Annual report
2001

SLOVENSKÁ SPORITEĽŇA

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SLOVENSKÁ SPORITEĽŇA

Address:	Suché mýto 4 816 07 Bratislava Slovenská republika	
Company ID No:	00151653	
Legal form:	join-stock company	
Description:	universal bank	
Shareholders:	Erste Bank	67.19%
	EBRD	19.99%
	Ministry of Finance SR	10.00%
	Restitution Investment Fund	2.82%
Major share holdings:	Sporo Asset Management, správ. spol., a. s.	100%
	Sporing, a. s.	100%
	Devín Istria d.o.o.	100%
	Univerzálna banková poisťovňa, a. s.	46%
	Prvá stavebná sporiteľňa, a. s.	35%
Contact:	Sporotel: 0850 111 888 www.slsp.sk postmaster@slsp.sk	

According to SAS Data prepared according to methodology and accounting rules applicable in the Slovak Republic	as of 31. 12. 1999 MSKK	as of 31. 12. 2000 MSKK	as of 31. 12. 2001 MSKK
Balance sheet total	172,818	190,836	216,766
Deposits and loans in financial institutions	38,549	34,620	34,764
Client loans	61,411	55,386	23,861
Securities	42,561	65,962	117,127
Client deposits	142,703	157,024	172,152
Share capital	6,374	6,374	6,374
Reserves and other own funds	11,109	2,165	5,346
Capital adequacy (%)	9.4	12.1	21.1
Loans/Assets (%)	35.5	29.0	11.0
No. of employees	6,818	6,471	5,873
No. of branches	646	531	441
Year-end SKK/EUR exchange rate	*42.60*	*43.90*	*42.80*

According to IAS Data prepared according to international methodology and accounting rules	as of 31. 12. 1999 MSKK	as of 31. 12. 2000 MSKK	as of 31. 12. 2001 MSKK
Balance sheet total	168,332	184,452	202,058
Receivables from banks	38,549	43,573	53,634
Receivables from clients	57,074	61,879	30,042
Securities	39,906	56,629	98,882
Liabilities towards clients	144,174	158,006	172,883
Share capital	6,199	10,277	11,554
After tax profit (loss)	63	4,075	1,147
Capital adequacy (%)	12.9	30.8 * / 22.2 **	28.9

* with subordinated debt
** without subordinated debt


TATRA
TATRA
SLOVENSKÁ SPORITEĽŇA

After two years of stabilisation Slovak economy achieved higher growth dynamics. In the EU integration process Slovakia significantly reduced the gap between other candidate countries. Year 2001 was also important in terms of privatisation, where the two biggest banks acquired strong foreign investors.

Gross domestic product

In 2001, GDP posted a real growth of 3.3%. Domestic demand, after two years of decline, recorded a sharp growth of 6.6%, triggered mainly by investment growth by 11.6% and final domestic consumption by 4 %. Slower growth in Eurozone in the second half of 2001 and deepening of the foreign trade deficit was sufficiently compensated by growth in domestic demand. Domestic consumption was positively impacted mainly by National Property Fund bonds pay-out, reduction of interest rates and growth of real wages. On the supply side, slower growth of industrial production was replaced by marked increase in market services, which represent almost 45.4% of the GDP. Private sector share of the overall GDP remained more or less unaltered at a level of 83.6%.

Similarly, also in 2002 we expect acceleration in GDP growth fuelled mainly by strong domestic demand. Real wages growth due to low inflation and significant public sector employees wages increase will result in increasing household and government consumption. We do not expect that improvement in balance of foreign payments will take place in 2002. According to our estimates, Slovak economy could reach a real growth of 3.6%.

Inflation

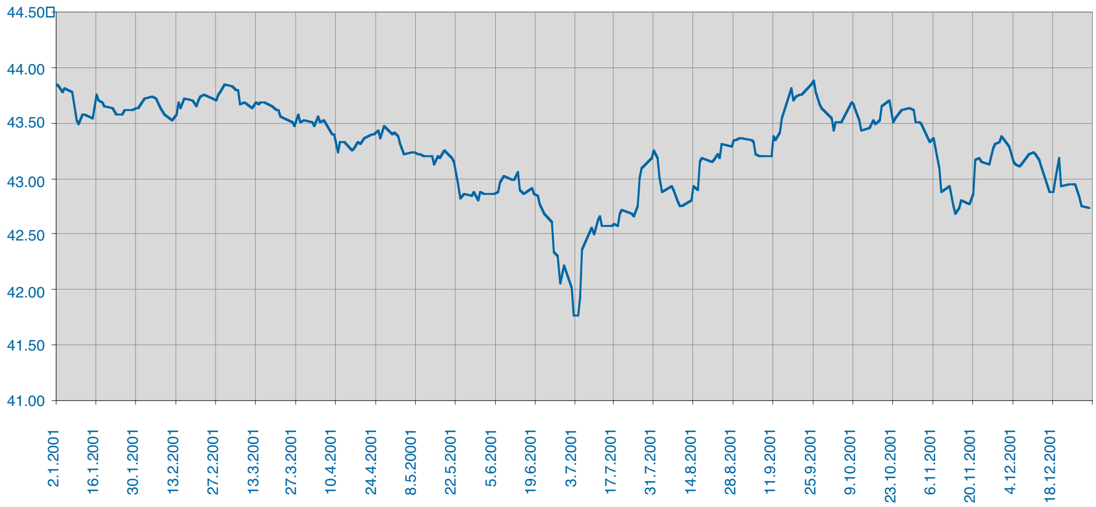
Consumer prices in 2001 grew on average by 7.3%. Inflation was impacted again by government administrative measures, mainly energy prices increase. Food prices produced an interesting development, when they grew at an unusually slower rate at the end of the year, which was due to significantly better harvest than in 2000. Inflation pressures were low due to lower prices of crude oil, which have transpired in fuel prices. In 2002, we expect continuation of positive development of consumer prices. In addition, the inflation will drop also as a result of small scope of adjustments to regulated prices, since this year the government postponed household gas and electricity price increase. According to our estimates the average inflation should therefore move around 4.4%.

Unemployment

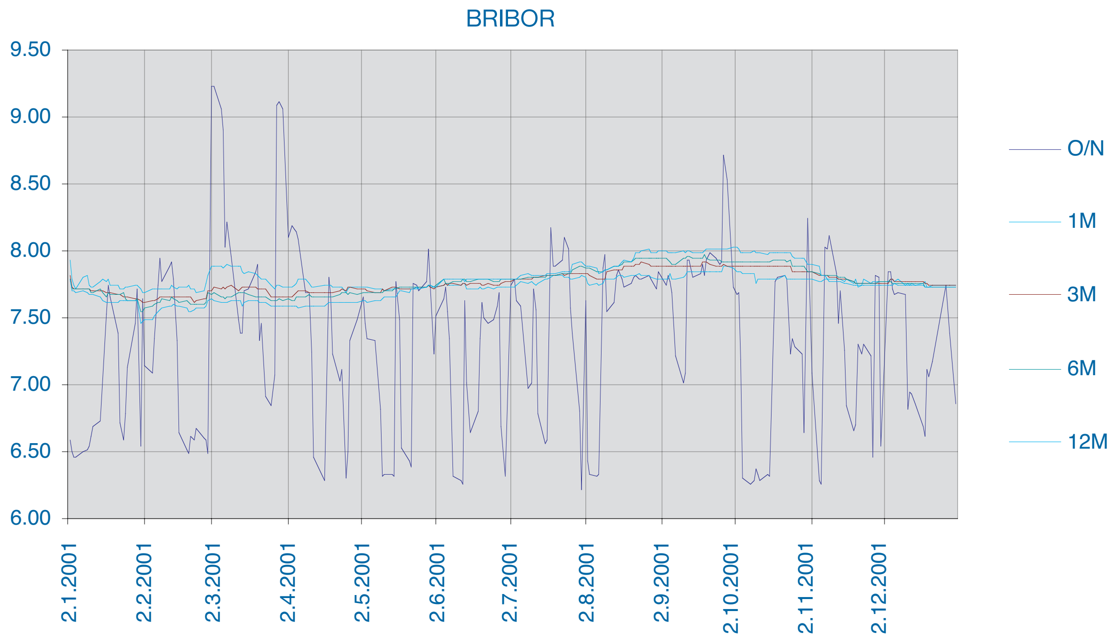
High unemployment remains the most serious problem of the Slovak economy. Active job market policy in the form of Public Works Programme achieved only a short-term effect on the reduction of unemployment. At the end of 2001 the registered unemployment rate was 19.8%. Significant regional imbalance remains in place. In 2002 the unemployment rate could be slightly reduced, however, currently there is no room for substantial reduction. Company restructuring, elimination of over-employment, legislative environment giving weak support to business sector and insufficient law enforcebility are the principal causes of adverse unemployment situation.

Situation on the foreign exchange market in 2001 can be described as stable and comparable with year 2000, when the Slovak Crown also moved within the 41.50 – 44 SKK/1EUR range. National Bank of Slovakia was forced to intervene in support of the currency only once, at the beginning of the year, when the EUR exchange rate reached the highest level of 44 SKK. Subsequently during the first half of the year the Slovak Crown strengthened by 4.7% to 41.95 SKK/EUR. Thus during 2001 it fully integrated in regional trends and exchange rate movement was influenced by the development of neighbouring currencies (CZK, HUF, PLN). This resulted in increased activity of foreign banks followed by significantly higher liquidity level on the market. High cross-dependency of foreign currency markets in Central European region was felt also in exchange rates EUR/CZK and EUR/SKK.
After an interim weakening of the Slovak Crown, which was caused by events of September 11, adverse situation on developing markets in Latin America, as well as negative trade deficit trends of Slovakia, the Slovak Crown dipped to 43.80 SKK/ EUR level.
However, at the beginning of November two major rating agencies, Moody's Investor Services and Standard & Poor's, up-graded rating of long liabilities of Slovak Republic and moved Slovakia into investment grade. This helped the currency, which improved to a level of 42.80 SKK/1EUR.
Exchange rate against USD during the year weakened only marginally, when trading started at 46.40 and finished at 48 SKK/1 USD.

EUR/SKK development in 2001



At the beginning of 2001 the National Bank of Slovakia reduced the statutory minimum reserve requirement to 5 percent, in line with an effort to bring the money market conditions closer to those of the European Union. This resulted in an increase of funds available with the support of overall over-supply of funds throughout the year. The National Bank of Slovakia continued controlling the monetary policy via standard tools, 2-week Repo deals and 1-day sterilisation and refinancing deals and issued own treasury bills with 3-month maturity. In addition, we have recorded increased trade with money market derivatives, mainly with FRA and interest rate swaps by foreign entities.



Board of Directors

Regina Ovesny-Straka
since 5. 4. 2001
Chairman of the Board of Directors
and General Manager

Front row:

Peter Krutil
Board member
and Deputy General Manager

Štefan Máj
Vice-Chairman of the Board of Directors
and First Deputy General Manager

Back row:

Michael Vogt
since 7. 6. 2001 Board member
and Deputy General Manager

Oskar Soták
since 14. 5. 2001 Board member
and Deputy General Manager

Supervisory Board

Reinhard Ortner, Chairman	since 17. 1. 2001
Andreas Treichl, Deputy Chairman	since 4. 4. 2001
Otto Ilchmann, member	since 4. 4. 2001
Herbert Martinetz, member	since 4. 4. 2001
Johann Lassacher, member	since 4. 4. 2001
Reinhold Schuster, member	since 4. 4. 2001
Heinz Kessler, member	since 4. 4. 2001
Juraj Renčko, member	
Ľubica Strnádová, member	
Renáta Hitterová, member	
Juraj Stern, member	since 29. 5. 2001
Gabriel Eichler, member	since 29. 5. 2001

Board of Directors prior to April 4, 2001:

Dušan Jurčák – Chairman of the Board and President	
Štefan Máj – Deputy Chairman of the Board and Vice-President	
Zdena Gacíková – Board member and Vice-President	
Peter Krutil - Board member and Vice-President	
Károly Hodossy - Board member and Vice-President	
Otto Ilchmann – Board member and Vice-President	since 17. 1. 2001

Supervisory Board prior to April 4, 2001:

Zsolt Nyitrai – Chairman	
Peter Huňor – Deputy Chairman	
Zoltán Hájos – member	
Jozef Medveď – member	
Juraj Renčko – member	
Vladimír Stanovič – member	until 17. 1. 2001
Renáta Hitterová – member	
Ľubica Strnádová – member	

To our shareholders and customers,

with the entry of a strong investor, Erste Bank in January 2001, Slovenská sporiteľňa, became a part of the largest retail banking group in Central Europe and simultaneously, it stepped into the transformation process aiming at the improvement of services offered meeting international standards and the integration of the Bank into Erste Bank Group. With the purchase of 19.9% share from Erste Bank in June, 2001, the Bank gained another strong investor, the European Bank for Reconstruction and Development. Slovenská sporiteľňa, the largest retail bank in Slovakia and a part of the Austrian Erste Bank Group ended the first year of the transformation process with aim to strengthen its position on the market even in a stronger competitive environment.

The business results achieved in 2001 were in line with the Bank's objectives. The increase in customer deposits by 9.4% to amount to SKK 172.9 billion considerably influenced the Bank's balance sheet, which rose to SKK 202.1 billion, an increase by 9.5% compared to the previous year. Slovenská sporiteľňa strengthened its position as the largest bank in Slovakia. Net profit for 2001 amounted to SKK 1.15 billion, which shows the ability to create a stable profit without the influence of extraordinary income from the release of provisions and reserves. By the year-end, the Bank operated 441 business units compared to 531 in the previous year. These changes were carried out in order to contribute to a more efficient performance of the branch network, although Slovenská sporiteľňa still has the largest branch network across Slovakia.

In line with the Bank's strategy, customer needs are becoming the Bank's priority in the transformation process and all activities in the past year were oriented towards customers to make them notice these changes. The aim is to service every Slovak citizen with top quality banking services. In 2001, first steps were made towards basic changes in the system of banking services offered to customers with concentration on individual approach. The range of banking products and services will be oriented towards simplification in order to react to customer requests in a more flexible way. The Bank was able to offer its customers investments to investment funds in a relatively short time, thus reducing the competitive gap. In spite of the efforts to strengthen retail orientation of the Bank, small and medium-sized enterprises are becoming the Bank's next priority. This segment of customers may notice changes in the first half of 2002. Electronic banking services successfully face the competitive environment. New products will be introduced in the future. In card products, the Bank has maintained its leading position on the market.

I would like to thank our shareholders, customers and all who with their support, trust and cooperation contributed to the successful business year 2001.

The incorporation of Slovenská sporiteľňa into the Erste Bank Group, supported by the ambition of the Bank's management and its employees to successfully conclude the transformation process – is a guarantee of a long-term prosperity of the Bank in the future.

Regina Ovesny–Straka
Chairman of the Board of Directors
and General Manager

To our shareholders and customers,

year 2001 is considered as the break-point in the history of Slovenská sporiteľňa. The Bank integrated into the Erste Bank concern to become a part of the leading retail banking group in Central Europe. With over 8 million customers, the Erste Bank Group is one of the most important banking concerns in Central Europe.

The application of a close approach to customers forms the basis for the Group's success in the regions and as a unit as well. The Bank succeeded to maintain and further improve its long-term well-developed personal and business contacts in the regions. Experience of the past years confirmed that personal roots are the most valuable even in case of international concerns.

