

**Independent Auditors'  
Report and Financial  
statements of the NBS  
for the year ended  
31 December 2005**







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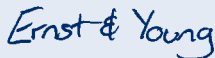
### Independent Auditors' Report to the Bank Board of Národná banka Slovenska

We have audited the accompanying financial statements of Národná banka Slovenska ('the NBS') 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 Board of the NBS. 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 the Bank Board of the NBS, 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 Národná banka Slovenska 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  
21 March 2006



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Ing. Dalimil Draganovský  
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THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT

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

**BALANCE SHEET**  
**of Národná banka Slovenska**  
in millions of SKK

**Assets**

	Notes	As at 31.12.2005	As at 31.12.2004
1. Gold	6.	18,450	14,067
2. Debt securities denominated in foreign currency	7.	447,776	352,075
3. Derivatives	8.	52	25
4. Receivables from banks and central banks	9.	191,864	151,361
4.1. current accounts, deposits, and loans denominated in foreign currency	9.1.	188,028	146,638
4.2. loans related to monetary policy operations in SKK			
4.3. receivables not related to monetary policy operations in SKK	9.2.	3,836	4,723
5. Receivables from the International Monetary Fund	10.	3,934	3,801
6. Receivables from clients	11.	210	7,587
7. Equity shares in subsidiary and affiliated accounting units and other shares and participating interests	12.	483	363
8. Non-current assets	13.	6,422	6,576
8.1. depreciable		6,082	6,250
8.2. non-depreciable		340	326
9. Other assets	14.	119	107
<b>TOTAL ASSETS</b>		<b>669,310</b>	<b>535,962</b>



## Liabilities

	Notes	As at 31.12.2005	As at 31.12.2004
1. Currency in circulation	15.	130,110	109,900
2. Liabilities to banks and central banks	16.	559,138	329,426
2.1. current accounts denominated in SKK	16.1.	1,998	1,149
2.2. Overnight deposits, loans and deposits denominated in SKK, and minimum reserves	16.2.	392,577	240,568
2.3. current accounts, deposits, and loans denominated in foreign currency	16.3.	164,563	87,709
3. Liabilities from debt securities	17.	20,004	59,725
3.1. denominated in SKK	17.	20,004	59,725
3.2. denominated in foreign currency			
4. Derivatives	8.	1,545	
5. Liabilities to the International Monetary Fund	10.	3,893	3,762
6. Liabilities to other international financial institutions	18.	670	683
7. Liabilities to clients	19.	3,953	86,054
8. Reserves and other liabilities	20.	362	488
9. Statutory fund		467	467
10. Funds from profit appropriations and capital fund		10,208	10,242
11. Valuation differences from revaluation of		16,260	11,874
11.1. gold		16,260	11,874
11.2. derivatives			
11.3. securities			
11.4. foreign currencies			
12. Retained profit / (outstanding loss) from previous years		(76,637)	(40,370)
13. Profit / (loss) for the current accounting period	21.	(663)	(36,289)
<b>TOTAL LIABILITIES</b>		<b>669,310</b>	<b>535,962</b>



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**INCOME STATEMENT**  
**of Národná banka Slovenska**  
in millions of SKK

	Notes	At 31.12.2005	At 31.12.2004
1. Interest income and similar revenues		12,733	10,183
1.1. on SKK - denominated loans related to monetary policy operations		32	30
1.2. on SKK - denominated receivables not related to monetary policy operations		165	742
1.3. on receivables and securities denominated in foreign currency		12,536	9,411
a. Interest expense and similar expenses		(13,045)	(16,035)
a.1. on SKK - denominated liabilities related to monetary policy operations and from securities		(12,344)	(11,427)
a.2. on SKK - denominated liabilities not related to monetary policy operations		(556)	(4,276)
a.3. on liabilities and securities denominated in foreign currency		(145)	(332)
<b>I. Net interest (loss)</b>	22.	<b>(312)</b>	<b>(5,852)</b>
2. Revenues from fees and commissions		158	155
b. Expenses on fees and commissions		(31)	(28)
<b>II. Net profit from fees and commissions</b>	23.	<b>127</b>	<b>127</b>
<b>3./c. Net (loss) / profit from operations in, and derivatives involving, securities denominated in foreign currency</b>	24.	<b>(1,592)</b>	<b>1,166</b>
<b>4./d. Net profit / (loss) from operations in, and derivatives involving, foreign exchange and gold</b>	25.	<b>2,939</b>	<b>(29,898)</b>
5. Revenues from dividends and other profit distributions	12.2.	29	40
6. Revenues from currency in circulation		7	49
e. Expenses on currency in circulation		(169)	(218)
<b>III. Net (loss) from currency in circulation</b>	15.	<b>(162)</b>	<b>(169)</b>
7. Revenues from dissolution of provisions and written-off receivables and securities			
f. Expenses on provisioning and the write-off of receivables and securities			
8. Other operating revenues		182	258
g. Other operating expenses	26.	(1,874)	(1,961)
g.1. Staff expenses	26.	(767)	(785)
g.2. Depreciation of tangible & intangible assets	13.	(500)	(483)
g.3. Other operating costs	26.	(607)	(693)
<b>A. Profit / (loss) before appropriations</b>		<b>(663)</b>	<b>(36,289)</b>
h. Profit appropriations			



The Ministry of Finance of the Slovak Republic  
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**STATEMENT OF CHANGES IN EQUITY**  
**of Národná banka Slovenska**  
in millions of SKK

	Statutory fund	Capital fund	Reserve fund	Other funds from profit appropriations	Revaluation funds	Retained profit / outstanding (loss)	Equity
<b>1. Balance as at 31.12.2004</b>	<b>467</b>	<b>77</b>	<b>10,165</b>		<b>11,874</b>	<b>(76,659)</b>	<b>(54,076)</b>
2. Changes in accounting methods							
3. Adjusted balance as at 31.12.2004	467	77	10,165		11,874	(76,659)	(54,076)
4. Settlement of loss from previous periods							
5. Appropriation to statutory fund							
6. Appropriation to outstanding loss		(22)				22	
7. Appropriation to reserve funds							
8. Revaluation of securities							
9. Revaluation of derivatives							
10. Change in gold revaluation fund					4,386		4,386
11. Revaluation of foreign currencies							
12. (Loss) / profit for the current accounting period						(663)	(663)
13. Profit appropriations							
14. Appropriation to social fund							
15. Change over the accounting period		(12)					(12)
<b>16. Balance as at 31.12.2005</b>	<b>467</b>	<b>43</b>	<b>10,165</b>		<b>16,260</b>	<b>(77,300)</b>	<b>(50,365)</b>



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

	Statutory fund	Capital fund	Reserve fund	Other funds from profit appropriations	Revaluation funds	Retained profit / outstanding (loss)	Equity
1. Balance as at 31.12.2003	467	77	10,165		13,289	(40,370)	(16,372)
2. Changes in accounting methods							
3. Adjusted balance as at 31.12.2003	467	77	10,165		13,289	(40,370)	(16,372)
4. Settlement of loss from previous periods							
5. Appropriation to statutory fund							
6. Appropriation to outstanding loss							
7. Appropriation to reserve funds							
8. Revaluation of securities							
9. Revaluation of derivatives							
10. Change in gold revaluation fund					(1,415)		(1,415)
11. Revaluation of foreign currencies							
12. (Loss) / profit for the current accounting period						(36,289)	(36,289)
13. Profit appropriations							
14. Appropriation to social fund							
15. Change in the accounting period							
16. Balance as at 31.12.2004	467	77	10,165		11,874	(76,659)	(54,076)





