

Extract from

**Annual
Report**

Extract from Annual Report 2004

Profesionáli pracujú pre vás

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GENERAL INFORMATION ABOUT THE COMPANY

Business name: ČSOB stavebná sporiteľňa, a.s. ("the Company")

Registered office: Radlinského 10, 813 23 Bratislava, The Slovak Republic

Corporate ID (IČO): 35 799 200

Tax ID (DIČ): 2021544030

Business activities started on: 1 December 2000

Legal form: joint-stock company

Shareholder: Československá obchodní banka, a.s., 100% of the share capital

Main activities:

- Accepting deposits from building society savers;
- Granting loans to building society savers;
- Accepting deposits from banks;
- Performing payment transactions and clearing related to building society savings;
- Providing advisory services related to building society savings;
- Mediation activities in the insurance sector related to building society savings;
- Trading on its own account with mortgage bonds, municipal bonds, government bonds including treasury bills, or with the National Bank of Slovakia's bills based on a granted bank licence;
- Providing guarantees to other banks for construction loans, mortgage loans, or municipal loans.

Share capital: SKK 720 million

Equity share: ČSOB stavebná sporiteľňa, a.s., had no equity share in other companies at 31 December 2004.

FOREWORD OF THE CHAIRMAN OF THE BOARD OF DIRECTORS AND THE GENERAL DIRECTOR

Dear clients, partners, colleagues,

The year 2004 was the fourth year of our building society's operation. In view of becoming established and accepted on the market with stiff competition, this is a relatively short period. Despite this fact, we can consider the last year successful.

The results we achieved support this statement. The building society savings production reached 20,717 new valid contracts, with target amounts totalling SKK 2.5 billion. The positive thing is that, in the number of newly concluded contracts (without those increasing the target amount), we became number two in the building society savings market last year. In the area of loans, extraordinary interim loans were the most successful product, provided in the amount of almost 1 billion Slovak crowns. For housing purposes, we paid almost SKK 1.5 billion in 2004 and SKK 3.5 billion since our establishment. We also achieved good results in the qualitative area, as confirmed by our profit of SKK 18.8 million, higher than in 2003.

These accomplishments and many other positive facts are the result of the extraordinary effort that had to be invested at all levels and areas of our Company's work, because external conditions were not favourable to building society savings products. Long-term lack of clarity and discussions about the amount of the state premium, considering the long-term character of the building society savings generally, adversely affected the interest of potential clients. In addition, the variety of mortgage loans and consumer loans created stiff product competition for us. Finally, the economic reforms and their impact on the social area have influenced the saving capability of our population.

Our good results in 2004 resulted from product innovation, lower administrative requirements for the client, and increased service quality. Many arrangements in the areas of management and organisation also proved to be beneficial. There have been organisational changes at the headquarters level aimed at improving its operation and making its work more effective. The rearrangement of the internal distribution network was of extraordinary importance, mainly by creating a new management level for executive elements through district directors. This arrangement succeeded in increasing the number of sales representatives and financial advisors, and the quality of work of our whole network as well.

I would like to thank all our employees and external co-workers for these results. My sincere thanks also to my colleagues from the ČSOB Finance Group. Without their support and cooperation, it would have been impossible to achieve the necessary results.

The year 2005 is ahead of us. Building society savings have and will have an important place in financing housing needs in the following period as well, as they combine profitable savings with the possibility to simultaneously take a construction loan. We are prepared, both through our products and business terms

and conditions, to offer the advantages of building society savings to our clients. At the same time, our objective is to do well in the face of stiff competition and favourably co-operate within the ČSOB Group to implement common goals and provide benefits and advantages to our clients. In this area, I rely on the professional approach of all employees and co-workers, who are the determinant of our success.

Finally, let me thank all our clients for their trust. I would like to assure them that we will do everything to meet their expectations in 2005.

With regards

A handwritten signature in blue ink, consisting of stylized initials 'DP' followed by a surname.

Dušan Paulík

COMPANY'S MANAGEMENT

Board of Directors:

The Company's Board of Directors has three members.



Chairman of the Board of Directors:

Mr Dušan Paulík

Members of the Board of Directors:

Ms Erika Hasonová

Mr Vladimír Cvik

STATEMENT OF THE COMPANY'S SUPERVISORY BOARD

The Supervisory Board performed its tasks in accordance with §§ 197 - 201 of the Slovak Commercial Code, the Company's statutes, and its internal rules. The Board of Directors submitted reports on the Company's activities and its financial position to the Supervisory Board.

