Tatra banka

Annual Report 2004

TATRA BANKA
Member of RZB Group

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Survey of key data

according to International Financial Reporting Standards

Tatra banka Group (in thousands of SKK)	2004		Change	2003	
Income statement					
Net interest income after provisioning	4,197,887		23.8%	3,389,498	
Net fees and commission income	1,805,298		38.1%	1,307,626	
Trading profit (loss)	1,544,051		10.8%	1,394,105	
General administrative expenses	(4,703,023)		13.8%	(4,132,771)	
Profit before tax	2,837,880		39.8%	2,030,095	
Consolidated profit after tax	2,337,392		14.5%	2,040,512	
Balance sheet					
Loans and advances to banks	18,900,493		42.4%	13,277,392	
Loans and advances to customers	67,755,720		10.3%	61,438,664	
Deposits from banks	22,899,143		131.5%	9,889,590	
Deposits from customers	117,920,143		9.3%	107,915,903	
Equity (including consolidated profit)	12,690,883		9.8%	11,558,674	
Balance sheet total	167,772,776		22.5%	136,944,848	
Performance					
Return on equity (ROE) before tax	24.6%			20.0%	
Cost/Income ratio	59.3%			64.9%	
Earnings per share	46.6		14.5%	40.7	
Return on assets (ROA) before tax	1.9%			1.6%	
Resources					
Number of staff on balance sheet date	3,131		4.3%	3,003	
Branches on balance sheet date	110		7.8%	102	
Ratings	Long-term	Short-term	Individual	Support	Outlook
Standard&Poor's	BBB –	A -3	-	-	positive
Fitch Ratings	BBB +	F2	C	2	stable

Contents

Statement

by the Chairman of the Board of Managing Directors

Dear Shareholders, Dear Business Partners,

The year 2004 was of great significance not only for the financial group Tatra banka Group, but also for Slovakia, since the country, together with further nine countries joined the European Union, thereby increasing the total number of member states to 25. However, this unification of Europe, places higher requirements upon our Bank; in this we have proven throughout our professional approach and efforts that Tatra banka's long-term position at the top of the Slovak banking market is well earned, despite strengthening competition. I am glad to conclude that symbolically, as the EU expands its ranks to include new member states, combining demanding criteria, the Tatra banka Group continues, as planned, in its dynamic growth. It is based on an adherence to stringent qualitative criteria, typical for prudent banking, and dependent on the proven quality of services and enduring trustworthiness in the eyes of the general public. Economic indicators would even allow me to term 2004 as having been one of the most successful in history.

The Tatra banka Group in 2004 further strengthened its position by a remarkable 22.5% growth in assets, which increased to SKK 167.8 billion (in accordance with International Financial Reporting Standards), bringing the Bank closer to the position as the second largest bank in Slovakia. The largest share of the Bank's balance sheet total was formed by client deposits, which rose year-on-year by 9.3% to SKK 117.9 billion. Client lending volumes maintained an upward trend and at the end of the year reached SKK 67.7 billion, a year-on-year growth of 10.3%. The loan portfolio comprised an increasingly strong representation of retail loans and loans to the SME segment. Tatra banka Group maintained is strong profitability and achieved after-tax profit of SKK 2.3 billion, representing a year-on-year growth of 14.5%.

Since it's founding Tatra banka has expanded not only its services but also the number of business outlets. During the year we have expanded our network by 10 new branches, whereby at the end of the year 110 branches served our clients. We have implemented a new "Client Care System", which contributed not only to higher customer satisfaction but also resulted in a growth in the number of clients with a year-end increase 9.1% higher than for the previous year. In absolute figures this represents almost 600,000 private and corporate customers. In 2004 we finalised a detailed preparation for the launch of pension reform in Slovakia and the subsequent formation of pension management companies. After assessing the situation we decided to cooperate with the largest insurance company in Slovakia in order to offer our clients, as a bank, a comprehensive form of pension insurance.

It would be meaningless to talk about financial statements, product improvements and significant events in the life of the Group, if their outcome did not insure a growing trust from both our current and potential clients. Despite the successful increase in the number of clients, our philosophy is not one of a hurried signing of contracts for various services, but rather one of quality and comprehensive care, the aim of which must be a satisfied client. Traditionally Tatra banka's performance is highly regarded by the independent press and institutions. Again in 2004 we were acknowledged, by the renowned magazine Global Finance, as the "Best Bank" and

"Best Internet Bank". In a survey of top managers in Slovakia, Tatra banka also received the Rhodos prize as the "Bank with the Best Image", because of its strong, well built and widely recognizable brand.

The key factor for developing attractive products, delivering quality service and individual customer care are the Tatra banka Group's employees. In our personnel policy we continued the trend of targeted selection of potential specialists with demonstrably high technical skills, as well as personal qualities, which we are developing through a sophisticated training system. At the year-end the Group employed 3,131 people.

Tatra banka's ultimate parent company - *Raiffeisen Zentralbank Österreich AG* in Vienna - took several major steps in 2004, which are a continuation of efforts to project a unified image as a multinational banking group. The network of subsidiaries in 15 countries throughout Central, Southern and Eastern Europe, which are steered by RZB's subsidiary *Raiffeisen International Bank-Holding AG (Raiffeisen International)*, boasts the greatest regional span of any banking group active in this region. Many of the countries where *Raiffeisen International* is represented became EU members last year and can expect dynamic growth fuelled by an influx of significant foreign direct investment. More significant will be the role played by the banks, not only in local but also global terms, with the opportunity to respond to the demands of increased international business co-operation in an affordable, flexible and reliable manner.

We realise that in Slovak Republic virtually every bank is foreign controlled and benefiting from their western shareholders' know-how, so the differentiation between products is gradually narrrowing. However, more than ever the basic competitive advantages in the ban-king sector will be formed by the professionalism of bank employees, the flexibility and reliability in service delivery and customised treatment and service quality, finally addressed to solving client needs. A motivating personnel policy, effective information and communication processes, a good corporate culture and healthy working climate inspiring innovative, pro-client oriented solutions will continue to be the basic ingredients for the Bank's long-term success. I would like to take this opportunity to sincerely thank every client and the Bank's shareholders for the trust they have shown in us, and of course all Tatra banka Group employees for their work effort.

Rainer Franz

strong member of a strong group

Tatra banka - Strong Member of a Strong Group

Tatra banka is a subsidiary of *Raiffeisen International*, which in turn is a fully consolidated subsidiary of *Raiffeisen Zentralbank Österreich AG (RZB)*. *RZB* in turn is the central institution of the Austrian *Raiffeisen Banking Group (RBG)*, the country's most powerful banking group. As of December 31, 2004, *RBG's consolidated balance sheet total* amounted to roughly EUR 145 billion. It represents approximately a quarter of all domestic banking business and comprises the country's largest banking network with more than 2,300 offices.

Expansion continues through organic growth

Founded in 1927, *RZB* provides the full range of commercial and investment banking services in Austria and is regarded a pioneer in Central and Eastern Europe (CEE). It ranks among the region's leading banks, offering commercial, investment and retail banking services in the following markets:

• since 1987 Hungary	Raiffeisen Bank Rt.
• since 1991 Slovakia	Tatra banka, a.s.
• since 1991 Poland	Raiffeisen Bank Polska S.A.
• since 1993 Czech Republic	Raiffeisenbank a.s.
• since 1994 Bulgaria	Raiffeisenbank (Bulgaria) E.A.D.
• since 1994 Croatia	Raiffeisenbank Austria d.d.
• since 1997 Russia	ZAO Raiffeisenbank Austria
• since 1998 Ukraine	JSCB Raiffeisenbank Ukraine
• since 1998 Romania	Raiffeisen Bank S.A.
• since 2000 Bosnia and Herzegovina	Raiffeisen Bank d.d. Bosna i Hercegovina
• since 2001 Serbia and Montenegro	Raiffeisenbank a.d.
• since 2002 Slovenia	Raiffeisen Krekova banka d.d.
• since 2002 Serbia and Montenegro/Kosovo	Raiffeisen Bank Kosovo J.S.C.
• since 2003 Belarus	Priorbank, JSC
• since 2004 Albania	Raiffeisen Bank Sh.a.

Raiffeisen International acts as the steering company for these banks and their subsidiaries. It is and will always be majority-owned by *RZB*. Minority interest is held by the *International Finance Corporation (IFC)* and the *European Bank for Reconstruction and Development (EBRD)*. In April 2005 the company made an Initial Public Offering (IPO) addressed to Austrian retail customers as well as Austrian and international institutional investors. *Raiffeisen International* is listed on the Vienna Stock Exchange.

Raiffeisen International continued its successful path of the previous years in 2004. Its *balance-sheet total* amounted to EUR 28.9 billion at year-end 2004. That translates into a growth of 44.1 cent or EUR 8.6 billion, of which EUR 1.6 billion were attributable to the acquisition in Albania. Profit before tax reached EUR 342.2 million, almost 24 per cent up on the comparable figure for 2003. 916 business outlets covered the CEE region at the balance sheet-date, and a staff of more than 22,800 was employed.

As per year-end 2004, the *RZB Group's balance sheet total* amounted to EUR 67.9 billion, up one fifth on the figure for 2003. IFRS-compliant *profit before tax* amounted to EUR 706.1 million,

an increase of 105 per cent. *Return on equity before tax* came in at 27.4 per cent, the best ratio reported by any major Austrian bank. At the reporting date, the Group employed a staff of more than 25,300 worldwide.

Worldwide representation covering emerging markets

In addition to its banking operations – which are complemented by representative offices in Russia (Moscow) and Lithuania (Vilnius) – *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* runs branches in Singapore and Beijing as well as representative offices in Hong Kong, Ho Chi Minh City, Mumbai, Tehran and Seoul. This international presence clearly underlines the bank's emerging markets strategy.

Growing collection of awards

The *RZB Group's* consistent commitment to quality is reflected by a broad range of local and international awards. As in the previous year, *RZB* and *Raiffeisen International* were awarded the title "Best Bank in Central and Eastern Europe" by distinguished Global Finance magazine in April 2005. At the same time, local awards for the "Best Bank" were given to the Network Banks in Albania *(Raiffeisen Bank Sh.a.)*, Bosnia and Herzegovina *(Raiffeisen Bank d.d.)*, Romania *(Raiffeisen Bank S.A.)*, Serbia and Montenegro *(Raiffeisenbank a.d.)*, Belarus *(Priorbank, JSC)* and Slovakia *(Tatra banka, a.s.)*. In September 2004, The Banker, the renowned magazine of the

Financial Times group, awarded the prestigious prize "Bank of the Year 2004" to *RZB's* network banks in Albania, Belarus and Bosnia and Herzegovina.

RZB is currently rated as follows:

Standard&Poor's	Short-term	A1
Moody's	Short-term	P-1
Moody's	Long-term	A1
Moody's	Financial Strength	C+

www.rzb.at
www.ri.co.at

Vision

Raiffeisen International Group is the leading banking group in Central & Eastern Europe.

Mission

We seek long-term customer relationships.

We provide a full range of highest quality financial services in Central & Eastern Europe.

As a member of the *RZB Group* we co-operate closely with *Raiffeisen Zentralbank* and the other members of the Austrian *Raiffeisen Banking Group*.

We achieve sustainable and above-average return on equity.

We empower our employees to be entrepreneurial and to show initiative and we foster their development.

MANAGEMENT'S REPORT

Management's Report on Tatra banka Group

The Slovak Economy in 2004

Exceeded expectations

According to forecasts, 2004 was to be a year of the residual effects of restrictive measures and a gradual transfer to strong and sustainable economic growth, fuelled also by domestic demand. Based on the results from 2003 and current expectations for the future, we can state that original expectations as to the principle directions were correct and in the majority of the cases were even positively exceeded. The economic rate of growth exceeded expectations, whereby domestic demand, even under expected stagnation, had already registered a recovery in the preceding year.

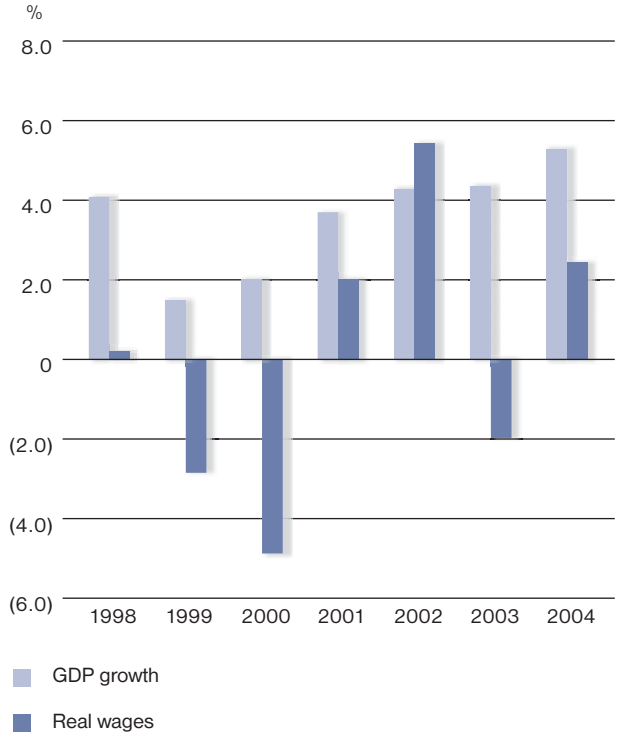
The years 2003 and 2004 were a period of major structural reforms. It is certainly too early to pass a more comprehensive judgement on the impact of these reforms, which also applies to the tax reform. Despite this, we can say that based on the available information, the potential risks related to the most significant changes of the taxation system since 1993 did not materialise. On the contrary, Slovak tax reform is becoming a model not only for countries in the eastern part of Europe, but slowly, though only at the discussion level, also for some of the old EU member countries.

2004 was the year of accession to the European Union. As expected, joining the EU did not cause any sudden ground-shift in the Slovak economy. Probably the most significant concerns were related to the immediate effect of food prices. It is indeed true that for the first three months prices rose slightly. However, from August to year-end prices tracked a downward course, even in months when prices typically rise due to seasonal factors. Hence, the question of prices became major factor of the inflationary trend, which was surprisingly heartening.

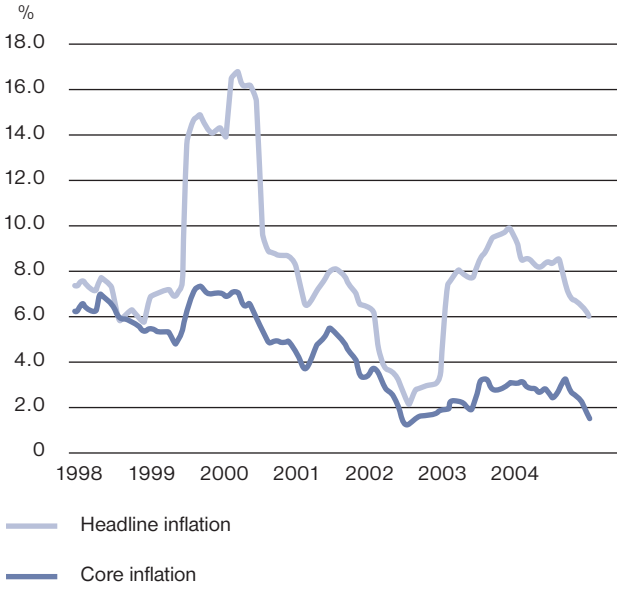
Strong economic growth beside recovery in domestic demand

In 2003 the Slovak economy, with GDP growth of 4.5%, was the fastest growing economy in Central Europe. However, the source of this growth was almost exclusively export-based, while household consumption declined in real terms. In view of the high rate of inflation remaining, only a mild economic upturn and gradual stabilisation of domestic demand was expected in 2004. According to official data from the Statistics Office of the Slovak Republic, GDP growth in 2004 grew by as much as 5.5%, restoring Slovakia to the top of the list of fastest-growing economies in the region. As expected, the weight of economic growth gradually shifted from export to domestic demand. Real wages, following a 2% reduction in 2003 recorded a 2.5% growth in 2004. Growth in household consumption reached 3.5%, also due in part to continuing strong growth of consumer lending. A further stimulant for consumer demand was the gradual fall in the rate of inflation over the course of the year.

