Tatra Bank
Annual Report 2003

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TATRA BANKA
RZB Group

Annual Report 2003

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RZB Group

Tatra Bank – member of the Austrian Raiffeisen Banking Group

Raiffeisen Bank S.A., Romania

contents and statement

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Statement

by the Chairman of the Board of Managing Directors and General Manager

Dear Shareholders, Dear Business Partners,

In 2003, Tatra Bank rigorously continued its strategy to adapt flexibly to changes in the Slovak banking market; particularly applying policies, which were in specific response to the needs and requirements of the target market segments. We are proud to state that despite enhanced competition the Bank retained its leading role throughout its range of banking services, maintained the ongoing trust of its existing clients and won many new clients. Along with its subsidiaries, Tatra Bank Group was one of the strongest members of the RZB Group, confirming once again the strong image of a dynamic and universal financial group offering reliable business partnerships.

The Tatra Bank Group closed 2003 with results documenting a further strengthening of its market position. With an increase of 13 %, total assets rose to SKK 137 billion according to International Financial Reporting Standards and Tatra Bank advanced significantly towards being the second largest bank in Slovakia. Total assets accounted for 14 % of the assets of the entire banking sector, with the increase resulting from a further growth in customers deposits, which rose by 13 % to total SKK 108 billion. Loans extended to clients amounted to SKK 59.4 billion, representing a year-on-year increase of 16 %. Despite rising costs, incurred as a result of the expansion of the Bank's activities, the Bank continued its strong profitability with net profit after tax exceeding SKK 2 billion.

The Bank further expanded its retail branch network with the opening of nine new branches reaching 102 at year-end 2003. In addition to the retail branch network, 15 business centres in all regions of Slovakia provided services to corporate clients. The total number of accounts increased by 14 % to more than 674,000.

The year saw the further implementation of a very clear retail strategy in the sense of focusing on specific retail segments. Success is reflected with more than 80,000 new retail clients. In corporate banking, the Bank retained its dominant position with the volume of outstanding loans totalling SKK 52 billion. Loans to small and medium-sized businesses in particular saw an impressive year-on-year increase of 79 % and now represent an ever-growing part of the Bank's loan portfolio along with loans to individual clients, the volume of which increased doubled.

Euromoney

The full range of high quality banking services provided to corporate and retail clients, combined with the positive financial results of its operations were key factors of the Bank's success. The professional awards the Bank received from prestigious economic publications such as Euromoney, Global Finance and The Banker acknowledged this success. This international recognition strengthens our ambition to fulfill our vision - Tatra

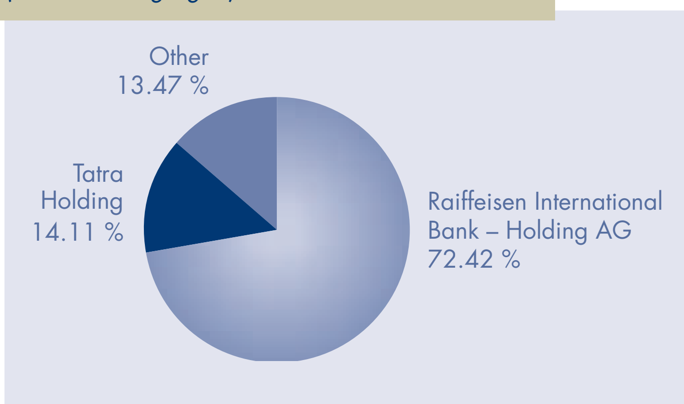
Bank Group is a dynamic financial group offering reliable business partnership and solving financial needs of target clients in the Slovak Republic. The vision is accomplished by adhering to the mission of establishing and maintaining long-term partnerships with our clients, long-term exceptional efficiency achieved through optimisation of the Bank's resources and the development of our human resources. These objectives could only be achieved with the assistance of the Bank's shareholders, the trust of our customers and the positive attitude and contribution of all employees, for which we are truly thankful.

Rainer Franz
Chairman of the Board of Managing Directors and General Manager

Selected figures according to International Financial Reporting Standards - Consolidated	**2003**	**Change (%)**	**2002**	**2001 (unaudited)**
(in millions of SKK)				
Total assets	136,944.8	12.6 %	121,594.4	107,202.1
Amounts owed to customers	108,214.5	12.9 %	95,812.6	82,448.8
Loans and advances to customers	59,489.7	15.6 %	51,482.5	43,465.5
Net profit after tax	2,040.5	(13.5 %)	2,357.7	2,046.7
(in %)				
ROE (before tax)	20.0		28.0	27.6
ROA	1.6		2.2	2.3
Exchange rate 1EUR/SKK	41.161		41.722	42.760

The Largest Shareholders

(in % on voting rights)



RZB-Austria and the RZB Group

Tatra Bank is a member of the RZB Group, which is headed by Vienna based Raiffeisen Zentralbank Österreich AG (RZB-Austria). RZB is the central institution of the Austrian Raiffeisen Banking Group, the country's most powerful banking group with a market share of approximately 25 %. RZB was founded in 1927 and is today the third largest bank in Austria, providing the full range of commercial and investment banking services. RZB is regarded as a pioneer in Central and Eastern Europe (CEE). Via Raiffeisen International Bank-Holding AG (Raiffeisen International) it runs a network of 15 banks in the region, offering commercial, investment and retail banking services. Apart from Slovakia where the Bank started operations in 1991, this network covers the following markets: Hungary (1987), Poland (1991), Czech Republic (1993), Bulgaria (1994), Croatia (1995), Russia (1997), Romania (1998), Ukraine (1998), Bosnia and Herzegovina (2000), Serbia and Montenegro (2001), Slovenia (2002), Serbia and Montenegro/-Kosovo (2002), Belarus (2003) and Albania (2004). In addition to its banking operations RZB runs several specialist companies in CEE offering solutions, among others, in the areas of M&A, real estate development, fund management, leasing and mortgage banking. In Western Europe and the USA, RZB's operations include a branch in London, representative offices in New York, Brussels, Milan and Paris as well as a finance company in New York and a subsidiary bank in Malta. In Asia, RZB-Austria maintains branches in Singapore and Beijing as well as representative offices in Hong Kong, Ho Chi Minh City, Mumbai, Seoul and Tehran. This international presence clearly underlines the bank's emerging markets strategy.

Record results and dynamic growth in 2003

RZB Group continued its successful growth course in 2003 and presented a record result for the third year running: Profit before tax increased by 41.6 % to EUR 343.6 million as of December 31, 2003. At the same time, the most important profitability ratios have improved again. RZB has again grown faster than the market both in Austria and Central and Eastern Europe, thereby gaining market shares. The balance-sheet total has grown to EUR 56.05 billion, plus 20.8 % since year-end 2002. With this dynamic development, RZB has again moved to third place among Austria's banks, a position it had lost in 2000, when two competitors who had merged, being only the size of RZB five years ago.

Strong earning power and effective cost management

All key items of the Group's income statement show double-digit growth rates, with earnings positions growing significantly stronger than expenses, e.g., net interest income after provisioning for possible loan losses grew by 18.5 % to EUR 660.7 million, while administrative expenses increased by only 13.1 % to EUR 1,017.4 million, and that in spite of continuing high investments in building up business in CEE, which is in turn the basis for future growth and success. Provisions for possible loan losses increased by 33.8 % to EUR 202.2 million. This was partly due to provisions for loan engagements with two Western European groups which collapsed unforeseeably notwithstanding due diligence, and in part also reflected increased loan business in CEE.

RZB Group's profitability ratios have again improved: Cost/income ratio declined by 3.1 percentage points to 64.1 % in spite of sustained high investments. Return on equity before tax reached 15.5 %, after 12.5 % in 2002, and is the best result among Austria's large banks. Return on assets also increased significantly from 0.53 to 0.67 %. RZB Group's total own funds increased by 8 % to almost EUR 3.1 billion. The core capital ratio and own funds ratio remained almost unchanged at 7.5 and 10.2 %, respectively.

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Profit contribution of Raiffeisen International disproportionately high

Raiffeisen International's business and profit development is more than satisfying: Not only does it show a strong growth in the region, it stays also true to its pioneer-role with the acquisitions in Belarus and Albania and keeps tapping new markets. No competitor in CEE has a network as closely meshed as Raiffeisen's, also having the longest track-record and experience in the region and which keeps being awarded for its service quality.

Raiffeisen International's balance-sheet total grew by almost 40 % to EUR 20.1 billion in 2003, more than 90 % of which is accounted for by the Network Banks. The increase in profit is even more striking: Profit before tax increased by 58 % from EUR 175.3 million to EUR 276.7 million. While accounting for 36 % of the Group's consolidated balance-sheet total, Raiffeisen International therefore contributes 69 % to profit (consolidation effects account for discrepancies, when trying to calculate this proportion directly).

Numerous local and international awards reflect commitment to quality

RZB's consistent commitment to quality is reflected by a broad range of local and international awards: In September 2003, The Banker, the renowned magazine of the Financial Times group, awarded the prestigious prize "Bank of the Year 2003" for Austria to RZB. And in March 2004, RZB and its 15 Network Banks were selected as winners of Global Finance's "Best Bank in Eastern Europe and Central Asia" award. RZB's network banks in Albania, Belarus, Romania, Serbia and Montenegro and Slovakia won the "Best Bank" awards for their respective countries.

management report

Tatra Bank – member of the Austrian Raiffeisen Banking Group

Raiffeisen Zentralbank Österreich AG, Austria

Management Report

The Slovak Economy in 2003

The year of principal changes in the economy

After the period of economic liberalisation in the early nineties, 2003 brought about the most radical changes in the economy. Fundamental changes to the tax system were implemented, the foundations of pension scheme reform were laid, significant changes were introduced in the social security system, and the public finance consolidation process was initiated. The tax reform in particular should lead to clear benefits for the economy in subsequent years. A decrease in direct taxes should represent an impulse for economic growth, as well as stimulating an increase in the inflow of foreign direct investments. On the other hand, a decrease in direct taxes was compensated for by increased indirect taxes, and therefore the task of decreasing the overall tax burden will need to be addressed in line with a continued decrease of the public finance deficit. Thorough implementation of the reforms in the health care and education sectors remains an important requirement for the improvement of public finance, as well as for the enhancement of the long-term economic potential of the country.

Most of the implemented or initiated reforms will need several years to become fruitful, a period that will be significantly longer for the pension scheme reform. In this respect and to a larger extent, 2003 brought negative aspects of the reforms. Despite this, the reception of the Slovak economy abroad significantly improved as a result of actions that have been taken. Through a major decrease in direct taxes and the introduction of a flat tax rate, Slovakia had an impact on discussions regarding taxation in neighbouring countries, an influence that can be considered a great success. Successful completion of the initiated structural reforms is crucial for sustainable economic growth and real approximation to the economic results of the EU Member States.

Fast export-driven economic growth

Economic development in 2003 was primarily influenced by a major increase in regulated prices and cost-saving fiscal policy. These restrictive measures resulted in a decline in domestic demand, in terms of both the consumption and generation of gross fixed capital. Household consumption was negatively affected mainly due to a real wage fall of 2 %. This fact was not even fully compensated for by a decline in the unemployment rate or continued strong growth in household loans. Investment demand saw a decline for the second successive year; however, this trend should significantly change in 2004. Despite these phenomena, the Slovak economy maintained high growth dynamics in 2003, with constant prices increasing by 4.2 % compared to the previous year contributing to its position as the fastest growing economy in the region. Strong GDP growth was mainly driven by net exports (export less import). The favourable development of GDP was predominantly influenced by a relatively slower growth of imports due to a fall in domestic demand, and a strong increase in exports. As a result of these tendencies, the foreign trade deficit fell from SKK 96 billion (8.8 % of GDP) to SKK 23.6 billion (2.0 % of GDP). The Slovak economy was able to maintain the strong growth dynamics of exports despite weak growth in Western Europe and a rising SKK exchange rate. Conversely, it is important to state that the major portion of export growth was concentrated in the automobile sector.

GDP growth *(in %)*

The unemployment rate also improved in the year, decreasing on average to 15.2 % from 17.8 % in 2002. The implementation of stricter controls with regard to eligibility for unemployment registration partially contributed to this reduced percentage. This is due to the fact that a major effect of such controls was to de facto reduce the influence of non-eligible persons registered as unemployed that had previously distorted the statistical data. However, there were also other reasons behind the drop in registered unemployed, namely increased demand for labour in the economy, mainly in the industrial and civil engineering sectors. Rising regulated prices and excise duties were the main influences on price developments in 2003. As a result, overall inflation increased to nearly 10 % during the year and reached 8.5 % as an average for 2003. Core inflation, net of the impact of changes in regulated prices and indirect taxes, amounted on average to only 2.6 %. This fact demonstrates that the inflation rate in the Slovak economy is strongly administrative and cost led.

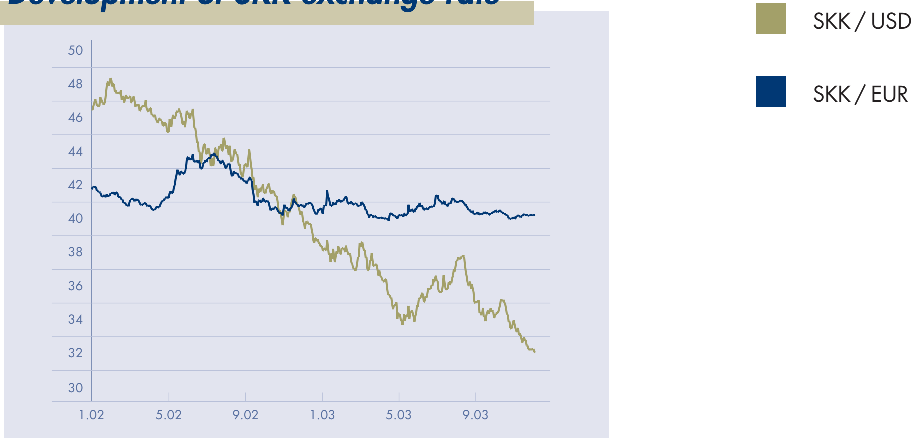
Headline inflation development *(in %)*

However, despite the aforementioned, high inflation has a negative influence on the development of the real economy, and on the living standards of the population. On the other hand, it is inappropriate to compare overall inflation with interest rates on bank deposits as overall inflation fails to adequately reflect the changes in the price of goods. Given its nature and an anticipated significant fall in 2005, overall inflation does not represent a cause for concern from the monetary policy aspect. On the contrary, its restrictive impact on domestic demand, along with the favourable development of public finance and the current account balance, establish positive conditions for a loosening of monetary policy.

Optimism of financial markets

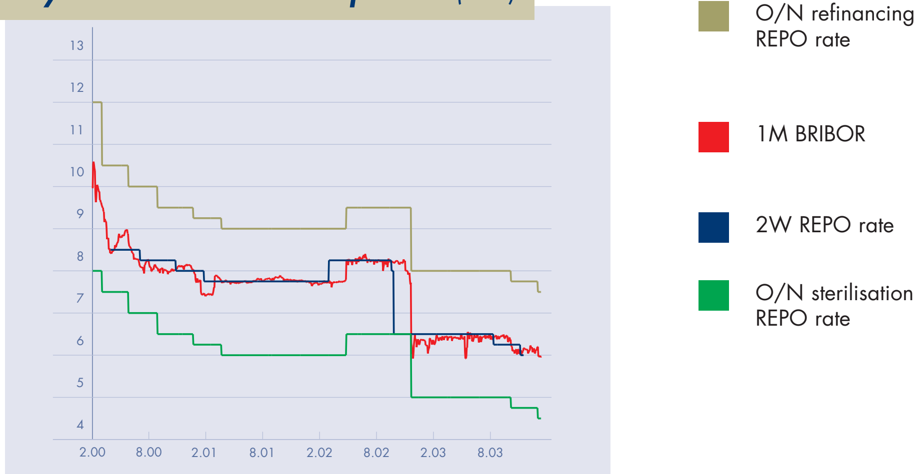
Over the course of 2003 optimism was the prevailing mood on the domestic financial market, only interrupted from time to time by turbulence in the neighbouring markets (Hungary, Poland), or tensions in the local political scene. Optimism for dealers stemmed from the implementation of crucial reforms, strong economic growth, and increasing interest from foreign investors. The domestic foreign exchange market saw the most serious turbulence at the beginning of 2003. Due to problematic developments in Hungary's public finance, as well as the market's overall lack of trust in the measures implemented by the government and the central bank, the beginning of 2003 saw a capital outflow from the country's market, which partially flowed into neighbouring markets. As a result, the SKK/EUR rate was temporarily pushed down to more than SKK/EUR 42.50, its weakest position over the entire year. Positive trends in domestic macroeconomic indicators, in particular the foreign trade balance, which represented a positive surprise for the market on several occasions, quickly returned trades in the direction of moving the SKK/EUR rate up. In April, the SKK/EUR rate fell below 41.0, and then in May it reached a new high of 40.75. Further strengthening of the Slovak Crown was halted by the National Bank of Slovakia (NBS), which strongly intervened against the domestic currency. In the following months, continued deterioration of the mood in the region and tensions in the government coalition "assisted" the NBS in its efforts. Despite these non-economic factors, optimism characterised the mood during the second half of 2003, exerting upward pressure on the SKK exchange rate. Compared to the euro, its benchmark currency, the SKK exchange rate was pushed up more significantly against the USD. In addition to the strengthening of the SKK/EUR rate, appreciation of EUR against USD supported the SKK/USD rate, up from nearly SKK/USD 40 at the beginning of 2003 to less than SKK/USD 33 by the end of December.

Development of SKK exchange rate



The market fully expected a cut in interest rates by the NBS; however, the NBS for a considerable time was immune to these expectations. Despite the central bank threatening a possible cut in rates during the periods of significant Crown appreciation, de facto the key interest rate on 2-week repo tenders remained unchanged at 6.50 % until the end of September. The overall inflation rate was given as one of the reasons. The market had nearly lost hope for a drop in rates in 2003 when the NBS introduced two rate cuts in September and December, both by 0.25 %. As a result, the key interest rate on 2-week repo tenders reached 6.00 %.

Key interest rates development (in %)



Yields on government bonds were affected by similar factors as the fluctuations in the SKK exchange rates. The fall in key rates, anticipated due to the SKK rate appreciation, had a positive impact on prices of bonds during the year. Development in prices of bonds with longer maturity (5 – 10 years) is now more dependent on the price fluctuation of similar European bonds.

