Annual Report 2002

Česká spořitelna, a. s.

Česká spořitelna Financial Group

Česká spořitelna, a. s.

Consulting České spořitelny, a. s.

Corporate development České spořitelny, a. s.

Czech TOP Venture Fund B.V.

Factoring České spořitelny, a. s.

Informatika České spořitelny, a. s.

Investiční společnost České spořitelny, a. s.

Leasing České spořitelny, a. s.

Penzijní fond České spořitelny, a. s.

Pojišťovna České spořitelny, a. s.

Realitní společnost České spořitelny, a. s.

Stavební spořitelna České spořitelny, a. s.

Annual Report 2002

Česká spořitelna, a. s.

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Česká spořitelna's Profile

Česká spořitelna became the Bank of the Year in 2002. The Bank received this award in a vote of 300 independent experts as part of a competition announced by Fincentrum and MasterCard. The Bank ranked second in the category of the 'Most Credible Bank' in a public vote. This significant success is attributable to the tremendous efforts of all employees who managed to transform the Bank, over the extremely short period of 18 months, from a cumbersome institution into a modern bank with the best services in the marketplace.

The Bank provides its services to more than 5 million clients in the Czech Republic and is therefore the biggest bank in the market. In 2000, it became a member of the strong Central European financial group of Erste Bank. In the period from July 2000 to December 2001, the Bank underwent an ambitious transformation, which was designed to improve all key operations of the Bank. While the key component of the transformation has been completed, the Bank continues the process of implementing dynamic changes to strengthen its leading position in the Czech marketplace and achieve the qualities of modern European financial institutions.

The history of Česká spořitelna dates back to 1825 when Sporitelna ceska, the oldest legal predecessor of Česká spořitelna, launched its operations. Česká spořitelna carried on the tradition of Czech and later Czechoslovak savings banking in 1992 when it began to operate as a joint stock company. The more than five million clients presently served by the Bank clearly evidence its strong position in the Czech market.

Česká spořitelna operates primarily as a retail bank, a bank for small and medium sized businesses and a bank for municipalities. Česká spořitelna and its financial group offer a broad range of products and services necessary to fulfill all aspects of the financial requirements of their clients.

In the retail banking segment, Česká spořitelna's clientele includes all age categories ranging from the youngest to senior citizens. This clientele profile is matched by a wide selection of products and services offered by the Bank in retail banking. In the previous year, the Bank significantly expanded its offering of direct banking products, mortgage loans, credit cards as well as products of subsidiary companies. By way of example, the Bank offered a new service – SERVIS 24 Internetbanking – of which 70,000 clients took advantage in the first two months of its existence. The Bank began offering the GSM Banking services – SIM Toolkit through all domestic mobile phone operators and also started selling mortgage loans to foreigners. In particular, the Bank considerably strengthened its lending services and advisory services to retail clients and small and medium sized businesses – it simplified and speeded up the loan approval process.

Whilst Česká spořitelna operates primarily as a bank for retail clientele and small and medium sized businesses, it also plays a significant role in funding large corporations and companies. Through its broad range of financial products, which, in addition to classic banking services, include leasing, insurance, investment, factoring and advisory services, the Bank is in a position to satisfy the financial services requirements of even the most demanding businesses.

Given the number of issued cards and the largest ATM network, comprising more than 1,000 ATMs, the Bank is the leader in payment cards. In the year ended 31 December 2002, the Bank invested more than half a billion crowns in developing its selection of payment cards. The number of payments cards provided by the Bank significantly exceeded 2.3 million cards as of the end of 2002.

In 2001, the Bank was the first commercial institution in the Czech Republic to establish the function of an ombudsman, protector of clients' rights, through which it guarantees long-term and quality relations with clients. The Bank's brand new approach to providing services, with a focus on developing state-of-the-art communication tools, enables it to effectively and quickly respond to market requirements.

The Bank holds the 'Mortgage of 2002' award, which it won in a competition sponsored by Fincentrum and MasterCard. The Bank also holds the 'Best Lending Institution in the Czech Republic' certificate, which it received from Euromoney at the meeting of the International Monetary Fund in Washington in September 2002.

The Year 2002 Review

January
- The transformation program, announced in July 2000 following the privatisation of Česká spořitelna, was successfully completed

February
- Servis 24 exceeded 100,000 clients

March
- Employees elected their new representatives to the Supervisory Board of Česká spořitelna, 75 percent of employees participated in the election
- Petr Hlaváček became the seventh member of Česká spořitelna's Board of Directors, responsible for project management and integration of the Bank's activities and operations into the Erste Bank Group
- The Parliament of the Czech Republic passed an amended Banking Act, Česká spořitelna launched an extensive conversion of anonymous savings accounts
- AVS, acting in concert with Erste Bank, announced an offer to repurchase shares of Česká spořitelna held by minority shareholders for CZK 375 for one ordinary share

April
- Česká spořitelna completed the change of its corporate image; starting autumn 2001 the new logo and corporate colours were gradually implemented throughout the branch network
- Pursuant to the outcome of a public tender, Česká spořitelna became a partner of the City of Havířov in a project to modernise its prefabricated housing estate buildings

May
- The General Meeting of shareholders took place
- Servis 24 exceeded 200,000 clients

June
- Following two years of intensive preparatory work, Česká spořitelna implemented a significant change to its client approach – a brand new client service concept was launched
- Smetanova Litomyšl traditionally sponsored by Česká spořitelna
- Česká spořitelna and ČSOB provided the Prague Transport Corporation with a syndicated loan to redesign subway trains

July
- Česká spořitelna finalised the restructuring of its loan portfolio – an activity that had been initiated following the privatisation of the Bank in 2000 and related to assets recognised in the Bank's balance sheet as of 31 December 1999
- The Stock Exchange Chamber of the Prague Stock Exchange approved Česká spořitelna's request and withdrew its ordinary shares from trading
- The officials of Česká spořitelna and the State Environmental Fund of the Czech Republic entered into a High-Level Agreement on Cooperation in Funding Environmental Projects

August
- By acquiring shares from AVS, Erste Bank increased its holding of Česká spořitelna's issued share capital to 93.1 percent
- The Czech Republic was hit by devastating floods
- Česká spořitelna issued credit cards called Kredit+

September
- Česká spořitelna re-opened its central branch in Sokolovská street in Prague, which had been flooded in August; Česká spořitelna was one of the first big firms that restored its day-to-day activities in the Karlín district destroyed by flooding

October
- Česká spořitelna's thousandth ATM was put in place
- Česká spořitelna launched the Professional Program ('Profesionál') designed to provide a comprehensive coverage of financial needs for professional clients
- Servis 24 exceeded 300,000 clients

November
- Česká spořitelna received the 'Bank of the Year 2002' award from MasterCard, its TOP Housing mortgage loan was rated the 'Mortgage Loan of the Year 2002'
- Servis 24 Internetbanking, which obtained the 'Financial Product of the Year 2002' award, was launched

December
- Česká spořitelna's GSM Banking service was made available over all mobile phone networks in the Czech Republic
- The TOP Capital program was implemented, the formation of the Czech TOP Venture Fund focused on small and medium sized enterprises
- The CEO of Česká spořitelna received the Manager 2002 award as the result of a survey in which 11 prestigious consulting and auditing firms participated

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

Dear Shareholders, Clients and Colleagues:

2002 was the most successful year in the history of Česká spořitelna, as measured by financial results. Following the completion of the Transformation Program in December 2001, we continued improving our products and services to produce very good results in 2002 and to ensure that Česká spořitelna will compete successfully in the Czech Republic and the European Union in the future.

Our profitable performance was attributable to the improved quality of services which is, in turn, linked to the increasing professionalism of our staff. The improvement of the quality of our services is also evidenced by the “Bank of the Year 2002” award which Česká spořitelna received in a competition conducted by MasterCard and Fincentrum. This award is not only a significant recognition of the effort given by all our employees but also is indicative of the success of the Transformation Program over the past three years.

Looking back at 2002, we feel satisfaction not only with our financial performance. What we value most is the increase in our clients’ satisfaction. While 2002 was extremely demanding for the employees of Česká spořitelna, they were successful not only in managing the transfer of almost CZK 100 billion placed in anonymous savings deposits but also in implementing a series of comprehensive but unavoidable product, organization, operating and system changes. Thanks to the caliber of Česká spořitelna’s employees, we are positioned to achieve return on equity in excess of 20 percent in 2003 and to increase profits.

With the devastating floods that hit the Czech Republic and Česká spořitelna in August 2002, the citizens of this country as well as the employees of Česká spořitelna demonstrated their enormous energy, courage and solidarity. The solidarity was clearly visible in the country’s and Bank’s rapid recovery and the amount of funds from a public collection for which Česká spořitelna opened a special account during the first days of the floods with the objective of providing the most effective and efficient help to the regions of the Czech Republic that were most affected by the flooding.

Despite all these successes, we are facing a number of challenges in the coming period. We need to continue our efforts aimed at improving the quality of our products and services, building and replacing information technology systems, training our staff and enhancing their professionalism, limiting bureaucratic processes through constant reengineering, and expanding our loan portfolio.

Česká spořitelna is striving to give above average returns to Erste Bank and its other shareholders, to provide a challenging and rewarding work environment for its employees, to provide help to its customers in achieving financial well-being, and to invest in the communities where we do business.

We have set high standards for ourselves, and every member of the Česká spořitelna team is working very hard to achieve these standards.

2002 was a successful year, and Česká spořitelna is positioned well to achieve future successful years.

April 2003

Jack Stack

Jack STACK

Consolidated Financial Highlights

under International Financial Reporting Standards (IFRS)

Balance Sheet Highlights

(MCZK)	2002	2001	2000
Total assets	519,691	491,605	438,055
Loans and advances to financial institutions	128,782	120,104	155,144
Loans and advances to customers	189,163	186,655	134,900
Securities and other financial investments	158,051	144,140	113,231
Amounts owed to financial institutions	31,858	31,142	16,709
Amounts owed to customers	403,035	390,752	352,622
Shareholders' equity	29,831	24,455	22,655

Profit and Loss Account Highlights

(MCZK)	2002	2001	2000
Net interest income	16,125	15,156	11,998
Net fee and commission income	6,847	6,198	5,121
Operating income	23,610	22,187	19,112
Operating expenses	(14,775)	(15,224)	(13,508)
Operating profit	8,835	6,963	5,604
Provisions for losses on loans and advances	(331)	(2,731)	(3,217)
Net profit net of minority interests	5,805	1,798	41

Basic Ratios

(MCZK)	2002	2001	2000
Net interest margin	3.1%	3.1%	2.8%
Capital adequacy (BIS)	16.8%	16.5%	16.0%
Cost/income	62.6%	68.6%	70.7%
Non-interest income/operating income	31.7%	31.7%	37.2%
ROE	21.4%	7.6%	0.2%
ROA	1.1%	0.4%	0.0%

Rating Overview

Current ratings

Rating agency	Long-term	Short-term	Outlook
Fitch	BBB+	F2	stable
Moody's	A2	Prime-1	stable
Standard & Poor's	BBB-	A3	stable

Financial Highlights – Unconsolidated

under Czech Accounting Standards

Balance Sheet Highlights

MCZK	2002	2001	2000
Total assets	456,175	449,603	400,876
Amounts due from banks	114,829	107,385	139,511
Amounts due from clients	164,070	160,712	107,664
Securities	112,472	120,349	101,511
Primary deposits	351,132	354,713	322,656
Amounts owed to banks	25,623	23,716	12,777
Shareholders' equity	29,114	23,282	20,383
Share capital	15,200	15,200	15,200

Profit and Loss Account Highlights

MCZK	2002	2001	2000
Net interest income	14,183	13,291	10,823
Net fee and commission income	6,707	6,106	4,926
Operating income	24,145	22,411	18,097
Operating expenses	–14,708	–14,908	–13,413
Operating profit	9,437	7,504	4,684
Net balance of the charge for reserves and provisions	–88	–3,373	–3,108
Net profit after tax	6,456	3,034	4,860

Key Financial Ratios

	2002	2001	2000
Expenses/income	60.9%	66.5%	74.1%
Non-interest income/operating income	41.3%	40.7%	40.2%
Classified loans/loans	14.4%	19.7%	38.6%
Dividend (in CZK per share)	20	3	2*
Capital adequacy	12.9%	15.1%	12.9%
ROAA**	1.4%	0.6%	1.2%
ROAE**	29.8%	16.5%	28.0%
Assets per employee (TCZK)**	40,072	39,299	31,139
Administrative expenses per employee (TCZK)**	1,050	1,077	852
Net profit per employee (TCZK)	567	234	335
Net profit after tax per share (CZK)	42	20	32

* Priority shares **According to the CNB methodology

Key Operating Figures

Number	2002	2001	2000
Staff (physical headcount)	11,518	11,958	14,133
Organisational units	673	684	707
Clients	4,539,886	4,037,721	n/a
Sporogiro accounts	2,727,306	2,725,133	2,665,913
Active bank cards	2,363,651	2,210,867	1,970,950
Electronic banking users	463,465*	457,071	264,300
Points-of-sale – the partners accepting the Bank's cards	17,591	14,093	12,959
ATMs	1,011	954	890

* Active clients

Board of Directors

John James Stack

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

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

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

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

Dušan Baran

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

Mr Baran is a graduate of the Mathematics and Physics Faculty of Charles University in Prague; an International Executive MBA program at Katz Graduate School of Business, the University of Pittsburgh together with the CMC Graduate School of Business in Čelákovice and a banking course at the Graduate School of Banking, University of Colorado, Colorado, US. During 1991–1993 he worked for Agrobanka, a. s. in the treasury function. He joined Česká spořitelna in November 1993, where he held various positions including head of the Credit Risk Management Department, head of the Assets and Liabilities Management Department, Director of the Treasury Division, and Director of the Risk Management Division. He was appointed a member of the Board of Directors and Deputy CEO of Česká spořitelna in May 1998 and was promoted to Chairman of the Board of Directors and CEO in March 1999. On 4 July 2000 he was elected Vice Chairman of the Board of Directors of Česká spořitelna and appointed the First Deputy CEO. He is also the Chief Financial Officer of Česká spořitelna. Mr Baran is the Chairman of the Stock Exchange Chamber of the Prague Stock Exchange and a member of the Presidium of the Czech Banking Association. He is also a member of the Board of Trustees of the CMC Graduate School of Business, o.p.s., Čelákovice; a member of the Steering Committee of the Institute of Management Board Members and an individual member of the Industry and Transport Association of the Czech Republic. He holds the position of President of the Europe Regional Group of the World Savings Bank Institute (WSBI) in Brussels; he is a full member of the General Council of the European Savings Bank Group (ESBG) in Brussels; a full member of the WSBI-ESBG Coordination Committee in Brussels, and a permanent representative at the International Finance Institute in Washington.

Daniel Heler

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

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

Mr Heler is additionally a member of the bodies of the following companies: Nadace České spořitelny, and Corporate development České spořitelny, a. s.

Petr Hlaváček

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

Mr Petr Hlaváček graduated from the Prague School of Economics and the University of Toronto. He has been active in the banking sector since 1984. After nine years of work for the Canadian Imperial Bank of Commerce, he joined the Czech National Bank as an advisor to a member of the Banking Board in 1993. In 1994 he joined Česká spořitelna where he held the post of Director of the Capital Investment Division. In June 1999 he was appointed as the member of the Board of Directors of Česká spořitelna responsible for the preparation of privatisation and investment banking. In 2000 he joined the Senior

Management Team and became Director of the Transformation Program 'Naše spořitelna.' In his capacity as a Board member, he is responsible for project management and the integration of Česká spořitelna in the activities of the Erste Bank Group.

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

Karel Jan Jeníček

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

After studying electrical engineering at the Swiss Federal Institute of Technology Zurich, Karel Jan Jeníček started to work on the development and implementation of financial and banking systems in 1970. He worked for multinational companies in several European countries and in the US. He enhanced his education by studying business and finance at the University of Karlsruhe, Germany and commercial law at the University of Zurich, Switzerland. Since 1983 he has worked for global financial institutions in leading positions, concentrating on Information Technology, Organisation, Project Management, Trade Finance and the formation of national subsidiaries in Europe, the Middle East and Central America. In his previous assignment he worked for the Creditanstalt Group Vienna, Austria; from 1997 he was the Chairman of the Board of Directors of Creditanstalt d.d. Ljubljana, Slovenia. Following the merger with Bank Austria, he was a member of the Board of Directors of BACA d.d. Ljubljana. In his capacity as Deputy CEO and the member of Česká spořitelna's Board of Directors, Karel Jan Jeníček is responsible for operations divisions covering Payment Systems, Information Technology, Organisation, Property Management and Security.

Mr Jeníček is additionally a member of the bodies of the following companies: Informatika České spořitelny, a. s., Servis 1–České spořitelny, a. s., Consulting České spořitelny, a. s., Servis 2–ČS, a. s., Spardat GmbH, SporDat, spol. s r.o., MPA–Mobile payment association, Board of Trustees of Charles University, the Institute of Management Board Members and Money Club ČS.

Gernot Mittendorfer

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

Mr Mittendorfer is an Austrian citizen. He studied law at the University of Linz and is a graduate of Webster University in Vienna (Master of Business Administration, specialisation in finance). He joined Erste Österreichische Spar-Casse Bank AG in 1990 and worked, among others, as an account manager for corporate clients and in retail banking. In 1997, he was appointed to the Board of Directors of Sparkasse Mühlviertel West Bank AG where he was responsible for lending, accounting and controlling, subsidiaries, banking and lease activities in the Czech Republic. In addition, he held other management and supervisory board positions in Austria and the Czech Republic. In 1999 he was appointed as a member of the Board of Directors of Erste Bank Sparkassen (CR), a. s., where he was responsible for retail banking. Since 1 July 2000 he has been the member of the Board of Directors of Česká spořitelna, a. s., responsible for corporate banking (including municipalities and real estate and mortgage funding).

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

Martin Škopek

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

A graduate of the Prague University of Economics, during 1993–1995 Mr Škopek studied at The Jack T. Conn Graduate School of Community Banking, Oklahoma City University. From 1990–1999 he worked in various positions for Komerční banka, most recently as the Commercial Director of the Retail and Business Retail Banking Division. In October 1999 he became a member of the Board of Directors and a Deputy CEO of Česká spořitelna. He is responsible for retail banking. He is the Chairman of the Supervisory Board of Stavební spořitelna ČS, a. s. and a member of the Management Board of Nadace České spořitelny. He is also a member of the Regional Board of Directors of VISA International for Central and Eastern Europe, the Middle East and Africa and a member of the Academic Board of Vysoká škola finanční a správní.

Česká spořitelna – a tradition
and a commitment.

The Supervisory Board

Andreas Treichl

Born on 16 June 1952

Chairman of the Supervisory Board

Mr Andreas Treichl studied economic sciences at Vienna University in 1971–1975. After completing a training program in New York, he began his career at Chase Manhattan Bank in 1977, which sent him to Brussels (1979–1981) and Athens (1981–1983). In 1983 he began to work at Die Erste for the first time. In 1986 he accepted a General Manager position with Chase Manhattan Bank Vienna, which was purchased by Credit Lyonnais in 1993. In 1994 Mr Treichl was appointed to the Management Board of Die Erste. In July 1997, he was appointed as CEO. In August 1997 the shareholders approved the merger with GiroCredit, in which Die Erste had obtained a majority stake in March 1997. The formal completion of the merger took place on 4 October 1999, when it was recorded in the Register of Companies with retroactive effectiveness as of 1 January 1997. The process of integrating the business activities and operations of both banks was immediately commenced, the successful effects of which are already visible in all main areas. In addition to being Chairman and CEO of Erste Bank, Andreas Treichl is responsible, among other areas, for private and business clientele, the branch network, savings bank policy and group communications. Mr Treichl is Chairman of the Supervisory Board of the most progressive Austrian life insurer, S-Versicherung and S-Bausparkasse. He became a member of the Supervisory Board of Česká spořitelna at the Extraordinary General Meeting on 27 June 2000 and he was elected its Chairman on 30 August 2000.

Mr Treichl is additionally a member of the bodies of the following companies: Versicherungs-AG, Erste Bank Hungary Rt, Kaertner Sparkasse AG, Oesterreichische Kontrollbank AG, Slovenská sporitelna, a.s., Sparkasse Bregenz Bank AG, Sparkassebeteiligungs und Service AG fuer Oberoesterreich und Salzburg, Staiermaerkische Bank und Sparkassen AG, Tiroler Sparkasse Bankaktiengesellschaft Innsbruck, MAK – Oesterreichisches Museum fuer Angewandte Kunst, Die Erste oesterreischische Spar-Casse Anteilsverwaltungssparkasse, and S Haftungs- und Kundenabsicherungs GmbH.

Livia Klausová

Born on 10 November 1943

Vice Chairwoman of the Supervisory Board

Mrs Livia Klausová graduated from the Faculty of Trade of the Prague School of Economics, where she specialised in foreign trade. She also attended UISC in Luxembourg and the European Institute at the University of Amsterdam. From 1966 to 1967, she worked at the Centrotex Foreign Trade Organisation, and from 1967–1993, she was with the Institute of Economics of the Czechoslovak Academy of Science. From 1994 through 31 January 2000, Mrs Klausová acted as executive Secretary of the Czech Economic Society. She was a member of the Supervisory Board of CEZ, a. s. in the period from 1994 to 1998 and has been a member of the Supervisory Board of ZVV, a.s. in Milevsko since 1995. She has been a member of Česká spořitelna's Supervisory Board since 1992 and became Vice Chairwoman of the Supervisory Board on 23 February 2000.

Christian Coreth

Born on 31 March 1946

Member of the Supervisory Board

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

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

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

Mr Coreth is additionally a member of the bodies of the following companies: Rijecka Banka, d.d.

Maximilian Hardegg

Born on 26 February 1966

Member of the Supervisory Board

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

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

Miloslav Hejnák

Born on 5 February 1957

Member of the Supervisory Board

A graduate of the Prague University of Economics, Mr Miloslav Hejnák worked as a chief researcher at the former Institute of Economics of the Czechoslovak Academy of Sciences in 1980–1993. In the period 1993–1998, he was an independent financial and business consultant. From 1998 through 2001, he was Deputy Finance Minister. Mr Hejnák had been elected to the Supervisory Board of Česká spořitelna in 1999 and served on the board until 13 March 2000 when he resigned. He was re-elected to the position at the Annual General Meeting of Česká spořitelna held on 17 May 2000.

Mr Hejnák is additionally a member of the bodies of the following companies: Česká inkasní, s.r.o., Hotelinvest, a. s. v konkursu, TECHNOEXPORT, a. s., and Capricure, spol. s r.o.

Josef Komárek

Born on 20 March 1940

Member of the Supervisory Board

A graduate of the secondary school of industry (1954–1958) and the Faculty of Law of Charles University (1985–1991), Mr Josef Komárek worked at MEZ Mohelnice in 1958–1962 and at Agrostroj Roudnice nad Labem as a planner, metallurgist, manager of the casting facility and Deputy Director in the period from 1962 through 1988. From 1988 through 1991, he worked at the Litomerice District Office as head of the controlling department and attorney to the District Office Director. Since 1991, he has been with Česká spořitelna, working as an in-house lawyer of the Roudnice nad Labem district branch. Since May 1998, he has been Chairman of the Organisation-wide Committee of the CS Labour Union and since 2000 a member of the Supervisory Board.

Reinhard Ortner

Born on 6 January 1949

Member of the Supervisory Board

Mr Reinhard Ortner completed studies of social and economic sciences at Vienna University in 1971, where he specialised in monetary theory and policy. In 1971, he joined Erste oesterreichische Spar-Casse, where he has held various positions in the accounting and controlling functions since 1973. In 1977–1984, he was Director of the Accounting, Administration and Finance function. He has been a member of the Board of Directors of Erste Bank der oesterreichischen Sparkassen AG since 1984. He was elected as a member of the Supervisory Board of Česká spořitelna at the Extraordinary General Meeting that was held on 27 June 2000.

Mr Ortner is additionally a member of the bodies of the following companies: Erste Bank der oesterreichischen Sparkasen AG, Erste Bank Hungary, Erste Steiermaerkische Bank d.d. Zagreb, Slovenská sporiteľňa, a. s., Rijecka Banka, d.d., Generali Holding AG, Oesterreischische Kontrollbank AG, and VPK Vereinigte Pensionskasse AG.

Marek Pospěch

Born on 1 October 1967

Member of the Supervisory Board

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

Libuše Růžičková

Born on 18 February 1949

Member of the Supervisory Board

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

Mrs Růžičková is additionally a member of the bodies of the following companies: Nadace Srdce.

Bernhard Spalt

Born on 25 June 1968

Member of the Supervisory Board

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

During his studies in 1991, he joined DIE ERSTE oesterreichische Spar-Casse Bank AG, where he started to work in the Legal Department. From September 1994 to June 1997, he performed various positions in the Work Out Department. In June 1997, he started to work in the Secretariat of the Management and Supervisory Boards and in June 1998 he was appointed as Head of this function. In September 1999, he was seconded to Erste Bank Sparkassen (CR), a. s. where he led the Work Out Department. Following the sale of Erste Bank Sparkassen (CR), a. s. to Česká spořitelna, a. s., Mr Spalt took over the responsibility of the Work Out Department in Česká spořitelna, a. s. In June 2002, he returned to Erste Bank, Vienna where he presently leads the Group Risk Management Department.

Mr Spalt was coopted to the Supervisory Board of Česká spořitelna, a. s. on 21 August 2002.

Jitka Šrotýřová

Born on 18 November 1948

Member of the Supervisory Board

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

Manfred Wimmer

Born on 31 January 1956

Member of the Supervisory Board

Mr Wimmer graduated from the Law Faculty of the University of Innsbruck where he was awarded the Doctor of Law degree. From 1978 to 1982, he worked as an academic assistant in private law. From 1982 to 1998, he worked in the International Division of Creditanstalt in Vienna where he held positions in international project financing, financial institutions and marketing. In 1998, he joined the International Division of Erste Bank der oesterreichischen Sparkassen AG, where he has been in charge of the Česká spořitelna acquisition team since September 1999. He has been a member of the Supervisory Board of Česká spořitelna since 27 June 2000.

Mr Wimmer is additionally a member of the bodies of the following companies: Slovenská sporiteľňa, a. s., Rijecka Banka, d.d., and CEE Property – Investment Immobilien AG.

At the General Meeting of Česká spořitelna held on 14 May 2003, Mrs Zlata Gröningerová and Mr André P Horovitz were elected as new members of the Supervisory Board, replacing Mrs Livia Klausová and Mrs Miloslav Hejnák who resigned from their positions on the Supervisory Board as of the date of the General Meeting.

Zlata Gröningerová

Born on 4 July 1957

Member of the Supervisory Board

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

André P Horovitz

Born on 2 November 1957

Member of the Supervisory Board

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

In the period from 1990 to 1995, he was employed with Oliver, Wyman & Company as a project manager for the Executive Director with responsibility for consultancy activities in risks and capital markets. In 1995, he joined Commerzbank AG in Frankfurt where he led the Risk Management Department within the Capital Markets and Investment Banking Division. From 1998 to 2002, he worked for HVB Group in Munich as an Executive Vice President and Risk Management Director and subsequently as an Executive Director responsible for risk management at the group level. Since 2003, Mr Horovitz has been a member of the Board of Directors of Erste Bank, responsible for risk management and controlling.

The growing demands of clients are a driving force for us to improve service quality.

The Macroeconomic Framework for Česká spořitelna's Business

Inflation falls

The Czech economy witnessed strong negative inflation during the year ended 31 December 2002 with price increases dramatically slowing down year-on-year. The significantly reduced growth of consumer and production prices abroad and the strengthening crown pushed inflation down to historically low levels in the Czech Republic. Year-on-year inflation declined from its level of 4.1 percent at the end of 2001 to 0.6 percent in December 2002. **The average inflation rate dropped from 4.7 percent at the end of 2001 to 1.8 percent in 2002.** In December 2002, the Czech National Bank failed to meet the lower limit of its inflation targets, set within a range of 2.77 percent to 4.77 percent, by more than 0.9 percent.

Interest rates at a record low level

The developments in inflation were also reflected in the interest rate policy of the central bank. The Czech economy began the year 2002 with the basic two-week repo rate standing at 4.75 percent. **During 2002, the central bank undertook five steps to decrease the basic rate by a total of two percentage points** and by the start of 2003, **the basic rate stood at 2.75 percent,** ie, the same as that of the European Central Bank. At the end of January 2003, the central bank further decreased the rate to 2.50 percent. A notable fall in the basic interest rate pushed the proceeds from all fixed-income instruments down to historically low levels and the proceeds from Czech money market and bond market products were below the level of proceeds generated in Eurozone countries over an extended period of time.

CZK/EUR developments

The first half of July 2002 **saw the continuation of the rapid strengthening of the Czech crown against the euro** which had begun during 2001. The Czech crown strengthened in the first half of 2002 despite the agreement between the Czech National Bank and the Czech Government to 'freeze' privatisation proceeds. The expected inflow of privatisation proceeds was only one of the factors that considerably contributed to the strengthening of the crown. The appreciation of the crown also reflected so called 'convergence optimism'.

Whilst the Czech National Bank repeatedly intervened and reduced interest rates, it failed to reverse this trend before mid-year. The Czech National Bank revised its tactics at the end of June 2002 when **the crown reached its historically low level against the euro of CZK 28.80,** thereby appreciating by 9 percent from the initial level of 31.70 at the start of 2002. The central bank decreased interest rates to below the Eurozone level. As a result of this measure, it eliminated costs associated with the interventions and began to significantly interfere with market developments. The efforts to stabilise the exchange rate, coupled with the gradually weakening expectations regarding the inflow of additional investments and the deteriorating outlook of the external balance (prior to the revision of the trade balance) ultimately caused the crown to weaken in the latter half of 2002. **The crown ended trading in 2002 at 31.50 against the euro,** ie, it was one percent stronger than at the start of the year. Nevertheless, the crown continued appreciating against the US dollar which began to robustly depreciate against the euro at the end of 2002. On a year-on-year basis, the crown appreciated against the US dollar by almost 15 percent from 35.10 to 30.00.

Growth slows down but still exceeds EU levels

The growth of the Czech economy slowed in 2002. While GDP grew by 3.3 percent in 2001, the economy grew by 2 percent in 2002. The lower growth was attributable to the stronger-than-expected impact of the floods, and decreased demand in the countries of key business partners, specifically Germany. While the Czech economy is growing faster relative to the average growth in EU countries and the process of harmonising the economic level between the Czech Republic and developed countries is therefore continuing, it appears that the Czech economy is beginning to fall behind other countries from the Central European region. **Household consumption** remains the principal factor driving economic growth in the Czech Republic. By way of contrast, investment activities are **slightly slowing down.** Net exports continue to hold back GDP growth.

Revision changed the perspective on the trade balance development

The most significant development in the cross-border trade transactions of the Czech Republic in 2002 was not the resulting trade balance deficit but the considerable revision made to it at the end of 2002. By no later than mid-year, monthly deficits on the trade balance began to indicate an increase in the external imbalance which was logically attributable to the appreciating crown and weakening foreign demand. As late as November 2002, statistical data suggested that the annual deficit would exceed CZK 100 billion. However, in December 2002, the Czech Statistical Office announced that it would revise a series of foreign trade deficits for the year ended 31 December 2002 significantly downwards. According to the original data, the deficit for the eleven months ended 31 November 2002 would have amounted to CZK 94 billion. Following the revision, the deficit amounted to only CZK 55 billion. Taking into account the December deficit of CZK 18.76 billion, the annual deficit amounted almost to CZK 74 billion, which is the lowest balance since 1999. This revision supported the Czech crown at the beginning of 2003 and substantially altered perceptions as to the ability of the Czech economy to deal with weak foreign demand.

Unemployment rate nearing 10 percent

The unemployment rate in the Czech Republic continued to grow in 2002. By the end of 2002, unemployment reached 9.8 percent, an increase of 0.9 percent over the level in December 2001. Unemployment was, to a certain degree, impacted by the continuing restructuring of Czech companies and rationalisation of production, specifically in businesses privatised by international private owners. However, the unemployment rate is also likely to have been driven by regulatory factors, such as insufficiently flexible legislation or a fairly favourable system of social benefits. In the long-term, these factors may lead to an increase in the unemployment rate or facilitate an outflow of a portion of the workforce beyond the official labour market.

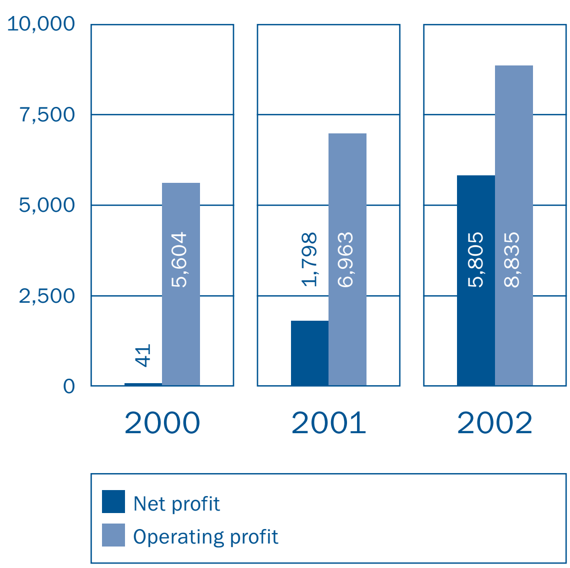
Performance Report

Consolidated results of operations (International Financial Reporting Standards)

Profit and Loss Account

For the year ended 31 December 2002, Česká spořitelna generated a net consolidated profit of CZK 5,805 million under International Financial Reporting Standards. This result represents an increase of 223 percent in comparison with the 31 December 2001 net profit of CZK 1,798 million. **The level of net profit had a positive impact on return on equity (ROE), which reached 21.4** percent and on return on assets (ROA), which reached 1.1 percent. For the year ended 31 December 2001, ROE and ROA were 7.6 percent and 0.4 percent, respectively. Profit before taxes and minority interests (gross profit) increased to CZK 8,909 million, that is, by 208 percent year-on-year. The reported results show that the year ended 31 December 2002 was the most successful year in Česká spořitelna's modern history. **The growth was driven by a stable increase in operating income, successful cost reduction efforts and decreasing requirements for reserves and provisioning,** which reflected improvement in the quality of the loan portfolio.

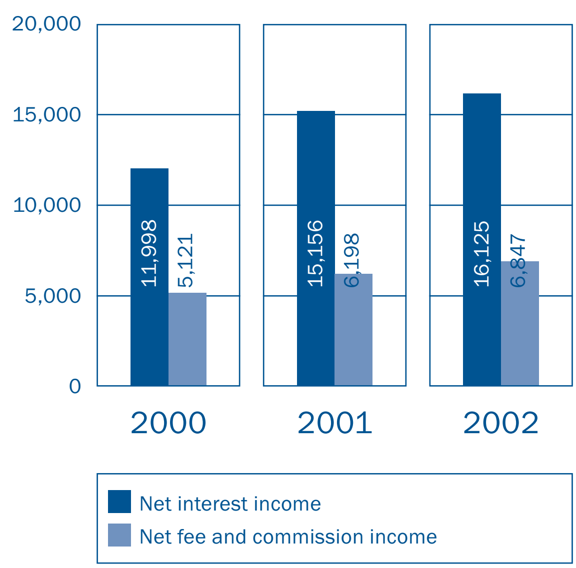
Net and operating profit
(MCZK)



Česká spořitelna generated operating profits of CZK 8,835 million, which represents a year-on-year increase of 27 percent from CZK 6,963 million, due to an increase in operating income and a decline in operating expenses. Operating income, comprising net interest income, net fee and commission income and net profit on financial operations, amounted to CZK 23,610 million, a year-on-year increase of 6 percent. Non-interest income accounted for 32 percent of operating income. Operating expenses, comprising staff costs, administrative expenses and depreciation/amortisation, decreased year-on-year by 3 percent to CZK 14,775 million. **The cost/income ratio markedly improved by 6 percentage points to 62.6 percent.**

Despite the falling level of interest rates, **net interest income increased year-on-year by 6 percent to CZK 16,125 million.** Low interest rates in the Czech economy were **primarily offset by an increase in the volume of retail lending and income from debt securities.** The decrease in interest expenses was predominantly driven by issued debt securities, specifically the repayment of CZK 5 billion issue of Česká spořitelna's own bonds in February 2002 and the transfer of a portion of client deposits to transaction accounts, which resulted from the legally required conversion of anonymous deposit accounts. When compared to the year ended 31 December 2001, Česká spořitelna retained a net profit margin of 3.1 percent. Of the Group companies, the predominant portion of net interest income was generated by the parent Česká spořitelna (CZK 14,812 million), Stavební spořitelna České spořitelny (CZK 668 million), Penzijní fond České

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

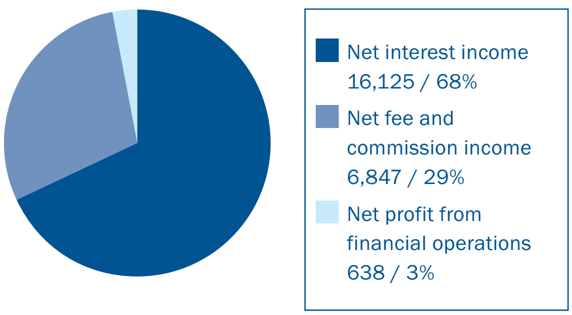


spořitelny (CZK 327 million) and Leasing České spořitelny (CZK 320 million). Figures precented in respect of individual companies included in the Group do not reflect the impact of eliminating intra-group balances and transaction.

Net fee and commission income, the key component of non-interest income, increased year-on-year by 10 percent to CZK 6,847 million. This increase was principally due to the year-on-year rise in the number of clients by 13 percent, and the increased number and volume of payment transactions – a year-on-year increase of 11 percent in the number of transactions and a year-on-year increase of 37 percent in the volume of transactions made through payment cards. The amount of fee income was positively impacted by growing lending activities (income increase of 7 percent). The bulk of total net fee and commission income within the Group was generated by the parent bank (CZK 6,707 million), Stavební spořitelna České spořitelny (CZK 273 million) and Investiční společnost České spořitelny (CZK 93 million).

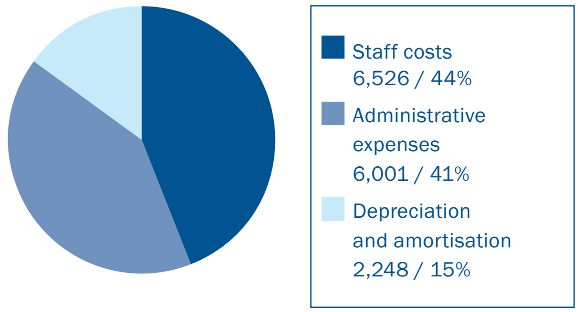
The decline in net profit on financial operations of 23 percent to CZK 638 million is predominantly attributable to the year-on-year decrease in the profit from derivative transactions. This decrease was offset, however, by the profit arising from the revaluation of the available-for-sale portfolio reported within other operating income. By way of contrast, income from securities held for trading and income from foreign currency transactions slightly increased.

Structure of Operating Income in 2002
(MCZK)



General administrative expenses amounted to CZK 14,775 million, which constitutes a year-on-year decrease of CZK 449 million (3 percent) specifically with respect to purchased consumables. Staff costs declined by 1 percent to CZK 6,526 million due to the reduction in the average headcount. Other administrative expenses (purchased consumables) decreased by 6 percent to CZK 6,001 million. One of the factors driving the decrease was the reduction of advisory and legal services costs and the decrease in data processing expenses, which – despite a drop over the level reported in 2001 – accounted for the largest proportion of purchased consumables (CZK 1,664 million). Office space and business transactions costs amounted to CZK 1,289 million and CZK 1,138 million, respectively. Depreciation and amortisation charges fell by 1 percent to CZK 2,248 million. The largest portion of general administrative expenses were incurred by Česká spořitelna, Pojišťovna České spořitelny and Stavební spořitelna České spořitelny and amounted to CZK 13,283 million, CZK 567 million and CZK 546 million, respectively.

Structure of operating expenses in 2002
(MCZK)



The net balance of provisions for losses on loans and advances was CZK (331) million as of 31 December 2002 compared to the balance of CZK (2,731) million as of 31 December 2001. **The considerable decrease in the balance reflects lower requirements for provisioning and reserves** for loans and guarantees as a result of the Bank's active approach to risk management, the completed restructuring of the loan portfolio and **the greater level of used and released reserves.** This represents the mandatory release of a portion of reserves for standard loans or extraordinary non-recurring impacts, such as successful recovery of loans. The charges for provisions of CZK (203) million and CZK (68) million were predominantly made by Česká spořitelna and Leasing České spořitelny, respectively.

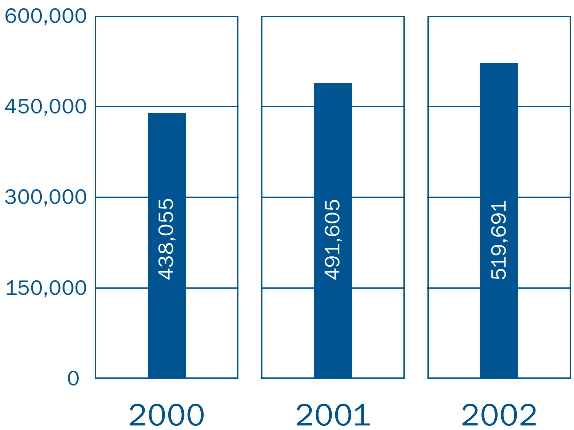
The year-on-year improvement of other operating income/(expenses) from CZK (1,336) million to CZK 405 million was driven by: the decrease of CZK 373 million in the fee paid to the Deposit Insurance Fund to CZK (286) million following the reduction of the rate of the fee; release of unutilised restructuring reserves and a need to recognise new restructuring reserves with a net positive effect of CZK 572 million; non-recurring income of CZK 385 million arising from statute-barred deposits that have been idle for 23 years or more; and, an increase of gains resulting from the revaluation of securities carried within the available-for-sale portfolio by CZK 284 million to CZK 608 million. Of the Group companies, Pojišťovna České spořitelny, Penzijní fond České spořitelny and the parent bank reported other operating income/(expenses) of CZK 494 million, CZK 249 million and CZK 139 million, respectively.

The Group's tax liability for the year ended 31 December 2002 was CZK 2,917 million. This amount reflected the current year tax charge of CZK 954 million and the aggregate impact of changes in deferred taxes of CZK 1,963 million.

Balance Sheet

Total consolidated assets of Česká spořitelna amounted to CZK 519.7 billion as of 31 December 2002 and increased year-on-year by 6 percent. This increase reflects the growth of client deposits and equity on the liabilities side of the balance sheet and the volume of available-for-sale securities portfolio and loans and advances to financial institutions on the assets side. Total assets of the parent bank, Česká spořitelna, and Stavební spořitelna České spořitelny amounted to CZK 451.3 billion and CZK 47.5 billion, respectively.

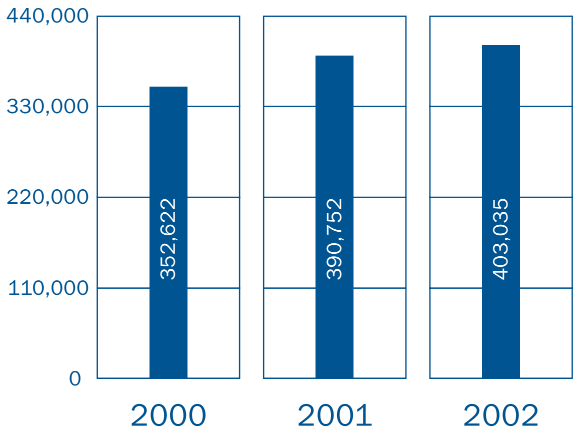
Development of total assets
(MCZK)



Liabilities

Client (primary) deposits have traditionally formed the key resource of Česká spořitelna's funding with respect to lending transactions. As of 31 December 2002, the proportion of primary deposits to total liabilities reached 78 percent. **The consolidated volume of primary deposits placed with the Group as of 31 December 2002 was CZK 403.0 billion,** which represents a year-on-year increase of 3 percent. Deposits made by retail and corporate clients amounted to CZK 319.6 billion and CZK 83.4 billion, respectively. **The balance of client deposits grew year-on-year by CZK 12.3 billion which represents a very positive result in view of the mandatory conversion of deposits from anonymous savings accounts,** as required by the amended Banking Act in 2002. During the year ended 31 December 2002, CZK 99.8 billion out of 2.5 million anonymous savings deposits were converted. The conversion activities were extraordinarily demanding for Česká spořitelna in both financial and process terms even though the majority of converted funding remained directly within the Bank and CS Group. Deposits in registered savings books amounting to CZK 119.9 billion have remained the most significant individual deposit product in the Czech Republic. Funding of CZK 123 billion was maintained in clients' transaction accounts (giro, current and foreign currency accounts) – an increase of CZK 23.4 billion. Construction savings accounts increased by CZK 16 billion to CZK 45.3 billion. The balance of funds placed by clients in pension insurance accounts was CZK 7.2 billion, an increase of CZK 2.1 billion. Client savings denominated in foreign currencies declined year-on-year by CZK 3.6 billion to CZK 14.7 billion. This falling off vis a vis 2001 was expected since volumes in that year were distorted by the conversion of EMU currencies to the euro. Volumes have also been negatively affected by appreciation of the Czech crown against the dollar and the euro.

Development of Client Deposits
(MCZK)

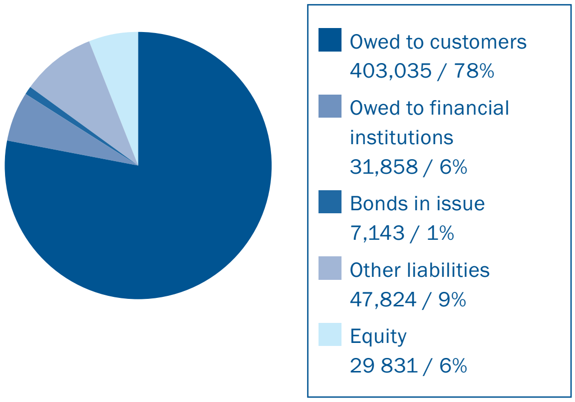


When compared to the year ended 31 December 2001, the balance of bonds in issue of CZK (7.1) billion was impacted by the repayment of bonds with a nominal value of CZK 5 billion issued in 1997. By way of contrast, the Bank issued mortgage bonds of CZK 3 billion in two tranches in November 2002.

The balance of amounts owed to financial institutions, comprising loans, term placements and current account balances, rose year-on-year by CZK 0.7 billion and stood at CZK 31.9 billion as of 31 December 2002.

The balance of shareholders' equity, comprising share capital, share premium, statutory reserve fund, treasury shares, general reserves, retained earnings and profit for the period **was CZK 29.8 billion** as of 31 December 2002, with the year-on-year increase of CZK 5.4 billion attributable to the profit for the year ended 31 December 2002. Dividends for the year ended 31 December 2001, paid in 2002, amounted to CZK 0.5 billion. Shareholders' equity accounted for 6 percent of total assets.

Structure of Liabilities
(MCZK)

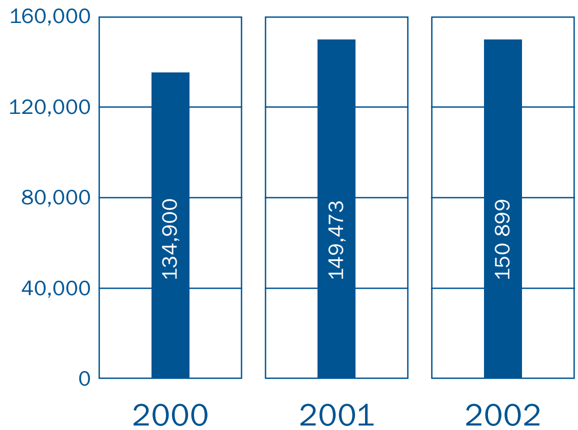


Assets

The **gross balance of the portfolio of retail loans,** including mortgage loans, **increased year-on-year by 26 percent** and **reached CZK 54.9 billion. The balance of retail mortgage** loans increased year-on-year by **71 percent to CZK 14.6 billion,** principally due to the advantageous TOP Housing ('TOP Bydlení') program. Other types of loans also experienced notable growth. Loans advanced under the construction savings plan and bridge loans issued by Stavební spořitelna České spořitelny increased year-on-year by 41 percent to CZK 7.2 billion. Cash and consumer loans rose by 33 percent to CZK 17.4 billion and overdraft loans in giro accounts grew by 30 percent to CZK 5 billion. By contrast, the balance of 'social loans' continued to decline by 15 percent to CZK 8.5 billion. **The robust increase in retail lending is not only attributable to advantageous interest rates and the willingness of households to take on debt but also the Bank's improved quality of services and attractive loan offerings.**

On a gross basis, corporate loans, net of amounts due from the Czech Consolidation Agency ('CKA'), **amounted to CZK 94.7 billion,** of which CZK 15.1 billion represents loans denominated in foreign currencies. Mortgage corporate lending also considerably increased by 45 percent to CZK 6.3 billion. Under the TOP Enterprise program ('TOP Podnik') targeted at medium-sized enterprises, Česká spořitelna approved loans totalling CZK 1.9 billion in 2002. As of 30 June 2002, under the Ring-fence Agreement, the Bank exercised the full put option and transferred assets of CZK 6.6 billion (of which loans accounted for CZK 5.6 billion) to the CKA. By taking this step, the Bank completed the restructuring of its loan portfolio. **The quality of the loan portfolio substantially improved** by 5.3 percent due to the Bank's active approach to credit risk management and the finalisation of the loan portfolio restructuring. The proportion of classified client loans to total client loans is 14.4 percent as of 31 December 2002 as compared to 19.7 percent as of 31 December 2001. The ratio reflects loans and advances to customers together with amounts due from the CKA determined under the Czech National Bank methodology. The aggregate balance of these amounts was CZK 176.5 billion, of which classified exposures represented CZK 25.4 billion.

Loans and Advances to Customers (net of the CKA balances)
(MCZK)

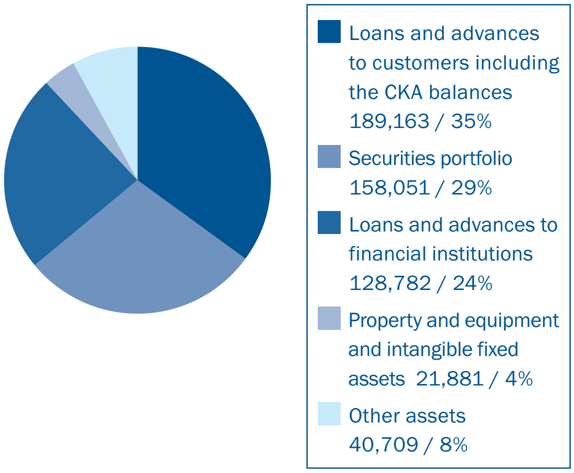


Loans and advances to financial institutions grew, year-on-year, by 7 percent to CZK 128.8 billion. Of this balance, loans advanced to financial institutions and placements with financial institutions amounted to CZK 105.1 billion and CZK 22.7 billion, respectively.