The audit firm PricewaterhouseCoopers Slovensko, s.r.o., Bratislava, audited the Company's financial statements for the year 2004. In the audit company's opinion, the financial statements present fairly, in all material respects, the Company's assets, liabilities, equity, and its financial position at 31 December 2004 and the results of its operations for the year then ended, in accordance with the Accounting Act of the Slovak Republic.

The Supervisory Board reviewed the annual financial statements at 31 December 2004, accepted the 2004 audit results, and approved both the annual financial statements and the proposal for distributing the 2004 profit.

Chairman of the Supervisory Board:

Mr Philippe Marc Moreels

Members of the Supervisory Board:

Mr Daniel Kollár

Mr Juraj Šrámek

ORGANISATIONAL STRUCTURE

Mr Dušan Paulík Chairman of the Board of Directors and General Director

Ms Štefánia Matejová
Legal and HR Department Director

Mr Ján Maxim
Internal Audit Department Director

Mr Peter Podstrelenc
Asset Management and Service Department Director

Mr Juraj Šrámek
Financial Management Department Director

Ms Katarína Lauková
Risk Management Section

Ms Erika Hasonová Member of the Board of Directors and Supreme Director

Ms Darina Diviaková
Financial Accounting Department Director

Mr Pavol Kasala
Director of the Bank Information System Development and Project Management Department (since 1 July 2004)

Ms Valéria Pčolová
Director of the Department of Central Administration of Contracts and Client Accounts

Mr Slavomír Slisz
Authorized Deputy Director of the IT Department (till 31 May 2004)

Mr Jozef Strnád
Credit Department Director

Ms Adriana Tužinská
Marketing Department Director (till 15 May 2004)

Mr Vladimír Cvik Member of the Board of Directors and Supreme Director

Mr Ondrej Hovan
Distribution Network Coordination Section (till 30 June 2004)
Director of the Department of Sales Management and Sales Support (since 1 July 2004)

Mr Pavol Kasala
Sales Network Management Department Director (till 30 June 2004)

Ms Katarína Ďurčová
Regional Director for Bratislava and Trnava regions (since 1 August 2004)

Mr Dalimír Kaščák
Regional Director for Trenčín and Žilina regions (since 1 August 2004)

Mr Peter Lelko
Regional Director for Prešov and Košice regions (since 1 August 2004)

Mr Roman Mihalček
Regional Director for Banská Bystrica and Nitra regions (since 1 August 2004)

BUILDING SOCIETY SAVINGS IN 2004

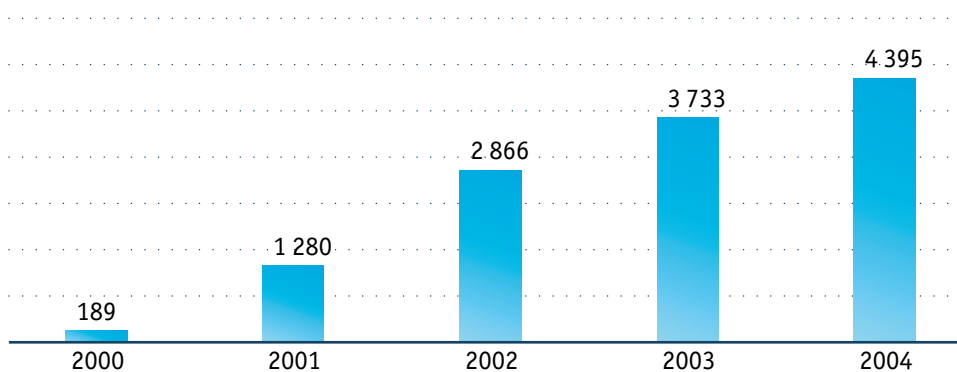
In 2004, the Company strengthened its position and became number two on the Slovak building society savings market in the number of newly signed savings contracts (without those increasing the target amount).

In 2004, the Company signed 20,717 new contracts on building society savings in the target amount of more than SKK 2.5 billion. At 31 December 2004, the Company administered 128,643 contracts on building society savings contracts, based on which building society savers had saved almost SKK 4.4 billion. The volume of target amounts from all registered savings contracts exceeded SKK 27 billion, and the average target amount of these contracts amounted to SKK 210,000.