The development of the banking sector

The banking sector moved into a stabilisation phase after the period of restructuring. The increase of competition, acquisition of clients and attempts to launch new products to attract clients was typical for this latter phase. Currently, in the Slovak banking market there are 18 banks and 3 branches of foreign banks. After the privatisation of Banka Slovakia by Meinl Bank, 87.4 % of overall bank's equity is owned by foreign investors.

Ratings of major Slovak banks have been upgraded since the foreign owners of all Slovak banks are well established in the region of CEE, are able to provide financial support to their subsidiaries in case of need and have experience in restructuring regional banks. In the case of former Slovak state banks, the restructuring – which includes enhancing distribution networks, cleaning up loan portfolios and an improvement of risk management – has, to a high degree, been completed. Foreign owners also introduced a stronger client-oriented approach – particularly in retail banking in order to increase the number of clients as well as the banks' profitability.

Ongoing strengthening of the legal framework for banking activities brings the Slovak banking system further in line with that of the EU, and closer to the international standards and practices set by the Basel Committee. Nevertheless, a certain span of time will be needed for these improvements to be firmly implemented and tested.

Credit risk remains the key issue in the Slovak banking system, owing to the persistent orientation of Slovak banks towards traditional banking products. Following cleaning up of loan portfolios of the former state banks, the asset quality of these entities would improve as the foreign owners have introduced more rigorous lending policies, improved credit management systems and provided risk-management expertise. Nonetheless, the Slovak banking system still carries a significant volume of bad loans, and asset quality remains a key element to monitor in the future.

Competition

After 10 years of a steady increase in primary deposits, 2003 saw a reversal; the reasons being lower interest rates on accounts/deposits and an increasing demand for mutual funds as well as a decrease of corporate deposits during the year together with an appreciation of the SKK exchange rate. The NBS decreased the repo rate to 6.00 % at year end. Average interest rate on term deposits dropped to 2.5 - 3 % level while the interest rate on loans decreased gradually to 7 - 8 %. Loan business demonstrated moderate dynamics except for mortgage and retail loans. Tatra Bank remained a market leader competing with VUB in loans with the amount of SKK 60 billion. Strong acceleration was recorded at ČSOB, Slovenská sporiteľňa and UniBanka (over 10 % year-on-year). Despite the cancellation of the guaranteed fixed state subsidy for mortgage loans (2.5 % until end of June 2003), all 10 mortgage banks still recorded a high growth of approved loans.

Total assets of the Slovak banking sector reached SKK 994.6 billion showing a decrease of 1.9 % year-on-year, mainly due to principal changes in SAS during the year. The largest bank still remains Slovenská sporiteľňa with total assets of circa SKK 217 billion, followed by VÚB and Tatra Bank. The main source of banks' income is still represented by net interest income, of which the major part is income from securities (in the case of VÚB, net income from securities was higher than net interest income) and net fees. Commission income shows a higher dynamic and an increasing share on the financial results of banks. The banking sector in the Slovak Republic reported an aggregate profit of SKK 11.4 billion for the year 2003, which was offset by a loss in the banking sector amounting to SKK 226.1 million, thereby leaving the profit at SKK 11.2 billion. Net revenues from financial operations reached SKK 39.9 billion, of which net interest income was SKK 30 billion (with net interest income from securities of SKK 19.2 billion) and net fees and commissions paid by clients totalling to SKK 6.9 billion.

Summary of Consolidated Performance

Since 2001, the Consolidated Financial Statements of Tatra Bank have generally been prepared on the basis of the International Financial Reporting Standards (IFRS, formerly IAS).

Income Statement (in millions of SKK)	2003	Change (%)	2002	2001 (unaudited)
Net interest income after provisioning for loan and investment losses and off-balance sheet and other risk	3,649.5	(10.5 %)	4,079.5	3,249.3
Net commission income	1,756.4	27.2 %	1,380.7	1,002.0
Net profit on financial operations	698.2	(27.3 %)	960.9	823.0
General administrative expenses	(3,902.3)	7.7 %	(3,624.5)	(2,906.9)
Profit before tax	1,964.3	(20.7 %)	2,477.9	2,065.9
Consolidated profit	2,040.5	(13.5 %)	2,357.7	2,046.7

Net interest income after provisioning declined by 10.5 %. Lower market interest rates caused a decline of both interest income and interest expenses. A lower income from securities (down by 10.7 %) had a significant influence on this decline. Changes in the securities market also had an adverse influence on net profit from financial operations, which declined by 27.3 %. On the other hand, net commission income significantly increased (by 27.2 %), thereby underlining the change in the contribution pattern to the financial results.

The deterioration of the financial result caused a decline in net profit by 13.5 %, thereby only achieving profit similar to the one in 2001. Primarily customer accounts contributed to the profit (83 %): the corporate segment profit amounted to SKK 1.07 billion, i. e. 54 % of the Bank's profit before tax. Retail contributed profits of 24.4 % and financial institutions 4.1 %. A significantly higher provisioning had a negative influence on the net profit, although it did not imply a deterioration of the loan portfolio (the share of provisions to total loans declined by 6 bp), but it was related to an increase of outstanding loans.

Capital adequacy *(in %)*

By the end of 2003, Tatra Bank's capital adequacy ratio reached a more than comfortable level of 17.42 %. This was due to a moderate increase in risk assets combined with a conservative dividend policy.

Provisioning

Provisions for possible loan losses are increasing slower than the total outstanding of the loan portfolio. At the end of 2003, provisions reached 3.5 % of the gross loans outstanding, a decline of this ratio by 6 bp in comparison with the previous year. The share of corporate and retail loans between the provisioning is almost identical, in line with the development of outstanding loans.

Net interest margin

Net interest margin (Net interest income / Average assets) in 2003 was significantly lower than in the previous year (a decline by 57 bp), influenced by lower interest income mainly related to securities due to market changes. A decline in market interest rates caused a deterioration of both interest income and expenses. It did not have any negative influence on the development of the interest margin.

Segment Reports

Human resources

Human resources remain a core strength
As at December 31, 2003, Tatra Bank Group had 3,003 employees. Compared to 2002, the number of employees increased by 6.5 %, with women representing 73 % of total staff. The average age of employees in the year under review increased to 29 years, compared to 28 in the previous year. The average period of service at the Bank was 4 years.

Staff management was supported
The Bank's target was to create and develop optimal motivation processes and working environment to stabilise and motivate employees. Support for training and development of employees is a long-term and inseparable part of Tatra Bank's strategy. In the year under review each employee of the Bank spent an average of 4 working days in training. The Bank provided a large range of training programmes consisting of internal and external courses, with a strong emphasis on internal education. Educational programmes closely corresponded to the changes and development of the Bank's product portfolio, need of sales support and quality of services. Special attention was paid to new employee training and management training designed to develop middle and higher management skills and capacities. A spectrum of soft skills training increased the level of professional communication and quality of business meetings.

Personnel marketing
In the interest of recruiting top quality university and high school graduates the Bank continued its cooperation with schools by providing internships, part-time jobs for students and presentations by the Bank at schools.

Staff appreciation
All financial and non-financial input invested in our employees is considered a very sound investment, as it is the personnel – our employees who form the Bank's most important capital.

Branch and electronic distribution

Further expansion in distribution channels continues
In 2003, Tatra Bank continued the expansion of its branch network by opening 9 new branches. At year-end 2003, the number of branches and sub-branches in all regions of the Slovak Republic totalled 102. Corporate centres did not expand by locations, but the growth of the business volume was significant. The electronic distribution channels were enlarged with new functionalities for business. Internet banking for enterpreneurs enables the signing of payment orders by several authorised persons.

Through expansion of locations and electronic banking products the number of clients significantly rose

A positive development was continued with growth in the number of individual clients - an increase of 80,000, representing a 15 % increase year-on-year. During 2003, the number of affluent individual clients rose by 21 % compared to 2002, while their deposits in the Bank increased by 20 %. The Bank strengthened the range of high quality products, as well as the professional advice provided by a team of personal relationship managers. DIALOG, a 24-hour call centre, further expanded the range of services in 2003.

The services now include the opportunity to change the limit for standing orders and unlimited transfers between accounts belonging to the same client; changes in limits to sweep accounts; activation of sending advice on unprocessed payments via b-mail; notices on cash withdrawals up to SKK 1 million; etc. The operation of the DIALOG call centre was launched in 2003 with a new functionality – personalised client services. The use of Telebanking continued to expand in 2003 – the number of transactions in 2003 grew by 18 % compared to the previous year. The first Slovak Internet bank – ELIOT – recorded almost 5,000 new clients in 2003.

Corporate banking

Corporate banking retains leading position

The corporate segment currently seems to be the most competitive part in the Slovak market. This is particularly true for corporate loan business. The overall development of aggregate corporate loans in the country was relatively flat and a growing number of banking institutions fought for this stagnating market, which led to a significant decrease of margins. However, the Bank was able to maintain its market share of almost 20 %.

Municipality financing

Municipality financing became a focus for the Bank, where medium to long-term finance to a number of Slovak municipalities have been provided. The largest transaction was a syndicated facility for the City of Košice.

Project finance

Project finance has become a target for all major players in the Slovak banking market, although the total volume of new projects remained stable. This led to competitive pressures on margins and structures. During the year the Bank focused on smaller scale office space and residential projects.

Small and medium–sized enterpreneurs' loans increased

In the small and medium-sized enterprises area, the Bank followed on from the results achieved in the previous year. On the basis of such prior experience, the Bank introduced detailed segmentation thus being able to tailor specific products to accord to specific client needs, as well as product standardisation. Adapting its internal processes, the Bank has supported the scoring and provision of overdraft loans within its service packages. In 2003 a total of 1,430 overdraft loans were granted totalling SKK 269.3 million. Concerning micro-loans, the Bank raised the maximum amount granted to SKK 2 million and further revised the processing of micro-loans, which took an effect of doubling its volume compared to year 2002.

Direct communication in regions brought more appreciation
Along with relationship manager teams, lending teams were established in regional business centres, offering financing for small and medium-sized companies directly in the region. The clients appreciated the interactive aspect of this, as well as the flexibility of co-operation in the regions. The Bank financed more than 3,300 small and medium-sized enterprises totalling SKK 3.4 billion, representing a 79 % increase compared to 2002.

Trade finance developed new products
Tatra Bank, in co-operation with Eximbanka SR, registered a further sharp rise in the volume of re-financing loans, e.g. loans provided from the financial resources of Eximbanka SR to exporters, which increased by 77 % year-on-year. In addition, co-operation with Eximbanka SR was introduced for two new products – Eximbanka SR bank guarantees for export loans and the purchase of technology. With respect to the PHARE, SAPARD and ISPA pre-accession funds, the Bank participated in approximately 30 projects in terms of assessment and/or financing, financed 10 facilities for PHARE projects, and prepared 6 proposals for large ISPA projects.

EU funds – opportunity of a near future
Preparation for the accession of the Slovak Republic to the European Union and associated post-accession aid through EU structural funds also took an important part in the Bank activities. The Bank developed a high quality portfolio of products for clients preparing investments eligible for EU support, and established co-operation with numerous consulting partners. In the agricultural sector the Bank focused on the preparation of new products associated with subsidies associated with the EU Common Agricultural Policy. Total financing in this sector, through warehouse receipts, increased by 41 %.

Consumer banking

Product packages rule the market
Individual clients reacted positively to the new service packages for current accounts by opening 110,000 service packages. The Bank expanded its offer of overdraft credits for current account service packages with the aforementioned **Tatra**StudentMultiset[TB], which was consequently activated by nearly 10,000 students. Permitted overdraft facilities extended to individual clients within service packages totalled SKK 1.6 billion at year end.

Unprecedented growth in home financing
In the area of mortgage loans the Bank continued to retain its position at the top of the Slovak market, registering an unprecedented jump in the volume and number of extended loans. The Bank approved mortgage loans of close to SKK 4 billion. The Bank approved almost 4,500 mortgage loan applications, representing a year-on-year increase of 144 %. Since the launch of mortgage loans in November 2000, the Bank has approved nearly SKK 8 billion of mortgage loans.

Consumer loans enlarge the retail product portfolio
Tatra Bank begun the pilot launch of general-purpose consumer loans for the Bank's clients in April, 2003, and gradually launched such loans throughout the entire branch network. During 2003, the Bank approved almost 6,000 general-purpose consumer loans totalling over SKK 580 million.

Issuance of payment cards remained strong
The Bank was also successful with regard to the issuance of payment cards to retain its market share of nearly 22 % of the total number of payments card issued. As at year-end, Tatra Bank had issued over 660,000 payment cards. With 160,000 new cards issued it recorded the highest annual growth in the banking sector. The total number of credit cards increased twofold and exceeded 40,000. The Bank prepared a new MasterCard credit card, which is unique in terms of the provision of EUR-denominated revolving loans, thus decreasing transaction costs outside the territory of the Slovak Republic, and in the Euro-zone countries in particular. Another product of the payment card portfolio was a no-contact multifunctional chip card, which enables its holder to utilise three functions simultaneously, namely as: a VISA Electron international payment card, an ISIC international student card, no-contact chip card.

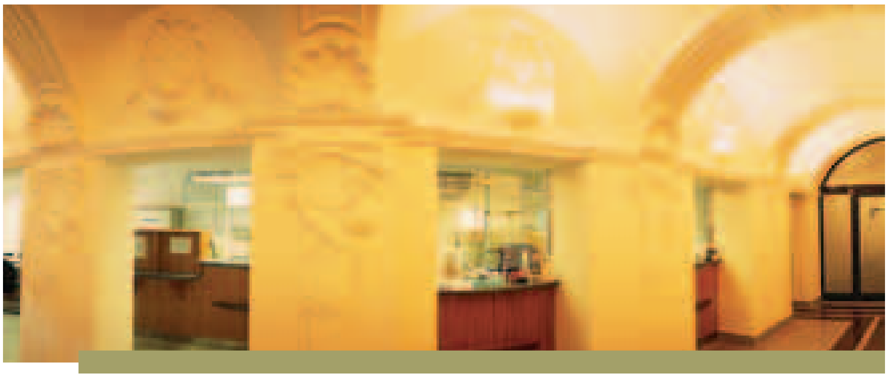
Leader in POS – sales turnover
As far as the card acceptance is concerned, the Bank has greatly contributed to extending the network of retail outlets, with the number of payment terminals installed by Tatra Bank totalling 3,776 as at year-end. The Bank has also continued with the installation of ATM machines, mainly in branches and shopping centres, with the total number of ATM machines reaching 180. For transactions performed at POS terminals with payment cards, Tatra Bank has maintained its leading position among Slovak banks with its current market share of 38 %. The volume of POS terminal payments was nearly SKK 8.9 billion, representing a 34 % rise on the previous year. In December 2003, Tatra Bank was the first bank in Slovakia to exceed the monthly volume of POS terminal payments of over SKK 1 billion. Last year once again as the first bank in Slovakia, the Bank began to offer its business partners the possibility of POS terminal communication through the GPRS network – fulfilling the expectations for speed and quality. The Bank also upgraded its ATM machines in order to allow for the additional service of re-charging EASY mobile phone cards. After the successful testing of the authorisation and clearing of transactions denominated in various currencies, Tatra Bank as the first bank in Slovakia, began to provide authorisation and clearing of transactions by MasterCard payment cards in foreign currencies at the end of 2003.

Search for safe and well-performing investment funds
Through its investment packages, Tatra Bank addressed a wide group of new and experienced investors. Investments totalling nearly SKK 3.4 billion were placed into the Bank's investment packages. In addition to Tatra Bank investment packages, the portfolio was expanded in 2003 by the new products of long-term savings and beneficial investment combined with life insurance. In the second half of 2003 three new bancassurance products were introduced. In October 2003 the Bank also introduced property insurance for real estate, used as collateral for mortgage loans. Every third mortgage loan of Tatra Bank included a property insurance policy. All new bancassurance products were developed in co-operation with Uniqa poisťovňa, a.s. Tatra Bank as the only bank in the Slovak market developed and launched under its name sophisticated bancassurance products that can only be purchased through its branch network.

Private banking

Private Banking – a range of options

The short-term financial objectives of these clients are achieved through money market instruments or investment in bills of exchange – both instruments providing significant excessive yield compared to bank term deposits. Tatra Bank achieved the long-term objectives for its private clients through the sensitive distribution of resources between bond and stock assets. The mutual ratio of these two investment baskets is based on the individual investment profile of the private client and the subsequent recommendations presented by the Bank's investment committee upon the assessment of the current situation and forecast on financial markets. Additionally, Tatra Bank provides its private clients with the opportunity to invest in alternative investment instruments, such as financial derivatives, certificates for gold value index, etc. The range of private banking services offered is supplemented by overdraft and instalment loans, payment cards, mortgage lending, additional pension insurance, and other retail products that provide the private client with a comprehensive solution for his/her needs and requirements as well as maximum ease.



Treasury and investment banking

The news of PSA Peugeot coming to the Slovak Republic to build its large construction base, two crises on the Hungarian market and the NBS using intervention to fight the SKK after it reached all-time highs to the euro in early May, affected trading on the currency market. Coupled with uncertainty on the domestic political scene in early autumn, all these factors took the SKK from a year-opening 41.480 to fluctuate mostly within a range of 40.300 – 41.650 and eventually closing at 41.150 EUR.

Position strengthened on the foreign exchange and domestic money market

Tatra Bank was the key player on the foreign exchange market and in 2003 achieved the second largest share on spot foreign exchange transactions of 21 % with a transaction volume of USD 7.4 billion; bringing the year-to-year increase in volume to 68 %. On the foreign exchange options market, Tatra Bank was the leading player among domestic banks, nevertheless 90 % of its turnover comprised of deals with London-based banks. Through most of 2003, trading in domestic money market was dominated by expectations of cuts in NBS interest rates. The NBS met these expectations in September by cutting the main 2-week repo rate by 25 bps to 6.25 %. Moreover, it added a further 25 bps reduction in December. Once again, Tatra Bank was one of the main leaders and market-makers, particularly in FRA trades and interest rate swaps. On the money market and foreign exchange swap market, Tatra Bank achieved a 7.5 % market share thus being ranked sixth.

Market-maker for stocks

The Slovak Stock Index (SAX) followed the positive trend in 2003 reaching 177.62 points with an annual increase of 26.9 %. The increase was mainly as a result of the increase in Slovnaft's equity price gaining SKK 410 (43.61 %).