The aggregate balance of the securities portfolio was almost CZK 158.1 billion as of 31 December 2002, which represents an increase of 10 percent (or CZK 13.9 billion) compared to the balance as of 31 December 2001. Debt securities account for 89 percent of the securities portfolio. **In investing in securities, the Bank focuses on acquiring debt securities issued by the Czech Finance Ministry, companies with an implicit state guarantee and Czech and international banks with the minimum rating of A.** In managing its investment portfolio, the Bank applies the prudence principle, which involves minimising credit risk attached to the issuers of securities. The Bank has allocated securities into three categories: securities held for trading (trading book), securities available for sale (banking book), and securities held to maturity (banking book) . The principal difference among the portfolios relates to the purpose and approach to the measurement of securities and the recognition of their fair values.

As of 31 December 2002, the balance of property and equipment, and intangible fixed assets was CZK 21.9 billion, of which land and structures accounted for 60 percent. This represents a year-on-year gain of 10 percent due to the increase in the balances of software and hardware in connection with information technology investments. The aggregate proportion of property and equipment and intangible fixed assets to total assets is 4 percent.

Structure of Assets
(MCZK)



Business Activities and Operations

In the year ended 31 December 2002, Česká spořitelna prepared a major and fundamental change in customer care. Following two years of preparatory work and pilot projects, the Bank put a new client service concept in place in June 2002. Česká spořitelna was the first bank in the Czech Republic to offer all its clients a personal advisor. **This concept has been designed to facilitate an understanding of every client' s individual financial needs and to use this insight as a basis for offering appropriate services and products** from both the standard and expanded selections of products offered by the Group, and **providing clients with comprehensive services covering all aspects of their financial lives from one central point.**

The client service system was revised within a wider context, including the implementation of new information systems and reconstruction and standardisation of branches into a more client-friendly environment. The appropriateness of the chosen path is confirmed by success not only in the excellent operating results but also by the number of independent awards given to the Bank: Bank of the Year 2002, and Manager of the Year 2002, etc.

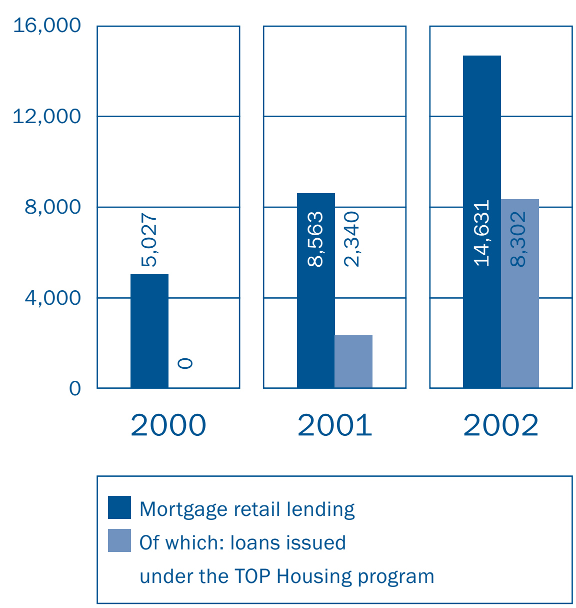
TOP Programs

Česká spořitelna's TOP programs have become a phenomenon in the Czech banking market. These programs have been included in the Bank's strategy since 2001 and are focused on supporting the development of the Czech economy and civil society. The TOP programs have filled voids in the Czech banking market. They have revitalised the Czech mortgage market as well as the small and medium-sized business segment.

The TOP Housing ('TOP Bydlení') program is designed to provide the general public with access to mortgage loans under advantageous terms and conditions. **The rates attached to the mortgage loans issued under the TOP Housing program are fixed for a period of five years and the Bank guarantees the fixed rate for all clients for loans up to a CZK 2 million for the purchase of an apartment and up to CZK 3 million for the purchase a family house.** Another benefit is the promptness with which the loan contract is negotiated – within 10 days on average. As a result of mortgage loans advanced under the TOP Housing program, mortgage loans became readily accessible to a significant portion of the population in the Czech Republic. In the year ended 31 December 2002, clients entered into more than 6 thousand mortgage loan arrangements. Since June 2001 when the program was launched, almost 10 thousand loans totalling almost CZK 10 billion have been granted.

The TOP Housing program received the 'Mortgage Loan of the Year 2002' award from a panel of experts within a competition organised by Fincentrum.

Mortgage Retail Lending and the TOP Housing Program
(MCZK)



The **TOP Capital ('TOP Kapitál')** program is designed to finance businesses through venture capital. This represents a progressive and quickly developing method of supporting small and medium sized businesses. In December 2002, the Bank (84.25 % share), joined with the Dutch venture capital funds management company K+, and formed the Czech TOP Venture Fund. The investment commitment of the fund is EUR 10.5 million. Investments of the fund will be made in Czech small and medium sized businesses that have viable business plans. Individual investments will range between EUR 750 thousand to EUR 3 million. All investments are planned to be implemented by 2011.

In 2000, the Bank launched its program of sponsorship activities entitled **'TOP Partner'**. The **objective of this program is to support the development of Czech society within the cultural, scientific, sport, social development and health sectors.** In the year ended 31 December 2002, key projects sponsored under the TOP Partner program included: The Prague Spring International Music Festival, the Prague Theatre Festival of German Language and the exhibition of modern art 'Six from the Sixties'; support of education and science through an alliance with Charles' University and the Prague School of Economics; sport (the Czech Para Olympic Team, Miss Aerobic, the Czech Athletic Association and Junior Tennis within the Czech Tennis Association); and, the sponsoring of the SANANIM Drug Prevention and Treatment Centre and Czech Catholic Charity.

In April 2001, the Bank initiated the **TOP Enterprise** ('TOP Podnik') program in order to support the development of middle sized businesses with a turnover from CZK 30 million to CZK 1.5 billion that operate in the industrial, trading, services, manufacturing and agricultural products processing segments. The program offers long-term and medium-term investment funding provided under low interest rate conditions. **Under the 'TOP Enterprise' program, the Bank issued 124 loans totalling almost CZK 2 billion in 2002.** Since the inception of the program, the Bank has provided loans in the amount of CZK 2.7 billion. More than half of the loans will fall due for repayment within a period of 7.5 years to 10 years.

Corporate Banking

Corporate funding and services to corporate clients are playing an increasingly more important role in the Bank's transactions. **Česká spořitelna managed to increase income from transactions with corporate clients** even though competition among banks for loan-worthy clients coupled with a low interest rate environment led to the stagnation of net interest margins in the banking market. The Bank was successful both commission and fee income and interest income.

Due to the improved quality of provided services and the expanded selection of Group products, the Bank grew its business with major domestic corporations and established cooperation with a number of highly regarded foreign groups. **The volume of loans provided to major Czech enterprises, foreign corporations and leasing companies amounted to almost CZK 30 billion.** Increasing interest in the Bank's services has also been reflected in the growth of payment transactions and an increase in the installation of electronic banking systems.

Česká spořitelna has traditionally been one the most important players in the syndicated loan market. In the year ended 31 December 2002, **the Bank obtained mandates to act as a manager/co-manager and agent** for significant loan syndications. Clients have included Dopravní podnik hl. města Prahy, Elektrárny Opatovice, a. s. or Oděvní podnik, a. s. As such, Česká spořitelna has become the leader in the Czech market for syndicated loans.

A very significant development in services to corporate clients related to the implementation of a new banking system that is fully compliant with modern banking requirements and facilitates the expansion of corporate products, specifically in the area of cash management.

Mortgage Loans

In the year ended 31 December 2002, the Bank continued the aggressive development of real estate and mortgage funding and strengthened its position held since the end of 2001 as the biggest mortgage bank in the Czech Republic.

In the corporate real estate funding segment, the Bank continued developing its services designed to finance hotel projects and **increased the share of developer funding for housing construction projects. These projects subsequently contributed to a further development of private mortgage loans.**

Moreover, the Bank made significant progress in funding repairs of prefabricated housing estate buildings with state subsidy and guarantees from Českomoravská záruční a rozvojová banka ('ČMZRB'). These services are specifically of interest to municipal clients. Construction of new apartment houses with state subsidy for private investors has stagnated as a result of revisions made to the Municipalities Act and outstanding issues in rent regulation.

The development of real estate financing can also be seen in a year-on-year comparison of the volume of loans issued as part of real estate and mortgage funding efforts. **As of 31 December 2002, the balance of these loans was CZK 8.2 billion, which is a year-on-year increase of 24 percent.**

The Bank also supports the real estate market through sponsorship activities, for example, through a general partnership with the Real Estate Market Development Association (a reputable pan-professional organisation) and providing support for the biggest conference on the real estate market in Central Europe, CEDEM.

At the close of 2002, the Bank **formed a new subsidiary, Realitní společnost České spořitelny, a. s.,** which will serve both retail and corporate clients. The company's objective is to support the sale of the Bank's financial products by offering associated services for the real estate market.

Services to the Public and Not-for-Profit Sector

Česká spořitelna has been a traditional partner of municipalities and also newly formed counties to which it provides **comprehensive banking and financial services on a professional level and under advantageous terms and conditions.** With almost 5,000 clients from the public sector, the Bank is at the forefront of this market segment: more than one third of the total municipalities in the Czech Republic are the Bank's long-standing clients. **Since 1991, the Bank has provided municipalities and local governments with more than CZK 30 billion in loan funding.**

The Bank is regularly successful in public tenders announced by municipalities and local governments. One of the key successes in 2002 involved concluding a syndicated loan arrangement amounting to several billions of Czech crowns to finance the purchase of trains for the Prague Metro. In July 2002, the Bank and the State Environmental Fund of the Czech Republic entered into a High-Level Agreement on Cooperation in Funding Environmental Projects. The aim of this agreement is to prepare and implement with the help of EU subsidies as many projects as possible targeted at improving and enhancing the environment of the Czech Republic.

The Bank achieved another important success in **providing mortgage loans to public service clients.** The volume of mortgage loans issued to these clients grew year-on-year by 90 percent. In addition to local governments and municipalities, Česká spořitelna's significant clients include state funds, schools, health facilities, churches and foundations.

The Bank responds to specific client requirements by offering **focused programs** which make it possible to utilise financial subsidies and grants both from funds made available by the Czech Government and the European Union. For the year ended 31 December 2002, the most successful programs included a program to renovate prefabricated housing estate buildings, a program to finance and repair municipal and regional roads, a program to issue municipal mortgage loans and the SAPARD program.

Debt Work-Out

With regard to debt workout, the Bank continued its efforts to improve the prevention and recovery of non-performing loans, both in the advisory area and direct administration and accountability for managing non-performing exposures. The objective was to create conditions for the timely application of the required restructuring processes in respect of the Bank's loans and, as and when required, also to the borrowers themselves. **This approach led to a gradual improvement in the quality of the entire lending process and the reduction of the proportion of classified loans.**

During the year ended 31 December 2002, the Bank utilised the recovery options available to it under the Public Auction Act and the Executory Rules ,which facilitate a more prompt and effective approach to recovering non-performing loans.

Development of Ring-fenced Exposures

Pursuant to a decision of its Board of Directors, the Bank exercised the full put option set out in the Ring-fencing Agreement during 2002. **The Bank transferred the whole remaining portion of its loan portfolio to the Czech Consolidation Agency ('CKA'),** the only exception being overdraft accounts and off balance sheet exposures. At the start of the year, the balance of ring-fenced assets was CZK 13.0 billion. During the first quarter of 2002, based upon appropriate analyses, the Bank decided to remove a proportion of exposures amounting to CZK 3.3 billion from the ring-fenced portfolio. The key reason for retaining these exposures in the Bank's loan portfolio was the positive repayment prospect of the relevant exposures. As of 30 June 2002, the Bank exercised the full put option and transferred loans of CZK 6.6 billion to the CKA. A number of exposures included in the ring-fenced portfolio as of 30 June 2002 could not be transferred due to legal obstacles. Loan repayments amounted to CZK 1.1 billion during the year ended 31 December 2002.

Financial Markets

Česká spořitelna continued expanding the range of products offered to corporate clients and institutional investors. The Bank experienced a notable increase in clients, specifically from the **small and medium sized businesses segment.** The increased quality and scope of provided services has been reflected in the increased interest of clients. The Bank offered the small and medium sized businesses minimum required traded volumes, thereby providing them with access to products which had been, to that date, utilised solely by big corporations.

The Bank's market share of the segment of institutional bond investors saw continued growth due to its significant activity in selling domestic and foreign bonds. The Bank considerably strengthened its market position both in the area of intra-bank transactions and the volume of transactions effected by the Bank's clients.

The Bank's position on the primary bond market strengthened in 2002. **The Bank achieved a significant success by winning a mandate to co-manage a bond program for Czech Telecom.** Moreover, the Bank was, for the first time, involved in co-managing a bonds issue intended for international financial markets. This represented an issue of bonds of the Czech Export Bank, which constitutes the largest stand-alone issue of bonds in terms of volume that has been made by a Czech issuer to date.

In the trading area, the Bank once again ranked among the most important market makers in all products traded on the foreign exchange and interest rate markets. Compared to prior years when the Bank predominantly focused on interest rate products, the year ended 31 December 2002 saw a marked increase in the market share of the foreign exchange market. **At present, the Bank is one the most active local market players** in all products. The Bank enjoys a very strong position in the interest rate market, specifically in Czech crown deposits, interest rate derivatives, bonds and treasury bills.

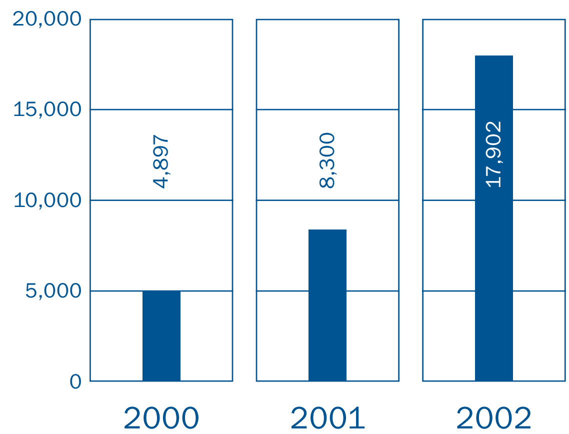
The Bank is one of the few local banks that is active in trading certain products such as complex interest rate derivatives and currency options. In terms of the structure of traded currencies, the largest share of deals is executed in Czech crowns. However, the proportion of transactions in other Central European currencies – specifically Slovak crowns, Hungarian forints, and Polish zloty – is gradually increasing. Naturally, the Bank covers all principal global currencies, that is, primarily Euros and US dollars. In the future, the Bank wishes to build a position as a leader for issues placed by Czech issuers on international markets, to retain its pre-eminent position and market share of the interbank market and cover other developing markets, to increase the distribution of financial market products through the Bank's network branch, and to be more pro-active in selling structured investment products.

Reflecting increased corporate client demand , the Bank included initial public offerings in its investment banking business service portfolio. Focus on the Czech Republic will make Česká spořitelna's services accessible to clients, and increase and strengthen its dominant position on the market.

In the collective investment area covering services to investment companies and their mutual funds, investment and pension funds, the **Bank acts as a depositary.** At the end of 2002, the Bank provided these services to 14 mutual and pension funds, which largely comprised the mutual funds of Investiční společnost České spořitelny. **The assets managed by the Bank in a depositary capacity amounted to CZK 51.3 billion,** representing a year-on-year **increase of 53 percent.**

Česká spořitelna offers a comprehensive range of asset management products both for individual and institutional investors. **Asset management activities include assets of institutional clients,** specifically pension funds and insurance companies, **assets of not-for-profit organisations, municipalities and private clientele in the aggregate amount of CZK 18 billion , which constitutes a twofold increase in the volume of managed assets compared with the end of 2001.** The increase resulted from the combination of organic growth and successful new acquisitions. The Bank proactively offers its clients asset management services as an integral component of its product offering. With close assistance from Investiční společnost České spořitelny, the Bank took further steps targeted at developing a consolidated platform for asset management within its whole Financial Group. During the year ended 31 December 2002, Austrian mutual funds, which meet the requirements of local Czech investors and are denominated in Czech crowns , were formed (ESPA Fiducia, ESPA Český fond peněžního trhu). Česká spořitelna functions as an investment advisor for these funds.

Volume of Actively Managed Assets
(MCZK)



Direct Banking – Alternative Distribution Channels

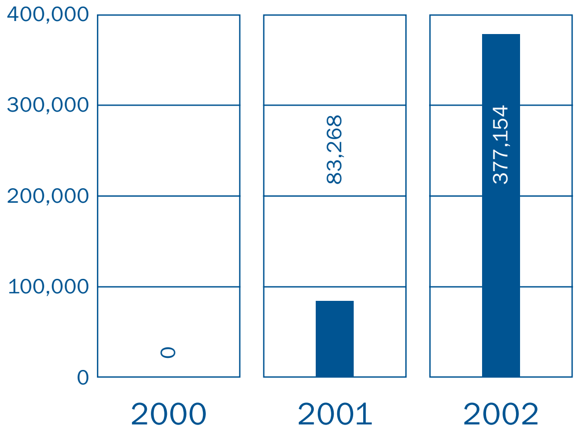
In the year ended 31 December 2002, the Bank continued development of alternative account servicing approaches ('alternative distribution channels'). The focus was on expanding both the existent services and implementing new services. **During the year ended 31 December 2002, Česká spořitelna reached the forefront of local direct banking.** The Bank achieved this privileged position due to the increasing quality and scope of provided services, which drive the dynamic increase in the number of active users and the number of implemented transactions. At the end of 2002, 463,000 clients actively used direct banking services and more than 20 percent of all transactions were carried out via direct banking.

The year ended 31 December 2002 saw a dynamic development of the services and number of users of the Bank's Client Centre. The Client Centre provides a broad range of services to the clients of the Česká spořitelna Group seven days a week, twenty-four hours a day. In addition, the Client Centre runs a free-of-charge information phone line about the Česká spořitelna Group for the general public.

During the year ended 31 December 2002, the Client Centre received 4.5 million phone calls, of which 66 percent were served through an automatic voice mail service (IVR).

The key product of Česká spořitelna's direct banking involves the Servis 24 banking service. Via this service, clients equipped with a set of identification codes can, for one fee, conduct transactions in their accounts both by phone (SERVIS 24 Telebanking) and the Internet (SERVIS 24 Internetbanking). The number of the users of this service amounted to 377,000 as of 31 December 2002 compared to 83,000 as of 31 December 2001.

Number of Active Users of Servis 24



A major change in phone banking services involved the migration of more than 100,000 users of the discontinued Sporotel service, which was put in place in 1996 and was the first phone banking service in the Czech Republic, to the new and more advanced Servis 24. At the end of 2002, SERVIS 24 Telebanking was utilised by more than 320,000 active users. This represents the largest number of users from among all local banks. **At the start of November 2002, Servis 24 was expanded to include Internetbanking.** The implementation of the newly designed Internetbanking was highly acclaimed both by clients and the expert public and more than 69,000 clients began to use it during the last two months of the year.

During the year ended 31 December 2002, the Bank migrated phone and internet banking services into a new integrated technological platform. This new platform gives the Bank flexibility to expand the range of supplied functions in response to the demands of the growing number of users. Under one client number and one signed contract, clients have the opportunity to gain access to various distribution channels.

During the year ended 31 December 2002, the GSM Banking SIM Toolkit service expanded significantly. At the beginning of 2002, Česká spořitelna was in a position to provide this service via one mobile phone operator (T-Mobile). In May and December 2002, the Bank made the service accessible to the clients of Eurotel and Oskar respectively. In so doing, **Česká spořitelna became the first major bank in the Czech Republic providing the GSM Banking SIM Toolkit through all mobile phone operators.** At the end of 2001, fewer than 8,000 clients used the GSM Banking SIM Toolkit. The number of users increased six fold during 2002 to more than 50, 000 clients.

In 2002, Česká spořitelna reported 7,500 new users of the Homebanking service, a method of servicing an account from the client's computer using a special-purpose program installed by the Bank. **As of 31 December 2002, Homebanking was used by more than 21,000 clients** who implemented more than 10 million local payment transactions exceeding, in aggregate, CZK 520 billion for the year ended 31 December 2002. **Payment transactions conducted by the clients of Homebanking in current accounts accounted for 63 percent of the total domestic payment transactions.**

The Card Program

Česká spořitelna's card program focused on selling credit cards, increasing the use of cards to make payments in stores, expanding the network of vendors equipped with payment terminals, developing new services and, last but not least, constantly increasing the overall number of issued cards.

Česká spořitelna introduced an attractive new credit card offering under the Kredit+ name, which combines an interest-free period with a low-interest period. The range of Kredit+ credit cards is complemented by Visa Gold, Visa Classic and also by Visa Electron because of its ready accessibility. Česká spořitelna's emphasis on credit cards resulted in a five-fold increase in cards issued to 28,000 during 2002.

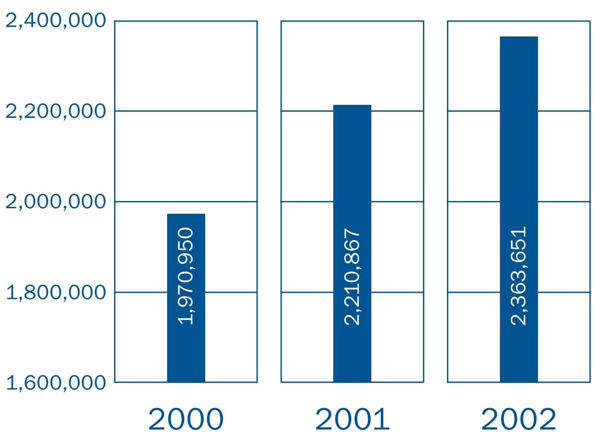
The growing number of cards used to make payments at vendors has been affected by the natural trend of expanding retail trading networks and the resultant expansion of opportunities to pay. However, the activities designed to boost motivation of clients to make card payments also had a discernable impact. **The volume of transactions in the Bank's business network increased by 37 percent to almost CZK 18 billion,** and the number of payment points operated by contractual partners of Česká spořitelna increased by 25 percent to almost 18,000. The number of payments made in this network increased by 62 percent to 13.6 million. These figures indicate that the trend involving the reduction of the average credit card payment from CZK 1,544 to CZK 1,312 is continuing.

The number of ATM withdrawals also increased. During the year ended 31 December 2002, clients made 73 million ATM withdrawals totalling CZK 183 billion. **Česká spořitelna's ATM network** was expanded by an additional 57 ATMs, bringing the **total**

number of ATMs to 1,011. In December 2002, the Bank implemented a service designed to recharge mobile phone credit via ATMs. This service is accessible to all payment cardholders.

The number of cards in circulation issued by the Bank increased year-on-year by 150,000 to 2.4 million cards. **Česká spořitelna guarantees the issuing of any debt cards within 6 days from the filing of a card application.** The Bank offers express issuance of a card within three business days. As a result of the conversion of the most widely used card, Visa Electron, from a domestic card into an international card, the proportion of cards in use substantially moved towards cards that can be used internationally. International cards represent half of all active cards. Since the second quarter of 2002 the Bank has been issuing the EC-MC Standard, as an alternative to the Visa Classic card.

Number of Active Cards



Specific Programs and Service Packages

During 2002, Česká spořitelna developed and offered product packages to specific target groups of its clients. **All required readily available products and services of the Bank that enable clients to comfortably administer and service their family finances are contained within the Comprehensive** Program. A basic selection of products and services for private clientele is included in the Advantageous Program. During the year ended 31 December 2002, the sale of the **Profit Program** package, which targets **clients from the micro and small enterprise segment,** substantially increased within the Bank's branch network. The program provides products and services for business purposes combined with an advantageous offer to the representatives of the enterprise as individuals. **Clients from selected independent professions represent the target group of the 'Profesionál Program',** containing a comprehensive offering of products and services linked to selected products of subsidiary companies and to selected partner companies.

Transaction Accounts, System of Payment

The Bank clearly retains the strongest position in the market of giro accounts for private clients. **The giro account is the most widely used current account for individuals in the Czech Republic.** At the 2002 year-end, Česká spořitelna's portfolio included more than 2.7 million accounts with a balance of CZK 73.2 billion, which represents an increase in deposits of 17 percent. More than 27 percent of giro accounts (740 thousand) have negotiated overdraft facilities. The aggregate balance of overdraft loans was CZK 5 billion as of 31 December 2002. At the end of 2002, Česká spořitelna maintained more than 370,000 current accounts denominated in Czech crowns and foreign currencies and almost 800,000 credit accounts. During the year, more than 400 million transactions were made in all types of accounts, of which 250 million transactions were implemented in giro accounts, a year-on-year increase of 5 percent.

In the area of the local payment system, the Bank continued to centralise the payment system in 2002. In addition to payment collection boxes in branches, the Bank tested the scanning of payment orders and put a central payment order collection project into pilot operation. **The key objective of this change is to decrease the volume of operations** and to create pre-conditions for further streamlining of the local payment system. The number of local payment transactions effected through the CNB Clearing Centre increased by 11 percent year-on-year. As for cross-border payments, almost 300,000 cross-border payment orders – an increase of 13 percent – were processed during the year ended 31 December 2002. The volume of transactions rose by 86 percent. The increase relates to the growth in the number of clients using the cross-border payment system. The number of SWIFT transactions grew by 9 percent.

Conversion of Anonymous Savings Accounts

Pursuant to an amendment to the Banking Act passed by the Czech Parliament in March 2002, Česká spořitelna was required to cancel deposit arrangements in the form of bearer savings books ('anonymous savings accounts') by the end of 2002. The amended Banking Act stated that client deposits in the form of bearer savings books would not bear interest after 1 January 2003. **As of 31 December 2001, the Bank maintained almost 6.6 million anonymous savings accounts with an aggregate balance of CZK 121 billion.** During a nine-month period in 2002, the Bank was to undergo one of the biggest logistics operations ever implemented in the Czech Republic.

The significance and scope of the transaction was matched with preparatory work and the level of costs involved. At selected branches, the Bank reserved special counters dedicated to converting the anonymous accounts and set up a mobile workplace. As part of the conversion procedure, the Bank also trained its staff from the Head Office, required selected branch offices to extended their business hours, and operated over weekends as required. During May 2002, the Bank ran an extensive marketing and awareness campaign, offered alternative products, and made pricing as well as interest rate improvements to a series of transactions associated with the conversion. **During the year ended 31 December 2002, an unprecedented CZK 99.8 billion from 2.5 million savings accounts was converted.** The clients re-deposited two thirds of these funds into other deposit products at the Bank. The remaining balance was allocated to the products of other members of the Group (construction savings, mutual funds). **The clients cashed in less than 9 percent of the deposits.**

The conversion process was successful. However, it did have very serious implications for Česká spořitelna in both financial (conversion costs and long-term impact on the Bank's performance) and operational (staff members allocated to assist in converting the anonymous savings accounts were not available to provide day-to-day services to the Bank's clients) terms.

Service Quality

In the year ended 31 December 2002, the Bank continued implementing a client-friendly approach to providing services. **The 'user-friendliness' aspect became key to all projects and activities within the Bank.**

The Bank continued measuring the quality of services rendered to clients. The quality of these services, measured through mystery shopping and expressed in terms of the Service Quality Index, rose by more than 5 points over the past year and remained just below the 90-point threshold (89.66), with the index cap being 100 points. The result confirms the improvement in Česká spořitelna's services. Clients of the bank also recognized improved service quality. **Following repeated surveys designed to determine clients' satisfaction with provided services, expressed in terms of the Client Satisfaction Index, the Client Satisfaction Index value increased year-on-year by more than three points to 73.20 (the maximum being 100 points).**

The year 2002 was the second year in which the **service quality team – ombudsman** was involved in identifying and dealing with specific suggestions from clients and outlining corrective measures. In 2002, the ombudsman team collected and addressed more than four thousand complaints filed by clients. To facilitate the filing of complaints, a team working in the Client Centre also began to collect and address client complaints. Analysing the substance of complaints helped the Bank improve a number of services, such as the new interface between the ATM and the client and an updated version of internet banking.

Česká spořitelna also continued its efforts to improve the quality of internal services. In 2001, the Bank developed internal service quality index and inter-departmental service satisfaction standards and regularly and explicitly measures them. When compared to 2001, internal clients were more satisfied in 2002. This is evidenced by the increase in the Service Level Index in 2002, which exceeded 5 points and amounted to 77.92 points (maximum being 100).

The level of quality of external and internal services is one of the factors taken into consideration in providing remuneration to employees.

Human Resources

In the year ended 31 December 2002, the Bank implemented a number of educational projects. **Business divisions implemented a 'module training system' for individual working positions.** Moreover, the first knowledge FIT TEST was undertaken within the whole Erste Bank Group. 6,173 employees of various business divisions (including managers) participated in the FIT TEST with a very high success rate of 99.04 percent.

In the year ended 31 December 2002, the proportion of trainings implemented directly within regional branch offices increased which led to an improvement in the flexibility of trainings. In addition, the Bank began to work on an e-learning project designed to facilitate the training of staff directly at their work places through PCs and the intranet.

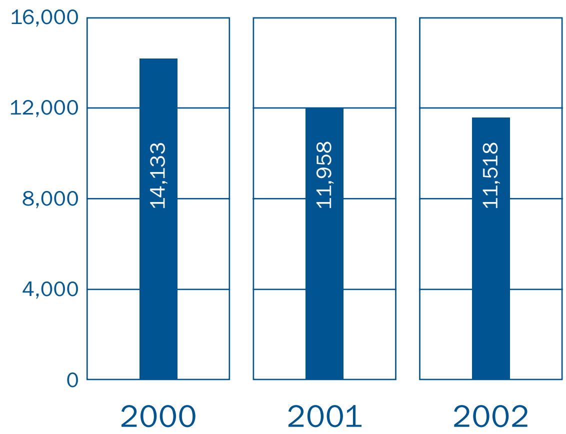
With respect to professional skills development programs, the first year of the Trainee Program and the CS Dynamic Manager Program (at an MBA level) was successfully completed. The second year of the Dual Education (Bankkaufmann/ Bankkauffrau) and the Management Development Program began. 150 managers of the Bank completed this program in the past year.

The number of employees taking part in language training courses more than doubled on a year-on-year basis to 1,875. **For the year ended 31 December 2002, Česká spořitelna reported more than 60,000 training man-days.**

In the year ended 31 December 2002, the Bank implemented another headcount reduction, which was not as extensive as in the prior year. As of 31 December 2002, the number of Česká spořitelna's staff was 11,518, compared to 11,958 as of the 2001 year-end. The staff turnover percentage (the sum of incoming and outgoing staff to the average re-calculated headcount) decreased to 25 percent in 2002. As compared to 2001, fluctuation markedly decreased to 15 percent. The proportion of staff working at Česká spořitelna for more than five years is almost 75 percent. The average age of Česká spořitelna's employees is 38.47 years.

The reduction of staffing levels and a partial replacement of staff did not have a significant impact on the Bank's basic staffing structure, which developed reflecting prior years' trends. The proportion of males employed with the Bank increased to almost

Physical Headcount



22 percent. Moreover, the qualification structure of staff improved, principally due to the increase in the number and proportion of staff with university degrees.

During the year ended 31 December 2002, the aggregate average salary of the Bank's employee, net of other staff costs, rose by 17.5 percent to CZK 29,223.

Information Technologies (IT)

For the year ended 31 December 2002, the principal objectives of the information technology function involved supporting and taking an active part in the implementation of the Bank's key development activities. The aim was to put in place a flexible and stable IT environment that will facilitate the implementation of the Bank's set business strategy.

The key IT development activities for the year ended 31 December 2002 in individual areas involved analysing the retail part of the Symbols central system, building an organisation-wide communication architecture under the I*Net project, and further developing electronic banking (specifically successfully implementing new internet banking, expanding the functionality of Servis 24 to include services of subsidiaries, and ensuring access to current accounts). Major tasks entailed the preparation of a data warehouse (DWH), and a customer relationship management system (CRM) within the whole Group. In addition, the Bank prepared a Document Management System, which is designed to make intra/interbank processes and communication more effective and transparent and to harmonise and standardise technological, security and process rules in place within the Bank. Further development in the payment card area was important, specifically the expansion, quality improvements and increased security of services provided to clients (the recharging of mobile phones via ATMs, credit card development, preparation of a loyalty system supporting the use of payment cards, and enhancement of security in using payment cards by implementing the PIN Verification project). Another key task in information technologies related to the implementation of another stage of the SAP project (the SAP R/3 data archiving, developing a back-up workplace, implementation of additional modules – IM, REM and APO).

Central systems, the Bank successfully initiated the process of consolidating servers with the objective of increasing the stability, performance, and availability of this environment while reducing its operating requirements. In addition to potential synergies, this step led to a stable and flexible infrastructure to operate Central Business Logic (CBL) and Middleware (MW) as a basis for a multi-channel integrated infrastructure (MCI). The Bank developed MCI in 2002 and will be in a position in future periods to accommodate growing requirements resulting from the increasing numbers of clients and new distribution channels. Advanced multiprocessor servers, HP Superdome, with the capacity to create separate physical as well as logical/virtual partitions in respect of the operation of individual systems and functional units, became the basis of the Bank's technical infrastructure in 'open' (Unix) systems.

In addition to building new systems, the Bank focused its efforts on developing and supporting its existent applications to ensure that IT systems provide standard support to the services rendered to clients and that they have the ability to respond to regulatory requirements (the 7x24 regime support, conversion of anonymous savings accounts, the Payment System Act, branch system).

In the year ended 31 December 2002, the Bank finalised a definition of its IT architecture which represents a binding standard for all IT development activities whilst enabling the Bank to flexibly respond and meet required business objectives. The Bank defined an overall strategy and established short-term and long-term objectives for each IT area. The defined IT architecture of the Bank is compliant with the standards specified within the whole Erste Bank Group. Pursuant to a group-wide IT standard, information technology development management principles applicable within the Česká spořitelna Group were defined with the objective of gradually unifying IT and thereby optimising costs involved in operating and further developing IT operations.

Security Policy

The Bank attaches a great deal of importance to the security policy. During the transformation process, the Bank formed an independent and stand-alone security department, which has been charged with overseeing financial security, IT security and physical security as well as with implementing tasks arising from the Money Laundering Act 61/1996 Coll.

Activities and operations in these areas are primarily focused on preventing all negative events that could jeopardise the security of staff, clients, assets and business continuity of the Bank from taking place. During the year, the Bank regularly tested the efficiency and effectiveness of the branch support system in the area of physical security through regional workplaces.

In connection with the NATO summit that took place in Prague in the autumn of 2002, the Bank took security measures to protect its offices in anticipation of protest activities. During the course of the protest activities, no events that would endanger the security of the Bank's staff or clients occurred. Nor did the Bank incur any property damage. No operations of any office were disrupted. Following the terrorist attacks in the US in 2001, Česká spořitelna made refinements and improvements to its system of monitoring irregular transactions and accounts, including the so called 'sanctioned' entities and other persons suspected of links to terrorist organisations. In short, the Bank implemented measures to prevent terrorism funding.

The results for the year ended 31 December 2002 confirmed the appropriateness of complex, largely preventive, steps that are in place to protect persons, client personal data, assets and goodwill of the Bank. Progress has been made in ensuring more secure communication between clients and the Bank by expanding the selection of advanced products in the area of alternative distribution channels.

Internal Audit

Internal audit is a component of Česká spořitelna's internal control system. It performs its role by conducting planned audits, audits requested by management of the Bank and by monitoring activities with the aim of providing the Bank's management, Audit Committee and Supervisory Board with objective information and assurance on the level of risks inherent in the Bank's processes.

Internal audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Sponsoring and Marketing

In the marketing area, in 2002 Česká spořitelna continued pursuing the strategy set out in the Corporate Identity Project. Česká spořitelna sees its role as a bank providing, from one central point, all services necessary for its clients to achieve financial well-being with the quality of these services being on a European level. One of the key challenges for the year ended 31 December 2002 involved communication in support of the conversion of anonymous savings books. **In addition to classic advertising campaigns (payment cards, loans), a significant proportion of marketing activities were focused on supporting alternative distribution channels such as Servis 24 or GSM Banking.** In 2002, marketing cooperation with the Corporate Banking Division in organising a series of professional and acquisition seminars, and municipal trading congresses, was significantly enhanced. The Bank also launched successful awareness programs for its TOP programs. Another equally important step involved implementing a new merchandising system at all branches and commercial centres of Česká spořitelna. The system consolidates marketing communication, thereby directly supporting business activities at the product and service sale points.

In its sponsoring activities for 2002 **Česká spořitelna** continued to implement the strategy set in the previous two years by **streamlining the channelling of funds into individual areas related to culture, education and science, sport and public and social affairs.** Respecting the individual needs of regional branches also played a significant role. Key areas in which Česká spořitelna acted as a general partner included projects financially supported under the TOP Partner program. The Bank's standard sponsorship budget was used to support other major projects such as Smetanova Litomyšl, Divadlo na Vinohradech (Vinohrady Theatre), Česká spořitelna – MTB – Team and Bike for Life, the Prague ZOO, the Mamma Foundation and Life 90 'The PORTUS House'. New partners with which the Bank began cooperating include, for example, the Czech Conservation Society, the Czech Dental Chamber and many others. It is also worth mentioning that the Bank supported a significant number of non-recurring projects, such as the exhibitions entitled 'Czech Marionette' at the Prague Castle and 'Czech Graphic Art at the Threshold of the Century'. Funding was also provided to hospitals, facilities taking care of mentally and physically handicapped children as well as adults or children at risk.

A new cultural project developed during 2002 represents an artistic initiative of Erste Bank, Česká spořitelna and Slovenská spořitelna entitled 'Tranzit', a civil association. The objective of this project is to facilitate the communication of young artists from the countries in which the three banks operate.

As of 30 January 2002, Nadace České spořitelny (Foundation of Česká spořitelna), founded by Česká spořitelna, **was registered.** The Foundation was formed in order to support projects related to culture, education and science, public and social affairs, health care, charity, municipal activities, sport and ecology, and to assist disadvantaged individuals or those in difficult social situations caused by unforeseeable events.

Extraordinary Developments – Floods

The Czech Republic was hit by devastating floods in August 2002. **The worst flooding in one hundred years destroyed large regions of the Czech Republic and hit 31 districts, including 505 cities and villages, several of which were affected cata-**

strophically. Damage reached several tens of billions of Czech crowns. The enormous flooding brought not only disaster but also an unprecedented solidarity among all Czech citizens. Česká spořitelna and the whole financial group was one of the first private firms to undertake an initiative to aid the affected regions in the days immediately after the floodwaters receded. **In aggregate, the Bank released CZK 50 million from its internal funds for flood relief purposes.** Of this amount, CZK 15 million was placed as the base deposit to a public collection account established to relieve flooding consequences and to remove damage incurred as a result of the floods. Another CZK 15 million was provided as first aid to the most affected regions and as a contribution to the Association of Fire-fighters of Bohemia, Moravia and Silesia, the Red Cross and the Czech Catholic Charity to assist in removing flood damage. The Bank distributed the remaining balance of CZK 20 million of its financial gift to municipalities according to their specific needs. **As of 31 December 2002, citizens and companies deposited a total of CZK 31,070,950.80 to Česká spořitelna's public collection account no. 19-333883399/0800. There were more than 10 thousand donors.** Funding from the public collection account was allocated among almost 70 municipalities in five regions hit by flooding. Following agreement among regional governors, the largest proportion of the funds was made available to the South Bohemian region, the Central Bohemian Region, the City of Prague, the Ústí region and the Plzen region.

Within the first days of the floods, Česká spořitelna began to provide its clients, who suffered damage to their assets, with pricing discounts and operational advantages with respect to selected products and services. The advantageous treatment was provided to retail clients, corporate clients as well as clients from the public and not-for-profit sectors. Persons and businesses were offered very advantageous cash loans to assist them in repairing damage. **By the end of October 2002, retail clients and small businesses received 745 flood loans** in the aggregate amount of CZK 235 million, of which retails customers received 574 advantageous loans amounting to CZK 78 million. Under the flood program entitled 'Start-up Help 2002' the Bank granted 35 loans to small and medium sized businesses amounting to CZK 105 million.

The floods also affected Česká spořitelna branches and employees. Of the then 682 branches, 15 percent were closed. Branches had to be closed either because they were in the evacuation zone or because they were flooded. As a result of the lack of energy supplies, a number of branch offices were forced to reduce their operations. On Tuesday August 13, 2002, Česká spořitelna was required to evacuate a large part of its IT centre in Prague. **However, due to the significant efforts of Česká spořitelna's staff, the situation of the branch network and the ATM network was stabilised during the flooding.** The Board of Directors of Česká spořitelna decided to provide extraordinary financial assistance to the employees working in the areas hurt by the flooding as well as those that incurred damage as a result of the floods. The Bank incurred aggregate costs of CZK 73 million from direct flood damage and debris removal.

Strategic Plans for the Year 2003

Strategic Objectives

In the year ended 31 December 2002, Česká spořitelna achieved its principal strategic objective set shortly after its privatisation: it became a modern and competitive bank which is a market leader in terms of quality and range of services and which forms an integral part of the strongest group operating in Central Europe – the Erste Bank Group.

In respect of the year ending 31 December 2003 and the following periods, Česká spořitelna has defined **new strategic plans** under which the whole Financial Group of Česká spořitelna will:

- Strengthen its leading position in providing financial services within the Czech Republic and will significantly contribute to the Erste Bank Group's efforts to achieve the same objective throughout the whole of Central Europe;
- Aid its customers in achieving financial well-being;
- Provide services that will compare favourably with the services of top banks within the European Union in terms of their range and quality.

Fulfilling this mission will, in day-to-day life:

- Provide customers with new high-quality services and products;
- Provide employees with rewarding work conditions and environment;
- Give shareholders returns on investments which are above average and sustainable in the long term (ROE in excess of 20 percent);
- Enable Czech society to benefit from the Česká spořitelna Group's preparedness to pro-actively participate in its development.

The strategic segments on which the Bank will focus in doing its business include retail clients, both citizens of the Czech Republic and foreigners residing on the territory of the Czech Republic; retail and small businessmen, of which specifically independent professions; middle-sized businesses and large corporations and last but not least the public sector.

Macroeconomic Assumptions

Česká spořitelna's business plans and budget for the year ending 31 December 2003 are based upon the following macroeconomic assumptions:

- The year 2003 will see only a slight recovery in economic growth in the Czech Republic;
- External imbalance will, as was the case in 2002, remain at a sustainable level;
- Following a significant decrease at the 2002 year-end, inflation is expected to slightly increase in 2003;
- The unemployment rate will reach its peak in the first half of the year and will decrease to 9 percent at the 2003 year-end;
- Average nominal salary will grow by 7.5 percent in 2003 compared to 7.0 percent in 2002;
- 2003 will be a year in which the citizens of the Czech Republic will decide, in a referendum, to access the European Union.

Business Policy

In the year ending 31 December 2003, business divisions of Česká spořitelna will specifically focus on the following business priorities:

Retail banking

Efforts in the area of services will be predominantly focused on improving quality. The quality of services is closely linked to the continued reduction of bureaucracy, the streamlining of work processes at branches and the reduction of time periods needed for executing transactions.

Another goal involves expanding the selection of products to include other user-friendly products and services. Česká spořitelna intends to strengthen its position as the leader in direct banking and to increase the number of users of phone and internet banking. The Bank's efforts will also be targeted at utilising its extensive network of ATMs and a network of payment terminals with retailers.

Corporate banking

The bulk of transactions will be carried out in the following key segments: large corporations, medium and small sized businesses, real estate and Government/public sector. Attention will also be focused on developing the cross-selling of products of subsidiaries, reducing time periods in assessing individual cases, removing duplicate activities and an overall reengineering of cooperation between departments. The implementation of the new information system SYMBOLS will continue.

Financial markets

The Bank will achieve the required increase in income from the financial markets segment without increasing its market risk exposures. Significant transactions in terms of volume will mature in the period 2004–2005. As such, Česká spořitelna is in a position to develop a new product offering not only for corporate and institutional clientele but also for its retail clients. In doing so, the Bank intends to utilise its significant potential for cross-selling within the whole financial group and the Bank itself. In respect of asset management, the Bank will place emphasis on increasing its market share with a corresponding increase in income.

Anticipated Economic and Financial Position (consolidated under IFRS)

Česká spořitelna expects that its **consolidated balance sheet** will experience a slight increase in 2003. In the following two years, the balance sheet is anticipated to grow by approximately 4 percent per annum. **With regard to assets, the Bank anticipates that loans and advances to customers will rise** as a result of the completion of the overall loan portfolio clean-up exercise in 2002 and 2003 and the implementation of its strategic plans. In respect of liabilities, the Bank anticipates that **client deposits** will remain stable at the 2002 level. In the following years, deposits are projected to grow at 2 percent per annum.

For the year ending 31 December 2003, Česká spořitelna is projecting an increase in **net profit of 15 to 20 percent,** return on equity **(ROE)** is expected to exceed **20 percent** and the **cost/income ratio is anticipated to approximate 60 percent. Net interest income** should be slightly lower than the income generated for the previous year as a result of the environment of low interest rates, the impact of which will be increasingly difficult to offset. However, in the following years, Česká spořitelna anticipates reporting a greater year-on-year increase in net interest income following the projected rise in rates from the first half of 2004 and in connection with the expected increase in loans and advances to customers.

The net charge for reserves and provisions for risks is expected to achieve a positive value which specifically relates to the completion of the loan portfolio restructuring efforts and the release of general provisions. The release of redundant provisions relating to the sale of certain fully provisioned loans will also contribute to the expected development. In the following years, Česká spořitelna anticipates achieving a standard level of reserves and provisions which will reflect the developments in loans and advances to customers. When compared to the year ended 31 December 2002, **net fees and commissions** are expected to increase by almost 10 percent due to the boost in the Bank's transaction and lending performance. In the following years, the Bank expects that the year-on-year increase will reduce by approximately half. The level of **net profit on financial operations** will remain virtually unchanged relative to the previous year. The Bank anticipates experiencing an increase in **staff costs** as a result of the strengthening of competitive remuneration to the employees of the financial group. Stringent cost management measures are expected to result in a noticeable decrease in **other administrative expenses.** In the following years, Česká spořitelna is projecting only a slight increase below the level of forecasted inflation. The expected **increase in depreciation of tangible and intangible fixed assets in 2003** will result from significant investments during the Bank's transformation period and the bringing of those investments into use.

Risk Management in 2002

(Further information about risk management is presented in the unconsolidated financial statement – note 7, page 113–117).

The healthy functioning of the Bank is directly dependent upon risk management processes because client transactions inevitably expose the Bank to a variety of risks, such as credit, market, liquidity, operational or legal risks. Česká spořitelna gives great attention to risk management. The Bank maintains its risk exposures at an acceptable level through risk identification, monitoring and measuring processes, and by having sets of limits and restrictions in place.

The following departments at Česká spořitelna are involved in managing risk:
- The Central Risk Management Department which is primarily responsible for market and operational risks and for managing risks taken by the whole Česká spořitelna Group on a consolidated basis;
- The Credit Risk Management Department which assumes responsibility for credit risk within the Group;
- The Balance Sheet Management Department which manages interest rate risk inherent in the banking book.

In addition to the Board of Directors, key approval authorities relating to risk management rest with the following committees:
- The Assets and Liabilities Management Committee;
- The Credit Committee of the Board of Directors of Česká spořitelna;
- The Financial Markets and Risk Management Committee.

Credit Risk Management

Credit risk is one of basic banking risks and the Bank places great emphasis on managing this risk. Credit risk management at the Bank involves:
- Identifying;
- Measuring;
- Monitoring credit risk; and
- Taking measures to mitigate credit exposures taken.

Recognising the significance of this risk, the Bank formed a new Credit Risk Management Department in 2000 which is fully independent of the Bank's business divisions. In the year ended 31 December 2002, the Bank continued developing credit risk management tools which were implemented during the transformation process in 2001.

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

The basic instrument for credit risk management **at the clients' level** involves the assessment of clients' creditworthiness. This assessment specifically focuses on analysing the borrower's financial position and the anticipated development of his loan repayment abilities, evaluating his repayment behaviour and his communication with the Bank. The assessment process results in the rating of the borrower. The assessment of the client's creditworthiness and rating is performed prior to issuing a loan as well as throughout the loan term. The rating process complies with Czech National Bank requirements and the rating is based on the loan classification grading as set out in the relevant Czech National Bank regulation. The rating of the client as well as the loan issuance decision is approved by the Credit Risk Management Department, independently from business divisions.

The Bank implemented a ten-grade rating system for corporate borrowers in 2001 which was further developed in 2002. The rating process differs by client segment (corporate clients, small corporate clients, municipalities, financial institutions, etc) due to the specific nature and characteristics of individual segments.

With a view to assessing credit risk associated with individuals, the Bank uses a **credit scoring** system. In substance, the credit scoring method is based on an assessment of a client's ability to take on and repay a loan by assigning standardised points to his relevant characteristics. The resulting number of points is the key factor that drives the decision as to whether the loan is to be provided or not. In the year ended 31 December 2002, the Bank continued implementing a project (initiated in 2001) to develop Behavioural Scoring. This new scoring is expected to be implemented in 2003.

The credit process also includes an assessment of assets held as collateral based on the Bank's internal guidance. In the first half of 2002, the Bank put in place **a new 'Collateral Catalogue' and new rules for collateral valuation.**

One of the key steps in the credit process is the final approval or rejection of the proposed loan transaction. Loans are approved by the Credit Risk Management Department (rather than business divisions) pursuant to internal loan approval guidelines, which, inter alia, also include the Credit Committee of the Board of Directors as an approval body. The only exception is retail loans which may be approved directly by the business division up to a certain maximum exposure. In this case, approval authorities are delegated to the Bank's officers based on their understanding of, and experience in, the lending process, rather than on their functional position within the Bank.

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

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

• Analysis;
• Monitoring; and
• Loan portfolio reporting.

The Credit Risk Management Department has set up a database (server) relating to credit risk management. This database has had a significant impact on the speed, volume and parameters of output for monitoring the loan portfolio. In the year ended 31 December 2002, refinements were made to the standardisation and automation of reports on the developments of the loan portfolio and its individual segments.

The Bank took part in preparatory work on two interbank client registers – the Client Information Banking Register and the Central Loan Register. Both registers went live in 2002 and Česká spořitelna actively consults these systems.

The year ended 31 December 2002 additionally saw the commencement of preparatory work on the Feasibility Study and the Impact Study with regard to the New Basel Capital Accord (Basel II).

Market Risks

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

Trading book transactions in the capital, money and derivative markets can be segmented as follows:
• Client quotations and client transactions, execution of client orders;
• Interbank market quotations; and
• Active trading in the interbank market.

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

Market risk inherent in the trading book and all transactions in financial markets are monitored and measured by the Central Risk Management Department, which is independent and separate from the Financial Markets Division, to ensure that the reported data is correct and free from bias. All limits for market risks inherent in the trading book are proposed by the Central Risk Management Department and the Treasury Department, and approved by the Financial Markets and Risk Management Committee. The limits also need to be confirmed by the parent company Erste Bank.

In order to measure the interest rate risk exposure within financial markets transactions the Bank uses the ‘PVBP gap’ defined as a matrix of sensitivity factors to interest rates by currency for individual portfolios of interest rate products. These factors measure the portfolio market value sensitivity with a parallel shift of the yield curve of the relevant currency within the predefined period to maturity. The system of PVBP limits is set in respect of each interest rate product trading portfolio by currency. The limits are compared to the value that represents the greater of the sum of positive PVBP values or the sum of negative PVBP values in absolute terms for each period to maturity. By adopting this approach, the Bank manages not only the risk attached to a parallel shift of the yield curve, but also any possible ‘flip’ of the yield curve. With regard to currency options, the PVBP limits also include the rho and phi equivalents. In addition, the Bank monitors other special limits for interest rate option contracts, such as the gamma and vega limits for interest rates and their volatility.

