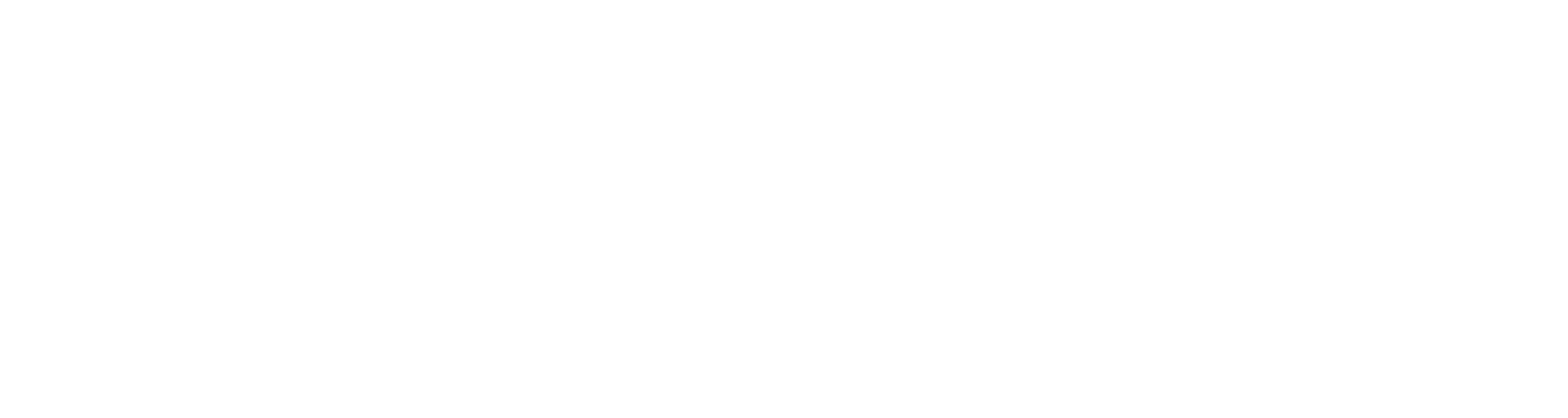


2004 Annual Report

Česká spořitelna, a. s.



Consolidated Financial Highlights under International Financial Reporting Standards (IFRS)

Balance Sheet Highlights

(MCZK)	2004	2003	2002	2001
Total assets	580,394	554,048	519,691	491,605
Loans and advances to financial institutions	77,112	82,121	128,737	120,104
Loans and advances to customers	239,289	214,903	188,578	186,655
Securities and other financial investments	205,447	194,162	152,536	144,140
Amounts owed to financial institutions	32,905	29,641	31,858	31,142
Amounts owed to customers	444,771	428,572	402,728	390,752
Shareholders' equity	38,279	34,408	29,831	24,455

Profit and Loss Account Highlights

(MCZK)	2004	2003	2002	2001
Net interest income	17,306	15,874	15,933	15,156
Net fee and commission income	8,424	7,915	6,848	6,198
Operating income	27,293	25,268	23,574	22,187
Operating expenses	-15,817	-15,073	-14,151	-15,224
Operating profit	11,476	10,195	9,423	6,963
Provisions for credit risks	-505	1,970	-289	-2,731
Net profit net of minority interests	8,649	7,615	5,805	1,798

Basic Ratios

	2004	2003	2002	2001
ROE	23.8%	23.7%	21.4%	7.6%
ROA	1.5%	1.4%	1.1%	0.4%
Cost/income	58.0%	59.7%	60.0%	68.6%
Non-interest income/operating income	36.6%	37.2%	32.4%	31.7%
Net interest margin	3.0%	2.9%	3.0%	3.1%
Customer loans/customer deposits	53.8%	50.1%	46.8%	47.8%
Capital adequacy (BIS)	13.3%	14.6%	16.5%	16.5%

Key Operating Indicators

Number	2004	2003	2002	2001
Staff (average headcount)	11,805	12,786	13,061	14,539
Česká spořitelna's branches	647	666	673	684
Clients	5,353,923	5,519,627	5,393,492	4,754,847
Sporogiro accounts	2,762,285	2,755,113	2,727,306	2,725,133
Active bank cards	2,758,486	2,576,552	2,363,651	2,210,867
of which: credit cards	204,564	101,155	28,051	5,387
Electronic banking users	930,830	779,910	458,339	457,071
of which: Servis 24	812,775	677,926	373,889	83,268
ATMs	1,071	1,067	1,011	954

Unconsolidated Financial Highlights under Czech Accounting Standards (CAS)

Balance Sheet Highlights

MCZK	2004	2003	2002	2001
Total assets	474,056	467,627	456,175	449,603
Amounts due from banks	72,992	73,726	114,829	107,385
Amounts due from clients	229,421	195,947	164,070	160,712
Securities	117,622	135,585	112,472	120,350
Primary deposits	362,934	360,780	351,132	354,713
Amounts owed to banks	25,191	22,067	25,623	23,716
Shareholders' equity	36,082	33,262	29,115	23,282
Share capital	15,200	15,200	15,200	15,200

Profit and Loss Account Highlights

MCZK	2004	2003	2002	2001
Net interest income	15,791	14,262	14,183	13,291
Net fee and commission income	7,760	7,504	6,707	6,106
Operating income	25,508	23,048	22,598	21,978
Operating expenses	-15,173	-14,974	-14,172	-13,945
Operating profit	10,335	8,074	8,426	8,033
Net balance of the charge for reserves and provisions	-237	2,038	-295	-3,455
Net profit after tax	7,529	7,289	6,456	3,034

Key Financial Ratios

	2004	2003	2002	2001
Average headcount	11,019	11,234	11,421	12,992
Cost/income	59.5%	65.0%	62.7%	63.4%
Non-interest income/operating income	38.1%	38.1%	37.2%	39.5%
Classified loans/loans	5.3%	6.6%	14.4%	19.7%
Dividend (in CZK per share)	30	30	20	3
Capital adequacy*	9.0%	10.3%	12.9%	15.1%
ROAA*	1.5%	1.5%	1.4%	0.6%
ROAE*	30.9%	29.6%	29.8%	16.5%
Assets per employee (TCZK)*	42,600	41,552	40,072	39,299
Administrative expenses per employee (TCZK)*	1,091	1,061	1,050	1,077
Net profit per employee (TCZK)*	677	648	567	234
Net profit after tax per share (CZK)	50	48	42	20

Rating Overview

Rating Agency	Long-term	Short-term	Outlook
Fitch	A-	F2	stable
Moody's	A2	Prime-1	stable
Standard & Poor's	BBB+	A2	stable

* According to the CNB methodology

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Company Profile

_____ Česká spořitelna's year 2004 can be briefly characterised as one of **internal consolidation**. It followed upon a three year period of dynamic transformation, during which Česká spořitelna became a modern financial services provider – competitive with any bank in the EU; three years during which Česká spořitelna set the trend for further development of the Czech banking sector.

_____ We are still undergoing development. However, our key projects are more infrastructure-related and their impacts are not obvious to the casual observer. Česká spořitelna is no longer in a phase of great transformation, but rather in a phase fine tuning and deepening its understanding of client needs in what has become a more sophisticated socio-economic context. In short, CS has become a modern, mature European bank operating in a highly competitive banking sector. In such an environment, **maintaining a leading position** is often more difficult than attaining the leading position. And THAT is our challenge going forward.

_____ What main events did 2004 bring to Česká spořitelna? Some of them evolved from national events. On May 1, the Czech Republic became a **member of the European Union (EU)**, which was the culmination of society's efforts since the fall of the Iron Curtain in 1989. Today, for many business people, Česká spořitelna is the "gateway" to the Union. Even prior to the country's entry into the EU, Česká spořitelna established its **EU Office** through which it offers analytical and informational services to companies, cities, and municipalities and helps them to secure EU funding for development projects. In order to comply with **EU standards** and requirements, the bank **re-numbered** its almost **five million accounts**. After months of preparation, Česká spořitelna demonstrated its sheer competence by executing this massive-scale change smoothly and flawlessly during the course of a single weekend. Česká spořitelna is proud that the **European Commission's account for the Czech Republic** is handled by the bank – and thinks this is a relationship by choice not by chance!

_____ The past year also brought great changes for the **Česká spořitelna Financial Group**. At the start of the year, **Pojišťovna České spořitelny** (Česká spořitelna Insurance Company) became a life insurance-dedicated company and transferred 640,000 non-life insurance policies to Kooperativa Pojišťovna, a. s. During the second half of the year, the Česká spořitelna

Financial Group acquired a new subsidiary, – **sAutoleasing**, which specialises in the provision of leasing services on the automotive market.

_____ The establishment of specialized Česká spořitelna centers brought a marked improvement in the quality of services. In response to the needs of a specific customer segment, Česká spořitelna opened its **Expat Center** in Prague. At the Expat Center, foreign customers can conduct their banking relationship in their choice of three EU languages (English, French and German) and – through their personal Expat Center banker – they can comfortably access all the services of the Financial Group of Česká spořitelna. **Mortgage Centers**, where customers can resolve any issues they might have regarding the purchase of housing and real estate investments, started operating in several cities in the Czech Republic during the course of the year.

_____ Another **innovation** implemented during 2004 allows Česká spořitelna to understand the needs of its customers who wish to make investments. The bank can determine the **personal investment profile** of every customer interested in collective investing and from that profile can recommend the most beneficial form and allocation of resources, tailored to the needs of the individual and his/her level of risk aversion.

_____ During 2004, Česká spořitelna was honored with several awards. In April, when the results of the **Zlatá Koruna** (Golden Crown) competition were announced, the bank's Servis 24 direct banking service received the public's prize for **Most Popular Financial Product of 2004**. In September, Česká spořitelna defended its **Czech Bank of the Year** title in The Banker Awards 2004 competition. A month later, Česká spořitelna was named **Most Trustworthy Bank** in the third annual MasterCard Bank of the Year competition. In addition to this title, which Česká spořitelna received on the basis of voting by the general public, it also defended its **Mortgage Bank of the Year** title for the third time in a row.

_____ The year 2005 marks 180 years since Česká spořitelna was established. For the bank, this age represents more than just maturity. Česká spořitelna will celebrate this 180th anniversary as a strong, modern and self-confident European financial services provider and proud member of the Erste Bank Group.

_____ We are not just getting older; we are getting better!

The Year 2004 Review

January

- > Pojišťovna České spořitelny transferred 640 thousand clients to Kooperativa pojišťovna in connection with non-life insurance sale.
- > Česká spořitelna opened its Expat Centre – a service centre for foreign language clients.
- > The number of issued Kredit+ credit cards exceeded 100 thousand.
- > Česká spořitelna offered a mortgage loan to finance the purchase of private farm land or forest land with an interest rate subsidised by Podpůrný a garanční rolnický a lesnický fond (PGRLF). Česká spořitelna was the first bank on the market to enter into an agreement on cooperation with PGRLF.
- > Česká spořitelna issued CZK 400 million in four-year bonds with a combined yield.

February

- > Česká spořitelna issued the remaining five-year mortgage bonds, placed on 21 August 2003, worth CZK 200 million with a 4.5 percent coupon.
- > Česká spořitelna issued CZK 1.5 billion in structured bonds with optional maturity.
- > Česká spořitelna offered the recharging of SIM cards directly from cellular phones with all domestic operators.

March

- > Česká spořitelna offered mortgage loans at a record low rate. The one year and the three year fixed rates on the Hypohit mortgage loan were 2.99 percent and 3.99 percent respectively.
- > The new ESPA-ČS Guaranteed Fund 1 offered a four percent yield for the period of its existence.
- > Česká spořitelna launched the first two new Mortgage Centres, in Kolín and Prague 5, specialising in providing a comprehensive package of services related to housing or other real estate investments.

April

- > Česká spořitelna successfully renumbered almost five million accounts and its accounts now comply with the European format.
- > The fourth issue of Česká spořitelna's five-year mortgage bonds of CZK 300 million with a 3.50 percent coupon p.a. was placed.
- > Service 24, being a favourite financial product of 2004, won an award from the public in the Golden Crown Awards.
- > Česká spořitelna introduced its EU Programme – a complex offering of products, services and activities to cover all corporate requirements related to business activities in the European Union.

May

- > The European Commission's (EC) account for the Czech Republic will be administered by Česká spořitelna. Česká spořitelna won a tender called by the EC.
- > Česká spořitelna offered consumer loans – the so-called 'American mortgage' – collateralised by real estate, to procure a co-op apartment, household furnishings, or a car.

June

- > Česká spořitelna opened the Brno Mortgage Centre – the first Moravian office specialising in home financing.

- > Česká spořitelna started to work with the European Investment Bank in supporting infrastructural projects.

July

- > Česká spořitelna launched the sale of the ESPA-ČS Guaranteed Fund 2 with a guaranteed yield of 4% and a bonus.
- > GO credit may be recharged on-line at Česká spořitelna's ATMs.

August

- > Mr Heinz Knotzer became a new member of Česká spořitelna's Board of Directors with responsibility for Commercial Banking and Public Sector Financing.
- > The fifth issue of Česká spořitelna's five-year mortgage bonds of CZK 400 million with a 3.60 percent coupon p.a. was placed.
- > Česká spořitelna enabled secure Internet card payments via the new e-commerce 3D-Secure service.

September

- > Česká spořitelna offered a new version of Internet banking intended for both corporate and retail clients.
- > Česká spořitelna successfully defended its Czech Bank of the Year award at the Banker Awards 2004.
- > The CPDP, the first Czech real estate fund, entered the market; Česká spořitelna was one of the founding shareholders and investors.

October

- > Česká spořitelna offered a new investment loan, the so-called 5 PLUS Investment Loan, partially guaranteed by the EIF to small businesses and entrepreneurs.
- > Mr Pavel Kysilka became the eighth member of the Board of Directors, with his responsibilities including the payment system, financial market analyses, and the EU Office.
- > Česká spořitelna will design investment profiles for its clients customised to their needs.
- > 's Autoleasing', a new leasing company and a subsidiary of Česká spořitelna, entered the market.
- > Česká spořitelna was named the Most Reliable Bank of 2004. In addition to the 'Bank of the Year' awarded by public vote, Česká spořitelna also successfully defended its 'Mortgage of the Year' award for the third time in the third year of the MasterCard awards.

November

- > Česká spořitelna became the majority shareholder of Stavební spořitelna České spořitelny, holding 95 percent of its issued share capital.
- > Česká spořitelna launched Premium Deposit, a new type of deposit product. It is a term deposit with interest income that enables the gaining of premium interest in advance.

December

- > Česká spořitelna's clients may now enter single payment orders at Česká spořitelna's ATMs.
- > The number of clients using Service 24 Internet-banking exceeded 400 thousand.
- > The number of issued Kredit+ credit cards exceeded 200 thousand. The number of all payment cards exceeded 2.5 million.

Opening Statement from the Chairman of the Board of Directors and Chief Executive Officer

Dear Shareholders and Clients,

_____ Česká spořitelna's performance was outstanding in 2004. Our achievements in 2004 were the result of four years of extraordinary efforts by all members of the Česká spořitelna team.

_____ One set of indicators of this outstanding performance is the financial results.

- > Operating Profit increased by 13.5 % to CZK 11.5 bil.
- > Net Profit rose by 13.6 % to CZK 8.6 bil.
- > Return of Equity (ROE) reached 23.8 %
- > Net Interest Income increased by 9.9 % to CZK 17.3 bil.
- > Net Fee and Commission Income grew by 7.1 % to CZK 8.4 bil.
- > Cost/Income ratio improved to 58.0 % from 59.8 % in 2003.

_____ Each of these financial measures positions Česká spořitelna as performing at a very high level, especially compared to the multi-billion czech crown loss in 1999.

_____ But the financial results are only part of story in 2004. The real story is the growing professionalism of the Česká spořitelna team which enables our Group to deliver higher standards of service to our customers each and every day.

_____ Česká spořitelna serves individuals, small businesses, medium-sized enterprises, large companies, public institutions and nonprofits through three major lines of business – Retail, Corporate, and Financial Markets. Our growth is being driven by an increasing diversity of revenues sources, a broad and convenient distribution system, and an improving focus on customer needs.

_____ Česká spořitelna has over five million customers. We believe that the dedicated members of the Česká spořitelna team, working together to meet our customers needs and living our vision and values, distinguish

Česká spořitelna in the marketplace. Our five million customers give us their business every day, and they are voting for our dedicated personnel by keeping their business at Česká spořitelna.

_____ Customer focus and dedicated team members enabled Česká spořitelna to increase private mortgages by 66 %; to renumber all our accounts without a problem; to open the EU Office as a center for information and analyses; to improve our customer satisfaction scores; to set record volumes of ATM transactions; etc.

_____ The list of accomplishments goes on and on; each of these helps to improve the lives of our clients. Each of these makes the Czech Republic a better place to live and do business.

_____ Do not get me wrong, Česká spořitelna is not perfect. Our team members tell us that we are still too bureaucratic; that we need to offer better value; that branch and telephone center system availability is below acceptable standards; etc.

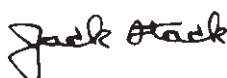
_____ We are working very hard to improve because our customers are demanding it and because we know we will win in the marketplace when we focus on the customer.

_____ 2004 was an outstanding year, and we have put in place the foundations for continued growth and improved services in the future.

_____ In closing, I would like to thank each and every member of the Česká spořitelna team for their work in 2004. Česká spořitelna is not computers or ATMs or buildings; Česká spořitelna is people – the team enables Česká spořitelna to succeed.

_____ As always, I welcome your questions, comments, and suggestions.

April 2005



Jack Stack



Board of Directors as of 31 December 2004

John James Stack

- > Born on 4 August 1946
- > Chairman of the Board of Directors and CEO

_____ Mr Stack is an American citizen. He studied at Iona College majoring in mathematics and economics (BA, 1968) and the Harvard Graduate School of Business Administration specialising in finance and management (MBA, 1970).

_____ From 1970 until 1976, Mr Stack worked in municipal government in New York. From 1977 until 1999 he served at Chemical Bank, which merged into Chase Manhattan Bank, in a variety of increasingly important positions. Before joining Česká spořitelna he was an Executive Vice President at Chase Manhattan Bank.

_____ On 1 March 2000, Mr Stack became Deputy Chairman of the Board of Directors of Česká spořitelna. On 4 July 2000, he was elected Chairman of the Board of Directors and CEO of Česká spořitelna.

Dušan Baran

- > Born on 6 April 1965
- > Vice Chairman of the Board of Directors and First Deputy CEO

_____ Mr Baran is a graduate of the Mathematics and Physics Faculty of Charles University in Prague; an International Executive MBA program at Katz Graduate School of Business, the University of Pittsburgh together with the CMC Graduate School of Business in Čelákovice and a banking course at the Graduate School of Banking, University of Colorado, Colorado, US. During 1991–1993 he worked for Agrobanka, a.s. in the treasury function. He joined Česká spořitelna in November 1993, where he held various managerial positions in Treasury and Risk Management division. He was appointed a member of the Board of Directors and Deputy CEO of Česká spořitelna in May 1998 and was promoted to Chairman of the Board of Directors and CEO in March 1999. On 4 July 2000 he was elected Vice Chairman of the Board of Directors of Česká spořitelna and appointed the First Deputy CEO. He is also the Chief Financial Officer of Česká spořitelna. Mr Baran is a member of the Presidium of the Czech Banking Association; a member of the Board of Trustees of the CMC Graduate School of Business, o.p.s., Čelákovice and a member of the Steering Committee of the Czech Institute of Directors. He is the Treasurer of the General Board of the European Savings Banks Group (ESBG) in Brussels and a full member of the WSBI-ESBG Coordination Committee in Brussels.

Peter Cecelsky

- > Born on 28 June 1948
- > Member of the Board of Directors and Deputy CEO

_____ Mr Cecelsky graduated from the Technical University in Vienna with specialization in Economic and Industrial Engineering. He completed a series of courses in the area of banking, management, planning and communications. During his career, Mr Cecelsky held various positions in international IT companies.

_____ He started his career with Philips as a senior analyst and programmer. In 1978, he began to work at BAWAG as a project manager for personnel administration then as a member of the project team responsible for planning and implementing of new IT architecture and a new IT centre in Vienna and the counties.

_____ With experience gained as the CIO at Austrowaren and Casino's Austria, he left to work for Digital, where he, among others, worked in the London office as the European presales support manager for retail banking in Europe and was responsible for the acquisition of the financial line of Business of Philips Data.

_____ After his return to Austria he developed and executed the Business plan for the newly launched Financial Services segment in Austria.

_____ From 1993, he held the position of senior manager and 'procura' in the banking division of KPMG developing the Professional Services segment.

_____ In the period 1996 – 2000, he worked at Tandem and Compaq Company where he assumed responsibility for Consulting services, Professional Services for Central and Eastern Europe and the development of eBusiness solutions for a region of 14 countries.

_____ Since 2001, Mr Cecelsky has been working in the Erste Bank Group. He was initially tasked with purchasing part of the business of a Software house in Slovakia and subsequently was responsible for developing the company. Since 2002, he has been CEO of SporDat.

_____ Mr Cecelsky has been a member of the Board of Directors of Česká spořitelna since 23 July 2003. He is responsible for the new division focused on IT.

Daniel Heler

- > Born on 12 December 1960
- > Member of the Board of Directors and Deputy CEO

Mr Heler is a graduate of the Prague University of Economics, Faculty of International Trade. He held internships with J. P. Morgan, Goldman Sachs, S. Montagu, UBS, N. M. Rothschild, Shearson and Bayerische Hypobank. He has also attended a number of courses focused on global banking, profitability in banking, retail banking strategy, treasury and risk management. He has worked in the banking sector since 1983. First he held various positions in the Department of Foreign Exchange and Money Markets and then, in 1990, he became the Director of the Financial Markets Department of Československá obchodní banka Praha. In 1992 he was appointed as treasurer and member of the Board of Directors of Crédit Lyonnais Bank Praha. In 1998, he was appointed as a member of the Board of Directors of Erste Bank Sparkassen (CR) and assumed the responsibility for the Financial Markets Department. In 1999, he became the Vice Chairman of the Board of Directors of Erste Bank Sparkassen (CR) and since 1 July 2000 he has been the member of the Board of Directors of Česká spořitelna responsible for asset management, investment banking, treasury, balance sheet management and financial institutions.

Mr Heler is additionally a member of the bodies of the following companies: Nadace České spořitelny, CDI Corporate Advisory, a. s., and the Stock Exchange Chamber.

Petr Hlaváček

- > Born on 19 November 1955
- > Member of the Board of Directors and Deputy CEO

Mr Petr Hlaváček graduated from the Prague University of Economics and the University of Toronto. He has been active in the banking sector since 1984. After nine years of work for the Canadian Imperial Bank of Commerce, he joined the Czech National Bank as an advisor to a member of the Banking Board in 1993. In 1994 he joined Česká spořitelna where he held the post of Director of the Capital Investment Division. In June 1999 he was appointed as the member of the Board of Directors of Česká spořitelna responsible for the preparation of privatisation and investment banking. In 2000 he joined the Senior Management Team and became Director of the Transformation Program 'Naše spořitelna.' In his capacity as a Board member, he is responsible for project management, central purchasing and the integration of Česká spořitelna in the activities of the Erste Bank Group.

Mr Hlaváček is additionally a member of the bodies of the following companies: Servis 1 – České spořitelny, a. s., and Consulting České spořitelny, a. s.

As of August 1, 2004 Supervisory Board appointed Mr. Heinz Knotzer a Member of the Board of Directors. Heinz Knotzer is managing the Division of Commercial and Public Sector Financing of Česká spořitelna. He is responsible for corporate business, small and medium size companies financing, municipalities and real estate financing.

Heinz Knotzer

- > Born on 8 April 1960
- > Member of the Board of Directors and Deputy CEO

Mr. Heinz Knotzer is a graduate of the University of Vienna where, in 1987, he obtained the title of JUDr. (Doctor of Jurisprudence). He started his career in banking in 1988 after practicing as legal assistant at courts of both levels in Austria. He worked in the legal division of Österreichische Investitionskredit AG (Investkredit) and joined later Girozentrale und Bank der Österreichischen Sparkassen AG (which, after a merger in 1997, became a part of Erste Bank), where he worked in the Investment Banking Division. During the period from autumn 1991 to autumn 1995 he gained some experience from out-side the banking industry first being the representative of a consulting company in the then Czechoslovakia (EuropaConsult) and then working as Head of Finance and Administration of the traditional Austrian household appliances company (ELIN Elektrohandel GmbH). Beginning 1996 he was seconded to Creditanstalt, a. s., Prague, after successfully completing special professional training at Creditanstalt AG, Vienna, and assumed at first the position of Manager of the Division for Corporate Customers at the bank's main office in Prague and later, he became the Assistant General Director for the Division for Corporate Customers, focusing on local and foreign priority customers, the Division for Project Financing, the Loans Division and the International Business Division. In 1998, within the framework of the merged Bank Austria Creditanstalt Czech Republic, a. s., he became the director of the Division for Corporate Customers II and was responsible for corporate banking at 9 branches, the International Business Division and the Loans Division. In June 1999 he joined Erste Bank Sparkassen (CR), a. s. and was appointed as a Member of the Board of Directors and Executive Director. After the successful privatization and acquisition of Česká spořitelna by Erste Bank der oesterreichischen Sparkassen AG and the consecutive transfer of their Czech operation into Česká spořitelna in 2000 he was named Director of the Commercial Centers Section of Česká spořitelna. Since July 2003 he is a member of the bank's Senior Management Team. In August 2004 he was appointed as member of the Board of Directors and a Deputy CEO of Česká spořitelna. He is responsible for corporate and commercial banking, mortgages and real estate finance and the municipalities section. He is the Chairman of the Supervisory Board of sAutoleasing, a. s., Leasing České spořitelny a. s. and Factoring Česke spořitelny a. s.

_____ **As of October 5, 2004 Supervisory Board appointed Mr. Pavel Kysilka a Member of the Board of Directors. Mr. Kysilka is responsible for payment systems, financial market analyses, security, and the EU Office. He continues to work as Chief Economist of the bank.**

Pavel Kysilka

- > Born 5 September 1958
- > Member of the Board of Directors and Deputy CEO

_____ Mr. Kysilka is a graduate of Faculty of Economics of the University of Economics in Prague; in 1986 he passed internal postgraduate research there. In 1986 –1990 he worked at the Institute of Economics of the Czechoslovak Academy of Sciences. He published several studies focused on corporate sector and structural reforms and economic transformation.

_____ In 1990-1991 Mr. Kysilka worked in the Ministry for Economic Policy as the Chief economic advisor to the Minister for economic policy. Among others he managed project of support to small and medium sized businesses in the Czech Republic and foundation of the Czech-Moravian Guarantee and Development Bank. In the 1990s he held various positions up to the post of Executive Governor in the Czech National Bank, where he also managed the splitting of the Czechoslovak currency in 1993. At the same time in 1994 – 1997 he acted as an expert of International Monetary Fund and he participated in implementation of national currencies in several East European countries. In the 90's he was President of Česká ekonomická společnost. Before joining Česká spořitelna Mr. Kysilka worked in Erste Bank Sparkassen (CR) in Prague as Executive Director responsible for IT, Organization, Human Resources, and Services. He was also responsible for preparation and implementation of the integration of Erste Bank into Česká spořitelna. He started to work for Česká spořitelna in 2000 as Chief Economist and Member of the Senior Management Team. On October 5, 2004, the Supervisory Board of Česká spořitelna appointed him a Member of the Board of Directors. Mr. Kysilka is responsible for payment systems, financial market analyses, security, and the EU Office. He also continues to work as Chief Economist of the bank. Among others he is member of the Scientific Board and the Managing Board of University of Economics in Prague.

Gernot Mittendorfer

- > Born on 2 July 1964
- > Member of the Board of Directors and Deputy CEO

_____ Mr Mittendorfer is an Austrian citizen. He studied law at the University of Linz and is a graduate of Webster University in Vienna (Master of Business Administration, specialisation in finance). He joined Erste Österreichische Spar-Casse Bank AG in 1990 and worked, among others, as

an account manager for corporate clients and in retail banking. In 1997, he was appointed to the Board of Directors of Sparkasse Mühlviertel West Bank AG where he was responsible for lending, accounting and controlling, subsidiaries, banking and lease activities in the Czech Republic. In addition, he held other management and supervisory board positions in Austria and the Czech Republic. In 1999 he was appointed as a member of the Board of Directors of Erste Bank Sparkassen (CR), a. s., where he was responsible for retail banking. Since 1 July 2000 he has been the member of the Board of Directors of Česká spořitelna, a. s., responsible for corporate banking (including municipalities, real estate and mortgages and commercial customers).

_____ Mr Mittendorfer is additionally a member of the bodies of the following companies: Leasing České spořitelny, a. s., Factoring České spořitelny, a. s., and CDI Corporate Advisory, a. s.

_____ **Mr. Gernot Mittendorfer resigned from all his functions in Financial Group of Česká spořitelna as of 31 July 2004.**

Martin Škopek

- > Born on 24 April 1967
- > Member of the Board of Directors and Deputy CEO

_____ A graduate of the Prague University of Economics, during 1993 – 1995 Mr Škopek studied at The Jack T. Conn Graduate School of Community Banking, Oklahoma City University. From 1990 – 1999 he worked in various positions at Komerční banka. In October 1999 he became a member of the Board of Directors and a Deputy CEO of Česká spořitelna. He is responsible for retail banking. He is the Chairman of the Supervisory Board of Stavební spořitelna České spořitelny, a. s. and a member of the Management Board of Nadace České spořitelny. In December 2004 he became a member of the Supervisory Board of Investiční společnost České spořitelny, a. s. He is also a member of the Regional Board of Directors of VISA Europe and a member of the Academic Board of Vysoká škola finanční a správní.

Česká spořitelna's Supervisory Board as of 31 December, 2004

Andreas Treichl

- > Born on 16 June 1952
- > Chairman of the Supervisory Board

Mr Andreas Treichl studied economic sciences at Vienna University in 1971-1975. After completing a training program in New York, he began his career at Chase Manhattan Bank in 1977, which sent him to Brussels (1979-1981) and Athens (1981-1983). In 1983 he began to work at Die Erste for the first time. In 1986 he accepted a General Manager position with Chase Manhattan Bank Vienna, which was purchased by Credit Lyonnais in 1993. In 1994 Mr Treichl was appointed to the Management Board of Die Erste. In July 1997, he was appointed as CEO. In August 1997 the shareholders approved the merger with GiroCredit, in which Die Erste had obtained a majority stake in March 1997. The formal completion of the merger took place on 4 October 1999, when it was recorded in the Register of Companies with retroactive effectiveness as of 1 January 1997. The process of integrating the business activities and operations of both banks was immediately commenced, the successful effects of which are already visible in all main areas.

In addition to being Chairman and CEO of Erste Bank der oesterreichischen Sparkassen, Andreas Treichl is responsible, among other areas, for Group Communications, Group Human Resources, Corporate Strategic Development, Group Marketing, Company Secretary, Internal Audit, Legal Services, Capital Market Strategy, Investors Relations and Česká spořitelna.

He became a member of the Supervisory Board of Ceska Sporitelna at the Extraordinary General Meeting in June 2000; subsequently he was elected its Chairman. The General Meeting in May 2003 re-elected Mr. Treichl in his function as of 4th August 2003.

Mr Treichl is additionally a member of the bodies of the following companies: Erste Bank der oesterreichischen Sparkassen AG, Allgemeine Sparkasse Oberoesterreich Bankaktiengesellschaft, Bausparkasse der oesterreichischen Sparkassen Aktiengesellschaft, Donau Allgemeine Versicherungs-AG, Erste Bank Hungary Rt, Kaertner Sparkasse AG, Oesterreichische Kontrollbank AG, Postabank es Takarekpenztar Rt., Slovenská sporiteľňa, a. s., Sparkasse Bregenz Bank AG, Sparkassen Versicherung AG, Sparkassebeteiligungs und Service AG fuer Oberoesterreich und Salzburg, Staiernaerkische Bank und Sparkassen AG, Tiroler Sparkasse Bankaktiengesellschaft Innsbruck, MAK – Oesterreichisches Museum fuer Angewandte Kunst, Die Erste oesterreichische Spar-Casse Privatstiftung, S-Haftungs-und Kundenabsicherungs GmbH.

Christian Coreth,

- > Born on 31 March 1946
- > Member of the Supervisory Board

Mr Coreth graduated from the University of Vienna in 1972 with a Law Degree. In the period from 1972 to 1982, he worked for Creditanstalt-Bankverein, Vienna. From the Deputy Head of the International Loan Department, where he started in 1982, he moved to New York to European American Bank (EAB) as Senior Vice President.

In 1985, Mr Coreth returned to Creditanstalt in Vienna to work as the Head of the Financial Institutions department. From 1987, he worked in the International Division where he managed the Corporate and Financial Institutions Department. From 1988 to 1998, he worked as Deputy Head of the International Division where he was primarily responsible for business activities in Asia and Latin America.

Since 1998, Mr Coreth has worked as Head of the International Division of Erste Bank der oesterreichischen Sparkassen AG in Vienna in July 2004. He was appointed a member of Ceska sporitelna's Supervisory Board on 22 May 2002.

Mr Coreth is additionally a member of the bodies of the following companies: Slovenská sporiteľňa, a. s. and Erste Reinsurance S.A.

Zlata Gröningerová

- > Born on 4 July 1957
- > Member of the Supervisory Board

Mrs Gröningerová graduated from the Production-Economics Faculty of the School of Economics in 1982 where she specialised in the economics of industry. From 1982, she worked at the School of Economics as an assistant professor in the Finance and Lending Department where she focused on finance. In the period from 1985 to 1990, she worked as an associate professor in the Finance and Lending Department, specialising in financial management of enterprises. In the period from 1990 to 1991, she was employed with Investiční banka, a. s. as a banking specialist with a focus on privatisation projects and marketing. Until 1993, she held the position of 'procura' for Suezinvestiční, a. s. (a joint venture of SUEZ, Investiční banka Praha and Investiční a rozvojová banka in Bratislava). She returned to the banking environment in 1994 when she joined Investiční a poštovní banka, a. s. as a banking specialist focused on financial transactions. In 1996 she joined Konsolidační banka Praha, s.p.ú. ('KOB') as a director of the Equity Investment Funding Department. Later she moved to the position of Senior Director of the Commercial and Commercial Specialists Departments and she sat in the Banking Board from 1998. Following the transformation of KOB into the Czech Consolidation Agency ('CKA') as of 1 September 2001, Mrs Gröningerová has continued to hold the position as the Senior Director of the Commercial and Commercial Specialists Department and became a member of the Board of Directors.

_____ Mrs Groningerová was elected into the function of the Supervisory Board member as of 15th May 2003.

_____ Mrs Gröningerová is additionally a member of the bodies of the following companies: Prisko, a. s. and ČKD PRAHA DIZ, a. s.

Maximilian Hardegg

- > Born on 26 February 1966
- > Member of the Supervisory Board

_____ Mr Hardegg graduated from Agricultural Sciences in Weihenstephan, Germany. In the period 1991-1993, he worked at AWT Trade and Finance Corp, which is part of the Creditanstalt Group. At AWT he was responsible for the import of food products and the introduction of EU standards into the Czech Republic, Poland, Hungary and Ukraine. He also worked as an advisor to the Czech Ministry of Agriculture in respect of the privatisation of agriculture.

_____ Since 1993, he has been engaged in agriculture management. He has participated in the Phare, Sapard and Leader+titles projects, which are designed to support the cooperation among agricultural systems within the EU. He is also a member of lobbyist groups in Austria and the EU, which are focused on supporting sustainable development in land use and agriculture. He was elected a member of Ceska sporitelna's Supervisory Board on 22 May 2002.

_____ Mr. Hardegg is member of the Supevisory Board of DIE ERSTE oesterreichische Spar-Casse Privatstiftung.

André P Horovitz

- > Born on 2 November 1957
- > Member of the Supervisory Board

_____ Mr Horovitz is a graduate of the Construction College in Bucharest. In 1982 he was awarded a degree in water engineering. In 1989, he received an MBA degree at New York University, where he majored in finance. In the period from 1988 to 1990, he worked for Lehman Brothers in New York as a financial specialist in fixed income derivative products. He assumed responsibility for the pricing policy, hedging, risk management and client marketing in respect of portfolios of fixed income exotic derivatives.

_____ In the period from 1990 to 1995, he was employed with Oliver, Wyman & Company as a project manager for the Executive Director with responsibility for consultancy activities in risks and capital markets. In 1995, he joined Commerzbank AG in Frankfurt where he led the Risk Management Department within the Capital Markets and Investment Banking Division. From 1998 to 2002, he worked for HVB Group in Munich as an Executive Vice President and Risk Management Director and subsequently

as an Executive Director responsible for risk management at the group level. Since 2003, Mr Horovitz has been a member of the Board of Directors of Erste Bank, responsible for risk management and controlling.

_____ Mr. Horovitz was elected into the function of the Supervisory Board member as of 15th May 2003.

_____ Mr. Horovitz resigned upon his membership Supervisory Board of Česká spořitelna as of 14 July 2004.

Monika Houštická

- > Born on 6 December 1963
- > Member of the Supervisory Board

_____ Mrs. Houštická graduated from the Economic University, Faculty of Domestic Trade. After completion of her studies, she worked in the area of trade and in 1994 she started to work in Česká spořitelna. First, as a trainee in OP Praha 2, later on as loan specialist. Since 1997 Mrs. Houštická is working in the HQ in the area of Financing of Foreign Trade. In 1999 she became a manager of HQ and was asked to lead the team of Bank Guarantees, in 2000 was entrusted with deputizing of the Director of Trade Finance Department. And as of August 2000 Mrs. Houštická was appointed into the function of Director of Trade Finance Department.

_____ With effect from 28th November 2003 Mrs Houštická has been elected by the ČS employees into the function of a Supervisory Board Member.

Herbert Juranek

- > Born on 13 November 1966
- > Member of the Supervisory Board

_____ Mr. Juranek graduated from the Commercial College in Austria – Bruck/Leitha. He began his career in Girozentrale der oesterreichischen Sparkassen in the area of securities. In Girocredit Bank, A.G. he was responsible for derivate clearing and technical support. During years 1996-1998 In Reuters Ges. m. b. H., he lead all sales and risk management activities of Reuters Austria. Since 1999 he performed various functions in Erste Bank der oesterreichischen Sparkassen AG – mainly leading operations activities with securities. As the CEO of “ecetra Central European e-finance” and “ecetra Internet Services AG” he took overall responsibility for the online broker and internet bank of Erste Bank Group. In the meantime, Mr. Juranek as the General Manager Group IT is in charge of all IT, project management and bank-organization related activities within Erste Bank Group with a direct reporting hierarchy in Austrian and a matrix structure on a Group level.

_____ Mr. Juranek was elected by the Supervisory Board into the function of a Supervisory Board Member as of October 2004.

Reinhard Ortner,

- > Born on 6 January 1949
- > Member of the Supervisory Board

_____ Mr Reinhard Ortner completed studies of social and economic sciences at Vienna University in 1971, where he specialised in monetary theory and policy. In 1971, he joined Erste oesterreichische Spar-Casse, where he has held various positions in the accounting and controlling functions since 1973. In 1977-1984, he was Director of the Accounting, Administration and Finance function. He has been a member of the Board of Directors of Erste Bank der oesterreichischen Sparkassen AG since 1984. Mr. Ortner is responsible for Group Accounting, Planning and Controlling, International Business, Management of Subsidiaries, Investments, Slovenská sporiteľňa, a. s., Erste Bank Hungary and Erste Bank Croatia. He was elected as a member of the Supervisory Board of Ceska sporitelna at the Extraordinary General Meeting that was held on 27 June 2000; the General Meeting re-elected Mr. Ortner into the function of a Member of the Supervisory Board as of 4th August 2003.

_____ Mr Ortner is additionally a member of the bodies of the following companies: Erste Bank der oesterreichischen Sparkassen AG, Erste Bank Hungary, Erste Steiermaerkische Banka d.d. Rijeka, Slovenská sporiteľňa, a. s., Oesterreichische Kontrollbank AG, Vereinigte Pensionkasse AG, Oesterreichische Lotterien Gesellschaft m.b.H.

Marek Pospěch

- > Born on 1 October 1967
- > Member of the Supervisory Board

_____ Following graduation from a secondary professional school of construction in Valašské Meziříčí, Mr Pospěch worked with Tesla Rožnov in the control and quality assurance department for six years. In 1992, he joined Ceska sporitelna's branch office in Ostrava where he worked in the operations security department. From 1995, he worked in the general administration department and is currently a head office manager of the property management department. With effect from 1994, he has sat on the Organisation-wide Committee of the CS Labour Union. With effect from 1 April 2002, he has been elected by the employees of Ceska sporitelna as a member of the Supervisory Board.

Libuše Ružicková

- > Born on 18 February 1949
- > Member of the Supervisory Board

_____ Following graduation from a secondary school of economics in Prague, Mrs Ružickova joined the Artia Praha Foreign Trade Organisation where she worked in a foreign language-publishing house for six years. In 1975, she joined Ceska sporitelna as a financial accountant at the Prague 3 regional branch. Since 1978, she has held managerial positions within the accounting and general ledger functions in the Prague 3 regional branch, the Prague municipal branch and Ceska sporitelna's Head Office. At present she is the director of the General Ledger department. With effect from 11 May 2002, she has been elected by the employees of Ceska sporitelna as a member of the Supervisory Board.

Bernhard Spalt

- > Born on 25 June 1968
- > Member of the Supervisory Board

_____ Mr Spalt graduated from the Law Faculty of Vienna University where he specialised in European law. He completed his studies in June 1992 when he was awarded the master of law degree.

_____ During his studies in 1991, he joined DIE ERSTE oesterreichische Spar-Casse Bank AG, where he started to work in the Legal Department. From September 1994 to June 1997, he performed various positions in the Work Out Department. In June 1997, he started to work in the Secretariat of the Management and Supervisory Boards and in June 1998 he was appointed as Head of this function. In September 1999, he was seconded to Erste Bank Sparkassen (CR), a .s. where he led the Work Out Department. Following the sale of Erste Bank Sparkassen (CR), a. s. to Ceska sporitelna, a. s., Mr Spalt took over the responsibility of the Work Out Department in Ceska sporitelna, a. s. In June 2002, he returned to Erste Bank, Vienna where he presently leads the Group Risk Management Department. Mr Spalt was coopted to the Supervisory Board of Ceska sporitelna, a. s. on 21 August 2002 and subsequently was elected into the function of a Supervisory Board member as of 15th May 2003 by the General Meeting.

_____ Mr Spalt is additionally a member of the bodies of the following companies: Erste & Steiermaerkische banka d.d. Rijeka, Erste Bank Hungary Rt., Slovenská sporiteľňa, a. s. Postabank es Takarekpenztar Rt., Erste Reinsurance S.A.

Jitka Šrotýrová

- > Born on 18 November 1948
- > Member of the Supervisory Board

_____ Mrs Šrotýrová graduated from the secondary school of general education in Prague. In 1967, she joined Tesla Prague as a specialist. From 1970 to 1984 she worked as a supply manager for Tesla Eltos and the Project and Engineering Organisation. She has worked with Ceska sporitelna since 1985, largely as a senior professional official of the recreation department where she is in charge of the operation of recreation facilities. Since 1986, she has been a member of the Organisation-wide Committee of the CS Labour Union. She is also chairwoman of the Sports Committee at Ceska sporitelna. With effect from 1 April 2002, she has been elected by the employees of Ceska sporitelna as a member of the Supervisory Board.

Manfred Wimmer

- > Born on 31 January 1956
- > Member of the Supervisory Board

_____ Mr Wimmer graduated from the Law Faculty of the University of Innsbruck where he was awarded the Doctor of Law degree. From 1978 to 1982, he worked as an academic assistant in private law. From 1982 to 1998, he worked in the International Division of Creditanstalt in Vienna where he held positions in international project financing, financial institutions and marketing. In 1998, he joined the International Division of Erste Bank der oesterreichischen Sparkassen AG, where he was in charge of the Ceska sporitelna acquisition team since September 1999. Since February 2002 Mr. Wimmer is Head of the Strategic Group Development Division of Erste Bank responsible for Group Strategy, Co-ordination of CE activities, and Investor "Relations".

_____ He has been a member of the Supervisory Board of Ceska sporitelna since 27 June 2000; the General Meeting re-elected Mr. Wimmer into the function of a Member of the Supervisory Board as of 4th August 2003.

_____ Mr Wimmer is additionally a member of the bodies of the following companies: Slovenská sporiteľňa, a. s., Erste & Steiermaerkische banka d.d. Rijeka, CEE Property - Investment Immobilien AG, Erste Bank Hungary Rt.

The Macroeconomic Framework for Česká spořitelna's Business

Economy recovered in 2004, interest rates at a low level

_____ The macroeconomic development in 2004 can be assessed as favorable on the whole. The economic growth structure improved and inflation also moved to positive values. High investment growth developed the supply side of the economy, with low demand pressures. Interest rates therefore stayed at a low level. The central bank saw the necessity of increasing rates, which was carried out in two steps during the summer. However, it became apparent during the autumn and winter that the Czech economy would be low inflationary in the mid term, and would grow with low rates. Economic data, Czech crown appreciation and the central bank's changed rhetoric led to a decrease of long-term yields to new lows.

Economic growth in progress

_____ The growth of GDP accelerated to 4.0% last year in comparison to the previous year when the GDP was 3.7%. Also, the structure of the growth was far more favorable. Low interest rates and weak exchange rates affected growth of investments and exports, pulling up economic growth. The high investment dynamic improved the outlook for the Czech economy. On the other hand, lower wage growth led to a slowdown of consumption, which was not fully compensated for by the increase in indebtedness. For this year, we expect wage growth acceleration to result in faster consumption growth. Investment should decelerate slightly, but exports will grow at a strong pace. On the whole, we expect GDP to grow by more than 4% this year.

External imbalance reduced

_____ Exports accelerated, due to recovery in Europe, stronger exchange rates and changes on the supply side. The import dependence of Czech production was reduced, improving the trade balance. While the deficit reached CZK 69.8 billion in 2003, last year's deficit amounted to just CZK 20.6 billion. Opposing factors will affect the trade balance this year. On one hand, the implementation of foreign direct investments will cause an increase in Czech export production. On the other hand, higher consumption will increase imports of consumer goods. We do not expect the trade balance deficit to be higher than CZK 20 billion this year. In addition to the trade balance, the current account deficit was also influenced by the deeper income balance deficit. The Czech Republic moved to a phase in which investors have started to withdraw profits from their investments. This led (with a one-off outflow, due to a tax change) to an increase of the income balance deficit in 2004. The entire current account reached a deficit of CZK

142.6 billion (CZK 14.6 billion less than in the previous year). For 2005, we expect the current account deficit to reach CZK 120 billion.

Inflation under the influence of administrative measures

_____ Inflation accelerated from 0.1% in 2003 to 2.8% in 2004. The return of inflation to levels close to the CNB's inflation target was not caused by normal cyclical mechanisms, but rather by administrative measures. Namely, the indirect tax changes related to EU accession were reflected by higher inflation. Other proinflationary factors were on the supply side, such as record high oil prices on world markets. On the other hand, domestic demand still pushed in the direction of disinflation. In 2005, we expect proinflationary supply-side pressures to be lower and that domestic demand will not overly spur inflation. Therefore, the inflation rate should reach 2%.

Exchange rate appreciation continued

_____ The Czech crown appreciated against both the euro and dollar during 2004. The stability of the Czech crown against the euro was replaced by quick appreciation at the end of the year (5.5% in December). Aside from the good economic performance, this appreciation was due to speculation on privatization inflow and positive sentiment toward the CEE region. The Czech crown appreciated against the dollar throughout the year, reflecting the appreciation of the euro against the dollar. For this year, we expect a gradual correction of the excessive appreciation seen at the beginning of the year. However, the long-term trend of appreciation will not be disrupted. At the end of the year, we expect the Czech crown to be close to 30 per EUR and 22.8 per USD.

Low interest rates to persist in 2005

_____ Acceleration of inflation and continued economic growth persuaded the central bank to hike interest rates, which occurred in two 25bp steps in June and August (from 2% to 2.5%). Yields also increased considerably. However, the subdued inflation development and fast exchange rate appreciation at the end of the year reversed this trend. The CNB's change of rhetoric led to a substantial yield decrease. At the beginning of 2005, the CNB surprisingly lowered rates to 2.25%, in reaction to the strong Czech crown and lack of demand pressures. In the event that the Czech crown remains strong, there is room for another rate cut of 25bp. An increase in demand pressures towards the end of 2005 could provoke the CNB to return to a restrictive monetary policy.

Report on Performance and Business Activities

Consolidated Results of Operations

(International Financial Reporting Standards)

_____ The Česká spořitelna Group generated record results for the year ended 31 December 2004. **Since the finalisation of the Bank's successful transformation in 2000 - 2001, effectiveness of work, employee professionalism, service quality and client satisfaction have been increasing every year.** This means that all the relevant economic indicators again improved in comparison with the previous year. The volume of issued loans and accepted deposits grew, as did interest income and fee income. **Operating profit was the pillar of growth and a key indicator of the Bank's ability to stably generate favourable results independent of non-recurring effects,** such as the sale of the non-life insurance business of Pojišťovna České spořitelny in early 2004, which had a material but one-off impact on the Bank's net profit.

Profit and Loss Account

_____ **For the year ended 31 December 2004 Česká spořitelna** reported, under International Financial Reporting Standards (IFRS), a **consolidated net profit of CZK 8,649 million which represents an increase of 14 percent** (CZK 1,034 million) relative to 2003 when the net profit was CZK 7,615 million. The increase in net profit was reflected in a slight **improvement in return on equity (ROE) to 23.8 percent** and return on assets (ROA), which reached 1.5 percent. ROE was 23.7 percent and ROA 1.4 percent in 2003. Profit before taxes and minority interests (gross profit) increased year-on-year by 26 percent to CZK 13,780 million.

Net profit and operating profit (CZK million)

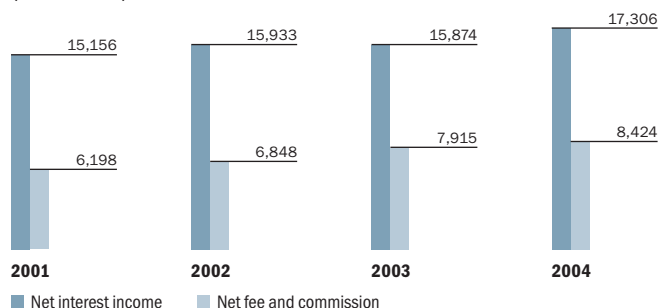


_____ **Operating profit, determined as the difference between operating income and expenses, rose year-on-year by CZK 1,281 million to CZK 11,476 million, an increase of 13 percent. In addition, there was a favourable improvement in the cost/income ratio from 59.7 percent to 58.0 percent.** The increase in the Bank's operating and net profit was driven by the increase in operating income. Operating income, comprising net interest income, net fee and commission income, net profit on financial operations and net insurance income, rose by CZK 2,025 million to CZK 27,293 million. Non-interest income accounts for 36.6 percent of the total operating income. Operating expenses, comprising staff

costs, administrative expenses and depreciation/amortisation charges, increased by CZK 744 million to CZK 15,817 million.

_____ The successful operating results were predominantly driven by net interest income, which, in a low-interest rate environment (the two-week repo rate announced by the Czech National Bank was between 2.0 percent and 2.5 percent in 2004), reached CZK 17,306 million, a year-on-year increase of 9 percent. **The increase in net interest income was primarily caused by higher interest income from loans and advances to customers arising from a notably increased number and volume of lending transactions** (the total volume of loans and advances to customers grew year-on-year by 11 percent), **and higher interest income from debt securities** (the volume of the securities held in the banking book rose by 24 percent). Interest rates on interbank loans and deposits fell. Interest expenses were positively affected by the repayment of a subordinate debt in December 2003 and the favourable structure of client deposits; nevertheless, interest expenses associated with own securities issued rose in line with the increase in their volume of 23 percent. **The improvement in the net interest margin in relation to gross assets from 2.9 percent to 3.0 percent also evidences changes in the structure of loans and deposits.**

Net interest income and net fee and commission income (CZK million)

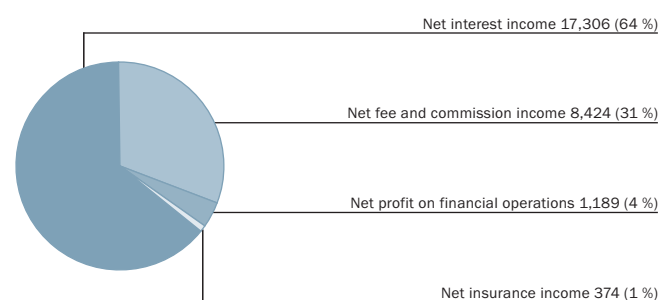


_____ **Clients of the Česká spořitelna Group are conducting more and more financial transactions and deals and, mostly for this reason, net fee and commission income increased year-on-year by 6 percent to CZK 8,424 million.** The successful results were largely attributable to the growing number of lending transactions (the number of commercial loans to private individuals rose by 14 percent whereas the number of mortgage loans increased by as much as 49 percent), the increase in income on securities trading, primarily in connection with increased interest in investing in investment funds (the volume of finance managed by mutual funds of Investiční společnost České spořitelny increased by 22 percent), and the increasing number of payment transactions, e.g. the total number of transactions on giro accounts rose by a notable 11 percent and the volume of card transactions rose by as much as 30 percent. By contrast, income from building savings fees declined due to the historically unprecedented interest in building savings schemes at the end of 2003 triggered by the amendment to the Construction Savings Act, which obviously did not recur in 2004.

The net profit on financial operations for the year ended 31 December 2004 fell year-on-year by 6 percent to CZK 1,189 million. Income arising from realised and unrealised gains on securities held for trading rose due to low interest rates, there was a slight decrease in income from foreign currency transactions and the results of derivative transactions worsened. However, the results of the derivative transactions were offset by significantly higher profit on the revaluation of the portfolio of securities available for sale in the net balance of other operating income and expenses.

Net insurance income contributed to the profit figure by CZK 374 million, with a year-on-year increase of 79 percent. The increase in insurance profit is primarily due to financial profits on Pojišťovna České spořitelny's financial placements which rose by 89 percent to CZK 407 million.

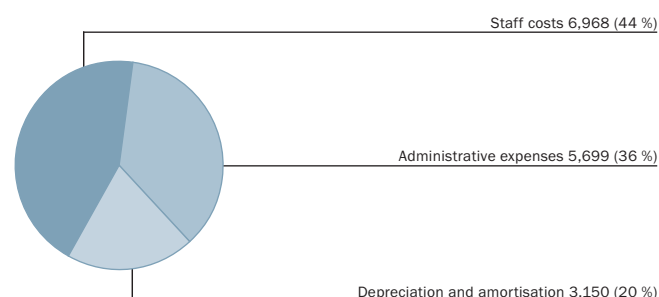
Structure of operating income in 2004 (CZK million)



In comparison with the previous period, operating expenses (general administrative expenses) rose by 5 percent, reaching CZK 15,817 million. **The increase in operating expenses was predominantly caused by a rise in administrative expenses, the level of which was affected by amendments to value added tax legislation** passed in 2004. Administrative expenses rose by 10 percent to CZK 5,699 million, primarily in respect of data processing costs, office space costs and advertising and marketing expenses. Coincidentally, data processing expenses are the most significant component (30 percent) of administrative expenses, with the remaining components being office space costs (25 percent), trading transaction costs (16 percent) and advertising and marketing expenses (13 percent).

While the number of the Group's employees declined by 7 percent to 11,805, staff costs rose by 2 percent to CZK 6,968 million in connection with increased salaries and increased payments of performance-linked bonuses and severance payments to departing employees. Notable investments in information systems and technologies, branch modernisation in the previous years, and the adjusted value added tax led to depreciation/amortisation of property and equipment and intangible assets increasing by 4 percent to CZK 3,150 million.

Structure of operating expenses in 2004 (CZK million)



The net balance of provisions for credit risks was CZK (505) million as of 31 December 2004, which, compared to 2003 when the net balance of provisions for credit risks was CZK 1,970 million, represents a difference of CZK 2,475 million. The driving factor in provisioning for credit risks involved the clean-up of the loan portfolio in 2003 through the sale of selected loan exposures and the improvement of the loan portfolio quality made it possible for the Bank to release redundant provisions on a one-off basis. **For the year ended 31 December 2004, the costs of provisioning charges were higher than in the previous period**, specifically as a result of systematic changes to provisioning rules and due to a significant increase in provisioning for possible future risks in old portfolios dating to the period between 1996 and 1999 in respect of Leasing České spořitelny. Other factors driving the charging of provisions specifically include positive developments in the corporate clients portfolio, reflecting the generally favourable economic climate in the Czech Republic after EU accession, stable development in the retail segment, which, despite significant growth, maintains a degree of risk exposure comparable to that in previous years, and income from the recovery of loss exposures which saw a year-on-year increase.

The level of profit generated by the Česká spořitelna Group for the year ended 31 December 2004 was markedly impacted by the one-off sale of the non-life insurance business of Pojišťovna České spořitelny. As part of the strategy of the Erste Bank Group, which, inter alia, involves a narrow specialisation of its insurance companies on life insurance, following tender proceedings, the non-life insurance business of Pojišťovna České spořitelny was sold to Kooperativa pojišťovna in January 2004. The sale of the non-life insurance business led to Pojišťovna České spořitelny changing from a universal insurer to a specialised life insurer. **While the one-off effect of the sale on the net balance of other operating income and expenses was CZK 2,907 million, the impact on net profit, net of income tax and minority interest, was CZK 1,156 million.**

At the end of 2004, the aggregate net balance of other operating income and expenses was CZK (98) million compared to the net balance of CZK (1,224) million a year earlier. In addition to the income on the sale of the non-life insurance business of Pojišťovna České spořitelny, this result was affected by income from the remeasurement of securities carried within the available-for-sale portfolio totalling CZK 1,399 million, which, however,

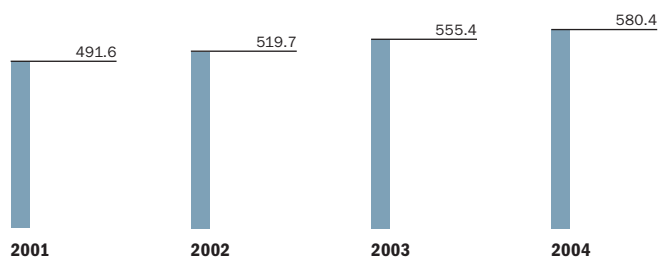
was offset by the negative result of derivative transactions in the net profit on financial operations totalling CZK (520) million. **By contrast, expenses were markedly affected by the contribution to the Deposit Insurance Fund of CZK (731) million, a year-on-year increase of 106 percent** attributable to the doubling of the rate of the contribution to the Deposit Insurance Fund.

_____ The Group's tax liability for the year ended 31 December 2004 was CZK 4,045 million, which represents an effective tax rate of 29.4 percent. This amount comprises the current year tax charge of CZK 3,647 million and the aggregate impact of movements in deferred taxes of CZK 398 million.

Balance Sheet

_____ **Total consolidated asset of Česká spořitelna increased year-on-year by 4 percent, or CZK 25 billion, to CZK 580.4 billion**, primarily due to an increase in client deposits and bonds in issue on the liabilities side of the balance sheet and the increase in the volume of loans and advances to customers and securities held in the banking book on the asset side.