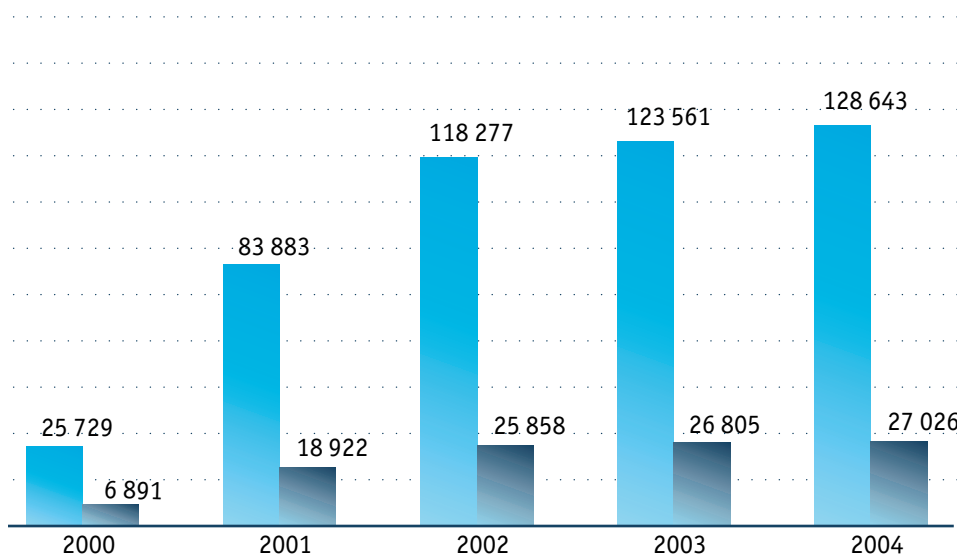
Building society savers were interested in Profit saving products and also in the Profit Klúčik product, designated for the youngest building society savers. However, we also noticed a growing interest in the Company's credit products. Interim loans without a need for previous savings, a construction loan with the unmatched interest rate of 2.9% p.a., or processing a request for a loan within seven days - all these factors encouraged clients to select an advantageous loan for meeting their desires related to housing.

The Company occupied an important position in housing finance in Slovakia in 2004, because nearly SKK 1.5 billion were paid for housing purposes and housing support. Since its establishment, the Company has paid almost SKK 3.5 billion for housing purposes.

The amount saved on building society savings accounts in millions of SKK



The number of registered contracts on building society savings in the years 2000-2004



■ Number of registered contracts
 ■ Volume of target amounts in SKK million

CONSTRUCTION AND INTERIM LOANS

If simplified, we can say that the year 2004 was the year of loans in the Company, as the number of approved construction and interim loans grew by a respectable 65% compared to the previous year.

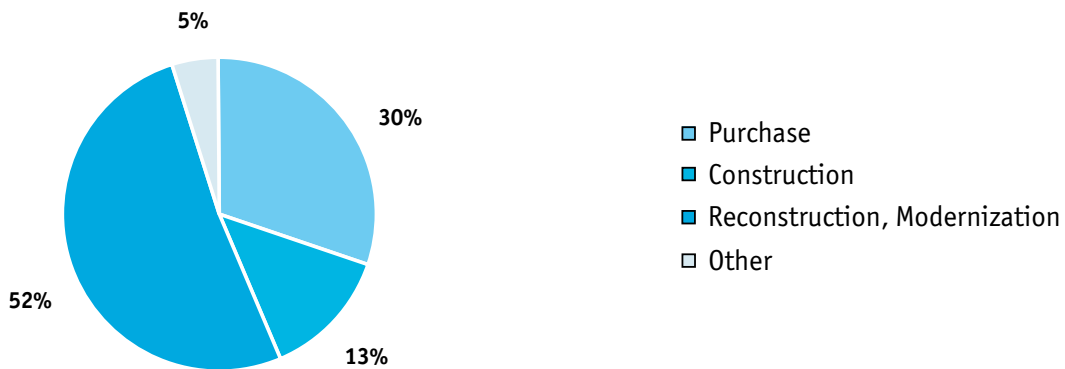
In 2004, the Company approved 5,044 construction and interim loans of SKK 1.044 billion, of which, 185 were construction loans totalling SKK 77.8 million, and 4,859 were interim loans of SKK 966.7 million.

Since its establishment, the Company granted 11,059 construction and interim loans totalling SKK 2,817 million. Loans for the modernisation and maintenance of the housing fund represented the biggest part - SKK 1.5 billion - of this. The amount of SKK 1.2 billion was granted for building or purchasing a house or flat. SKK 136 million was provided for other construction purposes.

