2004 Annual Report

Slovenská sporiteľňa, a. s.

Member of The Leading Financial Services Provider in Central Europe

SLOVENSKÁ SPORITEĽŇA

2004 Annual Report

Table of Contents

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 2004:

Erste Bank	80,01 %
European Bank for Reconstruction and Development	19,99 %

MAJOR INTERESTS:

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 %
Slovak Banking Credit Bureau, spol. s r.o.	33.33 %
CDI Corporate Advisory, a. s.	25.00 %
Prvá stavebná sporiteľňa, a. s.	9.98 %

CONTACT:
Sporotel: +421 850 111 888
www.slsp.sk
postmaster@slsp.sk

Results and Selected Indicators

According to unconsolidated SAS financial statements Data prepared according to methodology and accounting rules applicable in the Slovak Republic	as of 31 Dec 2003 (MSKK)	as of 31 Dec 2004 (MSKK)
Balance sheet total	209,271	235,390
Deposits and loans in financial institutions	28,769	64,355
Client loans	49,474	55,768
Securities and participations	117,277	101,097
Client deposits	172,363	175,356
Share capital	6,374	6,374
Retained earnings and other own funds	10,071	10,833
Capital adequacy (%)	24.25	16.84
Loans/Assets (%)	23.64	23.69
No. of employees	5,283	5,233
No. of branches	339	333
Year-end SKK/EUR exchange rate	41.161	38.796

According to IFRS Data prepared according to international methodology and accounting rules for financial reporting	as of 31 Dec 2001 (MSKK)	as of 31 Dec 2002 (MSKK)	as of 31 Dec 2003 (MSKK)	as of 31 Dec 2004 (MSKK)
Balance sheet total	202,058	205,037	208,338	237,354
Receivables from banks	53,634	61,097	27,380	63,805
Receivables from clients	30,042	38,474	54,691	62,609
Securities and participations	98,766	86,803	114,367	99,607
Liabilities towards clients	172,883	174,271	172,335	175,094
Shareholders' equity	11,554	12,784	15,515	16,736
After tax profit	1,147	1,230	2,731	3,244

Ratings of Slovenská sporiteľňa

Fitch Ratings	
Rating of long-term liabilities	A-
Rating of short-term liabilities	F2
Individual rating	C/D
Outlook	Stable

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

Slovak Economy in 2004

Last year was successful for the Slovak economy. Economic growth accelerated, with the inflation and unemployment rates continuing to decrease. In 2004, gross domestic product, expressed in real terms, increased by 5.5 %. On the production side, the economy was driven by the automotive industry, and on the consumption side, it was dominated by domestic demand. The growth in domestic demand was driven by higher investment and increases in inventories, which also included unfinished goods and structures-under-construction. Final household consumption was revived as well, notably thanks to the growth of real wages, which translated into the greater purchasing power of households.

Inflation

In 2004, average inflation reached 7.5 %, falling slightly down in comparison with 8.5 % in 2003. The growth of consumer prices was largely attributable to the adjustment of regulated prices and the unification of VAT rates to 19 %. Under the influence of the favourable development of food prices, a low inflation rate in the EU, and the strengthening of the koruna, inflation gradually went down to the year-end level of 5.9 %. In this way, the National Bank of Slovakia (NBS) met its objective of keeping the inflation rate at year-end 2004 within the range of 5.5 to 7.3 %.

Foreign trade

Foreign trade saw a mild deterioration, with the deficit rising from the level of 2.0 % of GDP recorded in 2003, to as much as 3.4 % of GDP in 2004. Such a development resulted from decelerated growth of exports, while imports retained a comparatively high rate of growth. Apart from a high comparison basis from the previous year, the weakening of the dynamics of exports was also influenced by the temporary outage of one of the major exporter's production due to the revision of manufacturing lines.

Monetary and fiscal policy

Last year the koruna performed extraordinarily well, strengthening by as much as 6% against the euro. Nevertheless, the National Bank of Slovakia (NBS) was not content with the pace at which the currency appreciated, and it used a whole range of instruments to reduce the value of the currency. In addition to verbal intervention, it delivered four rate cuts in the course of the year, by 2 percentage points in total. The NBS also tried to slow the koruna's movement through interventions in the forex market, to the value of EUR 1.8 billion in total. Moreover, the NBS also decided to intervene in the money market by cutting demand for sterilisation repo tenders.

Slovak accession to the European Union was the event of the year. Despite the accomplishment of its integration ambitions, the Government did not slacken its reform efforts. It managed to launch a health care reform package and fiscal decentralisation. The Government's fiscal discipline, and the reforms put in place along with an improved business environment were appreciated not only by foreign investors (which decided to build new production plants in Slovakia), but also by all three reputed rating agencies, which raised Slovakia's rating during the course of the year. Another success was Slovakia being praised as the most reformed country of 2003 in the World Bank's report 'Doing Business 2005'.

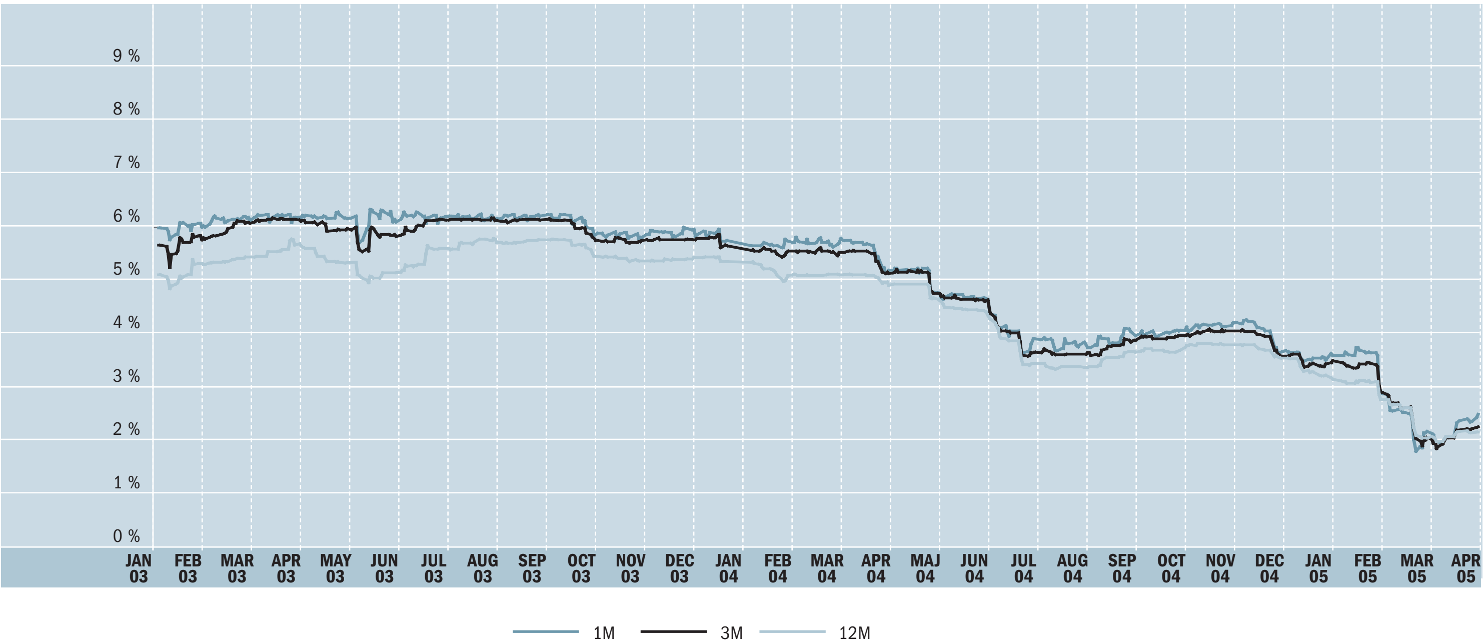
Developments in the Slovak Money and Capital Markets in 2004

In 2004, the Slovak interbank market was extraordinarily rich in notable events. The crucial factor in the money market was the central bank, which managed developments in this market (as in previous years) by setting the key 2-week repo rates. Also, the Debt and Liquidity Management Agency (ARDAL) was heavily involved in the course of events on the money market. It gradually assumed the role of a major player, since in addition to the funds deposited in repo tenders, it unequivocally had the largest volume of the sector's liquidity at its disposal. Likewise, ARDAL managed to place the Slovak Republic's eurobonds denominated in euros worth 1 billion at the historically lowest cost ever, which yielded 4.57 % at 10-year maturity.

In the first quarter, yields from Slovak government bonds had a downward trend. Following a reduction in official interest rates at the end of the first quarter, BRIBOR rates stabilised for several weeks. The second reduction of rates at the end of April caused prices at the long end of the yield curve of the money market to drop. Nevertheless, a more intense decline in rates for all maturities only occurred at the beginning of June, after the koruna had started to regain its maximum levels again. The central bank responded by cutting banks' demand in regular 2-week sterilisation repo tenders, and by the rejection of the whole demand in T-bill auctions. The continuous threat of a rate reduction led to the reduction of market prices.

Following three rate reductions totalling 150 basis points in the first half of the year, the central bank kept rates unchanged for the next five months. At the start of November, the market revived again thanks to FRA agreements, which prevailingly involved local banks striving to hedge against declines in the yield curve. The November session of the NBS Bank Board resulted in the fourth reduction of interest rates in 2004, which brought the rate down to the level of 4.0 %.

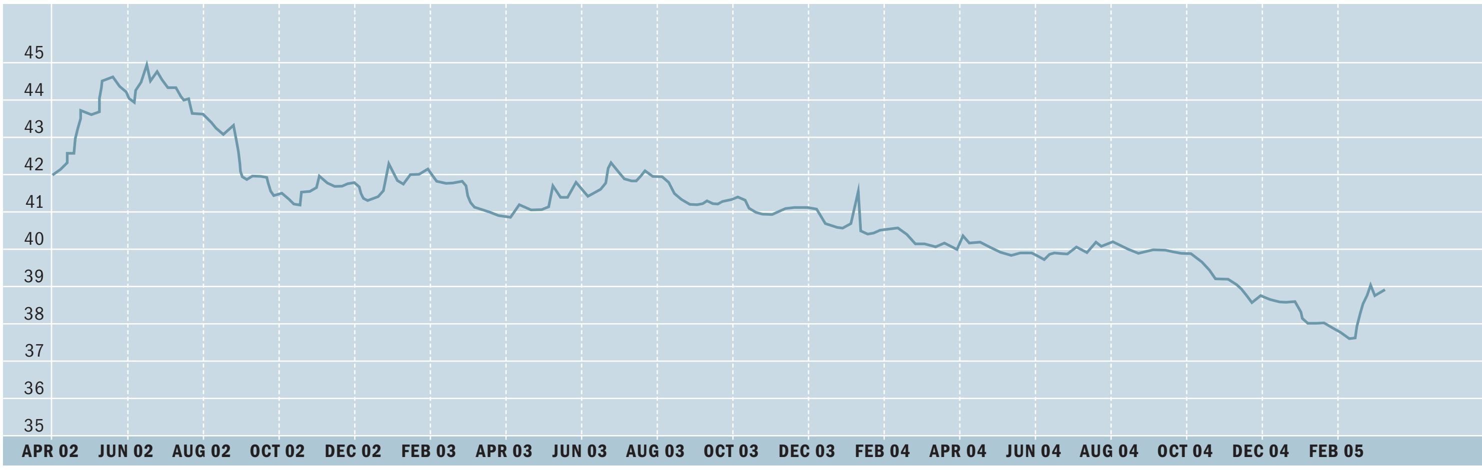
Development of reference BRIBOR rate in 2004



Developments in the Slovak Foreign Exchange Market in 2004

The favourable macroeconomic development, a relatively stable political situation, and relatively frequent news about new foreign direct investments led to the steady appreciation of the koruna. The announced Kia investment, as well as the upgrading of Slovakia's rating by Fitch and Standard & Poor's, reinforced the currency's strengthening. Despite the NBS interventions, the 2.5 % strengthening of the koruna against the euro in the first quarter of the year was followed by another one-percent increase in the second quarter, whereby the koruna continued to reach new historic highs. On reaching the record level of 39.69 SKK/EUR at the beginning of the third quarter, the koruna's appreciation halted for a time. Interventions by the central bank stabilised the currency around the level of 40.00 SKK/EUR. In November, the koruna broke one technical barrier after another in the forex market. The appreciation of the koruna at year-end was mainly caused by the region-wide trend. In terms of domestic affairs, the exchange rate was favourably influenced by the unproblematic approval of the 2005 state budget, and the election of the central bank's former Vice-Governor Ivan Šramko to the post of NBS Governor. Apart from the demand for the koruna, the dollar also weakened due to its record losses against the euro, whereby it became cheaper in the local market, dropping to 28.3 SKK/USD.

Development of the SKK/EUR rate in 2004



Top Management of Slovenská sporiteľňa

Board of Directors of Slovenská sporiteľňa

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

MICHAEL VOGT
BOARD MEMBER
AND DEPUTY
GENERAL MANAGER

PETER KRUTIL
BOARD MEMBER
AND DEPUTY
GENERAL MANAGER

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

OSKAR SOTÁK
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 OF THE SUPERVISORY BOARD

HEINZ KESSLER
MEMBER OF THE SUPERVISORY BOARD

BEATRICA MELICHÁROVÁ
MEMBER OF THE SUPERVISORY BOARD

JÁN TRGIŇA
MEMBER OF THE SUPERVISORY BOARD

CHRISTIAN CORETH FROM 22 SEPTEMBER 2004
MEMBER OF THE SUPERVISORY BOARD

HERBERT JURANEK FROM 22 SEPTEMBER 2004
MEMBER OF THE SUPERVISORY BOARD

BERNHARD SPALT UNTIL 22 SEPTEMBER 2004
MEMBER OF THE SUPERVISORY BOARD

LEOPOLD WEBER UNTIL 22 SEPTEMBER 2004
MEMBER OF THE SUPERVISORY BOARD

ROGERS DAVID LEBARON UNTIL 22 SEPTEMBER 2004
MEMBER OF THE SUPERVISORY BOARD

PETR PAPANEK UNTIL 22 SEPTEMBER 2004
MEMBER OF THE SUPERVISORY BOARD

MARIÁN LIESKOVSKÝ UNTIL 22 SEPTEMBER 2004
MEMBER OF THE SUPERVISORY BOARD

JURAJ KOMÁR UNTIL 16 DECEMBER 2004
MEMBER OF THE SUPERVISORY BOARD

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

Dear shareholders, dear clients,

Looking back over the past year, I can state that despite strong competition, Slovenská sporiteľňa has succeeded in retaining its foremost position as the largest and strongest Slovak bank. Through cutting back costs, maximising efficiency, and increasing sales we concurrently created a strong basis for continued successful business in the fields of retail and corporate banking in Slovakia. Through buying back our own shares from the state and the European Bank for Reconstruction and Development in January 2005, Erste Bank became the 100% shareholder in Slovenská sporiteľňa.

The past year was one of extraordinary significance for people living in Slovakia. After many years of effort, the Slovak Republic was accepted in May 2004 as a member of the European Union. In this context Slovakia recorded the fastest economic growth in the Central Europe region for the second consecutive year, and it has become an attractive location for foreign investors. Slovakia's accession to the EU brought new challenges and opportunities for business as well as for the public sector. The Government's objective of greatly reducing the deficit in public finances ranked Slovakia among those countries that should adopt the common currency, the euro, as early as 2009. Inflation over the past year fell by almost a third, this being influenced in particular by the koruna consolidation. Household consumption was strengthened by the introduction of a uniform tax rate, the slight increase of the employment rate, and the growth of lending.

The reform measures were reflected in changes in the legislative and socio-economic environment and influenced all client segments of our bank. We see our competitive advantage as being in the current range of financial products and services that we offer. Through supplementing this range with financial leasing and certain products of cooperating partners, we are now able to satisfy all the financial needs and requirements of corporate and retail clients. Over the past year our products and services have undergone significant changes, the most important being in the field of lending – this service is increasingly available and attractive to our clients. We streamlined the procedure in providing mortgages and also began to extend loans for the purchase of cooperative-owned apartments and advantageous loans for young couples. Thanks to the new lending policy and the considerable efforts of the Bank's staff, loans provided by Slovenská sporiteľňa, including the consolidation of its participations, had as at year-end grown to SKK 62.6 billion.

In the field of deposits we recorded only slight growth in overall deposits as at year-end. The decline in the volume of deposits among the population was caused by an increase in the investment of free funds into mutual funds and capital life assurance. A new bank product we offer is the annual term deposit SPOROBenefit, the yield comprising guaranteed and bonus parts.

