



2002 half-year  
report  
2002

# **HALF-YEAR REPORT**

**OF ČESKÁ SPOŘITELNA, A.S.**

**as of 30 June 2002**

International Accounting Standards  
Consolidated, unaudited

## MACROECONOMIC AND MARKET FRAMEWORK FOR ČESKÁ SPOŘITELNA'S BUSINESS ACTIVITIES IN 1<sup>ST</sup> HALF OF 2002

The unfavorable development of the global economy caused **economic growth in the Czech Republic to decelerate** from 3.3% in 2001 to 2.7% during the first quarter of 2002. Although the Czech GDP growth lags behind the economic recovery in countries like Hungary and Slovakia, the Czech economy is expanding substantially faster than the EU average, bringing the economic standard in the Czech Republic in line with that of the EU states. **Investments** remained the main driving force behind economic growth in the Czech Republic. However, nearly half of the year-on-year increase in investments was linked to the government's investment into the defense sector. The second major source of the economic growth was **household consumption**, which **increased** in response to the **unemployment rate** that has been falling since early 2002 and the steady growth of real wages. For a long time now retail sales figures have been showing a rise in household spending on dispensable consumer goods, reflecting the gradual increase of the living standard in the Czech Republic.

**Low-inflationary development** abroad and particularly, the strengthening of the crown led to a marked decline of inflation in the Czech Republic from 3.7% in January to 1.2% in June 2002. In reaction to the strong counter-inflationary factors forcing the CPI below the inflation threshold determined for 2002 – 2005, the central bank repeatedly **cut the repo-rate to the historical minimum of 3.75% p.a.** valid as of 30 June 2002. The intervention rate of the CNB was only 0.5 percentage points above the EMU level.

During the five-month period to May, **the Czech foreign trade deficit** amounted to CZK 21.5 billion, the lowest since 1999. The strong crown position was manifested in lower imports in crown terms, rather than in the export volume. Exports in crown terms more or less stagnated, while in dollar terms rose by an average of 7% year-on-year. This reflects the growing performance of Czech exporters.

**The surplus in balance of payments** in the first quarter of 2002 fell to CZK 14 billion compared to CZK 43 billion in the last quarter of 2001. The current account deficit shrunk below 3% of GDP. The inflow of foreign investments, this time undistorted by privatization proceeds, slowed down and attained roughly CZK 45 billion (USD 0.6 billion). When compared to the previous three months, the excess in demand for crown liquidity declined by two thirds (to CZK 14 billion), where approximately 9.5 billion accounted for the CNB foreign exchange interventions in January against the strong crown. The development of the payment balance indicates that the appreciation of the crown is likely to continue distinctly slower than in the previous months.

Similarly as in 2001, **the trend of the strengthening of the crown against the euro** continued early this year. This development reflected both the increasing demand for the Czech currency on the part of foreign investors, and the speculations for further appreciation of the Czech crown. Given the expected stabilization of inflow of foreign investments and the CNB's effort to curb further marked appreciation of the currency, the crown appreciation rate should ease off in the upcoming months. The crown/dollar exchange rate is still primarily affected by the development of the euro/dollar exchange rate. Due to the change of the trend and fast appreciation of the euro, the crown rapidly strengthened against the dollar. In early July, the exchange rate dropped below 30 crowns/dollar. Given that the Euro continues to strengthen, further rapid appreciation of the crown against the dollar can be expected.

# CONSOLIDATED RESULTS

## OF ČESKÁ SPOŘITELNA FOR THE HALF-YEAR PERIOD ENDED 30 JUNE 2002 (INTERNATIONAL ACCOUNTING STANDARDS, UNAUDITED)

As of 30 June 2002, Česká spořitelna reported a consolidated net profit of **CZK 2,995 million** under International Accounting Standards, which represents an increase of **276%** from CZK 796 million in mid-2001. The mid-year results of Česká spořitelna confirm that the Bank has been gradually fulfilling its set objectives: to increase its profitability, to meet the clients' needs by providing quality products and services, to motivate the staff and to be a responsible partner for towns, municipalities and interest groups.

**Profit before tax** amounted to CZK 4,185 million, rising by 259% year-on-year. When compared with 2001 mid-year figures, **operating profit** improved by 61%, increasing from CZK 2,771 million to CZK 4,468 million. Return on equity (ROE) amounted to 23.3% and return on assets (ROA) was at 1.2% compared to the same period last year when ROE and ROA attained 6.9% and 0.3%, respectively.

The success recorded at mid-2002 was particularly driven by the **year-on-year 17% increase of net interest income by CZK 1,182 million**, reaching CZK 8,085 million as of 30 June 2002. With declining interest rates in the Czech Republic, Česká spořitelna was able to slightly increase the interest income balance through its active approach on the loan market and in the debt securities sector. Interest expenses fell year-on-year owing to the growth in client deposits on giro and current accounts and also as a result of the settlement of bonds in issue with the nominal value of CZK 5.0 billion in February 2002. The net interest margin slightly rose to 3.1 percent.