Development of GDP growth and real wages
(Source: Statistics Office of the Slovak Republic)



Inflation development
(Source: Statistics Office of the Slovak Republic)



Overall inflation decreased from 8% early in the year to 5.9% in December. Despite the downward trend, inflation was, even in December, at a relatively high level, particularly due to increases in regulated prices at the beginning of the year. Conversely, prices of certain long-term consumption goods, relevant more to household equipment, as well as clothing and footwear, reported a year-on-year price reduction.

One of the few macroeconomic statistical parameters, which did not fulfil original expectations, was the trend in unemployment. The number of people employed in the national economy last year increased only by 0.3%, which does not fully correspond with the strong economic growth. During the first half of the year the rate of employment fell. The average rate of unemployment according to the selective workforce survey by the Statistics Office of the Slovak Republic even increased from 17.4% in 2003 to 18.1% in 2004. This discrepancy can be explained by demographic development, where the number of people of working age has increased, while not all were able to find employment upon entering the job market. Underlying reasons for adverse conditions on the job market can also be found in the continuing restructuring programmes by manufacturing companies, increases in the retirement age, as well as the increasing number of working pensioners.

Throughout the year the government budget confirmed positive trends in tax revenues and indicated that the year-end deficit could be lower than planned. The deficit at the end of November was only SKK 34 billion, compared to the planned SKK 78 billion. There is a certain tradition in Slovakia that the deficit experiences a significant increase only in the last month of the year, and in December 2004, the deficit was higher than the figure for the first 11 months. The year-end deficit, envisaged in the State Budget Act, was SKK 70.3 billion, which is still an improvement of over SKK 8 billion. The result was assisted mainly by income tax revenues, which in the case of private individuals, as well as corporations exceeded the plan by approximately 35%.

Financial markets: Stronger koruna, lower interest rates

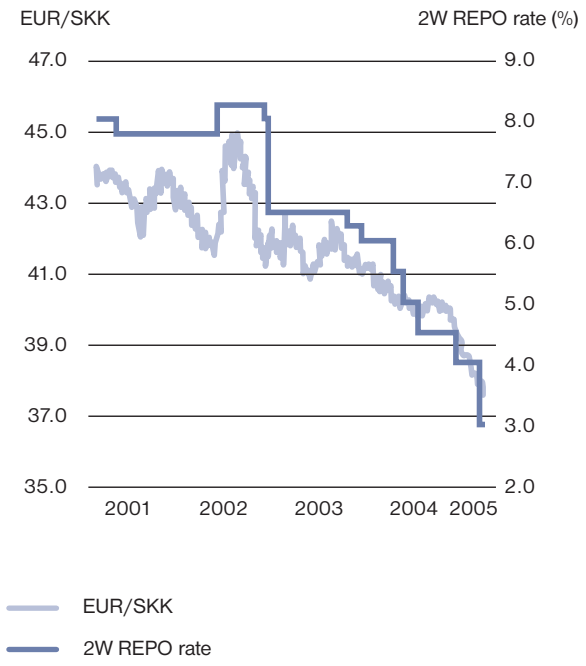
The Slovak financial market experienced a prevailingly optimistic mood throughout the year, which translated into a strengthening of the Slovak koruna exchange-rate and a reduction in interest rates. The exchange rate of the Slovak koruna against its reference currency, the Euro, strengthened over the year by more than 6% and against the USD by more than 15%. During the year, the National Bank of Slovakia (NBS) reduced key interest rates four times, each by 0.50%, totalling 2.00%. The principal 14-day rate for standard repo tenders was reduced during the course of the year from 6.00% to 4.00%. The main reason for this brisk reduction of interest rates was the improvement in the EUR/SKK exchange rate, which the NBS also tried to fend off via an interest-rate reduction.

Development of SKK exchange rate
(Source: National Bank of Slovakia)

At the beginning of the year the EUR/SKK exchange-rate was still above the 41.0 level, but during the initial months the optimistic assessment of the Slovak economy improved on expectations that Slovakia would be successful in winning Kia's investment. The EUR/SKK exchange rate during the second quarter drew near the psychological level of 40.0, and it even was below this threshold for a short period, but NBS, through massive interventions and repeated reductions in interest rates, managed to stabilise the currency for several months at this level. New pressures to strengthen the SKK exchange rate only materialised in the last two months of the year. During this time the EUR/SKK exchange rate improved by more than 3% and reached a new height of 38.6. This improvement can be explained by long-term positive fundamentals, such as the announcement of a new EUR 350 million investment by Getrag Ford in Eastern Slovakia.

We believe, however, that developments on the neighbouring foreign-exchange markets in the region have been even more significant. With the exception of the Hungarian forint, which was predominantly influenced by high interest rates, the Polish zloty and Czech crown appreciated even more over the same period (6.4% and 3.7% respectively). The NBS naturally did not leave these trends to go unnoticed. Although the three reductions in interest rates during previous months did not have any notable impact on the foreign exchange market, the NBS applied this tool again for a fourth time. At the end of November the NBS reduced its key 2-week rate from 4.50% to 4.00%. However, as had been expected, even this reduction did not have any impact on the foreign exchange market. The EUR/SKK exchange rate continued to improve and in December dropped for the first time below the 39.0 level. In this situation NBS was forced to change instruments in the fight against the koruna and in December, for the first time since July, repeatedly used direct interventions. By means of direct purchases of Euro on the market, NBS temporarily managed to slow down the further strengthening of the EUR/SKK rate.

Development of NBS key interest rate and EUR/SKK exchange rate
(Source: National Bank of Slovakia)



The development of interest rates during the year, as well as in the last months of the year, was influenced mainly by the reduction of key NBS rates, by as much as 2 percentage points overall, as well as by expectations that the reductions cycle of interest rate had not yet finished. Government bond yields, in particular those with longer maturities were affected favourably by European bonds. Yields from European bonds during the second half of last year declined consistently primarily due to the increasing likelihood that the European Central Bank would launch a cycle of interest rate increases.

Banking sector

In line with the accession of the Slovak Republic to the European Union in May 2004, foreign financial institutions registered in the European Economic Area are able to operate in Slovakia under the licence granted in their home state (the so called European passport). As at year-end 2004 over 300 foreign financial institutions, consisting of over 70 banks, 100 securities dealers and 140 insurance companies could operate in Slovakia on the basis of the European passport.

Following the positive development of inflation and the imbalanced development of the SKK exchange rate, the National Bank of Slovakia decided to cut key interest rates in total by 200 bps in 2004 to the year-end level of 4.0%.

Short interest rates supported the growing trend in lending. The high growth of housing loans continued in 2004. Mortgage loans increased by 56%; loans provided by building societies grew by 12%, while consumer loans recorded the highest increase when they more than doubled. The share of classified loans out of total assets decreased to 7.33%.

Low interest rates influenced development on the primary deposits market, which was characterized by a lower increase in conventional deposits from the public compared to a higher growth in corporate deposits. Low interest accruals on private deposits boosted demand for alternative financial investments, such as mutual funds, pension funds and life insurance.

Human Resources - Key to Differentiation

In 2004 the Tatra banka Group again remained an employer of choice, highlighted by the number of job applications received, as well as being demonstrated by employee satisfaction surveys. Tatra banka as the main company in the Group has taken an active approach to the further development

of the career development and education system, with the aim of achieving synergy in connection to the evaluation process, which has made a qualitative improvement and also developed employee potential. Staff ability, experience and personal and professional qualities contributed significantly to Tatra banka's differentiation from the competition.

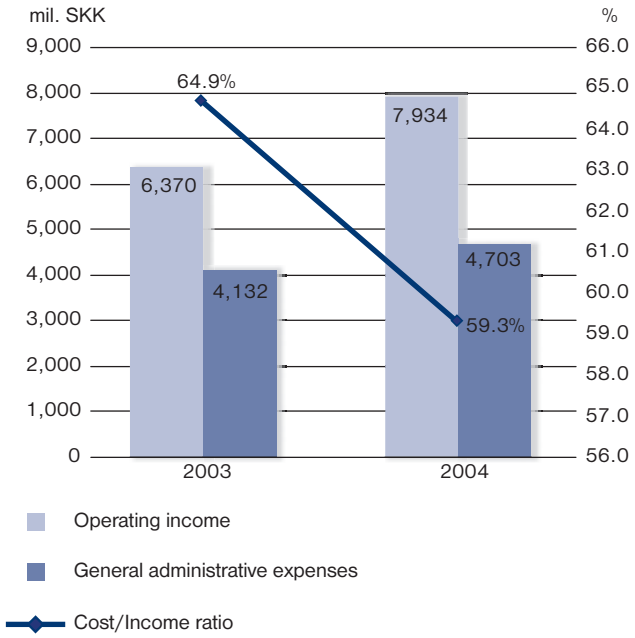
At the year-end Tatra banka employed 3,021 staff (including management). Of the total number of employees, women made up 72%, with a 54% representation in managerial positions. The average employee age has risen from 29 to 30 years. 48% of employees had a university degree and 52% a high school diploma. The average term of employment was 4 years.

Summary of Consolidated Performance

Consolidated *profit after tax* increased by SKK 296.9 million to SKK 2,337 million. This growth was achieved mainly by an increase in *operating income* of SKK 1,564 million, while *general administrative expenses* increased by only SKK 570 million. On the other side, *provisions for possible loan losses* increased by SKK 108 million and *income tax* from zero to SKK 500 million. The increase in the *provisions for possible loan losses* was partly due to a worsening cash position of clients in the food, chemical and textile industries during the second half of the year. It could also be partly attributed to the large increase in retail loans.

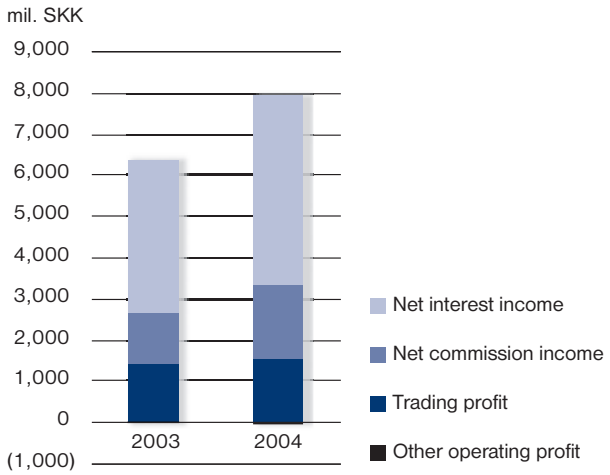
The structure of consolidated *operating income* – which increased by 24.6% from SKK 6,370 million to SKK 7,934 million – remained largely unchanged. *Net fees and commission income* (SKK 1,805 million) accounted for 23% thereof, rising 2% higher than in 2003. *Net interest income* (SKK 4,585 million) accounted for 57.8% (previous year: 57.5%). On the other hand, the revenue generated by *trading profits* (SKK 1,544 million) fell from 21.9% to 19.6%.

Development of Cost/Income ratio

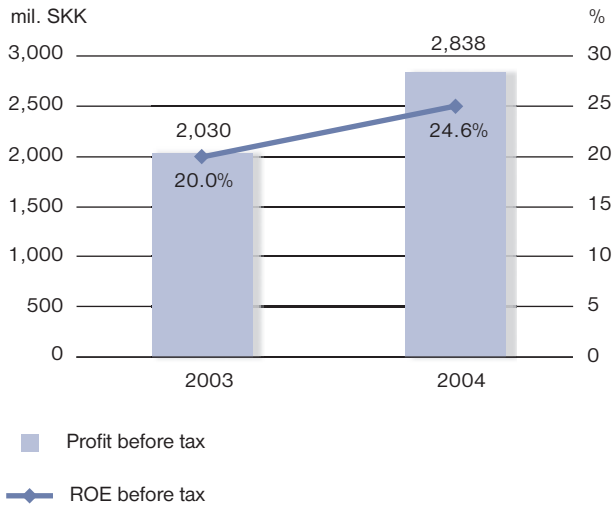


Despite the strong growth in *assets* by 22.5% *administrative expenses* remained within reasonable limits, rising by 14% to SKK 4,703 million. Both the significant increase in *operating income* and slower increase in *administrative expenses* resulted in a substantial decrease in the *Cost/Income ratio* from 64.9% to 59.3%. *Profit before tax* increased by 39.8% to SKK 2,838 million, whereby *profit after tax* "only" increased by 14.5% to SKK 2,337 million. The main reason for this difference is *income tax* in the amount of SKK 500 million. *Net interest income* grew by 25% from SKK 3,668 million to SKK 4,585 million. This increase was in line with the growth in *balance-sheet total*, which increased by 22.5%. The *interest margin* improved by 41 basis points, from 2.84% in 2003 to 3.25% in 2004.

Structure of profits



The development of profit and return on equity



A sizeable contribution to profits was also made by *net fees and commission income*, which grew by 38%, or SKK 498 million, to SKK 1,805 million, comprised of *net fee income* from the payments transfer business, which accounted to SKK 1,170 million and was the fastest-growing in absolute terms (an increase of SKK 342 million), and *net fee income* from loan processing and guarantee business, which increased by 34% to SKK 281 million.

Trading profit was principally accounted for by forex trading, notes/and coin trading and re-measurements of foreign currency items. Earnings in this segment increased by 15.6% to SKK 2,003 million.

Total *administrative expenses* increased by SKK 570 million or 13.8% to SKK 4,703 million. The largest increase in *administrative expenses* – by 21.7% or SKK 380 million was made up of personnel expenses, which accounted for 45% of the total. The increase in *depreciation* was 8% or SKK 46.8 million, taking this amount up to SKK 635 million.

Balance-sheet development

Consolidated *balance-sheet total* grew by 22.5%, or SKK 30.8 billion, from SKK 136.9 billion at the end of 2003 to SKK 167.8 billion at the end of the reporting year. Growth in the *balance-sheet total* on the *assets* side was generated mainly by securities and equity holdings, which increased by 43.3% or SKK 22.8 billion to a total of SKK 75.6 billion. *Loans and advances to customers* after *provisioning for possible loan losses* increased by 10.2% or SKK 6.1 billion to SKK 65.6 billion. The fastest growing item in loan products was retail lending, which increased by SKK 4.9 billion to SKK 12.4 billion, which includes mainly retail loans, credit cards, mortgages and consumer loans.

On the *liabilities* side of the balance sheet, *deposits from customers* increased by 9.3% or SKK 10 billion to SKK 117.9 billion. The increase in *deposits from corporate customers* (growth of SKK 5.9 billion to SKK 56.7 billion) was larger than the increase in *deposits from retail customers* (growth of SKK 4.1 billion to SKK 53.3 billion). The share of *customer deposits* in *total liabilities* was 70.3%. *Deposits from banks* increased by 131.5%, or SKK 13 billion.

Segment Reports

The basis for Tatra banka's segment reporting is its internal management reporting system, whose primary reporting format was changed over from a product-orientated structure to a customer-orientated one echoing the segmentation of its major shareholder. Customer segmentation at Tatra banka takes place as follows:

- Corporate Customers
- Retail Customers
- Treasury
- Participations and Other

Corporate Customers

(in thousands of SKK or per cent)	**2004**
Net interest income	991,459
Provisioning for possible loan losses	(224,102)
Net interest income after provisioning for possible loan losses	767,357
Net commission income	284,073
Trading profit (loss)	442,402
Administrative expenses	(633,324)
Other operating profit	0
Profit before tax	**860,508**
Cost/Income ratio	36.9%

Long-term position as market leader in corporate segment maintained

Corporate business, mainly in the large corporate client segment, in 2004 faced intense competition in all product areas. Significant competitive pressure mainly affected the development of the loan portfolio, but also new acquisitions. The Bank's long-term position in the market and the trust of the corporates was borne out by placements of other primary corporate deposits, delivering a 26% share in this market to the Bank. Main areas of financing were real estate, namely residential, administrative and industrial, while project financing for domestic and international companies also continued to develop. The Bank managed to maintain its long-term position as leader in the corporate lending market with a market share exceeding 19%.