It is important namely for bank customers that their money is not handled by anonymous managers in distant financial centres. In the Erste Bank concern decisions are made directly in each country and persons responsible for these decisions are not anonymous. This enables subsidiary companies to be highly respected creating growth in the number of their key segment - citizens, small and medium-sized enterprises. The vision is to develop independent decentralized responsibility for employees in the region offering at the same time overall service to all customers. Steps are made to establish a common banking region, which should enable our customers to be serviced in all business centres in a simple way and with high quality banking services.

In order to realize the abovementioned intention, further development of the European Union is inevitable. The opportunities for the Slovak Republic to enter the European Union are very optimistic due to its social, cultural and economic background. Closer economic contacts among countries and common currency may significantly contribute to a successful completion of the process.

The planned merger into the common economic region might create a positive impact for partnership conditions with customers. The Bank is aware, that the quality of services offered is an ongoing process, which requires further improvement.

Reinhard Ortner
Chairman of the Supervisory Board

The intensive phase of the transformation process began in June 2001 focusing on customer needs and the integration into the Erste Bank Group.

The transformation process should significantly contribute to further strengthen the Bank's position in the area of financial and banking services in the Slovak Republic and fully join the Erste Bank Group.

Two important projects were completed as of December 31, 2001 – central purchase and the establishment of the Bank's subsidiary, Sporo Asset Management, which began its operations in October 2001. Important part of the transformation process last year was devoted also to human resources and professional trainings for employees oriented towards improvements in their sale skills in order to better service the Bank's customers.

The process will be reflected in all areas of the Bank to include branch network, products, methods of sale, simplification of processes, information technologies (in order to offer customers safe and comfortable opportunities of alternative communication with the Bank using electronic distribution channels), employees' management and motivation, improvements in professional and language skills. Last but not least, internal communication and overall identity of the Bank will be affected as well.

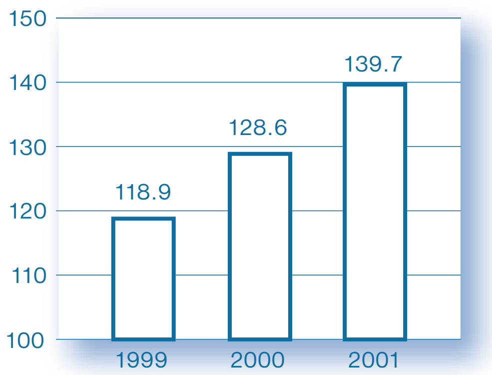
Year 2002 will be the most important from the point of view of changes. The completion of various projects is expected. Major steps are taken to partial reorganisation of the head-office, to centralization of non-banking (supporting) activities and to separate retail business from corporate. The clearly defined strategy for small and medium-sized enterprises (SME) leads to the development of a special approach to this segment of customers. Comprehensive high quality services in line with customer requests will be supported by advisory services. New form of customer and advisory services built in line with the Erste Bank philosophy will be reflected also in the design of branches - adapted to customer demands using open barrier-free tellers. Implementation of a new approach to customer services throughout the branch network is expected by the end of February 2003.

RETAIL BANKING

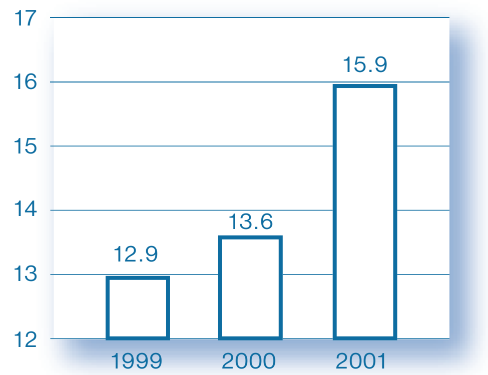
Deposits

Slovenská sporiteľňa considers the development of deposits in 2001 as very positive. Volume was increasing steadily throughout the year. As of the end of the year the volume of private deposits stood at SKK 139.6 billion, which compared with previous year represented an increase by 8.6%. Volume of private deposits in foreign currencies was SKK 15.9 billion, or an increase by almost 17%.

Private deposits in domestic currency
(in SKK billion)



Private deposits in foreign currency
(in SKK billion)



Passbooks denominated in SKK represented traditionally highest portion. Clients showed their preference for Capital Passbook, mainly for term deposits. Increase in Slovak Crown passbooks represented SKK 4.8 billion and total volume reached SKK 111.1 billion.

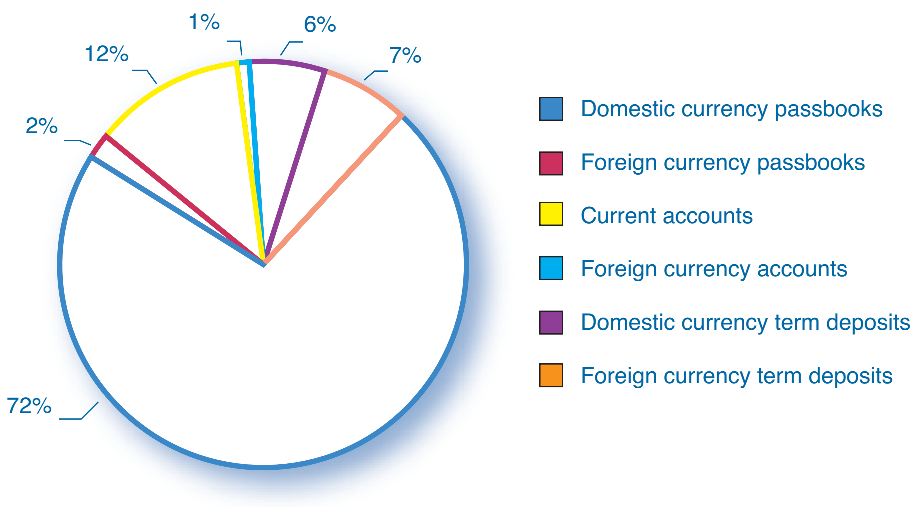
We observed growing trend also in the foreign currency passbooks segment. As of the end of the year the total volume was SKK 2.7 billion, i.e. an increase by SKK 0.5 billion, when compared with previous year. Contributing factor was also a possibility to open term deposits in foreign currency.

We have also recorded an increase in the number of giro accounts and volume of deposits. Volume on giro accounts and private current accounts reached as of year-end SKK 19.1billion, in comparison with SKK 15.2 billion in year 2000. Giro accounts represent a product, which in terms of services provided and a number of executed transactions belong to the most utilised.

During the course of the last year we have noted also a rising interest in term deposits in SKK. As of December 31, 2001, the term deposits volume reached SKK 9.5 billion, which is an increase by SKK 2.4 billion, when compared with previous year.

Volume of term deposits in foreign currency represented SKK 11.2 billion or an increase by SKK 1.6 billion against previous year.

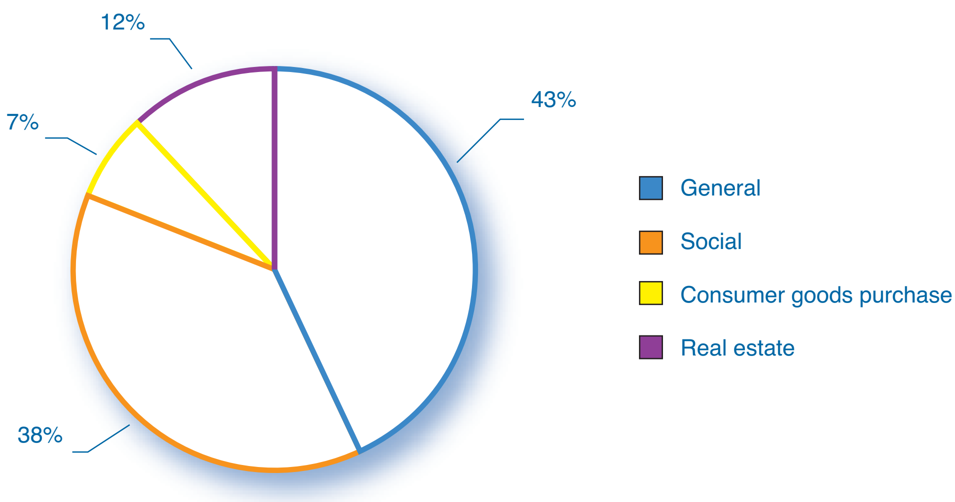
Private deposits structure



Loans

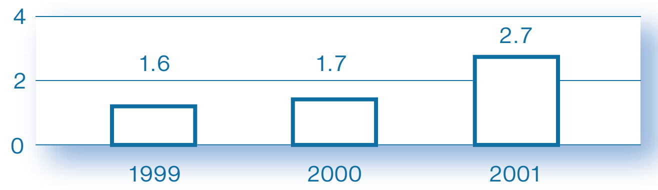
A positive development was reported in extending consumer loans. As of December 31, 2001, the total volume reached SKK 10.3 billion. Dominant share of the portfolio were non-purpose loans.

Consumer loans structure



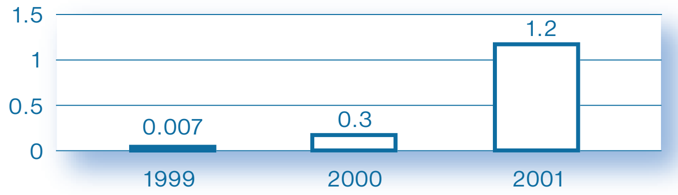
Last year Slovenská sporiteľňa extended consumer loans totalling SKK 2.7 billion. In comparison with previous year it is an increase of almost 53%. In terms of structure loans with maturity term less than 5 years represent 60% of the total new loans. Clients have shown an interest mainly in loans insured against unforseeable life circumstances.

New consumer loans
(in SKK billion)

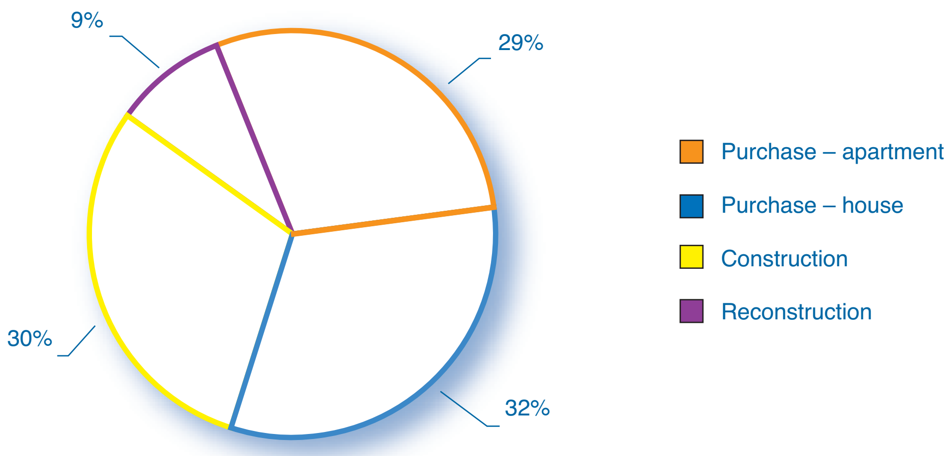


Slovenská sporiteľňa entered the Slovak mortgage market on July 1, 1999. Important factor effecting the growth of this segment was the government subsidy for housing mortgage loans. Volume of granted mortgage loans as of December 31, 2001, reached SKK 1.2 billion, with significant growth by SKK 0.85 billion during the year.

Approved mortgage loans
(in SKK billion)



Mortgage loans structure



Sporo Asset Management investment funds

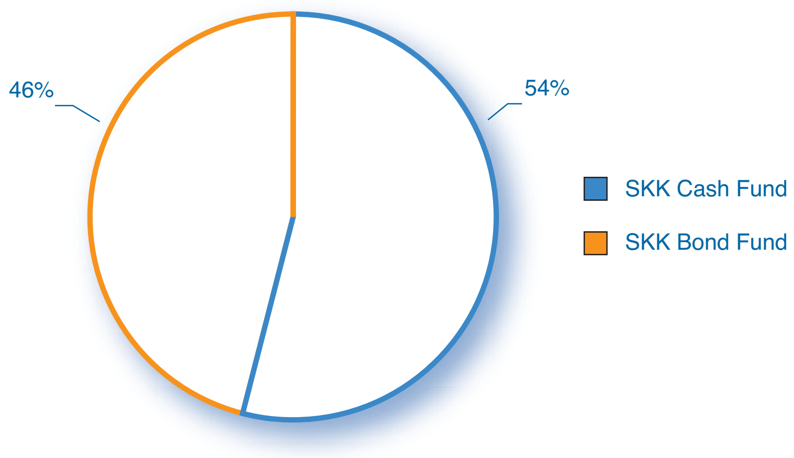
During the second half of 2001, Slovenská sporiteľňa commenced the sale of investment funds in two unit-linked funds, managed by company Sporo Asset Management, správ. spol. a. s., 100% subsidiary of Slovenská sporiteľňa and a member of Erste Bank financial group. In 2001, it managed two unit-linked investment funds:

SKK Cash Fund **–** conservatively oriented fund, investing in government treasury bills, government bonds, Euro bonds and financial market instruments. It is ideal for investors interested in investing for period up to 1 year.

SKK Bond Fund **–** conservatively oriented fund, investing in government bonds, Euro bonds, government treasury bills, mortgage bonds and financial market instruments. It is ideal for investors interested in investing for period more than 1 year.

Total volume of sold investment funds on December 31, 2001, reached a sum of SKK 98.9 million. Approximately 54% of the total volume represented investments in the SKK Cash Fund and 46% in SKK Bond Fund.

Investment funds structure



Branch network

Slovenská sporiteľňa is the biggest retail bank in Slovakia and in comparison with other banks it has the biggest branch network covering the whole country. In 2001, we embarked on optimisation of the branch network, focussing on increase in efficiency. Inefficient branches were closed. On the contrary, in profitable branches we expanded and improved the quality of service offered. We also sought opportunities to open new branches in high potential locations where Slovenská sporiteľňa did not have representation so far. As of December 31, 2001, its branch network consisted of a total of 441 branches. During the course of the year we have closed 91 branches. We have opened one new branch office in Aupark shopping centre in Bratislava.

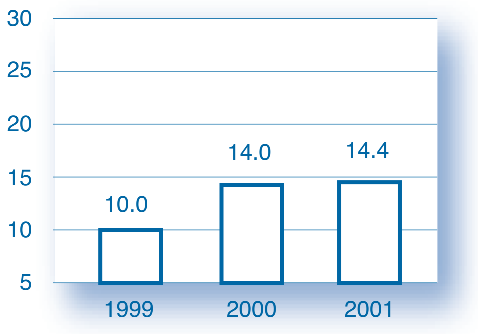
In 2002, we will focus on implementation of restructuring measures and rationalisation of the entire branch network. Goal will be to create an optimal network, which will meet requirements of our clients. This process will involve the transformation of business units, closing down of additional inefficient branches and opening new ones, predominantly in newly constructed shopping and industrial centres throughout the country.

CORPORATE BANKING

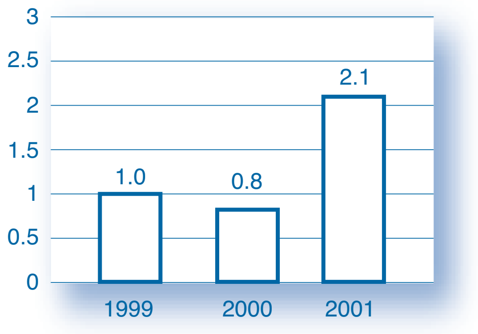
Deposits

On the deposit side the volume of SKK and foreign currency funds recorded a steady growth during the year. As of the year-end the volume of corporate SKK deposits amounted to SKK 14.4 billion, which in comparison with previous year represents a slight increase by 2.6%. Volume of foreign currency deposits amounted to SKK 2.1 billion, or an increase of 180%.