Interest Rate Risk Management

The Bank manages interest rate risk inherent in the banking book by using the following techniques: simulation of net interest income, sensitivity of net interest income to changes in market interest rates (parallel/non-parallel discreet shift in yield curves, stochastic simulation of the yield curve), simulation of changes of market value when a market yield curve shifts (including key rate duration), duration and gap analyses. The most recent interest rate risk exposure undertaken by the Bank is assessed, on a monthly basis, by the Assets and Liabilities Management Committee within the context of the overall developments in financial markets, the Czech banking sector and structural changes in the Bank’s balance sheet.

The key parameter monitored in respect of the Bank’s interest rate sensitivity involves the relative change in the projected net interest income should the market interest rates immediately decrease/increase by 100/+100 basis points over the horizon of the following 36 months on the assumption of a stable balance sheet structure (ie, the product structure of assets and liabilities). At the end of 2002, the sensitivity of the Bank’s net interest income to an increase in market interest rates of 100 basis points was lower than 4 percent (in other words, with the market interest rate levels increasing by 100 basis points Česká spořitelna’s net interest income would increase by less than 4 percent). With the market interest rate levels decreasing by 100 basis points the sensitivity of net interest income was lower than 8 percent. The sensitivity’s asymmetry was attributable to a low absolute level of market interest rates.

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

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

In order to measure market risk inherent in the trading and banking books on an aggregate basis, the Bank uses the Value at Risk concept ('VaR'). Value at Risk is calculated with a confidence level of 99 percent over the holding period of one trading day. The calculation is performed using the KvaR+ system and historical simulations based on historical data over the most recent 500 trading days. VaR limits are established for individual trading desks/portfolios. The VaR method is complemented with 'back testing' which is designed to review the model for correctness. Back testing involves comparing daily estimates of VaR to the hypothetical results of the portfolio on the assumption that the positions within the portfolio remain unchanged for one trading date. Back testing results have, to date, confirmed the correctness of the setting of the VaR calculation model. At the 2002 year-end, the Bank requested the Czech National Bank to approve the Bank's use of an internal model to calculate its capital requirement from banking book market risks using the Value at Risk method. This was made possible after the Bank tested its internal model for correctness over a period exceeding one year.

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

- Scenarios derived from 10–15 year historical data using maximum positive and negative changes for interest rates and exchange rates
- Scenarios recommended by the Derivatives Policy Group (DPG);
- Value at Risk with a confidence level of 99.8 percent (the worst historical scenario over the series of the most recent 500 scenarios); and
- What-if scenarios as proposed by the Analysis Department.

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

In addition to sensitivity and VaR limits, the Bank has established and monitors, on a daily basis, stop-loss limits for individual trading desks. These limits are compared to the difference between the best result (realised and unrealised profit) in the relevant month/year and the current result of the trading desk.

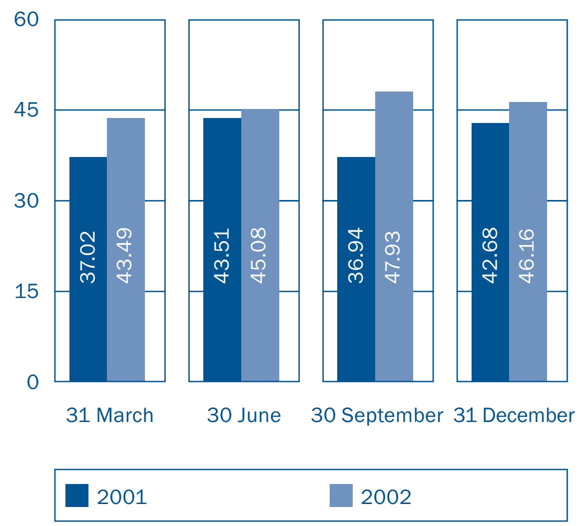
Guidance on sensitivity, VaR and stop-loss limits relating to the trading portfolio is given in the Bank's internal regulation (the Risk Management Manual) together with the method of determination of the limit and measures to be taken if the limit is transgressed.

In 2002, independent auditors undertook detailed reviews of the effectiveness of market risk management and the system of control processes in place within the Bank's Financial Markets Division. These focused reviews highlighted no serious deficiencies in respect of market risk management. The well-developed market risk management system in place within the Bank supported the Bank's successful performance for the year ended 31 December 2002 through an analysis of risks in relation to profitability.

Liquidity Risk

Liquidity risk is the risk that the Bank will encounter difficulties in raising funds to meet commitments associated with financial instruments. The Bank's liquidity position is monitored and managed based on expected cash inflows and outflows and by adjusting interbank deposits and placements accordingly.

Current Liquidity Ratio in 2001 and 2002
(%)



In terms of liquidity management, the key trend for the year ended 31 December 2002 **involved** the conversion of **anonymous savings accounts.** The balance of deposits in the savings accounts decreased from CZK 121 billion as of 31 December 2001 to CZK 21.2 billion as of 31 December 2002, that is, by CZK 99.8 billion. These funds were predominantly re-deposited in the products offered by Česká spořitelna and partially in products offered by the subsidiaries of the Group. **As a result of the conversion of anonymous savings accounts, the Bank was exposed to a risk of outflow of primary deposits which, however, did not materialise.** Despite the ongoing conversion of anonymous accounts, the Bank's liquidity remained stable in 2002, with tendencies towards a slight increase. The liquidity development, measured by an internal ratio of current liquidity in individual periods of 2002, is shown in the following chart. The current liquidity ratio is defined as a proportion of assets readily convertible to cash and a significant portion of liabilities. For illustrative purposes, the assets readily convertible to cash as of 31 December 2002 amounted to CZK 139.7 billion, the denominator used in calculating current liquidity included CZK 302.7 billion in liabilities.

Operational Risks

Risks that do not fall within the category of market, credit and liquidity risks are treated as operational risks.

The Bank, with assistance from its parent company Erste Bank, undertook a project designed to actively manage operational risks. This project was based upon new regulatory recommendations outlined in the New Basel Capital Accord, specifically relating to the classification of operational risks, measurement methods and minimum standards for operational risk management.

Pursuant to its identification of risks, the Bank has developed its internal categorisation of operational risks that it may be facing. The Bank monitors the occurrence of operational risks through its own software application, and builds its database of occurred events which is used as the basis for measuring and assessing individual types of operational risks with the objective of outlining procedures designed to eliminate the occurrence of events with operational risk and the amount of their impact. In 2002, with a view to minimising the impacts of events with operational risk, the Bank developed an insurance system to cover property, banking and liability risks. Insurance had a material impact on the Bank's economic performance for the year ended 31 December 2002 specifically due to the coverage of damage sustained as a result of devastating flooding.

Drawing upon its experience with management of operational risks, Česká spořitelna is actively involved in a joint project of the Czech National Bank, the Czech Banking Association and the Czech Chamber of Auditors which was initiated in 2002 and which relates to new regulatory rules arising under Basel II in respect of operational risks.

Capital Adequacy

For the year ended 31 December 2002, Česká spořitelna's capital adequacy remained substantially above the threshold of 8 percent required by the Czech National Bank and amounted to 12.9 percent under Czech Accounting Standards.

In 2002, capital adequacy experienced a slight decrease from 15.1 percent as of the end of 2001. The decline in the capital adequacy ratio resulted from the decrease in regulatory capital. The decrease was due to the increase in the volume of items deductible from capital, specifically intangible assets. The level of capital adequacy was significantly impacted by the inclusion of retained earnings brought forward from 2001 in regulatory capital. During the year ended 31 December 2002, the balance of risk weighted assets increased as a result of the change of their structure. The volume of risk weighted assets with 100 percent weighting in the form of amounts due from corporate and retail clients increased while the volume of risk weighted assets with 20 percent weighting in the form of amounts due from banks declined.

In 1998, the Bank received a subordinated debt totalling CZK 5,500,000 thousand from Konsolidační banka (presently the Czech Consolidation Agency) in the form of a loan with a maturity date of 23 December 2008 and an interest rate of 6M PRIBOR+1.8 percent. On 29 December 1998, the Czech National Bank issued a certificate confirming that this subordinated debt is compliant with all regulatory requirements and may be included in the additional capital of the Bank for the purposes of calculating the capital adequacy ratio.

(MCZK)	2002	2001	2000
Capital adequacy	12.85%	15.06%	12.85%
Tier 1	22,583	20,184	15,447
Tier 2 and Tier 3	7,693	7,475	7,330
Sum of deductible items	5,350	1,415	1,479
Total capital	24,926	26,244	21,298
Capital requirement A	14,035	12,641	11,713
Capital requirement B	1,481	1,302	1,542
Risk weighted assets	175,432	158,007	146,415

Figures reported under Czech National Bank rules.

Information for the Shareholders

Structure of Česká spořitelna's Shareholders as of 31 December 2002

	Ownership percentage	Share of voting rights
Erste Bank der oesterreichischen Sparkassen AG, Graben 21, Vienna, Austria	93.6%	94.9%
Česká pojišťovna, a. s. Spálená 16, Prague 1, Czech Republic	3.1%	3.4%
Other corporate entities	1.2%	1.3%
Domestic	0.1%	0.1%
Foreign	1.1%	1.2%
Private individuals	0.4%	0.4%
Domestic	0.4%	0.4%
Foreign	0.0%	0.0%
Municipalities and local governments of the Czech Republic	1.7%	0.0%

The members of Česká spořitelna's Board of Directors and Supervisory Board held no shares of Česká spořitelna as of 31 December 2002. Information about cash and non-cash income of the members of the Board of Directors and Supervisory Board is presented in the notes to the unconsolidated year-end financial statements under CAS (Note 36); directors' fees for the year ended 31 December 2001 were not paid; no income from the companies controlled by Česká spořitelna was received, monetary arrangements put in place between the members of the Board of Directors and the Supervisory Board and Česká spořitelna are disclosed in the notes to the unconsolidated year-end financial statements under CAS (Note 39).

Information on the Acquisition of Treasury Shares

In the period in which Česká spořitelna's shares were publicly traded, Česká spořitelna traded them in order to provide services to investors and shareholders of the Bank and also for market making purposes. In accordance with Commercial Code requirements, Česká spořitelna made a public offer to the parties that held its shares as of 22 May 2002 and did not vote for the de-registration of the shares or did not take part in the General Meeting to purchase ordinary shares. As part of this share buy-out offer, the Bank repurchased a total of 583 ordinary shares which it sold to its majority shareholder Erste Bank in August 2002. During the year ended 31 December 2002, Česká spořitelna purchased 20,931 thousand shares with an aggregate purchase value totalling CZK 7,602 million and sold 20,949 thousand shares with an aggregate selling price of CZK 7,607 million. The lowest and the highest purchase prices per share in 2002 were CZK 254.15 and CZK 392.50, respectively. The lowest and the highest selling prices per share in 2002 were CZK 254.31 and CZK 393.00, respectively. At the start of 2002, Česká spořitelna held 17,926 treasury shares. At the end of 2002, Česká spořitelna held no treasury shares.

Equity Share

Unlike significantly loss-making foreign equity markets, Czech equities ended the year 2002 in profit. However, the market did not avoid strong fluctuations in the latter half of June and in the first half of October which almost eliminated previous gains. The developments in the year ended 31 December 2002 were characterised by notable growth of share prices during the first five months of the year and in the last quarter of the year. In aggregate, the PX 50 market index grew by 16.8 percent, thereby almost fully offsetting the loss of 17.5 percent reported in 2001. The key driver of the market growth was the shares of Komerční banka, which doubled their price during the year. Moreover, Komerční banka's shares were the most traded issue on the Prague Stock Exchange accounting for almost 40 percent of the total turnover of the equity market. Market growth was also partially supported by profitable shares of Philip Morris ČR and ČEZ. By way of contrast, the year ended 31 December 2002 was the third loss-making year in a row for both telecommunication equity issues. Český Telecom lost approximately a third of its market value while the poorly liquid shares of České radiokomunikace fell by more than 45 percent. The telecommunication fall reflected the continued downturn in European and American technological equities. In the previous year, investors were completely uninterested in the loss-making shares of České radiokomunikace and Unipetrol which jointly accounted solely for 5 percent of aggregate stock exchange transactions. The 1st of October 2002 became a significant milestone in the modern history of the Prague Stock Exchange as the listing of Austria-based Erste Bank's shares was launched. The shares of Česká spořitelna's parent company replaced Česká spořitelna's shares which were withdrawn from trading as of 4 June 2002. Erste Bank has become the first, and to date the only, foreign company which has listed its shares on the Prague Stock Exchange. The prices of bank equities were also impacted by positive analytical comments on the development of the banking sector in Central Europe.

Bond Market

For the year ended 31 December 2002, the bond market was notably affected by the currency policy pursued by the central bank which decreased basic interest rates, in five steps, by 200 basis points from 4.75 percent to 2.75 percent. Very low inflation and weakening economic performance during the year supported the benchmarks of all maturities which have attained the historically lowest levels in terms of yield since the establishment of the Czech Republic. Practically, the whole yield curve of the bond market was above the Eurozone yield curve level. This very extraordinary development was further affected when the cut in the CNB rates in July actually moved the basic rate below the ECB level. The decrease in yields on Czech bonds was not only attributable to the macroeconomic and interest rate position but also to the increasing overpressure of liquidity of key institutional investors (insurance companies, building savings banks, etc) on the local market. Products of these investors are becoming increasingly attractive within the context of interest rate drops and their available liquidity is therefore growing and is applied in the market. All these factors contributed to the year 2002 being a year of extreme capital gains on the bond market when the three-year and five-year benchmarks fell, year-on-year, by almost 200 basis points and more than 150 basis points, respectively. Only at the end of 2002, following the cut of the ECB's basic rates, did domestic yields move marginally above the level of key Eurozone benchmarks.

Development of Česká spořitelna's share price

Following the successful year ended 31 December 2001 when Česká spořitelna's shares grew by 26.5 percent, the shares continued to grow in the first months of 2002. The share price culminated at a seven-year maximum of CZK 391.30 on 5 March 2002. On 22 March 2002, when the Bank's results for the year ended 31 December 2001 were announced, Austria-based AVS, the largest shareholder of Erste Bank, announced its intent to repurchase shares of Česká spořitelna held by minority shareholders for CZK 375. Prior to the General Meeting held on 22 May 2002, Erste Bank, acting in concert with AVS, increased its shareholding in Česká spořitelna to more than 90 percent and was in a position to approve the de-registration of the shares of Česká spořitelna on the Prague Stock Exchange and therefore also their withdrawal from public trading. Due to the increase of its holding of the issued share capital of Česká spořitelna, AVS announced a second buyout of Česká spořitelna's shares for CZK 372.40. Concurrently, because of the withdrawal of the registration of shares on public markets, Česká spořitelna also announced a buyout of its shares for CZK 365. Česká spořitelna's shares were traded on the Prague Stock Exchange for the last time on 3 June 2002 at a price of CZK 371.80. With effect from 4 June 2002, public trading of the Bank's shares has been discontinued.

Information on Securities Issued

Shares of Česká spořitelna, a. s.

Class:	Ordinary shares and priority shares
Type:	140,788,787 ordinary bearer shares 11,211,213 priority registered shares
Form:	Book-entry
Total number of shares:	152,000,000
ISIN:	CZ0008023801 (ordinary shares) CZ0008023736 (priority shares)
Total issue amount:	CZK 15,200,000,000
Nominal value per share:	CZK 100
Transfer method:	Transferability of ordinary bearer shares is not restricted; rights pass when the shares are handed over to the new owner; priority registered shares may only be transferred among municipalities and local governments of the Czech Republic, transfers to other entities are subject to the approval of the Board of Directors.
Marketability of shares:	Shares are not traded on any of public markets

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

Bonds Issue of Česká spořitelna, a. s. – repaid as of 27 February 2002

10.75 percent bonds due in 2002

ISIN:	CZ0003700437
Issue date:	27 February 1997
Type:	Bearer bonds
Form:	Certificate
Total issue amount:	CZK 5,000,000,000
Nominal value per bond:	CZK 10,000
Number of bonds:	500,000
Coupons attached:	5 coupons – fixed 10.75% interest rate p.a. paid annually in arrears
Bond transfer method:	No restrictions; rights attached to the bonds and coupons pass to the new owner when the bonds and coupons are handed over
Issue administrator:	Česká spořitelna, a. s., Prague 4, Olbrachtova 1929/62, 140 00
Designated office of the administrator:	Česká spořitelna, a. s., Národní 27, 110 00 Prague 1
Bonds are traded on:	Prague Stock Exchange, principal market
Denomination of the bonds:	CZK
Bond maturity:	The bonds were repaid in their nominal value on 27 February 2002.

Mortgage Bonds Issue of Česká spořitelna, a. s.

11.85 percent mortgage bonds due in 2003

ISIN:	CZ0002000078
Issue date:	3 August 1998
Type:	Bearer bonds
Form:	Book-entry
Total issue volume:	CZK 500,000,000
Nominal value per bond:	CZK 10,000
Number of bonds:	50,000
Coupons:	fixed 11.85% interest rate p.a. paid annually in arrears
Bond transfer method:	no restrictions; the mortgage bonds pass to the new owner as of the date the transfer is registered in the Securities Centre for the benefit of the acquirer
Issue administrator:	Česká spořitelna, a. s., Prague 4, Olbrachtova 1929/62, 140 00
Designated office of the administrator:	Česká spořitelna, a. s., Národní 27, 110 00 Prague 1
Mortgage bonds traded on:	Prague Stock Exchange, free market
Denomination of the bonds:	CZK
Bond maturity:	Mortgage bonds will be repaid in their nominal value on 3 August 2003.

Mortgage bond issuance program of Česká spořitelna, a. s.

Maximum volume of outstanding mortgage bonds:	CZK 10,000,000,000
Term of the program:	15 years
Maturity of any bonds placed under the program:	Not exceeding 10 years
Under the Bond Program, the Bank issued mortgage bonds as follows:	5.80 percent mortgage bonds due in 2007
ISIN:	CZ0002000201
Issue date:	8 November 2002
Type:	Bearer bonds
Form:	Book entry
Total issue volume:	CZK 3,000,000,000
Nominal value per bond:	CZK 100,000
Number of bonds:	30,000
Coupons:	Fixed 5.80% interest rate p.a. paid annually in arrears
Bond transfer method:	No restrictions; the mortgage bonds pass to the new owner as of the date the transfer is registered in the Securities Centre in accordance with applicable regulations of the Securities Centre
Issue administrator:	Česká spořitelna, a. s., Prague 4, Olbrachtova 1929/62, 140 00
Designated office of the administrator:	Česká spořitelna, a. s., Národní 27, 110 00 Prague 1
Mortgage bonds traded on:	Prague Stock Exchange, free market
Denomination of the bonds:	CZK
Bond maturity:	Mortgage bonds will be repaid in their nominal value on 8 November 2007.

Subject of Business pursuant to Section 3 of Česká spořitelna's Articles of Association effective as of 31 December 2002

The Bank's principal subject of business is the performance of banking transactions and the provision of banking services in the Czech Republic and in relation to foreign countries pursuant to the applicable legislation governing the activities of banks.

Česká spořitelna mainly operates in the following areas:
(a) Accepting deposits from the public;
(b) Advancing loans;
(c) Investing in securities on the Bank's own account;
(d) Finance leases;
(e) Payments and settlements;
(f) Issuing of payment instruments such as bank cards and travellers' checks;
(g) Providing guarantees;
(h) Opening letters of credit;
(i) Arranging for collection;
(j) Trading with instruments denominated in foreign currencies on the Bank's own account or on the client's account, trading in futures and options, including exchange rate and interest rate contracts, trading in convertible securities;
(k) Participation in equity issues and provision of related services;
(l) Financial brokerage;
(m) Provision of business advisory services;
(n) Managing clients' securities on their account, including consultancy;
(o) Deposit and management of securities or other assets;
(p) Acting as a custodian bank;
(q) Foreign currency exchange services;
(r) Providing banking information;
(s) Lease of safe deposit boxes;
(t) Issuing mortgage bonds under special legislation;
(u) Maintaining separate part of records of the Securities Centre.

If special legislation makes it mandatory to carry a permit (licence) to be able to conduct any of the activities listed above, the Bank may conduct such activities only after it receives the permit (licence) under special legislation.

Licences and Trademarks

Key licenses acquired under intellectual property arrangements relate to licenses for the use of software:
- SAP R/3 (mySAP.com) by SAP (this software is used for the maintenance of the Bank's financial accounting records, controlling, maintenance of issues related to material economy and HR records);
- NetSymbols by System Access (this software serves for trading in the commercial banking sector);
- STARBANK by ASSET (this software is designed to support the maintenance of current accounts, foreign currency accounts and loans).

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

Financial Investments in Shares and Bonds

MCZK, unconsolidated CAS	2002	2001	2000
Bonds	109,529	118,290	92,742
Shares	1,142	784	7,551
Equity investments	1,802	1,275	1,218
Total financial investments	112,473	120,349	101,511

Acquisition of Tangible and Intangible Fixed Assets* (Internal Funds)

MCZK, unconsolidated CAS	2002	2001	2000
Tangible fixed assets	3,893	3,105	1,326
Intangible fixed assets	4,449	1,819	825
Total	8,342	4,924	2,151

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

Information on Principal Future Investments (unconsolidated CAS)

For the year ending 31 December 2003, the Bank anticipates acquiring assets in the aggregate amount of CZK 2,875 million using its internal funds. Of this amount, approximately CZK 1,477 million will be invested in projects, CZK 1,050 million in information technologies, CZK 188 million in construction projects, CZK 82 million in office and banking technology and CZK 108 million in others.

Operating Income

MCZK, unconsolidated CAS	2002	2001	2000
Net interest income	14,183	13,291	10,823
Income from shares and equity investments	625	367	117
Net fee and commission income	6,707	6,106	4,926
Profit from financial operations	1,083	2,214	1,780
Other income	1,546	434	451
Total operating income	24,145	22,412	18,097

Loans Received, Other Liabilities and Collateral Issued

MCZK, unconsolidated CAS	31 December 2002
Loans received (uncollateralised)	18,184
Subordinated debt	5,506
Total other liabilities (uncollateralised)	371,846
Amounts owed to banks, except for loans received	16,395
Amounts owed to customers, except for loans received	342,176
Payables from debt securities	13,275
Collateral issued (contingent liabilities)	4,731

Organizational Chart of the ČS as of December 31, 2002

Chairman of the Board of Directors and C.E.O. John James Stack

- Office of the BoD and the Supervisory Board Section – 1001
- Credit Risk Mnagement Section – 1200
- Chief Economist Section – 1300
- Internal Audit Section – 1400
- Legal and Compliance Services Section – 1500
- Human Resources Section – 1600
- Marketing Section – 1700
- External Communication Department – 1010
- Internal Communication Department – 1020

Vice Chairman of the Board of Directors and 1st Deputy C.E.O. Dušan Baran

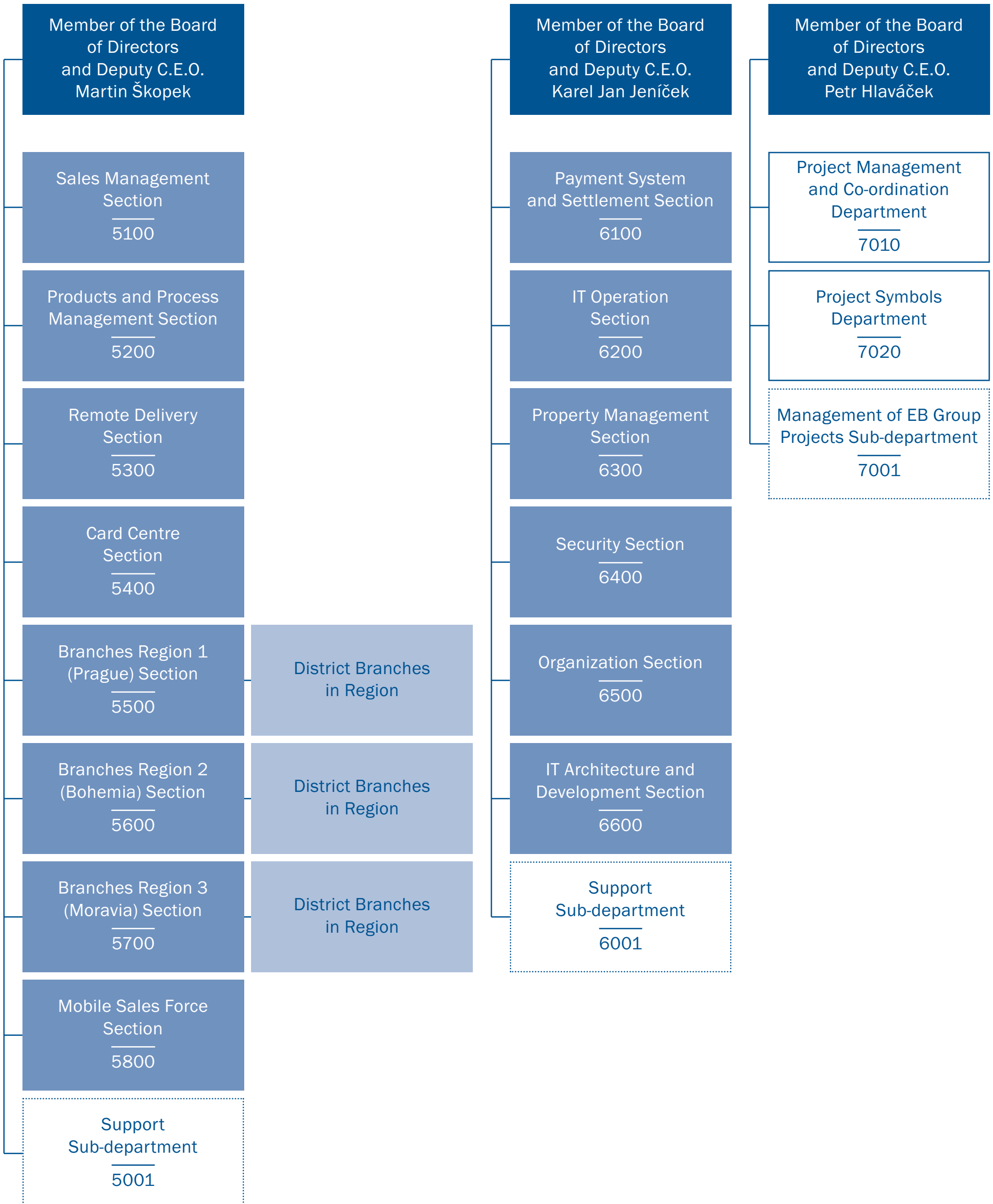
- Accounting and Taxes Section – 2100
- Controlling and Planning Section – 2200
- Central Risk Management Section – 2400
- Investors Relations Department – 2010
- Subsidiaries & Capital Participations Admin. Department – 2030

Member of the Board of Directors and Deputy C.E.O. Daniel Heler

- Group Balance Sheet Management Section – 3100
- Assets Management Section – 3200
- Investment Banking Section – 3300
- Treasury Section – 3400
- Financial Institutions Section – 3500
- Financial Markets Settlement Department – 3010
- Business Support Sub-department – 3001

Member of the Board of Directors and Deputy C.E.O. Gernot Mittendorfer

- Corporate Customers Section – 4100
- Commercial Banking Centres Section – 4200
- Real Estate and Mortgages Section – 4300
- Municipalities Section – 4400
- Trade Finance Department – 4010
- Product Management and Support Sub-department – 4001


Member of the Board of Directors and Deputy C.E.O. Martin Škopek
Sales Management Section 5100
Products and Process Management Section 5200
Remote Delivery Section 5300
Card Centre Section 5400
Branches Region 1 (Prague) Section 5500
District Branches in Region
Branches Region 2 (Bohemia) Section 5600
District Branches in Region
Branches Region 3 (Moravia) Section 5700
District Branches in Region
Mobile Sales Force Section 5800
Support Sub-department 5001
Member of the Board of Directors and Deputy C.E.O. Karel Jan Jeníček
Payment System and Settlement Section 6100
IT Operation Section 6200
Property Management Section 6300
Security Section 6400
Organization Section 6500
IT Architecture and Development Section 6600
Support Sub-department 6001
Member of the Board of Directors and Deputy C.E.O. Petr Hlaváček
Project Management and Co-ordination Department 7010
Project Symbols Department 7020
Management of EB Group Projects Sub-department 7001

The bank's healthy current development is a promise of high investment returns for our shareholders also into the future.

Report of the Supervisory Board

During the fiscal year ended 31 December 2002, the Supervisory Board of Česká spořitelna, a. s. performed, on an ongoing basis, its duties arising under applicable legislation and the Bank's Articles of Association. As the Bank's oversight body, the Supervisory Board oversaw the performance of the duties of the Board of Directors as well as the Bank's business operations and activities, and the implementation of its strategic plans. The Supervisory Board was regularly kept up to date on the Bank's operations, its financial position and other significant matters.

The Supervisory Board examined the submitted financial statements for the year ended 31 December 2002 and concluded that the accounting books and records were maintained in a clearly supportable manner in accordance with accounting regulations and that the financial statements present fairly the Bank's financial position as of 31 December 2002.

The audit of the financial statements was performed by Deloitte & Touche, spol. s r.o., who confirmed that the financial statements give a true and fair view, in all material respects, of the assets, liabilities, equity and financial position of Česká spořitelna, a. s. as of 31 December 2002 and of the results of its operations for the year then ended. The Supervisory Board noted and agreed with the opinion expressed by the auditors.

In view of all the facts referred to above, the Supervisory Board recommends that the General Meeting of shareholders approve the financial statements of Česká spořitelna, a. s. for the year ended 31 December 2002 and the proposed profit allocation as put forward by the Board of Directors.

Andreas TREICHL
Chairman of the Supervisory Board

Affidavit

The below signed hereby declare that the information stated in the Annual Report of Česká spořitelna, a. s. for the year ended 31 December 2002 reflects the true state of affairs and that no material circumstances that may have an impact on the accurate and correct assessment of Česká spořitelna, a. s. were omitted.

Dušan BARAN
Vice Chairman of the Board
and First Deputy CEO
Olbrachtova 62, Prague 4, 140 00

Martin ŠKOPEK
Member of the Board
and Deputy CEO
Olbrachtova 62, Prague 4, 140 00

Annual Report 2002

Česká spořitelna, a. s.

Financial Section I

Consolidated Financial Statements

Prepared in Accordance with International Financial Reporting Standards for the Years Ended 31 December 2002 and 2001

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Deloitte & Touche spol. s r.o.
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110 00 Praha 1
Česká republika

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DIČ: 001-49620592

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Deloitte & Touche

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

We have audited the accompanying consolidated balance sheets of Česká spořitelna, a. s. (the "Bank") as of 31 December 2002 and 2001 and the related consolidated profit and loss account and statements of cash flows and changes in shareholders' equity for the years then ended. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Česká spořitelna, a. s. as of 31 December 2002 and 2001, and the consolidated results of its operations, cash flows and changes in shareholders' equity for the years then ended in accordance with International Financial Reporting Standards.

Prague, 12 April 2003

Deloitte & Touche

Deloitte & Touche

Deloitte
Touche
Tohmatsu

Consolidated Balance Sheets as of 31 December 2002 and 2001

Assets

MCZK	Note	31 December 2002	31 December 2001
1. Cash and balances with the CNB	6	22,261	22,930
2. Loans and advances to financial institutions	7	128,782	120,104
3. Amounts due from Česká konsolidační agentura	8	38,264	37,182
4. Loans and advances to customers	9	150,899	149,473
5. Provisions for losses on loans and advances	10	(18,895)	(21,645)
6. Securities and other assets held for trading	11	22,903	24,186
7. Securities available for sale	12	32,507	19,063
8. Securities and other assets held to maturity	13	102,641	100,891
9. Intangible fixed assets	14	4,349	3,177
10. Property and equipment	15	17,532	16,792
11. Other assets	17	18,448	19,452
Total assets		519,691	491,605

Liabilities and Shareholders' Equity

MCZK	Note	31 December 2002	31 December 2001
1. Amounts owed to financial institutions	18	31,858	31,142
2. Amounts owed to customers	19	403,035	390,752
3. Bonds in issue	20	7,143	10,988
4. Provisions for liabilities and other reserves	21	8,098	4,704
5. Other liabilities	22	33,095	22,974
6. Subordinated debt	23	5,500	5,500
7. Minority interests	24	1,131	1,090
8. Shareholders' equity	25	29,831	24,455
Total liabilities and shareholders' equity		519,691	491,605

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

These consolidated financial statements were approved by the Board of Directors of the Bank on 12 April 2003.

John James Stack
Chairman of the Board and
Chief Executive Officer

Consolidated Profit and Loss Accounts for the Years Ended 31 December 2002 and 2001

MCZK	Note	Year ended 31 December 2002	Year ended 31 December 2001
1. Interest income and similar income	26	25,978	27,729
2. Interest expense and similar expense	27	(9,853)	(12,573)
Net interest income		16,125	15,156
3. Provisions for losses on loans and advances	28	(331)	(2,731)
Net interest income after provisions for losses on loans and advances		15,794	12,425
4. Fee and commission income		7,491	6,711
5. Fee and commission expense		(644)	(513)
Net fee and commission income		6,847	6,198
6. Net profit on financial operations	29	638	833
7. General administrative expenses	30	(14,775)	(15,224)
8. Other operating income/(expenses), net	31	405	(1,336)
Profit before taxes		8,909	2,896
9. Income tax expense	32	(2,917)	(975)
Profit after taxes		5,992	1,921
10. Minority interests	24	(187)	(123)
Net profit for the year		5,805	1,798

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

Consolidated Statement of Changes in Shareholders' Equity for the Years Ended 31 December 2002 and 2001

MCZK	Retained earnings	Treasury shares	Statutory reserve fund	General reserves	Share premium	Share capital	Total
At 1 January 2001	6,831	–	551	73	–	15,200	22,655
Effect of adopting IAS 39	47	–	–	–	–	–	47
At 1 January 2001	6,878	–	551	73	–	15,200	22,702
Dividends	(19)	–	–	–	–	–	(19)
Transfer to reserve funds	(226)	–	299	(73)	–	–	–
Treasury shares	–	(26)	–	–	–	–	(26)
Net profit for the year	1,798	–	–	–	–	–	1,798
At 31 December 2001	8,431	(26)	850	–	–	15,200	24,455
At 1 January 2002	8,431	(26)	850	–	–	15,200	24,455
Dividends	(456)	–	–	–	–	–	(456)
Transfer to reserve funds	(181)	–	181	–	–	–	–
Treasury shares	–	26	–	–	1	–	27
Net profit for the year	5,805	–	–	–	–	–	5,805
At 31 December 2002	13,599	–	1,031	–	1	15,200	29,831

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

Consolidated Statement of Cash Flows for the Years Ended 31 December 2002 and 2001

MCZK	Note	2002	2001
Profit before taxes		8,909	2,896
Adjustments for non-cash transactions:			
Creation of provisions for losses on loans, advances and other assets		771	2,751
Depreciation and amortisation of assets		2,251	2,271
Impairment of tangible and intangible fixed assets		466	819
Unrealised (profit)/loss on securities held for trading and securities available for sale		(477)	618
Net loss on securities held to maturity		–	622
Net profit on remeasurement of equity investments		(5)	–
Release of restructuring reserves net of cash outflow from utilisation		(605)	(203)
Creation of other reserves		3,999	1,080
Change in fair values of financial derivatives		471	(2,147)
Income from release of statute-barred deposits		(385)	–
Operating profit before changes in operating assets and liabilities		*15,395*	*8,707*
Cash flows from operating activities			
(Increase)/decrease in operating assets			
Minimum reserve deposits with the CNB		709	(85)
Loans and advances to financial institutions		(10,122)	(3,896)
Loans and advances to customers, including Česká konsolidační agentura		(6,011)	(15,813)
Securities and other assets held for trading		1,503	9,664
Securities available for sale		(9,594)	(6,377)
Other assets		(1,084)	(1,399)
Increase/(decrease) in operating liabilities			
Amounts owed to financial institutions		753	14,292
Amounts owed to customers		12,668	35,630
Other liabilities		3,350	(5,111)
Net cash flow from operating activities before income tax		*7,567*	*35,612*
Income taxes paid		(208)	(132)
Net cash flow from operating activities		***7,359***	***35,480***
Cash flows from investing activities			
Net increase in securities and other assets held to maturity		(4,362)	(33,591)
Purchase of tangible and intangible fixed assets		(7,713)	(6,035)
Proceeds from the sale of tangible and intangible fixed assets		3,084	1,162
Net cash flow from investing activities		***(8,991)***	***(38,464)***
Cash flows from financing activities			
(Purchase)/sale of treasury shares		27	(26)
Dividends paid		(456)	(19)
Dividends paid to minority shareholders		(140)	(69)
Bonds in issue		(3,845)	958
Net cash flow from financing activities		***(4,414)***	***844***
Net decrease in cash and cash equivalents		(6,046)	(2,140)
Cash and cash equivalents at beginning of year		38,677	40,817
Cash and cash equivalents at end of year	33	32,631	38,677

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

Notes to the Consolidated Financial Statements Prepared in Accordance with International Financial Reporting Standards Years Ended 31 December 2002 and 2001

1. Introduction

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

The principal activities of the Bank are as follows:
- acceptance of deposits from the general public;
- extension of credit;
- mortgage banking;
- securities activities on its own or client’s behalf;
- payments and clearing;
- payment facility issuance;
- underwriting;
- letter of credit issuance;
- collection services;
- participation in the issuance of shares and provision of related financial services;
- financial brokerage;
- provision of consulting services;
- security portfolio management (via its subsidiary Investiční společnost České spořitelny, a. s.);
- safekeeping and administration of securities and other assets;
- depositary for investment funds;
- foreign exchange services; and
- rental of safe-deposit boxes.

The Bank provides the following additional services through its subsidiaries (together the “Group”):
- funds management;
- building society savings and loans;
- insurance;
- finance leasing;
- factoring;
- consulting services;
- real estate activities;
- lease of information technology, installation and repair of electronic equipment;
- provision of software and advisory services in relation to hardware and software; and
- corporate management and finance.

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

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

2. Specific Events Impacting the Bank's Results for the Year ended 31 December 2002

(a) Ringfence Arrangement

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

Under the terms and conditions of the Ringfence Arrangement, ČKA guarantees the net book values of certain ring-fenced exposures and selected financial derivatives as carried in the Bank's accounting records as of 31 December 1999. Pursuant to the Ringfence Arrangement, the Bank has an option to sell and ČKA is obligated to purchase the ring-fenced exposures for a pre-determined realisation price equal to the net book values of assets, in aggregate amounts that do not exceed set annual limits. Reciprocally, subject to prior consent of the Bank, ČKA has an option to purchase the ring-fenced exposures at a pre-determined realisation price up to the same annual limits. Furthermore, the Ringfence Arrangement enables the Bank and ČKA to exercise a one-time option in 2002 to sell/purchase all of the ring-fenced exposures over which no options have been previously exercised.

The table below shows the development of the ring-fenced portfolio during the year ended 31 December 2002. In the first quarter of 2002, based upon appropriate analyses the Bank decided to remove a proportion of the exposures to clients that have a potential for further economic development from the ring-fenced portfolio (refer to column 2). As of 30 June 2002, the Bank exercised the full put option with ČKA and the loans listed in column 3 were transferred to ČKA. Due to legal obstacles, the Bank could not transfer from the portfolio of ring-fenced exposures as of 30 June 2002 exposures collateralised by a guarantee issued by Podpůrný a garanční rolnický a lesnický fond, a. s., where the assignment of the exposure would lead to an expiration of the guarantee, and receivables arising from syndicated loans in which the assignment needs to be approved by other contracting parties. Column 5 indicated the remaining balance of the ring-fenced portfolio as of 31 December 2002.

Receivables by type (Amounts in MCZK)	Balance at 31 December 2001 (1)	Assets removed from ring fencing (2)	Put option at 30 June 2002 (3)	Loan repayments in 2002 (4)	Balance at 31 December 2002 (5)
Loans in CZK	9,594	2,004	5,251	716	1,623
Loans in foreign currencies	1,249	800	320	129	–
Debt securities	1,331	331	1,000	–	–
Total group I	12,174	3,135	6,571	845	1,623
Overdraft facilities	801	173	–	299	329
Total group II	801	173	–	299	329
Total	12,975	3,308	6,571	1,144	1,952

During the year ended 31 December 2002, Leasing ČS, a. s. and its subsidiaries Corfina Trade, s.r.o. and CF Danube Leasing, s.r.o. utilised the ČKA guarantee in the aggregate amount of CZK 306 million and SKK 15 million. The aggregate amount of the guarantee utilised by these companies in the period 2000–2002 was CZK 430 million and SKK 28 million, respectively. Of the aggregate amount applied under the guarantee arrangement, the fulfilment received amounted to CZK 360 million and SKK 20 million. The aggregate limit of the pay-out under the guarantee issued by ČKA in respect of all companies is CZK 1.2 billion.

(b) Conversion of Anonymous Savings Accounts

In early 2002, the Czech Parliament approved an amendment to Banking Act 21/1992 Coll. whereby all deposit arrangements in the form of bearer savings books would be suspended as of 31 December 2002. This amendment has serious implications for the Bank's activities. Subsequent to 31 December 2002, the Bank is required to pay clients even those deposits that were callable at notice and the notice period need not be complied with and no sanctions imposed. With effect from 1 January 2003, a 10-year period will start when the Bank's clients are entitled to obtain undrawn or unconverted deposits from the Bank even though the deposit arrangement has expired.

As of 1 January 2002, the Bank maintained almost 6.6 million anonymous savings accounts with an aggregate balance of deposits of CZK 121 billion. During the year ended 31 December 2002, 2.5 million anonymous savings accounts with a balance of CZK 99.8 billion were cancelled (a significant proportion of the accounts was transferred to registered savings books and products of the Bank's subsidiaries). As of 31 December 2002, approximately 4.1 million anonymous savings accounts with a total balance of CZK 21.2 billion remained unconverted (refer to Note 19).

(c) Statute-barred Savings Accounts

In the event that a deposit in a savings book has been idle for 20 years or the deposit holder has not submitted his/her savings book to the Bank to have the details in the book updated, the deposit arrangement is cancelled pursuant to the Civil Code (Section 785 of Act 40/1964 Coll., as amended) following the lapse of 20 years. Subsequently, the deposit holder is entitled to demand payment of the balance of the reversed deposit within the generally applicable statute of limitations of three years. Balances in savings books that have shown no movements for 23 years are released into the Bank's income. In the year ended 31 December 2002, the Bank released statute-barred savings accounts at an aggregate amount of CZK 385 million into income. This balance is reported within "Other operating income/(expenses), net" (refer to Note 31).

Whilst the Bank is not required by statute to pay the deposit on these savings books, normal practice dictates that the deposit balance stated in the statute-barred savings book be paid when the savings book is presented by the deposit holder. For the year ended 31 December 2002, the Bank recognised costs of CZK 17 million associated with paying statute-barred deposits as a component of "Other operating income (expenses), net" (refer to Note 31). At the same time, the Bank established a reserve of CZK 60 million for future payments of statute-barred deposits which is reported within "Other operating income/(expenses), net" (refer to Note 31).

(d) Floods

The Bank's operations for the year ended 31 December 2002 were affected by floods that occurred in August 2002. As a result of the floods, the Bank incurred losses of CZK 73 million.

3. Basis of Preparation

These consolidated financial statements comprise the accounts of the Bank and its subsidiaries (together the "Group") and have been prepared in accordance with the standards and interpretations approved by the International Accounting Standards Board (IASB), which are referred to as International Financial Reporting Standards (IFRS). These standards and interpretations were previously called International Accounting Standards (IAS). All figures are in millions of Czech Crowns (MCZK), unless stated otherwise.

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

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

The presentation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and their reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The format of the financial statements has been adjusted to comply, where possible, with Erste Bank Group presentation requirements. Comparative information has been reclassified, where necessary, on a basis consistent with current year presentation.

4. Significant Accounting Policies

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

(a) Principles of Consolidation

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

Subsidiary Undertakings

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

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

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

Associate Undertakings

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

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

(b) Loans and Advances and Provisions for Losses on Loans and Advances

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

Provisions for losses on loans and advances are recorded when there are reasonable doubts over the recoverability of the loan balance. Provisions for losses on loans and advances represent management's assessment of potential losses in relation to the Group's on and off balance sheet activities. Amounts are set aside to cover losses on loans and advances that have been specifically identified and for potential losses which may be present in the portfolio. The amount necessary to adjust the provisions to their assessed levels, after write-offs, is charged to the profit and loss account line "Provisions for losses on loans and advances."

In prior periods, a general provision for loan impairment was established to cover losses that were judged by management of the Group to be present as of the balance sheet date, but which were not allocated to specific or individual exposures. Pursuant to revised legislative requirements, the Group has no longer been in a position to maintain the general provision with effect from 1 January 2002. Provisions recorded prior to 31 December 2001 are used to cover losses on write-offs and transfers of loan receivables not provisioned or to cover losses arising from issued guarantees. Unutilised provisions are reversed to income such that their balance for each tax period starting 1 January 2002 is reduced by no less than 25 percent of the balance reported as of 31 December 2001 to ensure that they are fully reversed by 31 December 2005 at the latest.

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

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

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

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

Securities Held for Trading

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

Securities Available for Sale

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

Securities available for sale are carried at cost and subsequently re-measured to fair value, the only exception being unlisted equity investments and holdings that are not participating interests with controlling or significant influence. These equity investments and holdings are carried at cost because their fair value cannot be determined with reasonable certainty. Changes in the fair values of available for sale securities (excluding unlisted equity investments) are recognised in the profit and loss account as "Other operating income/(expenses), net."

Securities Held to Maturity

Securities held to maturity are financial assets with fixed maturity that the Group has the positive intent and ability to hold to maturity. Securities held to maturity are carried at cost on acquisition including transaction costs. Securities held to maturity are subsequently reported at amortised cost using the effective yield method, less any provision for impairment. The amortisation of premiums and discounts is included in "Interest income and similar income" or "Interest expense and similar expense".

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

(d) Sale and Repurchase Agreements

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

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

(e) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary/associated undertaking at the date of acquisition. Goodwill is reported in the balance sheet as a component of "Intangible fixed assets" and is amortised using the straight line method over the estimated useful life through "Other operating income (expenses), net". The amortisation period reflects the best estimate of the period during which future economic benefits are expected to flow to the enterprise which generally does not exceed five years. However, goodwill is immediately expensed through "Other operating income (expenses), net" if it appears more likely than not that no future economic benefits will be available.

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

(f) Intangible Fixed Assets

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

An intangible asset is impaired if its carrying amount is greater than its estimated recoverable amount. The recoverable amount is the greater of the following amounts: the market value which can be recovered from the sale of an asset under normal conditions, net of selling costs, or the estimated future economic benefits arising from the use of the asset. When an impairment of assets is identified, the Group recognises provisions through the profit and loss account line “Other operating income (expenses), net.”

(g) Property and Equipment

Property and equipment includes tangible assets with a cost greater than CZK 13,000 and an estimated useful life exceeding one year. Property and equipment is stated at historical cost less accumulated depreciation and is depreciated through the profit and loss account line “General administrative expenses – depreciation” on a straight line basis over estimated useful lives as follows:

Buildings and structures	20–30 years
Electronic machines and equipment	6–12 years
Tools and other equipment	4–12 years
Equipment, fixtures and fittings	4–6 years
Leasehold improvements	Period of the lease

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

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

(h) Provision for Guarantees and Other Off Balance Sheet Credit Related Commitments

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

(i) Provisions

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

Restructuring reserves are recognised if the Group has a detailed formal plan for the restructuring that has raised a valid expectation in those affected that the Group will carry out the restructuring. The Bank prepared a restructuring plan in the year ended 31 December 2000, which it is continuing to implement. Additional disclosures are set out in Note 21(d) to the financial statements.

(j) Shareholders' Equity

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

On acquisition of a business when the acquirer and the acquiree are under common control, the difference between purchase price and net assets of the enterprise on the date of acquisition is recognised as a reduction in equity in "Retained earnings." In the year ended 31 December 2000, the Bank acquired the business of Erste Bank Sparkassen (CR), a. s. ('EBCR'), another member of the Erste Bank Group. The difference between the purchase price and the net asset value of the assets and liabilities acquired from EBCR amounting to CZK 230 million was charged against retained earnings.

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

(k) Accrued Interest

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

(l) Foreign Currency

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

(m) Interest Income and Interest Expense

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

(n) Fees and Commissions

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

(o) Finance Lease Income

A Group Company as the Lessee

Leases of property and equipment under which the Group assumes substantially all the rewards incidental to ownership (finance leases) are recognised in the balance sheet by recording an asset and liability equal to the present value of the minimum lease payments at the inception of the lease. Leasehold improvements on leased assets are depreciated in accordance with the depreciation policy noted above. The depreciation period is the estimated useful life of the asset, or the lease term if shorter. Lease liabilities are reduced by repayments of principal, whilst the finance charge component of the lease payment is charged directly to the profit and loss account.

A Group Company as the Lessor

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

(p) Dividends

Dividends are recognised in equity in the period in which they are declared by the Annual General Meeting. Tax on declared dividends (15 percent) is recognised in the current year's profit and loss account in "Income tax expense."

(q) Insurance Business

Insurance premiums are recognised in the accounting period in which they incept and are recorded in "Other operating income (expenses), net." Reserves are established for unearned premiums which relate to periods after the balance sheet date. Amounts in respect of insurance business are shown net of reinsurance costs.

(r) Pension Business

Contributions and accumulated unpaid earnings of participants in pension funds are included in "Amounts owed to customers."

(s) Taxation

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

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

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

Deferred tax assets are reduced to the extent that it is not probable that the related tax benefit will be realised.

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

(t) Derivative Financial Instruments

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

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

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

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

Hedging derivatives are defined as derivatives that comply with the Bank's risk management strategy, the hedging relationship is formally documented and the hedge is effective, that is, over the hedging relationship, changes in fair values of hedging derivatives attributable to the hedged risk are within a range of minus 80 percent to minus 125 percent of changes in fair values of the hedged items attributable to the hedged risk.

If the Bank uses a fair value hedge, the hedged item is remeasured to fair value and the gain or loss from the remeasurement is recognised to expense or income as appropriate. The same accounts of expense and income that reflect the gain or loss from remeasuring the hedged item at fair value are also used in accounting for changes in fair values of hedging derivatives that are attributable to the hedged risk.

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

(u) Assets under Administration

Assets under administration are not included in these financial statements.

(v) Segment Reporting

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

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

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

(w) Cash and Cash Equivalents

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

(x) Changes in Accounting Policies for the Year Ended 31 December 2002

With effect from the year ended 31 December 2002, the Bank has accounted for the acquisition of securities using trade date accounting. The effect of such change in accounting policy is not significant to the financial statements.

With effect from 1 January 2002, the Bank decreased the threshold for capitalisation of tangible fixed assets from CZK 40,000 to CZK 13,000 to make its capitalisation policy compliant with the Erste Bank accounting policies. This change had a positive impact on the profit for the year ended 31 December 2002 amounting to CZK 272 million as a result of the gradual depreciation of the assets under a depreciation plan as opposed to the previous treatment which involved expensing the assets in the year of acquisition.

