2003 Annual Report

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Company information

REGISTERED OFFICE:
Suché mýto 4
816 07 Bratislava
Slovak Republic

COMPANY IDENTIFICATION NUMBER (IČO):
00151653

LEGAL FORM OF BUSINESS:
joint stock company

LINE OF BUSINESS:
universal bank

SHAREHOLDERS AS AT 31 DECEMBER 2003 :

Erste Bank	70.01%
EBRD	19.99%
Ministry of Finance of the Slovak Republic	10.00%

MAJOR SHAREHOLDINGS:

Asset Management Slovenskej sporiteľne, správ. spol., a. s.	100.00%
Sporing, a. s.	100.00%
Factoring Slovenskej sporiteľne, a. s.	90.00%
Leasing Slovenskej sporiteľne, a. s.	90.00%
Poisťovňa Slovenskej sporiteľne, a. s.	33.33%
Prvá stavebná sporiteľňa, a. s.	9.98%

CONTACT:
sporotel: 0850 111 888
www.slsp.sk
info@slsp.sk

Results and selected indicators

According to SAS Data prepared in accordance with Slovak Accounting Standards	as of 31 Dec 2002 (MSKK)	as of 31 Dec 2003 (MSKK)
Selected indicators:		
Balance sheet total	246 511	209 271
Deposits and loans in financial institutions	70 398	28 770
Client loans	33 757	49 474
Securities	126 186	116 961
Shares and ownership interests in associates and subsidiaries	1 001	315
Client deposits	174 216	172 296
Share capital	6 374	6 374
Reserves and other own funds	7 522	10 071
Capital adequacy (%)	22.50	24.25
Loans/Assets (%)	13.70	23.60
No. of employees	5 570	5 283
No. of branches	353	339
Year-end SKK/EUR exchange rate	41.722	41.161

According to IFRS Data prepared in accordance with International Accounting Standards	as of 31 Dec2000 (MSKK)	as of 31 Dec 2001 (MSKK)	as of 31 Dec 2002 (MSKK)	as of 31 Dec 2003 (MSKK)
Selected indicators:				
Balance sheet total	184 452	202 058	205 037	208 338
Receivables from banks	44 031	54 005	61 464	27 380
Receivables from clients	62 904	30 135	38 475	54 691
Securities	55 351	97 419	84 847	113 040
Investments in subsidiaries, associates and other investments	1 344	1 445	1 956	1 327
Liabilities towards clients	159 282	173 661	174 789	172 784
Share capital	10 277	11 554	12 784	15 515
After tax profit	4 075	1 147	1 230	2 731

Ratings of Slovenská sporiteľňa

Fitch Ratings	
Rating of long-term liabilities	BBB+
Rating of short-term liabilities	F2
Individual rating	C/D
Outlook	Positive

Moody’s Investors Service	
Rating of long-term liabilities	A3
Rating of short-term liabilities	P-2
Financial strength	D-
Outlook	Stable

Standard & Poor’s	
Rating on the basis of publicly accessible information	BBpi

Slovak economy in 2003

In 2003, the Slovak economy continued to be the fastest growing economy in the region of Central Europe. Nevertheless, the stagnating domestic demand mildly decelerated the GDP growth dynamics to 4.2%, with growing exports presenting the greatest impetus for economic growth. In the course of the year, mostly due to the measures adopted by the Government, household consumption decreased by 0.6%. This consumption accounts for the greatest portion of domestic demand. GDP growth was adversely affected by both investments and stocks. The intense economic growth, a new Labour Code and more stringent conditions in respect of social benefits, all these worked to the effect of increasing employment, due to which a registered unemployment rate was reduced by almost two percentage points, to the end-of-year level of 15.6%.

Inflation

The overall inflation for 2003 reached 8.5%. The growth of consumer prices was most influenced by continued rises in regulated energy prices and the revision of VAT rates. At the beginning of 2003, the bottom VAT rate increased from 10 to 14%, and the base rate fell from 23% to 20%. During the course of the year, an unplanned increase in excise duties occurred, which, in conjunction with increases in foodstuff prices recorded in the second half of the year, considerably contributed to the rise of inflation to as high as 9.3% at the year end.

Foreign trade

During of 2003, the foreign trade balance improved considerably. Cutting down on domestic demand, especially on the public expenditure side, proved to be an effective way of mitigating the existing external disequilibrium. The deficit would, however, not be that low, had it not been for such a strong growth of exports, particularly by the automotive industry. Despite the poor demand in Europe and strengthening of the Slovak currency, exports grew by 23% on a year-on-year basis, helping to bring the deficit down to 2% of GDP, from the 8.8% GDP in 2002.

Monetary and budgetary policy

Enhancements in foreign trade and notably in fiscal discipline led the National Bank of Slovakia (NBS) to ease up its monetary policy slightly. In the second half of the year, the central bank reduced twice its key rates by 25 basis points in order to boost the stagnating domestic demand and to slow down the trend of currency strengthening, which was also partially facilitated by a high interest differential compared to euro rates. The greater inflation rate did not set back the loosening of monetary policy, since the core inflation indicated the absence of demand pressures and price contagion in the economy.

Over the course of the year, the government launched reforms to slow down the growth of expenditure mainly in the social area, and to prevent new debt from being incurred by the health care system. A pension reform was formulated and a tax reform was approved with effect from the beginning of 2004. In one year, the Government managed to turn down the deficit in public finances from 5.7% of GDP to 3.6% of GDP, thus drawing considerably nearer to the fulfilment of Maastricht criterion and becoming eligible for entry into the euro zone.

A rating agency, Fitch Ratings, reacted positively to the improvements in foreign trade and a reduced public finance deficit, bringing their rating of long-term foreign currency liabilities of Slovakia up, from the level of BBB- up to BBB+. By virtue of its fastest growing economy in the region and one of the most attractive tax systems at all, Slovakia became a location that was in high demand in terms of foreign investment.

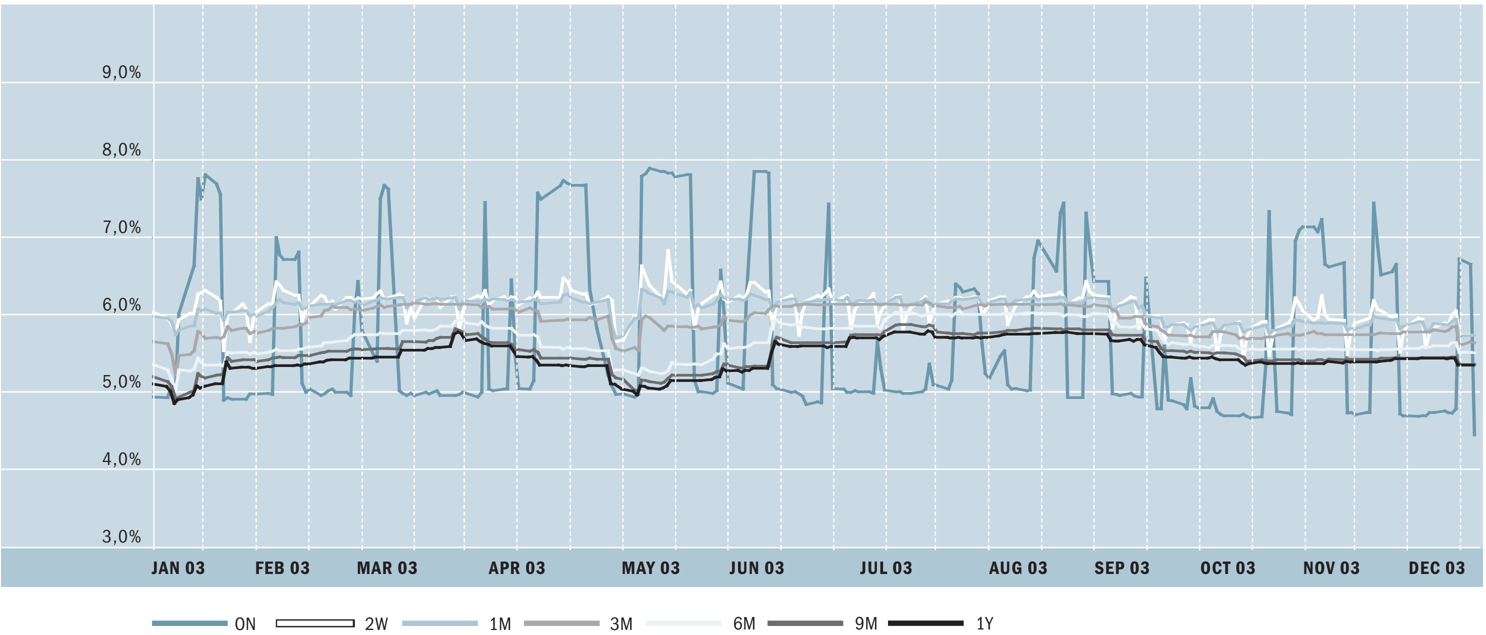
Developments in the Slovak money and capital markets in 2003

When it comes to the domestic money market, one sole word, that of stabilisation, is enough to describe the situation in 2003. Banks approached the year with concerns raised by the turbulence of the year before. Nonetheless, their concerns did not come true. The stability of exchange rates went hand in hand with the stability of interest rates. This was reaffirmed by the NBS's position on the key interest rates changed twice during that year, each time merely by 0.25 percent. The stability of the principal money market curve, i.e. BRIBOR, allowed for the development of derivatives operations. The derivatives market nearly collapsed in 2002 after the NBS, by radically intervening in interest rates, tried to force venture capital to drain off. In 2003, derivatives saw their comeback to the market, which enabled banks to approach the management of their positions with a great deal of responsibility.

The Ministry of Finance, being the major issuer in the SR, was the entity to be the most concerned with the volatility of interest rates. As a result of growing interest rates on koruna government bonds in the secondary market, the Ministry of Finance decided to step in the eurobond market in 2003 twice. They managed to issue 2-year variable-interest bonds in the total volume of EUR 750 million, spread over two tranches. They succeeded in issuing the remaining funds totalling almost SKK 98.5 billion through the domestic market. All in all, 12 new issues were accomplished via 22 primary auctions, which means a qualitative move forward in terms of the domestic market.

In 2003, the stock trading volume in the capital market reached SKK 24.4 billion, thus recording a drop of 30.2 per cent as compared to the previous year. At the same time, the market capitalisation of shares listed at the Bratislava Stock Exchange increased by 15.3%, to SKK 42.3 billion. Despite a decline in the overall turnover caused by the withdrawal of several eminent issues from the stock exchange, the Slovak Share Index SAX noticed an increase of 26.9% to 177.62 points.

Development of BRIBOR reference rate in 2003



Developments in the Slovak forex market in 2003

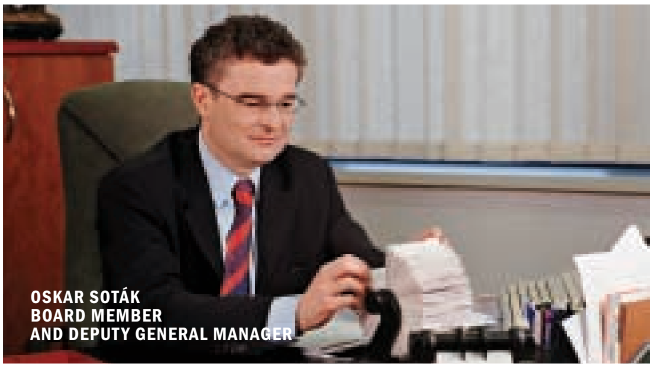
Throughout the past year, the exchange rate of Slovak koruna against its reference currency of euro fluctuated within the range from 40.770 to 42.900. Its movement was influenced by several factors. At the outset of the year, koruna was pushed down by the downfall of Hungarian forint. The local currency depreciated to as low as 42.9 SKK/1 EUR. The situation evolved to the better in the spring, after Fitch Ratings, an international rating agency, enhanced its rating of Slovakia. Owing to an improving trade deficit, koruna gradually consolidated, striking its strongest position of 40.770 at the beginning of May. The central bank strived to stifle the koruna growth, which it finally managed to achieve. During the summer, the apprehension of possible disintegration of government coalition dominated the market, which was reflected in the local currency getting weaker by 1.5 korunas, equalling 42.5. However, the stabilisation in the political arena, favourable macroeconomic data and the strengthening of neighbouring currencies pushed it towards more mighty levels. The last week of September was the first time that the NBS surprised the financial market by reducing the rates by 25 points. Nonetheless, the exchange rate practically did not respond to this change. The admission of Slovakia to the second round of a tender for the selection of location for a new plant of the Korean car-maker Hyundai stirred up a wave of koruna buys, which resulted in the exchange rate returning to 40.900 SKK/1 EUR. In 2003, both US dollar and Czech koruna became considerably less expensive. The dollar cheapened from 39 to 32 korunas and Czech koruna from 1.35 to 1.26 SKK.

Development of the SKK/EUR exchange rate in 2003

Top management of Slovenská sporiteľňa

Board of Directors of Slovenská sporiteľňa

REGINA OVESNY-STRAKA
CHAIRPERSON OF THE BOARD OF DIRECTORS
AND GENERAL MANAGER



OSKAR SOTÁK
BOARD MEMBER
AND DEPUTY GENERAL MANAGER

ŠTEFAN MÁJ
DEPUTY CHAIRMAN OF THE BOARD OF DIRECTORS
AND THE FIRST DEPUTY GENERAL MANAGER

MICHAEL VOGT
BOARD MEMBER
AND DEPUTY GENERAL MANAGER

PETER KRUTIL
BOARD MEMBER
AND DEPUTY GENERAL MANAGER

Top management of Slovenská sporiteľňa

Supervisory Board of Slovenská sporiteľňa

REINHARD ORTNER
CHAIRMAN OF THE SUPERVISORY BOARD

ANDREAS TREICHL
DEPUTY CHAIRMAN OF THE SUPERVISORY BOARD

MANFRED WIMMER
MEMBER

HERBERT MARTINETZ — **TILL 11 SEPTEMBER 2003**
MEMBER

BERNHARD SPALT — **FROM 11 SEPTEMBER 2003**
MEMBER

LEOPOLD WEBER
MEMBER

ROGERS DAVID LEBARON
MEMBER

HEINZ KESSLER
MEMBER

JURAJ RENČKO — **TILL 11 JUNE 2003**
MEMBER

PETR PAPÁNEK — **FROM 11 SEPTEMBER 2003**
MEMBER

ĽUBICA STRNÁDOVÁ — **TILL 13 MARCH 2003**
MEMBER

RENÁTA HITTEROVÁ — **TILL 13 MARCH 2003**
MEMBER

JURAJ STERN — **TILL 13 MARCH 2003**
MEMBER

GABRIEL EICHLER — **TILL 13 MARCH 2003**
MEMBER

BEATRICA MELICHÁROVÁ — **FROM 5 JUNE 2003**
MEMBER

JÁN TRGIŇA — **FROM 5 JUNE 2003**
MEMBER

MARIÁN LIESKOVSKÝ — **FROM 5 JUNE 2003**
MEMBER

JURAJ KOMÁR — **FROM 5 JUNE 2003**
MEMBER

Address by the Chairperson of the Board of Directors and General Manager

Dear shareholders and customers,

Over the course of the past year, Slovenská sporiteľňa strengthened its leading position in the Slovak banking market. In this way, it accomplished the intentions declared in its objectives for 2003.

Our activities last year were influenced by the positive developments in the local business environment. The Slovak economy continued to follow its trend of stabilisation and revitalisation. The tendency of rising indebtedness stopped; the deficit in the current account of the balance of payments was reduced; the Slovak koruna strengthened, the structure of GDP improved. Important tax reforms and other economic measures were developed and approved, which also favourably impacted upon foreign economic relations of the Slovak Republic. These changes translated into an inflow of foreign investment and acceptance of Slovakia's accession to the EU as part of EU member states. Small and medium-sized businesses continued to develop as well, which will be conducive to reducing unemployment and improving levels of personal savings. Retail customers showed increased interest in investment and mortgage borrowing, as well as in investment banking products. Corporate clientele on the other hand showed greater interest in covering not only their operating but also capital expenditure.

