

2003 Annual Report

Česká spořitelna, a. s.

Consolidated Financial Highlights under International Financial Reporting Standards (IFRS)

Balance Sheet Highlights

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

Profit and Loss Account Highlights

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

Basic Ratios

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

Key Operating Indicators

Number	2003	2002	2001
Staff (average headcount)	12,786	13,061	14,539
Česká spořitelna's branches	666	673	684
Clients	5,519,627	5,393,492	4,754,847
Sporogiro accounts	2,755,113	2,727,306	2,725,133
Active bank cards	2,576,552	2,363,651	2,210,867
of which: credit cards	101,155	28,051	5,387
Electronic banking users	779,910*	458,339*	457,071
of which: Servis 24	677,926	373,889	83,268
Points-of-sale - partners accepting the Bank's cards	19,774	17,591	14,093
ATMs	1,067	1,011	954

* Active clients

Unconsolidated Financial Highlights under Czech Accounting Standards (CAS)

Balance Sheet Highlights

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

Profit and Loss Account Highlights

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

Key Financial Ratios

	2003	2002	2001
Average headcount	11,234	11,421	12,922
Cost/income	65.0%	62.7%	63.4%
Non-interest income/operating income	38.1%	37.2%	39.5%
Classified loans/loans	6.6%	14.4%	19.7%
Dividend (in CZK per share)	30	20	3
Capital adequacy	10.3%	12.9%	15.1%
ROAA*	1.5%	1.4%	0.6%
ROAE*	29.6%	29.8%	16.5%
Assets per employee (TCZK)*	41,552	40,072	39,299
Administrative expenses per employee (TCZK)*	1,061	1,050	1,077
Net profit per employee (TCZK)*	648	567	234
Net profit after tax per share (CZK)	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	positive

* According to the CNB methodology

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Company Profile

_____ A dynamic, modern, client-orientated, successful, ambitious bank that is geared towards small-scale clients, medium-sized and major companies, towns and municipalities – few people would have associated these very attributes with Česká spořitelna even five years ago. Today Česká spořitelna is among the elite of Czech banking and occupies a leading position thanks to the quality of its services.

_____ Česká spořitelna became a member of Erste Bank, a powerful Central European financial group, in the year 2000. Within the next eighteen months, Česká spořitelna successfully completed its transformation – a transformation which centred on improving all key areas of the bank. Česká spořitelna has continued the improvement of its products and services and the modernisation of technology, while at the same time making work processes more effective.

_____ Česká spořitelna is currently in a stabilisation period that is marked by the further improvement of products and services on offer, development, and stable, sustainable growth. Stabilisation is proving no less demanding than transformation.

_____ In spite of this fact, or indeed because of it, Česká spořitelna was presented with a prestigious award as part of The Banker Awards 2003 in September of that year. This award ceremony is held every year and is perhaps the most prominent international event in the world of banking. As part of this competition, Česká spořitelna was declared Bank of the Year 2003 for the Czech Republic. The banks that are invited to take part in the competition are assessed from the perspective of their state of health, profitability, and productivity. They must also demonstrate that they employ modern technology to reinforce their market position. And finally, the banks must offer a presentation of their strategy and prospects for the future.

_____ The year 2003 was also one in which Česká spořitelna was again presented with the MasterCard Bank of the Year award in a competition organised by the Fincentrum company. The bank was again successful in the Mortgage of the Year category and maintained second place in the Most Trustworthy Bank category, an award voted for by the public.

_____ All age categories of the population constitute the clientele of Česká spořitelna in the area of routine banking, from youngest to oldest. This itself reflects the wide range of products and services which the bank has to offer in this sphere of activity. The bank is continually modernising and expanding the functionality of its direct banking services. Indeed, the growing number of clients who actively use at least one direct banking service bears testimony to the popularity of alternative channels of distribution. For example, from year 2002 to 2003, the number of clients using the services of Servis 24 Internetbanking rose by 313%! In total,

Česká spořitelna had 780,000 direct banking users by the close of the year. As part of its programme involving the modernisation of products and services, the bank launched a new programme on the market in April 2003 that is especially intended for students – the Student+ programme. Around 120,000 students had joined the Student+ programme by the end of the year.

_____ During 2002–2003 Česká spořitelna became a leader on the market of housing financing. Program TOP Housing (‘TOP Bydlení’) won for the second year in a row the Mortgage of the Year Award. This program used 18,000 clients who received loans in a total volume of CZK 18.6 billion. Total volume of mortgage loan portfolio increased by 160% to CZK 33.6 billion during 2002 and 2003.

_____ In terms of the number of cards issued and its broad network of 1,067 automated cash machines, Česká spořitelna is also the leading banking house in the field of payment cards. In fact the number of Česká spořitelna payment cards at the end of the year 2003 exceeded the 2.5 million mark.

_____ In recent times, Česká spořitelna has concentrated a great deal of its efforts on small and medium-sized companies and it was primarily for these clients that a special sales channel was created in the form of commercial centres located in every region of the Czech Republic. The specialists working at our commercial centres are trained in the requirements of small and medium-sized companies.

_____ One landmark moment for small and medium-sized businesses (and everyone else, for that matter) is certain to be the accession of the Czech Republic to the European Union (EU). To this end, Česká spořitelna has been intensively analysing the possible accession impacts and actively preparing to offer help to its clients. Indeed the bank opened an **EU Office** in the middle of the year 2003, whose task it is to deal with issues surrounding the EU. The individual lines of business at the bank (including commercial banking) incorporate the new knowledge of the EU Office into their business strategies. In addition to this, the bank began a series of regional seminars for small and medium-sized businesses in October last year that concentrated on EU-related issues. More than 550 company representatives had taken part in these seminars by the end of 2003.

_____ Although Česká spořitelna is principally a bank that deals with regular, small-scale clients, small and medium-sized businesses, it also plays a crucial role in financing major businesses and companies. Indeed Česká spořitelna is able to satisfy the most exacting demands that a company might have in the sphere of financial services thanks to the wide selection of products it has to offer, including classic banking, leasing, insurance, investment banking, factoring, and advisory services.

The Year 2003 Review

January

- > The number of clients taking advantage of the most widely used direct banking product, Servis 24, exceeded 400,000.

February

- > New websites with revised content and graphics went live. The websites were subsequently awarded the 2003 BestWeb prize for first place among banks.

March

- > Česká spořitelna established the conditions for the second issue of mortgage bonds, which have become a much sought-after opportunity for safe investments.
- > The issue was launched as part of the mortgage bond issuance program of Česká spořitelna.

April

- > A new special program 'Student+' was offered to clients from among students and young people from 15 to 30 years old. The Student+ program was used by 120,000 students by the year-end.
- > Česká spořitelna and the Czech Agriculture Ministry entered into a High-Level Agreement on Cooperation in implementing the SAPARD program as part of co-financing projects using EU funds.

May

- > At the Annual General Meeting, two new members of Česká spořitelna's Supervisory Board, Mrs Zlata Gröningerová and Mr André Horovitz, were elected.
- > The number of clients taking advantage of the most widely used direct banking product, Servis 24, exceeded 500,000.

June

- > Česká spořitelna initiated, a loyalty program designed to support non-cash transactions via payment cards. The 'Bonus' program allocates points and bonuses to clients that make card payments.
- > Erste Bank acquired shares of Česká spořitelna from Česká pojišťovna and increased its investment to 97.9 percent of share capital and 99.4 percent of voting power.
- > Česká spořitelna issued payment cards in cooperation with Charles University, a highly prestigious product for graduates, students and employees of the oldest university in Central and Eastern Europe.
- > A new subsidiary was introduced - Realitní společnost České spořitelny, which offers comprehensive real estate services and serves developers, citizens and businesses.

July

- > Mr Peter Cecelsky became a member of Česká spořitelna's Board of Directors with responsibility for information technologies.

- > A new information and analytical function, EU Office, commenced its activities.

August

- > As part of the sale of distressed loans, Česká spořitelna assigned the selected portfolio of loans to entities controlled by J.P.Morgan Securities Ltd.
- > The public collection organised by Česká spořitelna and designed to assist flood-hit regions was brought to an end. 11,104 donors contributed a total of CZK 31.3 million to the public collection account. Česká spořitelna contributed CZK 50 million towards removing flood damage.

September

- > At the Banker Awards 2003 in London - Česká spořitelna was named the Czech Bank of the Year.
- > IFC, a member of the World Bank Group, initiated a program to support commercial financing of energy saving programs. Česká spořitelna with its own lending product, Finesa, was the first bank to join the program.

October

- > The number of clients taking advantage of the most widely used direct banking product, Servis 24, exceeded 600,000.
- > Česká spořitelna expanded its offering of mortgage loans to include the Bonus and Global mortgage loan product.

November

- > Česká spořitelna's new subsidiary, brokerjet České spořitelny, which offers on-line trading on developed capital markets, commenced its activities.
- > At an extraordinary General Meeting, shareholders approved the sale of the non-life insurance business of Pojišťovna České spořitelny to Kooperativa pojišťovna. Pojišťovna České spořitelna will specialise only in providing life insurance.
- > Česká spořitelna's employees elected Mrs Monika Houštická as their representative on the Supervisory Board of Česká spořitelna; 64 percent of employees participated in the election.
- > Česká spořitelna defended the 'Bank of the Year' award from MasterCard and received the award for 2003; similarly its TOP Housing project successfully defended the 'Mortgage Loan of the Year' award.

December

- > Česká spořitelna exercised its option to make a premature repayment of subordinated debt and repaid the subordinated debt to the Czech Consolidation Agency.
- > Pursuant to the results of a public internet vote, Česká spořitelna was named the most popular bank for the year as part of the Golden Purse 2003 opinion poll.
- > On 12 December, Česká spořitelna's clients took out a record CZK 1.5 billion from its ATMs. The number of issued active payment cards exceeded 2.5 million.

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

Dear Shareholders, Clients and Colleagues:

_____ In 2003 Česká spořitelna saw tremendous progress and achievement. We continued to develop and improve our unique value proposition – highly professional staff; unequalled distribution network: 666 branches, 16 Corporate Banking Centers, and 24×7 telephone, internet and GSM banking, 1067 ATMs; full range of highly competitive products and services; and a clean focus on customer satisfaction for our clients – consumers, small and medium sized enterprises, all levels of government and large corporations.

_____ Because of our success in developing our staff, distribution channels, products, services, and customer focus, we achieved record consolidated net profit of CZK 7.6 billion according to IFRS and won for the second year in a row the MasterCard Bank-of-the-Year Award.

_____ Among our earnings highlights for 2003 are the following:

- > Net profit grew by 31.2%.
- > ROE reached 23.7%.
- > Cost/Income ratio improved to 59.7%.
- > Mortgages grew by 60%.
- > Gross loans to clients increased by 19%.
- > Client funds under management grew by 8%.
- > Personnel and other administrative expenses flat.
- > Our internal Service Quality Index improved from 87.9 in 2002 to 94.7 in 2003.

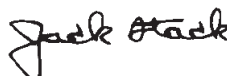
_____ Our business is about doing many small activities well every day for our millions of consumer, business, and government clients in hundreds of locations across the Czech Republic. Česká spořitelna is getting good at these activities. We are not world class yet, but we will be!

_____ Česká spořitelna is well positioned for future growth. With European Union (EU) accession we look forward to continued economic growth, the rule of law, and increased transparency. We have established an EU Office to help our clients achieve the advantages that membership offers.

_____ In the foreseeable future, we expect our clients to continue to demand better products and improved services. Česká spořitelna will continue to build a highly professional staff and is investing to enable these professionals to better serve our clients. These investments include sophisticated training, more complete customer information through a newly developed Customer Relationship Management application, reengineering of our processes, improved IT infrastructure, better products (in particular loans), faster turnaround times on loans, expanded cooperation with other members of the Erste Bank Group in Austria, Croatia, Hungary, and Slovak Republic, etc.

_____ We are very proud of our achievements in 2003. We have set ambitious targets for ourselves in 2004 to meet the demands of our customers, shareholders, and the communities where we do business.

April 2004



Jack Stack



Board of Directors as of 31 December 2003

John James Stack

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

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

_____ From 1970 until 1977, 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, USA. 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 and 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, a. s. 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.

Karel Jan Jeníček

- > Born on 27 July 1945
- > Member of the Board of Directors and Deputy CEO

_____ After studying electrical engineering at the Swiss Federal Institute of Technology Zurich, Mr Jeníček started to work for multinational companies in several European countries and in the US in 1970. He focused on the development and implementation of financial and banking systems. He enhanced his education by studying business and finance at the University of Karlsruhe, Germany and commercial law at the University of Zurich, Switzerland. Since 1983 he has worked for global financial institutions in leading positions, concentrating on information technology, organisation, project management, trade finance and the formation of national subsidiaries in Europe, the Middle East and Central America. In his previous assignment he worked for Creditanstalt Group Vienna, Austria; from 1997 he had been the Chairman of the Board of Directors of Creditanstalt d.d. Ljubljana, Slovenia. Following the merger with Bank Austria, he was a member of the Board of Directors of BACA d.d. Ljubljana.

_____ In his capacity as Deputy CEO and a member of Česká spořitelna's Board of Directors, Karel Jan Jeníček was responsible since 2000 for business support including Information Technology, Organisation, Property Management and Security. Since July 2003, Mr Jeníček has been

responsible for operations including Payment Transactions Management and Security.

_____ **Mr Karel Jan Jeníček resigned from all his functions in Česká spořitelna as of 31 December 2003.**

_____ **As of 1 January 2004, operation sections including Payment Transactions Management and Security is managed by Mr Pavel Kysilka, member of the Senior Management Team and Chief Economist of Česká spořitelna.**

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.

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 ČS, a. s. and a member of the Management Board of Nadace České spořitelny. He is also a member of the Regional Board of Directors of VISA International for Central and Eastern Europe, the Middle East and Africa and a member of the Academic Board of Vysoká škola finanční a správní.

Česká spořitelna's Supervisory Board as of 31 December 2003

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 Crédit 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, Andreas Treichl is responsible, among other areas, for Savings Bank policy and Group Communications, Marketing, Secretary General, Auditing, Legal Services, Capital Market Strategy and Investors Relations.

_____ Mr Treichl is Chairman of the Supervisory Board of the most progressive Austrian life insurer, S-Versicherung and S-Bausparkasse. He became a member of the Supervisory Board of Česká spořitelna 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 4 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, Staiermaerkische Bank und Sparkassen AG, Tiroler Sparkasse Bankaktiengesellschaft Innsbruck, MAK – Oesterreichisches Museum fuer Angewandte Kunst, Die Erste oesterreichische Spar-Casse Privatstiftung.

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 Central and Eastern Europe, Slovenská sporiteľňa, a. s., Accounting, Equity Investment, International Business and International Credit Risk Management.

_____ He was elected as a member of the Supervisory Board of Česká spořitelna 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 4 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, Postabank es Takarekpenztar Rt., Vereinigte Pensionkasse AG, DIE ERSTE oesterreichische Spar-Casse Privatstiftung, Oesterreichische Lotterien Gesellschaft m.b.H.

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 Česká spořitelna 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 Česká spořitelna since 27 June 2000; the General Meeting re-elected Mr. Wimmer into the function of a Member of the Supervisory Board as of 4 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, Postabank es Takarekpenztar Rt., Erste Bank Hungary Rt.

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 Česká spořitelna'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 Česká spořitelna as a member of the Supervisory Board.

Libuše Růžičková

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

Following graduation from a secondary school of economics in Prague, Mrs Růžičková joined the Artia Praha Foreign Trade Organisation where she worked in a foreign language-publishing house for six years. In 1975, she joined Česká spořitelna 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 Česká spořitelna'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 Česká spořitelna as a member of the Supervisory Board.

Jitka Šrotýřová

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

Mrs Šrotýřová 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 Česká spořitelna 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 Česká spořitelna. With effect from 1 April 2002, she has been elected by the employees of Česká spořitelna as a member of the Supervisory Board.

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 Credi-

anstalt-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. He was elected a member of Česká spořitelna's Supervisory Board on 22 May 2002.

Mr Coreth is additionally a member of the bodies of the following companies: Erste Bank (Malta) Ltd. Erste Private Equity Limited.

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 Česká spořitelna's Supervisory Board on 22 May 2002.

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 Sec-

retariat 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 Česká spořitelna, a.s., Mr Spalt took over the responsibility of the Work Out Department in Česká spořitelna, 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 Česká spořitelna, a.s. on 21 August 2002 and subsequently was elected into the function of a Supervisory Board member as of 15 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 Takarekpenzta Rt., 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 Prague University 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 on the Banking Board from 1998. Following the transformation of KOB into the Czech Consolidation Agency ('ČKA') 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 Gröningerová was elected into the function of the Supervisory Board member as of 15 May 2003.

Mrs Gröningerová is additionally a member of the bodies of the following companies: KONPO, s. r. o. – Chairman of the Supervisory Board, Prisko, a.s. – Member of the Board of Directors, ČKD PRAHA DIZ, a.s. – Chairman of the Supervisory Board, České aerolinie, a.s. – Member of the

Supervisory Board, Revitalizační agentura v likvidaci, a.s. – Chairman of the Supervisory Board.

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 15 May 2003.

Mr Horovitz is additionally a member of the bodies of the following companies: Erste Bank der oesterreichischen Sparkassen AG, Erste Reinsurance S.A.

Monika Houštická

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

Mrs Houštická graduated from the Prague University of Economics, 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.

The Macroeconomic Framework for Česká spořitelna's Business

The Year 2003 Saw a Decrease in Prices

Similar to 2002, the Czech economy witnessed very strong disinflation also in 2003. Postponed deregulation, the residual impact of the strong crown, decreasing prices of foodstuffs, strong price competition in retail, and static inflation abroad contributed to the decrease of inflation to negative figures. **From 2002 to 2003, the average inflation rate fell from 1.8% to 0.1%.** For over eighteen months, inflation has been below the lower limit of the inflation target of the Czech National Bank. Tax and administrative adjustments of prices anticipated for 2004 will notably contribute to the revival of the growth of consumer prices; however, the inflation will henceforth lack any significant demand impulses. Growth of 'net inflation', adjusted for administrative changes in prices and the impacts of revised taxation, will be primarily driven by increased production prices and more expensive foodstuffs. **By mid-2004, inflation will return to the range targeted by the Czech National Bank.**

Low Inflation Accompanied by Record Low Interest Rates

In response to the unexpectedly dramatic decline in inflation the central bank further reduced interest rates. Whilst during 2002 the central bank cut the repo rate in five steps by two percentage points from 4.75% to 2.75%, in 2003 **it decreased the basic rate in three steps by 75 basis points to 2%.** The European Central Bank also began to ease its monetary policy cutting the basic rate from 2.75% to 2% during 2003. The continuing decline of the basic interest rate pushed down the yields of all fixed-income instruments and, until mid-2003, the yields of the instruments traded on the Czech money and bond markets stood even below the level of yields in Eurozone countries. **The anticipated revival of inflation in 2004 and the increasing likelihood of the termination of rate decline cycle in the Czech Republic pushed yields of money and bond instruments on the domestic market above the level of European yields during the latter half of 2003.** A slight increase in the basic rate of the Czech National Bank anticipated in the latter half of 2004 will contribute to a further rise in yields on the domestic market.

The Crown Returned to Its Long-term Trend

The year 2003 saw the reversal of the robust strengthening of the crown against the euro, which began at the 2001 year-end and continued during the first half of 2002. **By the end of 2003, the Czech crown had weakened against the euro from 31.60 to 32.40.** The principal reasons underlying the weakening of the crown compared to the euro related to the slowing of the influx of foreign investments, an above-average volume of profit repatriations and the anticipated delay in the Czech Republic's accession to the European Monetary Union. Nevertheless, the crown continued strengthening against the US dollar, which has been rapidly weakening against the euro since the end of 2002. Relative to the US dollar the crown strengthened by approximately 17% year-on-year moving from CZK 30.10 to CZK 25.70.

Economic Growth Marginally Increased

In 2002, the gross domestic product in the Czech Republic grew by 2%, **the performance of the economy increased by 2.9% in 2003.** While weak foreign demand exacerbated the trade balance in respect of goods and services and limited the investment activities of businesses, the performance of the Czech economy was enhanced as a result of very strong household consumption. Dynamic growth in nominal wages, decreased prices and cheaper consumer loans were the principal drivers behind increased household consumption. **The growth of the Czech economy may be expected that it will exceed the three percent threshold in 2004.** The Czech economy will grow faster relative to the average growth in EU countries and the process of harmonising the economic level of the Czech Republic to Europe will therefore continue.

Weak Foreign Demand Intensified the External Imbalance

Similar to 2002, Czech foreign trade faced weak foreign demand in 2003. The slight weakening of the crown against the euro was replaced by the strengthening of the crown against the US dollar. The depreciation of the US dollar aided foreign trade in reducing the crown value of imported raw materials; strong local demand and the persistent import dependence of the Czech economy prevented a more notable decrease in the trade balance deficit. Despite unfavourable external factors, exports developed fairly positively. The proportion of goods with increased added value to exports rose. **In 2003, the foreign trade deficit reached CZK 69.4 billion which is CZK 1.9 billion less than in 2002.** Portfolio investments were exiting the Czech Republic due to low yields and a marginal weakening of the crown against the euro. The expected low interest rate differential and a relatively stable crown will contribute to further outflow of portfolio investments in 2004. It is envisaged that the current trade deficit will be within a range of CZK 140 billion and CZK 150 billion (approximately six percent of GDP) in 2004.

Unemployment

The unemployment rate reached a record level of 10.3% in the Czech Republic at the end of 2003. Compared to end of 2002, the unemployment was higher by 0.5 percentage points. Unemployment rose as a result of the continuing restructuring of Czech companies and rationalisation of production, specifically in businesses owned by foreign entities. In the long term, a gradual increase in the minimum wage, insufficiently flexible labour legislation and a fairly generous system of social benefits are likely to contribute to an increase in the unemployment rate or to facilitate an outflow of a portion of the workforce beyond the official labour market. In 2004, the unemployment rate will continue to oscillate above 10%.

Performance Report

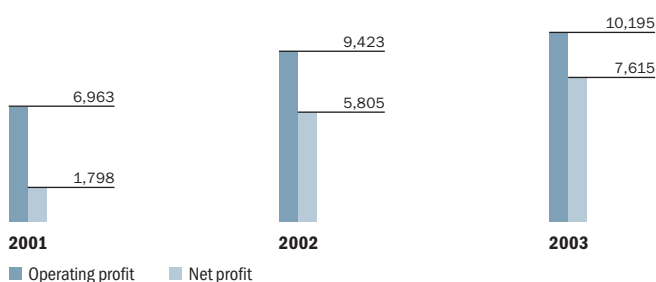
Consolidated Results of Operations (International Financial Reporting Standards)

_____ The results of operations for the year ended 31 December 2003 demonstrate that the year 2003 was a very successful one for Česká spořitelna. **When compared to 2002, the Bank showed improvement in all key indicators**, enhanced the effectiveness and quality of provided services, increased the volume of both issued loans and received deposits and boosted fee income as well as total operating income. Česká spořitelna increased its net profit year-on-year by almost one third. However, the reported results were partially driven by non-recurring events, such as the completion of the loan portfolio clean-up. **The achieved performance is the result of efforts and professional approach of all of the employees of the Česká spořitelna Group**, growing satisfaction of customers, offering of excellent distribution networks and a comprehensive range of services to retail clients, businesses, public sector and non-profit organisations.

Profit and Loss Account

_____ For the year ended 31 December 2003, Česká spořitelna generated a **net consolidated profit of CZK 7,615 million** under International Financial Reporting Standards, which represents an **increase of 31%** (CZK 1,810 million) as compared to the year ended 31 December 2002 when net profit amounted to CZK 5,805 million. The increased net profit led to an **improvement in return on equity (ROE)**, which rose to **23.7%** and in return on assets (ROA) which amounted to 1.4%. For the year ended 31 December 2002, ROE and ROA amounted to 21.4% and 1.1%, respectively. Profit before taxes and minority interests (gross profit) increased year-on-year by 23% to CZK 10,941 million.

Net profit and operating profit (MCZK)

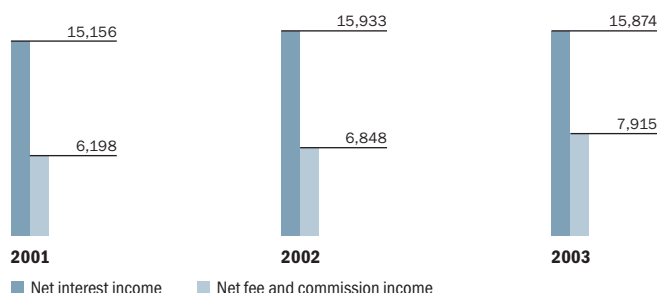


_____ **Operating profit exceeded the 10 billion threshold** and increased year-on-year by 8% to CZK 10,195 million. **The cost/income ratio marginally improved from 60.0% to 59.7%**. Operating profit largely increased due to a rise in operating income, which grew more rapidly than operating expenses. Operating income, comprising net interest income, net fee and commission income, net profit on financial operations and

net insurance income, increased by CZK 1,694 million to CZK 25,268 million. Non-interest income accounted for 37% of total operating income. Operating expenses, comprising staff costs, administrative expenses and depreciation/amortisation charges, increased by CZK 922 million to CZK 15,073 million.

_____ **The environment of historically low interest rates** (even compared to 2002) **was reflected in the stagnation of net interest income**, which slightly decreased to CZK 15,874 million. For illustration, the two-week repo rate announced by the Czech National Bank dropped by 75 basis points to 2% during 2003. Due to the pressure of declining rates, the net interest margin also slightly decreased from 3% to 2.9% (determined in respect of total gross assets). **The level of interest income has been maintained specifically due to increased lending to retail and corporate clients** and a decrease in interest expenses of bonds in issue. By way of contrast, Česká spořitelna generated lower interest income primarily from interbank transactions.

Net interest income and net fee and commission income (MCZK)

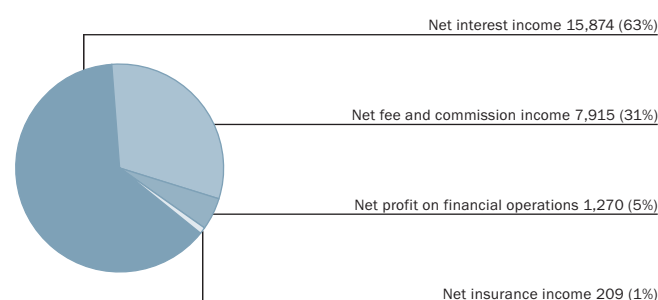


_____ **Net fee and commission income**, being a stable source of income, **increased year-on-year by 16% to CZK 7.9 billion**. The number of clients of the Group has been growing and clients conduct more and more transactions and deals through Česká spořitelna. Increased interest in investing in investment funds resulted in an increase in the income from fees from securities trading. Given the historically unprecedented interest in construction savings arrangements, fees from construction savings schemes grew mainly in late 2003. Specifically, income from transaction fees increased as a result of the increasing number of transactions and volume of payments.

_____ For the year ended 31 December 2003, net profit on financial operations doubled to CZK 1,270 million year-on-year. Income from foreign currency transactions rose and the profit from derivative transactions markedly improved. However, this result is offset by a lower profit arising from the revaluation of the available-for-sale portfolio reported within other operating income and expenses. Net insurance income amounted to CZK 209 million, the year-on-year increase being 35%. Compared to

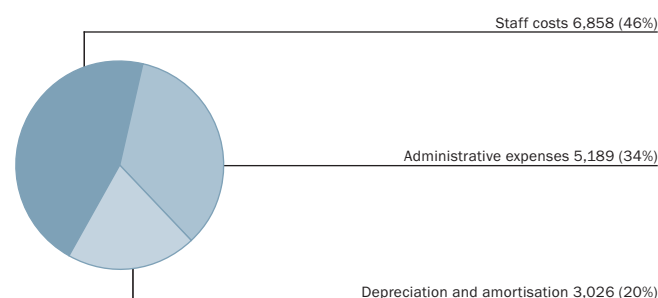
the year ended 31 December 2002, the balance of premiums written increased because corporate and retail clients notably revised their approach to insuring their assets following the large-scale flooding, and Pojišťovna České spořitelny was able to respond to the changed conditions by offering high-quality services and products.

Structure of operating income in 2003 (MCZK)



General administrative expenses, comprising staff costs, purchased consumables and depreciation/amortisation of property and equipment and intangible assets, **increased year-on-year by 7% to CZK 15,073 million**. Despite the 2% reduction in the average headcount of the Group to 12,880, staff costs increased by 10% to CZK 6,858 million in connection with increased salaries and performance-linked bonuses. **Stringent cost controls led to a year-on-year decrease in administrative expenses (purchased consumables) of 9% to CZK 5,189 million**, specifically in the area of data processing expenses, transaction costs, and advertising and marketing costs. Notable investments in information systems and technologies and branch modernisation led to depreciation/amortisation of property and equipment and intangible assets increasing by 38% to CZK 3,026 million.

Structure of operating expenses in 2003 (MCZK)



For the year ended 31 December 2003, Česká spořitelna reported **a positive balance of the charge for and use of provisions for losses on loans and advances of CZK 1,970 million**, compared to the 2002 balance of CZK (289) million. The driving factor in provisioning involved the clean-up of the loan portfolio through the sale of on balance sheet receivables amounting to almost CZK 8 billion. The aggregate financial impact of this transaction on the profit and loss account represented a gain of CZK 354 million. The improvement in the loan portfolio additionally facilitated the release of redundant provisions. In accordance with the Czech Provisioning Act, the Bank also continued the mandatory release of general provisions or their transformation into specific provisions; this process is anticipated to be completed by 2005.

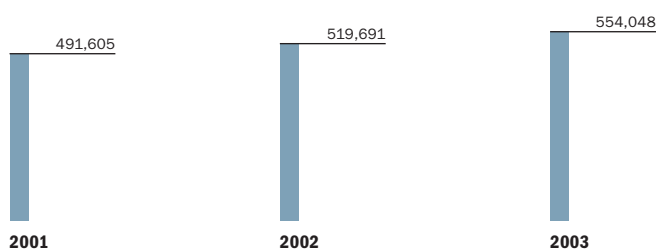
As of 31 December 2003, other operating expenses amounted to CZK 1,224 million, which constitutes a year-on-year increase of CZK 999 million. This development was predominantly attributable to lower gains arising from the remeasurement of securities carried within the available-for-sale portfolio (CZK 340 million), non-recurring income from statute barred deposits recognised in 2002 (CZK 385 million) and a 24% rise in the contribution to the Deposit Insurance Fund (CZK 68 million) which amounted to CZK 354 million at the 2003 year-end.

The Group's tax liability for the year ended 31 December 2003 was CZK 3,149 million, which represents an effective tax rate of 28.8%. This amount includes the current year tax charge of CZK 2,550 million and the aggregate impact reflecting changes in deferred taxes of CZK 599 million.

Balance Sheet

Total consolidated assets of Česká spořitelna increased year-on-year by 7% (CZK 34.4 billion) and amounted to CZK 554 billion. This increase was principally due to the growth of 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 the aggregate securities portfolio on the assets side.

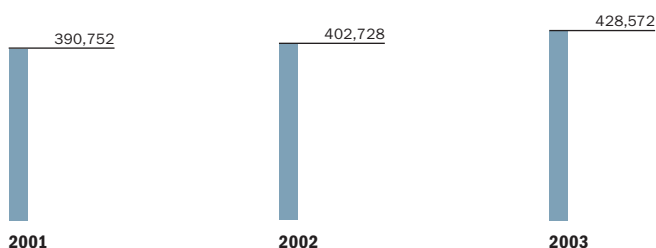
Development of total assets (MCZK)



Liabilities

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 2003, the balance of primary deposits increased by 6% which, in absolute terms, represents an increase of CZK 25.8 billion to CZK 428.6 billion.** In substance, the year-on-year rise in deposits was attributable only to deposits made by retail clients, which increased by 8% to CZK 343.5 billion. Significant increases in deposits were noted in respect of construction savings accounts, giro accounts, pension insurance deposits and deposit accounts. Deposits made by corporate clients and the public sector amounted to CZK 61.1 billion and CZK 24 billion, respectively.

Development of client deposits (MCZK)

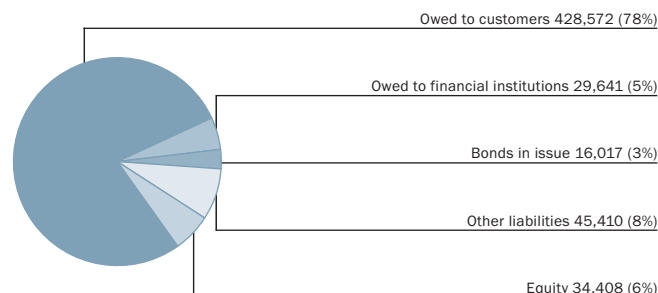


When compared to the year ended 31 December 2002, the balance of bonds in issue increased by 124% to CZK 16 billion as a result of the new issues of mortgage bonds in March and August 2003 in the aggregate amount of CZK 5.8 billion and the increase in the balance of depository bills of CZK 3.2 billion.

The balance of amounts owed to financial institutions, comprising loans, term deposits and current account balances, decreased year-on-year by 7% and was CZK 29.6 billion as of 31 December 2003. In December 2003, the Bank exercised its option to make a premature repayment of the subordinated debt of CZK 5.5 billion received from Česká konsolidační agentura in 1998 to boost its regulatory capital.

The balance of **shareholders' equity**, comprising share capital, share premium, the statutory reserve fund, retained earnings and profit for the period, was CZK 34.4 billion as of 31 December 2003, with the year-on-year increase of CZK 4.6 billion being attributable to the profit made for the year ended 31 December 2003. Dividends for the year ended 31 December 2002 paid in 2003 amounted to CZK 3 billion. Shareholders' equity accounted for 6% of total assets.

Structure of liabilities (MCZK)



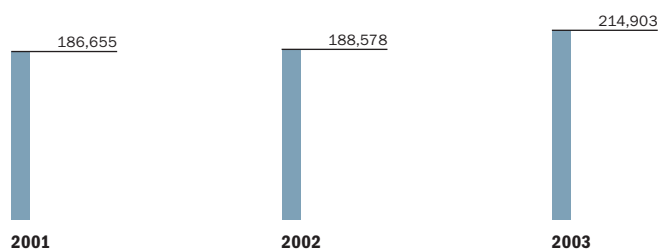
Assets

Česká spořitelna's active transactions that generate the predominant portion of interest income are loans and advances to customers. The balance of loans and advances to customers (net of amounts due from Česká konsolidační agentura) as of 31 December 2003 showed an increase of 19% when compared to the same date a year earlier and reached CZK 178.2 billion. As such, the year-on-year increase represents CZK 27.8 billion in absolute terms. Česká spořitelna was successful in boosting the proportion of client loans relative to client deposits by more than three percentage points and achieved 50.1%.

Dynamic growth was specifically witnessed in respect of retail loans, the year-end balance of which increased by 33% to CZK 73 billion compared to the balance held as of 31 December 2002. This increase was largely attributable to **retail mortgage loans which increased by 60% to CZK 24.2 billion over the year 2003**, specifically due to the TOP Housing ('TOP Bydlení') program. Consumer and cash loans, loans issued under construction savings schemes and overdraft loans on giro accounts also experienced growth. The interest in lending was supported by low interest rates, the increased willingness of retail clients to take on debt and a wide range of lending products accompanied by the Bank's offering of quality professional advisory services.

Česká spořitelna also experienced an increase in loans to corporate customers where the aggregate loan portfolio increased by 10% to CZK 95.9 billion. The Bank focused not only on large corporate clients but also small and medium sized businesses which were offered a broad range of investment loans, operating loans, real estate financing loans, including mortgage loans. The public sector is the Bank's long-term business partner. **The aggregate balance of loans issued to the public sector (net of amounts due from Česká konsolidační agentura) is CZK 9.3 billion, which represents a year-on-year increase of 11%.** In the year ended 31 December 2003, the Bank implemented the above noted sale of receivables of CZK 8 billion, primarily consisting of distressed on balance sheet loans. The principal objective of the sale was to reduce the costs involved in managing and working out the portfolio of non-performing loans and to accelerate the recovery of the assets.