## **NOTES**

**to the financial statements as at 31 December 2005**

**Bratislava, 21 March 2006**



**NÁRODNÁ BANKA SLOVENSKA**  
**Notes to the financial statements as at 31 December 2005**  
**(in SKK millions)**

**1. General information on Národná banka Slovenska**

Národná banka Slovenska (The National Bank of Slovakia – ‘the NBS’ or ‘the Bank’) is the independent central bank of the Slovak Republic. The NBS was established in accordance with Act No. 566/1992 Coll. on the National Bank of Slovakia as amended (‘the NBS Act’). It commenced its activities on 1 January 1993 as the bank of issue of the Slovak Republic. The NBS is a legal entity (Corporate ID: 30 844 789) seated at Imricha Karvaša 1, Bratislava. In respect of its own assets, the NBS acts as a business entity. The NBS has its head office in Bratislava, three branches in the Slovak Republic (in Bratislava, Banská Bystrica, and Košice), as well as special-purpose organisational units.

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

- determines monetary policy;
- issues banknotes and coins;
- manages, co-ordinates, and ensures money circulation, payment transactions, and the clearing of payment transaction data;
- supervises the safe functioning of the banking system and bank activities;
- represents the Slovak Republic in international financial institutions and ensures the fulfilment of tasks resulting from such representations; and
- represents the Slovak Republic in international financial market operations related to the implementation of the monetary policy.

The NBS’s supreme executive body is the NBS Bank Board (‘the Bank Board’). Until 15 December 2005, the Bank Board had eight members (in accordance with the NBS Act): the Governor, Deputy Governors, NBS Chief Executive directors, and other members. The term of the office of Bank Board members was five years. The Governor and Deputy Governors are appointed and dismissed by the President of the Slovak Republic. Chief Executive directors and other members of the Bank Board are appointed and dismissed by the Government of the Slovak Republic. According to Act No. 519/2005 Coll. of 27 October 2005, amending the NBS Act with effect from 15 December 2005, the Bank Board has eleven members: the Governor, two Deputy Governors, and eight other members, three of whom may be persons not employed by the NBS. Membership in the Bank Board is limited to a maximum of two consecutive terms of office. The NBS is represented by the Governor.

In 2005, the Bank Board members were:

Name	Term of office		Position	Date of appointment
	from	to		
Ing. Ivan Šramko	1. 1.2005	31.12.2009	Governor	1. 1.2005
Ing. Elena Kohútiková, CSc.	28. 3.2000	27. 3.2006	Deputy Governor	28. 3.2000
Ing. Martin Barto, CSc.	31. 1.2005	30. 1.2010	Deputy Governor	31. 1.2005
RNDr. Karol Mrva	1.12.2000	30.11.2006	Chief Executive Director	15. 2.1996
Ing. Peter Ševčovic	1.10.2004	30. 9.2009	Chief Executive Director	1. 4.2000
Ing. Milena Koreňová	1. 1.2005	31.12.2009	Chief Executive Director	1. 1.2002
Doc. JUDr. Ladislav Balko, PhD.	1.10.2004	30. 9.2009	Member	1.10.2004

All the costs necessary for the Bank’s activities are covered from its revenues. According to Article 38 of the NBS Act over the accounting period, the Bank generates either a profit or loss. Profit generated by the Bank is allocated to the reserve fund and to other profit reserves, or for settling losses from previous years. The remaining profit is transferred to the State budget or, based on the Slovak Government’s decision, to state financial assets under a separate regulation. The NBS may settle the loss for the current period from the reserve fund or from other reserves, or



## NÁRODNÁ BANKA SLOVENSKA

### Notes to the financial statements as at 31 December 2005 (in SKK millions)

the Bank Board may decide to transfer the outstanding loss to the next accounting period (see Note 21).

The Bank shall submit to the National Council of the Slovak Republic a semi-annual report on monetary development within three months of the end of the relevant calendar half-year, and an annual report on monetary development within five months of the end of the relevant calendar year. The NBS shall also submit and publish reports on the state and development of the financial market.

The Bank shall submit an annual report on its financial results to the National Council of the Slovak Republic, within three months of the end of the calendar year.

## 2. Basis for preparation of the financial statements

The NBS financial statements for the year ending 31 December 2005 have been prepared in accordance with the generally binding legal regulations, in particular with:

- Act No. 431/2002 Coll. on Accounting as amended by Act No. 562/2003 Coll. and Act No. 561/2004 Coll. ('Accounting Act');
- Directive No. 20 359/2002-92 of the Ministry of Finance of the Slovak Republic from 13 November 2002, setting out details on accounting procedures and the general chart of accounts for banks, branches of foreign banks, the National Bank of Slovakia, the Deposit Protection Fund, dealers in securities, branches of foreign dealers in securities, the Guarantee Fund for Investments, asset management companies, branches of foreign asset management companies, and unit trusts, as amended by Directive No. 13 593/2003-92, Directive No. 504/2004-74, Directive No. MF/6250/2004-74, Directive No. MF/11938/2004-74, and Directive No. MF/5292/2005-74 ('the Directive');
- Directive No. MF/8338/2005-74 of the Ministry of Finance of the Slovak Republic from 14 December 2005, setting out details on the arrangement, the description of items in individual financial statements, the contents of these items, and the extent of data from the financial statements designated for publishing for the National Bank of Slovakia.

The financial statements have been prepared as ordinary financial statements for the year ending 31 December 2005. Negative values in the statements and notes are shown in round brackets.

The financial statements for the year ending 31 December 2004 were approved at the 14th meeting of the NBS Bank Board on 24 March 2005.

## 3. Accounting principles and accounting method applied

### 3.1. Recognition rules

In accordance with the Directive, the Bank records an accounting entry on the day the accounting event has occurred, i.e. on the day when cash was paid or received; in the case of a direct debit, on the payment day (when withdrawing money from a third party account); in the case of securities, derivative financial instruments, and gold, on the transaction day; in the case of guarantees, on the day the guarantee was issued or received; in the case of cash in foreign currency, on the day it was credited according to the deal message received; in the case of property relations, on the day when the property title was acquired or terminated; and in the case of a shortage, deficit, or surplus, on the day the difference was identified.



**NÁRODNÁ BANKA SLOVENSKA**  
**Notes to the financial statements as at 31 December 2005**  
**(in SKK millions)**

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Interest income and interest expense, fees and commissions are recognised when incurred. All costs and expenses are accounted for and disclosed in the financial statements in accordance with the accrual principle.

**3.2. Principles for classifying receivables**

In accordance with the Accounting Act and the Bank's internal legal regulations, the Bank assesses the level of risks related to receivables. These receivables are classified and provisions are set up in compliance with the principle of fair presentation in accounting. According to the risk assessment, the Bank classifies receivables into the following categories: standard, standard with qualification, non-standard, doubtful, and loss making.

