s. will integrate with UniBanka, a.s. during 2006.

### 2 SIGNIFICANT ACCOUNTING POLICIES

#### Basis of preparation

The 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'). The financial statements are prepared under the historical cost convention except that available-for-sale investment securities, financial assets and financial liabilities at fair value through profit or loss and all derivative contracts are stated at fair value.

All figures in the financial statements are rounded to thousands of Slovak crowns (SKK 000), unless stated otherwise.

Separate consolidated financial statements are not prepared as the Bank's participations in its subsidiaries are insignificant with respect to the Bank's financial position and its results from operations. In the opinion of the management, such consolidated financial statements would not provide the users of the financial statements with any material additional information. The Bank's interest in its subsidiary, Agroinvest FPS, has been included in other assets at an amount estimated to be equal to their economic value to the Bank..

#### Foreign currencies

Transactions denominated in foreign currencies are

recorded in Slovak crowns at actual rates of exchange quoted by the National Bank of Slovakia at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Slovak crowns at the rate of exchange prevailing at the end of the period. Any gain or loss resulting from a change in rates of exchange subsequent to the date of the transaction is included in the profit and loss account.

#### Derivative financial instruments

The Bank makes use of certain foreign exchange derivative financial instruments for trading purposes.

Changes in the fair value of foreign exchange derivatives held for trading are included in net income from financial derivatives.

The fair values of derivative instruments are disclosed in note 17. Hedge accounting is not applied by the Bank.

#### Interest, fees and commissions received and paid

Interest income and expense are recognised in the profit and loss account for all interest-bearing instruments on the accruals basis using the effective yield method. Interest income includes coupons earned on fixed income investments and trading securities and accrued discount and premium on treasury bills and other discounted instruments.

Loan origination fees for loans are deferred and recognised as an adjustment to the effective yield on the loan.

Fees and commissions for other services received or provided are recognised in the profit and loss account when charged, except for commissions for guarantee issuance, which are deferred and recognised over the period of the term of the guarantee.

### Cash and cash equivalents

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

### Treasury bills

Treasury bills are debt securities issued by either the National Bank of Slovakia or the Ministry of Finance of the Slovak Republic usually for a term of either two weeks or three months.

### Repurchase and reverse repurchase agreements

Securities sold under repurchase agreements ('repos') are retained in the financial statements as trading or investment securities and the counterparty liability is included in deposits by banks, customer accounts or other liabilities, as appropriate. Securities purchased under agreements to resell ('reverse repos') are recorded as cash and balances at central bank, loans and advances to banks or customers, 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 income or interest expense.

### Financial instruments

#### I) Classification

Financial assets and financial liabilities at fair value through profit or loss are those that the Bank 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 Bank 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 Bank 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 Bank or expected to be held to maturity. Available-for-sale instruments include debt instruments and equity investments.

#### II) Recognition

The Bank 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. Held-to-maturity loans and originated loans and receivables are recognised on the day these are made by the Bank.

#### III) Measurement

Financial instruments are measured initially at cost, 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 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.

**IV) Derecognition**

A financial asset is derecognised when the Bank 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 Bank commits to sell the assets. The Bank 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 Bank.

**Impairment losses on loans and advances**

Loans and advances to banks and customers comprise outstanding principal and interest and are stated net of impairment losses.

The Bank provides commercial loans to its clients. The ability of its clients to repay such loans can be influenced by both general market economic conditions and the operating and financial performance of the clients. The Bank's management considers the above risks in setting the amount of allowances for probable loan losses. Impairment is based on an indi-

vidual assessment of the recoverability of outstanding amounts. The impairment loss is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate.

The level of the impairment losses is based on estimates considering relevant factors including, but not limited to, the Bank's past loan loss experience, known and inherent risks in the portfolio of loans and advances, adverse situations that may effect the borrowers ability to repay, the estimated value of any underlying collateral and current economic conditions as well as other relevant factors affecting loan and advance collectability and collateral values.

While the management of the Bank has made its best estimate of losses and believes those estimates presented in the financial statements are reasonable in light of available information, actual losses may vary from the current estimates. These estimates are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the period in which they become known.

If a loan is considered to be irrecoverable, it is written off and at the same time, the impairment loss created for this loan is reversed. Repayments received after the loan is written off are recorded as revenue.

**Tangible and intangible fixed assets**

Tangible and intangible fixed assets are stated at cost of acquisition less accumulated depreciation and impairment losses. Land is not depreciated. Assets are depreciated over their estimated useful lives as follows:

Buildings, constructions	20 years, straight-line
Equipment	4 to 12 years, straight-line
Banking software	5 years, reducing-balance
Other intangibles	5 years, straight-line

Assets acquired or disposed of by the Bank during the year are depreciated in the year at 100% of the annual charge. Gains and losses on tangible and intangible fixed assets disposals are calculated based on their net book value and included in either other income or other expenses.

Costs of repairs and maintenance are expensed as occurred. Costs of technical upgrades and modernisation are capitalised in cases where they increase

the useful economic value of the relevant asset or increase its estimated useful life.

**Provisions**

A provision is recognised when the Bank 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. If the effect is material, 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.

#### **Assets purchased under financial lease contracts**

Leases of tangible and intangible fixed assets where the Bank has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other liabilities. The interest element of the finance cost is charged to the profit and loss account over the lease period. Tangible and intangible fixed assets acquired under a finance lease is depreciated over the useful life of the asset.

#### **Debt securities in issue**

Borrowings are recognised initially at cost, being their issue proceeds net of transaction costs incurred. Subsequently, borrowings are stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the profit and loss account over the period of the borrowings

#### **Taxation**

Income tax is computed on the basis of taxable profit, calculated by adjusting the statutory financial

result for certain income and expenditure items, as required under Slovak law.

A deferred tax liability is recognised for all taxable temporary differences unless they arise from the initial recognition of an asset or liability in a transaction, which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction which, at the time of the transaction, affects neither accounting profit nor taxable profit.

#### **Financial instruments with off-balance sheet risks**

In its normal operations, the Bank uses financial instruments with off-balance sheet risk, among which are guarantees issued. These financial instruments contain, to varying extents, elements of credit and foreign exchange rate risk. The Bank estimates potential losses related to off-balance sheet risks in accordance with the methodology for provisioning set out under the accounting policy for impairment losses on loans and advances above..

#### **Slovak crown translation rates**

At 31 December 2005 and 31 December 2004, translation rates of Slovak crowns against those foreign currencies in which the Bank has significant dealings, were as follows:

	31 December 2005	31 December 2004
US dollar (USD)	31,948	28,496
Euro (EUR)	37,848	38,796
Czech crown (CZK)	1,308	1,271
Hungarian forint (HUF)	0,15017	0,1579

### **3 USE OF FINANCIAL INSTRUMENTS**

#### **(A) Strategy in using financial instruments**

The Bank accepts deposits from customers at fixed rates and for different periods (although short-term periods of up to 3 months are most common). The Bank seeks to earn margins by investing these funds in quality assets such as State bonds, Euro denominated corporate bonds, treasury bills and loans to customers with acceptable credit risk. Corporate loans are most common, but retail lending is steadily increasing and the Bank has a licence for granting mortgage loans. Margins

are achieved either through lending for longer periods or by using special funds with fixed rates, while liquidity risk is managed within approved limits which follow both National Bank of Slovakia and UniCredito Italiano Group requirements.