We have increased the quality and effectiveness of foreign payments, speeded up foreign payments in euro, and made payments to Česká spořitelna cheaper. This streamlining in the system of payments was achieved through activities supporting non-cash payment transactions made by means of payment cards, ATMs and POS terminals. The number of active VISA and MasterCard payment cards issued exceeded that of 2003 by one million. The total number of operations processed by our authorisation centre in 2004 surpassed the record value of 63.4 million, representing by value SKK 90.3 billion. We commenced the modernisation of the ATM network, which we plan to complete in the first half of 2005. Through more advantageous charges for using financial operations made via electronic banking, we achieved an increase in the number of clients using these services. Our membership in the Erste Bank Group also brought advantages – together with other members in the group we reduced charges for withdrawals from Erste Bank ATM machines abroad.

Over the past year we also made strides to increase our share in the corporate banking market. We focused on operating and capital financing for large clients in the most important sectors in the economy, real-estate financing, special financing focused on the introduction of new production programmes, acquisition financing, syndicated loans and financing trade, employing both payment and hedging instruments. Last but not least, we were successful in providing services to towns and municipalities in Slovakia as well as state budget financed institutions. By the end of the year, we had concluded an agreement with the European Investment Bank for a credit line in the amount of EUR 50 million for supporting capital expenditure projects of small and medium-sized enterprises and towns and municipalities.

Our subsidiaries also fared well over the past year. Asset Management Slovenskej sporiteľne established itself as a stable leader in the Slovak collective investment market. By the end of the year it had assets under management totalling SKK 20 billion. Factoring Slovenskej sporiteľne also made a very good start. Poisťovňa Slovenskej sporiteľne achieved a breakpoint in new production in the life assurance market.

Slovenská sporiteľňa remained the bank with the highest balance sheet total and total volume of deposits, considerably exceeding the capital adequacy criteria. The Bank's net profit after tax increased by 19 % thus amounting to SKK 3.2 billion. The return-on-equity indicator, including the consolidation of participations of Slovenská sporiteľňa, went up to 20.1 %. An important prerequisite for our success has been and will continue to be our pool of experienced and educated staff, they continue to advance in a system that trains their sales, professional, and language skills on a continuous enhancement basis.

In conclusion, I thank our shareholders, clients and business partners for the trust they have expressed in us. Thanks also go to our staff who have contributed significantly to the Bank's successful results. I am convinced that even if the past development of Slovakia still causes differences even today in the attainment of economic and social goals compared to other EU states, globalisation and the geographical proximity to EU member states and the efforts of the Slovak Government to eliminate these differences as soon as possible are a good guarantee for the creation of a business environment geared to the future growth and prosperity of Slovenská sporiteľňa. We shall strive to make the best possible use of this excellent opportunity.

Regina Ovesny-Straka
Chairperson
and General Manager

Management Report on Activities in 2004

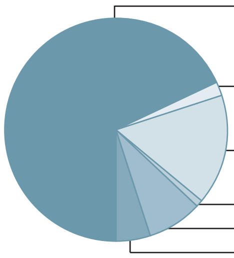
Retail banking

Deposits

Further upgrading and diversification of the deposit product portfolio of Slovenská sporiteľňa characterised the year. Since the Bank holds a privileged position in the Slovak banking market for retail deposits, it gives exceptional attention to this segment, striving to offer tailored products to its customers. At the end of 2004, the volume of personal deposits totalled SKK 126.3 billion, with koruna deposits accounting for SKK 115.8 billion and forex deposits accounting for SKK 10.5 billion of the total. This amount also includes anonymous deposits, which totalled SKK 2.6 billion as at year-end.

Favourable development as to the volume and number of transactions was also recorded in respect of personal giro accounts. At the end of 2004, the total volume recorded for this deposit product was SKK 21.1 billion, a 319 % increase from the corresponding period of the previous year. Such a development was undoubtedly facilitated by a new version of the giro account intended for the Bank's customers using electronic banking services.

Structure of private deposits in 2004



Mutual funds

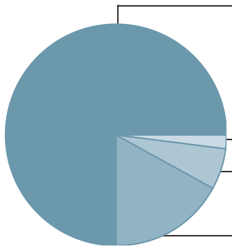
Collective investment in Slovakia became the segment with the greatest dynamics of growth in the sector. In 2004 net investment in mutual funds hit its record high.

Net sales of Asset Management Slovenskej sporiteľne reached SKK 9.8 billion for 2004, a 32% share of the Slovak collective investment market. Asset Management Slovenskej sporiteľne reached the greatest increase in the net asset value (NAV), enlarging its market share to 28 %. At the end of 2004, it managed funds worth SKK 19.6 billion, the highest amount of all the asset management companies.

The best selling funds in the market included SPORO Korunový peňažný fond (koruna money fund) and SPORO Korunový dlhopisový fond (koruna bond fund), with the former continuing to be the largest open mutual fund in Slovakia. Similarly, two balanced funds, namely SPORO Konzervatívny fond (conservative fund) and SPORO Progresívny fond (progressive fund) raised their value of cumulative net sales by more than SKK 620 million in total.

Since May, Asset Management Slovenskej sporiteľne broadened the range of products it offered by four ESPA mutual funds managed by the Austrian partner company, Erste-Sparinvest. Shortly after the launch, these funds were successfully established in the local market.

Shares of the respective funds of Asset Management Slovenskej sporiteľne in sales



Capital life insurance

Slovenská sporiteľňa became firmly established as a prominent player in the bank insurance market. Written premiums at the end of 2004 amounted to SKK 1.035 billion, whereby Poisťovňa Slovenskej sporiteľne was ranked fifth in the life insurance market just two years after its formation. New contracts reached the value of SKK 1.107 billion, by which Poisťovňa Slovenskej sporiteľne held the second position in the life insurance market for new production.

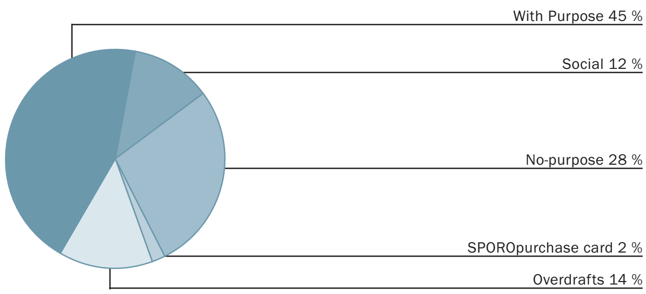
Leasing

In 2004, Slovenská sporiteľňa officially entered the leasing market via its new subsidiary, Leasing Slovenskej sporiteľne. Since March 2004, 748 leasing contracts with the total acquisition cost of SKK 746 million were concluded. Customers showed greatest interest in passenger and utility vehicles, which accounted for as much as 54.5% of the signed contracts. As for the value financed, the largest share was held by the segment of technologies, machinery, and equipment (46%).

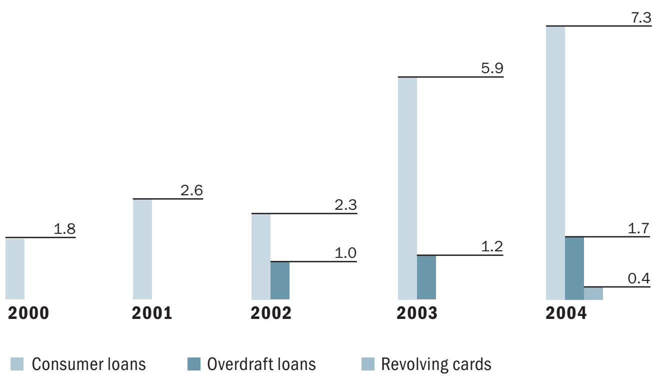
Loans

In the segment of consumer loans, increased interest in investment loans and loans without a designated purpose was recorded. In 2004, Slovenská sporiteľňa sold consumer loans worth SKK 7.27 billion to the retail sector, 23.7 % up from a year ago. A positive trend was also observed in respect of the sales of overdrafts, with limits rising by SKK 1.82 billion (57.4 %). Since August 2004, Slovenská sporiteľna issued more than 18 thousand revolving cards with limits equalling SKK 390 million. Thus the volume of retail loans managed (excluding mortgages) as of 31 December 2004 reached SKK 18.2 billion.

Structure of consumer loans and overdraft facilities



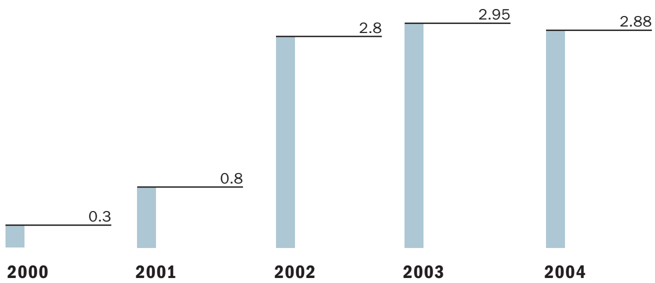
New consumer loans and overdraft facilities (SKK billion)



Mortgage loans

Following a reduction of state subsidies, the growth of sales of new mortgage loans decelerated slightly. The volume of mortgage loans sold reached SKK 2.88 billion. As for the purposes for which mortgage loans were used, the purchase of real estate continued to prevail. At the end of 2004, the balance of mortgages stood at SKK 8.79 billion, with the Bank achieving a 21.8 % market share.

New mortgage loans (SKK billion)



Branch network

Optimisation and reconstruction of the branch network was pursued further still. New points of sale were opened in dynamically developing neighbourhoods of larger cities and shopping malls (such as in Bratislava-Dlhé diely, Považská Bystrica, Trnava). Conversely, on the basis of analysis of effectiveness, several branches, particularly those in smaller municipalities, were closed. Five branches underwent a sizeable reconstruction, especially the city branch in Žilina, in the vicinity of which a new production zone is soon to be formed. The centralisation of further back office operations was continued, which was reflected in the higher volume of product sales, as well as improved care of existing clients in accordance with the new customer care concept.

Customer care concept

Slovenská sporiteľňa aimed to intensify its communication with clientele so as to learn their needs and wishes, thus directing its attention towards the accomplishment of their ideas and plans. It is exactly the new knowledge gained through projects targeted at the application of new sales channels, the selling skills of account managers, and the overall efforts by Slovenská sporiteľňa to better reach out to its clients, that attest to the high standard of account management which is the beacon carrier of all our activities. The previous year yielded good results in the form of customer satisfaction with Slovenská sporiteľňa and, last but not least, the appreciation of work and communication with account managers assigned to every customer of Slovenská sporiteľňa.

Corporate banking

Large corporate customers

During the year, the customer portfolio was consolidated, with a service for a certain portion of these customers being undertaken by commercial centres. Despite that, the number of loan borrowers with a consolidated turnover of above SKK 1 billion rose by 15 % year-on-year, amounting to 82 in total. Loan drawdowns averaged SKK 23.4 billion, 16 % up from 2003.

Within the segment of large corporate customers, there is an evidently increasing emphasis on non-lending products and services. Once again, installed POS terminals recorded a rapid increase. Likewise, the volume of treasury operations by large corporate customers grew to SKK 381 billion, rising by 34% year-on-year. Also, the volume of issued guarantees increased significantly. As for 2005, there will be an increased emphasis put on the strengthening of prospecting and the improvement of products provided to large corporate customers.

Special financing

In 2004, the focus of project financing - which is about providing “tailored” financing based on market needs - was on the financing of acquisitions and mergers, management buyouts, restructuring loans and “green field” projects for customers of the Division of Corporate Banking and Commercial Centres (in the case of syndication needs). Investors coming to Slovakia in order to relocate or expand their production capacities, as well as expanding local firms both demand structured financing enabling them to implement their capital expenditure plans. The potential of this type of financing goes hand in hand with economic development and its importance should grow within the coming 2 or 3 years. The successful arrangement of syndicated loans for customers from the SME segment indicated that there is potential there as well. The volume of transactions of this type stood at almost SKK 700 million.

There was also room for project financing in the public sector, in which case experience gained in the process of project implementation in neighbouring countries (the Czech Republic, Hungary) as part of cooperation within the Erste Bank Group proved to be useful. Last year, the volume of transactions made in the public sector reached approximately SKK 250 million.

Business transactions of customers were supported by specialists who provided for trade and export finance. In addition to bank guarantees, documentary letters of credit (including their reimbursement) and forfeiting, trade financing also included factoring for the Bank’s customers, which has recently become a high demand product, notably on the part of the public sector. This opened up new opportunities for the Bank to combine activities of corporate customers with the public sector’s risks.

Real estate financing

Real estate financing first and foremost consists of loans with long maturities. Approximately 78.6 % of the total volume of such loans has a maturity of 7 years and above. The loans provided are to cover a variety of transactions. They included projects for the construction of administrative areas (82.5 %), housing project financing (12.9 %), projects for the construction and operation of hotels (3.7 %) and other types of structures (0.9 %). This is a product that has proven to work well in practice and that combines features of commercial financing of developers and construction firms, with investment and consumer loans extended to future apartment owners.

During the course of 2004, Slovenská sporiteľňa and the State Housing Development Fund (ŠFRB) concluded a contract on cooperation to secure payables by bank guarantees. This contract governs these institutions’ mutual relations. Slovenská sporiteľňa issues the bank guarantees to the benefit of ŠFRB as the borrower in order to secure payables due from loans made to cities and municipalities for the construction of municipal rental housing in apartment buildings. An investment loan with the designated purpose of “Housing Stock Renovation” has been successfully put into practice. This product is intended for the financing of condominiums and housing cooperatives to enable them to renovate their housing assets.

In the future, it is envisaged that there will be an expansion of industrial parks and logistic centres, new international hotel chains will enter the market, and local chains of hotels and guesthouses will be developed in tourist regions. Demand in the housing market is currently on the up and malls are becoming increasingly popular. The development of these markets also provide a guideline for Slovenská sporiteľňa, which will accordingly focus its activities so as to cover exactly those areas next year.

Small and medium-sized enterprises

Over the course of 2004, as a result of the opening of another commercial centre (OC) in Bratislava, the number of these centres totalled nine. This new commercial centre was established in Bratislava with the aim of covering the maximum possible number of small and medium-sized enterprises operating within the territory of Bratislava. In 2004, commercial centres sold new loans in the amount of SKK 8.3 billion and served more than 3 300 customers. Increases in the sales of factoring, leasing, and treasury products have been recorded.

After EU accession, new room opened up for the utilisation of structural funds primarily within the segment of small and medium-sized enterprises. Slovenská sporiteľňa therefore conducted several workshops on development projects and opportunities for their financing from EU funds in order to prepare enterprises, cities, and municipalities for the raising of eurofunds. Commercial centres gave advice to their customers on options for the financing of their project under structural funds.

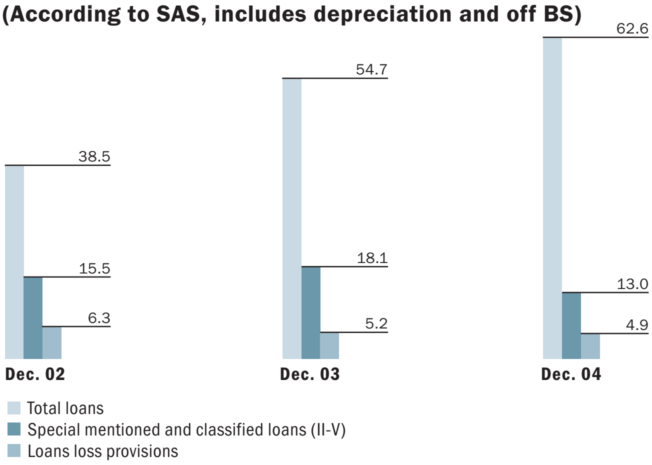
Commercial centres started to serve customers from condominiums by offering lending products and/or special terms for the management of their accounts. Over the brief effectiveness period of the relevant law, we have managed to set up 1111 accounts and made investment loans tied to a designated purpose.

Risk management

Credit risk

In October, Slovenská sporiteľňa along with two other banks launched the Credit Register for private customers. Later on, the majority of Slovak banks joined the project. Besides that, the credit risk management particularly focused on detailed portfolio analysis aiming to establish relevant risk profiles and migration trends for the main customer segments, as well as to determine products matching them. Generally speaking, this review confirmed a stable and positive development of the portfolio. Pursuant to the Erste Bank Group plan, the development of rating tools in accordance with the Basel II programme was continued and room was created for the acquisition of necessary data.

Development of the asset portfolio quality (SKK billion) (According to SAS, includes depreciation and off BS)



Interest rate risk

Slovenská sporiteľňa quantifies and manages interest rate risk on a regular basis. The trade book interest risk is subject to comprehensive trade book risk management and is monitored on-line on a daily basis using sensitivity analysis and the Value-at-Risk (VaR) method. The trade book interest risk is expressed in quantitative terms and presented to the Assets and Liabilities Management Committee (ALCO) on a monthly basis. It provides a basis for effective decisions to be made in the area of interest rate risk management. Interest rate risk is managed by the way of bond investments and hedging operations. The level of interest rate risk in foreign currencies is negligible because of its low share in the Bank's overall balance, since individual assets and liabilities denominated in foreign currencies are mostly of short maturities and the risk arising from them is directly hedged with the use of financial derivatives.