**Net fee and commission income increased** year-on-year by 2% to CZK 3,246 million, primarily driven by **the growing number of loan transactions** that now account for 24% of the aggregate net fee and commission income; nevertheless, revenues from payments, representing 64% of the fees and commissions received, remain the most significant item of the income.

**Net profit on financial operations** reached **CZK 671 million** as of 30 June 2002 and improved by 69% compared with last year's figures for the same period. This is associated with the favorable results achieved in connection with interest rate derivatives, income from FX operations and securities transactions.

Compared with the first half of 2001, operating income (covering net interest income, net fee and commission income and net profit on financial operations) improved by 14% to CZK 12,002 million, where non-interest income accounts for 33 percent. The year-on-year increase of **operating profit** (the difference between operating income and expenses) for the first half of 2002 of **61% to CZK 4,468 million** was affected not only by the growth in operating income, but also the **decline in operating expenses** of CZK 192 million to CZK 7,534 million. The proportion of operating costs to operating income (the operating costs/income ratio) amounted to 63% which means a year-on-year improvement of 11 percentage points.

**Operating expenses** (comprising staff costs, purchased goods and services and depreciation charges of tangible and intangible fixed assets) **fell as a result of the reduction of staff costs by 7%** to CZK 2,887 million due to the positive effect of downsizing (as of 30 June 2002, the Parent Bank employed 11,371 people, which represents a 13% drop as compared to 30 June 2001) and a decrease of depreciation charges of tangible and intangible fixed assets by 8% to CZK 1,260 million. The depreciation of hardware, buildings and software account for 40%, 24% and 14%, respectively. Purchased goods and services rose by 4% to CZK 3,387 million, particularly reflecting costs incurred in respect of information technologies, office space and business operations which accounted for 26%, 22% and 17%, respectively.

Compared with the figures as of 30 June 2001, the amount of net profit and its year-on-year increase is also linked to a **lower balance of created reserves and provisions**. This balance amounted to CZK -181 million owing to the active approach to risk management, restructuring of the loan portfolio and successful recoverability of debts.

The amount of CZK -102 million and the year-on-year improvement of net balance of other operating costs by CZK 267 million was predominantly affected by a lower accrual of the contribution to the Deposit Insurance Fund. In mid-2002, the contribution totaled CZK 182 million, falling by CZK 397 million compared with the period as of 30 June 2001 as a result of the lower contribution rate applicable for the Deposit Insurance Fund.

Česká spořitelna expects to have a positive tax base in 2002. The Bank will cover it using the accumulated tax loss from previous years. This will have an impact on the deferred tax. Proportionally, the **tax for the first semester of 2002 amounts to CZK 1,121 million.**

**Total assets rose by 9% year-on-year and amounted to CZK 512.7 billion** in mid-2002, which, on the whole, represents an increase of CZK 40.2 billion.

The increase of client deposits of CZK 26.5 billion (7%) to CZK 407.6 billion in the twelve-month period ended 30 June 2002 was the key factor behind the increase in liabilities. **Despite the conversion of “anonymous” savings books, retail deposits increased year-on-year** by CZK 7.5 billion to CZK 317.4 billion. While the deposits on savings books declined during the last twelve months by 5% to CZK 155.3 billion, the balances on giro accounts rose by 13% to CZK 67.8 billion and deposits under the housing savings scheme grew by 34% to CZK 34.9 billion. State and municipality deposits account for CZK 22.1 billion with a year-on-year increase of 39%. Deposits of commercial clients rose by 23% to CZK 68.1 billion.

Compared with the relevant period in 2001, the balance of equity, particularly affected by the Bank's results as of the 2001 year-end and 2002 mid-year, increased by 15% to CZK 27.0 billion. **Capital adequacy under the BIS methodology amounted to 16.0% as of 30 June 2002** (last year's figures for the same period were 16.6%). The capital, according to BIS, used for the calculation of capital adequacy was CZK 33.5 billion and the risk weighted assets totalled CZK 189.6 billion. As of 30 June 2001, these figures were CZK 30.5 billion and CZK 171.2 billion, respectively.

The volume of receivables due from customers increased by CZK 41.6 billion to CZK 181.1 billion compared with mid-2001. A large amount, however, relates to the transfer of amounts due from Česká konsolidační agentura (ČKA – the Czech Consolidation Agency) from interbank receivables to client receivables in connection with its transformation from Konsolidační banka to a non-banking institution in September last year. As of 30 June 2002, the volume of receivables from ČKA totaled CZK 34.7 billion. Excluding the amounts receivable from the ČKA, client receivables rose by CZK 7.0 billion, i.e. 5 percent.

