



# Výročná správa 2003

## Annual report 2003



## VÝROČNÁ SPRÁVA 2003

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## OVERVIEW 2003/2002, CONSOLIDATED

OVERVIEW 2003/2002		
HVB Bank Slovakia a.s.	2003	2002
<b>Results (EUR 000)</b>		
Net interest income	28,642	31,723
Fees and commissions income	6,093	3,943
Dealing profits	8,578	7,564
Operating income	42,029	42,281
Operating expenditure	(23,260)	(22,478)
Operating results	18,769	19,803
Profit before taxation	18,769	19,803
Profit after taxation	15,435	18,104
<b>Ratios</b>		
Return on equity (ROE)	10.0 %	13.0 %
Return on assets (ROA)	1.3 %	1.8 %
Cost – to income ratio	50.3 %	45.0 %
Fees income / Operating income	14.5 %	9.3 %
<b>Balance sheet (EUR mil.)</b>		
Total assets	1,183	983
Loans to customers	770	575
Customers accounts	593	534
Shareholder's equity	155	140
Number of employees	413	397
Number of locations	24	17

## OVERVIEW 2003/2002/2001, NOT CONSOLIDATED

OVERVIEW 2003/2002/2001			
HVB Bank Slovakia a.s.	2003	2002	2001*
<b>Results (EUR 000)</b>			
Net interest income	28,924	32,075	28,709
Fees and commissions income	6,093	3,943	5,885
Dealing profits	8,457	7,564	3,146
Operating income	42,202	42,639	37,790
Operating expenditure	(23,638)	(22,945)	(21,273)
Operating results	18,564	19,694	16,517
Profit before taxation	18,564	19,694	16,517
Profit after taxation *	15,257	18,011	16,156
<b>Ratios</b>			
Return on equity (ROE)	9.6 %	12.8 %	14.4 %
Return on assets (ROA)	1.3 %	1.8 %	2.3 %
Cost – to income ratio	51.0 %	45.7 %	52.0 %
Fees income / Operating income	14.4 %	9.2 %	15.6 %
<b>Balance sheet (EUR mil.)</b>			
Total assets	1,182	982	766
Loans to customers	772	574	421
Customers accounts	593	532	392
Shareholder's equity	155	140	117
Number of employees	412	396	333
Number of locations	24	17	12

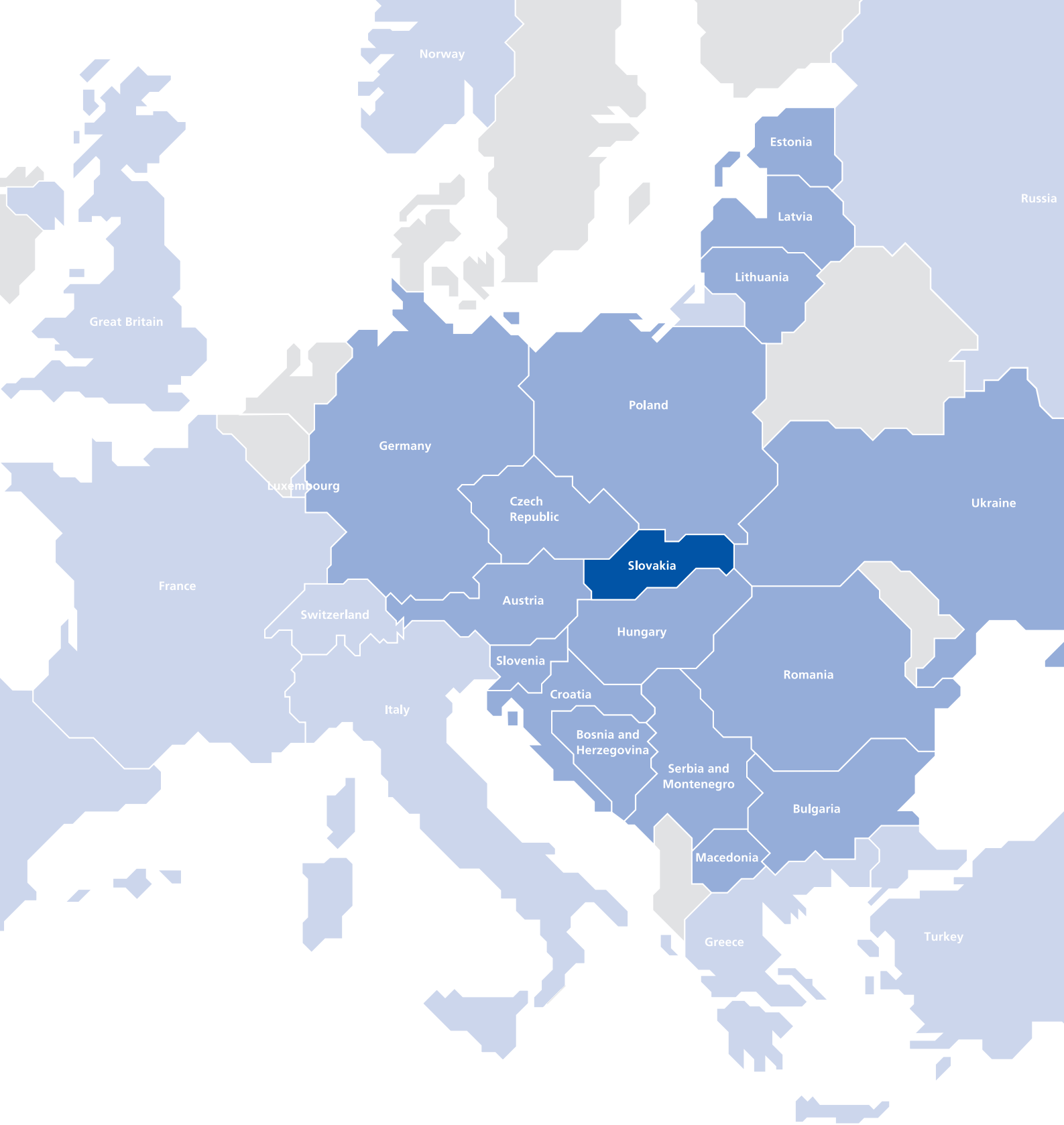
\* Includes the results of HypoVereinsbank Slovakia, a.s. for the nine months ended 30 September 2001.

## Success without boundaries in the heart of Europe

2004 is one of the most important years in recent European history. The European Union will be enlarged. Eight countries from the region of Central and Eastern Europe will join the EU, and other countries are making intensive preparations for accession. A few years ago, this would have been inconceivable. It is important now to take full advantage of opportunities arising from European integration. And Bank Austria Creditanstalt is a major player in this process.

The CEE network currently comprises about 900 offices with just under 18,000 employees, who serve some 4 million customers. Together with HVB we are active in a market of 200 million people. Proximity to customers and local expertise are the decisive factors for success in each of these countries. Through our network we will use opportunities for cooperation in the best possible way, whether in the development of new products and IT platforms or in back-office operations. The Bank Austria Creditanstalt network is not limited by borders, the advantage of one is the advantage of all.

The benefit for customers is clear: international and local know-how available from a single source.



## Board of Directors' Report

In 2003 HVB Bank Slovakia a. s. successfully built upon the extraordinarily successful year of 2002 and continued its expansion. This was evidenced by winning the prestigious “Bank of the Year 2003” award from the Trend economic weekly, which is a recognition of the high standard of banking activities conducted by HVB Bank Slovakia a. s. in Slovakia.

At the beginning of the year, the Bank’s Board of Directors was extended. Ing. Branislav Straka, PhD. became a new member of the Board on 1 March 2003 and assumed responsibility for the retail clients division. The number of members of the Board of Directors of HVB Bank Slovakia a. s. was thereby increased to 4.

With growth reaching 4.2 %, the Slovak economy was the fastest growing economy in the Central and Eastern European region last year. By implementing labour market reform, the highest drop in unemployment in the past five years was recorded, while tax reform made Slovakia an interesting investment area. All these trends have a positive impact on the business sphere and create conditions for further dynamic growth in all areas of economy, including the financial sector.

In providing its banking products and services to clients in Slovakia, HVB Bank Slovakia a. s. relies on a strong international background. The Bank is wholly owned by the largest Austrian bank Bank Austria Creditanstalt AG, which is

# HVB Bank Slovakia vyfúkla primát väčším domácim hráčom

Prelomiť dlhoročnú hegemoniu Tatra banky sa jej konkurentom podarilo až na šiesty pokus

JÁN KOVALČÍK

Cenu Banka roka udeľuje TREND už šiestykrát, má však ešte len druhého víťaza. Tatra banka ako prvý nositeľ ocenenia totiž pred seba nepustila nikoho iného celých päť rokov. Až teraz.

HVB Bank Slovakia je dcéra jednej z najväčších bánk v Európe, ktorá sa zrodila len pred niekoľkými rokmi sériou veľkých fúzií. Najprv sa v roku 1997 spojili dva najväčšie rakúske peňažné ústavy Bank Austria a Creditanstalt. O rok neskôr sa niečo podobné udialo kúsok západnejšie. Mníchovské Hypo-Bank a Vereinsbank – dve z troch najväčších bavorských bánk – sa po rokoch konkurenčného boja dohodli na zlúčení.

Rakúsky obor bol na európske pomery stále iba traslíkom, zato HypoVereinsbank sa vyhupla medzi desiatku najväčších európskych bánk. S veľkosťou narastali aj jej ambície a v roku 2000 nemecká dvojka rakúsku jednotku Bank Austria Creditanstalt jednoducho kúpila. Nie však pre dominantný podiel na rakúskom trhu, ale pre početnú sieť dcér v krajinách strednej a východnej Európy. Na takzvaných nových trhoch totiž Rakúšania Nemcov predbehli.

Ti to patrične ocenili: aj po ich prevzatí HypoVereinsbank ponechala dcéry v tomto regióne pod krídlami Viedne. Výsledky potvrdzujú, že urobila dobre.

Už po spojení slovenských dcér Creditanstaltu a Bank Austria v roku 1999 si pomerne malý peňažný ústav získaval solídnu pozíciu na slovenskom korporátnom trhu – aspoň v úveroch. Na výraznejšie presadenie sa v získavaní klientskych vkladov nemal obchodnú sieť. Ešte v roku 2001, po fúzii so slovenskou dcérou HypoVereinsbank, mala banka sotva tucet pobočiek a menej ako trojpercentný podiel na trhu vkladov. Zato na trhu úverov bol jej podiel už 6,5-percentný.

Kým v roku uskutočnenia fúzie HVB Bank Slovakia zaknihovala len nevýrazné výsledky, hneď nasledujúci rok si to vynahrádila. Práve v úveroch, ktoré sú základom ziskovosti peňažných ústavov, zvýšila v roku 2002 svoj tržový podiel až na bezmála osem percent. Znamená to pozíciu štvrtky na trhu úverov, čo vzbudzuje rešpekt najmä v kontraste s počtom pobočiek či pracovníkov – tu totiž HVB stále nepatrí ani do desiatky najväčších peňažných ústavov na Slovensku. S relatívne nízkymi nákladmi teda robí zaujímavý biznis.

Rok 2002 bol pre HVB Bank Slovakia výnimočne úspešný nielen vďaka posilneniu tržových podielov na úveroch či vkladoch. Absolútnou výškou prevádzkového zisku i zisku pred zdanením sa umiestnila hneď za trojicu najväčších bánk a Prvou stavebnou sporiteľňou. V hodnotení TRENDU bodovala aj solídnu rentabilitou aktív či priaznivým pomerom prevádzkových nákladov k aktívam. Najvyššie priemerné umiestnenie v hodnotených ukazovateľoch za rok 2002 spomedzi všetkých peňažných ústavov v SR jej vyneslo titul Banka roka 2003.

Len o málo prvenstvo ušlo Slovenskej sporiteľni, ktorá už v rukách rakúskej Erste Bank po reštrukturalizácii a personálnom posilnení začala

doháňať zameškané v úveroch. Medziročný nárast ich objemu až o 41 % zlepšil tržový podiel na úverovom trhu o vyše dva percentné body. Sporiteľni sa zároveň podarilo rapídne zvýšiť ziskovosť, a tak spomedzi všetkých bánk na trhu najviac bodovala v piatich z desiatky ukazovateľov, ktoré rozhodujú o umiestnení v rebríčku Banka roka.