Bad debts are written off based on a court decision and upon the Bank Board's decision and the related provisions are released into revenues.

**3.3. Conversion of foreign currencies**

Assets and liabilities denominated in foreign currencies are converted to SKK applying the NBS rate on the day of the accounting event, and for the financial statements the exchange rate at 31 December 2005. All exchange gains and losses are shown in the income statement.

The exchange rates of main foreign currencies applied for the valuation of assets and liabilities at 31 December 2005 were:

Currency	Amount	2005	2004
EUR	1	37.848	38.796
USD	1	31.948	28.496
JPY	100	27.103	27.455
XDR	1	45.659	44.123

**3.4. Transactions related to monetary policy operations and foreign exchange reserve management**

In accordance with the NBS Act, the Bank Board defines the NBS's monetary policy, specifies the instruments to be used for its implementation, and decides on monetary policy measures. To ensure the implementation of monetary policy, the Bank has at its disposal the following instruments: base interest rates, open market operations (repo tenders, issues of NBS bills, direct purchase or direct sale of government securities and NBS bills, foreign exchange swaps), overnight refinancing and overnight money withdrawing operations, minimum reserve requirements, and the exchange rate regime (floating or fixed exchange rate for the SKK after the entry the Slovak Republic into exchange rate mechanism ERM II, from 25 November 2005).

The Bank manages its foreign exchange reserves mainly through financial operations in securities denominated in foreign currency, the acceptance of loans from foreign entities, the purchase of foreign currency from banks and branches of foreign banks, and financial operations in foreign currencies and gold aimed at their valuation.

Operations related to monetary policy implementation and foreign exchange reserve management are recorded in lines 1, 2, 3, 4.1 of the balance sheet under assets; lines 2.2, 2.3, 3, 4 under liabilities; and in lines 1.1, 1.3, a.1, a.3, II., 3./c, 4./d in the income statement. Details on the individual items are shown in notes 6, 7, 8, 9.1, 16.2, 16.3, 17, 22, and 25.

**NÁRODNÁ BANKA SLOVENSKA**

Notes to the financial statements as at 31 December 2005

(in SKK millions)

**3.5. Repurchase and reverse repurchase transactions**

Transactions in which the Bank accepted securities in exchange for cash, along with the commitment to return these securities at a certain date in exchange for the transferred cash amount plus interest (reverse repurchase transaction), are recorded as loans provided. The collateral accepted in a reverse repurchase transaction is recorded at fair value in the off-balance sheet and is re-valued at the balance-sheet date. The revaluation of the collateral does not have any impact on either the balance sheet or the income statement.

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

Except for repurchase and reverse repurchase transactions performed by the Bank directly, the Bank has authorised, on the basis of the Securities Lending Agreements, certain banks to trade in securities held by the Bank. Based on these Agreements, the selected banks provide securities held by the NBS in the name of the NBS in exchange for cash, along with the commitment to accept these securities back (repurchase transaction), and subsequently accept securities on the NBS's account in exchange for cash from the previous repurchase transaction, along with the commitment to return these securities (reverse repurchase transaction), or to invest the cash received into term deposits under agreed limits. In these transactions, the Bank receives part of the revenue (which is the difference between the costs of repurchase transactions and revenues from reverse repurchase transactions or term deposits) that is disclosed in the income statement. Transactions the selected banks perform with the NBS securities under the Securities Lending Agreements have been shown on the Bank's balance sheet since 2004 (see Notes 9.1, 16.3.1, 23).

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

**3.6. Provisions**

Provisions are liabilities of uncertain timing or amount, arising from past events and the settlement of which is expected to result in an outflow of resources embodying economic benefits. They can be measured in accordance with the Accounting Act and are disclosed in the financial statements.

**3.7. Currency in circulation**

The NBS administers the issue of banknotes and coins and their withdrawal from circulation. The respective liability from the issue of currency in circulation is stated on the balance sheet at its nominal value.

**3.8. Cost of employee benefits**

The social fund, the remuneration fund, and the retirement fund, which were set up in the past to cover employee benefits, are recorded on the respective liability accounts.



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**Notes to the financial statements as at 31 December 2005**  
**(in SKK millions)**

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

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

### **3.9. Taxation**

The NBS is only liable to corporate income tax arising from the application of withholding tax in accordance with Article 12 of Act No. 595/2003 Coll. on Income Taxes as amended ('Income Taxes Act').

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

### **4. Valuation methods**

In the valuation of assets and liabilities, the NBS follows the provisions of Articles 24 to 28 of the Accounting Act. At the date of the accounting transaction, assets and liabilities are stated either at their acquisition cost, nominal value, production cost, or at their replacement cost. At the balance sheet date, selected items of assets and liabilities are re-valued as follows:

- securities at their market value, except for shares in the registered capital of accounting units and securities issued by the Bank; and
- derivatives at their market value, or at the value set by an expert valuation.

If it is not possible to determine an objective fair value at the valuation date, the Bank uses the valuation in accordance with Article 25 of the Accounting Act.

#### **4.1. Gold**

Gold is stated at its fair value based on the market price of London's commodity market morning fix of gold in USD/oz. (troy ounce). Changes in the fair value of gold affect the Bank's equity. The sale of gold is reflected in the income statement. The Bank uses and records gold as a financial instrument (see Note 6).

As a result of gold revaluation to its fair value in 2003, a gold revaluation fund was created, the balance of which represented the difference between the market price of gold at 31 December 2002 of 342.75 USD/oz. and its historical acquisition cost of 62.54451 SKK/g (see Note 6). When selling gold, the revaluation related to the respective amount of sold gold is transferred from this reserve to the profit/(loss).

Swap transactions in gold are recorded in accordance with the effective regulations as repurchase transactions in gold. This means that gold used in these transactions as collateral is part of the balance sheet amount under the caption 'Gold'.

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Notes to the financial statements as at 31 December 2005  
(in SKK millions)

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**4.2. Securities in portfolio**

In accordance with the Accounting Act and the Directive, based on purpose of acquisition, the Bank is obliged to classify securities into the following categories:

- securities held for trading,
- equity shares in accounting units and subsequently they

were valued according to Article 24 and Article 27 of the Accounting Act.

**4.2.1. Securities held for trading**

When initially recognised, zero-coupon bonds are stated at their acquisition cost, which is gradually increased by the accrued difference between the acquisition cost and the nominal value – the discount. This accrued discount is part of interest income.

Coupon bonds, when initially recognised, are stated at their net acquisition cost (without the purchased coupon) which is gradually amortised for the accrued difference between the net acquisition cost and the nominal value (discount or premium), which is part of interest income. The coupon is interest income that is accrued on a monthly basis.

Securities classified as held for trading are fair valued at the balance sheet date. The fair value is the market price announced on public markets; if the market price is not available, a valuation based on an appropriate estimate is used.

Changes in fair values affect the Bank's profit/(loss).

Upon disposal, securities are valued at the weighted average cost. This valuation method is used for the same type of securities only if they are from the same issuer and are denominated in the same currency.