Amounts due from clients totaled CZK 181.1 billion as of 30 June 2002. **Česká spořitelna continued to expand in the sector of retail loans** which recorded an improvement by 39% to CZK 47.8 billion as compared to mid-2001. **The major drive for the increase in retail loans is the growing volume of mortgage loans:** compared with half-year results in 2001, the volume of mortgage loans advanced to the public almost doubled to CZK 11.4 billion. Also, cash and consumer loans significantly increased by 38% to CZK 14.8 billion, loans advanced under the housing savings scheme rose by 45% to CZK 6.0 billion and overdraft loans on giro accounts went up by 65% to CZK 4.4 billion. Corporate loans amounted to CZK 133.3 billion, of which the amount due from ČKA accounts for CZK 34.7 billion, receivables from the state and municipality sector amount to CZK 7.5 billion and loans to the commercial sector total CZK 91.1 billion. The aggregate balance of mortgage loans advanced to citizens, towns, municipalities and the commercial sphere amounted to CZK 16.2 billion. **The growing quality of the loan portfolio of the Parent Bank is clearly reflected in the ratio of classified loans to total loans**, which was 13.4% as of 30 June 2002 compared to 22.0% in mid-2001. The ratio involves both the loans to customers and banks recorded by the Parent Bank, including amounts receivable from Česká konsolidační agentura (a total of CZK 208.0 billion) under the methodology of the Czech National Bank.

**In restructuring the loan portfolio, Česká spořitelna mainly focused on improving its quality.** The Parent Bank prepared an analysis of a selected portfolio within the Ring-fence Arrangement (RG). The purpose of the analysis was to identify and keep clients whose economic position has improved and who have real potential for growth and further development. The analysis involved 333 clients (211 clients with a loan up to CZK 10 million and 122 clients with a loan exceeding CZK 10 million). Based on the analysis, the loans of 113 clients were kept in the Bank while for other clients involved in Ring-fencing, it was decided to employ a general put option.

In early 2002, the Ring-fenced portfolio totaled CZK 13.4 billion, of which the balance sheet items represented CZK 13.0 billion. As of 30 June 2002, the total of CZK 0.9 billion was repaid and CZK 3.2 billion was excluded from the portfolio. As of 30 June 2002, **Česká spořitelna executed the right to a general put option** in compliance with the Ring-fence Arrangement, **and ceded receivables of CZK 6.6 billion to Česká konsolidační agentura**. This transaction will be reflected in the Bank's balance sheet only in July. As of 1 July 2002, the balance of the RG portfolio of the Parent Bank remains at CZK 2.5 billion, of which balance sheet items account for CZK 2.2 billion.

The year-on-year drop of amounts due from banks by 17% to CZK 153.1 billion was caused by the reclassification of receivables from Česká konsolidační agentura, resp. Konsolidační banka, described above from inter-bank to client receivables. Without taking into account the above effect (CZK 37.4 billion), receivables from banks rose year-on-year by 4%, i.e. CZK 5.8 billion.

**The aggregate balance of the securities portfolio** recorded an increase of 16% compared to mid-2001 and amounted to **CZK 138.5 billion** as of 30 June 2001. Of this amount, treasury shares account for 25%, debt and other fixed income securities 65%, financial derivatives with positive fair value 8% (the year-on-year volume increase tripled) and shares and other variable income securities account for 2 percent.

## SIGNIFICANT BUSINESS ACTIVITIES

Compared with the year-end of 2002, the number of clients of the Česká spořitelna Financial Group rose by more than 200 thousand. **The overall number of clients came near to the magic line of 5 million.**

In 2002, Česká spořitelna also focused on further development of its card program. In April 2002, the Bank completed the construction of the back-up center for the processing of card operations to enhance the reliability of the Card Center. **There has been an on-going development in the offering of payment cards, payment terminals and bank machines.** Year-on-year, the number of active cards increased by more than 120 thousand to 2,252 thousand payment cards of 18 types designed for all kinds of client groups. The number of ATMs during the same period rose by 55 to 986, the number of points-of-sale – partners of Česká spořitelna, went up by 3,283 to 16,998. The number of transactions effected through this network increased during the last twelve months by 73% to 6 million and the volume of transactions rose by 45% to 7.8 billion.

**The number of electronic banking clients rose** compared to June 2001 **by almost one third and exceeded 590 thousand.** Currently, Česká spořitelna offers its clients many different ways of operating their account whenever and wherever they wish without the necessity of going to the bank: Internet Banking, Homebanking, GSM Banking – SIM Toolkit, and the favorite service – Phone banking Servis 24, which represents a half of the total amount of direct banking clients. Phone banking Servis 24 is being constantly developed and perfected to ensure a comprehensive and user-friendly service. In the first half of 2002, the Bank has effected a conversion of clients from Sporotel Telebanking and Sporotel SMS to Servis 24.