Domestic currency corporate deposits
(in SKK billion)



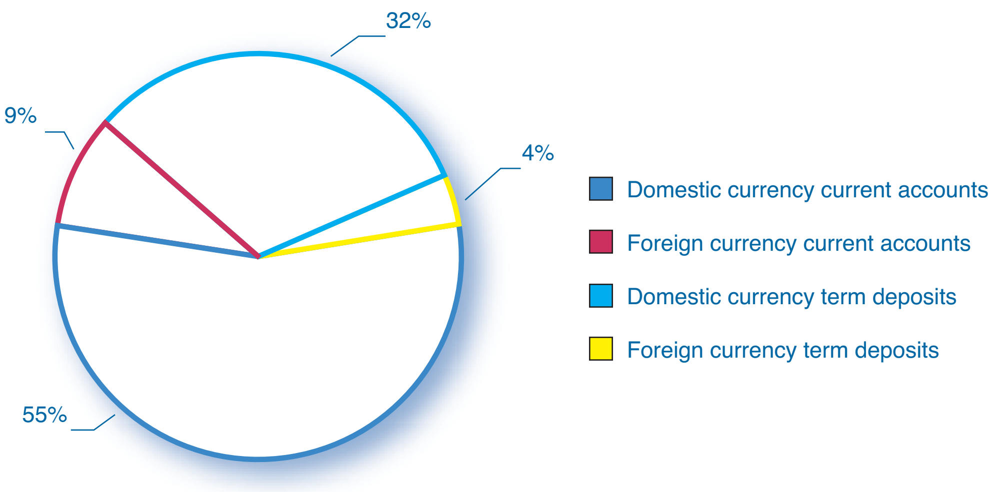
Foreign currency corporate deposits
(in SKK billion)



Current accounts situation relates to the character of these funds, management of the companies and desire of clients to invest their funds advantageously in other products.

Companies with business contacts abroad, mainly in EU countries, took advantage of having an account in EURO currency. Simple account keeping and operations in currencies of EMU countries and the EURO, utilising internationally agreed conversion rates, together with speedy settlement enjoyed increasing confidence of the business sector.

Corporate deposits structure



Loans

Total volume of loans extended to the corporate and public sectors as of the year-end reached an amount of SKK 18.7 billion. In 2000, the volume of these loans totalled SKK 50.8 billion. However, SKK 32.4 billion was transferred as a part of the Bank restructuring to consolidation agencies. In January 2001, this amount was converted into government bonds. The break-down of loans was as follows: long-term 48.8 %, medium-term 26.4% and short-term 24.8%. The Bank maintained cautious approach in extending new loans taking into consideration client creditworthiness.

TREASURY

Slovak foreign exchange and money market

The volume of executed spot transactions on the foreign exchange market as of the year-end represented SKK 406 billion, which was a 60% growth, i. e. an increase by SKK 152 billion in comparison with year 2000. Market share of Slovenská sporiteľňa on the foreign exchange market achieved in 2001 a level of 13.6%. Swap transactions turnover for the year totalled SKK 724 billion, representing a year-on-year growth by more than 100% and leading position in this segment on the domestic market with 23.1% market share.

On the money market Slovenská sporiteľňa maintained its leading position by conducting deposit transactions totalling SKK 2,659 billion, i.e. an increase by 37% when compared with year 2000, representing 18.3% share on the domestic money market.

These significant shares on interbank market were achieved also as a result of active trading, Slovenská sporiteľňa attempting to perform the role of market maker, i.e. providing liquidity on the market. The Bank also played an active role on the less developed derivative market. In addition to money market derivative transactions, on interbank market Slovenská sporiteľňa provided foreign currency options totalling SKK 26 billion.

INVESTMENT BANKING

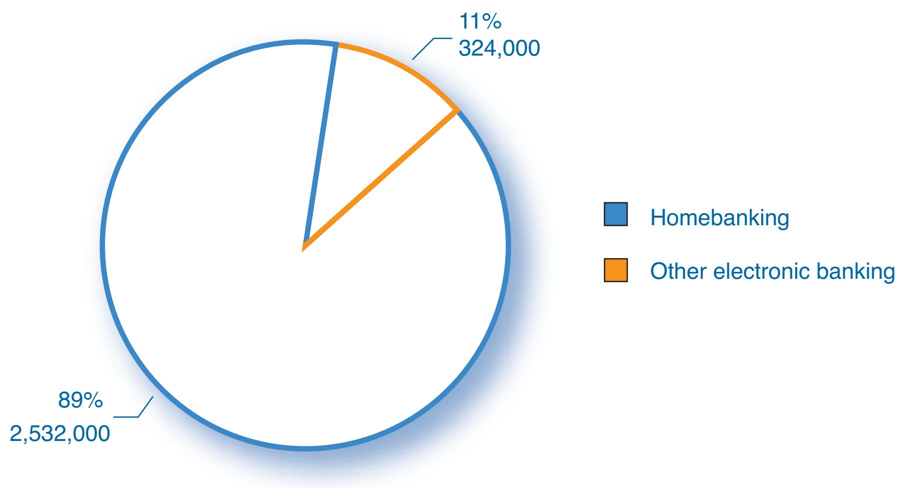
Trading in 2001 was focussed on primary and secondary securities market and trading with Eurobonds on foreign capital markets. In terms of client representation the Bank focussed on government bonds primary issues, trading on secondary market and managing bonds issues for its clients. On the government securities primary market the Bank purchased bonds valued SKK 21 billion, which represented 33% of the total volume of issued government bonds in year 2001. On the secondary market the Bank played the most active role among the members of the Bratislava Stock Exchange and in bond transactions turnover it reached market share of 17.5%. It facilitated the issue of bonds for domestic clients totalling SKK 11.2 billion. In a position of a leading co-manager Slovenská sporiteľňa arranged for the National Property Fund so far the biggest Eurobond issue denominated in SKK totalling SKK 6.5 billion.

ALTERNATIVE DISTRIBUTION CHANNELS

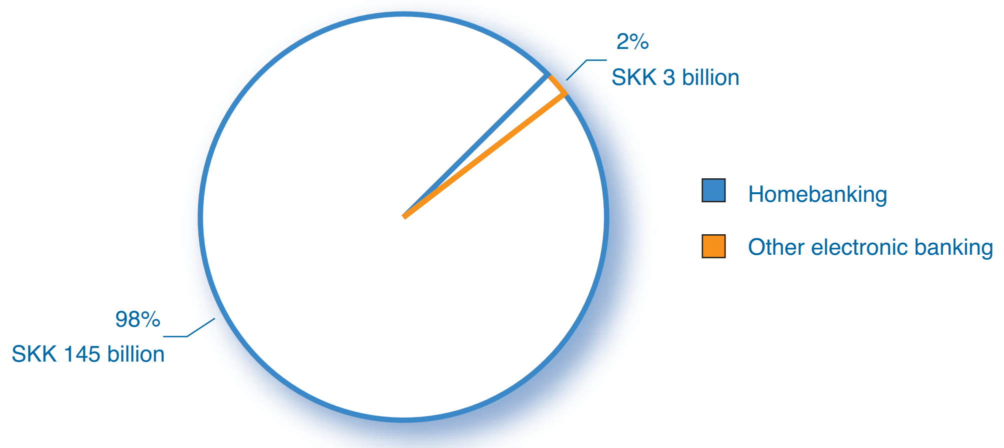
Electronic banking

Utilisation of electronic banking services recorded substantial increase. Clients more often use the opportunity of an active access to their accounts via Telebanking services (Internet banking, Telephone banking, SIM Toolkit banking) and Homebanking. Number of clients utilising Telebanking services increased in 2001 by 96%, number of clients using Homebanking by 22%. Transaction volume by private individuals via electronic banking reached SKK 3 billion, which is a growth by 140%, when compared with previous year. Volume of transactions conducted via Homebanking totalled SKK 145 billion, representing 32% growth against year 2000.

Number and structure of transactions



Settlement volume and structure

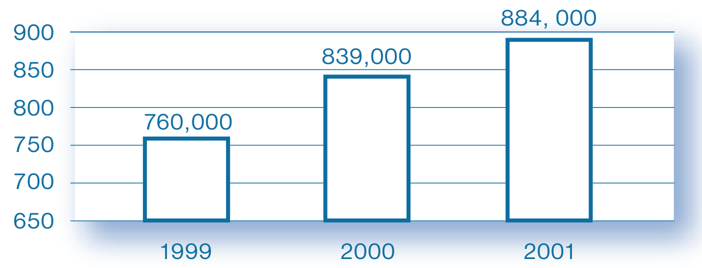


Service Sporotel was opened for clients of Slovenská sporiteľňa and the general public on March 1, 2001. Via operators clients can execute selected banking information 24-hrs a day (payment orders, account balance information, set-up and change standing order or automatically verified collection), as well as obtain up-to-date general information (business terms and conditions for products and services, interest rates, currency exchange rates, etc.). Between March 1, - December 31, 2001, Sporotel operators answered 54,000 telephone calls, provided 18,000 transactions with total volume of SKK 91.6 million and more than 5,000 e-mail enquiries.

Banking cards

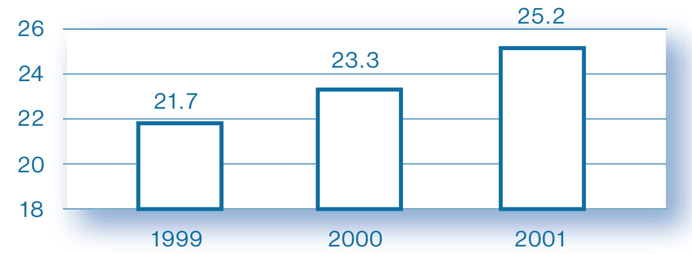
In the banking cards segment Slovenská sporiteľňa holds a long-term leading position. As of December 31, 2001, the number of issued cards reached more than 884,000 and increased by 5.5% when compared with year 2000. Despite a strong competition the Bank maintains 44.8% market share.

Number of issued cards

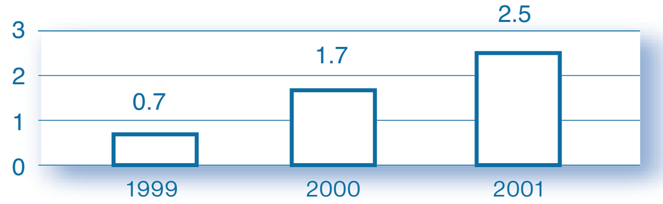


During the year the Bank expanded its own ATM network to 406, which is 34.4% of all ATM's, executing 25.2 million transactions, i.e. 48.4% share of all transactions executed in Slovakia.

Number of ATM transactions
(in mil.)



Number of POS transactions
(in mil.)

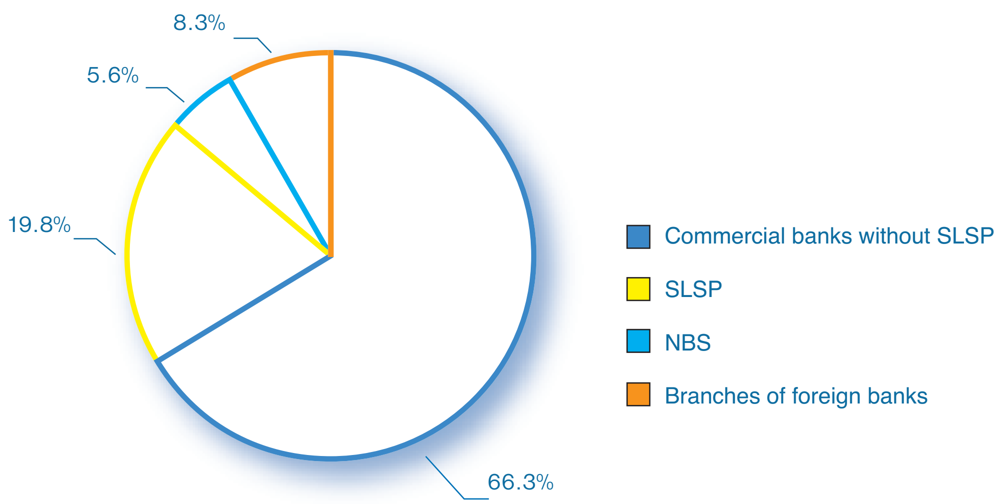


As of the end of the year 2001 Slovenská sporiteľňa operated 2,356 POS terminal installations, which represents an increase against last year by 27.7%. Market share of the Bank on the volume of payments via POS terminals represents 26.9%. Slovenská sporiteľňa was the first bank in Slovakia, which introduced to the market a service where clients could charge pre-paid mobile telephone cards through ATM's. It has expanded the range of services available through ATM, moving the ATM functionality more towards a self-service terminal.

SETTLEMENT

Also last year the Bank achieved dominant position on the interbank financial market in the Slovak Republic measured by a number of processed transactions. From the total number of processed items in the Bank Clearing Centre (BZCS), the share of Slovenská sporiteľňa represented 19.8%.

Clearing Centre transaction breakdown



We have recorded increased activity also in the area of domestic and international payments. Interbank settlements recorded an increase by 10.5% and the volume of international settlement increased by SKK 23.5 bilion.

The Bank executed international payments, financial settlements of financial and capital market operations and other operations in foreign currency via 38 own Nostro accounts held in various currencies in 20 countries of the world.

HUMAN RESOURCES

The transformation process, which focussed mainly on achieving increase in work efficiency and productivity, impacted to a considerable degree also the personnel area. Trained staff is crucial element in implementing the new Customer Care Concept in our Bank.

In 2001, the centralisation process of human resources began. It was divided into two phases – analysis and planning phase, which was completed on December 31, 2001, and implementation phase, which will be completed in 2002. As a part of transformation new personnel management tools were introduced, focussing on the ability to perform efficiently in changing environment. The new system is built on a principle of contribution of each working position towards the result of the Bank and on the so-called "internal equity". Internal equity reflects the Bank's strategic orientation – "we want to be Number 1 in retail banking". Towards the end of the year basic documents we prepared for implementation of a new remuneration system for year 2002. It is an effective remuneration system managing employee performance through remuneration and it is moulding the future culture of the Bank and setting goals in order to achieve strategic goals of the Bank.

Another important employee development tool is education. In 2001, we have concentrated mainly on the improvement of sale skills of front-office staff and general language improvement. The Academy – an internal unit of the Bank in charge of training and education organised last year more than 1,200 courses, with more than 11,000 man/days of training.

The transformation process had also an impact on the number of employees. As of December 31, 2001, the number of staff was reduced to 5,873 representing a decrease by 598 when compared with previous year.

OBJECTIVES AND STRATEGY FOR 2002

The Bank will continue in the process of transformation, which is to be completed by the first quarter of 2003. The focus on customer requests remains the priority. Investments in technology, improvements in the branch network and services offered should lead in future to faster and higher quality services. In the area of information technology, the introduction of SAP support system is expected in 2002. Changes will include also the gradual transfer of the Bank into a new banking application system. Employee training and education are inevitable part of it.

The Bank operates with the largest and well-developed branch network – an advantage among competitors. Focus on citizens, retail business and SMEs as well as the support of interesting and perspective projects of large companies remains the priority also in the future. The transformation process will include organisational changes in the structure of the branch network. Further expansion of branches in Bratislava is expected while in some regions number of branches will be cut down in order to enable maximum efficiency of the banking services.

The Bank is a part of the Erste Bank Group, which performed excellently in 2001.