The Bank also trades in financial instruments (mainly state bonds and foreign currencies) where it takes positions to take advantage of short-term market movements in bond and currency prices. The Board places

trading limits on the level of exposure that can be taken in relation to both overnight and intra-day market positions.

### Financial risk management

The Bank faces and manages the following types of financial risk: liquidity risk, market risk and credit risk. The major component of the Bank's financial risk derives from credit risk. Risk management is carried out by the Treasury Department and the Risk Management Sub-department, in close cooperation with other business departments. The Bank's risk management policies are consistent with both regulatory requirements and UniCredito Italiano Group's risk management system.

The Board of Directors is responsible for overall risk management: it approves specific policies in all areas of financial risk management and decides upon the allocation of excessive liquidity and capital allocation. Overall bank risks are regularly reviewed with measurements being provided by the ALCO and Credit Committee.

### (B) Regulatory requirements

The Bank is subject to the regulatory requirements of the National Bank of Slovakia. These requirements include limits and other restrictions concerning capital adequacy, the classification of loans and off-balance sheet liabilities, credit exposure with clients of the Bank and liquidity. These requirements apply to all banks in Slovakia and compliance is determined based on the Bank's financial reporting under Slovak statutory accounting and banking regulations.

A summary of the applicable requirements is as follows:

- Capital adequacy required to be at least 8% of risk weighted assets;
- Minimum capital of SKK 500,000,000;
- Credit exposure against one non-banking customer may not exceed 25% of the Bank's capital;
- Credit exposure to a related party may not exceed 20% of the Bank's capital;
- Obligatory reserves are calculated as 2 % of primary deposits;
- Exposure to one customer or group (over 10%) may not exceed 800% of the Bank's capital and reserves. The Bank's capital defined for the purpose of these requirements includes registered capital, non-distributable reserves and retained earnings less equity investments;
- The exposure of a person connected with the bank should not exceed specified percentages of the Bank's capital:
  - 2% for an individual
  - 10% for companies and countries
  - 25% for banks in OECD member countries

### Capital adequacy

To monitor the adequacy of its capital the Bank applies ratios determined by the National Bank of Slovakia and UniCredito Italiano Group. These ratios measure capital adequacy (minimum 8% as required by BIS and NBS, 10.15 % as required by UniCredito Italiano) by comparing either the Bank's regulatory capital or its eligible capital in accordance with UniCredito Italiano Group requirements with its balance sheet assets and off-balance sheet commitments at weighted amounts to reflect their relative risk. In accordance with the regulatory requirements of the National Bank of Slovakia, these ratios reflect market risk.

In accordance with regulatory requirements for the weighting of assets, four categories of risk weights are applied: 0%, 20%, 50%, and 100%.

### (C) Credit risk

The Bank has exposure to credit risk which is the risk that a counterparty will be unable to pay amounts in full when due. The Bank manages credit risk by:

- a) applying established, clear rules for individual credit risk exposures,
- b) credit portfolio risk management.

The Bank's credit risk exposure rules include:

- a) the placing of limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, based mainly on regulatory requirements,
- b) strict rules with respect to connected lending,
- c) rules for granting and monitoring loans, and
- d) rules for the collection of past due loans.

Total exposure towards one client or group of clients includes all credit risk bearing products and individual limits can be adjusted in response to a client's declining financial or non-financial position. Limit utilisation is monitored on a monthly basis.

Exposure to credit risk is managed and minimised via the Bank's policy of granting loans that are collateralised by liquid assets. Personal lending is based mainly on a client's history with the Bank (if any) and creditworthiness measured by the Bank's own scoring system.

### Derivatives

The Bank maintains strict control limits on net open derivative positions, i.e. the difference between purchase and sale contracts, by both amount and term. At any one time the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Bank (i.e. assets). This credit risk exposure



is managed as part of the overall lending limits with customers and counterparties, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments.

#### Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required.

Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans.

#### Economic sector risk concentrations

Economic sector risk concentrations within the customer loan portfolio were as follows:

	2005 SKK'000	2005 %	2004 SKK'000	2004 %
Agriculture and forestry	2,967,674	10.68	2,619,241	12.43
Industry	9,882,068	35.56	6,154,004	29.20
- food	1,435,994	5.17	1,712,784	8.13
- chemistry and pharmacy	472,333	1.70	704,072	3.34
- metallurgy and machinery	3,111,092	11.19	1,391,471	6.60
- energy	897,419	3.23	184,791	0.88
- construction	822,856	2.96	482,356	2.29
- transport	1,532,865	5.52	692,588	3.29
- other	1,609,509	5.79	985,942	4.68
Trade and services	4,989,801	17.95	5,648,454	26.80
Finance and insurance	322,228	1.17	392,466	1.86
Public administration	2,457,860	8.84	3,009,738	14.28
Mortgage loans	1,960,366	7.05	1,348,666	6.40
Other industries	5,211,095	18.75	1,903,596	9.03
<b>Gross loans</b>	<b>27,791,092</b>	<b>100.00</b>	<b>21,076,165</b>	<b>100.00</b>

#### (D) Market risk

The Bank is exposed to market risks. Market risks arise from open positions in interest rate, currency and equity products, all of which depend on general and specific market movements. The Bank applies limits based on regulatory requirements of the National Bank of Slovakia and of UniCredito Italiano Group based on the application of the methodology "Value at Risk" (VaR). Its aim is, on the basis of evaluation of various changes of market indicators, to estimate the market risk of the maintained positions and the maximum expected losses. The Board of Directors approves acceptable VaR limits which are monitored on a daily basis.

rates on its financial position and cash flows. The Bank mainly manages its currency exposures within the VaR limits given by Board of Directors and by UniCredito Italiano Group Risk Management.

VaR methodology for spot foreign exchange positions is based on historical simulation and allows daily estimates of market value at risk with a confidence level set at 99%. The Board of Directors sets limits on the level of exposure by currency and in total of both overnight and intra-day positions, which are monitored daily.

#### (E) Currency risk

The Bank also has exposure to the effects of fluctuations in the prevailing foreign currency exchange

The tables below summarise the Bank's exposure to foreign currency exchange rate risk at 31 December 2005 and 2004. Included in the table are the Bank's assets and liabilities at carrying amounts, categorised by currency:

At 31 December 2005	CZK SKK'000	EUR SKK'000	USD SKK'000	Other SKK'000	SKK SKK'000	Total SKK'000
<b>Assets</b>						
Cash and cash equivalents	39,327	563,181	105,044	159,512	15,964,128	16,831,192
Derivative financial instruments	-	4,988	2,315	3,159	810,421	820,883
Trading securities	-	1,938,546	163,381	-	647,422	2,749,349
Loans and advances to banks	-	-	193,434	-	854,006	1,047,440
Loans and advances to customers	125,014	7,652,765	718,716	360,917	17,531,766	26,389,178
Investment securities	-	1,026,085	-	-	2,942,354	3,968,439
Tangible and intangible fixed assets	-	-	-	-	1,589,607	1,589,607
Other assets, including tax assets	-	745	101	-	282,687	283,533
Prepayments and accrued income	-	4,796	-	-	41,486	46,282
<b>Total assets</b>	<b>164,341</b>	<b>11 191 106</b>	<b>1,182,991</b>	<b>523,588</b>	<b>40,663,877</b>	<b>53,725,903</b>
<b>Liabilities</b>						
Derivative financial instruments	-	74,916	195	3,765	496,574	575,450
Deposits by banks	6,694	2,324,565	47,070	34,863	2,245,577	4,658,769
Customer accounts	124,203	2,783,520	645,424	157,449	39,121,688	42,832,284
Debt securities in issue	-	-	-	-	1,530,174	1,530,174
Provisions	-	-	-	-	165,995	165,995
Other liabilities	2,730	16,733	4,558	4	357,041	381,066
Accruals and deferred income	-	208	-	-	8,624	8,832
Shareholders' equity	-	-	-	-	3,573,333	3,573,333
<b>Total equity and liabilities</b>	<b>133,627</b>	<b>5,199,942</b>	<b>697,247</b>	<b>196,081</b>	<b>47,499,006</b>	<b>53,725,903</b>
<b>Net on-balance sheet position including equity</b>	<b>30,714</b>	<b>5,991,164</b>	<b>485,744</b>	<b>327,507</b>	<b>(6,835,129)</b>	<b>-</b>

At 31 December 2004	CZK SKK'000	EUR SKK'000	USD SKK'000	Other SKK'000	SKK SKK'000	Total SKK'000
<b>Assets</b>						
Cash and cash equivalents	34,291	237,543	75,085	195,253	18,279,701	18,821,873
Derivative financial instruments	-	5,469	-	3,535	537,822	546,826
Trading securities	-	588,065	168,174	187,522	1,228,096	2,171,857
Loans and advances to banks	-	9,071	-	-	2,423,774	2,432,845
Loans and advances to customers	123,107	3 991,211	212,197	276,396	14,264,599	18,867,510
Investment securities	-	1,073,926	-	-	3,220,562	4,294,488
Tangible and intangible fixed assets	-	-	-	-	1,559,957	1,559,957
Other assets, including tax assets	-	5,846	144	-	340,165	346,155
Prepayments and accrued income	-	4,057	-	-	22,316	26,373
<b>Total assets</b>	<b>157,398</b>	<b>5,915,188</b>	<b>455,600</b>	<b>662,706</b>	<b>41,876,992</b>	<b>49,067,884</b>
<b>Liabilities</b>						
Derivative financial instruments	-	24,470	-	27,931	266,116	318,517
Deposits by banks	757	849,808	15,322	28,612	2,207,843	3,102,342
Customer accounts	161,928	2,542,520	622,878	90,809	36,900,495	40,318,630
Debt securities in issue	-	-	509	-	1,033,416	1,033,925
Provisions	-	-	-	-	157,985	157,985
Other liabilities	-	13,993	14,998	1,152	690,819	720,962
Accruals and deferred income	-	442	3	-	13,180	13,625
Shareholders' equity	-	-	-	-	3,401,898	3,401,898
<b>Total equity and liabilities</b>	<b>162,685</b>	<b>3,431,233</b>	<b>653,710</b>	<b>148,504</b>	<b>44,671,752</b>	<b>49,067,884</b>
<b>Net on-balance sheet position including equity</b>	<b>(5,287)</b>	<b>2,483,955</b>	<b>(198,110)</b>	<b>514,202</b>	<b>(2,794,760)</b>	<b>-</b>

## (F) Interest Rate Risk

The Bank has exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may decrease or create losses in the event that unexpected movements arise. The Board of Directors sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored on a monthly basis.

The Bank's interest rate risk policy reflects Slovak financial market conditions. To a large extent the Bank applies natural hedging as far as the structure and pricing of assets and liabilities is concerned. Interest rate risk is monitored and managed using repricing gap analysis, report variance analysis and spread analysis on a monthly basis. The Bank has set a limit for the total mismatch of interest rate repricing.

The table below summarises the Bank's assets and liabilities to maturity groupings based on the time remaining from the balance sheet date to contractual repricing.

At 31 December 2005	Within 1 month	From 1 to 3 months	From 3 to 1 year	From 1 year to 5 years	Over 5 years	Non interest bearing	Total
	SKK'000	SKK'000	SKK'000	SKK'000	SKK'000	SKK'000	SKK'000
<b>Assets</b>							
Cash and cash equivalents	16,693,448	101,701	-	-	-	36,043	16,831,192
Derivative financial instruments	-	-	-	-	-	820,883	820,883
Trading securities	534,592	2,035	211,481	1,975,079	3,511	22,651	2,749,349
Loans and advances to banks	-	-	1,047,440	-	-	-	1,047,440
Loans and advances to customers	11,801,580	8,977,157	3,518,461	1,762,560	139,646	189,774	26,389,178
Investment securities	525,408	8,874	1,137,704	1,905,009	388,091	3,353	3,968,439
Tangible and intangible fixed assets	-	-	-	-	-	1,589,607	1,589,607
Other assets, including tax assets	202	-	93,612	174,779	-	14,940	283,533
Prepayments and accrued income	-	-	-	-	-	46,282	46,282
<b>Total assets</b>	<b>29,555,230</b>	<b>9,089,767</b>	<b>6,008,698</b>	<b>5,817,427</b>	<b>531,248</b>	<b>2,723,533</b>	<b>53,725,903</b>
<b>Liabilities</b>							
Derivative financial instruments	-	-	-	-	-	575,450	575,450
Deposits by banks	2,422,600	1,269,676	694,606	238,755	-	33,132	4,658,769
Customer accounts	39,693,604	895,730	1,288,521	872,308	19,201	62,920	42,832,284
Debt securities in issue	-	21,914	508,158	500,102	500,000	-	1,530,174
Provisions	-	-	-	-	-	165,995	165,995
Other liabilities	38,698	-	-	-	-	342,368	381,066
Accruals and deferred income	-	-	-	-	-	8,832	8,832
Shareholders' equity	-	-	-	-	-	3,573,333	3,573,333
<b>Total equity and liabilities</b>	<b>42,154,902</b>	<b>2,187,320</b>	<b>2,491,285</b>	<b>1,611,165</b>	<b>519,201</b>	<b>4,762,030</b>	<b>53,725,903</b>
<b>On balance sheet interest sensitivity gap at 31 December 2005</b>	<b>(12,599,672)</b>	<b>6,902,447</b>	<b>3,517,413</b>	<b>4,206,262</b>	<b>12,047</b>	<b>(2,038,497)</b>	<b>-</b>