Since last June, Česká spořitelna has been providing advantageous mortgage loans under the program called “Top Bydlení” (Top Housing), designed to enable the general public to finance their own housing under advantageous terms. **Since the inception of the Top Housing program, the Bank advanced almost 6,700 loans totaling CZK 6.7 billion.** A similar program “Top Podnik” (Top Enterprise) is targeted at medium-size companies to support their development through long-term funding under favorable conditions. During the first six months of 2002, the Bank approved 59 loans amounting to CZK 0.9 billion **and has advanced 97 loans amounting to CZK 1.6 billion since the inception of the program Top Enterprise.**

Pursuant to the amended Banking Act, approved by the Czech Parliament early this year, **Česká spořitelna is obliged to cancel deposit arrangements relating to bearer savings books by the end of 2002** (“anonymous” savings books). After 1 January 2003, deposits on bearer savings books may not bear interest. As of 31 December 2001, Česká spořitelna recorded almost 6.6 million “anonymous” savings books with an overall balance of CZK 121.0 billion. By mid-year, the Bank transferred **1.0 million savings books totaling CZK 45.0 billion**, which represents 15% of the total “anonymous” savings books and 37% of the volume of their balances.

**Towns and municipalities, regions, state funds, public and municipal sphere, and non-profit entities remain the strategic and traditional business partner of Česká spořitelna.** Česká spořitelna makes every effort to provide these entities with an offering of service programs that ensure a complete solution of their requirements. During the first half of 2002, Česká spořitelna became a partner of the town of Havířov in the project for the reconstruction and modernization of apartment buildings. The Bank will advance a ten-year loan to Havířov and will be acting as its advisor. Dopravní podnik hl.m. Prahy which was granted a long-term syndicated loan for the purchase of sets of underground trains has become another significant client of the Bank. The opening of an overdraft facility to the State Fund of Transport Infrastructure of the Czech Republic is another example of successful co-operation.

## EXPECTED DEVELOPMENT IN THE SECOND HALF OF 2002

Similarly to the first half this year, Česká spořitelna's business activities will be primarily targeted on the **creation of reasonable preconditions for accomplishing the principal objectives set for 2002**, namely 18% return on equity (ROE) this year for the consolidated whole under IAS and an operating cost/income ratio for the consolidated whole under IAS below 70.0 percent.

Except for the major objectives mentioned above, the Bank should also complete the process of "slimming" while attaining competitive salaries and implementing transparent and highly effective standards. **From the clients' perspective, this year should bring better services, more distribution channels with stronger reliability and implementation of new products.** The Bank should also offer more services to the government and the public sector and develop its own wide sponsoring activities.

In the upcoming half of 2002, the Bank expects its assets to reflect a decrease in receivables from clients due to the transfer of loans from Česká konsolidační agentura under the "total put option". In relation to liabilities, the Bank expects a decline in primary deposits as a result of conversion of "anonymous" savings books pursuant to the provisions of the amended Banking Act (Act No. 126/2002 Coll.) whereby the "anonymous" savings books are cancelled as of 31 December 2002.

**The development of the main items of the profit and loss account in the second half will basically be reflecting the trends of the first six months.** However, the net interest income mainly supported by the on-going structural transfer of assets on behalf of more profitable financial instruments can be negatively influenced by the expected sharp decrease of the CNB's interest rates. Net fee income stemming from the growing volume of payment transactions, significant support to selling efforts and the rise of fees and commissions related to the increasing quality of rendered services should, at least to a certain extent, alleviate the lower performance at the beginning of the year. The finalization of the clean-up of the Bank's loan portfolio will also be reflected in the expected lower net creation of reserves and provisions. Despite the completed restructuring process of the Bank, general operating expenses will continue to reflect the increasing requirements associated with complex programs for technological changes.

**By the end of 2002, Česká spořitelna expects to attain return on equity (ROE) for the consolidated whole under IAS of 18% and an operating cost/income ratio of 64 percent.**



## CHANGES IN THE SHAREHOLDERS' STRUCTURE AND TOP BODIES OF ČESKÁ SPOŘITELNA

In April 2002, the holding savings company AVS (DIE ERSTE österreichische Spar-Casse Anteilsverwaltungssparkasse) which has the majority share in Erste Bank and acts in concerted conduct with Erste Bank made a public offer to repurchase the shares of Česká spořitelna. Following the successful transaction, AVS acquired one third share in the voting rights attached to the shares of Česká spořitelna in the second quarter of 2002.

The shareholders at the General Meeting held on 22 May 2002 decided by vote to cancel the registration of bearer ordinary shares of Česká spořitelna, thereby withdrawing these shares from public trading. The General Meeting also approved the distribution of profit for 2001; the total of CZK 456 million was allocated for the payment of dividends, i.s. a dividend of CZK 3 per share.