Loans and advances to customers (including ČKA) (MCZK)

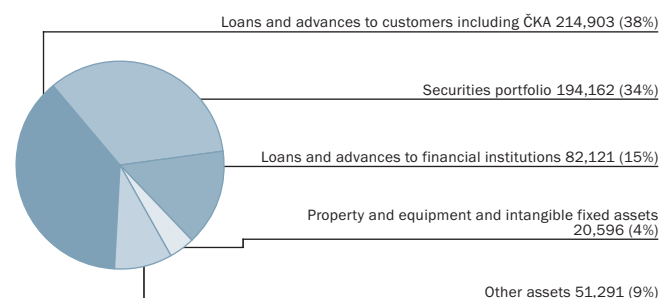


Loans and advances to financial institutions declined year-on-year, by 36% to CZK 82.1 billion in connection with the reallocation of funds to higher interest-earning assets. Of this balance, loans advanced to financial institutions and placements with financial institutions amounted to CZK 51.9 billion and CZK 29.3 billion, respectively.

The aggregate balance of the securities portfolio was CZK 194.2 billion as of 31 December 2003, which represents an increase of 27% (or CZK 41.6 billion) compared to the balance as of 31 December 2002. Debt securities account for 90% of the total securities portfolio. **In investing in securities, the Bank focuses on acquiring debt securities issued by the Czech Finance Ministry, companies with an implicit state guarantee and Czech and international banks with 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). In connection with a revision of its investment and business strategy, the Bank reallocated CZK 12 billion in debt securities from the available-for-sale portfolio (56% of the portfolio) to the trading portfolio in April 2003.

As of 31 December 2003, the aggregate balance of property and equipment and intangible fixed assets was CZK 21.9 billion, of which land and structures accounted for 61%. This represents a year-on-year decrease of 5% in property and equipment and intangible fixed assets. The aggregate proportion of property and equipment and intangible fixed assets to total assets is 4%.

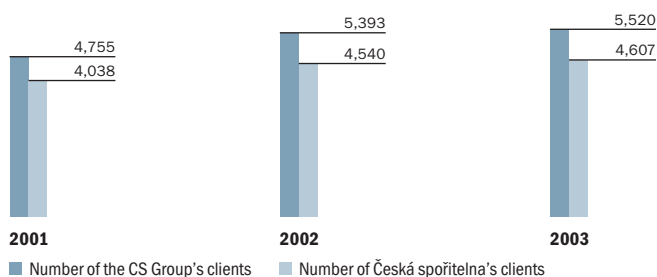
Structure of assets (MCZK)



Business Activities and Operations

The year ended 31 December, 2003 was a year in which Česká spořitelna achieved very good operating results. It was a year in which Česká spořitelna received a number of awards from independent institutions. The 2003 performance is the result of the efforts and professional approach of all of the employees of the Česká spořitelna Group. The performance reflects the customers' growing satisfaction with improved service quality, excellent distribution networks, the comprehensive range of services on offer to retail clients, businesses, the public sector and not-for-profit organisations. **One of the measures of success is the stable increase in the number of clients of the Česká spořitelna Group.** At year-end 2003, the number of clients had increased by more than 120,000 and exceeded 5.5 million. Of this number, legal entities accounted for more than a 250,000. The parent bank itself serves 4.6 million clients.

Number of clients (in thousands)



Private Clients

Česká spořitelna's key client segment includes citizens, both Czech citizens and foreigners residing in the Czech Republic, students, retail businessmen, entrepreneurs and independent professions.

Product Packages for Private Clients

By providing product packages, Česká spořitelna offers its clients quick and comfortable solutions for all their financial needs – from the first straightforward banking requirements during their student days (Student+) to the complex banking requirements during their later years of financial independence (the Advantageous Program and the Comprehensive Program – 'Výhodný a Komplexní program'). In April 2003, Česká spořitelna prepared a new program entitled 'Student+' for students and young people. **This program is designed for all high school and university students from 15 to 30 years of age.** The objective of the program

is to provide students with a quality product for an advantageous student price, together with other benefits from Česká spořitelna's business partners. Since the launch of the program over a period of nine months, more than 120,000 young people have established a student account.

— **The Advantageous Program** represents a combined offering of products and services of the Česká spořitelna Group, accompanied by favourable pricing. The Advantageous Program was offered in 2002 when 6,000 clients took advantage of it. **At the end of 2003, the number of clients benefiting from this program increased to almost 230,000.**

— **The Comprehensive Program is designed for more discriminating clients** and includes a combined offering of standard and more complex products and services of the Česká spořitelna Group. In 2003, 15,000 clients participated in the Comprehensive Program, which represents an almost six fold increase compared to 2002.

Products for Independent Professions

— Targeted to appeal to clients from independent professions, the **'Profesionál Program' offers a wide range of attractive banking products specifically developed to meet the needs of this client segment.** Among other features, the program includes an overdraft loan extended with special simplified administration and a favourable interest rate. In 2003, almost 1,000 clients took advantage of the Profesionál Program, with 31% actively using the overdraft facility.

— Additionally Česká spořitelna offers products tailored to meet specific requirements of certain independent professions. These products include current accounts for escrow purposes, current accounts for depositing funds received by attorneys, court bailiffs, bankruptcy trustees and auctioneers.

Financing of Needs of Private Individuals

— Historically low interest rates in combination with an increased customer awareness of borrowing opportunities and the Bank's flexible approach to lending has led to an unprecedented increase in all types of retail loans. In the retail area, **the year 2003 was the most successful year the bank's history with the largest volume and number of newly issued loans for retail clients** (180,000 new commercial loans, principally cash and consumer loans). The aggregate balance of cash and consumer loans increased by 20% and reached CZK 20.8 billion at 2003 year-end.

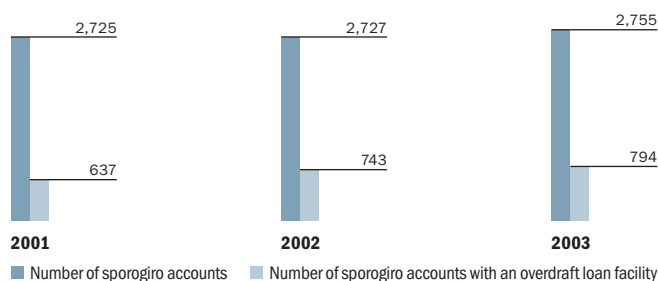
— **The increase in retail lending was also driven by loans issued through the Sporoservis service. This is a product that makes it possible to obtain a loan on-site at vendors.** During 2003, Česká spořitelna implemented an improved, more advanced version of this popular service. At the same time, the bank reduced risk costs and modified the network of business partners. This led to improved quality in the newly issued loans. In 2003, more than 21,000 loans in the aggregate amount of CZK 1.1 billion were advanced using the Sporoservis service. The year-on-year increase was 9%.

Transaction Loans

— **Česká spořitelna has retained its dominant position in the sporogiro account market for private clients.** At the 2003 year-end, the Bank maintained over 2.75 million sporogiro accounts with an aggregate balance of CZK 87.9 billion. Sporogiro accounts are the most widely used retail current accounts in the Czech Republic. **On a year-on-year basis, the volume of sporogiro account deposits rose by 23% and the number of sporogiro account transactions increased by 3%** to 260 million transactions. With regard to almost 30% of sporogiro accounts, the clients used an account overdraft facility and made withdrawals of CZK 5.6 billion as of the 2003 year-end. The year-on-year increase was 13%.

— During the year ended December 31, 2003, Česká spořitelna prepared to reformat sporogiro account numbers in order to comply with international account numbering standards. As of April 5, 2004, Česká spořitelna's clients have been assigned new sporogiro account and savings book numbers. So as to ensure that incoming and outgoing payments effected through the original account number format are correctly processed, Česká spořitelna's systems will continue to recognise the original account numbers for an additional five years.

Number of sporogiro accounts (in thousands)

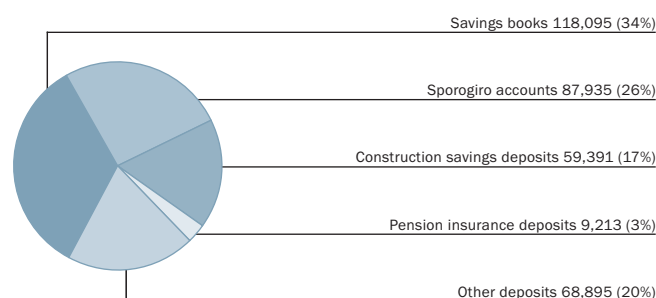


— As of December 31, 2003, Česká spořitelna maintained – in addition to sporogiro accounts – almost 245,000 CZK denominated **current accounts** and 100,000 accounts denominated in **foreign currencies**, principally EUR and USD.

Savings and Investments

— In 2003, the Bank offered both its retail and corporate clients a new type of flexible, convenient term account. **The new deposit account, which can be maintained both in CZK and foreign currencies, meets all requirements for advanced term deposits.** Over the period from April 2003 to the calendar year-end, clients placed CZK 10.6 billion in this new Deposit Account. In total, as of, December 31, 2003, the Bank administered almost 144,000 term CZK denominated accounts with a balance of CZK 41.1 billion and almost 19,000 accounts denominated in various foreign currencies, amounting to CZK 4.6 billion.

Retail deposits (in MCZK)



Given the historically low interest rates attached to 'traditional' deposit products and the broad range of attractive alternative investment opportunities available in the Czech market, **clients continued to increase their investments in securities.** When compared to the year ended December 31, 2002, investments in mutual funds managed by Investiční společnost České spořitelny increased by CZK 7.3 billion, with the aggregate balance of funding administered by Investiční společnost České spořitelny amounting to CZK 41 billion as of the 2003 year-end. Investments in cross-border mutual funds rose by almost CZK 1 billion and amounted to CZK 3.1 billion.

Mortgage bonds issued by the Bank in March 2003 became a new opportunity for making a secure investment. With this investment, Česká spořitelna offers repurchasing from the client at any point of time before the maturity date for a determined repurchase price.

Construction savings schemes have always been a very attractive product for clients. However, in view of the announced changes in statutory terms that are expected to take place during 2004, the year 2003 represented an extraordinary opportunity for making new acquisitions. In a very competitive environment, Stavební spořitelna České spořitelny, with assistance from its parent bank, acquired over 380,000 new contracts and defended its second place in the market. **Aggregate client deposits in construction savings accounts increased by 31% and amounted to CZK 59.4 billion,** with the aggregate number of depositors being 1.4 million.

Among the most sought-after types of savings schemes, which provide clients with additional income in the future (payment, pension, etc.) complemented with a state contribution, include pension **insurance products.** In 2003, **Penzijní fond České spořitelny strengthened its position among the leading 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 9.2 billion, which constitutes a 31% year-on-year increase. As of December 31, 2003, Penzijní fond České spořitelny served almost 383,000 clients. The increase in the number of clients is, inter alia, attributable to the development of active cooperation with employers, including small and medium sized businesses.

The combination of insurance and long-term savings in the form of **capital life insurance** remains among the most popular products. **An original product of Pojišťovna České spořitelny is the very adaptable Flexi insurance product.** At his/her own discretion, the client selects the proportion of savings and risk insurance, has the option to collect funding on an ongoing basis, and may also benefit from deferring his/her tax liability. The volume of life insurance premiums written by Pojišťovna České spořitelny increased year-on-year by 8% to a total of CZK 3.8 billion.

Registered savings books have retained their position among the principal financial products offered by Česká spořitelna. This product has traditionally occupied a major position in the Bank's portfolio in terms of the number of savings books (2.3 million) as well as the volume of deposits (CZK 118.1 billion at the 2003 year-end – a year-on-year decrease of 2%).

In 2002, the Czech parliament amended the Banking Act, which cancelled all deposit arrangements in the form of bearer savings deposits as of 31 December 2002. During 2002, Česká spořitelna converted 2.5 million savings books with an aggregate balance of CZK 99.8 billion. As of January 1 2003, the ten-year period statute of limitations period began. During this time, clients have the right to claim the balances in their unconverted anonymous accounts. **In 2003, the remaining deposits that had been previously maintained as anonymous savings books were largely converted into 'registered' savings books or reallocated to the products operated by Česká spořitelna's subsidiaries.** The principal objective of the conversion – to retain the finance within the Group – has been achieved. During the year ended December 31, 2003, almost half a million anonymous savings books with an aggregate balance of CZK 12.6 billion were converted. At the start of 2004, Česká spořitelna held less than 3 million anonymous savings books with a balance of CZK 8.6 billion.

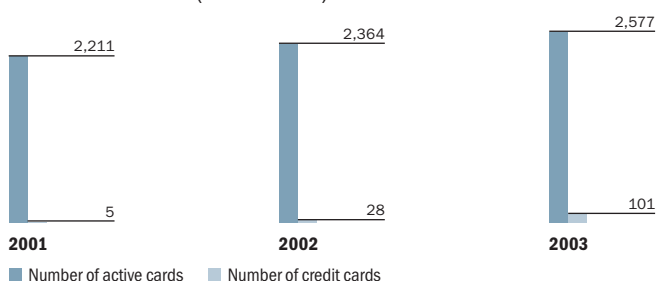
The Card Program

In 2003, Česká spořitelna continued to motivate clients towards more frequent use of debit cards as a means of payment at stores. The bank placed increased emphasis on selling the Kredit+ credit cards. Both of the principal objectives were fulfilled. **The volume of payment card transactions made at vendors, Česká spořitelna's contractual partners, increased year-on-year by 11%** to almost CZK 20 billion, with the number of transactions conducted being 15.5 million. The Bonus Program, a loyalty program designed to encourage the use of payment cards, was the main driver behind the increase in the number and volume of transactions. **The Bonus Program is the only program of its type in the Czech market.** According to the terms of the program, clients receive points for all of their payments implemented using a payment card anywhere in the Czech Republic or in the world. The clients then have the opportunity to choose a gift in exchange for the assigned points from a catalogue or to use a discount on the Bank's selected services.

The number of cards issued rose year-on-year by 9% and exceeded the number of 2.5 million. Česká spořitelna offers 23 types of cards

designed for various clients groups. **The number of the Kredit+ credit cards issued increased four times compared to the prior year and exceeded 100,000.** The growth was principally due to an attractive offering of an interest-free period, combined with a low interest rate attached to the loan. The credit cards are beneficial in that the loan can be drawn quickly while maintaining the comfort of payment card payments.

Number of cards (in thousands)



At the 2003 year-end, Česká spořitelna's ATM network comprised 1,067 ATMs. Throughout the whole year, clients took out more than CZK 204 billion from ATMs, which represents almost 73 million transactions. The quality of the ATM network was tested on December 12, 2003, when clients made a record 650,000 withdrawals in the total amount of CZK 1.5 billion. In addition to cash withdrawals, clients have also started to use ATMs for other types of transactions – **mobile phone recharging, for example.** In 2003, Eurotel network clients were able to recharge their mobile phones. Since November 2003, the recharging service has been available to Oskar network clients. Following the inclusion of the T-Mobile operator in February 2004, Česká spořitelna has become the only bank that makes it possible to recharge prepaid services of any Czech mobile phone operator directly from a bank account. In 2003, more than 760,000 recharging transactions were made in the amount of CZK 283 million.

Česká spořitelna attaches high importance to its cooperation with Charles University in issuing international payment cards. The cards are intended for students, employees and graduates of Charles University. The card associates its holder with a prestigious Czech university that is one of the most recognised universities in Europe.

Phone and Internet Banking – the Servis 24 Service

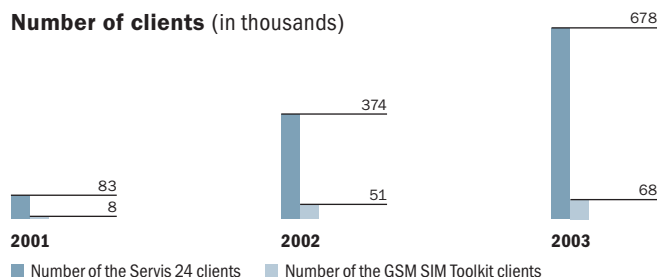
A basic element of direct banking, Servis 24 again showed its popularity with the Bank's clients. Servis 24 clients and active users increased during 2003 by 300,000 to 678,000 year-on-year.

Servis 24 Telebanking continued to expand its business functionalities. For example, telebanking clients may now call the Bank to ban payment card payments or to change card limits. In liaison with Stavební spořitelna České spořitelny, the Bank's clients were granted access to in-

formation about construction savings contracts. **Servis 24 Telebanking attracted more than 176,000 new clients in 2003,** with the total number of users amounting to almost 500,000. In 2003, clients conducted a total of 3.6 million transactions using the Servis 24 Telebanking service.

Servis 24 Internetbanking became the real hit of 2003. The year-on-year increase in the number of new clients grew by 200,000, which represents an astounding **400% growth.** In total, over 280,000 clients were using Servis 24 Internetbanking at the end of 2003. In 2003, the clients conducted a total of 5.7 million transactions using this service. During 2003, the Service 24 application was enhanced to include these capabilities: active transactions in asset accounts; passive information with regard to life insurance policies; and, the possibility of using another log-in method with an authentication calculator, which increased the security of communication between the clients and the Bank.

Number of clients (in thousands)



The GSM Banking SIM Toolkit service was further developed to improve service quality and offer additional functionalities like the extension of mobile payments/the possibility of recharging mobile phone credit directly from a bank account. Česká spořitelna became one of the first banks operating in the Czech marketplace to develop a comprehensive offering of the M-Payments functions for Oskar mobile phone network clients. Since February 2004, Česká spořitelna has enabled the mobile phone credit recharging directly from the clients' bank accounts in respect of all mobile phone operators. **During 2003, the number of clients using GSM Banking SIM Toolkit grew by one 34% and amounted to 68,000.** The aggregate value of mobile payments made through GSM banking SIM Toolkit was almost CZK 70 million in 2003.

Housing and Real Estate Financing

In 2003, Česká spořitelna continued to focus on the dynamic Czech real estate and mortgage financing market and **strengthened its position – held since late 2001 – as the largest mortgage bank in the Czech Republic.**

Mortgage Lending

During year 2003, mortgage interested declined to an historic low. This development made mortgage loans more accessible to a significant portion of the population. The low interest rate environment coupled with an attractive offering and the pro-active approach of Česká spořitelna, triggered a significant increase in the volume and number of newly issued mortgage loans. Capitalising on a significant 60% year-on-year market growth, Česká spořitelna reasserted its leading market position in 2003. **Česká spořitelna's very successful result in housing financing was predominantly attributable to its TOP Housing ('TOP Bydlení') program**, which, immediately after its introduction, became the undisputed winning product in the Czech mortgage market.

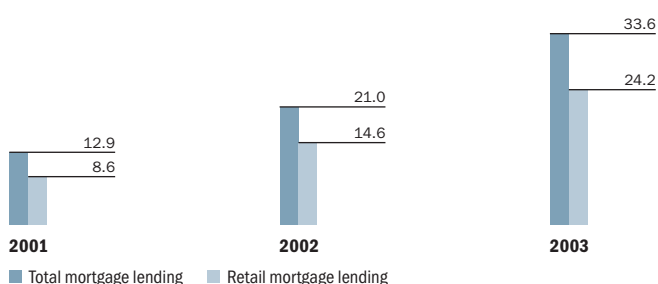
The **TOP Housing** program is designed to provide the general public with access to mortgage loans under favourable terms and conditions. The interest rates associated with the TOP Housing program mortgage loans are fixed for a period of five years and Česká spořitelna guarantees the fixed rate to all clients up to a certain loan amount. **In the year ended December 31, 2003, clients entered into almost 8,000 mortgage loan arrangements. Since its launch in June 2001, the program has granted almost 18,000 loans totalling CZK 18.6 billion.** The TOP Housing program has been credited with revitalising the Czech housing market.

As was the case in 2002, the TOP Housing program received the 'Mortgage Loan of the Year' award in 2003 in the MasterCard Bank of the Year competition. The TOP Housing program was also awarded the Golden Crown Prize for the best loan product in the Czech Republic.

Retail clients obtained more than 10,000 new mortgage loans (including the TOP Housing program lending) totalling CZK 11.5 billion in 2003. The number of new mortgage loans increased by 44% and the average balance of a new loans increased by 11% on a year-on-year basis. **The balance of the retail mortgage loan portfolio increased by 65% to CZK 24.2 billion during 2003.**

The balance of the corporate mortgage loan portfolio was CZK 9.4 billion as of the 2003 year-end, with a year-on-year increase of 48%. **Following a year-on-year increase of 60%, the aggregate balance of the mortgage loan portfolio was CZK 33.6 billion.**

Mortgage loan portfolio (BCZK)



Loans Issued under the Construction Savings Scheme

Stavební spořitelna České spořitelny is active in marketing a wide range of standard and bridge loans under the construction savings scheme. **In the year ended 31 December 2003, Stavební spořitelna České spořitelny achieved the best results in its history in terms of the number of new loans. More than 27,000 thousand were issued.** As such, the aggregate balance of the draw-downs under all issued loans exceeded CZK 10.4 billion at 2003 year-end, which represents an increase of 46% compared to 2002. Stavební spořitelna České spořitelny, with assistance from the parent bank, was successful in attracting clients due to the quality of its product offering, the promptness of the loan issuance process and an overall active lending approach.

Real Estate Funding

In the corporate real estate funding segment, Česká spořitelna extended its services to target hotel project financing. **With the formation of Realitní společnost České spořitelny**, Česká spořitelna introduced a **unique service concept in the form of 'value chain'**. That is, comprehensive financial and real estate services are offered for both sides of the market: housing construction project commercial financing is available together with a private retail mortgage loan facility. By way of contrast, a significant revision of the Government Regulation to support housing construction and failure to finalise rent regulation legislation led to a stagnation in state-subsidized projects to the development of new rentable apartments.

The development of corporate financing of real estate and mortgage loans at Česká spořitelna is evidenced by the year-on-year 61% loan volume increase to CZK 13.2 billion. The growth was largely fuelled by the financing for housing construction developers; these loans are anticipated to be reallocated into long-term private mortgage loans in the year ending December 31, 2004.

In mid-2003, Realitní společnost České spořitelny began serving the market. During its six months of operations, the company made significant inroads into the Prague housing market and supported the sale of financial products and related services to this segment.

Česká spořitelna's activities contributed to the continuing stabilisation of the real estate market and housing development, which the Bank also supported through its sponsoring activities including a general partnership with the Real Estate Market Development Association and support for the biggest real estate conference in Central Europe, CEDEM.

Business Clientele

Small and medium sized businesses are among the key groups of clients on which the entire Česká spořitelna Group focuses. The Group's offering includes traditional products for normal administration of accounts, special-purpose projects focused on investment loans, export or capital investments. In addition to the Bank's branch network, small and

medium sized business take advantage of the services of 16 commercial centres, which are located throughout the Czech Republic. Commercial centres provide businesses with comprehensive services offered by the whole Česká spořitelna Group. In the small and medium sized business segment, the Bank differentiates between micro firms with an annual turnover of less than CZK 30 million and SME with turnover from CZK 30 million to CZK 1.5 billion.

Businesses with Turnover of Less than CZK 30 million

_____ The year ended December 31, 2003 witnessed a substantial increase in the sale of the Profit program package, which is designed for businessmen and small businesses with an annual turnover of less than CZK 30 million. **More than 10,000 clients purchased the Profit program product at the end of 2003.** The Profit program provides complex business services combined with an advantageous offer to the representatives of the enterprise as individuals. One of the most popular components of the program is an overdraft loan facility, which was actively utilised by almost half of the clients as of December 31, 2003, with the aggregate balance of utilised overdraft loans being CZK 0.5 billion.

_____ In total, in the segment of businesses with turnover of less than CZK 30 million, Česká spořitelna administered more than 5,000 special purpose loans amounting to CZK 8.5 billion with draw-downs of CZK 5.2 billion. The number of newly issued loans to businesses increased by 9% year-on-year, while the volume of **new loans rose by 35%** to CZK 3.8 billion.

_____ A unique lending program for businesses and businessmen, including those that have just commenced their activities, **is the credit line facility provided by the European Bank for Reconstruction and Development (EBRD).** The credit line facility provides cash flow financing to existing businesses and start-up financing for new businesses. The program offers operating or investment loans to finance business needs within a range of CZK 100,000 to CZK 4.3 million.

Enterprises with Turnover from CZK 30 million to CZK 1.5 billion

_____ **Measured in terms of all products, in 2003 Česká spořitelna provided small and medium sized enterprises (SMEs) having a turnover from CZK 30 million to CZK 1.5 billion with new loans of CZK 13.7 billion;** the total portfolio amounted to CZK 27.2 billion. In addition to traditional products offered by the Bank and its financial group, such as account administration and maintenance, asset management and operating and investment loans, Česká spořitelna focuses on providing support to firms in the context of accession of the Czech Republic to the European Union. Since 2001, the SMEs have been granted access to their own advisors in 16 commercial centres located throughout the Czech Republic.

_____ Aside from traditional banking products, TOP programs (TOP Enterprise, TOP Capital and TOP Export) are specifically intended for SMEs.

_____ In April 2001, Česká spořitelna initiated the **TOP Enterprise** ('TOP Podnik') program in order to support, through long-term and me-

dium-term investment funding provided under advantageous interest rate conditions, the development of the SMEs that operate in the industrial, trading, services, manufacturing and agricultural products processing segments. Under the 'TOP Enterprise' program, the Bank issued 106 loans totalling CZK 1.5 billion in 2003. **Since the inception of the program, the Bank has provided loans in the amount of CZK 4 billion.** More than two thirds of the loans will fall due for repayment within the period of 7.5 years to 10 years.

_____ The **TOP Capital ('TOP Kapitál')** program is designed to finance businesses through venture capital. This represents a progressive and quickly developing method of supporting small and medium sized businesses. In 2002, the Bank (holding a 84.24% investment), jointly with the Dutch company K+, engaged in administering (managing) venture capital funds, formed the Czech TOP Venture Fund. The fund's investment commitment is EUR 10.5 million. In February 2003, another venture fund, Genesis Private Equity Fund, administered by Genesis Capital s. r. o., was formed at Česká spořitelna's initiative. The investment commitment of this fund is EUR 10 million. **Investments of the funds are made in Czech small and medium sized businesses that have viable business plans.** Individual investments are to be within a range of EUR 750,000 to EUR 3 million. All investments are planned to be implemented by 2011. In 2003, each of the above funds made one investment totalling EUR 2.4 million.

_____ In 2003, Česká spořitelna launched a new program entitled 'TOP Export'. **The TOP Export program is designed to provide short-term financing (30-90 days) of export receivables** through a foreign currency denominated overdraft loan facility in the amount of EUR 0.2 million to EUR 2 million. The Bank can also supply full-scope factoring on an as-needed basis. The TOP Export program contributes to increased competitiveness of Czech products abroad.

_____ As part of its efforts to support the SME segment in the Czech Republic, Česká spořitelna introduced other programs to the market in 2003, such as **FINESA, a program to fund energy saving investments with a guarantee from the IFC** (a member of the World Bank Group) launched in June 2003. In addition, the Bank has initiated discussions with the European Investment Bank regarding a credit line facility for long-term financing of investments and with the European Investment Fund to provide loan guarantees, which are expected to improve the availability of funding in this segment. These programs are anticipated to be implemented by mid-2004.

_____ In 2003, Česká spořitelna organised a series of seminars in the regions of the Czech Republic for small and medium sized enterprises. These seminars presented information on the Czech Republic's accession to the European Union. The scope ranged from general business implications to specific upcoming programs of financing from the EU Structural Funds. On its web pages, Česká spořitelna has made accessible specialised databases, which provide information about these matters. At the level of the provision of products and services, the Bank not only offers assistance in

obtaining grants from the Structural Funds but also project co-financing, pre-grant project financing, issuance of loan commitments in support of grant applications and a number of other specific services. In this way, Česká spořitelna helps its clients to successfully manage the EU accession process as well as to benefit from EU accession opportunities.

Homebanking – Electronic Banking for Business Clientele

_____ In 2003, Česká spořitelna reported 267 new users of the Homebanking MultiCash service and 1,114 users of Homebanking OfficeLine. As of 31 December 2003, the Homebanking services were used by almost 23,000 clients, who implemented more than 13.8 million local payment transactions exceeding, in aggregate, CZK 640 billion for the year ended December 31, 2003. The proportion of payment transactions conducted by the Homebanking clients to domestic payment transactions (in CZK) represented 95% in respect of large corporate clients and 45% of small and medium sized clients.

_____ **Homebanking OfficeLine** is a service intended for the users of current accounts both in local and foreign currencies **facilitating direct communication** (via telephone networks) **between the client and the Bank**. The client can use a computer and modem to gain access to his/her account without having to pay a personal visit to the Bank's branch. Since September 2003, the Homebanking OfficeLine clients have been granted internet access to their accounts. In addition, efforts to develop a new version, Homebanking OfficeLine 3.1, which reflects client requirements and makes it possible for the Bank to implement distance upgrades without administrators' intervention, were successfully finalised.

_____ **Homebanking MultiCash is a state-of-the-art multibank electronic banking system facilitating practical servicing of current accounts**, that is, execution of payment transactions, comfortable access to information, direct linking to accounting records (data export and import), etc. The MultiCash service is available in Czech, English and German. Clients with accounts outside the Czech Republic can have modules installed enabling access to accounts in Poland, Austria, Germany, Slovakia and Slovenia. In July 2003, the clients of the Homebanking MultiCash system were granted Internet access to their accounts. In addition, the implementation of the latest version, MultiCash 3.0, was successfully completed, bringing Česká spořitelna to the forefront of international banks using this multibank system.

Corporate Clients

_____ **In the area of transactions with large corporate clients, Česká spořitelna continued to increase its market share and client portfolio and improve the quality and scope of offered services during 2003.** Despite the market stagnation in corporate lending, the Bank was successful in increasing, year-on-year, the volume of issued loans by more than 10% while also improving the risk profile of the loan portfolio. The

Bank reported a similar increase with regard to client term deposits and deposit repayable at call.

_____ The volume of syndicated loans also increased even though the total number of syndicated transactions concluded in the Czech marketplace declined as compared to previous years. The Bank managed to replace the inherent annual decrease in the loan portfolio resulting from regular loan repayments and even increase its exposure by participating in new transactions. As of December 31, 2003, **the portfolio of drawn syndicated loan facilities reached almost CZK 9 billion, which places the Bank among the top players in the syndicated loan market in the Czech Republic.**

_____ The most notable shift was seen in banking service commission and fee income. A dynamic increase in fee and commission income offset the decrease in average loan interest margins attributable to the low interest rates and strong competition. The increase in non-risk income was supported by consistent cross-selling in respect of the Bank's current clients as well as a significant increase in the number of served businesses by numerous significant Czech and international companies. The number of domestic and cross-border payment transactions also grew, with the proportion of transactions effected via electronic banking transactions exceeding 95%.

_____ Further strengthening the team of banking advisors for corporate clients to include employees with long-term experience in serving international clients has only confirmed that, in addition to Česká spořitelna's traditional client segments, corporate banking is becoming an integral part of the successful development of the entire Group of Česká spořitelna.

Services to the Public and Not-for-Profit Sector

_____ **Česká spořitelna has been a traditional partner of clients from the public and not-for profit sectors and is at the forefront of commercial banks in providing services to this sector.** Long-term business partners and key clients from this sector include municipalities, local governments, regions and organisations formed by the regions, such as hospitals, and other subsidised organisations. More than two thirds of clients from this segment have an arrangement with Česká spořitelna and more than one third of the total number of municipalities and local governments are the Bank's long-standing clients. The Bank's position on the market is even more important considering that a predominant portion of contracts to finance public sector projects, specifically lending contracts, are entered into on the basis of public tenders.

_____ Česká spořitelna provides its clients from the public and not-for-profit sectors with comprehensive banking and financial services on a highly professional level and under favourable terms and conditions. **In addition to standard bank loans, Česká spořitelna offers its clients various financing models using, for example, subsidies made available by the Czech Government and grants from EU funds.** The Bank's offering includes focused programs, such as programs to finance the repair of roads,

renovate pre-fabricated housing estate buildings or municipal mortgage loans. Client requirements were largely directed at financing the projects of housing construction and projects to renovate pre-fabricated housing estate buildings using state subsidies. Českomoravská záruční a rozvojová banka rated the Bank as the most active bank in financing renovations of prefabricated housing estate buildings in 2003. Another area of importance includes environmental projects, which were financed in accordance with the High Level Agreement on Cooperation in Funding Environmental Projects put in place between the Bank and the State Environmental Fund.

_____ In the public sector segment, as of 31 December 2003 Česká spořitelna administered more than 1,400 loans amounting to CZK 7.7 billion. The increase in the number and volume of newly issued loans was 54% and 11%, respectively. **Since 1991, the Bank has provided municipalities and local governments with a total of CZK 32 billion in loan funding**, specifically for the purposes of building and renovating infrastructure.

_____ In 2003, Česká spořitelna also focused its efforts on co-financing projects funded from the pre-accession funds of the European Union. In April 2003, Česká spořitelna and the Agriculture Ministry entered into a High Level Agreement on Cooperation in implementing the SAPARD program. **As part of this program, Česká spořitelna participated in implementing almost 40% of received projects** and was rated by the SAPARD Agency as being the best bank that co-financed the projects realised using the Program's funding. In May 2003, Česká spořitelna concluded an agreement on cooperation with G25 Deutsche Grosssparkassen, a group of largest German savings banks. By conducting these activities, the Bank has obtained valuable insights into the financing of projects with EU involvement, which the Bank will utilise in 2004, and further years, thereby contributing to achieving maximum benefits from EU funds in the public and not-for-profit sector segment.

Financial Markets

Investment Banking and Treasury

_____ In 2003, Česká spořitelna continued to improve its services for big corporations and small and medium sized businesses. As was the case in prior years, the number of clients in this segment grew dynamically.

_____ Česká spořitelna intensified its efforts in securities trading for the segment of institutional investors. The persistent low interest rate environment in the Czech Republic also resulted in an increase in foreign bond transaction volumes. The continuing integration within the Erste Bank Group coupled with the expanding client base aided the Bank in strengthening its position among the biggest equity dealers. **In 2003, Česká spořitelna conducted equity transactions in the total amount of almost CZK 45 billion.** The volume of transactions with cross-border equities also grew. Going forward, the bank will continue to focus on providing clients with access to international markets and offering them a high standard of services supported by innovative products.

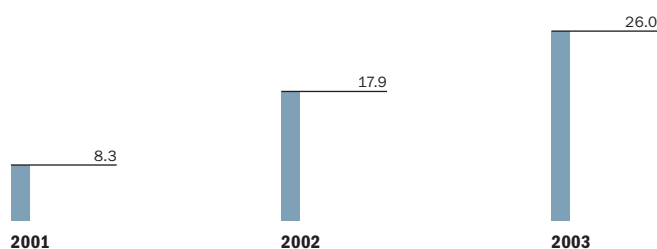
_____ The Bank once again re-asserted its strong position on the primary bond market. In 2003, the Bank achieved a significant success by co-arranging two issues for Czech Telecom, with the **second issue being the largest corporate issue arranged on the local bond market.** Česká spořitelna also arranged three issues for the European Investment Bank and its two own issues of mortgage bonds. **In September 2003, the Bank introduced its own bond program in the local market**, which will issue bonds with structured yields for institutional as well as for private investors.

_____ In the area of financial market trading, the Bank once again ranked among the most important market makers in 2003 for all products traded on the foreign exchange and interest rate markets. Compared to prior years when the Bank predominantly focused on interest rate products, the year ended December 31, 2003, saw a continued, significant increase in foreign exchange trading market share. **At present, the Bank is one of the three most active local market players** in all products. The Bank enjoys a very strong position on the interest rate market, specifically on the market with Czech crown deposits, interest rate derivatives, bonds and treasury bills. **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. In the future, the Bank wishes to build a dominant position, to retain its market share of the interbank market and cover other developing markets.

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 not-for-profit organisations, municipalities and private clientele **in the aggregate amount of CZK 26 billion**, which constitutes a **44% increase in the volume of managed assets** when compared to the start of 2002. The year-on-year increase resulted from the combination of organic growth and successful new acquisitions.