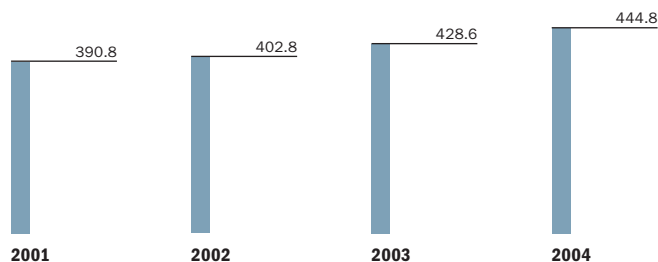
Total assets (CZK billion)



Liabilities and Equity

_____ **Client (primary) deposits have traditionally formed the key resource of Česká spořitelna's funding in respect of lending transactions. During the year ended 31 December 2004, the balance of primary deposits increased by 4 percent**, which, in absolute terms, represents an increase of CZK 16.2 billion to CZK 444.8 billion. Deposits denominated in foreign currencies account for CZK 14.7 billion. In substance, the year-on-year increase in deposits was the result of increases in deposits made by private individuals, which rose by 4 percent to CZK 358.2 billion and which represent 81 percent of all client deposits. The largest increases in deposits were noted in respect of construction savings accounts, which rose by 19 percent to CZK 70.9 billion, giro accounts, which rose by 13 percent to CZK 99.3 billion, and pension insurance deposits which rose by 30 percent to CZK 12 billion. Deposits made by corporate clients account for CZK 61 billion and deposits made by the public sector account for CZK 25.6 billion (increase of 7 percent).

Client deposits (CZK billion)

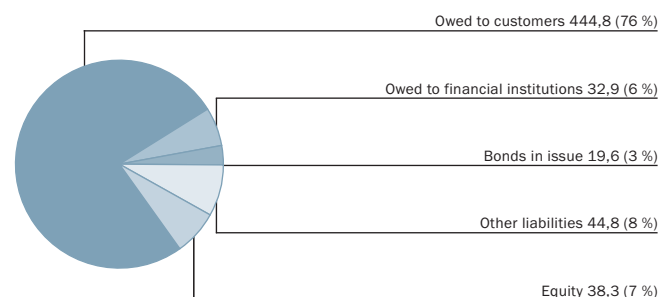


_____ The volume of bonds in issue increased by 23 percent to CZK 19.6 billion. **In February 2004, Česká spořitelna placed two issues of structured bonds**, the first of which was also offered to retail investors, **and two issues of mortgage bonds** in April and August 2004. On the face of the consolidated balance sheet, mortgage bonds, structured bonds and depository bills account for CZK 9.3 billion, CZK 1.6 billion and CZK 8.7 billion, respectively.

_____ The balance of amounts owed to financial institutions, comprising loans, term placements and current account balances, increased year-on-year by 11 percent and was CZK 32.9 billion as of 31 December 2004, of which loans under repo transactions accounted for CZK 12.1 billion.

_____ The balance **of shareholders' equity**, comprising share capital, share premium, the statutory reserve fund, retained earnings and profit for the period, **was CZK 38.8 billion** as of 31 December 2004, with the year-on-year increase of CZK 3.9 billion being attributable to the profit generated for the year ended 31 December 2004. Dividends for the year ended 31 December 2003, paid in 2004, amounted to CZK 4.6 billion. Shareholders' equity accounted for 7 percent of total assets.

Structure of liabilities and equity (CZK billion)



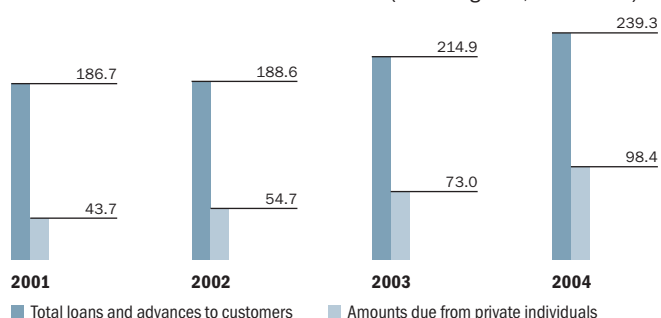
Assets

_____ Česká spořitelna's active transactions that generate the predominant portion of interest income are loans and advances to customers and the year 2004 was notable for continued highly dynamic lending growth.

Compared to the year ended 31 December 2003, the volume of loans and advances to customers, including amounts due from Česká konsolidační agentura, rose by 11 percent (CZK 24.4 billion) to CZK 239.3 billion, specifically in respect of loans to private individuals and loans to small and medium-sized business. Česká spořitelna was successful in boosting the proportion of client loans relative to client deposits by almost 4 percentage points and achieving 53.8 percent. The growth in loan transactions has been significantly aided by high quality, professional advice, the low interest rate environment, the favourable macroeconomic environment, including the Czech Republic's accession to the European Union, extensive marketing campaigns, product innovation responsive to client demand and legislative changes and, in particular, the overall proactive approach of Česká spořitelna and its group on the lending market.

The volume of loans to private individuals reached CZK 98.4 billion, a year-on-year increase of 35 percent. The growth was principally fuelled by loans granted to finance real estate. Česká spořitelna reinforced its position as the largest mortgage bank in the Czech Republic. Intense interest of clients in mortgage loans and the fact that mortgage lending has become a common approach to dealing with individuals' housing requirements and investment plans is, inter alia, the result of Česká spořitelna's business policy. The aggregate balance of the retail mortgage loan portfolio rose by 65 percent to CZK 39.9 billion in 2004. Loans issued by Stavební spořitelna České spořitelny rose by 47 percent to CZK 15.4 billion in the same period. Double-digit growth in percentage terms was also noted in respect of consumer and cash loans, including credit cards. The proportion of retail loans to private individuals to total loans and advances to customers, including ČKA, rose from 34 percent in 2003 to 41 percent in 2004.

Loans and advances to customers (including ČKA, CZK billion)



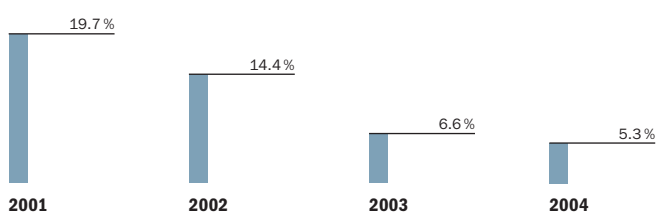
Česká spořitelna also experienced growth in the volume of loans and advances to customers in the corporate segment where the aggregate loan portfolio increased by 7 percent to CZK 102.6 billion. In 2004, the Bank specifically focused on micro companies and small and medium-sized enterprises, although large corporate clients remained an important segment. The Group's offering includes both standard loan products and special projects focused on investment loans or exports.

Česká spořitelna markedly supports its clients in using guarantee funds or drawing subsidies from EU funds. Similarly as in the private individuals segment, the most significant increases are attributable to mortgage loans advanced to legal entities, the volume of which reached CZK 13.8 billion at the 2004 end, a year-on-year increase of 76 percent. Finance leasing accounts for CZK 6.9 billion of the amounts due from legal entities.

The public sector is the long-term partner of the bank. The aggregate balance of loans issued to the public sector (net of amounts due from Česká konsolidační agentura) is CZK 12.4 billion, a year-on-year increase of 34 percent. Mortgages loans rose by 21 percent to CZK 1.9 billion. The balance of amounts due from Česká konsolidační agentura fell year-on-year by 30 percent to CZK 25.8 billion. The total volume of loans to the public sector was CZK 38.2 billion at the end of 2004.

The quality of the loan portfolio again improved in comparison with 2003. At the end of 2004, classified loans and advances to customers accounted for 5.3 percent of the total loans and advances to customers (for the parent bank, in accordance with the CNB classification), whereas the same indicator was 6.6 percent in 2003. Česká spořitelna focuses primarily on preventing distressed loans from originating and monitoring and assessing issues requiring immediate corrective action. With regard to noted instances of distressed loans, the principal aim is to adopt timely and effective solutions. This approach has resulted in a gradual improvement of the quality of the whole loan process and a further reduction in the proportion of classified loan exposures.

Classified loans and advances to customers *



*The share of client classified receivables in total client receivables for the parent bank, in accordance with the CNB classification

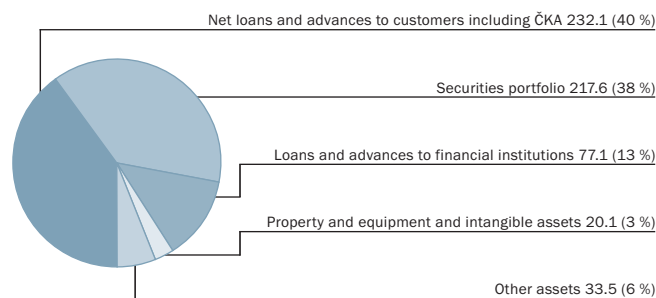
Loans and advances to financial institutions declined, year-on-year, by 6 percent to CZK 77.1 billion. Of this balance, loans provided to banks and placements with financial institutions amounted to CZK 42.5 billion and CZK 34.6 billion, respectively.

The aggregate balance of the securities portfolio, including financial placements of Pojišťovna České spořitelny, was CZK 217.6 billion at the end of 2004, which constituted a 7 percent increase relative to the previous period, that is, CZK 14.2 billion in absolute terms. The balance of securities increased mostly in the banking portfolio, which grew by 24 percent to CZK 175 billion. Debt securities accounted for 90 percent of the total portfolio.

_____ In investing in securities, Česká spořitelna focuses on acquiring debt securities issued by government institutions of the Czech Republic, which account for 64 percent of the portfolio, net of financial placements of the insurance company. Bonds issued by foreign financial institutions comprise 21 percent of the portfolio. Other bonds are issued by foreign government institutions, financial institutions in the Czech Republic, other entities in the Czech Republic with an implicit state guarantee and other foreign entities which carry the minimum rating of A. **In managing its investment portfolio, the bank applies the prudence principle which involves minimising credit risk attached to the issuers of securities.** The bank allocates securities into three categories: securities held for trading (trading book), securities available for sale (banking book), and securities held to maturity (banking book).

_____ As of 31 December 2004, the aggregate balance of property and equipment and intangible fixed assets was CZK 20.1 billion, of which land and structures accounted for 60 percent. This represents a year-on-year decrease of 2 percent in property and equipment and intangible fixed assets. **During 2004, Česká spořitelna, as part of its efforts to optimise management of its own assets, sold 59 immovable assets with a total net book value of CZK 1.2 billion,** and the net book value of land and buildings fell by 3 percent to CZK 12.1 billion. By contrast, the book value of purchased software which forms part of intangible assets, rose by 60 percent to CZK 0.9 billion due to investments in information technologies. The aggregate proportion of property and equipment and intangible fixed assets to total assets is 3 percent.

Structure of assets (CZK billion)



Business Activities and Operations

_____ For Česká spořitelna, the year ended 31 December 2004 was another in a series of years with successful economic results. The Bank fulfilled its challenging goals and again acquired a number of local and international awards. The successes of 2004 reflect an effective business

model, the transparency of provided financial products and services and, last but not least, the effort and professional approach of all employees of the Česká spořitelna Group. The outstanding economic results reflect the growing satisfaction of clients with the quality of services provided, the broad distribution network and the comprehensive services offered to retail clients, firms, the public sector and non-profit organisations.

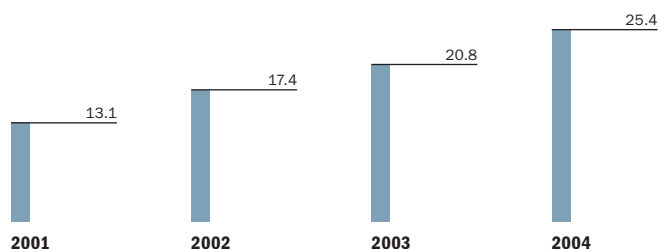
Private Clientele

_____ Private clientele – citizens of the Czech Republic as well as foreign clients who reside in the Czech Republic, students, entrepreneurs, sole traders and independent professionals represent the Bank’s key client segments.

Financing the Needs of Private Individuals

_____ The low interest rate environment in combination with the Bank’s flexible approach to negotiating loans contributed to 2003 having been, historically, the most successful year, with the largest volume and the greatest number of newly negotiated loans for private individuals. In 2004, Česká spořitelna **exceeded even those results.** The number of newly concluded commercial loans, primarily cash and consumer loans, increased by 15 percent to 207,000 new loans and **the aggregate portfolio of cash and consumer loans increased year-on-year by 22 percent to CZK 25.4 billion.** In absolute terms, clients showed greater interest in cash forms of lending, but relatively more dynamic growth of 66 percent year-on-year was noted for special purpose loans.

Total portfolio for cash and consumer loans (CZK billion)



_____ The growth trend can be attributed to a number of factors, the low client interest rate, which, despite a moderate increase, remained at the level of 2003, the continued increase in income of the population, greater confidence of people in their ability to make repayments, extensive marketing campaigns and, in particular, innovative products, which are responsive to client demand and legislative changes.

_____ The most notable example is a consumer loan collateralised by a pledge over real estate, the so-called ‘American mortgage’. **While mortgage loans were previously intended only for financing real estate**

needs, clients may, at present, use mortgages for practically anything, for example to furnish a household, purchase a car or to acquire a cooperative flat. **Unlike traditional consumer loans, these have the advantage of carrying a significantly lower interest rate.** Interest in consumer and cash mortgage loans grew very rapidly and robustly following their introduction in May 2004. By the end of 2004, the Bank provided more than 2,700 cash and consumer mortgage loans worth CZK 1.6 billion. The average amount of a mortgage loan was CZK 600,000. The 'American mortgage' is expected to be subject to significant dynamic development and its role in financing the needs of private individuals will increase over time.

Česká spořitelna has also developed significant changes in respect of consumer and cash loans provided directly by its business partners under the **Sporoservis** brand name. **This represents a product facilitating the acquisition of a loan directly at dealers.** Sporoservis changed its product orientation markedly: from cash loans to consumer special purpose loans. In 2004, nearly 50,000 new loans in the amount of CZK 1.7 billion were provided by Sporoservis, which represents a 50 percent increase relative to 2003. Of the total amount, 85 percent represents consumer loans and the remaining 15 percent cash loans. The number of business partners exceeded 5,000 on the basis that Česká spořitelna will further increase its focus on large commercial chains, which have significant potential for future growth.

Loans granted in the form of credit cards also saw dynamic growth. The aggregate balance of loans on 205,000 credit cards as of 31 December 2004 was CZK 1.4 billion, which represents a year-on-year increase of 86 percent.

Overdraft loans on sporogiro accounts maintained a stable position. The aggregate balance of overdraft loans as of 31 December 2004 was CZK 5.8 billion, which represents a year-on-year increase of 4 percent when compared to 2003. **The low year-on-year increase is indirectly linked to the growth of a substitute product, i.e. credit cards.** As of the date stated above, more than half of the total number of 821 thousand overdraft facilities had a positive balance.

In 2004, the balance of the social loans that originated in the past continued to decrease, falling by 16 percent to CZK 6 billion. The slow reduction of the volume of social loans is due to the residual portfolio of social loans being largely composed only of long-term loans used to finance investments in flat construction. Of the aggregate portfolio balance, medium-term loans to young married couples account only for one tenth.

Product Packages for Private Clientele

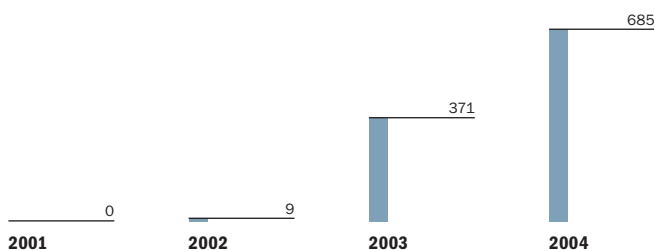
By providing product packages, Česká spořitelna offers its clients quick, well-organised and comfortable solutions for all of their financial needs, from student days when clients have simple financial needs (Student+) to the period of independent financial life that is associated with complex banking requirements (the Advantageous Programme and the Comprehensive Programme - 'Výhodný a Komplexní program'). For 2005, the Bank has prepared the Senior product package intended for senior citizens.

The very successful Student+ programme, designed for all high school and university students from 15 to 30 years of age, **was prepared by Česká spořitelna in 2003 with the objective of offering students and young people a quality product for a favourable student price**, together with other benefits from Česká spořitelna's business partners. From the beginning, it was apparent that the creation of the Student+ programme was a step in the right direction. On top of the more than 120,000 students who began using Student+ in 2003, nearly 40,000 more new young clients were added in 2004. **At the end of 2004, 160,000 high school and university students had a student account with Česká spořitelna.**

The Advantageous Programme represents a combined offering of products and services of the Česká spořitelna Group, accompanied by advantageous pricing. The Advantageous Programme was offered in 2002 and at the start of 2004, 235,000 clients were taking advantage of it. Over the course of 2004, the number of clients of the Advantageous Programme grew by 250,000, which represents an increase of 110 percent. While the product package market is subject to keen competition, more than 16 percent of new Advantageous Programme holders were clients who did not have a basic account with Česká spořitelna. **At the end of 2004, the number of Advantageous Programme holders neared half a million, which only confirms its popularity among clients.**

The Comprehensive Programme is designed for more demanding clients and includes a combined offering of standard and more complex products and services of the Česká spořitelna Group. The first accounts of the Comprehensive Programme were established in 2002, but one year later the programme was arranged for 18,000 clients. In 2004, the Comprehensive Programme was innovated and the positive changes were instrumental in securing an increase in **the number of clients using this product by nearly 30,000 to the current 47,000**, which represents a year-on-year increase of 160 percent.

Total number of clients using the packages of products under Student+, the Advantageous Programme and the Comprehensive Programme (in thousand)



Products for Independent Professions

The **'Profesionál' Programme** package is designed for clients from independent professions. The programme is fully variable and **offers a wide range of attractive banking products, developed to meet**

the needs of this client segment, including an overdraft/business loan extended with special simplified administration and an advantageous interest rate. In 2004, the Profesionál Programme was obtained by 2.5 times more clients (approximately 2,500) than in 2003, with 31 percent of these actively making withdrawals under the overdraft facility.

— The year 2004 saw an increase in the sale of specific deposit products designed for clients from independent professions for administering third party funds. This involves current accounts for escrow purposes, current accounts for depositing funds received by attorneys, court bailiffs, bankruptcy trustees, and auctioneers. Specific accounts offer clients comfortable and professional administration of entrusted funds.

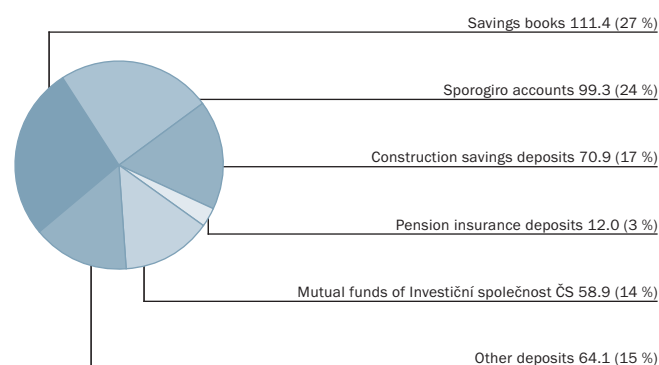
Savings and Investments

— Given the low interest rate of traditional deposit products, the increasing demand of clients for other investment opportunities, and its own broad and attractive offering, **Česká spořitelna** came up with a unique new product in 2004; **it offered clients the opportunity to put together a specific investment profile tailored to their individual needs**. The individual investment profile matches the type of investor, his current needs and expectations. An appropriately selected combination of funds aids in reducing any potential fluctuation in the value of the investment, thereby making it possible for the client to increase his/her chance to generate yields and participate in a number of investment strategies at the same time. **Clients may invest in the optimally balanced combination of funds comprised of funds from Investiční společnost České spořitelny and Erste – Sparinvest.**

— **Compared to 2003, investment in the mutual funds of Investiční společnost České spořitelny increased by CZK 10.6 billion (i.e. by 22 percent)**, with the aggregate amount of funding managed by Investiční společnost České spořitelny amounting to CZK 58.9 billion at the 2004 year-end. Traditionally, the money market fund Sporoinvest, the dominant mutual fund in the Czech market, attracts the greatest interest. The new bond mutual fund, ČS-korporátních dluhopisů, also performed well. Investiční společnost České spořitelny manages the largest mutual funds measured in volume terms. In the money market category, it is Sporoinvest which held CZK 41 billion in assets at the 2004 year-end; in the bond funds category, Sporobond managed more than CZK 11 billion; and in the equity funds, Sporotrend held nearly CZK 2 billion in assets.

— Investments in foreign equity funds managed by Erste-Sparinvest increased by CZK 0.8 billion and amounted to CZK 4.3 billion.

Retail deposits (CZK billion)



— **Registered savings books, measured in terms of their number (2.2 million) and the amount of deposited funds (CZK 111.4 billion at the 2004 year-end having suffered a year-on-year decline of 6 percent) are one of the most significant financial products offered by Česká spořitelna.** The conversion of the not yet converted former anonymous savings books of Česká spořitelna, which began in 2002 pursuant to the amended Banking Act, continued. During 2004, 135,000 anonymous savings books were converted in the aggregate amount of CZK 2.4 billion. At the end of 2004, the Bank maintained 2.8 million anonymous savings books with a balance of CZK 6.2 billion.

— At the end of 2004, Česká spořitelna managed in its portfolio nearly 118,000 term deposit accounts denominated in Czech crowns, with a balance of CZK 37.4 billion and almost 18,000 term accounts denominated in various foreign currencies, with a balance of CZK 4.6 billion. In 2004, the Bank offered its clients greater convenience in servicing deposit accounts in the form of the possibility to establish and manage new deposit accounts through the Servis 24 direct banking service and by expanding the advantageous parameters of the new deposit account to also cover older deposit accounts.

— As a result of an amendment to the Constructions Savings Act passed in late 2003, the construction savings market showed a decline in interest in new deposit contracts in 2004, even though Stavební spořitelna České spořitelny, with assistance from the parent bank, concluded, in fierce competition, a total of 140,000 new contracts and defended its second position in the market. Despite these developments, **total client deposits in construction savings accounts grew by 19 percent and exceeded CZK 70 billion (accurately CZK 70.9 billion)** with a total number of 1.3 million clients.

— One of the most sought-after types of savings schemes which will provide clients with additional income in the future (payment, pension, etc.) complemented with a state contribution is **pension insurance. In 2004, Penzijní fond České spořitelny strengthened its position among the biggest pension funds in the Czech Republic.** Faced with strong competition, Penzijní fond České spořitelny increased the volume of

funding in clients' personal accounts to CZK 12 billion, which constitutes a 30 percent year-on-year increase. As of 31 December 2004, Penzijní fond České spořitelny had served almost 410,000 clients, a year-on-year increase of 7 percent. The increase in the number of clients is, inter alia, attributable to the further development of active cooperation with more than 4,000 employers, including small and medium-sized businesses.

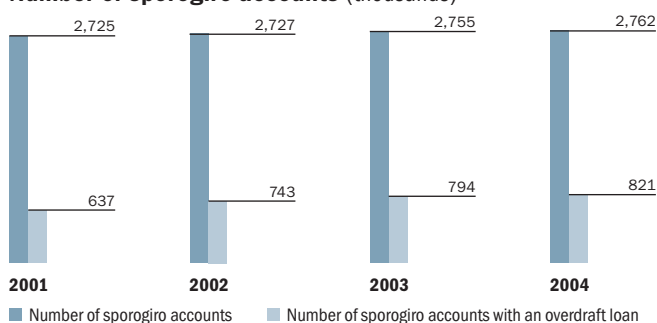
— The combination of insurance and long-term savings taking the form of capital or investment life insurance from Pojišťovna České spořitelny remains among the most popular products. Pojišťovna České spořitelny's most successful product is the adaptable Flexi insurance where the client, at his own discretion, selects the proportion of savings and risk insurance and has the option to collect funding on an ongoing basis and may also benefit from deferring his tax liability. Premiums written in respect of the Flexi insurance product for 2004 amounted to CZK 2.4 billion. Other popular products are Capital and Junior life insurance.

The volume of written premiums in respect of life insurance negotiated with Pojišťovna České spořitelny for 2004 totalled CZK 3.9 billion.

Transaction Accounts

— Česká spořitelna is the strongest player on the giro account market for private clientele, whose characteristic product is the sporogiro account. At the end of 2004, the Bank maintained in its portfolio 2.76 million sporogiro accounts, with a balance of almost CZK 100 billion (precisely CZK 99.3 billion). **In a year-on-year comparison, the volume of deposits on sporogiro accounts increased by 13 percent and the number of transactions effected in sporogiro accounts even increased by 11 percent to 287 million**, of which more than 80 percent are outgoing transactions. With regard to almost 30 percent of sporogiro accounts, clients had negotiated an overdraft loan and made withdrawals of CZK 5.8 billion at the 2004 year-end, a year-on-year increase of 4 percent. **A sporogiro account is the most widely used current account for citizens of the Czech Republic, ideal for administration and management of family finances.**

Number of sporogiro accounts (thousands)



— In April 2004, Česká spořitelna changed the numbers of sporogiro accounts and savings books in an effort to simplify the payment system

for clients and to bring the new account numbers fully into conformity with EU rules applicable to the cross-border payments system. The new account numbers no longer contain a specific symbol. **The renumbering affected 2.7 million sporogiro accounts and 2.2 million savings books. The logistically challenging operation was implemented without any problems and after the first day of normal operation of the entire branch network, the system of payments was fully operational.**

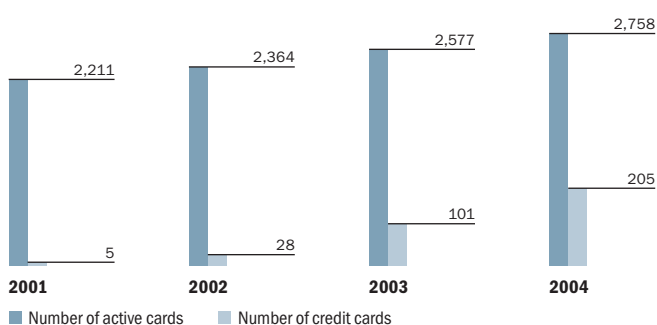
— At the end of 2004, in addition to sporogiro accounts, Česká spořitelna managed another 239,000 current accounts administered in Czech crowns and 66,000 current accounts managed in various foreign currencies, primarily in Euros and American dollars.

Card Programme

— Measured in terms of card transactions, the year 2004 was a very successful period and confirmed Česká spořitelna's dominant position in this significantly developing market, evidence of which is the increasing number and volume of executed transactions, the continuing expansion of credit cards, and the great success of loyalty programmes.

— **The growth in interest in the 'Kredit+' credit card also continued in 2004, when the number of such cards doubled;** at the 2004 year-end Česká spořitelna registered 205,000 active credit cards. Debit cards are also undergoing additional development; year-on-year, the number of debit cards increased by 3 percent to 2.5 million, and a massive exchange of domestic payment cards for cards with international validity continued to take place. The total amounts for all active cards issued by the Bank reached 2.8 million, which represents an increase over the last period of 7 percent.

Number of active cards (thousand)



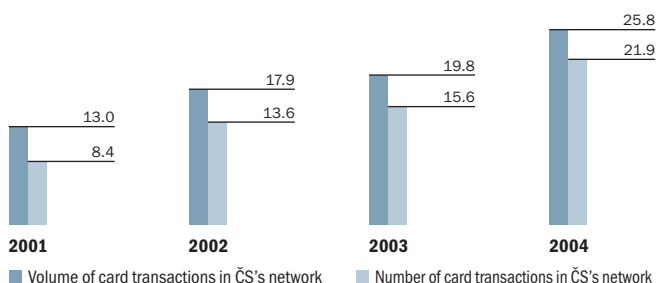
— The number of card transactions executed by Česká spořitelna's contractual partners increased year-on-year by 41 percent, which represents nearly 22 million payments. **The volume of card transactions in 2004 equalled nearly CZK 25.8 billion, which means an increase of 30 percent over the preceding year.** The number of acceptance places of Česká spořitelna's contractual partners reached nearly 11,000. The frequent use of a card as a modern payment instrument also brings along a decline in the average value of transactions; in 2004 this equalled CZK 955. Cardholders also continue to use it more frequently when paying

abroad; the number of payments made outside the Czech Republic grew by 44 percent.

_____ **A great service for the growing number and volume of payment transactions in the Czech Republic is the unique loyalty 'Bonus' programme.** For every payment card in the Czech Republic as well as abroad and for the recharging of mobile telephone credit in ATMs, a cardholder receives points for which he/she may acquire gifts from a catalogue. The use of cards is increasing in popularity thanks to the well-prepared motivational strategy and communication with clients, which can also be seen in the accelerating number of bonuses ordered by cardholders under the Bonus programme. In 2004, fifteen times the number of rewards from the Bonus programme were ordered compared to the previous year, when the loyalty programme was initially offered to clients.

_____ **The Bank also offers the 'Partner' discount programme for embossed payment cards.** A similar discount programme called Student+ is a feature of the cards for students, issued as part of the package of the same name. Partner and Student+ cardholders receive discounts when making card payments at a number of well-known shops operating throughout the Czech Republic.

Volume of card transactions in ČS's network (CZK billion)



_____ A high point for 2004 was the introduction of the possibility of making purchases through payment cards over the internet. Česká spořitelna was the second bank in the Czech Republic to offer and implement for business partners an authorised system of secure purchases under the name 3D-Secure. The system offers clients secure use of payment cards on the internet at shops that take advantage of the 3D-Secure e-commerce solution during acceptance. **The 3D-Secure solution is a worldwide standardised process for payment and acceptance of cards over the internet, which is supported by the MasterCard and Visa card associations.**

_____ **At the end of 2004, the network of Česká spořitelna's ATMs already included 1,071 ATMs** through which clients withdrew more than CZK 222 billion over the course of the entire year, which represents more than 74 million transactions. Clients may use ATMs for other purposes as well as for withdrawing cash, for example to **recharge mobile telephones** from Eurotel and Oskar (mobile recharging). In 2004, more than 2 million

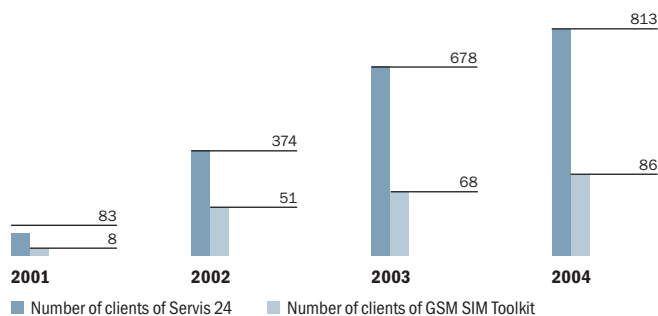
recharges were made in a volume of CZK 0.7 billion, which is a year-on-year increase of 135 percent. **Since 1 December 2004, clients of Česká spořitelna have been able to enter one-time payment orders via the Bank's ATMs. Transaction software is furnished for one third of Česká spořitelna's ATMs.** Entering payment orders via an ATM is definitely another step towards facilitating banking services that contributes towards greater client convenience and involves the first service of its type in the Czech Republic.

_____ **For 2005, in the context of increasing security during the use of payment cards, Česká spořitelna is preparing a transition to chip technology.** In view of the difficulty of the entire operation, which represents approximately 1,000 ATMs, 10,000 payment terminals and nearly 2.8 million payment cards, the modification of Česká spořitelna's payment terminals will begin in the spring and issuance of chip cards in the autumn of 2005.

Internet and Telephone Banking Servis 24

_____ In 2004, the flagship of direct banking for Česká spořitelna – Servis 24 – underwent revolutionary changes, which fundamentally expanded the range of users. **The new version of services of Servis 24 focuses on satisfying the needs of clients included in the small and medium-sized business segment.** The most fundamental change relates to the possibility for servicing client accounts by more users, which brings Servis 24 even closer to client requirements. The other common innovations of telephone and internet banking include services for foreign exchange accounts, the execution of cross-border payment transactions, and, in the context of the initiated integration of the Group's subsidiaries into Servis 24, clients may also view accounts at Stavební spořitelna České spořitelny through Servis 24 services. **Servis 24 was among the most popular financial products for 2004 in the Czech Republic** as confirmed by a vote of the general public during the prestigious Golden Crown contest, where, of 180 financial products, Servis 24 came third.

Number of clients of Servis 24 (thousand)



_____ In 2004, Servis 24 was obtained by another 135,000 clients, which represents a 20 percent increase. **At the end of 2004, Česká**

spořitelna recorded nearly 813,000 concluded contracts for Servis 24 services. By means of Servis 24 services, the Bank currently serves 800,000 sporogiro accounts and 45,000 current accounts, implementing 8 million one-time orders.

_____ In the framework of direct banking, **Servis 24 Internet banking** again strengthened its position. **The number of users grew by 50 percent** to 426,000, while the number of actual transactions increased by 19 percent to 6.8 million. As another method for securing Servis 24 Internet banking, a client certificate (digital signature) was introduced, based on the PKI principle. In 2004, Servis 24 Telebanking newly activated 114,000 users, whose total number reached 611,000 (growth of 23 percent); clients using Servis 24 Telebanking effected 2.3 million transactions.

_____ For the year ending 31 December 2005, the Bank is preparing, among other things, Servis 24 internet banking in English, a new version of internet banking for corporate clients, an expansion of Servis 24 to include a GSM banking SIM Toolkit or possible access to data in Penzijní fond České spořitelny under Servis 24.

_____ During 2004, **further development** also took place in **GSM Banking SIM Toolkit services**, primarily in the area of expanding mobile payments. The Bank offered clients the option of recharging credit for mobile telephones directly from their bank accounts. During the year, the recharging for Twist cards from T-Mobile went live and Česká spořitelna became one of the first banks in the Czech market to offer a complete range of the recharging of prepaid mobile telephones for all domestic mobile operators. The total value of mobile payment by means of GSM banking services – SIM Toolkit – reached more than CZK 130 million for 2004, which represents an increase of 96 percent. The number of clients grew by 26 percent to 86,000.

Expat Centre – Services for Foreign Language Clients

_____ Since January 2004, the Expat Centre has operated within Česká spořitelna – it is a centre providing services to individual clients who do not speak Czech. The Expat Centre is located in the centre of Prague at the Rytířská branch; this is an entirely unique specialisation on the Czech banking market. **The centre provides quality banking services and consulting to clients in English, German and French.** Česká spořitelna anticipates that the concentration of foreign language clients will increase as a result of European Union accession.

Financing Housing and Real Estate

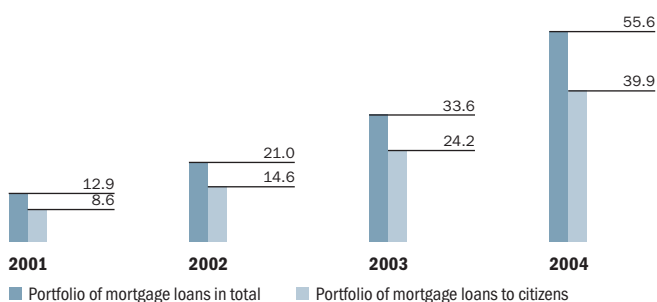
_____ In 2004, **Česká spořitelna** continued further development of its financing for real estate and mortgages and **reinforced its position as the largest mortgage bank in the Czech Republic**, a position which it achieved in 2001.

Mortgage Loans

_____ In 2004, Česká spořitelna again confirmed its leading position on the market for private mortgages and, **as the sole mortgage bank in the Czech Republic, was able to achieve a greater year-on-year level of growth than the entire market.** In 2004, the Bank provided this segment with more than 14,000 mortgage loans in the aggregate amount of more than CZK 19 billion, which represents record year-on-year growth of 67 percent. The average amount of a negotiated loan grew by 17 percent to CZK 1.3 million. The extensive interest of clients in mortgage loans and the fact that a mortgage has become the common means for resolving housing needs as well as the investment aim of citizens, is, inter alia, the result of Česká spořitelna's business policy targeted at replacing the discontinued TOP Housing programme with new products (Hypohit and New TOP Housing) and intensive use of all of the Bank's sales channels. **For the third time, Česká spořitelna's private mortgages earned the Mortgage of the Year award in the prestigious competition organised by MasterCard and for the second consecutive time it took first place in the Golden Crown competition.** The aggregate balance of the portfolio of mortgage loans to retail entities – citizens increased by 65 percent to CZK 39.9 billion during 2004.

_____ At the end of 2004, the balance of the portfolio of corporate mortgage loans reached CZK 15.7 billion, year-on-year growth of 67 percent. **As such, the aggregate volume of the mortgage loan portfolio was CZK 55.6 billion with year-on-year growth of 66 percent.**

Portfolio of mortgage loans in total (CZK billion)



_____ In 2004, the Bank came up with the unique concept of mortgage centres. **Mortgage centres are new specialised functions that provide a comprehensive range of services related to housing or other investments in real estate.** Clients have the opportunity to select, in one place, real estate, which corresponds to their ideas about quality housing or investment, to select the most appropriate type of mortgage loan for financing and also to negotiate loan and real estate insurance. Over the course of 2004, Česká spořitelna opened 12 mortgage centres. Česká spořitelna has a special offer in place for clients who have acquired assurance for the provision of a loan from the State Fund for Housing Development, under which it is the only bank to offer a solution

to clients interested in state support, but are only in the process of looking for real estate. **The mortgage centres closely work with Realitní společnost České spořitelny, which provides complex real estate services to clients from among developers, citizens and companies.** Since June 2004, Česká spořitelna has operated a specialised portal at www.hypotecnicentrum.cz. At this address, clients of the Bank as well as the public at large may become acquainted with Česká spořitelna's range of housing and financing offerings.

Construction Savings Loans

Stavební spořitelna České spořitelny actively offers a range of bridging and standard loans under construction savings schemes designed for resolving housing needs. **In 2004, Stavební spořitelna České spořitelny achieved the historically best results in the number of new loans, it provided nearly 35,000 in a total volume of CZK 8.4 billion, which represents year-on-year growth of 61 percent.** The aggregate balance of the draw-downs of all provided loans at the end of 2004 equalled more than CZK 15.5 billion, which was a year-on-year increase of a full 47 percent. Stavební spořitelna České spořitelny, with assistance from the parent bank, managed to address clients with a quality range of products, speed in arranging loans, and an overall active loan policy.

Real Estate Financing

In the real estate corporate financing segment, the Bank provides comprehensive financial and real estate services for development projects in housing construction with a subsequent synergetic effect on the development of private mortgage loans. **At the end of 2004, corporate loans for the financing of real estate totalled CZK 15.3 billion, which represents growth of 32 percent compared to 2003.** The increasing volume of real estate financing is supported by the activities of the mortgage centres. The mortgage centres also offer complex financial and real estate services in the regions to real estate developers and investors up to the established amount of project costs.

Realitní společnost České spořitelny, whose services are part of the mortgage centres' offering, fully developed its activities in 2004 and, in the second year of its operation, reached a 12 percent share of the market for sales of new housing in Prague and initiated an expansion into the regions by establishing partnerships with selected regional real estate offices.

The Bank also supports the development of the real estate market and housing in the form of sponsorship activities, for example, with general partnerships with the Association for Real Estate Market Development (a prestigious supra-professional organisation), or with the largest Central European conference on the real estate market, CEDEM.

Given that real estate is one of the key areas of interest for Česká spořitelna, manifesting itself not only in private mortgages but also in financing institutional developers and investors and other activities on the real estate market, the Bank introduced the first real estate fund, **CEE**

Property Development Portfolio, on the market in September 2004. The fund has a markedly Czech profile, it is focused on the Czech Republic and Slovakia, one of its founding shareholders and investors is Česká spořitelna, and SG Asset Management, s. r. o. from the Sekyra Group has been selected as the fund manager. The fund is formed as closed, with purchasing power up to CZK 12 billion with possibilities for its increase in due course.

Company and Corporate Clientele

Small and medium-sized firms are among the key client groups upon which the entire Group of Česká spořitelna is concentrated.

The Group's range of offerings includes classic products for normal day-to-day administration of accounts, and special projects focusing on investment loans, export or equity participation. The Bank substantially aids corporate clientele in using guarantee funds or using subsidies from EU funds. In addition to Česká spořitelna's branch network, small and medium-sized businesses may also take advantage of 16 commercial centres, which are located throughout the Czech Republic. **The commercial centres provide complex services of the entire Group of Česká spořitelna for businesses.** In the segment of small and medium-sized firms, Česká spořitelna differentiates between entrepreneurs and small enterprises with an annual turnover of up to CZK 30 million, and small and medium-sized enterprises (SME), with a turnover from CZK 30 million to CZK 1.5 billion.

Company Clientele with Turnover of up to CZK 30 million

In terms of newly provided loans for micro-company clientele, a notable increase took place in 2004 compared to the previous period. In 2004, 2,500 new loans were negotiated in a total volume of CZK 4.7 billion, which represents year-on-year growth of 24 percent. **The positive development was driven by the increasing number of specialised company consultants in the Bank, the expansion of the product offering to include the 5 Plus investment loan with an EIF guarantee and the introduction of an acquisition programme.** The average amount of newly provided loans grew to CZK 1.9 million. In the overall segment of corporate clientele with a turnover of up to CZK 30 million, as of 31 December 2004 nearly 6,000 special purpose loans were managed with a portfolio balance of CZK 6.6 billion, i.e. 27 percent higher than in 2003.

Since October 2004, entrepreneurs and small firms have been able to take advantage of a new loan product from Česká spořitelna, the 5 PLUS investment loan. The new product was prepared by the Bank in cooperation with the European Investment Fund (EIF). The medium and long-term investment loan is designed for financing tangible and intangible assets and is partially guaranteed by EIF and is also suitable for entrepreneurs starting out and small businesses. **The 5 PLUS investment loan has five benefits:** for the provision of a loan, only a 5 percent involvement of the client in the

financing of the project is sufficient, unlike the 15 percent involvement as generally required for investment loans; only five documents are required for the loan application; approval of the loan takes only five days; and there is the option of deferring principal payments for up to five months after the drawing of the loan. The client acquires all the benefits of the 5 PLUS investment loan when applying for a loan of up to CZK 5 million.

During 2004, the Bank recorded continuous growth in the sales of the Profit programme package, primarily due to a simple overdraft loan. The programme also enables non-stop access to company finances according to the selection of the client and facilitates preferred management of private accounts by the representatives of the company. **The number of users of the Profit programme has more than doubled to 21,000 clients; nearly half of them draw upon the simple overdraft loan.** The Profit programme has become a very popular service for clients from within entrepreneurs and small businesses.

Firms with Turnover from 30 million to 1.5 billion crowns

In 2004, Česká spořitelna primarily focused its attention on supporting companies and entrepreneurs in connection with the entry of the Czech Republic into the European Union. The Bank introduced the new EU Programme, which is a complex range of products and services to cover needs related to the conducting of business in the European Union. In addition to the products and services focusing on helping firms during the acquisition of grants from the European Union and supporting their competitiveness, Česká spořitelna offers small and medium-sized enterprises a full range of traditional products and services such as administration and management of accounts, asset management, operating and investment loans, etc.

In 2004, in terms of all its products, Česká spořitelna provided small and medium-sized firms with a turnover from CZK 30 million to CZK 1.5 billion with new loans of CZK 20.2 billion, representing year-on-year growth of 47 percent. The aggregate loan portfolio, which increased by 34 percent compared to 2003, reached CZK 36.5 billion.

In 2004, Česká spořitelna introduced its EU programme to the market – a programme providing support for clients during the implementation of projects supported by European Union structural funds. The programme includes the provision of information about the European Union, support in the acquisition of grants from European Union funds, and the co-financing of projects that acquire these grants. **Under the EU Programme, the Bank provided firms with loans worth nearly CZK 1 billion.** As part of the EU programme, in the spring and autumn of 2004, Česká spořitelna organised a total of 45 seminars for its clients informing them of the possibilities for acquiring grants from structural funds. In total, more than 720 firms participated, particularly from the small and medium-sized enterprise segment.

Activities focused on supporting small and medium-sized firms in the expanded European environment and using European Union financial tools, include a contract for the use of a global loan and involvement in the follow-up programme, the **Municipal Infrastructure Facility**, financed

from the funds of the European Commission, which Česká spořitelna signed with the **European Investment Bank (EIB)**. The global loan is an EIB tool for financing small and medium-range projects implemented in municipalities by small and medium-sized enterprises. Česká spořitelna acquired resources in the form of a global loan in the total amount of EUR 50 million. The Municipal Infrastructure Facility programme involves grant support for projects that are implemented with application of the global loan and which comply with the criteria set by the European Commission. Česká spořitelna is the first bank in the Czech Republic to join this programme. Under the Municipal Infrastructure Facility programme, Česká spořitelna received a grant in the amount of EUR 4 million in support of projects.

Designed primarily for small and medium-sized firms as an addition to classic banking products, the TOP programmes (TOP Podnik, TOP Kapitál and TOP Export) are part of Česká spořitelna's strategy to support the development of the Czech economy. **TOP programmes filled the blank spaces in the Czech banking market, and revived and activated the small and medium-sized enterprise market segment.**

Since 2001, Česká spořitelna has been offering its clients the **TOP Podnik** programme. Through this programme, the Bank supports the development of medium-sized firms with an annual turnover from CZK 30 million to CZK 1.5 billion in the form of investment long- and medium-term loans provided under advantageous interest rate conditions. The programme is designed for companies operating in industry, commerce, services, and production and processing of agricultural products. **Under the TOP Podnik programme, Česká spořitelna provided 70 loans** in the total amount of CZK 1.4 billion in 2004. Since the inception of the programme, the Bank has provided loans totalling CZK 5.3 billion.

Another form of support for small and medium-sized enterprises is **financing in the form of venture and private equity capital**. For this purpose, in 2002, Česká spořitelna began the **TOP Kapitál** programme established by two venture and private equity capital funds – the Czech TOP Venture Fund and Genesis Private Equity Fund "B". The funds are managed by the consulting firms Czech Venture Partners s. r. o. and Genesis Capital s. r. o. Česká spořitelna has investment commitments of EUR 10 million in each fund. The investments of the funds are concentrated on small and medium-sized Czech firms with prospective business plans and able and fully involved management. At the end of 2004, Česká spořitelna's share in 6 investments made by both funds totalled EUR 6.2 million.

The objective of the **TOP Export** programme, which Česká spořitelna introduced in 2002, is to **assist quality small and medium-sized Czech firms in increasing the volume of exports and penetrating new foreign markets** in the form of overdraft loans denominated in a foreign currency and secured by export receivables or full-value factoring. At the end of 2004, loans exceeding CZK 280 million were approved.

In January 2004, Česká spořitelna, the first bank to do so, concluded an Agreement on the Cooperation in the Fulfilment of the Půda (Land) Sub-Programme with **Podpůrný a garanční rolnický a lesnický fond** ('PGRLF' being the Support and Guarantee Fund for Farming and

Forestry). Under this Agreement, the **Půda** (Land) programme, designed for financing the purchase of private agricultural land with an interest subsidy from PGRLF, was introduced onto the market. Česká spořitelna is thus making a significant contribution to the gradual creation of a market for agricultural land in the Czech Republic.

_____ The FINESA programme, introduced in 2003, saw dynamic development in 2004. Under the FINESA framework, finance of more than CZK 100 million was provided for seven projects in the field of energy savings and renewable sources of energy. The projects were supported by a partial banking guarantee of IFC (the International Finance Corporation).

_____ In 2004, the **CS German Desk** was formed in Česká spořitelna, which serves firms from Germany (or German-speaking representatives of companies from other countries) as Česká spořitelna's contact and information place, which provides potential clients with German-speaking banking advisors in each of the 16 commercial centres, or from other departments of the Bank. One of the principal activities of the CS German Desk involves **cooperation with German savings banks**. The focal point for cooperation is **small and medium-sized enterprises**. Since the start of 2004, Česká spořitelna has been a **member of Česko-německá obchodní a průmyslová komora** (the Czech-German Chamber of Commerce and Industry).

_____ In the autumn of 2004, Segment Management was introduced for small and medium-sized firms which is designed to achieve, through a detailed analysis of clients, their needs, the product range and the monitoring of the development of the market, continual improvement in the Bank's services, improvement in the quality of customer satisfaction while achieving a corresponding degree of return.

Corporate Clientele

_____ The year 2004 saw another significant strengthening of Česká spořitelna's market share in large corporations. **The average volume of drawn loans in 2004 exceeded CZK 41 billion, which represents year-on-year growth of more than 20 percent.** The average amount of term deposits and deposits on demand grew by 60 percent to a total of CZK 7.5 billion. During 2004, further improvements were made to the quality of the loan portfolio and a decrease in provisioning.

_____ As of 31 December 2004, Česká spořitelna participated in **syndicated loans** in the total drawn amount of CZK 10.5 billion, which, in comparison with the previous period, constitutes an increase of 17 percent. The Bank thus confirmed its leading position on the market for syndicated loans.

_____ The marked increase in the number of serviced clients by more than 40 percent compared with 2003 and the consistent cross-selling of a wide range of provided products and services led to an almost 80 percent increase in commission and fee income collected from corporate clients. The most dynamic area of development involves guarantees and documentary transactions which showed year-on-year growth of 103 percent and exceeded CZK 10 billion in the volume of issued guarantees.

Homebanking – Electronic Banking for Corporate Clientele

_____ The system of direct banking for corporate clientele – Homebanking OfficeLine and MultiCash – again showed growth in 2004 in the number of transactions, to the detriment of the paper payment system.

The top multibanking system for electronic banking, Homebanking MultiCash, acquired 428 new major corporate clients as a result of its broad range of services, the high accessibility of the system, and the quality of client support. At the end of 2004, the Bank registered a total of 909 clients for Homebanking MultiCash, who effected 1.6 million domestic transactions during 2004.

_____ Pursuant to strategic plans and in view of the implementation of a new version of internet banking, Servis 24 for corporate clientele, the anticipated reduction of the sale of Homebanking OfficeLine and a decline in the absolute number of installations and clients using this system took place in the 3rd quarter of 2004. As of 31 December 2004, 22,000 clients were using Homebanking OfficeLine, who executed more than 14 million transactions in the domestic payment system throughout 2004.

_____ The share in the payment system by Homebanking clients in the total crown system of payments (the indicator of active use of Homebanking) exceeded 96 percent for large corporations, and 50 percent for small and medium-sized clients. During 2004, the Collection Accounts service was released for the electronic banking systems OfficeLine (in January) and MultiCash (in March). Clients completed a total of 3 million transactions. **The total achieved by means of the Homebanking OfficeLine and MultiCash was 18.8 million transactions of the domestic crown system of payment, which represents year-on-year growth of 37 percent.**

Services for the Public and Non-profit Sector

_____ In 2004, Česká spořitelna continued to fulfil its strategic objective, which is to improve the quality of financial services already provided to traditional clients and partners from the public sector: municipalities, cities and regions. **Nearly 80 percent of cities and municipalities and half of all regions are clients of Česká spořitelna.** The Bank also focused its attention on providing financial services to non-profit organisations, for example housing cooperatives, associations of unit owners, citizens' associations, public service societies, foundations, foundation funds, public universities, and chambers of commerce, etc.

_____ As of 31 December 2004, almost 2,000 loans had been maintained in the public sector (municipalities), with a portfolio balance of CZK 10.5 billion, which constitutes an increase of 17 percent compared to 2003. **In 2004 alone, the Bank negotiated 460 new loan transactions worth CZK 2.5 billion, which is growth of 37 percent against the previous period.**

_____ Česká spořitelna has continued building qualified working teams intended to serve clients of the public and non-profit sector. **Since 2004,**

each regional branch office has had a specialist advisor for the public and non-profit sector in place. His main focus is on the provision of qualified consulting services, particularly relating to the financing of projects with assistance from European Union funds (Operational Programmes of the Czech Republic, Cohesion Fund, the Leader+ programme, etc.) and assistance during decision-making about the method and structure of financing. Česká spořitelna has also prepared a series of seminars for mayors of municipalities and regional representatives as well as non-profit organisations, focusing on the issues of financing projects from European Union funds.

With its range of very high quality financial services, Česká spořitelna prevailed over heavy competition from other commercial banks in more than 50 percent of public tenders called and evaluated in 2004. Significant projects include, for example, the Centre for S. Freud in Příboř, the reconstruction of the II class roads in the Karlovarský region, a project to revitalise the historic centre in Veselí nad Moravou, and investment activities in Zlín. Other notable successes in 2004 include the winning of the public tender issued by the European Commission to manage the current account and system of payment for the European Commission in the Czech Republic, in which Česká spořitelna confirmed the quality of its services at the highest level.

Following the accession of the Czech Republic to the European Union, Česká spořitelna successfully implemented the principles and conditions of project financing in the context of financial support from European Union funds (structural funds, Cohesion Fund), and thus followed up on the success achieved in financing projects from the pre-accession programmes of the European Union (primarily the Sapard programme, financing 40 percent of the accepted projects). In financing extensive projects, Česká spořitelna also cooperates with other banks. An example of such cooperation (eg. syndication with Komerční banka) involves the financing of the large infrastructure programme from the ISPA programme – the “Clean River Bečva” project, implemented by an association of municipalities in the Vsetínsko micro-region.

In 2004, Česká spořitelna concluded an agreement with the European Investment Bank (EIB) on the provision of loan links from EIB resources and the European Commission in the amount of EUR 100 million. Česká spořitelna offers these resources to its clients under advantageous conditions for financing projects in the fields of transport, the environment, health, human resources, and support of small and medium-sized enterprises in defined regions of the Czech Republic.

In implementing projects with financial assistance from European Union funds for its clients (i.e. clients from an array of public and non-profit sector organisations), Česká spořitelna has prepared its new **EU region programme, which includes a complex range of products and services from the entire Financial Group of Erste bank**, in financing projects, providing information about the European Union, consulting and cooperation when preparing projects.

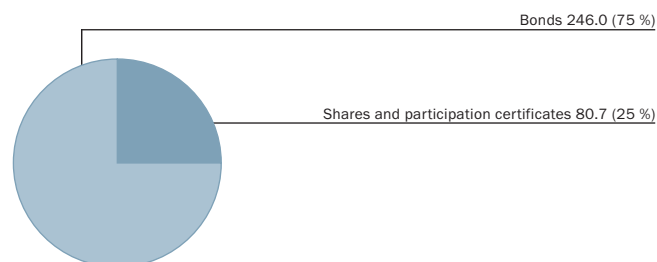
Financial Markets

In the last few years, Česká spořitelna has markedly strengthened its position as an investment bank and a key player in the capital markets segment. In the capital market area, Česká spořitelna provides special and highly functional consultations during acquisitions, and the issuance of bonds and shares. At the same time, it offers and provides tailored services and consulting to small and institutional investors interested in investing in securities or other instruments of the capital market in Czech crowns or foreign currencies.

Sales of Investment Products

Česká spořitelna has considerably increased its securities trading activities for the institutional and small investor segment, evidence of which is the growing number of clients and traded securities. For 2004, Česká spořitelna defended its position as the largest dealer in bonds, shares and participation certificates on the Prague Stock Exchange when it effected trades worth CZK 326.7 billion, representing growth in the volume of trades of 7 percent compared with 2003. The volume of trades with shares and participation certificates nearly doubled to CZK 80.7 billion.

Volume of implemented trades on the Prague Stock Exchange in 2004 (CZK billion)



In its range of investment products for retail clientele, Česká spořitelna came up with a series of innovations in 2004. First in the spring and summer of 2004 it offered, with great success, secured financing from **ESPA-ČS guaranteed fund 1 and ESPA-ČS guaranteed fund 2** accompanied by record client interest. Both guaranteed funds guarantee a full return on the originally invested amounts and ensure a 4 percent yield after the expiry of the duration period of the fund, i.e. in four years. Nevertheless, clients may be sure that the guaranteed yield will be paid even if the stock market declines throughout the entire period. In addition, clients may acquire bonus appreciation of their investment in relation to the development of European stock markets according to the DJ Eurostoxx 50 index in the case of ESPA-ČS guaranteed fund 1 or in connection with the development of stock values of leading global firms

represented in the American S&P 500 index, in the Japanese Nikkei 225 and the European DJ Eurostoxx 50. **Guaranteed funds are appropriate investments primarily for more cautious clients, who prefer certainty and at the same time would like to try investing in the stock market in leading global companies.** The manager of the funds is the Austrian company ERSTE-Sparinvest KAG.

_____ In October 2004, **brokerjet Česká spořitelna**, an online broker and member of the Group of Česká spořitelna, **came up with an offer for a new investment opportunity – trading on the Prague Stock Exchange in the SPAD and KOBOS segments**, for transparent prices. By adding the Prague Stock Exchange to its offering, brokerjet has significantly expanded the range of investment opportunities in the context of online brokers in the Czech Republic. Clients of brokerjet may now conclude deals on 20 stock markets and at the same time may select from among 30,000 instruments for trading with 17 major issuers of securities on the over-the-counter market. brokerjet Česká spořitelna's medium-term plan is to offer clients the broadest range of investment instruments including mutual funds in Czech crowns and other products.

_____ At the end of 2004, Česká spořitelna became a market pioneer offering a **new type of deposit product for the widest clientele – Premium Deposit** at its branches. This involves a six-month term deposit with fixed base interest income, aligned with the possibility of acquiring a pre-determined premium interest rate. The awarding of the premium is linked to the fulfilment of a pre-determined condition connected to the value of the exchange rate of Czech crowns to euros ruling on the appropriate effectiveness date. The condition for the awarding of the premium interest rate is established in such a way so as to ensure that its fulfilment is realistic under the existing situation on the market. The total interest income when the premium interest rate is granted may be significantly above average. **Premium Deposit is a more short-term alternative to guaranteed mutual funds**, which have become very popular, but investments are made on a long-term basis. Client interest in Premium Deposit has already manifested itself since the beginning of its introduction into the branch network – the clients of the Bank invested nearly CZK 450 million in Premium Deposit for a sales period slightly longer than one month.

_____ For Česká spořitelna, 2004 saw characteristically dynamic growth in the number of large corporate clients as well as small and medium-sized enterprises. Similar to previous years, Česká spořitelna continued improving services and also expanding the product base for commercial clientele. In addition to traditional products, Česká spořitelna has also become a significant player in the field of structured hedging transactions such as various derivatives and options, which is meeting with continually greater interest from commercial clientele.

_____ Last year, Česká spořitelna significantly reinforced its position in the area of securities trading for the institutional investor segment. Stock trading contributed a significant share in this result, and the growth in the trading volume was 80 percent. The high standard of services provided supported by ongoing product innovation efforts has been reflected in

the increased activities in both the domestic and foreign markets. The targeted acquisition policy of the Bank has played a significant role in this growth, just like integration with other members of the Erste Bank group in the Central European region.

Trading on Financial Markets

_____ In terms of trading on domestic financial markets, in 2004, as in previous years, Česká spořitelna was among the most significant market makers in respect of all products traded on the currency, interest rate and equity markets. The basic orientation of the Bank remains currency and interest rate products; nevertheless Česká spořitelna increased its activities in stock markets compared to prior years. **Currently, Česká spořitelna ranks among the three most active domestic participants in the market in all products.** It still maintains an especially strong position in the interest rate market, primarily in the markets of crown deposits, interest rate derivatives, bonds and treasury bills; the same for the Czech crown currency market. **The Bank is one of the few local banks that is active in trading certain products such as complex interest rate derivatives and currency options.** In terms of the structure of traded currencies, the Bank retained the largest proportion of deals executed in Czech crowns. However, the proportion of transactions in other currencies from Central Europe is gradually increasing, specifically Slovak crowns, Hungarian forints, and Polish zloty. Naturally, the Bank covers all principal global currencies, that is, primarily Euros and US dollars. Going forward, the Bank wishes to maintain its dominant position and market share of the interbank market and cover other developing markets. In addition, the Bank is also searching for new opportunities in the area of new products (commodities, etc).

Initial Offerings of Securities

_____ Česká spořitelna has again confirmed its strong position in the market of bond initial offerings. Included among the significant successes in 2004 is the **position of the sole co-arranger related to the first euro bond placement of the Czech Republic.** Erste bank also achieved a similar position in the **euro bond financing of ČEZ.** Česká spořitelna also introduced **two of its own issues of structured bonds** (i. e., bonds with a flexible yield established according to specific investor requirements) in a total volume of CZK 1.9 billion (the first of these issues was also offered to retail investors at Česká spořitelna's branch offices). During 2004, Česká spořitelna placed two issues of its own mortgage bonds in the aggregate amount of CZK 1.0 billion whereby it fulfilled the aggregate framework of the bond programme of CZK 10 billion. With regard to equities, in 2004 Česká spořitelna won the tender called by the National Property Fund to act as the privatisation advisor for privatising a **51 percent stake in Český Telecom.** The contract was signed in June 2004.