5. Companies Included In Consolidation

The consolidated financial statements include the following subsidiaries:

Name of the company	Registered office	Principal activities	Group interest 2002	2001
Leasing České spořitelny, a. s.	Prague	Leasing	100.0%	100.0%
Stavební spořitelna České spořitelny, a. s.	Prague	Building savings bank	60.5%	60.5%
Pojišťovna České spořitelny, a. s.	Pardubice	Insurance	55.3%	55.3%
Consulting České spořitelny, a. s.	Prague	Consultancy	100.0%	51.0%
Investiční společnost České spořitelny, a. s.	Prague	Investment management	100.0%	100.0%
Penzijní fond České spořitelny, a. s.	Prague	Pension fund	100.0%	100.0%
CF Danube Leasing, s.r.o.	Slovakia	Leasing	100.0%	100.0%
Factoring České spořitelny, a. s.	Prague	Factoring	100.0%	100.0%
Informatika České spořitelny, a. s.	Prague	IT services	100.0%	–
Czech TOP Venture Fund B.V.	Netherlands	Corporate finance	84.3%	–

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

Up to 10 percent of the profits from the pension fund can be distributed to the shareholders and the shareholders incur the entire loss, if any. All other profit is available for distribution to participants (customers).

(b) Informatika České spořitelny, a. s.

For the year ended 31 December 2002, the consolidated financial statements include, for the first time, Informatika České spořitelny, a. s. In the year ended 31 December 2001, the Group held 100 percent of the issued share capital of this entity but the entity was not included in consolidation as a result of immateriality (the profit and loss account impact for 2001: CZK 7 million).

(c) Consulting České spořitelny, a. s.

Pursuant to an agreement entered into on 11 November 2002, the Bank repurchased a 49 percent equity interest in Sindat Consulting České spořitelny, a. s. held by the minority shareholder and became the sole shareholder of this entity. Subsequently, the Bank changed the name of the entity to Consulting České spořitelny, a. s. This transaction occurred at the fair value of assets and liabilities acquired. Net assets at acquisition were CZK 3 million.

In determining goodwill, the Bank referred to the carrying amount of the assets of the company as there was no indication that the carrying value would be significantly different from fair value.

6. Cash and Balances with the CNB

MCZK	2002	2001
Cash	15,194	15,183
Nostro accounts with the CNB	415	386
Minimum reserve deposit with the CNB	6,652	7,361
Total	22,261	22,930

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

7. Loans and Advances to Financial Institutions

MCZK	2002	2001
Repayable on demand	931	2,376
Loans and advances to financial institutions	105,146	54,730
Placements with financial institutions	22,705	62,998
Total	128,782	120,104

As of 31 December 2002, the Bank provided certain financial institutions with loans of CZK 100,823 million (2001: CZK 50,578 million) under reverse repurchase transactions which were collateralised by securities amounting to CZK 93,917 million (2001: CZK 47,823 million).

Substandard, doubtful and loss loans

Loans and advances to financial institutions include no loans rated as substandard, doubtful or loss as of 31 December 2002 or 2001.

8. Amounts Due from Česká konsolidační agentura

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

MCZK	2002	2001
Amounts due from Česká konsolidační agentura	38,264	37,182

As of 31 December 2002, the Group had loans of CZK 29,178 million related to the loan portfolio restructuring supported by the State (2001: CZK 33,884 million). These loans fall due for repayment in the period from 2004 through 2009.

9. Loans and Advances to Customers

MCZK	2002	2001
Corporate clients	87,619	87,316
Retail clients	54,895	43,738
Public sector	8,385	18,419
Total	150,899	149,473

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

MCZK	2002	2001
Corporate loans CZK	62,282	64,688
Retail loans CZK	40,182	35,087
Loans denominated in foreign currency	13,440	14,616
Mortgage loans	20,967	12,933
Public sector loans	7,137	17,745
Leasing	6,891	4,404
Total	150,899	149,473

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

Industry sector analysis

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

MCZK	2002	2001
Non-financial institutions	61,367	65,621
Financial institutions	14,329	13,935
Government sector	8,175	18,753
Not-for-profit organisations	2,036	449
Households (self employed)	561	2,005
Resident individuals	47,289	37,156
Other	1,760	286
Total (only for the Bank)	135,517	138,205
Intra-group loans and advances	(1,185)	(1,696)
Loans and advances of other Group companies	16,567	12,964
Total	150,899	149,473

Analysis of loans by type of collateral

MCZK	2002	2001
Guarantees	9,823	21,461
Bills of exchange	680	2,083
Pledged real estate	42,921	35,569
Pledged movables	874	400
Cash collateral	1,254	1,145
Bonds and shares	290	483
Ceded receivables	9,130	8,688
Securities received under reverse repo transactions	872	11,103
Other	1,589	1,924
Uncollateralised	68,084	55,349
Total (only for the Bank)	135,517	138,205
Intra-group loans and advances	(1,185)	(1,696)
Loans and advances of other Group companies	16,567	12,964
Total	150,899	149,473

As of 31 December 2002, the Bank provided certain customers with loans of CZK 872 million (2001: CZK 11,103 million) under reverse repurchase transactions which were collateralised by securities amounting to CZK 1,147 million (2001: CZK 11,102 million).

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

Risk categorisation of loans and receivables (excluding Group companies)

The table below details the breakdown of loans and advances to customers by specific risks identified within the credit portfolio of the Bank. The Bank has divided the credit portfolio into two parts corresponding to the credit risk characteristics of the underlying loans and receivables. The table below presents loans and receivables that are being managed under a special regime (ring-fence and fully provisioned loans and advances) and the remaining loan portfolio as of 31 December 2002.

The risk categorisation of loans and receivables as of 31 December 2002 was as follows:

MCZK	Gross exposure	Applied collateral	Net exposure	Provisions and reserves
Special loans and receivables – Bank only				
Ringfence loans (refer to Note 2a)	1,952	1,863	89	66
Fully provisioned receivables	8,211	785	7,426	8,211
Subtotal	10,163	2,648	7,515	8,277
Remaining receivables by CNB classification – Bank only				
Standard	110,091	55,686	54,405	–
Watch	8,907	6,623	2,284	295
Substandard	2,133	1,004	1,129	540
Doubtful	1,042	609	433	401
Loss	3,181	1,098	2,083	2,978
Subtotal	125,354	65,020	60,334	4,214
Reserves for portfolio risk				5,371
Total (only for the Bank)	135,517	67,668	67,849	17,862

The risk categorisation of loans and receivables as of 31 December 2001 was as follows:

MCZK	Gross exposure	Applied collateral	Net exposure	Provisions and reserves
Special loans and receivables – Bank only				
Ringfence loans	11,627	8,829	2,798	2,798
Fully provisioned receivables	8,600	1,213	7,387	8,600
Subtotal	20,227	10,042	10,185	11,398
Remaining receivables by CNB classification – Bank only				
Standard	103,665	63,839	39,826	–
Watch	8,705	5,387	3,318	193
Substandard	2,149	1,189	960	453
Doubtful	1,242	742	500	481
Loss	2,217	1,657	560	2,190
Subtotal	117,978	72,814	45,164	3,317
Reserves for portfolio risk				6,021
Total (only for the Bank)	138,205	82,856	55,349	20,736

Ringfence loans only include loans and receivables that are included in the ring fencing concluded between the Bank and ČKA. These ringfence loans had a guaranteed value of CZK 1,914 million (including off balance sheet exposures) as of 31 December 2002 (2001: CZK 8,829 million). Fully provisioned receivables include receivables against which the Bank has created 100 percent provisions without taking into account the possibility of recovering collateral. The collateral values underlying the remaining portion of the portfolio are determined pursuant to internal collateral evaluation rules.

The uncertainties resulting from the loans and advances to customers, collateral recovery, the overall put/call risk inherent in the ringfence loans and concentration risk are covered by reserves for credit risk.

The gross exposures shown above include outstanding interest related to non-performing loans that are overdue by greater than 90 days in the aggregate amount of CZK 1,452 million (2001: CZK 1,898 million). The gross exposures additionally include loans in the aggregate amount of CZK 7,609 million (2001: CZK 9,540 million) on which interest is no longer accrued.

Finance leases

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

MCZK	2002	2001
Gross investment in finance leases	8,294	6,256
Of which:		
Less than 1 year	1,652	1,246
From 1 year to 5 years	6,257	4,719
Over 5 years	385	291
Unearned income	(1,403)	(1,852)
Subtotal	6,891	4,404
Provisions	(824)	(673)
Net investment in finance leases	6,067	3,731

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

10. Provisions for Losses on Loans and Advances

(a) Composition of provisions for losses on loans and advances

MCZK	2002	2001
Loans and advances to customers	13,439	15,532
Territorial risks	–	241
Other risks	5,456	5,872
Total provisions for losses on loans and advances	18,895	21,645
Provision for off balance sheet exposures	683	690
Total provisions for credit risks	19,578	22,335

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

(b) Creation and use of provisions for credit risks

MCZK	2002	2001
At 1 January	22,335	24,179
Net charge of provisions (Note 28)	258	2,643
Loans written off	(3,400)	(4,446)
Reclassification and FX differences from provisions in foreign currency	385	(41)
At 31 December	19,578	22,335

The table above also reflects the creation and use of provisions for off balance sheet exposures amounting to CZK 683 million as of 31 December 2002 (2001: CZK 690 million). Refer to Note 21.

The decrease in provisions was primarily attributable to the exercise of the full put/call option with ČKA (refer to Note 2a), where the difference between the value of loans and the purchase price was charged to expenses against the provisions recognised against these loans.

11. Securities and other Assets Held for Trading

MCZK	2002	2001
Debt securities and other fixed income securities		
Listed	7,952	15,013
Equity securities and other variable yield securities		
Listed	209	86
Financial derivatives with positive fair value (Note 35)		
Currency	1,351	2,865
Interest rate	13,387	6,216
Other	4	6
Total	22,903	24,186

Debt securities and other fixed income securities held for trading include Government treasury bills and treasury bills of the CNB in the aggregate amount of CZK 2,061 million (2001: CZK 8,805 million) and Government bonds in the aggregate amount of CZK 4,182 million (2001: CZK 1,544 million) which may be used for refinancing with the CNB. The amounts shown above do not reflect securities that were transferred to collateralise loans received under repurchase transactions.

Debt securities comprise only securities issued in CZK:

MCZK	2002	2001
Variable yield debt securities	326	1,266
Fixed income debt securities	7,626	13,747
Total debt securities	7,952	15,013

Equity securities and other variable yield securities comprise:

MCZK	2002	2001
Shares and share certificates		
Issued in CZK	6	86
Issued in other currencies	203	–
Total	209	86

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

MCZK	2002	2001
Debt securities issued by		
State institutions in the Czech Republic	7,221	13,196
Financial institutions in the Czech Republic	141	842
Foreign financial institutions	314	20
Other entities in the Czech Republic	276	918
Other foreign entities	–	37
Total	7,952	15,013

Equity securities held for trading were issued by the following issuers:

MCZK	2002	2001
Shares and share certificates issued by		
Financial institutions in the Czech Republic	–	26
Other entities in the Czech Republic	6	60
Foreign entities	203	–
Total	209	86

12. Securities available for Sale

MCZK	2002	2001
Debt securities and other fixed income securities		
Listed	25,509	15,245
Unlisted	5,261	1,617
Equity securities and other variable yield securities		
Listed	1,189	1,331
Unlisted	548	870
Total	32,507	19,063

Debt securities and other fixed income securities include Government treasury bills and treasury bills of the CNB in the aggregate amount of CZK 7,483 million (2001: CZK 3,532 million) and Government bonds in the aggregate amount of CZK 5,829 million (2001: CZK 494 million) which may be used for refinancing with the CNB. The amounts shown above do not reflect securities that were transferred to collateralise loans received under repurchase transactions.

Listed equity securities and other variable yield securities reflect shares issued by the parent company, Erste Bank Vienna amounting to CZK 125 million (2001: CZK nil).

Unlisted equity securities and other variable yield securities include equity investments and holdings that are not participating interests with controlling or significant influence at an aggregate amount of CZK 160 million (2001: CZK 112 million).

Debt securities and other fixed income securities comprise:

MCZK	2002	2001
Variable yield debt securities		
Issued in CZK	2,395	3,085
Issued in other currencies	2,437	2,152
Total	4,832	5,237
Fixed income debt securities		
Issued in CZK	15,986	5,981
Issued in other currencies	9,952	5,644
Total	25,938	11,625
Total debt securities	30,770	16,862

Equity securities comprise:

MCZK	2002	2001
Shares and share certificates		
Issued in CZK	1,361	2,153
Issued in other currencies	376	48
Total	1,737	2,201

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

MCZK	2002	2001
Debt securities issued by		
State institutions in the Czech Republic	14,911	4,026
Foreign state institutions	1,370	1,364
Financial institutions in the Czech Republic	1,312	895
Foreign financial institutions	7,798	1,782
Other entities in the Czech Republic	1,866	3,662
Other foreign entities	3,513	5,133
Total	30,770	16,862

Equity securities available for sale were issued by the following issuers:

MCZK	2002	2001
Shares and share certificates issued by		
Financial institutions in the Czech Republic	671	171
Other entities in the Czech Republic	554	1,982
Other foreign entities	512	48
Total	1,737	2,201

13. Securities and other Assets Held to Maturity

MCZK	2002	2001
Debt securities and other fixed income securities		
Listed	91,140	90,236
Unlisted	11,188	10,577
Equity investments		
Subsidiaries and associates excluded from consolidation	313	61
Other investments		
Buildings leased to third parties	–	17
Total	102,641	100,891

Listed debt securities and other fixed income securities include Government treasury bills and treasury bills of the CNB of CZK 20,399 million (2001: CZK 32,873 million) and Government bonds of CZK 46,181 million (2001: CZK 29,809 million) which may be used for refinancing with the CNB. The amounts shown above do not reflect securities that were transferred to collateralise loans received under repurchase transactions.

The portfolio additionally comprises bonds issued by the parent company, Erste Bank Vienna at a cost of CZK 4,983 million (2001: CZK 4,977 million). The portfolio also includes debt securities and other fixed income securities acquired under initial offerings in the aggregate amount of CZK 3,391 million (2001: CZK nil).

Debt securities held to maturity comprise:

MCZK	2002	2001
Variable yield debt securities		
Issued in CZK	2,235	4,257
Issued in other currencies	–	20
Total	2,235	4,277
Fixed income debt securities		
Issued in CZK	99,919	96,536
Issued in other currencies	174	–
Total	100,093	96,536
Total debt securities	102,328	100,813

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

MCZK	2002	2001
Debt securities issued by		
State institutions in the Czech Republic	70,055	70,376
Financial institutions in the Czech Republic	6,455	4,818
Foreign financial institutions	16,134	12,946
Other entities in the Czech Republic	5,997	7,974
Other foreign entities	3,687	4,699
Total	102,328	100,813

14. Intangible fixed Assets

MCZK	Goodwill	Software	Other	Total
Cost				
1 January 2002	30	4,721	672	5,423
Additions	(2)	398	4,035	4,431
Disposals	–	(3,365)	(283)	(3,648)
31 December 2002	28	1,754	4,424	6,206
Accumulated amortisation and provisions				
1 January 2002	(10)	(1,923)	(313)	(2,246)
Additions	(3)	(167)	(409)	(579)
Provision for impairment	–	(324)	(117)	(441)
Disposals	–	1,293	116	1,409
31 December 2002	(13)	(1,121)	(723)	(1,857)
Net book value				
31 December 2002	15	633	3,701	4,349
31 December 2001	20	2,798	359	3,177

The balances as of 31 December 2002 shown above include CZK 1,785 million (2001: CZK 1,829 million) in assets under construction.

The impairment of assets is related to the restructuring reserve for extraordinary costs of replacement of software amounting to CZK 324 million (2001: CZK 351 million) (refer to Note 21d) and impairment of assets under constructions amounting to CZK 117 million (2001: CZK nil).

Additions to other intangible fixed assets for the year ended 31 December 2002 predominantly relate to licences acquired as part of costs of new information systems.

15. Property and Equipment

MCZK	Land and buildings	Equipment, fixtures and fittings	Total
Cost			
1 January 2002	17,424	12,724	30,148
Additions	766	2,514	3,280
Disposals	(299)	(2,576)	(2,875)
31 December 2002	17,891	12,662	30,553
Accumulated depreciation and provisions			
1 January 2002	(4,321)	(9,035)	(13,356)
Additions	(643)	(1,029)	(1,672)
Provision for impairment	(25)	–	(25)
Disposals	189	1,843	2,032
31 December 2002	(4,800)	(8,221)	(13,021)
Net book value			
31 December 2002	13,091	4,441	17,532
31 December 2001	13,103	3,689	16,792

The balances as of 31 December 2002 shown above include CZK 1,210 million (2001: CZK 2,809 million) in assets under construction.

Of the aggregate impairment of assets, CZK 18 million (2001: CZK 468 million) has been recognised as part of restructuring reserves (refer to Note 21d) for redundant assets which are anticipated to be disposed of in 2003. Impairment of other assets within “Land and buildings” amounting to CZK 71 million (2001: CZK 120 million) has been recognised as a one-off writedown through additions in accumulated depreciation and provisions. The impairment has been recorded in respect of assets whose carrying value exceeded the market value established by an independent appraiser. The impairment has been charged through the profit and loss account line “General administrative expenses – depreciation of property and equipment” (refer to Note 30).

Provisions of CZK 357 million included within restructuring reserves (refer to Note 21d) relating to premises that are expected to be disposed of in the period after the year 2003 were re-allocated to the balance of provisions for temporary impairment of assets.

Disposals of other assets within “Land and buildings” also reflect buildings for which restructuring reserves had been recorded in previous periods and utilised in 2002 to cover losses on the sale in the aggregate amount of CZK 14 million (2001: CZK 2 million). Refer to Note 21d.

The balance of assets includes assets of CZK 32 million (2001: CZK 110 million) held under lease agreements where the Bank acts as a lessee. The lease agreements concern real estate of CZK 28 million (2001: CZK 28 million), and equipment, fixtures and fittings of CZK 4 million (2001: CZK 82 million). Lease payments arising from these agreements are distributed as follows: CZK 2 million matures within one year, CZK 8 million matures from one to five years and CZK 4 million matures over five years.

16. Deferred Income Taxes

Deferred income tax is calculated from all temporary differences under the liability method using a principal tax rate of 31 percent, 15 percent for Penzijní fond České spořitelny, a. s. and 25 percent for CF Danube Leasing, s.r.o.

Deferred income tax assets and liabilities are as follows:

MCZK	2002	2001
Balance at beginning of year	2,742	3,507
Effect of adopting IAS 39	–	(27)
Charge for the year	(1,963)	(738)
Net balance at end of year	779	2,742

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

MCZK	2002	2001
Tax losses carried forward	(1,712)	(1,446)
Provisions and reserves	(412)	262
Accelerated depreciation	117	27
Other temporary differences	44	419
Total (Note 32)	(1,963)	(738)

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

MCZK	2002	2001
Deferred tax assets		
Tax losses carried forward	192	1,904
Non-tax deductible reserves and provisions	879	1,291
	1,071	3,195
Deferred tax asset adjustment (net of liabilities)	(282)	(336)
Total deferred tax asset (Note 17)	789	2,859

Deferred tax liabilities		
Accelerated depreciation for tax purposes	(296)	(413)
Other temporary differences	4	(40)
	(292)	(453)
Deferred tax liability adjustment (net of assets)	282	336
Total deferred tax liability (Note 21)	(10)	(117)
Net deferred tax asset	779	2,742

The Group has incurred tax losses in recent years available for carry forward for offset against future taxable income. However, management believes that it is more likely than not that it will generate future taxable income sufficient to realise the tax benefits associated with tax losses prior to their expiration. This belief is based upon, among other factors, improved operations that occurred in 2001 and 2002, as well as consideration of tax planning strategies.

17. Other Assets

MCZK	2002	2001
Accrued income	4,853	5,435
Of which:		
Interest on loans and advances to financial institutions	138	1,657
Interest on loans and advances to customers, including ČKA	800	360
Coupons on bonds	3,768	3,265
Other	147	153
Deferred expenses	378	411
Deferred taxation (Note 16)	789	2,859
Receivable from state subsidy	3,140	2,500
Various receivables	6,876	5,563
Other assets	2,412	2,684
Total	18,448	19,452

The receivable from state subsidy totalling CZK 3,140 million (2001: CZK 2,500 million) involves claims in respect of the participants of the building savings program offered by the Bank's subsidiary Stavební spořitelna České spořitelny, a. s. The state subsidy is provided to the participants from the Ministry of Finance of the Czech Republic based on the amount of customer deposits at year-end with a limit of CZK 4,500 per participant (refer to Note 19).

18. Amounts owed to Financial Institutions

MCZK	2002	2001
Repayable on demand	174	211
Other	31,684	30,931
Total	31,858	31,142

As of 31 December 2002, the Bank received from other financial institutions loans of CZK 8,502 million (2001: CZK 14,329 million) under repurchase transactions which were collateralised by securities amounting to CZK 4,430 million (2001: CZK 10,379 million). Refer to Note 35a.

19. Amounts owed to Customers

MCZK	2002	2001
Repayable on demand	197,850	145,305
Other deposits	205,185	245,447
Total	403,035	390,752

As of 31 December 2002, the Bank received from customers loans of CZK 8,847 million (2001: CZK 2,782 million) under repurchase transactions which were collateralised by securities amounting to CZK 2,352 million (2001: CZK 247 million). Refer to Note 35a.

Other deposits include a payable of CZK 3,140 million (2001: CZK 2,500 million) arising from state subsidy claims in respect of building savings program participants (refer to Note 17). For comparison purposes, the presentation of this payable in 2001 was adjusted and is therefore different from the presentation in the financial statements for the year ended 31 December 2001.

Analysis of amounts owed to customers:

MCZK	2002	2001
Savings deposits	161,997	194,911
Public sector	24,316	17,383
Corporate clients	59,110	47,906
Retail clients	150,276	125,419
Other	7,336	5,133
Total	403,035	390,752

The increase in amounts owed to customers for the year ended 31 December 2002 was primarily attributable to the increase in the balance of construction savings deposits and partially the increase in other payables to pension benefit scheme participants.

20. Bonds in Issue

	Date of issue	Maturity date	Interest rate	2002 MCZK	2001 MCZK
Mortgage bonds	November 2002	November 2007	5.8%	2,796	–
Mortgage bonds	August 1998	August 2003	11.85%	165	165
Bonds	February 1997	February 2002	10.75%	–	5,000
Depository bills of exchange				4,182	5,823
Total				7,143	10,988

21. Provisions for Liabilities and other Reserves

(a) Structure of provisions

MCZK	2002	2001
Provision for off balance sheet credit risks (Note 10)	683	690
Insurance technical reserves	5,798	2,495
Restructuring reserves	388	993
Other reserves	398	334
Income tax liability	821	75
Deferred income tax liability (Note 16)	10	117
Total	8,098	4,704

(b) Creation and usage of provisions

MCZK	2002	2001
Balance at 1 January	4,704	3,827
Net provisioning charge	7,986	3,179
Use of provisions	(4,592)	(2,260)
Reclassification and FX differences arising from provisions in foreign currencies	–	(42)
Balance at 31 December	8,098	4,704

(c) Provisions for off balance sheet credit exposures

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

MCZK	2002	2001
Balance at 1 January	690	656
Net provisioning charge	(7)	257
Use of provisions	–	(223)
Balance at 31 December	683	690

(d) Restructuring reserves

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

The following table provides a summary of the creation and use of the restructuring reserves:

MCZK	2002	2001
Balance at 1 January 2002		
Extraordinary costs of closure of branches	47	51
Extraordinary costs of replacement of software	544	507
Costs of earlier termination of leases of buildings	228	150
Extraordinary costs of severance and compensation associated with reducing staffing levels	174	488
Disposal of redundant assets	690	225
Total balance at 1 January	1,683	1,421
Charges to operations		
Extraordinary costs of closure of branches	16	–
Extraordinary costs of replacement of software	–	421
Costs of earlier termination of leases of buildings	–	78
Extraordinary costs of severance and compensation associated with reducing staffing levels	172	–
Disposal of redundant assets (refer to Note 15)	18	468
Total gross charges to operations	206	967
Costs incurred		
Extraordinary costs of closure of branches	5	3
Extraordinary costs of replacement of software (Note 14)	324	351
Costs of earlier termination of leases of buildings	4	–

Extraordinary costs of severance and compensation associated with reducing staffing levels	120	212
Disposal of redundant assets (refer to Note 15)	14	2
Total costs incurred	467	568
Release for redundancy		
Extraordinary costs of closure of branches	–	1
Extraordinary costs of replacement of software	107	33
Costs of earlier termination of leases of buildings	179	–
Extraordinary costs of severance and compensation associated with reducing staffing levels	54	102
Disposal of redundant assets – allocation to provisions for temporary impairment of asset (refer to Note 15)	357	–
Disposal of redundant assets	81	1
Total release for redundancy	778	137
Balance at 31 December		
Extraordinary costs of closure of branches	58	47
Extraordinary costs of replacement of software	113	544
Costs of earlier termination of leases of buildings	45	228
Extraordinary costs of severance and compensation associated with reducing staffing levels	172	174
Total balance at 31 December for restructuring provisions	388	993
Disposal of redundant assets (refer to Note 15)	256	690
Total balance at 31 December for restructuring reserves	644	1,683

The Bank anticipates using these remaining restructuring reserves during 2003.

22. Other Liabilities

MCZK	2002	2001
Financial derivatives with negative fair value (Note 35)	13,960	7,834
Of which:		
Foreign currency	1,510	1,769
Interest rate	12,447	6,065
Other	3	
Accrued expenses	622	973
Of which:		
Interest on amounts owed to financial institutions	195	66
Interest on amounts owed customers	338	269
Interest on bonds in issue	33	463
Other	56	175
Deferred income	128	170
Short sales	5,185	2,791
Various creditors	5,389	6,316
Other short-term payables to customers	1,624	358
Other liabilities	6,187	4,532
Total	33,095	22,974

Other short-term payables to customers consist of payables arising from factoring transactions carried out by the subsidiary Factoring České spořitelny, a. s.

23. Subordinated Debt

On 23 December 1998, the Group received a subordinated debt totalling CZK 5,500 million from KOB (presently ČKA) in the form of a loan with a maturity date of 23 December 2008 and an interest rate of 6M PRIBOR plus 1.8 percent. If the Group does not exercise its option for premature repayment of the loan after the elapse of five years, the interest rate shall be increased to 6M PRIBOR plus 3.7 percent. Interest is payable half yearly in arrears. The debt is unsecured and unconditional.

24. Minority Interests

MCZK	2002	2001
Balance at 1 January	1,090	1,036
Minority interest in the current year's profit	187	123
Acquisition of minority interest	(6)	–
Dividends paid to minority shareholders	(140)	(69)
Balance at 31 December	1,131	1,090

25. Share Capital

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

	Number of shares	2002 MCZK	Number of shares	2001 MCZK
Ordinary shares of CZK 100 each	140,788,787	14,079	140,788,787	14,079
Priority shares of CZK 100 each	11,211,213	1,121	11,211,213	1,121
Total	152,000,000	15,200	152,000,000	15,200

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

Based upon an unconditional and voluntary offer to purchase the Bank's ordinary shares from 22 March 2002, DIE ERSTE österreichische Spar-Casse Ansteilsverwaltungssparkasse ("AVS") purchased a total of 35.13 percent or 49.46 million shares of the Bank's stock. As a result, AVS, acting in concert with Erste Bank according to Czech legislation, acquired more than 90 percent of the Bank's shares which led to a significant reduction of the liquidity of the shares (only approximately 3 percent of shares were available for free trading). As such, at the General Meeting held on 22 May 2002, the shareholders approved the de-registration of the Bank's shares, that is, the withdrawal of the shares from public trading. Subsequently, in accordance with Commercial Code requirements, the Bank made a public offer to the parties that held the Bank's shares as of 22 May 2002 and did not vote for the de-registration of the shares or did not take part in the General Meeting to purchase ordinary shares. As part of this share buy-out offer, the Bank repurchased a total of 583 ordinary shares which it sold to its majority shareholder Erste Bank in August 2002. The transactions referred to above as well as the transfer of shares between AVS and Erste Bank resulted in a change of the shareholding structure (Erste Bank held 93.19 percent of the Bank's issued share capital as of 31 December 2002). As of 6 August 2002, public trading of the Bank's securities was discontinued.

In June 1996, the Bank issued 5,090,000 Global Depository Receipts ('GDRs'), representing 6.7 percent of the Bank's share capital at that time. The depository of the GDRs is Deutsche Bank Trust Company Americas. In connection with the de-registration of its shares from public markets, the Bank is presently finalising documentation required to transfer unsettled transactions through the Securities Centre. As of 31 December 2002, 44,073 GDRs (2001: 279,475 GDRs) were administered by the depositary.

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

All employees of the Bank and its subsidiary companies were entitled to subscribe for shares under the Employee Stock Ownership Programme. Each employee was entitled to subscribe for a maximum of 100 shares. The price of one share was established on the basis of the average rate in March 2002 decreased by a 20 percent discount. The 20 percent discount is conditional upon the shares being held for a period of one year. A total of 556 employees participated in the programme and subscribed for 34,179 shares.

Management of the Bank and its subsidiary companies and selected key employees were granted the first tranche of options for subscription of shares under the Management Erste Bank Stock Option Plan 2002. In the year ended 31 December 2002, approximately 73,800 options were granted to these employees. The following tranches of the programme in 2003 and 2004 will be approximately of the same size. These options will entitle the holders to acquire Erste Bank's shares for the average price of shares ruling in March 2002 (EUR 66), within five years from the issuance of each tranche of the options. The first exercise of options will take place in April 2003 with a holding period of at least one year.

26. Interest Income and Similar Income

MCZK	2002	2001
Loans and advances to financial institutions	6,186	8,561
Loans and advances to customers	12,550	11,595
Debt securities and other fixed income securities	7,126	7,063
Other interest income and similar income	65	231
Proceeds from shares and other variable yield securities	51	91
Income from equity investments (received dividends)	–	188
Total	25,978	27,729

27. Interest Expense and Similar Expense

MCZK	2002	2001
Amounts owed to financial institutions	1,155	1,334
Amounts owed to customers	8,160	10,044
Bonds in issue	209	735
Subordinated debt	328	401
Other	1	59
Total	9,853	12,573

28. Provisions for Losses on Loans and Advances

MCZK	2002	2001
Charge for a year	(4,324)	(4,754)
Release of provisions	4,066	2,111
Net charge of provisions (Note 10 (b))	(258)	(2,643)
Write-offs of loans not covered by provisions	(103)	(106)
Recoveries	30	18
Total	(331)	(2,731)

29. Net Profit on Financial Operations

MCZK	2002	2001
Realised and unrealised profit on securities held for trading	187	177
Derivative instruments	(350)	(66)
Foreign exchange gains	810	722
Other	(9)	–
Total	638	833

30. General Administrative Expenses

(a) Composition of general administrative expenses

MCZK	2002	2001
Staff costs		
Wages and salaries	3,623	4,038
Other staff costs	1,127	822
Social security costs	1,586	1,570
Other staff costs	190	156
Total staff costs	6,526	6,586
Other administrative expenses		
Data processing expenses	1,664	1,988
Building maintenance and rent	1,289	1,119
Costs of business transactions	1,138	1,109
Advertising and marketing	878	781
Advisory and legal services	311	691
Other administrative expenses	721	679
Total other administrative expenses	6,001	6,367
Depreciation		
Amortisation of intangible assets and other adjustments (Note 14)	576	379
Depreciation of property and equipment (Note 15)	1,672	1,892
Total depreciation, amortisation and other adjustments	2,248	2,271
Total	14,775	15,224

(b) Board of Directors and Supervisory Board emoluments

MCZK	2002	2001
Salaries	110	45
Bonuses	2	1
Total	112	46

(c) Average number of employees and Board members

	2002	2001
Board of Directors	37	31
Supervisory Board	56	51
Staff	13,061	14,539
Total	13,154	14,621

31. Other Operating Income/(Expenses), Net

MCZK	2002	2001
Premium written	5,111	2,649
Use of insurance technical reserves	4,024	1,619
Income from statute-barred deposits	385	–
Other operating income	1,146	784
Total other operating income	10,666	5,052
Restructuring charges (Note 21)	(206)	(967)
Other reserves	(64)	(337)
Creation of insurance technical reserves	(7,327)	(2,411)
Insurance claims	(1,079)	(1,022)
Other operating expense	(2,154)	(1,926)
Other taxes	(36)	(45)
Total other operating expense	(10,866)	(6,708)
Amortisation of goodwill	(3)	(4)
Income/(expense) of revaluation/sale of securities available for sale	608	324
Total other operating income (expenses), net	405	(1,336)

Other operating income includes income of CZK 385 million from statute-barred deposits in idle savings books. Other operating expenses include costs of CZK 17 million associated with paying statute-barred deposits (refer to Note 2c).

32. Income Tax Expense

MCZK	2002	2001
Current tax expense	954	237
Deferred tax expense (Note 16)	1,963	738
Total	2,917	975

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

MCZK	2002	2001
Profit before tax	8,909	2,896
Tax calculated at a tax rate of 31 percent	2,762	898
Income not subject to tax	(1,335)	(3,401)
Expenses not deductible for tax purposes	1,565	4,283
Tax allowances and credits, including the utilisation of tax losses	(2,033)	(1,555)
Other differences	(5)	12
Subtotal	954	237
Movement in deferred taxation (Note 16)	1,963	738
Income tax expense	2,917	975

Further information about deferred income tax is presented in Note 16.

33. Cash and Cash Equivalents

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

MCZK	2002	2001
Cash (Note 6)	15,194	15,183
Nostro accounts with the CNB (Note 6)	415	386
Treasury bills with maturity of less than three months	16,265	20,943
Nostro accounts with financial institutions (Note 7)	931	2,376
Loro accounts with financial institutions (Note 18)	(174)	(211)
Total cash and cash equivalents	32,631	38,677

34. Financial Instruments

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

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

Credit risk

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

Market risk

The Group takes on exposure to market risks. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Group applies a ‘value at risk’ methodology to estimate the market risk of positions held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. The Board of Directors sets limits on the value of risk that may be accepted. Sub-limits placed on sensitivity values and VaR in respect of individual trading desks enable the managing of the overall market risk profile. These limits are approved by the Financial Market and Risk Management Committee, are monitored on a daily basis and exposures are reported.

Foreign currency risk

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group manages this risk by establishing and monitoring limits on open positions, including also delta equivalents of currency options. In addition to monitoring limits, the Group also uses the ‘value at risk’ concept for measuring its open positions taken in respect of all currency instruments. The Group’s net open foreign exchange position as of 31 December 2002 is shown in Note 36.

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Group manages its interest rate risk through monitoring the repricing dates of the Group’s assets and liabilities and developing models showing the potential impact that changes in interest rates may have on the Group’s net interest income. Refer to Note 37.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in raising funds to meet commitments associated with financial instruments. The Group's liquidity position is monitored and managed based on expected cash inflows and outflows and adjusting interbank deposits and placements accordingly. Refer to Note 39 for an analysis of the Group's balance sheet as of 31 December 2002 and 2001, respectively.

In addition to the risks noted here, the Group also deals in derivative financial instruments, which are discussed in greater detail in Note 35.

35. Off Balance Sheet Items and Derivative Financial Instruments

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

(a) Contingent liabilities

Legal disputes

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

The Group is involved in various claims and legal proceedings of a special nature. The Bank has been named as a defendant in a legal action brought by one particular party regarding ownership of several of the Bank's buildings. The Bank also defends against various legal actions relating to contractual disputes. The Bank does not disclose the details underlying the disputes as the disclosure may have an impact on the outcome of the disputes and may seriously harm the Group's interests.

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

State aid received

In the context of the anticipated EU accession of the Czech Republic, the Government of the Czech Republic will have to initiate an approval process ex post for state aid measures of past years provided to the Czech banking sector, including Česká spořitelna, a. s. The Bank is fully cooperating with the Czech State in preparing this process, which has not been formally initiated as of the balance sheet date. No assessment of the result of such procedure can, therefore, be made at present.

Taxation

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

Capital commitments

In the normal course of business, the Bank places orders and executes contracts for the purchase of property and equipment. Recently, the Bank has initiated a major project for the replacement and upgrade of its major information technology systems. The estimated total cost for these purchases is approximately CZK 3,800 million. The Bank's management is confident that future revenues and funding will be sufficient to cover this commitment.

Assets pledged

Assets are pledged as collateral under repurchase agreements with other banks and customers in the amount of CZK 6,782 million (2001: CZK 10,628 million). Of this balance, treasury bills amount to CZK 2,017 million (2001: CZK 2,645 million), debt securities to CZK 4,759 million (2001: CZK 7,981 million) and equity securities to CZK 6 million (2001: CZK 2 million). Mandatory reserve deposits are also held with the local central bank in accordance with statutory requirements (Note 6). These deposits are not available to finance the Group's day to day operations.

Commitments from guarantees and letters of credit

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

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

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

The Group has recorded provisions for off balance sheet risks to cover potential losses that may be incurred in connection with these off balance sheet transactions. As of 31 December 2002, the aggregate balance of these provisions was CZK 683 million (2001: CZK 690 million). See Note 21.

MCZK	2002	2001
Guarantees and letters of credit	4,731	3,530
Undrawn loan commitments	45,940	26,892

(b) Derivatives

The Group maintains strict control limits on net open derivative positions, ie the difference between purchase and sale contracts, by both amount and term. At any one time the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Group (ie, assets), which in relation to derivatives is only a small fraction of the contract or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the Group requires margin deposits from counterparties.

All derivatives are stated at fair value on the balance sheet as of 31 December 2002 and 2001 (refer to Notes 11 and 22).

(c) Foreign currency contracts

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

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

Notional amounts

MCZK	2002	2001
Trading instruments		
Commitments to purchase	57,933	75,457
Commitments to sell	58,057	75,151

(d) Interest rate swaps

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

In the year ended 31 December 2002, the Bank applied hedge accounting in respect of the interest rate exposure arising from its own issue of mortgage bonds. The mortgage bonds issued with a fixed interest rate were linked to a floating market rate through interest rate swaps. Aggregate gains on the changes in fair values of hedged bonds and hedging swaps were CZK 0.555 million as of 31 December 2002.

As of 31 December 2002
Notional amounts

	MCZK	Weighted average rate	
		Receive	Pay
Hedging instruments			
Residual maturity			
1 to 5 years	2,200	3.81%	2.78%
Trading instruments			
Residual maturity:			
1 year or less	117,806	4.63%	3.78%
1 to 5 years	175,978	4.62%	3.62%
over 5 years	51,424	4.57%	3.55%
Total	345,208	4.61%	3.67%

As of 31 December 2001
Notional amounts

	MCZK	Weighted average rate	
		Receive	Pay
Trading instruments			
Residual maturity:			
1 year or less	25,934	5.94%	4.93%
1 to 5 years	164,477	5.91%	5.31%
over 5 years	51,077	6.40%	5.17%
Total	241,488	6.02%	5.24%

(e) Option contracts

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

Notional amounts

MCZK	2002	2001
Option contracts sold		
interest rate	608	699
foreign currency	8,338	11,000
Option contracts purchased		
interest rate	1,146	199
foreign currency	3,313	3,961

(f) Forward rate agreements

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

Notional amounts	MCZK	2002 Weighted average rate	MCZK	2001 Weighted average rate
Residual maturity:				
Purchase				
1 year or less	159,096	3.04%	134,000	5.24%
1 to 5 year	39,060	3.34%	91,256	5.70%
Sale				
1 year or less	159,096	3.11%	134,000	5.10%
1 to 5 year	39,060	3.82%	91,256	5.80%

(g) Forward contracts – treasury bills and other securities

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

Notional amounts

MCZK	2002	2001
Trading instruments		
Contracts with treasury bills		
Commitments to purchase	1,582	4,814
Contracts with debt securities and other fixed income securities		
Commitments to purchase	2,408	744
Commitments to sell	928	33
Contracts with equities		
Commitments to purchase	89	200
Commitments to sell	82	149

(h) Cross currency swaps

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

Notional amounts

MCZK	2002	2001
Trading instruments		
Commitments to purchase	9,704	5,307
Commitments to sell	8,642	4,735

(i) Credit derivatives (total return swaps)

The Group entered into transactions resulting in the Group assuming credit risk on certain underlying debt securities issued by Czech entities and denominated in a foreign currency. As of 31 December 2002, the total notional amount of transactions involving total return swaps is CZK 894 million (2001: CZK 934 million).

36. Net Foreign Exchange Positions

The net foreign exchange positions of the Group as of 31 December 2002 and 2001 were as follows:

MCZK	2002	2001
On balance sheet		
CZK	17,274	7,832
EUR	9,011	10,161
USD	1,331	3,410
GBP	517	494
SKK	(838)	23
Other currencies	2,536	2,535
Total	29,831	24,455
Off balance sheet		
CZK	10,358	21,644
USD	(1,286)	(2,805)
EUR	(8,850)	(18,538)
GBP	(529)	(406)
Other currencies	307	105
Total	–	–

37. Interest Rate Risk

(a) Interest rate repricing analysis

The following tables present the distribution of assets and liabilities according to the interest rate repricing dates. They include significant financial assets and liabilities in CZK, EUR and USD only as of 31 December 2002 and 2001. Variable yield assets and liabilities have been reported according to their next rate repricing date (the interest rates for the year ended 31 December 2002 are reported as repriced pursuant to 'Funds Transfer Pricing'). Fixed income assets and liabilities have been reported according to their remaining maturity.

As of 31 December 2002 MCZK	Demand and less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Selected assets						
Balances with the CNB	22,253	–	–	–	–	22,253
Loans and advances to financial institutions	107,670	6,873	10,368	2,541	–	127,452
Loans and advances to customers	49,308	38,178	35,557	51,982	2,584	177,609
Securities and other assets held for trading	9,477	–	–	–	–	9,477
Securities available for sale	4,946	5,057	4,855	8,659	6,655	30,172
Securities and other assets held to maturity	10,735	5,014	13,189	49,842	25,022	103,802
	204,389	55,122	63,969	113,024	34,261	470,765

Selected liabilities						
Amounts owed to financial institutions	12,645	8,123	9,398	1,089	–	31,255
Amounts owed to customers	81,709	87,453	81,471	149,699	323	400,655
Bonds in issue	4,048	33	165	2,796	100	7,142
Subordinated debt	–	–	5,500	–	–	5,500
	98,402	95,609	96,534	153,584	423	444,552
Current gap	105,987	(40,487)	(32,565)	(40,560)	33,838	26,213
Cumulative gap	105,987	65,500	32,935	(7,625)	26,213	

The line 'Loans and advances to customers' includes amounts due from ČKA. The Bank also manages its interest rate risk through the use of interest rate swaps.

As of 31 December 2001 MCZK	Demand and less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Selected assets						
Balances with the CNB	7,701	–	–	–	–	7,701
Loans and advances to financial institutions	75,855	12,837	15,099	1,674	–	105,465
Loans and advances to customers	63,980	41,219	28,451	39,843	1,472	174,965
Securities and other assets held for trading	15,012	–	–	–	–	15,012
Securities available for sale	2,136	2,726	1,437	2,439	330	9,068
Securities and other assets held to maturity	2,969	12,832	21,745	31,635	21,633	90,814
	167,653	69,614	66,732	75,591	23,435	403,025
Selected liabilities						
Amounts owed to financial institutions	15,375	3,174	4,127	780	–	23,456
Amounts owed to customers	93,829	80,242	68,989	116,190	–	359,250
Bonds in issue	–	5,000	81	500	119	5,700
Subordinated debt	–	–	5,500	–	–	5,500
	109,204	88,416	78,697	117,470	119	393,906
Current gap	58,449	(18,802)	(11,965)	(41,879)	23,316	9,119
Cumulative gap	58,449	39,647	27,682	(14,197)	9,119	–

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

(b) Effective yield information

The effective yields of significant financial assets and liabilities by major currencies of the banking segment as of 31 December 2002 and 2001 are as follows.

As of 31 December 2002	Weighted average interest rate	Weighted average interest rate	Weighted average interest rate	Weighted average interest rate
	CZK	EUR	USD	TOTAL
Selected assets				
Balances with the CNB	3.47%	–	–	3.47%
Loans and advances to financial institutions	3.73%	3.29%	1.71%	3.67%
Loans and advances to customers	7.28%	5.76%	3.65%	7.12%
Securities and other assets held for trading	3.71%	–	–	3.71%
Securities available for sale	4.87%	5.15%	4.53%	4.86%
Securities and other assets held to maturity	6.01%	–	7.89%	6.02%

Selected liabilities				
Amounts owed to financial institutions	4.01%	4.10%	2.01%	3.97%
Amounts owed to customers	3.34%	2.06%	0.69%	3.27%
Bonds in issue	4.62%	–	–	4.62%
Subordinated debt	5.76%	–	–	5.76%

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

As of 31 December 2001	Weighted average interest rate	Weighted average interest rate	Weighted average interest rate	Weighted average interest rate
	CZK	EUR	USD	TOTAL
Selected assets				
Balances with the CNB	4.75%	–	–	4.75%
Loans and advances to financial institutions	4.87%	3.33%	1.93%	4.67%
Loans and advances to customers	6.66%	6.20%	3.64%	6.57%
Securities and other assets held for trading	3.96%	–	–	3.96%
Securities available for sale	5.56%	5.16%	4.45%	3.85%
Securities and other assets held to maturity	6.36%	–	7.00%	6.36%
Selected liabilities				
Amounts owed to financial institutions	4.61%	3.95%	1.94%	4.58%
Amounts owed to customers	2.47%	1.97%	1.37%	2.44%
Bonds in issue	10.76%	–	–	10.76%
Subordinated debt	6.26%	–	–	6.26%

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

38. Concentrations of Credit Risk

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

MCZK	2002		2001	
Financial institutions	179,837	39%	164,869	38%
Individuals	57,720	13%	40,088	9%
Trading	13,491	3%	16,736	4%
Energetics	8,406	2%	9,323	2%
State institutions including ČKA	131,868	29%	137,144	31%
Public sector	8,385	2%	8,028	2%
Construction	2,587	1%	3,441	1%
Hotels, public catering	3,329	1%	1,894	0%
Processing industry	21,409	5%	24,005	5%
Other	31,963	7%	33,919	8%
Total	458,995		439,447	

For an analysis of the Group's assets and liabilities by geographical concentration refer to Note 41.

39. Maturity Analysis

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

MCZK	Demand and less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undefined	Total
Assets							
Cash and balances with the CNB	15,609	–	–	–	–	6,652	22,261
Loans and advances to financial institutions	2,160	110,971	9,948	5,703	–	–	128,782
Loans and advances to customers	2,067	9,475	35,806	96,701	45,114	(18,895)	170,268
Securities and other assets held for trading	14,748	–	2,596	3,113	2,446	–	22,903
Securities available for sale	2,367	3,900	5,249	13,262	7,729	–	32,507
Securities and other assets held to maturity	–	13,134	12,635	51,152	25,720	–	102,641
Other assets	6,064	1,203	3,654	2,178	1,182	26,048	40,329
Total	43,015	138,683	69,888	172,109	82,191	13,805	519,691
Liabilities							
Amounts owed to financial institutions	5,442	14,771	6,821	4,824	–	–	31,858
Amounts owed to customers	192,408	96,027	44,077	69,980	543	–	403,035
Bonds in issue	–	4,053	200	–	2,890	–	7,143
Subordinated debt	–	–	–	–	5,500	–	5,500
Other liabilities	18,471	1,162	122	883	4,142	16,413	41,193
Total	216,321	116,013	51,220	75,687	13,075	16,413	488,729
Current gap	(173,306)	22,670	18,668	96,422	69,116	(2,608)	30,962
Cumulative gap	(173,306)	(150,636)	(131,968)	(35,546)	33,570	30,962	

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

The following table shows assets and liabilities as of 31 December 2001 according to their residual maturities.

MCZK	Demand and less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undefined	Total
Assets							
Cash and balances with the CNB	15,183	–	–	–	–	7,747	22,930
Loans and advances to financial institutions	31,382	60,690	23,139	4,608	–	285	120,104
Loans and advances to customers	17,982	10,233	49,633	69,512	39,295	(21,645)	165,010
Securities and other assets held for trading	9,087	5,351	5,824	1,936	1,988	–	24,186
Securities available for sale	3,413	665	1,654	11,281	1,938	–	18,951
Securities and other assets held to maturity	1,999	11,800	23,021	39,808	24,185	190	101,003
Other assets	742	1,611	5,606	14	–	31,448	39,421
Total	79,788	90,350	108,877	127,159	67,406	18,025	491,605

Liabilities							
Amounts owed to financial institutions	3,419	18,160	6,367	3,142	–	54	31,142
Amounts owed to customers	196,157	57,279	39,845	94,759	212	–	388,252
Bonds in issue	2,267	6,704	1,754	263	–	–	10,988
Subordinated debt	–	–	–	5,500	–	–	5,500
Other liabilities	897	368	5,429	113	–	23,371	30,178
Total	202,740	82,511	53,395	103,777	212	23,425	466,060
Current gap	(122,952)	7,839	55,482	23,382	67,194	(5,400)	25,545
Cumulative gap	(122,952)	(115,113)	(59,631)	(36,249)	30,945	25,545	

The line 'Loans and advances to financial institutions' includes amounts due from ČKA.

40. Fair Value of Financial Instruments

Fair value estimates are made based on relevant market data and information about the financial instruments. Because no readily available market exists for a significant portion of the Group's financial instruments, fair value estimates for these instruments are based on judgements regarding current economic conditions, currency and interest rate characteristics and other factors.

Many of these estimates involve uncertainties and matters of significant judgement and cannot be determined with precision. Therefore, the calculated fair value estimates cannot always be substantiated by comparison to market values and, in many cases, may not be realised in a current sale of the financial instrument. Changes in underlying assumptions could significantly affect the estimates.

The following table summarises the carrying values and fair values of those financial assets and liabilities not presented on the balance sheet at their fair value:

MCZK	Carrying value 2002	Estimated fair value 2002	Carrying value 2001	Estimated fair value 2001
Financial assets				
Loans and advances to financial institutions	128,782	128,946	120,104	120,146
Loans and advances to customers	170,268	173,962	165,010	167,553
Securities and other assets held to maturity	102,641	110,014	101,003	104,483
Financial liabilities				
Amounts owed to financial institutions	31,858	31,902	31,142	31,194
Amounts owed to customers	403,035	413,849	388,252	391,505
Bonds in issue	7,143	7,188	10,988	11,118
Subordinated debt	5,500	5,565	5,500	5,504

Loans and advances to financial institutions

The fair value of current accounts is deemed to approximate their carrying amount. Given that term receivables generally reprice at relatively short time periods, it is justifiable to regard their carrying amount as the estimated fair value.

Loans and advances to customers

Loans and advances to customers are carried net of provisions. The fair value is estimated as the present value of discounted future cash flows and the applied discount factor is equal to the interest rates currently offered by the Bank.

Securities held to maturity

The fair value of securities held to maturity is based on market prices or price quotations obtained from brokers or dealers. If this information is not available, the fair value is estimated using quoted market values for securities with similar credit risk characteristics, maturity or yield rate or, as and when appropriate, according to the recoverability of the net asset value of these securities.