Volume of actively managed assets (in CZK billion)



_____ The Bank actively offers its clients asset management services as an integral component of its products. The investment process is coordinated with assistance from Investiční společnost České spořitelny, which contributed to developing a consolidated platform for asset management within the whole Česká spořitelna Group.

_____ In the year ended 31 December 2003, Česká spořitelna continued to introduce other mutual funds domiciled in Austria to the Czech market (ESPA Český korporátní fond peněžního trhu, ESPA Český hypoteční fond peněžního trhu), which are denominated in Czech crowns and meet the requirements of local Czech investors. Česká spořitelna functions as an investment advisor for these funds.

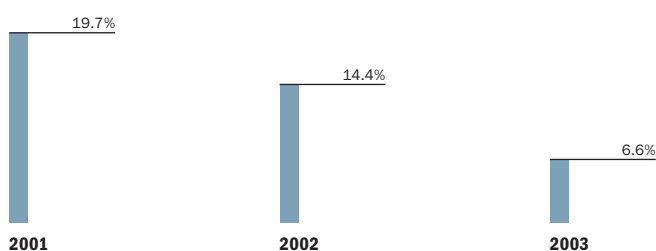
Depository

_____ 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 2003, the Bank provided these services to 13 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 60.4 billion, representing a year-on-year increase of 18%.

Debt Work-Out Activities

_____ The Debt Work-Out Department continued its focus on default prevention as well as problem monitoring and assessment requiring prompt corrective action. **This approach led to a gradual improvement in the quality of the entire lending process and a marked reduction of the proportion of classified loans.** As of December 31, 2003, the proportion of classified loans and advances to customers to the aggregate balances of loans and advances to customers was 6.6% (the figure is presented in respect of the parent bank under the CNB classification rules) as compared to the 14.4% proportion in 2002.

Classified loans and advances to customers*



* The proportion of classified loans and advances to customers to the aggregate balance of loans and advances to customers in respect of the parent bank under the CNB classification rules

_____ Following an analysis and taking into account the trend of a permanent decrease in the volume of classified exposures, which resulted from implementing new and more effective debt recovery procedures, the Debt Work-Out function was reorganised in late 2003. The reorganisation is designed to improve the utilisation and concentration of capacity and to reduce costs. The Bank utilised, to a much larger extent, recovery options available to it under the Public Auction Act, and the Executory Rules, which facilitate a more prompt and effective approach to recovering non-performing loans.

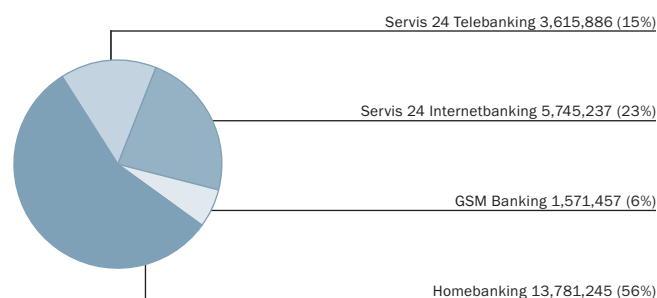
_____ In 2003, Česká spořitelna sold a portfolio of non-performing receivables. **The principal objective was to substantially reduce the costs involved in managing and administering the portfolio of distressed loans** and to accelerate the recovery of assets. The sale of the distressed loan portfolio freed up capacity to be used in credit risk prevention and enabled a reduction in staff.

_____ J.P. Morgan Securities Ltd., which presented the highest bid price of CZK 775 million, became the winner of the tender to purchase the portfolio of on and off balance sheet exposures totalling CZK 12.3 billion. The purchase price was paid to the Bank on July 4, 2003, and the portfolio was transferred to the entities controlled by J.P. Morgan Securities Ltd. on August 31, 2003.

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 have the capability of quickly and promptly satisfying the financial needs of 780,000 clients**, which represents a year-on-year increase of 70%. 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



Client Centre

During the year ended December 31, 2003, the operators of the Client Centre and the automatic voice system received almost 5.3 million calls, which is a 17% increase compared to the previous year. The area of the most robust development includes marketing campaigns to actively address clients with an offering of products of the Česká spořitelna Group. The number of implemented calls witnessed a more than 250% increase to 307,000 calls.

The Client Centre has maintained high availability of its services. Almost 90% of all calls were answered by the phone bankers within 20 seconds.

Web sites

Česká spořitelna's web sites were distinctly redesigned during 2003. Numerous improvements and refinements were appreciated both by the professional community and general public. A specialist panel of the Peníze.cz server granted Česká spořitelna the **2003 Best Web prize for first place among the rated banks**. In the rating of web sites of the Czech Top 100 companies, Česká spořitelna also achieved a very good position as it placed ninth in front of all enterprises with identical or similar business activities.

Viewing its internet portal as being one of the main gates to the bank, Česká spořitelna paid significant attention to the portal in 2003. The web sites underwent a number of content changes and improvements.

In late February and early March 2003, Česká spořitelna transferred its web sites to a new technology, which subsequently enabled the reconstruction of site contents and graphics. Information is now logically structured with a number of useful references. The changes are reflective of interests and expectations of regular clients as well as occasional visitors. The web sites were enhanced with numerous new functionalities, such as information about the number of points under the Bonus card program, improved mortgage calculator, implementation of a new section containing documents to download, search for information from the unique database of EU-related information, etc.

Mobile Sales Network

The Bank's new distribution channel includes a mobile sales network, the implementation of which was finalised in 2003. Key benefits of this include the flexibility of the personal advisors and the comprehensive financial advisory services. As part of an external sales network, Česká spořitelna opted for building a quality network of exclusive sales representatives. The external networks of the Bank's subsidiaries, namely Pojišťovna České spořitelny, Stavební spořitelna České spořitelny and Penzijní fond České spořitelny, will follow the Mobile Sales Force model.

System of Payment

The increase in the number of payment transactions is one of the key elements in increasing commission and fee income. The number of

transactions effected through the CNB Clearing Centre increased by 9% year-on-year. The area of cross-border payments also continued growing as the number of transactions increased by 12%.

The year ended December 31, 2003 saw further cooperation among the banks within the Erste Bank Group. Česká spořitelna enabled the maintenance of accounts denominated in Croatian kunas and Hungarian forints. The capability will make it possible to conduct cross-border payments in all Erste Bank Group countries in addition to the existing system of payments in Czech and Slovak crowns and EUR. During 2003, intensive preparatory work for changes in the cross-border payment system relating to accession of the Czech Republic to the European Union and the underlying changes in legislation was conducted.

Česká spořitelna utilised an extensive correspondent-banking network with banks from various countries. At the 2003 year-end, the Bank had 56 Ioro accounts and administered 81 nostro accounts maintained with foreign correspondent banks.

In the area of the domestic payment system, another stage of centralisation was completed. This was accompanied by a new technology for centralised processing of payment orders – optical scanning, automatic recognition and subsequent correction of recognised data. This technology vastly improved processing efficiency. In the autumn of 2003, the Bank enabled its clients to receive and issue a fast-track payment orders through the CNB Clearing Centre.

Česká spořitelna's EU Office

In July 2003, the EU Office began its activities. Part of the Chief Economists Office, this brand new information and analytical unit of Česká spořitelna was set up to respond to client needs arising from forthcoming EU accession. **The EU Office monitors and analyses macro-economic developments, common EU policy developments, and legislative preparation and approval processes of individual EU countries and the European Currency Union.**

As part of its key EU compliance activities, the EU Office analysed and reviewed whether the activities and operations of other business functions of the Bank are compatible with EU legislation. In September 2003, the EU Office began issuing regular **monthly EU News**, which is one of the key regular information outputs intended **not only for the Bank's staff but also for clients and the general public**. The EU News not only provides a **summary of the most recent key developments** in the EU in the relevant month, but also includes an **analysis of a selected significant EU integration topic**. The office launched an EU information database, which is available to the public in a stand-alone part of the Bank's web sites. In addition to its regular communications, the **EU Office provides one-off advisory services and information assistance** both as part of internal communication flows and directly to the clients and the general public.

Based upon its work conducted in the latter half of 2003, Česká spořitelna's EU Office was appointed to coordinate information activities focused on the EU within the whole Erste Bank Group.

Human Resources

The most valuable assets of each business are its human resources and the success of each company is dependent upon the skills and quality of its employees. **Česká spořitelna became the bank of the year 2003 and its qualified staff was instrumental in achieving this position.**

In the year ended December 31, 2003, the Bank implemented a number of educational projects designed to provide its staff with effective tools for work at a professional level. **During 2003, the trend of decentralizing core of training activities at Česká spořitelna continued** and trainings were provided at regional branches. This decentralization increased the effectiveness of training activities and reduced the time burden placed on employees. Business divisions continued to use the 'module training system' for individual working positions and undertook the pilot FIT TEST (which tests knowledge of various banking topics) using an electronic testing application. Now in its third year, the **Dual Education program** continued with further recruitments of students. In the area of specialist-development programs, the Bank launched a **Special Trainee program** designed for future specialists of the Bank's business divisions. The management training program, from which more than 200 managers of the Bank have graduated over the past two years, was successfully completed. A notable change involved a revised approach to language trainings, which underwent the first phase of centralisation. Measures designed to effectively utilise resources and to maintain stringent control over language training quality were implemented.

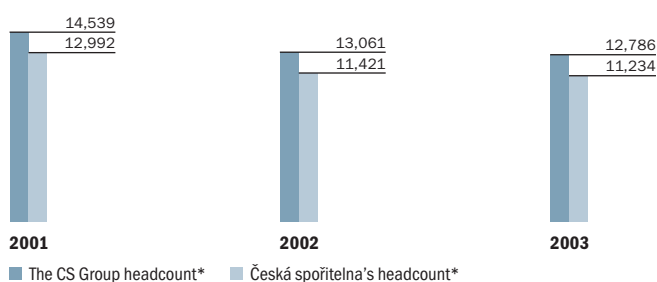
The EU Office launched an intensive training and educational program with regard to the European Union for the Bank's employees. The training and educational program for employees was the basis for creating an EU Network structure under which an employee of each of the Bank's functions is trained to be able to communicate with the client about basic matters related to the EU integration process.

An important milestone in developing corporate culture at the Bank related to the **implementation of the ROZA** (ROZA stands for 'ROzhovor se ZAměstnancem' – interview with an employee) **assessment system**, which is an effective, sophisticated instrument to manage and develop personal potential of the Bank's employees. It creates an environment of responsible management work with human resources.

The Group's headcount (average recalculated) decreased by 275 staff to 12,786 during 2003. The staffing levels at the parent bank dropped by almost 200 to 11,234. The qualification structure of the staff continued to improve: more than 75% of staff are high school graduates; and, the proportion of staff with a university degree reached almost 20%. The proportion of men once again increased and currently represents

23%. The average age of staff is 38.75 years. Half of Česká spořitelna's staff has been employed with the Bank for more than 10 years.

Number of employees



* Average recalculated headcount

During the year ended 31 December, 2003, the aggregate average salary of the Bank's employee amounted to CZK 31,969 (2002: CZK 29,223), which represents a year-on-year increase of 9%.

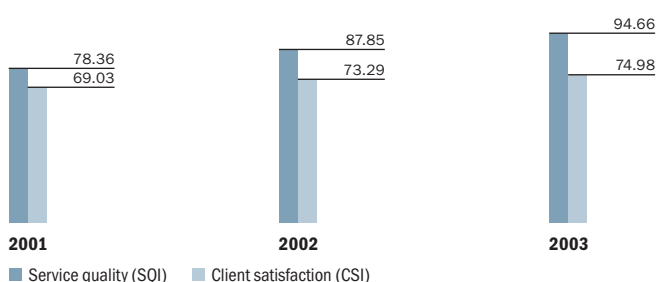
The process of the Bank's internal restructuring continued during the year ended December 31, 2003. Changes in the Head Office organisational structure took place in both banking and non-banking activities. The goal of the changes was to improve customer service and client satisfaction. As part of the change, the Board of Directors was expanded by one member, and a dedicated IT Division was created. With a view to achieving selected strategic plans of the Bank, the Bank intensified its support to the mobile sales network and expanded the network of commercial centres so as to improve the provision of services to clients in Prague and the region of Central Bohemia. At the same time, the Bank created organisational pre-conditions for streamlining the management of the Sporoservice network. In order to more significantly support the sales efforts of the branch network, the Bank centralised routine back-office activities from regional branches into one function at the Head Office. **The number of branches is stabilised, with the Bank tracking, on an ongoing basis, the efficiency and effectiveness of individual branches and searching for prospective locations for new branches.** As of December 31, 2003, the Bank had 666 branches – seven less than in the previous year.

Service Quality

In the year ended 31 December 2003, Česká spořitelna continued to implement a client-friendly approach to providing services. **The 'user-friendliness' aspect became key to all projects and activities within the Bank.** The Bank continued measuring the quality of services rendered to clients. The quality of these services, measured through mystery shopping and expressed in terms of the Service Quality Index (SQI), rose by 6.81 points over 2003 and reached almost 95 points (94.66) out of a possible 100 points. This result confirms the growing standards of Česká spořitelna's services.

Following repeated inquiries designed to determine clients' satisfaction with provided services, expressed in terms of the Client Satisfaction Index (CSI), the Client Satisfaction Index value increased year-on-year by 1.69 point and was 74.98 at the 2003 year-end (the maximum also being 100 points).

Servis quality and clients' satisfaction



_____ **The year 2003 was the third year in which the service quality team – ombudsman was involved in identifying and dealing with specific suggestions from clients.** In 2003, the ombudsman team collected and addressed almost 3,500 complaints filed by clients. The ombudsman's team also continued to analyse the substance of complaints obtained from the Client Centre and the branch network. This work helped the Bank to set parameters for making refinements to a series of services to make them more user-friendly.

_____ Česká spořitelna also continued its efforts to improve the quality of internal services, which are provided and explicitly and regularly measured by the 'Service Level Index'. In 2003, the Service Level Index showed a trend of growing satisfaction among internal clients. The Service Level Index increased by almost 3.5 points to 81.41 year-on-year (maximum being 100).

Information Technologies (IT)

_____ The principal objectives of information technologies involve supporting and taking an active part in the implementation of the Bank's key development activities. The goal is to put in place a flexible, stable IT environment, which will facilitate the implementation of the Bank's business strategy while optimising operating expenses.

_____ The 'Renumbering' project involved reformatting sporogiro account and savings book account numbers to be fully compatible with EU rules and to permit accounts to be "portable" among branches of the Bank. The Bank performed an analysis of data and mapping of work procedures for the Basel II Project. The first components of the FASCO and SABINE scoring tools were installed and developed. **The Document Management System (DMS) for credit risk management purposes** was brought into use. The system provides tools for the managed generation, keeping and sharing of

documents forming part of the lending process while creating an environment for the actual management of the process. **This is the biggest DMS implementation in the commercial banking sector in Central Europe.**

_____ In the second quarter of 2003, the Bank completed the first phase of the DataWarehouse project, which supplies data required for client assessment purposes. In late 2003, the client relationship management (CRM) component of the project was put into operation. The implementation of the loyalty system designed to support the use of Česká spořitelna's payment cards at vendors was successfully completed.

_____ In the area of distributed systems, the Windows 2000 project initiated in 2002 in cooperation with Microsoft was successfully finalised. **The project involved the Bank's migration to a new standard of work stations (Windows XP) and distributed servers (Windows 2000)**, thereby creating an environment facilitating and streamlining the introduction of new applications which is fully supported by the supplier of the operating system and application writers. The strengthening of data lines and completion of the implementation of switch network technologies in cooperation with IBM led to a notable increase in the permeability of the branch network.

_____ With regard to central systems, the process of consolidating servers on the platform of open (Unix) systems continued. This process is built upon the use of the HP Superdome multiprocessor servers and is designed to increase the stability, performance and availability of this environment while reducing its operating requirements. In an effort to accommodate the requirements arising from new projects, the computing capacity of this platform was boosted. The increased capacity is also used for creating a backup environment for the Central Business Logic (CBL) and Middleware (MW) operations of the multi-channel integrated infrastructure (MCI). This **led to another increase in the availability of the services of the Client Centre and Servis 24 Internetbanking**, which operate using the MCI infrastructure.

_____ Another alternative platform complementing the currently used HP-UX was intended for open (Unix) systems. This involved IBM AIX operating on the IBM multiprocessor Regatta-type servers. Progress towards consolidating the central system was also made with regard to the web server layer. In late 2003 and early 2004, the Bank put into operation a farm of web servers that allocate traffic. The farm represents a benchmark solution for implementing a unified, fully consolidated solution for all web servers within the Česká spořitelna Group in the future.

_____ In the area of IT development, in 2004 the Bank anticipates, amongst numerous other activities, moving forward with the Starbank centralisation project, migration to the Unix platform and optimisation of accounting programs. The Bank's efforts will entail the implementation of application scoring for small and medium sized clients and corporate borrowers. The Bank will also focus on the building and preparation of application scoring for the retail sector, together with the connection to the DataWarehouse and an external credit register (Credit Bureau), and the integration into a new front-end system. A new MIS (management

information system) superstructure solution to measure performance of the lending process and to support decision-making will be built over the DMS.

Security Policy

_____ The Bank considers its security policy of primary importance. Consequently, the Bank has formed an independent 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 incidents, which could jeopardise the security of staff, clients and assets of the Bank. During the year, the Bank regularly tested the efficiency and effectiveness of the branch support system in the area of physical security through regional workplaces.

_____ In 2003, the Bank strengthened the effectiveness of crime prevention measures and developed analytical activities, which make it possible to better protect the Bank. Improvements have been made in the area of monitoring extraordinary events/operational risk incidents.

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.

_____ The Bank's Internal Audit is principally focused on conducting planned audits and audits requested by management of the Bank. 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 and assesses the internal control system for effectiveness. In 2003, 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.

Sponsoring and Marketing

_____ In the sponsoring area, Česká spořitelna continued to fulfill its vision as a good corporate citizen and a responsible partner in the towns and cities where we live, work and do business. The Bank supported activities and programs in the areas of public and social affairs, culture, education and sports.

_____ In 2000, the program of sponsorship activities entitled **'TOP Partner' designed to support the development of the Czech society in culture, science, sport, social development and health care**, launched its activities. Key programs supported by the TOP Partner program in culture in 2003 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 Khamoro Gypsy Music Festival, etc. In the area of education, the TOP Partner program cooperated with Charles University in Prague, the Prague School of Economics, the Economic Chamber of the Czech Republic, and the International Centre of European Studies. With regard to sports, the Bank is a partner of the Czech Athletics Federation, the juniors of the Czech Tennis Association, Miss Aerobic and the Czech Para Olympic Team. Social and community projects under the TOP Partner program including supporting the Sananim Association, the Czech Catholic Charity, and the Haematology and Blood Transfusion Institute.

_____ Beyond the TOP Partner program, Česká spořitelna's sponsorship activities also supported the International Opera festival Smetanova Litomyšl, Divadlo na Vinohradech (Vinohrady Theatre), Česká spořitelna - MTB Team, Bike for Life, the Prague ZOO, the Mamma Foundation and a large number of smaller, largely regional projects.

_____ **Nadace České spořitelny (Foundation of Česká spořitelna)**, which assumed the existing liabilities of Nadace ČS Srdce as of the merger date, was registered on 30 January 2002. The Foundation was formed in order to support projects related to culture, education and science, public and social affairs, health care, charity, municipal activities, sport and ecology, and to assist disadvantaged individuals or those in distressed life or social situations caused by unforeseeable events.

_____ In the marketing area, 2003 was a year of extraordinarily successful support of strategic sales goals, principally in retail banking. The primary objective involved achieving sales goals and acquisitions of new clients in retail lending, credit cards, the TOP Housing mortgage program, the Student+ program and other areas. Marketing activities played an important role in supporting retail businesses and independent professions. In corporate banking, Česká spořitelna continued increasing its participation in regional conferences focused on business and municipality topics, implemented a number of client acquisition activities and began successful cooperation with the Economic Chamber of the Czech Republic and professional chambers. A key strategic goal was the successful preparation of a new marketing concept for Česká spořitelna and its financial group. This new concept was put into operation on January 1, 2004.

Strategic Plans for the Year 2004

Strategic Objectives

_____ In 2002, following the successful completion of the transformation process, Česká spořitelna defined the **principal strategic objectives of the whole financial group**: 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. These objectives will **remain unchanged for the year 2004**.

_____ Given the adverse impacts associated with the environment of low interest rates that has been prevalent on a long-term basis, Česká spořitelna has defined for 2004 and following periods, **new strategic plans with the objective of maintaining the growth momentum of the Bank and the whole financial group**. These plans are predominantly focused on the following areas:

- > Substantially strengthen the growth of customer loans and improve the existing proportion of loans and deposits; and
- > Streamline the process of managing operating costs and investments.

_____ The Bank's **strategic clients** have included and will include households, foreigners residing on the territory of the Czech Republic, retail businessmen, of which specifically independent professions, middle-sized businesses and large corporations and last but not least the public and non-profit sector.

Macroeconomic Assumptions

_____ Česká spořitelna's plans and budget for the year ending 31 December 2004 are based upon the following macroeconomic assumptions:

- > Slight recovery of economic growth in the Czech Republic in 2004 in the context of the improving global economic situation;
- > Increased inflation largely as a result of the reform measures being implemented by the Government;
- > Slight increase in key interest rates expected to take place in the latter half of 2004;
- > Unemployment rate remaining unchanged in 2004 relative to the 2003 year-end when it reached its peak; and,
- > Accession of the Czech Republic to the European Union.

Business Policy

_____ In the year ending 31 December 2004, business divisions of Česká spořitelna will specifically focus on the following business priorities:

Retail Banking

_____ The priorities in retail banking will involve mortgage loans and their further development. In respect of mortgage lending, the Bank will focus its efforts on maintaining competitive pricing and further reducing the time required to process necessary documentation underlying the issuance of mortgage loans. In addition, the Bank will establish new mortgage centres and will create new mortgage specialist positions at its advisory branches. Growth in consumer retail lending will be aligned with Sporoservis' new strategy, which will facilitate the assessment and issuance of loans to new clients using the network of mobile dealers. In the area of lending to small and medium sized business and independent professions, the Bank will primarily focus on attracting new clients, and expanding and improving services for existent clients by putting in place comprehensive packages of products and services. The Bank anticipates that the proportion of the holders of sporogiro accounts that actively utilise direct banking will rise. The rise in the users of direct banking will result in the proportion of electronic transactions to payment transactions increasing. The Bank will introduce a new product package designed for senior citizens. An important change ahead of Česká spořitelna and its clients relates to the renumbering of sporogiro accounts and savings books to make their numbering compliant with the IBAN (international banking number) standard in the context of the accession of the Czech Republic to the European Union.

Corporate Banking

_____ The bulk of transactions will be conducted in the following key segments: large corporations, medium and small sized businesses, real estate, Government/public sector and non-profit sector. With regard to large corporations, the Bank will focus on developing tailored products and related services. In the segment of medium and small sized corporate clients, the Bank will support the growth in lending through new acquisitions and through the use of synergistic effects in respect of retail banking. As part of this process, the Bank will form a new commercial centre in Prague. Efforts in the real estate segment are expected to further develop the financing of companies involved in constructing apartments, once again

in combination with retail banking. The objective is to notably strengthen the Bank's market share by capitalising on the expected robust growth of this market segment. As a result of these steps, Česká spořitelna should become a bank for providing comprehensive funding for housing needs. The Bank's goal in the public and non-profit segment is to retain its leading position in the market, strengthen its participation in infrastructure and environmental projects and extent its cooperation with foundations.

Financial Markets

Česká spořitelna anticipates that the expansion of foreign currency transactions, in alliance with retail and corporate banking, will continue. With a view to improving the diversification of the portfolio and boosting yields, the Bank will form a new portfolio of loans, bonds and asset swaps. In order to strengthen the competitiveness of its offering of investment opportunities in the environment of low interest rates, the Bank is increasing the use of structured investment products. Following the finalisation of pilot testing in 2003, the Bank will focus its attention on using new investment instruments and making investments in hedge funds and real estate funds.

Anticipated Economic and Financial Position (consolidated under IFRS)

The performance of the Česká spořitelna Group in the year ending 31 December 2004 will be affected by **a number of one-off impacts**. On one hand, the impacts principally involve increased VAT rates and a doubled rate for contributions to the Deposit Insurance Fund. On the other hand, the Bank's consolidated results will reflect the effects arising from the sale of the non-life insurance business of Pojišťovna České spořitelny.

For the year ending 31 December 2004, Česká spořitelna is projecting an increase in net profit of 10 to 15%, return on equity (ROE) is expected to exceed 20% and the cost/income ratio is anticipated to be within a range of 58 and 60%. Net interest income should follow the growth trend and increase by several percentage points which

is a challenging task to fulfil in view of the anticipated marginal increase in interest rates in 2004. The Bank anticipates reporting a greater increase in net interest income following the projected rise in interest rates, aligned with a notable increase in loans and advances to customers. **The net charge for reserves and provisions** will no longer be impacted by the massive release of general and specific provisions following the completion of the restructuring and clean-up of the Bank's loan portfolio. In the future years, the Bank anticipates achieving a standard level of reserves and provisions, which will reflect the developments in loans and advances to customers. **Net fee and commission income** is expected to increase by several percentage points year-on-year, and the dynamics of the year-on-year increase is anticipated to continue slightly increasing in the following years. In the context of the continuing optimisation of staffing levels, **staff costs** should not markedly differ from the level reported in 2003. Česká spořitelna assumes that the level of these costs will also remain unchanged in the following years, as was the case in 2003. **Other administrative expenses** will rise year-on-year principally as a result of increased VAT rates. In the following years, the Bank is projecting a slight year-on-year decline. **The increase in depreciation and amortisation of tangible and intangible fixed assets** in 2004 is the result of necessary investments into banking technologies in prior years. In the following years, the pace at which depreciation and amortisation will grow is expected to gradually decline.

Česká spořitelna expects that its consolidated balance sheet will grow year-on-year by 4% in 2004, and by 6% and 9% year-on-year in the following two years. **With regard to assets, the Bank anticipates that loans and advances to customers will rise by 10 to 15% in 2004.** Loans and advances to customers are expected to also grow in the following two years which relates to the implementation of Česká spořitelna's strategic plans to boost the proportion of loans and advances to customers to the total asset structure and the improved ratio between loans and advances to customers and deposits from customers. **In respect of liabilities, customer deposits** are projected to grow at 4% in 2004.

Risk Management in 2003

_____ One of the key elements of the Bank's operations and activities that is a pre-condition for its healthy functioning is the risk management process. As a result of its business and other activities, the Bank is inevitably exposed to a variety of risks, such as credit, market, liquidity, operational or legal risks. Česká spořitelna gives great attention to risk management. The Bank maintains its risk exposures at an acceptable level through risk identification, monitoring and measuring processes, and by having sets of limits and restrictions in place.

_____ 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 based upon the decision made by 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; and,
- > The Financial Markets and Risk Management Committee.

Credit Risk Management

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

- > Identifying
- > Measuring
- > Monitoring credit risk
- > Undertaking measures to mitigate credit 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.

_____ 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 involves the assessment of client's creditworthiness. This assessment specifically focuses on analysing 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. The assessment of the client's creditworthiness and rating is performed prior to issuing

a loan as well as throughout the loan term. The rating process complies with Czech National Bank requirements, that is, the rating is based on the loan classification grading as set out in the relevant Czech National Bank regulation. The rating of the client as well as the loan issuance decision is approved by the Credit Risk Management Department, independently from business divisions.

_____ The Bank used a ten-grade rating system for corporate borrowers in 2003. The rating process differs by client segment (corporate clients, small corporate clients, municipalities, financial institutions, etc.) due to the specific nature and characteristics of individual segments.

_____ With a view to assessing credit risk associated with individuals – non-businessmen, the Bank uses a credit scoring system. In substance, the credit scoring method is based on an assessment of a client's ability to take on and repay a loan by assigning standardised points to his relevant characteristics. The resulting number of points is the key factor that drives the decision as to whether the loan is to be provided or not. During the year ended 31 December 2003, the Bank continued implementing a project to develop Behavioural Scoring. This new scoring is expected to be implemented by mid-2004.

_____ 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.

_____ One of the key steps in the credit process is the approval or rejection of the proposed loan transaction. Loans are approved by the Credit Risk Management Department (not by business divisions) pursuant to internal loan approval guidelines, which, inter alia, also include the Credit Committee of the Board of Directors as an approval body. The only exception is retail loans, which may be approved directly by the business division up to a certain maximum exposure. In this case, approval authorities are delegated to the Bank's officers based on their understanding of, and experience in, the lending process, rather than on their functional position within the Bank.

_____ All issued loans are subject to monitoring on an ongoing basis. The principal objective of the monitoring process is to track individual exposures and take prompt steps if clients experience difficulties.

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

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

_____ The Credit Risk Management Department has a database (server) in place relating to credit risk management. This database has had a significant impact on the speed, volume and parameters of output for monitoring the loan portfolio.

_____ In the year ended 31 December 2003, the Bank initiated the Basel II project, which is designed to prepare the Bank and the whole

Česká spořitelna group for the implementation of the New Basel Capital Accord. The project is focused on the areas relating to rating methods, calculation techniques, restructuring and recovery, collateral, reporting and associated IT changes. In 2003, the project was specifically targeted at preparatory work for the adoption of certain methods and tools scheduled for 2004. In connection with this project, the Bank changed its rating grades assigned to corporate borrowers from ten to thirteen. In the first half of 2004, the Bank will implement 'application scoring' in respect of retail borrowers – businesses, which will also involve client rating.

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; and
- > Active trading in the interbank market.

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 all transactions in financial markets are 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 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.

In order to measure the interest rate risk exposure within financial markets transactions the Bank uses the 'PVBP gap' 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 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.

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 value sensitivity to the period to maturity (theta) and interest rate sensitivity (rho) which is measured, together with other interest rate instruments, in the form of PVBP.

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.

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% 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', 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 date. Back testing results have, to date, confirmed the correctness of the setting of the VaR calculation model. The Bank presented to the Czech National Bank a request for approval of its internal model based upon Value at Risk to calculate its 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. Following an almost year-long review of the model by the Czech National Bank and Internal Audit, which involved examining quantitative factors of the model as well as qualitative aspects of risk management, the Czech National Bank stated to the Bank in November 2003 that it had no objections to the internal model being put into use. The Bank used its internal model to calculate the capital requirement in respect of market risks for the first time in preparing its returns as of 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% (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. 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, 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 Managing and Control System of Bank. The Market Risk Management Strategy was newly approved by the Bank's Board of Directors in June 2003. The effectiveness of market risk management and the systems of controls in place within the Financial Markets Division at Česká spořitelna was subject to detailed examination by the Czech National Bank in 2003 as part of their on-site inspection focused on risk management and as part of the approval process with regard to the Bank's internal model. Separately, Internal Audit undertook an in-depth review of risk management processes both from qualitative and quantitative perspectives with the objective of obtaining assurance regarding the internal model according to the CNB Notice 333/2002. These focused reviews highlighted no serious deficiencies in respect of market risk management. The well-developed market risk management system in place within the Bank supported the Bank's successful performance for the year ended 31 December 2003.

Interest Rate Risk Management

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 of 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

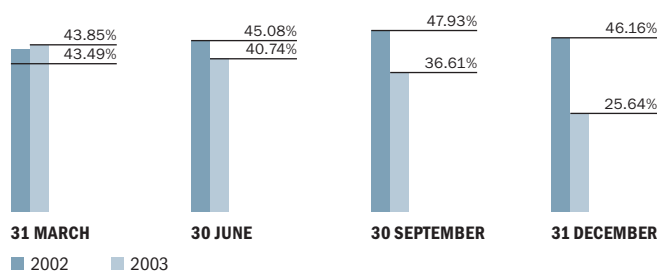
(i.e., the product structure of assets and liabilities). At the end of 2003, the sensitivity of the Bank's net interest income to an increase in market interest rates of 100 basis points was 6%. In other words, with the market interest rate levels increasing by 100 basis points, Česká spořitelna's net interest income over a period of three years would increase by 6%. With the market interest rate levels decreasing by 100 basis points the sensitivity of net interest income was 10%. The sensitivity's asymmetry has been attributable to a low absolute level of market interest rates.

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 by adjusting interbank deposits and loans accordingly.

In terms of liquidity management, the key trend for the year ended 31 December 2003 involved the continuing conversion of anonymous savings accounts. The balance of deposits in the anonymous savings accounts decreased from CZK 21.2 billion as of 31 December 2002 to CZK 8.6 billion as of 31 December 2003, that is, by CZK 12.6 billion. These funds were predominantly re-deposited in the products offered by Česká spořitelna and partially in products offered by the subsidiaries of the Group. **Another significant trend in liquidity management related to a notable inflow of primary deposits (CZK 25.5 billion), which was predominantly allocated to highly liquid assets.** The Bank's liquidity in 2003 was stable. The liquidity development, measured by an internal ratio of current liquidity in individual periods of 2003, is shown in the following graph. The current liquidity ratio is defined as a 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 2003 amounted to CZK 87.5 billion, the denominator used in calculating current liquidity included CZK 341.3 billion in liabilities.

Current liquidity ratio in 2002 and 2003



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 errors or failures of systems or the risk of loss resulting from external events. Management of the Bank is informed of the developments in operational risks at regular intervals.

_____ With assistance from its parent bank, the Bank has 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 technique for quantifying operational risk using the Loss Distribution Approach (risk distribution modelling).

_____ The Bank has continued in developing a software application to collect data about operational risk, which fully 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. The collection and assessment of data regarding below-board dealings of the Bank's clients is of specific importance to prevention.

_____ A tool of importance to mitigating losses arising from operational risks is the Bank's insurance program put in place in 2002. This insurance program involves insurance of property damage as well as risks arising from banking activities and liability risks. As of 1 March 2004 the Bank joined the Erste Bank Group insurance program, which serves to expand 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 monitoring and managing operational risks. Drawing upon its experience with management of operational risks, Česká spořitelna is actively involved in a joint project of the Czech National Bank, the Czech Banking Associa-

tion and the Czech Chamber of Auditors which was initiated in 2002 and which relates to new regulatory rules arising under 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 the CNB Notice 333/2002. The implementation of the internal model, which provides a more accurate quantification of market risk on the basis of the Value at Risk method has led to a non-negligible decrease in the capital requirement in respect of the trading book since December 2003.

_____ In 2003, Česká spořitelna's capital adequacy exceeded 8% as required by the Czech National Bank. On a year-on-year basis, capital adequacy experienced a decrease from 12.85% at the 2002 year-end to 10.30% at the same date a year later (unconsolidated figures under Czech Accounting Standards). The capital adequacy ratio decreased principally as a result of the increase in the volume of risk weighted assets and the decrease in regulatory capital at the end of 2003. The capital adequacy ratio was positively impacted by the inclusion of retained earnings brought forward from 2002 to regulatory capital (CZK 3 billion).

_____ At the end of 1998, the Bank received subordinated debt totalling CZK 5.5 billion from Konsolidační banka (presently the Czech Consolidation Agency) in the form of a loan with a ten-year maturity (maturity date of 23 December 2008) and an interest rate of 6M PRIBOR+1.8%. In 2003, the Bank exercised its option to make a premature repayment of the subordinated debt and repaid the subordinated debt on 23 December 2003.

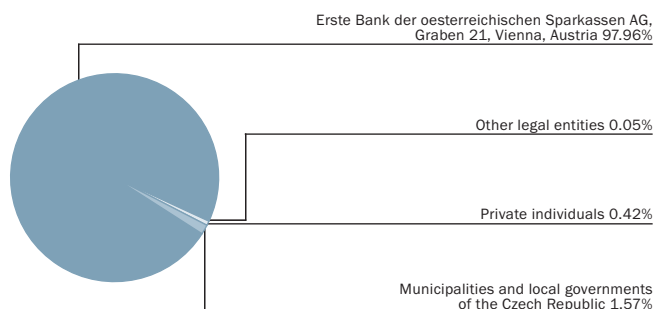
MCZK	2003	2002	2001
Capital adequacy	10.30%	12.85%	15.06%
Tier 1	21,910	22,583	20,184
Tier 2 and Tier 3	1,258	7,693	7,475
Sum of deductible items	5,032	5,350	1,415
Total capital	22,115	24,926	26,244
Capital requirement A	15,664	14,035	12,641
Capital requirement B	1,506	1,481	1,302
Risk weighted assets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

Figures reported under Czech National Bank rules.