O titul ju pripravil najmä nevýrazný prírastok vkladov, ktorý znamenal pokles tržového podielu. Druhým negatívnym faktorom, ktorý pre sporiteľňu znamenal stratu hodnotiacich bodov a len druhú priečku, bol až 20-percentný rast všeobecných prevádzkových nákladov. Priblížili sa k trom percentám aktív, a to aj napriek iba miernemu rastu personálnych nákladov.

Takmer rovnako vysokým pomerom prevádzkových nákladov k aktívam sa prezentovala Tatra banka, ktorá prvýkrát neobhájila titul Banka roka a klesla o dve priečky. Napriek ďalšiemu výraznému rastu prevádzkového zisku nedokázala zopakovať rekordný zisk pred zdanením z roku 2001. Vyššia potreba dotvárania opravných položiek k problémovým úverom znamenala naopak pokles zisku.

Solídny, ale nie svoj najlepší rok mala vlani aj Citibank (Slovakia). Ani tentoraz neskončila horšia ako štvrtá. Medzi druhou a štvrtou priečkou v hodnotení najúspešnejších bánk na trhu sa pohybuje už štvrtý rok. Aj napriek nevýraznej dynamike úverov a najmä vkladov dokázala slovenská dcéra najväčšej svetovej banky aj v roku 2002 zvýšiť zisk a vykázat solídnu rentabilitu vlastného kapitálu i aktív. Rovnako o dve priečky, ibaže z tretej na piatu, si pohoršila Prvá komunálna banka, ktorá sa tento rok premenovala na Dexia banku Slovensko.

Budúci rok môžu byť výsledky najúspešnejších peňažných ústavov ešte vyrovnanejšie. Ak okruh adeptov na tohtoročné prvenstvo sa dal už pred rokom zúžiť práve na HVB Bank a Slovenskú sporiteľňu, teraz je nádejných kandidátov viac.

## Výročná cena TRENDU za mimoriadne podnikateľské výsledky

TREND's Annual Prize for Outstanding Business Results

### Banka roka 2003 – Bank of the Year 2003

1. HVB Bank Slovakia, a.s., Bratislava
2. Slovenská sporiteľňa, a.s., Bratislava
3. Tatra banka, a.s., Bratislava

### Banka roka 2002 – Bank of the Year 2002

1. Tatra banka, a.s., Bratislava
2. Citibank (Slovakia), a.s., Bratislava
3. Prvá komunálna banka, a.s., Žilina

### Banka roka 2001 – Bank of the Year 2001

1. Tatra banka, a.s., Bratislava
2. Všeobecná úverová banka, a.s., Bratislava
3. Československá obchodná banka, a.s., zahraničná pobočka v SR

Source: Trend Top 2003



Receiving the Award "Bank of the Year 2003": Christian Suppanz, Chairman of the Board of Directors of HVB Bank Slovakia and Ivan Sramko, Deputy Governor of the National Bank of Slovakia (from the left).



Speech by Christian Suppanz.

responsible for Austria and the Central and Eastern European (CEE) region within HVB Group. It is the largest international banking network in the CEE region, with more than 900 branches and 17,500 employees providing first class banking services to 4 million clients in 11 countries. The high standard of the services provided in the CEE region has been repeatedly evidenced by awards in all areas of banking from renowned magazines such as Euromoney, The Banker and Global Finance.

HVB Bank Slovakia a. s. successfully continued and even exceeded the expansion from 2002. Over the 12 months, it opened 7 new branches spread evenly all over Slovakia, expanding the branch network to 24 branches at the end of 2003. The banking services of HVB Bank Slovakia a. s. can now also be accessed by clients in Prievidza, Michalovce, Martin, Liptovský Mikuláš, Senica, and Prešov, and a second branch was opened in the town of Banská Bystrica. The expansion of the branch network, combined with the enlarged offer of banking products, contributed to a significant increase in the number of clients. As of 31.12.2003, HVB Bank Slovakia a. s. was servicing almost 24,000 clients, which is an increase of almost 18 %.

The Bank reinforced its position in all client segments: private, retail, as well as corporate. HVB Bank Slovakia a. s. made notable progress in the area of loans to private clients. This was mainly a result of the situation in mortgage financing, which was in a boom especially at the end of the first half of 2003. At the end of August 2003, the Bank made its first issue of mortgage bonds with maturity of eleven years totalling SKK 500 million. HVB Bank Slovakia a. s. placed greater focus on small and medium-sized enterprises in the past year. As a result, a number of new products were introduced to the market and the Bank was granted a global credit line from the European Investment Bank amounting to EUR 50 million. By extending its product portfolio in all segments, using an individual approach and constantly improving its services, the Bank was able to come closer to its clients and offer them the most advantageous solutions for the management of their financial affairs.

Last year, HVB Bank Slovakia a. s. acquired a 19.9 % stake in the leasing company CAC LEASING Slovakia, a. s., by increasing the company's share capital. The Bank expects that this decision will above all result in intensified co-operation between the leasing and banking spheres within the Bank Austria Creditanstalt group. This step will also contribute to the enhancement of cross-selling opportunities for both companies. Another subsidiary of HVB Bank Slovakia a. s. also underwent changes. In connection with the possible extension of the scope of its activities, in 2003, the Bank decided to change the business name of B.A.B.S. spol. s r. o. to HVB Finančné služby s. r. o. No changes occurred in the subsidiary company HVB Imobilie Slovakia, spol. s r. o.



The submitted consolidated results of operations for the group include the results of the Bank and its subsidiaries HVB Finančné služby s.r.o. and HVB Imobilie spol. s r.o. The data reported in the consolidated balance sheet and consolidated profit and loss account, which were prepared in accordance with International Financial Reporting Standards (IFRS), reflect the group's performance in the period between 1 January and 31 December 2003.

The consolidated balance sheet total as of 31 December 2003 amounted to SKK 48,695 million, which is almost a 19 % increase compared with the previous year. The volume of loans provided reached SKK 31,700 million at the end of 2003, which is a year-on-year increase of 32 %. The volume of client deposits reached SKK 24,402 million as of 31 December 2003 and rose by almost 10 % compared with the end of the previous year. Income from operations amounted to SKK 772 million as of 31 December 2003 with after tax profit reaching SKK 635 million.

The financial and business results achieved in 2003 confirm that HVB Bank Slovakia a. s. is pursuing the right strategy and is able to cope with and benefit from the permanently changing conditions. Slovakia's accession to the European Union will open up further opportunities in all areas of life, including the financial sector. HVB Bank Slovakia a. s. is prepared to face these challenges and continue to provide financial security to its clients in the New Europe.



Christian Suppanz  
Chairman of the Board  
of Directors



Friedrich Plail  
Member of the Board  
of Directors



Armin Wannack  
Member of the Board  
of Directors



Branislav Straka  
Member of the Board  
of Directors



HVB Bank Slovakia a.s. Board of Directors: (from left)  
Friedrich Plail, Christian Suppanz, Armin Wannack and Branislav Straka



**REPORT ON THE DIVISIONS**



## Retail clients

2003 was a year filled with challenges for HVB Bank Slovakia a.s. (HVB Bank). Our notable expansion in the retail clients segment, which started in 2002, continued last year by extending the branch network and improving our offer of products and services. A number of projects under preparation in 2002 became reality in 2003.

Among the most important new products are HVB packages of services and the HVB Credit Card. These products received a positive response from a wide variety of clients ranging from clients with minimum demands on banking services to the top clients. The product portfolio contains the Basic Account and Bonus Account designed for university and high school students, as well as packages of services for private clients, such as HVB Ekonomik Account, HVB Praktik Account, HVB Komfort Account and HVB Komfort Account Gold.

The HVB Credit Card is the first true credit card on HVB Bank's offer. Thanks to the supporting advertising campaign, the Bank attracted a significant number of new clients. Simultaneously, the branches intensified their activities aimed at the Bank's existing clients. Other products include the extension of the offer of mutual funds to include funds managed by the German company Activest Investmentgesellschaft mbH, as well as other funds offered by the Austrian management company Capital Invest KAG. Just like HVB Bank, both of these companies are members of HVB Group. Thanks to these and other products HVB Bank can boast a 17 percent increase in the number of retail clients to almost 22 thousand. The extended branch network also largely contributed to this and helped to improve the Bank's brand awareness. New branches were opened in Banská Bystrica, Liptovský Mikuláš, Martin, Michalovce, Prešov, Prievidza, and Senica, extending the number of locations to 24.

Besides its own branch network, the Bank also makes use of the distribution networks of its co-operating insurance companies and external broker companies, especially for the sale of mortgages, but also other products. The area of mortgages in general is one of the Bank's basic pillars in the retail clients segment. The volume of approved mortgage loans reached SKK 760 million in 2003, which is a substantial increase over 2002. The Bank has also set great objectives for 2004, since the whole process related to the provision of mortgages has been largely simplified and shortened.

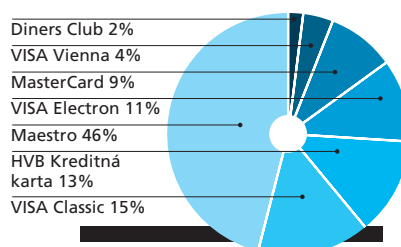
### STRUCTURE OF LOANS TO PRIVATE CLIENTS BY TYPE

SKK mil.	2003	2002
Mortgages	71 %	63 %
Consumer loans	19 %	33 %
Investment loans	8 %	3 %
Travel loans	2 %	1 %

The Bank entered 2004 with ambitious plans in the field of sales, in particular with respect to active selling, where mortgage loans and credit cards will play the key roles. At the same time, since it is necessary to increase client deposits, the Bank is preparing major innovations aimed at attracting new clients by an offer of deposit products. In doing so, it will make use of its current branch network, as well as alternative distribution channels and distribution partners.

### PAYMENT CARDS

Types of debit payment cards issued



# Corporate clients

For HVB Bank, 2003 was a year marked by strengthening of its position in the corporate client sector. Thanks to the notable extension of the branch network and orientation on the small and medium-sized enterprises segment, the Bank achieved an expansion demonstrated both in the rise in the total number of corporate clients and the volume of loans provided by the Bank in this segment. At the end of 2003, the Bank was servicing 1,942 corporate clients.

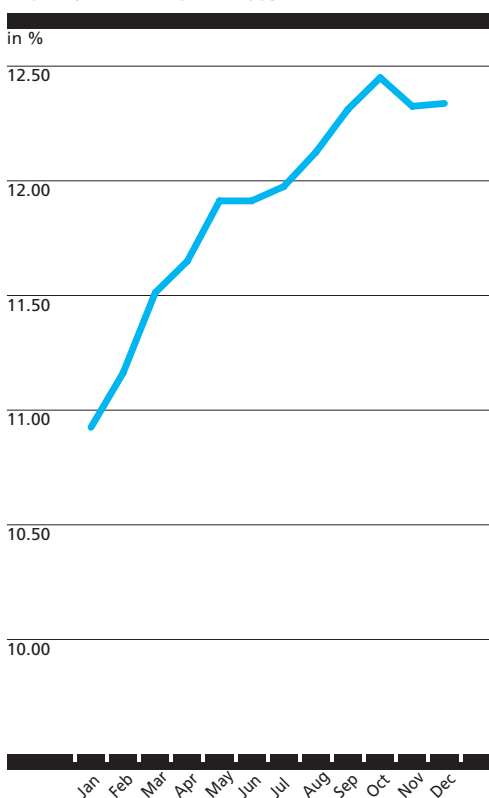
New products, such as the HVB Corporate Packages and HVB Corporate Loans, extended the Bank's product portfolio to include simplified forms of financial resources management, as well as operational and investment financing. The acquisition of a EUR 50 million global credit line from the European Investment Bank gave HVB Bank the room to offer the market advantageous loans for the long-term investment objectives of small and medium-sized enterprises, as well as towns and self-governments. At the end of 2003, the Bank increased its market share in loans to almost 12%. The volume of new loans amounted to SKK 2.7 billion.