Liquidity risk

Liquidity risk in respect of structural liquidity is managed by the ALCO, and that in respect of operational liquidity is managed by the Treasury Division (daily liquidity and compliance with minimum required reserves). Liquidity risk is to be expressed in quantitative terms according to the NBS Decree on banks' liquidity and using its 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 2004, a ratio between the Bank's fixed and illiquid assets and its equity and reserves, as required by the regulatory authority, stood at the level of 0.75. The Bank's liquidity position is satisfactorily secured.

Trade book market risk

Throughout 2004, the Bank continued to enhance its internal model for the trade book interest rate risk management based on VaR methodology. The Bank introduced an extensive stress testing programme, which covers both standardised and historic scenarios and advanced testing applying the Extreme value theory. Further to that, the Bank developed an advanced back-testing programme to verify the quality of the internal model applied. Enhancements were also made in the market limit monitoring system through the introduction of real time monitoring of daily stop-loss limits.

Operational risk

Slovenská sporiteľňa uses the definition and classification of operational risk in compliance with principles laid down in the new Basle Capital Accord. In 2004, it implemented a new version of software application for the collection of data relating to operational risk so as to improve data collection and comply with the requirements concerning the collection of data required by advanced operational risk measurement methods under the Basle Accord. This application is used by the whole Erste Bank Group. In 2004, Slovenská sporiteľňa unified its insurance strategy in line with the whole financial group and joined the Erste Bank Group insurance scheme covering property damage as well as other losses due to the operational risk.

Treasury and investment banking

Money and foreign exchange markets

With its share of 26.3 % in the local forex market, Slovenská sporiteľňa maintained its leading position among banks. The Bank significantly expanded its trading in koruna derivative products at the expense of so-called "cash" products, especially deposits and repo operations in the money market. Nevertheless, the Bank kept its traditionally strong position in the market for "cash" products, accounting for 14.2 % of the transactions made in the interbank market on the whole. As for the market for derivative products at koruna interest rates, it strengthened its position among major players, reaching a share of 21.0 %.

Capital market

In 2004, Slovenská sporiteľňa reached a share of 30.6 % in the total trading turnover on the trading floor of Bratislava Stock Exchange (BCPB), which, put in absolute terms, means a turnover of SKK 264.6 billion. Of this turnover, share deals amounted to SKK 1.4 billion, accounting for 3.4 % of this segment. The Bank realised its highest trading turnover at the BCPB via operations with government and corporate bonds worth SKK 263.2 billion, which accounted for as much as 32 % of the total trading in bonds.

Investment banking

Slovenská sporiteľňa retained its leading position in the primary securities market, with bond issues totalling more than SKK 4.1 billion, including its own issues of mortgage bonds. At the same time, as part of its offer of investment services, the Bank continued to act as a broker in securities transactions and to provide services related thereto.

Investments in securities portfolios (HTM and RTS)

The securities portfolio was built in accordance with a strategy approved by the ALCO. Over the course of the year, in connection with the expected gradual convergence of yields in Slovakia to euro yields, purchases were largely made of government bonds with a duration of up to five years. The differential for these maturities was the broadest, and therefore the appreciation was the most likely. Such a liquidity position was generated in the amount scheduled in accordance with the development of lending volumes, as well as expected increases on the liabilities side of the balance sheet. In accordance with the strategy for building a diversified portfolio under the Erste Bank Group-wide strategy, further investments were made in structured products following 2003 in order to diversify sources of the Bank's funds that are not matched with traditional revenue. To this end, a group of analysts was set up at Erste Bank Group level, and the activities of the investment and analytical team as well as the entire capex process within the Erste Bank Group were formalised.

Multiple sales channels

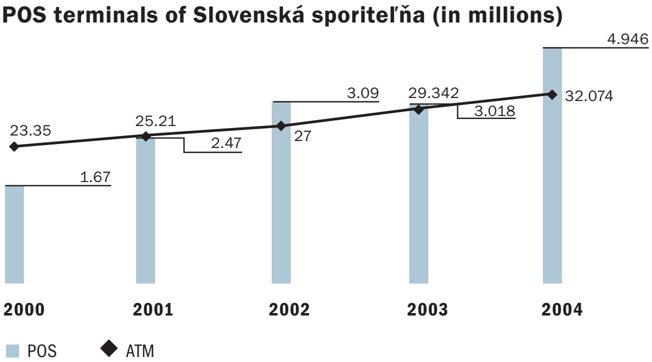
Bank cards

In 2004, Slovenská sporiteľňa expanded its activities concerning the full introduction of chip technology. Chips were to become part of any payment card and at the same time, the entire network of ATMs and POS terminals had to be ready to process transactions made by chip cards in accordance with the standards of card companies.

For a long time Slovenská sporiteľňa has been the number one player in the ATM market, with 483 ATMs and a market share of 40 % of the volume of transactions executed via ATMs. Preparations for the acceptance of chips and a concurrent effort to improve the quality of our ATM network have been reinforced by the renovation of outdated equipment. 234 ATMs were gradually replaced in 2004. The most frequent application of payment cards is still their use in ATMs. On the whole, 53 million transactions worth more than SKK 80 billion were executed via the ATMs of Slovenská sporiteľňa in 2004. The volume of transactions increased by 21 % or SKK 14.4 billion compared to 2003.

As of the end of 2004, more than a million payment cards were used by customers of Slovenská sporiteľňa. In 2004, 38 million transactions amounting to more than SKK 78 billion were executed via payment cards of Slovenská sporiteľňa. This means an increase of 19 % (SKK 12.5 billion) in comparison with 2003. At the present time, Slovenská sporiteľňa administers a network of 3768 POS terminals. In 2004, customers executed almost 5 million transactions amounting to almost SKK 5.9 billion via POS terminals of Slovenská sporiteľňa. This is 31 % (SKK 1.5 billion) more than in 2003 .

Development of the number of transactions via ATMs and POS terminals of Slovenská sporiteľňa (in millions)



Electronic banking

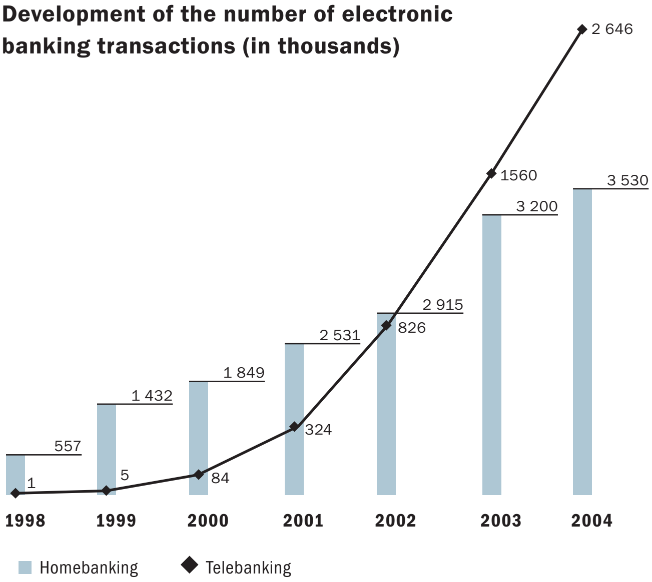
In its electronic banking operations, Slovenská sporiteľňa particularly focused on support to customers from the Micros and SME segments. As part of these activities, several market innovations have been introduced:

> Homebanking Version 6.1, which offers a new, more efficient way of communication between the clientele and the Bank,
> Internetbanking Version 5.0, which divides into two modules depending on customers' requirements – Internetbanking and Internetbanking EXTRA,
> Databanking – the first third-generation electronic banking on the market.

Sporotel

A special role is played by the Sporotel service, which constitutes an adds-on feature and personal support to electronic banking services. Sporotel operators processed 360 325 phone calls, which was more than 12 % up on 2003, and they executed 177 527 transactions, i.e. 40 % more than in 2003.

Development of the number of electronic banking transactions (in thousands)



Human resources

Our focus on human resource management was on enhancing the quality of employees through their targeted development, stabilisation of key employees, and raising the performance of employees in order to accomplish the strategy and vision of Slovenská sporiteľňa.

Principles of wage policy were updated so as to attain a uniform approach on the part of managers to the remuneration of their employees. The aim was to establish a connection between the results of evaluation and remuneration, as well as to differentiate wages depending on the achieved performance. The performance management system based on cascaded targets made it possible to establish links between the Bank's goals and tasks of teams and individual employees, which in turn contributed to the enhancement of team work and motivation.

Benefits are an important constituent of wages, making employment with Slovenská sporiteľňa more attractive. In 2004, Slovenská sporiteľňa continued to run its supplementary pension scheme and to perform medical checks aimed at diagnosis and prevention with the goal of maintaining the good health of its employees.

An increased emphasis was put on the practical introduction of the career development system. We successfully launched career development along two of the envisaged three lines: the trainee and expert lines. Experience gained from pilot operations attested to the potential usefulness of this tool. Training and education trended in the same direction as in the previous period, with the majority of workshops consisting of technical training primarily intended for retail and commercial centres. Management training, personality courses, and language training continued to be delivered. All in all, 34 391 training man days were delivered, which is 6.7 days per employee. Approximately 85 % of training sessions were held in training facilities of Slovenská sporiteľňa.

As at 31 December 2004, Slovenská sporiteľňa had 5 040 employees, which was 263 less than in 2003. Such a decrease is due to the optimisation and process reengineering of service divisions. Like a year before, we continued to run the programme of assistance to employees who had lost their jobs due to organisational changes under the outplacement programme, and to continue to provide such ex-employees with social benefits in 2004 .

The qualifications structure of employees has not changed compared to a year ago. The largest group was formed by high school leavers (68 %), employees with university education accounted for 29 %. The average age of employees was 38.5 years. The proportion of females in the registered number of employees has not changed, staying at the level of 81 %.

Sponsoring activities

In 2004 Slovenská sporiteľňa, in accordance with its adopted strategy, supported long-term partnerships in the field of classic, community sponsorship, and a common group European platform in developing culture, education, sport, and charity.

Cooperation with the Slovak Philharmonic, the State Philharmonic in Košice, and the State Chamber Orchestra in Žilina took on a new dimension, where the Bank awarded the Slovenská sporiteľňa Golden Note to young talents in these music groups.

The Slovenská sporiteľňa Bratislava Jazz Days, and support for theatres (A. Bagar Theatre in Nitra, Slovenské komorné divadlo in Martin, Divadlo Aréna , Radošínske naivné divadlo) confirm the Bank's commitment to supporting the development of Slovak culture.

In the field of secondary education, our partnership with the non-profit organisation Junior Achievement Slovakia is one of the Bank's well-established projects to which the Bank provides not only funds but also consultation. Over the course of the year many projects at 11 universities across Slovakia as well as the special Slovenská sporiteľňa scholarship programme for students at the University of Economics in Bratislava were supported in the framework of a long-running partnership. The general partnership of the Cisco Network Academic Programme has so far created a network of 49 academies at secondary schools and universities in the Slovak Republic.

In the framework of community development, several health facilities in Slovakia's regions were supported, along with projects for handicapped persons and socially-deprived children as well as activities aimed at protecting cultural heritage. To important partners – the Slovak Catholic Charity, the Slovak Committee for Unicef and the Slovak Children's Foundation – the Bank offered, besides financial support, active cooperation in regional activities.

In the field of sport, the Bank supports young ice hockey prospects by means of a partnership with the Slovak Hockey Talents Foundation, and for the third year now has been a general partner of the Slovak Union of Physically Handicapped Sportspersons. In 2004 Slovenská sporiteľňa became a general partner of the SLSP women's volleyball club Slávia of Comenius University.

At the close of the year we, together with our parent company Erste Bank, provided extraordinary financial support aimed at removing the consequences of storms in the High Tatra mountains.

A correct strategy and meaningful support for interesting projects has brought us success in the form of the Via Bona Slovakia award. Slovenská sporiteľňa received this award for its courage in supporting an innovative project – a campaign by the Slovak Catholic charity for the support of hospice care.

Plans for the year 2005

In 2005 we aim to consolidate our market share in the Slovak financial market. We shall continue in improving the quality of active personal advice and retail client care, as well as acquisitions in the field of corporate banking, small and medium-sized enterprises, towns and municipalities. Clients demand attractive services. We shall satisfy this demand through a comprehensive product range enriched with new banking services and products as well as products from our subsidiaries and contractual partners. In developing new products, we shall continue to cooperate intensively with colleagues throughout the whole Erste Bank Group.

Support for modern electronic forms of handling funds on accounts shall be a dominant feature in business activity for retail clientele. In this way we will offer clients not only a financially more attractive way of managing their personal finances, but also open up greater room for advice at business points. Simultaneously we will gain room for reducing the Bank's operating costs. The strategy of being as close as possible to clients will continue, therefore we will continue to expand our network of ATMs and POS terminals. Increased household consumption coupled with the tough competitive environment and gradual change in behaviour towards clients will open up the conditions for the increase of loans.

In our corporate client business we will continue to focus on real estate, projects, and export financing. We aim to increase our share in the Slovak corporate market. By means of a quality range of deposit and loan products, we want to acquire - besides large clients - also small and medium-sized enterprises, towns, and municipalities. We will also make intensive use of cross-selling opportunities, giving clients the opportunity to invest available funds in sophisticated products. Naturally, we will also provide advice in the process of gaining finance from European Union funds.

The economic strength of a business also depends on the strength of its human resources. In this regard we endeavour to create optimal working conditions – individually appraising staff and providing them with the opportunities to increase their qualifications. It is through our commitment to quality human resources that we create the basis for the confidence our clients have in us. We shall continue to increase the efficiency of all processes and to exploit the opportunities provided by the country's economic environment.

Consolidated Financial Statements

Prepared in Accordance with International Financial Reporting Standards for the Years Ended 31 December 2004 and 2003 and Independent Auditors' Report

Balance Sheets

As at 31 December 2004 and 2003

		Note	2004 MSKK	2003 MSKK
	ASSETS			
1.	Cash and balances at the central bank	6	4 814	5 725
2.	Loans and advances to financial institutions	7	63 805	27 380
3.	Loans and advances to customers	8	62 609	54 691
4.	Provisions for losses on loans and advances	9	(4 938)	(5 161)
5.	Trading securities and derivatives	10	7 100	18 593
6.	Securities available for sale	11	12 359	13 196
7.	Securities held to maturity	12	79 171	81 251
8.	Investments in subsidiaries at equity, associates and other investments	13	977	1 327
9.	Intangible assets	14	950	674
10.	Property and equipment, including investment property	15	6 803	7 138
11.	Deferred income tax asset	16	89	-
12.	Other assets	17	3 615	3 524
	Total assets		**237 354**	**208 338**
	LIABILITIES AND SHAREHOLDERS' EQUITY			
1.	Amounts owed to financial institutions	18	32 123	11 448
2.	Amounts owed to customers	19	175 094	172 335
3.	Bonds in issue	20	6 213	3 576
4.	Provisions for liabilities and other provisions	21	1 485	1 668
5.	Other liabilities	22	5 018	3 549
6.	Current income tax	16	678	-
7.	Deferred income tax liability	16	-	247
8.	Minority interest	23	7	-
9.	Shareholders' equity	24	16 736	15 515
	Total liabilities and shareholders' equity		**237 354**	**208 338**

These financial statements were approved by the Board of Directors of the Bank on 8 March 2005.