_____ Further information about risk management is presented in Note 7 to the unconsolidated financial statements.

Information for Shareholders

Structure of Česká spořitelna's Shareholders as of 31 December 2003 Ownership percentage

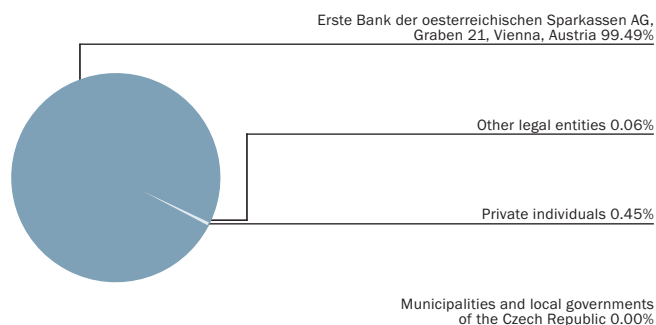


_____ The members of Česká spořitelna's Board of Directors and Supervisory Board held no shares of Česká spořitelna as of 31 December 2003. Information about cash and non-cash income of the members of the Board of Directors and Supervisory Board is presented in the notes to the unconsolidated year-end financial statements prepared under CAS (Note 36); directors' fees for the year ended 31 December 2002 were not paid; no income from the companies controlled by Česká spořitelna was received. Monetary arrangements put in place between the members of the Board of Directors and the Supervisory Board and Česká spořitelna are disclosed in the notes to the unconsolidated year-end financial statements prepared under CAS (Note 39).

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

_____ During the year ended 31 December 2003, Česká spořitelna held and traded with no treasury shares. During the year ended 31 December 2003, Česká spořitelna 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, 848 thousand shares with an aggregate purchase value of CZK 2,119 million and sold 843 thousand shares with an aggregate selling price of CZK 2,117 million. The lowest and the highest purchase prices per share in 2003 were CZK 1,856 and CZK 3,209, respectively. The lowest and the highest selling prices per share in 2003 were CZK 1,850 and CZK 3,213, respectively. At the start of 2003, Česká spořitelna held no shares of Erste Bank. At the end of 2003, Česká spořitelna held 4,979 shares of Erste Bank, which represents a 0.008 percent share of Erste Bank's issued share capital. The average nominal value of one share of Erste Bank amounted to EUR 7.27.

Structure of Česká spořitelna's Shareholders as of 31 December 2003 Share of voting power



Extraordinary General Meeting

_____ An extraordinary General Meeting of Česká spořitelna took place on 4 November 2003. The shareholders present at the extraordinary General Meeting approved the sale of the non-life insurance business of Pojišťovna České spořitelny to Kooperativa pojišťovna. The approval of this transaction of the Bank's General Meeting was required by legislation because Pojišťovna České spořitelny is an entity controlled by Česká spořitelna. Kooperativa became the winner of the tender to purchase the non-life insurance business of Pojišťovna České spořitelny in August 2003 because it presented the highest bid and the best strategy for the future.

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
- > **Nominal value per shares:** CZK 100
- > **Transfer method:** Transferability of ordinary bearer shares is not restricted; 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 Issue of Česká spořitelna, a. s., Repaid as of 3 August 2003

11.85 percent mortgage bonds due in 2003

- > **ISIN:** CZ0002000078
- > **Issue date:** 3 August 1998
- > **Type:** Bearer bonds
- > **Form:** Book-entry
- > **Total issue volume:** CZK 500,000,000
- > **Nominal value per bond:** CZK 10,000
- > **Number of bonds:** 50,000
- > **Coupons:** fixed 11.85% 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 for the benefit of the acquirer
- > **Issue administrator:** Česká spořitelna, a. s., Prague 4, Olbrachtova 1929/62, 140 00
- > **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 were repaid in their nominal value on 3 August 2003.

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

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

_____ Under the Bond Program, 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% 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., Prague 4, Olbrachtova 1929/62, 140 00
- > **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 repaid in 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% 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., Prague 4, Olbrachtova 1929/62, 140 00
- > **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 repaid in 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:** Up to CZK 3,000,000,000
- > **Volume issued until 31 December 2003:** CZK 2,800,000,000
- > **Nominal value per bond:** CZK 10,000
- > **Number of bonds:** Up to 300,000
- > **Number of bonds issued at 31 December 2003:** 280,000
- > **Issue period:** 18 months from the issue date
- > **Coupons:** Fixed 4.50% 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., Prague 4, Olbrachtova 1929/62, 140 00

- > **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 repaid in their nominal value on 21 August 2008

Bonds Issuance Program of Česká spořitelna, a. s.

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

As of 31 December 2003, no bonds were issued under the bonds issuance program.

Licences and Trademarks

Key licenses acquired under intellectual property arrangements relate to licenses 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 material economy and HR records);
- > Symbols by System Access (this software serves for trading in the commercial banking sector); and
- > STARBANK by Spordat (this software is designed to support the maintenance of current accounts, foreign currency accounts and loans).

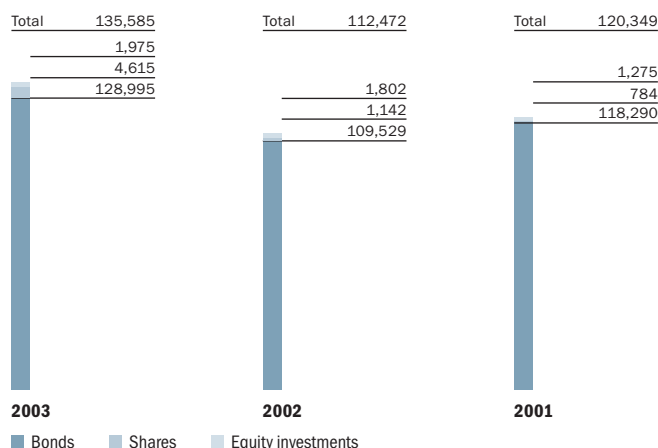
Česká spořitelna owns several trademarks registered in the Trademark Register held at the Industrial Property Office which relate to its major products.

Information on Principal Future Investments

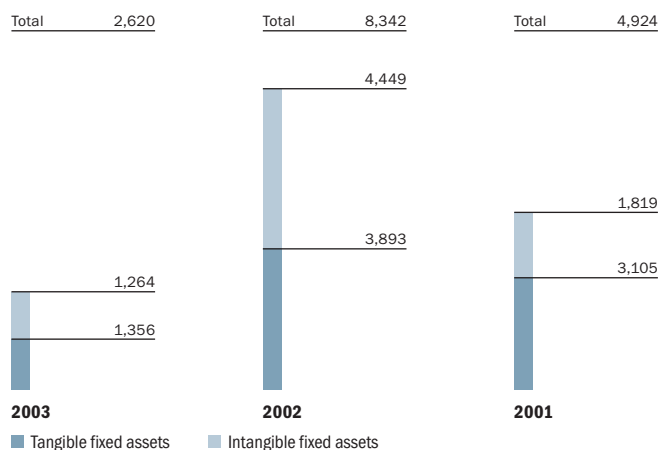
For the year ending 31 December 2004, Česká spořitelna anticipates acquiring assets in the aggregate amount of CZK 3,400 million. Of this amount, approximately CZK 1,728 million will be invested in projects, CZK 793 million in information technologies, CZK 745 million in construction projects, CZK 42 million in office and banking technology and CZK 92 million in others.

As of 31 December 2003, Česká spořitelna owned or co-owned 447 buildings and 569 plots of land with an aggregate net book value of CZK 11.1 billion.

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	2003	2002	2001
Net interest income	14,262	14,183	13,291
Income from shares and equity investments	170	625	367
Net fee and commission income	7,504	6,707	6,106
Profit from financial operations	1,112	1,083	2,214
Other income in total	23,048	22,598	21,978

Loans received, other liabilities and collateral issued

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

Affidavit

_____ The below signed hereby declare that the information stated in the Annual Report of Česká spořitelna, a. s. for the year ended 31 December 2003 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. were 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

Organizational Chart of the ČS as of 31 December 2003

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. GERNOT MITTENDORFER
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	Assets Management Section 3200	Commercial Banking Centres Section 4200
Internal Audit Section 1400	Property Management Section 2300	Investment Banking Section 3300	Real Estate and Mortgages Section 4300
Legal and Compliance Services Section 1500	Central Risk Management Section 2400	Treasury Section 3400	Municipalities Section 4400
Human Resources Section 1600	Investors Relations Department 2010	Financial Institutions Section 3500	Trade Finance Department 4010
Marketing Section 1700	Financial Markets Back-Office Department 2020	Business Support Sub-department 3001	Product Management and Support Department 4020
External Communication Department 1010	Subsidiaries & Capital Participations Admin. Department 2030		
Internal Communication Department 1020			
Service Quality 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. KAREL JAN JENÍČEK
Sales Management Section 5100	IT Operation Section 6200	Central Purchase Section 7100	Deputy of Deputy C.E.O.
Products and Process Management Section 5200	Organization Section 6500	Project Management and Co-ordination Department 7010	Payment System and Settlement Section 8100
Remote Delivery Section 5300	IT Architecture and Development Section 6600	Project Symbols Department 7020	Security Section 8200
Card Centre Section 5400		CRM/DWH Project Department 7030	Market Research Department 8010
Branches Region 1 (Prague) Section 5500		Management of EB Group Projects Sub-department 7001	EU Office 8001
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 fiscal year ended 31 December 2003, the Supervisory Board of Česká spořitelna, a. s. performed, on an ongoing basis, its duties arising under applicable legislation and the Bank's Articles of Association. As the Bank's oversight body, the Supervisory Board oversaw the performance of the duties of the Board of Directors as well as the Bank's business operations and activities, and the implementation of its strategic plans. The Supervisory Board was regularly kept up to date on the Bank's operations, its financial position and other significant matters.

The Supervisory Board examined the submitted financial statements for the year ended 31 December 2003 and concluded that the accounting books and records were maintained in a clearly supportable manner in accordance with accounting regulations and that the financial statements present fairly the Bank's financial position as of 31 December 2003.

The audit of the financial statements was performed by Deloitte & Touche, spol. s r. o., who confirmed that 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 2003 and of the results of its operations for the year then ended in accordance with the Accounting Act and applicable Czech regulations. The Supervisory Board has been made aware of, and agreed with, the opinion expressed by the auditors.

In view of all the facts referred to above, the Supervisory Board recommends that the General Meeting of shareholders approve the financial statements of Česká spořitelna, a. s. for the year ended 31 December 2003 and the proposed profit allocation as put forward by the Board of Directors.



Andreas Treichl
Chairman of the Supervisory Board

Consolidated Financial Statements

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

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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 2003 and 2002 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 of 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 2003 and 2002, 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.

Prague, 30 March 2004



Deloitte & Touche spol. s r. o.

Consolidated Balance Sheets as of 31 December 2003 and 2002

Assets

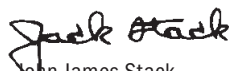
MCZK	Note	31 December 2003	31 December 2002
1. Cash and balances with the CNB	6	22,713	22,260
2. Loans and advances to financial institutions	7	82,121	128,737
3. Amounts due from Česká konsolidační agentura	8	36,744	38,264
4. Loans and advances to customers	9	178,159	150,314
5. Provisions for losses on loans and advances	10	(9,025)	(18,812)
6. Securities and other assets held for trading	11	53,196	22,903
7. Securities available for sale	12	27,500	28,007
8. Securities and other assets held to maturity	13	113,466	101,626
9. Financial placements of insurance companies	14	9,264	5,560
10. Intangible fixed assets	15	4,020	4,289
11. Property and equipment	16	16,576	17,395
12. Other assets	18	19,314	19,148
Total assets		554,048	519,691

Liabilities and Shareholders' Equity

MCZK	Note	31 December 2003	31 December 2002
1. Amounts owed to financial institutions	19	29,641	31,858
2. Amounts owed to customers	20	428,572	402,728
3. Bonds in issue	21	16,017	7,143
4. Provisions for liabilities and other reserves	22	12,359	8,098
5. Other liabilities	23	31,661	33,402
6. Subordinated debt	24	-	5,500
7. Minority interests	25	1,390	1,131
8. Shareholders' equity		34,408	29,831
Total liabilities and shareholders' equity		554,048	519,691

_____ **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 30 March 2004.



John James Stack
Chairman of the Board and
Chief Executive Officer

Consolidated Profit and Loss Accounts for the Years Ended 31 December 2003 and 2002

MCZK	Note	Year ended 31 December 2003	Year ended 31 December 2002
1. Interest income and similar income	27	22,753	25,786
2. Interest expense and similar expense	28	(6,879)	(9,853)
Net interest income		15,874	15,933
3. Provisions for credit risks	29	1,970	(289)
Net interest income after provisions for credit risks		17,844	15,644
4. Fee and commission income		8,639	7,491
5. Fee and commission expense		(724)	(643)
Net fee and commission income		7,915	6,848
6. Net profit on financial operations	30	1,270	638
7. General administrative expenses	31	(15,073)	(14,151)
8. Net insurance income	32	209	155
9. Other operating expenses, net	33	(1,224)	(225)
Profit before taxes		10,941	8,909
10. Income tax expense	34	(3,149)	(2,917)
Profit after taxes		7,792	5,992
11. Minority interests	25	(177)	(187)
Net profit for the year		7,615	5,805

_____ 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 2003 and 2002

MCZK	Retained earnings	Treasury shares	Statutory reserve fund	Share premium	Share capital	Total
At 1 January 2002	8,431	(26)	850	-	15,200	24,455
Dividends	(456)	-	-	-	-	(456)
Transfer to reserve funds	(181)	-	181	-	-	-
Treasury shares	-	26	-	1	-	27
Net profit for the year	5,805	-	-	-	-	5,805
At 31 December 2002	13,599	-	1,031	1	15,200	29,831
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

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

Consolidated Statements of Cash Flows

for the Years Ended 31 December 2003 and 2002

MCZK	Note	2003	2002
Profit before taxes		10,941	8,909
Adjustments for non-cash transactions			
Creation/(release) of provisions for losses on loans, advances and other assets		(1,822)	771
Depreciation and amortisation of assets		2,901	2,251
Impairment of tangible and intangible fixed assets		579	466
Unrealised profit on securities held for trading and securities available for sale		(5)	(477)
Net profit on remeasurement of equity investments		(18)	(5)
Release of restructuring reserves net of cash outflow from utilisation		(237)	(605)
Creation of other reserves		4,649	3,999
Change in fair values of financial derivatives		(671)	471
Income from release of statute-barred deposits		-	(385)
<i>Operating profit before changes in operating assets and liabilities</i>		<i>16,317</i>	<i>15,395</i>
Cash flows from operating activities			
<i>(Increase)/decrease in operating assets</i>			
Minimum reserve deposits with the CNB		(1,146)	709
Loans and advances to financial institutions		46,544	(10,197)
Loans and advances to customers, including Česká konsolidační agentura		(34,290)	(6,011)
Securities and other assets held for trading		(23,189)	1,503
Securities available for sale		830	(7,132)
Other assets		2,271	(1,084)
<i>Increase/(decrease) in operating liabilities</i>			
Amounts owed to financial institutions		(2,173)	753
Amounts owed to customers		25,844	12,556
Other liabilities and restructuring reserves		(1,546)	3,462
<i>Net cash flow from operating activities before income tax</i>		<i>29,462</i>	<i>9,954</i>
Income taxes paid		(1,002)	(208)
Net cash flow from operating activities		28,460	9,746
Cash flows from investing activities			
Net increase in securities and other assets held to maturity		(21,169)	(5,278)
Financial placements of insurance companies		(3,704)	(1,471)
Purchase of tangible and intangible fixed assets		(5,480)	(7,713)
Proceeds from the sale of tangible and intangible fixed assets		149	3,084
Net cash flow from investing activities		(30,204)	(11,378)
Cash flows from financing activities			
Sale of treasury shares		-	27
Dividends paid		(3,040)	(456)
Dividends paid to minority shareholders		-	(140)
Increase in minority interests		82	-
Bonds in issue		8,874	(3,845)
Repayment of subordinated debt		(5,500)	-
Net cash flow from financing activities		416	(4,414)
Net decrease in cash and cash equivalents		(1,328)	(6,046)
Cash and cash equivalents at beginning of year		32,631	38,677
Cash and cash equivalents at end of year	35	31,303	32,631

_____ 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;
- > Depository 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 2003

(a) Ringfence Arrangement

_____ On 1 March 2000, the Bank, CORFINA, a. s. (currently Leasing České spořitelny, a. s.) and Konsolidační banka Praha, s.p.ú. ("KOB"), which was transformed into Česká konsolidační agentura ("ČKA"), with effect from 1 September 2001, entered into a Ringfence Arrangement.

_____ Under the terms and conditions of the Ringfence Arrangement, ČKA guarantees the net book values of ring-fenced exposures and selected financial derivatives as carried in the Bank's accounting records as of 31 December 1999.

_____ In accordance with the Ringfence Arrangement, the Bank exercised the full put option as of 30 June 2002 and transferred a substantial proportion of the ringfenced exposures to ČKA, the only exception being exposures collateralised by a guarantee issued by Podpůrný a garanční rolnický a lesnický fond, a. s., where the assignment of the exposure would lead to an expiration of the guarantee, and receivables arising from syndicated loans in which the assignment needs to be approved by other contracting parties and which amounted to CZK 1,623 million as of 31 December 2002. Receivables under the Ringfence Arrangement decreased to CZK 11 million as of 31 December 2003 as a result of transfer to ČKA or repayment.

_____ In the period 2000-2003, Leasing České spořitelny, a. s., Corfina Trade, s.r.o. and CF Danube Leasing, s.r.o. utilised the guarantee, without any calls for payment being returned by ČKA, in respect of a total of 1,354 lease and instalment sale agreements in the aggregate amount of CZK 547.6 million and SKK 63.9 million, of which the payout totalled CZK 529.4 million and SKK 63.2 million, respectively. The aggregate limit of the pay-out under the guarantee issued by ČKA is CZK 1.2 billion.

(b) Sale of the selected Portfolio of Receivables

_____ On 21 January 2003, the Bank's Board of Directors approved a project designed to substantially reduce the costs involved in managing and administering the portfolio of distressed loans and to accelerate the recovery of the assets held in this portfolio. The preparatory phase of the project established the number of exposures in the portfolio to be sold. These exposures were generally fully provisioned and originated in the 1990s.

_____ The financial statements of the Bank have reflected the implementation of the sale through the reduction of amounts due from clients by approximately CZK 195 million which represents the net carrying value of the receivables (outstanding loan balances of CZK 7,966 million net of provisions of CZK 7,771 million). The sale resulted in an increase of profit arising from the release of provisions previously charged against assigned receivables. The net financial impact on the profit and loss account represented a profit of CZK 354 million.

(c) State Aid

_____ During 2003, in the context of the Czech Republic's accession to the European Union ("EU"), Czech and EU authorities responsible for overseeing the state aid area investigated the state aid provided in the past to the Czech banking sector, including the Bank.

_____ In the spring of 2003, the Czech Finance Ministry provided the Czech Antimonopoly Office with all of the documentation required to undertake an assessment of individual components of the state aid granted to the Bank. In July 2003, the Czech Antimonopoly Office stated that the assessed state aid measures were compatible with EU legislation and did not breach economic competition in the EU common market.

_____ Subsequently, individual cases of state aid were investigated by the European Commission, specifically the Competition Directorate, which also indicated that the state aid measures were no longer applicable following EU accession of the Czech Republic, thereby confirming that they were not in breach of economic competition. Only one measure was subsequently assessed as 'existing aid' which is, pursuant to the accession documents concluded between the Czech Republic and European Communities, deemed to be allowed state aid. Pursuant to this final decision which is positive for the Bank, the European Commission is no longer authorised to investigate the reviewed state aid measures following EU accession.

3. Basis of Preparation

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

_____ The format of the financial statements has been adjusted to comply, where possible, with Erste Bank Group presentation requirements. For these reasons, changes were made to the presentation of balance sheet components and insurance income (refer to Note 4y) in the year ended 31 December 2003. 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 unrealised intercompany profits are eliminated on consolidation. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Bank.

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

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 ac-

counted for at acquisition cost less provision for any permanent diminution in value and included in "Securities and other assets held to maturity".

(b) Loans and Advances 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 in the portfolio. 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.

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 cost on acquisition and subsequently re-measured to fair value. Changes in the fair values of such assets are recognised in the profit and loss account as "Net profit on financial operations". 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 cost and subsequently re-measured to fair value, the only exception being unlisted equity investments and holdings that are not participating interests with controlling or significant influence. These equity investments and holdings are carried at cost if their fair value cannot be determined with reasonable certainty. Changes in the fair values of available for sale securities (excluding unlisted equity investments) 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 that the Group has the positive intent and ability to hold to maturity.

_____ Securities held to maturity are carried at cost on acquisition including transaction costs. Securities held to maturity are subsequently reported at amortised cost using the effective yield method, less any provision for impairment. The amortisation of premiums and discounts is included in "Interest income and similar income" or "Interest expense and similar expense".

_____ 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 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 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

Goodwill represents the excess of the cost of an acquisition 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."

(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 except for goodwill" over the estimated useful life not exceeding four years. Costs associated with the maintenance of existing software are expensed through "General administrative expenses" as incurred whilst costs of technical improvements are capitalised and increase the acquisition cost of the software.

(g) Property and Equipment

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 estimated useful lives as follows:

Buildings and structures	20–30 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.

(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.

In prior periods, the Group also recorded restructuring reserves (refer to Note 22d).

(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 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 local currency at the CNB exchange rate prevailing as of 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." Reserves 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 reserves, 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 and accumulated unpaid earnings of participants 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 tax losses carried forward, 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.

Provisions for deferred tax assets are recognised to the extent that it is not probable that the related tax benefit will be realised.

_____ 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 purposes or to hedge trading positions 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 2003

_____ Reflecting the requirements for presentation of insurance services in the financial statements within the Erste Bank Group (refer to Note 3), the policy of recognising the assets, liabilities, income and expenses of Pojišťovna České spořitelny, a. s. in the consolidated balance sheet and profit and loss account was revised in the year ended 31 December 2003 (refer to Note 4r). Comparative financial statements for the prior period were adjusted as appropriate.

_____ Principal changes within assets compared to the financial statements for the year ended 31 December 2002 involved "Securities available for sale" and "Securities and other assets held to maturity" which decreased by CZK 4,500 million and CZK 1,015 million, respectively, as a result of their reallocation, together with other assets, into "Financial placements of insurance companies". In the profit and loss account, the largest movements were from "General administrative expenses" (CZK 543 million) and "Other operating expenses, net" (CZK 588 million) to "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	
			2003	2002
Leasing České spořitelny, a. s.	Prague	Leasing	100.0%	100.0%
Stavební spořitelna České spořitelny, a. s.	Prague	Building savings bank	60.5%	60.5%
Pojišťovna České spořitelny, a. s.	Pardubice	Insurance	55.3%	55.3%
Investiční společnost České spořitelny, a. s.	Prague	Investment management	100.0%	100.0%
Penzijní fond České spořitelny, a. s.	Prague	Pension fund	100.0%	100.0%
CF Danube Leasing, s. r. o.	Slovakia	Leasing	100.0%	100.0%
Factoring České spořitelny, a. s.	Prague	Factoring	100.0%	100.0%
Informatika České spořitelny, a. s.	Prague	IT services	100.0%	100.0%
Czech TOP Venture Fund B.V.	Netherlands	Management and corporate finance	84.3%	84.3%
CS Investment Limited	Guernsey	Investing and investment holding	100.0%	-
brokerjet České spořitelny, a. s.	Prague	Investment services	51.0%	-

(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 the shareholders incur the entire loss, if any. All other profit is available for distribution to participants (customers).

(b) CS Investment Limited, brokerjet České spořitelny, a. s.

_____ For the year ended 31 December 2003, the consolidated financial statements have included, for the first time, the newly formed companies CS Investment Limited and brokerjet České spořitelny, a. s.

(c) Unconsolidated Investments

_____ Consulting České spořitelny, a. s., Realitní společnost České spořitelny, a. s. and CDI Corporate Advisory, a. s. are excluded from consolidation due to immateriality.

6. Cash and Balances with the CNB

MCZK	2003	2002
Cash	14,344	15,193
Nostro accounts with the CNB	572	415
Minimum reserve deposit with the CNB	7,797	6,652
Total	22,713	22,260

_____ 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	2003	2002
Repayable on demand	860	931
Loans and advances to financial institutions	51,918	105,146
Placements with financial institutions	29,343	22,660
Total	82,121	128,737

As of 31 December 2003, the Bank provided certain financial institutions with loans of CZK 46,387 million (2002: CZK 100,823 million) under reverse repurchase transactions which were collateralised by securities amounting to CZK 45,453 million (2002: CZK 93,917 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 pursuant to Act 239/2001 Coll. This entity has been included into the government sector and its receivables are guaranteed by the State pursuant to the Act referred to above.

MCZK	2003	2002
Amounts due from Česká konsolidační agentura	36,744	38,264

As of 31 December 2003, the Group had loans of CZK 27,928 million related to the loan portfolio restructuring supported by the State (2002: CZK 29,178 million). These loans will fall due for repayment in the period from 2004 through 2009.

9. Loans and Advances to Customers

MCZK	2003	2002
Corporate clients	95,910	87,229
Retail clients	72,993	54,745
Public sector	9,256	8,340
Total	178,159	150,314

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

MCZK	2003	2002
Corporate loans	81,435	75,100
Retail loans	48,830	40,264
Mortgage loans	33,564	20,967
Public sector loans	7,691	7,092
Finance leasing	6,639	6,891
Total	178,159	150,314

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	2003	2002
Non-financial institutions	69,105	61,367
Financial institutions	20,831	14,329
Government sector	9,001	8,175
Not-for-profit organisations	806	2,036
Households (self employed)	1,491	561
Resident individuals	58,074	47,289
Other	8	1,760
Total (only for the Bank)	159,316	135,517
Intra-group loans and advances	(574)	(1,185)
Loans and advances of other group companies	19,417	15,982
Total	178,159	150,314

_____ As of 31 December 2003, the Bank provided certain customers with loans of CZK 1,310 million (2002: CZK 872 million) under reverse repurchase transactions which were collateralised by securities amounting to CZK 1,501 million (2002: CZK 1,147 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 1,456 million (2002: CZK 1,452 million). The gross exposures additionally include loans in the aggregate amount of CZK 2,553 million (2002: CZK 7,609 million) on which interest is no longer accrued.

Finance Leases

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

MCZK	2003	2002
Gross investment in finance leases	8,049	8,294
Of which: Less than 1 year	4,757	1,652
From 1 year to 5 years	3,277	6,257
Over 5 years	15	385
Unearned income	(1,410)	(1,403)
Subtotal	6,639	6,891
Provision	(1,089)	(824)
Net investment in finance leases	5,550	6,067
Of which: Less than 1 year	3,278	1,209
From 1 year to 5 years	2,262	4,576
Over 5 years	10	282

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

10. Provisions for Credit Risks

(a) Composition of Provisions for Credit Risks

MCZK	2003	2002
Loans and advances to customers	5,793	13,356
Other risks from losses on loans and advances	3,232	5,456
Total provisions for losses on loans and advances	9,025	18,812
Provision for off balance sheet exposures	584	683
Total provisions for credit risks	9,609	19,495

_____ Provisions for other risks include the balance of provisions established in prior periods in compliance with CNB rules and tax legislation in respect of standard loan receivables (refer to Note 4b), provisions for specific risks arising from pending legal disputes relating to loan transactions and provisions for potential risks in respect of the sale of the selected portfolio of receivables (refer to Note 2b).

(b) Creation and Use of Provisions for Credit Risks

MCZK	2003	2002
At 1 January	19,495	22,335
Net charge/(release) of provisions (Note 29)	(1,939)	263
Use of provisions for loans written off and assigned	(7,957)	(3,400)
Reclassification and FX differences from provisions in foreign currency	10	297
At 31 December	9,609	19,495

_____ The table above also reflects the creation and use of provisions for off balance sheet exposures amounting to CZK 584 million as of 31 December 2003 (2002: CZK 683 million). Refer to Note 22.

_____ The decrease in provisions was predominantly attributable to the sale of the selected portfolio of receivables (refer to Note 2b), where the difference between the value of receivables and the purchase price was charged to expenses in parallel with the use of the provisions recognised against these receivables. Proceeds from the assignment of these receivables amounting to CZK 548 million were recorded on a net basis, that is, the difference between the selling price and the book value of the receivables was recognised as a loss on assigned receivables.

11. Securities and Other Assets Held for Trading

MCZK	2003	2002
Listed debt securities and other fixed income securities	38,467	7,952
Listed equity securities and other variable yield securities	1,305	209
Financial derivatives with positive fair value (Note 37)		
- Currency	3,682	1,351
- Interest rate	9,740	13,387
- Other	2	4
Total	53,196	22,903

_____ 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 13,981 million (2002: CZK 2,061 million) and Government bonds in the aggregate amount of CZK 8,656 million (2002: CZK 4,182 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 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 12).

_____ Debt securities and other fixed income securities comprise:

MCZK	2003	2002
Variable yield debt securities		
Issued in CZK	152	326
Issued in other currencies	1,612	-
Total	1,764	326
Fixed income debt securities		
Issued in CZK	26,212	7,626
Issued in other currencies	10,491	-
Total	36,703	7,626
Total debt securities	38,467	7,952

_____ Equity securities and other variable yield securities comprise:

MCZK	2003	2002
Shares and share certificates		
Issued in CZK	911	6
Issued in other currencies	394	203
Total	1,305	209

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

MCZK	2003	2002
Debt securities issued by		
State institutions in the Czech Republic	25,974	7,221
Financial institutions in the Czech Republic	1,314	141
Foreign financial institutions	5,670	314
Other entities in the Czech Republic	463	276
Other foreign entities	5,046	-
Total	38,467	7,952

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

MCZK	2003	2002
Shares and share certificates issued by		
Other entities in the Czech Republic	1	6
Foreign entities	1,304	203
Total	1,305	209

12. Securities Available for Sale

MCZK	2003	2002
Debt securities and other fixed income securities		
Listed	23,535	21,251
Unlisted	206	5,261
Equity securities and other variable yield securities		
Listed	3,253	972
Unlisted	506	523
Total	27,500	28,007

Debt securities and other fixed income securities include Government treasury bills and treasury bills of the CNB in the aggregate amount of CZK 7,332 million (2002: CZK 7,483 million) and Government bonds in the aggregate amount of CZK nil (2002: CZK 5,829 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.

Listed equity securities and other variable yield securities include shares issued by the parent company, Erste Bank Vienna amounting to CZK 125 million (2002: CZK 101 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 157 million (2002: CZK 160 million).

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 net profit.

Debt securities and other fixed income securities comprise:

MCZK	2003	2002
Variable yield debt securities		
Issued in CZK	2,326	2,225
Issued in other currencies	2,067	2,437
Total	4,393	4,662
Fixed income debt securities		
Issued in CZK	16,413	12,988
Issued in other currencies	2,935	8,862
Total	19,348	21,850
Total debt securities	23,741	26,512

Equity securities and other variable yield securities comprise:

MCZK	2003	2002
Shares and share certificates		
Issued in CZK	1,091	1,236
Issued in other currencies	2,668	259
Total	3,759	1,495

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

MCZK	2003	2002
Debt securities issued by		
State institutions in the Czech Republic	14,522	12,707
Foreign state institutions	2,866	1,162
Financial institutions in the Czech Republic	2,175	1,016
Foreign financial institutions	3,695	7,011
Other entities in the Czech Republic	507	1,396
Other foreign entities	-	3,220
Total	23,741	26,512

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

MCZK	2003	2002
Shares and share certificates issued by		
Financial institutions in the Czech Republic	714	671
Other entities in the Czech Republic	252	473
Foreign financial institutions	125	101
Other foreign entities	2,668	250
Total	3,759	1,495

13. Securities and Other Assets Held to Maturity

MCZK	2003	2002
Debt securities and other fixed income securities		
Listed	112,175	90,125
Unlisted	928	11,188
Equity investments		
Subsidiaries and associates excluded from consolidation	363	313
Total	113,466	101,626

_____ Listed debt securities and other fixed income securities include Government treasury bills and treasury bills of the CNB of CZK 998 million (2002: CZK 20,399 million) and Government bonds of CZK 41,983 million (2002: CZK 46,181 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 Vienna at a cost of CZK 5,617 million (2002: CZK 4,983 million). The portfolio also includes debt securities and other fixed income securities acquired under initial offerings in the aggregate amount of CZK 12,529 million (2002: CZK 3,391 million).

_____ Debt securities held to maturity comprise:

MCZK	2003	2002
Variable yield debt securities		
Issued in CZK	9,182	2,155
Total	9,182	2,155
Fixed income debt securities		
Issued in CZK	103,921	98,984
Issued in other currencies	-	174
Total	103,921	99,158
Total debt securities	113,103	101,313

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

MCZK	2003	2002
Debt securities issued by		
State institutions in the Czech Republic	73,111	69,678
Foreign state institutions	3,186	1,237
Financial institutions in the Czech Republic	3,007	6,294
Foreign financial institutions	26,606	14,500
Other entities in the Czech Republic	5,694	5,917
Other foreign entities	1,499	3,687
Total	113,103	101,313

14. Financial Placements of Insurance Companies

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

MCZK	2003	2002
Loans and advances to financial institutions	32	45
Securities available for sale		
Listed debt securities and other fixed income securities	5,365	4,258
Shares and share certificates	588	242
- Listed	588	217
- Unlisted	-	25
Total	5,953	4,500
Securities held to maturity		
Listed debt securities and other fixed income securities	3,225	1,015
Real estate	54	-
Total	9,264	5,560

_____ The balance of listed shares and other variable yield securities in 2002 includes shares issued by the parent company, Erste Bank Vienna, amounting to CZK 24 million.

15. Intangible Fixed Assets

MCZK	Goodwill	Software	Other	Total
Cost				
1 January 2002	30	4,721	672	5,423
Additions	(2)	382	4,035	4,415
Disposals	-	(3,450)	(283)	(3,733)
31 December 2002	28	1,653	4,424	6,105
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
Accumulated amortisation and provisions				
1 January 2002	(10)	(1,923)	(313)	(2,246)
Additions	(3)	(149)	(409)	(561)
Provision for impairment	-	(324)	(117)	(441)
Disposals	-	1,316	116	1,432
31 December 2002	(13)	(1,080)	(723)	(1,816)
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)
Net book value				
31 December 2003	11	553	3,456	4,020
31 December 2002	15	573	3,701	4,289

_____ The balances as of 31 December 2003 shown above include CZK 1,505 million (2002: CZK 1,785 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.

16. Property and Equipment

MCZK	Land and buildings	Equipment, fixtures and fittings	Total
Cost			
1 January 2002	17,424	12,724	30,148
Additions	766	2,490	3,256
Disposals	(390)	(2,750)	(3,140)
31 December 2002	17,800	12,464	30,264
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
Accumulated depreciation and provisions			
1 January 2002	(4,321)	(9,035)	(13,356)
Additions	(641)	(1,001)	(1,642)
Provision for impairment	(25)	-	(25)
Disposals	208	1,946	2,154
31 December 2002	(4,779)	(8,090)	(12,869)
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)
Net book value			
31 December 2003	12,483	4,093	16,576
31 December 2002	13,021	4,374	17,395

_____ The balances as of 31 December 2003 shown above include CZK 807 million (2002: CZK 1,191 million) in assets under construction.

_____ Pursuant to the finalisation of a 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. Following discussion of specific terms and conditions of the sale and adjustments of relevant contractual documents, the Bank and the buyer entered into a framework agreement to purchase a portfolio of immovable assets (the 'framework agreement') with a net book value of CZK 1,251 million on 2 February 2004. Provisions recorded in prior periods as equal to the difference between the market value and the carrying value of individual assets were revised as of 31 December 2003 to align their required level to the difference between the contracted selling price and the net book value of the assets. The aggregate balance of provisions carried against the portfolio of immovable assets held for sale was CZK 650 million as of 31 December 2003.