At 31 December 2004

	Within 1 month	From 1 to 3 months	From 3 to 1 year	From 1 year to 5 years	Over 5 years	Non – interest bearing	Total
	SKK'000	SKK'000	SKK'000	SKK'000	SKK'000	SKK'000	SKK'000
<b>Assets</b>							
Cash and cash equivalents	18,423,513	398,360	-	-	-	-	18,821,873
Derivative financial instruments	247,659	7,048	231,040	32,550	28,529	-	546,826
Trading securities	466,093	2,043	58,989	1,431,700	190,381	22,651	2,171,857
Loans and advances to banks	-	-	2,432,845	-	-	-	2,432,845
Loans and advances to customers	8,082,155	7,205,586	2,572,292	805,476	23,744	178,257	18,867,510
Investment securities	26,127	8,874	1,394,232	1,430,613	1,427,954	6,688	4,294,488
Tangible and intangible fixed assets	-	-	-	-	-	1,559,957	1,559,957
Other assets, including tax assets	201	-	102,586	205,172	-	38,196	346,155
Prepayments and accrued income	-	-	-	-	-	26,373	26,373
<b>Total assets</b>	<b>27,245,748</b>	<b>7,621,911</b>	<b>6,791,984</b>	<b>3,905,511</b>	<b>1,670,608</b>	<b>1,832,122</b>	<b>49,067,884</b>
<b>Liabilities</b>							
Derivative financial instruments	107,933	7,048	105,527	65,729	32,280	-	318,517
Deposits by banks	2,059,118	254,795	705,772	59,629	-	23,028	3,102,342
Customer accounts	26,050,880	1,057,968	11,807,319	1,227,567	146,287	28,609	40,318,630
Debt securities in issue	333	21,913	12,268	499,411	500,000	-	1,033,925
Provisions	-	-	-	-	-	157,985	157,985
Other liabilities	334,028	-	-	-	-	386,934	720,962
Accruals and deferred income	-	-	-	-	-	13,625	13,625
Shareholders' equity	-	-	-	-	-	3,401,898	3,401,898
<b>Total equity and liabilities</b>	<b>28,552,292</b>	<b>1,341,724</b>	<b>12,630,886</b>	<b>1,852,336</b>	<b>678,567</b>	<b>4,012,079</b>	<b>49,067,884</b>
<b>On balance sheet interest sensitivity gap at 31 December 2004</b>							
	(1,306,544)	6,280,187	(5,838,902)	2,053,175	992,041	(2,179,957)	-

### (G) Liquidity Risk

The Bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan and overdraft draw-downs, guarantees and from margin and other calls e.g. cash-settled derivatives. The Bank does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of accuracy. The Bank has a reliable historical database on withdrawals which enables it to perform a relatively accurate analysis on the stability of these types of withdrawals.

The Bank's liquidity risk management framework is governed by regulations of the National Bank of Slovakia and by internal procedures established by the Bank for liquidity management, taking into consideration the requirements of liquidity management of the UniCredito Italiano Group.

The National Bank of Slovakia's liquidity regulatory framework is based on compliance with the following ratios:

- Ratio of fixed and non-liquid assets to own resources and reserves of the Bank should not exceed 1;
- Obligatory reserves should amount to a minimum of 2% of the primary deposits and deposits of non-resident clients (bank and non-bank clients);

**(G) Liquidity Risk**

The table below analyses assets and liabilities of the Bank into relevant maturity groupings based on the remaining period between balance sheet date and the contractual maturity date.

At 31 December 2005	Within 1 month	From 1 to 3 months	From 3 to 1 year	From 1 year to 5 years	Over 5 years	Not specified	Total
	SKK'000	SKK'000	SKK'000	SKK'000	SKK'000	SKK'000	SKK'000
<b>Assets</b>							
Cash and cash equivalents	16,729,491	101,701	-	-	-	-	16,831,192
Derivative financial instruments	-	-	-	-	-	820,883	820,833
<b>Trading</b>							
securities	79,920	2,035	211,481	2,429,751	3,511	22,651	2,749,349
Loans and advances to banks	-	-	1,047,440	-	-	-	1,047,440
<b>Loans and advances</b>							
to customers	6,135,158	1,493,060	6,443,001	9,238,941	2,889,389	189,629	26,389,178
Investment securities	525,408	8,874	75,483	1,905,009	1,450,312	3,353	3,968,439
Tangible and intangible fixed assets	-	-	-	-	-	1,589,607	1,589,607
Other assets, including tax assets	66,487	1,720	8,890	88,890	-	37,546	283,533
Prepayments and accrued income	-	-	-	-	-	46,282	46,282
<b>Total assets</b>	<b>23,536,464</b>	<b>1,607,390</b>	<b>7,866,295</b>	<b>13,662,591</b>	<b>4,343,212</b>	<b>2,709,951</b>	<b>53,725,903</b>
<b>Liabilities</b>							
Derivative financial instruments	-	-	-	-	-	575,450	575,450
Deposits by banks	2,422,600	1,269,676	694,606	238,755	-	33,132	4,658,769
Customer accounts	38,667,990	1,339,182	1,843,139	899,851	19,200	62,922	42,832,284
Debt securities in issue	-	21,914	8,158	500,102	1,000,000	-	1,530,174
Provisions	-	-	-	-	-	165,995	165,995
Other liabilities	38,699	-	-	-	-	342,367	381,066
Accruals and deferred income	-	-	-	-	-	8,832	8,832
Shareholders' equity	-	-	-	-	-	3,573,333	3,573,333
<b>Total liabilities and equity</b>	<b>41,429,289</b>	<b>2,630,772</b>	<b>2,545,903</b>	<b>1,638,708</b>	<b>1,019,200</b>	<b>4,762,031</b>	<b>53,725,903</b>
<b>Net liquidity gap at 31 December 2005</b>	<b>(17,592,825)</b>	<b>(1,023,382)</b>	<b>5,320,392</b>	<b>12,023,883</b>	<b>3,324,012</b>	<b>(2,052,080)</b>	<b>-</b>

At 31 December 2004

	Within 1 month	From 1 to 3 months	From 3 to 1 year	From 1 year to 5 years	Over 5 years	Not specified	Total
	SKK'000	SKK'000	SKK'000	SKK'000	SKK'000	SKK'000	SKK'000
<b>Assets</b>							
Cash and cash equivalents	18,423,513	398,360	-	-	-	-	18,821,873
Derivative financial instruments	247,659	7,048	231,040	32,550	28,529	-	546,826
Trading securities	10,637	2,042	58,989	1,887,156	190,382	22,651	2,171,857
Loans and advances to banks	-	-	2,432,845	-	-	-	2,432,845
Loans and advances to customers	3,793,550	1,450,043	4,683,914	7,125,197	1,644,148	170,658	18,867,510
Investment securities	26,127	8,874	328,198	1,430,613	2,493,988	6,688	4,294,488
Tangible and intangible fixed assets	-	-	-	-	-	1,559,957	1,559,957
Other assets, including tax assets	201	-	102,586	205,172	-	38,196	346,155
Prepayments and accrued income	-	-	-	-	-	26,373	26,373
<b>Total assets</b>	<b>22,501,687</b>	<b>1,866,367</b>	<b>7,837,572</b>	<b>10,680,688</b>	<b>4,357,047</b>	<b>1,824,523</b>	<b>49,067,884</b>
<b>Liabilities</b>							
Derivative financial instruments	107,933	7,048	105,527	65,729	32,280	-	318,517
Deposits by banks	2,059,118	254,795	705,772	59,629	-	23,028	3,102,342
Customer accounts	24,715,108	1,686,417	12,481,734	1,260,479	146,283	28,609	40,318,630
Debt securities in issue	333	21,913	12,268	499,411	500,000	-	1,033,925
Provisions	-	-	-	-	-	157,985	157,985
Other liabilities	334,028	-	-	-	-	386,934	720,962
Accruals and deferred income	-	-	-	-	-	13,625	13,625
Shareholders' equity	-	-	-	-	-	3,401,898	3,401,898
<b>Total liabilities and equity</b>	<b>27,216,520</b>	<b>1,970,173</b>	<b>3,305,301</b>	<b>1,885,248</b>	<b>678,563</b>	<b>4,012,079</b>	<b>49,067,884</b>
<b>Net liquidity gap at 31 December 2004</b>	<b>(4,714,833)</b>	<b>(103,806)</b>	<b>(5,467,729)</b>	<b>8,795,440</b>	<b>3,678,484</b>	<b>(2,187,556)</b>	<b>-</b>

