Annual Report 2005

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Address by the Chairman of the VUB Supervisory Board

Dear Shareholders, Clients and Business Partners, Employees

VUB had in 2005 again a very successful year, the fourth full year under the strategic ownership of Banca Intesa. The Bank has further strengthened its position on core credit markets and, together with the Generali Group, established itself on the new and strategically important pension market. VUB continued to deliver outstanding financial performance, remaining the most profitable bank on the Slovak market and, for the first time, becoming also its most efficient one. On behalf of the Supervisory Board, I would like to thank the management and employees for these excellent achievements.

Continuation of the positive commercial and financial performance confirms that VUB pursues the right strategy. Strategy focused on value creation in a systematic and determined way: from post privatization restructuring and transformation to sustainable and healthy growth, accompanied by strict cost discipline, sound risk management practices, and continuous investments into innovation. Strategy, that has turned the Bank into a modern, dynamic, and, most importantly, client-oriented financial institution.

In many ways, VUB has become a leading bank and role model to follow not only on the local market but increasingly so also within Intesa's Central Europe peer group. Indeed, VUB's consumer finance operations have been selected as a "Center of Excellence", a business model to follow in the Group's other Central and Eastern European subsidiaries. The center of excellence signifies to the strategic importance of VUB for Banca Intesa. Importance that has been underscored last year by delegating Intesa's senior executive, Mr Ignacio Jaquotot, to the newly created position of VUB's deputy CEO, responsible, among other important functions, for Intesa governance coordination.

Support and commitment of Banca Intesa to VUB and the region has last year been upgraded yet further. The Group has created a new governance model for its foreign subsidiaries aiming at yet closer cooperation, know-how diffusion, and synergies in key areas of business support and risk control. In addition, the strategic importance of Central and Eastern Europe for Banca Intesa has been confirmed in the new three-year business plan unveiled in July and solidified yet further by additional acquisitions in the region.

Following on the past successes, the performance bar for VUB has naturally been raised yet higher for the year ahead. I do realize that remaining on top of the market in the environment of intensifying competition and accelerated EMU convergence will be tough. Yet, knowing the talent and dedication of VUB management and employees, I remain confident that with the continued trust of its clients and business partners, VUB will deliver and remain firmly the best bank in Slovakia.

György Surányi
Chairman of the Supervisory Board

Address by the Chairman of the VUB Management Board

Dear Shareholders, Clients and Business Partners,

VUB has had a strong year in 2005. We have retained the position of the most profitable bank in Slovakia for the third year in a row. Equally importantly, last year we have also become the most efficient bank on the market, for the first time ever. We have thus confirmed our ability to grow and yet retain a firm control over our cost base. This ability is important as it makes us continually more efficient and able to increase value proposition to our clients. Ahead, our leadership will be put to an important and difficult test in 2006, which in many ways will be the most challenging year in the post-privatization history of the Bank. To succeed in this test, we must remain focused on our clients, stabilize the bank in terms of business model and people, increase risk consciousness, and improve overall service concept and quality of processes.

To better understand VUB's performance and challenges we will face, it is instructive to understand first the developments in the Bank's external environment. In this respect, last year has been very good for the Slovak economy, with real GDP up six percent, the fastest pace of growth in the past ten years. Importantly, growth has not only become stronger but also more balanced, with positive contributions from both external and domestic demand, investments and consumption.

Against the stronger and balanced economic growth, demand for financial intermediation has also become stronger and, compared to previous years, less uneven across segments. The long depressed corporate credit market has finally turned around, spurred by the long-awaited recovery in capital spending. This recovery was spearheaded by foreign-controlled companies but is gradually involving also smaller and medium sized firms, who make up the backbone of the Slovak economy as well as VUB's corporate clientele. As a result, the overall volume of domestic bank credit extended to enterprises was up more than 20% last year, a sharp contrast to their 9% contraction the year earlier. Retail lending meanwhile continued to barrel ahead unabated, with 40% growth in volume.

On the deposit market, signs of stabilization emerged. To be accurate, the structural shift of household savings away from bank deposits into alternative financial products, such as mutual funds and pension assets, continued also this past year. As a result, households' bank term deposits decreased another 8% last year, while the volume of assets under management grew 75%. Importantly though, the overall pool of households financial assets increased sizably along with the rise in wage income delivered to households by fast economic growth and improved labor markets. By servicing the rise in households' disposable income and financial transactions, the banking sector increased the volume of current accounts by more than 20%, compensating fully for the decline in term deposits.

Against this backdrop, VUB has achieved strong business results, especially on the credit markets, in which we outgrew the market and increased our share to over 15% from 14% in 2004. We grew our lending book especially in the retail and small business segments, which together with small and medium-sized enterprises (SMEs) make the three pillars of our growth strategy. On the deposit markets we were less successful as we did not match market growth across segments, resulting in a 2% point loss of share. Importantly, however, the loss of market share occurred earlier in the year and we managed to initiate tentative recovery towards the end of 2005 and the beginning of 2006.

Evaluating the Bank's performance across individual business units, I see two main positive developments in our retail franchise. First, we succeeded to continue aggressively grow our portfolio of mortgages and consumer finance products. Overall, we have been able to grow our retail loan book by more than 60% compared to the market's 40%. Strong asset growth applies also to our new acquisition, Consumer Finance Holding. The second main success is yet further innovation of our product portfolio. In particular, we have introduced new current accounts – the flexi line. Development and successful marketing of this new current account line signifies that our retail strategy is not only about lending but also about building primary relationships with our clients. Additionally, we have successfully begun marketing of structured deposits in close cooperation with Banca Intesa to enhance savings product portfolio.

In asset management, we had a strong first three quarters but a less successful performance toward the year end. Overall, we grew funds under our management 68%, whereas the market grew 75%. Clearly, we must introduce new products. Products that will better suit the changed external environment and market demand and help to restart dynamic growth of our asset management franchise.

Overview of our retail achievements this year would not be complete without the VUB Generali pension fund. This joint venture is our new business and key investment to enhance value of the retail franchise in the long term. I am pleased to say that we successfully established ourselves on this new market, taking third place with a 17% market share. Importantly, we attained this strong position with the least capital expenditure vs. competition, which signifies our commitment to shareholder value. The Bank has been able to persuade nearly two thirds of its clients to join the joint venture, which confirmed our ability to cross sell. Ahead, it will be our ability to deliver results and excel in customer service that will test our comparative advantage on this market.

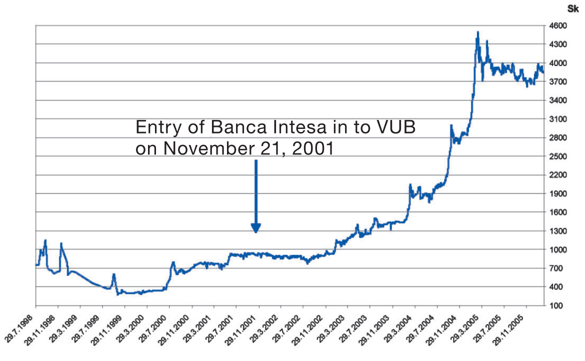
In corporate banking, we have been able to grow numbers and volumes in the segment of small and medium sized enterprises, which is very important for the Bank. To be sure, growth in this segment's loan portfolio slowed down to about half the pace of the previous year, which exceeded 40%. Importantly, however, in the second half of the year we initiated a redesign of our SME sales model, including upgrade of our product portfolio. Provided we see through to successful completion and implementation of the initiated changes and deliver increased comfort and choice for the client I am confident that we can restart the dynamic SME loan growth. In the segment of large clients we have been able to gain several key accounts, for example in state institutions and international corporations, especially in the automotive industry. We have thus confirmed our ability to compete on this front as well. In this context, it is important to note our two-year effort in stimulating payment business has brought our share of foreign payments to 10%. Despite the tough starting position we are continually increasing our share of this business and I believe that with the success in the automotive industry we will develop our market share in other sectors as well.

In Treasury, our capital and financial markets division, I would like to point out two main factors that support the Bank's business. First, Treasury has been able to successfully issue a series of mortgage-backed bonds. By doing so we lower Bank's risk profile with respect to the dramatically growing mortgage portfolio. The second and equally important factor is the Treasury's Customer Desk team, who began to work closely with the heads of our corporate branch network. It is critically important that they began visiting regularly with our medium-sized corporate clients and be more active in identifying their needs in terms of hedging and other treasury products.

The Bank's business growth has been accompanied by continuing automation and efficiency improvements of support and control functions. In particular, following automation of lending processes to retail and small business clients in 2004, last year we also improved lending process to SMEs. Upgrades of IT infrastructure and advances in risk management, such as linking rating and scoring models to our front and back office systems allowed us to further cut processing times. In December, we geared up our strive for efficiency and process improvements to our most ambitious project aimed at streamlining our the headquarters. We call this important strategic initiative the Optimum project. Simply put, in control and support functions we aim to redesign processes and abandon superfluous or duplicitous activities wherever possible, further increasing efficiency and quality. By doing so, we aim to stay on top of the market in terms of continuous focus on improvement in performance and therefore unlocking resources for further development of the Bank's business units.

In 2005, our growth strategy and focus on efficiency delivered. Based on consolidated IFRS results, we grew our operating revenues 21% and expenses 16%, respectively. As a result, our net operating profit grew 30% over the previous year and reached Sk 4.8 billion. After adjustments for provisions, impairment losses, and income tax, the Group posted a net profit of Sk 3.7 bln., up 29% over a year ago. Return on equity thus rose to 18.7% from 14.8% in 2004 (based on monthly averages).

VUB Share Price Development



At the Banking level, VUB has been the most profitable bank in absolute terms for the third year in a row. Importantly, we have been able to outperform the market in the top line, confirming thus our ability to grow core assets. Indeed, based on preliminary results according to Slovak accounting standards, the Bank gained nearly 40% of the market's growth in gross operating margin. Our expenses meanwhile grew slower than the market, confirming our ability to remain healthy and lean. We have taken less than 12% of the market's growth in operating expenses last year. As a result, our cost-to-income ratio declined to 56% at the bank level, which was the best performance of all banks on the market.

Ahead, it will be challenging to maintain and improve our performance. In many ways, the year 2006 will be the most testing in the post-privatization history of the Bank. Internally, VUB's performance will be affected by the run off of the restructuring bond revenue. Externally, the competition is intensifying yet further, posing a challenge to our ability to generate revenue, while investments into risk management systems and other service related platforms will add to our cost base. Further ahead, the Bank's performance will be adversely affected by Slovakia's EMU convergence. Preparations for the introduction of the euro will require significant additional investments in IT infrastructure. The actual euro changeover in 2009 will deprive the bank of substantial revenue from currency conversions and other sources.

To effectively address all these challenges and remain competitive, we will continue to concentrate on key strategic priorities. Above all, we must strive to further develop institutional culture in our organization. Performance and service to our clients as the top guiding value in everything we do must be reinforced. Critically, we shall aspire to develop a homogeneous culture and service driven values across the bank. Here, we aim to deliver the same high quality of service and commit to constant improvement of the Bank's value proposition.

The Bank is about people and we must continue to reward team work, transparency and integrity. We must improve our ability to develop and retain internal talent. In this respect, we nominate 10% of our employees into a retention program, which aims to help stabilize key and high potential staff. We also are changing our motivation systems so they are just and better accessible.

Business-wise, we must remain focused on stimulating healthy and value creating growth in key segments. In retail, this means growth focused on core assets as well as current accounts and other deposit products. Priority is integration and further development of a Consumer Finance Holding franchise as a complementary part of our retail ativities. We must also strengthen our position on the pension market and develop unique cross selling opportunities this new market offers, for example, in credit cards. In corporate banking, priority is the systematic expansion of SME business and stimulation of payment flows.

Great emphasis must be placed on risk consciousness. The Bank is aggressively upgrading its loan portfolio and this requires continued investments into risk management capacities. Promotion of risk consciousness, though, must run much deeper than this. After all, responsibility towards depositors and shareholders is the foremost priority of our banking business! We must strive to see that all our employees increase their risk consciousness. We must improve feedback between sales and risk, be careful to maintain prudency in credit underwriting, increase efficiency in asset quality monitoring and further develop the quality of collections. In this respect, dedication to quality of risk management systems holds the same weight as our success in the commercial arena.

Finally, a further priority is improvement in cost efficiency and effectiveness of support and control units. The challenging environment requires that we bring our cost base relative to revenues to 50% as fast as possible if we are to remain competitive in the medium term. Hence the importance of the Optimum project and other initiatives aimed at increasing our operating efficiency in 2006 and beyond.

In conclusion, I would like to thank our employees for their commitment, hard work, and results of this past year. The Bank has had a successful year thanks to the incredible amount of energy and effort many of them extended during the year. I also would like to thank VUB clients and business partners for the trust they hold in the Bank, and the shareholders for their support. I wish all of us the best in the challenging year 2006.

Tomas Spurny
Chairman of the Management Board and CEO

Development of the external environment

The year 2005 has been very successful for the Slovak economy. Real GDP growth geared up from five percent at the beginning of the year to above seven percent at its end, which meant Slovakia had the fastest growing economy in the Visegrad countries for the fourth year in a row. Importantly, growth has not only been fast but also healthy and broad based, bringing about new jobs and wage gains, improved financial performance of the corporate and public sectors, and increased investor interest in Slovak assets, including the currency. Inflation meanwhile decreased to historic lows by mid-year and, despite the worldwide increase in energy prices, remained under four percent by year end, within the upper range of the central bank inflation target. Interest rates also declined to historic lows during the year, with the two-week key repo rate at 3%, down from 4% in the prior year's end.

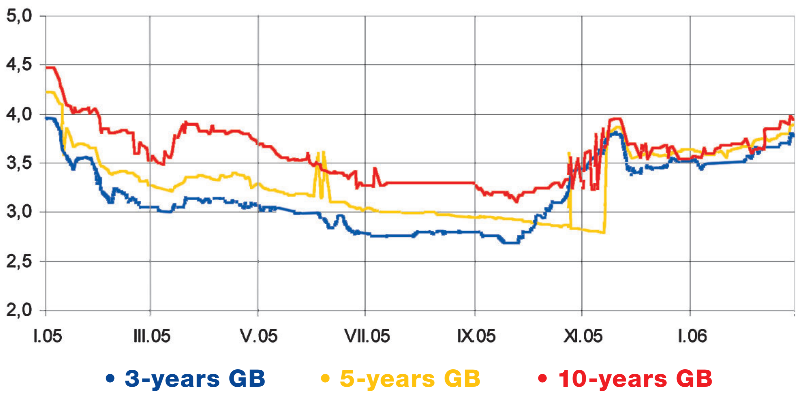
Rating agencies continued to increase the country's ratings, praising its strong economic performance and systematic structural reforms undertaken in recent years. The reforms significantly improved the business environment in Slovakia and has allowed the country to commit to an early adoption of the common European currency, as soon as 2009 well ahead of its regional neighbors. In this respect, the most important event of this past year and confirmation of the positive direction of the Slovak economy was the country's entry into the European Exchange Rate Mechanism ERMII, approved by the European Central Bank at the end of November, eight months ahead of the planned entry date.

Importantly for the banking sector, positive expectations in the Slovak economy are shared not only by investor and institutional communities but increasingly so also by businesses and households. Indeed, business as well as consumer confidence continued their upward trend last year. Along with the improved sentiment, businesses began to expand, using not only their profits and funds from parent companies but also using external financing, bank debt in particular. Domestic lending to enterprises was thus up more than 20%, a marked contrast to 9% contraction in 2004. The leasing market grew on a similarly strong note. Bank lending to households meanwhile continued to grow robustly, with 40% gain in volume, similarly as in the preceding year. Importantly, the improved financial situation of households has been reflected in the saving rate, which after years of decline finally stabilized last year at around six percent. The banking sector thus managed to halt the almost two-year long decline in households' bank deposits.

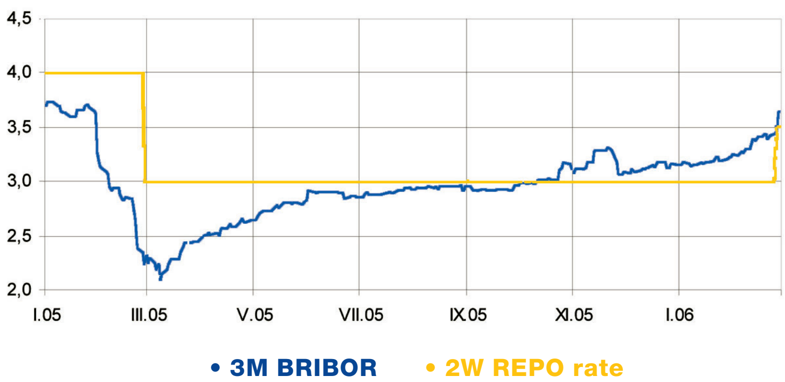
Also this year we expect growth to remain robust. Domestic as well as foreign demand are likely to contribute to the real GDP gain of around 6%. Consumer spending should remain strong along with the continued improvement in the labor markets and positive real wage gains, while, judging by the development plans of the firms, capital spending should sustain its recovery initiated this past year. The year 2006 is an election year and therefore the public sector will probably also contribute positively to the GDP growth. Foreign demand should remain favorable for the Slovak economy with the sustained recovery of Slovakia's main trading partners. Interest rate-wise, the year 2006 will be a turnaround year. After the four-year long cycle of monetary policy loosening, interest rates are on the rise, similarly as in the Euro zone. The Slovak central bank increased official interest rates by 50 bps at the end of February and the financial markets are expecting further, albeit moderate increases in the future.

Sk / EUR and USD exchange rate

Yields on bonds



Interest rates development



VUB's 2005 commercial performance

VUB's strategy aimed at stimulation of core revenues through a robust generation of interest bearing assets in the segment of retail banking, sole traders and small and medium enterprises started bearing fruits in 2005. The Bank's market share in individual segments recorded a significant rise over the year. Continuing increase of labour efficiency and productivity has also contributed to the favourable performance of VUB. Renovation of branches into modern and customer-oriented premises launched already back in 2003, has successfully carried on. The fact that by the end of last year 90% of the branch network was redesigned testifies to this success. Moreover, the Bank has built as many as 11 mortgage centres, offices focusing on the provision of services and advisory services related to real estate financing for clients.

As evidence of its correct direction, VUB's rating has been upgraded by the major rating agencies. In addition, the Bank has received an award from the Global Finance Magazine ranking it among the best banks in the emerging markets, however the main success factor was the growing number of clients satisfied with the quality of services rendered.

Deposits

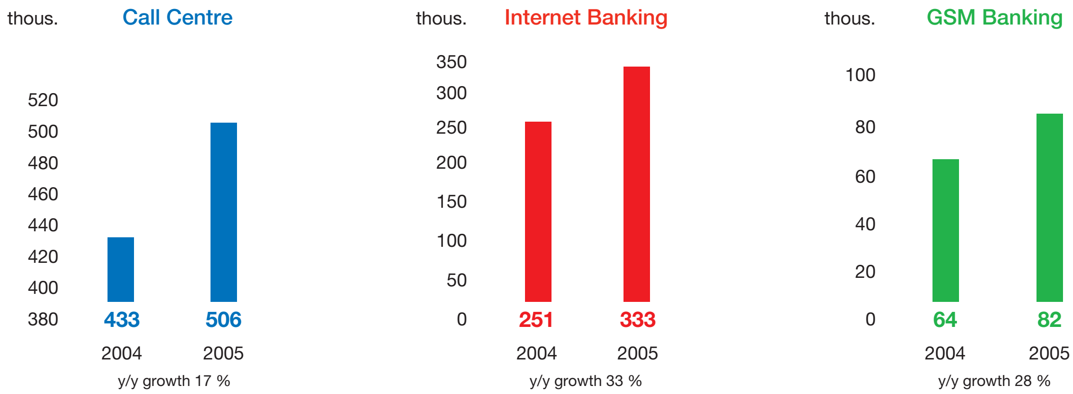
Bank deposits of VUB at year-end of 2005 recorded a volume of Sk 162 bln. Corporate deposits have retained favourable growth owing to term deposits, while non-term deposits fluctuated throughout the year due to imbalances in the public sector. Retail bank deposits have been influenced by an ever-widening offer of alternative saving products on the market. The year saw a persisting decrease in retail term deposits, while transfer of funds into asset management continued. In the second half of 2005 the Bank managed to stabilize this decrease mainly by introducing structured products. Launching of the Flexi Account product brought about a significant growth in non-term deposits and is unique on the Slovak market thanks to its variability.

Electronic Banking

Electronic banking and the constant improving of opportunities for its utilization forms a natural part of VUB's services today. In addition to the traditional service Kontakt, which provides the possibility of an operator or an automatic voice service, clients can manage their funds also via Internet Banking, Internet Banking Plus, GSM Banking, New Home Banking and Multicash.

At the year-end of 2005 as many as 580 thousand clients owned at least one of the electronic banking services. This represents an increase vis-à-vis the previous year by over 21%. Even more significant was the increase in the number of services used as such, reaching 930 thousand and showing that electronic banking holds an irreplaceable position. The Call Centre remains the most frequently used EDC service boasting over a half million clients. Internet Banking enjoyed the fastest growth in number of clients, when it went up by one third to the level of 333 thousand. The number of transactions via individual EDC channels increased throughout 2005 on average by 26%, whereas New Home Banking (127%) and Internet Banking (85%) saw the most significant increase in number of transactions y/y.

EDC - cumulative number of clients for the year monitored



Banking Cards

From the point of view of banking cards and related services, 2005 was a very successful year for VUB. The Bank issued 83,198 payment cards and 95,255 credit cards, increasing the number of credit cards by 80%. VUB also issues the DôchodOK credit card. In cooperation with VUB Generali d.s.s. held 16,944 clients by the end of 2005. The total number of cards issued by the Bank went up against the previous year by 21% and reached 1,113,003 units, which placed VUB in first position on the Slovak market in the number of banking cards issued.

Within improving its services mainly to retail clients, the Bank installed 22 new ATMs during the year. At the end of 2005 the VUB network consisted thus of 464 ATMs, which represents one fourth of the total ATM network in the Slovak Republic. The Bank has retained a clearly leading position mainly in ETF POS terminals. Their number increased vis-à-vis 2004 by 5.5% and reached 6,067 units, which accounts for a 32% share in the Slovak market. A strong growth was recorded also in the number and volume of transactions made via terminals.

Loans

Individuals – mortgage and consumer loans

In 2005 VUB did not only confirm but also strengthened its leading position in the Slovak mortgage loan market. The cumulative balance of mortgage loans grew compared to 2004 by an excellent 78% and at the end of the year stood at Sk 20.4 bln. All this success came mainly owing to the extension of the mortgage centre network, better opportunities for refinancing up to 100% of the pledged real estate as well as interest rates lower than in the previous year. Consumer loans – including a specific all-purpose loan called flexi loan – marked an increase by a strong 36% with a final balance coming in at Sk 7.8 bln.

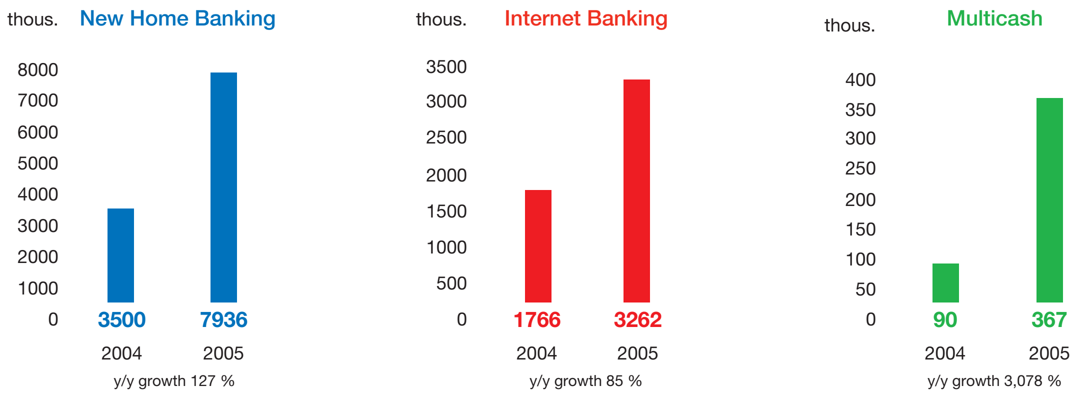
Corporate Loans

In 2005 the Bank managed to establish itself in the segment of small and medium enterprises. Due to the widest network of 26 corporate branches in Slovakia and the motivation and dedication of SME relationship managers the average balance of loans surged by 41%, when revenues in the SME segment made up more than half of corporate banking revenues as such and still keeping an upward trend. The total gross volume of credit exposure in corporate banking reached Sk 66.4 bn, representing an annual growth of 19.4%. The volume of corporate loans granted by VUB went up y/y by 17.7%. Corporate banking kept improving the quality of this loan portfolio and also in 2005 the total volume of non-performing loans decreased.

Domestic and International Payments

Although the number of domestic payments processed by VUB decreased against the previous year, their volume recorded a significant increase. The Bank mediated approximately one fifth of all domestic payments worth over Sk 20 thousand bln., which corresponds to 13% of the Slovak banking sector. VUB saw a steep upsurge in the field of international payments when their total volume increased during the year by almost 40% and reached Sk 265 thousand bln. The Bank's share on total international payments of the Slovak banking sector went up as a result by nearly 9%.