Accounting for overall market conditions, the Bank managed very satisfactory growth in the corporate clientele segment. Regarding acquisitions, a priority for the Bank was to win new foreign investors, suppliers and sub-contractors of foreign companies. Tatra banka communicated with its corporate clientele through specialist head office units in Bratislava, as well as by a network of 15 commercial centres

located throughout Slovakia, staffed with specialist teams, serving medium-sized corporate clients. Small entrepreneurs and self-employed persons used the services of the branch network.

New product development responded to market demands

The Bank successfully introduced several new products in an effort to address even more closely the individual needs of the clients. In particular these were *Private Public Partnership (PPP)* projects, real estate leasing, bridging instalments for agricultural loans, or loans with an EXIMBANK guarantee. Naturally, Tatra banka placed emphasis also on the utilisation of EU structural funds and developed a comprehensive package of products and services for clients, who were preparing their projects or business plans to draw funding from EU structural funds. In addition to an advisory service the Bank managed to refinance projects totalling SKK 237.3 million and to issue 117 loan commitments for project co-financing in a total value exceeding SKK 2.5 billion.

Interesting deals concluded

In terms of deals concluded the Bank participated, among others, in a syndicated loan for Home Credit, with SKK 1.2 billion as the lead bank, the total loan amount being SKK 3.4 billion. Also as the lead bank Tatra banka provided a loan facility of EUR 12.3 million for Považský Cukor, where the total syndicated loan was EUR 18.5 million. The Bank granted a 10-year instalment loan to SEPS in the volume of EUR 25 million and to Slovenské liečebné kúpeľe Piešťany (spa facility) also an instalment loan in the volume of EUR 12.5 million.

Tatra banka developed and implemented a new product for the agricultural primary production sector – a bridging instalment loan for direct payments. The current subsidy system related to the EU Common Agricultural Policy (CAP) created room for bank funds as of the second quarter of 2004. Between May and the end of the year the Bank refinanced 40 farms in a total amount of SKK 127.1 million. Tatra banka also participated in a syndicated loan together with two other banks in refinancing warehousing bonds in an amount of SKK 500 million. The volume of refinancing loans during the year 2004 increased by 73% to SKK 1.7 billion and Tatra banka became the bank with the largest share of refinancing loans in the slovak banking market.

A green light for middle-market corporate financing

According to several independent studies conducted during 2004 middle-market corporates in Slovakia, in comparison with the same segment in Europe, were still underfinanced, which represented a challenge for the Bank in acquisitions. This also underpins why this segment is perceived as one of the fastest-growing target groups on the market, something which is confirmed not only by the figures achieved by Tatra banka but also by data for the whole banking sector. In the Bank's efforts to come closer to the client in a flexible but simple manner directly in the regions, the system of corporate centres located across Slovakia has certainly proven itself well. The main benefi-

ciaries were mainly the clients, showing their satisfaction in terms of the growth by their numbers, and increases in primary deposits and loans.

In terms of the structure of loan products to small and medium sized enterprises the biggest share was formed by investment and operation loans (35%), project financing (31%) and trade finance products (9%). The existing small and medium sized enterprises loan portfolio at the end of the year comprised 3,287 loans, a year-on-year increase of 952 loans (up by SKK 5.6 billion). The number of loans to new clients recorded an increase in all loan types, with the sharpest increase in operation and investment loans (by SKK 2.3 billion). Total volume of loans to new clients in this segment grew by SKK 3.3 billion.

New opportunities in applying third-party guarantees

In October 2004 the *European Investment Fund (EIF)* concluded a cooperation contract on its Guarantee Programme with Tatra banka, being its only such partner in Slovakia. The principle of the Guarantee Programme is that the *EIF* provides Tatra banka with a guarantee for bad loans in the share of up to 50% of the outstanding debt, thereby reducing the risk to Tatra banka, which thus allows it to finance the business under more favourable terms.

On-line trading via i:deal the first and still only service of its kind on the market

Corporate clients can use the electronic environment to arrange conversion between their accounts, as well as accessing exchange rates for cross-border payments via the service i:deal. The service also allows clients to make a term deposit from client accounts in various currencies. This way the client can trade with the bank without the need to visit a branch or to make a telephone call, while prices would always reflect the current situation on the inter-bank market. The service i:deal was used to carry out almost 51% of all such client trades, with more than 1,100 clients having used the service in 2004 alone.

Structured deposits for corporate clients

Tatra banka also introduced new methods of short term investments through structured deposits (DNT Deposit and RA Deposit). These products allow clients to achieve higher than standard returns from term deposits, with the yield linked to the development of a particular currency pair. In 2004 the Bank witnessed a significant increase in client interest in currency options trading, with an almost 2.5-fold turnover increase in a year-on-year comparison. In addition, the Bank provided corporate clients with the opportunity to hedge exchange-rate risks through new structured products, such as digital and barrier options and barrier forwards.

Retail Customers*

(in thousands of SKK or per cent)	2004
Net interest income	2,441,342
Provisioning for possible loan losses	(159,414)
Net interest income after provisioning for possible loan losses	2,281,928
Net commission income	1,212,847
Trading profit (loss)	865,591
Administrative expenses	(3,260,006)
Other operating profit	0
Profit before tax	**1,100,360**
Cost/Income ratio	72.1%

* including individual clients and SME clients up to SKK 300 million turnover

Strong focus on retail

The situation on the retail market in 2004 was heading towards a more widespread utilisation of loan products in all segments. The Bank, through strict segmentation, strove to prepare and offer appropriate products to suitable segments. By applying a clearly focused retail strategy, including product upgrades and improved service and sales quality, the Bank achieved significant market share increases in several areas of retail banking. During 2004 Tatra banka continued to open new business outlets in economically attractive areas of Slovakia by opening 10 new branches, bringing the total number of branches and sub-branches to 110. The focus of our business network on sales and service with emphasis on personal care and advice for individual clients has shown by the increased numbers, i.e., by 12.4% in comparison with year 2003, resulting in more than 50,000 new individual clients.

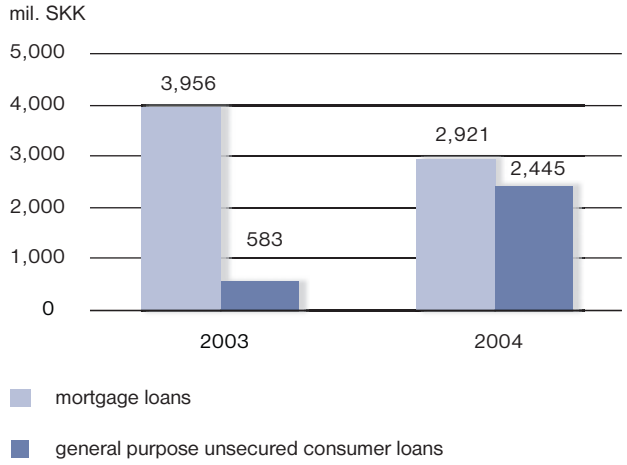
New approach in branches

Tatra banka became the first in Slovakia to implement a comprehensive "Client Care System" in its branches. The objective of this system is to provide individual "tailor-made" advice, based on a detailed identification of the needs of existing and potential clients. Qualified advice is overseen by a team of financial advisers and personal bankers, who contributed to a growth of 27% in the number of high-value clients. The correctness of an individual approach to each client, as well as identification of his/her needs and requirements was proven by the successful sale of retail products. The content of service packages offered on the market gradually evened out in 2004; however a unique competitive advantage for Tatra banka remained the quality of advice, service and comprehensive client care. A significant role in the offer and active utilisation of service packages was played also by loyalty programme, which allowed the use of product and service packages free of charge for those clients who accumulated, on their accounts, funds exceeding a pre-defined limit.

Growing interest in loan products

The retail lending market in 2004 was characterised by increasing competition and a need to upgrade products and improve loan conditions. Tatra banka successfully responded to these market changes, shown both by the volume of loans granted, as well as by the strengthening of its market position. In 2004 the Bank approved almost 2,700 mortgage loan applications, totalling SKK 2.9 billion, the drawn loan amount exceeded SKK 3,0 billion. A contribution here was also made by the newly opened "Centre for Living" - an independent branch specialising in comprehensive advice on real estate. Tatra Reality, s.r.o and the Centre of Living, was in 2004 a part of Tatra banka Group, and as an auxiliary banking services company was a key partner in real estate purchasing, sales and rental brokerage. Close co-operation with Tatra banka is beneficial for those clients, who address their need for housing and are financing real estate purchases, using the Bank's retail products, as well as for the Bank, which can offer clients a comprehensive service required for the real estate purchase, including specialist advice.

Volume of loans granted



In addition to mortgage loans, which had experienced a boom for the past few years, significant client interest was also shown in general-purpose loans. Tatra banka provided general-purpose consumer loans totalling SKK 2.9 billion to individual clients, which included general-purpose loans secured by real estate, the so-called "american mortgage".

Client interest for unsecured general-purpose loans grew during the year, which was due in part to the offer's extension from July to not only Tatra banka clients, but also to non-clients and pensioners. At the end of the year the Bank had approved 24,644 loans, totalling SKK 2.4 billion, placing the Bank in third place in terms of overall general-purpose consumer loans granted.

The range of secured general-purpose loans developed positively, too. The Bank approved 1,037 loans, totalling SKK 232.5 million. The Bank also continued to provide purpose-specific consumer loans, though without extending co-operation with other companies. The total volume of such loans approved reached SKK 19 million.

Overdraft loans in the form of a current-account overdraft with a purchased service package for individual clients recorded a 40% year-on-year increase in the total amount provided. At the end of the year the volume of package overdraft loans represented SKK 2.2 billion, with drawn amount of SKK 533 million.

New payment card issuance broke new ground

For some time Tatra banka has been one of the strongest banks in the issuance of payment cards, where this was again confirmed by maintaining third place with a market share of more than 22%. The total number of cards issued exceeded 817,000, with the Bank extending its traditional sales

channels – branch network and telemarketing – by another form of direct client contact - despatching a pre-manufactured card, thereby allowing the Bank to maintain a leading position in terms of issued credit cards with market share of almost 62%. At the same time the Bank expanded its product portfolio by introducing a new type of credit card – the non-embossed instalment MasterCard, which is the first product of its type in Europe. It is a simple repayment model in the form of fixed monthly instalments. Business terms, including attractive interest rates and a monthly fee structure are tailor-made primarily for clients with lower incomes, thereby providing the opportunity to acquire a credit card by a broader range of clients than would have previously been possible.

In an effort to provide simple access to transaction information for credit card holders, in August the Bank added a popular service "Credit card on-line info", available via Internet banking, through another unique service on the Slovak market - b-mail to credit card. This service became very popular with clients due to its convenient access to credit card information, as well as proving very secure, since early information allows the client to react quickly in the event of a loss of control over the credit card. The b-mail to credit card service allows sending regular messages on transactions made or instalment payments, via an SMS directly to a mobile phone or in the form of an e-mail.

Bank is no. 1 in turnover with business partners

The Bank installed 862 payment terminals, bringing the total number of payment terminals in operation at the end of the year to 3,826, which is the second largest network in Slovakia with a 24% market share. In terms of volume of payment cards transactions executed via business partners payment terminals, the Bank became the leader in Slovakia, with a 38% share of the banking market. The Bank also expanded its network by 40 new ATMs, installed in attractive locations, bringing the total number of Tatra banka ATMs to 220, i.e. a 13% market share. Payment terminals and ATMs communicating via modern GPRS technology were successfully launched, the service "Prima credit charge" via ATMs as well and in cooperation with VISA Tatra banka issued a multicurrency transactions certificate to company Sky Europe.

Regional card processing centre – a multinational nature

Tatra banka plays an important role in issuing cards for the whole *Raiffeisen International*. The role of the regional card processing centre (RPC), established in 2003, is to create a joint platform for issuing payment cards and processing card transactions within the *Raiffeisen International*, with the aim of reducing the processing costs of card business at individual partner banks and of simplifying the introduction of new features in a rapidly changing environment. In 2004 RPC expanded its activities to include three new countries, ensuring that the newly built card system is used not only by Tatra banka, but also by six other partner *Raiffeisen banks* in the Czech Republic, Croatia, Serbia & Montenegro, Romania, Albania and Ukraine.

Financial advisory service focused mainly on investment products

The financial advisory service enjoyed another successful year in 2004. Specialised financial advisers in the branch network provided our clients with professional advice and assistance on mutual funds. Employing investment packages, the Bank addressed a wide spectrum of beginner and experienced investors. During the year Tatra banka's branch network recorded investments totalling SKK 1.9 billion flowing into these investment packages, representing 26% of the total of the Bank's investment products. These included solutions for long-term savings/investments combined with life insurance, providing security to individual clients for unforeseen events. Towards the end of 2004 Tatra banka, in cooperation with the Allianz pension management company in Slovakia, entered the second pillar of the reformed pension system. This was a further addition to the portfolio of savings products via retirement savings plans, made available through licensed agents throughout the whole of the Tatra banka business locations.

Above-standard care for high-net-worth clients brings success

Private banking in Tatra banka experienced a significant increase of interest from clients, with individual, varied, alternative and creative solutions in terms of services and products provided. A new feature was the structured deposit, which in the form of a combination of an investment bill of exchange and embedded options strategy provided several opportunities to clients to increase their yield from short-term investments and, in the event of failure, an option strategy to recover the principal. In four tranches in SKK and one tranche in USD the Bank placed client funds of more than SKK 1.8 billion.

The asset management company TAM recorded a 45% increase in the portfolio of private clients at the end of the year. The total volume exceeded SKK 4.7 billion. By increase of individual client requests the product and service portfolio expanded, which had a positive impact on the level of private banking client assets under management. At the end of the year these reached SKK 11.9 billion, with a year-on-year growth of almost SKK 2.1 billion. The average portfolio volume of a private banking client grew by approximately 30% from SKK 7.0 million in 2003 to more than SKK 9.2 million in 2004.

Call Centre Dialog has significantly increased opportunities for retail product sales

In January 2004 the Bank implemented a technological connection between the Bratislava and Nitra part of Dialog, since which IPCC functionality has exclusively been in operation. During the last quarter the transformation of the Call Centre Dialog was finalised and operations in Bratislava were terminated. During the year Dialog expanded its range of services to include the information on Centre for Living, the setting up, changes and cancellation of collections from account and activation of the b-mail to credit card service. A significant part of activities were devoted to direct

sales through active campaigns. The sales results of retail products through this distribution channel exceeded Tatra banka's expectations.

Dynamic growth in Internet banking continued

Through expanding the functionality of Internet banking to enable the setting up, change and cancellation of collections from an account and activating the b-mail to credit card and investment opportunities in the investment packages of Tatra banka, or TAM mutual investment funds, Internet banking increasingly delivered higher added value to more than 180,000 clients, accessing almost 223,000 accounts. In order to ensure the highest possible security Tatra banka started in 2Q to issue and replace new client Grid cards, which have, compared to the previous version, a 10-digit serial number and four numerical characters in the field. The new fee price list of the first Slovak Internet Bank, Eliot, was adjusted in July 2004. Account fees at Eliot were amended to a flat fee and accounts started to earn an interest rate of 0.5%.

Domestic and Cross-border Payments

The introduction of legislative changes affecting the Slovak market continued in 2004, bringing Slovak legislation into line with that of the EU, something which brought benefits for clients in the form of a more liberal and flexible market and benefits for banks in the form of preparation for the future of automatic processing of transfers. Banks in the Slovak market also started to pay more attention to the campaign against money-laundering, which resulted in the need for implementing an OFAC filter mechanism, which checks cross-border transfers and enables the prevention of the sending of suspicious and/or embargoed payments.