Financial statements

prepared in accordance with International Accounting Standards

for the year ending December 31, 2001

Balance Sheet
as of December 31, 2001

	Note	2001 MSKK	2000 MSKK
ASSETS			
Cash and balances at the NBS	5	11,586	13,874
Loans and advances to financial institutions	6	53,634	43,573
Loans and advances to customers	7	30,042	61,879
Provisions for losses on loans and advances	8	(7,200)	(7,388)
Trading securities	9	2,912	3,876
Securities available for sale	10	11,522	35,408
Investment securities	11	84,448	17,342
Intangible assets	12	637	620
Property and equipment	13	8,054	8,028
Other assets	14	6,423	7,240
Total assets		**202,058**	**184,452**

LIABILITIES and shareholders' equity			
Amounts owed to financial institutions	15	10,876	5,048
Amounts owed to customers	16	172,883	158,006
Provisions for liabilities and other reserves	17	2,835	2,730
Other liabilities	18	3,910	4,600
Subordinated debt	19	-	3,791
Shareholders' equity	20	11,554	10,277
Total liabilities and shareholders' equity		**202,058**	**184,452**

Profit and Loss account
for the year ending December 31, 2001

	Note	2001 MSKK	2000 MSKK
Interest income	21	13,939	16,967
Interest expense	22	(8,880)	(12,392)
Equity in net profit of associate	11	198	207
Net interest and investment income		**5,257**	**4,782**
Provisions for losses on loans and advances	23	126	3,850
Net interest and investment income after provisions		**5,383**	**8,632**
Fee and commission income		1,667	1,517
Fee and commission expense		(318)	(395)
Net fee and commission income		***1,349***	***1,122***
Net profit on financial operations	24	743	1,559
General administrative expenses	25	(5,767)	(4,956)
Other operating income/(expense)	26	76	(1,540)
Profit before taxes		**1,784**	**4,817**
Income tax expense	27	(637)	(742)
Net profit for the year		**1,147**	**4,075**
Basic and diluted profit per share (SKK)	**28**	**528**	**1,874**

The accompanying notes are an integral part of these financial statements.

Statement of changes in shareholders' equity for the year ending December 31, 2001

	Retained earnings MSKK	Legal reserve fund MSKK	Other Funds MSKK	Share capital MSKK	Total MSKK
As of January 1, 2000	**(4,307)**	**2,404**	**1,728**	**6,374**	**6,199**
Revaluation	-	-	3	-	3
Profit for the year	4,075	-	-	-	4,075
As of December 31, 2000	**(232)**	**2,404**	**1,731**	**6,374**	**10,277**
As of January 1, 2001 – as previously reported	(232)	2,404	1,731	6,374	10,277
Effect of adopting IAS 39, net of tax	130	-	-	-	130
As of January 1, 2001 – restated	**(102)**	**2,404**	**1,731**	**6,374**	**10,407**
Profit for the year	1,147	-	-	-	1,147
As of December 31, 2001	**1,045**	**2,404**	**1,731**	**6,374**	**11,554**

The accompanying note are an integral part of these financial statements.

Legal reserve fund

Under the Slovak Commercial Code, all companies are required to maintain a legal reserve fund to cover future adverse financial conditions. The Bank is obliged to contribute an amount to the fund each year which is not less than 5% of its annual net profit (calculated in accordance with Slovak accounting regulations) until the aggregate amount reaches a minimum level equal to 20% of the issued share capital. The Legal Reserve Fund is not available for distribution to shareholders.

Other Funds

Other funds consist of the Risk Fund and other Capital Funds. The Risk Fund was established in April 1994 to cover general banking risks. This Fund can be increased by annual allocations from distributable profits up to a maximum of 0.5% of net profit. The Risk Fund is not available for distribution to shareholders. Other Capital Funds consists mainly of a statutory fund amounting to SKK 1.178 billion, which was created from distributable profits to strengthen the Bank's capital base. The statutory fund may be terminated and transferred back to distributable profits if the Bank's share capital or legal reserve fund is increased. Such termination and transfer requires the approval of the Supervisory Board and General Assembly.

Statement of Cash Flow
for the year ending December 31, 2001

	Note	2001 MSKK	2000 MSKK
Cash flows from operating activities			
Profit before taxes		1,784	4,817
Adjustments for:			
Provisions for losses on loans and advances	23	(188)	(3,145)
Provisions for liabilities and other reserves	17	105	1,127
Other provisions		157	(599)
Depreciation and amortization	25	1,261	1,072
Loss on disposal of fixed assets		50	38
Adjustment of financial instruments		138	(492)
Income from associated undertakings		(198)	(267)
Adjustment to subordinated debt		(340)	-
Operating profit before working capital changes		*2,769*	*2,551*
(Increase)/decrease in the operating assets:			
Minimum reserve deposits with the NBS	5	3,330	(5,114)
Loans and advances to financial institutions	6	(10,079)	4,364
Loans and advances to customers	7	(559)	4,652
Trading securities and securities available for sale	9, 10	(12,268)	4,789
Other assets	14	721	(724)
Increase/(decrease)in operating liabilities:			
Amounts owed to financial institutions	15	5,561	(3,449)
Amounts owed to customers	16	14,877	13,832
Other liabilities	18	(1,237)	(590)
Net cash flow from operating activities before income tax		*3,115*	*20,313*
Income taxes paid		(90)	-
Net cash flow from operating activities		***3,025***	***20,311***
Cash flows from investing activities			
Purchase of debt securities	10	-	(19,681)
Dividends received from associated undertakings	11	96	98
Net decrease in fixed asset and other investments	11	32	-
Purchase of property and equipment	12, 13	(1,523)	(1,358)
Proceeds from sale of property and equipment		69	116
Net cash from investing activities		***(1,326)***	***(20,825)***
Cash flows from financing activities			
Repayment of subordinated debt		(3,451)	-
Net cash from financing activities		**(3,451)**	-
Net decrease in cash and cash equivalents	**29**	**(1,752)**	**(514)**
Cash and cash equivalents at beginning of the year	**29**	**6,685**	**7,199**
Cash and cash equivalents at end of the year	**29**	**4,933**	**6,685**

Significant non-cash movements excluded from the above cash flows are as follows:

	2001 MSKK	2000 MSKK
Exchange of loans and advances to customers for trading and available for sale securities	32,396	-
Transfer of trading and available for sale securities to investment securities	69,700	-

The accompanying notes are an integral part of these financial statements.

Notes to the financial statements for the year ending December 31, 2001.

1. INTRODUCTION

Slovenská sporiteľňa, a. s. (henceforth "the Bank") has its registered office address at Suché Mýto 4, Bratislava. The Bank is a universal savings bank offering a wide range of banking and financial services to commercial, financial and private customers in the Slovak Republic. The parent enterprise is Erste Bank der Oesterreichischen Sparkassen AG (henceforth "Erste Bank") which acquired, under an agreement dated January 11, 2001, 87.18% of the issued share capital of the Bank.

2. PRINCIPAL DEVELOPMENTS

a) Privatisation of the Bank

On December 20, 2000, the Government of the Slovak Republic announced its intention to sell its majority 87.18% shareholding in the Bank to Erste Bank der Oesterreichischen Sparkassen AG. On January 11, 2001, the representatives of the Slovak National Property Fund, the Slovak Republic acting through the Ministry of Finance of the Slovak Republic and Erste Bank entered into a Share Purchase Agreement, subsequently amended. The transaction was completed on April 4, 2001, following the transfer and registration of ownership of 87.18% in the Bank, equivalent to 87.18% of the shareholders' voting rights. The first part of the consideration of EUR 43.5 million was paid on signing, the remaining part of the consideration (that is EUR 382.5 million) was paid on March 30, 2001.

On June 18, 2001, the European Bank for Reconstruction and Development ("EBRD") acquired 19.99% of the shares held by Erste Bank and the ownership share of Erste Bank, as the principal shareholder, was reduced to 67.19%.

On December 20, 2001, the final purchase price of EUR 411,297,997 for 87.18% of the Bank was agreed between the seller and Erste Bank. The final purchase price was based on the modified net asset value of the Bank in accordance with the Share Purchase Agreement.

The extraordinary General Meeting on April 4, 2001, withdrew four members of the Bank's Management Board (Mrs. Gacíková, Mr. Hodossy, Mr. Jurčák and Mr. Ilchman – elected to Board on the extraordinary General meeting on January 17, 2001) and elected Mrs. Ovesny-Straka to the Board. On April 25, 2001, the Supervisory Board of the Bank elected Mr. Soták and Mr. Vogt to the Management Board. The Management Board of the Bank comprises of Mrs. Ovesny-Straka (Chairwoman), Mr. Máj (Vice-Chairman), Mr. Krutil, Mr. Soták and Mr. Vogt.

At the Extraordinary General Meeting on April 4, 2001, the shareholders of the Bank elected a new Supervisory Board. The majority shareholder made seven appointments to the new 12-member Supervisory Board. The five remaining seats were taken by one representative of Slovak Finance Ministry and four representatives elected by the employees of the Bank.

In accordance with relevant legislation, the obligation to acquire the shares of minority shareholders does not apply when a controlling stake is acquired as part of the privatisation of the State's shareholdings.

b) Transformation and restructuring process

As part of their efforts to develop a new ownership strategy, the management of the Bank undertook a comprehensive assessment and review of the Bank's operations. The implementation of the new strategy and the far-reaching transformation and restructuring programme targeted at improving the quality of the operations and business of the Bank has impacted the organisational structure, systems and processes of the Bank. Key changes implemented by the Bank during 2001 are as follows:

- Changes to the organisational structure of the Bank;
- Changes to the composition and structure of the Bank's Management and Supervisory Boards and executive management;
- Changes to management processes;
- Separation of business from administrative operations;
- Creation of Risk management division;
- Reduction of the branch network;
- Start of the centralisation of support operations.

The Bank has created restructuring reserves for estimated costs associated with these processes (refer to Note 17).

c) Financial restructuring

Right to transfer certain credits

Pursuant to the Share Purchase Agreement dated January 11, 2001, the Bank has the right to transfer net book value of certain credits as stated in the accounting records of the Bank as at December 31, 2000, to Slovenská konsolidačná, a. s. ("SK") together with any collateral and other rights relating to those claims (the "Transfer Claims"). SK is an entity specified by the Ministry of Finance of the Slovak Republic, established as part of the bank privatisation process in Slovakia with the primary purpose of acquiring bad and doubtful loans from state-owned banks. The Transfer Claims constitute:
- Unwanted claims, being those classified as substandard, doubtful and loss as defined under National Bank of Slovakia regulations as at December 31, 2000; and
- Misclassified claims, subject to specific conditions being met.

The aggregate amount of all Transfer Claims is a maximum of SKK 1.7 billion, with a maximum of SKK 500 million for Unwanted Claims.

This agreement has been taken into account when determining the value of the Bank's assets and the level of required provisions for loan losses reported as of December 31, 2001. Further details of this arrangement and its impacts on provisioning for loan losses can be found in Note 7 to these financial statements.

Other financial restructurings

In preparation for privatisation, a program to restructure and improve the financial position of the Bank was initiated in the years 2000 and 1999. The main steps in this restructuring program are outlined below.
In January 2001, loans to Konsolidačná banka Bratislava, š.p.ú ("KBB") and SK amounting to SKK 32.4 billion were replaced by the same amount of state restructuring bonds (issues 142, 143 and 144). This transaction is described in Notes 7 and 10 to the financial statements.
On June 28, 2000, the Bank entered into an agreement under which certain loans with a net book value of SKK 5.4 billion (gross value: SKK 12.9 billion) were assigned to SK for consideration of SKK 9.6 billion. The consideration for the assigned receivables was settled from the proceeds of a state guaranteed loan provided by the Bank to SK (see also note 6).
In 1999, the following measures were implemented:
(i) On December 7, 1999, the fully paid share capital of the Bank was increased by the issue of 43 ordinary shares at a nominal value of SKK 100 million each giving rise to total proceeds of SKK 4.3 billion.
(ii) Effective December 27,1999, the Bank assigned bad and doubtful loans, including accrued interest, at a gross value of SKK 20.4 billion to. The consideration was settled from the proceeds of a loan provided by the Bank to SK and repayment of the loan was guaranteed by the State.
(iii) Also effective December 27, 1999, the Bank assigned bad and doubtful loans, including accrued interest, at a gross value of SKK 2.4 billion to KBB the state-owned financial institution. The consideration was settled from the proceeds of a loan provided by the Bank to KBB.

3. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Accounting Standards ("IAS") issued by the International Accounting Standards Committee. All figures are in millions of Slovak Crowns (MSKK), unless stated otherwise.

The Bank holds controlling interests in subsidiaries as described in Note 11. The Bank's management believes that the results of operations of its subsidiary undertakings, in which the Bank, directly or indirectly, has an interest of more than half of the voting rights or otherwise has power to exercise control over the operations, do not have a material effect on the Bank's financial statements. Consequently, consolidated financial statements, incorporating the financial statements of the subsidiary companies, have not been prepared.

The financial statements are prepared under the historical cost convention, as modified by the revaluation of available-for-sale securities, financial assets and financial liabilities held for trading and all derivative contracts.

The presentation of financial statements in conformity with IAS requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and their reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The format of the financial statements has been adjusted to comply, where possible, with Erste Bank presentation requirements. Comparative information has been reclassified, where necessary, on a basis consistent with current year presentation.

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the financial statements are set out below:

a) Investments in subsidiaries and associated undertakings

Subsidiary undertakings

An investment in a subsidiary is one in which the Bank holds, directly or indirectly, more than 50% of its share capital or in which the Bank can exercise more than 50% of the voting rights or otherwise has power to exercise control over operations. Shares in subsidiary undertakings are stated at cost less provisions for impairment in value.

Associated undertakings

Material associates are accounted for under the equity method of accounting. An investment in an associate is one in which the Bank holds, directly or indirectly, 20% to 50% of its share capital and over which the Bank exercises significant influence, but which it does not control. Equity accounting involves recognising in the profit-and-loss account the Bank's share of the associates' profit or loss for the period. The Bank interest in the associate is carried in the balance sheet at an amount that reflects its share of net assets of the associate.

b) Loans and advances and provisions for losses on loans and advances

Loans and advances are stated at the amount of principal and accrued interest and fees outstanding. All loans and advances are recognised when cash is advanced to borrowers.

Provisions for losses on loans and advances are recorded when there are reasonable doubts over the recoverability of the loan balance. Provisions for losses on loans and advances represent management's assessment of potential losses in relation to the Bank's on- and off-balance sheet activities. Amounts are set aside to cover losses on loans and advances that have been specifically identified and for potential losses which experience indicates are present in the portfolio but have not yet been specifically identified, as such. The amount necessary to adjust the provisions to their assessed levels, after write-offs, is charged to the profit and loss account, to "Provisions for losses on loans and advances".

A general provision for loan impairment is established to cover losses that are judged by the management of the Bank to be present in the loan portfolio as of the balance sheet date, but which have not been allocated to specific or individual exposures.

Write-offs are generally recorded after all reasonable restructuring or collection activities have taken place and the possibility of further recovery is considered to be remote. The loan is written off against the related provision for loan losses in the profit and loss account. If the reason for provisioning is no longer deemed appropriate, the provisioning charge is released into income. Recoveries of loans and advances previously written off are reflected in the profit and loss account through "Provisions for losses on loans and advances".

A country risk provision is made in respect of aggregate exposures based on an overall assessment of underlying economic conditions in certain countries and is included in "Provisions for losses on loans and advances" in the profit and loss account.

c) Debt and equity securities

Securities held by the Bank are categorised into portfolios in accordance with the Bank's intent on the acquisition of the securities and pursuant to the Bank's security investment strategy. On the adoption of IAS 39 as of January 1, 2001, the Bank developed security investment strategies and, reflecting the intent of the acquisition, allocated securities to "Trading securities' portfolio, 'Available for sale' portfolio and the 'Held to maturity' portfolio. The principal difference among the portfolios relates to the approach to the measurement of securities and the recognition of their fair values in the financial statements.