EDC - number of transactions for the year monitored



Basic indicators

In Sk million	SAS individual financial statements 2005	2004	2003	IFRS consolidated financial statements 2005	2004	2003
Balance sheet						
Loans and advances to customers	83,196	70,465	53,329	85,738	71,159	53,923
Deposits from customers	162,302	166,902	145,442	162,944	167,182	147,069
Shareholders' equity	20,958	19,879	20,032	20,719	19,770	20,149
Total assets	226,955	220,436	193,936	226,802	218,837	191,338
Income statement						
Operating income	10,953	9,758	9,002	11,693	9,658	8,482
Operating expenses	(6,130)	(5,868)	(6,105)	(6,873)	(5,947)	(6,466)
Operating profit before impairment and provisions	4,823	3,890	2,897	4,820	3,711	2,016
Profit from operations	4,582	3,331	4,149	4,371	3,149	2,796
Net profit for the year	3,857	3,139	4,519	3,696	2,865	3,157

Commercial indicators (VÚB only)	2005	2004	2003	2002
ATMs	464	442	423	406
EFT POS terminals	6,067	5,751	4,897	4,403
Payment cards	1,113,003	917,606	683,511	53,923
Credit cards	252,554	140,355	47,190	36,154
EDC clients	927,943	755,991	490,705	227,800
Mortgage loans (in Sk bln)	20.4	11.4	7.0	4.4
Consumer loans (in Sk bln)	7.8	5.8	3.0	2.5
Number of employees (average)	3,923	4,040	4,173	4,493
Number of branches	244	235	229	244

Rating (status as at 23 march 2006)

Moody's

Long-term deposits	A2
Short-term deposits	P-1
Financial strength	D+

Fitch Ratings

Individual rating	C
Support rating	1
Long-term rating	A
Short-term rating	F1

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Independent Auditors' Report
to the Shareholders of Všeobecná úverová banka, a.s.

We have audited the accompanying consolidated financial statements of Všeobecná úverová banka, a.s. and consolidated companies ('the VUB Group'), which comprise the consolidated balance sheet as at 31 December 2005 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow for the year then ended, and the notes. These consolidated financial statements are the responsibility of the VUB Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

In our opinion the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the VUB Group as at 31 December 2005, and of its financial performance and its cash flow for the year then ended in accordance with International Financial Reporting Standards.

Bratislava
28 February 2006

Ernst & Young

Ernst & Young Slovakia, spol. s r.o.
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Ernst & Young Slovakia, spol. s r.o., IČO: 35 840 463, zapísaná v Obchodnom registri Okresného súdu Bratislava I, oddiel: Sro, vložka číslo: 27004/B a v zozname audítorov vedenom Slovenskou komorou audítorov pod č. 257.

Consolidated balance sheet
at 31 December 2005
(In millions of Slovak crowns)

	Notes	2005	Restated 2004
Assets			
Cash and balances with central banks	5	4,052	3,641
Treasury bills and other eligible bills	6	3,995	7,131
Loans and advances to banks	7	25,797	45,836
Financial assets held for trading	8	646	1,005
Derivative financial instruments held for trading	9	1,850	2,426
Available-for-sale financial assets	10	631	211
Non-current assets held for sale	17	67	-
Loans and advances to customers	11	85,738	71,159
Held-to-maturity investments	13	94,122	79,246
Investments in associates and jointly controlled entities	14	218	314
Intangible assets	15	1,981	923
Goodwill	2, 16	570	-
Property and equipment	17	6,037	5,918
Deferred income tax assets	18	501	606
Other assets	19	597	421
		226,802	218,837
Liabilities			
Deposits from central banks	20	2,296	530
Deposits from other banks	21	18,656	16,567
Derivative financial instruments held for trading	9	2,036	2,972
Deposits from customers	22	162,944	167,182
Debt securities in issue	23	14,696	8,048
Current income tax liabilities		580	397
Provisions	24	1,897	2,074
Other liabilities	25	2,978	1,297
		206,083	199,067
Shareholders' equity			
Share capital	26	12,978	12,978
Share premium		403	403
Reserves		2,520	2,231
Retained earnings		4,818	4,158
		20,719	19,770
		226,802	218,837
Financial commitments and contingencies	27	37,113	28,571

The accompanying notes on pages 19 to 53 form an integral part of these financial statements.

These financial statements were authorized for issue by the Board of Directors on 28 February 2006.

Tomas Spurny
Chairman of the Board of Directors

Domenico Cristarella
Member of the Board of Directors

Consolidated income statement
for the year ended 31 December 2005
(In millions of Slovak crowns)

	Notes	2005	2004
Interest and similar income		10,542	10,819
Interest expense and similar charges		(3,281)	(4,388)
Net interest income	28	7,261	6,431
Fee and commission income		3,406	2,470
Fee and commission expense		(654)	(490)
Net fee and commission income	29	2,752	1,980
Net trading income	30	1,022	1,033
Other operating income	31	653	198
Dividend income		5	16
Operating income		11,693	9,658
Salaries and employee benefits	32	(2,562)	(2,306)
Other operating expenses	33	(3,333)	(2,809)
Amortization	15	(387)	(259)
Depreciation	17	(591)	(573)
Operating expenses		(6,873)	(5,947)
Operating profit before impairment and provisions		4,820	3,711
Impairment losses and provisions	34	(449)	(562)
Profit from operations		4,371	3,149
Share of loss of associates and jointly controlled entities	14	(262)	(46)
Profit before tax		4,109	3,103
Income tax expense	35	(413)	(240)
Profit after tax		3,696	2,863
Minority interest		-	2
Net profit for the year		3,696	2,865
Basic earnings per share in Slovak crowns	26	285	221

The accompanying notes on pages 19 to 53 form an integral part of these financial statements.

Consolidated statement of changes in shareholders' equity

for the year ended 31 December 2005

(In millions of Slovak crowns)

	Share capital	Share premium	Legal reserve fund	Other capital funds	Revaluation reserves	Retained earnings	Total
At 1 January 2004	12,978	403	1,770	9	-	4,989	20,149
Contribution to the legal reserve fund	-	-	452	-	-	(452)	-
Dividends to shareholders	-	-	-	-	-	(3,245)	(3,245)
Translation of a foreign operation	-	-	-	-	-	1	1
Net profit for the year	-	-	-	-	-	2,865	2,865
At 31 December 2004	12,978	403	2,222	9	-	4,158	19,770
Contribution to the legal reserve fund	-	-	314	-	-	(314)	-
Dividends to shareholders	-	-	-	-	-	(2,725)	(2,725)
Translation of a foreign operation	-	-	-	-	-	3	3
Available-for-sale financial assets	-	-	-	-	(25)	-	(25)
Net profit for the year	-	-	-	-	-	3,696	3,696
At 31 December 2005	12,978	403	2,536	9	(25)	4,818	20,719

The accompanying notes on pages 19 to 53 form an integral part of these financial statements.

Consolidated cash flow statement
for the year ended 31 December 2005
(In millions of Slovak crowns)

	Notes	2005	2004
Cash flows from operating activities			
Profit before changes in operating assets and liabilities	36	4,943	4,249
Loans and advances to banks		(1,070)	7,176
Financial assets held for trading		337	1,957
Derivative financial instruments (positive)		576	(116)
Available-for-sale financial assets		(443)	1,136
Loans and advances to customers		(12,647)	(18,128)
Other assets		(28)	(14)
Deposits from central banks		1,766	(1,075)
Deposits from other banks		(327)	4,974
Derivative financial instruments (negative)		(936)	727
Deposits from customers		(4,207)	20,136
Other liabilities		321	97
Net cash (used in)/from operating activities		(16,658)	16,870
Cash flows from investing activities			
Purchase of held-to-maturity investments		(18,655)	(12,684)
Repayments of held-to-maturity investments		4,207	8,752
Purchase of intangible assets and property and equipment		(1,390)	(1,485)
Disposal of property and equipment		488	219
Acquisition of consolidated companies, net of cash received		(712)	(300)
Disposal of consolidated companies		32	1,060
Net cash used in investing activities		(16,030)	(4,438)
Cash flows from financing activities			
Proceeds from issue of debt securities		7,245	3,730
Repayments of debt securities		(600)	(555)
Dividends paid		(2,725)	(3,245)
Net cash from/(used in) financing activities		3,920	(70)
Net change in cash and cash equivalents		(23,825)	16,611
Cash and cash equivalents at beginning of the year	4	54,640	38,029
Cash and cash equivalents at end of the year	4	30,815	54,640

The accompanying notes on pages 19 to 53 form an integral part of these financial statements.

Notes to the IFRS consolidated financial statements
for the year ended 31 December 2005
1. General information

1.1 The Bank

Všeobecná úverová banka, a.s. ('the Bank') provides retail, corporate and investment banking services. The Bank is domiciled in the Slovak Republic with its registered office at Mlynské Nivy 1, 829 90 Bratislava 25.

At 31 December 2005, the Bank had a network of 154 branches and 90 sub-branches located throughout Slovakia. The Bank also has one fully operational branch in the Czech Republic.The total number of employees of the Bank at the end of 2005 was 4,033 (2004: 3,935).

1.2 The VUB Group

The consolidated financial statements for the year ended 31 December 2005 comprise the Bank and its subsidiaries (together referred to as 'the VUB Group' or 'the Group') and the Group's interest in associates and jointly controlled entities as follows:

	Share in 2005	Share in 2004	Principal business activities
Subsidiaries			
VÚB Asset Management, správ. spol. a.s.	100%	100%	Asset management
VÚB Factoring, a.s.	100%	100%	Factoring of receivables
VÚB Leasingová, a.s.	100%	100%	Finance leases
Recovery, a.s.	100%	100%	Finance leases
Consumer Finance Holding, a.s.	100%	-	Administration of acquired companies
Quatro, a.s.	100%	-	Consumer loans and finance leases
Tatracredit, a.s.	100%	-	Consumer loans and finance leases
Slovenská požičovňa, a.s.	100%	-	Consumer loans
Slovenské kreditné karty, a.s.	100%	-	Credit cards administration
Q-Car, a.s.	100%	-	Finance leases for second-hand cars
Q-Broker, a.s.	100%	-	Insurance brokerage
Associates			
Slovak Banking Credit Bureau, s.r.o.	33.3%	33.3%	Credit databases administration
Burza cenných papierov Bratislava, a.s.	20.2%	20.2%	Stock exchange
Jointly controlled entities			
VÚB Generali D.S.S., a.s.	50%	50%	Pension fund administration

All entities are incorporated in the Slovak Republic.

The VUB Group's ultimate parent company is Banca Intesa S.p.A., which is a joint-stock company and is incorporated and domiciled in Italy. The address of its registered office is Piazza Paolo Ferrari, 10-20121 Milano.

2. Acquisition of subsidiaries in 2005

On 15 December 2004, the Bank entered into a share purchase agreement for the purchase of all shares of Quatro, Tatracredit, Slovenská požičovňa, Slovenské kreditné karty and Q-Car, a 100% parent company of Q-Broker ('the acquired companies').

The acquired companies are operating in the Slovak non-banking consumer finance market and the purchase aims to significantly expand and enforce the Bank's presence within the consumer finance market enabling it to achieve approximately 25% market share control of the combined banking and non-banking market.

The purchase transaction was authorized by the National Bank of Slovakia, the National Bank of Italy and the Anti-Monopoly Office of the Slovak Republic.

On 31 May 2005, the Bank became, through its 100% subsidiary company, Consumer Finance Holding ('CFH'), the sole shareholder and obtained full control over the acquired companies. CFH was established by the Bank in the first quarter of 2005 with the objective to consolidate, integrate and control the business activities of the acquired companies.

The acquired companies contributed to the Group for the period from 31 May to 31 December 2005 as follows:

	Acquired companies	CFH	Total
Operating profit before impairment and provisions	365	(232)	133
Profit/(loss) from operations	112	(232)	(120)
Net profit/(loss) for the year	83	(185)	(102)

If the acquisition had occurred on 1 January 2005, the VUB Group would have reported the following results for the year ended 31 December 2005:

Operating profit before impairment and provisions	5,006
Profit from operations	4,482
Net profit for the year	3,774

The assets and liabilities arising from the acquisition are as follows:

	Carrying amount	Fair value
Assets		
Cash and banks	106	106
Loans and advances to customers	2,662	2,662
Intangible assets		
Software	11	11
Customer contracts and related relationships	-	741
Brand names	-	349
Property and equipment	39	39
Deferred income tax assets	23	23
Other assets	150	150
	2,991	4,081
Liabilities		
Deposits from other banks	2,392	2,392
Income tax liabilities		
Current	29	29
Deferred	5	212
Provisions	40	40
Other liabilities	242	242
	2,708	2,915
Net asset value	283	1,166

The cost of the business combination and goodwill are as follows:

Cost of the business combination	
Cash payment at acquisition	596
Deferred installments	1,118
Costs directly attributable to the combination	22
	1,736
Fair value of net assets of the acquired companies	1,166
Goodwill	570

The purchase price for the acquired companies is settled in installments, which, to a certain extent, depend on future performance indicators. Deferred installments were initially measured at fair value and were determined by discounting the amounts payable to their present value at the date of acquisition. Deferred installments are reported at amortised cost.

Costs directly attributable to the business combination represent professional fees paid to accountants, legal advisers, valuers and other consultants. Goodwill includes certain intangible assets that cannot be recognized separately and measured reliably due to their nature. Goodwill includes also expected synergies and returns expected to arise from the acquisition of the acquired companies.

3. Summary of significant accounting policies

3.1 Basis of preparation

The consolidated financial statements of the VUB Group ('the financial statements') have been prepared in accordance with International Financial Reporting Standards ('IFRS') issued by the International Accounting Standards Board ('IASB') and with interpretations issued by the International Financial Reporting Interpretations Committee of the IASB ('IFRIC').

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets held for trading and all derivative financial instruments to fair value.

The financial statements are presented in millions of Slovak crowns ('Sk'), unless indicated otherwise.

Negative values are presented in brackets.

The reconciliation of the 2005 net profit and shareholders' equity reported in the statutory financial statements to those reported under IFRS is shown in note 43.

3.2 Changes in accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. The accounting policies adopted are consistent with those of the previous financial year except that the VUB Group has adopted those new/revised standards mandatory for financial years beginning on or after 1 January 2005. New/revised standards have been applied prospectively unless restatement of comparatives was required.

The changes in accounting policies result from the adoption of the following new or revised standards:

IFRS 3	'Business Combinations'
IFRS 5	'Non-current Assets Held for Sale and Discontinued Operations'
IAS 1 (revised)	'Presentation of Financial Statements'
IAS 8 (revised)	'Accounting Policies, Changes in Accounting Estimates and Errors'
IAS 10 (revised)	'Events after the Balance Sheet Date'
IAS 16 (revised)	'Property, Plant and Equipment'
IAS 17 (revised)	'Leases'
IAS 21 (revised)	'The Effects of Changes in Foreign Exchange Rates'
IAS 24 (revised)	'Related Party Disclosures'
IAS 27 (revised)	'Consolidated and Separate Financial Statements'
IAS 28 (revised)	'Investments in Associates'
IAS 31 (revised)	'Interests in Joint Ventures'
IAS 32 (revised)	'Financial Instruments: Presentation and Disclosure'
IAS 33 (revised)	'Earnings per Share'
IAS 36 (revised)	'Impairment of Assets'
IAS 38 (revised)	'Intangible Assets'
IAS 39 (revised)	'Financial Instruments: Recognition and Measurement'

The principal effects of these changes in policies are discussed below.

IAS 39 'Financial Instruments: Recognition and Measurement' (amended 2004)

Securities classified as 'Primary issues' were reclassified into the 'Held-to-maturity investments' portfolio. Comparative balances for 2004 were adjusted to reflect this change in accounting policy and are described in notes 7, 11 and 13.

Revaluation of the portfolio of 'Available-for-sale financial assets' is presented in equity as 'Revaluation reserves'. Comparative balances for 2004 were adjusted to reflect this change in accounting policy.

Reclassifications

Certain balances from 2004 were reclassified in accordance with their presentation in 2005.

IFRS and IFRIC interpretations not yet effective

The VUB Group has not applied the following new standards and interpretations of the IFRIC that have been issued but are not yet effective:

IFRS 7	'Financial Instruments: Disclosures'
IAS 19 (amended 2004)	'Employee Benefits'
IAS 21 (amended 2005)	'The Effects of Changes in Foreign Exchange Rates'
IAS 39 (amended 2005)	'Financial Instruments: Recognition and Measurement'
IFRIC 4	'Determining whether an Arrangement contains a Lease'

The VUB Group expects that the adoption of the pronouncements listed above will have no significant impact on the VUB Group's financial statements in the period of initial application.

3. Summary of significant accounting policies (continued)

3.3 Basis of consolidation

(a) Subsidiaries
Subsidiaries are entities controlled by the Bank. Control exists when the Bank has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date at which effective control commences until the date at which control ceases.

The financial statements of the Bank and its subsidiaries are combined on a line-by-line basis by adding together like items of assets, liabilities, equity, income and expenses. Intra-group balances, transactions and resulting profits are eliminated in full.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the VUB Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

The excess of the cost of acquisition over the fair value of the VUB Group's share of the identifiable net assets acquired is recognized as goodwill.

(b) Associates
Associates are entities, in which the Group has significant influence, but not control, over the financial and operating policies. The financial statements include the Group's share of the total recognized gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases.

(c) Jointly controlled entities
Jointly controlled entities are entities over whose activities the Group has joint control, established by contractual agreement. The financial statements include the Group's share of the total recognized gains and losses of jointly controlled entities on an equity accounted basis, from the date that joint control commences until the date that joint control ceases.

3.4 Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments.

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

3.5 Foreign currency transactions

Monetary assets and liabilities in foreign currencies are translated to Sk at the official National Bank of Slovakia ('NBS') exchange rates prevailing at the balance sheet date. Income and expenses denominated in foreign currencies are reported at the NBS exchange rates prevailing at the date of the transaction.

The difference between the contractual exchange rate of a transaction and the NBS exchange rate prevailing on the date of the transaction is included in 'Net trading income', as well as gains and losses arising from movements in exchange rates after the date of the transaction.

3.6 Foreign operations

The financial statements include foreign operations in the Czech Republic. The assets and liabilities of foreign operations are translated to Sk at the foreign exchange rate prevailing at the balance sheet date. The revenues and expenses of foreign operations are translated to Sk at rates approximating the foreign exchange rates prevailing at the dates of the transactions. Foreign exchange differences arising on these translations are recognized directly in equity.

3.7 Cash and balances with central banks

Cash and balances with central banks comprise of cash in hand and current accounts with the NBS and the Czech National Bank ('CNB'), including compulsory minimum reserves.

3.8 Treasury bills and other eligible bills

Treasury bills and other eligible bills represent highly liquid securities that could be used for rediscounting in the NBS without any time or other constraints. The balance comprises of treasury bills issued by the Ministry of Finance and bills issued by the NBS.

3.9 Loans and advances to banks

Loans and advances to banks include receivables from current accounts in other than central banks, deposits and loans provided to commercial banks and to the NBS and the CNB.

The balances are presented at cost including interest accruals less any impairment losses. An impairment loss is established if there is objective evidence that the VUB Group will not be able to collect all amounts due.

3. Summary of significant accounting policies (continued)

3.10 Debt securities

Debt securities held by the VUB Group are categorized into portfolios in accordance with the VUB Group's intent on the acquisition date and pursuant to the investment strategy. The VUB Group has developed security investment strategies and, reflecting the intent on acquisition, allocated securities into the following portfolios:

(a) Held for trading
(b) Available-for-sale
(c) Held-to-maturity

The principal differences among the portfolios relate to the measurement and recognition of fair values in the financial statements. All securities held by the VUB Group are recognized using settlement date accounting and are initially measured at fair value. Securities purchased, but not settled, are recorded in the off balance sheet and changes in their fair values, for purchases into the trading and available-for-sale portfolios, are recognized in the income statement and equity respectively.

(a) Securities held for trading
Securities held for trading are financial assets acquired by the VUB Group for the purpose of generating profits from short-term fluctuations in prices. Subsequent to their initial recognition these assets are accounted for and measured at fair value.

The fair value of securities held for trading, for which an active market exists, and a market value can be estimated reliably, is measured at quoted market prices. In circumstances where the quoted market prices are not readily available, the fair value is estimated using the present value of future cash flows.

The VUB Group monitors changes in fair values on a daily basis and recognizes unrealized gains and losses in the income statement in 'Net trading income'.
Interest earned on securities held for trading is accrued on a daily basis and reported in the income statement in 'Interest and similar income'.

(b) Available-for-sale securities
Available-for-sale securities are those financial assets that are not classified as trading or held-to-maturity. Subsequent to initial recognition, these assets are accounted for and re-measured to fair value.

The fair value of available-for-sale securities, for which an active market exists, and a market value can be estimated reliably, is measured at quoted market prices. In circumstances where the quoted market prices are not readily available, the fair value is estimated using the present value of future cash flows. Equity securities are held at cost less impairment as their fair value cannot be reliably measured.

Interest earned whilst holding available-for-sale securities is accrued on a daily basis and reported in the income statement in 'Interest and similar income'. Unrealized gains and losses arising from changes in the fair value of available-for-sale securities are recognized on a daily basis in equity.

(c) Held-to-maturity investments
Held-to-maturity investments are financial assets with fixed or determinable payments and maturities that the VUB Group has the positive intent and ability to hold to maturity.

Held-to-maturity investments are carried at amortized cost less any impairment losses. Amortized cost is the amount at which the asset was initially measured adjusted for principal repayments, accrued interest income and the cumulative amortization of the discount/premium. The amortization of the premium/discount is recognized in the income statement in 'Interest and similar income'.

The VUB Group assesses on a regular basis whether there is any objective evidence that a held-to-maturity investment may be impaired. A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount.

3.11 Repurchase and reverse repurchase agreements

Securities sold under sale and repurchase agreements ('repo transactions') remain as assets in the balance sheet under the original caption and the liability from the received loan is included in 'Deposits from banks' or 'Deposits from customers'.

Securities purchased under agreements to purchase and resell ('reverse repo transactions') are recorded only in the off-balance sheet and the loan provided is reported in the balance sheet in 'Loans and advances to banks' or 'Loans and advances to customers', as appropriate.

The price differential between the purchase and sale price of securities is treated as interest income or expense and accrued evenly over the life of the agreement.

3.12 Derivative financial instruments

In the normal course of business, the VUB Group is a party to contracts with derivative financial instruments, which represent a very low initial investment compared to the notional value of the contract.
The derivative financial instruments used include foreign exchange forwards, interest rate/foreign exchange swaps and options, forward rate agreements and cross currency swaps. The VUB Group also uses financial instruments to hedge interest rate risk and currency exposures associated with its transactions in the financial markets. They are accounted for as trading derivatives as they do not fully comply with the definition of a hedging derivative as prescribed by IFRS. The VUB Group also acts as an intermediary provider of these instruments to certain customers.

Derivative financial instruments are initially recognized and subsequently re-measured in the balance sheet at fair value. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Changes in the fair value of derivatives held for trading are included in 'Net trading income'.

Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate. The fair values of derivative positions are computed using standard formulas and prevailing interest rates applicable for respective currencies available on the market at reporting dates.

In the normal course of business the VUB Group, enters into derivative financial instrument transactions to hedge its liquidity, foreign exchange and interest rate risks. The Group also enters into proprietary derivative financial transactions for the purpose of generating profits from short-term fluctuations in market prices. The VUB Group operates a system of market risk and counterparty limits, which are designed to restrict exposure to movements in market prices and counterparty concentrations. The VUB Group also monitors adherence to these limits on a regular basis.

3. Summary of significant accounting policies (continued)

Credit risk of financial derivatives
Credit exposure or replacement cost of derivative financial instruments represents the VUB Group's credit exposure from contracts with a positive fair value, that is, it indicates the estimated maximum potential losses of the VUB Group in the event that counterparties fail to perform their obligations. It is usually a small proportion of the notional amounts of the contracts. The credit exposure of each contract is indicated by the credit equivalent calculated pursuant to the generally applicable methodology using the current exposure method and involves the market value of the contract (only if positive, otherwise a zero value is taken into account) and a portion of the nominal value, which indicates the potential change in market value over the term of the contract. The credit equivalent is established depending on the type of contract and its maturity. The VUB Group assesses the credit risk of all financial instruments on a daily basis.

The VUB Group is selective in its choice of counterparties and sets limits for transactions with customers.
As such, the VUB Group considers that the actual credit risk associated with financial derivatives is substantially lower than the exposure calculated pursuant to credit equivalents.

3.13 Non-current assets held for sale

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

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

Assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

3.14 Loans and advances to customers and impairment losses

Loans originated by the VUB Group by providing money directly to a borrower are categorised as loans and advances to customers and are stated at amortised cost less any impairment losses. All loans and advances to customers are recognised in the balance sheet when cash is advanced to borrowers.

Loans and advances to customers are subject to a periodic impairment test. Impairment losses for a loan, or a group of similar loans, is established if their carrying amount is greater than their estimated recoverable amount. The recoverable amount is the present value of expected future cash flows, including amounts recoverable from guarantees and collaterals, discounted based on the loan's original effective interest rate. The amount of the impairment loss is included in net profit or loss for the period.

Impairment and uncollectability are measured and recognised individually for loans that are individually significant. Impairment and uncollectability for a group of similar loans that are not individually identified as impaired is measured and recognised on a portfolio basis.

The VUB Group writes off loss of loans and advances when borrowers are unable to fulfill their obligations to the VUB Group and when relevant evidence has been obtained from the appropriate court. Loans and advances are written off against the reversal of the related impairment losses. Subsequent recoveries are credited to the income statement on receipt.

3.15 Intangible assets

Intangible assets are recorded at historical cost less accumulated amortization and impairment losses. Amortization is provided to write off the cost on a straight-line basis over the estimated useful economic life of the asset as follows:

	Years
Software	4
Other intangible assets	1, 4

Intangible assets acquired in a business combination are capitalized at fair values as at the date of acquisition and tested for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Acquired intangible assets are amortized using the straight line method over the estimated useful economic lives as follows:

	Years
Customer contracts and relationships	3 to 7
Brand names	8 to 9

3.16 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary at the date of acquisition.

Goodwill is measured at cost less impairment, if any. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired.