The Bank continued to develop and deepen its co-operation with the local specialised institutions, such as the guarantee and development bank Slovenská záručná

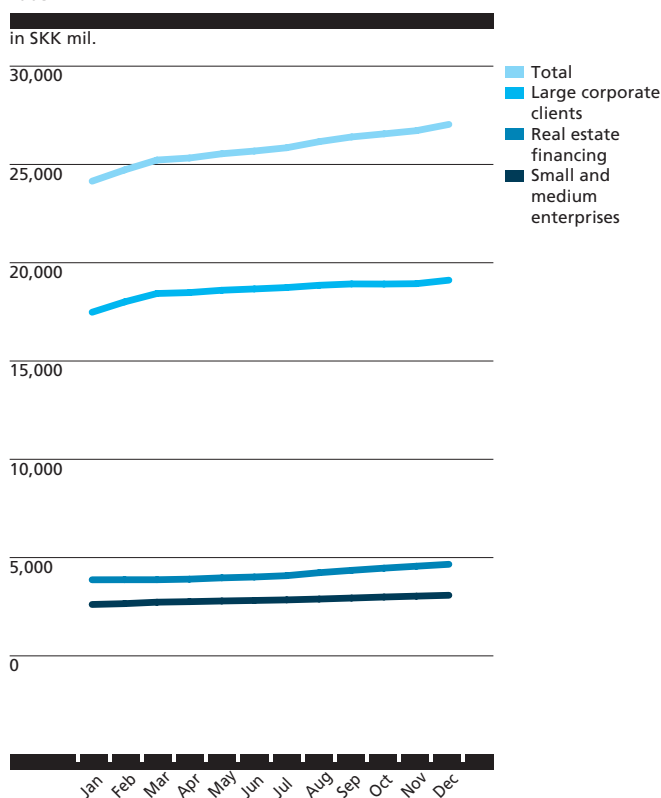
a rozvojová banka, a.s., and Eximbanka SR. By increasing the capital base of CAC Leasing Slovakia, a.s., in October 2003, HVB Bank increased its stake in the company to 19.9%. The co-operation between both companies will soon result in intensified collaboration between the leasing and banking sections of the Bank Austria Creditanstalt group. At the same time, this is an opportunity to enhance the cross-selling possibilities of both companies. By developing co-operation with the Slovak Post Office with respect to payments using the U-type postal money orders in favour of owners of accounts who are HVB Bank clients, we met the needs of insurance, telecommunications, energy and instalment sale companies in particular. It is also important because our Bank's clients can use this product for the collection of revenues and cash.

In 2004, HVB Bank is planning to introduce new products for operational and investment financing in the corporate client area. The accession to the European Union will open up further possibilities for the financing of projects supported from structural funds or the Cohesion Fund, as well as for the financing of medium or long-term investment plans using EU-supported credit lines.

HVB BANKS SHARE IN THE VOLUME OF CORPORATE LOANS PROVIDED IN SR IN 2003



LOANS TO CORPORATE CLIENTS IN 2003



## International markets

In 2003, HVB Bank continued to develop all the activities pursued over the preceding years. As expected, in addition to standard products, the activities were extended to include trading in derivatives, mainly interest derivatives. In connection with this, the Bank's offer for corporate clients was extended with the possibility to reduce exchange rate and credit risks by means of derivatives, as well as comprehensive strategies combining standard products and derivatives and providing overall coverage of clients' risks tailored to their activities. In order to fund the mortgage loans provided, an issue of 11-year mortgage bonds totalling SKK 500 million was successfully carried out. Thanks to this transaction and the situation on the inter-bank market, HVB Bank was in a very good position with respect to refinancing and liquidity. As in the preceding years, the

most profitable areas included trading in domestic and foreign bonds on the capital market, revenues from assets and liabilities management, as well as operations with clients under the Corporate Sales department. The high quality of the Bank's services in this area was recognised by the international magazine Global Finance with the "Best FX House in Slovakia" award.

We expect the proportion of derivatives in our overall activities in the International Markets field to increase in 2004. In the area of client products, we are planning to expand our focus on operations tailored to clients' requirements that are used to cover market risks.

**HUMAN RESOURCES**



# Human resources

At the end of the financial year 2003, HVB Bank Slovakia a.s. employed a total of 435 local employees (225 men and 210 women), including 27 colleagues on maternity leave. The number of employees rose by 11.2% year-on-year, which reflected the Bank's expansion strategy with respect to the extension of the branch network, improvement of advisory services, extension of acquisition activities in the corporate sector to include further regions of Slovakia, new products in the field of retail banking, real estate financing, and mortgage banking. As regards the employee qualifications structure in 2003, 247 had university education and 165 had secondary education, which provided a good basis for further growth and specialised training of our employees by means of thematic multi-level seminars and internships, especially at the group's foreign organisational units.

We placed emphasis on the improvement of the managerial skills of our mostly young managers, as well as on teamwork, communication and the creation of an optimal system for the exchange of information among employees at all levels of management. The benefits of the practical application of working teams' and individuals' selling skills were verified in a competition for the best salesman in the corporate and retail sectors, which was quantitatively and qualitatively reviewed monthly throughout the whole year and concluded with a ceremony where employees with the best results for the whole year were awarded.

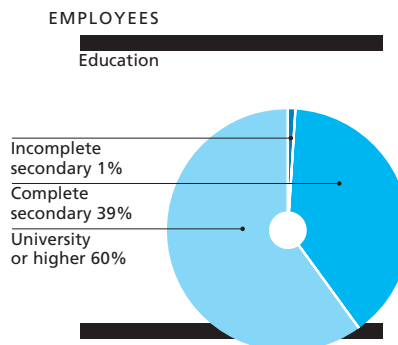
The implementation of the Bank's social policy is a supporting instrument for the achievement of our employees' business goals. Within the framework of the

policy, we strive to create motivational working and social conditions for their work and simultaneously give them a prospect of further professional and personal growth. Above all, we would like to mention preventive healthcare, bonuses on special personal occasions (weddings, childbirths) and the provision of banking services to our employees under advantageous conditions. Many of our employees' newly established families make use of our mortgage and consumer loan products to solve their housing situations.

Social events organised for our employees (on the occasion of receiving the "Bank of the Year 2003" award) and their families (the Children's Day), as well as other informal events also help develop favourable interpersonal relations in our young team (the average age of our employees is roughly 30 for women and 31 for men) and strengthen their sense of affiliation in connection with the development of our corporate identity.

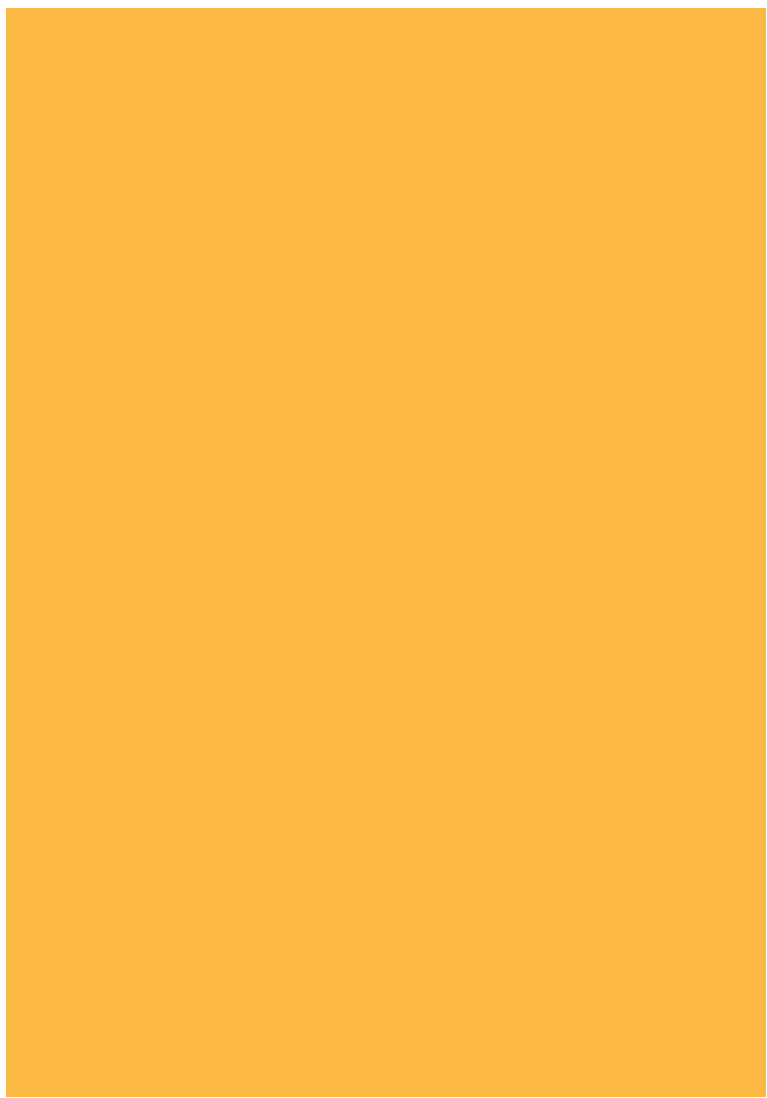
## EMPLOYEES

Number of employees	at year's end
2002	389 persons
2003	435 persons
change	+ 11.2 %
average age	30.5





**SUBSIDIARIES  
OF HVB BANK SLOVAKIA A. S.**



# Subsidiaries of HVB Bank Slovakia a. s.

HVB Bank Slovakia a.s. is the sole partner and 100% owner of HVB Finančné služby s.r.o. and HVB Imobilie Slovakia spol. s r.o. These subsidiaries are included in the consolidated statements of HVB Bank. They are companies providing auxiliary banking services, mostly in the field of property administration, or activities assisting one or several banks/branches of foreign banks in their main operations. The major field of activities of the above companies is the leasing of real estate to the Bank and the procurement of services related to the operation of the respective real estate.

## 1. HVB FINANČNÉ SLUŽBY S.R.O.

The subsidiary HVB Finančné služby s.r.o. was established in 1994 by the parent company Bank Austria a.s. (later Bank Austria Creditanstalt Slovakia a.s. and at present HVB Bank Slovakia a.s.) under the business name B.A.B.S. spol. s r.o. Since the parent company's governing board decided in 2003 to expand the mobile sales network and transfer the powers and responsibility to the subsidiary, the company's business name was changed to HVB Finančné služby in view of the possible extension of the scope of its activities.

### BASIC FINANCIAL INDICATORS, IN THOUSANDS OF SKK, AS OF 31.12.2003

Total assets	176,507
Owner's equity	37,427
Share capital	31,250
Net profit	736

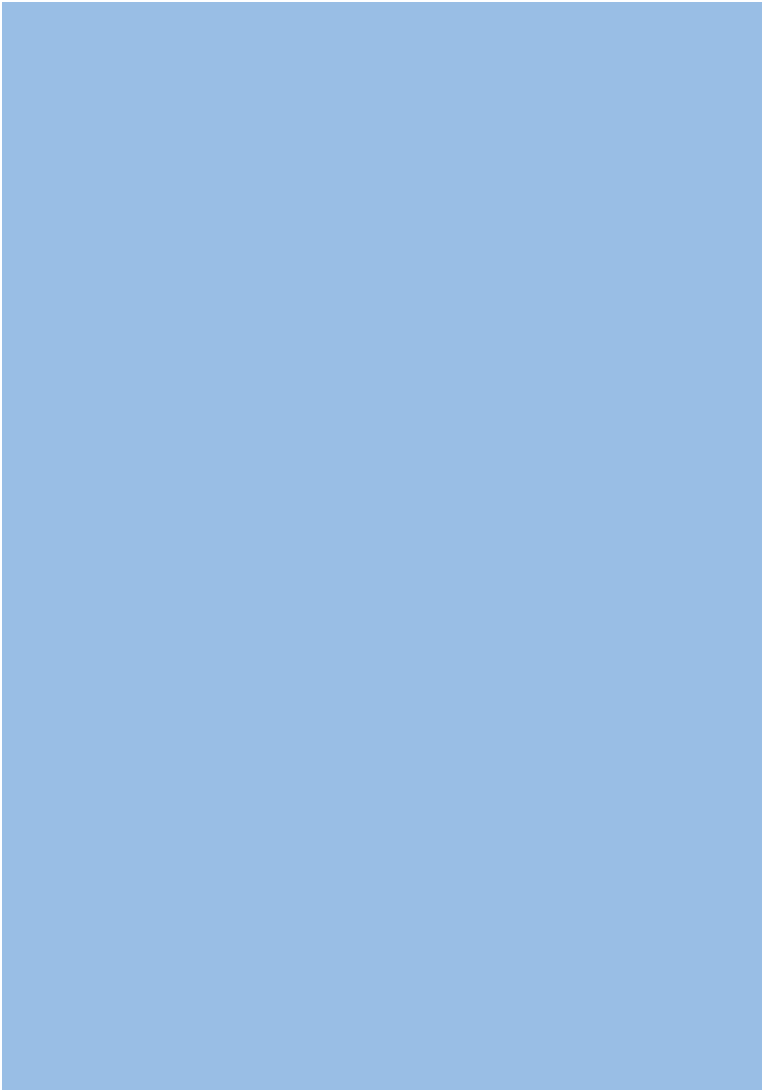
## 2. HVB IMMOBILIE SLOVAKIA, SPOL. S R.O.

