

Extract from Annual Report

2005

Profesionáli pracujú pre vás





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General information about the company

Business name: ČSOB stavebná sporiteľňa, a.s. (also "the Company")

Registered office: Radlinského 10, 813 23 Bratislava, Slovakia

Corporate ID (IČO): 35 799 200

Tax ID (DIČ): 2021544030

Business activities started on: 1 December 2000

Legal form: joint-stock company

Shareholder: Československá obchodní banka, a.s., 100% of the share capital

Main activities:

- Accepting deposits from building society savers;
- Granting loans to building society savers;
- Accepting deposits from banks;
- Performing payment transactions and clearing related to building society savings;
- Providing advisory services related to building society savings;
- Mediation activities in the insurance sector related to building society savings;
- Trading on its own account with mortgage bonds, municipal bonds, government bonds including treasury bills, or with the National Bank of Slovakia's bills based on a granted bank licence; and
- Providing guarantees to other banks for construction loans, mortgage loans, or municipal loans.

Share capital: SKK 720 million

Equity share: The Company had no equity share in other companies at 31 December 2005.

Foreword of the chairman of the board of directors and the general director

Dear clients, partners, colleagues,

With the year 2005, we finished the fifth year of activities of ČSOB stavebná sporiteľňa, a.s. The history of our company started in December 2000. In the following years, it was significantly influenced by external conditions, such as the permanent reduction in governmental support to building society savings, the declining savings rate, or the impact of economic reforms on the structure of the population's expenditures.

Despite these facts, and despite not meeting the original business goals, we may consider last year relatively successful, as shown by the results we have achieved. We have concluded 14,389 new building society saving contracts (not counting those related to increasing the target amount) with a total volume of target amounts of SKK 2.2 billion. We paid SKK 1.03 billion in total for housing purposes and granted 3,176 construction loans totalling SKK 572 million. It is a positive factor that we succeeded in increasing the amount of saving deposits by 19.4% and the amount of construction loans by 14.7% compared to the previous year. At the same time, we increased our share in the market of saving deposits and construction loans provided by building and loan associations.

These and many other positive results could be achieved only thanks to the extraordinary effort of the sales network, cooperation partners, and individual departments at our headquarters. Product innovation, simplified processes, and simplified administrative complexity in general were also very important.

The year 2005 and the first months of 2006 are behind us. It seems that this year will be even harder and will require a lot of effort. In fact, regulations of the Slovak Ministry of Finance related to the preparation of the national budget have reduced state aid. However, saving with a building society still remains a favourable product for solving housing problems for most Slovak citizens. Through product innovation and service quality, we are ready to hold our own against the tough competition on the housing financing market.

Of course, this requires a committed approach at all levels, the initiative necessary for building and expanding the network of sales agents, their support, education, and active contacts to potential clients. Closer co-operation within the ČSOB Group in connection with organizational changes in ČSOB will be just as important.

For these results, I would like to thank all employees, external co-workers, and co-operation partners. My thanks also go to colleagues from the ČSOB Financial Group.

Finally, allow me to express my sincere thanks to all our clients for the trust they have placed in us. I want to ensure them that we will do our best to keep them satisfied in 2006 as well.

Yours truly



Dušan Paulík

Company's management

Board of Directors

The Company's Board of Directors has three members.

Chairman of the Board of Directors: Mr Dušan Paulík

Members of the Board of Directors: Mr Vladimír Cvik

Mr Ján Maxim
(as of 21 September 2005)

Ms Erika Hasonová
(till 31 August 2005)



Statement of the company's supervisory board

The Supervisory Board performed its tasks in accordance with §§ 197 - 201 of the Slovak Commercial Code, the Company's statutes, and its internal rules. The Board of Directors submitted reports on the Company's activities and its financial position to the Supervisory Board.

The audit firm PricewaterhouseCoopers Slovensko, s.r.o., Bratislava, audited the Company's financial statements for the year 2005. In the audit company's opinion, the financial statements present fairly, in all material respects, the Company's assets, liabilities, equity, and its financial position at 31 December 2005 and the results of its operations for the year then ended, in accordance with the Accounting Act of the Slovak Republic.

The Supervisory Board reviewed the annual financial statements at 31 December 2005, accepted the 2005 audit results, and approved both the annual financial statements and the proposal for distributing the 2005 profit.