3.17 Property and equipment

Property and equipment are recorded at historical cost less accumulated depreciation and impairment losses. Acquisition cost includes the purchase price plus other costs related to acquisition such as freight, duties or commissions.The costs of expansion, modernisation or improvements leading to increased productivity, capacity or efficiency are capitalised. Repairs and renovations are charged to the income statement when the expenditure is incurred.

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

	Years
Buildings	40
Equipment	4, 6, 12
Other tangibles	4, 6

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

The VUB Group periodically tests its assets for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to this recoverable amount. Where assets are identified as being surplus to the VUB Group's requirements, management assess the recoverable value by reference to a net selling price based on third party valuation reports, adjusted downwards to the estimated associated sale costs.

3. Summary of significant accounting policies (continued)

3.18 Provisions

The VUB Group recognizes provisions to cover the incurred losses for off balance sheet credit commitments. The assessment of the credit risk is performed on a similar basis as the assessment of balance sheet risks.

The VUB Group accounts for the obligations arising from issued guarantees in the off balance sheet. The provision covering the future outflow from guarantees is recorded in liabilities and the income statement at the date when the future outflows arising from these obligations become probable. The VUB Group's estimate of the obligation is performed through assessing the credit worthiness of the customer on behalf of which the guarantee was issued.

3.19 Interest income

Interest income and expense is recognized in the income statement on an accrual basis by us of the effective interest rate method. Interest income and expense includes the amortization of any discount or premium on securities. Interest income also includes up-front and commitment fees, which are subject to the effective interest rate calculation and are amortized over the life of the loan.

3.20 Fee and commission income

Fee and commission income arises on the financial services provided by the VUB Group including account maintenance, cash management services, brokerage services, investment advice and financial planning, investment banking services, project finance transactions and asset management services. Fee and commission income is recognized when the corresponding service is provided.

3.21 Net trading income

Net trading income includes gains and losses arising from purchases, disposals and changes in the fair value of financial assets and liabilities including securities and derivative instruments. It also includes the results of all foreign currency transactions.

3.22 Dividend income

Dividend income is recognized in the income statement on the date that the dividend is declared.

3.23 Income tax

Income tax is calculated in accordance with the regulations of the Slovak Republic and other jurisdictions, in which the VUB Group operates.

Deferred tax assets and liabilities are provided, using the balance sheet method, for all temporary differences arising between tax bases of assets or liabilities and their carrying values for financial reporting purposes. Expected tax rates, applicable for the periods when assets and liabilities are realized, are used to determine deferred tax.

The Group is also subject to various indirect operating taxes. These taxes are included in 'Other operating expenses'.

3.24 Significant accounting judgements and estimates

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

The most significant judgements relate to the financial instruments classification.

Held-to-maturity investments

The VUB Group follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the VUB Group evaluates its intention and ability to hold such investments to maturity. If the VUB Group fails to keep these investments to maturity other than for the specific circumstances, for example selling at an insignificant amount close to maturity, it will be required to reclassify the entire class as available for sale. The investments would therefore be measured at fair value and not at amortised cost.

Financial assets and financial liabilities held for trading

The VUB Group classifies a financial asset or a financial liability held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term and if it is part of the portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking or if it is a derivative.

In 2005, as well as in 2004, the VUB Group did not apply paragraph 9 (b) of IAS 39.

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

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

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

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

4. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise of the following balances with an original maturity of less than 90 days:

	Note	2005	2004
Cash and balances with central banks	5	4,052	3,641
Treasury bills and other eligible bills	6	3,995	7,131
Current accounts in other banks	7	691	1,283
Term deposits with central and other banks	7	671	15,782
Loans and advances to central banks	7	21,406	26,803
		30,815	54,640

5. Cash and balances with central banks

	2005	2004
Balances with central banks:		
Compulsory minimum reserves	1,526	1,532
Current accounts	471	15
	1,997	1,547
Cash in hand	2,055	2,094
	4,052	3,641

The compulsory minimum reserve is maintained as an interest bearing deposit under the regulations of the NBS and CNB. The amount of the compulsory minimum reserve depends on the level of customer deposits accepted by the VUB Group and is calculated as 2% of the monthly average balance of selected customer deposits.

The daily balance of the compulsory minimum reserve can vary significantly based on the amount of incoming and outgoing payments. The VUB Group's ability to withdraw the compulsory minimum reserve is restricted by statutory legislation.

6. Treasury bills and other eligible bills

	2005	2004
NBS bills held at fair value	3,995	7,131

7. Loans and advances to banks

	2005	Restated 2004
Current accounts in other banks	691	1,283
Loans and advances to:		
Central banks	21,406	26,803
Other banks	849	1,182
Term deposits with:		
Central banks	279	3,400
Other banks	2,572	13,168
	25,797	45,836

In 2004, securities acquired in primary issues of Sk 3,068 million were transferred into ‘Held-to-maturity investments’, see note 13.

8. Financial assets held for trading

	2005	2004
State bonds	506	575
Bank bonds	74	284
Corporate bonds	66	146
	646	1,005

All trading securities are listed. At 31 December 2005 and 2004, the VUB Group did not pledge any bonds to secure transactions with counterparties.

9. Derivative financial instruments held for trading

Fair values	2005 Positive	2004 Positive	2005 Negative	2004 Negative
Interest rate instruments				
Swaps	1,166	1,239	(1,300)	(1,461)
Forward rate agreements	2	13	(3)	(4)
	1,168	1,252	(1,303)	(1,465)
Foreign currency instruments				
Cross currency swaps	335	400	(335)	(400)
Forwards and swaps	289	494	(338)	(827)
Options	58	280	(60)	(280)
	682	1,174	(733)	(1,507)
	1,850	2,426	(2,036)	(2,972)

9. Derivative financial instruments held for trading (continued)

Notional values	2005 Assets	2004 Assets	2005 Liabilities	2004 Liabilities
Interest rate instruments				
Swaps	45,595	63,364	45,595	63,364
Forward rate agreements	11,599	6,250	11,599	6,250
	57,194	69,614	57,194	69,614
Foreign currency instruments				
Cross currency swaps	4,753	4,809	4,753	4,809
Forwards and swaps	25,777	30,383	25,830	30,754
Options	9,847	17,869	9,847	17,869
	40,377	53,061	40,430	53,432
	97,571	122,675	97,624	123,046

At 31 December 2005, the VUB Group had a potential credit exposure of Sk 2,431 million (2004: Sk 3,374 million) in the event of non-performance by counterparties to its financial derivative instruments. This represents the gross replacement cost at market rates at 31 December 2005 and 2004 of all outstanding agreements in the event of all counterparties defaulting and not allowing for settlement arrangements.

10. Available-for-sale financial assets

	2005	2004
Bank bonds at fair value	568	-
Mutual fund certificates at fair value	-	96
Equity shares at cost	82	134
Impairment losses	(19)	(19)
	63	115
	631	211

11. Loans and advances to customers

	2005	Restated 2004
Private individuals		
Overdrafts	3,439	1,741
Loans with agreed maturity	14,079	6,226
Mortgage loans	17,384	11,003
Finance lease receivables	656	-
Non-performing loans	1,149	389
	36,707	19,359
Corporate entities		
Overdrafts	8,058	6,676
Loans with agreed maturity	33,079	27,199
Mortgage loans	179	133
Finance lease receivables	107	67
Factored receivables	613	1,027
Non-performing loans	3,135	3,923
	45,171	39,025
Government and municipalities		
Overdrafts	5	13
Loans with agreed maturity	8,972	17,529
Non-performing loans	2	-
	8,979	17,542
	90,857	75,926
Impairment losses (note 12)	(5,119)	(4,767)
	85,738	71,159

In 2004, securities acquired in primary issues of Sk 14,549 million and the respective impairment losses of Sk 265 million were transferred into ‘Held-to-maturity investments’, see note 13.

At 31 December 2004, loans provided to government and municipalities include short-term loans of Sk 10,850 million provided to the Ministry of Finance of the Slovak Republic, repayable on 3 January 2005 (2005: nil).

During 2005, the VUB Group wrote off loans and advances to customers amounting to Sk 874 million (2004: Sk 3,727 million) against already existing impairment losses (note 34).

At 31 December 2005, the 20 largest corporate customers represented a total balance of Sk 10,685 million (2004: Sk 10,468 million) or 12% (2004: 14%) of the gross loan portfolio.

11. Loans and advances to customers (continued)

Maturities of gross finance lease receivables are as follows:

	2005	2004
Up to 1 year	312	86
1 to 5 years	522	-
	834	86
Unearned future finance income on finance leases	(71)	(19)
Impairment losses	(163)	(24)
	600	43

Maturities of net finance lease receivables are as follows:

	2005	2004
Up to 1 year	245	43
1 to 5 years	355	-
	600	43

12. Impairment losses

	1 Jan 2005	(Reversal)/ creation (note 34)	FX gains	Other [1]	31 Dec 2005
Loans and advances to customers (note 11)	4,767	(103)	(40)	495	5,119
Held-to-maturity investments (note 13)	313	(134)	(3)	-	176
Equity investments (note 14)	49	-	-	(49)	-
Other assets (note 19)	30	2	-	-	32
	5,159	(235)	(43)	446	5,327

(1) Other represents the acquired companies and the liquidation of a subsidiary

	1 Jan 2004	(Reversal)/ creation (note 34)	FX gains	Other [1]	31 Dec 2004
Loans and advances to banks	302	(248)	(54)	-	-
Loans and advances to customers	7,527	(2,712)	(48)	-	4,767
Held-to-maturity investments	47	273	(7)	-	313
Equity investments	-	(3)	-	52	49
Other assets	109	(77)	(2)	-	30
	7,985	(2,767)	(111)	52	5,159

(1) Other represents the change in the presentation of the cost of equity investments by re-creating allowance accounts for impairment losses, which were previously netted directly with the existing cost

13. Held-to-maturity investments

	2005	Restated 2004
State restructuring bonds	56,712	57,079
State bonds	28,759	15,331
Bank bonds and other bonds issued by financial sector	7,276	5,333
Corporate notes and bonds	1,551	1,816
	94,298	79,559
Impairment (note 12)	(176)	(313)
	94,122	79,246
Transfers of securities acquired in primary issues:		
Loans and advances to banks (note 7)		(3,068)
Loans and advances to customers (note 11)		(14,284)
Originally reported in 2004		61,894

State restructuring bonds

As part of the pre-privatisation restructuring process of the Bank, the Slovak government decided to transfer the receivables of the Bank arising from non-performing loans to state agencies. These special purpose agencies were created and are under the full control of the state. In December 1999 and June 2000, the Slovak government recapitalised the Bank by transferring the non-performing loans, including principal and interest, to Konsolidačná banka Bratislava ('KBB') with a gross value of Sk 58.6 billion, and Slovenská konsolidačná ('SKO') with a gross value of Sk 7.6 billion, which gave rise to the Bank's receivables from KBB and SKO in the total amount of Sk 66.2 billion. In January and March 2001 these receivables were swapped at par for state restructuring bonds with a total nominal value of Sk 66.2 billion.

Restructuring bonds are issued by the Ministry of Finance of the Slovak Republic, which acts on behalf of the Slovak government as the financial intermediary. The bonds are legally considered to represent sovereign and unconditional direct obligations of the Slovak Republic and therefore there is no need for additional state guarantees. The bond conditions are the same as for any other similar type of securities issued by the Slovak Republic, i.e. are fully redeemable by the Slovak Republic, there is no clause regarding rollover, early or late extinguishments and do not allow for conversion into any other type of financial instruments.

At 31 December 2005, the Bank held in its portfolio the following state restructuring bonds:

(a) 5-year state bonds with a nominal value of Sk 21,125 million, due on 31 January 2006, bearing fixed interest rate of 8% per annum;

(b) 7-year state bonds with a nominal value of Sk 11,300 million, due on 31 January 2008, bearing variable interest rate of 6M BRIBOR;

(c) 10-year state bonds with a nominal value of Sk 11,044 million, due on 31 January 2011, bearing variable interest rate for 6M BRIBOR;

(d) 7-year state bonds with a nominal value of Sk 4,700 million, due on 29 March 2008, bearing variable interest rate of 6M BRIBOR;

(e) 10-year state bonds with a nominal value of Sk 7,497 million, due on 29 March 2011, bearing variable interest rate of 6M BRIBOR.

14. Investments in associates and jointly controlled entities

	Share in %	Cost	Impairment losses	Revaluation	Carrying amount
Burza cenných papierov Bratislava, a.s.	20.2	23	-	3	26
Slovak Banking Credit Bureau, s.r.o.	33.3	-	-	1	1
VÚB Generali DSS, a.s.	50.0	500	-	(309)	191
At 31 December 2005		523	-	(305)	218
Burza cenných papierov Bratislava, a.s.	20.2	23	-	3	26
Slovak Banking Credit Bureau, s.r.o.	33.3	-	-	-	-
VÚB Generali DSS, a.s.	50.0	300	-	(46)	254
Realitná spoločnosť VÚB, s.r.o.	100.0	83	(49)	-	34
At 31 December 2004		406	(49)	(43)	314

The net investment in the Slovak Banking Credit Bureau represents Sk 100 thousand.

The liquidation of Realitná spoločnosť VÚB was completed in 2005.

Share of loss of associates and jointly controlled entities reported in the income statement is as follows:

	2005	2004
Revaluation at 1 January	(43)	3
Share of results	(262)	(48)
Dividends received	-	2
	(262)	(46)
Revaluation at 31 December	(305)	(43)

The aggregate amounts of the VUB Group’s interest in VÚB Generali DSS are as follows:

	2005	2004
Assets	223	279
Liabilities	32	25
Shareholders’ equity	191	254
Net loss for the year	(263)	(46)

15. Intangible assets

	Software	Other intangible assets	Assets in progress	Total
Cost				
At 1 January 2005	3,270	235	165	3,670
Acquisition of subsidiaries (note 2)	24	1,090	-	1,114
Additions	13	-	339	352
Disposals	(7)	(14)	(8)	(29)
Transfers	339	37	(376)	-
At 31 December 2005	3,639	1,348	120	5,107
Amortization				
At 1 January 2005	(2,568)	(179)	-	(2,747)
Acquisition of subsidiaries (note 2)	(13)	-	-	(13)
Additions	(277)	(110)	-	(387)
Disposals	7	14	-	21
At 31 December 2005	(2,851)	(275)	-	(3,126)
Carrying amount				
At 31 December 2005	788	1,073	120	1,981
At 31 December 2004	702	56	165	923

16. Goodwill

Goodwill is reviewed for impairment annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. In terms of IFRS 3, the CFH Group is considered to be one cash generating unit.

The basis on which the recoverable amount of CFH Group has been determined is the value in use. The management has used the most recent budgets and forecasts as a basis in order to project the expected future cash flows.

Key assumptions used in the cash flow projections were the development of margins and volumes by product line. According to the product curve, maturing products, such as installment loans, have been forecasted with a stable or slightly decreasing volume and decreasing margins assuming that the market share is kept constant. More recent product lines, such as credit cards, have been forecasted with an increasing volume and slightly decreasing margins.

Since the budgets and forecasts are prepared for 3 years and the period for the cash flow projections has been extended to 10 years, in order to reflect the nature of the business and the transaction, for the remaining seven years, growth rates have been applied using the latest information available on the consumer finance market in Slovakia. The discount rate applied to the cash flow projections is the internal rate of return implied by the acquisition, given the lack of comparable data to support the capital asset pricing model calculation. Furthermore, the management believes that any possible change in the key assumption, on which the recoverable amount is based, would not cause the carrying amount to exceed its recoverable amount.

17. Property and equipment and non-current assets held for sale

	Buildings and land	Equipment	Other tangibles	Assets in progress	Total
Cost					
At 1 January 2005	6,469	3,613	1,139	446	11,667
Acquisition of subsidiaries (note 2)	22	35	35	-	92
Non-current assets held for sale	(136)	-	-	-	(136)
Additions	-	11	2	940	953
Disposals	(334)	(408)	(93)	(23)	(858)
Transfers	566	230	158	(954)	-
At 31 December 2005	6,587	3,481	1,241	409	11,718
Depreciation					
At 1 January 2005	(1,353)	(3,045)	(731)	-	(5,129)
Acquisition of subsidiaries (note 2)	(3)	(25)	(25)	-	(53)
Non-current assets held for sale	5	-	-	-	5
Additions	(277)	(268)	(120)	-	(665)
Disposals	131	398	114	-	643
At 31 December 2005	(1,497)	(2,940)	(762)	-	(5,199)
Impairment losses					
At 1 January 2005	(575)	-	-	(45)	(620)
Net reversal	29	-	-	45	74
Non-current assets held for sale	64	-	-	-	64
At 31 December 2005	(482)	-	-	-	(482)
Carrying amount					
At 31 December 2005	4,608	541	479	409	6,037
At 31 December 2004	4,541	568	408	401	5,918

At 31 December 2005, the VUB Group held in its portfolio of non-current assets held for sale buildings as follows (31 December 2004: nil):

Cost	136
Accumulated depreciation	(5)
Impairment losses	(64)
	67

18. Deferred income tax assets

Deferred income taxes are calculated on all temporary differences using the tax rate of 19% (2004: 19%) as follows:

	2005	2004
Impairment losses on loans and securities	447	335
Depreciation and impairment losses on property and equipment	103	160
Provisions	87	111
Tax losses carried forward	36	-
Amortization of intangible assets	17	-
Acquisition of subsidiaries (note 2)	(189)	-
	501	606

19. Other assets

	2005	2004
Prepayments and accrued income	93	163
Operating receivables and advances	416	228
VAT receivable	32	36
Inventories	88	24
	629	451
Impairment losses (note 12)	(32)	(30)
	597	421

20. Deposits from central banks

	2005	2004
Current accounts	2,283	513
Loans received	13	17
	2,296	530

21. Deposits from other banks

	2005	2004
Current accounts	2,037	4,094
Term deposits	13,174	10,661
Loans received	3,445	1,812
	18,656	16,567

22. Deposits from customers

	2005	2004
Current accounts	52,310	41,014
Term deposits	56,668	64,719
Savings accounts	11,103	12,827
Government and municipal deposits	40,011	46,907
Loans received	725	605
Promissory notes	945	735
Other deposits	1,052	356
Restricted deposits	130	19
	162,944	167,182

23. Debt securities in issue

	2005	2004
Bonds	2,001	-
Mortgage bonds	12,695	8,048
	14,696	8,048

Mortgage bonds are collateralized by the mortgage loans provided to customers of the VUB Group (see note 11).

24. Provisions

	2005	2004
Off balance sheet risks	770	920
Ligitation	1,091	1,126
Severance	36	28
	1,897	2,074

The movement in provisions was as follows:

	1 Jan 2004	Reversal	31 Dec 2004	Creation/ (reversal)	Acquired companies	31 Dec 2005
Off balance sheet risks (note 34)	1,318	(398)	920	(190)	40	770
Ligitation (note 33)	1,174	(48)	1,126	(35)	-	1,091
Severance (note 33)	56	(28)	28	8	-	36
	2,548	(474)	2,074	(217)	40	1,897

25. Other liabilities

	2005	2004
Various creditors	2,292	748
Settlement with employees	546	400
VAT payables	83	83
Accruals and deferred income	31	46
Payables from trading with securities	26	20
	2,978	1,297

26. Share capital

	2005	2004
Authorized, issued and fully paid:		
89 ordinary shares of Sk 100,000,000 each, not traded	8,900	8,900
4,078,108 ordinary shares of Sk 1,000 each, publicly traded	4,078	4,078
	12,978	12,978
Net profit for the year attributable to shareholders	3,696	2,865
Divided by 12,978,108 ordinary shares of Sk 1,000 each		
Basic earnings per share in Sk	285	221

The principal rights attached to shares are to take part in and voting at the general meeting of shareholders and to receive dividends.

The structure of shareholders is as follows:

	2005	2004
Intesa Holding International S.A.	96.49%	96.49%
Domestic shareholders	2.99%	3.00%
Foreign shareholders	0.52%	0.51%
	100%	100%

27. Financial commitments and contingencies

	2005	2004
Issued guarantees	8,910	6,276
Commitments and undrawn credit facilities	28,203	22,295
	37,113	28,571

(a) Issued guarantees
Commitments from guarantees represent irrevocable assurances that the VUB Group will make payments in the event that a borrower cannot meet its obligations to third parties. These assurances carry the same credit risk as loans and therefore the VUB Group makes provisions against these instruments on a similar basis as is applicable to loans.

(b) Commitments and undrawn credit facilities
The primary purpose of commitments to extend credit is to ensure that funds are available to the customer as required. Commitments to extend credit issued by the VUB Group represent issued loan commitment, undrawn portions of and approved overdraft loans.

(c) Lease obligations
In the normal course of business, the VUB Group enters into operating lease agreements for branch facilities and cars. The rental contracts can be canceled under normal business conditions.

(d) Legal
In the ordinary course of business the VUB Group is subject to a variety of legal actions. The VUB Group conducted a review of legal proceedings outstanding against it as of 31 December 2005. Pursuant to this review, management has recorded a provision of Sk 1,091 million as of 31 December 2005 (2004: Sk 1,126 million) in respect of such legal proceedings (see also note 24). The VUB Group will continue to defend its position in respect of each of these legal proceedings.

28. Net interest income

	2005	2004
Interest and similar income		
Loans and advances to banks	1,042	1,529
Loans and advances to customers	5,160	4,113
Bonds, treasury bills and other securities	4,340	5,177
	10,542	10,819
Interest expense and similar charges		
Deposits from banks	(497)	(420)
Deposits from customers	(2,279)	(3,623)
Debt securities in issue	(505)	(345)
	(3,281)	(4,388)
	7,261	6,431

29. Net fee and commission income

	2005	2004
Fee and commission income		
Received from banks	106	299
Received from customers	2,872	1,986
Received from other financial operations	428	185
	3,406	2,470
Fee and commission expense		
Paid to banks	(582)	(462)
Paid to customers	(56)	(18)
Paid due to other financial operations	(16)	(10)
	(654)	(490)
	2,752	1,980

30. Net trading income

	2005	2004
Foreign currency derivatives and transactions	908	922
Interest rate derivatives	(18)	(34)
Securities	132	145
	1,022	1,033

31. Other operating income

	2005	2004
Rent	47	39
Other operating income	426	146
Net profit from sale of fixed assets	180	13
	653	198

32. Salaries and employee benefits

	2005	2004
Salaries	(1,971)	(1,757)
Social security costs	(591)	(549)
	(2,562)	(2,306)

The total number of employees of the VUB Group at 31 December 2005 was 4,469 (2004: 4,005).

The remuneration and other benefits to members of the Supervisory Board and the Board of Directors in 2005 was Sk 101 million (2004: Sk 74 million).

The VUB Group does not have any pension arrangements separate from the state pension system of the Slovak Republic. The VUB Group is required to contribute a certain percentage of gross salaries paid to the state pension system. These expenses are recognized in the period when salaries are earned by employees. No further liabilities are arising to the VUB Group from the payment of pensions to employees in the future.

33. Other operating expenses

	2005	2004
Contribution to the Deposit protection fund	(535)	(561)
Litigation paid	(14)	(78)
Provisions for litigation (note 24)	35	48
IT systems maintenance	(384)	(330)
Advertising and marketing	(384)	(271)
Other services	(985)	(842)
Professional services	(275)	(166)
Stationery	(161)	(142)
Rent	(150)	(135)
VAT not claimed	(194)	(159)
Repairs and maintenance	(91)	(91)
Taxes except corporate income tax	(13)	(29)
Other operating expense	(164)	(25)
Severance paid	(8)	(55)
Provisions for severance (note 24)	(8)	28
Loss on equity investments		
Liquidation of Realitná spoločnosť	(2)	-
Sale of Spoločnosť pre bankovú ochranu	-	(1)
	(3,333)	(2,809)

34. Impairment losses and provisions

	2005	2004
Net reversal of impairment losses (note 12)	235	2,767
Net reversal of provisions for off balance sheet risks (note 24)	190	398
	425	3,165
Nominal value of loans written-off (net of proceeds)	(874)	(3,727)
	(449)	(562)

35. Income tax expense

	2005	2004
Current income tax	(497)	(332)
Deferred income tax	84	92
	(413)	(240)

The movement in the income statement in deferred taxes is as follows:

	2005	2004
Impairment losses on loans and securities	112	2
Depreciation and impairment losses on property and equipment	(57)	61
Provisions	(24)	29
Tax losses carried forward	36	-
Amortization of intangible assets	17	-
	84	92

The effective profit tax rate differs from the statutory profit tax rates in 2005 and in 2004.

Reconciliation of the VUB Group profit before tax with the actual corporate income tax is as follows:

	2005	2004
Profit before tax	4,109	3,103
Applicable tax rate	19%	19%
Theoretical tax charge	(781)	(589)
Permanent differences and previously unrecognized deferred tax assets	117	349
Adjustments for current tax of prior periods	251	-
Tax expense	(413)	(240)
Effective tax rate	10%	8%

36. Profit before changes in operating assets and liabilities

	2005	2004
Profit before tax	4,109	3,103
Adjustments for:		
Amortization	387	259
Depreciation	591	573
Unrealized loss from trading and available-for-sale securities	4	6
Share of loss of associates and jointly controlled entities	262	46
Interest income	(10,542)	(10,819)
Interest expense	3,281	4,388
Dividend income	(5)	(16)
Income from sale of property and equipment	(180)	(13)
Provisions and impairment losses	422	486
Loss on disposal of equity investments	2	1
Interest received	10,235	10,642
Interest paid	(3,285)	(4,419)
Dividends received	5	18
Tax paid	(343)	(6)
	4,943	4,249

37. Estimated fair value of certain assets and liabilities

The fair value of financial instruments is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Where available, fair value estimates are made based on quoted market prices. However, no readily available market prices exist for a significant portion of the VUB Group's financial instruments. In circumstances where the quoted market prices are not readily available, the fair value is estimated using discounted cash flow models or other pricing models as appropriate. Changes in underlying assumptions, including discount rates and estimated future cash flows, significantly affect the estimates. Therefore, the calculated fair market estimates might not be realized in a current sale of the financial instrument.