Financial Institutions

_____ For Česká spořitelna, 2004 was successful in a variety of areas in which it provided services to financial institutions. In this client segment,

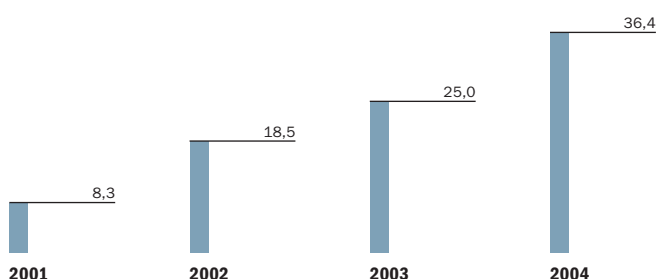
the Bank provides its services to both banking and non-banking financial institutions. **Key financial institutions operating in the Czech Republic seek out the services of Česká spořitelna**, specifically because of its long-term experience in cash management and specialised services, such as a depository and custodian. In 2004, there was also an increase in the number of banks for whom Česká spořitelna acts as a clearing bank for operations in the Czech Republic. Significant goals include the continued improvement of services to clients and an emphasis on proactive customer relationship management. In connection with quality improvement, the Bank has decided to approach further optimisation of its own nostro accounts.

_____ In 2004, Česká spořitelna was also active in the field of financing institutions with banking or sovereign risk. This concerned the financing of domestic and foreign entities in Czech crowns and in foreign currencies in the form of direct or indirect participation in loan transactions.

Asset Management

_____ Česká spořitelna offers a comprehensive range of asset management products both for individual and institutional investors. **Asset management activities include assets of institutional clients, specifically pension funds and insurance companies, assets of non-profit organisations, municipalities and private clientele in the aggregate amount of CZK 36.4 billion** which constitutes a 46 percent increase in the volume of managed assets when compared to the 2003 year-end. The year-on-year increase resulted from the combination of organic growth and successful new acquisitions. The Bank proactively offers its clients asset management services as an integral component of its product offering. In 2004, Česká spořitelna continued to operate as a mutual fund investment advisor for certain mutual funds managed by its fellow subsidiary Erste Sparinvest in Austria, which are designed for investors in Czech crowns and therefore meet the requirements of domestic Czech investors.

Volume of actively managed assets (CZK billion)



Depository

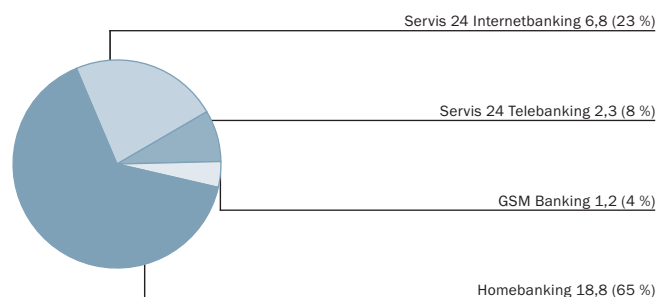
_____ In the collective investment area covering services to investment companies and their mutual funds, investment and pension funds, Česká spořitelna acts as a depository. At the end of 2004, the Bank provided

these services to 14 mutual and pension funds, which largely comprised the open-ended mutual funds of Investiční společnost České spořitelny. **The assets managed by the Bank in a depository capacity amounted to CZK 74.7 billion, representing a year-on-year increase of 24 percent.**

Distribution Channels

_____ In terms of direct banking services, Česká spořitelna is at the forefront of banks operating in Central Europe. Products such as Servis 24 Internetbanking and Telebanking, GSM banking and Homebanking MultiCash and OfficeLine have the capability of quickly and promptly satisfying the financial needs of 931,000 clients, which represents a year-on-year increase of 19 percent. **The cornerstone of direct banking at Česká spořitelna is the most widely used product of direct banking, Servis 24, and the efficient direct banking centre – the Client Centre in Prostějov.**

Number of electronic debit transactions (millions)



Client Centre

_____ Česká spořitelna's Client Centre provides extensive services to the clients of the Group via a non-stop 24/7 system. Since January 2004, clients have also been served in English.

_____ In 2004, the telephone system of the Client Centre processed more than 5 million incoming calls. Among bank clients, interest has continued to grow in services provided by telephone bankers; on the other hand interest in anonymous services (IVR) has steadily declined, as it is replaced by contact via the internet. The largest growth has been displayed by active contact with clients (outbound calls), either with the objective of offering the Group's products or for the purpose of reminding that outstanding receivables exist. The total number of active calls exceeded 400,000 (i. e., increase of 31 percent).

_____ The Client Centre continues to maintain high availability of its services. A total of 87 percent of all calls are received by telephone bankers within 20 seconds and responded to to a very high standard.

In addition to telephone services, it is the task of the Client Centre to respond to the e-mail inbox of Česká spořitelna 'Napište nám' (Write to Us) (csas@csas.cz) and some other service mailboxes. During 2004, more than 43,000 e-mail inquiries were answered and 98 percent of them within one business day.

Mobile Sales Network

_____ The mobile sales network is an alternative for every client over Česká spořitelna's broad client spectrum, who, for whatever reason, is unable or does not want to conclude banking deals at Česká spořitelna's branches.

Key benefits of this form of serving clients primarily involve the mobility of personal advisors and an offering of comprehensive financial advisory services. As part of an external sales network, Česká spořitelna opted for building a quality network of exclusive sales representatives.

_____ Pursuant to the long-term strategy of Česká spořitelna's Group, in 2004 the external networks of subsidiary companies were unified, primarily Stavební spořitelna České spořitelny, Penzijní fond České spořitelny and Pojišťovny České spořitelny. Česká spořitelna views its mobile sales network as a significant competitive edge.

Web Portal

_____ Česká spořitelna views the web portal csas.cz as one of the main entry points into the Bank itself and therefore this received significant attention in 2004. The portal underwent numerous changes and user improvements. The Bank altered the appearance of its internet pages significantly so that they corresponded with the latest trends and expectations of clients. Clients can find a series of new sections and chapters on the web pages with an entirely new navigation solution. Of key importance was the construction of the specialised portal hypotecnicentrum.cz where clients can acquire useful information related to housing finance.

The web pages of Česká spořitelna placed 8th in the annually compiled Web Top 100 of the web pages of all firms in the Czech Republic.

Systems of Payment

_____ As was the case in previous years, foreign payments showed a continuing growth trend, and the number of transactions notably increased year-on-year by 27 percent. **The overall increase in foreign payments related to the Czech Republic's accession into the European Union;** moreover the number of corporate and retail clients who use a foreign system of payment increased. This trend was also supported by more intensive cooperation within the Erste Bank Group through the use of synergetic effects, such as the agreement with Slovenská spořitelna on the use of a mutual system of payment with preferred terms and prices. In connection with entry into the European Union, a new concept was introduced into the foreign system of payment of Czech banks, so-called cross-border payments, which are payments up to EUR 12,500 effected on the territory of the European Union and the European Economic Area.

_____ The number of transactions in the domestic system of payment via the Czech National Bank's clearing house centre increased by 9 percent in 2004 compared to 2003. The number of Swift messages for 2004 increased by 21 percent opposed to the previous period. The growth in the number of transactions in the system of payment is one of the key elements driving the increase in commission and fee income.

Non-commercial Activities

Human Resources

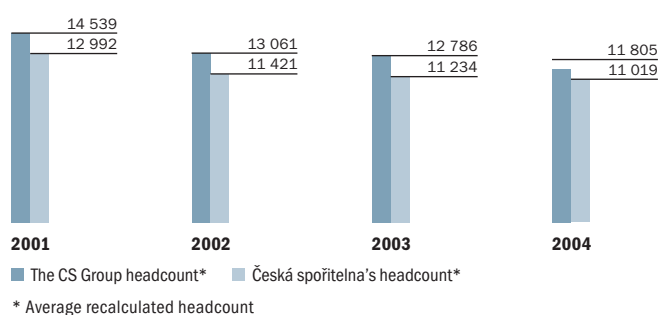
_____ In 2004, Česká spořitelna won a series of distinguished awards and **its qualified staff was instrumental in achieving these awards.** Through its training system and development activities, Česká spořitelna is successful in creating an environment designed to secure and retain high-calibre, satisfied and professional employees motivated to perform beyond expectations in the long term. The care devoted to training and development of employees is evidenced by the Bank's result in the prestigious Employer of the Year 2004 competition. **The expert panel awarded Česká spořitelna the 2nd position in the Czech Republic and Česká spořitelna was the winner among financial institutions.**

_____ The new services and products that Česká spořitelna offered its clients in 2004 were naturally accompanied by extensive training events, either at the central level in training centres, directly at individual departments and branch offices, or in the form of electronic e-learning. Thousands of the Bank's employees were trained in very diverse topics during approximately 35,000 days of standard training and more than 100,000 hours of electronic training. A considerable step forward was the approval of a new concept for management training and the decision to continue the development programme for talented employees of the Bank, the so-called 'Special Trainee Programme'. Furthermore, extensive testing of knowledge of the employees of the business divisions of the Bank continued in the form of Fit Tests, which demonstrated that the overwhelming majority of the Bank's employees have expert and general knowledge at a very high level. Fit Tests were conducted completely electronically for the first time. In 2004, notable changes were made to language training as in the Prague Head Office language training was fully centralised into a single exclusive supplier and modified by strict participation conditions. At the year-end, research into satisfaction with language training was conducted, which showed that 79 percent of employees were satisfied with the new system of language training.

_____ By modernising and improving process effectiveness in education, primarily through the establishment of the entry centre, by clarifying the range of training activities and by using electronic forms of training more extensively, greater flexibility and speed were achieved in satisfying training needs. As a result, Česká spořitelna successfully fulfilled the challenging training requirements originating as a result of legislative changes associated with the Czech Republic's accession to the European Union.

_____ **The Group's headcount (average recalculated) decreased by more than 1,018 staff (8 percent) to 11,805 during 2004.** The staffing levels at the parent bank dropped by 215 to 11,019. The lower decrease in the parent bank was due to the transfer of the core of the staff of Informatika České spořitelny to the parent bank. The qualification structure of the staff continued improving, almost 22 percent of staff are university graduates. The proportion of men once again increased and currently represents more than 25 percent. The average age of staff is almost 39 years of age. More than half of Česká spořitelna's staff have been employed with the Bank for more than 10 years.

Headcount



_____ **During the year ended 31 December 2004, the aggregate average salary of the Bank's employee amounted to CZK 34,025** (2003: CZK 31,969) which represents a year-on-year increase of 6 percent.

_____ During 2004, the process of organisational restructuring of Česká spořitelna continued with significant changes in the Head Office's organisational structure which relate to the rationalisation of both banking and non-banking activities.

_____ The insourcing of selected IT activities from the subsidiary, Informatika České spořitelny, resulted in the concentration of IT activities into a single management and effective line at Česká spořitelna's Head Office. This measure led to the concentration of activities in the entity for which these activities are performed. As a result of the rationalisation of the performance of activities, organisational changes were specifically made in respect of internal and external communication, accounting and taxes, and central procurement. Optimisation, standardisation and centralisation have continued on an ongoing basis for the back-office activities of regional offices. Given the favourable assessment of centralisation, this process is set to continue. A network of mortgage centres is under construction in the regional branch offices to ensure that selected strategic objectives of the Bank are met with an emphasis on improving services and customer satisfaction. A significant change also related to the creation of a client-oriented organisational structure for financial markets – a structure which reacts more flexibly to clients' needs and end-sellers in deals negotiated with clients. At the same time,

an organisational department was formed (the Expat Centre) to examine the appropriateness of providing specific services for foreign nationals who have been seconded in the Czech Republic on a long-term basis.

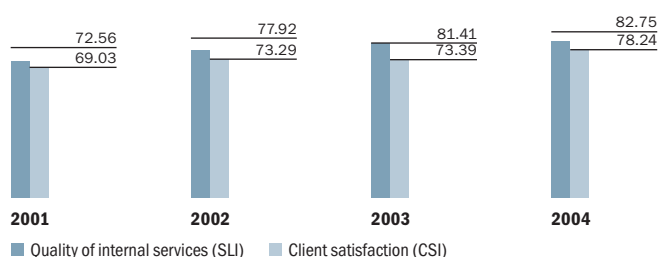
_____ **Česká spořitelna is mapping, on an ongoing basis, the efficiency and effectiveness of individual branch offices and searching for prospective locations for new branches.** As of 31 December 2004, Česká spořitelna had 647 branch offices, which is 19 fewer than in the previous year; with 21 branch offices being taken out of services and 2 branches being newly formed. Clients naturally take advantage of the state-wide network of 16 commercial centres and also the new network of 12 specialised mortgage centres which are anticipated to expand in the future.

Service Quality

_____ In 2004, Česká spořitelna continued to expand its client-oriented system of service provision, with the **aspect of user-friendliness being the key point for all projects and activities of the Bank.** The quality of external services provided to clients, as in previous years, is monitored on an ongoing basis. The greatest emphasis was placed on researching customer satisfaction with respect to services. During regular telephone surveys, Česká spořitelna's clients appreciated the shift in the quality of services by a significant growth in satisfaction, expressed in terms of the Customer Satisfaction Index (CSI). In 2004, its value increased year-on-year by almost 5 points to 78.24 (the maximum being 100 points). The level of customer satisfaction became part of the employee motivation system.

_____ Naturally, Česká spořitelna also monitors the quality of services provided among its individual departments. The Bank considers the satisfaction of its internal clients as key to the ability to provide quality services. Česká spořitelna also continued in its efforts to improve the quality of internal services which is regularly measured using the 'Service Level Index'. In 2004, the Service Level Index showed a trend of growing satisfaction of internal clients. The Service Level Index increased by more than 1.3 points to 82.75 year-on-year (maximum being 100).

Service quality and client satisfaction



_____ The year 2004 was the fourth year in which the service quality team - ombudsman was involved in identifying and dealing with specific

suggestions from clients which were not resolved at the business point. On the basis of these suggestions, the ombudsman team proposed a series of corrective measures, setting new parameters and system changes for making refinements to an array of services to make their use by clients easier and more effective. In 2004, the ombudsman team collected and addressed almost 3,700 complaints filed by clients within the system of cooperation of the entire group. The ombudsman's team also continued analysing the substance of complaints obtained from the Client Centre and the branch network. An increase in the total number of collected complaints is evidence of the continued interest of clients in events in Česká spořitelna and in the quality of services.

Project Management

_____ In 2004, as in previous years, Česká spořitelna's projects formed an important element of the complex development and improvement in the quality of services. **Projects that took place or are currently underway in the Bank are focused on developing business activities and strengthening the Bank's infrastructure, as well as complying with applicable legislative requirements and international regulations.**

_____ The largest project in 2004 related to the centralisation of Starbank, which concentrates its 77 database applications, until then localised in branch offices, into a single central database. Centralisation will enable a simplified approach to data relating to all of Starbank's accounts and clients from all branch offices of Česká spořitelna, and give unlimited access to the entire spectrum of services relating to client accounts in Starbank throughout the network of branch banks. The project continues into the first quarter of 2005.

_____ In terms of developing the Bank's business activities and strengthening its market position, an important project in 2004 was the Hypotéky (mortgage) project. The network of mortgage centres saw marked growth in sales in this segment. The new version of Internet banking created under the framework of the CIC II project facilitated the expansion of the very successful Internet banking product – Servis 24 – to include legal entities. In 2004, the Customer Relationship Management (CRM) application was put into operation, ensuring informational support for the management of customer relationships by using information from the Data Warehouse. The Basel II project is developing a risk management concept and is preparing for implementation of the new Basel Accord on Capital Adequacy. The Basel II project is being conducted in close cooperation within the entire Erste Bank Group.

_____ Česká spořitelna also participated in other significant projects launched in the Erste Bank Group in 2004 under the New Group Architecture. Cooperation in these group projects continues into 2005.

_____ Noteworthy projects planned for 2005 include the New Front End project, which will facilitate the simplification and expediting of client service delivery at branch offices, and the Chip Card project preparing the acceptance and issuance of chip cards.

Information Technology (IT)

_____ **The principal objectives of all IT areas involve supporting and taking an active part in the implementation of the Bank's key development activities with the objective of putting in place a flexible and stable IT environment** facilitating the implementation of the Bank's set business strategy while optimising operating expenses.

_____ Under the Legacy Enhancement project, in 2004 work was successfully completed on the renumbering of sporogiro accounts and savings books. In the legislative area, work continued on the Basel II project with the goal of implementing risk management within the Group in compliance with the planned requirements of the Czech National Bank and with the standards agreed to with Erste Bank. Over the course of the year, the AML project began addressing the fulfilment of requirements for measures against legalisation of proceeds from criminal activities (anti-money laundering activities). The principal aim of the project involves the implementation of a complex AML information system, which will be fully compliant with international and Czech legislation.

_____ In the spring of 2004, implementation of the CRM system took place, bringing a body of knowledge and data about the Bank's clients. In the future, it will also include information from within the entire Group. The CRM project enables employees of Česká spořitelna to provide services according to individual client needs and to increase the effectiveness of marketing and sales. At the same time, the Application Scoring project for private individuals was initiated. In the area of distribution channels, the branch system was successfully centralised and functionality was also expanded and the level of security increased for Servis 24 Internet banking.

_____ During 2004, a challenging project for the centralisation of Starbank successfully continued, resolving the issue of the originally decentralised system for management and administration of current accounts, loans, overdrafts and term deposits. The central solution will generate considerable cost savings for infrastructure and the support thereof, and pave the way for further consolidation of the information systems.

_____ With regard to the infrastructure of central systems, standards for the IBM AIX platform were specified as an alternative to the hitherto used HP-UX platform. Initially, it was implemented in resolving the infrastructure for the central Starbank system; however the Bank also anticipates using it for the pending New Front End project. In the area of open systems, the policy of two suppliers was applied, limiting costs and reducing risk.

_____ Increasing demands for data transfers and optimisation of operating costs motivated the analytical phase of the WAN III project designed to find a cost effective technological solution for acceleration of the data network based on compression, caching, and optimisation of network topology. The principal objective of the project involves increasing the clarity of the WAN data network and thus further improving the environment for the operation of application equipment in Česká spořitelna's branch office network.

_____ In previous years, Česká spořitelna underwent robust development, the result of which was the introduction of numerous new products and services. Growing interest by the Bank's clients in these products and services continued to deepen the requirements for the overall robustness of the information system of the Bank. For these reasons, in 2005, Česká spořitelna will pay considerable attention to further increasing the performance, accessibility and quality of operated systems.

Security Policy

_____ The Bank attaches a great deal of importance to the security policy. The Bank operates an independent and stand-alone security department which has been charged with overseeing financial security, investigating incidents of operational risks, maintaining IT security and physical security as well as implementing tasks arising from the Anti-Money Laundering Act 61/1996 Coll. **Activities and operations in these areas are primarily focused on preventing all negative phenomena which jeopardise the security of staff, clients and assets of the Bank from taking place.**

_____ In 2004, Česká spořitelna focused its attention on the issues of preventing money laundering and the financing of terrorism, when new internal procedures were fully updated to reflect the new legislative rules of the Czech Republic and the standards of the European Union, and built a qualitatively new training system for its employees. The security policy monitoring the mitigation of operational risk – in particular the potential criminal activity of clients or employees and the impact thereof on the Bank's costs, is a priority reference point in evaluating and administering warnings in software applications, in assessing methodological procedures and evaluating new development projects in the Bank. An integral part of all projects and products of Česká spořitelna is the monitoring of IT security; in 2004 the Bank strengthened its IT security, specifically with the use of PKI systems in connection with the client and in its own internal information system.

_____ In the context of physical and technical security, Česká spořitelna has created a support system for branches in the form of regional security functions. Their primary goal is the protection of life, health and property not only during extraordinary events or robberies, but also in the context of fire prevention and security of work.

Internal Audit

_____ Internal audit at Česká spořitelna is an independent, objective assurance and consulting activity designed to add value and improve the Bank's operations. It helps the Bank accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. In all of the Bank's functions, Internal Audit monitors processes and activities, reviews the implementation of actions highlighted by internal and external audits and reviews. In 2004, Internal Audit provided the Bank's management,

Audit Committee and Supervisory Board with objective information and assurance on the level of risks faced by the Bank.

Partnerships

_____ In 2004, Česká spořitelna continued to support charitable projects under the **TOP Partner programme designed to support the development of Czech society in culture, science, sport, and social development.** Key programmes supported by the TOP Partner programme in culture in 2004 included: the Prague Spring International Music Festival, the Finále Plzeň Festival of Czech Films, the Prague Theatre Festival of German Language, music festivals ('world music') such as the Colours of Ostrava, the Colours of Prague, the Khamoro Gypsy Music Festival, the Prague-Vienna exhibition of written documents, and the young artists' initiative TRANZIT, among others.

_____ In the area of education, Česká spořitelna cooperated with the Prague School of Economics, the Chamber of Commerce; the Bank supported CERGE-EI (Joint Research Worksite of Charles University in Prague and the Academy of Sciences of the Czech Republic) and a competition of Středoškolská odborná činnost (SOČ - Secondary School Professional Activity).

_____ With regard to sport, the Bank is a partner of the Czech Athletics Federation, the juniors of the Czech Tennis Association, and the Czech Para Olympic Team. Social and community projects under the TOP Partner programme include the support of the Czech Union for Environmental Protection and the VIA Foundation.

_____ Beyond the TOP Partner programme, Česká spořitelna's sponsorship activities were, for instance, directed at the International Opera festival Smetanova Litomyšl, Divadlo na Vinohradech (Vinohrady Theatre), Česká spořitelna – MTB Team, Bike for Life, the Prague ZOO, and a large number of smaller, largely regional projects.

_____ Through **Nadace České spořitelny** (the Česká spořitelna Foundation), in 2004 the Bank supported charitable projects particularly in the social sphere, such as Sdružení pro prevenci a léčbu drogově závislých Sananim (the Sananim Society for the Prevention & Treatment of Drug Addiction), Nadační fond Mamma (the Mamma Foundation Fund) devoted to the prevention and treatment of breast cancer, Fond ohrožených dětí (the At-Risk Children Fund), Život 90- občanské sdružení (Citizens' Association for Life 90-) assisting senior citizens, and Česká katolická charita (the Czech Catholic Charity), in the area of social development, for example, Nadace Partnerství (the Partnership Foundation) and in the area of education, it provided support to Vysoká škola finanční a správní (University of Finance and Business Administration).

Strategic Plans for the Year 2005

Strategic Objectives

_____ **The principal strategic objectives of the Financial Group of Česká spořitelna remain unchanged:** aid its customers in achieving financial well-being, provide competitive services that compare favourably with the services of top banks within the European Union (EU), and strengthen its leading position in providing financial services within the Czech Republic and, as a member of the Erste Bank group, also within the whole of Central Europe. The client orientation of the Group will also be strengthened by the implementation of the plan to improve services for 2005. The high level of professionalism of employees, excellent distribution network, competitive and complex products and services, coupled with a strong emphasis on their quality, present a notable competitive edge for the future.

_____ **The strategic segments** to be devoted principal attention include retail clients, small businesses, and small and medium-sized firms as well as large corporations. Clientele from the public and non-profit sector will continue to have an important role.

_____ **In the area of economic results, the strategic objective is to sustain the growth character of the Bank and the Group** through the increase in operating income supported principally by increased lending in all segments. In parallel, consistent management of operating expenses and investments will continue.

Macroeconomic Assumptions

_____ Česká spořitelna's business plans and budget for the year ending 31 December 2005 are based upon the following macroeconomic assumptions:

- > Continued recovery of economic growth in the Czech Republic;
- > Stagnating rate of inflation;
- > Stabilised rate of unemployment;
- > Moderate growth in interest rates; and
- > Moderate strengthening of the CZK/EUR exchange rate.

Business Policy

_____ In the year ending 31 December 2005, business divisions of Česká spořitelna will specifically focus on the following business priorities:

Retail Banking

_____ The priorities in retail banking will continue to involve mortgage loans. In its efforts to further boost mortgage lending, the Bank will focus on introducing combined mortgage and construction loans with a floating interest rate. Marketing support will also contribute to the growth of

consumer loans granted to individuals. The Bank will commence work to offer products via the Internet and to introduce loans to young families with the possibility for progressive payment schedules. In respect of loans to small and medium-sized businesses and loans to independent professionals, primary attention will be given to acquiring new clients. The achievement of this goal will be supported by new centres of specialised advisors for independent professionals. The system of accruing interest on a monthly basis will increase the functionality of giro accounts and a new product package has been prepared for senior citizens. Česká spořitelna also envisages putting in place new product packages for higher income clients. In the area of card business, the Bank anticipates the introduction of chip cards, support of the increase in the number of credit cards, and the use of cards to effect cash-free payments through the continued development of the Bonus Programme.

Corporate Banking

_____ For large corporations, the Bank's attention will focus on customised products, the maximum use of the current client base, and the provision of interconnected types of products and services. For small and medium-sized corporate clients, the Bank's efforts will involve a systematic acquisition of clients with the goal of increasing the market share. Increased emphasis will be placed on the development of comprehensive advisory activities at a regional level, benefiting from the synergetic effects within the Group. Česká spořitelna also anticipates consolidating its position as a regional consulting centre for EU affairs. In the field of real estate, the Bank will continue to increase its profile as a provider of seamless professional financial services for businesses and investors. The Bank will also continue to develop the activities of real-estate funds, including lending to finance their projects, and envisages implementing a new strategy of mortgage financing in regions through mortgage centres. Česká spořitelna is moving towards further strengthening its position as the bank of choice for housing finance. In the public and non-profit sector segment, the objective is to maintain a leading position on the market, to reinforce participation in infrastructure and environmental projects and increased involvement in services provided to foundations.

Financial Markets

_____ Significant growth in retail and corporate lending restricts room for making financial investments. As such, the potential areas for growth still include non-governmental securities (as a substitute for maturing securities issues) and structured products. The Bank's attention will be given to building and developing local capital markets, restructuring transactions with large corporations and trading with market risks for medium and small-sized corporations. The existing loan potential of the Bank will be used for the cross-selling of financial markets products. Growth is anticipated in foreign currency trading with Eastern European currencies.

Anticipated Economic and Financial Position (Consolidated under IFRS)

_____ Unlike previous years, when the economic results of the Group were affected by a series of one-off and non-recurring negative and positive influences, in 2005 the Bank anticipates only finalising the release of reserves for standard loans as required by law. The year 2005 will be affected by the increased shareholding of Česká spořitelna in Stavební spořitelna České spořitelny following the acquisition of 34.5 percent of the entity's issued share capital previously held by Erste Bank, and the results of the activities of the newly formed real-estate funds. A decrease in the corporate income tax rates of 2 percent and a reduction in the rates for contributions to the Insurance Deposit Fund from 0.2 percent to 0.1 percent for the parent bank, or from 0.1 percent to 0.05 percent for Stavební spořitelna České spořitelny, will have positive effects.

_____ **For the year ending 31 December 2005, Česká spořitelna is projecting a year-on-year increase in net profit of up to 10 percent, return on equity (ROE) is expected to exceed 20 percent, and the cost/income ratio is anticipated to be within a range of 55 and 57 percent.** Net interest income should see an increase of several percentage

points, specifically due to increased lending to customers. The net charge for reserves and provisions for credit risks will decline in connection with the completion of the process of releasing reserves for standard loans. Net fee and commission income should grow at a pace similar to that in 2004; the Bank anticipates a double-digit year-on-year increase in net profit on financial operations. The increase in administrative expenses is anticipated to be only marginally above the level of expected inflation, mainly due to the increase in depreciation/amortisation charges for tangible and intangible assets which is linked to the necessary investments in banking technologies and projects in prior years. **The consolidated balance sheet is anticipated to grow year-on-year by approximately 6 percent in 2005. With regard to assets,** the Bank expects that primarily **loans and advances to customers will rise** by 15 to 20 percent in 2005 due to the implementation of the Bank's plans to improve the proportion of loans and advances to customers and deposits. **In respect of liabilities, customer deposits** are projected to **grow at 3 percent** in 2005. The projected financial position of Česká spořitelna's Group for the year ending 31 December 2005 is based upon macroeconomic assumptions available in late 2004 and early 2005.

Risk Management in 2004

_____ One of the key elements of the Bank's internal management and control system is its risk management processes. As a result of its business and other activities, the Bank is inevitably exposed to a variety of risks, such as credit, market, liquidity, and operational risks. Česká spořitelna gives great attention to risk management commensurate with its size, complexity and the number of products and business activities and other operations. The Bank has a risk management strategy in place, approved by the Board of Directors, consisting of risk management principles including risk identification, monitoring and measuring processes as well as sets of limits and restrictions. Through the adoption of these principles the Bank maintains its risk exposures at an acceptable level, thereby keeping its management processes effective.

_____ The following departments at Česká spořitelna are involved in managing risk:

- > The Central Risk Management Department which is primarily responsible for market and operational risks and for managing risks taken by the whole Česká spořitelna Group on a consolidated basis;
- > The Credit Risk Management Department which assumes responsibility for credit risk within the Group; and
- > The Balance Sheet Management Department which manages interest rate risk inherent in the banking book and liquidity risk based upon the decisions of the Assets and Liabilities Management Committee.

_____ In addition to the Board of Directors, approval authorities relating to risk management rest with the following committees:

- > The Assets and Liabilities Management Committee;
- > The Credit Committee of the Board of Directors of Česká spořitelna;
- > The Financial Markets and Risk Management Committee.

Credit Risks

_____ Credit risk is one of the basic banking risks and the Bank places great emphasis on its management. Credit risk management at the Bank involves:

- > Identification;
- > Measurement;
- > Monitoring of credit risk;
- > Forecasting of potential losses, and
- > Implementation of measures to mitigate/prevent credit risk exposures taken.

_____ Recognising the significance of credit risk, the Bank has a Credit Risk Management Department in place that is fully independent of the Bank's business divisions and reports directly to the Chairman of the Board of Directors.

_____ The credit risk management process is undertaken at two levels – at the client level and at the loan portfolio level.

_____ The basic instrument for credit risk management at the client level is an assessment of the client's creditworthiness. This assessment is an analysis of the borrower's financial position and the anticipated development of his loan repayment abilities, evaluating his repayment behaviour and his

communication with the Bank. The assessment process results in the rating of the borrower. Assessment of the client's creditworthiness and rating is made prior to the issuance of a loan as well as throughout the loan term.

_____ The Bank's rating tools differ by client segment (corporate clients, small corporate clients, municipalities, financial institutions, etc.) due to the specific nature and characteristics of individual segments. Client segmentation results from the profile of the different types of clients and a client's importance for the Bank's business policy.

_____ The rating process is based upon the internal rating concept, which takes into account quantitative aspects (financial indicators), qualitative aspects (soft data) and other information (such as bank information, etc). The rating of the client as well as the loan issuance decision is approved by the Credit Risk Management Department, independently from the business divisions. This approach complies with Czech National Bank requirements (the Czech National Bank Regulation on Loan Classification).

_____ In January 2004, the Bank implemented a new 13-grade rating system for corporate clients. The new rating grades are more detailed and hence provide the Bank with a more exact differentiation of a borrower's quality. To assess the credit risk associated with retail clients, i.e., individuals and small corporate clients, the Bank uses a Credit Scoring system. In substance, the credit scoring method is based on an assessment of a client's ability to obtain and repay a loan by assigning standardised points to his relevant characteristics. The resulting number of points is the key factor driving the decision as to whether the loan is to be provided or not. In 2004, the Bank continued to develop its Behavioural Scoring system (ie, scoring driven by client behaviour) expected to be put in place in 2005. This tool will allow the Bank to monitor the borrower's quality on an ongoing basis.

_____ The credit process also includes an assessment of assets held as collateral based on the Bank's internal regulations. The regulations are composed of the collateral catalogue and binding rules for collateral valuation.

_____ The second aspect within the credit risk management process is the loan portfolio. This comprises:

- > Analysis;
- > Monitoring; and
- > Loan portfolio reporting.

_____ The Credit Risk Management Department had earlier developed a risk database (server). In 2004, the risk server was reinforced with prototypes of analytical tools to monitor the portfolio and simulate prospective development scenarios.

Basel II Project

_____ The Basel II Project, launched in 2003, principally dealing with the implementation of the New Basel Capital Accord within the Bank and the whole Česká spořitelna Group, moved into the first phase of implementation. In 2004, the required scope of data was defined, interfaces from

base systems were developed and the Bank's central data warehouse for the collection and processing of related information was revamped.

_____ The Bank's existing rating tools were reviewed and the implementation and testing of the behavioural scoring applicable to individuals continued. The 'application scoring' in respect of retail borrowers-businesses was put in place. With regard to calculation techniques, a unified tool to calculate risk parameters, which are the cornerstone of the calculation of capital requirements pursuant to the new principle, was selected within the Erste Bank Group. In 2005, the Bank will, in liaison with the Erste Bank Group, continue implementing the Basel II Project. Česká spořitelna will also initiate discussion of its state of preparation for compliance with Basel II requirements with national regulators (ČNB and Oesterreichische Nationalbank). The principles underlying the operations and set-up of risk management tools will be communicated to employees at all management levels including the Bank's top management.

Market Risks

_____ Market risks undertaken by the Bank principally relate to transactions in financial markets which are traded in both the trading and banking books, and interest rate risk associated with assets and liabilities in the banking book.

_____ Trading book transactions in the capital, money and derivative markets can be segmented as follows:

- > Client quotations and client transactions, execution of client orders;
- > Interbank market quotations;
- > Active trading in the interbank market; and
- > Distribution of financial market products to small clients.

_____ Derivative transactions are also entered into to hedge against interest rate risk inherent in the banking book and to refinance the gap between foreign currency assets and liabilities.

_____ Market risk inherent in the trading book and banking book is monitored and measured by the Central Risk Management Department, which is independent and separate from the Financial Markets Division, to ensure that the reported data and risk measurement is correct and free from bias. All limits for market risks inherent in the trading book are proposed by the Central Risk Management Department and business departments, and approved by the Financial Markets and Risk Management Committee. The set of market limits need to comply with the maximum risk exposure (measured via the VaR method) as approved by the Bank's Board of Directors and also need to be confirmed by the parent company, Erste Bank. The VaR method is used to quantify aggregate risk with respect to the banking book as well as the Bank's subsidiaries, following specific procedures modelling the behaviour of assets and liabilities in those portfolios.

_____ In order to measure the interest rate risk exposure in respect of financial market transactions, the Bank uses the 'PVBP gap' defined as a matrix of interest rate sensitivity factors by currency for the individual portfolios of interest rate products. These factors measure the portfolio

market value sensitivity with a parallel shift of the yield curve of the relevant currency within the predefined period to maturity. The system of PVBP limits is set in respect of each interest rate product trading portfolio by currency. The limits are compared to the value that represents the greater of the sum of the positive PVBP values or the sum of the negative PVBP values in absolute terms for each period to maturity. By adopting this approach, the Bank manages not only the risk attached to a parallel shift of the yield curve, but also any possible 'flip' of the yield curve. A limit for the simple sum of PVBP values is set for major currencies such as CZK, EUR, USD. With regard to currency options, the PVBP limits also include the rho and phi equivalents. In addition, the Bank monitors other special limits for interest rate option contracts, such as the gamma and vega limits for interest rates and their volatility.

_____ The sensitivities of foreign currency derivative contracts to foreign exchange rate movements are measured in the form of delta equivalents and are reflected in the Bank's foreign currency position. The Bank monitors special limits for foreign currency option contracts, such as limits for the delta equivalent sensitivity to the exchange rate change in the form of the gamma equivalent, and limits for option contract value sensitivity to exchange rate volatility in the form of the vega equivalent. In addition, the Bank monitors the sensitivity of value to the period to maturity (theta) as well as interest rate sensitivity (rho) that is measured, together with other interest rate instruments, in the form of PVBP.

_____ The equity risk of the trading book is monitored using the delta sensitivities of portfolio market values to equity price movements both by equity issue and in aggregate for each of the markets and the entire portfolio.

_____ The Central Risk Management Department uses other sophisticated procedures to assess the value and risks inherent in structured products whose explicit valuation is not feasible. Monte Carlo is the most frequent method used to simulate the probability distribution for the price and prospective development of complex transactions. In this respect, the Bank cooperates closely with the parent company, Erste Bank.

_____ In order to measure market risk inherent in the trading and banking books on an aggregate basis, the Bank uses the Value at Risk concept ('VaR'). Value at Risk is calculated with a confidence level of 99 percent over the holding period of one trading day. The calculation is performed using the KvaR+ system and historical simulations based on historical data over the most recent 500 trading days. VaR limits are established for individual trading desks/portfolios. The VaR method is complemented with 'back testing' that is designed to review the model for correctness. Back testing involves comparing daily estimates of VaR to the hypothetical results of the portfolio on the assumption that the positions within the portfolio remain unchanged for one trading date. Back testing results have, to date, confirmed the correctness of the setting of the VaR calculation model. Following an approval by the Czech National Bank (ČNB), the Value at Risk concept is also used to calculate the capital requirement in respect of foreign currency risk, general interest rate risk, general and

specific equity risk and risk associated with trading book option contracts. The review and approval of the model by the Czech National Bank and Internal Audit involved examining both the quantitative requirements and qualitative aspects of risk management. The Bank has been using its internal model to calculate the capital requirement in respect of market risks, as the only bank to do so in the Czech Republic, since 31 December 2003.

_____ The Bank's trading book undergoes regular monthly stress testing. The following scenarios are applied:

- > Scenarios derived from 10-15 year historical data using maximum positive and negative changes (one-day and ten-day) for interest rates, equity prices, exchange rates and volatilities separately;
- > Value at Risk with a confidence level of 99.8 percent (the worst historical scenario over the series of the most recent 500 scenarios); and
- > What-if scenarios as proposed by the Analysis Department.

_____ Stress scenario results are compared with the Bank's capital allocated pursuant to the standard CNB methodology and the new internal capital model for calculating capital requirements from market risks.

_____ In addition to sensitivity and VaR limits, the Bank has established and monitors, on a daily basis, stop-loss limits for individual trading desks. The monthly stop-loss limit is compared to the current monthly result of the relevant trading desk; the annual stop-loss limit is compared to the difference between the best result (realised and unrealised profit) in the relevant year and the current result of the trading desk.

_____ Guidance on sensitivity, VaR and stop-loss limits together with the method of determination of the limit and measures to be taken if the limit is transgressed, is given in the Bank's internal regulation, the Risk Management Manual, which forms part of the Risk Management Strategy pursuant to the CNB Regulation 2/2004 on Internal Management and Control System at Banks. The Risk Management Strategy was newly reviewed and approved by the Bank's Board of Directors in November 2004.

Interest Rate Risk

_____ The Bank manages interest rate risk inherent in the banking book by using the following techniques: simulation of net interest income, sensitivity of net interest income to changes in market interest rates (parallel/non-parallel discreet shift in yield curves, stochastic simulation of the yield curve), simulation of changes in the theoretical market value of the banking book when a market yield curve shifts by +100 basis points (including key rate duration), duration, and gap analyses.

_____ The most recent interest rate risk exposure undertaken by the Bank is assessed on a monthly basis by the Assets and Liabilities Management Committee within the context of the overall developments in financial markets, the Czech banking sector, and structural changes in the Bank's balance sheet.

_____ The key parameter monitored in respect of the Bank's interest rate sensitivity involves the relative change in the projected net interest income

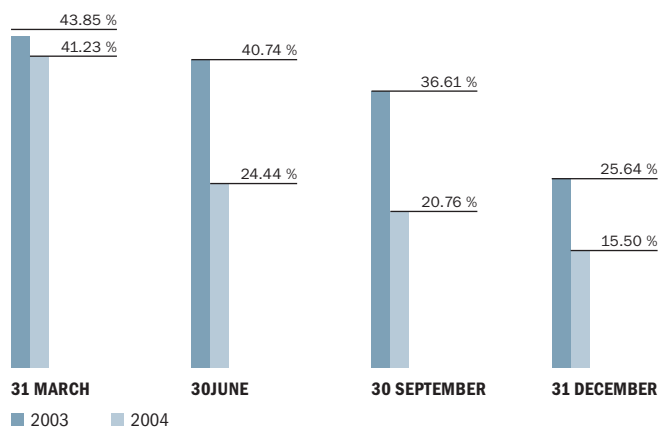
should the market interest rates immediately show a parallel decrease/increase by +100/-100 basis points over the horizon of the following 36 months on the assumption of a stable balance sheet structure (ie, the product structure of assets and liabilities). At the end of 2004, the sensitivity of the Bank's net interest income to a parallel increase in market interest rates of 100 basis points was 3 percent (in other words, if the market interest rate levels increased by 100 basis points, Česká spořitelna's net interest income over a period of three years would increase by 3 percent. If market interest rate levels decreased by 100 basis points, the sensitivity of net interest income was 4 percent. The sensitivity's asymmetry has been attributable to the low absolute level of market interest rates: should market interest rates fall further, the Bank is unable to decrease the client deposit interest rates any further (negative deposit interest rates are not applicable).

Liquidity Risk

_____ Liquidity risk is the risk that the Bank will encounter difficulties in meeting its financial commitments when they fall due, or in raising funds to meet commitments associated with financial instruments. The Bank's liquidity position is monitored and managed based on expected cash inflows and outflows and by adjusting interbank deposits and loans accordingly.

_____ In terms of liquidity management, the key trend for the year ended 31 December 2004 involved the growth of the volume of medium-term and long-term assets, particularly client loans (mortgage loans, loans to individuals) and bonds, with the volume of client deposits rising by less than 1 percent year-on-year. Both trends resulted in the decreasing current liquidity ratio (see the following table) throughout 2004. The current liquidity ratio is defined as the proportion of assets readily convertible to cash and a significant portion of liabilities. For illustrative purposes, the assets readily convertible to cash as of 31 December 2004 amounted to CZK 56 billion, the denominator used in calculating current liquidity included CZK 361 billion in liabilities.

Current Liquidity Ratio in 2003 and 2004



Operational Risks

_____ In accordance with the Regulation of the Czech National Bank giving guidance on internal control and management systems of banks, the Bank defines operational risk as the risk of loss arising from the inappropriateness or failure of internal processes, human error, or system failure, or the risk of loss resulting from external events. The Bank's management is informed of developments in operational risks at regular intervals.

_____ Česká spořitelna uses a 'Risk Book', developed by the Risk Management functions and Internal Audit, as a tool to unify risk identification for the purposes of the whole Česká spořitelna Group and to standardise risk categorisation, the aim being to achieve consistency in risk monitoring and assessment.

_____ In the context of implementing the new capital adequacy concept under Basel II, Česká spořitelna is preparing for the implementation of the most advanced technique for calculating the capital requirement from operational risks including qualitative requirements applicable to the management of such risk. The Bank has continued in developing a software application to collect data on operational risk. The data is not only used with a view to quantifying operational risks and calculating the capital requirement but it also serves as a database of valuable information for managing risk, preventing recurrences of operational risks, and streamlining the processes for harmful event record-keeping including insurance claims and payment. The collection and assessment of data regarding improper dealings on the part of the Bank's clients is of specific importance to prevention.

_____ A tool of importance in mitigating losses arising from operational risks is the Bank's insurance programme which was put in place in 2002. This programme involves insurance of property damage as well as risks arising from banking activities and liability risks. On 1 March 2004, the Bank joined the Erste Bank Group joint insurance programme which substantially expanded the Bank's insurance protection specifically with regard to damage that may materially impact its profit or loss.

_____ Česká spořitelna is perceived as the leading Czech bank in the monitoring and management of operational risks. Drawing upon its experience in the management of operational risks, Česká spořitelna is actively involved in a joint project of the Czech National Bank, the Czech Banking Association, and the Czech Chamber of Auditors on the implementation of new regulatory rules ensuing from Basel II in respect of operational risks.

Capital Adequacy

_____ At the end of 2003, the Bank revised its methodology for calculating the capital requirement in respect of foreign currency risk, general interest rate risk, general and specific equity risk and risk associated with trading book option contracts on the basis of the Czech National Bank's approval of the Bank's request for the use of its internal model according to CNB Notice 333/2002. The internal model for calculating the capital requirement on the basis of the VaR method has been in place since 31 December 2003. The model has contributed to a non-negligible decrease in the capital requirement in respect of the trading book.

_____ While Česká spořitelna's capital adequacy exceeded 8 percent as required by the Czech National Bank in 2004, the capital adequacy ratio kept decreasing throughout 2004. On a year-on-year basis, capital adequacy decreased from 10.30 percent at the 2003 year-end to 8.9 percent at the same date a year later (unconsolidated figures under Czech National Bank rules). The capital adequacy ratio decreased principally as a result of the increase in the volume of risk weighted assets associated with an increase in the volume of client loans. The capital adequacy ratio in 2004 was positively impacted by the inclusion of retained earnings brought forward from 2003 to regulatory capital (CZK 2.3 billion).

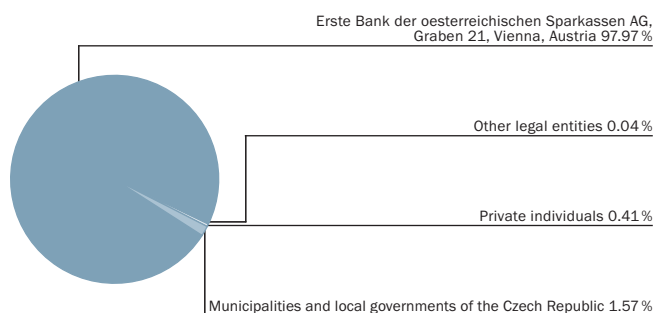
	2004	2003	2002	2001
Capital adequacy	8.97%	10.30%	12.85%	15.06%
Tier 1	24,301	21,910	22,583	20,184
Tier 2 a Tier 3	1,047	1,258	7,693	7,475
Sum of deductible items	6,301	5,032	5,350	1,415
Total capital	23,297	22,115	24,926	26,244
Capital requirement A	19,055	15,664	14,035	12,641
Capital requirement B	1,713	1,506	1,481	1,302
Risk weighted assets	238,193	195,796	175,432	158,007

Figures reported under Czech National Bank rules in CZK million.

_____ (Further information about risk management is presented in Note 6 to the unconsolidated financial statements).

Information for Shareholders

Structure of Česká spořitelna's Shareholders as of 31 December 2004



_____ The members of Česká spořitelna's Board of Directors and Supervisory Board held no shares in Česká spořitelna as of 31 December 2004.

Information on the Acquisition of Treasury Shares and Shares of Erste Bank

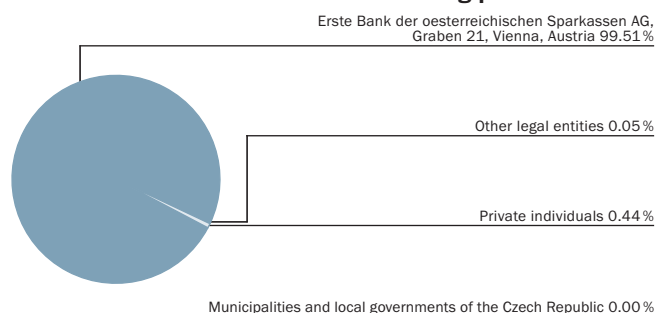
_____ During the year ended 31 December 2004, Česká spořitelna did not hold or trade any treasury shares, and acted as the market maker in respect of the shares of its controlling entity, Erste Bank, in the Prague Stock Exchange. For this purpose, Česká spořitelna acquired, under normal market conditions, 4,482 thousand shares with an aggregate purchase value of CZK 4,434 million and sold 4,502 thousand shares with an aggregate selling price of CZK 4,515 million. The lowest and the highest purchase prices per share in 2004 were CZK 777 and CZK 1,224, respectively. The lowest and the highest selling prices per share in 2004 were CZK 791 and CZK 1,224, respectively. At the start of 2004, Česká spořitelna held 4,979 shares of the previous issue; at the end of 2004, it held 3,547 shares of a new issue, which represents a 0.001 percent share of Erste Bank's issued share capital. During 2004, Erste Bank's shares were split when one original share was changed for four new ones; the numbers and prices of shares were re-calculated for the new shares. The average nominal value of one share of Erste Bank after the split was EUR 2.

Information on Securities Issued

Shares of Česká spořitelna, a. s.

- > **Class:** Ordinary and priority shares
- > **Type:** 140,788,787 ordinary bearer shares, 11,211,213 priority registered shares
- > **Form:** Book-entry
- > **Number of shares:** 152,000,000
- > **Total issue volume:** CZK 15,200,000,000

Structure of Česká spořitelna's Shareholders as of 31 December 2004 – Share of voting power



- > **Nominal value per shares:** CZK 100
- > **Transfer method:** The transferability of ordinary bearer shares is unrestricted; rights pass when the shares are handed over to the new owner; priority registered shares may only be transferred among municipalities and local governments of the Czech Republic, transfers to other entities are subject to the approval of the Board of Directors.
- > **Marketability of shares:** Shares are not traded on any public markets.

_____ All rights and obligations related to the ownership of the bearer shares are stipulated by the Commercial Code, the Banking Act, and the Securities Act.

Mortgage Bonds Issuance Programme of Česká spořitelna, a. s.

- > **Maximum volume of outstanding mortgage bonds:** CZK 10,000,000,000
- > **Term of the programme:** 15 years
- > **Maximum maturity of any bonds issued under the Bond Programme:** 10 years

_____ Under the Bond Programme, the Bank has issued mortgage bonds as follows:

5.80 percent mortgage bonds due in 2007

- > **ISIN:** CZ0002000201
- > **Issue date:** 8 November 2002
- > **Type:** Bearer
- > **Form:** Book-entry
- > **Total issue volume:** CZK 3,000,000,000
- > **Nominal value per bond:** CZK 100,000
- > **Number of bonds:** 30,000
- > **Coupons:** Fixed 5.80 percent interest rate p.a. paid annually in arrears
- > **Bond transfer method:** No restrictions; the mortgage bonds pass to the new owner as of the date the transfer is registered in the Securities Centre in accordance with applicable regulations of the Securities Centre

- > **Issue administrator:** Česká spořitelna, a. s., Olbrachtova 1929/62, 140 00 Prague 4
- > **Designated office of the administrator:** Česká spořitelna, a. s., Národní 27, 110 00 Prague 1
- > **Mortgage bonds traded on:** Prague Stock Exchange, free market
- > **Denomination of the bonds:** CZK
- > **Bond maturity:** Mortgage bonds will be redeemed at their nominal value on 8 November 2007

5.20 percent mortgage bonds due in 2008

- > **ISIN:** CZ0002000235
- > **Issue date:** 6 March 2003
- > **Type:** Bearer
- > **Form:** Book-entry
- > **Total issue volume:** CZK 3,000,000,000
- > **Nominal value per bond:** CZK 10,000
- > **Number of bonds:** 300,000
- > **Coupons:** Fixed 5.20 percent interest rate p.a. paid annually in arrears
- > **Bond transfer method:** No restrictions; the mortgage bonds pass to the new owner as of the date the transfer is registered in the Securities Centre in accordance with applicable regulations of the Securities Centre
- > **Issue administrator:** Česká spořitelna, a. s., Olbrachtova 1929/62, 140 00 Prague 4
- > **Designated office of the administrator:** Česká spořitelna, a. s., Národní 27, 110 00 Prague 1
- > **Mortgage bonds traded on:** Prague Stock Exchange, free market
- > **Denomination of the bonds:** CZK
- > **Bond maturity:** Mortgage bonds will be redeemed at their nominal value on 6 March 2008

4.50 percent mortgage bonds due in 2008

- > **ISIN:** CZ0002000276
- > **Issue date:** 21 August 2003
- > **Type:** Bearer
- > **Form:** Book entry
- > **Total issue volume:** CZK 3,000,000,000
- > **Nominal value per bond:** CZK 10,000
- > **Number of bonds:** 300,000
- > **Coupons:** Fixed 4.50 percent interest rate p.a. paid annually in arrears
- > **Bond transfer method:** No restrictions; the mortgage bonds pass to the new owner as of the date the transfer is registered in the Securities Centre in accordance with applicable regulations of the Securities Centre
- > **Issue administrator:** Česká spořitelna, a. s., Olbrachtova 1929/62, 140 00 Prague 4
- > **Designated office of the administrator:** Česká spořitelna, a. s., Národní 27, 110 00 Prague 1
- > **Mortgage bonds traded on:** Prague Stock Exchange, free market
- > **Denomination of the bonds:** CZK

- > **Bond maturity:** Mortgage bonds will be redeemed in their nominal value on 21 August 2008

3.50 percent mortgage bonds due in 2009

- > **ISIN:** CZ0002000342
- > **Issue date:** 26 April 2004
- > **Type:** Bearer
- > **Form:** Certificate (mortgage bonds represented by a collective bond)
- > **Total issue volume:** Up to CZK 1,000,000,000
- > **Volume issued until 31 December 2004:** CZK 300,000,000
- > **Nominal value per bond:** CZK 10,000
- > **Number of bonds:** Up to 100,000
- > **Number of bonds issued at 31 December 2004:** 30,000
- > **Issue period:** Until 30 April 2004
- > **Coupons:** Fixed 3.5 percent interest rate p.a. paid annually in arrears
- > **Bond transfer method:** No restrictions; the mortgage bonds pass to the new owner on the date the transfer is registered by the Administrator which is the entity maintaining records of mortgage bond owners.
- > **Issue administrator:** Česká spořitelna, a. s., Olbrachtova 1929/62, 140 00 Prague 4
- > **Designated office of the administrator:** Česká spořitelna, a. s., Národní 27, 110 00 Prague 1
- > **Mortgage bonds traded on:** ---
- > **Denomination of the bonds:** CZK
- > **Bond maturity:** Mortgage bonds will be redeemed at their nominal value on 26 April 2009

3.60 percent mortgage bonds due in 2009

- > **ISIN:** CZ0002000409
- > **Issue date:** 23 August 2004
- > **Type:** Bearer
- > **Form:** Certificate (mortgage bonds represented by a collective bond)
- > **Total issue volume:** CZK 700,000,000
- > **Nominal value per bond:** CZK 10,000
- > **Number of bonds:** 70,000
- > **Coupons:** Fixed 3.60 percent interest rate p.a. paid annually in arrears
- > **Bond transfer method:** No restrictions; the mortgage bonds pass to the new owner on the date the transfer is registered by the Administrator which is the entity maintaining records of mortgage bond owners.
- > **Issue administrator:** Česká spořitelna, a. s., Olbrachtova 1929/62, 140 00 Prague 4
- > **Designated office of the administrator:** Česká spořitelna, a. s., Národní 27, 110 00 Prague 1
- > **Mortgage bonds traded on:** ---
- > **Denomination of the bonds:** CZK
- > **Bond maturity:** Mortgage bonds will be redeemed at their nominal value on 23 August 2009

Bonds Issuance Programme of Česká spořitelna, a. s.

- > **Maximum volume of outstanding bonds:** CZK 10,000,000,000
- > **Term of the programme:** 10 years
- > **Maximum maturity of any bonds issued under the Bond Programme:** 10 years

Bonds with fixed 1.00 percent interest income p.a. and an option to participate in the positive development of the DJ EUROSTOXX 50 share index

- > **ISIN:** CZ0003700759
- > **Issue date:** 2 February 2004
- > **Type:** Bearer
- > **Form:** Book-entry
- > **Total issue volume:** Up to CZK 500,000,000
- > **Volume issued until 31 December 2004:** CZK 400,000,000
- > **Nominal value per bond:** CZK 10,000
- > **Number of bonds:** Up to 50,000
- > **Number of bonds issued at 31 December 2004:** 40,000
- > **Issue period:** 6 weeks from the issue date
- > **Coupons:** Fixed 1.00 percent interest rate p.a. paid annually in arrears
- > **Bond transfer method:** No restrictions; the mortgage bonds pass to the new owner as of the date the transfer is registered in the Securities Centre in accordance with applicable regulations of the Securities Centre
- > **Issue administrator:** Česká spořitelna, a. s., Olbrachtova 1929/62, 140 00 Prague 4
- > **Designated office of the administrator:** Česká spořitelna, a. s., Národní 27, 110 00 Prague 1
- > **Mortgage bonds traded on:** Prague Stock Exchange, free market
- > **Denomination of the bonds:** CZK
- > **Bond maturity:** Bonds will be redeemed at their nominal value on 2 February 2008; at maturity, a bond holder is entitled to a bonus derived from the movement of the DJ EUROSTOXX 50 share index calculated as follows: a bonus per bond = the nominal value of one bond * 0.6 * [(SX5Eclosing - SX5Einitial)/SX5Einitial]; "SX5E" represents the value of the DJ EUROSTOXX 50 index on the day when it should be identified in accordance with the terms and conditions of the issue

Bonds with floating interest income

- > **ISIN:** CZ0003700767
- > **Issue date:** 16 February 2004
- > **Type:** Bearer
- > **Form:** Book-entry
- > **Total issue volume:** CZK 1,500,000,000
- > **Nominal value per bond:** CZK 10,000,000
- > **Number of bonds:** 150
- > **Coupons:** Floating interest rate paid semi-annually in arrears set up as follows: (6M PRIBOR + margin)*n/N where the margin is 0.85 percent p.a., where "n" stands for the number of business days in the income

period in which the difference between the ten-year and two-year interest swap in CZK exceeds 0.25 percent, and "N" is the total number of business days in the relevant income period

- > **Bond transfer method:** No restrictions; the mortgage bonds pass to the new owner as of the date the transfer is registered in the Securities Centre in accordance with applicable regulations of the Securities Centre
- > **Issue administrator:** Česká spořitelna, a. s., Olbrachtova 1929/62, 140 00 Prague 4
- > **Designated office of the administrator:** Česká spořitelna, a. s., Národní 27, 110 00 Prague 1
- > **Mortgage bonds traded on:** Prague Stock Exchange, free market
- > **Denomination of the bonds:** CZK
- > **Bond maturity:** Bond maturity is optional and at the issuer's discretion, the bonds may be redeemed at their full nominal value on 16 February and 16 August starting from 16 February 2005; the final maturity date is 16 February 2014.

Licences and Trademarks

_____ Key licences acquired under intellectual property arrangements relate to licences for the use of software:

- > SAP R/3 (mySAP.com) by SAP (this software is used for the maintenance of the Bank's financial accounting records, controlling, maintenance of issues related to the management of materials and HR records);
- > Symbols by System Access (this software is used for trading in the commercial banking sector);
- > Starbank and Centralised Starbank by Spodat (this software is designed to support the maintenance of current accounts, foreign currency accounts and loans); and
- > Siebel e-Finance by Siebel Systems (this software is designed to support a consolidated customer profile).

_____ Česká spořitelna owns several trademarks registered in the Trademark Register held at the Industrial Property Office which relate to its major products.

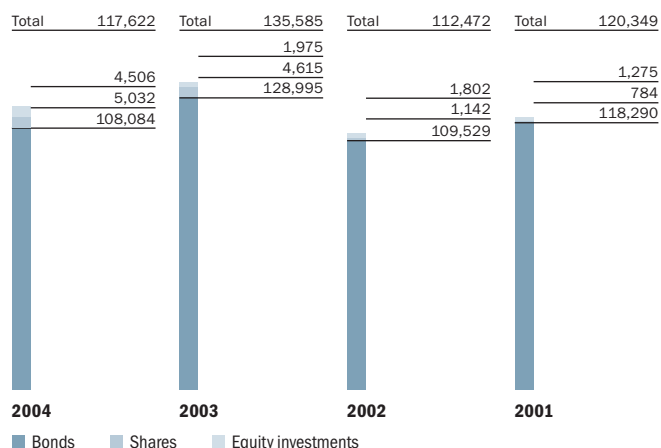
_____ As of 31 December 2004, Česká spořitelna owned or co-owned 415 buildings and 1,000 plots of land with an aggregate net book value of CZK 10.5 billion. During 2004, Česká spořitelna sold 59 real estate properties at an aggregate net book value of CZK 1.2 billion during the optimisation of its internal asset management.