**4.2.2. Shares and ownership interests in affiliated accounting units**

The Bank has an ownership interest with significant influence in the company RVS, a.s. Bratislava (see Note 12.1). Shares of RVS, a.s. Bratislava are stated at acquisition cost.

**4.2.3. Other investments**

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

Dividends are paid out from the NBS's total share in the BIS in Swiss francs (see Note 12.2).

On 1 May 2004, the NBS became a member of the European System of Central Banks ('ESCB'). In accordance with the Statute of the European Central Bank ('ECB'), the NBS has paid the initial minimum contribution to the ECB's capital. The amount of the total capital share of individual national central banks depends on the capital key determined on the basis of the following statistical categories: GDP and population. In accordance with the Protocol on the Statute of the ESCB and the ECB, the capital key is adjusted every five years or when new members enter the ESCB. The Bank has paid an initial contribution to the ECB's capital in the amount of 7% of the



**NÁRODNÁ BANKA SLOVENSKA**  
**Notes to the financial statements as at 31 December 2005**  
**(in SKK millions)**

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NBS's total contribution. The remaining share (93%) is due when the Slovak Republic joins the European Monetary Union (see Note 12.2).

#### **4.3. Derivatives**

Derivatives are shown on the balance sheet at their fair value. As the conditions for assessing fixed term and option contracts that the Bank concluded in the past do not meet all the criteria for hedge accounting, the Bank has classified these derivatives as held for trading. The Bank uses and records derivatives as financial instruments.

Derivatives are recorded at fair value, based on market prices, discounted cash flows, or (in the case of options) the Black-Scholes model. Changes in their fair values are recorded in the income statement.

The main risks affecting derivatives are the price volatility of gold and changes in interest rates.

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

#### **4.4. Loans and provisions**

Loans are shown on the balance sheet at the amortised cost, i.e. at the principal amount increased by the accrued but, as yet, unpaid interest. The loans granted are shown after any provisions for potential losses. Provisioning and dissolution of provisions are reflected in the income statement.

#### **4.5. Liabilities arising from debt securities**

The Bank issues short-term securities falling due within one year (NBS bills). In 2005, they were issued for creating a sufficient stock of securities to perform money withdrawing repurchase transactions. Money withdrawing repurchase transactions were connected with the implementation of monetary policy in transactions on the open market operations.

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

#### **4.6. Non-current assets**

Non-current assets include tangible and intangible assets, the acquisition cost of which is higher than the limit set out in the Income Taxes Act and whose economic useful life is longer than one year. On the balance sheet, they are stated at acquisition cost, including the costs related to their acquisition. The carrying value of depreciated non-current assets is shown net of accumulated depreciation. The respective valuation allowance expresses the difference between the lower realisable value of the asset and its book value after deducting the accumulated depreciation. Land, art collections, and tangible fixed assets in progress are not subject to depreciation.



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

Depreciation group	2005	
	Depreciation period in years	Annual depreciation rate in %
1. Office equipment, data processing machines, passenger cars and vans	4	25.0
2. Devices and personal technical equipment	6	16.7
3. Security equipment	12	8.4
4. Energy equipment	20	5.0
5. Buildings and structures	30	3.4
6. Objects depreciated under a special rate	separately specified	separately specified

#### 4.7. Inventories

Inventories are stated at acquisition cost, i.e. including the costs related to their acquisition.

#### 5. Related party transactions

In 2005, the Bank Board members received remuneration in the total amount of SKK 7 million (SKK 6 million in 2004). The members of the Bank Board employed by the NBS also earned salaries at the Bank, according to their positions.

At 31 December 2005, the Bank recorded receivables from loans granted to Bank Board members in the total amount of SKK 11 million (SKK 9 million at 31 December 2004).

#### 6. Gold

Gold consisted of the following items:

	2005	2004
Bullion in standard form	18,289	13,932
Gold in other form	161	135
	<u>18,450</u>	<u>14,067</u>

During 2005, the NBS used gold deposits in the amount of 200 thousand ounces, in repurchase transactions (see Note 8).

At 31 December 2005, the item 'Gold' comprised 1,126 thousand ounces of gold, of which 516 ounces were deposited in correspondent banks, 600 thousand ounces were used in repurchase transactions, and 10 thousand ounces were held by the Bank.

The value of gold provided as collateral in repurchase transactions amounted to SKK 9,840 million at 31 December 2005 (see Note 16.3.1), (SKK 4,995 million at 31 December 2004).

The market value of gold was 513 USD/oz. at 31 December 2005 (438 USD/oz. at 31 December 2004). The weakening of the SKK/USD exchange rate (see Note 27), coupled with the



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growth in the market price of gold, positively affected the amount reported in the item 'Gold' at fair value and the item 'Gold revaluation fund' (see Note 21). At 31 December 2005, the fund balance was SKK 16,260 million (SKK 11,874 million at 31 December 2004).

During 2005, the Bank sold 60 ounces of gold in the form of commemorative coins.

**7. Debt securities**

At 31 December 2005, the Bank's portfolio of securities held for trading comprised the following items (at fair value):

	2005	2004
State zero-coupon bonds	111,379	95,533
State coupon bonds	132,011	132,177
Coupons	2,233	1,966
<b>Securities of state bodies - total</b>	<b>245,623</b>	<b>229,676</b>
Zero-coupon bonds of foreign central banks		5,800
Other zero-coupon bonds	27,941	31,916
Other coupon bonds	170,965	83,058
Coupons	3,247	1,625
<b>Securities of other entities - total</b>	<b>202,153</b>	<b>122,399</b>
<b>Securities - total</b>	<b>447,776</b>	<b>352,075</b>

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

	2005	2004
Public sector	268,549	250,791
Financial institutions	129,232	69,171
Financial auxiliaries	49,995	24,342
Non-financial corporations		7,771
<b>Securities - total</b>	<b>447,776</b>	<b>352,075</b>

According to the issuer of securities the Bank registered at 31 December 2005 securities from EMU countries in the amount of SKK 342,964 million (SKK 271,944 million at 31 December 2004) and securities from other countries, including international institutions, in the amount of SKK 104,812 million (SKK 80,131 million at 31 December 2004). The Bank trades in securities on foreign financial markets, mainly in New York, London, Basel, and in euro-zone countries. These mostly involve transactions outside the stock exchanges.

The NBS provided 90 securities as collateral (55 securities at 31 December 2004) in the nominal value of SKK 164,118 million (SKK 81,813 million at 31 December 2004), the fair value of which was SKK 164,215 million at 31 December 2005 (SKK 82,343 million at 31 December 2004).

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**8. Derivatives**

The fair value of derivatives is as follows:

	2005		2004	
	Assets	Liabilities	Assets	Liabilities
Currency swap		731		
Interest rate swap			25	
Put options purchased	52			
Call options sold		814		
	<u>52</u>	<u>1,545</u>	<u>25</u>	<u>0</u>

At 31 December 2005, the Bank recorded a currency swap with maturity in February 2006, with a possibility for extension. In the initial swap, the Bank sold EUR 840 million and received SKK 32,835 million. At 31 December 2005, the currency swap had a negative fair value SKK 731 million.

The interest rate swap in gold recorded at 31 December 2004 was completed in August 2005.