In estimating the fair value of the VUB Group's financial instruments, the following methods and assumptions were used:

(a) Cash and balances with central banks
The carrying values of cash and cash equivalents are generally deemed to approximate their fair value.

(b) Loans and advances to banks
The estimated fair value of amounts due from banks that mature in 180 days or less approximates their carrying amounts. The fair value of other amounts is estimated based upon discounted cash flow analyses using interest rates currently offered for investments with similar terms (market rates adjusted to reflect credit risk). The fair value of non-performing amounts due from banks is estimated using a discounted cash flow analysis or the appraised value of the underlying collateral. Provisions are not taken into consideration when calculating fair values. The fair value of amounts due from banks is not significantly different from its carrying value.

(c) Loans and advances to customers
The fair value of variable yield loans that regularly re-price, with no significant change in credit risk, generally approximates their carrying value. The fair value of loans at fixed interest rates is estimated using discounted cash flow analyses, based upon interest rates currently offered for loans with similar terms to borrowers of similar credit quality. The fair value of non-performing loans to customers is estimated using a discounted cash flow analysis or the appraised value of the underlying collateral, where available. Loans at fixed interest rates represent only a fraction of the total carrying value and hence the fair value of total loans and advances to customers approximates the carrying values as of the balance sheet date. Provisions are not taken into consideration when calculating fair values. The fair value of loans and advances to customers is not significantly different from its carrying value.

(d) Held-to-maturity investments
At 31 December 2005, the fair value of securities carried in the 'Held-to-maturity investments' portfolio was Sk 95,524 million (2004: Sk 81,428 million) and was calculated by discounting future cash flows using prevailing market rates.

(e) Deposits from banks and customers
The fair value of term deposits payable on demand represents the carrying value of amounts payable on demand as of the balance sheet date. The fair value of term deposits at variable interest rates approximates their carrying values as of the balance sheet date. The fair value of deposits at fixed interest rates is estimated by discounting their future cash flows using rates currently offered for deposits of similar remaining maturities. The fair value of deposits from banks and deposits from customers is not significantly different from their carrying values.

(f) Debt securities in issue
The fair value of debt securities issued by the VUB Group is based on quoted market prices. Where no market prices are available, the fair value is equal to an estimate made by the VUB Group. The fair value of debt securities in issue is not significantly different from its carrying value.

38. Assets and liabilities maturity / liquidity risk

Liquidity risk is a measure of the extent to which the VUB Group may be required to raise funds to meet its commitments associated with financial instruments. The VUB Group maintains its liquidity profiles in accordance with regulations laid down by the NBS. The table on the following page provides an analysis of assets and liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. It is presented under the most prudent consideration of maturity dates where options or repayment schedules allow for early repayment possibilities. Those assets and liabilities that do not have a contractual maturity date are grouped together under the 'Not specified' category.

The VUB Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw downs, guarantees and from margin and other calls on cash settled derivatives. The VUB Group sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

The remaining maturities of assets and liabilities were as follows:

	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Not specified	Total
31 December 2005							
Assets							
Cash and balances with central banks	4,052	-	-	-	-	-	4,052
Treasury bills and other eligible bills	3,995	-	-	-	-	-	3,995
Loans and advances to banks	24,370	21	401	1,001	-	4	25,797
Financial assets held for trading	-	1	83	421	141	-	646
Derivative financial instruments held for trading	418	214	85	669	464	-	1,850
Available-for-sale financial assets	-	-	-	568	-	63	631
Non-current assets held for sale	-	-	-	-	-	67	67
Loans and advances to customers	6,276	5,946	17,652	28,603	20,960	6,301	85,738
Held-to-maturity investments	22,232	553	660	39,691	30,950	36	94,122
Investments in associates and JVs	-	-	-	-	-	218	218
Intangible assets	-	-	-	-	-	1,981	1,981
Goodwill	-	-	-	-	-	570	570
Property and equipment	-	-	-	-	-	6,037	6,037
Deferred income tax assets	-	-	-	12	-	489	501
Other assets	21	-	-	-	-	576	597
	61,364	6,735	18,881	70,965	52,515	16,342	226,802
Liabilities							
Deposits from central banks	2,283	2	2	9	-	-	2,296
Deposits from other banks	12,684	2,469	1,552	1,169	782	-	18,656
Derivative financial instruments held for trading	444	127	241	779	445		2,036
Deposits from customers	144,731	9,591	7,503	1,111	1	7	162,944
Debt securities in issue	-	38	895	7,263	6,500	-	14,696
Current income tax liabilities	14	8	-	-	-	558	580
Provisions	-	-	-	36	-	1,861	1,897
Other liabilities	550	994	6	563	-	865	2,978
	160,706	13,229	10,199	10,930	7,728	3,291	206,083
On balance sheet net gap position	(99,342)	(6,494)	8,682	60,035	44,787	13,051	20,719
31 December 2004							
Total assets	67,416	9,883	14,266	67,421	48,432	11,419	218,837
Total liabilities	159,477	16,458	9,781	6,252	4,082	3,017	199,067
On balance sheet net gap position	(92,061)	(6,575)	4,485	61,169	44,350	8,402	19,770

39. Currency denominations of assets and liabilities

Foreign exchange rate risk comprises the risk that the value of financial assets and liabilities will fluctuate due to changes in market foreign exchange rates. The table below provides information on the currency denomination of the VUB Group's assets and liabilities. It is the policy of the VUB Group to manage its exposure to fluctuations in exchange rates through the regular monitoring and reporting of open positions and the application of a matrix of exposure and position limits.

	Sk	EUR	USD	CZK	Other	Total
31 December 2005						
Assets						
Cash and balances with central banks	3,349	276	68	234	125	4,052
Treasury bills and other eligible bills	3,995	-	-	-	-	3,995
Loans and advances to banks	22,278	2,107	40	931	441	25,797
Financial assets held for trading	646	-	-	-	-	646
Derivative financial instruments held for trading	1,825	22	3	-	-	1,850
Available-for-sale financial assets	585	2	17	27	-	631
Non-current assets held for sale	67	-	-	-	-	67
Loans and advances to customers	65,292	16,127	749	3,559	11	85,738
Held-to-maturity investments	92,316	1,662	87	-	57	94,122
Investments in associates and JVs	218	-	-	-	-	218
Intangible assets	1,975	-	-	6	-	1,981
Goodwill	570	-	-	-	-	570
Property and equipment	6,026	5	-	6	-	6,037
Deferred income tax assets	477	-	-	24	-	501
Other assets	558	34	-	5	-	597
	200,177	20,235	964	4,792	634	226,802
Liabilities						
Deposits from central banks	2,255	12	-	29	-	2,296
Deposits from other banks	6,018	10,035	16	2,575	12	18,656
Derivative financial instruments held for trading	2,014	19	3	-	-	2,036
Deposits from customers	138,366	15,786	5,487	2,188	1,117	162,944
Debt securities in issue	14,696	-	-	-	-	14,696
Current income tax liabilities	580	-	-	-	-	580
Provisions	1,872	-	25	-	-	1,897
Other liabilities	2,852	95	17	11	3	2,978
	168,653	25,947	5,548	4,803	1,132	206,083
On balance sheet net position	31,524	(5,712)	(4,584)	(11)	(498)	20,719
Off balance sheet assets	14,514	17,295	9,000	549	576	41,934
Off balance sheet liabilities	(25,507)	(11,333)	(4,495)	(563)	(90)	(41,988)
Off balance sheet net position	(10,993)	5,962	4,505	(14)	486	(54)
Total net position	20,531	250	(79)	(25)	(12)	20,665
31 December 2004						
On balance sheet net position	25,507	(4,057)	(1,870)	177	13	19,770
Off balance sheet net position	-	(1,899)	28	1,871	-	-
Total net position	25,507	(5,956)	(1,842)	2,048	13	19,770

40. Interest rate risk

The interest rate risk is comprised of the risk that the value of a financial instrument will fluctuate due to changes in market interest rates and the risk that the maturities of interest bearing assets differ from the maturities of the interest bearing liabilities used to fund those assets. The length of time for which the rate of interest is fixed on a financial instrument therefore indicates to what extent it is exposed to the interest rate risk.

The table on the following page provides information on the extent of the VUB Group's interest rate exposure based either on the contractual maturity date of its financial instruments, or in the case of instruments that re-price to a market rate of interest before maturity, the next re-pricing date. It is the policy of the VUB Group to manage the exposure to fluctuations in net interest income arising from changes in interest rates by the degree of re-pricing mismatch in the balance sheet.

The assets and liabilities that do not have a contractual maturity date or are not interest bearing are grouped in the 'Not specified' category.

Current accounts, nostro and loro accounts are stated as interest rate insensitive in the column 'Not specified'.

The re-pricing structure of assets and liabilities was as follows:

	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Not specified	Total
Assets							
Cash and balances with central banks	4,052	-	-	-	-	-	4,052
Treasury bills and other eligible bills	3,995	-	-	-	-	-	3,995
Loans and advances to banks	24,363	21	401	1,001	-	11	25,797
Financial assets held for trading	-	1	84	420	141	-	646
Derivative financial instruments held for trading	418	214	85	669	464	-	1,850
Available-for-sale financial assets	-	-	-	568	-	63	631
Non-current assets held for sale	-	-	-	-	-	67	67
Loans and advances to customers	28,990	22,597	15,124	14,189	4,049	789	85,738
Held-to-maturity investments	49,092	12,796	4,422	15,369	12,407	36	94,122
Investments in associates and JVs	-	-	-	-	-	218	218
Intangible assets	-	-	-	-	-	1,981	1,981
Goodwill	-	-	-	-	-	570	570
Property and equipment	-	-	-	-	-	6,037	6,037
Deferred income tax assets	-	-	-	-	-	501	501
Other assets	14	-	-	-	-	583	597
	110,924	35,629	20,116	32,216	17,061	10,856	226,802
Liabilities							
Deposits from central banks	-	12	-	-	-	2,284	2,296
Deposits from other banks	13,317	3,326	1,180	210	38	585	18,656
Derivative financial instruments held for trading	444	127	241	779	445	-	2,036
Deposits from customers	150,779	6,873	4,140	143	1	1,008	162,944
Debt securities in issue	2,000	1,038	895	6,263	4,500	-	14,696
Current income tax liabilities	14	8	-	-	-	558	580
Provisions	-	-	-	36	-	1,861	1,897
Other liabilities	37	896	-	563	-	1,482	2,978
	166,591	12,280	6,456	7,994	4,984	7,778	206,083
On balance sheet net position	(55,667)	23,349	13,660	24,222	12,077	3,078	20,719
Off balance sheet assets	30,686	20,724	28,636	15,108	4,505	-	99,659
Off balance sheet liabilities	(27,751)	(20,614)	(31,250)	(15,891)	(4,204)	-	(99,710)
Off balance sheet net position	2,935	110	(2,614)	(783)	301	-	(51)
Net position at 31 December 2005	(52,732)	23,459	11,046	23,439	12,378	3,078	20,668
Net position at 31 December 2004	34,063	6,380	(4,444)	26,081	11,415	(54,096)	19,399

40. Interest rate risk (continued)

The average interest rates for financial assets and liabilities were as follows:

	2005	2004
	%	%
Assets		
Cash and balances with central banks	0.96	0.70
Treasury bills and other eligible bills	2.89	4.63
Loans and advances to banks	2.88	2.69
Financial assets held for trading	4.51	4.53
Available-for-sale financial assets	0.97	0.93
Loans and advances to customers	7.02	6.84
Held-to-maturity investments	4.82	5.72
Liabilities		
Deposit from banks	2.35	2.90
Deposits from customers	1.45	2.38
Debt securities in issue	4.79	5.49

41. Related parties

Related parties are those counterparties that represent:

(a) enterprises that directly, or indirectly, through one or more intermediaries, control, or are controlled by, or are under the common control of, the reporting enterprise;

(b) associates - enterprises in which the parent company has significant influence and which are neither a subsidiary nor a joint venture;

(c) individuals owning, directly or indirectly, an interest in the voting power of the VUB Group that gives them significant influence over the VUB Group, and anyone expected to influence, or be influenced by, that person in their dealings with the VUB Group;

(d) key management personnel, that is, those persons having authority and responsibility for planning, directing and controlling the activities of the VUB Group, including directors and officers of the VUB Group and close members of the families of such individuals; and

(e) enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in (c) or (d) or over which such a person is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the VUB Group and enterprises that have a member of key management in common with the VUB Group.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. The majority of the stated transactions have been made under arms-length commercial and banking conditions.

At 31 December 2005 and 2004, significant transactions outstanding with related parties comprised:

	2005	2004
Loans and advances		
Statutory bodies(3)	8	-
Affiliated companies(2)	570	87
	578	87
Customer accounts		
Statutory bodies(3)	19	15
Affiliated companies(2)	4,399	81
	4,418	96
Derivative transactions (notional amount)		
Shareholder and companies controlled by shareholder (1)	5,792	6,225
Securities		
Shareholder and companies controlled by shareholder (1)	568	-

(1) Shareholder and companies controlled by shareholder

(2) Common control by the VUB Group and its shareholders

(3) Other related party

42. Events after the balance sheet date

There were no significant events noted that would require adjustment or disclosure in the consolidated financial statements at 31 December 2005.

43. Reconciliation to individual Slovak statutory accounts

Profit for the year ended 31 December 2005 and shareholders' equity prepared under Slovak accounting regulations and reported in the individual statutory financial statements of the Bank can be reconciled to these consolidated financial statements as follows:

	Net profit for the year	Shareholders' equity
Reported under individual Slovak statutory accounts	3,856	20,958
Social fund expense	(40)	(40)
Amortized cost adjustment	(113)	(220)
Consolidation entries and elimination of intra-group balances	(7)	21
Reported under IFRS	3,696	20,719

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Independent Auditors' Report to the Shareholders of Všeobecná úverová banka, a.s.

We have audited the accompanying financial statements of Všeobecná úverová banka, a.s. ('the Bank') for the year ended 31 December 2005, which comprise the balance sheet, the related profit and loss account for the year then ended and the notes. 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 as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures included in the financial statements. An audit also includes assessing the accounting principles used in preparing the financial statements 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 accompanying financial statements present fairly, in all material respects, the financial position of the Bank at 31 December 2005 and of the results of its operations for the year then ended in accordance with the Slovak Act on Accounting.

Bratislava
28 February 2006

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

Ing. Dalimil Draganovský
SKAU Licence No. 893

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT

Individual financial statements
for the year ended 31 December 2005

Aggregate

Financial statements for the period

From 1 January 2005

To 31 December 2005

Balance sheet date

31 December 2005

Identification number

31320155

Legal name of the reporting entity

Všeobecná úverová banka, a.s.

Legal form

Joint stock company

Registered office

Mlynské Nivy 1
829 90 Bratislava 25

Phone area code	Telephone number	Fax number
02	5055 1111	5441 0568

Balance sheet at 31 December 2005
(in thousands of Slovak crowns)

		Notes	2005	2004
a	b	c	1	2
x	**Assets**		x	x
1.	Cash and balances with central banks repayable on demand		2,518,366	2,104,808
2.	Balances with other banks repayable on demand		1,891,714	2,372,124
3.	Loans and advances to banks	5	27,131,631	46,453,981
a)	Gross		27,131,874	46,454,021
b)	Impairment		(243)	(40)
4.	Financial assets held for trading	6	4,586,834	8,083,079
5.	Derivative financial instruments	7	1,850,050	2,425,672
a)	Trading		1,850,050	2,425,672
b)	Hedging		-	-
6.	Available-for-sale financial assets	8	631,361	211,422
7.	Loans and advances to customers	9	83,195,569	70,464,739
a)	Gross		87,610,570	75,026,625
b)	Impairment		(4,415,001)	(4,561,886)
8.	Debt securities held to maturity	10	94,121,562	79,245,802
a)	Government		85,471,091	72,409,719
b)	Other		8,650,471	6,836,083
b1	Gross		8,826,611	7,149,717
b2	Impairment		(176,140)	(313,634)
9.	Associates and joint ventures	11	218,317	292,780
a)	Financial sector entities		218,317	292,780
a1	Gross		218,317	292,780
a2	Impairment		-	-
b)	Other		-	-
b1	Gross		-	-
b2	Impairment		-	-
10.	Subsidiaries	12	1,820,410	284,000
a)	Financial sector entities		1,820,410	284,000
a1	Gross		1,820,410	284,000
a2	Impairment		-	-
b)	Other		-	-
b1	Gross		-	-
b2	Impairment		-	-
11.	Advances and assets in progress	13, 14	565,712	565,649
a)	Gross		565,712	610,741
b)	Impairment		-	(45,092)
12.	Intangible assets	13	840,358	754,365
a)	Gross		3,832,127	3,472,152
b)	Accumulated amortization and impairment		(2,991,769)	(2,717,787)
b1	Accumulated amortization		(2,991,769)	(2,717,787)
b2	Impairment		-	-

The accompanying notes on pages 62 to 86 form an integral part of these financial statements.

Balance sheet at 31 December 2005
(in thousands of Slovak crowns)

		Notes	2005	2004
a	**b**	**c**	**1**	**2**
x	**Assets**		x	x
13.	Property and equipment	14	5,650,900	5,475,476
a)	Not depreciated		308,130	315,258
a1	Gross		308,130	315,258
a2	Impairment		-	-
b)	Depreciated		5,342,770	5,160,218
b1	Gross		11,037,698	10,820,656
b2	Accumulated depreciation and impairment		(5,694,928)	(5,660,438)
b2a	Accumulated depreciation		(5,149,611)	(5,091,722)
b2b	Impairment		(545,317)	(568,716)
14.	Deferred income tax assets	15	564,105	578,812
15.	Other assets	16	1,367,649	1,123,753
a)	Gross		1,399,201	1,153,987
b)	Impairment		(31,552)	(30,234)
	Total assets		226,954,538	220,436,462

The accompanying notes on pages 62 to 86 form an integral part of these financial statements.

Balance sheet at 31 December 2005
(in thousands of Slovak crowns)

		Notes	2005	2004
a	b	c	1	2
x	**Liabilities and shareholders' equity**		x	x
I.	**Liabilities** (sum of 1 to 11)		205,996,559	200,557,185
1.	Deposits from central banks payable on demand		2,283,593	512,707
2.	Deposits from other banks payable on demand		3,252,581	5,184,108
3.	Deposits from banks	17	16,301,895	12,433,609
4.	Deposits from customers	18	162,302,493	166,902,346
a)	Payable on demand		60,707,254	68,587,935
b)	Other		101,595,239	98,314,411
5.	Liabilities from repurchase agreements		-	-
6.	Derivative financial instruments	7	2,035,855	2,972,294
a)	Trading		2,035,855	2,972,294
b)	Hedging		-	-
7.	Debt securities in issue	19	14,695,888	8,048,061
a)	Remaining maturity up to 1 year		934,036	781,990
b)	Remaining maturity over 1 year		13,761,852	7,266,071
8.	Other liabilities	20	2,781,496	2,040,053
9.	Provisions	21	1,782,163	2,078,207
10.	Subordinated debt		-	-
11.	Current income tax liabilities		560,595	385,800
II.	**Shareholders' equity** (sum of 12 to 19)		20,957,979	19,879,277
12.	Share capital	22	12,978,108	12,978,108
a)	Paid		12,978,108	12,978,108
b)	Unpaid		-	-
13.	Own shares		-	-
14.	Capital funds		411,271	411,271
a)	Share premium		402,737	402,737
b)	Other capital funds		8,534	8,534
15.	Legal reserve fund		2,536,561	2,222,649
16.	Revaluation reserves		(25,081)	-
a)	Property and equipment		-	-
b)	Available-for-sale financial assets		(25,081)	-
c)	Hedging derivatives		-	-
d)	Foreign equity investments		-	-
e)	Subsidiaries, associates and joint ventures		-	-
17.	Retained earnings		1,200,404	1,128,129
18.	Net profit from previous period to be approved		-	-
19.	Net profit for the year		3,856,716	3,139,120
	Total liabilities and shareholders' equity		226,954,538	220,436,462

The accompanying notes on pages 62 to 86 form an integral part of these financial statements.

Income statement
for the year ended 31 December 2005
(in thousands of Slovak crowns)

		Notes	2005	2004
a	b	c	1	2
1.	Interest and similar income		9,999,248	10,750,805
a.	Interest expense and similar charges		(3,280,305)	(4,416,472)
I.	Net interest income	23	6,718,943	6,334,333
2.	Fee and commission income		3,439,510	2,600,540
b.	Fee and commission expense		(784,504)	(481,861)
II.	Net fee and commission income	24	2,655,006	2,118,679
3.	Dividends		4,784	8,648
3.1	Subsidiaries, associates and joint ventures		-	-
3.2	Other equity investments		4,784	8,648
4./c.	Net trading income	25	1,021,942	1,039,664
5.	Gains from sale of property		496,213	218,977
6.	Reversal of impairment losses on the sold property		-	-
d.	Losses from sale of property		(307,554)	(167,174)
III.	Net gains from sale of property		188,659	51,803
7.	Reversal of operating provisions		815,207	1,324,677
8.	Reversal of impairment losses		11,197,871	14,999,844
e.	Creation of operating provisions		(580,004)	(930,480)
f.	Creation of impairment losses		(11,607,442)	(15,925,803)
f.1.	Creation of impairment losses on		(10,744,651)	(11,478,101)
f.1.1.	Financial assets		(10,663,049)	(10,860,553)
f.1.2.	Property, equipment and intangible assets		(81,602)	(617,548)
f.2.	Write-offs		(862,791)	(4,447,702)
f.2.1.	Financial assets		(835,006)	(4,447,702)
f.2.2.	Property, equipment and intangible assets		(27,785)	-
f.3.	Revaluation losses		-	-
9.	Other income		408,307	568,716
9.1.	Reversal of other provisions		68,781	395,541
9.2	Other income	26	339,526	173,175
g.	Other expenses		(6,239,921)	(6,258,547)
g.1.	Salaries and employee benefits	27	(2,416,484)	(2,263,839)
g.1.1.	Salaries and social security costs		(2,373,935)	(2,200,978)
g.1.2.	Other personnel expenses		(42,549)	(62,861)
g.2.	Creation of other provisions		(7,653)	(318,615)
g.3.	Depreciation and amortization		(917,465)	(853,233)
g.3.1	Depreciation	14	(626,289)	(594,412)
g.3.2.	Amortization	13	(291,176)	(258,821)
g.4.	Other operating expenses	28	(2,898,319)	(2,822,860)
10./h.	Share of profit/(loss) of subsidiaries, associates and JVs	29	(267,244)	59,177
A.	Profit before tax		4,316,108	3,390,711
i.	Income tax	30	(459,392)	(251,591)
i.1.	Current income tax		(444,685)	(318,306)
i.2.	Deferred income tax		(14,707)	66,715
B.	Net profit for the year		3,856,716	3,139,120

The accompanying notes on pages 62 to 86 form an integral part of these financial statements.

Statement of changes in shareholders' equity
for the year ended 31 December 2005
(in thousands of Slovak crowns)

	Share capital	Share premium	Legal reserve fund	Other capital funds	Revaluation reserves	Retained earnings	Total
At 1 January 2004	12,978,108	402,737	1,770,769	8,539	(773)	4,873,066	20,032,446
Contribution to the social fund	-	-	-	-	-	(50,000)	(50,000)
Contribution to the legal reserve fund	-	-	451,880	-	-	(451,880)	-
Dividends to shareholders	-	-	-	-	-	(3,244,527)	(3,244,527)
Translation of a foreign operation	-	-	-	-	-	1,470	1,470
Other movements	-	-	-	(5)	773	-	768
Net profit for the year	-	-	-	-	-	3,139,120	3,139,120
At 31 December 2004	12,978,108	402,737	2,222,649	8,534	-	4,267,249	19,879,277
Contribution to the social fund	-	-	-	-	-	(35,000)	(35,000)
Contribution to the legal reserve fund	-	-	313,912	-	-	(313,912)	-
Dividends to shareholders	-	-	-	-	-	(2,725,403)	(2,725,403)
Translation of a foreign operation	-	-	-	-	-	7,470	7,470
Available-for-sale financial assets	-	-	-	-	(25,081)	-	(25,081)
Net profit for the year	-	-	-	-	-	3,856,716	3,856,716
At 31 December 2005	12,978,108	402,737	2,536,561	8,534	(25,081)	5,057,120	20,957,979

The accompanying notes on pages 62 to 86 form an integral part of these financial statements.

Cash flow statement
for the year ended 31 December 2005
(in thousands of Slovak crowns)

	Notes	2005	2004
Cash flows from operating activities			
Profit before changes in operating assets and liabilities	31	4,871,211	4,939,988
Loans and advances to banks		(510,705)	5,391,488
Financial assets held for trading		341,249	1,990,996
Derivative financial instruments (positive)		575,622	(53,661)
Available-for-sale financial assets		(443,248)	1,142,614
Loans and advances to customers		(13,298,677)	(18,109,724)
Other assets		(245,213)	3,893,994
Deposits from banks payable on demand		1,770,886	(671,197)
Deposits from banks		1,920,632	5,991,758
Deposits from customers		(4,567,212)	21,513,918
Derivative financial instruments (negative)		(936,439)	664,803
Other liabilities		706,443	(2,988,940)
Net cash used in operating activities		(14,686,662)	18,766,049
Cash flows from investing activities			
Purchase of debt securities held to maturity		(18,655,454)	(12,683,673)
Repayments of debt securities held to maturity		4,215,657	8,789,875
Acquisition of shares in subsidiaries and joint ventures		(1,800,100)	(300,000)
Purchase of property, equipment and intangible assets		(1,418,008)	(1,382,651)
Disposal of property, equipment and intangible assets		496,213	218,977
Liquidation of a subsidiary		31,646	565,000
Net cash used in investing activities		(17,130,046)	(4,792,472)
Cash flows from financing activities			
Debt securities in issue		6,644,708	2,193,674
Dividends to shareholders		(2,725,403)	(3,244,527)
Net cash used in financing activities		3,919,305	(1,050,853)
Net change in cash and cash equivalents		(23,026,192)	17,862,712
Cash and cash equivalents at 1 January	4	55,701,788	37,839,076
Cash and cash equivalents at 31 December	4	32,675,596	55,701,788

The accompanying notes on pages 62 to 86 form an integral part of these financial statements.