Of all indicators for 2004 proving the growth of domestic as well as cross-border transfers, the most noteworthy was the 64% year-on-year increase in cross-border transfers carried out via the Internet. Tatra banka maintains a trend of steady growth in the number of payment instructions sent via electronic distribution channels, of approximately 3% p.a. In 2004 Tatra banka gained a market share in cross-border transfers of more than 30%.

As part of the implementation of changes brought about by Slovakia's entry into the EU, Tatra banka introduced an international account number in the IBAN structure (International Bank Account Number) for cross-border payments within the European Economic Zone, thus making a major step towards the future automation of payments processing. At the same time, as part of the process of convergence with EU standards, Tatra banka became one of the first banks in Slovakia to enter the European clearing system, STEP2, allowing clients to benefit from a cheaper and faster payment system for low volume payments within EU countries.

Increased payment settlements were also reported by one of the most important payment channels – Telebanking. The number of domestic payments carried out via Telebanking increased by 10% and the number of cross-border payments made via Telebanking increased by 23% in comparison with year 2003.

The total number of processed domestic payments grew by 14%. The overall number of cross-border outgoing payments in 2004 increased by 21% and the number of incoming cross-border payments increased by 32%. The share of payment orders issued electronically is 73% higher than payments issued via the branch network.

Treasury

Two trends influencing the market

During 2004 the domestic financial market experienced a prevailingly optimistic mood, with the overall development being influenced by two significant trends. Firstly, we saw a permanent strengthening of the SKK against the EUR (6.5% for the year), with the biggest increase of the SKK against the EUR occurring towards the end of the year. The source of the continuation in this trend was, for traders, ongoing government reform steps, as well as significantly better macro-economic results. There was also an influence from the announcements of a higher inflow of foreign direct investments (e.g., KIA). The EUR/SKK exchange rate moved gradually and slowly during the first half of the year towards a stronger level. The second half of the year began with a slight weakening, but it was only the quiet before the storm, which gathered strongly during the last two months. Heightened interest from traders pushed the EUR/SKK exchange rate up during the course of several weeks by 3.5% and direct interventions by the NBS on the foreign currency market, as well as by reducing interest rates did little to prevent this. A similar situation applied also to the USD/SKK exchange rate, where during the course of the year one historical record after another fell. The SKK appreciated against the USD from the opening level at the beginning of the year of 33.0 SKK per USD to 28.4 by the end of the year. A second major trend was the reduction of market rates, as well as key NBS rates, where the most significant reduction was recorded among the shortest rates. It may be said that rates on the interbank market reflected the situation on the forex market. The relatively fast developing market for interest rates derivatives (FRA, IRS) was closely linked to the events on the foreign currency markets. The NBS's battle to contain the strengthening of the EUR/SKK was taking place on two fronts - direct interventions on the foreign currency markets, as well as the reduction in key interest rates. These reductions, made progressively in March, April, June and November, each time by 50 basis points, were expected to reduce the attractiveness of the SKK by way of diminishing the interest differential between the SKK and EUR or USD, and thereby to assist in reducing pressure on the EUR/SKK exchange rate.

Trading turnover on foreign exchange market increased

Tatra banka's share of the Slovak foreign exchange market increased during the year to 29.2%, thus attaining first place in terms of turnover among local banks. Seventh place on the money market for Tatra banka meant a permanent position among the reference banks. In trading in interest rate derivatives (FRA, IRS) the Bank ended the year in second place. Over the course of the year the Bank built a strong position on the Slovak interbank foreign exchange market, earning it the Global Finance award "Best Foreign Exchange Bank in Slovakia".

Treasury – total turnover (in billions of SKK)	**2004**	**2003**	**2002**
securities	27.9	179.6	159.4
spot foreign exchange operations on interbank market	336.0	243.6	176.6
interbank money market deposits *	10.7	11.9	11.2
foreign exchange operations with Tatra banka customers	319.8	297.9	187.3
money market operations with Tatra banka customers *	24.7	20.2	18.0

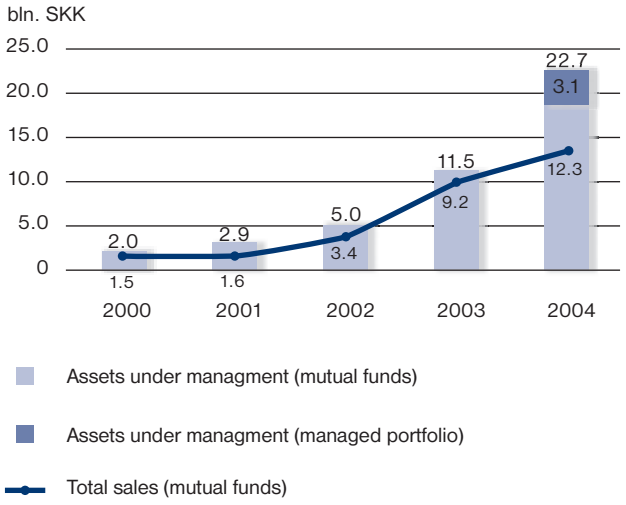
* average volume in billions of SKK weighted by number of effective days

Participations and Other

Tatra Asset Management

Tatra banka subsidiary Tatra Asset Management, správ. spol., a.s. (TAM), which manages mutual funds, had one of the most successful years in its history during 2004, selling SKK 12.3 billion of mutual funds, with the total volume of mutual fund assets increasing by 70%, i.e., SKK 19.5 billion. TAM maintained almost a 30% share of the Slovak mutual fund market. As in previous years TAM recorded the highest inflow of investments in money market funds (70%) and bond funds (24%). Investment packages represented some 17% of the total sales.

Assets under managment and total sales



Over the past year TAM fully complied with new legislation, compatible with the direct UCITS III Directive, allowing an extension of the company's licence also to cover individual portfolio management. The total volume of assets in managed portfolios at the end of 2004 represented SKK 3.1 billion, bringing the total volume of assets under management to SKK 22.7 billion.

The total income of TAM in 2004 grew in year-on-year terms by 24%, reaching SKK 231.5 million. The largest part of this income represented income from management fees (74%). Overall expenses

were reduced by 2% to SKK 172 million. The main portion of expenses were commissions paid to distributors of mutual funds (63%). The company generated profit after tax of SKK 48.1 million, representing a year-on-year increase of 434%. Net ROE in 2004 was 42.5% compared with 13.9% in year 2003.

Tatra Asset Management (in millions of SKK) *	**2004**	**2003**	**2002**
Revenues	231.5	187.2	76.1
Net profit	48.1	9.0	1.6
(in per cent)			
ROE (after taxation)	42.5	13.9	2.8

* according to Slovak Accounting Standards

Pokoj DDP

The supplementary pension insurance company Pokoj doplnková dôchodková poisťovňa (Pokoj DDP) is an integral part of the Tatra banka Group as a strategic partner for supplementary retirement and pension insurance, providing a more comprehensive product range to the Bank's clients and at the same time offering an optimal solution for their financial needs in a post-productive age or a disability.

The number of Pokoj DDP policyholders increased in 2004 from 127,264 to 143,638, which means that every 15th working person in the country is a client of Pokoj DDP. At the same time the market share has grown from 21.6% to 23.3%. The policyholder register consisted of 82% employees with a contribution from their employer, 12% employees without a contribution from their employer and 6% self-employed persons. An increase in the number of employers – Pokoj DDP partners was also recorded. Whereas at December 31, 2003 there were 4,255 employers/partners, at the end of last year this number rose to 5,040. The results achieved in 2004 are a confirmation of the strategic co-operation within the Tatra banka Group, which is beneficial not only for Pokoj DDP clients, but also for Tatra banka, who are offering throughout the branch network a unique insurance product – tax-advantaged supplementary pension insurance. At the same time Tatra banka is the depository agent for the insurance company and Tatra Asset Management, správ. spol., a.s., is exclusive asset manager for Pokoj DDP policyholders.

The company also recorded a strong upward trend in the average contribution sum, which reached SKK 931 per month, the highest among all supplementary pension insurance companies. During the year Pokoj DDP paid out pension insurance payments totalling SKK 399.5 million. The figures for supplementary pension insurance in Slovakia and Pokoj DDP's market share as at end December 2004 are shown in the following table:

Indicator	**Unit**	**Pokoj DDP**	**DDP in SR total**	**Pokoj DDP share**
Number of employer contracts	pcs	5,040	19,696	25.6%
Number of policyholders	persons	143,638	616,818	23.3%
Contributions	millions of SKK	1,351	4,702	28.7%
Paid out pensions	millions of SKK	400	1,843	21.7%

The positive development in the company's performance was also documented by effective co-operation with the administrator – Tatra Group Finance, s. r. o., which as a subsidiary of Tatra banka, ensures the sale of new policies and the operations of Pokoj DDP. Profit after tax reached SKK 58 million and recorded an increase on the previous year of SKK 19 million. In line with § 29 of the Supplementary Pension Insurance Act no. 123/1996 Coll. as amended the profit was divided in full among policyholders and pension recipients, with the exception of a statutory 2.5% reserve fund allocation of SKK 1.5 million. The total volume of company assets increased from SKK 2.2 billion at the end of 2003 to SKK 3.2 billion.

Tatra-Leasing

In 2004 Tatra-Leasing, s.r.o., with a total sales volume of SKK 4.6 billion excl. VAT, ranked fourth among leasing companies in Slovakia. Sales volume in movable assets gave the company a 10.2% market share, with the total volume of leasing transactions in this segment in Slovakia for the year reaching SKK 44.8 billion, excl. VAT, representing an increase of 3.6% on the previous year.

Tatra-Leasing achieved the largest market share in the commercial utility vehicles segment (14.7%), placing the company third among the leasing companies. In the trucks, trailers and semi-trailers segment the company finished the year in the fifth place, with a 13.3% market share and 10% in the technology segment. In personal vehicle leasing Tatra-Leasing was placed sixth with a market share of 7.6%.

Tatra-Leasing (in millions of SKK) *	**2004**	**2003**	**2002**
Revenues	8,505.7**	4,071.8	2,977.5
Net profit	168.3	92.0	33.5
(in per cent)			
ROE (after taxation)	53.2	40.4	13.5

* according to Slovak Accounting Standards

** according to standards modified as of January 1, 2004

Outlook for 2005

Slovakia's membership in the European Union has generated new opportunities related to the arrival of several foreign investors; nevertheless competitive pressures have become equally more apparent.

The Bank intends to meet its planned volumes and improve cross-selling within the Group through the acquisition of new clients and an enhanced offering of the product range to the existing corporate clientele. Tatra banka will adapt its risk and business policy to the current market conditions, finalise access to information and strengthen acquisition capacities in order to be able to provide service with added value to all corporate client segments. The Bank also plans to increase qualifications, both specialist and language skills of relationship managers, as well as the effectiveness and standardisation of loan product processing, whilst maintaining an individual approach.

In the retail field the Bank aims to maintain its market share of key products, increase product profitability through flexible adaptation of terms and conditions and also increase the number of clients in selected segments. By coordinating communication and distribution channels and exploiting opportunities for cross-selling the Bank wants to achieve an optimal status whilst adhering to targeted segmentation. This is not just for the benefit of the Bank's profitability but it also adds to client satisfaction by providing the necessary comfort.

AUDITOR’S REPORT

Deloitte.

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

Obchodný register
Okresného súdu Bratislava I
Oddiel: Sro
Vložka č.: 11922/B
IČO: 35 700 416

Tel: +421 2 582 49 111
Fax: +421 2 582 49 222
www.deloitte.sk

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 2004 and 2003, and the related consolidated income statements, consolidated statements of changes in shareholders' equity and consolidated cash flow statements 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 2004 and 2003, and the results of its operations, cash flows and changes in shareholders' equity for the years then ended in accordance with International Financial Reporting Standards.

Bratislava, 12 April 2005

Deloitte & Touche Slovakia spol. s r.o.

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FINANCIAL STATEMENTS

Financial Statements

(IFRS-compliant consolidated financial statements)

Income Statement

(in thousands of SKK)	Notes	2004	2003
Interest and similar income		5,745,797	4,519,087
Interest and similar expenses		(1,161,056)	(850,937)
Net interest income	**(1)**	**4,584,741**	**3,668,150**
Provisioning for impairment losses on loans and advances	(2)	(386,854)	(278,652)
Net interest income after provisioning		**4,197,887**	**3,389,498**
Fees and commissions income		2,151,370	1,711,190
Fees and commissions expense		(346,072)	(403,564)
Net fees and commission income	**(3)**	**1,805,298**	**1,307,626**
Trading profit	(4)	1,544,051	1,394,105
Net income from equity investments	(5)	45,370	64,754
General administrative expenses	(6)	(4,703,023)	(4,132,771)
Other operating profit/(loss)	(7)	(51,703)	6,883
Profit before income taxes		**2,837,880**	**2,030,095**
Income taxes	(8)	(500,488)	10,417
Consolidated profit after tax		**2,337,392**	**2,040,512**
Earnings per share (in SKK)	(9)	46,547	40,635

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

Financial statements were approved on April 12, 2005.

Balance Sheet

Assets (in thousands of SKK)	**Notes**	**December 31, 2004**	**December 31, 2003**
Cash reserve	(10)	3,914,754	7,961,100
Loans and advances to banks	(11)	18,900,493	13,277,392
Loans and advances to customers	(12)	67,755,720	61,438,664
Impairment losses for loans and advances	(13)	(2,171,235)	(1,948,971)
Trading assets	(14)	44,776,816	42,954,733
Financial investments	(15)	30,532,908	9,531,204
Equity investments	(16)	329,480	281,757
Intangible fixed assets	(17, 19)	547,777	355,821
Tangible fixed assets	(18, 19)	2,490,057	2,524,701
Other assets	(20)	696,006	568,447
Total		**167,772,776**	**136,944,848**

Shareholders' equity and liabilities (in thousands of SKK)			
Deposits from banks	(21)	22,899,143	9,889,590
Deposits from customers	(22)	117,920,143	107,915,903
Liabilities evidenced by paper	(23)	8,280,668	4,463,648
Provisions for liabilities and charges	(24)	671,792	687,118
Income tax liabilities	(25)	559,427	22,366
Liabilities from trading activities	(26)	3,718,310	1,627,115
Other liabilities	(27)	1,032,410	780,434
Subtotal liabilities		**155,081,893**	**125,386,174**
Equity (excluding current year profit)	(28)	10,353,491	9,518,162
Consolidated profit after tax		2,337,392	2,040,512
Subtotal shareholders' equity		**12,690,883**	**11,558,674**
Total		**167,772,776**	**136,944,848**

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

Statement of Changes in Equity

(in thousands of SKK)	Share capital	Share premium	Reserves and other funds	Retained earnings	Consolidated profit after tax	Total
Equity on January 1, 2003	**1,004,320**	**100,430**	**259,340**	**7,028,989**	**2,357,675**	**10,750,754**
Transfers	-	-	216	1,124,867	(1,125,083)	-
Dividends paid	-	-	-	-	(1,232,592)	(1,232,592)
Consolidated profit after tax	-	-	-	-	2,040,512	2,040,512
Equity on December 31, 2003	**1,004,320**	**100,430**	**259,556**	**8,153,856**	**2,040,512**	**11,558,674**
Transfers	-	-	(696)	836,025	(835,329)	-
Dividends paid	-	-	-	-	(1,205,183)	(1,205,183)
Consolidated profit after tax	-	-	-	-	2,337,392	2,337,392
Equity on December 31, 2004	**1,004,320**	**100,430**	**258,860**	**8,989,881**	**2,337,392**	**12,690,883**

Cash Flow Statement

(in thousands of SKK)	2004	2003
Cash flows from operating activities		
Profit before income taxes	2,837,880	2,030,095
Adjustments for non-cash operations	(3,474,081)	(2,629,235)
Cash flow of operating activities before changes in working capital, interest received and paid and income taxes paid (Note 29)	*(636,201)*	*(599,140)*
(Increase)/decrease in operating assets:		
Obligatory reserve with National Bank of Slovakia	1,175,836	136,285
Loans and advances to banks	(6,173,919)	(4,279,405)
Loans and advances to customers	(6,415,550)	(8,298,852)
Trading assets	182,172	5,224,195
Equity investments	(2,353)	(7,690)
Other assets	(217,479)	(30,569)
Increase/(decrease) in operating liabilities:		
Deposits from banks	12,991,351	(204,229)
Deposits from customers	10,029,566	12,476,711
Liabilities evidenced by paper	3,750,960	2,571,946
Other liabilities	248,992	257,979
Cash used in operations before interest paid and received and income taxes paid	*14,933,375*	*7,247,232*
Interest paid	(1,102,122)	(3,410,837)
Interest received	5,303,897	7,638,133
Income taxes paid	(9,384)	(169,692)
Net cash flows from/(used in) operating activities	**19,125,766**	**11,304,835**
Cash flows from investing activities		
Purchase of financial investments	(20,566,184)	(9,132,141)
Proceeds from sale or disposal of fixed assets	3,311	10,543
Fixed assets purchased	(822,472)	(598,038)
Dividends received	880	696
Net cash flows used in investing activities	**(21,384,465)**	**(9,718,940)**
Cash flows from financing activities		
Dividends paid	(1,205,183)	(1,232,592)
Net cash flows from/(used in) financing activities	**(1,205,183)**	**(1,232,592)**
Effects of exchange rate changes on cash and cash equivalents	(108,881)	(83,596)
Change in cash and cash equivalents	**(3,572,763)**	**269,707**
Cash and cash equivalents, beginning of the year (Note 29)	6,488,566	6,218,859
Cash and cash equivalents, end of the year (Note 29)	**2,915,803**	**6,488,566**

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

Notes

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. GRUFT 007/2002/OCP dated December 19, 2002.