Last year, we were primarily targeting retail clientele. Maintaining their interest was a big challenge. We therefore extended our corporate products to include new types of saving products, offering some extra investment opportunities to our customers in the form of mutual funds, banking insurance products, mortgage bonds, etc. We undertook process changes in order to speed up banking procedures and continued to improve the quality of our account relationship management. Our product portfolio evolved so as to offer a comprehensive range of products, in the finance or insurance field for all family members. We recorded an extraordinary growth of consumer and mortgage loans. We pursued, as our priority, the sale and active employment of bank payment cards and electronic banking services. We broadened the ATM and POS terminal networks and optimised the bank's distribution network, mainly finding locations in large malls. In 2003, we likewise paid a great deal of attention to university students. In addition to attractive terms for the use of giro accounts or payment cards, we also offered them advantageous consumer loans with delayed maturities. University students may obtain other advantages and reductions being members of the Student's Club.

In 2003, pursuant to the law in force, we transformed more than 350 thousand anonymous deposits into non-anonymous ones, thus reducing their volume by SKK 10 billion in 12 months.

Slovenská sporiteľňa took advantage of lending opportunities for expansion in particular to corporations, small and medium-sized enterprises (SMEs) and municipalities. We increased our share of the corporate banking market in Slovakia by 8%, with the volume of provided loans rising by as much as 25%. In this way, a decision to pro-actively provide services to corporate customers directly from the Bank's Head Office and to serve SME customers via commercial centres proved to be right, with the number of these customers having doubled throughout the year. At the present time, we have SME coverage throughout Slovakia.

Since the decision to admit Slovakia to the European Union, we consider it as our duty to provide our customers with the maximum available information concerning practical issues of integration in the European Union. In November 2003, we therefore established the Slovenská sporiteľňa EU Office, which will present new information, views and recommendations ensuing from the development and approval of EU standards, as well as analyse the consequences of their action in the Slovak business environment.

Our economic indicators and banking market share reflects the achievements we made and, at the same time, the trust our customers have in us. In 2003, Slovenská sporiteľňa generated net profits more than 2.2 times greater than in the previous year. We managed to improve our lending performance in spite of the impact of falling interest rates in the interbank market, thanks to our lending dynamics and the adjusting of our interest rate policy. Although customer deposits, expressed in relative terms, fell by 0.8%, (net) claims against customers grew by as much as 42.2% from a corresponding period of the previous year. The volume of mortgage and consumer loans made by us almost doubled. The Bank exceeds by far the capital adequacy requirements set by the National Bank. The return-on-equity indicator, including the consolidation of participations of Slovenská sporiteľňa, stood at 19.2% and the cost-income ratio declined to 63% (after considering an extraordinary result of PSS).

Slovenská sporiteľňa gained the largest share of total koruna deposits as well as personal koruna deposits in the Slovak banking market and it issued the greatest number of VISA and MasterCard bank cards. We continue to be actively involved in the Slovak money and forex markets. The Bank's long-term and individual rating, as evidenced by an upgrade by the Fitch Ratings, was a clear sign of recognition of our efforts. On the basis of the rating given to us by the Trend weekly, we appeared among the best-performing Slovak banks and the Euromoney magazine granted us the "Best Debt House 2003" award.

We are well aware that market position and its prospects are conditioned by the quality and continuing development of our staff. That is why we devoted so much attention to their training and education as well as the development of their managerial and sales skills. An already positive relationship of the staff to the Bank was reinforced. We were successful in raising the public awareness about the new trademark of Slovenská sporiteľňa and strengthening the Bank's positive image.

Our new subsidiaries managed to establish themselves as highly successfully operations in the Slovak financial market last year as well. Currently, our Bank, along with Asset Management Slovenskej sporiteľne, Poisťovňa Slovenskej sporiteľne, Factoring Slovenskej sporiteľne and Leasing Slovenskej sporiteľne jointly form a finance house covering the diversified financial requirements of our customers.

In conclusion, I would like to thank all shareholders, customers and business partners of the Bank for the trust shown. We shall do our best to continue to be considered by you as fair and reliable partners heading for success.

Regina Ovesny-Straka
Chairperson of the Board of Directors
and General Manager

Report by top management on operations in 2003

Retail banking

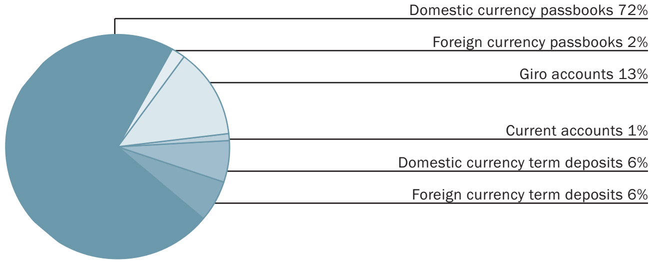
Deposits

In 2003, Slovenská sporiteľňa made a remarkable progress in restructuring and upgrading its deposit product portfolio. Two new banking products and capital life assurance were introduced, by which token Slovenská sporiteľňa was able to establish itself as an entity rendering a full range of banking and insurance services. As for personal deposits, the Bank retained its leading position in the Slovak banking market, despite a decrease in those sources of funding compared to a year ago. The volume of personal deposits totalled SKK 136.4 billion towards the end of 2003, of which deposits worth SKK 123.0 billion were denominated in korunas and funds worth SKK 13.4 billion were deposited in forex products.

With a view to promoting the changeover of anonymous deposits to non-anonymous ones, the Bank decided to pursue a differentiated interest rate policy with regard to its deposit products, gradually lowering rates on anonymous passbooks throughout the whole 2003 year. The overall volume of anonymous passbooks as of 31 December 2003 amounted to SKK 4.8 billion. As a result of changed Bank's policy in respect of fees and charges and the extension of portfolio for new products attractive to customers, the Bank managed to retain the funds originally invested in anonymous deposits. The best selling deposit products in 2003 were SPOROknižka kapitál (SPORO capital passbook) and SPORObonus.

Favourable developments as to the volume and number of transactions were recorded in respect of personal giro accounts. Giro accounts are a standard product used for routine operations with funds, as well as for payment operations. At the end of 2003, the volume recorded for this product totalled SKK 17.8 billion, which is by SKK 2.1 billion more (+14%) compared to a corresponding period of the previous year. The number of transactions per giro account averaged 209 in 2003.

Structure of private deposits in 2003



Mutual funds

In 2003, collective investment became a segment exhibiting the greatest dynamics of growth of funds available to the personal sector in Slovakia. On the whole, SKK 21.7 billion were invested that year, which was SKK 14.3 billion up from 2002. Customers trusted most mutual funds that were safest in terms of market risks - that is money market and bond mutual funds, to which as many as 95% of customers channelled their investments. Other types of funds captured the attention of barely 5% of customers.

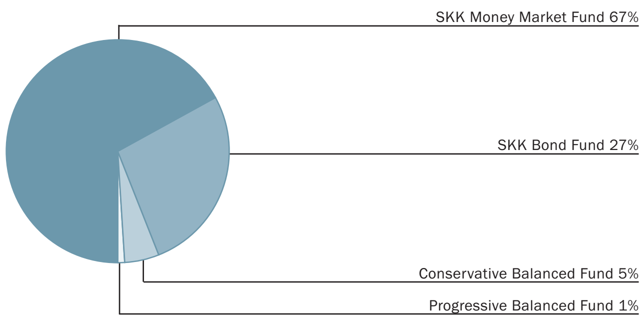
Net sales via the branch network of Slovenská sporiteľňa reached more than SKK 6.4 billion for the year 2003, which means a yearly increase of SKK 4.1 billion and almost a 30% market share. SPORO Korunový peňažný fond (koruna money fund) and SPORO Korunový dlhopisový fond (koruna bond fund) became the best selling funds in the Slovak banking market – it was exactly the first of the two that helped to recapture the largest portion of funds released from anonymous passbooks, and it stays to be the biggest open-end mutual fund in Slovakia.

Also, two balanced funds, namely SPORO Konzervatívny fond (conservative fund) and SPORO Progresívny fond (progressive fund) raised their value of cumulative net sales in 2003, to be more specific, by more than SKK 330 million altogether.

Successful sales of mutual funds were facilitated by high-quality account management and performance of the respective funds, which ranked among the most popular and best performing funds in their respective categories.

The value of assets managed by SPORO funds amounted to SKK 9.3 billion as of the end of 2003, whereas the asset management company, Asset Management Slovenskej sporiteľne, reached the highest increase in NAV in absolute terms over the period under review, which ensured it a 24.3% share in the market.

Shares of the Asset Management Slovenskej sporiteľne funds on sales



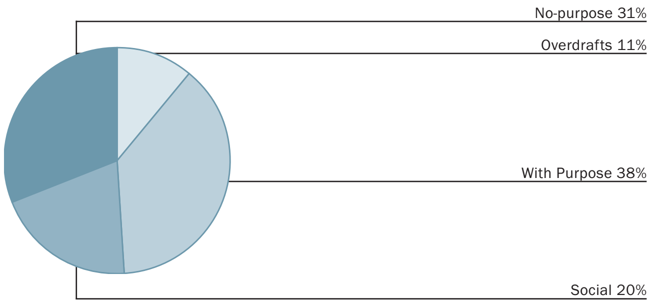
Capital life assurance

Beginning with 1 February 2003, Slovenská sporiteľňa started to sell two types of capital life assurance of Poisťovňa Slovenskej sporiteľne, a.s. via its branch network. The cumulative volume of insurance policy proposals for capital life assurance premiums single and current amounted to almost SKK 318 million in 2003, significantly surpassing contracted volumes of many specialised insurance companies in the area of life assurance.

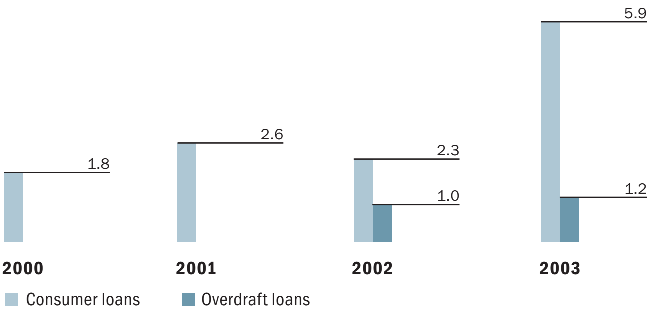
Loans

In 2003, the sales of consumer loans and overdraft facilities recorded a growth greater by several times than in 2002. In this period, Slovenská sporiteľňa sold consumer and overdraft loans in the volume of SKK 7.1 billion to the retail sector; of which consumer loans amounted to SKK 5.9 billion, 153% up from a year ago. A lesser increase (21%) was recorded as to the volume of new overdraft facilities, of which loans worth SKK 1.2 billion were sold. Thus the volume of managed loans as of 31 December 2003 reached SKK 13.4 billion; of which consumer loans were worth SKK 9.3 billion, social loans amounted to SKK 2.6 billion and overdrafts drawn equalled SKK 1.5 billion. The proportion of loans without any designated purpose continued to trend down, with the share of designated-purpose loans rising.

Structure of consumer and social loans and overdraft facilities



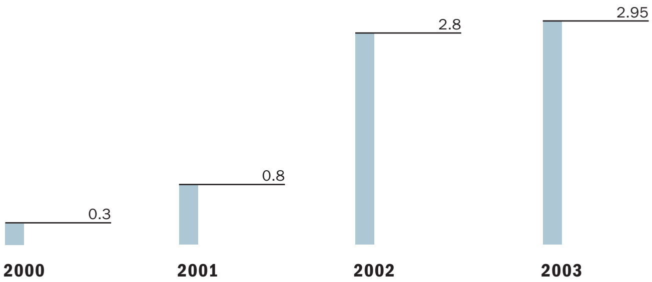
New consumer loans and overdraft facilities (in SKK billion)



Mortgage loans

Results achieved in respect of mortgage loan sales in 2003 bore out the development over the previous period. Slovenská sporiteľňa sold mortgage loans in the volume of SKK 2.95 billion, 5.8% up from a year ago. Since mortgage loans started to be sold in 1999, the Bank reached an overall volume of sold mortgage loans amounting to SKK 6.9 billion (with SKK 6.24 billion drawn down as of the end of 2003) and a market share of 24.5%.

New mortgage loans (in SKK billion)



Branch network

The branch roll-out was completed in February 2003, whereby the equipment of individual points of sales was tailored to the new needs of both customers and account managers.

Another stage of the branch network optimisation is the establishment of new sub-branches in locations with appropriate potential, such as large cities and malls not as yet sufficiently covered by Slovenská sporiteľňa. Step by step, the existing sales points were re-evaluated in terms of the suitability of their premises. Following to that, the process of reconstructing the existing branches was launched or that of relocating sub-branches to new, more suitable premises, which are established in accordance with the approved standards for the office set-up. We intend to continue transferring, to the maximum possible extent, of such activities away from branches that are not related to the sale of products, and thus to make it possible for officers to devote the most of their time to the customer. Over the last year, the centralisation of certain other branch operations continued (IT operations, the central archives), and certain activities were outsourced from branches (archive services).

Account management

In relation to the customer, the said changes showed in an effort to apply a customer-oriented organisational structure in the Bank to the full extent, with a key role being played by an account manager (advisor). We still focus on the training and education of bank account managers, the improvement of their sales and professional skills. The customers and their satisfaction, the striving to provide them with a full service keeps to be in the forefront of our endeavours. Besides traditional forms of reaching the customer, such as personal encounters, the utilisation of electronic distribution channels, telebanking, direct mail, we are looking for new forms of contacting them. One of the options is to introduce new types of multiple sales channels.

In 2003, Slovenská sporiteľňa pursued programmes for the management of all customer segments on the basis of identification and satisfaction of specific needs and requirements of its customers. A special emphasis was laid on the policy of management of selected micro-entrepreneurs and free professionals, which was saturated through the creation and professional training of employees to perform the function of a special type of account manager for free professionals and micro-entrepreneurs. As to the care of customers, the greatest intensity was achieved by the Bank in the target group of young people, notably University students, by and large through the action of account managers, the Students Club and co-operation with institutions of higher education.

Corporate banking

Large corporate customers

In the course of 2003, the Corporate Customers Department provides comprehensive banking services to large corporate customers throughout the entire territory of Slovakia, with an increased emphasis on non-lending services, such as payments, electronic channels, etcetera. The number of such customers rose by 17 to 197, with the number of active customers, who today account for more than 40% of the total number, increasing as well. The balance of loans increased by 19.5% to SKK 25.1 billion, which concurrently meant an increase in the market share to 9%. For example, the Bank's orientation towards non-lending products and services showed in a rapid increase in installed POS terminals (to 304) with the turnover of more than SKK 1.1 billion. In 2004, their further growth is envisaged as a result of an intense acquisition activities in retail store chains. In 2004, SLSP is expected to further strengthen its position particularly in the area of non-lending services, such as cash management.

Public sector

Towards the end of 2003, SLSP adopted a new concept document aiming to reach a significant market share of financial services for the public sector and local government. A specialised office has been set up at the Corporate Banking Division, which will play a decisive part in a pro-active approach of SLSP to the provision of services for the public sector. In the same period, the first transactions were executed there, which acted as a reference in financing the local government and firms operating in the public sector.

Trade finance

The Bank promoted the development of trade transactions of customers by providing a wide range of trade and export finance products. Bank guarantees, which the Bank issued on behalf of its customers, recorded growth. The guarantee business, typical of foreign trade transactions in the past, now shifted its focus to the internal market. The same trend was also recorded by the Bank in financing individual claims of its customers.