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

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

Profit and Loss Accounts

For the Years Ended 31 December 2004 and 2003

		Note	2004 MSKK	2003 MSKK
1.	Interest income	25	12 379	12 888
2.	Interest expense	25	(4 592)	(5 038)
3.	Income from investments in associates and subsidiaries at equity	25	34	2 137
I.	**Net interest and investment income**		**7 821**	**9 987**
4.	Release of provisions for losses on loans, advances and off-balance sheet	27	32	137
II.	**Net interest and investment income after provisions**		**7 853**	**10 124**
5.	Fee and commission income	26	2 848	2 316
6.	Fee and commission expense	26	(185)	(190)
	Net fee and commission income		**2 663**	**2 126**
7.	Net profit on financial operations	28	663	427
8.	General administrative expenses	29	(6 317)	(6 521)
9.	Other operating expenses, net	30	(1 255)	(3 124)
III.	**Profit before income taxes**		**3 607**	**3 032**
10.	Income tax expense	31	(362)	(301)
IV.	**Profit after tax**		**3 245**	**2 731**
11.	Minority interest	23	(1)	-
V.	**Net profit for the year**		**3 244**	**2 731**
	Basic and diluted profit per SKK 1 000 share (SKK)	**32**	**509**	**428**
	Basic and diluted profit per SKK 100 million share (SKK)	**32**	**50 892 605**	**42 844 545**

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

Statements of Changes in Shareholders' Equity
For the Years Ended 31 December 2004 and 2003

	Retained earnings MSKK	Legal reserve fund MSKK	Other Funds MSKK	Share capital MSKK	Total MSKK
At 1 January 2003	**2 326**	**2 404**	**1 680**	**6 374**	**12 784**
Transfers	-	-	-	-	-
Net profit for the year	2 731	-	-	-	2 731
At 31 December 2003	**5 057**	**2 404**	**1 680**	**6 374**	**15 515**
Dividends paid	(2 023)	-	-	-	(2 023)
Net profit for the year	3 244	-	-	-	3 244
At 31 December 2004	**6 278**	**2 404**	**1 680**	**6 374**	**16 736**

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

Statements of Cash Flows

For the Years Ended 31 December 2004 and 2003

	Note	2004 MSKK	2003 MSKK
Cash flows from operating activities			
Profit before income taxes	31	3 607	3 032
Adjustments for:			
Release of provisions for losses on loans, advances and off-balance sheet		(27)	(130)
Provisions for liabilities and other provisions		211	605
Depreciation, amortisation and impairment		1 486	1 825
Loss on disposal of fixed assets		69	406
Equity in earnings of associates and subsidiaries		(53)	(2 049)
Adjustment of financial instruments and securities		(3 990)	(1 043)
Transfer of interest income of HTM portfolio to investment activity		(4 861)	(6 129)
Cash flows used in operations before changes in operating assets and liabilities		**(3 558)**	**(3 483)**
(Increase)/decrease in operating assets:			
Minimum reserve deposits with the central bank	6	838	5 638
Placements with central bank	7	(1 900)	-
Loans and advances to financial institutions	7	(31 821)	37 003
Loans and advances to customers		(2 974)	(14 128)
Trading securities and derivatives and securities available for sale		13 591	(20 777)
Other assets		150	1 187
Increase/(decrease) in operating liabilities:			
Amounts owed to financial institutions		17 812	19
Amounts owed to customers		(736)	(6 240)
Other liabilities		1 493	(1 980)
Net cash flows used in operating activities before income tax		**(7 105)**	**(2 761)**
Income taxes paid		(21)	(480)
Net cash flows used in operating activities		**(7 126)**	**(3 241)**
Cash flows from investing activities			
Net cash flow from securities held to maturity		7 151	(1 421)
Dividends received from associated undertakings	13	139	644
Net decrease in investments in subsidiaries and associates		111	2 034
Purchase of intangible assets, property and equipment		(1 645)	(1 379)
Proceeds from sale of property and equipment		148	285
Net cash flows provided by investing activities		**5 904**	**163**
Cash flows from financing activities			
Issuance of bonds	20	2 411	2 462
Dividends paid		(2 023)	-
Other financing activities		1 140	-
Net cash flows provided by financing activities		**1 528**	**2 462**
Net increase/(decrease) in cash and cash equivalents	**33**	**306**	**(616)**
Cash and cash equivalents at beginning of the year	**33**	**4 062**	**4 678**
Cash and cash equivalents at end of the year	**33**	**4 368**	**4 062**

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

Notes to the Consolidated Financial Statements Prepared in Accordance with International Financial Reporting Standards Years Ended 31 December 2004 and 2003

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 General Manager of the Comapny. The Vice Chairman of the Board of Directors is at the same time the First Deputy General Manager 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 General Manager of the Company.

The members of the Supervisory Board as at 31 December 2004 were as follows: Mag. Reinhard Ortner (Chair), Mag. Andreas Treichl (Vice Chairman), Dr. Manfred Wimmer, Dr. Heinz Kessler, Dr. Christian Coreth, JUDr. Beatrica Melichárová, Ing. Ján Trgiňa, and Herbert Juranek.

As at 31 December 2004, the shareholders of the Bank were Erste Bank der Österreichischen Sparkassen AG ('Erste Bank') with 80.01%, and the European Bank for Reconstruction and Development ('EBRD') with 19.99%.

During 2004 Erste Bank purchased shares from the Ministry of Finance of the Slovak Republic representing 10.01% shareholder rights and so increased its share to 80.01%. The remaining 19.99% of shares that were owned by the EBRD as at 31 December 2004 were purchased by the Erste Bank on 10 January 2005.

2. Significant Events Affecting the 2004 and 2003 Results

During 2004, part of the sponsoring provision in the amount of SKK 200 million was used as a contribution of the Bank to the subscribed capital of the foundation SPORO Nadácia (see Note 21(d)).

In 2004, the Bank assessed the impairment of buildings that were partially owner-occupied, unused or rented to other parties. The negative difference between the net book value and their estimated recoverable amount has been recognised as an impairment of assets and included in the profit and loss account (see Note 15).

During 2004, the major part of the uncertainties related to the interpretation of the new tax legislation that came into force since 1 January 2004 was resolved. Consequently, a deferred tax asset was recognised by the Bank as of 31 December 2004 (see Note 16).

In 2004, the Bank applied for the first time the projected unit credit method for the actuarial calculation of the employee benefit provisions. The total amount of the calculated employee benefit, arising from this first-time recognition was charged to the profit and loss account (see Note 21(e)).

In 2003, the Bank recognised a substantial non-recurring profit related to its investment in associates as further described in Note 13(b) and 25, respectively.

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 35 and 21(c), respectively.

In 2003, a system development project was terminated resulting in non-recurring losses (see Note 30), impairment provisions were recorded against property (see Note 15), provisions for expected losses resulting from restructuring of certain type of loans were recorded (see Note 8), and a review of useful lives of property and equipment was undertaken resulting in an increase of annual depreciation (see Note 4(h)).

3. Basis of Preparation

These consolidated financial statements comprise the accounts of the Bank and its subsidiaries (together the 'Group') and have been prepared in accordance with the standards and interpretations approved by the International Accounting Standards Board (IASB), which are referred to as International Financial Reporting Standards (IFRS). These standards and interpretations were previously known as International Accounting Standards (IAS).

The Bank holds controlling interests in subsidiaries as described in Note 5 and 13, respectively. In 2003, the subsidiaries were consolidated using the equity method as they were not considered material and full consolidation would not materially influence the financial statements presentation. Since 2004, the subsidiaries have been fully consolidated.

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 the 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.

All data is stated in Slovak Crowns (SKK). The unit of measurement is millions of SKK (SKK million), unless stated otherwise. The amounts in parentheses represent negative values.

The format of the financial statements has been adjusted to comply, where possible, with Erste Bank's presentation requirements with the exception of the effects of first time consolidation of subsidiaries in 2004. 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) Principles of Consolidation

The consolidated financial statements present the accounts and results of the Bank and, to the extent that they are material to the Group as a whole, of its controlled and associated companies.

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 where the Bank can appoint or dismiss a majority of the Board of Directors or Supervisory Board members. Where an entity either began or ceased to be controlled during the year, the results are included only from the date control commenced or up to the date control ceased.

All intercompany balances and transactions, including unrealised intercompany profits, are eliminated on consolidation. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Bank.

Minority interests in the equity and results of companies that are controlled by the Bank are shown as a separate item in the consolidated financial statements.

Subsidiaries whose results, equity and financial position are, in aggregate, not material to the financial statements are accounted for using the equity method and included in 'Other investments'.

In 2003, all subsidiaries were consolidated using equity method as they were not considered material and would not materially influence the result and the net assets of the Bank. In 2004, these subsidiaries have been fully consolidated.

Associated Undertakings

Associates are accounted for under the equity method of accounting. An investment in an associate is one in which the Bank holds, directly or indirectly, 20% to 50% of its share capital and over which the Bank exercises significant influence, but which it does not control. Equity accounting involves recognizing 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.

Associates whose results, equity and financial position are, in aggregate, not material to the financial statements, are accounted using the equity method and included in 'Other investments'.

Other Investments

Other investments represent investments with a share of less than 20% of the share capital and voting rights. Other investments also include subsidiaries and associates whose results, equity and financial position, in aggregate, are not material to the financial statements. They are valued at fair value. If market value is not available, the equity of the company is considered as an indicator of the company's fair value.

b) Cash and Cash Equivalents

The Group considers cash, current accounts with the National Bank of Slovakia ('central bank' or '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.

c) Loans and Advances and Provisions for Losses on Loans and Advances

Loans and advances are carried at amortized cost using the effective interest rate, less any provisions for impairment. All loans and advances are recognised when cash is advanced to borrowers.

Origination fees from the loans are amortised over the contractual life of the loan. In prior periods, the amounts of loan origination fees were recognised at the date of loan origination and were not deferred because their impact was not considered to be material.

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 Group's lending activities.

General provisions are created to cover losses arising from the loan impairment of pass loan portfolio, but which can't be allocated to specific exposures. It concerns losses which have not been individually identified yet, but based on the previous experiences are deemed to be inherent in the portfolio as at the balance sheet date.

The amount necessary to adjust the provisions to their assessed levels, after write-offs, is charged to the profit and loss account, to 'Release of provisions for losses on loans, advances and off-balance sheet'.

Write-offs are generally recorded after all reasonable restructuring or collection activities have taken place and when further recovery is considered to be ineffective considering loans outstanding, expenses relating to collection activities, and forecasted result. If the reason for provisioning is no longer deemed appropriate, the redundant provisions are released into income. Recoveries of loans and advances previously written off are reflected in the profit and loss account through 'Release of provisions for losses on loans, advances and off-balance sheet'.

d) Debt and Equity Securities

Securities held by the Group are categorised into portfolios in accordance with the Group's intent on the acquisition of the securities and pursuant to the Group's security investment strategy. The Group has developed security investment strategies and, reflecting the intent of the acquisition, allocated securities to the 'Trading securities' portfolio, the 'Available for sale' portfolio, and the 'Held to maturity' portfolio. The main difference among the portfolios relates to the measurement of securities in fair value and amortized costs and reporting of unrealised gains or losses.

All securities held by the Group 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 Group 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 re-measured to fair value. Changes in the fair 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 also reflecting margins (the same applies for securities in the Available for Sale Securities).

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 Group 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 available for sale securities are recognised in the profit and loss account as 'Other operating expense, net'.

Securities Held to Maturity ('HTM')

Securities held to maturity are financial assets with fixed maturity that the Group has the positive intent and ability to hold to maturity. HTM securities are initially recognised at cost. Held to maturity securities are subsequently reported at amortised cost using the effective interest method, less any provision for impairment.

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 Group recognises provisions through the profit and loss account.

Changes in market value of HTM securities are not recorded in the financial statements, but are disclosed in Note 41.

See Note 45 for information on reallocation of significant porfolios of securities effective 1 January 2005.

e) Sale and Repurchase Agreements

Where debt or equity securities are sold under a commitment to repurchase them at a pre-determined price, they remain at the fair value or amortised cost within the relevant portion 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.

f) Intangible Fixed Assets

Costs associated with acquiring software are treated as intangible assets and are amortised on a straight-line basis over estimated useful life - 4 years through 'General administrative expenses' as amortisation of intangible assets.

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

g) Property and Equipment, Including Investment Property

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 property and equipment	Depreciation period 2004	Depreciation period 2003
Buildings and structures	30 years	30 years
Electronic machines and equipment	4 – 6 years	4 – 6 years
Hardware	4 years	4 years
Vehicles	4 years	4 years
Inventory	6 – 12 years	6 – 12 years
Leasehold improvements	30 years, resp. period of the lease	30 years, resp. period of the lease

Land and assets under construction are not depreciated.

Gains and losses on the disposal of property and equipment 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 in the case of tangible fixed assets, and SKK 50 000 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.

Investment property is stated at historical cost less accumulated depreciation and depreciated on a straight-line basis over estimated useful lives.

h) Impairment of Property and Equipment

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The recoverable amount is determined as higher of estimated net realisable value or value in use. The largest components of the Group's assets are periodically tested for impairment, and temporary impairments are provisioned through the profit and loss 'Other operating expenses, net' in respect of assets under construction or those not used or rented to third parties. Repairs are charged to the profit and loss account line 'General administrative expenses' under –'Other administrative expenses' in the year in which the expenditures are incurred.

i) Provisions for Guarantees and Other Off-Balance Sheet Credit Related Commitments

In the normal course of business, the Group 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 Group creates a provision for risks that are judged by the management of the Group to be present as at the balance sheet date.

j) Provisions

Provisions are recognised when the Group 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.

k) Long-term Employee Benefit Provisions

The Group operates unfunded defined long-term benefit programs comprising lump-sum post-employment and jubilee benefits. According to IAS 19, the employee benefits costs are assessed using the projected unit credit method with actuarial valuation at the balance sheet date. Under this method, the cost of providing benefits is charged to the statement of profit and loss so as to spread the regular cost over the service lives of employees. The benefit obligation is measured as the present value of the estimated future cash outflows discounted by interest yield on investment grade fixed income securities, which have terms to maturity approximating the terms of the related liability. The Group derives the discount rate based on the interest rate of 4.56% p. a. and projected Slovak Crown inflation. The assumed retirement age is 60 for women and men. The part of the actuarial gains and losses, exceeding 10% of defined benefit pension obligation is amortized over the remaining services of the Group's employees, starting from the next reporting period. The whole amount of the actuarial gains and losses from the jubilee benefit obligation is charged to the profit and loss account in the current year.

l) Accounting for factoring transactions

Receivables arising from recourse and non-recourse factoring transactions are carried at amortised cost, presented in 'Other assets' (unfunded portion) and 'Loans and advances to customers' (funded portion). Liabilities payable to clients arising from these transactions are recorded as other liabilities. Fees charged to customers are recognized as 'Other operating revenues' with interest recorded as 'Interest income'.

l) Dividends

Dividends are recognised in equity in the period in which they are declared by the General Assembly.

n) Taxation

Tax on the Bank's current year results consists of both income tax and the change in deferred tax. Tax on the Bank's prior year results also included withholding tax from the interest income from debt securities and from dividends received. 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 of assets and liabilities 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 tax liabilities will be available against which the tax assets can be utilised.

o) 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 Group 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' on the balance sheet. Fair values of derivatives are based on quoted market prices or pricing models, which take into account the 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 Group'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 'Net profit on financial operation'.

Hedging derivatives are defined as derivatives that comply with the Group'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 the range of 80% to 125%.

If the Group 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 Group 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 and investment income' in the periods in which the expense or income associated with the hedged items are recognised.

p) 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.

Suspended interest related to the non-performing loans that are overdue more than 90 days is not recognised as a receivable in the balance sheet and as a revenue in the profit and loss account but is recorded in the off-balance sheet.

r) Foreign Currency Transactions

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'.

s) 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 using the effective interest rates. Interest on non-performing loans, those that have overdue interest and/or principal, or for which management of the Group otherwise believes the contractual interest or principal due may not be received, are only recognised on collection.

Borrowing costs are recognised as an expense in the period in which they are incurred.

Trading results from trading securities and derivatives included in 'Net profit on financial operations' is shown net of funding costs included in 'Net interest and investment income'.

t) Fees and Commissions

Fees and commissions are recognised in the profit and loss account on an accrual basis. Loan origination fees are deferred and recognised in income over the duration of the related loans.

u) Finance Lease Income

Group Company as the Lessee

Leases of property and equipment under which the Group assumes substantially all the rewards incidental to ownership (finance leases) are recognised in the balance sheet by recording an asset and liability equal to the present value of all future lease payments. Leasehold improvements on leased assets are depreciated in accordance with the depreciation policy noted above. The depreciation period is the estimated useful life of the asset, or the lease term if shorter. Lease liabilities are reduced by repayments of principal, whilst the finance charge component of the lease payment is charged directly to the profit and loss account.

Group Company as the Lessor

Finance lease income is calculated under an effective interest method to provide a constant rate of return on the net investment in the leases.

v) 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 and has been separately calculated for shares with SKK 1 000 and SKK 100 million nominal value based on their share on rights to receive dividends.

x) Assets under Administration

Assets under administration are not included in these financial statements. More details are included in Note 43.

y) 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.

Similarly, consolidated companies are subject to regulatory requirements of the Financial Market Authority.