### The Structure of Shareholders as of 30 June 2002

	Shareholding	Share in the voting rights
Erste Bank der oesterreichischen Sparkassen	52.4%	56.6%
AVS	33.1%	35.7%
Towns and municipalities in the Czech Republic	7.4%	0.0%
Česká pojišťovna	5.0%	5.4%
Other	2.1%	2.3%

Česká spořitelna's **Supervisory Board** underwent changes during the first half of 2002. Two new members were elected at the General Meeting, Christian Coreth and Maxmilian Hardegg, replacing Herbert Schimetschek and Kurt Geiger who resigned. As a result of the elections of employee representatives to the Supervisory Board in the first half of 2002, Jitka Šrotýřová, Libuše Růžičková and Marek Pospěch replaced Milan Bakeš and Ivan Černý who terminated their activities in the Supervisory Board, and Petr Liška whose election term expired. In March 2002, Petr Hlaváček was appointed to the **Management Board** of Česká spořitelna, assuming the responsibilities for project management and integration of the Bank with Erste Bank group activities.

As of 30 June 2002, the Management Board of Česká spořitelna was comprised as follows: Chairman of the Board and CEO John James Stack, Vice Chairman of the Board and 1<sup>st</sup> Deputy CEO Dušan Baran, members of the Board and Deputy CEOs Daniel Heller, Petr Hlaváček, Karel Jan Jeníček, Gernot Mittendorfer and Martin Škopek.

As of 30 June 2002, the Supervisory Board of Česká spořitelna was comprised as follows: Chairman of the Supervisory Board Mr. Andreas Treichl, Vice Chairperson of the Supervisory Board Livia Klausová, members of the Supervisory Board Christian Coreth, Mark K. Gormley, Maxmilian Hardegg, Miloslav Hejnák, Josef Komárek, Reinhard Ortner, Marek Pospěch, Libuše Růžičková, Jitka Šrotýřová and Manfred Wimmer.

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE PERIOD ENDED 30 JUNE 2002  
UNDER INTERNATIONAL ACCOUNTING STANDARDS (MCZK)

	30 June 2002	30 June 2001
1. Interest income and similar income	13,510	13,268
2. Interest expenses and similar expenses	-5,425	-6,365
<b>I. Net interest income</b>	<b>8,085</b>	<b>6,903</b>
3. Reserves and provisions for losses on loans and receivables	-181	-1,237
<b><i>Net interest income after reserves and provisions for losses on loans and receivables</i></b>	<b>7,904</b>	<b>5,666</b>
4. Fee and commission income	3,528	3,394
5. Fee and commission expense	-282	-197
<b><i>Net fee and commission income</i></b>	<b>3,246</b>	<b>3,197</b>
6. Net profit on financial operations	671	397
7. General administrative expenses	-7,534	-7,726
8. Other operating expenses, net	-102	-369
<b>II. Profit before taxes</b>	<b>4,185</b>	<b>1,165</b>
9. Income tax	-1,121	-312
<b>III. Profit after taxes</b>	<b>3,064</b>	<b>853</b>
10. Minority interests	-69	-57
<b>IV. Net profit for the accounting period</b>	<b>2,995</b>	<b>796</b>

# CONSOLIDATED BALANCE SHEET

## FOR THE PERIOD ENDED 30 JUNE 2002

### UNDER INTERNATIONAL ACCOUNTING STANDARDS (MCZK)

	<b>30 June 2002</b>	<b>30 June 2001</b>
1. Cash and balances with the CNB	18,715	15,038
2. Loans and advances to financial institutions	153,085	184,723
3. Loans and advances to customers	181,132	139,490
4. Reserves and provisions for losses on loans and advances	-21,739	-24,503
5. Securities and other assets held for trading	22,771	19,008
6. Securities available for sale	21,679	18,217
7. Securities and other assets held to maturity	94,053	82,447
8. Intangible fixed assets	2,904	1,475
9. Tangible assets	16,801	16,355
10. Other assets	23,259	20,166
<b>Total assets</b>	<b>512,660</b>	<b>472,416</b>
1. Amounts owed to financial institutions	29,037	22,237
2. Amounts owed to customers	407,550	381,022
3. Bonds in issue	6,693	5,165
4. Reserves	5,996	4,199
5. Other liabilities	29,831	29,776
6. Subordinated debt	5,507	5,500
7. Minority interests	1,019	1,030
8. Shareholders' equity	27,027	23,487
<b>Total liabilities and shareholders' equity</b>	<b>512,660</b>	<b>472,416</b>

## KEY RATIOS

### OF THE CONSOLIDATED WHOLE

	<b>30 June 2002</b>	<b>30 June 2001</b>
Return on equity (ROE)	23.3%	6.9%
Return on assets (ROA)	1.2%	0.3%
Net interest margin	3.1%	2.9%
Operating costs / operating income	62.8%	73.6%
Non-interest income / operating income	32.6%	34.2%
BIS capital	16.0%	16.6%