Notes to the individual financial statements
for the year ended 31 December 2005
prepared in accordance with Slovak Accounting Standards

1. General information on the Bank

Všeobecná úverová banka, a.s. ('the Bank') is a bank established on 1 April 1992 as a joint stock company under the laws of the Slovak Republic. On 23 March 1992, the Bank was granted a general banking license by the National Bank of Slovakia and, on 11 April 1995, a license for foreign currency operations.

The principal activities of the Bank are:
(a) provide loans and guarantees in Slovak crowns ('Sk') and in foreign currencies,
(b) collect and provide deposits in Sk and in foreign currencies,
(c) provide retail banking services,
(d) provide capital market services,
(e) provide interbank money market services,
(f) provide investment banking services.

The Bank is domiciled in the Slovak Republic with its registered office at Mlynské Nivy 1, 829 90 Bratislava 25.

At 31 December 2005, the Bank had a network of 154 branches and 90 sub-branches located throughout the Slovak Republic. The Bank also has one fully operational branch in the Czech Republic.

The total number of employees of the Bank at the end of 2005 was 4,033 (2004: 3,935).

The structure of shareholders is as follows:

	2005	2004
Intesa Holding International S.A.	96.49%	96.49%
Domestic shareholders	2.99%	3.00%
Foreign shareholders	0.52%	0.51%
	100.00%	100.00%

2. Basis of preparation

The financial statements of the Bank have been prepared in accordance with Slovak Accounting Standards ('SAS').

The reporting currency used in the financial statements is the Slovak crown ('Sk') and balances are presented in thousands of Sk unless indicated otherwise.

The financial statements comprise an aggregate of the Bank's operations in the Slovak Republic and foreign operations in the Czech Republic. The assets and liabilities of foreign operations are translated to Sk at the foreign exchange rate prevailing at the balance sheet date. The revenues and expenses of foreign operations are translated to Sk at rates approximating the foreign exchange rates prevailing at the dates of the transactions. Foreign exchange differences arising on these translations are recognized directly in equity.

Negative values are presented in brackets.

The financial statements have been prepared on the accrual basis of accounting whereby the effects of transactions and other events are recognized when they occur and are reported in the financial statements of the periods to which they relate.

The financial statements are prepared under the assumption that the Bank is a going concern and will continue in operation for the foreseeable future.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets held for trading and all derivative financial instruments to fair value.

The structure of the balance sheet and income statement have been updated in accordance with new reporting standards applicable from 31 March 2005. Therefore, certain balances for the year ended 31 December 2004 have been reclassified for comparison purposes.

3. Summary of significant accounting policies

Changes in accounting policies
Changes in accounting policies for 2005 were as follows:

i. securities classified as 'Primary issues' were reclassified into the portfolio 'Debt securities held to maturity';
ii. revaluation of the portfolio 'Available-for-sale financial assets' is presented in equity as 'Revaluation reserves'; and
iii. valuation of equity investments was changed from the cost method to the equity method.

Comparative balances for 2004 have been adjusted to reflect these changes in accounting policies.

The principal accounting policies applied by the Bank are as follows:

(a) Loans and advances to banks
Loans and advances to banks represent receivables from current accounts, deposits and loans provided to commercial banks and balances with the National Bank of Slovakia and the Czech National Bank, including compulsory minimum reserves. Compulsory minimum reserves represent reserves to be held by all commercial banks licensed in the Slovak Republic and the Czech Republic.

The balances are presented at cost including interest accruals less any impairment losses. An impairment loss is established, if there is objective evidence that the Bank will not be able to collect all amounts due.

(b) Loans and advances to customers and impairment losses
Loans originated by the Bank by providing money directly to a borrower are categorized as loans and advances to customers and are stated at amortized cost including interest accruals less any impairment losses. All loans and advances to customers are recognized on the balance sheet when cash is advanced to borrowers.

An impairment loss is established, if there is objective evidence that the Bank will not be able to collect all amounts due. The amount of impairment loss is the difference between the carrying amount and the recoverable amount. Impairment losses are assessed with the reference to the credit standing and performance of the borrower and take into account the value of any collateral or third party guarantee.

The Bank manages its credit risk from loans provided to customers by thorough selection of borrowers, requirements for adequate collateral and periodical monitoring of their performance.

The Bank writes off loss loans and advances when borrowers are unable to fulfill their obligations and when relevant evidence has been obtained from the appropriate court. Loans and advances to customers are written off against the reversal of the related impairment loss. Subsequent recoveries are credited to the income statement on receipt.

The Bank ceases accruing any interest on loans overdue more than 90 days and keeps accruing the interest in its off balance sheet memorandum accounts.

The categories according to the NBS rules and percentages applied for impairment losses are as follows:

Category	Percentage of impairment losses
Standard	-
Watch	10% to 19% of the unsecured portion of the receivable
Non-standard	49% of the unsecured portion of the receivable
Doubtful	95% of the unsecured portion of the receivable
Loss	100% of the gross receivable

(c) Securities
Securities held by the Bank are categorized into portfolios in accordance with the Bank's intent on the acquisition date and pursuant to the Bank's investment strategy. The Bank developed security investment strategies and, reflecting the intent on acquisition, allocated securities into the following portfolios:

- Held for trading
- Available-for-sale
- Held-to-maturity

The principal differences among the portfolios relate to the measurement and recognition of fair values in the financial statements.

3. Summary of significant accounting policies (continued)

All securities held by the Bank are recognized using settlement date accounting and are initially measured at cost including transaction costs. Securities purchased, but not settled, are recorded in the off balance sheet.

Financial assets held for trading

Securities held for trading are financial assets acquired by the Bank for the purpose of generating profits from short-term fluctuations in prices. Subsequent to their initial recognition these assets are accounted for and measured at fair value, which approximates the price quoted on recognized stock exchanges taking into account the credit risk of the securities issuer. The Bank monitors changes in fair values on a daily basis and recognizes unrealized gains and losses in the income statement in 'Net trading income'.

Interest earned on securities held for trading is accrued on a daily basis and reported in the income statement in 'Interest and similar income'.

Available-for-sale financial assets

Available-for-sale financial assets are those financial assets that are not classified as trading or held-to-maturity. Subsequent to initial recognition, these assets are accounted for and re-measured to fair value.

The fair value of assets, for which an active market exists, and for which a market value can be estimated reliably, is measured at quoted market prices. In circumstances where the quoted market prices are not readily available, the fair value is estimated using the present value of future cash flows. Equity investments are held at cost less impairment as their fair value cannot be reliably measured.

Interest earned whilst holding available-for-sale assets is accrued on a daily basis and reported in 'Interest and similar income'. Unrealized gains and losses arising from changes in the fair value of securities available-for-sale are recognized daily in shareholders' equity in 'Revaluation reserves for available-for-sale financial assets'.

Securities held-to-maturity

Securities held-to-maturity are financial assets with fixed or determinable payments and maturities that the Bank has the positive intent and ability to hold to maturity.

Held-to-maturity investments are carried at amortized cost less any impairment losses. Amortized cost is the amount at which the asset was initially measured adjusted for principal repayments, accrued interest income and the cumulative amortization of the discount/premium. The amortization of the premium/discount is recognized in the income statement in 'Interest and similar income'.

The Bank assesses on a regular basis whether there is any objective evidence that a held-to-maturity investment may be impaired. A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount.

(d) Repurchase and reverse repurchase agreements

Securities sold under agreements to sell and repurchase ('repo transactions') remain recorded as assets in the original balance sheet caption, and as liabilities from received loan in 'Deposits from banks' or 'Deposits from customers'.

Securities purchased under agreements to purchase and resell ('reverse repo transactions') are recorded only in the off-balance sheet and the loan provided is reported in the balance sheet in 'Loans and advances to banks' or 'Loans and advances to customers', as appropriate.

The price differential between the purchase and sale price of securities is treated as interest income or expense and accrued evenly over the life of the agreement.

(e) Equity investments

Subsidiaries, joint ventures and associates are reported under the equity method.

Under the equity method, the equity investment is initially recorded at cost and the carrying amount is increased or decreased to recognize the Bank's share on the profits or losses of the entities after the date of acquisition.
Other equity investments held in available-for-sale portfolio are recognized at cost less any impairment losses.

(f) Intangible assets

Intangible assets are recorded at cost less accumulated amortization and impairment losses. Amortization is provided to write off the cost on a straight-line basis over the estimated useful economic life of the asset.

The estimated useful economic lives are as follows:

	Years
Software	4
Other intangible assets	1, 4

(g) Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and impairment losses. Acquisition cost includes the purchase price plus other costs related to acquisition such as freight, duties or commissions.

The cost of expansion, modernization or improvements leading to increased productivity, capacity or efficiency is capitalized. Repairs and renovations are charged to the income statement as the expenditure is incurred.

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

The estimated useful economic lives are as follows:

	Years
Buildings	40
Equipment	4, 6, 12
Other tangibles	4, 6

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

The Bank periodically tests its assets for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to this recoverable amount. Where assets are identified as being surplus to the Bank's requirements, the recoverable value is assessed by reference to a net selling price based on third party valuation reports, adjusted downwards for an estimate of associated sale costs.

(h) Derivative financial instruments and hedging

In the normal course of business, the Bank is a party to contracts with derivative financial instruments, which represent a very low initial investment compared to the notional value of the contract.
The derivative financial instruments used include foreign exchange forwards, interest rate/foreign exchange swaps and options, forward rate agreements and cross currency swaps. The Bank also uses financial instruments to hedge interest rate risk and currency exposures associated with its transactions in the financial markets. They are accounted for as trading derivatives as they do not fully comply with the definition of a hedging derivative as prescribed by SAS. The Bank also acts as an intermediary provider of these instruments to certain customers.

Derivative financial instruments are initially recognized in the balance sheet at cost including transaction costs and subsequently are re-measured at their fair values. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate. The fair values of derivative positions are computed using standard formulas and prevailing interest rates applicable for respective currencies available on the market at reporting dates. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Changes in the fair value of derivatives held for trading are included in 'Net trading income'.

The Bank operates a system of market risk and counterparty limits, which are designed to restrict exposure to movements in market prices and counterparty concentrations. The Bank also monitors adherence to these limits on a regular basis.

Credit risk of financial derivatives

Credit exposure or replacement cost of derivative financial instruments represents the Bank's credit exposure from contracts with a positive fair value, that is, it indicates the estimated maximum potential losses of the Bank in the event that counterparties fail to perform their obligations. It is usually a small

3. Summary of significant accounting policies

proportion of the notional amounts of the contracts. The credit exposure of each contract is indicated by the credit equivalent calculated pursuant to the generally applicable methodology using the current exposure method and involves the market value of the contract (only if positive, otherwise a zero value is taken into account) and a portion of the nominal value, which indicates the potential change in market value over the term of the contract. The credit equivalent is established depending on the type of contract and its maturity. The Bank assesses the credit risk of all financial instruments on a daily basis.

(i) Provisions for off balance sheet risks

The Bank recognizes provisions to cover losses for off balance sheet risks as follows:

Category	Percentage of provisions
Standard	-
Watch	10%
Non-standard	49%
Doubtful	95%
Loss	100%

The Bank accounts for the obligations arising from issued guarantees in the off balance sheet. The provision covering the future outflow from guarantees is recorded in liabilities and the income statement at the date when future outflows arising from these obligations become probable.The Bank's estimate of the obligation is performed by assessing the credit standing of the customer on behalf of which the guarantee was issued.

The assessment of the credit standing is performed on a similar basis as the assessment of the credit risk of loans and advances to customers.

(j) Foreign currency transactions

Monetary assets and liabilities denominated in foreign currencies are translated into Slovak crowns at the official exchange rates of the National Bank of Slovakia prevailing as at the balance sheet date. Income and expenses denominated in foreign currencies are reported at the National Bank of Slovakia rates of exchange prevailing at the date of the transaction.

The difference between the contractual exchange rate of a transaction and the National Bank of Slovakia exchange rate prevailing on the date of the transaction is included in 'Net trading income', as well as gains and losses arising from movements in exchange rates after the date of the transaction.

(k) Interest income

Interest income and expense is recognized in the income statement on an accrual basis by the use of effective interest rate method. Interest income and expense includes the amortization of any discount or premium on securities.

(l) Fee and commission income

Fee and commission income arises on financial services provided by the Bank including account maintenance, cash management services, brokerage services, investment advice and financial planning, investment banking services, project finance transactions and asset management services.
Fee and commission income is recognized when the corresponding service is provided.

(m) Net trading income

Net trading income includes gains and losses arising from purchases, disposals and changes in the fair value of financial assets and liabilities including securities and derivative instruments. It also includes the result of all foreign currency transactions.

(n) Dividend income

Dividend income is recognized in the income statement on the date that the dividend is declared.

(o) Income tax

Income tax is calculated in accordance with the regulations of the Slovak Republic and other jurisdictions,in which the Bank operates.

Deferred tax assets and liabilities are provided, using the balance sheet method, for all temporary differences arising between tax bases of assets or liabilities and their carrying values for financial reporting purposes. Expected tax rates, applicable for the periods when assets and liabilities are realized, are used to determine deferred tax.

The Bank is subject to various indirect operating taxes, which are included in 'Other operating expenses'.

4. Cash and cash equivalents

For the purposes of the cash flow statement, the following balances with agreed maturity of less than 90 days are included in cash and cash equivalents:

	2005	2004
Cash and balances with central banks repayable on demand	2,518,366	2,104,808
Balances with other banks repayable on demand	1,891,714	2,372,124
Loans and advances to banks (note 5)	22,744,573	42,561,873
Compulsory minimum reserves (note 5)	1,525,886	1,532,032
NBS treasury bills (note 6)	3,995,057	7,130,951
	32,675,596	55,701,788

5. Loans and advances to banks

	2005	2004
Compulsory minimum reserves	1,525,886	1,532,032
Loans to:		
Central banks	21,406,287	26,802,613
Other banks	810,372	1,160,935
Term deposits with:		
Central banks	279,031	3,400,236
Other banks	3,071,922	13,536,981
Other receivables from banks	38,376	21,224
	27,131,874	46,454,021
Impairment losses	(243)	(40)
	27,131,631	46,453,981

6. Financial assets held for trading

	2005	2004
Government bonds	451,715	521,712
Bank bonds	74,341	284,312
Corporate bonds	65,721	146,104
NBS treasury bills	3,995,057	7,130,951
	4,586,834	8,083,079

7. Derivative financial intruments

Fair values	2005 Positive	2005 Negative	2004 Positive	2004 Negative
Interest rate instruments				
Swaps	1,166,193	(1,300,061)	1,239,431	(1,461,742)
Forward rate agreements	1,824	(3,246)	12,796	(3,653)
	1,168,017	(1,303,307)	1,252,227	(1,465,395)
Foreign exchange instruments				
Cross-currency swaps	335,293	(335,297)	400,472	(400,472)
Forwards and swaps	288,702	(337,727)	493,484	(826,609)
Options	58,038	(59,524)	279,489	(279,818)
	682,033	(732,548)	1,173,445	(1,506,899)
	1,850,050	(2,035,855)	2,425,672	(2,972,294)

Notional values	Assets	Liabilities	Assets	Liabilities
Interest rate instruments				
Swaps	45,594,802	45,594,802	63,363,727	63,363,714
Forward rate agreements	11,598,720	11,598,720	6,250,000	6,250,000
	57,193,522	57,193,522	69,613,727	69,613,714
Foreign exchange instruments				
Cross-currency swaps	4,752,857	4,752,857	4,809,286	4,809,286
Forwards and swaps	25,777,064	25,829,922	30,383,653	30,750,085
Options	9,847,214	9,847,214	17,868,928	17,868,928
	40,377,135	40,429,993	53,061,867	53,428,299
	97,570,657	97,623,515	122,675,594	123,042,013

At 31 December 2005, the Bank had a potential credit exposure of Sk 2,431 million (2004: Sk 3,374 million) in the event of non-performance by counterparties to its financial derivative instruments. This represents the gross replacement cost at market rates at 31 December 2005 and 2004 of all outstanding agreements in the event of all counterparties defaulting and not allowing for settlement arrangements.

8. Available-for-sale financial assets

	2005	2004
Bank bonds	568,011	-
Equity shares in other entities	82,459	80,955
Mutual fund certificates	-	96,516
Equity shares in banks	-	53,000
	650,470	230,471
Impairment losses	(19,109)	(19,049)
	631,361	211,422

9. Loans and advances to customers

	2005	2004
Standard and watch loans		
Private individuals	31,823,240	18,969,710
Corporate entities	43,132,445	34,202,817
Government and municipalities	8,976,623	17,541,726
	83,932,308	70,714,253
Non-standard, doubtful and loss loans	3,678,262	4,312,372
	87,610,570	75,026,625
Impairment losses	(4,415,001)	(4,561,886)
	83,195,569	70,464,739

At 31 December 2004, loans provided to government and municipalities included short-term loans of Sk 10,850,000 thousand provided to the Ministry of Finance of the Slovak Republic, repayable on 3 January 2005 (2005: nil).

In 2005, the Bank wrote off loans and advances to customers with the nominal value of Sk 689,772 thousand (2004: Sk 3,670,986 thousand).

At 31 December 2005, the 20 largest corporate customers accounted for 12% (2004: 14%) of the gross loan portfolio, which represented the amount of Sk 10,685 million (2004: Sk 10,468 million).

Analysis of gross exposure by type of borrower is as follows:

	2005	2004
Private individuals		
Overdrafts	3,439,063	1,741,268
Loans with agreed maturity	11,000,274	6,225,093
Mortgage loans	17,383,903	11,003,349
Non-standard, doubtful and loss loans	541,119	389,256
	32,364,359	19,358,966
Corporate entities		
Overdrafts	9,554,509	6,518,460
Loans with agreed maturity	33,399,576	27,552,891
Mortgage loans	178,360	131,466
Non-standard, doubtful and loss loans	3,134,790	3,922,885
	46,267,235	38,125,702
Government and municipalities		
Overdrafts	4,869	13,143
Loans with agreed maturity	8,971,754	17,528,583
Non-standard, doubtful and loss loans	2,353	231
	8,978,976	17,541,957
Impairment losses	(4,415,001)	(4,561,886)
	83,195,569	70,464,739

9. Loans and advances to customers (continued)

Industry analysis of gross exposures to corporate entities is as follows:

	2005	2004
Wholesale and retail trade	6,999,611	8,171,434
Chemistry and pharmacy	3,593,107	4,209,285
Construction	2,887,359	2,730,139
Food	2,690,262	2,567,519
Transport and telecommunication	3,256,908	2,272,840
Engineering	2,382,980	2,111,376
Electricity, water and gas production	2,022,767	2,042,915
Textile	2,183,952	1,528,463
Metallurgy	1,275,069	853,815
Paper and printing	1,130,627	823,177
Other	17,844,593	10,814,739
	46,267,235	38,125,702

Analysis of gross exposures by NBS categorization is as follows:

	2005	2004
Private individuals		
Standard	31,368,202	18,636,946
Watch	455,038	332,764
Non-standard	149,093	118,638
Doubtful	92,275	168,507
Loss	299,751	102,111
	32,364,359	19,358,966
Corporate entities		
Standard	27,404,379	19,923,256
Watch	15,728,066	14,279,561
Non-standard	814,707	1,796,669
Doubtful	1,175,470	425,385
Loss	1,144,613	1,700,831
	46,267,235	38,125,702
Government and municipalities		
Standard	8,714,642	17,326,890
Watch	261,981	214,836
Doubtful	-	231
Loss	2,353	-
	8,978,976	17,541,957
	87,610,570	75,026,625
Impairment losses	(4,415,001)	(4,561,886)
	83,195,569	70,464,739

Remaining maturities of loans and advances to customers are as follows:

	2005	2004
Up to 1 month	7,953,973	14,859,139
1 to 3 months	5,025,715	4,799,509
3 months to 1 year	16,791,049	12,747,698
1 to 5 years	26,291,568	21,398,953
Over 5 years	20,960,248	13,626,921
Not specified	6,173,016	3,032,519
	83,195,569	70,464,739

10. Debt securities held to maturity

	2005	2004
Government restructuring bonds	56,712,027	57,078,597
Government bonds	28,759,064	15,331,122
Bank bonds	7,276,130	5,333,170
Corporate and other bonds	1,498,963	1,765,183
Promissory notes	51,518	51,364
	94,297,702	79,559,436
Impairment losses	(176,140)	(313,634)
	94,121,562	79,245,802

Government restructuring bonds

As part of the pre-privatization restructuring process of the Bank, the Slovak government decided to transfer the receivables of the Bank arising from non-performing loans to state agencies. These special purpose agencies were created and are under the full control of the state.

In December 1999 and June 2000, the Slovak government re-capitalized the Bank by transferring the non-performing loans including principal and interest, to Konsolidačná banka Bratislava ('KBB') with a gross value of Sk 58.6 billion, and Slovenská konsolidačná ('SKO') with a gross value of Sk 7.6 billion, which gave rise to the Bank's receivables from KBB and SKO in the total amount of Sk 66.2 billion. In January and March 2001, these receivables were swapped at par for state restructuring bonds with a total nominal value of Sk 66.2 billion.

Restructuring bonds are issued by the Ministry of Finance of the Slovak Republic, which acts on behalf of the Slovak government as the financial intermediary. The bonds are legally considered to represent sovereign and unconditioned direct obligations of the Slovak Republic and therefore there is no need for additional state guarantees. The bond conditions are the same as for any other similar type of securities issued by the Slovak Republic, i.e. are fully redeemable by the Slovak Republic, there is no clause regarding rollover, early or late extinguishments and they do not allow for conversion into any other type of financial instruments.

At 31 December 2005, the Bank held in its portfolio the following state restructuring bonds:

(a) 5-year state bonds with a nominal value of Sk 21,125 million, due on 31 January 2006, bearing fixed interest rate of 8% per annum;

(b) 7-year state bonds with a nominal value of Sk 11,300 million, due on 31 January 2008, bearing variable interest rate of 6M BRIBOR;

(c) 10-year state bonds with a nominal value of Sk 11,044 million, due on 31 January 2011, bearing variable interest rate for 6M BRIBOR;

(d) 7-year state bonds with a nominal value of Sk 4,700 million, due on 29 March 2008, bearing variable interest rate of 6M BRIBOR;

(e) 10-year state bonds with a nominal value of Sk 7,497 million, due on 29 March 2011, bearing variable interest rate of 6M BRIBOR.

11. Associates and joint ventures

	Share	Cost 2005	Revaluation 2005	Carrying amount 2005	Carrying amount 2004
VÚB Generali D.S.S., a.s.	50.0%	500,000	(309,361)	190,639	269,500
Slovak Banking Credit Bureau, s.r.o.	33.3%	100	1,334	1,434	100
Burza cenných papierov Bratislava, a.s.	20.2%	23,180	3,064	26,244	23,180
		523,280	(304,963)	218,317	292,780

12. Subsidiaries

At 31 December 2005, the Bank had the following subsidiaries:

	Share	Principal business activities
VÚB Asset Management, správ. spol. a.s.	100%	Asset management
VÚB Factoring, a.s.	100%	Factoring of receivables
VÚB Leasingová, a.s.	100%	Financial leasing
Recovery, a.s.	100%	Financial leasing
Consumer Finance Holding, a.s.	100%	Administration of acquired companies

	Cost 2005	Revaluation 2005	Carrying amount 2005	Carrying amount 2004
VÚB Asset Management	85,000	17,047	102,047	64,000
VÚB Factoring	498,143	(344,050)	154,093	120,000
VÚB Leasingová	234,000	(211,088)	22,912	27,000
Recovery	110,000	(64,532)	45,468	39,000
Realitná spoločnosť VÚB	-	-	-	34,000
Consumer Finance Holding	1,600,100	(104,210)	1,495,890	-
	2,527,243	(706,833)	1,820,410	284,000

On 15 December 2004, the Bank signed a share purchase agreement with the shareholders of the following companies:

1. Tatracredit,
2. Quatro,
3. Q-car,
4. Slovenská požičovňa, and
5. Slovenské kreditné karty,

confirming thus its intention to acquire 100% control over these companies, which are, as a group of closely interrelated business entities, engaged in the provision of short-term consumer finance loans and finance leases.

For the purpose of the acquisition, the Bank established in the first quarter of 2005 Consumer Finance Holding, a.s., the primary activity of which is to consolidate, integrate and control the business activities of the acquired companies. The acquisition was completed on 31 May 2005, after obtaining all required approvals from regulatory bodies.