5. Companies Included in Consolidation

Name of the company	Registered office	Principal activity	Method of consolidation	Group interest 2004	Group voting rights 2004
Subsidiaries					
Asset Management Slovenskej sporiteľne, správ. spol., a.s.	Záhradnícka 95 Bratislava 812 02	Asset management	Full consolidation	100.00%	100.00%
Factoring Slovenskej sporiteľne, a.s.	Priemyselná 1/a Bratislava 821 09	Factoring	Full consolidation	90.00%	90.00%
Leasing Slovenskej sporiteľne, a.s.	Nedbalova 17 Bratislava 811 01	Leasing	Full consolidation	90.00%	90.00%
SPORING, a.s.	Miletičova 60 Bratislava 821 08	Real estate maintenance, leasing	Full consolidation	100.00%	100.00%
Associates					
Prvá stavebná sporiteľňa, a.s.	Bajkalská 30 Bratislava 829 48	Banking	Equity method	9.98%	9.98%
CDI Corporate Advisory, a.s.	Na Perštýně 1 Praha 111 01	Financial and legal advisory	Equity method	25.00%	25.00%
Poisťovňa Slovenskej sporiteľne, a.s.	Priemyselná 1/a Bratislava 821 09	Insurance	Equity method	33.33%	33.33%
Slovak Banking Credit Bureau, s.r.o.	Na vŕšku 10 Bratislava 811 01	Retail credit register	Equity method	33.33%	33.33%

The subsidiaries listed above have been consolidated in the previous years using equity method as they were not considered material and would not materially influence the result and the net assets of the Bank. Accordingly, first time consolidation has no impact on the profit or retained earnings.

As at 31 December 2004, the subsidiaries are fully consolidated. Associates remain consolidated using equity method.

6. Cash and Balances at the Central Bank

	2004 MSKK	2003 MSKK
Cash balances	3 622	4 099
Nostro account with NBS	641	237
Minimum reserve deposit with NBS	551	1 389
Total	**4 814**	**5 725**

Minimum reserve deposits represent mandatory deposits (bearing 1.5% interest) calculated in accordance with regulations issued by the central bank (2% and 3% of certain of the Bank's liabilities in 2004 and 2003 respectively), and whose withdrawal is restricted. Nostro balances represent balances with the NBS relating to settlement activities and available for withdrawal.

7. Loans and Advances to Financial Institutions

	2004 MSKK	2003 MSKK
Loans and advances on demand	402	203
Repo trades with central bank treasury bills	52 910	12 192
Placements with central bank	1 900	-
Placements with financial institutions	8 593	14 985
Subtotal	**63 805**	**27 380**
Provisions	-	-
Total	**63 805**	**27 380**

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

8. Loans and Advances to Customers

	2004 MSKK	2003 MSKK
Commercial clients	34 166	34 236
Syndicated loans	6 331	12 453
Overdrafts	6 218	3 304
Direct provided loans	19 448	18 479
Finance leasing	489	-
Factoring	1 680	-
Retail clients	26 989	19 565
Mortgage loans	8 793	6 238
Consumer loans	13 166	9 250
Social loans	2 227	2 596
Overdrafts	2 762	1 481
Finance leasing	41	-
Factoring	-	-
Public sector	1 454	890
Subtotal	**62 609**	**54 691**
Provisions	(4 938)	(5 161)
Total	**57 672**	**49 530**

The substantial portion of the Bank's credit exposures has extended to a limited number of customers. As at 31 December 2004 the 15 largest customers accounted for 21% of the gross loan portfolio in the amount of SKK 13 387 million. (2003: 36%, SKK 19 884 million).

Industry sector analysis

The table below shows a detailed breakdown of loans and advances to customers by industry sector.

	2004 MSKK	2003 MSKK
Financial institutions	5 227	2 512
Non-financial institutions	21 678	27 657
Public sector	1 454	890
Individuals	2 896	1 814
Citizens	26 948	19 565
Other	2 160	2 253
Total (only for the Bank)	**60 363**	**54 691**
Loans and advances of other group companies	2 246	-
Total	**62 609**	**54 691**

Risk categorisation of loans and receivables

The table below details the breakdown of loans and advances to customers by the level of the credit identified within the portfolio of loans and receivables of the Bank as at 31 December 2004.

31 December 2004	Gross exposure MSKK	Collateral MSKK	Net exposure MSKK	Provisions MSKK
Pass	49 645	-	49 645	-
Watch	6 589	2 775	3 814	269
Substandard	2 737	195	2 542	653
Doubtful	418	135	283	245
Loss	3 220	29	3 191	3 191
Subtotal	**62 609**	**3 134**	**59 475**	**4 358**
General provisions	-	-	-	580
Total	**62 609**	**3 134**	**59 475**	**4 938**

Collateral values (SKK 38 880 million) are not taken into consideration when calculating the amounts of provisions for pass loans (2003: SKK 29 650 million).

As described in the section 'Social loan' below, the balance of pass loans as at 31 December 2003 includes total SKK 2 192 million of social loan receivables and SKK 460 million of related provisions. These loans were provided in the past within social system programmes supported by the Government. The Bank carried out the first phase of the restructuring of these loans in 2004 to enable their earlier repayment. Based on the result of this process it reassessed the credit risk of these receivables and reclassified the remaining balance of the social loan receivables (SKK 1 811 million) and related provision (SKK 440 million) to substandard as at 31 December 2004.

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

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

The legal framework relating to creditors' rights restricts the Bank's ability to realise certain types of collaterals, especially real estate. Recent amendments in the legislation designed to strengthen the position of creditors may improve the recovery of these loans.

Suspended interest related to non-performing loans amounted to SKK 956 million (2003: SKK 976 million) and is fully provided.

In 2004, the Bank paid SKK 21 million to Slovenská konsolidačná, a.s. ('SK') as consideration for non-qualifying loans that had been previously transferred to SK in the period 1999 – 2000 as a part of pre-privatisation restructuring of the Bank. These loans did not qualify for transfer according to valid contractual arrangements between the Bank and SK and were rejected by SK. Since the balance of the loans received in 2004 represented non-recoverable receivables that were already written off by the Bank before 2000, the amount of these loans amounting to USD 10 million and SKK 185 million are presented in the off-balance sheet.

As of 31 December 2003, the Bank's loan portfolio included a fixed rate USD denominated loan amounting to USD 5 million. In order to hedge the changes of fair value caused by changes of interest rates the Bank entered into an interest rate swap. Following the repayment of the loan during 2004, the hedging relationship ended. Notional and fair value of the aforementioned hedging derivative is reported in the Note 36.

Social loans

In 2003, 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 at 31 December 2003.

During 2004, the Bank realised the first phase of social loans portfolio restructuralisation focused on a specific type of social loans. These loans represented approximately SKK 160 million of the whole loan portfolio dedicated to the restructuralisation and were covered by provisions in the amount of SKK 40 million as at 31 December 2003. During the first phase, 40% of these loans were restructured and provisions in the amount of SKK 20 million were used against losses from the write-off of these receivables.

In 2005, the Bank intends to realise, upon the approval of the statutory body, the second phase of the social loan portfolio restructuring plan, which will be focused on the 'loans for housing construction' segment of social loans. These receivables represented SKK 1.1 billion of the gross value of whole loan portfolio dedicated to the restructuralisation and are provided by SKK 420 million provisions as of 31 December 2004 (2003: SKK 420 million).

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 gross loan receivables outsourced to the two parties amounted to SKK 2 901 million (including suspended interest) as at 31 December 2004 (2003: SKK 2 539 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, and the Bank shares certain recoveries with external service providers. The management of the Bank has analysed 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.

Finance leases

Loans and advances to customers also include net investments in finance leases. The principal assets held under lease arrangements include cars and other technical equipment.

	2004 MSKK	2003 MSKK
Gross investment in finance leases	743	-
Of which:		-
- Less than 1 year	157	-
- From 1 year to 5 years	396	-
- Over 5 years	190	-
Unearned income	(211)	-
Subtotal	**532**	**-**
Provision	(2)	-
Net investment in finance leases	**530**	**-**
Of which:		-
- Less than 1 year	121	-
- From 1 year to 5 years	334	-
- Over 5 years	75	-

9. Provisions for Losses on Loans and Advances

The Group accounts for provisions for losses on loans and advances to customers in the amount of SKK 4 938 million as at 31 December 2004 (2003: SKK 5 161 million). Movements in provisions for losses on loans and advances are shown below:

	2004 MSKK	2003 MSKK
At 1 January	5 161	6 328
Net release of provisions (Note 27)	(64)	(91)
Written-off receivables and other adjustments	(189)	(1 076)
Effect of first-time consolidation	30	-
At 31 December	**4 938**	**5 161**

In 2003, net release of provisions consists of the creation of provision to the social loans (SKK 460 million, see Note 7) and net release of provision in the amount of SKK 551 million.

In 2004, release of provisions results from reduction of the risk of losses in the portfolio.

10. Trading Securities and Derivatives

	2004 MSKK	2003 MSKK
Debt securities and other fixed income securities - listed	5 245	17 703
Equity securities – shares – listed	55	11
Financial derivatives with positive fair value (Note 36 (b))	1 800	879
Interest Rate Agreements	640	301
Exchange Rate Agreements	1 160	578
Total	**7 100**	**18 593**

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

	2004 MSKK	2003 MSKK
State institutions in Slovak Republic	1 419	2 569
Foreign state institutions	1 146	-
Financial institutions in the Slovak Republic	2 486	14 927
Foreign financial institutions	194	-
Other entities in the Slovak Republic	-	207
Total	**5 245**	**17 703**

11. Securities Available for Sale

	2004 MSKK	2003 MSKK
Debt securities and other fixed income securities	11 055	12 532
listed	11 055	12 532
- out of that structured products	4 016	2 917
unlisted	-	-
Equity securities – shares	1 304	664
listed	-	-
unlisted	1 304	664
Total	**12 359**	**13 196**

As of 31 December 2004, the securities included in available for sale portfolio placed as collateral include state treasury bills amounting to SKK 2 652 million.

During 2004, the Bank purchased into its AFS portfolio fixed rate EUR denominated bond with face amount of EUR 30 million. As purchase of the bond would increase the interest rate risk exposure of the Bank in time period from five to ten years the Bank entered into an interest rate swap in order to hedge the changes of fair value caused by changes of risk-free interest rates. Notional and fair value of the aforementioned hedging derivative is reported in the Note 36.

The Bank has in its portfolio structured products in the amount of SKK 4 016 million as at 31 December 2004 (2003: SKK 2 917 million). These include collateralized debt obligations, residual mortgage backed securities, and managed funds.

Collateralized debt obligations ('CDOs') are securitized interest in pools of assets ('collateral'), usually loans or debt instruments. Investors bear the credit risk of the collateral. From the total portfolio of CDO (SKK 1 669 million), senior tranches and mezzanine tranches represent 50.8% and 49.2%, respectively.

Residential mortgage backed securities ('RMBS') represent a securitized interest in a pool of (typically residential) mortgages.

Managed Funds are investments to the funds managed by the fund manager who invests an administrated amount in accordance with the prearranged rules. The Bank has in its portfolio three managed funds invested through the purchase of bonds.

The composition of the structured products portfolio as at 31 December 2004 is as follows:

Type of instrument	Carrying amount MSKK	Notional amount MSKK	Actual rating range
CDO	1 669	1 679	AAA – BBB
IG Managed Funds	2 268	2 268	N/A
RMBS	79	80	AA – Aa2
Total	**4 016**	**4 027**	

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

	2004 MSKK	2003 MSKK
State institutions in Slovak Republic	5 791	9 432
Financial institutions in the Slovak Republic	-	-
Foreign financial institutions	5 244	2 918
Other entities in the Slovak Republic	15	182
Other foreign entities	5	-
Total	**11 055**	**12 532**

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

	2004 MSKK	2003 MSKK
Financial institutions in the Slovak Republic	224	247
Foreign financial institutions	1 079	416
Other entities in the Slovak Republic	1	1
Total	**1 304**	**664**

All shares and participations are denominated in Slovak Crowns.

Effective 1 January 2005, the Group will reallocate its portfolios of the securities and derivatives based on the implementation of revised IAS 39 as at 1 January 2005 as described in Note 45.

12. Securities Held to Maturity

	2004 MSKK	2003 MSKK
Debt securities and other fixed income securities	79 171	81 251
listed	77 171	79 251
unlisted	2 000	2 000
Total	**79 171**	**81 251**

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

	2004 MSKK	2003 MSKK
State institutions in the Slovak Republic	67 209	72 789
Financial institutions in the Slovak Republic	5 213	1 610
Foreign financial institutions	2 359	2 362
Other entities in the Slovak Republic	4 090	4 190
Other foreign entities	300	300
Total	**79 171**	**81 251**

Effective 1 January 2005, the Group will reallocate its portfolios of the securities and derivatives based on the implementation of revised IAS 39 as at 1 January 2005 as described in Note 45.

As of 31 December 2004, the securities included in held to maturity portfolio placed as collateral include state bonds amounting to SKK 17 421 million.

13. Investments in Subsidiaries at equity, Associates and Other Investments

	2004 MSKK	2003 MSKK
Investment in subsidiaries accounted at equity	-	228
Investment in associates	824	910
Other investments	153	189
Total	**977**	**1 327**

During 2004, the Bank received dividends from participations in the amount of SKK 139 million (2003: SKK 644 million).

a) Investment in subsidiaries accounted at equity

As at 31 December 2003, the investment in subsidiaries accounted at equity included Bank's investment in SPORING, a.s. (SKK 96 million), Asset Management Slovenskej sporiteľne, správ. spol. a.s. (SKK 72 million), Factoring Slovenskej sporiteľne, a.s. (SKK 17 million), and Leasing Slovenskej sporiteľne, a.s. (SKK 43 million).

The accounts and results of the above listed subsidiaries were not fully consolidated in 2003 as they were not considered to be material and would not materially influence the presentation of financial statements of the Bank. As at 31 December 2004 the subsidiaries mentioned are fully consolidated, see Note 5.

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	Principal activity	2004	Holding % 2003	2004	Net book value MSKK 2003
Poisťovňa Slovenskej sporiteľne, a.s.	Insurance	33.33	33.33	73	66
CDI Corporate Advisory, a.s.	Financial and legal advisory	25.00	25.00	11	21
Slovak Banking Credit Bureau, s.r.o.	Retail credit register	33.33	33.33	1	-
Prvá stavebná sporiteľňa, a.s.	Banking	9.98	9.98	739	823
Total				**824**	**910**

During 2003, Slovenská sporiteľňa, a.s. purchased a 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 the main objective to establish and operate a Retail Credit registry. All three shareholders have equal shares and voting rights.

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 holds a 9.98% shareholding in PSS after this transaction at 31 December 2003 and 31 December 2004. The Bank based on the contract with Erste Bank represents shareholder interests of the parent company in PSS. During 2004, based on an approval by NBS, the Bank's representative replaced a representative of Erste Bank in the Supervisory board of PSS. As a result of the abovementioned, the Bank established a significant influence over PSS in 2004. The investment in PSS is therefore presented as associate, with the income from this investment reported under the 'Income from investment in associates and subsidiaries at equity' in 2004. The presentation of the carrying amount of PSS and related income as of 31 December 2003 are also reclassified as described above, to enable comparability.

PSS is a building society specialising in providing financing for the construction or improvement of homes. Selected financial information based on 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:

	2004 MSKK	2003 MSKK
PSS:		
Total shareholders' equity (net asset value)	8 021	8 248
Adjustment to shareholders' equity	(617)	-
Adjusted shareholders' equity	7 404	8 248
Bank's investment position and results:		
Percentage ownership in PSS	9.98%	9.98%
Percentage of voting rights in PSS	9.98%	9.98%
Net equity value	739	823
Income from investment	33	2 057

The shareholders' equity as reported under Slovak Statutory Accounting Standards was adjusted by the amount of the risk fund (SKK 617 million) created by PSS to cover credit risk of pass loan portfolio and are not distributable to shareholders.

The profit of PSS for 2003 included 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 obligated to grant. This risk was resolved in 2003.

c) Other investments

Name	Principal activity	Holding % 2004	Holding % 2003	Net book value MSKK 2004	Net book value MSKK 2003
Banka Slovakia, a.s.	Banking	-	6.61	-	28
Transacty Slovakia, a.s.	Data processing	-	1.22	-	4
Burza cenných papierov, a.s.	Stock exchange	10.98	10.98	14	17
Servis 1 – CS, a.s.	IT services	3.68	3.68	138	139
S.W.I.F.T. s.c.	Communication	0.01	0.15	1	1
Total				**153**	**189**

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.

Income earned from investments received is further described in Note 25.

On 14 January 2005 the company Servis 1 – CS, a.s. decreased its share capital, with the Bank's share being decreased from SKK 106 million to SKK 106 thousand. The amount of SKK 105.8 million is expected to be repaid in cash in March 2005.