Amounts owed to financial institutions and customers

The estimated fair value of amounts owed to financial institutions and customers with no stated maturity which include no-interest earning deposits, is equal to the amount payable on demand. The fair value of fixed income deposits and other liabilities with no stated market value is estimated as the present value of discounted future cash flows and the applied discount factor is equal to the interest rates currently offered on the market for deposits with similar maturities.

Bonds in issue

The aggregated fair value is based on quoted market prices. The fair value of securities where no market price is available is estimated as the present value of discounted future cash flows and the applied discount factor is equal to the interest rates currently offered on the market for deposits with similar remaining maturities.

Subordinated debt

The fair value is estimated as the present value of discounted future cash flows and the applied discount factor is equal to the interest rates currently offered on the market for deposits with similar maturities.

41. Segment Reporting

(a) Industry segments

	Banking		Other operations		Total	
MCZK	2002	2001	2002	2001	2002	2001
External revenue	34,712	35,318	9,644	4,950	44,356	40,268
Inter-segment revenue	640	576	385	264	1,025	840
Total income	35,352	35,894	10,029	5,214	45,381	41,108
Segment profit/(loss)	9,194	3,074	(285)	(178)	8,909	2,896
Income tax					(2,917)	(975)
Minority interests					(187)	(123)
Net profit					5,805	1,798
Other information						
Segment assets	496,475	476,535	26,608	18,930	523,083	495,465
Unallocated assets					(3,392)	(3,860)
Total consolidated assets					519,691	491,605
Segment liabilities	467,823	453,189	24,009	16,465	491,832	469,654
Unallocated liabilities					(3,103)	(3,594)
Total consolidated liabilities					488,729	466,060
Capital expenditure	7,570	5,909	142	126	7,712	6,035
Depreciation and amortisation	2,129	2,165	119	106	2,248	2,271
Impairment losses on assets	445	468	21	–	466	468
Provisions for loan losses	216	2,487	115	244	331	2,731

For management purposes, the Group is organised into the following major operating divisions:
- Banking (retail, corporate and investment banking); and
- Other operations, which comprise leasing, insurance, funds management, real estate activities and advisory services.

Total income is composed of “Interest income and similar income”, “Fee and commission income”, “Net profit on financial operations” and “Other operating income, gross.” Refer to Note 31.

(b) Geographical segments

The Group operates predominantly within the Czech Republic and has no significant cross border operations.

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

MCZK	OECD 1)	OECD 2)	Non-OECD 3)	Total
Assets				
Cash and balances with the CNB	15,194	7,067	–	22,261
Loans and advances to financial institutions	38,652	89,962	168	128,782
Loans and advances to customers, including ČKA	122,424	46,587	1,257	170,268
Securities and other assets held for trading	15,422	7,278	203	22,903
Securities available for sale	15,036	16,493	978	32,507
Securities and other assets held to maturity	31,057	70,590	994	102,641
Other assets	37,053	3,204	72	40,329
Total assets	274,838	241,181	3,672	519,691
Liabilities				
Amounts owed to financial institutions	31,805	–	53	31,858
Amounts owed to customers	377,938	24,323	774	403,035
Bonds in issue	6,969	174	–	7,143
Subordinated debt	–	5,500	–	5,500
Other liabilities	40,626	567	–	41,193
Total liabilities	457,338	30,564	827	488,729
Net position	(182,500)	210,617	2,845	30,962

1) Represents persons or entities located within Organisation for Economic Co-operation and Development ('OECD') countries, including the Czech Republic.
2) Represents government bodies and central banks located within OECD countries, including the Czech Republic.
3) Represents persons, entities or government bodies located outside OECD countries.

The geographical concentration of assets and liabilities as of 31 December 2001 was as follows:

MCZK	OECD 1)	OECD 2)	Non-OECD 3)	Total
Assets				
Cash and balances with the CNB	15,183	7,747	–	22,930
Loans and advances to financial institutions	78,364	41,740	–	120,104
Loans and advances to customers, including ČKA	107,485	55,601	1,924	165,010
Securities and other assets held for trading	10,990	13,196	–	24,186
Securities available for sale	14,795	4,156	–	18,951
Securities and other assets held to maturity	30,627	70,376	–	101,003
Other assets	36,912	2,509	–	39,421
Total assets	294,356	195,325	1,924	491,605
Liabilities				
Amounts owed to financial institutions	31,142	–	–	31,142
Amounts owed to customers	369,258	17,384	1,610	388,252
Bonds in issue	10,988	–	–	10,988
Subordinated debt	–	5,500	–	5,500
Other liabilities	29,915	263	–	30,178
Total liabilities	441,303	23,147	1,610	466,060
Net position	(146,947)	172,178	314	25,545

1) Represents persons or entities located within Organisation for Economic Co-operation and Development ('OECD') countries, including the Czech Republic.
2) Represents government bodies and central banks located within OECD countries, including the Czech Republic.
3) Represents persons, entities or government bodies located outside OECD countries.

42. Assets Under Administration

The Group provides custody, trustee, investment management and advisory services to third parties which involve the Group making purchase and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these financial statements.

The Group administered CZK 40,809 million and CZK 11,977 million of assets as of 31 December 2002 and 2001, respectively, representing securities and other valuables received from customers into its custody for administration and safekeeping.

Furthermore, the Group acts as a depositary for several investment funds, whose assets amounted to CZK 51,324 million and CZK 33,647 million as of 31 December 2002 and 2001, respectively.

43. Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The Bank is controlled by Erste Bank (refer to Note 25).

The Bank has the following amounts due from/to Erste Bank as of 31 December 2002 and 2001:

MCZK	2002	2001
Amounts due from Erste Bank		
Loans outstanding at the beginning of the year	7,555	3,478
Loans issued during the year	78,719	7,223
Loan repayments during the year	(85,479)	(3,146)
Loans outstanding at the end of the year	795	7,555
Interest income earned	86	155
Amounts owed to Erste Bank		
Deposits at the beginning of the year	227	4,625
Deposits received during the year	32,984	195
Deposits repaid during the year	(31,469)	(4,593)
Deposits at the end of the year	1,742	227
Interest expense	56	131

In addition to the above loans and deposits, the Bank carries the following amounts due to and from Erste Bank as of 31 December 2002:
- Positive fair value of derivatives of CZK 3,317 million (2001: CZK 1,509 million) within assets held for trading;
- Shares of CZK 125 million (2001: CZK nil) within the available-for-sale portfolio (refer to Note 12);
- Bonds of CZK 4,983 million (2001: CZK 4,977 million) within the held-to-maturity portfolio (refer to Note 13);
- Receivables of CZK 77 million (2001: CZK 16 million) within other assets;
- Negative fair value of derivatives of CZK 2,760 million (2001: CZK 950 million) within other liabilities.

In addition to interest income and expense, the Group's profit was impacted by transactions with Erste Bank in the form of unrealised gains on the remeasurement of derivatives and shares of CZK 362 million (2001: CZK 313 million), fee income of CZK 14 million (2001: CZK 19 million) and advisory services costs of CZK 46 million (2001: CZK 46 million).

The off balance sheet transactions as of 31 December 2002 included derivative contracts with a notional amount of underlying assets of CZK 88,097 million (2001: CZK 65,606 million), received guarantees of CZK nil (2001: CZK 1,647 million) and issued guarantees of CZK 62 million (2001: CZK 11,620 million).

(a) Directors and officers

Loans and advances granted to the members of the Board of Directors and Supervisory Board amounted to nominal values of CZK 4,546 thousand and CZK 4,568 thousand as of 31 December 2002 and 2001, respectively.

Members of the Board of Directors and Supervisory Board held no shares of the Bank in 2002 (2001: 2,530 shares representing 0.002 percent of the Bank's share capital). Under the Employee Stock Option Plan (refer to Note 25), members of the Board of Directors subscribed for 700 shares of the parent company Erste Bank. Under the Management Stock Option Plan (refer to Note 25), members of the Board of Directors hold 25,000 options for subscription of shares of the parent company Erste Bank.

(b) Related parties

A number of banking transactions are entered into with related parties in the normal course of business. These include loans, deposits and other transactions. These transactions were carried out on commercial terms and conditions and at market rates.

44. Dividends

Management of the Bank has proposed that total dividends of CZK 3,040 million be declared in respect of the profit for the year ended 31 December 2002, which represents CZK 20 per ordinary and priority share (2001: CZK 456 million, that is, CZK 3 per both ordinary and priority share). The declaration of dividends is subject to the approval of the Annual General Meeting. Dividends paid to shareholders are subject to a withholding tax of 15 percent or a percentage set out in the relevant double tax treaty.

Annual Report 2002

Česká spořitelna, a. s.

Financial Section II

Unconsolidated Financial Statements

Prepared in Accordance with Czech Accounting Standards for the Year Ended 31 December 2002

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Performance Report

Česká spořitelna's Unconsolidated Results of Operations under Czech Accounting Standards (CAS)

Profit and Loss Account

For the year ended 31 December 2002, **unconsolidated net profit amounted to CZK 6,456 million** under Czech Accounting Standards, which represents an increase of 113 percent (or CZK 3,422 million) when compared to the net profit of CZK 3,034 million reported for the year ended 31 December 2001. Česká spořitelna's pre-tax profit increased by 130 percent to CZK 9,895 million. **The generated net profit was driven by the increase in operating profits, principally reflecting increased net interest income, net commission and fee income and low levels of reserving and provisioning.**

On a year-on-year basis, **Česká spořitelna increased operating profits** by 26 percent from CZK 7,504 million to CZK 9,437 million. This gain was principally attributable to the increase in operating income and decrease in operating expenses. Operating income, comprising net interest income, net commission and fee income, income from shares and equity investments, profit on financial operations and other operating income, increased by 8 percent to CZK 24,145 million year-on-year. Operating expenses, comprising administrative expenses, other operating expenses and depreciation/amortisation of tangible and intangible fixed assets, decreased by 1 percent to CZK 14,708 million.

Despite the falling level of interest rates, **net interest income increased year-on-year by 7 percent** to CZK 14,183 million. On the asset side of the balance sheet, low interest rates were primarily offset by an increase in the volume of retail lending and income from debt securities. The decrease in interest expenses was predominantly driven by issued debt securities and the transfer of client deposits to transaction accounts.

Net commission and fee income increased by 10 percent to CZK 6,707 million **year-on-year**. This increase was primarily due to the increasing number and volume of payment transactions and the increase in the volume of transactions made through payment cards. The amount of fee income was also positively impacted by growing lending activities.

Income from shares and equity investments is largely composed of dividends received from subsidiary undertakings as follows: CZK 370 million from Investiční společnost České spořitelny, CZK 183 million from Stavební spořitelna České spořitelny and CZK 34 million from Leasing České spořitelny. **Net profit on financial operations declined, on a year-on-year basis**, by 51 percent to CZK 1,083 million predominantly as a result of the year-on-year decrease in the profit from securities transactions because the Bank generated significant proceeds from the disposal of investments in open-ended mutual funds from its portfolio in the year ended 31 December 2001. The year-on-year **increase in other operating income** results, inter alia, from one-off gains of CZK 385 million from statute-barred deposits in savings books that have been idle for 23 years and greater.

Operating expenses amounted to CZK 14,708 million, which represents a year-on-year decrease of 1 percent. Staff costs increased by 3 percent (to CZK 5,700 million) but a portion of wages and salaries in the year ended 31 December 2001 was reflected within the charge for reserves and was not included in staff costs. Purchased consumables decreased by 1 percent to CZK 6,262 million. One of the factors driving the decrease related to the reduction of selected overhead expenses due to the year-on-year decline in staffing levels. Depreciation and amortisation of tangible and intangible fixed assets reached CZK 2,210 million, representing a decrease of 1 percent. Other expenses were substantially reduced by 44 percent to CZK 536 million in connection with the decrease in the mandatory fee paid to the Deposit Insurance Fund of 59 percent to CZK 270 million.

The net balance of the charge for reserves and provisions, including receivables written off and the balance of the charge for reserves and provisions for tangible and intangible assets, was CZK (88) million as of 31 December 2002 compared to the balance of CZK (3,373) million as of 31 December 2001. The decrease in the balance related to lower requirements for provisioning and reserving for loans and guarantees resulting from the Bank's active approach to risk management and the completed restructuring of the loan portfolio, the greater level of used and released reserves (such as restructuring reserves or the mandatory release of a portion of reserves for standard loans) and extraordinary one-off impacts, such as successful recovery of loans. When compared to the year ended 31 December 2002, the year 2001 additionally saw greater charges for restructuring reserves.

As of 31 December 2002, the difference between extraordinary income and expenses amounted to CZK 546 million. This amount was markedly impacted by the reflection of a methodological change in the valuation treatment for securities.

The Bank's tax charge for the year ended 31 December 2002 was CZK 3,439 million. This amount reflected the current year tax charge of CZK 796 million and the impact reflecting the reduction in deferred taxes of CZK 2,643 million. For the year ended 31 December 2002, the Bank utilised almost all tax losses carried forward and this is one of the reasons why the proportion between the current year tax charge and deferred taxation is likely to change considerably in future years.

Balance Sheet

As of 31 December 2002, the total assets of the Bank grew year-on-year by CZK 6.6 billion to CZK 456.2 billion.

Client (primary) deposits have traditionally formed the key resource of Česká spořitelna's funding in respect of lending transactions. **The volume of primary deposits** placed with the Bank **as of 31 December 2002 was CZK 351.1 billion**, which represents a decrease of only 1 percent despite the fact that the Bank underwent an enforced conversion of deposits in anonymous savings accounts during 2002. Deposits in registered savings books amounted to CZK 119.9 billion as of 31 December 2002. Funding of CZK 123 billion was maintained in clients' transaction accounts (giro, current and foreign currency accounts), a year-on-year increase of CZK 23.4 billion. Client savings denominated in foreign currencies declined year-on-year by CZK 3.6 billion to CZK 14.7 billion.

When compared to the year ended 31 December 2001, the balance of payables from debt securities of CZK 13.3 billion was impacted by the repayment of bonds with a nominal value of CZK 5 billion issued in 1997. By way of contrast, the Bank issued mortgage bonds of CZK 3 billion in two tranches in November 2002.

The balance of amounts owed to banks rose year-on-year by CZK 1.9 billion and was CZK 25.6 billion as of 31 December 2002. Of this balance, loans received from banks amounted to CZK 9.2 billion, the remaining amount is composed almost only of term placements.

The balance of shareholders' equity, comprising share capital, treasury shares, share premium, reserve, capital and other funds from profit, gains or losses from revaluation, retained earnings and profit for the period, **was CZK 29.1 billion** as of 31 December 2002, with the **year-on-year increase** of CZK 5.8 billion attributable to the profit made for the year ended 31 December 2002. Dividends for the year ended 31 December 2001 paid in 2002 amounted to CZK 0.5 billion. Shareholders' equity accounted for 6 percent of the Bank's total assets.

The gross balance of the portfolio of retail loans, including mortgage loans, increased year-on-year by 27 percent and reached CZK 47.3 billion. The robust increase in retail lending is attributable to the growing willingness of households to take on debt, complemented with the Bank's flexible and attractive offerings and low interest rates in the interbank market. All types of loans experienced notable growth, specifically mortgage loans which increased year-on-year by 71 percent to CZK 14.6 billion. Mortgage lending grew principally due to the advantageous TOP Housing ('TOP Bydlení') program. **The aggregate balance of mortgage loans** was CZK 21 billion as of 31 December 2002, **a year-on-year increase of 62 percent**. On a gross basis, corporate loans amounted to CZK 126.6 billion, of which CZK 15.1 billion is loans denominated in foreign currencies. Total amounts due from the state sector reached CZK 48.8 billion, of which amounts due from the Czech Consolidation Agency ('CKA') represented CZK 38.6 billion.

Amounts of CZK 114.8 billion due from banks represent the second largest component of assets. Of this balance, loans provided under reverse repurchase transactions, other loans and term placements amounted to CZK 100.9 billion, CZK 4.3 billion and CZK 7.5 billion, respectively.

The aggregate balance of securities was almost CZK 112.5 billion as of 31 December 2002. The balance of Government treasury bills and coupon bonds was CZK 60.0 billion, which confirms that the Bank prefers purchasing debt securities issued by the State when investing in securities. The aggregate balance of debt securities is CZK 49.5 billion. The Bank focuses on investing in debt securities issued by companies with an implicit state guarantee and Czech and international banks with the minimum rating of A.

As of 31 December 2002, the balance of tangible and intangible fixed assets was CZK 20.8 billion, which represents a year-on-year gain of 10 percent due to the increase in the balances of software and hardware in respect of information technology investments. As of 31 December 2002, the Bank owned or co-owned 489 buildings and 612 plots of land at an aggregate net book value of CZK 11.7 billion.

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Deloitte & Touche

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

We have audited the accompanying financial statements of Česká spořitelna, a. s. (the "Company") for the year ended 31 December 2002. These financial statements are the responsibility of the Company's Board of Directors. Our responsibility is to express an opinion on the financial statements, taken as a whole, based on our audit.

We conducted our audit in accordance with the Act on Auditors and the auditing standards issued by the Chamber of Auditors of the Czech Republic. Those standards require that we plan and conduct the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, the accounting records and other evidence supporting the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the Company in the preparation of the financial statements, as well as evaluation of the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion on the financial statements.

In our opinion, the financial statements give a true and fair view, in all material respects, of the assets, liabilities, equity and financial position of Česká spořitelna, a. s. as of 31 December 2002 and of the results of its operations for the year then ended in accordance with the Accounting Act and applicable Czech regulations.

Prague, 12 March 2003

Deloitte & Touche

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

M. Petrman

Statutory auditor:
Michal Petrman
Certificate no. 1105

Deloitte
Touche
Tohmatsu

Balance sheet as of 31 December 2002

Assets

CZK '000	Note	Gross	Adjustment	Current period Net	Prior periods 2001	2000
1. Cash in hand and balances with central banks		22,152,058	0	22,152,058	22,864,941	20,553,317
2. State zero-coupon bonds and other securities eligible for refinancing with the CNB	8	60,049,398	0	60,049,398	66,830,796	56,675,537
a) State securities		60,049,398	0	60,049,398	66,830,796	56,675,537
b) Other		0	0	0	0	0
3. Amounts due from banks	9	114,828,617	0	114,828,617	107,385,322	139,510,910
a) Repayable on demand		1,993,535	0	1,993,535	2,295,511	488,614
b) Other receivables		112,835,082	0	112,835,082	105,089,811	139,022,296
4. Amounts due from clients	10	176,481,896	12,411,764	164,070,132	160,711,778	107,663,664
a) Repayable on demand		230,120	0	230,120	3,215	4,688
b) Other receivables		176,251,776	12,411,764	163,840,012	160,708,563	107,658,976
5. Debt securities	11	49,558,582	78,895	49,479,687	51,458,706	36,066,777
a) Issued by state institutions		6,998,762	0	6,998,762	10,606,100	545
b) Issued by other entities		42,559,820	78,895	42,480,925	40,852,606	36,066,232
6. Shares, share certificates and other equity holdings	12	1,141,908	264	1,141,644	784,146	7,550,767
7. Participation interests with substantial influence	13a	300,281	22	300,259	319	3,000
a) In banks		0	0	0	0	0
b) In other entities		300,281	22	300,259	319	3,000
8. Participation interests with controlling influence	13b	2,395,076	893,714	1,501,362	1,275,183	1,214,860
a) In banks		332,750	0	332,750	332,750	332,750
b) In other entities		2,062,326	893,714	1,168,612	942,433	882,110
9. Intangible fixed assets	14	6,016,180	1,723,058	4,293,122	3,152,196	1,707,047
a) Incorporation costs		0	0	0	0	0
b) Goodwill		229,885	129,310	100,575	158,046	215,517
c) Other		5,786,295	1,593,748	4,192,547	2,994,150	1,491,530
10. Tangible fixed assets	15	28,092,476	11,537,253	16,555,223	15,819,117	15,682,056
a) Land and buildings for operating activities		16,512,690	4,536,980	11,975,710	11,429,607	12,509,472
b) Other		11,579,786	7,000,273	4,579,513	4,389,510	3,172,584
11. Other assets	16	21,729,582	206,211	21,523,371	19,008,290	13,907,508
12. Receivables from shareholders and partners		0	0	0	0	0
13. Prepayments and accrued income		279,707	0	279,707	312,205	340,198
Total assets		483,025,761	26,851,181	456,174,580	449,602,999	400,875,641

Liabilities

CZK '000	Note	Current period	Prior periods 2001	2000
1. Amounts owed to banks	17	25,622,896	23,715,652	12,777,424
a) Repayable on demand		5,436,377	225,769	246,065
b) Other payables		20,186,519	23,489,883	12,531,359
2. Amounts owed to clients	18	351,131,904	354,713,308	322,656,121
a) Repayable on demand		165,173,994	145,001,922	125,720,733
of which: savings deposits		24,176,068	32,388,156	30,610,587
b) Other payables		185,957,910	209,711,386	196,935,388
of which:				
ba) Savings deposits with maturity		0	0	0
bb) Savings deposits repayable at notice		95,756,132	133,208,815	136,163,916
bc) Term deposits with maturity		59,682,184	73,628,647	60,041,215
bd) Term deposits repayable at notice		153,395	0	0
3. Payables from debt securities	19	13,274,746	14,377,178	18,338,034
a) Issued debt securities		8,085,884	11,586,643	10,780,256
b) Other payables from debt securities		5,188,862	2,790,535	7,557,778
4. Other liabilities	20	24,577,684	19,429,971	13,907,173
5. Deferred income and accrued expenses		86,134	332,913	297,803
6. Reserves	21, 22	6,860,996	8,252,090	7,015,732
a) For pensions and similar liabilities		0	0	0
b) For taxes		0	0	0
c) Other		6,860,996	8,252,090	7,015,732
7. Subordinated liabilities	23	5,505,995	5,500,000	5,500,000
8. Share capital	24	15,200,000	15,200,000	15,200,000
of which: share capital paid up		15,200,000	15,200,000	15,200,000
9. Treasury shares		0	–5,197	0
10. Share premium		1,688	0	0
11. Reserve funds and other funds from profit	25	714,952	557,028	321,798
a) Mandatory reserve funds		641,679	489,977	246,977
b) Reserves for treasury shares		0	0	0
c) Other reserve funds		0	0	0
d) Other funds from profit		73,273	67,051	74,821
12. Revaluation reserve		0	0	0
13. Capital funds	25	1,902	1,902	2,024
14. Gains or losses from revaluation	26	10	0	0
a) of assets and liabilities		0	0	0
b) hedging derivatives		0	0	0
c) re-translation of equity holdings		10	0	0
15. Retained earnings or accumulated losses brought forward	25	6,740,006	4,494,110	0
16. Profit/(loss) for the period	25	6,455,667	3,034,044	4,859,532
Total liabilities		456,174,580	449,602,999	400,875,641

Off Balance Sheet Accounts

Off balance sheet assets CZK '000	Note	Current period	Prior periods 2001	2000
1. Issued commitments and guarantees	27a	49,534,168	29,568,400	38,715,714
a) Commitments		44,803,667	26,037,973	34,677,760
b) Guarantees and warranties		4,565,997	3,456,358	3,999,282
c) Guarantees from bills of exchange		0	0	37,972
d) Guarantees under letters of credit		164,504	74,069	700
2. Provided collateral	27a	2,411,112	1,000,000	0
a) Real estate collateral		0	0	0
b) Cash collateral		2,411,112	1,000,000	0
c) Securities		0	0	0
d) Other		0	0	0
3. Amounts due from spot transactions	27c	2,428,544	4,305,770	6,693,298
a) with interest rate instruments		0	994,750	306,616
b) with currency instruments		2,428,544	3,181,532	6,383,144
c) with equity instruments		0	129,488	3,538
d) with commodity instruments		0	0	0
4. Amounts due from term transactions	27c	616,409,634	554,673,570	225,707,351
a) with interest rate instruments		550,893,416	473,557,648	154,709,730
b) with currency instruments		65,348,771	80,763,935	70,683,436
c) with equity instruments		167,447	351,987	314,185
d) with commodity instruments		0	0	0
e) with credit instruments				
5. Amounts due from option transactions	27c	13,757,256	17,551,887	5,024,710
a) with interest rate instruments		1,754,000	1,397,860	122,815
b) with currency instruments		12,003,256	16,154,027	4,901,895
c) with equity instruments		0	0	0
d) with commodity instruments		0	0	0
e) with credit instruments		0	0	0
6. Receivables written off		6,135,192	5,328,590	5,268,140
7. Assets provided into custody, administration and safe-keeping	29	30,651,145	26,365,341	23,323,271
of which: securities		30,651,144	26,365,339	23,323,271
8. Assets provided for management	29	0	0	0
of which: securities		0	0	0

Off balance sheet liabilities

1. Accepted commitments and guarantees	27b	23,471,708	39,501,561	54,038,477
a) Commitments		588,444	0	1,189,668
b) Guarantees and warranties		21,707,354	34,969,408	40,061,805
c) Guarantees from bills of exchange		1,175,910	4,532,153	12,787,004
d) Guarantees under letters of credit		0	0	0
2. Received collateral	27b	129,541,893	111,460,964	125,039,306
a) Real estate collateral		32,796,254	40,867,574	46,607,152
b) Cash collateral		1,341,843	7,664,565	11,609,688
c) Securities		18,070	895,772	6,713,860
d) Other collateral		321,906	3,108,414	4,428,712
e) Collateral – securities	30	95,063,820	58,924,639	55,679,894
3. Amounts owed from spot transactions	27c	2,428,389	4,305,893	6,801,533
a) with interest rate instruments		0	994,750	420,763
b) with currency instruments		2,428,389	3,181,655	6,377,232
c) with equity instruments		0	129,488	3,538
d) with commodity instruments		0	0	0
4. Amounts owed from term transactions	27c	615,469,491	553,792,266	223,915,308
a) with interest rate instruments		550,893,416	473,557,277	152,929,228
b) with currency instruments		64,409,012	79,885,832	70,671,895
c) with equity instruments		167,063	349,157	314,185
d) with commodity instruments		0	0	0
e) with credit instruments		0	0	0
5. Amounts owed from option transactions	27c	13,473,216	16,572,500	5,029,835
a) with interest rate instruments		1,754,000	1,397,860	122,815
b) with currency instruments		11,719,216	15,174,640	4,907,020
c) with equity instruments		0	0	0
d) with commodity instruments		0	0	0
e) with credit instrumenrs				
6. Assets received into custody, administration and safe-keeping	28	37,099,607	18,198,113	9,463,408
of which: securities		33,016,924	18,197,874	9,463,124
7. Assets received for management	28	3,709,251	0	0
of which: securities		3,709,251	0	0

The notes set out on pages 109 to 154 form part of these financial statements.

Profit and Loss Account as of 31 December 2002

CZK '000	Note	Current period	2001	Prior periods 2000
1. Interest income and similar income	32	23,029,171	25,151,917	22,571,295
of which: interest income from debt securities		6,153,402	6,714,165	5,437,884
2. Interest expense and similar expense	32	–8,846,083	–11,860,880	–11,748,478
of which: interest expense from debt securities		–352,591	–1,221,941	–986,189
A. Net interest income		14,183,088	13,291,037	10,822,817
3. Income from shares and equity investments		625,438	367,128	116,936
a) Income from participation interests with subst. influence		0	0	0
b) Income from participation interests with control. Influence		586,571	336,873	109,990
c) Income from other shares and equity investments		38,867	30,255	6,946
4. Commission and fee income	33	7,062,611	6,443,505	5,227,959
5. Commission and fee expense	33	–355,904	–337,899	–301,826
B. Net commission and fee income		6,706,707	6,105,606	4,926,133
6. Net profit or loss on financial operations	34	1,083,436	2,214,064	1,780,087
7. Other operating income	35	1,546,240	433,656	451,173
8. Other operating expenses	35	–536,496	–962,784	–1,060,129
9. Administrative expenses	36	–11,962,029	–11,713,353	–9,833,766
a) Staff costs		–5,699,591	–5,537,273	–4,716,363
aa) Wages and salaries		–3,981,406	–3,965,485	–3,410,663
ab) Social security and health insurance		–1,599,666	–1,432,232	–1,157,541
ac) Other staff costs		–118,519	–139,556	–148,159
b) Other administrative expenses		–6,262,438	–6,176,080	–5,117,403
C. Net income from operations before depreciation, reserves and provisions		11,646,384	9,735,354	7,203,251
10. Use of reserves and provisions for tangible and intangible fixed assets		514,789	58,132	24,989
a) Use of reserves for tangible fixed assets		28,430	55,408	24,989
b) Use of provisions for tangible fixed assets		486,359	2,724	0
c) Use of provisions for intangible fixed assets		0	0	0
11. Depreciation/amortisation, charge for reserves and provisions for tangible and intangible fixed assets		–3,054,742	–2,805,957	–2,771,846
a) Depreciation of tangible fixed assets		–1,425,286	–1,492,461	–1,895,602
b) Charge for reserves for tangible fixed assets		–24,949	–5,930	–27,344
c) Charge for provisions for tangible fixed assets		–613,179	–568,261	–225,135
d) Amortisation of intangible fixed assets		–784,358	–739,305	–623,765
e) Charge for provisions for intangible fixed assets		–206,970	0	0
12. Use of provisions and reserves for receivables and guarantees, income from transferred receivables and recoveries of receivables previously written off		7,389,843	5,426,155	3,463,604
a) Use of reserves for receivables and guarantees		3,008,515	115,908	837,303
b) Use of provisions for receivables and receivables from guarantees		4,302,232	5,292,466	2,602,127
c) Income from transferred receivables and recoveries of receivables previously written off		79,096	17,781	24,174

13. Write-offs, charge for provisions and reserves for loans and guarantees		–5,860,588	–8,972,557	–4,699,469
a) Charge for provisions for receivables and receivables from guarantees		–2,245,134	–2,413,342	–2,780,817
b) Charge for reserves for guarantees		–115,000	–2,103,000	–1,190,707
c) Write-offs of receivables and amounts due from guarantees, losses from the transfer of receivables		–3,500,454	–4,456,215	–727,945
14. Use of provisions for equity investments in subsidiaries and associates		937,638	203,272	177,394
15. Charge for provisions for participation interests with controlling and substantial influence		–719,095	–215,419	–224,747
16. Use of other reserves		979,310	1,715,033	1,621,200
17. Charge for other reserves		–2,485,213	–1,013,777	–3,218,867
18. Use of other provisions		0	0	0
19. Charge for other provisions		0	0	0
20. Profit/(loss) for the period from ordinary activities before taxes		9,348,326	4,130,236	1,575,509
21. Extraordinary income	37	1,113,914	437,433	575,094
22. Extraordinary expenses	37	–567,584	–263,728	–1,855,751
23. Profit/(loss) for the period from extraordinary activities before taxes		546,330	173,705	–1,280,657
24. Income tax	38	–3,438,989	–1,269,897	4,564,680
25. Share of profits/(losses) of subsidiaries and associates		0	0	0
26. Net profit/(loss) for the period		6,455,667	3,034,044	4,859,532

The notes set out on pages 109 to 154 form part of these financial statements.

Statement of Changes in Equity for the Year Ended 31 December 2002

CZK '000	Note	Current period	2001	Prior periods 2000
1. Share capital	24			
Opening balance		15,200,000	15,200,000	15,200,000
Increase		0	0	0
Decrease		0	0	0
Conversion of convertible bonds in shares		0	0	0
Excercise of options and warrants		0	0	0
Closing balance		15,200,000	15,200,000	15,200,000
2. Treasury shares		0	–5,197	0
3. Share premium	25			
Opening balance		0	0	0
Increase		1,688	0	0
Decrease		0	0	0
Closing balance		1,688	0	0
4. Reserve funds	25			
Opening balance		489,977	246,977	5,140,193
Mandatory allocation		151,702	243,000	0
Other increases		0	0	0
Decrease		0	0	–4,893,216
Closing balance		641,679	489,977	246,977
5. Other funds from profit	25			
Opening balance		67,051	74,821	143,926
Increase		184,509	102,871	3,926
Decrease		–178,287	–110,641	–73,031
Closing balance		73,273	67,051	74,821
6. Capital funds	25	1,902	1,902	2,024
7. Gains or losses from revaluation not included in profit/(loss)				
Opening balance		0	0	0
Increase		10	0	0
Decrease		0	0	0
Closing balance		10	0	0
8. Retained earnings	25			
Opening balance		4,494,110	0	0
Increase		2,245,896	4,494,110	0
Decrease		0	0	0
Closing balance		6,740,006	4,494,110	0
9. Accumulated losses				
Opening balance		0	0	0
Increase		0	0	–4,893,216
Decrease		0	0	4,893,216
Closing balance		0	0	0
10. Net profit/(loss) for the period	25	6,455,667	3,034,044	4,859,532
11. Dividends		–2,927,888	–456,000	–22,422
12. Total equity as of 31 December		26,186,337	22,825,887	20,360,932

The notes set out on pages 109 to 154 form part of these financial statements.

Notes to the Financial Statements Prepared in Accordance with Czech Accounting Standards for the Year Ended 31 December 2002

1. Background Information

Česká spořitelna, a. s. (henceforth the Bank), having its registered office address at Olbrachtova 1929/62, Prague 4, 140 00, was registered as a joint stock company in accordance with the Commercial Code and was formally entered into the Register of Companies held at the Commercial Court in Prague, Section B, Insert 1171.

The Bank was incorporated by the National Property Fund pursuant to a Formation Plan of 27 December 1991 under Section 15 and subsequent sections of Joint Stock Companies Act 104/1990 Coll. The Bank is the legal successor of Česká státní spořitelna (Czech State Savings Bank) and offers a broad range of commercial banking services on the territory of the Czech Republic.

2. Principal Activities and Territories

The Bank is a universal bank offering retail, corporate and investment banking services on the territory of the Czech Republic.

The principal activities of the Bank are as follows:
- acceptance of deposits from the general public;
- extension of credit;
- mortgage banking;
- securities activities on its own or client’s behalf;
- payments and clearing;
- payment facility issuance;
- underwriting;
- letter of credit issuance;
- collection services;
- participation in the issuance of shares and provision of related financial services;
- financial brokerage;
- provision of consulting services;
- safekeeping and administration of securities and other assets;
- depositary for investment funds;
- foreign exchange services; and
- rental of safe-deposit boxes.

3. Specific Events Impacting the Bank’s Results for the Year Ended 31 December 2002

(a) Ringfence Arrangement

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

Under the terms and conditions of the Ringfence Arrangement, ČKA guarantees the net book values of certain ring-fenced exposures and selected financial derivatives as carried in the Bank’s accounting records as of 31 December 1999. Pursuant to the Ringfence Arrangement, the Bank has an option to sell and ČKA is obligated to purchase the ring-fenced exposures for a pre-determined realisation price equal to the net book values of assets, in aggregate amounts that do not exceed set annual limits. Reciprocally, subject to prior consent of the Bank, ČKA has an option to purchase the ring-fenced exposures at a pre-determined realisation price up to the same annual limits. Furthermore, the Ringfence Arrangement enables the Bank and ČKA to exercise a one-time option to sell/purchase all of the ring-fenced exposures over which no options have been previously exercised.

The below table shows the development of the ring-fenced portfolio during the year ended 31 December 2002. In the first quarter of 2002, based upon appropriate analyses the Bank decided to remove a proportion of the exposures to clients that have a potential for further economic development from the ring-fenced portfolio (refer to column 2). As of 30 June 2002, the Bank exercised the full put option with ČKA and the loans listed in column 3 were transferred to ČKA. Due to legal obstacles, the Bank could not transfer from the portfolio of ring-fenced exposures as of 30 June 2002 exposures collateralised by a guarantee issued by Podpůrný a garanční rolnický a lesnický fond, a. s., where the assignment of the exposure would lead to an expiration of the guarantee, and receivables arising from syndicated loans in which the assignment needs to be approved by other contracting parties. Column 4 indicated the balance of the ring-fenced portfolio as of 31 December 2002.

Receivables by type (Amounts in MCZK)	Balance at 31 December 2001 (1)	Assets removed from ring- fencing (2)	Full put option at 30 June 2002 (3)	Loan repayment (4)	Balance at 31 December 2002 (5)
Loans in CZK	9,594	2,004	5,251	716	1,623
Loans in foreign currencies	1,249	800	320	129	0
Debt securities	1,331	331	1,000	0	0
Total group I	12,174	3,135	6,571	845	1,623
Overdraft facilities	801	173	0	229	329
Total group II	801	173	0	229	329
Total	12,975	3,308	6,571	1,144	1,952

(b) Conversion of Anonymous Savings Accounts

In early 2002, the Czech Parliament approved an amendment to Banking Act 21/1992 Coll. whereby all deposit arrangements in the form of bearer savings books would be cancelled as of 31 December 2002. This amendment has serious implications for the Bank's activities as follows:

- Client deposits in the form of bearer savings books (henceforth 'anonymous savings accounts') will no longer bear interest subsequent to 31 December 2002;
- Subsequent to this date, the Bank is required to pay clients even those deposits that were callable at notice and the notice period need not be complied with and no sanctions imposed;
- With effect from 1 January 2003, a 10-year period will start when the Bank's clients are entitled to obtain undrawn or unconverted deposits from the Bank even though the deposit arrangement has expired.

As of 1 January 2002, the Bank maintained almost 6.6 million anonymous savings accounts with an aggregate balance of deposits of CZK 121 billion. The Bank supported the conversion of anonymous savings accounts by launching an extensive marketing campaign. One of the objectives of the conversion was to minimise the outflow of funds from the Group. During the year ended 31 December 2002, 2.5 million anonymous savings accounts with a balance of CZK 99.8 billion were cancelled (a significant proportion of the accounts was transferred to registered savings books and products of the Bank's subsidiaries). As of 31 December 2002, approximately 4.1 million anonymous savings accounts with a total balance of CZK 21.2 billion remained unconverted (refer to Note 18).

(c) Statute-barred Savings Accounts

In the event that the deposit in the savings book has been idle for 20 years or the deposit holder has not submitted his/her savings book to the Bank to have the details in the book updated, the deposit arrangement is cancelled pursuant to the Civil Code (Section 785 of Act 40/1964 Coll., as amended) following the lapse of 20 years. Subsequently, the deposit holder is entitled to demand payment of the balance of the reversed deposit within the generally applicable statute of limitations of three years. Balances in savings books that have shown no movements for 23 years are released into the Bank's income. In the year ended 31 December 2002, the Bank released statute-barred savings accounts at an aggregate amount of CZK 385 million into income. This balance is reported within "Other operating income" (refer to Note 35).

Whilst the Bank is not required by statute to pay the deposit on these savings books, normal practice dictates that the deposit balance stated in the statute-barred savings book be paid when the savings book is presented by the deposit holder. For the year ended 31 December 2002, the Bank recognised costs of CZK 17 million associated with paying statute-barred deposits as a component of other operating expenses (refer to Note 35). At the same time, the Bank established a reserve of CZK 60 million for future payments of statute-barred deposits which is reported within "Charge for other reserves" (refer to Note 21).

(d) Floods

The Bank's operations for the year ended 31 December 2002 were affected by floods that occurred in August 2002. As a result of the waiver of certain types of fees, the Bank's income decreased and its costs reflected both direct damage and costs of removing the damage totalling CZK 73 million.

4. Basis of Preparation

(a)

The financial statements have been prepared on the basis of underlying accounting records maintained in accordance with Accounting Act 563/1991 Coll., and applicable regulations and decrees of the Czech Republic. These financial statements have been prepared under the historical cost convention and on an accruals basis of accounting, the only exception being selected financial instruments that are measured at fair values.

The financial statements are presented in accordance with Czech Finance Ministry Regulation no. 282/73 391/2001 of 7 December 2002, which sets out the overall framework for the presentation of financial statements of banks, guidelines for their structure and minimum requirements for the content of the financial statements of banks and certain financial institutions. As and when necessary, comparative figures have been reclassified to ensure consistency with the current year's presentation and hence the reported amounts need not be consistent with the figures reported in the financial statements for previous periods. However, these adjustments did not lead to changes in valuation policies applied in individual financial reporting periods but only to reclassifications of items between financial statement lines.

The presentation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and their reported amounts of revenues and expenses during the financial reporting period. Actual results could differ from those estimates.

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

All figures are stated in thousands of Czech Crowns, unless stated otherwise. Figures in brackets represent negative amounts.

(b)

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

5. Summary of Significant Accounting Policies

Significant accounting policies adopted in the preparation of the financial statements are set out below:

(a) Recognition Date

The date of the recognition of the transaction is principally the date of payment or receipt of cash, the day of purchase or sale of foreign currencies/securities, the date on which a payment is made or an amount is collected from the client's account, the day of issuing an order to the correspondent to make a payment, the day of settlement of the Bank's orders with the CNB Clearing Centre, the day on which funds are credited according to a report from the Bank's correspondent (the report is taken to mean a report in SWIFT, a bank notice, medium take-over, account statement, or other documents as appropriate), the trade date and the settlement date relating to the transactions with securities, foreign currencies, options or other derivatives, the date of issuance or acceptance of a guarantee or loan commitment, and the date of accepting assets into custody.

Purchases and sales of financial assets on terms that require delivery within a typical timeframe (spot transactions) and fixed forward and option transactions are retained off balance sheet in the period between the trade date and the settlement date.

The Bank derecognises a financial asset from its balance sheet when it loses control of the contractual rights that comprise the financial asset (or a portion of the financial asset). The Bank loses such control if it realises the rights to benefits specified in the contract, the rights expire, or the Bank surrenders those rights.

(b) Securities

Securities that are recorded as the Bank's assets and are not treated as participation interests with controlling or substantial influence are categorised as securities held for trading, available for sale, held to maturity and acquired under initial offerings not designated for trading. Securities are reported on the face of the balance sheet within "State zero-coupon bonds and other bonds eligible for refinancing with the CNB", "Debt securities", "Shares, share certificates and other equity investments", the only exception being debt securities acquired under initial offerings not designated for trading which are reported in "Amounts due from banks" or "Amounts due from clients" according to the issuer of the relevant security.

Trading securities are financial assets acquired by the Bank for the purpose of active trading in the financial market, generating a profit from fluctuations in prices in the short term and the performance of duties arising from the Bank's position as a market maker.

Available for sale securities are those financial assets that are not classified as securities held for trading or held-to-maturity investments. This portfolio comprises debt securities and variable yield securities and securities held with a view to gradual disposal. Available for sale securities also include equity investment in other than joint stock companies which are not participation interests.

Investments held to maturity are financial assets with fixed maturities that the Bank has the positive intent and ability to hold to maturity. This portfolio principally comprises state securities and other debt securities with high credit ratings.

Debt securities acquired under initial offerings not designated for trading are reported in a stand-alone account and are valued in the same manner as securities held to maturity.

Securities held for trading and available for sale are carried at fair values. Fair value changes are recorded on a daily basis and are included in the relevant asset account of the security with a corresponding entry to the profit and loss account line "Net profit or loss on financial operations".

Securities held to maturity are initially recognised at cost. The cost is adjusted on a daily basis to reflect accrued interest income. Securities held to maturity and securities acquired through initial offerings not designated for trading are provisioned on a daily basis and/or at the financial statement date or interim financial statement date on an individual basis to reflect their impairment according to the credit risk profile of the issuer. Provisions are typically not recorded against state debt securities issued by OECD countries and debt securities issued by central banks of OECD countries. In addition, no provision is recognised to reflect the impairment of securities arising as a result of fluctuations in risk-free interest rates, unless the risk profile of the issuer deteriorates simultaneously.

As of the financial statement date or interim financial statement date, the Bank also charges provisions in respect of equity investments in other than joint stock companies which are not participation interests.

Provisions against securities denominated in foreign currencies are recognised in foreign currencies.

(ba) Treasury Bills and Other Eligible Bills

State treasury bills and other eligible bills and similar debt securities are carried at acquisition cost using trade date accounting. Cost is increased over the period from the purchase date to the sale date to reflect accrued interest income. Interest income is defined as the accrued difference between nominal value and carrying value. The securities held for trading and available for sale are re-measured to fair value from the increased value. Fair value of treasury bills is determined using the net present value method, that is, by discounting the value of the bill using a yield curve developed from the quotations of PRIBID interbank deposits as published by the CNB.

At the trade date, the Bank recognises a gain or loss on the sale as equal to a difference between the carrying amount of securities and their selling value in the line "Net profit or loss on financial operations".

(bb) Coupon Debt Securities, Shares, Share Certificates and Other Equity Investments

Securities are initially recognised at cost. The cost comprises direct transaction costs attributable to the acquisition of securities. The cost of coupon debt securities is increased over the period from the purchase trade date to the sale settlement date/maturity date to reflect accrued coupon. From the purchase trade date to the sale settlement date, the cost of debt securities is gradually adjusted to reflect discount/premium (difference between the cost and nominal value of the securities).

Securities held for trading and available for sale are remeasured to fair value from the purchase trade date to the sale settlement date/maturity. If securities are sold, the difference between the carrying value of securities and their selling value at the trade date is recorded as a gain or loss on the sale of securities to the profit and loss account line "Net profit or loss on financial operations".

Shares and equities that are not participation interests with controlling or substantial influence are treated as securities available for sale. Provisions against these securities are established as equal to the excess of the carrying value over the Bank's share of the entity's equity. If these entities are placed into liquidation, the provision is recognised as equal to the value of the shares or equity holding as carried in the accounting books.

The fair values of debt securities are determined using published public market prices: reference prices reached on the Prague Stock Exchange (henceforth "PSE"), RM-System, prices published by the Reuters system. In circumstances where no public market price is available, the fair value is determined using the 'adjusted value of the security.' This adjusted value is derived from the present value of future cash flows, taking into consideration the credit margin of the issuer of the security. The future cash flows are discounted pursuant to a yield curve for the relevant currency, which was developed based on publicly available data (quotation of deposits, interest rate swaps, government bonds).

The fair values of shares are determined using published public market prices: prices published on the PSE, RM-System or the Reuters system. The fair values of share certificates are established using the price published by the fund manager. If no public market price or a price published by the fund manager is available, the fair value is determined using the 'adjusted value of the security.' In circumstances where the fair value is not readily determinable from publicly available sources, a zero value is attributed to the security.

(c) Repo and Reverse Repo Transactions, Short Sales

A repo transaction is defined as a repurchase or a reverse repurchase. A repurchase transaction involves selling securities for cash consideration with a concurrent commitment to repurchase these securities at an agreed-upon date for a consideration equal to the original cash and interest. A reverse repurchase transaction involves purchasing securities for cash consideration with a concurrent commitment to resell these securities at an agreed-upon date for a consideration equal to the transferred cash and interest.

The category of repurchase transactions includes the classic repurchase transaction, reverse repurchase transaction, the lending and borrowing of securities collateralised by the transfer of financial assets, the sale of securities with a concurrently agreed-upon repurchase and the purchase of securities with a concurrently agreed-upon resale. The classic repurchase transaction involves receiving a loan with a collateralising transfer of securities. The classic reverse repurchase transaction involves providing a loan with a collateralising transfer of securities.

Interest receivable or payable under repurchase transactions is accrued over the term of the transaction and recorded in "Interest income and similar income" or "Interest expense and similar expense" in the profit and loss account.

Securities provided under repurchase transactions are retained in the Bank's balance sheet and are valued using the method applied prior to their being provided under the repurchase transaction.

Securities purchased under reverse repurchase transactions are recorded at fair value in off balance sheet records. Collateral that is subject to short sale is not reported off balance sheet.

Short sales are recorded on the balance sheet as payables from trading securities which are reported within "Commitments from debt securities" or "Other liabilities in respect of shares". The selling value of payables arising from coupon debt securities is increased over the period from the sale settlement date to the purchase settlement date to reflect accrued coupon and amortisation of premium or discount. Payables arising from securities are additionally remeasured to fair value over the period from the sale trade date to the purchase trade date. Fair value changes are recognised on a daily basis through the profit and loss account line "Net profit or loss on financial operations" with a corresponding entry to the accounts of payables from securities. If securities are purchased, the difference between the carrying value of securities and their purchase price as of the sale trade date is recorded as income or expense through the line "Net profit or loss on financial operations".

(d) Transactions with Securities Undertaken on behalf of Clients

Securities received by the Bank into custody, administration or safe-keeping are recorded at nominal value and reported within the off balance sheet line “Assets received into custody, administration and safe-keeping”. Securities received by the Bank for management are recorded at market value and reported within the off balance sheet line “Assets received for management”. On balance sheet liabilities include the Bank’s payables to clients arising principally from cash received to purchase securities, cash to be refunded to the client, etc.

(e) Participation Interests

Participation interests with controlling and substantial influence are recorded at acquisition cost less a provision for any temporary diminution in value or write-offs for any permanent diminution in value.

A participation interest with controlling influence is an investment in a subsidiary, in which the Bank holds, directly or indirectly, more than 50 percent of the issued share capital of the entity or in which the Bank can exercise more than 50 percent of the voting rights based on an agreement with another owner/shareholder, or where the Bank can appoint or dismiss a majority of the Board of Directors or Supervisory Board members.

A participation interest with substantial influence is an investment in an associate, in which the Bank holds, directly or indirectly, 20 to 50 percent of an entity’s issued share capital. Substantial influence is also exercised through representation on the entity’s statutory board, participation in the development of the entity’s policy, significant transactions between the entity and the Bank, replacement of the entity’s management by the Bank, access to significant technical information of the entity.

Provisions against participation interests with controlling and substantial influence are established at the financial statement date or interim financial statement date as equal to the excess of the carrying value over the Bank’s share of the entity’s equity.

The policy referred to above does not apply in circumstances where the entity is placed into liquidation or bankruptcy, where the proposal for the entity’s bankruptcy was rejected on the grounds of the lack of assets or the bankruptcy was reversed as the entity’s assets are not sufficient to cover the costs associated with the bankruptcy. In this case, the provision is recorded as equal to the carrying value of the investment in the Bank’s books.

Dividends from participation interests are recognised in income in the period in which they are declared.

(f) Amounts Due from Banks and Clients

Amounts due from banks and clients are carried net of provisions for classified loan receivables. Accrued interest income is included in the carrying amount of these receivables.

Receivables are reviewed regularly for recoverability. Based on such reviews, provisions are created against specific classified receivables as considered appropriate. The Bank establishes specific provisions against classified receivables as equal to no less than the amount outstanding net of the value of realisable collateral underlying the relevant receivables, multiplied by a coefficient set out for the relevant category in accordance with CNB Regulation 193/1998 Coll., which establishes loan classification and provisioning principles (henceforth the “CNB Loan Classification Regulation”). With regard to loss making loans that are overdue for 361 days and more and that are either fully or partially collateralised by real estate, the Bank charges additional provisions (in addition to the limit set for loss receivables) such that the aggregate balance of additional provisions against the portions of loss receivables that are overdue for more than 361 days account for 100 percent of the receivable balance that is collateralised by real estate.

Reserves and provisions are charged to expenses and are reported within the profit and loss account line “Write-offs, charge for provisions and reserves for receivables and guarantees”. The tax deductible portion of the period’s charge for the creation of reserves and provisions for loan losses is calculated in accordance with the requirements of Section 5 (‘Banking Reserves and Provisions’) and Section 8 (‘Bankruptcy and Settlement Provisions’) of Provisioning Act 593/1992, as amended (henceforth the “Provisioning Act”).

The write-off of unrecoverable receivables is accounted for as “Write-offs, charge for provisions and reserves for receivables and guarantees” in the profit and loss account. Provisions or reserves are reduced by an amount equal to the amount written off with a corresponding credit to “Use of reserves and provision for receivables and guarantees, income from transferred receivables and recoveries of receivables previously written off” in the profit and loss account. Recoveries on loans and advances previously written off are included in the same profit and loss account line.