All securities held by the Bank are recognised using settlement date accounting and are initially measured at their cost including transaction costs.

Trading securities

Trading debt and equity securities are defined as securities held by the Bank with the intention of reselling them, thereby generating profits on price fluctuations in the short term. Debt and equity securities held for trading purposes are carried at cost on acquisition and subsequently marked to market. Changes in the market values of such assets are recognised in the profit and loss account as "Net profit on financial operations". For debt and equity securities traded on the Bratislava Stock Exchange, market values are obtained from quoted prices. Values of those securities not traded on the Bratislava Stock Exchange are based on bond yield curves reflecting also margins (the same applies for securities in Available for Sale portfolio).

Available for sale securities and securities held to maturity

At January 1, 2001, the Bank adopted IAS 39 and classified its investment securities into the following two categories: held to maturity and available for sale securities. Securities held to maturity are financial assets with fixed maturity that the Bank has the positive intent and ability to hold to maturity. Available for sale securities are securities held by the Bank that are intended to be held for an indefinite period of time or which may be sold as liquidity requirements arise or market conditions change.

Investment securities

Investment securities are initially recognised at cost. Available for sale securities are subsequently re-measured to fair value. Changes in the market values of such assets are recognised in the profit and loss account as "Other operating income/(expense)". Held to maturity securities are carried at amortised cost using the effective yield method, less any provisions for impairment. The amortisation of premiums and discounts is included in "Interest income" or "Interest expense".

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. The amount of the impairment loss for assets carried at amortised cost is calculated as the difference between the asset's carrying amount and the present value of the expected future cash flows discounted at the financial instrument's original effective interest rate. When the impairment of assets is identified, the Bank recognizes provisions through the profit and loss account.

d) Sale and repurchase agreements

Where debt or equity securities are sold under a commitment to repurchase them at a pre-determined price, they remain on the balance sheet and the consideration received is recorded in "Amounts owed to financial institutions" or "Amounts owed to customers". Conversely, debt or equity securities purchased under a commitment to resell are not recognised in the balance sheet and the consideration paid is recorded in "Loans and advances to financial institutions" or "Loans and advances to customers". Interest is accrued evenly over the life of the repo agreement.

e) Intangible assets

Costs associated with acquiring software are treated as intangible assets and are amortised over the estimated useful life as noted below:

First year	14.20%,
Subsequent years	28.60%.

Costs associated with the maintenance of existing software are expensed as incurred whilst costs of technical improvements are capitalised and increase the acquisition cost of the software.

f) Property and equipment

Property and equipment is stated at historical cost less accumulated depreciation (Slovak Tax depreciation was used as basis of accounting depreciation resulting in no significant differences compared to IAS depreciation) and depreciated on a straight-line basis over estimated useful lives as follows:

Type of fixed assets	Depreciation period
Buildings and structures	30 – 40 years
Electronic machines and equipment	4 – 8 years
Other equipment	4 – 15 years
Furniture	8 years
Leasehold improvements	Period of the lease

Gains and losses on the disposal of fixed assets are determined by reference to their carrying amount and are recognised in the profit and loss account in the year of disposal. Low value fixed assets and repairs in the nature of technical improvements costing less than SKK 20,000 in the case of tangible fixed assets and SKK 40,000 in the case of intangible fixed assets with an estimated useful life greater than one year are charged to the profit and loss account when the expenditure is incurred.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The largest components of the Bank's assets are periodically tested for impairment and temporary impairments are provisioned.

g) Provisions for guarantees and other off-balance sheet credit related commitments

In the normal course of business, the Bank enters into credit-related commitments, which are recorded in off-balance sheet accounts and primarily include guarantees, letters of credit and undrawn loan commitments. The Bank makes a general provision for risks that are judged by the management of the Bank to be present at the balance sheet date, but which have not been allocated to specific or individual exposures.

h) Provisions

Provisions are recognised when the Bank has a present legal obligation or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Restructuring reserves are recognised if the Bank has a detailed formal plan for the restructuring that has raised a valid expectation in those impacted that the Bank will carry out the restructuring.

i) Accrued interest

Interest receivable and payable accrued on outstanding loan balances and on deposit products is included in other assets and other liabilities account balances.

j) Foreign currency

Transactions denominated in foreign currencies are recorded in local currency at official exchange rates as announced by the National Bank of Slovakia (the "NBS") on the date of transaction. Assets and liabilities denominated in foreign currencies are translated into local currency at the prevailing National Bank of Slovakia exchange rate on the balance sheet date. Realised and unrealised gains and losses on foreign exchange are recognised in the profit and loss account in "Net profit on financial operations".

k) Interest income and interest expense

Interest income and expense are recognised in the profit and loss account when earned or incurred, on an accrual basis. Outstanding penalties, contractual sanctions and interest on non-performing loans, which are those loans that have overdue interest and/or principal, or for which management of the Bank otherwise believes the contractual interest or principal due may not be received, are only recognised on collection.

l) Fees and commissions

Fees and commissions are recognised in the profit and loss account on an accruals basis.

m) Taxation

Tax on the profit or loss for the year consists of current tax and the change in deferred tax. Current tax consists of tax payable calculated on the basis of the expected taxable income for the year, using the tax rates enacted at the balance sheet date, and any adjustment of tax payable for previous years.

Deferred tax is provided using the balance sheet liability method on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes. The principal temporary differences arise from non-tax deductible reserves and provisions, tax and accounting depreciation on tangible and intangible assets and revaluation of other assets.

The estimated tax value of tax-deductible temporary differences are set off against the deferred tax liability within the same legal tax unit. Net deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is calculated on the basis of the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. The effect on deferred tax of any changes in tax rates is charged to the profit and loss account, except to the extent that it relates to items previously charged or credited directly to equity.

n) Derivative financial instruments

Derivatives include foreign currency and interest rate swaps, currency forwards, forward rate agreements, foreign currency and interest rate options (both put and call options) and other finance derivative instruments. The Bank uses various types of derivative instruments in both its trading and hedging activities.

Derivative financial instruments are stated at fair value. Unrealised gains and losses are reported as "Trading securities" and "Other liabilities". Realised and unrealised gains and losses are recognised in "Net profit/(loss) on financial operations" in the profit and loss account. Fair values for derivatives are based upon quoted market prices or pricing models, which take into account current market and contractual prices of the underlying instruments, as well as time value and yield curve or volatility factors underlying the positions.

Certain derivatives embedded in other financial instruments, such as the conversion option in a convertible bond, are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract, and the host contract is not carried at fair value with unrealised gains and losses reported in income.

Certain derivative transactions, while providing effective economic hedges under the Bank's risk management positions, do not qualify for hedge accounting under the specific rules in IAS 39 and are therefore treated as derivatives held for trading with fair value gains and losses reported in profit and loss account.

o) Earnings per share

Earnings per share has been calculated by dividing the net profit or loss applicable to ordinary shares by the weighted average number of ordinary shares outstanding during the year.

p) Assets under administration

Assets under administration are not included in these financial statements. More details are included in Note 39.

q) Regulatory requirements

The Bank is subject to the regulatory requirements of the NBS. These regulations include those pertaining to minimum capital adequacy requirements, classification of loans and off-balance sheet commitments, credit risk connected with clients of the Bank, liquidity, interest rate and foreign currency position.

r) Cash and cash equivalents

The Bank considers cash, nostro account with the NBS or other financial institutions, treasury bills with a residual maturity up to three months and loro accounts owed to other financial institutions to be cash equivalents. For the purposes of determining cash flows, the minimum reserve deposit with the NBS is not included as a cash equivalent due to restrictions on its availability.

s) Adoption of new accounting standards and reclassifications

In the current year, the Bank has adopted the following International Accounting Standards ("IAS") for the first time:

IAS 39	Financial Instruments: Recognition & Measurement
IAS 40	Investment Property

Adoption of these IAS has resulted in some changes in the detailed application of the Bank's accounting policies and some modifications to financial statements presentation. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

Revisions to a number of other IAS also took effect in 2001. Those revisions concerned matters of detailed application which have no significant effect on amounts reported for the current or prior accounting period.

In 2001, the Bank adopted IAS 39 Financial Instruments: Recognition and Measurement. The financial effects of adopting IAS 39 are reported in the Statement of changes in shareholders' equity. Further information is disclosed in accounting policies for Derivative financial instruments, Trading securities, Investment securities. Loans and advances as of January 1, 2001, and provisions for loan impairment and in the related Notes. The principal impacts of the adoption of this standard related to the presentation and valuation of the Bank's securities portfolio and the total carrying value of assets increased by SKK 130 million, being the total impact of the adoption of IAS 39 on the shareholders' equity.

Prior to the adoption of IAS 39, all debt and equity securities, except for trading securities, were measured at amortised cost or cost respectively, providing for permanent value impairments. IAS 39 has been applied prospectively in accordance with the requirements of the standard and therefore comparative financial information has not been restated.

In June, 2001, reflecting the privatisation of the Bank and a change in the investment strategy of majority shareholder, the bank transferred SKK 69.7 billion of bonds from the trading and available for sale portfolios to the held to maturity portfolio. At the same time the Bank commenced the amortisation of the bonds in the held to maturity portfolio.

5. CASH AND BALANCES AT THE NBS

	2001 MSKK	2000 MSKK
Cash balances	4,092	3,145
Nostro account with the NBS	465	370
Minimum reserve deposit with the NBS	7,029	10,359
Total	**11,586**	**13,874**

Minimum reserve deposits represent mandatory deposits (bearing 1.5% interest) calculated in accordance with regulations promulgated by the NBS (5% and 6.5% of bank's liabilities in 2001 and 2000 respectively), and whose withdrawal is restricted. The nostro balances represent balances with the NBS relating to settlement activities and were available for withdrawal at year-end.

6. LOANS AND ADVANCES TO FINANCIAL INSTITUTIONS

	2001 MSKK	2000 MSKK
Repayable on demand	613	631
Loans and advances to financial institutions	18,820	10,277
Placements with financial institutions	34,201	32,665
Subtotal	**53,634**	**43,573**
Provisions	(49)	(1,075)
Total	**53,585**	**42,498**

Loans and advances to banks as of December 31, 2000, included a state guaranteed loan of SKK 2.4 billion to KBB as a part of restructuring process of the Bank. Interest was charged at 10.3% per annum until October 24, 2000, from which date following the market conditions the rate was reduced to 8.2%. On January 31, 2001, the loan was settled in full by the assignment to the Bank of 2,398 Slovak government bonds with a nominal value of SKK 1 million each. The bonds, which mature on January 30, 2008, pay interest twice annually (in first year annually) at a rate equivalent to six month BRIBOR.

As of December 31, 2000, there were other gross advances to KBB, with varying maturity dates, totalling SKK 2.2 billion. On March 27, 2001, the Slovak Ministry of Finance and the National Property Fund of the Slovak Republic jointly issued written confirmation to the Bank that SKK 1.3 billion of the proceeds arising from the sale of the State's shares in the Bank will be used for the payment of these advances (fully repaid on April 10, 2001) and that they will, within their power, ensure that KBB repays all other principal balances and related interest on the due dates (on February 13, 2001, SKK 100 million was repaid).

Classified loans

The nominal value of loans classified as substandard, doubtful or loss, included in loans and advances to financial institutions, totalled SKK 49 million as of December 31, 2001, (2000: SKK 1,075 million).

Classified loans to a Russian bank along with provisions amounting to SKK 1,026 billion were written-off during 2001 (refer also to Note 8).

7. LOANS AND ADVANCES TO CUSTOMERS

	2001 MSKK	2000 MSKK
Corporate clients	17,235	49,366
Retail clients	11,362	11,000
Public sector	1,445	1,513
Subtotal	**30,042**	**61,879**
Provisions	(7,151)	(6,313)
Total	**22,891**	**55,566**

Loans and advances to customers as of December 31, 2000, include two loans to SK totalling SKK 30 billion. The loans consists of SKK 20.4 billion due for repayment in full on January 31, 2001, and SKK 9.6 billion due for full repayment on March 31, 2001. Interest was charged on the loans until October 11, 2000, at 10.3% per annum, from which date, following the market conditions, the rate reduced to 8.2% per annum. On January 31, 2001, and March 31, 2001, both loans were settled in full by the assignment to the Bank of Slovak government bonds (see Note 10). The following tables and information outline the Bank's portfolio:

Type of loans

	2001 MSKK	2000 MSKK
Corporate and other loans	11,324	43,213
Retail loans (net of mortgage loans)	10,294	10,754
Loans denominated in foreign currency	5,267	5,617
Mortgage loans	1,068	246
Public sector	1,445	1,513
Leasing	644	536
Total	**30,042**	**61,879**

Industry sector analysis

The table below details the breakdown of loans and receivables from clients by industry sector.

	2001 MSKK	2000 MSKK
Non-financial service companies	14,397	46,850
Individuals and sole traders – Slovak resident	12,747	12,332
Non-resident companies and individuals	637	782
Government	1,445	1,513
Financial services companies	736	347
Other	80	55
Total	**30,042**	**61,879**

The legal framework relating to creditors rights restricts the Bank's ability to realise collateral values for certain types, especially real estate. Recent modifications in legislation designed to strengthen the position of creditors may improve recovery of these loans. The Bank continues to use all legal remedies available to it.

Risk categorization of loans and receivables

The table below details the breakdown of loans and advances to clients by specific risks identified within the credit portfolio of the Bank. The Bank has divided the credit portfolio into two parts corresponding to the credit risk characteristics of the underlying loans and receivables. The table below presents loans and receivables that are being managed under a special regime and the remaining loan portfolio.

	Gross exposure MSKK	Collateral MSKK	Net exposure MSKK	Provisions and reserves MSKK
Special loans and receivables				
Transfer claims	952	237	715	340
Fully provisioned receivables	4,220	-	4,220	4,220
Subtotal	**5,172**	**237**	**4,935**	**4,560**
Remaining receivables by NBS classification				
Standard	15,025	-	15,025	-
Watch	7,101	-	7,101	-
Substandard	840	484	356	188
Doubtful	730	109	621	298
Loss	1,174	453	721	1,307
Subtotal	**24,870**	**1,046**	**23,824**	**1,793**
General reserves for credit risk				**798**
Total	**30,042**	**1,283**	**28,759**	**7,151**

Collateral values are stated net of discount that indicates the estimated recovery rate of the relevant type of collateral.

Transfer Claims include loans and receivables that are included in the Right to Transfer Certain Credits under the Share Purchase Agreement. This matter is explained in greater detail in Note 2c) to the financial statements.

Fully-provisioned receivables include receivables against which the Bank has created 100% provisions without taking into account the possibility of recovering collateral.

Suspended interest related to non-performing loans that are overdue by greater than 90 days amounted to SKK 1,506 million (2000: SKK 1,732 million).

8. PROVISIONS FOR LOSSES ON LOANS AND ADVANCES

a) Composition of provisions for loan losses

	2001 MSKK	2000 MSKK
Loans and advances to financial institutions	49	1,075
Loans and advances to customers	6,353	5,100
General provisions	798	1,213
Total provisions for losses on loans and advances	**7,200**	**7,388**

b) Movements in provisions for credit risks

	2001 MSKK	2000 MSKK
As of January 1	7,388	16,481
Net release of provisions (Note 23)	(110)	(8,064)
Other	(78)	(1,029)
As of December 31	**7,200**	**7,388**

In accordance with statutory rules, Bank released General provisions amounting to SKK 565 million in 2001.