Chairman of the Supervisory Board: Mr Philippe Marc Moreels

Members of the Supervisory Board: Mr Daniel Kollár

Mr Juraj Šrámek

Organisational structure

Mr Dušan Paulík Chairman of the Board of Directors and General Director

Ms Darina Diviaková
Financial Accounting Department Director

Ms Katarína Držíková
Risk Management Department Director (as of 3 March 2005)

Ms Štefánia Matejová
Legal and HR Department Director

Mr Ján Maxim
Internal Audit Department Director (till 20 September 2005)

Mr Peter Podstrelenec
Asset Management and Service Department Director

Mr Juraj Šrámek
Financial Management Department Director

Mr Ján Maxim Member of the Board of Directors and Supreme Director

Mr Pavol Kasala
Director of the Bank Information System Development and Project Management Department

Ms Valéria Pčolová
Director of the Department of Central Administration of Contracts and Client Accounts

Mr Marek Rendek
Authorized Deputy Director of the Credit Department (as of 1 April 2005)

Mr Jozef Strnád
Credit Department Director (till 31 March 2005)

Mr Vladimír Cvik Member of the Board of Directors and Supreme Director

Ms Zuzana Bartošová
Authorized Deputy Director of the Depart. of Sales Management and Sales Support (as of 6 Sept. 2005)

Mr Ondrej Hovan
Director of the Department of Sales Management and Sales Support (till 5 September 2005)

Ms Katarína Ďurčová
Regional Director for Bratislava and Trnava regions (till 30 April 2005)

Mr Tibor Jedlička
Regional Director for Bratislava and Trnava regions (as of 1 May 2005)

Mr Dalimír Kaščák
Regional Director for Trenčín and Žilina regions

Mr Peter Lelko
Regional Director for Prešov and Košice regions

Mr Roman Mihaľček
Regional Director for Banská Bystrica and Nitra regions

Building society saving in 2005

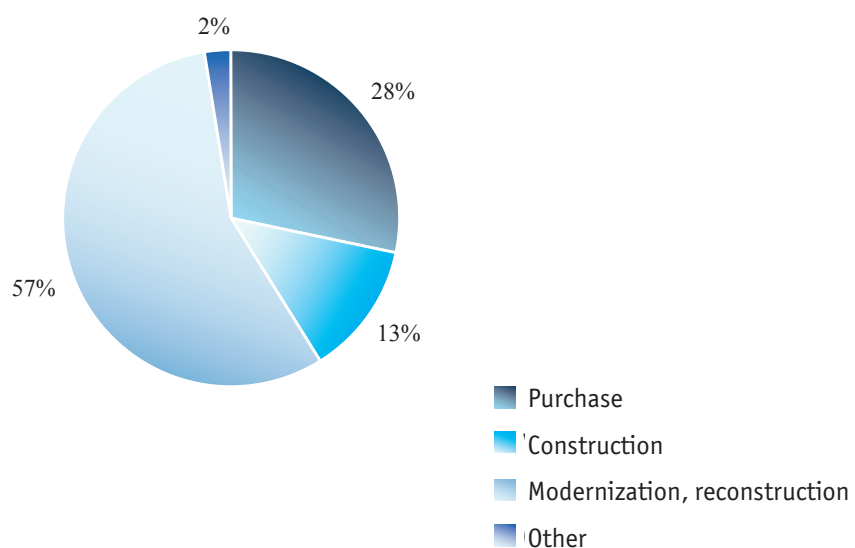
In 2005, ČSOB stavebná sporiteľňa, a.s., concluded 14,389 new building society saving contracts with a total volume of target amounts of SKK 2.2 billion, which also include contracts with legal entities. At 31 December 2005, the Company administered 120,626 building society saving contracts, under which building society savers saved funds of almost SKK 5.2 billion (a year-to-year growth by 19%). The volume of target amounts from all administered building society saving contracts totalled SKK 25.6 billion and the average target amount of these contracts was SKK 212,000.

Also in 2005, ČSOB stavebná sporiteľňa, a.s., significantly supported the financing of housing in Slovakia by paying SKK 1.03 billion for housing purposes. Since its establishment, the Company has granted more than SKK 4.5 billion for housing purposes.