14. Intangible Assets

	Software MSKK	Other IFA MSKK	Assets not yet put in service MSKK	Total MSKK
Cost				
1 January 2004	**2 434**	**203**	**288**	**2 925**
Effect of first-time consolidation	9	76	-	85
Additions	2	-	583	585
Disposals	(290)	-	-	(290)
Transfers	564	114	(678)	-
31 December 2004	**2 719**	**393**	**193**	**3 305**
Accumulated depreciation				
1 January 2004	**(2 100)**	**(151)**	**-**	**(2 251)**
Effect of first-time consolidation	(2)	(71)	-	(73)
Depreciation	(259)	(21)	-	(280)
Disposals	248	1	-	249
Provision for Impairment	-	-	-	-
Transfer	-	-	-	-
31 December 2004	**(2 133)**	**(242)**	**-**	**(2 355)**
Net book value				
31 December 2003	**334**	**52**	**288**	**674**
31 December 2004	**606**	**151**	**193**	**950**

15. Property and Equipment, Including Investment Property

	Land and buildings MSKK	Equipment fixtures and fittings MSKK	Motor vehicles MSKK	Assets not yet put in service MSKK	Total MSKK
Cost					
1 January 2004	**7 478**	**7 718**	**125**	**294**	**15 615**
Effect of first-time consolidation	131	15	13	1	160
Additions	-	126	1	727	854
Disposals	(72)	(1 130)	(33)	-	(1 235)
Transfers	231	509	39	(779)	-
31 December 2004	**7 768**	**7 238**	**145**	**243**	**15 394**
Accumulated depreciation					
1 January 2004	**(2 124)**	**(6 289)**	**(62)**	**(2)**	**(8 477)**
Effect of first-time consolidation	(72)	(4)	(7)	(1)	(84)
Depreciation	(236)	(603)	(26)	-	(865)
Disposals	28	1 079	28	-	1 135
Provision for Impairment	(300)	-	-	-	(300)
Transfers	1	(1)	-	-	-
31 December 2004	**(2 703)**	**5 818**	**(67)**	**(3)**	**(8 591)**
Net book value					
31 December 2003	**5 354**	**1 429**	**63**	**292**	**7 138**
31 December 2004	**5 065**	**1 420**	**78**	**240**	**6 803**

The Bank has assessed impairment of assets (buildings and hardware) that were owner occupied, unused or rented to other parties. The negative difference between the net book value of buildings and their estimated recoverable amount has been recognised as an impairment of assets and included in the profit and loss in ‘Other operating expense, net’ in the total amount of SKK 300 million.

The Bank owns buildings rented to other parties in the total net book value of SKK 464 million (net of effect of impairment SKK 22 million presented within ‘Other operating expense, net’) as at 31 December 2004. The total rental income earned by the Bank amounted to SKK 30 million and is presented within component ‘Other interest income and similar income’ or the ‘Interest income’ caption. The depreciation on rented buildings is presented within ‘General administrative expenses’ and amounted to SKK 20 million. The carrying amount of buildings rented to other parties approximates their fair value as of 31 December 2004.

16. Deferred Income Tax Asset and Liability

The structure of deferred tax position as at 31 December 2004 and 31 December 2003 was as follows:

	2004 MSKK	2003 MSKK
Deferred tax assets	89	-
Total tax assets	**89**	**-**
Deferred tax liability	-	247
Current income tax liability	678	-
Total tax liabilities	**678**	**247**

	2004 MSKK	2003 MSKK
Deferred tax assets		
Provisions for losses on loans and advances	275	300
Securities held to maturity	92	179
Investments in subsidiaries at equity, associates and other investments	-	100
Provisions for liabilities and other provisions	88	58
Tax losses carried forward	37	-
Other	38	54
Subtotal	**530**	**691**
Less: unrecognised deferred tax assets	(413)	(691)
Less: netting of deferred tax assets and liabilities	(28)	-
Total deferred tax assets	**89**	**-**
Deferred tax liabilities		
Investments in subsidiaries at equity, associates and other investments	-	157
Property and equipment, including investment property	10	54
Amounts owed to financial institutions	18	-
Other	-	36
Subtotal	**28**	**247**
Less: netting of deferred tax assets and liabilities	(28)	-
Total deferred tax liabilities	**-**	**247**

The Bank applies a conservative approach for the recognition of deferred tax assets and liabilities. All deferred tax liabilities are recognized in full amount, while only those deferred tax assets are recognised for which the Bank expects to realise the tax benefits in the future.

A potential deferred tax asset of SKK 691 was not recognised as of 31 December 2003 as a result of the existence of uncertainties related to the application of new income tax legislation valid from 1 January 2004. The uncertainties resulted in the Bank's inability to reliably forecast the future tax bases as well as the timing of the reversal of temporary differences.

In 2004, following the resolution of the uncertainties described above, the Bank reassessed its deferred tax position. A deferred tax position has been calculated for all temporary differences by providing full deferred tax liabilities and recognizing 50% of those deferred tax asset that are expected to be realized in the period 2005 – 2008. Potential deferred tax assets with uncertain timing of reversal were not considered by the Bank in calculation of deferred tax assets. Potential additional deferred tax benefits not recorded as of 31 December 2004 total SKK 413 million.

17. Other Assets

	2004 MSKK	2003 MSKK
Accrued income	2 675	2 865
Prepaid expenses	163	150
Other assets	778	509
Total	**3 615**	**3 524**

18. Amounts Owed to Financial Institutions

	2004 MSKK	2003 MSKK
Amounts owed to financial institutions repayable on demand	297	477
Repo trades with debt securities	15 692	1 830
Other	16 134	9 141
Total	**32 123**	**11 448**

A liability in the amount of SKK 15 692 million, from the repo trade transaction, is collateralised by state bonds.

19. Amounts Owed to Customers

	2004 MSKK	2003 MSKK
Amounts owed on demand	55 055	52 490
Other	120 039	119 845
Total	**175 094**	**172 335**

	2004 MSKK	2003 MSKK
Savings deposits	20 663	35 734
Other:		
Corporate clients	41 887	29 251
Retail clients	105 593	100 819
Public sector	4 253	4 260
Other	2 698	2 271
Total	**175 094**	**172 335**

The amount of savings deposits include balance of anonymous deposits of SKK 2 583 million as of 31 December 2004 (2003: SKK 4 805 million). In accordance with valid legislation, all unclaimed anonymous deposits outstanding as of 31 December 2005 will be forfeited to the state.

As of 31 December 2004, a liability in the amount of SKK 2 652 million, from the other amounts owed to corporate clients, is collateralised by state treasury bills.

20. Bonds in Issue

	Date of issue	Maturity date	Interest rate	Nominal value 2004 MSKK	Nominal value 2003 MSKK
Mortgage bonds	July 2002	July 2007	7.40%	1 000	1 000
Mortgage bonds	July 2003	July 2008	4.60%	1 000	1 000
Mortgage bonds	August 2003	August 2010	4.65%	500	500
Mortgage bonds	October 2003	October 2008	4.60%	1 000	1 000
Mortgage bonds	June 2004	June 2009	4.50%	1 000	-
Mortgage bonds	August 2004	August 2010	4.40%	500	-
Mortgage bonds	November 2004	November 2009	4.50%	1 100	-
Total nominal value				**6 100**	**3 500**
Accrued interest				113	76
Net debt securities in issue				**6 213**	**3 576**

Excluding the bonds issued in November 2004, all of the bonds shown above are listed and traded on the Bratislava Stock Exchange ("BSE"). Bonds issued in November 2004 are currently in process of registration with BSE. As of 31 December 2004, the Bank complies with requirements of NBS relating to mortgage lending by covering at least 60% of mortgage loans by issued mortgage bonds.

Part of the mortgage bonds issued is collateralized by state bonds included in the HTM portfolio in the carrying amount of SKK 1 074 million.

21. Provisions for Liabilities and Other Provisions

	2004 MSKK	2003 MSKK
Provision for credit risk of off-balance sheet items	379	343
Interest bearing deposit products	104	108
Legal cases	678	703
Sponsoring	122	381
Employee benefit provisions	108	-
Other provisions	94	133
Total	**1 485**	**1 668**

a) Provision for off-balance sheet and other risks

The provisions for credit risk of off-balance sheet items have been created to cover losses present in the balances of unused loan commitments, guarantees and letters of credits accounted for on off-balance sheet. The movement of the provisions is shown in Note 27.

b) 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
1 January 2004	**108**
Allocation during the year	74
Utilisation during the year	(78)
31 December 2004	**104**

c) Provision for legal cases

The Bank conducted a review of legal proceedings outstanding against it as at 31 December 2004. These litigations have arisen from normal banking activities, both prior and after the privatisation in 2001. 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.

d) Sponsoring provision

The Group 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 Group's ongoing sponsoring activities. The Bank is not a direct party to the 2001 share purchase agreement. However, in 2003 it was determined 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.

During 2004, part of the sponsoring provision in the amount of SKK 59 million was used for the financing of various sponsoring activities. Another part of the provision in the amount of SKK 200 million was used as the contribution of the Bank to the subscribed capital of a foundation SPORO Nadácia established by the deed of foundation dated 5 November 2004. According to the currently valid legislation the contribution to the subscribed capital cannot be reclaimed and cannot be distributed to the founders in the future.

e) Long – term employee benefits provisions

During the year ending 31 December 2004 the actuarial calculation based on the projected unit credit method was performed resulting to the final amount of the employee benefit obligation in the amount of SKK 108 million which was charged to profit and loss.

The Bank has a defined benefit program, under which employees are entitled to a lump-sum payment upon commencement of retirement or working/life jubilee. As at 31 December 2004 there were 5 148 employees at the Bank covered by this program. To this date it has been an unfunded program, with no separately allocated assets to cover the program's liabilities.

The amounts recognised in the balance sheet as at 31 December 2004 are as follows:

	MSKK
Jubilee provisions	84
Post-employment provisions	24
Total	**108**

Key assumptions used in actuarial valuation:

Long-term employee provisions were calculated in accordance with the currently valid mortality tables issued by the Statistical Office of the Slovak Republic ('ŠÚSR, Podrobné úmrtnostné tabuľky, 2003') which reflect average life expectancies.

As at 31 December 2004	
Real annual discount rate	4.56%
Annual future real rate of salary increases	2.5%
Annual employee turnover	3.83% – 9.70%
Retirement ages	60 years

f) Other provisions

Other provisions are comprised mainly of different provision for certain social benefit obligations.

22. Other Liabilities

	2004 MSKK	2003 MSKK
Financial derivatives with negative fair value (Note 36)	1 804	1 466
Other short-term payables to customers	1 924	607
Estimated liabilities	507	753
Various creditors	778	713
Accrued expenses	5	10
Total	**5 018**	**3 549**

23. Minority Interests

	2004 MSKK	2003 MSKK
Balance at 1 January	-	-
Minority interest in the current year's profit	(1)	-
Acquisition of minority interest	-	-
Minority interests in the companies newly included in consolidation and capital increase	8	-
Dividends paid to minority shareholders	-	-
Balance at 31 December	**7**	**-**

24. Shareholders' Equity

Share capital

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

Nominal value	Number of shares	2004 MSKK	Number of shares	2003 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**

Voting rights and rights to receive dividends are attributed to each class of share pro rata to their share on share capital of the Bank.

During 2004 Erste Bank purchased the shares from the Ministry of Finance of the Slovak Republic representing 10.01% of share capital and thus increased its share to 80.01%. The remaining 19.99% of share capital that were owned by the EBRD as at 31 December 2004 were sold to Erste Bank in January 2005. As a result, Erste Bank became the 100% shareholder of the Bank as of 10 January 2005.

Based on the General Assembly decision dated 21 September 2004 dividends from the retained earnings were paid to the Bank's shareholders as follows: SKK 1.6 billion to Erste Bank, and SKK 0.4 billion to EBRD.

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 as of 31 December 2004 consist of the Risk Fund and Statutory Fund amounting to SKK 502 million and SKK 1 178 million, respectively. 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. The Statutory Fund 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.

25. Net Interest and Investment Income

	2004 MSKK	2003 MSKK
Interest income from		
Loans and advances to financial institutions	2 421	3 475
Loans and advances to customers	3 800	3 123
Debt securities and other fixed income securities	5 929	6 137
Derivatives	191	111
Other interest income and similar income	38	42
Total interest and similar income	**12 379**	**12 888**
Interest expense for		
Amounts owed to financial institutions	(843)	(566)
Amounts owed to customers	(3 332)	(4 235)
Derivatives	(191)	(123)
Debts evidenced by certificates	(226)	(114)
Total interest and similar expenses	**(4 592)**	**(5 038)**
Net interest income	**7 787**	**7 850**

Income earned from subsidiaries at equity and associates

	2004 MSKK	2003 MSKK
Sporing, a.s.	N/A	(31)
Prvá stavebná sporiteľňa, a.s. (PSS)	33	2 057
Poisťovňa Slovenskej sporiteľne, a.s.	(7)	(26)
Univerzálna banková poistovna, a.s.	-	108
Devín - Istria d.o.o. Icici	-	24
Other	8	5
Total	**34**	**2 137**

Since 1 January 2004, all subsidiaries are fully consolidated therefore no income earned from subsidiaries is reported (see Note 5).

26. Net Fee and Commission Income

	2004 MSKK	2003 MSKK
Fee and commission income from		
Payment transfers	1 700	1 323
Lending business	662	470
Securities	44	25
Other fees	442	498
Total fee and commission income	**2 848**	**2 316**
Fee and commission expense from		
Payment transfers	(147)	(143)
Lending business	(10)	-
Securities	(25)	(23)
Other fees	(3)	(24)
Total fee and commission expense	**(185)**	**(190)**
Net fee and commission income	**2 663**	**2 126**

27. Release of Provisions for Losses on Loans, Advances and Off-balance Sheet

	2004 MSKK	2003 MSKK
Provisioning charges	(2 023)	(2 262)
Release of provisions	2 087	2 353
Net release of provisions for losses on loans and advances (Note 9)	**64**	**91**
Recoveries of loans written off / other	5	7
Net provisions released / (charged) for off-balance risks	(37)	39
Net release of provisions	**32**	**137**

28. Net Profit on Financial Operations

	2004 MSKK	2003 MSKK
Foreign exchange gains and currency derivatives	544	433
Interest derivatives	20	(6)
Trading securities	85	(1)
Other	14	1
Total	**663**	**427**

29. General Administrative Expenses

Structure of General Administrative Expenses

	2004 MSKK	2003 MSKK
Personnel expenses		
Wages and salaries	2 166	1 957
Social security expenses	625	546
Long term employee benefits	108	-
Other personnel expenses	40	36
Total personnel expenses	**2 939**	**2 539**
Other administrative expenses		
Data processing expenses	712	519
Building maintenance and rent	414	425
Costs of bank operations	502	624
Advertising and marketing	272	368
Legal fees and consultation	92	327
Other administrative expenses	241	291
Total other administrative expenses	**2 233**	**2 554**
Depreciation		
Amortisation of intangible assets and other adjustments (see below)	280	289
Depreciation	865	1 139
Total depreciation, amortisation	**1 145**	**1 428**
Total	**6 317**	**6 521**

In 2003, the amount of amortisation of intangible assets of SKK 289 million included amortisation expense of SKK 335 million (see Note 14) less utilisation of restructuring provision in the amount of SKK 45 million.

The average number of employees was 5 233 and 5 283 in 2004 and 2003, respectively.

Long term employee benefits

The amounts recognised in the statement of profit and loss for the year ended 31 December 2004 are as follows:

	Jubillee provisions MSKK	Post-employment provisions MSKK	Total long-term provisions MSKK
Current service cost	8	2	10
Interest cost	-	-	-
Net actuarial losses recognised	-	-	-
Past service cost	76	22	98
Net expense recognised	**84**	**24**	**10**

30. Other Operating Expense, Net

	2004 MSKK	2003 MSKK
Revaluation of securities available-for-sale	1 132	934
Profit on sale of securities available-for-sale	3	23
Other operating income	275	294
Total other operating income	**1 410**	**1 251**
Revaluation of securities available-for-sale	(967)	(912)
Loss on sale of securities available-for-sale	(1)	(2)
Revaluation/sale of investment securities	-	(18)
Revaluation/sale of participations	(1)	(88)
Payment into deposit insurance fund	(1 056)	(1 076)
Other operating expenses, net	(640)	(2 279)
Total other operating expenses	**(2 665)**	**(4 375)**
Total other operating expense, net	**(1 255)**	**(3 124)**

Other operating expenses, net for 2004 include impairment to buildings in the amount of SKK 340 million (see Note 15).

Other operating expenses for 2003, net, mainly included the recording of liabilities related to sponsoring activities (SKK 381 million, see Note 21(d)), provision and litigation losses relating to legal cases (SKK 815 million, see Note 21 (c) and 35), impairment provisions (SKK 392 million, see Note 15), write-down of terminated system development (SKK 475 million, see Note 2).