Information on Principal Future Investments

_____ For the year ending 31 December 2005, Česká spořitelna anticipates acquiring assets in an aggregate amount of CZK 3,539 million. Of this amount, approximately CZK 1,727 million will be invested in projects, CZK 906 million in information technologies, CZK 786 million in construction projects, CZK 81 million in office and banking technology, and others, and CZK 39 million in security.

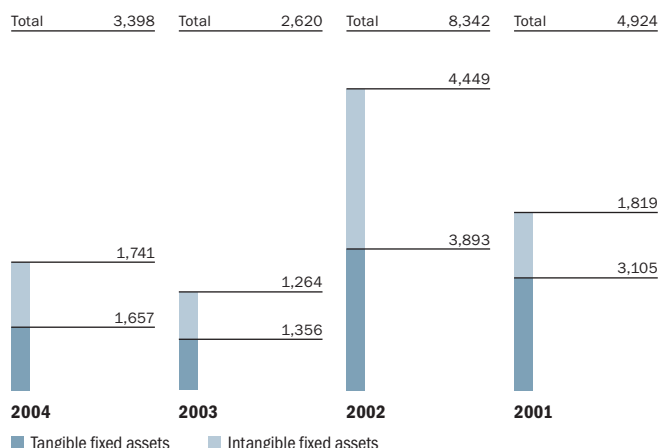
Financial Investments in Shares and Bonds

MCZK, unconsolidated CAS



Acquisition of Tangible and Intangible Fixed Assets

(Internal Funds), MCZK, unconsolidated CAS*



*Figures based on statements prepared in compliance with the Czech Statistical Office's methodology.

Operating Income

MCZK, unconsolidated CAS	2004	2003	2002	2001
Net interest income	15,791	14,262	14,183	13,291
Income from shares and equity investments	361	170	625	367
Net fee and commission income	7,760	7,504	6,707	6,106
Profit from financial operations	1,596	1,112	1,083	2,214
Other income	25,508	23,048	22,598	21,978

Loans Received, Other Liabilities and Collateral Issued

MCZK, unconsolidated CAS	2004	2003	2002
Loans received (uncollateralised)	14,745	8,706	18,184
Subordinated debt	0	0	5,506
Total other liabilities (uncollateralised)	399,902	392,519	371,846
Amounts owed to banks, except for loans received	11,035	19,043	16,395
Amounts owed to customers, except for loans received	362,345	355,098	342,176
Payables from debt securities	26,522	18,378	13,275
Collateral issued (contingent liabilities)	12,239	7,164	4,731

Audit Fees paid to Deloitte for the year ended 31 December 2004

MCZK	Audit services	Other	Total
Česká spořitelna	24	3	27
Consolidated group	12	1	13

Managers of the issuer

The managers of the issuer, Česká spořitelna, are the Chairman of the Board of Directors, who is also the Chief Executive Officer (CEO), and the Members of the Board of Directors, who also hold the office of Deputy CEO.

The Board of Directors is the statutory body; it manages the company's activities and acts on its behalf. Members of the Česká spořitelna Board of Directors exercise their powers with the care of a prudent manager, act in good faith, with due diligence and care and in the company's and shareholders' best interests. They are specialists in the management of

large corporations with international experience and the ability to work together as a team, their offices require them to constantly perfect their abilities in the sector and in the area of corporate management and governance, an active approach to performing their duties, an ability to contribute to the development of company strategy and, last but not least, loyalty to the company. Members of the Board of Directors are guided by high ethical standards and are responsible for ensuring the company complies with the law. They are personally liable for damage caused by a breach of legal duties and are also responsible to the company, as represented by the shareholders.

Members of the Board of Directors are remunerated under a "Contract on Performance of Office for a Member of the Board of Directors" concluded in accordance with the relevant provisions of the Commercial Code, Act No. 513/1991 Coll. The Contract on Performance of Office for a Member of the Board of Directors was approved by the company's General Meeting. The amount of remuneration paid to members of the Board of Directors is approved by the General Meeting, as the total remuneration for a calendar year. The Chairman of the Board of Directors is authorised by the General Meeting to divide the total amount between the various members of the Board of Directors.

Remuneration for the CEO and Deputy CEOs is paid in the form of a salary for work done. In accordance with the company's articles of association, the amount of salary is approved by the Supervisory Board and, in addition to other criteria, is based on qualified comparative studies about remuneration in the financial sector.

The CEO and Deputy CEOs are also remunerated with regards to an assessment of the performance of their activities, which is measured based on their fulfilment of the specified Performance Criteria. The Performance Criteria are derived from the financial goals of the Česká spořitelna Financial Group and the Erste Bank Group (financial indicators like ROE).

Performance Criteria are always prepared on an annual basis and approved and afterwards evaluated by the Supervisory Board.

Based on their managerial and sector knowledge and experience and based on contribution to the company, in 2004 the company paid to the Members of the Board of Directors on salary a total of CZK 45.6 million, on bonus CZK 40.1 million, on benefit CZK 4.8 million, 1,950 shares and 28,000 options of Erste Bank der oesterreichischen Sparkassen AG. These incomes were paid out in accordance with compliance with financial, qualitative, development and efficiency criteria. For part of the remunerations paid in Euro was used a rate of exchange between Euro and CZK in value of CZK 30/Euro.

Members of the Board of Directors do not own shares or options to purchase shares in Česká spořitelna. Shares in Česká spořitelna, a.s. have not been publicly tradable since August 2002.

Supervisory Board of Česká spořitelna

The Supervisory Board is the company's control body and supervises the exercise of powers by the board of directors and the implementation of the company's business activities.

The Supervisory Board checks, in particular, that the Board of Directors is exercising its powers in accordance with legislation and the company's articles of association and that members of the board of directors are acting in accordance with the company's interests with the care of a prudent manager.

Members of the Supervisory Board exercise their powers with the care of a prudent manager. To perform the office of a member of the Supervisory Board, a member has to be professionally skilled, loyal to the company and maintain confidentiality about certain information and facts. Members of the Supervisory Board are liable for any damage caused by a breach of legal duties. Members of the Supervisory Board are also responsible to the company, as represented by the shareholders.

Members of the Supervisory Board are remunerated in accordance with the relevant provisions of the Commercial Code, Act No. 513/1991 Coll. The amount of remuneration paid to members of the supervisory board is approved by the general meeting, as the total remuneration for a calendar year. The Chairman of the Supervisory Board is authorised by the General Meeting to divide the total amount between the various members of the Supervisory Board.

Members of the Supervisory Board do not own shares or options to purchase shares in Česká spořitelna. Shares in Česká spořitelna, a.s. have not been publicly tradable since August 2002.

In return for their activities on the Supervisory Board of Česká spořitelna, in 2004 the company paid the members of the Supervisory Board on salary a total of CZK 13.2 million, on bonus CZK 2.1 million and on benefit CZK 88,000.

Affidavit

The below-signed do hereby declare that the information stated in the Annual Report of Česká spořitelna, a.s. for the year ended 31 December 2004 reflects the true state of affairs and that no material circumstances that may have an impact on the accurate and correct assessment of Česká spořitelna, a. s. have been omitted.



Dušan Baran, Vice Chairman of the Board and First Deputy CEO
Česká spořitelna, a. s.
Olbrachtova 62, Prague 4, 140 00



Martin Škopek, Member of the Board and Deputy CEO
Česká spořitelna, a. s.
Olbrachtova 62, Prague 4, 140 00

Česká spořitelna's Declaration

Regarding the Compliance of its Governance With the Corporate Governance Code Based on OECD Principles

_____ The members of the Board of Directors of Česká spořitelna, a. s. (hereinafter the "Company") continuously make every effort to generally improve the Company's corporate governance standards and ensure, to the extent set out hereafter, compliance with the Corporate Governance Code based on OECD principles (2004). The Company continues to develop and enhance the Company's governance practices at all times.

A. Organisation of the Company

_____ The Company's Board of Directors is composed of eight members. In accordance with the Banking Act, all members of the Board of Directors are also executive members. All members of the Board of Directors possess personal and professional qualifications required to be a member of the Board of Directors.

_____ Mr John James Stack, Chairman of the Board of Directors and CEO of the Company, has over 26 years of banking experience. Mr Stack is an experienced banker and manager. Mr Dušan Baran, Vice-chairman of the Board of Directors and First Deputy CEO, has long-standing experience in the financial sphere. In addition, the Board of Directors comprises the following members, all serving as Deputy CEOs: Mr Daniel Heler has worked in banking since 1983 and is hence a distinguished expert in financial markets in particular. Mr Heinz Knotzer has wide ranging banking experience both in the Czech Republic and Austria where his professional career started. Mr Martin Škopek gained his professional and practical knowledge in finance during his studies in the United States and while working in banking for several years. Mr Peter Cecelsky has held various positions in international companies dealing with information technologies focused on the financial sector. Mr Petr Hlaváček is an experienced banker whose professional career includes a Czech as well as Canadian banking background. Mr Pavel Kysilka is a recognised economist with deep insight into the private sector and public sector. Detailed biographical data of the members of the Board of Directors proving their capabilities, professional skills and experience is published in the Annual Report on page 157.

_____ The Company's Board of Directors is a statutory body of the Company managing the Company and acting on its behalf while being responsible for the Company's long-term strategic direction and operational management. Its range of powers and duties is defined under the Company's Statutes and internal rules as well as the legal regulations of the Czech Republic. The Board of Directors exercises its powers and duties with due care and diligence; in discharging its activities it is accountable to the extent set out by the legal regulations of the Czech Republic. All members of the Board of Directors are internationally experienced professionals skilled in managing large corporations who have the ability to work in a team. The members of the Board of Directors observe compliance with legal rules and ethical standards.

_____ Pursuant to the Company's Statutes, the Board of Directors must obtain the prior opinion or approval of the Supervisory Board for

a number of acts; in cases determined in a resolution adopted by the Supervisory Board, the Board of Directors must solicit the prior opinion of a committee established by the Supervisory Board. The Board of Directors regularly presents reports on the Company's activities to the Supervisory Board and its committees. In compliance with the Banking Act, the Board of Directors is responsible for the creation, maintenance and evaluation of an efficient and effective internal management and control system of the Company. The Board of Directors meets on a regular basis no less than twice a month in compliance with the Company's Statutes. However, regular weekly sessions have become common practice. In 2004, the Board of Directors held, altogether, 43 regular meetings and 4 extraordinary meetings.

_____ The Senior Management Team is an advisory body of the Board of Directors in deciding on the crucial strategic and business matters of the Company's top management. It comprises the members of the Board of Directors, the CEO, the First Deputy CEO, the Deputy CEOs, and employees appointed by the Board of Directors who, in 2004, were: Mr Frank Michael Beitz, Credit Risk Management Section Director, Mr Pavel Cetkovský, Group Balance Sheet Management Section Director, Mr Jozef Síkela, Corporate Customers Section Director and Mr Jiří Škorvaga, Sales Management Section Director. The Senior Management Team discusses various matters put forward for discussion to the Board of Directors as well as other matters which the members of the Board of Directors propose for discussion.

_____ The Supervisory Board of the Company comprises twelve members. Seven members represent the principal shareholder which is Erste Bank der österreichischen Sparkassen AG; they are: Mr Andreas Treichl, Chairman of the Supervisory Board, Mr Reinhard Ortner, Deputy Chairman of the Supervisory Board, Mr Christian Coreth, Mr Maximilian Hagedg, Mr Herbert Juranek, Mr Bernhard Spalt and Mr Manfred Wimmer. In compliance with law, the Supervisory Board includes representatives of the Company's employees; they are: Mrs Monika Houštická, Mrs Libuše Růžičková, Mrs Jitka Šrotýřová and Mr Marek Pospěch. Mrs Zlata Gröningerová is the twelfth member of the Supervisory Board who can be considered, in terms of relations with the principal shareholders, an independent member of the Supervisory Board. All members of the Supervisory Board are professionals guaranteeing and ensuring the high-quality functioning of the Supervisory Board; they have the personal and professional qualifications required to hold the position of Supervisory Board member. A full list of all members of the Supervisory Board including their professional biographical data is published in the Annual Report on page 157.

_____ The Supervisory Board oversees the execution of the Board of Directors' powers and duties as well as the performance of the Company's business activities. In addition to its duties and powers ensuing from law, the Supervisory Board has, pursuant to the Statutes, the right to give, in advance, its opinion on certain acts having an impact on the Company's assets (including among other things, for example, the making of building

investments and plans (projects) in acquiring tangible and intangible fixed assets of the Company beyond the designated limit, the transfer of an ownership title to the Company's assets, the Company's equity investments, etc). The Supervisory Board also gives, in advance, its opinion on the strategic concept of the Company's activities and development, planning tools and regular financial balances. Furthermore, the Supervisory Board gives, in advance, its opinion on the appointment and removal of the Internal Audit Section Director and gives its opinion in selecting an external auditor. To support its activities the Supervisory Board may establish Supervisory Board committees. In 2004, the Supervisory Board met five times altogether.

_____ Pursuant to the Statutes, two thirds of the members of the Supervisory Board are elected by the General Meeting and one third by the Company's employees. The term of office of a member of the Supervisory Board is three years. Members of the Board of Directors are elected and removed by the Supervisory Board. In compliance with the Banking Act, nominees for membership of the Board of Directors are pre-consulted with the Czech National Bank which assesses the professional qualifications, credibility and experience of the nominees. The term of office of a member of the Board of Directors is four years; members of the Board of Directors may be re-elected.

_____ As noted above, the position of Chairman of the Board of Directors in the Company is combined with the position of CEO, and the position of member of the Board of Directors is combined with the position of Deputy CEO. This combination is necessary for a bank because it is directly determined by the Banking Act.

_____ The Company is consistent in ensuring that the members of the Board of Directors and the Supervisory Board are kept up to date at all times; the Company has a well-administered and well-developed system supporting the performance of corporate governance. The Company's supreme bodies, the Board of Directors and the Supervisory Board, have adopted binding Rules of Procedure for the bodies. These Rules of Procedure deal in great detail with organisational and process issues related to the activities of the relevant body. The Rules of Procedure of both bodies regulate the technical processes of the convening of meetings and the voting of the bodies, the preparation of meeting minutes, the activities of the body outside of meetings, and procedures addressing the potential bias of a member of the body. In addition to the members of the Supervisory Board, the members of the Board of Directors take part in the Supervisory Board's meetings. All members of the Board of Directors participate in the meetings of the Board of Directors as well as the members of the Senior Management Team and the authors of presented materials who introduce the materials to the members of the Board of Directors. The members of the Board of Directors and the Supervisory Board may solicit a legal opinion on individual, discussed materials from the Company's Legal Services Section, or use the services of independent advisors. The Company's Secretary Office organises, on a regular basis, legal seminars for the members of the Boards of Directors and Supervisory Boards of the

Company and other companies within the Česká spořitelna Group, where members of these bodies are introduced to new legislation applicable to the performance of the position of corporate body member.

_____ The Company has had the position of Secretary in place for a long time. The Secretary of the bodies of the Company manages administrative and organisational matters for the Board of Directors and the Supervisory Board including the organisation of General Meetings. The Secretary acquaints new members of administrative bodies with the activities of these bodies and with the Company's process of corporate governance. The Company's Secretary ensures mutual co-operation of the Company's bodies. The Secretary is appointed by the Company's Board of Directors and reports directly to the CEO and Chairman of the Board of Directors. The Secretary is responsible for due and timely distribution of invitations and materials for the meetings of the Company's Board of Directors and the Supervisory Board. Materials are delivered in person to the members of the Company's Board of Directors and the Supervisory Board at least 5 days ahead of the meeting. The Company has binding regulations in place for the presentation of materials to be discussed at the meetings of the Supervisory Board and the Board of Directors, which stipulate basic rules for the preparation of materials, the presentation thereof, comment procedures prior to the presentation of materials, and conditions for the archiving of materials.

_____ The Secretary takes the minutes of all meetings of the Board of Directors and Supervisory Board both in English and Czech. The Company maintains an electronic database of all minutes from the meetings of its bodies; these are available to authorised persons on the intranet - the Company's internal Internet portal.

B. Company's Relationships with Shareholders

_____ The Company diligently observes compliance with all the legal rights of shareholders and with the principle of equitable treatment of all shareholders. The Company's shares are held in book-entry form. A list of all shareholders is maintained by the Securities Centre. In addition to ordinary shares, the Company has also issued registered priority shares. The transferability of these shares is restricted to municipalities of the Czech Republic; transfers to other entities are subject to the approval of the Company's Board of Directors. A preference right to receive dividends is attached to priority shares.

_____ The Company complies with all duties to inform with respect to its shareholders and other entities to the extent imposed by legal regulations; the Company keeps shareholders updated throughout the year, on a regular basis, through the press and the web site of the Company. The web site created mainly for the purposes of shareholders and investors (www.csas.cz) provides information on the Company's current operational results to date, the structure of shareholders, planned events, etc. Press

releases covering material facts about the Company are issued on a regular basis; the members of the Board of Directors organise regular road shows for investors and shareholders. All material information that the Company publishes on its web site is available in both Czech and English.

_____ The Company, in compliance with law, convenes its General Meetings by making an announcement in the press; such notice is published in *Hospodářské noviny* and *Obchodní věstník*. The notice always includes basic information for shareholders about the conditions of participation at the General Meeting and the exercising of shareholders' rights. The Company sends notice of the General Meeting including basic financial indicators to all shareholders holding registered shares. The publication of the notice of the General Meeting on the Company's website goes without saying. Shareholders may acquaint themselves in advance, within the statutory period, with the basic materials (such as financial statements, the Report on Related Party Transactions or proposed changes to the Statutes) which will form the subject matter of the General Meeting. The Company always organises its General Meetings at venues which are within the reach of all shareholders; the recent practice is that General Meetings are held at the Company's registered office.

_____ Before the General Meeting commences, on registration, shareholders receive all underlying documents for the General Meeting. Such underlying documents always include the Rules of Procedure of the General Meeting to be approved by the General Meeting. If members of the Supervisory Board are being elected, shareholders are provided with detailed biographical data of all nominees proving their professional and personal qualifications required to hold such office. The bodies of the General Meeting are set up by the Board of Directors in such a way as to ensure that all the bodies are able to perform their functions with due and professional care. In most cases, a notary is present at the Company's General Meetings. In compliance with the Rules of Procedure, shareholders may, in person or by proxy, exercise their shareholder rights, i.e. vote on the proposed items on the agenda, solicit and receive explanations on such items, and put forward proposals and counter-proposals.

_____ The members of the Board of Directors and the Supervisory Board take part in General Meetings (there must be at least as many members as is required for a quorum of such bodies) as well as the members of the committees of the Supervisory Board who answer shareholders' questions. The Company provides enough time for shareholders to raise their questions on the agenda items prior to the vote being taken. All shareholders' questions and answers are recorded in the minutes of the General Meeting. Each item on the agenda of the General Meeting is the subject of a separate vote taken after the close of the debate on the given item. All shareholders registered in the attendance list and present at the General Meeting when the vote is being taken are entitled to vote except for those shareholders who hold priority shares. A right to vote at General Meetings is not attached to the Company's priority shares. In addition, shares whose holders' voting rights for General Meetings were suspended by a decision of the Czech National Bank are not considered

voting shares; the shareholder is informed of such suspension on his/her registration in the attendance list and the Company indicates this fact in the attendance list including the reasons for such suspension.

C. Disclosure and Transparency of Information

_____ The Company is consistent in preventing the misuse of insider information of the Company which might allow persons who have special relations with the bank to gain unauthorised gains in dealing with the Company's securities (insider dealing). The members of the Board of Directors and their related parties are obliged to promptly notify the Securities Commission of transactions with securities issued by the Company or with investment instruments derived from such securities, which they perform on their own account. To ensure identical terms and conditions for all members of the Boards of Directors of the companies within the Erste Bank Group, it is Erste Bank's rules for securities trading that apply – the members of the Company's Board of Directors are obliged to inform the Company's Compliance Section of dealings with Erste Bank's shares or derivatives and to comply with an imposed trading embargo during a designated period.

_____ The Company has a Compliance Section whose role and activities ensue from the requirements of the Capital Markets Act 256/2004 Coll., and from related regulations of the Securities Commission regulating business activities on the capital market and thus also the activities of the Company as a securities trader. The main activities of this Section include: the inspection of the compliance of the Company's internal regulations with the legal regulations and regulations of regulatory bodies governing the provision of investment services; the inspection and record-keeping of the Company employees' dealings with investment instruments; the inspection of the regime dealing with insider information regarding investment instruments or securities issuers, or with insider information related directly to Česká spořitelna as a securities issuer. In addition, the Compliance Section performs tasks related to the prevention of possible market manipulation and conflicts of interest in dealing with investment instruments; it also maintains a Watch List and a Restricted List of investment instruments. The Section evaluates, on a regular basis, insider information that results in the recording of an investment instrument on the Watch List or Restricted List, and informs the Company's Board of Directors and Supervisory Board of the results of such evaluations as well as other activities of the Section (adopted measures) semi-annually.

_____ The Company diligently fulfils and complies with all applicable legal regulations under Czech law, the principles of the Corporate Governance Code based on OECD principles, the recommendations of the EU Commission regarding corporate governance and, on an ongoing basis, provides shareholders and investors with all significant information on its

business activities as well as the Company's financial and operational results, the ownership structure, and other major events. All information is prepared and disclosed in compliance with high quality standards of accounting and financial and non-financial disclosure. In addition, the Company discloses a great deal of information beyond statutory requirements so as to allow shareholders and investors to make well-founded decisions on the ownership of the Company's securities and the voting at General Meetings. To publish such information the Company uses various distribution channels such as the press or the Company's web site where information is published both in Czech and English to allow equal participation of foreign investors and shareholders in decisions regarding the Company's business and development.

_____ The Company regularly publishes annual and semi-annual reports. The annual report mainly includes audited financial statements and gives a true picture of the financial situation, business activities and operating results of the Company; in addition, in compliance with new legal regulations the report gives information on the remuneration policy of the members of the Board of Directors and the Supervisory Board. The level of remuneration for the members of the Board of Directors and the Supervisory Board is approved on an annual basis by the General Meeting; the remuneration of the members of the Board of Directors, who are Company employees serving as Deputies, is determined by the Supervisory Board. The Company has no equity option scheme for remuneration either for the members of the Board of Directors or the Supervisory Board.

_____ Based on the recommendation of the Audit Committee, the Supervisory Board approves an independent external auditor annually. In 2004, Deloitte s. r. o. was appointed to carry out an external audit of the Company.

D. Committees of the Company's Administrative Bodies

_____ To support the Company's activities and to ensure the internal management and accountability of the Board of Directors and the Supervisory Board, the Company has established committees under these bodies. The rules of procedure of the individual committees define the range of their powers and duties including a precise description of the applicable rules and tasks.

Committees of the Supervisory Board

_____ The powers of the Supervisory Board include the ability to establish committees and to define the content of their activities. In compliance with corporate governance rules the Company has established the following Supervisory Board Committees:

Audit Committee

_____ The Audit Committee is an advisory body to the Company's Supervisory Board co-operating with the Company's Board of Directors and with the internal and external auditors. Its main role is to participate in the direction, planning and evaluation of internal audit activities. The Committee discusses material findings resulting from internal audits, gives its opinion on the selection of an external auditor, monitors the procedures and processes pertaining to the audit of the annual financial statements, oversees accounting and financial reporting, risk management and control, compliance with legal regulations and regulator's measures (the compliance of procedures) and the functioning and effectiveness of the Company's internal management and control system. As of October 2004, the Audit Committee comprised the following members – Mr Manfred Wimmer, Committee Chairman, Mrs Zlata Gröningerová and Mr Maximilian Hardegg; they all serve as members of the Supervisory Board. Mr Mario Catasta, Erste Bank Internal Audit Section Director, regularly takes part in the meetings of the Committee as a substitute member without a right to vote. In compliance with the rules of procedure, the Committee informs the Supervisory Board of its activities at least every 6 months; in 2004, the Committee met four times altogether.

Financial Markets Committee

_____ The main role of the Financial Markets Committee is to oversee the activities and risk management system of the Financial Markets Section. The Committee is regularly updated on business activities, results and risk exposure; it reassesses the management and control system, and key principles of the business strategy and the risk management strategy for the Financial Markets Section. The Committee may set out medium- and long-term objectives for the activities and risk management of the Financial Markets Section. As of October 2004, the Committee had the following composition – Mr Reinhard Ortner, Chairman, Mr Bernhard Spalt and Mrs Libuše Růžičková, members, and Mr Manfred Wimmer and Mrs Monika Houštická, substitute members. They all serve as members of the Supervisory Board. The Committee meets at least twice a year; at least once a year it reports its activities to the Supervisory Board. In 2004, the Committee met twice altogether.

Credit Committee

_____ The Credit Committee is mainly an advisory and confirmation body for credit exposures beyond the limits of the approval powers of the Board of Directors' Credit Committee. The Committee meets at least twice a year; during the year the Committee in most cases makes its decisions based on "per rollam" voting. The Committee comprises the following members – Mr Christian Coreth, Chairman, Mr Bernhard Spalt and Mr Reinhard Ortner, members, and Mr Andreas Treichl, substitute member; they all serve as members of the Company's Supervisory Board.

Committees of the Board of Directors

_____ Committees of the Board of Directors are advisory bodies of the Board of Directors established by resolution of the Board of Directors. The purpose of the committees is to initiate and present to the Board of Directors recommendations for technical issues; the committees comprise the members of the Board of Directors and selected employees of the Company. All committees are accountable to the Board of Directors and report on their activities at least once a year.

Credit Committee

_____ The Credit Committee is the highest body assessing and approving credit transactions and products as well as assessing and approving the business policy process, the system of credit risk measurement and management, and the level of the Company's credit portfolio structure, aimed at achieving the designated financial objectives, i.e. achieving the designated level of profitability while maintaining the defined level of credit risk.

Assets and Liabilities Management Committee

_____ The Assets and Liabilities Committee is the highest body assessing and approving the process of planning, managing and controlling financial flows and the structure of the Company's assets and liabilities, which is aimed at achieving the optimum combination of the bank's profitability and financial risks. The Committee sets out the Company's strategy in this respect and assigns tasks to the Company's organisational units to fulfil the strategy.

Financial Markets and Risk Management Committee

_____ The Financial Markets and Risk Management Committee is a body dealing with decisions on the operational issues of risk management processes related to financial markets.

Investment Committee

_____ The Investment Committee is a body assessing the effectiveness and efficiency of capital expenditure and purchased services.

ATM Committee

_____ The ATM Committee is a body assessing and making decisions regarding ATM issues (strategies, investments, locations, services, income, etc.) aimed at ensuring a standard and complex approach to the ATM network development.

IT Change Management Committee

_____ The IT Change Management Committee deals with decisions on changes to "legacy systems" (in the go-live phase) including changes resulting from projects.

Customer Services Committee

_____ The Customer Services Committee is a body supporting the quality of services provided to both external and internal customers by means of regular monitoring of internal and external indicators.

Marketing Committee of the Česká spořitelna Group

_____ The Marketing Committee of the Česká spořitelna Group is a body dealing mainly with the long-term marketing strategy of the Company and the Česká spořitelna Group, the assessment of the effectiveness and efficiency of marketing costs, and the discussing of strategic business objectives with respect to marketing support.

Asset Allocation Committee

_____ The Asset Allocation Committee is an advisory body of a member of the Board of Directors who is in charge of financial markets management, which deals with recommendations of investment strategies for the allocation of different classes of clients' assets (bonds, currencies, shares) on financial markets.

Retail Committee

_____ The Retail Committee is a body assessing and approving innovations and the launching or withdrawal of retail banking products and services.

E. The Company's Policy with Respect to Stakeholders

_____ Česká spořitelna ranks among the largest companies in the Czech Republic and as such it takes interest in the development and stability of the business environment. It supports business development in individual regions while being aware of the impact of its decisions on various stakeholders. Its desire is to be a credible and reliable partner for its investors, business partners, employees and local community members. Česká spořitelna is aware of the significance of corporate social responsibility. Moreover, Česká spořitelna is a successful and profitable company with a transparent and ethical approach to its clients and partners also placing emphasis, in terms of corporate social responsibility, on helping people in need. Nadace České spořitelny dealing with charitable social, social development and education project serves this purpose. What reconfirms the extent of Česká spořitelna's sponsorship is that in 2004 it ranked second in the top corporate philanthropist awards in the category assessing candidates based on the absolute volume of funds donated for different sponsorship activities.

Organizational Chart of the ČS as of 31 December 2004

CHAIRMAN OF THE BOARD OF DIRECTORS AND C.E.O. JOHN JAMES STACK	DEPUTY CHAIRMAN OF THE BOARD OF DIRECTORS AND FIRST DEPUTY C.E.O. DUŠAN BARAN	MEMBER OF THE BOARD OF DIRECTORS AND DEPUTY C.E.O. DANIEL HELER	MEMBER OF THE BOARD OF DIRECTORS AND DEPUTY C.E.O. HEINZ KNOTZER
Office of the BoD and the Supervisory Board Section 1001	Accounting and Taxes Section 2100	Group Balance Sheet Management Section 3100	Corporate Customers Section 4100
Credit Risk Management Section 1200	Controlling and Planning Section 2200	Service for Financial Institutions Section 3500	Commercial Banking Centres Section 4200
Internal Audit Section 1400	Property Management Section 2300	Treasury Section 3600	Real Estate and Mortgages Section 4300
Legal and Compliance Services Section 1500	Central Risk Management Section 2400	Financial Markets Products Sales Section 3700	Municipalities Section 4400
Human Resources Section 1600	Investors Relations Department 2010	Financial Markets Products Distribution Section 3800	Trade Finance Department 4010
Marketing Section 1700	Financial Markets Back-Office Department 2020	Assets Management Department 3010	Product Management and Support Department 4020
Corporate Communication Department 1010	Subsidiaries & Capital Participations Admin. Department 2030	Business Support Sub-department 3001	IT Business Consultants Department 4030
Service Quality Management Department 1310			

MEMBER OF THE BOARD OF DIRECTORS AND DEPUTY C.E.O. MARTIN ŠKOPEK	MEMBER OF THE BOARD OF DIRECTORS AND DEPUTY C.E.O. PETER CECELSKY	MEMBER OF THE BOARD OF DIRECTORS AND DEPUTY C.E.O. PETR HLAVÁČEK	MEMBER OF THE BOARD OF DIRECTORS AND DEPUTY C.E.O. PAVEL KYSILKA
Sales Management Section 5100	IT Operation Section 6200	Purchase Section 7100	Payment System and Settlement Section 8100
Products and Process Management Section 5200	Organization Section 6500	Project Management and Co-ordination Department 7010	Security Section 8200
Remote Delivery Section 5300	IT Architecture and Development Section 6600	Project Support Department 7030	Market Research Department 8010
Card Centre Section 5400	IT User Support Section 6700	Management of EB Group Projects Sub-department 7001	EU Office 8001
Branches Region 1 (Prague) Section 5500		Expatriate Center Sub-department 7001	
District Branches in Region			
Branches Region 2 (Bohemia) Section 5600			
District Branches in Region			
Branches Region 3 (Moravia) Section 5700			
District Branches in Region			
Mobile Sales Force Section 5800			
Support Sub-department 5001			

Report of the Supervisory Board

_____ During the 2004 business year, the Supervisory Board of Česká spořitelna, a.s. regularly discharged its duties under the law and the company's Articles of Association. As the company's oversight body, the Supervisory Board monitored the Board of Directors' exercise of its powers as well as the Bank's operations, finances and the realization of its strategic plans. The Supervisory Board was kept up to date on the bank's operations, its financial situation and other material and important Bank matters.

_____ In accordance with the legal provision the Supervisory Board at its meetings reviewed the annual and consolidated financial statements as of 31.12.2004 and came to the conclusion that the books and accounting records were kept in a transparent manner in accordance with accounting regulations and that the accounts and year-end annual and consolidated financial statements correctly reflect the financial situation of Česká spořitelna, a.s. and consolidated unit as of 31.12.2004. The audit of the

year-end financial statements was performed by Deloitte s.r.o. who confirmed that according to their opinion the Bank's accounts reflect fairly, in all respects, the assets, shareholders' equity and financial situation of the company as of 31.12.2004 and its earnings for 2004 in accordance with the Accounting Act and the respective provisions of Česká spořitelna, a.s. The Supervisory Board with agreement took account of the auditor's statement.

_____ The Supervisory Board also reviewed the Report on Relations between connected persons and in accordance with the provision 66a para 10 of the Commercial Code states that took account of this Report without comments.

_____ In view of all above facts, the Supervisory Board recommends that the General Meeting approve the financial statements of Česká spořitelna, a.s. for the year ended 31.12. 2004 and the proposed profit allocation as put forward by the Board of Directors.

Consolidated Financial Statements

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

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Independent Auditors' Report to the Shareholders of Česká spořitelna, a. s.

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

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

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

In Prague on 18 March 2005



Audit firm:
Deloitte s. r. o.

Represented by:



Michael Jennings, with power of attorney

Consolidated Balance Sheets as of 31 December 2004 and 2003

Assets

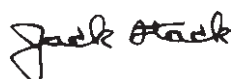
MCZK	Note	31 December 2004	31 December 2003
1. Cash and balances with the CNB	6	18,128	22,713
2. Loans and advances to financial institutions	7	77,112	82,121
3. Amounts due from Česká konsolidační agentura	8	25,843	36,744
4. Loans and advances to customers	9	213,446	178,159
5. Provisions for losses on loans and advances	10	(7,166)	(7,656)
6. Securities and other assets held for trading	11	30,410	53,196
7. Securities available for sale	12	38,007	27,500
8. Securities and other assets held to maturity	13	137,030	113,466
9. Financial placements of insurance companies	14	12,179	9,264
10. Intangible fixed assets	15	4,377	4,020
11. Property and equipment	16	15,720	16,576
12. Other assets	18	15,308	19,314
Total assets		580,394	555,417

Liabilities and Shareholders' Equity

MCZK	Note	31 December 2004	31 December 2003
1. Amounts owed to financial institutions	19	32,905	29,641
2. Amounts owed to customers	20	444,771	428,572
3. Bonds in issue	21	19,649	16,017
4. Provisions for liabilities and other reserves	22	11,858	11,353
5. Other liabilities	23	31,235	34,036
6. Minority interests	24	1,697	1,390
7. Shareholders' equity		38,279	34,408
Total liabilities and shareholders' equity		580,394	555,417

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

_____ These consolidated financial statements were approved by the Board of Directors of the Bank on 22 March 2005.



John James Stack
Chairman of the Board and
Chief Executive Officer

Consolidated Profit and Loss Accounts for the Years Ended 31 December 2004 and 2003

MCZK	Note	Year ended 31 December 2004	Year ended 31 December 2003
1. Interest income and similar income	26	23,418	22,753
2. Interest expense and similar expense	27	(6,112)	(6,879)
Net interest income		17,306	15,874
3. Provisions for credit risks	28	(505)	1,970
Net interest income after provisions for credit risks		16,801	17,844
4. Fee and commission income		8,980	8,639
5. Fee and commission expense		(556)	(724)
<i>Net fee and commission income</i>		8,424	7,915
6. Net profit on financial operations	29	1,189	1,270
7. General administrative expenses	30	(15,817)	(15,073)
8. Net insurance income	31	374	209
9. Profit on the sale of the non-life business of Pojišťovna České spořitelny, a. s.	2	2,907	-
10. Other operating expenses, net	32	(98)	(1,224)
Profit before taxes		13,780	10,941
11. Income tax expense	33	(4,045)	(3,149)
Profit after taxes		9,735	7,792
12. Minority interests	24	(1,086)	(177)
Net profit for the year		8,649	7,615

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

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

MCZK	Retained earnings	Statutory reserve fund	Share premium	Share capital	Total
At 1 January 2003	13,599	1,031	1	15,200	29,831
Dividends	(3,040)	-	-	-	(3,040)
Transfer to reserve funds	(364)	364	-	-	-
Foreign exchange differences	2	-	-	-	2
Net profit for the year	7,615	-	-	-	7,615
At 31 December 2003	17,812	1,395	1	15,200	34,408
At 1 January 2004	17,812	1,395	1	15,200	34,408
Dividends	(4,560)	-	-	-	(4,560)
Transfer to reserve funds	(383)	383	-	-	-
Use of funds	-	(6)	-	-	(6)
Purchase of an interest in jointly controlled companies (refer to Note 5b)	(201)	-	-	-	(201)
Foreign exchange differences	(11)	-	-	-	(11)
Net profit for the year	8,649	-	-	-	8,649
At 31 December 2004	21,306	1,772	1	15,200	38,279

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

Consolidated Statements of Cash Flows

for the Years Ended 31 December 2004 and 2003

MCZK	Note	2004	2003
Profit before taxes		13,780	10,941
Adjustments for non-cash transactions			
Creation/(release) of provisions for losses on loans, advances and other assets		214	(1,822)
Depreciation and amortisation of assets		3,150	2,901
Impairment of tangible and intangible fixed assets		(594)	579
Unrealised profit on securities held for trading and securities available for sale		(1,516)	(5)
Net profit on remeasurement of equity investments		-	(18)
Release of restructuring reserves net of cash outflow from utilisation		-	(237)
Deferred tax		398	-
Creation of other reserves		2,804	4,649
Change in fair values of financial derivatives		(1,355)	(671)
Gain on the sale of tangible assets		(102)	-
Profit on the sale of the non-life insurance business		(2,907)	-
Increase/(decrease) in minority interests		(660)	82
<i>Operating profit before changes in operating assets and liabilities</i>		13,212	16,399
Cash flows from operating activities			
<i>(Increase)/decrease in operating assets</i>			
Minimum reserve deposits with the CNB		3,717	(1,146)
Loans and advances to financial institutions		8,688	46,544
Loans and advances to customers, including Česká konsolidační agentura		(20,332)	(34,290)
Securities and other assets held for trading		16,423	(23,189)
Securities available for sale		(4,789)	830
Other assets		2,397	2,271
<i>Increase/(decrease) in operating liabilities</i>			
Amounts owed to financial institutions		3,213	(2,173)
Amounts owed to customers		(5,906)	25,844
Other liabilities and restructuring reserves		(3,660)	(1,546)
<i>Net cash flow from operating activities before income tax</i>		12,963	29,544
Income taxes paid		(3,741)	(1,002)
Net cash flow from operating activities		9,222	28,542
Cash flows from investing activities			
Net increase in securities and other assets held to maturity		(12,600)	(21,169)
Financial placements of insurance companies		(5,147)	(3,704)
Net cash flow from the acquisition of an investment in a subsidiary (refer to Note 5b)		1,202	-
Selling price of the non-life insurance business (refer to Note 2)		3,930	-
Purchase of tangible and intangible fixed assets		(4,472)	(5,480)
Proceeds from the sale of tangible and intangible fixed assets		2,700	149
Net cash flow from investing activities		(14,387)	(30,204)
Cash flows from financing activities			
Dividends paid		(4,560)	(3,040)
Dividends paid to minority shareholders		(119)	-
Use of funds		(6)	-
Bonds in issue		3,632	8,874
Repayment of subordinated debt		-	(5,500)
Net cash flow from financing activities		(1,053)	334
Net decrease in cash and cash equivalents		(6,218)	(1,328)
Cash and cash equivalents at beginning of year		31,303	32,631
Cash and cash equivalents at end of year	34	25,085	31,303

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

Notes to the Consolidated Financial Statements

Prepared in Accordance with International Financial Reporting Standards Year Ended 31 December 2003 and 2002

1. Introduction

_____ Česká spořitelna, a.s. (henceforth the "Bank"), having its registered office address at Olbrachtova 1929/62, Prague 4, 140 00, Corporate ID 45244782, is the legal successor of the Czech State Savings Bank and was founded as a joint stock company in the Czech Republic on 30 December 1991. The Bank is a universal savings bank offering retail, corporate and investment banking services in the territory of the Czech Republic.

_____ The principal activities of the Bank are as follows:

- > Acceptance of deposits from the general public;
- > Extension of credit;
- > Investing in securities on its own account;
- > Payments and clearing;
- > Issuance of payment facilities, e.g. payment cards, traveller's cheques;
- > Issuance of guarantees;
- > Opening of letters of credit;
- > Collection services;
- > Proprietary or client-oriented trading with foreign currency assets, forward and option contracts, including foreign currency and interest rate transactions, and transferable securities;
- > Participation in the issuance of shares and provision of related services;
- > Financial brokerage;
- > Provision of business advisory services;
- > Management of clients' securities on clients' accounts and provision of advisory services;
- > Safe-keeping and administration of securities or other assets;
- > Depositary activities;
- > Foreign exchange services;
- > Provision of banking information;
- > Rental of safe-deposit boxes;
- > Issuance of mortgage bonds under special legislation; and
- > Maintenance of a separate part of the Securities Centre's records.

_____ The Bank provides the following additional services through its subsidiaries (together the "Group"):

- > Funds management;
- > Building society savings and loans;

- > Pension insurance;
- > Insurance;
- > Finance leasing;
- > Factoring;
- > Consulting services;
- > Provision of investment services;
- > Real estate activities;
- > Lease of information technology, installation and repair of electronic equipment;
- > Provision of software and advisory services in relation to hardware and software; and
- > Corporate management and finance.

_____ The Bank is subject to the regulatory requirements of the Czech National Bank (henceforth the "CNB"). These regulations include those pertaining to minimum capital adequacy requirements, classification of loans and off balance sheet commitments, credit risk connected with clients of the Bank, liquidity, interest rate risk and foreign currency position.

_____ Similarly, the Group companies are subject to regulatory requirements, specifically in relation to insurance and collective investment.

2. Specific Events Impacting the Bank's Results for the Year Ended 31 December 2004

Sale of the Non-Life Insurance Business of Pojišťovna České spořitelny, a.s.

_____ In 2004, Pojišťovna České spořitelny, a.s. (the "insurance company") sold its non-life insurance business and discontinued its activities in the non-life segment (with the exception of personal injury insurance).

_____ The Contract for the Sale of Part of the Insurance Business to Kooperativa, pojišťovna, a.s. was signed on 6 November 2003. The effectiveness of the Contract was conditioned upon the fulfilment of two suspensory conditions or the waiver of those suspensory conditions, which involved the legal effectiveness of the approvals granted by the Antimonopoly Office and the Finance Ministry. Following the legal effectiveness of the approval of the Finance Ministry on 2 January 2004, the Contract for the Sale of Part of the Insurance Business took legal effect.

Accounting Treatment

Set out below are the condensed balances of individual components of assets and liabilities representing the non-life business as of 31 December 2003 (presented as comparative balances on the balance sheet as of 31 December 2003) and as of 2 January 2004 (the date of sale):

MCZK	31 December 2003	2 January 2004
Financial placements of the insurance company	1,859	2,271
Other assets	1,233	1,762
Total assets	3,092	4,033
Provisions	1,887	2,299
Other liabilities	738	872
Total liabilities	2,625	3,171
Net assets disposed off	467	862

Changes in certain assets and liabilities between 31 December 2003 and 2 January 2004 have resulted from the premiums written for the period from 1 January 2004 and the recognition of the related accounting transactions, principally comprising the recognition of the provision and the accompanying increase in financial placements of technical provisions, increase in amounts receivable from policyholders (written premiums) and decrease in amounts payable to policyholders (offset of the payables arising from premium payments collected prior to 31 December 2003 against the receivables), and increase in receivables/payables from/to reinsurers and brokers arising from written premiums.

The aggregate impact of the sale of the non-life insurance business segment on the Group's profit or loss for the year ended 31 December 2004 is as follows:

	MCZK
Income from the sale (selling value of the non-life business)	3,930
Carrying value of the sold non-life business (net assets as at 2 January 2004)	(862)
Other direct expenses attributable to the sale of the business	(161)
Profit on the sale of the business (before taxation)	2,907
Income tax	(814)
Profit on the sale of the business (after taxation)	2,093
Minority interest	(937)
Net profit on the sale	1,156

Profit on the sale is reported in the other operations segment (refer to Note 42a).

The non-life business segment of the insurance company generated profit before taxation of CZK 289 million in the year ended 31 December 2003.

3. Basis of Preparation

These consolidated financial statements comprise the accounts of the Bank and its subsidiaries (together the "Group") and have been prepared in accordance with the standards and interpretations ap-

proved by the International Accounting Standards Board (IASB), which are referred to as International Financial Reporting Standards (IFRS). These standards and interpretations were previously called International Accounting Standards (IAS). All figures are in millions of Czech crowns (MCZK), unless stated otherwise.

The consolidated financial statements have been prepared under the historical cost convention as modified by the remeasurement to fair value of available for sale securities, financial assets and liabilities held for trading and all financial derivatives to fair value.

The accounting policies have been consistently applied by the entities in the Group.

The presentation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions

that affect 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. Actual results could differ from those estimates.

Comparative information has been reclassified, where necessary, on a basis consistent with the current year presentation.

4. Significant Accounting Policies

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

(a) Principles of Consolidation

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

Subsidiary Undertakings

_____ An investment in a subsidiary is one in which the Bank holds, directly or indirectly, more than 50 percent of its share capital or in which the Bank can exercise more than 50 percent of the voting rights or where the Bank can appoint or dismiss a majority of the Board of Directors or Supervisory Board members. Where an entity either began or ceased to be controlled during the year, the results are included only from the date control commenced or up to the date control ceased.

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

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

Associate Undertakings

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

_____ Subsidiaries and associates whose results, equity and financial position are, in aggregate, not material to the financial statements are accounted for at acquisition cost less provision for any impairment and included in "Securities and other assets held to maturity".

(b) Loans and Advances, Other Off Balance Sheet Credit Exposures and Provisions for Losses on Loans and Advances

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

_____ Provisions for losses on loans and advances are recorded when there are reasonable doubts over the recoverability of the loan balance. Provisions for losses on loans and advances represent management's assessment of potential losses in relation to the Group's on and off balance sheet activities. Amounts are set aside to cover losses on loans and

advances that have been specifically identified and for potential losses which may be present based on portfolio performance. The amount necessary to adjust the provisions to their assessed levels, after write-offs, is charged to the profit and loss account line "Provisions for credit risks."

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

(c) Debt and Equity Securities (Including Participating Interests Excluded from the Consolidation)

_____ 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. On the adoption of IAS 39 in 2001, the Group developed a security investment strategy and, reflecting the intent of the acquisition, allocated securities to "Securities and other assets held for trading" and investment securities to the "Securities available for sale" and the "Securities and other assets held to maturity". The principal difference among the portfolios relates to the approach to the measurement of securities and the recognition of their fair values in the financial statements.

_____ All securities held by the Group are recognised using trade date accounting and initially recorded at their cost including transaction costs (acquisition cost).

Securities Held for Trading

_____ Trading debt and equity securities are defined as securities held by the Group with the intention of reselling them, thereby generating profits on price fluctuations in the short term. Securities held for trading are carried at acquisition cost and subsequently re-measured to fair value. Changes in the fair values of such assets are recognised in the profit and loss account as "Net profit on financial operations". For debt and equity securities traded on the Prague Stock Exchange ('PSE'), market values are derived from quoted prices. The fair values of those securities not traded on the PSE are estimated by the management of the Group as the best estimation of the cash flow projection reflecting the set of economic conditions that will exist over the remaining useful life of the securities.

Securities Available for Sale

_____ Securities available for sale are securities held by the Group for an indefinite period of time that are available for sale as liquidity requirements arise or market conditions change.

_____ Securities available for sale are carried at acquisition cost and subsequently re-measured to fair value. Changes in the fair values of

available for sale securities are recognised in the profit and loss account as "Other operating expenses, net."

Securities Held to Maturity

Securities held to maturity are financial assets with fixed maturity and determinable payments that the Group has the positive intent and ability to hold to maturity.

Securities held to maturity are initially measured at acquisition cost. Securities held to maturity are subsequently reported at amortised cost using the effective interest rate, less any provision for impairment. The amortisation of premiums and discounts is included in "Interest income and similar income".

A financial asset (as defined in IAS 39) is impaired if its carrying amount is greater than its estimated recoverable amount. The amount of the impairment loss for assets carried at amortised cost is calculated as the difference between the asset's carrying amount and the present value of the expected future cash flows discounted at the financial instrument's original effective interest rate. When an impairment of assets is identified, the Group recognises provisions through the profit and loss account line "Other operating expenses, net."

(d) Sale and Repurchase Agreements

Where debt or equity securities are sold under a concurrent commitment to repurchase them at a pre-determined price, they remain at fair value or amortised cost (refer to Note 4c) within the relevant portfolio on the balance sheet and the consideration received is recorded in "Amounts owed to financial institutions" or "Amounts owed to customers." Conversely, debt or equity securities purchased under a concurrent commitment to resell are not recognised in the balance sheet and the consideration paid is recorded in "Loans and advances to financial institutions" or "Loans and advances to customers." Interest is accrued evenly over the life of the agreement.

Securities borrowed are not recognised in the financial statements, unless they are sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in trading income. The obligation to return them is recorded at fair value as a trading liability.

(e) Goodwill

Business combinations prior to 31 March 2004

Goodwill represents the excess of the acquisition cost over the fair value of the Group's share of the net assets of the acquired subsidiary/ associated undertaking at the date of acquisition. Goodwill is reported in the balance sheet as a component of "Intangible fixed assets" and is amortised using the straight line method over the estimated useful life through "Other operating expenses, net". The amortisation period reflects the best estimate of the period during which future economic benefits are expected to flow to the enterprise which generally does not exceed

five years. However, goodwill is immediately expensed through "Other operating expenses, net" if it appears more likely than not that no future economic benefits will be available.

Goodwill is impaired if its carrying amount is greater than its estimated recoverable amount. The recoverable amount is defined as the estimated future economic benefits arising from the acquisition of an equity investment. When an impairment of assets is identified, the Group recognises provisions through the profit and loss account line "Other operating expenses, net."

Business combinations Subsequent to 31 March 2004

Goodwill represents the excess of the acquisition cost over the fair value of the Group's share of the net assets of the acquired subsidiary/ associated undertaking at the date of acquisition. Goodwill is reported in the balance sheet as a component of "Intangible fixed assets". Goodwill is not amortised and is tested for impairment at least on an annual basis.

Goodwill is impaired if its carrying amount is greater than its estimated recoverable amount. The recoverable amount is defined as the estimated future economic benefits arising from the acquisition of an equity investment. When an impairment of assets is identified, the Group recognises the impairment through the profit and loss account line "Other operating expenses, net."

(f) Intangible Fixed Assets

Costs associated with acquiring software are treated as intangible fixed assets and are amortised on a straight line basis through "General administrative expenses - amortisation of intangible assets" over the estimated useful life not exceeding four years. Costs associated with the maintenance of existing software are expensed through "General administrative expenses-other administrative expenses" as incurred whilst costs of technical improvements are capitalised and increase the acquisition cost of the software.

(g) Property and Equipment

Property and equipment includes tangible assets with a cost greater than CZK 13,000 and an estimated useful life exceeding one year. Property and equipment is stated at historical cost less accumulated depreciation and is depreciated through the profit and loss account line "General administrative expenses - depreciation and impairment of property and equipment" on a straight line basis over their estimated useful lives. Depreciation periods for individual categories of assets are as follows:

Buildings and structures	20-50 years
Electronic machines and equipment	6-12 years
Tools and other equipment	4-12 years
Equipment, fixtures and fittings	4-6 years
Leasehold improvements	Period of the lease

_____ Land and assets under construction are not depreciated. The gain and loss arising on the disposal of property and equipment is determined based on its carrying value and is recognised in the profit and loss account line "Other operating expenses, net" in the year of disposal. Property and equipment costing less than CZK 13,000, technical improvements costing less than CZK 40,000 and intangible fixed assets costing less than CZK 60,000 are charged to the profit and loss account line "General administrative expenses" in the period of acquisition.

_____ The depreciation period of selected buildings and structures was extended from 30 years to 50 years to better reflect their estimated useful lives.

(h) Impairment of Assets

_____ Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The recoverable amount is the greater of the following amounts: the market value which can be recovered from the sale of an asset under normal conditions, net of selling costs, or the estimated future economic benefits arising from the use of the asset. The largest components of the Group's assets are periodically tested for impairment and temporary impairments are provisioned through the profit and loss account line "General administrative expenses - depreciation" or "Other operating expenses, net" in respect of assets under construction. Repairs are charged to the profit and loss account line "General administrative expenses - other administrative expenses" in the year in which the expenditure is incurred.

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

_____ In the normal course of business, the Group enters into credit related commitments which are recorded in off balance sheet accounts and primarily include guarantees, loan commitments and undrawn loan facilities. Provisions are made for estimated losses on these commitments on the same basis as set out at Note 4 (b) in respect of on balance sheet loan exposures.

(j) Provisions

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

(k) Shareholders' Equity

_____ The statutory reserve fund comprises funds that the Group is required to retain according to current legislation. Use of the statutory reserve fund is limited by legislation and the articles of the Bank. The fund is not available for distribution to the shareholders.

_____ On acquisition of a business when the acquirer and the acquiree are under common control, the difference between purchase price and net assets of the enterprise on the date of acquisition is recognised as a reduction in equity in "Retained earnings."

_____ Where the Bank or its subsidiaries purchase the Bank's treasury shares or obtain rights to purchase its treasury shares, the consideration paid including any attributable transaction costs net of income taxes, is shown as a deduction from total shareholders' equity. In selling treasury shares, the Bank recognises the difference between their selling price and cost as share premium.

(l) Accrued Interest

_____ Interest receivable and payable accrued on outstanding loan balances, debt securities and deposit products is reported within "Other assets" and "Other liabilities," respectively.

(m) Foreign Currency

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

(n) Interest Income and Interest Expense

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

(o) Fees and Commissions

_____ Fees and commissions are recognised in the profit and loss account lines "Fee and commission income" and "Fee and commission expense" on an accruals basis.

(p) Finance Lease Income

A Group Company as the Lessee

_____ Leases of property and equipment under which the Group assumes substantially all the rewards incidental to ownership (finance leases) are recognised in the balance sheet by recording an asset and liability equal to the present value of all future lease payments. Leasehold improvements on leased assets are depreciated in accordance with the

depreciation policy noted above. The depreciation period is the estimated useful life of the asset, or the lease term if shorter. Lease liabilities are reduced by repayments of principal, whilst the finance charge component of the lease payment is charged directly to the profit and loss account.

A Group Company as the Lessor

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

(q) Dividends

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

(r) Insurance Business

Insurance premiums are recognised in the accounting period in which they incept and are recorded in "Net insurance income." Provisions are established for unearned premiums which relate to periods after the balance sheet date. Amounts in respect of insurance business are shown net of reinsurance costs.

Financial placements representing assets of an insurance company which it uses to guarantee its payables arising from insurance and reinsurance activities are reported in a separate line "Financial placements of insurance companies" and other assets, including tangible and intangible assets, are presented in "Other assets". All other liabilities, except for provisions, are included in "Other liabilities". The pre-tax profit generated by Pojišťovna České spořitelny, a. s. is included in a separate profit and loss account line "Net insurance income".

(s) Pension Business

Contributions of participants, together with their appreciation, in pension funds are included in "Amounts owed to customers."

(t) Taxation

Tax on the profit or loss for the year comprises the current year tax charge, adjusted for deferred taxation. Current tax comprises the tax payable calculated on the basis of the taxable income for the year, using the tax rates enacted by the balance sheet date, and any adjustment of the tax payable for previous years.

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

The estimated value of tax losses expected to be available for utilisation against future taxable income and tax deductible temporary differences are offset against the deferred tax liability within the same

legal tax unit to the extent that the legal unit has legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred tax assets are recognised only to the extent that it is probable that sufficient taxable profit will be available to allow the asset to be recovered.

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

(u) Derivative Financial Instruments

Financial derivatives include foreign currency and interest rate swaps, currency forwards, forward rate agreements, foreign currency and interest rate options (both purchased and sold), futures and other derivative financial instruments. The Group uses various types of derivative instruments in both its trading and hedging activities.

Financial derivative instruments entered into for trading or hedging purposes are stated at fair value. Unrealised gains and losses are reported as "Securities and other assets held for trading" and "Other liabilities." Realised and unrealised gains and losses are recognised in "Net profit on financial operations" in the profit and loss account. Fair values of derivatives are based upon quoted market prices or pricing models which take into account current market and contractual prices of the underlying instruments, as well as time value and yield curve or volatility factors underlying the positions.

Certain derivatives embedded in other financial instruments are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with gains and losses reported in the profit and loss account.

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

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

If the Bank uses a fair value hedge, the hedged item is remeasured to fair value and the gain or loss from the remeasurement is recognised to expense or income as appropriate. The same accounts of expense and income that reflect the gain or loss from remeasuring the hedged item at

fair value are also used in accounting for changes in fair values of hedging derivatives that are attributable to the hedged risk.

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

(v) Assets under Administration

_____ Assets under administration are not included in these financial statements.

(w) Segment Reporting

_____ Segment information is based on two segment formats. The primary format represents two business segments – banking and other operations. The secondary format represents the Group's geographical markets.

_____ Segment results include revenue and expenses directly attributable to a segment and the relevant portion of revenue and expenses that can be allocated to a segment, whether from external transactions or from transactions with other segments of the Group. Inter-segment transfer pricing is based on cost plus an appropriate margin, as specified by Group policy. Unallocated items mainly comprise administrative expenses. Segment results are determined before any adjustments for minority interest.

_____ Segment assets and liabilities comprise those operating assets and liabilities that are directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment assets are determined after deducting related adjustments that are reported as direct offsets in the Group's balance sheet. Segment assets and liabilities do not include income tax items.

(x) Cash and Cash Equivalents

_____ The Group considers cash and deposits with the CNB, treasury bills with a residual maturity of three months or less, nostro accounts with financial institutions and loro accounts with financial institutions to be cash equivalents. For the purposes of determining cash and cash equivalents, the minimum reserve deposit with the CNB is not included as a cash equivalent due to restrictions on its availability.

(y) Changes in Accounting Policies for the Year Ended 31 December 2004

_____ Since 1 April 2004, the Group adopted IFRS 3 Business Combinations, based on which it ceased to amortise goodwill (refer to Note 4e). The impact of this change on the Group's profit or loss was immaterial.

_____ The Group uses an independent expert valuation to arrive at the fair value of shares for which the price published on a public market is not available.

_____ In the year ended 31 December 2004, the Group revised the presentation of the structure of net insurance income.

5. Companies Included in Consolidation

_____ The consolidated financial statements include the following subsidiaries:

Name of the company	Registered office	Principal activities	Group interest	
			2004	2003
brokerjet České spořitelny, a. s.	Prague	Investment services	51.0%	51.0%
CEE Property Development Portfolio B.V.	Netherlands	Investing in real estate	100.0%	-
CF Danube Leasing, s. r. o.	Slovakia	Leasing	100.0%	100.0%
CPDP2003, s. r. o	Prague	Investing in real estate	100.0%	-
CS Investment Limited	Guernsey	Investing and investment holding	100.0%	100.0%
Czech TOP Venture Fund B.V.	Netherlands	Management and corporate finance	84.3%	84.3%
Factoring České spořitelny, a. s.	Prague	Factoring	100.0%	100.0%
Gallery Myšák, a. s.	Prague	Investing in real estate	100.0%	-
Informatika České spořitelny, a. s.	Prague	IT services	100.0%	100.0%
Investiční společnost České spořitelny, a. s.	Prague	Investment management	100.0%	100.0%
Leasing České spořitelny, a. s.	Prague	Leasing	100.0%	100.0%
Pojišťovna České spořitelny, a.s	Pardubice	Insurance	55.3%	55.3%
Penzijní fond České spořitelny, a. s.	Prague	Pension fund	100.0%	100.0%
s Autoleasing, a. s.	Prague	Leasing	100.0%	-
Stavební spořitelna České spořitelny, a. s.	Prague	Building savings bank	95.0%	60.5%

(a) Penzijní fond České spořitelny, a. s.