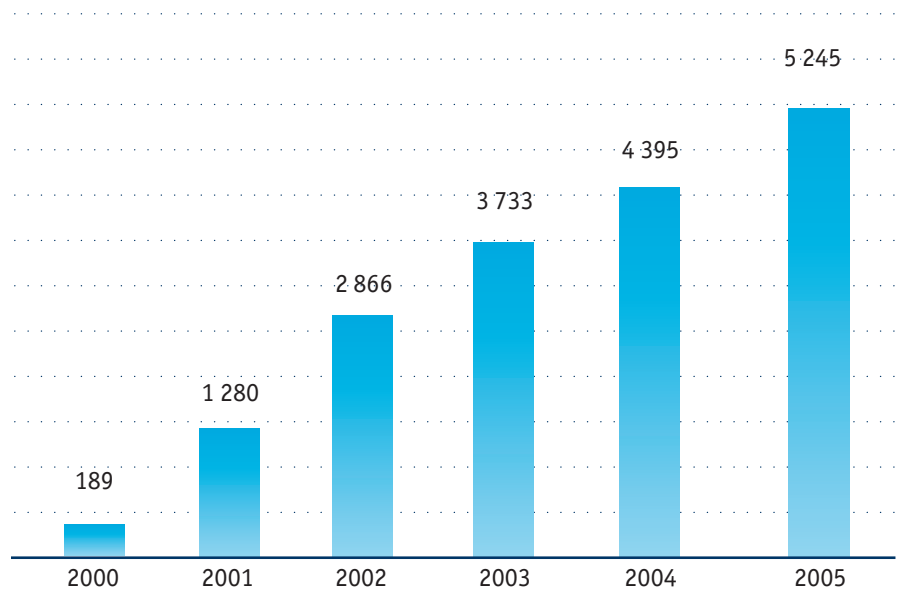
In 2005, the Company approved 2,927 interim loans and 249 new construction loans in the total volume of SKK 572 million; since its establishment, the Company has approved 14,235 construction and interim loans totalling SKK 3.4 billion. Clients used the majority of these loans (57%) for modernisation and maintenance of the housing fund. In total, 41% of funds were granted for building or purchasing a house or a flat. Other construction purposes had a 2% share.

By the end of September 2005, ČSOB stavebná sporiteľňa, a. s., started offering building society savings also to legal entities. A specific offer was prepared for apartment owner communities, housing associations, and for administrators of housing facilities. In the last quarter of 2005, only building society saving contracts were registered; interest in loans from these contracts is expected at the beginning of 2006.

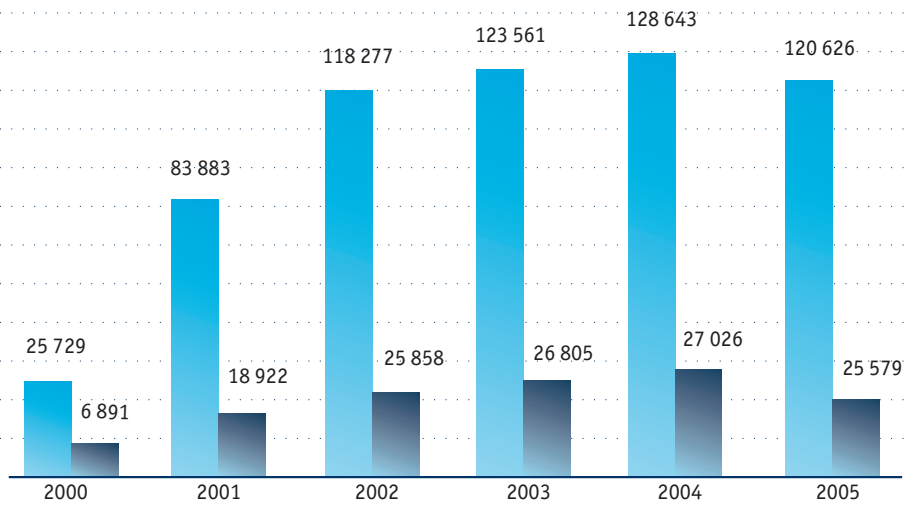
Purposes for using funds at 31 December 2005