Tatra Bank was the market-maker for both Slovnaft and Slovakofarma and for all state bonds. The total volume of bond transactions amounted to SKK 2,144.7 billion, bringing an annual increase to 70.5 %. Of this, Tatra Bank's volume of transactions had almost SKK 180 billion or a market share of 8.2 %.

Treasury - total turnover	**2003**	**2002**	**2001**
(in billions of SKK)			
securities	179.56	159.43	131.04
foreign exchange operations on interbank market	243.60	176.56	114.82
money market operations on interbank market	4,349.31	4,072.09	2 344.20
foreign exchange operations with customers	297.93	187.28	144.43
money market operations with customers	242.34	215.39	209.08

Only bank with on-line trading
During 2003 Tatra Bank remained the sole bank in the Slovak market offering on-line trading for its clients. The i:deal service is designed for corporate clients to enable them to arrange conversion between their accounts (transfers from an account in one currency to an account denominated in another currency) as well as a rate for conversion for cross-border payments. Using this service, a deposit can be made from the client's current account directly through a PC with no need to visit or telephone the Bank. The conversion rate or the interest rate of a deposit always reflects the current situation on the interbank market. Nearly 40 % of the overall volume of trades in 2003 were performed through the i:deal service, representing SKK 12 billion.

Domestic and foreign payments continuously rose

The managment of the inter-bank clearing system in the Sovak Republic is now under the administration of NBS – this represents a positive change in the system of payments. Legislative changes designed to approximate Slovak law to EU legislation brought benefits for clients in the form of a more liberal and flexible market. The time necessary for domestic money transfers decreased from two business days to one business day.

Tatra Bank recorded a sharp increase of 50 % in the number of foreign payment orders entered via electronic distribution channels. The number of domestic payments executed via Telebanking rose by 17 %, while the number of foreign payments made via Telebanking increased by 15 % over 2002. The number of processed domestic payments rose by 20 %, with their value growing by 29 %. In 2003 the number of outgoing foreign payments increased by 14 % from 2002, while the number of incoming foreign payments grew by 17 %. The ratio between manual and electronic payments was more than 70 % in favour of electronic payments.

Outlook for the year 2004

The accession of the Slovak Republic to the EU assures the growth potential for the Slovak Republic as well as for Tatra Bank. It creates greater business opportunities and stronger competition. Tatra Bank has identified as a priority the maximisation of further growth of its market share especially in consumer banking, maintaining a position in corporate banking and the efficient targeting of key business segments. Cost and process efficiency will form one of the pillars of productivity, along with the maintenance of high income and the professional qualities of all its employees.

The Bank’s strategy is based on long-term relationships with clients, a clear corporate identity and an expanding network of branches. These core pillars will be developed also via optimisation of processes in line with the aim of maximum simplicity, the utilisation of efficient information systems and the sales-driven management of distribution channels.

Subsidiaries and strategic partner

Tatra Asset Management

For Tatra Asset Management, správ. spol., a.s. (TAM), 2003 was the most successful year in its five-year history. The volume of mutual funds sold by the company amounted to a record SKK 9.2 billion, with total assets in its mutual funds increasing by 125 % to SKK 11.5 billion. TAM retained close to a 30 % share in the Slovak mutual funds market. As in previous years, TAM recorded the highest inflow of funds to money market funds (51 %) and bond funds (37 %). There was also a significant increase in the sale of investment packages. The sale of such investment packages amounted to 21 % from total sales. TAM made several changes in the product portfolio. Whereas previous years were characterised by an ever-increasing number of mutual funds, the year under review was a period of product portfolio consolidation via the liquidation or merging of certain funds. Therefore the total number of mutual funds managed by the company decreased from 13 to 9.

The total income of TAM grew by 146 % year-on-year to SKK 187 million. The main part of this income represented income from management fees (53 %) and income from entry fees (44 %). Total expenses grew by 137 % year-on-year to SKK 176 million. The main portion of expenses were in respect of the distribution of the mutual funds (74 %). In 2003 the company's gross profit amounted to SKK 10.8 million compared to SKK 1.7 million in 2002. The net return on equity in 2003 amounted to 13.9 % compared to 2.8 % in 2002.

Tatra Asset Management	**2003**	**2002**	**2001**
(in thousands of SKK)			
Revenues	187,188	76,120	57,816
Net profit	9,047	1,601	1,759
(in %)			
ROE (after taxation)	13.85	2.81	3.18

* according to Slovak Accounting Standards

Pokoj DDP – Supplementary Pension Insurance Company

Pokoj DDP is an integral part of the Tatra Bank Group, whilst also being its key partner for supplementary retirement and pension insurance, an arrangement that ensures a more rounded product range for customers. In 2003 Pokoj DDP saw the full impact of strategic co-operation with Tatra Bank, which is the insurance company's depository and also the sole administrator of assets for Pokoj DDP policyholders. Close co-operation is advantageous for both Pokoj DDP's clients, who receive quality and professional background work for their finances, and for Tatra Bank, which gains the opportunity to offer a unique insurance product in its branch network – tax-preferred supplementary pension insurance.

The number of Pokoj DDP policyholders grew in 2003 by almost 59 %, up from 80,147 to 127,264. The policyholder base comprised 81 % of employees with employer's contributions and 13 % employees without employer's contributions, and also 6 % of self-employed persons and their partners. An increase was also notable in the number of employers – contractual partners of Pokoj DDP. While there were 2,735 such employers as at December 31, 2002, this figure had grown to 4,255 by year end. The number of employees, as potential Pokoj DDP policyholders, grew from 316,311 to 419,272 at year-end. The state of the supplementary pension insurance company in the Slovak Republic and the market share of Pokoj DDP is documented in the following overview:

Indicator **As of December 31, 2003**	**Units**	**Pokoj DDP**	**Suppl. pension insurance in Slovakia, total**	**Share of Pokoj DDP**
Number of employer contracts	pcs.	4,255	15,876	26.8 %
Number of policyholders	persons	127,264	552,276	23.0 %
Average contribution/month	SKK	917	844	—

Pokoj DDP	**2003**	**2002**	**2001**
(in thousands of SKK)			
Revenues	3,537,447	1,454,780	267,762
Net profit	38,728	36,247	10,285

* according to Slovak Accounting Standards

Tatra Leasing

Tatra Leasing spol. s r.o., with a sales volume of SKK 4.3 billion excluding VAT, ranked number 5 among the leasing companies in Slovakia in 2003. As a result of the sales volume of SKK 4.3 billion the company achieved a 10 % market share. In comparison, total sales in Slovakia in 2003 amounted to SKK 43.2 billion excluding VAT, which was an increase of 7.9 % against 2002.

Tatra Leasing achieved the largest market share in the utility vehicles segment (14.7 %) during the year, thereby ensuring fourth place in this segment. As to the truck, trailer and semi-trailer segment, the company ranked third with a market share of 14.2 %. In the leasing of technologies and personal vehicles, Tatra Leasing was fifth with 8.2 % and 7.6 % share of the technology and personal vehicles market, respectively.

Tatra Leasing	**2003**	**2002**	**2001**
(in thousands of SKK)			
Revenues	4,071,791	2,977,455	2,014,521
Net profit	91,963	33,495	119,520
(in %)			
ROE (after taxation)	40.4	13.5	92.7

* according to Slovak Accounting Standards

auditor's report to the consolidated

financial statements prepared

in accordance with international

financial reporting standards

Tatra Bank – member of the Austrian Raiffeisen Banking Group

Raiffeisen Bank Rt, Hungary

Deloitte.

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Tatra banka, a.s

Independent Auditor's Report

To the Shareholders of Tatra banka, a.s.:

We have audited the accompanying consolidated balance sheets of the Tatra banka, a.s. and its subsidiaries ("the Group") as of 31 December 2003 and 2002, and the related consolidated income statements, consolidated statements of changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these 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 financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2003 and 2002, and of 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, 13 April 2004

Deloitte & Touche Slovakia spol. s r.o.

ZAO Raiffeisenbank Austria, Russia

Tatra Bank – member of the Austrian Raiffeisen Banking Group

consolidated financial statements prepared in accordance with international financial reporting standards

Consolidated Financial Statements
prepared in accordance with International Financial Reporting Standards

Consolidated Income Statements
for the years ended December 31, 2003 and December 31, 2002

(in thousands of SKK)	Notes	December 31, 2003	December 31, 2002
Interest income		7,230,031	7,831,910
Interest expense		(3,311,615)	(3,716,414)
Net interest income	**3**	**3,918,416**	**4,115,496**
Net fees and commissions income	4	1,756,408	1,380,664
Net profit on financial operations	5	698,191	960,897
Operating income		2,454,599	2,341,561
Salaries and employment benefits	6	(1,720,716)	(1,399,801)
Administrative expenses	7	(1,593,566)	(1,556,883)
Depreciation of tangible fixed assets	18	(493,188)	(567,321)
Amortisation of intangible fixed assets	19	(94,832)	(100,460)
Other operating expenses, net	8	(222,671)	(256,168)
Operating expenses		**(4,124,973)**	**(3,880,633)**
Profit before provisions for loan and investment losses			
and off-balance sheet risks and before taxes		2,248 042	2,576,424
Provisions for loan and investment losses			
and off-balance sheet and other risks	9	(268,867)	(36,024)
Assets written off		(14,913)	(62,540)
Profit before share of profit of associate and income taxes		**1,964,262**	**2,477,860**
Share of profit of associates	17	65,833	17,225
Profit before income taxes		**2,030,095**	**2,495,085**
Income tax (expense)/income	10	10,417	(137,410)
Net profit for the period		**2,040,512**	**2,357,675**
Earnings per share (in Slovak crowns)	25	40,635	46,951

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

Financial statements were approved on April 13, 2004.

Consolidated Balance Sheets

As of December 31, 2003 and December 31, 2002

(in thousands of SKK)	Notes	December 31, 2003	December 31, 2002
Assets			
Cash and balances with the central bank	11	9,305,759	9,172,337
Amounts due from banks	12	12,068,928	7,812,455
Securities held for trading	13	41,927,008	48,225,242
Receivables on financial derivative transactions	29	1,027,725	1,257,269
Originated loans and advances to customers, net	14	59,489,693	51,482,459
Securities available for sale	15	10,201	3,596
Securities held to maturity	16	9,531,203	—
Tax assets	10	14,021	2,184
Investments in associates	17	271,557	224,924
Tangible fixed assets	18	2,524,701	2,717,629
Intangible fixed assets	19	355,821	291,338
Prepayments, accrued income and other assets	20	418,231	404,947
Total assets		**136,944,848**	**121,594,380**
Liabilities			
Amounts owed to central bank		86,028	122,101
Amounts owed to banks	21	9,803,562	10,021,804
Payables on financial derivative transactions	29	1,627,114	1,916,292
Amounts owed to customers	22	108,214,491	95,812,632
Securities issued	23	4,165,060	1,567,398
Tax liabilities	10	98,498	273,836
Provisions for off balance sheet and other risks	9	643,403	635,608
Accruals, deferred income and other liabilities	24	748,018	493,955
Total liabilities		**125,386,174**	**110,843,626**
Shareholders' equity			
Share capital	25	1,004,320	1,004,320
Share premium, reserves and retained earnings	26	10,554,354	9,746,434
Total shareholders' equity		**11,558,674**	**10,750,754**
Total liabilities and shareholders' equity		**136,944,848**	**121,594,380**
Off balance sheet financial commitments and contingencies	**28**	**27,564,191**	**26,200,718**

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

Consolidated Statements of Changes in Shareholders' Equity

for the years ended December 31, 2003 and December 31, 2002

(in thousands of SKK)	Share capital	Share premium	Reserve and other funds	Retained earnings	Income of the year	Total
Balance at						
January 1, 2002	**1,004,320**	**100,430**	**257,193**	**6,004,709**	**2,046,677**	**9,413,329**
Transfer to retained						
earnings and funds	—	—	2,147	1,024,280	(1,026,427)	—
Dividends paid out	—	—	—	—	(1,020,250)	(1,020,250)
Net profit for the year 2002	—	—	—	—	2,357,675	2,357,675
Balance at						
December 31, 2002	**1,004,320**	**100,430**	**259,340**	**7,028,989**	**2,357,675**	**10,750,754**
Transfer to retained						
earnings and funds	—	—	216	1,124,867	(1,125,083)	—
Dividends paid out	—	—	—	—	(1,232,592)	(1,232,592)
Net profit for the year 2003	—	—	—	—	2,040,512	2,040,512
Balance at						
December 31, 2003	**1,004,320**	**100,430**	**259,556**	**8,153,856**	**2,040,512**	**11,558,674**

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

Consolidated Cash Flow Statements

for the years ended December 31, 2003 and December 31, 2002

(in thousands of SKK)	**Notes**	**December 31, 2003**	**December 31, 2002**
Cash flows from operating activities			
Profit before income taxes		2,030,095	2,495,085
Adjustments for non-cash operations		(2,629,235)	(2,910,277)
Loss from operating activities before changes in working capital, interest received and paid and income taxes paid	*27*	*(599,140)*	*(415,192)*
(Increase)/decrease in operating assets:			
Obligatory reserve with National Bank of Slovakia		136,285	(2,384,957)
Amounts due from banks		(4,279,405)	9,393,377
Securities held for trading and available for sale		5,216,506	(16,562,417)
Originated loans and advances to customers		(8,298,852)	(8,090,085)
Other assets		(30,569)	(36,839)
Increase/(decrease) in operating liabilities:			
Amounts owed to central bank		(35,421)	(482,758)
Amounts owed to banks		(168,808)	(1,680,153)
Amounts owed to customers		12,476,711	13,381,914
Other liabilities		257,979	253,013
Cash used in operations before interest paid and received and income taxes paid		*4,675,286*	*(6,624,097)*
Interest paid		(3,410,837)	(3,784,538)
Interest received		7,638,133	7,613,695
Income taxes paid		(169,692)	(111,821)
Net cash flows from/(used in) operating activities		***8,732,890***	***(2,906,761)***
Cash flows from investing activities			
Purchase of securities held to maturity		(9,132,141)	—
Proceeds from sale or disposal of fixed assets		10,543	44,350
Fixed assets purchased		(598,038)	(1,010,073)
Dividends received		696	—
Net cash flows used in investing activities		***(9,718,940)***	***(965,723)***
Cash flows from financing activities			
Securities issued		2,571,946	485,724
Dividends paid		(1,232,592)	(1,020,250)
Net cash flows from/(used in) financing activities		***1,339,354***	***(534,526)***
Effects of exchange rate changes on cash and cash equivalents		(83,596)	(79,179)
Change in cash and cash equivalents	**27**	**269,707**	**(4,486,189)**
Cash and cash equivalents, beginning of the year	**27**	**6,218,859**	**10,705,048**
Cash and cash equivalents, end of the year	**27**	**6,488,566**	**6,218,859**

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

Notes to the Consolidated Financial Statements

Year ended December 31, 2003 and December 31, 2002

(in thousands of Slovak crowns)

1. General information

A. Principal activities of parent company

The consolidated group of Tatra banka, akciová spoločnosť (the "Group") consists of the parent company Tatra banka, akciová spoločnosť (the "Bank") and 12 subsidiaries and associated undertakings. Tatra banka, akciová spoločnosť is incorporated in the Slovak Republic as a joint-stock company. The principal activities of the Bank are as follows:

- receiving deposits;
- provision of loans;
- system of payments and clearing;
- investing into securities on its own account;
- dealing on its own account or on the client's account with the following:
  - financial instruments of the money market in Slovak Crowns and in foreign currency, including exchange services,
  - financial instruments of the capital market in Slovak Crowns and in foreign currency,
  - coins of precious metals, commemorative banknotes and coins, groups of banknotes and circulation coins.
- managing client's receivables and securities on the client's account including consulting service (portfolio management);
- financial leasing;
- providing guarantees, opening and confirming Letters of Credit;
- issuing and managing media of payment;
- providing consulting services in business;
- issues of securities, participation in securities issues and provision of related services;
- financial mediation activities;
- depositing and managing securities or other valuables;
- leasing safes;
- providing banking information;
- performing mortgage activities under Article 67 (1) of the Banking Act;
- acting as a depositary according to a special regulation;
- processing of banknotes, coins, commemorative banknotes and coins;
- performing activities under the licence for provision of investment services pursuant to the Decision of the Office for Financial Market No. GRFT 007/2002/OCP dated December 19, 2002.

The main shareholders of the Bank were as follows:

	December 31, 2003	December 31, 2002
Raiffeisen International Bank – Holding AG	72.42 %	0.00 %
Raiffeisen Zentralbank (RZB)	0.00 %	72.26 %
Tatra Holding	14.11 %	14.11 %
Other	13.47 %	13.63 %

The registered office address of the Bank is Hodžovo nám. 3, Bratislava. The Bank has 102 branches and sub-agencies in the Slovak Republic.

Operating income was mainly generated from the provision of banking services in the Slovak Republic. The Group considers that its products and services arise from one segment of business, that is the provision of banking and related services.

The Bank's ordinary shares are publicly traded on the Bratislava Stock Exchange.

In April 2003, the majority interest in share capital of the Bank was transferred from Raiffeisen Zentralbank AG to Raiffeisen International Beteiligung AG (Raiffeisen International Bank – Holding AG) after the prior approval by the National Bank of Slovakia and the Financial Market Authority.

B. Definition of the consolidated group:

Company	Direct holding %	Group holding %	Principal activity	Audited by	Method of Consolidation	Registered office
Tatra Group Servis, s.r.o.	99.5 %	100 %	Asset Management	BMB Partners	Full consolidation	Bratislava
Tatra Asset Management, správ. spol., a.s.	100 %	100 %	Finance brokerage	Deloitte & Touche Slovakia	Full consolidation	Bratislava
Axen, s.r.o.	0.5 %	100 %	Asset lease and management	BMB Partners	Full consolidation	Bratislava
TG Strom, s.r.o.	0 %	100 %	IT support	BMB Partners	Full consolidation	Bratislava
Tatra Group Finance, s.r.o.	0 %	100 %	Administration of pension fund	BMB Partners	Full consolidation	Bratislava
eliot, s.r.o.	100 %	100 %	Services	BMB Partners	Not consolidated as immaterial	Bratislava
TL Leasing, s.r.o.	0 %	100 %	Leasing	BMB Partners	Full consolidation	Bratislava
TATRA – RETURN, s.r.o.	0 %	100 %	Asset lease and management	BMB Partners	Full consolidation	Bratislava
CTH Real, s.r.o.	0 %	100 %	Asset lease and management	BMB Partners	Full consolidation	Bratislava
Tatra Leasing, s.r.o.	48 %	48 %	Leasing	Deloitte & Touche Slovakia	Equity method	Bratislava
K.A.X., s.r.o.	0 %	40 %	Business advisory	BMB Partners	Equity method	Bratislava
Slovak Banking Credit Bureau, s.r.o.	33.33 %	33.33 %	Services	D.P.F. accounting, s.r.o.	Not consolidated as immaterial	Bratislava

C. Developments in the Group during 2003:

In October 2003, the Bank acquired a 33.33 % share in the share capital of Slovak Banking Credit Bureau, s.r.o., in the amount of SKK 100 thousand. The main activity of the company is computerized data processing and IT support. Company had no employees during the year 2003. Equity of the company amounted to SKK 181 thousand as at December 31, 2003.