Project financing

In line with market demands, project financing in the last year focused more on fully-fledged acquisition financing in the segment of medium-sized firms, i.e. on customers of commercial centres. The volume of such transactions stood at approximately SKK 600 million. Apart from these transactions, restructuring and investment loans, which were challenging in terms of structuring the transaction and the risk exposure by customers of the Corporate Banking Division, were designed. They are expected to be implemented in the course of 2004. The aim still is to focus on „green field" projects, acquisition and merger financing, syndicated loans, restructuring financing, in conjunction with co-operation with a public sector financing team, as well as the provision of professional aid in the form of advise to customers of the Corporate Banking Division and commercial centres.

Real estate financing

Real estate financing above all consists of lending with long-term maturities, with approximately 58% of the total volume of loan portfolio having a overall maturity of 7 years plus. These loans include different types of operations: administrative complex construction projects (70.3%), housing construction project financing (16.1%), hotel construction and operation projects (12.3%) and other types of structures (1.3%). A special product has proven as useful in practice, which combines providing commercial developers and construction companies with mortgage and consumer loans extended to future apartment owners.

Slovenská sporiteľňa finances the construction of housing estates and other types of real estate for the public sector together with Slovenská záručná a rozvojová banka as well as the State Housing Development Fund. New opportunities are also presented as to the financing of condominiums and housing co-operatives in the renovation of housing assets, for which purpose they have also developed a new product, namely an investment loan with designated purpose called "Renovation of Housing Assets". In the future, Slovenská sporiteľňa will also focus on the financing of construction and operation of apartment hotels, industrial structures and logistic complex since market conditions can be realistically expected to be disposed towards such investment in 2004.

Segment of small and medium-sized enterprises

Small and medium-sized firms are served via commercial centres of Slovenská sporiteľňa. Following their successful launch in 2002, the commercial centres have the first complete year of their operation.

The commercial centres were established and located so as to enable the most effective service to customers within a certain region, and to provide a full range of products and services in close co-operation with the branch network and the Head Office business divisions. In 2003, additional commercial centres staffing 85 people were established in Trnava, Banská Bystrica, Trenčín and Poprad. Presently there are 8 commercial centres in place in Slovakia, practically covering all the higher-level regions. Through the establishment of new commercial centres, Slovenská sporiteľňa reinforced the customer-oriented system of serving its customers, which provided for a more intense relationship with the customers in regions, aiming to get better acquainted with the customer and their needs.

The commercial centres today serve almost 3 000 customers. In the course of 2003, these commercial centres sold new loans amounting to SKK 4.38 billion. Besides loan products, also the sale of electronic banking and treasury products in particular happened to increase.

The need to finance cities and municipalities grew considerably. It will predominantly concentrate on infrastructure, water management, heat distribution, tourism, schools, health care, but also other areas. In connection with this, special products, services and programmes as well as comprehensive advisory services have been designed by Slovenská sporiteľňa that are based on the Bank's knowledge of the specific features of the sector.

The cities and municipalities are expected to become important grantees under the European Union structural funds. Given the Bank's experience and the record of long-term relationships with all the regions throughout Slovakia, as well as the know-how of other banks belonging to the Erste Bank Group, Slovenská sporiteľňa wants to play a significant role in raising these funds not only for the Slovak cities and municipalities, but also for enterprises and institutions. This will not only involve project financing or bridging financing, but also advice given in the preparation of applications and projects, as well as their overall financing. In November 2003, Slovenská sporiteľňa opened its own EU Office, the task of which is to co-ordinate the activities in this area and in particular to provide all necessary information concerning the European Union and Slovakia's EU membership to customers and employees of Slovenská sporiteľňa.

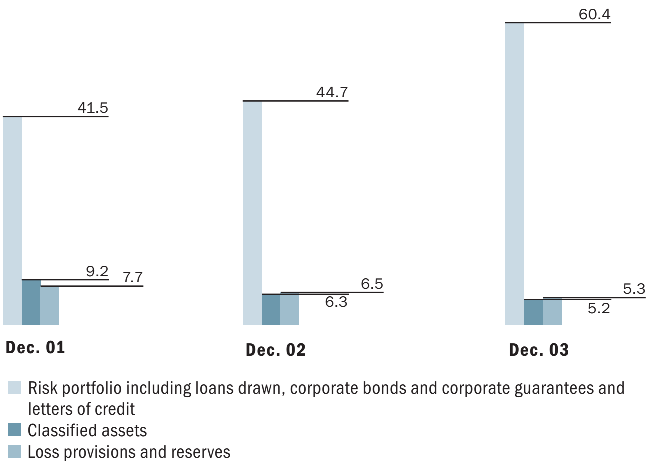
Risk management in Slovenská sporiteľňa

Credit risk

On the introduction of the credit risk management system in 2002, key activities in 2003 focused on further enhancement and development of processes and tools. The monitoring of SLSP portfolio as well as the reporting system were substantially extended so as to provide more information and support to the management of respective business units. Certain other steps were taken in order to activate the new Slovak Collateral Register, founded on the initiative of the Slovak Chamber of Notaries Public, and the co-operation with other banks in the preparation of the first loans register for private persons in Slovakia continued. For the sake of harmonisation with new Basel capital accords, SLSP got involved in the Erste Bank concern programme for implementation of these accords. In 2003, a local implementation project was launched – by determining initial assumptions for the commencement of collection of data on non-performing loans and losses and a technical solution for the new rating system for retail banking was proposed.

The quality of potfolio continued to improve, the proportion of assets with a high risk exposure in the portfolio dropped from 14.0% in 2002 to 8.6% (NBS categories 3 to 5), whilst such assets are sufficiently covered by provisions and reserves at the level of 101%. The total amount of provisions raised for the year 2003 was significantly influenced by structural changes in regulations of the National Bank of Slovakia.

Development of the asset portfolio quality
(Source: Internal database of monitored exposure items in SKK billion)



Interest rate risk

Slovenská sporiteľňa quantifies and manages the risk due to interest rates on a regular basis. The trade book interest risk is part of a comprehensive trade book risk management and is monitored on-line on a daily basis using the sensitivity analysis and the value-at-risk method. The trade book interest rate risk is expressed in quantitative terms and submitted to the Assets and Liabilities Management Committee (ALCO) on a monthly basis and it provides a basis for effective decisions to be made in the area of interest risk management. Interest risk is managed by way of bond investments and security operations.

The bank book risk is quantified by means of:

- GAP analysis. Individual deals are included in GAP analysis on the basis of individual revaluations or the so-called FTP index.
- Risk of net interest income change. Slovenská sporiteľňa makes predictions of changes in net interest income on the bank book depending on various scenarios of the development of interest rates and through Monte Carlo analysis.
- Risk of change of the market value of the Bank's capital. The Bank models changes in the market value of assets and liabilities with changing market interest rates.

Liquidity risk

Liquidity risk in respect of structural liquidity is managed by the ALCO Committee and that in respect of operational liquidity by the Treasury Division (daily liquidity and the compliance with minimum required reserves). The liquidity risk is expressed in quantitative terms according to NBS Decree on banks' liquidity and the Bank' own quantification procedures. The Bank's liquidity is ensured through a substantial share of government securities in the Bank's overall balance. As of 31 December 2003, the so-called seven-day liquidity indicator, was 1.91 according to the regulator's requirements and a ratio between the Bank's fixed and illiquid assets and own funds and reserves was at the level of 0.66. The Bank's liquidity situation is thus considerably safe.

Trade book market risk

With regard to the trade book market risk, the Bank introduced an internal model based on the value-at-risk methodology in 2003. With the use of this model, the Bank is capable of computing, with a given probability, the maximum loss due to changed market factors, and to limit the maximum level of risk in this way. The Bank will apply for an approval to use this internal model for calculating the adequacy of its own funds.

Operational risk

Slovenská sporiteľňa introduced a definition of operational risk and categorisation of losses due to operational risk in line with the principles of new Basel accord. In the course of 2003, the Bank started to build up a database of losses due to operational risk via the EMUS system, which is available to all its employees. Slovenská sporiteľňa plans to introduce an advanced approach to the operational risk measurement, and will subsequently apply for an approval to use an internal model for calculating the adequacy of own funds. At the end of 2003, Slovenská sporiteľňa concluded a new insurance contract, this time also covering against the operational risk.

Treasury and investment banking

Money and foreign exchange markets

In 2003, Slovenská sporiteľňa reached a share of 10.6% in the local spot market, thus retaining its prominent position among local banks. That year a slight reshuffling of market shares of individual banks was recorded. Slovenská sporiteľna, a.s. started to put greater emphasis on trading in koruna derivative products at the expense of the so-called "cash" products. The Bank, however, maintained its traditionally strong position in the market for "cash" products, having a 16.2% share in all operations with these products. It strengthened its position in the market for koruna derivative products amongst the largest players, not just local banks.

Capital market

In 2003, Slovenská sporiteľňa reached a 9.6% share in the total trading turnover at the trading floor of the Bratislava Stock Exchange (BCPB), which, put in absolute terms, means a turnover of SKK 209.8 billion. Of this turnover, shares deals amounted to SKK 1.4 billion, which accounts for 2.9% of this segment. As for trading in bonds, SLSP appeared to be in a traditionally better situation. In 2003, it concluded deals with government and corporate bonds worth SKK 208.3 billion at the BCPB, which means a 9.7% share in the total turnover.

Investment banking

In 2003, Slovenská sporiteľňa retained its leading position in the market for new issues of securities, having placed bonds totalling more than SKK 3.5 billion there, including its own issues of mortgage bonds. At the same time, as part of our investment services offer, we have continued to act as a broker in securities transactions and execution of takeover bids for our customers.

Investments in securities portfolios (HTM and RTS)

Securities portfolio was built on the basis of an approved investment strategy for the year 2003. At the outset of the year, government bonds with a longer maturity period were predominantly purchased on the grounds of persistent convergence expectations. Because of incertitude in the markets caused by reactions of the central bank to the strengthening koruna exchange rate on account of gradual reduction of yields on long-term maturities since the mid-year, portfolios were replenished with bonds with short maturities and Treasury bills, for which a relatively higher appreciation on the grounds of a diminishing sterilisation repo rate was expected. In addition to rate of return, the suitability of a financial product in terms of its impact on the balance sheet taken as a whole and the changes in sensitivity of the market value of the Bank's capital were above all taken into account in investment decisions. Another type of investment, purchased to portfolios on the basis of investment strategy for the year 2003 so as to diversify the risk and raise the yield, were structured products. After competent knowledge for the analysis of such products at the Erste Bank group level was gained and after analytical teams were built up, the first investments helping to enhance the yield-to-risk ratio of the investment portfolio were made.

Multiple sales channels

Bank cards

Slovenská sporiteľňa was the first bank in Slovakia to offer the Maestro chip card to its customers as early as in 1998. Chip should become part of any payment card issued beginning with 1 January 2005. All payment cards issued by Slovenská sporiteľňa are international and customers may arrange for either individual or family travel insurance attached to them.

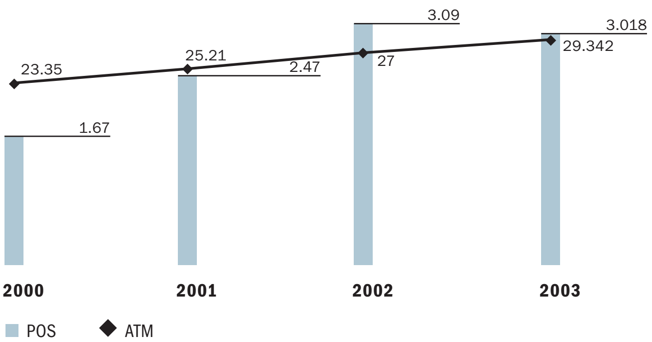
SLSP customers made a more intense use of their payment cards compared to previous years.

In 2003, 26 million transactions, amounting to more than SKK 65 billion, were executed via ATMs with the use of payment cards of Slovenská sporiteľňa. This means an increase of 27% or SKK 15 billion over the year 2002.

On the whole, 30 million transactions with the volume of more than SKK 67 billion were executed via ATMs of Slovenská sporiteľňa. This is more by 26% or SKK 14 billion compared to 2002.

Slovenská sporiteľňa, which issued payment cards already from 1988, currently administers 446 ATMS and 3 050 POS terminals. By means of POS terminals of Slovenská sporiteľňa, customers executed 3 million transactions in the volume of almost SKK 4.4 billion in 2003. This is 10% or SKK 400 million up compared to 2002.

Number of transactions via ATMs and POS terminals of Slovenska sporiteľňa (in millions)



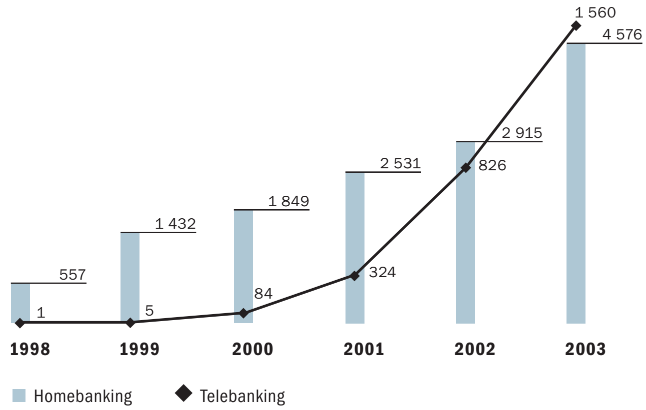
Electronic banking

In 2003, Slovenská sporiteľňa introduced several innovations in the area of electronic banking:

> Internet banking, version 4.0 (an English language mutation, the activation of electronic statements)
> On-line recharging of EASY cards through SporoPay (via the Internet)
> Launch of the Mobile banking EuroTel service
> On-line recharging of EASY cards through Mobile banking (EuroTel)
> Raising limits on a GRID card and SIM/mobile (a limit on the payment of SKK 100 000 and a per account/day limit of SKK 200 000)

A special role is played by the Sporotel service, which constitutes an adds-on feature and personnel support to electronic banking services. In 2003, Sporotel operators processed 321 165 phone calls, which was 57% up in comparison with 2002, and they executed 127 222 transactions, i.e. by 74% more than in 2002.

Number of electronic banking transactions (in thousands)



Human resources

People are a core factor to success in any society. Along these lines, we continued to create personnel management tools in Slovenská sporiteľňa also in 2003.

We updated the principles of wage policy and remuneration system in order to make the processes more transparent and simple, to attain a uniform approach on the part of managers to the remuneration of their employees and to allow for a better differentiation of performance with implications on remuneration. With a view to profiling a group of employees and creating room for the growth of first-rate professionals, the line of experts was set up.

Since 2003, Slovenská sporiteľňa also intends to put in place the system of performance management, which is to establish links between the Bank's strategy and tasks of teams and units as well as individual employees. Employment with Slovenská sporiteľňa is also made more attractive through the system of benefits, which was in 2003 extended for two days off from work with wage compensation for each employee. We continued to pursue the supplementary pension insurance programme as well as above-the-standard diagnostics and preventive medical check targeted at oncology and cardiovascular diseases.

As for the social area, average contribution from the social fund per employee was increased, with the selection and form of regeneration being left to the discretion of each individual grantee. The employer continued to run the outplacement programme and provide social assistance to employees who on account of organisational changes have to leave the Bank.

As for the area of employee development, we focused on the preparation of the career development system. Work position qualification sheets have been elaborated in co-operation with managers, which set knowledge standards on work positions. Education trended in the same direction as in the previous period, with the majority of workshops were formed of technical training sessions largely intended for retail and commercial centres. Management training, personality courses and language training continued to be delivered. All in all, 37 940 training mandays were realised, which is 7.2 days per employee. Approximately 95% of such training events were held in training facilities of Slovenská sporiteľňa.

As of 31 December 2003, Slovenská sporiteľňa had 5 303 employees, which is an increase by 48 compared to 31 December 2002. This increase in the staffing is mainly due to expansion of the network of commercial centres and the growth of sales force.