Saved amounts on building society saving accounts in millions of SKK



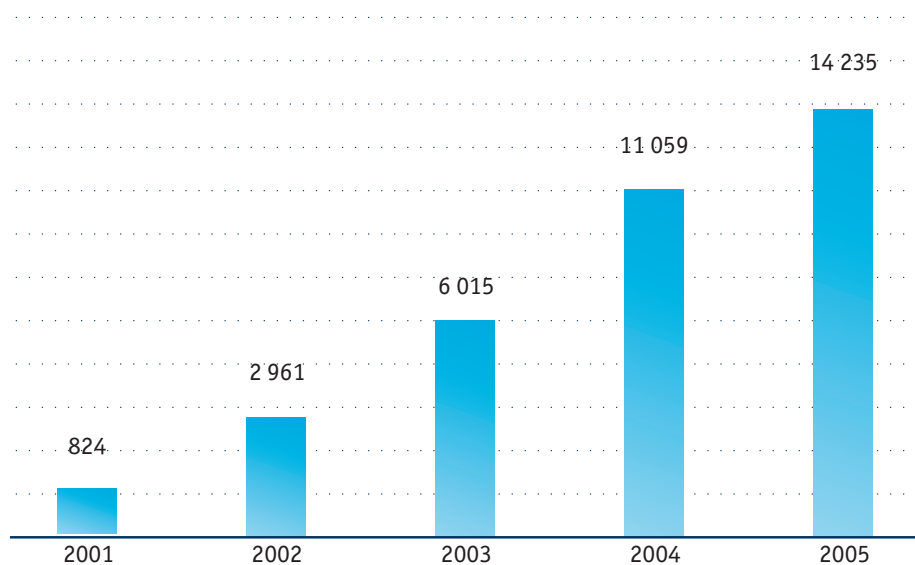
The development of administered building society saving contracts in individual years



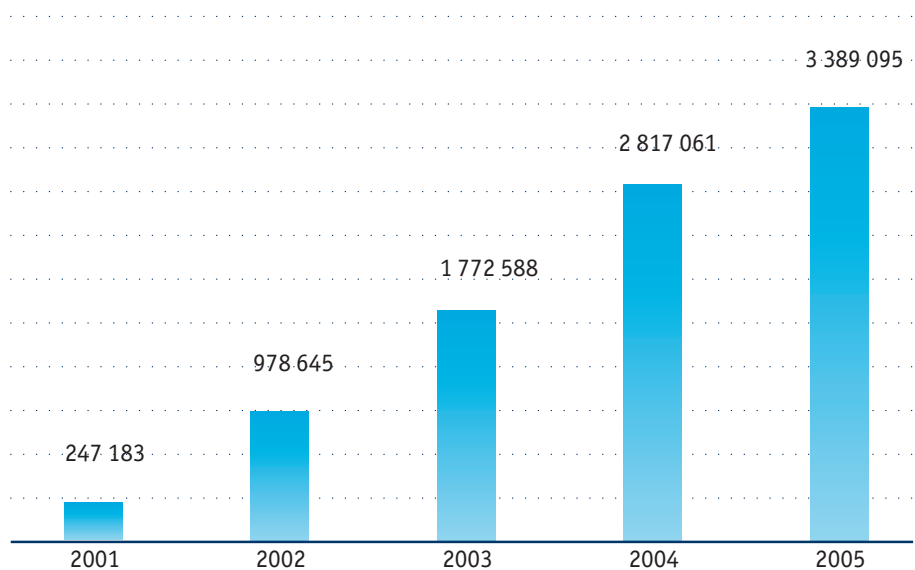
■ Number of administered contracts
 ■ Volume of target amounts in millions of SKK



The cumulative number of approved construction and interim loans to individuals



The cumulative volume of approved construction and interim loans to individuals in thousands of SKK



Product innovations

In 2005, product innovations and “enhancements” were focused mainly on loans. From April to June 2005, clients could apply for an interim loan secured by an immovable asset at a lower interest rate of 4.99% p.a. This offer was accompanied by both a discounted fee for approving the loan and a client lottery as well.

The preferential treatment also applied to construction loans – as of April, all clients who meet conditions for the allocation of the target amount may receive a construction loan with more favourable conditions: they may obtain a construction loan of up to SKK 500,000 without security and without submitting an employer’s statement on their monthly income.