2. *Principal accounting policies*

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below:

a) Basis of presentation

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

The consolidated financial statements are prepared on an accrual basis of accounting whereby the effects of transactions and other events are recognised when they occur and are reported in the consolidated financial statements of the period to which they relate, and on the going concern assumption.

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

The Group maintains its books of accounts and prepares financial statements for regulatory purposes in accordance with accounting principles valid in Slovak Republic and those of other jurisdictions in which the Group operates. The accompanying financial statements are based on the accounting records of the Group, together with appropriate adjustments and reclassifications necessary for fair presentation in accordance with IFRS. A reconciliation of consolidated shareholder's equity and profit for the years 2003 and 2002 reported under Slovak accounting principles to shareholder's equity and profit for the years 2003 and 2002 reported under IFRS is shown in Note 26 to these financial statements.

The presentation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and their reported amounts of revenues and expenses during the reporting period.

The reporting currency used in the consolidated financial statements is the Slovak crown ("SKK") with accuracy to SKK thousand, unless otherwise indicated.

b) Consolidation principles

Subsidiary undertakings, which are those companies in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations, have been fully consolidated, unless the impact is immaterial. Subsidiaries are consolidated from the date on which the Group acquired control over them and are no longer consolidated from the date of disposal. All receivables and liabilities, sales and purchases, as well as gains and losses from the transactions within the Group have been eliminated.

Investments in associated undertakings are consolidated under equity method. These are undertakings in which the Group has between 20 % and 50 % of the voting rights, and over which the Group exercises significant influence, but which it does not control. Equity method involves recognising in the income statement the Group's share of the associates' profit or loss for the period.

The consolidated financial statements were prepared using the same accounting policies for similar transactions.

Goodwill reported in the year 2002 arose within the consolidation of TGS associates. The Group's share on associates was reported on balance sheet in compliance with accounting principle for goodwill.

c) Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into SKK and reported in the consolidated financial statements as at the exchange rate declared by the National Bank of Slovakia ("NBS" or "National Bank of Slovakia") prevailing as of the balance sheet date. Income and expenses denominated in foreign currencies are recorded in Slovak Crowns in the underlying accounting system of the Group and are reported in the consolidated financial statements at the actual exchange rate of the National Bank of Slovakia prevailing as of the date of the transaction. Gains and losses arising from movements in exchange rates after the date of the transaction are recognised in *"Net profit on financial operations"*.

Exchange rate gains/losses from open spot transactions are included in *"Net profit on financial operations"*.

Fixed-term transactions denominated in foreign currency are translated into Slovak crowns in the Bank's off-balance sheet using the NBS spot exchange rate valid as at the balance sheet date. The unrealised gain or loss from fixed term transactions is calculated using the anticipated forward rate based on a standard mathematic formula which takes into account the NBS spot rate and interest rates effective as at the balance sheet date and is reported in item *"receivables or payables on financial derivatives transactions"* in balance sheet and *"Net profit on financial operations"* in income statement.

d) Cash and balances with the central bank

Cash and balances with the central bank comprise cash held, current accounts with other banks, cash balances with the National Bank of Slovakia and other banks, including the compulsory minimum reserve with the National Bank of Slovakia.

The compulsory minimum reserve with the National Bank of Slovakia is a required reserve to be held by all commercial banks licensed in the Slovak Republic.

e) Loans and advances to clients and provisions for loan impairment

Loans and advances to customers are stated at the amortised cost less provision for impairment as presented in Notes 9 and 14. For each period, a provision for impairment of loans and advances to customers is recognised in the income statement. Provision resulted from the combination of a) an estimate by the management of the Group of loan impairment that occurred during the current period, and b) the adjustment of prior estimates of impairment occurring in prior periods.

When signing a loan agreement, the Bank records the loan commitment issued on the off-balance sheet. The loans are recognised on the balance sheet when the funds are provided to the debtors.

The provision for loans and advances to customers is calculated to reduce loans to their recoverable amount representing expected future cash flows discounted to the present value using the original effective interest rate implicit in the loan at inception or the fair value of the related collateral. Specific provisions for identified potential losses on loans are assessed with reference to the credit standing and financial performance of borrower and considering collateral. Collaterals considered in determining specific provisions represent only state guarantees, bank guarantees, other banks' participations and term deposits.

The provision for impairment of loans and advances to customers is offset against loans on the balance sheet.

The provision for retail loans represents general provision created to cover potential losses not specifically identified but which experience indicated were present in certain segments of the portfolio of standard loans and advances to customers. Such provision is charged to income statement.

According to a valid decision on ceasing recovery of claims, issued by the competent court or the Board of Directors, the Group writes off its loans and advances to customers directly through the income statement with the release of the relevant loan loss provision. The loans and advances to customers written off are recorded on the off-balance sheet.

If, after the write off, the Group is able to collect additional amounts from the customer or obtain control of collateral worth more than earlier estimated, a recovery is recorded through the income statement in the caption *"Assets written off"*.

The Group stops recording interest from loans and advances to customers overdue for more than 90 days, and such receivables are recorded in off-balance sheet accounts. Interest recorded on the off-balance sheet amounts to SKK 533 thousand. The carrying amount of non-accruing loans represents the amount of the receivable decreased by the provision for expected losses. The provision is determined usually as 100 % of the receivable decreased by the amount that the Group expects to recover

The Group charges penalty interest to borrowers when a portion of the loan falls overdue. Penalty interest is accounted for on a cash received basis in the caption *"Interest income"*.

f) 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 developed security investment strategies reflecting the intent of the acquisition and accordingly records securities to *"Securities held for trading"*, *"Available for sale"* portfolio; and *"Securities held to maturity"* portfolio created close to the year-end. The principal difference among the portfolios relates to the measurement of securities at their fair values in the financial statements.

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

All purchases and sales of securities that require delivery within the time frame established by regulation or market convention ("standard way") are recognised as spot transactions. Transactions that do not meet the "standard way" settlement criteria are treated as financial derivatives.

Securities held for trading

Securities held for trading are financial assets (equity and debt securities and treasury bills) acquired by the Group for the purpose of generating a profit from short-term fluctuations in prices. Subsequent to the initial recognition, these securities are accounted for and stated at fair value, which approximates the price quoted on recognised stock exchanges or using valuation models.

The Bank includes unrealised gains and losses from the revaluation of securities to fair value in *"Net profit from financial operations"*. Interest income on securities held for trading is accrued on a daily net basis and reported as "Interest income" in the income statement. Dividends on securities held for trading are recorded in the income statement line *"Net profit from financial operations"*.

Securities available for sale

This portfolio represents the Group's long-term participating interests and shares in other companies where the Group does not have a significant influence or other control participations. The Group considers these unquoted investments as financial assets available for sale, stated at cost less any permanent impairment, as their fair value cannot be reliably measured.

Where the impairment of securities available for sale associated with credit risk is other than temporary, the carrying amount of the security is immediately written down to its recoverable value. This write-down is included in the income statement in item *"Assets written off"*.

Securities held-to-maturity

This portfolio represents long-term investments that the Group intends and is able to hold to maturity. The portfolio includes securities issued by the government and other creditworthy securities. Held-to-maturity securities are measured at amortised cost based on the effective interest rate. Interest income and discounts and premiums on securities held to maturity are accrued on a daily basis and recognised as *"Interest income"* in the income statement.

In the event of security impairment, provisions are established.

g) Sale and repurchase agreements - repo transactions

Securities sold under sale and repurchase agreements ("repo transactions") are recorded as assets in the balance sheet lines *"Securities held for trading", "Securities available for sale"* or *"Securities held to maturity"* and the counterparty liabilities are included in *"Amounts owed to banks"* or *"Amounts owed to customers"* as appropriate. Securities purchased under agreements to purchase and resell ("reverse repos") are recorded as assets in the balance sheet line *"Due from banks"* or *"Loans and advances to customers, net"* as appropriate, with the corresponding decrease in cash being included in *"Cash and balances with the central bank."* The difference between the sale and repurchase price is treated as interest and accrued evenly over the life of the repo agreement using the effective interest rate.

h) Derivative financial instruments

The Group enters into derivative financial instruments for trading purposes. Underlying assets are recorded on the off-balance sheet on the trade date. Derivative financial instruments are recorded at fair value on the balance sheet.

Fair values are determined based on market values using discounted cash flow models and options pricing models.

All derivative financial instruments are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Certain derivative financial instrument transactions, while providing effective economic hedges under the Bank's risk management policy, do not qualify for hedge accounting under the specific rules stipulated by IAS 39 and are therefore treated as derivative financial instruments held for trading with fair value gains/losses reported in the income statement line "Net profit from financial operations".

Changes in fair values of financial derivatives held for trading are included in line *"Net profit from financial operations".*

The fair value of financial derivative instruments held for trading is disclosed in Note 29.

i) Tangible and intangible fixed assets

Tangible and intangible fixed assets are stated at historical cost less accumulated depreciation/amortisation together with accumulated impairment losses. Fixed assets are depreciated using the accelerated or straight–line method based on the estimated useful life. Tangibles in progress, land and artwork are not depreciated.

The estimated useful economic lives in years are set out below:

Machinery and equipment, computers, vehicles	4 – 15
Software	4
Goodwill	5
Fixtures, fittings and equipment	6 – 15
Energy machinery and equipment	10 – 15
Optical network	30
Buildings and structures	10 – 40

When there is any indication that an asset may be impaired, the Group estimates the recoverable amount of the asset. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount. Where assets are identified as being surplus to the Group's requirements management have assessed the recoverable value by reference to a net selling price based on third party valuation reports adjusted downwards for an estimate of related sale costs.

Repairs and maintenance are charged directly to the income statement when the expenditure is incurred.

Goodwill represents surplus of the cost of investment over the fair value of identifiable net assets of subsidiary, associate or joint venture as at the date of acquisition. Goodwill is amortised to the income statement on a straight line basis over its economic life.

j) Leases

Assets held under finance leases that confer rights and obligations similar to those attached to owned assets, are capitalised at their fair value and depreciated over the useful lives of assets. The capital element of each future lease obligation is recorded as a liability, while the interest elements are charged to the income statement over the period of the leases to produce a constant rate of charge on the balance of capital payments outstanding.

Payments made under operating leases are charged to the income statement on a straight-line basis over the term of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

k) Securities issued

Securities issued by the Group are stated at amortised costs using the effective interest rate method. Interest expense arising on the issue of securities is included in the income statement line "Interest expense".

l) Guarantees issued

The Group records the obligations arising from guarantees issued in the off balance sheet. The provision to cover the future outflow from guarantees is recorded in liabilities at the moment when these future outflows arising from these obligations become probable. The Group's estimate of the obligation is performed through assessing the credit risk of the customer on behalf of which the guarantee was issued. The assessment of the credit risk is performed similarly as an assessment of the credit risk resulting in the provision for contingencies and other risks (see Note 28). The amount of these obligations is recorded in the income statement at the moment when the future outflow from guarantees issued becomes probable.

m) Recognition of income and expense

Income and expense are recognised in the income statement for all interest bearing instruments on an accrual basis using the effective interest rate. Interest income includes revenues from fixed and floating interest rate coupons and accrued discount and premium on treasury bills and other discounted instruments. Penalty interest is accounted for on a cash basis. Fees and commissions are recognised as expense and income in the income statement on the accrual basis as earned. Non-interest expenses are recognised at the time when the transaction occurs.

n) Taxation and deferred taxation

Taxation is calculated in accordance with the provisions of the relevant legislation of the Slovak Republic and other jurisdictions in which the Group operates, based on the profit or loss recognised in the income statement prepared pursuant to Slovak accounting standards and accounting standards of other jurisdictions.

Deferred income tax is provided, using the balance sheet liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the tax assets can be utilised.

The Group is subject to various indirect operating taxes. These are included as a component of operating expenses.

Tax effect associated with consolidation of subsidiaries and associates:

The deferred tax liability associated with investments in subsidiaries was not recognised in the accompanying consolidated financial statements since the Bank is able to control the timing of the reversal of the temporary differences, and it is probable that the temporary differences will not reverse in foreseeable future as it is planned that the earnings will not be distributed, but retained for use in the business at each consolidated subsidiary or associate.

o) Regulatory requirements

The Bank is subject to the regulatory requirements of the National Bank of Slovakia. These regulations include limits and other restrictions pertaining to minimum capital adequacy requirements, classification of loans and off balance sheet commitments and provisioning to cover credit risk, liquidity, interest rate and foreign currency position.

Similarly, consolidated companies are subject to regulatory requirements specifically in relation to supplementary insurance and collective investment schemes.

3. Net interest income

(in thousands of SKK)	2003	2002
Interest income		
– Amounts due from banks	612,301	789,035
– Loans and advances to customers	3,870,778	3,967,788
– Bonds, treasury bills and other fixed income securities	2,746,952	3,075,087
Total interest income	**7,230,031**	**7,831,910**
Interest expense		
– Amounts owed to banks and central bank	(366,113)	(502,864)
– Amounts owed to customers	(2,785,493)	(3,166,928)
– Securities issued	(160,009)	(46,622)
Total interest expense	**(3,311,615)**	**(3,716,414)**
Net interest income	**3,918,416**	**4,115,496**

4. Net fees and commissions income

(in thousands of SKK)	2003	2002
Settlements of operations and other	1,152,049	765,811
Gains from commissions from cash conversions	417,129	422,544
Originated loans and guarantees issued	187,230	192,309
Total net fees and commissions income	**1,756,408**	**1,380,664**

5. Net profit on financial operations

(in thousands of SKK)	2003	2002
Trading and available for sale securities	(260,082)	761,752
Foreign exchange differences and derivatives	957,577	200,257
Loss from sale of subsidiaries	—	(3,050)
Dividend income on securities held for trading and available for sale	696	1,938
Total net profit on financial operations	**698,191**	**960,897**

6. Salaries and employment benefits

(in thousands of SKK)	2003	2002
Wages, salaries and bonuses	(1,372,580)	(1,099,084)
Social security costs	(348,136)	(300,717)
Total salaries and employments benefits	**(1,720,716)**	**(1,399,801)**

The aggregate remuneration paid to members of the Supervisory Board and Statutory Bodies of the Group in 2003 was SKK 32 458 thousand (in 2002 SKK 35 524 thousand).

Wages, salaries and bonuses include expenses related to preference shares amounting to SKK 61,354 thousand in year 2003 (in 2002 SKK 18,110 thousand). Information on preference shares is presented in Note 24.

The Group does not have pension arrangements separate from the State pension system of the Slovak Republic. Pursuant to Slovak legal regulations, an employer is obliged to pay contributions to social security, health insurance, medical insurance, accident insurance, unemployment insurance and contribution to guarantee fund set as a percentage of gross salary. These expenses are charged to the income statement in the period when the related compensation is earned by the employee.

The Group contributes to a supplementary pension plan administered by a private pension fund, based on the employment period of the employee. No liabilities arise to the Group from the payment of pensions to employees in the future. Supplementary retirement insurance costs amounted to SKK 10,726 thousand in 2003 (in 2002 SKK 7,557 thousand).

The Group had an average of 2,911 employees during 2003 and 3,003 as at December 31, 2003 (in 2002 2,676 and 2,819).

7. Administrative expenses

(in thousands of SKK)	2003	2002
Services	(498,008)	(553,437)
Material	(128,045)	(137,946)
Rental charges	(336,584)	(313,590)
Promotion expenses	(160,989)	(115,504)
VAT not claimed	(155,727)	(157,926)
Other expenses	(314,213)	(278,480)
Total administrative expenses	**(1,593,566)**	**(1,556,883)**

8. Other operating expenses, net

(in thousands of SKK)	2003	2002
Statutory contribution to the Fund for protection of deposits	(331,871)	(294,223)
Profit /(loss) from sale of tangibles	5,202	(1,879)
Loss from sale of receivables	(1,994)	—
Other operating income	199,983	117,516
Other operating expense	(93,991)	(77,582)
Total other operating expenses, net	**(222,671)**	**(256,168)**

9. Provisions for loan and investment losses and off-balance sheet and other risks

The movement in the provisions for loan and investment losses and off-balance sheet and other risks during 2003 was:

(in thousands of SKK)	Provisions for loan and investment losses	Provisions for off-balance sheet and other risks	Total
December 31, 2001	1,769,395	624,024	2,393,419
Provisions charged to profit, net	24,440	11,584	36,024
December 31, 2002	1,793,835	635,608	2,429,443
Provisions charged to profit, net	261,072	7,795	268,867
December 31, 2003	**2,054,907**	**643,403**	**2,698,310**

The movement in the provisions for loan and investment losses during 2003 was:

(in thousands of SKK)	Provision for corporate loans	Provision for retail loans	Total provisions for loan losses (Note 14)	Provision for securities available for sale	Provision for fixed assets	Provision for other assets	Total
December 31, 2001	1,632,993	22,292	1,655,285	69,965	687	43,458	1,769,395
Provisions (recoveries) charged to profit, net	(32,144)	71,664	39,520	3,000	(687)	(17,393)	24,440
December 31, 2002	1,600,849	93,956	1,694,805	72,965	—	26,065	1,793,835
Provisions charged to profit, net	127,839	126,328	254,167	1,085	—	5,820	261,072
December 31, 2003	**1,728,688**	**220,284**	**1,948,972**	**74,050**	**—**	**31,885**	**2,054,907**

The movement in the provisions for off-balance sheet and other risks during 2003 was:

(in thousands of SKK)	Guarantees	Undrawn loan facilities	Other	Total provisions for off-balance sheet (Note 28)	Legal disputes (Note 28)	Total
December 31, 2001	162,186	107,391	700	270,277	353,747	624,024
Provisions (recoveries) charged to profit, net	7,656	(4,611)	117	3,162	8,422	11,584
December 31, 2002	169,842	102,780	817	273,439	362,169	635,608
Provisions (recoveries) charged to profit, net	(5,256)	2,806	—	(2,450)	10,245	7,795
December 31, 2003	**164,586**	**105,586**	**817**	**270,989**	**372,414**	**643,403**

Provision for loan and investment losses are deducted from the related asset. Provision for off-balance sheet and other risks are recorded in liabilities.