Sponsoring

Sponsoring activities of Slovenská sporiteľňa are preconditioned by its nature of the largest bank in Slovakia. We take part in an interactive exchange of values via the classical sponsoring. In 2003, partners of Slovenská sporiteľňa included Slovakia's most influential cultural and educational institutions. In the area of classical music, our cooperation with the Slovak Philharmonic Orchestra, the State Philharmonic Orchestra of Košice and the State Chamber Orchestra of Žilina became more profound. The Slovenská sporiteľňa Bratislava Jazz Days is the greatest jazz festival in Central Europe. In its capacity of a general partner, Slovenská sporiteľňa sided the successful transformation of the Aréna Theatre to an upstanding center of contemporary arts and culture mainly focusing on young audience. Through our promotion of the international film festival Artfilm, including an award for the best film by a young film-maker from Central and East Europe, we highlighted the regional strategy of the whole bank group of Erste Bank.

We see the Scholarship Programme of Slovenská sporiteľňa as a nonpareil investment in the future success of young generation, which gives students of the School of Economics in Bratislava an opportunity to undertake internships at European institutions of higher education. We established co-operation with other institutions of higher education in order to promote Slovak universities as centres of science and education for young generation. The Cisco Networking Academy Program, which has come out of co-operation between Slovenská sporiteľňa, the Cisco Systems company and the Ministry of Education of the Slovak Republic, recorded a remarkable success.

In 2003, under the heading of Banks in Action, we continued our co-operation with the non-profit educational organisation Junior Achievement Slovakia. There are approximately 800 students from 40 secondary-level schools from all over Slovakia involved in this programme. Apart from financial contribution, Slovenská sporiteľňa is also engaged in this project through the action of consultants from among our experts.

In Slovenská sporiteľňa, we are aware of the fact that the upbringing of young talented people sometimes surpasses the financial resources of their parents. That is why we once again supported, in the capacity of a general partner, the Slovakia's Hockey Prospects Foundation in 2003. The purpose of this foundation that was founded by Slovak ice hockey representation and world champions playing for the NHL, is to lend financial support to the youngest generation of hockey players who come from economically weaker milieu.

We see community sponsoring as an opportunity to apprehend the local conditions and by offering a helpful hand to accentuate a conscientious approach of Slovenská sporiteľňa acting as a corporate citizen. Together with the Union of Towns of Slovakia we promoted the idea of barrier-free Slovakia connected with a Christmas-time collection in 2003. Partnerships with the Slovak Catholic Charity, the Slovak Red Cross, the UNICEF and the project Hour for Children enabled us to provide a targeted and non-mercenary assistance where people needed it most. We are proud of the fact that thanks to our concurrence and support, top-ranking representatives of the Slovak Association of Physically Disabled Sportsmen gained also in 2003 several weighty awards both domestically and internationally. Each year Slovenská sporiteľňa devotes no mean funding to enhance the health care of citizens of Slovakia. Merely last year we considerably supported the Rescue Service in Martin, the Foundation of Neurosurgery and Neurology in Nové Zámky, the Humenné hospital, the purchasing of a special scalpel and the paediatric ward of the Prešov hospital, the Topoľčany hospital with outpatient department, the Union of Visually Impaired and many other organisation and projects.

At the same time, being a part of the largest Central-European retail bank group, we are actively involved in projects concerning the emerging European platform. Slovenská sporiteľňa joined Česká spořitelna and the Austrian Erste Bank in establishing a new initiative in the area of contemporary arts and critique TRANZIT. Besides their support of particular arts projects, these associations awarded resourcefulness grants to young arts reviewers and laid foundations for a unique interactive dialogue between artists from the entire region utilising the new media.

Through our support of all these activities we want to show that a large and successful bank in the nature of Slovenská sporiteľňa may have heart and vision. Also in this form we wish to make it clear that we are interested in lives of our customers, the environment they live in and the prospects of their children.

Plans for the year 2004

In 2004, we want to strengthen our position in the Slovak financial market and shall continue in taking care of our retail customers. We shall satisfy their demand for bargain-package modern banking services bearing attractive interest through a fully-ranging offer enriched by new products and services of our subsidiaries and contractual partners. We want to accomplish our goals through expansion in the area of corporate banking, small and medium-sized enterprises, cities and municipalities. We raise the quality of our service by way of pro-active and personalised account relationship management and acquisition.

In the line of our business targeted at retail clientele, we shall focus on extending the services associated with the use of bank accounts so that the share of transactions, executed by customers on their own, independently of the Bank's sub-branches, keeps to enlarge. Such a way of handling their account will prove to be more comfortable and concurrently more accommodating in financial terms for them. At the same time, we shall thus create room for lowering the Bank's operating costs. We shall extend the network of our ATM and POS terminals. We shall raise the sales of consumer and mortgage loans. The consolidation of the Slovak economy and changing lifestyles of the population create good preconditions for that. We shall support our goals with all-embracing product campaigns of not only informative, but also educative nature.

As part of business intended for corporate clientele, we shall pay a lot of attention to real estate financing, project and exports financing. We shall mainly aim our efforts to projects with predictable development, thereby reducing the Bank's risk exposure. We shall enlarge our share of financing provided to the Slovak corporate market. We wish to rank among three most prestigious entities in the corporate market when it comes to the segment of small and medium-sized enterprises as well as cities and municipalities. We shall make use of the unprecedented opportunity to help our customers to raise funding under the EU schemes and to co-finance development projects.

Although our financial results are also influenced by the condition of economy in both Slovakia and the rest of the world, we shall try to pursue our efforts in the most effective way so that they are reflected in favourable economic indicators only. We shall create suitable working conditions in our Bank to enable such achievements. We shall provide our employees with new opportunities for access to relevant information, improve internal communicatio and make it possible for them to enhance their qualifications. We want to continue to be a sought-after employer and, to our clientele from among the public, a trustworthy partner who meets all his commitments and promises.

Financial Statements

Prepared in Accordance with International Financial Reporting Standards for the Years Ended 31 December 2003 and 2002

Balance Sheets

As of 31 December 2003 and 2002

		Note	2003 MSKK	2002 MSKK
	ASSETS			
1.	Cash and balances at the central bank	5	5 725	11 289
2.	Loans and advances to financial institutions	6	27 380	61 464
3.	Loans and advances to customers	7	54 691	38 475
4.	Provisions for losses on loans and advances	8	(5 161)	(6 328)
5.	Trading securities and derivatives	9	18 593	2 497
6.	Securities available for sale	10	13 196	7 945
7.	Securities held to maturity	11	81 251	74 405
8.	Investments in subsidiaries, associates and other investments	12	1 327	1 956
9.	Intangible assets	13	674	806
10.	Property and equipment	14	7 138	8 101
11.	Other assets	15	3 524	4 427
	Total assets		**208 338**	**205 037**
	LIABILITIES AND SHAREHOLDERS' EQUITY			
1.	Amounts owed to financial institutions	16	11 448	10 688
2.	Amounts owed to customers	17	172 784	174 789
3.	Bonds in issue	18	3 576	1 037
4.	Provisions for liabilities and other provisions	19	1 668	1 512
5.	Other liabilities	20	3 100	4 227
6.	Deferred income tax liability	28	247	-
7.	Shareholders' equity	21	15 515	12 784
	Total liabilities and shareholders' equity		**208 338**	**205 037**

The accompanying notes are an integral part of these financial statements.
These financial statements were approved by the Board of Directors of the Bank on 22 March 2004.

Mag. Regina Ovesny-Straka
Chairperson of the Board of Directors
and General Manager

Ing. Štefan Máj
Deputy Chairman of the Board of Directors
and First Deputy General Manager

Profit and Loss Accounts
For the Years Ended 31 December 2003 and 2002

		Note	2003 MSKK	2002 MSKK
1.	Interest income	22	12 888	14 227
2.	Interest expense	23	(5 038)	(7 652)
3.	Equity in earnings of associates and subsidiaries	12	2 137	584
I.	**Net interest and investment income**		**9 987**	**7 159**
4	Provisions for losses on loans, advances and off-balance sheet	24	137	(801)
II.	**Net interest and investment income after provisions**		**10 124**	**6 358**
5.	Fee and commission income		2 316	2 052
6.	Fee and commission expense		(190)	(206)
	Net fee and commission income		2 126	1 846
7.	Net profit on financial operations	25	427	342
8.	General administrative expenses	26	(6 521)	(6 169)
9.	Other operating income/(expense)	27	(3 124)	(990)
III.	**Profit before income taxes**		**3 032**	**1 387**
10.	Income tax expense	28	(301)	(157)
IV.	**Net profit for the year**		**2 731**	**1 23**
	Basic and diluted profit per SKK 1 000 share (SKK)	29	**428**	**193**
	Basic and diluted profit per SKK 100 million share (SKK)	29	**42 844 545**	**19 296 518**

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

Statements of Changes in Shareholders’ Equity
For the Years Ended 31 December 2003 and 2002

	Retained earnigs MSKK	Legal reserve fund MSKK	Other Funds MSKK	Share capital MSKK	Total MSKK
At 1 January 2002	**1 045**	**2 404**	**1 731**	**6 374**	**11 554**
Transfers	51	-	(51)	-	-
Net profit for the year	1 230	-	-	-	1 230
At 31 December 2002	**2 326**	**2 404**	**1 680**	**6 374**	**12 784**
Net profit for the year	2 731	-	-	-	2 731
At 31 December 2003	**5 057**	**2 404**	**1 680**	**6 374**	**15 515**

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

Statements of Cash Flows

For the Years Ended 31 December 2003 and 2002

	Note	2003 MSKK	2002 MSKK
Cash flows from operating activities			
Profit before income taxes		3 032	1 387
Adjustments for:			
Provisions for losses on loans, advances and off-balance sheet		(606)	617
Provisions for liabilities and other provisions		393	(870)
Depreciation, amortisation and impairment		1 825	1 375
Loss on disposal of fixed assets		406	112
Equity in earnings of associates and subsidiaries		(2 049)	(584)
Unrealised revaluation of securities		975	(126)
Cash flows from operations before changes in operating assets and liabilities		**3 976**	**1 911**
(Increase)/decrease in operating assets:			
Minimum reserve deposits with the NBS	5	5 638	2
Loans and advances to financial institutions	6	33 528	(7 358)
Loans and advances to customers		(16 736)	(9 921)
Trading securities and derivatives and securities available for sale		(20 777)	3 850
Other assets		(945)	1 368
Increase/(decrease) in operating liabilities:			
Amounts owed to financial institutions	16	585	(149)
Amounts owed to customers		(2 005)	1 388
Other liabilities		(1 695)	1 070
Net cash flows provided by/(used in) operating activities before income tax		**1 569**	**(7 839)**
Income taxes paid		(480)	(562)
Net cash flows provided by/(used in) operating activities		**1 089**	**(8 401)**
Cash flows from investing activities			
Net cash flow from securities held to maturity		(5 789)	8 452
Dividends received from associated undertakings	12	644	178
Net (increase)/decrease in investments in subsidiaries and associates		2 034	(157)
Purchase of intangible assets, property and equipment		(1 379)	(1 327)
Proceeds from sale of property and equipment		285	-
Net cash flows provided by/(used in) investing activities		**(4 205)**	**7 146**
Cash flows from financing activities			
Issuance of bonds	18	2 500	1 000
Net cash flows provided by financing activities		**2 500**	**1 000**
Net decrease in cash and cash equivalents	**30**	**(616)**	**(255)**
Cash and cash equivalents at beginning of the year	**30**	**4 678**	**4 933**
Cash and cash equivalents at end of the year	**30**	**4 062**	**4 678**

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

Notes to the Financial Statements
Prepared in Accordance with International Financial Reporting Standards Years Ended 31 December 2003 and 2002

1. Introduction

Slovenská sporiteľňa, a.s. (hereafter "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 Board of Directors of the Bank is comprised of Ms Regina Ovesny-Straka (the Chair), Mr Štefan Máj (Vice Chairman), and Mr Peter Krutil, Mr Oskar Soták and Mr Michael Vogt as members. The Chair of the Board of Directors is at the same time also a Company Managing Director. The Vice Chairman of the Board of Directors is at the same time a First Deputy Managing Director of the Company. The Vice Chairman fully represents the Chair in her absence. Members of the Board of Directors are at the same time deputies of the Managing Director of the Company.

The members of the Supervisory Board as at 31 December 2003 were as follows: Mag. Reinhard Ortner (Chair), Mag. Andreas Treichl (Vice Chairman), Rogers David LeBaron, Leopold Weber, Dr. Manfred Wimmer, Dr. Heinz Kessler, Mag. Bernhard Spalt, Mgr. Petr Papanek, JUDr. Juraj Komár, Marián Lieskovský, JUDr. Beatrica Melichárová, Ing. Ján Trgiňa.

As at 31 December 2003, the shareholders of the Bank were Erste Bank der Öesterreichischen Sparkassen AG ("Erste Bank") with 70.01%, the European Bank for Reconstruction and Development ("EBRD") with 19.99%, and the Ministry of Finance of the Slovak Republic with 10.00%. During 2003, Erste Bank purchased 2.82% shares of the Bank from Stredoeurópsky maklérsky dom, o.c.p., a.s. and increased its share on shareholding capital and voting rights to 70.01%.

In November 2003, the privatisation project for the sale to Erste Bank of the remaining 10% ownership share of the Ministry of Finance was initiated. The Slovak Government approved the project in March 2004. If the project is successful, the Erste Bank shareholding will increase to 80.01%.

2. Significant Events Affecting the 2003 Results

The Bank recognized a substantial non-recurring profit related to its investment in associate as further described in Note 12(c).

Also during 2003, uncertainties relating to the interpretation and methods of application of certain provisions of the 2001 privatization share purchase agreement were resolved, resulting in the determination that the Bank would bear losses and liabilities relating to certain litigation cases from periods prior to privatization and sponsoring commitments, as further described in Note 32(a) and 19(e), respectively.

In 2003 a system development project was terminated resulting in non-recurring losses (see Note 15), impairment provisions were recorded against property (see Note 14), provisions for expected losses resulting from restructuring of certain type of loans were recorded (see Note 7) and review of useful lives of property and equipment was undertaken resulting in an increase of annual depreciation (see Note 4(f)).

3. Basis of Preparation

These financial statements have been prepared in accordance with all standards and interpretations approved by the International Accounting Standards Board ("IASB"), which are referred to as International Financial Reporting Standards ("IFRS").

The Bank holds controlling interests in subsidiaries as described in Note 12. 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, does 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 investments, financial assets and financial liabilities held for trading and all derivative contracts.

The presentation of financial statements in conformity with IFRS requires the management of the Bank to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as 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's 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, associates and other

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. The subsidiaries have not been consolidated in these financial statements as they are not considered material and would not materially influence the result of net assets of the Bank. Investments in subsidiaries are accounted for under the equity method of accounting.

Associated Undertakings

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. Associates are accounted for under the equity method of accounting. 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's interest in the associate is carried in the balance sheet at an amount that reflects its share of net assets of the associate.

Other Investments

Other investments represent investments with a share of less than 20% of the share capital and voting rights. They are valued at fair value. If the market value is not available, the equity of the company is considered as an indicator of the company's fair value.

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 the management's assessment of potential losses in relation to the Bank's lending 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, advances and off-balance sheet".

An additional 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. 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, advances and off-balance sheet".

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. The Bank has 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 main 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". If there are market prices available for securities from stock exchange or from other sources (Reuters, Bloomberg) they are used for mark-to-market revaluation. For securities for which there are no market prices available the fair values are determined according to bond yield curves reflecting also margins (the same applies for securities in the Available for Sale portfolio).

All purchases and sales of securities held for trading that require delivery within the time frame established by regulation or market convention ('regular way' purchases and sales) are recognised as spot transactions. Transactions that do not meet the 'regular way' settlement criterion are treated as financial derivatives (forward transactions).

Available for Sale Securities ("AFS")

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. AFS 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)".