_____ Up to 10 percent of the profits from the pension fund can be distributed to the shareholders and no less than 5 percent of the profits is allocated to the reserve fund. The shareholders incur the entire loss, if any. All other profit is available for distribution to participants (customers).

(b) Stavební spořitelna České spořitelny, a. s.

_____ In 2004, the Bank acquired 34.5 percent of the issued share capital of Stavební spořitelna České spořitelny, a. s. from Erste Bank der österreichischen Sparkassen AG (henceforth Erste Bank). The difference between the fair value of acquired assets and liabilities as of 11 November 2004 in the aggregate amount of CZK 664 million and the total purchase price of CZK 865 million was recognised against retained earnings in the shareholders' equity accounts. The purchase price was determined by an independent valuer.

_____ The structure of acquired assets and liabilities at the acquisition date was as follows:

	MCZK
Cash and cash equivalents	2,067
Other assets	21,356
Liabilities	(22,759)
Subtotal	664
Purchase price	(865)
Difference between purchase price and net assets at the acquisition date	(201)
Less: cash and cash equivalents	2,067
Net cash flow from the acquisition of the 34.5 percent shareholding	1,202

(c) Companies Consolidated since 2004

_____ For the year ended 31 December 2004, the consolidated financial statements have included, for the first time, the newly formed companies CEE Property Development Portfolio B.V., CPDP2003, s. r. o., Gallery Myšák, a. s. and sAutoleasing, a. s.

_____ The Bank fully consolidates the investments in the real-estate funds in its consolidated financial statements. While the Bank holds 20 percent of the issued share capital of the funds and does not have a majority of voting rights and Board representation, it has provided significant additional

funding to the funds for investment purposes which results in the Bank receiving substantially all of the returns and bearing substantially all of the risks of the investment. The second shareholder bears minimal risks and receives minimal returns from its investment in the funds.

(d) Unconsolidated Investments

_____ Consulting České spořitelny, a. s., Realitní společnosti České spořitelny, a. s., CDI Corporate Advisory, a. s., Czech and Slovak Property Fund B.V. and CS Property Investment Limited are excluded from consolidation due to immateriality.

_____ The aggregate value of unconsolidated assets of the entities referred to above was CZK 117 million as of 31 December 2004.

6. Cash and Balances with the CNB

MCZK	2004	2003
Cash	13,300	14,344
Nostro accounts with the CNB	700	572
Minimum reserve deposit with the CNB	4,128	7,797
Total	18,128	22,713

_____ Minimum reserve deposits represent mandatory deposits calculated in accordance with regulations promulgated by the CNB, and whose withdrawal is restricted. The nostro balances represent balances with the CNB relating to settlement activities and were available for withdrawal at the year-end.

7. Loans and Advances to Financial Institutions

MCZK	2004	2003
Nostro accounts	835	860
Loans and advances to financial institutions	42,463	51,918
Placements with financial institutions	33,814	29,343
Total	77,112	82,121

_____ As of 31 December 2004, the Bank provided certain financial institutions with loans of CZK 37,899 million (2003: CZK 46,387 million) under reverse repurchase transactions which were collateralised by securities amounting to CZK 37,435 million (2003: CZK 45,453 million).

8. Amounts Due from Česká konsolidační agentura

_____ With effect from 1 September 2001, Konsolidační banka Praha, s.p.ú. was transformed into Česká konsolidační agentura ('ČKA') pursuant to Act 239/2001 Coll. This entity's receivables has has been included into the government sector and are guaranteed by the State pursuant to the Act referred to above.

MCZK	2004	2003
Amounts due from Česká konsolidační agentura	25,843	36,744

_____ As of 31 December 2004, the Group had loans of CZK 18,600 million related to the loan portfolio restructuring effected by the State with ČKA's assistance (2003: CZK 27,928 million). These loans will fall due for repayment in the period from 2005 through 2009.

9. Loans and Advances to Customers

_____ The following table shows a breakdown of the loan balance by type of loan:

MCZK	2004	2003
Corporate loans	81,946	81,435
Mortgage loans	55,625	33,564
Retail loans	58,471	48,830
Public sector loans excluding mortgages	10,519	7,691
Finance leasing	6,885	6,639
Total	213,446	178,159

_____ The principal loans and advances to customers are held by the Bank. The following tables summarise information about the Bank's credit portfolio.

Industry Sector Analysis

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

MCZK	2004	2003
Non-financial institutions	74,572	69,105
Financial institutions	19,809	20,831
Government sector	12,287	9,001
Not-for-profit organisations	260	806
Households (self employed)	1,899	1,491
Resident individuals	69,647	58,074
Other	10,115	8
Total (only for the Bank)	188,589	159,316
Intra-group loans and advances	(990)	(574)
Loans and advances of other group companies	25,847	19,417
Total	213,446	178,159

_____ As of 31 December 2004, the Bank provided certain customers with loans of CZK 541 million (2003: CZK 1,310 million) under reverse repurchase transactions which were collateralised by securities amounting to CZK 526 million (2003: CZK 1,501 million).

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

_____ The gross exposures shown above include outstanding interest related to non-performing loans that are overdue by greater than 90 days in the aggregate amount of CZK 1,601 million (2003: CZK 1,456 million). The gross exposures additionally include loans in the aggregate amount of CZK 2,932 million (2003: CZK 2,553 million) on which interest is no longer accrued.

Finance Leases

_____ Loans and advances to customers also include net investments in finance leases.

MCZK	2004	2003
Gross investment in finance leases	7,749	8,049
Of which: Less than 1 year	3,854	4,757
From 1 year to 5 years	3,766	3,277
Over 5 years	129	15
Unearned income	(864)	(1,410)
Subtotal	6,885	6,639
Provision	(1,420)	(1,089)
Net investment in finance leases	5,465	5,550
Of which: Less than 1 year	2,721	3,278
From 1 year to 5 years	2,653	2,262
Over 5 years	91	10

_____ The principal assets held under lease arrangements include cars and other technical equipment.

10. Provisions for Losses on Loans and Advances**(a) Composition of Provisions for Losses on Loans and Advances**

MCZK	2004	2003
Loans and advances to customers	6,098	5,793
Other risks from losses on loans and advances	1,068	1,863
Total provisions for losses on loans and advances	7,166	7,656

(b) Creation and Use of Provisions for Losses on Loans and Advances

MCZK	2004	2003
At 1 January	7,656	17,545
Net charge/(release) of provisions	272	(1,930)
Use of provisions for loans written off and assigned	(742)	(7,957)
Reclassification and FX differences from provisions in foreign currency	(20)	(2)
At 31 December	7,166	7,656

11. Securities and Other Assets Held for Trading

MCZK	2004	2003
Listed debt securities and other fixed income securities	13,597	38,467
Listed equity securities and other variable yield securities	1,607	1,305
Financial derivatives with positive fair value (Note 36)		
- Currency	4,521	3,682
- Interest rate	10,685	9,740
- Other	-	2
Total	30,410	53,196

_____ Debt securities and other fixed income securities held for trading include Government treasury bills and treasury bills of the CNB in the aggregate amount of CZK 912 million (2003: CZK 13,981 million) and Government bonds in the aggregate amount of CZK 3,349 million (2003: CZK 8,656 million) which may be used for refinancing with the CNB (the amounts shown above do not reflect securities that were transferred to collateralise loans received under repurchase transactions).

_____ Debt securities and other fixed income securities comprise:

MCZK	2004	2003
Variable yield debt securities		
Issued in CZK	103	152
Issued in other currencies	1,169	1,612
Total	1,272	1,764
Fixed income debt securities		
Issued in CZK	7,350	26,212
Issued in other currencies	4,975	10,491
Total	12,325	36,703
Total debt securities	13,597	38,467

_____ Equity securities and other variable yield securities comprise:

MCZK	2004	2003
Shares and share certificates		
Issued in CZK	1,273	911
Issued in other currencies	334	394
Total	1,607	1,305

_____ Debt securities held for trading and other fixed income securities were issued by:

MCZK	2004	2003
Debt securities issued by		
State institutions in the Czech Republic	8,288	25,974
Financial institutions in the Czech Republic	32	1,314
Foreign financial institutions	3,829	5,670
Other entities in the Czech Republic	311	463
Other foreign entities	1,137	5,046
Total	13,597	38,467

_____ Equity securities and other variable yield securities held for trading were issued by the following issuers:

MCZK	2004	2003
Shares and share certificates issued by		
Financial institutions in the Czech Republic	-	-
Foreign financial institutions	1,600	-
Other entities in the Czech Republic	7	1
Foreign entities	-	1,304
Total	1,607	1,305

12. Securities Available for Sale

MCZK	2004	2003
Debt securities and other fixed income securities		
Listed	33,435	23,535
Unlisted	-	206
Equity securities and other variable yield securities		
Listed	3,253	3,253
Unlisted	1,319	506
Total	38,007	27,500

_____ Debt securities and other fixed income securities include Government treasury bills and treasury bills of the CNB in the aggregate amount of CZK 13,839 million (2003: CZK 7,332 million) which may be used for refinancing with the CNB (the amounts shown above do not reflect securities that were transferred to collateralise loans received under repurchase transactions). In 2004, debt securities additionally include securitised securities of CZK 757 million.

_____ Listed equity securities and other variable yield securities include shares issued by the parent company, Erste Bank amounting to CZK 74 million (2003: CZK 125 million).

_____ Unlisted equity securities and other variable yield securities include equity investments and holdings that are not participating interests with controlling or significant influence in the aggregate amount of CZK 783 million (2003: CZK 157 million). The increase in the balance in 2004 is predominantly attributable to the revaluation of the shares of Českomoravská záruční a rozvojové banka, a. s. in the amount of CZK 615 million (refer to Note 32) from CZK 65 million to CZK 680 million.

_____ Debt securities and other fixed income securities comprise:

MCZK	2004	2003
Variable yield debt securities		
Issued in CZK	1,796	2,326
Issued in other currencies	4,177	2,067
Total	5,973	4,393
Fixed income debt securities		
Issued in CZK	19,986	16,413
Issued in other currencies	7,476	2,935
Total	27,462	19,348
Total debt securities	33,435	23,741

_____ Equity securities and other variable yield securities comprise:

MCZK	2004	2003
Shares and share certificates		
Issued in CZK	1,412	1,091
Issued in other currencies	3,160	2,668
Total	4,572	3,759

_____ Debt securities available for sale were issued by the following issuers:

MCZK	2004	2003
Debt securities issued by		
State institutions in the Czech Republic	19,809	14,522
Foreign state institutions	2,310	2,866
Financial institutions in the Czech Republic	225	2,151
Foreign financial institutions	9,819	3,695
Other entities in the Czech Republic	420	507
Other foreign entities	852	-
Total	33,435	23,741

_____ Equity securities and other variable yield securities available for sale were issued by the following issuers:

MCZK	2004	2003
Shares and share certificates issued by		
Financial institutions in the Czech Republic	1,262	714
Other entities in the Czech Republic	30	252
Foreign financial institutions	3,099	125
Other foreign entities	181	2,668
Total	4,572	3,759

13. Securities and Other Assets Held to Maturity

MCZK	2004	2003
Debt securities and other fixed income securities		
Listed	135,274	112,175
Unlisted	1,296	928
Equity investments		
Subsidiaries and associates excluded from consolidation	460	363
Total	137,030	113,466

_____ Listed debt securities and other fixed income securities include Government treasury bills and treasury bills of the CNB of CZK 989 million (2003: CZK 998 million) and Government bonds of CZK 65,201 million (2003: CZK 41,983 million) which may be used for refinancing with the CNB (the amounts shown above do not reflect securities that were transferred to collateralise loans received under repurchase transactions).

_____ The portfolio additionally comprises bonds issued by the parent company, Erste Bank at a cost of CZK 5,623 million (2003: CZK 5,617 million). The portfolio also includes debt securities and other fixed income securities acquired under initial offerings in the aggregate amount of CZK 31,492 million (2003: CZK 12,529 million).

_____ Debt securities include credit linked notes of CZK 646 million.

_____ Debt securities held to maturity comprise:

MCZK	2004	2003
Variable yield debt securities		
Issued in CZK	13,384	9,182
Total	13,384	9,182
Fixed income debt securities		
Issued in CZK	121,425	103,921
Issued in other currencies	1,761	-
Total	123,186	103,921
Total debt securities	136,570	113,103

_____ Debt securities held to maturity were issued by the following issuers:

MCZK	2004	2003
Debt securities issued by		
State institutions in the Czech Republic	89,281	73,111
Foreign state institutions	1,761	3,186
Financial institutions in the Czech Republic	8,036	3,007
Foreign financial institutions	34,982	26,606
Other entities in the Czech Republic	1,950	5,694
Other foreign entities	560	1,499
Total	136,570	113,103

14. Financial Placements of Insurance Companies

_____ Financial placements of insurance companies comprise the following types of assets:

MCZK	2004	2003
Loans and advances to financial institutions	33	32
Securities available for sale		
Listed debt securities and other fixed income securities	5,170	5,365
Shares and share certificates	494	588
- Listed	434	588
- Unlisted	60	-
Total	5,664	5,953
Securities held to maturity		
Listed debt securities and other fixed income securities	6,433	3,225
Real estate	49	54
Total	12,179	9,264

15. Intangible Fixed Assets

MCZK	Goodwill	Software	Other	Total
Cost				
1 January 2003	28	1,653	4,424	6,105
Additions	-	637	1,065	1,702
Disposals	-	(304)	(388)	(692)
31 December 2003	28	1,986	5,101	7,115
1 January 2004	28	1,986	5,101	7,115
Additions	-	663	1,767	2,430
Disposals	-	(27)	(880)	(907)
31 December 2004	28	2,622	5,988	8,638
Accumulated amortisation and provisions				
1 January 2003	(13)	(1,080)	(723)	(1,816)
Additions	(4)	(298)	(686)	(988)
Provision for impairment	-	-	(450)	(450)
Disposals	-	(55)	214	159
31 December 2003	(17)	(1,433)	(1,645)	(3,095)
1 January 2004	(17)	(1,433)	(1,645)	(3,095)
Additions	-	(340)	(893)	(1,233)
Provision for impairment	-	-	30	30
Disposals	-	24	13	37
31 December 2004	(17)	(1,749)	(2,495)	(4,261)
Net book value				
31 December 2004	11	873	3,493	4,377
31 December 2003	11	553	3,456	4,020

_____ The balances as of 31 December 2004 shown above include CZK 1,962 million (2003: CZK 1,505 million) in assets under construction.

_____ The provision was recognised in respect of an impairment of assets under construction relating to the purchase of licences to operate an information system.

_____ As disclosed in Notes 4(e) and 4(y), the Group adopted IFRS 3 in 2004 and hence discontinued the amortisation of goodwill.

16. Property and Equipment

MCZK	Land and buildings	Equipment, fixtures and fittings	Total
Cost			
1 January 2003	17,800	12,464	30,264
Additions	462	3,316	3,778
Disposals	(301)	(4,426)	(4,727)
31 December 2003	17,961	11,354	29,315
1 January 2004	17,961	11,354	29,315
Additions	822	1,402	2,224
Disposals	(1,889)	(1,446)	(3,335)
31 December 2004	16,894	11,310	28,204
Accumulated depreciation and provisions			
1 January 2003	(4,779)	(8,090)	(12,869)
Additions	(676)	(1,237)	(1,913)
Provision for impairment	(129)	-	(129)
Disposals	106	2,066	2,172
31 December 2003	(5,478)	(7,261)	(12,739)
1 January 2004	(5,478)	(7,261)	(12,739)
Additions	(538)	(1,379)	(1,917)
Provision for impairment	564	-	564
Disposals	652	956	1,608
31 December 2004	(4,800)	(7,684)	(12,484)
Net book value			
31 December 2004	12,094	3,626	15,720
31 December 2003	12,483	4,093	16,576

_____ The balances as of 31 December 2004 shown above include CZK 813 million (2003: CZK 807 million) in assets under construction.

_____ On 27 February 2004, 60 sale contracts for the sale of real estate were entered into. Subsequently, on 5 March 2004, 22 lease contracts for the leaseback of non-residential premises in the context of maintaining the Bank's existing branches and/or retaining ATMs in certain of the sold buildings were entered into.

_____ During 2004, following the registration of ownership title in the Real Estate Register, a set of real estate in the aggregate net book value of CZK 1,231 million was derecognized. As of 31 December 2004, ownership title underlying 59 real estate passed to the buyer. In connection with the derecognition of the real estate from the Bank's books, aggregate provisions of CZK 632 million recognised as of 31 December 2003 as equal to the difference between the contracted selling price and net book value of assets at 31 December 2004 were used in 2004. The impact on profit or loss arising from the release of provisions was CZK 18 million.

_____ In 2004, the Group recorded aggregate provisions of CZK 213 million (2003: CZK 25 million) against assets that are deemed impaired.

17. Deferred Income Taxes

_____ Deferred income tax is calculated from all temporary differences under the liability method using a principal tax rate of 26 percent (2003: 28 percent), 5 percent for Penzijní fond České spořitelny, a. s. (2003: 15 percent) and 19 percent for CF Danube Leasing s. r. o.

_____ Deferred income tax assets (liabilities) are as follows:

MCZK	2004	2003
Balance at the beginning of the year	180	779
Charge for the year	(398)	(599)
Net balance at the end of the year	(218)	180

_____ The deferred tax (charge)/credit in the profit and loss account comprises the following temporary differences:

MCZK	2004	2003
Tax losses carried forward	(1)	(163)
Provisions and reserves	(1)	(513)
Accelerated depreciation	(227)	98
Change in the tax rate (2004: from 28 percent to 26 percent, 2003: from 31 percent to 28 percent)	31	(22)
Other temporary differences	(200)	1
Total (Note 33)	(398)	(599)

_____ Deferred income tax assets and liabilities are attributable to the following items:

MCZK	2004	2003
Deferred tax assets		
Tax losses carried forward	13	20
Non-tax deductible reserves and provisions	314	338
	327	358
Deferred tax asset adjustment (net of liabilities)	(227)	(172)
Total deferred tax asset (Note 18)	100	186
Deferred tax liabilities		
Accelerated depreciation for tax purposes	(377)	(178)
Other temporary differences	(168)	-
	(545)	(178)
Deferred tax liability adjustment (net of assets)	227	172
Total deferred tax liability (Note 23)	(318)	(6)
Net deferred tax asset	(218)	180

18. Other Assets

MCZK	2004	2003
Accrued income	8,541	8,328
Of which:		
- Interest on loans and advances to financial institutions	257	251
- Interest on loans and advances to customers, including ČKA	512	517
- Coupons on bonds	4,168	4,227
- State support	3,503	3,320
- Other	101	13
Deferred expenses	668	1,118
Deferred tax asset (Note 17)	100	186
Various receivables	1,900	4,841
Fair value of hedging derivatives	207	138
Other assets	3,849	3,662
Other assets from insurance services	43	1,041
Total	15,308	19,314

_____ The receivable from state subsidy totalling CZK 3,503 million (2003: CZK 3,320 million) involves claims in respect of the participants of the construction savings scheme offered by the Bank's subsidiary Stavební spořitelna České spořitelny, a. s. The state subsidy is provided to the participants from the Finance Ministry of the Czech Republic (MF CR) based on the amount of customer deposits at the year-end with a limit of CZK 4,500/CZK 3,000 (for contracts entered into subsequent to 1 January 2004) per participant (refer to Note 20).

_____ In 2003, various receivables included an amount receivable from AB Banka totalling CZK 2,551 million arising from the cession of receivables from clients of this bank. The Bank received a prepayment of CZK 2,800 million from the Czech National Bank and the Czech Finance Ministry in respect of this receivable. This receivable was settled in 2004.

19. Amounts Owed to Financial Institutions

MCZK	2004	2003
Loro accounts	182	131
Other	32,723	29,510
Total	32,905	29,641

_____ As of 31 December 2004, the Bank received from other financial institutions loans of CZK 12,100 million (2003: CZK 2,357 million) under repurchase transactions which were collateralised by securities amounting to CZK 11,739 million (2003: CZK 2,295 million).

20. Amounts Owed to Customers

MCZK	2004	2003
Repayable on demand	247,688	201,565
Other deposits	197,083	227,007
Total	444,771	428,572

_____ As of 31 December 2004, the Bank received from customers loans of CZK 560 million (2003: CZK 5,623 million) under repurchase transactions which were collateralised by securities amounting to CZK 554 million (2003: CZK 5,633 million).

_____ Other deposits include a payable of CZK 3,503 million (2003: CZK 3,320 million) arising from state subsidy claims in respect of building savings programme participants (refer to Note 18).

_____ Analysis of amounts owed to customers:

MCZK	2004	2003
Savings deposits	178,785	174,159
Other amounts owed to customers		
- Public sector	25,615	23,953
- Corporate clients	60,977	61,090
- Retail clients	166,976	159,871
- Other	12,418	9,499
Total	444,771	428,572

21. Bonds in Issue

	ISIN	Date of issue	Maturity date	Interest rate	2004 MCZK	2003 MCZK
Mortgage bonds	CZ0002000201	November 2002	November 2007	5.80%	2,678	2,735
Mortgage bonds	CZ0002000235	March 2003	March 2008	5.20%	3,191	3,283
Mortgage bonds	CZ0002000276	August 2003	August 2008	4.50%	2,678	2,629
Mortgage bonds	CZ0002000342	April 2004	April 2009	3.50%	307	-
Mortgage bonds	CZ0002000409	August 2004	August 2009	3.60%	438	-
Bonds	CZ0003700759	February 2004	February 2008	1.00%	102	-
Bonds	CZ0003700767	February 2004	February 2014	3.51%	1,502	-
Depository bills of exchange					8,753	7,370
Total					19,649	16,017

_____ Of the aggregate carrying value of the mortgage bonds, CZK 8,447 million was hedged against interest rate risk through interest rate swaps linked to a market floating rate. In accordance with applicable accounting policies, these mortgage bonds are remeasured at fair value.

_____ Bonds issues were placed with an embedded derivative. The ISIN CZ0003700767 issue of bonds is remeasured at fair value because it is hedged against interest rate risk and an early repayment option is attached to the bond.

22. Provisions for Liabilities and Other Reserves

(a) Structure of Provisions and Other Reserves

	2004	2003
Provision for other credit risks	2,021	1,369
Provision for off balance sheet credit risks	190	584
Insurance technical provisions	9,288	8,918
Other reserves	359	482
Total	11,858	11,353

(b) Charge for and Use of Provisions

MCZK	2004	2003
Balance at 1 January	11,353	8,533
Charge for provisions	5,569	7,907
Use of provisions	(1,890)	(4,634)
Release of provisions	(3,174)	(453)
Balance at 31 December	11,858	11,353

(c) Provisions for Other Credit Risks and Off Balance Sheet Credit Exposures

_____ Provisions for other credit risks and off balance sheet credit exposures are recorded to cover specific risks arising from pending legal disputes relating to loan transactions and to cover losses that result from off balance sheet and other exposures.

MCZK	2004	2003
Balance at 1 January	1,953	1,950
Charge for provisions	832	344
Use of provisions	(27)	-
Release of provisions	(547)	(341)
Balance at 31 December	2,211	1,953

23. Other Liabilities

MCZK	2004	2003
Financial derivatives with negative fair value (Note 36)	12,567	12,070
Of which: Foreign currency	1,317	1,886
Interest rate hedging	91	107
Interest rate non-hedging	11,137	10,077
Other	22	-
Accrued expenses	404	201
Of which: Interest on amounts owed to financial institutions	48	48
Interest on amounts owed customers	68	68
Interest on bonds in issue	282	32
Other	6	53
Deferred income	105	68
Short sales	5,535	1,441
Various creditors	1,111	4,875
Liabilities from factoring transactions	3,428	1,800
Payables from securities trading	441	5,286
Other liabilities	5,051	5,920
Income tax liability	2,275	2,369
Deferred income tax liability (Note 17)	318	6
Total	31,235	34,036

_____ In 2003, various creditors included a prepayment of CZK 2,800 million received from the Czech National Bank and the Czech Finance Ministry to cover an amount due from AB Banka arising from the cession of receivables from clients of this bank. This prepayment was settled in 2004.

24. Minority Interests

MCZK	2004	2003
Balance at 1 January	1,390	1,131
Minority interest in the current year's profit	1,086	177
Acquisition of minority interest	(664)	-
Dividends paid to minority shareholders	(119)	-
Minority interests in the companies newly included in consolidation, increase in capital and foreign exchange differences	4	82
Balance at 31 December	1,697	1,390

Minority interest in the current year's profit is predominantly attributable to the sale of the non-life insurance business of Pojišťovna České spořitelny, a. s. (refer to Note 2). The acquisition of minority interest represents the difference between the fair value of assets and liabilities acquired from the minority shareholders of Stavební spořitelna České spořitelny, a. s. (refer to Note 5b).

25. Share Capital

Authorised, called-up and fully paid share capital was as follows:

	2004		2003	
	Number of shares	MCZK	Number of shares	MCZK
Ordinary shares of CZK 100 each	140,788,787	14,079	140,788,787	14,079
Priority shares of CZK 100 each	11,211,213	1,121	11,211,213	1,121
Total	152,000,000	15,200	152,000,000	15,200

Priority shareholders are not entitled to vote at the annual shareholders' meeting. They have a right to receive dividends each year if the Bank is profitable. The amount of the dividend is proposed by the Board of Directors and subject to approval at the annual shareholders' meeting. In the case of liquidation, priority shareholders have a right to the assets of the Bank before ordinary shareholders but after other creditors. Priority shareholders have a right to purchase shares offered by the Bank when it increases its share capital in the same proportion as the current holding. Priority registered shares can be issued only to municipalities and local governments in the Czech Republic. The priority registered shares can be transferred to entities other than municipalities and local governments of the Czech Republic only subject to the approval of the Board of Directors.

26. Interest Income and Similar Income

MCZK	2004	2003
Loans and advances to financial institutions	2,522	3,393
Loans and advances to customers	13,224	12,541
Debt securities and other fixed income securities	7,342	6,494
Fair value of hedging derivatives	108	101
Other interest income and similar income	-	29
Proceeds from shares and other variable yield securities	222	195
Total	23,418	22,753

27. Interest Expense and Similar Expense

MCZK	2004	2003
Amounts owed to financial institutions	908	946
Amounts owed to customers	4,744	5,402
Bonds in issue	116	84
Subordinated debt	-	229
Fair value of hedging derivatives	334	218
Other	10	-
Total	6,112	6,879

28. Provisions for Credit Risks

MCZK	2004	2003
Charge for the year	(3,430)	(2,423)
Release of provisions	2,869	4,362
Net (charge)/release of provisions	(561)	1,939
Write-offs of loans not covered by provisions	(3)	(8)
Recoveries	59	39
Total	(505)	1,970

29. Net Profit on Financial Operations

MCZK	2004	2003
Realised and unrealised profit on securities held for trading	500	70
Derivative instruments	(520)	(31)
Foreign exchange trading	1,016	1,059
Other	193	172
Total	1,189	1,270

30. General Administrative Expenses

(a) Composition of General Administrative Expenses

MCZK	2004	2003
Staff costs		
Wages and salaries	5,067	4,985
Social security costs	1,812	1,796
Other staff costs	89	77
Total staff costs	6,968	6,858
Other administrative expenses		
Data processing expenses	1,699	1,498
Building maintenance and rent	1,439	1,271
Costs of business transactions	894	890
Advertising and marketing	726	686
Advisory and legal services	329	460
Other administrative expenses	612	384
Total other administrative expenses	5,699	5,189
Depreciation		
Amortisation of intangible assets (Notes 15)	1,233	984
Depreciation and impairment of property and equipment (Note 16)	1,917	2,042
Total depreciation, amortisation and impairment	3,150	3,026
Total	15,817	15,073

(b) Board of Directors and Supervisory Board Emoluments

MCZK	2004	2003
Salaries	123	132
Bonuses	-	1
Total	123	133

(c) Average Number of Employees and Board Members

	2004	2003
Board of Directors	7	8
Supervisory Board	12	12
Staff	11,805	12,823

_____ With a view to fostering loyalty of the Bank's key employees and attracting new key managers, the Supervisory Board of Erste Bank, resolved, based upon authorisation given by the General Meeting of Shareholders dated 8 May 2001, to implement an Employee Erste Bank Stock Ownership Programme ('ESOP') and a Management Erste Bank Stock Option Programme ('MSOP') within the Group.

_____ All employees of the Bank and its subsidiary companies were entitled to subscribe for shares under the Employee Stock Ownership Programme. Each employee was entitled to subscribe for a maximum of 100 shares. The price of one share was established on the basis of the average rate in April 2004 decreased by a 20 percent discount. The 20 percent discount is conditional upon the shares being held for a period of one year. A total of 150 employees (2003: 219) participated in the programme and subscribed for 7,998 shares (2003: 14,900).

_____ Management of the Bank and its subsidiary companies and selected key employees were granted the second tranche of options for subscription of shares under the Management Erste Bank Stock Option Plan 2004. In the year ended 31 December 2004, approximately 50,750 options (2003: 77,800) were granted to these employees. The following tranche of the programme in 2005 will be approximately of the same size. These options entitle

the holders to acquire Erste Bank's shares for the average price of shares ruling in March 2002 (EUR 66), within five years from the issuance of each tranche of the options. 35,880 options (2003: 768 options) granted under the first tranche in 2002 and 31,060 options granted under the second tranche in 2003 were exercised in the year ended 31 December 2004.

_____ The aggregate amount of the discount in respect of both programmes was CZK 5 million (2003: CZK 7 million) and was reported within "General administrative expenses – other staff costs".

31. Net Insurance Income

MCZK	2004	2003
Net earned premium	3,073	4,931
Costs of insurance claims	(684)	(1,307)
Change in technical provisions	(1,997)	(2,912)
Operating expenses	(422)	(784)
Other gains (losses) on insurance transactions	(13)	88
Technical account result	(43)	16
Financial gains	407	193
Other income of the non-technical account	10	-
Total net insurance income	374	209

32. Other Operating Expenses, NET

MCZK	2004	2003
Release of other reserves	295	127
Gain on the sale of real estate	102	-
Rental received	125	142
Income from other services	95	132
Received compensation for deficits and damage	87	144
Release of provisions against non-credit receivables	85	57
Income from statute-barred deposits	62	-
Other operating income	225	373
Total other operating income	1,076	975
Charges for other reserves	(276)	(101)
Contribution to the Deposit Insurance Fund	(731)	(354)
Charge for provisions against assets under construction	-	(450)
Write-off of assets under construction	-	(248)
Profit share of customers of Penzijní fond České spořitelny, a. s.	(387)	(207)
Loss on the sale of real estate	(111)	-
Deficits and damage, fines and penalties	(140)	(71)
Charge for provisions against non-credit receivables	(107)	(214)
Sponsorship contributions	(265)	(188)
Other operating expenses	(455)	(467)
Other taxes	(49)	(35)
Total other operating expense	(2,521)	(2,335)
Income from revaluation/sale of securities available for sale	1,399	142
Expense of revaluation/sale of equity investments	(52)	(6)
Total other operating expenses, net	(98)	(1,224)

Income from revaluation of securities available for sale includes the remeasurement of the shares of Českomoravská záruční a rozvojová banka, a. s. on the basis of an independent expert valuation report (refer to Note 4y) in the amount of CZK 615 million.

33. Income Tax Expense

MCZK	2004	2003
Current tax expense	3,647	2,550
Deferred tax expense (Note 17)	398	599
Total	4,045	3,149

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the basic tax rate of the home country of the parent company as follows:

MCZK	2004	2003
Profit before tax	13,780	10,941
Tax calculated at a tax rate of 28 percent (2003: 31 percent)	3,858	3,392
Income not subject to tax	(1,110)	(1,645)
Expenses not deductible for tax purposes	938	1,113
Tax allowances and credits, including the utilisation of tax losses	(85)	(197)
Other differences	46	(113)
Subtotal	3,647	2,550
Movement in deferred taxation (Note 17)	398	599
Income tax expense	4,045	3,149

Further information about deferred income tax is presented in Note 17.

34. Cash and Cash Equivalents

Cash and cash equivalents at the end of the financial year as shown in the consolidated statements of cash flows are composed of the following balances:

MCZK	2004	2003
Cash (Note 6)	13,300	14,344
Nostro accounts with the CNB (Note 6)	700	572
Treasury bills with maturity of less than three months	10,432	15,658
Nostro accounts with financial institutions (Note 7)	835	860
Loro accounts with financial institutions (Note 19)	(182)	(131)
Total cash and cash equivalents	25,085	31,303

35. Financial Instruments

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

Financial instruments may result in certain risks to the Group. The most significant risks facing the Group include:

Credit Risk

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

Market Risk

_____ The Group takes on exposure to market risks. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. In addition to the calculation of sensitivities to individual risk factors, the Group applies the 'value at risk' methodology ('VaR') to estimate the market risk of positions held and the maximum losses expected. The Board of Directors establishes a VaR limit as the Bank's maximum exposure to market risk that may be accepted. Sub-limits placed on sensitivity values and VaR in respect of individual trading desks enable the managing of the overall market risk profile. These limits are approved by the Financial Market and Risk Management Committee, are monitored on a daily basis and exposures are reported.

Foreign Currency Risk

_____ Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group manages this risk by establishing and monitoring limits on open positions, also including delta equivalents of currency options. In addition to monitoring limits, the Group uses the 'value at risk' concept for measuring its open positions taken in respect of all currency instruments. The Group's net open foreign exchange position as of 31 December 2004 is shown in Note 37.

Interest Rate Risk

_____ Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Group manages its interest rate risk through monitoring the repricing dates of the Group's assets and liabilities and developing models showing the potential impact that changes in interest rates may have on the Group's net interest income. Refer to Note 38.

Liquidity Risk

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

_____ In addition to the risks noted above, the Group deals in derivative financial instruments which are discussed in greater detail in Note 36.

36. Off Balance Sheet Items and Derivative Financial Instruments

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

(a) Contingent Liabilities**Legal Disputes**

_____ At the balance sheet date the Group was involved in various claims and legal proceedings of a nature considered normal to its business. The Czech legal environment is still evolving, legal disputes are costly and their outcome unpredictable. Many parts of the legislation remain untested and there is uncertainty about the interpretation that courts may apply in a number of areas. The impact of these uncertainties cannot be quantified and will only be known as the specific legal disputes in which the Group is named are resolved.

_____ The Group is involved in various claims and legal proceedings of a special nature. The Bank also defends against various legal actions relating to contractual disputes. The Bank does not disclose the details underlying the disputes as the disclosure may have an impact on the outcome of the disputes and may seriously harm the Group's interests.

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

_____ On 2 April 2004, the Antimonopoly Office initiated administrative proceedings against all construction savings banks. The proceedings resulted in a ruling whereby the Antimonopoly Office instructed Stavební spořitelna České spořitelny, a. s. ('SSČS') to pay a penalty of CZK 94 million, refrain from the fulfilment of the banned and invalid agreement to exchange information (data about the transactions of construction savings banks for the past month), refrain from acting in concert in determining fees related to the construction savings scheme, remove differences in fees for construction savings account maintenance with respect to new and old construction savings contracts and set the amount of fees for account maintenance to the level effective prior to 1 April 1999. SSČS, as well as the other parties to the proceedings, filed an appeal against the ruling on 10 September 2004. Pursuant to the principles of prudential business arising from applicable legislation, SSČS has recorded a provision of CZK 94 million for the penalty assessed by the first-instance ruling of the Antimonopoly Office.

Taxation

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

Assets Pledged

_____ Assets are pledged as collateral under repurchase agreements with other banks and customers in the amount of CZK 10,036 million (2003: CZK 7,928 million). Of this balance, treasury bills amount to CZK 0 million (2003: CZK 5,243 million), and debt securities to CZK 10,036 million (2003: CZK 2,685 million). Mandatory reserve deposits are also held with the local central bank in accordance with statutory requirements (refer to Note 6). These deposits are not available to finance the Group's day to day operations.

Commitments from Guarantees and Letters of Credit

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

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

_____ Guarantees, irrevocable letters of credit and undrawn loan commitments are subject to similar credit risk monitoring and credit policies as utilised in the extension of loans. Management of the Group believes that the market risk associated with guarantees, irrevocable letters of credit and undrawn loans commitments is minimal.

_____ The Group has recorded provisions for off balance sheet risks to cover potential losses that may be incurred in connection with these off balance sheet transactions. As of 31 December 2004, the aggregate balance of these provisions was CZK 190 million (2003: CZK 584 million). Refer to Note 22.

MCZK	2004	2003
Guarantees and letters of credit	12,623	7,287
Undrawn loan commitments	66,519	55,741

(b) Derivatives

_____ The Group maintains strict control limits on net open derivative positions, ie, the difference between purchase and sale contracts, by both amount and term. At any one time the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Group (ie,

assets), which in relation to derivatives is only a small fraction of the contract or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the Group requires margin deposits from counterparties.

_____ All derivatives are stated at fair value on the balance sheet as of 31 December 2004 and 2003 (refer to Notes 11 and 23).

(c) Foreign Currency Contracts

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

_____ Foreign currency contracts are used by the Group for risk management and trading purposes.

Notional amounts MCZK	2004	2003
<i>Trading instruments</i>		
Commitments to purchase	52,471	105,255
Commitments to sell	52,235	104,981

(d) Interest Rate Swaps

_____ Interest rate swap contracts obligate two parties to exchange one or more payments calculated by reference to fixed or periodically reset rates of interest applied to a specific notional principal amount. Notional principal is the amount upon which interest rates are applied to determine the payment streams under interest rate swaps. Such notional principal amounts often are used to express the volume of these transactions but are not actually exchanged between the counterparties. The Group's interest rate swaps were principally transacted for propriety trading purposes, to hedge customer-oriented transactions or to hedge against interest rate risk.

_____ The Bank has applied hedge accounting in respect of the interest rate exposure arising from its own issue of mortgage bonds. The mortgage bonds issued with a fixed interest rate were linked to a floating market rate through interest rate swaps. Aggregate gains on the changes in fair values of hedged bonds and hedging swaps were CZK 0 million as of 31 December 2004 (2003: CZK 3 million).

As of 31 December 2004		Weighted average rate	
Notional amounts	MCZK	Receive	Pay
<i>Hedging instruments</i>			
Residual maturity:			
- 1 year or less	57	4.45%	5.12%
- 1 to 5 years	7,760	2.78%	3.52%
- over 5 years	1,500	2.71%	6.54%
Total	9,317	2.78%	4.01%
<i>Trading instruments</i>			
Residual maturity:			
- 1 year or less	99,969	3.35%	3.43%
- 1 to 5 years	245,054	3.62%	3.18%
- over 5 years	127,335	3.90%	3.51%
Total	472,358	3.64%	3.32%

As of 31 December 2003	Weighted average rate		
Notional amounts	MCZK	Receive	Pay
Hedging instruments			
Residual maturity:			
- 1 year or less	41	4.45%	4.12%
- 1 to 5 years	7,500	2.11%	3.49%
Total	7,541	2.15%	3.50%
Trading instruments			
Residual maturity:			
- 1 year or less	94,728	3.66%	3.33%
- 1 to 5 years	217,301	3.41%	2.86%
- over 5 years	104,094	3.75%	3.10%
Total	416,123	3.55%	3.03%

(e) Option Contracts

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

Notional amounts MCZK	2004	2003
Option contracts sold		
Interest rate	2,089	2,811
Foreign currency	20,746	18,154
Option contracts purchased		
Interest rate	213	664
Foreign currency	19,963	12,764

(f) Forward Rate Agreements

A forward rate agreement is an agreement to settle amounts at a specified future date based on the difference between an interest rate index and an agreed upon fixed rate. Market risk arises from changes in the market value of contractual positions caused by movements in market interest rates. In principle, the Group limits its exposure to market risk by entering into generally matching or offsetting positions and by establishing and monitoring limits on unmatched positions. Credit risk is managed through approval procedures that establish specific limits for individual counterparties. All of the Group's forward rate agreements were transacted for trading purposes.

Notional amounts	2004		2003	
	MCZK	Weighted average rate	MCZK	Weighted average rate
Residual maturity:				
Purchase				
- 1 year or less	352,330	3.35%	251,162	2.54%
- 1 to 5 year	22,750	3.79%	46,596	3.56%
Total	375,080	3.37%	297,758	2.71%
Sale				
- 1 year or less	352,330	3.29%	251,162	2.45%
- 1 to 5 year	22,750	3.97%	46,596	3.50%
Total	375,080	3.34%	297,758	2.59%

(g) Forward Contracts with Securities

Forward contracts with securities are agreements to purchase or sell the securities for a specific amount at a future date. The forward contracts with securities are used by the Group for trading purposes.

Notional amounts MCZK	2004	2003
Contracts with debt securities and other fixed income securities		
Commitments to purchase	-	35
Contracts with equities		
Commitments to purchase	400	128
Commitments to sell	400	125

(h) Cross Currency Swaps

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

Notional amounts MCZK	2004	2003
<i>Trading instruments</i>		
Commitments to purchase	41,865	11,867
Commitments to sell	39,050	10,624

(i) Other Derivatives

The Group entered into transactions resulting in the Group assuming risk on certain underlying debt securities denominated in a foreign currency. As of 31 December 2004, the total notional amount of total return swaps and credit derivatives was CZK 400 million (2003: CZK 400 million) and CZK 1,338 million (2003: CZK 630 million), respectively.

(j) Futures

Futures contracts represent the obligation to sell or purchase a financial instrument in the organised market at a certain price at a certain agreed date in the future. The Group entered into futures contracts in respect of debt securities for trading purposes. As of 31 December 2004, the total notional amount of the futures transactions was CZK 846 million (2003: CZK 875 million).

37. Net Foreign Exchange Positions

_____ The net foreign exchange positions of the Group as of 31 December 2004 and 2003 were as follows: assets/(liabilities)

MCZK	2004	2003
On balance sheet		
CZK	4,841	20,244
EUR	31,737	10,592
USD	1,447	1,508
GBP	359	567
SKK	(451)	(835)
HUF	151	1,219
Other currencies	195	1,113
Total	38,279	34,408
Off balance sheet		
EUR	(19,373)	(9,604)
USD	1,010	(1,616)
GBP	(41)	(461)
SKK	1,412	2,903
Other currencies	1,561	(585)
Total	(15,431)	(9,363)

38. Interest Rate Risk

(a) Interest Rate Repricing Analysis

_____ The following tables present the distribution of assets and liabilities according to the interest rate repricing dates. They include significant financial assets and liabilities in CZK, EUR and USD only as of 31 December 2004 and 2003. Variable yield assets and liabilities have been reported according to their next rate repricing date. Fixed income assets and liabilities have been reported according to their remaining maturity.

As of 31 December 2004	Demand and less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
MCZK						
Selected assets						
Balances with the CNB	4,401	-	-	-	-	4,401
Loans and advances to financial institutions	55,074	6,071	12,510	2,193	-	75,848
Loans and advances to customers	54,877	47,346	41,297	84,757	10,246	238,523
Securities and other assets held for trading	12,806	-	-	-	-	12,806
Securities available for sale	6,304	4,744	8,801	4,992	8,464	33,305
Securities and other assets held to maturity	3,064	18,248	19,914	45,777	49,566	136,569
Financial placements of insurance companies	2,399	43	2,047	1,690	6,000	12,179
	138,925	76,452	84,569	139,409	74,276	513,631
Selected liabilities						
Amounts owed to financial institutions	23,358	3,700	3,601	731	-	31,390
Amounts owed to customers	85,991	93,009	100,348	162,806	786	442,940
Bonds in issue	7,700	1,596	859	9,444	50	19,649
	117,049	98,305	104,808	172,981	836	493,979
Current gap	21,876	(21,853)	(20,239)	(33,572)	73,440	19,652
Cumulative gap	21,876	23	(20,216)	(53,788)	19,652	

As of 31 December 2003	Demand and less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
MCZK						
Selected assets						
Balances with the CNB	22,286	-	-	-	-	22,286
Loans and advances to financial institutions	60,709	6,157	11,327	1,861	-	80,054
Loans and advances to customers	44,478	42,741	47,029	73,162	6,069	213,479
Securities and other assets held for trading	37,339	-	-	-	-	37,339
Securities available for sale	9,919	2,941	2,989	3,430	4,170	23,449
Securities and other assets held to maturity	3,060	7,878	13,616	46,400	42,148	113,102
Financial placements of insurance companies	1,891	217	598	2,122	3,795	8,623
	179,682	59,934	75,559	126,975	56,182	498,332
Selected liabilities						
Amounts owed to financial institutions	18,302	3,395	5,740	1,321	-	28,758
Amounts owed to customers	81,395	84,547	90,381	169,200	154	425,677
Bonds in issue	7,210	60	-	8,647	100	16,017
	106,907	88,002	96,121	179,168	254	470,452
Current gap	72,775	(28,068)	(20,562)	(52,193)	55,928	27,880
Cumulative gap	72,775	44,707	24,145	(28,048)	27,880	

_____ The line 'Loans and advances to customers' includes amounts due from ČKA. The Bank also manages its interest rate exposures through interest rate swaps.

(b) Effective Yield Information

_____ The effective yields of significant financial assets and liabilities by major currencies of the banking segment as of 31 December 2004 and 2003 are as follows.

As of 31 December 2004	Weighted average interest rate CZK	Weighted average interest rate EUR	Weighted average interest rate USD	Weighted average interest rate TOTAL
Selected assets				
Balances with the CNB	0.73%	-	-	0.73%
Loans and advances to financial institutions	2.58%	2.22%	1.82%	2.54%
Loans and advances to customers	6.23%	4.11%	4.56%	6.09%
Securities and other assets held for trading	2.41%	2.16%	2.34%	2.35%
Securities available for sale	3.02%	3.57%	3.10%	3.17%
Securities and other assets held to maturity	4.78%	3.42%	-	4.76%
Financial placements of insurance companies	4.16%	4.32%	0.13%	4.11%
Selected liabilities				
Amounts owed to financial institutions	2.65%	2.82%	2.27%	2.66%
Amounts owed to customers	1.15%	0.86%	0.70%	1.14%
Bonds in issue	2.80%	2.06%	2.18%	2.73%
As of 31 December 2003				
	Weighted average interest rate CZK	Weighted average interest rate EUR	Weighted average interest rate USD	Weighted average interest rate TOTAL
Selected assets				
Balances with the CNB	2.00%	-	-	0.75%
Loans and advances to financial institutions	2.19%	2.10%	1.73%	2.18%
Loans and advances to customers	5.95%	4.07%	2.52%	5.78%
Securities and other assets held for trading	1.77%	2.12%	1.09%	1.75%
Securities available for sale	1.62%	1.87%	2.38%	1.74%
Securities and other assets held to maturity	5.31%	-	-	5.30%
Financial placements of insurance companies	4.95%	5.27%	9.00%	5.02%
Selected liabilities				
Amounts owed to financial institutions	2.37%	2.35%	1.17%	2.32%
Amounts owed to customers	1.25%	0.77%	0.43%	1.23%
Bonds in issue	2.68%	2.07%	1.11%	2.59%

_____ The line 'Loans and advances to customers' includes amounts due from ČKA.

39. Concentrations of Credit Risk

_____ The following table presents the distribution of the Group's credit exposure by industry sector for loans and advances to customers and financial institutions and debt securities:

	2004		2003	
	MCZK		MCZK	
Financial institutions	192,603	38%	197,668	41%
Individuals	93,457	18%	68,145	14%
Trading	18,675	4%	12,912	3%
Energetics	4,915	1%	7,591	2%
State institutions including ČKA	119,259	23%	113,317	23%
Public sector	11,079	2%	9,554	2%
Construction	3,244	1%	2,343	1%
Hotels, public catering	1,683	0%	2,594	1%
Processing industry	25,155	5%	19,931	4%
Other	41,569	8%	46,902	9%
Total	511,639		480,957	

_____ For an analysis of the Group's assets and liabilities by geographical concentration refer to Note 42b.

40. Maturity Analysis

_____ The table below analyses assets and liabilities of the Group into relevant maturity groupings as of 31 December 2004, based on the remaining period at the balance sheet date to the contractual maturity date:

MCZK	Demand and less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undefined	Total
Assets							
Cash and balances with the CNB	14,000	-	-	-	-	4,128	18,128
Loans and advances to financial institutions	37,164	22,907	12,115	4,926	-	-	77,112
Loans and advances to customers	3,243	27,034	62,561	104,009	42,442	(7,166)	232,123
Securities and other assets held for trading	15,206	888	1,922	7,217	3,570	1,607	30,410
Securities available for sale	1,105	6,382	9,007	8,365	8,576	4,572	38,007
Securities and other assets held to maturity	-	10,750	17,808	58,248	49,764	460	137,030
Financial placements of insurance companies	3	2,276	1,616	2,040	5,686	558	12,179
Other assets	6,107	1,991	5,311	1	-	21,995	35,405
Total	76,828	72,228	110,340	184,806	110,038	26,154	580,394
Liabilities							
Amounts owed to financial institutions	12,578	10,423	4,072	4,470	1,362	-	32,905
Amounts owed to customers	247,688	78,453	44,934	72,908	788	-	444,771
Bonds in issue	6,618	1,018	968	9,469	1,576	-	19,649
Other liabilities	3,974	1,571	805	3,698	1,704	31,341	43,093
Total	270,858	91,465	50,779	90,545	5,430	31,341	540,418
Current gap	(194,030)	(19,237)	59,561	94,261	104,608	(5,187)	39,976
Cumulative gap	(194,030)	(213,367)	(153,706)	(59,445)	45,163	39,976	

_____ The line 'Loans and advances to customers' includes amounts due from ČKA.

_____ The table below analyses assets and liabilities of the Group as of 31 December 2003 according to the remaining period:

MCZK	Demand and less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undefined	Total
Assets							
Cash and balances with the CNB	14,916	-	-	-	-	7,797	22,713
Loans and advances to financial institutions	23,471	40,868	14,500	3,120	162	-	82,121
Loans and advances to customers	3,140	19,221	53,125	101,954	37,463	(7,656)	207,247
Securities and other assets held for trading	13,424	9,826	13,290	9,150	6,201	1,305	53,196
Securities available for sale	732	6,103	5,454	7,867	3,585	3,759	27,500
Securities and other assets held to maturity	-	3,863	11,811	55,282	42,510	-	113,466
Financial placements of insurance companies	-	1,997	357	2,283	3,985	642	9,264
Other assets	2,605	1,669	4,972	1,652	70	28,942	39,910
Total	58,288	83,547	103,509	181,308	93,976	34,789	555,417
Liabilities							
Amounts owed to financial institutions	10,445	8,331	5,896	4,969	-	-	29,641
Amounts owed to customers	226,833	80,475	48,054	73,051	159	-	428,572
Bonds in issue	5,080	2,211	136	8,451	139	-	16,017
Other liabilities	16,012	860	2,559	925	422	24,611	45,389
Total	258,370	91,877	56,645	87,396	720	24,611	519,619
Current gap	(200,082)	(8,330)	46,864	93,912	93,256	10,178	35,798
Cumulative gap	(200,082)	(208,412)	(161,548)	(67,636)	25,620	35,798	

_____ The line 'Loans and advances to customers' includes amounts due from ČKA.

41. Fair Value of Financial Instruments

_____ Fair value estimates are made based on relevant market data and information about the financial instruments. Because no readily available market prices exist for a significant portion of the Group's financial instruments, fair value estimates for these instruments are based on judgements regarding current economic conditions, currency and interest rate characteristics and other factors.

_____ Many of these estimates involve uncertainties and matters of significant judgement and cannot be determined with precision. Therefore, the calculated fair value estimates cannot always be substantiated by comparison to market values and, in many cases, may not be realised in the current sale of the financial instrument. Changes in underlying assumptions could significantly affect the estimates.

_____ In 2004, the Group revised the methodology used in estimating fair values of products for which no maturity is contracted (for example, deposits repayable at call, savings deposit books, overdrafts, and construction savings deposits). The Group considers the carrying values and fair values of these products to be identical. Comparative balances have been restated.

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

MCZK	Carrying value 2004	Estimated fair value 2004	Carrying value 2003	Estimated fair value 2003
Financial assets				
Loans and advances to financial institutions	77,112	77,181	82,121	82,173
Loans and advances to customers, including ČKA	232,123	234,475	207,247	208,326
Securities and other assets held to maturity	137,030	142,231	113,466	117,644
Financial placements of insurance companies	12,179	12,437	9,264	9,266
Financial liabilities				
Amounts owed to financial institutions	32,905	32,887	29,641	29,636
Amounts owed to customers	444,771	444,678	428,572	428,858
Bonds in issue	19,649	19,713	16,017	16,048

Loans and Advances to Financial Institutions

_____ The fair value of current accounts is deemed to approximate their carrying amount. Given that term receivables generally reprice at relatively short time periods, it is justifiable to regard their carrying amount as the estimated fair value.

Loans and Advances to Customers

_____ Loans and advances to customers are carried net of provisions. The fair value is estimated as the present value of discounted future cash flows and the applied discount factor is equal to the interest rates currently offered by the Bank.

Securities and Other Assets Held to Maturity

_____ The fair value of securities and other assets held to maturity is based on market prices or price quotations obtained from brokers or dealers. If this information is not available, the fair value is estimated using quoted market values for securities with similar credit risk characteristics, maturity or yield rate or, as and when appropriate, according to the recoverability of the net asset value of these securities.

Amounts Owed to Financial Institutions and Customers

_____ The estimated fair value of amounts owed to financial institutions and customers with no stated maturity which include no-interest earning deposits, is equal to the amount payable on demand. The fair value of fixed income deposits and other liabilities with no stated market value is estimated as the present value of discounted future cash flows and the applied discount factor is equal to the interest rates currently offered on the market for deposits with similar maturities.

Bonds in Issue

_____ The aggregated fair value is based on quoted market prices. The fair value of securities where no market price is available is estimated as the present value of discounted future cash flows and the applied discount factor is equal to the interest rates currently offered on the market for deposits with similar remaining maturities.

42. Segment Reporting

(a) Industry Segments

MCZK	Banking		Other operations		Total	
	2004	2003	2004	2003	2004	2003
External revenue	34,699	31,503	6,813	6,376	41,512	37,879
Inter-segment revenue	681	664	266	448	947	1,112
Total income	35,380	32,167	7,079	6,824	42,459	38,991
Segment profit before tax	10,699	10,422	3,081	519	13,780	10,941
Income tax					(4,045)	(3,149)
Minority interests					(1,086)	(177)
Net profit					8,649	7,615
<i>Other information</i>						
Segment assets	542,144	525,067	41,879	33,084	584,023	558,151
Unallocated assets					(3,629)	(2,734)
Total consolidated assets					580,394	555,417
Segment liabilities	508,539	492,500	35,539	29,962	544,078	522,462
Unallocated liabilities					(3,660)	(2,843)
Total consolidated liabilities					540,418	519,619
Capital expenditure	4,130	5,452	525	28	4,655	5,480
Depreciation and amortisation	3,112	2,976	38	50	3,150	3,026
Impairment losses on assets	-	562	-	-	-	562
Provisions for credit risks - charge (release)	30	(2,237)	475	267	505	(1,970)

_____ For management purposes, the Group is organised into the following major operating divisions:

- > Banking (retail, corporate and investment banking); and
- > Other operations, which comprise leasing, insurance, funds management, real estate activities and advisory services.

_____ Total income is composed of "Interest income and similar income", "Fee and commission income", "Net profit on financial operations", "Profit on the sale of the non-life business of Pojišťovna České spořitelny, a. s." (refer to Note 2), "Net earned premium, financial and other gains on insurance transactions" (refer to Note 31), "Total other operating income and income from revaluation/sale of securities available for sale" (refer to Note 32).

(b) Geographical Segments

_____ The Group operates predominantly within the Czech Republic and has no significant cross border operations.

_____ The geographical concentration of assets and liabilities as of 31 December 2004 was as follows:

MCZK	OECD (1)	OECD (2)	Non-OECD (3)	Total
Assets				
Cash and balances with the CNB	13,300	4,828	-	18,128
Loans and advances to financial institutions	76,195	18	899	77,112
Loans and advances to customers, including ČKA	174,440	56,035	1,648	232,123
Securities and other assets held for trading	28,314	1,667	429	30,410
Securities available for sale	10,454	22,479	5,074	38,007
Securities and other assets held to maturity	43,826	90,706	2,498	137,030
Financial placements of insurance companies	2,533	9,646	-	12,179
Other assets	29,604	5,801	-	35,405
Total assets	378,666	191,180	10,548	580,394
Liabilities				
Amounts owed to financial institutions	30,598	-	2,307	32,905
Amounts owed to customers	416,905	25,193	2,673	444,771
Bonds in issue	19,649	-	-	19,649
Other liabilities	42,004	1,089	-	43,093
Total liabilities	509,156	26,282	4,980	540,418
Net position	(130,490)	164,898	5,568	39,976

(1) Represents persons or entities located within Organisation for Economic Cooperation and Development ('OECD') countries, including the Czech Republic.

(2) Represents government bodies and central banks located within OECD countries, including the Czech Republic.

(3) Represents persons, entities or government bodies located outside OECD countries.

_____ The geographical concentration of assets and liabilities as of 31 December 2003 was as follows:

MCZK	OECD (1)	OECD (2)	Non-OECD (3)	Total
Assets				
Cash and balances with the CNB	14,344	8,369	-	22,713
Loans and advances to financial institutions	36,990	44,605	526	82,121
Loans and advances to customers, including ČKA	160,202	45,999	1,046	207,247
Securities and other assets held for trading	22,265	29,235	1,696	53,196
Securities available for sale	9,179	18,065	256	27,500
Securities and other assets held to maturity	36,669	76,297	500	113,466
Financial placements of insurance companies	2,107	7,157	-	9,264
Other assets	33,377	6,533	-	39,910
Total assets	315,133	236,260	4,024	555,417
Liabilities				
Amounts owed to financial institutions	29,587	-	54	29,641
Amounts owed to customers	403,750	23,959	863	428,572
Bonds in issue	16,017	-	-	16,017
Other liabilities	45,357	32	-	45,389
Total liabilities	494,711	23,991	917	519,619
Net position	(179,578)	212,269	3,107	35,798

(1) Represents persons or entities located within Organisation for Economic Cooperation and Development ('OECD') countries, including the Czech Republic.

(2) Represents government bodies and central banks located within OECD countries, including the Czech Republic.

(3) Represents persons, entities or government bodies located outside OECD countries.

43. Assets under Administration

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

_____ The Group administered CZK 89,005 million and CZK 76,773 million of assets as of 31 December 2004 and 2003, respectively, representing certificate securities and other assets received from customers into its custody for administration and safe-keeping.

_____ Furthermore, the Bank acts as a depository for several mutual funds, whose assets amounted to CZK 74,674 million and CZK 60,365 million as of 31 December 2004 and 2003, respectively.

44. Related Party Transactions

_____ Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The Bank is controlled by Erste Bank der österreichischen Sparkassen AG.

_____ The Bank has the following amounts due from/to Erste Bank as of 31 December 2004. Other related party transactions with other connected parties are not significant.

MCZK	2004	2003
Amounts receivable		
Loans outstanding at the beginning of the year	519	795
Loans issued during the year	259,354	184,696
Loan repayments during the year	(258,663)	(184,972)
Loans outstanding at the end of the year	1,210	519
Interest income earned	32	26
Amounts payable		
Deposits at the beginning of the year	8,704	1,742
Deposits received during the year	380,289	534,194
Deposits repaid during the year	(385,410)	(527,232)
Deposits at the end of the year	3,583	8,704
Interest expense	254	190

_____ In addition to the above loans and deposits, the Bank carries the following amounts due to and from Erste Bank as of 31 December 2004:

- > Positive fair value of interest rate derivatives of CZK 5,760 million (2003: CZK 4,480 million) within assets held for trading;
- > Shares of CZK 74 million (2003: CZK 125 million) within the available-for-sale portfolio (refer to Notes 12);
- > Bonds of CZK 5,623 million (2003: CZK 5,617 million) within the held-to-maturity portfolio (refer to Note 13);
- > Receivables of CZK 94 million (2003: CZK 86 million) within other assets; and
- > Negative fair value of interest rate derivatives of CZK 4,608 million (2003: CZK 4,293 million) and other payables of CZK 34 million (2003: CZK 119 million) within other liabilities.