# NET PROFIT AFTER TAXATION

## OF THE MEMBERS OF THE ČESKÁ SPOŘITELNA FINANCIAL GROUP UNDER INTERNATIONAL ACCOUNTING STANDARDS (MCZK)

	<b>30 June 2002</b>	<b>30 June 2001</b>
Česká spořitelna	3,538	1,009
Stavební spořitelna České spořitelny	116	82
Leasing České spořitelny	62	58
Penzijní fond České spořitelny	10*	67*
Pojišťovna České spořitelny	54	46
Investiční společnost České spořitelny	-50	-27
Factoring České spořitelny	8	9
Sindat consulting České spořitelny	-2	8

\* pursuant to the Pension Insurance Act, the Pension Fund distributes at minimum 85 % of profit generated under CAS to its clients; as of 30 June 2002, Penzijní fond České spořitelny attained a profit of CZK 124 million (30 June 2001: CZK 84 million) in accordance with the Czech accounting regulations.

# UNCONSOLIDATED STATEMENTS

## FOR THE PERIOD ENDED 30 JUNE 2002

### UNDER CZECH ACCOUNTING STANDARDS

## BALANCE SHEET

Assets (CZK thousand)

Item No.	Gross	Adjustment	2002 Accounting period	2001 Accounting period	2000 Accounting period
<b>1. Cash in hand, balances with central banks</b>	<b>18,651,260</b>	<b>0</b>	<b>18,651,260</b>	<b>17,263,554</b>	<b>15,810,914</b>
<b>2. State non-coupon bonds and other securities eligible for refinancing with the CNB</b>	<b>55,281,648</b>		<b>55,281,648</b>	<b>91,187,765</b>	<b>88,084,651</b>
a) State securities	55,281,648	0	55,281,648	11,243,661	46,641,734
b) Other	0	0	0	79,944,104	41,442,917
<b>3. Receivables from banks and savings and loan societies</b>	<b>138,061,464</b>		<b>138,061,464</b>	<b>170,161,675</b>	<b>135,991,700</b>
a) Repayable on demand	10,401,531	0	10,401,531	278,770	827,652
b) Other receivables	127,659,931	0	127,659,931	169,882,905	135,164,048
<b>4. Receivables from clients and members of savings and loan societies</b>	<b>165,962,209</b>	<b>14,733,358</b>	<b>151,228,851</b>	<b>111,080,015</b>	<b>94,991,193</b>
a) Repayable on demand	2,712,336	0	2,712,336	3,836,604	3,295,666
b) Other receivables	163,249,873	14,733,358	148,516,515	107,243,411	91,695,527
<b>5. Bonds</b>	<b>49,547,114</b>	<b>181,422</b>	<b>49,365,692</b>	<b>85,275,196</b>	<b>40,157,119</b>
a) Issued by state institutions	10,280,903	0	10,280,903	59,617,743	10,883,997
b) Issued by other entities	39,266,211	181,422	39,084,789	25,657,453	29,273,122
<b>6. Shares, participation certificates and other interests</b>	<b>1,410,263</b>	<b>803</b>	<b>1,409,460</b>	<b>4,017,698</b>	<b>921,293</b>
<b>7. Participation interests with substantial influence</b>	<b>300,281</b>	<b>22</b>	<b>300,259</b>	<b>0</b>	<b>2,410</b>
a) In banks	0	0	0	0	0
b) In other entities	300,281	22	300,259	0	2,410
<b>8. Participation interests with controlling influence</b>	<b>2,389,440</b>	<b>1,009,977</b>	<b>1,379,463</b>	<b>1,242,457</b>	<b>1,189,603</b>
a) In banks	332,750	0	332,750	332,750	332,750
b) In other entities	2,056,690	1,009,977	1,046,713	909,707	856,853
<b>9. Intangible fixed assets</b>	<b>4,333,282</b>	<b>1,464,310</b>	<b>2,868,973</b>	<b>1,533,281</b>	<b>1,038,447</b>
a) Of which: incorporations costs	0	0	0	0	0
b) Goodwill	229,885	100,574	129,310	186,782	0
c) Other	4,103,398	1,363,735	2,739,663	1,346,499	1,038,447
<b>10. Tangible fixed assets</b>	<b>27,686,724</b>	<b>11,794,930</b>	<b>15,891,794</b>	<b>15,729,585</b>	<b>16,070,308</b>
a) Land and buildings for operating activities	15,648,361	805,469	14,842,892	12,241,696	12,102,010
b) Other	12,038,363	10,989,461	1,048,902	3,487,889	3,968,298
<b>11. Other assets</b>	<b>30,446,633</b>	<b>209,767</b>	<b>30,236,866</b>	<b>16,951,167</b>	<b>8,045,032</b>
<b>12. Receivables from shareholders and partners</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>13. Prepayments and accrued income</b>	<b>1,527,300</b>	<b>0</b>	<b>1,527,300</b>	<b>3,663,318</b>	<b>3,744,124</b>
<b>14. TOTAL ASSETS</b>	<b>495,597,618</b>	<b>29,394,587</b>	<b>466,203,031</b>	<b>518,105,712</b>	<b>406,046,794</b>