31. Income Tax Expense

	2004 MSKK	2003 MSKK
Current tax expense (withholding tax in year 2003)	698	54
Deferred tax (income)/expense (Note 16)	(336)	247
Total	**362**	**301**

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

	2004 MSKK	2003 MSKK
Profit before tax	3 607	3 032
Income not subject to corporate income tax:		
Releases of provisions and reserves	(5 165)	(3 736)
Income from securities (subject to withholding tax or exempt)	(631)	(6 914)
Other	(415)	(85)
Expenses not deductible for tax purposes:		
Allocation of provisions and reserve	5 261	3 877
Other	889	3 286
Tax base	**3 546**	**(540)**
Tax calculated at a tax rate of 19% (2003: 25%)	698	-
Corporate Income tax expense	**698**	**-**
Withholding tax expense – bond (net)	-	22
Withholding tax expense – dividends	-	32
Deferred tax expense/(income)	(336)	247
Total tax expense	**362**	**301**

In 2004 the Bank reassessed its deferred tax position and accounted deferred tax asset following the removal of uncertainties related to the application of income tax legislation.

Deferred tax expense/(income) in the profit and loss account comprises the following temporary differences:

	2004 MSKK	2003 MSKK
Investments in subsidiaries at equity, associates and other investments	(157)	157
Provisions for losses on loans and advances	(56)	-
Property and equipment, including investment property	11	54
Tax losses carried forward	(37)	-
Securities held to maturity	(36)	-
Provisions for liabilities and other provisions	(10)	-
Other temporary differences	(51)	36
Total deferred tax income/(expense)	**(336)**	**247**

32. Earnings Per Share

	2004 MSKK	2003 MSKK
Net profit applicable to ordinary shares (MSKK)	3 244	2 731
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)	**509**	**428**
Basic and diluted profit per SKK 100 million share (SKK)	**50 892 605**	**42 844 545**

33. 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:

	2004 MSKK	2003 MSKK
Cash on hand (Note 6)	3 622	4 099
Nostro accounts with the NBS (Note 6)	641	237
Accounts with other financial institutions repayable on demand (Note 7)	402	203
Amounts owed to financial institutions repayable on demand (Note 18)	(297)	(477)
Total cash and cash equivalents	**4 368**	**4 062**

34. 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 Group. The most significant risks the Group faces include:

Credit risk

The Group 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 Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographic and industry segments. Such risks are monitored on a regular 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 Group 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 Group applies a 'value at risk' ('VaR') 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 Board of Directors establishes VaR limits as the Bank's maximum exposure to market risk that may be accepted and 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 Group manages this risk by establishing and monitoring limits on open positions. The Group's net open foreign exchange positions as at 31 December 2004 and 2003 are shown in Note 37.

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 Group manages its interest rate risk through monitoring interest rate behaviour and the re-pricing dates of the Group's assets and liabilities and developing models showing the potential impact that changes in interest rates may have on the Group's net interest income and market value of Group's assets and liabilities. Refer to Note 38 for an analysis of the Group's interest rate risk as at 31 December 2004 and 2003.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in raising funds to meet commitments associated with financial instruments. The Group's liquidity position is monitored and managed based on expected cash inflows and outflows, and adjusting interbank deposits and placements accordingly. Refer to Note 40 for an analysis of the Group's liquidity risk as at 31 December 2004 and 2003.

In addition to the risks noted here, the Group also deals in derivative financial instruments, discussed in greater detail in Note 36.

35. 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 significant uncertainties about the outcome of the cases. There have also 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). Above mentioned matters and legal decisions received during the year were considered in estimating and recording losses and provisions for litigation as at 31 December 2004 and 2003. Provisions for legal cases are described in Note 21 (c).

36. Off-balance Sheet Items and Derivative Financial Instruments

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

a) Commitments from Guarantees and Letters of Credit

Bank guarantees and letters of credit cover liabilities to clients (payment and nonpayment liabilities) against beneficiaries (third parties). Bank guarantees represents an irrevocable liability of the Bank to pay a certain amount as stated in the bank guarantee in the case when the debtor fails to fulfil an obligation or other conditions as stated in the guarantee.

Letters of credit represent a written obligation of the Bank to pay to beneficiary certain amount when the conditions are met.

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 Group 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 Group on behalf of a customer authorising a third party to draw drafts on the Group 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 Group 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:

	2004 MSKK	2003 MSKK
Guarantees provided	3 506	1 405
Guarantees from letter of credits	419	28
Loan commitments and undrawn loans	19 349	11 771
Total	**23 274**	**13 204**

In 2003 the Bank provided a guarantee in amount of EUR 17 million to the Erste Bank for the government bonds with Moody's higher investment grade rating. In case of any default of the issuer on any of its debts the Bank is obliged to purchase these bonds from the parent company for their nominal value.

d) Derivatives

The Group 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 Group (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-_-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 Group 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).

Foreign currency contracts are used by the Group for risk management and trading purposes. The Group'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 Group's interest rate swaps were used for the management of interest rate exposures and have been accounted for at marked-to-market fair value.

Option contracts represent the formal reservation of the right to buy or sell an asset at the specified quantity, within a given time in the future and at a certain price. The buyer of the option has the right, but not the obligation to exercise the right to buy or sell an asset and the seller has the obligation to sell or purchase the asset at the specified quantity and at the price defined in the option contract.

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 Group 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 Group's forward rate agreements were transacted for the 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 Group 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

	2004			
	Receivables		Liabilities	
	Notional value MSKK	Fair value MSKK	Notional value MSKK	Fair value MSKK
Hedging	1 164	-	1 164	77
Trading derivatives				
Forward rate agreements (FRA)	24 200	31	24 200	26
Foreign currency forwards	12 212	157	12 262	217
Futures	-	-	-	-
Option contracts	12 598	193	12 552	191
Interest rate swaps (IRS)	21 299	609	21 299	727
Currency interest rate swaps (CIRS)	1 171	5	1 496	326
Currency swaps	32 437	805	31 869	240
Total trading derivatives	**103 917**	**1 800**	**103 678**	**1 727**
Total	**105 081**	**1 800**	**104 842**	**1 804**

	2003			
	Receivables		Liabilities	
	Notional value MSKK	Fair value MSKK	Notional value MSKK	Fair value MSKK
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**

2. Derivatives based on the trading place

	2004			
	Receivables		Liabilities	
	Notional value MSKK	Fair value MSKK	Notional value MSKK	Fair value MSKK
Hedging				
Quoted	-	-	-	-
OTC	1 164	-	1 164	77
Hedging – total	**1 164**	**-**	**1 164**	**77**
Trading derivatives				
Forward rate agreements (FRA)	24 200	31	24 200	26
Quoted	-	-	-	-
OTC	24 200	31	24 200	26
Futures	-	-	-	-
Quoted	-	-	-	-
OTC	-	-	-	-
Option contracts	12 598	193	12 552	191
Quoted	-	-	-	-
OTC	12 598	193	12 552	191
Interest rate swaps	21 299	609	21 299	727
Quoted	-	-	-	-
OTC	21 299	609	21 299	727
Other derivatives	45 820	967	45 627	783
Quoted	-	-	-	-
OTC	45 820	967	45 627	783
Total trading derivatives	**103 917**	**1 800**	**103 678**	**1 727**
Total	**105 081**	**1 800**	**104 842**	**1 804**

	2003			
	Receivables		**Liabilities**	
	Notional value MSKK	**Fair value MSKK**	**Notional value MSKK**	**Fair value MSKK**
Hedging				
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**

3. Maturity analysis

	2004		2003	
	Receivables MSKK	**Liabilities MSKK**	**Receivables MSKK**	**Liabilities MSKK**
Hedging				
Up to 1 month	-	-	-	-
From 1 to 3 months	-	-	-	-
From 3 to 12 months	-	-	-	-
From 1 to 5 years	-	-	-	-
Over 5 years	1 164	1 164	165	165
Hedging – total	**1 164**	**1 164**	**165**	**165**
Trading derivatives				
Forward rate agreements (FRA)	24 200	24 200	34 529	34 529
Up to 1 month	5 300	5 300	8 629	8 629
From 1 to 3 months	10 500	10 500	9 900	9 900
From 3 to 12 months	8 400	8 400	16 000	16 000
From 1 to 5 years	-	-	-	-
Over 5 years	-	-	-	-
Foreign currency forwards	12 212	12 262	4 061	4 121
Up to 1 month	3 430	3 428	1 612	1 624
From 1 to 3 months	2 094	2 146	765	772
From 3 to 12 months	4 865	4 981	1 684	1 725
From 1 to 5 years	1 823	1 707	-	-
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	12 598	12 552	3 054	3 032
Up to 1 month	1 482	1 475	466	466
From 1 to 3 months	3 716	3 706	960	950
From 3 to 12 months	7 400	7 371	1 628	1 616
From 1 to 5 years	-	-	-	-
Over 5 years	-	-	-	-
Interest rate swaps (IRS)	21 299	21 299	21 826	21 826
Up to 1 month	150	150	750	750
From 1 to 3 months	400	400	1 200	1 200
From 3 to 12 months	4 402	4 402	2 250	2 250
From 1 to 5 years	9 795	9 795	11 047	11 047
Over 5 years	6 552	6 552	6 579	6 579
Currency interest rate swaps (CIRS)	1 171	1 496	1 009	1 252
Up to 1 month	-	-	-	-
From 1 to 3 months	-	-	-	-
From 3 to 12 months	-	-	-	-
From 1 to 5 years	1 171	1 496	1 009	1 252
Over 5 years	-	-	-	-
Currency swaps	32 437	31 869	36 315	36 520
Up to 1 month	23 239	23 058	29 424	29 638
From 1 to 3 months	5 662	5 443	1 211	1 339
From 3 to 12 months	3 536	3 368	5 680	5 543
From 1 to 5 years	-	-	-	-
Over 5 years	-	-	-	-
Total trading derivatives	**103 917**	**103 678**	**100 794**	**101 280**
Total	**105 080**	**104 842**	**100 959**	**101 445**

37. Net Foreign Exchange Positions

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

	EURO MSKK	US Dollar MSKK	Czech Crown MSKK	Other MSKK	Slovak Crown MSKK	Total MSKK
Cash and balances at the central bank	398	110	176	168	3 962	4 814
Loans and advances to financial institutions	412	994	2	741	61 656	63 805
Loans and advances to customers, net	11 115	1 400	350	12	44 794	57 671
Trading securities and derivatives	353	2	-	1 051	5 694	7 100
Securities available for sale	3 458	367	-	-	8 534	12 359
Securities held to maturity	1 529	133	-	-	77 509	79 171
Investments in subsidiaries at equity, associates and other investments	1	-	149	-	827	977
Intangible assets	-	-	-	-	950	950
Property and equipment, including investment property	-	-	-	-	6 803	6 803
Other assets	214	14	-	22	3 454	3 704
Total assets	**17 480**	**3 020**	**677**	**1 994**	**214 183**	**237 354**
Amounts owed to financial institutions	13 334	780	253	796	16 960	32 123
Amounts owed to customers	8 825	2 688	621	649	162 311	175 094
Bonds in issue	-	-	-	-	6 213	6 213
Provisions for liabilities and other provisions	15	-	-	-	2 148	2 163
Other liabilities and minority interest	273	46	6	11	4 689	5 025
Shareholders' equity	-	-	-	-	16 736	16 736
Total liabilities	**22 447**	**3 514**	**880**	**1 456**	**209 057**	**237 354**
Net FX position at 31 December 2004	(4 967)	(494)	(203)	538	5 126	-
Off-balance sheet assets	14 284	18 715	430	6 131	39 454	79 014
Off-balance sheet liabilities	13 507	18 265	203	6 519	40 087	78 581
Net off-balance sheet FX position	777	450	227	(388)	(633)	433
Total net FX position at 31 December 2004	**(4 190)**	**(44)**	**24**	**150**	**4 493**	**433**
Total assets at 31 December 2003	13 231	6 880	1 101	721	186 405	208 338
Total liabilities at 31 December 2003	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	-
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**

38. Interest Rate Risk

a) Interest rate re-pricing analysis

The following table presents the interest rate re-pricing dates of the Group. 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 2004	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	4 814	-	-	-	-	-	4 814
Loans and advances to financial institutions	60 392	1 133	1 981	177	-	122	63 805
Loans and advances to customers	15 576	15 264	17 300	6 735	219	2 577	57 671
Trading securities and derivatives	1 050	2 924	1 621	861	589	55	7 100
Securities available for sale	438	1 486	3 240	2 614	3 279	1 302	12 359
Securities held to maturity	27 704	-	13 155	25 768	12 544	-	79 171
Investments in subsidiaries at equity, associates and other investments	-	-	-	-	-	977	977
Intangible assets, Property and equipment, including investment property and Other assets	1 511	400	1 772	-	-	7 775	11 458
Total assets	**111 485**	**21 207**	**39 069**	**36 155**	**16 631**	**12 808**	**237 355**
Amounts owed to financial institutions	27 257	3 086	1 440	280	49	11	32 123
Amounts owed to customers	85 473	33 719	24 513	30 934	-	455	175 094
Bonds in issue	-	-	113	5 100	1 000		6 213
Other liabilities	1 985	997	1 622	607	486	1 491	7 188
Total liabilities	**114 715**	**37 802**	**27 688**	**36 921**	**1 535**	**1 957**	**220 618**
Current gap	**(3 230)**	**(16 595)**	**11 381**	**(766)**	**15 096**	**10 851**	**16 737**
Cumulative gap	**(3 230)**	**(19 825)**	**(8 444)**	**(9 210)**	**5 886**	**16 737**	**-**

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	16 674	11 773	12 788	6 410	854	1 031	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 at equity, associates and other investments	-	-	-	-	-	1 327	1 327
Intangible assets, Property and equipment, including investment property and Other assets	1 631	510	1 383	-	-	7 812	11 336
Total assets	**73 679**	**33 279**	**39 679**	**35 336**	**15 253**	**11 112**	**208 338**
Amounts owed to financial institutions	9 752	573	661	108	-	354	11 448
Amounts owed to customers	112 655	22 637	24 376	11 790	82	795	172 335
Bonds in issue	-	-	76	3 000	500	-	3 576
Other liabilities	768	418	1 885	458	267	1 668	5 464
Total liabilities	**123 175**	**23 628**	**26 998**	**15 356**	**849**	**2 817**	**192 823**
Current gap	**(49 496)**	**9 651**	**12 681**	**19 980**	**14 404**	**8 295**	**15 515**
Cumulative gap	**(49 496)**	**(39 845)**	**(27 164)**	**(7 184)**	**7 220**	**15 515**	**-**

b) Effective yield information

The effective yields of significant financial assets and liabilities by major currencies as at 31 December 2004 and 2003 are as follows:

%	Average effective interest rate SKK	31 December 2004 Average effective interest rate Other	Average effective interest rate SKK	31 December 2003 Average effective interest rate Other
Assets				
Cash and balances at the central bank	1.47%	-	1.28%	-
Loans and advances to financial institutions	4.88%	1.89%	5.87%	1.61%
Loans and advances to customers	7.15%	3.15%	8.12%	3.71%
Treasury bills and bonds	5.96%	4.77%	6.42%	6.56%
Liabilities				
Amounts owed to financial institutions	4.00%	1.92%	5.51%	2.41%
Amounts owed to customers	1.82%	0.77%	2.58%	0.61%

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

39. Concentration of Credit Risk to Slovak Republic

The following table presents the distribution of the Group'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 %	2004 MSKK	2003 MSKK
Cash and balances at the central bank	1.30%	3 092	1 627
Loans and advances to financial institutions	22.29%	52 910	12 192
Loans and advances to customers	2.38%	5 652	11 469
Securities portfolios	33.93%	80 529	103 570
Other assets	1.02%	2 411	2 740
Total	**60.92%**	**144 594**	**131 598**

The Group 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:

	2004 MSKK	2003 MSKK
Trading portfolio	**3 905**	**17 497**
Treasury bills	3 138	17 287
State bonds denominated in SKK	767	207
Slovak government Eurobonds	-	3
Companies controlled by the Slovak government	-	-
Available for sale portfolio	**5 791**	**9 433**
Treasury bills	3 263	6 893
State bonds denominated in SKK	1 856	1 833
Slovak government Eurobonds	672	707
Companies controlled by the Slovak government	-	-
Held to maturity portfolio	**70 833**	**76 640**
Treasury bills	-	-
State bonds denominated in SKK	65 802	70 048
Slovak government Eurobonds	1 407	2 740
Companies controlled by the Slovak government	3 624	3 852
Total	**80 529**	**103 570**

40. Maturity Analysis

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group. It is unusual for banks to ever 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 Group and its exposure to changes in interest rates and exchange rates.