_____ In addition to interest income and expense, the Group's profit was impacted by transactions with Erste Bank in the form of gains on the derivatives and shares (including remeasurement) of CZK 850 million (2003: CZK 172 million), fee income of CZK 1 million (2003: CZK 1 million) and advisory services costs of CZK 62 million (2003: CZK 76 million).

_____ The off balance sheet transactions as of 31 December 2004 included derivative contracts with a notional amount of underlying assets of CZK 195,499 million (2003: CZK 196,039 million), and issued guarantees of CZK 126 million (2003: CZK 81 million).

(a) Members of the Board of Directors and Supervisory Board

_____ Loans and advances granted to members of the Board of Directors and Supervisory Board amounted to nominal values of CZK 4 million both as of 31 December 2004 and 2003.

_____ Members of the Board of Directors and Supervisory Board held no shares of the Bank. Under the Employee Stock Option Plan (refer to Note 30), members of the Board of Directors subscribed for 11,700 shares of the parent company, Erste Bank (2003: 600 shares). Under the Management Stock Option Plan (refer to Note 30), members of the Board of Directors hold 128,000 options for subscription of shares of the parent company, Erste Bank (2003: 64,000 options).

(b) Related Parties

_____ A number of banking transactions are entered into with related parties in the normal course of business. These principally include loans, deposits and other transactions. These transactions were carried out on an arm's length basis.

45. Dividends

Management of the Bank has proposed that total dividends of CZK 4,560 million be declared in respect of the profit for the year ended 31 December 2004, which represents CZK 30 per both ordinary and priority share (2003: CZK 4,560 million, that is, CZK 30 per both ordinary and priority share). The declaration of dividends is subject to the approval of the Annual General Meeting. Dividends paid to shareholders are subject to a withholding tax of 15 percent or a percentage set out in the relevant double tax treaty. Dividends paid to shareholders that are tax residents of an EU member country and whose interest in a subsidiary's share capital is no less than 25 percent and that hold the entity's shares for at least two years are not subject to a withholding tax.

46. Post Balance Sheet Events

(a) Changes of Accounting Policies

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

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

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

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

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

Category	31 December 2004 MCZK	Category	1 January 2005 MCZK
Trading	30,410	At fair value through profit and loss, of which:	43,966
		- held for trading	30,410
		- other	13,556
Available for sale	38,007	Available for sale	37,693
Held to maturity	137,030	Held to maturity	125,174
Total	205,447	Total	206,833

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

As a result of these reallocations, the Group has revalued transferred securities to fair value and increased its equity by CZK 1,386 million as of 1 January 2005. Following the reallocation, the Group will retrospectively restate the 2004 financial statements with the negative adjustment to profit for 2004 of CZK 512 million.

In accordance with applicable accounting legislation of the Czech Republic, with effect from 1 January 2005 the Bank has ceased following Czech Accounting Standards and has maintained its accounting books and records under International Accounting Standards (IAS)/International Financial Reporting Standard (IFRS) as governed by the European Community's law. The Bank will present its statutory single financial statements for the year ending 31 December 2005 only under IFRS.

(b) Other Matters

_____ As of 1 March 2005, the Bank acquired a majority investment in Roztyly Centrum a. s. through the real-estate fund CEE Property Development Portfolio B.V. Roztyly Centrum a. s. principally engages in real-estate activities, and administration and maintenance of real estate.

_____ The total assets of the entity amounted to CZK 1,868 million as of 31 December 2004. The fair value of these assets was determined at CZK 3,400 million on the basis of an independent expert valuation.

Unconsolidated Financial Statements

Prepared in Accordance with Czech Accounting Standards
for the Year Ended 31 December 2004

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Auditor's Report to the Shareholders of Česká spořitelna, a. s.

_____ We have audited the accompanying financial statements of Česká spořitelna, a.s. (the "Company") for the year ended 31 December 2004. These financial statements are the responsibility of the Company's Board of Directors. Our responsibility is to express an opinion on the financial statements, taken as a whole, based on our audit.

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

_____ In our opinion, the financial statements give a true and fair view, in all material respects, of the assets, liabilities, equity and financial position of Česká spořitelna, a.s. as of 31 December 2004 and of the results of its operations for the year then ended in accordance with the Accounting Act and applicable Czech regulations.

Prague, 25 February 2005



Audit firm:

Deloitte & Touche spol. s r. o.

Certificate no. 79

Represented by:



Michal Petrman, statutory executive



Statutory auditors

Michal Petrman

Certificate no. 1105

Balance Sheet as of 31 December 2004

Assets

CZK million	Note	Gross	Current period		Prior periods	
			Adjustment	Net	2003	2002
1.		17,910	0	17,910	22,552	22,152
2.						
	7	47,430	0	47,430	67,304	60,049
a)		47,430	0	47,430	67,304	60,049
3.						
	8	72,992	0	72,992	73,726	114,829
a)		6,415	0	6,415	3,671	1,994
b)		66,577	0	66,577	70,055	112,835
4.						
	9	233,929	4,508	229,421	195,947	164,070
a)		284	0	284	24	230
b)		233,645	4,508	229,137	195,923	163,840
5.						
	10	60,680	26	60,654	61,691	49,480
a)		14,754	0	14,754	11,453	6,999
b)		45,926	26	45,900	50,238	42,481
6.						
	11	5,032	0	5,032	4,615	1,142
7.						
	12a	1,333	44	1,289	300	300
		0	0	0	0	0
8.						
	12b	3,573	356	3,217	1,675	1,501
		1,198	0	1,198	333	333
9.						
	13	8,233	3,982	4,251	3,979	4,293
		0	0	0	43	101
10.						
	14	26,855	12,207	14,648	15,868	16,555
		15,435	4,552	10,883	11,519	11,976
11.						
	15	16,861	282	16,579	18,870	21,524
12.						
		0	0	0	0	0
13.						
		633	0	633	1,100	280
TOTAL ASSETS		495,461	21,405	474,056	467,627	456,175

Liabilities

CZK million		Note	Current period	Prior periods	
				2003	2002
1.	Amounts owed to banks	16	25,191	22,067	25,623
	a) Repayable on demand		6,686	9,204	5,436
	b) Other payables		18,505	12,863	20,187
2.	Amounts owed to clients	17	362,934	360,780	351,132
	a) Repayable on demand		220,143	201,975	165,174
	b) Other payables		142,791	158,805	185,958
3.	Payables from debt securities	18	26,522	18,378	13,275
	a) Issued debt securities		20,993	16,933	8,086
	b) Other payables from debt securities		5,529	1,445	5,189
4.	Other liabilities	19	19,812	28,864	24,577
5.	Deferred income and accrued expenses		104	47	86
6.	Reserves	20	3,411	4,229	6,861
	c) Other		3,411	4,229	6,861
7.	Subordinated liabilities		0	0	5,506
8.	Share capital	21	15,200	15,200	15,200
	of which: a) share capital paid up		15,200	15,200	15,200
	b) treasury shares		0	0	0
9.	Share premium		2	2	2
10.	Reserve funds and other funds from profit	22	1,369	1,044	715
	a) Mandatory reserve funds and risk funds		1,328	965	642
	b) Other reserve funds		0	0	0
	c) Other funds from profit		41	79	73
11.	Revaluation reserve		0	0	0
12.	Capital funds	22	2	2	2
13.	Gains or losses from revaluation of	23	(42)	2	0
	c) Retranslation of equity holdings		(42)	2	0
14.	Retained earnings or accumulated losses brought forward	22	12,022	9,723	6,740
15.	Profit/(loss) for the period	22	7,529	7,289	6,456
TOTAL LIABILITIES			474,056	467,627	456,175

Off Balance Sheet Accounts

CZK million		Note	Current period	Prior periods	
				2003	2002
Off balance sheet assets					
1.	Issued commitments and guarantees	24a	76,850	61,698	49,534
2.	Provided collateral	24a	297	866	2,411
3.	Amounts due from spot transactions	24c	4,019	1,723	2,428
4.	Amounts due from term transactions	24c	949,656	838,854	616,410
5.	Amounts due from option transactions	24c	44,904	35,375	13,757
6.	Receivables written off		6,273	6,169	6,135
7.	Assets provided into custody, administration and safe-keeping	25	57,379	47,286	30,651
8.	Assets provided for management		0	0	0
Off balance sheet liabilities					
9.	Accepted commitments and guarantees	24b	51,189	58,942	50,451
10.	Received collateral	24b, 27	299,477	286,037	388,091
11.	Amounts owed from spot transactions	24c	4,020	1,721	2,428
12.	Amounts owed from term transactions	24c	946,605	837,336	615,470
13.	Amounts owed from option transactions	24c	43,790	34,467	13,473
14.	Assets received into custody, administration and safe-keeping	26	69,401	56,495	37,100
15.	Assets received for management	26	19,604	20,278	3,709

The notes set out on pages 110 to 156 form part of these financial statements.

Profit and Loss Account

for the Year Ended 31 December 2004

CZK million	Note	Current period	Prior periods	
			2003	2002
1. Interest income and similar income	29	20,426	19,845	23,029
of which: interest income from debt securities		6,303	5,735	6,153
2. Interest expense and similar expense	29	(4,635)	(5,583)	(8,846)
of which: interest expense from debt securities		(485)	(316)	(352)
A. Net interest income		15,791	14,262	14,183
3. Income from shares and participation interests		361	170	625
a) Income from participation interests with substantial influence		7	0	0
b) Income from participation interests with control. influence		165	0	586
c) Income from other shares and participation interests		189	170	39
4. Commission and fee income	30	8,298	7,888	7,063
5. Commission and fee expense	30	(538)	(384)	(356)
B. Net commission and fee income		7,760	7,504	6,707
6. Net profit or loss on financial operations	31	1,596	1,112	1,083
7. Other operating income	32	1,258	969	1,603
8. Other operating expenses	32	(936)	(839)	(385)
9. Administrative expenses	33	(12,144)	(11,939)	(11,962)
a) Staff costs		(6,300)	(6,171)	(5,700)
aa) Wages and salaries		(4,521)	(4,430)	(3,981)
ab) Social security and health insurance		(1,570)	(1,543)	(1,600)
ac) Other staff costs		(209)	(198)	(119)
b) Other administrative expenses		(5,844)	(5,768)	(6,262)
C. Net income from operations before depreciation, reserves and provisions		13,686	11,239	11,854
10. Release of reserves and provisions for tangible and intangible fixed assets		82	569	484
11. Depreciation/amortisation, charge for and use of reserves and provisions for tangible and intangible fixed assets		(4,002)	(3,985)	(3,175)
12. Release of provisions and reserves for receivables and guarantees, recoveries of receivables written off		2,349	4,198	3,878
13. Write-offs, charge for and use of provisions and reserves for receivables and guarantees		(1,707)	(1,839)	(2,405)
14. Release of provisions for participation interests		1,164	289	938
15. Loss on the transfer of participation interests, charge for and use of provisions for participation interests		(661)	(301)	(719)
16. Release of other reserves		295	112	490
17. Charge for and use of other reserves		(786)	(40)	(1,996)
18. Share of profits/(losses) of subsidiaries and associates		0	0	0
19. Profit/(loss) for the period from ordinary activities before taxes		10,420	10,242	9,349
20. Extraordinary income	34	0	0	1,114
21. Extraordinary expenses	34	0	0	(568)
22. Profit/(loss) for the period from extraordinary activities before taxes		0	0	546
24. Income tax	35	(2,891)	(2,953)	(3,439)
26. Net profit/(loss) for the period		7,529	7,289	6,456

The notes set out on pages 110 to 156 form part of these financial statements.

Statement of Changes in Equity for the Year Ended 31 December 2004

CZK million Note	Share capital	Treasury shares	Share premium	Reserve funds and other funds from profit	Capital funds	Valuation gains or losses	Retained earnings and profit for the period	Total
	21		22	22	22	23	22	
1 . Balance at 1 January 2002	15,200	(5)	0	557	2	0	7,528	23,282
Net profit for the period							6,456	6,456
Dividends							(456)	(456)
Transfers to funds				333			(333)	0
Use of funds				(178)				(178)
Disposal of treasury shares		5	2					7
Other changes				3			1	4
Balance at 31 December 2002	15,200	0	2	715	2	0	13,196	29,115
2 . Balance at 1 January 2003	15,200	0	2	715	2	0	13,196	29,115
FX gains and losses from revaluation not included in the profit						2		2
Net profit for the period							7,289	7,289
Dividends							(3,040)	(3,040)
Transfers to funds				433			(433)	0
Use of funds				(106)				(106)
Other changes				2				2
Balance at 31 December 2003	15,200	0	2	1,044	2	2	17,012	33,262
3 . Balance at 1 January 2004	15,200	0	2	1,044	2	2	17,012	33,262
FX gains and losses from revaluation not included in the profit						(44)		(44)
Net profit for the period							7,529	7,529
Dividends							(4,560)	(4,560)
Transfers to funds				471			(471)	0
Use of funds				(105)				(105)
Other changes				(41)			41	0
Balance at 31 December 2004	15,200	0	2	1,369	2	(42)	19,551	36,082

The notes set out on pages 110 to 156 form part of these financial statements.

Notes to the Financial Statements

Prepared in Accordance with Czech Accounting Standards for the Year Ended 31 December 2004

1. Background Information

_____ Česká spořitelna, a. s. (henceforth the "Bank"), having its registered office address at Olbrachtova 1929/62, Prague 4, 140 00, was registered as a joint stock company in accordance with the Commercial Code and was formally entered into the Register of Companies held at the Commercial Court in Prague, Section B, Insert 1171.

_____ The Bank was incorporated by the National Property Fund pursuant to the Formation Plan of 27 December 1991 under Section 15 and subsequent sections of the Joint Stock Companies Act 104/1990 Coll. The Bank is the legal successor of Česká státní spořitelna (Czech State Savings Bank) and offers a broad range of commercial banking services on the territory of the Czech Republic.

2. Principal Activities and Territories

_____ The Bank is a universal bank offering retail, corporate and investment banking services on the territory of the Czech Republic.

_____ The principal business of the Bank involves undertaking the activities listed in Section 1 (1) of the Banking Act as follows:

- (a) Acceptance of deposits from the general public;
- (b) Extension of credit; and undertaking the activities listed in Section 1 (3) of the Banking Act as follows:
 - (a) Investing in securities on its own account;
 - (b) Payments and clearing;
 - (c) Issuance and administration of payment facilities;
 - (d) Issuance of guarantees;
 - (e) Opening of letters of credit;
 - (f) Collection services;
 - (g) Provision of investment services including:
 - > Principal investment service under Section 8 (2) (a) of the Securities Act 591/1992 Coll., as amended (henceforth the "Securities Act"), receipt and provision of instructions relating to investment instruments to a customer's account, in respect of investment instruments as defined in Section 8a (1) (a) - (g) of the Securities Act;
 - > Principal investment service under Section 8 (2) (b) of the Securities Act, performance of instructions relating to investment instruments to a third party's account, in respect of investment instruments as defined in Section 8a (1) (a) - (g) of the Securities Act;
 - > Principal investment service under Section 8 (2) (c) of the Securities Act, proprietary trading with investment instruments, in respect of investment instruments as defined in Section 8a (1) (a) - (g) of the Securities Act;
 - > Principal investment service under Section 8 (2) (d) of the Securities Act, discretionary management of individual portfolios under a contractual arrangement with the client if this portfolio includes

- defined investment instruments, in respect of investment instruments as defined in Section 8a (1) (a) - (g) of the Securities Act;
- > Principal investment service under Section 8 (2) (e) of the Securities Act, underwriting of investment instruments issues or their placement, in respect of investment instruments as defined in Section 8a (1) (a) - (g) of the Securities Act
- > Additional investment service under Section 8 (3) (a) of the Securities Act, custody and administration of one or a number of investment instruments, in respect of investment instruments as defined in Section 8a (1) (a) - (g) of the Securities Act;
- > Additional investment service under Section 8 (3) (b) of the Securities Act, rental of safe-deposit boxes;
- > Additional investment service under Section 8 (3) (d) of the Securities Act, capital structuring advisory services, provision of advice on industrial strategy and related issues, and provision of advice and services related to mergers and acquisitions;
- > Additional investment service under Section 8 (3) (e) of the Securities Act, underwriting services under Section (2) (e) of the Securities Act, in respect of investment instruments as defined in Section 8a (1) (a)-(g) of the Securities Act;
- > Additional investment service under Section 8 (3) (f) of the Securities Act, advisory services relating to investments in investment instruments, in respect of investment instruments as defined in Section 8a (1) (a) - (g) of the Securities Act; and
- > Additional investment service under Section 8 (3) (g) of the Securities Act, implementation of foreign exchange transactions relating to the provision of investment services.
- (h) Issuance of mortgage bonds;
- (i) Financial brokerage;
- (j) Depositary activities;
- (k) Foreign exchange services (purchase of foreign currencies);
- (l) Provision of banking information;
- (m) Proprietary trading or trading on a client's account with foreign currencies and gold;
- (n) Rental of safe-deposit boxes; and
- (o) Activities that directly relate to the activities in Česká spořitelna's banking licence.

3. Basis of Preparation

(a)

_____ The financial statements have been prepared on the basis of underlying accounting books and records maintained in accordance with the Accounting Act 563/1991 Coll., and applicable regulations and decrees of the Czech Republic. These financial statements have been prepared under the historical cost convention and on the accruals basis

of accounting, the only exception being selected financial instruments that are measured at fair values.

_____ The financial statements are presented in accordance with Czech Finance Ministry Notice 501/2002 Coll. which provides implementation guidance on certain provisions of the Accounting Act for reporting entities that are banks and other financial institutions (henceforth "Notice 501"), and in accordance with Czech Accounting Standards. As and when necessary, comparative figures have been reclassified to ensure consistency with the current year's presentation and hence the reported amounts need not be consistent with the figures reported in the financial statements for the previous period. However, these adjustments did not lead to changes in valuation policies applied in individual financial reporting periods but only to reclassifications of items between financial statement lines.

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

_____ The Bank is subject to the regulatory requirements of the Czech National Bank (henceforth the "CNB"). These regulations include those pertaining to minimum capital adequacy requirements, classification of loans and off balance sheet commitments, credit risk connected with clients of the Bank, liquidity, interest rate risk and foreign currency position.

_____ All figures are stated in millions of Czech Crowns (MCZK), unless stated otherwise. Figures in brackets represent negative amounts.

(b)

_____ These financial statements and notes thereto are unconsolidated and do not include the accounts and results of those companies over which the Bank has control or significant influence.

4. Summary of Significant Accounting Policies

_____ Significant accounting policies adopted in the preparation of the financial statements are set out below:

(a) Recognition Date

_____ The date of the recognition of individual transactions is principally the date of payment or receipt of cash, the day of purchase or sale of foreign currencies/securities, the date on which a payment is made or an amount is collected from the client's account, the day of issuing an order to the correspondent to make a payment, the day of settlement of the Bank's orders with the CNB Clearing Centre, the day on which funds are credited according to a report from the Bank's correspondent ('a report' is taken to mean a report in SWIFT, a bank notice, medium take-over, account statement, or

other documents as appropriate), the trade date and the settlement date relating to transactions with securities, foreign currencies, options or other derivatives, the date of issuance or acceptance of a guarantee or loan commitment, and the date of accepting assets into custody.

_____ Purchases and sales of financial assets on terms that require delivery within a typical timeframe (with the exception of spot transactions with securities) and fixed forward and option transactions are retained off balance sheet in the period between the trade date and the settlement date. Spot purchases and sales of securities are reported within the relevant component of assets and liabilities from the trade date.

_____ The Bank derecognises a financial asset from its balance sheet when it loses control of the contractual rights that comprise the financial asset (or a portion of the financial asset). The Bank loses such control if it realises the rights to benefits specified in the contract, the rights expire, or the Bank surrenders those rights.

(b) Securities

_____ Securities that are recorded as the Bank's assets and are not treated as participation interests with controlling or substantial influence are categorised as securities held for trading, available for sale, held to maturity and acquired under initial offerings not designated for trading. Securities are reported on the face of the balance sheet within "State zero-coupon bonds and other bonds eligible for refinancing with the CNB", "Debt securities", "Shares, share certificates and other equity investments", the only exception being debt securities acquired under initial offerings not designated for trading which are reported in "Amounts due from banks" or "Amounts due from clients" according to the issuer of the relevant security.

_____ Trading securities are financial assets acquired by the Bank for the purpose of active trading in the financial market, generating a profit from fluctuations in prices in the short term and the performance of duties arising from the Bank's position as a market maker.

_____ Available for sale securities are those financial assets that are not classified as securities held for trading or held-to-maturity investments. This portfolio comprises debt securities and variable yield securities held with a view to gradual disposal. Available for sale securities also include equity investment in other than joint stock companies which are not participation interests.

_____ Investments held to maturity are financial assets with fixed maturities that the Bank has the positive intent and ability to hold to maturity.

_____ Debt securities acquired under initial offerings not designated for trading are reported in a stand-alone account and are valued on the same basis as securities held to maturity.

_____ Securities held for trading and available for sale are carried at fair values. Fair value changes are recorded on a daily basis and are included in the relevant asset account of the security with a corresponding entry to the profit and loss account line "Net profit or loss on financial operations."

_____ Securities held to maturity are initially recognised at cost. The cost is adjusted on a daily basis to reflect accrued interest income. Securities held to maturity and securities acquired through initial offerings not designated for trading are provisioned on a daily basis and/or at the financial statement date or interim financial statement date on an individual basis to reflect their impairment according to the credit risk profile of the issuer. Provisions are typically not recorded against state debt securities issued by OECD countries and debt securities issued by central banks of OECD countries. In addition, no provision is recognised to reflect the impairment of securities arising as a result of fluctuations in risk-free interest rates, unless the risk profile of the issuer deteriorates simultaneously.

_____ At the financial statement date or interim financial statement date, the Bank also charges provisions in respect of equity investments in other than joint stock companies which are not participation interests.

_____ Provisions against securities denominated in foreign currencies are recognised in foreign currencies.

(ba) State Treasury Bills and Other Eligible Bills

_____ State treasury bills and other eligible bills and similar debt securities are carried at acquisition cost using trade date accounting. Cost is increased over the period from the purchase trade date to the sale trade date to reflect accrued interest income. Interest income is defined as the accrued difference between nominal value and carrying value. The securities held for trading and available for sale are remeasured to fair value from the increased value. The fair value of treasury bills is determined using the net present value method, that is, by discounting the value of the bill using a yield curve developed from the quotations of PRIBID interbank deposits as published by the CNB.

_____ At the sale trade date, the Bank recognises a gain or loss on the sale as equal to a difference between the carrying amount of securities and their selling value in the line “Net profit or loss on financial operations.”

(bb) Coupon Debt Securities, Shares, Share Certificates and Other Equity Investments

_____ Securities are initially recognised at cost. The cost comprises direct transaction costs attributable to the acquisition of securities. The cost of coupon debt securities is gradually increased over the period from the purchase settlement date to the sale settlement date/maturity date to reflect accrued coupon. From the purchase trade date to the sale trade date, the cost of coupon debt securities is gradually adjusted to reflect discount/premium (difference between the cost and nominal value of the securities).

_____ Securities held for trading and available for sale are remeasured to fair value through the profit and account line “Net profit or loss on financial operations” from the purchase trade date to the sale trade date/maturity. If securities are sold, the difference between the carrying value of securities and their selling value at the trade date is recorded as

a gain or loss on the sale of securities to the profit and loss account line “Net profit or loss on financial operations.”

_____ Other shares and equities that are not participation interests with controlling or substantial influence are treated as securities available for sale. Provisions against these securities are established as equal to the excess of the carrying value over the Bank’s share of the entity’s equity. If these entities are placed into liquidation, the provision is recognised as equal to the value of the shares or equity holding as carried in the accounting books.

_____ The fair values of debt securities are determined using published public market prices: reference prices reached on the Prague Stock Exchange (henceforth “PSE”), RM-System, prices published by the Reuters system. In circumstances where no public market price is available, the fair value is determined using the ‘adjusted value of the security.’ This adjusted value is derived from the present value of future cash flows, taking into consideration the credit margin of the issuer of the security. The future cash flows are discounted pursuant to a yield curve for the relevant currency, which was developed based on publicly available data (quotation of deposits, interest rate swaps, government bonds).

_____ The fair values of shares are determined using published public market prices: prices published on the PSE, RM-System or the Reuters system. The fair values of share certificates are established using the price published by the fund manager. If no public market price or a price published by the fund manager is available, the fair value is determined using the ‘adjusted value of the security.’ The adjusted value of shares or share certificates is equal to the Bank’s share of equity of the relevant entity or mutual fund, respectively. In circumstances where this value is not readily determinable from publicly available sources, the adjusted value is zero. A security is also attributed a zero value if the issuer of the security has been placed into liquidation or declared bankrupt or the petition for bankruptcy has been rejected due to a lack of assets. In the event that the adjusted value of the security is substantially greater than its cost, the Bank uses an expert valuation report to arrive at the fair value.

(c) Repo and Reverse Repo Transactions, Short Sales

_____ A repo transaction is defined as a repurchase or a reverse repurchase. A repurchase transaction involves selling securities for cash consideration with a concurrent commitment to repurchase these securities at an agreed-upon date for consideration equal to the original cash and interest. A reverse repurchase transaction involves purchasing securities for cash consideration with a concurrent commitment to resell these securities at an agreed-upon date for consideration equal to the transferred cash and interest.

_____ The category of repurchase transactions includes the classic repurchase transaction, reverse repurchase transaction, the lending and borrowing of securities collateralised by the transfer of financial assets, the sale of securities with a concurrently agreed-upon repurchase and the purchase of securities with a concurrently agreed-upon resale. The classic

repurchase transaction involves receiving a loan with a collateralising transfer of securities. The classic reverse repurchase transaction involves providing a loan with a collateralising transfer of securities.

_____ Interest receivable or payable under repurchase transactions is accrued over the term of the transaction and recorded in "Interest income and similar income" or "Interest expense and similar expense" in the profit and loss account.

_____ Securities provided under repurchase transactions are retained in the Bank's balance sheet and are valued using the method applied prior to their being provided under the repurchase transaction.

_____ Securities purchased under reverse repurchase transactions are recorded at fair value in off balance sheet records. Collateral that is subject to short sale is not reported off balance sheet.

_____ Short sales are recorded on the balance sheet as payables from trading securities which are reported within "Payables from debt securities" or "Other liabilities" in respect of shares. The selling value of payables arising from coupon debt securities is gradually increased over the period from the sale settlement date to the purchase settlement date to reflect accrued coupon. Payables arising from securities are adjusted to reflect amortisation of premium or discount and are additionally remeasured to fair value over the period from the sale trade date to the purchase trade date. Fair value is determined on the same basis as long-position securities (refer to Note 4bb). Fair value changes are recognised on a daily basis through the profit and loss account line "Net profit or loss on financial operations" with a corresponding entry to the accounts of payables from securities. If securities are purchased, the difference between the carrying value of securities and their purchase price at the sale trade date is recorded as income or expense through the line "Net profit or loss on financial operations."

(d) Transactions with Securities Undertaken on Behalf of Clients

_____ Securities received by the Bank into custody, administration or safe-keeping are typically recorded at fair value and reported within the off balance sheet line "Assets received into custody, administration and safe-keeping". Securities received by the Bank for management are typically recorded at fair value and reported within the off balance sheet line "Assets received for management". On balance sheet liabilities include the Bank's payables to clients arising principally from cash received to purchase securities, cash to be refunded to the client, etc.

(e) Participation Interests

_____ Participation interests with controlling and substantial influence are recorded at acquisition cost less a provision for any temporary diminution in value or write-offs for any permanent diminution in value.

_____ A participation interest with controlling influence is an investment in a subsidiary, in which the Bank holds, directly or indirectly, more than 50 percent of the issued share capital of the entity or in which the Bank

can exercise more than 50 percent of the voting rights based on an agreement with another owner/shareholder, or where the Bank can appoint or dismiss a majority of the Board of Directors or Supervisory Board members.

_____ A participation interest with substantial influence is an investment in an associate, in which the Bank holds, directly or indirectly, 20 to 50 percent of the entity's issued share capital. Substantial influence is also exercised through representation on the entity's statutory board, participation in the development of the entity's policy, significant transactions between the entity and the Bank, replacement of the entity's management by the Bank, and access to significant technical information of the entity.

_____ Provisions against participation interests with controlling and substantial influence are established at the financial statement date or interim financial statement date as equal to the excess of the carrying value over the Bank's share of the entity's equity.

_____ The policy referred to above does not apply in circumstances where the entity is placed into liquidation or bankruptcy, where the proposal for the entity's bankruptcy was rejected on the grounds of the lack of assets or the bankruptcy was reversed as the entity's assets are not sufficient to cover the costs associated with the bankruptcy. In this case, the provision is recorded as equal to the carrying value of the investment in the Bank's books.

_____ Dividends from participation interests are recognised in the profit and loss account within "Income from shares and equity investments" in the period in which they are declared.

(f) Amounts Due from Banks and Clients

_____ Amounts due from banks and clients are carried at amounts reflecting accrued interest and fees, net of provisions for classified loan receivables. Accrued interest income and fees are included in the carrying amount of these receivables.

_____ Receivables are regularly reviewed for recoverability. Based on such reviews, provisions are created against monitored and distressed (henceforth "classified") receivables. The Bank establishes specific provisions against classified receivables as equal to no less than the amount outstanding net of the value of realisable collateral underlying the relevant receivables, multiplied by a coefficient set out for the relevant category in accordance with CNB Regulation 9/2002 Coll., which establishes rules to be followed in assessing receivables arising from financial activities, provisioning, reserving and acquiring certain types of assets (henceforth "CNB Regulation 9/2002"), as amended. The Bank records greater provisioning charges in respect of selected classified receivables where losses greater than those reflected in the level of provisions recognised under the guidance noted above are expected to be incurred. Such provisioning charges are referred to as management provisions. In determining the level of provisions against receivables, the Bank does not take into account collateral held for loss-making receivables where at

least one payment of the principal or interest amount is overdue for more than 540 days, the only exception being collateral provided by an entity which attracts zero-risk weighting under a special CNB regulation.

Reserves and provisions are charged to expenses and are reported within the profit and loss account line "Write-offs, charge for, and use of provisions and reserves for receivables and guarantees." The tax deductible portion of the period's charge for the creation of reserves and provisions for loan losses is calculated in accordance with the requirements of Section 5 ('Banking Reserves and Provisions') and Section 8 ('Bankruptcy and Settlement Provisions') of the Provisioning Act 593/1992, as amended (henceforth the "Provisioning Act").

The write-off of unrecoverable receivables is accounted for as "Write-offs, charge for, and use of provisions and reserves for receivables and guarantees" in the profit and loss account. Provisions or reserves are reduced by the equivalent amount and accounted for within the same profit and loss account line. Recoveries on receivables previously written off are included in the line "Release of provisions and reserves for receivables and guarantees, recoveries of receivables previously written off."

(g) Interest Income and Expense

Interest income and expense are recognised in the profit and loss account when earned or incurred, on an accruals basis, through the line "Interest income and similar income" and "Interest expense and similar expense." Interest income and expense is recorded as a component of amounts due from banks/clients or amounts owed to banks/clients on the face of the balance sheet. The Bank also applies the accruals principle in respect of current interest on distressed receivables. Default interest on distressed receivables is retained off balance sheet and is recognised as income on collection in accordance with Czech Accounting Standard for Financial Institutions No. 103.

(h) Fees and Commissions

Fees and commissions are recognised through the profit and loss account line "Fee and commission income" and "Fee and commission expense" on an accruals basis. Fees and commissions are recognised as a component of amounts due from banks/clients or amounts owed to banks/clients on the face of the balance sheet.

(i) Foreign Currency Translation

Transactions denominated in foreign currencies are recorded in the local currency at the CNB exchange rates prevailing on the date of the transaction. Assets and liabilities denominated in foreign currencies are translated into the local currency at the CNB exchange rate prevailing on the balance sheet date. Realised and unrealised foreign exchange rate gains and losses arising from the translation of assets and liabilities denominated in foreign currencies are recognised in the profit and loss account as "Net profit or loss on financial operations."

(j) Tangible and Intangible Fixed Assets

Tangible fixed assets include tangible assets with a cost greater than CZK 13,000 and an estimated useful life exceeding one year. Tangible and intangible fixed assets are recorded at historical cost net of accumulated depreciation and amortisation indicating the extent of wear and tear. Provisions are recorded for any identified impairment.

Donated tangible and intangible fixed assets are stated at replacement cost, defined as the cost for which the asset would be purchased at the point of time of the accounting entry.

Tangible fixed assets internally generated by the Bank are stated at own costs incurred. Intangible fixed assets internally developed by the Bank are stated at the lower of own cost incurred or replacement costs.

Goodwill represents the difference between net assets value and market value of a bank or enterprise on its acquisition and is recorded in "Intangible fixed assets" on the face of the balance sheet.

The tangible and intangible fixed assets are depreciated using the straight line method over their estimated useful lives. The depreciation lives for each category of tangible and intangible fixed assets are as follows:

Selected low value tangible assets costing less than CZK 13,000	2 years
Intangible fixed assets and goodwill	4 years
Furniture and fittings	4-6 years
Equipment and other facilities	4 - 12 years
Electric machines and equipment	6 - 12 years
Buildings and structures	20 - 50 years

Leasehold technical improvements are depreciated on a straight line basis over the lease term.

Tangible fixed assets costing less than CZK 13,000 (with the exception of selected low value tangible assets), technical improvements on tangible and intangible fixed assets costing less than CZK 40,000, and intangible fixed assets costing less than CZK 60,000 are expensed through the profit and loss account line "Administrative expenses" in the period of acquisition.

Costs associated with acquiring software are treated as intangible fixed assets and are amortised on a straight line basis over an estimated useful life not exceeding four years.

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

(k) Finance Leases

The Bank acts only as a lessee for finance leases. Assets held under finance leases are recorded off balance sheet over the lease term and are not recognised on the balance sheet. Extraordinary payments, if any, are recorded on the balance sheet as a component of deferred expenses which are amortised on a straight line basis over the lease term

and reported in the profit and loss account line "Administrative expenses" together with regular payments. Upon expiration of the lease, the leased asset is purchased from the leasing company at its net book value, the balance of which has an impact on the accounting treatment in accordance with the policies set out above at Note 4(j).

(l) Reserves

_____ A reserve is recognised when the Bank has a present obligation (legal or constructive) as a result of a past event, it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

_____ Reasons for establishing reserves, principles and procedures of calculating individual types of reserves are set out at Note 20.

(m) Income Tax

_____ Tax on the profit or loss for the year as reported in the profit and loss account comprises current tax and the change in deferred tax.

_____ Current tax comprises the tax payable calculated on the basis of the expected taxable income for the year, using the tax rates enacted by the balance sheet date, and any adjustment of the tax payable for previous years. Non-tax deductible expenses are added to and non-taxable income is deducted from the profit for the year to arrive at the taxable income to which the current tax rate is applied. Current income tax is calculated at the end of the current reporting period in accordance with the Income Taxes Act 586/1992 Coll., as amended (henceforth the "Income Taxes Act"). The income tax rate effective for the year ended 31 December 2004 is 28 percent (2003 and 2002: 31 percent).

_____ During the year, the Bank maintained a reserve for income taxation.

_____ Deferred tax is provided using the balance sheet liability method on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes. The principal temporary differences arise from certain non-tax deductible reserves and provisions, tax and accounting depreciation on tangible and intangible fixed assets and revaluation of other assets. The amount of deferred tax is calculated as equal to the difference between the tax base and the accounting base multiplied by the income tax rate effective for the following accounting and taxable period pursuant to the Income Taxes Act. As such, temporary differences are established from differences on the balance sheet, not only from the cost and revenue change in the balance.

_____ A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available to realise the deferred tax benefits. Net deferred tax assets are reduced to the extent that it is not probable that the related tax benefit will be realised.

(n) Off Balance Sheet Instruments

Derivatives

_____ Derivatives are recognised in both off and on balance sheet accounts over the period from the trade date to the settlement/termination/exercise/sale or repurchase date. Derivatives are stated in off balance sheet accounts at the value of the underlying instrument and remeasured to reflect fluctuations in the spot foreign exchange rates or prices of underlying instruments; selected currency derivatives are also remeasured to reflect fluctuations in zero-risk interest rates. Derivatives are carried at fair value on the balance sheet. Derivatives are typically remeasured to fair value on a daily basis.

_____ The fair values of financial derivative instruments are determined using standard models implemented within the Reuters, Kondor+and Symbols systems. Parameters that are of key importance to the determination of fair values include quotation of deposits, interest rate swaps, foreign exchange rates, volatility of foreign exchange rates and interest rates and other values readily accessible in the Reuters system, as appropriate.

Hedging Derivatives

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

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

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

_____ The Bank applied hedge accounting with respect to the interest rate exposure arising from its own issue of mortgage bonds. The mortgage bonds issued with a fixed interest rate were linked to a floating market rate through interest rate swaps. Hedge accounting was additionally applied to the interest rate exposure associated with a client long-term loan. The fixed interest rate attached to the loan was converted into a market interest rate through an interest rate swap transaction.

Other Derivatives

_____ Derivatives that are not acquired for hedging purposes are recognised and treated as trading derivatives. Gains or losses arising from changes in fair values of other derivative instruments are recognised as expense or income within the line "Net profit or loss on financial operations" when the derivatives are remeasured, that is, on a daily basis.

Credit Derivatives

_____ Credit derivatives that are included in a combined financial instrument (Credit Linked Notes, Collateralised Linked Obligation, Asset Backed Securities, Collateralised Debt Obligation, Retail Mortgage Backed Securities) not remeasured to fair value through the profit and loss account are treated as separate and are recorded as amounts receivable and payable from credit derivatives. If the investment in the funded credit instruments is included in the portfolio that is remeasured to fair value through the profit and loss account, the credit derivative is not accounted for as separate. The fair value of a credit derivative is determined on the basis of quotations provided by the agents of the relevant issues. Gains or losses arising from changes in fair values are taken to expenses or income through "Net profit or loss on financial operations" when the derivatives are remeasured.

Embedded Derivatives

_____ A derivative may be sometimes a component of a combined financial instrument that includes both a host contract and the derivative (the 'embedded derivative'), which effects the cash flows or otherwise modifies the characteristics of the host contract. An embedded derivative is separated from the host contract and accounted for in accordance with the derivative accounting policy if all of the following conditions are met: the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, a separate financial instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the host instrument is not measured at fair value or is measured at fair value but changes from the fair value measurement are retained on the balance sheet.

Options

_____ Options are stated in the off balance sheet accounts at the value of the underlying instrument and are remeasured to reflect fluctuations in spot rates. Options are carried at fair values on the balance sheet. Changes in fair values and time values of exercised options are recorded as income or expense within the line "Net profit or loss on financial operations" on a daily basis.

(o) Prior Period Items

_____ Prior period items that do not relate to the current year on an accruals basis are recorded as the current year's income or expenses

within "Other operating expenses" or "Other operating income", or within the accounts of the prior period's profit or loss on the face of the balance sheet, if they are deemed material adjustments.

(p) Extraordinary Expenses/Income

_____ Extraordinary expenses or income reflect only items that do not directly relate to the Bank's day-to-day business activities.

5. Changes in Accounting Policies

_____ In accordance with applicable accounting regulations, the Bank made the following changes in its accounting policies or accounting estimates in 2004:

Foreign Currency Derivatives

_____ Off balance sheet receivables and payables associated with selected types of currency derivatives are remeasured to reflect fluctuations in zero-risk interest rates in order to provide a fairer presentation of the Bank's foreign currency position.

Tangible Fixed Assets

_____ The depreciation period of selected buildings and structures was extended from 30 years to 50 years to better reflect their estimated useful lives.

Valuation of Securities

_____ In accordance with Section 27 (4) of the Accounting Act 561/1991 Coll., the Bank uses an expert valuation to arrive at the fair value of shares and share certificates for which the price published on a public market is not available or for which the fair value estimated through the Bank's share of the equity of an enterprise or a mutual fund substantially exceeds the cost of the investment.

_____ In 2004, the Bank valued the shares of Českomoravská záruční a rozvojová banka, a. s. on the basis referred to above, with an aggregate impact on the profit of CZK 308 million.

6. Financial Instruments

_____ A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

_____ A financial asset is any asset that is cash and any other cash equivalents payable on demand ("cash"), a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

_____ A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

_____ An equity instrument is any contract that evidences a residual interest in the assets of an enterprise after deducting all of its liabilities (e.g. share, equity investment, share certificate).

_____ Financial instruments may result in certain risks to the Bank as noted below:

(a) Credit Risk

_____ Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. As such, the basis for managing this risk is a regular credit rating of the borrower, that is, an analysis of his ability to repay principal and interest.

_____ The Bank has a 13-grade internal rating system in place which was implemented in 2004 and is used in respect of all loan receivables, with the exception of loan receivables from retail clients – private individuals who are assessed using an 8-grade rating system. The 13-grade internal rating system applies to corporate clients, retail clients – businesses, municipalities, banks and financial institutions. The internal rating system complies with the CNB's guidance on assessing loan receivables and closely reflects these rules (that is, loan assessment criteria pursuant to CNB Regulation 9/2002 Coll. are an element of the rating system). The resulting rating of the client is transformed to the CNB classification using a fixed transformation bridge.

_____ Client rating is used principally for the assessment of borrowers and it also impacts several other activities of the Bank (e.g. the approval authority is determined based upon client rating, provisioning).

_____ Client rating is established on the basis of an assessment of the client's operations and performance in the current and prior accounting periods. In assessing clients, the Bank also refers to other external economic and political factors and conditions that may impact the quality of the receivable. Guidance on evaluating all underlying characteristics and on establishing ratings of each type of clients is given in the Bank's internal regulations. All amounts due from one client need to be graded in the same category, that is, the grade that corresponds to the worst classification of a receivable from the relevant borrower (exceptions are possible as set out in Section 5 (11) of CNB Regulation 9/2002 Coll.).

_____ The Bank uses ratings provided by external rating agencies only as indicative information and the external rating never replaces the Bank's internal rating and assessment of the borrower.

_____ Amounts due from the issuers of debt securities are not included in the categorisation process referred to above.

_____ The Bank has numerous procedures in place for working with collateral instruments and their valuation. These procedures include the 'Collateral Catalogue' which sets out individual types of collateral accepted by the Bank. In addition, the Bank sets out guidance for determining

values of individual types of collateral. The Bank establishes the nominal value of collateral by reference to a market appraisal of the relevant asset and discounts the nominal value of the collateral to its realisable value using a discount factor which is established for each collateral type. The realisable value of collateral is taken into account in determining the level of provisioning (refer to Note 4f). Collateral valuation guidance also sets out when and how often the value of collateral needs to be updated.

_____ Types of collateral are defined in the Bank's internal regulation (Collateral Catalogue).

_____ In principle, the quality of the loan portfolio is measured according to the following three indicators:

- > Proportion of classified loans (CNB category 2-5) to total loans;
- > Proportion of high-risk loans (CNB category 3-5) to total loans;
- > Proportion of non-performing loans (overdue for more than 90 days) to total loans.

_____ For credit risk measurement purposes, the Bank uses a number of approaches, client rating being the key factor. The primary method is the 'migration matrix' or 'shift probability matrix'.

_____ Work-out principles and procedures can be segmented into two groups: out-of-court recovery and court recovery. These two groups can be further split into categories. As an example, out-of-court recovery involves the alteration of conditions, including restructuring processes, composition, collateral realisation, auctions, sale of debts, etc. Court recovery efforts include arbitration, legal disputes, bankruptcy, execution of verdict, etc.

_____ The entire loan portfolio is segmented into several 'sub-portfolios' which are measured for concentration risk. A 'default rate' is measured in individual sub-portfolios, the Bank uses a 'vintage analysis' to determine to what extent the default rate is dependant upon maturity. Concentration risk is measured in respect of corporate banking which sees significant loan exposures to individual borrowers. Significant concentration is typically defined as an exposure to a borrower or a group of borrower in excess of 15 percent of the Bank's capital.

_____ The Bank does not presently utilise instruments for credit risk reallocation (e.g. securitisation) or recourse agreements.

_____ Quantitative information regarding credit risk can be found at Notes 7, 8, 9 and 10.

(b) Market Risk

_____ Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. Market risks undertaken by the Bank principally relate to transactions on financial markets which are traded in both the trading and banking books (the Bank segments all instruments into the trading and banking book in accordance with CNB Regulation 333/2002 Coll. which provides guidance on prudent business of controlling entities on a consolidated basis), and interest rate risk associated with assets and liabilities in the banking book.

_____ Trading book transactions in the capital, money and derivative markets can be segmented as follows:

- > Client quotations and client transactions, execution of client orders;
- > Interbank market quotations;
- > Proprietary trading in the interbank market.

_____ The Bank enters into short-term transactions on the account of the trading book, that is, the Bank opens positions with a view to benefiting from short-term fluctuations in financial markets, purchases higher-interest bearing assets funded by the sale of lower-interest bearing assets with the objective of using the interest spread to generate profit, creates strategic positions, that is, positions opened to benefit from significant movements in the prices of financial assets.

_____ The Bank conducts the following derivative transactions through the over-the-counter (OTC) market:

- > Foreign currency forwards and swaps;
- > Foreign currency options;
- > Interest rate swaps;
- > Asset swaps;
- > Forward rate agreements;
- > Cross-currency swaps;
- > Interest rate options such as swaptions, caps and floors; and
- > Credit derivatives.

_____ In the area of exchange-traded derivatives, the Bank trades with futures in regard to debt securities.

_____ During the year ended 31 December 2004, at the clients' request, the Bank also traded with other less common currency options, such as digital, barrier or windowed options. Certain of these option contracts formed part of the on-balance sheet instruments as embedded derivatives.

_____ Derivative transactions are also entered into to hedge against interest rate risk inherent in the banking book (interest rate swaps, FRA, swaptions) and to refinance the gap between foreign currency assets and liabilities (FX swaps and cross currency swaps).

_____ Market risk inherent in the trading book and all transactions in financial markets are monitored and measured by the Central Risk Management Department which is independent and separate from the business unit, to ensure that the reported data is correct and free from bias. All limits for market risks inherent in the trading book are proposed by the Central Risk Management Department and the Treasury Department, and approved by the Financial Markets and Risk Management Committee. The limits also need to be confirmed by the parent company, Erste Bank.

_____ Quantitative information regarding credit risk can be found at Notes 6 (f) and 24.

(c) Interest Rate Risk

_____ Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates.

_____ In order to measure the interest rate risk exposure within financial markets transactions the Bank uses the 'PVBP gap' (Present Value of a Basis Point) defined as a matrix of sensitivity factors to interest rates by currency for individual portfolios of interest rate products. These factors measure the portfolio market value sensitivity with a parallel shift of the yield curve of the relevant currency within the predefined period to maturity. The system of PVBP limits is set in respect of each interest rate product trading portfolio by currency. The limits are compared to the value that represents the greater of the sum of positive PVBP values or the sum of negative PVBP values in absolute terms for each period to maturity. By adopting this approach, the Bank manages not only the risk attached to a parallel shift of the yield curve, but also any possible 'flip' of the yield curve. With regard to foreign currency options, the PVBP limits also include the Rho and Phi equivalents. In addition, the Bank monitors other special limits for interest rate option contracts, such as the gamma and vega limits for interest rates and their volatility.

_____ For monitoring and managing the banking book interest rate exposures the Bank uses a simulation model focused on monitoring potential impacts of market interest rate movements on the Bank's net interest income. Simulations are performed over the period of 36 months. A basic analysis focuses on the sensitivity of the Bank's net interest income to a one-off change(s) of market interest rates (rate shock). In addition, the Bank undertakes probability modelling of its net interest income (stochastic simulation) and the traditional gap analysis. The analyses noted above are undertaken on a monthly basis and the results are discussed by the Assets and Liabilities Committee (ALCO) which decides whether it is necessary to take measures in response to the Bank's interest rate risk exposures.

_____ The following table provides an overview of the interest rate sensitivity of the Bank's financial instruments denominated in CZK. The calculation is based on the assumption that interest rates show a parallel increase by one percent and presents a potential increase in interest income from assets and off balance sheet transactions and interest expenses from liabilities that would occur in the following year while maintaining the structure of financial instruments reported as of 31 December:

MCZK	2004	2003	2002
Assets	1,711	1,842	2,220
Liabilities	(1,481)	(1,189)	(1,860)
Total balance sheet	230	653	360
Off balance sheet transactions	(62)	(60)	30
Total net interest income	168	593	390

(d) Foreign Currency Risk

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

Sensitivities of foreign currency derivative contracts to foreign exchange rate movements are measured in the form of delta equivalents and are reflected in the Bank's foreign currency position. The Bank monitors special limits for foreign currency option contracts, such as limits for the delta equivalent sensitivity to the exchange rate change in the form of the gamma equivalent, and limits for option contract value sensitivity to the exchange rate volatility in the form of the vega equivalent. In addition, the Bank monitors value sensitivity to the period to maturity (theta) and interest rate sensitivity (rho, phi) which is measured, together with other interest rate instruments, in the form of the PVBP.

(e) Equity Risk

The trading book equity risk exposure is monitored using the delta sensitivities of portfolio market values to equity price movements both by equity issue and in aggregate for each of the markets and the whole portfolio.

(f) Market Risk Measurement**Value at Risk**

In order to measure market risk inherent in the trading and banking books on an aggregate basis the Bank uses the Value at Risk concept ('VaR'). Value at Risk is calculated with a confidence level of 99 percent over the holding period of one trading day. The calculation is performed using the KvaR+ system and simulations based on historical data over the most recent 500 trading days.

VaR limits are established for individual trading desks/portfolios. The VaR method is complemented with 'back testing' which is designed to review the model for correctness. Back testing involves comparing daily estimates of VaR to the hypothetical results of the portfolio on the assumption that the positions within the portfolio remain unchanged for one trading day. Back testing results have, to date, confirmed the correctness of the setting of the VaR calculation model.

Set out below are VaR limits for the trading book split by risk:

MCZK	2004		2003		2002	
	31 Dec	Average	31 Dec	Average	31 Dec	Average
VaR interest rate risk	9.96	18.87	16.68	22.61	3.58	6.80
VaR FX risk	13.45	11.53	18.83	13.86	5.53	7.50
VaR equity risk	0.26	2.61	0.15	0.88	0.59	1.42
VaR volatility risk	1.76	4.29	4.08	4.42	8.41	3.04
Total VaR	19.42	24.87	28.95	28.28	12.89	20.18

As of 31 December 2004, the aggregate VaR in respect of all market risks was CZK 19.42 million (2003: CZK 28.95 million, 2002: CZK 20.18 million). This value is lower than the sum of VaR limits in respect of individual risks as a result of correlation between individual risks.

Capital Requirement in respect of Market Risks

Since December 2003, the Bank has used its internal model approved by the Czech National Bank in November 2003 to calculate its B capital requirements. The capital requirement in respect of market risks (foreign currency risk, general interest rate risk, general and specific equity risk and risk associated with trading book option contracts) is determined using the Value at Risk method. The model is based upon the calculation of Value at Risk with a 99 percent confidence level and a 10-day holding period using the historical simulation method.

Stress Testing

The Bank's trading book undertakes regular monthly stress testing. Stress scenarios are developed on the basis of the 10-15 year history of market factors. The impact of the worst case stress scenario on the market value of the portfolio is defined through the combination of individual stress scenarios.

Stress scenario results are compared with the Bank's capital allocated pursuant to the standard CNB methodology for calculating capital requirements from market risks.

Stop-loss Limits

In addition to sensitivity and VaR limits, the Bank has established and monitors, on a daily basis, stop-loss limits for individual trading desks. These limits are compared to the difference between the best result (realised and unrealised profit) in the relevant month/year and the current result of the trading desk.

Guidance on sensitivity, VaR and stop-loss limits relating to the trading portfolio is given in the Bank's internal regulation (the Risk Management Manual) together with the method of determination of the limit

and measures to be taken if the limit is transgressed. The Risk Management Manual forms part of the Market Risk Management Strategy which was approved by the Bank's Board of Directors.

(g) Other Risks

Liquidity Risk

_____ Liquidity risk is the risk that the Bank will encounter difficulties in raising funds to meet commitments associated with financial instruments. The Bank's liquidity position is monitored and managed based on expected cash inflows and outflows and adjusting interbank deposits and placements accordingly.

Operational Risks

_____ In accordance with the Regulation of the Czech National Bank No. 11 dated 10 December 2002, which sets out requirements in respect of the review of banks' internal control and management systems including the risk management system, the Bank defines operational risk as the risk of loss arising from the inappropriateness or failure of internal processes, human errors or failures of systems or the risk of loss resulting from external events.

_____ With assistance from Erste Bank Vienna, the Bank put in place a standardised categorisation of operational risks with the objective of using this categorisation on a group-wide basis. In cooperation with Erste Bank, the Bank applies an advanced approach to quantifying operational risk.

_____ The Bank has cooperated with an external supplier in developing a software application to collect data about operational risk which conforms to the data collection requirements set out in the New Basel Capital Accord. The data is not only used with a view to quantifying operational risks and monitoring trends in the development of these risks but also for the purpose of preventing recurrence of operational risks.

_____ A tool of importance to mitigating losses arising from operational risks is the Bank's insurance programme put in place in 2002. This insurance programme involves insurance of property damage as well as risks arising from banking activities and liability risks. The Bank is cooperating with Erste Bank in its preparations for joining the Erste Bank Group insurance programme which will serve to expand the Bank's insurance protection specifically with regard to damage that may materially impact its profit or loss.

Legal Risks

_____ At the balance sheet date, the Bank was involved in various claims and legal proceedings of a nature considered normal to its business. The Czech legal environment is still evolving, legal disputes are costly and their outcome unpredictable. Many parts of legislation remain untested and there is uncertainty about the interpretation that courts may apply in a number of areas. The impact of these uncertainties cannot be quantified and will only be known as the specific legal disputes in which the Bank is named are resolved.

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

7. State Zero-Coupon Bonds and Other Securities Eligible for Refinancing with the CNB

(a) Analysis of Securities Eligible for Refinancing with the CNB by Type

MCZK	2004	2003	2002
State treasury bills	3,196	16,666	25,840
State coupon bonds	44,234	50,082	34,209
Other state zero-coupon bonds	0	556	0
Total	47,430	67,304	60,049

(b) Analysis of Securities Eligible for Refinancing with the CNB by Portfolio

MCZK	2004	2003	2002
Securities held for trading	4,326	22,637	6,434
Securities available for sale	1,296	1,686	3,380
Securities held to maturity	41,808	42,981	50,235
Total	47,430	67,304	60,049

(c) Analysis of Securities Eligible for Refinancing with The CNB By Remaining Maturity

MCZK	2004	2003	2002
<i>Securities held for trading</i>			
Up to 3 months	507	9,245	2,307
Less than 1 year	550	10,303	0
Less than 5 years	1,973	338	2,703
Greater than 5 years	1,296	2,751	1,424
	4,326	22,637	6,434
<i>Securities available for sale</i>			
Up to 3 months	1,296	707	2,207
Less than 1 year	0	979	1,173
	1,296	1,686	3,380
<i>Securities held to maturity</i>			
Up to 3 months	7,449	2,823	12,138
Less than 1 year	1,677	1,863	10,172
Less than 5 years	6,437	14,694	17,840
Greater than 5 years	26,245	23,601	10,085
	41,808	42,981	50,235
Total	47,430	67,304	60,049

8. Amounts Due From Banks**(a) Amounts Due from Banks**

MCZK	2004	2003	2002
Loans to banks	37,602	51,643	105,236
Debt securities acquired under initial offerings not designated for trading	12,257	7,528	1,208
Other receivables from banks	23,133	14,555	8,385
Total amounts due from banks	72,992	73,726	114,829

_____ Loans to banks as of 31 December 2004 include loans provided under reverse repurchase transactions in the amount of CZK 33,053 million (2003: CZK 46,401 million, 2002: CZK 100,905 million). Debt securities acquired under initial offerings not designated for trading include Credit Linked Notes amounting to CZK 646 million.

_____ Amounts due from the Bank's related parties are presented in Note 36.

(b) Analysis of Amounts Due from Banks by Classification

_____ In the years ended 31 December 2004, 2003 and 2002, none of the amounts due from banks were classified, all the amounts due from banks were rated as standard.

(c) Geographical Analysis of Amounts Due from Banks

MCZK	2004	2003	2002
Czech Republic	46,546	58,232	109,885
EU countries	22,165	12,397	4,066
Other European countries	3,604	2,812	439
US and Canada	314	103	115
Others	363	182	324
Total amounts due from banks	72,992	73,726	114,829

(d) Analysis of Amounts Due from Banks by Remaining Maturity

MCZK	2004	2003	2002
Repayable on demand	6,415	3,671	1,994
Up to 3 months	44,146	52,445	103,740
Less than 1 year	7,367	7,099	2,221
Less than 5 years	14,464	9,730	6,874
Greater than 5 years	600	781	0
Total amounts due from banks	72,992	73,726	114,829

_____ The proportion of amounts due within one year is 79.36 percent (2003: 85.74 percent, 2002: 94.01 percent).

(e) Analysis of Amounts Due from Banks by Type of Collateral

MCZK	2004	2003	2002
State guarantees and guarantees issued by the CNB	179	267	390
Securities under reverse repo transactions	33,053	46,401	100,905
Total collateral	33,232	46,668	101,295
Non-collateralised	39,760	27,058	13,534
Total amounts due from banks	72,992	73,726	114,829

(f) Amounts Due from Banks Written off and Recoveries of Amounts Due from Banks Written off

_____ The Bank wrote off no amounts due from banks during the years ended 31 December 2004 or 2003. In the year ended 31 December 2004, the Bank recognised recoveries of CZK 1 thousand in respect of amounts due from banks written off (2003: CZK 1 thousand, 2002: CZK 2 thousand).

9. Amounts Due From Clients

(a) Amounts Due from Clients

MCZK	2004	2003	2002
Corporate loans in CZK	116,413	117,825	111,500
Retail loans in CZK	82,996	62,346	47,470
Corporate and retail loans in foreign currencies	14,893	15,091	15,249
Total gross loan receivables from clients	214,302	195,262	174,219
Less provisions against classified loans	(4,508)	(4,545)	(12,412)
Net loan receivables from clients	209,794	190,717	161,807
Debt securities acquired under initial offerings not designated for trading	19,627	5,230	2,263
Total gross amounts due from clients	233,929	200,492	176,482
Total net amounts due from clients	229,421	195,947	164,070

Loans to clients as of 31 December 2004 include loans provided under reverse repurchase transactions in the amount of CZK 541 million (2003: 1,311 million, 2002: CZK 882 million).

In 2004, amounts due from clients included receivables from banks, which have had their banking licences revoked. This amount totalled CZK 538 million (2003: CZK 538 million, 2002: CZK 1,163 million).

Amounts due from the Bank's related parties are presented in Note 36.

(b) Amounts Due from Clients by Classification

2004 MCZK	Total	Collateral	Adjusted value	Provisions and reserves
Standard	221 469	116,277	105,192	1,045
Watch	6 805	4,497	2,308	515
Substandard	1 873	1,047	826	505
Doubtful	639	265	374	398
Loss	3 143	1,009	2,134	3,089
Total	233 929	123,095	110,834	5,552

2003 MCZK	Total	Collateral	Adjusted value	Provisions and reserves
Standard	187 179	111,404	75,775	3,186
Watch	6 398	3,562	2,836	407
Substandard	2 919	1,360	1,559	648
Doubtful	1 089	394	695	620
Loss	2 907	425	2,482	2,870
Total	200 492	117,145	83,347	7,731

2002 MCZK	Total	Collateral	Adjusted value	Provisions and reserves
Standard	151 036	93,837	57,199	5,371
Watch	8 972	6,623	2,349	295
Substandard	3 155	2,003	1,152	545
Doubtful	2 021	1,462	559	493
Loss	11 298	1,895	9,403	11,079
Total	176 482	105,820	70,662	17,783

_____ Collateral values are stated net of a discount that indicates the recovery rate of the relevant type of collateral. The adjusted value represents the total value net of collateral.