#### 4 INTEREST INCOME

	2005 SKK'000	2004 SKK'000
Loans and advances to banks	687,185	803,046
Loans and advances to customers	1,054,796	1,186,281
Securities	21,284	606,754
Bills of exchange	328,105	16,460
	<b>2,091,370</b>	<b>2,612,541</b>

#### 5 INTEREST EXPENSE

	2005 SKK'000	2004 SKK'000
Deposits by banks	(152,356)	(186,393)
Customer accounts	(931,219)	(1,360,090)
Certificates of deposit	(51)	(783)
Issued bonds	(108,293)	(77,307)
Leasing	(803)	(2,329)
	<b>(1,192,722)</b>	<b>(1,626,902)</b>

#### 6 FEE AND COMMISSION INCOME AND EXPENSE

Revenue from fees and commissions	2005 SKK'000	2004 SKK'000
Banks	42,533	41,418
Customers	400,651	341,488
Securities operations	2,046	632
Other bank operations	68,877	69,215
	<b>514,107</b>	<b>452,753</b>

Expenses related to fee and commissions	2005 SKK'000	2004 SKK'000
Banks and customers	(66,593)	(60,761)
Securities operations	(3,597)	(1,383)
Other bank operations	(47,922)	(19,948)
	<b>(118,112)</b>	<b>(82,092)</b>
<b>Net revenue from fees and commissions</b>	<b>395,995</b>	<b>370,661</b>

#### 7 DIVIDEND INCOME

	2005 SKK'000	2004 SKK'000
Available for sale securities	15	595
Other securities	814	619
<b>Dividends received gross</b>	<b>829</b>	<b>1,214</b>

#### 8 NET INCOME FROM FOREIGN EXCHANGE OPERATIONS

	2005 SKK'000	2004 SKK'000
Gains from foreign exchange operations	8,661,052	7,579,321
Losses related to foreign exchange operations	(8,420,938)	(7,475,293)
	<b>240,114</b>	<b>104,028</b>

## 9 NET INCOME FROM FINANCIAL DERIVATES

	2005 SKK'000	2004 SKK'000
Income from currency derivatives	2,559,645	1,047,246
Expenses relating to currency derivatives	(2,397,271)	(892,002)
<b>Net income from currency derivatives</b>	<b>162,374</b>	<b>155,244</b>
Income from interest rate derivatives	704,937	775,759
Expenses relating to interest rate derivatives	(565,436)	(580,349)
<b>Net income from interest rate derivatives</b>	<b>139,501</b>	<b>195,410</b>
Income from options	923,622	65,019
Expenses relating to options	(904,112)	(48,815)
<b>Net income from options</b>	<b>19,510</b>	<b>16,204</b>
<b>Net income from financial derivatives</b>	<b>321,385</b>	<b>366,858</b>

## 10 NET INCOME FROM SECURITIES

	2005 SKK'000	2004 SKK'000
Gains from trading securities	67,940	87,162
Losses related to trading securities	(39,572)	(50,465)
<b>Net income from trading securities</b>	<b>28,368</b>	<b>36,697</b>
Gains from available-for-sale	5,196	9,172
Losses related to available-for-sale	(520)	(9,265)
<b>Net income / (expense) from investment securities</b>	<b>4,676</b>	<b>(93)</b>

## 11 PERSONNEL EXPENSES

	2005 SKK'000	2004 SKK'000
Wages and salaries	(452,340)	(441,234)
Social expenses	(130,538)	(108,574)
Other personnel expenses	(23,372)	(18,270)
	<b>(606,250)</b>	<b>(568,078)</b>

At 31 December 2005, the average number of employees (equivalent to full-time staff) was 991 (2004: 980).

At 31 December 2005, the Supervisory Board comprised of 12 members (2004: 12 members).

## 12 ADMINISTRATIVE EXPENSES

	2005 SKK'000	2004 SKK'000
Material related expenses	(53,396)	(54,427)
Service related expenses	(147,764)	(126,434)
Rent	(60,241)	(53,549)
Marketing expenses	(70,504)	(69,305)
Operating fees	(11,373)	(14,536)
Other services	(173,613)	(218,082)
Other administrative expenses	(190,319)	(203,155)
	<b>(707,210)</b>	<b>(739,488)</b>

Other administrative expenses include payments to the Deposits Protection Fund of SKK 105,843 thousand in 2005 (2004: SKK 115,410 thousand).



### 13 IMPAIRMENT LOSSES

	Loans SKK'000	Investment securities SKK'000	Property plant & equipment SKK'000	Other assets SKK'000	Total impairment losses SKK'000
At 1 January 2004	(2,514,061)	(1,391)	-	(27,827)	(2,543,279)
Impairment (losses) / reversals	(207,444)	(7)	-	3,650	(203,801)
Write-offs	512,850	-	-	3,486	516,336
<b>At 31 December 2004</b>	<b>(2,208,655)</b>	<b>(1,398)</b>	<b>-</b>	<b>(20,691)</b>	<b>(2,230,744)</b>
At 1 January 2005	(2,208,655)	(1,398)	-	(20,691)	(2,230,744)
Impairment reversals/(losses)	99,417	(41)	(60,000)	(2,922)	36,454
Write-offs	707,324	-	-	627	707,951
<b>At 31 December 2005</b>	<b>(1,401,914)</b>	<b>(1,439)</b>	<b>(60,000)</b>	<b>(22,986)</b>	<b>(1,486,339)</b>

### 14 PROVISIONS

	Litigations SKK'000	Guarantees SKK'000	Other SKK'000	Total provisions SKK'000
At 1 January 2004	(164,002)	(11,000)	-	(175,002)
Release /(creation)	19,503	6,846	(9,332)	17,017
<b>At 31 December 2004</b>	<b>(144,499)</b>	<b>(4,154)</b>	<b>(9,332)</b>	<b>(157,985)</b>
At 1 January 2005	(144,499)	(4,154)	(9,332)	(157,985)
Creation	(7,001)	-	(1,009)	(8,010)
<b>At 31 December 2005</b>	<b>(151,500)</b>	<b>(4,154)</b>	<b>(10,341)</b>	<b>(165,995)</b>

### 15 TAXATION

	2005 SKK'000	2004 SKK'000
Deferred tax assets/(liabilities) (note 23)	(41,088)	196,052
Withholding tax on securities	-	(24,136)
<b>Income tax</b>	<b>(41,088)</b>	<b>171,916</b>

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

	2005 SKK'000	2004 SKK'000
Profit before taxation	406,313	193,205
Non-deductible expenses	564,388	811,364
Non-taxable income from securities	(70,861)	(136,735)
Other non-taxable income	(1,184,836)	(981,778)
<b>Tax base</b>	<b>(284,996)</b>	<b>(113,944)</b>