13. Intangible assets

	Software	Other intangible assets	Assets in progress	Advances	Total
Cost					
At 1 January 2005	3,239,465	232,687	164,200	400	3,636,752
Additions	197	-	338,855	83,119	422,171
Transfers	339,285	37,407	(376,692)	-	-
Disposals	(3,227)	(13,687)	(7,922)	(79,662)	(104,498)
At 31 December 2005	3,575,720	256,407	118,441	3,857	3,954,425
Amortization					
At 1 January 2005	(2,540,117)	(177,670)	-	-	(2,717,787)
Additions	(268,612)	(22,564)	-	-	(291,176)
Disposals	3,515	13,679	-	-	17,194
At 31 December 2005	(2,805,214)	(186,555)	-	-	(2,991,769)
Carrying amount					
At 31 December 2005	770,506	69,852	118,441	3,857	962,656
At 31 December 2004	699,348	55,017	164,200	400	918,965

14. Property and equipment

	Operational land and buildings	Equipment	Other tangible assets	Assets in progress	Advances	Total
Cost						
At 1 January 2005	6,387,996	3,871,963	875,954	446,141	-	11,582,054
Additions	29	83	103	940,075	643,355	1,583,645
Transfers	546,769	249,358	157,407	(953,534)	-	-
Disposals	(281,556)	(418,955)	(43,322)	(22,734)	(609,889)	(1,376,456)
At 31 December 2005	6,653,238	3,702,449	990,142	409,948	33,466	11,789,243
Depreciation						
At 1 January 2005	(1,331,783)	(3,266,835)	(493,103)	-	-	(5,091,721)
Additions	(242,863)	(272,541)	(110,885)	-	-	(626,289)
Disposals	87,184	412,287	68,927	-	-	568,398
At 31 December 2005	(1,487,462)	(3,127,089)	(535,061)	-	-	(5,149,612)
Impairment losses						
At 1 January 2005	(568,716)	-	-	(45,092)	-	(613,808)
Net reversal	23,399	-	-	45,092	-	68,491
At 31 December 2005	(545,317)	-	-	-	-	(545,317)
Carrying amount						
At 31 December 2005	4,620,459	575,360	455,081	409,948	33,466	6,094,314
At 31 December 2004	4,487,497	605,128	382,851	401,049	-	5,876,525

15. Deferred income tax assets

Deferred income tax assets are calculated on all temporary differences using the tax rate of 19% (2004: 19%) as follows:

	2005	2004
Impairment losses on loans and securities	350,494	308,495
Depreciation and impairment on property and equipment	102,972	159,648
Provisions	86,985	110,669
Tax losses carried forward	23,654	-
	564,105	578,812

16. Other assets

	2005	2004
Long-term receivables from Prague branch	531,086	516,063
Other receivables from customers	340,528	281,908
Other cash equivalents and collection items	34,473	36,487
Various debtors	285,054	147,744
Other tax receivables	32,298	2,458
Prepayments and accrued income	120,442	108,927
Advances to various debtors	32,896	35,963
Inventories	22,424	24,437
	1,399,201	1,153,987
Impairment losses	(31,552)	(30,234)
	1,367,649	1,123,753

17. Deposits from banks

	2005	2004
Deposits from other banks	13,675,109	10,982,053
Loans received from:		
Central banks	13,051	17,489
Other banks	2,605,898	1,377,541
Other payables to central and other banks	7,837	56,526
	16,301,895	12,433,609

18. Deposits from customers

	2005	2004
Payable on demand		
Current accounts	58,701,469	66,664,282
Savings deposits	2,005,785	1,923,653
	60,707,254	68,587,935
Other deposits		
Term and savings accounts	99,924,951	96,975,411
Loans received	725,073	605,045
Promissory notes	945,215	733,955
	101,595,239	98,314,411
	162,302,493	166,902,346

Remaining maturities of customer deposits are as follows:

	2005	2004
Up to 1 month	144,100,996	150,819,014
1 to 3 months	9,588,450	10,036,389
3 months to 1 year	7,501,345	5,687,873
1 to 5 years	1,111,702	359,070
	162,302,493	166,902,346

19. Debt securities in issue

	2005	2004
Bank bonds with remaining maturity over 1 year	2,001,072	-
Mortgage bonds with remaining maturity up to 1 year	934,036	781,990
Mortgage bonds with remaining maturity over 1 year	11,760,780	7,266,071
	14,695,888	8,048,061

20. Other liabilities

	2005	2004
Long-term liabilities to Prague branch	531,086	516,063
Other liabilities to customers	1,088,013	595,974
Employees	378,461	295,535
Operating payables	599,525	435,733
Accruals and deferred income	27,500	21,995
Other tax payables	83,401	82,745
Payables to social security bodies	58,304	56,274
Social fund	15,206	35,734
	2,781,496	2,040,053

21. Provisions

	At 1 January 2005	Reversals	At 31 December 2005
Off balance sheet risks	926,405	(235,505)	690,900
Litigations	1,126,190	(34,927)	1,091,263
Severance	25,612	(25,612)	-
	2,078,207	(296,044)	1,782,163

22. Share capital

	2005	2004
Authorized, issued and fully paid:		
89 shares of Sk 100,000,000 each, not traded	8,900,000	8,900,000
4,078,108 shares of Sk 1,000 each, publicly traded	4,078,108	4,078,108
	12,978,108	12,978,108
Net profit for the year attributable to shareholders	3,856,716	3,139,120
Divided by 12,978,108 shares of Sk 1,000 each		
Basic earnings per share in Sk	297	242

23. Net interest income

	2005	2004
Interest and similar income		
Loans and advances to banks	1,113,655	1,577,473
Loans and advances to customers	4,547,998	4,063,894
Securities	4,337,595	5,109,438
	9,999,248	10,750,805
Interest expense and similar charges		
Deposits from banks	(514,824)	(448,380)
Deposits from customers	(2,279,143)	(3,622,912)
Debt securities in issue	(486,338)	(345,180)
	(3,280,305)	(4,416,472)
	6,718,943	6,334,333

24. Net fee and commision income

	2005	2004
Fee and commission income		
Banks	250,269	258,629
Customers	2,761,241	2,152,075
Other	428,000	189,836
	3,439,510	2,600,540
Fee and commission expense		
Banks	(712,439)	(454,238)
Customers	(56,536)	(17,940)
Other	(15,529)	(9,683)
	(784,504)	(481,861)
	2,655,006	2,118,679

Fees and commissions according to the type of service are as follows:

	2005	2004
Fee and commission income		
Cards	933,348	565,167
Account related	624,209	534,682
Loans	604,213	453,088
Third party products	447,502	186,115
Payments	326,115	367,475
Cash services	121,270	147,250
Off balance sheet products	84,326	86,174
Transfers	37,244	29,444
Depository fee	34,290	27,820
Securities	17,653	16,747
EDC services	17,140	9,900
Other fee income	192,200	176,678
	3,439,510	2,600,540
Fee and commission expense		
Cards	(687,569)	(416,823)
Securities	(21,517)	(32,576)
Interbank deposits	(7,938)	(7,912)
Payments	(1,805)	(2,376)
Account related	(689)	(245)
Other fee expense	(64,986)	(21,929)
	(784,504)	(481,861)
	2,655,006	2,118,679

25. Net trading income

	2005	2004
Foreign currency derivatives and transactions	906,032	923,007
Interest rate derivatives	(18,817)	(34,264)
Securities	134,727	150,921
	1,021,942	1,039,664

26. Other income

	2005	2004
Rent	50,279	48,974
Other operating income	289,247	124,201
	339,526	173,175

27. Salaries and employee benefits

	2005	2004
Salaries and social security costs		
Salaries	(1,807,392)	(1,681,759)
Social security costs	(566,543)	(519,219)
	(2,373,935)	(2,200,978)
Other personnel expenses	(42,549)	(62,861)
	(2,416,484)	(2,263,839)

The remuneration and other benefits to members of the Supervisory Board and the Board of Directors in 2005 were Sk 62,778 thousand (2004: Sk 55,898 thousand).

28. Other operating expenses

	2005	2004
Contribution to the Deposit protection fund	(535,512)	(559,667)
IT systems maintenance	(366,149)	(329,619)
Post and telecommunications	(308,535)	(279,457)
Advertising and marketing	(274,939)	(255,963)
Professional services	(187,545)	(159,296)
Rent	(145,847)	(138,498)
Stationery	(109,377)	(115,487)
Utilities	(110,780)	(105,373)
Repairs and maintenance	(87,404)	(87,184)
Travel	(54,669)	(50,282)
Unclaimed VAT	(177,464)	(156,414)
Taxes except corporate income tax	(22,376)	(26,786)
Damages and litigations	(36,521)	(105,229)
Insurance	(18,451)	(22,248)
Other expenses	(462,750)	(431,357)
	(2,898,319)	(2,822,860)

29. Share of profit/(loss) of subsidiaries, associates and joint ventures

	2005	2004
Share of results:		
Joint ventures	(263,861)	(45,500)
Associates	4,398	-
Subsidiaries	(32,045)	87,970
	(291,508)	42,470
Dividends received:		
Associates	506	1,887
Subsidiaries	23,758	14,820
	24,264	16,707
	(267,244)	59,177

30. Income tax

	2005	2004
Deferred tax (expense)/income	(14,707)	66,715
Current tax expense	(444,685)	(318,306)
	(459,392)	(251,591)

The movement in the income statement in deferred taxes is as follows:

	2005	2004
Impairment losses on loans and securities	41,999	(23,017)
Depreciation and impairment on property and equipment	(56,676)	60,731
Provisions	(23,684)	29,001
Tax losses carried forward	23,654	-
	(14,707)	66,715

31. Profit before changes in operating assets and liabilities

	2005	2004
Profit before tax	4,316,108	3,390,711
Adjustments for:		
Amortization	291,176	258,821
Depreciation	626,289	594,412
Profit from sale of fixed assets	(188,659)	(51,803)
Unrealized gains from trading and available-for-sale financial assets	2,942	6,413
Share of results of subsidiaries, associates and joint ventures	267,244	(59,177)
Interest income	(9,999,248)	(10,750,805)
Interest expense	3,280,305	4,416,472
Dividend income	(4,784)	(8,648)
Provisions and impairment losses	202,612	454,154
Interest received	9,611,768	10,646,094
Interest paid	(3,293,700)	(4,432,005)
Dividends received	29,048	475,355
Tax paid	(269,890)	(6)
Profit before changes in operating assets and liabilities	4,871,211	4,939,988

32. Off balance sheet items

ASSETS	2005	2004
Commitments and issued guarantees		
Commitments and undrawn credit facilities	28,715,010	22,317,004
Issued guarantees	8,457,619	6,213,580
	37,172,629	28,530,584
Collateral provided	2,745,000	2,745,000
Spot transactions		
Interest rate contracts	504,259	462,103
Foreign currency contracts	1,764,707	323,816
	2,268,966	785,919
Forward transactions		
Interest rate contracts	57,193,522	69,613,727
Foreign currency contracts	30,529,921	35,192,939
	87,723,443	104,806,666
Foreign currency options	9,847,213	17,868,928
Receivables written-off	1,904,840	1,782,319
Custody	96,241	93,653
Contra accounts	130,369,960	86,467,676
	272,128,292	243,080,745
LIABILITIES		
Guarantees received	3,669,449	3,343,686
Collateral received:		
Real estate	58,368,403	41,387,658
Securities from reverse repo transactions	21,393,060	26,782,161
Cash	764,897	915,776
Securities	3,044,721	3,356,379
Other	5,759,353	6,380,840
	89,330,434	78,822,814
Spot transactions		
Interest rate contracts	504,259	462,103
Foreign currency contracts	1,764,453	323,865
	2,268,712	785,968
Forward transactions		
Interest rate contracts	57,193,522	69,613,714
Foreign currency contracts	30,582,779	35,563,832
	87,776,301	105,177,546
Foreign currency options	9,847,213	17,868,928
Custody	67,117,652	21,652,123
Contra accounts	12,118,531	15,429,680
	272,128,292	243,080,745

33. Capital adequacy

The National Bank of Slovakia requires that licensed institutions maintain a capital adequacy ratio of 8% of the risk-weighted assets, computed in accordance with valid Slovak accounting legislation.

Capital is calculated as the total of restricted and unrestricted components of equity.

As at 31 December 2005 and 2004, the Bank's capital adequacy ratio on this basis exceeded the statutory minimum requirements.

34. Assets and liabilities maturity / liquidity risk

Liquidity risk is a measure of the extent to which the Bank may be required to raise funds to meet its commitments associated with financial instruments. The Bank maintains its liquidity profiles in accordance with regulations issued by the National Bank of Slovakia. The table on the following page provides an analysis of assets and liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. It is presented under the most prudent consideration of maturity dates where options or repayment schedules allow for early repayment possibilities. Those assets and liabilities that do not have a contractual maturity date are grouped together under the 'Not specified' category.

The Bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw downs, guarantees and from margin and other calls on cash settled derivatives. The Bank sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of inter-bank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

34. Assets and liabilities maturity / liquidity risk (continued)

The remaining maturities of assets and liabilities at 31 December 2005 and 2004 were as follows:

At 31 December 2005	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Not specified	Total
Assets							
Cash and balances with central banks repayable on demand	2,518,366	-	-	-	-	-	2,518,366
Balances with other banks repayable on demand	1,891,714	-	-	-	-	-	1,891,714
Loans and advances to banks	25,704,539	21,304	400,574	1,000,729	-	4,485	27,131,631
Financial assets held for trading	3,995,092	1,400	83,246	365,692	141,404	-	4,586,834
Derivative financial instruments	417,848	213,922	84,642	669,103	464,535	-	1,850,050
Available-for-sale financial assets	-	-	643	567,368	-	63,350	631,361
Loans and advances to customers	7,953,972	5,025,715	16,791,049	26,291,568	20,960,248	6,173,017	83,195,569
Debt securities held to maturity	22,231,602	553,265	659,911	39,690,385	30,950,091	36,308	94,121,562
Associates and joint ventures	-	-	-	-	-	218,317	218,317
Subsidiaries	-	-	-	-	-	1,820,410	1,820,410
Assets in progress	-	-	-	-	-	565,712	565,712
Intangible assets	-	-	-	-	-	840,358	840,358
Property and equipment	-	-	-	-	-	5,650,900	5,650,900
Deferred income tax assets	-	-	-	-	-	564,105	564,105
Other assets	359,388	-	-	-	-	1,008,261	1,367,649
	65,072,521	5,815,606	18,020,065	68,584,845	52,526,278	16,945,223	226,954,538
Liabilities and shareholders' equity							
Deposits from central banks payable on demand	2,283,593	-	-	-	-	-	2,283,593
Deposits from other banks payable on demand	3,252,581	-	-	-	-	-	3,252,581
Deposits from banks	10,316,332	2,471,195	1,554,057	1,178,034	782,277	-	16,301,895
Deposits from customers	144,100,996	9,588,450	7,501,345	1,110,830	872	-	162,302,493
Derivative financial instruments	443,866	127,279	240,895	778,506	445,309	-	2,035,855
Debt securities in issue	-	37,818	895,042	7,263,481	6,499,547	-	14,695,888
Other liabilities	1,477,367	-	-	-	-	1,304,129	2,781,496
Provisions	-	-	-	-	-	1,782,163	1,782,163
Current income tax liabilities	-	-	-	-	-	560,595	560,595
Shareholders' equity	-	-	-	-	-	20,957,979	20,957,979
	161,874,735	12,224,742	10,191,339	10,330,851	7,728,005	24,604,866	226,954,538
At 31 December 2004							
Assets	68,148,815	9,949,444	14,229,821	67,367,041	48,426,126	12,315,215	220,436,462
Liabilities and shareholders' equity	160,694,469	16,555,244	12,538,381	6,284,395	4,077,121	20,286,852	220,436,462

35. Currency denominations of assets and liabilities

Foreign exchange rate risk comprises the risk that the value of financial assets and liabilities will fluctuate due to changes in market foreign exchange rates. The table below provides information on the currency denomination of the Bank‘s assets and liabilities. It is the policy of the Bank to manage its exposure to fluctuations in exchange rates through the regular monitoring and reporting of open positions and the application of a matrix of exposure and position limits.

At 31 December 2005 and 2004, the Bank’s assets and liabilities were denominated in the following currencies:

At 31 December 2005	Sk	EUR	USD	CZK	Other	Total
Assets						
Cash and balances with central banks repayable on demand	1,860,669	274,995	66,595	193,043	123,064	2,518,366
Balances with other banks repayable on demand	421,580	360,397	100,464	871,213	138,060	1,891,714
Loans and advances to banks	23,863,927	1,983,447	4,482	971,680	308,095	27,131,631
Financial assets held for trading	4,586,834	-	-	-	-	4,586,834
Derivative financial instruments	1,825,106	21,464	3,447	33	-	1,850,050
Available-for-sale financial assets	585,312	2,436	16,745	26,868	-	631,361
Loans and advances to customers	63,220,206	15,701,926	732,366	3,539,048	2,023	83,195,569
Debt securities held to maturity	92,315,977	1,661,676	86,991	-	56,918	94,121,562
Associates and joint ventures	218,317	-	-	-	-	218,317
Subsidiaries	1,820,410	-	-	-	-	1,820,410
Assets in progress	527,145	38,477	-	90	-	565,712
Intangible assets	833,927	-	-	6,431	-	840,358
Property and equipment	5,644,503	-	-	6,397	-	5,650,900
Deferred income tax assets	540,451	-	-	23,654	-	564,105
Other assets	767,526	36,456	18,487	537,972	7,208	1,367,649
	199,031,890	20,081,274	1,029,577	6,176,429	635,368	226,954,538
Liabilities and shareholders’ equity						
Deposits from central banks payable on demand	2,242,583	12,143	-	28,867	-	2,283,593
Deposits from other banks payable on demand	1,277,487	1,023,579	68,755	870,314	12,446	3,252,581
Deposits from banks	4,822,563	8,920,470	-	2,553,532	5,330	16,301,895
Deposits from customers	138,421,458	15,244,401	5,422,436	2,121,660	1,092,538	162,302,493
Derivative financial instruments	2,013,758	19,020	3,077	-	-	2,035,855
Debt securities in issue	14,695,888	-	-	-	-	14,695,888
Other liabilities	1,464,446	579,626	94,302	611,834	31,288	2,781,496
Provisions	1,757,044	-	24,530	589	-	1,782,163
Current income tax liabilities	560,595	-	-	-	-	560,595
Shareholders’ equity	20,671,521	-	-	286,458	-	20,957,979
	187,927,343	25,799,239	5,613,100	6,473,254	1,141,602	226,954,538
At 31 December 2004						
Assets	195,585,140	15,396,394	2,549,457	6,121,592	783,879	220,436,462
Liabilities and shareholders’ equity	190,283,053	19,484,158	4,432,591	5,463,427	773,233	220,436,462

36. Interest rate risk

The interest rate risk is comprised of the risk that the value of a financial instrument will fluctuate due to changes in market interest rates and the risk that the maturities of interest bearing assets differ from the maturities of the interest bearing liabilities used to fund those assets. The length of time for which the rate of interest is fixed on a financial instrument therefore indicates the extent to which it is exposed to interest rate risk.

The table on the following page provides information on the extent of the Bank's interest rate exposure based either on the contractual maturity date of its financial instruments, or in the case of instruments that re-price to a market rate of interest before maturity, the next re-pricing date. It is the policy of the Bank to manage the exposure to fluctuations in net interest income arising from changes in interest rates by the degree of the re-pricing mismatch in the balance sheet. The assets and liabilities that do not have a contractual maturity date or are not interest bearing are grouped in the 'Not specified' category. Current accounts, 'nostro' and 'loro' accounts are stated as interest rate insensitive in the 'Not specified' column.

The re-pricing structure of assets and liabilities at 31 December 2005 and 2004 was as follows:

At 31 December 2005	**Up to 1 month**	**1 to 3 months**	**3 months to 1 year**	**1 to 5 years**	**Over 5 years**	**Not specified**	**Total**
Assets							
Cash and balances with central banks repayable on demand	2,518,366	-	-	-	-	-	2,518,366
Balances with other banks repayable on demand	1,891,714	-	-	-	-	-	1,891,714
Loans and advances to banks	25,697,798	21,304	400,574	1,000,729	-	11,226	27,131,631
Financial assets held for trading	3,995,092	1,400	83,548	365,390	141,404	-	4,586,834
Derivative financial instruments	417,848	213,922	84,642	669,103	464,535	-	1,850,050
Available-for-sale financial assets	-	-	643	567,368	-	63,350	631,361
Loans and advances to customers	29,898,594	22,349,162	14,087,147	11,878,752	4,048,942	932,972	83,195,569
Debt securities held to maturity	49,091,771	12,795,988	4,422,178	15,368,234	12,407,083	36,308	94,121,562
Associates and joint ventures	-	-	-	-	-	218,317	218,317
Subsidiaries	-	-	-	-	-	1,820,410	1,820,410
Assets in progress	-	-	-	-	-	565,712	565,712
Intangible assets	-	-	-	-	-	840,358	840,358
Property and equipment	-	-	-	-	-	5,650,900	5,650,900
Deferred income tax assets	-	-	-	-	-	564,105	564,105
Other assets	359,133	-	-	-	-	1,008,516	1,367,649
	113,870,316	35,381,776	19,078,732	29,849,576	17,061,964	11,712,174	226,954,538
Liabilities and shareholders' equity							
Deposits from central banks payable on demand	-	-	-	-	-	2,283,593	2,283,593
Deposits from other banks payable on demand	3,252,581	-	-	-	-	-	3,252,581
Deposits from banks	10,949,438	3,339,357	1,179,166	210,362	37,933	585,639	16,301,895
Deposits from customers	150,146,068	6,870,552	4,137,936	143,243	872	1,003,822	162,302,493
Derivative financial instruments	443,866	127,279	240,895	778,506	445,309	-	2,035,855
Debt securities in issue	1,999,547	1,037,818	895,042	6,263,481	4,500,000	-	14,695,888
Other liabilities	894,250	-	-	-	-	1,887,246	2,781,496
Provisions	-	-	-	-	-	1,782,163	1,782,163
Current income tax liabilities	-	-	-	-	-	560,595	560,595
Shareholders' equity	-	-	-	-	-	20,957,979	20,957,979
	167,685,750	11,375,006	6,453,039	7,395,592	4,984,114	29,061,037	226,954,538
At 31 December 2004							
Assets	115,983,507	18,696,730	4,123,395	37,044,336	16,531,990	28,056,504	220,436,462
Liabilities and shareholders' equity	85,143,192	17,116,742	8,534,359	4,331,906	3,611,763	101,698,500	220,436,462

37. Related parties

Related parties are those counterparties that represent:

(a) enterprises that directly, or indirectly, through one or more intermediaries, control, or are controlled by, or are under the common control of, the reporting enterprise;
(b) associates - enterprises in which the Bank has significant influence and which are neither a subsidiary nor a joint venture;
(c) individuals owning, directly or indirectly, an interest in the voting power of the Bank that gives them significant influence over the Bank, and anyone expected to influence, or be influenced by, that person in their dealings with the Bank;
(d) key management personnel, that is, those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, including directors and officers of the Bank and close members of the families of such individuals; and
(e) enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in (c) or (d) or over which such a person is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the Bank and enterprises that have a member of key management in common with the Bank.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. The reported transactions have been made under arms-length commercial and banking conditions.

	2005	2004
Loans and advances provided	2,591,043	313,584
Loans and deposits received	4,621,185	105,916
Securities	568,011	34,961
Interest and similar income	40,162	49,341
Interest expense and similar charges	3,923	3,236
Fee and commission income	538,227	168,344
Fee and commission expense	208,504	-

38. Profit distribution

On 5 April 2005, the general meeting of shareholders approved the following 2004 profit distribution:

Social fund contribution	35,000
Contribution to the legal reserve fund	313,912
Dividends	2,725,403
Retained earnings	64,805
	3,139,120

The Board of Directors will propose the following 2005 profit distribution:

Social fund contribution	40,000
Contribution to the legal reserve fund	100,000
Dividends	3,698,761
Retained earnings	17,955
	3,856,716

39. Events after the balace sheet date

There were no significant events noted that would require adjustments or disclosure in the financial statements for the year ended 31 December 2005.

40. Approval of the financial statements

These financial statements were authorized for issue by the Board of Directors on 28 February 2006.

Tomas Spurny
Chairman of the Board of Directors

Domenico Cristarella
Member of the Board of Directors

Information on securities issued by the Bank

In 2005 VÚB, a. s., issued 5 mortgage bond issues and 1 VUB bond issue as follows:

VÚB, a. s., Mortgage bonds XV.

Name of Security:	VÚB, a. s., Mortgage bond XV.
ISIN:	SK4120004540 series 01
Type and form:	Bearer bond, book-entry
Total issue amount:	Sk 1,000,000,000
Number and nominal value:	1,000 pcs per Sk 1,000,000
Issue Date:	March 30, 2005
Maturity:	March 30, 2010
Coupon:	3 M BRIBOR + 0,10 % p.a.
Coupon payment:	Quarterly

VÚB, a. s., Mortgage bonds XVI.

Name of Security:	VÚB, a. s., Mortgage bond XVI.
ISIN:	SK4120004615 series 01
Type and form:	Bearer bond, book-entry
Total issue amount:	Sk 500,000,000
Number and nominal value:	50,000 pcs per Sk 10,000
Issue Date:	August 15, 2005
Maturity:	August 15, 2008
Coupon:	2.9 % p.a.
Coupon payment:	Annually

VÚB, a. s., Mortgage bonds XVII.

Name of Security:	VÚB, a. s., Mortgage bond XVII.
ISIN:	SK4120004813 series 01
Type and form:	Bearer bond, book-entry
Total issue amount:	Sk 2,500,000,000
Number and nominal value:	2,500 pcs per Sk 1,000,000
Issue Date:	November 28, 2005
Maturity:	November 28, 2015
Coupon:	3 M BRIBOR + 0,11 % p.a.
Coupon payment:	Quarterly

VÚB, a. s., Mortgage bonds XVIII.

Name of Security:	VÚB, a. s., Mortgage bond XVIII.
ISIN:	SK4120004870 series 01
Type and form:	Bearer bond, book-entry
Total issue amount:	Sk 390,000,000
Number and nominal value:	39 pcs per Sk 10,000,000
Issue Date:	December 19, 2005
Maturity:	December 19, 2010
Coupon:	3.0 % p.a.
Coupon payment:	Annually

VÚB, a. s., Mortgage bonds XIX.