The main shareholders of the Bank are as follows:

	December 31, 2004	December 31, 2003
Raiffeisen International Bank – Holding AG	72.44 %	72.42 %
Tatra Holding	14.11 %	14.11 %
Other	13.45 %	13.47 %

The registered office address of the Bank is Hodžovo nám. 3, Bratislava. The Bank has 110 branches and sub-agencies in the Slovak Republic.

The ultimate parent of the Group is *Raiffeisen Zentralbank Österreich AG ('RZB' or 'RZB Group')*.

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, namely the provision of banking and related services.

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

B. Definition of the consolidated group:

As of December 31, 2004 the Group consisted of the Bank and the following companies ('consolidated companies'):

Company	Direct holding %	Group holding %	Indirect holding through	Principal activity	Audited by	Method of consolidation /valuation	Registered office
Tatra Group Servis, s.r.o.	99.5 %	100 %	eliot, s.r.o.	Asset Management	BMB Leitner	full consolidation	Bratislava
Tatra Asset Management, správ. spol., a.s.	100 %	100 %	n/a	Asset Management	Deloitte & Touche Slovakia	full consolidation	Bratislava
Axen, s.r.o.	0.5 %	100 %	Tatra Group Servis, s.r.o.	Tenement	BMB Leitner	full consolidation	Bratislava
TG Strom, s.r.o.	0 %	100 %	Tatra Group Servis, s.r.o.	Tenement	BMB Leitner	full consolidation	Bratislava
Tatra Group Finance, s.r.o.	0 %	100 %	Tatra Group Servis, s.r.o.	Administration of additional pension insurance, tenement	BMB Leitner	full consolidation	Bratislava
eliot, s.r.o.	100 %	100 %	n/a	Services	BMB Leitner	not consolidated as immaterial	Bratislava
TL Leasing, s.r.o.	0 %	100 %	Tatra Group Servis, s.r.o.	Leasing	BMB Leitner	full consolidation	Bratislava
TatraReality, s.r.o.	0 %	100 %	Tatra Group Servis, s.r.o.	Tenement	BMB Leitner	full consolidation	Bratislava
CTH Real, s.r.o.	0 %	100 %	Tatra Group Servis, s.r.o.	Tenement	BMB Leitner	full consolidation	Bratislava
Tatra Leasing, s.r.o.	48 %	48 %	n/a	Leasing	Deloitte & Touche Leitner	equity method	Bratislava
K.A.X., s.r.o.	0 %	40 %	Tatra Group Servis, s.r.o.	Tenement	BMB Leitner	equity method	Bratislava
Slovak Banking Credit Bureau, s.r.o	33.33 %	33.33 %	n/a	Services s.r.o.	SLOVAUDIT,	not consolidated as immaterial	Bratislava

C. Developments in the Group during 2004:

In May 2004 the commercial name of Tatra-Return, s.r.o. was changed to TatraReality, s.r.o.

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 certain financial instruments.

The Group maintains its books of accounts and prepares financial statements for regulatory purposes in accordance with accounting principles valid in the 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 shareholders' equity and profit for the years 2004 and 2003 reported under Slovak accounting principles to shareholders' equity and profit for the years 2004 and 2003 reported under IFRS is shown in Note 28 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.

Certain reclassification of prior year balances have been made in order to comply with the current year presentation.

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 or loss of control. All receivables and liabilities, sales and purchases, as well as income, expenses, gains and losses from the transactions within the Group have been eliminated.

Investments in associated undertakings 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. Investments in associates are measured under the equity method in the consolidated financial statements, which requires that at the initial recognition the investment is measured at cost and adjusted thereafter for the post acquisition change in the investor's share in the nest assets of the investee. The profit and loss of the investor includes the investor's share in the profit and loss of the investee.
The consolidated financial statements were prepared using the same accounting policies for similar transactions.

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.

Exchange rate gains/losses from all foreign exchange transactions are included in 'Trading profit'.

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 the item 'Trading assets' in the balance sheet and 'Trading profit ' in the income statement.

d) Cash reserve

Cash reserve comprises cash held, 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 customers and provisions for loan impairment

Loans and advances to customers are stated at the amortised cost. For each period, a provision for impairment of loans and advances to customers is recognised in the income statement in 'Provisioning for impairment losses on loans and advances'. 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 possible loan losses 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, term deposits, securities and guarantees within the Group.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

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 'Provisioning for impairment losses on loans and advances'.

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 4,472 thousand in 2004 (SKK 533 thousand in 2003). 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 and similar 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 'Trading assets' and 'Financial investments' portfolio. The principal difference among the portfolios relates to the measurement of securities.

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.

Trading assets

Trading assets 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 Group includes unrealised gains and losses from the revaluation of securities to fair value in the income statements' caption 'Trading profit'. Interest income on trading assets is accrued on a daily net basis and reported in 'Trading profit' in the income statement. Dividends on securities held for trading are recorded in the income statement line 'Trading profit'.

Financial investments

This portfolio represents mainly long-term investments that the Group intends and is able to hold to maturity. The held to maturity 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 and similar 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 'Trading assets, or 'Financial investments' and the counterparty liabilities are included in 'Deposits from banks' or 'Deposits from customers' as appropriate. Securities purchased under agreements to purchase and resell ('reverse repos') are recorded as assets in the balance sheet line 'Loans and advances to banks' or 'Loans and advances to customers' as appropriate. 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 'Trading profit'.

The fair value of financial derivative instruments held for trading is disclosed in Note 37.

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 impaired, the Group's 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 (Group as lessor)

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

Debt 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 and similar expenses'.

l) Provisions for liabilities and charges

The amount of provisions for liabilities and charges is recognized as an expense and a liability when the Group has present legal or constructive obligations, which has occurred as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle that obligation and a reasonable estimate of the amount of the resulting loss can be made. Any loss resulting from recognition of provision for liability is recognized in the income statement for the period.

m) Recognition of income and expense

Income and expenses 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

Income taxes are calculated in accordance with the provisions of the relevant legislation of the Slovak Republic, based on the profit or loss recognised in the income statement prepared pursuant to Slovak accounting standards.

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.

The deferred income tax liability of the Bank 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 including specifically regulations in relation to supplementary insurance and collective investment schemes.

Notes to the Income Statement

1. Net interest income

(in thousands of SKK)	2004	2003
Interest and similar income	**5,745,797**	**4,519,087**
From loans and advances to banks	832,030	609,093
From loans and advances to customers	4,009,899	3,884,626
From financial investments held-to-maturity	903,868	25,368
Interest and similar expenses	**(1,161,056)**	**(850,937)**
On deposits from banks	(262,988)	(366,113)
On deposits from customers	(611,350)	(323,333)
On liabilities evidenced by paper	(286,718)	(161,491)
Net interest income	**4,584,741**	**3,668,150**

2. Provisioning for impairment losses on loans and advances

Provisioning for impairment losses on loans and advances arising from on-balance-sheet and off-balance-sheet transactions break down is as follows:

(in thousands of SKK)	2004	2003
Allocated to provision for impairment losses on loans and advances	(942,117)	(1,787,549)
Released from provision for impairment losses on loans and advances	555,263	1,508,897
Total	**(386,854)**	**(278,652)**

Details of the provisions for impairment losses on loans and advances are provided in Note 13.

3. Net fees and commission income

(in thousands of SKK)	2004	2003
Payment transfers business	1,169,617	828,093
Credit processing and guarantee business	281,122	210,281
Securities business	258,994	212,527
Foreign exchange and notes-and-coin business	(12,670)	(12,138)
Other banking services	108,235	68,863
Total	**1,805,298**	**1,307,626**

4. Trading profit

Trading profit includes all interest and dividend income, funding costs, commission and changes in the fair value of trading portfolios.

(in thousands of SKK)	2004	2003
Interest-rate contracts	**(458,575)**	**(338,449)**
Bonds and other fixed interest securities	1,096,337	(419,131)
Derivative financial instruments	(1,554,912)	80,682
hereof revaluation	(1,149,025)	269,642
Currency contracts	**2,002,626**	**1,732,554**
Foreign exchange differences and realised profit/loss of derivatives	1,968,647	1,645,960
Revaluation of derivative financial instruments	33,979	86,594
Total	**1,544,051**	**1,394,105**

Increase in negative market value from interest rate contracts relates to the transaction with related party disclosed in Note 14.

5. Net income from equity investments

Net income from equity investments includes gains and losses of equity investments. They include interests in companies accounted for using the equity method and other companies:

(in thousands of SKK)	2004	2003
From companies accounted for using the equity method	46,756	65,833
From other equity investments	(1,386)	(1,079)
Total	**45,370**	**64,754**

6. General administrative expenses

The Group's consolidated general administrative expenses comprise staff expenses, other general expenses and depreciation, amortization and write-downs of tangible and intangible fixed assets. They break down as follows:

(in thousands of SKK)	2004	2003
Staff expenses	**(2,129,761)**	**(1,750,200)**
Wages and salaries	(1,690,021)	(1,366,724)
Social security costs	(390,540)	(339,970)
Voluntary fringe benefits	(49,200)	(43,506)
Other general expenses	**(1,938,462)**	**(1,794,551)**
On premises	(423,649)	(404,046)
IT and communication costs	(456,364)	(378,154)
Legal and consultancy costs	(142,975)	(115,511)
Advertising and entertainment expenses	(180,690)	(207,531)
Deposit guarantee costs	(354,155)	(331,871)
Other items	(380,629)	(357,438)
Depreciation, amortization and write-downs of tangible and intangible fixed assets	**(634,800)**	**(588,020)**
Tangible fixed assets	(486,022)	(493,188)
Intangible fixed assets	(148,778)	(94,832)
hereof: goodwill	-	(5,974)
Total	**(4,703,023)**	**(4,132,771)**

Wages, salaries and bonuses include expenses related to preference shares amounted to SKK 103,500 thousand in 2004 (in 2003 SKK 61,354 thousand). Information on preference shares is presented in Note 27.

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 expenses amounted to SKK 13,327 thousand in 2004 (in 2003 SKK 10,726 thousand).

7. Other operating profit/(loss)

Among other things, 'Other operating profit/(loss)' includes revenues and expenses arising from non-banking activities and revenues and expenses arising from the disposal of tangible and intangible fixed assets and VAT not claimed as follows:

(in thousands of SKK)	2004	2003
Revenues from non-banking activities	131,995	34,352
hereof income from release of provisions to legal disputes (Note 24)	128,411	27,000
Expenses arising from non-banking activities	(348,804)	(210,282)
hereof other taxes	(198,707)	(165,069)
hereof expenses from allocation to legal disputes (Note 24)	(115,253)	(43,065)
Other operating income	212,979	208,918
Other operating expenses	(47,873)	(26,105)
Total	**(51,703)**	**6,883**

8. Income taxes

(in thousands of SKK)	2004	2003
Current tax expense	(556,169)	(173,450)
Deferred tax (expense)/income	55,681	183,867
Total	**(500,488)**	**10,417**

Slovak legal entities must individually report taxable income and remit corporate income taxes thereon to the appropriate authorities. In 2004 the corporate income tax rate amounted to 19% (2003: 25%). Increase in current income tax expense to amount SKK 556,169 thousand is a consequence of changes in Slovak tax law. In 2003, 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 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.

The tax on the profit before tax differs from the theoretical amount that would arise using the basic income tax rate is as follows:

(in thousands of SKK)	2004	2003
Profit before tax (at 19% 2003: 25%)	2,837,880	920,255
Profit before tax (2003: special tax rate 15%)	-	1,109,840
Profit before tax	**2,837,880**	**2,030,095**
Theoretical tax calculated at a tax rate of 19% (2003: 25% and 15%)	(539,197)	(396,540)
Income not taxable, primarily interest on securities	149,480	1,479,139
Tax non deductible expenses	(33,049)	(1,194,270)
Provisions and reserves, net	(142,419)	(43,590)
IFRS adjustments effects	2,196	(15,886)
Consolidation effect	4,901	19,586
Non taxable losses	(1,506)	(24,685)
Other	3,425	2,796
Movement of deferred tax	55,681	183,867
Total income tax (expense)/income	**(500,488)**	**10,417**

Deferred tax assets and liabilities as at December 31, 2004 relate to following items:

(in thousands of SKK)	Book value	Tax value	Temporary difference	December 31 2004	December 31 2003
Deferred tax assets					
Amounts due from clients	66,033,929	67,079,030	1,042,995	198,169	84,414
Tangible fixed assets	2,490,057	2,700,297	210,240	39,946	79,243
Other assets	2,356,280	2,375,113	18,833	3,578	3,740
Provisions	971,917	242,340	729,577	138,620	207,375
Unrealised gains/losses from securities and derivatives	-	-	-	-	62,994
Other outstanding payables	42	-	42	8	463
Total				**380,321**	**438,229**
Deferred tax liabilities					
Deferred tax from accrued interest income-	-	-	-		(15,279)
Unrealised gains/losses from derivatives	-	-	-	-	(47,756)
Other outstanding receivables	9,448	-	9,448	(1,795)	(510)
Total				**(1,795)**	**(63,545)**
Net deferred tax asset				**378,526**	**374,684**
Allowance for uncertain realisation of deferred tax asset				(340,367)	(392,206)
Net deferred tax asset/(liability)				**38,159**	**(17,522)**

The Group did not recognise a deferred tax asset in the amount of SKK 340,367 thousand, which mainly relates to the deductible temporary differences resulting from provisions, due to its uncertain timing and realisation in the future accounting periods.

Tax assets are included in 'Other assets' and comprise:

(in thousands of SKK)	2004	2003
Income tax	2,048	1,183
Deferred income tax	45,207	115
VAT	24,571	128
Other	35,140	12,595
Total	**106,966**	**14,021**

The movement of the deferred income tax is as follows:

(in thousands of SKK)	2004	2003
Net deferred income tax liability as of January 1	(17,522)	(201,389)
Net deferred income tax income	55,681	183,867
Net deferred income tax asset (liability) as of December 31	**38,159**	**(17,522)**

Net deferred income tax asset of SKK 38,159 thousand arises mainly from deductible temporary differences related to tangible fixed assets. In 2003, deferred income tax liability mainly related to temporary taxable differences related to income on government bonds.