On 1 June 2005, when new saving types came into force, the Company extended its product offer by a new type of savings called Komfort. Its main advantage is the possibility to select the minimum saving period, which is either four or eight years. In this type of savings, a client is granted a popular interim loan without a deposit or previous savings at a flat interest rate of 5.9% p.a. The subsequent construction loan bears interest of 3.9% p.a. The overall maturity of the loan (the phase of the interim loan + the phase of the construction loan) is five or nine years.

September 2005 was also a month in which ČSOB stavebná sporitelňa, a.s., entered the market with a product offer for legal entities – communities of apartment and non-residential premises owners, housing associations, and administrators of housing facilities. Two saving types were prepared for them: “Obnova Benefit” enables clients to draw a construction loan at an interest rate of only 2.9% p.a., “Obnova Kredit” offers a higher interest rate on a construction loan (4.6% p.a.), but, at the same time, the value of legal entities’ savings deposits is increased by 2% p.a. Besides a favourable loan product, it is also designed for saving and increasing attractively the value of funds in the Repair Fund.

Near the end of 2005, the Company made loan conditions more attractive for both new and existing clients. The “loan on a valid contract” is interesting mainly for new clients who would like to get a loan without a deposit or previous savings. In this case, the Company processes the application for a loan even if the fee for concluding the building society saving contract has not been paid; clients will pay this fee only if their application for a loan has been approved.

The trust that the Company places in its clients is also shown by the possibility to apply for an interim loan secured by an immovable asset without submitting the employer’s statement on the client’s monthly income. The popular Rýchloúver (Express loan) that clients could originally receive after saving 20% of the target amount became even “quicker” as of 1 December 2005. To get it, clients have to save only 10% of the target amount.

Besides all these innovations, we did not forget to increase comfort and speed in processing applications for a loan. These are sent electronically from the Company’s regional advisory centres to its headquarters, which have resulted in a significant time savings.

Employees and the distribution network

At 31 December 2005, ČSOB stavebná sporiteľňa, a.s., had 123 employees. Three-quarters of them (91) worked in the headquarters in Bratislava and 32 in regional offices. Up to 65% of them were women (exactly 80), and women made up 45% of employees in management positions. In 2005, the average age of the Company's staff was 33 years.

Educational, as well as cultural and sporting programmes, were important aspects of the HR policy in 2005. Employees had the opportunity to attend training courses focused on banking, management, issues related to building society savings, or language courses, and they definitely used this opportunity.

The Company's distribution network consists of the internal and external distribution networks. The internal distribution network is comprised of four regional directorates (one for each of the following pairs of regions: Bratislava and Trnava, Nitra and Banská Bystrica, Žilina and Trenčín, Košice and Prešov). Regional directorates are divided into 25 territorial directorates, which manage 120 territorial leaders, 80 professional advisors, 30 customer services agents in branch offices, and 480 family financial advisors in total. During the year, 50 branch offices and advisory centres, as well as ČSOB branch offices throughout Slovakia, were available for clients and people interested in building society saving products.

In 2005, the Company's internal distribution network, through its licensed advisors, became actively involved in selling old-age pension saving, as well as in selling other banking products, especially mortgage and consumer loans.

The external distribution network comprised of co-operating partners again had a significant share in the achieved trading results of the Company in the reporting year. One of the partners was also ZFP, a.s., which actively participated in mediating building society saving contracts.

Balance sheet

at 31 December 2005
in thousands of SKK

Item	31 December 2005	31 December 2004
Assets		
Cash on hand and sight deposits with central banks	-	-
Amounts due from banks upon request	18,262	5,861
Other amounts due from central and commercial banks	1,314,958	1,356,185
Securities available for sale	1,879,007	1,701,352
Receivables from clients and other debtors	2,094,289	1,841,496
a) gross value	2,127,628	1,855,054
b) valuation allowance	33,339	13,558
Debt securities held to maturity	707,045	188,345
a) of state bodies	507,288	138,463
b) of other entities	199,757	49,882
Acquisition of non-current tangible and intangible assets	3,591	-
a) gross value	3,591	-
b) valuation allowance	-	-
Non-current intangible assets	28,218	42,510
a) cost	115,963	109,379
b) accumulated amortization	87,745	66,869
Non-current tangible assets	9,320	9,928
a) not depreciated	112	112
b) depreciated	9,208	9,816
b1) cost	49,605	47,861
b2) accumulated depreciation	40,397	38,045
Tax assets	5,472	4,822
Other assets	6,020	6,210
a) cost	6,389	6,445
b) accumulated depreciation	369	235
Total assets	6,066,182	5,156,709
Liabilities		
Payables	5,422,116	4,577,623
of which: Amounts due to clients and other creditors	5,247,580	4,395,191
Other payables	78,547	91,845
Provisions	25,528	24,777
Subordinated financial obligations	60,349	60,338
Tax liabilities	10,112	5,472
Equity	644,066	579,086
of which: Registered capital	720,000	720,000
Profit reserves	3,642	1,763
Valuation variances from securities available for sale	62,700	-
Loss carried forward	(144,556)	(161,466)
Profit/(loss) for the current accounting period	2,280	18,789
Total liabilities	6,066,182	5,156,709