10. Taxation

(in thousands of SKK)	2003	2002
Current tax expense	(173,450)	(115,141)
Deferred tax (expense)/income	183,867	(22,269)
Total income tax (expense)/income	**10,417**	**(137,410)**

Slovak legal entities must individually report taxable income and remit corporate income taxes thereon to the appropriate authorities. In 2003 and 2002 the corporate income tax rate amounted to 25 %. In both periods, the reduced 15 % tax rate was applied to interest on NBS treasury bills, state treasury bills, government bonds denominated in Slovak currency and on bonds issued by Slovak legal entities.
The tax on the profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

(in thousands of SKK)	2003	2002
Profit before tax (tax rate 25 %)	920,255	1,758,657
Profit before tax (special tax rate 15 %)	1,109,840	736,428
Profit before tax	**2,030,095**	**2,495,085**
Theoretical tax calculated at a tax rate of 25 % and 15 %	(396,540)	(550,128)
Income not taxable, primarily interest on securities	1,479,139	530,582
Tax non deductible expenses	(1,194,270)	(47,042)
Provisions and reserves, net	(43,590)	(9,187)
IFRS adjustments	(15,886)	(34,143)
Consolidation effect	19,586	—
Non taxable losses	(24,685)	(7,685)
Other	2,796	2,462
Movement of deferred tax	183,867	(22,269)
Total income tax (expense)/income	**10,417**	**(137,410)**

The Group's tax liability is calculated based upon the accounting profit taking into account tax non-deductible expenses and tax exempt income and income subject to the final tax rate.

Tax liabilities comprise:

(in thousands of SKK)	December 31, 2003	December 31, 2002
Withholding tax on interest paid to individuals	63,267	61,413
Deferred tax	17,636	201,389
Income tax	4,730	1,855
VAT	4,738	7,649
Other	8,127	1,530
Tax liabilities	**98,498**	**273,836**

Tax assets comprise:

(in thousands of SKK)	December 31, 2003	December 31, 2002
Other withholding tax	—	17
VAT	128	99
Income tax	1,298	2,068
Other	12,595	—
Tax assets	**14,021**	**2,184**

The movements of the deferred tax:

(in thousands of SKK)	2003	2002
Deferred tax liability as of 1 January	(201,389)	(179,120)
Deferred tax (expense)/income	183,867	(22,269)
Deferred tax liability as of December 31	**(17,522)**	**(201,389)**

Deferred income tax liability of SKK 17,522 thousand arises mainly due to temporary taxable differences related to income on government bonds. In 2002, deferred income tax liability mainly related to temporary taxable differences related to accrued income on securities.

11. Cash and balances with the central bank

(in thousands of SKK)	December 31, 2003	December 31, 2002
Cash and cash equivalents	2,502,566	1,761,048
Balances with the central banks:		
– Obligatory minimum reserves	2,817,193	2,953,478
– Deposits repayable on demand	1,477,374	982,006
– Overnight with National Bank of Slovakia	1,300,163	2,600,361
Current accounts with other banks	1,208,463	875,444
Total cash and balances with the central bank	**9,305,759**	**9,172,337**

The minimum obligatory reserve is maintained as an interest bearing deposit under the regulations of the National Bank of Slovakia (1.5 % p.a.). The amount of the reserve depends on the level of deposits accepted by the Bank. The Bank's ability to withdraw the reserve is restricted by statutory legislation.

12. Amounts due from banks

(in thousands of SKK)	December 31, 2003	December 31, 2002
Loans and advances to other banks	12,114	11,346
Advances due from the central banks (reverse repo transactions)	5,964,235	—
Term placements with other banks	6,092,579	7,801,109
Total amounts due from banks	**12,068,928**	**7,812,455**

Advances due from the central banks are collateralised by treasury bills issued by the National Bank of Slovakia.

13. Securities held for trading

(in thousands of SKK)	December 31, 2003 Fair value	December 31, 2003 Cost	December 31, 2002 Fair value	December 31, 2002 Cost
Shares and ownership interests	72,265	86,297	100,321	150,861
Fixed income debt securities	21,715,187	21,665,814	30,230,751	29,834,475
Treasury bills	20,139,556	20,148,823	17,894,170	17,888,774
Total securities held for trading	**41,927,008**	**41,900,934**	**48,225,242**	**47,874,110**

As of December 31, 2003, the portfolio of securities held for trading includes securities at a fair value of SKK 21,727,700 thousand (2002: SKK 29,314,277 thousand) that are listed on stock exchanges and securities at a fair value of SKK 20,199,308 thousand (2002: SKK 18,910,965 thousand) that are not listed.

Shares and ownership interests held for trading at fair value, allocated by issuer, comprise:

(in thousands of SKK)	December 31, 2003	December 31, 2002
Shares and ownership interests held for trading issued by:		
– Financial institutions in the Slovak Republic	60,917	90,987
– Other entities in the Slovak Republic	11,348	9,334
Total shares and ownership interests held for trading	**72,265**	**100,321**

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

(in thousands of SKK)	December 31, 2003	December 31, 2002
Debt securities held for trading issued by:		
– State institutions in the Slovak Republic	24,635,502	27,500,011
– National bank of Slovakia	13,842,668	16,819,501
– Foreign central banks	—	127,283
– Financial institutions in the Slovak Republic	53,657	642,728
– Foreign financial institutions	2,581,483	1,383,822
– Other entities in the Slovak Republic	741,433	1,651,576
Total debt securities held for trading	**41,854,743**	**48,124,921**

14. Originated loans and advances to customers, net

(in thousands of SKK)	December 31, 2003	December 31, 2002
Overdrafts	6,048,105	4,616,598
Bill of exchange loans	554,752	861,262
Short term loans	17,872,118	17,499,848
Middle term loans	13,416,889	12,379,561
Long term loans	15,885,094	11,573,222
Loans to municipalities	481,392	394,559
Other receivables from clients	314,106	279,262
Standard loans subtotal	*54,572,456*	*47,604,312*
Watch	*4,464,200*	*2,813,930*
Substandard	*462,988*	*1,643,498*
Doubtful	*1,313,359*	*223,896*
Loss loans	*625,662*	*891,628*
Originated loans and advances to customers, gross	**61,438,665**	**53,177,264**
Less provisions for loan losses (Note 9)	(1,948,971)	(1,694,805)
Total originated loans and advances to customers, net	**59,489,693**	**51,482,459**

Loans and advances to customers are made principally within the Slovak Republic and comprise the following segments:

(in thousands of SKK)	December 31, 2003	December 31, 2002
Manufacturing	21,030,746	21,891,592
Mining	53,237	72,541
Agriculture	424,214	397,508
Trading enterprises	14,125,003	11,938,139
Real estate construction	447,610	438,733
Transportation	5,515,381	5,238,711
Financial services	5,479,262	3,577,526
Other services	3,695,116	4,399,273
Healthcare and public services	911,761	755,899
Other	9,756,334	4,467,342
Originated loans and advances to customers, gross	**61,438,665**	**53,177,264**
Less provisions for loan losses (Note 9)	(1 948,972)	(1,694,805)
Total originated loans and advances to customers	**59,489,693**	**51,482,459**

The Group's loan portfolio consists of loans extended to the following types of enterprises:

(in thousands of SKK)	December 31, 2003	December 31, 2002
Private companies	38,457,639	34,028,703
State companies	13,623,384	14,386,134
State budget or local authorities	481,392	397,458
Individuals	8,823,645	4,350,176
Other	52,605	14,793
Originated loans and advances to customers, gross	**61,438,665**	**53,177,264**
Less provisions for loan losses (Note 9)	(1,948,972)	(1,694,805)
Total originated loans and advances to customers, net	**59,489,693**	**51,482,459**

The Group has high loan exposure against limited amount of clients. As at December 31, 2003 15 biggest clients represented 37.0 % share on originated loans and advances to customers, which in monetary terms amounts to SKK 22,749,679 thousand (2002: 43.9 %, SKK 23,338,655 thousand).

15. Securities available for sale

(in thousands of SKK)	December 31, 2003	December 31, 2002
Shares and ownership interests	84,251	76,561
Less provision for impairment (Note 9)	(74,050)	(72,965)
Total securities available for sale	**10,201**	**3,596**

The Group had shares and ownership interests in the following companies as at December 31, 2003:

Name	Group holding (%)	Investment cost	Provision	Net investment
DDP Pokoj	n/a	68,533	(68,533)	—
Slovakia Industries, a.s.	n/a	1,432	(1,432)	—
RVS, a.s. *	0.89	2,700	(2,700)	—
eliot, s.r.o.	100	200	—	200
DTCA, a.s.	10	1,100	—	1,100
Int. Factors Group s.c.	10 shares	256	—	256
Burza cenných papierov Bratislava, a.s.	0.26	300	—	300
SWIFT, s.c. Belgium	35 shares	2,195	—	2,195
Slovak Banking Credit Bureau, s.r.o.	33.33	100	—	100
VALUE GROWTH FUND SLOVAKIA B.V.	7.14	7,435	(1,385)	6,050
Securities available for sale		**84,251**	**(74,050)**	**10,201**

** Change in business name on September 17, 2003 – originally: Bankové zúčtovacie centrum, a. s.*

The investment in DDP Pokoj represents a contribution provided for special purposes to the supplementary pension insurance. The Group will also carry out particular activities for Pokoj dôchodková doplnková poisťovňa according to the agreement. The company was not consolidated as its activities are restricted by legislation and only insured clients have the right to a share of the profit. This special purpose deposit was provided for fully due to losses generated by the company in the past.

16. Securities held to maturity

Securities held to maturity and recognised at amortised cost in breakdown by issuer comprise:

(in thousands of SKK)	December 31, 2003	December 31, 2002
Securities held to maturity issued by:		
– State institutions in the Slovak Republic	7,593,003	—
– Financial institutions in the Slovak Republic	1,339,293	—
– Foreign financial institutions	322,003	—
– Other entities in the Slovak Republic	276,904	—
Total securities held to maturity	**9,531,203**	**—**

As at December 31, 2003, the portfolio of securities held to maturity included fixed income securities in the amount of SKK 9,531,203 thousand (2002: SKK 0 thousand), listed on the stock exchange.

In December 2003, the Group purchased securities in the amount of SKK 9,531,203 thousand, which were included in the portfolio of securities held to maturity at cost of acquisition. As at December 31, 2003, the market value of these securities was SKK 9,503,945 thousand.

17. Investments in associates

(in thousands of SKK)	December 31, 2003	December 31, 2002
January 1	**224,924**	**207,699**
Share of profit of associates after taxation	65,833	17,225
Elimination of dividends received	(19,200)	—
December 31	**271,557**	**224,924**

As at December 31, 2003 the Group had investments in following associates:

Associate (in thousands of SKK)	Share on equity in %	Cost of investment	Provision	Net book value	Share on net assets*
Tatra Leasing, s.r.o.	48 %	96,000	—	96,000	270,965
K.A.X., s.r.o.	40 %	840	—	840	592
		96,840	**—**	**96,840**	**271,557**

**) According to the financial statements for the year ended on December 31, 2003 prepared in accordance with IFRS.*

18. Tangible fixed assets

(in thousands of SKK)	Land and buildings	Machinery & equip.	Other fixed assets	Means of transport	Construction in progress and advances	Total
Cost						
January 1, 2003	1,614,588	2,233,407	908,719	145,625	127,871	5,030,210
Additions	572	471	—	1,238	428,065	430,346
Disposals	(8,016)	(55,694)	(8,289)	(18,386)	(124,745)	(215,130)
Transfers from tangibles in progress	82,762	169,504	37,088	55,021	(344,375)	—
December 31, 2003	**1,689,906**	**2,347,688**	**937,518**	**183,498**	**86,816**	**5,245,426**
Accumulated depreciation						
January 1, 2003	(253,424)	(1,479,991)	(497,410)	(81,756)	—	(2,312,581)
Additions	(61,950)	(321,282)	(77,135)	(32,821)	—	(493,188)
Disposals	4,006	55,694	8,288	17,056	—	85,044
December 31, 2003	**(311,368)**	**(1,745,579)**	**(566,257)**	**(97,521)**	**—**	**(2,720,725)**
Net book value 2003	**1,378,538**	**602,109**	**371,261**	**85,977**	**86,816**	**2,524,701**
Net book value 2002	**1,361,164**	**753,416**	**411,309**	**63,869**	**127,871**	**2,717,629**

Insurance coverage
Tangible fixed assets are insured covering a maximum risk of SKK 3 131 236 thousand against natural disaster, SKK 2 934 129 thousand against water damage, SKK 730 452 thousand against theft and vandalism, and SKK 1 168 662 thousand against fire damage. Electronic equipment is insured covering a maximum risk of SKK 292 333 thousand.

Future investment plans
The bodies of the Group have approved the following major investments for the future accounting periods:

(in thousands of SKK)	2004
Buildings – reconstruction acquisition	56,671
Office equipment	23,700
Cars	31,950
Telecommunication system	20,149
Hardware and software	901,885
Total	**1,034,355**

19. Intangible fixed assets

(in thousands of SKK)	Software	Goodwill	Others	Intangibles in progress	Total
Cost					
January 1, 2003	678,499	33,194	774	172,913	885,380
Additions	5,083	—	4	162,605	167,692
Disposals	—	—	—	(8,377)	(8,377)
Transfer from intangibles in progress	242,995	—	—	(242,995)	—
December 31, 2003	**926,577**	**33,194**	**778**	**84,146**	**1,044,695**
Accumulated depreciation					
January 1, 2003	(566,048)	(27,220)	(774)	—	(594,042)
Charge for the year	(88,854)	(5,974)	(4)	—	(94,832)
Disposal	—	—	—	—	—
December 31, 2003	**(654,902)**	**(33,194)**	**(778)**	**—**	**(688,874)**
Net book value 2003	**271,675**	**—**	**—**	**84,146**	**355,821**
Net book value 2002	**112,451**	**5,974**	**—**	**172,913**	**291,338**

The principal additions arose in connection with the acquisition of software related to the implementation of banking software.

20. Prepayments, accrued income and other assets

(in thousands of SKK)	December 31, 2003	December 31, 2002
Prepayments and accrued income	204,751	144,056
Inventories	16,623	16,431
Sundry debtors	28,752	113,579
Finance lease receivables	12,168	41,631
Advances granted	76,735	53,899
Estimated receivables	40,902	17,476
Other	70,185	43,940
Prepaid expenses and accrued income and other assets - gross	450,116	431,012
Provision for losses (Note 9)	(31,885)	(26,065)
Total prepayments, accrued income and other assets	**418,231**	**404,947**

21. Amounts owed to banks

(in thousands of SKK)	December 31, 2003	December 31, 2002
Current accounts of other banks	580,545	2,427,177
Amounts owed to banks	9,223,017	7,594,627
Total amounts owed to banks	**9,803,562**	**10,021,804**

22. Amounts owed to customers

(in thousands of SKK)	December 31, 2003	December 31, 2002
Current accounts	45,856,279	37,476,213
Savings accounts	9,632,105	7,525,551
Term deposits	46,414,764	45,922,465
Deposits from budget of public sector	3,183,718	3,926,586
Loans from customers	1,371,692	602,854
Other payables	1,755,933	358,963
Total amounts owed to customers	**108,214,491**	**95,812,632**

Amounts owed to customers by type:

(in thousands of SKK)	December 31, 2003	December 31, 2002
Private companies	51,509,274	45,896,728
Other financial institutions	4,184,210	2,473,324
Insurance companies	2,336,116	2,100,039
Public administration	3,183,718	3,926,586
Individuals	39,748,921	37,481,598
Non-residents	1,887,625	1,657,385
Receivable from bills of exchange transactions	298,588	—
Private entrepreneurs	3,273,682	2,249,299
Other	1,792,357	27,673
Total amounts owed to customers	**108,214,491**	**95,812,632**

23. Securities issued

(in thousands of SKK)	December 31, 2003	December 31, 2002
Deposit certificates	—	131,509
Mortgage bonds	4,165,060	1,435,889
Total securities issued	**4,165,060**	**1,567,398**

Publicly traded mortgage bonds are issued to fund the Group's mortgage activities.

The mortgage bonds were issued by the Group with the following terms as of the date of issuance:

Name	Interest rate	Issue date	Maturity date	December 31, 2003	December 31, 2002
Mortgage bonds	7.50 %	14.12.2001	14.12.2006	603,150	603,538
Mortgage bonds	5.50 %	17.12.2002	17.12.2012	1,042,331	832,351
Mortgage bonds	6.00 %	11.3.2003	11.3.2010	562,687	—
Mortgage bonds	5.00 %	21.5.2003	21.5.2013	943,987	—
Mortgage bonds	4.60 %	8.8.2003	8.8.2008	509,072	—
Mortgage bonds	4.60 %	31.10.2003	31.10.2008	503,833	—
Total mortgage bonds				**4,165,060**	**1,435,889**

24. Accruals, deferred income and other liabilities

(in thousands of SKK)	December 31, 2003	December 31, 2002
Accruals and deferred income	15,133	12,431
Different creditors	72,881	70,743
Estimated payables	344,843	216,184
Liabilities to employees due from preference shares	302,159	187,820
Other	13,002	6,777
Total accruals, deferred income and other liabilities	**748,018**	**493,955**

In accordance with its Articles of Association, the Group sold to its employees preference shares as part of the incentive programme. The Group is obliged to repurchase these shares upon an employee request. The calculation of the repurchase price is defined in the Group's Articles of Association and in general, it is based on the profitability of the Group. Preference shareholders do not exercise voting rights, however they are entitled to dividends. In respect of the obligation of the Group to buy the preference shares back in firmly defined time and for the firmly defined price, these were classified as liabilities to employees for the purposes of preparation of these financial statements.

Under the changes in Slovak legislation the employee shares were cancelled and replaced by preference shares by the end of 2003.