Securities Held to Maturity ("HTM")

Securities held to maturity are financial assets with fixed maturity that the Bank has the positive intent and ability to hold to maturity. HTM securities are initially recognised at cost. Held to maturity securities are carried at amortised cost, 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 recognises 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 repurchase 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 and depreciated on a straight-line basis over estimated useful lives as follows:

Type of fixed assets	Depreciation period 2003	Depreciation period 2002
Buildings and structures	30 years	30 – 40 years
Electronic machines and equipment	6 years	4 - 8 years
Other equipment	12 years	4 - 15years
Furniture	6 years	8 years
Leasehold improvements	Period of the lease	Period of the lease

In 2003 the management of the Bank reviewed the depreciation period applied for different types of property and equipment and adjusted these in line with the estimated useful lives of these assets. This change results in a change in depreciation expense over the remaining adjusted lives of the assets beginning 1 January 2003. Based on assets recorded as at 31 December 2003, such changes resulted in an increase in the annual depreciation of approximately SKK 130 million.

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 30 000 (2002: SKK 20 000) in the case of tangible fixed assets, and SKK 50 000 (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. If there is intention to sell the asset to which impairment is created and the Bank expects loss from this sale, the impairment is shown in "Other operating income/(expense)".

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 creates a provision for risks that are judged by the management of the Bank to be present as at the balance sheet date.

h) Provisions

Provisions are recognised when the Bank has a current 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 provisions 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 accrued on outstanding loan balances is included in "Loans and advances to financial institutions" and "Loans and advances to customers". Interest payable accrued on deposit products is included in "Amounts owed to financial institutions" and "Amounts owed to customers". Interest receivable accrued on outstanding securities balances is included in "other assets" 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. Interest on non-performing loans, those 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 accrual basis.

m) Taxation

Tax on the Bank's current year results consists of both income and withholding 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 as 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. Currently enacted tax rates are used to determine deferred income tax. Deferred tax assets in respect of tax losses carried forward and other temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which the tax assets can be utilised.

n) Derivative Financial Instruments

Derivatives include foreign currency and interest rate swaps, currency forwards, forward rate agreements, foreign currency 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.

Financial derivative instruments entered into for trading purposes or to hedge trading positions are stated at fair value. Unrealised gains and losses are reported as "Trading securities and derivatives" and "Other liabilities". Realised and unrealised gains and losses are recognised in "Net profit on financial operations" in the profit-and-loss account. Fair values of 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 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 gains and losses reported in the profit and loss account.

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 income or expenses.

Hedging derivatives are defined as derivatives that comply with the Bank's risk management strategy, the hedging relationship is formally documented and the hedge is effective, that is, at inception and throughout the period, changes in the fair value or cash flows of the hedged and hedging items are almost fully offset and the results are within a range of 80% to 125%.

If the Bank uses a fair value hedge, the hedged item is remeasured to fair value and the gain or loss from the remeasurement is recognised to expense or income as appropriate. The same accounts of expense and income that reflect the gain or loss from remeasuring the hedged item at fair value are also used in accounting for changes in fair values of hedging derivatives that are attributable to the hedged risk.

If the Bank uses a cash flow hedge, the gains or losses from changes in the fair values of hedging derivatives that are attributable to the hedged risk are retained on the balance sheet and are recognised to expense or income within the line "Net interest income" in the periods in which the expense or income associated with the hedged items are recognised.

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 separately calculated for shares with SKK 1 000 and SKK 100 million nominal value.

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 cash equivalent due to restrictions on its availability.

5. Cash and Balances at the Central Bank

	2003 MSKK	**2002 MSKK**
Cash balances	4 099	3 781
Nostro account with the NBS	237	481
Minimum reserve deposit with the NBS	1 389	7 027
Total	**5 725**	**11 289**

Minimum reserve deposits represent mandatory deposits (bearing 1.5% interest) calculated in accordance with regulations promulgated by the NBS (3% and 4% of certain of the Bank's liabilities in 2003 and 2002 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.

The movement on the balance of minimum reserve deposits during the December was caused by the fluctuation of short-term deposit interest rate on the market. This fluctuation of short-term deposit interest rate influenced balance of minimum reserve and investment in short-term deposits.

6. Loans and Advances to Financial Institutions

	2003 MSKK	2002 MSKK
Repayable on demand	203	718
Repo trades with central bank treasury bills	12 192	37 767
Placements with financial institutions	14 985	22 979
Subtotal	**27 380**	**61 464**
Provisions	-	(41)
Total	**27 380**	**61 423**

Repurchase agreements with the central bank are collateralised by the bills issued by the National Bank of Slovakia.

7. Loans and Advances to Customers

	2003 MSKK	2002 MSKK
Corporate clients	34 236	25 049
Syndicated loans	12 453	11 654
Overdrafts	3 304	1 311
Direct provided loans	18 479	12 084
Retail clients	19 565	12 579
Mortgage loans	6 238	3 121
Consumer loans	9 250	5 690
Social loans	2 596	3 198
Overdrafts	1 481	570
Public sector	890	847
Subtotal	**54 691**	**38 475**
Provisions	(5 161)	(6 287)
Total	**49 530**	**32 188**

The Bank has a substantial portion of credit exposures extended to a limited number of customers. As at 31 December 2003 the 15 largest customers accounted for 36 % of the gross loan portfolio, which represented an amount of SKK 19 884 million. (2002: 40 %, SKK 15 439 million).

Industry sector analysis

The table below details the breakdown of loans and advances to customers by industry sector.

	2003 MSKK	2002 MSKK
Non-financial institutions	27 657	21 265
Financial institutions	2 512	1 778
Public sector	890	847
Individuals	1 814	1 527
Citizens	19 565	12 579
Other	2 253	479
Total	**54 691**	**38 475**

Risk categorisation of loans and receivables

The table below details the breakdown of loans and advances to customers by specific risks identified within the credit portfolio of the Bank as of 31 December 2003.

	Gross exposure MSKK	Collateral MSKK	Net exposure MSKK	Provisions MSKK
Pass	36 553	-	36 553	460
Watch	13 212	9 470	3 742	288
Substandard	922	259	663	151
Doubtful	491	188	303	263
Loss	3 513	32	3 481	3 481
Subtotal	**54 691**	**9 949**	**44 742**	**4 643**
General provisions				**518**
Total	**54 691**	**9 949**	**44 742**	**5 161**

Collateral values (SKK 29 650 million) are not taken into consideration when calculating the amounts of provisions for pass loans.

The table below details the breakdown of loans and advances to customers by specific risks identified within the credit portfolio of the Bank as of 31 December 2002.

	Gross exposure MSKK	Collateral MSKK	Net exposure MSKK	Provisions MSKK
Pass	22 968	-	22 968	35
Watch	9 659	-	9 659	410
Substandard	713	473	240	223
Doubtful	582	270	312	289
Loss	4 553	201	4 352	4 352
Subtotal	**38 475**	**944**	**37 531**	**5 309**
General provisions for credit risk				**978**
Total	**38 475**	**944**	**37 531**	**6 287**

Collateral values are stated net of discount that indicates the estimated recovery rate of the relevant type of collateral. Collateral values (SKK 21 130 million and SKK 9 291 million) are not taken into consideration when calculating the amounts of provisions for pass and watch loans.

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 the recovery of these loans. The Bank continues to use all legal remedies available to it.

Suspended interest related to non-performing loans that are overdue by more than 60 days (2002: 90 days) amounted to SKK 920 million (2002: SKK 1 128 million). It is the policy of the Bank to fully provide for these amounts.

Social loans

The Bank performed an analysis of circumstances related to loans that were provided in the past as part of the social system programmes supported by the government ("Social loans") and based on the results of such analysis, approved a plan to restructure the social loans portfolio. The Bank's management estimates that as a result of the restructuring process the Bank will recognise a loss due to the write off of part of receivables of social loans outstanding. The Bank estimated total losses that are likely to crystallize upon the restructuring of the portfolio and recognised provisions in the amount of SKK 460 million as of 31 December 2003.

Mandate loans

The Bank entered into agreements with two external, non-related parties under which it agreed to outsource the management of certain non-performing loan receivables (referred to as "mandate loans"). Total loan receivables outsourced to the two parties amount to a gross value of SKK 2 539 million as at 31 December 2003. (2002: SKK 3 369 million).

The Bank maintains the risks and rewards associated with the underlying credit exposures in that it has only outsourced the management of the receivables, except that the Bank shares certain recoveries with external service providers. The management of the Bank has analysed the Bank's potential recoveries relating to these receivables and has recorded provisions to reflect estimated losses incurred including the requirement to share cash recoveries between the Bank and the external parties contracted to manage those receivables.

8. Provisions for Losses on Loans and Advances

a) Composition of provisions for losses on loans and advances

	2003 MSKK	2002 MSKK
Loans and advances to financial institutions	-	41
Loans and advances to customers	5 161	6 287
Total provisions for losses on loans and advances	**5 161**	**6 328**

b) Movements in provisions for losses on loans and advances

	2003 MSKK	2002 MSKK
At 1 January	6 328	7 200
Written-off receivables and other adjustments	(1 076)	(1 489)
Net charge/(release) of provisions (Note 24)	(91)	617
At 31 December	**5 161**	**6 328**

Net charge/(release) of provisions consists of the creation of provision to the social loans (SKK 460 million) and net release of provision in the amount of SKK 551 million.

9. Trading Securities and Derivatives

	2003 MSKK	2002 MSKK
Debt securities and other fixed income securities - listed	17 703	665
Equity securities – shares – listed	11	-
Financial derivatives with positive fair value (Note 32)	879	1 832
Interest Rate Agreements	301	546
Exchange Rate Agreements	578	1 286
Total	**18 593**	**2 497**

Debt securities and other fixed income securities at fair value comprise:

	2003 MSKK	2002 MSKK
Slovak crowns	17 556	518
Other currencies	147	147
Total debt securities and other fixed income securities	**17 703**	**665**

Debt securities and other fixed income securities – at fair value, allocated by issuer, comprise:

	2003 MSKK	2002 MSKK
State institutions in Slovak Republic	2 569	114
Financial institutions in the Slovak Republic	14 927	67
Foreign financial institutions	-	280
Other entities in the Slovak Republic	207	204
Total	**17 703**	**665**

10. Securities Available for Sale

	2003 MSKK	2002 MSKK
Debt securities and other fixed income securities	12 532	7 573
Listed	12 532	5 573
- out of that CDOs valued at fair value	1 066	-
Unlisted	-	2 000
Equity securities – shares	664	372
Listed	-	355
Unlisted	664	17
Total	**13 196**	**7 945**

The Bank has in its portfolio collateralised debt obligation (“CDO”) securities in the amount of SKK 1 066 million. The securities have A1 and higher investment grade rating, and represent a participating interest in the portfolio of bonds and other instruments.

Debt securities and other fixed income securities at fair value comprise:

	2003 MSKK	2002 MSKK
Slovak crowns	11 000	6 640
Other currencies	1 532	933
Total	**12 532**	**7 573**

Debt securities and other fixed income securities at fair value, allocated by issuer, comprise:

	2003 MSKK	2002 MSKK
State institutions in Slovak Republic	9 432	2 775
Financial institutions in the Slovak Republic	-	254
Foreign financial institutions	2 918	3 043
Other entities in the Slovak Republic	182	1 501
Total	**12 532**	**7 573**

Shares and participation certificates at fair value, allocated by issuer, comprise:

	2003 MSKK	2002 MSKK
Financial institutions in the Slovak Republic	247	366
Foreign financial institutions	416	-
Other entities in the Slovak Republic	1	6
Total	**664**	**372**

All shares are denominated in Slovak Crowns.

11. Securities Held to Maturity

	2003 MSKK	2002 MSKK
Debt securities and other fixed income securities	81 251	74 405
listed	79 251	74 405
unlisted	2 000	-
Total	**81 251**	**74 405**

Debt securities and other fixed income securities comprise:

	2003 MSKK	2002 MSKK
Slovak crowns	78 136	71 204
Other currencies	3 115	3 201
Total	**81 251**	**74 405**

Debt securities and other fixed income securities at carrying value, allocated by issuer, comprise:

	2003 MSKK	2002 MSKK
State institutions in Slovak Republic	72 789	68 972
Financial institutions in the Slovak Republic	1 610	188
Foreign financial institutions	2 362	574
Other entities in the Slovak Republic	4 190	4 371
Other foreign entities	300	300
Total	**81 251**	**74 405**

12. Investments in Subsidiaries, Associates and Other Investments

	2003 MSKK	2002 MSKK
Investment in subsidiaries	228	221
Investment in associates	87	1 552
Other investments	1 012	183
Total	**1 327**	**1 956**

During 2003 the Bank's investments declared dividends in the amount of SKK 644 million.

a) Investment in subsidiaries

		Holding (v %)		Total assets MSKK		Net book value MSKK	
Name	**Activity**	**2003**	**2002**	**2003**	**2002**	**2003**	**2002**
SPORING, a.s.	Real estate maintenance, leasing	100.00	100.00	287	361	96	131
Asset Management Slovenskej sporiteľne, správ. spol., a.s.	Asset management	100.00	100.00	105	65	72	60
Factoring Slovenskej sporiteľne, a.s.	Factoring	90.00	90.00	1 389	35	17	30
Leasing Slovenskej sporiteľne, a.s.	Leasing	90.00	-	57	-	43	-
Devín Istria, s.r.o.	Hotel	-	100.00	-	23	-	-
Total						**228**	**221**

The accounts and results of these subsidiaries have not been consolidated in 2003 and 2002 as they are not considered to be material and would not materially influence the result or net assets of the Bank for respective years.

During 2003, a new company was established - Leasing Slovenskej sporiteľne, a.s. where the Bank has a 90%-share of the share capital and voting rights.

During 2003 the Bank sold its 100% share in Devín Istria.

b) Investment in associates

Name	Activity	Holding % 2003	2002	Net book value MSKK 2003	2002
Poisťovňa Slovenskej sporiteľne, a.s.	Insurance	33.33	33.33	66	30
CDI Corporate Advisory, a.s.	Financial and legal advisory	25.00	-	21	
Slovak Banking Credit Bureau, s.r.o.	Retail credit register	33.33	-		
Univerzálna banková poisťovňa, a.s.	Insurance	-	46.00	-	40
Priemyselná banka a.s. Košice	Bank	-	37.39	-	-
Prvá stavebná sporiteľňa, a.s.	Mortage bank	9.98	35.00	-	1 482
Total				**87**	**1 552**

During 2003 Slovenská sporiteľňa, a.s. purchased 25% share of the share capital and voting rights of the company CDI Corporate Advisory, a.s. The business of this company is oriented on economic and legal advisory services.

During 2003 Slovenská sporiteľňa, a.s. established a company with Tatra banka, a.s. and Všeobecná úverová banka, a.s. – the Slovak Banking Credit Bureau, with main objective to establish and operate Retail Credit registry. All three shareholders have equal shares and voting rights.

During 2003 the Bank sold its whole participation in Univerzálna banková poisťovňa, a.s., to an unrelated party, and approximately 25% share ownership in Prvá stavebná sporiteľňa, a.s. to Erste Bank (the Bank's parent company). The remaining interest in Prvá stavebná sporiteľňa, a.s. was transferred to other investments.

Priemyselná banka, a.s. Košice was liquidated and deleted from Commercial register based on a court decision.

In 2002, subsidiaries and associates, excluding PSS, were classified as investment securities and were recorded at cost less any provision for impairment in value, which approximated the results of the equity method of accounting. In 2003, the Bank changed the accounting method for its investments in subsidiaries and associates to the equity method of accounting. This change resulted in the Bank recognizing SKK 145 million in "Equity in earnings of associates and subsidiaries" in 2003.

c) Other investments

Name	Activity	Holding % 2003	2002	Net book value MSKK 2003	2002
Prvá stavebná sporiteľňa, a.s. ("PSS")	Mortgage bank	9.98	35.00	823	-
Banka Slovakia, a.s.	Bank	6.61	6.61	28	25
Transacty Slovakia, a.s.	Data processing	1.22	1.22	4	2
Burza cenných papierov, a.s.	Stock exchange	10.98	10.98	17	13
Servis 1 – CS, a.s.	IT services	3.68	3.68	139	141
S.W.I.F.T. s.c.	Communication	0.15	0.04	1	2
Total				**1 012**	**183**

Other investments represent investments with a share of less than 20% of the share capital and voting rights. They are valued at fair value. If the market value is not available, equity of the company is considered as an indicator of the company's fair value.