## 16 CASH AND CASH EQUIVALENTS

	2005 SKK'000	2004 SKK'000
Cash and balances at the central bank (see below)	14,960,277	17,588,186
Loans and advances to banks with remaining maturity up to 3 months (note 19)	1,870,915	1,233,687
	<b>16,831,192</b>	<b>18,821,873</b>

Cash and balances at the central bank	2005 SKK'000	2004 SKK'000
<b>Balances with the National Bank of Slovakia ('NBS'):</b>		
Compulsory minimum reserve	979,547	587,884
Receivables from repurchase agreements	12,943,320	15,981,764
Term deposits	34,004	99,007
Other	27,984	14,478
	<b>13,984,855</b>	<b>16,683,133</b>
<b>Cash in hand:</b>		
In Slovak crowns	664,524	640,784
In foreign currencies	310,898	264,269
	<b>975,422</b>	<b>905,053</b>
	<b>14,960,277</b>	<b>17 588,186</b>

Interest rates in 2005	Slovak crowns	Foreign currencies
Compulsory minimum reserves	1.5 %	-
Current accounts at banks	1.5 %	1.5 %
Term deposits at banks	2.20 % – 3.40 %	2.35 % – 5.10 %

All banks in Slovakia are required to deposit compulsory minimum reserves with the National Bank of Slovakia. The moving average of reserves at the end of the month must be 2 % (2004: 2%) of the sum of

client deposits in the previous month. The calculated obligatory minimum reserves deposited at the NBS earn interest at 1.5% per annum, calculated on a daily basis.

## 17 DERIVATE FINANCIAL INSTRUMENTS

The Bank utilises the following derivative instruments for trading purposes and for the purpose of closing its positions:

**Currency forwards** represent commitments to purchase foreign and domestic currency, including undelivered spot transactions.

**Forward rate agreements** are individually negotiated interest rate futures that call for cash settlement at a future date for the difference between a contracted rate of interest and the current market rate, based on a notional principal amount.

**Currency swaps** are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies.

**Interest swaps** represent a liability to exchange one set of cash flows for another in the same currency, without effective settlement of the volume of the contract itself and with settlement of the interest difference between the agreed fixed and the respective reference interest rate.

**Cross currency interest swaps** represent an agreement on exchange of two currencies with agreed exchange rate and mutual periodic settlement of interests in the respective currency.

**Options** are derivatives with the right of buyer to sell the underlying financial instrument at the agreed price as of a certain date (put option) or to buy the underlying financial instrument at a specified price on a certain date (call option).

The Bank's credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the Bank assesses counterparties using the same techniques as for its lending activities.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows

involved or the current fair value of the instruments and, therefore, do not indicate the Bank's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivati-

ve financial instruments on hand, the extent to which instruments are favourable or unfavourable and, thus the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time. The fair values of derivative instruments held are set out in the following table.

	Contract/ notional amount SKK'000	2005 Fair value		Contract/ notional amount SKK'000	2004 Fair value	
		Assets SKK'000	Liabilities SKK'000		Assets SKK'000	Liabilities SKK'000
<b>Currency derivatives</b>	<b>18,596,290</b>	<b>423,837</b>	<b>183,966</b>	<b>13,423,764</b>	<b>283,095</b>	<b>196,925</b>
Currency forwards and swaps	13,692,120	182,763	160,331	8,123,153	-	96,595
Cross-currency swaps	4,904,170	241,074	23,635	5,300,611	283,095	100,330
<b>Interest derivatives</b>	<b>4,796,469</b>	<b>81,909</b>	<b>76,612</b>	<b>16,044,393</b>	<b>208,653</b>	<b>66,514</b>
Interest rate swaps	4,796,469	81,909	76,612	16,044,393	208,653	66,514
Forward rate agreements	-	-	-	-	-	-
Securities derivatives	-	-	-	-	-	-
<b>Currency options</b>	<b>35,440,219</b>	<b>315,137</b>	<b>314,872</b>	<b>11,639,074</b>	<b>55,078</b>	<b>55,078</b>
		<b>820,883</b>	<b>575,450</b>		<b>546,826</b>	<b>318,517</b>

## 18 TRADING SECURITIES

	2005 SKK'000	2004 SKK'000
State bonds	2,141,996	1,302,275
Corporate and bank bonds	584,702	846,931
Equity securities	22,651	22,651
	<b>2,749,349</b>	<b>2,171,857</b>

## 19 LOANS AND ADVANCES TO BANKS

	2005 SKK'000	2004 SKK'000
Repayable on demand	256,242	270,869
Other loans and advances by remaining maturity:		
- 3 months or less	1,614,673	962,818
- 1 year or less but over 3 months	1,047,440	2,432,845
	<b>2,918,355</b>	<b>3,666,532</b>
Less amounts with remaining maturity up to 3 months (note 16):	(1,870,915)	(1,233,687)
	<b>1,047,440</b>	<b>2,432,845</b>

Deposits in Slovak crowns include deposits with remaining maturity greater than 3 months. In 2005, the interest rate on these deposits was 2.65 % - 3.40 % (2004: 4.29 %).

## 20 LOANS AND ADVANCES TO CUSTOMERS

### (a) Loans

In Slovak crowns	2005 SKK'000	2004 SKK'000
Loans to clients	16,175,459	13,262,914
Bills of exchange	111,786	140,128
Loans to government authorities	2,457,860	3,009,738
	18,745,105	16,412,780
<b>In foreign currencies</b>		
Loans to clients	9,045,987	4,663,385
	<b>27,791,092</b>	<b>21,076,165</b>
<b>Impairment losses (note 13)</b>	(1,401,914)	(2,208,655)
	<b>26,389,178</b>	<b>18,867,510</b>
<b>Interest rates</b>	<b>2005</b>	<b>2004</b>
Loans to clients, of which:		
- in Slovak crowns	4.78 %	7.00 %
- in foreign currencies	3.74 %	3.65 %

### (b) Impairment losses

The calculation of impairment losses depends on values ascribed to collateral. An asset's ultimate realisable value may differ from the value ascribed to it at the time of estimating allowances for impairment.

In 2005, other operating income includes SKK 26 thousand has been received from loans previously written off (2004: SKK 2,896,624).

### (c) Special loan programmes

At 31 December 2005 and 31 December 2004, the Bank extended loans to clients for loans funded through special credit lines (see notes 25 and 26).

	2005 SKK'000	2004 SKK'000
Supporting loan programmes	70,153	128,766
Eximbanka, Slovakia	363,204	325,664
EBRD	161,377	63,773
Slovenská záručná a rozvojová banka, a.s. ('SZRB')		
Rozvoj (Development) loan scheme	11,667	18,333
<b>Total special loan schemes</b>	<b>606,401</b>	<b>536,536</b>
<b>Interest rates</b>	<b>2005</b>	<b>2004</b>
Supporting loan programmes	7.55 % – 10.8 %	7.55 % – 10.8 %
Eximbanka, Slovakia	1.8 % – 4.8 %	2.7 % – 5.7 %
EBRD loan	6.78 %	6.78 %
Loan programme of SZRB Rozvoj (Development)	SZRB + 4 %	SZRB + 4 %

## 21 INVESTMENT SECURITIES

	Available -for-sale SKK'000	Held-to- maturity SKK'000	2005 Total SKK'000	Available for-sale SKK'000	Held-to- maturity SKK'000	2004 Total SKK'000
Equity securities	3,352	-	3,352	6,688	-	6,688
State bonds	-	2,706,268	2,706,268	-	2,976,870	2,976,870
Corporate and bank bonds	-	1,258,819	1,258,819	-	1,310,930	1,310,930
	<b>3,352</b>	<b>3,965,087</b>	<b>3,968,439</b>	<b>6,688</b>	<b>4,287,800</b>	<b>4,294,488</b>

Included in equity securities is shares in Agrobanka, a.s. with a nominal value of SKK 1,439 thousand (2004: SKK 1,398 thousand) which is fully impaired (see note 13).