Name of Security:	VÚB, a. s., Mortgage bond XIX.
ISIN:	SK4120004888 series 01
Type and form:	Bearer bond, book-entry
Total issue amount:	Sk 400,000,000
Number and nominal value:	40 pcs per Sk 10,000,000
Issue Date:	December 21, 2005
Maturity:	December 21, 2009
Coupon:	3 M BRIBOR + 0,07 % p.a.
Coupon payment:	Annually

VÚB, a. s., Bond 01

Name of Security:	Bond VÚB 01
ISIN:	SK4120004748 series 01
Type and form:	Bearer bond, book-entry
Total issue amount:	Sk 2,000,000,000
Number and nominal value:	2,000 pcs per Sk 1,000,000
Issue Date:	September 28, 2005
Maturity:	September 28, 2012
Coupon:	3 M BRIBOR + 0,05 % p.a.
Coupon payment:	Quarterly

Review of the economic and financial position of VUB

In 2005 the Bank set its mind on accelerating the growth strategy while maintaining strict cost control. The Bank managed to meet its Strategic Plan and defended its position as the most profitable bank in the Slovak market. Profitability grew mainly owing to a balanced growth of revenues by a strong 21% at a 16% growth of operating expenses. The Bank's operating profit for the year ended 31 December 2005 based on consolidated results under IFRS increased against the previous year by 39%.

The Bank's total consolidated assets rose in 2005 by 4%. Although securities make up the most crucial part of total assets, their share has been diminishing in favour of receivables against clients which recorded a y/y hike by one fifth and at the end of 2005 accounted for 38% of total assets. VUB has thus confirmed that it indeed deserves a significant leading position in the Slovak loan market. The strategy of developing a loan portfolio for an ever-wider circle of retail clients is the theme underlying also the establishment of the subsidiary called Consumer Finance Holding. It covers companies providing loans to individuals (TatraCredit, Quatro, Q-car, Slovenská požičovňa and Slovenské kreditné karty) and the Bank acquired control over them in May 2005.

As a matter of tradition, VUB Asset Management contributed to the success of VUB Group also last year, with assets under management reaching Sk 29 bln. The pension management company VUB Generali, D.S.S., being the Bank's 50% subsidiary, has successfully established itself in the newly created pension saving market, managing assets worth Sk 1.5 bln. at the end of the year.

Information about the expected economic and financial situation for the next year

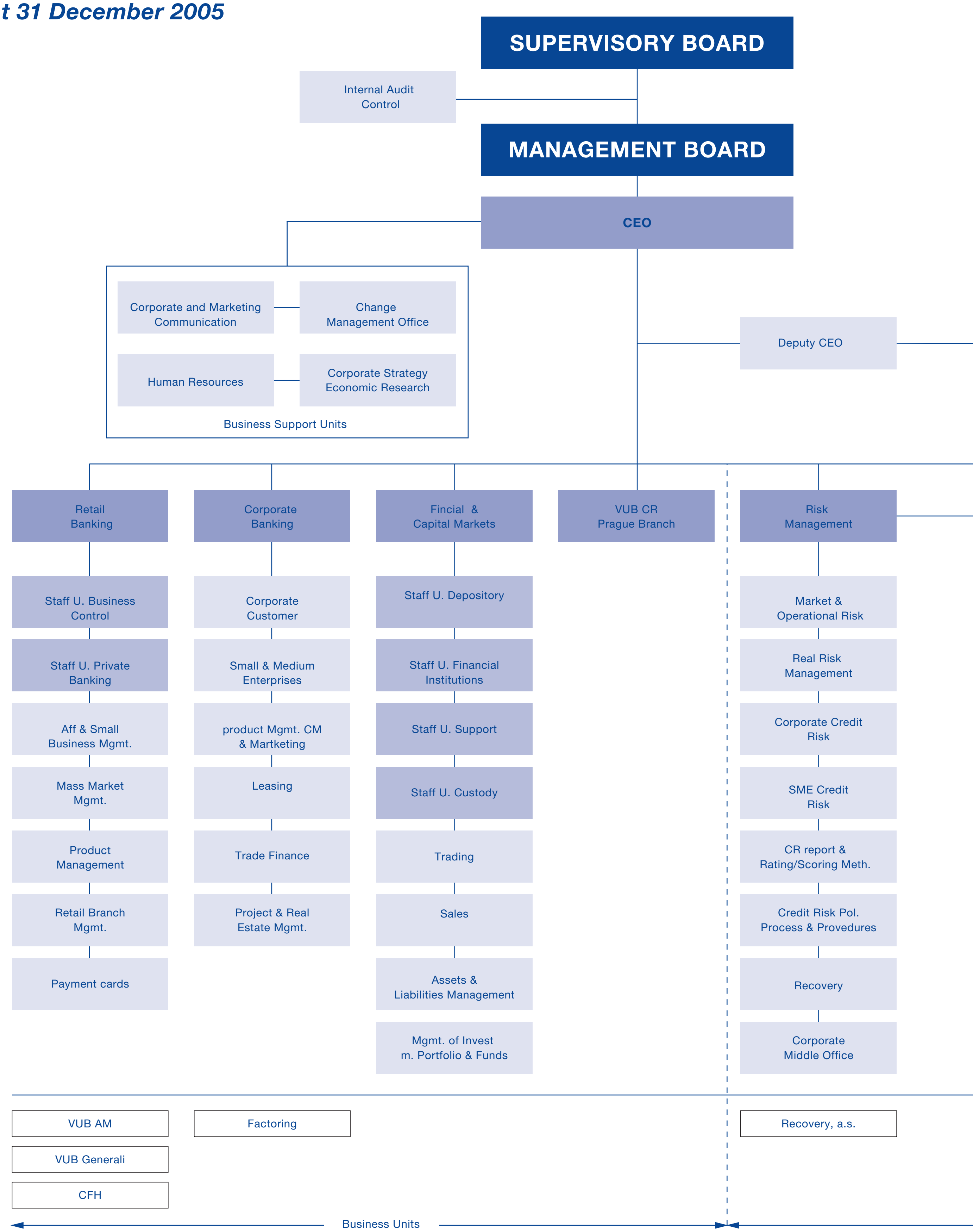
Success from the preceding years represents a motivation for the Bank's further growth. Strategy for the upcoming three years is based on the following priorities:

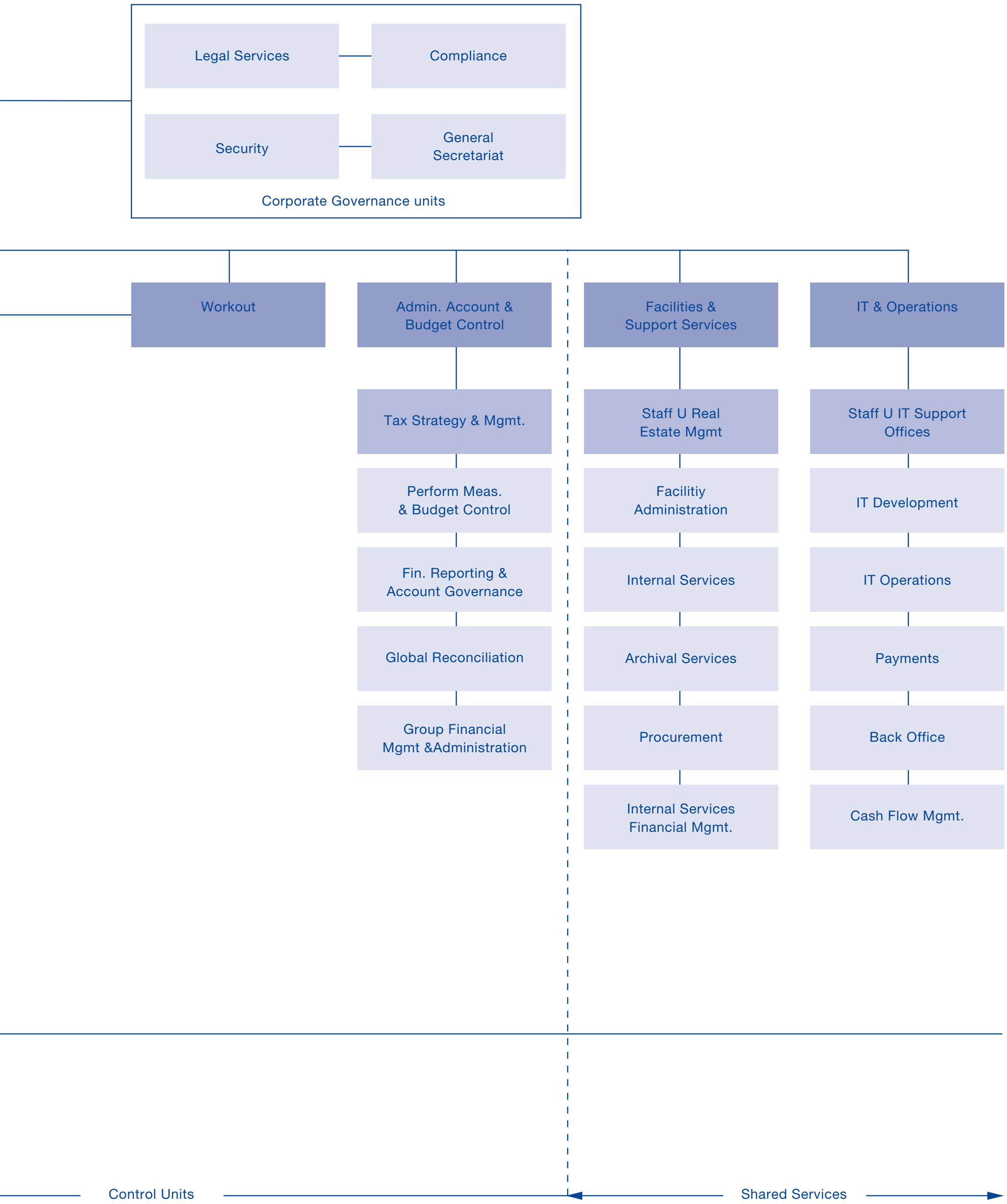
- continuing growth of retail banking with a focus on current accounts and retail assets;
- integration and development of the subsidiary Consumer Finance Holding;
- strengthening and development of opportunities in pension saving – subsidiary VUB Generali, D.S.S.;
- systematic and value creating growth in the segments of small and medium enterprises and large corporates tied to foreign direct investments;
- investments into risk management, improvements in underwriting, monitoring and recovery functions;
- cost rationalization and increase of efficiency in support and control units;
- further enhancement of corporate culture specially aimed at performance and services to our clients.

The growth strategy should translate into a significant increase in interest bearing assets, which should lead to a growth of revenues. The Bank is also envisaging a growth in the fees and commissions income. Total operating income in 2006 will be, however, negatively impacted by the expired restructuring bonds. Increase of efficiency should keep the operating expenses on a tight leash, and as a result the cost to income ratio should not exceed 58%.

In 2006 the Bank is planning on achieving an operating profit of Sk 4.8 billion. The net profit should come in at Sk 3.7 billion, which would be comparable to 2005.

Organization chart of VUB
at 31 December 2005




Legal Services
Compliance
Security
General Secretariat
Corporate Governance units
Workout
Admin. Account & Budget Control
Facilities & Support Services
IT & Operations
Tax Strategy & Mgmt.
Staff U Real Estate Mgmt
Staff U IT Support Offices
Perform Meas. & Budget Control
Facilitiy Administration
IT Development
Fin. Reporting & Account Governance
Internal Services
IT Operations
Global Reconciliation
Archival Services
Payments
Group Financial Mgmt &Administration
Procurement
Back Office
Internal Services Financial Mgmt.
Cash Flow Mgmt.
Control Units
Shared Services

List of VUB branches

Retail business network of VUB, a.s.

	Postal Code	Address	Tel. No.	Fax
Regional retail business network Bratislava – west				
Full retail branches				
Bratislava - Gorkého	813 20	Gorkého 7	02/59 55 11 11, 5055 79 02, 5055 79 13	5955 8090
Bratislava - Poštová	811 01	Poštová 1	02/5955 85 72	54 41 79 26
Bratislava - Dúbravka	841 01	Schneidera Trnavského 6/A	02/64 28 60 05	64 28 62 05
Bratislava - Dunajská	815 79	Dunajská 24	02/59 55 71 65	5955 81 38
Malacky	901 01	Záhorácka 15	034/772 38 47, 772 43 90	772 38 48
Retail branches				
Bratislava - Lamač	841 03	Malokarpatské nám. 9	02/64 78 07 22	64 78 07 26
Bratislava - Devínska N. Ves	841 07	Eisnerova 48	02/64 77 64 85	64 77 65 50
Bratislava - Šintavská	851 01	Šintavská 24	02/6383 7160, 6383 7163	63 83 70 97
Bratislava - Dlhé Diely	841 05	Ľ. Fullu 5	02/65 31 66 09	65 31 66 02
Bratislava - Špitálska	811 01	Špitálska 10	02/52 92 30 16	52 96 54 22
Bratislava - Rovniankova	851 02	Rovniankova 3/A	02/6382 1627, 6382 1685	63 82 16 08
Bratislava - Karlova Ves	841 04	Borská 3	02/65 42 58 40	65 42 58 25
Bratislava - Vlastenecké nám.	851 01	Vlastenecké námestie 6	02/62 24 80 40	62 24 81 38
Bratislava - Aupark	851 01	Einsteinova, 2. nadzemné podl.	02/63 45 43 10	63 45 1260
Bratislava - TESCO	811 08	Kamenné námestie 1	02/5296 2303	52 96 23 03
Bratislava - Štefanovičova	811 04	Štefanovičova 14	02/5249 1816, 17	52 49 18 19
Light retail branches				
Bratislava - Kramáre	833 40	Limbová 1	02/54 77 28 46	54 78 80 84
Bratislava - Obchodná	811 04	Obchodná 74	02/52 73 38 98	52 73 38 97
Bratislava - Nobelovo nám.	851 01	Nobelovo námestie 5	02/63 45 42 31	63 45 42 32
Bratislava - Ovsišťské nám.	851 04	Ovsištské námestie 1	02/62 41 42 80	62 41 42 78
Bratislava - Zámocká	811 01	Zámocká ulica 38	02/54 41 18 11	54 41 18 35
Stupava	900 31	Mlynská 1	02/65 93 67 34 a 36	65 93 67 35
Lozorno	900 55	Autopriemyselný park	02/6596 8006	65 96 80 05
Regional retail business network Bratislava – east				
Full retail branches				
Bratislava - Ružinov	827 61	Jašíkova 8	02/48 56 86 12	48 56 88 05
Bratislava - Páričkova	821 08	Páričkova 2	02/5055 2408	55 56 66 36
Bratislava - Dolné Hony	821 06	Kazanská 41	02/45 52 28 59 a 61	45 25 83 00
Pezinok	902 01	Štefánikova 14	033/641 30 73-6	641 30 77
Retail branches				
Bratislava - Dulovo nám.	821 08	Dulovo nám. 1	02/55 96 97 35	64 78 07 26
Bratislava - Miletičova	821 09	Miletičova 21	02/55 56 58 02	55 56 72 01
Bratislava - Slovnaft	821 10	Vlčie hrdlo 1	02/45 52 47 16	45 24 77 29
Bratislava - Rača	831 06	Detvianska 22	02/44 87 10 34, 44871028	44 87 10 25
Bratislava - Krížna	821 08	Krížna 54	02/50 22 33 00-09	55 42 59 41
Bratislava - Polus	831 04	Vajnorská 100	02/44441185, 44441184	44 44 11 85
Senec	903 01	Námestie 1. mája 25	02/4592 6167, 4592 6246	45 92 42 48
SP Soravia	82104	Cesta na Senec 2/A	02/4445 4839, 4840, 4843	44 87 10 25

Bratislava - Avion	82104	Galvaniho 7	02/43420313, 315	
BC Apollo	82109	Mlynské Nivy 45	02/5341 2011, 02/5341 2356	02/53412007
Light retail branches				
Bratislava - Vrakuňa	822 02	Šíravská 7	02/45 52 20 06	45 52 21 38
Bratislava - Račianska	831 03	Račianska 54	02/4445 3892	44 45 38 88
Bratislava - Bajkalská	821 08	Bajkalská 4	02/55 42 34 21	55 42 34 23
Bratislava - Račianske mýto	831 02	Račianske Mýto 3	02/44 44 21 30 a 32	44 44 21 31
Dunajská Lužná	900 42	Nové Košariská	02/45 98 12 38	45 98 12 39
Ivanka pri Dunaji	900 28	Štefánikova 25/A	02/45 94 50 42	45 94 50 42
Modra	900 01	Štúrova 68	033/647 55 79	647 55 35
TESCO Pezinok	902 01	Myslenická 2/B	033/6423215, 6423210	64 23 210

Regional retail business network Trnava

Full retail branches				
Trnava - Dolné bašty	917 68	Dolné bašty 2	033/556 98 11, 556 98 32	556 99 20
Skalica	919 01	Potočná 20	034/664 45 07-08	664 67 78
Trnava - Hlavná	917 68	Hlavná 31	033/556 98 02, 55 69 977	556 99 87
Dunajská Streda	929 35	Alžbetínske nám. 328	031/557 01 42	551 62 05
Galanta	924 41	Mierové námestie 2	031/780 60 34, 783 83 55, 780 52 41-4, 783 90 55,	780 60 29
Hlohovec	920 01	Podzámska 37	033/742 55 71, 742 56 91	742 4329
Myjava	907 01	Nám. M.R.Štefánika 525/21	034/621 25 85, 621 25 92, 94, 034/621 25 94	621 25 95
Piešťany	921 01	Námestie slobody 11	033/772 10 80, 772 2126, 774 18 71	772 35 34
Senica	905 01	Nám. oslobodenia 8	034/6943 952, 6943 111	694 39 84
Sereď	926 00	Cukrovarská 3013/1	031/789 33 22, 789 3700	789 46 50
Šaľa	927 00	Hlavná 5	031/770 71 22-3	770 45 76
Šamorín	931 01	Hlavná 64	031/562 43 01	562 43 05
Retail branches				
Holíč	908 51	Bratislavská 1518/7	034/668 23 89	668 44 73
Light retail branches				
Cífer	919 43	Námestie A. Hlinku 31	033/559 92 72	559 91 11
Gabčíkovo	930 05	Športová 583	031/559 48 45	559 48 44
Kúty	908 01	Nám. Radlinského 981	034/659 77 87	659 77 90
Leopoldov	920 41	Hollého 649/1	033/734 20 42	734 22 90
Smolenice	919 04	SNP 12	033/558 62 52	558 66 10
Sládkovičovo	925 21	Fučíkova 131	031/784 19 97	784 18 35
Šaštín – Stráže	908 41	Námestie slobody 648	034/659 23 50	658 05 91
Veľký Meder	932 01	Komárňanská 135/22	031/555 39 00	555 33 00
Vrbové	922 03	Nám. Slobody 285/9	033/779 2695, 033/779 2686	779 26 96
Zlaté Klasy	930 39	Hlavná 836/17	031/569 2072	569 20 73
Močenok	951 31	Sv. Gorazda 629	037/7781210	7781210

Regional retail business network Trenčín

Full retail branches

Trenčín	911 62	Mierové námestie 37	032/741 71 11, 741 76 68	743 14 50
Dubnica nad Váhom	018 41	Nám. Matice slov. 1293	042/442 50 37	442 50 27
Nové Mesto nad Váhom	915 01	Hviezdoslavova 19	032/771 14 41-4 0904 755 694	771 50 70
Považská Bystrica	017 21	Nám. A. Hlinku 23/28	042/430 98 00, 430 98 32	432 73 66 430 98 41
Prievidza	971 01	Námestie slobody 10	046/51557 67	542 61 70
Púchov	020 01	Námestie slobody 1657	042/464 20 61	464 23 68

Retail branches

Trenčín – Dolný Šianec	911 62	Dolný Šianec 1	032/640 16 47-8	640 16 49
Ilava	019 01	Mierové námestie 77	042/446 58 01	446 59 02
Nová Dubnica	018 51	Mierové námestie 29/34	042/443 40 32	443 40 32
Bojnice	972 01	Hurbanovo námestie 10	046/543 05 70	543 05 71
Handlová	972 51	SNP 1	046/547 66 40	547 64 18

Light retail branches

Dolné Vestenice	972 23	M. R. Štefánika 300	046/549 87 08	549 83 08
Lednické Rovne	020 61	Námestie slobody 32	042/469 32 15-6	469 32 17
Nitrianske Pravno	972 13	SNP 389	046/544 64 37	544 64 39
Nováky	972 71	Andreja Hlinku 457	046/546 14 29	546 14 26
Stará Turá	916 01	SNP 275/67	032/776 35 80	776 34 45
TESCO Nové Mesto nad Váhom	915 01	Trenčianska 2492/68	032 771 4115	771 4115
Trenčín - Zámostie	911 05	Zlatovská 2610	032/652 33 21	-
Trenčianske Teplice	914 51	T. G. Masaryka 3	032/655 34 44	655 34 44

Regional retail business network Nitra

Full retail branches

Nitra - Štefánikova 44	949 31	Štefánikova 44	037/690 43 21, 690 43 27	652 87 54
Bánovce nad Bebravou	957 01	Námestie Ľ. Štúra 5/5	038/760 41 47, 760 41 26	760 29 93
Komárno	945 23	Tržničné námestie 1	035/790 45 11, 790 45 83	773 06 52
Levice	934 01	Štúrova 21	036/631 2262, 6374 375, 6374 111	631 26 00
Nové Zámky	940 33	Hlavné námestie 5	035/690 45 55, 690 45 00	640 08 41
Partizánske	958 01	L. Svobodu 4	038/749 58 22, 749 39 84	749 72 47
Topoľčany - Moyzesova	955 19	Moyzesova 585/2	038/532 62 53-5, 532 76 54	532 52 06
Topoľčany - Pribinova	955 01	Pribinova 2	035/690 4508	532 69 00
Zlaté Moravce	953 00	Župná 2	037/632 12 09, 632 12 07	632 12 66

Retail branches

Nitra - Štefánikova 7	949 31	Štefánikova 7	037/651 20 58, 652 53 73	741 20 57
Hurbanovo	947 01	Komárňanská 98	035/760 26 44	760 22 16
Šahy	936 01	Hlavné námestie 27	036/741 12 86, 741 15 71	741 17 23
Štúrovo	943 01	Hlavná 2	036/75 11 306	751 13 08
Šurany	942 01	SNP 25	035/650 00 42-3	650 00 44
Vráble	952 01	Levická 1288/16	037/783 38 36, 783 30 22	783 30 23
Želiezovce	937 01	Komenského 8	036/771 13 32	771 10 88
Tesco Nové Zámky	940 01	Nitrianska cesta 11	0356428613;	0356428613
TESCO Topoľčany	955 01	M. Benku 1/A4590	038/532 20 90	532 21 17

Light retail branches				
Nitra – Plastika	949 31	P.O.Box 44/A	037/741 14 28	741 14 28
Kolárovo	946 03	Palkovichova 34	035/777 13 23	777 25 50
Marcelová	946 32	Nám. Slobody 1199	035/779 84 05	779 84 05
Nitrianska Blatnica	956 04	Obecný úrad	038/539 41 94	539 41 94
Tvrdošovce	941 10	Bratislavská cesta 3	035/649 27 00-01	649 22 01

Regional retail business network Žilina

Žilina	010 43	Na bráne 1	041/ 5678 111, 567 80 50, 567 80 50	041/5678135
Bytča	014 01	Sidónie Sakalovej 138/1	041/553 35 58	553 35 79
Čadca	022 24	Fraňa Kráľa 1504	041/432 28 11-2, 4303 512	432 40 79
Dolný Kubín	026 12	Radlinského 1712/34	043/581 3924,581 3918	586 40 06
Martin	036 53	M.R. Štefánika 2	043/ 413 29 47, 413 29 49, 424 73 02, 413 56 77, 424 73 35, 4247284	413 18 91, 424 73 69
Námestovo	029 01	Hviezdoslavovo nám. 200	043/552 31 83,	552 31 75
Retail branches				
Žilina - Nám. A. Hlinku	010 43	Nám. A. Hlinku 1	041/562 61 91,	562 61 94
Žilina - Dubeň	010 08	Vysokoškolákov 52	041/500 03 05,	500 03 16
Kysucké Nové Mesto	024 01	Námestie Slobody 184	041/421 29 39, 421 37 60	421 36 87
Rajec	015 01	Hollého 25	041/542 32 32,	542 28 77
Trstená	028 01	Štefánika 15	043/539 24 78,	539 25 30
Turčianske Teplice	039 01	Hájska 3	043/492 40 17,	492 40 18
Turzovka	023 54	R. Jašíka 20	041/435 22 06,	435 25 79
Tvrdošín	027 44	Vojtaššákova 640	043/532 20 54,	532 20 52
Vrútky	038 61	1. čsl. brigády 12	043/428 4316, 428 4313	428 41 33
Light retail branches				
Krásno nad Kysucou	023 02	1. mája 1255	041/438 52 85,	438 53 94
Martin - ZŤS	036 01	Čs. armády 3	043/413 27 53,	413 47 13
Nižná	027 43	Nová Doba 481.	043/538 21 62,	538 21 63
Skalité	023 14	Obv. zdrav. stred. 1149	041/437 63 67,	437 63 66
Turany	038 53	Obchodná 13	043/429 22 65,	429 25 29
Zákamenné	029 56	Zákamenné 18	043/559 22 93,	559 22 95