Income statement

for the year 2005
in thousands of SKK

Item	2005	2004
Interest income and similar revenues	266,991	25,860
Interest expense and similar costs	(168,928)	(145,218)
Net interest income	98,063	110,642
Income from fees and commissions	130,111	131,131
Cost of fees and commissions	(31,210)	(32,448)
Net income from fees and commissions	98,901	98,683
Net income/(loss) from trading in securities, financial derivatives, and foreign exchange	6,322	(191)
Income from selling and transferring assets	964	398
Cost of selling and transferring assets	(2,043)	-
Net income/(loss) from selling and transferring assets	(1,079)	398
Income from releasing valuation allowances and from receivables written off	65,583	58,476
Cost of: setting up valuation allowances, valuation variances from the impairment of assets, and writing off assets	(86,191)	(76,788)
of which: Cost of valuation allowances for financial assets	(85,018)	(63,005)
Cost of writing off financial assets	(1,173)	(13,783)
Other income	10,998	2,863
of which: Income from releasing provisions	8,006	1,858
Another other income	2,992	1,005
Other costs	(190,091)	(180,656)
of which: Staff costs (salary and social costs)	(56,463)	(51,580)
Cost of setting up provisions	(8,757)	(9,899)
Depreciation:	(24,652)	(26,023)
- non-current tangible assets	(3,776)	(6,913)
- non-current intangible assets	(20,876)	(19,110)
Another other costs	(100,219)	(93,154)
Profit/(loss) for the current accounting period before taxes	2,506	13,427
Corporate income tax	(226)	5,362
of which: Income tax due	-	(5,472)
Deferred income tax	(226)	10,834
Profit/(loss) for the current accounting period after taxes	2,280	18,789

Report of independent auditors

PRICEWATERHOUSECOOPERS 

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815 32 Bratislava
Slovak Republic
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REPORT OF INDEPENDENT AUDITORS

To the shareholders of ČSOB stavebná sporiteľňa, a.s.

We have audited the financial statements of ČSOB stavebná sporiteľňa, a.s., („the Company“) for the year ended 31 December 2005, which were prepared in accordance with the Accounting Act of the Slovak Republic and related accounting regulation. The accompanying summary financial information was derived from these financial statements. We conducted our audit in accordance with International Standards on Auditing.

- 2 In our audit report dated 30 March 2006 we expressed an unqualified audit opinion on the financial statements from which the summary financial information has been derived.
- 3 In our opinion, the summary financial information included in the Extract from Annual Report is consistent in all material respects with the financial statements from which it was derived.
- 4 For a better understanding of the financial position of ČSOB stavebná sporiteľňa, a.s., at 31 December 2005 and the results of its operations for the year then ended, the summary financial information included in the Extract from Annual Report should be read in conjunction with the related audited financial statements, from which the summary financial information was derived, and our audit report thereon.


PricewaterhouseCoopers Slovensko, s.r.o.
SKAU licence No. 161




Ján Bubeník
SKAU licence No. 544

Bratislava, 12 May 2006

The company's ID (IČO) No. 35739347.
Tax Identification No. of PricewaterhouseCoopers Slovensko, s.r.o. (DIČ) 2020270021.
VAT Reg. No. of PricewaterhouseCoopers Slovensko, s.r.o. (IČ DPH) SK2020270021.
Spoločnosť je zapísaná v Obchodnom registri Okresného súdu Bratislava 1, pod vložkou č. 16611/B, oddiel: Sro.
The company is registered in the Commercial Register of Bratislava 1 District Court, ref. No. 16611/B, Section: Sro.



Contacts

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