The total liability of the Group in respect of preference shares was stated based on the number of the preference shares owned at the end of period and redemption price of these shares. Calculation of redemption price is defined in the Group's Articles of Association.

25. Share capital

Share capital of the Group comprises 50 216 registered ordinary shares with a nominal value of SKK 20 thousand.

In 2003 and 2002, earnings per share were as follows:

(in thousands of SKK)	2003	2002
Net profit for the period	**2,040,512**	**2,357,675**
Average number of shares in 2003 (pcs)		
Ordinary shares (nominal value SKK 20 000)	50,216	50,216
Diluted and non-diluted earnings per share (in Slovak crowns)		
Equity shares (nominal value SKK 20 000)	40,635	46,951

26. Share premium and reserves

Information on the consolidation of the group

Share premium, reserves and retained earnings (excluding profit of the current year)

(in thousands of SKK)	December 31, 2003	December 31, 2002
Parent company	8,729,278	7,513,812
Companies consolidated by full method:	(343,513)	(235,905)
Companies consolidated by equity method:	128,077	110,852
Total share premium, reserves and retained earnings	**8,513,842**	**7,388,759**

Profit for the year, net

(in thousands of SKK)	2003	2002
Parent company	2,001,110	2,471,192
Companies consolidated by full method:	(7,231)	(130,742)
Companies consolidated by equity method:	46,633	17,225
Total income for the year, net	**2,040,512**	**2,357,675**

Distribution of net profit for the year ended December 31, 2003 will be approved by the General meeting of the Group companies.

Shareholder's equity and profit are reconciled between Slovak accounting legislation and IFRS as follows:

	December 31, 2003		December 31, 2002	
(in thousands of SKK)	Equity	Profit	Equity	Profit
Slovak Accounting Legislation (Bank only)	11,395,667	2,056,261	10,848,234	2,566,330
IFRS consolidation effect	181,972	44,455	137,519	11,464
Elimination of employee shares	101,441	—	(137,349)	—
Reserve for own shares	(101,441)	(42,389)	(59,052)	(18,110)
Reserve for preference shares	(18,965)	(18,965)	—	—
Other adjustments	—	1,150	(38,598)	(202,009)
International Financial Reporting Standards	**11,558,674**	**2,040,512**	**10,750,754**	**2,357,675**

27. Information for cash flow statement

Profit from operating activities before changes in working capital:

(in thousands of SKK)	2003	2002
Cash flows from operating activities		
Profit before income taxes	2,030,095	2,495 085
Adjustments for non-cash operations:		
Interest expense	3,311,615	3,716,414
Interest income	(7,230,031)	(7,831,910)
Provisions for losses and write off of assets, net	283,780	98,564
(Profit)/loss on sale and other disposals of fixed assets	(5,202)	1,879
Share of profit of associates	(65,833)	(17,225)
Revaluation of derivatives and trading and available for sale securities	271,911	374,621
Depreciation and amortization	588,020	667,781
Dividend income	(696)	—
Changes in accrued income and expense	483	420
Foreign exchange (gain)/loss on cash and cash equivalents	83,596	79,179
Loss from operating activities before changes in working capital, interest received and paid and income taxes paid	*(599,140)*	*(415,192)*

Analysis of cash and cash equivalents:

(in thousands of SKK)	December 31, 2003	December 31, 2002	Change in the year
Cash and balances with central banks (excluding obligatory minimum reserves)	5,280,103	5,343,415	(63,312)
Current accounts with other banks	1,208,463	875,444	333,019
Total	**6,488,566**	**6,218,859**	**269,707**

28. Off balance sheet financial commitments and contingencies

Off balance sheet financial commitments and contingencies

(in thousands of SKK)	December 31, 2003	December 31, 2002
Off balance sheet financial commitments and contingencies made:		
– Guarantees	4,876,651	5,658,648
– Classified guarantees	43,283	205,660
– Letters of credit	568,289	667,660
Undrawn credit facilities	22,075,968	19,668,750
Total off balance sheet financial commitments and contingencies	**27,564,191**	**26,200,718**

Off balance sheet commitments from guarantees represent irrevocable obligations that the Group will make payments in the event that a customer cannot fulfill its obligations against the third parties.

Documentary letter of credit is an irrevocable undertaking of the issuing Group acting at the request of a customer (buyer) to make payment to the beneficiary (seller) or to pay or accept bills of exchange drawn by the beneficiary against stipulated documents, provided all terms and conditions of the letter of credit are complied with. The documentary letters of credit are collateralised depending on the creditworthiness of the customer and on the same basis as guarantees or loans.

The primary purpose of unused credit facilities (loan commitments) is to ensure that funds are available to a customer as required. Commitments to grant loans issued by the Group represent issued loan commitments and unused part of approved overdraft loans.

The risk associated with off balance sheet financial commitments and contingent liabilities is assessed similarly as for loans to customers taking into account the financial position and activities of the entity to which the Group issued the guarantee and taking into account the collateral obtained. As of December 31, 2003 the Group created reserves for these risks amounting to SKK 270,989 thousand (2002: SKK 273,439 thousand) (Note 9).

Under a reversed repo transaction the Bank obtained NBS treasury bills at market value of SKK 5,964,235 thousand.

Legal disputes

In the ordinary course of business the Group is subject to legal actions and complaints. Group representatives believe that the ultimate liability if any, arising from such actions or complaints will not have a material adverse effect on the financial situation or the results of future operations of the Group. As of December 31, 2003 the Group created provisions for these risks amounting to SKK 372,414 thousand (2002: SKK 362,169 thousand) (Note 9).

29. Derivative financial instruments

The outstanding balances of derivative financial instruments as at December 31, 2003 and December 31, 2002 were as follows:

	December 31, 2003				December 31, 2002			
	Notional value		Real value		Notional value		Real value	
(in thousands of SKK)	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Interest rate instruments								
Interest rate swaps (IRS)	27,503,999	27,503,999	465,760	766,196	13,000,290	13,000,290	189,402	484,599
Forward Rate Agreements (FRA)	19,200,000	19,200,000	2,804	4,108	79,100,000	79,100,000	193,362	350,501
Other interest rate instruments	50,741	50,741	—	—	—	200,000	—	—
Subtotal	**46,754,740**	**46,754,740**	**468,564**	**770,304**	**92,100,290**	**92,300,290**	**382,764**	**835,100**
Foreign currency instruments								
Currency swaps	20,057,072	20,117,752	270,089	368,999	23,782,449	23,754,848	610,130	637,092
Cross currency swaps	797,125	924,891	67,812	219,605	1,025,206	1,091,313	79,055	171,839
Forwards	21,979,589	22,104,805	192,819	236,134	12,913,509	13,006,675	163,318	227,977
Put options	4,594,562	4,576,590	24,230	29,423	2,218,936	2,225,545	19,273	5,676
Call options	718,086	717,695	4,211	2,649	1,898,774	1,901,097	2,729	38,608
Subtotal	**48,146,434**	**48,441,733**	**559,161**	**856,810**	**41,838,874**	**41,979,478**	**874,505**	**1,081,192**
Total			**1,027,725**	**1,627,114**			**1,257,269**	**1,916,292**

The real value of these transactions reflects the credit risk and other types of economic risks for the Group. All derivative financial instruments were made over-the-counter ("OTC").

The maturity of derivative financial instruments as at December 31, 2003 is as follows:

(in thousands of SKK)	Up to 1 year	1 to 5 years	Over 5 years	Total
Interest rate instruments				
Interest rate swaps (IRS)				
Assets	2,450,523	18,407,036	6,646,440	27,503,999
Liabilities	2,450,523	18,407,036	6,646,440	27,503,999
Forward rate agreements (FRA)				
Assets	18,600,000	600,000	—	19,200,000
Liabilities	18,600,000	600,000	—	19,200,000
Foreign currency instruments				
Swaps				
Assets	20,057,072	—	—	20,057,072
Liabilities	20,117,752	—	—	20,117,752
Cross currency swaps				
Assets	127,043	670,082	—	797,125
Liabilities	101,954	822,937	—	924,891
Forwards				
Assets	21,979,589	—	—	21,979,589
Liabilities	22,104,805	—	—	22,104,805
Call options				
Assets	4,475,820	118,742	—	4,594,562
Liabilities	4,457,848	118,742	—	4,576,590
Put options				
Assets	718,086	—	—	718,086
Liabilities	717,695	—	—	717,695

30. Related parties

Related parties as defined by IAS 24 are those counter parties that represent:

(a) enterprises that directly, or indirectly through one or more intermediaries control, or are controlled by, or are under common control with the reporting enterprise. (This includes holding companies, subsidiaries and fellow subsidiaries);

(b) associates – enterprises in which the Group has significant influence and which is neither a subsidiary nor a joint venture of the investor;

(c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group, and anyone expected to influence, or be influenced by that person in their dealings with the Group;

(d) key management personnel, that is those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including directors and officers of the Group and close members of the families of such individuals; and

(e) enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in (c) or (d) or over which such a person is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the Group and enterprises that have a member of key management in common with the Group.

In considering each possible related party relationship attention is directed to the substance of the relationship and not merely the legal form.

As at December 31, 2003 and December 31, 2002, balances outstanding with related parties comprised:

(in thousands of SKK)	December 31, 2003	December 31, 2002
Cash and cash equivalents	**832,955**	**481,199**
– RZB	438,979	474,939
– RZB Group	393,976	6,260
Loans and advances to banks and clients	**1,313,775**	**2,595,050**
– Statutory bodies and Supervisory Board	3,362	3,552
– Other related parties	7,093	96,766
– RZB	96,046	1,062,184
– RZB Group	901,933	1,071,311
– Associates	305,341	361,237
Receivables from financial derivative transactions	**29,715**	**41,732**
– RZB	13,875	19,628
– RZB Group	220	1,105
– Associates	15,620	20,999
Other receivables	**31,311**	**207**
– RZB	19,839	—
– RZB Group	4,252	—
– Associates	7,220	207
Total assets	**2,207,756**	**3,118,188**

(in thousands of SKK)	December 31, 2003	December 31, 2002
Loans and advances of other banks and clients	**834,213**	**151,432**
– Statutory bodies and Supervisory Board	52,650	14,062
– RZB	1,577	37,161
– RZB Group	778,692	97,410
– Associates	1,294	2,799
Liabilities from financial derivative transactions	**174,948**	**209,025**
– RZB	168,395	205,073
– RZB Group	1,169	478
– Associates	5,384	3,474
Other liabilities	**9,680**	**—**
– RZB	9,670	—
– Associates	10	—
Total liabilities	**1,018,841**	**360,457**

Transactions with related parties in years 2003 and 2002 comprised:

(in thousands of SKK)	2003	2002
Interest income	**59,724**	**133,287**
– Statutory bodies and Supervisory Board	568	—
– RZB	27,444	112,895
– RZB Group	2,769	6,689
– Associates	28,943	13,703
Income from charges	**34,699**	**37,309**
– RZB	198	687
– RZB Group	8,628	5,058
– Associates	25,873	31,564
Operating revenues	**16,024**	**7,836**
– RZB	239	111
– RZB Group	245	515
– Associates	15,540	7,210
Total revenues	**110,447**	**178,432**

(in thousands of SKK)	2003	2002
Interest expense	**(27,831)**	**(194,044)**
– Statutory bodies and Supervisory Board	—	(115)
– RZB	(24,467)	(192,325)
– RZB Group	(3,158)	(828)
– Associates	(206)	(776)
Expenses on charges	**(74,277)**	**(68,625)**
– RZB	(69,678)	(66,706)
– RZB Group	(4,599)	(1,919)
Unrealised gain/loss on financial derivative transactions	**(36,344)**	**(162,899)**
– RZB	(31,513)	(180,817)
– RZB Group	(2,054)	1,105
– Associates	(2,777)	16,813
Administrative expenses	**(98,023)**	**(103,602)**
– RZB	(38,020)	(41,789)
– RZB Group	(27,545)	(26,289)
– Supervisory Board – remuneration	(8,143)	(9,480)
– Statutory bodies – remuneration	(24,315)	(26,044)
Operating expenses	**(55)**	**—**
– RZB	(55)	—
Total expenses	**(236,530)**	**(529,170)**

Related party balances in off-balance sheet accounts were as follows:

(in thousands of SKK)	December 31, 2003	December 31, 2002
Off balance sheet financial commitments and contingencies		
Guarantees issued	340,747	1 272,951
– RZB	160,179	177,855
– RZB Group	171,756	848,671
– associates	8,812	246,425
Guarantees received	2,271,027	1,063,274
– RZB	2,249,407	1,063,029
– RZB Group	21,620	244
Derivatives		
Swaps		
– RZB		
– purchase	1,839,656	2,645,808
– sale	(1,830,723)	(2,646,041)
– RZB Group		
– purchase	179,600	228,356
– sale	(180,239)	(228,205)
FX Forwards		
– purchase	4,428	—
– sale	(4,116)	—
IRS		
– RZB Group	2,023,015	2,087,258
– associates	562,610	472,835

All of the transactions stated above have been made under arms-length commercial and banking conditions.

31. Estimated fair value of assets and liabilities of the group

It is the opinion of the management of the Bank that the real value of the Group financial assets and liabilities are not materially different from the amounts stated in the balance sheets as at December 31, 2003 and December 31, 2002.

Financial assets

The amortised cost of amounts due from banks is estimated to approximate their fair value due to their short–term nature, interest rates reflecting current market conditions, and not significant transaction costs.

The amortised cost of treasury securities was not materially different from their quoted prices.

Trading and available for sale securities are stated at fair value. The real value of debt securities is determined using the generally accepted valuation methods. The quoted shares are stated at closing market prices.

The restated cost net of any reserve for impairment of equity investments that are not listed on the stock exchange is estimated to approximate their fair value.

The amortised cost of loans and advances to customers net of allowances is estimated to approximate their fair value.

Financial liabilities

The amortised cost of customer deposits and funds borrowed is considered to approximate their respective real values, since these items have predominantly short re-pricing terms, carry interest rates reflecting current market conditions and are settled without significant transaction costs.

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

(in thousands of SKK)	December 31, 2003 Carrying value	December 31, 2003 Fair value	December 31, 2002 Carrying value	December 31, 2002 Fair value
Financial assets				
Cash and balances with the central bank	9,305,759	9,305,759	9,172,337	9,172,337
Amounts due from banks	12,068,928	12,068,928	7,812,455	7,812,455
Securities held to maturity	9,531,203	9,503,945	—	—
Originated loans and advances to customers, net	59,489,693	59,353,790	51,482,459	51,948,391
Financial liabilities				
Amounts owed to banks	9,803,562	9,803,562	10,021,804	10,021,804
Amounts owed to customers	108,214,491	108,214,491	95,812,632	95,785,376
Securities issued	4,165,060	4,165,060	1,567,398	1,567,398

32. Credit risk

The Group bears a credit risk, i.e. the risk that the counter party will not be able to repay in full amounts owed, at their maturity. The Group classifies the loan exposure borne by the Group by setting limits of the risk accepted with respect to one debtor, or a group of debtors, and with respect to individual countries. Such risks are monitored on a regular basis and reviewed at least annually. Exposure to one debtor including banks and securities dealers is also limited by partial limits set for balance sheet and off-balance sheet exposures, and by daily limits of exposure in relation to items traded, such as forward foreign currency contracts. The actual exposure is compared to set limits on a daily basis. The loan exposure is managed based on regular analyses of debtor's and potential debtors' ability to repay the principal amount and interest and based on potential adjustments to such loan limits. Credit risks are also partially managed by collaterals and guarantees received from private individuals or legal entities.

Retail debtors are assessed by the Group using the scoring models developed for individual products. According to the score achieved, the clients are classified into two groups: the clients qualifying for requested products and rejected requests. With certain products (e.g. mortgages), the Group applies the judgmental approach for client assessment and scoring is used only as pre-selection criteria.

For products other than retail provisions are created individually (case by case basis). For retail products group has chosen the different approach to provisioning. Provisions are based on performance of whole retail portfolio and are product specific. The provisions are created not only in the level reflecting actually defaulted loans but also in the level that reflects also the loans that will probably default in the next 12 months. This estimation of retail provisions is based on previous experience of Group with default rate and on current size of retail portfolio.

For collection of receivables the Group uses internal or external sources depending on the amount and the type of receivable. Receivables up to a certain amount are forwarded to collecting agencies. In the case of unsuccessful collection of receivables, the receivable is sold to an external company that specialises in the enforcement of receivables using legal action. Receivables over a certain amount and specific or selected types of receivables are dealt with by an expert team of internal employees in co-operation with the legal function and professional divisions of the Group.

33. Market risk

The Group is exposed to market risks. Market risks result from open positions from transactions with interest rate, cross-currency and equity products subject to general and specific market changes. To assess the approximate level of market risks associated with the Group's positions, and the expected maximum amount of potential losses, the Group uses internal reports and models for individual types of risks faced by the Group. The Group uses a system of limits, the aim of which is to ensure that the level of risks the Group is exposed to at any time does not exceed the level of risks the Group is willing and able to take. These limits are monitored on a daily basis.

For risk management purposes, the market risk is regarded as the risk of potential losses the Group may incur due to unfavourable development in market rates and prices. To manage market risks, the Group uses a system of limits imposed on individual positions and portfolios.

As to the structure of trades, the Group primarily faces the following market risks:
- Currency risk
- Interest rate risk

34. Currency risk

The currency risk represents the potentiality of loss resulting from unfavourable movements in foreign currency exchange rates. The Group controls this risk by the determination and monitoring of open position limits.

Open currency positions are subject to real-time monitoring through the banking information system. The currency position of the Group is monitored separately for each currency, as well as for three currency groups, formed according to the respective market liquidity. Limits for these positions are set in line with the Group standards. Data on the Group currency positions and on the Group's compliance with the limits set by RZB are reported on a weekly basis.

In addition to the limit on an open currency position, the Group also sets a negative gamma limit on an option position for each currency match subject to trading. The Group also sets the vega limit on the overall option position.

Positions from client option trades to currency matches, where no gamma limit on trading has been specified by the Group, are closed in the market, so as to ensure that the Group has no open position for this currency match.