The subsidiary HVB Imobilie Slovakia, spol. s r.o. was established in 1995 by the parent company Hypo-Treuhand s.r.o. under the business name Hypo-Immobilien, s.r.o. The company changed owners several times during its existence. Due to a merger with Hypo-Treuhand, s.r.o., Bayerische Hypo-und Vereinsbank AG Munich became the company's co-owner in 2000. In 2001, the ownership of the company was transferred to HVB Gesellschaft für Gebäude mbH & Co KG Munich. Eventually, in 2002, as a result of the merger between HypoVereinsbank Slovakia, a.s. and Bank Austria Creditanstalt Slovakia a.s., the share capital of the company was purchased by the current owner, HVB Bank Slovakia a.s.

### BASIC FINANCIAL INDICATORS, IN THOUSANDS OF SKK, AS OF 31.12.2003

Total assets	82,490
Owner's equity	35,042
Share capital	57,200
Net profit	6,555

**CONSOLIDATED FINANCIAL STATEMENTS**



**CONSOLIDATED BALANCE SHEET  
AT 31 DECEMBER 2003**

EUR '000	Notes	2003	2002
<b>ASSETS</b>			
Cash and cash equivalents	3	236,057	177,067
Financial assets held for trading	6	18,938	90,772
Loans and advances to banks	7	2,504	14,618
Loans and advances to customers	8	770,137	575,308
Investments	10	137,308	107,456
Tangible fixed assets	11	17,329	16,600
Deferred tax asset	19	357	-
Other assets		133	490
Prepayments and accrued income		266	361
		<b>1,183,029</b>	<b>982,672</b>
<b>LIABILITIES</b>			
Financial liabilities incurred on trading	6	2,077	-
Deposits by banks	12	416,503	278,781
Customer accounts	13	592,836	533,523
Debt securities in issue	14	12,340	24,516
Corporate income tax payable		1,204	1,238
Other liabilities	15	2,284	2,070
Accruals and deferred income		1,277	2,826
		<b>1,028,521</b>	<b>842,954</b>
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital	16	62,590	61,748
Reserves	17	91,918	77,970
		<b>154,508</b>	<b>139,718</b>
		<b>1,183,029</b>	<b>982,672</b>
<b>Off balance sheet items</b>	18	<b>1,184,858</b>	<b>836,924</b>

The consolidated financial statements, which include the notes on pages 71 to 91, were approved by the Board of Directors on 30 April 2004 and signed on its behalf by:

MAG. DR. CHRISTIAN SUPPANZ  
Chairman of the Board

ARMIN WANNACK  
Member of the Board

## CONSOLIDATED PROFIT AND LOSS ACCOUNT YEAR ENDED 31 DECEMBER 2003

EUR '000	Notes	2003	2002
Interest receivable and similar income arising from debt securities	20	63,021	64,599
Interest payable	21	(34,379)	(32,876)
<b>Net interest income</b>		<b>28,642</b>	<b>31,723</b>
Fees and commissions receivable		6,093	3,943
Fees and commissions payable		(1,272)	(999)
Dealing profits		8,578	7,564
Other (expense)/income		(12)	50
<b>Operating income</b>		<b>42,029</b>	<b>42,281</b>
Administrative expenses	22	(17,513)	(15,964)
Depreciation	11	(3,634)	(3,058)
Impairment losses on loans and advances	9	(2,113)	(3,455)
<b>Operating expenditure</b>		<b>(23,260)</b>	<b>(22,478)</b>
<b>Profit before taxation</b>		<b>18,769</b>	<b>19,803</b>
Taxation	23	(3,334)	(1,699)
<b>Profit after taxation</b>		<b>15,435</b>	<b>18,104</b>

The notes on pages 71 to 91 form part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY YEAR ENDED 31 DECEMBER 2003

EUR '000	Share capital	Profit and loss account	Legal reserve fund	Revaluation reserve	Other capital funds	Total
<b>At 1 January 2002</b>	<b>60,249</b>	<b>51,408</b>	<b>4,486</b>	-	<b>431</b>	<b>116,574</b>
Exchange translation difference	1,499	1,279	111	-	11	2,900
Transfers	-	(1,024)	1,024	-	-	-
Net gain on available-for-sale assets	-	-	-	2,140	-	2,140
Profit for 2002	-	18,104	-	-	-	18,104
<b>At 1 January 2003</b>	<b>61,748</b>	<b>69,767</b>	<b>5,621</b>	<b>2,140</b>	<b>442</b>	<b>139,718</b>
Exchange translation difference	842	951	76	29	6	1,904
Transfers	-	(1,812)	1,812	-	-	-
Net loss on available-for-sale assets	-	-	-	(2,549)	-	(2,549)
Profit for 2003	-	15,435	-	-	-	15,435
<b>At 31 December 2003</b>	<b>62,590</b>	<b>84,341</b>	<b>7,509</b>	<b>-380</b>	<b>448</b>	<b>154,508</b>

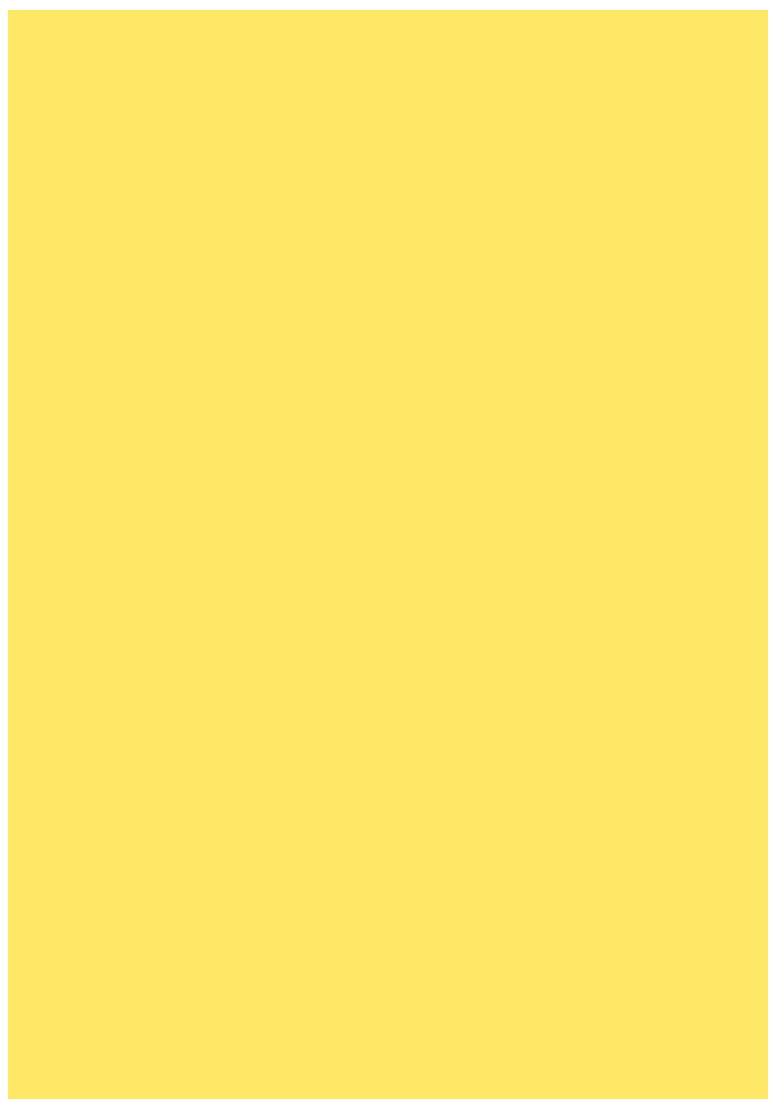
See also notes 16 and 17 for details of movements in shareholder's equity accounts during the year. The notes on pages 71 to 91 form part of these consolidated financial statements.

**CONSOLIDATED CASH FLOW STATEMENT  
YEAR ENDED 31 DECEMBER 2003**

EUR '000	Notes	2003	2002
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before changes in operating assets and liabilities	24	24,377	26,295
Decrease/(increase) in financial assets held for trading		73,071	(20,354)
Decrease/(increase) in loans and advances to banks		12,313	(9,734)
Increase in loans and advances to customers		(188,938)	(155,523)
Decrease in other assets		363	2,126
Decrease/(increase) in prepayments and accrued income		100	(463)
Increase/(decrease) in financial liabilities incurred on trading		2,078	(4)
Increase in deposits by banks		133,921	43,900
Increase in customer accounts		52,043	130,773
Increase/(decrease) in other liabilities		185	(3,156)
(Decrease)/increase in accruals and deferred income		(1,588)	3,829
Corporate income tax (paid)/refunded		(3,742)	381
<b>Net cash from operating activities</b>		<b>104,183</b>	<b>18,070</b>
<b>Cash flows from investing activities</b>			
Purchase of investments		(30,938)	(27,660)
Redemption of debt securities in issue		(12,509)	-
Purchase of fixed assets		(4,160)	(4,204)
<b>Net cash used in investing activities</b>		<b>(47,607)</b>	<b>(31,864)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at beginning of year		177,067	186,228
Exchange translation difference		2,414	4,633
<b>Cash and cash equivalents at end of year</b>	<b>3</b>	<b>236,057</b>	<b>177,067</b>

The notes on pages 71 to 91 form part of these consolidated financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEAR ENDED 31 DECEMBER 2003**



## 1. GENERAL INFORMATION

HVB Bank Slovakia a.s. is a wholly-owned subsidiary of Bank Austria AG, Vienna, a bank incorporated in Austria. The ultimate parent company is Bayerische Hypo-und Vereinsbank Aktiengesellschaft Munich, a bank incorporated in Germany.

At 31 December 2003, the Bank had the following two subsidiaries (both companies are incorporated in the Slovak Republic):

Name	Activity	Holding %
HVB Finančné služby s.r.o. (formerly known as B.A.B.S. s.r.o.)	Property development and rental	100
HVB Imobilie s.r.o.	Property development and rental	100

The principal activities of the Bank and its subsidiaries ('the Group') are the provision of banking and financial services to commercial and private customers resident mainly in the Slovak Republic.

The Bank operates through a network of 24 branches. There are six branches located in Bratislava, two branches in Košice, two branches in Banská Bystrica and one branch each in Dunajská Streda, Malacky, Martin, Michalovce, Liptovský Mikuláš, Nitra, Poprad, Prešov, Prievidza, Senica, Trenčín, Trnava, Zvolen and Žilina.

## 2. ACCOUNTING POLICIES

The significant accounting policies adopted by the Group are as follows:

### (A) BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') promulgated by the International Accounting Standards Board ('IASB'), and with interpretations issued by the International Financial Reporting Interpretations Committee of the IASB.

Financial assets held for trading, financial liabilities incurred on trading, derivative financial instruments and available-for-sale assets are all stated at fair value.

Recognised assets and liabilities that are hedged are stated at fair value in respect of the risk that is hedged. Other financial and non-financial assets and liabilities are stated at amortised cost or historical cost.

The accounting policies have been consistently applied by all group companies and are consistent with those of the previous year.

The consolidated financial statements have been translated from the Group's measurement currency, Slovak crowns, to the presentation currency in this Annual Report, Euro, as follows:

- assets, liabilities, equity (other than the profit for the period) and off-balance sheet items have been translated using the mid rate of exchange ruling on the balance sheet date;
- profit and loss items have been translated at average rates of exchange, which approximate the actual rates of exchange on the dates of the transactions;
- any exchange translation differences arising from the retranslation of opening net assets and from the translation of the profit for the year at average and closing rates are recognised directly in equity.