_____ In addition to the above provisions in respect of the sale of real estate, the Group recorded provisions 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 28 percent (2002: 31 percent), 15 percent for Penzijní fond České spořitelny, a. s. and 19 percent for CF Danube Leasing s. r. o.

_____ Deferred income tax assets are as follows:

MCZK	2003	2002
Balance at beginning of year	779	2,742
Charge for the year	(599)	(1,963)
Net balance at end of year	180	779

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

MCZK	2003	2002
Tax losses carried forward	(163)	(1,712)
Provisions and reserves	(513)	(412)
Accelerated depreciation	98	117
Change in the tax rate (from 31 percent to 28 percent)	(22)	-
Other temporary differences	1	44
Total (Note 34)	(599)	(1,963)

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

MCZK	2003	2002
Deferred tax assets		
Tax losses carried forward	20	192
Non-tax deductible reserves and provisions	338	879
	358	1,071
Deferred tax asset adjustment (net of liabilities)	(172)	(282)
Total deferred tax asset (Note 18)	186	789
Deferred tax liabilities		
Accelerated depreciation for tax purposes	(178)	(296)
Other temporary differences	-	4
	(178)	(292)
Deferred tax liability adjustment (net of assets)	172	282
Total deferred tax liability (Note 22)	(6)	(10)
Net deferred tax asset	180	779

18. Other Assets

MCZK	2003	2002
Accrued income	5,008	4,705
Of which: Interest on loans and advances to financial institutions	251	138
Interest on loans and advances to customers, including ČKA	517	800
Coupons on bonds	4,227	3,622
Other	13	145
Deferred expenses	1,118	240
Deferred taxation (Note 17)	186	789
Receivable from state subsidy	3,320	3,140
Various receivables	4,841	6,041
Fair value of hedging derivatives	138	39
Other assets	3,662	2,356
Other assets from insurance services	1,041	1,838
Total	19,314	19,148

_____ The receivable from state subsidy totalling CZK 3,320 million (2002: CZK 3,140 million) involves claims in respect of the participants of the building savings program 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 based on the amount of customer deposits at the year-end with a limit of CZK 4,500 per participant (refer to Note 20).

19. Amounts Owed to Financial Institutions

MCZK	2003	2002
Repayable on demand	131	174
Other	29,510	31,684
Total	29,641	31,858

_____ As of 31 December 2003, the Bank received from other financial institutions loans of CZK 2,357 million (2002: CZK 8,502 million) under repurchase transactions which were collateralised by securities amounting to CZK 2,295 million (2002: CZK 4,430 million). Refer to Note 37a.

20. Amounts Owed to Customers

MCZK	2003	2002
Repayable on demand	201,565	165,243
Other deposits	227,007	237,485
Total	428,572	402,728

_____ As of 31 December 2003, the Bank received from customers loans of CZK 5,623 million (2002: CZK 8,847 million) under repurchase transactions which were collateralised by securities amounting to CZK 5,633 million (2002: CZK 2,352 million). Refer to Note 37a.

_____ Other deposits include a payable of CZK 3,320 million (2002: CZK 3,140 million) arising from state subsidy claims in respect of building savings program participants (refer to Note 18).

Analysis of amounts owed to customers:

MCZK	2003	2002
Savings deposits	174,159	161,997
Other amounts owed to customers		
- Public sector	23,953	24,316
- Corporate clients	61,090	59,075
- Retail clients	159,871	150,004
- Other	9,499	7,336
Total	428,572	402,728

21. Bonds in Issue

	Date of issue	Maturity date	Interest rate	2003 MCZK	2002 MCZK
Mortgage bonds	August 2003	August 2008	4.50%	2,629	-
Mortgage bonds	March 2003	March 2008	5.20%	3,283	-
Mortgage bonds	November 2002	November 2007	5.80%	2,735	2,796
Mortgage bonds	August 1998	August 2003	11.85%	-	165
Depository bills of exchange				7,370	4,182
Total				16,017	7,143

22. Provisions for Liabilities and Other Reserves**(a) Structure of Provisions**

MCZK	2003	2002
Provision for off balance sheet credit risks (Note 10)	584	683
Insurance technical reserves	8,918	5,798
Restructuring reserves	-	388
Other reserves	482	398
Income tax liability	2,369	821
Deferred income tax liability (Note 17)	6	10
Total	12,359	8,098

(b) Charge for and Use of Provisions

MCZK	2003	2002
Balance at 1 January	8,098	4,704
Charge for provisions	10,051	8,521
Use of provisions	(5,477)	(4,592)
Release of provisions	(313)	(535)
Balance at 31 December	12,359	8,098

(c) Provisions for Off Balance Sheet Credit Exposures

_____ Provision for off balance sheet risks are established to cover losses that result from off balance sheet and other exposures.

MCZK	2003	2002
Balance at 1 January	683	690
Charge for provisions	100	(7)
Release of provisions	(199)	-
Balance at 31 December	584	683

(d) Restructuring Reserves

_____ In the year ended 31 December 2000, the Bank developed a detailed formal plan for restructuring its individual business lines and created restructuring reserves in the aggregate amount of CZK 1,776 million. The Bank utilised a portion of these reserves during 2001 and 2002 and reassessed the overall requirements for restructuring reserves as of 31 December 2002. During the year ended 31 December 2003, all the restructuring reserves were utilised or released.

23. Other Liabilities

MCZK	2003	2002
Financial derivatives with negative fair value (Note 37)	12,070	13,960
Of which: Foreign currency	1,886	1,510
Interest rate hedging	107	11
Interest rate non-hedging	10,077	12,436
Other	-	3
Accrued expenses	201	622
Of which: Interest on amounts owed to financial institutions	48	195
Interest on amounts owed to customers	68	338
Interest on bonds in issue	32	33
Other	53	56
Deferred income	68	128
Short sales	1,441	5,185
Various creditors	4,875	5,389
Liabilities from factoring transactions	1,800	1,624
Payables from securities trading	5,286	839
Other liabilities	5,920	5,655
Total	31,661	33,402

24. Subordinated Debt

_____ As of 23 December 2003, the Bank exercised its option to make a premature repayment of the subordinated debt of CZK 5,500 million received from Konsolidační banka, s.p.ú (presently Česká konsolidační agentura) in 1998 to boost the Bank's regulatory capital. The reason for the Bank's exercising of the option predominantly related to significant costs of servicing the subordinated debt (with effect from 23 December 2003, the interest rate attached to the loan would have been increased to 6M PRIBOR+ 3.7 percent) and the Bank's regulatory base being sufficient without this additional source of regulatory capital.

25. Minority Interests

MCZK	2003	2002
Balance at 1 January	1,131	1,090
Minority interest in the current year's profit	177	187
Acquisition of minority interest	-	(6)
Minority interests in the companies newly included in consolidation and capital increase	82	-
Dividends paid to minority shareholders	-	(140)
Balance at 31 December	1,390	1,131

26. Share Capital

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

	Number of shares	2003 MCZK	Number of shares	2002 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 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.

_____ In June 1996, the Bank issued 5,090,000 Global Depository Receipts ('GDRs'), representing 6.7 percent of the Bank's share capital at that time. In connection with the de-registration of its shares from public markets, the Bank finalised the required documentation and all transactions were settled as of 13 October 2003.

_____ 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 2003 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 219 employees (2002: 556) participated in the programme and subscribed for 14,900 shares (2002: 34,179).

_____ 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 2003, approximately 77,800 options (2002: 73,800) were granted to these employees. The following tranche of the programme in 2004 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. 768 options granted under the first tranche in 2002 were exercised in the year ended 31 December 2003.

_____ The aggregate amount of the discount in respect of both programmes was CZK 7 million (2002: CZK 11 million) and was reported within "General administrative expenses - other staff costs".

27. Interest Income and Similar Income

MCZK	2003	2002
Loans and advances to financial institutions	3,393	6,183
Loans and advances to customers	12,541	12,550
Debt securities and other fixed income securities	6,494	6,940
Fair value of hedging derivatives	101	19
Other interest income and similar income	29	45
Proceeds from shares and other variable yield securities	195	49
Total	22,753	25,786

28. Interest Expense and Similar Expense

MCZK	2003	2002
Amounts owed to financial institutions	946	1,179
Amounts owed to customers	5,402	8,132
Bonds in issue	84	213
Subordinated debt	229	328
Fair value of hedging derivatives	218	-
Other	-	1
Total	6,879	9,853

29. Provisions for Credit Risks

MCZK	2003	2002
Charge for the year	(2,423)	(4,256)
Release of provisions	4,362	3,993
Net (charge)/release of provisions (Note 10 (b))	1,939	(263)
Write-offs of loans not covered by provisions	(8)	(49)
Recoveries	39	23
Total	1,970	(289)

30. Net Profit on Financial Operations

MCZK	2003	2002
Realised and unrealised profit on securities held for trading	70	187
Derivative instruments	(31)	(350)
Foreign exchange gains	1,059	810
Other	172	(9)
Total	1,270	638

31. General Administrative Expenses

(a) Composition of General Administrative Expenses

MCZK	2003	2002
Staff costs		
Wages and salaries	4,985	4,540
Social security costs	1,796	1,513
Other staff costs	77	180
Total staff costs	6,858	6,233
Other administrative expenses		
Data processing expenses	1,498	1,652
Building maintenance and rent	1,271	1,262
Costs of business transactions	890	936
Advertising and marketing	686	868
Advisory and legal services	460	304
Other administrative expenses	384	696
Total other administrative expenses	5,189	5,718
Depreciation		
Amortisation of intangible assets except for goodwill (Notes 15 and 33)	984	558
Depreciation and impairment of property and equipment (Note 16)	2,042	1,642
Total depreciation, amortisation and impairment	3,026	2,200
Total	15,073	14,151

(b) Board of Directors and Supervisory Board Emoluments

MCZK	2003	2002
Salaries	132	110
Bonuses	1	2
Total	133	112

(c) Average Number of Employees and Board Members

	2003	2002
Board of Directors	37	37
Supervisory Board	54	56
Staff	12,786	13,061
Total	12,877	13,154

32. Net Insurance Income

MCZK	2003	2002
Net earned premium	5,172	4,905
Costs of insurance claims	(1,226)	(1,055)
Change in technical reserves	(3,120)	(3,123)
Operating expenses	(653)	(706)
Other losses on insurance transactions	(179)	(270)
Technical account result	(6)	(249)
Financial gains	215	316
Other income of the non-technical account	-	88
Total net insurance income	209	155

33. Other Operating Expenses, net

MCZK	2003	2002
Income from statute-barred deposits	-	385
Other operating income	975	787
Total other operating income	975	1,172
Restructuring charges	-	(206)
Charges for other reserves	(101)	(64)
Other operating expense	(2,199)	(1,572)
Other taxes	(31)	(35)
Total other operating expense	(2,331)	(1,877)
Amortisation of goodwill	(4)	(3)
Income from revaluation/sale of securities available for sale	142	483
Expense of revaluation/sale of equity investments	(6)	-
Total other operating expenses, net	(1,224)	(225)

34. Income Tax Expense

MCZK	2003	2002
Current tax expense	2,550	954
Deferred tax expense (Note 17)	599	1,963
Total	3,149	2,917

_____ 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	2003	2002
Profit before tax	10,941	8,909
Tax calculated at a tax rate of 31 percent	3,392	2,762
Income not subject to tax	(1,645)	(1,335)
Expenses not deductible for tax purposes	1,113	1,565
Tax allowances and credits, including the utilisation of tax losses	(197)	(2,033)
Other differences	(113)	(5)
Subtotal	2,550	954
Movement in deferred taxation (Note 17)	599	1,963
Income tax expense	3,149	2,917

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

35. 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	2003	2002
Cash (Note 6)	14,344	15,193
Nostro accounts with the CNB (Note 6)	572	415
Treasury bills with maturity of less than three months	15,658	16,266
Nostro accounts with financial institutions (Note 7)	860	931
Loro accounts with financial institutions (Note 19)	(131)	(174)
Total cash and cash equivalents	31,303	32,631

36. 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 2003 is shown in Note 38.

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 39.

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 41 for an analysis of the Group's balance sheet as of 31 December 2003 and 2002, respectively.

_____ In addition to the risks noted above, the Group deals in derivative financial instruments which are discussed in greater detail in Note 37.

37. 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**

_____ As of 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 has been named as a defendant in a legal action brought by one particular party regarding ownership of several of the Bank's buildings. 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.

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 7,928 million (2002: CZK 6,782 million). Of this balance, treasury bills amount to CZK 5,243 million (2002: CZK 2,017 million), debt securities to CZK 2,685 million (2002: CZK 4,759 million) and equity securities to CZK nil (2002: CZK 6 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 2003, the aggregate balance of these provisions was CZK 584 million (2002: CZK 683 million). Refer to Note 22.

MCZK	2003	2002
Guarantees and letters of credit	7,287	4,731
Undrawn loan commitments	55,741	45,940

(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 2003 and 2002 (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	2003	2002
<i>Trading instruments</i>		
Commitments to purchase	105,255	57,933
Commitments to sell	104,981	58,057

(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.

In the year ended 31 December 2003, the Bank 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 3 million as of 31 December 2003 (2002: CZK 0.555 million).

As of 31 December 2003		Weighted average rate	
Notional amounts	MCZK	Receive	Pay
<i>Hedging instruments</i>			
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%
<i>Trading instruments</i>			
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%

As of 31 December 2002		Weighted average rate	
Notional amounts	MCZK	Receive	Pay
<i>Hedging instruments</i>			
Residual maturity:			
1 to 5 years	2,200	3.81%	2.78%
<i>Trading instruments</i>			
Residual maturity:			
1 year or less	117,806	4.63%	3.78%
1 to 5 years	175,978	4.62%	3.62%
over 5 years	51,424	4.57%	3.55%
Total	345,208	4.61%	3.67%

(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	2003	2002
Option contracts sold		
interest rate	2,811	608
foreign currency	18,154	8,338
Option contracts purchased		
interest rate	664	1,146
foreign currency	12,764	3,313

(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	2003		2002	
	MCZK	Weighted average rate	MCZK	Weighted average rate
Residual maturity:				
Purchase				
1 year or less	251,162	2.54%	159,096	3.04%
1 to 5 year	46,596	3.56%	39,060	3.34%
Sale				
1 year or less	251,162	2.45%	159,096	3.11%
1 to 5 year	46,596	3.50%	39,060	3.82%

(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 treasury bills and other securities are used by the Group for trading purposes.

Notional amounts MCZK	2003	2002
<i>Trading instruments</i>		
Contracts with treasury bills		
Commitments to purchase	-	1,582
Contracts with debt securities and other fixed income securities		
Commitments to purchase	35	2,408
Commitments to sell	-	928
Contracts with equities		
Commitments to purchase	128	89
Commitments to sell	125	82

(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	2003	2002
<i>Trading instruments</i>		
Commitments to purchase	11,867	9,704
Commitments to sell	10,624	8,642

(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 2003, the total notional amount of total return swaps and credit derivatives was CZK 400 million (2002: CZK 894 million) and CZK 630 million (2002: CZK nil), 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 2003, the total notional amount of the futures transactions was CZK 875 million (2002: CZK nil).

38. Net Foreign Exchange Positions

_____ The net foreign exchange positions of the Group as of 31 December 2003 and 2002 were as follows:

MCZK	2003	2002
On balance sheet		
CZK	20,244	17,274
EUR	10,592	9,011
USD	1,508	1,331
GBP	567	517
SKK	(835)	(838)
HUF	1,219	1,435
Other currencies	1,113	1,101
Total	34,408	29,831
Off balance sheet		
CZK	9,363	10,358
USD	(1,616)	(1,286)
EUR	(9,604)	(8,850)
GBP	(461)	(529)
SKK	2,903	919
Other currencies	(585)	(612)
Total	-	-

39. 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 2003 and 2002. 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 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	

As of 31 December 2002	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	22,253	-	-	-	-	22,253
Loans and advances to financial institutions	107,268	6,873	10,368	2,541	-	127,050
Loans and advances to customers	49,141	37,971	35,364	51,982	2,584	177,042
Securities and other assets held for trading	9,477	-	-	-	-	9,477
Securities available for sale	4,703	4,973	4,624	7,029	4,585	25,914
Securities and other assets held to maturity	10,695	4,954	12,844	48,716	24,685	101,894
Financial placements of insurance companies	328	144	276	2,198	2,407	5,353
	203,865	54,915	63,476	112,466	34,261	468,983
Selected liabilities						
Amounts owed to financial institutions	12,645	8,123	9,398	1,089	-	31,255
Amounts owed to customers	81,405	87,450	81,471	149,699	323	400,348
Bonds in issue	4,048	33	165	2,796	100	7,142
Subordinated debt	-	-	5,500	-	-	5,500
	98,098	95,606	96,534	153,584	423	444,245
Current gap	105,767	(40,691)	(33,058)	(41,118)	33,838	24,738
Cumulative gap	105,767	65,076	32,018	(9,100)	24,738	

_____ 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 2003 and 2002 are as follows.

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%

As of 31 December 2002	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	3.47%	-	-	3.47%
Loans and advances to financial institutions	3.73%	3.29%	1.71%	3.67%
Loans and advances to customers	7.28%	5.76%	3.65%	7.12%
Securities and other assets held for trading	3.71%	-	-	3.71%
Securities available for sale	4.60%	5.52%	4.48%	4.74%
Securities and other assets held to maturity	6.01%	-	7.89%	6.01%
Financial placements of insurance companies	6.34%	6.26%	9.00%	6.36%
Selected liabilities				
Amounts owed to financial institutions	4.01%	4.10%	2.01%	3.97%
Amounts owed to customers	3.34%	2.06%	0.69%	3.27%
Bonds in issue	4.62%	-	-	4.62%
Subordinated debt	5.76%	-	-	5.76%

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

40. 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:

MCZK	2003		2002	
Financial institutions	197,668	41%	179,837	39%
Individuals	68,145	14%	57,720	13%
Trading	12,912	3%	13,491	3%
Energetics	7,591	2%	8,406	2%
State institutions including ČKA	113,317	23%	131,868	29%
Public sector	9,554	2%	8,385	2%
Construction	2,343	1%	2,587	1%
Hotels, public catering	2,594	1%	3,329	1%
Processing industry	19,931	4%	21,409	5%
Other	46,902	9%	31,963	7%
Total	480,957		458,995	

_____ For an analysis of the Group's assets and liabilities by geographical concentration refer to Note 43b.

41. Maturity Analysis

_____ The table below analyses assets and liabilities of the Group into relevant maturity groupings as of 31 December 2003, 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	14,916	-	-	-	-	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	(9,025)	205,878
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	33,420	554,048
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	23,242	44,020
Total	258,370	91,877	56,645	87,396	720	23,242	518,250
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.

_____ The following table shows assets and liabilities as of 31 December 2002 according to their residual maturities.

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	15,608	-	-	-	-	6,652	22,260
Loans and advances to financial institutions	2,153	110,933	9,948	5,703	-	-	128,737
Loans and advances to customers	1,881	9,268	35,614	96,701	45,114	(18,812)	169,766
Securities and other assets held for trading	14,748	-	2,596	3,113	2,237	209	22,903
Securities available for sale	2,367	3,643	5,108	11,582	3,812	1,495	28,007
Securities and other assets held to maturity	-	13,113	12,595	50,534	25,384	-	101,626
Financial placements of insurance companies	7	316	181	2,298	2,516	242	5,560
Other assets	6,251	1,410	3,846	2,178	1,182	25,965	40,832
Total	43,015	138,683	69,888	172,109	80,245	15,751	519,691
Liabilities							
Amounts owed to financial institutions	5,442	14,771	6,821	4,824	-	-	31,858
Amounts owed to customers	192,104	96,024	44,077	69,980	543	-	402,728
Bonds in issue	-	4,053	200	-	2,890	-	7,143
Subordinated debt	-	-	-	-	5,500	-	5,500
Other liabilities	18,775	1,165	122	883	4,142	16,413	41,500
Total	216,321	116,013	51,220	75,687	13,075	16,413	488,729
Current gap	(173,306)	22,670	18,668	96,422	67,170	(662)	30,962
Cumulative gap	(173,306)	(150,636)	(131,968)	(35,546)	31,624	30,962	

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

42. 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.

_____ 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 2003	Estimated fair value 2003	Carrying value 2002	Estimated fair value 2002
Financial assets				
Loans and advances to financial institutions	82,121	82,173	128,737	128,901
Loans and advances to customers, including ČKA	205,878	208,274	169,766	173,460
Securities and other assets held to maturity	113,466	117,644	101,626	108,999
Financial placements of insurance companies	9,264	9,266	5,560	5,560
Financial liabilities				
Amounts owed to financial institutions	29,641	29,636	31,858	31,902
Amounts owed to customers	428,572	430,316	402,728	413,542
Bonds in issue	16,017	16,048	7,143	7,188
Subordinated debt	-	-	5,500	5,565

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.

Subordinated Debt

_____ 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 on the market for deposits with similar maturities.

43. Segment Reporting

(a) Industry Segments

MCZK	Banking		Other operations		Total	
	2003	2002	2003	2002	2003	2002
External revenue	31,673	34,712	7,402	9,644	39,075	44,356
Inter-segment revenue	494	640	368	385	862	1,025
Total income	32,167	35,352	7,770	10,029	39,937	45,381
Segment profit/(loss)	10,422	9,194	519	(285)	10,941	8,909
Income tax					(3,149)	(2,917)
Minority interests					(177)	(187)
Net profit					7,615	5,805
<i>Other information</i>						
Segment assets	523,698	496,475	33,084	26,608	556,782	523,083
Unallocated assets					(2,734)	(3,392)
Total consolidated assets					554,048	519,691
Segment liabilities	491,131	467,823	29,962	24,009	521,093	491,832
Unallocated liabilities					(2,843)	(3,103)
Total consolidated liabilities					518,250	488,729
Capital expenditure	5,452	7,570	28	142	5,480	7,712
Depreciation and amortisation	2,976	2,129	50	119	3,026	2,248
Impairment losses on assets	562	445	-	21	562	466
Provisions for credit risks	(2,237)	216	267	115	(1,970)	331

_____ 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" and "Total other operating income". Refer to Note 33.

(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 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	158,833	45,999	1,046	205,878
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	313,764	236,260	4,024	554,048
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	43,988	32	-	44,020
Total liabilities	493,342	23,991	917	518,250
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.

_____ The geographical concentration of assets and liabilities as of 31 December 2002 was as follows:

MCZK	OECD (1)	OECD (2)	Non-OECD (3)	Total
Assets				
Cash and balances with the CNB	15,193	7,067	-	22,260
Loans and advances to financial institutions	38,607	89,962	168	128,737
Loans and advances to customers, including ČKA	121,922	46,587	1,257	169,766
Securities and other assets held for trading	15,422	7,278	203	22,903
Securities available for sale	13,605	13,424	978	28,007
Securities and other assets held to maturity	30,725	69,907	994	101,626
Financial placements of insurance companies	1,808	3,752	-	5,560
Other assets	37,555	3,205	72	40,832
Total assets	274,837	241,182	3,672	519,691
Liabilities				
Amounts owed to financial institutions	31,805	-	53	31,858
Amounts owed to customers	377,631	24,323	774	402,728
Bonds in issue	6,969	174	-	7,143
Subordinated debt	-	5,500	-	5,500
Other liabilities	40,933	567	-	41,500
Total liabilities	457,338	30,564	827	488,729
Net position	(182,501)	210,618	2,845	30,962

(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.

44. 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 76,773 million and CZK 40,809 million of assets as of 31 December 2003 and 2002, 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 60,365 million and CZK 51,324 million as of 31 December 2003 and 2002, respectively.

45. 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 (refer to Note 26).

_____ The Bank has the following amounts due from/to Erste Bank as of 31 December 2003:

MCZK	2003	2002
Amounts due from Erste Bank		
Loans outstanding at the beginning of the year	795	7,555
Loans issued during the year	184,696	78,719
Loan repayments during the year	(184,972)	(85,479)
Loans outstanding at the end of the year	519	795
Interest income earned	26	86
Amounts owed to Erste Bank		
Deposits at the beginning of the year	1,742	227
Deposits received during the year	534,194	32,984
Deposits repaid during the year	(527,232)	(31,469)
Deposits at the end of the year	8,704	1,742
Interest expense	190	56

_____ In addition to the above loans and deposits, the Bank carries the following amounts due to and from Erste Bank as of 31 December 2003:

- > Positive fair value of interest rate derivatives of CZK 4,480 million (2002: CZK 3,317 million) within assets held for trading;
- > Shares of CZK 125 million (2002: CZK 125 million) within the available-for-sale portfolio (refer to Notes 12 and 14);
- > Bonds of CZK 5,617 million (2002: CZK 4,983 million) within the held-to-maturity portfolio (refer to Note 13);
- > Receivables of CZK 86 million (2002: CZK 77 million) within other assets; and
- > Negative fair value of interest rate derivatives of CZK 4,293 million (2002: CZK 2,760 million) and other payables of CZK 119 million (2002: CZK nil) 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 unrealised gains on the remeasurement of derivatives and shares of CZK 172 million (2002: CZK 362 million), fee income of CZK 1 million (2002: CZK 14 million) and advisory services costs of CZK 76 million (2002: CZK 46 million).

_____ The off balance sheet transactions as of 31 December 2003 included derivative contracts with a notional amount of underlying assets of CZK 196,039 million (2002: CZK 88,097 million), and issued guarantees of CZK 81 million (2002: CZK 62 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 and CZK 5 million as of 31 December 2003 and 2002, respectively.

_____ Members of the Board of Directors and Supervisory Board held no shares of the Bank. Under the Employee Stock Option Plan (refer to Note 26), members of the Board of Directors subscribed for 600 shares of the parent company Erste Bank (2002: 700 shares). Under the Management Stock Option Plan (refer to Note 26), members of the Board of Directors hold 64,000 options for subscription of shares of the parent company Erste Bank (2002: 25,000 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.

46. 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 2003, which represents CZK 30 per both ordinary and priority share (2002: CZK 3,040 million, that is, CZK 20 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 the shareholders that are tax residents of the 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.

47. Post Balance Sheet Events

_____ During the year ended 31 December 2003, negotiations were conducted with the objective of selling the non-life insurance business of Pojišťovna Česká spořitelna, a. s. (the "Company"). Based upon the result of a tender process, Kooperativa pojišťovna, a. s. was selected as the purchaser. The Contract for the Sale of the Non-Life Portfolio became effective upon supervisory approval granted by the Finance Ministry on 2 January 2004, resulting in the sale of the non-life insurance business being a post year-end transaction. Therefore, as of 31 December 2003, all assets, liabilities, income and expense of the non-life insurance business of the Company are included in the consolidated financial statements.

_____ The anticipated sales price (net of expenses associated with the transaction) for the non-life portfolio agreed between the parties is CZK 3,947 million. This price may be adjusted based on changes in the underlying non-life insurance portfolio; as of the date of these financial statements the final purchase price was not known. The anticipated profit on the sale of the non-life insurance business in the year ending 31 December 2004 (net of attributable costs and before taxation) is approximately CZK 2,859 million.

_____ The non-life insurance business of the Company generated profit before taxation of CZK 289 million in the year ended 31 December 2003 (2002: CZK 96 million).

Unconsolidated Financial Statements

Prepared in Accordance with Czech Accounting Standards
for the Year Ended 31 December 2003

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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 2003. 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 2003 and of the results of its operations for the year then ended in accordance with the Accounting Act and applicable Czech regulations.

Prague, 2 March 2004



Audit firm:
Deloitte & Touche spol. s r. o.
Certificate no. 79



Statutory auditor:
Michal Petrman
Certificate no. 1105

Balance Sheet as of 31 December 2003

Assets

CZK million		Note	Gross	Current period		Prior periods	
				Adjustment	Net	2002	2001
1.	Cash in hand and balances with central banks		22,552	0	22,552	22,152	22,865
2.	State zero-coupon bonds and other securities eligible for refinancing with the CNB	8	67,304	0	67,304	60,049	66,831
	a) Issued by Government institutions		67,304	0	67,304	60,049	66,831
3.	Amounts due from banks	9	73,726	0	73,726	114,829	107,385
	a) Repayable on demand		3,671	0	3,671	1,994	2,295
	b) Other receivables		70,055	0	70,055	112,835	105,090
4.	Amounts due from clients	10	200,492	4,545	195,947	164,070	160,712
	a) Repayable on demand		24	0	24	230	3
	b) Other receivables		200,468	4,545	195,923	163,840	160,709
5.	Debt securities	11	61,716	25	61,691	49,480	51,459
	a) Issued by Government institutions		11,453	0	11,453	6,999	10,606
	b) Issued by other entities		50,263	25	50,238	42,481	40,853
6.	Shares, share certificates and other equity investments	12	4,615	0	4,615	1,142	784
7.	Participation interests with substantial influence	13a	300	0	300	300	1
	of which: in banks		0	0	0	0	0
8.	Participation interests with controlling influence	13b	2,580	905	1,675	1,501	1,275
	of which: in banks		333	0	333	333	333
9.	Intangible fixed assets	14	7,005	3,026	3,979	4,293	3,152
	of which: goodwill		230	187	43	101	158
10.	Tangible fixed assets	15	28,242	12,374	15,868	16,555	15,819
	of which: land and buildings for operating activities		16,705	5,186	11,519	11,976	11,429
11.	Other assets	16	19,162	292	18,870	21,524	19,008
12.	Receivables for subscribed capital		0	0	0	0	0
13.	Prepayments and accrued income		1,100	0	1,100	280	312
Total assets			488,794	21,167	467,627	456,175	449,603

Liabilities

CZK million	Note	Current period	Prior periods	
			2002	2001
1. Amounts owed to banks	17	22,067	25,623	23,716
a) Repayable on demand		9,204	5,436	226
b) Other payables		12,863	20,187	23,490
2. Amounts owed to clients	18	360,780	351,132	354,713
a) Repayable on demand		201,975	165,174	145,002
b) Other payables		158,805	185,958	209,711
3. Payables from debt securities	19	18,378	13,275	14,377
a) Issued debt securities		16,933	8,086	11,587
b) Other payables from debt securities		1,445	5,189	2,790
4. Other liabilities	20	28,864	24,577	19,430
5. Deferred income and accrued expenses		47	86	333
6. Reserves	21, 22	4,229	6,861	8,252
c) Other		4,229	6,861	8,252
7. Subordinated liabilities	23	0	5,506	5,500
8. Share capital	24	15,200	15,200	15,195
of which: a) share capital paid up		15,200	15,200	15,200
b) treasury shares		0	0	(5)
9. Share premium		2	2	0
10. Reserve funds and other funds from profit	25	1,044	715	557
a) Mandatory reserve funds and risk funds		965	642	490
b) Other reserve funds		0	0	0
c) Other funds from profit		79	73	67
11. Revaluation reserve		0	0	0
12. Capital funds	25	2	2	2
13. Gains or losses from revaluation of	26	2	0	0
c) Retranslation of equity holdings		2	0	0
14. Retained earnings or accumulated losses brought forward	25	9,723	6,740	4,494
15. Profit/(loss) for the period	25	7,289	6,456	3,034
Total liabilities		467,627	456,175	449,603

Off Balance Sheet Accounts

CZK million	Note	Current period	Prior periods	
			2002	2001
Off balance sheet assets				
1. Issued commitments and guarantees	27a	61,698	49,534	29,568
2. Provided collateral	27a	866	2,411	1,000
3. Amounts due from spot transactions	27c	1,723	2,428	4,306
4. Amounts due from term transactions	27c	838,854	616,410	554,674
5. Amounts due from option transactions	27c	35,375	13,757	17,552
6. Receivables written off		6,169	6,135	5,329
7. Assets provided into custody, administration and safe-keeping	29	47,286	30,651	26,365
8. Assets provided for management	29	0	0	0
Off balance sheet liabilities				
9. Accepted commitments and guarantees	27b	58,942	50,451	103,413
10. Received collateral	27b	286,037	388,091	336,558
11. Amounts owed from spot transactions	27c	1,721	2,428	4,306
12. Amounts owed from term transactions	27c	837,336	615,470	553,792
13. Amounts owed from option transactions	27c	34,467	13,473	16,572
14. Assets received into custody, administration and safe-keeping	28	56,495	37,100	18,198
15. Assets received for management	28	20,278	3,709	0

The notes set out on pages 92 to 139 form part of these financial statements.

Profit and Loss Account for the Year Ended 31 December 2003

CZK million	Note	Current period	Prior periods	
			2002	2001
1. Interest income and similar income	32	19,845	23,029	25,152
of which: interest income from debt securities		5,735	6,153	6,714
2. Interest expense and similar expense	32	(5,583)	(8,846)	(11,861)
of which: interest expense from debt securities		(316)	(352)	(1,222)
A. Net interest income		14,262	14,183	13,291
3. Income from shares and participation interests		170	625	367
b) Income from participation interests with control. influence		0	586	337
c) Income from other shares and participation interests		170	39	30
4. Commission and fee income	33	7,888	7,063	6,444
5. Commission and fee expense	33	(384)	(356)	(338)
B. Net commission and fee income		7,504	6,707	6,106
6. Net profit or loss on financial operations	34	1,112	1,083	2,214
7. Other operating income	35	969	1,603	501
8. Other operating expenses	35	(839)	(385)	(1,121)
9. Administrative expenses	36	(11,939)	(11,962)	(11,713)
a) Staff costs		(6,171)	(5,700)	(5,537)
aa) Wages and salaries		(4,430)	(3,981)	(3,965)
ab) Social security and health insurance		(1,543)	(1,600)	(1,432)
ac) Other staff costs		(198)	(119)	(140)
b) Other administrative expenses		(5,768)	(6,262)	(6,176)
C. Net income from operations before depreciation, reserves and provisions		11,239	11,854	9,645
10. Release of reserves and provisions for tangible and intangible fixed assets		569	484	44
11. Depreciation/amortisation, charge for and use of reserves and provisions for tangible and intangible fixed assets		(3,985)	(3,175)	(2,873)
12. Release of provisions and reserves for receivables and guarantees, recoveries of receivables written off		4,198	3,878	1,031
13. Write-offs, charge for and use of provisions and reserves for receivables and guarantees		(1,839)	(2,405)	(4,578)
14. Release of provisions for participation interests		289	938	203
15. Loss on the transfer of participation interests, charge for and use of provisions for participation interests		(301)	(719)	(216)
16. Release of other reserves		112	490	1,084
17. Charge for and use of other reserves		(40)	(1,996)	(382)
18. Share of profits/(losses) of subsidiaries and associates		0	0	0
19. Profit/(loss) for the period from ordinary activities before taxes		10,242	9,349	3,958
20. Extraordinary income	37	0	1,114	370
21. Extraordinary expenses	37	0	(568)	(24)
22. Profit/(loss) for the period from extraordinary activities before taxes		0	546	346
24. Income tax	38	(2,953)	(3,439)	(1,270)
26. Net profit/(loss) for the period		7,289	6,456	3,034

The notes set out on pages 92 to 139 form part of these financial statements.

Statement of Changes in Equity for the Year Ended 31 December 2003

CZK million	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
Note	24		25	25	25	26	25	
1 . Balance at 1 January 2001	15,200	0	0	322	2	0	4,837	20,361
Net profit for the period							3,034	3,034
Transfers to funds				343			(343)	0
Use of funds				(111)				(111)
Acquisition of treasury shares		(5)						(5)
Other changes				3				3
Balance at 31 December 2001	15,200	(5)	0	557	2	0	7,528	23,282
2 . 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
3 . 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

The notes set out on pages 92 to 139 form part of these financial statements.

Notes to the Financial Statements

Prepared in Accordance with Czech Accounting Standards for the Year Ended 31 December 2003

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 a 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 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, travel 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.

3. Specific Events Impacting the Bank's Results for the Year Ended 31 December 2003

(a) Ringfence Arrangement

_____ On 1 March 2000, the Bank, CORFINA, a.s. (currently Leasing České spořitelny, a.s.) and Konsolidační banka Praha, s.p.ú. ("KOB"), which was transformed into Česká konsolidační agentura ("ČKA") with effect from 1 September 2001, entered into a Ringfence Arrangement.

_____ Under the terms and conditions of the Ringfence Arrangement, ČKA guarantees the net book values of certain ring-fenced exposures and selected financial derivatives as carried in the Bank's accounting records as of 31 December 1999.