Until December 2003 the Bank was a 35% shareholder of PSS. In December 2003, the Bank sold 25% ownership in PSS to Erste Bank (the Bank's parent company). The sale price was based on the estimated fair market value of the shares, which approximated the net asset value of the shares. The Bank retained a 9.98% shareholding in PSS at 31 December 2003.

PSS is a building society which specialises in providing financing for the construction or improvement of homes. Selected financial information extracted from PSS's audited financial statements prepared according to Slovak statutory accounting standards, and information about the Bank's investment in PSS is summarised as follows

	2003 MSKK	2002 MSKK
PSS:		
Net profit for the year	787	1 504
Dividends declared	1 834	600
Total assets end of year	43 121	42 820
Total liabilities end of year	34 873	38 528
Total shareholders' equity (net asset value)	8 248	4 292
Bank's investment position and results:		
Percentage ownership of PSS	9.98 %	35.00 %
Net equity value	823	1 502
Income from investment	2 057	584
Loss on sale of shares	(27)	-

The profit of PSS for 2003 includes the release of a provision (included in liabilities of PSS in 2002) totalling approximately SKK 4.5 billion. This provision was created in prior years to cover estimated potential future losses arising from the expected needs of PSS to borrow funds at interest rates exceeding the interest rates on future loans to customers that PSS would be obliged to grant. This risk was resolved in 2003.

d) Equity in earnings of associates and subsidiaries

	2003 MSKK	2002 MSKK
Prvá stavebná sporiteľňa, a.s.	2 057	584
Univerzálna banková poistovna, a.s.	108	-
Sporing, a.s.	(31)	-
Poisťovňa Slovenskej sporiteľne, a.s.	(26)	-
Devín - Istria d.o.o. Icici	24	-
Other	5	-
Total	**2 137**	**584**

13. Intangible Assets

	Software MSKK	Other IFA MSKK	Assets not yet put in service MSKK	Total MSKK
Cost				
1 January 2003	2 262	160	302	2 724
Additions	174	44	204	422
Disposals	(2)	(1)	(218)	(221)
31 December 2003	**2 434**	**203**	**288**	**2 925**
Accumulated depreciation				
1 January 2003	(1 784)	(134)	-	(1 918)
Depreciation	(317)	(18)	-	(335)
Disposals	1	1	-	2
Impairment	-	-	-	-
31 December 2003	**(2 100)**	**(151)**	**-**	**(2 251)**
Net book value				
31 December 2002	**478**	**26**	**302**	**806**
31 December 2003	**334**	**52**	**288**	**674**

14. Property and Equipment

	Land and buildings (v mil. Sk)	Equipment fixtures and fittings (v mil. Sk)	Motor vehicles (v mil. Sk)	Assets not yet put in service (v mil. Sk)	Total (v mil. Sk)
Cost					
1 January 2003	**7 814**	**7 574**	**110**	**270**	**15 768**
Additions	225	664	68	1 002	1 959
Disposals	(561)	(520)	(53)	(978)	(2 112)
31 December 2003	**7 478**	**7 718**	**125**	**294**	**15 615**
Accumulated depreciation					
1 January 2003	**(1 923)**	**(5 657)**	**(87)**	**-**	**(7 667)**
Depreciation	(239)	(889)	(16)	-	(1 144)
Disposals	226	459	41	-	726
Impairment	(188)	(202)	-	(2)	(392)
31 December 2003	**(2 124)**	**(6 289)**	**(62)**	**(2)**	**(8 477)**
Net book value					
31 December 2002	**5 891**	**1 917**	**23**	**270**	**8 101**
31 December 2003	**5 354**	**1 429**	**63**	**292**	**7 138**

In implementing its restructuring program, the Bank has assessed assets that are not in use, are partially used, and those which are rented to other parties. The difference between the carrying value of their recoverable amount, as determined by the management of the Bank, has been recognised as an impairment of assets and included in the profit-and-loss account in “Other operating income/(expense)”.

15. Other Assets

	2003 MSKK	2002 MSKK
Accrued income	2 865	3 742
Prepaid expenses	150	189
Various receivables	362	159
Other assets	147	337
Total	**3 524**	**4 427**

Other assets as of 31 December 2002 include the cost of a system development project that was terminated in 2003. The Bank terminated a system development project in 2003. The Bank's total interest in cost to this project at the time of termination of SKK 475 million was written off to "Other operating income/(expense)" (see Note 27). There is no balance related to this project included in other assets as at 31 December 2003.

16. Amounts Owed to Financial Institutions

	2003 MSKK	2002 MSKK
Repayable on demand	477	302
Other	10 971	10 386
Total	**11 448**	**10 688**

A liability in the amount of SKK 1 830 million, from the repo trade transaction, is collateralised by state bonds.

17. Amounts Owed to Customers

	2003 MSKK	2002 MSKK
Repayable on demand	52 939	51 876
Other	119 845	122 913
Total	**172 784**	**174 789**

	2003 MSKK	2002 MSKK
Savings deposits	35 734	44 582
Other:		
Public sector	4 260	3 870
Corporate clients	29 332	20 163
Retail clients	101 187	103 951
Other	2 271	2 223
Total	**172 784**	**174 789**

In the amount of deposits is SKK 4 805 million of anonymous deposits (2002 : SKK 14 579 million). From 1 January 2004, anonymous deposits will no longer represent deposit liabilities, will no longer bear interest, and will be reclassified to other liabilities.

18. Bonds in Issue

	Issued	Maturity	Interest rate	Nominal value 2003 MSKK	Nominal value 2002 MSKK
Mortgage bonds:					
	July 2002	July 2007	7.40%	1 000	1 000
	July 2003	July 2008	4.60%	1 000	-
	August 2003	August 2010	4.65%	500	-
	October 2003	October 2008	4.60%	1 000	-
Net debt securities in issue				**3 500**	**1 000**

Accrued bond interest as at 31 December 2003 represents SKK 76 million. (2002 : SKK 37 million).

19. Provisions for Liabilities and Other Provisions

	2003 MSKK	2002 MSKK
Provision for off-balance sheet and other risks	343	520
Restructuring provisions	-	87
Provisions for interest bearing products	108	226
Legal cases	703	370
Sponsoring	381	-
Other provisions	133	309
Total	**1 668**	**1 512**

a) Provision for off-balance sheet and other risks

The provisions for off-balance sheet and other risks has been created to cover specific losses present in the off-balance sheet and to provide for losses that have not been specifically identified. The movement of the provision for off-balance sheet and other risks is shown in Note 24.

b) Restructuring Provisions

The Bank developed a detailed formal plan for restructuring its business, and created restructuring provisions of SKK 600 million in 2001. The restructuring plan has been completed and the provision was fully used in 2002 and 2003.

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 at 1 January 2003	**226**
Allocation during the year	55
Utilisation during the year	(173)
Total balance at 31 December 2003	**108**

d) Provision for legal cases

The Bank conducted a review of legal proceedings outstanding against it as of 31 December 2003. Pursuant to the review of litigation matters in terms of the risk of losses and litigated amounts, the Bank has recorded a provision for these legal disputes.

e) Sponsoring provision

The Bank has been involved in significant sponsoring activities in the fields of education, culture, charity, public affairs and economic development. The share purchase agreement on the privatisation of the Bank in 2001 included a provision concerning financial commitments for the Bank's ongoing sponsoring activities. The Bank is not a direct party to the 2001 share purchase agreement. There has been significant uncertainty about the interpretation and method of the application of provisions of the 2001 share purchase agreement concerning financial obligations for sponsoring activities. These uncertainties were resolved in 2003 resulting in a determination that the Bank would be responsible for all financial obligations for sponsoring activities under the 2001 share purchase agreement. Accordingly, the Bank recorded the full amount of the remaining sponsoring liability in 2003.

f) Other provisions

Other provisions are comprised of a provision for certain pension fund obligations and other social benefit funds.

20. Other Liabilities

	2003 MSKK	2002 MSKK
Financial derivatives with negative fair value (Note 32)	1 466	2 067
Estimated liabilities	753	619
Various creditors	713	1 202
Other short-term payables to customers	158	231
Accrued expenses	10	108
Total	**3 100**	**4 227**

21. Shareholder's Equity

Shareholders' equity structure is as follows:

	2003 MSKK	2002 MSKK
Share capital	6 374	6 374
Legal reserve fund	2 404	2 404
Other funds	1 680	1 680
Retained earnings	5 057	2 326
Total	**15 515**	**12 784**

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

Nominal value	Number of shares	2003 MSKK	Number of shares	2002 MSKK
SKK 1,000 each	2 174 207	2 174	2 174 207	2 174
SKK 100,000,000 each	42	4 200	42	4 200
Total		**6 374**		**6 374**

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. At 31 December 2003, Other Capital Funds consist mainly of a statutory fund amounting to SKK 1 178 million, 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.

22. Interest Income

	2003 MSKK	2002 MSKK
Loans and advances to financial institutions	3 475	4 096
Loans and advances to customers	3 123	2 627
Debt securities and other fixed income securities	6 137	7 440
Derivatives	111	62
Other interest income and similar income	42	2
Total	**12 888**	**14 227**

23. Interest Expense

	2003 MSKK	2002 MSKK
Amounts owed to financial institutions	566	580
Amounts owed to customers	4 235	6 890
Derivatives	123	146
Debts evidenced by certificates	114	36
Total	**5 038**	**7 652**

24. Provisions for Losses on Loans, Advances and Off-balance Sheet

	2003 MSKK	2002 MSKK
Provisioning charges	(2 262)	(1 372)
Release of provisions	2 353	755
Net (charge) / release of provisions for losses on loans and advances (Note 8b)	**91**	**(617)**
Recoveries of loans written off / other	7	67
Net release/(charge) of provisions to off-balance	39	(251)
Total	**137**	**(801)**

25. Net Profit on Financial Operations

	2003 MSKK	2002 MSKK
Foreign exchange gains	433	429
Interest derivatives	(6)	(245)
Other	-	158
Total	**427**	**342**

26. General Administrative Expenses

Composition of general administrative expenses

	2003 MSKK	2002 MSKK
Staff costs		
Wages and salaries	1 957	1 850
Social security costs	476	540
Other staff costs	106	144
Total staff costs	**2 539**	**2 534**
Other administrative expenses		
Data processing expenses	519	272
Building maintenance and rent	425	243
Costs of bank operations	624	580
Advertising and marketing	368	256
Legal fees and consultation	327	589
Other administrative expenses	291	594
Total other administrative expenses	**2 554**	**2 534**
Depreciation		
Amortisation of intangible assets and other adjustments (see below)	289	56
Depreciation of property and equipment	1 139	1 045
Total depreciation, amortisation	**1 428**	**1 101**
Total	**6 521**	**6 169**

The amount of amortisation of intangible assets of SKK 289 million (2002: SKK 56 million) consists of amortisation expense of SKK 335 million (see Note 13) less utilisation of restructuring provision in the amount of SKK 45 million (2002: amortisation expense 330 million; restructuring provision SKK 274 million).

The average number of employees was 5 283 and 5 570 in 2003 and 2002, respectively.

27. Other Operating Income/(Expense)

	2003 MSKK	2002 MSKK
Income from revaluation/sale of securities available-for-sale	957	387
Other operating income	294	219
Total other operating income	**1 251**	**606**
Revaluation/sale of securities available-for-sale	(914)	(298)
Revaluation/sale of investment securities	(18)	(16)
Revaluation/sale of participations	(88)	(60)
Payment into deposit insurance fund	(1 076)	(1 000)
Other operating expense, net	(2 279)	(222)
Total other operating expense	**(4 375)**	**(1 596)**
Total other operating income/(expense)	**(3 124)**	**(990)**

Other operating expense for 2003, net, includes mainly the recording of liabilities related to sponsoring activities (SKK 381 million, see Note 19), provision and litigation losses relating to legal cases (SKK 815 million, see Note 19 and 32 (a)), impairment provisions (SKK 392 million, see Note 14), write-down of terminated system development (SKK 475 million, see Note 15).

28. Income Tax Expense

	2003 MSKK	2002 MSKK
Withholding tax expense – bond (net)	22	125
Withholding tax expense – dividends	32	32
Deferred tax expense	247	-
Total	**301**	**157**

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:

	2003 MSKK	2002 MSKK
Profit before tax	3 032	1 387
Income not subject to corporate income tax:		
Releases of provisions and reserves	(3 736)	(5 879)
Income from securities (subject to withholding tax or exempt)	(6 914)	(6 847)
Other	(85)	(773)
Expenses not deductible for tax purposes:		
Allocation of provisions and reserve	3 877	4 140
Other	3 286	4 514
Tax base	**(540)**	**(3 458)**
Tax calculated at a tax rate of 25% (2001: 29%)	-	-
Corporate Income tax expense	-	-
Withholding tax expense – bond (net)	22	125
Withholding tax expense – dividends	32	32
Deferred tax expense	**247**	**-**
Total tax expense	**301**	**157**

The Bank has incurred tax losses in recent years. There is uncertainty about whether the Bank will realize tax benefits in the future from the carry forward of these losses. As such, a deferred tax asset has not been recognised in these financial statements.

The Bank accounted for deferred tax liability of SKK 247 million that arises from all known taxable temporary differences. Major part of the differences represents gap between accounting and tax value of other investments and of property and equipment.

A potential deferred tax asset of SKK 691 million arises 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 about timing of the differences and about its possible utilisation against taxable profit in the future, therefore no deferred tax asset has been recognised.

Withholding tax expense relates to tax withheld at source on interest and dividend income on certain assets.

29. Net Profit Per Share

	2003	2002
Net profit applicable to ordinary shares (MSKK)	2 731	1 230
Number of shares SKK 1 000 each	2 174 207	2 174 207
Number of shares SKK 100 million each	42	42
Basic and diluted profit per SKK 1 000 share (SKK)	**428**	**193**
Basic and diluted profit per SKK 100 million share (SKK)	**42 844 545**	**19 296 518**

30. Supplementary Data to Statements of Cash Flows

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:

	2003 MSKK	2002 MSKK
Cash on hand (Note 5)	4 099	3 781
Nostro accounts with the NBS (Note 5)	237	481
Accounts with other financial institutions repayable on demand (Note 6)	203	718
Amounts owed to financial institutions repayable on demand (Note 16)	(477)	(302)
Total cash and cash equivalents	**4 062**	**4 678**

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 geographic 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. The Bank's net open foreign exchange positions as at 31 December 2003 and 2002 are shown in Note 33.

Interest rate risk

Interest rate risk is the risk that net interest income or the value of financial instruments will fluctuate due to changes in market interest rates. The Bank manages its interest rate risk through monitoring interest rate behaviour and 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 and market value of Bank's assets and liabilities. Refer to Note 34 for an analysis of the Bank's interest rate risk as at 31 December 2003 and 2002.

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 at 31 December 2003 and 2002.

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 Derivate 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 and commitments

Legal disputes

The Bank has been a defendant in a number of legal cases arising prior to the privatisation of the Bank in 2001. The impact on the Bank of the potential losses from these cases has been subject to material uncertainties about the outcome of the cases. Also there have been significant uncertainties about the interpretation and method of application of certain provisions of the 2001 share purchase agreement concerning the indemnification of losses on these cases. During 2003, one of these cases was closed resulting in a material loss not previously provisioned. In addition, during 2003 the uncertainties relating to the application of the 2001 share purchase agreement were resolved resulting in a determination that the Bank will not receive any direct indemnification or reimbursement of losses on cases arising prior to privatisation. The indemnification will be settled directly to Erste Bank (purchaser of the privatised shares). These matters were considered in estimating and recording losses and provisions for litigation as of 31 December 2003. Provisions for legal cases are described in Note 19.