9. Earnings per share

(in thousands of SKK)	2004	2003
Earnings in the accounting period	2,337,392	2,040,512
Average number of ordinary shares outstanding during period	50,216	50,216
Earnings per share	**46,547**	**40,635**

The average number of ordinary shares outstanding do not include preference shares (Note 27).

Notes to the Balance Sheet

10. Cash reserve

(in thousands of SKK)	2004	2003
Cash in hand	1,963,270	2,366,371
Balances at central banks	1,951,484	5,594,729
hereof obligatory minimum reserves	1,641,357	2,817,192
hereof deposits repayable on demand	310,127	1,477,374
hereof overnight with National Bank of Slovakia	-	1,300,163
Total	**3,914,754**	**7,961,100**

The minimum obligatory reserve is maintained as an interest bearing deposit under the regulations of the National Bank of Slovakia (bear interest at 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, and therefore is not included in cash and cash equivalents for the purposes of preparation of consolidated cash flow statement. (see Note 29).

11. Loans and advances to banks

(in thousands of SKK)	2004	2003
Giro and clearing business	642,406	1,208,609
Money-market business	9,323,884	6,104,548
Loans to banks	8,934,203	5,964,235
Total	**18,900,493**	**13,277,392**

Loans to banks are collateralised by treasury bills issued by the National Bank of Slovakia.

Loans and advances to banks break down along geographical lines are as follows:

(in thousands of SKK)	2004	2003
Slovakia	17,738,604	11,730,614
Other countries	1,161,889	1,546,778
Total	**18,900,493**	**13,277,392**

12. Loans and advances to customers

Loans and advances to customers are comprised of:

(in thousands of SKK)	2004	2003
Loans, except mortgage loans	58,355,560	54,538,270
Loans backed by bills of exchange	545,183	609,276
Receivables under mortgage loans	8,854,977	6,291,118
Total	**67,755,720**	**61,438,664**

Loans and advances to customers broken down along geographical lines are as follows:

(in thousands of SKK)	2004	2003
Slovakia	66,099,321	59,488,816
Other countries	1,656,399	1,949,848
Total	**67,755,720**	**61,438,664**

As at December 31, 2004 exposure against 10 biggest clients represented in monetary terms amounts to SKK 10,587,027 thousand (2003: SKK 8,631,059 thousand).

(in thousands of SKK)	2004	2003
Manufacturing	17,871,998	21,030,744
Trading enterprises	14,579,990	14,125,003
Financial services	5,329,350	5,479,262
Other services	5,329,347	3,695,116
Transportation	4,541,159	5,515,381
Healthcare and public services	3,193,379	911,761
Real estate construction	1,394,168	447,610
Agriculture	829,340	424,214
Mining	68,267	53,237
Other	14,618,722	9,756,336
Total	**67,755,720**	**61,438,664**

13. Impairment losses for loans and advances

Impairment losses for loans and advances are carried out applying homogeneous Group-wide standards and cover all recognizable borrower risks.

The movement in the provisions for loan and other losses during 2004 is as follows:

(in thousands of SKK)	On January 1, 2004	Allocated	Released	Used	Transfers, exchange differences	On December 31, 2004
Borrower risks – Loans and advances to customers	1,948,971	834,095	(454,526)	(102,076)	(55,229)	2,171,235
Subtotal	**1,948,971**	**834,095**	**(454,526)**	**(102,076)**	**(55,229)**	**2,171,235**
Risks arising from off-balance-sheet items	270,989	108,022	(100,737)	-	(8,850)	269,424
Total	**2,219,960**	**942,117**	**(555,263)**	**(102,076)**	**(64,079)**	**2,440,659**

The movement in the provisions for loan and other losses during 2003 is as follows:

(in thousands of SKK)	On January 1, 2004	Allocated	Released	Used	Transfers, exchange differences	On December 31, 2004
Borrower risks – Loans and advances to customers	1,694,8041	687,736	(1,408,367)	(12,781)	(12,240)	1,948,971
Subtotal	**1,694,804**	**1,687,736**	**(1,408,367)**	**(12,781)**	**(12,240)**	**1,948,971**
Risks arising from off-balance-sheet items	272,622	99,813	(100,530)	-	(1,734)	270,172
Total	**1,967,426**	**1,787,549**	**(1,508,897)**	**(12,781)**	**(14,154)**	**2,219,143**

14. Trading assets

Trading assets comprised the following securities and derivative instruments held for trading:

(in thousands of SKK)	2004	2003
Debt securities and other fixed-interest securities	**42,991,332**	**41,854,742**
Public-authority bills eligible for refinancing	18,374,559	20,139,556
Other debt instruments issued by public sector	12,716,325	18,338,613
Bonds and debt securities issued by other issuers	11,900,448	3,376,573
Shares and other variable-yield securities	**59,368**	**72,265**
Shares and other securities	2,538	12,518
Investment fund units	56,830	59,747
Positive fair values arising from derivative financial instruments	**1,726,116**	**1,027,726**
Interest-rate contracts	1,166,077	468,564
Exchange-rate contracts	560,039	559,162
Total	**44,776,816**	**42,954,733**

In December 2004, the Bank purchased debt securities in the amount of EUR 210 million from RZB Vienna (the related party). The aforementioned transaction also included Interest rate swap deals made with the same counterparty at equal amount. The aforementioned comprehensive transaction resulted in costs for derivative transactions in the amount of SKK 1,069,129 thousand, securities revaluation gain of SKK 769,431 thousand and interest income from these securities in the amount of SKK 323,185 thousand, all disclosed in 'Trading profit'. This transaction resulted in net profit in the amount of SKK 23,487 thousand reported in 2004.

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

(in thousands of SKK)	December 31, 2004	December 31, 2003
Shares and ownership interests held for trading issued by:		
Financial institutions in the Slovak Republic	59,364	60,917
Other entities in the Slovak Republic	4	11,348
Total shares and ownership interests held for trading	**59,368**	**72,265**

15. Financial investments

(in thousands of SKK)	2004	2003
Debt instruments issued by the public sector	22,985,404	7,625,647
Bonds and debt securities issued by other issuers	7,547,504	1,905,557
Total	**30,532,908**	**9,531,204**

16. Equity investments

(in thousands of SKK)	2004	2003
Interests in companies accounted for using the equity method	318,312	271,557
Other equity investments	11,168	10,200
Total	**329,480**	**281,757**

Investments accounted for using the equity method

(in thousands of SKK)	2004	2003
January 1	**271,557**	**224,924**
Share of profit of associates after taxation	46,755	65,833
Elimination of dividends received	-	(19,200)
December 31	**318,312**	**271,557**

As at December 31, 2004 the Group had investments in following associates:

Associate	Share on equity in %	Cost of investment	Provision	Net book value	Share on net assets 2004	Share on net assets 2003
Tatra Leasing, s.r.o.	48 %	96,000	-	96,000	317,820	270,965
K.A.X., s.r.o.	40 %	840	-	840	492	592
		96,840	**-**	**96,840**	**318,312**	**271,557**

Other equity investments

Other equity investments represent investments with a share of less than 20% of the share capital and voting rights. Other equity investments also include associates whose results, equity and financial position are, in aggregate, not material to the financial statements. The balances of other equity investments as at December 31, are as follows:

Name (in thousands of SKK)	Group holding (%)	Investment cost	Adjustment in value	Net investment 2004	Net investment 2003
DDP Pokoj	n/a	68,533	(68,533)	-	-
Slovakia Industries, a.s.	n/a	1,432	(1,432)	-	-
RVS, a.s.	1.01	2,700	(2,700)	-	-
eliot, s.r.o.	100	200	-	200	200
DTCA, a.s.	10	1,100	-	1,100	1,100
Int. Factors Group s.c.	10 shares	241	-	241	256
Burza cenných papierov Bratislava, a.s.	0.26	300	-	300	300
SWIFT, s.c. Belgium	35 shares	2,069	-	2,069	2,194
Slovak Banking Credit Bureau, s.r.o.	33.33	100	-	100	100
VALUE GROWTH FUND SLOVAKIA B.V.	7.14	9,848	(2,690)	7,158	6,050
Other equity investments		**86,523**	**(75,355)**	**11,168**	**10,200**

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.

17. Intangible fixed assets

(in thousands of SKK)	2004	2003
Software	389,009	271,675
Intangibles in progress	158,768	84,146
Total	**547,777**	**355,821**

18. Tangible fixed assets

(in thousands of SKK)	2004	2003
Land and buildings used by the Group for its own operations	1,352,215	1,378,537
Other tangible fixed assets, office furniture and equipment	1,137,842	1,146,164
Total	**2,490,057**	**2,524,701**

Obligations arising from the use of tangible fixed assets (primarily office rent) not shown on the Balance Sheet during the 2005 financial year will amount to SKK 299,462 thousand.

Insurance coverage

Tangible fixed assets are insured covering a maximum risk of SKK 3,106,776 thousand against natural disaster, SKK 2,893,524 thousand against water damage, SKK 505,842 thousand against theft and vandalism, and SKK 3,107,676 thousand against fire damage. Electronic equipment is insured covering a maximum risk of SKK 329,864 thousand.

Future investment plans

The bodies of the Group have approved the following major investments for the future accounting period:

(in thousands of SKK)	2005
Buildings – reconstruction acquisition	71,819
Office equipment	44,177
Cars	22,800
Telecommunication system	30,986
Hardware and software	704,425
Total	**874,207**

19. Development of tangible and intangible fixed assets

(in thousands of SKK)	Land and buildings	Machinery & equipment	Other fixed assets	Means of transport	Construction in progress and advances	Total
Cost						
January 1, 2004	**1,689,906**	**2,347,688**	**937,518**	**183,498**	**86,816**	**5,245,426**
Additions	18,587	3,603	-	3,819	493,043	519,052
Disposals	(4,129)	(137,067)	(24,108)	(22,036)	(57,960)	(245,300)
Additions of leased assets	-	-	-	-	-	-
Transfer from tangibles in progress	17,716	377,421	39,119	19,980	(454,236)	-
December 31, 2004	**1,722,080**	**2,591,645**	**952,529**	**185,261**	**67,663**	**5,519,178**
Accumulated depreciation						
January 1, 2004	**(311,368)**	**(1,745,579)**	**(566,257)**	**(97,521)**	**-**	**(2,720,725)**
Additions	(52,917)	(319,232)	(73,587)	(40,286)	-	(486,022)
Disposals	4,129	127,352	24,109	22,036	-	177,626
December 31, 2004	**(360,156)**	**(1,937,459)**	**(615,735)**	**(115,771)**	**-**	**(3,029,121)**
Net book value 2003	**1,378,538**	**602,109**	**371,261**	**85,977**	**86,816**	**2,524,701**
Net book value 2004	**1,361,924**	**654,186**	**336,794**	**69,490**	**67,663**	**2,490,057**

(in thousands of SKK)	Software	Goodwill	Others	Intangible in progress	Total
Cost					
January 1, 2004	**926,577**	**33,194**	**778**	**84,146**	**1,044,695**
Additions	-	-	3	391,798	391,801
Disposals	-	-	-	(51,067)	(51,067)
Transfer from intangibles in progress	266,108	-	-	(266,108)	-
December 31, 2004	**1,192,685**	**33,194**	**781**	**158,769**	**1,385,429**
Accumulated depreciation					
January 1, 2004	**(654,902)**	**(33,194)**	**(778)**	**-**	**(688,874)**
Disposals	(148,775)	-	(3)	-	(148,778)
December 31, 2004	**(803,677)**	**(33,194)**	**(781)**	**-**	**(837,652)**
Net book value 2003	**271,675**	**-**	**-**	**84,146**	**355,821**
Net book value 2004	**389,008**	**-**	**-**	**158,769**	**547,777**

20. Other assets

(in thousands of SKK)	2004	2003
Income tax assets	47,255	1,299
Current income tax assets	2,048	1,183
Deferred income tax assets	45,207	115
Prepayments and other deferrals	192,059	202,673
Provisions for other assets	(31,092)	(31,885)
Other	487,784	396,360
Total	**696,006**	**568,447**

(in thousands of SKK)	2004	2003
Deferred tax assets	45,207	115
Deferred tax liabilities (Note 25)	(7,048)	(17,637)
Net deferred tax assets	**38,159**	**(17,522)**

21. Deposits from banks

Deposits from banks are as follows:

(in thousands of SKK)	2004	2003
Giro and clearing business	363,119	492,089
Money-market business	22,258,323	8,886,203
Long-term finance	277,701	511,298
Total	**22,899,143**	**9,889,590**

Deposits from banks by geographical lines as follows:

(in thousands of SKK)	2004	2003
Slovakia	4,334,926	6,676,126
Other countries	18,564,217	3,213,464
Total	**22,899,143**	**9,889,590**

22. Deposits from customers

Deposits from customers by product groups are as follows:

(in thousands of SKK)	2004	2003
Sight deposits and current accounts	55,161,715	50,515,993
Time deposits	54,740,714	49,379,447
Savings deposits	8,017,714	8,020,463
Total	**117,920,143**	**107,915,903**

Deposits from customers by geographical lines are as follows:

(in thousands of SKK)	2004	2003
Slovakia	116,167,775	106,095,859
Other countries	1,752,368	1,820,044
Total	**117,920,143**	**107,915,903**

23. Liabilities evidenced by paper

(in thousands of SKK)	2004	2003
Issued debt securities	6,764,300	4,165,060
Other liabilities evidenced by paper	1,516,368	298,588
Total	**8,280,668**	**4,463,648**

The issued debt securities were issued by the Group with the following terms as of the date of issuance:

Name (in thousands of SKK)	Interest rate	Issue date	Maturity date	December 31, 2004	December 31, 2003
Mortgage bonds	7.50%	14. 12. 2001	14. 12. 2006	602,760	603,150
Mortgage bonds	5.50%	17. 12. 2002	17. 12. 2012	1,037,821	1,042,331
Mortgage bonds	6.00%	11. 3. 2003	11. 3. 2010	492,239	562,687
Mortgage bonds	5.00%	21. 5. 2003	21. 5. 2013	1,053,932	943,987
Mortgage bonds	4.60%	8. 8. 2003	8. 8. 2008	509,072	509,072
Mortgage bonds	4.60%	31. 10. 2003	31. 10. 2008	1,007,558	503,833
Mortgage bonds	5.00%	31. 3. 2004	31. 3. 2009	1,037,500	-
Mortgage bonds	4.50%	25. 6. 2004	25. 6. 2009	1,023,408	-
Mortgage bonds	4.60%	14. 1. 2004	14. 1. 2008	10	-
Total mortgage bonds				**6,764,300**	**4,165,060**

24. Provisions for liabilities and charges

(in thousands of SKK)	On January 1	Allocated	Released	Transfers, exchange differences	On December 31
Legal disputes (Note 33)	372,414	115,253	(128,411)	-	359,256
Guarantees	164,586	7,841	(55,144)	(8,007)	109,276
Unconditional loan commitments	105,586	100,182	(44,777)	(843)	160,148
Other	44,532	43,112	(44,532)	-	43,112
Total	**687,118**	**266,388**	**(272,864)**	**(8,850)**	**671,792**

25. Income tax liabilities

(in thousands of SKK)	On January 1	Allocated	Released	On December 31
Current	4,730	552,379	(4,730)	552,379
Deferred	17,636	7,048	(17,636)	7,048
Total	**22,366**	**559,427**	**(22,366)**	**559,427**

26. Liabilities from trading activities

(in thousands of SKK)	2004	2003
Negative market values arising from derivative financial instruments		
Interest-rate contracts	2,629,378	770,304
Exchange-rate contracts	1,088,932	856,811
Total	**3,718,310**	**1,627,115**

Increase in negative market value from interest rate contracts relates to the transaction with related party disclosed in Note 14.