All amounts are presented in thousands, except where otherwise stated.

### B) BASIS OF CONSOLIDATION

The group financial statements consolidate the financial statements of the Bank and those of its subsidiaries, HVB Finančné služby, s.r.o. and HVB Imobilie s.r.o., all made up for the year ended 31 December 2003.

Subsidiaries are those enterprises controlled by the Bank. Control exists when the Bank has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that the control commences until the date that control ceases.

### (C) COMPARATIVE FIGURES

The comparative figures have been regrouped or reclassified, where necessary, on a basis consistent with those of the current period.

### (D) FOREIGN CURRENCIES

Transactions denominated in foreign currencies are translated into Slovak crowns at the exchange rates ruling on the date of the transaction. Monetary assets and liabilities are translated at the rates of exchange ruling on the balance sheet date. All resulting gains and losses are recorded in Dealing profits in the profit and loss account.



## (E) IMPAIRMENT LOSSES ON LOANS AND ADVANCES

Loans and advances to customers are stated net of impairment losses.

Following detailed appraisal of the loan portfolio, allowances are made for probable losses on identified loans. An impairment loss is recognised so as to reduce the carrying value of the loan to the amount estimated to be recoverable.

Impairment losses are reversed when it is subsequently determined that there will be an increase in the estimated recoverable amount.

Impairment losses and reversals of impairment losses on loans and advances are recorded in the profit and loss account.

## (F) DEBT AND EQUITY SECURITIES

Debt securities and equity shares are classified as trading, held-to-maturity or as available-for-sale. All securities are accounted for at settlement date.

Trading securities are marketable securities that are acquired and held with the intention of resale in the short term. Trading securities are stated at fair value.

Gains and losses arising from changes in the fair value of trading securities are recorded in Dealing profits in the profit and loss account.

Held-to-maturity securities have fixed or determinable payments and fixed maturity which the Group has the intent and ability to hold to maturity. Held-to-maturity securities are stated at amortised cost. Premiums or discounts on acquisition are amortised over the period to maturity based on the effective interest rate of the security. Impairment losses are recorded in the profit and loss account.

Available-for-sale securities are those securities not held for trading or intended to be held to maturity. Available-for-sale securities are stated at fair value.

Gains and losses arising from changes in the fair value of available-for-sale securities are recorded in Equity.

## (G) REPURCHASE AND REVERSE REPURCHASE AGREEMENTS

Securities sold under repurchase agreements are retained within either the held-to-maturity, available-for-sale or trading portfolios and accounted for accordingly. The related repurchase obligation is included in liabilities. Securities held under reverse repurchase

agreements are included as receivables in Balances at central bank or Other assets, as appropriate.

The difference between the sale and repurchase price is accrued evenly over the life of the transaction and credited or charged to the profit and loss account as interest receivable or interest payable.

## (H) TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost less accumulated depreciation and impairment losses. Depreciation is not provided on land. On other fixed assets, it is provided on a straight line basis over the expected remaining useful lives as follows:

	Rates
Buildings	2%
Furniture, fittings and equipment	5% - 25%
Motor vehicles	12.5%
Software	25%

Depreciation commences when assets are first put into use.

## (I) PROVISIONS

A provision is recognised when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

## (J) INTEREST, FEES AND COMMISSIONS

Interest, fees and commissions are recognised in the period in which they are earned or incurred.

## (K) INCOME TAX

Income tax on the profit for the year comprises current tax and deferred tax.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted at the balance sheet date, together with any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

#### (L) OPERATING LEASE COSTS

Operating lease costs are charged to the profit and loss account as incurred.

#### (M) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash, balances with the National Bank of Slovakia, treasury bills and loans and advances to banks with remaining maturity of up to three months.

### 3. CASH AND CASH EQUIVALENTS

EUR '000	2003	2002
Cash and balances at the central bank (note 4)	172,585	93,293
Treasury bills and other similar bills (note 5)	26,330	33,600
Loans and advances to banks with remaining maturity up to 3 months (note 7)	37,142	50,174
	<b>236,057</b>	<b>177,067</b>

### 4. CASH AND BALANCES AT THE CENTRAL BANK

EUR '000	2003	2002
<b>Balances with the National Bank of Slovakia:</b>		
Compulsory minimum reserve	17,666	7,762
Receivables from repurchase agreements	120,752	23,703
Other	28,562	55,716
	166,980	87,181
Cash in hand	5,605	6,112
	<b>172,585</b>	<b>93,293</b>

The compulsory minimum reserve balance is maintained in accordance with the requirements of the National Bank of Slovakia and is not available for day-to-day use.

### 5. TREASURY BILLS AND OTHER SIMILAR BILLS

EUR '000	2003	2002
Held for trading:		
Slovak government treasury bills	26,330	33,600

### 6. FINANCIAL INSTRUMENTS HELD FOR TRADING

EUR '000	2003	2002
<b>Financial assets held for trading</b>		
Debt securities (a)	17,786	88,013
Derivative financial instruments (b)	1,152	2,759
	<b>18,938</b>	<b>90,772</b>
<b>(a) Debt securities</b>		
Slovak government securities	11,795	82,360
Slovak corporate bonds	-	5,653
Other foreign securities	5,991	-
	<b>17,786</b>	<b>88,013</b>
<b>(b) Derivative financial assets</b>		
Interest rate derivatives:		
Forward rate agreements	75	36
Interest rate swaps	1,077	512
Currency derivatives:		
Forward exchange contracts	-	1,027
Currency/cross currency swaps	-	1,184
	<b>1,152</b>	<b>2,759</b>
<b>Financial liabilities incurred on trading</b>		
Currency derivatives:		
Forward exchange contracts	807	-
Currency/cross currency swaps	1,225	-
Options	45	-
	<b>2,077</b>	<b>-</b>

## 7. LOANS AND ADVANCES TO BANKS

EUR '000	2003	2002
Repayable on demand	6,412	6,948
Other loans and advances		
by remaining maturity:		
- 3 months or less	30,731	43,239
- 1 year or less but over 3 months	2,503	14,605
	<b>39,646</b>	<b>64,792</b>
Less amounts with remaining maturity up to 3 months (note 3)	(37,142)	(50,174)
	<b>2,504</b>	<b>14,618</b>

## 8. LOANS AND ADVANCES TO CUSTOMERS

EUR '000	2003	2002
Repayable on demand	55,318	48,824
Other loans and advances to customers by remaining maturity:		
- 3 months or less	29,473	38,187
- 1 year or less but over 3 months	152,055	77,866
- 5 years or less but over 1 year	328,315	300,315
- over 5 years	219,917	122,933
	<b>785,078</b>	<b>588,125</b>
Impairment losses (note 9)	(14,941)	(12,817)
	<b>770,137</b>	<b>575,308</b>

Loans and advances were made to customers in the following sectors:

EUR '000	2003	2002
Manufacturing companies	272,691	214,166
Trading companies	402,429	285,394
Other industries	81,499	72,824
Small businesses	4,491	3,694
Private individuals	23,968	12,047
	<b>785,078</b>	<b>588,125</b>

Loans and advances were made to customers in the following countries:

EUR '000	2003	2002
Slovak Republic	724,628	562,738
Czech Republic	37,842	21,967
Netherlands	22,441	-
Great Britain	167	-
Germany	-	2,648
Switzerland	-	772
	<b>785,078</b>	<b>588,125</b>

## 9. IMPAIRMENT LOSSES ON LOANS AND ADVANCES

The movements on impairment losses on loans and advances to customers were as follows:

EUR '000	2003	2002
At 1 January	12,817	9,164
Exchange translation difference	175	228
Exchange rate movement	(164)	(30)
Charge for the year	2,113	3,455
<b>At 31 December</b>	<b>14,941</b>	<b>12,817</b>

## 10. INVESTMENTS

EUR '000	2003	2002
Debt securities held to maturity (a)	86,128	60,986
Debt securities available for sale (b)	49,157	46,280
Equity shares available for sale (c)	2,023	190
	<b>137,308</b>	<b>107,456</b>
<b>(a) Debt securities held to maturity</b>		
Slovak government securities	48,680	24,597
Slovak corporate bonds	18,770	27,673
Other foreign securities	18,678	8,716
	<b>86,128</b>	<b>60,986</b>

At 31 December 2003, the market value of held-to-maturity securities was EUR 89.9 million (2002: EUR 60.9 million).

EUR '000	2003	2002
<b>(b) Debt securities available for sale</b>		
Slovak government securities	38,750	30,883
Slovak corporate bonds	10,407	15,397
	<b>49,157</b>	<b>46,280</b>
<b>(c) Equity shares available for sale</b>		
<b>Name</b>	<b>Activity</b>	
CAC Leasing Slovakia, a.s.	Leasing	108
Bankové zúčtovacie centrum Slovenska, a.s.	Clearing centre	72
Transacty a.s. (previous name Autorizačné centrum Slovenska, a.s.)	Credit card authorisation	5
SWIFT	International funds transfer	4
Stern Education Foundation	Charitable foundation	1
	<b>2,023</b>	<b>190</b>

The Bank owns 19.9% (2002: 9%) of the issued capital of CAC Leasing Slovakia, a.s. and the holdings in the other companies are all less than 1%. Except for SWIFT, which is registered in Belgium, all companies are incorporated in the Slovak Republic.

## 11. TANGIBLE FIXED ASSETS

EUR '000	Land and buildings	Furniture fittings and equipment	Motor vehicles	Software	Assets not yet in use	Total
<b>Cost</b>						
At 1 January 2003	10,494	11,188	518	10,299	934	33,433
Exchange translation difference	143	152	7	140	13	455
Additions	-	36	63	-	4,062	4,161
Transfers	909	2,001	151	1,379	(4,440)	-
Disposals	(3)	(89)	(156)	-	-	(248)
<b>At 31 December 2003</b>	<b>11,543</b>	<b>13,288</b>	<b>583</b>	<b>11,818</b>	<b>569</b>	<b>37,801</b>
<b>Depreciation</b>						
At 1 January 2003	2,166	6,860	242	7,565	-	16,833
Exchange translation difference	30	93	3	102	-	228
Charge for the year	596	1,545	67	1,426	-	3,634
Disposals	(1)	(85)	(137)	-	-	(223)
<b>At 31 December 2003</b>	<b>2,791</b>	<b>8,413</b>	<b>175</b>	<b>9,093</b>	<b>-</b>	<b>20,472</b>
<b>Net book value:</b>						
At 31 December 2003	8,752	4,875	408	2,725	569	17,329
At 31 December 2002	8,328	4,328	276	2,734	934	16,600

## 12. DEPOSITS BY BANKS

EUR '000	2003	2002
Repayable on demand	1,087	2,565
Other deposits by banks with remaining maturity:		
- 3 months or less	263,638	201,593
- 1 year or less but over 3 months	28,468	64,699
- 5 years or less but over 1 year	71,343	9,924
- over 5 years	51,967	-
	<b>416,503</b>	<b>278,781</b>

## 13. CUSTOMER ACCOUNTS

EUR '000	2003	2002
Repayable on demand	230,251	188,855
Other deposits with agreed maturity dates or periods of notice, by remaining maturity:		
- 3 months or less	342,135	331,280
- 1 year or less but over 3 months	20,239	13,256
- 5 years or less but over 1 year	165	87
- over 5 years	46	45
	<b>592,836</b>	<b>533,523</b>

## 14. DEBT SECURITIES IN ISSUE

EUR '000	2003	2002
Debt securities in issue	12,340	24,516

Debt securities in issue comprises 5 000 mortgage bonds with a nominal value of SKK 100 thousand each, together with accrued interest. The bonds, which were issued on 28 August 2003, have a coupon of 4.65% per annum and will be redeemed on 28 August 2014.