_____ In accordance with the Ringfence Arrangement, the Bank exercised the full put option as of 30 June 2002 and transferred a substantial proportion of the ringfenced exposures to ČKA, the only exception being exposures collateralised by a guarantee issued by Podpůrný a garanční rolnický a lesnický fond, a.s., where the assignment of the exposure would lead to an expiration of the guarantee, and receivables arising from syndicated loans in which the assignment needs to be approved by other contracting parties and which amounted to CZK 1,623 million as of 31 December 2002. During the year ended 31 December 2003, the volume of these receivables decreased to CZK 11 million as a result of their assignment to ČKA or repayment and they are anticipated to be fully settled by mid-2004.

(b) Sale of the Selected Portfolio of Receivables

_____ On 21 January 2003, the Bank's Board of Directors approved a project designed to substantially reduce the costs involved in managing and administering the portfolio of distressed loans and to accelerate the recovery of the finance held in this portfolio. The preparatory phase of the project established the number of exposures in the portfolio to be sold. These exposures were generally fully provisioned and originated in the 1990s.

_____ On 3 March 2003, the Bank initiated a two round tender. Eight bidders participated in the first round of the tender and the three bidders that submitted the best preliminary bids were shortlisted. J.P. Morgan Securities Ltd., United Kingdom, which presented the highest bid price, became the winner of the second round and therefore of the whole tender. On 27 June 2003, a framework agreement to assign the selected portfolio of receivables was put in place. The purchase price was paid in full on 4 July 2003 and the portfolio was transferred to the assignee on 31 August 2003.

_____ The financial statements of the Bank have reflected the implementation of the sale through the reduction of amounts due from clients reported by approximately CZK 195 million which represents the net carrying value of the receivables (outstanding loan balances of CZK 7,966 million net of provisions of CZK 7,771 million). The sale was reflected through the

increase of profit arising from the release of provisions previously charged against assigned receivables. The loss on the assignment of the receivables amounted to CZK 7,418 million and was fully covered by the use of provisions and reserves. The net financial impact on the profit and loss statement represented a profit of CZK 354 million.

(c) State Aid

During 2003, in the context of the Czech Republic's accession to the European Union ("EU"), Czech and EU authorities responsible for overseeing the state aid area investigated the state aid provided in the past to the Czech banking sector, including the Bank.

In the spring of 2003, the Czech Finance Ministry provided the Czech Antimonopoly Office with all of the documentation required to undertake an assessment of individual components of the state aid granted to the Bank. In July 2003, the Czech Antimonopoly Office stated that the assessed state aid measures were compatible with EU legislation and did not breach economic competition in the EU common market.

Subsequently, individual cases of state aid were investigated by the European Commission, specifically the Competition Directorate, which also indicated that the state aid measures were no longer applicable following EU accession of the Czech Republic, thereby confirming that they were not in breach of economic competition. Only one measure was subsequently assessed as "existing aid" which is, pursuant to the accession documents concluded between the Czech Republic and European Communities, automatically regarded as allowed support. Pursuant to this final decision which is positive for the Bank, the European Commission is no longer authorised to investigate the reviewed state aid measures following EU accession.

4. 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 an 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"). 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 adjust-

ments 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 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 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 are unconsolidated financial statements, and do not include the accounts and results of those companies over which the Bank has control or significant influence.

5. 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 (the 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. This portfolio principally comprises state securities and other debt securities with high credit ratings.

_____ 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.

_____ As of 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 date to the sale 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 increased over the period from the purchase trade 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 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."

_____ 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 Ex-

change (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 the lack of assets.

(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 increased over the period from the sale settlement date to the purchase settlement date to reflect accrued coupon and amortisation of premium or discount. Payables arising from securities 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 5bb). 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 as of 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 recorded at nominal 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 recorded at market 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 an 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, 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 referred to as "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"). 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 Section IV of the Finance Ministry Regulation which sets out the chart of accounts and accounting principles for banks and selected financial institutions, reflecting CNB Regulation 9/2002 and Notice 501.

_____ In the year ended 31 December 2003, the Company recorded purchased receivables at the agreed purchase consideration which was lower than the nominal value. Given its plans to resell these receivables, the Bank did not record interest on an accruals basis.

(h) Fees and Commissions

_____ Fees and commissions are recognised through the profit and loss account line "Fee and commission income" 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 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 fair market value of a bank or enterprise on its acquisition and is recorded as "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 annual 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
Structures	20-30 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 5(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.

_____ The Bank also established restructuring reserves in prior years (refer to Note 22).

_____ Reasons for establishing reserves, principles and procedures of calculating individual types of reserves are set out at Note 21.

(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 2003 is 31 percent (2002 and 2001: 31 percent).

_____ During the year ended 31 December 2003, the Bank maintained a reserve for income taxation (refer to Note 6).

_____ 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 tax losses carried forward, 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 or the period in which the differences between carrying amounts and tax values of assets and liabilities reverse. 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. 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 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, typically on a daily basis.

Credit Derivatives

_____ Off balance sheet instruments (credit default swap) associated with investments in credit linked notes are recorded as amounts receivable

and payable from credit derivatives. The fair value of the credit derivative instrument is determined by comparing the received credit premium and the credit risk exposure, taking into account the likelihood of credit default and the expected recovery on default. 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.

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 to 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 period 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.

6. Changes in Accounting Policies

_____ Following the implementation of Notice 501 which took effect as of 1 January 2003, the following changes were made to the Bank's accounting policies:

Transaction Recognition Date

_____ Purchases and sales of securities with delivery within a typical timeframe are recognised using trade date accounting. Trade date accounting is applied to securities held for trading, available for sale and held to maturity.

Accruals of Fees

_____ The accounting treatment for accrued commissions and fees relating to assets and liabilities was altered. These items are reported as a component of accounting groups which are used to post the assets and liabilities (refer to Notes 9, 10, 17, 18, 19 and 23).

Adjustments of Income and Expenses of Prior Periods

_____ Adjustments of income and expenses of prior periods are recognised through the current period expenses and income and are reported

within the profit and loss account lines "Other operating expenses" or "Other operating income", the only exception being corrections of fundamental errors relating to prior periods, which are recorded to retained earnings on the face of the balance sheet (refer to Note 41).

Tangible Fixed Assets

_____ The Bank has established a two year depreciation period with regard to the depreciation of low value tangible assets costing less than CZK 13 thousand (the Bank records selected types of these assets). This change had a positive impact on the profit for the year ended 31 December 2003 amounting to CZK 9 million as a result of the re-allocation of depreciation charges over two years as opposed to the previous treatment which involved expensing the assets when they were brought into use.

Technical Improvements on Intangible Fixed Assets

_____ The capitalisation threshold for technical improvements on intangible fixed assets has been set at CZK 40 thousand for the year ended 31 December 2003.

Banking Reserves

_____ No year-on-year legislative revisions affecting reserves have been made. As such, the wording of the amended Provisioning Act that took effect in 2002 has remained applicable. In accordance with Notice 501, there is a new requirement to recognise a reserve for taxation with effect from 1 January 2003.

7. 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 10-grade internal rating system in place which was implemented in 2001 and is used in respect of all loan receivables, with the exception of loan receivables from retail clients – private individuals who are assessed using a 5-grade rating system. The 10-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 11 of CNB Regulation 9/2002).

_____ 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.

_____ In May 2002, the Bank implemented new procedures for 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 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 5f). 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.

_____ Based upon the Bank’s experience with borrowers’ default rate to date, the following conclusions regarding the composition of the loan portfolio are made: in substance, the loan portfolio can be split into a portfolio that originated prior to privatisation of the Bank and a portfolio that originated post-privatisation and following the implementation of restructuring measures. The first proportion of the loan portfolio carries a greater degree of risk and substantially all classified loans date back to the pre-privatisation period.

_____ The entire loan portfolio is segmented into several ‘sub-portfolios’ which are measured for concentration risk. Concentration risk is measured in respect of corporate banking which sees significant loans 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 9, 10, 11 and 12.

(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 gives 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.

_____ In the area of exchange-traded derivatives, the Bank trades with futures in regard to debt securities.

_____ During the year ended 31 December 2003, 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, such as embedded derivatives.

_____ Derivative transactions are also entered into to hedge against interest rate risk inherent in the banking book (interest rate swaps) 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 Note 27.

(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	2003	2002
Assets	1,842	2,220
Liabilities	(1,189)	(1,860)
Total balance sheet	653	360
Off balance sheet transactions	(60)	30
Total net interest income	593	390

MCZK	2003		2002		2001	
	31 Dec	Average	31 Dec	Average	31 Dec	Average*
VaR interest rate risk	16.68	22.61	3.58	6.80	4.36	10.74
VaR FX risk	18.83	13.86	5.53	7.50	4.01	8.33
VaR equity risk	0.15	0.88	0.59	1.42	0.43	1.22
VaR volatility risk	4.08	4.42	8.41	3.04	0.74	9.66
Total VaR	28.95	28.28	12.89	20.18	6.03	11.45

* Average for the period from 31 October 2001 to 31 December 2001

(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 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) which is measured, together with other interest rate instruments, in the form of 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:

_____ As of 31 December 2003, the aggregate VaR in respect of all market risks was CZK 28.95 million (2002: CZK 20.18 million, 2001: CZK 11.45 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

_____ At the end of 2002, the Bank presented to the Czech National Bank a request for approval of its internal model based upon Value at Risk to calculate its 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. This internal 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. Following a review of the model by the Czech National Bank and Internal Audit, which involved examining quantitative factors of the model as well as qualitative aspects of risk management, the Czech National Bank stated to the Bank in November 2003 that it had no objections to the internal model being put into use. The Bank used its internal model to calculate the capital requirement in respect of market risks for the first time in preparing its returns as of 31 December 2003.

Stress Testing

_____ The Bank's trading book undertakes regular monthly stress testing. Stress scenarios are developed on the basis of 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 program put in place in 2002. This insurance program 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 program 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

_____ As of 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.

8. 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	2003	2002	2001
State treasury bills	16,666	25,840	42,892
State coupon bonds	50,638	34,209	23,939
Total	67,304	60,049	66,831

(b) Analysis of Securities Eligible for Refinancing with the CNB by Portfolio

MCZK	2003	2002	2001
Securities held for trading	22,637	6,434	10,519
Securities available for sale	1,686	3,380	1,232
Securities held to maturity	42,981	50,235	55,080
Total	67,304	60,049	66,831

(c) Analysis of Securities Eligible for Refinancing with the CNB by Remaining Maturity

MCZK	2003	2002	2001
<i>Securities held for trading</i>			
Up to 3 months	9,245	2,307	6,029
Less than 1 year	10,303	0	3,068
Less than 5 years	338	2,703	1,122
Greater than 5 years	2,751	1,424	300
	22,637	6,434	10,519
<i>Securities available for sale</i>			
Up to 3 months	707	2,207	0
Less than 1 year	979	1,173	1,232
	1,686	3,380	1,232
<i>Securities held to maturity</i>			
Up to 3 months	2,823	12,138	13,072
Less than 1 year	1,863	10,172	20,176
Less than 5 years	14,694	17,840	12,013
Greater than 5 years	23,601	10,085	9,819
	42,981	50,235	55,080
Total	67,304	60,049	66,831

9. Amounts Due from Banks

(a) Net Amounts Due from Banks

MCZK	2003	2002	2001
Loans to banks	51,643	105,236	55,340
Debt securities acquired under initial offerings not designated for trading	7,528	1,208	0
Other receivables from banks	14,555	8,385	52,045
Total amounts due from banks	73,726	114,829	107,385

_____ Loans to banks as of 31 December 2003 include loans provided under reverse repurchase transactions in the amount of CZK 46,401 million (2002: CZK 100,905 million, 2001: CZK 50,664 million).

_____ Amounts due from the Bank's related parties are presented in Note 39.

(b) Analysis of Amounts Due from Banks by Classification

_____ In the years ended 31 December 2003, 2002 and 2001, 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	2003	2002	2001
Czech Republic	58,232	109,885	81,678
EU countries	12,397	4,066	24,457
Other European countries	2,812	439	116
US and Canada	103	115	298
Others	182	324	836
Total amounts due from banks	73,726	114,829	107,385

(d) Analysis of Amounts Due from Banks by Remaining Maturity

MCZK	2003	2002	2001
Repayable on demand	3,671	1,994	2,295
Up to 3 months	52,445	103,740	86,459
Less than 1 year	7,099	2,221	14,079
Less than 5 years	9,730	6,874	4,552
Greater than 5 years	781	0	0
Total amounts due from banks	73,726	114,829	107,385

_____ The proportion of amounts due within one year is 85.74 percent (2002: 94.01 percent, 2001: 95.76 percent).

(e) Analysis of Amounts Due from Banks by Type of Collateral

MCZK	2003	2002	2001
State guarantees and guarantees issued by the CNB	267	390	780
Securities under reverse repo transactions	46,401	100,905	50,664
Total collateral	46,668	101,295	51,444
Non-collateralised	27,058	13,534	55,941
Total amounts due from banks	73,726	114,829	107,385

(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 2003 or 2002. In the year ended 31 December 2001, the Bank wrote off CZK 3 thousand in amounts due from banks. In the year ended 31 December 2003, the Bank recognised recoveries of CZK 1 thousand in respect of amounts due from banks written off (2002: CZK 2 thousand, 2001: CZK 2 thousand).

10. Amounts Due from Clients**(a) Amounts Due from Clients**

MCZK	2003	2002	2001
Corporate loans in CZK	117,825	111,500	127,154
Retail loans in CZK	62,346	47,470	32,023
Corporate and retail loans in foreign currencies	15,091	15,249	16,249
Total gross loan receivables from clients	195,262	174,219	175,427
Less provisions against classified loans	(4,545)	(12,412)	(14,715)
Net loan receivables from clients	190,717	161,807	160,712
Debt securities acquired under initial offerings not designated for trading	5,230	2,263	0
Total gross amounts due from clients	200,492	176,482	175,427
Total net amounts due from clients	195,947	164,070	160,712

_____ Loans to clients as of 31 December 2003 include loans provided under reverse repurchase transactions in the amount of CZK 1,311 million (2002: 882 million, 2001: CZK 11,103 million).

_____ In 2003, amounts due from clients included receivables from banks, which have had their banking licences revoked. This amount totalled CZK 538 million (2002: CZK 1,163 million, 2001: CZK 1,610 million).

_____ Amounts due from the Bank's related parties are presented in Note 39.

(b) Amounts Due from Clients by Classification

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

(b) Amounts Due from Clients by Classification (continue)

2001 MCZK	Total	Collateral	Adjusted value	Provisions and reserves
Standard	140,865	89,597	51,268	6,021
Watch	8,726	5,387	3,339	193
Substandard	7,745	6,444	1,301	793
Doubtful	3,751	3,139	612	593
Loss	14,340	4,048	10,292	13,136
Total	175,427	108,615	66,812	20,736

_____ Collateral values are stated net of a discount that indicates the recovery rate of the relevant type of collateral.

_____ The uncertainties resulting from specific credit risks are covered by reserves established pursuant to Notice 501.

(c) Analysis of Amounts Due from Clients by Sector

MCZK	2003	2002	2001
Non-financial institutions	68,173	61,556	65,872
Financial institutions	17,604	14,411	13,972
Insurance companies	3,152	0	0
Government sector	50,199	48,832	55,680
Not-for-profit organisations	752	2,048	450
Households (self-employed)	1,494	561	2,010
Resident individuals	58,089	47,304	37,156
Unallocated	1,029	1,770	287
Total gross amounts due from clients	200,492	176,482	175,427

(d) Analysis of Amounts Due from Clients by Industry

MCZK	2003	2002	2001
Financial institutions	21,120	13,658	13,218
Residents	57,479	47,235	33,784
Trade	11,693	10,428	15,189
Power	3,805	4,764	4,817
State sector	51,481	48,991	55,403
Construction	1,904	1,646	2,330
Hotels, public catering	2,458	1,573	1,802
Processing	21,100	17,897	20,237
Other	29,452	30,290	28,647
Total gross amounts due from clients	200,492	176,482	175,427

(e) Geographical Analysis of Amounts Due from Clients

MCZK	2003	2002	2001
Czech Republic	196,810	171,514	170,782
EU countries	964	1,340	797
Other European countries	1,616	2,939	3,690
US and Canada	590	687	146
Others	512	2	12
Total gross amounts due from clients	200,492	176,482	175,427

(f) Analysis of Amounts Due from Clients by Remaining Maturity

MCZK	2003	2002	2001
Repayable on demand	24	230	3
Up to 3 months	17,851	9,393	35,268
Less than 1 year	51,791	24,641	18,336
Less than 5 years	91,850	73,416	61,658
Greater than 5 years	38,976	68,802	60,162
Total gross amounts due from clients	200,492	176,482	175,427

_____ The proportion of amounts due within one year is 34.07 percent (2002: 19.41 percent, 2001: 30.41 percent).

(g) Analysis of Amounts Due from Clients by Type of Collateral

MCZK	2003	2002	2001
Guarantees	52,940	48,309	58,243
Bills of exchange	8	319	2,164
Pledged real estate	51,542	43,119	35,569
Pledged movables	1,906	878	400
Cash collateral	718	1,260	1,145
Bonds and shares	1,459	1,167	483
Ceded receivables	8,571	9,172	8,688
Other collateral	0	1,596	1,923
Non-collateralised	83,348	70,662	66,812
Total gross amounts due from clients	200,492	176,482	175,427

(h) Amounts Due from Clients Written off and Recoveries of Written off and Assigned Receivables

MCZK	2003	2002	2001
Non-financial institutions	5,439	2,082	2,919
Financial institutions	630	49	34
Government sector	2	2	3
Households (self employed)	898	920	1,268
Resident individuals	2	203	38
Non-resident individuals	24	14	71
Unallocated	971	210	123
Total write-offs	7,966	3,480	4,456
Recoveries of written off and assigned receivables	40	79	18

_____ In accordance with Section 77 (b) of Notice 501, recoveries of assigned receivables as part of the sale of the selected portfolio of receivables (refer to Note 3b) amounting to CZK 548 million were recorded on a net basis, that is, the difference between the selling price and the book value of the receivables was recognised as a loss on assigned receivables.

(i) Restructured Loans and Securitised Loans

_____ During the year ended 31 December 2003, the Bank restructured loans, the balance of which was CZK 410 million as of 31 December 2003 (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 2003.

(j) Syndicated Loans

_____ As of 31 December 2003, the Bank participated in syndicated loan arrangements at an aggregate utilised amount of CZK 8,968 million (2002: CZK 8,043 million, 2001: CZK 12,753 million) of the original limit of CZK 19,347 million (2002: CZK 17,488 million, 2001: CZK 88,692 million).

11. Debt Securities

_____ The following tables provide an analysis of securities by issuer.

(a) Analysis of Debt Securities Held for Trading

MCZK	2003 Market value	2002 Market value	2001 Market value
<i>Issued by financial institutions</i>			
Marketable	6,984	327	538
Non-marketable	0	0	37
	6,984	327	575
<i>Issued by non-financial institutions</i>			
Marketable	3,157	305	917
Non-marketable	0	0	0
	3,157	305	917
<i>Issued by the Government sector</i>			
Marketable	5,845	661	2,847
Non-marketable	0	417	0
	5,845	1,078	2,847
<i>Total</i>	<i>15,986</i>	<i>1,710</i>	<i>4,339</i>
Coupons of securities	341	18	51
Total net book value	16,327	1,728	4,390

_____ For the year ended 31 December 2003, the net book value of debt securities held for trading included State treasury bills of CZK 2,956 million (2002: CZK 417 million, 2001: CZK 2,645 million) and bonds of CZK 101 million (2002: CZK 636 million, 2001: CZK 247 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 22.57 percent as of 31 December 2003 (2002: 57.88 percent, 2001: 59.63 percent).

_____ The portfolio of debt securities held by the Bank for trading as of 31 December 2003 comprised bonds issued by a foreign issuer at a cost of CZK 10,992 million (2002: CZK 324 million, 2001: CZK 59 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 11b).

(b) Analysis of Debt Securities Available for Sale

MCZK	2003 Market value	2002 Market value	2001 Market value
<i>Issued by financial institutions</i>			
Marketable	5,538	1,094	0
Non-marketable	0	1,585	972
	5,538	2,679	972
<i>Issued by non-financial institutions</i>			
Marketable	0	5,437	2,264
Non-marketable	0	3,447	5,990
	0	8,884	8,254
<i>Issued by the Government sector</i>			
Marketable	2,579	244	0
Non-marketable	0	1,828	75
	2,579	2,072	75
<i>Total</i>	<i>8,117</i>	<i>13,635</i>	<i>9,301</i>
Coupons of securities	68	219	210
Total net book value	8,185	13,854	9,511

_____ For the year ended 31 December 2003, the net book value of debt securities available for sale included state treasury bonds of CZK 2,287 million (2002: CZK 1,599 million, 2001: CZK nil) 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 28.93 percent as of 31 December 2003 (2002: 19.80 percent, 2001: 0.82 percent).

_____ The portfolio of the Bank's debt securities available for sale as of 31 December 2003 comprised bonds issued by a foreign issuer at a cost of CZK 4,019 million (2002: CZK 10,154 million, 2001: CZK 5,773 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	2003		2002		2001	
	Purchase cost	Market value	Purchase cost	Market value	Purchase cost	Market value
<i>Issued by financial institutions</i>						
Marketable	24,165	25,453	8,432	9,474	4,983	4,983
Non-marketable	122	122	6,079	6,545	12,250	12,250
	24,287	25,575	14,511	16,019	17,233	17,233
<i>Issued by non-financial institutions</i>						
Marketable	7,955	8,510	10,513	11,351	7,904	7,904
Non-marketable	1,150	1,149	4,170	3,997	4,375	4,375
	9,105	9,659	14,683	15,348	12,279	12,279
<i>Issued by the Government sector</i>						
Marketable	2,860	2,973	3,824	3,880	7,694	7,694
Non-marketable	44	44	0	0	0	0
	2,904	3,017	3,824	3,880	7,694	7,694
Total	36,296	38,251	33,018	35,247	37,206	37,206
Less provisions for securities	(25)		(79)			
NBV of securities	36,271	38,251	32,939	35,247	37,206	37,206
Coupon of securities	908	908	959	959	1,005	1,005
Total net book value	37,179	39,159	33,898	36,206	38,211	38,211

_____ For the year ended 31 December 2003, the net book value of debt securities held to maturity included bonds of CZK 2,511 million (2002: CZK 3,839 million, 2001: CZK 7,734 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 24.47 percent as of 31 December 2003 (2002: 19.21 percent, 2001: 5.71 percent).

_____ The portfolio of the Bank's debt securities held to maturity as of 31 December 2003 comprised bonds issued by a foreign issuer at a cost of CZK 22,659 million (2002: CZK 19,271 million, 2001: CZK 17,675 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 5,617 million and at a market value of CZK 5,947 million (2002: cost of CZK 5,060 million and at a market value of CZK 5,060 million, 2001: cost of CZK 4,977 million and at a market value of CZK 4,977 million).

(d) Total Debt Securities

MCZK			Net book value 2001
	2003	2002	
Debt securities held for trading	16,327	1,728	4,388
Debt securities available for sale	8,185	13,854	8,860
Debt securities held to maturity	37,179	33,898	38,211
Total net book value	61,691	49,480	51,459

_____ The total net book value of debt securities reported on the face of the balance sheet consists of the market value (of purchase cost including accrued interest net of provisioning in 2001) 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.

(e) Geographical Analysis of Debt Securities

MCZK	2003	2002	2001
<i>Debt securities held for trading</i>			
Czech Republic	5,335	1,404	4,329
EU countries	4,745	324	59
Other European countries	3,005	0	0
US and Canada	1,550	0	0
Others	1,692	0	0
	16,327	1,728	4,388
<i>Debt securities available for sale</i>			
Czech Republic	4,166	3,700	3,208
EU countries	3,020	5,769	2,627
Other European countries	741	712	499
US and Canada	258	2,274	974
Others	0	1,399	1,552
	8,185	13,854	8,860
<i>Debt securities held to maturity</i>			
Czech Republic	14,519	14,627	20,512
EU countries	18,829	17,036	15,461
Other European countries	1,815	1,026	1,027
US and Canada	0	203	207
Others	2,016	1,006	1,004
	37,179	33,898	38,211
Total debt securities	61,691	49,480	51,459

(f) Analysis of Debt Securities by Remaining Maturity

MCZK	2003	2002	2001
<i>Debt securities held for trading</i>			
Up to 3 months	597	417	347
Less than 1 year	3,088	0	2,756
Less than 5 years	9,020	433	1,016
Greater than 5 years	3,622	878	269
	16,327	1,728	4,388
<i>Debt securities available for sale</i>			
Up to 3 months	869	1,285	0
Less than 1 year	1,499	1,441	1
Less than 5 years	4,552	9,420	7,489
Greater than 5 years	1,265	1,708	1,370
	8,185	13,854	8,860
<i>Debt securities held to maturity</i>			
Up to 3 months	1,999	475	658
Less than 1 year	7,106	2,506	2,375
Less than 5 years	19,734	22,204	22,110
Greater than 5 years	8,365	8,792	13,068
	37,204	33,977	38,211
Total	61,716	49,559	51,459
Provisions	(25)	(79)	0
Total debt securities	61,691	49,480	51,459

12. Shares, Share Certificates and Other Equity Investments**(a) Analysis of Shares, Share Certificates and Other Equity Investments Held for Trading**

MCZK	2003 Market value	2002 Market value	2001 Market value
<i>Issued by financial institutions – marketable</i>	1,179	0	26
<i>Issued by non-financial institutions – marketable</i>	126	209	60
Total net book value	1,305	209	86

_____ For the year ended 31 December 2003, the net book value of shares, share certificates and other equity investments held for trading included no shares (2002: CZK 6 million, 2001: CZK nil) 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	2003 Market value	2002 Market value	2001 Market value
<i>Issued by financial institutions – non-marketable</i>	3,272	408	327
<i>Issued by non-financial institutions</i>			
Marketable	0	468	0
Non-marketable	38	57	755
	38	525	755
Total net book value	3,310	933	1,082

_____ As of 31 December 2003, the volume of shares and share certificates issued by subsidiary and associate undertakings was CZK 209 million (2002: CZK 218 million, 2001: CZK 498 million).

_____ Marketable securities are traded on the PSE.

(c) Total Shares, Share Certificates and Other Equity Investments

MCZK	2003	2002	Net book value 2001
Shares, share certificates and other equity investments held for trading	1,305	209	82
Shares, share certificates and other equity investments available for sale	3,310	933	702
Total shares, share certificates and other equity investments	4,615	1,142	784

_____ The aggregate net book value of shares, share certificates and other equity investments reported in the balance sheet as of 31 December 2001 is composed of purchase cost net of provisions.

(d) Geographical Analysis of Shares, Share Certificates and Other Equity Investments

MCZK	2003	2002	2001
<i>Shares, share certificates and other equity investments held for trading</i>			
Czech Republic	1	6	82
Other European countries	125	0	0
Others	1,179	203	0
	1,305	209	82
<i>Shares, share certificates and other equity investments available for sale</i>			
Czech Republic	617	674	695
EU countries	2,670	259	7
US and Canada	23	0	0
	3,310	933	702
Total shares, share certificates and other equity investments	4,615	1,142	784

13. Participation Interests with Substantial and Controlling Influence

(a) Participation Interests with Substantial Influence

Name	Registered office address	Principal activities	Share capital in 2003	MCZK Equity in 2003
Hotelová společnost, s. r. o.	Prague 5, Plzeňská 103/215a	Accommodation services	0.2	5
CBCB – Czech Banking Credit Bureau, a. s.	Prague 8, Sokolovská 192/79	Provision of software	1.2	1
Servis 1 – ČS, a. s.	Prague 4, Olbrachtova 1929/62	Provision of software	2,880	2,954

_____ 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.

_____ 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		
	2003	2002	2001	2003	2002	2001
Hotelová společnost, spol. s r. o.	10 %	10 %	10 %	50 %	50 %	50 %
IC, s. r. o.	-	9.5 %	9.5 %	-	50 %	50 %
CBCB – Czech Banking Credit Bureau, a. s.	20 %	20 %	25 %	20 %	20 %	25 %
Servis 1 – ČS, a. s.	10.4 %	10.4 %	-	20.8 %	20.8 %	-

Name	Net book value in MCZK			Number of subscribed shares			Nominal value of subscribed shares/holdings in MCZK		
	2003	2002	2001	2003	2002	2001	2003	2002	2001
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	-	-	-	-	0.02	0.02
CBCB – Czech Banking Credit Bureau, a. s.	0.24	0.24	0.30	24	24	30	0.24	0.24	0.30
Servis 1 – ČS, a. s.	300	300	-	300	300	300	300	300	300
	300.26	300.28	0.34						
Less provisions for participation interests	0	(0.02)	(0.02)						
Participation interests with substantial influence, net	300	300	1						

(b) Participation Interests with Controlling Influence

Name	Registered office address	Principal activities	Share capital	MCZK
			in 2003	Equity in 2003
Factoring České spořitelny, a. s.	Prague 8, Pobřežní 46	Factoring	84	93
Informatika České spořitelny, a. s.	Prague 7, Bubenská 1477/1	Data processing	10	13
Investiční společnost České spořitelny, a. s.	Prague 4, Poláčkova 1976/2	Investment management	70	513
Leasing České spořitelny, a. s.	Prague 8, Střelničná 8/1680	Leasing	300	427
Penzijní fond České spořitelny, a. s.	Prague 4, Poláčkova 1976/2	Pension fund	100	393
Pojišťovna České spořitelny, a. s.	Pardubice, nám. Republiky 115	Insurance	1,117	1,411
Consulting České spořitelny, a. s.	Prague 3, Vinohradská 1632/180	Consultancy	1	15
Stavební spořitelna České spořitelny, a. s.	Prague 3, Vinohradská 1632/180	Building savings bank	750	1,727
CDI Corporate Advisory, a. s.	Prague 1, Na Perštýně 1/342	Consultancy	6	108
Realitní společnost České spořitelny, a. s.	Prague 3, Vinohradská 1632/180	Real estate activities	4	3
brokerjet České spořitelny, a. s.	Prague 1, Na Perštýně 1/342	Investment services	160	150

Name	Registered office address	Principal activities	Share capital	EUR '000
			in 2003	Equity in 2003
Czech Top Venture Fund B.V.	Postweg 11 6561 Groesbeek, Netherlands	Management and financing services	18.991	1,621
CS Investment Limited	Coutts House, Le Truchot, St Peter Port, Guernsey, GY1 1WD	Investments and equity holdings	0.425	1,346

Name	% capital held			% of voting power		
	2003	2002	2001	2003	2002	2001
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 %
Consulting České spořitelny, a. s.	100 %	100 %	51 %	100 %	100 %	51 %
Stavební spořitelna České spořitelny, a. s.	60.5 %	60.5 %	60.5 %	60.5 %	60.5 %	60.5 %
CDI Corporate Advisory, a. s.	50.2 %	100 %	100 %	50.2 %	100 %	100 %
Servis 2 - ČS, a. s.	-	100 %	-	-	100 %	-
Czech TOP Venture Fund B.V.	84.3 %	84.3 %	-	84.3 %	84.3 %	-
Realitní společnost České spořitelny, a. s.	100 %	80 %	-	100 %	80 %	-
brokerjet České spořitelny, a. s.	51 %	-	-	51 %	-	-
CS Investment Limited	99.9 %	-	-	100 %	-	-

(b) Participation Interests with Controlling Influence (continue)

Name	Net book value in MCZK			Number of subscribed shares			Nominal value of subscribed shares MCZK		
	2003	2002	2001	2003	2002	2001	2003	2002	2001
Factoring České spořitelny, a. s.	57	57	57	280	280	100	84	84	30
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
Consulting České spořitelny, a. s.	5	5	1	1,000	1,000	510	1	1	1
Stavební spořitelna České spořitelny, a. s.	333	333	333	3,025	3,025	3,025	454	454	454
CDI Corporate Advisory, a. s.	3	3	6	301	301	600	3	3	6
Servis 2 - ČS, a. s.	-	2	-	-	2	-	-	2	-
Czech TOP Venture Fund B.V.	59	1	-	200,000	200,000	-	1	1	-
Realitní společnost České spořitelny, a. s.	4	3	-	40	32	-	4	3	-
brokerjet České spořitelny, a. s.	82	-	-	51	-	-	82	-	-
CS Investment Limited	46	-	-	1,437,151	-	-	0	-	-
	2,580	2,395	2,388						
Less provisions for participation interests	(905)	(894)	(1,113)						
Participation interests with controlling influence, net	1,675	1,501	1,275						

_____ With effect from 18 July 2003, Corporate development České spořitelny, a. s. was renamed CDI Corporate Advisory, a. s. In 2003, new entities, CS Investment Limited and brokerjet České spořitelny, a. s. were formed. The Bank acquired 20 percent of the issued share capital of Realitní společnost České spořitelny, a. s., thereby becoming the sole shareholder of the entity. In addition, the Bank disposed of its equity investment in Servis 2 - ČS, a. s. in 2003 and the impact of this transaction on the profit and loss account was immaterial.

_____ Provisions charged against participation interests as of 31 December 2003, 2002 and 2001 principally consisted of provisions against the shareholdings in Pojišťovna České spořitelny, a. s. and Penzijní fond České spořitelny, a. s. so as to cover the decrease in equity of these entities arising from losses incurred in prior years.

_____ Amounts due to and from participation interests with substantial and controlling influence are presented in Note 39.

14. 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 2002	230	3,263	1,807	5,300
Additions	0	2,068	2,297	4,365
Disposals	0	(1,431)	(2,218)	(3,649)
Balance at 31 December 2002	230	3,900	1,886	6,016
Balance at 1 January 2003	230	3,900	1,886	6,016
Additions	0	1,179	1,269	2,448
Disposals	0	(313)	(1,146)	(1,459)
Balance at 31 December 2003	230	4,766	2,009	7,005
Accumulated amortisation and provisions				
Balance at 1 January 2002	(72)	(2,076)	0	(2,148)
Charge for amortisation	(57)	(727)	0	(784)
Charge for provisions	0	(90)	(117)	(207)
Disposals	0	1,416	0	1,416
Balance at 31 December 2002	(129)	(1,477)	(117)	(1,723)
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 of provisions	0	90	30	120
Disposals	0	227	0	227
Balance at 31 December 2003	(187)	(2,302)	(537)	(3,026)
Net book value				
Balance at 31 December 2002	101	2,423	1,769	4,293
Balance at 31 December 2003	43	2,464	1,472	3,979

15. 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 prepayments made	Total
Cost				
Balance at 1 January 2002	15,446	10,223	2,121	27,790
Additions	1,075	2,108	2,686	5,869
Disposals	(255)	(1,909)	(3,403)	(5,567)
Balance at 31 December 2002	16,266	10,422	1,404	28,092
Balance at 1 January 2003	16,266	10,422	1,404	28,092
Additions	332	1,881	1,355	3,568
Disposals	(265)	(1,150)	(2,003)	(3,418)
Balance at 31 December 2003	16,333	11,153	756	28,242
Accumulated depreciation and provisions				
Balance at 1 January 2002	(4,016)	(7,954)	0	(11,970)
Reclassifications	0	19	(19)	0
Charge for depreciation	(594)	(831)	0	(1,425)
Charge for provisions	(413)	0	(200)	(613)
Use of provisions	485	0	1	486
Disposals	1	1,984	0	1,985
Balance at 31 December 2002	(4,537)	(6,782)	(218)	(11,537)
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 of provisions	381	31	213	625
Disposals	70	807	0	877
Balance at 31 December 2003	(5,186)	(7,182)	(6)	(12,374)
Net book value				
Balance at 31 December 2002	11,729	3,640	1,186	16,555
Balance at 31 December 2003	11,147	3,971	750	15,868

_____ Pursuant to the finalisation of a 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. Following discussion of specific terms and conditions of the sale and adjustments of relevant contractual documents, the Bank and the buyer entered into a framework agreement to purchase a portfolio of immovable assets (the "framework agreement") with a net book value of CZK 1,251 million on 2 February 2004. As an integral component, the framework agreement includes an appendix listing specific immovable assets and their purchase prices. Provisions recorded in prior periods as equal to the difference between the market value and the carrying value of individual assets were revised as of 31 December 2003 to align their required level to the difference between the contracted selling price and the net book value of the assets. The aggregate balance of provisions carried against the portfolio of immovable assets held for sale was CZK 650 million as of 31 December 2003.