The charge to profit and loss account for the year is set out in Note 23.

9. TRADING SECURITIES

	2001 MSKK	2000 MSKK
Debt securities and other fixed income securities – listed	2,870	3,805
Equity securities – unlisted shares in SKK	-	71
Financial derivatives with positive fair value	42	-
Total	**2,912**	**3,876**

Debt securities at fair value comprise:

	2001 MSKK	2000 MSKK
Variable yield debt securities in SKK	*102*	*50*
Fixed yield debt securities		
– Slovak crowns	2,362	2,684
– Other currencies	406	1,071
Total fixed yield debt securities	*2,768*	*3,755*
Total debt securities	**2,870**	**3,805**

Debt securities held for trading at fair value, allocated by issuer, comprise:

	2001 MSKK	2000 MSKK
– State institutions in the Slovak Republic	2,317	3,288
– Foreign state institutions	88	177
– Financial institutions in the Slovak Republic	103	99
– Foreign financial institutions	140	-
– Other entities in the Slovak Republic	134	241
– Other foreign entities	88	-
Total debt trading securities	**2,870**	**3,805**

10. SECURITIES AVAILABLE FOR SALE

The structure of the available for sale portfolio is as follows:

	2001 MSKK	2000 MSKK
Debt securities and other fixed income securities		
Listed	9,073	34,470
Unlisted	2,046	130
Equity securities – shares in SKK		
Listed	343	808
Unlisted	60	-
Total	**11,522**	**35,408**

The table below shows the impact of the replacement of loans to specialised banks and restructuring agencies by state restructuring bonds in January 2001 as further discussed in Note 2(c):

Replaced loan from	No.	Nominal value SKK	Interest rate	Available for sale portfolio MSKK	Held to maturity portfolio MSKK	Total MSKK
Konsolidačná banka Bratislava, š. p. ú.	2,398	1,000,000	6 m BRIBOR	796	1,602	2,398
Slovenská konsolidačná, a. s.	12,398	1,000,000	6 m BRIBOR	-	12,398	12,398
Slovenská konsolidačná, a. s.	9,700	1,000,000	8%	-	9,700	9,700
Slovenská konsolidačná, a. s.	7,900	1,000,000	6 m BRIBOR	900	7,000	7,900
Total				**1,696**	**30,700**	**32,396**

Interest on the above listed bonds is payable one year after date of issue and bi-annually thereafter.

Debt securities in the available for sale portfolio at fair value comprise:

	2001 MSKK	2000 MSKK
Variable yield debt securities		
– Slovak crowns	2,540	485
– Other currencies	-	-
Total variable yield debt securities	**2,540**	**485**
Fixed yield debt securities		
– Slovak crowns	8,200	34,115
– Other currencies	379	-
Total fixed income debt securities	**8,579**	**34,115**
Total debt securities	**11,119**	**34,600**

Debt securities in the available for sale portfolio, allocated by issuer, comprise:

	2001 MSKK	2000 MSKK
– State institutions in the Slovak Republic	7,537	29,571
– Financial institutions in the Slovak Republic	461	1,543
– Foreign financial institutions	1,999	-
– Other entities in the Slovak Republic	1,122	3,486
Total available for sale debt securities	**11,119**	**34,600**

Shares held in available for sale at fair value, split by issuer, consist of:

	2001 MSKK	2000 MSKK
– Financial institutions in the Slovak Republic	93	77
– Other entities in the Slovak Republic	310	731
Total available for sale shares and participation certificates	**403**	**808**

11. INVESTMENT SECURITIES

As mentioned in Note 4 (s), in June 2001, the Bank moved SKK 69.7 billion from the trading and available for sale portfolios to held to maturity portfolio At the same time the Bank started amortising the bonds in the held to maturity portfolio.

	2001 MSKK	2000 MSKK
Held-to-maturity securities	82,887	15,880
Fixed asset investments:		
Associates accounted for under the equity method	1,108	910
Subsidiaries excluded from consolidation	193	191
Other investments	260	361
Total	**84,448**	**17,342**

Held-to-maturity debt securities comprise:

	2001 MSKK	2000 MSKK
Variable yield debt securities		
– Slovak Crowns	26,275	-
Total variable yield debt securities	**26,275**	**-**
Fixed yield debt securities		
– Slovak Crowns	50,382	13,776
– Other currencies	6,230	2,104
Total fixed yield debt securities	**56,612**	**15,880**
Total debt securities	**82,887**	**15,880**

Held-to-maturity investments at carrying value, split by issuer, consist of:

	2001 MSKK	2000 MSKK
– State institutions in the Slovak Republic	78,319	12,735
– Financial institutions in the Slovak Republic	188	173
– Other entities in the Slovak Republic	4,080	2,972
– Other foreign entities	300	-
Total debt securities held to maturity	**82,887**	**15,880**

Fixed assets investments comprise:

Associates accounted for under the equity method

	2001 MSKK	2000 MSKK
Shares at cost	711	570
Share of net profit of previous years	199	133
Share of net profit of current year	284	283
Dividends received	(86)	(76)
Share in net assets	**1,108**	**910**

The Bank's investment in mortgage bank Prvá stavebná sporiteľňa, a. s. (PSS) represents 35% of PSS's share capital (and voting rights) and is accounted under the equity method of accounting. The other two shareholders of PSS both hold 32.5% interest. The increase of the share capital of PSS was financed from undistributed profits of previous years.

As of December 31, 2001, PSS reported in its financial statements prepared in accordance with accounting principles valid in the Slovak republic total assets amounting to SKK 42,708 billion (December 31, 2000: SKK 42,738 billion). In those financial statements, PSS also reported net profit of SKK 1,113 million for the year ending December 31, 2001 (2000: SKK 819 million).

Subsidiaries excluded from consolidation

The following table provides details of the 100% controlled companies of the Bank whose accounts and results have not been consolidated in these financial statements as they are not considered material and would not materially influence the result or net assets of the Bank. These companies are classified as investment securities and are stated at cost less any provision for impairment in value.

Name	Activity	2001 MSKK	2000 MSKK
Sporing, a. s.	Hotel	383	383
Devin Istria d.o.o. Croatia	Hotel	34	35
SPOROASSET Management	Asset Management	60	-
Subtotal		**477**	**418**
Provisions for impairment		(284)	(227)
Total		**193**	**191**

Net carrying amounts of subsidiaries listed above approximate their net asset values as reported by those subsidiaries in their financial statements prepared in accordance with accounting principles valid in the Slovak republic.

Other investments

The Bank has the following associates (which are carried at cost less any provisions for impairment in value) and other investments:

Name	Activity	Holding		Cost	
		2001 %	2000 %	2001 MSKK	2000 MSKK
Univerzálna banková poisťovňa, a. s.	Insurance	46.00	46.00	143	143
Satel, a. s., Poprad	Hotel	2.97	42.01	6	79
Subtotal				**149**	**222**
Provisions for impairment				(89)	(79)
Total investments net of provisions				**60**	**143**
Other investments				200	218
Total				**260**	**361**

Net carrying amounts of associates listed above approximate their net asset values as reported by those companies in their financial statements prepared in accordance with accounting principles valid in the Slovak Republic.

12. INTANGIBLE ASSETS

	Intangible fixed assets MSKK	Assets not in use MSKK	Total MSKK
Cost			
January 1, 2001	2,037	-	2,037
Additions	322	87	409
Disposals	(162)	-	(162)
December 31, 2001	**2,197**	**87**	**2,284**
Accumulated amortisation			
January 1, 2001	1,417	-	1,417
Additions (Note 25)	392	-	392
Disposals	(162)	-	(162)
December 31, 2001	**1,647**	**-**	**1,647**
Net book value			
December 31, 2001	**550**	**87**	**637**
December 31, 2000	620	-	620

13. PROPERTY AND EQUIPMENT

	Land and buildings MSKK	Equipment fixtures and fittings MSKK	Motor vehicles MSKK	Total MSKK
Cost				
January 1, 2001	7,331	7,356	153	14,840
Additions	400	677	37	1,114
Disposals	(46)	(433)	(73)	(552)
December 31, 2001	**7,685**	**7,600**	**117**	**15,402**
Accumulated depreciation				
January 1, 2001	1,435	5,234	143	6,812
Additions (Note 25)	176	690	3	869
Provisions for impairment	100	-	-	100
Disposals	(25)	(373)	(35)	(433)
December 31, 2001	**1,686**	**5,551**	**111**	**7,348**
Net book value				
December 31, 2001	**5,999**	**2,049**	**6**	**8,054**
December 31, 2000	5,896	2,122	10	8,028

In implementing its restructuring program the Bank has identified assets that are not in use, are partially used and are held as available for sale or sublease. The difference between the carrying value of these assets and their estimated selling price, as determined by management of the Bank, has been recognised as an impairment of assets in accordance with IAS 36 and included in the profit and loss account in "Other operating income/(expense)".

14. OTHER ASSETS

	2001 MSSK	2000 MSSK
Accrued income	5,539	4,707
Prepaid expenses	201	260
Various receivables	197	907
Other assets	486	1,366
Total	**6,423**	**7,240**

15. AMOUNTS OWED TO FINANCIAL INSTITUTIONS

	2001 MSSK	2000 MSSK
Repayable on demand	555	288
Other	10,321	4,760
Total	**10,876**	**5,048**

16. AMOUNTS OWED TO CUSTOMERS

	2001 MSSK	2000 MSSK
Repayable on demand	50,678	42,698
Other	122,205	115,308
Total	**172,883**	**158,006**

Analysis of amounts owed to customers:

	2001 MSSK	2000 MSSK
Savings deposits	82,816	81,201
Other		
Public sector	2,656	1,893
Corporate clients	15,484	14,245
Retailil clients	69,874	58,700
Other	2,053	1,967
Total	**172,883**	**158,006**

17. PROVISIONS FOR LIABILITIES AND OTHER RESERVES

	2001 MSSK	2000 MSSK
Provision for off-balance sheet and other risks	627	1,227
Restructuring reserves	600	-
Provisions for interest bearing products	949	1,022
Other reserves	659	481
Total	**2,835**	**2,730**

a) Provision for off-balance sheet credit risks

The provisions for off-balance sheet and other risks has been created to cover losses which are present in the off-balance sheet and other exposures but which have not been specifically identified.

During 2001, the Bank decided to release SKK 600 million of provisions and reserves as management of the Bank believe that the risks covered by these reserves as of December 31, 2000, have been resolved through business operations or through indemnities included in the Share Purchase Agreement.

b) Restructuring reserves

The Bank has developed a detailed formal plan for restructuring its business. The Bank has created restructuring reserves of SKK 600 million in 2001.

The following table provides a summary of the restructuring reserves as of December 31, 2001:

	MSKK
Costs of closure of branches	154
Costs of replacement of software	319
Costs of severance and compensation associated with reducing staff numbers	127
Total balance as of December 31, 2001	**600**

The balance of restructuring reserves is reported on the face of the balance sheet under the caption "Provisions for liabilities and other reserves". The profit and loss account reflects restructuring reserves under the heading "Other operating income/(expense)" in the amount of SKK 600 million (see Note 26).

The Bank expects that these restructuring charges will be used over the coming two years. The restructuring process may result in other costs and expenses being incurred. These costs and expenses will be recorded as incurred in the profit and loss account on an accruals basis of accounting.

c) Provisions for interest-bearing products

Provision has been made for the estimated losses on several deposit products, which were offered by the Bank at high fixed interest rates. In the opinion of the management, on the basis of the latest available information and advice, the amount of the provision represents the total expected losses on these products.

The following table provides a roll forward of the provisions for interest-bearing products:

	MSKK
Balance as of January 1, 2001	**1,022**
Allocation during the year	140
Usage during the year	(213)
Total balance as of December 31, 2001	**949**

d) Other reserves

Other reserves comprise Reserve for long-term employee benefit plans amounting to SKK 114,462 thousand and SKK 142,993 thousand as of year-end 2001 and 2000 respectively. Other reserves also include accruals for bonuses.

18. OTHER LIABILITIES

	2001 MSKK	2000 MSKK
Various creditors	1,892	2,664
Accounting with stock market participants	843	6
Accrued expenses	796	1,370
Deferred income	119	135
Interest rate financial derivatives with negative fair value	70	-
Other short-term payables to customers	190	425
Total	**3,910**	**4,600**

19. SUBORDINATED DEBT

The Bank obtained an unsecured and subordinated loan of US$ 80 million from Bankers Trust Luxembourg SA ('BT') in December 1996. The loan from BT was funded from a fiduciary issue of US$ 80 million Subordinated Floating Rate Notes due in 2006. During 2001, the interest on the loan was at a rate equal to LIBOR plus 1.25% per annum.

Originally the loan was scheduled for repayment in December 2006. However, in December 2001, the Bank exercised its put option under which it repaid Floating Rate Notes totalling US$50 million at a price equal to 85.875% of the nominal value, plus accrued interest. At the same time the Bank repaid the remaining part of its outstanding subordinated debt.

20. SHARE CAPITAL

Authorised, called-up and fully paid share capital consists of the following:

Nominal value	Number of shares	2001 MSKK	Number of shares	2000 MSKK
SKK 1,000 each	2,174,207	2,174	2,174,207	2,174
SKK 100,000,000 Sk each	42	4,200	42	4,200
Total		**6,374**		**6,374**

Information on other reserves and funds is provided in the Statement of changes in shareholders' equity.

21. INTEREST INCOME

	2001 MSKK	2000 MSKK
Loans and advances to financial institutions	3,589	3,769
Loans and advances to customers	2,508	7,255
Debt securities and other fixed income securities	7,405	5,861
Derivatives	268	-
Other interest income and similar income	42	-
Proceeds from shares and other variable yield securities	127	82
Total	**13,939**	**16,967**

Changes in the source of interest income during 2001 compared to 2000 were caused namely by the replacement of a large portion of loans and advances to customers by Slovak government bonds as further described in Note 2 (c).

22. INTEREST EXPENSE

	2001 MSKK	2000 MSKK
Amounts owed to financial institutions	228	477
Amounts owed to customers	8,376	11,621
Subordinated debt	240	294
Other	36	-
Total	**8,880**	**12,392**

Large decrease in interest expense was caused primarily by the decrease in interest rates as further explained in Note 34.

23. PROVISIONS FOR LOSSES ON LOANS AND ADVANCES

	2001 MSKK	2000 MSKK
Provisioning charges	(639)	(21,244)
Release of provisions	749	29,308
Net release of provisions (Note 8)	110	8,064
Gain on the disposal of transferred receivables	-	(4,200)
Recoveries of loans written off / other	16	(14)
Total	**126**	**3,850**

In 2001, the Bank has changes its methodology for reporting charges and releases of provisions. For 2000, no comparatives were available in the format the Bank has reported for 2001 as the Bank's financial reporting system does not allow to calculate such amounts for 2000.

24. NET PROFIT ON FINANCIAL OPERATIONS

	2001 MSKK	2000 MSKK
Realised and unrealised net profit:		
Profit on trading securities	188	738
Foreign exchange gains	555	821
Total	**743**	**1,559**

25. GENERAL ADMINISTRATIVE EXPENSES

Composition of general administrative expenses

	2001 MSKK	2000 MSKK
Staff costs		
Wages and salaries	1,718	1,663
Social security costs	553	623
Other staff costs	98	87
Other personnel costs	50	0
Total staff costs	***2,419***	***2,373***
Other administrative expenses		
Data processing expenses	152	109
Building maintenance and rent	288	333
Costs of bank operations	319	324
Advertising and marketing	98	99
Other administrative expenses	1,130	649
Total other administrative expenses	***1,987***	***1,514***
Depreciation		
Amortisation of intangible assets and other adjustments (Note 12)	392	281
Depreciation of property and equipment including impairment provisions (Note 13)	969	788
Total depreciation, amortisation and other adjustments	***1,361***	***1,069***
Total	**5,767**	**4,956**

Average number of employees reached 6,184 and 6,509 as of December 31, 2001, and December 31, 2000, respectively.