To eliminate the risk of reducing the market price of gold, the NBS purchased European put options for gold. At present, the Bank records two European put options for 400,000 ounces of gold with a realisation price of 259.00 USD/oz. and 295.30 USD/oz. respectively due in January and March 2007 (see Note 6).

The Bank concluded two repurchase transactions in gold ('gold repos') in 2005. At the beginning of the gold repo transaction, the Bank sold gold and obtained a long-term loan in the amount of USD 85 million (see Note 16.3.1). At the end of the gold repo transaction in August 2005, the Bank will purchase gold at a price agreed in advance and will in this way repay the long-term loan. To eliminate the risk of a decrease in the market price of gold, the NBS purchased two European put options for 200,000 ounces of gold within the scope of the gold repos (see Note 6), with an exercise price of 443.50 USD/oz., and in order to increase its income from the gold reserves, the Bank sold two European call options for the same amount of gold at a realisation price of 750 USD/oz. and 700 USD/oz. The options may be realised at the end of the gold repo transaction in August 2005. Option premiums for the purchased and sold options were not paid, but were incorporated in the rate of interest (lower than the market rate) for the long-term loan accepted by the Bank. The options are embedded derivatives and were therefore separated from the accepted loan (they are recorded separately).



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**9. Receivables from banks and central banks**

**9.1. Current accounts, deposits, and loans in foreign currency**

	<b>2005</b>	<b>2004</b>
Securities Lending	154,905	82,998
Loans granted in repurchase transactions in foreign currency	19,481	51,382
Deposits	13,392	11,986
Receivables from banks in the European System of Central Banks	75	45
Loans granted to commercial banks for the support of business activities in foreign currency	61	105
Other	114	122
	<u><b>188,028</b></u>	<u><b>146,638</b></u>

At 31 December 2005, the Bank recorded based on Securities Lending Agreements, receivable from repurchase transaction of SKK 154,905 million, of which SKK 40,700 million were in USD and SKK 114,205 million in EUR.

The value of securities accepted as collateral within the scope of Securities Lending operations was at SKK 168,247 million at 31 December 2005 (SKK 84,211 million at 31 December 2004), of which SKK 126,410 million were in EUR (SKK 55,214 million at 31 December 2004) and SKK 41,837 million in USD (SKK 28,997 million at 31 December 2004).

Loans provided in repurchase transactions with foreign entities total SKK 19,481 million, which were all granted in EUR. The value of securities accepted as collateral in a Tri-party Reverse Repo transaction at 31 December 2005 was SKK 19,478 million (SKK 51,374 million at 31 December 2004). The collateral accepted was composed of securities in EUR.

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

**9.2. Receivables not related to monetary policy operations in SKK**

	<b>2005</b>	<b>2004</b>
Loans granted to domestic banks for the support of business activities by JBIC (Japan Bank for International Cooperation) and EIB in SKK	528	698
Redistribution loans	3,282	3,913
Other	26	112
	<u><b>3,836</b></u>	<u><b>4,723</b></u>

Loans accepted from foreign banks (JBIC and EIB) are determined for the support of small and medium-sized enterprises and specific industry of the Slovak economy.

At 31 December 2005, the NBS recorded a state guarantee accepted for a redistribution loan provided of SKK 3,815 million (SKK 4,989 million at 31 December 2004). The state guarantee is provided for the amount of principal, plus interest to maturity. The decrease in the volume of state guarantees is compared to 2004 results from repaying a redistribution loan in 2005.

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**10. Receivables from and liabilities to the International Monetary Fund**

At 31 December 2005, the Bank recorded a receivable from the International Monetary Fund ('IMF') of XDR 357 million, which corresponded to SKK 16,629 million (SKK 17,713 million at 31 December 2004), from the membership quota of the Slovak Republic, converted to SKK using the representative XDR exchange rate set by the IMF. In accordance with the IMF statutes, 25% of the membership quota is due in XDR and 75% in SKK.

The Bank records a liability to the IMF on the part of the Government of the Slovak Republic in the amount of SKK 16,629 million (SKK 17,713 million at 31 December 2004), representing mainly a non-transferable and non-interest-bearing promissory note payable on demand.

The membership quota in SKK and the related liability are netted off on the balance sheet. The receivable from and liability to the IMF shown on the balance sheet represent 25% of the membership quota paid up in XDR and converted to SKK using the NBS exchange rates at 31 December 2005 and 2004, and 25% of the promissory note payable on demand.

**11. Receivables from clients**

	<u>2005</u>	<u>2004</u>
Employees	210	206
Other clients		7,381
	<u>210</u>	<u>7,587</u>

The assignment of a receivable from a granted loan of the Deposit Protection Fund affected the amount of the 'Other Clients' caption on a year-on-year basis. The new creditors of the assigned receivables are Slovenská sporiteľňa, a.s., Všeobecná úverová banka, a.s., and Tatrabanka, a.s.

**12. Ownership interests in subsidiary and affiliated accounting units and other shares and equities****12.1. Ownership interests in affiliated accounting units**

At 31 December 2005, the Bank held 1,080 certificated shares of RVS, a.s. in the amount of SKK 108 million (SKK 108 million at 31 December 2004), which represented a 41.13% share in the share capital (40.51% at 31 December 2004). RVS, a.s. is doing business in the area of relaxation-educational activities. The share capital of the company was in the amount of SKK 263 million at 31 December 2005 (SKK 267 million at 31 December 2004). Based on the general meeting's resolution, the share capital of the company was reduced in July 2005, through the purchase of shares. Since the NBS did not offer to RVS, a.s. shares for sale, its capital stake at this company increased. In 2005, the Bank received no dividends (SKK 11 million in 2004).

Even though the Bank's share in RVS, a.s. Bratislava is significant, the NBS does not prepare consolidated financial statements according to Article 22 of the Accounting Act.



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**12.2. Other investments**

At 31 December 2005, the Bank held 2,858 shares in the BIS valued at SKK 759 million (SKK 589 million at 31 December 2004), which represented a 0.52% share in the BIS's share capital. Each share has been paid up to 25% of its nominal value. The liability from the unpaid share at 75% of the nominal value of each share amounts to SKK 489 million (SKK 442 million at 31 December 2004). The share in the BIS is disclosed on the balance sheet at SKK 270 million, i.e. 25% of the paid share (SKK 147 million at 31 December 2004).

In 2005, the BIS paid dividends to the NBS of SKK 29 million (SKK 29 million in 2004).

At 31 December 2005, the NBS shows the initial paid-up contribution to the ECB's shares at SKK 105 million (EUR 2,784 thousand), which represented a 7% share of the Bank's total capital share. The total share of the NBS in the ECB's subscribed capital is 0.7147%. The remaining share is due when the Slovak Republic joins the European Monetary Union.