_____ Pursuant to the framework agreement, individual purchase agreements are expected to be put in place by no later than 25 days. At the same time, individual rental agreements in respect of non-residential premises which will continue to be used by the seller are anticipated to be entered into by no later than 32 days.

(b) Tangible Fixed Assets Held under Lease Agreements

As of 31 December 2003, the Bank recorded tangible fixed assets of CZK 30 million (2002: CZK 32 million, 2001: CZK 110 million) which are subject to lease agreements in which the Bank acts as a lessee. During the year ended 31 December 2003, no new finance lease contracts were entered into and the balance of leased assets decreased by CZK 2 million as a result of the expiration of lease agreements. In the year ended 31 December 2003, the Bank made lease payments of CZK 2 million and will be required under concluded lease contracts to make future lease payments of CZK 1 million within 1–5 years and CZK 12 million over 5 years.

16. Other Assets

MCZK	2003	2002	2001
Various debtors including prepayments	4,733	4,979	5,030
Deferred tax asset	69	677	3,320
Financial derivatives with positive fair value	13,534	14,777	9,091
Other	826	1,297	1,764
Total	19,162	21,730	19,205
Less provisions	(292)	(206)	(197)
Total other assets	18,870	21,524	19,008

Various debtors include an amount receivable from AB Banka totalling CZK 2,551 million (2002: CZK 2,551 million, 2001: CZK 2,692 million) arising from a 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 (refer to Note 20).

Amounts due from the Bank's related parties are presented in Note 39.

17. Amounts Owed to Banks**Analysis of amounts owed to banks by remaining maturity**

MCZK	2003	2002	2001
Repayable on demand	9,204	5,436	226
Up to 3 months	9,114	14,041	18,701
Less than 1 year	3,152	5,501	4,102
From 1 to 5 years	597	645	687
Total amounts owed to banks	22,067	25,623	23,716

Amounts owed to banks as of 31 December 2003 include loans of CZK 2,359 million (2002: CZK 8,519 million, 2001: CZK 14,339 million) received under repurchase transactions.

Amounts owed to the Bank's related parties are presented in Note 39.

18. Amounts Owed to Clients

(a) Amounts Owed to Clients

MCZK	2003	2002	2001
Savings deposits	118,095	119,932	165,597
repayable on demand	27,717	24,176	32,388
term	90,378	95,756	133,209
Other deposits	227,963	200,833	186,233
repayable on demand	174,258	140,998	112,614
term at call	53,643	59,682	73,421
term with notice	62	153	198
Depository certificates	0	0	1
Loan received from clients	5,682	8,956	2,882
Other payables to clients	9,040	21,411	0
Total amounts owed to clients	360,780	351,132	354,713

_____ Amounts owed to clients as of 31 December 2003 include loans of CZK 5,640 million (2002: CZK 8,883 million, 2001: CZK 2,782 million) received under repurchase transactions.

_____ Other payables to clients reported as of 31 December 2003 reflect payables resulting from cancelled deposits on bearer savings books totalling CZK 8,632 million (2002: CZK 21,242 million).

_____ Amounts owed to the Bank's related parties are presented in Note 39.

(b) Analysis of Amounts Owed to Clients by Sector

MCZK	2003	2002	2001
Non-financial institutions	35,334	27,204	21,708
Financial institutions	8,358	8,236	7,559
Insurance companies	10,850	4,380	1,412
Government sector	23,599	24,851	17,446
Not-for-profit organisations	5,959	5,372	5,019
Households (self-employed)	13,589	12,402	11,952
Resident individuals	259,309	265,772	286,890
Non-residents	3,018	2,130	1,920
Unallocated	764	785	807
Total amounts owed to clients	360,780	351,132	354,713

(c) Analysis of Amounts Owed to Clients by Remaining Maturity

MCZK	2003	2002	2001
Repayable on demand	201,975	165,174	145,002
Up to 3 months	85,803	108,285	93,749
Less than 1 year	26,396	30,805	33,496
From 1 to 5 years	46,601	46,851	81,893
Greater than 5 years	5	17	573
Total amounts owed to clients	360,780	351,132	354,713

19. Payables from Debt Securities

(a) Analysis of Payables from Debt Securities

MCZK	2003	2002	2001
Issued coupon bonds	9,633	3,904	5,978
Issued coupon bonds held by the Bank	(111)	0	(214)
Depository bills of exchange	7,411	4,182	5,823
Payables from short sales of debt securities	1,438	5,182	2,790
Payables from matured issued debt securities	7	7	0
Total payables from debt securities	18,378	13,275	14,377

_____ In August 1998, the Bank launched an issue of mortgage bonds with an aggregate nominal value of CZK 500 million. These bonds had a fixed interest rate of 11.85 percent per annum and matured in 2003. They were issued in the book form and were traded on the open market of the PSE. These bonds were repaid in 2003.

_____ At the General Meeting held in May 2002, the shareholders approved a framework program for the issuance of bonds. The Bank's Board of Directors subsequently approved a prospectus for the mortgage bond issuance program 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 program not to exceed 10 years. Under this program, the Bank launched the following issues of mortgage bonds:

Number of issue/ tranche	Date of issue	Maturity	Interest rate	Issue volume in MCZK	Issue rate	Carrying value in MCZK	
						2003	2002
1./1.	8. 11. 2002	8. 11. 2007	5.80 %	2,300	111.64 %	2,525	2,484
1./2.	8. 11. 2002	8. 11. 2007	5.80 %	700	111.435 %	768	896
2./1.	6. 3. 2003	6. 3. 2008	5.20 %	2,700	111.40 %	3,019	0
2./2.	6. 3. 2003	6. 3. 2008	5.20 %	300	111.02 %	335	0
3./1.	21. 8. 2003	21. 8. 2008	4.50 %	2,350	106.01 %	2,506	0
3./2.	21. 8. 2003	21. 8. 2008	4.50 %	450	106.01 %	480	0
Total				8,800		9,633	3,380

_____ The mortgage bonds were issued in the book form and are traded on the open market of the PSE.

_____ Amounts owed to the Bank's related parties are presented in Note 39.

(b) Analysis of Payables from Debt Securities by Remaining Maturity

MCZK	2003	2002	2001
Repayable on demand	7	7	0
Up to 3 months	7,331	9,234	12,314
Less than 1 year	278	551	1,444
From 1 to 5 years	10,204	3,354	500
Greater than 5 years	558	129	119
Total payables from debt securities	18,378	13,275	14,377

_____ The proportion of payables from debt securities with remaining maturity less than one year to the aggregate value of these liabilities is 41.44 percent as of 31 December 2003 (2002: 73.76 percent, 2001: CZK 94.53 percent).

20. Other Liabilities

MCZK	2003	2002	2001
Various creditors including prepayments received	4,703	5,169	5,359
Financial derivatives with negative fair value	12,055	13,964	7,837
Estimated payables	2,644	2,400	3,139
Payables from short sales of shares	3	2	1
Income tax	2,335	796	0
Payables from securities trading	5,286	839	178
Other	1,838	1,407	2,916
Total other liabilities	28,864	24,577	19,430

_____ As of 31 December 2003, various creditors include prepayments of CZK 2,800 million (2002: CZK 2,800 million, 2001: CZK 2,800 million) received from the Czech National Bank and the Czech Finance Ministry to cover amounts due from AB Banka (refer to Note 16).

_____ Amounts owed to the Bank's related parties are presented in Note 39.

21. 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 5).

_____ Tax non-deductible reserves are charged to 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	2003	2002	2001
1. Tax deductible provisions for loan losses			
Balance at 1 January	9,950	11,804	14,958
Reclassification from other provisions	0	(201)	35
Provisioning charge during the year	1,460	2,120	2,117
Use of provisions during the year	(5,927)	(2,694)	(4,239)
Release of provisions during the year	(1,152)	(922)	(999)
FX gains and losses from provisions denominated in foreign currencies	(4)	(157)	(68)
Provisions for loan losses at 31 December	4,327	9,950	11,804
2. Non-tax deductible provisions for loan losses			
Balance at 1 January	2,462	2,911	2,764
Reclassification to other provisions	0	19	(49)
Provisioning charge during the year	63	61	240
Use of provisions during the year	(24)	(11)	(39)
Release of provisions during the year	(2,283)	(518)	(4)
FX gains and losses from provisions denominated in foreign currencies	0	0	(1)
Balance of non-tax deductible provisions at 31 December	218	2,462	2,911
3. Total provisions for loan losses at 31 December (1+2)	4,545	12,412	14,715

(a) Analysis of Provisions and Reserves from a Taxation and Accounting Viewpoint (continue)

MCZK	2003	2002	2001
4. Other tax deductible provisions			
Balance at 1 January	280	176	138
Reclassification from other provisions	0	151	14
Provisioning charge	98	61	35
Use of provisions during the year	(108)	(51)	0
Release of provisions during the year	(62)	(57)	(11)
Balance of other tax deductible provisions at 31 December	208	280	176
5. Other non-tax deductible provisions			
Balance at 1 January	2,043	1,944	1,325
Reclassification from other provisions	0	31	0
Provisioning charge	1,370	1,543	825
Use of provisions during the year	(209)	(22)	(1)
Release of provisions during the year	(837)	(1,452)	(205)
FX gains and losses from provisions denominated in foreign currencies	0	(1)	0
Balance of other non-tax deductible provisions at 31 December	2,367	2,043	1,944
6. Total provisions at 31 December (3+4+5)	7,120	14,735	16,835
7. Tax deductible reserves for on and off balance sheet loan losses			
Balance at 1 January	3,498	4,665	2,859
Creation of reserves during the year	0	0	1,922
Use of reserves during the year	(1,929)	(499)	(116)
Release of reserves during the year	(133)	(668)	0
Balance of tax deductible reserves at 31 December*	1,436	3,498	4,665
8. Non-tax deductible reserves for on and off balance sheet loan losses			
Balance at 1 January	2,556	2,046	2,876
Creation of reserves during the year	344	2,352	183
Use of reserves during the year	(48)	(193)	(65)
Release of reserves during the year	(518)	(1,649)	(948)
Balance of non-tax deductible reserves at 31 December	2,334	2,556	2,046
9. Total reserves for on and off balance sheet loan losses at 31 December (7+8)	3,770	6,054	6,711

* Of the aggregate balance of tax deductible reserves for on and off balance sheet loan losses as of 31 December 2003, the reserve for standard loans and the reserve for guarantees amount to CZK 1,205 million and CZK 231 million, respectively.

(a) Analysis of Provisions and Reserves from a Taxation and Accounting Viewpoint (continue)

MCZK	2003	2002	2001
<i>10. Tax deductible reserves for repairs of tangible assets</i>			
Balance at 1 January	32	35	85
Creation of reserves during the year	0	25	6
Use of reserves during the year	(1)	(16)	(12)
Release of reserves during the year	(31)	(12)	(44)
Balance of reserves for repairs of tangible assets at 31 December	0	32	35
<i>11. Non-tax deductible other reserves</i>			
Balance at 1 January	775	1,506	1,196
Creation of reserves during the year	80	248	1,012
Use of reserves during the year	(284)	(489)	(566)
Release of reserves during the year	(112)	(490)	(136)
Balance of other reserves at 31 December	459	775	1,506
12. Total reserves at 31 December (9+10+11)	4,229	6,861	8,252
13. Total provisions and reserves (6+12)	11,349	21,596	25,087

(b) Analysis of Provisions and Reserves for On and Off Balance Sheet Loan Risks

MCZK	2003	2002	2001
Provisions (3.)	4,545	12,412	14,715
Reserves (9.)	3,770	6,054	6,711
Total	8,315	18,466	21,426

(c) Analysis of Charge for, Use and Release of Provisions for Individual Components of Assets

MCZK	2003	2002	2001
Amounts due from banks			
Balance at 1 January	0	0	6
Use and release	0	0	(6)
Balance at 31 December	0	0	0
Amounts due from clients			
Balance at 1 January	12,412	14,715	17,716
Reclassification	0	(182)	(14)
Charge	1,523	2,180	2,357
Use and release	(9,386)	(4,145)	(5,275)
FX differences	(4)	(156)	(69)
Balance at 31 December	4,545	12,412	14,715
Debt securities			
Balance at 1 January	79	0	0
Reclassification	0	182	0
Use and release	(54)	(103)	0
Balance at 31 December	25	79	0
Shares, share certificates and other investments			
Balance at 1 January	0	1	0
Charge	0	0	1
Use and release	0	(1)	0
Balance at 31 December	0	0	1
Participation interests with substantial and controlling influence			
Balance at 1 January	894	1,112	1,100
Charge	300	719	215
Use and release	(289)	(937)	(203)
Balance at 31 December	905	894	1,112
Intangible fixed assets			
Balance at 1 January	207	0	0
Charge	450	207	0
Use and release	(120)	0	0
Balance at 31 December	537	207	0
Tangible fixed assets			
Balance at 1 January	937	810	225
Charge	504	613	588
Use and release	(625)	(486)	(3)
Balance at 31 December	816	937	810
Other assets			
Balance at 1 January	206	197	138
Reclassification	0	0	14
Charge	213	65	56
Use and release	(127)	(54)	(11)
FX differences	0	(2)	0
Balance at 31 December	292	206	197
Total provisions at 31 December	7,120	14,735	16,835

22. Restructuring Reserves

_____ In the year ended 31 December 2000, the Bank developed a detailed formal plan for restructuring its individual business lines and created restructuring reserves in the aggregate amount of CZK 1,776 million. The Bank utilised a portion of these reserves during 2001 and 2002 and reassessed the overall requirements for restructuring reserves as of 31 December 2002 such that their year-end balance was CZK 644 million. During the year ended 31 December 2003, all the restructuring reserves were utilised or released.

23. Subordinated Liabilities

_____ As of 23 December 2003, the Bank exercised its option to make a premature repayment of the subordinated debt of CZK 5,500 million received from Konsolidační banka, s. p. ú (presently Česká konsolidační agentura) in 1998 to boost the Bank's regulatory capital. The reason for the Bank's exercising of the option predominantly related to significant costs of servicing the subordinated debt (with effect from 23 December 2003, the interest rate attached to the loan would have been increased to 6M PRIBOR+ 3.7 percent) and the Bank's regulatory base being sufficient without this additional source of regulatory capital.

24. Share Capital

_____ As of 31 December 2003, 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 2003 are as follows:

Name	Registered office address	Number of shares	Ownership percentage
Erste Bank der österreichischen Sparkassen AG	Austria, Vienna, Graben 21	148,899,200	97.96
Other (less or equal to 3 percent)		3,100,800	2.04
Total		152,000,000	100.00

_____ In June 1996, the Bank issued 5,090,000 Global Depository Receipts ("GDRs"), representing 6.7 percent of the Bank's share capital at that time. In connection with the de-registration of its shares from public markets, the Bank finalised the required documentation and all transactions were settled.

_____ 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 2003 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 201 employees (2002: 466) participated in the programme and subscribed for 13,555 shares (2002: 28,186).

_____ 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 2003, approximately 77,800 options (2002: 73,800) were granted to these employees. The following tranches of the programme in 2004 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. 768 options granted under the first tranche in 2002 were exercised in the year ended 31 December 2003.

_____ The aggregate amount of the discount in respect of both programmes was CZK 7 million (2002: CZK 11 million) and was reported within "Administrative expenses – staff costs".

25. Retained Earnings and Other Equity Components

The bank allocated its profit for the year ended 31 December 2002 as follows:

MCZK	Retained earnings	Statutory reserve fund	Other funds from profit	Share premium	Other capital funds
Balance at 31 December 2002	6,740	642	73	2	2
Profit for the year 2002	6,456				
Allocations to funds	(433)	323	110		
Other creation			2		
Use of funds for other purposes			(106)		
Dividends	(3,040)				
Balance after allocation	9,723	965	79	2	2

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		
Dividends	(4,560)				
Balance after allocation	11,981	1,329	186	2	2

_____ Other allocations include contributions to the Social Fund (other funds from profit) totalling CZK 2 million, which represents instalments of loans granted to employees from the Social Fund and profit from the running of the Bank's leisure and holiday facilities. 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.

26. Gains or Losses from Revaluation

MCZK	2003	2002	2001
Gains or losses from the revaluation of equity holdings			
Balance at 1 January	0	0	0
Increase	2	0	0
Balance at 31 December	2	0	0

_____ The revaluation gain arose from the retranslation of the participation interests in Czech TOP Venture Fund B.V. and CS Investment Limited which are denominated in a foreign currency (refer to Note 13b).

27. 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	2003	2002	2001
Banks			
Guarantees issued	123	84	118
	123	84	118
Clients			
Guarantees issued	7,152	3,908	3,247
Assets pledged as guarantees	12	38	0
Other contingent liabilities	0	700	165
	7,164	4,646	3,412
Pledged assets	866	2,411	1,000
Letters of credit, undrawn credit facilities and loan commitments	54,411	44,804	26,038
Total	62,564	51,945	30,568

_____ The Bank recorded aggregate reserves of CZK 584 million (2002: CZK 683 million, 2001: CZK 690 million) for off balance sheet risks. These reserves have been included in Note 21 (b) in "Provisions and reserves for on and off balance sheet loan risks."

(b) Contingent Assets, Guarantees and Collateral at Nominal Value

MCZK	2003	2002	2001
Received commitments	288	589	0
Guarantees received from other banks	3,607	3,326	12,068
Guarantees issued by the state and other entities	55,047	46,536	91,345
Assets taken as collateral	239,891	293,027	277,633
Collateral – securities (refer to Note 30)	46,146	95,064	58,925
Total	344,979	438,542	439,971

(c) Off Balance Sheet Foreign Currency, Interest Rate and Other Financial Instruments at Nominal Value

MCZK	2003		2002		2001	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
<i>Hedging derivatives</i>						
Interest rate swaps	7,541	7,541	2,200	2,200	0	0
Total hedging instruments	7,541	7,541	2,200	2,200	0	0
<i>Trading instruments</i>						
FRA	287,723	287,723	198,156	198,156	225,256	225,256
Option contracts	35,375	34,467	13,757	13,473	17,552	16,573
Forward FX contracts	115,399	113,883	65,349	64,409	80,764	79,886
Spot interest rate transactions	0	0	0	0	995	995
Spot FX transactions	1,723	1,721	2,428	2,428	3,181	3,182
Forward interest rate transactions	10,035	10,035	5,112	5,112	6,222	6,222
Futures	875	875	0	0	0	0
Forward equities transactions	528	526	167	167	352	349
Interest rate swaps	416,123	416,123	345,426	345,426	242,079	242,079
Other derivative instruments	630	630	0	0	129	129
Total trading instruments	868,411	865,983	630,395	629,171	576,531	574,671
Total	875,952	873,524	632,595	631,371	576,531	574,671

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 presented in the following tables.

(d) Financial Derivatives at Nominal and Fair Value

As of 31 December 2003 MCZK	Nominal value		Fair value	
	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	18	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	13,414	(11,948)
Total	875,952	873,524	13,552	(12,055)

(d) Financial Derivatives at Nominal and Fair Value (continue)

As of 31 December 2002 MCZK	Assets	Nominal value Liabilities	Positive	Fair value 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)

As of 31 December 2001 MCZK	Assets	Nominal value Liabilities	Positive	Fair value Negative
<i>Trading instruments</i>				
Forwards				
OTC	235,919	235,989	1,095	(972)
Options				
OTC	17,552	16,573	60	(58)
Swaps				
OTC	317,949	316,998	7,914	(6,785)
Other				
OTC	5,111	5,111	0	0
Total	576,531	574,671	9,069	(7,815)

(e) Analysis of Financial Derivatives by Remaining Maturity

MCZK	2003		2002		2001	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
<i>Hedging derivatives</i>						
Swaps						
Less than 3 months	41	41	0	0	0	0
Within 5 years	7,500	7,500	2,200	2,200	0	0
Total hedging instruments	7,541	7,541	2,200	2,200	0	0
<i>Trading instruments</i>						
Forwards						
Less than 3 months	88,033	88,000	0	0	0	0
Within 1 year	170,466	170,425	167,984	167,952	144,663	144,733
Within 5 years	46,758	46,759	39,060	39,060	91,256	91,256
Futures						
Less than 3 months	875	875	0	0	0	0
Options						
Less than 3 months	10,199	10,067	5,659	5,473	0	0
Within 1 year	24,223	23,448	6,510	6,416	16,154	15,175
Within 5 years	953	952	1,588	1,584	1,398	1,398
Swaps						
Less than 3 months	112,160	111,950	63,108	63,250	0	0
Within 1 year	79,567	79,537	107,173	107,139	94,775	94,396
Within 5 years	226,324	225,334	182,811	181,910	171,863	171,291
Over 5 years	107,046	106,833	53,879	53,764	51,311	51,311
Other						
Less than 3 months	1,723	1,721	2,428	2,428	4,176	4,177
Within 1 year	0	0	195	195	935	934
Total trading instruments	868,411	865,983	630,395	629,171	576,531	574,671
Total	875,952	873,524	632,595	631,371	576,531	574,671

28. Assets Received into Custody and under Administration

MCZK	2003	2002	2001
Client securities in custody	7,798	4,529	6,221
Other assets in custody	7,841	4,083	0
Client securities under administration	40,856	28,283	9,095
Client securities for safe-keeping	0	205	223
Client securities for safe-keeping in the central depository of UNIVYC	0	0	2,659
Assets received for management	20,278	3,709	0
Total	76,773	40,809	18,198

_____ In addition, the Bank acts as a depository for investment, mutual and pension funds with the assets of CZK 60,365 million as of 31 December 2003 (2002: CZK 51,324 million, 2001: CZK 33,647 million).

29. Assets Provided into Custody and under Administration

MCZK	2003	2002	2001
Securities provided into custody	0	1,371	3,772
Securities provided for administration	47,126	29,140	22,173
Securities provided for safe-keeping in the central depository of UNIVYC	160	140	420
Total	47,286	30,651	26,365

30. Collateral Received under Reverse Repurchase Transactions

MCZK	2003	2002	2001
State zero-coupon bonds	0	749	12,451
Zero-coupon bonds issued by the CNB	43,577	89,221	40,740
Coupon bonds	1,717	3,704	5,732
Shares	852	1,390	2
Total	46,146	95,064	58,925

31. Total Assets and Liabilities in Foreign Currencies

MCZK	2003	2002	2001
Assets and liabilities in foreign currencies			
Assets			
Denominated in CZK	426,807	424,987	414,337
Denominated in foreign currencies	40,820	31,188	35,266
Total assets	467,627	456,175	449,603
Liabilities			
Denominated in CZK	436,650	435,035	428,972
Denominated in foreign currencies	30,977	21,140	20,631
Total liabilities	467,627	456,175	449,603
Foreign currency position			
Assets in foreign currencies			
On balance sheet	40,820	31,188	35,266
Off balance sheet	188,052	73,814	63,665
Total	228,872	105,002	98,931
Liabilities in foreign currencies			
On balance sheet	30,977	21,140	20,631
Off balance sheet	201,939	85,033	85,309
Total	232,916	106,173	105,940

32. Interest Income and Expense

MCZK	2003	2002	2001
Interest on deposits and loans provided to other banks	3,010	5,562	7,783
Deposits	582	1,359	2,423
Loans	2,428	4,203	5,360
Interest on deposits and loans provided to clients	11,100	11,314	10,655
Deposits	640	644	426
Loans	10,460	10,669	10,229
Interest on debt securities	5,735	6,153	6,714
Total interest income and similar income	19,845	23,029	25,152
Interest on deposits and loans received from other banks	691	924	1,085
Deposits	528	485	413
Loans	163	439	672
Interest on deposits and loans received from clients	4,576	7,570	9,554
Deposits	4,218	7,010	9,413
Loans	358	560	141
Interest on issued debt securities and short sales	316	352	1,222
Total interest expense and similar expense	5,583	8,846	11,861
Net interest income	14,262	14,183	13,291

_____ Interest on issued debt securities and short sales reflects the aggregate gains of 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 136 million.

33. Fees and Commissions

MCZK	2003	2002	2001
Loan activities	1,320	1,405	1,320
Payment system	4,843	4,031	3,714
Transactions with securities	16	8	6
FX transactions	43	52	85
Client transactions with securities and derivatives of which:	240	205	258
Procurement of purchase and sale of securities	13	17	16
Custody, administration, safe-keeping and management of assets	82	50	44
Other financial activities	1,426	1,362	1,061
Total fee and commission income	7,888	7,063	6,444
Payment system	100	99	114
Transactions with securities	0	0	73
FX transactions	6	0	0
Other financial activities	278	257	151
Total fee and commission expense	384	356	338
Net fee and commission income	7,504	6,707	6,106

34. Net Profit or Loss on Financial Operations

MCZK	2003	2002	2001
Profit on securities	76	618	1,527
Profit on FX transactions	550	607	672
Profit/(loss) on FX differences	108	(117)	(85)
Profit/(loss) on financial derivatives	378	(25)	98
Profit on other financial operations	0	0	2
Net profit or loss on financial operations	1,112	1,083	2,214

35. Other Operating Income and Expenses

MCZK	2003	2002	2001
Corrections of prior years' income	74	0	67
Income from the transfer of equity investments	0	10	0
Income from the transfer of other assets	123	138	88
Compensation for damage, fines and penalties	144	41	8
Income from assigned receivables	1	57	0
Income from statute-barred deposits	0	385	0
Other	627	972	338
Total other operating income	969	1,603	501
Corrections of prior years' expenses	111	0	239
Contribution to the Deposit Insurance Fund	331	270	659
Contribution to the Guarantee Fund of the Securities Dealers	1	0	0
Damages, fines and penalties	70	68	57
Other	326	47	166
Total other operating expenses	839	385	1,121

36. Administrative Expenses

(a) Analysis of Administrative Expenses

MCZK	2003	2002	2001
Staff costs and bonuses	6,171	5,700	5,537
Wages and bonuses net of wages and bonuses to the members of statutory and supervisory bodies	4,375	3,933	3,931
Social security and health insurance expenses	1,543	1,600	1,432
Wages and bonuses to the members of statutory and supervisory bodies	55	48	34
of which: Board of Directors	45	37	23
Supervisory Board	10	11	11
Other staff costs	198	119	140
Other administrative expenses	5,768	6,262	6,176
Taxes and fees	27	32	50
Purchased consumables and services	5,741	6,230	6,126
of which: costs of audit, legal and tax advisory services	183	61	70
Total administrative expenses	11,939	11,962	11,713

_____ Information about equity-linked bonuses can be found at Note 24.

(b) The Average Recalculated Number of the Bank's Staff

	2003	2002	2001
Employees	11,234	11,421	12,992
Members of the Supervisory Board	12	12	12
Members of the Board of Directors	8	7	6

37. Extraordinary Income and Expenses

MCZK	2003	2002	2001
Income from changes in accounting policies	0	1,113	370
Other	0	1	0
Total extraordinary income	0	1,114	370
Costs of changes in accounting policies	0	554	24
Other	0	14	0
Total extraordinary expenses	0	568	24

_____ For the years ended 31 December 2002 and 2001, 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.

38. 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	2003	2002	2001
Profit on ordinary activities before tax	10,242	9,349	3,958
Extraordinary income	0	1,114	370
Extraordinary expenses	0	(568)	(24)
Profit/(loss) before tax	10,242	9,895	4,304
Expenses not deductible for tax purposes	3,230	5,216	10,282
Income not taxable	(5,263)	(6,323)	(10,303)
Timing difference between accounting and tax depreciation	30	75	481
Use of tax loss carried forward	0	(5,935)	(4,645)
Other deductions	(291)	(296)	(100)
Income tax base	7,948	2,632	19
Tax liability (31 percent)	(2,464)	(816)	(6)
Tax reliefs	138	20	6
Income tax constituting a stand-alone tax base	(19)	0	0
Income tax liability	(2,345)	(796)	0

_____ As of 31 December 2002, the Bank's tax losses recoverable in future periods amounted to CZK 326 million. These tax losses represented a deferred tax asset of CZK 101 million using the income tax rate of 31 percent. a significant proportion of the deferred tax asset was realised in 2003. As of 31 December 2003, the Bank's tax losses recoverable in future periods amounted to CZK 24 million which represents a deferred tax asset of CZK 7 million using the income tax rate of 28 percent which is applicable for the year ending 31 December 2004.

(b) Deferred Taxation

_____ The movement on the deferred income tax account is as follows:

MCZK	2003	2002	2001
At the beginning of year	677	3,320	4,590
Profit and loss account charge	(608)	(2,643)	(1,270)
At the end of year	69	677	3,320

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

MCZK	2003	2002	2001
Deferred tax assets			
Tax losses carried forward	24	326	6,138
Non-tax deductible reserves and provisions	844	2,663	5,846
Other deferred tax assets	0	0	1,620
Deferred tax liabilities			
Intangible and tangible assets	(622)	(804)	(729)
Total temporary differences	246	2,185	12,875
Write-off of non-tax deductible provisions and reserves	0	0	(2,165)
Total	246	2,185	10,710
Tax rate	28 %	31 %	31 %
Deferred tax assets	69	677	3,320

_____ The deferred tax credit in the profit and loss account results from the change in the balance of the following temporary differences:

MCZK	2003	2002	2001
Tax losses carried forward	(94)	(1,802)	(1,447)
Provisions and reserves	(564)	(987)	98
Other temporary differences	57	146	79
Change in the tax rate	(7)	0	0
Total	(608)	(2,643)	(1,270)

_____ 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	2003	2002	2001
Due income tax	(2,345)	(796)	0
Deferred income tax	(608)	(2,643)	(1,270)
Total	(2,953)	(3,439)	(1,270)

39. 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 holding a qualified interest in any of the parties listed above, 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 corporate entities which the Bank controls.

_____ Pursuant to the definitions outlined above, the category of related parties principally comprises members of its Board of Directors and Supervisory Board, Erste Bank, subsidiary and associated undertakings of Erste Bank, and subsidiary and associated undertakings of the Bank set out at Note 13.

_____ 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 2002	2,159	5	0	14,439
Additions during the year	344	0	0	87,447
Disposals during the year	(888)	0	0	(88,399)
Balance at 31 December 2002	1,615	5	0	13,487
Of which:				
Due from banks	0	0	0	3,932
Due from clients	1,454	5	0	1,177
Debt securities	0	0	0	5,060
Other receivables	161	0	0	3,318
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	2,198
Due from clients	667	4	0	1,273
Debt securities	0	0	0	5,696
Other receivables	267	0	0	4,488
Interest income on loans				
2002	80	0	0	207
2003	41	0	0	158

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 2002	1,991	3	8	1,342
Additions during the year	2,517	0	4	37,695
Disposals during the year	(2,043)	(2)	0	(33,056)
Balance at 31 December 2002	2,465	1	12	5,981
Of which:				
Owed to banks	319	0	0	2,481
Owed to clients	872	1	12	734
Payables from debt securities	1,114	0	0	0
Other payables	160	0	0	2,766
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

_____ In addition to equity investments in subsidiary and associated undertakings (refer to Note 13), the Bank's assets include share certificates in the aggregate amount of CZK 209 million (2002: CZK 218 million) of open-ended mutual funds managed by Investiční společnost České spořitelny, a. s. (refer to Note 12).

_____ As of 31 December 2003, 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 2002	3	0	0	62
At 31 December 2003	1,756	0	0	106

_____ The Bank received no guarantees from related parties during the year ended 31 December 2003.

40. Payables to Clients Arising from the Provision of Investment Services

_____ Pursuant to Section 8 of the Securities Act 591/1992, investment services involve receiving and providing instructions related to investment instruments on the client's account, performing instructions relating to investment instruments to a third party account, management of portfolios under a contractual arrangement with the client if this portfolio includes defined investment instruments, and investment instruments underwriting and placement of investment instruments.

_____ Additional investment services involve custody and administration of one or a number of investment instruments, rent of safe deposit boxes, 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, capital structuring advisory services, industrial strategy and related issues, provision of advice and services related to mergers and acquisitions,

underwriting services, advisory services relating to investments in investment instruments, and implementation of foreign exchange transactions relating to the provision of investment services.

_____ In connection with the provision of these services, as of 31 December 2003, 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	2003	2002	2001
Settlement with mandators	13	74	10
Subscribed securities for public placement	0	7	0
Assets received for management, custody, administration and safe-keeping	61,114	29,068	12,378
Total customer assets	61,127	29,149	12,388

41. Corrections of Fundamental Errors Relating to Prior Years

_____ During the year ended 31 December 2003, the Bank identified no fundamental errors relating to previous years that would impact the balance of retained earnings brought forward.

42. Post Balance Sheet Events

_____ During the year ended 31 December 2003, negotiations were conducted with the objective of selling the non-life insurance business of Pojišťovna Česká spořitelna, a. s. (the "Company"). Based upon the result of a tender, Kooperativa, pojišťovna, a. s. was selected as the buyer. The Contract took effect following the fulfilment of the last suspensory condition on the date of the legal effectiveness of the approval granted by the Finance Ministry which is 2 January 2004. Reflecting this fact, the sale of the non-life insurance business is treated as a transaction relating to the year ending 31 December 2004.

_____ As of the balance sheet of 31 December 2003, all components of assets and liabilities of the non-life insurance business are included in the Company's balance sheet. In addition, the balance sheet reflects components of assets representing the costs incurred by the Company at the balance sheet date in respect of the sale of the non-life insurance business which are recorded as deferred expenses. The anticipated result of the sale of the non-life insurance business in the year ending 31 December 2004 (net of attributable costs and before taxation) represents a gain of approximately CZK 2,859 million.

_____ The gain made on the sale may impact the value of the Bank's equity investment in the Company in 2004 as a result of a possible release of a provision against this investment, amounting to CZK 682 million as of 31 December 2003.