26. OTHER OPERATING INCOME AND EXPENSE

	2001 MSKK	2000 MSKK
Income from revaluation/sale of securities available-for-sale	2,588	2,838
Income from revaluation/sale of investment securities	5	1
Income from revaluation/sale of participations	16	71
Other operating income	444	371
Total other operating income	***3,053***	***3,281***
Revaluation/sale of securities available-for-sale	(2,361)	(3,310)
Revaluation/sale of investment securities	(23)	(91)
Revaluation/sale of participations	(157)	(117)
Restructuring charges (Note 17)	(600)	-
Other reserves	650	(767)
Other operating expense	(486)	(536)
Total other operating expense	***(2,977)***	***(4,821)***
Total other operating income / (expense)	**76**	**(1,540)**

Other operating income for the year ending December 31, 2001, includes additional effect of the realisation of the call option relating to the subordinated debt totalling SKK 264 million.

27. INCOME TAX EXPENSE AND DEFERRED TAXATION

	2001 MSKK	2000 MSKK
Current tax expense (representing withholding tax at 15%)	637	742
Deferred tax expense	-	-
Total	**637**	**742**

The actual tax on the Bank's profit before tax differs from the theoretical amount that would arise using the basic tax rate of the Slovak Republic as follows:

	2001 MSKK	2000 MSKK
Profit before tax	1,784	4,817
Income not subject to corporate income tax:		
Releases of provisions and reserves	(6,935)	(20,005)
Income from securities (subject to withholding tax or exempt)	(6,804)	(5,511)
Other	(551)	(3,265)
Expenses not deductible for tax purposes		
Allocation of provisions and reserve	5,370	15,331
Other	3,172	3,987
Tax base	**(3,964)**	**(4,646)**
Tax calculated at a tax rate of 25% (2000: 29%)	-	-
Corporate Income tax expense	-	-
Withholding tax expense	637	742
Deferred tax expense	-	-
Total tax expense	**637**	**742**

The Bank has incurred tax losses in recent years. These losses cannot be carried forward to set against future taxable income - as the tax losses have been incurred through allowable deductions from the tax base resulting from income subject to withholding taxes from State bonds. As such, a deferred tax asset has not been recognised for these tax losses.

Potential deferred tax asset amounted to SKK 1,131 million, arising from deductible temporary differences relating primarily to loan loss provisions, which are not deductible for tax reporting purposes, net of deferred tax liabilities. There is substantial uncertainty that the Bank will be able to realise these and accordingly no deferred tax asset has been recognised.

28. PROFIT PER SHARE

	2001 MSKK	2000 MSKK
Net profit applicable to ordinary shares	1,147	4,075
Weighted average number of shares	2,174	2,174
Basic and diluted profit per share (SKK)	**528**	**1,874**

The fall in net profits (and profit per share) was caused by unusual and non-recurring events which occurred as part of the transformation and restructuring process of the Bank in 2000 as described in Note 3.

29. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows are composed of the following items:

	2001 MSKK	2000 MSKK
Cash on hand (Note 5)	4,092	3,145
Nostro accounts with the NBS (Note 5)	465	370
Treasury bills with maturity of less than three months	318	2,827
Accounts with other financial institutions repayable on demand (Note 6)	613	631
Amounts owed to financial institutions repayable on demand (Note 15)	(555)	(288)
Total cash and cash equivalents	**4,933**	**6,685**

30. ADOPTION OF IAS 39 AS OF JANUARY 1, 2001, IN THE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

On the adoption of IAS 39 as of January 1, 2001, all securities were classified as trading portfolio, available for sale portfolio or held to maturity portfolio. Securities designated as trading and available for sale were re-measured to fair value. Securities designated as held to maturity were re-measured to amortised cost value. The difference between their original carrying value and their fair value or amortised cost value as of January 1, 2001, was credited to retained earnings. Gains and losses arising from the change in the fair value of trading and available for sale investments since that date are recognised directly to profit and loss account.

	January 1, 2001 MSKK
Trading portfolio	56
Available for sale portfolio	(98)
Held to maturity portfolio	189
Other	(17)
Effect of adoption of IAS 39, net of tax	**130**

31. FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to the right to receive cash or another financial asset from another party (financial asset) or the obligation to deliver cash or another financial asset to another party (financial liability).

Financial instruments may result in certain risks to the Bank. The most significant risks the Bank faces include:

Credit risk

The Bank takes on exposure to credit risk which is the risk that a counter-party will be unable to pay amounts in full when due. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or Banks of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review. The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on and off-balance sheet exposures and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily. Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

Market risk

The Bank takes on exposure to market risks. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Bank applies a 'value at risk' methodology to estimate the market risk of positions held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. The Management Board sets limits on the value of risk that may be accepted, which is monitored on a daily basis.

Foreign currency risk

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Bank manages this risk by establishing and monitoring limits on open positions. In addition to monitoring limits, the Bank also uses the "value at risk" concept for measuring its open foreign currency position, and for trading positions etc. The Bank's net open foreign exchange positions as of December 31, 2001, are shown in Note 33.

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Bank manages its interest rate risk through monitoring the re-pricing dates of the Bank's assets and liabilities and developing models showing the potential impact that changes in interest rates may have on the Bank's net interest income. Refer to Note 34.

Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulties in raising funds to meet commitments associated with financial instruments. The Bank's liquidity position is monitored and managed based on expected cash inflows and outflows and adjusting interbank deposits and placements accordingly. Refer to Note 36 for an analysis of the Bank's liquidity risk as of December 31, 2001 and 2000.

In addition to the risks noted here, the Bank also deals in derivative financial instruments, discussed in greater detail in Note 32.

32. OFF-BALANCE SHEET ITEMS AND DERIVATIVE FINANCIAL INSTRUMENTS

In the normal course of business, the Bank becomes a party to various financial transactions that are not reflected on the balance sheet and are referred to as off-balance sheet financial instruments. The following represent notional amounts of these off-balance sheet financial instruments, unless stated otherwise.

a) Contingent liabilities

Legal disputes

At the balance sheet date the Bank was involved in various claims and legal proceedings of a nature considered normal to its business. The level of these claims and legal proceedings correspond to the level of claims and legal proceedings in previous years.

The Bank believes that the various asserted claims and litigations in which it is involved will not materially affect its financial position, future operating results or cash flows, although no assurance can be given with respect to the ultimate outcome of any such claim or litigation.

The Bank has been named as a defendant in a legal action brought by one particular party regarding the legality of the acquisition of the assets, liabilities and business of Priemyselná banka, a. s. Košice ('PBKO'), a bank which had been placed under administration by the National Bank of Slovakia on October 19, 1999. The Bank acquired the assets, liabilities and business of PBKO on December 16, 1999. The acquisition was made primarily to protect the Bank's exposures to PBKO, which, at that time, totalled SKK 5.4 billion. Under the terms of the agreement with the Administrator of PBKO, the Bank agreed to pay a nominal consideration of SKK 1. The fair value of the net liabilities assumed amounted to SKK 2,163 million giving rise to goodwill of SKK 2,163 million which was immediately written off on acquisition. The ultimate outcome of this litigation cannot be ascertained at this time. Based on Share Purchase Agreement, the Ministry of Finance guarantees that the Bank will not suffer any losses in case this transaction will be considered as invalid or contrary to current legislation. The Bank therefore does not consider that it is exposed to losses from this litigation and has not recorded a reserve for this matter.

Taxation

Slovak tax legislation has changed significantly in the past several years. Many parts of the legislation remain untested and there is uncertainty about the interpretation that the financial authorities may apply in a number of areas. The effect of this uncertainty cannot be quantified and will only be resolved as legislative precedents are set or when the official interpretations of the authorities are available.

Capital commitments

In the normal course of business, the Bank places orders and executes contracts for the purchase of property and equipment. Recently, the Bank has initiated a major project for the replacement and upgrade of its major information technology systems. The estimated total cost for these purchases is approximately SKK 2,830 million. The Bank's management is confident that future net revenues and funding will be sufficient to cover this commitment.

Assets pledged

Certain assets are pledged as collateral in the normal course of business. As of December 31, 2001, these amounted SKK 4,269 million. Mandatory reserve deposits are held at the NBS in accordance with statutory requirements.

Commitments from guarantees and letters of credit

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards.

Guarantees, irrevocable letters of credit and undrawn loan commitments are subject to similar credit risk monitoring and credit policies as utilised in the extension of loans. The management of the Bank believes the market risk associated with guarantees, irrevocable letters of credit and undrawn loans commitments to be minimal.

Commitments from guarantees and loan commitments are comprised of the following:

Item	2001 MSKK	2000 MSKK
Domestic guarantees provided	495	602
Guarantees from letter of credits	48	61
Loan commitments	41	5
Undrawn loans	701	183
Total	**1,285**	**851**

b) Derivatives

The Bank maintains strict control limits on net open derivative positions, i.e. the difference between purchase and sale contracts, by both amount and term. At any one time the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Bank (i.e. assets), which in relation to derivatives is only a small fraction of the contract or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except of trading with clients, where the Bank in most of the cases requires margin deposits.

As of December 31, 2001, the Bank reports the following derivative instruments with positive fair values of SKK 42 million and negative fair values of SKK 70 million. Comparatives are not available.

Foreign currency contracts

Foreign currency contracts are agreements to exchange specific amounts of currencies at a specified rate of exchange, at a spot date (settlement occurs two days after the trade date) or at a forward date (settlement occurs more than two days after the trade date). The notional amount of these contracts does not represent the actual market or credit risk associated with these contracts.

Foreign currency contracts are used by the Bank for risk management and trading purposes. The Bank's risk management foreign currency contracts were used to hedge against exchange rate fluctuations on loans and advances to credit institutions denominated in foreign currency.

As of December 31, 2001, notional amounts of foreign currency contracts receivables and payables amounted to SKK 4,547 million and SKK 6,067 million, respectively.

Interest rate swaps

Interest rate swaps obligate two parties to exchange one or more payments calculated with reference to fixed or periodically reset rates of interest applied to a specific notional principal amount. Notional principal is the amount upon which interest rates are applied to determine the payment streams under interest rate swaps. Such notional principal amounts often are used to express the volume of these transactions but are not actually exchanged between the counter-parties. The Bank's interest rate swaps were used for management of interest rate exposures and have been accounted for at mark-to-market fair value. Their notional amounts consist of the following:

	Receivable MSKK	Payable MSKK	Weighted average rate received	Paid
Notional amounts – residual maturity:				
As of December 31, 2001:				
– up to 1 year	–	–	–	–
– 1 to 5 years	138	138	7.73%	8.54%
– over 5 years	242	242	2.31%	8.50%
Total	**380**	**380**		
As of December 31, 2000:				
– 1 to 5 years	138	138	7.73%	8.54%
Total	**138**	**138**		

Option contracts

Foreign currency option contracts both sold and purchase amounted to SKK 359 million as of December 31, 2001 (2000: SKK 3,060 million).

Forward rate agreements

A forward rate agreement is an agreement to settle amounts at a specified future date based on the difference between an interest rate index and an agreed upon fixed rate. Market risk arises from changes in the market value of contractual positions caused by movements in interest rates. The Bank limits its exposure to market risk by entering into generally matching or offsetting positions and by establishing and monitoring limits on unmatched positions. Credit risk is managed through approval procedures that establish specific limits for individual counterparties. The Bank's forward rate agreements were transacted for management of interest rate exposures and have been accounted for at mark to market fair value consists of the following:

National amounts	2001 MSKK	Weighted average rate 2001	2000 MSKK	Weighted average rate 2000*
Residual maturity of 1 year or less:				
Purchase	570	7.64%	500	*
Sale	2,090	7.82%	300	*

* comparatives not available.

Currency interest rate swaps

Currency interest rate swaps are combinations of interest rate swaps and a series of foreign currency contracts. As with interest rate swaps, the Bank agrees to make fixed versus floating interest payments at periodic dates over the life of the instrument. These payments are, however, in different currencies, are gross and not settled on a net basis. Unlike interest rate swaps, the notional balances of the different currencies to which these interest payments are based are typically exchanged at the beginning and re-exchanged at the end of the contract period.

Notional amounts	2001 MSKK	2000 MSKK
Trading instruments		
Commitments to purchase	1,179	-
Commitments to sell	1,179	-

33. NET FOREIGN EXCHANGE POSITIONS

The table below provides an analysis of the Bank's main currency exposures. The remaining currencies are shown within 'Other currencies.'

	EURO MSKK	USD MSKK	Czech crown MSKK	Other MSKK	Slovak crown MSKK	Total MSKK
Cash and balances at the NBS	855	151	133	126	10,321	11,586
Loans and advances to financial institutions	4,604	8,537	462	755	39,227	53,585
Loans and advances to customers, net	1,635	3,529	-	-	17,727	22,891
Trading securities	260	146	-	-	2,506	2,912
Securities available for sale	379	-	-	-	11,143	11,522
Investment securities	6,240	-	1	-	78,207	84,448
Intangible assets	-	-	-	-	637	637
Property and equipment	-	-	-	-	8,054	8,054
Other assets	327	143	17	12	5,924	6,423
Total assets	**14,300**	**12,506**	**613**	**893**	**173,746**	**202,058**
Amounts owed to financial institutions	725	558	48	40	9,505	10,876
Amounts owed to customers	9,384	7,445	624	795	154,635	172,883
Provisions for liabilities and other reserves	-	-	-	-	2,835	2,835
Other liabilities	139	32	1	3	3,735	3,910
Subordinated debt	-	-	-	-	-	-
Shareholders' equity	-	-	-	-	11,554	11,554
Total liabilities	**10,248**	**8,035**	**673**	**838**	**182,264**	**202,058**
Net FX position as of December 31, 2001	*4,052*	*4,471*	*(60)*	*55*	*(8,518)*	-
Off-balance sheet assets	2,755	5,411	110	279	14,930	23,485
Off-balance sheet liabilities	3,912	10,060	84	425	17,599	32,080
Net off-balance sheet FX position	*(1,157)*	*(4,649)*	*26*	*(146)*	*(2,669)*	*(8,595)*
Total net FX position as of December 31, 2001	**2,895**	**(178)**	**(34)**	**(91)**	**(11,187)**	**(8,595)**
Total assets as of December 31, 2000	7,489	16,605	484	782	159,092	184,452
Total liabilities as of December 31, 2000	7,778	10,875	513	701	164,585	184,452
Net FX position as of December 31, 2000	*(289)*	*5,730*	*(29)*	*81*	*(5,493)*	-
Net off-balance sheet FX position	*(16)*	*(6,104)*	*86*	*(95)*	*(30,530)*	*(36,659)*
Total net FX position as of December 31, 2000	**(305)**	**(374)**	**57**	**(14)**	**(36,023)**	**(36,659)**

34. INTEREST RATE RISK

a) Interest rate re-pricing analysis

The following table presents the interest rate re-pricing dates of the Bank. Variable yield assets and liabilities have been reported according to their next rate re-pricing date. Fixed income assets and liabilities have been reported according to their scheduled principal repayment dates.