## 15. OTHER LIABILITIES

EUR '000	2003	2002
Payables from forfaiting	658	-
Withholding tax on customer accounts	374	254
Other liabilities	1,252	1,816
	2,284	2,070

## 16. SHARE CAPITAL

EUR '000	2003	2002
<b>Authorised, issued and fully paid:</b>		
500 ordinary shares of SKK 1,000,000 each	12,148	11,984
51,550 ordinary shares of SKK 10,000 each	12,524	12,356
156,075 ordinary shares of SKK 10,000 each	37,918	37,408
	62,590	61,748

## 17. RESERVES

EUR '000	Profit and loss account	Legal reserve fund	Revaluation reserve	Other capital funds	Total
At 1 January 2003	69,767	5,621	2,140	442	77,970
Exchange translation difference	951	76	29	6	1,062
Dividend for 2002 (a)	-	-	-	-	-
Transfers (b)	(1,812)	1,812	-	-	-
Net loss on available-for-sale assets	-	-	(2,549)	-	(2,549)
Profit for 2003	15,435	-	-	-	15,435
<b>At 31 December 2003</b>	<b>84,341</b>	<b>7,509</b>	<b>(380)</b>	<b>448</b>	<b>91,918</b>

(a) The General Meeting of Shareholders held on 19 June 2003 resolved that no dividends be paid from the profit for the year ended 31 December 2002.

(b) The General Meeting also approved the transfer to legal reserve fund of SKK 74.6 million from 2002 profit. Under the Slovak Commercial Code, all companies are required to maintain a legal reserve fund to cover future adverse financial conditions. The Bank is obliged to contribute an amount to the fund each year which is not less than 10% of its annual net profit (calculated in accordance with Slovak accounting regulations) until the aggregate amount reaches a minimum level equal to 20% of the issued share capital. The legal reserve fund is not readily distributable to shareholders.

The Directors will propose the following allocation of the profit of the Bank for the year ended 31 December 2003:

	EUR '000
Transfer to legal reserve fund	1,444
Dividends	-
Retained earnings	12,994
	<b>14,438</b>

## 18. OFF BALANCE SHEET ITEMS

EUR '000	2003	2002
<b>Contingent liabilities:</b>		
Guarantees	73,408	50,315
Irrevocable letters of credit	1,740	1,027
<b>Commitments:</b>		
Confirmed credit lines	198,861	204,610
<b>Other:</b>		
Forward exchange contracts	127,790	47,596
Currency and cross currency swaps	577,319	464,031
Forward rate agreements	46,160	58,722
Interest rate swaps	61,590	3,000
Foreign currency options	78,436	-
Forward forward deposit	10,933	-
Tax relief contingency (note 23)	8,621	7,623
	<b>1,184,858</b>	<b>836,924</b>

## 19. DEFERRED TAX

Deferred tax assets and liabilities are attributable to the following:

EUR '000	Assets 2003	Liabilities 2003	Net 2003
Financial assets			
held for trading	81	-	81
Investments	222	-	222
Tangible fixed assets	13	-	13
Other liabilities	-	(23)	(23)
Accruals and deferred income	64	-	64
	380	(23)	357

The deferred tax assets and liabilities have been calculated using a corporate income tax rate of 19%.

There were no significant temporary differences as at 31 December 2002.

## 20. INTEREST RECEIVABLE AND SIMILAR INCOME ARISING FROM DEBT SECURITIES

EUR '000	2003	2002
Interest receivable and similar income arising from:		
Loans and advances to banks	6,005	4,437
Loans and advances to customers	45,699	39,392
Debt securities	11,317	20,770
	63,021	64,599

## 21. INTEREST PAYABLE

EUR '000	2003	2002
Deposits by banks	16,311	15,544
Customer accounts	16,302	15,235
Debt securities in issue	1,766	2,097
	34,379	32,876

## 22. ADMINISTRATIVE EXPENSES

EUR '000	2003	2002
Employee costs:		
Wages and salaries	5,401	4,429
Social insurance	1,211	1,022
	6,612	5,451
Operating lease rentals	1,971	1,939
Other operating expenses	8,930	8,574
	17,513	15,964

The average number of employees during the year was 404 (2002: 368).



## 23. TAXATION

EUR '000	2003	2002
<b>Corporate income tax</b>		
Current year	3,318	1,699
Under-provision in respect of prior year	373	-
Deferred tax credit (note 19)	(357)	-
	<b>3,334</b>	<b>1,699</b>

The accounting profit before taxation is reconciled to the tax base as follows:

EUR '000	2003	2002
Consolidated profit before taxation	18,768	19,803
Non-deductible expenses	4,355	1,465
Non-taxable income (principally income from government securities)	(6,274)	(12,788)
<b>Tax base</b>	<b>16,849</b>	<b>8,480</b>
Tax at 25% (2002: 25%)	4,212	2,120
Less tax exemption (Bank only)	(894)	(421)
	<b>3,318</b>	<b>1,699</b>

The Bank obtained a 20% exemption from corporate income tax in 2003, 2002 and 2001 (2000 and 1999: 50.76%) under the terms of regulation 145/1993, which provides for tax relief for tax subjects establishing businesses after 31 December 1992 and before 31 December 1994. In the years 1996 to 1998, the Bank, then called Creditanstalt, a.s., obtained full exemption from corporate income tax.

Under the terms of the regulation, the Bank must invest in assets which will further the development of its operations and comply with certain other conditions. The amount of the investment must be equal to the amount of the tax relief plus 80% (1999 and 2000, 50% 1998 and before, 80%) of the retained profit for the year, after transfer to statutory funds. This investment must be made within three years of the commencement of the period or the exemption will be withdrawn and the tax, together with interest and penalties, will become payable.

The total amount of tax relief obtained by the Bank under these provisions as of 31 December 2003 was as follows:

	EUR '000
Tax relieved for the year ended 31 December:	
1996	828
1997	2,373
1998	1,997
1999	1,357
2000	651
2001	94
2002	427
2003	894
	<b>8,621</b>

## 24. PROFIT BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES

EUR '000	2003	2002
Profit before taxation	18,769	19,803
Adjustments for non-cash items:		
Depreciation	3,634	3,058
Impairment losses on loans and advances	2,113	3,455
Unrealised foreign exchange profit	(164)	(30)
Loss on disposal of tangible fixed assets	25	9
	<b>24,377</b>	<b>26,295</b>
Net cash used in operating activities includes the following cash flows:		
Interest received	57,354	62,260
Interest paid	(28,818)	(31,930)
	<b>28,536</b>	<b>30,330</b>

## 25. LEASE COMMITMENTS

EUR '000	2003	2002
Non-cancellable commitments under operating leases	2,369	2,464

## 26. ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Bank had the following foreign exchange positions at 31 December 2003:

EUR '000	Euro	US dollar	Other	Slovak crown	Total
<b>Assets</b>					
Cash and cash equivalents	2,235	894	4,445	228,483	236,057
Financial assets held for trading	-	-	-	18,938	18,938
Loans and advances to banks	-	-	-	2,504	2,504
Loans and advances to customers	365,244	36,408	21,944	346,541	770,137
Investments	41,600	-	-	95,708	137,308
Deferred tax asset	-	-	-	357	357
Other assets	-	-	-	133	133
Prepayments and accrued income	-	-	-	266	266
	<b>409,079</b>	<b>37,302</b>	<b>26,389</b>	<b>692,930</b>	<b>1,165,700</b>
<b>Liabilities</b>					
Financial liabilities					
incurred on trading	-	-	-	2,077	2,077
Deposits by banks	119,800	64,214	22,218	210,271	416,503
Customer accounts	131,070	31,289	8,679	421,798	592,836
Debt securities in issue	-	-	-	12,340	12,340
Corporate income tax payable	-	-	-	1,204	1,204
Other liabilities	-	-	-	2,284	2,284
Accruals and deferred income	-	-	-	1,277	1,277
	<b>250,870</b>	<b>95,503</b>	<b>30,897</b>	<b>651,251</b>	<b>1,028,521</b>

After taking off-balance sheet foreign exchange contracts into account, there were no significant open foreign currency positions at year end.

The Bank had the following foreign exchange positions at 31 December 2002:

EUR '000	Euro	US dollar	Other	Slovak crown	Total
<b>Assets</b>					
Cash and cash equivalents	2,914	20,947	4,029	149,177	177,067
Financial assets held for trading	-	-	-	90,772	90,772
Loans and advances to banks	-	-	-	14,618	14,618
Loans and advances to customers	224,405	24,134	18,939	307,830	575,308
Investments	50,609	-	-	56,847	107,456
Other assets	-	-	-	490	490
Prepayments and accrued income	-	-	-	361	361
	<b>277,928</b>	<b>45,081</b>	<b>22,968</b>	<b>620,095</b>	<b>966,072</b>
<b>Liabilities</b>					
Deposits by banks	59,276	10,573	4,743	204,189	278,781
Customer accounts	155,767	47,588	8,663	321,505	533,523
Debt securities in issue	-	-	-	24,516	24,516
Corporate income tax payable	-	-	-	1,238	1,238
Other liabilities	-	-	-	2,070	2,070
Accruals and deferred income	-	-	-	2,826	2,826
	<b>215,043</b>	<b>58,161</b>	<b>13,406</b>	<b>556,344</b>	<b>842,954</b>

After taking off-balance sheet foreign exchange contracts into account, there were no significant open foreign currency positions at year end.

## 27. RELATED PARTY TRANSACTIONS

The Group did not enter into any transactions during the year with directors or senior management, their close relatives or companies in which they have a substantial interest.

In the normal course of business, the Bank and its subsidiaries are engaged in transactions with other members of the HVB Group. These transactions, which include the taking and placing of deposits, foreign currency operations and the provision of management and technology services, are conducted on an arm's length basis.

Balances outstanding with other members of the HVB Group at year end were as follows:

EUR '000	2003	2002
Loans and advances to banks	-	1,274
Deposits by banks	241,168	42,093
Other liabilities	4,071	392
Guarantees issued	-	70
<b>Transactions during the year with other members of the group were as follows:</b>		
Interest received and receivable	370	140
Interest paid and payable	2,278	529
Rental paid	1,706	1,537
Information technology and communication expenses	1,073	1,319
Software acquired	1,137	583

## 28. CUSTODIAL SERVICES

The Bank administers assets totalling EUR 324.1 million (2002: EUR 190.2 million), which comprises securities and other valuables received from customers into the Bank's custody.

## 29. MATURITY ANALYSIS

The remaining period to maturity of monetary assets and liabilities at 31 December 2003 was as follows:

EUR '000	Within 1 year	1-5 years	More than 5 years	Not specified	Total
<b>Monetary assets</b>					
Cash and cash equivalents	236,057	-	-	-	236,057
Financial assets held for trading	18,938	-	-	-	18,938
Loans and advances to banks	2,504	-	-	-	2,504
Loans and advances to customers	221,905	328,315	219,917	-	770,137
Investments	44,458	31,555	59,272	2,023	137,308
Deferred tax asset	-	357	-	-	357
Other assets	133	-	-	-	133
Prepayments and accrued income	266	-	-	-	266
	<b>524,261</b>	<b>360,227</b>	<b>279,189</b>	<b>2,023</b>	<b>1,165,700</b>
<b>Monetary liabilities</b>					
Financial liabilities incurred on trading	2,077	-	-	-	2,077
Deposits by banks	293,192	71,344	51,967	-	416,503
Customer accounts	592,625	165	46	-	592,836
Debt securities in issue	-	-	12,340	-	12,340
Corporate income tax payable	1,204	-	-	-	1,204
Other liabilities	2,284	-	-	-	2,284
Accruals and deferred income	1,277	-	-	-	1,277
	<b>892,659</b>	<b>71,509</b>	<b>64,353</b>	<b>-</b>	<b>1,028,521</b>

The remaining period to maturity of monetary assets and liabilities at 31 December 2002 was as follows:

EUR '000	Within 1 year	1-5 years	More than 5 years	Not specified	Total
<b>Monetary assets</b>					
Cash and cash equivalents	177,067	-	-	-	177,067
Financial assets held for trading	90,772	-	-	-	90,772
Loans and advances to banks	14,618	-	-	-	14,618
Loans and advances to customers	152,061	300,314	122,933	-	575,308
Investments	50,401	40,264	16,601	190	107,456
Other assets	490	-	-	-	490
Prepayments and accrued income	361	-	-	-	361
	<b>485,770</b>	<b>340,578</b>	<b>139,534</b>	<b>190</b>	<b>966,072</b>
<b>Monetary liabilities</b>					
Deposits by banks	268,857	9,924	-	-	278,781
Customer accounts	533,391	87	45	-	533,523
Debt securities in issue	24,516	-	-	-	24,516
Corporate income tax payable	1,238	-	-	-	1,238
Other liabilities	2,070	-	-	-	2,070
Accruals and deferred income	2,826	-	-	-	2,826
	<b>832,898</b>	<b>10,011</b>	<b>45</b>	<b>-</b>	<b>842,954</b>

### 30. FINANCIAL INSTRUMENTS

The Bank uses a wide range of financial instruments. A financial instrument is a contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. Examples include loans, deposits, debt securities and equity shares.