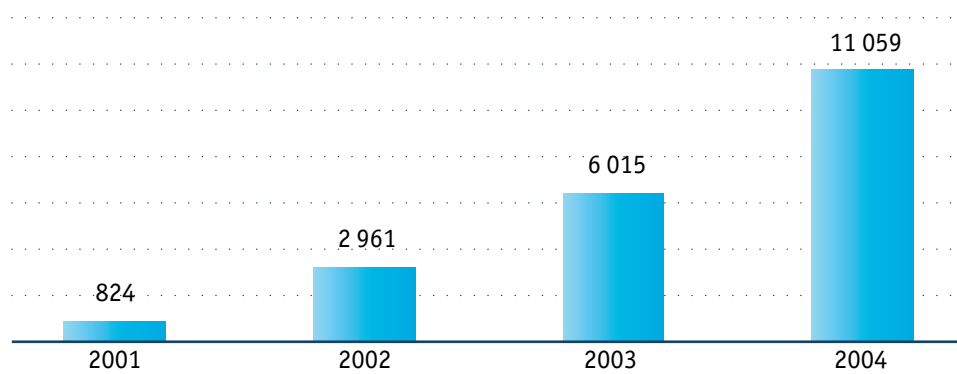
In 2004, the Company offered building society savers the chance to apply for a construction loan at interest rates from 2.9% to 6.0% p.a., and the interest rate on interim loans ranged from 6.7% to 9.9% p.a., depending on the selected savings type. In February 2004, interest rates on interim loans were adjusted and the maximum rate reached 7.95% p.a.

In 2004, the Company provided no construction loans to legal entities.

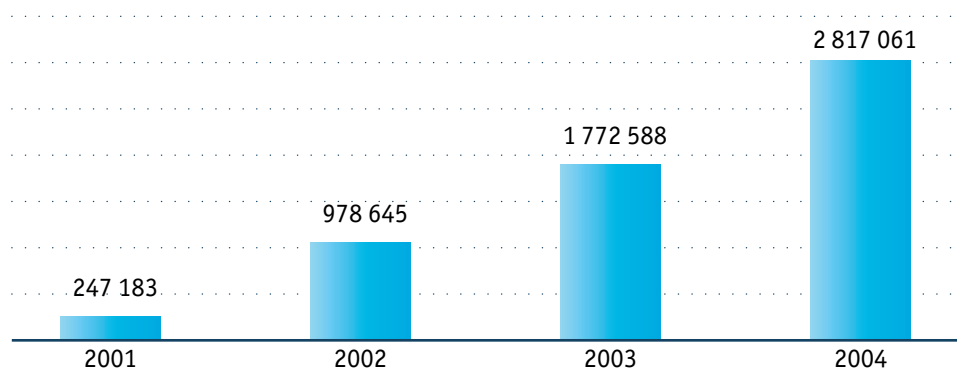
Financial resource utilization purposes to 31 december 2004



Cumulative number of approved construction and interim loans



Cumulative volume of approved construction and interim loans in thousands of SKK



INNOVATIONS IN 2004

The year 2004 was also characterised by product innovation, lower administrative requirements for the client, and by increasing the overall quality of services provided to savers with a building society. In this way, our Company again confirmed its character as an innovative bank.

All savers who concluded a new savings contract with our building society in the first six months of 2004 could get the most favourable administrative fee on the market for their deposit account in 2004, as only our Company gave them a 50% discount on this fee.

February was the month of product innovations. Our Company introduced the product "Rýchloúver" (Express Loan), which is a beneficial interim loan available immediately after saving 20% of the target amount. This product became very popular with our clients, as it is a quick and flexible way of getting necessary funds at a favourable interest rate. The strength and advantages of the ČSOB Finance Group were again demonstrated to the public with a real offer. Together with ČSOB Poistovňa, our Company made building society savings more attractive for the youngest building savers. Since February 2004, the Profit Klúčik product is offered with accident insurance as a bonus. A child and his legal representative are insured during the entire period of regular savings against serious accidents that can happen in various situations at school, in nature, or when travelling.

The administrative requirements for securing loans were reduced as well. Our Company does not require a notary deed from its clients when securing loans with real estate, and with other types of securities it is possible to replace the notary deed with a blank promissory note.

In February 2004, our Company also reduced its interest rates on interim loans when 40% or 50% of the target amount was already saved. Thus, these interest rates ranged between 6.9% to 7.95% p.a.

A high level of client interest was the reason for reintroducing the favourable interim loan to the market, where the saver does not need any deposit at all and can get funds of up to 100% of the target amount at interest rates of only 6.7% or 7.3% p.a. Our building society started to provide the "Superúver" (Super Loan) product again as of April 2004.