As of December 31, 2001	On demand and less than 1 month MSKK	1 to 3 months MSKK	3 months to 1 year MSKK	1 to 5 years MSKK	Over 5 years MSKK	Un-defined MSKK	Total MSKK
Cash and balances at the NBS	-	-	-	-	-	11,586	11,586
Loans and advances to financial institutions	40,525	8,366	4,373	321	-	-	53,585
Loans and advances to customers	7,757	2,013	3,353	5,835	3,933	-	22,891
Trading securities	960	-	309	1,474	127	42	2,912
Securities available for sale	3,012	1,512	1,555	5,040	-	403	11,522
Investment securities	21,274	3,657	18,773	36,609	2,575	1,560	84,448
Fixed assets and other assets	2,943	1,422	1,275	-	-	9,474	15,114
Total assets	**76,471**	**16,970**	**29,638**	**49,279**	**6 ,635**	**23 ,065**	**202,058**
Amounts owed to financial institutions	4,826	4,450	294	1,306	-	-	10,876
Amounts owed to customers	96,501	27,854	46,563	1,965	-	-	172,883
Other liabilities	2,869	299	20	43	-	3,514	6,745
Total liabilities	**104,196**	**32,603**	**46,877**	**3,314**	**-**	**3,514**	**190,504**
Current gap	**(27,725)**	**(15,633)**	**(17,239)**	**45,965**	**6,635**	**19,551**	**11,554**
Cumulative gap	**(27,725)**	**(43,358)**	**(60,597)**	**(14,632)**	**(7,997)**	**11,554**	

* comparatives are not available.

b) Effective yield information

The effective yields of significant financial assets and liabilities by major currencies of the banking sector as as of December 31, 2001 and 2000 are as follows.

	December 31, 2001		December 31, 2000	
	Average effective interest rate SKK	Average effective interest rate Other	Average effective interest rate SKK	Average effective interest rate Other
Assets				
Cash and balances at the NBS	7.61%	-	8.24%	-
Loans and advances to financial institutions	7.86%	4.33%	10.04%	6.54%
Loans and advances to customers	10.03%	6.95%	11.81%	10.06%
Treasury bills and bonds	7.04%	-	8.84%	-
Liabilities				
Amounts owed to financial institutions	7.70%	4.35%	9.12%	4.62%
Amounts owed to customers	5.30%	2.71%	8.29%	3.47%
Subordinated debt	-	6.28%	-	7.95%

35. CONCENTRATION OF CREDIT RISK TO SLOVAK STATE

The following table presents the distribution of the Bank's credit risk to the Slovak state, companies controlled by the Slovak government, guarantees issued by the Slovak government and similar exposures:

	December 31, 2001 MSKK
Cash and balances at the NBS	7,494
Loans and advances to financial institutions	22,787
Loans and advances to customers	7,130
Security portfolios	92,250
Other assets	4,745
Total	**134,406**

Given changes in the Bank's systems and reporting processes, no comparative information on concentration of credit risk to the Slovak state is available for disclosure in these financial statements.

The Bank holds a large volume of state debt securities in its trading, available for sale and held to maturity portfolios. A breakdown of the state debt securities is shown below by portfolio and type of security:

	2001 MSKK	2000 MSKK
Trading portfolio		
Treasury bills	1,125	-
State bonds SKK	873	2,535
Slovak government eurobonds	308	707
Companies controlled by the Slovak government	51	229
Available for sale portfolio		
Treasury bills	4,707	126
State bonds SKK	2,452	29,445
Slovak government eurobonds	379	-
Companies controlled by the Slovak government	373	1,241
Held to maturity portfolio		
Treasury bills	1,425	10,903
State bonds SKK	70,263	-
Slovak government eurobonds	2,430	1,831
Companies controlled by the Slovak government	7,864	2,972
Total	**92,250**	**49,989**

State debt securities held in the trading and available for sale portfolios are recognised at cost and are re-valued to market value. Held-to-maturity securities are carried at amortised cost using the effective yield method.

36. MATURITY ANALYSIS

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is the fundamental to the management of the Bank. It is unusual for banks ever to be completely matched since business transacted is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but also increases the risk of losses.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank and its exposure to changes in interest rates and exchange rates.

The table below analyses assets and liabilities of the Bank into relevant maturity based on the remaining period at the balance sheet date to the contractual maturity date:

	On demand and less than 1 month MSKK	1 to 3 months MSKK	3 months to 1 year MSKK	1 to 5 years MSKK	Over 5 years MSKK	Un-defined MSKK	Total MSKK
Cash and balances with the NBS	11,586	-	-	-	-	-	11,586
Loans and advances to financial institutions	40,070	4,357	7,848	1,215	-	95	53,585
Loans and advances to customers	1,545	1,310	3 834	12,269	2,850	1,083	22,891
Trading securities	44	-	1,225	1,440	161	42	2,912
Securities available for sale	303	351	4,638	5,675	152	403	11,522
Investment securities	873	3,658	16,741	36, 617	24,998	1,561	84,448
Other assets	2,943	1,422	1,275	-	-	9,474	15,114
Total assets	**57,364**	**11,098**	**35,561**	**57,216**	**28,161**	**12,658**	**202,058**
Amounts owed to financial institutions	4,755	4,498	317	1,305	1	-	10,876
Amounts owed to customers	92,002	24,462	16,567	37,885	1,965	2	172,883
Other liabilities	2,869	299	20	43	-	3,514	6,745
Total liabilities	**99,626**	**29,259**	**16 ,904**	**39,233**	**1,966**	**3,516**	**190,504**
Current gap	**(42,262)**	**(18,161)**	**18,657**	**17,983**	**26,195**	**9,142**	**11,554**
Cumulative gap	**(42,262)**	**(60,423)**	**(41,766)**	**(23,783)**	**2,412**	**11,554**	

As further explained in Note 4 (r), there are certain restrictions on the availability of minimum reserve deposit with the NBS reported as due on demand and less than 1 month.

The following table shows assets and liabilities as of December 31, 2000, according to their contractual maturities.

	On demand and less than 1 month MSKK	1 to 3 months MSKK	3 months to 1 year MSKK	1 to 5 years MSKK	Over 5 years MSKK	Un-defined MSKK	Total MSKK
Cash and balances with the NBS	13,874	-	-	-	-	-	13,874
Loans and advances to financial institutions	23,980	9,373	6,658	2,486	-	1	42,498
Loans and advances to customers	31,332	2,048	6,593	9,792	3,713	2,088	55,566
Trading securities	-	-	294	2,554	957	71	3,876
Securities available or sale	5 ,073	3,868	4,432	20,425	801	809	35,408
Investment securities	-	2,827	7,854	3,882	1,317	1,462	17,342
Other assets	2,546	1,252	1,126	-	-	10,964	15,888
Total assets	**76,805**	**19,368**	**26,957**	**39,139**	**6,788**	**15,395**	**184,452**
Amounts owed to financial institutions	3,710	243	178	617	300	-	5,048
Amounts owed to customers	74,879	23,451	19,163	40,119	394	-	158,006
Subordinated debt	-	-	3,791	-	-	-	3,791
Other liabilities	3,440	889	14	-	-	2,987	7,330
Total liabilities	**82,029**	**24,583**	**23,146**	**40,736**	**694**	**2,987**	**174,175**
Current gap	**(5,224)**	**(5,215)**	**3,811**	**(1,597)**	**6,094**	**12,408**	**10,277**
Cumulative gap	**(5,224)**	**(10,439)**	**(6,628)**	**(8,225)**	**(2,131)**	**10,277**	

37. FAIR VALUES OF FINANCIAL INSTRUMENTS

IAS 32, "Financial Instruments: Disclosure and Presentation," requires disclosure of the estimated fair value of on- and off-balance sheet financial instruments. Fair value estimates are made at a point in time, based on relevant market data and information about the financial instruments. Because no readily available market exists for a significant portion of the Bank's financial instruments, fair value estimates for these instruments are based on judgements regarding current economic conditions, currency and interest rate characteristics and other factors. Many of these estimates involve uncertainties and matters of significant judgement and cannot be determined with precision. Therefore, the calculated fair value estimates cannot always be substantiated by comparison to developed markets and, in many cases, may not be realised in a current sale of the financial instrument. Changes in underlying assumptions could significantly impact the estimates.

The following table summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Bank's balance sheet at their fair value.

	Carrying value 2001 MSKK	Estimated fair value 2001 MSKK	Carrying value 2000 MSKK	Estimated fair value 2000 MSKK
Financial assets				
Loans and advances to financial institutions	53,585	53,585	42,498	42,498
Loans and advances to customers	22,891	22,891	55,566	55,566
Investment securities	84,448	85,098	17,342	17,600
Financial liabilities				
Amounts owed to financial institutions	10,876	10,876	5,048	5,081
Amounts owed to customers	172,883	171,934	158,006	157,492
Subordinated debt	-	-	3,791	3,791

Loans and advances to financial institutions

The fair value of current account balances approximates their carrying amount. As the Bank's term placements generally re-price within relatively short time periods, it is reasonable to use book value as an approximation of fair value.

Loans and advances to customers

Loans and advances are net of specific and other provisions for impairment. The fair value represents management's estimate of the ultimate fair value of the loans and advances to customers.

Investment securities

In 2001, investment securities include only interest-bearing assets held to maturity, as assets available-for-sale are now measured at fair value. Fair value for held to maturity assets is based on acquisition costs and relating amortisation. Where this information is not available, fair value has been calculated based on revaluation model.

Deposits and borrowings

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand. The estimated fair value of fixed interest bearing deposits and other borrowings without quoted market price is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

38. SOURCE OF PROFITS AND LOSSES

All income included in operating income was substantially generated from the provision of banking and other financial services in the Slovak Republic.

39. ASSETS UNDER ADMINISTRATION

The Bank provides custody, trustee, corporate administration, investment management and advisory services to third parties, which involve the Bank making allocation, and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these financial statements.

The Bank administered SKK 20,811 million and SKK 2,171 million of assets as of December 31, 2001 and 2000, respectively, representing securities and other valuables received from customers into its custody for administration.

Furthermore, the Bank acts as a depositary for several investment funds, whose assets amounted to SKK 158.7 million and SKK 0 as of December 31, 2001 and 2000, respectively.

40. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The Bank is controlled by Erste Bank, which holds 67.19 percent of the voting rights of the Bank's total votes.

The Bank has the following amounts primarily due from/to Erste Bank as of December 31, 2001. These transactions were carried out on commercial terms and conditions and at market rates. No comparatives have been provided as Erste Bank was not a related party in 2000.

	2001 MSKK
Amounts due from Erste Bank	
Loans outstanding at the beginning of the year	-
Loans issued during the year	113,236
Loan repayments during the year	107,216
Loans outstanding at the end of the year	6,020
Interest income earned	65
Amounts owed to Erste Bank	4,269
Deposits at the beginning of the year	-
Deposits received during the year	11,736
Deposits repaid during the year	11,716
Deposits at the end of the year	20
Interest expense on deposits	6

a) Directors and officers

Loans and advances granted and liabilities to the members of the Board of Directors and Supervisory Board do not represent material balances as of December 31, 2001 and 2000, respectively.

b) Related parties

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

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Independent Auditor's Report to the Shareholders of Slovenská sporiteľňa, a.s.

We have audited the accompanying financial statements of Slovenská sporiteľňa, a.s. (the "Bank") for the year ended 31 December 2001 prepared in accordance with accounting laws and regulations valid in the Slovak Republic. The Bank's management is responsible for the preparation of these financial statements and for maintaining accounting records in accordance with the Accounting Act valid in the Slovak Republic (no. 563/1991 Coll., as amended). Our responsibility is to express an opinion on the financial statements, taken as a whole, based on our audit. The financial statements of the Bank for the year ended 31 December 2000 were audited by another auditor whose report dated 30 March 2001 was unqualified.

We conducted our audit in accordance with Slovak Auditing Standards. Those standards require that we plan and conduct the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, the accounting records and other evidence supporting the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the Bank in the preparation of the financial statements and their compliance with the Accounting Act, as well as an evaluation of the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion on the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Slovenská sporiteľňa, a.s. as at 31 December 2001, and the results of its operations for the year then ended in accordance with the Accounting Act valid in the Slovak Republic (No. 563/1991, as amended).

Bratislava, 2 April 2002

Deloitte & Touche

Deloitte & Touche spol. s r. o.
Licence No. SKAU 014

SLOVENSKÁ KOMORA AUDÍTOROV
Deloitte & Touche
evid. č. licencie
014

Ing. Juraj Haľama
Responsible auditor
Decree No. SKAU 213

SLOVENSKÁ KOMORA AUDÍTOROV
evid. č. dekrétu
000213
Ing. Juraj Haľama

Deloitte Touche Tohmatsu

LIST OF CITY BRANCHES AND CONTACTS

CITY BRANCH	ADDRESS	TELEPHONE
Bratislava	Námestie SNP 18	02/5296 4655, 5977 1111
Pezinok	Šancova ul. 2	033/641 20 23, 641 26 19
Trnava	Hlavná ul. 28	033/556 81 11
Senica	Štefánikova ul. 1408/58	034/651 0206-11
Galanta	Hlavná ul. 38, Šaľa	031/770 22 24, 770 22 26
Dunajská Streda	Hlavná ul. 23	031/552 91 52, 552 491 13
Trenčín	Nám. Svätej Anny 3148	032/740 51 11
Považská Bystrica	Nám. A. Hlinku 26	042/432 66 04-6
Prievidza	Nám. slobody 12	046/5187 111
Nitra	Farská ul. 48	037/6540 331
Topoľčany	Stummerova ul. 6	038/536 62 01, 532 24 20
Levice	Mlynská ul. 6	036/637 21 11-2
Nové Zámky	Ernestova bašta 2	035/640 00 09-10, 20
Komárno	Palatinova ul. 33	035/773 09 38-43
Žilina	Nám. Ľ. Štúra 3	041/563 71 11
Čadca	Palárikova ul. 24	041/430 51 11-2
Dolný Kubín	Hviezdoslavovo nám. 1686/39	043/580 61 11, 580 604 22
Liptovský Mikuláš	Štúrova ul. 1	044/552 29 49, 552 25 51
Martin	Ul. osloboditeľov 9	043/424 91 11
Banská Bystrica	Ul. 29. augusta 34	048/414 16 02-3, 414 16 12
Zvolen	Nám. SNP 6/88	045/531 93 02
Rimavská Sobota	Francisciho ul. 3	047/563 11 69-70, 563 12 33
Lučenec	Novohradská ul. 8	047/433 17 15-6, 718, 719
Veľký Krjtíš	Ul. SNP 39	047/481 32 00, 483 04 15
Žiar nad Hronom	Nám. Matice slovenskej 19	045/672 25 57-8, 672 26 12
Prešov	Masarykova ul. 10	051/7091 111, 772 33 71
Poprad	Štefánikova ul. 15	052/712 21 11
Stará Ľubovňa	Levočská ul. 7	052/436 94 52-5
Bardejov	Partizánska ul. 2850	054/474 83 84, 472 21 03
Svidník	Centrálna ul. 812/13	054/752 11 57
Humenné	Nám. slobody 13/25	057/775 39 05-6, 775 70 72-3
Vranov nad Topľou	Nám. slobody 998	057/442 11 31, 442 19 35
Košice	Štúrova ul. 27	055/680 41 11-2
Spišská Nová Ves	Štefánikovo nám. 3	053/417 03 01
Michalovce	Nám. slobody 15	056/641 81 11, 644 16 03
Trebišov	Ul. M. R. Štefánika 1755	056/672 23 46-7, 672 78 75-7
Rožňava	Šafárikova ul. 22	058/786 11 11, 786 15 20