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.

Accession to European Union

During 2003, in the context of the Slovak Republic's accession to the European Union ('EU'), Slovak and EU authorities responsible for overseeing the state aid area began a process to review and evaluate the state aid provided in the past to the Slovak banking sector, including the Bank. The Bank is fully cooperating with Slovak and EU authorities in this process. Although the ultimate outcome is uncertain, based on presently available factual information on the status of the process, the Bank has no reason to expect any negative consequences in this matter.

Commitments from guarantees and letters of credit

The primary purpose of these instruments is to ensure that funds are available to customers 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.

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

Items	2003 MSKK	2002 MSKK
Guarantees provided	1 405	573
Guarantees from letter of credits	28	95
Loan commitments and undrawn loans	11 771	3 495
Total	**13 204**	**4 163**

The Bank provided a guarantee in amount of EUR 17 million to the parent company for the government bonds with Moody's higher investment grade rating. In case of any default of the issuer on any of his debts, or their restructuring, the Bank is obliged to purchase these bonds from the parent company for their nominal value.

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 vis-a-vis customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except for trading with clients, where the Bank in most cases requires margin deposits.

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 are providing effective economic hedges against exchange rate fluctuations on loans and advances to credit institutions denominated in foreign currency. However, they do not qualify for hedge accounting under the specified rules of IAS 39.

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 the management of interest rate exposures and have been accounted for at marked-to-market fair value.

A forward rate agreement is an agreement to settle amounts at a specific 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.

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, 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.

1. Derivatives in notional and fair value

	2003			
	Receivables		Liabilities	
	Notional value	Fair value	Notional value	Fair value
Hedging	165	-	165	10
Trading derivatives				
Forward rate agreements (FRA)	34 529	7	34 529	8
Foreign currency forwards	4 061	14	4 121	43
Futures	-	-	-	-
Option contracts	3 054	20	3 032	22
Interest rate swaps (IRS)	21 826	294	21 826	439
Currency interest rate swaps (CIRS)	1 009	-	1 252	303
Currency swaps	36 315	544	36 520	641
Total trading derivatives	**100 794**	**879**	**101 280**	**1 456**
Total	**100 959**	**879**	**101 445**	**1 466**

	2002			
	Receivables		Liabilities	
	Notional value	Fair value	Notional value	Fair value
Hedging	200	-	200	16
Trading derivatives				
Forward rate agreements (FRA)	56 950	141	56 950	225
Foreign currency forwards	1 117	15	1 118	11
Futures	-	-	-	-
Option contracts	661	1	648	3
Interest rate swaps (IRS)	13 233	405	13 233	396
Currency interest rate swaps (CIRS)	1 932	-	2 232	572
Currency swaps	53 354	1 270	52 804	844
Total trading derivatives	**127 247**	**1 832**	**126 985**	**2 051**
Total	**127 447**	**1 832**	**127 185**	**2 067**

2. Derivatives based on the trading place

	2003			
	Receivables		Liabilities	
	Notional value	Fair value	Notional value	Fair value
Hedging	165	-	165	10
Quoted	-	-	-	-
OTC	165	-	165	10
Hedging – total	**165**	**-**	**165**	**10**
Trading derivatives				
Forward rate agreements (FRA)	34 529	7	34 529	8
Quoted	-	-	-	-
OTC	34 529	7	34 529	8
Futures	-	-	-	-
Quoted	-	-	-	-
OTC	-	-	-	-
Option contracts	3 054	20	3 032	22
Quoted	-	-	-	-
OTC	3 054	20	3 032	22
Interest rate swaps	21 826	294	21 826	439
Quoted	-	-	-	-
OTC	21 826	294	21 826	439
Other derivatives	41 385	558	41 893	987
Quoted	-	-	-	-
OTC	41 385	558	41 893	987
Total trading derivatives	**100 794**	**879**	**101 280**	**1 456**
Total	**100 959**	**879**	**101 445**	**1 466**

	2002			
	Receivables		Liabilities	
	Notional value	Fair value	Notional value	Fair value
Hedging	200	-	200	16
Quoted	-	-	-	-
OTC	200	-	200	16
Hedging – total	**200**	**-**	**200**	**16**
Trading derivatives				
Forward rate agreements (FRA)	56 950	141	56 950	225
Quoted	-	-	-	-
OTC	56 950	141	56 950	225
Futures	-	-	-	-
Quoted	-	-	-	-
OTC -	-	-	-	
Option contracts	661	1	648	3
Quoted	-	-	-	-
OTC	661	1	648	3
Interest rate swaps	13 233	405	13 233	396
Quoted	-	-	-	-
OTC	13 233	405	13 233	396
Other derivatives	56 403	1 289	56 154	1 427
Quoted	-	-	-	-
OTC	56 403	1 289	56 154	1 427
Total trading derivatives	**127 247**	**1 836**	**126 985**	**2 051**
Total	**127 447**	**1 836**	**127 185**	**2 067**

3. Maturity analysis

	2003		2002	
	Receivables	**Liabilities**	**Receivables**	**Liabilities**
Hedging	165	165	200	200
Up to 1 month	-	-	-	-
From 1 to 3 months	-	-	-	-
From 3 to 12 months	-	-	-	-
From 1 to 5 years	-	-	-	-
Over 5 years	165	165	200	200
Hedging – total	**165**	**165**	**200**	**200**
Trading derivatives				
Forward rate agreements (FRA)	34 529	34 529	56 950	56 950
Up to 1 month	8 629	8 629	8 750	8 750
From 1 to 3 months	9 900	9 900	15 400	15 400
From 3 to 12 months	16 000	16 000	32 800	32 800
From 1 to 5 years	-	-	-	-
Over 5 years	-	-	-	-
Foreign currency forwards	4 061	4 121	1 117	1 118
Up to 1 month	1 612	1 624	342	342
From 1 to 3 months	765	772	441	440
From 3 to 12 months	1 684	1 725	334	336
From 1 to 5 years	-	-	-	-
Over 5 years	-	-	-	-
Futures	-	-	-	-
Up to 1 month	-	-	-	-
From 1 to 3 months	-	-	-	-
From 3 to 12 months	-	-	-	-
From 1 to 5 years	-	-	-	-
Over 5 years	-	-	-	-
Option contracts	3 054	3 032	661	648
Up to 1 month	466	466	238	230
From 1 to 3 months	960	950	338	334
From 3 to 12 months	1 628	1 616	85	84
From 1 to 5 years	-	-	-	-
Over 5 years	-	-	-	-
Interest rate swaps (IRS)	21 826	21 826	13 233	13 233
Up to 1 month	750	750	-	-
From 1 to 3 months	1 200	1 200	-	-
From 3 to 12 months	2 250	2 250	4 238	4 238
From 1 to 5 years	11 047	11 047	5 910	5 910
Over 5 years	6 579	6 579	3 085	3 085
Currency interest rate swaps (CIRS)	1 009	1 252	1 932	2 232
Up to 1 month	-	-	-	-
From 1 to 3 months	-	-	-	-
From 3 to 12 months	-	-	565	679
From 1 to 5 years	1 009	1 252	1 367	1 553
Over 5 years	-	-	-	-
Currency swaps	36 315	36 520	53 354	52 804
Up to 1 month	29 424	29 638	27 502	27 473
From 1 to 3 months	1 211	1 339	7 013	6 948
From 3 to 12 months	5 680	5 543	18 839	18 383
From 1 to 5 years	-	-	-	-
Over 5 years	-	-	-	-
Total trading derivatives	**100 794**	**101 280**	**127 247**	**126 985**
Total	**100 959**	**101 445**	**127 447**	**127 185**

33. Net Foreign Exchange Positions

The table below provides an analysis of the Bank's main currency exposures. The remaining currencies are included under „Other".

	EURO MSKK	US Dollar MSKK	Czech Crown MSKK	Other MSKK	Slovak Crowns MSKK	Total MSKK
Cash and balances at the central bank	359	132	120	110	5 004	**5 725**
Loans and advances to financial institutions	752	3 694	654	603	21 677	**27 380**
Loans and advances to customers, net	7 104	2 880	167	-	39 379	**49 530**
Trading securities and derivatives	147	-	-	-	18 446	**18 593**
Securities available for sale	1 530	-	-	-	11 666	**13 196**
Securities held to maturity	2 956	160	-	-	78 135	**81 251**
Investments in subsidiaries, associates and other investments	1	-	159	-	1 167	**1 327**
Intangible assets	-	-	-	-	674	**674**
Property and equipment	-	-	-	-	7 138	**7 138**
Other assets	382	14	1	8	3 119	**3 524**
Total assets	**13 231**	**6 880**	**1 101**	**721**	**186 405**	**208 338**
Amounts owed to financial institutions	7 178	193	41	267	3 769	**11 448**
Amounts owed to customers	9 918	3 787	599	734	157 746	**172 784**
Bonds in issue	-	-	-	-	3 576	**3 576**
Provisions for liabilities and other provisions	46	-	-	-	1 869	**1 915**
Other liabilities	100	9	1	-	2 990	**3 100**
Shareholders' equity	-	-	-	-	15 515	**15 515**
Total liabilities	**17 242**	**3 989**	**641**	**1 001**	**185 465**	**208 338**
Net FX position at 31 December 2003	(4 011)	2 891	460	(280)	940	**-**
Off-balance sheet assets	5 723	19 942	260	1 297	46 291	**73 513**
Off-balance sheet liabilities	2 521	22 427	564	982	46 764	**73 258**
Net off-balance sheet FX position	3 202	(2 485)	(304)	315	(473)	**255**
Total net FX position at 31 December 2003	**(809)**	**406**	**156**	**35**	**467**	**255**
Total assets at 31 December 2002	10 796	9 531	800	550	183 360	**205 037**
Total liabilities at 31 December 2002	12 879	6 995	772	966	183 425	**205 037**
Net FX position at 31 December 2002	(2 083)	2 536	28	(416)	(65)	**-**
Net off-balance sheet FX position	1 230	(3 919)	62	421	2 729	**523**
Total net FX position at 31 December 2002	**(853)**	**(1 383)**	**90**	**5**	**2 664**	**523**

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 at 31 December 2003	Demand and less than 1 month MSKK	1 to 3 months MSKK	3 months to 1 year MSKK	1 do 5 years MSKK	Over 5 years MSKK	Un-defined MSKK	Total MSKK
Cash and balances at the central bank	5 725	-	-	-	-	-	**5 725**
Loans and advances to financial institutions	19 868	3 815	3 402	21	-	274	**27 380**
Loans and advances to customers	17 639	11 773	12 788	6 410	854	66	**49 530**
Trading securities and derivatives	-	15 378	2 817	211	176	11	**18 593**
Securities available for sale	1 858	422	7 720	351	2 188	657	**13 196**
Securities held to maturity	27 923	1 381	11 569	28 343	12 035	-	**81 251**
Investments in subsidiaries, associates and other investments	-	-	-	-	-	1 327	**1 327**
Intangible assets, Property and equipment and Other assets	1631	510	724	-	-	8 471	**11 336**
Total assets	**74 644**	**33 279**	**39 020**	**35 336**	**15 253**	**10 806**	**208 338**
Amounts owed to financial institutions	9 752	573	661	108	-	354	**11 448**
Amounts owed to customers	113 104	22 637	24 376	11 790	82	795	**172 784**
Bonds in issue	-	-	-	3 000	500	76	**3 576**
Other liabilities	-	-	-	-	-	5 015	**5 015**
Total liabilities	**122 856**	**23 210**	**25 037**	**14 898**	**582**	**6 240**	**192 823**
Current gap	**(48 212)**	**10 069**	**13 983**	**20 438**	**14 671**	**4 566**	**15 515**
Cumulative gap	**(48 212)**	**(38 143)**	**(24 160)**	**(3 722)**	**10 949**	**15 515**	

As at 31 December 2002	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 central bank	11 289	-	-	-	-	-	11 289
Loans and advances to financial institutions	47 029	3 898	9 876	661	-	-	61 464
Loans and advances to customers	8 696	7 430	7 043	8 217	761	-	32 147
Trading securities and derivatives	174	251	1 051	341	680	-	2 497
Securities available for sale	3 692	-	-	1 098	2 784	371	7 945
Securities held to maturity	21 000	5 324	6 161	36 860	5 060	-	74 405
Investments in subsidiaries, associates and other investments	-	-	-	-	-	1 956	1 956
Intangible assets, Property and equipment and Other assets	835	897	630	-	-	10 972	13 334
Total assets	**92 715**	**17 800**	**24 761**	**47 177**	**9 285**	**13 299**	**205 037**
Amounts owed to financial institutions	4 084	2 585	3 670	349	-	-	10 688
Amounts owed to customers	107 359	23 364	29 414	14 595	57	-	174 789
Bonds in issue	-	-	-	1 000	-	37	1 037
Other liabilities	2 239	-	-	-	-	3 500	5 739
Total liabilities	**113 682**	**25 949**	**33 084**	**15 944**	**57**	**3 537**	**192 253**
Current gap	**(20 967)**	**(8 149)**	**(8 323)**	**31 233**	**9 228**	**9 762**	**12 784**
Cumulative gap	**(20 967)**	**(29 116)**	**(37 439)**	**(6 206)**	**3 022**	**12 784**	

b) Effective yield information

The effective yields of significant financial assets and liabilities by major currencies as at 31 December 2003 and 2002 are as follows:

	31 December 2003		31 December 2002	
	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 central bank	1.28%	-	1.15%	-
Loans and advances to financial institutions	5.87%	1.61%	7.18%	2.64%
Loans and advances to customers	8.12%	3.71%	9.15%	4.70%
Treasury bills and bonds	6.42%	6.56%	8.31%	-
Liabilities				
Amounts owed to financial institutions	5.51%	2.41%	6.94%	2.63%
Amounts owed to customers	2.58%	0.61%	4.34%	1.43%

The effective interest rates for bonds held to maturity shown in the table above are calculated as their effective yield to maturity. Weighed average effective interest rate was used for other categories of financial assets and liabilities.