In a special event in May and June 2004, clients could get, in addition to favourable conditions for concluding a new savings contract with a building society, a 100% interest-rate bonus on deposits credited in these months. From July up to the end of 2004, we thus paid double interest on these deposits.

Our Company made the sunny weather and summer months more comfortable for its clients by introducing a fee vacation. A saver with our building society could get his favoured interim loan without a processing fee, or with a summer discount of up to 50%.

At the end of the year, we organised a lottery for clients and offered them even more favourable conditions for concluding a new savings contract with a building society and an interest rate bonus on deposits.

In 2005, we will try, together with other members of the ČSOB Finance Group in Slovakia, to provide more benefits and advantages to the building society savings product.

DISTRIBUTION NETWORK

The Company's distribution network is the main executive element of the building society. Its task and objective is to provide highly professional services to building society savers. It is composed of an internal and an external distribution network, the latter consisting of co-operating partners.

In August 2004, the Company's internal distribution network was redesigned to rationalise and increase its effectiveness over Slovakia. The number of regional directorates was reduced by 50% and new district directorates were established. From the former eight regional directorates, four new ones were established through mergers: the Bratislava-Trnava, Žilina-Trenčín, Banská Bystrica-Nitra, and Prešov-Košice regional directorates, each of them with its own regional director. The regional segmentation corresponds with the administrative and territorial division of Slovakia. The newly created regional directorates are further divided into 25 district directorates. Each district director manages and supervises the work of district managers and financial advisors. With this change, the customer service became even more oriented to the building society saver's individual needs. Thus, the 2004 internal distribution network consisted of 30 customer service employees in branch offices, 250 district managers and sales representatives, and almost 480 family financial advisors. The Company's clients could use its services in 100 branch offices and customer service centres throughout Slovakia.

The Supreme Director manages the work and development of the distribution network through the Department of Sales Management and Sales Support. The Company puts great emphasis on continuing education and the development of the entire distribution network, as its management realizes that permanent and targeted improvement of knowledge and competences of its financial advisors plays an essential and irreplaceable role in the business process.

Co-operating partners, mainly ZFP, a.s., contributed greatly to the Company's business results in 2004.

EMPLOYEES

Employees are one of the key factors of the Company's success. Therefore, the support of their creative thinking, abilities, and talent is one of the building society's key objectives.

In 2004, the Company had 120 employees, 85 of which worked in its headquarters and 35 of which operated at the regional directorate. Their average age was 34 years and nearly two-thirds of them were women.

The Company put great emphasis on improving their qualifications and extending their knowledge in 2004. The employee benefit scheme, the social programme, sufficient opportunities for spending free time in an active way, as well as sporting and cultural events for employees - all this is considered important. Therefore, more than 60% of its social fund was used for sporting and cultural activities. As in previous years, many employees also took advantage of preventive medical check-ups.

All the Company's HR activities are related to and focused on the set objectives, the corporate culture, and values such as customer orientation and ethics, team spirit, continuous effort to increase the quality of services provided, and mutual respect.

THE FINANCIAL POSITION AND RESULT OF OPERATIONS IN 2004

If 2003 was a year of growth for the Company, then 2004 was a year of strengthening its position on the building society savings market. This is evidenced by the results achieved in the business area. Subsequently, these results positively affected the Company's financial position.

The Company's total assets amounted to SKK 5,157 million in 2004, representing an increase of 16% compared to the previous year.

During the reporting year, the structure of Company's assets did not change significantly. This is due to the character of the market segment in which the Company operates. Financial investments remained the item with the biggest share (37%) in the total assets. Loans to clients became the Company's second-most-important asset item, the share of which grew from 29% to 36%. The reason for this growth was that the Company succeeded in placing 5,044 construction loans totalling SKK 1.044 billion on the construction and interim loan market during 2004. As a result, the asset item "Loans to customers" increased by SKK 567 million, which was SKK 138 million more compared to the previous year. The asset item "Loans to customers" increased by 45% compared to the previous year. The other asset items remained more or less unchanged.

On the liability side, the Company succeeded in increasing amounts due to clients by SKK 667 million, which represented an increase of 18% compared to the previous year. In 2004, the item "Amounts due to clients" was an 86% share of the total liabilities.

Balance Sheet

The balance sheet data are shown in their net values.