At 31 December 2005, the market value of held-to-maturity securities was SKK 3,928.9 million (2004: SKK 4,364.2 million).

## 22 TANGIBLE AND INTANGIBLE FIXED ASSETS

At 31 December 2005	Assets not yet in use SKK'000	Land and buildings SKK'000	Equipment SKK'000	Software and other SKK'000	Total SKK'000
<b>Cost</b>					
At 1 January 2005	327,892	924,561	994,079	506,030	2,752,562
Additions	546,717	-	75,859	-	622,576
Disposals	(65,349)	(170,665)	(88,118)	-	(324,132)
Transfers	(727,293)	549,546	128,807	48,940	-
At 31 December 2005	81,967	1,303,442	1,110,627	554,970	3,051,006
<b>Accumulated depreciation and impairment losses</b>					
At 1 January 2005	-	164,275	655,527	372,803	1,192,605
Disposals	-	(9,015)	(207)	(26)	(9,248)
Charge for the year	-	52,748	125,647	39,647	218,042
Impairment losses	-	-	25,000	35,000	60,000
At 31 December 2005	-	208,008	805,967	447,424	1,461,399
<b>Net book value</b>					
at 31 December 2005	<b>81,967</b>	<b>1,095,434</b>	<b>304,660</b>	<b>107,546</b>	<b>1,589,607</b>

The recoverable amount of certain of the Bank's hardware and software was assessed following the decision on the future integration with HVB Bank a.s. As a consequence, impairment losses of SKK 25,000 thousand and SKK 35,000 thousand was recognised in order to reduce the carrying amount of equipment and software, respectively, to the estimate net selling price.

At 31 December 2005, equipment includes assets held under finance lease arrangements with a net book value of SKK 46,507 thousand (2004: SKK 81,228 thousand). Depreciation of leased assets amounted to SKK 14,846 thousand (2004: SKK 20,554 thousand).

Included in additions in 2005, is items from previously expired lease contracts with a cost of SKK 228 million and a net book value of SKK 0.

At 31 December 2004	Assets not yet in use SKK'000	Land and buildings SKK'000	Equipment SKK'000	Software and other SKK'000	Total SKK'000
<b>Cost</b>					
At 1 January 2004	155,862	905,007	1,013,211	408,559	2,482,639
Additions	546,820	-	-	-	546,820
Disposals	(94,243)	(28,358)	(154,251)	(45)	(276,897)
Transfers	(280,547)	47,912	135,119	97,516	-
At 31 December 2004	327,892	924,561	994,079	506,030	2,752,562
<b>Accumulated depreciation</b>					
At 1 January 2004	-	127,174	676,909	339,681	1,143,764
Disposals	-	(6,579)	(153,226)	(45)	(159,850)
Charge for the year	-	43,680	131,844	33,167	208,691
At 31 December 2004	-	164,275	655,527	372,803	1,192,605
<b>Net book value</b>					
at 31 December 2004	327,892	760,286	338,552	133,227	1,559,957

### 23 DEFERED TAX

Deferred taxes are calculated on all temporary differences under the liability method using an effective tax rate of 19% (2004: 19%). The movement on the deferred tax account is as follows:

At 31 December 2004	307,757
Debit (note 15)	(41,088)
<b>At 31 December 2005</b>	<b>266,669</b>

The deferred tax asset is attributable to the following items:

Temporary differences	2005 SKK'000	2004 SKK'000
Impairment losses on loans and advances	180,937	308,048
Tax losses carried forward	77,982	-
Other deductible temporary differences	11,652	-
Other taxable temporary differences	(3,902)	(291)
	<b>266,669</b>	<b>307,757</b>

### 24 OTHER ASSETS

	2005 SKK'000	2004 SKK'000
Other assets	27,359	45,726
Inventory	6,765	8,242
Operating prepayments	3,992	2,671
Other receivables	1,734	2,450
	39,850	59,089
Impairment losses (note 13)	(22,986)	(20,691)
	<b>16,864</b>	<b>38,398</b>

## 25 DEPOSITS BY BANKS

In Slovak crowns	2005 SKK'000	2004 SKK'000
Deposits by banks	2,006,822	2,109,376
Special credit lines:		
- EBRD	227,088	38,796
Slovenská záručná a rozvojová banka (Rozvoj loan programme)	11,667	20,833
	2,245,577	2,169,005
<b>In foreign currencies</b>		
Deposits by banks	2,380,060	910,309
Liabilities from cash collection	33,132	23,028
	2,413,192	933,337
	<b>4,658,769</b>	<b>3,102,342</b>

Interest rates crowns	In Slovak currencies	2005 In foreign crowns	In Slovak menách	2004 In foreign crowns
Deposits by banks	1.80 % – 3.50 %	0.06 % – 5.55 %	1.00 % – 5.30 %	0.10 % – 6.50 %

## 26 CUSTOMER ACCOUNTS

In Slovak crowns	2005 SKK'000	2004 SKK'000
Demand deposits	12,674,014	9,916,200
Time deposits	13,029,032	14,196,932
Supporting loan scheme funds	25,960	583,261
Deposits by Government authorities, State funds and municipalities	11,723,466	11,311,960
Certificates of deposit, short term bills	1,668,875	891,250
Cash in transit	341	891
	39,121,688	36,900,494
<b>In foreign currencies</b>		
Demand deposits	2,452,514	1,912,247
Time deposits	1,104,838	1,346,730
Deposits by government authorities	1,164	1,844
Certificates of deposit, short term bills	144,591	149,239
Cash in transit	7,489	8,076
	3,710,596	3,418,136
	<b>42,832,284</b>	<b>40,318,630</b>

Interest rates	2005	2004
Demand deposits	0.42 %	0.78 %
Deposits by government authorities	2.65 %	1.97 %
Time deposits	2.60 %	4.04 %
Certificates of deposit, short term bills	2.47 %	3.15 %

## 27 DEBT SECURITIES IN ISSUE

	2005 SKK'000	2004 SKK'000
Mortgage bonds in issue	1,527,994	1,025,555
Long-term bills	2,180	8,370
	<b>1,530,174</b>	<b>1,033,925</b>

Balance at 31 December 2005

Mortgage Bonds	Date of issue	Maturity date	Nominal value	Number of issued debt securities SKK'000	Interest rate	Coupon pay-out	Accounting Accounting SKK'000
UB-HZL-1	2. 2. 2004	2. 2. 2009	100	5 000	4.9 % p.a.	annually	519,836
UB-HZL-2	29. 9. 2004	29. 9. 2015	1,000	500	5.0 % p.a.	annually	506,388
UB-HZL-3	25. 5. 2005	25. 5. 2015	100	5 000	6M Bribor +0.07%p.a.	bi-annually	501,770
							<b>1,527,994</b>