35. Concentration of Credit Risk to Slovak Republic

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

	Portion of total assets %	31 December 2003 MSKK	31 December 2002 MSKK
Cash and balances at the central bank	0.8	1 627	7 508
Loans and advances to financial institutions	5.9	12 192	38 016
Loans and advances to customers	5.5	11 469	10 887
Securities portfolios	49.7	103 570	77 603
Other assets	1.3	2 740	3 326
Total	**63.2**	**131 598**	**137 340**

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:

	2003 MSKK	2002 MSKK
Trading portfolio		
Treasury bills	17 287	32
State bonds denominated in SKK	207	82
Slovak government eurobonds	3	-
Companies controlled by the Slovak government	-	44
Available for sale portfolio		
Treasury bills	6 893	-
State bonds denominated in SKK	1 833	2 775
Slovak government eurobonds	707	933
Companies controlled by the Slovak government	-	380
Held to maturity portfolio		
Treasury bills	-	1 908
State bonds denominated in SKK	70 048	64 262
Slovak government eurobonds	2 740	2 788
Companies controlled by the Slovak government	3 852	4 399
Total	**103 570**	**77 603**

36. Maturity Analysis

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is 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 as at the balance sheet date to the contractual maturity date:

As at 31 December 2003	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 central bank	5 725	-	-	-	-	-	**5 725**
Loans and advances to financial institutions	19 868	3 815	3 402	21	-	274	**27 380**
Loans and advances to customers	6 106	3 275	7 832	22 560	5 187	4 570	**49 530**
Trading securities and derivatives	-	15 234	2 817	355	176	11	**18 593**
Securities available for sale	-	-	6 893	2 392	3 254	657	**13 196**
Securities held to maturity	3 210	1 381	8 347	45 651	22 662	-	**81 251**
Investments in subsidiaries, associates and other investments	-	-	-	-	-	1 327	**1 327**
Intangible assets, Property and equipm ent and Other assets	1 631	510	724	-	-	8 471	**11 336**
Total assets	**36 540**	**24 215**	**30 015**	**70 979**	**31 279**	**15 310**	**208 338**
Amounts owed to financial institutions	9 752	573	661	108	-	354	**11 448**
Amounts owed to customers	113 104	22 637	24 376	11 790	82	795	**172 784**
Bonds in issue	-	-	-	3 000	500	76	**3 576**
Other liabilities	-	-	-	-	-	5 028	**5 028**
Total liabilities	**122 856**	**23 210**	**25 037**	**14 898**	**582**	**6 253**	**192 836**
Current gap	**(86 316)**	**1 005**	**4 978**	**56 081**	**30 697**	**9 057**	**15 502**
Cumulative gap	**(86 316)**	**(85 311)**	**(80 333)**	**(24 252)**	**6 445**	**15 502**	

As at 31 December 2002	Demand and less than 1 month MSKK	1 to 3 months MSKK	3 months to 1 year MSKK	1 do 5 years MSKK	Over 5 years MSKK	Un-defined MSKK	Total MSKK
Cash and balances at the central bank	11 289	-	-	-	-	-	**11 289**
Loans and advances to financial institutions	47 029	3 898	8 958	1 403	-	135	**61 423**
Loans and advances to customers	1 406	2 774	5 216	17 032	4 499	1 260	**32 187**
Trading securities and derivatives	174	251	1 146	392	534	-	**2 497**
Securities available for sale	-	-	635	3 258	2 637	1 415	**7 945**
Securities held to maturity	621	12 566	4 632	43 641	12 762	183	**74 405**
Investments in subsidiaries, associates and other investments	-	-	-	-	-	1 956	**1 956**
Intangible assets, Property and equipment and Other assets	835	897	631	-	-	10 972	**13 335**
Total assets	**61 354**	**20 386**	**21 218**	**65 726**	**20 432**	**15 921**	**205 037**
Amounts owed to financial institutions	4 084	2 585	2 449	1 570	-	-	**10 688**
Amounts owed to customers	107 359	23 364	29 414	14 149	57	446	**174 789**
Bonds in issue	-	-	-	1 000	-	37	**1 037**
Other liabilities	2 239	-	-	-	-	3 500	**5 739**
Total liabilities	**113 682**	**25 949**	**31 863**	**16 719**	**57**	**3 983**	**192 253**
Current gap	**(52 328)**	**(5 563)**	**(10 645)**	**49 007**	**20 375**	**11 938**	**12 784**
Cumulative gap	**(52 328)**	**(57 891)**	**(68 536)**	**(19 529)**	**846**	**12 784**	

Amounts owed to customers, which may be withdrawn on demand are disclosed in terms of contractual maturities (i.e. in the first column) to reflect the liquidity risks attached. However, in practice, these deposits are often maintained for long periods without withdrawal or repayment; hence, the effective date of repayment is later than the contractual date.

37. Fair Values of Financial Instruments

In the following table, the fair values of the balance sheet items are compared with the carrying amounts.

The fair value is the amount for which a financial instrument could be exchanged or settled between knowledgeable, willing parties in an arm's length transaction. In those cases where market prices were available, they were used in measurement, otherwise internal valuation models were applied, in particular the present value method.

	Carrying value 2003 MSKK	Estimated fair value 2003 MSKK	Carrying value 2002 MSKK	Estimated fair value 2002 MSKK
Financial assets				
Loans and advances to financial institutions	27 380	27 697	61 464	61 496
Loans and advances to customers	54 691	55 143	38 475	38 880
Held to maturity securities	81 251	82 976	74 405	77 363
Financial liabilities				
Amounts owed to financial institutions	11 448	11 738	10 688	10 917
Amounts owed to customers	176 360	177 542	174 789	176 464

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.

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.

Held to maturity securities

The fair value of held-to-maturity securities was calculated based on the same principles used for the valuation of available-for-sale securities and trading securities as described in Note 4c.

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, 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 14 252 million and SKK 15 590 million of assets as at 31 December 2003 and 2002, respectively, representing securities and other valuables received from customers into its custody for administration.

Furthermore, the Bank acts as a depository for several investment funds, whose assets amounted to SKK 9 303 million and SKK 2 751 million as at 31 December 2003 and 2002, respectively.

40. Related Party Transactions

a) Related parties

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 70.01% of the voting rights of the Bank's total votes. Related parties include subsidiaries and associates of the Bank and other members of the Erste Bank group.

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

b) Related party transactions

Assets and liabilities include accounting balances with related parties, mainly with the Parent Bank, as follows:

	2003 MSKK	**2002 MSKK**
Assets		
Loans and advances to financial institutions	158	209
Loans and advances to customers	468	-
Securities available for sale	2 000	2 198
Trading securities	76	147
Other asset	123	29
Total	**2 825**	**2 583**
Liabilities		
Amounts owed to financial institutions	5 312	2 531
Amounts owed to customers	308	-
Other liabilities	383	636
Total	**6 003**	**3 167**

The Bank has issued guarantees relating to subsidiaries and associates totalling to Sk 37 million as of 31 December 2003.

The Bank has received a guarantee issued by its parent bank with a maximum value of Sk 7.9 billion covering all the Bank's exposures to the parent bank and its group companies. Under the agreement, the parent bank has pledged securities issued or guaranteed by the Republic of Austria in the face amounts totalling EUR 192 million.

Income and expenses from related parties include the following:

	2003 MSKK	**2002 MSKK**
Interest income	192	347
Interest expense	(120)	(67)
Net fees and commissions	54	-
Sale of investment	(27)	-
Total	**99**	**280**

c) Directors and officers

Loans and advances granted to the members of the Board of Directors and Supervisory Board represent SKK 3.7 million and SKK 7.7 million and liabilities SKK 17 million and SKK 33.5 million as at 31 December 2003 and 2002, respectively.

41. Post-balance Sheet Events

No significant transaction occurred after the balance sheet date.

Independent auditors' report

Deloitte.

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

We have audited the accompanying balance sheets of Slovenská sporiteľňa, a.s. (the "Bank") as of 31 December 2003 and 2002, and the related profit and loss accounts, statements of cash flows and statements of changes in shareholders' equity for the years then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We did not audit the financial statements of Prvá stavebná sporiteľňa, a. s. ("PSS"), a 9.98 %-owned investment of the Bank at 31 December 2003 (2002: 35 %-owned investment). The Bank's investment in PSS represented 0.40% of total assets at 31 December 2003 (2002: 0.72%) and the Bank's income from its investment in PSS represented 20.6% of 2003 net interest and investment income (2002: 8.2%) (see Note 12 to the financial statements). The 2003 and 2002 financial statements of PSS prepared in accordance with Slovak laws and regulations were audited by other auditors, whose reports have been furnished to us. Our report on the Bank's financial statements, insofar as it relates to the amounts related to PSS, is based solely on the reports of the auditors of the PSS financial statements.

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

In our opinion, based on our audits and the reports of the other auditors, the financial statements present fairly, in all material respects, the financial position of Slovenská sporiteľňa, a.s., as of 31 December 2003 and 2002, and the results of its operations and its cash flows and changes in shareholders' equity for the years then ended in accordance with International Financial Reporting Standards.

Bratislava, 22 March 2004

Deloitte & Touche

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RO, City Branch	ZIP Code	Address	Managing Director	Telephone	Facsimile
RO Bratislava	**815 76**	**Námestie SNP 18**	**Ing. Miroslav Šotník**	**02/5977 2347**	**02/5296 4272**
Bratislava	815 76	Námestie SNP 18	Ing. Viera Ripková	02/5977 2543	02/5977 2221
Bratislava	811 07	Krížna 23	Ing. Danica Gombosová	02/5556 8192	02/5542 1140
Bratislava	851 01	TPD, Farského	Ing. Viera Kyselová	02/6241 4396	02/6241 4397
Pezinok	902 01	Šancova 2	Ing. Mária Šebová	033/6411 373	033/6411 369
RO Trnava	**917 69**	**Vajanského 24**	**Ing. Ladislav Szilágyi**	**033/5568 372**	**033/5511139**
Trnava	917 69	Hlavná 28	Ing. Valéria Obertová, poverená zastupovaním	033/5568 223	033/5511 139
Senica	905 19	Štefánikova 1408/58	Ing. Darina Hrnčiarová	034/6510 220	034/6513 340
Galanta	924 42	Hlavná 19	Ing.Melinda Czapáriková	031/7803 573	031/7806 411
Dunajská Streda	929 33	Hlavná 23	Ing. Adrianna Botlóová	031/5529 747	031/5523 920
RO Trenčín	**911 79**	**Námestie Sv. Anny 3148**	**Ing. Gabriel Szekeres**	**032/7405 103**	**032/7434 992**
Trenčín	911 79	Námestie Sv. Anny 3148	Ing. Boris Misař	032/7405 610	032/7431 772
Považská Bystrica	017 39	Námestie A. Hlinku 26	Ing. Jana Prekopová	042/4303 216	042/4326 496
Prievidza	971 51	Námestie slobody 12	Ing. Mária Mokrá	046/5187 260	046/5187 600
RO Nitra	**949 01**	**Farská 48**	**Ing. Jozefa Danová**	**037/6540 302**	**037/6540 555**
Nitra	949 48	Štefánikova 10	Ing. Teofil Zachar	037/6540 332	037/6540 422
Topoľčany	955 23	Stummerova 6	Ing. Peter Kúdela	038/5366 204	038/5322 284
Levice	934 17	Mlynská 6	Ing. Štefan Tuturis	036/ 6372 322	036/6312 825
Nové Zámky	940 45	Ernestova bašta 2	Ing. Juraj Turček, poverený zastupovaním	035/6465 200	035/6400 013
Komárno	945 29	Palatinova 33	Ing. Tomáš Palacka	035/7761 302	035/7761 201
RO Žilina	**010 45**	**Námestie Ľ. Štúra 3, P.O. BOX A26**	**Ing. Milan Sýkora**	**041/5637 200**	**041/5637 350**
Žilina	010 45	Námestie Ľ. Štúra 3	Ing. Peter Choma	041/5637 300	041/5637 270
Čadca	022 26	Palárikova 24	Ing. Ingrid Janovcová	041/4305 201	041/4305 205
Dolný Kubín	026 22	Hviezdoslavovo nám. 1686/39	Ing. Marta Vojtasová	043/5806 310	043/5806 313
Liptovský Mikuláš	031 18	Štúrova 1	Ing. Cyril Jandura	044/5513 300, 301	044/5522 766
Martin	036 41	Osloboditeľov 9	Ing. Stanislav Škorňa	043/4249 214	043/4249 333
RO Banská Bystrica	**975 75**	**Ulica 29. augusta 34**	**Ing. Janka Benčová**	**048/4314 410**	**048/4314 318**
Banská Bystrica	975 75	Ulica 29. augusta 34	Anna Sedliaková, poverená zastupovaním	048/4314 400	048/4141 494
Zvolen	960 42	Námestie SNP 6/88	Ľubica Gažmerčíková	045/5319 301	045/5322 274
Rimavská Sobota	979 80	Francisciho 3	JUDr. Jana Zvarová	047/5617 202	047/5631 345
Lučenec	984 34	Novohradská 8	Ing. Oľga Pápaiová	047/4300 301	047/4331 714
Veľký Krtíš	990 80	Ulica SNP 39	Ing. Valéria Uramová	047/4813 201	047/4831 069
Žiar n/Hronom	965 47	Nám. Matice slovenskej 19	Ing. Juraj Krátky	045/6787 730	045/6723 276
RO Prešov	**081 84**	**Masarykova 10**	**Ing. Ferdinand Kubenko**	**051/7091 366**	**051/7091 381**
Prešov	081 84	Masarykova 10	Ing. Slavomír Seman	051/7091 300	051/7724 620
Poprad	058 01	Štefánikova 15	Ing. Silvia Lučivjanská	052/7122 366	052/7765 663
Stará Ľubovňa	064 29	Levočská 7	Ing. Igor Bartko	052/4326 081	052/4322 366
Bardejov	085 03	Partizánska 2850	Ing. Ondrej Havír	054/4748 925	054/474 6110
Svidník	089 20	Centrálna 812/13	Ing. Michal Jakub	054/7522 509	054/7521 656
Humenné	066 23	Námestie slobody 13/25	Ing. Gabriela Krupčinská	057/7861 202	057/7750 112
Vranov n/Topľou	093 14	Námestie slobody 998	Ing. Iveta Migaľová	057/4403 203	057/4421 397
RO Košice	**040 01**	**Pribinova 4**	**Ing. Štefan Šipoš**	**055/6823 500**	**055/6823 585**
Košice	040 01	Pribinova 4	Ing. Jana Švedová	055/6823 531	055/6823 583
Spišská Nová Ves	052 15	Štefánikovo námestie 3	Ing. Miroslav Bartko	053/4170 300	053/4170 302
Michalovce	071 01	Námestie slobody 15	Ing. Alena Muliková	056/6418 200	056/6421 578
Trebišov	075 29	M. R. Štefánika 1755	Ing. Ľubomír Novák	056/6722 349, kl.241	056/6725 791
Rožňava	048 15	Šafárikova 22	Ing. Viliam Koltáš	058/7861 510	058/7861 516

Regional offices, city branches and commercial centres

Commercial centres

Commercial centre	ZIP Code	Address	Managing Director	Telephone	Facsimile
Bratislava	815 76	Námestie SNP 18	Ing. Peter Malo	02/5977 2520	02/5977 2376
Trnava	917 69	Vajanského 24	Ing. Katarína Šimkovičová	033/5568 490	033/5568 401
Trenčín	911 79	Námestie sv. Anny 3148	Ing. Miloš Pelech	032/7405 301	032/7405 309
Nitra	949 01	Štefánikova 10	Ing. Magdaléna Meňhartová	037/6540 801	037/6525 733
Žilina	010 29	Hurbanova 4	Ing. Ivan Lamoš	041/5637 460	041/5637 409
Banská Bystrica	975 75	Ulica 29. augusta 34	Ing. Július Senko	048/4314 377	048/4314 379
Poprad	058 01	Štefánikova 15	Ing. Bystrík Mucha	052/7122 380	052/7122 389
Košice	040 61	Štúrova 5	Ing. Robert Koltáš	055/6823 321	055/6823 396

Independent auditor's report on annual report

Deloitte.

Deloitte & Touche spol. s r.o.
BBC, Prievozská 12
Bratislava 821 09
Slovenská republika

Obchodný register
Okresného súdu Bratislava I
Oddiel: Sro
Vložka č.: 4444/B
IČO: 31 343 414

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Slovenská sporiteľňa, a.s.

Independent Auditor's Report

To the Shareholders and Board of Directors of Slovenská sporiteľňa, a.s.:

We have audited the balance sheets of Slovenská sporiteľňa, a.s. (the "Bank") as of 31 December 2003 and 2002, and the related profit and loss accounts, statements of cash flows and statements of changes in shareholders' equity for the years then ended, prepared in accordance with International Financial Reporting Standards. We have issued our unqualified report thereon dated 22 March 2004. These financial statements and auditor's report are included in this 2003 annual report of the Bank on pages 19 to 61.

We have the read other financial information included in this 2003 annual report of the Bank for consistency with the above mentioned financial statements. The Board of Directors of the Bank is responsible for the completeness and accuracy of the information included in this annual report. In our opinion, the other financial information included in this annual report, to the extent that such information is derived from the financial statements referred to above, is consistent, in all material respects, with such financial statements.

Bratislava, 25 June 2004

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SLOVENSKÁ KOMORA AUDITOROV
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014

Ing. Zuzana Letková
Responsible auditor
Licence SKAU No. 865

SLOVENSKÁ KOMORA AUDITOROV
licencia auditora č.
865
Ing. Zuzana Letková, ACCA

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Deloitte Touche Tohmatsu