Moreover, the Group sets two stop-loss limits (40-day) on:
- The overall currency position
- The currency option position

The Group's assets and liabilities are denominated as follows:

(in thousands of SKK)	Slovak crowns	Foreign currencies	Total
Assets			
Cash and balances with the central bank	7,334,446	1,971,313	9,305,759
Amounts due from banks	11,686,561	382,367	12,068,928
Securities held for trading	34,909,860	7,017,148	41,927,008
Receivables on financial derivative transactions	942,599	85,126	1,027,725
Originated loans and advances to customers, net	44,542,527	14,947,166	59,489,693
Securities available for sale	1,700	8,501	10,201
Securities held to maturity	9,254,299	276,904	9,531,203
Tax assets	14,021	—	14,021
Investments in associates	271,557	—	271,557
Tangible fixed assets	2,524,701	—	2,524,701
Intangible fixed assets	355,821	—	355,821
Prepayments, accrued income and other assets	409,803	8,428	418,231
Total assets	**112,247,895**	**24,696,953**	**136,944,848**
Liabilities			
Amounts owed to central bank	46,467	39,561	86,028
Amounts owed to banks	5,913,441	3,890,121	9,803,562
Payables on financial derivative transactions	1,460,068	167,046	1,627,114
Amounts owed to customers	85,611,122	22,603,369	108,214,491
Securities issued	4,165,060	—	4,165,060
Tax liabilities	95,618	2,880	98,498
Provisions for off balance sheet and other risks	503,699	139,704	643,403
Accruals, deferred income and other liabilities	744,170	3,848	748,018
Share capital	1,004,320	—	1,004,320
Share premium, reserves and retained earnings	10,554,354	—	10,554,354
Total liabilities	**110,098,319**	**26,846,529**	**136,944,848**
Net FX position at December 31, 2003	**2,149,576**	**(2,149,576)**	**—**
Off balance sheet assets*	52,962,633	51,320,207	**104,282,840**
Off balance sheet liabilities *	69,107,713	51,676,647	**120,784,360**
Net off balance sheet FX position	**(16,145,080)**	**(356,440)**	**(16,501,520)**
Total net FX position at December 31, 2003	**(13,995,504)**	**(2,506,016)**	**(16,501,520)**
Total assets at December 31, 2002	100,539,185	21,055,195	**121,594,380**
Total liabilities at December 31, 2002	94,132,686	27,461,692	**121,594,380**
Net FX position at December 31, 2002	**6,406,499**	**(6,406,497)**	**—**
Off balance sheet net FX position at December 31, 2002	**(22,923,145)**	**9,412,442**	**(13,510,703)**
Total net FX position at December 31, 2002	**(16,516,648)**	**3,005,945**	**(13,510,703)**

*) *Off balance assets and liabilities include amounts receivable and payables arising from spot and derivative transactions, guarantees and letters of credit*

35. Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The length of time for which the rate of interest is fixed on a financial instrument, therefore indicates to what extent it is exposed to interest rate risk.

The Group controls and manages its interest rate risk for all trades, and for the Banking Book and the Trading Book separately. The interest rate risk is monitored and assessed on a daily basis.

To monitor the interest rate risk, the following methods are employed: the gap analysis method and the method of sensitivity to the yield curve shifts (BPV), or dollar duration.

Internal interest rate risk limits applicable in the Banking Book are set in the form of limits on open positions in each time band of the interest gap for each currency that is included in the Banking Book (SKK, EUR, USD).

The Group's limit on the interest rate risk of the Banking Book has been set in the form of maximum dollar duration of the Banking Book with a limit on the position concentration in one time basket and one currency.

The interest rate risk limits applicable in the Trading Book are set in the form of limits on sensitivity of the overall position to the yield curve shifts (BPV). The limits are set for individual currency included in the Trading Book.

On a weekly basis, the Risk Control Department submits information on the current level of interest rate risk by individual currency and on the drawing of limits on interest rate risks. In the case of exceeding the set limit, the interest rate positions are closed by using both traditional and derivative financial instruments.

The table below provides information on the extent of the Group's interest rate exposure based either on the contractual maturity date of its financial instruments or, in the case of instruments that re-price to a market rate of interest before maturity, the next re-pricing date. Those assets and liabilities that do not have contractual maturity date or are not interest-bearing are grouped in "maturity undefined" category. Loans and advances received from clients are split into individual time baskets by the Group's historical experience with their actual drawing by clients.

SKK (in thousands of SKK)	Up to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Unspecified	Total
Assets						
Cash and balances with the central bank	5,594,813	—	—	—	1,739,633	**7,334,446**
Amounts due from banks	7,389,935	4,063,976	232,650	—	—	**11,686,561**
Securities held for trading	17,552,800	8,587,610	2,370,532	6,326,654	72,264	**34,909,860**
Receivables on financial derivative transactions	—	—	—	—	942,599	**942,599**
Originated loans and advances to customers, net	35,182,272	2,652,514	3,356,612	4,189,396	(838,267)	**44,542,527**
Securities available for sale	—	—	—	—	1,700	**1,700**
Securities held to maturity	342,888	63,805	8,847,606	—	—	**9,254,299**
Tax assets	—	—	—	—	14,021	**14,021**
Investments in associates	—	—	—	—	271,557	**271,557**
Tangible fixed assets	—	—	—	—	2,524,701	**2,524,701**
Intangible fixed assets	—	—	—	—	355,821	**355,821**
Prepayments, accrued income and other assets	—	—	—	—	409,803	**409,803**
Total assets	**66,062,708**	**15,367,905**	**14,807,400**	**10,516,050**	**5,493,832**	**112,247,895**
Liabilities						
Amounts owed to central bank	5,238	4,343	34,743	2,143	—	**46,467**
Amounts owed to banks	5,793,132	102,421	11,431	6,457	—	**5,913,441**
Payables on financial derivative transactions	—	—	—	—	1,460,068	**1,460,068**
Amounts owed to customers	55,054,646	19,870,923	10,685,553	—	—	**85,611,122**
Securities issued	24,083	44,051	1,600,000	2,392,900	104,026	**4,165,060**
Tax liabilities	—	—	—	—	95,618	**95,618**
Provisions for off balance sheet and other risks	—	—	—	—	503,699	**503,699**
Accruals, deferred income and other liabilities	—	—	—	—	744,170	**744,170**
Share capital	—	—	—	—	1,004,320	**1,004,320**
Share premium, reserves and retained earnings	—	—	—	—	10,554,354	**10,554,354**
Total liabilities	**60,877,099**	**20,021,738**	**12,331,727**	**2,401,500**	**14,466 255**	**110,098,319**
Balance sheet interest rate sensitivity gap at December 31, 2003	**5,185,609**	**(4,653,833)**	**2,475,673**	**8,114,550**	**(8,972,423)**	**2,149,576**
Off balance sheet interest rate assets*	21,323,557	14,652,136	10,373,532	400,000	6,213,408	**52,965,633**
Off balance sheet interest rate liabilities*	8,718,726	31,305,448	4,102,600	4,600,000	20,380,939	**69,107,713**
Net off balance sheet interest rate sensitivity gap at December 31, 2003	**12,604,831**	**(16,653,312)**	**6,270,932**	**(4,200,000)**	**(14,167,531)**	**(16,145,080)**
Cumulative interest rate sensitivity gap at December 31, 2003	**17,790,440**	**(3,516,705)**	**5,229,900**	**9,144,450**	**(13,995,504)**	**—**
Total assets at December 31, 2002	68,024,919	13,021,513	13,487,548	2,170,094	3,835,111	**100,539,185**
Total liabilities at December 31, 2002	51,600,430	20,040,674	8,577,590	895,656	13,018,336	**94,132,686**
Balance sheet interest rate sensitivity gap at December 31, 2002	**16,424,489**	**(7,019,161)**	**4,909,958**	**1,274,438**	**(9,183,225)**	**6,406,499**
Net off-balance sheet interest rate sensitivity gap at December 31, 2002	**3,952,725**	**(11,345,083)**	**(1,100,109)**	**—**	**(14,430,678)**	**(22,923,145)**
Cumulative interest rate sensitivity gap at December 31, 2002	**20,377,214**	**2,012,970**	**5,822,819**	**7,097,257**	**(16,516,646)**	**—**

*) *Off balance assets and liabilities include amounts receivable and payables arising from spot and derivative transactions, guarantees and letters of credit*

EUR (in thousands of SKK)	Up to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Unspecified	Total
Assets						
Cash and balances with the central bank	498,022	—	—	—	370,771	**868,793**
Amounts due from banks	84,339	538	—	—	—	**84,877**
Securities held for trading	864,263	1,981,910	736,919	1,929,709	—	**5,512,801**
Receivables on financial derivative transactions	—	—	—	—	58,577	**58,577**
Originated loans and advances to customers, net	10,431,875	1,229,659	790,422	510,344	(874,058)	**12,088,242**
Securities available for sale	—	—	—	—	8,501	**8,501**
Securities held to maturity	—	—	—	—	—	**—**
Tax assets	—	—	—	—	—	**—**
Investments in associates	—	—	—	—	—	**—**
Tangible fixed assets	—	—	—	—	—	**—**
Intangible fixed assets	—	—	—	—	—	**—**
Prepayments, accrued income and other assets	—	—	—	—	567	**567**
Total assets	**11,878,499**	**3,212,107**	**1,527,341**	**2,440,053**	**(435,642)**	**18,622,358**
Liabilities						
Amounts owed to central bank	13,705	12,928	12,928	—	—	**39,561**
Amounts owed to banks	879,352	—	—	—	—	**879,352**
Payables on financial derivative transactions	—	—	—	—	151,358	**151,358**
Amounts owed to customers	9,521,773	2,892,158	1,625,048	—	—	**14,038,979**
Securities issued	—	—	—	—	—	**—**
Tax liabilities	—	—	—	—	2,530	**2,530**
Provisions for off balance sheet and other risks	—	—	—	—	139,704	**139,704**
Accruals, deferred income and other liabilities	—	—	—	—	3,472	**3,472**
Share capital	—	—	—	—	—	**—**
Share premium, reserves and retained earnings	—	—	—	—	—	**—**
Total liabilities	**10,414,830**	**2,905,086**	**1,637,976**	**—**	**297,064**	**15,254,956**
Balance sheet interest rate sensitivity gap at December 31, 2003	**1,463,669**	**307,021**	**(110,635)**	**2,440,053**	**(732,706)**	**3,367,402**
Off balance sheet interest rate assets*	7,415,033	6,036,429	3,128,236	—	4,762,602	**21,342,300**
Off balance sheet interest rate liabilities*	13,770,311	3,508,014	1,481,796	1,646,440	6,758,015	**27,164,576**
Net off balance sheet interest rate sensitivity gap at December 31, 2003	**(6,355,278)**	**2,528,415**	**1,646,440**	**(1,646,440)**	**(1,995,413)**	**(5,822,276)**
Cumulative interest rate sensitivity gap at December 31, 2003	**(4,891,609)**	**(2,056,173)**	**(520,368)**	**273,245**	**(2,454,874)**	**—**
Total assets at December 31, 2002	11,016,508	733,803	2,015,418	2,193,303	(683,561)	**15,275,471**
Total liabilities at December 31, 2002	10,180,311	3,611,508	1,713,866	—	103,398	**15,609,083**
Balance sheet interest rate sensitivity gap at December 31, 2002	**836,197**	**(2,877,705)**	**301,552**	**2,193,303**	**(786,959)**	**(313,612)**
Net off-balance sheet interest rate sensitivity gap at December 31, 2002	**3,644,745**	**(897,102)**	**878,812**	**(1,668,880)**	**99,075**	**2,056,650**
Cumulative interest rate sensitivity gap at December 31, 2002	**4,480,942**	**706,135**	**1,886,499**	**2,410,922**	**1,723,038**	**—**

*) *Off balance assets and liabilities include amounts receivable and payables arising from spot and derivative transactions, guarantees and letters of credit*

USD (in thousands of SKK)	Up to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Unspecified	Total
Assets						
Cash and balances with the central bank	97,933	—	—	—	152,164	**250,097**
Amounts due from banks	296,679	811	—	—	—	**297,490**
Securities held for trading	467,365	17,429	1,019,553	—	—	**1,504,347**
Receivables on financial derivative transactions	—	—	—	—	24,265	**24,265**
Originated loans and advances to customers, net	1,909,189	181,663	278,140	33,313	(3,867)	**2,398,438**
Securities available for sale	—	—	—	—	—	**—**
Securities held to maturity	—	597	276,307	—	—	**276,904**
Tax assets	—	—	—	—	—	**—**
Investments in associates	—	—	—	—	—	**—**
Tangible fixed assets	—	—	—	—	—	**—**
Intangible fixed assets	—	—	—	—	—	**—**
Prepayments, accrued income and other assets	—	—	—	—	7,440	**7,440**
Total assets	**2,771,166**	**200,500**	**1,574,000**	**33,313**	**180,002**	**4,758,981**
Liabilities						
Amounts owed to central bank	—	—	—	—	—	**—**
Amounts owed to banks	1,231,671	—	—	—	—	**1,231,671**
Payables on financial derivative transactions	—	—	—	—	13,321	**13,321**
Amounts owed to customers	4,269,334	1,765,294	965,824	—	—	**7,000,452**
Securities issued	—	—	—	—	—	**—**
Tax liabilities	—	—	—	—	208	**208**
Provisions for off balance sheet and other risks	—	—	—	—	—	**—**
Accruals, deferred income and other liabilities	—	—	—	—	371	**371**
Share capital	—	—	—	—	—	**—**
Share premium, reserves and retained earnings	—	—	—	—	—	**—**
Total liabilities	**5,501,005**	**1,765,294**	**965,824**	**—**	**13,900**	**8,246,023**
Balance sheet interest rate sensitivity gap at December 31, 2003	**(2,729,839)**	**(1,564,794)**	**608,176**	**33,313**	**166,102**	**(3,487,042)**
Off balance sheet interest rate assets*	14,671,363	692,089	987,600	—	1,271,924	**17,622,976**
Off balance sheet interest rate liabilities*	11,581,081	1,181,523	181,060	—	1,325,492	**14,269,156**
Net off balance sheet interest rate sensitivity gap at December 31, 2003	**3,090,282**	**(489,434)**	**806,540**	**—**	**(53,568)**	**3,353,820**
Cumulative interest rate sensitivity gap at December 31, 2003	**360,443**	**(1,693,785)**	**(279,069)**	**(245,756)**	**(133,222)**	**—**
Total assets at December 31, 2002	1,725,972	936,445	1,971,636	133,607	10,946	**4,778,606**
Total liabilities at December 31, 2002	7,100,036	2,278,297	872,107	—	26,835	**10,277,275**
Balance sheet interest rate sensitivity gap at December 31, 2002	**(5,374,064)**	**(1,341,852)**	**1,099,529**	**133,607**	**(15,889)**	**(5,498,669)**
Net off-balance sheet interest rate sensitivity gap at December 31, 2002	**6,377,198**	**(861,877)**	**266,068**	**—**	**150,180**	**5,931,569**
Cumulative interest rate sensitivity gap at December 31, 2002	**1,003,134**	**(1,200,595)**	**165,002**	**298,609**	**432,900**	**—**

*) *Off balance assets and liabilities include amounts receivable and payables arising from spot and derivative transactions, guarantees and letters of credit*

Other foreign currencies (in thousands of SKK)	Up to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Unspecified	Total
Assets						
Cash and balances with the central bank	612,425	—	—	—	239,998	**852,423**
Amounts due from banks	—	—	—	—	—	**—**
Securities held for trading	—	—	—	—	—	**—**
Receivables on financial derivative transactions	—	—	—	—	2,284	**2,284**
Originated loans and advances to customers, net	460,486	—	—	—	—	**460,486**
Securities available for sale	—	—	—	—	—	**—**
Securities held to maturity	—	—	—	—	—	**—**
Tax assets	—	—	—	—	—	**—**
Investments in associates	—	—	—	—	—	**—**
Tangible fixed assets	—	—	—	—	—	**—**
Intangible fixed assets	—	—	—	—	—	**—**
Prepayments, accrued income and other assets	—	—	—	—	421	**421**
Total assets	**1,072,911**	**—**	**—**	**—**	**242,703**	**1,315,614**
Liabilities						
Amounts owed to central bank	—	—	—	—	—	**—**
Amounts owed to banks	1,779,098	—	—	—	—	**1,779,098**
Payables on financial derivative transactions	—	—	—	—	2,367	**2,367**
Amounts owed to customers	1,038,118	337,859	187,961	—	—	**1,563,938**
Securities issued	—	—	—	—	—	**—**
Tax liabilities	—	—	—	—	142	**142**
Provisions for off balance sheet and other risks	—	—	—	—	—	**—**
Accruals, deferred income and other liabilities	—	—	—	—	5	**5**
Share capital	—	—	—	—	—	**—**
Share premium, reserves and retained earnings	—	—	—	—	—	**—**
Total liabilities	**2,817,216**	**337,859**	**187,961**	**—**	**2,514**	**3,345,550**
Balance sheet interest rate sensitivity gap at December 31, 2003	**(1,744,305)**	**(337,859)**	**(187,961)**	**—**	**240,189**	**(2,029,936)**
Off balance sheet interest rate assets*	9,385,520	472,291	—	—	2 497,120	**12,354,931**
Off balance sheet interest rate liabilities*	7,406,720	367,728	—	—	2 468,467	**10,242,915**
Net off balance sheet interest rate sensitivity gap at December 31, 2003	**1,978,800**	**104,563**	**—**	**—**	**28,653**	**2,112,016**
Cumulative interest rate sensitivity gap at December 31, 2003	**234,495**	**1,199**	**(186,762)**	**(186,762)**	**82,080**	**—**
Total assets at December 31, 2002	708,005	292,867	—	—	246	**1,001,118**
Total liabilities at December 31, 2002	1,075,986	337,887	161,463	—	—	**1 575,336**
Balance sheet interest rate sensitivity gap at December 31, 2002	**(367,981)**	**(45,020)**	**(161,463)**	**—**	**246**	**(574,218)**
Net off-balance sheet interest rate sensitivity gap at December 31, 2002	**709,555**	**(95,930)**	**—**	**—**	**810,598**	**1,424,223**
Cumulative interest rate sensitivity gap at December 31, 2002	**341,574**	**200,624**	**39,161**	**39,161**	**850,005**	**—**

*) *Off balance assets and liabilities include amounts receivable and payables arising from spot and derivative transactions, guarantees and letters of credit*

36. Average interest rates as of December 31, 2003

The average interest rates for December 2003 calculated as a weighted average for each asset and liability category.