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

As at 31 December 2004	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	4 814	-	-	-	-	-	4 814
Loans and advances to financial institutions	60 392	1 133	1 981	177	-	122	63 805
Loans and advances to customers	3 790	4 764	11 133	18 151	19 833	-	57 671
Trading securities and derivatives	457	2 924	1 621	1 454	589	55	7 100
Securities available for sale	-	993	2 270	3 664	4 129	1 303	12 359
Securities held to maturity	-	-	9 789	46 210	23 172	-	79 171
Investments in subsidiaries at equity, associates and other investments	-	-	-	-	-	977	977
Intangible assets, Property and equipment, including investment property and Other assets	1 511	400	1 772	-	-	7 775	11 458
Total assets	**70 964**	**10 214**	**28 566**	**69 656**	**47 723**	**10 232**	**237 355**
Amounts owed to financial institutions	27 257	3 086	1 440	280	49	11	32 123
Amounts owed to customers	122 728	22 650	17 324	12 019	-	373	175 094
Bonds in issue	-	-	113	5 100	1 000	-	6 213
Other liabilities	1 985	997	1 622	607	486	1 491	7 188
Total liabilities	**151 970**	**26 733**	**20 499**	**18 006**	**1 535**	**1 875**	**220 618**
Current gap	**(81 006)**	**(16 519)**	**8 067**	**51 650**	**46 188**	**8 357**	**16 737**
Cumulative gap	**(81 006)**	**(97 525)**	**(89 458)**	**(37 808)**	**8 380**	**16 737**	**-**

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 at equity, associates and other investments	-	-	-	-	-	1 327	1 327
Intangible assets, Property and equipment, including investment property and Other assets	1 631	510	1 383	-	-	7 812	11 336
Total assets	**36 540**	**24 215**	**30 674**	**70 979**	**31 279**	**14 651**	**208 338**
Amounts owed to financial institutions	9 752	573	661	108	-	354	11 448
Amounts owed to customers	112 655	22 637	24 376	11 790	82	795	172 335
Bonds in issue	-	-	-	3 000	500	76	3 576
Other liabilities	768	418	1 885	458	267	1 668	5 464
Total liabilities	**123 175**	**23 628**	**26 922**	**15 356**	**849**	**2 893**	**192 823**
Current gap	**(86 635)**	**587**	**3 752**	**55 623**	**30 430**	**11 758**	**15 515**
Cumulative gap	**(86 635)**	**(86 048)**	**(82 296)**	**(26 673)**	**3 757**	**15 515**	

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.

41. Fair Values of Financial Assets and Liabilities

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 2004 MSKK	Estimated fair value 2004 MSKK	Carrying value 2003 MSKK	Estimated fair value 2003 MSKK
Financial assets				
Loans and advances to financial institutions	63 805	63 815	27 380	27 697
Loans and advances to customers	62 609	62 986	54 691	55 143
Held to maturity securities	79 171	81 270	81 251	82 976
Financial liabilities				
Amounts owed to financial institutions	32 123	32 125	11 448	11 738
Amounts owed to customers	181 307	181 618	175 911	177 093

Loans and advances to financial institutions

The fair value of current account balances approximates their carrying amount, as the Group'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.

42. Source of Profits and Losses

All income included in operating income was substantially generated from the provision of banking services in the Slovak Republic. Based on this fact no other segment was identified.

43. Assets under Administration

The Group provides custody, trustee, investment management, and advisory services to third parties, which involve the Group 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 Group administered SKK 26 538 million and SKK 14 252 million of assets as at 31 December 2004 and 2003, respectively, representing securities from customers in its custody for administration.

44. 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 Group is controlled by Erste Bank, which holds 80.01% of the voting rights of the Group's total votes. Related parties include subsidiaries at equity and associates of the Group 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:

	2004 MSKK	2003 MSKK
Assets		
Loans and advances to financial institutions	58	158
Loans and advances to customers	353	468
Securities available for sale	2 000	2 000
Trading securities	-	76
Other asset	21	123
Total	**2 432**	**2 825**
Liabilities		
Amounts owed to financial institutions	12 630	5 312
Amounts owed to customers	373	308
Other liabilities	58	383
Total	**13 060**	**6 003**

The balances as at 31 December 2003 have included related party transactions with subsidiaries accounted at equity.

The Bank received a guarantee issued by its parent bank with a maximum value of SKK 7.7 billion covering all the Bank's exposures to the parent bank and its group companies. Under the agreement, the parent bank pledged securities issued or guaranteed by the Republic of Austria in face amounts totalling EUR 190 million.

Income and expenses from related parties include the following:

	2004 MSKK	2003 MSKK
Interest income	172	192
Interest expense	(208)	(137)
Net fees and commissions	7	62
General administrative expenses	(281)	(242)
Sale of investment	(24)	(27)
Total	**(334)**	**(152)**

c) Directors and officers

Loans and advances granted to the members of the Board of Directors and Supervisory Board represent SKK 3.6 million and SKK 3.7 million and liabilities SKK 17 million and SKK 17 million as at 31 December 2004 and 2003, respectively.

45. Implementation of New Accounting Standards

Effective from 1 January 2005, a number of changes were introduced in the International Financial Reporting Standards. Below is the summary of the most significant changes that may impact the recognition of assets, liabilities, expenses, revenues and the equity of the Bank as of 1 January 2005. The Bank calculated the expected impact on the amount of retained earnings as at 1 January 2005 for selected changes in IAS 39. The effect of other changes in IFRS on the retained earnings of the Bank as at 1 January 2005 had not been calculated as at the financial statements date.

a) IAS 32 Financial Instruments: Presentation, and IAS 39 Financial Instruments: Recognition and Measurement

Portfolio structure changes

The revised version of IAS 39 (hereinafter the “Revised IAS 39”) changed the alternatives of re-measurement of assets included in the available-for-sale portfolio. From 1 January 2005, the possibility to re-measure the portfolio assets through profit and loss was eliminated and the re-measurement of the available-for-sale portfolio is only recognised in retained earnings.

Also, Revised IAS 39 valid from 1 January 2005 defines a new portfolio to which certain financial assets or liability may be classified. These assets and liabilities are re-measured at fair value through profit and loss.

In accordance with the transitional provisions of the Revised IAS 39, at the first application of this Standard the Bank may change the original classification of securities from portfolios valid until 31 December 2004. The Bank applied the above provision as at 1 January 2005 and changed the structure of securities classified in portfolios as follows:

Category	31 December 2004 MSKK	Category	1 January 2005 MSKK
Trading	7 100	At fair value through Profit and Loss, of it:	12 419
		- held for trading	7 100
		- other	5 319
Available for sale	12 322	Available for sale	29 543
Held to maturity	79 171	Held to maturity	57 930
Total	**98 593**	**Total**	**99 892**

On 1 January 2005, the Group reallocated selected securities held in HTM portfolio to AFS and at the same time the original AFS (originally revalued through Profit and Loss) was split between new AFS portfolio (revalued through retained earnings) and at fair value through Profit and Loss portfolio.

As a result of this reallocation, the Group revalued transferred securities to fair value and credited its equity by SKK 1.3 billion as at 1 January 2005. Following the reallocation, the Group will retrospectively restate the 2004 financial statements with the negative adjustment to profit for 2004 by SKK 119 million.

Financial asset impairment

The Revised IAS 39 also clarifies the moment of origination of financial asset impairment. According to Revised IAS 39 valid from 1 January 2005, the impairment of assets is only recognised after such impairment occurs. The Standard also defines the methods of assessment of the actual impairment that is not attributed to specific items of loans, receivables or investments held to maturity. Any differences between the balance of provisions calculated under the Revised IAS 39 and the provisions as at 31 December 2004 should be recognised through retained earnings as of 1 January 2005. The Bank performed a preliminary analysis of the expected impacts of adoption of the new IAS 39 requirements. The impact on the amount of equity as at 1 January 2005 is not material.

b) IFRS 5 Non-Current Assets Held For Sale and Discontinued Operations

Assets available for sale

The new IFRS 5 introduces the definition of classification of a fixed asset as “available for sale” if the Company expects to generate the major portion of the book value of such asset primarily from its sale rather than from its subsequent use. After meeting the requirements stipulated by IFRS 5, individual items of assets are measured at the lower of the book value as at the date of their classification in the available-for-sale category and their fair value net of expenses related to the sale. These assets do not continue to be depreciated.

c) Other changes in accounting standards

The requirements of IFRS 3 Business combinations introduced purchase method for all business combinations conducted on or after 31 March 2004, prohibiting the use of the uniting (pooling) of the interest method. Additionally, goodwill and other intangible assets should no longer be amortized but tested for impairment annually. Minority’s share of acquired assets is to be measured at fair value with minority interest reported within equity in the balance sheet. Since the Bank does not account for any goodwill as at 31 December 2004, these requirements should not impact its retained earnings as at 1 January 2005

46. Post-balance Sheet Events

No significant transaction or events occurred after the balance sheet date that would require any additional disclosures or adjustment to the financial statements for the year ended 31 December 2004.

Independent Auditors' Report

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Independent Auditors' Report

To the Shareholders of Slovenská sporiteľňa, a.s.:

We have audited the accompanying consolidated balance sheets of Slovenská sporiteľňa, a.s. and its subsidiaries (the "Group") as of 31 December 2004 and 2003, and the related consolidated profit and loss accounts, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended. These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2004 and 2003, and the results of its operations, cash flows and changes in shareholders' equity for the years then ended in accordance with International Financial Reporting Standards.

Bratislava, 8 March 2005

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Regional Offices, City Branches and Commercial Centres

Regional Offices and City Branches

RO, City Branch	ZIP Code	Address	Managing Director	Telephone	Facsimile
RO Bratislava	**815 76**	**Nám. SNP 18**	**Šotník Miroslav Ing.**	**02/5977 2347**	**02/5296 4272**
Bratislava	815 76	nám. SNP 18	Ing. Ripková Viera	02/5977 2543	02/5977 2221
Bratislava	811 07	Krížna, 23	Ing.Gombosová Danica	02/5556 8192	02/5542 1140
Bratislava	851 01	TPD, Farského 26	Ing.Kyselová Viera	02/6241 4396	02/6241 4397
Pezinok	902 01	Šancova 2	Ing. Šebová Mária	033/6411 373	033/6411 369
RO Trnava	**917 69**	**Vajanského 24**	**Ing. Szilágyi Ladislav**	**033/5568 372**	**033/5511139**
Trnava	917 69	Hlavná 28	JUDr. Selecká Ivona	033/5568223	033/5511 139
Senica	905 19	Štefánikova 1408/58	Ing. Grohmanová Mária	034/6510 220	034/6513 340
Galanta	924 42	Hlavná19, Galanta	Ing.Czapáriková Melinda	031/780 3573	031/7806 411
Dun. Streda	929 33	Hlavná 23	Ing. Botlóová Adrianna	031/5529 747	031/5523 920
RO Trenčín	**911 79**	**Námestie Sv. Anny 3148**	**Ing. Szekeres Gabriel**	**032/7405 103**	**032/7434 992**
Trenčín	911 79	Námestie Sv. Anny 3148	Ing. Misař Boris	032/7405 610	032/7431 772
Považ. Bystrica	017 39	nám. A. Hlinku 26	Mikulenka Pavel	042/4303 216	042/4326 496
Prievidza	971 51	nám. Slobody 12	Ing.Mokrá Mária	046/5187 260	046/5187 600
RO Nitra	**949 01**	**Farská 48**	**Ing. Danová Jozefa**	**037/6540 302**	**037/6540 555**
Nitra	949 48	Štefánikova 10	Braunová Jana	037/6540 332	037/6540 422
Topoľčany	955 23	Stummerova 6	Ing. Lidik Richard	038/5366 204	038/5322 284
Levice	934 17	Mlynská 6	Ing. Tuturis Štefan	036/ 6372 322	036/6312 825
Nové Zámky	940 45	Ernestova bašta 2	Ing. Turček Juraj	035/6465 200	035/6400 013
Komárno	945 29	Palatinova 33	Ing.MBA, Palacka Tomáš	035/7761 300	035/7761 201
RO Žilina	**010 45**	**Nám. Ľ. Štúta 3,P.O. BOX A26**	**Ing. Cígerová Anna**	**041/5637 200**	**041/5637 350**
Žilina	010 45	nám. Ľudovíta Štúra 3, pošt.pr. A-26	Ing.Choma Peter	041/5637 300	041/5637 270
Čadca	022 26	Palárikova 24	Ing. Janovcová Ingrid	041/4305 201	041/4305 205
Dolný Kubín	026 22	Hviezdoslavovo nám. 1686/39	Ing. Otepka Igor	043/5806 310	043/5806 313
Lipt. Mikuláš	031 18	Štúrova 1	Ing. Jandura Cyril	044/5513 300, 301	044/5522 766
Martin	036 41	Andreja Kmeťa 15	Ing. Škorňa Stanislav	043/4249 214	043/4249 333
RO Banská Bystrica	**975 75**	**Ulica 29. augusta 34**	**Ing. Benčová Janka**	**048/4314 410**	**048/4314 318**
Banská Bystrica	975 75	ul. 29. Aug.č.34, p.prieč.223,	RNDr. Ernihold Miloš	048/4314 400	048/4141 494
Zvolen	960 42	nám. SNP 6/88	Ing. Gažmerčíková Ľubica	045/5319 302	045/5322 274
Rim. Sobota	979 80	Francisciho 3	JUDr. Zvarová Jana	047/5617 202	047/5631 345
Lučenec	984 34	Novohradská 8	Ing. Pápaiová Oľga	047/4300 301	047/4331 714
Veľký Krtíš	990 80	ul. SNP 39	Ing. Uramová Valéria	047/4813 201	047/4831 069
Žiar n/H.	965 47	Nám. Matice slovenskej 19	Ing. Zvarík Marek	045/6723 691	045/6723 276
RO Prešov	**081 84**	**Masarykova 10**	**Ing. Kubenko Ferdinand**	**051/7091 366**	**051/7091 381**
Prešov	081 84	Masarykova 10	Ing. Seman Slavomír	051/7091 300	051/7724 620
Poprad	058 01	Štefánikova 15	Ing. Berkeš Milan	052/7122 366	052/7765 663
St. Ľubovňa	064 29	Levočská 7	Ing. Bartko Igor	052/4265 301	052/4322 366
Bardejov	085 03	Partizánska 2850	Ing. Havír Ondrej	054/4748 925	054/474 6110
Svidník	089 20	Centrálna 812/13	Ing. Jakub Michal	054/7522 509	054/7521 656
Humenné	066 23	nám. Slobody 13/25	Ing. Krupčinská Gabriela	057/7861 202	057/7750 112
Vranov n/T.	093 14	Nám. slobody 998	Ing. Migaľová Iveta	057/4403 203	057/4421 397
RO Košice	**041 97**	**Pribinova 4**	**Ing. Šipoš Štefan**	**055/6823500**	**055/6823585**
Košice	041 97	Pribinova 4	Biačko Vladislav	055/6823 531	055/6823 583
Spiš. Nová Ves	052 15	Štefánikovo nám. 3	Ing. Bartko Miroslav	053/4170 301-300	053/4170 302
Michalovce	071 01	Námestie slobody 15	Ing. Mulíková Alena	056/6418 200	056/6421 578
Trebišov	075 29	M. R. Štefánika 1755	Ing. Novák Ľubomír	056/6722 349, kl.241	056/6725 791
Rožňava	048 15	Šafárikova 22	Ing. Koltáš Viliam	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. Malo Peter	02/5977 2520	02/5977 2376
Bratislava	821 09	Prievozská 14	Ing. Fitko Pavol	02/5850 6900	02/5850 6916
Trnava	917 69	Vajanského 24	Ing. Šimkovičová Katarína	033/5568 490	033/5568 401
Trenčín	911 79	Námestie sv. Anny 3148	Ing. Pelech Miloš	032/7405 301	032/7405 309
Nitra	949 01	Štefánikova 10	Ing. Krajmerová Tatiana	037/6540 801	037/6525 733
Žilina	010 29	Hurbanova 4	Ing. Lamoš Ivan	041/5637 460	041/5637 409
Banská Bystrica	975 75	Ulica 29. augusta 34	Ing. Senko Július	048/4314 377	048/4314 379
Poprad	058 01	Štefánikova 15	Ing. Mucha Bystrík	052/7122 380	052/7122 389
Košice	040 61	Štúrova 5	Ing. Koltáš Robert	055/6823 321	055/6823 396

Independent Auditors’ Report on Annual Report

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Slovenská sporiteľňa, a.s.

INDEPENDENT AUDITORS' REPORT

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

We have audited the consolidated financial statements of Slovenská sporiteľňa, a.s. (the "Bank") for the year ended 31 December 2004 prepared in accordance with International Financial Reporting Standards, and have issued our unqualified report dated 8 March 2005. These financial statements and auditor's report are included in this annual report at pages 19 to 71.

We have read other financial information included in this annual report 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, other financial information included in this annual report is consistent, in all material respects, with the relevant financial statements.

Bratislava, 8 March 2005

Deloitte Audit s.r.o.
Licence SKAU No. 014

Ing. Zuzana Letková
Responsible auditor
Licence SKAU No. 865

Audit.Tax.Consulting.Financial Advisory.

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