In thousands of SKK	31 Dec. 2004	31 Dec. 2003	31 Dec. 2002
Cash on hand	0	0	0
Accounts in banks of issue*	953,600	789,611	786,087
Deposits in other banks*	408,446	435,018	1,815,835
Loans to clients	1,839,794	1,272,362	842,815
Marketable securities on stock	0	0	721,918
Financial investments *	1,889,697	1,873,744	0
Non-current assets	52,438	62,995	73,397
Other assets	11,524	5,555	148,810
Accruals, prepayments, and estimated receivables	1,210	2,127	1,685
Total assets	5,156,709	4,441,412	4,390,547
Amounts due to clients	4,436,174	3,769,328	3,022,975
Liabilities from securities	0	0	721,918
Subordinated debt *	60,338	60,349	60,349
Provisions	24,777	20,600	15,333
Other liabilities	47,913	23,879	23,010
Reserves	1,763	0	0
Share capital	720,000	720,000	720,000
Loss carried forward	(161,466)	(180,819)	(165,129)
Profit/(loss) for the current year	18,789	17,635	(15,690)
Accruals, deferred income, and estimated liabilities	8,421	10,440	7,781
Total liabilities	5,156,709	4,441,412	4,390,547

*As of 1 January 2003, the method for recognising accrued interests from receivables and liabilities has changed (now stated together with the principal as deferred income or deferred expenses). As a result, the data in the 2002 balance sheet were adjusted, without affecting income, to allow comparison.

Income Statement

in thousands of SKK	2004	2003	2002
Interest income	255,860	247,218	195,824
Interest expenses	(145,218)	(116,421)	(65,961)
Net interest income	110,642	130,797	129,863
Fees and commissions received	131,148	116,852	115,680
Fees and commissions paid	(32,441)	(32,262)	(58,291)
Net income from fees and commissions	98,707	84,590	57,389
Profit from foreign exchange and other transactions	13	7	10
Losses from foreign exchange and other transactions	(228)	(1,023)	(140)
Net income from foreign exchange and other transactions	(215)	(1 016)	(130)
Gross operational income	209,134	214,371	187,122
Operational income **	1,472	681	794
Staff costs	(53,124)	(60,181)	(65,370)
Operating expenses **	(105,393)	(92,738)	(101,315)
Depreciation	(26,023)	(25,547)	(24,708)
Net operational income/(expenses)	26,066	36,586	(3,477)
Balance of created and used provisions	(4,598)	(8,055)	2,935
Balance of created and used reserves	(8,041)	(5,267)	(15,148)
Net income before taxes	13,427	23,264	(15,690)
Tax charge	5,362	(5,629)	0
Profit/(loss) for the current year	18 789	17 635	(15 690)

** Since 1 January 2003, the definition of extraordinary expenses and extraordinary income has been changed. As of this date, only expenses and income that relate to exceptional, accidental events not connected with the scope of business are recorded as extraordinary expenses or extraordinary income. As a result, extraordinary expenses and extraordinary income recognised in 2002 have been included in operational expenses and operational income for comparative purposes, in accordance with the new definition of expenses and income.

REPORT OF INDEPENDENT AUDITORS

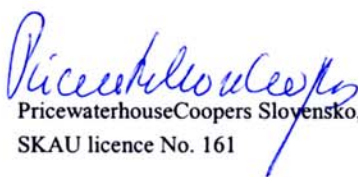


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REPORT OF INDEPENDENT AUDITORS

To the shareholders of ČSOB stavebná sporiteľňa, a.s.:

- 1 We have audited the financial statements of ČSOB stavebná sporiteľňa, a.s., („the Company“) for the year ended 31 December 2004, which were prepared in accordance with the Accounting Act of the Slovak Republic and related accounting regulation. The accompanying summary financial information was derived from these financial statements. We conducted our audit in accordance with International Standards on Auditing.
- 2 In our audit report dated 31 March 2005 we expressed an unqualified audit opinion on the financial statements from which the summary financial information has been derived.
- 3 In our opinion, the summary financial information included in the Extract from Annual Report is consistent in all material respects with the financial statements from which it was derived.
- 4 For a better understanding of the financial position of ČSOB stavebná sporiteľňa, a.s., at 31 December 2004 and the results of its operations for the year then ended, the summary financial information included in the Extract from Annual Report should be read in conjunction with the related audited financial statements, from which the summary financial information was derived, and our audit report thereon.


PricewaterhouseCoopers Slovensko, s.r.o.
SKAU licence No. 161




Ing. Mária Frühwaldová
SKAU licence No. 047

Bratislava, 11 May 2005

CONTACTS

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