_____ The uncertainties resulting from specific credit risks are covered by reserves established pursuant to Notice 501 (refer to Note 20).

(c) Analysis of Amounts Due from Clients by Sector

MCZK	2004	2003	2002
Non-financial institutions	75,193	68,173	61,556
Financial institutions	20,059	17,604	14,411
Insurance companies	1,503	3,152	0
Government sector	55,280	50,199	48,832
Not-for-profit organisations	206	752	2,048
Households (self-employed)	1,899	1,494	561
Resident individuals	69,674	58,089	47,304
Unallocated	10,115	1,029	1,770
Total gross amounts due from clients	233,929	200,492	176,482

(d) Analysis of Amounts Due from Clients by Industry

MCZK	2004	2003	2002
Financial institutions	21,863	21,120	13,658
Residents	72,431	57,479	47,235
Trade	17,266	11,693	10,428
Power	4,301	3,805	4,764
State sector	53,000	51,481	48,991
Construction	2,432	1,904	1,646
Hotels, public catering	1,570	2,458	1,573
Processing	26,854	21,100	17,897
Other	34,212	29,452	30,290
Total gross amounts due from clients	233,929	200,492	176,482

(e) Geographical Analysis of Amounts Due from Clients

MCZK	2004	2003	2002
Czech Republic	227,704	196,810	171,514
EU countries	4,033	964	1,340
Other European countries	829	1,616	2,939
US and Canada	828	590	687
Others	536	512	2
Total gross amounts due from clients	233,929	200,492	176,482

(f) Analysis of Amounts Due from Clients by Remaining Maturity

MCZK	2004	2003	2002
Repayable on demand	284	24	230
Up to 3 months	27,384	17,851	9,393
Less than 1 year	64,035	51,791	24,641
Less than 5 years	96,677	91,850	73,416
Greater than 5 years	45,549	38,976	68,802
Total gross amounts due from clients	233,929	200,492	176,482

_____ The proportion of amounts due within one year is 39.20 percent (2003: 34.07 percent, 2002: 19.41 percent).

(g) Amounts Due from Clients Written off and Recoveries of Written off and Assigned Receivables

MCZK	2004	2003	2002
Non-financial institutions	179	5,439	2,082
Financial institutions	4	630	49
Government sector	0	2	2
Households (self employed)	27	898	920
Resident individuals	509	2	203
Non-resident individuals	6	24	14
Unallocated	27	971	210
Total write-offs	752	7,966	3,480
Recoveries of written off and assigned receivables	72	40	79

(h) Restructured Loans and Securitised Loans

_____ During the year ended 31 December 2004, the Bank restructured loans, the balance of which was CZK 353 million as of 31 December 2004 (2003: CZK 410 million, 2002: CZK 430 million).

_____ The Bank did not enter into any securitisation transactions in respect of its loan portfolio during the year ended 31 December 2004.

(i) Syndicated Loans

_____ As of 31 December 2004, the Bank participated in syndicated loan arrangements in which it participated in the utilised amount of CZK 10,503 million (2003: CZK 8,968 million, 2002: CZK 8,043 million) of the aggregate approved limit of CZK 15,511 million (2003: CZK 19,347 million, 2002: CZK 17,488 million).

10. Debt Securities

_____ The following tables provide an analysis of securities by issuer.

(a) Analysis of Debt Securities Held for Trading

MCZK	2004 Market value	2003 Market value	2002 Market value
<i>Issued by financial institutions</i>			
Marketable	5,084	6,984	327
	5,084	6,984	327
<i>Issued by non-financial institutions</i>			
Marketable	1,158	3,157	305
	1,158	3,157	305
<i>Issued by the Government sector</i>			
Marketable	3,095	5,845	661
Non-marketable	0	0	417
	3,095	5,845	1,078
<i>Total</i>	9,337	15,986	1,710
Coupons of securities	167	341	18
Total net book value	9,504	16,327	1,728

_____ For the year ended 31 December 2004, the net book value of debt securities held for trading included State treasury bills of CZK 0 million (2003: CZK 2,956 million, 2002: CZK 417 million) and bonds of CZK 604 million (2003: CZK 101 million, 2002: CZK 636 million) that were transferred as collateral for loans taken under repurchase transactions.

_____ The proportion of debt securities with remaining maturity less than one year to the aggregate value of these assets is 20.90 percent as of 31 December 2004 (2003: 22.57 percent, 2002: 57.88 percent).

_____ The portfolio of debt securities held by the Bank for trading as of 31 December 2004 comprised bonds issued by foreign issuers at a cost of CZK 5,151 million (2003: CZK 10,992 million, 2002: CZK 324 million).

_____ Marketable securities are traded on the Prague Stock Exchange ('PSE') and major European and global stock exchanges.

_____ In connection with a revision of its investment and business strategy, the Bank reallocated a portion of debt securities from the available-for-sale portfolio to the trading portfolio as of 1 April 2003 (refer to Note 10 (b)).

(b) Analysis of Debt Securities Available for Sale

MCZK	2004 Market value	2003 Market value	2002 Market value
<i>Issued by financial institutions</i>			
Marketable	9,668	5,538	1,094
Non-marketable	0	0	1,585
	9,668	5,538	2,679
<i>Issued by non-financial institutions</i>			
Marketable	840	0	5,437
Non-marketable	0	0	3,447
	840	0	8,884
<i>Issued by the Government sector</i>			
Marketable	2,310	2,579	244
Non-marketable	0	0	1,828
	2,310	2,579	2,072
<i>Total</i>	<i>12,818</i>	<i>8,117</i>	<i>13,635</i>
Coupons of securities	212	68	219
Total net book value	13,030	8,185	13,854

_____ For the year ended 31 December 2004, the net book value of debt securities available for sale included state treasury bonds of CZK 0 million (2003: CZK 2,287 million, 2002: CZK 1,599 million) that were transferred as collateral for loans taken under repurchase transactions. In addition, the 2004 balance includes securitised securities of CZK 757 million.

_____ The proportion of debt securities with remaining maturity less than one year to the aggregate value of these assets is 7.44 percent as of 31 December 2004 (2003: 28.93 percent, 2002: 19.80 percent).

_____ The portfolio of the Bank's debt securities available for sale as of 31 December 2004 comprised bonds issued by foreign issuers at a cost of CZK 12,329 million (2003: CZK 4,019 million, 2002: CZK 10,154 million).

_____ Marketable securities are traded on the Prague Stock Exchange ('PSE') and major European and global stock exchanges.

_____ In connection with a revision of its investment and business strategy, the Bank reallocated a portion of debt securities from the available-for-sale portfolio to the trading portfolio as of 1 April 2003. The amount of these securities was CZK 11,954 million, that is, 56.39 percent of the balance of the securities carried within the 'available for sale' portfolio as of the reallocation date. Given that the debt securities included in both portfolios are recorded at the most recent market values, the reallocation had zero impact on the Bank's profit or loss.

(c) Analysis of Debt Securities Held to Maturity

MCZK	2004		2003		2002	
	Purchase cost	Market value	Purchase cost	Market value	Purchase cost	Market value
<i>Issued by financial institutions</i>						
Marketable	25,294	26,406	24,165	25,453	8,432	9,474
Non-marketable	768	769	122	122	6,079	6,545
	26,062	27,175	24,287	25,575	14,511	16,019
<i>Issued by non-financial institutions</i>						
Marketable	2,011	2,325	7,955	8,510	10,513	11,351
Non-marketable	113	113	1,150	1,149	4,170	3,997
	2,124	2,438	9,105	9,659	14,683	15,348
<i>Issued by the Government sector</i>						
Marketable	8,890	9,448	2,860	2,973	3,824	3,880
Non-marketable	258	258	44	44	0	0
	9,148	9,706	2,904	3,017	3,824	3,880
<i>Total</i>	37,334	39,319	36,296	38,251	33,018	35,247
Less provisions for securities	(26)		(25)		(79)	
NBV of securities	37,308	39,319	36,271	38,251	32,939	35,247
Coupon of securities	812	812	908	908	959	959
Total net book value	38,120	40,131	37,179	39,159	33,898	36,206

_____ For the year ended 31 December 2004, the net book value of debt securities held to maturity included bonds of CZK 7,644 million (2003: CZK 2,511 million, 2002: CZK 3,839 million) that were transferred as collateral for loans taken under repurchase transactions.

_____ The proportion of debt securities with remaining maturity less than one year to the aggregate value of these assets is 31.22 percent as of 31 December 2004 (2003: 24.47 percent, 2002: 19.21 percent).

_____ The portfolio of the Bank's debt securities held to maturity as of 31 December 2004 comprised bonds issued by foreign issuers at a cost of CZK 22,074 million (2003: CZK 22,659 million, 2002: CZK 19,271 million). The debt securities held to maturity are largely comprised of eurobonds denominated in CZK and foreign currencies and bonds issued by the parent company, Erste Bank, at a cost of CZK 4,995 million and at a market value of CZK 5,147 million (2003: cost of CZK 4,989 million and at a market value of CZK 5,310 million, 2002: cost of CZK 5,147 million and at a market value of CZK 5,060 million).

(d) Total Debt Securities

MCZK			Net book value 2002
	2004	2003	
Debt securities held for trading	9,504	16,327	1,728
Debt securities available for sale	13,030	8,185	13,854
Debt securities held to maturity	38,120	37,179	33,898
Total net book value	60,654	61,691	49,480

_____ The total net book value of debt securities reported on the face of the balance sheet consists of the market value of debt securities held for trading and available for sale and purchase cost, together with the accrued income (coupon), of debt securities held to maturity, net of provisioning.

(e) Geographical Analysis of Debt Securities

MCZK	2004	2003	2002
<i>Debt securities held for trading</i>			
Czech Republic	4,420	5,335	1,404
EU countries	3,762	4,745	324
Other European countries	0	3,005	0
US and Canada	601	1,550	0
Others	721	1,692	0
	9,504	16,327	1,728
<i>Debt securities available for sale</i>			
Czech Republic	494	4,166	3,700
EU countries	11,218	3,020	5,769
Other European countries	608	741	712
US and Canada	304	258	2,274
Others	406	0	1,399
	13,030	8,185	13,854
<i>Debt securities held to maturity</i>			
Czech Republic	15,466	14,519	14,627
EU countries	18,755	18,829	17,036
Other European countries	1,815	1,815	1,026
US and Canada	64	0	203
Others	2,020	2,016	1,006
	38,120	37,179	33,898
Total debt securities	60,654	61,691	49,480

(f) Analysis of Debt Securities by Remaining Maturity

MCZK	2004	2003	2002
<i>Debt securities held for trading</i>			
Up to 3 months	445	597	417
Less than 1 year	1,541	3,088	0
Less than 5 years	5,244	9,020	433
Greater than 5 years	2,274	3,622	878
	9,504	16,327	1,728
<i>Debt securities available for sale</i>			
Up to 3 months	246	869	1,285
Less than 1 year	724	1,499	1,441
Less than 5 years	7,366	4,552	9,420
Greater than 5 years	4,694	1,265	1,708
	13,030	8,185	13,854
<i>Debt securities held to maturity</i>			
Up to 3 months	1,384	1,999	475
Less than 1 year	10,525	7,106	2,506
Less than 5 years	17,928	19,734	22,204
Greater than 5 years	8,309	8,365	8,792
	38,146	37,204	33,977
Total	60,680	61,716	49,559
Provisions	(26)	(25)	(79)
Total debt securities	60,654	61,691	49,480

11. Shares, Share Certificates and Other Equity Investments**(a) Analysis of Shares, Share Certificates and Other Equity Investments Held for Trading**

MCZK	2004 Market value	2003 Market value	2002 Market value
<i>Issued by financial institutions</i>			
Marketable	1,600	1,179	0
	1,600	1,179	0
<i>Issued by non-financial institutions</i>			
Marketable	7	126	209
	7	126	209
Total net book value	1,607	1,305	209

_____ For the year ended 31 December 2004, the net book value of shares, share certificates and other equity investments held for trading included no shares (2003: CZK 0, 2002: CZK 6 million) that were transferred as collateral for loans taken under repurchase transactions.

_____ Marketable securities are traded on the PSE.

(b) Analysis of Shares, Share Certificates and Other Equity Investments Available for Sale

MCZK	2004 Market value	2003 Market value	2002 Market value
<i>Issued by financial institutions</i>	3,402	3,272	408
Non-marketable	3,402	3,272	408
<i>Issued by non-financial institutions</i>			
Marketable	0	0	468
Non-marketable	23	38	57
	23	38	525
Total net book value	3,425	3,310	933

_____ As of 31 December 2004, the volume of shares and share certificates issued by subsidiary and associate undertakings was CZK 0 million (2003: CZK 209 million, 2002: CZK 218 million).

_____ Marketable securities are traded on the PSE.

(c) Total Shares, Share Certificates and Other Equity Investments

MCZK	2004	2003	Net book value 2002
Shares, share certificates and other equity investments held for trading	1,607	1,305	209
Shares, share certificates and other equity investments available for sale	3,425	3,310	933
Total shares, share certificates and other equity investments	5,032	4,615	1,142

(d) Geographical Analysis of Shares, Share Certificates and Other Equity Investments

MCZK	2004	2003	2002
<i>Shares, share certificates and other equity investments held for trading</i>			
Czech Republic	6	1	6
EU countries	89	0	0
Other European countries	0	125	0
Others	1,512	1,179	203
	1,607	1,305	209
<i>Shares, share certificates and other equity investments available for sale</i>			
Czech Republic	718	617	674
EU countries	2,693	2,670	259
US and Canada	14	23	0
	3,425	3,310	933
Total shares, share certificates and other equity investments	5,032	4,615	1,142

12. Participation Interests with Substantial and Controlling Influence

(a) Participation Interests with Substantial Influence

Name	Registered office address	Principal activities	Share capital in 2004	MCZK Equity in 2004
CBCB – Czech Banking Credit Bureau, a. s.	Prague 8, Sokolovská 192/79	Provision of software	1.2	2.7
České nemovitosti, a. s.	Prague 1, Revoluční 3	Real estate activities	45	87x)
Hotelová společnost, spol. s r.o. *	Prague 5, Plzeňská 103/215a	Accommodation services	0.2	124.4
První certifikační autorita, a. s.	Prague 9, Podvinný mlýn 2178/6	Digital signature certification services	20	27x)
Servis 1- ČS, a. s. *	Prague 4, Olbrachtova 1929/62	Provision of software	2,880	2,928

Name	Registered office address	Principal activities	Share capital in 2004	EUR '000 Equity in 2004
CEE Property Development Portfolio B.V.	Naritaweg 165 Amsterdam, Netherlands	Real estate investment	20	32,104
Czech and Slovak Property Fund B.V.	Naritaweg 165 Amsterdam, Netherlands	Real estate investment	20	238x)

* Substantial influence over these companies does not result from the Bank's equity interest in these companies. The Bank's substantial influence is attributable to the Statutes of the companies and Articles of Association entered into with other shareholders.

x) Unaudited

_____ In 2004, CEE Property Development Portfolio B.V. and Czech and Slovak Property Fund B.V. were formed. The Bank acquired an investment in První certifikační autorita, a. s. and increased its shareholding in České nemovitosti a. s.

_____ The Bank has presented the investments in the two real-estate funds in investments with substantial influence because the Bank holds 20 percent of the issued share capital and does not have a majority on voting rights and Board representation. The Bank has provided significant additional funding to the funds for investment purposes that results in the Bank receiving substantially all of the returns and bearing substantially all of the risks of the investment. The second shareholder bears minimal risks and receives minimal returns from its investment in the funds. Consequently, the Bank fully consolidates the investments in these funds in its consolidated financial statements.

_____ During the year ended 31 December 2003, IC, s. r. o. was sold and the impact of this transaction on the profit and loss account was immaterial.

Name	% capital held			% of voting power		
	2004	2003	2002	2004	2003	2002
CBCB – Czech Banking Credit Bureau, a. s.	20 %	20 %	20 %	20 %	20 %	20 %
CEE Property Development Portfolio B.V.	20 %	-	-	20 %	-	-
Czech and Slovak Property Fund B.V.	20 %	-	-	20 %	-	-
České nemovitosti, a. s.	24 %	10 %	10 %	24 %	10 %	10 %
Hotelová společnost, spol. s r.o.	10 %	10 %	10 %	50 %	50 %	50 %
IC, s. r. o.	-	-	9.5 %	-	-	50 %
První certifikační autorita, a. s.	23.3 %	-	-	23.3 %	-	-
Servis 1 - ČS, a. s.	10.4 %	10.4 %	10.4 %	20.8 %	20.8 %	20.8 %

Name	Net book value in MCZK			Number of subscribed shares			Nominal value of subscribed shares/holdings in MCZK		
	2004	2003	2002	2004	2003	2002	2004	2003	2002
CBCB – Czech Banking Credit Bureau, a. s.	0.24	0.24	0.24	24	24	24	0.24	0.24	0.24
CEE Property Development Portfolio B.V.	998	-	-	4,000	-	-	0.12	-	-
Czech and Slovak Property Fund B.V.	7	-	-	4,000	-	-	0.12	-	-
České nemovitosti, a. s.	18	-	-	24	-	-	7.2	-	-
Hotelová společnost, spol. s r.o.	0.02	0.02	0.02	-	-	-	0.02	0.02	0.02
IC, s. r. o.	-	-	0.02	-	-	-	-	-	0.02
První certifikační autorita, a. s.	10	-	-	465	-	-	0.93	-	-
Servis 1 - ČS, a. s.	300	300	300	300	300	300	300	300	300
	1,333.26	300.26	300.28						
Less provisions for participation interests	(44)	0	(0.02)						
Participation interests with substantial influence, net	1,289	300	300						

(b) Participation Interests with Controlling Influence

Name	Registered office address	Principal activities	MCZK	
			Share capital in 2004	Equity in 2004
brokerjet České spořitelny, a. s.	Prague 1, Na Perštýně 1/342	Investment services	160	120
CDI Corporate Advisory, a. s.	Prague 1, Na Perštýně 1/342	Consultancy	6	40
Consulting České spořitelny, a. s.	Prague 3, Vinohradská 1632/180	Consultancy	1	19
Factoring České spořitelny, a. s.	Prague 8, Pobřežní 46	Factoring	84	109
Informatika České spořitelny, a. s.	Prague 7, Bubenská 1477/1	Data processing	10	23
Investiční společnost České spořitelny, a. s.	Prague 1, Na Perštýně 1/342	Investment management	70	597
Leasing České spořitelny, a. s.	Prague 8, Střelničná 8/1680	Leasing	300	0.5
Penzijní fond České spořitelny, a. s.	Prague 4, Poláčkova 1976/2	Pension insurance	100	828
Pojišťovna České spořitelny, a. s.	Pardubice, nám. Republiky 115	Insurance	1,117	3,609
Realitní společnost České spořitelny, a. s.	Prague 3, Vinohradská 1632/180	Real estate activities	4	4
s Autoleasing, a. s.	Prague 8, Střelničná 8/1680	Leasing	2	(12)
Stavební spořitelna České spořitelny, a. s.	Prague 3, Vinohradská 180/1632	Building savings bank	750	2 092

Name	Registered office address	Principal activities	EUR '000	
			Share capital in 2004	Equity in 2004
Czech Top Venture Fund B.V.	Postweg 11 6561 Groesbeek, Netherlands	Management and financing services	18,991	3,484
CS Investment Limited	Coutts House, Le Truchot, St Peter Port, Guernsey, GY1 1WD	Investments and equity holdings	3,864	3,633
CS Property Investment Limited	Arch. Makariou III, Nikosia, Cyprus	Investments in securities, issuance of loans	2	2

Name	% capital held	% of voting power				
	2004	2003	2002	2004	2003	2002
brokerjet České spořitelny, a. s.	51 %	51 %	-	51 %	51 %	-
CDI Corporate Advisory, a. s.	50.2 %	50.2 %	100 %	50.2 %	50.2 %	100 %
Consulting České spořitelny, a. s.	100 %	100 %	100 %	100 %	100 %	100 %
CS Investment Limited	100 %	99.9 %	-	100 %	100 %	-
CS Property Investment Limited	100 %	-	-	100 %	-	-
Czech TOP Venture Fund B.V.	84.3 %	84.3 %	84.3 %	84.3 %	84.3 %	84.3 %
Factoring České spořitelny, a. s.	100 %	100 %	100 %	100 %	100 %	100 %
Informatika České spořitelny, a. s.	100 %	100 %	100 %	100 %	100 %	100 %
Investiční společnost České spořitelny, a. s.	100 %	100 %	100 %	100 %	100 %	100 %
Leasing České spořitelny, a. s.	100 %	100 %	100 %	100 %	100 %	100 %
Penzijní fond České spořitelny, a. s.	100 %	100 %	100 %	100 %	100 %	100 %
Pojišťovna České spořitelny, a. s.	55.3 %	55.3 %	55.3 %	55.3 %	55.3 %	55.3 %
Realitní společnost České spořitelny, a. s.	100 %	100 %	80 %	100 %	100 %	80 %
s Autoleasing, a. s.	100 %	-	-	100 %	-	-
Servis 2 – ČS, a. s.	-	-	100 %	-	-	100 %
Stavební spořitelna České spořitelny, a. s.	95 %	60.5 %	60.5 %	95 %	60.5 %	60.5 %

Name	Net book value in MCZK			Number of subscribed shares			Nominal value of subscribed shares MCZK		
	2004	2003	2002	2004	2003	2002	2004	2003	2002
brokerjet České spořitelny, a. s.	82	82	-	51	51	-	82	82	-
CDI Corporate Advisory, a. s.	3	3	3	301	301	301	3	3	3
Consulting České spořitelny, a. s.	5	5	5	1,000	1,000	1,000	1	1	1
CS Investment Limited	115	46	-	3,764,557	1,437,151	-	0.1	0	-
CS Property Investment Limited	0.2	-	-	2,000	-	-	0.1	-	-
Czech TOP Venture Fund B.V.	116	59	1	200,000	200,000	200,000	0.5	1	1
Factoring České spořitelny, a. s.	57	57	57	280	280	280	84	84	84
Informatika České spořitelny, a. s.	10	10	10	100	100	100	10	10	10
Investiční společnost České spořitelny, a. s.	77	77	77	700	700	700	70	70	70
Leasing České spořitelny, a. s.	300	300	300	300	300	300	300	300	300
Penzijní fond České spořitelny, a. s.	241	241	241	250	250	250	100	100	100
Pojišťovna České spořitelny, a. s.	1,363	1,363	1,363	10,660	10,660	10,660	617	617	617
Realitní společnost České spořitelny, a. s.	4	4	3	40	40	32	4	4	3
s Autoleasing, a. s.	2	-	-	2	-	-	2	-	-
Servis 2 – ČS, a. s.	-	-	2	-	-	2	-	-	2
Stavební spořitelna České spořitelny, a. s.	1,198	333	333	4,750	3,025	3,025	713	454	454
	3,573	2,580	2,395						
Less provisions for participation interests	(356)	(905)	(894)						
Participation interests with controlling influence, net	3,217	1,675	1,501						

_____ In 2004, s Autoleasing, a. s. and CS Property Investment Limited were formed. The Bank acquired 34.5 percent of the issued share capital of Stavební spořitelna České spořitelny, a. s. for CZK 865 million.

_____ Provisions charged against participation interests as of 31 December 2004 predominantly (CZK 300 million) consisted of provisions against the shareholding in Leasing České spořitelny, a. s. which were recognised in respect of the loss incurred for the year ended 31 December 2004.

_____ During 2004, provisions of CZK 682 million held against the investment in Pojišťovna Česká spořitelny, a. s. were released due to the increase in the entity's equity in connection with the sale of the entity's non-life insurance business (refer to Note 20 (c)).

_____ Amounts due to and from participation interests with substantial and controlling influence are presented in Note 36.

13. Intangible Fixed Assets

Analysis of Intangible Fixed Assets

MCZK	Goodwill	Software and other intangible fixed assets	Acquisition of intangible fixed assets and prepayments made	Total
Cost				
Balance at 1 January 2003	230	3,900	1,886	6,016
Additions	0	1,179	1,269	2,448
Disposals/transfers	0	(313)	(1,146)	(1,459)
Balance at 31 December 2003	230	4,766	2,009	7,005
Balance at 1 January 2004	230	4,766	2,009	7,005
Additions	0	1,547	1,471	3,018
Disposals/transfers	(230)	(34)	(1,526)	(1,790)
Balance at 31 December 2004	0	6,279	1,954	8,233
Accumulated amortisation and provisions				
Balance at 1 January 2003	(129)	(1,477)	(117)	(1,723)
Charge for amortisation	(58)	(1,142)	0	(1,200)
Charge for provisions	0	0	(450)	(450)
Use and release of provisions	0	90	30	120
Disposals	0	227	0	227
Balance at 31 December 2003	(187)	(2,302)	(537)	(3,026)
Balance at 1 January 2004	(187)	(2,302)	(537)	(3,026)
Charge for amortisation	(43)	(1,183)	0	(1,226)
Use and release of provisions	0	0	30	30
Disposals	230	10	0	240
Balance at 31 December 2004	0	(3,475)	(507)	(3,982)
Net book value				
Balance at 31 December 2003	43	2,464	1,472	3,979
Balance at 31 December 2004	0	2,804	1,447	4,251

14. Tangible Fixed Assets

(a) Analysis of Tangible Fixed Assets

MCZK	Land and buildings for operating activities	Equipment, facilities and other	Acquisition of tangible fixed assets and prepay- ments made	Total
Cost				
Balance at 1 January 2003	16,266	10,422	1,404	28,092
Additions	332	1,881	1,355	3,568
Disposals/transfers	(265)	(1,150)	(2,003)	(3,418)
Balance at 31 December 2003	16,333	11,153	756	28,242
Balance at 1 January 2004	16,333	11,153	756	28,242
Additions	29	1,482	1,487	2,998
Disposals/transfers	(1,309)	(1,602)	(1,474)	(4,385)
Balance at 31 December 2004	15,053	11,033	769	26,855
Accumulated depreciation and provisions				
Balance at 1 January 2003	(4,537)	(6,782)	(218)	(11,537)
Charge for depreciation	(636)	(1,199)	0	(1,835)
Charge for provisions	(464)	(39)	(1)	(504)
Use and release of provisions	381	31	213	625
Disposals	70	807	0	877
Balance at 31 December 2003	(5,186)	(7,182)	(6)	(12,374)
Balance at 1 January 2004	(5,186)	(7,182)	(6)	(12,374)
Charge for depreciation	(458)	(1,345)	0	(1,803)
Charge for provisions	(188)	(25)	0	(213)
Use and release of provisions	722	0	0	722
Disposals	558	903	0	1,461
Balance at 31 December 2004	(4,552)	(7,649)	(6)	(12,207)
Net book value				
Balance at 31 December 2003	11,147	3,971	750	15,868
Balance at 31 December 2004	10,501	3,384	763	14,648

_____ Pursuant to the finalisation of a three-round tender process, the Board of Directors, with the prior consent of the Supervisory Board, approved in 2003 the sale of a portfolio of immovable assets (redundant land and buildings) held by the Bank to a selected buyer. On 2 February 2004, the Bank and the selected buyer entered into a framework agreement to purchase a portfolio of immovable assets.

_____ On 27 February 2004, 60 purchase contracts for the sale of immovable assets were entered into with the selected buyer, of which 47 purchase contracts were put in place in respect of the sale of buildings with plots of land and 13 purchase contracts involved the sale of plots of land without buildings. In parallel with the purchase contracts, 60 pledge agreements were concluded. Subsequently, on 5 March 2004, 22 lease contracts for the leaseback of non-residential premises in the context of maintaining the Bank's existing branches and/or retaining ATMs in certain of the sold buildings were entered into. During 2004, following the filing of petitions to initiate proceedings to approve the registration of ownership title in the Real Estate Cadastre, a set of immovable assets in the aggregate net book value of CZK 1,231 million was removed from the Bank's books. As of 31 December 2004, ownership title underlying 59 immovable assets passed to the buyer. In connection with the removal of the immovable assets from the Bank's books, aggregate provisions of CZK 632 million recognised as of 31 December 2003 as equal to the difference between the contracted selling price and net book value of assets were used in 2004.

(b) Tangible Fixed Assets Held under Lease Agreements

As of 31 December 2004, the Bank recorded tangible fixed assets of CZK 38 million (2003: CZK 30 million, 2002: CZK 32 million) which are subject to lease agreements in which the Bank acts as a lessee. During the year ended 31 December 2004, new finance lease contracts of CZK 9 million were entered into and the balance of leased assets decreased by CZK 1 million as a result of the expiration of lease agreements. In the year ended 31 December 2004, the Bank made lease payments of CZK 4 million and will be required under concluded lease contracts to make future lease payments of CZK 3 million in less than one year and CZK 6 million within 1-5 years.

15. Other Assets

MCZK	2004	2003	2002
Various debtors including prepayments	786	4,733	4,979
Deferred tax asset	0	69	677
Financial derivatives with positive fair value	15,361	13,534	14,777
Other	714	826	1,297
Total	16,861	19,162	21,730
Less provisions	(282)	(292)	(206)
Total other assets	16,579	18,870	21,524

In 2003 and 2002, various debtors include an amount receivable from AB Banka totalling CZK 2,551 million arising from the cession of receivables from clients of this bank. The Bank received a prepayment of CZK 2,800 million from the Czech National Bank and the Czech Finance Ministry in respect of this receivable. This receivable was settled in 2004.

Amounts due from the Bank's related parties are presented in Note 36.

16. Amounts Owed to Banks**Analysis of Amounts Owed to Banks by Remaining Maturity**

MCZK	2004	2003	2002
Repayable on demand	6,686	9,204	5,436
Up to 3 months	15,214	9,114	14,041
Less than 1 year	1,158	3,152	5,501
From 1 to 5 years	771	597	645
Greater than 5 years	1,362	0	0
Total amounts owed to banks	25,191	22,067	25,623

Amounts owed to banks as of 31 December 2004 include loans of CZK 12,110 million (2003: CZK 2,359 million, 2002: CZK 8,519 million) received under repurchase transactions.

Amounts owed to the Bank's related parties are presented in Note 36.

17. Amounts Owed to Clients

(a) Amounts Owed to Clients

MCZK	2004	2003	2002
Savings deposits	111,397	118,095	119,932
repayable on demand	29,148	27,717	24,176
term	82,249	90,378	95,756
Other deposits	244,268	227,963	200,833
repayable on demand	190,995	174,258	140,998
term at call	53,272	53,643	59,682
term with notice	1	62	153
Loan received from clients	589	5,682	8,956
Other payables to clients	6,680	9,040	21,411
Total amounts owed to clients	362,934	360,780	351,132

_____ Amounts owed to clients as of 31 December 2004 include loans of CZK 560 million (2003: CZK 5,640 million, 2002: CZK 8,883 million) received under repurchase transactions.

_____ Other payables to clients reported as of 31 December 2004 include payables resulting from cancelled deposits on bearer savings books totalling CZK 6,230 million (2003: CZK 8,632 million, 2002: CZK 21,242 million).

_____ Amounts owed to the Bank's related parties are presented in Note 36.

(b) Analysis of Amounts Owed to Clients by Sector

MCZK	2004	2003	2002
Non-financial institutions	39,957	35,334	27,204
Financial institutions	11,168	8,358	8,236
Insurance companies	5,127	10,850	4,380
Government sector	25,261	23,599	24,851
Not-for-profit organisations	6,025	5,959	5,372
Households (self-employed)	14,299	13,589	12,402
Resident individuals	258,852	259,309	265,772
Non-residents	2,177	3,018	2,130
Unallocated	67	764	785
Total amounts owed to clients	362,934	360,780	351,132

(c) Analysis of Amounts Owed to Clients by Remaining Maturity

MCZK	2004	2003	2002
Repayable on demand	220,143	201,975	165,174
Up to 3 months	74,345	85,803	108,285
Less than 1 year	23,269	26,396	30,805
From 1 to 5 years	45,174	46,601	46,851
Greater than 5 years	3	5	17
Total amounts owed to clients	362,934	360,780	351,132

18. Payables From Debt Securities

(a) Analysis of Payables from Debt Securities

MCZK	2004	2003	2002
Issued coupon bonds	12,700	9,633	3,904
Issued coupon bonds held by the Bank	(519)	(111)	0
Depository bills of exchange	8,811	7,411	4,182
Payables from short sales of debt securities	5,529	1,438	5,182
Payables from matured issued debt securities	1	7	7
Total payables from debt securities	26,522	18,378	13,275

_____ At the General Meeting held in May 2002, the shareholders approved a framework programme for the issuance of bonds. The Bank's Board of Directors subsequently approved a prospectus for the mortgage bond issuance programme which has a maximum volume of outstanding mortgage bonds of CZK 10 billion, a term of 15 years and maturity of any bonds placed under the programme not to exceed 10 years. Under this programme, the Bank launched the following issues of mortgage bonds in the period 2002–2004:

Number of issue/tranche	Date of issue	Maturity	Interest rate	Issue volume in MCZK	Issue rate	Carrying value in MCZK		
						2004	2003	2002
1./1.	8. 11. 2002	8. 11. 2007	5.80%	2,300	111.64%	2,484	2,525	2,484
1./2.	8. 11. 2002	8. 11. 2007	5.80%	700	111.44%	756	768	896
2./1.	6. 3. 2003	6. 3. 2008	5.20%	2,700	111.40%	3,010	3,019	0
2./2.	6. 3. 2003	6. 3. 2008	5.20%	300	111.02%	332	335	0
3./1.	21. 8. 2003	21. 8. 2008	4.50%	2,350	106.01%	2,538	2,506	0
3./2.	25. 9. 2003	21. 8. 2008	4.50%	450	106.04%	456	480	0
3./3.	3. 2. 2004	21. 8. 2008	4.50%	200	105.36%	203	480	0
4.	26. 4. 2004	26. 4. 2009	3.50%	300	100.59%	315	0	0
5.	23. 8. 2004	23. 8. 2009	3.60%	700	98.75%	702	0	0
Total				10,000		10,796	9,633	3,380

_____ The mortgage bonds placed under issues 1–3. were issued in the book form and are traded on the open market of the PSE. The mortgage bonds placed under issues 4. and 5. were issued as a collective bond and are traded through the Bank's distribution network.

_____ Of the aggregate carrying value of the mortgage bonds, CZK 8,447 million was hedged against interest rate risk through interest rate swaps linked to a market floating rate. In accordance with applicable accounting policies, these mortgage bonds are remeasured at fair value.

_____ In addition, the Bank issued the following bonds:

Number of issue/tranche	Date of issue	Maturity	Interest rate	Issue volume in MCZK	Issue rate	Carrying value in MCZK		
						2004	2003	2002
1.	2. 2. 2004	2. 2. 2008	1.00%	400	100.00%	381	0	0
2.	16. 2. 2004	16. 2. 2014	3.51%	1,500	100.00%	1,523	0	0
Total				1,900		1,904	0	0

_____ The mortgage bonds placed under issues 1. and 2. were issued in the book form and are traded on the open market of the PSE. Both issues were placed with an embedded derivative. Issue 2. is remeasured at fair value because it is hedged against interest rate risk and an early repayment option is attached to the bond.

_____ Amounts owed to the Bank's related parties are presented in Note 36.

(b) Analysis of Payables from Debt Securities by Remaining Maturity

MCZK	2004	2003	2002
Repayable on demand	1	7	7
Up to 3 months	8,045	7,331	9,234
Less than 1 year	985	278	551
From 1 to 5 years	14,202	10,204	3,354
Greater than 5 years	3,289	558	129
Total payables from debt securities	26,522	18,378	13,275

_____ The proportion of payables from debt securities with remaining maturity less than one year to the aggregate value of these liabilities is 34.05 percent as of 31 December 2004 (2003: 41.44 percent, 2002: CZK 73.76 percent).

19. Other Liabilities

MCZK	2004	2003	2002
Various creditors including prepayments received	1,678	4,703	5,169
Financial derivatives with negative fair value	12,567	12,055	13,964
Estimated payables	2,207	2,644	2,400
Payables from short sales of shares	8	3	2
Income tax	1,276	2,335	796
Payables from securities trading	441	5,286	839
Deferred tax liability	307	0	0
Other	1,328	1,838	1,407
Total other liabilities	19,812	28,864	24,577

_____ In 2003 and 2002, various creditors included a prepayment of CZK 2,800 million received from the Czech National Bank and the Czech Finance Ministry to cover an amount due from AB Banka arising from the cession of receivables from clients of this bank. This prepayment was settled in 2004.

_____ Amounts owed to the Bank's related parties are presented in Note 36.

20. Provisions and Reserves

_____ Provisions for loans are recognised pursuant to CNB Regulation 9/2002. Provisions for fixed assets and non-statute barred receivables are recorded if the Bank identifies a temporary impairment of fixed assets carried in the statutory accounting books.

_____ Provisions for securities and equity investments are recognised in accordance with applicable accounting policies (refer to Note 4).

_____ Tax non-deductible reserves are charged to cover specific risks arising from pending legal disputes relating to both loan and non-loan transactions and other specifiable risks pursuant to applicable accounting policies.

(a) Analysis of Provisions and Reserves from a Taxation and Accounting Viewpoint

MCZK	2004	2003	2002
1. Tax deductible provisions for loan losses			
Balance at 1 January	4,327	9,950	11,804
Reclassification from other provisions	(56)	0	(201)
Provisioning charge during the year	1,345	1,460	2,120
Use of provisions during the year	(574)	(5,927)	(2,694)
Release of provisions during the year	(703)	(1,152)	(922)
FX gains and losses from provisions denominated in foreign currencies	(20)	(4)	(157)
<i>Provisions for loan losses at 31 December</i>	<i>4,319</i>	<i>4,327</i>	<i>9,950</i>
2. Non-tax deductible provisions for loan losses			
Balance at 1 January	218	2,462	2,911
Reclassification to other provisions	56	0	19
Provisioning charge during the year	300	63	61
Use of provisions during the year	(63)	(24)	(11)
Release of provisions during the year	(322)	(2,283)	(518)
Balance of non-tax deductible provisions at 31 December	189	218	2,462
3. Total provisions for loan losses at 31 December (1+2)	4,508	4,545	12,412
4. Other tax deductible provisions			
Balance at 1 January	208	280	176
Reclassification from other provisions	0	0	151
Provisioning charge	72	98	61
Use of provisions during the year	(6)	(108)	(51)
Release of provisions during the year	(23)	(62)	(57)
Balance of other tax deductible provisions at 31 December	251	208	280
5. Other non-tax deductible provisions			
Balance at 1 January	2,367	2,043	1,944
Reclassification from other provisions	0	0	31
Provisioning charge	886	1,370	1,543
Use of provisions during the year	(672)	(209)	(22)
Release of provisions during the year	(1,309)	(837)	(1,452)
FX gains and losses from provisions denominated in foreign currencies	(2)	0	(1)
Balance of other non-tax deductible provisions at 31 December	1,270	2,367	2,043
6. Total provisions at 31 December (3+4+5)	6,029	7,120	14,735

MCZK	2004	2003	2002
7. <i>Tax deductible reserves for on and off balance sheet loan losses</i>			
Balance at 1 January	1,436	3,498	4,665
Use of reserves during the year	(57)	(1,929)	(499)
Release of reserves during the year	(334)	(133)	(668)
Balance of tax deductible reserves at 31 December x)	1,045	1,436	3,498
8. <i>Non-tax deductible reserves for on and off balance sheet loan losses</i>			
Balance at 1 January	2,334	2,556	2,046
Creation of reserves during the year	727	344	2,352
Use of reserves during the year	(89)	(48)	(193)
Release of reserves during the year	(866)	(518)	(1,649)
Balance of non-tax deductible reserves at 31 December	2,106	2,334	2,556
9. Total reserves for on and off balance sheet loan losses at 31 December (7+8)	3,151	3,770	6,054
10. <i>Tax deductible reserves for repairs of tangible assets</i>			
Balance at 1 January	0	32	35
Creation of reserves during the year	0	0	25
Use of reserves during the year	0	(1)	(16)
Release of reserves during the year	0	(31)	(12)
Balance of reserves for repairs of tangible assets at 31 December	0	0	32
11. <i>Non-tax deductible other reserves</i>			
Balance at 1 January	459	775	1,506
Creation of reserves during the year	181	80	248
Use of reserves during the year	(105)	(284)	(489)
Release of reserves during the year	(275)	(112)	(490)
Balance of other reserves at 31 December	260	459	775
12. Total reserves at 31 December (9+10+11)	3,411	4,229	6,861
13. Total provisions and reserves (6+12)	9,440	11,349	21,596

x) Of the aggregate balance of tax deductible reserves for on and off balance sheet loan losses as of 31 December 2004, the reserve for standard loans amounts to CZK 1,045 million. This reserve will be released in 2005 in accordance with applicable accounting regulations.

(b) Analysis of Provisions and Reserves for On and Off Balance Sheet Loan Risks

MCZK	2004	2003	2002
Provisions (3.)	4,508	4,545	12,412
Reserves (9.)	3,151	3,770	6,054
Total	7,659	8,315	18,466

(c) Analysis of Charge for, Use and Release of Provisions for Individual Components of Assets

MCZK	2004	2003	2002
Amounts due from clients			
Balance at 1 January	4,545	12,412	14,715
Reclassification	0	0	(182)
Charge	1,646	1,523	2,180
Use and release	(1,663)	(9,386)	(4,145)
FX differences	(20)	(4)	(156)
Balance at 31 December	4,508	4,545	12,412
Debt securities			
Balance at 1 January	25	79	0
Reclassification	0	0	182
Charge	1	0	0
Use and release	0	(54)	(103)
Balance at 31 December	26	25	79
Shares, share certificates and other investments			
Balance at 1 January	0	0	1
Use and release	0	0	(1)
Balance at 31 December	0	0	0
Participation interests with substantial and controlling influence			
Balance at 1 January	905	894	1,112
Charge	661	300	719
Use and release	(1,164)	(289)	(937)
FX differences	(2)	0	0
Balance at 31 December	400	905	894
Intangible fixed assets			
Balance at 1 January	537	207	0
Charge	0	450	207
Use and release	(30)	(120)	0
Balance at 31 December	507	537	207
Tangible fixed assets			
Balance at 1 January	816	937	810
Charge	213	504	613
Use and release	(723)	(625)	(486)
Balance at 31 December	306	816	937
Other assets			
Balance at 1 January	292	206	197
Charge	82	213	65
Use and release	(92)	(127)	(54)
FX differences	0	0	(2)
Balance at 31 December	282	292	206
Total provisions at 31 December	6,029	7,120	14,735

_____ The increased use and release of provisions against amounts due from clients in 2003 related to the sale of a selected portfolio of receivables.

21. Share Capital

As of 31 December 2004, the issued share capital of the Bank amounted to CZK 15,200 million and consisted of 11,211,213 priority registered shares with a nominal value of CZK 100 each and 140,788,787 ordinary bearer shares with a nominal value of CZK 100 each. The Bank's shares are not publicly traded.

The transferability of priority registered shares is restricted. These shares can be transferred to municipalities and local governments of the Czech Republic. The priority registered shares can be transferred to entities other than municipalities and local governments of the Czech Republic only subject to the approval of the Board of Directors.

The shareholders of the Bank as of 31 December 2004 are as follows:

Name	Registered office address	Number of shares	Ownership percentage
Erste Bank der österreichischen Sparkassen AG	Austria, Vienna, Graben 21	148,918,820	97.97
Other (less than or equal to 3 percent)		3,081,180	2.03
Total		152,000,000	100.00

With a view to fostering loyalty of the Bank's key employees and attracting new key managers, the Supervisory Board of Erste Bank, resolved, based upon authorisation given by the General Meeting of Shareholders dated 8 May 2001, to implement an Employee Erste Bank Stock Ownership Programme ('ESOP') and a Management Erste Bank Stock Option Programme ('MSOP') within the whole financial group.

All employees of the Bank and its subsidiary companies were entitled to subscribe for shares under the Employee Stock Ownership Programme. Each employee was entitled to subscribe for 100 shares as a maximum. The price of one share was established on the basis of the average rate in April 2004 decreased by a 20 percent discount. The 20 percent discount is conditional upon the shares being held for a period of one year. A total of 138 employees (2003: 201) participated in the programme and subscribed for 7,413 shares (2003: 13,555).

Management of the Bank and its subsidiary companies and selected key employees were granted the second tranche of options for subscription of shares under the Management Erste Bank Stock Option Plan 2003. In the year ended 31 December 2004, approximately 50,750 options (2002: 77,800) were granted to these employees. The following tranches of the programme in 2005 will be approximately of the same size. These options will entitle the holders to acquire Erste Bank's shares for the average price of shares ruling in March 2002 (EUR 66), within five years from the issuance of each tranche of the options. 33,980 options (2003: 768 options) granted under the first tranche in 2002 and 27,960 options granted under the second tranche in 2003 were exercised in the year ended 31 December 2004.

The aggregate amount of the discount in respect of both programmes was CZK 5 million (2003: CZK million) and was reported within "Administrative expenses – staff costs".

22. Retained Earnings and Other Equity Components

The Bank's Board of Directors has recommended that the profit for the year ended 31 December 2003 be allocated as follows:

MCZK	Retained earnings	Statutory reserve fund	Other funds from profit	Share premium	Other capital funds
Balance at 31 December 2003	9,723	965	79	2	2
Profit for the year 2003	7,289				
Allocations to funds	(471)	364	107		
Use of funds for other purposes			(105)		
Other allocations	41	(1)	(40)		
Dividends	(4,560)				
Balance after allocation	12,022	1,328	41	2	2

The Bank's Board of Directors has recommended that the profit for the year ended 31 December 2004 be allocated as follows:

MCZK	Retained earnings	Statutory reserve fund	Other funds from profit	Share premium	Other capital funds
Balance at 31 December 2004	12,022	1,328	41	2	2
Profit for the year 2004	7,529				
Allocations to funds	(376)	376			
Dividends	(4,560)				
Balance after allocation	14,615	1,704	41	2	2

Other allocations relate to the Social Fund (other funds from profit) and include contributions of CZK 2 million which represent instalments of loans granted to employees from the Social Fund, profit from the running of the Bank's leisure and holiday facilities, and a transfer of a portion of the balance as of 31 December 2004 to retained earnings (CZK 40 million) in accordance with the Collective Agreement. The use of the Social Fund is consistent with the relevant provisions of the Collective Agreement.

The share premium balance represents a difference between the selling price and cost of treasury shares.

23. Gains or Losses from Revaluation

MCZK	2004	2003	2002
Gains or losses from the revaluation of equity holdings			
Balance at 1 January	2	0	0
Increase/(decrease)	(44)	2	0
Balance at 31 December	(42)	2	0

The revaluation loss arose from the retranslation of the participation interests in Czech TOP Venture Fund B.V., CS Investment Limited, CS Property Investment Limited, CEE Property Development Portfolio B.V. and Czech and Slovak Property Fund B.V. which are denominated in a foreign currency (refer to Note 12b).

24. Off Balance Sheet Items

(a) Irrevocable Contingent Liabilities from Acceptances and Endorsements of Bills of Exchange, Other Written Contingent Liabilities and Assets Pledged as Collateral

MCZK	2004	2003	2002
Banks			
Guarantees issued	385	123	84
	385	123	84
Clients			
Guarantees issued	12,165	7,152	3,908
Assets pledged as guarantees	74	12	38
Other contingent liabilities	0	0	700
	12,239	7,164	4,646
Pledged assets	297	866	2,411
Undrawn credit facilities and loan commitments	64,226	54,411	44,804
Total	77,147	62,564	51,945

_____ The Bank recorded aggregate reserves of CZK 85 million (2003: CZK 584 million, 2002: CZK 683 million) for off balance sheet risks. These reserves have been included in Note 20 (b) in "Provisions and reserves for on and off balance sheet loan risks."

(b) Contingent Assets, Guarantees and Collateral at Nominal Value

MCZK	2004	2003	2002
Received commitments	0	288	589
Guarantees received from other banks	7,775	3,607	3,326
Guarantees issued by the state and other entities	43,414	55,047	46,536
Assets taken as collateral	271,032	239,891	293,027
Collateral – securities (refer to Note 27)	28,445	46,146	95,064
Total	350,666	344,979	438,542

(c) Financial Derivatives at Nominal and Fair Value

_____ Derivative trading includes transactions entered into for proprietary trading purposes and with a view to hedging transactions of the Bank's clients and foreign exchange and interest rate risks inherent in the banking book. Derivative transactions are reported at nominal values which document the volume of transactions with these instruments but do not indicate the actual risk profile of the transactions. The actual risk profile is indicated by the fair values.

As of 31 December 2004 MCZK	Nominal value		Fair value	
	Assets	Liabilities	Positive	Negative
<i>Hedging instruments</i>				
Swaps				
– OTC	9,317	9,317	207	(91)
Total hedging instrument	9,317	9,317	207	(91)
<i>Trading instruments</i>				
Forwards				
– OTC	384,500	384,437	736	(549)
Futures				
– Stock exchange	846	846	0	0
Options				
– OTC	44,904	43,790	401	(290)
Swaps				
– OTC	554,993	552,005	14,017	(11,637)
Other				
– OTC	4,019	4,020	0	0
Total trading instruments	989,262	985,098	15,154	(12,476)
Total	998,579	994,415	15,361	(12,567)

As of 31 December 2003		Nominal value		Fair value
MCZK	Assets	Liabilities	Positive	Negative
<i>Hedging instruments</i>				
Swaps				
- OTC	7,541	7,541	138	(107)
Total hedging instrument	7,541	7,541	138	(107)
<i>Trading instruments</i>				
Forwards				
- OTC	305,257	305,184	212	(123)
Futures				
- Stock exchange	875	875	0	0
Options				
- OTC	35,375	34,467	210	(107)
Swaps				
- OTC	525,181	523,736	12,969	(11,718)
Other				
- OTC	1,723	1,721	5	0
Total trading instruments	868,411	865,983	13,396	(11,948)
Total	875,952	873,524	13,534	(12,055)

As of 31 December 2002		Nominal value		Fair value
MCZK	Assets	Liabilities	Positive	Negative
<i>Hedging instruments</i>				
Swaps				
- OTC	2,200	2,200	39	(11)
Total hedging instrument	2,200	2,200	39	(11)
<i>Trading instruments</i>				
Forwards				
- OTC	207,044	207,012	421	(369)
Options				
- OTC	13,757	13,473	107	(216)
Swaps				
- OTC	406,971	406,063	14,209	(13,269)
Other				
- OTC	2,623	2,623	0	(98)
Total trading instruments	630,395	629,171	14,737	(13,952)
Total	632,595	631,371	14,776	(13,963)

(d) Analysis of Financial Derivatives by Remaining Maturity

MCZK	2004		2003		2002	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
<i>Hedging derivatives</i>						
Swaps						
- Less than 3 months	57	57	41	41	0	0
- Within 5 years	7,760	7,760	7,500	7,500	2,200	2,200
- Over 5 years	1,500	1,500	0	0	0	0
Total hedging instruments	9,317	9,317	7,541	7,541	2,200	2,200
<i>Trading instruments</i>						
Forwards						
- Less than 3 months	148,059	148,032	88,033	88,000	0	0
- Within 1 year	213,610	213,572	170,466	170,425	167,984	167,952
- Within 5 years	22,831	22,833	46,758	46,759	39,060	39,060
Futures						
- Less than 3 months	846	846	875	875	0	0
Options						
- Less than 3 months	17,977	17,683	10,199	10,067	5,659	5,473
- Within 1 year	26,453	25,631	24,223	23,448	6,510	6,416
- Within 5 years	473	475	953	952	1,588	1,584
Swaps						
- Less than 3 months	72,759	72,332	112,160	111,950	63,108	63,250
- Within 1 year	71,838	71,106	79,567	79,537	107,173	107,139
- Within 5 years	256,492	255,628	226,324	225,334	182,811	181,910
- Over 5 years	153,905	152,940	107,046	106,833	53,879	53,764
Other						
- Less than 3 months	4,019	4,020	1,723	1,721	2,428	2,428
- Within 1 year	0	0	0	0	195	195
Total trading instruments	989,262	985,098	868,411	865,983	630,395	629,171
Total	998,579	994,415	875,952	873,524	632,595	631,371

25. Assets Provided into Custody and under Administration

MCZK	2004	2003	2002
Securities provided into custody	0	0	1,371
Securities provided for administration	57,163	47,126	29,140
Securities provided for safe-keeping in the central depository of UNIVYC	216	160	140
Total	57,379	47,286	30,651

26. Assets Received into Custody and under Administration

MCZK	2004	2003	2002
Client securities in custody	10,041	7,798	4,529
Other assets in custody	6,486	7,841	4,083
Client securities under administration	52,874	40,856	28,283
Client securities for safe-keeping	0	0	205
Assets received for management	19,604	20,278	3,709
Total	89,005	76,773	40,809

_____ In addition, the Bank acts as a depository for investment, mutual and pension funds with assets of CZK 74,674 million as of 31 December 2004 (2003: CZK 60,365 million, 2002: CZK 51,324 million).

27. Collateral Received under Reverse Repurchase Transactions

MCZK	2004	2003	2002
State zero-coupon bonds	0	0	749
Zero-coupon bonds issued by the CNB	22,909	43,577	89,221
Coupon bonds	4,335	1,717	3,704
Shares	1,201	852	1,390
Total	28,445	46,146	95,064

28. Total Assets and Liabilities in Foreign Currencies

MCZK	2004	2003	2002
Assets and liabilities in foreign currencies			
Assets			
Denominated in CZK	418,579	426,807	424,987
Denominated in foreign currencies	55,477	40,820	31,188
Total assets	474,056	467,627	456,175
Liabilities			
Denominated in CZK	448,230	436,650	435,035
Denominated in foreign currencies	25,826	30,977	21,140
Total liabilities	474,056	467,627	456,175
Foreign currency position			
Assets in foreign currencies			
On balance sheet	55,477	40,820	31,188
Off balance sheet	187,826	188,052	73,814
Total	243,303	228,872	105,002
Liabilities in foreign currencies			
On balance sheet	25,826	30,977	21,140
Off balance sheet	203,349	201,939	85,033
Total	229,175	232,916	106,173

29. Interest Income and Expense

MCZK	2004	2003	2002
Interest on deposits and loans provided to other banks	2,199	3,010	5,562
– Deposits	615	582	1,359
– Loans	1,584	2,428	4,203
Interest on deposits and loans provided to clients	11,924	11,100	11,314
– Deposits	672	640	644
– Loans	11,252	10,460	10,669
Interest on debt securities	6,303	5,735	6,153
Total interest income and similar income	20,426	19,845	23,029
Interest on deposits and loans received from other banks	699	691	924
– Deposits	544	528	485
– Loans	155	163	439
Interest on deposits and loans received from clients	3,451	4,576	7,570
– Deposits	3,162	4,218	7,010
– Loans	289	358	560
Interest on issued debt securities and short sales	485	316	352
Total interest expense and similar expense	4,635	5,583	8,846
Net interest income	15,791	14,262	14,183

_____ Interest on issued debt securities and short sales reflects the aggregate gains of CZK 0 million (2003: CZK 3 million, 2002: CZK 1 million) arising from changes in fair values of hedged bonds and hedging swaps.

_____ The balances shown above do not include unclaimed or waived default interest of CZK 118 million.

30. Fees and Commissions

MCZK	2004	2003	2002
Loan activities	1,555	1,320	1,405
Payment system	5,090	4,843	4,031
Transactions with securities	47	16	8
FX transactions	42	43	52
Client transactions with securities and derivatives	261	240	205
of which:			
– Procurement of purchase and sale of securities	14	13	17
– Custody, administration, safe-keeping and management of assets	164	82	50
Other financial activities	1,303	1,426	1,362
Total fee and commission income	8,298	7,888	7,063
Payment system	61	100	99
Transactions with securities	37	0	0
FX transactions	6	6	0
Other financial activities	434	278	257
Total fee and commission expense	538	384	356
Net fee and commission income	7,760	7,504	6,707

31. Net Profit or Loss on Financial Operations

MCZK	2004	2003	2002
Profit on securities	1,016	76	618
Profit on FX transactions	600	550	607
Profit/(loss) on FX differences	128	108	(117)
Profit/(loss) on financial derivatives	(148)	378	(25)
Net profit or loss on financial operations	1,596	1,112	1,083

32. Other Operating Income and Expenses

MCZK	2004	2003	2002
Corrections of prior years' income	0	74	0
Gains from the transfer of equity investments	0	0	10
Income from the transfer of other assets	742	123	138
Compensation for damage, fines and penalties	85	144	41
Income from assigned receivables	13	1	57
Income from statute-barred deposits	62	0	385
Other	356	627	972
Total other operating income	1,258	969	1,603
Corrections of prior years' expenses	0	111	0
Contribution to the Deposit Insurance Fund	675	331	270
Contribution to the Guarantee Fund of the Securities Dealers	0	1	0
Damages, fines and penalties	131	70	68
Other	130	326	47
Total other operating expenses	936	839	385

33. Administrative Expenses

(a) Analysis of Administrative Expenses

MCZK	2004	2003	2002
Staff costs and bonuses	6,300	6,171	5,700
Wages and bonuses net of wages and bonuses to the members of statutory and supervisory bodies	4,463	4,375	3,933
Social security and health insurance expenses	1,570	1,543	1,600
Wages and bonuses to the members of statutory and supervisory bodies	58	55	48
of which: Board of Directors	43	45	37
Supervisory Board	15	10	11
Other staff costs	209	198	119
Other administrative expenses	5,844	5,768	6,262
Taxes and fees	43	27	32
Purchased consumables and services	5,801	5,741	6,230
of which: costs of audit, legal and tax advisory services	52	183	61
Total administrative expenses	12,144	11,939	11,962

Information about equity-linked bonuses can be found at Note 21.

(b) The Average Recalculated Number of the Bank's Staff

	2004	2003	2002
Employees	11,019	11,234	11,421
Members of the Supervisory Board	12	12	12
Members of the Board of Directors	7	8	7

34. Extraordinary Income and Expenses

MCZK	2004	2003	2002
Income from changes in accounting policies	0	0	1,113
Other	0	0	1
Total extraordinary income	0	0	1,114
Costs of changes in accounting policies	0	0	554
Other	0	0	14
Total extraordinary expenses	0	0	568

For the year ended 31 December 2002, income from/costs of changes in accounting policies reflects the impacts of changes in the valuation treatment of the securities portfolios and the recognition of provisions against securities.

35. Taxation

(a) Income Tax from Ordinary Activities

_____ The table below sets out adjustments to the profit on ordinary activities before tax to arrive at the income tax base:

MCZK	2004	2003	2002
Profit on ordinary activities before tax	10,420	10,242	9,349
Extraordinary income	0	0	1,114
Extraordinary expenses	0	0	(568)
Profit/(loss) before tax	10,420	10,242	9,895
Expenses not deductible for tax purposes	3,417	3,230	5,216
Income not taxable	(4,673)	(5,263)	(6,323)
Timing difference between accounting and tax depreciation	(42)	30	75
Use of tax loss carried forward	0	0	(5,935)
Other deductions	(311)	(291)	(296)
Income tax base	8,811	7,948	2,632
Tax liability (2004: 28 percent, 2003 and 2002: 31 percent)	(2,467)	(2,464)	(816)
Tax relief	13	138	20
Income tax constituting a stand-alone tax base	(17)	(19)	0
Income tax liability for the period	(2,471)	(2,345)	(796)
Income tax per resulting tax returns for the prior period	(44)	0	0
Due income tax	(2,515)	(2,345)	(796)

_____ As of 31 December 2004, the Bank's tax losses recoverable in future periods amounted to CZK 24 million which represents a deferred tax asset of CZK 6 million using the income tax rate of 26 percent which is applicable for the year ended 31 December 2004.