(g) Interest Income and Expense

Interest income and expense are recognised in the profit and loss account when earned or incurred, on an accruals basis, through the line "Interest income and similar income" and "Interest expense and similar expense". Interest income and expense is recorded as a component of amounts due from banks/clients or amounts owed to banks/clients on the face of the balance sheet.

Default interest on distressed receivables is retained off balance sheet and is recognised as income on collection in accordance with Section IV of the Finance Ministry Regulation which sets out the chart of accounts and accounting principles for banks and selected financial institutions.

(h) Fees and Commissions

Fees and commissions are recognised through the profit and loss account line "Fee and commission income" on an accruals basis.

(i) Foreign Currency Translation

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

(j) Tangible and Intangible Fixed Assets

Tangible fixed assets include assets with a cost greater than CZK 13,000 and an estimated useful life exceeding one year. Tangible and intangible fixed assets are recorded at historical cost net of accumulated depreciation and amortisation indicating the extent of wear and tear. Provisions are recorded for any identified impairment in value.

Donated tangible and intangible fixed assets are stated at replacement cost defined as the cost, for which the asset would be purchased at the point of time of the accounting entry.

Tangible fixed assets internally generated by the Bank are stated at own costs incurred to date. Intangible assets internally developed by the Bank are stated at the lower of own cost incurred or replacement costs.

Goodwill represents the difference between net assets value and fair market value of a bank or enterprise on its acquisition and is recorded as "Intangible fixed assets" on the face of the balance sheet.

The tangible and intangible fixed assets are depreciated using the straight line method over their estimated useful lives. The annual depreciation lives for each category of tangible and intangible fixed assets are as follows:

Intangible assets and goodwill	4 years
Furniture and fittings	4–6 years
Equipment and other facilities	4–12 years
Electric machines and equipment	6–12 years
Structures	20–30 years

Leasehold improvements are depreciated on a straight line basis over the lease term.

Tangible assets costing less than CZK 13,000, whose technical improvements cost less than CZK 40,000, and intangible assets costing less than CZK 60,000 are expensed through the profit and loss account line "Administrative expenses" in the period of acquisition.

Costs associated with acquiring software are treated as intangible fixed assets and are amortised on a straight line basis over an estimated useful life not exceeding four years.

Costs associated with the maintenance of existing software are expensed as incurred whilst costs of technical improvements are capitalised and increase the acquisition cost of the software.

(k) Finance Leases

The Bank acts only as a lessee for finance leases. Assets held under finance leases are recorded off balance sheet over the lease term and are not recognised on the balance sheet. Extraordinary payments, if any, are recorded on the balance sheet as a component of deferred expenses which are amortised on a straight line basis over the lease term and reported in the profit and loss account line "Administrative expenses" together with regular payments. Upon expiration of the lease, the leased asset is purchased from the leasing company at its net book value, the balance of which has an impact on the accounting treatment in accordance with the policies set out above at Note 5(j).

(l) Reserves

A reserve is recognised when the Bank has a present obligation (legal or constructive) as a result of a past event, it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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

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

(m) Income Tax

Tax on the profit or loss for the year as reported in the profit and loss account comprises current tax and the change in deferred tax.

Current tax comprises the tax payable calculated on the basis of the expected taxable income for the year, using the tax rates enacted by the balance sheet date, and any adjustment of the tax payable for previous years. Non-tax deductible expenses are added to, and non-taxable income is deducted from the profit for the year to arrive at the taxable income to which the current tax rate is applied. Current income tax is calculated at the end of the current reporting period in accordance with Income Taxes Act No. 586/1992 Coll., as amended (henceforth the "Income Taxes Act"). The income tax rate effective for the year ended 31 December 2002 is 31 percent (2001 and 2000: 31 percent).

Deferred tax is provided using the balance sheet liability method on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes. The principal temporary differences arise from tax losses carried forward, certain non-tax deductible reserves and provisions, tax and accounting depreciation on tangible and intangible fixed assets and revaluation of other assets. The amount of deferred tax is calculated as equal to the difference between the tax base and the accounting base multiplied by the income tax rate effective for the next accounting and taxable period pursuant to the Income Taxes Act (2003: 31 percent). As such, temporary differences are established from the differences on the balance sheet, not only from the cost and revenue change in the balance.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available to realise the deferred tax benefits. Net deferred tax assets are reduced to the extent that it is not probable that the related tax benefit will be realised.

(n) Off Balance Sheet Instruments

Derivatives

Derivatives are recognised in both off and on balance sheet accounts over the period from the trade date to the settlement/termination/exercise/sale or repurchase date. Derivatives are stated in off balance sheet accounts at the value of the underlying instrument and remeasured to reflect fluctuations in the spot foreign exchange rates or prices of underlying instruments. Derivatives are carried at fair value on the balance sheet. Derivatives are typically remeasured to fair value on a daily basis.

The fair values of financial derivative instruments are determined using standard models implemented within the Reuters Kondor+ and Symbols systems. Parameters that are of key importance to the determination of fair values include quotation of deposits, interest rate swaps, foreign exchange rates, volatility of foreign exchange rates and interest rates and other values readily accessible in the Reuters system, as appropriate.

Hedging Derivatives

Hedging derivatives are defined as derivatives that comply with the Bank's risk management strategy, the hedging relationship is formally documented and the hedge is effective, that is, over the hedging relationship, changes in fair values of hedging derivatives attributable to the hedged risk are within a range of minus 80 percent to minus 125 percent of changes in fair values of the hedged items attributable to the hedged risk.

If the Bank uses a fair value hedge, the hedged item is remeasured to fair value and the gain or loss from the remeasurement is recognised to expense or income as appropriate. The same accounts of expense and income that reflect the gain or loss from remeasuring the hedged item at fair value are also used in accounting for changes in fair values of hedging derivatives that are attributable to the hedged risk.

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

The Bank applied hedge accounting in respect of the interest rate exposure arising from its own issue of mortgage bonds. The mortgage bonds issued with a fixed interest rate were linked to a floating market rate through interest rate swaps. Aggregate gains on the changes in fair values of hedged bonds and hedging swaps were CZK 555 thousand as of 31 December 2002 (refer to Note 32).

Other Derivatives

Derivatives that are not acquired for hedging purposes are treated as trading derivatives. Gains or losses arising from changes in fair values of other derivative instruments are recognised as expense or income within the line "Net profit or loss on financial operations" when the derivatives are remeasured, that is, typically on a daily basis.

Options

Options are stated in the off balance sheet accounts at the value of the underlying instrument and are remeasured to reflect fluctuations in spot rates. Options are carried at fair values on the balance sheet. Changes in fair values and time value of exercised options are recorded to income or expense within the line "Net profit or loss on financial operations" on a daily basis.

(o) Prior Period Items

Prior period items that do not relate to the current year on an accruals basis are recorded as income or expenses in the current year's profit and loss account or in the profit and loss accounts of prior periods, if they are material adjustments.

(p) Extraordinary Expenses/Income

Extraordinary expenses or income reflect only items that do not directly relate to the Bank's day-to-day business activities.

6. Changes in Accounting Policies

Following the implementation of Czech Finance Ministry Regulation 282/73 390/2001 dated 15 November 2001, which sets out the chart of accounts and accounting principles for banks and selected financial institutions and took effect as of 1 January 2002, the following changes were made to the Bank's accounting policies:

Accruals of Interest

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

Adjustments of Income and Expenses of Prior Periods

Adjustments of income and expenses of prior periods are recognised through the current year's expenses and income, the only exception being corrections of fundamental errors relating to prior periods, which are recorded to retained earnings (refer to Note 41).

Bill Loans

The Bank amended its accounting treatment for bill loans issued and received. These instruments are accounted for as purchased securities. The Bank altered its accounting treatment for the recognition of accrued interest – the bill is stated at cost which is increased over time to reflect accrued interest (refer to Note 11).

Tangible Fixed Assets Acquired by the Bank from Borrowers as Collateral for their Loan Commitments

Prior to 2001, this type of assets was included in "Tangible fixed assets" with the Bank's payables from loan collateral in the form of the transfer of ownership title being reported within "Other liabilities". In the year ended 31 December 2002, these assets are retained off balance sheet (refer to Note 15).

Tangible Fixed Assets

With effect from 1 January 2002, the Bank decreased the threshold for capitalisation of tangible fixed assets from CZK 40,000 to CZK 13,000 to make its capitalisation policy compliant with the Erste accounting policies. This change had a positive impact on the profit for the year ended 31 December 2002 amounting to CZK 271.5 million as a result of the gradual depreciation of the assets under a depreciation plan as opposed to the previous treatment which involved expensing the assets in the year of acquisition (refer to Note 15).

Securities

Securities are initially recognised at cost which includes direct transaction costs attributable to the acquisition of securities.

Securities categorised in the 'held for trading' and 'available for sale' portfolios have been remeasured to fair value with effect from 1 January 2002. The difference arising from the change in the valuation approach, that is, transformation from a historical cost basis to fair value measurement, was recorded as extraordinary income or expense as appropriate and provisions carried against securities held for trading and available for sale were released to extraordinary income as of 1 January 2002 (refer to Note 37).

The change to fair value measurement that was made as of 1 January 2002 had a positive one-off impact of CZK 557 million on the Bank's profit for the year ended 31 December 2002.

Repurchase Transactions

Collateral received under reverse repurchase transactions is stated at fair value in the off balance sheet records. Received collateral which is subject to short sale is not recorded off balance sheet. This collateral is recorded at fair value within liabilities on the face of the balance sheet (refer to Notes 19 and 20).

Financial Derivatives

Pursuant to the amended Accounting Principles, refinements have been made to the accounting treatment for credit derivatives. In circumstances where a credit derivative forms part of a compound financial instrument, an issued guarantee is recorded in off balance sheet accounts (refer to Note 27).

Banking Reserves

An amendment to the Provisioning Act took effect on 1 January 2002.

Reserves recorded prior to the date that the amendment took effect (that is, prior to 31 December 2002) under Section 5 of the Provisioning Act are used to cover losses on write-offs and transfers of loan receivables not provisioned under this Act or to cover losses arising from issued guarantees (refer to Note 21).

Unutilised reserves recorded prior to the date that the amendment took effect are reversed to income such that their balance for each tax period starting 1 January 2002 is reduced by no less than 25 percent of the balance reported as of 31 December 2001 to ensure that they are fully reversed by 31 December 2005 at the latest.

7. Financial Instruments

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash and any other cash equivalents payable on demand ("cash"), a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

An equity instrument is any contract that evidences a residual interest in the assets of an enterprise after deducting all of its liabilities (e.g., share, equity investment, share certificate).

Financial instruments may result in certain risks to the Bank as noted below:

(a) Credit Risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. As such, the basis for managing this risk is a regular credit rating of the borrower, that is, an analysis of his ability to repay principal and interest.

The Bank has a 10-grade internal rating system in place which was implemented in 2001 and is used in respect of all loan receivables, with the exception of loan receivables from retail clients – private individuals who are assessed using a 5-grade rating system. The 10-grade internal rating system applies to corporate clients, retail clients – businesses, municipalities, banks and financial institutions. The internal rating system complies with the CNB rules for loan receivable classification and closely reflects these rules (that is, loan classification criteria pursuant to CNB Regulation 193/1998 Coll. are an element of the rating system).

Client rating is used principally for the assessment of borrowers and it also impacts several other activities of the Bank (e.g., the approval authority is determined based upon client rating, provisioning).

Client rating is established on the basis of an assessment of the client's operations and performance in the current and prior accounting periods. In assessing clients, the Bank also refers to other external economic and political factors and conditions that may impact the quality of the receivable. Guidance on evaluating all underlying characteristics and on establishing ratings of each type of clients is given in the Bank's internal regulations. All amounts due from one client need to be graded in the same category, that is, the grade that corresponds to the worst classification of a receivable from the relevant borrower. The resulting rating of the client is transformed to the CNB classification using a transformation bridge.

The Bank uses ratings provided by external rating agencies only as indicative information and the external rating never replaces the Bank's internal rating and assessment of the borrower.

Amounts due from the issuers of debt securities are not included in the categorisation process referred to above.

In May 2002, the Bank implemented new procedures for collateral instruments and their valuation. These procedures include the 'Collateral Catalogue' which sets out individual types of collateral accepted by the Bank. In addition, the Bank sets out guidance for determining values of individual types of collateral. The Bank establishes nominal value of collateral by reference to a market appraisal of the relevant asset and discounts the nominal value of the collateral to its realisable value using a discount factor which is established for each collateral type. The realisable value of collateral is taken into account in determining the level of provisioning (refer to Note 5f). Guidance for collateral valuation also sets out when and how often the value of collateral needs to be updated.

Types of collateral are defined in the Bank's internal regulation (Collateral Catalogue).

In principle, the quality of the loan portfolio is measured according to the following three indicators:
- Proportion of classified loans (CNB category 2–5) to total loans;
- Proportion of high-risk loans (CNB category 3–5) to total loans;
- Proportion of non-performing loans (overdue for more than 90 days) to total loans.

In addition to these indicators, the Bank has split its loan portfolio into the 'Good Bank' portfolio and the 'Bad Bank' portfolio. The Bad Bank portfolio consists of loans that are fully provided for or ring-fenced. The Good Bank portfolio includes other loan exposures. The indicators outlined above are monitored with regard to the whole loan portfolio and the Good Bank.

For credit risk measurement purposes, the Bank uses a number of approaches, client rating being the key factor. The primary method is the 'migration matrix' or 'shift probability matrix'.

Work-out principles and procedures can be segmented into two groups: out-of-court recovery and court recovery. These two groups can be further split into categories. As an example, out-of-court recovery involves the alteration of conditions, including restructuring processes, composition, collateral realisation, auctions, sale of debts, etc. Court recovery efforts include arbitration, legal disputes, bankruptcy, execution of verdict, etc.

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

The entire loan portfolio is segmented into several 'sub-portfolios' which are measured for concentration risk. Concentration risk is measured in respect of corporate banking which sees significant loans exposures to individual borrowers. Significant concentration is typically defined as an exposure to a borrower or a group of borrower in excess of 15 percent of the Bank's capital.

The Bank does not presently utilise instruments for credit risk reallocation (e.g., credit derivatives, securitisation) or recourse agreements.

Quantitative information regarding credit risk can be found at Notes 9, 10, 11 and 12.

(b) Market Risk

Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. Market risks undertaken by the Bank principally relate to transactions on financial markets which are traded in both the trading and banking books (the Bank segments all instruments into the trading and banking book in accordance with the CNB Regulation 333/2002 Coll. which gives guidance on prudent business of controlling entities on a consolidated basis), and interest rate risk associated with assets and liabilities in the banking book.

Trading book transactions in the capital, money and derivative markets can be segmented as follows:
- Client quotations and client transactions, execution of client orders;
- Interbank market quotations;
- Proprietary trading in the interbank market.

The Bank enters into short-term transactions on the account of the trading book, that is, the Bank opens positions with a view to benefiting from short-term fluctuations in financial markets, purchases higher-interest bearing assets funded by the sale of lower-interest bearing assets with the objective of using the interest spread to generate profit, creates strategic positions, that is, long-term positions opened to benefit from significant movements in the prices of financial assets.

The Bank conducts the following derivative transactions through the over-the-counter (OTC) market:
- Foreign currency forwards and swaps;
- Foreign currency options;
- Interest rate swaps;
- Asset swaps
- Forward rate agreements;
- Cross-currency swaps;
- Interest rate options such as swaptions, caps and floors.

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

Market risk inherent in the trading book and all transactions in financial markets are monitored and measured by the Central Risk Management Department which is independent and separate from the business unit, to ensure that the reported data is correct and free from bias. All limits for market risks inherent in the trading book are proposed by the Central Risk Management Department and the Treasury Department, and approved by the Financial Markets and Risk Management Committee. The limits also need to be confirmed by the parent company Erste Bank.

Quantitative information regarding credit risk can be found at Note 27.

(c) Interest Rate Risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates.

In order to measure the interest rate risk exposure within financial markets transactions the Bank uses the ‘PVBP gap’ (Present Value of a Basis Point) defined as a matrix of sensitivity factors to interest rates by currency for individual portfolios of interest rate products. These factors measure the portfolio market value sensitivity with a parallel shift of the yield curve of the relevant currency within the predefined period to maturity. The system of PVBP limits is set in respect of each interest rate product trading portfolio by currency. The limits are compared to the value that represents the greater of the sum of positive PVBP values or the sum of negative PVBP values in absolute terms for each period to maturity. By adopting this approach, the Bank manages not only the risk attached to a parallel shift of the yield curve, but also any possible ‘flip’ of the yield curve. With regard to foreign currency options, the PVBP limits also include the Rho and Phi equivalents. In addition, the Bank monitors other special limits for interest rate option contracts, such as the gamma and vega limits for interest rates and their volatility.

For monitoring and managing the banking book interest rate exposures the Bank uses simulation models focused on monitoring potential impacts of market interest rate movements on the Bank's net interest income. Simulations are performed over the period of 12–36 months. A basic analysis focuses on the sensitivity of the Bank's net interest income to a one-off change(s) of market interest rates (rate shock). In addition, the Bank undertakes probability modelling of its net interest income (stochastic simulation) and the traditional gap analysis. The analyses noted above are undertaken on a monthly basis and the results are discussed by the Assets and Liabilities Committee (ALCO) which decides whether it is necessary to take measures in response to the Bank's interest rate risk exposures.

(d) Foreign Currency Risk

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

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

(e) Equity Risk

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

(f) Market Risk Measurement

Value at Risk

In order to measure market risk inherent in the trading and banking books on an aggregate basis the Bank uses the Value at Risk concept ('VaR'). Value at Risk is calculated with a confidence level of 99 percent over the holding period of one trading day. The calculation is performed using KvaR+ and historical simulations based on historical data over the most recent 500 trading days.

VaR limits are established for individual trading desks/portfolios. The VaR method is complemented with 'back testing' which is designed to review the model for correctness. Back testing involves comparing daily estimates of VaR to the hypothetical results of the portfolio on the assumption that the positions within the portfolio remain unchanged for one trading date. Back testing results have, to date, confirmed the correctness of the setting of the VaR calculation model.

Set out below are VaR limits for the trading book split by risk:

		2002		2001
CZK '000	31 December	Average	31 December	Average *)
VaR interest rate risk	3,580.52	6,797.56	4,363.10	10,743.77
VaR FX risk	5,532.25	7,499.92	4,009.62	8,334.16
VaR equity risk	587.26	1,415.64	425.19	1,221.59
VaR volatility risk	8,413.10	3,041.70	736.19	9,658.94
Total VaR	12,894.62	20,184.55	6,031.48	11,446.37

*) Average values for the period from 31 October 2001 to 31 December 2001, values for 2000 are not available.

As of 31 December 2002, the aggregate VaR in respect of all market risks was CZK 20,184.55 thousand (2001: CZK 11,446.37 thousand). This value is lower than the sum of VaR limits in respect of individual risks as a result of correlation between individual risks.

Stress Testing

The Bank's trading book undertakes regular monthly stress testing.

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

Stop-loss Limits
In addition to sensitivity and VaR limits, the Bank has established and monitors, on a daily basis, stop-loss limits for individual trading desks that are engaged in trading with interest rate products including derivatives. These limits are compared to the difference between the best result (realised and unrealised profit) in the relevant month/year and the current result of the trading desk.

Guidance on sensitivity, VaR and stop-loss limits relating to the trading portfolio is given in the Bank's internal regulation (the Risk Management Manual) together with the method of determination of the limit and measures to be taken if the limit is transgressed.

(g) Other Risks

Liquidity Risk
Liquidity risk is the risk that the Bank will encounter difficulties in raising funds to meet commitments associated with financial instruments. The Bank's liquidity position is monitored and managed based on expected cash inflows and outflows and adjusting interbank deposits and placements accordingly.

Operating Risks
Risks that do not fall within the category of market, credit and liquidity risks are treated as operating risks. The Bank, with assistance from its parent company Erste Bank, has initiated a project to actively manage operating risks. This project is based upon new regulatory recommendations outlined in the New Basel Capital Accord, specifically relating to the classification of operating risks, measurement methods and minimum standards for operating risk management. Pursuant to its identification of risks, the Bank has developed its internal categorisation of operating risks that it may be facing. The Bank monitors the occurrence of operating risks through its own software application, builds its database of occurred events which is used as the basis for measuring and assessing individual types of operating risks with the objective of outlining procedures designed to eliminate the occurrence of events with operating risk and the amount of their impact. As an example, these efforts involve gradually building an insurance program for asset, bank and liability risks.

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

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

In the context of the anticipated EU accession of the Czech Republic, the Government of the Czech Republic will have to initiate an approval process ex post for state aid measures of past years provided to the Czech banking sector, including Česká spořitelna, a. s. The Bank is fully cooperating with the Czech State in preparing this process, which has not been formally initiated as of today's date. No assessment of the result of such procedure can, therefore, be made at present.

8. State Zero-Coupon Bonds and other Bonds Eligible for Refinancing with the CNB

(a) Analysis of securities eligible for refinancing with the CNB by type

CZK '000	2002	2001	2000
State treasury bills	25,840,409	42,892,211	38,330,967
State coupon bonds	34,208,989	23,938,585	18,344,570
Total	60,049,398	66,830,796	56,675,537

(b) Analysis of securities eligible for refinancing with the CNB by portfolio

CZK '000	2002	2001	2000
Securities held for trading	6,434,319	10,518,854	38,501,980
Securities available for sale	3,380,375	1,232,356	0
Securities held to maturity	50,234,704	55,079,586	18,173,557
Total	60,049,398	66,830,796	56,675,537

9. Amounts Due from Banks

(a) Net amounts due from banks

CZK '000	2002	2001	2000
Loans to banks	105,236,187	55,340,275	102,930,195
Less: provisions against classified loans	0	0	(6,050)
Net loans to banks	105,236,187	55,340,275	102,924,145
Debt securities acquired under initial offerings not designated for trading	1,207,730	0	0
Other receivables from banks	8,384,700	52,045,047	36,586,765
Total gross amounts due from banks	114,828,617	107,385,322	139,516,960
Total net amounts due from banks	114,828,617	107,385,322	139,510,910

Loans to banks as of 31 December 2002 include loans provided under reverse repurchase transactions in the amount of CZK 100,905,431 thousand (2001: CZK 50,664,441 thousand; 2000: CZK 55,151,492 thousand).

Figures reported for the years ended 31 December 2001 and 2000 were increased to reflect accrued interest income to ensure comparability.

The balance as of 31 December 2000 included the aggregate amount of CZK 40,494,166 thousand due from Konsolidační banka Praha, s.p.ú. As of 1 September 2001, Konsolidační banka Praha, s.p.ú. was transformed into Česká konsolidační agentura pursuant to Act 239/2001 Coll. Given that Česká konsolidační agentura is not a bank, the amounts due from this entity were reclassified to amounts due from clients (refer to Note 10).

Amounts due from related parties are presented in Note 39.

(b) Analysis of amounts due from banks by classification

CZK '000	2002	2001	2000
Standard	114,828,617	107,385,322	139,456,459
Watch	0	0	0
Substandard	0	0	60,501
Doubtful	0	0	0
Loss	0	0	0
Total gross amounts due from banks	114,828,617	107,385,322	139,516,960

(c) Geographical analysis of amounts due from banks

CZK '000	2002	2001	2000
Czech Republic	109,885,073	81,677,726	116,675,826
EU countries	4,065,486	24,457,064	22,683,013
Other European countries	438,623	116,541	41,521
US and Canada	114,687	297,618	54,509
Asia	168,284	836,373	62,091
Others	156,464	0	0
Total gross amounts due from banks	114,828,617	107,385,322	139,516,960

(d) Analysis of amounts due from banks by remaining maturity

CZK '000	2002	2001	2000
Repayable on demand	1,993,535	2,295,511	488,614
Up to 3 months	103,740,516	86,458,466	74,803,786
Less than 1 year	2,220,524	14,079,355	30,635,529
Less than 5 years	6,874,042	4,551,990	17,587,296
Greater than 5 years	0	0	16,001,735
Total gross amounts due from banks	114,828,617	107,385,322	139,516,960

The proportion of amounts due within one year is 94.01 percent (2001: 95.76 percent; 2000: 75.92 percent)

(e) Analysis of amounts due from banks by type of collateral

CZK '000	2002	2001	2000
State guarantees and guarantees issued by the CNB	389,490	779,490	0
Securities under reverse repo transactions	100,905,431	50,664,441	55,151,492
Total collateral	101,294,921	51,443,931	55,151,492
Non-collateralised	13,533,696	55,941,391	84,365,468
Total gross amounts due from banks	114,828,617	107,385,322	139,516,960

(f) Amounts due from banks written off and recoveries of amounts due from banks written off

CZK '000	2002	2001	2000
Write-offs	0	3	0
Recoveries	2	2	0

10. Amounts Due from Clients

(a) Amounts due from clients

CZK '000	2002	2001	2000
Corporate loans in CZK	111,500,333	127,154,380	74,380,521
Retail loans in CZK	47,469,402	32,023,107	31,979,938
Corporate and retail loans in foreign currencies	15,248,947	16,249,463	19,019,227
Total gross loan receivables from clients	174,218,682	175,426,950	125,379,686
less: provisions against classified loans	(12,411,764)	(14,715,172)	(17,716,022)
Net loan receivables from clients	161,806,918	160,711,778	107,663,664
Debt securities acquired under initial offerings not designated for trading	2,263,214	0	0
Total gross amounts due from clients	176,481,896	175,426,950	125,379,686
Total net amounts due from clients	164 070 132	160 711 778	107 663 664

Loans to clients as of 31 December 2002 include loans provided under reverse repurchase transactions in the amount of CZK 882,004 thousand (2001: CZK 11,102,507 thousand; 2000: CZK 637,760 thousand).

For the year ended 31 December 2002, amounts due from clients included receivables from banks, which have had their banking licences revoked. This amount totalled CZK 1,163,025 thousand (2001: CZK 1,609,790 thousand; 2000: CZK 1,641,994 thousand).

Figures reported for the years ended 31 December 2001 and 2000 were increased to reflect accrued interest income to ensure comparability.

For the years ended 31 December 2002 and 2001, amounts due from clients comprised amounts receivable from Česká konsolidační agentura, which was formed as of 1 September 2001 pursuant to Act 239/2001 Coll. through the transformation of Konsolidační banka Praha, s.p.ú., totalling CZK 38,551,945 thousand and CZK 36,781,833 thousand, respectively.

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

(b) Amounts due from clients by classification

2002

CZK '000	Total	Collateral	Adjusted value	Provisions and reserves
Standard	151,036,079	93,837,475	57,198,604	5,371,017
Watch	8,972,286	6,622,779	2,349,507	294,958
Substandard	3,154,327	2,002,627	1,151,700	544,929
Doubtful	2,020,900	1,461,452	559,448	493,016
Loss	11,298,304	1,895,266	9,403,038	11,078,861
Total	176,481,896	105,819,599	70,662,297	17,782,781

2001

CZK '000	Total	Collateral	Adjusted value	Provisions and reserves
Standard	140,865,488	89,597,507	51,267,981	6,020,532
Watch	8,726,092	5,386,843	3,339,249	193,106
Substandard	7,745,418	6,444,137	1,301,281	793,360
Doubtful	3,750,532	3,138,630	611,902	592,929
Loss	14,339,420	4,048,032	10,291,388	13,135,777
Total	175,426,950	108,615,149	66,811,801	20,735,704

2000

CZK '000	Total	Collateral	Adjusted value	Provisions and reserves
Standard	77,116,767	33,295,804	43,820,963	2,807,494
Watch	16,478,777	10,642,288	5,836,489	735,980
Substandard	8,490,071	7,442,126	1,047,945	777,998
Doubtful	2,724,485	2,212,667	511,818	490,005
Loss	20,569,586	5,827,040	14,742,546	17,622,576
Total	125,379,686	59,419,925	65,959,761	22,434,053

Collateral values are stated net of a discount that indicates the recovery rate of the relevant type of collateral. Provisioning levels against loss loans include additional provisions pursuant to CNB Regulation No. 193/1998 Coll.

The table below details the breakdown of loans and advances to clients by specific risks identified within the credit portfolio of the Bank. The Bank has divided the credit portfolio into two parts corresponding to the credit risk characteristics of the underlying loans and receivables. The table below presents loans and receivables that are being managed under a special regime and the remaining loan portfolio.

CZK million	Gross exposure	Collateral	Net exposure	Provisions and reserves
Special loans and receivables				
Ringfence loans	1,952	1,863	89	66
Fully provisioned receivables	8,132	785	7,347	8,132
Subtotal	10,084	2,648	7,436	8,198
Remaining receivables by CNB classification				
Standard	151,037	93,837	57,200	0
Watch	8,972	6,623	2,349	295
Substandard	2,140	1,004	1,136	540
Doubtful	1,061	609	452	401
Loss	3,188	1,098	2,090	2,978
Subtotal	166,398	103,171	63,227	4,214
Reserves for credit risk				5,371 *)
Total	176,482	105,819	70,663	17,783

*) Except for reserves for guarantees

Ringfence loans only includen loans and receivables that are included in the ring fencing concluded between the Bank and ČKA. These ringfence loans (including off balance sheet exposures) had a guaranteed value of CZK 1,914 million as of 31 December 2002. Fully provisioned receivables include receivables against which the Bank has created 100 percent provisions without taking into account the possibility of recovering collateral. The collateral values underlying the remaining portion of the portfolio are determined pursuant to internal collateral evaluation rules.

The uncertainties resulting from specific credit risks are covered by reserves established pursuant to Appendix 2, Article VIII and Appendix 3, Article I, of the Czech Finance Ministry Regulation which establishes the chart of accounts and the accounting principles for banks and certain financial institutions.

(c) Analysis of amounts due from clients by sector

CZK ‘000	2002	2001	2000
Non-financial institutions	61,556,072	65,872,429	54,721,540
Financial institutions	14,411,019	13,971,684	14,153,218
Insurance companies	39	0	70,027
Government sector	48,831,747	55,679,726	5,343,830
Not-for-profit organisations	2,048,004	450,068	2,700,050
Households (self-employed)	561,018	2,010,463	10,772,369
Resident individuals	47,304,179	37,155,594	31,858,360
Unallocated	1,769,818	286,986	5,760,292
Total gross amounts due from clients	176,481,896	175,426,950	125,379,686

(d) Analysis of amounts due from clients by industry

CZK ‘000	2002	2001	2000
Financial institutions	13,656,530	13,218,492	11,471,912
Residents	47,235,389	33,784,475	31,771,053
Trade	10,427,998	15,188,754	16,517,047
Power	4,764,408	4,816,846	5,298,585
State sector *)	48,991,412	55,402,620	5,318,196
Construction	1,646,094	2,330,520	3,479,942
Hotels, public catering	1,573,314	1,801,537	2,359,033
Processing	17,896,911	20,236,554	19,482,644
Other	30,289,840	28,647,152	29,681,274
Total gross amounts due from clients	176,481,896	175,426,950	125,379,686

*) The figures for the years ended 31 December 2001 and 2002 reflect balances due from ČKA.

(e) Geographical analysis of amounts due from clients

CZK '000	2002	2001	2000
Czech Republic	171,514,085	170,782,532	120,227,220
EU countries	1,340,493	796,777	1,116
Other European countries	2,938,580	3,689,912	4,788,829
US and Canada	687,193	145,829	66
Asia	929	11,865	362,340
Others	616	35	115
Total gross amounts due from clients	176,481,896	175,426,950	125,379,686

(f) Analysis of amounts due from clients by remaining maturity

CZK '000	2002	2001	2000
Repayable on demand	230,120	3,215	4,688
Up to 3 months	9,392,535	35,268,325	23,682,422
Less than 1 year	24,641,049	18,335,937	17,854,157
Less than 5 years	73,416,455	61,657,330	38,683,553
Greater than 5 years	68,801,737	60,162,143	45,154,866
Total gross amounts due from clients	176,481,896	175,426,950	125,379,686

The proportion of amounts due within one year is 19.41 percent (2001: 30.41 percent; 2000: 32.86 percent).

(g) Analysis of amounts due from clients by type of collateral

CZK '000	2002	2001	2000
Guarantees	48,308,701	58,242,659	11,321,408
Bills of exchange	319,396	2,163,597	4,263,385
Pledged real estate	43,119,085	35,569,052	34,402,869
Pledged movables	877,400	399,868	470,179
Cash collateral	1,259,614	1,145,433	1,383,107
Bonds and shares	1,167,209	483,431	1,599,810
Ceded receivables	9,171,884	8,687,606	5,014,120
Other collateral	1,596,294	1,923,503	17,947,561
Non-collateralised	70,662,313	66,811,801	48,977,247
Total gross amounts due from clients	176,481,896	175,426,950	125,379,686

(h) Amounts due from clients written off and transferred and recoveries

CZK '000	2002	2001	2000
Non-financial institutions	2,081,606	2,918,992	541,607
Financial institutions	48,650	33,916	27,294
Government sector	2,467	3,555	0
Self employed	919,856	1,268,191	150,635
Resident individuals	203,499	37,739	8,236
Non-resident individuals	13,649	71,201	173
Unallocated	210,535	122,618	0
Total write-offs	3,480,262	4,456,212	727,945
Total recoveries	79,095	17,779	24,174

(i) Restructured loans and securitised loans

During the year ended 31 December 2002, the Bank restructured loans, the balance of which was CZK 430.5 million as of 31 December 2002 (comparative figures for the years ended 31 December 2001 and 2000 are not available).

The Bank did not enter into any securitisation transactions in respect of its loan portfolio during the year ended 31 December 2002.

(j) Syndicated loans

In the year ended 31 December 2002, a number of syndicated loan facilities, in which the Bank participated, were completed. Being the most active and significant bank in the Czech syndicated loans market, the Bank obtained several mandates to act as an arranger/co-arranger and agent in respect of significant loan arrangements (Dopravní podnik, Oděvní podnik, Elektrárny Opatovice).

As of 31 December 2002, the Bank participated in syndicated loan arrangements at an aggregate utilised amount of CZK 8,042,548 thousand (2001: CZK 12,753,403 thousand, 2000: CZK 7,190,112 thousand) of the original limit of CZK 17,487,862 thousand (2001: CZK 88,691,616 thousand, 2000: CZK 17,489,445 thousand).

11. Debt Securities

The following tables provide an analysis of securities by issuer.

(a) Analysis of debt securities held for trading

CZK '000	Purchase cost	2002 Market value	Purchase cost	2001 Market value	Purchase cost	2000 Market value
Issued by financial institutions						
Marketable	324,885	326,601	538,576	538,312	161,418	160,752
Non-marketable	0	0	35,774	36,858	30,121	30,099
	324,885	326,601	574,350	575,170	191,539	190,851
Issued by non-financial institutions						
Marketable	305,795	304,610	921,547	917,410	54,095	54,175
Non-marketable	0	0	0	0	274,597	281,739
	305,795	304,610	921,547	917,410	328,692	335,914
Issued by the Government sector						
Marketable	660,759	661,036	2,846,449	2,846,449	327,772	327,193
Non-marketable	405,808	417,351	0	0	0	0
	1,066,567	1,078,387	2,846,449	2,846,449	327,772	327,193
Total	1,697,247	1,709,598	4,342,346	4,339,029	848,003	853,958
Less provisions for securities			(5,586)		(2,529)	
NBV of securities	1,697,247	1,709,598	4,336,760	4,339,029	845,474	853,958
Coupon of securities	17,817	17,817	51,473	51,473	23,190	23,190
Less provisions for coupons of securities			0		0	
NBV of coupons	17,817	17,817	51,473	51,473	23,190	23,190
Total net book value	1,715,064	1,727,415	4,388,233	4,390,502	868,664	877,148

For the year ended 31 December 2002, the net book value of debt securities held for trading included treasury bills of CZK 417,351 thousand (2001: CZK 2,644,638 thousand; 2000: CZK 0 thousand) and bonds of CZK 635,733 thousand (2001: CZK 247,281 thousand; 2000: CZK 327,772 thousand) that were transferred as collateral for loans taken under repurchase transactions.

The proportion of debt securities with remaining maturity less than one year to the aggregate value of these assets is 57.88 percent as of 31 December 2002 (2001: 59.63 percent; 2000: 1.93 percent).

The portfolio of debt securities held by the Bank for trading as of 31 December 2002 comprised bonds issued by a foreign issuer at a cost of CZK 324,490 thousand (2001: CZK 58,766 thousand; 2000: CZK 85,637 thousand).

Marketable securities are traded on the Prague Stock Exchange (‘PSE’).

(b) Analysis of debt securities available for sale

CZK ‘000	Purchase cost	2002 Market value	Purchase cost	2001 Market value	Purchase cost	2000 Market value
Issued by financial institutions						
Marketable	1,085,846	1,093,740	0	0	0	0
Non-marketable	1,476,636	1,584,979	1,053,181	971,747	0	0
	2,562,482	2,678,719	1,053,181	971,747	0	0
Issued by non-financial institutions						
Marketable	5,361,726	5,437,533	2,283,164	2,264,136	0	0
Non-marketable	3,334,496	3,447,013	5,675,408	5,989,544	0	0
	8,696,222	8,884,546	7,958,572	8,253,680	0	0
Issued by the Government sector						
Marketable	233,200	243,847	0	0	0	0
Non-marketable	1,798,097	1,827,983	63,960	74,993	0	0
	2,031,297	2,071,830	63,960	74,993	0	0
Total	13,290,001	13,635,095	9,075,713	9,300,420	0	0
Less provisions for securities			(426,346)		0	
NBV of securities	13,290,001	13,635,095	8,649,367	9,300,420	0	0
Coupon of securities	218,825	218,825	240,025	210,370	0	0
Less provisions for coupons of securities			(29,655)		0	
NBV of coupons	218,825	218,825	210,370	210,370	0	0
Total net book value	13,508,826	13,853,920	8,859,737	9,510,790	0	0

In connection with the change in accounting policies, the Bank formed portfolios of securities available for sale and held to maturity in the year ended 31 December 2001. As a result of this change, selected securities were transferred from the banking book into the newly formed portfolios.

For the year ended 31 December 2002, the net book value of debt securities available for sale included state treasury bonds of CZK 1,599,206 thousand (2001 and 2000: CZK nil thousand) that were transferred as collateral for loans taken under repurchase transactions.

The proportion of debt securities with remaining maturity less than one year to the aggregate value of these assets is 19.80 percent as of 31 December 2002 (2001: 0.82 percent).

The portfolio of the Bank’s debt securities available for sale as of 31 December 2002 comprised bonds issued by a foreign issuer at a cost of CZK 10,153,514 thousand (2001: CZK 5,772,538 thousand).

Marketable securities are traded on the PSE.

(c) Analysis of debt securities held to maturity

CZK '000	2002 Purchase cost	2002 Market value	2001 Purchase cost	2001 Market value	2000 Purchase cost	2000 Market value
Issued by financial institutions						
Marketable	8,432,067	9,474,389	4,982,888	4,982,884	8,542,447	8,457,385
Non-marketable	6,078,850	6,544,918	12,249,721	12,249,721	10,276,333	10,093,006
	14,510,917	16,019,307	17,232,609	17,232,605	18,818,780	18,550,391
Issued by non-financial institutions						
Marketable	10,513,455	11,350,733	7,903,515	7,903,515	5,958,174	6,151,123
Non-marketable	4,169,654	3,996,719	4,374,965	4,374,965	10,060,408	9,779,020
	14,683,109	15,347,452	12,278,480	12,278,480	16,018,582	15,930,143
Issued by the Government sector						
Marketable	3,824,063	3,879,693	7,694,423	7,694,423	0	0
Non-marketable	0	0	0	0	0	0
	3,824,063	3,879,693	7,694,423	7,694,423	0	0
Total	33,018,089	35,246,452	37,205,512	37,205,508	34,837,362	34,480,534
Less provisions for securities	(78,895)		0		(780,427)	
NBV of securities	32,939,194	35,246,452	37,205,512	37,205,508	34,056,935	34,480,534
Coupon of securities	959,158	959,158	1,005,224	1,005,224	1,164,372	1,141,178
Less provisions for coupons of securities			0		(23,194)	
NBV of coupons	959,158	959,158	1,005,224	1,005,224	1,141,178	1,141,178
Total net book value	33,898,352	36,205,610	38,210,736	38,210,732	35,198,113	35,621,712

During the year ended 31 December 2000, the debt securities reported above were included in the banking book. In connection with the change in accounting policies in the year ended 31 December 2001, the Bank formed portfolios of securities available for sale and held to maturity. As a result of this change, selected securities were transferred from the banking book into the newly formed portfolios.

For the year ended 31 December 2002, the net book value of debt securities held to maturity included bonds of CZK 3,839,178 thousand (2001: CZK 7,734,345 thousand; 2000: CZK 0 thousand) that were transferred as collateral for loans taken under repurchase transactions.

The proportion of debt securities with remaining maturity less than one year to the aggregate value of these assets is 19.21 percent as of 31 December 2002 (2001: 5.71 percent).

The portfolio of the Bank's debt securities held to maturity as of 31 December 2002 comprised bonds issued by a foreign issuer at a cost of CZK 19,270,507 thousand (2001: CZK 17,674,605 thousand; 2000: CZK 17,424,841 thousand). The debt securities held to maturity are largely comprised of eurobonds denominated in CZK and foreign currencies and bonds issued by the parent company, Erste Bank, at a cost of CZK 5,059,533 thousand and at a market value of CZK 5,059,533 thousand (2001: cost of CZK 4,976,598 thousand and market value of CZK 4,976,598 thousand; 2000: cost of CZK 4,970,377 thousand and market value of CZK 4,862,697 thousand).

(d) Total debt securities

CZK '000	2002 Purchase cost	2002 Market value	2001 Purchase cost	2001 Market value	2000 Purchase cost	2000 Market value
Debt securities held for trading	1,715,064	1,727,415	4,388,233	4,390,502	868,664	877,148
Debt securities available for sale	13,508,826	13,853,920	8,859,737	9,510,790	0	0
Debt securities held to maturity	33,898,352	36 205,610	38,210,736	38,210,732	35,198,113	35,621,712
Total net book value	49,122,242	51,786,945	51,458,706	52,112,024	36,066,777	36,498,860

The total net book value of debt securities reported on the face of the balance sheet consists of the market value of debt securities held for trading and available for sale and purchase cost, together with the accrued income (coupon), of debt securities held to maturity.

12. Shares, Share Certificates and other Equity Investments

(a) Analysis of shares, share certificates and other equity investments held for trading

CZK '000	2002 Purchase cost	2002 Market value	2001 Purchase cost	2001 Market value	2000 Purchase cost	2000 Market value
Issued by financial institutions						
Marketable	0	0	24,842	26,003	10,926	11,208
Non-marketable	0	0	0	0	0	0
	0	0	24,842	26,003	10,926	11,208
Issued by non-financial institutions						
Marketable	216,965	209,147	58,622	60,144	82,057	84,934
Non-marketable	0	0	905	0	7,439,320	8,546,310
	216,965	209,147	59,527	60,144	7,521,377	8,631,244
Total	216,965	209,147	84,369	86,147	7,532,303	8,642,452
Less provisions for securities			(1,854)		(120,588)	
Total net book value	216,965	209,147	82,515	86,147	7,411,715	8,642,452

For the year ended 31 December 2002, the net book value of shares, share certificates and other equity investments held for trading included shares of CZK 5,622 thousand (2001: CZK 0 thousand; 2000: CZK 0 thousand) that were transferred as collateral for loans taken under repurchase transactions.

As of 31 December 2000, the above mentioned balances included total shares and share certificates of Český, Výnosový and Všeobecný OPF at an aggregate purchase cost of CZK 7,298,783 thousand and a market value of CZK 8,525,146 thousand which were re-allocated to the available for sale category in the year ended 31 December 2001.

Marketable securities are traded on the PSE.

(b) Analysis of shares, share certificates and other equity investments available for sale

CZK '000	2002 Purchase cost	2002 Market value	2001 Purchase cost	2001 Market value	2000 Purchase cost	2000 Market value
Issued by financial institutions						
Marketable	0	0	0	0	0	0
Non-marketable	65,000	407,685	65,000	326,783	0	0
	65,000	407,685	65,000	326,783	0	0
Issued by non-financial institutions						
Marketable	450,000	468,340	0	0	0	0
Non-marketable	119,634	56,736	710,545	755,401	0	0
	569,634	525,076	710,545	755,401	0	0
Total	634,634	932,761	775,545	1,082,184	0	0
Less provisions for securities	(264)	(264)	(73,914)		0	
Total net book value	634,370	932,497	701,631	1,082,184	0	0

In connection with the change in accounting policies, the Bank formed portfolios of securities available for sale and held to maturity in the year ended 31 December 2001. As a result of this change, selected securities were transferred from the banking book into the newly formed portfolios.

As of 1 January 2001, the share certificates of Český, Výnosový and Všeobecný OPF at an aggregate purchase cost of CZK 7,298,783 thousand and a market value of CZK 8,525,146 thousand were re-allocated to the available-for-sale portfolio. During the year ended 31 December 2001, a substantial portion of the portfolio of these share certificates was sold pursuant to the Bank's security investment strategy.

As of 31 December 2002, the volume of shares and share certificates issued by subsidiary and associate undertakings was CZK 215,920 thousand at purchase cost (2001: CZK 391,335 thousand; 2000: CZK 7,298,783 thousand) and CZK 218,340 thousand at market value (2001: CZK 498,357 thousand; 2000: CZK 8,525,146 thousand).

Marketable securities are traded on the PSE.

(c) Analysis of shares, share certificates and other equity investments included in the banking book (solely for the year ended 31 December 2000)

CZK '000	2002 Purchase cost	2002 Market value	2001 Purchase cost	2001 Market value	2000 Purchase cost	2000 Market value
Issued by financial institutions						
Marketable	0	0	0	0	0	0
Non-marketable	0	0	0	0	162,911	90,300
	0	0	0	0	162,911	90,300
Issued by non-financial institutions						
Marketable	0	0	0	0	14,138	11,338
Non-marketable	0	0	0	0	41,108	37,414
	0	0	0	0	55,246	48,752
Total	0	0	0	0	218,157	139,052
Less provisions for securities	0		0		(79,105)	
Total net book value	0	0	0	0	139,052	139,052

In connection with the change in accounting policies, the Bank formed portfolios of securities available for sale and held to maturity in the year ended 31 December 2001. As a result of this change, selected securities were transferred from the banking book into the newly formed portfolios.

(d) Total shares, share certificates and other equity investments

CZK '000	2002 Purchase cost	2002 Market value	2001 Purchase cost	2001 Market value	2000 Purchase cost	2000 Market value
Shares, share certificates and other equity investments held for trading	216,965	209,147	82,515	86,147	7,411,715	8,642,452
Shares, share certificates and other equity investments available for sale	634,370	932,497	701,631	1,082,184	0	0
Shares, share certificates and other equity investments in the banking book	0	0	0	0	139,052	139,052
Total net book value	851,335	1,141,644	784,146	1,168,331	7,550,767	8,781,504

13. Participation Interests with Substantial and Controlling Influence

(a) Participation interests with substantial influence

Name	Registered office address	Principal activities	Share capital in 2002 in CZK '000
Hotelová společnost, s.r.o.	Prague 5, Plzeňská 103/215a	Accommodation services	200
IC, s.r.o.	Prague 3, Vinohradská 112	Consultancy	210
Czech Banking Credit Bureau, a. s.	Prague 8, Sokolovská 192/79	Provision of software	1,200
Servis 1 – ČS, a. s.	Prague 7, Bubenská 1477/1	Provision of software	2,880,000

Name	Net book value in CZK '000			% capital held			% of voting power		
	2002	2001	2000	2002	2001	2000	2002	2001	2000
ČS-Factoring, a. s.	–	–	3,000	–	–	10	–	–	20
Hotelová společnost, s.r.o.	21	21	21	10	10	10	50	50	50
IC, s.r.o.	20	20	20	9.5	9.5	9.5	50	50	50
Czech Banking Credit Bureau, a. s.	240	300	–	20	25	–	20	20	–
Servis 1 – ČS, a. s.	300,000	–	–	10.4	–	–	20.8	–	–
	300,281	341	3,041						
Less provisions for participation interests	(22)	(22)	(41)						
Participation interests with substantial influence, net	300,259	319	3,000						

Substantial influence over these companies does not result from the Bank's equity interest in these companies. The Bank's substantial influence is attributable to the Statutes of the companies and Articles of Association entered into with other shareholders.

(b) Participation interests with controlling influence

Name CZK '000	Registered office address	Principal activities	Share capital in 2002	Equity in 2002
Factoring České spořitelny, a. s.	Prague 8, Pobřežní 46	Factoring	84,000	62,032
Informatika České spořitelny, a. s.	Prague 8, Bubenská 1477/1	Data processing	10,000	16,670
Investiční společnost České spořitelny, a. s.	Prague 4, Poláčkova 1976/2	Investment management	70,000	409,661
Leasing České spořitelny, a. s.	Prague 8, Střelničná 8/1680	Leasing	300,000	422,054
Penzijní fond České spořitelny, a. s.	Prague 4, Poláčkova 1976/2	Pension fund	100,000	373,656
Pojišťovna České spořitelny, a. s.	Pardubice, nám. Republiky 115	Insurance	1,117,200	1,219,449
Consulting České spořitelny, a. s.	Prague 10, Ukrajinská 1488/10	Consultancy	1,000	13,718
Stavební spořitelna České spořitelny, a. s.	Prague 3, Vinohradská 180/1632	Building savings bank	750,000	1,528,873
Corporate development České spořitelny, a. s.	Prague 1, Na Perštýně 1/342	Consultancy	6,000	15,564
Servis 2 – ČS, a. s.	Prague 7, Bubenská 1477/1	Software provision	2,000	1,411
Czech Top Venture Fund B.V.	Postweg 11 6561 Groesbeek, Netherlands	Management and financing services	600	–728
Realitní společnost České spořitelny, a. s.	Prague 3, Vinohradská 1899/112	Real estate activities	4,000	4,000

Name	% capital held 2002	2001	2000	% of voting power 2002	2001	2000
Factoring České spořitelny, a. s.	100	100	–	100	100	–
Informatika České spořitelny, a. s.	100	100	100	100	100	100
Investiční společnost České spořitelny, a. s.	100	100	100	100	100	100
Leasing České spořitelny, a. s.	100	100	100	100	100	100
Penzijní fond České spořitelny, a. s.	100	100	92	100	100	92
Pojišťovna České spořitelny, a. s.	55.3	55.3	55.3	55.3	55.3	55.3
Consulting České spořitelny, a. s.	100	51	51	100	51	51
Stavební spořitelna České spořitelny, a. s.	60.5	60.5	60.5	60.5	60.5	60.5
Corporate development České spořitelny, a. s.	100	100	100	100	100	100
Ceska Sporitelna-Finance, B.V.	–	–	100	–	–	100
Servis 2 – ČS, a. s.	100	–	–	100	–	–
Czech Top Venture Fund B.V.	84.3	–	–	84.3	–	–
Realitní společnost České spořitelny, a. s.	80	–	–	80	–	–

Name	Net book value in CZK '000 2002	2001	2000	Number of subscribed shares 2002	2001	2000	Nominal value of subscribed shares in CZK '000 2002	2001	2000
Factoring České spořitelny, a. s.	57,000	57,000	–	280	280	–	57,000	57,000	–
Informatika České spořitelny, a. s.	10,000	10,000	10,000	100	100	100	10,000	10,000	10,000
Investiční společnost České spořitelny, a. s.	77,000	77,000	77,000	700	700	700	70,000	70,000	70,000
Leasing České spořitelny, a. s.	300,000	300,000	300,000	300	300	300	300,000	300,000	300,000
Penzijní fond České spořitelny, a. s.	241,100	241,100	230,000	250	250	230	100,000	100,000	92,000
Pojišťovna České spořitelny, a. s.	1,363,080	1,363,080	1,363,080	10,160	10,160	10,160	617,200	617,200	617,200
Consulting České spořitelny, a. s.	5,430	510	510	1,000	510	510	1,000	510	510
Stavební spořitelna České spořitelny, a. s.	332,750	332,750	332,750	3,025	3,025	3,025	453,750	453,750	453,750
Corporate development České spořitelny, a. s.	3,010	6,000	1,000	301	600	100	3,010	6,000	10,000
Ceska Sporitelna-Finance, B.V.	–	–	637	–	–	1	–	–	637
Servis 2 – ČS, a. s.	2,000	–	–	2	–	–	2,000	–	–
Czech Top Venture Fund B.V.	506	–	–	100,000	–	–	16,000 EUR	–	–
Realitní společnost České spořitelny, a. s.	3,200	–	–	40	–	–	4,000	–	–
	2,395,076	2,387,440	2,314,977						
Less provisions for participation interests	(893,714)	(1,112,257)	(1,100,117)						
Participation interestswith controlling influence, net	1,501,362	1,275,183	1,214,860						

On 15 March 2002, the Bank contributed securities to the CSOffice system, thereby forming the companies Servis 1 and Servis 2. The Bank became the sole shareholder of these entities which have an issued share capital of CZK 2 million each. In May 2002, the share capital of Servis 1 was increased and a portion of newly issued shares was subscribed for by the new shareholders Erste Bank and Slovenská spořitelna, a. s. Following these steps, the Bank's equity holding was decreased to 10.4 percent and the entity was

re-allocated to 'Participation interests with substantial influence.' Both entities function as providers of auxiliary banking services and they are principally engaged in providing software and advisory services relating to software and hardware, data processing, databank services and network administration.