27. Other liabilities

(in thousands of SKK)	2004	2003
Deferred items	14,702	15,132
Other liabilities	1,017,708	765,302
hereof liability from preference shares	530,350	302,159
hereof other taxes	62,182	76,132
Total	**1,032,410**	**780,434**

In accordance with its Articles of Association, the Group sold to its preference shares as part of an incentive programme. The Group is obliged to repurchase these shares upon 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. Employee 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 a firmly defined price, these were classified as liabilities to employees and are included in other liabilities for the purposes of preparation of these financial statements. As of December 31, 2004, such liability amounted to SKK 530,350 thousand (December 31, 2003: SKK 302,159 thousand). Change in the liability is charged to 'General administrative expenses', item 'Staff expenses'. Dividends paid to employees included in expenses, in 2004 were SKK 36,944 thousand (2003: SKK 27,408 thousand).

28. Equity

Share capital consists of 50,216 ordinary shares with a face value of SKK 20 thousand each. Structure of shareholders is included in General information section. Earnings per share are disclosed in Note 9.

Contribution of the Group companies to share premium, reserves and retained earnings (excluding profit of the current year) is as follows:

(in thousands of SKK)	2004	2003
Parent company	9,167,198	8,376,324
Companies consolidated by full method	7,263	9,441
Companies consolidated by equity method	174,710	128,077
Total share premium, reserves and retained earnings	**9,349,171**	**8,513,842**

Contribution of the Group companies to consolidated profit after tax for the year is as follows:

(in thousands of SKK)	2004	2003
Parent company	2,254,152	1,996,057
Companies consolidated by full method	36,484	(2,178)
Companies consolidated by equity method	46,756	46,633
Consolidated profit after tax	**2,337,392**	**2,040,512**

Distribution of net profit for the year ended December 31, 2004 will be approved by the General meetings of the Group companies.

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

(in thousands of SKK)	December 31, 2004		December 31, 2003	
	Equity	Profit	Equity	Profit
Slovak Accounting Legislation (Bank only)	12,872,047	2,238,368	11,395,667	2,056,261
IFRS consolidation effect	219,730	202,524	181,972	44,455
Preference shares adjustment	(400,894)	(103,500)	(18,965)	(61,354)
Other adjustments	-	-	-	1,150
International Financial Reporting Standards	**12,690,883**	**2,337,392**	**11,558,674**	**2,040,512**

Other Notes

29. Information for Cash flow statement

Profit from operating activities before changes in working capital is as follows:

(in thousands of SKK)	2004	2003
Cash flows from operating activities		
Profit before income taxes	2,837,880	2,030,095
Adjustments for non-cash operations:		
Interest expense	1,161,056	850,937
Interest income	(5,745,797)	(4,519,087)
Provisions for losses and write off of assets, net	211,296	283,780
(Profit) / loss on sale and other disposals of fixed assets	27,050	127,920
Share of profit of associates	(46,756)	(65,833)
Revaluation of derivatives and trading securities	176,575	21,645
Depreciation and amortization	634,800	588,020
Dividend income	(880)	(696)
Changes in accrued income and expense	(306)	483
Foreign exchange (gain) / loss on cash and cash equivalents	108,881	83,596
Cash flow of operating activities before changes in working capital, interest received and paid and income taxes paid	**(636,201)**	**(599,140)**

Cash and cash equivalents comprise of the following:

(in thousands of SKK)	2004	2003
Cash in hand	1,963,270	2,366,371
Deposits with National Bank of Slovakia repayable on demand	310,127	1,477,374
Overnight with National Bank of Slovakia	-	1,300,163
Giro and deposits clearing business	642,406	1,208,609
Other	-	136,049
Total	**2,915,803**	**6,488,566**

30. Receivables and payables with 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.

The following are assets, liabilities, commitments and contingencies, derivatives, revenues and expenses with related parties:

Assets (in thousands of SKK)	**2004**	**2003**
Loans and advances to banks and customers	**1,621,037**	**2,165,256**
Statutory bodies and Supervisory Board	5,569	3,362
RZB	497,659	535,052
RZB Group	790,921	1,295,909
Associates	283,147	305,341
Other related parties	43,741	25,619
Receivables from financial derivative transactions	**39,974**	**29,715**
RZB	19,799	13,875
RZB Group	407	220
Associates	19,768	15,620
Other assets	**10,433**	**31,311**
RZB	60	19,839
RZB Group	3,653	4,252
Associates	6,720	7,220

Liabilities (in thousands of SKK)	2004	2003
Deposits from banks and customers	**14,180,869**	**834,213**
Statutory bodies and Supervisory Board	78,006	52,650
RZB	13,058,431	1,577
RZB Group	1,042,735	778,692
Associates	1,697	1,294
Liabilities from financial derivative transactions	**1,233,651**	**174,948**
RZB	1,230,171	168,395
RZB Group	91	1,169
Associates	3,389	5,384
Other liabilities	**375**	**9,680**
RZB	21	9,670
RZB Group	344	-
Associates	10	10

Income (in thousands of SKK)	2004	2003
Interest income	**26,707**	**59,724**
Statutory bodies and Supervisory Board	261	279
RZB	16,199	27,444
RZB Group	3,138	2,769
Associates	6,783	28,943
Other related parties	326	288
Income from charges	**48,005**	**34,699**
RZB	38	198
RZB Group	22,591	8,628
Associates	25,376	25,873
Operating revenues	**27,460**	**16,024**
RZB	165	239
RZB Group	5,051	245
Associates	22,244	15,540
Total revenues	**102,172**	**110,447**

Expenses (in thousands of SKK)	2004	2003
Interest expenses	**(61,097)**	**(27,831)**
RZB	(44,648)	(24,466)
RZB Group	(16,359)	(3,158)
Associates	(90)	(206)
Expenses on charges	**(65,784)**	**(74,277)**
RZB	(58,694)	(69,678)
RZB Group	(7,090)	(4,599)
Unrealized gain/loss on financial derivative transactions	**(1,107,799)**	**(36,344)**
RZB	(1,120,420)	(31,513)
RZB Group	902	(2,054)
Associates	11,719	(2,777)
Administrative expenses	**(109,435)**	**(98,023)**
RZB	(39,795)	(38,020)
RZB Group	(25,575)	(27,545)
Supervisory Board – remuneration	(8,143)	(8,143)
Statutory bodies – remuneration	(35,923)	(24,315)
Operating expenses	**-**	**(55)**
RZB	-	(55)
Total expenses	**(1,344,116)**	**(236,530)**

Increase in negative market value from interest rate contracts relates to the transaction with related party disclosed in Note 14.

Commitments and contingent liabilities (in thousands of SKK)	2004	2003
Guarantees issued	**378,514**	**340,747**
RZB	135,817	160,179
RZB Group	237,197	171,756
associates	5,500	8,812
Guarantees received	**2,902,166**	**2,271,027**
RZB	2,644,781	2,249,407
RZB Group	257,385	21,620

31. Foreign currency items

The Consolidated Financial Statements contain the following volumes of assets and liabilities denominated in foreign currencies:

(in thousands of SKK)	2004	2003
Assets	35,338,913	24,696,953
Liabilities	43,905,837	26,846,529

32. Foreign assets and liabilities

Assets and liabilities with counterparties outside Slovakia are as follows:

(in thousands of SKK)	2004	2003
Assets	19,402,211	3,116,609
Liabilities	23,275,902	5,585,513

33. Contingent liabilities and other off-balance-sheet items

(in thousands of SKK)	2004	2003
Contingent liabilities	**5,383,472**	**5,488,223**
Arising from guarantee credits	237,051	283,912
Arising from other guarantees	4,576,387	4,636,022
Arising from letters of credit	570,034	568,289
Commitments	**28,899,165**	**22,075,967**
Arising from irrevocable loan promises/stand-by facilities		
Up to 1 year	22,324,284	17,934,318
More than 1 year	6,574,881	4,141,649

Off balance sheet commitments from guarantees represent irrevocable obligations that the Group will make payments in the event that a customer cannot fulfil 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, 2004 the Group created reserves for these risks amounting to SKK 269,424 thousand (2003: SKK 270,172 thousand) (Note 13).

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, 2004 the Group created provisions for these risks amounting to SKK 359,256 thousand (2003: SKK 372,414 thousand) (Note 24).

Values in custody and management

(in thousands of SKK)	December 31, 2004	December 31, 2003
Values in custody		
Investment bills of exchange	1,516,892	257,528
Trust receipts	435,874	524,343
Unit trust certificates of the trust holders in the open unit trusts of Tatra Asset Management ('TAM')	19,558,343	11,561,049
Values in management		
Securities	1,049,271	578,104
Total	**22,560,380**	**12,921,024**

In accordance with the depository function for TAM, as at December 31, 2004 the Bank reported securities in custody of the TAM Unit Trusts in the amount of SKK 14,299,605 thousand (2003: SKK 9,218,994 thousand).

34. Repurchase agreements

The following repurchase and redelivery commitments were in place on December 31, (under reverse repo transactions):

(in thousands of SKK)	2004	2003
Reverse repurchase agreements (as lender)		
Loans and advances to banks	8,935,236	5,968,458
Loans and advances to customers	-	-
Total	**8,935,236**	**5,968,458**

35. Assets pledged as collateral

The following obligations were securitized by assets shown on the Balance Sheet:

(in thousands of SKK)	2004	2003
Liabilities evidenced by paper	2,000,000	-
Contingent liabilities and commitments	208,205	252,454
Total	**2,208,205**	**252,454**

The following assets on the Balance Sheet were furnished as collateral for the above named obligations:

(in thousands of SKK)	2004	2003
Trading assets	2,053,123	-
Loans and advances to banks	231,017	287,160
Total	**2,284,140**	**287,160**

36. Non-interest-bearing assets

(in thousands of SKK)	2004	2003
Loans and advances to customers	386,426	205,413
Impairment losses for loans and advances	(333,815)	(200,717)
Total	**52,611**	**4,696**

37. Derivative financial instruments

The total volume of unsettled derivative financial instruments are as follows on December 31, 2004:

	Nominal amounts by maturity				Fair values	
(in thousands of SKK)	Up to 1 year	From 1 to 5 years	More than 5 years	Total	Positive (Note 14)	Negative (Note 26)
a) Interest-rate contracts	**16,022,920**	**35,296,364**	**15,525,420**	**66,844,704**	**1,166,077**	**(2,629,378)**
OTC products:						
Interest swaps	2,872,920	34,996,364	15,525,420	53,394,704	1,162,616	(2,608,760)
Forward rate agreements	13,150,000	300,000	-	13,450,000	3,461	(20,618)
b) Exchange-rate contracts	**53,093,949**	**1,583,807**	**610,669**	**55,288,425**	**560,039**	**(1,088,932)**
OTC products:						
Currency and interest swaps	652,191	1,466,717	610,669	2,729,577	89,434	(275,085)
Forward exchange deals	29,632,463	117,090	-	29,749,553	381,857	(705,992)
Currency options - buys	10,040,734	-	-	10,040,734	88,748	-
Currency options - sells	12,768,561	-	-	12,768,561	-	(107,855)
Total	**69,116,869**	**36,880,171**	**16,136,089**	**122,133,129**	**1,726,116**	**(3,718,310)**

Increase in negative market value from interest rate contracts relates to the transaction with related party disclosed in Note 14.

The total volume of unsettled derivative financial instruments are as follows on December 31, 2003:

	Nominal amounts by maturity				Fair values	
(in thousands of SKK)	Up to 1 year	From 1 to 5 years	More than 5 years	Total	Positive (Note 14)	Negative (Note 26)
a) Interest - rate contracts	**21,050,523**	**19,007,036**	**6,646,440**	**46,703,999**	**468,564**	**(770,305)**
OTC products:						
Interest swaps	2,450,523	18,407,036	6,646,440	27,503,999	465,760	(766,197)
Forward rate agreements	18,600,000	600,000	-	19,200,000	2,804	(4,108)
b) Exchange-rate contracts	**47,272,882**	**959,687**	**-**	**48,232,569**	**559,162**	**(856,810)**
OTC products:						
Currency and interest swaps	127,043	842,857	-	969,900	67,812	(219,605)
Forward exchange deals	42,012 ,381	-	-	42,012,381	462,909	(605,133)
Currency options - buys	2,412,375	58,415	-	2,470,790	28,441	-
Currency options - sells	2,721,083	58,415	-	2,779,498	-	(32,072)
Total	**68,323,405**	**19,966,723**	**6,646,440**	**94,936,568**	**1,027,726**	**(1,627,115)**

38. Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Insofar as market prices were available (which was mainly the case for securities and derivative instruments traded on stock exchanges and functioning markets), they were used. All other financial instruments were valued using internal measurement models, including in particular present value models or accepted option price models, or use was made of external expert opinions. Fixed-interest receivables from and payables to banks or customers were only remeasured to fair values different from their carrying amount on the Balance Sheet if they had a remaining term of more than one year. Variable-rate receivables and payables were only taken into account if they had an interest rollover period of more than one year. Only in those cases does discounting based on an assumed interest rate in line with market rates have a significant effect.

(in thousands of SKK)	Fair value	Carrying amount	2004 Difference	Fair value	Carrying amount	2003 Difference
Assets						
Loans and advances to banks	18,900,493	18,900,493	-	13,277,392	13,277,392	-
Loans and advances to customers	68,173,020	67,755,720	417,300	61,302,759	61,438,662	(135,903)
Financial investments	31,062,637	30,532,908	529,729	9,514,145	9,541,404	(27,259)
Intangible and tangible fixed assets	3,037,834	3,037,834	-	2,880,521	2,880,521	-
Liabilities						
Deposits from banks	22,899,143	22,899,143	-	9,889,590	9,889,590	-
Deposits from customers	117,920,143	117,920,143	-	107,915,903	107,915,903	-
Liabilities evidenced by paper	8,280,668	8,280,668	-	4,463,648	4,463,648	-

39. Average number of staff

The average number of staff during the financial year breaks down as follows:

	2004	2003
White collar	3,040	2,907
Blue collar	-	4
Total	**3,040**	**2,911**

40. Remuneration of board members

The members of the Managing Board and the Supervisory Board were remunerated as follows:

(in thousands of SKK)	2004	2003
Managing Board	38,974	24,315
Supervisory Board	8,143	8,143
Total	**47,117**	**32,458**

41. Credit risk exposure to the Slovak republic

The table below provides the summary of the Bank's credit risk exposure against the Slovak Republic (companies controlled by the Slovak Republic, guarantees issued by the Slovak Republic and similar exposures):

(in thousands of SKK)	2004	2003
Deposits with the NBS	310,127	1,477,374
State zero coupon bonds and other securities accepted by the NBS for refinancing	24,462,756	20,602,797
Amounts due from banks	10,575,560	10,081,591
Amounts due from clients	14,424,962	13,554,549
Debt securities	29,618,123	25,468,375
Total	**79,391,528**	**71,184,686**

42. Risk report

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 the Group has chosen the different approach to provisioning. Provisions are based on performance of the 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 the experience indicates will probably default in the next 12 months. This estimation of retail provisions is based on previous experience of the 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.

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

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 RZB 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

(in thousands of SKK)	**December 31, 2004 Net FX position**	**December 31, 2003 Net FX position**
EUR	27,004	(70,804)
USD	61,931	(95,168)
CZK	(35,026)	(19,899)
SKK	(136,940)	109,368
Other	99	140,719
Total Net FX position	**(82,932)**	**64,216**

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) and Trading Book Money Market Stop Loss Limit.

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 'unspecified' category. Deposits from customers are split into individual time baskets by the Group's historical experience with their actual drawing by clients.