Regional retail business network Banská Bystrica

Banská Bystrica	975 55	Námestie slobody 1	048/450 5550	414 42 85
Lučenec	984 35	T. G. Masaryka 24	047/469 54 00	433 15 01
Rimavská Sobota	979 13	Francisciho 1	047/575 5303, 562 1679	563 12 13
Veľký Krtíš	990 20	Novohradská 7	047/483 14 92	483 10 66
Zvolen	960 94	Námestie SNP 2093/13	045/530 79 82	533 35 32
Žiar nad Hronom	965 01	Námestie Matice slov. 21	045/670 78 23	670 78 79
Retail branches				
Banská Bystrica - Dolná	975 55	Dolná 17	048/4123901-6	412 39 08
Banská Štiavnica	969 01	Radničné námestie 15	045/692 11 07	692 10 47
Brezno	977 01	Nám. M.R. Štefánika 27/22	048/6112829	611 55 95
Detva	962 11	M. R. Štefánika 65	045/545 58 71	545 54 61

Fiľakovo	986 01	Biskupická 1	047/438 18 02	438 22 27
Hnúšťa (DP Tisovec 55505)	981 01	Francisciho 372	047/542 32 37	542 22 41
Krupina	963 01	Svätotrojičné námestie 8	045/551 10 93	551 14 31
Nová Baňa	968 01	Námestie slobody 11	045/685 04 16	685 51 15
Light retail branches				
Dudince	962 71	Dudince 212	045/558 34 32	558 34 32
Hajnáčka	980 33	Hajnáčka 105	047/569 22 95	569 22 95
Hriňová	962 05	Hriňová 1612	045/549 72 21	549 72 21
Kremnica	967 01	Medzibránie 11	045/674 30 67	674 38 61
Poltár	987 01	Sklárska ulica	047/422 3527	047/422 3370
Slovenská Ľupča	976 13	Námestie SNP 12	048/418 72 29	418 72 29
Tornaľa	982 01	Hurbanova 19	047/552 26 46	552 26 76
Vinica	991 28	Cesta slobody 466/41	047/489 15 01	489 15 02
Žarnovica	966 81	Námestie SNP 26	045/681 2105	681 23 80

Regional retail business network Poprad

Poprad	058 17	Mnoheľova 2832/9	052/7723 774, 713 50 54	772 11 82
Liptovský Mikuláš	031 31	Štúrova 19	044/550 32 51, 562 43 41	551 49 25
Rožňava	048 73	Šafárikova 21	058/734 52 59	732 64 21
Ružomberok	034 01	Podhorá 48	044/432 29 80, 432 29 02	432 35 21
Spišská Nová Ves	052 14	Letná 33	053/4184 150, 4184 171	441 04 22
Stará Ľubovňa	064 01	Obchodná 2	052/432 21 26	432 34 91
(DP Podolínec 60401)			052/439 12 90	439 12 95
Retail branches				
Kežmarok	060 01	Hviezdoslavova 5	052/452 48 00	452 48 06
Levoča	054 01	Nám. Majstra Pavla 38	053/451 47 37,451 47 38, 451 43 17	451 43 16
Liptovský Hrádok	033 01	J. Martinku 740/56	044/522 16 39	522 13 97
Revúca	050 01	Námestie slobody 3	058/442 25 71	442 15 15
Svit	059 21	Štúrova 87	052/775 51 52, 775 60 32	775 51 54
Light retail branches				
Poprad - Námestie sv. Egídia	058 01	J. Curie 37	052/772 3192	772 31 92
Dobšiná	049 25	Zimná 126	058/794 16 40	794 16 40
Gelnica	056 01	Banícke nám. 52	053/482 1105	482 11 04
Krompachy	053 42	Lorencova 20	053/447 27 57, 447 00 52	447 22 51
Spišská Belá	059 01	Zimná 3	052/4591 031, 458 10 32	458 10 22
Spišské Podhradie	053 04	Mariánske nám. 22	053/454 11 49	454 12 57
Starý Smokovec	062 01	Starý Smokovec č. 29	052/442 50 89, 442 34 16	442 34 16

Regional retail business network Prešov

Prešov	081 86	Masarykova 13	051/735 64 11, 735 64 39	735 63 62 735 64 02
Bardejov	085 61	Kellerova 1	054/472 26 71-3,	474 63 89
Humenné	066 80	Námestie slobody 26/10	057/770 51 11,	770 51 41

Snina	069 01	Strojárska 2524	057/762 36 09,	762 23 28
Svidník	089 27	Centrálna 584/5	054/752 28 62,	752 16 91
Vranov nad Topľou	093 01	Námestie slobody 6	057/440 6398	440 64 39, 440 64 25

Retail branches

Prešov - Hlavná	080 01	Hlavná 61	051/772 24 76,	772 36 17
Sabinov	083 01	Námestie slobody 623	051/452 40 81,	452 34 92
Stropkov	091 01	Mlynská 692/1	054/742 37 21-2	742 37 14

Light retail branches

Giraltovce	087 01	Dukelská 70	054/732 26 81,	732 26 25
Hanušovce nad Topľou	094 31	Komenského 52	057/445 26 20,	445 28 05
Humenné - Chemes	066 01	Chemlonská 1	057/776 47 59,	776 35 95
Lipany	082 71	Nám. sv. Martina 8	051/457 48 48,	457 27 77
Medzilaborce	068 10	Mierová 289/1	057/732 15 48,	732 15 46

Regional retail business network Košice

Full retail branches

Košice - Bačíkova	042 81	Bačíkova 2	055/6818 111, 6818 796	678 6083
Košice - Strojárenská	042 31	Strojárenská 11	055/6818 111, 6818 309	6818 364, 622 93 39
Košice - Hlavná	042 31	Hlavná 8	055/6818 111, 622 63 80, 055/681 88 91	622 62 03
Košice - Letná	040 01	Letná 40	055/623 32 12-4, 625 9986, 625 9988	6259979
Michalovce	071 80	Námestie slobody 3	056/644 10 76-7, 6406 004, 056/6442 141-4	643 29 22, 642 09 35
Trebišov	075 17	M.R. Štefánika 3197/32	056/672 23 41-3, 671 6204	672 68 13

Retail branches

Košice – OC Bukovec	040 12	Bukovecká 18	055/674 52 48	674 62 53
Košice - OC Optima	040 11	Moldavská cesta 32	055/ 646 11 60, 055/ 646 16 26	
Moldava nad Bodvou	045 01	Hviezdoslavova 13	055/460 26 91, 460 73 83	460 29 92

Light retail branches

Košice - Ťahanovce	040 13	Americká trieda 15	055/636 60 62	636 60 63
Košice - Sídlisko KVP	040 23	Trieda KVP 1	055/642 96 74, 642 98 24	642 96 73
Košice - Trieda L. Svobodu	040 22	Trieda L. Svobodu 12	055/671 8159	671 81 60
Košice - U.S. Steel	044 54	Vstupný areál U.S.Steel, s.r.o.	055/673 03 29, 673 04 23	673 04 23
Michalovce - mesto	071 01	Nám. Osloboditeľov 2	056/644 21 55, 642 01 55	642 42 81
Sobrance	073 01	Štefánikova 9	056/652 40 47, 652 33 00	652 40 48
Strážske	072 22	Námestie Alexandra Dubčeka 300	056/649 16 33	649 16 86
Kráľovský Chlmec	077 01	Hlavná 710	056/632 10 46, 632 32 45	632 10 45
Veľké Kapušany	079 01	Sídlisko P.O. Hviezdoslava 79	056/638 30 43 , 638 34 78	638 21 59
Sečovce	078 01	Nám. Sv. Cyrila a Metoda 41/23	056/678 22 77, 678 38 53	678 30 33

Corporate branches

Corporate branches	Address	Tel. No.	Fax
BRATISLAVA	Jašíková 8, 827 61 Bratislava	02/4856 8625	02/4329 6250
BRATISLAVA - Ml.nivy	Mlynské nivy 1, 829 90 Bratislava 25	02/5055 2770	02/5556 7813
TRNAVA	Dolné bašty 2, 917 68 Trnava	033/556 9834	033/556 9895
SENICA	Námestie oslobodenia 8, 905 33 Senica	034/694 3950	034/694 3988
GALANTA	Mierové námestie 2, 924 41 Galanta	031/783 8351	031/780 4682
TRENČÍN	Mierové námestie 37, 911 62 Trenčín	032/741 7687	032/741 7697
TOPOĽČANY	Moyzesova 585/2, 955 19 Topoľčany	038/536 4700	038/532 5206
POVAŽSKÁ BYSTRICA	Námestie A. Hlinku 23/28, 017 21 Považská Bystrica	042/430 9755	042/430 9837
PRIEVIDZA	Námestie slobody 6, 971 11 Prievidza	046/515 5764	046/542 6785
NITRA	Štefánikova 44, 949 31 Nitra	037/690 4324	037/658 4512
NOVÉ ZÁMKY	Hlavné námestie 5, 940 33 Nové Zámky	035/690 4501	035/690 4543
LEVICE	Štúrova 21, 934 01 Levice	036/637 4377	036/631 2806
ŽILINA	Na bráne 1, 010 43 Žilina	041/567 8052	041/567 8096
MARTIN	M. R. Štefánika 2, 036 53 Martin	043/424 7330	043/424 7369
BANSKÁ BYSTRICA	Námestie slobody 1, 975 55 Banská Bystrica	048/450 5506	048/450 5523
ŽIAR NAD HRONOM	Nám. Matice Slovenskej 21, 965 56 Žiar nad Hronom	045/670 7848	045/672 4311
ZVOLEN	Námestie SNP 2093/13, 960 94 Zvolen	045/530 7932	045/530 7936
LUČENEC	T.G.Masaryka 24, 984 35 Lučenec	047/469 5472	047/432 4149
POPRAD	Mnoheľova 2832/9, 058 17 Poprad	052/713 5045	052/713 4995
SPIŠSKÁ NOVÁ VES	Letná 33, 052 14 Spišská Nová Ves	053/418 4180	053/441 0422
LIPTOVSKÝ MIKULÁŠ	Štúrova 19, 031 31 Liptovský Mikuláš	044/550 3211	044/552 5149
PREŠOV	Masarykova 13, 080 70 Prešov	051/735 6386	051/735 6406
VRANOV NAD TOPĽOU	Námestie slobody 6, 093 01 Vranov nad Topľou	057/440 6403	057/442 3700
BARDEJOV	Kellerova 1, 085 74 Bardejov	054/471 1613	054/471 1619
KOŠICE	Strojárenská 11, 042 31 Košice	055/681 8344	055/681 8367
MICHALOVCE	Námestie slobody 3, 071 80 Michalovce	056/640 6006	056/642 2346

Subsidiaries and joint ventures

Consumer Finance Holding, a.s.

Registered seat:	Hlavné nám. 12, 060 01 Kežmarok
Shareholders:	VÚB, a.s.
VUB's stake in registered capital:	100 %
Core business:	Non-banking consumer loans
Tel:	+421 52 786 1760
Fax:	+421 52 786 1764
General Manager:	Jaroslav Kiska

VÚB Asset Management, Správ. spol., a.s.

Registered seat:	Mlynské nivy 1, 820 04 Bratislava
Shareholders:	VÚB, a.s.
VUB's stake in registered capital:	100%
Core business:	Collective investments and asset management
Tel:	+421 2 5055 2292
Fax:	+421 2 5441 0583
General Manager:	Ing. RNDr. Marián Matušovič, PhD.

VÚB Leasingová, a.s.

Registered seat:	Mlynské nivy 1, 829 90 Bratislava
Shareholders:	VÚB, a.s.
VUB's stake in registered capital:	100%
Core business:	Finance and operating leasing
Tel:	+421 2 5055 2799
Fax:	+421 2 5441 0598
General Manager:	Livio Mannoni

VÚB Factoring, a.s.

Registered seat:	Mlynské nivy 1, 829 90 Bratislava
Shareholders:	VÚB, a.s.
VUB's stake in registered capital:	100%
Core business:	Factoring and forfaiting
Tel:	+421 2 5055 2784
Fax:	+421 2 5055 2012
General Manager:	Ing. Dušan Čižmárik

Recovery, a.s.

Registered seat:	Mlynské nivy 1, 829 90 Bratislava
Shareholders:	VÚB, a.s.
VUB's stake in registered capital:	100%
Core business:	Administration and collection of receivables
Tel:	+421 2 5055 2468
Fax:	+421 2 5556 6644
General Manager:	Ing. Peter Brožek

VÚB Generali, Dôchodková správcovská spoločnosť, a.s.

Registered seat:	Mlynské nivy 1, 829 90 Bratislava
Shareholders:	VÚB, a.s. and Generali Poisťovňa, a.s.
VUB's stake in registered capital:	50%
Core business:	Administration of pension funds
of Old Age Pension Savings Scheme	
Tel:	+421 2 5933 2270
Fax:	+421 2 5933 2300
General Manager:	Roman Juráš

Structure of VUB shareholders
as at 31 December 2005

Structure by Owner Type	**Number of Shares**	**Share in %**
Intesa Holding International S.A.	12,523,169	96.494 566
Other legal entities	144,994	1.117 220
Individuals	309,945	2.388 214
	12,978,108	100.000 000

Structure by nationality	**Number of Shares**	**% Share**
Intesa Holding International S.A.	12,523,169	96.494 566
Domestic shareholders	387,612	2.986 660
Other foreign shareholders	67,327	0.518 774
	12,978,108	100.000 000

There were 48,006 shareholders as at 31 December 2005. Foreign VUB shareholders come from 10 countries as follows: Luxembourg (96.527 %), the Netherlands (0.177 %), Austria (0.121 %), Germany (0.077 %), Switzerland (0.063 %), the Czech Republic (0.046 %), Romania, the U.S.A., Poland and Cyprus.

Statement on Compliance with the Corporate Governance Code

The governing bodies of Všeobecná úverová banka, a.s. committed to generally enhance the level of corporate governance and, upon recommendations by the Financial Market Authority and Bratislava Stock Exchange, have adopted the Corporate Governance Code (hereinafter "Code") in the scope mentioned below. The Management and Supervisory Boards undertook to adopt measures as to achieve full implementation of the Code principles.

A. Company Organization

Management Board

1. Management Board Members

Tomas Spurny	Chairman of Management Board
Ignacio Jaquotot	Vice Chairman of Management Board (from April 4, 2005)
Jan Blaho	Member of Management Board (until January 31, 2005)
Domenico Cristarella	Member of Management Board
Mário Drosc	Member of Management Board
Jozef Kausich	Member of Management Board (from April 4, 2005)
Roman Klaban	Member of Management Board
Jonathan Locke	Member of Management Board

Tomas Spurny
Chairman of VUB Management Board and CEO
Tomas Spurny was appointed Chairman of the Management Board and CEO of Všeobecná úverová banka in May 2002. He acquired his managing experience during the restructuring and privatization process in Komerční banka, Prague, where he held the position of member of the Board of Directors since May 2000 and was also in charge of the finance and risk management areas. Earlier, he worked as CEO and Chairman of the Board of Directors of the largest non-banking issuer of CCS credit cards – Česká společnost pro platební karty (The Czech Credit Card Company). Mr. Spurny obtained his experience and skills in finance also due to his long-term engagement with the consulting company McKinsey & Company (1994 – 1999).

Ignacio Jaquotot
Vice Chairman of VUB Management Board and Deputy CEO (from April 4, 2005)
Mr. Jaquotot took up his position of the Deputy Chief Officer in March 2005 and in April 2005 he was elected the VUB Management Board Vice Chairman. His realm of responsibility covers the non-core business support and control services. Mr. Jaquotot's career with Banca Intesa Group started back in 1984. He first held the positions of Deputy General Manager and General Manager at the former Banca Commerciale Italiana branches in Madrid and Barcelona, respectively. In 1999 he went on to serve in South America as the General Manager in Banco Sudameris Uruguay, then Banco Sudameris Chile and Banco Sudameris Paraguay. In Chile and Paraguay, he restructured the operations and then assisted as the local coordinator for the sale processes of the banks.

Jan Blaho
Member of VUB Management Board and Head of Corporate Banking Division (until January 31, 2005)
Mr. Jan Blaho was elected to the VUB Management Board in December 2001. Mr. Blaho joined the Bank from CSOB Headquarters in Prague, where he headed the Structured Finance Division. Starting his banking career with Lloyds Bank (New York, Chicago and Pittsburgh), later he worked 11 years for Westpac Banking Corporation, Chicago. Before his return to Europe, Mr. Blaho worked in the position of Group Account Executive at the State Head Office, Melbourne.

Domenico Cristarella
Member of VUB Management Board and Head of Administration, Accounting and Budget Control Division
Since 1998, Mr. Cristarella has worked with Banca Commerciale Italiana (BCI), Headquarters Milan, in the position of Senior Manager responsible for budgeting and performance measurement for the entire foreign network of BCI – subsidiaries, branches and representative offices. During his professional life, Mr. Cristarella has worked in a number of overseas branches within the Group, including BCI Singapore, BCI in Abu Dhabi, Tokyo and New York, where he was appointed Chief Financial Officer.

Mário Drosc
Member of VUB Management Board and Head of Retail Banking Division
Before joining VUB, Mr. Drosc worked for Komerční

banka a.s. as the Head of Division, Management of Financial Group of Komerční banka, and participated in the bank's restructuring. Prior to that, he worked for seven years with McKinsey International Consulting; in the period 1994-1997 as a consultant, and from 1998 to 2001 as a project manager.

Jozef Kausich
Member of VUB Management Board and Head of Corporate Banking Division (from April 4, 2005)
Jozef Kausich has headed the Corporate Banking Division in VUB since April 2005. His banking experience includes mainly mergers and acquisitions but also credit analysis, lending decision-making. In 1996 he joined Tatrabanka as an account manager in a branch and from 1997 he continued in this position at the headquarters of Bank Austria – Creditanstalt Slovakia. From 2001, with the new HVB Bank Slovakia, he was appointed the Head of the Corporate Customer and Product Management Division and finally the Head of Corporate Client Division.

Roman Klaban
Member of VUB Management Board and Head of Financial and Capital Markets Division
Mr. Klaban joined VUB after four years working with the Prague branch of Deutsche Bank AG. At Deutsche Bank AG, he worked as Head of Corporate Finance Department. In 1999, he was appointed a Vice President and then Head of IR and FX Risk Management Department. Previously, Mr. Klaban worked for four years with Bayerische Vereinsbank AG in Prague and Munich as a Senior foreign exchange and money market Dealer, and afterwards three years at the Vereinsbank CZ, a.s., Prague, simultaneously in the positions of Deputy Treasurer and Head of Sales Department.

Jonathan Locke
Member of VUB Management Board and Head of Risk Management Division
Mr. Locke was appointed member of the VUB Management Board and Head of Bank's Risk Management division in August 2003. Mr. Locke was previously a partner with Deloitte & Touche in the Czech Republic. He has 15 years experience working with financial institutions, the last 10 in Central and Eastern Europe and Russia, specifically in the areas of finance and risk.

2. The Management Board is authorized to manage the activities of VUB, a.s. and to take decisions over any matters related to VUB, which, under the legal regulations or Articles of Association have not been reserved for the authority of other VUB bodies. The Management Board is primarily responsible for the following matters:

a) implementing decisions taken by the General Meeting and the Supervisory Board;
b) ensuring the book-keeping and other records, commercial books and other documentation of VUB, a.s., as mandated;
c) managing of the issuer‘s securities registry;
d) after prior approval by and upon a proposal of the Supervisory Board, submitting the following matters to the General Meeting for approval:

• amendments to the Articles of Association;
• proposals for increasing / decreasing the registered capital and bond issues;
• ordinary, extraordinary or consolidated financial statements
• proposals for distribution of current or retained profits and/or proposals for settlement of outstanding losses from the current and/or previous years;
• annual report.

Supervisory Board

Györgyi Surányi
Chairman of Supervisory Board
• currently – Head of Central and Eastern Europe Region within Foreign Banks Division, Banca Intesa, Italy
• former President of the National Bank of Hungary

Gianfranco Mandelli
Vice Chairman of Supervisory Board
(until April 4, 2005)
• until 2001 – Head of Foreign Subsidiaries Department within Multinational Banking Unit, Banca Intesa, Italy

Giovanni Boccolini
Vice Chairman of Supervisory Board
(from April 4, 2005)
• Head of Italian and Foreign Banks Divisions within Banca Intesa, Italy

Adriano Arietti
Member of Supervisory Board
• Executive Director – M&A and Corporate Development within Foreign Banks Division, Head Office Banca Intesa, Italy

Giovanni Bussu
Member of Supervisory Board
- Head of Credit for Foreign Branches, Financial Institutions and Subsidiaries, Banca Intesa, Italy

Paolo Grandi
Member of Supervisory Board
(from April 4, 2005)
- Head of Participations Department, Banca Intesa, Italy

Massimo Pierdicchi
Member of Supervisory Board
- Head of Subsidiaries Portfolio Management – Europe within Foreign Banks Division, Banca Intesa, Italy

RNDr. Pavel Kárász CSc.
Member of Supervisory Board
- trade union representative

Ján Mikušinec
Member of Supervisory Board
- trade union representative

Ing. Milan Sedláček
Member of Supervisory Board
- trade union representative

3. The Supervisory Board is authorized to assess mainly the following issues:

a) Management Board proposal regarding termination of trading with Company securities on the stock-exchange, and the decision on whether the Company should cease to operate as a public joint-stock company;

b) information by the Management Board on the major objectives related to the Company business management for the upcoming period, and expected development in VUB assets, liabilities and revenues;

c) report by the Management Board on business activities and assets of the Company, with related projected developments.

Upon the Management Board's proposal, the Supervisory Board approves the following documents:

a) the Statutes of the Management Board, mainly specifying the distribution of powers and responsibilities amongst the Management Board members, defining important financial and business transactions of VUB, important transfers of the VUB real estate, key acquisitions and disposal of equity interests including those in commercial companies, co-operatives and other enterprises that shall be subject to the approval by the Supervisory Board, as well as delegating powers to lower management levels and assigning proxies;

b) any increase or decrease in the registered capital of VUB, a.s.;

c) any substantial change in the nature of VUB business or in the way this business is executed, if not previously approved in the business and financial forecasts for the relevant year;

d) compensation policy applied to the managing staff directly reporting to the Management Board and the Supervisory Board, members of the Management Board and members of the Supervisory Board;

e) material benefits for the Management Board members and parties related to them;

f) service agreements with the Management Board members.

General

1. Supervisory Board members are elected by the General Meeting. The VUB Management Board is elected by the Supervisory Board.

2. The above mentioned curricula vitae contain information on the professional qualifications of Supervisory Board members and Management Board members in the area of finance and banking, as well as information on their practical experience serving as assurance for the efficient management of the company.

3. All relevant information is available to all members of the Management Board and Supervisory Board on time. In the course of the financial year 2005, the VUB Management Board held 33 meetings (thereof 25 regular and 8 extraordinary). The VUB Supervisory Board held 4 meetings during the 2005 financial year. Documents with detailed information are distributed sufficiently in advance – in case of the Management Board usually 3 working days, in case of the Supervisory Board 2 weeks prior to the meeting, ensuring the ability of members of the Supervisory and

Management Boards to decide in individual matters competently. If necessary, presentations are delivered in support of individual documents.

4. Currently, not a single Supervisory Board member is either a member of the VUB Management Board or holds any other top managerial position in the Bank. Save for members of Supervisory Board elected by VUB employees, a Supervisory Board member may not be an employee of VUB.

5. The Bank has a secretariat who's employees participate in all meetings of the Management Board, Supervisory Board and bank committees being responsible for preparing and circulating the minutes from these meetings.

B. Relations between the Company and its Shareholders

1. The Bank observes the provisions of the Commercial Code applicable for the protection of share-holders' rights, in particular the provisions on the timely provision of all relevant information on the company and provisions on convening and con-ducting its Annual General Meetings.

2. The company applies the principle of equal access to information for all the shareholders pursuant to the Code. From the minutes of the General Meeting, in 2005, one new member of the Supervisory Board was proposed and elected after his curriculum vitae had been made available to the General Meeting.

C. Disclosure of Information and Transparency

1. The Bank applies strict rules in the area of insider dealing and maintains a list of Management Board members, Supervisory Board members and senior managers, who might be considered insiders.

2. Members of the Management Board and Supervisory Board do not have any personal interest in business activities of the Bank. The Bank observes the provisions of the Banking Act No. 483/2001 Coll. (hereinafter 'Banking Act') as amended, applicable to the provision of deals to Bank's related parties. Under the Banking Act, closing of such a deal requires the unanimous consent of all the Management Board members based on a written analysis of the respective deal.

3. The Bank abides by both the Code and the rules of the Bratislava Stock Exchange governing and Compensation Committee, disclosure of all substantial information. The fact that the company observes the mentioned regulations ensures that all the shareholders and potential shareholders have access to information on the financial standing, performance, ownership and management of the company.
4. The company actively supports constructive dialogue with institutional investors and promptly informs all shareholders of General Meetings and notices via its web page. In this way it enables both foreign and local investors to actively participate in the meetings.

D. Audit Committee, Nomination Committee and Compensation Committee

The Code requires the establishment of an Audit Committee, Nomination Committee and a Compensation Committee in order to ensure efficient internal control and accountability within the company.

In September 2002 the Supervisory Board approved the establishment of the Audit committee. The Audit Committee currently has three appointed members, including the committee chair, who is one of the members of the Supervisory Board of the Bank. The Audit Committee meets at least quarterly. The topics discussed relate mainly to financial statements, the internal control system, external audit, compliance, and reporting responsibilities. The Audit Committee invites from time to time to its meetings the external auditor of the Bank.

The Bank did not establish a Nomination Committee and a Compensation Committee since their functions are performed by other Bank bodies or units within the organizational structure. The control function is carried out by the Internal Audit and Control Department while its rights and duties are determined by the Supervisory Board. The Supervisory Board also elects the Management Board members. Its recommendation and prior consent is required for the appointment or removal of the Head of Internal Audit and Control Department, as well as for the determination of the remuneration applicable to these positions.

E. Company's Approach to Shareholder

Presently, the Company accepts all its duties and obligations towards shareholders, employees, creditors and suppliers arising from the applicable laws.

VUB, a Bank of Gruppo Banca Intesa