On 15 October 2002, the Bank and Ecetra Internet Services AG formed a new subsidiary undertaking Brokerjet České spořitelny, a. s. ('Brokerjet') and the Bank subscribed for 51 percent of the issued share capital amounting to CZK 81,600 thousand. Brokerjet was not registered in the Register of Companies as of 31 December 2002 and hence it is not reported within the participation interests with controlling influence. A receivable from subscribed capital is reported within other assets (refer to Note 16). Following its registration, Brokerjest will carry on its business as a securities dealer.

Pursuant to an agreement entered into on 11 November 2002, the Bank repurchased a 49 percent equity interest in Sindat Consulting České spořitelny, a. s. held by the minority shareholder and became the sole shareholder of this entity. Subsequently, the Bank decided to change the name of the entity to Consulting České spořitelny, a. s. The changes were recorded in the Register of Companies and came into legal force in December 2002.

At the end of 2002, the Bank formed another two subsidiary undertakings, Realitní společnost České spořitelny, a. s. and Czech Top Venture Fund B.V., which did not launch their business activities as of 31 December 2002.

Provisions charged against participation interests as of 31 December 2002, 2001 and 2000 principally consisted of provisions against the shareholdings in Pojišťovna České spořitelny, a. s. and Penzijní fond České spořitelny, a. s. so as to cover the decrease in equity of these entities arising from losses incurred in prior years.

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

14. Intangible Fixed Assets

Analysis of intangible fixed assets

CZK '000	Goodwill	Software and other intangible fixed assets	Acquisition of intangible fixed assets and prepayments made	Total
Cost				
Balance at 1 January 2002	229,885	3,263,217	1,807,465	5,300,567
Additions	0	2,068,212	2,296,573	4,364,785
Disposals	0	(1,431,261)	(2,217,911)	(3,649,172)
Balance at 31 December 2002	229,885	3,900,168	1,886,127	6,016,180
Accumulated amortisation				
Balance at 1 January 2002	(71,839)	(2,076,532)	0	(2,148,371)
Charge for amortisation	(57,471)	(726,887)	0	(784,358)
Provisions	0	(90,128)	(116,842)	(206,970)
Disposals	0	1,416,641	0	1,416,641
Balance at 31 December 2002	(129,310)	(1,476,906)	(116,842)	(1,723,058)
Net book value				
Balance at 1 January 2002	158,046	1,186,685	1,807,465	3,152,196
Balance at 31 December 2002	100,575	2,423,262	1,769,285	4,293,122

15. Tangible Fixed Assets

(a) Analysis of tangible fixed assets

CZK '000	Land and buildings for banking activities	Equipment, facilities and other	Acquisition of tangible fixed assets and prepayments made	Total
Cost				
Balance at 1 January 2002	15,445,839	10,222,801	2,120,994	27,789,634
Additions	1,075,226	2,108,600	2,685,644	5,869,470
Disposals	(254,637)	(1,909,310)	(3,402,681)	(5,566,628)
Balance at 31 December 2002	16,266,428	10,422,091	1,403,957	28,092,476
Accumulated depreciation and provisions				
Balance at 1 January 2002	(4,016,232)	(7,954,285)	0	(11,970,517)
Reclassifications	0	19,350	(19,350)	0
Charge for depreciation	(594,167)	(831,119)	0	(1,425,286)
Charge for provisions	(412,724)	0	(200,455)	(613,179)
Use of provisions	484,795	0	1,565	486,360
Disposals	1,348	1,984,021	0	1,985,369
Balance at 31 December 2002	(4,536,980)	(6,782,033)	(218,240)	(11,537,253)
Net book value				
Balance at 1 January 2002	11,429,607	2,268,516	2,120,994	15,819,117
Balance at 31 December 2002	11,729,448	3,640,058	1,185,717	16,555,223

To ensure comparability, the opening balances do not include tangible fixed assets acquired by the Bank from its borrowers to collateralise loan commitments (refer to Note 6).

The balance of the charge for provisions includes a provision of CZK 18,014 thousand (2001: CZK 467,493 thousand) recognised in respect of the sale of redundant assets (refer to Note 21) and a provision of CZK 595,165 thousand (2001: CZK 120,119 thousand) for the temporary impairment of assets in the year ended 31 December 2002.

Provisions included within restructuring reserves (refer to Note 21) relating to the premises that are expected to be disposed of in the period after the year 2003 were re-allocated in the profit and loss account to the balance of provisions for temporary impairment of assets.

(b) Tangible fixed assets held under lease agreements

As of 31 December 2002, the Bank recorded tangible fixed assets with a carrying value of CZK 32 million (2001: CZK 110 million; 2000: CZK 399 million) which are subject to lease agreements in which the Bank acts as a lessee. During the year ended 31 December 2002, no new finance lease contracts were entered into and the balance of leased assets decreased by CZK 78 million as a result of the expiration of lease agreements. In the year ended 31 December 2002, the Bank made lease payments of CZK 5 million and will be required under concluded lease contracts to make future lease payments of CZK 2 million within 1 year, CZK 8 million within 1–5 years and CZK 4 million over 5 years.

16. Other Assets

CZK '000	2002	2001	2000
Various debtors including prepayments	4,979,117	5,030,178	5,061,004
Deferred tax asset	677,287	3,320,290	4,590,187
Financial derivatives with positive fair value	14,776,819	9,091,165	2,241,585
Other	1,296,359	1,763,591	2,153,145
Total	21,729,582	19,205,224	14,045,921
less: provisions	(206,211)	(196,934)	(138,413)
Total other assets	21,523,371	19,008,290	13,907,508

Various debtors include an amount receivable from AB Banka totalling CZK 2,551,342 thousand (2001: CZK 2,692,428 thousand; 2000: CZK 2,692,428 thousand) arising from a cession of receivables from clients of this bank. The Bank received a prepayment of CZK 2,800,000 thousand from the Czech National Bank and the Czech Finance Ministry in respect of this receivable (refer to Note 20).

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

17. Amounts owed to Banks

Analysis of amounts owed to banks by remaining maturity

CZK '000	2002	2001	2000
Repayable on demand	5,436,377	225,723	246,062
Up to 3 months	14,041,109	18,700,988	9,514,653
Less than 1 year	5,501,012	4,101,941	1,031,709
From 1 to 5 years	644,398	687,000	1,985,000
Greater than 5 years	0	0	0
Total	25,622,896	23,715,652	12,777,424

Amounts owed to banks as of 31 December 2002 include loans of CZK 8,518,643 thousand (2001: CZK 14,338,921 thousand; 2000: CZK 0 thousand) received under repurchase transactions.

Figures reported for the years ended 31 December 2001 and 2000 were increased to reflect accrued interest income to ensure comparability.

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

18. Amounts owed to Clients

(a) Amounts oweds to clients

CZK '000	2002	2001	2000
Current accounts (credit balances)	122,957,484	99,649,688	84,677,913
Savings deposits (excluding government and municipal sector)			
repayable on demand	24,176,068	32,388,156	30,618,706
repayable at call	95,909,528	133,208,815	136,163,916
term	58,438,919	69,200,540	58,952,234
Accounts with government bodies, municipalities			
repayable on demand	18,040,442	12,964,078	10,432,234
term	1,243,265	4,419,164	1,076,243
Depository bills of exchange	51	1,065	14,444
Loan received from clients	8,955,620	2,881,802	720,431
Other payables to clients	21,410,527	0	0
Total amounts owed to clients	351,131,904	354,713,308	322,656,121

Amounts owed to clients as of 31 December 2002 include loans of CZK 8,883,298 thousand (2001: CZK 2,782,311 thousand; 2000: CZK 614,873 thousand) received under repurchase transactions.

Figures reported for the years ended 31 December 2001 and 2000 were increased to reflect accrued interest income to ensure comparability.

Other payables to clients reported as of 31 December 2002 reflect payables resulting from cancelled deposits on bearer savings books totalling CZK 21,242,112 thousand (refer to Note 3b).

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

(b) Analysis of amounts owed to clients by sector

CZK '000	2002	2001	2000
Non-financial institutions	27,204,114	21,708,222	17,786,724
Financial institutions	8,236,377	7,558,721	3,426,925
Insurance companies	4,379,512	1,412,135	279,592
Government sector	24,850,940	17,446,457	10,782,271
Not-for-profit organisations	5,372,021	5,018,511	5,254,503
Households (self-employed)	12,402,303	11,951,684	9,509,513
Resident individuals	265,771,652	286,890,458	273,361,473
Non-residents	2,129,767	1,919,666	1,864,788
Unallocated	785,218	807,454	390,332
Total	351,131,904	354,713,308	322,656,121

(c) Analysis of amounts owed to clients by remaining maturity

CZK '000	2002	2001	2000
Repayable on demand	165,173,994	144,974,069	125,699,198
Up to 3 months	108,284,823	93,776,867	82,239,410
Less than 1 year	30,805,243	33,495,792	32,939,936
From 1 to 5 years	46,851,124	81,893,342	81,643,035
Greater than 5 years	16,720	573,238	134,542
Total	351,131,904	354,713,308	322,656,121

19. Payables from Debt Securities

(a) Analysis of payables from debt securities

CZK '000	2002	2001	2000
Issued coupon bonds	3,903,825	5,977,918	5,976,754
Issued coupon bonds held by the Bank	0	(214,217)	(51,470)
Depository bills of exchange	4,182,059	5,822,942	4,854,972
Payables from short sales of debt securities	5,182,035	2,790,535	7,557,778
Payables from matured issued debt securities	6,827	0	0
Total	13,274,746	14,377,178	18,338,034

Figures reported for the years ended 31 December 2001 and 2000 were increased to reflect accrued interest income to ensure comparability.

In February 1997, the Bank issued bonds with an aggregate nominal value of CZK 5,000,000 thousand with a fixed interest rate of 10.75 percent per annum and a maturity date of 27 February 2002. The bonds were issued in certificate form and were traded on the main market of the PSE. These bonds were redeemed in the year ended 31 December 2002.

In August 1998, the Bank launched an issue of mortgage bonds with an aggregate nominal value of CZK 500,000 thousand. These bonds have a fixed interest rate of 11.85 percent per annum and will mature in 2003. They were issued in the book form and are traded on the open market of the PSE.

On 8 November 2002, the Bank launched another issue of mortgage bonds. This issue was effected in two tranches. The first tranche amounted to CZK 2,300,000 thousand and carried an issue rate of 111.64 percent and the second tranche amounted to CZK 700,000 thousand with an issue rate of 111.435 percent. These bonds have a fixed interest rate of 5.80 percent per annum and will mature in 2007. They were issued in the book form and are traded on the open market of the PSE.

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

(b) Analysis of commitments from debt securities by remaining maturity

CZK '000	2002	2001	2000
Repayable on demand	7,079	0	0
Up to 3 months	9,233,582	12,314,330	12,811,159
Less than 1 year	550,992	1,443,499	78,345
From 1 to 5 years	3,353,850	500,000	5,448,530
Greater than 5 years	129,243	119,349	0
Total	13,274,746	14,377,178	18,338,034

The proportion of debt securities issued with remaining maturity less than one year to the aggregate value of these liabilities is 73.76 percent as of 31 December 2002 (2001: 94.53 percent; 2000: 69.50 percent).

20. Other Liabilities

CZK '000	2002	2001	2000
Various creditors including prepayments received	5,169,274	5,359,040	5,013,893
Financial derivatives with negative fair value	13,963,755	7,836,732	3,296,505
Estimated payables	2,400,555	3,138,978	2,277,984
Payables from short sales of shares	2,531	841	0
Income tax	795,986	0	0
Other	2,245,583	3,094,380	3,318,791
Total other liabilities	24,577,684	19,429,971	13,907,173

As of 31 December 2002, various creditors include prepayments of CZK 2,800,000 thousand (2001: CZK 2,800,000 thousand; 2000: 2,800,000 thousand) received from the Czech National Bank and the Czech Finance Ministry to cover amounts due from AB Banka (refer to Note 16).

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

21. Provisions and Reserves

Provisions for loans are recognised pursuant to the CNB regulation regarding loan classification. Provisions for fixed assets and non-statute barred receivables are recorded if the Bank identifies a temporary decline in the value of fixed assets carried in the statutory accounting books.

Provisions for securities and equity investments are recognised in accordance with applicable accounting policies (refer to Note 5).

Tax deductible reserves for credit risk and reserves for repairs of tangible fixed assets are established in accordance with the Provisioning Act.

Tax non-deductible reserves are charged to cover risks present in the loan portfolio in an amount that exceeds the statutory reserving limit set out in the Provisioning Act, and specific risks arising from pending legal disputes relating to both loan and non-loan transactions and other specifiable risks pursuant to applicable accounting policies. Tax non-deductible reserves also include restructuring reserves (refer to Note 22).

(a) Analysis of provisions and reserves from a taxation and accounting viewpoint

CZK '000	2002	2001	2000
1. Tax deductible provisions for loan losses			
Balance at 1 January	11,803,780	14,958,254	13,541,996
Reclassification from other provisions	(200,678)	35,028	0
Provisioning charge during the year	2,119,349	2,116,978	2,521,774
Use of provisions during the year	(3,615,822)	(5,237,886)	(1,141,460)
FX gains and losses from provisions denominated in foreign currencies	(157,079)	(68,594)	35,944
Provisions for loan losses at 31 December	9,949,550	11,803,780	14,958,254
2. Non-tax deductible provisions for loan losses			
Balance at 1 January	2,911,392	2,763,818	3,968,400
Reclassification to other provisions	19,048	(48,754)	0
Provisioning charge during the year	60,766	240,023	242,858
Use of provisions during the year	(529,485)	(43,194)	(1,451,264)
FX gains and losses from provisions denominated in foreign currencies	493	(501)	3,824
Balance of non-tax deductible provisions at 31 December	2,462,214	2,911,392	2,763,818
3. Total provisions for loan losses at 31 December (1+2)	12,411,764	14,715,172	17,722,072
4. Other tax deductible provisions			
Balance at 1 January	176,248	138,413	129,742
Reclassification from other provisions	151,036	13,726	0
Provisioning charge	60,955	35,654	16,185
Use of provisions during the year	(107,947)	(11,384)	(7,514)
FX gains and losses from provisions denominated in foreign currencies	(753)	(161)	0
Balance of other tax deductible provisions at 31 December	279,539	176,248	138,413
5. Other non-tax deductible provisions			
Balance at 1 January	1,943,791	1,325,293	1,054,711
Reclassification from other provisions	30,594	0	0
Provisioning charge	1,543,308	824,520	449,882
Use of provisions during the year	(1,473,514)	(205,995)	(179,284)
FX gains and losses from provisions denominated in foreign currencies	(799)	(27)	(16)
Balance of other non-tax deductible provisions at 31 December	2,043,380	1,943,791	1,325,293
6. Total provisions at 31 December (3+4+5)	14,734,683	16,835,211	19,185,778
7. Tax deductible reserves for on and off balance sheet loan losses			
Balance at 1 January	4,664,659	2,859,162	1,687,150
Creation of reserves during the year	0	1,921,405	1,190,707
Use of reserves during the year	(1,166,837)	(115,908)	(18,695)
Balance of tax deductible reserves at 31 December	3,497,822	4,664,659	2,859,162
8. Non-tax deductible reserves for on and off balance sheet loan losses			
Balance at 1 January	2,046,156	2,876,084	3,262,943
Creation of reserves during the year	2,352,000	183,186	2,022,948
Use of reserves during the year	(1,841,678)	(1,013,114)	(2,409,807)
Balance of non-tax deductible reserves at 31 December	2,556,478	2,046,156	2,876,084
9. Total reserves for on and off balance sheet loan losses at 31 December (7+8)	6,054,300	6,710,815	5,735,246
10. Tax deductible reserves for repairs of tangible assets			
Balance at 1 January	35,089	84,567	82,211
Creation of reserves during the year	24,948	5,930	27,344
Use of reserves during the year	(28,430)	(55,408)	(24,988)
Balance of reserves for repairs of tangible assets at 31 December	31,607	35,089	84,567
11. Non-tax deductible other reserves			
Balance at 1 January	1,506,186	1,195,919	30,000
Creation of reserves during the year	248,213	1,012,186	1,195,919

Use of reserves during the year	(979,310)	(701,919)	(30,000)
Balance of other reserves at 31 December	775,089	1,506,186	1,195,919
12. Total reserves at 31 December (9+10+11)	6,860,996	8,252,090	7,015,732
13. Total provisions and reserves (6+12)	21,595,679	25,087,301	26,201,510

(b) Analysis of provisions and reserves for on and off balance sheet loan risks

CZK '000	2002	2001	2000
Provisions (3.)	12,411,764	14,715,172	17,722,072
Reserves (9.)	6,054,300	6,710,815	5,735,246
Total	18,466,064	21,425,987	23,457,318

(c) Analysis of charge for and use of provisions for individual components of assets

CZK '000	2002	2001	2000
Amounts due from banks			
Balance at 1 January	0	6,050	59,365
Charge	0	0	3,319
Use	0	(6,050)	(56,707)
FX differences	0	0	73
Balance at 31 December	0	0	6,050
Amounts due from clients			
Balance at 1 January	14,715,172	17,716,022	17,451,031
Reclassification	(181,630)	(13,726)	0
Charge	2,180,115	2,357,001	2,761,313
Use	(4,145,308)	(5,275,030)	(2,536,017)
FX differences	(156,585)	(69,095)	39,695
Balance at 31 December	12,411,764	14,715,172	17,716,022
Debt securities			
Balance at 1 January	0	0	0
Reclassification	181,630	0	0
Charge	0	0	0
Use	(102,735)	0	0
Balance at 31 December	78,895	0	0
Shares, share certificates and other holdings			
Balance at 1 January	803	0	0
Charge	0	803	0
Use	(539)	0	0
Balance at 31 December	264	803	0
Participation interests with substantial and controlling influence			
Balance at 1 January	1,112,279	1,100,158	1,052,821
Charge	719,095	215,419	224,747
Use	(937,638)	(203,271)	(177,394)
FX differences	0	(27)	(16)
Balance at 31 December	893,736	1,112,279	1,100,158
Intangible fixed assets			
Balance at 1 January	0	0	0
Charge	206,971	0	0
Use	0	0	0
Balance at 31 December	206,971	0	0

Tangible fixed assets			
Balance at 1 January	810,023	225,135	0
Charge	613,178	587,612	225,135
Use	(486,359)	(2,724)	0
Balance at 31 December	936,842	810,023	225,135
of which: impairment	680,820	120,119	0
restructuring	256,022	689,904	225,135
Other assets			
Balance at 1 January	196,934	138,413	131,632
Reclassification	0	13,726	0
Charge	65,019	56,340	16,185
Use	(54,189)	(11,384)	(9,404)
FX differences	(1,553)	(161)	0
Balance at 31 December	206,211	196,934	138,413
Total	14,734,683	16,835,211	19,185,778

22. Restructuring Reserves

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

The following table provides a summary of the restructuring reserves:

Title for creating a restructuring reserve CZK '000	Balance at 1 January 2002	Creation	Use/ release	Balance at 31 December 2002
Extraordinary costs of closure of branches	47,000	15,417	(4,776)	57,641
Extraordinary costs of replacement of software	544,000	0	(430,676)	113,324
Costs of earlier termination of leases of buildings	227,641	530	(183,313)	44,858
Extraordinary costs of severance and compensation associated with reducing staffing levels	174,000	172,000	(174,000)	172,000
Disposal of redundant assets (refer to Note 15)	689,904	18,014	(451,896)	256,022
Total	1,682,545	205,961	(1,244,661)	643,845

Title for creating a restructuring reserve CZK '000	Balance at 1 January 2001	Creation	Use/ release	Balance at 31 December 2001
Extraordinary costs of closure of branches	50,897	0	(3,897)	47,000
Extraordinary costs of replacement of software	507,000	421,000	(384,000)	544,000
Costs of earlier termination of leases of buildings	150,000	77,641	0	227,641
Extraordinary costs of severance and compensation associated with reducing staffing levels	488,022	0	(314,022)	174,000
Disposal of redundant assets (refer to Note 15)	225,135	467,493	(2,724)	689,904
Total	1,421,054	966,134	(704,643)	1,682,545

The balance of restructuring reserves is reported on the face of the balance sheet under the caption “Reserves”, the only exception being the amount of CZK 256,022 thousand (2001: CZK 689,904 thousand; 2000: CZK 225,135 thousand) that is recorded in the balance sheet line “Tangible fixed assets” (refer to Note 15). The profit and loss account reflects the creation/use of the restructuring reserves under the heading “Charge for/use of other reserves and provisions”, the only exception being CZK 18,014 thousand/CZK 451,896 thousand (2001: CZK 467,493 thousand/CZK 2,724 thousand; 2000: CZK 225,135 thousand) that is charged through the line “Write-offs, charge for/use of reserves, provisions for tangible fixed assets”.

In addition, the Bank has developed a plan for using these restructuring reserves during the year ending 31 December 2003.

23. Subordinated Liabilities

In 1998, the Bank received a subordinated debt totalling CZK 5,500,000 thousand from KOB (presently ČKA) in the form of a loan with a maturity date of 23 December 2008 and an interest rate of 6M PRIBOR+1.8 percent. If the Bank does not exercise its option for premature repayment of the loan after the elapse of five years, the interest rate will be increased to 6M PRIBOR+3.7 percent. On 29 December 1998, the Czech National Bank issued a certificate confirming that this subordinated debt is compliant with all regulatory requirements and may be included in the additional capital of the Bank for the purposes of calculating the capital adequacy ratio.

The terms underlying the subordinated debt are as follows:

(a)

In the event that the Bank is forced into bankruptcy (A) ČKA is entitled to obtain performance under this agreement in relation to the loan by way of subordinate claim and this performance is conditional upon the aggregate recoveries from the sale of the Bank's assets being greater than the aggregate amount of claims of all bankrupt's creditors of the Bank (conditional claim), and furthermore subject to the condition set out in (A) being met then ČKA is entitled to obtain performance under this agreement in relation to the loan solely up to the amount that would be obtained by it if the claims under this agreement in relation to the loan were satisfied proportionately and jointly with all subordinate claims that rank pari passu to the Bank's claims under this agreement in relation to the loan, and solely from that portion of the recoveries from the sale of the Bank's bankruptcy assets that is greater than the aggregate amount of non-subordinate claims of all bankrupt's creditors of the Bank; and

(b)

With the Bank being placed into liquidation (once the bankruptcy has been completed or in any other manner) ČKA's entitlement to obtain performance under this agreement in relation to the loan is conditional upon all non-subordinate claims of all the Bank's creditors being fully settled.

24. Share Capital

As of 31 December 2002, the issued share capital of the Bank amounted to CZK 15,200,000 thousand and consisted of 11,211,213 priority registered shares with a nominal value of CZK 100 each and 140,788,787 ordinary bearer shares with a nominal value of CZK 100 each.

The transferability of priority registered shares is restricted. These shares can be transferred to municipalities and local governments of the Czech Republic. The priority registered shares can be transferred to entities other than municipalities and local governments of the Czech Republic only subject to the approval of the Board of Directors.

The shareholders of the Bank as of 31 December 2002 are as follows:

Name	Registered office address	Number of shares	Ownership percentage
Erste Bank der österreichischen Sparkassen AG	Austria, Vienna, Graben 21	141,636,979	93.19
Česká pojišťovna, a. s.	Prague 1, Spálená 16	4,727,328	3.11
Other (less or equal to 3 percent)		5,635,693	3.70
Total		152,000,000	100.00
of which: shares held by related parties		0	0

Based upon an unconditional and voluntary offer to purchase the Bank's ordinary shares, DIE ERSTE österreichische Spar-Casse Anteilsverwaltungssparkasse ('AVS') purchased a total of 35.13 percent or 49.46 million shares of the Bank's stock. As a result, AVS, acting in concert with Erste Bank according to Czech legislation, acquired more than 90 percent of the Bank's shares which led to a significant reduction of the liquidity of the shares (only approximately 3 percent of shares were available for free trading). As such, at the General Meeting held on 22 May 2002, the shareholders approved the de-registration of the Bank's shares, that is, the withdrawal of the shares from public trading. Subsequently, in accordance with Commercial Code requirements, the Bank made a public offer to the parties that held the Bank's shares as of 22 May 2002 and did not vote for the de-registration of the shares or did not take part in the General Meeting to purchase ordinary shares. As part of this share buy-out offer, the Bank repurchased a total of 583 ordinary shares which it sold to its majority shareholder Erste Bank in August 2002. The transactions referred to above as well as the transfer of shares between AVS and Erste Bank resulted in a change of the shareholding structure as shown in the table above. As of 6 August 2002, public trading with the Bank's securities was discontinued.

In June 1996, the Bank issued 5,090,000 Global Depository Receipts ('GDRs'), representing 6.7 percent of the Bank's share capital at that time. Holders of the GDRs have no voting rights. The depository of the GDRs is Bankers Trust Company, New York (renamed to Deutsche Bank Trust Company Americas). In connection with the de-registration of its shares from public markets, the Bank is presently finalising documentation required to transfer unsettled transactions through the Securities Centre. As of 31 December 2002, 44,073 GDRs (2001: 279,475 GDRs; 2000: 887,709 GDRs) were administered by the depository.

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

All employees of the Bank and its subsidiary companies were entitled to subscribe for shares under the Employee Stock Ownership Programme. Each employee was entitled to subscribe for 100 shares as a maximum. The price of one share was established on the basis of the average rate in March 2002 decreased by a 20 percent discount. The 20 percent discount is conditional upon the shares being held for a period of one year. A total of 466 employees participated in the programme and subscribed for 28,186 shares. The aggregate amount of the discount was CZK 11 million and was reported within "Administrative expenses – staff costs".

Management of the Bank and its subsidiary companies and selected key employees were granted the first tranche of options for subscription of shares under the Management Erste Bank Stock Option Plan 2002. In the year ended 31 December 2002, approximately 73,800 options were granted to these employees. The following tranches of the programme in 2003 and 2004 will be approximately of the same size. These options will entitle the holders to acquire Erste Bank's shares for the average price of shares ruling in March 2002 (EUR 66), within five years from the issuance of each tranche of the options. None of the options have been exercised as the first exercise of options will take place in April 2003 with a holding period of at least one year.

25. Retained Earnings and other Equity Components

The Bank allocated its profit for the year ended 31 December 2001 as follows:

CZK '000	Retained earnings	Statutory reserve fund	Other funds from profit	Share premium	Capital funds
Balance at 31 December 2002	4,494,110	489,977	67,051	0	1,902
Profit for the year 2001	3,034,044				
Return of unpaid bonuses in previous years	519				
Allocations to funds	(332,667)	151,702	180,965		
Other creation			3,544	1,688	
Use of funds for other purposes			(178,287)		
Dividends	(456,000)				
Balance after allocation	6,740,006	641,679	73,273	1,688	1,902

The Bank's Board of Directors has recommended that the profit for the year ended 31 December 2002 be allocated as follows:

CZK '000	Retained earnings	Statutory reserve fund	Other funds from profit	Share premium	Capital funds
Balance at 31 December 2002	6,740,006	641,679	73,273	1,688	1,902
Profit for the year 2002	6,455,667				
Allocations to funds	(432,783)	322,783	110,000		
Dividends	(2,927,888)				
Balance after allocation	9,835,002	964,462	183,273	1,688	1,902

Other allocations include contributions to the Social Fund (other funds from profit) totalling CZK 3,544 thousand, which represents instalments of loans granted to employees from the Social Fund and profit from the running of the Bank's leisure and holiday facilities. The use of the Social Fund is consistent with the relevant provisions of the Collective Agreement.

The share premium balance represents a difference between the selling price and cost of treasury shares.

26. Gains or Losses from Revaluation

CZK '000	2002	2001	2000
Gains or losses from the re-translation of equity holdings			
Balance at 1 January	0	0	0
Increase	10	0	0
Decrease	0	0	0
Balance at 31 December	10	0	0
Total	10	0	0

27. Off Balance Sheet Liabilities

(a) Irrevocable contingent liabilities from acceptances and endorsementsof bills of exchange, other written contingent liabilities and assets pledged as collateral

CZK '000	2002	2001	2000
Banks			
Acceptances and endorsements of bills of exchange	0	0	37,972
Guarantees issued	84,455	117,846	108,056
	84,455	117,846	146,028
Clients			
Commitments from guarantees	3,907,991	3,247,308	3,259,122
Assets pledged as guarantees	38,055	0	378,130
Other contingent liabilities	700,000	165,273	254,674
	4,646,046	3,412,581	3,891,926
Pledged assets	2,411,112	1,000,000	0
Letters of credit, undrawn credit facilities and loan commitments	44,803,667	26,037,973	34,677,760
Total	51,945,280	30,568,400	38,715,714

The Bank recorded aggregate reserves of CZK 683,283 thousand (2001: CZK 690,283 thousand; 2000: CZK 656,282 thousand) for off balance sheet risks. These reserves have been included in Note 21 (b) in "Provisions and reserves for on and off balance sheet loan risks".

(b) Contingent assets, guarantees and collateral at nominal value

CZK '000	2002	2001	2000
Received commitments	588,444	0	1,189,668
Guarantees received from other banks	5,208,237	5,766,982	17,793,657
Guarantees issued by the state and other entities	17,675,027	33,734,579	35,055,152
Assets taken as collateral	34,478,073	52,536,325	69,359,412
Collateral – securities (refer to Note 30)	95,063,820	58,924,639	55,679,894
Total	153,013,601	150,962,525	179,077,783

(c) Off balance sheet foreign currency, interest rate and other financial instruments at nominal value

CZK '000	2002 Assets	2002 Liabilities	2001 Assets	2001 Liabilities	2000 Assets	2000 Liabilities
Hedging instruments						
Interest rate swaps	2,200,000	2,200,000	0	0	0	0
Total hedging instruments	2,200,000	2,200,000	0	0	0	0
Trading instrument						
FRA	198,155,680	198,155,680	225,255,820	225,255,820	102,382,520	102,382,520
Option contracts	13,757,256	13,473,216	17,551,887	16,572,500	5,024,710	5,029,835
Forward FX contracts	65,348,771	64,409,012	80,763,935	79,885,832	70,683,436	70,671,895
Spot interest rate transactions	0	0	994,750	994,750	306,616	420,763
Spot FX transactions	2,428,544	2,428,389	3,181,532	3,181,655	6,383,144	6,377,232
Forward interest rate transactions	5,111,633	5,111,633	6,222,422	6,222,422	13,437,367	11,656,865
Forward equities transactions	167,447	167,063	351,987	349,157	314,185	314,185
Interest rate swaps	345,426,103	345,426,103	242,079,406	242,079,035	38,889,843	38,889,843
Other derivative instruments	0	0	129,488	129,488	3,538	3,538
Total trading instruments	630,395,434	629,171,096	576,531,227	574,670,659	237,425,359	235,746,676
Total	632,595,434	631,371,096	576,531,227	574,670,659	237,425,359	235,746,676

Increased Derivative Trading

Derivative trading includes transactions entered into for proprietary trading purposes and with a view to hedging transactions of the Bank's clients and foreign exchange and interest rate risks inherent in the banking book. Derivative transactions are reported at nominal values which document the volume of transactions with these instruments but do not indicate the actual risk profile of the transactions. The actual risk profile is indicated by the fair values presented in the following tables. When compared to the year ended 31 December 2001, the volume of derivative transactions increased mainly as a result of increased demand for these products by clients and other counterparts because the Bank is one of the most active market makers.

(d) Financial derivatives at nominal and fair value

As of 31 December 2002 CZK '000	Assets Nominal value	Assets Fair value	Liabilities Nominal value	Liabilities Fair value
Hedging instruments				
Swaps				
Stock exchange				
OTC	2,200,000	(11,053)	2,200,000	39,185
Total hedging instrument	2,200,000	(11,053)	2,200,000	39,185
Trading instruments				
Forwards				
Stock exchange				
OTC	198,155,680	(322,841)	198,155,680	349,018
Options				
Stock exchange				
OTC	13,757,256	107,350	13,473,216	(216,219)
Swaps				
Stock exchange				
OTC	345,426,103	(11,846,537)	345,426,103	11,635,103
Other				
Stock exchange				
OTC	73,056,395	(1,567,105)	72,116,097	2,646,163
Total trading instruments	630,395,434	(13,629,133)	629,171,096	14,414,065
Total	632,595,434	(13,640,186)	631 371,096	14,453,250

As of 31 December 2001		Assets		Liabilities
CZK '000	Nominal value	Fair value	Nominal value	Fair value
Trading instruments				
Forwards				
Stock exchange				
OTC	225,255,820	(743,496)	225,255,820	714,162
Options				
Stock exchange				
OTC	17,551,887	59,857	16,572,500	(57,643)
Swaps				
Stock exchange				
OTC	248,301,457	(5,293,956)	248,301,828	5,477,781
Other				
Stock exchange				
OTC	85,422,063	(1,719,43ä)	84,540,511	2,817,164
Total	576,531,227	(7,697,031)	574,670,659	8,951,464

As of 31 December 2000		Assets		Liabilities
CZK '000	Nominal value	Fair value	Nominal value	Fair value
Trading instruments				
Forwards				
Stock exchange				
OTC	47,691,260	(37,297)	54,691,260	47,927
Options				
Stock exchange				
OTC	2,863,485	5,004	2,161,685	(16,096)
Swaps				
Stock exchange				
OTC	38,889,843	0	38,889,843	(759,914)
Other				
Stock exchange				
OTC	147,980,771	(121,979)	140,003,888	(172,565)
Total	237,425,359	(154,272)	235,746,676	(900,648)

(e) Analysis of financial derivatives by remaining maturity as of 31 December 2002

		2002		2001		2000
CZK '000	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Hedging derivatives						
Swaps						
Within 5 years	2,200,000	2,200,000	0	0	0	0
Total hedging instruments	2,200,000	2,200,000	0	0	0	0
Trading instruments						
Forwards						
Less than 3 months	0	0	0	0	0	0
Within 1 year	159,095,680	159,095,680	134,000,000	134,000,000	47,491,260	54,491,260
Within 5 years	39,060,000	39,060,000	91,255,820	91,255,820	200,000	200,000
Over 5 years	0	0	0	0	0	0
Options						
Less than 3 months	5,658,644	5,472,700	0	0	0	0
Within 1 year	6,510,080	6,416,085	16,154,027	15,174,640	2,740,670	2,038,870
Within 5 years	1,588,532	1,584,431	1,397,860	1,397,860	122,815	122,815
Over 5 years	0	0	0	0	0	0

Swaps						
Less than 3 months	31,726,645	31,726,645	0	0	0	0
Within 1 year	86,297,275	86,297,275	30,434,210	30,434,210	5,963,240	5,963,240
Within 5 years	175,978,573	175,978,573	166,556,195	166,556,566	21,682,520	21,682,520
Over 5 years	51,423,610	51,423,610	51,311,052	51,311,052	11,244,083	11,244,083
Other						
Less than 3 months	33,809,587	33,951,144	4,176,282	4,176,405	6,689,760	6,797,995
Within 1 year	29,959,144	29,893,376	75,938,434	75,629,551	135,426,337	126,682,876
Within 5 years	6,833,018	5,931,867	5,307,347	4,734,555	4,147,692	4,675,450
Over 5 years	2,454,646	2,339,710	0	0	1,716,982	1,847,567
Total trading instruments	630,395,434	629,171,096	576,531,227	574,670,659	237,425,359	235,746,676
Total	632,595,434	631,371,096	576,531,227	574,670,659	237,425,359	235,746,676

28. Assets Received into Custody and under Administration

CZK ‘000	2002	2001	2000
Client securities in custody	4,529,106	6,221,220	1,498,573
Other assets in custody	4,082,683	239	285
Client securities under administration	28,283,080	9,095,354	4,489,37
Client securities for safe-keeping	204,661	222,665	201,705
Client securities for safe-keeping in the central depository of UNIVYC	77	2,658,635	3,273,469
Assets held for management	3,709,251	0	0
Total	40,808,858	18,198,113	9,463,408

In addition, the Bank acts as a depository for investment, mutual and pension funds with the assets of CZK 51,324 million as of 31 December 2002 (2001: CZK 33,647 million; 2000: CZK 39,693 million).

29. Assets Provided into Custody and under Administration

CZK ‘000	2002	2001	2000
Securities provided into custody	1,371,478	3,771,580	6,478,080
Other values provided into custody	1	2	1
Securities provided for administration	29,139,666	22,173,349	16,369,780
Securities provided for safe-keeping	0	0	0
Securities provided for safe-keeping in the central depository of UNIVYC	140,000	420,410	475,410
Assets provided for management	0	0	0
Total	30,651,145	26,365,341	23,323,271

30. Collateral Received under Repurchase Transactions

CZK ‘000	2002	2001	2000
State zero-coupon bonds	748,961	12,450,986	0
Zero-coupon bonds issued by the CNB	89,220,787	40,740,000	55,042,134
State coupon bonds	3,170,209	5,698,620	0
Other coupon bonds	533,458	32,786	637,760
Shares	1,390,405	2,247	0
Total	95,063,820	58,924,639	55,679,894

31. Total Assets and Liabilities in Foreign Currencies

CZK '000	2002	2001	2000
Assets and liabilities in foreign currencies			
Assets			
Denominated in CZK	424,986,208	414,336,602	370,530,364
Denominated in foreign currencies	31,188,372	35,266,397	30,345,277
Total assets	456,174,580	449,602,999	400,875,641
Liabilities			
Denominated in CZK	435,034,954	428,971,790	381,961,981
Denominated in foreign currencies	21,139,626	20,631,209	18,913,660
Total liabilities	456,174,580	449,602,999	400,875,641
Foreign currency position			
Assets in foreign currencies			
On-balance sheet	31,188,372	35,266,397	30,345,277
Off-balance sheet	73,814,069	63,664,978	43,283,598
Total	105,002,441	98,931,375	73,628,875
Liabilities in foreign currencies			
On balance sheet	21,139,626	20,631,209	18,913,660
Off balance sheet	85,033,276	85,308,831	72,302,159
Total	106,172,902	105,940,040	91,215,819

32. Interest Income and Expenses

CZK '000	2002	2001	2000
Interest on deposits and loans provided to other banks	5,562,325	7,782,418	8,045,060
Interest on loans provided to clients	11,313,444	10,467,950	8,980,827
Interest on debt securities	6,153,402	6,714,165	5,437,884
Other interest	0	187,384	107,524
Total interest income and similar income	23,029,171	25,151,917	22,571,295
Interest on deposits and loans received from other banks	923,754	1,085,048	1,048,380
Interest on deposits and loans received from clients	7,569,738	9,547,166	9,712,642
Interest on issued debt securities and short sales	352,591	1,221,941	986,189
Other interest	0	6,725	1,267
Total interest expense and similar expense	8,846,083	11,860,880	11,748,478
Net interest income	14,183,088	13,291,037	10,822,817

Interest on issued debt securities and short sales reflects the aggregate gains of CZK 555 thousand arising from changes in fair values of hedged bonds and hedging swaps.

33. Fees and Commissions

CZK '000	2002	2001	2000
Loan activities	1,404,686	1,319,779	928,185
Payment system	4,030,857	3,714,001	3,210,676
Transactions with securities	7,966	5,688	10,478
FX transactions	52,000	85,394	76,880
Client transactions with securities and derivatives	205,250	257,398	245,653
of which:			
Procurement of purchase and sale of securities	17,084	16,023	17,157
Custody, administration, safe-keeping and management of assets	49,575	43,780	16,818

36. Administrative Expenses

(a) Analysis of administrative expenses

CZK '000	2002	2001	2000
Staff costs and bonuses	5,699,591	5,537,273	4,716,363
Wages and bonuses net of wages and bonuses to the members of the members of statutory and supervisory bodies	3,933,599	3,930,821	3,344,015
Social security and health insurance expenses	1,599,666	1,432,232	1,157,541
Wages and bonuses to the members of statutory and supervisory bodies	47,807	34,664	66,648
of which: Board of Directors	37,205	23,372	54,951
Supervisory Board	10,602	11,292	11,697
Other staff costs	118,519	139,556	148,159
Other administrative expenses	6,262,438	6,176,080	5,117,403
Taxes and fees	31,896	50,491	61,893
Purchases consumables and services	6,230,542	6,125,589	5,055,510
of which: costs of audit, legal and tax advisory services	61,294	69,975	101,567
Total administrative expenses	11,962,029	11,713,353	9,833,766

(b) The average number of the Bank's staff

	2002	2001	2000
Employees	11,421	12,992	14,510
Members of the Supervisory Board	12	12	12
Members of the Board of Directors	7	6	6

37. Extraordinary Income and Expenses

CZK '000	2002	2001	2000
Corrections to prior years' income	0	67,071	190,506
Income from changes in accounting policies	1,112,958	370,362	384,588
Other	956	0	0
Total extraordinary income	1,113,914	437,433	575,094
Corrections to prior years' expenses	0	239,196	53,766
Costs of changes in accounting policies	553,592	24,532	1,801,985
Other	13,992	0	0
Total extraordinary expenses	567,584	263,728	1,855,751

As of 1 January 2002, as a result of changes in the accounting treatment for securities portfolios and provisioning against securities (refer to Note 6), the Bank released prior years' provisions of CZK 537 million into extraordinary income. In addition, the Bank recognised a decrease/increase in fair values of securities through extraordinary expenses/income amounting to CZK 554 million and CZK 574 million, respectively.

38. Taxation

(a) Income Tax from Ordinary Activities

The table below sets out adjustments to the profit/(loss) on ordinary activities before tax to arrive at the income tax base:

CZK million	2002	2001	2000
Profit/(loss) on ordinary activities before tax	9,348	4,130	1,576
Extraordinary income	1,114	438	575
Extraordinary expenses	(567)	(264)	(1,856)
Profit/(loss) before tax	9,895	4,304	295
Expenses not deductible for tax purposes	5,216	10,282	10,356
Income not taxable	(6,323)	(10,303)	(12,054)
Timing difference between accounting and tax depreciation	75	481	438
Use of tax loss carried forward	(5,935)	(4,645)	0
Other deductions	(296)	(100)	0
Income tax base	2,632	19	(965)
Tax liability (31%)	(816)	(6)	0
Tax reliefs	20	6	0
Income tax under additional tax returns	0	0	(25)
Income tax liability	(796)	0	(25)

As of 31 December 2002, the Bank's tax losses recoverable in future periods amounted to CZK 326 million (2001: CZK 6,138 million). These tax losses represent a deferred tax asset of CZK 101 million (2001: CZK 1,903 million) using the income tax rate of 31 percent. This deferred tax asset is expected to be realised in the following year.

(b) Deferred Taxation

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

CZK million	2002	2001	2000
At the beginning of year	3,320	4,590	0
Profit and loss account (charge)/credit	(2,643)	(1,270)	4,590
At the end of year	677	3,320	4,590

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

CZK million	2002	2001	2000
Deferred tax assets			
Tax losses carried forward	326	6,138	10,805
Non-tax deductible reserves and provisions	2,663	5,846	6,638
Other deferred tax assets	0	1,620	1,668
Deferred tax liabilities			
Intangible and tangible assets	(804)	(729)	(985)
Total temporary differences	2,185	12,875	18,126
Write-off of non-tax deductible provisions and reserves	0	(2,165)	(3,319)
Total	2,185	10,710	14,807
Tax rate	31%	31%	31%
Deferred tax assets	677	3,320	4,590

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

CZK million	2002	2001	2000
Tax losses carried forward	(1,802)	(1,447)	3,350
Provisions and reserves	(987)	98	1,029
Other temporary differences	146	79	211
Total	(2,643)	(1,270)	4,590

Management of the Bank considers that it is probable that the Bank will realise the whole balance of its deferred tax assets based on the current and expected future levels of taxable profits.

Total income taxes reported in the profit and loss account are as follows:

CZK '000	2002	2001	2000
Due income tax	(795,986)	0	(25,507)
Deferred income tax	(2,643,003)	(1,269,897)	4,590,187
Total	(3,438,989)	(1,269,897)	4,564,680

39. Related Parties Transactions

Pursuant to Section 19 of Banking Act 21/1992, the Bank's related parties are considered to be members of the Bank's statutory and supervisory bodies and management, corporate entities exercising control over the Bank (including entities with a qualified interest in these entities and management of these entities), persons closely related to the members of the Bank's statutory and supervisory bodies, management, and entities exercising control over the Bank, corporate entities holding a qualified interest in any of the parties listed above, entities with a qualified interest in the Bank and any other legal entity under their control, members of the Czech National Bank Banking Board, and corporate entities which the Bank controls.

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

As of 31 December 2002, the Bank has the following amounts due from/to related parties:

CZK '000	Subsidiaries and associates	Members of the Board of Directors	Members of the Supervisory Board	Other related parties
Amounts due from related parties				
Balance at the beginning of the year	2,158,838	4,568	3	14,438,844
Additions during the year	344,059	0	85	87,446,776
Disposals during the year	(887,721)	(110)	0	(88,398,790)
Year-end balance	1,615,176	4,458	88	13,486,830
Of which:				
Due from banks	0	0	0	3,932,224
Due from clients	1,454,009	4,458	88	1,176,774
Debt securities	0	0	0	5,059,533
Other receivables	161,167	0	0	3,318,299
Interest income on loans	80,165			207,213
Amounts due to related parties				
Balance at the beginning of the year	1,991,105	2,659	7,563	1,342,188
Additions during the year	2,516,695	0	3,941	37,695,456
Disposals during the year	(2,043,081)	(1,793)	0	(33,056,466)
Year-end balance	2,464,719	866	11,504	5,981,178
Of which:				
Due to banks	318,930	0	0	2,481,419
Due to clients	872,166	866	11,504	734,338
Payables from debt securities	1,113,994	0	0	0
Other payables	159,629	0	0	2,765,421

In addition to equity investments in subsidiary and associated undertakings (refer to Note 13), the Bank's assets include share certificates in the aggregate amount of CZK 218,340 thousand of open-ended mutual funds managed by Investiční společnost České spořitelny, a. s. (refer to Note 12).

As of 31 December 2002, the Bank's off balance sheet accounts reflected the following issued guarantees (no guarantees were received from related parties):

CZK '000	Subsidiaries and associates	Members of the Board of Directors	Members of the Supervisory Board	Other related parties
Issued guarantees	2,716	0	0	62,342

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

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

Additional investment services involve custody and administration of one or a number of investment instruments, rent of safe deposit boxes, issuing loans or borrowings to the client for the purpose of trading with investment instruments if the issuer of the loan/borrowing takes part in the transaction, capital structuring advisory services, industrial strategy and related issues, provision of advice and services related to mergers and acquisitions, underwriting services, advisory services relating to investments in investment instruments, and implementation of foreign exchange transactions relating to the provision of investment services.

In connection with the provision of these services, as of 31 December 2002, the Bank received cash and investment instruments from clients or obtained cash or investment instruments for its clients ('customer assets') in exchange for these values as follows:

CZK '000	2002	2001	2000
Settlement with mandators	74,120	9,751	9,388
Subscribed securities for public placement	6,658	0	0
Assets received for management, custody, administration and safe-keeping	29,067,772	12,377,819	7,885,523
Total client assets	29,148,550	12,387,570	7,894,911

41. Correction of Fundamental Errors Relating to Prior Years

During the year ended 31 December 2002, the Bank identified no fundamental errors relating to previous years that would impact the balance of retained earnings brought forward.

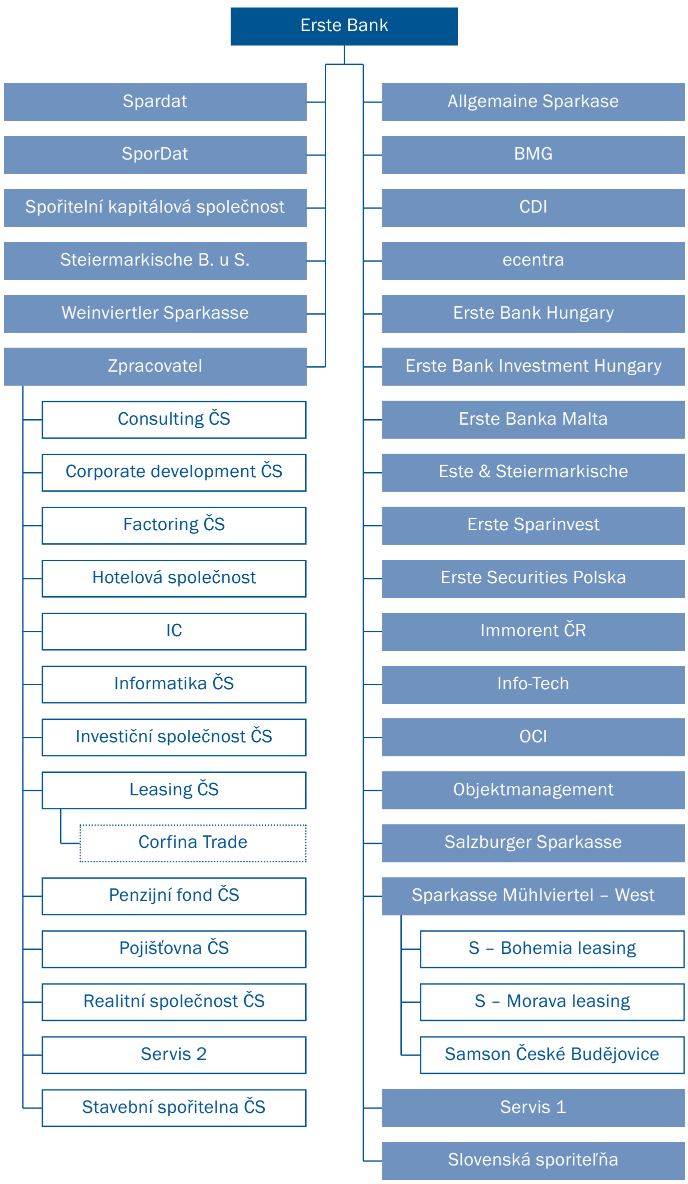
Report on Relations between Related Parties

under Section 66a (9) of the Commercial Code for the year ended 31 December 2002

Česká spořitelna, a. s., having its registered office address at Olbrachtova 1929/62, Prague 4, Postal Code 140 00, Corporate ID: 45244782, incorporated in the Register of Companies, Section B, File 1171, maintained at the Municipal Court in Prague (hereinafter referred to as the "**reporting entity**" or the "**Company**"), is part of a business group (holding company) in which the following relations between the reporting entity and controlling entities and further between the reporting entity and entities controlled by the same controlling entities (hereinafter referred to as the "**related entities**") exist.