(in thousands of SKK)	Up to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Unspecified	Total
Cash reserve	1,951,484	-	-	-	1,963,270	3,914,754
Loans and advances to banks	14,117,452	4,780,277	-	-	2,764	18,900,493
Loans and advances to customers	48,727,936	5,566,305	10,514,396	2,771,652	175,431	67,755,720
Impairment losses for loans and advances	(1,941,285)	(207,204)	(8,443)	(14,303)	-	(2,171,235)
Trading assets	18,653,640	3,448,244	7,328,341	13,561,109	1,785,482	44,776,816
Financial investments	6,111,474	3,363,668	21,057,766	-	-	30,532,908
Equity investments	-	-	-	-	329,480	329,480
Tangible and intangible fixed assets	-	-	-	-	3,037,834	3,037,834
Other assets	-	-	-	-	696,006	696,006
Total assets	**87,620,701**	**16,951,290**	**38,892,060**	**16,318,458**	**7,990,267**	**167,772,776**
Deposits from banks	22,401,546	205,350	130,602	92,629	69,016	22,899,143
Deposits from customers	71,701,607	16,385,755	28,113,729	2,639	1,716,413	117,920,143
Liabilities evidenced by paper	1,575,666	87,010	4,151,805	2,466,187	-	8,280,668
Provisions for liabilities and charges	-	-	-	-	671,792	671,792
Income tax liabilities	-	-	-	-	559,427	559,427
Liabilities from trading activities	-	-	-	-	3,718,310	3,718,310
Other liabilities	-	-	-	-	1,032,410	1,032,410
Equity (excluding current year profit)	-	-	-	-	10,353,491	10,353,491
Consolidated profit after tax	2,337,392	-	-	-	-	2,337,392
Total liabilities	**98,016,211**	**16,678,115**	**32,396,136**	**2,561,455**	**18,120,859**	**167,772,776**
Balance sheet interest rate sensitivity gap	**(10,395,510)**	**273,175**	**6,495,924**	**13,757,003**	**(10,130,592)**	**-**
Net off balance sheet interest rate sensitivity gap *	**14,579,168**	**(5,097,938)**	**4,021,888**	**(13,925,420)**	**-**	**(422,302)**
Cumulative interest rate sensitivity gap	**4,183,658**	**(641,105)**	**9,876,707**	**9,708,290**	**(422,302)**	**-**
As of December 31, 2003						
Total assets	81,785,284	18,780,512	17,908,741	12,989,416	5,480,895	136,944,848
Total liabilities	79,610,150	25,029,977	15,123,488	2,401,500	14,779,733	136,944,848
Balance sheet interest rate sensitivity gap	**2,175,134**	**(6,249,465)**	**2,785,253**	**10,587,916**	**(9,298,838)**	**-**
Net off-balance sheet interest rate sensitivity gap *	**11,318,635**	**(14,509,768)**	**8,723,912**	**(5,846,440)**	**(16,187,859)**	**(16,501,520)**
Cumulative interest rate sensitivity gap	**13,493,769**	**(7,265,464)**	**4,243,701**	**8,985,177**	**(16,501,520)**	**-**

*) Off balance sheet position includes certain interest rate sensitive transactions with financial derivatives

Individual interest rate gaps in the Bank (individual) as of December 31, 2004:

IR Gap (in thousands of SKK)	up to 6 Mon	6 - 12 Mon	1 - 2 Yr	2 - 5 Yr	5 Yr +
SKK	7,441,812	(6,370,208)	616,521	10,085,760	(1,030,639)
EUR	2,364,174	2,869,506	755,907	(593,691)	878,152
USD	(4,571,246)	(284,506)	441,543	(74,359)	-
CZK	(161,499)	(120,039)	(52,407)	(139,750)	-

Change in the present value of interest rate exposure of the Bank (individual) at December 31, 2004 given a parallel increase in interest rates of one basis point:

+1BPV (in thousands of SKK)	up to 6 Mon	6 - 12 Mon	1 - 2 Yr	2 - 5 Yr	5 Yr +
SKK	(148)	515	(111)	(4,007)	641
EUR	(358)	(222)	(139)	246	(585)
USD	37	26	(79)	29	-
CZK	3	9	10	57	-

Average interest rates as of December 31, 2004:

The average interest rates calculated as a weighted average for each asset and liability category are as follows:

	2004		2003	
	SKK	FCY	SKK	FCY
Assets				
Cash reserve	3.38%	-	4.89%	-
Treasury bills and other bills eligible for refinancing	5.13%	-	6.07%	-
Loans and advances to banks	4.81%	1.17%	6.27%	1.68%
Loans and advances to customers	7.13%	4.05%	8.04%	4.49%
Interest earning securities	4.94%	8.14%	7.11%	4.71%
Total assets	**5.48%**	**4.79%**	**6.79%**	**4.65%**
Total interest earning assets	**5.73%**	**4.86%**	**7.84%**	**5.17%**
Liabilities				
Deposits from central bank	5.61%	4.79%	4.64%	-
Deposits from banks	4.74%	1.89%	6.17%	1.52%
Deposits from customers	2.41%	0.96%	3.47%	0.89%
Securities issued	3.99%	1.07%	6.43%	-
Total liabilities	**2.27%**	**1.10%**	**3.30%**	**1.95%**
Total interest bearing liabilities	**2.58%**	**1.17%**	**4.33%**	**2.29%**

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 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
Cash reserve	3,914,754	-	-	-	-	3,914,754
Loans and advances to banks	14,115,884	4,784,609	-	-	-	18,900,493
Loans and advances to customers	19,820,338	13,577,913	22,271,913	10,898,639	1,186,917	67,755,720
Impairment losses for loans and advances	-	-	-	-	(2,171,235)	(2,171,235)
Trading assets	15,919,363	4,154,316	10,714,976	13,928,793	59,368	44,776,816
Financial investments	2,438,356	3,934,979	23,678,775	480,798	-	30,532,908
Equity investments	-	-	-	-	329,480	329,480
Tangible and intangible fixed assets	-	-	-	-	3,037,834	3,037,834
Other assets	315,817	58,806	44,124	33,806	243,453	696,006
Total assets	**56,524,512**	**26,510,623**	**56,709,788**	**25,342,036**	**2,685,817**	**167,772,776**
Deposits from banks	22,437,645	205,350	130,602	92,629	32,917	22,899,143
Deposits from customers	108,287,952	5,059,666	2,445,907	2,007,068	119,550	117,920,143
Liabilities evidenced by paper	1,574,541	87,010	4,151,841	2,467,276	-	8,280,668
Provisions for liabilities and charges	-	-	-	-	671,792	671,792
Income tax liabilities	552,379	-	-	-	7,048	559,427
Liabilities from trading activities	736,194	555,343	1,020,350	1,406,423	-	3,718,310
Other liabilities	847	21,457	-	-	1,010,106	1,032,410
Equity (including consolidated profit)	-	-	-	-	12,690,883	12,690,883
Total liabilities	**133,589,558**	**5,928,826**	**7,748,700**	**5,973,396**	**14,532,296**	**167,772,776**
Balance sheet position	**(77,065,046)**	**20,581,797**	**48,961,088**	**19,368,640**	**(11,846,479)**	**-**
Net off balance sheet position *	**(2,103,505)**	**(4,918,023)**	**(3,566,072)**	**(6,019,354)**	**1,103,000**	**(15,503,954)**
Cumulative position	**(79,168,551)**	**(63,504,777)**	**(18,109,761)**	**(4,760,475)**	**(15,503,954)**	**-**
As of December 31, 2003						
Total assets	54,820,090	25,379,513	37,536,698	15,032,447	4,176,100	136,944,848
Total liabilities	114,287,000	4,376,677	2,371,127	2,960,258	12,949,786	136,944,848
Balance sheet position	**(59,466,910)**	**21,002,836**	**35,165,571**	**12,072,189**	**(8,773,686)**	**-**
Net off-balance sheet position *	**(2,819,358)**	**(1,997,996)**	**(9,187,188)**	**(4,396,155)**	**1,899,177**	**(16,501,520)**
Cumulative position	**(62,286,268)**	**(43,281,428)**	**(17,303,045)**	**(9,627,011)**	**(16,501,520)**	**-**

*) Off balance sheet position includes amounts receivable and payable arising from spot and derivative transactions, guarantees and letters of credit.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. As in the case of other types of risks, operational risk is managed by applying the standard principle including the separation of functions in risk management and controlling.

For regulatory capital purposes the Group is going to use 'The Standardised Approach' according to BASEL II requirements. Gross Income - relevant indicator for measuring operational capital charge is presented as the average over three years of the sum of net interest income and net non-interest income.

For the identification of operational risk the Group uses a three-dimensional model compound of risk categories, business functions and business lines (Risk Management Association methodology). OpRisk loss data collection will cover the collection of all operational losses according to risk categories.

The Group puts the accent on process quality improvement and OpRisk mitigation actions. The essential assumption of set goals is based on OpRisk awareness and OpRisk bank culture.

Basel II

The Group is preparing to thoroughly fulfil the revised EU Directive on the capital adequacy proposed by the European Parliament as 'Re-casting Directive 2000/12/EC' that is based, to the significant extent, on the document called 'International Convergence of Capital Measurement and Capital Standards' issued by the Basle Committee, generally known as Basel II.

The implementation of the Basle II requirements is a high priority project for the Group.

The objective of the project is primarily to ensure the most accurate assessment and proper management of credit, market and operation risks. The achievement of this objective is based among others on the appropriate collection and archiving of all comprehensive data or potential comprehensive data, on the development of a reliable measurement methodology for individual types of risks, on the maintenance of effective and well-developed processes for the prudent management of individual types of risks, on the maintenance of quality and secure IT systems for the automation of processes, data collection, data analysis, calculations, and provision of outputs.

The goal is to take into consideration knowledge of the respective risks in any area of the Group's activities, for which the individual risks are relevant. The outcome will be that the risk and the capital maintained for this type of risk will be regarded in both, commercial strategies and management of the Group itself in order to achieve the best effect in terms of the optimum compromise between minimizing individual types of risk and increasing the market share, the profits, and the ROE.

The concepts, methodology, and documentation for the Basle II Project are prepared in close cooperation with both *RZB* and *Raiffeisen International*.

43. 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, 2004.

44. Approval of the financial statements

The financial statements are signed and authorised for issue on April 12, 2005.

DISTRIBUTION OF THE PROFIT

Distribution of the Profit for the Year 2004

(in thousands of SKK)	**2004**
Profit after tax	2,238,368
Dividends - ordinary shares	1,436,177
Dividends - preference shares	67,197
Remunerations to Supervisory board	10,105
Allocation to Social fund	14,457
Allocation to retained earnings	710,432

Profit according to Slovak Accounting Standards, see Note 28 to the consolidated financial statements.

The Supervisory Board consents with the submitted report on the business year of 2004, the financial statements and the proposal for the distribution of the profit.

TOP MANAGEMENT

Top Management as of December 31, 2004

Supervisory Board

Milan Vrškový
Chairman of the Supervisory Board

Herbert Stepic
CEO Raiffeisen International Bank-Holding AG, Vienna

Peter Baláž
Professor, Economic University, Bratislava

Tomáš Borec
Attorney of Law

Renate Kattinger
Senior Vice-President, Raiffeisen International Bank-Holding AG

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

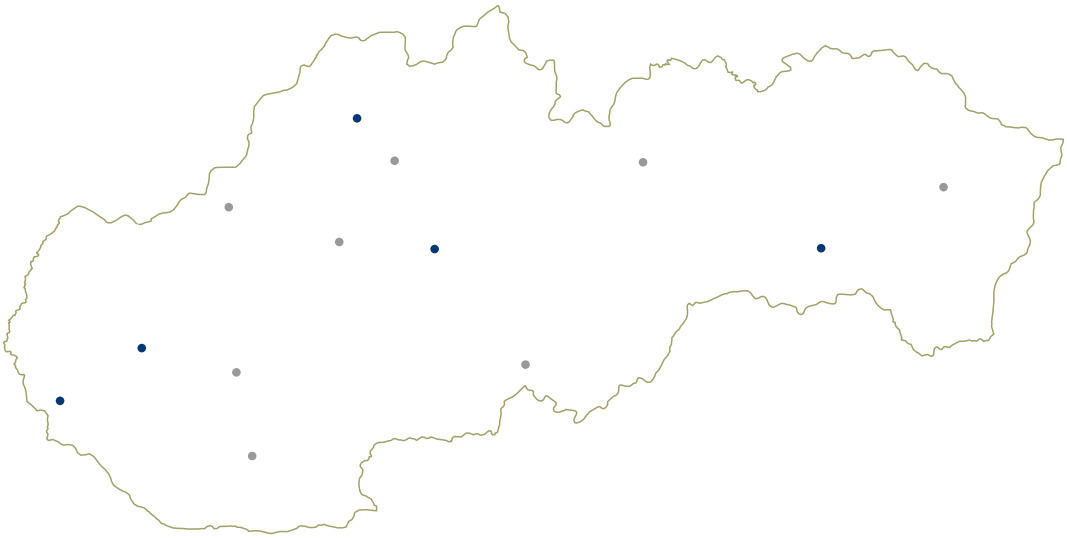
Procurists:

Oľga Džuppová

Pavol Feitscher

Eva Kollárová

business locations network

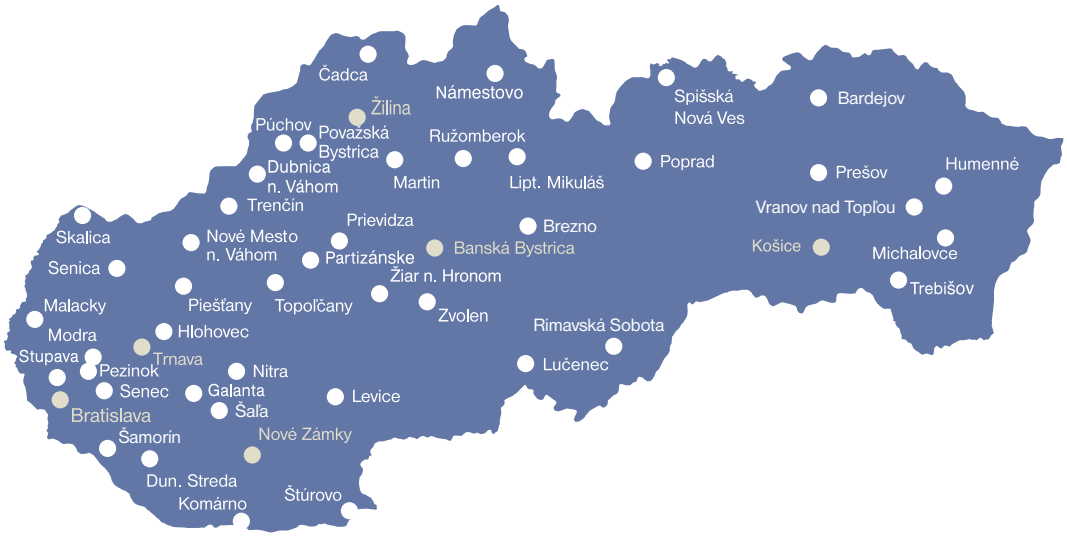


As of December 31, 2004, Tatra banka provided services to corporate clients at 5 regional corporate centers and 10 corporate centers:

	corporate centers
•	1
• • •	3
•	1
•	1
•	1
•	1
•	1
•	1
•	1

	corporate centers
•	1
•	1
•	1
•	1
•	1

Business Locations Network



As of December 31, 2004, Tatra banka provided services to individual clients at 110 branches and sub-branches:

location	branches
Banská Bystrica	3
Bardejov	1
Bratislava	37
Brezno	1
Čadca	1
Dubnica nad Váhom	1
Dunajská Streda	1
Galanta	1
Hlohovec	1
Humenné	1
Komárno	1
Košice	9
Levice	1
Liptovský Mikuláš	1
Lučenec	1
Malacky	1
Martin	2
Michalovce	1
Modra	1
Námestovo	1
Nitra	2
Nové Mesto nad Váhom	1
Nové Zámky	1
Partizánske	1
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
Stupava	1
Šaľa	1
Šamorín	1
Štúrovo	1
Topoľčany	1
Trebišov	1
Trenčín	3
Trnava	3
Vranov nad Topľou	1
Zvolen	1
Žiar nad Hronom	1
Žilina	4

Tatra banka, a. s.

Hodžovo námestie 3
811 06 Bratislava 1
Slovak Republic

Tel.: +421/2/5919 1111
Fax: +421/2/5919 1110
Telex: 926 44 TATR SK
SWIFT: TATR SK BX
www.tatrabanka.sk

Member of the Austrian Raiffeisen Banking Group