**Liabilities** (CZK thousand)

Item No.	2002 Accounting period	2001 Accounting period	2000 Accounting period
<b>1. Payables due to banks and savings and loan societies</b>	<b>22,877,965</b>	<b>102,792,202</b>	<b>52,419,198</b>
a) Repayable on demand	2,535,381	154,380	21,740
b) Other payables	20,342,584	102,637,822	52,397,458
<b>2. Payables due to clients and members of the savings and loan societies</b>	<b>367,928,098</b>	<b>355,141,766</b>	<b>309,816,577</b>
a) Repayable on demand	166,777,257	143,013,482	118,181,875
Of which: saving deposits	31,521,284	32,166,806	30,646,355
b) Other payables	201,150,841	212,128,284	191,634,702
Of which: ba) savings deposits with maturity	0	0	0
bb) savings deposits repayable at notice	123,757,113	132,249,299	134,061,520
bc) term deposits with maturity	71,441,818	74,169,133	54,265,086
bd) term deposits repayable at notice	158,599	0	0
<b>3. Payables from debt securities</b>	<b>7,858,415</b>	<b>8,052,804</b>	<b>5,561,475</b>
a) Issued debt securities	7,027,307	5,500,000	5,516,094
b) Other payables from debt securities	831,108	2,552,804	45,381
<b>4. Other liabilities</b>	<b>26,905,739</b>	<b>13,434,419</b>	<b>7,279,918</b>
<b>5. Deferred income and accrued expenses</b>	<b>235,459</b>	<b>3,619,177</b>	<b>4,039,251</b>
<b>6. Reserves</b>	<b>7,711,699</b>	<b>7,420,309</b>	<b>5,693,056</b>
a) For pension and similar commitments	0	0	0
b) For taxes	0	0	0
c) Other	7,711,699	7,420,309	5,693,056
<b>7. Subordinated liabilities</b>	<b>5,506,820</b>	<b>5,500,000</b>	<b>5,500,000</b>
<b>8. Share capital</b>	<b>15,200,000</b>	<b>15,200,000</b>	<b>15,200,000</b>
Of which: registered share capital paid up	15,200,000	15,200,000	15,200,000
<b>9. Treasury shares</b>	<b>0</b>	<b>-5,002</b>	<b>0</b>
<b>10. Share premium</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>11. Reserve fund and other funds from profit</b>	<b>827,292</b>	<b>609,768</b>	<b>356,021</b>
a) Obligatory reserve fund	641,679	489,977	246,977
b) Reserve fund for treasury shares	2,087	0	0
c) Other reserve funds	0	0	0
d) Other funds from profit	183,526	119,791	109,044
Of which: fund for risks	0	0	0
<b>12. Reserve fund for new valuation</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>13. Capital funds</b>	<b>1,902</b>	<b>1,904</b>	<b>1,786</b>
<b>14. Valuation differences</b>	<b>-29</b>	<b>0</b>	<b>0</b>
a) From assets and liabilities	0	0	0
b) From hedging derivatives	0	0	0
c) From translation of interests	-29	0	0
<b>15. Retained earnings or accumulated losses of previous years</b>	<b>6,740,006</b>	<b>4,494,110</b>	<b>0</b>
<b>16. Profit/loss for the accounting period</b>	<b>4,409,663</b>	<b>1,844,254</b>	<b>179,513</b>
<b>17. TOTAL LIABILITIES</b>	<b>466,203,031</b>	<b>518,105,711</b>	<b>406,046,795</b>

**Off balance sheet** (CZK thousand)

<b>Item No.</b>		<b>2002 Accounting period</b>	<b>2001 Accounting period</b>	<b>2000 Accounting period</b>
1.	Total potential future liabilities	6,001,580	4,022,935	3,375,007
a)	Accepted bills/ acceptance/ endorsements	0	29,987	50,291
b)	Payables resulting from guarantees	4,884,914	3,992,948	3,324,716
c)	Payables resulting from collateral	1,116,666	0	0
2.	Other irrevocable liabilities	36,051,292	40,362,495	23,859,939
3.	Receivables from spot, term and option transactions	687,196,212	467,184,149	128,259,577
4.	Liabilities from spot, term and option transactions	683,477,132	465,755,786	128,297,151

# PROFIT AND LOSS ACCOUNT

(CZK thousand)