This report on relations between the entities stated below was prepared in accordance with the provision of Section 66a (9) of the Commercial Code 513/1991 Coll., as amended, for the year ended 31 December 2002 (hereinafter referred to as the "**accounting period**"). In the accounting period, the reporting entity and the below mentioned entities entered into the contracts stated below and adopted or effected the following legal acts and other factual measures:

A. Chart of Entities whose Relations are Described



B. Controlling Entity

Erste Bank der oesterreichischen Sparkassen AG, Am Graben 21, Vienna, Austria ("Erste Bank")

Relation to the Company: directly controlling entity

C. Other Related Entities

Allgemaine Sparkasse Oberoesterreich Bank AG, Promenade 11, Linz, Austria ("Allgemaine Sparkasse")
Relation to the Company: related entity

BMG-Warenbeschaffungsmanagement GmbH, Grimmelshausengasse 1, Vienna, Austria ("BMG")
Relation to the Company: related entity

CDI-Erste Central Europe Holding Ges.m.b.H., Schellinggasse 7, Vienna, Austria ("CDI")
Relation to the Company: related entity

ecetra Internet Services AG, Neutorgasse 2, Vienna, Austria ("ecetra")
Relation to the Company: related entity

Erste Bank Hungary Rt, Hold utca 16, Budapest, Hungary ("Erste Bank Hungary")
Relation to the Company: related entity

Erste Bank Investment Hungary Rt, Madach Imre Ut 13–15, Budapest, Hungary ("Erste Bank Investment Hungary")
Relation to the Company: related entity

Erste Bank (Malta) Limited, Regent House Bisazza Street 72, Sliema, Malta ("Erste Bank Malta")
Relation to the Company: related entity

Erste & Steiermarkische Banka D.D., Varsavska 3–5, Zagreb, Croatia ("Erste & Steiermarkische")
Relation to the Company: related entity

ERSTE-SPARINVEST Kapitalanlagegesellschaft m.b.h., Habsburgergasse 1a, Vienna, Austria ("Erste Sparinvest")
Relation to the Company: related entity

Erste Securities Polska S.A., Al. Jana Pawla II. 23, Warsaw, Poland ("Erste Securities Polska")
Relation to the Company: related entity

IMMORENT ČR, s.r.o., Národní 973/41, Prague 1, Czech Republic ("Immorent ČR")
Relation to the Company: related entity

Informations-Technologie Austria GmbH, Lassallestrasse 5, Vienna, Austria ("Info-Tech")
Relation to the Company: related entity

ÖCI-Unternehmensbeteiligungs- gesellschaft.m.b.H., Am Graben 21, Vienna, Austria ("OCI")
Relation to the Company: related entity

OM Objektmanagement GmbH, Schwarzenbergplatz 2, Vienna, Austria ("Objektmanagement")
Relation to the Company: related entity

S – Bohemia leasing, a. s., Biskupská 5, České Budějovice, Czech Republic ("S – Bohemia leasing")
Relation to the Company: related entity

S – Morava leasing, a. s., Horní náměstí 18, Znojmo, Czech Republic ("S – Morava leasing")
Relation to the Company: related entity

Salzburger Sparkasse Bank AG, Alter Markt 3, Salzburg, Austria ("Salzburger Sparkasse")
Relation to the Company: related entity

Samson České Budějovice, spol. s r.o., Biskupská 5, České Budějovice, Czech Republic ("Samson České Budějovice")
Relation to the Company: related entity

Servis 1 – ČS, a. s., Bubenská 1, Prague 7, Czech Republic ("Servis 1")
Relation to the Company: related entity

Slovenská sporiteľňa, a. s., Suché myto 4, Bratislava, Slovakia ("Slovenská sporiteľňa")
Relation to the Company: related entity

Spardat Sparkassen – Datendiest Gesellschaft m.b.h., Geiselbergstrasse 21–25, Vienna, Austria ("Spardat")
Relation to the Company: related entity

Sparkasse Mühlviertel – West Bank AG, Stadtplatz 24, Rohrbach, Austria ("Sparkasse Mühlviertel – West")
Relation to the Company: related entity

SporDat , spol. s r.o., Prievozská 14, Bratislava, Slovakia ("SporDat")
Relation to the Company: related entity

Spořitelní kapitálová společnost, a. s., Řásnovka 12, Prague 1, Czech Republic ("Spořitelní kapitálová společnost")
Relation to the Company: related entity

Steiermärkische Bank und Sparkassen Aktiengesellschaft, Sparkassenplatz 4, Graz, Austria ("Steiermärkische B. u S.")
Relation to the Company: related entity

Weinviertler Sparkasse AG, Hauptplatz 10, Hollabrunn, Austria ("Weinviertler Sparkasse")
Relation to the Company: related entity

Consulting České spořitelny, a. s., Ukrajinská 10, Prague 10, Czech Republic ("Consulting ČS")
Relation to the Company: indirectly related entity and concurrently directly controlled entity

Corporate development České spořitelny, a. s., Na Perštýně 1/342, Prague 1, Czech Republic ("Corporate development")
Relation to the Company: indirectly related entity and concurrently directly controlled entity

Factoring České spořitelny, a. s., Pobřežní 46, Prague 8, Czech Republic ("Factoring ČS")
Relation to the Company: indirectly related entity and concurrently directly controlled entity

Hotelová společnost, spol. s r.o., Plzeňská 103, Prague 5, Czech Republic ("Hotelová společnost")
Relation to the Company: indirectly related entity and concurrently directly controlled entity

IC, spol. s r.o., Vinohradská 112, Prague 3, Czech Republic ("IC")
Relation to the Company: indirectly related entity and concurrently directly controlled entity

Informatika České spořitelny, a. s., Václavské nám. 21, Prague 1, Czech Republic ("Informatika ČS")
Relation to the Company: indirectly related entity and concurrently directly controlled entity

Investiční společnost České spořitelna, a. s., Řásnovka 12, Prague 1, Czech Republic ("Investiční společnost ČS")
Relation to the Company: indirectly related entity and concurrently directly controlled entity

Leasing České spořitelny, a. s., Střelničná 8, Prague 8, Czech Republic ("Leasing ČS")
Relation to the Company: indirectly related entity and concurrently directly controlled entity

Corfina Trade, s.r.o., Střelničná 8, Prague 8, Czech Republic ("Corfina Trade")
Relation to the Company: indirectly related entity and concurrently indirectly controlled entity

Penzijní fond České spořitelny, a. s., Poláčkova 1976/2, Prague 4, Czech Republic ("Penzijní fond ČS")
Relation to the Company: indirectly related entity and concurrently directly controlled entity

Pojišťovna České spořitelny, a. s., nám. Republiky 115, Pardubice, Czech Republic ("Pojišťovna ČS")
Relation to the Company: indirectly related entity and concurrently directly controlled entity

Realitní společnost České spořitelny, a. s., Vinohradská 112, Prague 3, Czech Republic ("Realitní společnost ČS")
Relation to the Company: indirectly related entity and concurrently directly controlled entity

Servis 2 – ČS, a. s., Bubenská 1, Prague 7, Czech Republic ("Servis 2")
Relation to the Company: indirectly related entity and concurrently directly controlled entity

Stavební spořitelna České spořitelny, a. s., pplk. Sochora 27, Prague 7, Czech Republic ("Stavební spořitelna ČS")
Relation to the Company: indirectly related entity and concurrently directly controlled entity

Banking Transactions With Related Entities

Financial advisory services

In the accounting period, the reporting entity provided related entities with financial advisory services based on contracts on the provision of financial advisory services under standards business terms and conditions. In the accounting period, the reporting entity accepted payments in the total amount of CZK 0.6 million. The reporting entity incurred no detriment as a result of the fulfilment of these contracts in the accounting period.

Loans granted

The reporting entity provided the related entities with funds based on contracts for loans granted under standards business terms and conditions in the total amount of CZK 3,224 million. The reporting entity incurred no detriment as a result of the fulfilment of these contracts in the accounting period.

Syndicated loans

In the previous accounting periods, the reporting entity participated in syndicated loan agreements where the related entities acted as sub-participants under standards business terms and conditions in the aggregate balance of CZK 632 million. The reporting entity incurred no detriment as a result of the fulfilment of these contracts in the accounting period.

Mediation of securities sales and purchases

In the accounting period, the reporting entity provided related entities with securities sale and purchase mediation services based on contracts for securities sale and purchase mediation services under standard business terms and conditions and received fees in the aggregate amount of CZK 2,579 million. The reporting entity incurred no detriment as a result of the execution of these transactions in the accounting period.

Sales of products of the related entities in the reporting entity's network

The reporting entity entered into mandate contracts for the sale of products of related entities within the reporting entity's network under standards business terms and conditions and received fees totalling CZK 558 million in the accounting period. The reporting entity incurred no detriment as a result of the fulfilment of these contracts in the accounting period.

Offered guarantees and guarantee declarations

The reporting entity provided related entities with guarantees and guarantee declarations based on contracts for the provision of guarantees and guarantee declarations under standard business terms and conditions in the aggregate amount of CZK 2,469 million. In the accounting period, the reporting entity received fees amounting to CZK 32 million. The reporting entity incurred no detriment as a result of the fulfilment of these contracts in the accounting period.

Accepted guarantees

The reporting entity accepted guarantees from related entities based on contracts for the acceptance of bank guarantees under standards business terms and conditions totalling CZK 829 million. The reporting entity incurred no detriment as a result of the fulfilment of these contracts in the accounting period.

Current accounts, term deposits and overdraft accounts received

In the accounting period, the reporting entity provided the related entities with monetary services connected with the maintenance of current accounts, term deposits, loro accounts and overdraft accounts based on contracts for the opening and maintenance of accounts under standards business terms and conditions. The aggregate year-end balances of current and term accounts, and overdraft accounts were CZK 6,523 million and CZK 37 million, respectively. The reporting entity incurred no detriment as a result of the fulfilment of these contracts in the accounting period.

Current accounts and term deposits provided

In the accounting period, the reporting entity placed funds on current accounts, nostro accounts and term bank accounts with related entities based on contracts for the opening and maintenance of accounts under standards business terms and conditions. The aggregate year-end balance of these accounts was CZK 2,944 million. The reporting entity incurred no detriment as a result of the fulfilment of these contracts in the accounting period.

General limits

The reporting entity has approved general limits in place for transactions with related entities in respect of current accounts, term deposits and loans, derivatives and purchased own securities, in the aggregate amount of CZK 39,404 million. Under these limits, the overall gross exposure to related entities at the end of 2002 was CZK 16,500 million. The reporting entity incurred no detriment as a result of these transactions in the accounting period.

Purchased securities and letters of credit

In the accounting period, the reporting entity purchased and sold securities and letters of credit of related entities in the aggregate amount of CZK 143,950 million. These transactions were made under standard market terms and conditions and the reporting entity incurred no detriment as a result of these transactions.

Depository services

In the accounting period, the reporting entity provided related entities with depository services on the basis of depository service contracts under standard terms and conditions and received total fees of CZK 23 million in respect of these services. The reporting entity incurred no detriment as a result of the fulfilment of these contracts in the accounting period.

Loans advanced to employees of the Česká spořitelna Group

The reporting entity has provided standard retail loans at the prime interest rate to the employees of the companies included in the Česká spořitelna Group under loan agreements contracts. The reporting entity incurred no detriment as a result of the issuance of these loans in the accounting period.

Purchased own securities of related entities

The reporting entity purchased and sold own securities of related entities in the aggregate amount of CZK 5,981 million under standard business terms and conditions. The reporting entity incurred no detriment as a result of these transactions in the accounting period.

Non-Banking Transactions with Related Entities

Erste Bank der oesterreichischen Sparkassen AG

The reporting entity has identified relations in the area of banking transactions which are described in the Section entitled "Banking Transactions with Related Entities".

Received advisory services

The reporting entity purchased from the other party the following advisory services:

Name	Party to the Contract	Contract date	Effective date	Subject of the Contract	Total amount	Detriment incurred
Management Support Agreement	Erste Bank der oesterreichischen Sparkassen AG	29/01/2001	28/02/2002	Provision of advisory services	EUR 193,600	No

Licence Agreement

The reporting entity entered into the following licence agreement:

Name	Party to the Contract	Contract date	Effective date	Subject of the Contract	Total amount	Detriment incurred
Trademark License Agreement	Erste Bank der oesterreichischen Sparkassen AG	01/05/2002	01/05/2002	Use of trademark	EUR 970 th	No

Paid dividends

The reporting entity paid the following dividends in the accounting period:

Legal title	Counterparty	Payment Date	Amount paid	Detriment incurred
Decision of the General Meeting	Erste Bank der oesterreichischen Sparkassen AG	2002	CZK 456 mil.	No

Other

The reporting entity additionally entered into the following contracts:

Name	Party to the Contract	Contract date	Effective date	Subject of the Contract	Total amount	Detriment incurred
Market making contract	Erste Bank der oesterreichischen Sparkassen AG	30/09/2002	from 30/09/2002 to 25/11/2002	Market making for the other party's shares on the Prague Stock Exchange	no financial amount	No

Name	Party to the Contract	Contract date	Effective date	Subject of the Contract	Total amount	Detriment incurred
Participation in a Licence Agreement	Erste Bank der oesterreichischen Sparkassen AG	10/12/2002	10/12/2002	Participating in the Group Licence Agreement for ARIS products	CZK 11,216 th.	No

Name	Party to the Program	Period	Contents of the Program	Total amount	Detriment incurred
Erste Bank der oesterreichischen Sparkassen AG Employee Stock Option Programme ("ESOP")	Erste Bank der oesterreichischen Sparkassen AG	2002	Payment of a 20% discount on the subscription for 28,186 shares by 466 employees who entered into the programme	CZK 11 mil.	No

Allgemaine Sparkasse Oberoesterreich Bank AG

The reporting entity has identified relations in the area of non-banking transactions which are immaterial. Relations in respect of banking transactions are described in the Section entitled "Banking Transactions with Related Entities".

BMG-Warenbeschaffungsmanagement GmbH

The reporting entity has not identified any relations of a banking nature. Relations in the area of non-banking transactions are immaterial.

CDI-Erste Central Europe Holding Ges.m.b.H.

The reporting entity has not identified any relations of a banking nature.

Sale of an equity investment

The reporting entity sold to the other party a portion of an equity investment held by it.

Name	Party to the Contract	Contract date	Effective date	Subject of the Contract	Total amount	Detriment incurred
Sale contract	CDI-Erste Central Europe Holding Ges.m.b.H.	20/12/2002	20/12/2002	Sale of a 24.8% stake in Corporate Development České spořitelny, a. s.	CZK 4,556 th.	No

ecetra Internet Services AG

The reporting entity has identified no relations of a banking nature.

Share subscription

The reporting entity, in cooperation with the other contracting party, formed the following company:

Name	Party to the Contract	Contract date	Effective date	Subject of the Contract	Total amount	Detriment incurred
Memorandum of Association	ecetra Internet Services AG	15/10/2002	15/10/2002	Formation of the new company Brokerjet	Share subscription of CZK 81.6 million	No

Erste Bank Hungary Rt

The reporting entity has identified no relations of a non-banking nature; relations in the area of banking transactions are described in the Section entitled “Banking Transactions with Related Entities”.

Erste Bank Investment Hungary Rt

The reporting entity has identified no relations of a non-banking nature; relations in the area of banking transactions are described in the Section entitled “Banking Transactions with Related Entities”

Erste Bank (Malta) Limited

The reporting entity has identified no relations of a non-banking nature; relations in the area of banking transactions are described in the Section entitled “Banking Transactions with Related Entities”.

Erste & Steiermarkische Banka D.D.

The reporting entity has identified no relations of a non-banking nature; relations in the area of banking transactions are described in the Section entitled “Banking Transactions with Related Entities”.

ERSTE-SPARINVEST Kapitalanlagegesellschaft m.b.h.

The reporting entity has identified no relations of a non-banking nature; relations in the area of banking transactions are described in the Section entitled “Banking Transactions with Related Entities”.

Erste Securities Polska S.A.

The reporting entity has identified no relations of a non-banking nature; relations in the area of banking transactions are described in the Section entitled “Banking Transactions with Related Entities”.

Immorent ČR, s.r.o.

The reporting entity has identified relations in the area of banking transactions which are described in the Section entitled “Banking Transactions with Related Entities”.

Lease of non-residential premises

The reporting entity leased from the other party office space under the following contract:

Contract name	Party to the Contract	Contract date	Effective date	Subject of the Contract and quantity	Total amount	Detriment incurred
Lease Agreement	IMMORENT ČR, s.r.o.	01/06/1999	01/07/1999	Lease of office, commercial and parking space	CZK 5,950 th.	No

Informations-Technologie Austria GmbH

The reporting entity has identified no relations of a banking nature; relations in the area of non-banking transactions are immaterial.

ÖCI-Unternehmensbeteiligungs- gesellschaft.m.b.H.,

The reporting entity has identified no relations of a banking nature.

Services

In the accounting period, the reporting entity entered into the following contract under which it obtained this service:

Contract name	Party to the Contract	Contract date	Effective date	Subject of the Contract and quantity	Total amount in 2002	Detriment incurred
Management service agreement	ÖCI-Unternehmensbeteiligungs gesellschaft.m.b.H.	07/07/2000	01/08/2000	Management and professional advisory services	CZK 355,250 th	No

OM Objektmanagement GmbH
The reporting entity has identified no relations of a banking nature; relations in the area of non-banking transactions are immaterial.

S – Bohemia leasing, a. s.
The reporting entity has identified no relations of a non-banking nature; relations in the area of banking transactions are described in the Section entitled "Banking Transactions with Related Entities".

S – Morava leasing, a. s.
The reporting entity has identified no relations of a non-banking nature; relations in the area of banking transactions are described in the Section entitled "Banking Transactions with Related Entities".

Salzburger Sparkasse Bank AG
The reporting entity has identified no relations of a non-banking nature; relations in the area of banking transactions are described in the Section entitled "Banking Transactions with Related Entities".

Samson České Budějovice, spol. s r.o.
The reporting entity has identified no relations of a non-banking nature; relations in the area of banking transactions are described in the Section entitled "Banking Transactions with Related Entities".

Servis 1 – ČS, a. s.
The reporting entity has identified relations in the area of banking transactions which are described in the Section entitled "Banking Transactions with Related Entities".

Purchased services
In the accounting period, the reporting entity entered into the following contracts under which it obtained these services:

Contract name	Party to the Contract	Contract date	Effective date	Subject of the Contract and quantity	Total amount	Detriment incurred
Advisory services	Servis 1 – ČS, a. s.	2002	2002	Advisory services during the preparatory and planning phase of the CPS Project and other Group projects, preparation of contractual arrangements and coordination of the Group projects	CZK 97,638 th.	No

Slovenská sporiteľňa, a. s.
The reporting entity has identified relations in the area of banking transactions which are described in the Section entitled "Banking Transactions with Related Entities".

Sale of an equity investment
The reporting entity sold to the other party a portion of an equity investment held by it.

Name	Party to the Contract	Contract date	Effective date	Performance description	Total amount	Detriment incurred
Sale contract	Slovenská sporiteľňa, a. s.	20/12/2002	20/12/2002	Sale of a 25% stake in Corporate Development ČS, a. s.	CZK 8,284 th.	No

Spardat Sparkassen – Datendiest Gesellschaft m.b.h.
The reporting entity has identified no relations of a banking nature; relations in the area of non-banking transactions are immaterial.

Sparkasse Mühlviertel – West Bank AG
The reporting entity has identified no relations of a non-banking nature; relations in the area of banking transactions are described in the Section entitled "Banking Transactions with Related Entities".

SporDat, spol. s r.o.

The reporting entity has identified relations of a banking nature which are described in the Section entitled "Banking Transactions with Related Entities".

Purchased services

The reporting entity has purchased servicing and advisory services from the other party.

Name of the contract	Party to the contract	Contract date	Effective date	Performance description	Total amount	Detriment incurred
12 servicing, advisory and implementation contracts	SporDat spol. s r.o.	2002	2002	Servicing and support of Starbank products	USD 3,012 th., for. servicing USD 141 th on a monthly basis	No

Spořitelní kapitálová společnost, a. s.

The reporting entity has identified no relations of a non-banking nature; relations in the area of banking transactions are described in the Section entitled "Banking Transactions with Related Entities".

Steiermärkische Bank und Sparkassen Aktiengesellschaft

The reporting entity has identified no relations of a non-banking nature; relations in the area of banking transactions are described in the Section entitled "Banking Transactions with Related Entities".

Weinviertler Sparkasse AG

The reporting entity has identified no relations of a non-banking nature; relations in the area of banking transactions are described in the Section entitled "Banking Transactions with Related Entities".

Consulting České spořitelny, a. s.,

The reporting entity has identified relations in the area of banking transactions which are described in the Section entitled "Banking Transactions with Related Entities".

Purchased services

In the accounting period, the reporting entity entered into the following contracts under which it obtained these services:

Name	Party to the contract	Contract date	Effective date	Performance description	Total amount	Detriment incurred
Contracts on providing advisory services	Consulting České spořitelny, a. s.	2002	2002–2003	Advisory services	CZK 14,011 th.	No

Corporate development České spořitelny, a. s.,

The reporting entity has identified relations in the area of banking transactions which are described in the Section entitled "Banking Transactions with Related Entities".

Purchased services

In the accounting period, the reporting entity concluded the following contracts on the basis of which it obtained the following services:

Contract name	Party to the contract	Contract date	Effective date	Performance description	Total amount	Detriment incurred
Subcontractor mandate contracts	Corporate development České spořitelny, a. s.	19/12/2001 and 02/01/2002	From the contract date for an indefinite period	Advising clients in acquiring shares and separately transferable rights associated with the target company's shares	95% from the consideration paid by the client	No

Contract name	Party to the contract	Contract date	Effective date	Performance description	Total amount	Detriment incurred
Mandate contract	Corporate development České spořitelny, a. s.	04/11/2002	From the contract date for an indefinite period	Providing advisory services related to the assignment of receivables from third parties	1.6% from the amount of a realised transaction	No

Contract title	Party to the contract	Contract date	Effective date	Performance description	Total amount	Detriment incurred
5 Appointment Letters	Corporate development České spořitelny, a. s.	2002	From the date of conclusion for an indefinite period	Advisory services in regard to the relations with ČS's shareholders	Total worth: CZK 12,586 th.	No

Factoring České spořitelny, a. s.

The reporting entity has identified relations in the area of non-banking transactions which are immaterial. Relations in the area of banking transactions are described in the Section entitled "Banking Transactions with Related Entities".

Hotelová společnost, spol. s r.o.

The reporting entity has identified no relations of a non-banking nature; relations in the area of banking transactions are described in the Section entitled "Banking Transactions with Related Entities".

IC, spol. s r.o.

The reporting entity has identified no relations of a non-banking nature; relations in the area of banking transactions are described in the Section entitled "Banking Transactions with Related Entities".

Informatika České spořitelny, a. s.

The reporting entity has identified relations in the area of banking transactions which are described in the Section entitled "Banking Transactions with Related Entities".

Purchase of goods, materials, products and other assets

During the accounting period, the reporting entity concluded the following contracts, on the basis of which it purchased the following goods, materials, products or other assets:

Name	Party to the contract	Contract date	Effective date	Performance description	Total amount of performance in the accounting period	Detriment incurred
Purchase contracts	Informatika České spořitelny, a. s.	2002	2002	Purchase of IT equipment	CZK 190 million	No

Services received

During the accounting period, the reporting entity concluded the following contracts, on the basis of which it obtained these services:

Name	Party to the contract	Contract date	Effective date	Performance description	Total amount	Detriment incurred
Framework contract 1/2001	Informatika České spořitelny, a. s.	2001	2001	Framework contract on purchase and sale of HW and SW	No financial character	No

Name	Party to the contract	Contract date	Effective date	Performance description	Total amount	Detriment incurred
3 implementation contracts	Informatika České spořitelny, a. s.	2001 and 2002	2001 and 2002	Providing HW/SW maintenance and system maintenance	The contracts are concluded under standard business terms and conditions.	No

Name	Party to the contract	Contract date	Effective date	Performance description	Total amount	Detriment incurred
Contract No. 1002/01	Informatika České spořitelny, a. s.	2001	2001	Contract on storage of spare parts and their use in repair work	The contracts are concluded under standard business terms and conditions.	No

Services provided

During the accounting period, the reporting entity concluded the following contracts on the basis of which it provided these services:

Name	Party to the contract	Contract date	Effective date	Performance description	Total amount	Detriment incurred
Contracts on rent of non-residential premises	Informatika České . spořitelny, a. s.	2001–2002	2001–2002	Rent of non-residential premises	CZK 13,274 th.	No

Other contracts

During the accounting period, the reporting entity concluded the following additional contracts:

Name	Party to the contract	Contract date	Effective date	Performance description	Total amount	Detriment incurred
High-level cooperation contract	Informatika České spořitelny, a. s.	1998	1998	General definition of terms and conditions of cooperation	No financial character	No

Investiční společnost České spořitelny, a. s.

The reporting entity has identified relations in the area of banking transactions which are described in the Section entitled “Banking Transactions with Related Entities”.

Dividends received

During the accounting period, the reporting entity received the following amounts:

Legal title	Counterparty	Date of performance	Total amount	Detriment incurred
General meeting resolution	Investiční společnost České spořitelny, a. s.	2002	CZK 369,750 th.	No

Other contracts

The reporting entity concluded the following contracts with the contracting party:

Name	Party to the contract	Contract date	Effective date	Performance description	Total amount	Detriment incurred
Basic contract of cooperation	Investiční společnost České spořitelny, a. s.	23/06/2000	For an indefinite period of time	Jointly performed business activities related to client segments	Specification of cooperation and possible financial commitments in specific contracts	No

Name	Party to the contract	Contract date	Effective date	Performance description	Total amount	Detriment incurred
Contract on joint advertising campaign	Investiční společnost České spořitelny, a. s.	18/03/2002	For a fixed period to 31/12/2002	Joint advertising campaign of ISČS and ČS for open -ended mutual funds	CZK 12,008 th.	No

Name	Party to the contract	Contract date	Effective date	Performance description	Total amount	Detriment incurred
Contract on management and administration of HR and payroll records	Investiční společnost České spořitelny, a. s.	11/12/2002	For an indefinite period from 01/01/2003	Management and administration of HR and payroll records of ISČS	No financial character during 2002	No

Name	Party to the contract	Contract date	Effective date	Performance description	Total amount	Detriment incurred
3 agreements on payment of additional cost and financial settlement	Investiční společnost České spořitelny, a. s.	2002	Non-recurring agreements	Payment of additional costs incurred in connection with relocation and improvements made on buildings	Actual invoiced costs in the amount of CZK 17,731 th.	No

Leasing České spořitelny, a. s.

The reporting entity has identified relations in the area of banking transactions which are described in the Section entitled “Banking Transactions with Related Entities”.

Leased assets

The reporting entity concluded the following lease contracts on the basis of which it leased both movable and immovable assets as follows:

Name	Party to the contract	Contract date	Effective date	Subject matter of the lease	Total instalments and prepayments	Total amount	Detriment incurred
Lease contracts	Leasing České spořitelny, a. s.	2002	2002–2005	Transport equipment	CZK 48,018 th.	CZK 7,333 th. in 2002	No

Name	Party to the contract	Contract date	Effective date	Subject matter of the lease	Total instalments and prepayments	Total amount	Detriment incurred
Lease contracts	Leasing České spořitelny, a. s.	Years 1996–2001	Years 1996–2002	Transport equipment, technology	CZK 1,587,598 th.	CZK 50,828 th. in 2002	No

Services

In the accounting period, the reporting entity provided services on the basis of the following concluded contracts:

Name	Party to the contract	Contract date	Effective date	Performance description	Total amount	Detriment incurred
Contract for the use of CS's logo and business name in 2002	Leasing České. spořitelny, a. s.	2002	For an indefinite period of time	Granting the authorisation to use the logo of Leasing České spořitelny	CZK 17,888 th.	No

Dividends received

In the accounting period, the reporting entity received the following dividends:

Name	Counterparty	Date of performance	Amount of performance	Detriment incurred
General meeting resolution	Leasing České. spořitelny, a. s.	2002	CZK 40,309 th.	No

Corfina Trade, s.r.o.

The reporting entity has identified no relations of a non-banking nature; relations in the area of banking transactions are described in the Section entitled “Banking Transactions with Related Entities”.

Penzijní fond České spořitelny, a. s.

The reporting entity has identified relations in the area of banking transactions which are described in the Section entitled "Banking Transactions with Related Entities".

Lease

In the accounting period, the reporting entity leased non-residential premises on the basis of the following concluded contracts:

Name	Party to the contract	Contract date	Effective date	Performance description	Total amount	Detriment incurred
Contracts for rent of non-residential premises and movable assets	Penzijní fond České spořitelny, a. s.	1999	1999–2002	Lease contract on regional workplaces and rent of office premises including office equipment	CZK 5,840 th.	No

Pojišťovna České spořitelny, a. s.

The reporting entity has identified relations in the area of banking transactions which are described in the Section entitled "Banking Transactions with Related Entities".

Services received

In the accounting period, the reporting entity received services on the basis of the following contracts:

Name	Party to the contract	Contract date	Effective date	Performance description	Total amount	Detriment incurred
Insurance contracts	Pojišťovna České spořitelny, a. s.	1996–2002	1996–2002	Provision of insurance services by the contractual party	CZK 71,564,575	No

Lease

In the accounting period, the reporting entity leased non-residential premises on the basis of these concluded contracts:

Name	Party to the contract	Contract date	Effective date	Performance description	Total amount	Detriment incurred
Lease of non-residential premises	Pojišťovna České spořitelny, a. s.	1996–2002	1996–2002	Lease of non-residential premises	CZK 20,163,175	No

Services

In the accounting period, the reporting entity provided services on the basis of the following concluded contracts:

Name	Party to the contract	Contract date	Effective date	Performance description	Total amount	Detriment incurred
Contract for the assignment of the right to use the company's logo - contract no. 456/02	Pojišťovna České spořitelny, a. s.	04/12/2002	31/12/2002 and following years	Granting the authorisation to use the logo	CZK 10,191 th.	No

Realitní společnost České spořitelny, a. s.

The reporting entity has identified no relations of a non-banking nature; relations in the area of banking transactions are described in the Section entitled "Banking Transactions with Related Entities".

Servis 2 – ČS, a. s.

The reporting entity has identified relations in the area of non-banking transactions which are immaterial. Relations in the area of banking transactions are described in the Section entitled "Banking Transactions with Related Entities".

Stavební spořitelna České spořitelny, a. s.

The reporting entity has identified relations in the area of banking transactions which are described in the Section entitled “Banking Transactions with Related Entities”.

Services

In the accounting period, the reporting entity provided services on the basis of the following concluded contracts:

Name	Party to the contract	Contract date	Effective date	Performance description	Total amount	Detriment incurred
Contract	Stavební spořitelna České spořitelny, a. s.	2001	For an indefinite period of time	Payment for granting the authorisation to use the logo and business name	CZK 8,192 mil.	No

Name	Party to the contract	Contract date	Effective date	Performance description	Total amount	Detriment incurred
Contract	Stavební spořitelna České spořitelny, a. s.	2000	2000–2002	Specialist consultations and outputs needed to construct the company's headquarters	CZK 6,088 th.	No

Dividends received

In the accounting period, the reporting entity received the following dividends:

Legal title	Counterparty	Date of performance	Total amount of performance	Detriment incurred
General meeting resolution	Stavební spořitelna České spořitelny, a. s.	2002	CZK 214,800 th.	No

D. Conclusion

Our review of the legal relations put in place between the reporting entity and the related entities indicates that the reporting entity incurred no detriment as a result of contractual arrangements, other legal acts or other measures implemented, made or adopted by the reporting entity during the year ended 31 December 2002 in the interest, or at the initiative, of individual related entities.

Prague 31 March 2003

Dušan BARAN
Vice Chairman of the Board of Directors
and First Deputy CEO

Martin ŠKOPEK
Member of the Board of Directors
and Deputy CEO

Česká spořitelna is an inseparable part of Czech society.
It is active in the fields of culture, education, sport, health care and social welfare.

Česká Spořitelna's Financial Group

Figures are stated under Financial Reporting Standards (IFRS), unless indicated otherwise

Stavební spořitelna České spořitelny, a. s.

Stavební spořitelna České spořitelny, a. s., having its registered office address at Vinohradská 180, Prague 3, was incorporated on 22 June 1994. Its principal business is the provision of financial services under the Construction Savings and Construction Savings State Support Act 96/1993 Coll. The company's issued share capital amounts to CZK 750 million. Česká spořitelna's shareholding is 60.5 percent (CZK 454 million), the remaining equity interest of 39.5 percent is held by the Austria-based Erste Bank der oesterreichischen Sparkassen AG.

Stavební spořitelna České spořitelny provides its clients with a construction savings scheme which carries state subsidy and a statutory entitlement to obtain a construction loan. The company has retained second place in the Czech construction savings market in terms of negotiated contracts.

In the year ended 31 December 2002, Stavební spořitelna České spořitelny entered into 337 thousand new construction savings contracts, representing 26 percent of the newly concluded contracts in the Czech Republic. Sixty percent of these contracts were entered into at Česká spořitelna's branches. The year ended 31 December 2002 saw a year-on-year increase of 26 percent in the number of granted bridging loans and loans under the construction savings scheme. The large number of new contracts reinforced the company's financial strength and total assets. A year-on-year increase in fee income and reductions of general administrative expenses contributed to the company's profit. On a year-on-year basis, the company's income was adversely impacted by the reduction of interest rates in the financial market. In 2002, the company paid its parent bank dividends of CZK 215 million in respect of the year ended 31 December 2001. The Czech construction savings market has not yet been fully stabilised and distributed among current market players. Česká spořitelna may play an important role in the distribution of the construction savings market in the future, specifically in relation to the offering and sale of the product at its branches.

	2002	2001	2000
Share capital (MCZK)	750	750	750
Total assets (MCZK)	47,541	34,178	29,313
Loans and advances to clients (MCZK)	7,196	5,489	3,758
Client deposits (MCZK)	45,325	29,317	25,552
Net profit (MCZK)	281	201	204
Number of clients (thousand)	1,125	911	739
Number of own points-of-sale	102	88	68
Average headcount	310	302	290

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Pojišťovna České spořitelny, a. s.

Pojišťovna České spořitelny, a. s. was formed on 1 October 1992 and has its registered office address at Smilova 547, Pardubice (nám. Republiky 115, Pardubice since September 2002). The company launched its insurance activities on 1 January 1993. Česká spořitelna acquired an equity interest in the company in 1995. In 2000, the company issued additional share capital of CZK 500 million which was subscribed for by one of the major Austria-based insurance companies Sparkasse Versicherung AG, a subsidiary undertaking of Erste Bank. The company's issued share capital presently amounts to CZK 1,117 million and Česká spořitelna's holding in the company's share capital is 55.25 percent and the remaining 44.75 percent equity interest is held by Sparkasse Versicherung. As a result of the capital increase, the company has become one of the best capitalised insurance companies in the Czech market.

The company provides the following basic types of insurance: life and accident insurance, industrial and business insurance, property and liability insurance for individuals, travel insurance, motor damage insurance, and motor third party liability insurance ('MTPL'). In addition, the company offers insurance programs for businessmen, sole traders, professional associations and chambers, municipalities and selected groups of clients.

A substantial restructuring of the company targeted at improving profitability, organisation and management was completed in the year ended 31 December 2002. As a result of the restructuring program, the company's business network was reduced by 39 to 34 points-of-sale and the company made a net profit of CZK 171 million for the year ended 31 December 2002. This result was achieved despite extraordinary damage incurred as a result of extensive floods that occurred in August 2002. The company paid insurance claims of CZK 2,547 million arising from flood damage. On a year-on-year basis, premiums written grew by 72 percent to CZK 6,281 million, which confirms the clients' growing trust in the quality of the provided services. This growth was markedly impacted by the life insurance business, in which case premiums written increased year-on-year by 241 percent to CZK 3,545 billion.

	2002	2001	2000
Share capital (MCZK)	1,117	1,117	1,117
Total assets (MCZK)	8,015	4,240	3,574
Premiums written (MCZK)	6,281	3,659	3,022
Net profit/(loss) (MCZK)	171	104	–220
Number of insurance policies (thousand)	847	749	486
Number of own points-of-sale	34	73	118
Average headcount	709	819	1,184

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Penzijní fond České spořitelny, a. s.

Penzijní fond České spořitelny, a. s. was formed on 24 August 1994 and was incorporated following its registration in the Register of Companies maintained at the court in Prague on 23 December 1994. The company's registered office is located at Poláčkova 1976/2, Prague 4. The company's issued share capital amounts to CZK 100 million. Česká spořitelna has been the company's sole shareholder since March 2001. The company is primarily engaged in providing retirement benefit schemes under the Act on Retirement Benefit Schemes with State Contribution.

During the year ended 31 December 2002, Penzijní fond České spořitelny strengthened its position as one of the biggest pension funds in the Czech Republic. In a keen competition of other pension funds, the company was succesful in increasing its market share, measured in terms of the volume of funding in clients' personal accounts, to almost 11 percent. As of 31 December 2002, the company provided its services to nearly 376 thousand clients. In terms of the volume of clients, the company ranked second on the market, having a market share of nearly 15 percent.

For the year ended 31 December 2002, the financial performance of Penzijní fond České spořitelny was considerably impacted by cooperation with employers, including small and medium sized enterprises. At the 2002 year-end, the company cooperated with more than 2,900 employers as part of its corporate program for employers. For the year ended 31 December 2002, Penzijní fond České spořitelny generated a net profit of CZK 238 million under Czech Accounting Standards (CAS) which represents a year-on-year increase of almost CZK 68 million. This growth was primarily facilitated by the compliance with prudent investment policies. Another factor that positively contributed to the amount of profit was the volume of financial assets under management which grew by almost CZK 2 billion during the year. In the financial assets management area, Penzijní fond České spořitelny followed the stated strategic objective to achieve the greatest possible return on assets whilst maintaining a low rate of financial risks. Penzijní fond České spořitelny invested funds principally in Czech, largely Government, debt securities that carry low risks of non-payment, Polish and Hungarian debt securities, and Government treasury bills.

	2002	2001	2000
Share capital (MCZK)	100	100	100
Capital funds (MCZK)*	6,944	4,986	4,233
Net profit (MCZK) under CAS**	238	170	167
Net profit (MCZK) under IFRS	430	68	80
Total assets (MCZK) under IFRS	7,439	5,175	4,492
Number of participants (thousand)	376	360	310
Headcount	56	56	60

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

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

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Investiční společnost České spořitelny, a. s.

Investiční společnost České spořitelny, a. s. was incorporated on 27 December 1991 as a wholly owned subsidiary of Česká spořitelna. During the year ended 31 December 2002 when investment companies associated in the Czech Investment Companies Union (UNIS ČR) experienced an increase in the volume of managed assets of more than 50 percent, the company's assets increased by more than 60 percent which clearly re-affirmed the company's leading position among Czech investment companies.

The year ended 31 December 2002 saw significant downturns in global capital markets. Nevertheless, this adverse development was more than sufficiently offset by the growth of the money market and bond fund segments. The open-ended mutual money market fund SPOROINVEST and the open-ended mutual bond fund SPOROBOND benefited most from this development. The open-ended mutual bond fund TRENDBOND, which invests in EU membership candidate countries, exceeded expectations.

The balance of assets in funds managed by Investiční společnost České spořitelny increased by CZK 15 billion in 2002 and the company strengthened its market share from 40 percent to 45 percent. The increase in the managed assets results from the developments of interest rates in the previous year which markedly fell and forced retail investors to seek alternatives for term deposits.

The company's economic indicators for the year ended 31 December 2002 exceeded expectations. The result was also largely impacted by increased sales and structural and organisational changes, which, inter alia, led to operating cost reductions.

	2002	2001	2000
Share capital (MCZK)	70	70	70
Equity (MCZK)	406	817	1,004
Total assets (MCZK)	503	1,003	1,229
Net profit (MCZK)	–8	38	422
Assets under management (BCZK)	40.1	24.7	32.9
Headcount	58	73	95

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Leasing České spořitelny, a. s.

Leasing České spořitelny, a. s. was formed on 1 January 1996. With effect from December 1996, the company has been wholly owned by Česká spořitelna. The company's registered office is located at Střelničná 8, Prague 8, and its share capital balance is CZK 300 million. In terms of the volume of new transactions, Leasing České spořitelny was rated as number seven on the Czech lease market in the year ended 31 December 2002. The company's activities are focused on finance leases of a wide range of commodities, with the largest components being cars and trucks (in the rolling stock category), engineering and energy sector (in the technology sector), and operating leases. In addition, the company is engaged in providing low value finance leases and consumers loans in the instalment sale form.

The company generated a profit of CZK 77 million for the year ended 31 December 2002. The volume of new transactions considerably increased by 14 percent from 2001 to 2002. Total assets also increased by 6 percent on a year-on-year basis. Through the recognition of provisions and reserves in its books, the company has covered all the known risks arising from the portfolio of lease contracts. Matters of importance that contributed to the fullfilment of the company's busines objectives in 2002 involved intensive cooperation with the parent company.

	2002	2001	2000
Share capital (MCZK)	300	300	300
Total assets (MCZK)	7,134	6,705	6,105
Outstanding lease amount (MCZK)	5,323	4,664	4,304
Net profit (MCZK)	77	65	101
Number of new lease contracts	12,353	16,963	14,403
Number of own points-of-sale	4	4	4
Headcount	116	118	110

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Factoring České spořitelny, a. s.

Factoring České spořitelny, a. s. was formed in November 1995 under the name CS Factoring s.r.o. In 1997, the company was transformed into a joint stock company and Česká spořitelna acquired a 10 percent equity holding. On 20 June 2001, Česká spořitelna acquired the remaining issued share capital from the original shareholders and became the sole shareholder of the company. The company's registered office address is located at Pobřežní 46, Prague 8. The company's issued share capital is CZK 84 million.

The company's focus is on domestic, export and import factoring, and debt management related to a broad range of commodities which principally comprise corporate clients that operate in the consumer and food industry, suppliers for wholesale networks, chemistry, metallurgy, etc.

The year ended 31 December 2002 was a successful year for Factoring České spořitelny. An in-depth restructuring of the company designed to improve organisation and management was undertaken in 2002. With a view to improving effectiveness and utilising new electronic processing forms, Factoring České spořitelny implemented a new information system in 2002. The company made significant inroads into the market and ranked third in the Czech factoring market with a 19 percent market share. On a year-on-year basis, the number of clients also notably grew. The trend initiated in 2002 forms a good starting point for further increasing the company's turnover and market share. One of the key assumptions will continue to involve the diversification of risks and consistent debt collateralisation.

	2002	2001	2000
Share capital (MCZK)	84	84	30
Total assets (MCZK)	2,973	1,327	1,296
Outstanding contracted amounts (MCZK)	9,685	5,034	7,794
Net profit/(loss) (MCZK)	17	18	–40
Headcount	28	23	23

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Internet: www.factoringcs.cz

Consulting České spořitelny, a. s.

The company was formed on 8 June 1995 and has its registered office address at Ukrajinská 10, Prague 10. In December 2002, Česká spořitelna increased its equity holding in the company to 100 percent. Pursuant to this development, the company obtained a new strategic position within the Group – it became an advisory company providing auxiliary banking services. The company's original name was also changed to Consulting České spořitelny, a. s. With effect from 1999, the company has implemented an ISO 9001 – compliant quality management system. Reflecting the needs of the Česká spořitelna Group, the company's activities are focused on providing management advisory services, information system and information technology advisory services, financial and economic advisory services and appraisals of movable and immovable assets.

For the year ended 31 December 2002, the company incurred a net loss of CZK 0.3 million (2001: a profit of CZK 4.4 million). The results of operations were impacted by the recognition of a reserve for real estate transfer tax (in connection with the sale of part of the business in December 2002; the tax will be paid in 2003) amounting to CZK 1 million. Another factor that contributed to the year-on-year decrease in profit related to the reduction of several projects at Česká spořitelna in early November 2002. For the year ended 31 December 2002, aggregate revenues from services amounted to CZK 53 million, of which services to Česká spořitelna and the financial group accounted for 29 percent (2001: 41 percent) and 4 percent (2001: 1 percent), respectively.

	2002	2001	2000
Share capital (MCZK)	1	1	1
Total assets (MCZK)	19	31	30
Net profit/(loss) (MCZK)	0	4	3
Number of own points-of-sale	1	3	3
Headcount	28	31	32

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Corporate development České spořitelny, a. s.

Corporate development České spořitelny, a. s., was formed through a Deed of Foundation as a joint stock company on 19 July 1995 and was incorporated following its registration in the Register of Companies held at the Municipal Court in Prague on 25 April 1996. The company's registered office address is Na Perštýně 1/342, 110 00, Prague 1. The company's issued share capital is CZK 6 million. The company was wholly owned by Česká spořitelna during 2002. At the end of 2002, new shareholders, Slovenská sporiteľňa, a. s. and Germany-based CDI Erste Central Europe Holding GmbH, acquired equity investments in the company. Following this change, Česká spořitelna's equity interest in the company has remained in excess of 50 percent. Corporate development České spořitelny is engaged in rendering corporate finance services in the Czech Republic, with a focus on merger and acquisition advisory services.

The year ended 31 December 2002 was a very successful year for Corporate development České spořitelny. In 2002, the company was involved in, and successfully completed, a number of significant engagements, such as advisory services in selling the bankruptcy assets of a major Czech enterprise, financial restructuring of a significant Czech company or advisory services in relation to take-over bids and share buy-outs. For the year ended 31 December 2002, the company generated a net profit of CZK 7.7 million under Czech Accounting Standards. The generated profit is markedly greater that in the prior year, specifically because the company actively operated only in the last months of the year 2001.

	2002	2001	2000
Share capital (MCZK)	6	1	1
Equity (MCZK)	16	8	1
Net profit (MCZK) under CAS	8	2	0
Headcount	7	7	0

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

We have audited the unconsolidated financial statements of Česká spořitelna, a. s. for the year ended 31 December 2002 prepared in accordance with the Accounting Act and applicable Czech regulations, and have issued our unqualified report thereon dated 12 March 2003. We have also audited the consolidated financial statements of Česká spořitelna, a. s. for the year ended 31 December 2002 prepared in accordance with International Accounting Standards and have issued our unqualified report thereon dated 12 April 2003. These financial statements and auditor's reports are included on pages 101 to 154 and on pages 51 to 95 in this annual report.

We have reviewed the factual accuracy of information included in the report on transactions with related parties included in this annual report on pages 155 to 168. This report is the responsibility of the Company's Board of Directors. Nothing has come to our attention based on our review that indicates that there are material factual inaccuracies in the information contained in the report.

We have read other financial information included in this annual report for consistency with the above mentioned financial statements. The responsibility for the correctness of this information rests with the Company's Board of Directors. In our opinion, other financial information included in this annual report is consistent, in all material respects, with the relevant financial statements.

Prague, 6 June 2003

Deloitte & Touche

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

Statutory auditor:
Michal Petrman
Certificate no. 1105

Deloitte
Touche
Tohmatsu

Česká spořitelna's selected consolidated figures for the three months ended 31 March 2003

under International Financial Reporting Standards (unaudited)

MCZK	31 March 2003	31 March 2002
Interest income and similar income	5,841	6,745
Interest expense and similar expense	–1,949	–2,699
Net interest income	3,892	4,046
Provisions for losses on loans and advances	276	–499
Net interest income after provisions for losses on loans and advances	4,168	3,547
Fee and commission income	1,975	1,655
Fee and commission expense	–102	–126
Net fee and commission income	1,873	1,529
Net profit on financial operations	253	153
General administrative expenses	–3,917	–3,640
Other operating income/(expenses), net	237	–108
Profit before taxes	2,614	1,481
Income tax expense	–757	–508
Profit after taxes	1,857	973
Minority interest	–42	–30
Net profit for the year	1,815	943
Total assets	549,560	490,977
Loans and advances to customers	190,746	177,080
Amounts owed to customers	422,650	400,548
Shareholders' equity	31,648	25,355

Conclusions of the Annual General Meeting of Shareholders Held on 14 May 2003

At the Annual General Meeting of Česká spořitelna held on 14 May 2003 in Brno, the shareholders approved the Board of Directors' Report on the Bank's Performance and Financial Position as of and for the year ended 31 December 2002. The shareholders present at the General Meeting were presented with the Supervisory Board's Report for the year ended 31 December 2002 and approved the annual financial statements, consolidated financial statements and proposal for profit allocation. The distributable funds amounted to CZK 13,196 million, of which CZK 323 million was allocated to the statutory reserve fund, CZK 110 million to the social fund and CZK 3,040 million was allocated to the payment of dividends, which amount to CZK 20 per each share. The balance of retained earnings is CZK 9,723 million.

At the General Meeting of Shareholders, two new appointments were made to the Supervisory Board of Česká spořitelna: Mrs Zlata Gröningerová and Mr André Horovitz were elected as members of the Supervisory Board, replacing Mrs Livia Klausová and Mrs Miloslav Hejnák who resigned from their positions. The shareholders confirmed the mandates of four members of the Supervisory Board for another three years. The shareholders confirmed the mandate of the Chairman of the Supervisory Board, Mr Andreas Treichl, and members of the Supervisory Board, Messrs Reinhard Ortner, Manfred Wimmer and Bernhard Spalt. Furthermore, the General Meeting approved a framework program for the issuance of bonds. A 10-year program will enable the Bank to issue bonds up to CZK 20 billion, if it decides to do so.

Regional branch directory up to date as of 14 May 2003

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Děčín
Pohraniční 1385/14, 405 93
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Hradec Králové
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tel.: +420 495 066 330, fax: +420 495 513 538

Jihlava
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tel.: +420 567 140 302 fax: +420 567 321 669

Karlovy Vary
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tel.: +420 353 222 582, fax: +420 353 226 135

Karviná
K. Sliwky 8a/50, 733 21
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Kladno
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tel.: +420 312 292 611, fax: +420 312 248 600

Klatovy
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tel.: +420 376 340 111, fax: +420 376 310 332

Kolín
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Liberec
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Praha 5
Štefánikova 17/247, 150 31
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Praha 8
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Annual Report 2002
Concept and Production: Omega Design, s.r.o.
Printing: GRASPO CZ, a.s.