Balance at 31 December 2004

Mortgage Bonds	Date of issue	Maturity date	Nominálna hodnota	Number of issued debt securities SKK'000	Interest rate	Coupon pay-out	Accounting Accounting SKK'000
UB-HZL-1	2. 2. 2004	2. 2. 2009	100	5,000	4.9 % p.a.	annually	519,167
UB-HZL-2	29. 9. 2004	29. 9. 2015	1,000	500	5.0 % p.a.	annually	506,388
							<b>1,025,555</b>

## 28 OTHER LIABILITIES

	2005 SKK'000	2004 SKK'000
Accrued expenses	120,712	125,287
Payables from issue of debt securities	79,772	347,511
Other creditors	61,462	101,781
Withholding tax	47,658	68,543
Social insurance	12,829	11,806
Finance lease liability (note 29)	5,526	2,018
Other	53,107	64,016
	<b>381,066</b>	<b>720,962</b>

## 29 FINANCE LEASE AGREEMENTS

Liabilities arising from finance lease agreements are as follows:

	2005 SKK'000	2004 SKK'000
Gross finance lease liability	6,329	4,347
Less finance charges	(803)	(2,329)
- Less than one year	5,526	2,018
Net finance lease liability (see note 28)	<b>5,526</b>	<b>2,018</b>

## 30 SHARE CAPITAL

	2005 SKK'000	2004 SKK'000
At 1 January and 31 December	<b>2,377,062</b>	<b>2,377,062</b>
Nominal value per share (SKK)	185	185
Number of shares	12,848,984	12,848,984



### 31 LEGAL RESERVE FUND

The legal reserve fund is created in accordance with the requirements of the Slovak Commercial Code valid in the Slovak Republic and in accordance with the Bank's Articles of Association. The fund is not available for distribution to shareholders. In 2005, the

Bank transferred SKK 37,603 thousand from 2004 profit to the reserve fund being 10% of the available profit of 2004. The Directors propose to transfer SKK 38,173 thousand to the legal reserve fund from the profit of 2005.

### 32 OFF BALANCE SHEET ITEMS

	2005 SKK'000	2004 SKK'000
Bank guarantees	22,102	64,309
Customer guarantees	1,174,220	1,164,591
Customer guarantees, classified	6,431	6,488
Letter of credit	108,841	122,475
Unused credit limits	8,629,762	5,764,320
	<b>9,941,356</b>	<b>7,122,183</b>

At 31 December 2005, the Bank's commitments to extend loans amounted to SKK 8,630 million (31 December 2004: SKK 5,764 million). The Bank is able to cancel the commitments as necessary.

At 31 December 2005, the Bank held assets received

from clients for custody purposes of SKK 4,231 million (2004: SKK 5,537million).

The Bank is in legal proceedings in the normal course of its business. The Bank has made provision to cover expect liabilities. See note 14.

### 33 RECONCILIATION TO SLOVAK STATUTORY FINANCIAL STATEMENTS

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

2005	Shareholders' equity SKK'000	Profit after taxation SKK'000	Total assets SKK'000
Reported under Slovak accounting regulations	3,577,224	381,730	53,563,937
Capitalisation of finance leases	14,053	1,135	1,939
Reclassification of social fund	(17,640)	(17,640)	-
Netting of fair values of financial derivatives	-	-	160 331
Other	(304)	-	(304)
<b>Reported under IFRS</b>	<b>3,573,333</b>	<b>365,225</b>	<b>53,725,903</b>

2004	Shareholders' equity SKK'000	Profit after taxation SKK'000	Total assets SKK'000
Reported under Slovak accounting regulations	3,407,050	376,032	49,058,058
Capitalisation of finance leases	7,935	2,049	9,953
Reclassification of social fund	(12,960)	(12,960)	-
Other	(127)	-	(127)
<b>Reported under IFRS</b>	<b>3,401,898</b>	<b>365,121</b>	<b>49,067,884</b>

### 34 RELATED PARTIES

Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operational decisions. The Bank is controlled by UniCredito Italiano S.p.A. (incorporated in Italy), which owned 77.11% of the ordinary shares at 31 December 2005 (2004: 77.11%).

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

Year end balances with related parties are as follows:

	Members of the Supervisory Board and the Board of Directors		UniCredito Italiano Group	
	2005 SKK'000	2004 SKK'000	2005 SKK'000	2004 SKK'000
Loans and advances to customers	8,729	6,204	292,654	272,533
Deposits – credit	13,010	12,686	1,786,710	961,612
Deposits – debit	(48)	(37)	(21,353)	(32,834)
Interest income	367	74	12,498	14,802
Interest expense	135	(308)	(39,114)	(40,902)
Fees and commission income	4	11	17,650	616
Fees and commission expense	-	-	(305)	-

During 2005 and 2004, the Bank did not create impairment losses for loans and advances provided to related parties.

In 2005, remuneration paid to the Supervisory Board and the Board of Directors amounted to SKK 13,712 thousand (2004: SKK 14,865 thousand).

### 35 SUPPLEMENTARY RETIREMENT ANNUITY INSURANCE PLAN

Since 1998, the Bank has participated in a supplementary retirement annuity insurance plan for its employees. Supplementary retirement annuity insurance is voluntary and is based on the contractual relationship between employee, employer and the supplementary retirement annuity insurance plan.

Contributions for both the employee and the Bank are fixed and defined in the benefit plan.

In 2005, the Bank paid SKK 3,673,190 (2004: SKK 3,399,370) and employees paid SKK 4,176,370 (2004: SKK 4,033,070) under this plan.

### 36 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 Bank's financial assets and liabilities at year end in 2004 and 2005 were as follows:

	Carrying value	Fair value	Carrying value	Fair value
	2005 SKK'000	2005 SKK'000	2004 SKK'000	2004 SKK'000
<b>Financial assets</b>				
Cash and cash equivalents	16,831,192	16,831,192	18,821,873	18,821,873
Derivative financial instruments	820,833	820,833	546,826	546,826
Trading securities	2,749,349	2,749,349	2,171,857	2,171,857
Loans and advances to banks	1,047,440	1,015,688	2,432,845	2,365,035
Loans and advances to customers	26,389,178	25,994,528	18,867,510	18,867,510
Investment securities	3,968,439	3,932,252	4,294,488	4,370,858
<b>Financial liabilities</b>				
Derivative financial instruments	575,450	575,450	318,517	318,517
Deposits by banks	4,658,769	4,627,087	3,102,342	3,094,184
Customer accounts	42,832,284	42,756,399	40,318,630	40,416,863
Debt securities in issue	1,530,174	1,450,469	1,033,925	1,287,801

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

#### Derivative financial instruments

The fair values of derivative financial instruments are calculated using quoted market prices.

#### Trading securities

The fair values of trading securities are calculated using quoted market prices.

#### 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.

#### Investment securities

The quoted market prices for investment securities are set out in note 21.

#### Deposits by banks

The fair value of current accounts with other banks approximates to book value. For other amounts owed by banks with a remaining maturity of less than one year, 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 one year approximate their carrying amounts. The fair values of other customer accounts are calculated by discounting the future cash flows using current deposit 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.