**13. Non-current assets**

Non-current tangible and intangible assets were recorded in 2005:

	Land	Other non-depreciable tangible assets	Buildings and constructions	Technological equipment and machines	Other depreciable tangible assets	Software and other intangible assets	Advances paid for tangible and intangible assets	Total
<b>Acquisition cost as at 1 January 2005</b>	285	42	5,898	2,119	548	198	86	9,176
Additions		14	35	63	3	23	348	486
Disposals			3	263	14	38	139	457
<b>Acquisition cost as at 31 December 2005</b>	<b>285</b>	<b>56</b>	<b>5,930</b>	<b>1,919</b>	<b>537</b>	<b>183</b>	<b>295</b>	<b>9,205</b>
<b>Acc. depreciation as at 1 January 2005</b>			615	1,417	379	151	38	2,600
Additions			199	235	47	19		500
Disposals			3	261	15	38		317
<b>Acc. depreciation as at 31 December 2005</b>			<b>811</b>	<b>1,391</b>	<b>411</b>	<b>132</b>	<b>38</b>	<b>2,783</b>
<b>Book value of tangible &amp; intangible assets as at 1 January 2005</b>	<b>285</b>	<b>42</b>	<b>5,283</b>	<b>702</b>	<b>169</b>	<b>47</b>	<b>48</b>	<b>6,576</b>
<b>Book value of tangible &amp; intangible assets as at 31 December 2005</b>	<b>285</b>	<b>56</b>	<b>5,119</b>	<b>528</b>	<b>126</b>	<b>51</b>	<b>257</b>	<b>6,422</b>

**14. Other assets**

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

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Other assets comprise items arising from supplier-consumer relations, funds in foreign currency, advance payments, and inventories.

At 31 December 2005, the Bank recorded 2006 provisions for debtors of SKK 47 million and provision for advance of SKK 38 million.

**15. Currency in circulation**

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

	<b>2005</b>	<b>2004</b>
Issued coins	2,503	2,372
Issued bank notes	127,607	107,528
	<u><b>130,110</b></u>	<u><b>109,900</b></u>

At 31 December 2005, net loss from currency in circulation amounted to SKK 162 million (SKK 169 million at 31 December 2004).

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

**16. Liabilities to banks and central banks****16.1. Current accounts in SKK**

	<b>2005</b>	<b>2004</b>
Current accounts of banks in SKK	1,990	1,144
Other	8	5
	<u><b>1,998</b></u>	<u><b>1,149</b></u>

**16.2. Overnight deposits, deposits and loans in SKK, and required reserves**

	<b>2005</b>	<b>2004</b>
Loans received in repurchase transactions in SKK	363,788	219,041
Required reserve in the NBS	14,264	10,949
Overnight deposits from banks	14,126	8,778
Interbank settlement in SKK	399	1,800
	<u><b>392,577</b></u>	<u><b>240,568</b></u>

Within the money withdrawing repurchase transactions in the Slovak inter-bank market, the NBS recorded liabilities from repurchase transactions in the total amount of SKK 363,788 million at 31 December 2005 (SKK 219,041 million at 31 December 2004). For money withdrawing activities, NBS bills of SKK 365,381 million (SKK 220,658 million at 31 December 2004 – see Note 17) were used.



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**16.3. Current accounts, deposits and loans in foreign currency**

**16.3.1. Loans received**

Type of loan received	Loan maturity in year	FC code	2005		2004	
			FC	SKK	FC	SKK
Securities Lending		EUR	3,077	116,471	1,435	55,671
Securities Lending		USD	1,273	40,697	998	28,455
Gold repo	2015	USD	85	2,507		
Gold repo	2007	USD	115	3,691	115	3,272
AGL II	2009	EUR	3	116	5	194
			<b>x</b>	<b>163,482</b>	<b>x</b>	<b>87,592</b>

At 31 December 2005, the Bank recorded liabilities from Securities Lending Agreements of SKK 157,168 million (SKK 84,126 million at 31 December 2004), of which those in USD totalled SKK 40,697 million and those in EUR totalled SKK 116,471 million, and liabilities of SKK 6,198 million from gold repurchase transactions (SKK 3,272 million at 31 December 2004).

**16.3.2. Deposits**

	2005	2004
Current accounts of clients	1,068	112
Current accounts of banks within the European System of Central Banks	13	5
	<b>1,081</b>	<b>117</b>

**17. Liabilities from debt securities**

At 31 December 2005, the NBS issued bills of SKK 520,004 million (SKK 659,725 million at 31 December 2004 – see Note 4.5).

At 31 December 2005, NBS bills of SKK 385,385 million were used for money withdrawing activities (SKK 280,383 million at 31 December 2004), of which SKK 365,381 million (SKK 220,658 million at 31 December 2004) were in the form of money withdrawing repurchase transactions and SKK 20,004 million (SKK 59,725 million at 31 December 2004) in the form of direct issues in the portfolios of domestic banks.

**18. Liabilities to other international financial institutions**

Liabilities to other international institutions comprise deposits from the World Bank of SKK 669 million (SKK 682 million at 31 December 2004) and PHARE funds in the amount of SKK 1 million (SKK 1 million at 31 December 2004).



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**19. Liabilities to clients**

	<b>2005</b>	<b>2004</b>
Accounts of government	2,952	10,433
Settlement of special operations with the funds of the Slovak Republic		70,803
Public sector	206	3,424
Current accounts of employees	191	178
Term deposits of employees	507	1,001
Other	97	215
	<u><b>3,953</b></u>	<u><b>86,054</b></u>

The year-on-year decrease in funds on State accounts and on the accounts of settlement of special operations with the funds of the Slovak Republic are mainly connected with the transfer of clients and the special-purpose term deposit of the Ministry of Finance of the Slovak Republic for the pension reform to the State Treasury.

**20. Provisions and other liabilities**

	<b>2005</b>	<b>2004</b>
Provisions	176	151
Liabilities to suppliers	108	52
Other	78	285
	<u><b>362</b></u>	<u><b>488</b></u>

At 31 December 2005, the Bank recorded provisions for liabilities to employees of SKK 157 million (SKK 138 million at 31 December 2004) and provisions for outstanding lawsuits and unbilled supplies of SKK 19 million (SKK 13 million at 31 December 2004).

The item 'other' covers settlement with the State budget and accruals and deferrals.

**21. Equity**

At 31 December 2005, the NBS recorded a loss of SKK 663 million and negative equity of SKK 50,365 million (SKK 54,076 million at 31 December 2004). On a year-on-year basis, the Bank's negative equity decreased by SKK 3,711 million, due to the revaluation of gold to its market price (see Note 6). The differences from the revaluation of gold to market value were reflected in the gold revaluation fund, which is part of equity, without affecting the Bank's profit/(loss) for the current period. The market price of gold rose by 75 USD/oz., from 438 USD/oz. at 31 December 2004 to 513 USD/oz. at 31 December 2005.

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



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**22. Net interest expense**

	<b>2005</b>	<b>2004</b>
Interest received in repurchase transactions in SKK	32	30
Interest received on loans in SKK	165	742
Interest received on securities in foreign currency	12,536	9,411
<b>Interest income and similar revenues</b>	<b>12,733</b>	<b>10,183</b>
Interest paid to domestic banks in SKK	(12,344)	(11,427)
Interest paid to the State Treasury in SKK	(529)	(4,138)
Interest paid to other clients in SKK	(27)	(138)
Interest paid in repurchase transactions in foreign currency	(117)	(242)
Other interest paid in foreign currency	(28)	(90)
<b>Interest expense and similar costs</b>	<b>(13,045)</b>	<b>(16,035)</b>
<b>Net interest (loss)</b>	<b>(312)</b>	<b>(5,852)</b>

**23. Net income from fees and commissions**

	<b>2005</b>	<b>2004</b>
Income from fees and commissions	158	155
Expenses on fees and commissions	(31)	(28)
<b>Net income from fees and commissions</b>	<b>127</b>	<b>127</b>

The result of Securities Lending transactions for 2005 was fee income of SKK 106 million (SKK 79 million at 31 December 2004).