Derivatives are also financial instruments which are so called because their value is derived from the value of an underlying instrument, index or reference rate. The principal categories of derivatives are forwards, including futures, options and swaps.

The main derivative financial instruments used by the Bank during the year were forward foreign exchange contracts and currency swaps, which were entered into to manage foreign exchange risk, and forward rate agreements and interest rate swaps, which were entered into to manage interest rate risk.

#### RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

The use of financial instruments generally involves the assumption or transfer of risk. The main types of risks

are credit risk, market risk (including interest rate risk and foreign exchange risk) and liquidity risk.

The Bank assigns the highest priority to risk management and has established clear and comprehensive risk policies, procedures and control systems, which are reviewed regularly by the Board of Directors.

#### CREDIT RISK

Credit risk is the risk that a borrower or counterparty will fail to honour their contractual obligations.

Credit risk is strictly controlled through a structure involving the credit risk department, the credit committee, the Board of Directors and the executive committee of the Bank's parent company.

The Bank's procedures for managing credit risk include the establishment of concentration limits by borrower, counterparty, industrial sector and product. Credit appraisal procedures are performed before individual borrower and counterparty limits are approved and collateral is obtained to reduce credit risk. The

Bank also continually monitors performance of the portfolio to ensure that prompt action can be taken to minimise potential losses.

## INTEREST RATE RISK

Interest rate risk is the potential impact on the value of financial assets and liabilities arising from changes in market interest rates.

Interest rate risk is monitored by the Bank's treasury department on a daily basis using various tools, including value-at-risk, basis point value and gap reporting. Most of the financial instruments used are short term in nature and have floating interest rates.

The average effective interest rates at 31 December 2003 and the periods in which interest-bearing assets and liabilities denominated in Slovak crowns repriced were as follows:

EUR '000	Effective interest rate %	Total	3 months or less	1 year or less but over 3 months	1 – 5 years	Over 5 years
<b>Interest-bearing assets</b>						
Cash and cash equivalents	5.71	184,246	184,246	-	-	-
Loans and advances to banks	5.70	2,429	-	2,429	-	-
Loans and advances to customers	7.28	319,599	174,669	59,119	85,257	554
Investments	5.47	86,280	-	20,475	20,694	45,111
	<b>6.52</b>	<b>592,554</b>	<b>358,915</b>	<b>82,023</b>	<b>105,951</b>	<b>45,665</b>
<b>Interest-bearing liabilities</b>						
Deposits by banks	5.55	205,733	84,108	12,298	60,737	48,590
Customer accounts	3.98	336,989	331,788	5,075	82	44
Debt securities in issue	4.65	12,147	-	-	-	12,147
	<b>4.57</b>	<b>554,869</b>	<b>415,896</b>	<b>17,373</b>	<b>60,819</b>	<b>60,781</b>
Off balance sheet items	5.93	48,590	24,295	24,295	-	-
Interest rate repricing gap		(10,905)	(81,276)	40,355	45,132	(15,116)
Cumulative interest rate repricing gap		-	(81,276)	(40,921)	4,211	(10,905)

The average effective interest rates at 31 December 2003 and the periods in which interest-bearing assets and liabilities denominated in Euro repriced were as follows:

EUR '000	Effective interest rate %	Total	3 months or less	1 year or less but over 3 months	1 – 5 years	Over 5 years
<b>Interest-bearing assets</b>						
Loans and advances to customers	3.73	340,756	270,301	18,722	51,733	-
Investments	8.54	40,284	-	11,540	18,799	9,945
	<b>4.24</b>	<b>381,040</b>	<b>270,301</b>	<b>30,262</b>	<b>70,532</b>	<b>9,945</b>
<b>Interest-bearing liabilities</b>						
Deposits by banks	2.29	119,545	114,545	-	5,000	-
Customer accounts	0.89	95,318	94,201	1,117	-	-
	<b>1.66</b>	<b>214,863</b>	<b>208,746</b>	<b>1,117</b>	<b>5,000</b>	<b>-</b>
Off balance sheet items	4.08	13,000	-	-	10,000	3,000
Interest rate repricing gap		153,177	61,555	29,145	55,532	6,945
Cumulative interest rate repricing gap		-	61,555	90,700	146,232	153,177



The average effective interest rates at 31 December 2002 and the periods in which interest-bearing assets and liabilities denominated in Slovak crowns repriced were as follows:

EUR '000	Effective interest rate %	Total	3 months or less	1 year or less but over 3 months	1 – 5 years	Over 5 years
<b>Interest-bearing assets</b>						
Cash and cash equivalents	7.02	83,647	83,647	-	-	-
Loans and advances to banks	6.93	14,381	-	14,381	-	-
Loans and advances to customers	8.04	307,587	218,331	13,702	74,206	1,348
Investments	7.60	55,211	-	18,014	23,558	13,639
	<b>7.73</b>	<b>460,826</b>	<b>301,978</b>	<b>46,097</b>	<b>97,764</b>	<b>14,987</b>
<b>Interest-bearing liabilities</b>						
Deposits by banks	6.58	200,406	161,578	38,828	-	-
Customer accounts	5.12	320,412	316,658	3,625	86	43
Debt securities in issue	8.75	23,968	-	23,968	-	-
	<b>5.34</b>	<b>544,786</b>	<b>478,236</b>	<b>66,421</b>	<b>86</b>	<b>43</b>
<b>Off balance sheet items</b>						
Interest rate repricing gap		(83,960)	(176,258)	(20,324)	97,678	14,944
Cumulative interest rate repricing gap		-	(176,258)	(196,582)	(98,904)	(83,960)

The average effective interest rates at 31 December 2002 and the periods in which interest-bearing assets and liabilities denominated in Euro repriced were as follows:

EUR '000	Effective interest rate %	Total	3 months or less	1 year or less but over 3 months	1 – 5 years	Over 5 years
<b>Interest-bearing assets</b>						
Interest-bearing assets						
Loans and advances						
to customers	5.32	223,596	166,765	20,759	36,072	-
Investments	7.95	48,808	-	-	35,612	13,196
	<b>6.15</b>	<b>272,404</b>	<b>166,765</b>	<b>20,759</b>	<b>71,684</b>	<b>13,196</b>
<b>Interest-bearing liabilities</b>						
Deposits by banks						
Customer accounts	3.60	58,672	33,672	20,000	5,000	-
	2.21	155,815	152,600	3,215	-	-
	<b>2.85</b>	<b>214,487</b>	<b>186,272</b>	<b>23,215</b>	<b>5,000</b>	<b>-</b>
Off balance sheet items						
Interest rate repricing gap	2.54	3,000	-	-	-	3,000
Cumulative interest rate repricing gap		54,917	(19,507)	(2,456)	66,684	10,196
		-	(19,507)	(21,963)	44,721	54,917

#### FOREIGN EXCHANGE RISK

Foreign exchange risk arises from the impact on the value of financial assets and liabilities from changes in foreign exchange rates.

The policy of the Bank is to maintain minimal net exposures to foreign exchange risk. Limits are set for individual foreign currencies and the Bank also uses forward foreign currency contracts to hedge balance sheet positions.

Assets and liabilities denominated in foreign currencies are set out in note 26.

#### LIQUIDITY RISK

Liquidity risk is the risk that there will be insufficient funds to meet normal operating requirements.

Liquidity risk is managed as part of the Bank's asset and liability management process. Procedures include the regular monitoring of the timing of future cash flows on a currency-by-currency basis.

The remaining maturity of assets and liabilities at the balance sheet date is set out in note 29.

## 31. FAIR VALUES

Fair value is the amount at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The estimated fair values of the Group's financial assets and liabilities at year end were as follows:

EUR '000	2003	2003	2002	2002
	Carrying value	Fair value	Carrying value	Fair value
<b>Financial assets</b>				
Cash and cash equivalents	236,057	236,057	177,067	177,067
Financial assets held for trading	18,938	18,938	90,772	90,772
Loans and advances to banks	2,504	2,491	14,618	14,707
Loans and advances to customers	770,137	783,749	575,308	575,098
Investments	137,308	141,060	107,456	107,456
<b>Financial liabilities</b>				
Financial liabilities incurred on trading	2,077	2,077	-	-
Deposits by banks	416,503	422,818	278,781	280,525
Customer accounts	592,836	591,612	533,523	533,523
Debt securities in issue	12,340	12,532	24,516	25,251

The following methods and assumptions were used in estimating the fair values of the Group's financial assets and liabilities:

### FINANCIAL ASSETS HELD FOR TRADING

The fair values of financial assets held for trading are calculated using quoted market prices.

### LOANS AND ADVANCES TO BANKS

The fair value of current accounts with other banks approximates to book value. For amounts with a remaining maturity of less than three months, it is also reasonable to use book value as an approximation of fair value. The fair values of other loans and advances to banks are calculated by discounting the future cash flows using current interbank rates.

### LOANS AND ADVANCES TO CUSTOMERS

Loans and advances are stated net of impairment losses. For loans and advances to customers with a remaining maturity of less than three months, it is reasonable to use book value as an approximation of fair value. The fair values of other loans and advances to customers are calculated by discounting the future cash flows using current market rates.

### INVESTMENTS

The quoted market prices for investment securities are set out in note 10.

### FINANCIAL LIABILITIES INCURRED ON TRADING

The fair values of financial liabilities incurred on trading are calculated using quoted market prices.

### DEPOSITS BY BANKS

The fair value of current accounts with other banks approximates to book value. For other amounts owed to banks with a remaining maturity of less than one year, it is also reasonable to use book value as an approximation of fair value. The fair values of other deposits by banks are calculated by discounting the future cash flows using current interbank rates.

### CUSTOMER ACCOUNTS

The fair values of current accounts and term deposits with a remaining maturity of less than one year approximate their carrying amounts. The fair values of other customer accounts are calculated by discounting the future cash flows using current deposit rates.

### DEBT SECURITIES IN ISSUE

The fair values of debt securities in issue are calculated by discounting the future cash flows using current interbank rates.

## 32. RECONCILIATION TO SLOVAK STATUTORY FINANCIAL STATEMENTS

The profit after taxation, shareholder's equity and total assets prepared under Slovak accounting regulations and reported in the statutory consolidated financial statements can be reconciled to these financial statements prepared under IFRS as follows:

EUR '000	Profit after taxation 2003	Shareholder's equity 2003	Total assets 2003
Reported under Slovak accounting regulations	14,615	152,644	1,191,244
Revaluation of financial assets held for trading	-	189	189
Reclassification of financial assets and liabilities held for trading	-	-	(3,044)
Release of provisions	-	1,058	-
Revaluation of investments	1,562	1,121	1,121
Difference in the estimate of income tax provision	(581)	(84)	(208)
Deferred tax asset adjustment	(139)	(429)	(429)
Reclassification of provisions	-	-	(5,844)
Other	(22)	9	-
Reported under IFRS	15,435	154,508	1,183,029



KPMG Slovensko spol. s r.o.

P. O. Box 7  
820 04 Bratislava 24  
Slovakia

Mostová 2  
811 02 Bratislava  
Slovakia

Telephone +421 2 59984 111  
Fax +421 2 59984 222  
Internet www.kpmg.sk

## Independent auditors' report to the shareholder of HVB Bank Slovakia a.s.

We have audited the consolidated financial statements of HVB Bank Slovakia a.s. and its subsidiaries for the year ended 31 December 2003, which were prepared in accordance with International Financial Reporting Standards ('the IFRS financial statements'). The consolidated financial statements contained in this Annual Report were obtained by translating the IFRS financial statements into Euro on the basis described in Note 2.

On 30 April 2004, we issued the following auditors' report on the Bank's IFRS financial statements:

"We have audited the accompanying consolidated balance sheet of HVB Bank Slovakia a.s. and its subsidiaries ("the Group") as at 31 December 2003, the related consolidated profit and loss account, consolidated statement of changes in shareholder's equity and consolidated cash flow statement for the year then ended. These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group at 31 December 2003, and the results of its operations, the changes in its consolidated shareholder's equity and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards."