Sent on:	Stamp and signature of the statutory body	Person responsible for accounting records	Person responsible for financial statements
2 March 2004		Name and signature  Mrs E. Meier	Name and signature  Mrs J. Konečná
		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 2003

_____ 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 Commercial Code 513/1991 Coll., as amended, for the year ended 31 December 2003 (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 2003 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

AVS ERSTE BANK	
Česká spořitelna	Allgemeine Sparkasse
Alpha Immorent	Areal CZ
Beta Immorent	BMG
CEE Property	Delta Haus
Delta Immorent	Duha Property
ecetra CE Finance	Epsilon Immorent
Erste Bank Hungary	Erste Bank Investment Hungary
Erste Bank Malta	Erste & Steiermärkische
Erste Securities Polska	ES Řevnice
Gama Immorent	Immorent ČR
Immorent Investment	Immorent Komunální leasing
Info-Tech	Inprox F-M
Iota Immorent	Lambda Immorent
Malá Štěpánská	OCI
Objektmanagement	Omega Immorent
Palác Karlín	Pankráčká obchodní
Praha-obchodní	Real Union
Realia Consult	S-Bohemia leasing
S-Morava leasing	Samson České Budějovice
Servis 1	Sigma Immorent
Slovenská spořitelňa	SMW banka, a. s.
Spardat	Sparkasse Mühlviertel – West
SporDat	Theta Immorent
U Glaubiců	Vila Property
Weinvietler Sparkasse	Waldviertel Mitte
Zeta Immorent	

Česká spořitelna Group

ERSTE BANK ČESKÁ SPOŘITELNA	
brokerjet ČS	
Consulting ČS	
CDI	
Factoring ČS	
Hotelová společnost	
Informatika ČS	
Investiční společnost ČS	
SKS	
Leasing ČS	
Corfina Trade	
Danube Leasing	
Penzijní fond ČS	
Pojišťovna ČS	
Realitní společnost ČS	
Stavební spořitelna ČS	

B. Controlling Entity

- > **Die Erste oesterreichische Spar-Casse Anteilsverwaltungsparkasse,**
Am Graben 21, Vienna, Austria (“AVS”)
Relation to the Company: indirectly controlling entity
- > **Erste Bank der oesterreichischen Sparkassen AG,**
Am Graben 21, Vienna, Austria (“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, Austria (“Allgemeine Sparkasse”)
Relation to the Company: related entity
- > **Alpha Immorent s. r. o.,**
Národní 973/41, Prague 1, Czech Republic (“Alpha Immorent”)
Relation to the Company: related entity
- > **Areal CZ spol. s r. o.,**
Národní 973/41, Prague 1, Czech Republic (“Areal CZ”)
Relation to the Company: related entity
- > **Bank und Sparkassen Aktiengesellschaft Waldviertel Mitte,**
Hauptplatz 3, Zwettl, Austria (“Waldviertel Mitte”)
Relation to the Company: related entity
- > **Beta Immorent s. r. o.,**
Národní 973/41, Prague 1, Czech Republic (“Beta Immorent”)
Relation to the Company: related entity
- > **BMG- Warenbeschaffungsmanagement GmbH,**
Grimmelshausengasse 1, Vienna, Austria (“BMG”)
Relation to the Company: related entity
- > **CEE PROPERTY – INVEST Immobilien AG,**
Windmühlgasse 22-24, Vienna, Austria, (“CEE Property”)
Relation to the Company: related entity
- > **Delta Haus s. r. o.,**
Národní 973/41, Prague 1, Czech Republic (“Delta Haus”)
Relation to the Company: related entity
- > **Delta Immorent s. r. o.,**
Národní 973/41, Prague 1, Czech Republic (“Delta Immorent”)
Relation to the Company: related entity
- > **Duha Property s. r. o.,**
Národní 973/41, Prague 1, Czech Republic (“Duha Property”)
Relation to the Company: related entity
- > **ecetra Central European e- Finance AG,**
Neutorgasse 2, Vienna, Austria (“ecetra CE Finance”)
Relation to the Company: related entity
- > **Ekologická skládka Řevnice spol. s r. o.,**
Na Bořích 1077, Řevnice, Czech Republic (“ES Řevnice”)
Relation to the Company: related entity
- > **Epsilon Immorent s. r. o.,**
Národní 973/41, Prague 1, Czech Republic (“Epsilon Immorent”)
Relation to the Company: related entity
- > **Erste Bank Hungary Rt,**
Hold utca 16, Budapest, Hungary (“Erste Bank Hungary”)
Relation to the Company: related entity
- > **Erste Bank Investment Hungary Rt,**
Madach Imre Ut 13-15, Budapest, Hungary
 (“Erste Bank Investment Hungary”)
Relation to the Company: related entity
- > **Erste Bank (Malta) Limited,**
Regent House Bisazza Street 72, Sliema, Malta (“Erste Bank Malta”)
Relation to the Company: related entity
- > **Erste & Steiermärkische banka d. d.,**
Rijeka, Varsavska 3-5, Zagreb, Croatia (“Erste & Steiermärkische”)
Relation to the Company: related entity
- > **Erste Securities Polska S. A.,**
Al. Jana Pawla II. 23, Warsaw, Poland (“Erste Securities Polska”)
Relation to the Company: related entity
- > **Gama Immorent s. r. o.,**
Národní 973/41, Prague 1, Czech Republic (“Gama Immorent”)
Relation to the Company: related entity
- > **Immorent ČR, s. r. o.,**
Národní 973/41, Prague 1, Czech Republic (“Immorent ČR”)
Relation to the Company: related entity
- > **Immorent Investment s. r. o.,**
Národní 973/41, Prague 1, Czech Republic (“Immorent Investment”)
Relation to the Company: related entity
- > **Immorent Komunální leasing s. r. o.,**
Národní 973/41, Prague 1, Czech Republic
 (“Immorent Komunální leasing”)
Relation to the Company: related entity
- > **Informations – Technologie Austria GmbH,**
Lassallestrasse 5, Vienna, Austria (“Info-Tech”)
Relation to the Company: related entity
- > **Inprox Frýdek – Místek s. r. o.,**
Národní 973/41, Prague 1, Czech Republic (“Inprox F-M”)
Relation to the Company: related entity
- > **Iota Immorent s. r. o.,**
Národní 973/41, Prague 1, Czech Republic (“Iota Immorent”)
Relation to the Company: related entity
- > **Lambda Immorent s. r. o.,**
Národní 973/41, Prague 1, Czech Republic (“Lambda Immorent”)
Relation to the Company: related entity

- > **Malá Štěpánská 17 s. r. o.,**
Národní 973/41, Prague 1, Czech Republic (“Malá Štěpánská”)
Relation to the Company: related entity
 - > **ÖCI – Unternehmensbeteiligungs-gesellschaft.m.b.H.,**
Am Graben 21, Vienna, Austria (“ÖCI”)
Relation to the Company: related entity
 - > **OM Objektmanagement GmbH,**
Schwarzenbergplatz 2, Vienna, Austria (“Objektmanagement”)
Relation to the Company: related entity
 - > **Omega Immorent s. r. o.,**
Národní 973/41, Prague 1, Czech Republic (“Omega Immorent”)
Relation to the Company: related entity
 - > **Palác Karlín s. r. o.,**
Národní 973/41, Prague 1, Czech Republic (“Palác Karlín”)
Relation to the Company: related entity
 - > **Pankrácká obchodní, a. s.,**
Na Pankráci 14, Prague 4, Czech Republic (“Pankrácká obchodní”)
(Immo AG)
Relation to the Company: related entity
 - > **PRAGUE – obchodní, spol. s r. o.,**
Mánesova 5, Prague 2, Czech Republic (“Prague-obchodní”)
Relation to the Company: related entity
 - > **Real – Union, a. s.,**
Národní 973/41, Prague 1, Czech Republic (“Real Union”)
Relation to the Company: related entity
 - > **Realia Consult Prague s. r. o.,**
Národní 973/41, Prague 1, Czech Republic (“Realia Consult”)
Relation to the Company: related entity
 - > **S-Bohemia leasing, a. s.,**
Biskupská 5, České Budějovice, Czech Republic (“S-Bohemia leasing”)
Relation to the Company: related entity
 - > **S-Morava leasing, a. s.,**
Horní náměstí 18, Znojmo, Czech Republic (“S-Morava leasing”)
Relation to the Company: related entity
 - > **Samson České Budějovice spol. s r. o.,**
Biskupská 5, České Budějovice, Czech Republic
 (“Samson České Budějovice”)
Relation to the Company: related entity
 - > **Servis 1 – ČS, a. s.,**
Olbrachtova 1929/62, Prague 4, Czech Republic (“Servis 1”)
Relation to the Company: related entity
 - > **Sigma Immorent s. r. o.,**
Národní 973/41, Prague 1, Czech Republic (“Sigma Immorent”)
Relation to the Company: related entity
 - > **Slovenská sporiteľňa, a. s.,**
Suché myto 4, Bratislava, Slovakia (“Slovenská sporiteľňa”)
Relation to the Company: related entity
 - > **Spardat Sparkassen – Datendienst Gesellschaft m.b.h.,**
Geiselbergstrasse 21-25, Vienna, Austria (“Spardat”)
Relation to the Company: related entity
 - > **Sparkasse Mühlviertel – West Bank Aktiengesellschaft,**
Stadtplatz 24, Rohrbach, Austria (“Sparkasse Mühlviertel-West”)
Relation to the Company: related entity
 - > **Sparkasse Mühlviertel – West banka a. s. pobočka České Budějovice,**
nám. Přemysla Otakara II 6/3, České Budějovice, Czech Republic
 (“SMW banka, a. s.”)
Relation to the Company: related entity
 - > **SporDat, spol. s r. o.,**
Prievozská 14, Bratislava, Slovakia (“SporDat”)
Relation to the Company: related entity
 - > **Theta Immorent s. r. o.,**
Národní 973/41, Prague 1, Czech Republic (“Theta Immorent”)
Relation to the Company: related entity
 - > **U Glaubiců spol. s r. o.,**
Národní 973/41, Prague 1, Czech Republic (“U Glaubiců”)
Relation to the Company: related entity
 - > **Vila Property s. r. o.,**
Národní 973/41, Prague 1, Czech Republic (“Vila Property”)
Relation to the Company: related entity
 - > **Weinviertler Sparkasse AG,**
Hauptplatz 10, Hollabrunn, Austria (“Weinviertler Sparkasse”)
Relation to the Company: related entity
 - > **Zeta Immorent s. r. o.,**
Národní 973/41, Prague 1, Czech Republic (“Zeta Immorent”)
Relation to the Company: related entity
- Other Related Entities, Česká spořitelna Group**
- > **brokerjet České spořitelny, a. s.,**
Na Perštýně 342/1, Prague 1, Czech Republic (“brokerjet ČS”)
Relation to the Company: indirectly related entity and concurrently
directly controlled entity
 - > **Consulting České spořitelny, a. s.,**
Vinohradská 180/1632, Prague 3, Czech Republic (“Consulting ČS”)
Relation to the Company: indirectly related entity and concurrently
directly controlled entity
 - > **CDI Corporate Advisory, a. s.,**
Na Perštýně 342/1, Prague 1, Czech Republic (“CDI”)
Relation to the Company: indirectly related entity and concurrently
directly controlled entity
 - > **Factoring České spořitelny, a. s.,**
Pobřežní 46, Prague 8, Czech Republic (“Factoring ČS”)
Relation to the Company: indirectly related entity and concurrently
directly controlled entity

- > **Hotelová společnost, spol. s r. o.,**
Plzeňská 103, Prague 5, Czech Republic (“Hotelová společnost”)
Relation to the Company: indirectly related entity and concurrently directly controlled entity
- > **Informatika České spořitelny, a. s.,**
Bubenská 1447/1, Prague 7, Czech Republic (“Informatika ČS”)
Relation to the Company: indirectly related entity and concurrently directly controlled entity
- > **Investiční společnost České spořitelny, a. s.,**
Poláčkova 1976/2, Prague 4, Czech Republic (“Investiční společnost ČS”)
Relation to the Company: indirectly related entity and concurrently directly controlled entity
- > **Leasing České spořitelny, a. s.,**
Střelničná 8, Prague 8, Czech Republic (“Leasing ČS”)
Relation to the Company: indirectly related entity and concurrently directly controlled entity
- > **Corfina Trade, s. r. o.,**
Střelničná 8/1680, Prague 8, Czech Republic (“Corfina Trade”)
Relation to the Company: indirectly related entity and concurrently indirectly controlled entity
- > **CF Danube Leasing, s. r. o.,**
Cintorínska 21, Bratislava, Slovakia, (“Danube Leasing”)
Relation to the Company: indirectly related entity and concurrently indirectly controlled entity
- > **Penzijní fond České spořitelny, a. s.,**
Poláčkova 1976/2, Prague 4, Czech Republic (“Penzijní fond ČS”)
Relation to the Company: indirectly related entity and concurrently directly controlled entity
- > **Pojišťovna České spořitelny, a. s.,**
nám. Republiky 115, Pardubice, Czech Republic (“Pojišťovna ČS”)
Relation to the Company: indirectly related entity and concurrently directly controlled entity
- > **Realitní společnost České spořitelny, a. s.,**
Vinohradská 180/1632, Prague 3, Czech Republic (“Realitní společnost ČS”)
Relation to the Company: indirectly related entity and concurrently directly controlled entity
- > **Spořitelní kapitálová společnost, a. s.,**
Poláčkova 1976/2, Prague 4, Czech Republic (“SKS”)
Relation to the Company: indirectly related entity and concurrently indirectly controlled entity
- > **Stavební spořitelna České spořitelny, a. s.,**
Vinohradská 180/1632, Prague 3, Czech Republic (“Stavební spořitelna ČS”)
Relation to the Company: indirectly related entity and concurrently 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 40,691 million. Under these limits, the overall gross exposure to related entities was CZK 24,213 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 4,139 million. Concurrently, Česká spořitelna negotiated loan facilities and other loan commitments to related entities. The undrawn part of loan commitments from loan facilities at the end of the accounting period was CZK 4,001 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 1,211 million. Concurrently, Česká spořitelna negotiated credit facilities to syndicated loan agreements where the related entities acted as sub-participants under standard business terms and conditions in the total amount of CZK 411 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 the granting of loans to the third parties where related entities acted as sub-participants under standard business terms and conditions. The total amount based on the sub-participation of related entities was CZK 1,029 million. Česká spořitelna incurred no detriment as a result of the fulfilment of these contracts in the accounting period.

Offered Guarantees and Guarantee Declaration

_____ Česká spořitelna provided related entities with guarantees and guarantee declarations based on contracts for the provision of guarantees and guarantee declarations under standard business terms and conditions. The aggregate amount of offered guarantees was CZK 1,862 million and aggregate amount of guarantee declarations was CZK 10,075 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 883 million and pledges totalling CZK 4,178 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 11,298 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 41 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 6,066 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 885 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 2003 year-end amounted to CZK 8,529 million and the nominal value of liabilities from fixed-term contracts amounted to CZK 8,456 million at the 2003 year-end. 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 4,236 million. Česká spořitelna incurred no detriment as a result of these transactions in the accounting period.

Loans Advanced to Employees of the 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 187 million within banking transactions with related entities under standard market or business terms and conditions and outlaid interest expenses totalling CZK 366 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 non-interest income totalling CZK 1,146 million within banking transactions with related entities under standard market or business terms and conditions and outlaid non-interest expenses totalling CZK 47 million for banking transactions with related entities. Česká spořitelna incurred no detriment as a result of these transactions in the accounting period.

E. Non-banking Transactions with Related Entities (Controlling 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	9. 12. 2003	9. 12. 2003	Advisory services for various projects	EUR 1,837 th.	No
Agreement on Cost Sharing	Erste Bank	21. 10. 2003	21. 10. 2003	Payments for legal and advisory services	EUR 1,850 th.	No
Trademark License Agreement	Erste Bank	15. 5. 2003	1. 5. 2003	Use of trademark	EUR 1,515 th.	No

Legal title	Counterparty	Payment date	Subject of the Decision	Amount paid	Detriment incurred
Decision of the General Meeting	Erste Bank	2003	Dividends for 2002	CZK 2,943,236 th.	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	2003	Payment of a 20% discount on the subscription for 13,555 shares by 201 employees who made use of the option.	CZK 7 mil.	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	ÖCI	7. 7. 2000	1. 8. 2000	Provision of management and professional advisory services	CZK 267 mil.	No

Slovenská sporiteľňa, a. s.

Name	Party to the Contract	Period	Subject of the Contract	Total amount	Detriment incurred
Symbols Project	Slovenská sporiteľňa	2003	Advisory services for information systems	EUR 3,078 th.	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	16. 6. 2003	16. 6. 2003	Provision of services for various projects	EUR 2,823 th.	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	22. 8. 2003	22. 8. 2003	Services for various projects	CZK 189,516 th.	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 on providing advisory services	Consulting ČS	2001	2001	Advisory services and property valuation	CZK 27,993 th.	No

CDI Corporate Advisory, a. s.

Contract name	Party to the Contract	Contract date	Effective date	Subject of the Contract	Total amount	Detriment incurred
Mandate agreement	CDI	4. 11. 2002	4. 11. 2002 (for an indefinite period)	Receiving advisory services related to the assignment of ČS's receivables from third parties	No financial character	No
Terms and conditions for providing advisory services	CDI	26. 3. 2002	26. 3. 2002 (for an indefinite period)	Terms and conditions related to the Letter of appointment	No financial character	No
General agreement on providing internal audit services	CDI	17. 10. 2003	17. 10. 2003 (for an indefinite period)	Provision of internal audit services. No performance in 2003.	No financial character	No
Partial mandate agreement	CDI	10. 1. 2003	10. 1. 2003 (for an indefinite period)	Specification of the terms and condition of the Mandate agreement of 04/11/2002 and setting fee structure	CZK 18,033 th.	No

Informatika České spořitelny, a. s.

Contract name	Party to the Contract	Contract date	Effective date	Subject of the Contract	Total amount	Detriment incurred
4× Order	Informatika ČS	2003	2003	Purchase of IT equipment within AIT insourcing in ČS	CZK 10,943 th.	No
Framework contract 1/2001	Informatika ČS	2001	2001	General terms and conditions for providing IT technical services	No financial character	No
6× Implementation agreement	Informatika ČS	2001	2001	Provision of IT maintenance services	CZK 286,484 th.	No
General contract of cooperation	Informatika ČS	1998	1998	General definition of terms and conditions of mutual cooperation	No financial character	No
General contract of cooperation	Informatika ČS	1998	1998	General definition of terms and conditions of mutual cooperation	No financial character	No
Non-residential lease agreements	Informatika ČS	2001	2001	Lease of non-residential premises incl. energy and utility services	CZK 15,125 th.	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	23. 6. 2000	23. 6. 2000	Jointly performed business activities related to client segments	No financial character	No
Contract on payment for software transfer	Investiční společnost ČS	28. 11. 2003	28. 11. 2003	Transfer of software to ČS at the price determined by a certified expert	CZK 8,428 th.	No

Leasing České spořitelny, a. s.

Name	Party to the Contract	Contract date	Effective date	Subject matter of the lease	Total amount (Total installments and prepayments)	Detriment incurred
Lease contracts	Leasing ČS	2003	2003	Received lease of transport equipment	CZK 42,804 th.	No
Contract for the use of CS's logo and business name in 2003	Leasing ČS	2002	2002	Granting authorization to the execution of the right to use the logo	CZK 19,855 th.	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	13. 9. 2002	13. 9. 2002	Lease of an office building owned by PF	CZK 9,008 th.	No
Lease agreement for non-residential premises and movables	Penzijní fond ČS	1999	1999	Lease agreement for a regional workplace in the office of PF	CZK 6,022 th.	No

Pojišťovna České spořitelny, a. s.

Name	Party to the Contract	Contract date	Effective date	Subject of the Contract	Total amount	Detriment incurred
Insurance contract No. 5900001669	Pojišťovna ČS	12. 12. 1997	1. 1. 1998	Accident insurance for Česká spořitelna employees	CZK 7,604 th.	No
Insurance contracts	Pojišťovna ČS	1996	1996	Provision of insurance services by Pojišťovna ČS, a. s. within the Card Program of ČS, a. s.	CZK 5,228 th.	No
Insurance contracts	Pojišťovna ČS	1996	1996	Provision of insurance services by Pojišťovna ČS, a. s.	CZK 81,415 th.	No
Lease of non-residential premises	Pojišťovna ČS	1996	1996	Lease of non-residential premises	CZK 11,073 th.	No
Agreement on access to the Česká spořitelna Intranet	Pojišťovna ČS	18. 9. 2002	18. 9. 2002	Regulation of rights and obligation regarding to access the Česká spořitelna Intranet for employees of Pojišťovna	No financial character	No
Contract on protection of confidential information No. 263/03	Pojišťovna ČS	8. 7. 2003	8. 7. 2003	Mutual disclosure of confidential information	No financial character	No
Agreement on securities management	Pojišťovna ČS	29. 12. 2000	29. 12. 2000	Management of assets consisting of securities and financial means intended for investment	CZK 25,429 th.	No
Annex No. 1 to the Implementation agreement of 14/09/2001 for providing services of the Client Interaction Centre by Česká spořitelna for Pojišťovna	Pojišťovna ČS	26. 6. 2002	1. 1. 2002	Specification of services and cost update – telephone charges, operator's price + back office activities	No financial character	No
Implementation agreement No. 58/01	Pojišťovna ČS	9. 4. 2001	1. 4. 2001	Setting commissions for brokerage and sale of insurance products in the Česká spořitelna network	No financial character	No
Brokerage contract	Pojišťovna ČS	15. 5. 1998	15. 5. 1998	Providing insurance brokerage services in the form of a "contact ticket"	No financial character	No
Contract No. 74/00	Pojišťovna ČS	4. 5. 2000	1. 4. 2000	Commitment of Česká spořitelna to provide insurance brokerage for Pojišťovna České spořitelny	No financial character	No
Data migration contract No. 259/03	Pojišťovna ČS	30. 10. 2003	30. 10. 2003	Migration of Pojišťovna client data into the customer file of Česká spořitelna	No financial character	No
Commercial agency contract	Pojišťovna ČS	15. 5. 1998	15. 5. 1998	Sale of capital life insurance ECHO in Česká spořitelna network	CZK 66,536 th.	No
Contract for the use of CS's logo and business name in 2003	Pojišťovna ČS	4. 12. 2002	31. 12. 2003	Granting the authorization to use the logo	0.4% of actual net revenues from operations and financial activities	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
Consultancy contract	Realitní společnost ČS	4. 9. 2003	18. 6. 2003	Receiving real estate advisory services	CZK 7,015 th.	No
Agreement on access to ČS 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
Framework agreement on providing internal audit services	Realitní společnost ČS	2003	2003	Regulation of the rights and obligations regarding the provision of internal audit services	No financial character	No
Confidentiality agreement	Realitní společnost ČS	19. 6. 2003	19. 6. 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 for the use of CS's logo and business name in 2003	Stavební spořitelna ČS	2001	2001	Granting the authorization to use the logo	CZK 10,929 th.	No
Contract on providing advisory services	Stavební spořitelna ČS	2003	2003	Provision of advisory services and management of the SAP project	CZK 5,810 th.	No

F. Other Legal Acts

_____ In the accounting period, the company 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 company 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 Česka 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 2003 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 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 amounts to CZK 750 million. Česká spořitelna's shareholding is 60.5 percent, an equity interest of 34.5 percent is held by Erste Bank and the remaining 5 percent is owned by the Austria-based Bausparkasse der oesterreichischen Sparkassen.

In 2003, the company achieved record performance results. The company entered into 382 thousand new construction savings contracts and retained its second position in the construction savings market in the Czech Republic in 2003. The number of clients that benefit from the company's services in financing their housing needs amounted to almost 1.4 million as of 31 December 2003. Great confidence of clients in the

company's services was positively reflected in the increase of financial resources and total assets. The company also achieved the historically best results in the number of loans, of which it issued more than 27 thousand, and the volume of loans which rose by 27 percent year-on-year.

In 2003 when the Czech construction savings market saw, due to the upcoming revisions of statutory terms and conditions, increased competition, namely in respect of acquisition of new contracts, the company generated a net profit of CZK 209 million. The generation of the net profit was positively impacted by a year-on-year increase in fee income and reductions of general administrative expenses. On a year-on-year basis, the Company's income was affected by investments in the preparatory work for a future massive loan expansion and the continuing decline in interest rates in the financial market. The company's investments in lending were the first step towards its successful sale in the future and towards obtaining a leading position in the construction savings market in this area as well.

	2003	2002	2001
Share capital (MCZK)	750	750	750
Total assets (MCZK)	61,604	47,541	34,178
Loans and advances to clients (MCZK)	10,483	7,196	5,489
Client deposits (MCZK)	59,489	45,325	29,317
Net profit (MCZK)	209	281	201
Number of clients (thousand)	1,382	1,125	911
Number of own points-of-sale	132	102	88
Average headcount	304	310	302

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- > **Free info-line:** 800 207 207
- > **Customer service line:** 224 309 179, 224 309 134
- > **TELEBUS customer service line:** 224 309 309

- > **Telephone:** 224 309 111
- > **Fax:** 224 309 112
- > **Internet:** www.burinka.cz
- > **E-mail:** burinka@csst.cz

Pojišťovna České spořitelny, a. s.

Pojišťovna České spořitelny, a. s. was formed on 1 October 1992 and has had its registered office address at nám. Republiky 115, Pardubice since September 2002. Česká spořitelna acquired an equity interest in the company in 1995. The company's issued share capital amounts to 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 capitalized insurance companies in the Czech market. The company has been licensed to undertake insurance activities, reinsurance activities and related activities.

The Company had 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 insurer.

_____ The year ended 31 December 2003 was a key milestone in respect of principal non-life insurance products because owners of businesses and citizens notably revised their approach to insuring their assets following large scale floods that occurred in 2002. On a year-on-year basis, premiums written grew by more than 10 percent to CZK 6.9 billion. This

growth was markedly impacted by the non-life insurance business, which increased by 14 percent and the volume of premiums written amounted to CZK 3.1 billion. Life insurance premiums written increased by almost 8 percent to CZK 3.8 billion. Technical reserves amounted to CZK 8.9 billion and increased by CZK 3.1 billion as compared to 2002. As of 31 December 2003, the company generated a net profit of CZK 229 million which represents a year-on-year increase of 35 percent.

	2003	2002	2001
Share capital (MCZK)	1,117	1,117	1,117
Total assets (MCZK)	11,437	8,015	4,240
Premiums written (MCZK)	6,938	6,281	3,659
Net profit (MCZK)	229	171	104
Number of insurance policies (thousand)	914	847	749
Number of own points-of-sale	34	34	73
Average headcount	654	709	819

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- > **Fax:** 466 051 380

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- > **E-mail:** pojistovnacs@pojistovnacs.cz

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 providing retirement benefit schemes under Act 42/1994 Coll. on Retirement Benefit Schemes with State Contribution.

_____ During the year ended 31 December 2003, the company strengthened its position as one of the biggest pension funds in the Czech Republic. In keen competition, the company was successful in increasing the volume of funding in clients' personal accounts to CZK 9.2 billion, a

32 percent increase year-on-year. As of 31 December 2003, the company provided its services to nearly 383 thousand clients. The company's performance in 2003 was notably driven by the development of cooperation with employers, including small and medium sized business. As part of its corporate program for employers, the company entered into business arrangements with more than 3,400 employers.

_____ For the year ended 31 December 2003, the company generated a net profit of CZK 243 million under Czech Accounting Standards (CAS) which represents a year-on-year increase of CZK 5 million. This increase was achieved due to compliance with prudent investment policies, despite declining interest rates and increased business dynamics. The

	2003	2002	2001
Share capital (MCZK)	100	100	100
Capital funds (MCZK)*	9,187	6,944	4,986
Net profit (MCZK) under CAS**	243	238	170
Net profit (MCZK) under IFRS	220	430	68
Total assets (MCZK)	9,666	7,439	5,175
Number of participants (thousand)	383	376	360
Headcount	56	56	56

* This figure indicates the balance of funds in clients' personal accounts.

** Under the Act on Retirement Benefit Schemes, the pension fund allocates no less than 85 percent of the profit made under CAS to its clients.

volume of financial assets under management grew by more than CZK 2.2 billion during 2003. In the financial assets management area, the company followed the stated strategic objective to achieve the greatest possible return on assets whilst maintaining a low rate of financial risks.

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The company invested funds principally in Czech, largely Government, debt securities that carry low risks of non-payment, debt securities of OECD countries, and Government treasury bills.

- > **Internet:** www.pfcs.cz
- > **E-mail:** pfcs@pfcs.cz

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 Střelnická 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 as number seven on the Czech lease market. The company's activities are primarily focused on finance leases of a wide range of commodities, with the largest components being cars and trucks (in the rolling stock category), engineering and energy sector (in the technology sector), and operating leases.

The company generated a net profit of CZK 15 million for the year ended 31 December 2003, despite a significant increase in provisioning and reserving for potential future risks. The volume of new transactions decreased by 21 percent from 2002 to 2003, due to the discontinuance of business activities in the least profitable segment of low value finance leases and installment sale, with risk expenses being taken into account. A positive result was the achieved commodity structure which saw a further shift towards rolling stock. Rolling stock accounted for 68 percent of the total volume of newly concluded transactions that were put into service in 2003.

	2003	2002	2001
Share capital (MCZK)	300	300	300
Total assets (MCZK)	6,834	7,134	6,705
Outstanding lease amount (MCZK)	4,229	5,323	4,664
Net profit (MCZK)	15	77	65
Number of new lease contracts	6,600	12,353	16,963
Number of own points-of-sale	2	4	4
Headcount	123	116	118

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- > **Fax:** 266 095 375
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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. During the year ended 31 December 2003 when investment companies associated in the Czech Investment Companies Union (UNIS ČR) experienced an increase in the volume of managed assets of 4 percent, the company's assets increased by 20 percent which clearly re-affirmed the company's leading position among Czech investment companies.

The year ended 31 December 2003 saw a slight recovery of global capital markets which led to increased interest of investors in equity funds. The value of assets held in equity funds increased by 78 percent

year-on-year and amounted to CZK 1.4 billion. The period to mid-2003 saw a peak in investors' interest in bond funds. The year-on-year increase in assets managed by these funds is 59 percent despite a fall in interest in the latter half of 2003. By way of contrast, the latter half of 2003 was witness to increased interest in money market funds.

The balance of assets in funds managed by Investiční společnost České spořitelny increased by more than CZK 8 billion in 2003 and the company thus strengthened its market share to 47 percent. In addition to the company's quality offering, the increase in the managed assets results from the developments of interest rates in the previous year which

markedly fell and a slight recovery of capital markets which forced retail investors to seek alternatives to term deposits.

_____ The company's economic indicators for the year ended 31 December 2003 substantially exceeded expectations. The result was also largely

impacted by increased sales and structural and organisational changes as of 1 January 2003, which, inter alia, led to operating cost reductions. The company generated a net profit of CZK 104 million for the year ended 31 December 2003.

	2003	2002	2001
Share capital (MCZK)	70	70	70
Equity (MCZK)	510	406	817
Total assets (MCZK)	591	503	1,003
Net profit or loss (MCZK)	104	-8	38
Assets under management (BCZK)	48.3	40.1	24.7
Headcount	32	58	73

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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 acquired the remaining issued share capital from the original shareholders and became the sole shareholder of the company. The company's registered office address is located at 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 that operate in the consumer and food industry, suppliers for wholesale networks, chemistry, metallurgy, etc.

_____ The year ended 31 December 2003 was a successful year for Factoring České spořitelny. An in-depth restructuring of the company

designed to improve organisation and management was undertaken. Cooperation with Česká spořitelna notably increased and improved. In 2003, the company made significant inroads into the market and ranked second in the Czech factoring market with a 24 percent market share. The company's net profit for the year ended 31 December 2003 amounted to CZK 15 million. The company diversified its portfolio and its position is stabilised following the recognition of additional provisions. The trend initiated in 2003 forms a good starting point for further increasing the company's turnover and market share. Key assumptions will continue to involve close cooperation with Česká spořitelna, the diversification of risks and consistent debt collateralisation.

	2003	2002	2001
Share capital (MCZK)	84	84	84
Equity (MCZK)	93	78	62
Total assets (MCZK)	3,861	2,965	1,327
Outstanding contracted amounts (MCZK)	15,757	9,685	5,034
Net profit (MCZK)	15	17	18
Headcount	31	28	23

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Consulting České spořitelny, a. s.

Consulting České spořitelny, a. s. was formed on 8 June 1995 and has currently its registered office address 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 are focused on providing 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 has implemented an ISO 9001 – compliant quality management system.

For the year ended 31 December 2003, the company generated a net profit of CZK 1 million. Added value amounted, on average per employee, to CZK 1,137 thousand and CZK 968 thousand for the years ended 31 December 2003 and 2002, respectively. The company's own output amounted to CZK 43 million in 2003. On a year-on-year basis, the company's equity increased by 7 percent. The company's activities in 2004 will be predominantly focused on stabilising and further strengthening the company's position within the Group, the objective being to become the preferred advisory services provider in selected areas.

According to Czech accounting standards	2003	2002	2001
Share capital (MCZK)	1	1	1
Total assets (MCZK)	20	19	31
Net profit or loss (MCZK)	1	0	4
Number of clients	160	150	140
Headcount	27	28	31

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> **Telephone:** 224 309 740, 271 746 972

> **Fax:** 271 746 975
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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 sporitelna and CDI Erste Central Europe Holding. Česká spořitelna holds 50.2 percent of the company's issued share capital.

CDI Corporate Advisory focuses on providing financial and investment advice in mergers and acquisitions. This area includes a wide range of transactions that lead to changes in ownership structures of businesses. The year ended 31 December 2003 was the most successful year of the company's existence. In 2003, the company obtained and successfully completed several major mandates. For example, key projects for 2003 included advisory services to Česká spořitelna in selling a selected portfolio of receivables, advisory services to Vítkovice, a. s., advisory services to Pojišťovna České spořitelny in selling the non-life insurance portfolio, advisory services to the Czech National Property Fund or advice in making buy-out or share acquisition offers.

The company generated a net profit of CZK 47 million under Czech Accounting Standards (CAS) for the year ended 31 December 2003. Income from advisory services exceeded CZK 118 million which represents a year-on-year increase of more than 250 percent.

According to Czech accounting standards	2003	2002	2001
Share capital (MCZK)	6	6	1
Equity (MCZK)	61	16	8
Net profit (MCZK) under CAS	47	8	2
Headcount	10	7	7

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 > **Telephone:** 224 995 166
 > **Fax:** 224 995 167

> **Internet:** www.cdica.cz
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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 goods for sale in the IT area for Česká spořitelna and other members of the Group. The company's share capital is CZK 10 million.

	2003	2002	2001
Share capital (MCZK)	10	10	10
Total assets (MCZK)	93	97	105
Net profit (MCZK)	-3	0	7
Sales (MCZK)	390	520	443
Headcount	371	362	360

Realitní společnost České spořitelny, a. s.

_____ Realitní společnost České spořitelny, a. s. has its registered office at Vinohradská 180/1632, Prague 3 and its share capital amounts to CZK 4 million. The company was recorded in the Register of Companies held at the Municipal Court in Prague on 23 December 2002.

_____ 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 the Česká spořitelna Group in the real estate area.

_____ The company launched its business activities in the latter half of 2003. The company's board of directors assessed the year 2003 as very successful. For the period ended 31 December 2003, the company generated total income of CZK 17.7 million under Czech Accounting Standards and incurred a loss of CZK 1.2 million, after taking into account deferred taxation.

According to Czech accounting standards	2003	2002	2001
Share capital (MCZK)	4	4	-
Total assets (MCZK)	20	4	-
Income from real estate activities (MCZK)	18	0	-
Net profit or loss (MCZK)	-1	0	-
Headcount	15	0	-

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 130 11 Prague 3
 > **Telephone:** 224 309 701

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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: 45244782

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 2003 prepared in accordance with the Accounting Act and applicable Czech regulations, and have issued our unqualified report thereon dated 2 March 2004. We have also audited the consolidated financial statements of Česká spořitelna, a. s. for the year ended 31 December 2003 prepared in accordance with International Financial Reporting Standards and have issued our unqualified report thereon dated 30 March 2004. These financial statements and auditors's reports are included on pages 87 to 139 and on pages 43 to 84 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 141 to 150. 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 the relevant financial statements.

In Prague on 7 June 2004



Audit firm:

Deloitte & Touche spol. s r. o.

Certification no. 79

Represented by:



Michal Petrman, statutory executive



Statutory auditor:

Michal Petrman

Certification 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. 3. 2004	31. 3. 2003
Interest income and similar income	5,613	5,759
Interest expense and similar expense	-1,425	-1,956
Net interest income	4,188	3,803
Provisions for credit risks	-307	288
Net interest income after provisions for credit risks	3,881	4,091
Fee and commission income	2,161	1,981
Fee and commission expense	-136	-103
Net fee and commission income	2,025	1,878
Net profit on financial operations	378	313
General administrative expenses	-3,870	-3,737
Net insurance income	69	57
Other operating expenses, net	2,833	12
Profit before taxes	5,316	2,614
Income tax expense	-1,534	-757
Profit after taxes	3,782	1,857
Minority interest	-973	-42
Net profit for the year	2,809	1,815
Total Assets	620,291	549,557
Loans and advances to clients	215,512	189,824
Amounts owed to clients	479,700	422,573
Shareholders' equity	37,222	31,648

Conclusions of the Annual General Meeting of Shareholders Held on 26 May 2004

_____ At the Annual General Meeting of Česká spořitelna held on 26 May 2004 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 2003. The shareholders present at the General Meeting were presented with the Supervisory Board's Report for the year ended 31 December 2003 and approved the annual

financial statements, consolidated financial statements and proposal for profit allocation. The distributable funds amounted to CZK 17,012 million, of which CZK 364 million was allocated to the statutory reserve fund, CZK 107 million to the social fund and CZK 4,560 million was allocated to the payment of dividends, which amount to CZK 30 per each share. The balance of retained earnings is CZK 11,981 million.

A

Amounts due from banks cover flap, 87, 94, 96, 104–105, 125
 Amounts due from clients cover flap, 87, 94, 105–107, 125
 Anonymous deposits (anonymous savings accounts) 17, 32
 ATM cover flap, 03–04, 18
 Auditor 40, 42, 86, 157

B

Board of Directors 04, 06, 30, 32, 34, 38, 68, 83–84, 127, 137, 159
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 Bonus program 03, 17
 Business clientele 19, 21

C

Capital adequacy cover flap, 33
 CDI Corporate Advisory 07, 52, 115–116, 143, 147, 155
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