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

	<b>2005</b>	<b>2004</b>
Revenues from debt securities and revaluations	2,978	4,594
Losses from debt securities and revaluations	(4,570)	(3,428)
<b>Net (loss) / profit from transactions in securities and derivatives</b>	<b>(1,592)</b>	<b>1,166</b>

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

	<b>2005</b>	<b>2004</b>
Revenues from foreign exchange operations	35,999	16,534
Losses from foreign exchange operations	(33,060)	(46,432)
<b>Net profit / (loss) from transactions in FX, gold, and derivatives</b>	<b>2,939</b>	<b>(29,898)</b>

The total net profit from transactions in foreign exchange, gold, and derivatives was most significantly affected on a year-on-year basis by exchange rate differences. The net profit from foreign exchange transactions amounted to SKK 4,358 million (2004 loss of SKK 29,802 million).

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**26. Other operating expenses**

	<b>2005</b>	<b>2004</b>
Salaries and bonuses	(547)	(576)
Social costs	(165)	(160)
Other personnel costs	(55)	(49)
<b>Staff expenses</b>	<b>(767)</b>	<b>(785)</b>
<b>Depreciation of tangible and intangible assets</b>	<b>(500)</b>	<b>(483)</b>
<b>Other operating costs</b>	<b>(607)</b>	<b>(693)</b>
<b>Other operating expenses</b>	<b>(1,874)</b>	<b>(1,961)</b>

In 2005, the average number of staff employed was 1,178 (1,299 in 2004), of whom 135 held managerial positions (140 in 2004). The average number of staff in banking supervision was 80 in 2005 (81 in 2004).

**27. Foreign exchange structure of assets and liabilities**

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

The Bank Board has set the currency composition of the open foreign exchange position. The USD percentage in the open foreign exchange position is maintained at 30% +/- 2%, while its absolute amount must not exceed USD 3.1 billion. If these limits are mutually exclusive, the rule of the maximum absolute value of open foreign exchange position in USD has priority. The open foreign exchange position is adjusted if the difference between the value of the USD share in the open foreign exchange position and the set limit exceeds +/- USD 10 million. The remaining part of the foreign exchange reserves is denominated in EUR.

Considering the foreign exchange structure of assets and liabilities on the Bank's balance sheet that results from the NBS's specific position and its primary task of maintaining price stability, the Bank cannot effectively hedge against the currency risk.

Day-to-day currency risk management means preserving the respective part of foreign currency assets in accordance with the currency composition of foreign exchange liabilities and the structure of the open foreign exchange position, in compliance with the Bank Board's resolution. Monitoring and measuring sensitivity are focused on measuring current exchange rate differences and on estimating future impacts of the adverse developments in exchange rates (from the profit/(loss) point of view) through the calculation of sensitivity indicators.

During 2005, the exchange rate of SKK to EUR strengthened by 2.44% (from EUR 1 = SKK 38.796 to EUR 1 = SKK 37.848) and exchange rate of SKK to USD weakened by 12.11% (from USD 1 = SKK 28.496 to USD 1 = SKK 31.948).

In 2005, the open foreign exchange position increased by 16.86%, from SKK 416,890 million to SKK 487,189 million compared to the previous year.

The structure of the open foreign exchange position is as follows:



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Line No.	SKK	Foreign currencies converted to				
		SKK - total	USD	EUR	Other	
1. Gold		18,450	18,450			
2. Debt securities denominated in foreign currency		447,776	94,296	353,480		
3. Derivatives	52					
4. Receivables from banks and central banks	3,836	188,028	51,830	136,148	50	
5. Receivables from the International Monetary Fund		3,934			3,934	
6. Receivables from clients	210					
7. Equity shares in subsidiary and affiliated accounting units and other shares and participating interests	108	375		105	270	
8. Non-current assets	6,422					
9. Other assets	92	27	9	13	5	
<b>Assets</b>	<b>1</b>	<b>10,720</b>	<b>658,590</b>	<b>164,585</b>	<b>489,746</b>	<b>4,259</b>
1. Currency issued		130,110				
2. Liabilities to banks and central banks		394,588	164,550	46,895	117,655	
3. Liabilities arising from debt securities		20,004				
4. Derivative instruments		1,545				
5. Liabilities to the International Monetary Fund			3,893		3,893	
6. Liabilities to other international financial institutions		669	1		1	
7. Liabilities to clients		1,029	2,924	5	2,918	1
8. Reserves and other liabilities		329	33	1	32	
9. Equity		(50,365)				
<b>Liabilities</b>	<b>2</b>	<b>497,909</b>	<b>171,401</b>	<b>46,901</b>	<b>120,606</b>	<b>3,894</b>
<b>Open foreign exchange position at 31 Dec. 2005</b>	<b>3=1-2</b>	<b>(487,189)</b>	<b>487,189</b>	<b>117,684</b>	<b>369,140</b>	<b>365</b>
<b>Assets</b>	<b>4</b>	<b>19,076</b>	<b>516,886</b>	<b>133,961</b>	<b>378,934</b>	<b>3,991</b>
<b>Liabilities</b>	<b>5</b>	<b>435,966</b>	<b>99,996</b>	<b>31,796</b>	<b>64,431</b>	<b>3,768</b>
<b>Open foreign exchange position at 31 Dec. 2004</b>	<b>6=4-5</b>	<b>(416,890)</b>	<b>416,890</b>	<b>102,165</b>	<b>314,503</b>	<b>223</b>
<b>Year-on-year difference</b>	<b>7=3-6</b>		<b>70,299</b>	<b>15,519</b>	<b>54,637</b>	<b>142</b>

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

**NÁRODNÁ BANKA SLOVENSKA**  
**Notes to the financial statements as at 31 December 2005**  
**(in SKK millions)**

**28. Interest rates on assets and liabilities**

The following table gives (in percentages) an interval of the average interest rates on assets and liabilities for 2005 and 2004, by the main currencies:

	2005	EUR	USD	XDR	JPY	SKK
<b>Assets</b>						
Gold			0.01 – 0.05			
Debt securities in foreign currency		2.33	2.45			
Derivatives						
Receivables from banks and central banks	1.52 – 5.21		1.57 – 4.09	0.00 – 3.03	0.00	0.07 – 5.50
Receivables from the IMF				0.00		0.00
Receivables from clients						1.00
<b>Liabilities</b>						
Liabilities to banks and central banks		1.00 – 4.71				1.50 – 5.95
Liabilities arising from debt securities						2.42 – 3.68
Derivatives						
Liabilities to the IMF				0.00		0.00
Liabilities to government and other clients		0.50 – 0.75	1.75 – 3.75			0.50 – 3.65
<b>2004</b>						
<b>Assets</b>						
Gold			0.01 – 0.08			
Debt securities in foreign currency		3.78	1.01			
Derivatives			2.05		2.50 – 3.25	
Receivables from banks and central banks	1.00 – 5.21		0.94 – 2.05	0.00 – 2.24	0.00	0.10 – 7.50
Receivables from the IMF				0.00		0.00
Receivables from clients						1.00
<b>Liabilities</b>						
Liabilities to banks and central banks		1.00 – 4.71	0.25 - 1.14		2.60 – 3.60	1.50 – 6.00
Liabilities arising from debt securities						3.40 – 5.95
Derivatives			0.05 - 4.73			
Liabilities to the IMF				0.00		0.00
Liabilities to government and other clients		0.50 – 1.76	0.50 – 1.75			2.00 – 6.00

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

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**NÁRODNÁ BANKA SLOVENSKA**  
**Notes to the financial statements as at 31 December 2005**  
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**29. Maturity of assets and liabilities**

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

	due within 1 month incl.	due within 1-3 months incl.	due within 1 year incl.	due within 1- 5 years incl.	due after more 5 years incl.	Not defined	Total
1. Gold		2,377	2,783	6,558	3,281	3,451	18,450
2. Debt securities in foreign currency	34,049	73,670	136,525	198,415	5,117		447,776
3. Derivatives					52		52
4. Receivables from banks and central banks	187,992	98	260	1,262	2,138	114	191,864
4.1 Current accounts, deposits, and loans in foreign currency	187,853	15	12	34		114	188,028
4.2 Loans related to monetary policy operations in SKK							
4.3 Receivables not related to monetary policy operations in SKK	139	83	248	1,228	2,138		3,836
5. Receivables from the International Monetary Fund						3,934	3,934
6. Receivables from clients	2	1	2	46	158	1	210
7. Equity shares in subsidiary and affiliated accounting units and other shares and participating interests						483	483
8. Non-current assets						6,422	6,422
9. Other assets	26	121	1			(29)	119
<b>TOTAL ASSETS</b>	<b>222,069</b>	<b>76,267</b>	<b>139,571</b>	<b>206,281</b>	<b>10,746</b>	<b>14,376</b>	<b>669,310</b>
1. Issue of currency						130,110	130,110
2. Liabilities to banks and central banks	552,832	58		3,774	2,474		559,138
2.1 Current accounts denominated in SKK	1,998						1,998
2.2 Overnight deposits, loans in SKK, and required reserves	392,577						392,577
2.3 Deposits and loans in foreign currency	158,257	58		3,774	2,474		164,563
3. Liabilities from debt securities	14,253	5,751					20,004
3.1 denominated in SKK	14,253	5,751					20,004
3.2 denominated in foreign currency							
4. Derivatives		731			814		1,545
5. Liabilities to the IMF						3,893	3,893
6. Liabilities to other international financial institutions						670	670
7. Liabilities to clients	3,675	112	51	109		6	3,953
8. Reserves and other liabilities	351					11	362
9. Equity						(50,365)	(50,365)
<b>TOTAL LIABILITIES</b>	<b>413,943</b>	<b>6,652</b>	<b>51</b>	<b>3,883</b>	<b>3,288</b>	<b>84,325</b>	<b>669,310</b>

Bank deposits for 24 hours (item 2.2. in liabilities) amounted to SKK 14,126 million.

**NÁRODNÁ BANKA SLOVENSKA**  
**Notes to the financial statements as at 31 December 2005**  
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The analysis of the NBS's assets and liabilities by the remaining time to maturity at 31 December 2004 is as follows:

		due within 1 month incl.	due within 1-3 months incl.	due within 1 year incl.	due within 1- 5 years incl.	due after more 5 years incl.	Not defined	Total
1.	Gold	2,382	2,124	3,566	4,995		1,000	14,067
2.	Debt securities in foreign currency	53,956	52,276	60,620	169,921	15,302		352,075
3.	Derivatives		5	20				25
4.	Receivables from banks and central banks	146,798	114	295	1,394	2,760		151,361
4.1	Current accounts, deposits, and loans in foreign currency	146,532	28	15	63			146,638
4.2	Loans related to monetary policy operations in SKK							
4.3	Receivables not related to monetary policy operations in SKK	266	86	280	1,331	2,760		4,723
5.	Receivables from the IMF						3,801	3,801
6.	Receivables from clients	783		2,799	3,851	154		7,587
7.	Equity shares in subsidiary and affiliated accounting units and other shares and participating interests						363	363
8.	Non-current assets						6,576	6,576
9.	Other assets	31	9	10	29		28	107
	<b>TOTAL ASSETS</b>	<b>203,950</b>	<b>54,528</b>	<b>67,310</b>	<b>180,190</b>	<b>18,216</b>	<b>11,768</b>	<b>535,962</b>
1.	Issue of currency						109,900	109,900
2.	Liabilities to banks and central banks	325,960	47	26	3,393			329,426
2.1	Current accounts denominated in SKK	1,149						1,149
2.2	Deposits for 24 hours, loans in SKK, and required reserves	240,568						240,568
2.3	Deposits and loans in foreign currency	84,243	47	26	3,393			87,709
3.	Liabilities from debt securities	19,953	39,772					59,725
3.1	denominated in SKK	19,953	39,772					59,725
3.2	denominated in foreign currency							
4.	Derivatives							
5.	Liabilities to the International Monetary Fund						3,762	3,762
6.	Liabilities to other international financial institutions						683	683
7.	Liabilities to clients	15,635	48	70,278	93			86,054
8.	Reserves and other liabilities	237	80	27	8		136	488
9.	Equity						(54,076)	(54,076)
	<b>TOTAL LIABILITIES</b>	<b>361,785</b>	<b>39,947</b>	<b>70,331</b>	<b>3,494</b>		<b>60,405</b>	<b>535,962</b>

Bank deposits for 24 hours (item 2.2. in liabilities) amounted to SKK 10,597 million.



**NÁRODNÁ BANKA SLOVENSKA**  
**Notes to the financial statements as at 31 December 2005**  
**(in SKK millions)**

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**30. Post-balance-sheet events**

After 31 December 2005, there were no significant events that would require adjustments in the 2005 financial statements.

According to Act No. 519/2005 Coll. as amended Act No. 566/1992 Coll. on the NBS (with effect from 1 January 2006), the Bank started to supervise the entire financial market in the area of banking, capital market, insurance, and retirement savings, and began to perform tasks in the area of international co-operation in financial market supervision.

With effect from this date, the Financial Market Authority has been cancelled by law and its powers have passed to the NBS. After the Financial Market Authority had merged into the NBS, the Bank's balance sheet amount total increased by SKK 195 million (at 1 January 2006). In 2005, the Financial Market Authority earned a profit of SKK 51 million. The equity capital of the Financial Market Authority amounted to SKK 184 million, of which retained earnings from previous years accounted for SKK 11 million.

Ing. Ivan Šramko  
Governor

Ing. Milena Koreňová  
Bank Board member  
Chief Executive Director  
of the Financial Management  
and Payment Transactions  
Division

Ing. Oľga Karellová  
Director of the  
Accounting Department