(b) Deferred Taxation

_____ The movement on the deferred income tax account is as follows:

MCZK	2004	2003	2002
At the beginning of the year	69	677	3,320
Profit and loss account charge	(376)	(608)	(2,643)
At the end of the year – asset/(liability)	(307)	69	677

_____ Deferred income tax assets and liabilities are attributable to the following items:

MCZK	2004	2003	2002
Deferred tax assets			
Tax losses carried forward	24	24	326
Non-tax deductible reserves and provisions	526	844	2,663
Deferred tax liabilities			
Intangible and tangible assets	(1,423)	(622)	(804)
Other deferred tax liabilities	(309)	0	0
Total	(1,182)	246	2,185
Tax rate	26 %	28 %	31 %
Deferred tax assets	(307)	69	677

_____ The deferred tax credit in the profit and loss account results from the change in the balance of the following temporary differences:

MCZK	2004	2003	2002
Tax losses carried forward	0	(94)	(1,802)
Provisions and reserves	(89)	(564)	(987)
Other temporary differences	(311)	57	146
Change in the tax rate	24	(7)	0
Total	(376)	(608)	(2,643)

_____ Management of the Bank considers that it is probable that the Bank will realise the whole balance of its deferred tax assets based on the current and expected future levels of taxable profits.

_____ Total income taxes reported in the profit and loss account are as follows:

MCZK	2004	2003	2002
Due income tax	(2,515)	(2,345)	(796)
Deferred income tax	(376)	(608)	(2,643)
Total	(2,891)	(2,953)	(3,439)

36. Related Party Transactions

_____ Related parties involve connected entities or parties that have a special relation to the Bank.

_____ Pursuant to Section 66a of the Commercial Code 513/1991 Coll., connected entities involve controlling and controlled entities and other entities controlled by the same controlling entity where the controlling entity is the entity that de facto or de jure has the ability to exercise, directly or indirectly, significant influence over the other entity on making financial or operational decisions (the controlled entity).

_____ Pursuant to Section 19 of the Banking Act 21/1992, the parties that have a special relation to the Bank are considered to be members of the Bank's statutory and supervisory bodies and management, legal entities exercising control over the Bank (including entities with a qualified interest in these entities and management of these entities), persons closely related to the members of the Bank's statutory and supervisory bodies, management, and entities exercising control over the Bank, legal entities in which any of the parties listed above holds a qualified interest, entities with a qualified interest in the Bank and any other legal entity under their control, members of the Czech National Bank's Banking Board, and legal entities which the Bank controls.

_____ Pursuant to the definitions outlined above, the category of the Bank's related parties principally comprises its subsidiary and associated undertakings set out in Note 12, members of its Board of Directors and Supervisory Board, and other entities, namely Erste Bank and its subsidiary and associated undertakings.

_____ The Bank has the following amounts due from/to related parties:

Amounts due from related parties MCZK	Subsidiaries and associates	Members of the Board of Directors	Members of the Supervisory Board	Other related parties
Balance at 1 January 2003	1,615	5	0	13,487
Additions during the year	610	0	0	257,390
Disposals during the year	(1,291)	(1)	0	(257,222)
Balance at 31 December 2003	934	4	0	13,655
Of which:				
Due from banks	0	0	0	2,828
Due from clients	667	4	0	1,273
Debt securities	0	0	0	5,066
Other receivables	267	0	0	4,488
Balance at 1 January 2004	934	4	0	13,655
Additions during the year	19,216	0	0	338,020
Disposals during the year	(19,478)	0	0	(337,958)
Balance at 31 December 2004	672	4	0	13,717
Of which:				
Due from banks	0	0	0	2,563
Due from clients	526	4	0	292
Debt securities	0	0	0	5,072
Other receivables	146	0	0	5,790
Interest income on loans				
2003	41	0	0	158
2004	37	0	0	112

Amounts owed to related parties MCZK	Subsidiaries and associates	Members of the Board of Directors	Members of the Supervisory Board	Other related parties
Balance at 1 January 2003	2,465	1	12	5,981
Additions during the year	148,645	1	0	591,516
Disposals during the year	(148,479)	0	(11)	(582,746)
Balance at 31 December 2003	2,631	2	1	14,751
Of which:				
Owed to banks	104	0	0	9,185
Owed to clients	1,224	2	1	817
Payables from debt securities	1,255	0	0	0
Other payables	48	0	0	4,749
Balance at 1 January 2004	2,631	2	1	14,751
Additions during the year	429,553	0	1	697,790
Disposals during the year	(428,926)	(1)	0	(703,497)
Balance at 31 December 2004	3,258	1	2	9,044
Of which:				
Owed to banks	209	0	0	3,842
Owed to clients	1,658	1	2	367
Payables from debt securities	1,356	0	0	0
Other payables	35	0	0	4,835

_____ In addition to equity investments in subsidiary and associated undertakings (refer to Note 12), the Bank's assets include share certificates in the aggregate amount of CZK 0 (2003: CZK 209 million) of open-ended mutual funds managed by Investiční společnost České spořitelny, a. s. (refer to Note 11).

_____ As of 31 December 2004, the Bank's off balance sheet accounts reflected the following issued guarantees:

MCZK	Subsidiaries and associates	Members of the Board of Directors	Members of the Supervisory Board	Other related parties
Issued guarantees				
At 31 December 2003	1,756	0	0	106
At 31 December 2004	2,329	0	0	126

_____ The Bank received no guarantees from related parties during the year ended 31 December 2004.

37. Payables to Clients Arising from the Provision of Investment Services

_____ Pursuant to Section 4 of the Capital Market Transactions Act 256/2004 Coll., investment services involve receiving and providing instructions related to investment instruments, performing instructions relating to investment instruments to a third party account, proprietary trading with investment instruments, management of customer assets under a contractual arrangement with the client if these assets include an investment instrument, and investment instruments underwriting or placement.

_____ Additional investment services involve administration of investment instruments, custody of investment instruments, issuing loans or borrowings to the client for the purpose of trading with investment instruments if the issuer of the loan/borrowing takes part in the transaction, advisory services relating to capital structuring, industrial strategy and related issues, provision of advice and services related to mergers and acquisitions, advisory services relating to investments in investment instruments, implementation of foreign exchange transactions relating to the provision of investment services, services related to the underwriting of investment instrument issues and rent of safe-deposit boxes.

_____ In connection with the provision of these services, as of 31 December 2004, the Bank received cash and investment instruments from clients or obtained cash or investment instruments for its clients ('customer assets') in exchange for these values as follows:

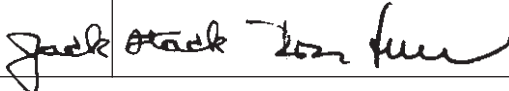
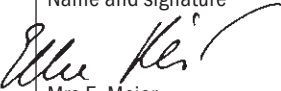
MCZK	2004	2003	2002
Settlement with mandators	52	13	74
Subscribed securities for public placement	0	0	7
Assets received for management, custody, administration and safe-keeping	74,265	61,114	29,068
Total customer assets	74,317	61,127	29,149

38. Corrections of Fundamental Errors Relating to Prior Years

_____ During the year ended 31 December 2004, the Bank identified no fundamental errors relating to previous years that would impact the balance of retained earnings brought forward.

39. Post Balance Sheet Events

_____ Pursuant to Section 19 (9) of the Accounting Act 563/1991 Coll., beginning 1 January 2005 the Bank has maintained its books and records in accordance with International Accounting Standards (IAS)/International Financial Reporting Standards (IFRS) as governed by the European Communities' law. Impacts arising from the changes of accounting policies were recorded against retained earnings which therefore increased by CZK 88 million, of which CZK 79 million resulted from the release of provisions against participation interests, CZK 5 million from the recognition of additional deferred taxation, CZK 2 million from the revaluation of assets and CZK 2 million related to the capital fund.

Sent on:	Stamp and signature of the statutory body	Person responsible for accounting records	Person responsible for financial statements
25 February 2005		Name and signature  Mrs E. Meier	Name and signature  Mrs J. Konecna
		tel: 261 074 207	tel: 261 074 250

Report on Relations Between Related Parties

under Section 66a (9) of the Commercial Code 513/1991 Coll.
for the Year Ended 31 December 2004

_____ Česká spořitelna, a.s., having its registered office address at Olbrachtova 1929/62, Prague 4, Postal Code 140 00, Corporate ID: 45244782, incorporated in the Register of Companies, Section B, File 1171, maintained at the Municipal Court in Prague (hereinafter referred to as „Česká spořitelna“) is part of a business group (holding company) in which the following relations between Česká spořitelna and controlling entities and further between Česká spořitelna and entities controlled by the same controlling entities (hereinafter referred to as the „related entities“) exist.

_____ This report on relations between the entities stated below was prepared in accordance with the provision of Section 66a (9) of the Commer-

cial Code 513/1991 Coll., as amended, for the year ended 31 December 2004 (hereinafter referred to as the “accounting period”). In the accounting period, Česká spořitelna and the below mentioned entities entered into the contracts stated below and adopted or effected the following legal acts and other factual measures. The report on relations for the year ended 31 December 2004 contains important relations with related persons. Unimportant relations, on the basis of which Česká spořitelna received or provided fulfilment of less than CZK 5 million and concurrently incurred no detriment from them, are not mentioned in this report.

A. Chart of Entities Whose Relations Are Described

Erste Bank Group

DIE ERSTE SPAR-CASSE	
ERSTE BANK	
Česká spořitelna	Allgemeine Sparkasse
Alpha Immorent	Areal CZ
Beta Immorent	BMG
City Property	Delta Immorent
Dornbirner Sparkasse	Duha Property
ecetra CE Finance	Eltima Property
Epsilon Immorent	Erste Bank Hungary
Erste – Sparinvest	Erste & Steiermärkische
Gama Immorent	Immorent ČR
Immorent Investment	Immorent Komunální leasing
Inprox F-M	Iota Immorent
Lambda Immorent	Leasing Property
Logcap ČR	Malá Štěpánská
Milou	OCI
Objektmanagement	Omega Immorent
Palác Karlín	Pankráčká obchodní
Real Union	Realia Consult Praha
S-Morava leasing	Salzburger Sparkasse
Servis 1	Slovenská sporitelňa
Spardat	Sparkasse Bregenz
Sparkasse Mühlviertel – West	SporDat
Steiermarkische Bank	Theta Immorent
Tiroler Sparkasse	U Glaubiců
Vila Property	Vltava Property
Weinvietler Sparkasse	Waldviertel Mitte
Zeta Immorent	

Česká spořitelna Group

ERSTE BANK	
ČESKÁ SPOŘITELNA	
brokerjet ČS	
CDI	
Consulting ČS	
CS Investment	
CS Property Investment	
Czech Top Venture	
Faktoring ČS	
Hotelová společnost	
Informatika ČS	
Investiční společnost ČS	
Leasing ČS	
Corfina Trade	
Penzijní fond ČS	
Pojišťovna ČS	
Realitní společnost ČS	
s Autoleasing	
Stavební spořitelna ČS	

B. Controlling Entities

- > **Die Erste oesterreichische Spar-Casse Privatstiftung,**
Am Graben 21, Vídeň, Rakousko („Die Erste Spar-Casse“)
Relation to the Company: indirectly controlling entity
- > **Erste Bank der oesterreichischen Sparkassen AG,**
Am Graben 21, Vídeň, Rakousko („Erste Bank“)
Relation to the Company: directly controlling entity

C. Other Related Entities

Other Related Entities, Erste Bank Group

- > **Allgemeine Sparkasse Oberösterreich Bankaktiengesellschaft,**
Promenade 11, Linz, Rakousko („Allgemeine Sparkasse“)
Relation to the Company: related entity
- > **Alpha Immorent s.r.o.,**
Národní 973/41, Praha 1, Česká republika („Alpha Immorent“)
Relation to the Company: related entity
- > **Areal CZ spol. s r.o.,**
Národní 973/41, Praha 1, Česká republika („Areal CZ“)
Relation to the Company: related entity
- > **Bank und Sparkassen Aktiengesellschaft Waldviertel Mitte,**
Hauptplatz 3, Zwettl, Rakousko („Waldviertel Mitte“)
Relation to the Company: related entity
- > **Beta Immorent s.r.o.,**
Národní 973/41, Praha 1, Česká republika („Beta Immorent“)
Relation to the Company: related entity
- > **BMG- Warenbeschaffungsmanagement GmbH,**
Grimmelshausengasse 1, Vídeň, Rakousko („BMG“)
Relation to the Company: related entity
- > **City Property s.r.o.,**
Národní 973/41, Praha 1, Česká republika („City Property“)
Relation to the Company: related entity
- > **Delta Immorent s.r.o.,**
Národní 973/41, Praha 1, Česká republika („Delta Immorent“)
Relation to the Company: related entity
- > **Dornbirner Sparkasse Bank Aktiengesellschaft,**
Bahnhofstrasse 2, Dornbirn, Rakousko („Dornbirner Sparkasse“)
Relation to the Company: related entity
- > **Duha Property s.r.o.,**
Národní 973/41, Praha 1, Česká republika („Duha Property“)
Relation to the Company: related entity
- > **ecetra Central European e- Finance AG,**
Neutorgasse 2, Vídeň, Rakousko („ecetra CE Finance“)
Relation to the Company: related entity
- > **Eltima Property Company s.r.o.,**
Václavské náměstí 22/782, Praha 1, Česká republika („Eltima Property“)
Relation to the Company: related entity
- > **Epsilon Immorent s.r.o.,**
Národní 973/41, Praha 1, Česká republika („Epsilon Immorent“)
Relation to the Company: related entity
- > **Erste Bank Hungary Rt,**
Hold utca 16, Budapest, Maďarsko („Erste Bank Hungary“)
Relation to the Company: related entity
- > **Erste-Sparinvest Kapitalanlagegesellschaft m.b.H.,**
Habsburgergasse 1, Vídeň, Rakousko („Erste-Sparinvest“)
Relation to the Company: related entity
- > **Erste & Steiermärkische banka d.d., Rijeka,**
Varsavska 3-5, Zagreb, Chorvatsko („Erste & Steiermarkische“)
Relation to the Company: related entity
- > **Gama Immorent s.r.o.,**
Národní 973/41, Praha 1, Česká republika („Gama Immorent“)
Relation to the Company: related entity
- > **Immorent ČR, s.r.o.,**
Národní 973/41, Praha 1, Česká republika („Immorent ČR“)
Relation to the Company: related entity
- > **Immorent Investment s.r.o.,**
Národní 973/41, Praha 1, Česká republika („Immorent Investment“)
Relation to the Company: related entity
- > **Immorent Komunální leasing s.r.o.,**
Národní 973/41, Praha 1, Česká republika („Immorent Komunální leasing“)
Relation to the Company: related entity
- > **Inprox Frýdek – Místek s.r.o.,**
Národní 973/41, Praha 1, Česká republika („Inprox F-M“)
Relation to the Company: related entity
- > **Iota Immorent s.r.o.,**
Národní 973/41, Praha 1, Česká republika („Iota Immorent“)
Relation to the Company: related entity
- > **Lambda Immorent s.r.o.,**
Národní 973/41, Praha 1, Česká republika („Lambda Immorent“)
Relation to the Company: related entity
- > **Leasing Property s.r.o.,**
Národní 973/41, Praha 1, Česká republika („Leasing Property“)
Relation to the Company: related entity
- > **Logcap ČR s.r.o.,**
Národní 973/41, Praha 1, Česká republika („Logcap ČR“)
Relation to the Company: related entity
- > **Malá Štěpánská 17 s.r.o.,**
Národní 973/41, Praha 1, Česká republika („Malá Štěpánská“)
Relation to the Company: related entity

- > **Milou s.r.o.,**
Národní 973/41, Praha 1, Česká republika („Milou“)
Relation to the Company: related entity
 - > **ÖCI – Unternehmensbeteiligungs-gesellschaft.m.b.H.,**
Am Graben 21, Vídeň, Rakousko („ÖCI“)
Relation to the Company: related entity
 - > **OM Objektmanagement GmbH,**
Schwarzenbergplatz 2, Vídeň, Rakousko („Objektmanagement“)
Relation to the Company: related entity
 - > **Omega Immorent s.r.o.,**
Národní 973/41, Praha 1, Česká republika („Omega Immorent“)
Relation to the Company: related entity
 - > **Palác Karlín s.r.o.,**
Národní 973/41, Praha 1, Česká republika („Palác Karlín“)
Relation to the Company: related entity
 - > **Pankrácká obchodní, a.s.,**
Na Pankráci 14, Praha 4, Česká republika („Pankrácká obchodní“)
(Immo AG)
Relation to the Company: related entity
 - > **Real – Union, a.s.,**
Národní 973/41, Praha 1, Česká republika („Real Union“)
Relation to the Company: related entity
 - > **Realia Consult Praha s.r.o.,**
Národní 973/41, Praha 1, Česká republika („Realia Consult“)
Relation to the Company: related entity
 - > **S – Morava leasing, a.s.,**
Horní náměstí 18, Znojmo, Česká republika („S – Morava leasing“)
Relation to the Company: related entity
 - > **Salzburger Sparkasse Bank AG,**
Alter Markt 3, Salzburg, Rakousko („Salzburger Sparkasse“)
Relation to the Company: related entity
 - > **Servis 1 – ČS, a.s.,**
Olbrachtova 1929/62, Praha 4, Česká republika („Servis 1“)
Relation to the Company: related entity
 - > **Slovenská sporiteľňa, a.s.,**
Suché myto 4, Bratislava, Slovensko („Slovenská sporiteľňa“)
Relation to the Company: related entity
 - > **Spardat Sparkassen – Datendienst Gesellschaft m.b.h.,**
Geiselbergstrasse 21-25, Vídeň, Rakousko („Spardat“)
Relation to the Company: related entity
 - > **Sparkasse Bregenz Bank AG,**
Rathausstrasse 29, Bregenz, Rakousko („Sparkasse Bregenz“)
Relation to the Company: related entity
 - > **Sparkasse Mühlviertel - West Bank Aktiengesellschaft,**
Stadtplatz 24, Rohrbach, Rakousko („Sparkasse Mühlviertel-West“)
Relation to the Company: related entity
 - > **SporDat, spol. s r.o.,**
Prievozská 14, Bratislava, Slovensko („SporDat“)
Relation to the Company: related entity
 - > **Steiermärkische Bank und Sparkassen Aktiengesellschaft,**
Sparkassenplatz 4, Graz, Rakousko („Steiermärkische Bank“)
Relation to the Company: related entity
 - > **Tiroler Sparkasse Bankaktiengesellschaft Innsbruck,**
Sparkassenplatz 1, Innsbruck, Rakousko („Tiroler Sparkasse“)
Relation to the Company: related entity
 - > **Theta Immorent s.r.o.,**
Národní 973/41, Praha 1, Česká republika („Theta Immorent“)
Relation to the Company: related entity
 - > **U Glaubiců spol. s r.o.,**
Národní 973/41, Praha 1, Česká republika („U Glaubiců“)
Relation to the Company: related entity
 - > **Vila Property s.r.o.,**
Národní 973/41, Praha 1, Česká republika („Vila Property“)
Relation to the Company: related entity
 - > **Vltava Property s.r.o.,**
Národní 973/41, Praha 1, Česká republika („Vltava Property“)
Relation to the Company: related entity
 - > **Weinviertler Sparkasse AG,**
Hauptplatz 10, Hollabrunn, Rakousko („Weinviertler Sparkasse“)
Relation to the Company: related entity
 - > **Zeta Immorent s.r.o.,**
Národní 973/41, Praha 1, Česká republika („Zeta Immorent“)
Relation to the Company: related entity
- Other Related Entities, Česká spořitelna Group**
- > **brokerjet České spořitelny, a.s.,**
Na Perštýně 342/1, Praha 1, Česká republika („brokerjet ČS“)
Relation to the Company: directly controlled entity
 - > **CDI Corporate Advisory, a.s.,**
Na Perštýně 1/342, Praha 1, Česká republika („CDI“)
Relation to the Company: directly controlled entity
 - > **Consulting České spořitelny, a.s.,**
Vinohradská 180/1632, Praha 3, Česká republika („Consulting ČS“)
Relation to the Company: directly controlled entity
 - > **CS Investment Limited,**
Coutts House, Le Truchot, St. Peter Port, GY1 1Wd, Guernsey
(„CS Investment“)
Relation to the Company: directly controlled entity
 - > **CS Property Investment Limited,**
Arch. Makariou III, 2-4, Capital Center, 9th floor, P.C. 1505, Nikósia,
Kypr („CS Property Investment“)
Relation to the Company: directly controlled entity

- > **Czech Top Venture Fund B.V.,**
Postweg 11, 6561 KJ Groesbeek, Nizozemí („Czech Top Venture“)
Relation to the Company: directly controlled entity
- > **Factoring České spořitelny, a.s.,**
Pobřežní 46, Praha 8, Česká republika („Factoring ČS“)
Relation to the Company: directly controlled entity
- > **Hotelová společnost, spol. s r.o.,**
Plzeňská 103, Praha 5, Česká republika („Hotelová společnost“)
Relation to the Company: directly controlled entity
- > **Informatika České spořitelny, a.s.,**
Bubenská 1447/1, Praha 7, Česká republika („Informatika ČS“)
Relation to the Company: directly controlled entity
- > **Investiční společnost České spořitelny, a.s.,**
Na Perštýně 342/1, Praha 1, Česká republika
(„Investiční společnost ČS“)
Relation to the Company: directly controlled entity
- > **Leasing České spořitelny, a.s.,**
Střelničná 8, Praha 8, Česká republika („Leasing ČS“)
Relation to the Company: directly controlled entity
- > **Corfina Trade, s.r.o.,**
Střelničná 8/1680, Praha 8, Česká republika („Corfina Trade“)
Relation to the Company: indirectly controlled entity
- > **Penzijní fond České spořitelny, a.s.,**
Poláčkova 1976/2, Praha 4, Česká republika („Penzijní fond ČS“)
Relation to the Company: directly controlled entity
- > **Pojišťovna České spořitelny, a.s.,**
nám. Republiky 115, Pardubice, Česká republika („Pojišťovna ČS“)
Relation to the Company: directly controlled entity
- > **Realitní společnost České spořitelny, a.s.,**
Vinohradská 180/1632, Praha 3, Česká republika
(„Realitní společnost ČS“)
Relation to the Company: directly controlled entity
- > **s Autoleasing, a.s.,**
Střelničná 8, Praha 8, Česká republika („s Autoleasing“)
Relation to the Company: directly controlled entity
- > **Stavební spořitelna České spořitelny, a.s.,**
Vinohradská 180/1632, Praha 3, Česká republika
(„Stavební spořitelna ČS“)
Relation to the Company: directly controlled entity

D. Banking Transactions with Related Entities

_____ Česká spořitelna identified banking relations with related entities listed in Section B and Section C and aggregated them in the following categories.

General Limits

_____ Česká spořitelna has approved general limits for transactions with related entities in respect of current accounts, term deposits, loans, repos, own securities, letters of credit, offered and accepted guarantees, in the aggregate amount of CZK 36,488 million. Under these limits, the overall gross exposure to related entities was CZK 25,634 million. Česká spořitelna incurred no detriment as a result of these transactions in the accounting period.

Loans Granted, Deposits and Overdraft Accounts Received

_____ Česká spořitelna provided related entities with funds based on contracts for term deposits, loans granted, maintenance of current accounts and overdraft accounts under standard business terms and conditions in the total amount of CZK 2,821 million. Concurrently, Česká spořitelna negotiated loan facilities and other loan commitments to related entities. Undrawn part of loan commitments from loan facilities at the end of the accounting period was CZK 2,445 million. Česká spořitelna incurred no detriment as a result of the fulfilment of these transactions in the accounting period.

Syndicated Loans

_____ In the previous accounting periods, Česká spořitelna participated in syndicated loan agreements where the related entities acted as sub-participants under standard business terms and conditions in the aggregate balance of CZK 2,809 million. Česká spořitelna incurred no detriment as a result of the fulfilment of these transactions in the accounting period.

Participation of Related Entities in Loans Granted

_____ In the previous accounting periods, Česká spořitelna concluded contracts on grant of loans to the third parties where related entities acted as sub-participants under standard business terms and conditions. Total amount based on the sub-participation of related entities was CZK 1,669 million. Česká spořitelna incurred no detriment as a result of the fulfilment of these contracts in the accounting period.

Offered Guarantees

_____ Česká spořitelna provided related entities with guarantees based on contracts for the provision of guarantees under standard business terms and conditions. The aggregate amount of offered guarantees was CZK 2,476 million. Česká spořitelna incurred no detriment as a result of the fulfilment of these contracts in the accounting period.

Accepted Guarantees and Pledges

_____ Česká spořitelna accepted guarantees and pledges from related entities based on contracts for the acceptance of bank guarantees totalling CZK 335 million and pledges totalling CZK 574 million under standard

business terms and conditions. Česká spořitelna incurred no detriment as a result of the fulfilment of these contracts in the accounting period.

Current Accounts and Term Deposits

_____ In the accounting period, Česká spořitelna provided the related entities with monetary services connected with the maintenance of current accounts, term deposits and loro accounts based on contracts for the opening and maintenance of accounts under standard business terms and conditions. Total year-end balances of current accounts and term deposits were CZK 5,916 million. Česká spořitelna incurred no detriment as a result of the fulfilment of these contracts in the accounting period.

Confirmation of Letters of Credit

_____ In the accounting period, Česká spořitelna confirmed letters of credit to related entities totalling CZK 6 million. These transactions were undertaken under standard business terms and conditions and Česká spořitelna incurred no detriment from these transactions.

Purchased Own Bonds and Similar Securities of Related Entities

_____ Česká spořitelna holds own bonds and similar securities of related entities that it purchased under standard market conditions in the total amount of CZK 5,709 million. In the accounting period, Česká spořitelna incurred no detriment as a result of these transactions.

Issued Own Bonds and Similar Securities of Česká spořitelna

_____ Related entities hold own bonds and similar securities of Česká spořitelna that they purchased under standard market conditions totalling CZK 1,356 million. In the accounting period, Česká spořitelna incurred no detriment as a result of these transactions.

Fixed-term Contracts

_____ In the accounting period, Česká spořitelna concluded with related entities fixed-term contracts under standard market conditions. The nominal value of receivables from fixed-term contracts at the year-end 2004 amounted to CZK 199,444 million and the nominal value of liabilities from fixed-term contracts amounted to CZK 198,590 million at the year-end 2004. Česká spořitelna incurred no detriment as a result of these transactions in the accounting period.

Share Transactions of Related Entities

_____ In the accounting period, Česká spořitelna purchased and sold shares of related entities within the market maker activities under standard market conditions in the aggregate turnover amount of CZK 8,949 million. Česká spořitelna incurred no detriment as a result of these transactions in the accounting period.

Loans Advanced to Employees of Česká spořitelna Group

_____ Česká spořitelna has provided standard retail loans at the prime interest rate to the employees of the company – members of the Česká spořitelna Group under loan agreements contract. Česká spořitelna incurred no detriment as a result of the fulfilment of these contracts in the accounting period.

Interest Income and Expenses

_____ In the accounting period, Česká spořitelna earned an interest income totalling CZK 152 million within banking transactions with related entities under standard market or business terms and conditions and outlaid interest expenses totalling CZK 509 million for banking transactions with related entities. Česká spořitelna incurred no detriment as a result of these transactions in the accounting period.

Non-interest Income and Expenses

_____ In the accounting period, Česká spořitelna earned a non-interest income totalling CZK 809 million within banking transactions with related entities under standard market or business terms and conditions and outlaid non-interest expenses totalling CZK 643 million for banking transactions with related entities. Non-interest income and expenses primarily include fees and commissions for asset management, depositary services, sale of subsidiary products, sub-participation in credit transactions and insurance within credit activities. Česká spořitelna incurred no detriment as a result of these transactions in the accounting period.

E. Non-banking Transactions with Related Entities

Česká spořitelna has identified the following significant non-banking relations with the related entities listed in Section B and in Section C.

Erste Bank der oesterreichischen Sparkassen AG

Name	Party to the Contract	Contract date	Effective date	Subject of the Contract	Total amount	Detriment incurred
Master Agreement	Erste Bank	2003	2003	Advisory services for various projects	CZK 25 million	No
Mandate agreement	Erste Bank	2003	2003	Payment for the advisory activity related to state aid granted by the Government of ČR to the banks (incl. Česká spořitelna, a.s)	CZK 37 million	No
Contract of share purchase	Erste Bank	2004	2004	Purchase of 34.5% stake in Stavební spořitelna ČS, a.s.	CZK 865 million	No

Legal title	Counterparty	Payment date	Subject of the Decision	Amount paid	Detriment incurred
Decision of the General Meeting	Erste Bank	2004	Dividends for 2003	CZK 4,468 million	No

Legal title	Party to the Program	Period	Subject of the Program	Total amount	Detriment incurred
Erste Bank der oesterreichischen Sparkassen AG Employees Stock Option Programs „ESOP“ and „MSOP“	Erste Bank	2004	Payment of a 20% discount on the subscription for 13,555 shares by 201 employees who made use of the option	CZK 5 million	No

BMG-Warenbeschaffungsmanagement GmbH

Contract name	Party to the Contract	Contract date	Effective date	Subject of the Contract (brief description)	Total amount	Detriment incurred
Master agreement SAP-ErsteBank 30.12.2003	BMG	2003	2003	SAP licence support	CZK 23 million	No

ÖCI-Unternehmensbeteiligungs- gesellschaft.m.b.H.

Name	Party to the Contract	Contract date	Effective date	Subject of the Contract	Total amount	Detriment incurred
Management service agreement; Annex 1	ÖCI	2000 2004	2000 2004	Provision of management and professional advisory services	CZK 173 million	No

Servis 1 – ČS, a.s.

Legal title	Counterparty	Payment date	Subject of the Decision	Amount paid	Detriment incurred
Decision of the General Meeting	Servis 1	2004	Dividends received for 2003	CZK 6 million	No

Spardat Sparkassen - Datendienst Gesellschaft m.b.h.

Contract name	Party to the Contract	Contract date	Effective date	Subject of the Contract	Total amount	Detriment incurred
Master Agreement	SPARDAT	2003	2003	Provision of services for various projects	CZK 41 million	No

SporDat, spol. s r.o.

Contract name	Party to the Contract	Contract date	Effective date	Subject of the Contract	Total amount	Detriment incurred
Master agreement on software development	SporDat	2003	2003	Services for various projects	CZK 63 million	No
Servicing contract	SporDat	2004	2004	SW support and service	CZK 49 million	No
2004 - 7103 - 024	SporDat	2004	2004	Sale of the Centralized Starbank licence	CZK 282 million	No
2004 - 7103 - 154	SporDat	2004	2004	Sale of Starbank Centralization project licences	CZK 15 million	No

brokerjet České spořitelny, a.s.

Contract name	Party to the Contract	Contract date	Effective date	Subject of the Contract	Total amount	Detriment incurred
Contract of providing outsourcing services	brokerjet ČS	2004	2005	Provision of outsourcing services for the area of financial accounting, controlling, property administration, procurement and human resources	No financial character	No

Consulting České spořitelny, a.s.

Contract name	Party to the Contract	Contract date	Effective date	Subject of the Contract	Total amount	Detriment incurred
Contracts of providing advisory services	Consulting ČS	2001-2003	2001	Advisory services	CZK 20 million	No
Contracts of providing advisory services	Consulting ČS	2004	2004	Advisory services and property valuation	CZK 25 million	No

CDI Corporate Advisory, a.s.

Contract name	Party to the Contract	Contract date	Effective date	Subject of the Contract	Total amount	Detriment incurred
Terms and conditions for providing advisory services	CDI	2002	2002	Terms and conditions related to the Letter of appointment	No financial character	No
General agreement on providing internal audit services	CDI	2003	2003	Provision of internal audit services	No financial character	No
Brokerage and cooperation contract	CDI	2004	2004	Project brokerage and providing cooperation with projects	No financial character	No
Legal title	Counterparty	Payment date	Subject of the Decision	Amount paid	Detriment incurred	
Decision of the General Meeting	CDI	2004	Dividends received for 2003	CZK 18 million	No	

Factoring České spořitelny, a.s.

Contract name	Party to the Contract	Contract date	Effective date	Subject of the Contract	Total amount	Detriment incurred
Participation contract	Factoring ČS	2003	2003-2004	Participation in business activities	CZK 9 million	No

Informatika České spořitelny, a.s.

Contract name	Party to the Contract	Contract date	Effective date	Subject of the Contract	Total amount	Detriment incurred
General contract of cooperation	Informatika ČS	2001	2001	General definition of terms and conditions of mutual cooperation	No financial character	No
5 x Implementation agreement	Informatika ČS	2001-2004	2001-2004	Provision of IT maintenance services	CZK 134 million	No
Contract of providing outsourcing services	Informatika ČS	2004	2005	Provision of outsourcing services for the area of financial accounting, controlling, property administration, procurement and human resources	No financial character	No

Investiční společnost České spořitelny, a.s.

Contract name	Party to the Contract	Contract date	Effective date	Subject of the Contract	Total amount	Detriment incurred
Basic contract of cooperation	Investiční společnost ČS	2000	2000	Jointly performed business activities related to client segments	No financial character	No

Leasing České spořitelny, a.s.

Contract name	Party to the Contract	Contract date	Effective date	Subject matter of the lease	Total amount (Total instalments and prepayments)	Detriment incurred
Lease contracts	Leasing ČS	2001-2004	2001-2008	Received lease of transport equipment	CZK 41 million	No
Contract of granting the authorization to use the logo; Annex1	Leasing ČS	2002 2004	2002 2004	Granting the authorization to use the logo	CZK 9 million	No

Penzijní fond České spořitelny, a.s.

Name	Party to the Contract	Contract date	Effective date	Subject and scope of the Contract	Total amount	Detriment incurred
Agreement on non-residential lease and provision of rent-related services	Penzijní fond ČS	2002	2002	Lease of an office building owned by Penzijní fond ČS	CZK 9 million	No
Lease agreements for non-residential premises and movables	Penzijní fond ČS	1999	1999-2004	Lease agreements of non-residential premises and movables hired out to Penzijní fond ČS	CZK 6 million	No

Pojišťovna České spořitelny, a.s.

Name	Party to the Contract	Contract date	Effective date	Subject of the Contract	Total amount	Detriment incurred
Lease of non-residential premises	Pojišťovna ČS	1996-2004	1996-2004	Lease of non-residential premises	CZK 5 million	No
Agreement on access to Česká spořitelna Intranet	Pojišťovna ČS	2002	2002	Regulation of rights and obligations regarding the access to Česká spořitelna Intranet for employees of Pojišťovna	No financial character	No
Contract on protection of confidential information No. 236/03	Pojišťovna ČS	2003	2003	Mutual disclosure of confidential information	No financial character	No
Commercial agency contract No. 479/03 incl. annexes	Česká spořitelna	2003	2004	Providing brokerage services related to sale of non-life insurance	No financial character	No
Contract of trades on financial markets	Pojišťovna ČS	2004	2004	The Contract specifies rights and obligations of contracting parties when fixing trades on financial markets	No financial character	No
Brokerage contract	Pojišťovna ČS	1998	1998	Providing insurance brokerage services in the form of a "contact ticket"	No financial character	No
Data migration contract No.259/03	Pojišťovna ČS	2003	2003	Migration of Pojišťovna client data into the customer file of Česká spořitelna	No financial character	No
Agreement on initiating and organizing a competition in Česká spořitelna No. 157/04	Česká spořitelna	2004	2004	Organizing a competition for the dealers of Česká spořitelna	No financial character	No
Contract of granting the authorization to use the logo; Annex No.1	Pojišťovna ČS	2002 2004	2002 2004	Granting the authorization to use the logo	CZK 8 million	No

Legal title	Counterparty	Payment date	Subject of the decision	Amount paid	Detriment incurred
Decision of the General Meeting	Pojišťovna ČS	2004	Dividends received for 2003	CZK 147 million	No

Realitní společnost České spořitelny, a.s.

Name	Party to the Contract	Contract date	Effective date	Subject and scope of the Contract	Total amount	Detriment incurred
Agreement on access to CS Intranet	Realitní společnost ČS	2003	2003	Regulation of the rights and obligations regarding the access to ČS Intranet for the employees of Realitní společnost	No financial character	No
Confidentiality agreement	Realitní společnost ČS	2003	2003	Regulation of the rights and obligations regarding maintaining confidentiality	No financial character	No

Stavební spořitelna České spořitelny, a.s.

Name	Party to the Contract	Contract date	Effective date	Subject and scope of the Contract	Total amount	Detriment incurred
Contract of granting the authorization to use the logo; Annex1	Stavební spořitelna ČS	2001 2004	2001 2004	Granting the authorization to use the logo	CZK 6 million	No

F. Other Legal Acts

_____ In the accounting period, the reporting entity neither adopted nor made any other legal acts in the interest, or at the initiative, of the related entities.

G. Other Effective Measures

_____ In the accounting period, the reporting entity neither adopted nor implemented any other effective measures in the interest, or at the initiative, of the related entities.



Dušan Baran
Vice Chairman of the Board of Directors
and First Deputy CEO

H. Conclusion

_____ Our review of the legal relations put in place between Česká spořitelna and related entities indicates that Česká spořitelna incurred no detriment as a result of contractual arrangements, other legal acts or other measures implemented, made or adopted by Česká spořitelna during the year ended 31 December 2004 in the interest, or at the initiative, of individual related entities.



Martin Škopek
Member of the Board of Directors
and Deputy CEO

Česká spořitelna's Financial Group

Figures are stated under International Financial Reporting Standards (IFRS), unless indicated otherwise.

Stavební spořitelna České spořitelny, a. s.

Stavební spořitelna České spořitelny, a. s., having its registered office address at Vinohradská 180, Prague 3, was incorporated on 22 June 1994. Its principal business is the provision of financial services under the Construction Savings and Construction Savings State Support Act 96/1993 Coll. The company's issued share capital is CZK 750 million. During 2004, Česká spořitelna increased its shareholding to 95 percent and the remaining 5 percent is owned by the Austria-based Bausparkasse der oesterreichischen Sparkassen. Stavební spořitelna České spořitelny offers its clients construction savings with state support and a statutory right to a loan from construction savings.

Both the business and financial results of Stavební spořitelna České spořitelny for 2004 confirmed that the new mission of "Funding Better Housing for Everyone" was accomplished. In 2004, the company advanced loans in the total amount of CZK 8.4 billion, which represents a 61 percent increase year-on-year. The number of advanced loans increased by 28 percent to nearly 35 thousand. Stavební spořitelna České spořitelny attracted its clients specifically due to its offering of interesting loan products. The construction savings market saw a decline in the demand for new deposit contracts in 2004 as a result of the amendment to the Construction Savings Act approved in late 2003. This development was anticipated; however, Stavební spořitelna České spořitelny effected

a total of 140 thousand new transactions with a target amount of CZK 22.4 billion. Nevertheless, the total assets of Stavební spořitelna České spořitelny increased by 20 percent year-on-year to CZK 73.7 billion.

The profit of Stavební spořitelna České spořitelny was affected by the completion of the transformation process and commencement of the centralisation of support activities. The company benefited more than in previous years from the background of the parent bank, Česká spořitelna's Financial Group and Erste bank. The increase in net profit of 68 percent against 2003 to CZK 351 million was predominantly driven by the increase in interest income, higher quality of risk management, and reduction in administrative costs. The year-on-year decrease of costs incurred per CZK 1 of revenues from 62 to 45 percent represents a very positive trend in the company's business. The increase in the ratio of loans to deposits from 19 percent in 2003 to 23 percent in 2004 shows a turnover in construction savings that moved from the savings stage to the lending stage.

The new business policy strategy and the organisational and management processes set up in 2004 make a good start for the future success of Stavební spořitelna České spořitelny.

	2004	2003	2002	2001
Share capital (CZK million)	750	750	750	750
Total assets (CZK billion)	73.7	61.6	47.5	34.2
Loans and advances to clients (CZK billion)	15.5	10.4	7.2	5.5
Client deposits (CZK billion)	67.4	56.0	42.1	29.3
Net profit (CZK million)	351	209	281	201
Number of clients (million)	1.3	1.4	1.1	0.9
Number of own points of sale	126	132	102	88
Average headcount	280	304	310	302

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Pojišťovna České spořitelny, a. s.

Pojišťovna České spořitelny, a. s. was formed on 1 October 1992 and has had its registered office at náměstí Republiky 115, Pardubice since September 2002. Česká spořitelna acquired an equity interest in the company in 1995. The company's issued share capital is CZK 1,117 million and Česká spořitelna's share of the company's share capital is 55.25 percent and the remaining 44.75 percent equity interest is held by Sparkasse Versicherung. Measured by the share capital balance, the

company is one of the best capitalised insurance companies in the Czech market. The company has been licensed to undertake insurance activities, reinsurance activities and relating activities.

The Company operated as a universal insurer and offered basic types of life and non-life insurance. Following the resolution of the shareholders in 2003 to fulfil the strategy of the Erste Bank Group whereby insurance companies from within the Group are to specialise in providing

life insurance only, the Company, on the basis of a tender, entered into a Contract for the Sale of the Non-Life Portfolio on 6 November 2003 with Kooperativa, pojišťovna, a. s. Pursuant to the decision of the Czech Finance Ministry regarding the transfer of the non-life insurance portfolio, the sale took legal effect on 2 January 2004. At the date on which the Contract for the Sale of the Non-Life Portfolio became effective, the company's universal profile changed and the company became a specialised life-insurer offering primarily the following types of insurance: capital life insurance, insurance with investment fund, loan life insurance and accident insurance.

_____ The year ended 31 December 2004 was a significant milestone in insurance legislation and the entire insurance market as the conditions for running insurance businesses substantially changed in connection with the Czech Republic's accession to the European Union. The contractual conditions for insurance companies and their clients were completely re-defined. This had a significant impact on insurance sales methods and insurers' obligations to their clients.

_____ Under the new conditions, Pojišťovna České spořitelny managed to maintain a significant position among the top five insurance companies in the life insurance market. Premiums written in 2004 amounted to CZK 3.9 billion, which represents a decline compared to the previous period; but the figures for 2003 relate to the universal insurance company. The number of policies and personnel was reduced for the same reasons referred to above. Pojišťovna České spořitelny generated a net profit of CZK 2,275 million in 2004. This was significantly influenced by the one-off profit from the sale of the non-life insurance portfolio of CZK 2,096 million. Technical reserves amounted to CZK 9.3 billion, i.e. they increased by 5 percent year-on-year.

_____ The increase in the financial and business performance of the company results from diligent work targeting the continuous control of expenses and income and programme-controlled business policies to focus on a high standard of services provided to clients and business partners.

	2004	2003	2002	2001
Share capital (CZK million)	1 117	1 117	1 117	1 117
Total assets (CZK billion)	13.7	11.4	8.0	4.5
Premiums written (CZK billion)	3.9	6.9	6.3	3.7
Net profit (CZK million)	2 280	229	171	101
Number of insurance policies (thousand)	399	914	847	749
Number of own points of sale	0	34	34	73
Average headcount	144	654	709	819

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Penzijní fond České spořitelny, a. s.

_____ Penzijní fond České spořitelny, a. s. was formed on 24 August 1994. The company's registered office is located at Poláčkova 1976/2, Prague 4. The company's issued share capital amounts to CZK 100 million. Česká spořitelna has been the company's sole shareholder since March 2001. The company is primarily engaged in the provision of retirement benefit schemes under Act 42/1994 Coll. on Retirement Benefit Schemes with State Contribution.

_____ During the year ended 31 December 2004, the company strengthened its position as one of the biggest pension funds in the Czech Republic. Penzijní fond České spořitelny saw a dynamic growth in the volume of funding in clients' personal accounts to CZK 12 billion, a 30 percent increase year-on-year. The number of clients increased by 7 percent against 2003, exceeding 410 thousand at the end of 2004.

_____ Penzijní fond České spořitelny reported a significant year-on-year growth in profit. As of 31 December 2004, the net profit amounted to CZK

408 million under Czech Accounting Standards (CAS), which represents an increase of 67 percent compared to the previous year. The highest profit in the ten-year history of Penzijní fond České spořitelny was generated as a result of the positive development on financial markets and the increased dynamics of the business. The amount of profit was also affected by the volume of financial assets under management that grew by over CZK 2.8 billion during the year. The company's performance was notably driven by the development of business relationships with employers. As part of its corporate programme for employers, the company entered into business arrangements with more than 4,100 employers. The growth of business dynamics was supported by further extension of the sales network covering all branches of Česká spořitelna and its mobile sales network, including Kooperativa, pojišťovna, a. s.

_____ In the financial assets management area, the company followed the stated strategic objective to achieve the greatest possible return on

clients' assets whilst maintaining a low rate of financial risk. The company invested funds principally in Czech, largely Government, debt securities that carry a low risk of non-payment, debt securities of OECD countries, and Government treasury bills.

	2004	2003	2002	2001
Share capital (CZK million)	100	100	100	100
Total assets (CZK billion)	12.9	9.7	7.4	5,2
Capital funds (CZK billion)*	12.0	9.2	6.9	5,0
Net profit (CZK million) under CAS**	408	243	238	170
Net profit (CZK million) under IFRS	644	220	430	68
Number of participants (thousand)	410	383	376	361
Average headcount	55	56	56	56

* This figure indicates the balance of funds in clients' personal accounts.

** Under the Retirement Benefit Schemes Act the pension fund allocates no less than 85 percent of the profit made under CAS to its clients.

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Investiční společnost České spořitelny, a. s.

Investiční společnost České spořitelny, a. s. was incorporated on 27 December 1991 as a wholly owned subsidiary of Česká spořitelna. The company's registered office is at Na Perštýně 342, Prague 1.

During the year ended 31 December 2004, the company strengthened its leading position on the local market of mutual funds. The company managed 34.8 percent of total assets in the Czech market with an increase of 2.8 percent year-on-year. The company experienced a substantially higher growth among the investment companies associated in the Czech Investment Companies Union (UNIS) where the company's proportion amounted to 53.9 percent. While the equity of other companies declined by 11 percent year-on-year, the company's equity increased by 22 percent representing an annual increase of CZK 10.6 billion. This dynamic shifted the level of managed assets to CZK 58.9 billion. Investiční společnost České spořitelny manages the largest funds measured in terms of administered assets. The largest funds in the money market, bond and equity categories include Sporoinvest (managing assets of CZK 41 billion at the year-end), Sporobond (managing more than CZK 11 billion in assets) and Sportrend (managing almost CZK 2 billion in assets), respectively.

The year ended 31 December 2004 was successful primarily for equity markets, both local and global. In particular, Central European shares experienced unique growth of tens of percentage points influenced by the convergence of the economics of the new EU members; this had a positive impact on the clients' increased interest in equity funds of Investiční společnost České spořitelny whose asset value grew by 86 percent year-on-year. Bond markets were less successful in 2004 due

to pressure on bond prices in Central Europe (except Hungarian Government bonds where the national bank was reducing the interest rates on an ongoing basis). Local bonds started to generate profit only during the latter part of the year. During 2004, clients returned to Sporoinvest, the money market fund, thereby increasing asset growth by 41 percent. In spring 2004, ČS korporátní dluhopisový OPF – an open-ended mutual fund of Investiční společnost České spořitelny – launched its operations. The fund invests primarily in corporate bonds in the Central and Eastern European region.

The company's financial ratios for the year ended 31 December 2004 substantially exceeded expectations. The positive result was largely affected by administrative cost savings and a higher return on the company's financial investments. Profit from operating activities amounted to CZK 55 million, which is a significant growth against 2003 surpassing a multiple of 2.5 times the planned value.

	2004	2003	2002	2001
Share capital (CZK million)	70	70	70	70
Equity (CZK million)	597	510	406	817
Total assets (CZK million)	654	591	503	1 003
Net profit (CZK million)	85	104	-8	38
Assets under management (CZK billion)	58.9	48.3	40.1	24.7
Average headcount	32	32	58	73

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Leasing České spořitelny, a. s.

Leasing České spořitelny, a. s. was formed on 1 January 1996. With effect from December 1996, the company has been wholly owned by Česká spořitelna. The company's registered office is located at Střelničná 8, Prague 8, and its share capital balance is CZK 300 million. In terms of the aggregate value of all leased assets, the company is rated ninth on the Czech lease market. The company's activities are primarily focused on the finance leases of a wide range of commodities, with the largest components being cars and utility vehicles.

Leasing České spořitelny incurred a loss of CZK 407 million in the year ended 31 December 2004 caused by a substantial increase in provisioning and reserving for potential future risk arising from the legacy port-

folios of 1996–1999. During 2004, the volume of new transactions decreased by 12 percent year-on-year as a result of adverse developments in the transportation equipment lease market. On the other hand, a positive result was the achieved commodity structure that changed in favour of transportation equipment. Transportation equipment commodities represent 71 percent of the total new transactions made in 2004. Leasing České spořitelny uses the provisions and reserves to cover all known risks arising from the portfolio of leasing contracts. Since 1 October 2004, all new transactions of Leasing České spořitelny have been executed on the account of a fellow subsidiary, s Autoleasing, a. s.

	2004	2003	2002	2001
Share capital (CZK million)	300	300	300	300
Total assets (CZK billion)	5.9	6.8	7.1	6.7
Number of new transactions (CZK billion)	3.7	4.2	5.3	4.7
Net profit (CZK million)	-407	15	77	65
Number of new contracts	4 924	6 600	12 353	16 963
Number of own points of sale	1	2	4	4
Average headcount	124	123	116	118

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Factoring České spořitelny, a. s.

Factoring České spořitelny, a. s. was formed in November 1995. In 1997, the company was transformed into a joint stock company and Česká spořitelna acquired a 10 percent equity holding. On 20 June 2001, Česká spořitelna became the sole shareholder of the company. The company's registered office address is Pobřežní 46, Prague 8. The company's issued share capital is CZK 84 million.

The company's focus is on domestic, export and import factoring, and debt management related to a broad range of commodities which

principally comprise corporate clients operating in the consumer and food industry, suppliers for wholesale networks, chemistry, metallurgy, etc.

The year ended 31 December 2004 was a successful year for Factoring České spořitelny. Thanks to an extensive restructuring of the company designed to improve organisation and management, Factoring České spořitelny substantially increased its market share to 26 percent and placed first in the factoring market in the Czech Republic. Factoring České spořitelny diversified its portfolio and reduced potential risks within the new concept of risk management. The year ended 31 December

2004 formed a solid basis for further stabilisation of the company's sales and market share. One of the key assumptions underlying future success involves close cooperation with Česká spořitelna, risk diversification, consistent debt collateralisation, and a high standard of services provided to the clients of Factoring České spořitelny.

	2004	2003	2002	2001
Share capital (CZK million)	84	84	84	84
Equity (CZK million)	109	93	78	62
Total assets (CZK billion)	6.0	3.9	3.0	1.3
Net profit (CZK million)	16	15	17	18
Contracted amounts (CZK billion)	21.4	15.8	9.7	5.0
Average headcount	31	31	28	23

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Realitní společnost České spořitelny, a. s.

Realitní společnost České spořitelny, a. s. with its registered office at Vinohradská 180/1632, Prague 3 was incorporated on 4 December 2002. Its share capital is CZK 4 million. The sole shareholder of the company is Česká spořitelna. The company is primarily engaged in undertaking real estate activities - mediation of sales and lease of residential and commercial real estate and provision of related advisory services, specifically in order to expand and complement the comprehensive services of Česká spořitelna's Financial Group in real estate.

Realitní společnost České spořitelny launched its business activities in the latter half of 2003. During 2004, the company extended its operations from Prague to throughout the Czech Republic providing real estate services to the clients of the Group as well as to the public through its eight franchise partners, Česká spořitelna's twelve mortgage centres, and its own point of sale in Prague. The year ended 31 December 2004 was a very successful year for Realitní společnost České spořitelny. The company generated income totalling CZK 35 million and a net profit of CZK 1 million.

	2004	2003	2002	2001
Share capital (CZK million)	4	4	4	-
Total assets (CZK million)	38	20	4	-
Income from real estate activities (CZK million)	35	18	0	-
Net profit (CZK million)	1	-1	0	-
Average headcount	23	15	0	-

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brokerjet České spořitelny, a. s.

_____ Brokerjet České spořitelny, a. s. was established by Česká spořitelna as a subsidiary (51 percent share) and by ecetra Internet Services AG (49 percent share). ecetra Internet Services AG is a fully owned subsidiary of Erste Bank operating as one of the most important internet securities traders in Austria. Brokerjet České spořitelny was formed on 17 September 2003 with its registered office at Na Perštýně 1, Prague 1. The shareholder structure provides brokerjet České spořitelny with a unique combination of a strong background and an extensive sales network as the member of Česká spořitelna's Financial Group; its further advantages are the top technologies and several years' experience of ecetra Internet Services.

_____ Brokerjet České spořitelny entered the market of investment service mediators in the Czech Republic with an aggressive marketing campaign in early November 2003. During 2004, the company focused primarily on two key areas: attracting the highest possible number of new clients and connection with the Prague Stock Exchange. The principal goal for 2005 involves the acquisition of new clients and consolidation of the company's share in the Internet securities traders market.

	2004	2003	2002	2001
Share capital (CZK million)	160	160	-	-
Total assets (CZK million)	256	165	-	-
Volume of managed assets (CZK million)	438	7	-	-
Net profit (CZK million)	-30	-11	-	-
Average headcount	8	7	-	-

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Consulting České spořitelny, a. s.

_____ Consulting České spořitelny, a. s. was formed on 8 June 1995; its current registered office address is at Vinohradská 180, Prague 3. The company is wholly owned by Česká spořitelna and is a medium-sized advisory business which is gradually building its position in the Czech and Slovak markets by offering specialised services to both businesses and other entities from the private and public sectors. The company's activities focus on the provision of management advisory services, information system and information technology advisory services, financial and economic advisory services and appraisals of movable and immovable assets. With effect from 1999, the company implemented an ISO 9001-compliant quality management system.

_____ For the year ended 31 December 2004, the company generated a net profit of CZK 3 million. Added value amounted, on average per employee, to CZK 1.3 million and CZK 1.1 million in the years ended 31 December 2004 and 2003, respectively. The company's own output amounted to CZK 52.6 million with a year-on-year increase of 23 percent. The total revenues from services amounted to CZK 66.9 million in 2004, of which services for Česká spořitelna represented 67 percent.

	2004	2003	2002	2001
Share capital (CZK million)	1	1	1	1
Total assets (CZK million)	28	18	19	31
Net profit (CZK million)	3	1	0	4
Average headcount	30	27	28	31

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CDI Corporate Advisory, a. s.

_____ CDI Corporate Advisory, a. s. was formed on 19 July 1995 and has its registered office at Na Perštýně 1/342, Prague 1. The company's share capital is CZK 6 million. The company is a joint venture of three members of the Erste Bank Group: Česká spořitelna, Slovenská sporiteľna and CDI Erste Central Europe Holding. Česká spořitelna holds 50.2 percent of the company's issued share capital.

_____ CDI Corporate Advisory provides its clients in the Czech and Slovak Republics with professional investment banking and financial advisory services, primarily in mergers and acquisitions, privatisation,

MBO and IPO, valuation of companies or their divisions, due diligence, investment opportunity analysis, restructuring, etc.

_____ The year ended 31 December 2004 was another successful year for CDI Corporate Advisory. The company obtained and successfully completed several major mandates and focused on obtaining new prestigious mandates to be implemented in 2005. The company generated a net profit after tax of CZK 8 million under Czech Accounting Standards (CAS) for the year ended 31 December 2004. Income from advisory services amounted to CZK 43 million.

	2004	2003	2002	2001
Share capital (CZK million)	6	6	6	1
Equity under CAS (CZK million)	37	61	16	8
Net profit under CAS (CZK million)	8	47	8	2
Average headcount	12	10	7	7

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Informatika České spořitelny, a. s.

_____ Informatika České spořitelny, a. s. was formed on 11 December 1997 by Česká spořitelna as a wholly owned subsidiary with the objective of providing Česká spořitelna and/or its subsidiaries with auxiliary banking services. The company is involved in providing technical servicing and administration of information technologies and purchasing of goods for sale in the IT area for Česká spořitelna and other members of the Group. The company's issued share capital is CZK 10 million.

_____ In the year ended 31 December 2004, Informatika České spořitelny focused on providing warranty and post-warranty services of

IT equipment owned by the Group members, installation and servicing of ATMs, support and servicing of Flexpos and POS, and technical support in IT servicing in the implementation of development projects of Česká spořitelna as required. The company streamlined its operations during 2004 to reduce the volume of outsourced services, optimise its cost, and maintain its existing status as an authorised business and service partner of HP and was re-awarded the ISO 9001 - 2000 certificate.

	2004	2003	2002	2001
Share capital (CZK million)	10	10	10	10
Total assets (CZK million)	57	93	97	105
Net profit (CZK million)	10	-3	0	7
Sales (CZK million)	247	390	520	443
Average headcount	101	371	362	360

Auditor's Report to the Shareholders of Česká spořitelna, a. s.

Having its registered office at: Praha 4, Olbrachtova 1929/62, 140 00

Identification number: 45 244 782

Principal activities: Banking activities (refer to the financial statements of Česká spořitelna, a. s. for the year ended 31 December 2003 under Czech Accounting Standards)

We have audited the unconsolidated financial statements of Česká spořitelna, a.s. for the year ended 31 December 2004 prepared in accordance with the Accounting Act and applicable Czech regulations, and have issued our unqualified report thereon dated 25 February 2005. We have also audited the consolidated financial statements of Česká spořitelna, a.s. for the year ended 31 December 2004 prepared in accordance with International Financial Reporting Standards and have issued our unqualified report thereon dated 22 March 2005. These financial statements and auditor's reports are included on pages 105 to 156 and on pages 58 to 103 in this annual report.

We have reviewed the factual accuracy of information included in the report on related party transactions included in this annual report on pages 157 to 174. This report is the responsibility of the Company's Board of Directors. Nothing has come to our attention based on our review that indicates that there are material factual inaccuracies in the information contained in the report.

We have read other financial information included in this annual report for consistency with the above mentioned financial statements. The responsibility for the correctness of this information rests with the Company's Board of Directors. In our opinion, other financial information included in this annual report is consistent, in all material respects, with relevant financial statements.

In Prague on 26 April 2005



Audit firm:

Deloitte s. r. o.

Certificate no. 79

Represented by:



Michal Petрман, statutory executive



Statutory auditor:

Michal Petрман

Certificate no. 1105

Česká spořitelna Selected Consolidated Financial Performance Figures for the Three Months Ended 31 March 2004

according to International Financial Reporting Standards
(unaudited)

MCZK	31 March 2005	31 March 2004
Interest income and similar income	6 396	5 638
Interest expense and similar expense	-1 976	-1 425
Net interest income	4 420	4 213
Provisions for credit risks	-55	-307
Net interest income after provisions for credit risks	4 365	3 906
Fee and commission income	2 325	2 161
Fee and commission expense	-140	-163
Net fee and commission income	2 185	1 998
Net profit on financial operations	389	378
General administrative expenses	-4 099	-3 897
Net insurance income	55	69
Profit on the sale of the non-life business of Pojišťovna ČS	0	2 907
Other operating expenses, net	263	-244
Profit before taxes	3 158	5 117
Income tax expense	-827	-1 509
Profit after taxes	2 331	3 608
Minority interest	-23	-974
Net profit for the period	2 308	2 634
Total assets	616 664	621 972
Loans and advances to customers	250 257	215 512
Amounts owed to customers	458 457	479 700
Shareholders' equity	41 640	38 458

Conclusions of the Annual General Meeting of Shareholders Held on 29 April 2005

_____ At the Annual General Meeting of Česká spořitelna held on 29 April 2005 in Prague, the shareholders, *inter alia*, approved the Board of Directors' Report on the Bank's Performance and Financial Position as of and for the year ended 31 December 2004. The shareholders present at the General Meeting were presented with the Supervisory Board's Report for the year ended 31 December 2004 and approved the annual financial statements, consolidated financial statements and proposal

for profit allocation. The distributable funds amounted to CZK 19,551 million, of which CZK 376 million was allocated to the statutory reserve fund, and CZK 4,560 million was allocated to the payment of dividends, which amount to CZK 30 per share. The balance of retained earnings is CZK 14,615 million. The shareholders re-appointed Messrs Christian Coreth, Maximilian Hardegg and Herbert Juranek as members of Česká spořitelna's Supervisory Board.

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