Item No.	2002 Accounting period	2001 Accounting period	2000 Accounting period
<b>1. Interest income and similar income</b>	<b>12,131,032</b>	<b>12,172,131</b>	<b>10,915,674</b>
Of which: interest income from debt securities	3,260,171	3,118,302	2,387,577
<b>2. Interest expense and similar expense</b>	<b>-4,947,616</b>	<b>-5,838,240</b>	<b>-6,088,105</b>
Of which: interest expense from debt securities	-168,551	-657,610	-492,914
<b>3. Income from shares and participation interests</b>	<b>587,388</b>	<b>359,924</b>	<b>116,226</b>
a) Income from participation interests with significant influence	0	23,052	0
b) Income from participation interests with controlling influence	586,571	336,872	109,990
c) Income from other shares and participation interests	817	0	6,236
<b>4. Commission and fee income</b>	<b>3,408,203</b>	<b>3,115,070</b>	<b>2,253,614</b>
<b>5. Commission and fee expense</b>	<b>-184,558</b>	<b>-143,338</b>	<b>-110,012</b>
<b>6. Net profit/loss from financial operations</b>	<b>769,790</b>	<b>1,286,718</b>	<b>2,043,265</b>
<b>7. Other operating income</b>	<b>823,917</b>	<b>162,534</b>	<b>204,634</b>
<b>8. Other operating expense</b>	<b>-253,530</b>	<b>-913,051</b>	<b>-613,854</b>
<b>9. Administrative expense</b>	<b>-5,970,875</b>	<b>-5,838,446</b>	<b>-4,499,200</b>
a) Staff costs	-2,707,995	-2,737,881	-2,285,329
aa) Wages and salaries	-1,968,431	-2,050,604	-1,688,733
ab) Social and health insurance	-739,564	-687,277	-596,596
b) Other administrative costs	-3,262,880	-3,100,565	-2,213,871
<b>10. Use of reserves and provisions for tangible and intangible fixed assets</b>	<b>1,938</b>	<b>1,493</b>	<b>4,078</b>
a) Use of reserves for tangible fixed assets	0	757	4,078
b) Use of provisions for tangible fixed assets	1,938	736	0
c) Use of provisions for intangible fixed assets	0	0	0
<b>11. Depreciation, creation of reserves and provisions for tangible and intangible fixed assets</b>	<b>-1,294,828</b>	<b>-1,490,389</b>	<b>-1,523,491</b>
a) Tangible fixed assets depreciation	-828,752	-1,103,724	-1,019,559
b) Creation of reserves for tangible fixed assets	0	-1,441	-5,970
c) Creation of provisions for tangible fixed assets	0	0	-209,000
d) Amortization of intangible fixed assets	-466,076	-385,224	-288,962
e) Creation of provisions for intangible fixed assets	0	0	0
<b>12. Use of provisions and reserves for receivables and guarantees, income from ceded receivables and income from receivables previously written-off</b>	<b>1,479,757</b>	<b>769,925</b>	<b>1,368,989</b>
a) Use of reserves and reserves for receivables and guarantees	168,329	0	0
b) Use of provisions and for receivables and receivables from guarantees	1,303,183	769,925	1,368,989
c) Profit from ceded receivables and income from written-off receivables	8,245	0	0



Item No.	2002 Accounting period	2001 Accounting period	2000 Accounting period
<b>13. Depreciation, creation of provisions and reserves for receivables and guarantees</b>	<b>-2,130,335</b>	<b>-1,482,100</b>	<b>-1,768,122</b>
a) Creation of provisions and reserves for receivables and receivables from guarantees	-1,720,618	-1,451,300	-1,733,411
b) Creation of reserves for guarantees	-30,000	-30,800	-34,711
c) Write-offs of receivables and receivables from payments resulting from guarantee losses from cessation of receivables	-379,717	0	0
<b>14. Use of provisions for participation interests with controlling and significant influence</b>	<b>102,280</b>	<b>273,500</b>	<b>1,645,361</b>
<b>15. Creation of provisions for participation interests with controlling and significant influence</b>	<b>0</b>	<b>-346,484</b>	<b>-2,090,649</b>
<b>16. Use of other reserves</b>	<b>402,061</b>	<b>4,611</b>	<b>1,152</b>
<b>17. Creation of other reserves</b>	<b>0</b>	<b>-406,270</b>	<b>-1,738,536</b>
<b>18. Use of other provisions</b>	<b>0</b>	<b>324,807</b>	<b>1,457,125</b>
<b>19. Creation of other provisions</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>20. Profit/loss for the accounting period from ordinary activities before tax</b>	<b>4,924,624</b>	<b>2,012,395</b>	<b>1,578,906</b>
<b>21. Extraordinary income</b>	<b>1,113,632</b>	<b>433,066</b>	<b>446,139</b>
<b>22. Extraordinary expense</b>	<b>-553,592</b>	<b>-282,207</b>	<b>-1,844,775</b>
<b>23. Profit/loss for the accounting period from extraordinary activities before tax</b>	<b>560,040</b>	<b>150,859</b>	<b>-1,398,636</b>
<b>24. Income tax</b>	<b>-1,075,000</b>	<b>-319,000</b>	<b>-757</b>
<b>25. Share in the profit/loss of subsidiaries and affiliated companies</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>26. Profit/loss for the accounting period after tax</b>	<b>4,409,663</b>	<b>1,844,254</b>	<b>179,513</b>