	2003		2002	
	SKK	**FCY**	**SKK**	**FCY**
Assets				
Cash and balances with the central bank	4.89 %	—	5.78 %	—
Treasury bills and other bills eligible for refinancing	6.07 %	—	9.15 %	—
Amounts due from banks	6.27 %	1.68 %	6.58 %	3.23 %
Originated loans and advances to customers	8.04 %	4.49 %	9.65 %	5.32 %
Interest earning securities	7.11 %	4.71 %	9.26 %	6.55 %
Total assets	**6.79 %**	**4.65 %**	**6.95 %**	**4.82 %**
Total interest earning assets	**7.84 %**	**5.17 %**	**8.42 %**	**5.32 %**
Liabilities				
Amounts owed to central bank	4.64 %	—	5.24 %	—
Amounts owed to banks	6.17 %	1.52 %	6.96 %	2.67 %
Amounts owed to customers	3.47 %	0.89 %	4.31 %	1.35 %
Securities issued	6.43 %	—	6.78 %	—
Total liabilities	**3.30 %**	**1.95 %**	**3.34 %**	**1.96 %**
Total interest bearing liabilities	**4.33 %**	**2.29 %**	**4.55 %**	**2.34 %**

37. Liquidity risk

Liquidity risk means a risk of possible loss of the Group's ability to fulfil its liabilities when they become due.

The Group wishes to maintain its solvency, i.e. the ability to meet its financial liabilities in a proper manner and in time, and to manage its assets and liabilities so as to ensure continuous liquidity. Liquidity management is the responsibility of the Assets and Liabilities Committee (ALCO) and the Treasury and Investment Banking Division. Regular meetings of ALCO are held on a weekly basis, during which the Group's liquidity is evaluated and, subsequently, decisions are taken based on the current state of affairs.

The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw downs, guarantees and from margin and other calls on cash settled derivatives. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Group sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

The Risk Control Department submits information on the Group's liquidity position to ALCO on a weekly basis. The Asset and Liability Management Department submits reports on the Group's structure of assets and liabilities to ALCO for approval on a quarterly basis, and proposes the size of the portfolio of strategically held securities and their structure for the following period subject to monitoring.

The Group is obliged to perform its activities so as to ensure that at any time it meets the liquidity requirements and coefficients set by the National Bank of Slovakia.

The Group monitors long-term liquidity risk by developing a liquidity and crisis liquidity gap based on internal rules and assumptions. The limits are approved by the Risk Control Department, ALCO, and the Bank's management. The internal rules for development of liquidity gaps may differ from the NBS rules, and they are based on the residual maturity of assets and liabilities, and internal models.

The table below provides an analysis of assets, liabilities and shareholders' equity grouped by relevant residual maturity from the balance sheet date to the contractual maturity date. It is presented under the most prudent consideration of maturity dates where options or repayment schedules allow for early repayment. Those assets and liabilities that do not have a contractual maturity date are grouped together in the "unspecified" category.

(in thousands of SKK)	Up to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Unspecified	Total
Assets						
Cash and balances with the central bank	9,305,759	—	—	—	—	**9,305,759**
Amounts due from banks	7,770,953	4,183,689	114,286	—	—	**12,068,928**
Securities held for trading	17,923,215	10,105,509	5,088,216	8,737,802	72,266	**41,927,008**
Receivables on financial derivative transactions	468,699	188,116	307,011	63,899	—	**1,027,725**
Originated loans and advances to customers, net	18,904,048	10,694,409	22,892,093	6,230,658	768,485	**59,489,693**
Securities available for sale	—	—	—	—	10,201	**10,201**
Securities held to maturity	229,468	177,822	9,123,913	—	—	**9,531,203**
Tax assets	12,595	1,311	—	—	115	**14,021**
Investments in associates	—	—	—	—	271,557	**271,557**
Tangible fixed assets	—	—	—	—	2,524,701	**2,524,701**
Intangible fixed assets	—	—	—	—	355,821	**355,821**
Prepayments, accrued income and other assets	205,353	28,657	11,179	88	172 ,954	**418,231**
Total assets	**54,820,090**	**25,379,513**	**37,536,698**	**15,032,447**	**4,176,100**	**136,944,848**
Liabilities						
Amounts owed to central bank	18,943	17,271	47,671	2,143	—	**86,028**
Amounts owed to banks	8,539,357	892,861	276,431	94,913	—	**9,803,562**
Payables on financial derivative transactions	642,601	194,756	437,866	351,891	—	**1,627,114**
Amounts owed to customers	104,965,566	3,227,738	8,010	13,177	—	**108,214,491**
Securities issued	24,083	44,051	1,601,149	2,495,777	—	**4,165,060**
Tax liabilities	96,141	—	—	2,357	—	**98,498**
Provisions for off balance sheet and other risks	—	—	—	—	643,403	**643,403**
Accruals deferred income and other liabilities	309	—	—	—	747,709	**748,018**
Share capital	—	—	—	—	1,004,320	**1,004,320**
Share premium, reserves and retained earnings	—	—	—	—	10,554,354	**10,554,354**
Total liabilities	**114,287,000**	**4,376,677**	**2,371,127**	**2,960,258**	**12,949,786**	**136,944,848**
Balance sheet position at December 31, 2003	**(59,466,910)**	**21,002,836**	**35,165,571**	**12,072,189**	**(8,773,686)**	**—**
Off balance sheet interest rate assets*	44,970,109	29,211,249	20,962,273	6,943,142	2,196,067	**104,282,840**
Off balance sheet interest rate liabilities*	47,789,467	31,209,245	30,149,461	11,339,297	296,890	**120,784,360**
Net off balance sheet position at December 31, 2003	**(2,819,358)**	**(1,997,996)**	**(9,187,188)**	**(4,396,155)**	**1,899,177**	**(16,501,520)**
Cumulative position at December 31, 2003	**(62,286,268)**	**(43,281,428)**	**(17,303,045)**	**(9,627,011)**	**(16,501,520)**	**—**
Total assets at December 31, 2002	58,115,424	18,081,011	32,292,459	8,216,939	4,888,547	**121,594,380**
Total liabilities at December 31, 2002	100,741,698	6,520,687	1,432,298	1,031,811	11,867,886	**121,594,380**
Balance sheet position at December 31, 2002	**(42,626,274)**	**11,560,324**	**30,860,161**	**7,185,128**	**(6,979,339)**	**—**
Net off-balance sheet position at December 31, 2002	**8,002,000**	**(7,624,248)**	**150,030**	**—**	**(14,038,485)**	**(13,510,703)**
Cumulative position at December 31, 2002	**(34,624,274)**	**(30,688,198)**	**321,993**	**7,507,121**	**(13,510,703)**	**—**

*) *Off balance assets and liabilities include amounts receivable and payables arising from spot and derivative transactions, guarantees and letters of credit*

38. Post balance sheet events

There were no significant subsequent events noted that would require disclosure or adjustment in the financial statements as at December 31, 2003.

39. Approval of the financial statements

The financial statements are signed and authorised for issue on April 13, 2004.

distribution of the profit

Raiffeisen Bank Polska S.A., Poland

Tatra Bank – member of the Austrian Raiffeisen Banking Group

Raiffeisenbank a.d., Serbia and Montenegro

Distribution of the Profit
for the Year 2003

(in thousands of SKK)	
Profit after tax	**2,056,261**
Ordinary dividends on ordinary shares	1,205,184
Ordinary dividends on preferred shares	36,944
Remunerations	8,130
Transfer to Social Fund	11,009
Transfer to retained earnings from previous years	794,994

Profit according to Slovak Accounting Standards; see Note 26 to the consolidated financial statements.

The Supervisory Board consents with the submitted report on the business year of 2003, the financial statements and the proposal for the distribution of the profit.

Tatra Bank – member of the Austrian Raiffeisen Banking Group

top management

Top Management
as of December 31, 2003

Supervisory Board

Milan Vrškový
Chairman of the Supervisory Board

Herbert Stepic
Deputy Chairman of the Supervisory Board, Deputy General Manager, Raiffeisen Zentralbank Österreich AG, Vienna

Peter Baláž
Professor, Economic University, Bratislava

Tomáš Borec
Attorney of Law

Renate Kattinger
Senior Vice-President, Raiffeisen Zentralbank Österreich AG, Vienna

Ján Neubauer
Financial Director, FIT PLUS, s.r.o.

Peter Püspök
General Manager, Raiffeisenlandesbank Niederösterreich – Wien, reg. Ges.m.b.H, Vienna

Management

Board of Managing Directors:

Rainer Franz
General Manager

Miroslav Uličný
Deputy General Manager

Igor Vida
Deputy General Manager

Christian Masser

Pavel Karel

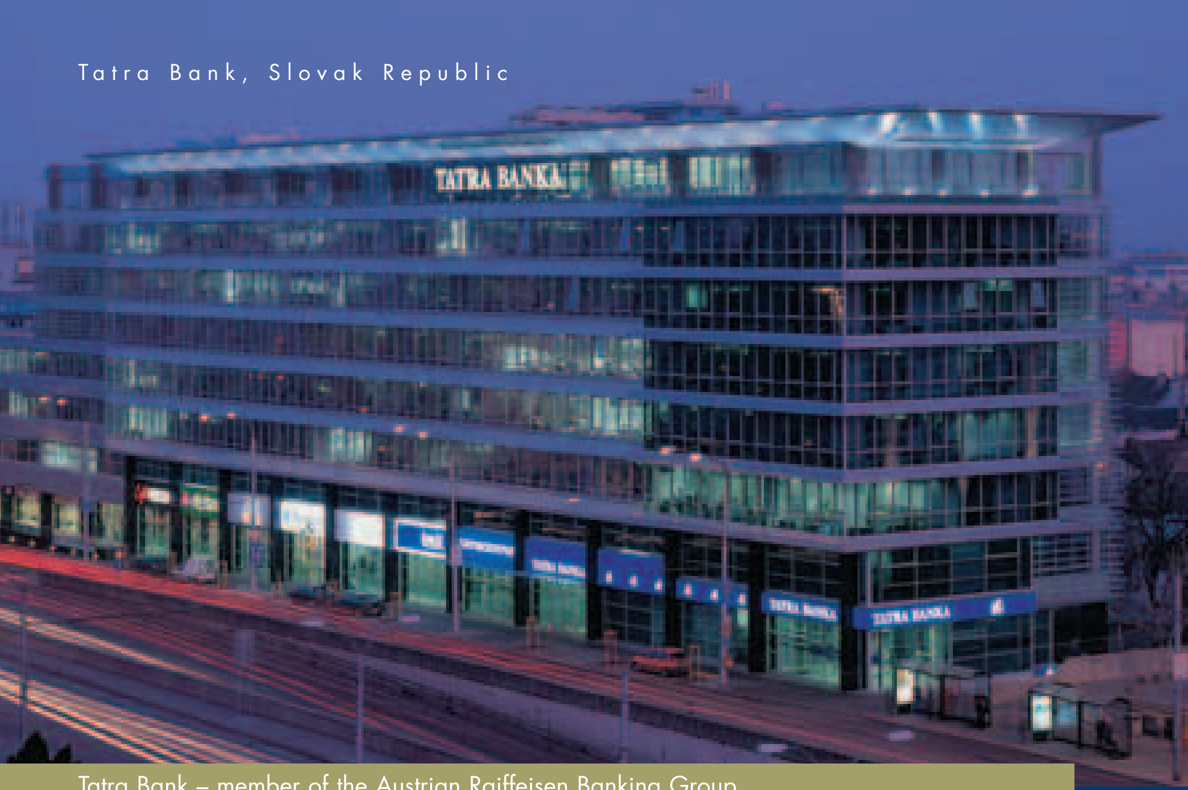
Marcel Kaščák

Procurists:

Oľga Džuppová

Pavol Feitscher

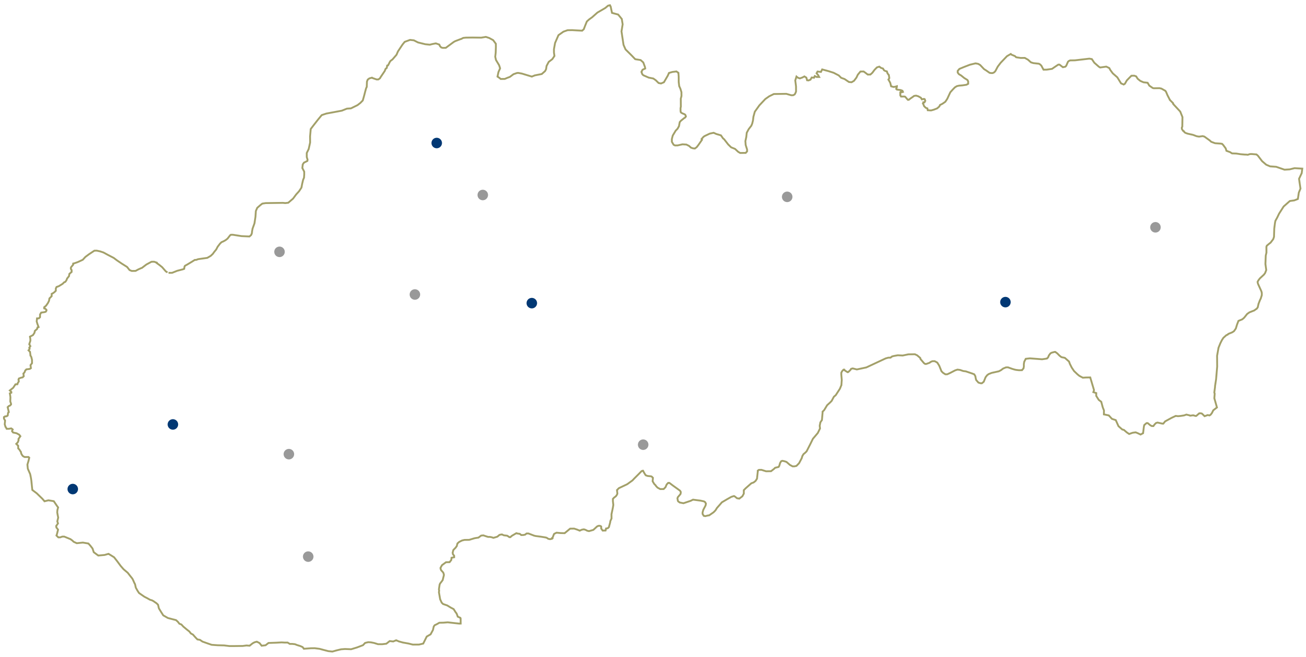
Eva Kollárová



Tatra Bank, Slovak Republic

Tatra Bank – member of the Austrian Raiffeisen Banking Group

business locations network

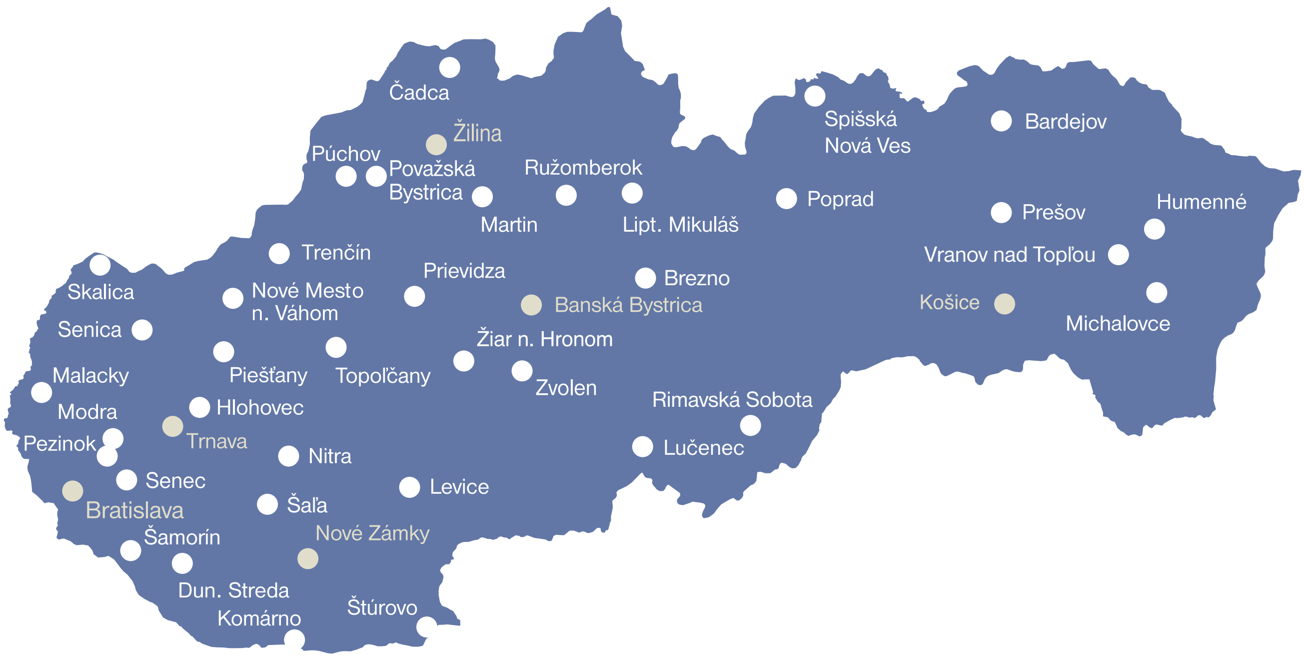


As of December 31, 2003, Tatra Bank provided services to corporate clients at 5 regional corporate centres and 10 corporate centres:

corporate centres
1
3
1
1
1
1
1
1

corporate centres
1
1
1
1
1

Business Locations Network
throughout Slovakia



As of December 31, 2003, Tatra Bank provided services to individual clients at 102 branches and sub-branches:

location	branches
Banská Bystrica	3
Bardejov	1
Bratislava	34
Brezno	1
Čadca	1
Dunajská Streda	1
Hlohovec	1
Humenné	1
Komárno	1
Košice	9
Levice	1
Liptovský Mikuláš	1
Lučenec	1
Malacky	1
Martin	2
Michalovce	1
Modra	1
Nitra	2
Nové Mesto nad Váhom	1
Nové Zámky	2
Pezinok	1

location	branches
Piešťany	2
Poprad	2
Považská Bystrica	1
Prešov	3
Prievidza	3
Púchov	1
Rimavská Sobota	1
Ružomberok	1
Senec	1
Senica	1
Skalica	1
Spišská Nová Ves	1
Šaľa	1
Šamorín	1
Štúrovo	1
Topoľčany	1
Trenčín	3
Trnava	3
Vranov nad Topľou	1
Zvolen	1
Žiar nad Hronom	1
Žilina	4

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