*KPMG Slovensko spol. s r.o.*

Bratislava  
30 April 2004



KPMG Slovensko spol. s r.o. is a company  
incorporated under the Slovak Commercial Code  
is the Slovak member firm of KPMG International,  
a Swiss cooperative.

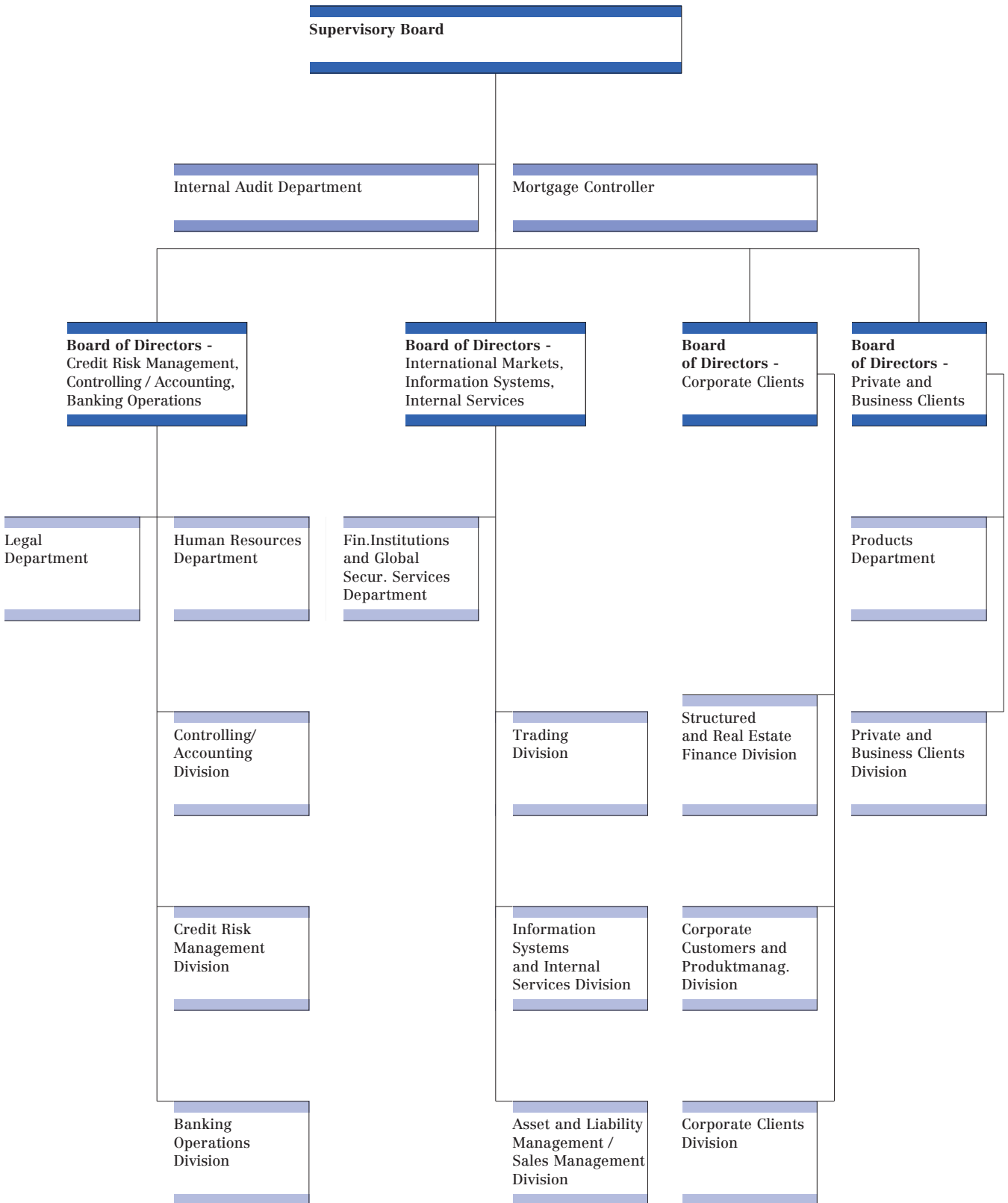
Externá daňová audítorka SR  
Licence number of statutory auditor SR

ICD: Registration number: 31 248 230  
Obchodný register Slovensko súd. Bratislava I, oddiel Sro, vložka č. 4954/S  
Commercial register of District court Bratislava I, section Sro, file No. 4954/S

**GENERAL INFORMATION**



# ORGANISATION CHART



General information

# Addresses in Slovak Republic

## HEAD OFFICE

HVB Bank Slovakia a.s.  
Mostová 6  
814 16 Bratislava 1  
Tel.: (+421 2) 5969 1111  
Fax: (+421 2) 5969 9406  
internet: www.hvb-bank.sk

## BRANCHES

### BRATISLAVA:

Pobočka Lazaretská  
Lazaretská 24  
814 16 Bratislava 1  
Tel.: +421 2 5969 4253  
Fax: +421 2 5969 4902

Pobočka Mostová  
Mostová 6  
814 16 Bratislava 1  
Tel.: +421 2 5969 2111  
Fax: +421 2 5969 9400

Pobočka Pallehner  
Hurbanovo nám.1  
814 16 Bratislava 1  
Tel.: +421 2 5930 5411  
Fax: +421 2 5441 6696

Pobočka Rožňavská  
Rožňavská 34  
814 16 Bratislava 1  
Tel.: +421 2 4341 0536  
Fax: +421 2 4341 0535

Pobočka Westend  
Dúbravská 2  
814 16 Bratislava 1  
Tel.: +421 2 5941 8300  
Fax: +421 2 5941 8311

Pobočka Železničiarska  
Železničiarska 13  
814 16 Bratislava 1  
Tel.: +421 2 5969 5256  
Fax: +421 2 5969 5280

### BANSKÁ BYSTRICA:

Na Troskách 16  
P. O. Box 509  
974 01 B. Bystrica 1  
Tel.: +421 48 4715 211  
Fax: +421 48 4156 690

Nám. SNP 20  
P. O. Box 237  
974 01 Banská Bystrica  
Tel.: +421 48 4718 711  
Fax: +421 48 4718 733

### DUNAJSKÁ STREDA

Poštová 1  
929 01 Dunajská Streda  
Tel.: +421 31 5903 311  
Fax: +421 31 5903 333

### KOŠICE:

Mlynská 7  
040 43 Košice 1  
Tel.: +421 55 7281 900  
Fax: +421 55 7281 911

Štúrova 14  
P. O. Box B-45  
041 25 Košice 1  
Tel.: +421 55 6112 501  
Fax: +421 55 6112 577

### LIPTOVSKÝ MIKULÁŠ

Ulica 1. mája 2540  
P. O. Box 67  
031 01 Lipt. Mikuláš 1  
Tel.: +421 44 5477 911  
Fax: +421 44 5477 933

### MALACKY

Záhorácka 60  
P. O. Box 31  
901 01 Malacky  
Tel.: +421 34 7967 110  
Fax: +421 34 7967 133

### MARTIN

Ul. osloboditeľov 20  
P. O. Box 92  
036 01 Martin 1  
Tel.: +421 43 4003 011  
Fax: +421 43 4003 033

### MICHALOVCE

Nám. osloboditeľov 53/971  
P. O. Box 38  
071 01 Michalovce 1  
Tel.: +421 56 6870 400  
Fax: +421 56 6870 433

### NITRA

Fraňa Mojtu 16  
P. O. Box 57 D  
949 01 Nitra 1  
Tel.: +421 37 6920 711  
Fax: +421 37 6920 733

### POPRAD

Nám. Sv. Egídia 64  
P. O. Box 119  
058 01 Poprad 1  
Tel.: +421 52 7870 911  
Fax: +421 52 7870 933

### PREŠOV

Hlavná 11-13  
P. O. Box 101  
080 01 Prešov  
Tel.: +421 51 7567 111  
Fax: +421 51 7567 133

### PRIEVIDZA

Nám. slobody 26  
P. O.Box 83  
971 01 Prievidza  
Tel.: +421 46 5181 111  
Fax: +421 46 5181 133

### SENICA

Hviezdoslavova 1562/61  
P. O. Box. 51  
905 01 Senica  
Tel.: +421 34 6909 111  
Fax: +421 34 6909 133

### TRENČÍN

Pribinova 2  
P. O. Box 42  
911 50 Trenčín 1  
Tel.: +421 32 7480 411  
Fax: +421 32 7480 433

### TRNAVA

Hviezdoslavova 14  
P. O. Box 108  
917 01 Trnava 1  
Tel.: +421 33 5903 411  
Fax: +421 33 5903 433

### ZVOLEN

Hviezdoslavova 16  
P. O. Box 78  
960 01 Zvolen 1  
Tel.: +421 45 5241 411  
Fax: +421 45 5241 433

### ŽILINA

Bottova 6  
011 67 Žilina 1  
Tel.: +421 41 7070 111  
Fax: +421 41 7070 120



# Addresses in Europe

## AUSTRIA

Bank Austria Creditanstalt  
Vordere Zollamtsstrasse 13  
1013 Wien  
Tel.: (+43 0) 50505 – 0  
www.ba-ca.com

## BOSNIA-HERZEGOVINA

HVB Bank  
Fra Andjela Zvizdovica 1  
71000 Sarajevo  
Tel.: (+387 33) 250 900  
www.hvb.ba

## BULGARIA

Bank Biochim  
Ivan Vazov Street 1  
1026 Sofia  
Tel.: (+359 2) 9269 210  
www.biochim.com

## CROATIA

HVB Splitska Banka  
R. Boskovicica 16  
21000 Split  
Tel.: (+385 21) 304 304  
www.splitskabanka.hr

## CZECH REPUBLIC

HVB Bank  
Nám. Republiky 3a  
110 00 Praha 1  
Tel.: (+420 2) 2111 2111  
www.hvb.cz

## ESTONIA

HVB Group Representative Office  
Parnu mnt. 15/Tatari 2  
10141 Tallinn  
Tel.: (+372) 6684 660

## GERMANY

HypoVereinsbank  
Am Tucherpark 16  
80538 München  
Tel.: (49 89) 378 – 0  
www.hvb.de

Vereins- und Westbank  
Alter Wall 22  
20457 Hamburg  
Tel.: (+49 40) 369 201  
www.vuw.de

## HUNGARY

HVB Bank  
Akadémia u. 17  
1054 Budapest  
Tel.: (+36 6) 4050 4050  
www.hvb.hu

## LATVIA

A/S Vereinsbank Riga  
Elizabetes iela 63  
1050 Riga  
Tel.: (371) 7085 500  
www.veroinsbank.lv

## LITHUANIA

Vereins- und Westbank  
Niederlassung Vilnius  
Vilniaus gatve 35/3  
2000 Vilnius  
Tel.: (+370 5) 2745 300  
www.veroinsbank.lv

## MACEDONIA

Bank Austria Creditanstalt  
Representative Office  
Ulica Makedonija br. 53/4  
1000 Skopje  
Tel.: (+389 2) 3215 130

## POLAND

Bank BPH  
Towarowa 25 A  
00 958 Warszawa  
Tel.: (+48 22) 5318 000  
www.bph.pl

## ROMANIA

HVB Bank  
37 Dr. Grigore Mora Street  
Charles de Gaulle sq.  
71278 Bucuresti  
Tel.: (+40 21) 2032 222  
www.hvb.ro

## RUSSIAN FEDERATION

International Moscow Bank  
9 Prechistsenskaya Emb.  
Moscow 119034  
Tel.: (+7095) 2587 258  
www.imb.ru

## SERBIA AND MONTENEGRO

HVB Bank  
Rajiceva 27-29  
11000 Beograd  
Tel.: (+381 11) 3204 500  
www.hvb.co.yu

## SLOVENIA

Bank Austria Creditanstalt  
Šmartinska 140  
1000 Ljubljana  
Tel.: (+386 1) 5876 600  
www.ba-ca.si

## UKRAINE

HVB Bank  
14-A Yaroslaviv Val  
Kyiv 01034  
Tel.: (+380 44) 2303 300  
www.hvb.com.ua